

## **SinoPac Holdings and Subsidiaries**

**Consolidated Financial Statements for the  
Six Months Ended June 30, 2003 and for the  
Period from May 9, 2002 (Date of Establishment) to  
June 30, 2002  
Together with Independent Auditors' Report**

Readers are advised that the original version of these financial statements is in Chinese. This English translation is solely for the readers' convenience and these financial statements do not include additional disclosures that are required for Chinese-language reports under the Criteria Governing the Preparation of Financial Reports of Financial Holding Companies, Criteria Governing the Preparation of Financial Reports of Securities Issuers, Criteria Governing the Preparation of Financial Reports by Securities Firms, Criteria Governing the Preparation of Financial Reports by Futures Commission Merchants promulgated by the Securities and Futures Commission of the Republic of China. If there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail.

**English Translation of a Report Originally Issued in Chinese**

**INDEPENDENT AUDITORS' REPORT**

August 7, 2003

The Board of Directors and Stockholders  
SinoPac Holdings

We have audited the accompanying consolidated balance sheets of SinoPac Holdings and subsidiaries as of June 30, 2003 and 2002, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the six months ended June 30, 2003 and for the period from May 9, 2002 (date of establishment) to June 30, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

Except disclosed in the third paragraph, we conducted our audits in accordance with Regulations for Audit of Financial Statements by Certified Public Accountants, Regulations for Audit of Financial Statements of Financial Institution by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

As stated in Note 11 to the consolidated financial statements, the carrying amounts of the long-term equity investments accounted for by the equity method as of June 30, 2003 and 2002 amounted to NT\$6,536,989 thousand and NT\$3,708,328 thousand, respectively, the related investment income for the six months ended June 30, 2003 and for the period from May 9, 2002 to June 30, 2002 amounted to NT\$285,220 thousand and NT\$120,450 thousand (of which \$23,430 thousand was stated as income from long-term equity investments for the period from May 9, 2002 to June 30, 2002 and \$97,020 thousand was stated as additional paid-in capital resulting from share swap as of May 9, 2002), and additional disclosure of the Company and part of its investees stated in Note 42 to the consolidated financial statements are based on the investees' unaudited financial statements.

In our opinion, except for the effects of such adjustments, if any, as might have been disclosed had we applied auditing procedures to the financial statements of the investees as explained in the preceding paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SinoPac Holdings and subsidiaries as of June 30, 2003 and 2002, and the results of its operations and its cash flows for the six months ended June 30, 2003 and for the period from May 9, 2002 to June 30, 2002, in conformity with Criteria Governing the Preparation of Financial Reports by Financial Holding Companies, Criteria Governing the Preparation of Financial Reports by Securities Issuers, Criteria Governing the Preparation of Financial Reports by Securities Firms, Criteria Governing the Preparation of Financial Reports by Futures Commission Merchants and accounting principles generally accepted in the Republic of China.

Deloitte & Touche  
(T N Soong & Co and Deloitte & Touche (Taiwan)  
Established Deloitte & Touche Effective June 1, 2003)  
Taipei, Taiwan  
The Republic of China

#### Notice to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

**English Translation of Financial Statements Originally Issued in Chinese**

**SINOPAC HOLDINGS AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**JUNE 30, 2003 AND 2002**

**(In Thousands of New Taiwan Dollars, Except Par Value)**

ASSETS	2003		2002		LIABILITIES AND STOCKHOLDERS' EQUITY	2003		2002	
	Amount	%	Amount	%		Amount	%	Amount	%
ASSETS					LIABILITIES				
Cash and cash equivalents (Note 4)	\$ 76,930,111	16	\$ 54,008,358	13	Short-term borrowings (Notes 14 and 31)	\$ 6,998,000	1	\$ 4,965,000	1
Due from banks	14,266,944	3	22,679,123	6	Commercial paper issued (Notes 15 and 31)	4,182,685	1	4,298,193	1
Due from Central Bank (Note 5)	9,958,878	2	9,461,956	2	Securities sold under agreements to repurchase (Notes 2, 16 and 30)	11,962,603	3	20,364,534	5
Securities purchased—net (Notes 2, 6 and 30)	49,128,868	11	41,932,535	10	Warrant liabilities—net (Notes 2 and 17)	110,710	-	47,166	-
Premiums paid for long options—nonhedging (Notes 2 and 38)	56,031	-	-	-	Premiums received from short options (Notes 2 and 38)	39,515	-	-	-
Accounts, interest and other receivables—net (Notes 2, 7 and 30)	28,472,007	6	23,350,751	6	Call loans and due to banks	69,403,712	15	52,004,014	13
Acceptances (Note 2)	1,389,293	-	751,985	-	Accounts, interest and other payables (Notes 18 and 30)	16,363,579	3	12,510,129	3
Operating securities—net (Notes 2, 8 and 31)	19,187,174	4	14,747,992	4	Acceptances payable	1,389,293	-	751,985	-
Securities purchased under agreements to resell (Notes 2, 9 and 30)	2,063,608	-	8,187,744	2	Deposits and remittances (Notes 19 and 30)	293,524,568	62	262,389,159	64
Prepayments and other (Notes 2, 27 and 30)	303,041	-	546,681	-	Bank debentures (Note 20)	13,246,120	3	5,000,000	2
Loans, discounts and bills purchased—net (Notes 2, 10 and 30)	243,350,970	52	205,732,813	50	Euro-convertible bonds (Notes 2 and 21)	8,318,023	2	-	-
Long-term investments (Notes 2 and 11)					Other liabilities (Notes 2, 27 and 28)	4,040,295	1	3,789,492	1
Equity method	7,097,376	1	5,347,338	1	Total liabilities	429,579,103	91	366,119,672	90
Other	2,537,814	1	1,878,144	1	STOCKHOLDERS' EQUITY				
Less: Unrealized loss	303,736	-	263,707	-	Capital stock, \$10 par value				
Long-term equity investments—net	9,331,454	2	6,961,775	2	Authorized—10,000,000,000 shares				
Long-term bond investments	-	-	223,022	-	Issued—3,748,126,974 shares in 2003 and 3,538,352,487 shares in 2002	37,481,270	8	35,383,525	9
Long-term investments—net	9,331,454	2	7,184,797	2	Reserve for capitalization	-	-	2,097,745	-
Properties (Notes 2, 12, 30 and 31)					Capital surplus	7,926,722	2	9,056,295	2
Cost					Retained earnings	1,898,425	-	416,465	-
Land	3,370,911	1	3,366,940	1	Equity adjustments				
Buildings	3,079,042	1	2,973,245	1	Unrealized loss on long-term equity investments	( 333,065)	-	( 324,396)	-
Computer equipment	2,403,941	1	2,196,453	1	Unrealized revaluation loss on long-term equity investments	( 29,591)	-	( 41,544)	-
Transportation equipment	57,128	-	57,294	-	Cumulative translation adjustment	304,251	-	197,352	-
Office and other equipment	2,233,412	-	2,046,101	-	Treasury stock—at cost: 250,202,766 shares in 2003 and 299,582,306 shares in 2002	( 3,245,573)	( 1)	( 3,952,268)	( 1)
Total cost	11,144,434	3	10,640,033	3	Total stockholders' equity	44,002,439	9	42,833,174	10
Less: Accumulated depreciation	3,351,687	1	2,894,531	1	CONTINGENCIES AND COMMITMENTS (Notes 2, 30, 32 and 38)				
	7,792,747	2	7,745,502	2					
Advances on acquisitions of equipment and construction in progress	266,544	-	214,190	-	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 473,581,542	100	\$ 408,952,846	100
Net properties	8,059,291	2	7,959,692	2					
Other assets (Notes 2, 13 and 31)	11,083,872	2	12,408,419	3					
TOTAL ASSETS	\$ 473,581,542	100	\$ 408,952,846	100					

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche report dated August 7, 2003)

**English Translation of Financial Statements Originally Issued in Chinese**

**SINOPAC HOLDINGS AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME  
FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND FOR THE PERIOD FROM  
MAY 9, 2002 (DATE OF ESTABLISHMENT) TO JUNE 30, 2002 (Note 1)  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>2003</b>		<b>2002</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>OPERATING REVENUES</b>				
Interest (Notes 2 and 10)	\$ 6,730,221	59	\$ 7,972,185	63
Stock affairs agent fees (Note 30)	56,508	-	52,254	-
Service fees (Notes 2, 24 and 30)	1,768,112	16	2,134,904	17
Gain on warrants issued (Note 2)	31,531	-	233,896	2
Commission and fees—futures (Note 30)	51,096	1	30,923	-
Income from securities—net (Notes 2 and 25)	2,257,191	20	1,651,575	13
Income from long-term equity investments under the equity method—net (Notes 2 and 11)	269,567	2	328,957	3
Other (Note 30)	<u>235,350</u>	<u>2</u>	<u>309,230</u>	<u>2</u>
Total operating revenues	<u>11,399,576</u>	<u>100</u>	<u>12,713,924</u>	<u>100</u>
<b>OPERATING COSTS AND EXPENSES</b>				
Interest (Notes 2 and 30)	3,343,954	30	4,271,021	34
Service charges (Note 30)	198,085	2	190,962	2
Loss from futures transactions (Notes 2 and 30)	39,270	-	2,316	-
Loss from long-term investments (Note 2)	10,517	-	-	-
Provision for credit and trading losses (Notes 2, 7 and 10)	925,909	8	699,063	5
Operating and administrative expenses (Notes 2, 26, 27 and 30)	4,572,243	40	4,435,889	35
Other	<u>108,839</u>	<u>1</u>	<u>28,683</u>	<u>-</u>
Total operating costs and expenses	<u>9,198,817</u>	<u>81</u>	<u>9,627,934</u>	<u>76</u>
<b>OPERATING INCOME</b>	2,200,759	19	3,085,990	24
<b>NONOPERATING INCOME AND GAINS (Note 30)</b>	106,712	1	78,166	1
<b>NONOPERATING EXPENSES AND LOSSES</b>	<u>131,107</u>	<u>1</u>	<u>72,078</u>	<u>1</u>
<b>INCOME BEFORE INCOME TAX</b>	2,176,364	19	3,092,078	24
<b>INCOME TAX (Notes 2 and 28)</b>	<u>468,397</u>	<u>4</u>	<u>713,997</u>	<u>6</u>
<b>NET INCOME FOR THE SIX MONTHS ENDED JUNE 30</b>	1,707,967	15	2,378,081	18
<b>MINORITY INTEREST INCOME</b>	-	-	( 692)	-
<b>NET INCOME FROM SUBSIDIARIES FOR THE PERIOD FROM JANUARY 1, 2002 TO MAY 8, 2002</b>	<u>-</u>	<u>-</u>	<u>( 1,952,668)</u>	<u>( 15)</u>
<b>CONSOLIDATED NET INCOME</b>	<u>\$ 1,707,967</u>	<u>15</u>	<u>\$ 424,721</u>	<u>3</u>

(Continued)

**English Translation of Financial Statements Originally Issued in Chinese**

	<u>2003</u>		<u>2002</u>	
	<u>Pretax</u>	<u>After Tax</u>	<u>Pretax</u>	<u>After Tax</u>
EARNINGS PER SHARE (Note 29)				
Basic earnings per share	<u>\$ 0.62</u>	<u>\$ 0.49</u>	<u>\$ 0.33</u>	<u>\$ 0.12</u>
Diluted earnings per share	<u>\$ 0.60</u>	<u>\$ 0.48</u>	<u>\$ 0.33</u>	<u>\$ 0.12</u>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche report dated August 7, 2003)

(Concluded)

SINOPAC HOLDINGS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND FOR THE PERIOD FROM MAY 9, 2002 (DATE OF ESTABLISHMENT) TO JUNE 30, 2002 (Note 1)  
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Capital Stock (Note 22)		Reserve for Capitalization	Capital Surplus (Notes 2 and 22)			Retained Earnings (Note 22)				Unrealized Loss on Long-term Equity Investments (Notes 2 and 11)	Unrealized Revaluation Loss on Long-term Equity Investments (Notes 2 and 11)	Cumulative Translation Adjustment (Notes 2 and 11)	Treasury Stock (Notes 2 and 23)	Total Stockholders' Equity	
	Shares	Amount		Additional paid-in capital	Treasury stock	Other	Total	Legal reserve	Special reserve	Unappropriated						Total
BALANCE, JANUARY 1, 2003	3,748,126,974	\$37,481,270	\$ -	\$ 9,054,616	\$ 11,663	\$ 1,679	\$ 9,067,958	\$ -	\$ -	\$ 1,531,273	\$ 1,531,273	(\$ 321,429)	(\$ 40,695)	\$ 324,552	(\$ 3,245,570)	\$ 44,797,359
Appropriation of earnings from May 9, 2002 to December 31, 2002	-	-	-	-	-	-	-	153,127	-	( 153,127)	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	37,573	( 37,573)	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	( 54,000)	( 54,000)	-	-	-	( 54,000)	-
Bonus to employees	-	-	-	-	-	-	-	-	-	( 13,406)	( 13,406)	-	-	-	( 13,406)	-
Cash dividends—\$0.65 per share	-	-	-	( 1,141,236)	-	-	( 1,141,236)	-	-	( 1,273,167)	( 1,273,167)	-	-	-	( 2,414,403)	-
Net income for the six months ended June 30, 2003	-	-	-	-	-	-	-	-	-	1,707,967	1,707,967	-	-	-	-	1,707,967
Difference adjustment between the equity in net assets for the investments and the book value from subsidiaries	-	-	-	-	-	-	-	-	-	( 242)	( 242)	-	-	-	( 242)	-
Unrealized loss on long-term equity investments recognized from subsidiaries	-	-	-	-	-	-	-	-	-	-	-	( 11,636)	-	-	( 11,636)	-
Unrealized revaluation loss on long-term equity investments recognized from investees	-	-	-	-	-	-	-	-	-	-	-	-	11,104	-	-	11,104
Change in cumulative translation adjustment on long-term equity investments recognized from subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	( 20,301)	( 20,301)	-
Treasury stock recorded on the subsidiary's securities account	-	-	-	-	-	-	-	-	-	-	-	-	-	( 3)	( 3)	-
BALANCE, JUNE 30, 2003	<u>3,748,126,974</u>	<u>\$37,481,270</u>	<u>\$ -</u>	<u>\$ 7,913,380</u>	<u>\$ 11,663</u>	<u>\$ 1,679</u>	<u>\$ 7,926,722</u>	<u>\$ 153,127</u>	<u>\$ 37,573</u>	<u>\$ 1,707,725</u>	<u>\$ 1,898,425</u>	<u>(\$ 333,065)</u>	<u>(\$ 29,591)</u>	<u>\$ 304,251</u>	<u>(\$ 3,245,573)</u>	<u>\$ 44,002,439</u>
BALANCE, MAY 9, 2002	3,538,352,487	\$35,383,525	\$ -	\$ 11,154,040	\$ -	\$ -	\$ 11,154,040	\$ -	\$ -	\$ -	\$ -	(\$ 325,922)	(\$ 35,746)	\$ 393,669	(\$ 3,952,268)	\$ 42,617,298
Stock dividends - \$0.6093 per share	-	-	2,097,745	( 2,097,745)	-	-	( 2,097,745)	-	-	-	-	-	-	-	-	-
Net income for the period from May 9, 2002 to June 30, 2002	-	-	-	-	-	-	-	-	-	424,721	424,721	-	-	-	-	424,721
Difference adjustment between the equity in net assets for the investments and the book value from subsidiaries	-	-	-	-	-	-	-	-	-	( 8,256)	( 8,256)	-	-	-	( 8,256)	-
Unrealized loss on long-term equity investments recognized from subsidiaries	-	-	-	-	-	-	-	-	-	-	-	1,526	-	-	1,526	-
Unrealized revaluation loss on long-term equity investments recognized from investees	-	-	-	-	-	-	-	-	-	-	-	-	( 5,798)	-	( 5,798)	-
Change in cumulative translation adjustment on long-term equity investments recognized from subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	( 196,317)	( 196,317)	-
BALANCE, JUNE 30, 2002	<u>3,538,352,487</u>	<u>\$35,383,525</u>	<u>\$ 2,097,745</u>	<u>\$ 9,056,295</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,056,295</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 416,465</u>	<u>\$ 416,465</u>	<u>(\$ 324,396)</u>	<u>(\$ 41,544)</u>	<u>\$ 197,352</u>	<u>(\$ 3,952,268)</u>	<u>\$ 42,833,174</u>

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche report dated August 7, 2003)

**English Translation of Financial Statements Originally Issued in Chinese**

**SINOPAC HOLDINGS AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND FOR THE PERIOD FROM MAY 9, 2002  
(DATE OF ESTABLISHMENT) TO JUNE 30, 2002 (Note 1)  
(In Thousands of New Taiwan Dollars)**

	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Consolidated net income	\$ 1,707,967	\$ 424,721
Net income from subsidiaries for the period from January 1, 2002 to May 8, 2002	-	1,952,668
Minority interest income	-	692
Consolidated net income for the six months ended June 30	1,707,967	2,378,081
Adjustments to reconcile net income to net cash used in operating activities		
Depreciation and amortization	461,748	441,664
Accrued interest-premium on Euro-Convertible Bonds	157,724	-
Provision for credit and trading losses	925,909	699,063
Provision for decline in market value of securities purchased	-	19,903
Provision for (reversal of) decline in market value of operating securities	( 7,881 )	62,636
Estimated unsettled lawsuit loss	5,000	-
Realized loss on long-term equity investments	21,940	527
Loss on disposal of properties—net	34,044	12,335
Income from long-term equity investments under the equity method—net	( 269,567 )	( 328,957 )
Cash dividends received from long-term equity investments under the equity method	-	26,165
Loss (gain) on sale of long-term equity investments	( 11,423 )	( 5,171 )
Gain on warrants issued—net	( 31,531 )	( 233,896 )
Accrued pension cost	89,665	79,619
Increase in prepaid pension cost	( 16,369 )	( 13,594 )
Deferred income taxes	138,249	39,829
Increase in securities purchased—for trading purposes	( 6,591,725 )	( 6,976,714 )
Increase in operating securities	( 2,142,084 )	( 1,855,715 )
Decrease (increase) in securities purchased under agreements to resell	( 541,484 )	301,402
Increase in accounts, interest and other receivables	( 1,703,831 )	( 1,548,655 )
Decrease (increase) in prepayments and other	11,554	( 104,133 )
Increase (decrease) in securities sold under agreements to repurchase	( 2,109,666 )	2,356,104
Increase in warrant liabilities—net	105,637	138,434
Increase in accounts, interest and other payables	923,859	847,992
Other	( 9,083 )	( 9,264 )
Net cash used in operating activities	( 8,851,348 )	( 3,672,345 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in due from banks	( 2,963,253 )	18,330,130
Decrease (increase) in due from Central Bank	1,053,078	( 2,264,273 )
Increase in securities purchased—for investing purposes	( 7,189,347 )	( 1,758,503 )
Increase in loans, discounts and bills purchased	( 19,182,650 )	( 14,119,084 )
Acquisition of properties	( 442,845 )	( 329,118 )
Increase in long-term equity investments	( 1,659,051 )	( 265,707 )

(Continued)

**English Translation of Financial Statements Originally Issued in Chinese**

	<u>2003</u>	<u>2002</u>
Decrease (increase) in long-term bond investments	\$ 346,309	(\$ 223,022)
Proceeds from sales of long-term equity investments	84,059	19,251
Proceeds from sale of properties	1,502	33,202
Increase in other assets	( 2,083,369 )	( 942,918 )
Net cash used in investing activities	( 32,035,567 )	( 1,520,042 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	2,940,000	2,705,000
Increase in commercial paper issued	1,564,706	2,449,949
Increase in call loans and due to banks	14,155,519	24,752,595
Increase in deposits and remittances	25,319,899	12,877,936
Repayment of long-term loans	( 1,000,000 )	( 1,956,660 )
Increase in bank debentures	6,246,120	-
Increase in other liabilities	448,606	975,048
Remuneration paid to directors and supervisors and bonus to employees	( 70,017 )	( 317,112 )
Proceeds from reissuance of treasury stock to employees	-	74,125
Net cash provided by financing activities	<u>49,604,833</u>	<u>41,560,881</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	8,717,918	36,368,494
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>68,212,193</u>	<u>17,639,864</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$76,930,111</u>	<u>\$54,008,358</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid	<u>\$ 3,348,367</u>	<u>\$ 4,823,561</u>
Income tax paid	<u>\$ 386,345</u>	<u>\$ 311,671</u>
<b>NON-CASH FINANCING ACTIVITIES</b>		
Payables on remuneration to directors and supervisors and bonus to employees	<u>\$ 118,789</u>	<u>\$ 858</u>
Payables on cash dividends	<u>\$ 2,273,650</u>	<u>\$ -</u>
Reissuance of treasury stock to employees, with payment received in prior year	<u>\$ -</u>	<u>\$ 175,808</u>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche report dated August 7, 2003)

(Concluded)

**SINOPAC HOLDINGS AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(In Thousands of New Taiwan Dollars, Unless Otherwise Stated)**

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**1. ORGANIZATION AND OPERATIONS**

SinoPac Holdings (the Company) was formed pursuant to the Financial Holding Company Act and other related regulations on May 9, 2002. Following the incorporation, the Company issued stocks to swap for the shares of Bank SinoPac, National Securities Corporation (NSC), and SinoPac Securities Co., Ltd. (SPS), at ratios of 1:1.0267130836, 1:1.0098971566 and 1:0.7968960296, respectively, resulting in all three companies becoming wholly-owned subsidiaries of the Company. The shares of Bank SinoPac and NSC then ceased trading on the Taiwan Stock Exchange (TSE) and GreTai Securities Market (OTC), respectively, while SinoPac Holdings became listed on the TSE.

On July 22, 2002, SPS was merged into NSC with the latter as surviving entity pursuant to resolutions reached by the Boards of both companies. The swap ratio is 1.2672884782 shares of SPS's stock for each share of NSC's common stock, and the merged company was immediately renamed to SinoPac Securities Corporation (SinoPac Securities).

The Company engages in the business of investing and managing of the financial related institutions. As of June 30, 2003 and 2002, the Company had a total of 45 and 30 employees, respectively.

Bank SinoPac obtained government approval to incorporate on August 8, 1991 and started operations on January 28, 1992. The Bank is engaged in commercial banking, trust, and foreign exchange operations as prescribed by the Banking Law. As of June 30, 2003 and 2002, Bank SinoPac had a total of 2,089 and 1,727 employees, respectively.

As of June 30, 2003, Bank SinoPac's operating units include Banking, Trust, International Division of the Head Office, an Offshore Banking Unit (OBU), 42 domestic branches, 2 overseas branches and 1 overseas representative office.

The operations of Bank SinoPac's Trust Department consist of: (1) planning, managing and operating of trust business; and (2) custody of non-discretionary trust fund in domestic and overseas securities and mutual funds. These operations are regulated under the Banking Law and the Trust Law.

On August 15, 1997, Bank SinoPac acquired Far East National Bank (FENB), through SinoPac Bancorp, by purchase of 100% of its shares. FENB was established in Los Angeles in 1974. It is a commercial bank engaged mainly in deposit taking and lending businesses. As of June 30, 2003, FENB had 15 branches in Los Angeles and San Francisco areas and one Beijing representative office. It also has 5 wholly-owned subsidiaries—Far East Capital Corporation, FENB Securities Inc., FENB Loan Corp., FENB Film Corp., and FENB Services Inc. As of June 30, 2003 and 2002, SinoPac Bancorp and its subsidiary FENB had a total of 367 and 328 employees, respectively.

SinoPac Securities was established on October 11, 1988 and started operations on November 8, 1988. It engages in transactions involving marketable securities such as: (a) underwriting, dealing (securities and futures) and brokerage, (b) financing customers' acquisition and short-sales, (c) trading foreign securities on behalf of customers, and (d) assistance activities in futures trading. As of June 30, 2003, the SinoPac Securities has 48 branches in operation. As of June 30, 2003 and 2002, SinoPac Securities had a total of 1,935 and 1,964 employees, respectively.

SinoPac Life Insurance Agent Co., Ltd. (SinoPac Life Insurance Agent) and SinoPac Property Insurance Agent Co., Ltd. (SinoPac Property Insurance Agent) obtained government approval to incorporate and commenced operations on July 25, 2000 and July 24, 2000, respectively. These two companies are mainly engaged in life and property insurance agency. As of June 30, 2003 and 2002, SinoPac Life Insurance Agent had a total of 17 and 10 employees, respectively, while SinoPac Property Insurance Agent had 1 employee during the respective periods.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Company's significant accounting policies, which conform to the Criteria Governing the Preparation of Financial Reports of Financial Holding Companies, Criteria Governing the Preparation of Financial Reports of Securities Issuers, Criteria Governing the Preparation of Financial Reports of Securities Firms, Criteria Governing the Preparation of Financial Reports of Futures Commission Merchants and accounting principles generally accepted in the Republic of China (ROC), are summarized below:

### **Consolidation**

The consolidated financial statements include the accounts of the SinoPac Holdings, Bank SinoPac, as consolidated with SinoPac Bancorp and its subsidiary FENB, SinoPac Securities, SinoPac Life Insurance Agent and SinoPac Property Insurance Agent (the Company, thereafter). All significant inter-company transactions and balances have been eliminated for the consolidation purpose.

The operating revenues and total assets of the other investees—SinoPac Venture Capital Co., Ltd. (SinoPac Venture Capital), SinoPac Call Center Co., Ltd. (SinoPac Call Center), SinoPac Asset Management International (SinoPac Asset Management), SinoPac Marketing Consulting Co., Ltd. (SinoPac Marketing Consulting), SinoPac Leasing Corporation (SPL), SinoPac Capital Limited, SinoPac Financial Consulting Co., Ltd., SinoPac Futures Corp., SinoPac Securities (Cayman) Holdings Ltd., SinoPac Capital Management Corp. and SinoPac Asset Management Corp. (B.V.I.)—are individually less than 10%, and are in aggregate less than 30%, of those of the Company. Accordingly, their accounts were not included in consolidated financial statements.

The Company's two subsidiaries—SinoPac Life Insurance Agent and SinoPac Property Insurance Agent were "Insurance Subsidiaries" as promulgated in the Financial Holding Company Act. Accordingly, the Criteria requires these two subsidiaries to be treated as the consolidated entities, despite that their total assets and operating revenues were less than 10% of those of the Company, respectively.

Since the consolidated entities have been changed, consolidated financial statements for the period from May 9, 2002 to June 30, 2002 have been restated to conform to the financial statements presentation for the six months ended June 30, 2003. The impact on restatement of consolidated financial statements for the period from May 9, 2002 to June 30, 2002 is insignificant.

### **Distinctions Between Current and Non-current Assets and Liabilities**

Since the operating cycle could not be reasonably identified in the banking industry, accounts included in the financial statements of Bank SinoPac as consolidated with SinoPac Bancorp and its subsidiary, FENB, are not classified as current or non-current. Notwithstanding these accounts are properly categorized according to the nature of each account and sequenced by their liquidity. Please refer to Note 37 for maturity analysis of assets and liabilities.

Except for stated in the proceeding paragraph, assets which are expected to be converted into cash within one year are classified as current assets; others are classified as noncurrent assets. Obligations which are expected to be liquidated within one year are classified as current liabilities; others are classified as noncurrent liabilities.

As the banking industry accounts for a large proportion in the consolidation, accounts in the consolidated financial statements are categorized according to the nature of each account, and sequenced by their liquidity rather than classified as current or noncurrent assets/liabilities.

### **Securities Purchased**

Securities purchased include short-term bills, stocks, beneficiary certificates, treasury bills and bonds.

Short-term bills are stated at cost (which approximates market value). Cost of short-term bills sold is determined using the specific identification method. Stocks, beneficiary certificates and bonds are stated at the lower of cost or market. Cost of securities sold other than short-term bills is determined using the moving-average method except SinoPac Securities uses weighed-average method. Market prices are determined as follows: (a) listed stocks—average daily closing prices for the last month of the accounting period; (b) beneficiary certificates (open-end fund)—net asset values as of the balance sheet dates; (c) over-the-counter stocks—average daily closing prices for the last month of the accounting period, published by the OTC; and (d) bonds—period-end reference prices published by the OTC.

Under the accounting principles generally accepted in the ROC, for applying the lower of cost or market method, the SinoPac Holdings' shares held by Bank SinoPac should be evaluated separately from the other listed and over-the-counter stocks held by Bank SinoPac.

### **Operating Securities**

Stocks—except for Emerging Stocks—held by SinoPac Securities Dealing and Underwriting departments are stated at the lower of aggregate cost or market value. Emerging Stocks are stated at cost. The aggregate market value of the stocks, except that of Emerging Stocks, is based on the closing price on the balance sheet date. The cost of stocks sold is determined by the moving-average method.

Bonds are stated at the lower of cost or market value. The market value is based on the reference price on the balance sheet date published by the OTC. The cost of bonds sold is determined by the moving-average method.

Allowance for loss is provided for the total cost of the securities in excess of their market value. Any recovery of the market values of the securities to the extent of their original carrying values is recognized as income. The allowance is adjusted when the market value subsequently recovers.

SinoPac Securities is the participating dealer in the exchange traded fund (ETF) market. When SinoPac Securities exchanges the component stocks for an ETF (or vice versa), it recognizes the disposal gains or losses of the exchanged—out assets at fair market value and takes the market value as book value of the exchanged—in assets.

### **Warrant Liabilities and Operating Securities—Hedging**

The amount received for the issuance of warrants is presented as “warrant liabilities”. The amount paid for the repurchase of warrants issued is presented as “repurchase of warrants issued”, a contra-account of “warrant liabilities”. Warrant liabilities and warrants repurchased are marked to market. The gains/losses, presented as “gains/losses on warrants issued”, is recognized for the difference between the carrying value and the market values of both the warrant liabilities and warrants repurchased. However, the loss on revaluation of warrant liabilities is deferred to the extent of the unrealized gain on the related hedge securities, while the loss on revaluation of warrant liabilities in excess of the unrealized gain on hedge securities is charged to current income. The repurchase cost of warrants issued is calculated using the moving-average method, with related gains or losses accounted for as “gains/losses on warrants issued”.

Securities held as hedges for warrants issued are stated at purchase cost. Securities held before and then transferred to hedge position are stated at the lower of cost, which is the book value of the transferred securities, or market value. These securities are stated at the lower of cost or market value based on individual warrants issued. The loss on decline in market value of such securities is charged to current income.

### **Securities Purchased or Sold Under Agreements to Resell or to Repurchase**

Except for Bank SinoPac and its subsidiaries, sales or purchases of bonds under agreements to repurchase or resell for the Company are stated at cost. The difference between the original purchase cost (or sale price) and the contracted resale (or repurchase) amount is recognized as interest income (or interest expense).

For Bank SinoPac and its subsidiaries, securities sold or purchased under agreements to repurchase or to resell are treated as outright sales or purchases under a directive issued by Ministry of Finance (the “MOF”).

### **Margin Loans and Stock Loans**

Margin loans pertain to the provision of funds to customers for them to buy securities. Margin loans receivable represents the amount given to customers. The securities bought by customers are used to secure these loans and are recorded through memo entries as “collateral securities”. The collateral securities are returned when the loans are repaid.

The refinancing of margin loans with securities finance companies are recorded as “refinancing borrowings”, which are collateralized by securities bought by customers.

The collateral securities are disposed of by SinoPac Securities when their market value fall below a pre-agreed level and the customer fails to maintain to such level. If the proceeds from the disposal of collateral security cannot cover the balance of the loan and the customer cannot timely settle the deficiency, the balance of the margin loan is reclassified under “overdue receivables”. If a collateral security cannot be sold in the open market, the balance of the loan is reclassified under “other receivables” or “overdue receivables”, with the appropriate allowance for bad debt recognized on the basis of the estimated amount collectible.

Stock loans represent securities lent to customers for short sales. The deposits received from customers on securities lent are credited to “deposits on short sales”. The securities sold short are recorded through memo entries as “stock loans”. The proceeds from sales of securities lent to customers less any dealer's commission, financing charges and securities exchange tax are recorded under “short sales proceeds payable”. When the customers return the stock certificates to SinoPac Securities, SinoPac Securities gives back to customers the deposits received and the proceeds from sales of securities.

The margin deposited by securities firms to securities finance companies are recorded as “loan from refinancing margin”. The refinancing securities delivered to SinoPac Securities are recorded through memo entries as “refinancing stock loans”. A portion of the proceeds from the short-sale of securities borrowed from securities finance companies is retained by the securities finance companies as collateral and is recorded as “refinancing deposits receivable”.

### **Nonperforming Loans**

Under guidelines issued by the MOF, the balance of loans and other credits extended by Bank SinoPac and the related accrued interest thereon are classified as nonperforming when the loan is six months overdue. In addition, upon approval by the board of directors, those loans which are less than six months overdue will also be classified as nonperforming.

## **Allowance for Credit Losses and Provision for Losses on Guarantees**

In determining the allowance for credit losses and provision for losses on guarantees, Bank SinoPac assesses the collectibility on the balances of loans, discounts and bills purchased, accounts, interest and other receivables, and nonperforming loans, as well as guarantees and acceptances as of the balance sheet date.

Pursuant to “The Rules of Bank Asset Evaluation, Loss Reserve Provision, and Disposal of Overdue Loans and Bad Debts” (the Rules) issued by the MOF, Bank SinoPac evaluates credit losses on the basis of its borrowers’/clients’ financial positions, Bank SinoPac’s prior experiences, repayment for principal and interest by borrowers/clients, collateral provided, and estimated collectibility.

Bank SinoPac assesses losses on particular loans in accordance with the Rules stated above. The Rules provide that the minimum provision for credit losses should not be less than the aggregate of 50% of the doubtful credits and 100% of the unrecoverable credits.

Write-offs of loans falling under the MOF guidelines, upon approval by the board of directors of Bank SinoPac, are offset against the recorded allowance for credit losses.

For SinoPac Securities, allowance for bad debts is provided on the basis of a review of the collectibility of notes and accounts receivables, other receivables and accounts receivables. After providing such allowance, SinoPac Securities provides additional amount which is equal to 3% of the value-added tax paid as bad-debt reserve in accordance with the regulations.

## **Long-term Equity Investments**

Under a directive issued by the Accounting Research and Development Foundation of ROC, a financial holding company should treat the investees’ net worth as additional paid in capital if the holding company is incorporated through shares swap. The stock issued by the holding company is accounted for as capital stock, while the excess of the par value is accounted for as additional paid-in capital.

Long-term equity investments are accounted for by the equity method if the Company has significant influence over the investees. Under this method, investments are stated at cost, plus (or minus) a proportionate share in net earnings (losses) or changes in the investees’ net worth. Cash dividends received are accounted for as reduction in the carrying amount of the investments. On the acquisition date, any difference between the acquisition cost and the equity in the investee is amortized over 15 years by Bank SinoPac and 5 years by SinoPac Securities, respectively. Long-term equity investments are accounted for by the cost method if the Company does not have significant influence over the investees. Stock dividends result only in an increase in number of shares and are not recognized as investment income.

If an investee issues new shares and the Company does not purchase new shares proportionately, then the investment percentage, and the equity in net assets for the investee will be changed. Such difference will be used to adjust the additional paid-in capital and the long-term equity investment. If the carrying value of additional paid-in capital from long-term equity investment is not enough to be offset, then the difference will be debited to the retained earnings.

For listed and over-the-counter stocks accounted for by the cost method, when the aggregate market value is lower than the total carrying amount, an allowance for market value decline is provided and the unrealized loss is charged against stockholders’ equity. If a decline in the value of an unlisted stock investment is considered a permanent loss, the decline is charged to current income.

Cost of equity investment sold is determined by the weighted-average method.

## **Properties**

Properties are stated at cost less accumulated depreciation. Cost of major renovation and improvements are capitalized, while repairs and maintenance are expensed when incurred.

Upon sale or disposal of properties, their cost and related accumulated depreciation are removed from the respective accounts. Any resulting gain or loss is accounted for in the current period.

Depreciation computed using the straight-line method over service lives estimated as follows: buildings, 8 to 60 years; computer equipment, 3 to 5 years; transportation equipment, 5 years; office and other equipment, 2 to 15 years. For assets still in use beyond their original service lives, depreciation is calculated over newly estimated useful lives.

## **Amortization of Issuance Costs of Euro-convertible Bonds**

The direct and necessary costs related to the issuing of Euro-convertible bonds (included in other assets) are amortized by the straight-line method and recognized as issuance expenses (included in operating and administrative expenses) over the period from its issuance date to the expiration date of the put option.

## **Intangible Assets**

Intangible assets (included in other assets), mainly comprised of goodwill recognized by SinoPac Bancorp as acquiring Far East National Bank, are amortized on the straight-line basis over 15 years.

## **Deferred Charges**

Deferred charges of SinoPac Securities (included in other assets), which include amounts paid for acquiring operating rights, and computer software as well as network construction and decoration or renovations, are capitalized and amortized over 5 years.

## **Collateral Assumed**

Collateral assumed are recorded at cost (included in other assets) and evaluated at the lower of cost or net realizable value as of the balance sheet dates.

## **Properties Held for Lease**

These properties are depreciated using the straight-line method over service lives of 50 years to 55 years.

## **Interest Premium**

Euro-convertible bonds with put option can be redeemed according to the offering terms. If the bonds are to be redeemed at their principal amount plus interest premium on final redemption, the interest premium should be accrued over the life of bonds as expenses, and recorded as an adjunctive account of liability in the balance sheet.

## **Securities Brokerage Accounts**

These accounts pertain to open brokerage transactions. Under the Criteria Governing the Preparation of Financial Reports by Securities Firms, the following unsettled brokerage transactions are recorded as: (i) debit accounts (such as cash in bank—settlement, accounts receivable—customers' purchases, net exchange clearing receivable, margin transaction, and accounts receivable—settlement) and (ii) credit accounts (such as accounts payable—customers' sales, net exchange clearing payable, margin transaction, and accounts payable—settlement). These transactions are presented in the financial statements at net amounts.

## **Reserve for Default Accounts**

As required by the Rules Governing Securities Firms, for securities traded for customers' accounts, SinoPac Securities should allocate monthly 0.0028% of the transaction price of the traded securities as a reserve for default accounts. When the accumulated reserve for default accounts reaches \$200,000, allocation will be suspended. This reserve should be used only for covering the losses caused by breach of contracts for trading on customers' accounts or for other purposes approved by the Securities and Futures Commission (SFC).

## **Reserve for Trading Losses**

An amount equivalent to 10% of the net gain from sale of securities and futures is recognized monthly as reserve for trading losses under the Rules Governing Securities Firms and Rules Governing Futures Commission Merchants. This reserve is recognized until its accumulated balance reaches \$200,000. This reserve can be used only to offset actual loss from securities and futures dealings.

## **Derivative Financial Instruments**

### a. Foreign exchange forward contracts

Foreign-currency assets and liabilities arising from forward exchange contracts, which are mainly for accommodating customers' needs or managing the Company's currency positions, are recorded at the contracted forward rates. Gains or losses arising from the differences between the contracted forward rates and spot rates on settlement are credited or charged to current income. For contracts outstanding as of the balance sheet dates, the gains or losses arising from the differences between the contracted forward rates and the forward rates available for the remaining maturities of the contracts are credited or charged to current income. Receivables arising from forward exchange contracts are offset against related payables as of the balance sheet dates.

### b. Forward rate agreements

Forward rate agreements, which are mainly for accommodating customers' needs or managing the Company's interest rate positions, are recorded by memorandum entries at the contract dates. Gains or losses arising from the differences between the contracted interest rates and actual interest rates upon settlement or as of the balance sheet dates are credited or charged to current income.

### c. Currency swap contracts

Foreign-currency spot-position assets or liabilities arising from currency swap contracts, which are mainly for accommodating customers' needs or managing the Company's currency positions, are recorded at spot rates when the transactions occur; while the corresponding forward-position assets or liabilities are recorded at the contracted forward rates, with receivables netted against the related payables.

The related discount or premium is amortized by the straight-line basis over the contract period.

### d. Cross-currency swaps

For cross-currency swap contracts intended for hedging purposes, the principal amounts are recorded using spot rates at the contract dates. The net interest upon each settlement is recorded as an adjustment to interest revenue or expense associated with the item being hedged.

e. Options

For Bank SinoPac, options bought and/or held and options written, which are mainly for accommodating customers' needs or managing Bank SinoPac's currency positions, are recorded as assets and liabilities when the transactions occur. These instruments are marked to market as of the balance sheet dates. The carrying amounts of the instruments, which are recovered either as assets or liabilities, are charged to income when they are not exercised. Gains or losses on the exercise of options are also included in current income.

For SinoPac Securities, premiums received from short options or paid for long options for trading purposes are recognized as liabilities and assets, respectively. The margin deposited for short options is recognized as margin deposits—options. Gains or losses arising from daily marking to market of the carrying amounts of the options, from taking opposite trade positions, and from settlement of options are recognized as realized or unrealized gains or losses from options transactions—nonhedging.

f. Interest rate swaps

For Bank SinoPac, interest rate swaps, which do not involve exchanges of the notional principals, are not recognized as either assets and/or liabilities on the contract dates. The swaps are entered into for accommodating customers' needs or managing the Company's interest rate positions. The interest received or paid at each settlement date is recognized as interest revenue or expense. These instruments are marked to market as of the balance sheet dates. For swaps entered into for hedging purposes, the net interest on each settlement is recorded as an adjustment to interest revenue or expense associated with the item being hedged.

For SinoPac Securities, interest rate swap contracts are recognized through memo entries on the contract dates. Interest rate swap contracts are recognized through memo entries on the contract starting date. The fair value of the contracts is presented as derivative financial assets and liabilities—OTC and is written off on the settlement date. On balance sheet date, outstanding contracts are marked to market, and the change in fair value is recognized as gain or loss.

g. Asset swaps

Asset swaps involve exchanging the fixed interest of convertible bonds or fixed rate notes for floating interest. In addition, asset swaps involve exchanging the fixed or floating interest of credit link notes for floating or fixed interest. These transactions are recorded by memorandum entries at the contract dates. Asset swaps are entered into for hedging purposes; they are used to hedge interest rate exposure in convertible bonds, fixed rate notes and credit link notes denominated in foreign currency. Net interest on each settlement or balance sheet date is recorded as an adjustment to interest revenue or expense associated with the bonds or notes being hedged.

SinoPac Securities' convertible bond swap transactions have three types: fixed income, short call options and combination of both types.

In a fixed income transaction, instruments used are a convertible bond sold outright plus an interest rate swap contract and a long call option on the convertible bond. The notional amount of the swap contract is recognized through a memo entry. The accounting treatment for a convertible bond sold outright is the same as that for operating securities. The Fair value of the interest rate swap contract and the premium paid for a long call option are both recognized as derivative financial assets (liabilities)—OTC and are marked to market. Gains or losses from changes in fair value are recognized in the current period.

For short call options, the notional amount is recognized through a memo entry on the transaction date, and the premium received is recognized as derivative financial liabilities—OTC. On the balance sheet date, outstanding option contracts are marked to market, and the resulting gains or losses are recognized in the current period.

#### h. Futures

Margin deposits paid by Bank SinoPac for interest rate futures contracts entered into for trading purposes are recognized as assets. Gains or losses resulting from marking to market and from the settlement of the interest rate futures contracts are recognized as current income.

For SinoPac Securities, initial margin on futures contracts and margin deposits maintained to reflect the fluctuation of market price of futures contracts are recognized as margin deposits—futures. Gains or losses arising from daily marking to market of the carrying amounts of the futures contracts, from taking opposite trade positions, and from settlement of futures contracts are recognized as realized or unrealized gains or losses from either futures transactions—hedging or futures transactions—nonhedging depending on the transaction purpose.

### **Recognition of Interest Revenue and Service Fees**

Interest revenue is recorded using the accrual method. However, no interest revenue is recognized in the accompanying financial statements on loans and other credits extended by Bank SinoPac that are classified as nonperforming loans. The interest revenue on those loans/credits is recognized upon collection. Under the regulations of the MOF, interest revenue on credits which agreements have been reached to extend their maturities is recognized upon collection. Service fees are recorded as revenue upon receipt and substantial completion of activities involved in the earnings process.

Dividend income from investing in cumulative and nonparticipating preferred stocks by SinoPac Holdings is accrued according to the related offering terms.

For SinoPac Securities, revenues from rendering services, such as brokerage and underwriting commissions and fees, stock affairs agent fees and futures commissions and fees, etc., are recognized according to the stage of completion as of the balance sheet dates. Interest income is accrued on a time basis by referring to the principal outstanding and the effective interest rate. Dividend income from equity securities is recognized on ex-dividend dates or the stockholders' resolved dates.

### **Pension**

Pension expense (including retirement and severance benefits cost, the “pension expense” thereon) is determined based on actuarial calculations except for FENB.

### **Treasury Stock**

Capital share acquired as treasury stock is carried at cost and presented as a separate deduction from stockholders' equity. When the treasury stock is re-issued to the employees, the difference between the reissue price and acquisition cost will be credited or charged to “additional paid-in capital surplus—treasury stock”, and the retained earnings if there is deficiency.

Under a directive of the SFC, treasury stock originally owned by a financial institution that later becomes a subsidiary of a financial holding company through a share swap, should continue to be treated as treasury stock in the subsidiary's books after the swap. But if the subsidiary owns shares of another subsidiary under the same financial holding company, and the shares are later exchanged for the parent company's shares, these shares should be treated as investments in subsidiary's books, but as treasury stock in parent company's books starting December 31, 2002.

## **Income Tax**

Inter-period income tax allocation is applied, whereby tax effects of deductible temporary differences and unused investment tax credits are recognized as deferred income tax assets, and those of taxable temporary differences are recognized as deferred income tax liabilities. Valuation allowance is provided for deferred income tax assets that are not certain to be realized.

Except for Bank SinoPac as consolidated with SinoPac Bancorp and its subsidiary FENB, deferred income tax assets and liabilities are classified as current or noncurrent based on the classification of the related assets or liabilities for financial reporting. A deferred income tax asset or liability which is not related to an asset or liability for financial reporting should be classified according to the expected reversal date of the temporary difference.

Tax credits—generated from acquisitions of equipment or technology, research and development expenditure and personnel training expenditures—are recognized as reduction of current income tax.

Adjustments of prior years' tax liabilities are included in the current year's tax provision.

Income taxes (10%) on unappropriated earnings is recorded as income tax in the year when the shareholders resolve the appropriation of earnings.

## **Contingencies**

A loss is recognized when it is probable that an asset has been impaired or a liability has been incurred, and the amount of loss can be reasonably estimated. If the amount of the loss cannot be reasonably estimated or the loss is possible, the related information is disclosed in the financial statements.

## **Foreign-currency Transactions**

For SinoPac Holdings and SinoPac Securities, foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses resulting from the application of different foreign exchange rates when cash in foreign currency is converted into New Taiwan dollars, or when foreign-currency receivables or payable are settled, are credited or charged to income in the period of conversion or settlement. As of the balance sheet date, the balances of foreign-currency assets and liabilities are restated at the prevailing exchange rates, and resulting differences are credited or charged to current income.

Gains or losses resulting from restatement of period-end foreign-currency denominated long-term equity investments accounted for by the equity method are credited or charged to "cumulative translation adjustment" under stockholders' equity.

Bank SinoPac records foreign-currency transactions in the respective currencies in which these are denominated. Foreign-currency denominated income and expenses are translated into New Taiwan dollars at month-end rates. Foreign-currency assets and liabilities are translated into New Taiwan dollars at closing rates as of the balance sheet dates. Realized and unrealized foreign exchange gains or losses are credited or charged to current income. Gains or losses resulting from restatement at period-end of foreign-currency denominated long-term equity investments accounted for by the equity method are credited or charged to "cumulative translation adjustment" under stockholders' equity.

## **Reclassifications**

Certain accounts for the period from May 9, 2002 to June 30, 2002 have been reclassified to conform to the financial statements presentation for the six months ended June 30, 2003.

### 3. ELIMINATIONS OF SIGNIFICANT TRANSACTIONS BETWEEN PARENT COMPANY AND SUBSIDIARIES

<u>Name of Corporation</u>	<u>Elimination Account</u>	<u>Amount</u>	<u>Counterparties of Transaction</u>
For the six months ended June 30, 2003			
SinoPac Holdings	Cash and cash equivalents	\$ 9,950,062	Bank SinoPac and subsidiaries
	Interest receivable	9,014	Bank SinoPac and subsidiaries
	Securities purchased under agreements to resell	550,140	SinoPac Securities
	Interest revenue	58,930	Bank SinoPac and subsidiaries
	Operating and administrative expenses	2,433	SinoPac Securities
Bank SinoPac and subsidiaries	Deposits and remittances	1,505,160	SinoPac Securities
	Deposits and remittances	9,950,062	SinoPac Holdings
	Deposits and remittances	9,283	SinoPac Life Insurance Agent
	Deposits and remittances	462	SinoPac Property Insurance Agent
	Loans, discounts and bills purchased	500,000	SinoPac Securities
	Other receivables	1,298	SinoPac Securities
	Interest payable	9,014	SinoPac Holdings
	Other payables	1,385	SinoPac Securities
	Service fees revenue	332	SinoPac Property Insurance Agent
	Interest expense	58,930	SinoPac Holdings
	Interest expense	1,430	SinoPac Securities
	Service charges expense	1,368	SinoPac Securities
	Operating and administrative expenses	6,129	SinoPac Securities
	Loss from securities	3,674	SinoPac Securities
SinoPac Securities	Cash and cash equivalents	375,160	Bank SinoPac and subsidiaries
	Pledged time deposits	1,130,000	Bank SinoPac and subsidiaries
	Other receivables	1,385	Bank SinoPac and subsidiaries
	Short-term borrowings	500,000	Bank SinoPac and subsidiaries
	Securities sold under agreements to repurchase	550,140	SinoPac Holdings
	Other payables	1,298	Bank SinoPac and subsidiaries
	Interest revenue	5,104	Bank SinoPac and subsidiaries
	Service fees revenue	2,433	SinoPac Holdings
	Service fees revenue	1,368	Bank SinoPac and subsidiaries
	Non-operating income and gains	6,129	Bank SinoPac and subsidiaries
SinoPac Life Insurance Agent	Cash and cash equivalents	9,283	Bank SinoPac and subsidiaries
SinoPac Property Insurance Agent	Cash and cash equivalents	462	Bank SinoPac and subsidiaries
	Service charges expense	332	Bank SinoPac and subsidiaries
For the six months ended June 30, 2002			
SinoPac Holdings	Cash and cash equivalents	44,890	Bank SinoPac and subsidiaries
Bank SinoPac and subsidiaries	Deposits and remittances	966,892	SinoPac Securities
	Deposits and remittances	1,761,111	SPS

(Continued)

<u>Name of Corporation</u>	<u>Elimination Account</u>	<u>Amount</u>	<u>Counterparties of Transaction</u>
	Deposits and remittances	44,890	SinoPac Holdings
	Deposits and remittances	16,692	SinoPac Life Insurance Agent
	Deposits and remittances	2,288	SinoPac Property Insurance Agent
	Loans, discounts and bills purchased	700,000	SPS
	Loans, discounts and bills purchased	200,000	SinoPac Securities
	Professional service charges	4,500	SinoPac Life Insurance Agent
SinoPac Securities	Cash and cash equivalents	36,892	Bank SinoPac and subsidiaries
	Pledged time deposits	930,000	Bank SinoPac and subsidiaries
	Short-term borrowings	200,000	Bank SinoPac and subsidiaries
SPS	Cash and cash equivalents	133,011	Bank SinoPac and subsidiaries
	Pledged time deposits	1,328,100	Bank SinoPac and subsidiaries
	Short-term borrowings	700,000	Bank SinoPac and subsidiaries
	Other assets	300,000	Bank SinoPac and subsidiaries
SinoPac Life Insurance Agent	Cash and cash equivalents	16,692	Bank SinoPac and subsidiaries
	Commission revenue	4,500	Bank SinoPac and subsidiaries
SinoPac Property Insurance Agent	Cash and cash equivalents	2,288	Bank SinoPac and subsidiaries

#### 4. CASH AND CASH EQUIVALENTS

	<u>June 30</u>	
	<u>2003</u>	<u>2002</u>
Negotiable certificates of deposit	\$74,341,715	\$50,503,562
Cash	1,645,454	1,468,016
Notes and checks in clearing	546,130	1,688,753
Deposits in Bank	<u>396,812</u>	<u>348,027</u>
	<u>\$76,930,111</u>	<u>\$54,008,358</u>

As of June 30, 2003 and 2002, negotiable certificates of deposit aggregating \$22,740,202 and \$5,500,000, respectively, have maturities over one year and may be withdrawn momentarily.

For Bank SinoPac, to comply with the Central Bank's clearing system of Real-time Gross Settlement (RTGS), negotiable certificates of deposit aggregating \$13,800,000 had been provided as collateral for the daytime overdraft as of June 30, 2003, with the pledged amount which can be adjusted momentarily.

#### 5. DUE FROM CENTRAL BANK

This account consists mainly of New Taiwan dollar (NTD) and foreign currency deposit reserves. Under a directive issued by the Central Bank of the ROC, NTD—denominated deposit reserves are determined monthly at prescribed rates on average balances of customers' NTD—denominated deposits. These reserves include \$5,765,327 and \$5,329,145, as of June 30, 2003 and 2002, respectively, which are subject to withdrawal restrictions.

In addition, the foreign-currency deposit reserves are determined at prescribed rates on balances of additional foreign-currency deposits. These reserves may be withdrawn momentarily and are noninterest earnings. As of June 30, 2003 and 2002, the balances of foreign-currency deposit reserves were \$34,612 and \$503,370, respectively.

**6. SECURITIES PURCHASED**

	<b>June 30</b>	
	<b>2003</b>	<b>2002</b>
Corporate bonds	\$ 19,968,689	\$ 13,336,620
Commercial papers	11,230,020	17,393,317
Floating rate notes	6,949,256	3,007,837
Treasury bills	3,508,294	-
Beneficiary certificates	3,503,848	4,296,693
Government bonds	2,274,782	3,435,637
Bank debentures	1,693,779	383,290
Listed and over-the-counter stocks	200	200
Bank acceptances	-	<u>99,653</u>
	<u>49,128,868</u>	<u>41,953,247</u>
Less—allowance for decline in market value	-	<u>20,712</u>
Net	<u>\$49,128,868</u>	<u>\$41,932,535</u>

As of June 30, 2003 and 2002, the aggregate market values or reference prices of corporate bonds, floating rate notes, beneficiary certificates, government bonds, bank debentures and listed and over-the-counter stocks, were as follows:

	<b>June 30</b>	
	<b>2003</b>	<b>2002</b>
Corporate bonds	\$ 21,044,179	\$ 13,398,012
Floating rate notes	6,955,825	3,069,202
Beneficiary certificates	3,520,643	4,268,113
Government bonds	2,282,321	3,459,000
Bank debentures	1,707,056	384,530
Listed and over-the-counter stocks	126	126

**7. ACCOUNTS, INTEREST AND OTHER RECEIVABLES**

	<b>June 30</b>	
	<b>2003</b>	<b>2002</b>
Accounts and notes receivable	\$ 13,861,577	\$ 8,556,744
Margin loans receivable	11,026,895	11,334,891
Interest receivable	1,321,804	1,618,674
Accrued revenue	1,178,655	544,236
Securities brokerage accounts—net	464,993	338,644
Tax refundable	186,532	183,456
Other	<u>520,221</u>	<u>1,292,761</u>
	<u>28,560,677</u>	<u>23,869,406</u>
Less—allowance for credit losses	<u>88,670</u>	<u>518,655</u>
Net	<u>\$28,472,007</u>	<u>\$23,350,751</u>

The balances of the accounts receivable as of June 30, 2003 and 2002 included \$13,317,243 and \$8,142,109, respectively, representing accounts receivable acquired from other parties in the factoring business.

## 8. OPERATING SECURITIES

	<u>June 30</u>	
	<u>2003</u>	<u>2002</u>
<u>Dealing department</u>		
Bonds		
Government bonds (interest rate from 1.00% to 7.75% in 2003 and from 2.25% to 7.75% in 2002)	\$ 6,446,440	\$ 7,125,113
Corporate bonds (interest rate from 1.20% to 7.36% in 2003 and from 2.70% to 7.36% in 2002)	4,066,742	3,044,598
Bank debentures (interest rate from 3.55% to 6.04% in 2003 and from 3.55% to 6.28% in 2002)	<u>652,422</u>	<u>1,753,059</u>
	11,165,604	11,922,770
Listed stocks and convertible corporate bonds	3,315,114	431,151
OTC stocks and convertible corporate bonds	1,799,890	1,328,454
Emerging stocks	365,138	256,637
Exchanged traded funds	217,244	-
Taiwan Innovative Growing Entrepreneurs	<u>106,155</u>	<u>23,371</u>
	16,969,145	13,962,383
Less—allowance for decline in market value	<u>-</u>	<u>51,593</u>
Net	<u>\$ 16,969,145</u>	<u>\$ 13,910,790</u>
<u>Underwriting department</u>		
Listed stocks	\$ 403,406	\$ 286,128
OTC stocks and convertible corporate bonds	1,337,660	436,400
Stocks and convertible corporate bonds other than listed and traded over-the-counter	<u>-</u>	<u>10,000</u>
	<u>\$ 1,741,066</u>	<u>\$ 732,528</u>
<u>Securities held for hedging purposes</u>		
Stocks held for warrants	\$ 481,869	\$ 126,358
Less—allowance for decline in market value	<u>4,906</u>	<u>21,684</u>
Net	<u>\$ 476,963</u>	<u>\$ 104,674</u>
Total	<u>\$ 19,187,174</u>	<u>\$ 14,747,992</u>

The aggregate market values determined by the closing prices and reference prices as of June 30, 2003 and 2002 were as follows:

	<u>June 30</u>	
	<u>2003</u>	<u>2002</u>
Dealing department—bonds	\$ 11,395,306	\$ 12,089,179
Dealing departments—listed stocks, OTC stocks and convertible corporate bonds	4,977,208	1,540,020
Dealing departments—exchange traded funds	218,584	-
Dealing departments—Taiwan Innovative Growing Entrepreneurs	105,601	24,979
Underwriting department—listed stocks, OTC stocks and convertible corporate bonds	1,845,815	923,076
Securities for hedging purposes	493,925	104,674

## 9. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

As of June 30, 2003 and 2002, securities purchased under agreements to resell (please see Notes 2 and 32), with balances of \$2,063,608 and \$8,187,744, respectively, will be sold for \$2,074,079 by December 2003 and \$8,213,290 by May 2003, respectively.

## 10. LOANS, DISCOUNTS AND BILLS PURCHASED

	<b>June 30</b>	
	<b>2003</b>	<b>2002</b>
Overdrafts	\$ 1,996,006	\$ 2,871,618
Short-term loans	65,842,961	52,063,717
Mid-term loans	51,369,067	53,983,824
Long-term loans	122,115,194	96,049,943
Import and export negotiations	1,613,227	663,967
Bills purchased	1,106	390
Nonperforming loans	<u>3,278,807</u>	<u>2,228,981</u>
	246,216,368	207,862,440
Less - allowance for credit losses	2,716,076	2,028,448
- unearned loan fees	<u>149,322</u>	<u>101,179</u>
Net	<u>\$ 243,350,970</u>	<u>\$ 205,732,813</u>

Unearned loan fees are those pertaining to nonrefundable loan fees and certain direct costs associated with originating and acquiring loans. The fees collected are not recognized at the time of origination but are deferred and amortized using the effective interest method over the life of the loan as an adjustment of the yield on the related loan.

As of June 30, 2003 and 2002, the balances of nonaccrual loans were \$3,973,202 and \$2,665,756, respectively. The unrecognized interest revenues on nonaccrual loans amounted to \$123,664 and \$80,115 for the six months ended June 30, 2003 and 2002, respectively.

For the six months ended June 30, 2003 and 2002, the Company had not written off credits for which legal proceedings had not been initiated.

The details of and changes in allowance for credit losses of loans, discounts and bills purchased for the six months ended June 30, 2003 and 2002, respectively, were summarized below:

	<b><u>For the Six Months Ended June 30, 2003</u></b>		
	<b><u>For Losses on Particular Loans</u></b>	<b><u>For Losses on the Overall Loan Portfolio (Excluding Particular Loans)</u></b>	<b><u>Total</u></b>
Balance, January 1	\$ 1,211,727	\$ 1,154,692	\$ 2,366,419
Provision	749,313	73,912	823,225
Write-off	( 540,202 )	-	( 540,202 )
Recovery of written-off credits	26,021	-	26,021
Reclassifications	<u>( 13,310 )</u>	<u>53,923</u>	<u>40,613</u>
Balance, June 30	<u>\$ 1,433,549</u>	<u>\$ 1,282,527</u>	<u>\$ 2,716,076</u>

	<b><u>For the Six Months Ended June 30, 2002</u></b>		
	<b>For Losses on Particular Loans</b>	<b>For Losses on the Overall Loan Portfolio (Excluding Particular Loans)</b>	<b>Total</b>
Balance, January 1	\$ 792,672	\$ 1,107,719	\$ 1,900,391
Provision	573,042	62,123	635,165
Write-off	( 514,733)	-	( 514,733)
Recovery of written-off credits	2,541	-	2,541
Reclassifications	( 11,548)	16,632	5,084
Balance, June 30	<u>\$ 841,974</u>	<u>\$ 1,186,474</u>	<u>\$ 2,028,448</u>

As of June 30, 2003 and 2002, allowances for credit losses and provisions for losses on guarantees of the Company were \$2,837,876 and \$2,650,109, respectively.

Since the second half of 2000, the economic and financial environment has been beset by many economic and non-economic difficulties from inside and outside Taiwan. As a result, the country's economic growth decelerated, investment decreased, unemployment rose, the stock market slumped, and the New Taiwan dollar depreciated in value, which in turn caused many business enterprises, including conglomerates and listed companies, failed to meet their financial obligations. To stabilize the situation, the government has taken various measures to boost economy.

With this background, the Company's financial statements for the six months ended June 30, 2003, include provisions for loan losses and guarantee liabilities based on information available to the Company, including defaults to the extent they can be determined or estimated. However, these estimates do not include any adjustments that might be required when related contingent liabilities become probable or determinable in the future.

## 11. LONG-TERM INVESTMENTS

	<b><u>June 30</u></b>	
	<b><u>2003</u></b>	<b><u>2002</u></b>
<u>Long-term equity investments</u>		
Equity method		
Unlisted stocks	\$ 7,097,376	\$ 5,347,338
Other		
Unlisted stocks	1,489,573	1,167,731
Listed and OTC stocks	641,946	648,171
Venture fund	117,959	54,995
Preferred stock	288,336	-
	<u>2,537,814</u>	<u>1,870,897</u>
Less—unrealized losses	<u>303,736</u>	<u>256,460</u>
Subtotal	<u>9,331,454</u>	<u>6,961,775</u>
<u>Long-term bond investments</u>		
Corporation bonds	-	223,022
Net	<u>\$ 9,331,454</u>	<u>\$ 7,184,797</u>

As of June 30, 2003 and 2002, the market values of long-term investments were summarized below:

	<b>June 30</b>	
	<b>2003</b>	<b>2002</b>
Listed and OTC stocks	\$ 338,210	\$ 391,711
Long-term bond investments	-	223,565

As of June 30, 2003 and 2002, unrealized losses on long-term equity investments (included in the debit balance of stockholder's equity) resulting from market value decline of listed and OTC stocks held by investees accounted for by the equity method amounted to \$333,065 and \$324,396, respectively. Also, as of June 30, 2003 and 2002, the Company recognized its equity in the unrealized revaluation loss on long-term equity investments totaling \$29,591 and \$41,544, respectively (included in the debit balance of stockholder's equity) of AnShin Card Services, and cumulative translation adjustment (under the stockholders' equity) from subsidiaries totaling \$304,251 and \$197,352, respectively.

The carrying amounts of the investments accounted for by the equity method as of June 30, 2003 and 2002, and the related investment income for the six months then ended, which were based on the investees' unaudited financial statements for the same period, respectively, were summarized below:

	<b>Long-term Equity Investments</b>	
	<b>June 30</b>	
	<b>2003</b>	<b>2002</b>
SinoPac Holdings	\$ 739,256	\$ -
Bank SinoPac	3,111,162	3,098,359
SinoPac Securities	2,686,571	-
SPS	-	609,969

	<b>Investment Income</b>	
	<b>For the Six Months Ended</b>	<b>For the Period from May 9, 2002 to</b>
	<b>June 30, 2003</b>	<b>June 30, 2002</b>
SinoPac Holdings	\$ 2,761	\$ -
Bank SinoPac	186,066	15,734
SinoPac Securities	96,393	-
SPS	-	104,716

Adjustments may have to be made to these investments and investment income if such financial statements had been audited.

As of June 30, 2003 and 2002, Bank SinoPac held SinoPac Holdings 216,542,894 shares and 204,106,675 shares, respectively, both with carrying amounts at \$2,896,922. SinoPac Holdings had treated these shares as treasury stock (please see Note 23).

SinoPac Holdings acquired 28,833,600 shares of preferred stock issued by AnShin Card Services as of October 30, 2002 at an acquisition cost of \$288,336. The aforementioned preferred stock bears annual interest rate of 4% and will be matured in October 2008 (originally mature in October 2006 and the mature term had been amended by the stockholders' meeting on March 25, 2003). SinoPac Holdings had recognized dividend income from preferred stock totaling \$5,719 for the six months ended June 30, 2003.

**12. PROPERTIES**

	<b>June 30</b>	
	<b>2003</b>	<b>2002</b>
Cost	<u>\$ 11,144,434</u>	<u>\$ 10,640,033</u>
Accumulated depreciation		
Buildings	438,915	348,766
Computer equipment	1,554,713	1,292,880
Transportation equipment	41,065	37,960
Office and other equipment	<u>1,316,994</u>	<u>1,214,925</u>
	<u>3,351,687</u>	<u>2,894,531</u>
Advances on acquisitions of equipment and construction in progress	<u>266,544</u>	<u>214,190</u>
Net	<u>\$ 8,059,291</u>	<u>\$ 7,959,692</u>

**13. OTHER ASSETS**

	<b>June 30</b>	
	<b>2003</b>	<b>2002</b>
Pledged time deposits	\$ 3,062,400	\$ 5,355,300
Guarantee deposits	2,805,468	2,290,903
Value of options purchased	1,564,569	1,880,632
Intangible assets	899,636	968,568
Collateral assumed	685,465	299,528
Properties held for lease—net	355,022	341,528
Suspense account	278,331	138,599
Computer system software	241,874	262,154
Other	<u>1,191,107</u>	<u>871,207</u>
	<u>\$ 11,083,872</u>	<u>\$ 12,408,419</u>

As of June 30, 2003 and 2002, guarantee deposits included \$2,266,633 and \$1,294,552, respectively, which were in the forms of government bonds, corporate bonds, bank debentures or time deposits.

On August 15, 1997, Bank SinoPac acquired FENB through SinoPac Bancorp and the acquisition was accounted for using the purchase method of accounting. The assets and liabilities of FENB were revalued to reflect the estimated fair market value as of the date of acquisition. The excess of purchase price over the fair market value of the net tangible assets acquired was recorded as intangible assets.

**14. SHORT-TERM BORROWINGS**

	<b>June 30</b>	
	<b>2003</b>	<b>2002</b>
Short-term borrowings		
2003—due between July 2003 and September 2003, interest rate from 1.3% to 1.8%; 2002—due between July 2002 and November 2002, interest rate from 0.65% to 3.52%	\$ 6,998,000	\$ 3,965,000
Current portion of corporate bonds payable—due in May 2003, interest rate at 5.7%	<u>-</u>	<u>1,000,000</u>
	<u>\$ 6,998,000</u>	<u>\$ 4,965,000</u>

**15. COMMERCIAL PAPER ISSUED**

	<b>June 30</b>	
	<b>2003</b>	<b>2002</b>
Commercial paper issued		
2003—due between July 2003 and September 2003, interest rate at 0.72%-1.16%; 2002—due between July 2002 and August 2002, interest rate at 1.72%-3.02%	\$ 4,185,000	\$ 4,304,500
Less—unamortized discount	<u>2,315</u>	<u>6,307</u>
Net	<u>\$ 4,182,685</u>	<u>\$ 4,298,193</u>

**16. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE**

As of June 30, 2003 and 2002, securities sold under agreements to repurchase (please see Notes 2 and 32), with balances of \$11,962,603 and \$20,364,534, respectively, will be repurchased for \$11,970,515 by August 2003 and \$20,394,121 by December 2002, respectively.

**17. WARRANT LIABILITIES—NET**

	<b>June 30</b>	
	<b>2003</b>	<b>2002</b>
Warrant liabilities	\$ 369,000	\$ 70,950
Repurchase of warrants issued	( <u>258,290</u> )	( <u>23,784</u> )
	<u>\$ 110,710</u>	<u>\$ 47,166</u>

Details of warrant liabilities and repurchase of warrants issued as of June 30, 2003 and 2002 were as follows:

<b>June 30, 2003</b>							
<b>Listed Date</b>	<b>Underlying Securities</b>	<b>Units Issued</b>	<b>Price at Issuance (in New Taiwan Dollars)</b>	<b>Amount</b>	<b>Strike Price (in New Taiwan Dollars)</b>	<b>Leverage at Issuance</b>	
SinoPac Securities—01	November 1, 2002	Compal Electronics, Inc.	20,000,000	\$ 5.30	\$106,000	\$ 47.46	7.0
SinoPac Securities—02	November 28, 2002	Uni-president Enterprises Corp.	20,000,000	2.50	50,000	12.10	4.8
SinoPac Securities—03	January 21, 2003	Siliconware Precision Industries Co., Ltd.	20,000,000	3.85	77,000	18.30	4.8
SinoPac Securities—04	February 13, 2003	Fubon Financial Holding Co., Ltd.	20,000,000	2.60	52,000	34.84	11.7
SinoPac Securities—05	February 26, 2003	E. Sun Financial Holding Company, Ltd.	20,000,000	2.25	45,000	22.68	8.4
SinoPac Securities—06	May 7, 2003	System Corporation	20,000,000	3.20	64,000	21.62	6.8
SinoPac Securities—07	June 10, 2003	Inventec Corporation	20,000,000	2.72	54,400	22.82	7.5
SinoPac Securities—08	June 16, 2003	Lite-On Technology	20,000,000	5.50	110,000	39.85	6.7
Less: Gain on change in market value of warrant liabilities as of June 30, 2003					( 189,400 )		
Market value					<u>\$369,000</u>		

<b>June 30, 2002</b>							
<u>Listed Date</u>	<u>Underlying Securities</u>	<u>Units Issued</u>	<u>Price at Issuance (in New Taiwan Dollars)</u>	<u>Amount</u>	<u>Strike Price (in New Taiwan Dollars)</u>	<u>Leverage at Issuance</u>	
SinoPac Securities—01 (issued by formerly SPS)	July 6, 2001	Yageo Corp.	20,000,000	\$ 8.36	\$ 167,200	\$ 35.97	3.91
National Securities—10	November 14, 2001	E.Sun Financial Holding Company Ltd.	20,000,000	1.10	22,000	19.20	11.60
National Securities—11	January 23, 2002	United Microelectronics Corp.	19,000,000	11.20	212,800	62.40	4.60
Less: Gain on change in market value of warrants liabilities as of June 30, 2002					( 331,050)		
					<u>\$ 70,950</u>		

Details of repurchase of warrants issued as of June 30, 2003 and 2002 were as follows:

	<b>June 30</b>			
	<b>2003</b>		<b>2002</b>	
	<u>Units Repurchased</u>	<u>Amount</u>	<u>Units Repurchased</u>	<u>Amount</u>
SinoPac Securities—01	13,131,000	\$ 25,165	-	\$ -
SinoPac Securities—02	580,000	736	-	-
SinoPac Securities—03	15,122,000	46,644	-	-
SinoPac Securities—04	3,106,000	1,739	-	-
SinoPac Securities—05	1,455,000	405	-	-
SinoPac Securities—06	6,654,000	20,071	-	-
SinoPac Securities—07	18,878,000	59,733	-	-
SinoPac Securities—08	19,482,000	112,437	-	-
SinoPac Securities—01 (issued by SinoPac Securities formerly)	-	-	51,000	2
National Securities—10	-	-	251,000	419
National Securities—11	-	-	7,748,000	61,674
Loss on change in market value of warrants repurchased		( 8,640)		( 38,311)
Market value		<u>\$ 258,290</u>		<u>\$ 23,784</u>

The warrants were American-type warrants. SinoPac Securities 03 to 06 warrants will expire in six months after their respective listed dates, SinoPac Securities 07 and 08 warrants will expire in nine months after their respective listed dates, and the others will expire one year after their respective listed dates. At its option, the Company can settle a warrant either by issuing the underlying securities or paying in cash.

The market values of warrant liabilities and warrants repurchased were calculated using their closing prices on June 30, 2003 and 2002, respectively.

**18. ACCOUNTS, INTEREST AND OTHER PAYABLES**

	<b>June 30</b>	
	<b>2003</b>	<b>2002</b>
Accounts and notes payable	\$ 5,708,122	\$ 3,423,576
Dividends payable	2,273,650	-
Short sale proceeds payable	2,027,660	1,671,420
Deposits on short sales	1,547,707	1,323,724
Interest payable	1,202,790	1,501,639
Notes and checks in clearing	1,200,553	2,228,405
Tax payable	1,094,754	1,027,751
Accrued expenses	799,714	742,380
Bonus to employees	64,789	858
Remuneration to directors and supervisors	54,000	-
Forward exchange contract payable—net	-	123,152
Other	389,840	467,224
	<u>\$ 16,363,579</u>	<u>\$ 12,510,129</u>

The balance of the accounts payable as of June 30, 2003 and 2002 included \$5,446,615 and \$3,312,038, respectively, representing costs of accounts receivable acquired from other parties in the factoring business.

**19. DEPOSITS AND REMITTANCES**

	<b>June 30</b>	
	<b>2003</b>	<b>2002</b>
Checking	\$ 7,293,476	\$ 4,970,195
Demand	49,221,798	32,053,382
Savings—demand	54,874,352	50,716,123
Time	123,017,043	116,813,343
Negotiable certificates of deposit	842,600	45,200
Savings—time	57,842,397	57,591,506
Inward remittances	373,819	171,171
Outward remittances	59,083	28,239
	<u>\$ 293,524,568</u>	<u>\$ 262,389,159</u>

**20. BANK DEBENTURES**

	<b>June 30</b>		<b>Maturity Date</b>	<b>Terms</b>
	<b>2003</b>	<b>2002</b>		
First dominant bank debentures issued in 2001	\$ 5,000,000	\$ 5,000,000	2001.12.20-2006.12.20 Principal is repayable on maturity date.	Fixed interest rate of 3.08%. Interest is paid at the end of each year.
First subordinated bank debentures issued in 2002	2,000,000	-	2002.12.23-2008.03.23 Principal is repayable on maturity date.	Floating interest rate except for the first two years fixed at 2.15%. Interest is paid semiannually.
First dominant bank debentures issued in 2003	1,000,000	-	2003.02.14-2008.02.14 Principal is repayable on maturity date.	3.65% minus 6-month LIBOR. Interest is paid semiannually.
Second dominant bank debentures issued in 2003	500,000	-	2003.03.19-2008.09.19 Principal is repayable on maturity date.	3.48% minus 6-month LIBOR. Interest is paid semiannually.
Third dominant bank debentures issued in 2003	1,500,000	-	2003.05.09-2008.11.09 Principal is repayable on maturity date.	4.15% minus 6-month LIBOR except for the first year fixed at 2.50%. Interest is paid semiannually.

(Forward)

	<u>June 30</u>		<u>Maturity Date</u>	<u>Terms</u>
	<u>2003</u>	<u>2002</u>		
Fourth dominant bank debentures issued in 2003	\$ 400,000	\$ -	2003.05.09-2008.11.09 Principal is repayable on maturity date.	2% plus 180-day CP rate in secondary market and minus 6-month LIBOR. Interest is paid semiannually.
First subordinated bank debentures issued in 2003	2,500,000	-	2003.06.18-2008.12.18 Principal is repayable on maturity date.	180-day CP rate in secondary market plus 0.3%. Interest is paid semiannually.
FENB subordinated notes	346,120	-	2003.06.26-2013.06.26 Principal is repayable on maturity date.	2.85% plus 3-month LIBOR. Interest is paid quarterly.
	<u>\$13,246,120</u>	<u>\$ 5,000,000</u>		

## 21. EURO-CONVERTIBLE BONDS

	<u>June 30, 2003</u>
Euro-convertible bonds	\$ 7,971,510
Add: Interest premium payable	<u>346,513</u>
	<u>\$ 8,318,023</u>

The Company had issued US\$230,000,000 of Euro-convertible bonds (the "Bonds") at par in Luxembourg on July 12, 2002. The Bonds are with zero coupon and in the denomination of US\$1,000 each. Other offerings terms are as follows:

### a. Redemption terms

Unless previously redeemed, purchased and cancelled or converted, the Bonds will be redeemed on the maturity date at the redemption value. The redemption value of the Bonds will be the principal amount plus yield of 4.45% per annum.

- 1) Early redemption at the option of the Company: The Bonds may be redeemed at their early redemption amount in whole or in part, at the option of the Company
  - a) Provided that after the third anniversary of the issue date, the closing prices of the common shares on the TSE, for 20 consecutive trading days, exceed 130% of the Conversion Price.
  - b) If at least 90% in principal amount of the Bonds have already been redeemed, converted, or purchased and cancelled.
  - c) In the event of certain changes in ROC taxation which oblige the Company to pay such additional amounts of the Bonds.
- 2) Redemption at the option of the bondholders: The Company will, at the option of any bondholder, redeem all or any portion of the Bonds at the accreted value
  - a) At the third anniversary of the issue date (the "put date") by submitting the Relevant Event Redemption Notice to the Company prior to the put date. The put rights will be expired after the put date.
  - b) If the common shares of the Company ceased to be listed or admitted to trading on TSE.
  - c) If there is a change in control (as defined in the Trust Deed) with respect to the Company.

b. Maturity date:

Five years after the issue date. The Bonds were issued on July 12, 2002 and will mature on July 12, 2007.

c. Pledged: Negative

d. Conversion right and conversion period

Except during a closed period or suspension period, the bondholders may convert the Bonds into common shares of the Company, at any time on or after the 30th day after the issuance date and before the date 20 days prior to the conversion date. Closed period means the period being (a) 60 days prior to an annual general shareholders' meeting, (b) 30 days prior to a special shareholders' meeting or (c) the day prior to the record date for the distribution of dividends or other distributions. In addition, the Bonds may not be converted (a) during a period of not less than 3 business days prior to the ex-dividend date or the ex-rights date and ending on the record date and (b) during the period commencing on the date a shareholders' meeting resolves to declare distributions or approve a rights issue and ending on the relevant record date, such period being a "suspension period". The Company undertakes that it will have sufficient common shares for conversion, following an adjustment to the conversion price.

e. Conversion price

The initial conversion price was set at NT\$17.666 or US\$0.527 per share (at a fixed exchange rate of NT\$33.513=US\$1), which was determined by the closing price of the Company's share on TSE on July 8, 2002 (the pricing date) with 21% mark-up. Due to the distribution of stock dividends in 2002, the conversion price was adjusted to NT\$16.651 on August 29, 2002, one day after the record date for ex-dividend, and 462,914,539 shares of common stock were expected to be issued, accordingly.

In 2003, the Company issued total of 157,422 units of employee stock option certificates representing 157,422,000 shares of common stock. According to the fixed consideration of NT\$12 per share which was determined by the closing price on July 31, 2003, the issuance date of such stock option, the issuance of 157,422,000 shares had triggered the conversion price adjustment from NT\$16.651 to NT\$16.607 effective on July 31, 2003. As a result of the above adjustment, the conversion price, in respect of the distribution by the Company of a cash dividend in the amount of NT\$0.65 per share for the appropriation of earnings for the period from May 9, 2002 to December 31, 2002, will be further adjusted from NT\$16.607 to NT\$15.768 effective on the record date (being August 1, 2003) set by the board of directors of the Company for the determination of shareholders entitled to receive such cash dividend. Considering such employee stock option certificates and cash dividends adjustments, 488,837,519 shares of common stock were expected to be issued.

## 22. STOCKHOLDERS' EQUITY

a. Capital stock

The Company had a total of \$100,000,000 authorized capital divided into 10,000,000,000 shares with par value at NT\$10 per share. The authorized capital can be issued in installments upon resolution of the board of directors. Among such authorized capital, 1,000,000,000 shares had been reserved for issuing stock option certificates, stock warrants associated with preferred stock and stock warrants associated with corporate bonds. The subscription shares issued upon exercising employee stock option certificates were subject to the SFC regulations.

On June 26, 2002 the 1st special meeting, the stockholders resolved to increase its capital stock to \$37,481,270 and appropriate \$2,097,745 of capital surplus as capital stock by distributing 209,774,487 shares of stock dividends. The capital increase was approved by the SFC and took effect on September 3, 2002.

b. Capital surplus

Under the Company Law, capital surplus from stock issuance in excess of par can be transferred to capital stock if approved by the stockholders.

Capital surplus from long-term equity investments accounted for by the equity method can not be distributed for any purpose.

Under the Financial Holding Company Act and related SFC directives, if the capital surplus obtained by a financial holding company through the share swap comes from its subsidiaries' unappropriated retained earnings after legal and special reserves, the surplus is excluded from the restriction as prescribed in the Securities and Exchange Law.

The subsidiaries' unappropriated retained earnings before the shares swap amounted to \$3,720,981 which the Company accounted for as capital surplus at the date of establishment. In their June 26, 2002 meeting, the stockholders resolved to capitalize \$2,097,745 of this capital surplus by distributing 209,774,487 shares of stock dividends. In addition, under the appropriation of earnings for the period from May 9, 2002 to December 31, 2002 resolved by the stockholders, \$1,141,236 of the aforesaid capital surplus derived from the subsidiaries' retained earnings was appropriated as cash dividend.

c. Retained earnings and dividend policy

The Company's Articles of Incorporation provide that from annual net income should be appropriated less any accumulated losses and taxes, as legal and special reserve first, then the employee bonus which should not be less than 1% of the balance. The Board will propose to the stockholders' meeting for appropriation of the remainder and retained earnings from previous year.

Employee bonus can be distributed either in cash or in stock. If it is in stock, the beneficiaries can also include the employees of subsidiaries. The rules of distribution need to be resolved by the board of directors.

To pursue growth and thus to increase profitability, the Company will retain cash for capital needs. The dividend policy is to distribute most dividends in stock. The cash dividends will be declared only when there is excess of cash. However, except for the first three years after the Company started, cash dividends shall not be less than 10% of total dividend declared.

Cash dividends and cash bonus are paid after the approval of the stockholders, while the distribution of stock dividends requires the additional approval of the authorities.

The appropriation, as well as other distribution of earnings shall be resolved by the stockholders in the following year and reflect in the financial statements of that year.

On April 7, 2003 and June 27, 2003, the board of directors and stockholders, respectively, resolved the appropriation of earnings for the period from May 9, 2002 to December 31, 2002 as follows:

	<u>Amount</u>
Legal reserve	\$ 153,127
Special reserve	37,573
Bonus to employees—cash	13,406
Remuneration to directors and supervisors—cash	54,000
Cash dividends—NT\$0.65 per share	<u>2,414,403</u>
	<u>\$ 2,672,509</u>

This appropriation of earnings amounted to \$1,531,273 was composed of earnings totaling \$1,548,606 for the period from May 9, 2002 to December 31, 2002 less subsidiaries' deficit accounted for by the equity method amounting to \$17,333 and capital surplus derived from the subsidiaries' unappropriated retained earnings prior to the shares swap totaling \$1,141,236.

Under the Company Law, legal reserve should be appropriated until the reserve equals the aggregate amount of the Company's outstanding capital stock. This reserve can only be used to offset a deficit, when the reserve reaches 50% of the aggregate amount of the Company's outstanding capital stock, up to 50% thereof may be transferred to capital.

Under the SFC's directive, a special reserve should be at an amount equal to the debit balance of accounts in the stockholders' equity section (such as unrealized loss on long-term equity investments, unrealized revaluation loss on long-term equity investments and cumulative translation adjustments, but excluding treasury stock). The balance of the special reserve is adjusted to reflect any changes in the debit balance of the related accounts on the balance sheet dates. Except for the amount reversed due to the reduction in the total debit balance, the special reserve shall not be appropriated.

The SFC has issued a directive to prevent a company from excessive earnings distribution, which will damage the Company's capital structure as well as stockholders' interest. Thus, if a parent company's shares held by subsidiaries decline in market value, the parent company should appropriate a special reserve at an amount equal to the decline in market value multiplied by equity. If the market value recovers, the reserve can be reversed to the extent provided (please see Note 11).

Under the Integrated Income Tax System, non-corporate ROC-resident stockholders are allowed tax credits for the income tax paid by the Company. Tax credits allocated to stockholders are based on the balance of Imputation Credit Account (ICA) on the dividend distribution date.

d. Employee stock option certificate

As of April 7, 2003, the board of directors, of the Company resolved to award issuing the employee stock option certificates, in a total consideration of 224,888 units, to attract and retain its professional employees, to centralize and strengthen their affiliation and to create the greatest profit for the Company and its shareholders. Each unit of stock option certificate represents subscription right of 1,000 shares of common stock. Upon exercise of options under this plan, 224,888,000 new shares of common stock will be issued. The employee stock option plan had been approved by the SFC on July 16, 2003 and, at the chairman's approval, the Company launched the first 157,422 units of such stock option, which entitled the subscribers to acquire 157,422,000 shares of common stock on July 31, 2003. Related terms and conditions for issuing and exercising stock option are as follows:

1) Conditions of eligibility for subscription rights:

This stock option plan is limited to full-time employees of the Company and its subsidiaries (both local and overseas) that are over 50% owned by the Company. Of those qualified employees, actual amount of options granted will be based on considerations of the individual's seniority, grade, performance, overall contribution, or other special rewards upon receipt of the board of directors' approval. Each individual may not be granted more than 10% of the option certificates at each issuance. Also, for each individual, the acquired numbers of shares during each fiscal year may not exceed 1% of the total numbers of shares issued at the end of such fiscal year.

2) Exercise price:

The chairman had ratified July 31, 2003 as the first date of the award of the stock option and NT\$12 as the exercise price per share, which was based on the market closing price of the common share on the date of the award of the option.

- 3) Terms and vesting of the rights:
- a) Two years after the option certificates have been granted, less than or equal to 50% of the total granted options may be vested; three years after, another 10% may be vested; four years after, a further 20% may be vested; five years after, the remaining 20% of the total granted options may be vested.
  - b) The term of stock option certificates is seven years. No transfer, collateral, negotiability, or any other methods of disposal are allowed during this period, except to inheritors in case of death of eligible employees of stock options.
  - c) The Company reserves the right to cancel the option certificates which have been granted but not vested when the eligible employees fail to meet the performance requirements, or committed a significant mistake against the corporate regulations.
- 4) Type of shares obtained upon exercise: The Company's common stock
- 5) All rights and options are surrendered on the expiration date of the certificates.
- 6) Procedures for handling surrendered stock option certificate:
- For the surrendered rights of the stock option, the Company will withdraw and cancel the certificates.
- 7) Method for performance of contract: Issuance of new shares.
- 8) Adjustment of exercise price:
- a) After issuance of stock option certificates, in case of changes in number of the Company's outstanding common shares (such as resulting from a rights offering, capitalization of retained earnings, capitalization of capital reserve, merger, stock split, share offering for GDR issuance, etc.), exercise price per share will be adjusted only according to the following formula (rounded to NT\$0.01).
 
$$\text{Adjusted exercise price} = \text{Exercise price before adjustment} \times \frac{\{\text{Number of shares issued} + [(\text{Payment per new share} \times \text{Number of new shares}) / \text{Exercise price before adjustment}]\}}{\text{Number of shares issued} + \text{Number of new shares}}$$
    - i. The aforesaid term, "number of shares issued" means the total number of common shares issued and the certificates of payment for exercising stock options, but not including the certificates of bond conversion.
    - ii. The payment will be nil if the "payment per new share" is obtained from distribution of bonus shares or stock split.
    - iii. In the case of a merger of the Company with another entity, "payment per new share" will be the average of the daily closing prices for the 30 consecutive trading days of the Company's common share, commencing 45 trading days before the record date of the merger.
    - iv. No adjustment to exercise price will be made if the "adjusted exercise price" is higher than the "exercise price before adjustment".
  - b) After the issuance of stock option certificates, the exercise price will be adjusted accordingly if the Company is to distribute cash dividend.

9) Rights and obligations after exercising options:

Certificates of payment of shares for exercise of stock option delivered by the Company will bear the same rights and obligations as the Company's common shares.

<b>23. TREASURY STOCK</b>	<b>Shares at the Beginning of Period</b>	<b>Shares Increased During the Period</b>	<b>Shares Decreased During the Period</b>	<b>Shares at the End of Period</b>
<u>Reasons</u>				
<u>For the six months ended June 30, 2003</u>				
Reissuance to employees				
SinoPac Securities	33,659,872	-	-	33,659,872
Shares held by subsidiary	216,542,894	-	-	216,542,894
<u>For the period from May 9, 2002 to June 30, 2002</u>				
Reissuance to employees				
Bank SinoPac	41,617,816	-	-	41,617,816
SinoPac Securities	53,857,815	-	-	53,857,815
Shares held by subsidiaries	204,106,675	-	-	204,106,675

Under the Securities and Exchange Law, the Company should not acquire treasury stock in excess of 10% of its total shares outstanding. In addition, the Company should not spend more than the aggregate amount of the retained earnings, paid-in capital in excess of par value, and capital surplus arising from gains on disposal of properties and donated capital.

The Company should not use treasury stock to secure any of its obligations and to exercise any shareholders' rights on those stocks.

Bank SinoPac and SinoPac Securities acquired 40,535,000 shares and 53,330,000 shares of treasury stock for \$500,354 and \$554,992, respectively. As a result of the share swap, the aforementioned capital stocks had been exchanged for 95,475,631 shares of the Company. The Company treated those shares as treasury stock under the SFC's directive. Of the above treasury stock, 41,617,816 shares and 20,197,943 shares held by Bank SinoPac and Sinopac Securities had been reissued to their employees at Nt\$11.84 and NT\$10.826 per share, respectively, in 2002. Under the Securities and Exchange law, the remaining treasury stock shall be reissued to employees before November 2004. Any remaining should be deemed as not yet issued by the Company and be cancelled accordingly.

Bank SinoPac had held 256,127,108 shares of SPS (which was merged with SinoPac Securities on July 22, 2002) with carrying value of \$2,896,922 prior to the shares swap described in Note 1. Those shares had been swapped for 204,106,675 shares of SinoPac Holdings, together with stock dividends of 12,436,219 shares received, were presented as securities purchased in Bank SinoPac's book; while SinoPac Holdings treated such 216,542,894 shares with carrying value of \$2,896,922 as treasury stock according to accounting principles generally accepted in the ROC.

Pursuant to the Financial Holding Company Act, the aforementioned treasury stock held by Bank SinoPac (i) may be reissued to the employees of SinoPac Holdings or SinoPac Holdings' subsidiaries within three years, (ii) may be used for equity conversion, or (iii) may be sold on a stock exchange or over-the-counter market. In the event that such shares are not timely reissued or sold, such shares should be cancelled and decrease the Company's capital. The Board of directors of SinoPac Holdings had resolved to reissue part of the aforesaid treasury stock to employees of Bank SinoPac, SinoPac Securities and SinoPac Holdings, while the Board of Bank SinoPac had made no related resolution as yet.

SinoPac Securities held 232 shares SinoPac Holdings, resulting from SinoPac Securities' investing in the ETF with carrying value of \$3 as of June 30, 2003. Such shares were presented as operating securities in SinoPac Securities' book as of June 30, 2003. Under the related directives issued by SFC, SinoPac Holdings had reclassified \$3 from long-term investments in SinoPac Securities to treasury stock.

#### 24. SERVICE FEES

	<b>For the Six Months Ended June 30</b>	
	<b>2003</b>	<b>2002</b>
Brokerage	\$ 928,307	\$ 1,471,413
Mutual funds and structured notes	158,043	113,026
Accounts receivable factoring and financing	149,579	126,627
Custody	80,935	65,968
Underwriting	58,589	103,598
Loan documentation fee	57,884	22,576
Guarantees	37,672	46,880
Other	<u>297,103</u>	<u>184,816</u>
	<u>\$ 1,768,112</u>	<u>\$ 2,134,904</u>

#### 25. INCOME FROM SECURITIES—NET

	<b>For the Six Months Ended June 30</b>	
	<b>2003</b>	<b>2002</b>
Short-term bills		
Capital gain—net	\$ 28,599	\$ 64,820
Interest revenue	<u>820,386</u>	<u>531,235</u>
	<u>848,985</u>	<u>596,055</u>
Bonds		
Capital gain—net	1,016,220	503,687
Interest revenue	30,804	40,597
Reversal of allowance for decline in market value	<u>-</u>	<u>74,542</u>
	<u>1,047,024</u>	<u>618,826</u>
Mutual funds beneficiary certificates		
Capital gain—net	48,919	24,760
Provision for decline in market value	<u>-</u>	<u>( 20,712 )</u>
	<u>48,919</u>	<u>4,048</u>
Stock		
Capital gain—net	154,546	667,189
Dividends income	169,208	1,407
Provision for decline in market value	<u>-</u>	<u>( 134,590 )</u>
	<u>323,754</u>	<u>534,006</u>
Warrants		
Capital loss—net	( 19,372 )	( 101,360 )
Reversal of allowance for decline in market value	<u>7,881</u>	<u>-</u>
	<u>( 11,491 )</u>	<u>( 101,360 )</u>
Net	<u>\$ 2,257,191</u>	<u>\$ 1,651,575</u>

**26. OPERATING AND ADMINISTRATIVE EXPENSES**

	<b>For the Six Months Ended June 30</b>	
	<b>2003</b>	<b>2002</b>
Personnel expenses		
Salaries and wages	\$ 1,861,358	\$ 1,937,769
Bonus and rewards	373,055	279,211
Pension	106,215	55,818
Labor insurance and national health insurance	94,274	120,888
Other	35,827	36,834
Depreciation	336,126	322,749
Rental	313,350	290,163
Taxes other than income tax	206,406	232,126
Professional service charges	173,192	161,734
Amortization	124,177	116,242
Postage	91,502	100,721
Insurance	67,687	49,944
Other	789,074	731,690
	<u>\$ 4,572,243</u>	<u>\$ 4,435,889</u>

**27. PENSION**

SinoPac Holdings has a defined benefit contributory pension plan covering all regular employees. SinoPac Holdings makes monthly contributions in the range of 2% to 15% of employee salaries, to the pension reserve which is administrated by the employee's pension plan supervisors committee.

Bank SinoPac has a defined benefit contributory pension plan covering all regular employees. Bank SinoPac makes monthly contributions, equal to 7% of employee salaries, to the pension fund. In addition, non-management employees also contribute a compulsory amount equivalent to 4% of their salaries to the fund. The employees will receive benefits upon retirement computed based on length of services and average monthly salary upon retirement. Also, the employees will receive their cumulative contributions, if any, and the interest thereon.

SinoPac Securities has pension and severance plans covering all regular employees. Employees who have served either 25 years or over 15 years and have reached 55 years of age are eligible for retirement benefits. Employees hired on or before May 19, 1997 and have served over 20 years are eligible for retirement benefits. In addition, employees hired on or before March 15, 1996 and have served at least 5 years are eligible for severance benefits. Both pension and severance benefits are calculated at the average six months' salary or wage before retirement or termination. SinoPac Securities makes monthly contributions equal to 6% of basic salaries and wages (net of bonuses and benefits) to a pension fund (the "Fund"). The Fund is administered by the employees pension plan committee and deposited in the committee's name, and establish an employees pension plan supervisors committee to administrate such pension fund.

FENB has a pension plan for regular employees who have been employed for at least one year. Under this plan, employees may contribute up to 15% of their annual salary with FENB matching up to 3% of the employee's contribution. The Company believes that the impact is insignificant for the accompanying consolidated financial statements if FENB recognized pension expense according to the actuarial calculations.

- a. The changes in the pension fund were summarized below:

	<b>For the Six Months Ended June 30</b>	
	<u>2003</u>	<u>2002</u>
Balance, January 1	\$ 1,319,317	\$ 1,092,828
Contributions	145,004	130,471
Contributions from affiliates	1,359	( 1,621)
Benefits paid	( 87,863)	( 42,048)
Interest income	<u>19,347</u>	<u>21,691</u>
Balance, June 30	<u>\$ 1,397,164</u>	<u>\$ 1,201,321</u>

- b. The changes in the accrued pension cost (prepaid pension fund) were summarized below:

	<b>For the Six Months Ended June 30, 2003</b>		
	<u>SinoPac Holdings</u>	<u>Bank SinoPac</u>	<u>SinoPac Securities</u>
Balance, January 1	\$ 3,200	\$ 76,813	(\$ 163,744)
Provision	3,489	86,176	16,550
Contributions	( 726)	( 70,596)	( 33,196)
Benefits paid	<u>-</u>	<u>-</u>	<u>277</u>
Balance, June 30	<u>\$ 5,963</u>	<u>\$ 92,393</u>	<u>(\$ 180,113)</u>

	<b>For the Six Months Ended June 30, 2002</b>			
	<u>SinoPac Holdings</u>	<u>Bank SinoPac</u>	<u>SinoPac Securities</u>	<u>SPS</u>
Balance, January 1	\$ -	\$ 34,582	(\$ 132,910)	\$ 13,853
Provision	364	79,255	14,809	4,967
Contributions	<u>-</u>	<u>( 62,250)</u>	<u>( 31,276)</u>	<u>( 2,094)</u>
Balance, June 30	<u>\$ 364</u>	<u>\$ 51,587</u>	<u>(\$ 149,377)</u>	<u>\$ 16,726</u>

For the six months ended June 30, 2003 and 2002, pension expenses amounted to \$106,215 and \$99,395, respectively.

## 28. INCOME TAX

- a. The compositions of income tax were as follows:

	<b>For the Six Months Ended June 30</b>	
	<b>2003</b>	<b>2002</b>
Current income tax payable	\$ 147,865	\$ 427,775
Separation taxes on short-term bills interest revenue	169,799	107,011
Changes in deferred income taxes	138,249	38,724
Tax on unappropriated earnings (10%)	3,689	108,798
Prior year's adjustment and others	8,795	2,069
Foreign income taxes over limitation	<u>-</u>	<u>29,620</u>
Income tax	<u>\$ 468,397</u>	<u>\$ 713,997</u>

Income tax was based on taxable income from all sources. Foreign income taxes paid can be used as credits against the domestic income tax obligations to the extent of domestic income tax applicable to the related foreign-source income.

- b. Reconciliations of tax on pretax income at statutory rate and currently income tax payable:

	<b>For the Six Months Ended June 30</b>	
	<b>2003</b>	<b>2002</b>
Tax on pretax income at statutory rate	\$ 744,655	\$ 870,242
Add (deduct) tax effects of:		
Tax-exempt income	( 138,757 )	( 164,970 )
Permanent difference	( 302,265 )	( 239,951 )
Temporary difference	( 218,075 )	( 34,403 )
Investment tax credit	( 3,309 )	( 3,211 )
Other	<u>65,616</u>	<u>68</u>
Currently income tax payable	<u>\$ 147,865</u>	<u>\$ 427,775</u>

- c. Net deferred income tax assets (liabilities) consisted of the tax effects of the following:

	<b>For the Six Months Ended June 30</b>	
	<b>2003</b>	<b>2002</b>
Goodwill amortization	(\$ 80,132)	(\$ 87,808)
Deferred loan fees	( 117,046 )	( 134,347 )
Premium from issuance of warrants	( 72,441 )	( 23,733 )
Loss carryforward	342,063	-
Provision for credit losses	189,660	441,098
Contribution to employees welfare fund	1,646	2,734
Deferred pension cost	( 20,571 )	( 33,968 )
Investment income under the equity method	( 443,053 )	( 304,013 )
Unrealized foreign exchange loss (gain)	( 3,665 )	12,360
Other	<u>72,309</u>	<u>55,604</u>
Net deferred income tax liabilities (included in other liabilities)	<u>(\$ 131,230)</u>	<u>(\$ 72,073)</u>

- d. The related information under the Integrated Income Tax System was as follows:

	<u>June 30</u>	
	<u>2003</u>	<u>2002</u>
<u>Balances of ICA</u>		
SinoPac Holdings	\$ 361,814	\$ 272,430
Bank SinoPac	142,199	12,012
SinoPac Securities	4,253	204
SPS	-	559
SinoPac Life Insurance Agent	26,484	117
SinoPac Property Insurance Agent	471	49
	<u>2003</u>	<u>2002</u>
<u>The actual creditable tax ratios for earnings</u>		
SinoPac Holdings	14.04%	5.70%
Bank SinoPac	9.60%	12.67%
SinoPac Securities	6.24%	19.70%
SPS	-	34.43%
SinoPac Life Insurance Agent	0.15%	0.15%
SinoPac Property Insurance Agent	18.13%	6.19%

All of the unappropriated retained earnings for the aforesaid companies as of June 30, 2003 and 2002 did not consist of earnings which were generated before January 1, 1998.

The tax credit allocated to stockholders is based on the balance of ICA on the dividend distribution date.

The Company's foreign shareholders are not entitled to the tax credit described in the preceding paragraph except those related to 10% taxes on undistributed retained earnings actually paid by the Company. Such taxes will be used to reduce the amount of the final withholding taxes on dividends paid to such foreign shareholders.

- e. As of June 30, 2003, income tax return of SinoPac Holdings for the period from May 9, 2002 to December 31, 2002 had not yet been examined by the tax authorities.
- f. For Bank SinoPac, income tax returns through 2001, except those for 1996 and 2001, had been examined by the tax authorities. On the income tax returns for 1994, 1995 and 1997 to 2000, the tax authorities denied the creditability of 10% withholding tax on interest income on bonds totaling \$73,952, which pertained to the period those bonds were held by other investors. Bank SinoPac had appealed the decision of the tax authorities.

A reinvestigation was made, resulting in the rescinding of a decision on the tax return for 1994, 1995 and 1997. Income tax returns for 1996 and 2001 also reflected reduction in income tax obligations were reduced to \$37,257 attributable to similar type of withholding taxes; which returns were not yet examined by the tax authorities. However, Bank SinoPac had accrued liabilities and written-off any assets recognized related to the foregoing withholding taxes totaling \$111,209 as a part of income tax expenses in 2001.

- g. For SinoPac Securities, the income tax returns through 1998 had been examined by the tax authorities. The tax authorities disallowed as deduction against the SinoPac Securities' income tax obligations from 1994 to 1998 on items such as operating expenses and interest expenses allocated to the dealing department and tax withheld from bond interest income. SinoPac Securities had filed an appeal for reconsideration of the assessments. However, accrued total amounts assessed by the tax authorities had been recognized as additional income tax expenses.

The income tax returns of SPS through 1999 had been examined by the tax authorities. The tax authorities disallowed as deduction against SPS's 1999 income tax obligations on tax withheld from bond interest income. SPS had also filed an appeal for reconsideration of the assessment. However, accrued total amounts assessed by the tax authorities had been recognized as additional income tax expenses.

## 29. EARNINGS PER SHARE

The numerators and denominators used in computing earnings per share (EPS) were summarized as follows:

	<u>Numerator (Amounts)</u>		<u>Denominator</u>	<u>EPS (NT\$)</u>	
	<u>Pretax</u>	<u>After tax</u>	<u>(Shares in Thousands)</u>	<u>Pretax</u>	<u>After tax</u>
For the six months ended <u>June 30, 2003</u>					
Basic EPS	\$ 2,176,364	\$ 1,707,967	3,497,924	<u>\$ 0.62</u>	<u>\$ 0.49</u>
Influence on diluted common shares: Euro-convertible bonds	<u>200,035</u>	<u>200,035</u>	<u>462,915</u>		
Diluted EPS	<u>\$ 2,376,399</u>	<u>\$ 1,908,002</u>	<u>3,960,839</u>	<u>\$ 0.60</u>	<u>\$ 0.48</u>
For the period from May 9, 2002 to <u>June 30, 2002</u>					
Basic and diluted EPS	<u>\$ 1,138,718</u>	<u>\$ 424,721</u>	<u>3,436,108</u>	<u>\$ 0.33</u>	<u>\$ 0.12</u>

## 30. RELATED-PARTY TRANSACTIONS

Relationships with the Company and significant transactions between the Company and related parties were summarized as follows:

<u>Name</u>	<u>Relationship with the Company</u>
SinoPac Marketing Consulting Co., Ltd. (SinoPac Marketing Consulting)	Subsidiary
SinoPac Asset Management International (SinoPac Management)	Subsidiary
SinoPac Call Center Co., Ltd. (SinoPac Call Center)	Subsidiary
AnShin Card Services Co., Ltd. (AnShin Card Services)	Investee accounted for by the equity method
Hong Yue Investment Co. (Hong Yue Investment)	Supervisor of SinoPac Holdings
Ruentex Interior Design Inc. (Ruentex Interior Design)	Related party in substance
Li-Seng Develop Company (Li-Seng Develop)	Investee accounted for by the cost method
SinoPac Leasing Corporation (SPL)	Subsidiary of Bank SinoPac
Grand Capital International Limited (Grand Capital)	Subsidiary of SPL
China Television Co., Ltd. (China Television)	Bank SinoPac is a director of the company
Fortune Investment Co., Ltd. (Fortune Investment)	Bank SinoPac is a director of the company
Ruentex Development Co., Ltd. (Ruentex Development)	Related party in substance of Bank SinoPac
Wal Tech International Corporation (Wal Tech International)	Affiliate of Bank SinoPac

(Forward)

<u>Name</u>	<u>Relationship with the Company</u>
SinoPac Futures Corporation (SinoPac Futures) SinoPac Futures Co., Ltd. (SPF)	Subsidiary of SinoPac Securities Subsidiary of SinoPac Securities (the legal dissolution and liquidation procedures had been completed as of June 30, 2003)
SinoPac Capital Management Corporation (SinoPac Capital Management)	Subsidiary of SinoPac Securities
SinoPac Securities (Cayman) Holdings Limited	Subsidiary of SinoPac Securities
National Electric Appliance Co., Ltd. (National Electric)	Same chairman
NITC Asset Management (Asia) Ltd	Investee under the significant influence held by SinoPac Securities
Ruentex Industries Ltd. (Ruentex Industries)	Supervisor of Bank SinoPac
National Investment Trust Company (NITC)	The director of NITC is a lineal relative of the chairman of SinoPac Holdings
Other	Bank SinoPac's directors, supervisors, managers and their relatives, department chiefs, the investees accounted for by the equity method and subsidiaries of Bank SinoPac, etc.
Other	Affiliates and related parties in substance of SinoPac Securities
Other	Related parties under the control of SinoPac Holdings but with no significant transactions with SinoPac Holdings (please see Table 7).

a. Credit extended and deposits taken and placed

	<u>June 30, 2003</u>		<u>For the Six Months Ended</u>
	<u>Amount</u>	<u>% of Account Balance</u>	<u>June 30, 2003 Interest Rate (%)</u>
Loans and discounts	\$ 1,822,306	0.75%	1.48%-12.35%
Deposits	1,035,218	0.35%	0%-6.575%
	<u>June 30, 2002</u>		<u>For the Six Months Ended</u>
	<u>Amount</u>	<u>% of Account Balance</u>	<u>June 30, 2002 Interest Rate (%)</u>
Loans and discounts	\$ 329,256	0.13%	2.10%-12.90%
Deposits	2,158,768	0.82%	0%-7.55%

b. Lease

1) As a lessee

SinoPac Holdings leased certain office premises from National Electric Appliance for a period ranging from May 2002 to December 2005. Rentals were paid annually at the beginning of each year. Rentals paid for the six months ended June 30, 2003 and for the period from May 9, 2002 to June 30, 2002 were \$1,123 and \$480, respectively.

SinoPac Holdings leased certain apartments as employees' dormitory from Hong Yue Investment for a period ranging from May 2002 to May 2005 with monthly rental payments. Rentals paid for the six months ended June 30, 2003 and for the period from May 9, 2002 to June 30, 2002 were \$1,762 and \$512, respectively.

Bank SinoPac leased certain office premises from China Television, SPL and Ruentex Development for periods ranging from three to five years, with rentals paid monthly. Rentals paid to the aforementioned related parties for the six months ended June 30, 2003 and 2002 were \$10,025 and \$9,905, respectively.

SinoPac Securities leased office premises from National Electric Appliance and Hong Yue Investment. The rental contract of Po-Ai Building with National Electric Appliance lasts for 5 years ending May 2007. The rental contract of Wu-Tsang Building with Hong Yue Investment lasts for 3 years ending July 2003. Rentals paid to the aforementioned related parties by SinoPac Securities for the six months ended June 30, 2003 and 2002 were \$9,544 and \$10,796, respectively, and the prepaid rentals for the six months ended June 30, 2003 were \$7,738.

2) As a lessor

Bank SinoPac leased certain office premises to SinoPac Marketing Consulting, SinoPac Call Center and AnShin Card Services for periods ranging from two to three years, with rentals received monthly. Rentals received for the six months ended June 30, 2003 were \$1,767.

Rentals, included in nonoperating income, totaling \$3,642 and \$2,689 were paid to SinoPac Securities by SinoPac Futures and SinoPac Capital Management for the six months ended June 30, 2003 and 2002, respectively.

c. Guarantees and securities purchased

As of June 30, 2003 and 2002, Bank SinoPac had provided guarantees on commercial papers issued by Wal Tech International and Fortune Investment. The aggregate face amounts were as follows:

	<b>June 30</b>	
	<b>2003</b>	<b>2002</b>
Wal Tech International	\$ 108,000	\$ 34,000
Fortune Investment	-	31,000
	<u>\$ 108,000</u>	<u>\$ 65,000</u>

As of June 30, 2002, Bank SinoPac held \$10,000 of the aforementioned commercial papers issued by Fortune Investment, which were accounted in securities purchased.

Guarantees and credits on Wal Tech International were collateralized by the following assets provided by SPL, Wal Tech International and Grand Capital:

	<b>June 30</b>	
	<b>2003</b>	<b>2002</b>
Properties—carrying amount	<u>\$ 1,545,292</u>	<u>\$ 1,478,886</u>

Guarantees and credits on Fortune Investment were collateralized by properties and stocks with total carrying amount of \$36,000 provided by Fortune Investment.

d. Professional service fees and advisory charges

Bank SinoPac had entered into several professional advisory contracts with its investees. The professional advisory charges paid for the six months ended June 30, 2003 and 2002 amounted to \$64,166 and \$37,954, respectively.

SinoPac Securities had offered brokerage and underwriting services to its affiliates. The commissions and fees received for the six months ended June 30, 2003 and 2002 amounted to \$21,605 and \$30,680, respectively.

SinoPac Securities had entered into one-year consulting contracts with SinoPac Capital Management and SinoPac Asset Management, with total contract amounts of \$7,000 and \$2,400, respectively, and both of the advisory fees were paid quarterly. In addition, SinoPac Securities had entered into a contract with SinoPac Call Center for outsourcing customer call services. The contract lasts for one year ending January 2004 and the consulting fees were paid monthly in accordance with services actually provided.

For the six months ended June 30, 2003, professional advisory charges paid to the aforementioned related parties by SinoPac Securities were \$9,229.

As of June 30, 2003 and 2002, SinoPac Securities had entered into stock affairs agency contracts with NITC and generated related notes and accounts receivable totaling \$284 and \$175, respectively, and for the six months then ended, stock affairs agency fees income amounted to \$571 and \$677, respectively.

e. Futures contracts

For the six months ended June 30, 2003 and 2002, SinoPac Securities had entered into futures assistance contracts with SinoPac Futures and generated commissions income totaling \$51,096 and \$29,354, respectively. As of June 30, 2003 and 2002, related notes and accounts receivable totaling \$10,908 and \$4,388, respectively.

As of June 30, 2003 and 2002, SinoPac Securities had paid SinoPac Futures and SPF \$398,687 and \$15,864, respectively, as futures dealing deposits. For the six months ended June 30, 2003 and 2002, clearing and settlement charges were \$3,662 and \$31, respectively, of which \$806 remained unpaid as of June 30, 2003.

f. Due from affiliates

As of June 30, 2003 and 2002, Bank SinoPac's receivable to AnShin Card Services amounted to \$24,657 and \$39,901, respectively. In addition, Bank SinoPac's receivable to other related parties amounted to \$12,869.

g. Asset transactions

In June 2002, SinoPac Holdings had entered into contracts with Ruentex Interior Design Inc. to purchase properties totaling \$9,945, which had already been paid before June 30, 2003.

On January 20, 2003, the board of directors of SinoPac Holdings had resolved to purchase superficies and a office building built by Li-Seng Develop. The building will be located in Taipei City and used as SinoPac Holdings' headquarters. Total purchase cost of \$1,748,000 did not include business tax and costs borne by SinoPac Holdings. The transaction had been approved by Bureau of Monetary Affairs in Ministry of Finance on April 30, 2003.

In January 2001, Bank SinoPac had entered into a real estate contract with Fu-I Co., Ltd. (the chairman of Fu-I Co., Ltd. was a director of Bank SinoPac before April 18, 2001) located in Taipei for its own use. The purchase cost was \$199,900, of which \$198,830 had already been paid as of June 30, 2003.

h. Short-term bonds transactions

Short-term bonds transactions between SinoPac Securities and related parties for the six months ended June 30, 2003 and 2002 are as follows:

- a) Bonds purchased under agreements to resell—none for the six months ended June 30, 2003

	<b><u>Balance as of June 30, 2002</u></b>		<b>Interest Revenue for the Six Months Ended June 30, 2002</b>
	<b><u>Face Amount</u></b>	<b><u>Cost</u></b>	
Ruentex Industries	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 1,101</u>

- b) Bonds sold under agreements to repurchase

	<b><u>Balance as of June 30</u></b>		<b>Interest Expense for the Six Months Ended June 30</b>
	<b><u>Face Amount</u></b>	<b><u>Cost</u></b>	
<u>2003</u>			
Mutual funds managed by NITC	\$ 1,036,071	\$ 1,045,132	\$ 7,392
Other	<u>34,500</u>	<u>37,019</u>	<u>125</u>
	<u>\$ 1,070,571</u>	<u>\$ 1,082,151</u>	<u>\$ 7,517</u>
<u>2002</u>			
Mutual funds managed by NITC	\$ 1,263,000	\$ 1,294,812	\$ 16,433
SPF	121,400	134,797	368
Other	<u>15,000</u>	<u>16,272</u>	<u>246</u>
	<u>\$ 1,399,400</u>	<u>\$ 1,445,881</u>	<u>\$ 17,047</u>

- i. Related-party transactions of subsidiaries with amounts over NT\$100 million were summarized as follows:

	<b><u>June 30</u></b>	
	<b><u>2003</u></b>	<b><u>2002</u></b>
1) SPL		
Borrowings from Bank SinoPac	<u>\$ 496,000</u>	<u>\$ 663,790</u>
2) Grand Capital		
Borrowings from Bank SinoPac	<u>\$ 517,659</u>	<u>\$ 800,154</u>

(Forward)

	<u>June 30</u>	
	<u>2003</u>	<u>2002</u>
3) Wal Tech International		
Borrowings from Bank SinoPac	\$ 145,000	\$ 231,500

As of June 30, 2003, the face amount of commercial papers guaranteed by Bank SinoPac amounted to \$108,000.

4) SinoPac Capital Limited (Overseas subsidiary of Bank SinoPac)

As of June 30, 2003, SinoPac Capital Limited had short-term borrowings amounting to \$168,856 from its subsidiary, SinoPac Capital (B.V.I.) Ltd.

5) SinoPac Asia Limited (Overseas affiliate of SinoPac Securities)

As of June 30, 2003, SinoPac Asia Limited engaged in the transaction of bonds sold under agreements to repurchase amounting to \$210,483 and \$691,341, with its parent company, SinoPac Asset Management Corp. (B.V.I.) and its affiliate company, SinoPac Securities (Asia) Ltd., respectively.

6) SinoPac Futures (Asia) Ltd. (overseas affiliate of SinoPac Securities)

	<u>June 30, 2003</u>
Borrowing from FENB	\$ 1,596,583

For transactions with related parties, the terms are similar to those transacted with unrelated parties except for the preferential interest rates offered to employees for savings and loans of up to prescribed limits of Bank SinoPac.

Under the Banking Law, except for government and consumer loans, credits extended by Bank SinoPac to any related party should be fully secured, and the credit terms for related parties should be similar to those for unrelated parties.

### 31. PLEDGED OR MORTGAGED ASSETS

Assets pledged to financial institutions as guarantees for commercial paper issued, short-term and long-term borrowings and bank overdraft, and to the tax authorities as guarantees on petitions for tax reassessment filed by SinoPac Securities as of June 30, 2003 and 2002, were summarized as follows:

	<u>June 30</u>	
	<u>2003</u>	<u>2002</u>
Other assets—pledged time deposits	\$ 3,062,400	\$ 5,355,300
Properties—net	595,765	608,364
Properties held for lease—net	284,297	270,198
Operating securities—face amount	-	100,000
	<u>\$ 3,942,462</u>	<u>\$ 6,333,862</u>

### 32. CONTINGENCIES AND COMMITMENTS

Contingencies and commitments of the Company, in addition to financial instruments disclosed in Note 38, are summarized as follows:

a. Lease contracts

Under different operating lease agreements, the Company leased certain office premises for periods ranging from one year to six years, with rentals paid monthly, quarterly or semiannually. Rentals for the next five years are as follows:

<u>Year</u>	<u>Amount</u>
July 1 to December 31, 2003	\$ 251,716
2004	469,868
2005	339,307
2006	273,028
2007	192,219

Rentals for the years beyond 2007 amount to \$207,096, the present value of which is about \$189,526, as discounted at the one-year time deposit rate in either Bank SinoPac of 1.35% or FENB of 2.15%.

b. Land and buildings purchase contract

In January 2001, Bank SinoPac has entered into a real estate contract located in Taipei for its own use. The purchase cost was \$199,900, of which \$198,830 had already been paid as of June 30, 2003.

c. Equipment purchase contract

Bank SinoPac has entered into contracts to purchase computer hardware and software for \$121,111, of which \$73,843 had already been paid as of June 30, 2003.

d. Interior decoration contract

Bank SinoPac has entered into contracts to do interior decoration of its office premises for \$52,880, of which \$44,844 had already been paid as of June 30, 2003.

e. Short-term bills and bonds sold under agreements to repurchase—treated as outright sales (Note 2)

As of June 30, 2003, short-term bills and bonds with a total face amount of \$19,594,100, were sold under agreements to repurchase at \$20,268,168 by Bank SinoPac between July and November 2003.

f. Short-term bills purchased under agreements to resell—treated as outright purchases (Note 2)

As of June 30, 2003, short-term bills with a total face amount of \$2,403,000 were purchased under agreements to resell at \$2,395,048 by Bank SinoPac between July and September 2003.

- g. Balance sheet and trust property of trust accounts

**Balance Sheet of Trust Accounts  
June 30, 2003**

<u>Trust Assets</u>		<u>Trust Liabilities and Equities</u>	
Bank deposits	\$ 369,729	Trust capital	\$41,735,104
Short-term investments	42,497,979	Cumulative earnings	<u>1,132,611</u>
Receivables	<u>7</u>		
Total trust assets	<u>\$42,867,715</u>	Total trust liabilities and equities	<u>\$42,867,715</u>

**Trust Property of Trust Accounts  
June 30, 2003**

<u>Investment Portfolio</u>	<u>Amount</u>
Bank deposits	\$ <u>369,729</u>
Short-term investments	
Bonds	6,339,525
Common stock	346,694
Funds	<u>35,811,760</u>
	42,497,979
Receivables	<u>7</u>
Total	<u>\$42,867,715</u>

- h. The Securities and Futures Institute (SFI), on behalf of the investors of Cheng-Yi Food Co. (CYF) with respect to its Initial Public Offering (IPO), filed a civil case with the Court against CYF, the major and sub-underwriters (SinoPac Securities being a sub-underwriter in the IPO) of CYF. The damages claimed by SFI amounted to \$71,018 plus 5% interest. SinoPac Securities' legal counsel believes that SinoPac Securities can claim the major underwriter if the Court reaches the verdict in unfavor of SinoPac Securities, thus, no liability was recognized in the accompanying financial statements.
- i. Mr. Chang sued SinoPac Securities and its two former employees, Mr. Lin and Mr. Huang, for embezzlement. Mr. Chang claimed SinoPac Securities incidentally for damages of \$32,215 plus 5% interest. After the first instance on May 22, 2003, the district court judged that SinoPac Securities should take the charge of related liability to pay compensation. In the opinion of SinoPac Securities' management and legal counsel, it should clarify that the cause claimed by Mr. Chang was not connected to the brokerage affairs because Mr. Chang authorized Mr. Lin to deal with money remittance of stock payment for a long time. In conclusion, Mr. Chang also committed an unpremeditated crime, and SinoPac Securities had appealed to the supreme court to redress a miscarriage of justice. However, on the basis of the conservative principle, SinoPac Securities estimated \$5,000 loss recorded as nonoperating expenses and losses and other payables in the financial statements.
- j. Taichung Commercial Bank sued Mr. Wu, a former employee of Wan Sheng Securities (which was merged with SinoPac Securities in 2000), for enabling Kuangsan Enterprise Group (Kuangsan) to buy and sell securities illegally. Taichung Commercial Bank filed a civil case against Mr. Wu and SinoPac Securities because of Kuangsan's unlawful acts. The damages claimed amounted to \$97,069 plus 5% interest. SinoPac Securities took all of the legal relationship of Wan Sheng Securities after the merge. In the opinion of SinoPac Securities' legal counsel, SinoPac Securities was not the litigant of the criminal and civil incidentally justice since Mr. Wu was not the inflictor of criminal justice.

k. Significant contingencies and commitments of subsidiaries

SinoPac Marketing Consulting

SinoPac Marketing Consulting leased certain office premises for a three-year period, with rentals paid monthly. Rentals for the future are as follows:

<u>Year</u>	<u>Amount</u>
July 1 to December 31, 2003	\$ 2,518
2004	5,454
2005	5,454
2006	1,959

SinoPac Asset Management International

SinoPac Asset Management International leased certain office premises with rentals paid monthly. Rentals for the future are as follows:

<u>Year</u>	<u>Amount</u>
July 1 to December 31, 2003	\$ 1,032
2004	2,064
2005	1,032

SinoPac Venture Capital

SinoPac Venture Capital Co., Ltd. leases certain office premises with rentals paid quarterly. Rentals for the future are as follows:

<u>Year</u>	<u>Amount</u>
July 1 to December 31, 2003	\$ 10,000
2004	20,000
2005	20,000
2006	20,000
2007	20,000

### 33. CAPITAL ADEQUACY RATIO

Under the Financial Holding Company Act and related regulations, a financial holding company should maintain a consolidated capital adequacy ratio (CAR) of at least 100%. Thus, if a financial holding company's consolidated CAR falls below 100%, the authorities may prohibit it from declaring cash dividends or distributing other properties. In certain conditions, the authorities may impose other penalties on the company. As of June 30, 2003 and 2002, consolidated CARs of the Company were 160% and 195%, respectively.

The Banking Law and related regulations require a bank to maintain a CAR of at least 8%. If a bank's CAR falls below 8%, the authorities may impose certain restrictions on the cash dividends that the bank can declare or, in certain conditions, prohibit it from declaring any cash dividend. As of June 30, 2003 and 2002, Bank SinoPac's standalone CARs were 13.05% and 11.41%, respectively, and the consolidated CARs were 10.83% and 9.94%, respectively.

The Rules Governing Securities Firms and related regulations require a securities company to maintain a CAR of at least 150%. If a securities company's CAR falls below 150%, the authorities may impose certain restrictions on the company's operations. As of June 30, 2003 and 2002, SinoPac Securities' CARs were 365% and 562%, respectively.

### 34. FINANCIAL RATIOS OF FUTURES SUBSIDIARY

As of June 30, 2003 and 2002, the financial ratios of SinoPac Futures, computed according to the provisions of the Rules Governing Futures Commission Merchants, were as follows:

	Calculation Formula	Benchmark	Financial Ratios (%)	
			June 30	
			2003	2002
a.	$\frac{\text{Equities}}{\text{Total liabilities deducted futures client equity, futures trading loss reserve and default reserve}}$	$\geq 1$	819	1,353
b.	$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\geq 1$	116	141
c.	$\frac{\text{Equities}}{\text{Capital stock}}$	$\geq 60\%$ $\geq 40\%$	117	107
d.	$\frac{\text{Adjusted net capital}}{\text{Client and proprietary account}}$	$\geq 20\%$ $\geq 15\%$	87	299

### 35. PUBLIC ANNOUNCEMENTS PRESCRIBED IN FINANCIAL HOLDING COMPANY LAW, ARTICLE 46

Information regarding the credit extensions, guarantees or other transactions engaged by the Company and its subsidiaries to the same person, the same related person or the same affiliate as of June 30, 2003 was summarized as follows:

(In Millions of New Taiwan Dollars, %)

Name	June 30, 2003	
	Aggregate Amount of Credit Extensions, Guarantees or Other Transactions	% of Financial Holding Company's Net Worth
To the same person:		
Client A	\$ 5,887	13.38
Client B	5,852	13.30
Client C	4,423	10.05
Client D	3,626	8.24
Client E	2,247	5.11

(Forward)

<u>Name</u>	<u>June 30, 2003</u>	
	<u>Aggregate Amount of Credit Extensions, Guarantees or Other Transactions</u>	<u>% of Financial Holding Company's Net Worth</u>
To the same affiliate:		
Fubon Financial Holding Co., Ltd. and its affiliates	\$ 7,273	16.53
Grand Commercial Bank and its affiliates	4,393	9.98
Mega Financial Holding Company and its affiliates	4,093	9.30
China Development Financial Holding Corp. and its affiliates	3,750	8.52
Taishin Financial Holding Co., Ltd. and its affiliates	3,303	7.51
First Financial Holding Co., Ltd. and its affiliates	2,949	6.70
Formosa Petrochemical Corp. and its affiliates	2,837	6.45
China Bills Finance Corporation and its affiliates	2,749	6.25
Chinatrust Financial Holding Co., Ltd. and its affiliates	2,641	6.00
Waterland Financial Holdings Co., Ltd. and its affiliates	2,522	5.73
E.Sun Financial Holding co., Ltd. and its affiliates	2,500	5.68
Far Eastern Textile Ltd. and its affiliates	2,482	5.64
First Global Investment Trust Co., Ltd. and its affiliates	2,408	5.47

Pursuant to article 46 of Financial Holding Company Act, the above information announced by the Company was summarized and calculated by the relevant accounts or transaction balances as of June 30, 2003 provided by the Company and its subsidiaries.

### 36. AVERAGE AMOUNT AND AVERAGE INTEREST RATE OF INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES

Average amounts and average interest rates of interest-earning assets and interest-bearing liabilities of Bank SinoPac and its subsidiaries, SinoPac Bancorp, as consolidated with FENB, were as follows:

	<u>For the Six Months Ended June 30, 2003</u>		<u>For the Six Months Ended June 30, 2002</u>	
	<u>Average Balance</u>	<u>Average Rate (%)</u>	<u>Average Balance</u>	<u>Average Rate (%)</u>
<u>Interest-earning assets</u>				
Cash—negotiable certificates of deposit	\$ 75,098,693	1.11	\$ 26,096,342	2.22
Due from banks	7,915,018	1.35	1,889,586	1.73
Call loans (placement)	5,712,888	1.28	26,344,242	2.82
Due from Central Bank	5,616,295	1.96	5,123,698	2.50
Securities purchased	44,108,131	3.83	25,270,928	3.33
Loans, discounts and bills purchased	229,290,037	4.49	167,058,000	5.96

(Forward)

	<b>For the Six Months Ended June 30, 2003</b>		<b>For the Six Months Ended June 30, 2002</b>	
	<b>Average Balance</b>	<b>Average Rate (%)</b>	<b>Average Balance</b>	<b>Average Rate (%)</b>
<u>Interest-bearing liabilities</u>				
Due to banks	\$ 1,198	0.53	\$ 4,910	0.89
Call loans (taken)	63,655,756	1.27	26,198,516	2.01
Demand deposits	42,984,136	0.90	20,091,927	1.11
Savings—demand deposits	53,815,453	0.78	49,617,208	2.10
Time deposits	134,171,555	1.57	94,112,474	2.36
Savings—time deposits	57,809,887	2.14	57,918,658	3.34
Negotiable certificates of deposit	856,520	0.94	1,013,351	2.53

Average balances are calculated by the daily average balances of interest-earning assets and interest-bearing liabilities.

### 37. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The maturity of assets and liabilities of Bank SinoPac and its subsidiaries, SinoPac Bancorp, as consolidated with FENB, is based on the remaining period from balance sheet dates. The remaining period to maturity is based on maturity dates specified under agreements, and, in cases where there are no specific maturity dates, based on expected dates of collection.

	<b>June 30, 2003</b>			
	<b>Due in One Year</b>	<b>Due Between One Year and Five Years</b>	<b>Due After Five Years</b>	<b>Total</b>
<u>Assets</u>				
Cash	\$ 76,531,854	\$ -	\$ -	\$ 76,531,854
Due from banks	14,266,944	-	-	14,266,944
Due from Central Bank	9,958,878	-	-	9,958,878
Securities purchased	48,546,900	-	-	48,546,900
Receivables	17,643,113	-	-	17,643,113
Loans, discounts and bills purchased (excluding nonperforming loans)	<u>81,132,507</u>	<u>33,404,179</u>	<u>128,400,875</u>	<u>242,937,561</u>
	<u>\$ 248,080,196</u>	<u>\$ 33,404,179</u>	<u>\$ 128,400,875</u>	<u>\$ 409,885,250</u>
<u>Liabilities</u>				
Call loans and due to banks	\$ 69,403,712	\$ -	\$ -	\$ 69,403,712
Payables	10,510,614	49,135	17,974	10,577,723
Deposits and remittances	282,805,117	10,719,451	-	293,524,568
Bank debentures	-	8,000,000	5,246,120	13,246,120
	<u>\$ 362,719,443</u>	<u>\$ 18,768,586</u>	<u>\$ 5,264,094</u>	<u>\$ 386,752,123</u>

	<b>June 30, 2002</b>			
	<b>Due in One Year</b>	<b>Due Between One Year and Five Years</b>	<b>Due After Five Years</b>	<b>Total</b>
<b>Assets</b>				
Cash	\$ 52,139,357	\$ -	\$ -	\$ 52,139,357
Due from banks	22,679,123	-	-	22,679,123
Due from Central Bank	9,461,956	-	-	9,461,956
Securities purchased	36,697,790	-	-	36,697,790
Receivables	11,423,141	-	-	11,423,141
Loans, discounts and bills purchased (excluding nonperforming loans)	<u>87,269,771</u>	<u>24,991,822</u>	<u>93,371,866</u>	<u>205,633,459</u>
	<u>\$ 219,671,138</u>	<u>\$ 24,991,822</u>	<u>\$ 93,371,866</u>	<u>\$ 338,034,826</u>
<b>Liabilities</b>				
Call loans and due to banks	\$ 52,004,014	\$ -	\$ -	\$ 52,004,014
Payables	8,954,621	42,438	30,160	9,027,219
Deposits and remittances	254,648,281	7,740,878	-	262,389,159
Bank debentures	-	<u>5,000,000</u>	-	<u>5,000,000</u>
	<u>\$ 315,606,916</u>	<u>\$ 12,783,316</u>	<u>\$ 30,160</u>	<u>\$ 328,420,392</u>

### 38. DISCLOSURE OF FINANCIAL INSTRUMENTS

#### a. Derivative financial instruments

##### SinoPac Holdings

SinoPac Holdings enters into cross-currency swaps to hedge the effects of foreign exchange or interest rate fluctuations on its foreign-currency net liabilities. SinoPac Holdings' strategy is to hedge most of the market risk exposures using hedging instruments whose changes in market value have a highly negative correlation with the changes in the market of the exposures being hedged. SinoPac Holdings also reassesses the hedge effectiveness of these instruments periodically.

SinoPac Holdings is exposed to credit risk in the event of default on contracts by counter-parties. Since SinoPac Holdings made transactions only with financial institutions with good worldwide rankings, accordingly, no significant credit risk is expected.

The contract amounts (or notional amounts), credit risks and fair values of outstanding contracts are as follows:

	<b>June 30, 2003</b>		
<b>Financial Instruments</b>	<b>Contract (Notional) Amount</b>	<b>Credit Risk</b>	<b>Fair Value</b>
For hedging purposes:			
Cross-currency swap contracts	<u>\$ 2,260,530</u>	<u>\$ 22,072</u>	<u>\$ 18,809</u>

The fair values are based on the valuation models, assumptions and certain financial information from reliable sources provided by the counter-parties. This valuation may not reflect the market value at which any transaction could be executed.

The gains (losses) on derivative financial instruments for the six months ended June 30, 2003 were as follows:

	<u>Account</u>	<u>For the Six Months Ended June 30, 2003</u>
For hedging purposes:		
Cross-currency swap contracts		
Realized	Interest revenue	\$18,931
	Interest expense	( 8,198)

For the period from May 9, 2002 to June 30, 2002, SinoPac Holdings did not engage in any derivative transaction.

Bank SinoPac and subsidiaries

Bank SinoPac and its subsidiary SinoPac Bancorp, as consolidated with FENB (Bank SinoPac and subsidiaries), engages in foreign exchange and interest derivative transactions mainly for accommodating customers' needs and managing its exposure positions. It also enters into cross-currency-swaps, interest rate swaps and asset swaps to hedge the effects of foreign exchange or interest rate fluctuations on its foreign-currency net assets. Bank SinoPac and subsidiaries' strategy is to hedge most of the market risk exposures using hedging instruments with market value changes that have a highly negative correlation with the changes in the market of the exposures being hedged. Bank SinoPac and subsidiaries also reassess the hedge effectiveness of the instruments periodically.

Bank SinoPac and subsidiaries are exposed to credit risk in the event of default on contracts by counter-parties. Bank SinoPac and subsidiaries enters into contracts with customers that have satisfied the credit approval process and have provided the necessary collateral. The transactions are then made within each customer's credit limit, and guarantee deposits may be required, depending on the customer's credit standing. Transactions with other banks are made within the trading limit set for each bank on the basis of Bank SinoPac and subsidiaries' credit rating and its worldwide ranking. The associated credit risk has been considered in the evaluation of provision for credit losses. In addition, Bank SinoPac and subsidiaries has entered into futures contracts with London International Financial Futures and Options Exchange (LIFFE) and therefore, no significant credit risk is expected.

The contract amounts (or notional amounts), credit risks and fair values of outstanding contracts were as follows:

<u>Financial Instruments</u>	<u>June 30, 2003</u>		
	<u>Contract (Notional) Amount</u>	<u>Credit Risk</u>	<u>Fair Value</u>
For hedging purposes:			
Interest rate swap contracts	\$ 4,961,000	\$ 125,452	\$ 31,042
For the purposes of accommodating customers' needs or managing Bank SinoPac and subsidiaries' exposures:			
Forward contracts			
—Buy	31,587,089	81,458	( 17,007)
—Sell	27,910,826	238,236	185,846

(Forward)

<b>June 30, 2003</b>			
<b>Financial Instruments</b>	<b>Contract (Notional) Amount</b>	<b>Credit Risk</b>	<b>Fair Value</b>
Forward rate agreements			
—Buy	\$28,734,009	\$ 5,982	(\$ 22,173)
—Sell	32,698,299	29,740	26,527
Currency swap contracts	61,482,145	236,071	( 191,460)
Interest rate swap contracts	45,751,939	431,933	( 36,308)
Future contracts			
—Long position	3,964,290	-	( 448)

<b>June 30, 2003</b>			
<b>Financial Instruments</b>	<b>Contract (Notional) Amount</b>	<b>Credit Risk</b>	<b>Value of Options Purchased/ Written</b>
For the purpose of accommodating customers' needs or managing Bank SinoPac and subsidiaries' exposures:			
Options			
—As buyer	\$86,103,629	\$ 679,043	\$ 1,564,569
—As seller	80,344,204	274,439	1,548,323

<b>June 30, 2002</b>			
<b>Financial Instruments</b>	<b>Contract (Notional) Amount</b>	<b>Credit Risk</b>	<b>Fair Value</b>
For the purposes of accommodating customers' needs or managing Bank SinoPac and subsidiaries' exposures:			
Forward contracts			
—Buy	\$35,617,502	\$ 535,451	(\$ 311,016)
—Sell	51,337,739	1,284,694	371,554
Forward rate agreements			
—Buy	39,285,966	-	( 137,537)
—Sell	42,641,766	141,107	141,107
Currency swap contracts	91,967,108	1,735,593	( 247,197)
Interest rate swap contracts	47,691,160	278,845	( 69,462)

<u>Financial Instruments</u>	<u>June 30, 2002</u>		
	<u>Contract (Notional) Amount</u>	<u>Credit Risk</u>	<u>Value of Options Purchased/ Written</u>
For the purpose of accommodating customers' needs or managing Bank SinoPac and subsidiaries' exposures:			
Options			
—As buyer	\$ 55,857,500	\$ 1,464,561	\$ 1,880,632
—As seller	55,926,658	-	1,881,371

The fair value of each contract is determined using the quotations from Reuters or Telerate Information System. The fair value of each future contract refers to the closing price published by LIFFE as of the respective balance sheet dates.

As of June 30, 2003 and 2002, Bank SinoPac and subsidiaries had entered into asset swap contracts for hedging purposes, with notional amounts at \$5,798,660 and \$1,459,773, respectively. Since Bank SinoPac and subsidiaries had entered into these contracts with counter-parties with good splendid worldwide rankings and credit ratings, no significant credit risk is expected.

The notional amounts of derivative contracts are used solely for the purpose of calculating receivables and payables to all contract parties. Thus, the notional amounts do not represent the actual cash inflows or outflows. The possibility that derivative financial instruments held or issued by Bank SinoPac and subsidiaries cannot be sold at reasonable prices is remote; thus, no significant cash demand is expected.

The gains and losses on derivative financial instruments of Bank SinoPac for the six months ended June 30, 2003 and 2002 were as follows:

	<u>Account</u>	<u>For the Six Months Ended June 30</u>	
		<u>2003</u>	<u>2002</u>
For hedging purposes:			
Cross-currency swap contracts			
—Realized	Interest revenue	\$ -	\$ 31,690
	Interest expense	-	( 14,425 )
Interest rate swap contracts			
—Realized	Interest revenue	9,149	-
	Interest expense	( 241 )	-
For the purposes of accommodating customers' needs or managing Bank SinoPac's exposures:			
Forward contracts			
—Realized	Foreign exchange gain	13,056	7,432
—Unrealized	Foreign exchange gain (loss)	( 126,021 )	139,232
Forward rate agreements			
—Realized	Income from derivative financial transactions	1,806	5,403
—Unrealized	Income (loss) from derivative financial transactions	3,663	( 3,976 )

(Continued)

	<u>Account</u>	<u>For the Six Months Ended June 30</u>	
		<u>2003</u>	<u>2002</u>
Currency swap contracts			
—Realized	Interest revenue	\$ 177,336	\$ 161,904
	Interest expense	( 155,813 )	( 155,911 )
Interest rate swap contracts			
—Realized	Interest revenue	297,739	257,387
	Interest expense	( 326,097 )	( 280,611 )
—Unrealized	Income from derivative financial transactions	23,695	7,804
Options contracts			
—Realized	Income from derivative financial transactions	199,950	76,142
	Foreign exchange gain (loss)	24,039	( 12,622 )
—Unrealized	Income from derivative financial transactions	7,213	1,492
Interest rate futures contracts			
—Realized	Income (loss) from derivative financial transactions	1,510	( 92 )
—Unrealized	Loss from derivative financial transactions	( 956 )	-

Income from derivative financial transactions - net (included in other operating revenue) of Bank SinoPac for the six months ended June 30, 2003 and 2002 were \$236,881 and \$86,773, respectively.

The gains and losses on derivative financial instruments from Bank SinoPac's subsidiary, FENB, for the six months ended June 30, 2003 and 2002 were insignificant.

### SinoPac Securities

#### 1) Warrants

- a) The objective of issuing warrants and strategies to achieve this objective:

SinoPac Securities issues warrants for trading purposes.

SinoPac Securities holds underlying securities to hedge risks from the exercise of warrants and risks from changes in warrant positions held. SinoPac Securities's hedging strategy is to minimize the market value risks. The changes in market values of the underlying securities are highly correlated to that of the warrants, and SinoPac Securities evaluates and adjusts the positions held periodically.

- b) Credit risk

SinoPac Securities is not exposed to credit risk because premium has been received upon the issuance of warrants.

- c) Market risk

Market risk on issued warrants comes mainly from changes in market prices of underlying securities. SinoPac Securities manages the market risk by adopting dynamic hedging strategy to adjust the positions held on warrants and underlying securities.

- d) Liquidity risk, cash flow risk and the uncertainty as to the amount and timing of future cash requirement.

The warrant premiums have been collected in advance when issued. SinoPac Securities also uses its own capital to build positions for hedging purpose. The liquidity risks of the underlying securities held for hedge is low because the regulator requires diversification on acquisition prices and shares acquired. There is no additional future cash requirement except that when the hedging positions need to be adjusted due to the price changes of the underlying securities. Assuming normal market liquidity, the cash flow risks should be relatively low.

Warrants will expire between July 2003 and March 2004. Except for the cash inflows and outflows arising from hedging, no additional cash is needed.

- e) Please refer to Note 17 for leverage ratios of warrants.

2) Interest rate swaps

- a) The objective of engaging in interest rate swap (IRS) contracts and strategies to achieve this objective:

SinoPac Securities has entered into IRS contracts both for trading purposes to profiting from short-term fluctuations in interest rates and for hedging its interest rate exposures on fixed-rate net asset positions. These swaps convert fixed-interest rate obligations to floating interest rate obligations. SinoPac Securities evaluates the effectiveness of these instruments periodically.

- b) Information on the outstanding IRS contracts is as follows:

	<u>June 30, 2003</u>			<u>June 30, 2002</u>		
	<u>Nominal Amount</u>	<u>Credit Risk</u>	<u>Fair Value</u>	<u>Nominal Amount</u>	<u>Credit Risk</u>	<u>Fair Value</u>
For trading purposes	\$1,200,000	\$11,703	(\$28,775)	\$1,800,000	\$12,424	(\$ 7,024)

The counter-parties to the IRS contracts are verified strictly. SinoPac Securities enters into IRS transactions with counter-parties based on their credit ranking and within the trading limits. Therefore, no significant credit risk is expected. The fair values are determined by the present values of future interest revenue or expenses discounted by market interest rates.

As of June 30, 2003, the fair values of outstanding IRS contracts were recognized as derivative financial assets—OTC at \$22,732 and derivative financial liabilities—OTC at \$51,507, respectively. As of June 30, 2002, the fair values of outstanding IRS contracts of \$7,024 were recognized as derivative financial liabilities—OTC.

- c) Market risk

SinoPac Securities uses Value-at-Risks (VAR), based on statistical analysis of interest rate data and foreign industrial standards, in evaluating market risks of the IRS contracts. As of June 30, 2003 and 2002, the VARs were \$2,386 and \$1,838, respectively.

- d) Cash flows and demands

Net interest, equal to the notional amount of the interest rate swap contracts multiplied by the difference in the interest rate bases, received or paid upon each settlement date, is not material. The notional amounts are not exchanged on the final settlement date. Therefore, the cash demand is insignificant.

- e) For the six months ended June 30, 2003 and 2002, the valuation loss recognized under the IRS contracts were \$6,370 and \$5,563, respectively.

3) Stock index futures and options

- a) The objective of stock index futures and options and related strategies

SinoPac Securities engaged in futures and options dealing businesses since May 2002. For the six months ended June 30, 2002, SinoPac Securities used stock index futures and options to hedge the market risks of listed securities.

SinoPac Securities' strategy is to hedge most of the market risk it is exposed through hedging instruments with market value changes that have a highly negative correlation with the changes in the market of the exposures being hedged. SinoPac Securities also reassesses the hedge effectiveness of the instruments periodically.

- b) Notional amounts, fair values and credit risks

		<b>June 30, 2003</b>			
<b>Item</b>	<b>Transaction Type</b>	<b>Opening Positions</b>		<b>Carrying Value/ Premium Paid (Received)</b>	<b>Fair Value</b>
		<b>Long/ Short</b>	<b>Volume</b>		
TAIEX futures	Stock index futures contracts	Long	979	\$ 961,900	\$ 956,483
TAIEX options	Stock index call options	Long	6,528	55,579	56,031
TAIEX options	Stock index put options	Short	8,115	( 45,811 )	( 39,515 )
		<b>June 30, 2002</b>			
<b>Item</b>	<b>Transaction Type</b>	<b>Opening Positions</b>		<b>Carrying Value/ Premium Paid (Received)</b>	<b>Fair Value</b>
		<b>Long/ Short</b>	<b>Volume</b>		
TAIEX futures	Stock index futures contracts	Short	20	\$ 10,160	\$ 10,294

The market value of each contract was based on the reference price published by the Taiwan Stock Exchange Index (TAIEX) as of balance sheet dates. Since the counter-party is TAIEX, no significant credit risk is expected.

As of June 30, 2003, the fair value of premiums from options transactions were recognized \$56,031 and \$39,515 as long options—non-hedging and short options, respectively.

- c) Market risk

Market risks are caused by the price fluctuation for stock index futures and options. SinoPac Securities has established risk control mechanism and has set up stop loss points to monitor price fluctuation of positions held. When the balance of the trading margin account is lower than the maintenance margin, SinoPac Securities will recognize a loss by either closing the position or putting in additional margin.

- d) Liquidity risk, cash flow risk and uncertainty as to the amounts and timing of future cash required

Since all maintenance margin required for futures and options contracts have already been paid, there is no future cash requirement unless margin goes below the required level. Moreover, the cash flow risk is low since SinoPac Securities has sufficient working capital to support future cash demand.

- e) Gains (losses) from stock index futures and options transactions

Gains or losses for the six months ended June 30, 2003 were summarized as follows:

	<b><u>Losses from Futures Transactions</u></b>	<b><u>Gains from Options Transactions</u></b>
Non-hedging and realized	(\$ 33,853)	\$ 16,523
Non-hedging and unrealized	( 5,417)	6,748
	<u>(\$ 39,270)</u>	<u>\$ 23,271</u>

SinoPac Securities recognized non-hedging and realized loss of \$19 on its trading futures transactions for the six months ended June 30, 2002. SinoPac Securities recognized hedging and realized loss of \$2,163 and hedging and unrealized loss of \$134 on its hedging futures transactions for the six months ended June 30, 2002, respectively.

- 4) Asset swap transactions—convertible bonds

- a) The objective of convertible bonds swap transactions and strategies to achieve this objective

SinoPac Securities sold convertible bonds, which were acquired from dealing or underwriting transactions, to counter-parties. The selling price received was taken as a nominal amount. During the contract term, SinoPac Securities took the pre-agreed interest rate in exchange for the coupon rate and the interest compensation on the convertible bonds with counter-parties. It also acquired the right to purchase the convertible bonds from the counter-parties anytime before the expiration date of the contract.

Convertible bond swap transactions have three types: fixed income transactions, short call options transactions and combination of both types. SinoPac Securities has engaged in the transactions since 2003 to diversify its financial instruments, to lower the capital pressure of underwriting convertible bonds to enforce its capability in underwriting convertible bonds, to lower risks, and to enliven the second market for convertible bonds.

- b) Information on outstanding convertible bond swap transactions is as follows:

	<b><u>June 30, 2003</u></b>			
	<b><u>Nominal Amount</u></b>	<b><u>Premiums Paid (Received)</u></b>	<b><u>Credit Risk</u></b>	<b><u>Fair Value</u></b>
i. Fixed income transactions				
Interest rate swap	\$ 290,000	\$ -	\$ -	(\$ 140)
Long call options on convertible bonds	-	9,500	140,342	45,092
ii. Short call options on convertible bonds	300,100	( 9,244)	-	( 31,642)

The fair values are computed using the model approved by the OTC. The parameters used in the model (convertible bond market prices, underlying stock prices, interest rates, etc.) are public market information. Accordingly, there is no risk-free arbitrage opportunity.

SinoPac Securities establishes high thresholds for screening the counter-parties of fixed income transactions and engages with counter-parties, based on their credit ranking, within the trading limits. Therefore, no significant credit risk is expected. In addition, since the premiums have been collected in advance when transactions occurred, there is no credit risk to be expected.

The premium from short call option transactions is collected in advance, and SinoPac Securities expects no exposure to credit risks.

As of June 30, 2003, values of fixed income convertible bonds swap transactions were recognized as derivative financial assets—OTC at \$6,919 and derivative financial liabilities—OTC at \$7,059.

c) Market risk

SinoPac Securities used Value-at-Risks (VAR), based on statistical analysis of market data (including interest rate, convertible bond market prices and theoretical value of options) and foreign industrial standards in evaluating market risks of convertible bond swap transactions. As of June 30, 2003, the VAR was \$1,129.

d) Liquidity risk, cash flow risk and the uncertainty as to the amount and timing of future cash required

The underlying convertible bonds, acquired from dealing and underwriting transactions, were sold to counter-parties and SinoPac Securities received related payments. In addition, SinoPac Securities took the pre-agreed interest rate in exchange of the coupon rate and the interest compensation of convertible bonds from counter-parties. Further, SinoPac Securities acquired the right to repurchase convertible bonds from counter-parties. Therefore, there is no significant liquidity risk and the cash demand is not significant.

e) Gains (losses) from convertible bonds swap transactions.

For the six months ended June 30, 2003, marking to market of convertible bonds swap transactions resulted in the following: Gains of \$10 on interest rate swap contracts of fixed income transactions; gains of \$35,592 on long call options of fixed income transactions; and losses of \$22,398 on short call options.

SinoPac Securities Co., Ltd. (SPS)

1) Stock index futures contracts—for hedging purposes

a) Derivative instruments in hands, the objectives of holding such instruments, and the strategies for achieving such objectives

The objective of possessing stock index future contracts was to hedge the market risk of the listed securities held for dealing. The hedging strategy of SPS was to hedge the market risk exposures using hedging instruments with market value changes that have a highly negative correlation with the changes in the market of the exposures being hedged. SPS also reassessed the hedge effectiveness of the instruments periodically.

- b) The notional amounts, fair value and credit risk

<u>June 30, 2002</u>	<u>Notional Amount</u>	<u>Fair Value</u>
Sell July 2002 TAIFEX	<u>\$ 10,160</u>	<u>\$ 10,294</u>

The fair value of each stock index futures contract was the closing price published by TAIFEX as of the balance sheet dates. SPS was exposed to credit risk in the event of default on contracts by counter-parties on maturity. SPS had entered into the contracts with Taiwan Futures Exchange, and therefore, no significant credit risk was expected.

- c) Market risk

Market risk represented fluctuations in market price of TAIEX Futures. SPS engaged in stock index futures transactions to hedge the effect of market price fluctuations on listed securities held for dealing.

- d) Liquidity risk, cash flow risk and the uncertainty as to the amount and timing of future cash requirement

The working capital of SPS was sufficient to fulfill the contracts. Furthermore, since the stock index future contracts were to hedge the effect of market price fluctuations on listed securities held for dealing, the future cash requirement was to be offset by proceeds from sales of such securities. Therefore, no significant cash demand was expected.

- e) Gains (losses) from stock index future transactions

As of June 30, 2002, receivables resulting from stock index futures transactions amounted to \$15,682 (included in other current assets) and loss from stock index futures transactions for the six months ended June 30, 2002 was \$2,256.

## 2) Warrants

- a) Objectives and strategies

SPS issued warrants for trading purposes with risk monitoring strategy system. Premiums received related to warrants are recorded as liabilities when warrants were issued. The instruments are marked to market as of the balance sheet dates, and the resulting gain (loss) is charged to current income. Also, the gain (loss) upon the exercise of the warrants is charged to current income.

SPS held underlying securities to hedge risks from the exercise of warrants and risks from changes in warrant positions held. SPS's hedging strategy was to minimize the market value risks. The changes in market values of the underlying securities were highly correlated to that of the warrants, and SPS evaluated and adjusted the positions held periodically.

- b) Credit risk

SPS was not exposed to credit risk because the premium had been received in the issuance of warrants.

c) Market risk

Market risk on issued warrants comes mainly from changes in market prices of underlying securities. SPS manages the market risk by adopting dynamic hedging strategy to adjust the positions of warrants and underlying securities.

d) Liquidity risk, cash flow risk and the uncertainty as to the amounts and time of future needs for cash

The premium of the warrants issued by SPS was collected in advance, and SPS established a hedging position with its own capital when the warrants were issued. Thus, no significant cash demand is expected. The liquidity risk of the underlying securities held for hedging was low because the authorities had set the market price and share distribution of the securities, and the probability that the securities could not be sold for a reasonable price was quite low. SPS had to manage any cash demand arising from adjustment of hedge position for changes due to adverse fluctuation of market prices of the underlying securities. The market liquidity was high, but cash flow risk was low.

e) Please refer to Note 17 for leverage ratios of warrants.

f) Fair value of derivative financial instruments were as follows:

	<b>June 30, 2002</b>	
	<b>Carrying Value</b>	<b>Fair Value</b>
<u>Assets</u>		
Securities - hedge positions for stock warrants	\$ 715	\$ 715
<u>Liabilities</u>		
Liabilities for warrants liabilities	1,000	1,000
Repurchased of warrants issued	3	3

g) Gain (loss) on stock warrants issued

	<b>For the Six Months Ended June 30, 2002</b>
Loss on sale of securities - hedge positions for warrants	\$ <u>34,671</u>
Gain on revaluation of liabilities for warrants liabilities	\$ 67,000
Loss on revaluation of repurchased of warrants issued	( <u>4,468</u> )
Net gain on stock warrants issued	\$ <u>62,532</u>

3) Interest rate swap (IRS) contracts

a) The objective of IRS transactions and the strategy to achieve this objective

SPS entered into IRS contracts with counter-parties to hedge its interest rate exposure on borrowings. SPS's strategy was to hedge most of the market risk exposures using hedging instruments with market value changes that had a highly negative correlation with the changes in the market of the exposures being hedged. SPS also reassessed the hedge effectiveness of the instruments periodically.

b) Credit risk

As of June 30, 2002, SPS was not exposed to credit risk because there was no outstanding IRS contracts.

c) Market risk

The effect resulting from interest rate fluctuations was insignificant since all IRS contracts were to hedge SPS's interest rate exposures; therefore, market risks were minimal.

d) Cash flow requirement

SPS entered into IRS contracts to hedge the effects of interest rate fluctuations on its foreign currency net assets.

Net interest, equal to the notional amount of the IRS contracts multiplied by the difference in the interest rate bases, received or paid upon each settlement date, was not material. The notional amounts were not exchanged on the final settlement date. Thus, the cash demand was insignificant.

e) The net financial expense by SPS under the IRS contracts for the six months ended June 30, 2002 was \$2.

b. Fair values of nonderivative financial instruments

	June 30, 2003		June 30, 2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Assets</u>				
Financial assets—with fair values approximating carrying amounts	\$ 136,143,241	\$ 136,143,241	\$ 123,795,217	\$ 123,795,217
Securities purchased	49,128,868	50,248,464	41,932,535	42,071,953
Operating securities	19,187,174	19,401,577	14,747,992	14,948,565
Loans, discounts and bills purchased	243,350,970	243,350,970	205,732,813	205,732,813
Long-term equity investments	9,331,454	9,331,454	6,961,775	6,961,775
Long-term bond investments	-	-	223,022	223,565
Other assets—guarantee deposits	2,805,468	2,815,476	2,290,903	2,678,583

(Continued)

	<u>June 30, 2003</u>		<u>June 30, 2002</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<b>Liabilities</b>				
Financial liabilities—with fair values approximating carrying amounts				
	\$ 110,299,872	\$ 110,299,872	\$ 94,893,855	\$ 94,893,855
Deposits and remittances	293,524,568	293,524,568	262,389,159	262,389,159
Bank debentures	13,246,120	13,246,120	5,000,000	5,000,000
Euro-convertible bonds	8,318,023	8,916,051	-	-
Other liabilities	133,949	133,949	80,940	80,940

Methods and assumptions applied in estimating the fair values of nonderivative financial instruments are as follows:

- 1) The carrying amounts of cash and cash equivalents, due from banks, due from Central Bank, accounts and notes receivables, margin loans receivables, refinancing deposits receivables, interest and other receivables, acceptances, margin deposits — futures, securities purchased under agreements to resell, short-term borrowings, current portion of bonds payables, commercial paper issued, securities sold under agreement to repurchase, call loans and due to banks, accounts and notes payables, acceptances payable, deposits on short sales, short sales proceeds payables, interest and other payables and remittances, approximate their fair values because of the short maturities of these instruments.
- 2) The fair values of securities purchased, operating securities and long-term investments are based on their market prices, if such market prices are available. Otherwise, fair values are estimated at their carrying amounts.
- 3) Pledged time deposits, loans, discounts and bills purchased, deposits, bank debentures and funds received for loans are interest-earning assets and interest-bearing liabilities. Thus, their carrying amounts represent fair values. Fair value of non-performing loans is based on the carrying amount, which is net of the allowance for credit losses.
- 4) The fair values of government bonds, corporate bonds and bank debentures submitted as refundable guarantee deposits are based on their market prices while certificates of deposits are estimated at their carrying amounts. Fair values of other refundable guarantee deposits and guarantee deposits received are estimated at their carrying amounts since such deposits do not have specific due dates.
- 5) The fair values of Euro-convertible bonds are estimated at their market prices listed in Luxembourg.

The fair values of certain financial instruments and all nonfinancial instruments are excluded from disclosure requirement. Accordingly, the aggregate fair values presented above do not necessarily represent the total values of the Company.

c. Financial instruments with off-balance-sheet credit risks

Bank SinoPac and its subsidiaries had significant credit commitments principally relating to customer financing activities and credit card business. The terms of most of the credit commitments were under seven years and loan interest rates for the six months ended June 30, 2003 and 2002, ranging from 0.05% to 20.00% and from 0.38% to 12.75%, respectively. Bank SinoPac and its subsidiaries also issued financial guarantees and standby letters of credit to guarantee the performance of a customer obligated to a third party. These guarantees were usually with terms of less than one year and with maturity dates not in any particular period.

The contract amounts of financial instruments with off-balance-sheet credit risks as of June 30, 2003 and 2002 were as follows:

	<b>June 30</b>	
	<b>2003</b>	<b>2002</b>
Undrawn loan commitments	\$ 18,088,950	\$ 11,645,687
Financial guarantees and standby letters of credit	11,142,957	23,265,226
Credit card commitments for credit cards	62,059	-

Since most of the commitments will expire without being drawn upon, the total commitment amounts do not necessarily represent actual cash demands. The maximum credit exposure from these commitments is the total commitment amounts assuming that the customer uses the full amount of the commitment and the related collateral or other security turns out to be worthless.

Bank SinoPac and subsidiaries make credit commitments and issue financial guarantees and standby letters of credit only after evaluation of customers' credit standings. Based on the result of the credit evaluation, Bank SinoPac and subsidiaries may require collateral before draw down against the credit facilities. As of June 30, 2003 and 2002, ratios of secured loans to total loans were about 78.91% and 78.50%, respectively. Collaterals held vary but may include cash, inventories, marketable securities, and other properties. When the customers default, Bank SinoPac and subsidiaries will, as required by circumstances, foreclose the collateral or execute other rights arising out of the guarantees given.

Bank SinoPac and subsidiaries evaluate cardholders' credit ratings periodically and revise the credit limits, if necessary. But no collateral is required for credit card commitments.

### 39. INFORMATION ON CONCENTRATION OF RISK

The Company has no concentrated credit risk in any industry, individual counter-party or group of counterparties engaged in similar business activities. Industries with 5% or more of the outstanding loans as of June 30, 2003 and 2002 were as follows:

	<b>June 30, 2003</b>		<b>June 30, 2002</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Natural person	\$ 147,178,957	60	\$ 126,343,569	61
Real estate	29,611,784	12	18,081,791	9
Manufacturing	26,432,261	11	16,066,908	8

The net positions on foreign-currency transactions as of June 30, 2003 and 2002 were insignificant.

#### 40. CONDENSED BALANCE SHEETS AND STATEMENTS OF INCOME OF BANK, SECURITIES AND INSURANCE SUBSIDIARIES

##### a. Condensed balance sheets

##### Bank SinoPac and Subsidiaries

##### Consolidated Balance Sheets June 30, 2003 and 2002 (In Thousands of New Taiwan Dollars)

<u>Assets</u>	<u>2003</u>	<u>2002</u>	<u>Liabilities</u>	<u>2003</u>	<u>2002</u>
Cash	\$ 76,531,854	\$ 53,828,280	Call loans and due to banks	\$ 69,403,712	\$ 52,004,014
Due from banks	14,266,944	22,679,123	Payables	10,577,723	9,086,534
Due from Central Bank	9,958,878	9,461,956	Deposits and remittances	304,989,535	265,181,537
Securities purchased—net	48,405,487	38,591,774	Bank debentures	13,246,120	5,000,000
Receivables—net	17,592,702	11,518,648	Other liabilities	<u>3,023,598</u>	<u>3,233,310</u>
Prepayments	192,585	310,660	Total liabilities	<u>401,240,688</u>	<u>334,505,395</u>
Loans, discounts and bills purchased—net	243,850,775	206,615,564	<b><u>Stockholders' equity</u></b>		
Long-term equity investments—net	4,374,876	4,588,487	Capital stock	19,443,975	19,443,975
Properties—net	5,312,517	5,183,638	Capital surplus	125,208	127,147
Other assets	<u>5,600,333</u>	<u>5,095,679</u>	Retained earnings	5,387,857	4,514,000
			Equity adjustments	( 110,777 )	( 716,708 )
			Total stockholders' equity	<u>24,846,263</u>	<u>23,368,414</u>
			Total liabilities and stockholders' equity	<u>\$426,086,951</u>	<u>\$357,873,809</u>
Total assets	<u>\$426,086,951</u>	<u>\$357,873,809</u>			

##### SinoPac Securities Corporation

##### Balance Sheets June 30, 2003 and 2002 (In Thousands of New Taiwan Dollars)

<u>Assets</u>	<u>2003</u>	<u>2002</u>	<u>Liabilities</u>	<u>2003</u>	<u>2002</u>
Current assets	\$ 41,534,134	\$ 47,940,626	Current liabilities	\$ 29,279,489	\$ 34,880,305
Long-term equity investments	3,657,147	2,623,375	Other liabilities	<u>499,351</u>	<u>405,680</u>
Properties—net	2,719,933	2,772,201	Total liabilities	<u>29,778,840</u>	<u>35,285,985</u>
Other assets	2,257,053	2,270,044	<b><u>Stockholders' equity</u></b>		
Securities brokerage debit account—net	<u>464,993</u>	<u>338,644</u>	Capital stock	15,269,020	15,939,549
			Capital surplus	2,321,997	1,358,015
			Retained earnings	3,519,449	3,868,565
			Equity adjustments	( 256,046 )	( 507,224 )
			Total stockholders' equity	<u>20,854,420</u>	<u>20,658,905</u>
			Total liabilities and stockholders' equity	<u>\$ 50,633,260</u>	<u>\$ 55,944,890</u>
Total assets	<u>\$ 50,633,260</u>	<u>\$ 55,944,890</u>			

##### SinoPac Life Insurance Agent Co., Ltd.

##### Balance Sheets June 30, 2003 and 2002 (In Thousands of New Taiwan Dollars)

<u>Assets</u>	<u>2003</u>	<u>2002</u>	<u>Liabilities</u>	<u>2003</u>	<u>2002</u>
Current assets	\$ 51,064	\$ 34,957	Current liabilities	\$ 14,397	\$ 11,901
Properties—net	621	476	<b><u>Stockholders' equity</u></b>		
Other assets	<u>3,072</u>	<u>671</u>	Capital stock	2,000	2,000
			Retained earnings	<u>38,360</u>	<u>22,203</u>
			Total stockholders' equity	<u>40,360</u>	<u>24,203</u>
			Total liabilities and stockholders' equity	<u>\$ 54,757</u>	<u>\$ 36,104</u>
Total assets	<u>\$ 54,757</u>	<u>\$ 36,104</u>			

**SinoPac Property Insurance Agent Co., Ltd.**

**Balance Sheets**  
**June 30, 2003 and 2002**  
(In Thousands of New Taiwan Dollars)

<u>Assets</u>	<u>2003</u>	<u>2002</u>	<u>Liabilities</u>	<u>2003</u>	<u>2002</u>
Current assets	\$ 3,268	\$ 3,887	Current liabilities	\$ 1,074	\$ 1,448
Other assets	<u>600</u>	<u>600</u>			
			<b><u>Stockholders' equity</u></b>		
			Capital stock	2,000	2,000
			Retained earnings	<u>812</u>	<u>1,039</u>
			Total stockholders' equity	<u>2,812</u>	<u>3,039</u>
			Total liabilities and stockholders' equity	<u>\$ 3,886</u>	<u>\$ 4,487</u>
Total assets	<u>\$ 3,886</u>	<u>\$ 4,487</u>			

b. Condensed statements of income

**Bank SinoPac and Subsidiaries**

**Consolidated Statements of Income**  
**For the Six Months Ended June 30, 2003 and 2002**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2003</u>	<u>2002</u>
Operating revenues	\$ 8,903,004	\$ 8,952,086
Operating costs and expenses	<u>7,176,119</u>	<u>7,298,219</u>
Operating income	1,726,885	1,653,867
Non-operating income and gains	69,825	40,023
Non-operating expenses and losses	<u>39,450</u>	<u>17,798</u>
Income before income tax	<u>1,757,260</u>	<u>1,676,092</u>
Net income	<u>\$ 1,433,573</u>	<u>\$ 1,233,586</u>
Pretax earnings per share	<u>\$ 0.90</u>	<u>\$ 0.88</u>
After tax earnings per share	<u>\$ 0.74</u>	<u>\$ 0.65</u>

**SinoPac Securities Corporation**

**Statements of Income**  
**For the Six Months Ended June 30, 2003 and 2002**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2003</u>	<u>2002</u>
Operating revenues	\$ 2,222,577	\$ 3,631,774
Operating costs and expenses	<u>1,655,441</u>	<u>2,281,522</u>
Operating income	567,136	1,350,252
Non-operating income and gains	248,465	359,648
Non-operating expenses and losses	<u>102,685</u>	<u>207,251</u>
Income before income tax	<u>712,916</u>	<u>1,502,649</u>
Net income	<u>\$ 578,026</u>	<u>\$ 1,239,397</u>
Pre-tax earnings per share	<u>\$ 0.48</u>	<u>\$ 0.98</u>
After tax earnings per share	<u>\$ 0.39</u>	<u>\$ 0.81</u>

**SinoPac Life Insurance Agent Co., Ltd.**

**Statements of Income**  
**For the Six Months Ended June 30, 2003 and 2002**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<b>2003</b>	<b>2002</b>
Operating revenues	\$ 71,103	\$ 45,127
Operating costs and expenses	33,082	15,641
Operating income	38,021	29,486
Nonoperating income and gains	757	-
Income before income tax	38,778	29,486
Net income	\$ 29,169	\$ 22,125
Pretax earnings per share	\$ 193.90	\$ 147.43
After tax earnings per share	\$ 145.85	\$ 110.63

**SinoPac Property Insurance Agent Co., Ltd.**

**Statements of Income**  
**For the Six Months Ended June 30, 2003 and 2002**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<b>2003</b>	<b>2002</b>
Operating revenues	\$ 1,878	\$ 3,082
Operating costs and expenses	1,179	1,850
Income before income tax	699	1,232
Net income	\$ 527	\$ 934
Pretax earnings per share	\$ 3.50	\$ 6.16
After tax earnings per share	\$ 2.64	\$ 4.67

**41. THE SUBSIDIARIES' SIGNIFICANT FINANCIAL AND OPERATING PROFILE—BANK SINOPAC**

a. Assets quality

(In Thousands of New Taiwan Dollars, %)

Item	June 30, 2003	June 30, 2002
Overdue loans (including nonperforming loans)	\$ 4,394,324	\$ 3,676,154
Nonperforming loans	2,655,805	1,654,112
Overdue loans ratio (Note 1)	2.17	2.04
Classified loans (Note 2)	1,202,883	2,873,953
Ratios of classified loans to total loans	0.60	1.60
Allowance for credit losses	1,684,483	1,332,353

Note 1:  $\text{Overdue loans ratio} = \frac{\text{Overdue loans (including nonperforming loans)}}{\text{outstanding loan balance} + \text{Nonperforming loans}}$ . If overdue loans (including nonperforming loans)/total credits, the overdue loans ratios as of June 30, 2003 and 2002 were 1.83% and 1.80%, respectively.

Note 2: Loans subject to observation are medium and long-term loans repayable in installments repayment on which is delinquent for more than six months but less than six months; other loans(the repayment of) principal on which is overdue by less than six months and interest thereon is overdue by more than six months but less than six months that would normally be required to be reported as an overdue loan but for having been exempted from such reporting (including loans for which an agreement has been reached to repay such loan in installments, loans for which a credit insurance fund will cover such repayment (as evidenced by) a sufficient certificate of deposit or reserve, loans for which repayment has, by agreement, been extended due to the September 21, 1999 earthquake, loans for which the collateral has been sold at auction and the proceeds of such auction are yet to be distributed, and loans extended under other approved exempt loan programs.

b. Management information

1) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

	June 30, 2003		June 30, 2002	
Credit extensions to interested parties	4,087,158		5,186,133	
Ratios of credit extensions to interested parties	1.71		2.55	
Ratios of credit extensions secured by pledged stocks	0.40		1.42	
Industry concentration	Industry	Percentage	Industry	Percentage
	Manufacturing	9.20	Manufacturing	9.08
	Wholesaling	2.68	Wholesaling	3.03
	Finance and insurance	2.00	Finance and insurance	1.67
	Real estate and leasing	2.25	Real estate and leasing	2.72
	Government organizations	2.44	Government organizations	3.65
	Natural person	79.43	Natural person	77.00
	Other	2.00	Other	2.85

2) Information of investees of Bank SinoPac

June 30, 2003

(In Thousands of New Taiwan Dollars and Foreign Currencies, %)

Name of Investee	Original Investment Amount	Percentage of Ownership
SinoPac Bancorp	US\$ 112,306	100.00
Rocorp Holding S.A.	3,531	33.33
SinoPac Leasing Corporation	999,940	99.77
SinoPac Capital Limited	HK\$ 229,998	99.99
SinoPac Financial Consulting Co., Ltd.	1,940	97.00
Fuh-Hwa Investment Trust Co., Ltd.	24,000	7.77
Mondex Taiwan Inc.	25,000	6.47

Note: Only include percentage of ownership above 5%.

3) Policy of provisions on credit losses

In determining the allowance for credit losses and provision for losses on guarantees, Bank SinoPac assesses the collectibility on the balances of loans, discounts and bills purchased, accounts, interest and other receivables, and nonperforming loans, as well as guarantees and acceptances as of the balance sheet dates.

Pursuant to “The Rules for Bank Asset Evaluation, Loss Reserve Provision, and Disposal of Overdue Loans and Bad Debts” (the Rules) issued by the MOF, Bank SinoPac evaluates credit losses on the basis of its borrowers’/clients’ financial positions, Bank SinoPac’s prior experiences, repayments for principal and interest by borrowers/clients, collateral provided, and estimated level of collectibility.

Bank SinoPac assesses losses on particular loans in accordance with the Rules stated above. The Rules provide that the minimum provision for credit losses should not be less than the aggregate of 50% of the doubtful credits and 100% of the unrecoverable credits.

Write-offs of loans falling under the MOF guidelines, upon approval by the board of directors, are offset against the recorded allowance for credit losses.

4) Matters requiring special notation

June 30, 2003

<b>Causes</b>	<b>Summary and Amount</b>
Within the past one year, a responsible person or professional employee, in the course of business, violated the law, resulting in an indictment by a prosecutor.	A former employee sued by Bank SinoPac for violating the related regulations of the Bank Law, was prosecuted by the District Attorney. The case was still tried by the District Court. Partial damage had been recovered, and the outstanding amount as of June 30, 2003 was \$1,011, which had been paid on July 8, 2003 subsequently.
Within the past one year, a fine was levied on Bank SinoPac for violations of the Banking Law.	None
Within the past one year, misconduct occurred that resulted in the Ministry of Finance imposing strict corrective measures.	None
Within the past one year, the loss from one incident or the total losses from employee corruption, periodic events of a material nature, or failure to abide by the “Guidelines for the Maintenance of Soundness of Financial Institutions” exceeded NT\$50 million dollars.	None
Other	None

Note: The term “within the past one year” means the one year prior to the balance sheet date.

c. Profitability

<b>Item</b>	<b>For the Six Months Ended June 30, 2003</b>	<b>For the Six Months Ended June 30, 2002</b>
Return on total assets	0.91%	1.05%
Return on net worth	12.79%	13.48%
Profit margin	21.37%	20.53%

- Note 1: Return on total assets = Income before income tax/Average total assts  
 Note 2: Return on net worth = Income before income tax/Average net worth  
 Note 3: Profit margin = Income before income tax/Total operating revenues  
 Note 4: Income before income tax represents the income for the six months ended June 30, 2003 and 2002.

The profitability data listed above is expressed on an annual basis.

d. Liquidity

**Maturity Analysis of Assets and Liabilities  
June 30, 2003**

(In Millions of New Taiwan Dollars)

	Total	Amount for the Remaining Period Prior to the Maturity Date				
		0-30 Days	31-90 Days	91-180 Days	181 Days to One Year	Over One Year
Assets	\$ 335,277	\$ 76,050	\$ 27,208	\$ 30,590	\$ 33,970	\$ 167,459
Liabilities	337,159	91,888	44,965	41,551	51,718	107,037
Gap	( 1,882)	( 15,838)	( 17,757)	( 10,961)	( 17,748)	60,422
Accumulated gap	( 1,882)	( 15,838)	( 33,595)	( 44,556)	( 62,304)	( 1,882)

Note: The above amounts include only New Taiwan Dollar amounts held in the onshore branch by Bank SinoPac (i.e. excludes foreign currency).

e. Market risk sensitivity

Item	June 30, 2003	June 30, 2002
Ratio of interest-rate sensitive assets to liabilities	84.61%	75.96%
Ratio of interest-rate sensitive gap to net worth	71.56%	(32.71%)

Note 1: Ratio of interest-rate sensitive assets to liabilities = Interest-rate sensitive assets/Interest-rate sensitive liabilities (with maturities of less than one year in New Taiwan Dollars)

Note 2: Interest-rate sensitive gap = Interest-rate sensitive assets — Interest-rate sensitive liabilities

**45. ADDITIONAL DISCLOSURES**

a. Followings are the additional disclosures required by the SFC for the Company and investees:

- 1) Financing provided: Table 1;
- 2) Endorsement/guarantee provided: Table 2;
- 3) Marketable securities held: Table 3;
- 4) Marketable securities acquired and disposed of, at costs or prices of at least NT\$100 million or 20% of the issued capital: Table 4;
- 5) Acquisition of individual real estate at costs of at least NT\$100 million or 20% of the issued capital: Table 5;

- 6) Receivables from related parties amounting to at least NT\$100 million or 20% of the issued capital: Table 6;
- 7) Names, locations, and other information of investees on which the Company exercises significant influences: Table 7;
- 8) Derivative financial transactions: Please refer to Note 38. The derivative financial instruments of AnShin Card Services are summarized as follows:

AnShin Card Services

The interest rate swap contracts held by AnShin Card Services are for the purpose of hedging the risks that may result from changes in interest rates of liabilities rather than for the purpose of trading. The AnShin Card Services' strategy is to hedge most market risks by using derivative instruments whose value change in the opposite direction of underlying items, and the effectiveness of these instruments is reassessed periodically.

- a) As of June 30, 2003, the outstanding nominal amount, credit risk and fair value were as follows:

<u>Financial Instruments</u>	<u>June 30, 2003</u>			<u>Maturity</u>
	<u>Nominal Amount</u>	<u>Credit Risk</u>	<u>Fair Value</u>	
Interest rate swap contract	<u>\$ 1,800,000</u>	<u>\$ _____</u> -	<u>(\$ 59,472)</u>	2004.02-2005.01

The amount of credit risks are a potential losses of AnShin Card Services if the counter-parties involved in that transactions default. Since AnShin Card Services' derivative financial instruments agreements are entered into with financial institutions with good credit ratings, no significant credit risk is expected.

The fair value of derivative financial instruments is the amount AnShin Card Services would receive or pay to terminate contracts at the balance sheet date, including unrealized gains or losses for outstanding contracts. The fair value of AnShin Card Services' derivative financial instrument is based on the quotations from financial institutions which evaluate the future interest payment stream within the contractual period discounted at the market interest rate.

- b) Market risk

The purpose of the interest rate swap contracts is to hedge the interest risk of liabilities. Therefore, gains or losses resulting from changes in interest rates will be offset by those of the hedged item. Therefore, market risk is not significant.

- c) Liquidity risk, cash flow risk, and uncertainty as to the amount and timing of future cash requirement

AnShin Card Services entered into the aforementioned transactions only with financial institutions of good credit standing and transacted with several different financial institutions to diversify financial risks. It is believed that default risks of these financial institutions are minimal and would not have material impact on the financial statements.

Under the contracts, there was no exchange of the notional principal. The net interest calculated based on the difference between the contractual rate and the market floating rate multiplied by the nominal principal, was settled every 90 days. The interest differential is usually immaterial.

- d) For the six months ended June 30, 2003, realized interest expenses recognized as operating expenses amounted to \$38,275. The unrealized revaluation losses based on fair value amounted to \$59,472 were recognized as other liabilities and a debit balance stockholders' equity.
- b. Information related to investment in Mainland China: None.

## SINOPAC HOLDINGS AND INVESTEEES

**FINANCING PROVIDED  
FOR THE SIX MONTHS ENDED JUNE 30, 2003  
(In Thousands of New Taiwan Dollars)**

No.	Financing Name	Counter-party	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Financing Type	Transaction Amount	Financing Reason	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limit
											Item	Value		
6	Intellisys Corp.	Intellisoft Corporation	Temporary payments	\$ 563	\$ -	-	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 20,000 (Note 1)	\$ 59,575 (Note 1)
		Intellisys Shanghai Corporation	Temporary payments	387	-	-	Short-term financing	-	Working capital	-	-	-	20,000 (Note 1)	59,575 (Note 1)

Note 1: The stockholders of Intellisys Corp. approved the limit on total financing amount (Note 2) up to 30% of the net asset value of Intellisys Corp., and the limit on individual financing amount is up to \$20,000.

Note 2: The net asset value of Intellisys Corporation was based on its unaudited financial statements as of June 30, 2003.

**SINOPAC HOLDINGS AND INVESTEES**

**ENDORSEMENT/GUARANTEE PROVIDED  
FOR THE SIX MONTHS ENDED JUNE 30, 2003**

**(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

No.	Endorsement/Guarantee Provider	Counter-party		Limit on Individual Endorsement/ Guarantee Amount	Maximum Balance for the Period	Ending Balance	Endorsement/ Guarantee Amount Collateralized by Properties	Ratio of Accumulated Amount of Endorsement/ Guarantee to Net Equity of the Latest Financial Statement	Maximum Endorsement/ Guarantee Amount Allowable
		Name	Nature of Relationship						
1	SinoPac Securities Corporation	SinoPac Securities (Asia) Ltd.	Affiliate	\$ 8,341,768 (Note 2)	\$ 608,588 (Note 1) ( US\$ 17,500 thousand dollars)	\$ -	\$ -	-	\$ 8,341,768 (Note 2)
2	SinoPac Leasing Corporation	Grand Capital International Limited	Subsidiary	3,775,831 (Note 3)	4,442,961 (Note 1)	4,442,961 (Note 1)	-	235% (Note 6)	9,439,578 (Note 4)
		Wal Tech International Corporation	Affiliate	3,775,831 (Note 3)	530,000	530,000	-	28% (Note 6)	9,439,578 (Note 4)

Note 1: Foreign-currency amounts are translated to New Taiwan dollars at the exchange rate as of the balance sheet date.

Note 2: The limits on individual and total endorsement or guarantee amounts are both up to 40% of the net asset value (Note 5) of SinoPac Securities Corporation.

Note 3: The limit on individual endorsement or guarantee amount is up to 200% of the net asset value (Note 6) of SinoPac Leasing Corporation. But no limit applied on any subsidiary of SinoPac Leasing Corporation.

Note 4: The maximum amount of endorsement or guarantee is up to 500% of the net asset value (Note 6) of SinoPac Leasing Corporation. But no limit applied on any subsidiary of SinoPac Leasing Corporation.

Note 5: The net asset value of the aforementioned corporation is based on its audited financial statements as of June 30, 2003.

Note 6: The net asset value of the aforementioned corporation is based on its unaudited financial statements as of June 30, 2003.

TABLE 3

## SINOPAC HOLDINGS AND INVESTEES

## MARKETABLE SECURITIES HELD

JUNE 30, 2003

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	June 30, 2003				Note	
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 2)		
SinoPac Holdings	<u>Stock (common stock)</u>								
	Bank SinoPac	Subsidiary	Long-term equity investments	1,944,398	\$ 21,900,273	100.00%	\$ 24,846,263	Note 5	
	SinoPac Securities Corporation	Subsidiary	Long-term equity investments	1,526,902 (Note 8)	20,854,417	100.00%	20,854,420	Note 5	
	SinoPac Life Insurance Agent Co., Ltd.	Subsidiary	Long-term equity investments	200	40,360	100.00%	40,360	Note 5	
	SinoPac Property Insurance Agent Co., Ltd.	Subsidiary	Long-term equity investments	200	2,812	100.00%	2,812	Note 5	
	SinoPac Venture Capital Co., Ltd.	Subsidiary	Long-term equity investments	50,000	479,175	100.00%	479,175	Note 4	
	SinoPac Call Center Co., Ltd.	Subsidiary	Long-term equity investments	10,000	99,493	100.00%	99,493	Note 4	
	SinoPac Asset Management International	Subsidiary	Long-term equity investments	10,000	108,667	100.00%	108,667	Note 4	
	SinoPac Marketing Consulting Co., Ltd.	Subsidiary	Long-term equity investments	5,000	51,921	100.00%	51,921	Note 4	
	AnShin Card Services Co., Ltd.	Investee accounted for by the equity method	Long-term equity investments	81,104	146,839	49.76%	146,839	Note 5	
	Li-Seng Develop company	Investee accounted for by the cost method	Long-term equity investments	12,500	125,000	5.00%	124,227	Note 4	
		<u>Stock (preferred stock)</u>							
		AnShin Card Services Co., Ltd.	-	Long-term equity investments	28,834	288,336	60.07%	288,336	Note 6
	Bank SinoPac	<u>Stock</u>							
SinoPac Bancorp		Subsidiary	Long-term equity investments	20	5,176,744	100.00%	5,336,814	Note 5	
Rocorp Holding S.A.		Investee accounted for by the equity method	Long-term equity investments	0.11	3,531	33.33%	3,531	Note 6	
SinoPac Leasing Corporation		Subsidiary	Long-term equity investments	149,652	2,100,781	99.7683%	1,883,541	Note 4	
SinoPac Capital Limited		Subsidiary	Long-term equity investments	229,998	1,005,352	99.9991%	1,005,858	Note 4	
SinoPac Financial Consulting Co., Ltd.		Subsidiary	Long-term equity investments	194	1,498	97.00%	1,498	Note 4	
Ruentex Industries Ltd.		Supervisor of Bank SinoPac and an investee accounted for by the cost method	Long-term equity investments	11,452	165,486 (Note 3)	1.45%	168,292	Note 2	
Mega Financial Holding Company		Investee accounted for by the cost method	Long-term equity investments	3,998	110,732 (Note 3)	0.04%	66,492	Note 2	
China Television Co., Ltd.		Investee accounted for by the cost method	Long-term equity investments	12,468	364,539 (Note 3)	3.42%	102,237	Note 2	
Global Securities Finance Corp.		Investee accounted for by the cost method	Long-term equity investments	11,719	100,000	1.56%	130,567	Note 5	
Z-Com, Inc.		Investee accounted for by the cost method	Long-term equity investments	1,040	13,230	1.58%	11,302	Note 4	
Taipei Forex Inc.		Investee accounted for by the cost method	Long-term equity investments	80	800	0.40%	1,103	Note 4	
Taiwan Future Exchange Co., Ltd.		Investee accounted for by the cost method	Long-term equity investments	899	8,990	0.45%	11,189	Note 5	
Taiwan Leader Advanced Technology Co., Ltd.		Investee accounted for by the cost method	Long-term equity investments	1,103	16,554	1.07%	9,229	Note 4	
Apack Technology Inc.		Investee accounted for by the cost method	Long-term equity investments	1,694	- (Note 9)	1.31%	12,717	Note 4	
Fuh-Hwa Investment Trust Co., Ltd.		Investee accounted for by the cost method	Long-term equity investments	2,400	24,000	7.77%	31,964	Note 4	
Financial Information Services Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	4,550	45,500	1.14%	63,895	Note 4		
Taiwan Asset Management Corporation	Investee accounted for by the cost method	Long-term equity investments	5,000	50,000	0.28%	51,543	Note 4		

(Continued)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	June 30, 2003				Note
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 2)	
SinoPac Bancorp	Taiwan Financial Asset Service Corporation	Investee accounted for by the cost method	Long-term equity investments	5,000	\$ 50,000	2.94%	\$ 50,790	Note 4
	Prudence Venture Investment Corporation	Investee accounted for by the cost method	Long-term equity investments	5,000	50,000	2.50%	49,620	Note 4
	Mondex Taiwan Inc.	Investee accounted for by the cost method	Long-term equity investments	2,000	25,000	6.47%	14,410	Note 4
Far East National Bank	<u>Stock</u> Far East National Bank	Subsidiary	Long-term equity investments	175	5,251,337	100.00%	5,251,337	Note 5
Far East National Bank	<u>Stock</u> Far East Capital Corporation	Subsidiary	Long-term equity investments	350	78,253	100.00%	78,253	Note 5
	FENB Securities, Inc.	Subsidiary	Long-term equity investments	2.5	21,655	100.00%	21,655	Note 5
	FENB Loan Corp.	Subsidiary	Long-term equity investments	0.1	( 13,989)	100.00%	( 13,989)	Note 5
	FENB Film Corp.	Subsidiary	Long-term equity investments	0.1	( 55,352)	100.00%	( 55,352)	Note 5
	FENB Services, Inc.	Subsidiary	Long-term equity investments	0.1	34	100.00%	34	Note 5
	Federal Reserve Bank	Investee accounted for by the cost method	Long-term equity investments	65	117,039	-	117,039	Note 6
	Federal Home Loan Bank	Investee accounted for by the cost method	Long-term equity investments	76	262,508	-	262,508	Note 6
	Southern California Business Development Corporation (SCBDC)	Investee accounted for by the cost method	Long-term equity investments	40	1,384	-	1,384	Note 6
	California Economic Development Lending Initiative (CEDLI)	Investee accounted for by the cost method	Long-term equity investments	50	1,731	-	1,731	Note 6
	<u>Fund</u> Genesis L.A. Real Estate Fund LLC	-	Long-term investments	-	67,117	-	67,117	Note 6
	California Tax Credit Fund LLC	-	Long-term investments	-	27,947	-	27,947	Note 6
	Bay Area Smart Growth Fund LLC	-	Long-term investments	-	22,895	-	22,895	Note 6
	Far East Capital Corporation	<u>Stock (common stock)</u> Hollywood International Financial, Inc.	Investee accounted for by the cost method	Long-term equity investments	0.3	10	15.10%	117
PCRS Capital Partners, LLC		Investee accounted for by the cost method	Long-term equity investments	-	1,853	4.00%	1,853	Note 6
TVIA, Inc.		Investee accounted for by the cost method	Long-term equity investments	33	1,188	0.20%	1,188	Note 7
Far East Capital Corporation	<u>Stock (preferred stock)</u> AgraQuest, Inc.	-	Long-term equity investments	100	8,134	0.80%	8,134	Note 6
	iPhysician Net, Inc.	-	Long-term equity investments	115	14,070	0.30%	14,070	Note 6
	Silicon Motion, Inc.	-	Long-term equity investments	61	8,653	0.20%	8,653	Note 6
	Softknot Corporation	-	Long-term equity investments	250	6,924	2.00%	6,924	Note 6
	Zone Reactor, Inc.	-	Long-term equity investments	300	1,166	1.50%	1,166	Note 6
	SinoPac Leasing Corporation	<u>Stock</u> Grand Capital International Limited	Subsidiary	Long-term equity investments	29,900	1,388,143	100.00%	1,388,143
Bank of Overseas Chinese		Investee accounted for by the cost method	Long-term equity investments	4,829	29,914 (Note 3)	0.29%	25,835	Note 2
Chain Yarn Co., Ltd.		Investee accounted for by the cost method	Long-term equity investments	1,969	38,444	1.90%	26,655	Note 4
Tekcon Electronics Corp.		Investee accounted for by the cost method	Long-term equity investments	832	20,768	1.51%	6,269	Note 4
Global Securities Finance Corp.		Investee accounted for by the cost method	Long-term equity investments	1,423	15,664	0.19%	15,877	Note 5
Z-Com, Inc.		Investee accounted for by the cost method	Long-term equity investments	330	6,600	0.50%	3,577	Note 4
Walton Advanced Engineering, Inc.		Investee accounted for by the cost method	Long-term equity investments	1,528	23,616	0.34%	11,757	Note 4
Telexpress Corp.		Investee accounted for by the cost method	Long-term equity investments	525	7,835	5.00%	5,162	Note 4

(Continued)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	June 30, 2003				Note
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 2)	
Grand Capital International Limited	<u>Venture fund</u> World Wide Multimedia L.P.	-	Long-term investments	0.005	\$ 58,956	16.67%	\$ 47,979	Note 4
	<u>Stock (preferred stock)</u> Best 3C. Com, Inc.	-	Long-term equity investments	600	15,575	1.85%	15,575	Note 6
	e21 Corp.	-	Long-term equity investments	200	10,384	0.79%	10,384	Note 6
	<u>Stock (common stock)</u> CIPHERGEN Biosystems, Inc.	Investee accounted for by the cost method	Long-term equity investments	37	8,206	0.14%	8,206	Note 7
SinoPac Capital Limited	<u>Stock</u> SinoPac Capital (B.V.I.) Ltd.	Subsidiary	Long-term equity investments	4,450	127,991	100.00%	396,409	Note 4
	TPV Technology	-	Short-term investments	1,110	12,397	0.08%	13,422	Note 2
	Sino Golf	-	Short-term investments	9,962	39,370	3.30%	48,626	Note 2
	BEP International Holding	-	Short-term investments	3,380	10,566	1.41%	10,031	Note 2
	Haier-CCT	-	Short-term investments	40,000	35,332	0.40%	50,587	Note 2
	Suga International	-	Short-term investments	5,754	36,572	2.88%	39,576	Note 2
	Sino Info Tech	-	Short-term investments	16,106	16,765	1.15%	14,866	Note 2
	<u>Bond</u> Chiam International	-	Short-term investments	US\$ 1,000	34,612	-	34,612	Note 7
	<u>Convertible bill and bond</u> Sino-Wood Partners	-	Short-term investments	US\$ 1,000	34,612	-	34,612	Note 2
	Sinbon Electronics Co., Ltd.	-	Short-term investments	US\$ 1,000	34,612	-	35,261	Note 2
	Micro-Star Int'l Co., Ltd.	-	Short-term investments	US\$ 3,000	103,836	-	121,618	Note 2
	Siliconware Precision	-	Short-term investments	US\$ 1,000	34,612	-	36,348	Note 2
	Hannstar Display	-	Short-term investments	US\$ 2,000	69,224	-	73,291	Note 2
	Chunghwa Pictures Tubes	-	Short-term investments	US\$ 2,009	69,528	-	73,103	Note 2
SinoPac Capital (B.V.I.) Ltd.	<u>Stock</u> Cyberpac Holding Ltd. (B.V.I.)	Subsidiary	Long-term equity investments	4,000	41,225	100.00%	33,889	Note 4
	Allstar Venture Ltd. (B.V.I.)	Subsidiary	Long-term equity investments	0.002	( 155,322 )	100.00%	( 155,322 )	Note 4
	Shanghai International Asset Management (Hong Kong) Co., Ltd.	Subsidiary	Long-term equity investments	4,800	31,990	60.00%	24,096	Note 4
	Pinnacle Investment Management Ltd.	Subsidiary	Long-term equity investments	200	4,241	99.9995%	4,241	Note 4
Cyberpac Holding Ltd. (B.V.I.)	<u>Venture fund</u> 3V Source One LP	-	Long-term investments	2,000	70,724	71.43%	45,797	Note 4
	<u>Stock</u> Wal Tech International Corporation	Subsidiary	Long-term equity investments	26,500	197,989	100.00%	192,719	Note 4
	RSP Information Service Company Limited	Subsidiary	Long-term equity investments	999.999	4,299	99.9999%	4,299	Note 4
	Telexpress Corp.	Investee accounted for by the equity method	Long-term equity investments	3,900	49,066	34.21%	33,582	Note 4
	Hollywood International Finance Inc.	Investee accounted for by the cost method	Long-term equity investments	0.098	3	4.90%	38	Note 4

(Continued)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	June 30, 2003				Note	
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 2)		
Allstar Venture Ltd. (B.V.I.)	<u>Venture fund</u>								
	InveStar Excelsus Venture Capital (Int'l) Inc., LDC	-	Long-term investments	2,220	\$ 84,556	6.25%	\$ 84,556	Note 6	
	UOB	-	Long-term investments	26	77,231	8.62%	48,811	Note 4	
	MDS Life Sciences Technology Fund	-	Long-term investments	50	118,269	25.00%	81,498	Note 4	
	Biotechnology Development Fund II LP (formerly Bio Asia Investment, LLC/BDF II)	-	Long-term investments	-	36,085	2.30%	42,791	Note 4	
	NAVF II	-	Long-term investments	-	46,570	2.07%	29,528	Note 4	
	<u>Stock (common stock)</u>								
	Ardent Pharmaceutica, Inc.	Investee accounted for by the cost method	Long-term equity investments	143	17,692	0.58%	377	Note 4	
	TVIA, Inc.	Investee accounted for by the cost method	Long-term equity investments	167	10,165	0.75%	5,942	Note 7	
	DiCon Fiberoptics, Inc.	Investee accounted for by the cost method	Long-term equity investments	221	34,606	0.20%	4,387	Note 4	
	<u>Stock (preferred stock)</u>								
	Sunol Molecular Corp.	-	Long-term equity investments	100	17,469	0.92%	17,469	Note 6	
	Phytoceutica, Inc.	-	Long-term equity investments	200	17,854	1.10%	17,854	Note 6	
	Immusol, Inc.	-	Long-term equity investments	75	10,615	0.16%	10,615	Note 6	
	Virtual Silicon Technology, Inc.	-	Long-term equity investments	120	10,606	0.31%	10,606	Note 6	
	BioAgri Corp.	-	Long-term equity investments	375	10,384	2.42%	10,384	Note 6	
	Divio, Inc.	-	Long-term equity investments	125	17,373	0.64%	17,373	Note 6	
	Wal Tech International Corporation	<u>Stock</u>							
		Intellisys Corp.	Subsidiary	Long-term equity investments	10,326	241,335	62.58%	124,273	Note 4
		Multiwin Asset Management Co., Ltd.	Investee accounted for by the equity method	Long-term equity investments	1,800	8,326	30.00%	9,121	Note 4
Monmon Medza Technology Co., Ltd.		Investee accounted for by the equity method	Long-term equity investments	598	2,757	32.39%	2,631	Note 4	
Fu Po Electronics Corporation		Investee accounted for by the cost method	Long-term equity investments	1,650	29,700	1.50%	13,768	Note 4	
Webi & Neti Internet Services Inc.		Investee accounted for by the cost method	Long-term equity investments	63	625	2.63%	312	Note 4	
YesMobile Holdings Company Limited		Investee accounted for by the cost method	Long-term equity investments	294	12,000	0.75%	2,238	Note 4	
SynTest Technologies, Inc., Taiwan		Investee accounted for by the cost method	Long-term equity investments	79	10,598	0.35%	480	Note 4	
Taiwan Leader Advanced Technology Co., Ltd.		Investee accounted for by the cost method	Long-term equity investments	1,575	15,000	1.53%	13,729	Note 5	
Ruentex Resources Integration Co., Ltd.		A subsidiary of Bank SinoPac's supervisor and Investee accounted for by the cost method	Long-term equity investments	2,361	24,114	2.47%	20,631	Note 4	
Media Reality Technologies, Inc.		Investee accounted for by the cost method	Long-term equity investments	800	13,598	1.78%	8,775	Note 5	
Advanced Power Electronics Corp.		Investee accounted for by the cost method	Long-term equity investments	660	14,520	1.32%	9,661	Note 4	
Nanya PCB Corporation		Investee accounted for by the cost method	Long-term equity investments	1,519	93,080	0.32%	26,292	Note 4	
ENE Technology Inc.		Investee accounted for by the cost method	Long-term equity investments	765	29,996	3.22%	32,056	Note 2	
SonicEdge Industries Corporation		Investee accounted for by the cost method	Long-term equity investments	580	14,500	2.99%	5,133	Note 4	
Maximum Venture I, Inc., Taiwan	Investee accounted for by the cost method	Long-term equity investments	7,000	70,350	9.39%	67,668	Note 5		
SinoPac Financial Consulting Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	6	91	3.00%	46	Note 4		
Silicon Motion Inc.	Investee accounted for by the cost method	Long-term equity investments	90	12,523	0.10%	1,099	Note 4		
Intellisys Corp.	<u>Beneficiary certificate</u>								
	KGI Pioneer Fund	-	Short-term investments	200	2,000 (Note 3)	-	1,862	Note 7	
	Apollo Fund	-	Short-term investments	15	100 (Note 3)	-	81	Note 7	

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Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	June 30, 2003				Note	
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 2)		
SinoPac Securities Corporation	<u>Stock</u> Orion Financial Tech. Ltd.	Investee accounted for by the cost method	Long-term equity investments	81	\$ 525	2.31%	\$ 203	Note 4	
	<u>Stock</u> SinoPac Securities (Cayman) Holdings Ltd.	Subsidiary	Long-term equity investments	48,100	1,844,805	100.00%	1,844,805	Note 4	
	SinoPac Asset Management Corp. (B.V.I.)	Subsidiary	Long-term equity investments	16,000	649,651	100.00%	649,651	Note 4	
	SinoPac Futures Corporation	Subsidiary	Long-term equity investments	35,348	413,548	88.37%	413,548	Note 5	
	SinoPac Capital Management Corporation	Subsidiary	Long-term equity investments	21,000	192,115	100.00%	192,115	Note 4	
	Hua VI Venture Capital Corp.	Investee accounted for by the cost method	Long-term equity investments	9,000	90,000	8.70%	90,000	Note 6	
	Honpang Venture Capital Corp.	Investee accounted for by the cost method	Long-term equity investments	8,000	80,000	10.00%	80,000	Note 6	
	China Power Venture Capital Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	7,000	70,000	7.00%	70,000	Note 6	
	Shengtung Venture Capital Corporation	Investee accounted for by the cost method	Long-term equity investments	6,500	65,000	10.00%	65,000	Note 6	
	Communicator II Venture Holding Ltd.	Investee accounted for by the cost method	Long-term equity investments	5,500	55,000	9.82%	55,000	Note 6	
	Parawin Venture Capital Corporation	Investee accounted for by the cost method	Long-term equity investments	5,000	50,000	5.00%	50,000	Note 6	
	Top Taiwan III Venture Capital Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	5,000	50,000	5.00%	50,000	Note 6	
	Fu-Ban Securities Finance Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	2,945	29,037	0.47%	29,037	Note 6	
	Global Securities Finance Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	2,628	23,562	0.35%	29,247	Note 5	
	Chiachen Chiayi Venture Capital Corporation	Investee accounted for by the cost method	Long-term equity investments	2,000	20,000	10.00%	20,000	Note 6	
	Taiwan Securities Central Depository Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	1,574	12,858	0.63%	12,858	Note 6	
	Taiwan Future Exchange Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	1,121	11,571	0.56%	13,940	Note 5	
		<u>Beneficiary certificate</u>							
		Prudential Financial Bond Fund	-	Short-term investments	29,948	411,299	-	416,489	Note 7
		President Home Run Bond Fund	-	Short-term investments	28,141	375,115	-	375,179	Note 7
		Fubon Ju-I Fund	-	Short-term investments	20,007	300,143	-	302,867	Note 7
		Abnamro Bond Fund	-	Short-term investments	20,891	300,000	-	300,000	Note 7
		The Wan Tai Bond Fund	-	Short-term investments	21,657	288,668	-	288,712	Note 7
		Asia Pacific Bond Fund	-	Short-term investments	18,296	221,711	-	221,750	Note 7
		Dresdner Bond Dam Fund	-	Short-term investments	18,208	200,000	-	200,302	Note 7
		Cathay Bond Fund	-	Short-term investments	18,205	199,909	-	200,297	Note 7
		Ta Chong Gallop Bond Fund	-	Short-term investments	19,573	199,810	-	202,560	Note 7
		Grand Cathay Bond Fund	-	Short-term investments	13,474	165,000	-	166,137	Note 7
		Sinkong Chi-Shin Fund	-	Short-term investments	11,118	150,000	-	151,733	Note 7
		NT And High Yield Fund	-	Short-term investments	6,343	99,000	-	100,208	Note 7
		Fuh-Hwa Small Capital Fund	-	Short-term investments	1,969	20,099	-	19,114	Note 7
		President Jump Fund	-	Short-term investments	2,000	20,060	-	19,180	Note 7
		Prudential Financial Small-and-medium Corp. Fund	-	Short-term investments	2,000	20,050	-	24,000	Note 7
	APIT II Fund	-	Short-term investments	3,584	20,030	-	18,351	Note 7	
	Sinkong Great China Fund	-	Short-term investments	2,000	20,020	-	18,700	Note 7	
	Cathay Technology Fund	-	Short-term investments	2,000	20,020	-	18,340	Note 7	
	Central Chiao Tung Hi-Tech Fund	-	Short-term investments	2,075	20,000	-	18,071	Note 7	
	JF Fund	-	Short-term investments	2,000	20,000	-	20,000	Note 7	
	ING CHB Global High Dividend Fund	-	Short-term investments	1,500	15,000	-	16,160	Note 7	
	Fuh-hwa Digital Economy Fund	-	Short-term investments	1,495	10,050	-	9,791	Note 7	
	ING CHB Taiwan Superior Selection Equity Fund	-	Short-term investments	1,161	10,030	-	9,977	Note 7	

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Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	June 30, 2003				Note
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 2)	
	KGI Technology Fund	-	Short-term investments	1,114	\$ 10,030	-	\$ 10,813	Note 7
	Capital Asset Allocation Fund	-	Short-term investments	870	10,025	-	8,381	Note 7
	Capital Small-and-medium Corp. Fund	-	Short-term investments	794	10,025	-	10,421	Note 7
	Grand Cathay Balance Fund	-	Short-term investments	1,000	10,020	-	10,470	Note 7
	Jihsun Topfive Fund	-	Short-term investments	1,473	10,020	-	10,177	Note 7
	Fubon Precision Fund	-	Short-term investments	450	10,020	-	9,298	Note 7
	Transcend Fortune Bond Fund	-	Short-term investments	868	10,020	-	9,792	Note 7
	Jih Sun New Taiwan Enterprise Fund	-	Short-term investments	1,000	10,020	-	10,660	Note 7
	Prudential Essence Fund	-	Short-term investments	567	10,010	-	8,821	Note 7
	Ta Chong China Fund	-	Short-term investments	1,000	10,010	-	10,850	Note 7
	The Global Fund	-	Short-term investments	906	10,010	-	10,607	Note 7
	Polaris High-Performance Fund	-	Short-term investments	821	10,010	-	10,903	Note 7
	UBS Treasury Global Technology Biotech Fund	-	Short-term investments	1,000	10,000	-	9,850	Note 7
	Tai-Yu High Tech Fund	-	Short-term investments	1,992	10,000	-	9,980	Note 7
	Taiwan Enterprise Century Fund	-	Short-term investments	1,000	10,000	-	9,850	Note 7
	Prudential Financial High Growth Fund	-	Short-term investments	400	10,000	-	8,868	Note 7
	The IIT Life Sciences Fund	-	Short-term investments	989	10,000	-	10,653	Note 7
	Chung Hsing Taiwan Fund	-	Short-term investments	947	9,476	-	8,472	Note 7
	AIG Local Growth Trend Fund	-	Short-term investments	1,600	8,000	-	7,808	Note 7
	Ta Chong Technology Fund	-	Short-term investments	1,179	6,355	-	7,476	Note 7
	Dresdner Technology Dam Fund	-	Short-term investments	790	4,910	-	5,648	Note 7
SinoPac Futures Corporation	Taiwan Future Exchange Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	500	5,000	0.25%	6,223	Note 5
SinoPac Securities (Cayman) Holdings Ltd.	<u>Stock</u> SinoPac Securities (Europe) Ltd.	Subsidiary	Long-term equity investments	1,000	40,950	100.00%	40,950	Note 6
	SinoPac Securities (Asia) Ltd.	Subsidiary	Long-term equity investments	30	1,388,649	92.88%	1,388,649	Note 6
	SinoPac Futures (Asia) Ltd.	Subsidiary	Long-term equity investments	10,000	81,200	100.00%	81,200	Note 6
	SinoPac Capital (Asia) Ltd.	Subsidiary	Long-term equity investments	30,000	140,455	100.00%	140,455	Note 6
	NSC Asia Ltd.	Subsidiary	Long-term equity investments	1	2,284	100.00%	2,284	Note 6
	SinoPac Securities (U.S.A.) Ltd.	Subsidiary	Long-term equity investments	2	38,108	100.00%	38,108	Note 6
	NITC Asset Management (Asia) Ltd.	Investee accounted for by the equity method	Long-term equity investments	2,992	17,721	29.92%	17,721	Note 6
SinoPac Securities (Asia) Ltd.	<u>Stock</u> SinoPac Securities (Asia) Nominees Ltd.	Subsidiary	Long-term equity investments	0.002	0.009	100.00%	0.009	Note 6
	SinoPac (Asia) Nominees Ltd.	Subsidiary	Long-term equity investments	0.002	0.009	100.00%	0.009	Note 6
SinoPac Capital Management Corporation	<u>Beneficiary certificate</u> NITC Bond Fund	-	Short-term investments	334	51,566	-	52,325	Note 7
	NITC Taiwan Bond Fund	-	Short-term investments	375	5,000	-	5,021	Note 7
SinoPac Asset Management Corp. (B.V.I.)	<u>Stock</u> SinoPac Securities (H.K.) Limited	Subsidiary	Long-term equity investments	25,000	120,830	100.00%	120,830	Note 6
	SinoPac Asia Limited	Subsidiary	Long-term equity investments	6,000	305,070	100.00%	305,070	Note 6
SinoPac Securities (H.K.) Limited	<u>Stock</u> SinoPac Securities (Asia) Ltd.	-	Long-term equity investments	2	106,451	7.12%	106,451	Note 6

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Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	June 30, 2003				Note
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 2)	
SinoPac Life Insurance Agent Co., Ltd.	<u>Beneficiary certificate</u> Fuh-hwa Yu-Li Fund	-	Short-term investments	1,328	\$ 15,015	-	\$ 15,489	Note 7
	Fuh-hwa Bond Fund	-	Short-term investments	164	2,000	-	2,059	Note 7
	Prudential Aggressive Growth 2 Bond Fund	-	Short-term investments	1,689	24,746	-	24,980	Note 7
SinoPac Property Insurance Agent Co., Ltd.	<u>Beneficiary certificate</u> Prudential Aggressive Growth 2 Bond Fund	-	Short-term investments	104	1,500	-	1,542	Note 7
	ABN AMRO Bond Fund Cap	-	Short-term investments	71	1,000	-	1,021	Note 7
SinoPac Venture Capital Co., Ltd.	<u>Beneficiary certificate</u> NITC Bond Fund	-	Short-term investments	1,965	304,904	-	307,558	Note 7
	<u>Stock</u> Global Sun Technology Inc.	Investee accounted for by the cost method	Long-term equity investments	388	29,565 (Note 3)	0.65%	18,636	Note 2
	Pandisk Technology Company Ltd.	Investee accounted for by the cost method	Long-term equity investments	656	9,979	2.95%	9,979	Note 6
	Skahex Technology Inc.	Investee accounted for by the cost method	Long-term equity investments	356	13,821	0.43%	13,821	Note 6
	Chinesegamer International Corp.	Investee accounted for by the cost method	Long-term equity investments	380	33,400	0.07%	33,400	Note 6
	ENE Technology Inc.	Investee accounted for by the cost method	Long-term equity investments	294	11,760 (Note 3)	1.25%	12,052	Note 2
	Wistron Corp.	Investee accounted for by the cost method	Long-term equity investments	800	20,234	0.10%	20,234	Note 6
	Csi-Sensor Company	Investee accounted for by the cost method	Long-term equity investments	212	5,662	1.50%	5,662	Note 6
	International Semiconductor Technology Ltd.	Investee accounted for by the cost method	Long-term equity investments	391	9,993	0.83%	9,993	Note 6
	NPC Corp.	Investee accounted for by the cost method	Long-term equity investments	6	160	0.001%	160	Note 6
	SHINE Optical Company Limited	Investee accounted for by the cost method	Long-term equity investments	400	9,600	9.60%	9,600	Note 6
	Hulane	Investee accounted for by the cost method	Long-term equity investments	243	9,963	3.28%	9,963	Note 6
	Taimide Tech, Inc.	Investee accounted for by the cost method	Long-term equity investments	870	10,000	1.92%	10,000	Note 6
	Settv	Investee accounted for by the cost method	Long-term equity investments	520	19,760	1.72%	19,760	Note 6
SinoPac Asset Management International	<u>Beneficiary certificate</u> NITC Bond Fund	-	Short-term investments	348	54,181	-	54,491	Note 7
	<u>Stock</u> BASSO Corp.	-	Short-term investments	100	6,659 (Note 3)	0.51%	6,522	Note 2
	Topco Scientific Corp.	-	Short-term investments	100	8,863 (Note 3)	1.30%	8,625	Note 2
	EPISTAR Corporation	-	Short-term investments	100	4,897	0.49%	4,530	Note 2
	EDOM Technology Corp.	-	Short-term investments	52	3,269	0.27%	3,284	Note 2
	Taiwan Cellular Corp.	-	Short-term investments	500	13,269 (Note 3)	0.01%	12,820	Note 2
	National Venture Capital Corp.	Investee accounted for by the cost method	Long-term equity investments	2,000	14,800	3.69%	15,719	Note 4

- Note 1: Foreign-currency amounts are translated to New Taiwan dollars at the exchange rate as of the balance sheet date.  
Note 2: Market prices of listed and over-the-counter stocks are determined by average daily closing prices in June 2003.  
Note 3: The amounts are before deducting related unrealized losses under the method of lower of aggregate cost or market.  
Note 4: Net asset values are based on the investees' unaudited or unreviewed financial statements for the latest period.  
Note 5: Net asset values are based on the investees' audited or reviewed financial statements for the latest period.

- Note 6: Net asset values are based on the carrying amounts.  
Note 7: Market prices are determined at the closing prices on June 30, 2003.  
Note 8: The shares include 33,660 thousand shares of treasury stock.  
Note 9: The amounts are after deducting realized losses.

TABLE 4

## SINOPAC HOLDINGS AND INVESTEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE ISSUED CAPITAL  
FOR THE SIX MONTHS ENDED JUNE 30, 2003  
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Relationship	Beginning Balance		Acquisition (Note 3)		Disposal			Ending Balance		
					Shares/Units/ Face Value (in Thousand)	Amount	Shares/Units/ Face Amount (in Thousand)	Amount	Shares/Units/ Face Amount (in Thousand)	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares/Units/ Face Amount (in Thousand)	Amount
SinoPac Holdings	<u>Stock</u> Li-Seng Develop Company	Long-term equity investment	-	-	-	\$ -	12,500	\$ 125,000	-	\$ -	\$ -	\$ -	12,500	\$ 125,000
	SinoPac Venture Capital Co., Ltd.	Long-term equity investments	-	-	-	-	50,000	479,175 (Note 1)	-	-	-	-	50,000	479,175
	SinoPac Asset Management International	Long-term equity investments	-	-	-	-	10,000	108,667 (Note 2)	-	-	-	-	10,000	108,667
SinoPac Securities Corporation	<u>Stock</u> SinoPac Securities (Cayman) Holdings Ltd.	Long-term equity investments	-	-	22,100	815,315 (Note 4)	26,000	1,029,490 (Note 4)	-	-	-	-	48,100	1,844,805 (Note 4)
	<u>Beneficiary certificate</u> Grand Cathay Bond Fund	Short-term investments	-	-	-	-	13,474	165,000	-	-	-	-	13,474	165,000
	Dresdner Bond Dam Fund	Short-term investments	-	-	-	-	18,208	200,000	-	-	-	-	18,208	200,000
	Cathay Bond Fund	Short-term investments	-	-	43,839	476,081	27,332	300,000	52,966	579,052	576,172	2,880	18,205	199,909
	Apollo B. B. Bond Fund	Short-term investments	-	-	9,394	100,000	18,726	200,000	28,120	300,416	300,000	416	-	-
	TLAM B. B. Bond Fund	Short-term investments	-	-	-	-	9,331	100,000	9,331	100,198	100,000	198	-	-
	ABN AMRO Select Bond Fund	Short-term investments	-	-	28,064	300,000	-	-	28,064	300,514	300,000	514	-	-
	ABN AMRO Bond Fund	Short-term investments	-	-	-	-	20,891	300,000	-	-	-	-	20,891	300,000
	President Home Run Bond Fund	Short-term investments	-	-	34,298	446,600	28,141	375,115	34,298	456,647	446,600	10,047	28,141	375,115
	President James Bond Fund	Short-term investments	-	-	13,111	190,281	-	-	13,111	190,771	190,281	490	-	-
	Fubon Ju-I II Fund	Short-term investments	-	-	-	-	7,278	100,000	7,278	100,137	100,000	137	-	-
	JF First Bond Fund	Short-term investments	-	-	-	-	14,940	200,000	14,940	200,145	200,000	145	-	-
	INVESCO GP ROC Bond Fund	Short-term investments	-	-	14,216	200,000	-	-	14,216	201,365	200,000	1,365	-	-
	Asia Pacific Bond Fund	Short-term investments	-	-	42,486	500,705	18,296	221,711	42,486	512,120	500,705	11,415	18,296	221,711
	The Wan Tai Bond Fund	Short-term investments	-	-	42,350	543,393	21,657	288,668	42,350	562,564	543,393	19,171	21,657	288,668
	Transcend Fortune Bond Fund	Short-term investments	-	-	-	-	25,723	295,000	25,723	296,965	295,000	1,965	-	-
	Sheng Hua 5599 Bond Fund	Short-term investments	-	-	19,509	204,924	-	-	19,509	207,339	204,924	2,415	-	-
SinoPac Venture Capital Co., Ltd.	<u>Beneficiary certificate</u> NITC Bond Fund	Short-term investments	National Investment Trust Company Limited	Related party in substance	-	-	3,220	499,500	1,255	195,400	194,596	804	1,965	304,904
SinoPac Asset Management International	<u>Beneficiary certificate</u> NITC Bond Fund	Short-term investments	National Investment Trust Company Limited	Related party in substance	-	-	750	116,496	402	62,727	62,315	412	348	54,181
SinoPac Capital Limited	<u>Convertible bond</u> Hannstar Display	Short-term investments	-	-	-	-	US\$ 3,000	102,153 (Note 4)	US\$ 1,000	33,460 (Note 4)	32,929 (Note 4)	531 (Note 4)	US\$ 2,000	69,224 (Note 4)

Note 1: Consist of original investment amount of \$500,000, investment loss recognized under the equity method of \$10,186 and unrealized loss on long-term equity investment of \$10,639.

Note 2: Consist of original investment amount of \$100,000 and investment income recognized under the equity method of \$8,667.

Note 3: Consist of original investment which increase in this period, investment income recognized under the equity method and cumulative translation adjustment.

Note 4: Foreign-currency amounts are translated to New Taiwan dollars at the exchange rate as of the balance sheet date.

**SINOPAC HOLDINGS AND INVESTEEES**

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE ISSUED CAPITAL  
FOR THE SIX MONTHS ENDED JUNE 30, 2003  
(In Thousand New Taiwan Dollars)**

Company Name	Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
Bank SinoPac	Collateral assumed—2 lands in South Area, Taichung	April 15, 2003	\$197,680	Offset in nonperforming loan	Tong Long Industrial Corp.	The debtor of Bank SinoPac	-	-	-	-	Court auction price: \$197,680	For sale	-

**SINOPAC HOLDINGS AND INVESTEEES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE ISSUED CAPITAL**

**JUNE 30, 2003**

**(In Thousand New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Bank SinoPac	SinoPac Holdings	Parent company	\$ 140,753 (Note)	-	\$ -	-	\$ -	\$ -

Note: Cash dividends receivable.

TABLE 7

## SINOPAC HOLDINGS AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
FOR THE SIX MONTHS ENDED JUNE 30, 2003  
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2003			Net Income (Loss) of the Investee (Note 2)	Investment Gains (Loss) (Note 2)	Note
				June 30, 2003 (Note 1)	December 31, 2002 (Note 1)	Shares (Thousand)	Percentage of Ownership (%)	Carrying Amount (Note 2)			
SinoPac Holdings	Bank SinoPac	Taipei	Commercial bank	\$ 23,976,716	\$ 23,976,716 (Note 3)	1,944,398	100.00	\$ 21,900,273	\$ 1,433,573	\$ 1,394,475	Subsidiary
	SinoPac Securities Corporation	Taipei	Brokerage, dealing and underwriting of securities	21,440,500	21,440,500 (Notes 3 and 4)	1,526,902	100.00	20,854,417	578,026	511,085	Subsidiary
	AnShin Card Services Co., Ltd.	Taipei	Credit card business	181,238	181,238	81,104	49.76	146,839	( 21,614)	( 15,492)	Investee under significant influence held by SinoPac Holdings
	SinoPac Life Insurance Agent Co., Ltd.	Taipei	Life insurance agent	81,909	-	200	100.00	40,360	29,169	28,451	Subsidiary
	SinoPac Property Insurance Agent Co., Ltd.	Taipei	Property insurance agent	3,919	-	200	100.00	2,812	527	510	Subsidiary
	SinoPac Venture Capital Co., Ltd.	Taipei	Venture capital investment	500,000	-	50,000	100.00	479,175	( 10,186)	( 10,186)	Subsidiary
	SinoPac Call Center Co., Ltd.	Kaohsiung	Data processing, manpower and agency services	100,000	100,000	10,000	100.00	99,493	2,359	2,359	Subsidiary
	SinoPac Asset Management International	Taipei	Business management advisory, investment and venture capital investment advisory	100,000	-	10,000	100.00	108,667	8,667	8,667	Subsidiary
SinoPac Marketing Consulting Co., Ltd.	Taipei	Agent service, investment advisory and overdue accounts receivable management	50,000	-	5,000	100.00	51,921	1,921	1,921	Subsidiary	
Bank SinoPac	SinoPac Bancorp	California	Stock holding	US\$ 112,306	US\$ 112,306	20	100.00	5,176,744	222,389	164,612	Affiliate
	Rocorp Holding S.A.	Luxembourg	Stock holding	\$ 3,531	\$ 3,531	0.11	33.33	3,531	-	-	Investee under significant influence held by SinoPac Holdings' subsidiary
	SinoPac Leasing Corporation	Taipei	Leasing aircraft and machinery equipment	\$ 999,940	\$ 999,940	149,652	99.7683	2,100,781	84,757	76,875	Affiliate
SinoPac Capital Limited	SinoPac Capital Limited	Hong Kong	Lending and financing	HK\$229,998	HK\$229,998	229,998	99.9991	1,005,352	110,276	109,872	Affiliate
	SinoPac Financial Consulting Co., Ltd.	Taipei	Investment advisory and business management advisory	\$ 1,940	\$ 1,940	194	97.00	1,498	( 665)	( 681)	Affiliate
SinoPac Bancorp	Far East National Bank	California	Commercial bank	US\$ 107,306	US\$ 107,306	175	100.00	5,251,337	231,195		Affiliate
Far East National Bank	Far East Capital Corporation	California	Investment bank	US\$ 3,500	US\$ 3,500	350	100.00	78,253	( 7,720)		Affiliate
	FENB Securities, Inc.	California	Securities brokerage	US\$ 25	US\$ 25	2.5	100.00	21,655	8,213		Affiliate
	FENB Loan Corp.	California	Asset management	US\$ 1	US\$ 1	0.1	100.00	( 13,989)	-		Affiliate
	FENB Film Corp.	California	Motion picture asset management	US\$ 1	US\$ 1	0.1	100.00	( 55,352)	-		Affiliate
	FENB Service, Inc.	California	Investment corporation	US\$ 1	-	0.1	100.00	34	( 1)		Affiliate
SinoPac Leasing Corporation	Grand Capital International Limited	British Virgin Islands	Oversea trading, leasing, lending and financing	US\$ 29,900	US\$ 29,900	29,900	100.00	1,388,143	41,801		Affiliate
SinoPac Capital Limited	SinoPac Capital (B.V.I.) Ltd.	British Virgin Islands	Financial advisory	US\$ 4,450	US\$ 4,450	4,450	100.00	127,991	( 13,830)		Affiliate
SinoPac Capital (B.V.I.) Ltd.	Cyberpac Holding Ltd. (B.V.I.)	British Virgin Islands	Investment and advisory	US\$ 4,000	US\$ 4,000	4,000	100.00	41,225	( 20,019)		Affiliate
	Allstar Venture Ltd. (B.V.I.)	British Virgin Islands	Investment	US\$ 0.002	US\$ 0.002	0.002	100.00	( 155,322)	( 20,360)		Affiliate
	Shanghai International Asset Management (Hong Kong) Co., Ltd.	Hong Kong	Asset management	HK\$ 10,000	HK\$ 10,000	4,800	60.00	31,990	969		Affiliate
	Pinnacle Investment Management Ltd.	Hong Kong	Asset management	US\$ 200	US\$ 200	200	99.9995	4,241	( 208)		Affiliate

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2003			Net Income (Loss) of the Investee (Note 2)	Investment Gains (Loss) (Note 2)	Note
				June 30, 2003 (Note 1)	December 31, 2002 (Note 1)	Shares (Thousand)	Percentage of Ownership (%)	Carrying Amount (Note 2)			
Cyberpac Holding Ltd. (B.V.I.)	Wal Tech International Corporation	Taipei	Leasing, international trading, and sale of machinery equipment	\$ 272,182	\$ 272,160	26,500	100.00	\$ 197,989	(\$ 10,042)		Affiliate
	RSP Information Service Company Limited	Hong Kong	General trading and providing internet - based service	HK\$999,999	HK\$ -	999,999	99.9999	4,299	( 140)		Affiliate
	Telexpress Corp.	Cayman Islands	Investment	US\$ 1,560	US\$ 1,560	3,900	34.21	49,066	( 5,313)		Investee under significant influence held by the Bank's affiliate
Wal Tech International Corporation	Intellisys Corp.	Taipei	Computer and peripheral system integration engineering, software development and design	\$ 258,836	\$ 258,836	10,326	62.58	241,335	5,946		Affiliate
	Mutiwin Asset Management Co., Ltd.	Taipei	Asset management	18,000	18,000	1,800	30.00	8,326	( 3,902)		Investee under significant influence held by the Bank's affiliate
	Monmon Medza Technology	Taipei	Software products retail and distribution	5,980	5,980	598	32.39	2,757	( 2,476)		Investee under significant influence held by the Bank's affiliate
SinoPac Securities Corporation	SinoPac Futures Corporation	Taipei	Brokerage of futures contracts	353,480	353,480	35,348	88.37	413,548	17,812	\$ 15,848	Affiliate
	SinoPac Securities (Cayman) Holdings Ltd.	Cayman Islands, British West Indies	Stock holding	1,637,261	733,226	48,100	100.00	1,844,805	71,630	71,630	Affiliate
	SinoPac Capital Management Corporation	Taipei	Investment consulting	146,028	146,028	21,000	100.00	192,115	( 6,743)	( 6,824)	Affiliate
	SinoPac Asset Management Corp. (B.V.I.) SinoPac Futures Co., Ltd.	British Virgin Islands Taipei	Securities brokerage and investment advisory Brokerage of futures contracts	524,857 -	524,857 199,940	16,000 -	100.00 -	649,651 -	29,259 2,328	29,259 2,328	Affiliate Affiliate (the legal dissolution and liquidation procedure had been completed as of June 30, 2003)
SinoPac Securities (Cayman) Holdings Ltd.	SinoPac Securities (Europe) Ltd.	London, UK	European agent business	US\$ 1,514	US\$ 1,514	1,000	100.00	40,950	( 3,020)		Affiliate
	SinoPac Securities (Asia) Ltd.	Hong Kong	Hong Kong stock brokerage	US\$ 36,756	US\$ 12,941	30	92.88	1,388,649	68,026		Affiliate
	SinoPac Futures (Asia) Ltd.	Hong Kong	Futures brokerage business	US\$ 1,205	US\$ 1,205	10,000	100.00	81,200	( 35)		Affiliate
	SinoPac Capital (Asia) Ltd.	Hong Kong	IPO underwriting business	US\$ 3,862	US\$ 3,862	30,000	100.00	140,455	4,755		Affiliate
	NSC Asia Ltd.	British Virgin Islands	Derivatives instruments business	US\$ 744	US\$ 744	1	100.00	2,284	1,423		Affiliate
	NITC Asset Management (Asia) Ltd.	Hong Kong	Asset management and investment consulting	US\$ 158	US\$ 158	2,992	29.92	17,721	2,326		Investee under significant influence held by SinoPac Holdings' affiliate
	SinoPac Securities (U.S.A.) Ltd.	California	Collecting and analyzing financial market information	US\$ 1,848	US\$ 1,848	2	100.00	38,108	( 7,289)		Affiliate
SinoPac Asset Management Corp. (B.V.I.)	SinoPac Securities (H.K.) Limited	Hong Kong	Securities brokerage, investment advisory, fund management and security business	US\$ 3,205	US\$ 3,205	25,000	100.00	120,830	694		Affiliate
	SinoPac Asia Limited	British Virgin Islands	Securities brokerage, investment advisory and consulting business	US\$ 6,000	US\$ 6,000	6,000	100.00	305,070	23,361		Affiliate
SinoPac Securities (H.K.) Limited	SinoPac Securities (Asia) Ltd.	Hong Kong	Hong Kong stock brokerage	US\$ 1,826	US\$ -	2	7.12	106,451	5,215		Affiliate
SinoPac Securities (Asia) Ltd.	SinoPac Securities (Asia) Nominees Ltd.	Hong Kong	Hong Kong stock trust business	HK\$ 0.002	HK\$ 0.002	0.002	100.00	0.009	-		Affiliate
	SinoPac (Asia) Nominees Ltd.	Hong Kong	Nominee trust account for oversea stock holdings	HK\$ 0.002	HK\$ 0.002	0.002	100.00	0.009	-		Affiliate

Note 1: The original investment amounts are expressed in respective foreign currencies denominated.

Note 2: Foreign-currency amounts are translated at the exchange rate as of the balance sheet date, except for foreign-currency-denominated income and expenses, which are translated to New Taiwan dollars at the average exchange rate in June 2003.

Note 3: Mainly consist of the beginning investment amount transferred from each subsidiary's—Bank SinoPac, SinoPac Securities Corporation and SinoPac Securities Co., Ltd. (merged with SinoPac Securities Corporation on July 22, 2002) net asset value through the stock conversion on May 9, 2002 amounting to \$23,976,716, \$17,971,400 and \$3,595,117, respectively.

Note 4: Except for Note 3, the amount also consists of the amount of \$3,469,100 transferred from long-term equity investments on SinoPac Securities Co., Ltd.