

SinoPac Holdings

Financial Statements for the Six Months Ended June 30, 2004 and 2003 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 by Financial Holding Companies 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 4, 2004

The Board of Directors and the Stockholders
SinoPac Holdings

We have audited the accompanying balance sheets of SinoPac Holdings as of June 30, 2004 and 2003, and the related statements of income, changes in stockholders' equity and cash flows for the six months ended June 30, 2004 and 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except disclosed in the third paragraph, we conducted our audits in accordance with the Rules Governing the Auditing and Certification of Financial Statements 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 financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 5 to the financial statements, the carrying amounts of the long-term equity investments accounted for by the equity method as of June 30, 2004 and 2003 amounted to NT\$5,402,863 thousand and NT\$6,536,989 thousand, respectively, the related investment income for the six months ended June 30, 2004 and 2003 amounted to NT\$181,052 thousand and NT\$285,220 thousand and additional disclosure of the Company and part of its investees stated in Note 27 to the financial statements are based on the investees' unaudited financial statements for the same periods.

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 third paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of SinoPac Holdings as of June 30, 2004 and 2003, and the results of its operations and its cash flows for the six months ended June 30, 2004 and 2003 in conformity with Criteria Governing the Preparation of Financial Reports by Financial Holding Companies and accounting principles generally accepted in the Republic of China.

According to the Criteria Governing the Preparation of Financial Reports by Financial Holding Companies, we have also audited the consolidated financial statements of SinoPac Holdings as of June 30, 2004 and 2003, and for the six months ended June 30, 2004 and 2003, on which we have issued a qualified opinion due to the unaudited financial statements of the Company and its subsidiaries' investees accounted for by the equity method.

Notice to Readers

The accompanying 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 financial statements are those generally accepted and applied in the Republic of China.

English Translation of Financial Statements Originally Issued in Chinese

SINOPAC HOLDINGS

BALANCE SHEETS

JUNE 30, 2004 AND 2003

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

ASSETS	2004		2003		LIABILITIES AND STOCKHOLDERS' EQUITY	2004		2003	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 3 and 17)	\$ 4,237,684	7	\$ 10,219,386	19	Short-term borrowings (Note 7)	\$ 250,000	1	\$ 200,000	-
Receivables	28,977	-	22,248	-	Commercial papers payable (Note 8)	99,988	-	-	-
Receivables—related party (Note 17)	3,481,536	6	16,876	-	Payables (Notes 9 and 17)	<u>1,965,057</u>	<u>3</u>	<u>2,495,028</u>	<u>5</u>
Securities purchased under agreements to resell (Notes 2, 4 and 17)	435,000	1	550,140	1	Total current liabilities	<u>2,315,045</u>	<u>4</u>	<u>2,695,028</u>	<u>5</u>
Prepayments and other current assets (Notes 2 and 15)	<u>37,307</u>	-	<u>5,724</u>	-					
Total current assets	<u>8,220,504</u>	<u>14</u>	<u>10,814,374</u>	<u>20</u>	LONG-TERM LIABILITIES				
LONG-TERM EQUITY INVESTMENTS (Notes 2, 5 and 17)					Euro-convertible bonds—net (Notes 2 and 10)	8,140,721	14	8,318,023	15
Equity method	48,354,479	82	43,683,957	79	Accrued pension cost (Notes 2 and 13)	11,480	-	5,963	-
Other	1,961,450	4	413,336	1	Other	<u>263,889</u>	-	<u>2,300</u>	-
Prepaid investments	<u>163,550</u>	-	-	-	Total long-term liabilities	<u>8,416,090</u>	<u>14</u>	<u>8,326,286</u>	<u>15</u>
Total long-term equity investments	<u>50,479,479</u>	<u>86</u>	<u>44,097,293</u>	<u>80</u>	Total liabilities	<u>10,731,135</u>	<u>18</u>	<u>11,021,314</u>	<u>20</u>
PROPERTIES (Notes 2, 6 and 17)					STOCKHOLDERS' EQUITY				
Cost					Capital stock—\$10 par value				
Computer equipment	4,548	-	3,558	-	Authorized: 10,000,000,000 shares				
Transportation equipment	4,180	-	4,180	-	Issued: 3,770,953,555 shares and 3,748,126,974 shares as of June 30, 2004 and 2003, respectively	37,709,536	64	37,481,270	68
Office and other equipment	5,930	-	6,505	-	Reserve for capitalization	1,742,807	3	-	-
Leasehold improvement	<u>17,459</u>	-	<u>17,281</u>	-	Capital surplus				
Total cost	32,117	-	31,524	-	Additional paid-in capital	8,068,519	14	7,913,380	14
Less: Accumulated depreciation	<u>12,113</u>	-	<u>5,304</u>	-	Treasury stock transactions	172,111	-	11,663	-
Net properties	<u>20,004</u>	-	<u>26,220</u>	-	Other	2,410	-	1,679	-
OTHER ASSETS					Retained earnings	3,690,028	6	1,898,425	4
Refundable guarantee deposits	3,338	-	3,338	-	Unrealized loss on long-term equity investments	(281,043)	-	(333,065)	(1)
Bond issuance cost (Note 2)	36,582	-	79,319	-	Unrealized revaluation loss on long-term equity investments	(17,551)	-	(29,591)	-
Deferred income tax assets—noncurrent (Notes 2 and 15)	7,023	-	-	-	Cumulative translation adjustment	184,498	-	304,251	1
Computer software	<u>3,699</u>	-	<u>3,209</u>	-	Net loss not recognized as pension cost	(926)	-	-	-
Total other assets	<u>50,642</u>	-	<u>85,866</u>	-	Treasury stock—at cost: 236,191,894 shares and 250,202,766 shares as of June 30, 2004 and 2003, respectively	(3,230,895)	(5)	(3,245,573)	(6)
TOTAL ASSETS	<u>\$58,770,629</u>	<u>100</u>	<u>\$55,023,753</u>	<u>100</u>	Total stockholders' equity	<u>48,039,494</u>	<u>82</u>	<u>44,002,439</u>	<u>80</u>
					TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$58,770,629</u>	<u>100</u>	<u>\$55,023,753</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated August 4, 2004)

English Translation of Financial Statements Originally Issued in Chinese

SINOPAC HOLDINGS

STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2004		2003	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OPERATING REVENUES				
Interest (Notes 2, 17 and 23)	\$ 57,068	2	\$ 78,974	4
Income from long-term equity investments under the equity method (Notes 2 and 5)	3,070,141	98	1,947,468	96
Dividend income (Notes 2 and 5)	<u>13,350</u>	<u>-</u>	<u>5,719</u>	<u>-</u>
Total operating revenues	<u>3,140,559</u>	<u>100</u>	<u>2,032,161</u>	<u>100</u>
OPERATING COSTS AND EXPENSES				
Interest (Notes 2, 17 and 23)	185,697	6	188,464	9
Loss from long-term equity investments under the equity method (Notes 2 and 5)	10,126	-	25,678	1
Operating and administrative expenses (Notes 2, 13, 14 and 17)	<u>125,575</u>	<u>4</u>	<u>109,099</u>	<u>6</u>
Total operating costs and expenses	<u>321,398</u>	<u>10</u>	<u>323,241</u>	<u>16</u>
OPERATING INCOME	2,819,161	90	1,708,920	84
NONOPERATING INCOME AND GAINS	167,918	5	-	-
NONOPERATING EXPENSES AND LOSSES	<u>-</u>	<u>-</u>	<u>914</u>	<u>-</u>
INCOME BEFORE INCOME TAX	2,987,079	95	1,708,006	84
INCOME TAX (Notes 2 and 15)	<u>8,739</u>	<u>-</u>	<u>39</u>	<u>-</u>
NET INCOME	<u>\$2,978,340</u>	<u>95</u>	<u>\$1,707,967</u>	<u>84</u>
	<u>Pretax</u>	<u>After Tax</u>	<u>Pretax</u>	<u>After Tax</u>
EARNINGS PER SHARE (Note 16)				
Basic earnings per share	<u>\$ 0.84</u>	<u>\$ 0.84</u>	<u>\$ 0.49</u>	<u>\$ 0.49</u>
Diluted earnings per share	<u>\$ 0.78</u>	<u>\$ 0.78</u>	<u>\$ 0.48</u>	<u>\$ 0.48</u>

Pro forma information assuming that shares of SinoPac Holdings held by its subsidiaries were not treated as treasury stock:

	<u>Pretax</u>	<u>After Tax</u>	<u>Pretax</u>	<u>After Tax</u>
BASIC EARNINGS PER SHARE	<u>\$ 0.80</u>	<u>\$ 0.79</u>	<u>\$ 0.46</u>	<u>\$ 0.46</u>
DILUTED EARNINGS PER SHARE	<u>\$ 0.74</u>	<u>\$ 0.74</u>	<u>\$ 0.45</u>	<u>\$ 0.45</u>

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

(With Deloitte & Touche auditors' report dated August 4, 2004)

SINOPAC HOLDINGS

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Capital Stock (Note 11)		Reserve for Capitalization (Note 11)	Capital Surplus (Notes 2 and 11)	Retained Earnings (Note 11)			Unrealized Loss on Long-term Equity Investments (Notes 2 and 5)	Unrealized Revaluation Loss on Long-term Equity Investments (Notes 2 and 5)	Cumulative Translation Adjustment (Notes 2 and 5)	Net Loss Not Recognized as Pension Cost (Notes 2 and 5)	Treasury Stock (Notes 2 and 12)	Total Stockholders' Equity	
	Shares (in thousands)	Amount			Legal reserve	Special reserve	Unappropriated							Total
BALANCE, JANUARY 1, 2004	3,748,127	\$37,481,270	\$ -	\$ 8,087,902	\$ 153,127	\$ 37,573	\$ 4,210,527	\$ 4,401,227	(\$ 300,801)	(\$ 17,016)	\$ 224,739	(\$ 220)	(\$ 2,896,922)	\$46,980,179
Appropriation of 2003 earnings														
Legal reserve	-	-	-	-	421,053	-	(421,053)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	55,726	(55,726)	-	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	(54,000)	(54,000)	-	-	-	-	-	(54,000)
Bonus to employees—stock	-	-	18,669	-	-	-	(18,669)	(18,669)	-	-	-	-	-	-
Bonus to employees—cash	-	-	-	-	-	-	(18,669)	(18,669)	-	-	-	-	-	(18,669)
Stock dividends—\$0.4596 per share	-	-	1,724,138	-	-	-	(1,724,138)	(1,724,138)	-	-	-	-	-	-
Cash dividends—\$0.4995 per share	-	-	-	-	-	-	(1,874,063)	(1,874,063)	-	-	-	-	-	(1,874,063)
Net income for the six months ended June 30, 2004	-	-	-	-	-	-	2,978,340	2,978,340	-	-	-	-	-	2,978,340
Convertible bonds transferred to common stocks	22,827	228,266	-	155,138	-	-	-	-	-	-	-	-	-	383,404
Reversal of unrealized loss on long-term equity investments recognized from subsidiaries	-	-	-	-	-	-	-	-	19,758	-	-	-	-	19,758
Unrealized revaluation loss on long-term equity investments recognized from subsidiaries	-	-	-	-	-	-	-	-	(535)	-	-	-	(535)	-
Change in cumulative translation adjustment on long-term equity investments recognized from subsidiaries	-	-	-	-	-	-	-	-	-	(40,241)	-	-	(40,241)	-
Net loss not recognized as pension cost from subsidiaries	-	-	-	-	-	-	-	-	-	-	(706)	-	(706)	-
Treasury stock transactions recognized from subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(333,973)	(333,973)	-
BALANCE, JUNE 30, 2004	3,770,954	\$37,709,536	\$ 1,742,807	\$ 8,243,040	\$574,180	\$ 93,299	\$ 3,022,549	\$ 3,690,028	(\$281,043)	(\$ 17,551)	\$184,498	(\$ 926)	(\$ 3,230,895)	\$48,039,494
BALANCE, JANUARY 1, 2003	3,748,127	\$37,481,270	\$ -	\$ 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														
Legal reserve	-	-	-	-	153,127	-	(153,127)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	37,573	(37,573)	-	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	(54,000)	(54,000)	-	-	-	-	-	(54,000)
Bonus to employees—cash	-	-	-	-	-	-	(13,406)	(13,406)	-	-	-	-	-	(13,406)
Cash dividends—\$0.65 per share	-	-	-	(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)	-
Reversal of 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	3,748,127	\$37,481,270	\$ -	\$ 7,926,722	\$153,127	\$ 37,573	\$ 1,707,725	\$ 1,898,425	(\$333,065)	(\$ 29,591)	\$304,251	\$ -	(\$ 3,245,573)	\$44,002,439

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

(With Deloitte & Touche auditors' report dated August 4, 2004)

English Translation of Financial Statements Originally Issued in Chinese

SINOPAC HOLDINGS

**STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003
(In Thousands of New Taiwan Dollars)**

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,978,340	\$ 1,707,967
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	4,132	3,760
Amortization of deferred issuance cost on Euro-convertible bonds	19,481	20,231
Euro-convertible bonds and its accrued interest premium	137,944	157,724
Income from long-term equity investments under the equity method—net	(3,060,015)	(1,921,790)
Cash dividends received from long-term equity investments under the equity method	22,287	2,558,311
Pension cost	3,728	3,489
Increase in receivables	(1,607)	(22,371)
Decrease (increase) in receivables—related party	(11,168)	4,401
Decrease (increase) in prepayments and other current assets	2,359	(866)
Deferred income taxes	8,735	-
Decrease in payables	(160,218)	(5,322)
Net cash provided by (used in) operating activities	(56,002)	2,505,534
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in securities purchased under agreements to resell	(55,000)	(80,140)
Increase in long-term equity investments	(2,204,868)	(860,828)
Acquisition of properties	(643)	(2,461)
Decrease (increase) in other assets	(996)	1,586
Net cash used in investing activities	(2,261,507)	(941,843)
CASH FLOWS FROM FINANCING ACTIVITIES		
Remuneration to directors and supervisors	(54,000)	-
Increase in treasury stock	(333,973)	-
Decrease in short-term borrowings	(50,000)	(50,000)
Increase in commercial papers payable	99,988	-
Increase (decrease) in other liabilities	(9,376)	1,574
Net cash used in financing activities	(347,361)	(48,426)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,664,870)	1,515,265
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>6,902,554</u>	<u>8,704,121</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 4,237,684</u>	<u>\$ 10,219,386</u>

(Continued)

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	<u>2004</u>	<u>2003</u>
SUPPLEMENTAL INFORMATION		
Interest paid	\$ 10,118	\$ 857
Income tax paid	\$ 1,005	\$ 3,512
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Euro-convertible bonds transferred to common stock	\$ 385,740	\$ -
Payables on remuneration to directors and supervisors and bonus to employees	\$ 18,669	\$ 67,406
Payables on cash dividends	\$ 1,874,063	\$ 2,414,403
Receivables on cash dividends from long-term equity investment under equity method	\$ 3,424,459	\$ -

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

(With Deloitte & Touche auditors' report dated August 4, 2004)

(Concluded)

SINOPAC HOLDINGS

**NOTES TO FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003
(In Thousands of New Taiwan Dollars, Unless Otherwise Stated)**

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), 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 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, 2004 and 2003, the Company both had a total of 45 employees.

**2. SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**

The Company's significant accounting policies, which conform to the Criteria Governing the Preparation of Financial Reports by Financial Holding Companies (the "Criteria") and accounting principles generally accepted in the Republic of China (ROC) are summarized below.

**Distinctions Between Current and
Noncurrent Assets/Liabilities**

Assets that are expected to be converted or consumed within one year are classified as current. Obligations that are expected to be liquidated or settled within one year are classified as current. All other assets and liabilities are classified as noncurrent.

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

Sales or purchases of securities 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).

Long-term Equity Investments

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

Investments accounted for by the equity method are stated at cost, plus (or minus) a proportionate share in net earnings (losses) or changes in the investees' net worth. Shares in net earnings (losses) are recognized as investment income (loss), and cash dividends received are accounted as reduction in the carrying value of the investments. Stock dividends result only in an increase in number of shares and are not recognized as investment income. On the acquisition date, any difference between the acquisition cost and the equity in the investee is amortized on the straight-line basis over 15 years.

Investments for which the Company exercises insignificant influence on the investee is accounted for by the cost method. Stock dividends result only in an increase in number of shares and are not recognized as investment income.

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 services lives estimated as follows: computer equipment, 3 to 5 years; transportation equipment, 5 years; office and other equipment, 3 to 5 years; leasehold improvement, 3 years. For assets still in use beyond their original services lives, further depreciation is calculated over newly estimated service 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 costs and expenses) over the period from its issuance date to the expiration date of the put option.

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.

Pension

Pension expense is determined based on actuarial calculations.

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 Securities and Futures Committee (SFC), treasury stock originally owned by a financial institution that later becomes a subsidiary of a financial holding company through the shares 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 the parent company's books starting December 31, 2002.

Following accounting principles generally accepted in ROC, a parent company should treat its shares held by subsidiaries as treasury stocks in preparing financial statements and recognizing investment income or losses. Thus, when the subsidiaries receive the cash dividends declared by the parent company, the parent company should adjust the investment income as the transaction of treasury stock, which are debited to “investment income” and credited to “additional paid-in capital surplus—treasury stock transactions”.

Derivative Financial Instruments— Cross-currency Swap Contracts

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

Revenue Recognition

Interest revenue from deposits in banks is recognized on accrual basis. Dividend income from investing in cumulative and nonparticipating preferred stocks is accrued according to the related offering terms.

Income Taxes

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.

Deferred income tax assets and liabilities are classified as current or noncurrent on the basis of the classification of the related assets or liabilities for financial reporting. A deferred income tax asset or liability that can not be related to an asset or liability for financial reporting is classified according to the expected realization date of the temporary difference.

Tax credits for acquisitions of equipment or technology, research and development expenditures 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 tax (10%) on unappropriated earnings is recorded as income tax in the year when the stockholders resolve the appropriation of the earnings.

SinoPac Holdings and its qualified subsidiaries adopted the linked tax system starting with the 2003 income tax filings.

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

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 rate (at exchange rate of NT\$33.775=US\$1 and NT\$34.612=US\$1 as of June 30, 2004 and 2003, respectively), and the 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.

Reclassifications

Certain 2003 accounts have been reclassified to conform to the 2004 financial statements presentation.

3. CASH AND CASH EQUIVALENTS

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
Time deposits—due in September 2004 and December 2003, with interest rate of 0.70%-1.42% and 0.80%-2.00%, respectively	\$ 4,185,553	\$ 10,198,341
Checking deposits	29,791	535
Demand deposits	<u>22,340</u>	<u>20,510</u>
	<u>\$ 4,237,684</u>	<u>\$ 10,219,386</u>

4. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

Securities purchased under agreements to resell as of June 30, 2004 and 2003 will be sold by July 2004 and 2003 at \$435,106 and \$550,301, respectively.

5. LONG-TERM EQUITY INVESTMENTS

	<u>June 30</u>			
	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Equity method</u>				
Unlisted companies				
Bank SinoPac	\$23,277,031	100.00	\$21,900,273	100.00
SinoPac Securities	22,221,047	100.00	20,854,417	100.00
AnShin Card Services	1,575,996	99.91	146,839	49.76
SinoPac Venture Capital	988,446	100.00	479,175	100.00
SinoPac Call Center	104,446	100.00	99,493	100.00
SinoPac Asset Management International	101,267	100.00	108,667	100.00
SinoPac Marketing Consulting	44,440	100.00	51,921	100.00
SinoPac Life Insurance Agent	35,045	100.00	40,360	100.00
SinoPac Property Insurance Agent	<u>6,761</u>	100.00	<u>2,812</u>	100.00
	<u>48,354,479</u>		<u>43,683,957</u>	
<u>Other</u>				
Cost method—unlisted company				
Li-Seng Develop Company	125,000	5.00	125,000	5.00
Debt instruments Depository and Clearing Co., Ltd., Taiwan	20,000	1.00	-	-
Preferred stock				
AnShin Card Services	<u>1,816,450</u>	91.74	<u>288,336</u>	60.07
	<u>1,961,450</u>		<u>413,336</u>	
Prepaid investments				
	<u>163,550</u>		<u>-</u>	
	<u>\$50,479,479</u>		<u>\$44,097,293</u>	

As of June 30, 2004 and 2003, unrealized loss on long-term equity investments (included in the debit balance of stockholders' equity) resulting from market value decline of listed and OTC stocks held by investees accounted for by the equity method amounted to \$281,043 and \$333,065, respectively. Also, as of June 30, 2004 and 2003, the Company recognized its equity in the unrealized revaluation loss on long-term equity investments totaling \$17,551 and \$29,591, respectively (included in the debit balance of stockholders' equity) from subsidiaries, and cumulative translation adjustment (under the stockholders' equity) from subsidiaries and investees totaling \$184,498 and \$304,251, respectively.

The Company recognized its equity in the net loss not recognized as pension cost (included in the debit balance of stockholders' equity) totaling \$926 from SinoPac Securities as of June 30, 2004.

The aforementioned investment income (loss) accounted for by the equity method for the six months ended June 30, 2004 and 2003 were based on the investees' audited financial statements, respectively, except those of SinoPac Venture Capital, SinoPac Asset Management International, SinoPac Call Center and SinoPac Marketing Consulting which were based on the unaudited financial statements.

Income (loss) from long-term equity investments under the equity method for the six months ended June 30, 2004 and 2003 were as follows:

	For the Six Months Ended	
	June 30	
	<u>2004</u>	<u>2003</u>
Bank SinoPac	\$ 1,927,206	\$ 1,394,475
SinoPac Securities	941,310	511,085
AnShin Card Services	171,095	(15,492)
SinoPac Life Insurance Agent	22,604	28,451
SinoPac Call Center	4,173	2,359
SinoPac Property Insurance Agent	3,293	510
SinoPac Marketing Consulting	460	1,921
SinoPac Asset Management International	(857)	8,667
SinoPac Venture Capital	(<u>9,269</u>)	(<u>10,186</u>)
	<u>\$ 3,060,015</u>	<u>\$ 1,921,790</u>

The carrying amounts of the investments accounted for by the equity method as of June 30, 2004 and 2003 totaling \$1,238,599 and \$739,256, respectively, and the related investment loss of \$5,493 and investment income of \$2,761, respectively, for the six months then ended, were based on the investees' unaudited financial statements. Adjustments may have to be made to these investments and investment income or loss if such financial statements had been audited.

Bank SinoPac was issued a qualified audit report due to the carrying amounts of investments accounted for by the equity method as of June 30, 2004 and 2003 totaling \$3,159,023 and \$3,111,162, respectively, and the related investment income \$113,415 and \$186,066, respectively, for the six months then ended, were based on the investees' unaudited financial statements.

SinoPac Securities was issued a qualified audit report due to the carrying amounts of its investments accounted for by the equity method as of June 30, 2004 and 2003 totaling \$1,005,241 and \$2,686,571, respectively, and the related investment income totaling \$73,130 and \$96,393, respectively, for the six months then ended, were based on the investees' unaudited financial statements.

As of June 30, 2004 and 2003, Bank SinoPac held the Company's 216,542,894 shares, both with carrying amount at \$2,896,922 and market values at \$3,478,357 and \$2,755,509, respectively, based on the daily average closing prices in June 2004 and 2003. Accordingly, allowance for decline in market value amounting to \$141,413 had been provided. Since the Company had treated these shares as treasury stock (please see Note 12), the investment income should be adjusted to increase by \$141,413.

The Company acquired 81,103,709 shares of common stock issued by AnShin Card Services from Bank SinoPac (please see Note 17, 12) in December 2002, at an acquisition cost of \$181,238. The Company also acquired 64,665,003 shares and 17,092,258 shares of common stock issued by AnShin Card Services from ING Heart Investment Co., Ltd. and other stockholders in September 2003 and June 2004, at an acquisition cost of \$1,030,973 and \$204,868, respectively.

The Company acquired 28,833,600 shares and 19,166,400 shares of preferred stock A issued by AnShin Card Services in October 2002 and September 2003, at an acquisition cost of \$288,336 and \$191,664, respectively. The aforementioned preferred stock A bears annual interest rate of 4% and will be matured in October 2008 (originally mature in October 2006 and the maturity term had been amended by the stockholders' meeting on March 25, 2003). In May 2004, the Company acquired 150,000,000 shares of preferred stock B issued by AnShin Card Services, at an cost of \$1,500,000. The aforementioned preferred stock B bears annual interest rate of 2% and will be matured in May 2007. The Company had recognized dividend income from preferred stock totaling \$13,350 and \$5,719 for the six months ended June 30, 2004 and 2003, respectively.

As of June 30, 2004, prepaid investments amounted to \$163,550 were generated from the preferred stock issued by AnShin Card Services.

The operating revenue and total assets of SinoPac Venture Capital, SinoPac Call Center, SinoPac Asset Management International, SinoPac Marketing Consulting, SinoPac Leasing Corporation, SinoPac Capital Limited, SinoPac Financial Consulting Co., Ltd., SinoPac Securities Capital Management Corporation and SinoPac Asset Management Corp. (B.V.I.) were individually less than 10%, and were in aggregate less than 30%, of those of respective parent company. This situation showed the investees did not reach the threshold for the Company's consolidation. Accordingly, their accounts were not included in the 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.

6. PROPERTIES

	June 30	
	2004	2003
Cost	\$ 32,117	\$ 31,524
Accumulated depreciation		
Computer equipment	1,492	619
Transportation equipment	1,219	523
Office and other equipment	1,896	990
Leasehold improvement	<u>7,506</u>	<u>3,172</u>
	<u>12,113</u>	<u>5,304</u>
Net	<u>\$ 20,004</u>	<u>\$ 26,220</u>

7. SHORT-TERM BORROWINGS

As of June 30, 2004 and 2003, the unsecured short-term borrowings from bank bore interest rates of 1.30%-1.40% and 1.77%-1.80%, and the last maturity date are in July 2004 and 2003, respectively.

8. COMMERCIAL PAPERS PAYABLE**June 30,
2004**

Commercial papers payable	\$ 100,000
Less: Discount on commercial papers	<u>12</u>
	<u>\$ 99,988</u>

Commercial papers, with annual discount rate of 0.73%, will mature in July 2004.

9. PAYABLES

	June 30	
	2004	2003
Dividends payable	\$ 1,874,063	\$ 2,414,403
Employees bonus payable	18,669	13,406
Salaries payable	17,495	5,112
Stock affairs collection payable	16,470	-
Notes payable	11,928	-
Other	<u>26,432</u>	<u>62,107</u>
	<u>\$ 1,965,057</u>	<u>\$ 2,495,028</u>

10. EURO-CONVERTIBLE BONDS

	June 30	
	2004	2003
Euro-convertible bonds	\$ 7,470,662	\$ 7,971,510
Add—interest premium payable	<u>670,059</u>	<u>346,513</u>
	<u>\$ 8,140,721</u>	<u>\$ 8,318,023</u>

The Company issued US\$230,000,000 of Euro-convertible bonds (the “Bonds”) at par in Luxembourg on July 12, 2002. The Bonds are zero coupon and in the denomination of US\$1,000 each. Other offering terms were 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 cease to be listed or trading on the 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, was further adjusted from NT\$16.607 to NT\$15.768 effective on the record date, 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 (at a fixed exchange rate of NT\$33.513=US\$1) of common stock were expected to be issued.

In the six months ended June 30, 2004, the bondholders had converted the Euro-convertible bonds with aggregate face amount of US\$10,740 thousand into 22,826,581 common shares of the Company.

After the distribution of cash dividends at NT\$0.4995 per share, which was appropriated from the 2003 earnings, the conversion price was adjusted to NT\$14.618 on the record date (August 3, 2004).

11. 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 regulations of the Securities and Futures Bureau (SFB).

As of June 30, 2003, the Company had a capital stock \$37,481,270, divided into 3,748,126,974 common shares. In the six months ended June 30, 2004, the Euro-convertible bonds, amounting to \$228,266, had been converted, resulting in an increase of 22,826,581 common shares of the Company. In addition, on June 11, 2004, the stockholders resolved to appropriate \$1,742,807 of retained earnings as capital stock by distributing to the employees \$1,724,138 in stock dividends along with \$18,669 in cash. The capital stock increase was approved by the SFB and took effect on August 9, 2004.

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 shares 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 annual net income should be appropriated after deducting any accumulated losses and taxes, providing legal and special reserves, and offering employee bonus which should not be less than 1% of the balance. The board of directors will then propose to the stockholders' meeting for appropriation of the reminder and retained earnings from previous year.

Employee bonus can be distributed either in cash or in stock. If it's 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 bonuses 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 June 11, 2004 and June 27, 2003, the stockholders resolved the appropriation of earnings for the year ended December 31, 2003 and the period from May 9, 2002 to December 31, 2002, respectively, as follows:

	Appropriation of Earnings		Dividend Per Share (NT\$)	
	For the Year Ended December 31, 2003	For the Period from May 9, 2002 to December 31, 2002	For the Year Ended December 31, 2003	For the Period from May 9, 2002 to December 31, 2002
Legal reserve	\$ 421,053	\$ 153,127		
Special reserve	55,726	37,573		
Bonus to employees—cash	18,669	13,406		
Bonus to employees—stock	18,669	-		
Remuneration to directors and supervisors—cash	54,000	54,000		
Cash dividends	1,874,063	2,414,403	\$0.4995	\$0.65
Stock dividends	<u>1,724,138</u>	<u>-</u>	0.4596	-
	<u>\$4,166,318</u>	<u>\$2,672,509</u>		

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 a 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 5).

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 certificates

On 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, with the chairman's approval, the Company launched the first 157,422 units of such stock option on July 31, 2003, which entitled the subscribers to acquire 157,422,000 shares of common stock. 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 number of shares during each fiscal year may not exceed 1% of the total number 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).

Adjusted exercise price = Exercise price before adjustment \times {Number of shares issued + [(Payment per new share \times Number of new shares)/Exercise price before adjustment]} / (Number of shares issued + 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.

On December 17, 2003, the board of directors (hereinafter "the Board") resolved to launch the residual 67,466 units of stock option certificates to specified superintendents in the Group with the proportion of the first issuance. The conditions of eligibility for subscription rights in the second issuance are limited to superintendents with special contribution. The chairman had ratified the award of the stock option as of December 30, 2003, at the exercise price per share of NT\$17.2, which was based on the market closing price of the common share on the date of the award of the option.

After the appropriation of the 2003 earnings, the exercise prices of the first option issuance for 157,422 units and the second option issuance for 67,466 units were adjusted from NT\$12.00 to NT\$11.14 and from NT\$17.20 to NT\$15.96, respectively.

12. TREASURY STOCK

(Shares Expressed in Thousands)

<u>Reasons</u>	<u>Shares at the Beginning of Period</u>	<u>Shares Increase During the Period</u>	<u>Shares Decrease During the Period</u>	<u>Shares at the End of Period</u>
<u>For the six months ended June 30, 2004</u>				
Reissuance to employees				
SinoPac Holdings	-	19,649	-	19,649
Shares held by subsidiary	216,543	-	-	216,543
<u>For the six months ended June 30, 2003</u>				
Reissuance to employees				
SinoPac Securities	33,660	-	-	33,660
Shares held by subsidiary	216,543	-	-	216,543

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

The Company's capital stock held by subsidiaries is treated as treasury stock; thus, the subsidiaries may not exercise stockholders' rights on the treasury stock if the subsidiaries had bought the stocks before the share swap that was made to establish the Company. Under the Financial Holding Company Act, the Company's shares held by the subsidiaries may own the stockholders' right on earnings appropriation, as well as the capitalization by legal reserve or capital surplus, if the shares are the result of a transaction other than a swap of subsidiaries' treasury stock.

In the six months ended June 30, 2004, the Company acquired 19,649,000 shares of its outstanding stocks for \$333,973. The Company intends to reissue these stocks to its employees in the next three years at one time or in installments from May 24, 2004.

Before the share swap date, Bank SinoPac and SinoPac Securities acquired 40,535,000 shares and 53,857,815 shares of treasury stock for \$500,354 and \$554,992, respectively. As a result of the shares 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 held by Bank SinoPac had been reissued to its employees at NT\$11.84 per share in 2002; 20,197,943 shares and 33,659,872 shares held by SinoPac Securities had been reissued to its employees at NT\$10.826 and NT\$10.976 in September 2002 and November 2003, respectively.

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 the Company, together with stock dividends of 12,436,219 shares received, were presented as securities purchased in Bank SinoPac's book; while the Company 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 the Company or the Company's 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.

To deal with the Company's shares held by Bank SinoPac, the BOD of the Company resolved to sell two thirds of these shares, a total of 144,361,929 shares, on the securities exchange market on October 22, 2003. To inspire the employees, the Board also decided to apply the transfer method—as allowed under the Financial Holding Company Act and the directives of the Bureau of Monetary Affairs—to the remaining one third of the shares held by Bank SinoPac. However, on May 19, 2004, the Company's BOD resolved to revoke the transfer method because it thought it would be better to wait for the time when the Company's stock price recovers before discussing the transfer plan.

13. PENSION

The Company has a defined benefit pension plan for all regular employees. The Company makes monthly amounts contributions, in the range of 2% to 15% of employee salaries, to a pension fund, which is administrated by the employee's pension plan supervisors committee.

Following were summaries of certain pension information:

a. Change in pension fund

	For the Six Months Ended June 30	
	2004	2003
Balance, January 1	\$ 2,142	\$ 547
Contributions	<u>849</u>	<u>726</u>
Balance, June 30	<u>\$ 2,991</u>	<u>\$ 1,273</u>

b. Change in accrued pension cost

Balance, January 1	\$ 8,601	\$ 3,200
Provision	3,728	3,489
Contributions	(<u>849</u>)	(<u>726</u>)
Balance, June 30	<u>\$ 11,480</u>	<u>\$ 5,963</u>

For the six months ended June 30, 2004 and 2003, pension expense amounted to \$3,728 and \$3,489, respectively.

14. OPERATING AND ADMINISTRATIVE EXPENSES

	For the Six Months Ended June 30	
	2004	2003
Personnel expenses		
Salaries and wages	\$ 52,511	\$ 39,352
Pension	3,728	3,489
Labor insurance and national health insurance	1,159	1,100
Other	241	62

(Continued)

	For the Six Months Ended June 30	
	2004	2003
Depreciation	\$ 3,579	\$ 3,352
Amortization	553	408
Other	<u>63,804</u>	<u>61,336</u>
	<u>\$ 125,575</u>	<u>\$ 109,099</u>

15. INCOME TAX

Under a directive issued by MOF, a financial holding company and its domestic subsidiaries that held over 90% of shares issued by the financial holding company for 12 months within the same tax year, may choose to adopt the linked tax system for income tax filings. The Company adopted the linked tax system for income tax filings with its qualified subsidiaries, including Bank SinoPac, SinoPac Securities and SinoPac Call Center Co., Ltd. (collectively, the Group) since 2003. In 2004, the Company intended to adopt the linked tax system for income tax filings with all its qualified subsidiaries.

The principle adopted by the Group for the allocation of linked-tax system is to reduce the income tax liabilities of the Group and to maximize the synergy of the Group. The accounting treatment applied by the Group to the income tax is to adjust in the Company's book the difference between the combined current/deferred taxes and the total of each Group member's current/deferred. Related payables and receivables were recorded in each of the Group members' books.

- a. Reconciliation of tax on pretax income at statutory rate and current income tax payable:

	For the Six Months Ended June 30	
	2004	2003
Tax on pretax income at 25% statutory rate	\$ 746,760	\$ 426,992
Add (deduct) tax effects of:		
Tax-exempt income	(3,338)	-
Permanent difference	(764,485)	(480,497)
Temporary difference	44,032	-
Loss carryforward	<u>(22,969)</u>	<u>53,505</u>
Current income tax payable	<u>\$ -</u>	<u>\$ -</u>

- b. The components of income tax were as follows:

Separation taxes on short-term bills interest revenue	\$ 4	\$ 39
Changes upon deferred income tax	<u>8,735</u>	<u>-</u>
	<u>\$ 8,739</u>	<u>\$ 39</u>

c. Deferred income tax assets (liabilities) consisted of the tax effects of the following:

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
Current		
Deferred income tax assets (liabilities)		
Deferred interest premium of Euro-convertible bonds	\$ 174,330	\$ 86,628
Loss carryforward	53,662	53,505
Deferred organization costs	2,265	-
Investment tax credit	522	-
Unrealized foreign exchange gain	(4,863)	-
	<u>225,916</u>	<u>140,133</u>
Less: Allowance for deferred income tax assets	<u>205,921</u>	<u>140,133</u>
Net	<u>\$ 19,995</u>	<u>\$ -</u>
Noncurrent		
Deferred income tax assets		
Deferred organization costs	\$ 4,153	\$ -
Deferred pension cost	<u>2,870</u>	<u>-</u>
Net	<u>\$ 7,023</u>	<u>\$ -</u>

d. The Company and its qualified subsidiaries, including Bank SinoPac, SinoPac Securities and Sinopac Call Center Co., Ltd., adopted the linked tax system starting with the 2003 income tax filings. The receivable by June 30, 2004 resulting from the adoption of this system was \$13,449.

The balances of the imputation credit account as of June 30, 2004 and 2003 were \$4,846 and \$361,814, respectively. The projected creditable tax ratio for the 2003 earnings is 9.68%, which is based on the projected ICA balance on the earnings appropriation date. The actual creditable tax ratio for earnings for the period from May 9, 2002 to December 31, 2002 was 14.12%.

The tax credits allocated to stockholders are 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 unappropriated earnings actually paid by the Company. Such taxes can be used to reduce the amount of the final withholding taxes on dividends paid to such foreign shareholders.

As of June 30, 2004, income tax returns by 2003 had not yet been examined by the tax authorities.

16. EARNINGS PER SHARE

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

	<u>Numerator (Amounts)</u>		<u>Denominator (Shares in Thousands)</u>	<u>EPS (NT\$)</u>	
	<u>Pretax</u>	<u>After Tax</u>		<u>Pretax</u>	<u>After Tax</u>
For the six months ended <u>June 30, 2004</u>					
Basic EPS	\$2,987,079	\$2,978,340	3,540,723	<u>\$ 0.84</u>	<u>\$ 0.84</u>

(Continued)

	<u>Numerator (Amounts)</u>		<u>Denominator (Shares in Thousands)</u>	<u>EPS (NT\$)</u>	
	<u>Pretax</u>	<u>After Tax</u>		<u>Pretax</u>	<u>After Tax</u>
Influence on diluted common shares:					
Employee stock option certificates	\$ -	\$ -	54,526		
Euro-convertible bonds	<u>194,387</u>	<u>194,387</u>	<u>474,926</u>		
Diluted EPS	<u>\$ 3,181,466</u>	<u>\$ 3,172,727</u>	<u>4,070,175</u>	<u>\$ 0.78</u>	<u>\$ 0.78</u>
<u>For the six months ended June 30, 2003</u>					
Basic EPS	\$ 1,708,006	\$ 1,707,967	3,497,924	<u>\$ 0.49</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>\$ 1,908,041</u>	<u>\$ 1,908,002</u>	<u>3,960,839</u>	<u>\$ 0.48</u>	<u>\$ 0.48</u>

The stock dividends, the employee stock bonuses (see statement of changes in stockholders' equity and Note 11), and the basic and diluted EPS after tax for the six months ended June 30, 2004 were reduced from NT\$0.84 to NT\$0.78 and from NT\$0.80 to NT\$0.75, respectively. The basic and diluted EPS after tax for the six months ended June 30, 2003 were reduced from NT\$0.49 to NT\$0.48 and from NT\$0.47 to NT\$0.46, respectively.

Pro forma information assuming that the Company's shares held by its subsidiaries were not treated as treasury stock:

	<u>Numerator (Amounts)</u>		<u>Denominator (Shares in Thousands)</u>	<u>EPS (NT\$)</u>	
	<u>Pretax</u>	<u>After Tax</u>		<u>Pretax</u>	<u>After Tax</u>
<u>For the six months ended June 30, 2004</u>					
Basic EPS	\$ 2,987,079	\$ 2,978,340	3,757,266	<u>\$ 0.80</u>	<u>\$ 0.79</u>
Influence on diluted common shares:					
Employee stock option certificates	-	-	54,526		
Euro-convertible bonds	<u>194,387</u>	<u>194,387</u>	<u>474,926</u>		
Diluted EPS	<u>\$ 3,181,466</u>	<u>\$ 3,172,727</u>	<u>4,286,718</u>	<u>\$ 0.74</u>	<u>\$ 0.74</u>
<u>For the six months ended June 30, 2003</u>					
Basic EPS	\$ 1,708,006	\$ 1,707,967	3,748,127	<u>\$ 0.46</u>	<u>\$ 0.46</u>
Influence on diluted common shares:					
Euro-convertible bonds	<u>200,035</u>	<u>200,035</u>	<u>462,915</u>		
Diluted EPS	<u>\$ 1,908,041</u>	<u>\$ 1,908,002</u>	<u>4,211,042</u>	<u>\$ 0.45</u>	<u>\$ 0.45</u>

17. RELATED-PARTY TRANSACTIONS

Relationships with the Company and significant transactions between the Company and related parties, including transactions of amounts over NT\$100 million with its subsidiaries, were summarized as follows:

a. Related parties

<u>Name</u>	<u>Relationship with the Company</u>
Bank SinoPac	Subsidiary
SinoPac Securities	Subsidiary
AnShin Card Services Co., Ltd. (AnShin Card Services)	Subsidiary
SinoPac Call Center Co., Ltd. (SinoPac Call Center)	Subsidiary
SinoPac Life Insurance Agent Co., Ltd. (SinoPac Life Insurance)	Subsidiary
SinoPac Property Insurance Agent Co., Ltd. (SinoPac Property Insurance)	Subsidiary
National Electric Appliance Co., Ltd.	Same chairman
Hong Yue Investment Co., Ltd.	Supervisor of the Company
Far East National Bank (FENB)	Overseas affiliate of Bank SinoPac
Ruentex Interior Design Inc.	Related party in substance
Li-Seng Develop Company	Investee accounted for by the cost method
Other	Related parties under the control of the Company and with no transactions with the Company, please see Table 6

b. Significant transactions between the Company and related parties

1) Cash and cash equivalents—bank deposits

	<u>June 30</u>			
	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>% of Account Balance</u>	<u>Amount</u>	<u>% of Account Balance</u>
Bank SinoPac	\$ 2,405,619	57	\$ 8,350,891	82
FENB	1,577,745	37	1,599,171	16

2) Securities transactions under agreements to resell

<u>Type of Transaction</u>	<u>June 30, 2004</u>	
	<u>Face Amount</u>	<u>Cost</u>
SinoPac Securities Bonds purchased under agreements to resell	\$ 496,600	\$ 550,140

For the six months ended June 30, 2004 and 2003, interest revenue generated from the aforesaid securities transactions under repurchase/resale agreements with Bank SinoPac amounted to \$193 and \$197, respectively. For the six months ended June 30, 2004 and 2003, interest revenue generated from the aforesaid bonds transactions with SinoPac Securities amounted to \$171 and \$345, respectively.

3) Receivables from related parties—interest receivable

	June 30			
	2004		2003	
	Amount	% of Account Balance	Amount	% of Account Balance
FENB	\$ 8,085	-	\$ 2,879	7
Bank SinoPac	6,442	-	6,135	16
SinoPac Securities	-	-	134	-

4) Receivables from related parties—receivable on preferred stock dividends

	June 30			
	2004		2003	
	Amount	% of Account Balance	Amount	% of Account Balance
AnShin Card Services	\$ 29,101	1	\$ 7,710	20

5) Receivables from related parties—receivable on cash dividends

	June 30, 2004	
	Amount	% of Account Balance
Bank SinoPac	\$ 1,870,452	53
SinoPac Securities	1,462,772	42
SinoPac Life Insurance	89,000	3
SinoPac Call Center	2,235	-

6) Receivables from related parties—tax refund receivables resulting from linked tax system

The Company and its subsidiaries, including Bank SinoPac, SinoPac Securities and SinoPac Call Center Co., Ltd., adopted the linked tax system for income tax filings since 2003. The receivable of the Company resulting from the linked tax system to SinoPac Securities amounting to \$13,449 as of June 30, 2004.

7) Payables to related parties—dividend payables

The payable of the Company to Bank SinoPac resulting from declaration of 2003 earnings appropriation, which amounting to \$108,163 (see Note 5).

8) Interest revenue from bank deposits

	For the Six Months Ended June 30			
	2004		2003	
	Amount	% of Account Balance	Amount	% of Account Balance
Bank SinoPac	\$ 16,671	29	\$ 39,862	50
FENB	10,829	19	19,068	24

9) Interest expense from bank overdraft

	<u>For the Six Months Ended June 30, 2003</u>	
	<u>Amount</u>	<u>% of Account Balance</u>
Bank SinoPac	\$ 15	-

10) Professional service charges

Professional service charges paid to SinoPac Securities amounted to \$2,484 and \$2,433 for the six months ended June 30, 2004 and 2003, respectively.

11) Lease

The Company leased certain office premises from National Electric Appliance Co., Ltd. for a period 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, 2004 and 2003 were \$1,132 and \$1,123, respectively. Prepaid rentals as of June 30, 2004 and 2003 were \$1,919 and \$1,942, respectively.

The Company leased certain apartments as employees' dormitory from Hong Yue Investment Co., Ltd. for a period ranging from May 2002 to May 2005 with monthly rental payments. Rentals paid for the six months ended June 30, 2004 and 2003 were both \$1,762.

The Company leased certain office premises from SinoPac Securities for a period ranging from February 2004 to March 2004. Rental paid for the six months ended June 30, 2004 was \$82.

12) Asset transactions

The Company acquired 81,104,000 shares of common stock of AnShin Card Services from Bank SinoPac in December 2002 at an acquisition cost of \$181,238, which had already been paid before December 31, 2002. Unamortized deferred income totaling \$66,056 was recognized by the Company when the transaction occurred, and was amortized on the basis of the remaining amortization period obtained from Bank SinoPac. The Company recognized the aforesaid investment income totaling \$13,562 and \$13,966 for the six months ended June 30, 2004 and 2003, respectively.

The Company acquired SinoPac Life Insurance Agent and SinoPac Property Insurance Agent from Bank SinoPac in January 2003 at acquisition costs of \$79,452 and \$3,801, respectively. The considerations had already been paid before January 31, 2003.

In January 2003, the BOD had resolved to purchase superficies and an office building built by Li-Seng Develop Company. The building will be located in Taipei City and used as the Company's headquarters. Total purchase cost of \$1,748,000 did not include value-added tax and costs borne by the Company. The transaction had been approved by BOMA on April 30, 2003. Nevertheless, in behalf of the financial consideration, in August 2003, the board of directors of the Company resolved to switch the aforesaid purchase to SinoPac Leasing Corporation, an affiliate company.

In March 2004, the Company has entered into contracts with Ruentex Interior Design Inc. for interior decoration of its office totaling \$138, which has already been paid.

For transactions with related parties, the terms are similar to those transacted with unrelated parties.

c. Related-party transactions of subsidiaries at amounts over NT\$100 million were as follows:

1) Bank SinoPac

<u>Name</u>	<u>Relationship with Bank SinoPac</u>
SinoPac Holdings	Parent company
SinoPac Securities	Subsidiary of SinoPac Holdings
SinoPac Leasing Corporation (SPL)	Subsidiary of Bank SinoPac
Grand Capital International Limited (Grand Capital)	Subsidiary of SPL
Wal Tech International Corporation (Wal Tech International)	Affiliate of Bank SinoPac
Far East National Bank (FENB)	Overseas affiliate of Bank SinoPac
Other	Bank SinoPac's directors, supervisors, managers and their relatives, department chiefs, the investees accounted for by the equity method and the subsidiaries of Bank SinoPac, etc.
Other	Related parties under the control of the Company and with no transactions with the Company.

a) Loans

<u>Period</u>	<u>Ending Balance</u>	<u>% of Total</u>	<u>Interest Rate</u>	<u>Interest Revenue</u>	<u>% of Total</u>
For the six months ended June 30, 2004	\$ 1,730,092	0.70%	1.31%-12.30%	\$ 25,275	0.52%
For the six months ended June 30, 2003	2,312,156	1.15%	1.48%-12.35%	28,875	0.59%

b) Deposits

<u>Period</u>	<u>Ending Balance</u>	<u>% of Total</u>	<u>Interest Rate</u>	<u>Interest Expense</u>	<u>% of Total</u>
For the six months ended June 30, 2004					
SinoPac Holdings	\$ 2,405,619	0.71%	0%-1.17%	\$ 16,671	0.63%
Other	7,466,121	2.20%	0%-6.475%	26,659	1.01%
For the six months ended June 30, 2003					
SinoPac Holdings	8,350,891	3.26%	0%-2.00%	39,862	1.52%
Other	2,486,246	0.97%	0%-6.575%	15,797	0.60%

c) Due from banks and other receivables

	<u>Ending Balance</u>		<u>% of Total</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Due from banks—FENB	\$ 47,247	\$ 246,519	0.28%	1.81%
Other receivables	314,970	165,319	0.90%	0.89%

d) Guarantees and securities purchased

Bank SinoPac had provided guarantees on commercial papers issued by Wal Tech International and SinoPac Securities. The aggregate face amounts of commercial papers were as follows:

	June 30	
	2004	2003
Wal Tech International	\$ 146,000	\$ 108,000
SinoPac Securities	<u>35,000</u>	<u>60,000</u>
	<u>\$ 181,000</u>	<u>\$ 168,000</u>

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

	June 30	
	2004	2003
Properties—carrying amount	<u>\$1,532,430</u>	<u>\$1,545,292</u>

In addition, guarantees and credits on SinoPac Securities were collateralized by the following assets provided by SinoPac Securities as follows:

	June 30	
	2004	2003
Properties and properties held for lease—carrying amount	\$ 1,189,108	\$ 1,199,499
Certificates of deposit	<u>1,260,000</u>	<u>1,130,000</u>
	<u>\$ 2,449,108</u>	<u>\$ 2,329,499</u>

e) Professional services 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, 2004 and 2003 amounted to \$122,181 and \$64,166, respectively.

f) Receivables and accrued receivables paid for others

As of June 30, 2004, Bank SinoPac's receivable to SinoPac Securities resulting from the adoption of the linked tax system for 2003 tax filing amounted to \$175,060.

For transactions between Bank SinoPac and 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 up to prescribed limits.

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.

2) SinoPac Securities

<u>Name</u>	<u>Relationship with SinoPac Securities</u>
SinoPac Holdings	Parent company
Bank SinoPac	Subsidiary of SinoPac Holdings
SinoPac Futures Corporation (SinoPac Futures)	Subsidiary of SinoPac Securities
National Investment Trust Company Limited (NITC)	The director of NITC is a lineal relative of the chairman of SinoPac Holdings (NITC was not a related party since the third quarter in 2003)

a) Bonds sold under agreements to repurchase

	<u>June 30, 2003</u>		<u>For the Six Months Ended June 30, 2003</u>
	<u>Face Amount</u>	<u>Cost</u>	<u>Interest Expense</u>
Mutual funds managed by NITC	\$ 1,036,071	\$ 1,045,132	\$ 7,392
SinoPac Holdings	496,600	550,140	345
Other	<u>34,500</u>	<u>37,019</u>	<u>125</u>
	<u>\$ 1,567,171</u>	<u>\$ 1,632,291</u>	<u>\$ 7,862</u>

b) Bank deposits (including exchange clearing receivables)

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
Bank SinoPac	<u>\$ 1,679,833</u>	<u>\$ 375,160</u>

c) Short-term borrowings and pledged assets

As of June 30, 2004 and 2003, SinoPac Securities had short-term borrowings from Bank SinoPac amounted to \$180,000 and \$500,000, respectively. Properties, properties held for lease and time deposits amounted to \$1,118,988, \$70,121 and \$1,260,000 as of June 30, 2004, respectively; and properties, properties held for lease and time deposits amounted to \$1,128,774, \$70,725 and \$1,130,000 as of June 30, 2003, respectively, were pledged as collateral of credit lines for issuance of commercial papers, borrowings and overdrafts.

d) As of June 30, 2004 and 2003, SinoPac Securities provided \$396,956 and \$398,687 as futures trading margins to SinoPac Futures to engage in futures dealing business. For the six months ended June 30, 2004 and 2003, SinoPac Securities accrued commission income toward SinoPac Futures amounting to \$103,029 and \$51,096, respectively.

e) For the six months ended June 30, 2004, SinoPac Securities had sold its convertible bonds at cost to Bank SinoPac for a total consideration of \$247,900, which had been received before June 30, 2004.

For the transactions between SinoPac Securities and related parties, the terms are similar to those transacted with unrelated parties.

3) AnShin Card Services

<u>Name</u>	<u>Relationship with AnShin Card Services</u>
ING Life Insurance Co., of America, Taiwan Branch (ING Life)	An affiliate of ING Heart Investment Co., Ltd. (originally was the investor accounted for by the equity method; in September 2003, ING Life transferred AnShin Card Services' shares to SinoPac Holdings)

AnShin Card services provided premium collection services to ING Life, as of June 30, 2004 and 2003, the collection payable were \$508,316 and \$733,200, respectively.

4) FENB

<u>Name</u>	<u>Relationship with FENB</u>
SinoPac Holdings Bank SinoPac	Parent company Subsidiary of SinoPac Holdings

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
Deposits—SinoPac Holdings	\$ 1,577,745	\$ 1,599,171
Due from Banks—Bank SinoPac	47,247	246,519

5) SPL

<u>Name</u>	<u>Relationship with SPL</u>
Bank SinoPac	Parent company

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
Borrowings from Bank SinoPac	<u>\$ 532,000</u>	<u>\$ 496,000</u>

6) Grand Capital

<u>Name</u>	<u>Relationship with Grand Capital</u>
Bank SinoPac	Parent company of SPL (parent company of Grand Capital)

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
Borrowings from Bank SinoPac	<u>\$ 378,691</u>	<u>\$ 517,659</u>

7) Wal Tech International

<u>Name</u>	<u>Relationship with Wal Tech International</u>
Bank SinoPac	Affiliate

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
Borrowings from Bank SinoPac	\$ 210,500	\$ 145,000

As of June 30, 2004 and 2003, commercial papers guaranteed by Bank SinoPac amounted to \$146,000 and \$108,000, respectively.

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

<u>Name</u>	<u>Relationship with SinoPac Capital Limited</u>
SinoPac Capital (B.V.I.) Ltd.	Subsidiary

As of June 30, 2004 and 2003, SinoPac Capital Limited had short-term borrowings amounting to \$195,642 and \$168,856, respectively from its subsidiary, SinoPac Capital (B.V.I.) Ltd.

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

<u>Name</u>	<u>Relationship with SinoPac Asia Limited</u>
SinoPac Asset Management Corp., Ltd. (B.V.I.)	Parent company
SinoPac Securities (Asia) Ltd.	Affiliate

As of June 30, 2004 and 2003, SinoPac Asia Limited engaged in the transaction of bonds sold under agreements to repurchase amounting to \$207,637 and \$210,483, respectively, with its parent company, SinoPac Asset Management Corp. (B.V.I.).

In addition, as of June 30, 2004 and 2003, SinoPac Asia Limited engaged in the transaction of bonds sold under agreements to repurchase amounting to \$70,282 and \$691,341, with its affiliate company, SinoPac Securities (Asia) Ltd., respectively.

10) SinoPac Futures (Asia) Limited (overseas affiliate of SinoPac Securities)

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

18. SIGNIFICANT CONTINGENCIES AND COMMITMENTS

- a. Significant contingencies and commitments of the Company, in addition to financial instruments disclosed in Note 23, are summarized as follows:

Under different operating lease agreements, the Company leased certain office premises for periods ranging from one year to three years and eight months, with rentals paid monthly, quarterly or annually. Rentals for the future are summarized as follows:

<u>Year</u>	<u>Amount</u>
July 1 to December 31, 2004	\$ 10,698
2005	11,025

b. Significant contingencies and commitments of subsidiaries

Bank SinoPac

1) Lease contract

Bank SinoPac leased certain office premises under several contracts for various periods ranging from one to seven 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, 2004	\$ 125,820
2005	162,784
2006	139,629
2007	97,179
2008	46,162

Rentals for the years beyond 2009 amount to \$19,535, the present value of which is about \$18,227 as discounted at Bank SinoPac's one-year time deposit rate of 1.35% on July 1, 2004.

2) Equipment purchase contract

Bank SinoPac had entered into contracts to buy computer hardware and software for \$76,288, of which \$32,447 had already been paid as of June 30, 2004.

3) Interior decoration contract

Bank SinoPac had entered into contracts to do interior decoration of its premises for \$2,500, of which \$2,000 had already been paid as of June 30, 2004.

4) Short-term bills and bonds sold under agreements to repurchase

As of June 30, 2004, short-term bills and bonds with a total face amount of \$12,089,780, were sold under agreements to repurchase at \$12,128,907 between July and September 2004.

5) Short-term bills purchased under agreements to resell

As of June 30, 2004, short-term bills with a total face amount of \$8,193,200 were purchased under agreements to resell at \$8,178,589 between July 2004 and June 2005.

6) Information regarding trust business under the Trust Law

a) Balance sheet and trust property of trust accounts

**Balance Sheet of Trust Accounts
June 30, 2004**

<u>Trust Assets</u>		<u>Trust Liabilities and Equities</u>	
Bank deposits	\$ 717,303	Payables	\$ 11,240
Short-term investments	55,139,492	Trust capital	57,004,615
Receivables	14,036	Cumulative earnings	<u>1,192,586</u>
Prepayments	18		
Properties	656,766		
Net asset value of collective investment trust fund	<u>1,680,826</u>		
Total trust assets	<u>\$58,208,441</u>	Total trust liabilities and equities	<u>\$58,208,441</u>

**Trust Property of Trust Accounts
June 30, 2004**

<u>Investment Portfolio</u>	<u>Amount</u>
Bank deposits	<u>\$ 717,303</u>
Short-term investments	
Bonds	9,977,393
Common stock	2,436,148
Funds	<u>42,725,951</u>
	<u>55,139,492</u>
Receivables	<u>14,036</u>
Prepayments	<u>18</u>
Properties	
Land	528,493
Construction in process	<u>128,273</u>
	<u>656,766</u>
Net asset value of collective investment trust fund	<u>1,680,826</u>
Total	<u>\$58,208,441</u>

b) The operations of trust business under the Trust Law

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.

SinoPac Securities

- 1) 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 against CYF and 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 cannot be held liable for damages incurred by the investors since its role as sub-underwriter to the CYF IPO is limited only to the distribution of CYF shares and it has not advised CYF on matters related to the IPO.
- 2) Mr. Chang sued SinoPac Securities and its two former employees, Mr. Lin and Mr. Huang, for embezzlement. Mr. Chang claimed for SinoPac Securities damages of \$32,215 plus 5% interest. After the trial at the district court of second instance on June 30, 2004, the district court judged that SinoPac Securities should assume to pay the related compensation of \$28,828 plus 5% interest. In the opinion of SinoPac Securities' management and legal counsel, clarification should be made that the damage claimed by Mr. Chang was not connected to SinoPac Securities' brokerage affairs because Mr. Chang had authorized Mr. Lin to deal with money remittance for stock payment for a long time. In addition, SinoPac Securities claimed that Mr. Chang also committed an unpremeditated crime, and SinoPac Securities had appealed to the district court of third instance to redress a miscarriage of justice. However, on the basis of the conservative principle, SinoPac Securities estimated a loss amounted to \$32,000 in 2003, recorded as other payables in the financial statements.
- 3) A plaintiff Mr. Chen sued Mr. Chen, a former employee of SinoPac Securities' Yuan Lin branch, for fraud. Before the trial at the court of second instance was finished, plaintiff Mr. Chen sued SinoPac Securities as a codefendant and claimed from SinoPac Securities and the defendant Mr. Chen damages of \$12,999 plus 5% interest. After the trial at the district court of second instance on December 31, 2003, the district court judged that SinoPac Securities should assume pay the related compensation of \$7,799 plus 5% interest. In the opinion of SinoPac Securities' management, since plaintiff, Mr. Chen did not have brokerage transactions with the plaintiff. SinoPac Securities had appealed to the district court of third instance to redress a miscarriage of justice. However, on the basis of the conservative principle, SinoPac Securities estimated a \$8,500 loss, recorded as nonoperating expenses and losses and other payable, in the financial statements.
- 4) The one-to-five-year agreements on the lease of the head office and branch premises can be renewed within six months before expiry. The deposits for these leases amounted to \$63,573, recognized as refundable guarantee deposits, will be refunded without interest when the leases expire. Rentals for the next five years are as follows:

<u>Year</u>	<u>Amount</u>	<u>Payment Frequency</u>
The first year (July 1, 2004 to June 30, 2005)	\$ 169,505	Monthly or quarterly
The second to fifth years (July 1, 2005 to June 30, 2009)	286,206	Monthly or quarterly

Rentals for the six months ended June 30, 2004 and 2003 were \$86,388 and \$83,715, respectively.

AnShin Card Services

- 1) As of June 30, 2004, AnShin Card Services leased certain offices premises and parking spaces. The lease term will ends on November 15, 2006 and rentals for the future payments under the lease contracts amount to \$58,446.
- 2) As of June 30, 2004, AnShin Card Services has obtained stand-by letter of credit amounted to \$16,302 for clearing collection payable to foreign credit card Company.

SinoPac Marketing Consulting

SinoPac Marketing Consulting leased certain office premises for a period ranging from September 1, 2003 to May 31, 2007, with rentals paid monthly. Rentals for the future are as follows:

<u>Year</u>	<u>Amount</u>
July 1 to December 31, 2004	\$ 1,529
2005	2,254
2006	1,997
2007	749

SinoPac Asset Management International

SinoPac Asset Management International leased certain office premises for a period ranging from July 1, 2002 to June 30, 2005, with rentals paid monthly. Rentals for the future are as follows:

<u>Year</u>	<u>Amount</u>
July 1 to December 31, 2004	\$ 1,063
2005	1,063

SinoPac Venture Capital

SinoPac Venture Capital had entered into a management contract with SinoPac Asset Management International, with service fees paid quarterly. Service fees for the future are as follows:

<u>Year</u>	<u>Amount</u>
July 1 to December 31, 2004	\$ 1,000
2005	2,000
2006	2,000
2007	2,000
2008	2,000

SinoPac Call Center

SinoPac Call Center leased certain office premises for a period ranging from November 1, 2003 to October 31, 2006, with rentals paid quarterly. Rentals for the future are as follows:

<u>Year</u>	<u>Amount</u>
July 1 to December 31, 2004	\$ 1,107
2005	2,012
2006	540

19. SIGNIFICANT SUBSEQUENT EVENTS

To expand its asset management channel and its omnibus and integrated wealth management services, the BOD of SinoPac Holdings resolved to acquire 100% equity in United Investment Company Inc. (UIC) for \$298,500 on August 3, 2004. The Company signed a share transfer memorandum with UIC's stockholders on the same day. As of August 4, 2004, the date of the accompanying auditors' report, the process of obtaining approval from the Securities and Futures Bureau was still under way.

20. 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 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, 2004 and 2003, consolidated CARs of the Company were 109% and 160%, 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 cash dividends that the bank can declare or, in certain conditions, prohibit it from declaring any cash dividend. As of June 30, 2004 and 2003, Bank SinoPac's standalone CARs were 11.13% and 13.05%, respectively, the consolidated CARs were 10.10% and 10.83%, 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, 2004 and 2003, SinoPac Securities' CARs were 362% and 365%, respectively.

21. SPECIFIC RISK FROM FUTURES DEALING AND FINANCIAL RATIOS, LIMITATIONS AND EXECUTION OF FUTURES COMMISSION MERCHANTS SUBSIDIARY

SinoPac Securities pays margin deposits when entering into futures contracts. SinoPac Securities evaluates the margin account daily based on the market prices of outstanding futures contracts. If the margin is less than the maintenance level, SinoPac Securities should either deposit additional margin or make a presettlement to recognize the loss.

As of June 30, 2004, the outstanding futures and options contracts were 56 and 418, respectively. As of June 30, 2003, the outstanding futures and options contracts were 979 and 14,643, respectively. As of June 30, 2004 and 2003, the total margin that SinoPac Securities had paid were \$396,956 and \$398,687, respectively.

As of June 30, 2004 and 2003, the financial ratios, limitation and execution 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	
			2004	2003
a.	$\frac{\text{Equities}}{\text{Total liabilities deducted futures client equity, futures trading loss reserve and default reserve}}$	≥ 1	1,358	819
b.	$\frac{\text{Current assets}}{\text{Current liabilities}}$	≥ 1	118	116
c.	$\frac{\text{Equities}}{\text{Capital stock}}$	$\geq 60\%$ $\geq 40\%$	207	117
d.	$\frac{\text{Adjusted net capital}}{\text{Client and proprietary account}}$	$\geq 20\%$ $\geq 15\%$	147	87

22. PUBLIC ANNOUNCEMENTS PRESCRIBED IN FINANCIAL HOLDING COMPANY ACT, 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, 2004 was summarized as follows:

(In Millions of New Taiwan Dollars, %)

<u>Name</u>	<u>June 30, 2004</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:		
Lone Star Asia—Pacific, Ltd. and its affiliates	\$ 3,808	7.93%
Ritek Technology Corporation and its affiliates	3,594	7.49%
TPV Technology limited and its affiliates	2,819	5.87%
Formosa Plastic Corporation and its affiliates	2,564	5.34%
Mega Holdings and its affiliates	2,512	5.23%

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, 2004 provided by the Company and its subsidiaries.

23. DISCLOSURE OF FINANCIAL INSTRUMENTS

a. Derivative financial instruments—cross-currency swap contracts

The Company enters into cross-currency swaps to hedge the exposures of foreign exchange or interest rate fluctuations on its foreign-currency net liabilities. The Company's 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. The Company also reassesses the hedge effectiveness of these instruments periodically.

The Company is exposed to credit risk in the event of default on contracts by counter-parties. Since the Company 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 were as follows:

<u>Financial Instruments</u>	<u>June 30, 2004</u>			<u>June 30, 2003</u>		
	<u>Contract (Notional) Amount</u>	<u>Credit Risk</u>	<u>Fair Value</u>	<u>Contract (Notional) Amount</u>	<u>Credit Risk</u>	<u>Fair Value</u>
For hedging purpose:						
Cross-currency swap contracts	\$2,260,530	\$ -	(\$ 62,845)	\$2,260,530	\$22,072	\$18,809

The fair values were 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, 2004 and 2003 were as follows:

	<u>Account</u>	<u>For the Six Months Ended June 30</u>	
		<u>2004</u>	<u>2003</u>
For hedging purpose:			
Cross-currency swap contracts			
Realized	Interest revenue	\$26,727	\$18,391
	Interest expense	(9,596)	(8,198)

b. Fair values of nonderivative financial instruments

	<u>June 30</u>			
	<u>2004</u>		<u>2003</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Assets</u>				
Financial assets—with fair values approximating carrying amounts	\$ 7,748,197	\$ 7,748,197	\$10,258,510	\$10,258,510
Short-term bills and bonds purchased under agreements to resell	435,000	435,000	550,140	550,140
Long-term equity investments	50,479,479	50,479,479	44,097,293	44,097,293
Refundable guarantee deposits	3,338	3,338	3,338	3,338
<u>Liabilities</u>				
Financial liabilities—with fair values approximating carrying amounts	2,576,808	2,576,808	2,695,028	2,695,028
Euro-convertible bonds	8,140,721	9,112,476	8,318,023	8,916,051
Guarantee deposits and margins received	2,126	2,126	2,300	2,300

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, receivables, receivables from related parties, short-term bills and bonds purchased under agreements to resell, short-term borrowings, commercial papers payable, payables and investments payable, approximate their fair values because of the short maturities of these instruments.
- 2) The fair values of long-term equity investments for unlisted stocks are estimated at the carrying amounts.
- 3) The fair values of refundable guarantee deposits, guarantee deposits received are estimated at their carrying amounts since such deposits do not have specific due dates.
- 4) The fair value of Euro-convertible bonds is 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.

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

a. Condensed balance sheets

Bank SinoPac
Balance Sheets
June 30, 2004 and 2003
(In Thousands of New Taiwan Dollars)

<u>Assets</u>	<u>2004</u>	<u>2003</u>	<u>Liabilities</u>	<u>2004</u>	<u>2003</u>
Cash and cash equivalents	\$ 7,053,582	\$ 6,837,754	Call loans and due to banks	\$ 41,756,298	\$ 66,500,806
Due from Central Bank and banks	24,389,790	18,833,788	Short-term bills sold under agreements to repurchase	12,123,883	-
Securities purchased—net	129,035,558	111,774,184	Accounts, interest and other payables	19,707,112	8,001,514
Accounts, interest and other receivables—net	35,000,895	16,017,706	Acceptances payable	3,305,042	1,214,863
Acceptances	3,305,042	1,214,863	Deposits and remittances	338,855,120	256,157,260
Securities purchased under agreement to resell	8,174,713	-	Bank debentures	29,800,000	12,900,000
Prepayments	252,787	150,347	Other liabilities	<u>3,213,776</u>	<u>2,930,227</u>
Loans, discounts and bills purchased—net	248,381,709	200,358,239	Total liabilities	<u>448,761,231</u>	<u>347,704,670</u>
Long-term equity investments—net	9,267,730	9,009,001	Stockholders' equity		
Properties—net	4,875,830	4,814,269	Capital stock	19,443,976	19,443,976
Other assets	<u>5,328,315</u>	<u>3,540,782</u>	Capital surplus	125,208	125,208
			Retained earnings	6,859,538	5,387,857
			Equity adjustments	(124,002)	(110,778)
			Total stockholders' equity	<u>26,304,720</u>	<u>24,846,263</u>
			Total liabilities and stockholders' equity	<u>\$475,065,951</u>	<u>\$372,550,933</u>
Total assets	<u>\$475,065,951</u>	<u>\$372,550,933</u>			

SinoPac Securities Corporation

Balance Sheets
June 30, 2004 and 2003
(In Thousands of New Taiwan Dollars)

<u>Assets</u>	<u>2004</u>	<u>2003</u>	<u>Liabilities</u>	<u>2004</u>	<u>2003</u>
Current assets	\$ 41,273,542	\$ 41,534,134	Current liabilities	\$ 27,715,328	\$ 29,279,489
Long-term equity investments	5,303,629	3,657,147	Long-term bearing liabilities	2,000,000	-
Properties—net	2,658,370	2,719,933	Other liabilities	617,479	499,351
Other assets	2,853,480	2,257,053	Total liabilities	<u>30,332,807</u>	<u>29,778,840</u>
Securities brokerage debit account—net	<u>464,834</u>	<u>464,993</u>	Stockholders' equity		
			Capital stock	15,269,020	15,269,020
			Capital surplus	2,342,425	2,321,997
			Retained earnings	4,580,289	3,519,449
			Equity adjustments	29,314	(256,046)
			Total stockholders' equity	<u>22,221,048</u>	<u>20,854,420</u>
			Total liabilities and stockholders' equity	<u>\$ 52,553,855</u>	<u>\$ 50,633,260</u>
Total assets	<u>\$ 52,553,855</u>	<u>\$ 50,633,260</u>			

SinoPac Life Insurance Agent Co., Ltd.

**Balance Sheets
June 30, 2004 and 2003
(In Thousands of New Taiwan Dollars)**

<u>Assets</u>	<u>2004</u>	<u>2003</u>	<u>Liabilities</u>	<u>2004</u>	<u>2003</u>
Current assets	\$ 178,282	\$ 51,064	Current liabilities	\$ 146,516	\$ 14,397
Properties—net	630	621			
Other assets	<u>2,649</u>	<u>3,072</u>	Stockholders' equity		
			Capital stock	3,000	2,000
			Retained earnings	<u>32,045</u>	<u>38,360</u>
			Total stockholders' equity	<u>35,045</u>	<u>40,360</u>
			Total liabilities and stockholders'		
Total assets	<u>\$ 181,561</u>	<u>\$ 54,757</u>	equity	<u>\$ 181,561</u>	<u>\$ 54,757</u>

SinoPac Property Insurance Agent Co., Ltd.

**Balance Sheets
June 30, 2004 and 2003
(In Thousands of New Taiwan Dollars)**

<u>Assets</u>	<u>2004</u>	<u>2003</u>	<u>Liabilities</u>	<u>2004</u>	<u>2003</u>
Current assets	\$ 8,213	\$ 3,286	Current liabilities	\$ 2,052	\$ 1,074
Other assets	<u>600</u>	<u>600</u>			
			Stockholders' equity		
			Capital stock	3,000	2,000
			Retained earnings	<u>3,761</u>	<u>812</u>
			Total stockholders' equity	<u>6,761</u>	<u>2,812</u>
			Total liabilities and stockholders'		
Total assets	<u>\$ 8,813</u>	<u>\$ 3,886</u>	equity	<u>\$ 8,813</u>	<u>\$ 3,886</u>

b. Condensed statements of income

Bank SinoPac

**Statements of Income
For the Six Months Ended June 30, 2004 and 2003
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<u>2004</u>	<u>2003</u>
Operating revenues	\$ 10,021,080	\$ 7,459,584
Operating costs and expenses	<u>7,868,431</u>	<u>5,895,833</u>
Operating income	2,152,649	1,563,751
Nonoperating income and gains	198,633	69,630
Nonoperating expenses and losses	<u>22,963</u>	<u>39,213</u>
Income before income tax	<u>2,328,319</u>	<u>1,594,168</u>
Net income	<u>\$ 2,079,084</u>	<u>\$ 1,433,573</u>
Pretax earnings per share	<u>\$ 1.20</u>	<u>\$ 0.82</u>
After tax earnings per share	<u>\$ 1.07</u>	<u>\$ 0.74</u>

SinoPac Securities Corporation

Statements of Income
For the Six Months Ended June 30, 2004 and 2003
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2004</u>	<u>2003</u>
Operating revenues	\$ 4,058,368	\$ 2,216,207
Operating costs and expenses	<u>2,769,622</u>	<u>1,649,071</u>
Operating income	1,288,746	567,136
Nonoperating income and gains	341,960	248,465
Nonoperating expenses and losses	<u>106,609</u>	<u>102,685</u>
Income before income tax	<u>1,524,097</u>	<u>712,916</u>
Net income	<u>\$ 989,996</u>	<u>\$ 578,026</u>
Pretax earnings per share	<u>\$ 1.00</u>	<u>\$ 0.48</u>
After tax earnings per share	<u>\$ 0.65</u>	<u>\$ 0.39</u>

SinoPac Life Insurance Agent Co., Ltd.

Statements of Income
For the Six Months Ended June 30, 2004 and 2003
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2004</u>	<u>2003</u>
Operating revenues	\$ 89,272	\$ 71,103
Operating costs and expenses	<u>58,003</u>	<u>33,082</u>
Operating income	31,269	38,021
Nonoperating income and gains	<u>60</u>	<u>757</u>
Income before income tax	<u>31,329</u>	<u>38,778</u>
Net income	<u>\$ 23,507</u>	<u>\$ 29,169</u>
Pretax earnings per share	<u>\$ 142.19</u>	<u>\$ 193.90</u>
After tax earnings per share	<u>\$ 132.39</u>	<u>\$ 145.85</u>

SinoPac Property Insurance Agent Co., Ltd.

Statements of Income
For the Six Months Ended June 30, 2004 and 2003
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2004	2003
Operating revenues	\$ 6,375	\$ 1,878
Operating costs and expenses	1,980	1,179
Operating income	4,395	699
Nonoperating income and gains	4	-
Income before income tax	4,399	699
 Net income	 \$ 3,308	 \$ 527
 Pretax earnings per share	 \$ 21.70	 \$ 3.50
After tax earnings per share	\$ 16.32	\$ 2.64

25. CROSS SELLING INFORMATION

Bank SinoPac has contracted with SinoPac Securities for the sharing of operating equipment and premises and the allocation of expenses. The related information were summarized as follows:

Item	Bank SinoPac	SinoPac Securities	Total	Terms of Allocation
<u>For the six months ended June 30, 2004</u>				
Rentals	\$ 815	\$ 94	\$ 909	On the basis of actual square measures used.
Utilities	60	177	237	On the basis of actual measures used.
Other	119	164	283	All expenses are allocated on the basis of actual measures used except for administrative expenses.
	\$ 994	\$ 435	\$ 1,429	

In February 2003, SinoPac Life Insurance Agent and SinoPac Property Insurance Agent contracted with Bank SinoPac and SinoPac Securities, respectively, to regulate the rules of their cross selling activities and promotions as well as the allocation of expenses and the sharing of operating equipment and premises. For the six months ended June 30, 2004, SinoPac Property Insurance Agent paid Bank SinoPac and SinoPac Securities \$477 and \$2 as incentive bonuses, respectively, and SinoPac Life Insurance Agent paid Bank SinoPac and SinoPac Securities \$9,953 and \$2,228 as incentive bonuses, respectively. As of June 30, 2004, the related payables amounted to \$4,176 and \$4, respectively.

In March 2003, SinoPac Life Insurance Agent contracted with AnShin Card Services to regulate the rules of their cross selling activities and promotions as well as the allocation of expenses. For the six months ended June 30, 2004, SinoPac Life Insurance Agent accrued related expenses amounting to \$24,530 from AnShin Card Services as service charges, and related payable amounting to \$15,592.

26. SUBSIDIARIES' SIGNIFICANT FINANCIAL AND OPERATING PROFILE—BANK SINOPAC

a. Statement of capital adequacy

(%)

Item	June 30, 2004	June 30, 2003
Capital adequacy ratios (Note)	11.13	13.05
Ratios of debt to net worth	1,706.01	1,399.42

Note: Capital adequacy ratio = Eligible capital/Risk-based assets. Pursuant to the Banking Law and related regulations, the capital adequacy ratio should be computed at the end of June and December, respectively.

b. Assets quality

(In Thousands of New Taiwan Dollars, %)

Item	June 30, 2004	June 30, 2003
Overdue loans (including nonperforming loans) (Note 1)	2,589,581	4,394,324
Nonperforming loans	2,091,849	2,655,805
Overdue loans ratio (Note 2)	1.04	2.17
Classified loans (Note 3)	790,429	1,202,883
Ratios of classified loans to total loans	0.32	0.60
Allowance for credit losses	1,577,932	1,684,483
Write-off amounts of credits (Note 4)	521,797	535,094

Note 1: Overdue loans (including non-accrual loans) represent the amounts of reported overdue loans as required by the MOF letters dated February 16, 1994 (Ref. No. Tai-Tsai-Zong-832292834) and December 1, 1997 (Ref. No. Tai-Tsai-Zong-86656564).

Note 2: Overdue loans ratio = Overdue loans (including nonperforming loans)/(Outstanding loan balance + Nonperforming loans). If overdue loans (including nonperforming loans)/total credits, the overdue loans ratio as of June 30, 2004 and 2003 were 0.83% and 1.83%, respectively.

Note 3: Loans subject to observation are mid-term 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 three months and interest thereon is overdue by more than three 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.

Note 4: Write-off amounts of credits = Accumulated write-off amounts of credits for the six months ended June 30, 2004 and 2003.

c. Management information

1) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

	June 30, 2004		June 30, 2003	
Credit extensions to interested parties	3,704,784		4,087,158	
Ratios of credit extensions to interested parties	1.19		1.71	
Ratios of credit extensions secured by pledged stocks	0.98		0.40	
Industry concentration	Industry	Percentage	Industry	Percentage
	Natural person	76.06%	Natural person	79.43%
	Manufacturing	9.96%	Manufacturing	9.20%
	Wholesaling	4.30%	Wholesaling	2.68%

Note 1: Consist of loans, discounts and bills purchased (including import and export bill negotiations), acceptances and guarantees.

Note 2: Ratio of credit extensions to interested parties = credit extensions to interested parties/total credit extensions.

Note 3: Ratio of credit extensions secured by pledged stocks = credit extensions secured by pledged stocks/total credit extensions.

Note 4: The amounts of credit extensions to interested parties are required to be computed pursuant to the Banking Law.

2) Information on concentrations of risk

Bank SinoPac has no credit risk concentration arising from any counter-party or groups of counter-parties engaged in similar business activities. Industries that accounted for 5% or more of the outstanding loans as of June 30, 2004 and 2003 were as follows:

	June 30			
	2004		2003	
	<u>Face Amount</u>	<u>%</u>	<u>Face Amount</u>	<u>%</u>
Natural person	\$ 157,969,312	63	\$ 147,149,717	73
Manufacturing	46,461,167	19	26,432,261	13

3) Policy of provisions on credit and investment losses

a) 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 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 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.

b) Provision for investment losses

Stocks, beneficiary certificates and bonds are stated at the lower of cost or market. 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; and (c) over-the-counter stocks—average daily closing prices for the last month of the accounting period, published by GreTai Securities Market (the “OTC”); and (d) bonds—period-end reference prices published by the OTC.

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

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.

For the listed stock investments reclassified from securities purchased to long-term equity investments or vice versa, when the market value is lower than the carrying amount, a realized loss for market value decline is recognized and the related cost is recorded at market value.

4) Matters requiring special notation

**Matters Requiring Special Notation
June 30, 2004**

(In Thousands of New Taiwan Dollars)

Causes (Note 1)	Summary and Amount
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.	In 2002, a former employee, Mr. Wang, who was sued by Bank SinoPac for violating the Bank Law, was prosecuted by the District Attorney. Mr. Wang was sentenced to limited imprisonment on April 7, 2004 and his appeal to the Supreme Court to reverse this sentence was rejected on June 17, 2004.
Within the past one year, a fine was levied on Bank SinoPac for violations of the related regulations (Note 2).	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 1: The term “within the past one year” means the one year prior to the balance sheet date.

Note 2: The term “a fine levied on Bank SinoPac for violations of the related regulations within the past one year” means a fine levied by Bureau of Monetary Affairs, Securities and Futures Commission or Department of Insurance.

d. Profitability

Item	For the Six Months Ended June 30, 2004	For the Six Months Ended June 30, 2003
Return on total assets	1.05%	0.91%
Return on net worth	17.76%	12.79%
Profit margin	20.75%	19.22%

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 income for the six months ended June 30, 2004 and 2003.

Note 5: The profitability data listed above is expressed on an annual basis.

e. Information of average amount and average interest rate of interest-earning assets and interest-bearing liabilities

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

(In Thousands of New Taiwan Dollars, %)

	<u>For the Six Months Ended June 30, 2004</u>		<u>For the Six Months Ended June 30, 2003</u>	
	<u>Average Balance</u>	<u>Average Rate (%)</u>	<u>Average Balance</u>	<u>Average Rate (%)</u>
<u>Interest-earning assets</u>				
Due from banks	\$ 4,019,372	0.68	\$ 3,748,363	1.22
Call loans (placement)	9,951,635	1.17	5,712,888	1.28
Due from Central Bank	7,209,337	1.61	5,616,295	1.96
Securities purchased	149,658,501	1.41	107,181,273	2.01
Securities purchased under agreement to sell	4,891,485	1.10	-	-
Loans, discounts and bills purchased	225,187,262	3.27	187,591,389	4.25
Accounts receivable from factoring	11,663,586	4.03	5,103,730	3.88
<u>Interest-bearing liabilities</u>				
Due to banks	70,467	0.48	1,198	0.53
Call loans (taken)	45,452,641	1.14	55,118,429	1.26
Demand deposits	69,018,406	0.42	30,393,453	0.62
Savings—demand deposits	68,849,430	0.50	51,693,818	0.78
Time deposits	135,234,826	0.84	107,317,944	1.45
Savings—time deposits	61,404,319	1.54	57,809,887	2.14
Negotiable certificates of deposit	28,375,387	1.01	856,520	0.94
Bank debentures	24,520,330	2.74	8,780,110	2.70
Securities sold under agreement to repurchase	12,455,173	0.96	-	-

f. Maturity Analysis of Assets and Liabilities

June 30, 2004

(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	\$ 442,990	\$ 89,857	\$ 69,431	\$ 54,878	\$ 43,724	\$ 185,100
Liabilities	441,893	187,600	67,950	49,048	70,985	66,310
Gap	1,097	(97,743)	1,481	5,830	(27,261)	118,790
Accumulated gap	1,097	(97,743)	(96,262)	(90,432)	(117,693)	1,097

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

g. Market risk sensitivity

Item	June 30, 2004	June 30, 2003
Ratio of interest-rate sensitive assets to liabilities	88.00%	84.61%
Ratio of interest-rate sensitive gap to net worth	134.10%	71.56%

Note 1: Interest-rate sensitive assets and liabilities mean the revenues or costs of interest earnings assets and interest bearing liabilities are affected by the changes of interest-rates.

Note 2: 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 3: Interest-rate sensitive gap = Interest-rate sensitive assets – Interest-rate sensitive liabilities

h. Net positions of major foreign-currency

The net positions on foreign-currency transactions of Bank SinoPac as of June 30, 2004 and 2003 were as follows:

	June 30			
	2004		2003	
	Foreign-currency Amounts (in Thousand)	New Taiwan Dollar Amounts (in Thousand)	Foreign-currency Amounts (in Thousand)	New Taiwan Dollar Amounts (in Thousand)
Net positions of major foreign-currency with market risk	USD 55,455	\$ 1,872,992	USD 67,127	\$ 2,323,383
	JPY 3,764,532	1,169,640	HKD 80,096	355,490
	MYR 103,465	919,617	CHF 12,900	329,499
	EUR 17,266	705,909	EUR 7,088	280,994
	AUD 4,824	112,411	JPY 741,606	214,250

27. 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 (the related disclosures for SinoPac Securities are excluded from disclosure requirement under the Criteria Governing the Preparation of Financial Reports by Securities Firms);
 - 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 (the related disclosures of Bank SinoPac and its investees are excluded from disclosure requirement under the Criteria Governing the Preparation of Financial Reports by Public Banks except for the related transaction amounts over NT\$300 million or 10% of the issued capital. In addition, the related disclosures for SinoPac Securities are excluded from disclosure requirement under the Criteria Governing the Preparation of Financial Reports by Securities Firms);
 - 5) Receivables from related parties amounting to at least NT\$100 million or 20% of the issued capital: Table 5;
 - 6) Names, locations, and other information of investees on which the Company exercises significant influences: Table 6;
 - 7) Derivative financial transactions: Note 23. The derivative financial instruments of investees are summarized as follows:

Bank SinoPac

Bank SinoPac engages in 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's 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 also reassesses the hedge effectiveness of these instruments periodically.

Bank SinoPac is exposed to credit risk in the event of default on contracts by counter-parties. Bank SinoPac 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 the bank's 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 has entered into futures contracts with International Financial Futures and Options Exchanges 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, 2004</u>			<u>June 30, 2003</u>		
	<u>Contract (Notional) Amount</u>	<u>Credit Risk</u>	<u>Fair Value</u>	<u>Contract (Notional) Amount</u>	<u>Credit Risk</u>	<u>Fair Value</u>
For hedging purposes:						
Interest rate swap contracts	\$ 13,587,150	\$ 177,572	\$ 59,955	\$ 4,961,000	\$ 125,452	\$ 31,042
Cross-currency swap contracts	14,300,000	379,704	64,690	-	-	-
For the purposes of accommodating customers' needs or managing Bank SinoPac's exposures:						
Forward contracts						
—Buy	122,174,755	1,028,150	991,733	31,171,745	81,353	(14,461)
—Sell	179,136,770	48,508	(796,564)	27,495,482	235,585	183,300
Forward rate agreements						
—Buy	-	-	-	28,734,009	5,982	(22,173)
—Sell	-	-	-	32,698,299	29,740	26,527
Currency swap contracts	159,460,449	678,004	(223,775)	61,482,145	236,071	(191,460)
Interest rate swap contracts	33,637,223	227,326	(21,816)	45,751,939	431,933	(36,308)
Cross-currency swap contracts	1,893,920	18,386	669	-	-	-
Interest rate futures contracts						
—Long position	400,000	-	(12)	3,964,290	-	(448)
—Short position	500,000	-	6	-	-	-

<u>Financial Instruments</u>	<u>June 30, 2004</u>			<u>June 30, 2003</u>		
	<u>Contract (Notional) Amount</u>	<u>Credit Risk</u>	<u>Value of Options Purchased/ Written</u>	<u>Contract (Notional) Amount</u>	<u>Credit Risk</u>	<u>Value of Options Purchased/ Written</u>
For the purposes of accommodating customers' needs or managing Bank SinoPac's exposures:						
Options						
—As buyer	\$165,538,652	\$ 653,016	\$ 2,484,847	\$ 86,103,629	\$ 679,043	\$ 1,564,569
—As seller	155,524,196	-	1,600,005	80,344,204	274,439	1,548,323

The fair value of each contract is determined using the quotations from Reuters Information System. The fair value of each futures contract refers to the closing price published by International Financial Futures and Options Exchanges as of the balance sheet date.

As of June 30, 2004 and 2003, Bank SinoPac entered into asset swap contracts for hedging purposes, with notional amounts at \$2,802,020 and \$5,798,660, respectively. Since Bank SinoPac entered into these contracts with counter-parties with splendid worldwide ranking and credit rating, no significant credit risk is expected.

As of June 30, 2004, Bank SinoPac entered into credit default swap contracts for the purposes of accommodating customers' needs, with notional amounts at \$542,173. Since Bank SinoPac entered into these contracts with counter-parties with splendid worldwide ranking and credit rating, 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 counter-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 cannot be sold at reasonable prices is remote; thus, no significant cash demand is expected.

The gains and losses on derivative financial instruments for the six months ended June 30, 2004 and 2003 were as follows:

	<u>Account</u>	For the Six Months Ended June 30	
		<u>2004</u>	<u>2003</u>
For hedging purposes:			
Cross-currency swap contracts			
—Realized	Interest revenue	\$ 110,783	\$ -
	Interest expense	(63,740)	-
Interest rate swap contracts			
—Realized	Interest revenue	67,782	9,149
	Interest expense	(9,711)	(241)
Interest rate futures contracts			
	Loss from derivative financial transactions	(7,590)	-
Foreign exchange contracts			
	Gain from derivative financial transactions	17,123	-
For the purposes of accommodating customers' needs or managing Bank SinoPac's exposures:			
Forward contracts			
—Realized	Foreign exchange gain (loss)	(50,284)	13,056
—Unrealized	Foreign exchange loss	(27,026)	(126,021)
Forward rate agreements			
—Realized	Income (loss) from derivative financial transactions	(3,504)	1,806
—Unrealized	Income from derivative financial transactions	3,525	3,663
Currency swap contracts			
—Realized	Interest revenue	272,359	177,336
	Interest expense	(240,937)	(155,813)
Interest rate swap contracts			
—Realized	Interest revenue	138,288	297,739
	Interest expense	(163,652)	(326,097)
—Realized	Income from derivative financial transactions	1,419	-
—Unrealized	Income from derivative financial transactions	20,508	23,695
Options contracts			
—Realized	Income (loss) from derivative financial transactions	(1,713,789)	199,950
	Foreign exchange gain	346,812	24,039
—Unrealized	Income (loss) from derivative financial transactions	(209,204)	7,213
Interest rate futures contracts			
—Realized	Income (loss) from derivative financial transactions	(40,156)	1,510
—Unrealized	Income (loss) from derivative financial transactions	438	(956)

(Continued)

	<u>Account</u>	For the Six Months Ended June 30	
		<u>2004</u>	<u>2003</u>
Cross-currency swap contracts			
—Realized	Interest revenue	\$ 4,443	\$ -
	Interest expense	(3,458)	-
—Unrealized	Loss from derivative financial transactions	(2,844)	-
Credit default swap contracts			
—Realized	Income from derivative financial transactions	2,675	-

Loss from derivative financial transactions—net (included in other operating cost) for the six months ended June 30, 2004 was \$1,931,399 and income from derivative financial transactions—net (included in other operating revenue) for the six months ended June 30, 2003 was \$236,881.

SinoPac Securities

a) Warrants

- i. The objective of issuing warrants and strategies to achieve such 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' 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.

- ii. Credit risk

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

- iii. 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.

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

The premium of the warrants issued by SinoPac Securities is collected in advance, and SinoPac Securities establishes a hedging position with its own capital when the warrants are issued. The liquidity risk of the underlying securities held for hedging is low because the authorities have set the market price and share distribution of the securities, and the probability that the securities cannot be sold for a reasonable price is quite low. SinoPac Securities has to manage any cash demand arising from adjustment of hedge position for any changes due to adverse fluctuation of market prices of the underlying securities. However, the market liquidity is high, so the cash flow risk is low.

Warrants will be expired between July 2004 to February 2005. Except for the cash inflows and outflows arising from hedging, no additional cash is needed.

v. Leverage of warrants

June 30, 2004							
<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 24	October 3, 2003	Nan Ya Plastics Corporation	20,000,000	\$ 2.270	\$ 45,400	\$ 60.30	17.70
SinoPac Securities 25	October 13, 2003	Far Eastern Textile Ltd.	20,000,000	1.385	27,640	21.52	10.38
SinoPac Securities 26	October 13, 2003	Taiwan Cement Corp.	20,000,000	1.185	23,700	18.37	10.34
SinoPac Securities 27	October 21, 2003	Yulon Motor Co., Ltd	20,000,000	3.560	71,200	61.20	11.46
SinoPac Securities 28	October 22, 2003	D-Link Corporation	20,000,000	3.460	69,200	46.03	9.83
SinoPac Securities 29	October 22, 2003	Pou Chen Corporation	20,000,000	2.765	55,300	54.15	13.06
SinoPac Securities 30	October 23, 2003	Amtran Technology Co., Ltd.	20,000,000	3.360	67,200	49.20	9.76
SinoPac Securities 31	October 27, 2003	Chi Mei Optoelectronics Corporation	20,000,000	4.740	94,800	66.15	9.30
SinoPac Securities 32	October 27, 2003	Siliconware Precision Industries Co., Ltd.	20,000,000	2.865	57,300	43.65	10.16
SinoPac Securities 33	November 3, 2003	Systex Corporation	20,000,000	1.580	31,600	21.79	11.65
SinoPac Securities 34	November 14, 2003	Sampo Corporation	20,000,000	1.580	31,600	24.00	10.13
SinoPac Securities 35	November 28, 2003	Chang Hwa Commercial Bank Ltd.	20,000,000	1.333	26,660	24.15	12.08
SinoPac Securities 36	December 22, 2003	Uni-President Enterprises Corp.	20,000,000	0.938	18,760	21.00	14.93
SinoPac Securities 37	January 12, 2004	Mega Financial Holding Company	20,000,000	1.370	27,400	30.60	14.89
SinoPac Securities 38	January 13, 2004	United Microelectronics Corp.	20,000,000	2.075	41,500	45.00	14.46
SinoPac Securities 39	January 15, 2004	Compeq Manufacturing Co., Ltd.	20,000,000	2.270	45,400	28.95	8.50
SinoPac Securities 40	February 19, 2004	Mitac International Corp.	20,000,000	1.775	35,500	23.70	8.90
SinoPac Securities 41	February 19, 2004	Prodisc	20,000,000	3.360	67,200	48.15	9.55
SinoPac Securities 42	February 26, 2004	Chia Hsin Cement Corporation	20,000,000	2.225	44,500	32.85	9.84
SinoPac Securities 43	March 1, 2004	Chi Mei Optoelectronics	20,000,000	4.540	90,800	64.50	9.47
SinoPac Securities 44	March 24, 2004	Mega Financial Holding Company	20,000,000	1.682	33,640	34.35	13.61
SinoPac Securities 45	March 29, 2004	United Microelectronics Corps.	20,000,000	2.375	47,500	47.85	13.43
SinoPac Securities 46	April 26, 2004	Hua Nan Financial Holdings Co., Ltd.	20,000,000	2.820	56,400	45.50	10.74
SinoPac Securities 47	April 26, 2004	Walsin Lihwa Corporation	20,000,000	1.980	39,600	26.85	9.04
SinoPac Securities 48	April 29, 2004	Mega Financial Holding Company	20,000,000	2.130	42,600	34.20	10.70
SinoPac Securities 49	April 30, 2004	TECO Electric & Machinery Co., Ltd.	20,000,000	1.684	33,680	20.47	8.49
SinoPac Securities 50	April 30, 2004	United Microelectronics Corps.	20,000,000	2.675	53,500	48.15	12.00
SinoPac Securities 51	May 5, 2004	Inventec Corporation	20,000,000	2.426	48,520	30.63	9.40
SinoPac Securities 52	May 13, 2004	RITEK Corporation	20,000,000	2.425	48,500	31.20	8.58
Less:	Gain on change in market value of warrants liabilities as of June 30, 2004				(917,600)		
Market value					<u>\$ 459,000</u>		

June 30, 2003							
	<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	November 1, 2002	Compal Electronics, Inc.	20,000,000	\$ 5.300	\$ 106,000	\$ 47.46	7.00
SinoPac Securities 02	November 28, 2002	Uni-president Enterprises Corp.	20,000,000	2.500	50,000	12.10	4.80
SinoPac Securities 03	January 21, 2003	Siliconware Precision Industries Co., Ltd.	20,000,000	3.850	77,000	18.30	4.80
SinoPac Securities 04	February 13, 2003	Fubon Financial Holding Co., Ltd.	20,000,000	2.600	52,000	34.84	11.70
SinoPac Securities 05	February 26, 2003	E. Sun Financial Holding Company, Ltd.	20,000,000	2.250	45,000	22.68	8.40
SinoPac Securities 06	May 7, 2003	Systemex Corporation	20,000,000	3.200	64,000	21.62	6.80
SinoPac Securities 07	June 10, 2003	Inventec Corporation	20,000,000	2.720	54,400	22.82	7.50
SinoPac Securities 08	June 16, 2003	Lite-On Technology	20,000,000	5.500	110,000	39.85	6.70
Less: Gain on change in market value of warrant liabilities as of June 30, 2003					(189,400)		
Market value					<u>\$ 369,000</u>		

b) Interest rate swaps

- i. The objective of holding interest rate swap, and the strategies for achieving such objectives

SinoPac Securities has entered into Interest Rate Swap (IRS) contracts for trading purposes based on its judgement about the future interest rates.

- ii. The information on the outstanding IRS contracts is as follows:

	<u>June 30, 2004</u>			<u>June 30, 2003</u>		
	<u>Nominal Amount</u>	<u>Fair Value</u>	<u>Credit Risk</u>	<u>Nominal Amount</u>	<u>Fair Value</u>	<u>Credit Risk</u>
For trading purposes	<u>\$2,400,000</u>	<u>\$ 4,339</u>	<u>\$13,661</u>	<u>\$1,200,000</u>	<u>(\$28,775)</u>	<u>\$11,703</u>

The counter-parties to the IRS contracts are verified strictly. SinoPac Securities transacts with counter-parties based on their credit ranking and within the trading limits. Therefore, no significant credit risk is expected. Fair values are determined by the present values of future interest revenue or expenses discounted at the yield rate.

As of June 30, 2004, fair values of outstanding IRS contracts were recognized as derivative financial assets—OTC at \$12,409 and derivative financial liabilities—OTC at \$8,070, respectively. As of June 30, 2003, 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.

- iii. 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, 2004 and 2003, the VARs were \$1,936 and \$2,386, respectively.

iv. 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 not significant.

- v. For the six months ended June 30, 2004 and 2003, gains and losses (recognized as gain/loss from derivative financial instruments—OTC) under the IRS valuation were \$16,552 and \$6,370, respectively.

c) Stock index futures and options

- i. The objective of stock index futures and options and related strategies

SinoPac Securities uses stock index futures and options contracts for trading purposes to increase the investment instruments, to aggressively develop various services and to heighten working capital efficiency.

- ii. Carrying values, fair values and credit risks

		<u>June 30, 2004</u>			
<u>Item</u>	<u>Transaction Type</u>	<u>Opening Positions</u>		<u>Carrying Value/ Premium Paid (Received)</u>	<u>Fair Value</u>
		<u>Long/ Short</u>	<u>Volume</u>		
Futures	Interest Rate Futures	Short	4	(\$ 32,372)	(\$ 32,370)
	Government Bond Futures	Long	2		
	Mini-TAIEX Futures			11,222	11,225
	Electronic Sector Index Futures	Long	1	289	288
	TAIEX Futures	Long	33	14,538	14,634
	TAIEX Futures	Long	33	38,042	37,900
Options	TAIEX Options—call and put	Long	106		
	TAIEX Options—call and put	Short	312	813	438
				(2,129)	(3,263)

		<u>June 30, 2003</u>			
<u>Item</u>	<u>Transaction Type</u>	<u>Unsettlement Positions</u>		<u>Carrying Value/ Premium Paid (Received)</u>	<u>Fair Value</u>
		<u>Buyer/ Seller</u>	<u>Contract Number</u>		
Futures	TAIEX Futures	Long	979	\$ 961,900	\$ 956,483
Options	TAIEX Options—call	Long	6,528	55,579	56,031
	TAIEX Options—put	Short	8,115	(45,811)	(39,515)

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

As of June 30, 2004 and 2003, the fair value of options contracts were recognized as premiums of \$438 paid for long options—non-hedging and \$3,263 received from short options and premiums of \$56,031 paid for long options—non-hedging and \$39,515 received from short options, respectively.

iii. 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 settling the deal or putting in additional margin deposits.

iv. Liquidity risk, cash flow risk and uncertainty as to the amounts and timing of future cash requirement

Since original margin for stock index futures, as well as premiums for long options, have already been paid, there is no future cash requirement unless the trading margin is lower than the maintenance margin. Moreover, future cash demand is supported by sufficient working capital and therefore, cash flow risk is not significant.

v. Gains (losses) from stock index futures and options transactions

Gains or losses for the six months ended June 30, 2004 and 2003 were summarized as follows:

	For the Six Months Ended June 30, 2004	
	Losses from Futures Transactions	Gains (Losses) from Options Transactions
Non-hedging and realized	(\$ 105,658)	\$ 138,699
Non-hedging and unrealized	(42)	(1,509)
	<u>(\$ 105,700)</u>	<u>\$ 137,190</u>
	For the Six Months Ended June 30, 2003	
	Losses from Futures Transactions	Gains from Options Transactions
Non-hedging and realized	(\$ 33,853)	\$ 16,523
Non-hedging and unrealized	(5,417)	6,748
	<u>(\$ 39,270)</u>	<u>\$ 23,271</u>

d) Asset swap transactions—convertible bonds

- i. 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 engaged in the transactions to diversify its financial instruments, to lower the capital pressure from underwriting convertible bonds, to reinforce its capability in underwriting convertible bonds, to lower risks, and to enliven the second market for convertible bonds.

- ii. Information on outstanding convertible bond swap transactions is as follows:

June 30, 2004				
Premiums				
	<u>Nominal</u>	<u>Paid</u>	<u>Fair</u>	<u>Credit</u>
	<u>Amount</u>	<u>(Received)</u>	<u>Value</u>	<u>Risk</u>
i) Fixed income transactions				
Interest rate swaps	\$ 651,000	\$ -	(\$ 18,517)	\$ 3,870
Long call options on convertible bonds	-	56,847	56,610	114,417
ii) Short call options on convertible bonds				
	478,000	(38,184)	(41,162)	-
June 30, 2003				
Premiums				
	<u>Nominal</u>	<u>Paid</u>	<u>Fair</u>	<u>Credit</u>
	<u>Amount</u>	<u>(Received)</u>	<u>Value</u>	<u>Risk</u>
i) Fixed income transactions				
Interest rate swap	\$ 290,000	\$ -	(\$ 140)	\$ -
Long call options on convertible bonds	-	9,500	45,092	140,342
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 from short call options have been collected in advance when transactions occurred, there is no credit risk to be expected.

As of June 30, 2004, the fair values of fixed income convertible bonds swap transactions were recognized as derivative financial assets—OTC at \$6,677 and derivative financial liabilities—OTC at \$25,194, respectively. As of June 30, 2003, the fair values of fixed income convertible bonds swap transactions were recognized as derivative financial liabilities—OTC at \$6,919 and derivative financial liabilities—OTC at \$7,059, respectively.

iii. 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, 2004 and 2003, the VAR were \$2,734 and \$1,129, respectively.

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

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 premium 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.

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

For the six months ended June 30, 2004 and 2003, marking to market of convertible bonds swap transactions resulted in gains of \$1,412 and \$13,204, respectively (recognized as gains from derivative financial transactions—OTC).

e) Structured note transactions

i. The objective of structured note transactions and strategies to achieve this objective

There are two types of structured note transactions authorized by the OTC market: Principal-guaranteed note transactions and equity-linked note transactions. SinoPac Securities signs the contract with the counter-parties, receives all (principal—guaranteed note transaction) or part (equity-linked note transactions) of the contract price and settles the contract with cash at the expiration date according to the return on the underlying assets. In substance, the transactions include buy or sale of fixed-income instruments and rewards-linked options on the underlying assets.

SinoPac Securities started structured note transactions in July 2003 to diversify its financial instruments, to increase profits, to enhance its hedging methods, and to raise profitability.

ii. Information on outstanding structured notes transactions is as follows:

	<u>June 30, 2004</u>		
	<u>Nominal</u>	<u>Premiums</u>	<u>Fair Value</u>
	<u>Amount</u>	<u>Paid</u>	
		<u>(Received)</u>	
i) Principal-guaranteed note transactions			
Fixed income instruments	\$ 171,200	\$ -	(\$ 168,356)
Short call options on underlying assets	-	(3,417)	(3,405)
ii) Equity-linked note transactions			
Fixed income instruments	234,000	-	(23,344)
Long put options on linked underlying assets	-	50	(2,457)

The fair value is computed using the model approved by the OTC. The parameters used in the model (including underlying asset market prices and interest rates, etc.) are based on public information available in the market; thus, a risk-free arbitrage opportunity does not exist.

SinoPac Securities has established a strict criteria on the types of fixed income assets being used to control the investment amounts. In addition, the premium from short options transactions have been collected in advance and therefore, SinoPac Securities expects no exposure to credit risks.

iii. Market risk

The market risk of structured note transactions is mainly from adverse fluctuations of the underlying assets market price. Thus, options are used to hedge market risk. As of June 30, 2004, the market risk was \$1,880.

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

The fixed income instruments purchased by SinoPac Securities with the contract price received from the structured note transactions are stored in a custodian bank. To enable investors to execute the contract in advance, SinoPac Securities considers the liquidity risk of the fixed income instruments in advance. Since the market liquidity is high, cash flow risk and future cash demand is not significant.

v. Gains (losses) from structured note transactions

For the six months ended June 30, 2004, gains (losses) from structured note transactions were as follows: Losses of \$229 from principal-guaranteed note transactions, gains of \$819 from equity-linked notes valuation, losses of \$2,626 from principal-guaranteed note valuation and gains of \$1,745 from equity-linked note transactions.

AnShin Card Services

The interest rate swap (IRS) contracts held by AnShin Card Services are mainly for the purpose of hedging the risks resulting from changes in interest rates of liabilities rather than for the purpose of trading. AnShin Card Services' strategy is to hedge most market risk exposures using derivative instruments with market value changes that have a highly negative correlation with the changes in the market of the exposures being hedged. AnShin Card Services also reassesses the hedge effectiveness of the instruments periodically.

- a) As of June 30, 2004 and 2003, the nominal amount, credit risk and fair value of outstanding IRS contracts were as follows:

June 30, 2004							
Transaction Type	Nominal Amount	Fixed Interest Rate/Term of Swap-out	Term of Swap-in	Clearing	Maturity Date	Fair Value	Credit Risk
Fixed interest rate received/floating interest rate paid	\$ 1,300,000	2.03%-5.55%	3-month NTD CP rate in secondary market	Quarterly	2004.10.11-2006.11.06	(\$15,299)	\$ -
Floating interest rate paid/floating interest rate received	500,000	6-month NTD CP rate in secondary market	6-month USD London Bank's rate call loans minus 0.9%	Semiannually	2006.4.26	(2,267)	-
June 30, 2003							
Transaction Type	Nominal Amount	Fixed Interest Rate/Term of Swap-out	Term of Swap-in	Clearing	Maturity Date	Fair Value	Credit Risk
Fixed rate received/floating interest rate paid	\$ 1,800,000	2.95%-5.50%	3-month NTD CP rate in secondary market	Quarterly	2004.2.16-2005.1.17	(\$59,472)	\$ -

Credit risks are the potential losses of AnShin Card Services if the transaction counter-parties default. Since the IRS counter-parties of AnShin Card Services are banks with good credit rankings, 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 IRS 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 item being hedged. Therefore, market risk is insignificant.

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

AnShin Card Services enters into the aforesaid transactions only with financial institutions with good credit ranking and transacts with several different financial institutions to diversify financial risks. It is believed that default risks of these financial institutions are remote and therefore, there is no liquidity risk.

Under the IRS contracts, there is no exchange of the notional principals. The net interest at each 90 days or 180 days for settlement, which is calculated basing on the difference between the contractual rate and the market floating rate multiplied by the nominal principal, is usually insignificant.

- d) For the six months ended June 30, 2004 and 2003, AnShin Card Services recognized realized interest expenses as operating expenses amounting to \$20,448 and \$38,275, respectively. The unrealized revaluation losses, recognized as the debit balance of stockholders' equity and other liabilities, were marked to market at \$17,566 and \$59,472 as of June 30, 2004 and 2003, respectively.

- b. Information related to investment in Mainland China: None.

SINOPAC HOLDINGS AND INVESTEEES

**FINANCING PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2004
(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		
1	SinoPac Capital (B.V.I.) Ltd.	SinoPac Capital Ltd.	Short-term borrowings	\$ 196,048 (Note)	\$ 196,048 (Note)	-	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ -	\$ -

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

SINOPAC HOLDINGS AND INVESTEES

**ENDORSEMENT/GUARANTEE PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2004**

(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	(Note 2)	\$ 1,688,000 (Note 1)	\$ -	\$ -	-	\$ (Note 2)
2	SinoPac Leasing Corporation	Grand Capital International Limited	Subsidiary	(Note 3)	5,774,633 (Note 1)	5,774,633 (Note 1)	-	302%	(Note 4)
		Wal Tech International Corporation	Affiliate	(Note 3)	530,000	530,000	-	28%	(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. As of June 30, 2004, the limit was \$8,888,419.

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. As of June 30, 2004, the limit was \$3,827,314.

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. As of June 30, 2004, the maximum allowance was \$9,568,284.

Note 5: The net asset value of the aforementioned corporation is based on its audited financial statements as of June 30, 2004.

Note 6: The net asset value of the aforementioned corporation is based on its non-audited financial statements as of June 30, 2004.

SINOPAC HOLDINGS AND INVESTEEES

MARKETABLE SECURITIES HELD

JUNE 30, 2004

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	June 30, 2004				Note	
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)		
SinoPac Holdings	<u>Stock (common stock)</u>								
	Bank SinoPac	Subsidiary	Long-term equity investments	1,944,398	\$ 23,277,031	100.00%	\$ 26,304,720	Note 5	
	SinoPac Securities Corporation	Subsidiary	Long-term equity investments	1,526,902	22,221,047	100.00%	22,221,047	Note 5	
	AnShin Card Services Co., Ltd.	Subsidiary	Long-term equity investments	162,861	1,575,996	99.91%	597,716	Note 5	
	SinoPac Life Insurance Agent Co., Ltd.	Subsidiary	Long-term equity investments	300	35,045	100.00%	35,045	Note 5	
	SinoPac Property Insurance Agent Co., Ltd.	Subsidiary	Long-term equity investments	300	6,761	100.00%	6,761	Note 5	
	SinoPac Venture Capital Co., Ltd.	Subsidiary	Long-term equity investments	100,000	988,446	100.00%	988,446	Note 4	
	SinoPac Call Center Co., Ltd.	Subsidiary	Long-term equity investments	10,000	104,446	100.00%	104,446	Note 4	
	SinoPac Asset Management International	Subsidiary	Long-term equity investments	10,000	101,267	100.00%	101,267	Note 4	
	SinoPac Marketing Consulting Co., Ltd.	Subsidiary	Long-term equity investments	5,000	44,440	100.00%	44,440	Note 4	
	Li-Seng Develop company	Investee accounted for by the cost method	Long-term equity investments	12,500	125,000	5.00%	125,000	Note 6	
	Debt Instruments Depository and Clearing Co., Ltd., Taiwan	Investee accounted for by the cost method	Long-term equity investments	2,000	20,000	1.00%	20,000	Note 6	
		<u>Stock (preferred stock)</u>							
		AnShin Card Services Co., Ltd.	-	Long-term equity investments	181,645	1,816,450	91.74%	1,816,450	Note 5
	AnShin Card Services Co., Ltd.	-	Prepaid investments	16,355	163,550	8.26%	163,550	Note 5	
SinoPac Bancorp	<u>Stock</u>								
	Far East National Bank	Subsidiary	Long-term equity investments	175	5,313,194	100.00%	5,313,194	Note 5	
	FENB Securities, Inc.	Subsidiary	Long-term equity investments	2.5	36,526	100.00%	36,526	Note 5	
Far East Capital Corporation	<u>Stock (common stock)</u>								
	Hollywood International Finance, Inc.	Investee accounted for by the cost method	Long-term equity investments	0.3	10	15.10%	(19)	Note 4	
	PCRS Capital Partners, LLC	Investee accounted for by the cost method	Long-term equity investments	-	1,594	4.00%	1,594	Note 6	
	TVIA, Inc.	Investee accounted for by the cost method	Long-term equity investments	33	2,195	0.20%	2,195	Note 7	
		<u>Stock (preferred stock)</u>							
		AgraQuest, Inc.	-	Long-term equity investments	100	7,937	0.80%	7,937	Note 6
	Silicon Motion, Inc.	-	Long-term equity investments	61	8,444	0.20%	8,444	Note 6	
	Zone Reactor, Inc.	-	Long-term equity investments	300	1,138	1.50%	1,138	Note 6	
	Epana Networks, Inc.	-	Long-term equity investments	568	8,444	0.90%	8,444	Note 6	
	Straszheim Global Advisors, LLC	-	Long-term equity investments	0.14	9,288	6.00%	9,288	Note 6	

(Continued)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	June 30, 2004				Note
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
SinoPac Leasing Corporation	<u>Stock</u>							
	Grand Capital International Limited	Subsidiary	Long-term equity investments	29,900	\$ 1,508,164	100.00%	\$ 1,508,164	Note 4
	Chain Yarn Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	1,969	38,444	1.90%	26,709	Note 4
	Tekcon Electronics Corp.	Investee accounted for by the cost method	Long-term equity investments	832	20,768	1.51%	5,507	Note 4
	Global Securities Finance Corp.	Investee accounted for by the cost method	Long-term equity investments	1,423	15,664	0.19%	16,120	Note 5
	Z-Com, Inc.	Investee accounted for by the cost method	Long-term equity investments	317	6,340	0.48%	3,894	Note 4
	Walton Advanced Engineering, Inc.	Investee accounted for by the cost method	Long-term equity investments	1,528	23,616	0.34%	12,360	Note 5
Telexpress Corp.	Investee accounted for by the cost method	Long-term equity investments	525	7,835	5.00%	5,653	Note 4	
Grand Capital International Limited	<u>Venture fund</u>							
	World Wide Multimedia L.P.	-	Long-term investments	0.005	33,043	16.67%	47,589	Note 4
	<u>Stock (preferred stock)</u>							
	Best 3C. Com, Inc.	-	Long-term equity investments	600	15,199	1.85%	15,199	Note 6
	e21 Corp.	-	Long-term equity investments	200	10,133	0.79%	10,133	Note 6
SinoPac Capital Limited	<u>Stock</u>							
	SinoPac Capital (B.V.I.) Ltd.	Subsidiary	Long-term equity investments	4,450	123,013	100.00%	416,125	Note 4
	SinoPac Insurance Brokers Ltd.	Subsidiary	Long-term equity investments	100	1,299	100.00%	1,299	Note 4
	SinoPac (Hong Kong) Nominees Ltd.	Subsidiary	Long-term equity investments	0.001	0.004	100.00%	0.004	Note 4
	TPV Technology	-	Short-term investments	3,000	52,878	0.22%	72,749	Note 2
	Sino Golf	-	Short-term investments	8,992	34,679	2.98%	56,460	Note 2
	HC	-	Short-term investments	7,938	53,974	1.91%	61,186	Note 2
	Comba	-	Short-term investments	3,064	44,008	0.37%	60,701	Note 2
	Suga International	-	Short-term investments	7,080	44,368	3.13%	40,012	Note 2
	Haitian	-	Short-term investments	11,032	35,825	6.82%	24,841	Note 2
	Sun East	-	Short-term investments	10,650	61,754	3.04%	30,899	Note 2
	Dongjiang	-	Short-term investments	8,760	19,116	4.92%	14,604	Note 2
	China Telecom	-	Short-term investments	2,500	24,719	0.02%	29,500	Note 2
	SMIC	-	Short-term investments	14,800	165,551	0.08%	108,950	Note 2
	Wong's	-	Short-term investments	11,208	25,597	1.62%	16,502	Note 2
	UTStarcom	-	Short-term investments	50	50,327	0.04%	51,085	Note 2
	IC Media	-	Short-term investments	800	67,550	-	67,550	Note 2
	Group Plan (Macau)	-	Short-term investments	US\$ 26	891	40.00%	891	Note 2
	Kanssen	-	Short-term investments	29	17,449	-	17,449	Note 2
	Li Ning	-	Short-term investments	400	3,724	0.04%	4,114	Note 2
	Midland	-	Short-term investments	3,994	30,556	0.57%	28,883	Note 2
	QPL	-	Short-term investments	3,600	29,879	0.56%	28,060	Note 2
	Solomon	-	Short-term investments	8,150	66,438	0.33%	68,113	Note 2
Tungda	-	Short-term investments	11,220	19,324	1.01%	15,790	Note 2	
Ping An	-	Short-term investments	400	17,893	0.02%	18,360	Note 2	
Sino Forest	-	Short-term investments	1,128	102,525	0.83%	70,207	Note 2	
	<u>Fund</u>							
	China Enterprise Capital	-	Short-term investments	US\$ 1,000	33,775	-	33,775	Note 6

(Continued)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	June 30, 2004				Note
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
	<u>Bond</u>							
	Chiam International	-	Short-term investments	US\$ 2,000	\$ 67,550	-	\$ 67,550	Note 6
	InvestLink International	-	Short-term investments	US\$ 1,410	47,623	-	47,623	Note 6
	<u>Convertible bill and bond</u>							
	Sino-Wood Partners	-	Short-term investments	US\$ 1,000	33,775	-	33,775	Note 2
	Sinbon Electronics Co., Ltd.	-	Short-term investments	US\$ 1,000	33,775	-	37,828	Note 2
	Micro-Star Int'l Co., Ltd.	-	Short-term investments	US\$ 2,000	67,550	-	70,928	Note 2
	Asia Optical	-	Short-term investments	US\$ 500	16,888	-	17,922	Note 2
	Yue Yuen Industrial	-	Short-term investments	US\$ 1,000	33,775	-	33,156	Note 2
	Everskill Technology	-	Short-term investments	US\$ 500	16,888	-	24,547	Note 2
SinoPac Capital (B.V.I.) Ltd.	<u>Stock</u>							
	Cyberpac Holding Ltd. (B.V.I.)	Subsidiary	Long-term equity investments	4,000	40,813	100.00%	41,083	Note 4
	Allstar Venture Ltd. (B.V.I.)	Subsidiary	Long-term equity investments	0.002	(188,576)	100.00%	(188,576)	Note 4
	Shanghai International Asset Management (Hong Kong) Co., Ltd.	Subsidiary	Long-term equity investments	4,800	29,601	60.00%	25,015	Note 4
	Pinnacle Investment Management Ltd.	Subsidiary	Long-term equity investments	200	3,990	99.9995%	3,990	Note 4
Cyberpac Holding Ltd. (B.V.I.)	<u>Venture fund</u>							
	3V Source One LP	-	Long-term investments	2,000	69,014	71.43%	49,165	Note 4
	<u>Stock</u>							
	Wal Tech International Corporation	Subsidiary	Long-term equity investments	26,500	182,141	100.00%	167,828	Note 4
	RSP Information Service Company Limited	Subsidiary	Long-term equity investments	999.999	1,936	99.9999%	1,936	Note 4
	Telexpress Corp.	Investee accounted for by the equity method	Long-term equity investments	3,900	53,016	34.21%	38,675	Note 4
	Hollywood International Finance Inc.	Investee accounted for by the cost method	Long-term equity investments	0.098	3	4.90%	(6)	Note 4
Allstar Venture Ltd. (B.V.I.)	<u>Venture fund</u>							
	InveStar Excelsus Venture Capital (Int'l) Inc., LDC	-	Long-term investments	2,220	59,178	6.25%	59,178	Note 6
	UOB Venture Technology Investments Limited	-	Long-term investments	26	75,363	8.62%	75,363	Note 6
	MDS Life Sciences Technology Fund—Barbados	-	Long-term investments	50	119,258	25.00%	79,651	Note 4
	Biotechnology Development Fund II, L.P.	-	Long-term investments	-	22,625	2.30%	41,756	Note 4
	North America Venture Fund II, L.P.O.	-	Long-term investments	-	15,047	2.07%	28,814	Note 4
	<u>Stock (common stock)</u>							
	Ardent Pharmaceuticals, Inc.	Investee accounted for by the cost method	Long-term equity investments	143	17,264	0.58%	370	Note 4
	TVIA, Inc.	Investee accounted for by the cost method	Long-term equity investments	167	9,919	0.75%	10,977	Note 7
	DiCon Fiberoptics, Inc.	Investee accounted for by the cost method	Long-term equity investments	221	33,769	0.20%	4,281	Note 4
	<u>Stock (preferred stock)</u>							
	Sunol Molecular Corp.	-	Long-term equity investments	100	17,046	0.92%	17,046	Note 6
	Phytoceutica, Inc.	-	Long-term equity investments	200	17,422	1.10%	17,422	Note 6
	Immusol, Inc.	-	Long-term equity investments	75	10,358	0.15%	10,358	Note 6
	Virtual Silicon Technology, Inc.	-	Long-term equity investments	120	10,350	0.31%	10,350	Note 6
	BioAgri Corp.	-	Long-term equity investments	375	10,133	2.34%	10,133	Note 6

(Continued)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	June 30, 2004				Note
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
Wal Tech International Corporation	<u>Stock</u>							
	Intellisys Corp.	Subsidiary	Long-term equity investments	10,326	\$ 236,767	62.58%	\$ 126,616	Note 4
	Multiwin Asset Management Co., Ltd.	Investee accounted for by the equity method	Long-term equity investments	1,800	9,496	30.00%	10,210	Note 4
	Monmon Medza Technology Co., Ltd.	Investee accounted for by the equity method	Long-term equity investments	598	1,935	32.39%	1,935	Note 4
	Fu Po Electronics Corporation	Investee accounted for by the cost method	Long-term equity investments	1,295	29,700	1.50%	13,111	Note 4
	Webi & Neti Internet Services Inc.	Investee accounted for by the cost method	Long-term equity investments	63	625	2.63%	268	Note 4
	YesMobile Holdings Company Limited	Investee accounted for by the cost method	Long-term equity investments	294	12,000	0.75%	1,882	Note 4
	SynTest Technologies, Inc., Taiwan	Investee accounted for by the cost method	Long-term equity investments	79	10,598	0.35%	448	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%	14,463	Note 4
	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	240	13,598	0.60%	1,725	Note 5
	Advanced Power Electronics Corp.	Investee accounted for by the cost method	Long-term equity investments	660	13,698	1.23%	10,753	Note 5
	Nanya PCB Corporation	Investee accounted for by the cost method	Long-term equity investments	1,519	93,080	0.32%	28,405	Note 4
	ENE Technology Inc.	Investee accounted for by the cost method	Long-term equity investments	861	29,996	3.15%	20,570	Note 2
	SonicEdge Industries Corporation	Investee accounted for by the cost method	Long-term equity investments	580	14,550	2.29%	4,980	Note 4
	Maximum Venture I, Inc., Taiwan	Investee accounted for by the cost method	Long-term equity investments	12,250	122,850	6.58%	47,369	Note 5
	SinoPac Financial Consulting Co., Ltd.	Affiliate and investee accounted for by the cost method	Long-term equity investments	6	57	3.00%	73	Note 4
Silicon Motion Inc.	Investee accounted for by the cost method	Long-term equity investments	90	12,523	0.10%	1,409	Note 4	
Intellisys Corp.	<u>Stock</u>							
	Orion Financial Tech. Ltd.	Investee accounted for by the cost method	Long-term equity investments	81	237	2.31%	55	Note 4
SinoPac Futures Corporation	<u>Stock</u>							
	Taiwan Future Exchange Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	500	5,000	0.25%	9,034	Note 5
	SinoPac Managed Futures Co., Ltd.	Subsidiary	Long-term equity investments	20,000	200,000	100.00%	197,155	Note 4
	<u>Beneficiary certificate</u>							
	The IIT Principal Guaranteed Fund No. 1	-	Short-term investments	1,000	10,000	-	10,070	Note 7
	Barits Value Balance Fund	-	Short-term investments	789	10,000	-	9,455	Note 7
	Fuh-Hwa Digital Economy Fund	-	Short-term investments	1,211	10,000	-	9,964	Note 7
	Fuh-Hwa Aegis Fund	-	Short-term investments	1,000	10,000	-	9,786	Note 7
	<u>Warrant certificate</u>							
	AIG 26	-	Short-term investments	60	51	-	71	Note 8
	YT H1	-	Short-term investments	10	22	-	11	Note 8
	MasterLink 34	-	Short-term investments	30	56	-	25	Note 8
	<u>Bank debentures</u>							
	Bank SinoPac 91-1	-	Short-term investments	50,000	50,097	-	50,097	Note 9
SinoPac Capital Management Corporation	<u>Beneficiary certificate</u>							
	NITC Bond Fund	-	Short-term investments	258	40,699	-	40,999	Note 7
	NITC Taiwan Bond Fund	-	Short-term investments	485	6,551	-	6,603	Note 7
	Exchange-Traded Funds	-	Short-term investments	150	6,676	-	6,713	Note 7

(Continued)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	June 30, 2004				Note
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
SinoPac Life Insurance Agent Co., Ltd.	<u>Beneficiary certificate</u>							
	Fuh-hwa Yu-Li Fund	-	Short-term investments	1,328	\$ 15,105	-	\$ 15,839	Note 7
	Fuh-hwa Bond Fund	-	Short-term investments	164	2,000	-	2,101	Note 7
	Prudential Aggressive Growth 2 Bond Fund	-	Short-term investments	1,689	24,746	-	25,429	Note 7
	Truswell Premier Fund	-	Short-term investments	7,483	80,000	-	80,488	Note 7
SinoPac Property Insurance Agent Co., Ltd.	<u>Beneficiary certificate</u>							
	Prudential Aggressive Growth 2 Bond Fund	-	Short-term investments	104	1,500	-	1,570	Note 7
	ABN AMRO Bond Fund Cap	-	Short-term investments	71	1,000	-	1,036	Note 7
SinoPac Venture Capital Co., Ltd.	<u>Beneficiary certificate</u>							
	NITC Bond Fund	-	Short-term investments	1,848	292,206	-	293,755	Note 7
	BioAsia BDF IV	-	Short-term investments	US\$ 606	19,872	-	19,872	Note 6
	<u>Convertible bond</u>							
	ENE Technology Inc. Convertible Bond	-	Short-term investments	20,000	20,000	-	18,600	Note 7
	<u>Stock</u>							
	ATM Electronic Corp.	Investee accounted for by the cost method	Long-term equity investments	460	10,000	1.94%	10,000	Note 6
	Micro Square Technology Inc.	Investee accounted for by the cost method	Long-term equity investments	500	10,000	3.70%	10,000	Note 6
	De Poan Pneumatic Corp.	Investee accounted for by the cost method	Long-term equity investments	250	12,500	1.04%	12,500	Note 6
	Pandisk Technology Company Ltd.	Investee accounted for by the cost method	Long-term equity investments	656	9,980	2.95%	9,980	Note 6
	Skahex Technology Inc.	Investee accounted for by the cost method	Long-term equity investments	273	10,600	0.23%	10,600	Note 6
	ENE Technology Inc.	Investee accounted for by the cost method	Long-term equity investments	331	11,760	1.21%	6,847	Note 2
	Creative Sensor Inc.	Investee accounted for by the cost method	Long-term equity investments	911	49,982	1.30%	49,982	Note 6
	Nanya PCB Corporation	Investee accounted for by the cost method	Long-term equity investments	132	4,974	0.03%	4,974	Note 6
	ST. SHINE Optical Company Limited	Investee accounted for by the cost method	Long-term equity investments	5	175	0.02%	165	Note 2
	Hu Lane Associate Inc.	Investee accounted for by the cost method	Long-term equity investments	3	89	0.01%	116	Note 2
	Taimide Tech, Inc.	Investee accounted for by the cost method	Long-term equity investments	2,431	38,756	3.38%	38,756	Note 6
	Settv	Investee accounted for by the cost method	Long-term equity investments	520	18,720	0.45%	18,720	Note 6
	Alpha Microelectronics Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	944	9,995	1.92%	9,995	Note 6
	Proconn Technology Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	557	10,822	4.56%	10,822	Note 6
	Bcom Electronics Inc.	Investee accounted for by the cost method	Long-term equity investments	949	17,914	0.90%	17,914	Note 6
	Sunnic Technology & Merchandise Inc.	Investee accounted for by the cost method	Long-term equity investments	650	25,120	2.89%	25,120	Note 6
	Ampire Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	164	2,507	0.38%	3,372	Note 2
	AME, Inc.	Investee accounted for by the cost method	Long-term equity investments	2	83	0.01%	95	Note 2
	TennRich International Corp.	Investee accounted for by the cost method	Long-term equity investments	454	9,988	1.08%	9,988	Note 6
	Exploit Technology Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	260	5,300	0.95%	5,300	Note 6
	Asia Electronic Material Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	2,650	34,750	7.35%	34,750	Note 6
	Princo Corp.	Investee accounted for by the cost method	Long-term equity investments	272	19,967	0.07%	19,967	Note 6
	LightMaster System, Inc.	Investee accounted for by the cost method	Long-term equity investments	150	9,119	1.10%	9,119	Note 6
	Global Strategic Venture	Investee accounted for by the cost method	Long-term equity investments	3,000	30,000	1.94%	30,000	Note 6
	Donpon Precision, Inc.	Investee accounted for by the cost method	Long-term equity investments	575	17,500	1.04%	17,500	Note 6
	G-Tech Optoelectronics Corporation	Investee accounted for by the cost method	Long-term equity investments	1,135	19,976	2.42%	19,976	Note 6
	Ardemtec	Investee accounted for by the cost method	Long-term equity investments	1,897	32,247	0.38%	32,247	Note 6
	Royltek Company Ltd.	Investee accounted for by the cost method	Long-term equity investments	345	16,749	0.87%	16,749	Note 6

(Continued)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	June 30, 2004				Note
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
	Laster Tech Ltd.	Investee accounted for by the cost method	Long-term equity investments	448	\$ 19,870	2.17%	\$ 19,870	Note 6
	Etrend Hightech Corporation	Investee accounted for by the cost method	Long-term equity investments	1,490	18,625	5.52%	18,625	Note 6
	Luminous Town Electric Co. Ltd.	Investee accounted for by the cost method	Long-term equity investments	1,603	19,978	2.16%	19,978	Note 6
	International United Technology	Investee accounted for by the cost method	Long-term equity investments	1,473	18,713	1.47%	18,713	Note 6
	Add Microtech Corporation	Investee accounted for by the cost method	Long-term equity investments	515	17,711	2.06%	17,711	Note 6
	E-One MOLI Energy Corporation	Investee accounted for by the cost method	Long-term equity investments	1,600	19,200	1.55%	19,200	Note 6
	Media Reality Technologies, Inc.	Investee accounted for by the cost method	Long-term equity investments	340	4,080	0.85%	4,080	Note 6
	Advantech Semiconductor Inc.	Investee accounted for by the cost method	Long-term equity investments	1,540	15,398	1.45%	15,398	Note 6
	Uni Light Technology	Investee accounted for by the cost method	Long-term equity investments	915	18,438	1.16%	18,438	Note 6
	FEEI Cherng Enterprise Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	300	26,400	0.93%	26,400	Note 6
	Ritdisplay Corporation	Investee accounted for by the cost method	Long-term equity investments	127	2,241	0.02%	2,241	Note 6
	AMIC Technology Corporation	Investee accounted for by the cost method	Long-term equity investments	190	9,544	0.14%	9,544	Note 6
	PolyLite Taiwan Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	535	8,979	1.58%	8,979	Note 6
	FuPo Electronics Corporation	Investee accounted for by the cost method	Long-term equity investments	114	1,197	0.13%	1,197	Note 6
SinoPac Asset Management International	<u>Beneficiary certificate</u> NITC Bond Fund	-	Short-term investments	318	50,266	-	50,690	Note 7
	<u>Stock</u> Taiwan Semiconductor Manufacturing Company Ltd.	-	Short-term investments	114	6,809	0.0005%	5,521	Note 2
	Cheng Uei Precision Industry Co., Ltd.	-	Short-term investments	200	14,154	0.09%	11,700	Note 2
	National Venture Capital Corp.	Investee accounted for by the cost method	Long-term equity investments	2,000	14,500	3.70%	16,845	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 2004.

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, 2004.

Note 8: Market prices are computed by average daily closing prices of exchange market in June 2004.

Note 9: Market prices are computed by the average reference prices of Gretai Securities Market of R.O.C. on June 30, 2004.

TABLE 4

SINOPAC HOLDINGS AND INVESTEEES

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, 2004
(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		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 (common stock)</u> AnShin Card Services Co., Ltd.	Long-term equity investments	Transacted at exchange market	-	145,769	\$ 1,200,567	17,092	\$ 375,429 (Note 1)	-	\$ -	\$ -	\$ -	162,861	\$ 1,575,996
	SinoPac Venture Capital Co., Ltd.	Long-term equity investments	-	-	50,000	501,683	50,000	486,763 (Note 2)	-	-	-	-	100,000	988,446
	<u>Stock (preferred stock)</u> AnShin Card Services Co., Ltd.	Long-term equity investments	-	-	48,000	480,000	150,000	1,500,000	-	-	-	-	198,000	1,980,000
SinoPac Venture Capital Co., Ltd.	<u>Beneficiary certificate</u> NITC Bond Fund	Short-term investments	National Investment Trust Company Limited	Related party in substance	595	92,827	2,972	470,000	1,719	272,000	270,621	1,379	1,848	292,206

Note 1: Consist of original investment amount of \$204,868, investment gain recognized under the equity method of \$171,095 and unrealized loss on long-term equity investment of \$534.

Note 2: Consist of increase in investment amount of \$500,000, investment loss recognized under the equity method of \$9,268, cash dividend \$4,430, decrease in cumulative translation adjustment \$55 and recovery of unrealized loss on long-term equity investment of \$516.

SINOPAC HOLDINGS AND INVESTEES

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

JUNE 30, 2004

(In Thousands of 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		
SinoPac Holdings	Bank SinoPac	Wholly owned subsidiary of SinoPac Holdings	\$ 1,870,452 (Note)	-	\$ -	-	\$ -	\$ -
	SinoPac Securities	Wholly owned subsidiary of SinoPac Holdings	1,462,772 (Note)	-	-	-	-	-

Note: The receivable comes from the cash dividend.

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, 2004
(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, 2004			Net Income (Loss) of the Investee (Note 2)	Investment Gains (Loss) (Note 2)	Note
				June 30, 2004 (Note 1)	June 30, 2003 (Note 1)	Shares (Thousand)	Percentage of Ownership (%)	Carrying Amount (Note 2)			
SinoPac Holdings	Bank SinoPac	Taipei	Commercial bank	\$ 23,976,716	\$ 23,976,716	1,944,398	100.00	\$ 23,277,031	\$ 2,079,084	\$ 1,927,206	Subsidiary
	SinoPac Securities Corporation	Taipei	Brokerage, dealing and underwriting of securities	21,566,517	21,566,517	1,526,902	100.00	22,221,047	989,996	941,310	Subsidiary
	AnShin Card Services Co., Ltd.	Taipei	Credit card business	1,417,079	1,212,211	162,861	99.91	1,575,996	232,966	171,095	Subsidiary
	SinoPac Life Insurance Agent Co., Ltd.	Taipei	Life insurance agent	81,909	81,909	300	100.00	35,045	23,507	22,604	Subsidiary
	SinoPac Property Insurance Agent Co., Ltd.	Taipei	Property insurance agent	3,919	3,919	300	100.00	6,761	3,308	3,293	Subsidiary
	SinoPac Venture Capital Co., Ltd.	Taipei	Venture capital investment	1,000,000	500,000	100,000	100.00	988,446	(9,264)	(9,269)	Subsidiary
	SinoPac Call Center Co., Ltd.	Kaohsiung	Data processing, manpower and agency services	100,000	100,000	10,000	100.00	104,446	4,195	4,173	Subsidiary
	SinoPac Asset Management International	Taipei	Business management advisory, investment and venture capital investment advisory	100,000	100,000	10,000	100.00	101,267	(682)	(857)	Subsidiary
	SinoPac Marketing Consulting Co., Ltd.	Taipei	Agent service, investment advisory and overdue accounts receivable management	50,000	50,000	5,000	100.00	44,440	460	460	Subsidiary
Bank SinoPac	SinoPac Bancorp	California	Bank stock holding	US\$ 112,306	US\$ 112,306	20	100.00	5,362,201	174,023	132,960	Affiliate
	Rocorp Holding S.A.	Luxembourg	Stock holding	\$ 3,531	\$ 3,531	0.11	33.33	-	-	-	Investee under significant influence held by SinoPac Holdings' subsidiary
	SinoPac Leasing Corporation	Taipei	Leasing aircraft and machinery equipment	\$ 999,940	\$ 999,940	159,629	99.7683	2,126,463	107,747	95,233	Affiliate
SinoPac Capital Limited	SinoPac Capital Limited	Hong Kong	Lending and financing	HK\$ 229,998	HK\$ 229,998	229,998	99.9991	1,030,202	14,244	18,001	Affiliate
	SinoPac Financial Consulting Co., Ltd.	Taipei	Investment advisory and business management advisory	\$ 1,940	\$ 1,940	194	97.00	2,358	207	181	Affiliate
SinoPac Bancorp	Far East National Bank	California	Commercial bank	US\$ 107,306	US\$ 107,306	175	100.00	5,313,194	187,447	-	Affiliate
	FENB Securities, Inc.	California	Securities brokerage	US\$ 25	US\$ 25	2.5	100.00	36,526	339	-	Affiliate
Far East National Bank	Far East Capital Corporation	California	Investment bank	US\$ 3,500	US\$ 3,500	350	100.00	63,825	(4,782)	-	Affiliate
	FENB Loan Corp.	California	Asset management	US\$ 1	US\$ 1	0.1	100.00	(39,818)	(4,558)	-	Affiliate
	FENB Film Corp.	California	Motion picture asset management	US\$ 1	US\$ 1	0.1	100.00	(83,908)	(4,104)	-	Affiliate
	Trade Factors, Inc.	California	Investment Corporation	US\$ 1	US\$ 1	0.1	100.00	33	-	-	Affiliate
	Film Service Management Corp.	California	Film management and advisory	US\$ 0.1	US\$ 0.1	0.1	100.00	3	-	-	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	1,508,164	98,804	-	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	123,013	13,530	-	Affiliate
	SinoPac Insurance Brokers Ltd.	Hong Kong	Insurance brokerage	HK\$ 300	-	100	100.00	1,299	-	-	Affiliate
	SinoPac (Hong Kong) Nominees Ltd.	Hong Kong	Custody securities	HK\$ 0.001	-	0.001	100.00	0.004	-	-	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	40,813	(4,693)	-	Affiliate
	Allstar Venture Ltd. (B.V.I.)	British Virgin Islands	Investment Corporation	US\$ 0.002	US\$ 0.002	0.002	100.00	(188,576)	(6,456)	-	Affiliate
	Shanghai International Asset Management (Hong Kong) Co., Ltd.	Hong Kong	Asset management	HK\$ 10,000	HK\$ 10,000	4,800	60.00	29,601	2,543	-	Affiliate
	Pinnacle Investment Management Ltd.	Hong Kong	Asset management, trust and consulting	US\$ 200	US\$ 200	200	99.9995	3,990	(100)	-	Affiliate
Cyberpac Holding Ltd. (B.V.I.)	Wal Tech International Corporation	Taipei	Leasing, international trading, and sale of machinery equipment	\$ 272,182	\$ 272,182	26,500	100.00	182,141	(12,744)	-	Affiliate
	RSP Information Service Company Limited	Hong Kong	General trading and providing internet-based service	HK\$ 999,999	HK\$ 999,999	999,999	99.9999	1,936	(1,409)	-	Affiliate
	Telexpress Corp.	Cayman Islands	Investment Corporation	US\$ 1,560	US\$ 1,560	3,900	34.21	53,016	7,537	-	Investee under significant influence held by Bank SinoPac's affiliate

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2004			Net Income (Loss) of the Investee (Note 2)	Investment Gains (Loss) (Note 2)	Note
				June 30, 2004 (Note 1)	June 30, 2003 (Note 1)	Shares (Thousand)	Percentage of Ownership (%)	Carrying Amount (Note 2)			
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	\$ 236,767	\$ 1,191	\$	Affiliate
	Mutiwin Asset Management Co., Ltd.	Taipei	Asset management	18,000	18,000	1,800	30.00	9,496	(10,979)		Investee under significant influence held by Bank SinoPac's affiliate
	Monmon Medza Technology Co., Ltd.	Taipei	Software products retail and distribution service	5,980	5,980	598	32.39	1,935	(649)		Investee under significant influence held by Bank SinoPac's affiliate
SinoPac Securities Corporation	SinoPac Futures Corporation	Taipei	Brokerage of futures contracts	1,107,881	1,107,881	98,215	98.21	1,218,513	74,992	70,920	Affiliate
	SinoPac Securities (Cayman) Holdings Ltd.	Cayman Islands, British West Indies	Stock holding	1,972,821	1,637,261	58,100	100.00	2,411,114	103,556	103,556	Affiliate
	SinoPac Capital Management Corporation	Taipei	Investment consulting	146,028	146,028	21,000	100.00	187,451	(4,387)	(4,368)	Affiliate
	SinoPac Asset Management Corp. (B.V.I.)	British Virgin Islands	Securities brokerage, investment advisory, fund management and securities business	524,857	524,857	16,000	100.00	810,274	86,244	86,244	Affiliate
SinoPac Futures Corporation	SinoPac Managed Futures Co., Ltd.	Taipei	Futures Management	200,000	-	20,000	100.00	197,155	2,845	-	
SinoPac Securities (Cayman) Holdings Ltd.	SinoPac Securities (Europe) Ltd.	London, UK	European agent business	US\$ 1,514	US\$ 1,514	1,000	100.00	US\$ 1,440	US\$ 111		Affiliate
	SinoPac Securities (Asia) Ltd.	Hong Kong	Hong Kong stock brokerage	US\$ 46,756	US\$ 36,756	38	94.26	US\$ 61,104	US\$ 3,457		Affiliate
	SinoPac Futures (Asia) Ltd.	Hong Kong	Futures brokerage business	US\$ 1,205	US\$ 1,205	10,000	100.00	US\$ 2,346	(US\$ 2)		Affiliate
	SinoPac Capital (Asia) Ltd.	Hong Kong	IPO underwriting business	US\$ 3,862	US\$ 3,862	30,000	100.00	US\$ 4,085	(US\$ 203)		Affiliate
	NSC Asia Ltd.	British Virgin Islands	Derivatives instruments business	US\$ 744	US\$ 744	1	100.00	US\$ 41	-		Affiliate
	NITC Asset Management (Asia) Ltd.	Hong Kong	Asset management and investment consulting	US\$ 158	US\$ 158	2,992	29.92	US\$ 812	US\$ 450		Investee under significant influence held by SinoPac Securities' affiliate
	SinoPac Securities (U.S.A.) Ltd.	California	Collecting and analyzing financial market information	US\$ 1,848	US\$ 1,848	2	100.00	US\$ 742	(US\$ 131)		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	US\$ 3,718	US\$ 246		Affiliate (Note 4)
	SinoPac Asia Limited	British Virgin Islands	Securities brokerage, investment advisory and consulting business	US\$ 6,000	US\$ 6,000	6,000	100.00	US\$ 13,778	US\$ 2,315		Affiliate
SinoPac Securities (H.K.) Limited	SinoPac Securities (Asia) Ltd.	Hong Kong	Hong Kong stock brokerage	US\$ 1,826	US\$ 1,826	2	5.74	US\$ 3,718	US\$ 3,457		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	HK\$ 0.002	-		Affiliate
	SinoPac (Asia) Nominees Ltd.	Hong Kong	Nominee trust account for overseas stock holdings	HK\$ 0.002	HK\$ 0.002	0.002	100.00	HK\$ 0.002	-		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 for the six months ended June 30, 2004.

Note 3: The amounts are after deducting realized losses.

Note 4: SinoPac Securities (H.K.) Limited is under the liquidation procedure.