

SinoPac Holdings and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2004 and 2003 Together with Independent Accountants' Review 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 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 ACCOUNTANTS' REVIEW REPORT

October 20, 2004

The Board of Directors and the Stockholders
SinoPac Holdings

We have reviewed the accompanying consolidated balance sheets of SinoPac Holdings and its subsidiaries as of September 30, 2004 and 2003, and the related consolidated statements of income, and cash flows for the nine months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our review in accordance with Statement of Auditing Standards No. 36 "Review of Financial Statements" in the Republic of China except that described in the third and fourth paragraphs. A review of interim consolidated financial statements consists primarily of applying analytical procedures, comparisons and making inquiries. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an audit opinion.

As stated in Note 2 to the consolidated financial statements, SinoPac Futures Corporation, SinoPac (Cayman) Holdings and its subsidiaries, SinoPac Securities (Asia), SinoPac Securities (Europe) and SinoPac Finance (Asia), which are subsidiaries of SinoPac Securities Corporation and are consolidated in the consolidated financial statements as of September 30, 2003 and for the nine months then ended, as mentioned in the first paragraph, are unreviewed. The total assets of those unreviewed investees amounted to NT\$7,692,998 thousand, representing 1.54% of the consolidated assets as of September 30, 2003. The total revenues and net income for the nine months ended September 30, 2003 amounted to NT\$829,358 thousand and NT\$222,510 thousand, respectively, representing 4.12% and 6.63% of the consolidated revenues and net income, respectively.

As stated in Note 12 to the consolidated financial statements, the carrying amounts of the long-term equity investments accounted for by the equity method as of September 30, 2004 and 2003 amounted to NT\$5,426,144 thousand and NT\$4,953,837 thousand, respectively, the related investment income for the nine months then ended amounted to NT\$189,998 thousand and NT\$405,018 thousand, and additional disclosure of the Company and part of its investees stated in Note 47 to the consolidated financial statements are based on the investees' unreviewed financial statements.

Based on our reviews, except for the effects of such adjustments, if any, as might have been disclosed had we applied review procedures to part of consolidated entities' unreviewed financial statements as of September 30, 2003 and for the nine months then ended, as mentioned in the third paragraph, and the financial statements of the investees as explained in the fourth paragraph, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the Criteria Governing the Preparation of Financial Reports by Financial Holding Companies, Criteria Governing the Preparation of Financial Reports by Public Banks (effective January 1, 2004), Criteria Governing the Preparation of Financial Reports by Securities Issuers (applicable for bank only in 2003), Criteria Governing the Preparation of Financial Reports by Securities Firms, Criteria Governing the Preparation of Financial Reports by Futures Commission Merchants and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the consolidated financial statements, sales and purchases of bonds and short-term bills under agreements to repurchase or to resell were treated as outright sales or purchases for Bank SinoPac. However, pursuant to the Criteria Governing the Preparation of Financial Reports by Public Banks effective January 1, 2004, the repurchase/resell transactions are treated as financing.

Notice to Readers

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

English Translation of Financial Statements Originally Issued in Chinese

SINOPAC HOLDINGS AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2004 AND 2003

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

(Reviewed, Not Audited)

ASSETS	2004		2003 (Restated—Note 2)	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 2 and 5)	\$ 11,083,909	2	\$ 14,731,204	3
DUE FROM THE CENTRAL BANK AND OTHER BANKS (Note 6)	27,086,654	5	16,346,766	3
SECURITIES PURCHASED—Net (Notes 2, 7 and 34)	90,279,748	16	119,067,497	24
PREMIUMS PAID FOR LONG OPTIONS—Nonhedging (Note 2)	166,382	-	156,937	-
ACCOUNTS, INTEREST AND OTHER RECEIVABLES—Net (Notes 2, 8 and 34)	57,769,373	10	39,715,439	8
ACCEPTANCES	3,194,120	1	1,545,710	-
OPERATING SECURITIES—Net (Notes 2 and 9)	17,826,391	3	20,061,819	4
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 2 and 10)	19,997,023	3	976,000	-
PREPAYMENTS AND OTHER (Notes 2 and 34)	703,296	-	397,067	-
LOANS, DISCOUNTS AND BILLS PURCHASED—Net (Notes 2, 11 and 34)	295,857,015	52	248,757,384	50
LONG-TERM INVESTMENTS (Notes 2, 12 and 13)				
Long-term equity investment—equity method	5,751,279	1	4,953,837	1
Long-term equity investment—cost method	2,507,927	-	2,110,976	-
Less: Unrealized loss	<u>282,100</u>	-	<u>315,974</u>	-
Long-term equity investments—net	7,977,106	1	6,748,839	1
Other long-term investments	8,449,938	2	8,807,483	2
Prepaid investments	-	-	<u>20,000</u>	-
Long-term investments—net	<u>16,427,044</u>	<u>3</u>	<u>15,576,322</u>	<u>3</u>
PROPERTIES (Notes 2, 14, 34 and 35)				
Cost				
Land	3,588,610	1	3,509,406	1
Buildings	3,149,595	1	3,146,206	1
Computer equipment	2,840,552	-	2,673,266	1
Transportation equipment	56,220	-	117,427	-
Office and other equipment	<u>2,517,924</u>	-	<u>2,363,653</u>	-
Total cost	12,152,901	2	11,809,958	3
Less: Accumulated depreciation	<u>4,128,880</u>	<u>1</u>	<u>3,618,227</u>	<u>1</u>
Advances on acquisitions of equipment and construction in progress	8,024,021	1	8,191,731	2
	<u>89,692</u>	-	<u>217,675</u>	-
Net properties	<u>8,113,713</u>	<u>1</u>	<u>8,409,406</u>	<u>2</u>
OTHER ASSETS (Notes 2, 15, 31, 32 and 35)	<u>20,906,320</u>	<u>4</u>	<u>15,015,878</u>	<u>3</u>
TOTAL ASSETS	<u>\$ 569,410,988</u>	<u>100</u>	<u>\$ 500,757,429</u>	<u>100</u>

LIABILITIES AND STOCKHOLDERS' EQUITY	2004		2003 (Restated—Note 2)	
	Amount	%	Amount	%
LIABILITIES				
Short-term borrowings (Notes 16, 34 and 35)	\$ 7,265,123	1	\$ 7,374,000	2
Commercial papers payable (Notes 17, 34 and 35)	7,746,380	1	5,251,659	1
Securities sold under agreements to repurchase (Notes 2, 18 and 34)	18,547,743	3	10,332,275	2
Euro-convertible bonds redeemable within one year	8,267,377	1	-	-
Warrant liabilities—net (Notes 2 and 19)	259,676	-	502,405	-
Premiums received from short options (Note 2)	447,042	-	106,357	-
Call loans and due to banks	36,652,465	6	33,969,766	7
Accounts, interest and other payables (Notes 2, 20, 31, 32, 34 and 36)	20,787,940	4	21,134,851	4
Acceptances payable	3,194,120	1	1,545,710	-
Deposits and remittances (Notes 21 and 34)	367,062,807	65	336,265,066	67
Bank debentures (Note 22)	33,259,760	6	16,706,700	3
Bonds payable (Notes 2 and 23)	2,000,000	-	10,262,484	2
Long-term borrowings (Notes 24 and 34)	4,397,575	1	4,847,997	1
Other liabilities				
Deferred income tax liabilities (Notes 2 and 32)	785,328	-	472,320	-
Minority interest	146,347	-	193,694	-
Other liabilities (Notes 2 and 31)	<u>9,545,553</u>	<u>2</u>	<u>6,315,503</u>	<u>2</u>
	<u>10,477,228</u>	<u>2</u>	<u>6,981,517</u>	<u>2</u>
Total liabilities	<u>520,365,236</u>	<u>91</u>	<u>455,280,787</u>	<u>91</u>
STOCKHOLDERS' EQUITY				
Capital stock, \$10 par value				
Authorized—10,000,000,000 shares				
Issued—3,945,234,269 shares and 3,748,126,974 shares as of September 30, 2004 and 2003, respectively	39,452,343	7	37,481,270	7
Capital surplus				
Additional paid in capital	8,068,519	2	7,913,381	2
Treasury stock transaction	280,274	-	11,664	-
Other	2,410	-	2,410	-
Retained earnings	4,550,926	1	3,545,280	1
Equity adjustments				
Unrealized loss on long-term equity investments	(288,803)	-	(345,655)	-
Unrealized revaluation loss on long-term equity investments	(8,967)	-	(63,643)	-
Cumulative translation adjustment	220,871	-	177,505	-
Net loss not recognized as pension cost	(926)	-	-	-
Treasury stock—at cost: 246,144,430 shares and 250,202,766 shares as of September 30, 2004 and 2003, respectively	<u>(3,230,895)</u>	<u>(1)</u>	<u>(3,245,570)</u>	<u>(1)</u>
Total stockholders' equity	<u>49,045,752</u>	<u>9</u>	<u>45,476,642</u>	<u>9</u>
CONTINGENCIES AND COMMITMENTS (Notes 2, 36 and 44)				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 569,410,988</u>	<u>100</u>	<u>\$ 500,757,429</u>	<u>100</u>

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

(See Deloitte & Touche review report dated October 20, 2004)

English Translation of Financial Statements Originally Issued in Chinese

SINOPAC HOLDINGS AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)**

	2004		2003	
	Amount	%	(Restated—Note 2)	
			Amount	%
OPERATING REVENUES				
Interest (Notes 2, 11 and 44)	\$ 12,240,770	51	\$ 10,792,667	54
Stock affairs agent fees (Notes 2 and 34)	89,897	-	84,776	-
Service fees (Notes 2, 27 and 34)	5,517,147	23	3,994,365	20
Gain on warrants issued (Note 2)	939,313	4	104,325	1
Gain from futures transactions (Note 2)	-	-	84,007	-
Income from securities—net (Notes 2 and 28)	997,482	4	3,500,192	17
Income from long-term equity investments under the equity method (Notes 2 and 12)	212,846	1	415,751	2
Foreign exchange gains—net (Notes 2 and 44)	3,546,602	15	-	-
Other (Notes 34 and 44)	<u>441,830</u>	<u>2</u>	<u>1,169,632</u>	<u>6</u>
Total operating revenues	<u>23,985,887</u>	<u>100</u>	<u>20,145,715</u>	<u>100</u>
OPERATING COSTS AND EXPENSES				
Interest (Notes 2 and 44)	5,314,728	22	5,033,067	25
Service charges (Note 34)	669,114	3	598,075	3
Loss from futures transactions (Note 2)	158,867	1	-	-
Loss from long-term investments under the equity method (Notes 2 and 12)	20,098	-	17,804	-
Provision for credit and trading losses (Notes 2, 8 and 11)	1,060,555	4	1,487,385	7
Operating and administrative expenses (Notes 2, 29, 31 and 34)	9,075,174	38	8,266,247	41
Foreign exchange losses—net (Notes 2 and 44)	-	-	166,157	1
Other (Note 44)	<u>2,920,102</u>	<u>12</u>	<u>294,020</u>	<u>2</u>
Total operating costs and expenses	<u>19,218,638</u>	<u>80</u>	<u>15,862,755</u>	<u>79</u>
OPERATING INCOME	4,767,249	20	4,282,960	21
NONOPERATING INCOME AND GAINS (Note 34)	559,560	2	241,266	1
NONOPERATING EXPENSES AND LOSSES (Note 34)	<u>114,345</u>	<u>-</u>	<u>220,650</u>	<u>1</u>
INCOME BEFORE INCOME TAX	5,212,464	22	4,303,576	21
INCOME TAX (Notes 2 and 32)	<u>1,344,089</u>	<u>6</u>	<u>930,004</u>	<u>4</u>

(Continued)

English Translation of Financial Statements Originally Issued in Chinese

	2004		2003	
	<u>Amount</u>	<u>%</u>	<u>(Restated—Note 2)</u>	<u>Amount</u>
				<u>%</u>
NET INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30	\$ 3,868,375	16	\$ 3,373,572	17
MINORITY INTEREST INCOME	(29,137)	-	(18,750)	-
CONSOLIDATED NET INCOME	<u>\$ 3,839,238</u>	<u>16</u>	<u>\$ 3,354,822</u>	<u>17</u>
	2004		2003	
	<u>Pretax</u>	<u>After Tax</u>	<u>Pretax</u>	<u>After Tax</u>
EARNINGS PER SHARE (Note 33)				
Basic earnings per share	<u>\$ 1.41</u>	<u>\$ 1.04</u>	<u>\$ 1.18</u>	<u>\$ 0.92</u>
Diluted earnings per share	<u>\$ 1.29</u>	<u>\$ 0.97</u>	<u>\$ 1.10</u>	<u>\$ 0.87</u>

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

(See Deloitte & Touche review report dated October 20, 2004)

(Concluded)

English Translation of Financial Statements Originally Issued in Chinese

SINOPAC HOLDINGS AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)**

	<u>2004</u>	<u>2003</u> (Restated— Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$ 3,839,238	\$ 3,354,822
Minority interest income	<u>29,137</u>	<u>18,750</u>
Consolidated net income for the nine months ended September 30	3,868,375	3,373,572
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	816,062	806,997
Euro-convertible bonds and amortization of deferred issuance cost	27,902	29,029
Euro-convertible bonds and accrued interest premium	263,587	267,388
Advance on acquisition of equipment charge off	563	168
Provision for credit and trading losses	977,462	1,547,255
Provision for decline in market value of operating securities	360,498	55,073
Provision for decline in market value of collateral assumed	2,469	-
Realized loss on long-term equity investments	-	14,475
Income from long-term equity investments under the equity method—net	(192,748)	(397,947)
Cash dividends received from long-term equity investments under the equity method	165,074	24,566
Loss (income) on sale of long-term equity investments	(51,370)	5,465
Loss on disposal of properties—net	21,161	35,410
Gain on warrants issued—net	(934,457)	(104,325)
Increase in accrued pension cost	132,948	130,338
Increase in prepaid pension cost	(19,068)	(26,435)
Deferred income taxes	(108,498)	295,533
Decrease (increase) in securities purchased—for trading purposes	25,820,949	(24,668,733)
Decrease (increase) in operating securities	608,441	(2,758,411)
Increase in accounts, interest and other receivables	(4,160,443)	(4,457,089)
Decrease (increase) in prepayments and other	(142,982)	491,993
Increase in warrant liabilities—net	762,548	558,666
Increase (decrease) in accounts, interest and other payables	(3,158,756)	6,007,814
Change in securities brokerage accounts—net	274,006	(692,645)
Other	<u>1,249</u>	<u>45,201</u>
Net cash provided by (used in) operating activities	<u>25,334,972</u>	(<u>19,416,642</u>)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in due from the Central Bank and other banks	(2,789,817)	(307,657)
Decrease in securities purchased—for investing purposes	1,083,939	5,343,349
Increase in loans, discounts and bills purchased	(43,635,819)	(25,024,416)
Acquisition of long-term equity investments	(1,880,862)	(2,173,095)
Increase in other long-term investments	(1,267,404)	(8,461,375)
Proceeds from sales of long-term equity investments	205,817	521,387
Decrease (increase) in securities purchased under agreements to resell	(18,923,822)	546,124
Acquisition of properties	(465,046)	(820,527)

(Continued)

English Translation of Financial Statements Originally Issued in Chinese

	<u>2004</u>	<u>2003</u> <u>(Restated—</u> <u>Note 2)</u>
Proceeds from sale of properties	\$ 2,509	\$ 2,340
Decrease in guarantee deposits	85,864	58,184
Decrease (increase) in pledged time deposits	245,500	(310,000)
Increase in other assets	(1,751,671)	(2,072,805)
Net cash used in investing activities	(69,090,812)	(32,698,491)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	(4,419,089)	2,166,000
Increase in commercial papers payable	3,308,053	2,503,714
Increase (decrease) in securities sold under agreements to repurchase	9,401,614	(3,739,994)
Decrease in call loans and due to banks	(4,605,421)	(21,278,427)
Increase in deposits and remittances	25,552,619	68,060,398
Increase in bank debentures	11,350,090	9,706,700
Reimbursement of bonds payable	(550,000)	(1,000,000)
Increase in bonds payable	-	2,000,000
Increase in long-term borrowings	4,297,926	38,253
Increase in other liabilities	900,798	422,330
Cash dividends paid	(1,874,063)	(2,414,403)
Remuneration paid to directors and supervisors and bonus to employees	(179,550)	(185,384)
Increase in treasury stock	(333,973)	-
Net cash provided by financing activities	<u>42,849,004</u>	<u>56,279,187</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(906,836)	4,164,054
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	11,985,963	10,799,157
EFFECTS OF EXCHANGE RATE CHANGES	<u>4,782</u>	<u>(232,007)</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 11,083,909</u>	<u>\$ 14,731,204</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 4,869,031</u>	<u>\$ 4,774,147</u>
Income tax paid	<u>\$ 419,549</u>	<u>\$ 602,887</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Euro-convertible bonds redeemable within one year	<u>\$ 8,267,377</u>	<u>\$ -</u>
Current portion of bonds payable	<u>\$ -</u>	<u>\$ 550,000</u>
Current portion of long-term borrowings	<u>\$ 4,548,123</u>	<u>\$ -</u>
Euro-convertible bonds transferred to common stock	<u>\$ 385,740</u>	<u>\$ -</u>
Payables on long-term equity investments	<u>\$ -</u>	<u>\$ 270,829</u>
Payables on remuneration to directors and supervisors and bonus to employees	<u>\$ -</u>	<u>\$ 3,422</u>

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

(See Deloitte & Touche review report dated October 20, 2004)

(Concluded)

SINOPAC HOLDINGS AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003
(In Thousands of New Taiwan Dollars, Unless Otherwise Stated)
(Reviewed, Not Audited)**

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, and the merged company was immediately renamed to SinoPac Securities Corporation (SinoPac Securities).

The Company engages in the business of investing and managing of the financial related institutions.

Bank SinoPac obtained government approval to incorporate on August 8, 1991 and started operations on January 28, 1992. The Bank is engaged in commercial banking, trust, and establish International Division and Offshore Banking Unit to (OBU) manage foreign exchange operations as prescribed by the Banking Law.

As of September 30, 2004, Bank SinoPac's operating units include Banking, Trust, International Division of the Head Office, an Offshore Banking Unit, 44 domestic branches, 2 overseas branches and 1 overseas representative office.

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

On August 15, 1997, Bank SinoPac acquired Far East National Bank (FENB), through SinoPac Bancorp, by purchase of 100% of its shares. FENB was established in Los Angeles in 1974. It is a commercial bank engaged mainly in deposit taking and lending businesses. As of September 30, 2004, FENB had 15 branches in Los Angeles and San Francisco areas and one Beijing representative office. It also has 5 wholly-owned subsidiaries—Far East Capital Corporation, FENB Loan Corp., FENB Film Corp., Trade Factors, Inc., and Film Service Management Corp.

SinoPac Securities was established on October 11, 1988 and started operations on November 8, 1988. It engages in transactions involving marketable securities such as: (a) underwriting, dealing (securities and futures) and brokerage, (b) financing customers' acquisition and short-sales, (c) trading foreign securities on behalf of customers, and (d) assistance activities in futures trading. As of September 30, 2004, the SinoPac Securities has 48 branches supporting its head office.

SinoPac Futures Corporation was established on June 28, 1994 according to laws governing future firms. It engages in futures brokerage and settlement and launched futures dealing since January 30, 2004.

SinoPac Securities (Cayman) Holdings Limited registered at Cayman Island on April 30, 1998 and engages in managing overseas subsidiaries. As of September 30, 2004, it held 100% ownership of SinoPac Securities (Europe) Ltd., SinoPac Futures (Asia) Ltd., SinoPac Capital (Asia) Ltd., and NSC Asia Ltd., and SinoPac Securities (U.S.A.) Ltd. It held 94.26% and 29.92% ownership of SinoPac Securities (Asia) Ltd. and NITC Asset Management (Asia) Ltd, respectively, which accounted under equity method as well.

SinoPac Life Insurance Agent Co., Ltd. (SinoPac Life Insurance Agent) and SinoPac Property Insurance Agent Co., Ltd. (SinoPac Property Insurance Agent) obtained government approval to incorporate and commenced operations on July 25, 2000 and July 24, 2000, respectively. These two companies are mainly engaged in life and property insurance agency.

AnShin Card Services Co., Ltd. (AnShin Card Services) was established on March 14, 2000 and its major business is to issue credit cards to card members and provide related services. On December 20, 2002, AnShin Card Services' previous shareholder, Bank SinoPac, transferred all its common shares at a total of 81,103,709 shares (49.76%) to SinoPac Holdings. Moreover, SinoPac Holdings acquired 64,665,033 and 17,092,258 common shares of AnShin Card Services from ING Heart Investment Co., Ltd. and other shareholders on September 17, 2003 and June 11, 2004, respectively, after that, AnShin Card Services became a subsidiary of SinoPac Holdings (99.91% ownership).

As of September 30, 2004 and 2003, SinoPac Holdings and the aforesaid subsidiaries had a total of 5,255 and 4,952 employees, respectively.

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, Criteria Governing the Preparation of Financial Reports by Public Banks (effective January 1, 2004), Criteria Governing the Preparation of Financial Reports by Securities Issuers (applicable for banks only in 2003), Criteria Governing the Preparation of Financial Reports of Securities Firms, Criteria Governing the Preparation of Financial Reports by Futures Commission Merchants and accounting principles generally accepted in the Republic of China (ROC). In determining the allowance for credit losses, depreciation, pension, losses upon suspended lawsuit and provision for losses on guarantees, the Company needs to estimate reasonable amounts. Since the estimates were usually judged and made under the uncertain conditions, thus, the estimates may vary from the actual amounts. Significant accounting policies of the Company are summarized below:

Consolidation

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

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

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

The 2003 consolidated financial statements of SinoPac Securities Corporation have been revised to conform to the 2004 consolidated financial statements presentation. In the 2003 consolidated financial statements, the financial statements of consolidated subsidiary SinoPac Futures Corporation, SinoPac Securities (Cayman) Holdings Limited and its subsidiaries, SinoPac Securities (Asia) Ltd, SinoPac Securities (Europe) Ltd. and SinoPac Capital (Asia) Ltd., are unreviewed. The total assets of those unreviewed investees amounted to NT\$7,692,998 thousand, representing 1.54% of the consolidated assets as of September 30, 2003. The total revenues and net income for the nine months ended September 30, 2003 amounted to NT\$829,358 thousand and NT\$222,510 thousand, respectively, representing 4.12% and 6.63% of the consolidated revenues and net income, respectively.

Distinctions Between Current and Non-current Assets and Liabilities

Since the operating cycle could not be reasonably identified in the banking industry, accounts included in the financial statements of Bank SinoPac as consolidated with SinoPac Bancorp and its subsidiary, FENB, are not classified as current or non-current. Notwithstanding these accounts are properly categorized according to the nature of each account and sequenced by their liquidity. Please refer to Note 43 for maturity analysis of assets and liabilities.

Except for stated in the proceeding paragraph, 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.

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

Cash Equivalents

Commercial papers, which are stated at cost, maturing within three months from the date of investments, are classified as cash equivalents. Cost of commercial papers sold is determined using the specific identification method.

Securities Purchased

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

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

Under the accounting principles generally accepted in the ROC, SinoPac Holdings' shares held by Bank SinoPac should be evaluated decline in market value separately from the other listed and OTC stocks held by Bank SinoPac.

Pursuant to the directive issued by the Ministry of Finance (the MOF), sales and purchases of bonds and short-term bills under agreements to repurchase or to resell were treated as outright sales or purchases for Bank SinoPac as of December 31, 2003. However, pursuant to the “Criteria Governing the Preparation of Financial Reports by Public Banks” effective since January 1, 2004, the repurchase/resell transactions are treated as financing.

Operating Securities

Except for the emerging stocks held by SinoPac Securities Dealing department, which are stated at cost, stocks held by SinoPac Securities, SinoPac Securities (Asia) and SinoPac Securities (Europe) are stated at the lower of aggregate cost or market value. The aggregate market value of the stocks, except of Emerging Stocks, is based on the closing price on the balance sheet date. The costs of stocks sold are determined by the moving-average method.

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

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

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

Warrant Liabilities and Operating Securities—Hedging

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

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

Securities Purchased or Sold Under Agreements to Resell or to Repurchase

Sales or purchases of bonds and short-term bills 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).

Margin Loans and Stock Loans

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

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

The collateral securities are disposed of by SinoPac Securities when their market value fall below a pre-agreed level and the customer fails to maintain to this level. If the proceeds from the disposal of collateral security cannot cover the balance of the loan and the customer cannot timely settle the deficiency, the balance of the margin loan is reclassified under “overdue receivables”. If a collateral security cannot be sold in the open market, the balance of the loan is reclassified under “other receivables” or “overdue receivables”.

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

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

Guarantee Deposits Received on Futures Contracts and Customers' Equity Accounts—Futures

SinoPac Futures receives margin deposits from its customers (credited to “customers' equity accounts—futures”) as required under existing regulations. These deposits are placed with a bank.

Margin deposit balances are calculated daily by marking to market the open positions of each customer and the required margin level set by the SinoPac Futures. The debit balance of “customers' equity accounts—futures”, which results from losses on futures transactions in excess of the margin deposit, is recorded as “accounts receivable—futures guarantee deposits”.

Sales of Accounts Receivable

AnShin Card Services has transferred its credit card receivables conforming to the following criterias and surrendered controls over the transferred assets and has recorded the transfer as sales of accounts receivable.

- a. Transferred accounts receivable has been isolated from AnShin Card Services. AnShin Card Services, along with its creditors, is unable to control the future economic benefits.
- b. The transferee has the right to pledge or transfer accounts receivable purchased, and no condition constrains the transferee from its right to pledge or transfer.
- c. The transferee has no right to return the transferred accounts receivable purchased before their maturity. AnShin Card Services is neither obligated nor entitled to repurchase or redeem such accounts receivable. Where a repurchase transaction has been entered into, the amount of the repurchase price shall be the fair value of accounts receivable at the time the transaction occurs.

AnShin Card Services derecognizes the credit card receivables sold at carrying value from its balance sheet on the transfer date. The difference between the amount of proceeds after deducting the estimated bad debt provision and the carrying value is recorded as income (loss) for the current period.

Nonperforming Loans

Under guidelines issued by the MOF, the balance of loans and other credits extended by Bank SinoPac and the related accrued interest thereon are classified as nonperforming when the loan is six months overdue.

In addition, upon approval by the board of directors of Bank SinoPac, those loans, which are less than six months overdue, will also be classified as nonperforming.

Receivables past due over six months are transferred to nonperforming accounts and uncollectible receivables deemed by AnShin Card Services are written off upon the approval of the Board of Directors. Recovery of written-off receivables is recorded in nonoperating revenues and gains.

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 and its subsidiaries assesses the collectibility on the balances of loans, discounts and bills purchased, accounts, interest and other receivables, and nonperforming loans, as well as guarantees and acceptances as of the balance sheet date.

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

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

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

For SinoPac Securities, SinoPac Futures and AnShin Card Services, allowance for bad debts is provided on the basis of a review of the collectibility of notes and accounts receivables, other receivables and nonperforming. After providing this allowance, SinoPac Securities, SinoPac Futures and AnShin Card Services set aside an additional amount as bad-debt reserve and allowance for bad debts, respectively, to save 3% on the value-added tax before July 1, 2003. The above reserve for SinoPac Securities can be used only to write off nonperforming.

Long-term Equity Investments

Under a directive issued by the Accounting Research and Development Foundation of ROC, a financial holding company should treat the investees’ net worth as 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 the par value is accounted for as capital surplus.

Long-term equity investments are accounted for by the equity method if the Company has significant influence over the investees. Under this method, investments are stated at cost, plus (or minus) a proportionate share in net earnings (losses) or changes in the investees' net worth. Cash dividends received are accounted for as reduction in the carrying amount of the investments. On the acquisition date, any difference between the acquisition cost and the equity in the investee is amortized on the straight-line basis over 15 years by SinoPac Holdings and Bank SinoPac and 5 years by SinoPac Securities and SinoPac Securities (Cayman) Holdings, respectively.

If an investee issues new shares and the Company does not acquire new shares in proportion to its current equity in the investee, the resulting increase in the Company's equity in the investee's net assets is credited to capital surplus. Any decrease in the Company's equity in the investee's net assets is debited to capital surplus. If capital surplus is not enough for debiting purpose, the remaining is debited to unappropriated retained earnings.

Long-term equity investments are accounted for by the cost method if the Company does not have significant influence over the investees. Stock dividends result only in an increase in number of shares and are not recognized as investment income. For listed and OTC stocks accounted for by the cost method, when the aggregate market value is lower than the total carrying amount, an allowance for decline in market value is provided and the unrealized loss is charged against stockholders' equity. If a decline in the value of an unlisted stock investment is considered a permanent loss, the decline is charged to current income.

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

Long-term Bond Investments

Long-term bond investments are recorded at cost, and the amortization of premiums or discounts as the adjustment of interest revenue. Cost of bonds sold is calculated by the specific identification is treated.

Properties

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

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

Depreciation computed using the straight-line method over service lives estimated as follows: buildings, 6 to 60 years; computer equipment, 3 to 8 years; transportation equipment, 3 to 8 years; office and other equipment, 2 to 15 years. For assets still in use beyond their original service lives, depreciation is calculated over newly estimated useful lives.

Clearing and Settlement Fund

According to Taiwan Futures Exchange Corporation Criteria For Clearing Membership, the Company is required to contribute cash to a clearing and settlement fund, which is an administered by the clearing house and deposited to a designated account. Income from the fund, less related expenses and taxes, is distributed semiannually to the Company.

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.

Intangible Assets

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

Deferred Charges

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

Deferred expenses of AnShin Card Services consist of credit cards franchise fees, computer software and costs for the subsidy of utilities, arrangement fees for syndicated loans and fees arising from sales of accounts receivables on a revolving basis are deferred and amortized using the straight-line method over the economic benefit period. Credit cards franchise fees are amortized over the estimated economic benefit period of 5 years. Fees arising from employees transferred are amortized over the transfer period of 3 years. Computer software and utilities subsidy are amortized over 3 to 7 years. Arrangement fees paid by AnShin Card Services for syndicated loans are amortized over the loans term of 5 years. Fees arising from sales of accounts receivable are amortized over the contract term of 3 years.

Collateral Assumed

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

Assets Leased to Others

Properties held for lease (included in other assets) are depreciated using the straight-line method over service lives of 50 to 55 years.

Interest Premium

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

Securities Brokerage Accounts

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

Reserve for Default Accounts

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

As required by the Rules Governing Futures Commission Merchants, for futures dealings for customers' accounts, SinoPac Futures should allocate monthly 2% of the commission revenue of the futures transactions as a reserve for default accounts. As required by the related regulations, reserve can be used only to offset actual loss from future dealings or approved by the SFC. Reserve should be allocated monthly until amounting to the lowest legal actual capital received, capital for operating or working capital.

However, as regulated by the SFC, SinoPac Futures stop allocating reserve for default accounts for four years since July 1, 1999, because the allowance for credit losses had been allocated. SinoPac Futures had started the allocating policy again since July 1, 2003.

Reserve for Trading Losses

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

Derivative Financial Instruments

a. Foreign exchange forward contracts

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

b. Forward rate agreements

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

c. Currency swaps

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

The related discount or premium is amortized by the straight-line basis over the contract period, which is recognized as interest income or expense.

d. Cross-currency swaps

Cross-currency swaps, which are for hedging purposes, are recorded at spot rates on the contract dates. The net interest upon each settlement is recorded as an adjustment to interest revenue or expense associated with the item being hedged.

Cross-currency swaps, which are for the purposes of accommodating customers' needs or managing the Company's exposures, are marked to market as of the balance sheet dates.

The net interest received or paid on each settlement date or balance sheet date is recognized as interest income or expense, which is credited or charged to current income.

e. Options

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

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

Gain or loss of future transactions is classified as operating revenues or expenses when SinoPac Futures Corporation acts as a dealer. When SinoPac Future Corporation acts as a broker and engages in future contracts with its own margin deposits, gain or loss of future transactions is classified as nonoperating revenues or expenses.

f. Interest rate swaps

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

For SinoPac Securities, interest rate swap contracts are recognized by memorandum entries on the contract dates. The fair value of the contracts is presented as derivative financial assets and liabilities—OTC (included in other assets and liabilities) and is written off on the settlement date. At the balance sheet date, outstanding contracts are marked to market, and the change in fair value is recognized as gain or loss—interest rate swap (included in the gain or loss on the derivative financial assets—OTC).

AnShin Card Services enters into interest rate swaps with banks to hedge the effects of interest rate fluctuations on its liabilities. These contracts do not involve exchanges of the notional principals and are recognized by memorandum entries on the contract dates. At the balance sheet date, the interest arising from the difference between the floating interest rate and agreed interest rate is recorded in the current income. AnShin Card Services adopted International Accounting Standard (IAS) No. 39, "Financial Instruments: Recognition and Measurement". At the balance sheet date, AnShin Card Services evaluates the future interest payment stream within the contractual period as discounted at the market interest rate and records the unrealized valuation gain or loss under shareholders' equity and the interest rate swap revaluation account under assets or liabilities.

g. Asset swaps

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

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

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

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

h. Futures

Margin deposits paid by Bank SinoPac for interest rate futures contracts entered into for trading or hedging purpose are recognized as assets. Gains or losses resulting from marking to market and from the settlement of the interest rate futures contracts are classified as hedging or non-hedging depending on its purposes, and are classified as realized or unrealized gains or losses depending on whether the gains or losses had been realized. The gains and losses are included in current income.

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

Gain or loss arising from future transactions is classified as operating revenues or expenses when SinPac Futures Corporation acts as a dealer. When Sinopac Future Corporation acts as a broker and engages in future contracts with its own margin deposits, gain or loss of future transactions is classified as nonoperating revenues or expenses.

i. Credit default swaps

Credit default swaps involve taking the credit risk of denominated bonds and notes. Such transactions are recorded by memorandum entries at the contract dates. The premium received by Bank SinoPac for a credit default swap contract on each settlement or balance sheet date is recorded as current income by the accrual method.

j. Structured note transactions

There are two types of structured note transactions: Principal-guaranteed note transactions and equity-linked note transactions.

For the principal-guaranteed note transactions, SinoPac Securities receives the contract price from the investors. SinoPac Securities guarantees that the investors will get a fixed income from their investment and gives the investors the right to share in the profits on the underlying assets. The contract price is recognized as follows: (a) principal-guaranteed note liabilities—fixed income instruments. SinoPac Securities amortizes the principal and recognizes the implied-interest expenses using the straight-line method. The interest expense is presented as losses from principal-guaranteed note transactions. (b) principal-guaranteed note liabilities—options. The related price is marked to market, and gains (losses) from valuation are presented as gains (losses) from valuation—principal-guaranteed notes. However, the valuation loss on principal-guaranteed note liabilities—options is deferred to the extent of the unrealized gain on hedged securities, while the valuation loss on principal-guaranteed note liabilities—options in excess of the unrealized gain on hedged securities is charged to current income.

For the equity-linked note transactions, SinoPac Securities receives the contract price from the investors. SinoPac Securities simultaneously invests the investors' funds in fixed-income instruments while investors long put options on underlying assets. The contract price received is recognized as follows: (a) equity-linked note liabilities—fixed income instruments. SinoPac Securities amortizes the principal and recognizes the implied interest expenses using the straight-line method. The interest expense is presented as loss from equity-linked note transactions. (b) equity-linked note liabilities—premiums. The options acquired from the investors are recognized as equity-linked note assets—options and marked to market. Gains (losses) from valuation are presented as gains (losses) from valuation—equity-linked notes. However, the valuation loss on equity-linked note assets—options is deferred to the extent of the unrealized gain on hedged securities, while the valuation loss on equity-linked note assets—options in excess of the unrealized gain on hedged securities is charged to current income.

All assets (liabilities) of the structured note transactions are presented as derivative financial assets (liabilities)—OTC and all gains (losses) are presented as gains (losses) from derivative financial instruments transactions—OTC.

The fixed income instruments invested in by SinoPac Securities under the contract are stated at cost, presented as operating securities—custody account, and carried at the lower of aggregate cost or market value. SinoPac Securities recognizes interest income from the instruments on an accrual basis on the contracted period. The risk management instruments invested in by SinoPac Securities under the contract are stated at purchase cost, presented as operating securities—hedged, and revaluated at the lower of cost or market value based on individual contract. The loss on decline in market value of such securities is charged to income.

Financial Asset Securitization

Under the “Regulations for Financial Asset Securitization”, Bank SinoPac securitized part of its enterprise loans and entrusted those loans to the commissioned organization for the issuance of the related beneficiary certificates. Thus, Bank SinoPac derecognizes the loans and records gain or loss because the control of contractual rights—except for subordinated retained interests for credit enhancement, which were reclassified as long-term investments—on the loans has been surrendered and transferred to a special purpose trustee.

The gain or loss on the sale of the loans is the difference between the proceeds and carrying amount of the loans. The previous carrying amount of the loans should be allocated in appropriation of the part retained and the part sold on their fair values on the date of sale. Because quotes are not available for loans and retained interests, Bank SinoPac estimates fair value at the present value of expected future cash flows, using management's key assumptions on credit losses and discount rates commensurate to the risks involved.

Subordinate certificates and retained interests, for which quotes are not available, are accounted for as other long-term investments. Interest revenue is recorded when received. Bank SinoPac evaluates retained interests by estimating present value of expected future cash flows, with losses recorded as operating cost; gains are not recognized.

Securities Lending and Borrowing

The proceeds from the sale of bonds borrowed by the Company for trading purposes are accounted for as "borrowed securities payable." They are carried at the higher of cost or market value. When the market value of borrowed securities is higher than carrying value, the Company recognizes losses and adjusts the value of borrowed securities payable. When bonds are returned, the difference between the covering cost and the carrying value are accounted for as gain/loss from short covering.

Revenue Recognition

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

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

For SinoPac Securities, revenues from rendering services, such as brokerage and underwriting commissions and fees, stock affairs agent fees and futures commissions, etc., are recognized according to the stage of completion as of the balance sheet dates. Dividend income from equity securities is recognized on ex-dividend dates or on the dates when the stockholders resolve dividends.

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

For AnShin Card Services, interest income on revolving credit card receivables and cash advance is recognized on an accrual basis. Service fees income is recognized when the provision of service is completed. Annual fee income is the member fees received from card members and is recognized when card members fail to meet the criteria for annual fee exemption.

Pension

Pension expense (including retirement and severance benefits cost, the "pension expense" thereon) is determined based on actuarial calculations except for FENB, SinoPac (Cayman) Holdings, SinoPac Securities (Asia), SinoPac Securities (Europe) and SinoPac Finance (Asia).

Treasury Stock

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

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

Income Tax

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

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

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

The Company and its qualified subsidiaries adopted the linked tax system starting with the 2003 income tax and 2002 unappropriated earnings 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

For SinoPac Holdings and SinoPac Securities, foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses resulting from the application of different foreign exchange rates when cash in foreign currency is converted into New Taiwan dollars, or when foreign-currency receivables or payable are settled, are credited or charged to income in the period of conversion or settlement. As of the balance sheet date, the balances of foreign-currency assets and liabilities are restated at the prevailing exchange rates, and resulting differences are credited or charged to current income. Gains or losses resulting from restatement of period-end foreign-currency denominated long-term equity investments accounted for by the equity method are credited or charged to “cumulative translation adjustment” under stockholders’ equity.

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

Reclassifications

Certain accounts for the nine months ended September 30, 2003 have been reclassified to conform to the financial statements presentation for the nine months ended September 30, 2004.

3. ACCOUNTING CHANGES

For Bank SinoPac sales and purchases of bonds and short-term bills under agreements to repurchase or to resell were treated as outright sales or purchases under a directive issued by the MOF. However, under the Criteria Governing the Preparation of Financial Reports by Public Banks effective January 1, 2004, the repurchase/resell transactions are treated as financing. The effect of this accounting change resulted in an decrease of income before income tax for the nine months ended September 30, 2004 by \$92,185.

The repurchase/resell transactions of Bank SinoPac are for daily trading purpose. Since the trading volume is high and the accounting systems for such transactions had been revised for several times, it is hard to trace the historical data and causing the difficulty on calculating the cumulative effect of changes in accounting principles. Thus, Bank SinoPac cannot calculate the cumulative effect of change in accounting principles, and the pro forma information cannot be disclosed neither.

4. ELIMINATIONS OF SIGNIFICANT TRANSACTIONS BETWEEN PARENT COMPANY AND SUBSIDIARIES

<u>Name of Corporation</u>	<u>Elimination Account</u>	<u>Amount</u>	<u>Counterparties of Transaction</u>
For the nine months ended September 30, 2004			
SinoPac Holdings	Cash and cash equivalents	\$ 3,198,061	Bank SinoPac and subsidiaries
	Interest receivable	7,373	Bank SinoPac and subsidiaries
	Securities purchased under agreements to resell	450,025	Bank SinoPac and subsidiaries

(Continued)

<u>Name of Corporation</u>	<u>Elimination Account</u>	<u>Amount</u>	<u>Counterparties of Transaction</u>
	Other receivables	\$ 13,593	SinoPac Securities and subsidiaries
	Interest revenue	43,281	Bank SinoPac and subsidiaries
	Securities purchased under agreements to resell	900,074	SinoPac Securities and subsidiaries
	Operating and administrative expenses	4,344	SinoPac Securities and subsidiaries
Bank SinoPac and subsidiaries	Deposits and remittances	3,198,061	SinoPac Holdings
	Deposits and remittances	2,952,819	SinoPac Securities and subsidiaries
	Deposits and remittances	11,894	SinoPac Life Insurance Agent
	Deposits and remittances	46,341	AnShin Card Services
	Deposits and remittances	7,592	SinoPac Property Insurance Agent
	Other receivables	26,299	AnShin Card Services
	Other receivables	5,726	SinoPac Life Insurance Agent
	Interest payable	7,373	SinoPac Holdings
	Other payables	3,793	SinoPac Securities and subsidiaries
	Service fees revenue	16,652	SinoPac Life Insurance Agent
	Interest expense	43,281	SinoPac Holdings
	Securities sold under agreements to repurchase	450,025	SinoPac Holdings
	Interest expense	34,274	SinoPac Securities and subsidiaries
	Bank debentures	50,000	SinoPac Securities and subsidiaries
	Other receivables	175,060	SinoPac Securities and subsidiaries
	Other operating income	9,599	SinoPac Securities and subsidiaries
	Nonoperating income and gains	1,928	SinoPac Securities and subsidiaries
	Operating and administrative expenses	2,081	SinoPac Securities and subsidiaries
SinoPac Securities and subsidiaries	Cash and cash equivalents	1,692,819	Bank SinoPac and subsidiaries
	Pledged time deposits	1,260,000	Bank SinoPac and subsidiaries
	Other receivables	3,793	Bank SinoPac and subsidiaries
	Securities purchased	50,000	Bank SinoPac and subsidiaries
	Other payables	175,060	Bank SinoPac and subsidiaries
	Other payables	13,593	SinoPac Holdings
	Interest revenue	34,274	Bank SinoPac and subsidiaries
	Securities sold under agreements to repurchase	900,074	SinoPac Holdings
	Stock affairs agent fees	4,344	SinoPac Holdings
	Operating and administrative expenses	11,527	Bank SinoPac and subsidiaries
	Service fees revenue	2,580	SinoPac Life Insurance Agent
	Nonoperating income and gains	2,081	Bank SinoPac and subsidiaries
SinoPac Life Insurance Agent	Cash and cash equivalents	11,894	Bank SinoPac and subsidiaries
	Other payables	5,726	Bank SinoPac and subsidiaries
	Operating and administrative expenses	16,652	Bank SinoPac and subsidiaries
	Operating and administrative expenses	2,580	SinoPac Securities and subsidiaries

(Continued)

<u>Name of Corporation</u>	<u>Elimination Account</u>	<u>Amount</u>	<u>Counterparties of Transaction</u>
	Operating and administrative expenses	\$ 35,782	AnShin Card Services
SinoPac Property Insurance Agent	Cash and cash equivalents	7,592	Bank SinoPac and subsidiaries
AnShin Card Services	Cash and cash equivalents	46,341	Bank SinoPac and subsidiaries
	Other payables	26,299	Bank SinoPac and subsidiaries
	Service fees revenue	35,782	SinoPac Life Insurance Agent
For the nine months ended September 30, 2003			
SinoPac Holdings	Cash and cash equivalents	6,652,491	Bank SinoPac and subsidiaries
	Interest receivable	6,995	Bank SinoPac and subsidiaries
	Interest revenue	81,861	Bank SinoPac and subsidiaries
Bank SinoPac and subsidiaries	Deposits and remittances	6,652,491	SinoPac Holdings
	Deposits and remittances	1,781,014	SinoPac Securities and subsidiaries
	Deposits and remittances	38,616	SinoPac Life Insurance Agent
	Deposits and remittances	2,086	SinoPac Property Insurance Agent
	Deposits and remittances	12,258	AnShin Card Services
	Loans, discounts and bills purchased	500,000	SinoPac Securities and subsidiaries
	Other receivables	34,185	AnSin Card Services
	Interest payable	6,995	SinoPac Holdings
	Service fees revenue	14,180	AnSin Card Services
	Interest expense	81,861	SinoPac Holdings
	Operating and administrative expenses	10,310	SinoPac Securities and subsidiaries
SinoPac Securities and subsidiaries	Cash and cash equivalents	248,241	Bank SinoPac and subsidiaries
	Securities brokerage accounts	402,773	Bank SinoPac and subsidiaries
	Pledged time deposits	1,130,000	Bank SinoPac and subsidiaries
	Other receivables	10,371	AnSin Card Services
	Short-term borrowings	500,000	Bank SinoPac and subsidiaries
	Service fees revenue	9,453	AnSin Card Services
	Nonoperating income and gains	10,310	Bank SinoPac and subsidiaries
SinoPac Life Insurance Agent	Cash and cash equivalents	38,616	Bank SinoPac and subsidiaries
SinoPac Properties Insurance Agent	Cash and cash equivalents	2,086	Bank SinoPac and subsidiaries
AnSin Card Services	Cash and cash equivalents	12,258	Bank SinoPac and subsidiaries
	Other payables	34,185	Bank SinoPac and subsidiaries
	Other payables	10,371	SinoPac Securities and subsidiaries
	Operating and administrative expenses	14,180	Bank SinoPac and subsidiaries
	Operating and administrative expenses	9,453	SinoPac Securities and subsidiaries

5. CASH AND CASH EQUIVALENTS

	September 30	
	2004	2003
Due from banks	\$ 7,002,515	\$ 9,744,703
Deposits in Bank	1,751,317	1,677,165
Cash on hand	1,391,091	2,329,798
Notes and checks in clearing	579,645	513,723
Commercial papers—due in October 2004 and November 2003, with interest rate from 1.000% to 1.205% and from 0.75% to 0.85%, respectively.	<u>359,341</u>	<u>465,815</u>
	<u>\$11,083,909</u>	<u>\$14,731,204</u>

6. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	September 30	
	2004	2003
Call loans to banks	\$ 17,240,138	\$ 5,705,137
Due from the Central Bank	<u>9,846,516</u>	<u>10,641,629</u>
	<u>\$27,086,654</u>	<u>\$16,346,766</u>

Due from the Central Bank consists mainly of New Taiwan dollar (NTD) and foreign currency deposit reserves. Under a directive issued by the Central Bank of the ROC, NTD—denominated deposit reserves of Bank SinoPac are determined monthly at prescribed rates on average balances of customers' NTD—denominated deposits. These reserves include \$7,765,469 and \$6,018,722, as of September 30, 2004 and 2003, respectively, which are subject to withdrawal restrictions.

In addition, the foreign-currency deposit reserves of Bank SinoPac are determined at prescribed rates on balances of additional foreign-currency deposits. These reserves may be withdrawn momentarily and are noninterest earnings. As of September 30, 2004 and 2003, the balances of foreign-currency deposit reserves were \$20,390 and \$47,292, respectively.

7. SECURITIES PURCHASED

	September 30	
	2004	2003
Negotiable certificates of deposit	\$ 67,747,432	\$ 85,140,848
Floating rate notes	6,170,468	7,626,574
Commercial papers	5,212,776	10,535,016
Corporate bonds	4,884,000	6,333,044
Beneficiary certificates	3,511,346	3,926,652
Bank debentures	1,124,330	1,944,553
Government bonds	1,098,088	3,184,589
Stocks and warrants	536,620	200
Treasury bills	<u>-</u>	<u>376,021</u>
	90,285,060	119,067,497
Less—allowance for decline in market value	<u>5,312</u>	<u>-</u>
Net	<u>\$ 90,279,748</u>	<u>\$ 119,067,497</u>

As of September 30, 2004 and 2003, negotiable certificates of deposit aggregating \$70,118 and \$10,985,000, respectively, had maturities over one year and may be withdrawn momentarily.

For Bank SinoPac, to comply with the Central Bank's clearing system of Real-time Gross Settlement (RTGS), negotiable certificates of deposit aggregating \$18,500,000 and \$15,000,000 had been provided as collateral for the daytime overdraft as of September 30, 2004 and 2003, respectively, with the pledged amount which can be adjusted momentarily.

As of September 30, 2004 and 2003, the aggregate market values or reference prices of floating rate notes, corporate bonds, beneficiary certificates, bank debentures, government bonds and stocks and warrants were as follows:

	September 30	
	2004	2003
Floating rate notes	\$ 6,170,468	\$ 7,670,084
Corporate bonds	4,928,782	6,789,655
Beneficiary certificates	3,527,193	3,959,375
Government bonds	1,095,167	3,189,154
Bank debentures	1,121,678	1,937,153
Stocks and warrants	789,440	139

8. ACCOUNTS, INTEREST AND OTHER RECEIVABLES

	September 30	
	2004	2003
Accounts and notes receivable	\$25,566,216	\$ 14,903,923
Margin loans receivable	15,223,074	14,741,601
Credit card receivables	12,009,898	5,870,767
Interest receivable	1,045,182	1,090,965
Accrued revenue	793,033	1,066,534
Securities brokerage debit accounts	616,949	437,438
Forward exchange receivable—net	586,199	-
Other	<u>2,070,148</u>	<u>1,787,382</u>
	57,910,699	39,898,610
Less—allowance for credit losses	<u>141,326</u>	<u>183,171</u>
Net	<u>\$57,769,373</u>	<u>\$39,715,439</u>

The balances of the accounts receivable as of September 30, 2004 and 2003 included \$24,343,096 and \$13,207,722, respectively, representing accounts receivable acquired from other parties in the factoring business.

9. OPERATING SECURITIES

	September 30	
	2004	2003
<u>Dealing department</u>		
Bonds		
Government bonds (interest rate from 1.00% to 7.75% in 2004 and from 1.00% to 7.75% in 2003)	\$ 3,334,897	\$ 4,514,765
Corporate bonds (interest rate from 1.20% to 5.60% in 2004 and from 1.20% to 7.36% in 2003)	1,499,262	2,797,144
Bank debentures (interest rate from 1.377% to 2.229% in 2004 and from 1.236% to 6.040% in 2003)	<u>987,156</u>	<u>952,422</u>
Subtotal	5,821,315	8,264,331

(Continued)

	September 30	
	<u>2004</u>	<u>2003</u>
Listed stocks and convertible corporate bonds	\$ 977,625	\$ 3,587,748
OTC stocks and convertible corporate bonds	6,904,844	2,738,035
Emerging stocks	449,068	460,858
Exchanged traded funds	-	21,259
Taiwan Innovative Growing Entrepreneurs	19,660	284,647
Other	<u>1,986</u>	<u>-</u>
	14,174,498	15,356,878
Less—allowance for decline in market value	<u>131,973</u>	<u>-</u>
Net	<u>\$ 14,042,525</u>	<u>\$ 15,356,878</u>
<u>Underwriting department</u>		
Listed stocks and convertible corporate bonds	\$ 746,566	\$ 590,316
OTC stocks and convertible corporate bonds	2,892,939	1,820,489
OTC deposit receipts	-	263,736
Unlisted and not trading on OTC stocks	<u>999</u>	<u>3,840</u>
	3,640,504	2,678,381
Less—allowance for decline in market value	<u>373,645</u>	<u>-</u>
Net	<u>\$ 3,266,859</u>	<u>\$ 2,678,381</u>
<u>Securities held for hedging purposes</u>		
Stocks held for warrants	\$ 369,001	\$ 2,074,421
Less—allowance for decline in market value	<u>17,896</u>	<u>67,861</u>
Net	<u>\$ 351,105</u>	<u>\$ 2,006,560</u>
<u>Securities for hedged purposes</u>		
Securities held for structured notes	\$ 117,071	\$ -
Less—allowance for decline in market value	<u>3,640</u>	<u>-</u>
Net	<u>\$ 113,431</u>	<u>\$ -</u>
<u>Securities in custody account</u>		
Time deposits—due in July to October 2004 and November 2003, with interest rate from 1.15% to 1.40% in 2004 and 1.125% to 1.150% in 2003	<u>\$ 52,471</u>	<u>\$ 20,000</u>

The aggregate market values determined by the closing prices and reference prices as of September 30, 2004 and 2003 were as follows:

	<u>September 30</u>	
	<u>2004</u>	<u>2003</u>
Dealing department—bonds	\$ 5,847,945	\$ 8,361,947
Dealing departments—listed stocks, OTC stocks and convertible corporate bonds	7,647,396	6,533,464
Dealing departments—exchange traded funds	-	21,188
Dealing departments—Taiwan Innovative Growing Entrepreneurs	15,252	209,307
Underwriting department—listed stocks, OTC stocks and convertible corporate bonds	3,266,470	2,463,077
Underwriting department—OTC deposit receipts	-	213,594
Securities held for hedging purposes	353,805	2,020,304
Hedged—structured notes	113,843	-

The unsecured corporate bonds issued by Chien Shing Stainless Steel Co., Ltd. were not redeemed when they matured on September 19, 2002. SinoPac Securities received a promissory note of \$50,000 for the portion of the bonds, and had collected all amounts.

10. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

As of September 30, 2004 and 2003, securities purchased under agreements to resell, will be sold for \$20,010,306 and \$983,485 in September 2005 and 2004, respectively.

11. LOANS, DISCOUNTS AND BILLS PURCHASED

	<u>September 30</u>	
	<u>2004</u>	<u>2003</u>
Overdrafts	\$ 1,852,060	\$ 1,727,303
Short-term loans	81,628,488	68,161,065
Mid-term loans	65,682,410	52,260,339
Long-term loans	143,598,733	124,594,790
Import and export negotiations	2,759,188	1,841,152
Bills purchased	1,463	1,605
Nonperforming loans	<u>2,744,408</u>	<u>3,467,421</u>
	298,266,750	252,053,675
Less —allowance for credit losses	2,297,235	3,159,557
—unearned loan fees	<u>112,500</u>	<u>136,734</u>
Net	<u>\$ 295,857,015</u>	<u>\$ 248,757,384</u>

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

As of September 30, 2004 and 2003, Bank SinoPac and FENB's balances of nonaccrual interest loans were \$2,605,822 and \$4,036,440, respectively. The unrecognized interest revenues on nonaccrual interest loans amounted to \$82,543 and \$169,915 for the nine months ended September 30, 2004 and 2003, respectively.

For the nine months ended September 30, 2004 and 2003, the Company had not written off credits for which legal proceedings had not been initiated.

The details of and changes in allowance for credit losses of loans, discounts and bills purchased for the nine months ended September 30, 2004 and 2003, respectively, were summarized below:

	For the Nine Months Ended September 30, 2004		
	For Losses on the Overall Loan Portfolio		
	For Losses on Particular Loans	(Excluding Particular Loans)	Total
Balance, January 1	\$ 1,311,936	\$ 1,343,502	\$ 2,655,438
Provision (reversal)	1,035,338	(2,486)	1,032,852
Write-off	(1,431,764)	-	(1,431,764)
Recovery of written-off credits	32,559	-	32,559
Reclassifications	(77,519)	85,669	8,150
Balance, September 30	<u>\$ 870,550</u>	<u>\$ 1,426,685</u>	<u>\$ 2,297,235</u>

	For the Nine Months Ended September 30, 2003		
	For Losses on the Overall Loan Portfolio		
	For Losses on Particular Loans	(Excluding Particular Loans)	Total
Balance, January 1	\$ 1,369,390	\$ 1,154,692	\$ 2,524,082
Provision	1,036,595	336,616	1,373,211
Write-off	(708,825)	-	(708,825)
Recovery of written-off credits	(41,276)	-	(41,276)
Reclassifications	15,616	(3,251)	12,365
Balance, September 30	<u>\$ 1,671,500</u>	<u>\$ 1,488,057</u>	<u>\$ 3,159,557</u>

As of September 30, 2004 and 2003, allowances for credit losses and provisions for losses on guarantees of the Company were \$2,471,618 and \$3,375,761, respectively.

12. LONG-TERM INVESTMENTS

	September 30	
	2004	2003
<u>Long-term equity investments</u>		
Equity method		
Unlisted and not trading on OTC stocks	<u>\$ 5,751,279</u>	<u>\$ 4,953,837</u>
Cost method		
Unlisted and not trading on OTC stocks	1,775,442	1,349,328
Listed and OTC stocks	641,924	641,919
Venture fund	<u>90,561</u>	<u>119,729</u>
Subtotal	<u>2,507,927</u>	<u>2,110,976</u>

(Continued)

	September 30	
	2004	2003
Less—unrealized losses	\$ 282,100	\$ 315,974
Long-term equity investments—net	<u>7,977,106</u>	<u>6,748,839</u>
 <u>Other long-term investments</u>		
Government bonds	-	8,445
Corporation bonds	7,435,638	8,799,038
Subordinated beneficiary certificates—retained interest of securitization	<u>1,014,300</u>	<u>-</u>
Subtotal	<u>8,449,938</u>	<u>8,807,483</u>
Prepaid investments	<u>-</u>	<u>20,000</u>
Long-term investments—net	<u>\$ 16,427,044</u>	<u>\$ 15,576,322</u>

As of September 30, 2004 and 2003, the total market values of listed and OTC stocks of long-term equity investments were \$360,356 and \$326,642, respectively.

As of September 30, 2004 and 2003, the carrying values of the investments accounted for by the equity method amounted to \$1,246,513 and \$752,325, respectively, and the related investment income for the nine months ended September 30, 2004 amounted to \$6,171 and \$14,509, respectively, were based on the investees' unreviewed financial statements for the same periods. Adjustments to these investments and investment income or loss might have been required had the investees' financial statements been reviewed.

The carrying amounts of Bank SinoPac's investments accounted for by the equity method as of September 30, 2004 and 2003 totaling \$3,183,743 and \$3,143,665, respectively, and the related investment income totaling \$124,542 and \$266,129, respectively, for the nine months then ended, were based on the investees' unreviewed financial statements.

The carrying amounts of SinoPac Securities' investments accounted for by the equity method as of September 30, 2004 and 2003 totaling \$995,888 and \$4,023,990, respectively, and the related investment income totaling \$59,285 and \$346,890, respectively, for the nine months then ended, were based on the investees' unreviewed financial statements.

As of September 30, 2004 and 2003, Bank SinoPac held SinoPac Holdings 226,495,430 shares and 216,542,894 shares, respectively, with carrying amounts at \$2,896,922 and their market values are \$3,956,871 and \$3,165,857, respectively, based on the daily average closing prices in September 2004 and 2003. SinoPac Holdings had treated these shares as treasury stock (please see Note 26).

As of September 30, 2003, the prepaid investment is the common shares of Debt Instruments Depository and Clearing Co., Ltd., Taiwan.

13. SECURITIZATION

- a. Characteristic, gain (loss) recognized and key economic assumptions used in measuring retained interests

In August 2004, Bank SinoPac sold its enterprise loans under securitization transactions. Bank SinoPac entrusted these loans to Fuhwa Bank for issuing beneficiary certificates. The terms and key economic assumptions used in measuring retained interests were as follows:

<u>Terms</u>	<u>Enterprise Loans under Securitization</u>				
Date of issuance	August 3, 2004				
Carrying amount of enterprise loans	\$ 4,900,000				
Gain (loss) on securitization	-				
	<u>Senior</u>				<u>Subordinated</u>
<u>Series of certificates</u>	<u>First Tranche</u>	<u>Second Tranche</u>	<u>Third Tranche</u>	<u>Fourth Tranche</u>	<u>Fifth Tranche</u>
Principal amount	\$ 2,788,100	\$ 534,100	\$ 441,000	\$ 122,500	\$ 1,014,300
Annual interest	Floating interest rate plus 0.4% (Note)	Floating interest rate plus 0.6% (Note)	Floating interest rate plus 1.0% (Note)	Floating interest rate plus 1.2% (Note)	-
<u>Key assumptions used in measuring retained interests</u>					
Prepayment pace (annual rate)	-				
Expected weighted-average life (in years)	3				
Expected credit losses (annual rate)	-				
Discounted rate for residual cash flows	1.029%				

Note: Floating rate is the average rate of the 90-day short-term bills in the secondary market of Telerate Information Inc., at 11:00am of Taipei time two working days prior to the first day of interest period of financial assets (shown on page 6165).

The investors of the subordinated certificates have a right over any remaining interest paid after fixed interest has been paid to the holders of the senior certificates in accordance with the principal amount. Any prepayment of principal shall be paid to the tranche in the order mentioned above. When the debtors fail to pay on schedule, the investors and Fuhwa Bank have no recourse to the other assets of Bank SinoPac. Bank SinoPac has a right over the subordinated certificates. The value of the subordinated certificates is subject to credit and interest rate risks on the transferred financial assets.

b. Sensitivity analysis

As of September 30, 2004, key economic assumptions and the sensitivity of the current fair value of residual cash flows to immediate 10 percent and 20 percent adverse changes in these assumptions were as follows:

	<u>Enterprise Loans</u>
Carrying amount of retained interest	\$ 1,014,300
Weight-average life (in years)	3
Discount rate of residual cash flows (annual rate)	1.029%
Impact on fair value of 10% adverse change	(33)
Impact on fair value of 20% adverse change	(299)

- c. The securitized enterprise loans had not resulted in any credit losses as of September 30, 2004; thus, the expected static pool credit losses (total amount of actual credit losses and expected credit losses divided by securitized enterprise loans) are equal to the expected credit losses. Bank SinoPac anticipated that no credit losses came from the securitized enterprise loans since there is no case in default on those loans.

d. Cash flows

The table below summarizes certain cash receipts and cash payments on the securitization trust:

	<u>For the Nine Months Ended September 30, 2004</u>
Proceeds from new securitizations	\$ 3,885,700
Current cash reserve	16,057

14. PROPERTIES

	<u>September 30</u>	
	<u>2004</u>	<u>2003</u>
Cost	\$ 12,152,901	\$ 11,809,958
Accumulated depreciation		
Buildings	553,279	461,550
Computer equipment	1,245,491	1,048,351
Transportation equipment	65,634	88,347
Office and other equipment	<u>2,264,476</u>	<u>2,019,979</u>
	4,128,880	3,618,227
Advances on acquisitions of equipment and construction in progress	<u>89,692</u>	<u>217,675</u>
Net	<u>\$ 8,113,713</u>	<u>\$ 8,409,406</u>

15. OTHER ASSETS

	September 30	
	2004	2003
Guarantee deposits	\$ 7,266,260	\$ 4,015,726
Guarantee deposits received on futures contracts	4,517,073	1,983,138
Pledged time deposits	2,290,900	2,513,400
Value of options purchased	2,193,915	2,058,866
Intangible assets	1,734,883	1,749,629
Collateral assumed	940,579	737,348
Properties held for lease—net	370,659	354,289
Computer system software	339,714	345,048
Deferred income tax assets	339,025	274,548
Deferred charges	211,946	349,606
Prepaid pension cost	218,431	190,180
Other	482,935	444,100
	<u>\$ 20,906,320</u>	<u>\$ 15,015,878</u>

As of September 30, 2004 and 2003, guarantee deposits included \$6,546,055 and \$3,480,183, respectively, which were in the forms of government bonds, corporate bonds, certificate of deposits and bank debentures.

SinoPac Holdings 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, respectively. SinoPac Holdings recognized the differences between the acquisition costs and equity of net assets as intangible assets.

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

16. SHORT-TERM BORROWINGS

	September 30	
	2004	2003
Current portion of long-term borrowings	\$ 4,548,123	\$ -
Short-term borrowings	2,717,000	6,824,000
Current portion of corporate bonds payable	-	550,000
	<u>\$ 7,265,123</u>	<u>\$ 7,374,000</u>

As of September 30, 2004, current portion of long-term borrowings had the last maturity dates in July 2005 with interest rates from 1.40% to 2.00%.

As of September 30, 2004 and 2003, short-term borrowings had the last maturity dates in October 2004 to July 2005 and October 2003 to July 2004 with interest rates from 1.20% to 2.00% and from 1.18% to 3.50%, respectively.

As of September 30, 2003, current portion of corporate bonds payable had the last maturity dates in March 2004 with interest rates 5.30%.

17. COMMERCIAL PAPERS PAYABLE

	September 30	
	2004	2003
Commercial papers payable	\$ 7,750,000	\$ 5,255,000
Less—unamortized discount	<u>3,620</u>	<u>3,341</u>
Net	<u>\$ 7,746,380</u>	<u>\$ 5,251,659</u>
Maturity date	93.10-94.08	92.10-93.02
Discount rate	0.61%-1.84%	0.50%-1.80%

18. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

As of September 30, 2004 and 2003, securities sold under agreements to repurchase will be repurchased for \$18,561,429 and \$10,352,419 in December 2004 and April 2004, respectively.

19. WARRANT LIABILITIES—NET

	September 30	
	2004	2003
Warrant liabilities	\$ 298,000	\$ 1,001,500
Repurchase of warrants issued	(<u>38,324</u>)	(<u>499,095</u>)
Net	<u>\$ 259,676</u>	<u>\$ 502,405</u>

Details of warrant liabilities of warrants issued as of September 30, 2004 and 2003 were as follows:

September 30, 2004							
	Listing (Trading Date)	Underlying Securities	Units Issued	Price at Issuance (in New Taiwan Dollars)	Amount	Strike Price (in New Taiwan Dollars)	Leverage at Issuance
SinoPac Securities 37	January 12, 2004	Mega Financial Holding Company	20,000,000	\$ 1.370	\$ 27,400	\$ 28.32	14.89
SinoPac Securities 38	January 13, 2004	United Microelectronics Corp.	20,000,000	2.075	41,500	41.52	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	22.74	8.90
SinoPac Securities 41	February 19, 2004	Prodisc	20,000,000	3.360	67,200	38.03	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 Corporation	20,000,000	4.540	90,800	56.87	9.47
SinoPac Securities 44	March 24, 2004	Mega Financial Holding Company	20,000,000	1.682	33,640	31.79	13.61
SinoPac Securities 45	March 29, 2004	United Microelectronics Corps.	20,000,000	2.375	47,500	44.15	13.43
SinoPac Securities 46	April 26, 2004	Hua Nan Financial Holdings Co., Ltd.	20,000,000	2.820	56,400	38.22	10.74
SinoPac Securities 47	April 26, 2004	Walsin Lihwa Corp.	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	31.65	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	44.43	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	29.79	8.58
SinoPac Securities 53	July 5, 2004	CMC Magnetics Corp.	20,000,000	2.377	47,540	24.38	7.28
SinoPac Securities 54	July 8, 2004	Chang Hwa Bank	20,000,000	2.625	52,500	28.65	7.28

(Continued)

September 30, 2004

	Listing (Trading Date)	Underlying Securities	Units Issued	Price at Issuance (in New Taiwan Dollars)	Amount	Strike Price (in New Taiwan Dollars)	Leverage at Issuance
SinoPac Securities 55	July 8, 2004	United Microelectronics Corp.	20,000,000	\$ 2.725	\$ 54,500	\$ 32.94	8.73
SinoPac Securities 56	July 14, 2004	Compal Electronics, Inc.	20,000,000	3.963	79,260	45.80	8.86
Less: Gain on change in market value of warrant liabilities as of September 30, 2004					(692,040)		
Market value					\$ 298,000		

September 30, 2003

	Listing (Trading Date)	Underlying Securities	Units Issued	Price at Issuance (in New Taiwan Dollars)	Amount	Strike Price (in New Taiwan Dollars)	Leverage at Issuance
SinoPac Securities—01	November 1, 2002	Compal Electronics, Inc.	20,000,000	\$ 5.30	\$ 106,000	\$ 47.46	7.00
SinoPac Securities—02	November 28, 2002	Uni-president Enterprises Corp.	20,000,000	2.50	50,000	11.74	4.80
SinoPac Securities—06	May 7, 2003	Systex Corporation	20,000,000	3.20	64,000	21.62	6.80
SinoPac Securities—07	June 10, 2003	Inventec Corporation	20,000,000	2.72	54,400	22.82	7.50
SinoPac Securities—08	June 16, 2003	Lite-On Technology	20,000,000	5.50	110,000	39.85	6.70
SinoPac Securities—09	July 15, 2003	United Microelectronics Corp.	20,000,000	2.32	46,400	29.98	10.00
SinoPac Securities—10	July 15, 2003	Hua Nan Financial Holdings Co., Ltd.	20,000,000	2.57	51,400	31.18	9.00
SinoPac Securities—11	July 16, 2003	Far Eastern Textile Ltd.	20,000,000	1.38	27,600	18.77	9.90
SinoPac Securities—12	July 21, 2003	Mitac International Corp.	20,000,000	1.63	32,600	21.00	8.60
SinoPac Securities—13	July 21, 2003	Delta Electronics, Inc.	20,000,000	4.54	90,800	67.65	9.90
SinoPac Securities—14	August 4, 2003	Siliconware Precision Industries Co., Ltd.	20,000,000	2.57	51,400	36.00	9.30
SinoPac Securities—15	September 12, 2003	E.Sun Financial Holding Company, Ltd.	20,000,000	1.58	31,600	27.00	11.40
SinoPac Securities—16	September 12, 2003	TECO Electric & Machinery Co., Ltd.	20,000,000	1.23	24,600	17.55	9.50
SinoPac Securities—17	September 17, 2003	Hua Nan Financial Holding Co.	20,000,000	1.68	33,600	35.70	14.20
SinoPac Securities—18	September 17, 2003	Chang Hwa Bank	20,000,000	1.48	29,600	23.75	11.20
SinoPac Securities—19	September 18, 2003	Evergreen Marine Corp.	20,000,000	2.52	50,400	35.40	9.40
SinoPac Securities—20	September 18, 2003	United Microelectronics Corp.	20,000,000	2.47	49,400	44.40	11.98
SinoPac Securities—21	September 23, 2003	Acer Incorporated	20,000,000	4.64	92,800	76.50	10.99
SinoPac Securities—22	September 30, 2003	Compal Electronics, Inc.	20,000,000	4.10	82,000	78.00	12.68
SinoPac Securities—23	September 30, 2003	Micro-star International Co., Ltd.	20,000,000	6.62	132,400	94.50	9.52
SinoPac Securities—P1	July 23, 2003	Coretronic Corp.	5,000,000	4.69	23,450	30.21	5.90
Less: Gain on change in market value of warrant liabilities as of September 30, 2003					(232,950)		
Market value					\$ 1,001,500		

Details of repurchase of warrants issued as of September 30, 2004 and 2003 were as follows:

	September 30			
	2004		2003	
	Units Repurchased	Amount	Units Repurchased	Amount
SinoPac Securities—01	-	\$ -	10,292,000	\$ 67,903
SinoPac Securities—02	-	-	414,000	645
SinoPac Securities—06	-	-	1,062,000	1,746
SinoPac Securities—07	-	-	1,400,000	4,562
SinoPac Securities—08	-	-	6,247,000	39,191
SinoPac Securities—09	-	-	3,565,000	14,959
SinoPac Securities—10	-	-	1,708,000	3,895
SinoPac Securities—11	-	-	1,501,000	2,383
SinoPac Securities—12	-	-	1,372,000	1,942
SinoPac Securities—13	-	-	7,461,000	27,033
SinoPac Securities—14	-	-	6,745,000	18,850
SinoPac Securities—15	-	-	9,647,000	13,153
SinoPac Securities—16	-	-	12,338,000	14,650
SinoPac Securities—17	-	-	14,170,000	23,021
SinoPac Securities—18	-	-	9,778,000	13,978
SinoPac Securities—19	-	-	13,649,000	34,218
SinoPac Securities—20	-	-	17,859,000	48,537
SinoPac Securities—21	-	-	18,779,000	76,135
SinoPac Securities—22	-	-	18,255,000	64,994
SinoPac Securities—23	-	-	19,299,000	119,505
SinoPac Securities—37	90,000	129	-	-
SinoPac Securities—38	88,000	170	-	-
SinoPac Securities—39	91,000	74	-	-
SinoPac Securities—40	6,000	12	-	-
SinoPac Securities—41	26,000	53	-	-
SinoPac Securities—42	43,000	59	-	-
SinoPac Securities—43	6,000	54	-	-
SinoPac Securities—44	9,000	13	-	-
SinoPac Securities—45	29,000	57	-	-
SinoPac Securities—46	1,709,000	1,218	-	-
SinoPac Securities—47	100,000	70	-	-
SinoPac Securities—48	3,000	2	-	-
SinoPac Securities—49	5,370,000	1,430	-	-
SinoPac Securities—50	20,000	19	-	-
SinoPac Securities—51	1,883,000	963	-	-
SinoPac Securities—52	186,000	80	-	-
SinoPac Securities—53	1,521,000	2,065	-	-
SinoPac Securities—54	4,067,000	5,851	-	-
SinoPac Securities—55	3,416,000	4,147	-	-
SinoPac Securities—56	12,761,000	20,647	-	-
SinoPac Securities—P1	-	-	3,281,000	13,045
Gain from (loss on) change in market value of warrants repurchased		<u>1,211</u>		<u>(105,250)</u>
Market value		<u>\$ 38,324</u>		<u>\$ 499,095</u>

The warrants are American-type warrants and expire between six to twelve months after their respective listed dates. At its option, SinoPac securities can settle a warrant either by issuing the underlying securities or paying in cash.

The market values of warrant liabilities and warrants repurchased were calculated using their closing prices on September 30, 2004 and 2003, respectively.

20. ACCOUNTS, INTEREST AND OTHER PAYABLES

	<u>September 30</u>	
	<u>2004</u>	<u>2003</u>
Accounts and notes payable	\$ 9,760,025	\$ 9,526,299
Short sale proceeds payable	2,341,442	2,367,348
Tax payable	1,803,425	1,041,230
Deposits on short sales	1,672,955	1,750,998
Notes and checks in clearing	1,418,185	1,334,938
Accrued expenses	1,372,697	1,466,024
Interest payable	1,320,225	1,354,553
Receipts under custody payable	357,526	388,478
Securities brokerage credit account—net	185,900	-
Other	<u>555,560</u>	<u>1,904,983</u>
	<u>\$ 20,787,940</u>	<u>\$ 21,134,851</u>

The balance of the accounts payable as of September 30, 2004 and 2003 included \$8,891,214 and \$7,621,960, respectively, representing costs of accounts receivable acquired from other parties in the factoring business.

21. DEPOSITS AND REMITTANCES

	<u>September 30</u>	
	<u>2004</u>	<u>2003</u>
Checking	\$ 11,180,181	\$ 9,098,805
Demand	69,823,634	57,249,154
Savings—demand	72,358,739	60,880,389
Time	119,734,085	122,662,866
Negotiable certificates of deposit	27,824,100	25,714,800
Savings—time	65,422,911	59,832,958
Inward remittances	556,993	441,023
Outward remittances	<u>162,164</u>	<u>385,071</u>
	<u>\$ 367,062,807</u>	<u>\$ 336,265,066</u>

22. BANK DEBENTURES

	<u>September 30</u>		<u>Maturity Date</u>	<u>Terms</u>
	<u>2004</u>	<u>2003</u>		
First dominant bank debenture issued in 2001	\$ 5,000,000	\$ 5,000,000	2001.12.20-2006.12.20 Principal is repayable on maturity date.	Fixed interest rate of 3.08%. Interest is paid annually.
First subordinated bank debenture issued in 2002	1,950,000	2,000,000	2002.12.23-2008.03.23 Principal is repayable on maturity date.	Floating interest rate except for the first two years fixed at 2.15%. Interest is paid semiannually.
First dominant bank debenture issued in 2003	1,000,000	1,000,000	2003.02.14-2008.02.14 Principal is repayable on maturity date.	3.65% minus 6-month LIBOR. Interest is paid semiannually.
Second dominant bank debenture issued in 2003	500,000	500,000	2003.03.19-2008.09.19 Principal is repayable on maturity date.	3.48% minus 6-month LIBOR. Interest is paid semiannually.

(Continued)

	<u>September 30</u>		<u>Maturity Date</u>	<u>Terms</u>
	<u>2004</u>	<u>2003</u>		
Third dominant bank debenture issued in 2003	\$ 1,500,000	\$ 1,500,000	2003.05.09-2008.11.09 Principal is repayable on maturity date.	4.15% minus 6-month LIBOR except for the first year fixed at 2.50%. Interest is paid semiannually.
Fourth dominant bank debenture issued in 2003	400,000	400,000	2003.05.09-2008.11.09 Principal is repayable on maturity date.	2% plus 180-day—NTD CP rate in secondary market and minus 6-month LIBOR. Interest is paid semiannually.
First subordinated bank debenture issued in 2003	2,500,000	2,500,000	2003.06.18-2008.12.18 Principal is repayable on maturity date.	180-day CP rate in secondary market plus 0.3%. Interest is paid semiannually.
Fifth dominant bank debenture issued in 2003	1,000,000	1,000,000	2003.08.11-2010.08.11 Principal is repayable on maturity date.	Floating rate.
Sixth dominant bank debenture issued in 2003	700,000	700,000	2003.08.20-2009.02.20 Principal is repayable on maturity date.	Floating rate.
Seventh dominant bank debenture issued in 2003	800,000	800,000	2003.09.16-2008.09.16 Principal is repayable on maturity date.	Floating rate.
Eighth dominant bank debenture issued in 2003	500,000	500,000	2003.09.16-2008.09.16 Principal is repayable on maturity date.	Floating rate.
Ninth dominant bank debenture issued in 2003	300,000	300,000	2003.09.22-2008.09.22 Principal is repayable on maturity date.	Floating rate.
Tenth dominant bank debenture issued in 2003	1,000,000	-	2003.11.05-2008.11.05 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Eleventh dominant bank debenture issued in 2003	1,000,000	-	2003.11.14-2008.11.14 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Twelfth dominant bank debenture issued in 2003	500,000	-	2003.11.21-2008.11.21 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Thirteenth dominant bank debenture issued in 2003	500,000	-	2003.11.28-2008.11.28 Principal is repayable on maturity date.	Floating rate except for the first year fixed at 4%. Interest is paid semiannually.
Fourteenth dominant bank debenture issued in 2003	2,200,000	-	2003.12.02-2009.06.02 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Second subordinated bank debentures issued in 2003	3,600,000	-	2004.03.18-2009.09.18 Principal is repayable on maturity date.	Fixed interest rate of 2.3%, interest is paid semiannually.
First dominant bank debentures issued in 2004	500,000	-	2004.04.26-2009.10.26 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Second dominant bank debentures issued in 2004	300,000	-	2004.04.28-2009.10.28 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Third dominant bank debentures issued in 2004	500,000	-	2004.04.29-2009.04.29 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Fourth dominant bank debentures issued in 2004	200,000	-	2004.05.14-2009.05.14 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Fifth dominant bank debentures issued in 2004	300,000	-	2004.05.17-2009.05.17 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Sixth dominant bank debentures issued in 2004	500,000	-	2004.05.17-2009.05.17 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Seventh dominant bank debentures issued in 2004	200,000	-	2004.05.21-2009.05.21 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.

(Continued)

	<u>September 30</u>		<u>Maturity Date</u>	<u>Terms</u>
	<u>2004</u>	<u>2003</u>		
Eighth dominant bank debentures issued in 2004	\$ 500,000	\$ -	2004.05.21-2011.05.21 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Ninth dominant bank debentures issued in 2004	300,000	-	2004.06.03-2009.06.03 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Tenth dominant bank debentures issued in 2004	500,000	-	2004.06.07-2009.06.07 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Eleventh dominant bank debentures issued in 2004	200,000	-	2004.06.15-2009.06.15 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Twelfth dominant bank debentures issued in 2004	500,000	-	2004.06.15-2010.06.15 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Thirteenth dominant bank debentures issued in 2004	300,000	-	2004.06.30-2009.06.30 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Fourteenth dominant bank debentures issued in 2004	500,000	-	2004.07.09-2010.07.09 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Fifteenth dominant bank debentures issued in 2004	500,000	-	2004.07.13-2011.07.13 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
First subordinated bank debenture issued in 2004	1,500,000	-	2004.09.14-2010.06.14 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Second dominant bank debentures issued in 2004	500,000	-	2004.09.14-2010.06.14 Principal is repayable on maturity date.	Index rate plus 0.50%. Interest is reset semiannually since the issuance date. Interest is paid semiannually.
FENB subordinated bank debenture	339,840	337,800	2003.06.26-2013.06.26 Principal is repayable on maturity date.	Floating rate, interest is paid quarterly.
FENB subordinated bank debenture	169,920	168,900	2003.09.17-2013.09.17 Principal is repayable on maturity date.	Floating rate, interest is paid quarterly.
	<u>\$ 33,259,760</u>	<u>\$ 16,706,700</u>		

23. BONDS PAYABLE

	<u>September 30</u>	
	<u>2004</u>	<u>2003</u>
Euro-convertible bonds	\$ -	\$ 7,834,230
Add: Interest premium payable	-	428,254
	<u>-</u>	<u>8,262,484</u>
Domestic corporation bonds	<u>2,000,000</u>	<u>2,000,000</u>
	<u>\$ 2,000,000</u>	<u>\$ 10,262,484</u>

SinoPac Holdings had 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 SinoPac Holdings: The Bonds may be redeemed in whole at their early redemption amount including principal and interest premium, at the option of SinoPac Holdings.
 - 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 SinoPac Holdings to pay such additional amounts of the Bonds.
- 2) Redemption at the option of the bondholders: SinoPac Holdings 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 SinoPac Holdings prior to the put date. The put rights will be expired after the put date.
 - b) If the common shares of SinoPac Holdings 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 SinoPac Holdings.

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 SinoPac Holdings, 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”. SinoPac Holdings 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 SinoPac Holdings’ 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, SinoPac Holdings 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 SinoPac Holdings 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 SinoPac Holdings 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 nine months ended September 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 SinoPac Holdings.

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).

In addition, the offering terms of domestic corporate bonds issued by SinoPac Securities are as follows:

	<u>September 30, 2004</u>
a. Pledged	Negative
b. Interest rate per annum	1.50%
c. Duration	3 years (2003.9.12-2006.9.25)
d. Interest payment terms	The simple interest will be paid annually
e. Redemption terms	The principal amount will be redeemed fully on the maturity date

24. LONG-TERM BORROWINGS

	<u>September 30</u>	
	<u>2004</u>	<u>2003</u>
Commercial papers payable	\$ 4,487,500	\$ 4,200,000
Less—unamortized discount	<u>4,302</u>	<u>2,003</u>
	4,483,198	4,197,997
Unsecured loans	<u>4,462,500</u>	<u>650,000</u>
Subtotal	8,945,698	4,847,997
Less—mature in one year	<u>4,548,123</u>	<u>-</u>
	<u>\$ 4,397,575</u>	<u>\$ 4,847,997</u>
Interest rate per annum	1.61%-2.29%	0.75%-3.40%

25. 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 September 30, 2004, the Company had a capital stock \$39,452,343, divided into 3,945,234,269 common shares. In the nine months ended September 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 shareholders \$1,724,138 in stock dividends and to the employees \$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 share swap comes from its subsidiaries' unappropriated retained earnings after legal and special reserves, the surplus is excluded from the restriction as prescribed in the Securities and Exchange Law.

The subsidiaries' unappropriated retained earnings before the shares swap amounted to \$3,720,981 which the Company accounted for as capital surplus at the date of establishment. In their June 26, 2002 first provisional meeting, the stockholders resolved to capitalize \$2,097,745 of this capital surplus as common stock 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. Earnings distribution 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 reserve, 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 remainder and retained earnings from previous year.

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

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

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

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

On 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:

	<u>Appropriation of Earnings</u>		<u>Dividend Per Share (NT\$)</u>	
	<u>For the Year Ended December 31, 2003</u>	<u>For the Period from May 9, 2002 to December 31, 2002</u>	<u>For the Year Ended December 31, 2003</u>	<u>For the Period from May 9, 2002 to December 31, 2002</u>
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.

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

d. Employee stock option certificate

On April 7, 2003, the Board 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 numbers of shares during each fiscal year may not exceed 1% of the total numbers of shares issued at the end of such fiscal year.

2) Exercise price:

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

3) Terms and vesting of the rights:

- a) Two years after the option certificates have been granted, less than or equal to 50% of the total granted options may be vested; three years after, another 10% may be vested; four years after, a further 20% may be vested; five years after, the remaining 20% of the total granted options may be vested.
- b) The term of stock option certificates is seven years. No transfer, collateral, negotiability, or any other methods of disposal are allowed during this period, except to inheritors in case of death of eligible employees of stock options.
- c) The Company reserves the right to cancel the option certificates which have been granted but not vested when the eligible employees fail to meet the performance requirements, or committed a significant mistake against the corporate regulations.

4) Type of shares obtained upon exercise: The Company's common stock

5) All rights and options are surrendered on the expiration date of the certificates.

6) Procedures for handling surrendered stock option certificate:

For the surrendered rights of the stock option, the Company will withdraw and cancel the certificates.

7) Method for exercise: Issuance of new shares of SinoPac Holdings.

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 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.

26. TREASURY STOCK

(Shares in Thousands)

<u>Reasons</u>	<u>Shares at the Beginning of Period</u>	<u>Shares Increased During the Period</u>	<u>Shares Decreased During the Period</u>	<u>Shares at the End of Period</u>
<u>For the nine months ended September 30, 2004</u>				
Reissuance to employees—SinoPac Holdings	-	19,649	-	19,649
Shares held by subsidiaries	216,543	9,952	-	226,495
<u>For the nine months ended September 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 capital surplus arising from gains on disposal of properties and donated capital. The Company should not use treasury stock to secure any of its obligations and to exercise any shareholders' rights on those stocks.

Sinopac Holdings' capital stock held by subsidiaries is treated as treasury stock; thus, the subsidiaries may not exercise stockholders' rights on the treasury stock excluding those of which bought by the subsidiaries before the share swap that was made to establish Sinopac Holdings. Under the Financial Holding Company Act, Sinopac Holdings' shares held by the subsidiaries may only own the stockholders' right on earnings appropriation, as well as the capitalization by legal reserve or capital surplus.

In the nine months ended September 30, 2004, Sinopac Holdings acquired 19,649,000 shares of its outstanding stocks for \$333,973. Sinopac Holdings 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 share swap, the aforementioned capital stocks had been exchanged for 95,475,631 shares of SinoPac Holdings. SinoPac Holdings 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. Those shares had been swapped for 204,106,675 shares of SinoPac Holdings, together with stock dividends of 12,436,219 shares from capital surplus and 9,952,536 shares from earnings received, were presented as securities purchased in Bank SinoPac's book; while SinoPac Holdings treated such 226,495,430 shares with carrying value of \$2,896,922 as treasury stock according to accounting principles generally accepted in the ROC.

Pursuant to the Financial Holding Company Act, the aforementioned treasury stock held by Bank SinoPac (i) may be reissued to the employees of SinoPac Holdings or SinoPac Holdings' subsidiaries within three years, (ii) may be used for equity conversion, or (iii) may be sold on a stock exchange or over-the-counter market. In the event that such shares are not timely reissued or sold, such shares should be cancelled and decrease the Company's capital, in addition, the alteration registration should be completed

To deal with SinoPac Holdings' shares held by Bank SinoPac, the Board of SinoPac Holdings 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, SinoPac Holdings' Board resolved to revoke the transfer method because it thought it would be better to wait for the time when SinoPac Holdings' stock price recovers before discussing the transfer plan.

27. SERVICE FEES

For the Nine Months Ended September 30

	<u>2004</u>	<u>2003</u>
Brokerage	\$ 2,950,557	\$ 2,310,600
Mutual funds	294,875	225,086
Structured notes	291,110	99,353
Credit card services	280,557	187,195
Factoring and financing	258,252	215,663
Loan documentation fee	174,917	82,914
Syndicated loans	133,697	21,423
Custody	122,995	124,913
Underwriting	108,115	180,950
Import and export	100,774	46,069
Other	<u>801,298</u>	<u>500,199</u>
	<u>\$ 5,517,147</u>	<u>\$ 3,994,365</u>

28. INCOME FROM SECURITIES—NET

For the Nine Months Ended September 30

	<u>2004</u>	<u>2003</u>
Short-term bills		
Interest revenue	\$ 1,143,347	\$ 1,203,298
Capital gain—net	<u>349</u>	<u>36,294</u>
	<u>1,143,696</u>	<u>1,239,592</u>
Bonds		
Capital gain—net	295,972	959,969
Interest revenue	<u>22,094</u>	<u>40,944</u>
	<u>318,066</u>	<u>1,000,913</u>
Mutual funds beneficiary certificates		
Capital gain—net	595	1,064
Dividend income	<u>485</u>	<u>-</u>
	<u>1,080</u>	<u>1,064</u>
Stock		
Capital gain—net	454,657	960,413
Dividends income	<u>211,478</u>	<u>293,574</u>
	<u>666,135</u>	<u>1,253,987</u>
Warrants		
Capital gain (loss)—net	(685,205)	25,600
Other		
Capital gain (loss)—net	(80,480)	34,109
Subtotal	1,363,292	3,555,265
Provision of allowance for decline in market value	(365,810)	(55,073)
Net	<u>\$ 997,482</u>	<u>\$ 3,500,192</u>

29. OPERATING AND ADMINISTRATIVE EXPENSES**For the Nine Months Ended
September 30**

	<u>2004</u>	<u>2003</u>
Personnel expenses		
Salaries and wages	\$ 4,188,914	\$ 3,297,029
Labor insurance and national health insurance	213,468	221,713
Pension	184,026	155,639
Other personnel expenses	78,917	761,737
Depreciation	568,508	552,904
Amortization	247,554	254,093
Other	<u>3,593,787</u>	<u>3,023,132</u>
	<u>\$ 9,075,174</u>	<u>\$ 8,266,247</u>

**30. CUSTOMER'S COLLATERAL
SECURITIES AND STOCK LOANS****September 30**

	<u>2004</u>		<u>2003</u>	
	<u>Shares in Thousands</u>	<u>Market Value</u>	<u>Shares in Thousands</u>	<u>Market Value</u>
Collateral securities	1,193,941	\$23,421,292	156,364	\$23,865,860
Stock loans	94,356	2,383,686	98,752	2,377,223
Refinancing stock loans	143	3,432	810	43,970

The market values were based on the closing prices on the last transaction days in September 2004 and 2003.

31. PENSION

SinoPac Holdings has a defined benefit pension plan for all regular employees. SinoPac Holdings 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.

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

FENB has a pension plan for regular employees who have been employed for at least one year. Under this plan, employees may contribute up to 15% of their annual salary with FENB matching up to 3% of the employee's contribution.

SinoPac Securities has pension and severance plans covering all regular employees. Employees are entitled to receive retirement benefits: (i) those who have served either 25 years or over 15 years and are 55 years old; and (ii) those hired on or before May 19, 1997 and with more than 20 service years. In addition, employees hired on or before March 15, 1996 and have served at least five years are eligible to receive severance benefits. The pension and severance benefits are based on the average year' salary or wage before retirement or termination. SinoPac Securities makes monthly contributions, equal to 6% of basic salaries and wages (net of bonuses and benefits), to a pension fund. The Fund is administered by the employee's pension plan supervisors committee and deposited in the committee's name. An employees pension plan supervisors committee administers fund.

SinoPac Futures Corporation has pension plans for all its regular employees. The pension benefits are based on the average six months' salary before retirement or termination. SinoPac Futures Corporation appropriates fund based on fixed percentage of salary to the pension fund supervision committee who deposits the fund to the Central Trust Corporation on the committee's behalf.

AnShin Card Services has set up a defined benefit retirement plan covering all regular employees. Pursuant to this plan, employees are eligible for retirement or are required to retire after meeting certain age or service requirements. The retirement benefits are based on number of years of service rendered and the last six months' average salary before retirement. Each employee will earn two months' salary for each of the first fifteen years of service, and one month's salary for each service year from the sixteenth year onwards. The maximum is forty-five months of salary.

In accordance with the Labor Standards Law, the Company contributes 2% of salaries to a pension fund maintained with the Central Trust of China on a monthly basis. Retirement benefits are paid firstly from the pension fund.

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

	For the Nine Months Ended September 30	
	2004	2003
Balance, January 1	\$ 1,540,584	\$ 1,326,668
Contributions	225,497	212,083
Contributions from affiliates	-	1,359
Benefits paid	(48,955)	(101,106)
Interest income	<u>31,192</u>	<u>28,675</u>
Balance, September 30	<u>\$ 1,748,318</u>	<u>\$ 1,467,679</u>

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

	For the Nine Months Ended September 30, 2004			
	SinoPac Holdings	Bank SinoPac	SinoPac Securities and Subsidiaries	AnShin Card Services
Balance, January 1	\$ 8,601	\$ 101,478	(\$ 197,699)	\$ 11,563
Provision	5,591	127,380	40,655	6,669
Contributions	(1,214)	(115,119)	(59,745)	(4,334)
Benefit paid	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>
Balance, September 30	<u>\$ 12,978</u>	<u>\$ 113,739</u>	<u>(\$ 216,789)</u>	<u>\$ 13,897</u>

	For the Nine Months Ended September 30, 2003			
	SinoPac Holdings	Bank SinoPac	SinoPac Securities and Subsidiaries	AnShin Card Services
Balance, January 1	\$ 3,200	\$ 76,813	(\$ 163,110)	\$ 11,408
Provision	5,234	118,818	24,358	6,282
Contributions	(1,246)	(98,759)	(50,790)	(3,627)
Balance, September 30	<u>\$ 7,188</u>	<u>\$ 96,872</u>	<u>(\$ 189,542)</u>	<u>\$ 14,063</u>

For the nine months ended September 30, 2004 and 2003, pension expenses (including Bank SinoPac's overseas branches) amounted to \$184,026 and \$155,639, respectively.

32. INCOME TAX

Under a directive issued by the 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 and unappropriated earnings 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. The compositions of income tax were as follows:

	For the Nine Months Ended September 30	
	2004	2003
Current income tax payable	\$ 1,345,697	\$ 359,811
Changes in deferred income taxes	(36,676)	282,732
Separation taxes on short-term bills interest revenue	117,316	203,391
Prior year's adjustment	(108,498)	47,712
Foreign income taxes payable or over limitation	26,272	29,681
Tax on unappropriated earnings (10%)	1,382	19,851
Effect upon adoption of the linked tax system	(1,404)	(13,174)
Income tax	<u>\$ 1,344,089</u>	<u>\$ 930,004</u>

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

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

	For the Nine Months Ended September 30	
	2004	2003
Tax on pretax income at statutory rate	\$ 2,555,637	\$ 2,239,351
Add (deduct) tax effects of:		
Tax-exempt income	(62,349)	(168,662)
Permanent difference	(1,234,880)	(1,529,535)
Temporary difference	109,904	(266,376)
Investment tax credit	(4,310)	(5,119)
Loss carryforward	(10,366)	88,379
Other	(7,939)	1,773
Currently income tax payable	<u>\$ 1,345,697</u>	<u>\$ 359,811</u>

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

	For the Nine Months Ended	
	September 30	
	2004	2003
Provision for credit and trading losses	\$ 390,698	\$ 160,436
Loss carryforward	206,800	435,002
Allowance for bad debts beyond limits	12,535	25,122
Contribution to employees welfare fund	609	1,999
Investment tax credit	542	5,119
Investment income under the equity method	(662,980)	(530,715)
Deferred loan fees	(177,266)	(89,132)
Goodwill amortization	(56,242)	(78,154)
Deferred pension cost	(18,024)	(17,376)
Premium from issuance of warrants	(136,732)	(106,740)
Effect upon adoption of the linked tax system	(117,206)	-
Unrealized foreign exchange loss (gain)	3,483	(50,169)
Deferred organization costs	5,852	4,006
Other	<u>101,628</u>	<u>42,830</u>
Deferred income tax liabilities—net	(<u>\$ 446,303</u>)	(<u>\$ 197,772</u>)

d. Imputed tax credit information is as follows:

	September 30	
	2004	2003
<u>Balances of ICA</u>		
SinoPac Holdings	\$ 5,547	\$ 1,708
Bank SinoPac	37,719	168,558
SinoPac Securities	17,717	9,653
SinoPac Life Insurance Agent	25,991	26,484
SinoPac Property Insurance Agent	461	471
SinoPac Futures	9,488	14,777

	For the Nine Months Ended	
	September 30	
	2004	2003
<u>The actual creditable tax ratios for earnings</u>		
SinoPac Holdings	9.68%	14.04%
Bank SinoPac	12.82%	9.11%
SinoPac Securities	4.34%	6.24%
SinoPac Life Insurance Agent	33.51%	0.15%
SinoPac Property Insurance Agent	33.33%	18.13%
SinoPac Futures	37.09%	33.33%

All of the unappropriated retained earnings for the aforesaid companies as of September 30, 2004 and 2003 did not consist of earnings which were generated before January 1, 1998. In addition, as of September 30, 2004 and 2003, AnShin Card Services' ICA was both nil and there was no distributable earnings due to the deficit of the respective periods.

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

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

- e. As of September 30, 2004, income tax returns of SinoPac Holdings by the period from May 9, 2002 to December 31, 2002 had been examined by the tax authorities.
- f. For Bank SinoPac, income tax returns through 2001, except those for 1996, had been examined by the tax authorities. On the income tax returns for the aforementioned years, the tax authorities denied the creditability of 10% withholding tax on interest income on bonds pertaining to the period when those bonds were held by other investors. The Bank appealed the decision of the tax authorities. Nevertheless, on the basis of conservative principles, in 2001, the Bank recognized \$111,209 as part of income tax expenses to reflect accrued liabilities and any assets written off in relation to the foregoing withholding taxes.

In January 2004, Bank SinoPac reached an agreement with the Taipei National Tax Administration (TNTA) on the above appealing cases, in which TNTA would refund 65% of the withholding tax denied on the interest income on bonds to Bank SinoPac. Consequently, Bank SinoPac accrued 35% of the withholding tax denied on the interest income on bonds as income tax expenses for 2003 and 2002, which were not refunded by tax authorities. Bank SinoPac reversed the accrued income tax expenses on interest income on bonds amounting to \$74,063.

- g. For SinoPac Securities, the income tax returns through 2000 had been examined by the tax authorities. The tax authorities disallowed as deduction against the SinoPac Securities' income tax obligations from 1994 to 2000 on items such as operating expenses and interest expenses on dealing department and assessment of warrants. SinoPac Securities had filed an appeal for reconsideration of the assessments for the income tax returns from 1994 to 2000. However, SinoPac Securities accrued probable amounts assessed by the tax authorities as additional income tax expenses.

The income tax returns of SPS through 2001 had been examined by the tax authorities.

SinoPac Securities had reached an at agreement with TNTA on the aforementioned cases which SinoPac Securities agreed TNTA to receive a tax refund 60% of tax withheld from the bond interest income. SinoPac Securities recognized \$33,990 as a part of income tax revenue for the nine months ended September 30, 2004.

- h. For AnShin Card Services, the income tax returns through 2001 had been examined by the tax authorities. According to the ROC Income Tax Law, assessed losses can be carried forward the following five years and used to reduce taxable income. As of September 30, 2004, AnShin Card Services' loss carryforward were as follows:

<u>Year Occurred</u>	<u>Expiration Year</u>	<u>Amount</u>
2000 (examined)	2005	\$ 103,360
2001 (examined)	2006	404,705
2002 (filed)	2007	<u>514,371</u>
		<u>\$ 1,022,436</u>

- i. For SinoPac Life Insurance Agent, SinoPac Property Insurance Agent and SinoPac Futures, the income tax returns had been both examined by the tax authorities through 2001.

33. 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>
<u>For the nine months ended September 30, 2004</u>					
Basic EPS	\$ 5,212,464	\$ 3,839,238	3,701,271	<u>\$ 1.41</u>	<u>\$ 1.04</u>
Influence on diluted common shares:					
Employee stock option certificates	-	-	58,392		
Euro-convertible bonds	<u>298,023</u>	<u>298,023</u>	<u>509,612</u>		
Diluted EPS	<u>\$ 5,510,487</u>	<u>\$ 4,137,261</u>	<u>4,269,275</u>	<u>\$ 1.29</u>	<u>\$ 0.97</u>
<u>For the nine months ended September 30, 2003</u>					
Basic EPS	\$ 4,303,576	\$ 3,354,822	3,658,692	<u>\$ 1.18</u>	<u>\$ 0.92</u>
Influence on diluted common shares:					
Employee stock option certificates	-	-	18,728		
Euro-convertible bonds	<u>291,550</u>	<u>291,550</u>	<u>511,306</u>		
Diluted EPS	<u>\$ 4,595,126</u>	<u>\$ 3,646,372</u>	<u>4,188,726</u>	<u>\$ 1.10</u>	<u>\$ 0.87</u>

34. RELATED-PARTY TRANSACTIONS

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

<u>Name</u>	<u>Relationship with the Company</u>
SinoPac Marketing Consulting Co., Ltd. (SinoPac Marketing Consulting)	Subsidiary
SinoPac Asset Management International (SinoPac Management)	Subsidiary
SinoPac Call Center Co., Ltd. (SinoPac Call Center)	Subsidiary
SinoPac Venture Capital Co., Ltd. (SinoPac Venture Capital)	Subsidiary
Hong Yue Investment Co., Ltd. (Hong Yue Investment)	Supervisor of SinoPac Holdings
Ruentex Interior Design Inc. (Ruentex Interior Design)	Related party in substance (Ruentex Interior Design Inc. was not a related party since the third quarter in 2004)
Li-Seng Develop Company (Li-Seng Develop)	Investee accounted for by the cost method
SinoPac Leasing Corporation (SPL)	Subsidiary of Bank SinoPac
Grand Capital International Limited (Grand Capital)	Subsidiary of SPL
China Television Co., Ltd. (China Television)	Bank SinoPac is a director of the company
Fortune Investment Co., Ltd. (Fortune Investment)	The director of Bank SinoPac
Ruentex Development Co., Ltd. (Ruentex Development)	Related party in substance of Bank SinoPac
Wal Tech International Corporation (Wal Tech International)	Affiliate of Bank SinoPac

(Continued)

<u>Name</u>	<u>Relationship with the Company</u>
SinoPac Capital Management Corporation (SinoPac Capital Management)	Subsidiary of SinoPac Securities
National Electric Appliance Co., Ltd. (National Electric Appliance)	Same chairman
SinoPac Managed Future Co. (SinoPac Managed Future)	Subsidiary of SinoPac Futures Corporation
ING Heart Investment Co., Ltd. (ING Heart Investment)	Originally was the investor accounted for by the equity method (in September 2003, ING Heart Investment sold AnShin Card Services' shares to SinoPac Holdings)
ING Life Insurance Co., of America, Taiwan Branch (ING Life)	An affiliate of ING Heart Investment
National Investment Trust Company (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)
Other	Bank SinoPac's directors, supervisors, managers and their relatives, department chiefs, the investees accounted for by the equity method and subsidiaries of Bank SinoPac, etc.
Other	Related parties under the control of SinoPac Holdings but with no significant transactions with SinoPac Holdings (please see Table 5).

a. Credit extended and deposits taken and placed

	<u>September 30, 2004</u>		<u>For the Nine Months Ended</u>
	<u>Amount</u>	<u>% of Account Balance</u>	<u>September 30, 2004</u>
			<u>Interest Rate (%)</u>
Loans and discounts	\$ 1,171,642	0.40	1.31%-12.30%
Deposits	4,367,443	1.19	0%-6.475%
	<u>September 30, 2003</u>		<u>For the Nine Months Ended</u>
	<u>Amount</u>	<u>% of Account Balance</u>	<u>September 30, 2003</u>
			<u>Interest Rate (%)</u>
Loans and discounts	\$ 1,476,699	0.59	1.48%-12.35%
Deposits	718,445	0.21	0%-6.575%

b. Lease

1) As a lessee

SinoPac Holdings leased certain office premises from National Electric Appliance for a period ranging from May 2002 to December 2005. Rentals were paid annually at the beginning of each year. Rentals paid for the nine months ended September 30, 2004 and 2003 were \$1,693 and \$1,691, respectively. Prepaid rental for the nine months ended September 30, 2004 and 2003 were \$1,358 and \$1,374, respectively.

SinoPac Holdings leased certain apartments as employees' dormitory from Hong Yue Investment for a period ranging from May 2002 to May 2005 with monthly rental payments. Rentals paid for the nine months ended September 30, 2004 and 2003 both were \$2,643.

Bank SinoPac leased certain office premises from China Television, SPL and Ruentex Development with rentals paid monthly. Rentals paid to the aforementioned related parties for the nine months ended September 30, 2004 and 2003 were \$14,788 and \$15,017, respectively.

SinoPac Securities leased office premises from National Electric Appliance and Hong Yue Investment. The rental contract of Po-Ai Building and Wu-Tsang Building with National Electric Appliance lasts for 5 years ending May 2007 and for 1 years ending September 2004. The rental contract with Hong Yue Investment lasts for 5 years ending July 2008. Rentals paid to the aforementioned related parties by SinoPac Securities for the nine months ended September 30, 2004 and 2003 were \$13,231 and \$14,357, respectively, and the prepaid rentals for the nine months ended September 30, 2004 and 2003 were \$5,095 and \$7,277, respectively.

2) As a lessor

Bank SinoPac leased certain office premises to SinoPac Marketing Consulting, SinoPac Call Center, with rentals received monthly. Rentals received for the nine months ended September 30, 2004 and 2003 were \$3,383 and \$2,208, respectively.

Rentals, included in nonoperating income, totaling \$2,504 and \$2,025 were paid to SinoPac Securities by SinoPac Futures and SinoPac Capital Management for the nine months ended September 30, 2004 and 2003, respectively.

c. Guarantees and securities purchased

As of September 30, 2004 and 2003, Bank SinoPac had provided guarantees on commercial papers issued by Wal Tech International. The aggregate face amounts were as follows:

	September 30	
	2004	2003
Wal Tech International	\$ 146,000	\$ 95,000
Fortune Investment	-	11,000
	<u>\$ 146,000</u>	<u>\$ 106,000</u>

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

	September 30	
	2004	2003
Properties—carrying amount	<u>\$ 1,529,214</u>	<u>\$ 1,542,077</u>

Guarantees and credits on Fortune Investment were collateralized by the following assets provided by Fortune Investment.

	September 30	
	2004	2003
Properties—book value	\$ 40,064	\$ -
Stock—market value	8,371	27,128

d. Professional service fees and advisory charges

Bank SinoPac had entered into several professional advisory contracts with its investees. The professional advisory charges paid for the nine months ended September 30, 2004 and 2003 amounted to \$180,048 and \$86,652, respectively.

SinoPac Securities had entered into one-year consulting contracts with SinoPac Capital Management and SinoPac Asset Management, with total contract amounts of \$10,000 and \$2,400, respectively, and both of the advisory fees were paid quarterly. In addition, SinoPac Securities had entered into a contract with SinoPac Call Center for outsourcing customer call services. The contract lasts for one year starting January 2004 and the consulting fees were paid monthly in accordance with services actually provided. For the nine months ended September 30, 2004 and 2003, professional advisory charges paid to the aforementioned related parties by SinoPac Securities were \$19,473 and \$15,321, respectively.

SinoPac Securities had offered brokerage and underwriting services (stock affairs agent fees) to its affiliates. The commissions and fees received for the nine months ended September 30, 2004 and 2003 amounted to \$10,599 and \$23,129, respectively.

AnShin Card Services entered into a contract with SinoPac Call Center for customer call and data processing services since June 2003. For the nine months ended September 30, 2004 and 2003, the professional service charges paid was \$64,231 and \$21,955, respectively, of which \$9,692 and \$5,413, remained unpaid as of September 30, 2004 and 2003, respectively.

AnShin Card Services provided collection services to ING Life and mail order payment collection services to ING Heart, respectively, for its credit card holders. As of September 30, 2004 and 2003, the related payables resulting from the aforesaid services amounted to \$88,927 and \$796,456, respectively, and for the nine months then ended, the related service fees revenue amounted to \$7,268 and \$32, respectively.

SinoPac Futures received guarantee deposits and margins from its related parties on futures contract. The deposits are placed with a bank. The amounts for "accounts receivable futures guarantee deposits" included in other assets and "customers' equity accounts-futures" included in other liabilities as of September 30, 2004 was \$1,595.

e. Due from affiliates

SinoPac Holdings and its qualified subsidiaries adopted the linked tax system since 2003 income tax filings. As of September 30, 2004 and 2003, the receivables of SinoPac Holding resulting from the linked tax system to its subsidiaries were as follows:

	<u>September 30, 2004</u>	
	<u>Amount</u>	<u>% of Account Balance</u>
SinoPac Venture Capital	\$ 985	-
SinoPac Management	300	-
SinoPac Call Center	120	-

f. Asset transactions

In March 2004, SinoPac Holdings has entered into contracts with Ruentex Interior Design for interior decoration of its office totaling \$138, which has already been paid. In July 2004, SinoPac Holding has entered into another contract with Ruentex Interior Design for interior decoration of its office totaling \$4,000, of which \$2,000 has been paid as of September 30, 2004.

In January 20, 2003, the BOD of SinoPac Holdings 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 SinoPac Holdings' headquarters. Total purchase cost of \$1,748,000 did not include value-added tax and costs borne by SinoPac Holdings. The transaction had been approved by the BOMA on April 30, 2003. Nevertheless, in behalf of the financial consideration, in August, the BOD of SinoPac Holdings resolved to switch the aforesaid purchase to SinoPac Leasing Corporation, an affiliate company.

g. Short-term bonds transactions

Short-term bonds sold under agreements to repurchase transactions between SinoPac Securities and related parties for the nine months ended September 30, 2004 and 2003 were as follows:

	Balance as of September 30		Interest Expense for the Nine Months Ended
	Face Amount	Cost	September 30
<u>2004</u>			
SinoPac Managed Futures	\$ 6,500	\$ 7,000	\$ 101
Hong Yue Investment	1,200	1,200	1
National Electric Appliance	-	-	50
	<u>\$ 7,700</u>	<u>\$ 8,200</u>	<u>\$ 152</u>
<u>2003</u>			
National Electric Appliance	\$ 1,700	\$ 1,707	\$ 10
Hong Yue Investment	500	500	104
Other	-	-	8,031
	<u>\$ 2,200</u>	<u>\$ 2,207</u>	<u>\$ 8,145</u>

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

1) SPL

Name	Relationship with SPL	September 30	
		2004	2003
Bank SinoPac	Parent company		
Borrowings from Bank SinoPac		<u>\$ 505,000</u>	<u>\$ 496,000</u>

2) Grand Capital

Name	Relationship with Grand Capital
Bank SinoPac	Parent company of SPL

	<u>September 30</u>	
	<u>2004</u>	<u>2003</u>
Borrowings from Bank SinoPac	\$ 348,903	\$ 484,252

3) Wal Tech International

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

	<u>September 30</u>	
	<u>2004</u>	<u>2003</u>
Borrowings from Bank SinoPac	\$ 213,000	\$ 145,000

As of September 30, 2004 and 2003, the face amount of commercial papers guaranteed by Bank SinoPac amounted to \$146,000 and \$95,000, respectively.

4) 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

On September 30, 2004 and 2003, SinoPac Capital Limited had short-term borrowings from its subsidiary, SinoPac Capital (B.V.I.) Ltd., amounting to \$197,012 and \$127,996, respectively.

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

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

On September 30, 2004 and 2003, SinoPac Asia Limited engaged in the transaction of bonds sold under agreements to repurchase amounting to \$209,577 and \$206,028, with its parent company, SinoPac Asset Management Corp. (B.V.I.). In addition, SinoPac Asia Limited engaged in the transaction of bonds sold under agreements to repurchase amounting to \$139,582 and \$959,539 with its affiliate company, SinoPac Securities (Asia) Ltd. on September 30, 2004 and 2003.

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

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

35. PLEDGED OR MORTGAGED ASSETS

Assets pledged to financial institutions as guarantees for commercial paper issued, short-term and long-term borrowings and bank overdraft, and to the tax authorities as guarantees on petitions for tax reassessment filed by SinoPac Securities as of September 30, 2004 and 2003, were summarized as follows:

	<u>September 30</u>	
	<u>2004</u>	<u>2003</u>
Pledged time deposits—other assets	\$ 3,550,900	\$ 3,643,400
Properties—net	1,709,110	1,721,453
Properties held for lease—other assets—net	<u>351,357</u>	<u>354,289</u>
	<u>\$ 5,611,367</u>	<u>\$ 5,719,142</u>

Time deposits, properties and properties held for lease, amounted to \$1,260,000, \$1,116,541 and \$69,969 as of September 30, 2004, respectively; and time deposits, properties and properties held for lease, amounted to \$1,130,000, \$1,126,328 and \$70,574 as of September 30, 2003, respectively, were pledged as collateral of credit lines for issuance of commercial papers, borrowings and overdrafts.

36. CONTINGENCIES AND COMMITMENTS

Contingencies and commitments of the Company, in addition to financial instruments disclosed in Note 44, are summarized as follows:

a. Lease contracts

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

<u>Year</u>	<u>Amount</u>
October 1 to December 31, 2004	\$ 171,768
2005	449,451
2006	356,347
2007	254,631
2008	150,232

Rentals for the years beyond 2008 amount to \$136,656, the present value of which is about \$123,301, as discounted at the one-year time deposit rate in either Bank SinoPac of 1.45% or FENB of 1.75%.

b. Equipment purchase contracts

Bank SinoPac has entered into contracts to purchase computer hardware and software for \$47,442, of which \$19,841 had already been paid as of September 30, 2004.

c. Balance sheet and trust property of trust accounts

1)

Bank SinoPac
Balance Sheet of Trust Accounts
September 30, 2004

<u>Trust Assets</u>		<u>Trust Liabilities and Equities</u>	
Bank deposits	\$ 1,474,122	Payables	\$ 3,107
Short-term investments	53,504,271	Trust capital	56,147,360
Receivables	3,946	Cumulative earnings	<u>1,364,909</u>
Prepayments	35		
Properties	1,281,896		
Net asset value of collective investment trust fund—net	<u>1,251,106</u>		
Total trust assets	<u>\$57,515,376</u>	Total trust liabilities and equities	<u>\$57,515,376</u>

Bank SinoPac
Trust Property of Trust Accounts
September 30, 2004

<u>Investment Portfolio</u>	<u>Amount</u>
Bank deposits	\$ <u>1,474,122</u>
Short-term investments	
Bonds	10,467,189
Common stock	4,198,706
Funds	<u>38,838,376</u>
	<u>53,504,271</u>
Receivables	<u>3,946</u>
Prepayments	<u>35</u>
Properties	
Land	969,688
Construction in process	<u>312,208</u>
	<u>1,281,896</u>
Net asset value of collective investment trust fund—net	<u>1,251,106</u>
Total	<u>\$57,515,376</u>

2) 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.

- d. The Securities and Futures Institute (SFI), on behalf of the investors of Cheng-Yi Food Co. (CYF) with respect to its Initial Public Offering (IPO), filed a civil case with the Court against CYF, the major and sub-underwriters (SinoPac Securities being a sub-underwriter in the IPO) of CYF. The damages claimed by SFI amounted to \$71,018 plus 5% interest. SinoPac Securities' legal counsel believes that SinoPac Securities can claim the major underwriter if the Court reaches the verdict in unfavor of SinoPac Securities, thus, no liability was recognized in the accompanying financial statements.
- e. Mr. Chang sued SinoPac Securities and its two former employees, Mr. Lin and Mr. Huang, for embezzlement. Mr. Chang claimed SinoPac Securities incidentally for damages of \$32,215 plus 5% interest. After the second instance on June 30, 2004, the district court judged that SinoPac Securities should take the charge of related liability to pay compensation of \$28,828 plus 5% interest. In the opinion of SinoPac Securities' management and legal counsel, it should clarify that the cause claimed by Mr. Chang was not connected to the brokerage affairs because Mr. Chang authorized Mr. Lin to deal with money remittance of stock payment for a long time. In conclusion, Mr. Chang also committed an unpremeditated crime, and SinoPac Securities had appealed to the supreme court to redress a miscarriage of justice. However, on the basis of the conservative principle, SinoPac Securities estimated \$32,000 loss recorded as nonoperating expenses and losses and other payables in the financial statements.
- f. A plaintiff, Mr. Chen sued Mr. Chen, a former employee of the Corporation's Yuan Lin branch, for fraud. Plaintiff Mr. Chen also sued the Corporation as a codefendant and demanded that the Corporation pay damages of \$12,999 plus 5% interest. After the trial at the district court of second instance on December 31, 2003, the district court concluded that the Corporation should assume the related compensation of \$7,799 plus 5% interest. In the opinion of the Corporation's management, since plaintiff Mr. Chen was not the Corporation's client and the defendant Mr. Chen did not have brokerage transactions with the plaintiff, the Corporation could claim miscarriage of justice and thus filed an appeal with the supreme court. Nevertheless, on the basis of the conservative principle, the Corporation estimated a loss of \$8,500 in 2003, recorded as other payables in the financial statements.
- g. As of September 30, 2004, An-Shin Card Service has obtained stand-by letter of credit amounted to \$16,408 for clearing collection payable to foreign credit card company.
- h. Significant contingencies and commitments of subsidiaries

1) SinoPac Marketing Consulting

SinoPac Marketing Consulting leased certain office premises for the period until May 31, 2007, with rentals paid monthly. Rentals for the future are as follows:

<u>Year</u>	<u>Amount</u>
October 1 to December 31, 2004	\$ 576
2005	2,254
2006	1,997
2007	749

2) SinoPac Asset Management International

SinoPac Asset Management International leased certain office premises for the period until June 30, 2005, with rentals paid monthly. Rentals for the future are as follows:

<u>Year</u>	<u>Amount</u>
October 1 to December 31, 2004	\$ 532
2005	1,063

3) SinoPac Venture Capital

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

<u>Year</u>	<u>Amount</u>
October 1 to December 31, 2004	\$ 5,000
2005	20,000
2006	20,000
2007	20,000
2008	20,000

4) SinoPac Call Center

a) SinoPac Call Center leased certain office premises for the period until October 31, 2006, with rentals paid quarterly. Rentals for the future are as follows:

<u>Year</u>	<u>Amount</u>
October 1 to December 31, 2004	\$ 554
2005	2,012
2006	540

b) Equipment purchase contracts

SinoPac Call Center entered into contracts to purchase computer hardware and software for \$7,768, for which no payment had been made as of September 30, 2004.

c) Interior decoration contracts

SinoPac Call Center entered into interior decoration contracts for \$3,384, for which no payment had been made as of September 30, 2004.

37. SIGNIFICANT SUBSEQUENT EVENTS

To expand its asset management channel and its omnibus and integrated wealth management services, the Board 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 August 17, 2004. As of October 19, 2004, the project was approved by the Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan, R.O.C.

38. SALES OF ACCOUNTS RECEIVABLE

AnShin Card Services entered into a revolving factoring agreement with ABN AMRO Bank—Taipei branch (hereinafter “ABN AMRO Bank”) in April, 2003, and sold its credit card receivables to ABN AMRO Bank on a revolving basis within three years. The aggregate amount of such factoring agreement was \$4 billion, which could be increased by \$2 billion to a total of \$6 billion within two years. As of September 30, 2004, AnShin Card Services had used \$6 billion of its credit line. According to the factoring agreement, ABN AMRO Bank withheld 15 percent of credit card receivables that AnShin Card Services sold. AnShin Card Services revolved to sell the credit card receivables by the card members every month at an aggregate amount equivalent to the reimbursed amount. AnShin Card Services settled these accounts with ABN AMRO Bank on a monthly basis and regarded as accounts receivable at an amount equal to the previous month’s withheld amount after deducting the difference between proceeds from sale of accounts receivable and related carrying values.

According to the factoring agreement, AnShin Card Services had provided current reserve totaling \$88,210 as reserve for the sales of accounts receivables. In addition, AnShin Card Services promised that all sold accounts receivable conformed to agreed terms (qualified terms) and such accounts receivables maintained at certain level of quality (such as restrictions on ratios of allowance for bad debts and overdue loans).

As of September 30, 2004, the aggregate amount of credit card receivables sold amounted to \$1,124,003 and the loss on sale of credit card receivables amounted to \$91,249 for the nine months then ended.

AnShin Card Services also entered into accounts management and collection services agreements with ABN AMRO Bank. Accordingly, Anshin Card Services collected the sold credit card receivables on behalf of ABN AMRO Bank, and then paid to ABN AMRO Bank. AnShin Card Services charged and received the commission fees for collection on a monthly basis. The service revenue and the service cost were expected to be equal and thereby neither related service assets nor liabilities were recognized by AnShin Card Services. The accounts management and collection services income for the nine months ended September 30, 2004 amounted to \$857 and the collections payable to ABN AMRO Bank amounted to \$61,704 as of September 30, 2004.

The related cash flows generated from sales of accounts receivable for the nine months ended September 30, 2004 were as follows:

	For the Nine Months Ended September 30, 2004
First sale of accounts receivable in this period—carrying value	\$ 2,354,000
Add: Accumulated revolving accounts receivable sold—carrying value	16,649,915
Receivable from sale of accounts receivable, beginning of period	766,757
Less: Receivable from sale of accounts receivable, end of period	(1,124,003)
Loss on sale of accounts receivable	(91,249)
Proceeds from sale of accounts receivable	<u>\$ 18,555,420</u>
Management and collection services charges received	<u>\$ 857</u>

39. CAPITAL ADEQUACY RATIO

Under the Financial Holding Company Act and related regulations, a financial holding company should maintain a consolidated capital adequacy ratio (CAR) of at least 100%. Thus, if a financial holding company's consolidated CAR falls below 100%, the authorities may prohibit it from declaring cash dividends or distributing other properties. In certain conditions, the authorities may impose other penalties on the company. As of June 30, 2004 and 2003, consolidated CARs of SinoPac Holding 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 the 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, and the consolidated CARs were 10.10% and 10.83%, respectively.

The Rules Governing Securities Firms 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.

40. FINANCIAL RATIOS, LIMITATIONS AND EXECUTION OF FUTURES COMMISSION MERCHANTS SUBSIDIARY

SinoPac Securities pays margin deposits when entering into futures contracts. It also pays the margin deposits for short option contracts. The margin account of the Company is reevaluated on the basis of the market prices of the outstanding futures and option contracts. If the margin is less than the maintenance level, the Company should either deposit additional margin or make a presettlement to recognize the loss.

There were 317 futures contracts and 32,799 options contracts outstanding as of September 30, 2004 and 12 futures contracts and 1,817 options contracts outstanding as of September 30, 2003. Margin deposits paid amounted to \$582,113 and \$431,610 as of September 30, 2004 and 2003, respectively.

As of June 30, 2004 and 2003, the financial ratios of SinoPac Futures, computed according to the provisions of the Rules Governing Futures Commission Merchants, were as follows:

	Calculation Formula	Benchmark	Financial Ratios		
			(%)		
			June 30		
			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

**41. PUBLIC ANNOUNCEMENTS PRESCRIBED IN
FINANCIAL HOLDING COMPANY LAW, ARTICLE 46**

Information regarding the credit extensions, guarantees or other transactions engaged by the Company and its subsidiaries to the same person, the same related person or the same affiliate as of June 30, 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 Corp. and its affiliates	2,564	5.34%
Mega Financial Holding Company 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.

**42. AVERAGE AMOUNT AND AVERAGE
INTEREST RATE OF INTEREST-EARNING
ASSETS AND INTEREST-BEARING LIABILITIES**

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

	<u>For the Nine Months Ended September 30</u>			
	<u>2004</u>		<u>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 other banks	\$ 6,591,657	0.99	\$ 7,642,892	1.36
Call loans (placement)	10,262,517	1.43	7,342,360	1.18
Due from the Central Bank	7,428,252	1.57	5,667,935	1.89
Securities purchased	146,077,187	1.52	185,314,068	1.32
Securities purchased under agreements to resell	7,523,066	1.05	-	-
Loans, discounts and bills purchased	278,296,137	3.58	233,614,091	4.33
Accounts receivable factoring	12,334,728	3.08	5,164,384	3.73
Other long-term investments	218,408	-	10,923,384	3.05

(Continued)

	For the Nine Months Ended September 30			
	2004		2003	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-bearing liabilities</u>				
Due to banks	\$ 66,677	0.62	\$ 7,275	0.06
Call loans (taken)	50,416,937	1.24	58,991,305	1.20
Demand deposits	90,176,609	0.58	45,992,234	0.88
Savings—demand deposits	71,406,415	0.49	55,301,482	0.71
Time deposits	156,382,778	0.96	134,181,903	1.48
Savings—time deposits	62,081,308	1.52	58,025,046	2.04
Negotiable certificates of deposit	28,415,981	1.00	4,855,478	0.94
Bank debentures	27,226,183	2.77	10,635,798	1.96
Securities sold under agreements to repurchase	11,658,915	0.97	-	-

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

43. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	September 30, 2004			
	Due in One Year	Due Between One Year and Five Years	Due After Five Years	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 9,329,991	\$ -	\$ -	\$ 9,329,991
Due from the Central Bank and other banks	27,086,654	-	-	27,086,654
Securities purchased	83,358,597	7,793,026	83,223	91,234,846
Receivables	30,823,553	-	-	30,823,553
Securities purchased under agreements to resell	17,145,975	-	-	17,145,975
Loans, discounts and bills purchased (excluding nonperforming loans)	101,494,988	41,282,220	152,745,134	295,522,342
Other long-term investments	7,435,638	1,014,300	-	8,449,938
	<u>\$ 276,675,396</u>	<u>\$ 50,089,546</u>	<u>\$ 152,828,357</u>	<u>\$ 479,593,299</u>
<u>Liabilities</u>				
Call loans and due to banks	\$ 36,652,465	\$ -	\$ -	\$ 36,652,465
Securities sold under agreements to repurchase	9,706,642	-	-	9,706,642
Payables	16,969,900	50,411	1,399	17,021,710
Deposits and remittances	366,491,683	6,787,831	-	373,279,514
Bank debentures	3,000,000	24,400,000	5,909,760	33,309,760
	<u>\$ 432,820,690</u>	<u>\$ 31,238,242</u>	<u>\$ 5,911,159</u>	<u>\$ 469,970,091</u>

	September 30, 2003			
	Due in One Year	Due Between One Year and Five Years	Due After Five Years	Total
Cash and cash equivalents	\$ 11,930,797	\$ -	\$ -	\$ 11,930,797
Due from the Central Bank and other banks	16,346,766	-	-	16,346,766
Securities purchased	118,134,747	-	-	118,134,747
Receivables	17,631,008	-	-	17,631,008
Loans, discounts and bills purchased (excluding nonperforming loans)	<u>69,006,489</u>	<u>46,326,904</u>	<u>133,252,861</u>	<u>248,586,254</u>
	<u>\$ 233,049,807</u>	<u>\$ 46,326,904</u>	<u>\$ 133,252,861</u>	<u>\$ 412,629,572</u>
Liabilities				
Call loans and due to banks	\$ 33,969,766	\$ -	\$ -	\$ 33,969,766
Payables	13,578,647	36,125	27,212	13,641,984
Deposits and remittances	279,529,759	57,127,970	-	336,657,729
Bank debentures	<u>-</u>	<u>9,600,000</u>	<u>7,106,700</u>	<u>16,706,700</u>
	<u>\$ 327,078,172</u>	<u>\$ 66,764,095</u>	<u>\$ 7,133,912</u>	<u>\$ 400,976,179</u>

44. DISCLOSURE OF FINANCIAL INSTRUMENTS

a. Derivative financial instruments

SinoPac Holdings

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

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

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

	September 30					
	2004			2003		
Financial Instruments	Contract (Notional) Amount	Credit Risk	Fair Value	Contract (Notional) Amount	Credit Risk	Fair Value
For hedging purposes:						
Cross-currency swap contracts	<u>\$2,260,530</u>	<u>\$ -</u>	<u>(\$44,578)</u>	<u>\$2,260,530</u>	<u>\$ -</u>	<u>(\$45,043)</u>

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

The gains (losses) on derivative financial instruments for the nine months ended September 30, 2004 and 2003 were as follows:

	<u>Account</u>	<u>For the Nine Months Ended September 30</u>	
		<u>2004</u>	<u>2003</u>
For hedging purpose:			
Cross-currency swap contracts	Interest revenue	\$40,348	\$32,444
Realized	Interest expense	(15,003)	(12,428)

Bank SinoPac and subsidiaries

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

Bank SinoPac and subsidiaries are exposed to credit risk in the event of default on contracts by counter-parties. Bank SinoPac and subsidiaries entered into contracts with customers that have satisfied the credit approval process and have provided the necessary collateral. The transactions are then made within each customer's credit limit, and guarantee deposits may be required, depending on the customer's credit standing. Transactions with other banks are made within the trading limit set for each bank on the basis of Bank SinoPac and subsidiaries' credit rating and their worldwide ranking. The associated credit risk has been considered in the evaluation of provision for credit losses. In addition, Bank SinoPac and subsidiaries have entered into futures contracts with international 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>September 30</u>					
	<u>2004</u>			<u>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	\$ 14,800,195	\$ 157,808	\$ 114,817	\$ 5,661,000	\$ 27,164	(\$ 70,634)
Cross-currency swap contracts	28,698,651	306,401	44,482	3,300,000	62,306	62,306
Futures contracts	-	-	-	1,689,000	-	(38,266)
For the purposes of accommodating customers' needs or managing Bank SinoPac and its subsidiaries' exposures:						
Forward contracts						
—Buy	100,032,303	796,107	773,241	59,875,904	137,357	(551,369)
—Sell	91,256,829	39,285	(720,033)	47,779,788	808,708	800,836
Forward rate agreements						
—Buy	1,900,000	-	(286)	30,132,195	15,087	5,840
—Sell	-	-	-	30,132,195	10,684	698
Currency swap contracts	160,685,709	164,486	(834)	94,880,006	421,785	(419,097)
Interest rate swap contracts	47,790,178	855,494	(23,826)	50,702,022	309,669	(37,054)
Cross-currency swap contracts	673,080	5,059	457	1,427,240	20,911	5,008
Interest rate futures contracts						
—Long position	6,797	6	6	135,120	116	116
—Short position	126,952	398	358	-	-	-

Financial Instruments	September 30					
	2004			2003		
	Contract (Notional) Amount	Credit Risk	Value of Options Purchased/ Written	Contract (Notional) Amount	Credit Risk	Value of Options Purchased/ Written
For the purposes of accommodating customers' needs or managing Bank SinoPac and its subsidiaries' exposures:						
Foreign currency options contracts						
—Long position	\$ 166,829,508	\$ 454,058	\$ 2,222,748	\$ 87,811,827	\$ 1,081,170	\$ 2,058,866
—Short position	142,454,945	-	1,176,585	84,351,297	181,898	1,785,837

The fair value of each contract is determined using the quotations from Reuters Information System. The fair value of each future contract refers to the closing price published by international futures and options exchanges as of the balance sheet dates.

As of September 30, 2004 and 2003, Bank SinoPac and its subsidiaries had entered into asset swap contracts for hedging purposes, with notional amounts at \$594,720 and \$3,738,164, respectively. Since Bank SinoPac and its subsidiaries had entered into these contracts with counter-parties with splendid worldwide rankings and credit ratings, no significant credit risk is expected.

As of September 30, 2004, Bank SinoPac and its subsidiaries entered into credit default swap contracts for the purposes of accommodating customers' needs, with notional amounts at \$379,321. Since Bank SinoPac and its subsidiaries 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 contract parties. Thus, the notional amounts do not represent the actual cash inflows or outflows nor the need for cash of Bank SinoPac and its subsidiaries. The possibility that derivative financial instruments held or issued by Bank SinoPac and its subsidiaries cannot be sold at reasonable prices is remote; thus, no significant cash demand is expected.

The gains and losses on derivative financial instruments of Bank SinoPac and its subsidiaries for the nine months ended September 30, 2004 and 2003 were as follows:

	Account	For the Nine Months Ended September 30	
		2004	2003
For hedging purposes:			
Cross-currency swap contracts			
—Realized	Interest revenue	\$ 201,854	\$ 7,004
	Interest expense	(121,908)	(3,755)
Interest rate swap contracts			
—Realized	Interest revenue	108,786	26,570
	Interest expense	(20,667)	(9,445)
—Realized	Income from derivative financial transactions	-	14,158
Futures contracts			
—Realized	Loss on derivative financial transactions	(7,639)	(1,139)
Option contracts			
—Realized	Income from derivative financial transactions	21,100	894

(Continued)

	<u>Account</u>	<u>For the Nine Months Ended September 30</u>	
		<u>2004</u>	<u>2003</u>
For the purposes of accommodating customers' needs or managing Bank SinoPac and its subsidiaries' exposures:			
Forward contracts			
—Realized	Interest revenue	\$ 18,302	\$ -
	Interest expense	(2,138)	-
—Realized	Foreign exchange gain	227,967	7,140
—Unrealized	Foreign exchange loss	(168,989)	(45,394)
—Unrealized	Income from derivative financial transactions	42,390	-
Forward rate agreements			
—Realized	Loss on derivative financial transactions	(3,513)	(3,437)
—Unrealized	Income from derivative financial transactions	3,525	5,848
Currency swap contracts			
—Realized	Interest revenue	482,380	260,327
	Interest expense	(447,659)	(219,257)
—Unrealized	Income from derivative financial transactions	9	-
Interest rate swap contracts			
—Realized	Interest revenue	175,408	454,909
	Interest expense	(216,236)	(500,094)
—Realized	Income from derivative financial transactions	57,432	157
—Unrealized	Income from (loss on) derivative financial transactions	18,811	(19,510)
Options contracts			
—Realized	Income from (loss on) derivative financial transactions	(2,670,114)	389,816
	Foreign exchange gain (loss)	2,927,253	(13,307)
—Unrealized	Income from (loss on) derivative financial transactions	(7,058)	212,921
Interest rate futures contracts			
—Realized	Loss on derivative financial transactions	(40,683)	(879)
—Unrealized	Income from (loss on) derivative financial transactions	977	(905)
Cross-currency swap contracts			
—Realized	Interest revenue	6,584	1,170
	Interest expense	(5,392)	(809)
—Unrealized	Income from (loss on) derivative financial transactions	(3,056)	5,008
Credit default swap contract			
—Realized	Income from derivative financial transactions	4,013	-

Loss on derivative financial transactions—net (included in other operating costs) for the nine months ended September 30, 2004 was \$2,583,806 and income from derivative financial transactions—net (included in other operating revenue) for the nine months ended September 30, 2003 was \$641,951.

The gains and losses on derivative financial instruments from Bank SinoPac's subsidiary, FENB, for the nine months ended September 30, 2004 and 2003 were insignificant.

SinoPac Securities and its subsidiaries

1) Warrants

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

SinoPac Securities and its subsidiaries issue warrants for trading purposes.

SinoPac Securities and its subsidiaries hold underlying securities to hedge risks from the exercise of warrants and risks from changes in warrant positions held. SinoPac Securities and its subsidiaries' 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 and its subsidiaries evaluate and adjust the positions held periodically (refer to Notes 2, 9 and 19).

- b) Credit risk

SinoPac Securities and its subsidiaries are not exposed to credit risk because premium has been received upon the issuance of warrants.

- c) Market risk

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

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

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

Warrants will expire between October 2004 and April 2005. Except for the cash inflows and outflows arising from hedging, no additional cash is needed.

- e) Please refer to Note 19 for leverage ratios of warrants.

2) Interest rate swaps

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

SinoPac Securities and its subsidiaries have entered into IRS contracts both for trading purposes to profiting from short-term fluctuations in interest rates and for hedging their interest rate exposures on fixed-rate net asset positions.

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

	September 30					
	2004			2003		
	<u>Nominal Amount</u>	<u>Credit Risk</u>	<u>Fair Value</u>	<u>Nominal Amount</u>	<u>Credit Risk</u>	<u>Fair Value</u>
For trading purposes	\$1,500,000	\$ 65	\$ 7,106	\$1,500,000	(\$15,537)	\$14,387

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

As of September 30, 2004, the fair values of outstanding IRS contracts were recognized as derivative financial assets—OTC at \$11,675 and derivative financial liabilities—OTC at \$11,610, respectively. As of September 30, 2003, the fair values of outstanding IRS contracts were recognized as derivative financial assets—OTC at \$23,500 and derivative financial liabilities—OTC at \$39,037, respectively.

- c) Market risk

SinoPac Securities and its subsidiaries use 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 September 30, 2004 and 2003, the VARs were \$342 and \$2,003, respectively.

- d) Cash flows and demands

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

- e) For the nine months ended September 30, 2004 and 2003, gains (recognized as gain from derivative financial instruments—OTC) under the IRS valuation were \$11,827 and \$6,208, respectively.

3) Futures and options contracts

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

SinoPac Securities and its subsidiaries use futures and options contracts for trading purposes, specifically to diversify investments, aggressively develop various services and enhance working capital efficiency.

b) Notional amounts, fair values and credit risks

		September 30, 2004			
Item	Transaction Type	Unsettlement Positions		Carrying Value/ Premium Paid (Received)	Fair Value
		Long/ Short	Volume		
Futures	Government Bond Futures	Long	5	\$ 28,292	\$ 28,301
	Electronic Sector Index Futures	Long	44	38,949	38,438
	Finance Sector Index Futures	Long	35	34,355	34,643
	Mini-TAIEX Futures	Long	3	808	795
	TAIEX Futures	Long	2	2,355	2,356
	Electronic Sector Index Futures	Short	1	(872)	(874)
	TAIEX Futures	Short	236	(276,879)	(277,843)
	Options	TAIEX Options—call	Long	375	915
	TAIEX Options—put	Short	33,154	(42,472)	(29,133)
		September 30, 2003			
Item	Transaction Type	Unsettlement Positions		Carrying Value/ Premium Paid (Received)	Fair Value
		Long/ Short	Volume		
Futures	TAIEX Futures	Long	12	\$ 13,673	\$ 13,538
Options	TAIEX Options—call	Long	478	1,175	593
Options	TAIEX Options—put	Short	1,739	(3,391)	(2,912)

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 September 30, 2004, the market values of the premiums paid for long options and received from short options were \$767 and \$29,133, respectively. As of September 30, 2003 the market values of the premiums of \$593 were paid for long options—non-hedging and \$2,912 were received from short options.

c) Market risk

Market risks are caused by the price fluctuation of index futures and options. SinoPac Securities and its subsidiaries have established risk control mechanism and have 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 and its subsidiaries will recognize a loss by either settling the position or putting in deposits in addition to the initial margin.

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

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

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

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

	<u>For the Nine Months Ended September 30, 2004</u>			
	<u>Gains</u>	<u>Losses from</u>	<u>Gains</u>	<u>Gains from</u>
	<u>(Losses) from</u>	<u>Futures</u>	<u>(Losses) from</u>	<u>Nonoperating</u>
	<u>Futures</u>	<u>Transactions</u>	<u>Options</u>	<u>Options</u>
	<u>Transactions</u>	<u>Transactions</u>	<u>Transactions</u>	<u>Transactions</u>
Non-hedging and realized	(\$ 157,674)	(\$ 79)	\$ 161,345	\$ 356
Non-hedging and unrealized	(<u>1,193</u>)	-	<u>13,191</u>	-
	<u>(\$ 158,867)</u>	<u>(\$ 79)</u>	<u>\$ 174,536</u>	<u>\$ 356</u>
	<u>For the Nine Months Ended September 30, 2003</u>			
	<u>Gains</u>	<u>Gains from</u>	<u>Gains</u>	<u>Losses from</u>
	<u>(Losses) from</u>	<u>Nonoperating</u>	<u>(Losses) from</u>	<u>Nonoperating</u>
	<u>Futures</u>	<u>Futures</u>	<u>Options</u>	<u>Options</u>
	<u>Transactions</u>	<u>Transactions</u>	<u>Transactions</u>	<u>Transactions</u>
Non-hedging and realized	\$ 84,142	\$ 4,540	(\$ 112,785)	(\$ 2,798)
Non-hedging and unrealized	(<u>135</u>)	-	<u>58</u>	(<u>161</u>)
	<u>\$ 84,007</u>	<u>\$ 4,540</u>	<u>(\$ 112,727)</u>	<u>(\$ 2,959)</u>

4) Asset swap transactions—convertible bonds

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

SinoPac Securities and its subsidiaries 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 and its subsidiaries took the pre-agreed interest rate in exchange for the coupon rate and the interest compensation on the convertible bonds with counter-parties. They also acquired the right to purchase the convertible bonds from the counter-parties anytime before the expiration date of the contract.

According to the contract, there are three types of convertible bond swap transactions: fixed income transactions, short call options transactions and the combination of both types. SinoPac Securities and its subsidiaries have engaged in these transactions to diversify their financial instruments, to lower the capital pressure from underwriting convertible bonds to enforce their capability in underwriting convertible bonds, to lower risks, and to enliven the second market for convertible bonds.

- b) Information of outstanding convertible bond swap transactions of SinoPac Securities and its subsidiaries were as follows:

September 30, 2004				
	Nominal	Premiums	Fair	Credit
	Amount	Paid	Value	Risk
	(Received)	(Received)	(Value)	(Risk)
i. Fixed income transactions				
Interest rate swap	\$2,111,270	\$ -	(\$ 12,799)	\$ 304
Long call options on convertible bonds	-	194,655	165,615	165,748
ii. Short call options on convertible bonds				
	4,706,248	(551,154)	(413,782)	-
September 30, 2003				
	Nominal	Premiums	Fair	Credit
	Amount	Paid	Value	Risk
	(Received)	(Received)	(Value)	(Risk)
i. Fixed income transactions				
Interest rate swap	\$1,033,244	\$ -	(\$ 2,763)	\$ 1,842
Long call options on convertible bonds	-	63,521	156,344	175,899
ii. Short call options on convertible bonds				
	1,806,982	(63,533)	(452,712)	-

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

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

As of September 30, 2004, values of fixed income convertible bonds swap transactions were recognized as derivative financial assets—OTC at \$3,776 and derivative financial liabilities—OTC at \$16,575; as of September 30, 2003, values of fixed income convertible bonds swap transactions were recognized as derivative financial assets—OTC at \$7,453 and derivative financial liabilities—OTC at \$10,216.

- c) Market risk

SinoPac Securities and its subsidiaries 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 September 30, 2004 and 2003, the VAR were \$1,895 and \$407, respectively.

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

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

- e) Gains from convertible bonds swap transactions.

For the nine months ended September 30, 2004 and 2003, marking to market of convertible bonds swap transactions resulted in the following: Gains of \$19,225 on long call options of fixed income transactions; and gains of \$10,726 on short call options.

5) Structured note transactions

- a) The objective of structured note transactions and strategies to achieve this objective:

There are two types of structured note transactions authorized by the ROC OTC market: Principal-guaranteed note transactions and equity-linked note transactions. SinoPac Securities and its subsidiaries sign the contract with the counter parties, receive all (principal-guaranteed note transaction) or part (equity-linked note transactions) of the contract price and settle the contract with cash on 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 and its subsidiaries started structured note transactions in July 2003 to diversify its financial instruments, to increase profits, to enhance its hedging methods, and to raise profitability.

- b) Information on outstanding structured notes transactions of SinoPac Securities and its subsidiaries is as follows:

	<u>September 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	\$ 122,500	\$ -	(\$ 119,442)
Short call option on linked underlying assets	-	(3,209)	(3,753)
ii) Equity-linked note transactions			
Fixed-income instruments	38,400	-	(38,005)
Long put option on linked underlying assets	-	374	3,444

The fair value is computed using the model approved by the ROC OTC. The parameters used in the model (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 and its subsidiaries have strict criteria on the types of fixed income assets to be used and control the investment amounts. In addition, the premium from long option transactions is collected in advance. Thus, SinoPac Securities and its subsidiaries expect no exposure to credit risks.

c) Market risk

The market risk of structured note transactions of SinoPac Securities and its subsidiaries is mainly from adverse fluctuations of the underlying assets market price. Thus, option hedging models are used to hedge market risk. As of September 30, 2004, the VAR was \$1,808.

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

The fixed income instruments purchased by SinoPac Securities and its subsidiaries with the contract price received from the structured note transactions are stored in a custodian bank. To enable investors to execute the contract prior to maturity, SinoPac Securities and its subsidiaries take the liquidity risk of the fixed income instruments into consideration when selecting the target instruments. If the liquidity risk of the fixed income instruments is minor, there is no material risk of cash flows and no uncertainty on the amount and timing of future cash demand.

e) For the nine months ended September 30, 2004, gains (losses) from structured note transactions were as follows: Losses of \$107 from principal-guaranteed note transactions, gains of \$263 from principal-guaranteed note valuation; gains of \$3,162 from equity-linked note transactions, and gains of \$2,951 from equity-linked notes valuation (presented as gain from derivative financial instruments transactions—OTC). For the nine months ended September 30, 2003, gains (losses) from structured note transactions were as follows: Losses of \$25 from principal-guaranteed note transactions, gains of \$468 from principal-guaranteed note valuation; losses of \$8 from equity-linked note transactions, and losses of \$141 from equity-linked notes valuation (presented as gain from derivative financial instruments transactions—OTC).

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.

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

September 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	\$ 1,600,000	1.98%-5.55%	3-month NTD CP rate in secondary market	Quarterly	2004.10.11-2007.09.17	(\$ 9,372)	\$ 2,672
Floating interest rate received/floating interest rate paid	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	398	693
September 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 interest 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	(\$47,850)	\$ -

Credit risks refer to counter-parties' defaults on IRS contracts. AnShin Card Services has entered into contract with those banks with good credit rankings; thus, it is not exposed to significant credit risks.

The fair value of derivative financial instruments is the amount AnShin Card Services would receive or pay to when the contracts terminate 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.

2) 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.

3) 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 as, the contracts signed and as the contracts matured. 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.

4) For the nine months ended September 30, 2004 and 2003, AnShin Card Services recognized realized interest expenses as operating expenses amounting to \$27,166 and \$51,332, respectively. The unrealized revaluation losses, recognized as the debit balance of stockholders' equity and other liabilities, were marked to market at \$8,974 and \$47,850 as of September 30, 2004 and 2003, respectively.

b. Fair values of nonderivative financial instruments

	September 30			
	2004		2003	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Assets</u>				
Financial assets—with fair values approximating carrying amounts	\$ 121,474,450	\$ 121,474,450	\$ 75,848,519	\$ 75,848,519
Securities purchased	90,279,748	90,645,345	119,067,497	119,597,445
Operating securities	17,773,920	17,694,168	20,041,819	18,451,110
Loans, discounts and bills purchased	295,857,015	295,857,015	248,757,384	248,757,384
Long-term equity investments	7,977,106	7,977,638	6,768,839	6,768,839
Other long-term investments	8,449,938	7,311,381	8,807,483	8,775,360
Other assets—guarantee deposits	7,266,260	7,258,578	4,015,726	4,013,103

(Continued)

	September 30			
	2004		2003	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Liabilities</u>				
Financial liabilities—with fair values approximating carrying amounts	\$ 97,252,550	\$ 97,252,550	\$ 79,608,261	\$ 79,608,261
Deposits and remittances	367,062,807	367,062,807	336,265,066	336,265,066
Bank debentures	33,259,760	33,259,760	16,706,700	16,706,700
Bonds payable	10,267,377	11,200,532	10,262,484	10,934,810
Other liabilities	57,821	57,821	156,855	156,855

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

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

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

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

Bank SinoPac and its subsidiaries had significant credit commitments principally relating to customer financing activities and credit card business. The terms of most of the credit commitments were under seven years and loan interest rates for the nine months ended September 30, 2004 and 2003, both ranging from 0.01% to 20.00%. Bank SinoPac and its subsidiaries also issued financial guarantees and standby letters of credit to guarantee the performance of a customer obligated to a third party. These guarantees were usually with terms of less than one year and with maturity dates not in any particular period.

The contract amounts of financial instruments with off-balance-sheet credit risks as of September 30, 2004 and 2003 were as follows:

	September 30	
	2004	2003
Financial guarantees and standby letters of credit	\$ 18,066,840	\$ 18,218,898
Undrawn loan commitments	20,274,988	12,913,535
Credit card commitments for credit cards	75,750	67,459

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

Bank SinoPac and its subsidiaries make credit commitments and issue financial guarantees and standby letters of credit only after evaluation of customers' credit standings. Based on the result of the credit evaluation, Bank SinoPac and subsidiaries may require collateral before draw down against the credit facilities. As of September 30, 2004 and 2003, ratios of secured loans to total loans were about 73.63% and 77.24%, respectively. Collaterals held vary but may include cash, inventories, marketable securities, and other properties. When the customers default, Bank SinoPac and subsidiaries will, as required by circumstances, foreclose the collateral or execute other rights arising out of the guarantees given.

45. INFORMATION ON CONCENTRATION OF RISK

Bank SinoPac and its subsidiaries have no concentrated credit risk in any industry, individual counter-party or group who engaged in similar business activities. Industries with 5% or more of the outstanding loans as of September 30, 2004 and 2003 were as follows:

	September 30			
	2004		2003	
	Amount	%	Amount	%
Natural person	\$ 164,428,519	55	\$ 150,174,634	60
Manufacturing	45,074,657	15	29,507,029	12
Real estate	28,897,707	10	28,279,177	11

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

a. Condensed balance sheets

Bank SinoPac and Subsidiaries
Consolidated Balance Sheets
September 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	\$ 9,329,991	\$ 11,930,797	Call loans and due to banks	\$ 36,652,465	\$ 33,969,766
Due from the Central Bank and other banks	27,086,654	16,346,766	Securities sold under agreements to repurchase	9,706,642	-
Securities purchased—net	91,234,846	118,134,747	Payables	17,021,710	13,641,984
Receivables—net	30,773,142	17,550,340	Deposits and remittances	373,279,514	345,144,194
Securities purchased under agreements to resell	17,145,975	-	Bank debentures	33,309,760	16,706,700
Prepayments	456,722	274,270	Other liabilities	2,860,996	3,393,541
Loans, discounts and bills purchased—net	295,856,823	249,257,191	Total liabilities	<u>472,831,087</u>	<u>412,856,185</u>
Long-term equity investments—net	4,583,293	4,251,638	Stockholders' equity		
Other long-term investments	8,449,938	8,807,483	Capital stock	19,443,976	19,443,976
Properties—net	5,280,470	5,477,990	Capital surplus	125,208	125,208
Other assets	<u>9,833,191</u>	<u>6,405,529</u>	Retained earnings	7,741,403	6,236,020
			Equity adjustments	(110,629)	(224,638)
			Total stockholders' equity	<u>27,199,958</u>	<u>25,580,566</u>
			Total liabilities and stockholders' equity	<u>\$ 500,031,045</u>	<u>\$ 438,436,751</u>
Total assets	<u>\$ 500,031,045</u>	<u>\$ 438,436,751</u>			

SinoPac Securities and its Subsidiaries
Consolidated Balance Sheets
September 30, 2004 and 2003
(In Thousands of New Taiwan Dollars)

<u>Assets</u>	<u>2004</u>	<u>2003</u> <u>(Unreviewed)</u>	<u>Liabilities</u>	<u>2004</u>	<u>2003</u> <u>(Unreviewed)</u>
Current assets	\$ 52,385,634	\$ 51,297,637	Current liabilities	\$ 34,687,659	\$ 34,443,343
Long-term equity investments	2,002,299	1,619,876	Long-term interest bearing liabilities	2,000,002	2,000,000
Properties—net	2,681,410	2,749,003	Other liabilities	785,536	757,254
Other assets	2,871,988	2,708,322	Securities brokerage credit account—net	185,900	-
Securities brokerage debit account—net	<u>-</u>	<u>601,159</u>	Total liabilities	<u>37,659,097</u>	<u>37,200,597</u>
			Stockholders' equity		
			Capital stock	15,269,020	15,269,020
			Capital surplus	2,342,425	2,322,730
			Retained earnings	4,622,484	4,505,609
			Equity adjustments	48,305	(321,959)
			Total stockholders' equity	<u>22,282,234</u>	<u>21,775,400</u>
			Total liabilities and stockholders' equity	<u>\$ 59,941,331</u>	<u>\$ 58,975,997</u>
Total assets	<u>\$ 59,941,331</u>	<u>\$ 58,975,997</u>			

SinoPac Life Insurance Agent Co., Ltd.

**Balance Sheets
September 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	\$ 66,149	\$ 80,403	Current liabilities	\$ 20,282	\$ 25,838
Properties—net	594	591			
Other assets	<u>2,543</u>	<u>2,967</u>	Stockholders' equity		
			Capital stock	3,000	2,000
			Retained earnings	<u>46,004</u>	<u>56,123</u>
			Total stockholders' equity	<u>49,004</u>	<u>58,123</u>
			Total liabilities and stockholders'		
Total assets	<u>\$ 69,286</u>	<u>\$ 83,961</u>	equity	<u>\$ 69,286</u>	<u>\$ 83,961</u>

SinoPac Property Insurance Agent Co., Ltd.

**Balance Sheets
September 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	\$ 10,092	\$ 4,597	Current liabilities	\$ 2,383	\$ 1,375
Other assets	<u>600</u>	<u>600</u>			
			Stockholders' equity		
			Capital stock	3,000	2,000
			Retained earnings	<u>5,309</u>	<u>1,822</u>
			Total stockholders' equity	<u>8,309</u>	<u>3,822</u>
			Total liabilities and stockholders'		
Total assets	<u>\$ 10,692</u>	<u>\$ 5,197</u>	equity	<u>\$ 10,692</u>	<u>\$ 5,197</u>

b. Condensed statements of income

Bank SinoPac and Subsidiaries

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

	<u>2004</u>	<u>2003</u>
Operating revenues	\$ 16,823,830	\$ 13,575,939
Operating costs and expenses	<u>13,373,971</u>	<u>10,786,385</u>
Operating income	3,449,859	2,789,554
Non-operating income and gains	243,428	85,813
Non-operating expenses and losses	<u>42,478</u>	<u>42,894</u>
Income before income tax	<u>3,650,809</u>	<u>2,832,473</u>
Net income	<u>\$ 2,960,950</u>	<u>\$ 2,281,736</u>
Pretax earnings per share	<u>\$ 1.88</u>	<u>\$ 1.46</u>
After tax earnings per share	<u>\$ 1.52</u>	<u>\$ 1.17</u>

SinoPac Securities and its Subsidiaries

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

	<u>2004</u>	<u>2003</u>
Operating revenues	\$ 407,177,846	\$ 304,153,979
Operating costs and expenses	<u>405,190,190</u>	<u>302,162,583</u>
Operating income	1,987,656	1,991,396
Non-operating income and gains	226,153	109,118
Non-operating expenses and losses	<u>529,561</u>	<u>175,312</u>
Income before income tax	<u>1,684,248</u>	<u>1,925,202</u>
Net income	\$ <u>1,032,191</u>	\$ <u>1,564,186</u>
Pre-tax earnings per share	\$ <u>1.10</u>	\$ <u>1.02</u>
After tax earnings per share	\$ <u>0.68</u>	\$ <u>1.02</u>

SinoPac Life Insurance Agent Co., Ltd.

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

	<u>2004</u>	<u>2003</u>
Operating revenues	\$ 134,277	\$ 128,655
Operating costs and expenses	<u>85,101</u>	<u>67,042</u>
Operating income	49,176	61,613
Nonoperating income and gains	<u>592</u>	<u>851</u>
Income before income tax	<u>49,768</u>	<u>62,464</u>
Net income	\$ <u>37,466</u>	\$ <u>46,933</u>
Pretax earnings per share	\$ <u>165.89</u>	\$ <u>312.32</u>
After tax earnings per share	\$ <u>124.89</u>	\$ <u>234.66</u>

SinoPac Property Insurance Agent Co., Ltd.

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

	2004	2003
Operating revenues	\$ 9,885	\$ 4,251
Operating costs and expenses	3,430	2,210
Operating income	6,455	2,041
Nonoperating income and gains	7	3
Income before income tax	6,462	2,044
Net income	\$ 4,857	\$ 1,536
Pretax earnings per share	<u>\$21.54</u>	<u>\$10.22</u>
After tax earnings per share	<u>\$16.19</u>	<u>\$ 7.68</u>

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

a. Statement of capital adequacy

%

Item	September 30, 2004	September 30, 2003
Capital adequacy ratios (Note)	11.13	13.05
Ratios of debt to net worth	1,544.10	1,404.72

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. Thus, the ratios above were as of June 30, 2004 and 2003.

b. Assets quality

(In Thousands of New Taiwan Dollars, %)

Item	September 30, 2004	September 30, 2003
Overdue loans (including nonperforming loans) (Note 1)	\$2,200,681	\$4,235,083
Nonperforming loans	2,148,413	2,684,479
Overdue loans ratio (Note 2)	0.86	2.02
Classified loans (Note 3)	871,990	1,072,091
Ratios of classified loans to total loans	0.34	0.51
Allowance for credit losses	1,410,341	1,991,133
Write-off amounts of credits (Note 4)	699,726	591,079

Note 1: Overdue 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: $\text{Overdue loans ratio} = \frac{\text{Overdue loans (including nonperforming loans)}}{\text{outstanding loan balance} + \text{Nonperforming loans}}$. If overdue loans (including nonperforming loans)/total credits, the overdue loans ratio as of September 30, 2004 and 2003 were 0.71% and 1.71%, 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 three months but less than nine 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 nine 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: $\text{Write-off amounts of credits} = \text{Accumulated write-off amounts of credits for the nine months ended September 30, 2004 and 2003.}$

c. Management information

1) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

	September 30, 2004		September 30, 2003	
Credit extensions to interested parties	3,459,481		4,200,322	
Ratios of credit extensions to interested parties	1.35		1.91	
Ratios of credit extensions secured by pledged stocks	1.58		0.33	
Industry concentration (the prior three industries of percentage)	Industry	Percentage	Industry	Percentage
	Natural person	77.19	Natural person	79.22
	Manufacturing	9.42	Manufacturing	7.67
	Wholesaling and retail	4.84	Wholesaling and retail	3.17

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

Note 2: $\text{Ratio of credit extensions to interested parties} = \frac{\text{credit extensions to interested parties}}{\text{total credit extensions}}$.

Note 3: $\text{Ratio of credit extensions secured by pledged stocks} = \frac{\text{credit extensions secured by pledged stocks}}{\text{total credit extensions}}$.

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 single 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 September 30, 2004 and 2003 were as follows:

	September 30			
	2004		2003	
	<u>Face Amount</u>	<u>%</u>	<u>Face Amount</u>	<u>%</u>
Natural person	\$ 164,409,304	64	\$ 150,147,303	71
Manufacturing	45,074,657	18	29,507,029	14

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 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 OTC stocks.

For listed and OTC stocks accounted for by the cost method, when the aggregate market value is lower than the total carrying amount, an allowance for decline in market value 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

September 30, 2004

Causes	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 Banking 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 Banking Law.	None
Within the past one year, misconduct occurred that resulted in the Ministry of Finance imposing strict corrective measures.	None
Within the past one year, the loss from one incident or the total losses from employee corruption, periodic events of a material nature, or failure to abide by the "Guidelines for the Maintenance of Soundness of Financial Institutions" exceeded NT\$50 million dollars.	None
Other	None

Note 1: The term "within the past one year" means 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 Bureau and Department of Insurance.

d. Profitability

%

Item	For the Nine Months Ended September 30, 2004	For the Nine Months Ended September 30, 2003
Return on total assets	1.07	0.96
Return on net worth	17.22	13.60
Profit margin	20.03	19.96

Note 1: Return on total assets = Income before income tax/Average total assets

Note 2: Return on net worth = Income before income tax/Average net worth

Note 3: Profit margin = Income after income tax/Total operating revenues

Note 4: Income before income tax represents the income for the nine months ended September 30, 2004 and 2003.

Note 5: The quarterly 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, %)

	For the Six Months Ended September 30, 2004		For the Six Months Ended September 30, 2003	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Assets</u>				
Due from other banks	\$ 4,280,178	0.85	\$ 3,858,893	1.29
Call loans (placement)	10,262,517	1.43	7,342,360	1.18
Due from the Central Bank	7,428,252	1.57	5,667,925	1.89
Securities purchased	134,611,627	1.44	108,322,407	1.95
Securities purchased under agreements to resell	7,523,066	1.05	-	-
Loans, discounts and bills purchased	235,711,489	3.24	192,124,006	4.04
Accounts receivable from factoring	12,334,728	3.08	5,164,384	3.73
Other long-term investments	218,408	-	104,972	7.55
<u>Liabilities</u>				
Due to other banks	66,677	0.62	7,275	0.06
Call loans (taken)	44,158,905	1.24	52,054,706	1.19
Demand deposits	74,235,378	0.41	33,085,105	0.63
Savings-demand deposits	68,987,228	0.48	53,188,848	0.71
Time deposits	134,378,679	0.86	107,539,358	1.35
Savings—time deposits	62,081,308	1.52	58,025,046	2.04
Negotiable certificates of deposit	28,415,981	1.00	4,855,478	0.94
Bank debentures	11,658,915	0.97	-	-
Securities sold under agreements to repurchase	26,716,423	2.75	10,544,322	2.59

- f. Liquidity

**Maturity Analysis of Assets and Liabilities
September 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	\$ 417,550	\$ 115,301	\$ 62,352	\$ 20,877	\$ 22,721	\$ 196,299
Liabilities	417,624	169,040	60,417	60,271	57,777	70,119
Gap	(74)	(53,739)	1,935	(39,394)	(35,056)	126,180
Accumulated gap	(74)	(53,739)	(51,804)	(91,198)	(126,254)	(74)

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

g. Interest-rate sensitivity information

Item	September 30, 2004	September 30, 2003
Ratio of interest-rate sensitive assets to liabilities	86.22%	89.96%
Ratio of interest-rate sensitive gap to net worth	(134.46%)	(91.51%)

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 change 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 September 30, 2004 and 2003 were as follows:

	September 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 (market risk)	USD 61,383	\$ 2,086,043	USD 17,541	\$ 592,546
	JPY 1,551,475	475,372	CHF 13,847	354,911
	EUR 10,785	451,659	THB 396,923	335,678
	AUD 14,739	358,006	KRW 9,405,408	276,519
	CAD 12,491	333,888	HKD 31,042	135,397

48. 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 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) Names, locations, and other information of investees on which the Company exercises significant influences: Table 5;

- 6) Derivative financial transactions: Please refer to Note 44.
- b. Information related to investment in Mainland China: None.

SINOPAC HOLDINGS AND INVESTEEES

**FINANCING PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 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	\$ 197,261 (Note 1)	\$ 197,014 (Note 1)	-	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ -	\$ -

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

SINOPAC HOLDINGS AND INVESTEES

**ENDORSEMENT/GUARANTEE PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 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)	\$ 1,699,200 (Note 1)	\$ -	\$ -	-	(Note 2)
2	SinoPac Leasing Corporation	Grand Capital International Limited	Subsidiary	(Note 3)	4,290,931 (Note 1)	4,290,931 (Note 1)	-	228%	(Note 4)
		Wal Tech International Corporation	Affiliate	(Note 3)	392,000	223,000	-	11%	(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 September 30, 2004, the limit was \$8,912,894.

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 September 30, 2004, the limit was \$3,954,521.

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 September 30, 2004, the maximum allowance was \$9,886,301.

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

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

TABLE 3

SINOPAC HOLDINGS AND INVESTEES

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2004

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	September 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	\$ 24,287,214	100.00%	\$ 27,199,958	Note 5
	SinoPac Securities Corporation	Subsidiary	Long-term equity investments	1,526,902	22,282,234	100.00%	22,282,234	Note 5
	AnShin Card Services Co., Ltd.	Subsidiary	Long-term equity investments	162,861	1,633,460	99.91%	2,701,053	Note 5
	SinoPac Life Insurance Agent Co., Ltd.	Subsidiary	Long-term equity investments	300	49,004	100.00%	49,004	Note 5
	SinoPac Property Insurance Agent Co., Ltd.	Subsidiary	Long-term equity investments	300	8,310	100.00%	8,309	Note 5
	SinoPac Venture Capital Co., Ltd.	Subsidiary	Long-term equity investments	100,000	989,816	100.00%	989,816	Note 4
	SinoPac Call Center Co., Ltd.	Subsidiary	Long-term equity investments	10,000	105,247	100.00%	105,247	Note 4
	SinoPac Asset Management International	Subsidiary	Long-term equity investments	10,000	104,871	100.00%	104,871	Note 4
	SinoPac Marketing Consulting Co., Ltd.	Subsidiary	Long-term equity investments	5,000	46,579	100.00%	46,579	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	184,456	1,844,560	93.16%	1,844,560	Note 5
	AnShin Card Services Co., Ltd.	-	Prepaid investments	13,544	135,440	6.84%	135,440	Note 5
SinoPac Bancorp	<u>Stock</u>							
	Far East National Bank	Subsidiary	Long-term equity investments	175	5,520,768	100.00%	5,520,768	Note 4
	SinoPac Financial Services (USA) Ltd.	Subsidiary	Long-term equity investments	2.5	38,765	100.00%	38,765	Note 4
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	-	1,604	4.00%	1,604	Note 6
	TVIA, Inc.	Investee accounted for by the cost method	Long-term equity investments	33	1,699	0.20%	1,699	Note 7
		<u>Stock (preferred stock)</u>						
	AgraQuest, Inc.	-	Long-term equity investments	100	7,986	0.80%	7,986	Note 6
	Silicon Motion, Inc.	-	Long-term equity investments	61	8,496	0.20%	8,496	Note 6
	Zone Reactor, Inc.	-	Long-term equity investments	300	1,145	1.50%	1,145	Note 6
	Epana Networks, Inc.	-	Long-term equity investments	568	8,496	0.90%	8,496	Note 6
	Straszheim Global Advisors, LLC	-	Long-term equity investments	0.14	9,346	6.00%	9,346	Note 6
SinoPac Leasing Corporation	<u>Stock</u>							
	Grand Capital International Limited	Subsidiary	Long-term equity investments	29,900	1,567,410	100.00%	1,567,410	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%	4,619	Note 4
	Global Securities Finance Corp.	Investee accounted for by the cost method	Long-term equity investments	1,423	15,664	0.19%	16,352	Note 4

(Continued)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	September 30, 2004				Note
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
Grand Capital International Limited	Z-Com, Inc.	Investee accounted for by the cost method	Long-term equity investments	317	\$ 6,340	0.48%	\$ 3,490	Note 5
	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%	5,912	Note 4
	<u>Venture fund</u> World Wide Multimedia L.P.	-	Long-term investments	0.005	33,248	16.67%	47,884	Note 4
SinoPac Capital Limited	<u>Stock (preferred stock)</u> Best 3C. Com, Inc.	-	Long-term equity investments	600	15,293	1.85%	15,293	Note 6
	e21 Corp.	-	Long-term equity investments	200	10,195	0.79%	10,195	Note 6
	<u>Stock</u> SinoPac Capital (B.V.I.) Ltd.	Subsidiary	Long-term equity investments	4,450	86,459	100.00%	422,175	Note 4
	SinoPac Insurance Brokers Ltd.	Subsidiary	Long-term equity investments	100	1,307	100.00%	1,307	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	3,400	60,981	0.24%	73,224	Note 3
	Sino Golf	-	Short-term investments	5,100	19,795	1.65%	31,361	Note 3
	HC	-	Short-term investments	7,998	54,731	1.93%	55,621	Note 3
	Comba	-	Short-term investments	3,064	44,291	0.37%	51,999	Note 3
	Suga International	-	Short-term investments	7,080	44,654	3.13%	37,923	Note 3
	Haitian	-	Short-term investments	10,932	35,728	6.76%	21,553	Note 3
	Sun East	-	Short-term investments	10,650	62,151	3.04%	26,677	Note 3
	Dongjiang	-	Short-term investments	7,320	16,076	4.11%	13,421	Note 3
	Shougang	-	Short-term investments	14,892	52,661	1.46%	55,135	Note 3
	SMIC	-	Short-term investments	9,800	107,346	0.06%	67,909	Note 3
	Wong's	-	Short-term investments	11,208	25,762	1.62%	25,528	Note 3
	Everskill	-	Short-term investments	574	26,958	0.34%	25,402	Note 3
	IC Media	-	Short-term investments	800	67,968	-	67,968	Note 3
	Group Plan (Macau)	-	Short-term investments	US\$ 26	895	40.00%	895	Note 3
	Kanssen	-	Short-term investments	29	17,408	-	17,408	Note 3
SCMP	-	Short-term investments	1,938	28,598	0.12%	27,892	Note 3	
Midland	-	Short-term investments	7,460	60,701	1.06%	88,092	Note 3	
QPL	-	Short-term investments	4,100	33,880	0.64%	31,380	Note 3	
Solomon	-	Short-term investments	8,150	66,865	0.33%	65,499	Note 3	
Sino Forest	-	Short-term investments	1,128	103,235	0.83%	89,286	Note 3	
<u>Fund</u> China Enterprise Capital	-	Short-term investments	US\$ 1,000	33,984	-	33,984	Note 6	
<u>Bond</u> Chiam International	-	Short-term investments	US\$ 2,000	67,968	-	67,968	Note 6	
InvestLink International	-	Short-term investments	US\$ 1,410	47,917	-	47,917	Note 6	
<u>Convertible bill and bond</u> Sinbon Electronics Co., Ltd.	-	Short-term investments	US\$ 1,000	33,984	-	38,062	Note 3	
Micro-Star Int'l Co., Ltd.	-	Short-term investments	US\$ 2,000	67,968	-	70,007	Note 3	
Asia Optical	-	Short-term investments	US\$ 500	16,992	-	18,266	Note 3	
Yue Yuen Industrial	-	Short-term investments	US\$ 1,000	33,984	-	32,880	Note 3	

(Continued)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	September 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 Capital (B.V.I.) Ltd.	<u>Stock</u> Cyberpac Holding Ltd. (B.V.I.)	Subsidiary	Long-term equity investments	4,000	\$ 6,753	100.00%	\$ 6,212	Note 4
	Allstar Venture Ltd. (B.V.I.)	Subsidiary	Long-term equity investments	0.002	(193,253)	100.00%	(193,253)	Note 4
	Shanghai International Asset Management (Hong Kong) Co., Ltd.	Subsidiary	Long-term equity investments	4,800	28,905	60.00%	25,081	Note 4
	Pinnacle Investment Management Ltd.	Subsidiary	Long-term equity investments	200	3,989	99.9995%	3,987	Note 4
Cyberpac Holding Ltd. (B.V.I.)	<u>Venture fund</u> 3V Source One LP	-	Long-term investments	2,000	69,441	71.43%	49,470	Note 4
	<u>Stock</u> Wal Tech International Corporation	Subsidiary	Long-term equity investments	26,500	162,646	100.00%	141,353	Note 4
	RSP Information Service Company Limited	Subsidiary	Long-term equity investments	999.999	1,799	99.9999%	1,799	Note 4
	Telexpress Corp. Hollywood International Finance Inc.	Investee accounted for by the equity method Investee accounted for by the cost method	Long-term equity investments Long-term equity investments	3,900 0.098	54,119 3	34.21% 4.90%	40,448 (6)	Note 4 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	59,544	6.25%	59,544	Note 6
	UOB Venture Technology Investments Limited	-	Long-term investments	26	75,830	8.62%	75,830	Note 6
	MDS Life Sciences Technology Fund— Barbados	-	Long-term investments	50	119,996	25.00%	84,862	Note 4
	Biotechnology Development Fund II, L.P.	-	Long-term investments	-	22,264	2.30%	42,014	Note 4
	North America Venture Fund II, L.P.	-	Long-term investments	-	15,140	2.07%	28,992	Note 4
	<u>Stock (common stock)</u> Ardent Pharmaceuticals, Inc.	Investee accounted for by the cost method	Long-term equity investments	143	17,371	0.58%	372	Note 4
	TVIA, Inc.	Investee accounted for by the cost method	Long-term equity investments	167	9,980	0.75%	8,496	Note 7
	DiCon Fiberoptics, Inc.	Investee accounted for by the cost method	Long-term equity investments	221	33,978	0.20%	4,308	Note 4
	<u>Stock (preferred stock)</u> Sunol Molecular Corp.	-	Long-term equity investments	100	17,152	0.92%	17,046	Note 6
	Phytoceutica, Inc.	-	Long-term equity investments	200	17,530	1.10%	17,422	Note 6
	Immusol, Inc.	-	Long-term equity investments	75	10,422	0.16%	10,358	Note 6
	Virtual Silicon Technology, Inc.	-	Long-term equity investments	120	10,414	0.31%	10,350	Note 6
	BioAgri Corp.	-	Long-term equity investments	375	10,195	2.34%	10,133	Note 6
Wal Tech International Corporation	<u>Stock</u> Intellisys Corp.	Subsidiary	Long-term equity investments	10,326	235,324	62.58%	126,963	Note 4
	Multiwin Asset Management Co., Ltd.	Investee accounted for by the equity method	Long-term equity investments	1,800	9,030	30.00%	8,976	Note 4
	Fu Po Electronics Corporation	Investee accounted for by the cost method	Long-term equity investments	1,295	23,315	1.50%	12,992	Note 5
	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%	1,894	Note 4
	SynTest Technologies, Inc., Taiwan	Investee accounted for by the cost method	Long-term equity investments	79	10,598	0.35%	450	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%	14,353	Note 5
	Ruentex Resources Integration Co., Ltd.	A subsidiary of Bank SinoPac's supervisor and investee accounted for by the cost method	Long-term equity investments	2,361	24,114	2.47%	20,631	Note 4
Media Reality Technologies, Inc.	Investee accounted for by the cost method	Long-term equity investments	240	4,079	0.60%	1,725	Note 5	

(Continued)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	September 30, 2004				Note
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
Intellisys Corp.	Advanced Power Electronics Corp.	Investee accounted for by the cost method	Long-term equity investments	759	\$ 13,698	1.18%	\$ 10,810	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	1,035	29,996	3.07%	12,902	Note 3
	SonicEdge Industries Corporation	Investee accounted for by the cost method	Long-term equity investments	580	14,500	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%	1,661	Note 5
	<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. SinoPac Managed Futures Co., Ltd.		Investee accounted for by the cost method Subsidiary	Long-term equity investments Long-term equity investments	500 20,000	5,000 195,798	0.25% 100.00%	9,034 195,798	Note 5 Note 4
SinoPac Capital Management Corporation	<u>Beneficiary certificate</u>							
	Barits Value Balance Fund	-	Short-term investments	789	10,000	-	9,424	Note 7
	Fuh-Hwa Digital Economy Fund	-	Short-term investments	1,211	10,000	-	10,133	Note 7
	Fuh-Hwa Aegis Fund	-	Short-term investments	1,000	10,000	-	9,837	Note 7
	United New Century Fund	-	Short-term investments	5,455	24,000	-	24,436	Note 7
	United Columbus Fund	-	Short-term investments	2,387	18,000	-	19,623	Note 7
SinoPac Life Insurance Agent Co., Ltd.	<u>Beneficiary certificate</u>							
	Fuh-hwa Yu-Li Fund	-	Short-term investments	1,328	15,015	-	15,922	Note 7
	Fuh-hwa Bond Fund	-	Short-term investments	164	2,000	-	2,111	Note 7
SinoPac Property Insurance Agent Co., Ltd.	Prudential Aggressive Growth 2 Bond Fund	-	Short-term investments	1,689	24,746	-	25,518	Note 7
	Truswell Premier Fund	-	Short-term investments	1,076	11,503	-	11,620	Note 7
SinoPac Venture Capital Co., Ltd.	<u>Beneficiary certificate</u>							
	NITC Bond Fund	-	Short-term investments	581	91,787	-	92,672	Note 7
SinoPac Venture Capital Co., Ltd.	United Genesis Fund	-	Short-term investments	6,771	52,678	-	53,684	Note 7
	BioAsia BDF IV	-	Long-term equity investments	US\$ 606	20,580	3.18%	29,756	Note 4
SinoPac Venture Capital Co., Ltd.	<u>Convertible bond</u>							
	ENE Technology Inc.	-	Short-term investments	20,000	20,000	-	18,500	Note 9

(Continued)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	September 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>Stock</u>							
	Media Reality Technologies, Inc.	Investee accounted for by the cost method	Long-term equity investments	340	\$ 4,080	0.85%	\$ 8,875	Note 4
	ATM Electronic Corp.	Investee accounted for by the cost method	Long-term equity investments	520	10,000	1.68%	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	313	12,500	1.04%	4,362	Note 4
	Pandisk Technology Company Ltd.	Investee accounted for by the cost method	Long-term equity investments	656	9,980	2.95%	9,163	Note 4
	Skanhex Technology Inc.	Investee accounted for by the cost method	Long-term equity investments	273	10,600	0.23%	1,505	Note 4
	ENE Technology Inc.	Investee accounted for by the cost method	Long-term equity investments	398	11,760	1.18%	4,776	Note 4
	Creative Sensor Inc.	Investee accounted for by the cost method	Long-term equity investments	1,002	49,982	1.28%	16,248	Note 4
	Nanya PCB Corporation	Investee accounted for by the cost method	Long-term equity investments	133	4,974	0.03%	2,658	Note 4
	ST. SHINE Optical Company Limited	Investee accounted for by the cost method	Long-term equity investments	6	175	0.02%	175	Note 6
	Hu Lane Associate Inc.	Investee accounted for by the cost method	Long-term equity investments	3	89	0.01%	116	Note 4
	Taimide Tech, Inc.	Investee accounted for by the cost method	Long-term equity investments	2,431	38,756	3.38%	21,569	Note 4
	Alpha Microelectronics Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	944	9,996	1.92%	12,699	Note 4
	Proconn Technology Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	752	10,822	4.19%	8,183	Note 4
	Bcom Electronics Inc.	Investee accounted for by the cost method	Long-term equity investments	949	17,914	0.90%	9,963	Note 4
	Sunnic Technology & Merchandise Inc.	Investee accounted for by the cost method	Long-term equity investments	844	25,120	2.81%	13,179	Note 4
	Ampire Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	179	2,507	0.38%	2,721	Note 4
	AME, Inc.	Investee accounted for by the cost method	Long-term equity investments	14	502	0.04%	370	Note 4
	TennRich International Corp.	Investee accounted for by the cost method	Long-term equity investments	518	9,988	1.24%	8,630	Note 4
	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%	30,167	Note 4
	Princo Corp.	Investee accounted for by the cost method	Long-term equity investments	272	19,967	0.07%	7,663	Note 4
	LightMaster System, Inc.	Investee accounted for by the cost method	Long-term equity investments	150	9,176	1.28%	2,160	Note 4
	Global Strategic Venture	Investee accounted for by the cost method	Long-term equity investments	3,000	30,000	1.94%	29,700	Note 4
	Donpon Precision, Inc.	Investee accounted for by the cost method	Long-term equity investments	575	17,500	1.04%	10,021	Note 4
	G-Tech Optoelectronics Corporation	Investee accounted for by the cost method	Long-term equity investments	1,135	19,976	2.14%	13,873	Note 4
	Ardemtec	Investee accounted for by the cost method	Long-term equity investments	1,977	32,247	0.72%	23,273	Note 4
	Royltek Company Ltd.	Investee accounted for by the cost method	Long-term equity investments	345	16,473	0.87%	3,933	Note 4
	Laster Tech Ltd.	Investee accounted for by the cost method	Long-term equity investments	569	19,735	2.17%	10,705	Note 4
	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%	19,414	Note 4
	International United Technology	Investee accounted for by the cost method	Long-term equity investments	1,473	18,713	1.47%	10,826	Note 4
	Add Microtech Corporation	Investee accounted for by the cost method	Long-term equity investments	621	19,826	2.28%	8,147	Note 4
	E-One MOLI Energy Corporation	Investee accounted for by the cost method	Long-term equity investments	1,400	16,800	1.36%	14,174	Note 4
	Advantech Semiconductor Inc.	Investee accounted for by the cost method	Long-term equity investments	1,540	15,398	1.45%	15,865	Note 4
	Uni Light Technology	Investee accounted for by the cost method	Long-term equity investments	915	18,438	1.16%	13,731	Note 4
	FEEL Cherng Enterprise Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	300	26,400	0.93%	6,219	Note 4
	Ritdisplay Corporation	Investee accounted for by the cost method	Long-term equity investments	127	2,241	0.02%	1,462	Note 4
	AMIC Technology Corporation	Investee accounted for by the cost method	Long-term equity investments	210	10,032	0.15%	2,001	Note 4
	PolyLite Taiwan Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	535	8,936	1.58%	5,642	Note 4
	FuPo Electronics Corporation	Investee accounted for by the cost method	Long-term equity investments	114	1,197	0.12%	1,039	Note 4
	ID Solutions Inc.	Investee accounted for by the cost method	Long-term equity investments	833	8,496	2.73%	3,853	Note 4
	Ultra Chip, Inc.	Investee accounted for by the cost method	Long-term equity investments	112	3,536	0.17%	1,575	Note 4
SinoPac Asset Management International	<u>Beneficiary certificate</u> NITC Bond Fund	-	Short-term investments	318	50,266	-	52,959	Note 7

(Continued)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	September 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>Stock</u>							
	Cheng Uei Precision Industry Co., Ltd.	-	Short-term investments	220	\$ 13,853	0.0900%	\$ 12,252	Note 2
	AU Optronics Corp.	-	Short-term investments	15	-	0.0003%	668	Note 2
	Promos Technologies Inc.	-	Short-term investments	350	4,977	0.0080%	4,813	Note 2
	National Venture Capital Corp.	Investee accounted for by the cost method	Long-term equity investments	2,000	14,800	3.7000%	16,065	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 September 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 September 30, 2004.

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

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

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 NINE MONTHS ENDED SEPTEMBER 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	\$ 432,893 (Note 1)	-	\$ -	\$ -	\$ -	162,861	\$ 1,633,460
	SinoPac Venture Capital Co., Ltd.	Long-term equity investments	-	-	50,000	501,683	50,000	488,133 (Note 2)	-	-	-	-	100,000	989,816
	<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	2,986	474,000	471,040	2,960	581	91,787
	United Genesis Fund	Short-term investments	United Investment Trust Company Limited	-	-	-	20,566	160,000	13,795	110,000	107,322	2,678	6,771	52,678
AnShin Card Services Co., Ltd.	<u>Beneficiary certificate</u> Tai-Yu Long River Bonds Fund	Short-term investments	-	-	-	-	50,128	570,000	50,128	570,050	570,000	50	-	-
	JF (Taiwan) Bond Fund	Short-term investments	-	-	-	-	14,922	220,000	14,922	220,022	220,000	22	-	-

Note 1: Consist of original investment amount of \$204,868, investment gain recognized under the equity method of \$219,976 and unrealized loss on long-term equity investment of \$8,049.

Note 2: Consist of increase in investment amount of \$500,000, investment loss recognized under the equity method of \$4,147, cash dividend \$4,430, increase in cumulative translation adjustment \$179 and recognized of unrealized loss on long-term equity investment of \$3,469.

SINOPAC HOLDINGS AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE NINE MONTHS ENDED SEPTEMBER 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 September 30, 2004			Net Income (Loss) of the Investee (Note 2)	Investment Gains (Loss) (Note 2)	Note
				September 30, 2004 (Note 1)	Dec. 31, 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%	\$ 24,287,214	\$ 2,960,950	\$ 2,815,853	Subsidiary
	SinoPac Securities Corporation	Taipei	Brokerage, dealing and underwriting of securities	21,566,517	21,566,517	1,526,902	100.00%	22,282,234	1,032,191	983,505	Subsidiary
	AnShin Card Services Co., Ltd.	Taipei	Credit card business	1,417,079	1,212,211	162,861	99.91%	1,633,460	311,338	219,976	Subsidiary
	SinoPac Life Insurance Agent Co., Ltd.	Taipei	Life insurance agent	81,909	81,909	300	100.00%	49,004	37,466	36,564	Subsidiary
	SinoPac Property Insurance Agent Co., Ltd.	Taipei	Property insurance agent	3,919	3,919	300	100.00%	8,310	4,857	4,842	Subsidiary
	SinoPac Venture Capital Co., Ltd.	Taipei	Venture capital investment	1,000,000	500,000	100,000	100.00%	989,816	(4,143)	(4,147)	Subsidiary
	SinoPac Call Center Co., Ltd.	Kaohsiung	Data processing, manpower and agency services	100,000	100,000	10,000	100.00%	105,247	4,996	4,973	Subsidiary
	SinoPac Asset Management International	Taipei	Business management advisory, investment and venture capital investment advisory	100,000	100,000	10,000	100.00%	104,871	2,922	2,747	Subsidiary
	SinoPac Marketing Consulting Co., Ltd.	Taipei	Agent service, investment advisory and overdue accounts receivable management	50,000	50,000	5,000	100.00%	46,579	2,598	2,598	Subsidiary
Bank SinoPac	SinoPac Bancorp	California	Bank stock holding	US\$ 112,306	US\$ 112,306	20	100.00%	5,485,632	284,827	222,970	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	99.76%	2,189,919	162,039	149,399	Affiliate
SinoPac Capital Limited	SinoPac Capital Limited	Hong Kong	Lending and financing	HK\$229,998	HK\$229,998	229,998	99.99%	991,466	6,022	(25,038)	Affiliate
	SinoPac Financial Consulting Co., Ltd.	Taipei	Investment advisory and business management advisory	\$ 1,940	\$ 1,940	194	97.00%	2,358	206	181	Affiliate
SinoPac Bancorp	Far East National Bank	California	Commercial bank	US\$ 107,306	US\$ 107,306	175	100.00%	5,520,768	298,918	-	Affiliate
	SinoPac Financial Services (USA) Ltd.	California	Securities brokerage	US\$ 25	US\$ 25	2.5	100.00%	38,765	2,331	-	Affiliate
Far East National Bank	Far East Capital Corporation	California	Investment bank	US\$ 3,500	US\$ 3,500	350	100.00%	64,009	(4,392)	-	Affiliate
	FENB Loan Corp.	California	Asset management	US\$ 1	US\$ 1	0.1	100.00%	(40,064)	(4,586)	-	Affiliate
	FENB Film Corp.	California	Motion picture asset management	US\$ 1	US\$ 1	0.1	100.00%	(84,476)	(4,177)	-	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%	1,567,410	148,738	-	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%	86,459	17,047	-	Affiliate
	SinoPac Insurance Brokers Ltd.	Hong Kong	Insurance brokerage	HK\$ 300	-	100	100.00%	1,307	-	-	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%	6,753	(37,724)	-	Affiliate
	Allstar Venture Ltd. (B.V.I.)	British Virgin Islands	Investment Corporation	US\$ 0.002	US\$ 0.002	0.002	100.00%	(193,253)	(9,964)	-	Affiliate
	Shanghai International Asset Management (Hong Kong) Co., Ltd.	Hong Kong	Asset management	HK\$ 10,000	HK\$ 10,000	4,800	60.00%	28,905	2,401	-	Affiliate
	Pinnacle Investment Management Ltd.	Hong Kong	Asset management, trust and consulting	US\$ 200	US\$ 200	200	99.99%	3,989	(126)	-	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%	162,646	(31,781)	-	Affiliate
	RSP Information Service Company Limited	Hong Kong	General trading and providing internet-based service	HK\$999,999	HK\$999,999	999,999	99.99%	1,799	(1,566)	-	Affiliate
	Telexpress Corp.	Cayman Islands	Investment Corporation	US\$ 1,560	US\$ 1,560	3,900	34.21%	54,119	12,503	-	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 September 30, 2004			Net Income (Loss) of the Investee (Note 2)	Investment Gains (Loss) (Note 2)	Note
				September 30, 2004 (Note 1)	Dec. 31, 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%	\$ 235,324	\$ 1,745	\$ -	Affiliate
	Mutiwin Asset Management Co., Ltd.	Taipei	Asset management	18,000	18,000	1,800	30.00%	9,030	(15,094)	-	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%	1,240,192	97,028	92,599	Affiliate
	SinoPac Securities (Cayman) Holdings Ltd.	Cayman Islands, British West Indies	Stock holding	1,972,821	1,637,261	58,100	100.00%	2,366,463	44,275	44,275	Affiliate
SinoPac Securities Corporation	SinoPac Capital Management Corporation	Taipei	Investment consulting	146,028	146,028	21,000	100.00%	183,792	(7,905)	(8,026)	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%	801,267	72,875	72,875	Affiliate
SinoPac Futures Corporation	SinoPac Managed Futures Co., Ltd.	Taipei	Futures Management	200,000	-	20,000	100.00%	195,798	(4,202)	-	-
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\$ 1,172	(US\$ 154)	-	Affiliate
	SinoPac Securities (Asia) Ltd.	Hong Kong	Hong Kong stock brokerage	US\$ 46,756	US\$ 36,756	38	94.26%	US\$ 59,593	US\$ 1,842	-	Affiliate
	SinoPac Futures (Asia) Ltd.	Hong Kong	Futures brokerage business	US\$ 1,205	US\$ 1,205	10,000	100.00%	US\$ 2,348	US\$ 1	-	Affiliate
	SinoPac Capital (Asia) Ltd.	Hong Kong	IPO underwriting business	US\$ 3,862	US\$ 3,862	30,000	100.00%	US\$ 4,084	(US\$ 205)	-	Affiliate
	NSC Asia Ltd.	British Virgin Islands	Derivatives instruments business	US\$ 744	US\$ 744	1	100.00%	US\$ 41	US\$ -	-	Affiliate
	NITC Asset Management (Asia) Ltd.	Hong Kong	Asset management and investment consulting	US\$ 158	US\$ 158	2,992	29.92%	US\$ 899	US\$ 744	-	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\$ 657	(US\$ 234)	-	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\$ 3,626	US\$ 153	-	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\$ 13,438	US\$ 1,975	-	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\$ 3,629	US\$ 1,842	-	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\$ 2	-	-	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\$ 2	-	-	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 nine months ended September 30, 2004.

Note 3: The amounts are after deducting realized losses.

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