

## **SinoPac Holdings**

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

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

As stated in Note 5 to the financial statements, the carrying amounts of the long-term equity investments accounted for by the equity method as of September 30, 2004 and 2003 amounted to NT\$5,426,144 thousand and NT\$7,919,980 thousand, respectively, the related investment income for the nine months then ended amounted to NT\$189,998 thousand and NT\$627,528 thousand and additional disclosure of the Company and part of its investees stated in Note 27 to the financial statements are based on the investees' unreviewed financial statements.

Based on our reviews, except for the adjustments in the Company's financial statements that might have been required had the financial statements of SinoPac Holdings and its subsidiaries' investees mentioned in the third paragraph been reviewed by independent accountants, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with the Criteria Governing the Preparation of Financial Reports by Financial Holding Companies and accounting principles generally accepted in the Republic of China.

According to the Criteria Governing the Preparation of Financial Reports by Financial Holding Companies, we have also reviewed the consolidated financial statements of SinoPac Holdings as of September 30, 2004 and 2003, and for the nine months then ended, on which we have issued a qualified review report due to the unreviewed financial statements of SinoPac Holdings and its subsidiaries' investees accounted for by the equity method.

#### Notice to Readers

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

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

**SINOPAC HOLDINGS**

**BALANCE SHEETS**

**SEPTEMBER 30, 2004 AND 2003**

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

**(Reviewed, Not Audited)**

ASSETS	2004		2003		LIABILITIES AND STOCKHOLDERS' EQUITY	2004		2003	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 3 and 17)	\$ 3,653,034	6	\$ 6,940,132	13	Short-term borrowings (Note 7)	\$ 300,000	1	\$ 200,000	1
Receivables	16,041	-	15,598	-	Commercial papers payable (Note 8)	99,989	-	-	-
Receivables—related party (Note 17)	63,772	-	17,926	-	Euro-convertible bonds redeemable within one year (Notes 2 and 10)	8,267,377	14	-	-
Securities purchased under agreements to resell (Notes 2, 4 and 17)	2,560,290	5	280,000	-	Payables (Note 9)	191,066	-	184,741	-
Prepayments and other current assets (Notes 2 and 15)	37,989	-	13,569	-	Total current liabilities	8,858,432	15	384,741	1
Total current assets	6,331,126	11	7,267,225	13					
<b>LONG-TERM EQUITY INVESTMENTS (Notes 2, 5 and 17)</b>					<b>LONG-TERM LIABILITIES</b>				
Equity method	49,506,735	85	46,282,063	85	Euro-convertible bonds—net (Notes 2 and 10)	-	-	8,262,484	15
Other	1,989,560	4	413,336	1	Accrued pension cost (Notes 2 and 13)	12,978	-	7,188	-
Prepaid investments	135,440	-	211,664	1	Other	109,395	-	141,866	-
Total long-term equity investments	51,631,735	89	46,907,063	87	Total long-term liabilities	122,373	-	8,411,538	15
					Total liabilities	8,980,805	15	8,796,279	16
<b>PROPERTIES (Notes 2, 6 and 17)</b>					<b>STOCKHOLDERS' EQUITY</b>				
Cost					Capital stock—\$10 par value				
Computer equipment	4,684	-	3,621	-	Authorized: 10,000,000,000 shares				
Transportation equipment	4,180	-	4,180	-	Issued: 3,945,234,269 shares and 3,748,126,974 shares as of September 30, 2004 and 2003, respectively (Note 11)	39,452,343	68	37,481,270	69
Office and other equipment	5,930	-	6,545	-	Capital surplus (Notes 2 and 11)				
Leasehold improvement	17,459	-	17,281	-	Additional paid-in capital	8,068,519	14	7,913,381	15
Total cost	32,253	-	31,627	-	Treasury stock transactions	280,274	-	11,664	-
Less: Accumulated depreciation	13,930	-	7,070	-	Other	2,410	-	2,410	-
	18,323	-	24,557	-	Retained earnings (Note 11)	4,550,926	8	3,545,280	7
Prepayments for equipment	4,300	-	-	-	Unrealized loss on long-term equity investments (Notes 2 and 5)	( 288,803 )	-	( 345,655 )	( 1 )
Net properties	22,623	-	24,557	-	Unrealized revaluation loss on long-term equity investments (Notes 2 and 5)	( 8,967 )	-	( 63,643 )	-
					Cumulative translation adjustment (Notes 2 and 5)	220,871	-	177,505	-
<b>OTHER ASSETS</b>					Net loss not recognized as pension cost	( 926 )	-	-	-
Refundable guarantee deposits	3,335	-	3,338	-	Treasury stock—at cost: 246,144,430 shares and 250,202,766 shares as of September 30, 2004 and 2003, respectively (Notes 2 and 12)	( 3,230,895 )	( 5 )	( 3,245,570 )	( 6 )
Bond issuance cost (Note 2)	27,361	-	67,735	-	Total stockholders' equity	49,045,752	85	45,476,642	84
Deferred income tax assets—noncurrent (Notes 2 and 15)	6,831	-	-	-					
Computer software	3,546	-	3,003	-	<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 58,026,557</b>	<b>100</b>	<b>\$ 54,272,921</b>	<b>100</b>
Total other assets	41,073	-	74,076	-					
<b>TOTAL ASSETS</b>	<b>\$ 58,026,557</b>	<b>100</b>	<b>\$ 54,272,921</b>	<b>100</b>					

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

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

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

**SINOPAC HOLDINGS**

**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)**

	<b>2004</b>		<b>2003</b>	
	<b><u>Amount</u></b>	<b><u>%</u></b>	<b><u>Amount</u></b>	<b><u>%</u></b>
<b>OPERATING REVENUES</b>				
Interest (Notes 2, 17 and 23)	\$ 88,118	2	\$ 117,194	3
Income from short-term investments	-	-	29	-
Income from long-term equity investments under the equity method (Notes 2 and 5)	4,071,058	97	3,675,207	97
Dividend income (Notes 2 and 5)	<u>25,650</u>	<u>1</u>	<u>8,920</u>	<u>-</u>
Total operating revenues	<u>4,184,826</u>	<u>100</u>	<u>3,801,350</u>	<u>100</u>
<b>OPERATING COSTS AND EXPENSES</b>				
Interest (Notes 2, 17 and 23)	285,590	7	274,510	7
Loss from long-term equity investments under the equity method (Notes 2 and 5)	4,147	-	13,631	-
Operating and administrative expenses (Notes 2, 13, 14 and 17)	<u>204,995</u>	<u>5</u>	<u>168,690</u>	<u>5</u>
Total operating costs and expenses	<u>494,732</u>	<u>12</u>	<u>456,831</u>	<u>12</u>
OPERATING INCOME	3,690,094	88	3,344,519	88
NONOPERATING INCOME AND GAINS	153,678	4	11,330	-
NONOPERATING EXPENSES AND LOSSES	<u>4</u>	<u>-</u>	<u>833</u>	<u>-</u>
INCOME BEFORE INCOME TAX	3,843,768	92	3,355,016	88
INCOME TAX (Notes 2 and 15)	<u>4,530</u>	<u>-</u>	<u>194</u>	<u>-</u>
NET INCOME	<u>\$ 3,839,238</u>	<u>92</u>	<u>\$ 3,354,822</u>	<u>88</u>
	<b><u>Pretax</u></b>	<b><u>After Tax</u></b>	<b><u>Pretax</u></b>	<b><u>After Tax</u></b>
<b>EARNINGS PER SHARE (Note 16)</b>				
Basic earnings per share	<u>\$ 1.04</u>	<u>\$ 1.04</u>	<u>\$ 0.92</u>	<u>\$ 0.92</u>
Diluted earnings per share	<u>\$ 0.97</u>	<u>\$ 0.97</u>	<u>\$ 0.87</u>	<u>\$ 0.87</u>

(Continued)

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

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

	<u>2004</u>		<u>2003</u>	
INCOME BEFORE INCOME TAX	<u>\$ 4,141,791</u>		<u>\$ 3,646,566</u>	
NET INCOME	<u>\$ 4,137,261</u>		<u>\$ 3,646,372</u>	
		<b>After</b>	<b>After</b>	
	<b><u>Pretax</u></b>	<b><u>Tax</u></b>	<b><u>Pretax</u></b>	<b><u>Tax</u></b>
EARNINGS PER SHARE				
Basic earnings per share	<u>\$ 0.98</u>	<u>\$ 0.98</u>	<u>\$ 0.86</u>	<u>\$ 0.86</u>
Diluted earnings per share	<u>\$ 0.92</u>	<u>\$ 0.92</u>	<u>\$ 0.82</u>	<u>\$ 0.82</u>

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

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

(Concluded)

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

**SINOPAC HOLDINGS**

**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>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 3,839,238	\$ 3,354,822
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	6,274	5,733
Amortization of deferred issuance cost on Euro-convertible bonds	27,902	29,029
Euro-convertible bonds and its accrued interest premium	263,587	267,388
Income from long-term equity investments under the equity method—net	( 4,066,911 )	( 3,661,576 )
Cash dividends received from long-term equity investments under the equity method	3,446,746	2,558,311
Pension cost	5,591	5,234
Decrease (increase) in receivables	11,329	( 15,587 )
Decrease (increase) in receivables—related party	( 17,863 )	3,217
Decrease (increase) in prepayments and other current assets	4,673	( 8,711 )
Deferred income taxes	5,931	-
Increase (decrease) in payables	( <u>195,483</u> )	<u>27,756</u>
Net cash provided by operating activities	<u>3,331,014</u>	<u>2,565,616</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in securities purchased under agreements to resell	( 2,180,290 )	190,000
Increase in long-term equity investments	( 2,204,868 )	( 1,826,576 )
Acquisition of properties	( 5,080 )	( 2,564 )
Decrease (increase) in other assets	( <u>364</u> )	<u>4,371</u>
Net cash used in investing activities	( <u>4,390,602</u> )	( <u>1,634,769</u> )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Remuneration to directors and supervisors and bonus to employees	( 72,669 )	( 63,984 )
Cash dividends paid	( 1,874,063 )	( 2,414,403 )
Increase in treasury stock	( 333,973 )	-
Decrease in short-term borrowings	-	( 50,000 )
Increase in commercial papers payable	99,989	-
Decrease in other liabilities	( <u>10,229</u> )	( <u>1,246</u> )
Net cash used in financing activities	( <u>2,190,945</u> )	( <u>2,529,633</u> )

(Continued)

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

	<u>2004</u>	<u>2003</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(\$ 3,250,533)	(\$ 1,598,786)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	6,902,554	8,704,121
EFFECTS OF EXCHANGE RATE CHANGE ON CASH	<u>1,013</u>	( <u>165,203</u> )
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 3,653,034</u>	<u>\$ 6,940,132</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 19,879</u>	<u>\$ 8,676</u>
Income tax paid	<u>\$ 1,374</u>	<u>\$ 4,928</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
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>
Euro-convertible bonds redeemable within one year	<u>\$ 8,267,377</u>	<u>\$ -</u>

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

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

(Concluded)

**SINOPAC HOLDINGS**

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

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**1. ORGANIZATION AND OPERATIONS**

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

On July 22, 2002, SPS was merged into NSC with the latter as surviving entity pursuant to resolutions reached by the Boards of both companies. The merged company was immediately renamed to SinoPac Securities Corporation (SinoPac Securities).

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

As of September 30, 2004 and 2003, the Company had a total of 50 and 45 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 (the "Criteria") and accounting principles generally accepted in the Republic of China (ROC) are summarized below.

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

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

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

Sales or purchases of securities under agreements to repurchase or resell for the Company are stated at cost. The difference between the original purchase cost (or sale price) and the contracted resale (or repurchase) amount is recognized as interest income (or interest expense).

**Long-term Equity Investments**

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

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

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

### **Properties**

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

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

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

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

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

### **Interest Premium**

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

### **Pension**

Pension expense is determined based on actuarial calculations.

### **Treasury Stock**

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

Under a directive of the Securities and Futures Committee (SFC, renamed as Securities and Futures Bureau (SFB), Financial Supervisory Commission, Executive Yuan, R.O.C. since July 1, 2004), treasury stock originally owned by a financial institution that later becomes a subsidiary of a financial holding company through the shares swap, should continue to be treated as treasury stock in the subsidiary's books after the swap. But if the subsidiary owns shares of another subsidiary under the same financial holding company, and the shares are later exchanged for the financial holding company's shares, these shares should be treated as investments in subsidiary's books, but as treasury stock in the financial holding company's books starting December 31, 2002.

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

#### **Derivative Financial Instruments— Cross-currency Swap Contracts**

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

#### **Revenue Recognition**

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

#### **Income Taxes**

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

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

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

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

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

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

Foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses resulting from the application of different foreign exchange rates when cash in foreign currency is converted into New Taiwan dollars, or when foreign-currency receivables or payable are settled, are credited or charged to income in the period of conversion or settlement. As of the balance sheet date, the balances of foreign-currency assets and liabilities are restated at the prevailing exchange rate (at exchange rate of NT\$33.984=US\$1 and NT\$33.78=US\$1 as of September 30, 2004 and 2003, respectively), and the resulting differences are credited or charged to current income.

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

## Reclassifications

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

### 3. CASH AND CASH EQUIVALENTS

	September 30	
	2004	2003
Time deposits—due in November and February 2004, with interest rate of 0.70%-1.98% and 0.850%-1.436%, respectively	\$ 3,641,711	\$ 6,754,537
Commercial papers—due in October 2003 and with interest rate of 0.825%	-	119,780
Checking deposits	765	41,106
Demand deposits	10,558	24,709
	<u>\$ 3,653,034</u>	<u>\$ 6,940,132</u>

### 4. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

Securities purchased under agreements to resell as of September 30, 2004 and 2003 will be sold by November 2004 and December 2003 at \$2,562,940 and \$280,280, respectively.

### 5. LONG-TERM EQUITY INVESTMENTS

	September 30			
	2004		2003	
	Amount	%	Amount	%
<u>Equity method</u>				
Unlisted companies				
Bank SinoPac	\$ 24,287,214	100.00	\$ 22,499,943	100.00
SinoPac Securities	22,282,234	100.00	21,775,401	100.00
AnShin Card Services	1,633,460	99.91	1,192,449	89.43
SinoPac Venture Capital	989,816	100.00	485,579	100.00
SinoPac Call Center	105,247	100.00	102,830	100.00
SinoPac Asset Management International	104,871	100.00	116,526	100.00
SinoPac Life Insurance Agent	49,004	100.00	58,123	100.00
SinoPac Marketing Consulting	46,579	100.00	47,390	100.00
SinoPac Property Insurance Agent	8,310	100.00	3,822	100.00
	<u>49,506,735</u>		<u>46,282,063</u>	

(Continued)

	<b>September 30</b>			
	<b>2004</b>		<b>2003</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<u>Other</u>				
Cost method—unlisted company				
Li-Seng Develop Company	\$ 125,000	5.00	\$ 125,000	5.00
Debt instruments Depository and Clearing Co., Ltd., Taiwan	20,000	1.00	-	-
Preferred stock				
AnShin Card Services	<u>1,844,560</u>	100.00	<u>288,336</u>	60.07
	<u>1,989,560</u>		<u>413,336</u>	
Prepaid investments	<u>135,440</u>		<u>211,664</u>	
	<u>\$51,631,735</u>		<u>\$46,907,063</u>	

As of September 30, 2004 and 2003, unrealized loss on long-term equity investments (included in the debit balance of stockholders' equity) resulting from market value decline of listed and OTC stocks held by subsidiaries and its investees accounted for by the equity method amounted to \$288,803 and \$345,655, respectively. Also, as of September 30, 2004 and 2003, the Company recognized its equity in the unrealized revaluation loss on long-term equity investments totaling \$8,967 and \$63,643, respectively (included in the debit balance of stockholders' equity) from subsidiaries, and cumulative translation adjustment (under the stockholders' equity) from subsidiaries and investees totaling \$220,871 and \$177,505, respectively.

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

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

	<b>For the Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2004</b>	<b>2003</b>
Bank SinoPac	\$ 2,815,853	\$ 2,108,006
SinoPac Securities	983,505	1,497,245
AnShin Card Services	219,976	( 5,917 )
SinoPac Life Insurance Agent	36,564	46,214
SinoPac Call Center	4,973	5,696
SinoPac Property Insurance Agent	4,842	1,519
SinoPac Asset Management International	2,747	16,527
SinoPac Marketing Consulting	2,598	( 2,610 )
SinoPac Venture Capital	( 4,147 )	( 5,104 )
	<u>\$ 4,066,911</u>	<u>\$ 3,661,576</u>

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

The carrying amounts of the investments accounted for by the equity method as of September 30, 2004 and 2003 totaling \$1,246,513 and \$752,325, respectively, and the related investment income of \$6,171 and \$14,509, respectively, for the nine months then ended, were based on the investees' unreviewed financial statements. Adjustments may have to be made to these investments and investment income (loss) if such financial statements had been reviewed.

Bank SinoPac was issued a qualified reviewed report due to the carrying amounts of its 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 \$124,542 and \$266,129, respectively, for the nine months then ended, were based on the investees' unreviewed financial statements.

SinoPac Securities was issued a qualified review report due to the carrying amounts of its 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 the Company's 226,495,430 and 216,542,894 shares, respectively, both with carrying amount at \$2,896,922 and market values at \$3,956,871 and \$3,165,857, respectively, based on the daily average closing prices in September 2004 and 2003. Under the appropriation of earnings of year 2003 and for the periods from May 9, 2002 to December 31, 2002, cash dividends received by Bank SinoPac were \$108,163 and \$140,753, respectively. For the nine months ended September 30, 2004 and 2003, when recognizing investment income from Bank SinoPac, adjustments made to investment income were of \$108,163 and \$140,753 deductions, respectively.

The Company acquired 81,103,709 shares of common stock issued by AnShin Card Services from Bank SinoPac (please see Note 17, 10) in December 2002, at an acquisition cost of \$181,238. The Company also acquired 64,665,003 shares and 17,092,258 shares of common stock issued by AnShin Card Services from ING Heart Investment Co., Ltd. and other stockholders in September 2003 and June 2004, at an acquisition cost of \$1,030,973 and \$204,868, respectively.

The Company acquired 28,833,600 shares and 19,166,400 shares of preferred stock A issued by AnShin Card Services in October 2002 and September 2003, at an acquisition cost of \$288,336 and \$191,664, respectively. The preferred stock A bears annual interest rate of 4% and will be matured in October 2008 (originally mature in October 2006 and the maturity term had been amended by the stockholders' meeting on March 25, 2003). In May 2004, the Company acquired 150,000,000 shares of preferred stock B issued by AnShin Card Services, at an cost of \$1,500,000. The preferred stock B bears annual interest rate of 2% and will be matured in May 2007. The Company had recognized dividend income from preferred stock totaling \$25,650 and \$8,920 for the nine months ended September 30, 2004 and 2003, respectively.

As of September 30, 2004, prepaid investments amounted to \$135,440 were generated from the preferred stock issued by AnShin Card Services. As of September 30, 2003, prepaid investments amounted to \$20,000 and \$191,664 were generated from the common stock issued by Debt Instruments Depository and Clearing Co., Ltd., Taiwan, and from the preferred stock issued by AnShin Card Services, respectively.

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

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

## 6. PROPERTIES

	<u>September 30</u>	
	<u>2004</u>	<u>2003</u>
Cost	\$ 32,253	\$ 31,627
Accumulated depreciation		
Computer equipment	1,778	839
Transportation equipment	1,393	697
Office and other equipment	2,162	1,282
Leasehold improvement	<u>8,597</u>	<u>4,252</u>
	<u>13,930</u>	<u>7,070</u>
	18,323	24,557
Prepayments for equipment	<u>4,300</u>	<u>-</u>
Net	<u>\$ 22,623</u>	<u>\$ 24,557</u>

## 7. SHORT-TERM BORROWINGS

As of September 30, 2004 and 2003, the unsecured short-term borrowings from bank bore interest rates of 1.35%-1.50% and 1.25%, and the last maturity dates are in October 2004 and 2003, respectively.

## 8. COMMERCIAL PAPERS PAYABLE

	<u>September 30,</u> <u>2004</u>
Commercial papers payable	\$ 100,000
Less: Discount on commercial papers	<u>11</u>
	<u>\$ 99,989</u>

The commercial papers, with annual discount rate of 0.81%, will mature in October 2004.

## 9. PAYABLES

	<u>September 30</u>	
	<u>2004</u>	<u>2003</u>
Investment payable—current	\$ 154,006	\$ 128,963
Salaries payable	27,656	7,827
Interest payable	4,675	3,988
Employees bonus payable	1,100	3,422
Stock affairs collection payable	-	39,764
Other	<u>3,629</u>	<u>777</u>
	<u>\$ 191,066</u>	<u>\$ 184,741</u>

## 10. EURO-CONVERTIBLE BONDS

	<u>September 30</u>	
	<u>2004</u>	<u>2003</u>
Euro-convertible bonds	\$ -	\$ 7,834,230
Add: Interest premium payable	-	428,254
	-	8,262,484
Euro-convertible bonds redeemable within one year	7,502,902	-
Add: Interest premium payable	764,475	-
	<u>\$ 8,267,377</u>	<u>\$ 8,262,484</u>

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

### a. Redemption terms

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

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

### b. Maturity date:

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

### c. Pledged: Negative

d. Conversion right and conversion period

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

e. Conversion price

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

In 2003, the Company issued total of 157,422 units of employee stock option certificates representing 157,422,000 shares of common stock. According to the fixed consideration of NT\$12 per share which was determined by the closing price on July 31, 2003, the issuance date of such stock option, the issuance of 157,422,000 shares had triggered the conversion price adjustment from NT\$16.651 to NT\$16.607 effective on July 31, 2003. As a result of the above adjustment, the conversion price, in respect of the distribution by the Company of a cash dividend in the amount of NT\$0.65 per share for the appropriation of earnings for the period from May 9, 2002 to December 31, 2002, was further adjusted from NT\$16.607 to NT\$15.768 effective on the record date, August 1, 2003, set by the board of directors of the Company for the determination of shareholders entitled to receive such cash dividend. Considering such employee stock option certificates and cash dividends adjustments, 488,837,519 shares (at a fixed exchange rate of NT\$33.513=US\$1) of common stock were expected to be issued.

In the 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 the Company.

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

## 11. STOCKHOLDERS' EQUITY

a. Capital stock

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

As of September 30, 2004, the Company had a capital stock \$39,452,343, divided into 3,945,234,269 common shares. For 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 stock bonus. The capital stock increase was approved by the SFB and took effect on August 9, 2004.

b. Capital surplus

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

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

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

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

c. 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 reserves, and offering employee bonus which should not be less than 1% of the balance. The board of directors will then propose to the stockholders' meeting for appropriation of the remainder and retained earnings from previous year.

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

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

Cash dividends and cash 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 (please see Note 5).

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

d. Employee stock option certificates

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

1) Conditions of eligibility for subscription rights:

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

2) Exercise price:

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

3) Terms and vesting of the rights:

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

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

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

6) Procedures for handling surrendered stock option certificate:

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

7) Method for exercise: Issuance of new shares of the Company.

8) Adjustment of exercise price:

- a) After issuance of stock option certificates, in case of changes in number of the Company's outstanding common shares (such as resulting from a rights offering, capitalization of retained earnings, capitalization of capital reserve, merger, stock split, share offering for GDR issuance, etc.), exercise price per share will be adjusted only according to the following formula (rounded to NT\$0.01).

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

- i. The aforesaid term, “number of shares issued” means the total number of common shares issued and the certificates of payment for exercising stock options, but not including the certificates of bond conversion.
  - ii. The payment will be nil if the “payment per new share” is obtained from distribution of bonus shares or stock split.
  - iii. In the case of a merger of the Company with another entity, “payment per new share” will be the average of the daily closing prices for the 30 consecutive trading days of the Company’s common share, commencing 45 trading days before the record date of the merger.
  - iv. No adjustment to exercise price will be made if the “adjusted exercise price” is higher than the “exercise price before adjustment”.
- b) After the issuance of stock option certificates, the exercise price will be adjusted accordingly if the Company is to distribute cash dividend.
- 9) Rights and obligations after exercising options:

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

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

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

## 12. TREASURY STOCK

(Shares Expressed in Thousands)

<u>Reasons</u>	<u>Shares at the Beginning of Period</u>	<u>Shares Increase During the Period</u>	<u>Shares Decrease During the Period</u>	<u>Shares at the End of Period</u>
<u>For the nine months ended September 30, 2004</u>				
Reissuance to employees				
SinoPac Holdings	-	19,649	-	19,649
Shares held by subsidiary	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 realized capital surplus. The Company should not use treasury stock to secure any of its obligations and to exercise any shareholders' rights on those stocks.

The Company's capital stock held by subsidiaries is treated as treasury stock; thus, the subsidiaries may not exercise stockholders' rights on the treasury stock excluding those of which bought by the subsidiaries before the share swap that was made to establish the Company. Under the Financial Holding Company Act, the Company's shares held by the subsidiaries may 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, the Company acquired 19,649,000 shares of its outstanding stocks for \$333,973. The Company intends to reissue these stocks to its employees in the next three years at one time or in installments from May 24, 2004.

Before the share swap date, Bank SinoPac and SinoPac Securities acquired 40,535,000 shares and 53,857,815 shares of treasury stock for \$500,354 and \$554,992, respectively. As a result of the shares swap, the aforementioned capital stocks had been exchanged for 95,475,631 shares of the Company. The Company treated those shares as treasury stock under the SFC's directive. Of the above treasury stock, 41,617,816 shares held by Bank SinoPac had been reissued to its employees at NT\$11.84 per share in 2002; 20,197,943 shares and 33,659,872 shares held by SinoPac Securities had been reissued to its employees at NT\$10.826 and NT\$10.976 in September 2002 and November 2003, respectively.

Bank SinoPac had held 256,127,108 shares of SPS (which was merged with SinoPac Securities on July 22, 2002) with carrying value of \$2,896,922 prior to the shares swap. Those shares had been swapped for 204,106,675 shares of the Company, together with stock dividends of 12,436,219 shares from capital surplus and 9,952,536 shares from earnings and capitalization of retained earnings of 9,952,536 shares received, respectively, were presented as securities purchased in Bank SinoPac's book; while the Company 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 the Company or the Company's subsidiaries within three years, (ii) may be used for equity conversion, or (iii) may be sold on a stock exchange or over-the-counter market. In the event that such shares are not timely reissued or sold, such shares should be cancelled and decrease the Company's capital, in addition, the alternation registration should be completed.

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

### **13. PENSION**

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

Following were summaries of certain pension information:

a. Change in pension fund

	<b>For the Nine Months Ended September 30</b>	
	<u>2004</u>	<u>2003</u>
Balance, January 1	\$ 2,142	\$ 547
Contributions	<u>1,214</u>	<u>1,246</u>
Balance, September 30	<u>\$ 3,356</u>	<u>\$ 1,793</u>

b. Change in accrued pension cost

Balance, January 1	\$ 8,601	\$ 3,200
Provision	5,591	5,234
Contributions	( <u>1,214</u> )	( <u>1,246</u> )
Balance, September 30	<u>\$ 12,978</u>	<u>\$ 7,188</u>

For the nine months ended September 30, 2004 and 2003, pension expense amounted to \$5,591 and \$5,234, respectively.

**14. OPERATING AND ADMINISTRATIVE EXPENSES**

	<b>For the Nine Months Ended September 30</b>	
	<u>2004</u>	<u>2003</u>
Personnel expenses		
Salaries and wages	\$ 81,968	\$ 52,018
Pension	5,591	5,234
Labor insurance and national health insurance	1,903	1,773
Other	1,244	8,128
Depreciation	5,396	5,118
Amortization	878	615
Other	<u>108,015</u>	<u>95,804</u>
	<u>\$ 204,995</u>	<u>\$ 168,690</u>

**15. 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. since 2003. In 2004, the Company intended to adopt the linked tax system for income tax filings with all its qualified subsidiaries (collectively, the Group).

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

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2004</b>	<b>2003</b>
Tax on pretax income at 25% statutory rate	\$ 960,932	\$ 838,744
Add (deduct) tax effects of:		
Tax-exempt income	( 6,413 )	( 7 )
Permanent difference	( 1,015,418 )	( 915,624 )
Temporary difference	71,265	59,765
Loss carryforward	( 10,366 )	17,122
Current income tax payable	<u>\$ -</u>	<u>\$ -</u>

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

Separation taxes on short-term bills interest revenue	\$ 4	194
Tax on unappropriated earnings (10%)	-	13,174
Effect upon adoption of the linked tax system	( 1,405 )	( 13,174 )
Changes upon deferred income tax	<u>5,931</u>	<u>-</u>
	<u>\$ 4,530</u>	<u>\$ 194</u>

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

	<b>September 30</b>	
	<b>2004</b>	<b>2003</b>
Current		
Deferred income tax assets (liabilities)		
Deferred interest premium of Euro-convertible bonds	\$ 197,934	\$ 17,459
Loss carryforward	66,265	17,122
Deferred organization costs	2,265	2,265
Investment tax credit	542	-
Effect upon adoption of the linked tax system	( 13,449 )	-
Unrealized foreign exchange gain	( 1,041 )	( 2,773 )
	<u>252,516</u>	<u>34,073</u>
Less: Allowance for deferred income tax assets	<u>229,525</u>	<u>34,073</u>
Net	<u>\$ 22,991</u>	<u>\$ -</u>
Noncurrent		
Deferred income tax assets (liabilities)		
Deferred interest premium of Euro-convertible bonds	\$ -	\$ 48,011
Deferred organization costs	3,587	5,852
Deferred pension cost	3,244	997
Other	-	( 2,230 )
	<u>6,831</u>	<u>52,630</u>
Less: Allowance for deferred income tax assets	<u>-</u>	<u>52,630</u>
Net	<u>\$ 6,831</u>	<u>\$ -</u>

- d. The Company and its qualified subsidiaries adopted the linked tax system starting with the 2003 income tax filings. The receivable by September 30, 2004 resulting from the adoption of this system was \$14,854.

The balances of the imputation credit account as of September 30, 2004 and 2003 were \$5,547 and \$1,708, respectively. The actual creditable tax ratios for the 2003 earnings and earnings for the period from May 9, 2002 to December 31, 2002 were 9.68% and 14.12%, respectively.

The tax credits allocated to stockholders are based on the balance of ICA on the dividend distribution date.

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

As of September 30, 2004, income tax returns by the period from May 9, 2002 to December 31, 2002 had been examined by the tax authorities.

## 16. EARNINGS PER SHARE

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

	<u>Numerator (Amounts)</u>		<u>Denominator (Shares in Thousands)</u>	<u>EPS (NT\$)</u>	
	<u>Pretax</u>	<u>After Tax</u>		<u>Pretax</u>	<u>After Tax</u>
<u>For the nine months ended September 30, 2004</u>					
Basic EPS	\$ 3,843,768	\$ 3,839,238	3,701,271	<u>\$ 1.04</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>\$ 4,141,791</u>	<u>\$ 4,137,261</u>	<u>4,269,275</u>	<u>\$ 0.97</u>	<u>\$ 0.97</u>
<u>For the nine months ended September 30, 2003</u>					
Basic EPS	\$ 3,355,016	\$ 3,354,822	3,658,692	<u>\$ 0.92</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>\$ 3,646,566</u>	<u>\$ 3,646,372</u>	<u>4,188,726</u>	<u>\$ 0.87</u>	<u>\$ 0.87</u>

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

	<u>Numerator (Amounts)</u>		<u>Denominator (Shares in Thousands)</u>	<u>EPS (NT\$)</u>	
	<u>Pretax</u>	<u>After Tax</u>		<u>Pretax</u>	<u>After Tax</u>
<u>For the nine months ended September 30, 2004</u>					
Basic EPS	\$ 3,843,768	\$ 3,839,238	3,927,766	<u>\$ 0.98</u>	<u>\$ 0.98</u>

(Continued)

	<u>Numerator (Amounts)</u>		<u>Denominator (Shares in Thousands)</u>	<u>EPS (NT\$)</u>	
	<u>Pretax</u>	<u>After Tax</u>		<u>Pretax</u>	<u>After Tax</u>
Influence on diluted common shares:					
Employee stock option certificates	\$ -	\$ -	\$ 58,392		
Euro-convertible bonds	<u>298,023</u>	<u>298,023</u>	<u>509,612</u>		
Diluted EPS	<u>\$4,141,791</u>	<u>\$4,137,261</u>	<u>4,495,770</u>	<u>\$ 0.92</u>	<u>\$ 0.92</u>
For the nine months ended <u>September 30, 2003</u>					
Basic EPS	\$ 3,355,016	\$ 3,354,822	3,920,395	<u>\$ 0.86</u>	<u>\$ 0.86</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>\$3,646,566</u>	<u>\$3,646,372</u>	<u>4,450,429</u>	<u>\$ 0.82</u>	<u>\$ 0.82</u>

## 17. RELATED-PARTY TRANSACTIONS

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

### a. Related parties

<u>Name</u>	<u>Relationship with the Company</u>
Bank SinoPac	Subsidiary
SinoPac Securities	Subsidiary
AnShin Card Services Co., Ltd. (AnShin Card Services)	Subsidiary
SinoPac Call Center Co., Ltd. (SinoPac Call Center)	Subsidiary
SinoPac Asset Management International (SinoPac Asset Management)	Subsidiary
SinoPac Venture Capital Co., Ltd. (SinoPac Venture Capital)	Subsidiary
SinoPac Life Insurance Agent Co., Ltd. (SinoPac Life Insurance)	Subsidiary
SinoPac Property Insurance Agent Co., Ltd. (SinoPac Property Insurance)	Subsidiary
National Electric Appliance Co., Ltd.	Same chairman
Hong Yue Investment Co., Ltd.	Supervisor of the Company
Far East National Bank (FENB)	Overseas affiliate of Bank SinoPac
Ruentex Interior Design Inc.	Related party in substance (Ruentex Interior Design Inc. was not a related party since the third quarter in 2004)
Li-Seng Develop Company	Investee accounted for by the cost method
Other	Related parties under the control of the Company and with no transactions with the Company, please see Table 5

b. Significant transactions between the Company and related parties

1) Cash and cash equivalents—bank deposits

	<b>September 30</b>			
	<b>2004</b>		<b>2003</b>	
	<b>Amount</b>	<b>% of Account Balance</b>	<b>Amount</b>	<b>% of Account Balance</b>
Bank SinoPac	\$ 2,109,181	58	\$ 5,085,750	73
FENB	1,088,880	30	1,566,741	23

2) Securities transactions under agreements to resell

<b>Type of Transaction</b>		<b>September 30, 2004</b>	
		<b>Face Amount</b>	<b>Cost</b>
SinoPac Securities	Bonds purchased under agreements to resell	\$ 810,600	\$ 900,074
Bank SinoPac	Bonds purchased under agreements to resell	387,700	450,025

  

<b>Type of Transaction</b>		<b>September 30, 2003</b>	
		<b>Face Amount</b>	<b>Cost</b>
Bank SinoPac	Bonds purchased under agreements to resell	\$ 270,000	\$ 280,000

For the nine months ended September 30, 2004 and 2003, interest revenue generated from the aforesaid securities transactions under resale agreements with Bank SinoPac amounted to \$368 and \$1,224, respectively. For the nine months ended September 30, 2004 and 2003, interest revenue generated from the aforesaid securities transactions with SinoPac Securities amounted to \$407 and \$639, respectively.

3) Receivables from related parties—interest receivable

	<b>September 30</b>			
	<b>2004</b>		<b>2003</b>	
	<b>Amount</b>	<b>% of Account Balance</b>	<b>Amount</b>	<b>% of Account Balance</b>
Bank SinoPac	\$ 4,861	6	\$ 4,369	13
FENB	2,512	3	2,626	8
SinoPac Securities	144	-	-	-

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

	<b>September 30</b>			
	<b>2004</b>		<b>2003</b>	
	<b>Amount</b>	<b>% of Account Balance</b>	<b>Amount</b>	<b>% of Account Balance</b>
AnShin Card Services	\$ 41,401	52	\$ 10,911	33

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

The Company and its subsidiaries adopted the linked tax system for 2003 income tax and 2002 unappropriated earnings tax filings. The receivable of the Company 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 Securities	\$ 13,449	17
SinoPac Venture Capital	985	1
SinoPac Asset Management	300	-
SinoPac Call Center	120	-

6) Interest revenue from bank deposits

	<u>For the Nine Months Ended September 30</u>			
	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>% of Account Balance</u>	<u>Amount</u>	<u>% of Account Balance</u>
Bank SinoPac	\$ 26,496	30	\$ 56,931	49
FENB	16,417	19	24,930	21

7) Interest expense from bank overdraft

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

8) Professional service charges

Professional service charges paid to SinoPac Securities amounted to \$4,344 and \$3,757 for the nine months ended September 30, 2004 and 2003, respectively.

9) Lease

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

The Company leased certain apartments as employees' dormitory from Hong Yue Investment Co., Ltd. for a period 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.

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

10) Asset transactions

The Company acquired 81,104,000 shares of common stock of AnShin Card Services from Bank SinoPac in December 2002 at an acquisition cost of \$181,238, which had already been paid before December 31, 2002. Unamortized deferred income totaling \$66,056 was recognized by the Company when the transaction occurred, and was amortized on the basis of the remaining amortization period obtained from Bank SinoPac. The Company recognized the aforesaid investment income totaling \$20,344 and \$20,747 for the nine months ended September 30, 2004 and 2003, respectively.

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

On January 20, 2003, the BOD had resolved to purchase superfcies and an office building built by Li-Seng Develop Company. The building will be located in Taipei City and used as the Company's headquarters. Total purchase cost of \$1,748,000 did not include value-added tax and costs borne by the Company. The transaction had been approved by the BOMA on April 30, 2003. Nevertheless, in behalf of the financial consideration, in August 2003, the BOD of the Company resolved to switch the aforesaid purchase to SinoPac Leasing Corporation, an affiliate company.

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

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

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

1) Bank SinoPac

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

a) Loans

<u>Period</u>	<u>Ending Balance</u>	<u>% of Total</u>	<u>Interest Rate</u>	<u>Interest Revenue</u>	<u>% of Total</u>
For the nine months ended September 30, 2004	\$ 1,171,642	0.46%	1.31%-12.30%	\$ 13,468	0.18%
For the nine months ended September 30, 2003	1,476,699	0.71%	1.48%-12.30%	50,533	0.70%

b) Deposits

<u>Period</u>	<u>Ending Balance</u>	<u>% of Total</u>	<u>Interest Rate</u>	<u>Interest Expense</u>	<u>% of Total</u>
For the nine months ended September 30, 2004					
SinoPac Holdings	\$ 2,109,181	0.64%	0%-1.7875%	\$ 26,496	0.64%
Other	6,053,501	1.85%	0%-6.4750%	33,181	0.80%
For the nine months ended September 30, 2003					
SinoPac Holdings	5,085,750	1.72%	0%-2.0000%	56,931	1.72%
Other	2,885,212	0.98%	0%-6.4800%	22,502	0.97%

c) Due from banks and other receivables

	<u>Ending Balance</u>		<u>% of Total</u>	
	<u>September 30</u>		<u>September 30</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Due from banks—FENB	\$ 62,718	\$ 68,816	0.28%	0.65%
Other receivables	313,196	25,300	1.14%	0.16%

d) Guarantees and securities purchased

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

	<u>September 30</u>	
	<u>2004</u>	<u>2003</u>
Wal Tech International	\$ 146,000	\$ 95,000
SinoPac Securities	35,000	-
Fortune Investment	-	11,000
	<u>\$ 181,000</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:

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

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

	<u>September 30</u>	
	<u>2004</u>	<u>2003</u>
Properties and properties held for lease—carrying amount	\$ 1,186,510	\$ 1,196,902
Certificates of deposit	<u>1,260,000</u>	<u>1,130,000</u>
	<u>\$ 2,446,510</u>	<u>\$ 2,326,902</u>

e) Professional services 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 \$180,848 and \$86,652, respectively.

f) Receivables

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

g) Asset transactions

For the nine months ended September 30, 2004, Bank SinoPac purchased convertible bonds amounting to \$247,900, which had been paid before September 30, 2004, from SinoPac Securities.

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

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

2) SinoPac Securities

<u>Name</u>	<u>Relationship with SinoPac Securities</u>
SinoPac Holdings	Parent company
Bank SinoPac	Subsidiary of SinoPac Holdings
SinoPac Futures Corporation (SinoPac Futures)	Subsidiary of SinoPac Securities

a) Bonds sold under agreements to repurchase

	<u>September 30, 2004</u>		<u>For the Nine Months Ended September 30, 2004</u>
	<u>Face Amount</u>	<u>Cost</u>	<u>Interest Expense</u>
SinoPac Holdings	<u>\$ 810,600</u>	<u>\$ 900,074</u>	<u>\$ 407</u>

	<u>September 30</u>	
	<u>2004</u>	<u>2003</u>
b) Bank deposits (including exchange clearing receivables)		
Bank SinoPac	\$ 716,238	\$ 651,014

c) Short-term borrowings and pledged assets

As of September 30, 2003, SinoPac Securities had short-term borrowings from Bank SinoPac amounted to \$500,000. Properties, properties held for lease and time deposits amounted to \$1,116,541, \$69,969 and \$1,260,000 as of September 30, 2004, respectively; and properties, properties held for lease and time deposits amounted to \$1,126,328, \$70,574 and \$1,130,000 as of September 30, 2003, respectively, were pledged as collateral of credit lines for issuance of commercial papers, borrowings and overdrafts.

d) As of September 30, 2004 and 2003, SinoPac Securities provided \$582,113 and \$431,610 as futures trading margins to SinoPac Futures to engage in futures dealing business. For the nine months ended September 30, 2004 and 2003, SinoPac Securities had commission income from SinoPac Futures amounting to \$141,174 and \$99,873, respectively.

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

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

3) AnShin Card Services

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

a) Deposits

As of September 30, 2004 and 2003, AnShin Card service's deposits in Bank SinoPac were as follows:

	<u>For the Nine Months Ended</u>		
	<u>September 30, 2004</u>		
	<u>Maximum</u>	<u>Ending</u>	<u>Interest Rate</u>
	<u>Balance</u>	<u>Balance</u>	
Demand deposits	\$ 314,000	\$ 16,746	0.20%-0.30%

**For the Nine Months Ended  
September 30, 2003**

	<u>Maximum Balance</u>	<u>Ending Balance</u>	<u>Interest Rate</u>
Demand deposits	\$ 748,722	\$ 12,258	0.30%-0.50%
Checking	\$ 200,071	\$ -	-

b) AnShin Card services provided premium collection services to ING Life, as of September 30, 2004 and 2003, the collection payable were \$88,805 and \$796,045, respectively.

4) FENB

<u>Name</u>	<u>Relationship with FENB</u>	<u>September 30</u>	
		<u>2004</u>	<u>2003</u>
SinoPac Holdings	Parent company of Bank SinoPac		
Bank SinoPac	Parent company		
Deposits—SinoPac Holdings		\$ 1,088,880	\$ 1,566,741

5) SPL

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

6) Grand Capital

<u>Name</u>	<u>Relationship with Grand Capital</u>	<u>September 30</u>	
		<u>2004</u>	<u>2003</u>
Bank SinoPac	Parent company of SPL (parent company of Grand Capital)		
Borrowings from Bank SinoPac		\$ 348,903	\$ 484,252

7) 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	<u>\$ 213,000</u>	<u>\$ 145,000</u>

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

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

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

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

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

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

As of 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, respectively, with its parent company, SinoPac Asset Management Corp. (B.V.I.).

In addition, as of September 30, 2004 and 2003, 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., respectively.

## 18. SIGNIFICANT CONTINGENCIES AND COMMITMENTS

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

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

<u>Year</u>	<u>Amount</u>
October 1 to December 31, 2004	\$ 5,371
2005	10,998

b. Significant contingencies and commitments of subsidiaries

Bank SinoPac

1) Lease contract

Bank SinoPac leased certain office premises under several contracts for various periods ranging from one to seven years, with rentals paid monthly, quarterly or semiannually. Rentals for the next five years are as follows:

<u>Year</u>	<u>Amount</u>
October 1 to December 31, 2004	\$ 65,089
2005	170,388
2006	141,429
2007	98,979
2008	47,962

Rentals for the years beyond 2008 amount to \$20,810, the present value of which is about \$19,321 as discounted at Bank SinoPac's one-year time deposit rate of 1.45% on October 1, 2004.

2) Equipment purchase contract

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

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

As of September 30, 2004, short-term bills and bonds with a total face amount of \$9,377,606, were sold under agreements to repurchase at \$9,711,141 between October and December 2004.

4) Short-term bills purchased under agreements to resell

As of September 30, 2004, short-term bills with a total face amount of \$15,202,900 were purchased under agreements to resell at \$15,453,133 in October 2004.

5) Information regarding trust business under the Trust Law

a) Balance sheet and trust property of trust accounts

<b>Bank SinoPac</b>			
<b>Balance Sheet of Trust Accounts</b>			
<b>September 30, 2004</b>			
<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	<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	\$ 1,474,122
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	<u>1,251,106</u>
Total	<u>\$57,515,376</u>

b) The operations of trust business under the Trust Law

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

#### SinoPac Securities

- 1) The Securities and Futures Institute (SFI), on behalf of the investors of Cheng-Yi Food Co. (CYF) with respect to its initial public offering (IPO), filed a civil case against CYF and the major and sub-underwriters (SinoPac Securities being a sub-underwriter in the IPO) of CYF. The damages claimed by SFI amounted to \$71,018 plus 5% interest. SinoPac Securities' legal counsel believes that SinoPac Securities cannot be held liable for damages incurred by the investors since its role as sub-underwriter to the CYF IPO is limited only to the distribution of CYF shares and it has not advised CYF on matters related to the IPO.
- 2) Mr. Chang sued SinoPac Securities and its two former employees, Mr. Lin and Mr. Huang, for embezzlement. Mr. Chang claimed for SinoPac Securities damages of \$32,215 plus 5% interest. After the trial at the district court of second instance on June 30, 2004, the district court judged that SinoPac Securities should assume to pay the related compensation of \$28,828 plus 5% interest. In the opinion of SinoPac Securities' management and legal counsel, clarification should be made that the damage claimed by Mr. Chang was not connected to SinoPac Securities' brokerage affairs because Mr. Chang had authorized Mr. Lin to deal with money remittance for stock payment for a long time. In addition, SinoPac Securities claimed that Mr. Chang also committed an unpremeditated crime, and SinoPac Securities had appealed to the district court of third instance to redress a miscarriage of justice. However, on the basis of the conservative principle, SinoPac Securities estimated a loss amounted to \$32,000 in 2003, recorded as other payables in the financial statements.

- 3) A plaintiff Mr. Chen sued Mr. Chen, a former employee of SinoPac Securities' Yuan Lin branch, for fraud. Before the trial at the court of second instance was finished, plaintiff Mr. Chen sued SinoPac Securities as a codefendant and claimed from SinoPac Securities and the defendant Mr. Chen damages of \$12,999 plus 5% interest. After the trial at the district court of second instance on December 31, 2003, the district court judged that SinoPac Securities should assume pay the related compensation of \$7,799 plus 5% interest. In the opinion of SinoPac Securities' management, since plaintiff, Mr. Chen did not have brokerage transactions with the plaintiff, SinoPac Securities had appealed to the district court of third instance to redress a miscarriage of justice. However, on the basis of the conservative principle, SinoPac Securities estimated a \$8,500 loss, recorded as nonoperating expenses and losses and other payable, in the financial statements.
- 4) The one-to-five-year agreements on the lease of the head office and branch premises can be renewed within six months before expiry. The deposits for these leases amounted to \$63,219, recognized as refundable guarantee deposits, will be refunded without interest when the leases expire. Rentals for the next five years are as follows:

<u>Year</u>	<u>Amount</u>	<u>Payment Frequency</u>
October 1 to December 31, 2004	\$ 46,851	Monthly or quarterly
2005	149,600	Monthly or quarterly
2006	111,802	Monthly or quarterly
2007	74,098	Monthly or quarterly
2008	22,314	Monthly or quarterly

Rental for the years beyond 2008 is about \$10,325.

Rentals for the nine months ended September 30, 2004 and 2003 were \$123,586 and \$124,188, respectively.

#### AnShin Card Services

- 1) As of September 30, 2004, AnShin Card Services leased certain office premises and parking spaces. The lease term will end on November 15, 2006 and rentals for the future payments under the lease contracts amount to \$51,800.
- 2) As of September 30, 2004, AnShin Card Services has obtained stand-by letter of credit amounted to \$16,408 for clearing collection payable to foreign credit card companies.

#### 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

### 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

### SinoPac Venture Capital

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

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

### SinoPac Call Center

#### 1) Lease contracts

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

#### 2) 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.

#### 3) 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.

## **19. SIGNIFICANT SUBSEQUENT EVENTS**

To expand its asset management channel and its omnibus and integrated wealth management services, the BOD of SinoPac Holdings resolved to acquire 100% equity in United Investment Company Inc. (UIC) for \$298,500 on August 3, 2004. The Company signed a share transfer memorandum with UIC's stockholders on August 17, 2004. As of October 19, 2004, the acquisition had been approved by the Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan, R.O.C.

## 20. CAPITAL ADEQUACY RATIO

Under the Financial Holding Company Act and related regulations, a financial holding company should maintain a consolidated capital adequacy ratio (CAR) of at least 100%. Thus, if a financial holding company's CAR falls below 100%, the authorities may prohibit it from declaring cash dividends or distributing other properties. In certain conditions, the authorities may impose other penalties on the company. As of June 30, 2004 and 2003, consolidated CARs of the Company were 109% and 160%, respectively.

The Banking Law and related regulations require a bank to maintain a CAR of at least 8%. If a bank's CAR falls below 8%, the authorities may impose certain restrictions on cash dividends that the bank can declare or, in certain conditions, prohibit it from declaring any cash dividend. As of June 30, 2004 and 2003, Bank SinoPac's standalone CARs were 11.13% and 13.05%, respectively, the consolidated CARs were 10.10% and 10.83%, respectively.

The Rules Governing Securities Firms require a securities company to maintain a CAR of at least 150%. If a securities company's CAR falls below 150%, the authorities may impose certain restrictions on the company's operations. As of June 30, 2004 and 2003, SinoPac Securities' CARs were 362% and 365%, respectively.

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

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

As of September 30, 2004, the outstanding futures and options contracts of SinoPac Securities were 317 and 32,799, respectively. As of September 30, 2003, the outstanding futures and options contracts of SinoPac Securities were 12 and 1,817, respectively. As of September 30, 2004 and 2003, the total margin that SinoPac Securities had paid were \$582,113 and \$431,610, respectively.

As of September 30, 2004, the outstanding futures and options contracts of SinoPac Futures were 9 and 730, respectively. As of September 30, 2003, the outstanding options contracts were 400. As of September 30, 2004, the premiums paid from futures contracts and the premium received for options contracts are \$3,188 and \$1,236, respectively. As of September 30, 2003, the premiums paid for options contracts were \$449.

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

	Calculation Formula	Benchmark	Financial Ratios	
			(% )	
			June 30	
			2004	2003
a.	$\frac{\text{Equities}}{\text{Total liabilities deducted futures client equity, futures trading loss reserve and default reserve}}$	$\geq 1$	1,358	819
b.	$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\geq 1$	118	116

(Continued)

	<u>Calculation Formula</u>	<u>Benchmark</u>	<u>Financial Ratios</u>	
			<u>(%)</u>	
			<u>June 30</u>	
			<u>2004</u>	<u>2003</u>
c.	$\frac{\text{Equities}}{\text{Capital stock}}$	$\geq 60\%$ $\geq 40\%$	207	117
d.	$\frac{\text{Adjusted net capital}}{\text{Client and proprietary account}}$	$\geq 20\%$ $\geq 15\%$	147	87

## 22. PUBLIC ANNOUNCEMENTS PRESCRIBED IN FINANCIAL HOLDING COMPANY ACT, ARTICLE 46

Information regarding the credit extensions, guarantees or other transactions engaged by the Company and its subsidiaries to the same person, the same related person or the same affiliate as of June 30, 2004 was summarized as follows:

(In Millions of New Taiwan Dollars, %)

<u>Name</u>	<u>June 30, 2004</u>	
	<u>Aggregate Amount of Credit Extensions, Guarantees or Other Transactions</u>	<u>% of Financial Holding Company's Net Worth</u>
To the same affiliate:		
Lone Star Asia—Pacific, Ltd. and its affiliates	\$ 3,808	7.93%
Ritek Technology Corporation and its affiliates	3,594	7.49%
TPV Technology limited and its affiliates	2,819	5.87%
Formosa Plastic Corporation and its affiliates	2,564	5.34%
Mega Holdings and its affiliates	2,512	5.23%

Pursuant to Article 46 of Financial Holding Company Act, the above information announced by the Company was summarized and calculated by the relevant accounts or transaction balances as of June 30, 2004 provided by the Company and its subsidiaries.

## 23. DISCLOSURE OF FINANCIAL INSTRUMENTS

### a. Derivative financial instruments—cross-currency swap contracts

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

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

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

<u>Financial Instruments</u>	<b>September 30</b>					
	<b>2004</b>			<b>2003</b>		
	<b>Contract (Notional) Amount</b>	<b>Credit Risk</b>	<b>Fair Value</b>	<b>Contract (Notional) Amount</b>	<b>Credit Risk</b>	<b>Fair Value</b>
For hedging purpose:						
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 were based on the valuation models, assumptions and certain financial information from reliable sources provided by the counter-parties. This valuation may not reflect the market value at which any transaction could be executed.

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

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

b. Fair values of nonderivative financial instruments

	<b>September 30</b>			
	<b>2004</b>		<b>2003</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
<u>Assets</u>				
Financial assets—with fair values approximating carrying amounts	\$ 3,732,847	\$ 3,732,847	\$ 6,973,656	\$ 6,973,656
Securities purchased under agreements to resell	2,560,290	2,560,290	280,000	280,000
Long-term equity investments	51,631,735	51,631,735	46,907,063	46,907,063
Refundable guarantee deposits	3,335	3,335	3,338	3,338
<u>Liabilities</u>				
Financial liabilities—with fair values approximating carrying amounts	\$ 700,441	\$ 700,441	\$ 526,607	\$ 526,607
Euro-convertible bonds	8,267,377	9,200,532	8,262,484	8,934,810

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

- 1) The carrying amounts of cash and cash equivalents, receivables, receivables from related parties, securities purchased under agreements to resell, short-term borrowings, commercial papers payable, payables and investments payable, approximate their fair values because of the short maturities of these instruments.

- 2) The fair values of long-term equity investments for unlisted stocks are estimated at the carrying amounts since there is no market value for unlisted stocks.
- 3) The fair values of refundable guarantee deposits, guarantee deposits received are estimated at their carrying amounts since such deposits do not have specific due dates.
- 4) The fair value of Euro-convertible bonds is estimated at their market prices listed in Luxembourg.

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

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

### a. Condensed balance sheets

<b>Bank SinoPac</b>					
<b>Balance Sheets</b>					
<b>September 30, 2004 and 2003</b>					
<b>(In Thousands of New Taiwan Dollars)</b>					
<u>Assets</u>	<u>2004</u>	<u>2003</u>	<u>Liabilities</u>	<u>2004</u>	<u>2003</u>
Cash and cash equivalents	\$ 7,746,617	\$ 6,990,965	Call loans and due to banks	\$ 31,568,712	\$ 32,388,691
Due from Central Bank and banks	27,086,654	16,346,766	Securities sold under agreements to repurchase	9,706,643	-
Securities purchased—net	90,472,414	117,560,487	Accounts, interest and other payables	12,658,073	10,840,049
Accounts, interest and other receivables—net	27,365,488	15,792,862	Acceptances payable	3,169,819	1,323,622
Acceptances	3,169,819	1,323,622	Deposits and remittances	327,316,658	295,353,790
Securities purchased under agreements to resell	15,446,775	-	Bank debentures	32,800,000	16,200,000
Prepayments	397,743	240,974	Other liabilities	<u>2,775,110</u>	<u>3,229,333</u>
Loans, discounts and bills purchased—net	255,220,554	208,080,766	Total liabilities	<u>419,995,015</u>	<u>359,335,485</u>
Long-term investments—net	10,417,406	9,784,448	<b><u>Stockholders' equity</u></b>		
Properties—net	4,831,406	4,993,719	Capital stock	19,443,976	19,443,976
Other assets	<u>5,040,097</u>	<u>3,801,442</u>	Capital surplus	125,208	125,208
			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>\$ 447,194,973</u>	<u>\$ 384,916,051</u>
Total assets	<u>\$ 447,194,973</u>	<u>\$ 384,916,051</u>			

**SinoPac Securities Corporation**

**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	\$ 37,476,095	\$ 42,010,979	Current liabilities	\$ 22,953,551	\$ 28,062,462
Long-term equity investments	5,267,991	4,581,018	Long-term interest bearing liabilities	2,000,000	2,000,000
Properties—net	2,606,113	2,715,943	Other liabilities	600,358	589,347
Other assets	2,671,844	2,518,111	Securities brokerage credit account—net	<u>185,900</u>	<u>-</u>
Securities brokerage debit account—net	<u>-</u>	<u>601,159</u>	Total liabilities	<u>25,739,809</u>	<u>30,651,809</u>
			<b><u>Stockholders' equity</u></b>		
			Capital stock	15,269,020	15,269,020
			Capital surplus	2,342,425	2,322,730
			Retained earnings	4,622,484	4,505,610
			Equity adjustments	<u>48,305</u>	<u>( 321,959)</u>
			Total stockholders' equity	<u>22,282,234</u>	<u>21,775,401</u>
Total assets	<u>\$ 48,022,043</u>	<u>\$ 52,427,210</u>	Total liabilities and stockholders' equity	<u>\$ 48,022,043</u>	<u>\$ 52,427,210</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>	<b><u>Stockholders' equity</u></b>		
			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 assets	<u>\$ 69,286</u>	<u>\$ 83,961</u>	Total liabilities and stockholders' 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>	<b><u>Stockholders' equity</u></b>		
			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 assets	<u>\$ 10,692</u>	<u>\$ 5,197</u>	Total liabilities and stockholders' equity	<u>\$ 10,692</u>	<u>\$ 5,197</u>

b. Condensed statements of income

**Bank SinoPac**

**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	\$ 14,783,152	\$ 11,429,150
Operating costs and expenses	<u>11,551,799</u>	<u>8,909,266</u>
Operating income	3,231,353	2,519,884
Nonoperating income and gains	243,582	101,836
Nonoperating expenses and losses	<u>29,726</u>	<u>42,684</u>
Income before income tax	<u>3,445,209</u>	<u>2,579,036</u>
Net income	<u>\$ 2,960,950</u>	<u>\$ 2,281,736</u>
Pretax earnings per share	<u>\$ 1.77</u>	<u>\$ 1.33</u>
After tax earnings per share	<u>\$ 1.52</u>	<u>\$ 1.17</u>

**SinoPac Securities Corporation**

**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	\$ 5,176,716	\$ 4,384,379
Operating costs and expenses	<u>3,700,365</u>	<u>2,898,593</u>
Operating income	1,476,351	1,485,786
Nonoperating income and gains	319,837	567,903
Nonoperating expenses and losses	<u>144,099</u>	<u>149,548</u>
Income before income tax	<u>1,652,089</u>	<u>1,904,141</u>
Net income	<u>\$ 1,032,191</u>	<u>\$ 1,564,186</u>
Pretax earnings per share	<u>\$ 1.08</u>	<u>\$ 1.27</u>
After tax earnings per share	<u>\$ 0.68</u>	<u>\$ 1.05</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)**

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

**25. CROSS SELLING INFORMATION**

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

<u>Item</u>	<u>Bank SinoPac</u>	<u>SinoPac Securities</u>	<u>Total</u>	<u>Terms of Allocation</u>
For the nine months ended <u>September 30, 2004</u>				
Rental	\$10,051	\$ -	\$10,051	On the basis of actual squares used.

(Continued)

<u>Item</u>	<u>Bank SinoPac</u>	<u>SinoPac Securities</u>	<u>Total</u>	<u>Terms of Allocation</u>
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For the nine months ended  
September 30, 2003

Rental	\$ 3,909	\$ -	\$ 3,909	On the basis of actual squares used.
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In February 2003, SinoPac Life Insurance Agent and SinoPac Property Insurance Agent contracted with Bank SinoPac and SinoPac Securities, respectively, to regulate the rules of their cross selling activities and promotions as well as the allocation of expenses and the sharing of operating equipment and premises. For the nine months ended September 30, 2004, SinoPac Property Insurance Agent paid Bank SinoPac and SinoPac Securities \$477 and \$2 as service charges, respectively, and for the nine months ended September 30, 2003, SinoPac Property Insurance Agent paid Bank SinoPac and SinoPac Securities \$748 and \$13 as service charges, respectively.

For the nine months ended September 30, 2004, SinoPac Life Insurance Agent paid Bank SinoPac and SinoPac Securities \$16,652 and \$2,580 as incentive bonuses, respectively. As of September 30, 2004, the related payables amounted to \$5,726 and \$12, respectively. For the nine months ended September 30, 2003, the related payables to SinoPac Securities amounted to \$112 as service charges.

In March 2003, SinoPac Life Insurance Agent contracted with AnShin Card Services to regulate the rules of their cross selling activities and promotions as well as the allocation of expenses. For the nine months ended September 30, 2004 and 2003, SinoPac Life Insurance Agent accrued related expenses amounting to \$37,377 and \$2,247, respectively, from AnShin Card Services as service charges, and related payable amounting to \$632 as of September 30, 2004.

**26. 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 aforementioned figures were the capital adequacy ratios 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: Overdue loans ratio = Overdue loans (including nonperforming loans)/(Outstanding loan balance + Nonperforming loans). If overdue loans (including nonperforming loans)/total credits, the overdue loans ratio as of 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 six months; other loans(the repayment of) principal on which is overdue by less than three months and interest thereon is overdue by more than three months but less than six months that would normally be required to be reported as an overdue loan but for having been exempted from such reporting (including loans for which an agreement has been reached to repay such loan in installments, loans for which a credit insurance fund will cover such repayment (as evidenced by), a sufficient certificate of deposit or reserve, loans for which repayment has, by agreement, been extended due to the September 21, 1999 earthquake, loans for which the collateral has been sold at auction and the proceeds of such auction are yet to be distributed, and loans extended under other approved exempt loan programs.

Note 4: Write-off amounts of credits = Accumulated write-off amounts of credits for the 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	
	Industry	Percentage	Industry	Percentage
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)	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: Ratio of credit extensions to interested parties = Credit extensions to interested parties / Total credit extensions.

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

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

2) Information on concentrations of risk

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

	<b>September 30</b>			
	<b>2004</b>		<b>2003</b>	
	<b><u>Face Amount</u></b>	<b><u>%</u></b>	<b><u>Face Amount</u></b>	<b><u>%</u></b>
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 GreTai Securities Market (the OTC); and (d) bonds—period-end reference prices published by the OTC.

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

For listed and over-the-counter stocks accounted for by the cost method, when the aggregate market value is lower than the total carrying amount, an allowance for 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.

4) Matters requiring special notation

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

(In Thousands of New Taiwan Dollars)

Causes (Note 1)	Summary and Amount
Within the past one year, a responsible person or professional employee, in the course of business, violated the law, resulting in an indictment by a prosecutor.	In 2002, a former employee, Mr. Wang, who was sued by Bank SinoPac for violating the 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 related regulations (Note 2).	None
Within the past one year, misconduct occurred that resulted in the Ministry of Finance imposing strict corrective measures.	None
Within the past one year, the loss from one incident or the total losses from employee corruption, periodic events of a material nature, or failure to abide by the "Guidelines for the Maintenance of Soundness of Financial Institutions" exceeded NT\$50 million dollars.	None
Other	None

Note 1: The term "within the past one year" means the one year prior to the balance sheet date.

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

d. Profitability

Item	For the 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 income for the nine months ended September 30, 2004 and 2003.

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

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

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

(In Thousands of New Taiwan Dollars, %)

	For the Nine Months Ended September 30			
	2004		2003	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from 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 agreement 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>Interest-bearing 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
Securities sold under agreement to repurchase	11,658,915	0.97	-	-
Bank debentures	26,716,423	2.75	10,544,322	2.59

- f. 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 by the onshore branches of Bank SinoPac (i.e. excludes foreign currency).

g. Market risk sensitivity

Item	September 30, 2004	September 30, 2003
Ratio of interest-rate sensitive assets to liabilities	86.22%	89.16%
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 changes of interest-rates.

Note 2: Ratio of interest-rate sensitive assets to liabilities = Interest-rate sensitive assets/Interest-rate sensitive liabilities (with maturities of less than one year in New Taiwan dollars).

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

h. Net positions of major foreign-currency

The net positions on foreign-currency transactions of Bank SinoPac as of 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	KRW9,405,400	276,519
	CAD 12,491	333,888	HKD 31,042	135,397

## 27. ADDITIONAL DISCLOSURES

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

- 1) Financing provided: Table 1;
- 2) Endorsement/guarantee provided: Table 2;
- 3) Marketable securities held: Table 3 (the related disclosures for SinoPac Securities are excluded from disclosure requirement under the Criteria Governing the Preparation of Financial Reports by Securities Firms);
- 4) Marketable securities acquired and disposed of, at costs or prices of at least NT\$100 million or 20% of the issued capital: Table 4 (the related disclosures of Bank SinoPac and its investees are excluded from disclosure requirement under the Criteria Governing the Preparation of Financial Reports by Public Banks except for the related transaction amounts over NT\$300 million or 10% of the issued capital. In addition, the related disclosures for SinoPac Securities are excluded from disclosure requirement under the Criteria Governing the Preparation of Financial Reports by Securities Firms);

- 5) Names, locations, and other information of investees on which the Company exercises significant influences: Table 5;
- 6) Derivative financial transactions: Note 23. The derivative financial instruments of investees are summarized as follows:

Bank SinoPac

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

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

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

Financial Instruments	September 30					
	2004			2003		
	Contract (Notional) Amount	Credit Risk	Fair Value	Contract (Notional) Amount	Credit Risk	Fair Value
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
For the purposes of accommodating customers' needs or managing Bank SinoPac's 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	-	-	-

<u>Financial Instruments</u>	<u>September 30</u>					
	<u>2004</u>			<u>2003</u>		
	<u>Contract (Notional) Amount</u>	<u>Credit Risk</u>	<u>Value of Options Purchased/ Written</u>	<u>Contract (Notional) Amount</u>	<u>Credit Risk</u>	<u>Value of Options Purchased/ Written</u>
For the purposes of accommodating customers' needs or managing Bank SinoPac's exposures: Foreign currency options contracts						
—Long position	\$ 166,829,508	\$ 454,058	\$ 2,222,748	\$ 79,535,727	\$ 1,081,170	\$ 2,058,866
—Short position	142,454,945	-	1,176,585	76,075,197	-	1,785,837

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

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

As of September 30, 2004, Bank SinoPac entered into credit default swap contracts for the purposes of accommodating customers' needs, with notional amounts at \$379,321. Since Bank SinoPac entered into these contracts with counter-parties with splendid worldwide ranking and credit rating, no significant credit risk is expected.

The notional amounts of derivative contracts are used solely for the purpose of calculating receivables and payables to all counter-parties. Thus, the notional amounts do not represent the actual cash inflows or outflows nor the need for cash of Bank SinoPac. The possibility that derivative financial instruments held or issued by Bank SinoPac cannot be sold at reasonable prices is remote; thus, no significant cash demand is expected.

The gains and losses on derivative financial instruments for the 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 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 from derivative financial transactions	( 7,639 )	( 1,139 )
Options 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's 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 from 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 (loss) from derivative financial transactions	18,811	( 19,510 )
Options contracts			
—Realized	Income (loss) from derivative financial transactions	( 2,670,114 )	389,816
	Foreign exchange gain (loss)	2,927,253	( 13,307 )
—Unrealized	Income (loss) from derivative financial transactions	( 7,058 )	212,921
Interest rate futures contracts			
—Realized	Loss from derivative financial transactions	( 40,683 )	( 879 )
—Unrealized	Income (loss) from derivative financial transactions	977	( 905 )
Cross-currency swap contracts			
—Realized	Interest revenue	6,584	1,170
	Interest expense	( 5,392 )	( 809 )
—Unrealized	Income (loss) from derivative financial transactions	( 3,056 )	5,008
Credit default swap contracts			
—Realized	Income from derivative financial transactions	4,013	-

Loss from 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.

## SinoPac Securities

### a) Warrants

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

SinoPac Securities issues warrants for trading purposes.

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

- ii. Credit risk

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

- iii. Market risk

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

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

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

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

- v. Leverage of warrants

<b>September 30, 2004</b>							
<b>Listed Date</b>	<b>Underlying Securities</b>	<b>Units Issued</b>	<b>Price at Issuance (in New Taiwan Dollars)</b>	<b>Amount</b>	<b>Strike Price (in New Taiwan Dollars)</b>	<b>Leverage at Issuance</b>	
SinoPac Securities 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 Technology Inc.	20,000,000	3.360	67,200	38.03	9.55

(Continued)

<b>September 30, 2004</b>							
	<b>Listed Date</b>	<b>Underlying Securities</b>	<b>Units Issued</b>	<b>Price at Issuance (in New Taiwan Dollars)</b>	<b>Amount</b>	<b>Strike Price (in New Taiwan Dollars)</b>	<b>Leverage at Issuance</b>
SinoPac Securities 42	February 26, 2004	Chia Hsin Cement Corporation	20,000,000	\$ 2.225	\$ 44,500	\$ 32.85	9.84
SinoPac Securities 43	March 1, 2004	Chi Mei Optoelectronics	20,000,000	4.540	90,800	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 Corporation	20,000,000	1.980	39,600	26.85	9.04
SinoPac Securities 48	April 29, 2004	Mega Financial Holding Company	20,000,000	2.130	42,600	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 Corporation	20,000,000	2.377	47,540	24.38	7.28
SinoPac Securities 54	July 5, 2004	Chang Hwa Commercial Bank, Ltd.	20,000,000	2.625	52,500	28.65	7.28
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 warrants liabilities as of September 30, 2004					( 692,040 )		
Market value					<u>\$ 298,000</u>		

<b>September 30, 2003</b>							
	<b>Listed Date</b>	<b>Underlying Securities</b>	<b>Units Issued</b>	<b>Price at Issuance (in New Taiwan Dollars)</b>	<b>Amount</b>	<b>Strike Price (in New Taiwan Dollars)</b>	<b>Leverage at Issuance</b>
SinoPac Securities 01	November 1, 2002	Compal Electronics, Inc.	20,000,000	\$ 5.300	\$ 106,000	\$ 47.46	7.00
SinoPac Securities 02	November 28, 2002	Uni-president Enterprises Corp.	20,000,000	2.500	50,000	11.74	4.80
SinoPac Securities 06	May 7, 2003	Systex Corporation	20,000,000	3.200	64,000	21.62	6.80
SinoPac Securities 07	June 10, 2003	Inventec Corporation	20,000,000	2.720	54,400	22.82	7.50
SinoPac Securities 08	June 16, 2003	Lite-On Technology	20,000,000	5.500	110,000	39.85	6.70
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

(Continued)

<b>September 30, 2003</b>							
	<u>Listed Date</u>	<u>Underlying Securities</u>	<u>Units Issued</u>	<u>Price at Issuance (in New Taiwan Dollars)</u>	<u>Amount</u>	<u>Strike Price (in New Taiwan Dollars)</u>	<u>Leverage at Issuance</u>
SinoPac Securities 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 Holdings Co., Ltd.	20,000,000	1.68	33,600	35.70	14.20
SinoPac Securities 18	September 17, 2003	Chang Hwa Commercial Bank, Ltd.	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 Corps.	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 Corporation	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					<u>\$ 1,001,500</u>		

b) Interest rate swaps

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

SinoPac Securities has entered into Interest Rate Swap (IRS) contracts 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.

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

	<b>September 30</b>					
	<b>2004</b>			<b>2003</b>		
	<u>Nominal Amount</u>	<u>Fair Value</u>	<u>Credit Risk</u>	<u>Nominal Amount</u>	<u>Fair Value</u>	<u>Credit Risk</u>
For trading purposes	<u>\$1,500,000</u>	<u>\$ 65</u>	<u>\$ 7,106</u>	<u>\$1,500,000</u>	<u>(\$15,537)</u>	<u>\$14,385</u>

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

As of September 30, 2004, 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, 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.

iii. Market risk

SinoPac Securities uses Value-at-Risks (VAR), based on statistical analysis of interest rate data and foreign industrial standards, in evaluating market risks of the IRS contracts. As of September 30, 2004 and 2003, the VARs were \$342 and \$2,003, respectively.

iv. Cash flows and demands

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

v. 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.

c) Futures and options

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

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

ii. Carrying values, fair values and credit risks

		<u>September 30, 2004</u>			
<u>Item</u>	<u>Transaction Type</u>	<u>Unsettlement Positions</u>		<u>Carrying Value/ Premium Paid (Received)</u>	<u>Fair Value</u>
		<u>Long/ Short</u>	<u>Volume</u>		
Futures	Government Bond Futures	Long	5	\$ 28,292	\$ 28,301
	Electronic Sector Index Futures	Long	44	38,949	38,438
	Banking and Insurance Sector Index Futures	Long	33	32,379	32,663
	TAIEX Futures	Short	235	( 275,799 )	( 276,783 )
Options	TAIEX Options—call and put	Short	32,799	( 40,320 )	( 26,992 )

		<u>September 30, 2003</u>			
<u>Item</u>	<u>Transaction Type</u>	<u>Unsettlement Positions</u>		<u>Carrying Value/ Premium Paid (Received)</u>	<u>Fair Value</u>
		<u>Long/ Short</u>	<u>Volume</u>		
Futures	TAIEX Futures	Long	12	\$ 13,673	\$ 13,538
Options	TAIEX Options—call	Long	78	726	305
	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 fair value of options contracts were recognized as premiums of \$26,992 received from short options. As of September 30, 2003, premiums of \$305 were paid for long options—non-hedging and \$2,912 were received from short options.

iii. Market risk

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

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

Since original margin for futures, as well as premiums for long options, have already been paid, there is no future cash requirement unless the trading margin is lower than the maintenance margin. Moreover, future cash demand is supported by sufficient working capital and therefore, cash flow risk is insignificant.

v. Gains (losses) from futures and options transactions

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

	<b><u>For the Nine Months Ended September 30, 2004</u></b>	
	<b><u>Losses from Futures Transactions</u></b>	<b><u>Gains from Options Transactions</u></b>
Non-hedging and realized	(\$ 167,664)	\$ 173,744
Non-hedging and unrealized	( 1,202)	13,328
	<u>(\$ 168,866)</u>	<u>\$ 187,072</u>
	<b><u>For the Nine Months Ended September 30, 2003</u></b>	
	<b><u>Gain (Losses) from Futures Transactions</u></b>	<b><u>Gain (Losses) from Options Transactions</u></b>
Non-hedging and realized	\$ 84,142	(\$ 112,785)
Non-hedging and unrealized	( 135)	58
	<u>\$ 84,007</u>	<u>(\$ 112,727)</u>

d) Asset swap transactions—convertible bonds

- i. The objective of convertible bonds swap transactions and strategies to achieve this objective

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

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

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

		<b>September 30, 2004</b>			
		<b>Premiums</b>			
	<b><u>Nominal</u></b>	<b><u>Paid</u></b>	<b><u>Fair</u></b>	<b><u>Credit</u></b>	
	<b><u>Amount</u></b>	<b><u>(Received)</u></b>	<b><u>Value</u></b>	<b><u>Risk</u></b>	
i) Fixed income transactions					
Interest rate swaps	\$ 636,000	\$ -	(\$ 12,799)		\$ 304
Long call options on convertible bonds	-	39,902	95,002		165,748
ii) Short call options on convertible bonds	503,000	( 25,129)	( 62,899)		-
		<b>September 30, 2003</b>			
		<b>Premiums</b>			
	<b><u>Nominal</u></b>	<b><u>Paid</u></b>	<b><u>Fair</u></b>	<b><u>Credit</u></b>	
	<b><u>Amount</u></b>	<b><u>(Received)</u></b>	<b><u>Value</u></b>	<b><u>Risk</u></b>	
i) Fixed income transactions					
Interest rate swap	\$ 322,000	\$ -	(\$ 2,763)		\$ 1,842
Long call options on convertible bonds	-	13,221	106,044		175,899
ii) Short call options on convertible bonds	242,000	( 12,242)	( 101,829)		-

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

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

As of September 30, 2004, the fair 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, respectively. As of September 30, 2003, the fair 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, respectively.

iii. Market risk

SinoPac Securities used Value-at-Risks (VAR), based on statistical analysis of market data (including interest rate, convertible bond market prices and theoretical value of options) and foreign industrial standards in evaluating market risks of convertible bond swap transactions. As of September 30, 2004 and 2003, the VAR were \$1,895 and \$407, respectively.

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

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

v. Gains 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 gains of \$19,225 and \$10,726, respectively (recognized as gains from derivative financial transactions—OTC).

e) Structured note transactions

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

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

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

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

	<u>September 30, 2004</u>		
	<u>Nominal</u>	<u>Premiums</u>	
	<u>Amount</u>	<u>Paid</u>	<u>Fair Value</u>
		<u>(Received)</u>	
i) Principal-guaranteed note transactions			
Fixed income instruments	\$ 122,500	\$ -	(\$ 119,442)
Short call options on underlying assets	-	( 3,209)	( 3,753)
ii) Equity-linked note transactions			
Fixed income instruments	38,400	-	( 38,005)
Long put options on linked underlying assets	-	374	3,444

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

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

iii. Market risk

The market risk of structured note transactions is mainly from adverse fluctuations of the underlying assets market price. Thus, options are used to hedge market risk. As of September 30, 2004, the market risk was \$1,808.

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

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

v. Gains (losses) from structured note transactions

For the 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 losses of \$2,951 from equity-linked note valuation. 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. The gains (losses) prescribed were recognized as gains from derivative financial instruments—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.

- a) 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							
<u>Transaction Type</u>	<u>Nominal Amount</u>	<u>Fixed Interest Rate/Term of Swap-out</u>	<u>Term of Swap-in</u>	<u>Clearing</u>	<u>Maturity Date</u>	<u>Fair Value</u>	<u>Credit Risk</u>
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							
<u>Transaction Type</u>	<u>Nominal Amount</u>	<u>Fixed Interest Rate</u>	<u>Term of Swap-in</u>	<u>Clearing</u>	<u>Maturity Date</u>	<u>Fair Value</u>	<u>Credit Risk</u>
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 are the potential losses of AnShin Card Services if the transaction of counter-parties default. Since the IRS counter-parties of AnShin Card Services are banks with good credit rankings, no significant credit risk is expected.

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

- b) Market risk

The purpose of the IRS contracts is to hedge the interest risk of liabilities. Therefore, gains or losses resulting from changes in interest rates will be offset by those of the item being hedged. Therefore, market risk is insignificant.

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

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

Under the IRS contracts, there is no exchange of the nominal 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.

- d) 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. Information related to investment in Mainland China: None.

## SINOPAC HOLDINGS AND INVESTEES

**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 are translated to New Taiwan dollars at the exchange rate as of the balance sheet date.

**SINOPAC HOLDINGS AND INVESTEES**

**ENDORSEMENT/GUARANTEE PROVIDED  
FOR THE 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
	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.		Investee accounted for by the cost method	Long-term equity investments	500	5,000	0.25%	9,034	Note 5
	SinoPac Managed Futures Co., Ltd.	Subsidiary	Long-term equity investments	20,000	195,798	100.00%	195,798	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
	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
	<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	0.09%	\$ 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	0.008%	4,813	Note 2
	National Venture Capital Corp.	Investee accounted for by the cost method	Long-term equity investments	2,000	14,800	3.70%	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 OTC 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.

TABLE 4

## SINOPAC HOLDINGS AND INVESTEEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE ISSUED CAPITAL  
 FOR THE 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)	December 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
								(Note 3)			
	SinoPac Leasing Corporation	Taipei	Leasing aircraft and machinery equipment	\$ 999,940	\$ 999,940	159,629	99.7683%	2,189,919	162,039	149,399	Affiliate
	SinoPac Capital Limited	Hong Kong	Lending and financing	HK\$229,998	HK\$229,998	229,998	99.9991%	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	99.9995%	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	99.9999%	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)	December 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 Capital Management Corporation SinoPac Asset Management Corp. (B.V.I.)	Taipei British Virgin Islands	Investment consulting Securities brokerage, investment advisory, fund management and securities business	146,028 524,857	146,028 524,857	21,000 16,000	100.00% 100.00%	183,792 801,267	( 7,905) 72,875	( 8,026) 72,875	Affiliate 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.