

**SinoPac Financial Holdings Company  
Limited**

**Financial Statements for the  
Years Ended December 31, 2005 and 2004 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and the Stockholders  
SinoPac Financial Holdings Company Limited

We have audited the accompanying balance sheets of SinoPac Financial Holdings Company Limited as of December 31, 2005 and 2004, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of AnShin Card Services Co., Ltd., the investment in which is reflected in the accompanying financial statements as a long-term equity investments accounted for by the equity method. The carrying amount of this investment was 2.02% (NT\$1,962,329 thousand) of the total assets (restated) as of December 31, 2004, respectively, and the related investment income was 3.19% (NT\$253,078 thousand) of the income before income tax in 2004. The investee's financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the investee, is based solely on the report of the other auditors.

We conducted our audits in accordance with Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China (R.O.C.). Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on the results of our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of SinoPac Financial Holdings Company Limited as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended, 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.

As stated in Note 2, SinoPac Financial Holdings Company Limited acquired International Bank of Taipei through a share swap on December 26, 2005. Under an explanation issued by the Accounting Research and Development Foundation of the R.O.C., SinoPac Financial Holdings Company Limited adopted the pooling of interest method and retroactively restated the financial statements as of December 31, 2004 and for the year then ended.

Under the Criteria Governing the Preparation of Financial Reports by Financial Holding Companies, we have also audited the consolidated financial statements of SinoPac Financial Holdings Company Limited as of December 31, 2005 and 2004 and for the years then ended, on which we have issued unqualified and modified unqualified opinion respectively thereon in our report dated February 22, 2006.

February 22, 2006

Notice to Readers

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

*For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.*

# SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED

## BALANCE SHEETS

DECEMBER 31, 2005 AND 2004

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

ASSETS	2005		2004 (Restated - Note 2)		LIABILITIES AND STOCKHOLDERS' EQUITY	2005		2004 (Restated - Note 2)	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 3 and 17)	\$ 3,040,629	3	\$ 3,456,268	3	Short-term borrowings (Note 7)	\$ 450,000	1	\$ 600,000	1
Receivables	5,414	-	30,215	-	Commercial paper payable (Note 8)	299,197	-	99,988	-
Receivables - related party (Notes 15 and 17)					Euro-convertible bonds redeemable within one year (Notes 2 and 10)	-	-	7,322,065	8
Securities purchased under agreements to resell (Notes 2, 4 and 17)	633,357	-	1,106,239	1	Payables (Notes 9, 15 and 17)	1,031,394	1	1,184,909	1
Prepayments and other current assets (Notes 2 and 17)	385,096	1	2,525,909	3	Deferred tax liabilities (Notes 2 and 15)	-	-	26,967	-
Deferred tax assets - current (Notes 2 and 15)	12,402	-	13,131	-					
	37,790	-	-	-	Total current liabilities	1,780,591	2	9,233,929	10
Total current assets	4,114,688	4	7,131,762	7					
<b>LONG-TERM EQUITY INVESTMENTS (Notes 2, 5 and 17)</b>					<b>LONG-TERM LIABILITIES</b>				
Equity method	89,379,627	94	88,270,245	91	Euro-convertible bonds, net (Notes 2 and 10)	3,000,717	3	-	-
Other	1,825,000	2	1,717,670	2	Accrued pension cost (Notes 2 and 13)	17,641	-	14,365	-
Prepaid investments	-	-	107,330	-	Other	-	-	109,764	-
Total long-term equity investments	91,204,627	96	90,095,245	93	Total long-term liabilities	3,018,358	3	124,129	-
					Total liabilities	4,798,949	5	9,358,058	10
<b>PROPERTIES (Notes 2, 6 and 17)</b>					<b>STOCKHOLDERS' EQUITY</b>				
Cost					Capital stock - \$10 par value				
Computer equipment	15,676	-	5,935	-	Authorized (shares in thousands): 10,000,000				
Transportation equipment	4,180	-	4,180	-	Issued (shares in thousands): 7,230,038 and 7,022,012 as of December 31, 2005 and 2004, respectively	72,300,383	76	70,220,128	72
Office and other equipment	6,855	-	5,930	-	Capital surplus				
Leasehold improvement	32,918	-	17,459	-	Additional paid-in capital	1,427,784	1	213,831	-
Total cost	59,629	-	33,504	-	Treasury stock transactions	855,052	1	705,137	1
Accumulated depreciation	12,134	-	15,800	-	Revaluation increment on land	1,033,595	1	610,341	-
	47,495	-	17,704	-	Other	3,609	-	3,609	-
Advances on acquisitions of equipment	629	-	10,837	-	Retained earnings	18,237,550	19	18,588,406	19
Net properties	48,124	-	28,541	-	Unrealized loss on long-term equity investments	(26,334)	-	(279,805)	-
					Unrealized revaluation loss on long-term equity investments	(8,431)	-	(15,163)	-
<b>OTHER ASSETS</b>					Cumulative translation adjustment	(5,115)	-	(193,388)	-
Refundable guarantee deposits (Note 17)	32,007	-	3,335	-	Net loss not recognized as pension cost	(227,902)	-	(100,139)	-
Bond issuance cost (Note 2)	-	-	16,594	-	Treasury stock - at cost (shares in thousands): 162,010 and 136,214 as of December 31, 2005 and 2004, respectively	(2,981,246)	(3)	(1,824,890)	(2)
Deferred income tax assets - noncurrent (Notes 2 and 15)	5,086	-	6,612	-	Total stockholders' equity	90,608,945	95	87,928,067	90
Computer software (Note 2)	3,362	-	4,036	-					
Total other assets	40,455	-	30,577	-					
<b>TOTAL</b>	<b>\$ 95,407,894</b>	<b>100</b>	<b>\$ 97,286,125</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 95,407,894</b>	<b>100</b>	<b>\$ 97,286,125</b>	<b>100</b>

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

(With Deloitte & Touche audit report dated February 22, 2006)

# SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED

## STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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

	2005		2004 (Restated - Note 2)	
	Amount	%	Amount	%
<b>OPERATING REVENUES</b>				
Interest (Notes 2, 17 and 22)	\$ 106,312	2	\$ 122,838	2
Income from long-term equity investments under the equity method (Notes 2 and 5)	6,079,912	97	8,104,008	98
Dividend income (Notes 2, 5 and 17)	43,200	1	37,692	-
Total operating revenues	6,229,424	100	8,264,538	100
<b>OPERATING COSTS AND EXPENSES</b>				
Interest (Notes 2 and 22)	175,834	3	328,605	4
Loss on long-term equity investments under the equity method (Notes 2 and 5)	14,721	-	11,438	-
Operating and administrative expenses (Notes 2, 13, 14 and 17)	298,409	5	273,513	3
Total operating costs and expenses	488,964	8	613,556	7
OPERATING INCOME	5,740,460	92	7,650,982	93
NONOPERATING INCOME AND GAINS	1,582	-	278,106	3
NONOPERATING EXPENSES AND LOSSES	33,756	-	4	-
INCOME BEFORE INCOME TAX	5,708,286	92	7,929,084	96
INCOME TAX EXPENSE (BENEFIT) (Notes 2 and 15)	78,731	1	(24,785)	-
NET INCOME	\$ 5,787,017	93	\$ 7,904,299	96
	<b>2005</b>		<b>2004</b>	
	<b>Pretax</b>	<b>After Tax</b>	<b>Pretax</b>	<b>After Tax</b>
EARNINGS PER SHARE (Note 16)				
Basic	\$ 0.81	\$ 0.82	\$ 1.17	\$ 1.17
Diluted	\$ 0.77	\$ 0.78	\$ 1.13	\$ 1.12

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

	2005	2004
INCOME BEFORE INCOME TAX - DILUTED	\$ 5,577,912	\$ 8,699,597
NET INCOME - DILUTED	\$ 5,650,483	\$ 8,674,298

(Continued)

	<u>2005</u>		<u>2004</u>	
	<b>Pretax</b>	<b>After Tax</b>	<b>Pretax</b>	<b>After Tax</b>
EARNINGS PER SHARE				
Basic	<u>\$ 0.75</u>	<u>\$ 0.75</u>	<u>\$ 1.20</u>	<u>\$ 1.19</u>
Diluted	<u>\$ 0.72</u>	<u>\$ 0.73</u>	<u>\$ 1.15</u>	<u>\$ 1.15</u>

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

(With Deloitte & Touche audit report dated February 22, 2006)

(Concluded)

**SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED**

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004  
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)**

	Capital Stock (Note 11)		Capital Surplus (Note 11)				Retained Earnings (Note 11)				Unrealized Loss on Long-term Equity Investments (Notes 2 and 5)	Unrealized Revaluation Loss on Long-term Equity Investments (Notes 2 and 5)	Cumulative Translation Adjustment (Notes 2 and 5)	Net Loss Not Recognized as Pension Cost (Notes 2 and 5)	Treasury Stock (Notes 2 and 12)	Total Stockholders' Equity	
	Shares in Thousands	Amount	Additional Paid-in Capital	Treasury Stock	Revaluation Increment on Land	Other	Total	Legal Reserve	Special Reserve	Unappropriated							Total
BALANCE, JANUARY 1, 2004	3,748,127	\$ 37,481,270	\$ 7,913,381	\$ 172,111	\$ -	\$ 2,410	\$ 8,087,902	\$ 153,127	\$ 37,573	\$ 4,210,527	\$ 4,401,227	\$ (300,801)	\$ (17,016)	\$ 224,739	\$ (220)	\$ (2,896,922)	\$ 46,980,179
Retroactive adjustments for shares swap	3,033,930	30,339,302	(8,106,192)	-	610,341	1,321	(7,494,530)	9,879,938	39,098	53,383	9,972,419	-	-	18	(97,090)	-	32,720,119
Appropriation of 2003 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	421,053	-	(421,053)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	55,726	(55,726)	-	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	(54,000)	(54,000)	-	-	-	-	-	(54,000)
Bonus to employees - stock	1,867	18,669	-	-	-	-	-	-	-	(18,669)	(18,669)	-	-	-	-	-	-
Bonus to employees - cash	-	-	-	-	-	-	-	-	-	(18,669)	(18,669)	-	-	-	-	-	(18,669)
Stock dividends - \$0.4596 per share	172,414	1,724,138	-	-	-	-	-	-	-	(1,724,138)	(1,724,138)	-	-	-	-	-	-
Cash dividends - \$0.4995 per share	-	-	-	-	-	-	-	-	-	(1,874,063)	(1,874,063)	-	-	-	-	-	(1,874,063)
Net income for the year ended December 31, 2004 (restated)	-	-	-	-	-	-	-	-	-	7,904,299	7,904,299	-	-	-	-	-	7,904,299
Adjustment of cash dividends from treasury stock received by the subsidiary	-	-	-	108,163	-	-	108,163	-	-	-	-	-	-	-	-	-	108,163
Euro-convertible bonds converted into common stock	65,674	656,749	406,642	-	-	-	406,642	-	-	-	-	-	-	-	-	-	1,063,391
Reversal of unrealized loss on long-term equity investments recognized from subsidiaries	-	-	-	-	-	-	-	-	-	-	-	20,996	-	-	-	-	20,996
Reversal of unrealized revaluation loss on long-term equity investments recognized from subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	1,853	-	-	-	1,853
Change in cumulative translation adjustment on long-term equity investments recognized from subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(418,145)	-	-	(418,145)
Net loss not recognized as pension cost recognized from subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,829)	-	(2,829)
Preferred stocks holding of subsidiary converted into common stocks	-	-	-	-	-	-	(122)	(122)	-	-	-	-	-	-	-	-	(122)
Treasury stock transactions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(333,972)	(333,972)
Treasury stock transactions recognized from subsidiaries	-	-	-	424,863	-	-	424,863	-	-	-	-	-	-	-	-	1,406,004	1,830,867
<b>BALANCE, DECEMBER 31, 2004</b>	<b>7,022,012</b>	<b>\$ 70,220,128</b>	<b>\$ 213,831</b>	<b>\$ 705,137</b>	<b>\$ 610,341</b>	<b>\$ 3,609</b>	<b>\$ 1,532,918</b>	<b>\$ 10,454,118</b>	<b>\$ 132,397</b>	<b>\$ 8,001,891</b>	<b>\$ 18,588,406</b>	<b>\$ (279,805)</b>	<b>\$ (15,163)</b>	<b>\$ (193,388)</b>	<b>\$ (100,139)</b>	<b>\$ (1,824,890)</b>	<b>\$ 87,928,067</b>
BALANCE, JANUARY 1, 2005	3,988,082	\$ 39,880,826	\$ 8,320,023	\$ 705,137	\$ -	\$ 2,288	\$ 9,027,448	\$ 574,180	\$ 93,299	\$ 4,667,680	\$ 5,335,159	\$ (279,805)	\$ (15,163)	\$ (193,406)	\$ (3,049)	\$ (1,824,890)	\$ 51,927,120
Retroactive adjustments for shares swap	3,033,930	30,339,302	(8,106,192)	105,627	1,033,595	1,321	(6,965,649)	10,863,763	133,064	33,108	11,029,935	-	-	12,527	(221,269)	(2,292,706)	31,902,140
Appropriation of 2004 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	462,347	-	(462,347)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	398,124	(398,124)	-	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	(54,000)	(54,000)	-	-	-	-	-	(54,000)
Bonus to employees - cash	-	-	-	-	-	-	-	-	-	(37,630)	(37,630)	-	-	-	-	-	(37,630)
Cash dividends - \$0.88 per share	-	-	(11,337)	-	-	-	(11,337)	-	-	(3,711,863)	(3,711,863)	-	-	-	-	-	(3,723,200)
Net income for the year ended December 31, 2005	-	-	-	-	-	-	-	-	-	5,787,017	5,787,017	-	-	-	-	-	5,787,017
Realized deferred loss on upstream transaction of long-term equity investments	-	-	-	-	-	-	-	-	-	(111,068)	(111,068)	-	-	-	-	-	(111,068)
Adjustment of cash dividends from treasury stock received by the subsidiary	-	-	-	102,577	-	-	102,577	-	-	-	-	-	-	-	-	-	102,577
Euro-convertible bonds converted into common stock	278,613	2,786,132	1,463,564	-	-	-	1,463,564	-	-	-	-	-	-	-	-	-	4,249,696
Reversal of unrealized loss on long-term equity investments recognized from subsidiaries	-	-	-	-	-	-	-	-	-	-	-	253,471	-	-	-	-	253,471
Reversal of unrealized revaluation loss on long-term equity investments recognized from subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	6,732	-	-	-	6,732
Change in cumulative translation adjustment on long-term equity investments recognized from subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	175,764	-	-	175,764
Net loss not recognized as pension cost recognized from subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,584)	-	(3,584)
Stock warrants converted into common stocks	45,978	459,775	28,702	-	-	-	28,702	-	-	-	-	-	-	-	-	-	488,477
Treasury stock transactions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(354,567)	(354,567)
Capital decrease and cancellation resulting from write-off treasury stock	(116,565)	(1,165,652)	(266,976)	(58,289)	-	-	(325,265)	-	-	-	-	-	-	-	-	1,490,917	-
<b>BALANCE, DECEMBER 31, 2005</b>	<b>7,230,038</b>	<b>\$ 72,300,383</b>	<b>\$ 1,427,784</b>	<b>\$ 855,052</b>	<b>\$ 1,033,595</b>	<b>\$ 3,609</b>	<b>\$ 3,320,040</b>	<b>\$ 11,900,290</b>	<b>\$ 624,487</b>	<b>\$ 5,712,773</b>	<b>\$ 18,237,550</b>	<b>\$ (26,334)</b>	<b>\$ (8,431)</b>	<b>\$ (5,115)</b>	<b>\$ (227,902)</b>	<b>\$ (2,981,246)</b>	<b>\$ 90,608,945</b>

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

(With Deloitte & Touche audit report dated February 22, 2006)

# SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004 (In Thousands of New Taiwan Dollars)

	2005	2004 (Restated - Note 2)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 5,787,017	\$ 7,904,299
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	11,295	8,527
Amortization of Euro-convertible bonds deferred issuance cost	9,668	36,708
Accrued interest premium on Euro-convertible bonds	159,515	308,581
Income from long-term equity investments under the equity method, net	(6,065,191)	(8,092,570)
Cash dividends received from long-term equity investments under the equity method	2,105,894	3,446,746
Loss on disposal of properties, net	5,164	-
Accrued pension cost	3,276	7,455
Foreign exchange loss of convertible bonds	(186,228)	(307,344)
Decrease (increase) in receivables	24,801	(2,845)
Decrease (increase) in receivables - related party	472,882	(1,060,330)
Decrease in prepayments and other current assets	729	6,540
Deferred income taxes	(63,231)	56,108
Increase (decrease) in payables	<u>(256,856)</u>	<u>952,366</u>
Net cash provided by operating activities	<u>2,008,735</u>	<u>3,264,241</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in securities purchased under agreements to resell	2,140,813	(2,145,909)
Increase in long-term equity investments	(825,000)	(2,505,453)
Acquisition of properties	(33,564)	(12,867)
Increase in other assets	<u>(29,711)</u>	<u>(1,239)</u>
Net cash provided by (used in) investing activities	<u>1,252,538</u>	<u>(4,665,468)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Remuneration paid to directors and supervisors and bonus to employees	(91,630)	(72,669)
Cash dividends paid	(3,620,623)	(1,874,063)
Purchase of treasury stock	(354,567)	(333,972)
Increase (decrease) in short-term borrowings	(150,000)	300,000
Increase in commercial paper payable	199,209	99,988
Decrease in other liabilities	(109,764)	(164,343)
Proceeds from exercising of employee stock option	488,477	-
Redemption of Euro-convertible bonds	<u>(38,014)</u>	<u>-</u>
Net cash used in financing activities	<u>(3,676,912)</u>	<u>(2,045,059)</u>

(Continued)

	<b>2005</b>	<b>2004 (Restated - Note 2)</b>
DECREASE IN CASH AND CASH EQUIVALENTS	\$ (415,639)	\$ (3,446,286)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,456,268</u>	<u>6,902,554</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,040,629</u>	<u>\$ 3,456,268</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 26,759</u>	<u>\$ 18,550</u>
Income tax paid	<u>\$ 513,156</u>	<u>\$ 1,542</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Euro-convertible bonds converted to common stock	<u>\$ 4,249,696</u>	<u>\$ 1,063,391</u>
Euro-convertible bonds/Euro-convertible bonds redeemable within one year	<u>\$ 3,000,717</u>	<u>\$ 7,322,065</u>
Treasury stock transactions from subsidiaries	<u>\$ 2,292,706</u>	<u>\$ 1,830,867</u>
Capital decrease and cancellation resulting from write-off of treasury stock	<u>\$ 1,490,917</u>	<u>\$ -</u>
Payable for acquisition of long-term equity investments	<u>\$ 116,640</u>	<u>\$ 137,535</u>

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

(With Deloitte & Touche audit report dated February 22, 2006)

(Concluded)

# SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. ORGANIZATION AND OPERATIONS

SinoPac Financial Holdings Company Limited (the “Company”) was formed pursuant to the Financial Holding Company Act and 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 to be traded on the Taiwan Stock Exchange (TSE) and GreTai Securities Market (GTSM), respectively, while SinoPac Financial Holdings Company Limited became listed on the TSE.

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

The Company convened the provisional shareholders’ meeting on August 26, 2005 and reached the decision of share swap with International Bank of Taipei (IBT). As to the share swap between the Company and IBT, both parties agree that IBT will become a wholly owned subsidiary of the Company through share swap in accordance with Financial Holding Company Act. Through a swap at ratios of 1.3646 (with “1” representing the Company’s share), IBT became a wholly owned subsidiary of the Company on December 26, 2005. The shares of IBT then ceased to be traded on the TSE.

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

As of December 31, 2005 and 2004, the Company had a total of 51 and 53 employees, respectively.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Presentation**

The accompanying financial statements have been prepared 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 (ROC). Under these criteria and principles, the Company is required to make certain estimates and assumptions that could affect the depreciation for fixed assets, asset impairment, pension and losses on suspended lawsuit. Actual results could differ from these estimates.

The significant accounting policies of the Company are summarized as follows:

#### **Current and Noncurrent Assets and 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 selling price) and the contracted resell (or repurchase) amount is recognized as interest income (or interest expense).

## **Long-term Equity Investments**

Under an explanation 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.

The Company acquired IBT through a share swap, under an explanation issued by the ARDF of the ROC, the Company must use the pooling of interest method and retroactively restate the financial statements as of December 31, 2004 and for the year then ended.

Long-term equity investment are accounted for by the equity method if the Company have significant influence over the investees. Under this method, investments are stated at cost, plus (or minus) a proportionate share in net earnings (losses) or changes in the investees' net worth. 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.

Long-term equity investment are accounted for by the cost method if the Company does not have significant influence over the investees. Cash dividends were recorded as income as received except received in the year of purchasing. 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 8 years; leasehold improvement, 8 to 15 years. For assets still in use beyond their original services lives, depreciation is calculated over newly estimated useful lives.

## **Computer Software**

Amortization were computed using the straight-line method over 3 to 5 years.

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

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

## **Asset Impairment**

The Company began applying ROC Statement of Financial Accounting Standards (SFAS) No. 35, "Accounting for Asset Impairment," on January 1, 2005, which requires that cash-generating units (CGUs) and certain assets, including long-term investments accounted for by the equity method, properties, goodwill, etc., be subject to an impairment review.

SFAS No. 35 requires the impairment review on long-term investments accounted for by the equity method and properties to be made on each balance sheet date. If assets or CGUs are deemed impaired, then the Company must calculate their recoverable amounts. An impairment loss should be recognized whenever the recoverable amount of the assets or the CGU is below the carrying amount, and this impairment loss either is charged to accumulated impairment or reduces the carrying amount of the assets or CGUs directly. After the recognition of an impairment loss, the depreciation (amortization) should be adjusted in future periods by the revised asset/CGUs carrying amount (net of accumulated impairment), less its salvage value, on a systematic basis over its remaining service life. If asset impairment loss (excluding goodwill) is reversed, the increase in the carrying amount resulting from reversal is credited to current income. However, loss reversal should not be more than the carrying amount (net of depreciation) had the impairment not been recognized.

Goodwill is tested for impairment annually, or more frequently if events or changes in circumstance indicate goodwill impairment. Impairment is recorded if the book value exceeds value in use. After the impairment is recognized, the goodwill should still be amortized periodically. The increase in the recoverable amount of goodwill in the period following the recognition of an impairment loss is likely to be an increase in internally generated goodwill rather than the reversal of the impairment loss recognized for the acquired goodwill. Thus, reversal of impairment loss on goodwill is prohibited.

### **Interest Premium**

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

### **Pension**

The Company applied defined benefit pension plan and pension expense is determined on the basis of actuarial calculations. And for defined contribution pension plan, the Company should expense the pension contribution during the period the employees render their service.

### **Euro-Convertible Bonds**

Under the book-value method applied for the conversion of euro-convertible bonds, the carrying value, interest premium and the related issuance costs were converted into capital stocks in the amount of face value, while the remaining amount were recorded into capital surplus on the conversion date.

### **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 reissued 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 to the retained earnings if there is any deficiency.

Under a directive of the Securities and Futures Bureau (SFB), Financial Supervisory Commission, Executive Yuan, R.O.C., 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 the subsidiary's books, but as treasury stock in the financial holding company's books.

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

### **Derivative Financial Instruments**

#### a. Cross-currency swaps

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

#### b. Currency swaps

Foreign-currency spot-position assets or liabilities arising from currency swaps, which are mainly for managing the Company’s foreign-currency positions, are recorded at spot rates when the transactions occur; while corresponding forward-position assets or liabilities are recorded at the contracted forward rates, with receivables netted against the related payables. The interest part of swap points is amortized during the contract period; for contracts outstanding on the balance sheet date, the gains or losses arising from the valuation of swap points, which are valued at the forward rates available for the remaining period of the contracts are credited or charged to current income.

### **Revenue Recognition**

Interest revenue 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 (the Group) adopted the linked-tax system with the income tax and unappropriated earnings tax filings. 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.

## 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 occurred. 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, 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. The Company also recorded the cumulative transaction adjustment from investees by the percentage of ownership.

## 3. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<b>2005</b>	<b>2004 (Restated)</b>
Time deposits - due in March 2006 and February 2005, with interest rate of 1.20000% to 4.50125% and 0.8% to 2.6%, respectively	\$ 2,015,812	\$ 3,443,852
Demand deposits	1,023,761	12,238
Checking deposits	1,047	178
Petty cash	<u>9</u>	<u>-</u>
	<u>\$ 3,040,629</u>	<u>\$ 3,456,268</u>

## 4. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

Securities purchased under agreements to resell as of December 31, 2005 and 2004 were sold by January 2006 and February 2005 at \$385,185 and \$2,527,451, respectively.

## 5. LONG-TERM EQUITY INVESTMENTS

	<u>December 31</u>			
	<b>2005</b>		<b>2004 (Restated)</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<u>Equity method</u>				
Unlisted company				
IBT	\$ 34,571,746	100.00	\$ 36,000,947	100.00
Bank SinoPac	27,594,216	100.00	26,733,638	100.00
SinoPac Securities	22,492,053	100.00	21,958,608	100.00

(Continued)

	<b>December 31</b>			
	<b>2005</b>		<b>2004 (Restated)</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
AnShin Card Services	\$ 2,227,974	100.00	\$ 1,962,329	100.00
SinoPac Venture Capital	1,789,492	100.00	973,465	100.00
SinoPac Securities Investment Trust	308,341	100.00	296,419	100.00
SinoPac Life Insurance Agent	129,561	100.00	76,656	100.00
SinoPac Call Center	105,644	100.00	105,780	100.00
SinoPac Asset Management International	103,148	100.00	107,231	100.00
SinoPac Marketing Consulting	44,522	100.00	46,165	100.00
SinoPac Property Insurance Agent	<u>12,930</u>	100.00	<u>9,007</u>	100.00
	<u>89,379,627</u>		<u>88,270,245</u>	
<b>Other</b>				
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	20,000	1.00
Preferred stock				
AnShin Card Services - A	480,000	100.00	372,670	77.64
AnShin Card Services - B	<u>1,200,000</u>	100.00	<u>1,200,000</u>	100.00
	<u>1,825,000</u>		<u>1,717,670</u>	
Prepaid investments	<u>-</u>		<u>107,330</u>	
	<u>\$ 91,204,627</u>		<u>\$ 90,095,245</u>	

As of December 31, 2005 and 2004, unrealized loss on long-term equity investments (included in the debit balance of stockholders' equity) resulting from market value decline of listed stocks held by subsidiaries and its investees accounted for by the equity method amounted to \$26,334 and \$279,805, respectively. Also, as of December 31, 2005 and 2004, the Company recognized its equity in the unrealized revaluation loss on long-term equity investments (included in the debit balance of stockholders' equity) from subsidiaries totaling \$8,431 and \$15,163, respectively, and cumulative translation adjustment (included in the debit balance of stockholders' equity) from subsidiaries and investees totaling \$5,115 and \$193,388, respectively.

The Company recognized its equity in the net loss not recognized as pension cost (included in the debit balance of stockholders' equity) totaling \$227,902 and \$100,139 from subsidiaries as of December 31, 2005 and 2004, respectively.

Income (loss) from long-term equity investments under the equity method for the years ended December 31, 2005 and 2004 were as follows:

	<b>For the Years Ended December 31</b>	
	<b>2005</b>	<b>2004 (Restated)</b>
IBT	\$ 2,669,605	\$ 3,280,828
Bank SinoPac	1,967,835	3,616,891
SinoPac Securities	1,024,055	870,659
AnShin Card Services	258,913	253,078

(Continued)

	<b>For the Years Ended December 31</b>	
	<b>2005</b>	<b>2004 (Restated)</b>
SinoPac Life Insurance Agent	\$ 117,705	\$ 64,216
SinoPac Venture Capital	27,514	(9,357)
SinoPac Property Insurance Agent	8,872	5,539
SinoPac Call Center	4,790	5,506
SinoPac Asset Management International	623	5,107
SinoPac Marketing Consulting	(1,643)	2,184
SinoPac Securities Investment Trust	<u>(13,078)</u>	<u>(2,081)</u>
	<u>\$ 6,065,191</u>	<u>\$ 8,092,570</u>

The Company acquired IBT through a share swap. Under the pooling of interest method, the Company must recognize the long-term equity investments and the related investment income and retroactively restate the financial statements as of December 31, 2004 and for the year then ended. By adopting the pooling of interest method, the long-term equity investments increased by \$36,000,947 as of December 31, 2004, while the related investment income for the year ended December 31, 2004 increased by \$3,280,828.

As of December 31, 2005 and 2004, the Company held 48,000,000 shares of preferred stock A issued by AnShin Card Services. The preferred stock A bears annual interest rate of 4% and will be matured in October 2008. As of December 31, 2005 and 2004, the Company held 120,000,000 shares of preferred stock B issued by Anshin Card Services. 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 \$43,200 and \$37,692 for the years ended December 31, 2005 and 2004, respectively.

The Company acquired 100% ownership, 30,000,000 shares of SinoPac Securities Investment Trust Corporation (originally named as United Investment Trust Corporation) amounted to \$298,500 in October 2004. The pro forma information of operating revenues and net income were \$8,382,336 and \$7,904,882, respectively, and the pro forma basic earnings per share(after tax) was \$1.17 for the year ended December 31, 2004, assuming that the shares of SinoPac Securities Investment Trust were acquired as of January 1, 2004.

The accounts of SinoPac Securities' subsidiaries -SinoPac Asset Management Corp. (B.V.I.) and SinoPac Securities (H.K.) Limited, were not included in the consolidated financial statements for that they were dissolved during the year ended December 2005. And the accounts of the Company's subsidiaries-SinoPac Call Center, SinoPac Marketing Consulting and SinoPac Asset Management International together with Bank SinoPac's subsidiary- SinoPac Financial Consulting Co., Ltd. were also not included in the consolidated financial statements because the Company's management consider that those companies were immaterial to 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 consolidated entities.

As of December 31, 2005, unamortized difference between the acquisition cost and the equity in the investee was \$876,717 resulting from the purchase of the common shares of AnShin Card Services. In assessing whether the aforesaid unamortized difference was impaired, the Company was viewed as a CGU and estimated the recoverable amount by AnShin Card Service's value in use. The key assumption to evaluate the value in use of AnShin Card Service was based on the net cash flows provided by operating activities in next ten years, which was on the assumption of going concern and the basis by using AnShin Card Service's 2004 net income as the basis of cash flows estimates and the net worth as of December 31, 2004 as the estimate of salvage value to calculate the discounted cash flows by using the Company's weighted average funding cost as the discount rate. After assessing the value in use of AnShin Card Service based on the key assumption, there was no impairment on the unamortized difference between the acquisition cost and the equity in AnShin Card Service on December 31, 2005.

## 6. PROPERTIES

	<u>December 31</u>	
	<b>2005</b>	<b>2004</b> <b>(Restated)</b>
Cost	\$ 59,629	\$ 33,504
Accumulated depreciation		
Computer equipment	5,754	2,116
Transportation equipment	2,264	1,567
Office and other equipment	3,024	2,428
Leasehold improvement	<u>1,092</u>	<u>9,689</u>
	<u>12,134</u>	<u>15,800</u>
Advances on acquisitions of equipment	<u>629</u>	<u>10,837</u>
	<u>\$ 48,124</u>	<u>\$ 28,541</u>

## 7. SHORT-TERM BORROWINGS

As of December 31, 2005 and 2004, the unsecured short-term borrowings from bank bore interest rates of 1.57%-1.75% and 1.35%-1.41%, respectively, and the last maturity date were in March 2006 and January 2005.

As of December 31, 2005 and 2004, the Company had unutilized credit lines of \$1,700,000 and \$2,050,000, respectively, which were available for short-term borrowings.

## 8. COMMERCIAL PAPER PAYABLE

	<u>December 31</u>	
	<b>2005</b>	<b>2004</b> <b>(Restated)</b>
Commercial paper payable	\$ 300,000	\$ 100,000
Less - unamortized discount	<u>803</u>	<u>12</u>
	<u>\$ 299,197</u>	<u>\$ 99,988</u>

As of December 31, 2005 and 2004, the commercial paper, with annual discount rate of 1.22% and 0.89%, mature in March 2006 and January 2005, respectively.

As of December 31, 2005 and 2004, the Company had unutilized credit lines of both \$200,000, which were available for commercial paper.

## 9. PAYABLES

	<u>December 31</u>	
	<b>2005</b>	<b>2004 (Restated)</b>
Tax payables resulting from linked - tax system	\$ 431,388	\$ 980,819
Exchange clearing payable	268,555	-
Investment payable	116,640	137,535
Cash dividend payable	102,577	-
Expense payable	56,874	3,561
Payables resulting from linked-tax system - related party	32,247	20,299
Salaries payable	17,526	30,519
Other	<u>5,587</u>	<u>12,176</u>
	<u>\$ 1,031,394</u>	<u>\$ 1,184,909</u>

## 10. EURO-CONVERTIBLE BONDS

	<u>December 31</u>	
	<b>2005</b>	<b>2004 (Restated)</b>
Euro-convertible bonds	\$ 2,575,637	\$ -
Add - interest premium payable	<u>425,080</u>	<u>-</u>
	3,000,717	-
Euro-convertible bonds redeemable within one year	-	6,587,518
Add - interest premium payable	<u>-</u>	<u>734,547</u>
	<u>\$ 3,000,717</u>	<u>\$ 7,322,065</u>

The Company had issued US\$230,000,000 of Euro-convertible bonds (the "Bonds") at par in Luxembourg on July 12, 2002. The Bonds are 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, at the option of the Company.

a) Provided that after three years of the issue date, the closing prices of the common shares on the TSE, for 20 consecutive trading days, exceed 130% of the conversion price.

- b) If at least 90% in principal amount of the Bonds have already been redeemed, converted, or purchased and cancelled.
  - c) In the event of certain changes in ROC taxation which oblige the Company to pay such additional amounts of the Bonds.
- 2) Redemption at the option of the bondholders: The Company will, at the option of any bondholder, redeem all or any portion of the Bonds at the accreted value
- a) At the third year 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 traded 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 per share, because of employee stock options and distribution of dividends of other distributions, the Company adjust the conversion price occasionally. The conversion price was adjusted to NT\$13.862 on May 11, 2005.

For the year ended December 31, 2005, the bondholders had converted the Euro-convertible bonds with aggregate face amount of US\$121,164 thousand into 278,613,170 common shares of the Company.

According to the aforementioned offering terms, the bondholders can ask the Company to redeem the bonds by submitting the Relevant Event Redemption Notice to the Company prior to July 12, 2005. As of the put date, totaling US\$1,000 thousand had been redeemed.

## 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 SFB.

As of December 26, 2005, the Company acquired IBT through a share swap, and the total capital stock amounting to \$72,300,383, which was divided into 7,230,038,259 common shares. For the year ended December 31, 2005, the Euro-convertible bonds, amounting to \$2,786,132, had been converted, resulting in an increase of 278,613,170 common shares of the Company. In September 2005, all shares had been changed to authorized capital.

Pursuant to the Financial Holding Company Act, the 116,565,240 shares of the Company, which were held by Bank SinoPac for three years as of May 8, 2005, has been cancelled and subsequently decreased the Company's capital stock. In addition, the alteration registration has been completed. The Company had to decrease its capital according to the capital decrease ratio and the capital stock decreased by \$1,165,652 (please see Note 12).

### b. Capital surplus

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

Capital surplus arising 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. At proceeding stockholders meetings, the stockholders resolved to capitalize \$2,097,745 and to appropriate \$1,152,573 as cash dividend from this capital surplus.

### 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 reminder and retained earnings from previous year.

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

To pursue growth and increase profitability, the Company will retain cash for capital needs. The dividend policy is to distribute most dividends in stocks. The cash dividends will be declared only when there is an 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 March 10, 2005 and June 11, 2004, the stockholders' meeting resolved the appropriation of earnings for the year ended December 31, 2004 and 2003, respectively, as follows:

	<u>Appropriation of Earnings</u>		<u>Dividend Per Share (NT\$)</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Legal reserve	\$ 462,347	\$ 421,053		
Special reserve	398,124	55,726		
Bonus to employees - cash	37,630	18,669		
Bonus to employees - stock	-	18,669		
Remuneration to directors and supervisors - cash	54,000	54,000		
Cash dividends	3,723,200	1,874,063	\$0.88	\$0.4995
Stock dividends	<u>-</u>	<u>1,724,138</u>		0.4596
	<u>\$ 4,675,301</u>	<u>\$ 4,166,318</u>		

The appropriation of 2005 earnings has not yet been resolved by the board of directors by February 22, 2006 on which the date of auditors' report. The related information regarding the proposed and resolved earnings appropriation can be referred from the SEC market Observation Post System (M.O.P.S.) website.

In addition, had aforementioned remuneration to directors and bonus to employees (included in earnings of 2004 and 2003) been recognized as expenses, the restated basic EPS (after tax) for 2004 and 2003 would had been decreased from NT\$1.17 to NT\$1.16 and NT\$1.08 to NT\$1.07, respectively. The restated diluted EPS (after tax) for 2004 and 2003 would had been decreased from NT\$1.13 to NT\$1.11 and NT\$1.05 to NT\$1.04, respectively.

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. When the Company has no earnings, the legal reserve over 50% can be distributed as stock dividend or bonus, or when the Company has no deficit, the Company can retain the legal reserve up to 25% of the outstanding capital and transfer the remaining legal reserve to common stock.

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 highest 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 SFB and, at the chairman's approval, the Company launched the first 157,422 units of such stock option, which entitled the subscribers to acquire 157,422,000 shares of common stock. Related terms and conditions for issuing and exercising stock option are as follows:

1) Conditions of eligibility for subscription rights:

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

2) Exercise price:

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

3) Terms and vesting of the rights:

a) Two years after the option certificates have been granted, less than or equal to 50% of the total granted options may be vested; three years after, another 10% may be vested; four years after, a further 20% may be vested; five years after, the remaining 20% of the total granted options may be vested.

b) The term of stock option certificates is seven years. No transfer, collateral, negotiability, or any other methods of disposal are allowed during this period, except to inheritors in case of death of eligible employees of stock options.

c) The Company reserves the right to cancel the option certificates which have been granted but not vested when the eligible employees fail to meet the performance requirements, or committed a significant violation against the corporate regulations.

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

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

6) Procedures for handling surrendered stock option certificate:

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

7) Method for performance of contract: Issuance of new shares.

8) Adjustment of exercise price:

- a) After issuance of stock option certificates, in case of changes in number of the Company's outstanding common shares (such as resulting from a rights offering, capitalization of retained earnings, capitalization of capital reserve, merger, stock split, share offering for GDR issuance, etc.), exercise price per share will be adjusted only according to the following formula (rounded to NT\$0.1).

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

- i. The aforementioned 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 zero 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.

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 2004 and 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 to NT\$10.6 and NT\$15.2, respectively.

For the year ended December 31, 2005, 45,978 units of the first option issuance has been vested, resulting in 45,977,500 shares of common stock issued.

## 12. TREASURY STOCK

(Expressed in Thousands)

Reasons	Shares at the Beginning of Year	Shares Increase During the Year	Shares Decrease During the Year	Shares at the End of Year
<u>For the year ended December 31, 2005</u>				
Reissuance to employees	19,649	-	-	19,649
In order to maintain the Company's credit and shareholders' equity	-	20,750	-	20,750
Buy back shares of dissenting shareholders	-	1,580	-	1,580
Shares held by Bank SinoPac converted into treasury stocks	116,565	-	116,565	-
Shares held by IBT converted into treasury stock	-	120,031	-	120,031
<u>For the year ended December 31, 2004</u>				
Reissuance to employees	-	19,649	-	19,649
Shares held by Bank SinoPac converted to treasury stock	216,543	9,952	109,930	116,565

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 arising from gains on disposal of properties and donated capital. The Company should not use treasury stock to secure any of its obligations and to exercise any shareholders' rights on those stocks.

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 year ended December 31, 2004, the Company acquired 19,649,000 shares of its outstanding stocks with \$333,972. 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.

The Company bought back 1,580,000 shares with \$25,487 from dissenting shareholders who disagreed with the resolution of shares swap.

In order to maintain the Company's credit and shareholders' equity with the allowed highest price at NT\$20 per share on December 26, 2005, the Board of the Company resolved to buy back the treasury stock for 50,000,000 common shares. For the year ended 2005, the Company bought back the outstanding common shares amounted to 20,750,000 shares with cost of \$329,080.

Bank SinoPac had held 256,127,108 shares of SPS (which was merged with SinoPac Securities on July 22, 2002) prior to the shares swap. Those shares had been swapped for 204,106,675 shares of the Company, together with stock dividends totaling of 226,495,430 shares. To deal with the Company's shares held by Bank SinoPac, the Board of the Company resolved to sell 144,361,929 shares through the securities exchange market. In doing so, Bank SinoPac sold 109,929,965 shares on the securities exchange market in 2004. The remaining 116,565,240 shares of the Company held by Bank SinoPac did not pursuant to the Financial Holding Company Act, which requires (i) reissued to the employees of the Company or the Company's subsidiaries within three years, (ii) used for equity conversion, or (iii) sold on a stock exchange or GTSM. In the event that shares are not reissued or sold, such shares should be cancelled and decrease the Company's capital stock, in addition, the alteration registration should be completed. According to the directives of the ARDF of the ROC, if Bank SinoPac does not receive any proceeds from the Company for such cancelled shares, Bank SinoPac needs to reduce its capital based on the capital decrease ratio while the Company follows the regulation to cancel and decrease its capital stock. The Company and Bank SinoPac got approval from the authorities for the cancellation of capital stock, on which the capital stock of the Company and Bank SinoPac decreased by \$1,165,652 and \$1,135,324, respectively. The dates for capital decreasing are on August 25, 2005 and August 26, 2005, respectively.

IBT has acquired 120,031,000 common shares of the Company with \$2,292,706 before shares swap, thus, the Company treated those shares as treasury stock under accounting principles generally accepted in the ROC.

### **13. PENSION**

The Company has a defined benefit pension plan for all regular employees. Before June 30, 2005, the Company makes monthly amounts contributions of 2% of employee salaries, to a pension fund, which is administrated by the employee's pension plan supervisors committee.

The Labor Pension Act took effect on July 1, 2005, the Company's employees, who were on service before July 1, 2005, could choose the pension mechanism either under the Labor Standard Law or under this Act. For those employees who choose the pension mechanism regulated by the Labor Standard Law, their seniority prior to the enforcement of Labor Pension Act shall be maintained. The newly hired employees, who were hired after July 1, 2005, could only choose the pension mechanism under the Labor Pension Act.

For the Company's employees choose the pension mechanism regulated by the Labor Standard Law, the retirement payments shall be paid to employees on the basis of the following standard: (i) a lump sum payment of retirement payments equal to two base units shall be paid for each year of service (ii) provided that each year of service exceeding fifteen years shall be entitled to only one base unit of wage (iii) and that the maximum payment shall be forty-five base units. Any fraction of a year which is equal to or more than six months shall be counted as one year of service, and any fraction of a year which is less than six months shall be counted as half a year of service.

For the Company's employees choosing the pension mechanism regulated by the Labor Pension Act, the retirement payments is paid according to the related rulings of this Act.

The Company applied defined contribution plan regulated by Labor Pension Act after July 1, 2005. Under this Act, the Company contributed 6% of the employee salaries to the Labor Insurance Administration (according to this Act, the contribution rate by the employer to the Labor Pension Fund per month shall not be less than 6% of the employee's monthly wages). For the year ended 2005, the pension expense under the defined contribution pension plan amounted to \$966, which were contributed to personal pension accounts.

Information related to defined benefit pension of the Company is disclosed as follows:

	<b>For the Years Ended December 31</b>	
	<b>2005</b>	<b>2004 (Restated)</b>
a. Change in pension fund		
Balance, January 1	\$ 3,869	\$ 2,142
Contributions by the Company	1,492	1,691
Interest revenue	<u>68</u>	<u>36</u>
Balance, December 31	<u>\$ 5,429</u>	<u>\$ 3,869</u>
b. Net pension cost for the years ended December 31, 2005 and 2004 were as follows:		
	<b>For the Years Ended December 31</b>	
	<b>2005</b>	<b>2004 (Restated)</b>
Service cost	\$ 6,254	\$ 7,182
Interest cost	637	376
Expected return on pension fund	<u>(166)</u>	<u>(103)</u>
Net pension cost	<u>\$ 6,725</u>	<u>\$ 7,455</u>
c. Reconciliation of pension contributions and accrued pension cost on book were as follows:		
	<b>December 31</b>	
	<b>2005</b>	<b>2004 (Restated)</b>
Benefit obligation		
Vested benefit obligation	\$ 4,246	\$ 5,851
Nonvested benefit obligation	<u>6,876</u>	<u>8,004</u>
Accumulated benefit obligation	11,122	13,855
Additional benefit based on future salaries	<u>3,284</u>	<u>4,337</u>
Projected benefit obligation	14,406	18,192
Fair value of plan assets	<u>(5,429)</u>	<u>(3,869)</u>
Funded status	8,977	14,323
Unrecognized net transaction obligation	-	-
Un-amortized prior service cost	-	-
Unrecognized pension gain	8,435	42
Additional pension liability	<u>-</u>	<u>-</u>
Accrued pension cost	<u>\$ 17,322</u>	<u>\$ 14,365</u>
d. Vested benefit	<u>\$ 4,724</u>	<u>\$ 6,593</u>
e. Actuarial assumptions		
1) Discount rate used in determining present values	3.5%	3.5%
2) Future salary increase rate	3.0%	3.5%
3) Expected rate of return on plan assets	2.5%	3.5%

#### 14. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	<b>For the Years Ended December 31</b>	
	<b>2005</b>	<b>2004 (Restated)</b>
Personnel expenses		
Salaries and wages	\$ 87,709	\$ 103,937
Pension	7,691	7,455
Labor insurance and national health insurance	3,187	2,927
Other	814	1,343
Depreciation	9,580	7,266
Amortization	1,715	1,261

#### 15. INCOME TAX

Under a Article 49 of the Financial Holding Company Law, 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 since 2003 filings and unappropriated earnings tax since 2002 filings with its qualified subsidiaries, including Bank SinoPac, SinoPac Securities and SinoPac Call Center Co., Ltd.

The Company expected to adopt the linked-tax system for income tax of 2005 and unappropriated earnings tax of 2004 filings with all its qualified subsidiaries.

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

	<b>For the Years Ended December 31</b>	
	<b>2005</b>	<b>2004 (Restated)</b>
Tax on pretax income at 25% statutory rate	\$ 1,427,061	\$ 1,982,271
Add (deduct) tax effects of:		
Tax-exempt income	(10,800)	(9,423)
Permanent difference	(1,514,292)	(2,021,254)
Temporary difference	103,110	52,046
Investment tax credit	(73)	-
Loss carryforward	-	(2,002)
Current income tax payable	<u>\$ 5,006</u>	<u>\$ 1,638</u>

(Continued)

- b. The components of income tax expenses (benefit) were as follows:

	<b>For the Years Ended December 31</b>	
	<b>2005</b>	<b>2004 (Restated)</b>
Current income tax payable	\$ 5,006	\$ 1,638
Separation taxes on short-term bills interest revenue	68	26
Income tax adjustments for prior year	1,134	(31,581)
Changes upon deferred income tax	<u>(63,231)</u>	<u>56,108</u>
	(57,023)	26,191
Effect upon adoption of the linked-tax system	<u>(21,708)</u>	<u>(1,406)</u>
	<u>\$ (78,731)</u>	<u>\$ 24,785</u>

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

	<b>December 31</b>	
	<b>2005</b>	<b>2004 (Restated)</b>
Current		
Deferred income tax assets (liabilities)		
Deferred interest premium of Euro-convertible bonds	\$ 247,004	\$ 207,125
Loss carryforward	76,621	76,621
Deferred organization costs	2,265	2,265
Unrealized foreign exchange loss (gain)	<u>35,524</u>	<u>(29,232)</u>
	361,414	256,779
Less - allowance for deferred income tax assets	<u>278,594</u>	<u>238,716</u>
	82,820	18,063
Effect upon adoption of the linked-tax system	<u>(45,030)</u>	<u>(45,030)</u>
Net	<u>\$ 37,790</u>	<u>\$ (26,967)</u>
Noncurrent		
Deferred income tax assets		
Deferred organization costs	\$ 755	\$ 3,021
Deferred pension cost	<u>4,331</u>	<u>3,591</u>
Net	<u>\$ 5,086</u>	<u>\$ 6,612</u>

- d. The Company adopted the linked-tax system with its subsidiaries since income tax of 2003 and unappropriated earnings tax of 2002 filings. As of December 31, 2005 and 2004, the receivables of the Company resulting from the linked-tax system to its subsidiaries were \$526,337 and \$1,045,916, respectively. As of December 31, 2005 and 2004 the payables of the Company resulting from the linked-tax system to its subsidiaries were \$31,844 and \$20,299, respectively.

The balances of the imputation credit account as of December 31, 2005 and 2004 were \$1,244 and \$4,429, respectively. The projected imputed tax credit ratio for earnings in 2005 is 21.43%, which is computed from the projected ICA balance on the earnings appropriation date. The actual creditable tax ratios for the 2004 earnings was 15.89%.

The tax credit allocable to stockholders are based on the balance of ICA on the dividend distribution date. Thus, the 2005 projected imputed tax ratio may vary from the actual ratio. 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 December 31, 2005, 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 year ended December 31, 2005</u>					
Basic EPS	\$ 5,708,286	\$ 5,787,017	7,032,368	\$ 0.81	\$ 0.82
Influence on diluted common shares:					
Employee stock option certificates	-	-	54,304		
Euro-convertible bonds	<u>193,823</u>	<u>187,663</u>	<u>552,449</u>		
Diluted EPS	<u>\$ 5,902,109</u>	<u>\$ 5,974,680</u>	<u>7,639,121</u>	<u>\$ 0.77</u>	<u>\$ 0.78</u>
<u>For the year ended December 31, 2004 (restated - Note 2)</u>					
Basic EPS	\$ 7,929,084	\$ 7,904,299	6,758,108	\$ 1.17	\$ 1.17
Influence on diluted common shares:					
Employee stock option certificates	-	-	61,750		
Euro-convertible bonds	<u>345,650</u>	<u>345,136</u>	<u>528,371</u>		
Diluted EPS	<u>\$ 8,274,734</u>	<u>\$ 8,249,435</u>	<u>7,348,229</u>	<u>\$ 1.13</u>	<u>\$ 1.12</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 year ended December 31, 2005</u>					
Basic EPS	\$ 5,384,089	\$ 5,462,820	7,133,356	\$ 0.75	\$ 0.75
Influence on diluted common shares:					
Employee stock option certificates	-	-	54,304		
Euro-convertible bonds	<u>193,823</u>	<u>187,663</u>	<u>552,449</u>		
Diluted EPS	<u>\$ 5,577,912</u>	<u>\$ 5,650,483</u>	<u>7,740,109</u>	<u>\$ 0.72</u>	<u>\$ 0.73</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>
For the year ended December 31, 2004 (restated)					
Basic EPS	\$ 8,353,947	\$ 8,329,162	6,970,565	<u>\$ 1.20</u>	<u>\$ 1.19</u>
Influence on diluted common shares:					
Employee stock option certificates	-	-	61,750		
Euro-convertible bonds	<u>345,650</u>	<u>345,136</u>	<u>528,371</u>		
Diluted EPS	<u>\$ 8,699,597</u>	<u>\$ 8,674,298</u>	<u>7,560,686</u>	<u>\$ 1.15</u>	<u>\$ 1.15</u>

## 17. RELATED-PARTY TRANSACTIONS

In addition to those disclosed in other footnotes of financial statements, relationships with the Company and significant transactions between the Company and related parties for the years ended December 31, 2005 and 2004, including transactions of amounts over NT\$100 million with its subsidiaries, were summarized as follows:

### a. Related parties

<u>Name</u>	<u>Relationship with the Company</u>
Bank SinoPac	Subsidiary
SinoPac Securities	Subsidiary
AnShin Card Services Co., Ltd. (AnShin Card Services)	Subsidiary
SinoPac Call Center Co., Ltd. (SinoPac Call Center)	Subsidiary
SinoPac Life Insurance Agent Co., Ltd. (SinoPac Life Insurance)	Subsidiary
SinoPac Property Insurance Agent Co., Ltd. (SinoPac Property Insurance)	Subsidiary
SinoPac Asset Management International (SinoPac Asset Management)	Subsidiary
SinoPac Leasing Corporation (SinoPac Leasing)	Subsidiary of Bank SinoPac
SinoPac Securities Investment Trust Co., Ltd. (SinoPac Investment Trust)	Subsidiary
National Electric Appliance Co., Ltd. (National Electric Appliance)	Same chairperson (the chairperson resigned on May 2005)
Hong Yue Investment Co. (Hong Yue Investment)	Supervisor of the Company (the supervisor resigned on May 2005)
Far East National Bank (FENB)	Overseas affiliate of Bank SinoPac
Other	Related parties under the control of the Company and without transactions with the Company, please see Table 8

b. Significant transactions between the Company and related parties

1) Cash and cash equivalents - bank deposits

	<b>December 31</b>			
	<b>2005</b>		<b>2004</b>	
	<b>Amount</b>	<b>% of Account Balance</b>	<b>Amount</b>	<b>% of Account Balance</b>
Bank SinoPac	\$ 3,040,618	100	\$ 1,977,289	57
FENB	-	-	1,027,700	30

2) Securities transactions under agreements to resell

<b>Type of Transaction</b>		<b>December 31, 2005</b>	
		<b>Face Amount</b>	<b>Cost</b>
SinoPac Securities	Bonds purchased under agreements to resell	\$ 141,000	\$ 155,008

  

<b>Type of Transaction</b>		<b>December 31, 2004</b>	
		<b>Face Amount</b>	<b>Cost</b>
Bank SinoPac	Bonds purchased under agreements to resell	\$ 630,000	\$ 700,000
SinoPac Securities	Bonds purchased under agreements to resell	442,500	490,917

For the years ended December 31, 2005 and 2004, interest revenue generated from the aforementioned securities transactions with Bank SinoPac amounted to \$3,306 and \$844 respectively. For the years ended December 31, 2005 and 2004, interest revenue generated from the aforesaid securities transactions with SinoPac Securities amounted to \$2,184 and \$1,621, respectively.

3) Receivables from related parties

	<b>December 31</b>			
	<b>2005</b>		<b>2004</b>	
	<b>Amount</b>	<b>% of Account Balance</b>	<b>Amount</b>	<b>% of Account Balance</b>
Interest receivable				
Bank SinoPac	\$ 9,904	5	\$ 3,516	-
SinoPac Securities	17	-	87	-
FENB	-	-	3,028	-
Receivable on preferred stock dividends				
AnShin Card Services	96,642	50	53,442	5
Other receivables				
SinoPac Investment Trust	207	-	-	-
FENB	130	-	130	-
SinoPac Asset Management	120	-	120	-

4) Receivables from related parties - receivables resulting from linked-tax system

The Company and its subsidiaries adopted the linked-tax system for income tax and unappropriated earnings tax filings. The estimated receivables of the Company resulting from the adoption of the linked-tax system to its subsidiaries were \$526,337 and \$1,045,916 as of December 31, 2005 and 2004, respectively.

5) Other prepayments

	<b>December 31</b>			
	<b>2005</b>		<b>2004</b>	
	<b>Amount</b>	<b>% of Account Balance</b>	<b>Amount</b>	<b>% of Account Balance</b>
Anshin Card Services	\$ 6,763	55	\$ 6,763	52

6) Payables to related parties - tax payables resulting from linked-tax system

The Company and its subsidiaries adopted the linked-tax system for income tax and unappropriated earnings tax filings. The estimated payables of the company resulting from the adoption of the linked-tax system to its subsidiaries were \$31,844 and \$20,299 as of December 31, 2005 and 2004, respectively.

7) Interest revenue from bank deposits

	<b>For the Years Ended December 31</b>			
	<b>2005</b>		<b>2004</b>	
	<b>Amount</b>	<b>% of Account Balance</b>	<b>Amount</b>	<b>% of Account Balance</b>
Bank SinoPac	\$ 48,882	46	\$ 37,133	30
FENB	6,004	6	22,082	18

8) Dividend income

	<b>For the Years Ended December 31</b>			
	<b>2005</b>		<b>2004</b>	
	<b>Amount</b>	<b>% of Account Balance</b>	<b>Amount</b>	<b>% of Account Balance</b>
AnShin Card Services	\$ 43,200	100	\$ 37,692	100

9) Professional service charges

Professional service charges paid to SinoPac Securities amounted to \$2,377 and \$6,785 for the years ended December 31, 2005 and 2004, respectively. Professional service charges paid to Bank SinoPac amounted to \$682 and \$702 for the year ended December 31, 2005 and 2004, respectively.

10) Lease

The Company leased certain office premises from National Electric Appliance Co., Ltd. for a period from May 2002 to December 2005. However, both parties agreed to terminate the contract on June 1, 2005. Rentals were paid annually at the beginning of each year. Rentals paid for the years ended December 31, 2005 and 2004 were \$937 and \$2,254, respectively. Prepaid rentals as of December 31, 2004 was \$797.

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. Rental expense for the years ended December 31, 2005 and 2004 were \$1,469 and \$3,525, respectively.

The Company leased certain office premises from SinoPac Leasing for a period from January 2005 to December 2019 with monthly rental payments. Rental expense for the year ended December 31, 2005 was \$11,640 and rental deposits as of December 31, 2005 was \$27,980.

The Company leased certain office premises from SinoPac Securities for a period from February 2004 to March 2004. Rental paid for the year ended December 31, 2004 was \$82.

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 Financial Holdings Company Limited (SPH)	Parent company of Bank SinoPac
SinoPac Securities	Subsidiary of SinoPac Financial Holdings Company Limited
Far East National Bank (FENB)	Overseas affiliate of Bank SinoPac
SinoPac Capital Limited	Overseas subsidiary of Bank SinoPac
SinoPac Leasing Corporation (SPL)	Subsidiary of Bank SinoPac
Grand Capital International Limited (Grand Capital)	Subsidiary of SPL
Wal Tech International Corporation (Wal Tech International)	Affiliate of Bank SinoPac
International Bank of Taipei Co., Ltd.	Subsidiary of SPH (holding 100% since December 26, 2005)
SinoPac Asia Limited	Subsidiary of SinoPac Securities
Formosa Plastic Corporation (Formosa Plastic)	Related party in substance of Bank SinoPac
SinoPac Futures Corporation (SinoPac Futures)	Subsidiary of SinoPac Securities
SinoPac Securities (Cayman) Holdings	Subsidiary of SinoPac Securities
Panasonic Taiwan Co., Ltd. (PTW)	Same chairperson with SPH (the chairperson resigned on May 2005)
SinoPac Managed Futures Co., Ltd. (SinoPac Managed Futures)	Affiliate
SinoPac Venture Capital Co., Ltd. (SinoPac Venture Capital)	Subsidiary of SinoPac Financial Holdings Company Limited

a) Loans

	<b>Ending Balance</b>	<b>% of Total</b>	<b>Interest Rate</b>	<b>Interest Revenue</b>	<b>% of Total</b>
For the year ended <u>December 31, 2005</u>					
SPL	\$ 558,000	0.18%	1.58%-1.72%	\$ 18,341	0.12%
SinoPac Securities	500,000	0.17%	1.53%	459	-
SinoPac Asia Limited	230,607	0.08%	4.92%-4.99%	3,725	0.02%
Formosa Plastic Corporation	101,252	0.03%	3.04%	3,367	0.02%
Others	829,869	0.27%	1.58%-7.40%	12,473	0.08%

(Continued)

	<b>Ending Balance</b>	<b>% of Total</b>	<b>Interest Rate</b>	<b>Interest Revenue</b>	<b>% of Total</b>
For the year ended <u>December 31, 2004</u>					
SPL	\$ 1,006,000	0.39%	1.56%-4.70%	\$ 23,260	0.22%
SinoPac Securities	500,000	0.19%	1.42%	8	-
Wal-Tech International	213,000	0.08%	1.31%-1.56%	867	0.01%
Grand Capital	296,828	0.11%	1.83%	8,496	0.08%
Others	45,098	0.02%	1.75%-12.30%	9,639	0.09%

b) Deposits

	<b>Ending Balance</b>	<b>% of Total</b>	<b>Interest Rate</b>	<b>Interest Expense</b>	<b>% of Total</b>
For the year ended <u>December 31, 2005</u>					
SPH	\$ 3,040,618	0.76%	0%-4.50125%	\$ 30,374	0.30%
SinoPac Securities	1,244,444	0.31%	0.3%-4.91%	12,805	0.13%
SinoPac Venture Capital	547,291	0.14%	0.30%	1,812	0.02%
SinoPac Futures	257,329	0.06%	0.3%-1.94%	13,317	0.13%
SinoPac Securities (Cayman) Holdings	227,727	0.06%	4.05%-4.25%	4,035	0.04%
Others	3,051,121	0.77%	0%-6.475%	23,830	0.24%

For the year ended  
December 31, 2004

SPH	1,977,289	0.60%	0.30%-2.60%	37,133	0.64%
SinoPac Securities	1,367,757	0.41%	0.002%-4.53%	17,471	0.30%
PTW	871,504	0.26%	0.3%-4.28%	1,664	0.03%
SinoPac Futures	705,185	0.21%	0.3%-1.35%	8,005	0.14%
SinoPac Managed Futures	187,534	0.06%	0.3%-1.4%	2,929	0.05%
Others	1,700,684	0.52%	0.3%-6.475%	16,611	0.29%

c) Due from banks and other receivables

	<b>Amount</b>		<b>% of Total</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Due from banks - IBT	\$ 279,600	\$ 319,170	0.47%	1.53%
Other receivables	33,173	218,413	0.14%	0.75%

d) Securities purchased

	<b>December 31, 2005</b>	
	<b>Ending Balance</b>	<b>% of Total</b>
Structured instruments - SinoPac Securities	\$ 146,600	0.17%

e) Guarantees and securities purchased

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

	<u>December 31</u>	
	<u>2005</u>	<u>2004</u>
SinoPac Securities	\$ 35,000	\$ 35,000
Wal Tech International	<u>-</u>	<u>140,000</u>
	<u>\$ 35,000</u>	<u>\$ 175,000</u>

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

	<u>December 31</u>	
	<u>2005</u>	<u>2004</u>
Properties - carrying amount	<u>\$ 1,104,568</u>	<u>\$ 1,114,160</u>

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

	<u>December 31</u>	
	<u>2005</u>	<u>2004</u>
Properties and properties held for lease - carrying amount	\$ 1,173,521	\$ 1,183,912
Certificates of deposit	<u>830,000</u>	<u>1,160,000</u>
	<u>\$ 2,003,521</u>	<u>\$ 2,343,912</u>

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

	<u>Face Amount</u>		<u>Cost</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
SinoPac Financial Holdings Company Limited				
Short-term bonds sold under agreements to repurchase	\$ -	\$ 630,000	\$ -	\$ 700,000
Others				
Short-term bonds sold under agreements to repurchase	67,500	1,000	75,001	1,011

g) Professional advisory charges

Bank SinoPac had entered into several professional advisory contracts with its investees. The professional advisory charges paid for the years ended December 31, 2005 and 2004 amounted to \$127,327 and \$231,020, respectively.

h) Due from/due to affiliates

As of December 31, 2005 and 2004, Bank SinoPac's estimated receivable resulting from the adoption of linked-tax system amounted to \$97,082 and \$96,582. As of December 31, 2005, Bank SinoPac's estimated payable to SPH and subsidiaries resulting from the adoption of linked-tax system amounted to \$22,284.

As of December 31, 2005, the dividends receivable from SPH amounted to \$102,577.

i) Asset transactions

For the year ended December 31, 2004, Bank SinoPac purchased convertible bonds amounting to \$247,900, which had been paid before December 31, 2004, from SinoPac Securities.

j) Derivative financial instruments

FENB	December 31, 2005		
	Contract (Notional) Amount	Credit Risk	Fair Value
Currency swap contracts	\$ 423,420	\$ 62	\$ 62

  

SinoPac Capital Ltd.	December 31, 2005		
	Contract (Notional) Amount	Credit Risk	Fair Value
Interest rate swap contracts	\$ 522,769	\$ -	\$ (717)
Currency swap contracts	522,765	28	19

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, credit 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) IBT

Related parties

Related Party	Relationship with IBT
SinoPac Financial Holdings Company Limited (SPH)	Parent company (Note)
IBT Life Insurance Agent Co., Ltd. (IBTLIA)	Subsidiary
SinoPac Capital (BVI) Ltd. (SinoPac Capital)	Overseas affiliate of SinoPac Financial Holdings Company Limited
SinoPac Leasing Corporation (SPL)	Subsidiary of SinoPac Financial Holdings Company Limited
Grand Capital International Limited (Grand Capital)	Subsidiary of SPL

(Continued)

<u>Related Party</u>	<u>Relationship with IBT</u>
Zonzhong Investment Co., Ltd. (Zonzhong Investment)	Director
Taigen Biotechnology Co., Ltd. (Taigen)	Affiliate
Board Tek Electronics Corp. (Board Tek)	Affiliate
System Corp. (System)	Affiliate
Other	Directors, supervisors, managers and their relatives, department chiefs, equity-method investees, and the unconsolidated subsidiaries of IBT, etc.

Note: On December 26, 2005, IBT swapped shares with SinoPac Financial Holdings Company Limited and become a wholly owned subsidiary of SinoPac Financial Holdings Company Limited.

a) Loans

<u>Year/Related Party</u>	<u>Ending Balance</u>	<u>% of Total</u>	<u>Interest Rate</u>	<u>Interest Revenue</u>	<u>% of Total</u>
<u>2005</u>					
Grand Capital	\$ 525,600	0.16%	4.85%	\$ 18,730	0.15%
Board Tek	344,000	0.11%	2.4-2.77%	8,744	0.07%
Zonzhong Investment	246,671	0.08%	3.12-3.2%	7,164	0.06%
SPL	200,000	0.07%	1.82%	3,492	0.03%
SinoPac Capital	197,100	0.06%	4.33-4.87%	7,766	0.06%
Other	218,256	0.07%	1.8-3.65%	15,245	0.12%
<u>2004</u>					
Board Tek	440,000	0.16%	2.33-2.40%	11,025	0.11%
Zonzhong Investment	246,671	0.09%	2.5-2.7%	7,620	0.07%
Others	378,418	0.14%	2.1-15%	11,769	0.12%

b) Deposits

<u>Year/Related Party</u>	<u>Ending Balance</u>	<u>% of Total</u>	<u>Interest Rate</u>	<u>Interest Expense</u>	<u>% of Total</u>
<u>2005</u>					
Taigen	\$ 416,200	0.12%	1.5-2.07%	\$ 1,309	0.02%
IBTLIA	247,255	0.07%	0.1%	171	-
System	242,944	0.07%	0.1-2.1%	873	0.02%
Others	1,275,919	0.38%	0-13%	28,618	0.52%
<u>2004</u>					
System	161,293	0.05%	1.3-5.05%	92	-
IBTLIA	185,240	0.06%	0.1%	118	-
Others	891,674	0.28%	0-13%	5,618	0.14%

c) Short-term bills and bonds sold under repurchase agreements

	<u>Face Amount</u>		<u>Cost</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Others	\$ <u>496,700</u>	\$ <u>116,200</u>	\$ <u>505,712</u>	\$ <u>124,945</u>

The above interest rates were similar to or approximated those offered to third parties.

Based on the Banking Law, except for consumer loans and government loans, credits extended by IBT to any related party should be fully secured, and the terms of those credits should be similar to those for third parties.

3) SinoPac Securities

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

a) Bonds sold under agreements to repurchase

	<u>December 31, 2005</u>	
	<u>Face Amount</u>	<u>Cost</u>
SinoPac Financial Holdings Company Limited	\$ <u>141,000</u>	\$ <u>155,008</u>

	<u>December 31, 2004</u>	
	<u>Face Amount</u>	<u>Cost</u>
SinoPac Financial Holdings Company Limited	\$ <u>442,500</u>	\$ <u>490,917</u>

	<u>December 31</u>			
	<u>2005</u>		<u>2004</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
b) Bank deposits (including exchange clearing receivables)				
Bank SinoPac	\$ <u>393,457</u>	<u>29</u>	\$ <u>215,289</u>	<u>17</u>

c) Short-term borrowings and pledged assets

As of December 31, 2005 and 2004, SinoPac Securities had short-term borrowings from Bank SinoPac amounted to \$500,000. Properties, properties held for lease and time deposits amounted to \$1,084,651, \$88,870 and \$830,000 as of December 31, 2005, respectively; and properties, properties held for lease and time deposits amounted to \$1,094,266, \$89,646 and \$1,160,000 as of December 31, 2004, respectively, were pledged as collateral of credit lines for issuance of commercial papers, borrowings and overdrafts.

d) Futures trading margins

As of December 31, 2005 and 2004, SinoPac Securities provided \$369,225 and \$331,623 as futures trading margins to SinoPac Futures to engage in futures dealing business. As of December 31, 2005 and 2004, the futures trading brokerage fees from SinoPac Securities to SinoPac Futures amounted to \$208,348 and \$199,115, respectively.

- e) For the year ended December 31, 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 December 31, 2004.

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

4) AnShin Card Services

<u>Name</u>	<u>Relationship with AnShin Card Services</u>
Bank SinoPac	Subsidiary of SinoPac Financial Holdings Company Limited
SinoPac Call Center	Subsidiary of SinoPac Financial Holdings Company Limited

Deposits

As of December 31, 2005 and 2004, AnShin Card service's deposits in Bank SinoPac was as follows:

	<u>For the Year Ended December 31, 2005</u>			
	<u>Maximum Balance</u>	<u>Ending Balance</u>	<u>Interest Rate</u>	<u>Interest Revenue</u>
Demand deposits	\$ 934,616	\$ 28,185	0.3%	\$ 87
	<u>For the Year Ended December 31, 2004</u>			
	<u>Maximum Balance</u>	<u>Ending Balance</u>	<u>Interest Rate</u>	<u>Interest Revenue</u>
Demand deposits	\$ 967,622	\$ 20,987	0.2%-0.3%	\$ 114

For the years ended 2005 and 2004, the service charges paid by AnShin Card Services to SinoPac Call Center amounted to \$115,643 and \$96,963, respectively.

5) FENB

<u>Name</u>	<u>Relationship with FENB</u>	<u>December 31</u>	
		<u>2005</u>	<u>2004</u>
SinoPac Financial Holdings Company Affiliate Limited (SPH)			
Deposits - SinoPac Financial Holdings Company Limited		\$ -	\$ 1,027,700

6) SPL

In addition to disclosure in other footnotes, significant transactions between SPL and related parties were as follows:

	<u>Relationship with SPL</u>	<u>December 31</u>	
		<u>2005</u>	<u>2004</u>
Bank SinoPac	Parent company		
Borrowings from Bank SinoPac		<u>\$ 558,000</u>	<u>\$ 506,000</u>

7) Grand Capital

<u>Name</u>	<u>Relationship with Grand Capital</u>	<u>December 31</u>	
		<u>2005</u>	<u>2004</u>
Bank SinoPac	Parent company of SPL		
IBT	Subsidiary of SinoPac Financial Holdings Company Limited		
Borrowings from Bank SinoPac		<u>\$ -</u>	<u>\$ 296,828</u>
Borrowings from IBT		<u>\$ 525,600</u>	<u>\$ -</u>

8) Wal Tech International

<u>Name</u>	<u>Relationship with Wal Tech International</u>	<u>December 31</u>	
		<u>2005</u>	<u>2004</u>
Bank SinoPac	Affiliate		
Borrowings from Bank SinoPac		<u>\$ -</u>	<u>\$ 213,000</u>

As of December 31, 2004, commercial paper guaranteed by Bank SinoPac amounted to \$146,000.

9) 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 December 31, 2005 and 2004, SinoPac Capital Limited had short-term borrowings from its subsidiary, SinoPac Capital (B.V.I.) Ltd. amounting to \$145,242 and \$145,148, respectively.

10) 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 December 31, 2005 and 2004, SinoPac Asia Limited engaged in the transaction of bonds sold under agreements to repurchase amounted to \$145,148 and \$209,577, with its parent company, SinoPac Asset Management Corp. (B.V.I.). In addition, SinoPac Asia Limited engaged in the transaction of bonds sold under agreements to repurchase amounted to \$139,582, with its affiliate company, SinoPac Securities (Asia) Ltd. as of December 31, 2004.

11) SinoPac Capital (B.V.I)

<u>Name</u>	<u>Relationship with SinoPac Capital (B.V.I.)</u>
Sinopac Venture Capital	Subsidiary of SinoPac Financial Holdings Company Limited
Allstar	Subsidiary of SinoPac Capital (B.V.I.)
IBT	Subsidiary of SinoPac Financial Holdings Company Limited

In coordination with restructure of Sinopac Financial Holdings Company Limited, the SinoPac Capital (B.V.I.) transferred the long-term equity investment, Allstar, which is accounted for by equity method to SinoPac Venture Capital at book value \$180,968 in 2005.

SinoPac Capital (B.V.I.) paid off the liabilities of Allstar at the amount of US\$18,000 thousand without any consideration.

As of December 31, 2005, SinoPac Capital (B.V.I.) had short-term borrowings from IBT amounted to \$197,100.

## 18. SIGNIFICANT CONTINGENCIES AND COMMITMENTS

- a. Significant contingencies and commitments of the Company, in addition to financial instruments disclosed in Note 22, are summarized as follows:

Lease contract

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

<b>Year</b>	<b>Amount</b>
2006	\$ 17,015
2007	17,015
2008	17,015
2009	17,015
2010	15,466

Rentals for the years beyond 2011 amount to \$129,227, the present value of which is about \$106,253 as discounted at Bank SinoPac's one-year time deposit rate of 1.99% on January 1, 2006.

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 fifteen years, with rentals paid monthly, quarterly or semiannually. Rentals for the next five years are as follows:

<b>Year</b>	<b>Amount</b>
2006	\$ 264,846
2007	220,615
2008	166,676
2009	133,542
2010	95,060

Rentals for the years beyond 2011 amount to \$604,318, the present value of which is about \$507,216 as discounted at Bank SinoPac's one-year time deposit rate of 1.99% on January 1, 2006.

2) Equipment purchase contract

Bank SinoPac had entered into contracts to purchase computer hardware and software for \$87,459, of which \$55,747 has been paid as of December 31, 2005.

3) Interior decoration contract

Bank SinoPac has entered into interior decoration contracts for \$35,412, of which \$31,216 has been paid as of December 31, 2005.

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

Short-term bills and bonds with a total face amount of \$8,851,528, were sold under agreements to repurchase at \$9,462,770 between January and March 2006.

5) Bonds purchased under agreements to resell

Bonds with a total face amount of \$5,400,200 were purchased under agreements to resell at \$5,854,056 in January 2006.

6) The Securities and Futures Investors Protection Center (SFIPC) is believed by investors to be filing a lawsuit against Bank SinoPac in the ground that Procomp Informatics Ltd. provided US\$10 million deposit with Bank SinoPac Sungshan Branch and limited the usage as a condition for short-term loan to Addie International Limited granted by SPL and for helping Procomp Informatics Ltd. to window dress its financial statements. As of June 29, 2005, the SFIPC filed additional lawsuit against Bank SinoPac, SPL and all other parties related to Procomp Informatics Ltd. Case for compensation in the amount of \$4,467,129. As a matter of fact, Bank SinoPac was authorized to engage in financing activities and did not help Procomp Informatics Ltd. to window dress the financial statements. According to Bank SinoPac attorney's opinion, the claims from SFIPC is without sufficient reason and Bank SinoPac does not need to compensate the investors for the damage.

## IBT

### 1) Lease contract

The Bank rents premises occupied by its branches under operating lease agreements expiring on various dates before October 2013. In 2005, refundable deposits on these leases totaled \$58,147, and rentals were \$132,211. Rentals for the next five years are as follows:

<b>Year</b>	<b>Amount</b>
2006	\$ 82,062
2007	48,186
2008	30,161
2009	15,884
2010	9,254

Rentals for the years beyond 2011 will amount to \$10,030, the present value of which is about \$9,089, as discounted at the Bank's one-year time deposit rate of 1.99% on January 1, 2006.

- 2) In October 2003, IBT became a defendant in a civil lawsuit filed with the District Court of Shilin, Taipei. Involved in this lawsuit was one of its former branch officers, who allegedly participated in fraud leading to the loss of deposits of one of its customers. The amount of the claim against IBT is approximately NT\$200 million. IBT is currently contesting the claim and has made a counter-claim against the plaintiff for contributory negligence. If IBT is found liable, IBT believes the convicted individual's funds under attachment, as well as its insurance for employee misconduct, would cover a substantial part of the claim. IBT believes this litigation will not materially affect its business and operations.

## SinoPac Securities

- 1) On behalf of the investors of Cheng-Yi Food Co. (CYF) with respect to its initial public offering (IPO), the Securities and Futures Institute (SFI) 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 did not advise 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 from SinoPac Securities damages of \$32,215 plus 5% interest. After the trial at the high court of second instance on June 30, 2004, the high court determined that SinoPac Securities should assume the related liability of \$28,828 plus 5% interest and pay compensation. After the trial at the supreme court, the supreme court determined that the case be returned to the high court to rejudge. The high court determined that SinoPac Securities should assume the related liability of \$22,422 plus 5% interest and pay compensation. 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 is also contributory negligence. Nevertheless, on the basis of the conservative principle, SinoPac Securities estimated a probable loss of \$23,000, recorded as other payables in the financial statements.

- 3) The one-to-fifteen-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 \$63,182, recognized as refundable guarantee deposits, will be refunded without interest when the leases expire. Rentals for the next five years are as follows:

<b>Year</b>	<b>Amount</b>	<b>Payment Frequency</b>
2006	\$ 155,070	Monthly or quarterly
2007	112,724	Monthly or quarterly
2008	59,093	Monthly or quarterly
2009	37,916	Monthly or quarterly
2010	191,491	Monthly or quarterly
The years beyond 2011	166,073	Monthly or quarterly

Rentals for the years ended December 31, 2005 and 2004 were \$223,602 and \$165,262, respectively.

#### AnShin Card Services

As of December 31, 2005, AnShin Card Services leased certain office premises and parking spaces. The lease term partaken of the Company's office premises will ends on January 20, 2020 and rentals for the future payments under the lease contracts amount to \$63,041. Other lease term will ends on December 31, 2006 and rentals for the future payments under the lease contracts amount to \$20,226.

#### SinoPac Marketing Consulting

SinoPac Marketing Consulting leased certain office premises for the period until October 31, 2008, with rentals paid monthly. Rentals for the future are as follows:

<b>Year</b>	<b>Amount</b>
2006	\$ 2,993
2007	1,675
2008	600

#### SinoPac Asset Management International

SinoPac Asset Management International leased certain office premises for the period until June 30, 2010, with rentals paid quarterly. Rentals for the future are as follows:

<b>Year</b>	<b>Amount</b>
2006	\$ 726
2007	726
2008	726
2009	726
2010	363

### 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:

<b>Year</b>	<b>Amount</b>
2006	\$ 22,500
2007	22,500
2008	22,500
2009	22,500
2010	22,500

SinoPac Venture Capital leased certain office premises for the period until June 30, 2010, with rentals paid quarterly. Rentals for the future are as follows:

<b>Year</b>	<b>Amount</b>
2006	\$ 10
2007	10
2008	10
2009	10
2010	5

### SinoPac Call Center

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:

<b>Year</b>	<b>Amount</b>
2006	\$ 2,363

SinoPac Call Center had entered into contracts to buy computer hardware and software for \$5,714, of which \$3,314 has been paid as of December 31, 2005.

### SinoPac Securities Investment Trust

SinoPac Securities Investment Trust leased certain office premises for the period until 2020, with rentals paid monthly. Rentals for the future are as follows:

<b>Year</b>	<b>Amount</b>
2006	\$ 10,044
2007	9,564
2008-2019	9,534
2020	3,178

## 19. CAPITAL ADEQUACY RATIO

Under the Financial Holding Company Act and related regulations, a financial holding company should maintain a consolidated capital adequacy ratio (CAR) of at least 100%. Thus, if a financial holding company's consolidated CAR falls below 100%, the authorities prohibit it from declaring cash dividends or distributing other properties. In certain conditions, the authorities may impose other penalties on the company. As of December 31, 2005 and 2004, consolidated CARs of the Company were 144% and 128%, 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 December 31, 2005 and 2004, Bank SinoPac's standalone CARs were 13.01% and 12.64%, respectively, the consolidated CARs were 10.94% and 11.25%, respectively. As of December 31, 2005 and 2004, IBT's standalone CARs were 12.10% and 13.30%, respectively, and the consolidated CARs were 12.18% and 13.37%, 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 December 31, 2005 and 2004, SinoPac Securities' CARs were 366% and 391%, respectively.

## 20. 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 also pays the margin deposits for short options contracts. The margin account of SinoPac Securities is re-evaluated on the basis of the market prices of the outstanding futures and options 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.

For SinoPac Securities Dealing department, there were 170 and 69 futures contracts outstanding as of December 31, 2005 and 2004, respectively; and 6,651 and 160 options contracts outstanding as of December 31, 2005 and 2004, respectively. Guarantee deposits paid amounted to \$369,225 and \$331,623 as of December 31, 2005 and 2004, respectively.

As of December 31, 2005 and 2004, the financial ratios of SinoPac Futures, computed according to the provisions of the Rules Governing Futures Commission Merchants, were as follows:

- a. All financial ratios of SinoPac Futures Corporation are in conformity with the Futures Trading Law are summarized as follows:

Calculation Formula	December 31		Benchmark		
	2005	2004			
	Equation	Ratios (%)	Equation	Ratios (%)	
1) $\frac{\text{Equities}}{\text{Total liabilities - futures traders' equity - reserve for default accounts}}$	$\frac{\$1,354,598}{\$117,430}$	= 1,154	$\frac{\$1,286,980}{\$117,743}$	= 1,093	$\geq 100\%$
2) $\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{\$5,570,670}{\$4,517,144}$	= 123	$\frac{\$5,894,236}{\$4,990,701}$	= 118	$\geq 100\%$

(Continued)

Calculation Formula	December 31				Benchmark
	2005		2004		
	Equation	Ratios (%)	Equation	Ratios (%)	
3) $\frac{\text{Equities}}{\text{Minimum paid-in capital}}$	$\frac{\$1,354,598}{\$615,000} = 220$		$\frac{\$1,286,980}{\$600,000} = 214$		$\geq 60\%$ $\geq 40\%$
4) $\frac{\text{Adjusted net capital}}{\text{The amount of customer margin account for open position of futures trader's equity}}$	$\frac{\$1,169,451}{\$1,268,951} = 92$		$\frac{\$965,856}{\$893,510} = 108$		$\geq 20\%$ $\geq 15\%$

- b. SinoPac Managed Future Co. engaged in discretionary investment services, the multiple of amount of discretionary investment account dividend by stockholder's equity is conformity with Regulations Governing Managed Futures Enterprises and is summarized as follows:

Calculation Formula	December 31				Benchmark
	2005		2004		
	Equation	Multiple	Equation	Multiple	
$\frac{\text{Amount of discretionary investment account}}{\text{Stockholder's equity}}$	$\frac{\$34,500}{\$187,752} = 0.18$		$\frac{\$43,000}{\$194,722} = 0.22$		$\leq 10.00$

## 21. 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 December 31, 2005 was summarized as follows:

(In Thousands of New Taiwan Dollars)

Name	December 31, 2005	
	Aggregate Amount of Credit Extensions, Guarantees or Other Transactions	% of Financial Holding Company's Net Worth
To the same person:		
Client A	\$ 25,121,360	27.70%
Client B	11,629,615	12.82%
Client C	11,000,000	12.13%
Client D	7,714,942	8.51%
Client E	7,062,932	7.79%
Client F	5,916,932	6.52%
Client G	5,000,000	5.51%
Client H	3,628,577	4.00%
Client I	3,207,045	3.54%

(Continued)

Name	December 31, 2005	
	Aggregate Amount of Credit Extensions, Guarantees or Other Transactions	% of Financial Holding Company's Net Worth
To the same affiliate		
Cathay Financial Holdings and its affiliate	\$ 25,479,788	28.09%
Shin Kong Life Insurance, Ltd. and its affiliate	11,650,039	12.84%
Taipeifubon Commercial Bank Co., Ltd. and its affiliate	9,437,699	10.40%
Chung Hsing Bills Finance Corporation and its affiliate	8,028,250	8.85%
Formosa Petrochemical Corporation and its affiliate	5,751,487	6.35%
Chinatrust Bills Finance Corporation and its affiliate	3,903,638	4.29%
Fuhwa Finance Holding Co., Ltd. and its affiliate	3,244,014	3.57%

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 December 31, 2005 provided by the Company and its subsidiaries.

## 22. DISCLOSURE OF FINANCIAL INSTRUMENTS

### a. Derivative financial instruments

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 high 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 enters into currency swap contracts mainly for managing its foreign currency positions exposure.

The Company is exposed to credit risk in the event of default on contracts by counter-parties. Since the Company enters into transactions only with financial institutions with splendid worldwide rankings, accordingly, insignificant credit risk is expected.

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

Financial Instruments	December 31					
	2005			2004		
	Contract (Notional) Amount	Credit Risk	Fair Value	Contract (Notional) Amount	Credit Risk	Fair Value
For hedging purpose:						
Cross-currency swap contracts	\$ _____	\$ _____	\$ _____	\$ 2,260,530	\$ _____	\$ (187,698)

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

The gains (losses) on derivative financial instruments transaction for the years ended December 31, 2005 and 2004 were as follows:

	Account	For the Years Ended December 31	
		2005	2004
For hedging purpose:			
Cross-currency swap contracts			
Realized	Interest revenue	\$ 26,570	\$ 52,443
	Interest expense	(14,039)	21,135
For the purpose of managing the Company's exposures:			
Currency swap contracts			
Realized	Interest expense	(446)	-

b. Fair values of nonderivative financial instruments

	December 31			
	2005		2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Assets</u>				
Financial assets - with fair values approximating carrying amounts	\$ 3,674,017	\$ 3,674,017	\$ 4,585,823	\$ 4,585,823
Securities purchased under agreements to resell	385,096	385,096	2,525,909	2,525,909
Long-term equity investments	91,204,627	91,204,627	90,095,245	90,095,245
Refundable guarantee deposits	32,007	32,007	3,335	3,335
<u>Liabilities</u>				
Financial liabilities - with fair values approximating carrying amounts	899,203	899,203	304,078	304,078
Short-term borrowings	450,000	450,000	600,000	600,000
Euro-convertible bonds (Euro- convertible bonds redeemable within one year)	3,000,717	3,210,970	7,322,065	8,510,661

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 (exclude tax receivable), receivables - related party, securities purchased under agreements to resell, short-term borrowings, commercial paper payables and payables (exclude tax 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 and guarantee deposits and margins received are estimated at their carrying amounts since such deposits do not have specific due dates.
- 4) The fair value of Euro-convertible bonds and Euro-convertible bonds redeemable within one year are estimated at their market prices listed in Luxembourg.

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

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

### a. Condensed balance sheets

**Bank SinoPac**  
**Condensed Balance Sheets**  
**December 31, 2005 and 2004**  
**(In Thousands of New Taiwan Dollars)**

<b>Assets</b>	<b>2005</b>	<b>2004</b>	<b>Liabilities</b>	<b>2005</b>	<b>2004</b>
Cash and cash equivalents	\$ 8,139,836	\$ 8,526,211	Call loans and due to banks	\$ 33,523,503	\$ 38,967,866
Due from the Central Bank and other banks	76,475,233	35,964,349	Securities sold under agreements to repurchase	9,440,268	18,274,840
Securities purchased	85,593,900	94,879,770	Accounts, interest and other payables	13,176,787	16,473,341
Accounts, interest and other receivables, net	24,537,799	29,006,814	Acceptances payable	2,013,120	3,004,844
Acceptances	2,013,120	3,004,844	Deposits and remittances	398,499,164	329,551,843
Securities purchased under agreements to resell	5,849,260	17,434,620	Bank debentures	35,800,000	32,800,000
Prepayments	219,382	401,776	Other liabilities	<u>2,462,846</u>	<u>4,134,883</u>
Loans, discounts and bills purchased, net	302,283,944	260,718,198	Total liabilities	<u>494,915,688</u>	<u>443,207,617</u>
Long-term investments, net	9,250,429	10,005,082	<b>Stockholders' equity</b>		
Properties, net	4,918,957	4,835,055	Capital stock	19,728,068	19,443,976
Other assets	<u>3,228,044</u>	<u>6,664,495</u>	Capital surplus	118,404	125,208
			Retained earnings	7,723,205	8,960,523
			Equity adjustments	<u>24,539</u>	<u>(296,110)</u>
			Total stockholders' equity	<u>27,594,216</u>	<u>28,233,597</u>
Total	<u>\$ 522,509,904</u>	<u>\$ 471,441,214</u>	Total	<u>\$ 522,509,904</u>	<u>\$ 471,441,214</u>

**International Bank of Taipei**  
**Condensed Balance Sheets**  
**December 31, 2005 and 2004**  
**(In Thousands of New Taiwan Dollars)**

<b>Assets</b>	<b>2005</b>	<b>2004</b>	<b>Liabilities</b>	<b>2005</b>	<b>2004</b>
Cash and cash equivalents	\$ 11,431,443	\$ 7,204,244	Due to banks	\$ 22,059,589	\$ 9,522,822
Due from the Central Bank and other banks	24,225,015	20,267,916	Securities sold under agreements to repurchase	16,675,616	20,267,739
Securities purchased, net	67,469,213	87,498,307	Accounts payables	10,681,576	7,482,894
Accounts, interest and other receivables, net	12,490,976	11,472,231	Advances received	103,250	126,099
Securities purchased under agreements to resell	3,881,120	2,203,684	Deposits and remittances	335,761,001	316,555,399
Prepayments	992,729	729,426	Due to the Central Bank and other banks	4,588,454	13,376,884
Loans, discounts and bills purchased, net	305,215,670	273,510,882	Bonds payable	5,849,080	5,718,240
Long-term investments, net	1,434,995	1,227,275	Other liabilities	<u>2,381,639</u>	<u>2,799,144</u>
Other financial assets	525,187	664,365	Total liabilities	<u>398,100,205</u>	<u>375,849,221</u>
Properties, net	4,848,457	4,950,862	<b>Stockholders' equity</b>		
Other assets	<u>2,125,655</u>	<u>2,120,976</u>	Capital stock	22,233,110	22,233,110
			Capital surplus	1,034,916	611,662
			Retained earnings	13,480,971	13,253,247
			Equity adjustments	<u>(208,742)</u>	<u>(97,072)</u>
			Total stockholders' equity	<u>36,540,255</u>	<u>36,000,947</u>
Total	<u>\$ 434,640,460</u>	<u>\$ 411,850,168</u>	Total	<u>\$ 434,640,460</u>	<u>\$ 411,850,168</u>

**SinoPac Securities Corporation**

**Condensed Balance Sheets  
December 31, 2005 and 2004  
(In Thousands of New Taiwan Dollars)**

<b>Assets</b>	<b>2005</b>	<b>2004</b>	<b>Liabilities</b>	<b>2005</b>	<b>2004</b>
Current assets	\$ 38,062,023	\$ 36,327,567	Current liabilities	\$ 25,038,729	\$ 22,847,855
Long-term equity investments	5,848,155	5,457,732	Long-term interest bearing liabilities	900,000	2,000,000
Properties, net	2,427,467	2,593,751	Other liabilities	517,233	452,263
Other assets	2,526,481	2,785,612	Total liabilities	<u>26,455,962</u>	<u>25,300,118</u>
Securities brokerage debit account, net	<u>83,889</u>	<u>94,064</u>	<b>Stockholders' equity</b>		
			Capital stock	15,269,020	15,269,020
			Capital surplus	2,342,425	2,342,425
			Retained earnings	4,926,596	4,509,638
			Equity adjustments	(45,988)	(162,475)
			Total stockholders' equity	<u>22,492,053</u>	<u>21,958,608</u>
<b>Total</b>	<u>\$ 48,948,015</u>	<u>\$ 47,258,726</u>	<b>Total</b>	<u>\$ 48,948,015</u>	<u>\$ 47,258,726</u>

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

**Condensed Balance Sheets  
December 31, 2005 and 2004  
(In Thousands of New Taiwan Dollars)**

<b>Assets</b>	<b>2005</b>	<b>2004</b>	<b>Liabilities</b>	<b>2005</b>	<b>2004</b>
Current assets	\$ 173,997	\$ 118,598	Current liabilities	\$ 55,156	\$ 45,042
Properties, net	8,907	662	Other liabilities	132	-
Other assets	<u>1,945</u>	<u>2,438</u>		<u>55,288</u>	<u>45,042</u>
			<b>Stockholders' equity</b>		
			Capital stock	3,000	3,000
			Retained earnings	126,561	73,656
			Total stockholders' equity	<u>129,561</u>	<u>76,656</u>
<b>Total</b>	<u>\$ 184,849</u>	<u>\$ 121,698</u>	<b>Total</b>	<u>\$ 184,849</u>	<u>\$ 121,698</u>

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

**Condensed Balance Sheets  
December 31, 2005 and 2004  
(In Thousands of New Taiwan Dollars)**

<b>Assets</b>	<b>2005</b>	<b>2004</b>	<b>Liabilities</b>	<b>2005</b>	<b>2004</b>
Current assets	\$ 15,456	\$ 10,900	Current liabilities	\$ 3,126	\$ 2,493
Other assets	<u>600</u>	<u>600</u>			
			<b>Stockholders' equity</b>		
			Capital stock	3,000	3,000
			Retained earnings	9,930	6,007
			Total stockholders' equity	<u>12,930</u>	<u>9,007</u>
<b>Total</b>	<u>\$ 16,056</u>	<u>\$ 11,500</u>	<b>Total</b>	<u>\$ 16,056</u>	<u>\$ 11,500</u>

AnShin Card Services Co., Ltd.

**Condensed Balance Sheets**  
**December 31, 2005 and 2004**  
(In Thousands of New Taiwan Dollars)

<b>Assets</b>	<b>2005</b>	<b>2004</b>	<b>Liabilities</b>	<b>2005</b>	<b>2004</b>
Current assets	\$ 13,687,374	\$ 15,641,367	Current liabilities	\$ 5,704,874	\$ 4,493,609
Long-term investments	451,022	-	Long-term liabilities	5,891,475	9,148,340
Properties, net	157,425	177,348	Accrued pension cost	17,024	14,633
Other assets	<u>460,646</u>	<u>610,216</u>	Other liabilities	<u>8,431</u>	<u>15,165</u>
			Total liabilities	<u>11,621,804</u>	<u>13,671,747</u>
			<b>Stockholders' equity</b>		
			Capital stock	3,610,000	3,610,000
			Capital surplus	20	20
			Accumulated deficits	(466,926)	(837,671)
			Unrealized revaluation losses	<u>(8,431)</u>	<u>(15,165)</u>
			Total stockholders' equity	<u>3,134,663</u>	<u>2,757,184</u>
Total	<u>\$ 14,756,467</u>	<u>\$ 16,428,931</u>	Total	<u>\$ 14,756,467</u>	<u>\$ 16,428,931</u>

b. Condensed statements of income

**Bank SinoPac**

**Condensed Statements of Income**  
**For the Years Ended December 31, 2005 and 2004**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<b>2005</b>	<b>2004</b>
Operating revenues and gains	\$ 20,738,613	\$ 19,709,253
Operating costs and expenses	<u>18,149,621</u>	<u>15,047,733</u>
Operating income	2,588,992	4,661,520
Nonoperating income and gains	170,340	284,253
Nonoperating expenses and losses	<u>94,803</u>	<u>42,688</u>
Income before income tax	<u>\$ 2,664,529</u>	<u>\$ 4,903,085</u>
Net income	<u>\$ 2,117,164</u>	<u>\$ 4,284,815</u>
Pretax earnings per share	<u>\$ 1.30</u>	<u>\$ 2.35</u>
After tax earnings per share	<u>\$ 1.03</u>	<u>\$ 2.05</u>

**International Bank of Taipei**

**Condensed Statements of Income  
For the Years Ended December 31, 2005 and 2004  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>2005</b>	<b>2004</b>
Operating revenues and gains	\$ 16,730,399	\$ 13,523,663
Operating costs and expenses	<u>13,842,526</u>	<u>9,812,486</u>
Operating income	2,887,873	3,711,177
Nonoperating income and gains	179,483	455,644
Nonoperating expenses and losses	<u>6,551</u>	<u>6,754</u>
Income before income tax	<u>\$ 3,060,805</u>	<u>\$ 4,160,067</u>
Net income	<u>\$ 2,451,035</u>	<u>\$ 3,280,828</u>
Pretax earnings per share	<u>\$ 1.38</u>	<u>\$ 1.87</u>
After tax earnings per share	<u>\$ 1.10</u>	<u>\$ 1.48</u>

**SinoPac Securities Corporation**

**Condensed Statements of Income  
For the Years Ended December 31, 2005 and 2004  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>2005</b>	<b>2004</b>
Operating revenues and gains	\$ 4,872,478	\$ 6,129,588
Operating costs and, expenses	<u>3,643,592</u>	<u>4,782,051</u>
Operating income	1,228,886	1,347,537
Nonoperating income and gains	525,129	354,313
Nonoperating expenses and losses	<u>144,397</u>	<u>119,532</u>
Income before income tax	<u>\$ 1,609,618</u>	<u>\$ 1,582,318</u>
Net income	<u>\$ 1,060,500</u>	<u>\$ 919,345</u>
Pretax earnings per share	<u>\$ 1.05</u>	<u>\$ 1.04</u>
After tax earnings per share	<u>\$ 0.69</u>	<u>\$ 0.60</u>

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

**Condensed Statements of Income  
For the Years Ended December 31, 2005 and 2004  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>2005</b>	<b>2004</b>
Operating revenues and gains	\$ 374,452	\$ 195,573
Operating costs and expenses	<u>220,084</u>	<u>109,545</u>
Operating income	154,368	86,028
Nonoperating income and gains	<u>3,440</u>	<u>610</u>
Income before income tax	<u>\$ 157,808</u>	<u>\$ 86,638</u>
Net income	<u>\$ 118,356</u>	<u>\$ 65,118</u>
Pretax earnings per share	<u>\$ 526.03</u>	<u>\$ 288.79</u>
After tax earnings per share	<u>\$ 394.52</u>	<u>\$ 217.06</u>

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

**Condensed Statements of Income  
For the Years Ended December 31, 2005 and 2004  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>2005</b>	<b>2004</b>
Operating revenues and gains	\$ 19,969	\$ 11,957
Operating costs and expenses	<u>8,338</u>	<u>4,585</u>
Operating income	11,631	7,372
Nonoperating income and gains	<u>234</u>	<u>22</u>
Income before income tax	<u>\$ 11,865</u>	<u>\$ 7,394</u>
Net income	<u>\$ 8,922</u>	<u>\$ 5,555</u>
Pretax earnings per share	<u>\$ 39.55</u>	<u>\$ 24.65</u>
After tax earnings per share	<u>\$ 29.74</u>	<u>\$ 18.52</u>

**AnShin Card Services Co., Ltd.**

**Condensed Statements of Income  
For the Years Ended December 31, 2005 and 2004  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<b>2005</b>	<b>2004</b>
Operating revenues and gains	\$ 3,549,312	\$ 2,943,847
Operating costs and expenses	<u>3,243,660</u>	<u>2,648,617</u>
Operating income	305,652	295,230
Nonoperating income and gains	86,194	59,952
Nonoperating expenses and losses	<u>63</u>	<u>157</u>
Income before income tax	<u>\$ 391,783</u>	<u>\$ 355,025</u>
Net income	<u>\$ 370,745</u>	<u>\$ 373,659</u>
Pretax earnings per share	<u>\$ 1.81</u>	<u>\$ 1.93</u>
After tax earnings per share	<u>\$ 1.70</u>	<u>\$ 2.05</u>

**24. 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:

Item	Bank SinoPac	SinoPac Securities	Total	Terms of Allocation
For the year ended <u>December 31, 2005</u>				
Rental	<u>\$ 2,295</u>	<u>\$ 1,665</u>	<u>\$ 3,960</u>	On the basis of actual square measures used.
For the year ended <u>December 31, 2004</u>				
Rentals	<u>\$ 13,098</u>	<u>\$ -</u>	<u>\$ 13,098</u>	On the basis of actual square measures used.

In February 2003, SinoPac Life Insurance Agent and SinoPac Property Insurance Agent contracted with Bank SinoPac and SinoPac Securities 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 year ended December 31, 2005, SinoPac Property Insurance Agent paid Bank SinoPac and SinoPac Securities totalling \$3,375 as incentive bonuses. As of December 31, 2005, the related payables amounted to \$1,043. For the year ended December 31, 2005, SinoPac Life Insurance Agent paid Bank SinoPac and SinoPac Securities totalling \$39,545 as incentive bonuses. As of December 31, 2005, the related payables amounted to \$11,363.

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 years ended December 31, 2005 and 2004, SinoPac Life Insurance Agent accrued related expenses amounting to \$56,445 and \$26,596, respectively, to AnShin Card Services as service charges.

## 25. SUBSIDIARIES' SIGNIFICANT FINANCIAL AND OPERATING PROFILE - BANK SINOPAC

### a. Credit risk

#### 1) Assets quality

##### a) Bank SinoPac

(In Thousands of New Taiwan Dollars, %)

Item	December 31, 2005	December 31, 2004
Overdue loans (including nonperforming loans) (Note 1)	3,070,340	1,942,504
Nonperforming loans	2,903,286	1,880,686
Overdue loans ratio (Note 2)	1.01%	0.74%
Loans under surveillance (Note 3)	-	820,014
Ratios of classified loans to total loans	-	0.31%
Allowance for credit losses	1,595,866	1,174,898
Write-off amounts of credits (Note 4)	341,030	932,811

##### b) IBT

Item	December 31, 2005	December 31, 2004
Overdue loans	5,844,604 (Note 1)	3,994,991
Nonperforming loans	4,578,095	4,220,110
Overdue loans ratio	1.90%	1.45%
Loans under surveillance	-	581,792
Ratios of classified loans to total loans	-	0.21%
Allowance for credit losses	2,373,069	1,160,039
Write-off amounts of credits	1,768,717	1,504,507

Note 1: a. Before June 30, 2005, overdue loans (including non-accrual loans) represent the amounts of reported overdue loans as required by the MOF letters dated February 16, 1994 (Ref. No. Tai-Tsai-Zong-832292834) and December 1, 1997 (Ref. No. Tai-Tsai-Zong-86656564).

b. Since July 1, 2005, overdue loans (including non-accrual loans) represent the amounts of reported overdue loans as required by the MOF letters dated January 6, 2004 (Ref. No. Tai-Tsai-Zong 928011826)

Note 2: Overdue loans ratio = Overdue loans (including nonperforming loans)/(Outstanding loan balance + Nonperforming loans). If overdue loans (including nonperforming loans)/Total credits, the Bank SinoPac's overdue loans ratio as of December 31, 2005 and 2004 were 0.88% and 0.62%, respectively.

Note 3: Loans under surveillance 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 had, 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 years ended December 31, 2005 and 2004.

2) Concentration of credit extensions

a) Bank SinoPac

(In Thousands of New Taiwan Dollars, %)

Item	December 31, 2005		December 31, 2004	
Credit extensions to interested parties	\$4,021,871		\$4,065,567	
Ratios of credit extensions to interested parties	1.15		1.30	
Ratios of credit extensions secured by pledged stocks	0.13		1.25	
Industry concentration (the prior three industries of percentage)	Industry	Percentage	Industry	Percentage
	Natural person	76.44%	Natural person	77.47%
	Manufacturing	9.45%	Manufacturing	9.00%
	Wholesaling and retail	4.48%	Wholesaling and retail	3.96%

b) IBT

Item	December 31, 2005		December 31, 2004	
Credit extensions to interested parties	\$2,315,526		\$2,725,117	
Ratios of credit extensions to interested parties	0.73		0.96	
Ratios of credit extensions secured by pledged stocks	1.73		0.74	
Industry concentration (the prior three industries of percentage)	Industry	Percentage	Industry	Percentage
	Natural person	48.53%	Natural person	45.79%
	Manufacturing	18.77%	Manufacturing	21.56%
	Wholesaling and retail	8.98%	Wholesaling and retail	9.75%

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.

### 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 and IBT 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 “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” (the “Regulations”) issued by the MOF, Bank SinoPac and IBT evaluates credit losses on the basis of its borrowers’/clients’ financial positions, repayments for principal and interest by borrowers/clients, collateral provided, and estimated collectibility.

In accordance with the Regulations stated above, 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. Since July 2005, the Regulations amended the classification of loan assets, which divided the loan assets into different class subjects to assets that require special mention, assets that are substandard, assets that are doubtful and assets for which there is loss. The minimum allowance for credit losses and provision for losses on guarantees for the aforementioned classes should be 2%, 10%, 50% and 100% of outstanding credits, respectively. The amendments on the classification of loan assets have no significant impact on the Bank SinoPac’s and IBT’s financial statements.

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, structured product and bonds are stated at the lower of cost or market prices. Market prices are determined as follows: (a) listed stocks - average daily closing prices for the last month of the accounting period; (b) beneficiary certificates (open-end fund), net asset values as of the balance sheet dates; (c) GTSM stocks - average daily closing prices for the last month of the accounting period, published by the GTSM; and (d) bonds - period-end reference prices published by the GTSM; (e) structured instruments - period-end prices quoted by counter party.

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 and IBT should be evaluated separately from the other listed and GTSM stocks.

For listed and GTSM 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) Information on concentrations of risk

Bank SinoPac has no credit risk concentration arising from any single counter-party or groups of counter-parties engaged in similar business activities. Industries that accounted for 5% or more of the outstanding loans as of December 31, 2005 and 2004 were as follows:

	<b>December 31</b>			
	<b>2005</b>		<b>2004</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Natural person	\$ 202,048,058	66	\$ 170,893,952	65
Manufacturing	50,433,500	17	46,467,640	18

IBT has no credit risk concentration arising from any single counter-party or groups of counter-parties engaged in similar business activities. Industries that accounted for 10% or more of the outstanding loans as of December 31, 2005 and 2004 were as follows:

	<b>December 31</b>	
	<b>2005</b>	<b>2004</b>
Domestic		
Corporate customers		
Manufacturing	\$ 54,945,891	\$ 56,260,762
Wholesaling	26,279,648	25,326,272
Service industry	4,183,186	3,088,783
Natural person	142,066,536	119,009,328

The net positions on major foreign-currency transactions of Bank SinoPac as of December 31, 2005 and 2004 were as follows:

	<b>December 31</b>			
	<b>2005</b>		<b>2004</b>	
	<b>Foreign-currency Amounts (in Thousands)</b>	<b>New Taiwan Dollar Amounts</b>	<b>Foreign-currency Amounts (in Thousands)</b>	<b>New Taiwan Dollar Amounts</b>
Net positions of major	JPY 3,945,804	\$ 1,103,247	MYR 108,238	\$ 909,116
foreign-currency (market	CAD 19,719	556,771	JPY 2,872,678	893,404
risk)	USD 15,946	523,827	USD 25,064	799,961
	AUD 21,530	482,910	THB 638,683	523,911
	EUR 3,024	117,813	EUR 10,114	440,071

The net positions on major foreign-currency transactions of IBT as of December 31, 2005 and 2004 were as follows:

	<b>December 31</b>			
	<b>2005</b>		<b>2004</b>	
	<b>Foreign-currency Amounts (in Thousands)</b>	<b>New Taiwan Dollar Amounts</b>	<b>Foreign-currency Amounts (in Thousands)</b>	<b>New Taiwan Dollar Amounts</b>
Net positions of major	USD 33,812,202	\$ 1,111,069	EUR 17,885,738	\$ 772,972
foreign-currency (market	HKD 143,044,557	606,251	USD 10,642,215	338,082
risk)	EUR 9,293,482	361,635	MOP 50,530,926	200,385
	MOP 51,742,494	212,910	HKD 7,075,701	28,901
	ZAR 32,443,144	167,767	JPY 14,957,600	4,623

b. Market risk

1) Information of average amount and average interest rate of interest-earning assets and interest-bearing liabilities

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

a) Bank SinoPac

	<b>For the Years Ended December 31</b>			
	<b>2005</b>		<b>2004</b>	
	<b>Average Balance</b>	<b>Average Rate (%)</b>	<b>Average Balance</b>	<b>Average Rate (%)</b>
<u>Interest-earning assets</u>				
Due from other banks	\$ 4,816,799	3.06	\$ 4,539,653	1.02
Call loans (placement)	38,730,745	2.66	12,399,828	1.63
Due from the Central Bank	7,540,379	1.50	7,417,488	1.56
Securities purchased	75,520,989	1.63	122,114,201	1.43
Securities purchased under agreement to resell	18,014,965	1.25	9,475,174	1.07
Loans, discounts and bills purchased	274,496,877	3.46	242,487,403	3.22
Accounts receivable from factoring	11,499,315	4.40	12,467,985	3.84
Other long-term investments	1,212,319	2.91	418,468	1.26
<u>Interest-bearing liabilities</u>				
Due to other banks	49,287	1.43	65,130	1.18
Call loans (taken)	32,900,616	2.74	40,230,715	1.32
Demand deposits	52,553,535	1.33	77,011,852	0.42
Savings - demand deposits	73,882,276	0.48	69,575,428	0.48
Time deposits	118,754,307	1.92	104,436,485	1.14
Savings - time deposits	69,976,912	1.63	62,923,792	1.51
Negotiable certificates of deposit	28,527,012	1.26	27,718,490	1.01
Securities sold under agreements to repurchase	13,465,088	1.58	12,344,902	1.01
Bank debentures	32,956,164	1.84	28,245,628	2.66

b) IBT

Average balance is calculated at the daily average balance of the Bank's interest-earning assets and interest-bearing liabilities.

	<b>December 31</b>			
	<b>2005</b>		<b>2004</b>	
	<b>Average Balance</b>	<b>Average Rate (%)</b>	<b>Average Balance</b>	<b>Average Rate (%)</b>
<u>Interest-earning assets</u>				
Due from banks	\$ 2,020,376	1.39	\$ 1,551,130	0.55
Call loans (placement)	14,837,610	2.92	18,741,247	1.56
Due from the Central Bank	11,877,966	1.06	11,944,386	1.10

(Continued)

	<b>December 31</b>			
	<b>2005</b>		<b>2004</b>	
	<b>Average Balance</b>	<b>Average Rate (%)</b>	<b>Average Balance</b>	<b>Average Rate (%)</b>
Short-term bills purchased under resell agreements	\$ 3,862,586	1.32	\$ 2,885,916	1.15
Securities purchased	75,717,894	1.73	83,185,522	1.73
Loans, discounts and bills purchased	285,637,329	3.55	256,207,697	3.11
Other long-term investments	326,470	2.06	9,016	-

Interest-bearing liabilities

Short-term bills and bonds sold under repurchase agreements	20,131,447	1.17	15,997,451	0.87
Due to banks	16,649,618	1.66	10,394,670	1.04
Demand deposits	42,980,806	0.34	39,988,873	0.15
Savings deposits	76,354,184	0.63	70,895,710	0.63
Time deposits	49,441,062	1.78	49,947,098	1.06
Time-savings deposits	118,651,560	1.61	119,711,435	1.46
Negotiable certificates of deposit	28,896,881	1.25	18,643,917	0.99
Due to the Central Bank and other banks	16,562,815	2.95	31,224,693	1.41
Other liabilities - funds received for subloans	374,153	0.75	346,080	1.06

2) Interest-rate sensitivity information

a) Bank SinoPac

(%)

<b>Item</b>	<b>December 31, 2005</b>	<b>December 31, 2004</b>
Ratio of interest-rate sensitive assets to liabilities	95.76	86.02
Ratio of interest-rate sensitive gap to net worth	(53.55)	(143.04)

b) IBT

<b>Item</b>	<b>December 31, 2005</b>	<b>December 31, 2004</b>
Ratio of interest-rate sensitive assets to liabilities	82.68	83.71
Ratio of interest-rate sensitive gap to net worth	(158.01)	(137.22)

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

c. Liquidity risk

1) Profitability

a) Bank SinoPac

(%)

Item	For the Year Ended December 31, 2005	For the Year Ended December 31, 2004
Return on total assets	0.54	1.11
Return on net worth	9.55	18.03
Profit margin	10.21	21.74

b) IBT

Item	For the Year Ended December 31, 2005	For the Year Ended December 31, 2004
Return on total assets	0.72	1.07
Return on net worth	8.44	11.95
Profit margin	14.65	24.26

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 after income tax represents income for the years ended December 31, 2005 and 2004.

2) Maturity analysis of assets and liabilities as of December 31, 2005

a) Bank SinoPac

(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	\$ 493,666	\$ 144,671	\$ 44,977	\$ 37,765	\$ 28,332	\$ 237,921
Liabilities	494,724	104,833	92,679	85,972	102,115	109,125
Gap	(1,058)	39,838	(47,702)	(48,207)	(73,783)	128,796
Accumulated gap	(1,058)	39,838	(7,864)	(56,071)	(129,854)	(1,058)

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

b) IBT

	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	\$ 471,251	\$ 96,681	\$ 42,929	\$ 26,848	\$ 37,276	\$ 267,517
Liabilities	471,379	103,466	51,330	54,898	79,713	181,972
Gap	(128)	(6,785)	(8,401)	(28,050)	(42,437)	85,545
Accumulated gap	(128)	(6,785)	(15,186)	(43,236)	(85,673)	(128)

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

d. Operating risk and litigation risk

1) Bank SinoPac

**Matters Requiring Special Notation  
December 31, 2005**

Causes (Note)	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.	None
Within the past one year, a fine was levied on the Bank SinoPac for violations of the related regulations.	None
Within the past one year, misconduct occurred that resulted in the Financial Supervisory Commission imposing strict corrective measures.	<p>1. The Financial Supervisory Commission (FSC) imposed strict corrective measures on the factory business transacted at Tunpei Branch on July 13, 2005. FSC consider the Tunpei Branch helped the client increase bank deposits in false, window dress the financial statements and insufficient disclosure with respect to letters for confirmation on bank deposits with restricted usage from auditors. On December 23, 2005, FSC restricted Bank SinoPac for accepting any factoring business from new clients and only dealing within the credit limited for existing clients for the period of January to June 2006. Bank SinoPac has filing the appeal on the matter of punishment, and asked the related business units follow the rulings established by FSC. For the disclosure requirement, Bank SinoPac has set up a standard operating procedure for all business units to follow.</p> <p>2. Bank SinoPac's affiliate company, Grand Capital International Limited (Grand Capital), had granted short-term loans to</p>

Causes (Note)	Summary and Amount
	Addie International Limited. On October 26, 2004, the FSC imposed strict corrective measures on the significant weakness of Grand Capital's related controls. Some employees involved in the significant weakness of the aforementioned loans had been punished, and Bank SinoPac had followed the FSC's instructions to strengthen the investees' management.
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's	<ol style="list-style-type: none"> <li>1. Cause of the case: The Securities and Futures Investors Protection Center (SFIPC) added Bank SinoPac and SPL as additional defendants for joint and several compensation liabilities to the Procomp Informatics Ltd. case on the ground that Procomp Informatics Ltd. provided US\$10 million deposit with Bank SinoPac's Sunshan Branch and limited the usage as a condition for short-term loan to Addie International Limited granted by SPL.</li> <li>2. The value of the object of litigation: \$4,470,000.</li> <li>3. Period to bring up a litigation state - first session was August 1, 2005.</li> <li>4. Main parties: SFIPC, Procomp Informatics Ltd., Yeh Shu-Fei, the Bank and SPL.</li> <li>5. Status: Under the investigation on first court instance.</li> </ol>

2) IBT

Causes (Note)	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.	None
Within the past one year, a fine was levied on IBT Bank for violations of the related regulations.	None

Within the past one year, misconduct occurred that resulted in the Financial Supervisory Commission imposing strict corrective measures.	<p>1. A staff advertised unregistered fund to the customers and caused the customers to be defrauded. The authorities charged IBT of negligence of their supervisory duties and administration of internal control.</p> <p>2. Two marketing department staff of the Shisheng Branch granted most of their new clients through another bank or scrivener referral. Those new clients were considered to be outside the Branch's geographical area of operations. The Bank was instructed to correct sternly those who helped unqualified clients apply for loan application.</p>
Within the past one year, the loss from one incident or the total losses from employee corruption, periodic events of a material nature, or failure to abide by the "Guidelines for the Maintenance of Soundness of Financial Institutions" exceeded NT\$50 million dollars.	None
Other	None

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

e. Statement of capital adequacy

1) Bank SinoPac

(%)

Item	December 31, 2005	December 31, 2004
Capital adequacy ratios (Note)	13.01	12.64
Ratios of debt to net worth	1,793.55	1,569.79

2) IBT

Item	December 31, 2005	December 31, 2004
Capital adequacy ratios (Note)	12.10	13.30
Ratios of debt to net worth	1,089.48	1,044.00

Note: Capital adequacy ratio = Eligible capital/Risk-weighted 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, 2005 and 2004. The consolidated capital adequacy ratios of Bank SinoPac were 10.94% and 11.25% as of December 31, 2005 and 2004, respectively. The consolidated capital adequacy ratios of IBT were 12.18% and 13.37% as of December 31, 2005 and 2004, respectively.

## 26. ADDITIONAL DISCLOSURES

- a. Followings are the additional disclosures required by the SFB 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 and IBT and its investees follow the disclosure requirement under the Criteria Governing the Preparation of Financial Reports by Public Banks, the marketable securities acquired and disposed of, at costs or prices of at least NT\$300 million or 10% of the issued capital. The related disclosures for SinoPac Securities are excluded from disclosure requirement under the Criteria Governing the Preparation of Financial Reports by Securities Firms);
  - 5) Acquisition of individual real estate at costs of at least NT\$100 million or 20% of the issued capital: Table 5 (the related disclosures of Bank SinoPac and IBT follow the disclosure requirement under the Criteria Governing the Preparation of Financial Reports by Public Banks);
  - 6) Disposal of individual real estate at prices of at least NT\$100 million or 20% of the issued capital: Table 6 (the related disclosures of Bank SinoPac and IBT follow the disclosure requirement under the Criteria Governing the Preparation of Financial Reports by Public Banks);
  - 7) Receivables from related parties amounting to at least NT\$100 million or 20% of the issued capital: Table 7;
  - 8) Names, locations, and other information of investees on which the Company exercises significant influences: Table 8;
  - 9) Derivative financial transactions: Note 22. The derivative financial instruments of investees are summarized as follows:

a) 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 assets and liabilities. 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 evaluates the hedge effectiveness 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, in significant credit risk is expected.

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

Financial Instruments	December 31					
	2005			2004		
	Contract (Notional) Amount	Credit Risk	Fair Value	Contract (Notional) Amount	Credit Risk	Fair Value
For hedging purposes:						
Interest rate swap contracts	\$ 12,616,000	\$ 68,613	\$ (361,497)	\$ 16,084,437	\$ 279,484	\$ 279,484
Cross-currency swap contracts	14,300,000	152,354	21,380	14,300,000	1,195,636	1,190,878
For the purposes of accommodating customers' needs or managing Bank SinoPac's exposures:						
Forward contracts						
- Buy	55,643,571	408,981	74,202	97,593,843	258,822	(2,026,583)
- Sell	49,634,061	318,631	104,305	97,408,876	1,720,095	1,698,365
Forward rate agreement						
- Buy	-	-	-	1,900,000	-	(486)
Currency swap contracts	193,492,848	470,554	110,878	180,604,017	1,810,078	(134,145)
Interest rate swap contracts	129,845,616	134,726	(9,329)	69,916,423	921,464	(19,206)
Cross-currency swap contracts	9,473,375	77,962	452	13,675,871	80,880	3,288
Interest rate futures contracts						
- Long position	367,462	-	475	-	-	-
- Short position	1,169,066	-	(2,469)	95,751	-	501
Commodity-linked interest rate swap contracts	115,632	219	-	-	-	-
Credit-linked deposit	4,300,000	-	(43,978)	-	-	-

Financial Instruments	December 31					
	2005			2004		
	Contract (Notional) Amount	Credit Risk	Value of Options Purchased/ Written	Contract (Notional) Amount	Credit Risk	Value of Options Purchased/ Written
For the purposes of accommodating customers' needs or managing Bank SinoPac's exposures:						
Foreign currency options contracts						
- Long position	\$ 52,616,576	\$ 369,175	\$ 916,996	\$ 149,271,260	\$ 150,288	\$ 3,910,028
- Short position	55,810,711	-	866,096	133,169,281	-	2,551,603
Equity options contracts						
- Long position	146,600	9,556	-	-	-	-
- Short position	146,600	-	821	-	-	-

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

As of December 31, 2005 and 2004, Bank SinoPac had entered into asset swap contracts for hedging purposes, with notional amounts at \$1,204,700 and \$2,102,502, respectively. Since Bank SinoPac had entered into these contracts with counter-parties with splendid worldwide ranking and credit rating, in significant credit risk is expected.

As of December 31, 2005 and 2004, Bank SinoPac entered into credit default swap contracts for the purposes of accommodating customers' needs, with notional amounts at \$359,059 and \$377,132, respectively. Since Bank SinoPac entered into these contracts with counter-parties with splendid worldwide ranking and credit rating, in 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, in significant cash demand is expected.

The gains (losses) on derivative financial instruments for the years ended December 31, 2005 and 2004 were as follows:

		<b>For the Years Ended</b>	
		<b>December 31</b>	
<b>Account</b>		<b>2005</b>	<b>2004</b>
For hedging purposes:			
Cross-currency swap contracts			
- Realized	Interest revenues	\$ 252,649	\$ 286,447
	Interest expenses	(459,472)	(192,934)
Interest rate swap contracts			
- Realized	Interest revenues	48,325	133,063
	Interest expenses	(88,297)	(26,397)
	Income from derivative financial instruments transactions	12,669	-
	Foreign exchange gain	41,967	-
Interest rate futures contracts	Loss on derivative financial instruments transactions	-	(7,195)
Options contracts	Income from derivative financial instruments transactions	-	20,101
		<u>(192,159)</u>	<u>213,085</u>
For the purposes of accommodating customers' needs or managing Bank SinoPac's exposures:			
Forward contracts			
- Realized	Interest revenues	260,306	71,640
	Interest expenses	(83,018)	(14,463)
- Realized	Foreign exchange gains (loss)	274,395	(8,784)
- Unrealized	Foreign exchange gain (loss)	539,171	(580,888)
- Unrealized	Income from (loss on) derivative financial instruments transactions	(1,972)	30,474

(Continued)

		<b>For the Years Ended</b>	
		<b>December 31</b>	
<b>Account</b>		<b>2005</b>	<b>2004</b>
Forward rate agreements			
- Realized	Loss on derivative financial instruments transactions	\$ (487)	\$ (3,513)
- Unrealized	Income from derivative financial instruments transactions	486	3,039
Currency swap contracts			
- Realized	Interest revenues	2,160,289	778,153
	Interest expenses	(1,748,995)	(728,396)
- Unrealized	Income from (loss on) derivative financial instruments transactions	92,224	(9,014)
Interest rate swap contracts			
- Realized	Interest revenues	738,541	230,603
	Interest expenses	(787,770)	(285,815)
- Realized	Income from derivative financial instruments transactions	10,575	78,746
- Unrealized	Income from derivative financial instruments transactions	8,980	22,662
Foreign-currency options contracts			
- Realized	Loss on derivative financial instruments transactions	(409,989)	(3,247,298)
	Foreign exchange gain (loss)	(244,412)	3,675,154
- Unrealized	Income from (loss on) derivative financial instruments transactions	(660,359)	273,996
Interest rate futures contracts			
- Realized	Loss on derivative financial instruments transactions	(2,422)	(40,710)
- Unrealized	Income from (loss on) derivative financial instruments transactions	(2,495)	949
Cross-currency swap contracts			
- Realized	Interest revenues	408,070	33,199
	Interest expenses	(406,123)	(31,715)
- Unrealized	Loss on derivative financial instruments transactions	(2,836)	(224)
Credit default swap contracts			
- Realized	Income from derivative financial instruments transactions	4,900	5,274
Commodity-linked interest rate swap contracts			
- Realized	Income from derivative financial instruments transactions	1,125	-
		<u>148,184</u>	<u>253,069</u>
Net gains		<u>\$ (43,975)</u>	<u>\$ 466,154</u>

b) IBT

IBT engages in derivative transactions mainly for accommodating customers' needs and managing its exposure positions. It also enters into asset swap contracts and interest rate swap contracts to hedge the effects of foreign exchange or interest rate fluctuations on its foreign-currency net assets. IBT'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. IBT also evaluates the hedge effectiveness periodically.

IBT is exposed to credit risk from counter-parties' defaults on contracts. Thus, IBT enters into contracts with customers that have satisfied the credit approval process and have provided the necessary collaterals. The transactions are then made within each customer's credit limit; guarantee deposits may be required, depending on the customers' credit standing. Transactions with other banks are made within the trading limit set for each bank based on the bank's credit rating and its worldwide ranking. The associated credit risk has been considered in the evaluation of the provision for credit losses.

As of December 31, 2005 and 2004, contract (notional) amounts, fair values, and credit risks on IBT's outstanding contracts were as follows:

Financial Instruments	December 31					
	2005			2004		
	Contract (Notional) Amount	Credit Risk	Fair Value	Contract (Notional) Amount	Credit Risk	Fair Value
For hedging purposes:						
Asset swap contracts	\$ 2,401,836	\$ 53,821	\$ (32,630)	\$ 3,095,616	\$ 8,749	\$ (194,013)
Interest rate swap contracts	1,000,000	190	(899)	1,000,000	361	(1,801)
For the purposes of accommodating customers' needs or managing IBT's exposures:						
Forward contracts						
- Buy	7,230,318	66,473	6,054	15,902,783	75,756	(407,776)
Foreign-currency swap contracts	22,629,347	231,414	6,609	32,445,566	801,156	229,978
Margin trading	-	-	-	14,897	980	880
Interest rate swap contracts	44,554,320	115,214	(5,776)	36,371,216	97,040	(2,965)
Cross-currency swap contracts	14,655,560	74,634	73,667	508,288	15,935	(175)

Financial Instruments	December 31					
	2005			2004		
	Contract (Notional) Amount	Credit Risk	Value of Options Purchased/ Written	Contract (Notional) Amount	Credit Risk	Value of Options Purchased/ Written
For the purposes of accommodating customers' needs or managing IBT's exposures:						
Foreign currency options contracts						
- Long position	\$ 4,926,395	\$ 19,930	\$ 135,533	\$ 8,184,840	\$ 101,800	\$ 444,317
- Short position	4,713,907	-	(131,922)	8,343,680	-	(430,481)

The fair value of each contract is determined based upon the quotation from Reuters or the Moneyline Telerate Information System.

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 IBT. The possibility that derivative financial instruments held or issued by IBT cannot be sold at reasonable prices is remote; thus, in significant cash demand is expected.

The net gains (losses) on derivative financial instrument for the years ended December 31, 2005 and 2004 were as follows:

	<b>For the Years Ended</b>	
	<b>December 31</b>	
	<b>2005</b>	<b>2004</b>
<u>Hedging purposes</u>		
Asset swap contracts (included in interest revenue (expense))	\$ 23,481	\$ (3,985)
Interest rate swap contracts (included in interest expense)	<u>(4,558)</u>	<u>(3,499)</u>
	<u>18,923</u>	<u>(7,484)</u>
<u>For accommodating customers' needs or managing IBT's exposures</u>		
Cross-currency swap contracts (included in derivative transaction gain (loss))	271,266	(44)
Forward exchange contracts (included in interest revenue (expense))	(165,150)	56,993
Currency options contracts (included in derivative transaction gain)	14,578	60,901
Interest rate swap contracts (included in derivative transaction gain (loss))	(1,428)	5,622
Margin trading (included in foreign exchange gain (loss))	(1,165)	5,081
Interest futures contracts (included in derivative transaction gain)	<u>337</u>	<u>661</u>
	<u>118,438</u>	<u>129,214</u>
Net gains	<u>\$ 137,361</u>	<u>\$ 121,730</u>

### 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 warrant 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 a dynamic hedging strategy to adjust the positions held on warrants and underlying securities.

iv. Liquidity risk, risk to cash flow 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 2005 to March 2006. Except for the cash inflows and outflows arising from hedging, no additional cash is needed.

v. Leverage of warrants

December 31, 2005								
	Listed Date	Underlying Securities	Units Issued	Price at Issuance (in New Taiwan Dollars)	Amount	Strike Price (in New Taiwan Dollars)	Leverage at Issuance	
SinoPac Securities - 90	July 29, 2005	Chunhwa Picture Tubes, Ltd.	20,000,000	\$ 0.476	\$ 9,520	\$ 16.77	26.79	
SinoPac Securities - 91	August 4, 2005	CMC Magnetics Corporation	20,000,000	0.605	12,100	18.66	23.31	
SinoPac Securities - 92	August 4, 2005	The Farmers Bank of China	20,000,000	0.486	9,720	14.34	21.71	
SinoPac Securities - 93	August 11, 2005	Advanced Semiconductor Engineering, Inc.	20,000,000	1.091	21,820	29.20	22.73	
SinoPac Securities - 94	August 12, 2005	Quanta Display Inc.	20,000,000	0.644	12,880	18.99	23.14	
SinoPac Securities - 95	August 16, 2005	China Development Financial Holding Corp.	20,000,000	0.357	7,140	17.79	37.68	
SinoPac Securities - 96	August 19, 2005	Taiwan Business Bank	20,000,000	0.634	12,680	17.04	19.72	
SinoPac Securities - 97	August 29, 2005	EVA Airways Corporation	20,000,000	0.496	9,920	18.53	28.23	
SinoPac Securities - 98	August 30, 2005	Ta Chong Bank Ltd.	20,000,000	0.456	9,120	12.23	21.93	
SinoPac Securities - 99	September 8, 2005	Chung Hung Steel Co., Ltd.	20,000,000	0.506	10,120	16.88	23.02	
SinoPac Securities - A1	September 8, 2005	United Microelectronics Corp.	20,000,000	0.446	8,920	27.41	44.17	
SinoPac Securities - A2	September 12, 2005	Unimicron Technology Corp.	20,000,000	0.952	19,040	31.25	22.01	
SinoPac Securities - A3	September 15, 2005	Walsin Lihwa Corporation	20,000,000	0.287	5,740	13.45	35.71	
SinoPac Securities - A4	September 15, 2005	Mega Financial Holding Co., Ltd.	20,000,000	0.377	7,540	27.81	58.36	
SinoPac Securities - A5	September 19, 2005	Sunplus Technology Co., Ltd.	20,000,000	1.290	25,800	42.76	23.18	
SinoPac Securities - A6	September 19, 2005	Evergreen Marine Corp. (Taiwan) Ltd.	20,000,000	0.367	7,340	30.75	63.35	
SinoPac Securities - A7	September 22, 2005	Hong Hai Precision Ind. Co., Ltd.	20,000,000	0.367	7,340	210.26	41.42	
SinoPac Securities - A8	September 26, 2005	Kinpo Electronics, Inc.	20,000,000	0.427	8,540	18.16	33.02	
SinoPac Securities - A9	September 26, 2005	Taiwan Business Bank	20,000,000	0.307	6,140	12.00	33.22	
SinoPac Securities - B1	September 28, 2005	Chi Mei Optoelectronics Corporation	20,000,000	1.101	22,020	48.33	33.29	
SinoPac Securities - B2	September 28, 2005	Taiwan Fertilizer Co., Ltd.	20,000,000	0.953	19,060	46.44	35.41	
SinoPac Securities - B3	October 4, 2005	Taishin Financial Holding Co., Ltd.	20,000,000	0.288	5,760	26.09	64.24	
SinoPac Securities - B4	October 4, 2005	TSRC Corporation	20,000,000	0.645	12,900	22.14	25.74	
SinoPac Securities - B5	October 6, 2005	Wintek Corporation	20,000,000	0.278	5,560	73.58	18.60	
SinoPac Securities - B6	October 11, 2005	LITE-ON IT Corporation	20,000,000	0.208	4,160	53.39	18.92	
SinoPac Securities - B7	October 11, 2005	Optimax Technology Corporation	20,000,000	0.317	6,340	71.21	16.37	
SinoPac Securities - B8	October 12, 2005	Ya Hsin Industrial Co., Ltd.	20,000,000	0.933	18,660	42.59	33.28	
SinoPac Securities - B9	October 12, 2005	Siliconware Precision Industries Co., Ltd.	20,000,000	0.993	19,860	46.54	33.74	
SinoPac Securities - C1	October 17, 2005	Yieh Phui Enterprise Co., Ltd.	20,000,000	0.576	11,520	16.67	24.31	
SinoPac Securities - C2	October 18, 2005	Inventec Corporation	20,000,000	0.556	11,120	22.75	30.67	
SinoPac Securities - C3	October 18, 2005	Realtek Semiconductor Corp.	20,000,000	0.218	4,360	48.67	18.35	
SinoPac Securities - C4	October 21, 2005	Micro-Star International Co., Ltd.	20,000,000	1.123	22,460	24.20	18.88	
SinoPac Securities - C5	October 21, 2005	Synnex Technology International Corp.	20,000,000	0.218	4,360	54.41	19.36	
SinoPac Securities - C6	October 21, 2005	Premier Image Technology Corporation	20,000,000	0.258	5,160	59.54	18.45	
SinoPac Securities - C7	October 24, 2005	Compal Communications Inc.	20,000,000	0.695	13,900	154.24	15.97	
SinoPac Securities - C8	October 27, 2005	U-Ming Marine Transport Corp.	20,000,000	0.208	4,160	43.36	17.19	
SinoPac Securities - C9	October 27, 2005	China Petrochemical Development Corporation	20,000,000	0.417	8,340	10.60	19.83	

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<b>December 31, 2005</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 - D1	October 31, 2005	CMC Magnetics Corporation	20,000,000	\$ 0.427	\$ 8,540	\$ 14.21	26.70
SinoPac Securities - D2	October 31, 2005	United Microelectronics Corp.	20,000,000	0.477	9,540	23.02	40.67
SinoPac Securities - D3	November 4, 2005	Shin Kong Financial Holding Co., Ltd.	20,000,000	0.626	12,520	33.38	41.21
SinoPac Securities - D4	November 8, 2005	Chinatrust Financial Holding Company Ltd.	20,000,000	0.656	13,120	36.01	41.08
SinoPac Securities - D5	November 8, 2005	Chung Hung Steel Co., Ltd.	20,000,000	0.417	8,340	12.11	21.89
SinoPac Securities - D6	November 8, 2005	Waterland Financial Holdings	20,000,000	0.208	4,160	14.88	52.40
SinoPac Securities - D7	November 9, 2005	Nanya Technology Corporation	20,000,000	0.705	14,100	22.34	21.63
SinoPac Securities - D8	November 9, 2005	China Development Financial Holding Corp.	20,000,000	0.258	5,160	14.07	41.09
SinoPac Securities - D9	November 17, 2005	Mitac International Corp.	20,000,000	0.248	4,960	59.47	15.99
SinoPac Securities - E1	December 5, 2005	Wistron Corporation	20,000,000	0.208	4,160	55.95	17.93
SinoPac Securities - E2	December 7, 2005	Taiwan Business Bank	20,000,000	0.328	6,560	11.85	24.82
SinoPac Securities - E3	December 7, 2005	Walsin Lihwa Corporation	20,000,000	0.357	7,140	14.28	29.13
SinoPac Securities - E4	December 9, 2005	EVA Airways Corporation	20,000,000	0.367	7,340	20.13	40.60
SinoPac Securities - E5	December 13, 2005	Taiwan Cement Corp.	20,000,000	0.556	11,120	29.13	38.58
SinoPac Securities - E6	December 16, 2005	Uni-President Enterprises Corp.	20,000,000	0.307	6,140	19.71	47.72
SinoPac Securities - E7	December 20, 2005	Mega Financial Holding Co., Ltd.	20,000,000	0.308	6,160	30.34	69.81
SinoPac Securities - E8	December 20, 2005	Hua Nan Financial Holdings Co., Ltd.	20,000,000	\$ 0.348	\$ 6,960	\$ 28.72	59.91
SinoPac Securities - E9	December 22, 2005	Quanta Computer Inc.	20,000,000	0.248	4,960	66.76	20.16
SinoPac Securities - F1	December 26, 2005	Delta Electronics, Inc.	20,000,000	0.298	5,960	91.19	23.05
SinoPac Securities - F2	December 26, 2005	Far Eastern International Bank	20,000,000	0.397	7,940	21.09	23.32
SinoPac Securities - F3	December 28, 2005	Asustek Computer Inc.	20,000,000	0.258	5,160	138.04	37.98
SinoPac Securities - F4	December 30, 2005	ACER Incorporated	20,000,000	0.338	6,760	111.58	25.27
SinoPac Securities - F5	December 30, 2005	Compal Electronics, Inc.	20,000,000	0.685	13,700	40.97	44.31
SinoPac Securities - F6	December 30, 2005	Tung Ho Steel Enterprise Corp.	20,000,000	0.894	17,880	24.81	20.69
Add: Loss on change in market value of warrant liabilities as of December 31, 2005					320,300		
Market value						<u>\$ 929,800</u>	

<b>December 31, 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 - 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 Co., Ltd.	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 Corp.	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 8, 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
SinoPac Securities - 57	November 26, 2004	United Microelectronics Corp.	30,000,000	2.030	60,900	31.65	10.39
SinoPac Securities - 58	November 26, 2004	Mega Financial Holding Co., Ltd.	30,000,000	2.180	65,400	34.20	10.46
SinoPac Securities - 59	November 30, 2004	Mitac International Corp.	30,000,000	2.082	62,460	24.60	7.88
SinoPac Securities - 60	November 30, 2004	Hua Nan Financial Holdings Co., Ltd.	30,000,000	2.875	86,250	41.85	9.70
SinoPac Securities - 61	December 2, 2004	Advanced Semiconductor Engineering, Inc.	30,000,000	3.520	105,600	39.00	7.39
SinoPac Securities - 62	December 2, 2004	Far Eastern International Bank	30,000,000	2.180	65,400	30.75	9.40
SinoPac Securities - 63	December 3, 2004	Walsin Lihwa Corporation	30,000,000	2.032	60,960	25.80	8.46
SinoPac Securities - 64	December 3, 2004	Waterland Financial Holdings	30,000,000	1.438	43,140	19.05	8.83
SinoPac Securities - 65	December 6, 2004	Yang Ming Marine Transport Corp.	30,000,000	3.274	98,220	43.50	8.86
SinoPac Securities - 66	December 6, 2004	E.Sun Financial Holding Company, Ltd.	30,000,000	2.480	74,400	36.00	9.68

(Continued)

December 31, 2004							
Listed Date	Underlying Securities	Units Issued	Price at Issuance (in New Taiwan Dollars)	Amount	Strike Price (in New Taiwan Dollars)	Leverage at Issuance	
SinoPac Securities - 67	December 7, 2004	The Farmers Bank of China	30,000,000	\$ 1,290	\$ 38,700	\$ 17.25	8.91
SinoPac Securities - 68	December 8, 2004	Taiwan Cement Corp.	30,000,000	2.182	65,460	28.50	8.71
SinoPac Securities - 69	December 8, 2004	Uni-President Enterprises Corp.	30,000,000	1.786	53,580	24.00	8.96
Less: Gain on change in market value of warrant liabilities as of December 31, 2004					(780,570)		
Market value					<u>\$ 656,500</u>		

b) Interest rate swap

- i. The objective of engaging in interest rate swap (IRS) contracts and strategies to achieve such objective:

SinoPac Securities has entered into IRS contracts with counter-parties to profit from short-term fluctuations in interest rates.

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

	December 31					
	2005			2004		
	Nominal Amount	Fair Value	Credit Risk	Nominal Amount	Fair Value	Credit Risk
For trading purposes	<u>\$ 4,300,000</u>	<u>\$(18,146)</u>	<u>\$ 74,596</u>	<u>\$ 1,700,000</u>	<u>\$(10,311)</u>	<u>\$ 4,354</u>

SinoPac Securities established high standards for monitoring the counter-parties and has rated their credits under strict criteria. It has also set upper limits for total value of credits granted to control credit risks. Thus, insignificant credit risk is expected. Fair value is the present value of future interest income and expense discounted at the yield rate.

The fair values of outstanding IRS contracts as of December 31, 2005 and 2004 were recognized as derivative financial assets - GTSM at \$9,796 and \$28,212, respectively, and derivative financial liabilities - GTSM at \$9,725 and \$20,036, 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 December 31, 2005 and 2004, the VARs were \$1,279 and \$581, 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 immaterial. The notional amounts are not exchanged on the final settlement date. Therefore, the cash demand is insignificant.

- v. For the years ended December 31, 2005 and 2004, losses of \$11,959 and income of \$4,356 from IRS valuation were recognized, respectively (presented as gain/loss on derivative financial instruments transactions - GTSM).

c) Stock index futures and options

- i. The objective of using stock index futures and options and related strategies to achieve the objective:

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

- ii. Carrying values, fair values and credit risks

		<b>December 31, 2005</b>			
<b>Item</b>	<b>Transaction Type</b>	<b>Unsettlement Positions</b>		<b>Carrying Value/ Premium Paid</b>	<b>Fair Value</b>
		<b>Long/ Short</b>	<b>Volume</b>	<b>(Received)</b>	
Futures	TAIEX Futures	Long	160	\$ 211,262	\$ 211,040
	Finance Sector Index Futures	Long	10	9,057	8,940
Options	TAIEX options - call and put	Long	1,722	2,038	1,888
	TAIEX Options - call and put	Long	20	1	1
	Electronic Sector Index option - put	Short	4,909	(10,441)	(9,815)

		<b>December 31, 2004</b>			
<b>Item</b>	<b>Transaction Type</b>	<b>Unsettlement Positions</b>		<b>Carrying Value/ Premium Paid</b>	<b>Fair Value</b>
		<b>Long/ Short</b>	<b>Volume</b>	<b>(Received)</b>	
Futures	Finance Sector Index Futures	Long	44	\$ 45,515	\$ 46,024
	TAIFEX Futures	Long	15	18,523	18,564
	Electronic Sector Index Futures	Short	10	9,113	9,236
Options	TAIFEX Options - call and put	Long	20	28	9
	TAIFEX Options - call and put	Short	120	(378)	(274)
	Equity Options (BAO) - call	Short	10	(30)	(43)
	Equity Options (BDO) - call	Short	10	(30)	(5)

The fair value as of balance sheet dates was based on the closing price published by the Taiwan Futures Exchange (TAIFEX). SinoPac Securities expects insignificant exposure to credit risks since the counterparty is TAIFEX.

As of December 31, 2005, the premiums received from short option amounted to \$9,815. As of December 31, 2005, the premiums paid for long option amounted to \$1,889.

As of December 31, 2004, the premiums received from short option amounted to \$322. As of December 31, 2004, the premiums paid for long option amounted to \$9.

iii. Market risk

Market risk pertains to the fluctuation of market prices of stock index futures and options. SinoPac Securities has appropriate risk control mechanism and has set up stop-loss points to monitor price fluctuations and outstanding positions. 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 more deposits to the initial margin.

iv. Liquidity risk, risk of cash flows and the uncertainty as to the amounts and timing of future cash required

SinoPac Securities has paid in advance initial margin for stock index futures contracts and premiums for long options as well as margin for short options. More margin will be paid since the balance of the trading margin account is lower than the maintenance margin. However, future cash demand is supported by sufficient working capital. Thus, the risk of cash flows is insignificant.

v. Gains (losses) from futures and options transactions

Gains or losses for the years ended December 31, 2005 and 2004 were summarized as follows:

	<b>For the Year Ended December 31, 2005</b>	
	<b>Losses from Futures Transactions</b>	<b>Gains from Options Transactions</b>
Non-hedging and realized	\$ (2,313)	\$ 38,075
Non-hedging and unrealized	<u>(339)</u>	<u>476</u>
	<u>\$ (2,652)</u>	<u>\$ 38,551</u>
	<b>For the Year Ended December 31, 2004</b>	
	<b>Gain (Losses) from Futures Transactions</b>	<b>Gain from Options Transactions</b>
Non-hedging and realized	\$ (189,227)	\$ 172,122
Non-hedging and unrealized	<u>427</u>	<u>97</u>
	<u>\$ (188,800)</u>	<u>\$ 172,219</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, short call options and combination of both types. SinoPac Securities engaged in the transactions to diversify its financial instruments, to lower the capital pressure for holding 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>December 31, 2005</b>				
	<b>Nominal</b>	<b>Premiums</b>		<b>Credit</b>
	<b>Amount</b>	<b>Paid</b>	<b>Fair</b>	<b>Risk</b>
		<b>(Received)</b>	<b>Value</b>	
i) Fixed income transactions				
Interest rate swaps	\$ 328,500	\$ -	\$ 2,418	\$ 2,736
Long call options on convertible bonds	-	6,371	5,724	16,757
ii) Short call options on convertible bonds				
	375,500	(9,540)	(5,631)	-
<b>December 31, 2004</b>				
	<b>Nominal</b>	<b>Premiums</b>		<b>Credit</b>
	<b>Amount</b>	<b>Paid</b>	<b>Fair</b>	<b>Risk</b>
		<b>(Received)</b>	<b>Value</b>	
i) Fixed income transactions				
Interest rate swaps	\$ 576,000	\$ -	\$ (11,157)	\$ 1,332
Long call options on convertible bonds	-	29,180	76,056	127,199
ii) Short call options on convertible bonds				
	511,000	(25,111)	(61,657)	-

The fair value is computed based upon the model approved by the ROC GTSM. The parameters used in the model (convertible bond market prices, underlying stock prices, interest rates, etc.) are public market information, thus, only insignificant risk-free arbitrage opportunity exists.

SinoPac Securities established high standards for monitoring, the counter-parties of fixed income transactions and rates their credits under strict criteria. SinoPac Securities has set upper limits for total value of credits granted to control credit risks. Thus, it does not expect significant exposure to credit risks. The premium from short call option transactions is collected in advance, and insignificant credit risk is expected.

The fair values of fixed income convertible bonds swap transactions as of December 31, 2005 and 2004 were recognized as derivative financial assets - GTSM at \$2,736 and \$318, respectively, and derivative financial liabilities - GTSM at \$2,448 and \$13,605, respectively.

iii. Market risk

SinoPac Securities uses 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 December 31, 2005 and 2004, the VAR were \$591 and \$2,110, respectively.

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

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

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

For the years ended December 31, 2005 and 2004, marking to market of convertible bonds swap transactions resulted in losses of \$27,972 and gains of \$8,388 (recognized as gains and losses from derivative financial transactions - GTSM), respectively.

- 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 ROC GTSM: 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 sell of fixed-income instruments and rewards-linked options on the underlying assets.

SinoPac Securities has entered into structured note transactions 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>December 31, 2005</u>		
	<b>Nominal</b>	<b>Premiums</b>	
	<b>Amount</b>	<b>(Received)</b>	<b>Fair Value</b>
i) Principal-guaranteed note transactions			
Fixed income instruments	\$ 87,000	\$ -	(\$ 86,752)
Short call options on underlying assets	-	(647)	(25)
ii) Equity-linked note transactions			
Fixed income instruments	118,700	-	(118,106)
Long put options on linked underlying assets	-	557	9,762

				<b>December 31, 2004</b>			
				<b>Nominal</b>	<b>Premiums</b>		
				<b>Amount</b>	<b>(Received)</b>	<b>Fair Value</b>	
i) Principal-guaranteed note transactions							
Fixed income instruments				\$ 86,600	\$ -	(\$ 84,363)	
Short call options on underlying assets				-	(2,237)	(1,721)	
ii) Equity-linked note transactions							
Fixed income instruments				124,200	-	(123,820)	
Long put options on linked underlying assets				-	347	5,166	

The fair value is computed based upon the model approved by the ROC GTSM. 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, only insignificant risk-free arbitrage opportunity exists.

SinoPac Securities has strict criteria on the types of fixed income assets to be used and controls the investment amounts. In addition, the premiums from short options transactions have been collected in advance. Thus, insignificant credit risk is expected.

iii. Market risk

The market risk of structured note transactions is mainly from adverse fluctuations of the underlying assets market price. Thus, option hedging models are used to hedge market risk. As of December 31, 2005 and 2004, the market risk were \$3,847 and \$8,058, respectively.

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

SinoPac Securities engages in structured note transactions, to enable investors to execute the contract prior to maturity, SinoPac Securities takes the liquidity risk of the fixed income instruments into consideration when selecting the target instruments. If the liquidity risk of the fixed income instruments is minor, there is no material risk of cash flows and no uncertainty on the amount and timing of future cash demand.

v. Gains (losses) from structured note transactions

For the years ended December 31, 2005 and 2004, gains (losses) from structured note transactions were as follows: Gains of \$11,949 and \$5,625 from structured note transactions, respectively (presented as gains and losses from derivative financial instruments transactions - GTSM).

f) Bond option transactions

i. The objective of bond option transactions and strategies to achieve this objective:

SinoPac Securities engage in bond options for trading, and the option buyer pays premiums and entitles him/her the right to buy or sell bonds to the option seller with specific terms, prices, and quantities. If the option buyer requires the exercise of the option, the option seller is obligated to settle the transaction either on or before the maturity.

Since 2005, SinoPac Securities engage in bond options for trading purpose, specifically to diversify their financial instruments, and to manage their bond positions.

- ii. Information on the outstanding bond options is as follows:

	<b>December 31, 2005</b>			
	<b>Nominal Amount</b>	<b>Premiums Paid (Received)</b>	<b>Fair Value</b>	<b>Credit Risk</b>
i) Long option - call	\$ 300,000	\$ 105	\$ -	\$ 11,250
ii) Short option - call	1,500,000	(1,097)	(3,333)	-

Fair value is computed by theory of rational option pricing, and the parameters, including market value of bond and interest rate, are public information known in the market, thus, the risk free arbitrage opportunity is very low.

The counter-parties of SinoPac Securities are securities firms with good credit ranking and SinoPac Securities have strict policy on examination of credit ranking for counter-parties; thus, in significant credit risk is expected.

- iii. Market risk

The values of bond options are determined by the structures and fluctuations of the market interest rates. The interest rate risk from bond options and the exposure of other exposure of other interest rate-related assets or liabilities are included in evaluating market risk. In addition, SinoPac Securities has a market risk control mechanism through which monitors the volume of outstanding contracts, analyzes interest rate sensitivities and durations, and assesses market values of option. As of December 31, 2005, the amount corresponding to market risk was \$52,367.

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

All the bond option transactions which SinoPac Securities dealt are monitored by the risk control mechanism. SinoPac Securities' working capital can cope with the expected cash requirements. Thus, no significant cash demand is expected.

- v. Gains (losses) from bond option transactions

For the year ended December 31, 2005, losses of \$15,452 from bond option transactions was recognized (presented as loss from derivative financial products - GTSM).

#### 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 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 December 31, 2005 and 2004, the nominal amount, credit risk and fair value of outstanding IRS contracts were as follows:

December 31, 2005							
Transaction Type	Nominal Amount	Term of Swap-in	Fixed Interest Rate/Term of Swap-out	Clearing	Maturity Date	Fair Value	Credit Risk
Floating interest rate received/ fixed interest rate paid	\$ 1,600,000	3-month NTD CP rate in secondary market	1.675%-2.030%	Quarterly	2006.11.6 - 2008.9.16	\$ (4,273 )	\$ 534
Fixed interest rate received/ floating interest rate paid	80,000	0.45%	4.004% minus 6-month USD LIBOR	Semiannually	2008.6.12	738	738
Floating interest rate received/ floating interest rate paid	500,000	6-month NTD CP rate in secondary market	6-month USD LIBOR minus 0.9%	Semiannually	2006.4.26	(4,896 )	-

  

December 31, 2004							
Transaction Type	Nominal Amount	Term of Swap-in	Fixed Interest Rate/Term of Swap-out	Clearing	Maturity Date	Fair Value	Credit Risk
Floating interest rate received/ fixed interest rate paid	\$ 1,600,000	3-month NTD CP rate in secondary market	1.980%-3.055%	Quarterly	2005.1.17 - 2007.11.19	\$ (10,357 )	\$ -
Floating interest rate received/ floating interest rate paid	500,000	6-month NTD CP rate in secondary market	6-month USD LIBOR minus 0.9%	Semiannually	2006.4.26	(4,808 )	-

Credit risks refer to counter-parties' defaults on IRS contracts. AnShin Card Services has entered into contracts with those banks with good credit rankings; thus, exposed to credit risks is insignificant.

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

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

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

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

- d) For the years ended December 31, 2005 and 2004, AnShin Card Services recognized realized interest expenses as operating expenses amounting to \$13,954 and \$31,804, respectively. The unrealized revaluation losses, recognized as the debit balance of stockholders' equity and other liabilities, were marked to market at \$8,431 and \$15,165 as of December 31, 2005 and 2004, respectively.

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

## **27. SEGMENT AND GEOGRAPHIC INFORMATION**

The Company is engaged only in investing and managing the businesses related to the financial institutions activities as prescribed by the related regulations and has no single customer that accounts for 10% or more of the Company's operating revenues. No overseas unit individually represent more than 10% of the Company's operating revenues or 10% of its total assets. Accordingly, no segment and geographic information is required to be disclosed.

## SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED AND INVESTEES

FINANCING PROVIDED  
 YEAR ENDED DECEMBER 31, 2005  
 (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 Reasons	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limits
											Item	Value		
1	SinoPac Capital (B.V.I.) Ltd.	SinoPac Capital Ltd.	Short-term borrowings	\$ 145,242 (Note)	\$ 145,242 (Note)	US: 4.21%-4.75% HK: 4.18%-4.38%	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 246,375 (Note 1)	\$ 246,375 (Note 1)
2	SinoPac Leasing Corporation	Wal-Tech International Corporation	Other receivable - related parties	433,500	179,000	2.1%-2.2%	Short-term financing	-	-	895	-	-	568,000	11,534,409

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

## SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED  
YEAR ENDED DECEMBER 31, 2005  
(In Thousands of New Taiwan Dollars)

No.	Endorsement/Guarantee Provider	Counter-party		Limits on Individual Endorsement/Guarantee Amounts	Maximum Balance for the Period	Ending Balance	Endorsement/Guarantee Amount Collateralized by Properties	Ratio of Accumulated Amount of Endorsement/Guarantee to Net Asset Value of the Latest Financial Statement (Note 4)	Maximum Endorsement/Guarantee Amounts Allowable
		Name	Nature of Relationship						
1	SinoPac Leasing Corporation	Grand Capital International Limited	Subsidiary	(Note 2)	\$ 4,560,787	\$ 4,390,776	-	12.38%	(Note 3)
		Wal Tech International Corporation	Affiliate	(Note 2)	338,500	10,000	-	0.03%	(Note 3)
2	SinoPac Securities (Cayman) Holding Co., Ltd. (SinoPac Securities (Cayman))	SinoPac Financing (Asia) Co., Ltd.	Subsidiary of SinoPac Securities (Cayman)	\$ 1,408,594 (Note 5)	328,500		-	-	\$ 1,408,594 (Note 5)

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

Note 2: The limit on individual endorsement or guarantee amount is up to 200% of the net asset value (Note 4) of the Corporation. But no limit applied on any subsidiary of the Corporation. As of December 31, 2005, the limit was \$2,269,005.

Note 3: The maximum amount of endorsement or guarantee amounts is up to 500% of the net asset value (Note 4) of the Corporation. But no limit applied on any subsidiary of the Corporation. As of December 31, 2005, the maximum allowance was \$5,672,511.

Note 4: The net asset value of SinoPac Leasing Corporation was based on its reviewed financial statements as of December 31, 2005.

Note 5: In accordance with the operating procedure of SinoPac Securities (Cayman), the total amount of endorsement or guarantee and the limit on individual endorsement or guarantee amount can not exceed the 40% of SinoPac Securities' net worth.

## SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED AND INVESTEEES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2005

(In Thousands of New Taiwan Dollars)

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	December 31, 2005				Note
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
SinoPac Financial Holdings Company Limited	<u>Stock (common stock)</u>							
	International Bank of Taipei	Subsidiary	Long-term equity investments	2,223,311	\$ 34,571,746	100.00%	\$ 34,540,255	Note 4
	Bank SinoPac	Subsidiary	Long-term equity investments	1,972,807	27,594,216	100.00%	27,594,216	Note 4
	SinoPac Securities Corporation	Subsidiary	Long-term equity investments	1,526,902	22,492,053	100.00%	22,492,053	Note 4
	AnShin Card Services Co., Ltd.	Subsidiary	Long-term equity investments	193,000	2,227,974	100.00%	3,134,663	Note 4
	SinoPac Venture Capital Co., Ltd.	Subsidiary	Long-term equity investments	180,000	1,789,492	100.00%	1,789,492	Note 3
	SinoPac Securities Investment Trust Co., Ltd.	Subsidiary	Long-term equity investments	30,591	308,341	100.00%	322,831	Note 3
	SinoPac Call Center Co., Ltd.	Subsidiary	Long-term equity investments	10,000	105,644	100.00%	105,644	Note 3
	SinoPac Asset Management International	Subsidiary	Long-term equity investments	10,000	103,148	100.00%	103,148	Note 3
	SinoPac Life Insurance Agent Co., Ltd.	Subsidiary	Long-term equity investments	300	129,561	100.00%	129,561	Note 4
	SinoPac Marketing Consulting Co., Ltd.	Subsidiary	Long-term equity investments	5,000	44,522	100.00%	44,522	Note 3
	SinoPac Property Insurance Agent Co., Ltd.	Subsidiary	Long-term equity investments	300	12,930	100.00%	12,930	Note 4
	Li-Seng Develop company	Investee accounted for by the cost method	Long-term equity investments	12,709	125,000	5.00%	140,791	Note 3
	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%	20,666	Note 3
		<u>Stock (preferred stock)</u>						
	AnShin Card Services-A	-	Long-term equity investments	48,000	480,000	100.00%	480,000	Note 5
	AnShin Card Services-B	-	Long-term equity investments	120,000	1,200,000	100.00%	1,200,000	Note 5
IBT Life Insurance Agent Co., Ltd.	<u>Bond</u> Taiwan Government Bond (A88103)	-	Refundable guarantee deposits	-	654	-	815	Pledged Note 7
IBT Property Insurance Agent Co., Ltd.	<u>Bond</u> Taiwan Government Bond (A88103)	-	Refundable guarantee deposits	-	654	-	815	Pledged Note 7
SinoPac Bancorp	<u>Stock</u>							
	Far East National Bank	Subsidiary	Long-term equity investments	180	5,964,254	100.00%	5,964,254	Note 3
	SinoPac Financial Service (USA) Ltd.	Subsidiary	Long-term equity investments	2.5	26,306	100.00%	26,306	Note 3
Far East Capital Corporation	<u>Stock (common stock)</u>							
	PCRS Capital Partners, LLC	Investee accounted for by the cost method	Long-term equity investments	-	1,353	4.00%	1,353	Note 5
	TVIA, Inc.	Investee accounted for by the cost method	Long-term equity investments	33	2,409	0.20%	2,409	Note 6
	<u>Stock (preferred stock)</u>							
	AgraQuest, Inc.	-	Long-term equity investments	100	891	0.80%	891	Note 5
	Silicon Motion, Inc.	-	Long-term equity investments	11	1,806	0.10%	1,806	Note 5
	Zone Reactor, Inc.	-	Long-term equity investments	300	1,106	1.50%	1,106	Note 5

(Continued)

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	December 31, 2005				Note	
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)		
SinoPac Leasing Corporation	<u>Stock</u>								
	Grand Capital International Limited	Subsidiary	Long-term equity investments	29,900	\$ 547,418	100.00%	\$ 547,418	Note 4	
	Global Securities Finance Corp. Z-Com, Inc.	Investee accounted for by the cost method Investee accounted for by the cost method	Long-term equity investments Long-term equity investments	1,423 1	15,664 10	0.19% 0.001%	15,442 -	Note 3 Note 4	
SinoPac Capital Limited	<u>Stock</u>								
	SinoPac Capital (B.V.I.) Ltd.	Subsidiary	Long-term equity investments	4,450	199,639	100.00%	431,024	Note 3	
	SinoPac Insurance Brokers Ltd.	Subsidiary	Long-term equity investments	100	1,280	100.00%	1,862	Note 3	
	SinoPac (Hong Kong) Nominees Ltd.	Subsidiary	Long-term equity investments	0.001	0.004	100.00%	0.004	Note 3	
	HC	-	Short-term investments	7,998	53,207	1.72%	56,250	Note 2	
	Suga International	-	Short-term investments	7,080	43,410	3.11%	23,697	Note 2	
	ZZNode	-	Short-term investments	12,004	29,974	3.00%	23,395	Note 2	
	Norstar	-	Short-term investments	6,908	56,882	0.71%	70,742	Note 2	
	Hans Energy	-	Short-term investments	21,000	48,948	1.31%	44,486	Note 2	
	Bestfield Enterprises Ltd.	-	Short-term investments	38	49,275	-	49,275	Note 2	
	China-Metal	-	Short-term investments	300	1,805	0.03%	2,764	Note 2	
	Wealthmark	-	Short-term investments	15,327	35,066	5.11%	38,962	Note 2	
	MagnaChip	-	Short-term investments	16	65,700	-	65,700	Note 2	
		<u>Fund</u>							
		China Enterprise Capital	-	Short-term investments	US\$ 1,000	32,850	-	32,850	Note 5
SinoPac Capital (B.V.I.) Ltd.	<u>Stock</u>								
	Cyberpac Holding Ltd. (B.V.I.)	Subsidiary	Long-term equity investments	4,000	131,400	100.00%	1,678	Note 3	
	Shanghai International Asset Management (Hong Kong) Co., Ltd.	Subsidiary	Long-term equity investments	4,800	37,071	60.00%	40,649	Note 3	
	Pinnacle Investment Management Ltd. RSP Information Service Company Limited	Subsidiary Subsidiary	Long-term equity investments Long-term equity investments	200 1,000	6,570 4,212	100.00% 100.00%	3,739 2,063	Note 3 Note 3	
Allstar Venture Ltd. (B.V.I.)	<u>Venture fund</u>								
	InveStar Excelsus Venture Capital (Int'l) Inc., LDC	-	Long-term investments	1,529	57,557	6.25%	57,557	Note 5	
	UOB Venture Technology Investments Limited	-	Long-term investments	26	35,369	8.62%	35,369	Note 5	
	MDS Life Sciences Technology Fund - Barbados	-	Long-term investments	50	26,108	25.00%	26,108	Note 3	
	Biotechnology Development Fund II, L.P.	-	Long-term investments	-	14,910	2.30%	14,910	Note 3	
	North America Venture Fund II, L.P.	-	Long-term investments	-	11,960	2.07%	11,960	Note 3	
		<u>Stock (common stock)</u>							
	Enhance Biotech	Investee accounted for by the cost method	Long-term equity investments	104	1,984	42.00%	1,984	Note 5	
	DiCon Fiberoptics, Inc.	Investee accounted for by the cost method	Long-term equity investments	221	6,976	0.20%	6,976	Note 3	
		<u>Stock (preferred stock)</u>							
Tanox	-	Long-term equity investments	9	4,825	0.08%	4,825	Note 5		
Altor	-	Long-term equity investments	100	1,708	0.87%	1,708	Note 5		
Phytoceutica, Inc.	-	Long-term equity investments	200	8,475	1.45%	8,475	Note 5		
Immusol, Inc.	-	Long-term equity investments	25	10,075	0.05%	10,075	Note 5		

(Continued)

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	December 31, 2005				Note
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
Wal Tech International Corporation	<u>Stock</u> Intellisys Corp.	Subsidiary	Long-term equity investments	7,197	\$ 78,701	62.58%	\$ 98,073	Note 3
	Multiwin Asset Management Co., Ltd.	Investee accounted for by the equity method	Long-term equity investments	1,800	10,947	30.00%	10,947	Note 3
	Webi & Neti Internet Services Inc.	Investee accounted for by the cost method	Long-term equity investments	63	477	2.63%	477	Note 3
	SynTest Technologies, Inc., Taiwan	Investee accounted for by the cost method	Long-term equity investments	79	354	0.35%	430	Note 3
	Taiwan Leader Advanced Technology Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	1,575	15,000	1.53%	15,370	Note 3
	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%	24,941	Note 3
	SonicEdge Industries Corporation	Investee accounted for by the cost method	Long-term equity investments	290	1,238	1.16%	1,239	Note 3
	Maximum Venture I, Inc., Taiwan	Investee accounted for by the cost method	Long-term equity investments	17,500	175,350	8.33%	158,935	Note 3
	Silicon Motion Inc.	Investee accounted for by the cost method	Long-term equity investments	13	6,219	-	5,228	Note 6
Intellisys Corp.	<u>Stock</u> Orion Financial Tech. Ltd.	Investee accounted for by the cost method	Long-term equity investments	81	-	2.31%	21	Note 3
SinoPac Futures Corporation	<u>Stock</u> Taiwan Future Exchange Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	499	4,990	0.25%	12,450	Note 5
	SinoPac Managed Futures Co., Ltd.	Investee accounted for by the equity method	Long-term equity investments	14,000	131,999	70.00%	131,999	Note 5
	Fuh-Hwa Omni Fund	-	Short-term investments	1,000	10,000	0.26%	10,320	Note 6
	Fuh-Hwa Small Capital Fund	-	Short-term investments	583	13,000	0.61%	13,000	Note 6
	Fuh-Hwa Aegis Fund	-	Short-term investments	1,000	10,000	0.10%	10,046	Note 6
	Sheng-Hua 100% Principal Guaranteed Fund	-	Short-term investments	1,000	10,000	1.28%	9,976	Note 6
	SinoPac New Century Fund	-	Short-term investments	4,528	24,000	10.00%	27,171	Note 6
	The First Global Investment Trust Global Asset Allocation Fund	-	Short-term investments	1,000	10,000	0.12%	10,457	Note 6
	SinoPac Capital Management Corporation	<u>Beneficiary certificate</u> Grand Cathay Bond Fund	-	Short-term investments	3,911	50,000	0.21%	50,005
SinoPac Life Insurance Agent Co., Ltd.	<u>Beneficiary certificate</u> Fuh-hwa Yu-Li Fund	-	Short-term investments	1,328	15,015	-	16,247	Note 6
	Fuh-hwa Bond Fund	-	Short-term investments	164	2,000	-	2,151	Note 6
	Prudential Aggressive Growth 2 Bond Fund	-	Short-term investments	1,689	24,746	-	25,912	Note 6
	Truswell Premier Fund	-	Short-term investments	1,076	11,503	-	11,822	Note 6
SinoPac Property Insurance Agent Co., Ltd.	<u>Beneficiary certificate</u> Fuh-hwa Albatross Fund	-	Short-term investments	109	1,200	-	1,212	Note 6
	ABN AMRO Bond Fund Cap	-	Short-term investments	71	1,000	-	1,056	Note 6
SinoPac Venture Capital Co., Ltd.	<u>Beneficiary certificate</u> SinoPac Genesis Fund	Fund under management of subsidiary	Short-term investments	6,771	52,678	15.35%	58,027	Note 6
	<u>Convertible bonds</u> Ardentec Corporation	-	Short-term investments	400	40,000	-	44,424	Note 6
	Creative Sensor Inc.	-	Short-term investments	75	7,500	-	9,011	Note 6

(Continued)

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	December 31, 2005				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>							
	Telexpress Corp.	Investee accounted for by the equity method	Long-term equity investments	3,900	\$ 46,345	34.21%	\$ 46,345	Note 4
	Wal Tech International Corporation	Investee accounted for by the equity method	Long-term equity investments	26,500	148,053	100.00%	148,053	Note 4
	Allstar Venture Ltd. (B.V.I.)	Investee accounted for by the equity method	Long-term equity investments	2	179,417	100.00%	166,537	Note 4
	SinoPac Leasing Corporation	Investee accounted for by the equity method	Long-term equity investments	410	2,629	0.23%	2,629	Note 4
	SinoPac Financial Consulting Corporation	Investee accounted for by the equity method	Long-term equity investments	6	69	3.00%	69	Note 4
	Prudence Venture Investment Corp.	Investee accounted for by the equity method	Long-term equity investments	5,000	35,600	2.50%	35,600	Note 5
	Z-com	Investee accounted for by the equity method	Long-term equity investments	1,560	10,436	2.01%	10,436	Note 5
	Taiwan Leader Advanced Technology Corp.	Investee accounted for by the equity method	Long-term equity investments	1,103	10,765	1.07%	10,765	Note 5
	3V Source One	Investee accounted for by the equity method	Long-term equity investments	-	92,235	-	92,235	Note 5
	Chain Yarn Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	2,067	28,655	1.65%	28,655	Note 5
	Tekcon, Corp.	Investee accounted for by the cost method	Long-term equity investments	349	943	1.51%	943	Note 5
	Walton Advanced Engineering, Inc.	Investee accounted for by the cost method	Long-term equity investments	1,527	11,300	0.34%	11,300	Note 5
	e21	Investee accounted for by the cost method	Long-term equity investments	200	3,285	-	3,285	Note 5
	ATM Electronic Corp.	Investee accounted for by the cost method	Long-term equity investments	546	10,000	2.16%	10,000	Note 5
	Micro Square Technology Inc.	Investee accounted for by the cost method	Long-term equity investments	500	10,000	3.70%	10,000	Note 5
	De Poan Pneumatic Corp.	Investee accounted for by the cost method	Long-term equity investments	352	11,260	0.92%	15,257	Note 2
	Pandisk Technology Company Ltd.	Investee accounted for by the cost method	Long-term equity investments	695	9,980	2.93%	9,980	Note 5
	Skahex Technology Inc.	Investee accounted for by the cost method	Long-term equity investments	68	2,650	0.06%	2,650	Note 5
	Nanya PCB Corporation	Investee accounted for by the cost method	Long-term equity investments	191	12,736	0.04%	12,736	Note 5
	Taimide Tech, Inc.	Investee accounted for by the cost method	Long-term equity investments	2,735	46,353	3.34%	46,353	Note 5
	Alpha Microelectronics Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	944	9,996	1.92%	9,996	Note 5
	Proconn Technology Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	1,121	14,395	3.84%	14,395	Note 5
	Bcom Electronics Inc.	Investee accounted for by the cost method	Long-term equity investments	384	6,226	0.43%	6,226	Note 5
	Sunnich Technology & Merchandise Inc.	Investee accounted for by the cost method	Long-term equity investments	950	25,120	2.81%	25,120	Note 5
	Ampire Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	139	1,808	0.27%	1,292	Note 2
	AME, Inc.	Investee accounted for by the cost method	Long-term equity investments	17	502	0.04%	390	Note 2
	TennRich International Corp.	Investee accounted for by the cost method	Long-term equity investments	538	9,988	1.05%	9,988	Note 5
	Exploit Technology Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	584	11,773	1.46%	11,773	Note 5
	Asia Electronic Material Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	2,650	34,750	6.46%	34,750	Note 5
	Princo Corp.	Investee accounted for by the cost method	Long-term equity investments	299	19,967	0.08%	5,849	Note 2
	Light Master System, Inc.	Investee accounted for by the cost method	Long-term equity investments	150	8,870	-	8,870	Note 5
	Global Strategic Venture	Investee accounted for by the cost method	Long-term equity investments	3,000	30,000	1.94%	30,000	Note 5
	Donpon Precision, Inc.	Investee accounted for by the cost method	Long-term equity investments	598	17,500	1.01%	5,049	Note 2
	G-Tech Optoelectronics Corporation	Investee accounted for by the cost method	Long-term equity investments	1,135	19,976	2.15%	19,976	Note 5
	BioAsia BDF IV	Investee accounted for by the cost method	Long-term equity investments	-	29,668	-	29,668	
	Laster Tech Ltd.	Investee accounted for by the cost method	Long-term equity investments	619	19,735	2.18%	19,735	Note 5
	Etrend Hightech Corporation	Investee accounted for by the cost method	Long-term equity investments	1,490	18,625	5.52%	18,625	Note 5
	Luminous Town Electric Co. Ltd.	Investee accounted for by the cost method	Long-term equity investments	1,658	19,978	2.14%	19,978	Note 5
	International United Technology	Investee accounted for by the cost method	Long-term equity investments	1,473	18,713	1.47%	18,713	Note 5
	Add Microtech Corporation	Investee accounted for by the cost method	Long-term equity investments	438	13,997	1.61%	13,997	Note 5
	E-One MOLI Energy Corporation	Investee accounted for by the cost method	Long-term equity investments	1,400	16,800	1.36%	16,800	Note 5
	Advantech Semiconductor Inc.	Investee accounted for by the cost method	Long-term equity investments	1,540	15,398	1.45%	15,398	Note 5
	Uni Light Technology	Investee accounted for by the cost method	Long-term equity investments	952	18,438	1.14%	18,438	Note 5
	FEEI Cherng Enterprise Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	410	25,500	0.92%	25,500	Note 5
	Ritdisplay Corporation	Investee accounted for by the cost method	Long-term equity investments	112	1,976	0.02%	1,976	Note 5
	AMIC Technology Corporation	Investee accounted for by the cost method	Long-term equity investments	210	10,032	0.15%	10,032	Note 5

(Continued)

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	December 31, 2005				Note
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
	FuPo Electronics Corporation	Investee accounted for by the cost method	Long-term equity investments	388	\$ 7,019	0.35%	\$ 5,015	Note 2
	ID Solutions Inc.	Investee accounted for by the cost method	Long-term equity investments	833	8,297	2.00%	28,817	Note 5
	Ultra Chip, Inc.	Investee accounted for by the cost method	Long-term equity investments	1,119	28,817	1.45%	28,817	Note 5
	Skymedi Corporation	Investee accounted for by the cost method	Long-term equity investments	50	1,000	0.18%	1,000	Note 5
	Goyatek Technology Inc.	Investee accounted for by the cost method	Long-term equity investments	500	6,075	1.59%	6,075	Note 5
	Uniwill Computer International Corporation	Investee accounted for by the cost method	Long-term equity investments	880	9,944	0.24%	9,944	Note 5
SinoPac Asset Management International	<u>Stock</u>							
	Powerchip Semiconductor Corp.	-	Short-term investments	239	5,688	0.0043%	4,854	Note 2
	Evergreen Marine Corp. (Taiwan) Ltd.	-	Short-term investments	110	3,635	0.0041%	2,482	Note 2
	U-Ming Marine Transport Corp.	-	Short-term investments	120	5,408	0.014%	4,128	Note 2
	Career Technology (MFG) Co., Ltd.	-	Short-term investments	118	5,257	0.0458%	4,063	Note 2
	National Venture Capital Corp.	Investee accounted for by the cost method	Long-term equity investments	2,000	14,800	0.0003%	14,800	Note 5
SinoPac Securities Investment Trust Co., Ltd.	<u>Beneficiary certificate</u>							
	Jih Sun Foresight Balance Fund Balanced Fund	-	Short-term investments	300	3,000	-	3,042	Note 6

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

Note 2: Market prices of listed and GreTai Securities Market stocks were determined by average daily closing prices in December 2005.

Note 3: Net asset values were based on the investees' unaudited or unreviewed financial statements for the latest period.

Note 4: Net asset values were based on the investees' audited or reviewed financial statements for the latest period.

Note 5: Net asset values were based on the carrying amounts.

Note 6: Market prices were determined at the closing prices or NAV on December 31, 2005.

Note 7: The closing price provided by GreTai Securities Market as of December 31, 2005.

## SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED 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 YEAR ENDED DECEMBER 31, 2005  
 (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 Financial Holdings Company Limited	International Bank of Taipei	Long-term equity investments	National Investment Trust Company Limited		-	\$ -	2,223,311	\$ 36,000,947	-	\$ -	\$ -	\$ -	2,223,311	\$ 34,571,746
	SinoPac Venture Capital Co., Ltd.	Long-term equity investments	-		100,000	1,000,000	80,000	800,000	-	-	-	-	180,000	1,789,493
SinoPac Venture Capital Co., Ltd.	Wal Tech International Corporation	Long-term equity investments	Cyberpac Holding Ltd. (B.V.I.)	Related party in substance	-	-	26,500	147,341	-	-	-	-	26,500	147,341
	Allstar Venture Ltd. (B.V.I.)	Long-term equity investments	SinoPac Capital (B.V.I.)	Related party in substance	-	-	0.002	179,417	-	-	-	-	0.002	179,417

## SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED AND INVESTEEES

ACQUISITION OF INDIVIDUAL REAL ESTATES AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE ISSUED CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2005

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

Company Name	Property	Transaction Date	Transaction Amount	Condition of Payment	Counter-party	Relationship	Prior Transaction of Related Counter-party (Note 2)				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
SinoPac Leasing Corporation	Zhonglun buildings	December 29, 2004 (Note 1)	\$ 734,817 (Including input tax NT\$34,991 thousand)	Paid	Li-Seng Develop Company	-	-	-	\$ -	-	For business use	-	
	Superficies of Zhonglun buildings	December 29, 2004 (Note 1)	1,102,226 (Including input tax NT\$52,487 thousand)	Paid	Li-Seng Develop Company	-	-	-	-	-	For business use	-	

Note 1: For SinoPac Leasing Corporation, the amount were included in advances on acquisitions of equipment at acquisition date, and reclassified as property held for lease and superficies since 2005.

Note 2: The Zhonglun buildings and superficies were build by SinoPac Leasing Corporation, therefore, there were no prior transaction of related counter-party information.

**SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED AND INVESTEEES**

**DISPOSAL OF INDIVIDUAL REAL ESTATE AT COST OF AT LEAST NT\$100 MILLION OR 20% OF THE ISSUED CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2005**

(In Thousands of New Taiwan Dollars)

Company Name	Property	Transaction Date	Acquisition Date	Carrying Amount	Transaction Amount	Collection Terms	Gain (Loss) of Disposal	Counter-party	Relationship	Price Reference	Purpose of Disposal	Other Terms
SinoPac Leasing Corporation	Property hold for lease - land and building	March 4, 2005	June 28, 2001	\$ 333,104	\$ 279,460 (Including output tax NT\$4,525 thousand)	Collected	\$ (58,169)	AnHong Co., Ltd.	-	Appraisal report of real estate	For business	-
	Property hold for lease - building	March 4, 2005	June 28, 2001	103,639	95,016 (Note 1)	Collected	(13,148)	AnHong Co., Ltd.	-	Appraisal report of real estate	For business	-
SinoPac Securities Corporation	Property - land and buildings	November 15, 2005	October 23, 2001	169,751	139,905	Received all amount in January 9, 2006	(29,846)	Mr. Chen	None	Increase working capital and enhance assets efficiency	Refer to expertise's report and the approval of the Corporation's board of directors	None

**SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED AND INVESTEEES**

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

**DECEMBER 31, 2005**

**(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
SinoPac Financial Holdings Company Limited	Anshin Card Services`	Subsidiary of SinoPac Financial Holdings Company Limited	\$ 96,642	-	\$ -	-	\$ -	\$ -
	SinoPac Securities	Subsidiary of SinoPac Financial Holdings Company Limited	471,542	-	-	-	-	-
	Bank SinoPac	Subsidiary of SinoPac Financial Holdings Company Limited	32,188	-	-	-	-	-
	SinoPac Venture Capital	Subsidiary of SinoPac Financial Holdings Company Limited	933	-	-	-	-	-
	SinoPac Asset Management International	Subsidiary of SinoPac Financial Holdings Company Limited	410	-	-	-	-	-
	SinoPac Call Center	Subsidiary of SinoPac Financial Holdings Company Limited	909	-	-	-	-	-
	SinoPac Securities Investment Trust	Subsidiary of SinoPac Financial Holdings Company Limited	206	-	-	-	-	-
	SinoPac Life insurance Agent Co., Ltd.	Subsidiary of SinoPac Financial Holdings Company Limited	28,662	-	-	-	-	-
	SinoPac Property insurance Agent Co., Ltd.	Subsidiary of SinoPac Financial Holdings Company Limited	1,735	-	-	-	-	-
	Far East National Bank	Subsidiary of Bank SinoPac	130	-	-	-	-	-
International Bank of Taipei	Grand Capital International Limited	Affiliate	525,760	-	-	-	-	-
	BoardTek Electronics Corp.	Related parties in reality	344,000	-	-	-	-	-
SinoPac Call Center	Anshin Card Services	Affiliate	8,261	-	-	-	-	-
SinoPac Leasing Corporation	Wal-Tech International Corporation	Affiliate	179,000	2.6	-	-	-	895

Note: The receivable mainly comes from the adoption of the linked-tax system for 2004 tax filing, dividend income from preferred stock and other receivable - related parties.

## SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2005			Net Income (Loss) of the Investee (Note 2)	Investment Gains (Loss) (Note 2)	Note
				December 31, 2005 (Note 1)	December 31, 2004 (Note 1)	Shares (Thousand)	Percentage of Ownership (%)	Carrying Amount (Note 2)			
SinoPac Financial Holdings Company Limited	International Bank of Taipei	Taipei	Commercial bank	\$ 35,159,843	\$ -	2,223,311	100.00	\$ 34,571,746	\$ 2,451,035	\$ 2,669,605	Subsidiary
	Bank SinoPac	Taipei	Commercial bank	23,976,716	23,976,716	1,972,807	100.00	27,594,216	2,117,164	1,967,835	Subsidiary
	SinoPac Securities Corporation	Taipei	Brokerage, dealing and underwriting of securities	21,566,517	21,566,517	1,526,902	100.00	22,492,053	1,060,500	1,024,055	Subsidiary
	AnShin Card Services Co., Ltd.	Taipei	Credit card business	1,719,164	1,719,164	193,000	100.00	2,227,974	370,745	258,913	Subsidiary
	SinoPac Life Insurance Agent Co., Ltd.	Taipei	Life insurance agent	81,909	81,909	300	100.00	129,561	118,356	117,705	Subsidiary
	SinoPac Property Insurance Agent Co., Ltd.	Taipei	Property insurance agent	3,919	3,919	300	100.00	12,930	8,922	8,872	Subsidiary
	SinoPac Venture Capital Co., Ltd.	Taipei	Venture capital investment	1,800,000	1,000,000	180,000	100.00	1,789,492	27,514	27,514	Subsidiary
	SinoPac Call Center Co., Ltd.	Kaohsiung	Data processing, manpower and agency services	100,000	100,000	10,000	100.00	105,644	4,840	4,790	Subsidiary
	SinoPac Asset Management International	Taipei	Business management advisory, investment and venture capital investment advisory	100,000	100,000	10,000	100.00	103,148	670	623	Subsidiary
	SinoPac Marketing Consulting Co., Ltd.	Taipei	Agent service, investment advisory and overdue accounts receivable management	50,000	50,000	5,000	100.00	44,522	(1,643)	(1,643)	Subsidiary
SinoPac Securities Investment Trust Corporation	Taipei	Establish and manage securities investment trust funds by issuing beneficiary certificates and render discretionary investment service.	323,500	298,500	30,591	100.00	308,341	(14,122)	(13,078)	Subsidiary	
International Bank of Taipei	IBT Life Insurance Agent Co., Ltd.	Taipei	Life insurance agent	2,000	2,000	200,000	100.00	249,594	216,663	-	Affiliate
	IBT Property Insurance Agent Co., Ltd.	Taipei	Property insurance agent	2,000	2,000	200,000	100.00	14,387	9,947	-	Affiliate
	Grand Cathay Securities Investment Trust Co.	Taipei	Securities investment	225,000	225,000	8,250,000	24.68	168,977	(14,370)	-	Affiliate
Bank SinoPac	SinoPac Bancorp	California	Stock holding	US\$ 112,306	US\$ 112,306	20	100.00	5,871,192	549,938	-	Affiliate
	SinoPac Leasing Corporation	Taipei	Oversea trading, leasing, lending and financing	999,940	999,940	176,689.62	99.7683	1,106,265	(798,181)	-	Affiliate
	SinoPac Capital Limited	Hong Kong	Financial advisory	HK\$ 229,998	HK\$ 229,998	229,998	99.9991	898,128	(285,990)	-	Affiliate
	SinoPac Financial Consulting Co., Ltd.	Taipei	Investment advisory and business management advisory	\$ 1,940	\$ 1,940	194	97.00	2,255	80	-	Affiliate
SinoPac Bancorp	Far East National Bank	California	Commercial bank	US\$ 112,714	US\$ 112,714	180	100.00	5,964,254	572,714	-	Affiliate
	SinoPac Financial Service (USA) Ltd.	California	Securities brokerage	US\$ 25	US\$ 25	2.5	100.00	26,306	(15,197)	-	Affiliate
Far East National Bank	Far East Capital Corporation	California	Investment bank	US\$ 3,500	US\$ 3,500	350	100.00	54,815	2,997	-	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	547,418	(994,971)	-	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	199,639	18,712	-	Affiliate
	SinoPac Insurance Brokers Ltd.	Hong Kong	Insurance brokerage	HK\$ 300	HK\$ 300	100	100.00	1,280	1,131	-	Affiliate
	SinoPac (Hong Kong) Nominees Ltd.	Hong Kong	Custody securities	HK\$ 0.001	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	131,400	5,584	-	Affiliate
	Shanghai International Asset Management (Hong Kong) Co., Ltd.	Hong Kong	Asset management	HK\$ 10,000	HK\$ 10,000	4,800	60.00	37,071	11,040	-	Affiliate
	Pinnacle Investment Management Ltd. RSP Information Service Company Limited	Hong Kong Hong Kong	Asset management, trust and consulting General trading and providing internet - based service	US\$ 200 HK\$ 999.999	US\$ 200 HK\$ 999.999	200 1,000	100.00 100.00	6,570 4,212	136 (19)	- -	Affiliate Affiliate
SinoPac Venture Capital Co., Ltd.	Allstar Venture Ltd. (B.V.I.)	British Virgin Islands	Investment corporation	US\$ 5,462	-	0.002	100.00	179,417	350,437	-	-
	Telexpress	Cayman Islands, British West Indies	Investment corporation	US\$1,337,310	-	3,900	34.21	46,345	15,989	-	-
	Wal Tech International Corp.	Taipei	Leasing, international trading, and sale of machinery equipment	\$ 4,447	-	26,500	100.00	148,053	(6,688)	-	-

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2005			Net Income (Loss) of the Investee (Note 2)	Investment Gains (Loss) (Note 2)	Note
				December 31, 2005 (Note 1)	December 31, 2004 (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	7,197	62.58	\$ 78,701	\$ 527	\$ -	Affiliate
	Multiwin Asset Management Co., Ltd.	Taipei	Asset management	18,000	18,000	1,800	30.00	10,947	5,308	-	Investee under significant influence held by the Bank's affiliate
SinoPac Securities Corporation	SinoPac Futures Corporation	Taipei	Brokerage and dealing of futures contracts	1,107,881	1,107,881	98,215	98.21	1,330,025	157,263	-	Affiliate
	SinoPac Securities (Cayman) Holdings Ltd.	Cayman Islands, British West Indies	Stock holding	3,066,055	3,066,055	87,753	100.00	3,521,485	143,064	-	Affiliate
	SinoPac Capital Management Corporation	Taipei	Investment consulting	112,028	112,028	17,600	100.00	185,424	4,712	-	Affiliate
SinoPac Futures Corporation	SinoPac Managed Futures Co., Ltd.	Taipei	Futures Management	200,000	200,000	20,000	100.00	56,325	(6,971)	-	
SinoPac Securities (Cayman) Holdings Ltd.	SinoPac Securities (Europe) Ltd.	London, UK	European agent business	US\$ 3,353	US\$ 1,514	2,000	100.00	US\$ 2,210	US\$ (507)	-	Affiliate
	SinoPac Securities (Asia) Ltd.	Hong Kong	Hong Kong stock brokerage	US\$ 54,972	US\$ 54,972	45	100.00	US\$ 68,882	US\$ (357)	-	Affiliate
	SinoPac Futures (Asia) Ltd.	Hong Kong	Futures brokerage business	US\$ 1,205	US\$ 1,205	10,000	100.00	US\$ 2,329	US\$ (33)	-	Affiliate
	SinoPac Capital (Asia) Ltd.	Hong Kong	IPO underwriting business	US\$ 3,862	US\$ 3,862	30,000	100.00	US\$ 5,352	US\$ 542	-	Affiliate
	SinoPac Asset Management Corp. (B.V.I.)	British Virgin Islands	Securities brokerage, investment advisory, fund management and securities business	US\$ -	US\$ 16,000	-	-	-	US\$ 3,093	-	Affiliate (Note 3)
	SPS Asia Ltd.	British Virgin Islands	Derivatives instruments business	US\$ 744	US\$ 744	1	100.00	US\$ 41	US\$ (1)	-	Affiliate
	SinoPac Asset Management (Asia) Ltd.	Hong Kong	Asset management and investment consulting	US\$ 4,367	US\$ 4,367	10,000	100.00	US\$ 3,379	US\$ 289	-	Affiliate
SinoPac Asset Management Corp. (B.V.I.)	SinoPac Securities (U.S.A.) Ltd.	California	U.S.A. agent business	US\$ 1,848	US\$ 1,848	2	100.00	US\$ 156	US\$ (387)	-	Affiliate
	SinoPac Securities (H.K.) Limited	Hong Kong	Securities brokerage, investment advisory, fund management and security business	-	US\$ 256	-	-	-	US\$ (5)	-	Affiliate (Note 3)
	SinoPac Asia Limited	British Virgin Islands	Securities brokerage, investment advisory and consulting business	US\$ 6,000	US\$ 6,000	6,000	100.00	US\$ 17,941	US\$ 5,266	-	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\$ -	-	-	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\$ -	-	-	Affiliate
SinoPac Asset Management (Asia) Ltd.	SPS Asset Management Limited	British Virgin Islands	Asset management and investment consulting	HK\$ 39	HK\$ 39	5	100.00	HK\$ 5,025	HK\$ 3,543	-	Affiliate

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

Note 2: Foreign-currency amounts were 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 year ended December 31, 2005.

Note 3: As of December 31, 2005, both of SinoPac Asset Management Corp. (B.V.I.) and SinoPac Securities (H.K.) Limited had finished the dissolution process.