



ANNUAL REPORT 2004

E.SUN FHC 2884



玉山金控 E.SUN FHC

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玉山金控 E.SUN FHC



E.SUN of Taiwan, as E.SUN of the World.

### Service Network of E.SUN FHC

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Head Office Business Division	(02)2719-1313	Banchiao Branch	(02)2963-1313	East Chiayi Branch	(05)216-1313
International Banking Division/OBU	(02)2175-1313	Banhsin Branch	(02)8952-1313	Chiali Branch	(06)721-1313
Trust Division	(02)2361-1313	Haishan Branch	(02)2256-1313	Tainan Branch	(06)241-1313
Credit Card Division	(02)2388-1313	Sanchung Branch	(02)2280-1313	Dongtainan Branch	(06)289-1313
Nanching East Road Branch	(02)2760-1313	Chunghsin Branch	(02)2984-1313	Yungkang Branch	(06)201-1313
Chenghong Branch	(02)2389-1313	Er-Chong Branch	(02)2278-1313	Kaohsiung Branch	(07)336-1313
Chengtung Branch	(02)2504-1313	Tucheng Branch	(02)2274-1313	Cianjhen Branch	(07)761-1313
Hsinyi Branch	(02)2378-1313	Shulin Branch	(02)8675-1313	Chihsien Branch	(07)235-1313
Tienmu Branch	(02)2835-1313	Hueilong Branch	(02)2689-1313	North Kaohsiung Branch	(07)350-1313
Minsheng Branch	(02)2509-1313	Wugu Branch	(02)2290-1313	Dashun Branch	(07)727-1313
Fuhsing Branch	(02)2771-1313	Sindian Branch	(02)2916-1313	Zuoying Branch	(07)587-1313
Tunnan Branch	(02)2754-1313	Beisin Branch	(02)8911-1313	Nanzih Branch	(07)364-1313
Changchun Branch	(02)2546-1313	Taoyuan Branch	(03)332-1313	Lingyat Branch	(07)716-1313
Chungshan Branch	(02)2537-1313	Linkou Branch	(03)396-1313	Sanmin Branch	(07)315-1313
Neihu Branch	(02)2659-1313	Nankan Branch	(03)352-1313	Dachang Branch	(07)341-1313
North Tienmu Branch	(02)2877-1313	Bade Branch	(03)367-1313	Chengcing Branch	(07)386-1313
Songshan Branch	(02)3765-1313	Jhongli Branch	(03)427-1313	Siaogang Branch	(07)807-1313
Heping Branch	(02)2362-1313	Lisin Branch	(03)492-1313	Jhendong Branch	(07)715-0943
Mincyuan Branch	(02)2568-1313	Yangmei Branch	(03)488-1313	Fongshan Branch	(07)743-1313
Jhonglun Branch	(02)2577-1313	Hsinchu Branch	(03)523-1313	Gangshan Branch	(07)621-1313
Daan Branch	(02)2755-1313	Guanghua Branch	(03)533-1313	Linyuan Branch	(07)643-1313
Guting Branch	(02)2364-1313	Jhanan Branch	(037)46-1313	Houhuang Branch	(07)701-2030
Beitou Branch	(02)2895-1313	Fengyuan Branch	(04)2512-1313	Pingtung Branch	(08)733-1313
Dong-Hu Branch	(02)2632-1313	Taichung Branch	(04)2291-1313	Chaozhou Branch	(08)786-1313
Hsinchuang Branch	(02)2202-1313	Dadun Branch	(04)2320-1313	Donggang Branch	(08)835-1313
North Hsinchuang Branch	(02)2997-1313	Dali Branch	(04)2485-1313	Neipu Branch	(08)778-1313
Shwangho Branch	(02)2923-1313	Daya Branch	(04)2568-1313	Keelung Branch	(02)2427-1313
Yungho Branch	(02)2949-1313	Changhua Branch	(04)728-1313	Luodong Branch	(03)957-1313
Fu-Hei Branch	(02)8923-1313	Nantun Branch	(04)2380-1313	Penghu Branch	(06)927-1313
Jhonghe Branch	(02)2222-1313	Douliou Branch	(05)532-1313	Los Angeles Branch	1-626-810-2400
Liancheng Branch	(02)8228-1313	Chiayi Branch	(05)223-1313	Hong Kong Branch	852-3405-6168

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#### Deputy Spokesman

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#### E.SUN Financial Holding Company, Ltd and subsidiaries

Name	Address	Telephone	Website
E.SUN Financial Holding Company, Ltd.	14F, No.117, Sec. 3, Minsheng E. Rd., Taipei, Taiwan	02 2175-1313	www.esunfhc.com.tw
E.SUN Commercial Bank, Ltd.	No.115, Sec. 3, Minsheng E. Rd., Taipei, Taiwan	02 2719-1313	www.esunbank.com.tw
E.SUN Bills Finance Corp.	5F, No.115, Sec. 3, Minsheng E. Rd., Taipei, Taiwan	02 2719-8813	www.esunbills.com.tw
E.SUN Securities Co., Ltd.	4F& 5F, No.77, Sec. 1, Wuchang St., Taipei, Taiwan	02 2370-9913	www.esunsec.com.tw
E.SUN Securities Investment Trust Co., Ltd.	8F, No.85, Yenping S. Rd., Taipei, Taiwan	02 2388-6613	www.esunfund.com.tw
E.SUN Insurance Brokers Co., Ltd.	13F, No.5, Yung-Sui St., Taipei, Taiwan	02 2381-5013	www.esunins.com.tw
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#### Auditing Certified Public Account

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#### Information of Overseas Depository Receipt

Global Depository Receipt  
 Place of Trading: Luxembourg Stock Exchange  
 Website http://www.bourse.lu

#### E.SUN Securities Co., Ltd.

Headquarters	(02)2370-9913
Brokerage HQ	(02)2713-1313
Downtown Branch	(02)2311-1541
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Sungjiang Branch	(02)2571-8999
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Hsinchuang Branch	(02)2998-1313
Tucheng Branch	(02)2265-1313
Chiayi Branch	(05)227-6041
Tanan Branch	(06)269-9913
Kaohsiung Branch	(07)346-1313

#### E.SUN Bills Finance Corp.

Headquarters	(02)2719-8813
Panchiao Branch	(02)2272-7313
Taoyuan Branch	(03)357-1313
Taichung Branch	(04)2329-1313
Kaohsiung Branch	(07)397-1313

#### E.SUN Securities Investment Trust Co., Ltd.

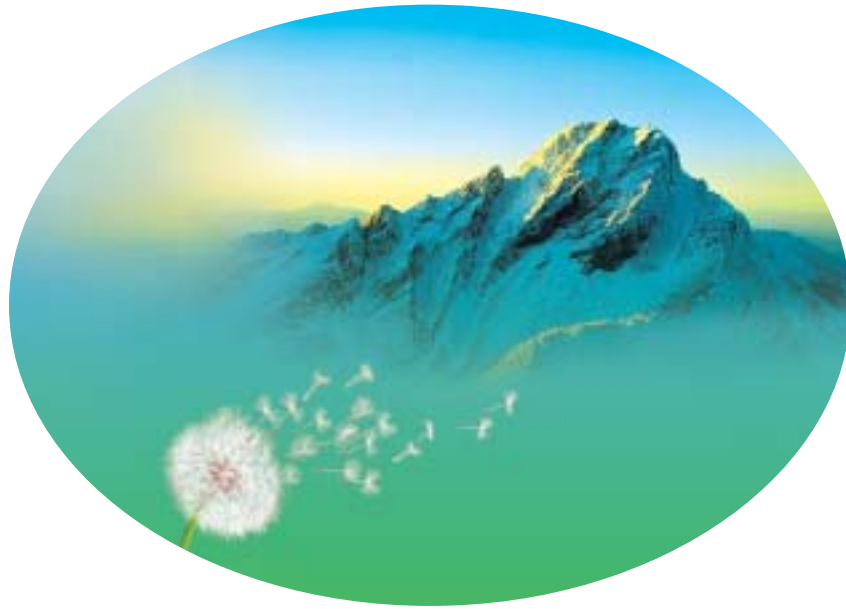
Headquarters	(02)2388-6613
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#### E.SUN Insurance Brokers Co., Ltd.

Headquarters	(02)2381-5013
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#### E.SUN Venture Capital Co., Ltd.

Headquarters	(02)2175-1313
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Changing is for further growth, growth is to realize more dream.

Three Years Determines One's Life.

E.SUN FHC's First Three Years

Demonstrating E.SUN's 13 Years of commitment and determination.

Changing is for further growth, growth is to realize more dream.

We devote ourself to lead E.SUN to be the best performing and most respected enterprise.

**E.SUN FHC 3rd**



Soaring, Let Our Dreams Take Flight !

Aman  
Soaring  
82 x 38 x 21.5 cm  
Copper 1984  
E.SUN Commercial Bank Collection

# CONTENTS

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<b>I. Letter to the Shareholders</b>	<b>1</b>
<b>II. Corporate Profile</b>	<b>3</b>
1. Company Introduction	4
2. Organization Chart	7
3. Directors and Supervisors	8
4. Executive Officers	11
5. Capital Structure	13
<b>III. Business Operations</b>	<b>19</b>
1. Business Scope and Operational Plans	20
2. Synergy from Integration and Cross-selling	28
3. Information Facilities	28
4. Corporate Responsibilities	29
5. An Overview on Markets and Business Performance	30
6. Human Resource	36
7. Labor-Management Relationship	38
8. Invested Company	38
9. Risk Management	42
<b>IV. Funds Utilization Plans</b>	<b>49</b>
1. Funds Utilization Plans	50
2. Disposal or Acquisition of Real Estate or Long-Term Investment Plan in 2004	50
3. Corporate Bond, Overseas Depositary Receipts and Employee Share Subscription	51
<b>V. Special Items</b>	<b>53</b>
1. Information related to the company's affiliates	54
2. Internal control declaration	57
3. Improvements for Major Imperfect cases, those Against the Law and Imposed Punishment in the past two years	57
4. Important Contact and Resolutions	57
<b>VI. Corporate Governance</b>	<b>58</b>
<b>VII. Financial Statements</b>	<b>59</b>

# I. LETTER TO THE SHAREHOLDERS

Respected Shareholders:

Taiwan's economy got back on track in 2004 thanks to a recovery in the global economy. The banking market, however, faced new challenges due to the government's implementation of a second round of banking reforms and the Central Bank of China's move in the fourth quarter to amend its monetary policy from "loose" to "neutral." In light of these changes, E.SUN FHC continued to exhibit stable operations. It helped its subsidiaries expand their scale and become more competitive, creating value for customers and enterprises.

E.SUN continued to shine in 2004 despite the rapid changes in the environment and heated competition in the banking services sector. In February, E.SUN entered into a strategic alliance with Britain's financial services giant Prudential Plc., opening a new page in providing banking and insurance services. In September, the Company acquired Kaohsiung Business Bank, marking an important step in banking reform on Taiwan.

E.SUN FHC was rated by Moody's Investor Service as Baa3 in December 2004. Our core subsidiary, E.SUN Commercial Bank, which was established 13 years ago, continuously working to improve the level of banking service on Taiwan, and is the only bank to have won the National Quality Award. E.SUN's pledge of quality and professional operations has won the bank an outstanding reputation. In addition, it maintains low NPL level of commercial banks in Taiwan. In terms of credit rating, E.SUN Bank has a Moody's credit rating of Baa2/p-3 and Taiwan Ratings upgraded its long term rating from twA to twA+, confirmed short term rating as twA-1 and stable outlook on December 22, 2004; E.SUN Bills Finance Corp. has also put in a stellar performance over the years. Its outstanding asset quality, risk control and performance has enabled the firm's rating to be raised by Taiwan Ratings Corp. three times in the past three years, now standing at twA-/twA-2. E.SUN Securities Co. Ltd. combines the well-known E.SUN brand name with the development of new financial products to differentiate itself from counterparts and to give it a



competitive advantage. With solid support of E.SUN FHC's loyal customer base and service network, it has expanded business range and scale gradually and was also upgraded its long term credit rating to A-(twn) by Fitch Ratings on April 14, 2005; E.SUN Venture Capital Co. Ltd. carries out investment bank-related activities, raising its performance via the integration of resources, markets, expertise, R&D and capital. E.SUN Insurance Brokers Co. Ltd. provides various customer groups with a comprehensive range of insurance planning and risk planning products and services. E.SUN Securities Investment Trust Co. Ltd. provides customers with investment planning information that achieves a balance between risk and return. It also is working to develop opportunities in the asset management market.

The operational tenets, corporate culture, human resources, and information and management systems of these subsidiaries originate back to E.SUN Commercial Bank. With risk considerations forefront, all subsidiaries seek to develop in a setting in which they fully comply with all laws and regulations. Cross-selling among the subsidiaries is creating an operational synergy. In September 2004, Kaohsiung Business Bank was fully integrated into E.SUN within three months, winning praise among authorities and counterparts. With the successful acquisition of the bank, E.SUN Commercial Bank expanded its number of local and overseas branches to 116, largely raising the bank's competitiveness in corporate banking, consumer banking and wealth management. The acquisition has enabled E.SUN to further extend

brandname name, enabling the bank to realize a high level of growth.

Organizational reform is continuously carried out at all subsidiaries. In the area of banking services, efforts are made to continually offer new products, enter into strategic alliances and carry out cross-selling and marketing in the five core product lines of corporate banking, consumer banking, wealth management, treasury business, and credit cards. A strategic alliance has been inked with Prudential Plc. in the area of wealth management, helping to introduce professional management techniques and expertise in Taiwan and providing customers with more comprehensive and effective products. VIP wealth management flagship centers also help strengthen the development of the bancassurance operations. The combination of E.SUN's outstanding brand name and services with the international experience and insurance sales acumen of Europe's largest insurer in Prudential will undoubtedly open a new page for E.SUN in the area of bancassurance and raise value for customers.

E.SUN continues to be a leader among its counterparts in its operations and asset quality. At the end of December 2004, its overdue loan ratio was 0.88%, the lowest among all commercial banks in Taiwan, while its loans under surveillance ratio was 0.28%, combining to form a broad-based NPL assets ratio of 1.16%. In 2004, the Company registered pre-tax profits of NT\$4.723 billion. Consolidating the operations of all subsidiaries, operating income stood at NT\$20.1 billion, operating expense at NT\$12.9 billion, pre-tax profit at NT\$5.981 billion, and net profit at NT\$4.836 billion, translating to earnings per share of NT\$1.94 (prior to goodwill amortisation associated with Kaohsiung Business Bank, net profit stood at NT\$6.106 billion and earnings per share at NT\$2.45). The Company's ROA was 1.20% and ROE was 13.99%.

The Company will continue to work in line with government policy to aid in the development of



SME and provide a supply chain of integrated financing services to enterprises. It will also further promote e-based banking services and carry out its corporate internet banking services platform using the strictest safety mechanisms. In the area of consumer banking, the Company will work to effectively manage risk to create the greatest value and develop consumer banking products that meet the needs of customers. In terms of wealth management, the Company will seek to serve even more VIP customers by providing customer-oriented products that satisfy the needs of those customers. It will provide financial consulting services tailored to the individual to help satisfy the diverse array of finance and investment needs among clients. In finance and treasury banking, the Company will strengthen the core competitiveness of all subsidiaries and utilize financial resources and market information to develop new banking products to boost financial trading performance. As for risk management, the Company will continue to abide by the policy that safety and liquidity take precedence, with profitability being secondary and growth following. Risk management systems will continue to play an important role in managing risk. In sum, the manpower and resources of all subsidiaries will be concentrated to create a cross-selling network, helping to raise the Company's competitiveness and enabling E.SUN FHC to become the best performing and most respected enterprise.

Once again, thank you for your support and I wish you all the best !

Chairman

President

## II. CORPORATE PROFILE



Realizing More Dreams !



# 1. Company Introduction



Creating a Winning Combination for Company, Customers and Society.

The creation of financial holding companies opened a new page and fresh opportunities for the financial services industry. It also changed the competitive stance of the industry. E.SUN Financial Holding Company Ltd. was born on January 28, 2002 in a move to integrate E.SUN's businesses, products and development, as well as to reduce operating costs and pursue operational synergy. E.SUN Commercial Bank is the center of the financial holding company. Together with other pillars such as E.SUN Bills Finance and E.SUN Securities, E.SUN FHC now includes subsidiaries in the fields of banking, bills, securities, venture capital, insurance broking, and investment trust. In December 2004, Moody's rated E.SUN FHC Baa2/p-3 and Taiwan Ratings assigned ratings of twA+/twA-1, with a stable outlook.

Over the years, the Company has focused on building sound systems, cultivating outstanding human resources, and developing excellent information capability. Together with an eye on furthering service quality and efforts to increase risk management, it is hoped that the Company will serve as a model in the local banking industry. The Company effectively identifies trends and has amended its traditional concept of operations and services, with its center-based working to integrate the regional service network and provide logistical support. The Company has strengthened its division of human capital to further boost operational quality and efficiency. Cooperation between sales/marketing and logistics units has helped the Company's overall ability to compete.

In another important move after it purchased a building for its corporate headquarters, E.SUN Commercial Bank, the core company of E.SUN FHC, entered into a strategic alliance with Britain's Prudential Plc to jointly develop bancassurance operations and raise customer value in February 2004. In May, MSCI announced the inclusion of E.SUN FHC as a constituent stock in its Taiwan stock index, bringing the Company greater visibility in the international capital market. At the end of May, the Bank successfully bid to acquire the assets, liabilities and operations (except for trust business) of Kaohsiung Business Bank. This was the first successful auction of a financial institution since Taiwan instituted its RTC mechanism. The bidding and acquisition procedure continues to provide a model for



It takes 10 years to grow a tree, but a century to cultivate a person. To hold the leading position, Information and Innovation are the keys.

study. With the acquisition of KBB, the Bank has expanded its domestic service network, with its market share now at 3.6%, which places it the fifth position domestically, excluding that of banks in which the government has major stakes. Including its branches in Los Angeles and Hong Kong, the Bank has 116 branches to provide customers with comprehensive services. In July, the Bank opened its new E.SUN Learning & Development center, which will serve as the cradle for the Bank's talent and future information development. In November, a training program instituted by the Bank to middle level staffs won acclaim from the Taiwan Academy of Banking and Finance.

Subsidiary E.SUN Bills Finance Corp. is working on becoming the model for companies in the bills finance industry. In addition to its headquarters, the company has branches in Kaohsiung, Taichung, Taoyuan and Panchiao. It is participating in a variety of new operations, such as initiating dealing operations on government bonds. The company has also been approved as a trader of central government bonds and corporates bonds, and is also a debentures broker and has dealing operations. This wide range of operations provides customers with a diversified array of outstanding services. The strong asset quality and risk control measures of the company, along with its outstanding performance, garnered it ratings of twA- and twA-2 from Taiwan Ratings at the end of 2004. This was the third consecutive year that the company's ratings were raised. The company's ratings are now the highest of all industry counterparts.

Subsidiary E.SUN Securities Co. Ltd. has completed an Internet and voice platform under which customers can trade equities. The firm has added a branch in Tainan to serve investors in that community. E.SUN Securities has also set up marketing counters in E.SUN Commercial Bank branches to broaden the relationship with existing customers and cultivate new clients. In addition to seeking fixed returns in its bond operations, the Company continues to develop bond-style derivatives products and is working to further train its employees. The Company has upgraded the importance of its futures operations within the company's structure and is looking to expand its operations. As for underwriting, E.SUN's highly experienced team works to combine the resources of E.SUN FHC units in underwriting and corporate finance operations. The Company is developing new products, training employees, and creating new platforms. It already has a solid foundation in risk management and has successfully issued warrants. E.SUN Securities has also received approval to issue structured products. Meanwhile, the R&D team is playing an increasingly important role in dealing operations, while the dealing division is strengthening its cooperation with E.SUN Investment Consulting. It is expected that internal and external resources will be better utilized to create an even better performance for the Company.



This is an Honor, Also a Responsibility.



Celebrating E.SUN FHC's Third Birthday, E.SUN Bank's 13th Birthday.



Successfully Acquired and Integrated Kaohsiung Business Bank, Expanding Service Network.

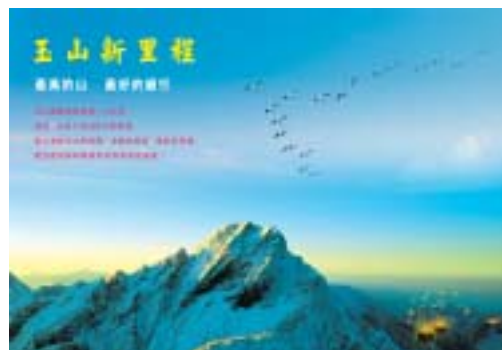
Subsidiary E.SUN Securities Investment Trust Co. Ltd. presently operates six funds under its banner. The funds are sold throughout E.SUN subsidiary companies all around Taiwan. The firm, which has been in operation for three years, already has NT\$40 billion of funds under management and looks to continue to further boost service and raise its market share.

Subsidiary E.SUN Venture Capital Co. Ltd. is pushing ahead with investment bank-related operations. The firm combines the resources of E.SUN FHC companies and provides comprehensive banking services to corporates, including investment in new enterprises, assisting in operations management, capital planning, assistance in underwriting, strategic alliances, and mergers and acquisitions. E.SUN Venture Capital intends to further strengthen its understanding of future trends in order to serve as important player in arranging capital, expertise and manpower.

Subsidiary E.SUN Insurance Brokers Co., Ltd. offers a complete range of financial products to satisfy the diversified needs of customers. It designs financial products with insurance companies under the E.SUN name, providing customers with a unique range of possibilities. It has established an insurance tax consultancy to provide customers with customized financial services. It has also developed telephone and Internet marketing and sales operations, creating even more avenues for personal finance management.

Over the past 13 years, E.SUN has created a solid foundation step by step, establishing sound systems, cultivating outstantly human resource and developing excellent information capability. The Company is dedicated to providing the best possible service in order to win the loyalty of its customers and to create a top-quality brand name. E.SUN's priority is to be the best at what it does and then seek to carry out growth. The commitment to excellence has enabled the bank to win the National Quality Award. However, the Company is not content to rest on its achievements, intending to work even harder in an effort to pursue excellence. In addition, the E.SUN Volunteer Foundation works under the spirit that a little love and compassion can have a domino effect. The Foundation encourages people to donate funds, efforts or time in an effort to make a contribution to Taiwan.

All subsidiaries of E.SUN FHC share a common goal of being models within the financial community and to set the benchmark in the service sector. The Company seeks to provide customers with the most appropriate products and services, hoping that its efforts will attract lifelong customers. E.SUN is looking to continue to build on its foundation in Taiwan and further its efforts in the international arena, creating even more accomplishments and glory for the Company.



Change Seeks to Promote Growth, Growth Aims to Realize More Dreams.

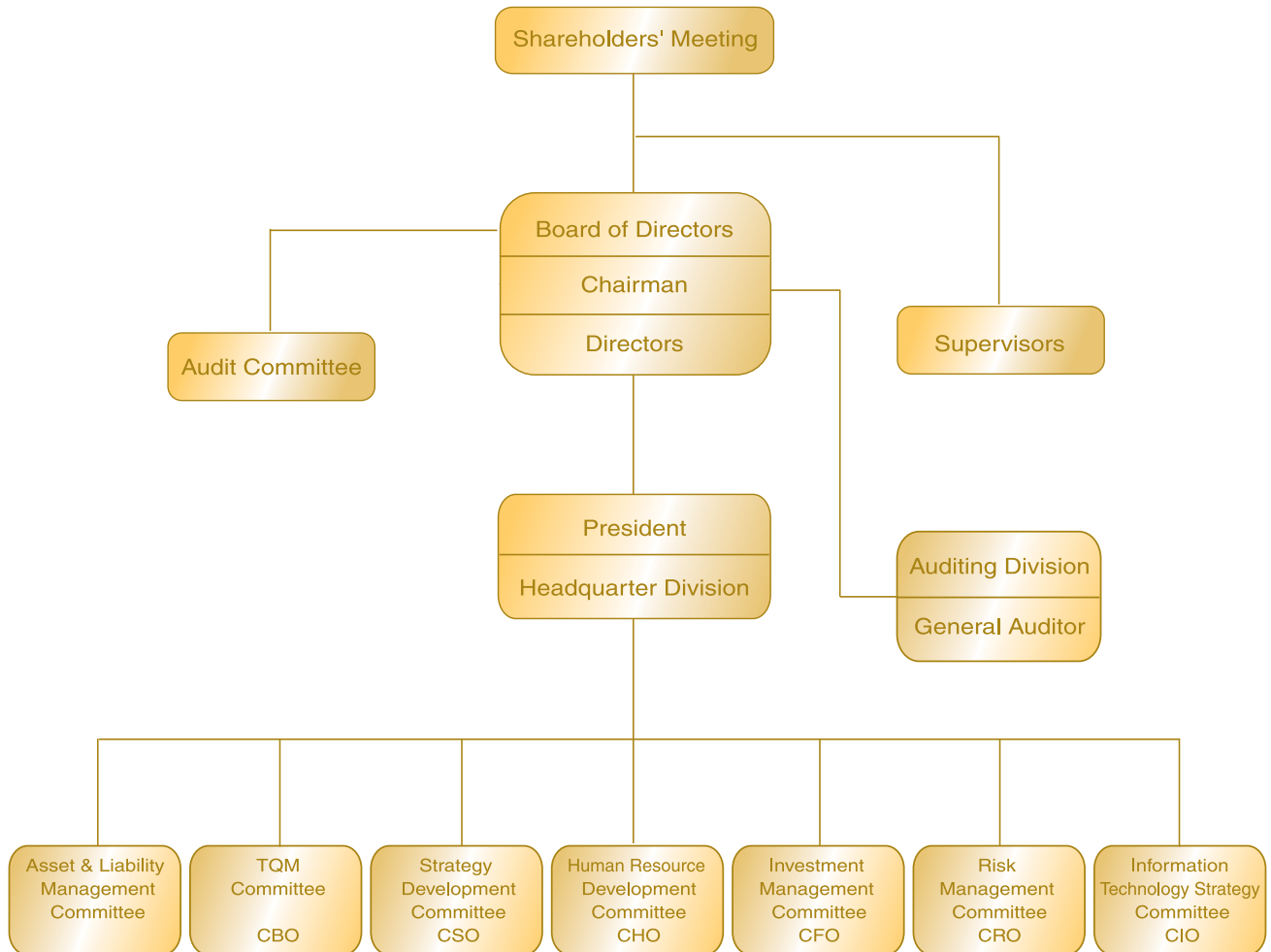


The E.SUN Choir, Whose Voices Sing of E.SUN's Growth.



E.SUN Is Already on the Way to Realizing Its Dreams.

## 2. Organization Chart



### Duties of Major Departments

- (1) Headquarter Division: Following the instruction of Chairman and President, Headquarter Division is responsible for the communication, coordination and management among committees and subsidiaries, as well as handling the relevant issues of Company's overall strategy, finance and accounting, general affairs and shareholders' service issues.
- (2) Auditing division: Auditing division is directly subjected to the Board of directors. The functions of the division include, implementation of the Company and subsidiaries' internal control and audit system, auditing business operation, finance, accounting and contracts, and supervising the review of relevant issues of internal control.
- (3) Asset & liability management committee: The functions of the Committee include allocating asset and liability, establishing the limitation of risk exposure, assessing and tracking the financial management and efficiency of each subsidiaries, and reviewing other relevant major asset and liability management issues.
- (4) Total quality management committee (TQM): The functions of the Committee include setting up of quality management policy; conducting and coordinating the strategy and object of quality management among subsidiaries; planning, organizing and coordinating the construction and operation of TQM system; promoting and helping each subsidiaries' quality management activities; and assessing the quality management performance of each subsidiaries and other material decision.
- (5) Strategy development committee: The functions of the Committee include planning short, medium and long term strategy development and overall target, operational structure of organization, innovation and development strategy of financial products, marketing strategy, announcing and promoting various strategy development plans, and planning of other material strategy development issues.
- (6) Human resource development committee: The functions of the Committee include employees selection, employment, assignment, transfer system, training system, salary and bonus policy, promotion and evaluation system, system of rewards and penalties, welfare, insurance, vocation, business trip system and review of other relevant issues regarding human resource, as well as is also in charge of constructing harmonious relationship among employees, employees' pleading and satisfaction investigation.
- (7) Investment management committee: The functions of the Committee include reviewing and analyzing investment business as well as measures to be taken to response, reviewing investment portfolio, supervising and inspecting the investment portfolio of each subsidiaries and its efficiency analysis, as well as other material investment management issues.
- (8) Risk management committee: The functions of the Committee include risk management, risk measurement, risk supervision, reviewing risk management, implementation, risk exposure, risk decision of each risk unit, compliance with risk management policies, and promoting risk management culture.
- (9) Information technology strategy committee: The functions of the Committee include promoting IT system integration, various utilization strategy of information resources, reviewing the material investment plan in information technology, reviewing and tracking business application ideas and the improvement of operating system, as well as instruction of new technology information.

# 3. Directors and Supervisors

## (1) Directors and Supervisors



The pursuit of corporate governance by introducing independent directors

2005.3.31 Unit:1,000 shares ; %

Position	Name	Date of Election	Term	Date of First Election	Shareholding when elected		2004.12.31 shareholdings		Shareholdings of the spouse and minors		shareholdings through others' name		Education (Experience)	Current position with other company	Section chiefs, directors or supervisors are spouse or within the 2nd degree of consanguinity of each		
					Shares	Shareholdings	Shares	Shareholdings	Shares	Shareholdings	Shares	Shareholdings			Position	Name	Relation
Chairman	Yung-Jen Huang	2001.12.10	3 years	2001.12.10	6,701	0.293	7,473	0.255	1,712	0.058	-	-	Department of Cooperative Economics at National Chung Hsing University	Chairman of E.SUN Bank	SEVP	Joe Huang	Brothers
Director	Representative of E.SUN Foundation Yung-Hsing Hou	2001.12.10	3 years	2001.12.10	4,850	0.212	6,475	0.221	884	0.030	-	-	Department of Business Administration at National Taiwan University	President of E.SUN Bank & E.SUN FHC	None	None	None
Director	Representative of Fulllead Investment Co., Ltd. Tai-Chi Lee	2001.12.10	3 years	2001.12.10	15,155	0.662	7,592	0.259	0	0	-	-	Department of Business Administration at Fu Jen Catholic University	Chairman of Tidshold development Co., Ltd.	None	None	None
Director	Representative of Hsin Tung Yang Co., Ltd. Jackson Mai	2001.12.10	3 years	2001.12.10	27,430	1.198	27,044	0.923	113	0.004	-	-	Kai-Nan Commercial & Technical High School	Chairman of Hsin Tung Yang Co., Ltd.	None	None	None
Director	Representative of Altcan Investment Co., Ltd. Chiun-Hsung Hunag	2001.12.10	3 years	2001.12.10	24,118	1.053	42,444	1.448	0	0	-	-	Department of Accounting at FENG CHIA University	CPA	None	None	None
Director	Representative of Shang Chun Investment Co., Ltd. Fei-Long Tsai	2001.12.10	3 years	2001.12.10	5,490	0.240	6,690	0.228	630	0.022	-	-	Department of Political Science at Soochow University, 34 years in Financial Industry		None	None	None
Director	Representative of Hsing Ta Cement Co., Ltd. S.C. Shue	2001.12.10	3 years	2001.12.10	8,383	0.366	9,328	0.318	102	0.003	-	-	Department of Accounting and Statistics at National Chung Hsing University 37 years in Financial Industry		None	None	None
Director	Representative of Shan Meng Investment Co., Ltd. Bor-I Huang	2001.12.10	3 years	2001.12.10	4,244	0.185	7,759	0.265	0	0	-	-	PhD of Economics at National Chung Hsing University	Chief of College of Management at Shih Chien University	None	None	None
Director	Chou-Tsai Lin	2001.12.10	3 years	2001.12.10	17,742	0.775	17,528	0.598	0	0	-	-	Tamkang Junior College of English	Chairman of Fu Yu Co., Ltd.	None	None	None
Director	Cheng - Pin Lee	2004.06.11	3 years	2004.06.11	8,469	0.370	8,744	0.298	0	0	-	-	Master Degree at San Francisco State University	Chairman of Jia - Teng Co., Ltd. and Sing - Nan Co., Ltd.	None	None	None
Director	Representive of Ron - Yuan Investment Co., Ltd. Ron - Chu Chen	2004.06.11	3 years	2004.06.11	32,000	1.397	33,042	1.127	0	0	-	-	Chu-nan Junior High school	Chairman of Nien Hsing textile co., Ltd.	None	None	None
Independent Director	Chen-En Ko	2004.06.11	3 years	2004.06.11	0	0	0	0	0	0	-	-	PhD of Department of Accounting at University of Minnesota	Professor of accounting dept of National Taiwan University	None	None	None
Supervisor	Representative of Hsin Kao Shan Investment Co., Ltd. Chuan-Hsing Huang	2001.12.10	3 years	2001.12.10	7,862	0.343	8,768	0.299	0	0	-	-	Master of Department of Economics at National Chengchi University	Associate Professor in the Department of Finance and Banking of Altheis University	None	None	None
Supervisor	Representative of Shi Yang Construction Co., Ltd. Chu-Tai Yuan	2001.12.10	3 years	2001.12.10	2,439	0.107	2,720	0.093	697	0.024	-	-	Department of Economics at National Taiwan University 41 years in Financial Industry	Resident supervisor at E.SUN Bank	None	None	None
Supervisor	Representative of Ming Chuan Co., Ltd. Yu-Chen Yang	2001.12.10	3 years	2001.12.10	3,363	0.147	3,751	0.128	180	0.006	-	-	The Department of Accountancy at National CHENG KUNG University	CPA	None	None	None

## (2) Major shareholders of the Institutional Shareholders

Name of Major Institutional Shareholders	Major shareholders of the Institutional Shareholders
Hsin Tung Yang Co., Ltd.	Jackson Mai, Shih- Lai Mai
Fulllead Investment Co., Ltd.	Tai-Chi Lee, Tai-Sian Lee, Tai-Hsiung Lee
Allcan Investment Co., Ltd.	Virgin Islands (UK.) All Can International Investment Ltd, Virgin Island (UK.) Comewell Asset Management Company
Shang Chun Investment Co., Ltd.	Song Lin Investment Co., Ltd.
Hsing Ta Cement Co., Ltd.	Tang-Hai Yang
Shan Meng Investment Co., Ltd.	Shu-Huei Fu
Ron - Yuan Investment Co., Ltd.	Chia Tien Sha Investment Co., Ltd.
Hsin Kao Shan Investment Co., Ltd.	Hong-Mei Ye, Jian-Yi Fu, Kun-Ming Sie, Shu-Huei Fu
Shi Yang Construction Co., Ltd.	Hsin Tung Yang Housing Broker Co., Ltd.
Ming Chuan Co., Ltd.	Shao-Hua Su, Jiang-Jhou Jhang, Shu-Fen Huang, Chen-Yan Guo

Note 1: If the directors and supervisors represent institutional shareholders, please listed the name of the institutional shareholders.

Note 2: Please filled the name of the major shareholders(shareholding exceeds 10% of the total share amount or the top 10 shareholders by shareholding ratio) of the institutional shareholder. And if the major shareholders are institutional investors, please fill out the form(3) below.

## (3) Major shareholders of the Institutional Shareholders of E.SUN's Institutional Shareholders

Name of Major Institutional Shareholders	Major shareholders of the Institutional Shareholders
Song Lin Investment Co., Ltd.	Shao San International Investment Co., Ltd., Jhih-Yi Wang
Chia Tien Sha Investment Co., Ltd.	Wei Han Investment Co., Ltd.
Hsin Tung Yang Housing Broker Co., Ltd.	Jackson Mai, Cheng Yang Investment Co., Ltd. Guo-Tu Sie, Sie-Jhih Liou
Virgin Islands (UK.) All Can International Investment Ltd.,	Huang Po Chung
Virgin Island (UK.) Comewell Asset Management Company	Comewell Holding Co., Ltd.

Note 1: If the major shareholders listed in the form(2) above are institutional investors, please fill in the name of the major shareholders.

Note 2: Please filled the name of the major shareholders(shareholding exceeds 10% of the total share amount or the top 10 shareholders by shareholding ratio) of the major institutional shareholder of E.SUN Financial Holding Company, Ltd.

(4) Equity transfers and equity pledges during the preceding fiscal year, involving equity interests belonging to directors, supervisors, and shareholders with a stake of 10 percent or more in the company

2005.3.31 Unit:1,000shares ; %

Position	Name	2004		2005.3.31	
		Shareholdings increase(decrease)	Share Pledges increase(decrease)	Shareholdings increase(decrease)	Share Pledges increase(decrease)
Chairman	Yung-Jen Huang	236	0	0	0
Director	E.SUN Foundation	1,137	0	0	0
Director	Fullead Investment Co., Ltd.	13	(1,290)	0	1,000
Director	Hsin Tung Yang Co., Ltd.	853	0	0	0
Director	Allcan Investment Co., Ltd.	11,725	4240	3,427	6,600
Director	Shang Chun Investment Co., Ltd.	211	0	0	0
Director	Hsing Ta Cement Co., Ltd.	295	0	0	0
Director	Shan Meng Investment Co., Ltd.	2,975	5,100	0	0
Director	Chou-Tsai Lin	(469)	8,600	(170)	0
Director	Cheng - Pin Lee	275	0	0	0
Director	Ron - Yuan Investment Co., Ltd.	1,042	0	22,700	7,300
Independent Director	Chen-En Ko	0	0	0	0
Supervisor	Hsin Kao Shan Investment Co., Ltd.	277	1,100	0	0
Supervisor	Shi Yang Construction Co., Ltd.	86	0	0	0
Supervisor	Ming Chuan Co., Ltd.	118	(1,000)	0	0

(5) Background of Directors and Supervisors

Terms Name	At least five-year experience in the field of business, law, finance, or job-related competence.	Not a Director, Supervisor, or employee of E. SUN's employee or affiliates.	Not a shareholder who holds over 1% of the issued stock directly or indirectly nor on the top-ten shareholder list.	Not the spouse or the 2nd cousin of the individuals who are listed in the last two columns.	Not the Director, Supervisor, or employee of the institutional shareholders that hold over 5% stock issued of E. SUN directly or indirectly and/or not a Director, Supervisor, or employee of the top-five institutional shareholders of E. SUN.	Not a Director, Supervisor, employee, or shareholder with over 5% shareholdings of a company or institute that has business or financial contact with E. SUN.	Not the business owner, partner, Director (Executive), Supervisor (Member), manager, or spouse of the professionals, proprietorship, partnership, company, or institute that provides finance, business, legal service & consulting to E.SUN and/or E.SUN's related party within one year.	Note
Chairman Yung-Jen Huang	✓		✓	✓	✓	✓	✓	
Director Yung-Hsung Hou	✓		✓	✓	✓	✓	✓	
Director Tai-Chi Lee	✓		✓	✓	✓	✓	✓	
Director Jackson Mai	✓		✓	✓	✓	✓	✓	
Director Chiu-Hsung Hunag	✓		✓	✓		✓	✓	
Director Jaw-Hwang Shy	✓		✓	✓	✓	✓	✓	
Director S.C. Shue	✓		✓	✓	✓	✓	✓	
Director Bor-I Huang	✓	✓	✓	✓	✓	✓	✓	
Director Chou-Tsai Lin	✓		✓	✓	✓	✓	✓	
Director Cheng - Pin Lee	✓		✓	✓	✓	✓	✓	
Director Ron - Chu Chen	✓	✓	✓	✓	✓	✓	✓	
Independent director Chen-En Ko	✓	✓	✓	✓	✓	✓	✓	
Supervisor Chuan-Hsing Huang	✓		✓	✓	✓	✓	✓	
Supervisor Chu-Tai Yuan	✓		✓	✓	✓	✓	✓	
Supervisor Yu-Chen Yang	✓		✓	✓	✓	✓	✓	

## 4. Executive Officers



Leading the team in the right direction

### (1) Executive Officers

2005.3.31 Unit:1,000shares ; %

Position	Name	Inauguration date	Shareholdings 2004.12.31		Shareholdings of spouse and minors 2004.12.31		Education (experience)	Current position with other company
			Shares	Shareholdings	Shares	Shareholdings		
President	Yung-Hsung Hou	2002.1.28	1,177	0.040%	884	0.030%	Department of Business Administration at National Taiwan University, 41 years in Financial Industry	President of ESUN Bank
Deputy President	Jiaw-Hwang Shy	2002.1.28	771	0.026%	175	0.006%	Department of Business Administration at National Chung Hsing University, 32 years in Financial Industry	Chairman of ESUN SITC
Deputy President Chief Brand Officer	Wu-Lin Duh	2002.1.28	2,255	0.077%	399	0.014%	Studying at EMBA of National Cheng Kung University, 33 years in Financial Industry	Deputy President of ESUN Bank
Chief Risk Officer, Chief Information Officer	Heng-Hwa Yang	2002.1.28	1,691	0.058%	280	0.010%	EMBA of Department of Information Management at National Taiwan University, 29 years in Financial Industry	SEVP, Information System Division of ESUN Bank
Senior Executive Vice President	Tung- Long Kuo	2004.2.13	668	0.023%	114	0.004%	Department of Public Administration at National Chung Hsing University, 34 years in Financial Industry	SEVP, Corporate Banking Division of ESUN Bank
Senior Executive Vice President	Joe Huang	2004.2.13	1,951	0.065%	1,767	0.060%	Department of English at Tamkang University, 17 years in Financial Industry	SEVP, Consumer Banking Division of ESUN Bank
Senior Executive Vice President	C.S. Huang	2004.2.13	513	0.017%	0	0.000%	MBA of at National ChengChi University, 20 years in Financial Industry	SEVP, Wealth Management Division of ESUN Bank
Chief Financial Officer	Magi Chen	2004.2.13	345	0.012%	0	0.000%	MBA of University of Tennessee, 26 years in Financial Industry	SEVP, Treasury Division of ESUN Bank
General Auditor	Cheng-Hsiung Chen	2002.1.28	344	0.012%	0	0.000%	National Taiwan Academy of Arts, 44 years in Financial Industry	General Auditors, ESUN Bills Finance Corp.
Chief Strategy Officer	Joseph N.C. Huang	2004.2.13	904	0.031%	124	0.004%	MBA of the City University of New York 12 years in Financial Industry	President of ESUN Venture Capital Co., Ltd.
Chief Human Resource Officer	J.C. Wang	2002.1.28	667	0.023%	379	0.013%	Master of Agricultural Management at National Chung Hsing University, 16 years in Financial Industry	EVP, Human Resource Division of ESUN Bank
Executive Vice President	Suka Chen	2002.1.28	745	0.025%	38	0.001%	Master of Department of Agricultural Economics at National Taiwan University, 16 years in Financial Industry	President of ESUN Securities Co., Ltd.
In-Charge Accountant	Kuan-Her Wu	2002.1.28	1,206	0.041%	111	0.004%	Department of Accountancy at National Chung Hsing University, 29 years in Financial Industry	EVP, Accounting Division of ESUN Bank
Executive Vice President	Scott Chou	2002.1.28	802	0.027%	170	0.006%	Department of Civil Engineering at National Taipei Institute of Technology, 24 years in Financial Industry	General Affairs Division of ESUN Bank



## (2) Equity transfers and equity pledges during the preceding fiscal year, involving equity interests belonging to executive officers

2005.3.31 Unit:1,000shares ; %

Position	Name	2004		2005.3.31	
		Shareholdings increase(decrease)	Share Pledges increase(decrease)	Shareholdings increase(decrease)	Share Pledges increase(decrease)
President	Yung-Hsung Hou	424	0	0	0
Deputy President	Jiaw-Hwang Shy	58	0	0	0
Deputy President	Wu-Lin Duh	308	0	0	0
CRO CIO	Heng-Hwa Yang	287	0	0	0
Senior Executive Vice President	Tung-Long Kuo	303	0	(80)	0
Senior Executive Vice President	Joe Huang	333	0	0	0
Senior Executive Vice President	C.S. Huang	298	0	0	0
CFO	Magi Chen	290	0	0	0
General Auditor	Cheng-Hsiung Chen	(8)	(65)	0	0
CSO	Joseph N.C. Huang	205	0	0	0
Chief Human Resource Officer	J.C. Wang	(129)	0	0	0
Executive Vice President	Suka Chen	221	0	0	0
In-Charge Accountant	Kuan-Her Wu	(198)	0	(99)	0
Executive Vice President	Scott Chou	156	0	0	0

## (3) Equity transfers

Unit:1,000shares

Name	Reasons of Equity transfers	Trade Date	Counter party	Relationship between the counterparty and the FHC, its directors and supervisor and the declarers defined by section 7 & 8 of Article 16 of FHC Act	Shares	Price
Kuan-Her Wu	Grant	2004.01.15	Ruei-Hua Liou	spouse	300	21.0
Cheng-Hsiung Chen	Grant	2004.04.06	Yan-Fu Chen	parent-son	22	20.8
Heng-Hwa Yang	Grant	2004.05.13	Fong-Jyun Liao	parent-daughter	48	20.5
Scott Jou	Grant	2004.11.01	Zih-Ciao Jou	parent-son	45	20.6
Huei-Lan Syu	Grant	2004.11.01	Jia-Fan Jou	parent-daughter	45	20.6
J.C. Wang	Grant	2004.12.01	Jheng-Jing Luo	spouse	300	24.0
J.C. Wang	Grant	2004.12.01	Yu-Si Wang	parent-daughter	38	24.0
Jheng-Jing Luo	Grant	2004.12.09	Yu-Fei Wang	parent-daughter	38	24.0
Chen-Hsien Tseng	Grant	2005.01.07	Huai-Lei Zeng	parent-son	80	24.8
Tong-Long Kuo	Grant	2005.01.27	Jia-Hao Kuo	parent-son	80	24.7
Ruei-Yun Lu	Grant	2005.01.19	Li-Yong Huang	parent-daughter	20	25.5
Ruei-Yun Lu	Grant	2005.01.19	Li-Ting Huang	parent-daughter	20	25.5
Mei-Yun Lin	Grant	2005.01.27	Pin-Ci Kuo	parent-daughter	80	24.7

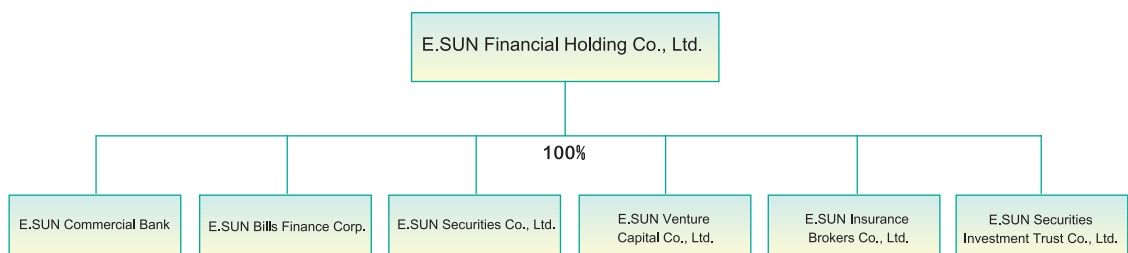
## (4) Equity pledges

Unit: 1,000 shares

Name	Reasons of the change of equity pledged	Changing Date	Counterparty	Relationship between the counterparty and the FHC, its directors and supervisor and the declarers defined by section 7 & 8 of Article 16 of FHC Act	Shares	Pledged (Redemption) Amount
Hsin Kao Shan Investment Co., Ltd.	Release of stock pledged	2004/01/07	China Bills Finance Corp.	none	1,400	–
Allcan Investment Co., Ltd.	stock pledged	2004/01/12	Grand Bills Finance Co.	none	2,940	–
Allcan Investment Co., Ltd.	stock pledged	2004/01/14	Grand Bills Finance Co.	none	1,300	–
Chou-Tsai Lin	stock pledged	2004/01/30	Hwatai Bank	none	6,000	–
Chou-Tsai Lin	stock pledged	2004/01/30	Bank of Panshin	none	2,600	–
Fullead Investment Co., Ltd.	Release of stock pledged	2004/02/18	International Bills Finance., Ltd.	none	1,690	–
Hsin Kao Shan Investment Co., Ltd.	stock pledged	2004/02/19	Union Bills Finance Co., Ltd.	none	2,500	–
Shan Meng Investment Co., Ltd.	stock pledged	2004/03/11	Union Bills Finance Co., Ltd.	none	4,000	–
Cheng-Hsiung Cheng	Release of stock pledged	2004/03/22	Union Bank	none	65	–
Allcan Investment Co., Ltd.	Release of stock pledged	2004/03/24	Dah Chung Bills Finance Corp.	none	1,700	–
Jia-Ci Lee	stock pledged	2004/03/29	Pan Asia Bank	none	500	–
Allcan Investment Co., Ltd.	stock pledged	2004/04/05	Ta Ching Bills Finance Corp.	none	1,700	–
Bowlead Investment Co., Ltd.	stock pledged	2004/04/30	International Bills Finance., Ltd.	none	800	–
Bowlead Investment Co., Ltd.	Release of stock pledged	2004/05/03	Fubon Commercial Bank	none	3,000	–
Bowlead Investment Co., Ltd.	Release of stock pledged	2004/05/06	Fubon Commercial Bank	none	600	–
Bowlead Investment Co., Ltd.	stock pledged	2004/05/12	International Bills Finance., Ltd.	none	1,000	–
Fullead Investment Co., Ltd.	stock pledged	2004/07/21	China Trust Commercial Bank	none	800	–
Shan Meng Investment Co., Ltd.	stock pledged	2004/08/03	Union Bills Finance Co., Ltd.	none	1,100	–
Meng-Han Shy	Release of stock pledged	2004/10/01	Cathay United Bank	none	900	–
Meng-Han Shy	stock pledged	2004/10/04	Cathay United Bank	none	1,000	–
Ming Chuan Co., Ltd.	Release of stock pledged	2004/11/19	China Bills Finance Corp.	none	1,000	–
Fullead Investment Co., Ltd.	Release of stock pledged	2004/12/22	International Bills Finance., Ltd.	none	400	–
Allcan Investment Co., Ltd.	stock pledged	2005/01/12	Dah Chung Bills Finance Corp.	none	3,300	–
Fullead Investment Co., Ltd.	stock pledged	2005/01/24	Bank of Panshin	none	900	–
Allcan Investment Co., Ltd.	stock pledged	2005/02/17	Dah Chung Bills Finance Corp.	none	3,300	–
Fullead Investment Co., Ltd.	stock pledged	2005/02/24	Bank of Panshin	none	400	–
Jia-Ci Lee	Release of stock pledged	2005/03/01	Bowa Commercial Bank, Ltd.	none	500	–
Fullead Investment Co., Ltd.	Release of stock pledged	2005/03/16	International Bills Finance., Ltd.	none	500	–
Ron - Yuan Investment Co., Ltd.	stock pledged	2005/03/29	International Bank of Taipei	none	7,300	–
Fullead Investment Co., Ltd.	stock pledged	2005/03/31	Bank of Panshin	none	200	–

## 5. Capital Structure

### (1) Structure of Financial holding and its subsidiaries



2004.12.31 Unit:1,000shares, NT\$1,000

Subsidiaries	Subsidiaries' Shares Held by E,SUN			E,SUN's Shares Held By Subsidiaries		
	Shares	Shareholdings	Amount	Shares	Shareholdings	Actual Amount
E,SUN Commercial Bank, Ltd.	2,017,500	100%	20,175,000	-	-	-
E,SUN Bills Finance Corp.	426,500	100%	4,265,000	-	-	-
E,SUN Securities Co., Ltd.	306,000	100%	3,060,000	-	-	-
E,SUN Venture Capital Co., Ltd.	100,000	100%	1,000,000	-	-	-
E,SUN Insurance Brokers Co., Ltd.	6,200	100%	62,000	-	-	-
E,SUN Securities Investment Trust Co., Ltd.	30,000	100%	300,000	-	-	-

## (2) Source of Capital

### A. Stock capital

2004.12.31 Unit: Million shares/NT\$ Million

Date	Par value	Authorized capital		Capital collected		Note		
		Shares	Amount	Shares	Amount	Source of capital	Stock capital collected with payment other than cash	Others
2001.1.28	10	5,000	50,000	2,470	24,700	Share Swap	-	-
2003.9.16	10	5,000	50,000	2,505	25,054	Share Swap	-	-
2004.3.15	10	5,000	50,000	2,506	25,064	ECB Conversion	-	-
2004.5.20	10	5,000	50,000	2,584	25,842	ECB Conversion	-	-
2004.9.8	10	5,000	50,000	2,596	25,964	ECB Conversion	-	-
2004.10.11	10	5,000	50,000	2,690	26,897	Capitalization of Earnings	-	-
2004.11.26	10	5,000	50,000	2,768	27,679	ECB Conversion	-	-
2005.3.4(Note)	10	5,000	50,000	2,931	29,306	ECB Conversion	-	-

Note: Approval date by Department Commerce of MOEA

### B. Type of Stock

2004.12.31 Unit: shares

Stock share	Authorized Stock Capital		
	Issued shares	Unissued shares	Total
Common Stock	2,930,609,581	2,069,390,419	5,000,000,000

Note: According to (91)Tai-Tsai-Chen(1) - 106134, convertible bond holders may change the registration after the Company issues new shares when they request to convert.

### (3) Shareholder Structure

2005.4.11 Unit: 1,000 shares; %

Shareholder Structure Number	Governemet institution	Financial institution	Other institution	Individual	QFI	Total
Number of Shareholders	3	13	245	69,487	319	70,067
Shares	46,972	268,945	734,422	881,137	999,134	2,930,610
Percentage of Shareholdings	1.06%	9.18%	25.06%	30.07%	34.09%	100%

### (4) Equity Diffusion

#### Common Stock Face Value NT \$10

2005.4.11 Unit: 1,000 shares;

Categorization of Shares	Number of shareholders	Number of Shares	Percentage of Shareholdings(%)
1 ~ 999	31,841	8,380	0.29
1,000 ~ 5,000	20,322	45,110	1.54
5,001 ~ 10,000	5,961	43,406	1.48
10,001 ~ 15,000	2,563	30,270	1.03
15,001 ~ 20,000	4,046	71,139	2.43
20,001 ~ 30,000	1,313	31,806	1.08
30,001 ~ 50,000	1,344	51,775	1.76
50,001 ~ 100,000	1,111	77,910	2.66
100,001 ~ 200,000	666	93,445	3.19
200,001 ~ 400,000	311	88,401	3.02
400,001 ~ 600,000	156	75,084	2.56
600,001 ~ 800,000	95	66,272	2.26
800,001 ~ 1,000,000	60	54,804	1.87
Over 1,000,001	278	2,192,808	74.82
Total	70,438	2,930,610	100.00

Note 1: Based on most updated Equity Diffusion data provided by agent for stock affairs.

Note 2: The Company has not issued preferred stock.

## (5) Major Shareholders list

2005.4.11 Unit: 1,000 shares

Name	Shares	Shareholdings(%)
Cathay Life Insurance Co., Ltd.	174,116	5.941
Hsin Kang Investment Co., Ltd.	74,711	2.549
PCA Life Assurance Co., Ltd.	64,745	2.209
HSBC Custodian Bank Trust for Prudential Corporation Holdings Ltd.	64,740	2.209
HSBC Custodian Bank Trust Account for HSBC Security (Asia) Ltd.	63,683	2.173
Virgin Islands (U.K.) Comewell Investment Co., Ltd.	61,748	2.107
Ron-Yuan Investment Co., Ltd.	59,492	2.030
HSBC Custodian Bank Trust Account for Morgan Stanley & International Limited	54,320	1.853
Bureau of Labor Insurance	46,972	1.602
ALLCAN INVESTMENT CO., LTD.	45,871	1.565

## (6) Share prices for the past two fiscal years, together with the company's net worth per share, earnings per share, dividends per share, and related information

Unit: 1,000 shares; NTS

Item		Year	2005.3.31	2004	2003	
Share Price	Highest		26.60	26.50	21.60	
	Lowest		24.20	18.50	14.55	
	Average		25.27	21.88	17.20	
Net Worth Per Share	Before Distribution		14.94	14.45	12.57	
	After Distribution		-	-	11.22	
Earnings Per Share	Weighted Average Shares		2,930,610	2,488,483,000	2,123,299,000	
	Earnings Per Share		0.49	1.94	2.13	
Dividends Per Share	Cash Dividend		-	1,0856	0	
	Stock Dividend	Capitalized retained earnings		-	0,3257	0
		Capitalized additional paid-in capital		-	0	0
	Accumulated unpaid dividends		-	0	0	
Return on Investment	Price/Earning Ratio		12.89	11.28	8.08	
	Price/Cash Dividend Ratio		-	20.15	-	
	Yield of Cash Dividend(%)		-	4.96	0.00	

## (7) Dividend Policy

### A. Dividend Policy and implementation

In order to strengthen financial structure and enhance its capital adequacy ratio, the Company's dividend policy is to mainly distribute stock dividends. If the Company's capital adequacy ratio is above regulatory requirements in a specific year, the Company will then issue cash dividends. Cash dividends can not be less than 10% of total dividends paid out in that year. However, should cash dividends be less than NT\$0.1 per share, those dividends will be paid out in the form of stock.

### B. Information of subsidiaries holding or disposing the Company's stock during the preceding fiscal year and in the current fiscal year up to the date of the printing of the report

Unit: NT\$1,000; 1,000shares; %

Subsidiaries	Paid-in Capital	Source of Capital	Ownership by the Company	Date of acquisition and disposal	Shares and amount by the beginning of this year	Shares and amount disposed	Investment Gain/Loss	Shares and amount by the date of the printing of the report	Shares Pledged
E.SUN Bank	20,175,000	-	100	2004	352,779 3,914,375	331,918 6,828,273	2,913,898	0	-
E.SUN Securities	3,060,000	-	100	2004	8,959 90,884	8,850 192,929	102,045	0	-

## (8) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting

Item		Year	2005 (forecast)	2004	2003
Capital collected-beginning of the period (NT\$1,000)			29,306,096	25,063,669	24,700,000
Stock dividend and cash dividend of the year	Cash dividend per share (NT\$)		1.10	1.0856	0
	Capitalized retained earnings - stock dividend (share)		0.03	0.03257	0
	Capitalized additional paid-in capital - stock dividend (share)		0	0	0
Business Performance	Operating revenue (loss) (NT\$1,000)		5,628,485	4,732,822	4,533,120
	Operating revenue (loss) increase(decrease) from last year (%)		18.92%	4.41%	N.A.
	Net Income (Loss) (NT\$1,000)		5,758,504	4,836,437	4,529,029
	Net income(loss) increase (decrease) from last year (%)		19.07%	6.79%	N.A.
	Earnings (Loss) (NT\$) per share		1.90	1.94	2.13
	Earning (Loss) per share increase (decrease)from last year (%)		(2.06%)	(8.92%)	N.A.
	Annualized return on investment (the reverse of annualized Price /Earning ratio) (%)		8.70%	8.88%	12.41%
Projected Earnings per Share and Price/Earnings ratio	Retained earnings are capitalized with cash dividend distributed	Projected earnings per share(NT\$)	1.96	2.02	2.13
		Projected annualized return on investment(%)	8.98%	9.25%	12.41%
	Additional paid-in capital is not capitalized	Projected earning per share(NT\$)	1.90	1.94	2.13
		Projected annualized return on investment(%)	8.70%	8.88%	12.41%
	Additional paid-in capital is not capitalized and Capitalized retained earnings-cash dividend distributed	Projected earning per share(NT\$)	1.96	2.02	2.13
		Projected annualized return on investment(%)	8.98%	9.25%	12.41%

A. The Company should explain the basic assumptions for each forecast or projected data .

B. The projected Earnings per Share of the capitalized retained earnings turning to cash dividend distributed

= [Net Income - interest accrual from projected cash dividend\* x (1 - tax rate)] / [total stockshares issued at the year end - The numbers of stock dividend distributed for the capitalized retained earnings\*\*]

Interest accrual from projected cash dividend\* = Capitalized retained earnings x annual loan interest rate

The numbers of stock dividend distributed for the capitalized retained earnings\*\* : The stock

shares increased from the stock dividend distributed the year before for the capitalized retained earnings

C. Price/Earning Ratio = Average Market Closing Price of share /Earnings per Share of Current Fiscal Year

E.SUN's financial statements above is based on :

(A)The 2004, 2003 financial statements, and the 2005 financial forecast that are audited by CPA  
(B)The tax rate that is used to calculate the projected data is 25%. The annual loan interest rate of 2003, 2004, and 2005 is based on the projected average loan interest rate of E.SUN Bank, which is 3.96%, 3.69% and 3.65% respectively.

## (9) Employee dividends and compensation of directors and supervisors

### A. Bonus of major executive officers

2004.12.31 Unit: NT\$

Position	Name	Stock bonus			Cash bonus	Total	Total amount/ Net Income (%)
		Shares	Market Price	Amount	Amount		
Listed as below		301,000	25.06	7,543,060	3,250,000	10,793,060	-

Note: The aggregated amount includes bonus for Senior Executive Vice President/Heng-Hwa Yang, Tung- Long Kuo, Joe Huang, C.S. Huang, Magi Chen; General Auditor/Cheng-Hsiung Chen; Executive Vice President/ Joseph N.C. Huang, J.C. Wang, Scott Chou and Suka Chen.

### B. Bonus of President and Deputy President

2004.12.31 Unit: NT\$

Position	Name	Salary	Bonus and special expense	Employee dividend from earnings distribution			Total amount	Total amount/ Net Income (%)	Number of employees' stock option warrant	Others
				Cash bonus	Stock bonus					
					Shares	Market Price				
Listed as below		0	0	1,050,000	111,000	2,781,660	3,831,660	-	-	-

Note: The aggregated amount includes bonus for President/Yung-Hsung Hou, and Deputy President/Jiaw-Hwang Shy, Wu-Lin Duh

### C. Compensation of directors

2004.12.31 Unit: NT\$

Position	Name	Transportation fee and rewards	Compensation from earnings distribution	Employee dividend from earnings distribution (Note)			Total amount	Total amount/ Net Income (%)	Number of employees' stock option warrant	Others
				Cash bonus	Stock bonus					
					Shares	Market Price				
Listed as below		610,000	23,482,415	300,000	38,000	952,280	25,344,695	0.52%	0	0

Note: The aggregated amount includes compensation for Chairman/Yung-Jen Huang, and the other 12 directors listed on page 8.

### D. Compensation of supervisors

2004.12.31 Unit: NT\$

Position	Name	Transportation fee and rewards	Compensation from earnings distribution	Total amount	Total amount/ Net Income (%)	Others
Listed as below		75,000	6,404,295	6,479,295	0.13%	0

Note: The aggregated amount includes compensation for the three supervisors listed on page 8.

## (10) Share repurchases: None

### III. BUSINESS OPERATIONS



The golden rays of light shine on grassland mirrors the prospering growth.



# 1. Business Scope and Operational Plan



Working together for the bright future.

Since establishment, the E.SUN FHC has focused on investment and management, with operations consisted of the following areas: banking, bills finance, credit cards, trust, insurance, securities, futures, venture capital, investment in foreign financial institutions approved by supervisory authorities, other business operations approved by the Authority, as well as the management of the aforementioned businesses and other areas of business approved by the Authority.

## (1) Principle on Operations

Since its establishment, E.SUN FHC has sought to establish an upstanding image, featuring solid operations. The Company has become the measure in terms of service quality in the banking industry. In its first three years, the Company has sought balanced development in its various businesses. It has instilled a common corporate culture in all its units and focuses on the principle of long-term, sustained operations. Operations are becoming more efficient, more diversified, more automated, more internationalized and are serving a wider range of customers. The Company continues to work to become the most highly respected financial corporation in the industry. The direction of its operations is as follows:

A. Safety: The Company ensures the interests of shareholders and customers, raises the service quality of subsidiaries and implements internal control measures. It also seeks to diversify investment and operational risks in order to establish a foundation for sustained operations.

B. Liquidity: Since the short-term funding sources of subsidiaries have a fairly high rate of change, the

Company seeks to implement active utilization of funds. It has a high degree of sensitivity to operational and environmental changes, enabling it to utilize funds in the most appropriate manner.

C. Profitability: The Company seeks to strengthen the core competitiveness of its subsidiaries and utilize an array of information and resources to develop business and control costs, creating profits. However, the ideal of long-term stability is never compromised.

D. Growth: The Company seeks balanced growth in operations, boosting market share and creating a loyal clientele. Regional operations take into consideration the service network and the ability to judge the potential of various operations.

E. Public Welfare: The Company's operations are also expected to aid in the nation's economic development. The Company takes part in a variety of public service activities to fulfill its corporate responsibility to society in boosting education, culture and the quality of life.



Risk Is the Paramount Consideration.

## (2)Operational Goals

### A. Seeking Internal Growth and Strategic Alliances

E.SUN FHC's origins started in banking. Gradually, it has expanded into a wide variety of banking and financial fields. Presently, there are six companies under the E.SUN FHC umbrella - E.SUN Commercial Bank, E.SUN Bills Finance, E.SUN Securities, E.SUN Securities Investment Trust, E.SUN Venture Capital and E.SUN Insurance Brokers. The Company continues to expand its services and financial blueprint. In 2004, in addition to internal measures to boost growth, E.SUN FHC entered into a strategic alliance with Prudential Plc. This alliance helps the Company to develop its bancassurance operations and also raises the international visibility of E.SUN FHC. The company intends to engage in further cooperative arrangements to enter the Asia and mainland China markets, sowing the seeds for profit in the broad Asian market.

### B. Development of Mergers & Acquisition and Organizational Adjustment



E.SUN FHC and Prudential Plc Enter into Strategic Alliance, Opening a New Page in Multinational Cooperation.

E.SUN Commercial Bank in 2004 acquired the assets, liabilities and operations (excluding trust business) of Kaohsiung Business Bank. The deal was closed on September 4, 2004. As a result of this acquisition, E.SUN Commercial Bank now has a branch network including 114 outlets, and will continue to provide customers with an even more convenient financial services network in the future. In light of the increasingly competitive banking environment in Taiwan, E.SUN FHC completed the second phase of its organizational restructuring plan at the end of 2004. The project focuses on further integrating the various functions and resources of subsidiaries to boost competitiveness and synergy.

### C. Promoting Cross-Selling Scope and Efficiency

Integration of E.SUN FHC's information technology system and logistics network has helped smooth operational procedures. In the wake of the completion of the second stage of the organizational restructuring plan, E.SUN FHC

will achieve new heights in its operations quality and efficiency. A higher level of cooperation will be seen in sales and marketing efforts as well as logistical support. This will boost competitiveness of the Company.

### D. Creating Customer Asset Value

E.SUN FHC brings together the various products and experience offered by its subsidiaries to provide the most appropriate products and services to its international and large-sized corporate clients. Efficient procedures and a high level of professionalism raise customer asset quality. In addition, the company is also working to create the highest degree of customer value via its competitive operations in the corporate banking, consumer banking, wealth management and asset allocation fields.

## (3)Important Operational Strategies

### A. Development of Operations Network and Network Synergy

The Company carried out an assessment of the branch network, assets and personnel that it acquired in the acquisition of Kaohsiung Business Bank. It aims to make the most out of the branch network and will immediately adjust the location of various branches, as it deems appropriate. This establishment of this service network will expand services to E.SUN FHC's customers.

### B. Implementation of Integrating Cross-Selling and Marketing

The Company will concentrate its resources, products and services to provide one-stop shopping services to its customers. By maintaining close contact with customers, the Company will understand their needs. The Company will utilize its professional advantage to seek solutions for customers, further realizing the potential of the products and services offered by the subsidiaries.

### C. Promoting Product Research and Innovation

In addition to the wide range of products already on offer, the Company will research and introduce new products based on market trends and customer needs. It will also offer customized products and services to meet the financial service needs of customers.

### D. Remaining Aware of Risk and Seeking Stable Growth

E.SUN FHC utilizes its outstanding risk management culture to minimize risk, but maintain stable growth. It spends great efforts on maintaining asset quality in order to control credit and operations risks. Information technology systems also play a key role in helping to manage risk. In light of the future adoption of the New Basel Accord, E.SUN FHC seeks to introduce the same risk management measures as that of international banking heavyweights. It is busy planning and instituting risk models that will place E.SUN FHC in the forefront of this effort in the local banking industry.

E.SUN Financial Holding Company combines banking, bills finance, securities, investment trust, insurance brokerage and venture capital business under the very same name of E.SUN, carrying on the outstanding service and brand image to increase synergy and create customer value, following the well-planned development strategy to find the right position in the financial market, analyzing customer base, developing product with profit contribution, to establish brand value. Only differentiation in creating outstanding overall performance can make a difference in the financial business market. Furthermore, E.SUN FHC has always contributed a lot of resources in innovation and R&D. Descriptions of each subsidiary in the content of business, the plan of operation, the R&D scheme for new financial products and services are as following:

## (1) E.SUN Commercial Bank

### A. Primary Operations

(A) Commercial Bank Operations: Accepts check deposits, demand deposits, fixed deposits, and carries out short-, medium- and long-term loans; discounting of bills/checks, domestic remittances, commercial acceptances, domestic guarantees, credit cards, custodian services, warehousing, rental of safe deposit boxes, issuance of domestic letters of creditor, and factoring.

(B) Foreign Exchange Operations: Import and export, general inward and outward remittance, foreign exchange deposits, foreign currency loans, and foreign currency guarantees.

(C) Investment and Personal Finance Operations: Investment in bonds, short-term bills, corporate bonds and debentures, short-term bills broking and dealing, and trading of financial derivatives.

(D) Agency Operations and Other: Serves as agent for collection and payment of various bills, agent for government bonds, treasury bills, corporate bonds and stocks; agency sales of gold ingots and coins, silver coins, and issuance of debentures; agent for services approved by central authorities as well as for the National Treasury.

### B. Composition of Operations

Unit: NTS1,000

Item	2004		2003	
	Amount	%	Amount	%
Interest Income	14,048,775	66.26	11,057,534	79.56
Handling Fee Income	2,080,184	9.81	1,540,573	11.08
Income from Bills Trading and Others	5,072,679	23.93	1,300,325	9.36
Total	21,201,638	100.00	13,898,432	100.00

### C. Short term business development plan

#### (A) Creating Customer Asset Value

The Bank integrates various E.SUN FHC products, providing multinational and large corporate customers with appropriate products and services and boosting customer asset value.

#### (B) Exploiting Branch Value Advantage

The Bank utilizes its ability in information development to raise operational efficiency in its branch network, providing a comprehensive range of services.

#### (C) Boosting Customer Service Ability

The Bank responds to the needs of customers and boosts its competitiveness in the areas of corporate banking, consumer banking and wealth management, creating customer value.

#### (D) Introducing Information Technology Development

With the trend of electronic banking services, the Bank is integrating its online cash flow mechanism and creating a service network tailored to the needs of each customer. This makes the Bank's e-banking system the favorite one for use among customers.

#### (E) Cross-Selling and Marketing of Products

The integration of information technology systems and logistical support helps to improve banking procedures, quality and efficiency. This seamless cooperation model strengthens the company's competitive advantage.

### D. Long term business development plan

**Consumer Banking:** The Bank is undertaking surveys to determine what types of products and services required by consumer banking customers. The Bank is utilizing resources appropriately to develop new products and re-invented existing products, maximizing consumer banking products and customer value.

**Corporate Banking:** The Bank has created an corporate banking division to coordinate not only the lending services requires by customers, but also to offer one-stop shopping with regards to securities, bills, venture capital and leasing. With the increasing trend of local corporations operating on an international basis, the foreign operations division includes into the corporate banking frame. The Hong Kong branch develops operations in Hong Kong, China and Taiwan, providing Taiwan firms with comprehensive banking solutions. Indirect financing, capital market banking services, corporate finance services and other corporate banking products are either being introduced or re-invented, providing services to customers in this area of business.

**Wealth Management:** The Bank takes advantage of the E.SUN brand name to continue to raise operational efficiency, develop new products, strengthen risk management and reduce overdue loans. In the future, it will continue to integrate information technology and head in the following directions: to develop wealth

management operations, providing professional, real-time and customized financial planning services; to maximize the value of its distribution network, taking advantage of the holding company's marketing network as well as information collected on customers; to establish a systematic credit quality evaluation mechanism, placing greater emphasis on risk management procedures and effectively preventing and monitoring all risks; to integrate resources, distribution networks and various services under the holding company, providing more flexibility in corporate financing and promoting business growth; to develop e-Payment and e-Channel services and be competitive in these fields, satisfying the needs of customers in a digital lifestyle.



Broaden the Relationship with Existing Customers, and Establish with the New Clients.

Finance and Treasury: After acquisition of Kaohsiung Business Bank, the Bank has worked hard to maximize the operational performance of its branch network. In an effort to achieve organizational synergy, this division is working to develop institutional customers via its TMU and corporate banking units. The Bank hopes to provide institutional customers with comprehensive banking products and wealth management, further developing its VIP wealth operations. This is aimed at satisfying the investment needs of the Bank's VIP customers for products that carry different maturities. Meanwhile, the derivatives products market is becoming more complicated by the day. This is providing a challenge in managing market risk. How to generate the greatest returns without compromising risk will be the future challenge in these operations.

#### E. Research & Development

(A)The Bank is developing wealth management operations, aiming to provide even more professional, real-time and customized services to customers.

(B)Consumer banking operations will utilize network value, E.SUN FHC marketing systems and database resources.

(C)The Bank is establishing a mechanism to systematically evaluate credit quality. This will also help monitor and reduce risks.

(D)The Bank integrates the resources, network and wide array of products from E.SUN FHC to help companies raise capital, promoting operational development.

(E)The Bank is becoming increasingly competitive in e-Payment and e-Channel operations, satisfying the personal finance needs of customers who are digitally oriented.

## (2)E.SUN Bills Finance Corp.

### A. Primary Operations

E.SUN Bills Finance is engaged in the verification, underwriting, brokerage and proprietary trading of short-term bills; guaranteeing and endorsement of short-term bills; interbank lending agent of other financial institutions; corporate finance information services; brokerage and proprietary trading of government bonds; verification, underwriting, brokerage and proprietary trading of financial debentures; proprietary trading of corporate bonds, and business related to derivatives products approved by authorities as well as other approved related business.

### B. Composition of Operations

Unit: NTS1,000

Item \ Year	2004		2003	
	Amount	%	Amount	%
Gain on Securities Trading-Net	194,884	14	800,373	70
Fee Income	108,553	8	163,106	14
Interst Income and other	1,105,931	78	186,049	16
Total	1,409,368	100	1,149,528	100

### C. Short term business development plan

(A)Appropriately leverages FHC's resources to achieve cross-selling synergy.

(B)Develops new products to provide a more comprehensive range of services.

(C)Improves risk management to maintain asset quality.

(D) Promotes relationships with customers to strengthen interaction.

(E) Strengthens operations management and internal control mechanisms.

(F) Strengthens the collection of information and risk assessment systems.

(G) Effectively allocates capital to raise the returns on funds.

(H) Boosts interaction with industry counterparts to understand the latest market developments.

#### D. Long term business development Plan

(A) To invest in stocks, convertible corporate bonds and asset swaps business.

(B) To invest in beneficiary securities and asset-backed securities.

(C) Interest rate derivative products - interest rate swaps, interest rate futures, interest rate options and bond forward trading.

(D) Government bond borrowing operations.

(E) One-year or less beneficiary securities and asset-based securities.

#### E. Research and Development

(A) To integrate Company resources to carry out cross-selling and cost down.

(B) To analyze markets to maintain a pulse on future trends.

(C) To encourage employees to propose ideas and develop new areas of business.

(D) To developing new products and expand into new businesses.

(E) To learn experience of advanced counterparts to strengthen the adaptability to market.

(F) To strengthen capital planning and enhance operation performance.

(G) To strengthen asset and liability management and honing its risk management mechanism.

(H) To promote joint planning and increase the quality of research and development.



Establishing a New Model for Customer Service.

### (3) E.SUN Securities Co. Ltd.

#### A. Primary Operations:

(A) Brokerage: Acts as a broker for customers in the purchase and sale of securities, futures, options and settlement issues.

(B) Proprietary trading: E.SUN Securities trades securities under its own account. These operations help to smooth out market supply and demand and work in coordination with underwriters to act as a market maker.

(C) Underwriting: Assists companies in public issuances, underwrites stocks, cash capital increase, convertible bonds and other fund-raising activities of Taiwan Stock Exchange-listed and over-the-counter companies. Also provides comprehensive corporate finance planning services.

(D) Bonds: Engages in bond and repo trading as well as trading of securities on the over-the-counter market under its own account. Also provides customers with rapid and accurate bond investment information and related services.

(E) New Financial Products: Issues call and put warrants and structured products and develop new financial products upon the liberalization of banking laws.



R&D and Innovation Boost Service.

#### B. Composition of Operations

Unit: NTS1,000

Item \ Year	2004		2003	
	Amount	%	Amount	%
Fee Income	284,367	50.57	136,498	31.24
Gain from Sale of Securities	0	0	105,709	24.20
Interest Income	191,954	34.14	162,329	37.16
Commission Income and Other	86,005	15.29	32,330	7.40
Total	562,326	100.00	436,866	100.00

#### C. Short term business development plan

(A) To expand domestic branch network to serve more customers.

(B) To participate in FHC's integrated information platform to strengthen cross selling.

(C) To establish an internal certification mechanism to enhance the professional level of employees and cumulate business experience.

(D) To stress a highly disciplined environment to expand margin trading and short sale business.

(E) To develop more institutional clients and niche business.

(F) To increase the proportion of revenues from brokerage and maintain stable profits from stock and bond proprietary trading.

(G) To explore sound and potential SPOs and IPOs cases and become the ideal partner for corporate finance.

(H) To innovate and introduce new products to diversify revenue sources.

(I) To integrate the resources of FHC to focus on differentiation and added value.

#### D. Long term business development plan

E.SUN Securities will utilize the financial holding's EAI integrated information platform to expand its cross-selling network, develop electronic trading companied with banking products, as well as develop comprehensive wealth management products and services for customers. The Company will also continue to issue call and put warrants and plan structured products, providing customers with a wide range of investment tools. E.SUN Securities also would like to advance the expertise of futures business and business performance.

#### E. Research and Development

(A) To works with FHC's EAI integrated information platform to develop a financial holding model service framework.

(B) To promote the electronic trading companied by bank products to increase business opportunities.

(C) To offer comprehensive wealth management finance products and services with customers and attract a broad-based clientele.

(D) To develop warrant business and train employees in hedging expertise.

(E) To develop structured products and expand into the investment services field.

(F) To develop all types of arbitrage trading strategies and assist customers in the application.

## (4) E.SUN Securities Investment Trust Co., Ltd.

### A. Primary Operations

The primary operations of E.SUN Securities Investment include the issuance of beneficiary certificates upon the raising of funds in the creation of investment trust funds, the use of investment trust funds to invest in securities and other products, and any other operations approved by Securities and Future Bureau of Financial Supervisory Commission.

The Company benefits from E.SUN Commercial Bank brand name. In addition, its outstanding fund managers work to provide investors with comprehensive investment management services, with an eye both to local and global markets.

The company present operates six funds, which are sold and marketed through E.SUN FHC's cross-selling network throughout Taiwan. The company, which has been in operation for three years, has NT\$40 billion of asset under management. Its market share in 2004 rose to 1.6% from 2003's 1.29%.

In addition to its outstanding research team, E.SUN Securities Investment also integrated its resources with other research teams of other FHC's subsidiaries to create the greatest competitive advantage. E.SUN Securities Investment carries out its investment operations in the safest and most stable manner possible, helping investors achieve stable long-term returns. The Company also utilizes strict risk management techniques to ensure the safety of investor assets.



E.SUN's Image Has Been Created Step by Step, Winning the Trust of Customers.

## B. Composition of Operations

Unit: NT\$1,000

Item \ Year	2004		2003	
	Amount	%	Amount	%
Fee Income	285	0.14	284	0.16
Management Fee Income	192,216	91.07	156,794	89.19
Non-operating Income	18,559	8.79	18,715	10.65
Total	211,060	100.00	175,793	100.00

### C. Short term business development plan

(A) Amendment of internal control procedures to be in accordance with "Securities Investment Trust and Consultancy Act".

(B) To develop new products, such as principal guaranteed products and structured products.

(C) To develop new areas of business, such as discretionary investment services and private funds.

(D) To establish a two-way information network to raise marketing efficiency.

(E) To strengthen the CRM system.

(F) Coordinating management systems on investment decision-making and trading procedures.

### D. Long term business development plan

Major business plans include remarketing current funds, applying discretionary investment services, and evaluating the possibility of new products. As slowing economic growth has caused investors to be more conservative, the Company plans to initiate a principal guaranteed fund. Detailed plans, investment strategies and applications to authorities are already underway. Aided by cross-selling model and network under the financial holding company as well as expectations of further financial liberalization, E.SUN Securities Investment aims to be an asset management company that investors can rely on.

### E. Research and Development

The passage of the Securities Investment Trust and Consultancy Act has a major impact on the liberalization and development of the market. The Company will seek development in the following areas:

#### (A) Discretionary Asset Allocation:

The Company will design tailor-made products for each customer and will allocate assets based on the state of the stock market and interest rate trends. It will also offer fixed return investment products to satisfy the different requirements of VIP customers in

their needs for investment returns.

(B) To evaluate the possibility of private placement funds.

#### (C) Product Development Strategies:

The Company will look to develop innovative products and have worldwide investment portfolio. It will develop internationalized equity funds, equilibrium funds, bond funds and discretionary investment financial investment products.

#### (D) Marketing Strategies:

The Company will educate employees in asset management and will seek to utilize a variety of sales and marketing avenues to expand its market scale.

#### (E) Customer Service:

The Company will strengthen its customer service department and devote personnel to providing wealth management consultant, raising the level of service quality.

## (5) E.SUN Insurance Brokers Co., Ltd.

### A. Primary Operations:

(A) Provides customized wealth management consultancy services to meet the needs of customers.

(B) Offers all types of investment-style insurance products to meet the varying needs of different customer groups.

(C) Cooperates with insurance companies in introducing insurance products that satisfy the asset allocation needs of customers as well as providing tax benefits.

### B. Composition of Operations:

Unit: NT\$1,000

Item \ Year	2004		2003	
	Handling Fee Income	%	Handling Fee Income	%
Life & Health Insurance	27,463	22.46	41,123	51.28
Investment-Linked Insurance	93,299	76.31	38,540	48.06
Accident Insurance and Other	1,494	1.23	528	0.66
Total	122,256	100.00	80,191	100.00

### C. Short term business development plan

#### (A) Creating a Comprehensive Product Line

The Company has planned a range of outstanding insurance products to satisfy the needs of customers in terms of coverage, savings, tax planning, wealth management and investment.

(B) Focusing on Customer-oriented Strategies

The Company seeks to allocate assets based on the needs of customers, fostering loyalty among customers.

(C) Establishing Insurance Consultants System

The Company trains insurance consultants who provide best quality service and help to add weight to the Company's brand name.

(D) Raising Operational Service Quality

The Company has instituted standardized operational procedures to raise the quality of service.

(E) Realizing the Goal of Staff Involvement in Sales

The Company exploits the power of the entire E.SUN team, having all employees being involved in cross-selling efforts.

D. Long term business development plan

(A) To establish a comprehensive range of insurance products to satisfy various needs of customers.

(B) To work with insurance companies on designing and provide E.SUN customers with a dedicated and unique range of products.

(C) To develop insurance and tax planning consulting services to provide customers with tailor-made wealth management services.

(D) To develop telephone and Internet marketing and create diversified avenues for wealth management.

E. Research and Development

(A) The Company has established a product development committee to develop insurance products suitable to E.SUN's customers.

(B) The Company is creating a comprehensive product line to expand its business opportunities.

(C) The Company is developing an information system to provide insurance services.

(D) The Company is looking to mend any holes that customers might face in their wealth management and insurance coverage.

(E) The Company is working to train insurance and tax consultants.



E.SUN Focuses on Products, Services, Professionalism and Customers.

## (6) E.SUN Venture Capital Co., Ltd.

### A. Primary Operations

The Company undertakes capital investment in enterprises with vast potential both at home and abroad, and provides corporate operations, management and consulting services.

### B. Composition of Operations

Unit: NT\$1,000

Item \ Year	2004		2003	
	Amount	%	Amount	%
Investment Income	14,095	78.37	1,758	15.10
Financial Consulting Income	1,321	7.35	0	0
Interest and Other Non-core Income	2,569	14.28	9,885	84.90
Total	17,985	100.00	11,643	100.00

### C. Short term business development plan

#### (A) Promoting Investment Banking Business

The Company is promoting investment banking business and integrating the resources of FHC in line with overall FHC strategies to provide corporate with comprehensive financial services, including investment in new businesses, assistance in operations management, financial planning, underwriting planning, strategic alliances, and fostering mergers and acquisitions. The Company is working to be the party that plays the role of coordinator in terms of capital, expertise and personnel.

#### (B) Promoting Exchange of Business Intelligence

Utilizing the strength of E.SUN Group, the Company provides corporate clients with more comprehensive services and strengthens long-term competitiveness and developmental potential through the exchange of business intelligence and information.

#### D. Long term business development plan

(A) To promote investment banking business in line with overall development strategies of FHC.

(B) To provide companies with a comprehensive range of financial services through business consultancy and arrangement of strategic alliances.

(C) To develop a wider network in order to tap into more business opportunities, and broaden the range of sectors in which it undertakes investment.

#### E. Research and Development

(A) Providing corporate consultant services to boost venture capital operational value.



(B) Integrating resources of FHC to provide customers with comprehensive financial services.

(C) Strengthening training and employees to seize potential opportunities.

(D) Establishing a business consultancy team to boost investment performance.

(E) Strengthening investment in niche sectors.

## 2. Synergy from integration and cross-selling

### (1) Integrating financial services

Based on Bank's frame, E.SUN integrated all financial services of six subsidiaries into five product lines: corporate banking, consumer banking, wealth management, treasury operation and credit card business, to provide customers with comprehensive financial services.

### (2) Sharing cross-selling platform

#### A. Cross selling site

After acquisition of Kaohsiung Business Bank, E.SUN Bank already has 85 branches by the end of 2004. If including distribution of Bills Finance, Securities and other affiliates, there are more than 100 E.SUN's cross selling sites. In the near future, E.SUN will have more than 130 cross selling sites through setting up new branches.

#### B. Setup of CRM system

Based on developed EAI system, E.SUN has integrated system operations and overall resource into single cross selling platform to build up the infrastructure of CRM system, to further enhance operation efficiency and business performance.

### (3) Integration of Management

#### A. Improvement of management efficiency

E.SUN has already brought the headquarters of E.SUN Financial Holding Company, E.SUN Bank and the head offices of other subsidiaries together into E.SUN Financial Building in May 2005. E.SUN could launch unified management and strategic planning to strengthen strategic development, operation management and risk control, as well as boost competitive edge and bring up added profits.

#### B. Purchase of Operation Building

E.SUN plans to concentrate each product lines' call center, customer service and operation units in Operation Building. Through that, E.SUN could enhance the efficiency of resource allocation and further optimize the benefit of data warehouse marketing based on CRM system (The plan will be completed in August 2006)

#### C. Integration of risk management

Through the Risk Management Committee, E.SUN integrates and closely watches credit risks, operating risks and market risks of its subsidiaries.

### (4) Cross selling synergy

Through the cross-selling among E.SUN's affiliates, we have attained remarkable achievements, notably including the following:

#### A. Mortgage loan business

NT\$20.6 bn of NT\$7.6bn new mortgage loan originated in 2004 actually came from cross selling among E.SUN's affiliates.

#### B. Asset management business

In July 2004, "E.SUN Global Balanced fund" raised through E.SUN Bank and other affiliates reached raising ceiling limit of NT\$6bn only in 10 days.

#### C. Securities business

E.SUN Bank and E.SUN Securities have teamed up with each other to launch the "ESA Investment account". As a result, it created demand savings amounting to NT\$9.7 billion as of the end of March 2004, approximately 8% of the total NT\$ demand deposits of the Bank, writing a new record in boosting the deposit business.

#### D. Insurance business:

In the year 2004, E.SUN Bank cooperated with E.SUN Insurance Brokers to yield up to NT\$122 million revenue as a service fee to E.SUN Insurance Brokers.

## 3. Information Facilities: None

## 4. Corporate Responsibilities

E.SUN Financial Holding Company Ltd seeks to be a world class corporate citizen. It spares no pains in promoting athletics, culture, and environmental protection, helping industry to upgrade, and creating shareholder value. Early in 2004, the Company issued the Brother Elephants Win Card. An E.SUN Theme Day was held to initiate interaction with baseball fans. The activities also sought to foster a love of the land and create a clean environment in which to play ball. Members of E.SUN's volunteer corps also led children from orphanages to baseball games. The Company also held an activity in the winter in which it donated shoes to these underprivileged children, bestowing its warmth and compassion on these children. During the Olympic Games in Athens, the Company staged a series of activities to drum up support for Taiwan's Olympic baseball team. This included hanging up signs and flags in support of the team at all branches.

All employees wore leisurewear with the baseball team's logo. The Bank staged a limited issuance of baseball-related passbooks and ATM cards to boost support for the Taiwan team. In the middle of 2004, the Company played a role in the Kenting Kite Season and the Taiwan Lantern Festival, expressing its support for local cultural activities. During the orange harvesting season, the Company purchased 5,000 boxes of oranges in support of Taiwan's farmers. After Typhoon Mindulle ravaged central and southern Taiwan, E.SUN FHC and its employees led a campaign that raise NT\$10 million to help persons in the disaster areas to rebuild their lives. E.SUN FHC embraces public service and exhibits its love for Taiwan. It is a highly disciplined, law-abiding corporate that is pursuing sustained operations via the creation of shareholder value.

Hit after Hit, Go Taiwan!



Issuance of Brother Elephants Win Card; Holding Activities with Baseball Fans.



E.SUN Volunteers Believe A Little Love Can Go A Long Way.

## 5. An Overview on Markets and Business Performance



Integrates Resources and Focuses Efforts.

### (1) Areas Where Services Are Provided and Products Sold

E.SUN's units work together and pool their efforts for the greater good of the whole. In 2004, the Company further integrated its workforce, strategies and operations, expanding the range and depth of its services. E.SUN Commercial Bank in September successfully acquired Kaohsiung Business Bank, expanding its domestic service network to 114 branches in the process. The Bank also has branches in Los Angeles and Hong Kong. The network provides customers with a comprehensive line of services, helping to boost customer value. The Bank has largely strengthened its competitiveness in the areas of corporate banking, consumer banking and wealth management. Meanwhile, the Bank entered into a strategic alliance with Prudential Plc of the UK, opening a new page in multinational cooperation in the Taiwan banking sector. This created a model for a financial institution on Taiwan in successfully initiating a strategic

alliance with a foreign company. The cooperative alliance will provide customers with a wider range of services and products from which to choose.

E.SUN Bills Finance, established nine years ago, has set up branches in Kaohsiung, Taichung, Taoyuan and Panchiao in addition to its headquarters. The Company is actively involved in initiating new operations, such as dealing operations of government bonds, being a trading house for central government bonds and



Cross selling Provides Customers with Comprehensive Service.

corporate bonds, being a broker for debentures, and dealing. E.SUN Bills Finance provides customers with a wide range of outstanding services.

Since its establishment, E.SUN Securities has spared no effort in development of Internet services, providing customers with an outstanding securities trading platform as well as customized investment services. In addition to its headquarters, the Company has branches in Shuangho, Hsinchuang, Kaohsiung, Chengchung, Sungchiang, Taita, Jenai, Chiayi and Tucheng. In February 2005, the Company opened its 11th branch, in Tainan. It intends to open more branches at appropriate times.

As the government allows subsidiaries of financial holding companies to undertake cross-selling and marketing, E.SUN Securities is taking advantage of E.SUN Commercial Bank's broad network, professional services and comprehensive product line to provide a foundation for future growth. Meanwhile, E.SUN Securities is also working together with E.SUN Venture Capital, E.SUN Insurance Brokers and E.SUN Securities Investment Trust to strengthen services in the fields of investment banking, bacassurance and asset management. In 2005, E.SUN FHC expects that over 115 branches of its subsidiaries will offer cross-selling and marketing services, setting the basis for further growth in operations.

## (2) Future Market Supply and Demand

The government is pursuing a policy to enable participants in the domestic banking sector to develop in line with broader international trends. Mergers are occurring frequently in the sector and competition is heated. Banks must rapidly adjust their organizational structure to meet changes in the marketplace. They also must exhibit a high level of ambition to ensure that they have a change to

survive. In this environment, brand name and corporate culture are the keys to success. While financial liberalization and internationalization provide challenges, these developments also offer unlimited opportunities and chances to expand into new markets. This is especially the case for financial holdings companies.

### A. Market Analysis

#### (A)Growth

Financial holding companies seek synergy in the areas of cost down, cross selling and capital efficiency. The operational foundation for a company can be largely expanded via the integration of resources and cross sales and marketing, providing customers with a comprehensive array of banking services.

#### (B)Development

The establishment of financial holding companies marked the beginning of a major metamorphosis in the domestic banking sector. E.SUN FHC rapidly formed and integrated the bank, bills finance, securities, investment trust, insurance and venture capital subsidiaries under its umbrella. With the same corporate culture for these companies, a cross disciplinary foundation has been rapidly stabled. In 2004, E.SUN FHC expanded its influence in the market through an acquisition and entering into a strategic alliance. The Company is also actively participating in international banking operations, raising its visibility on an international level. E.SUN FHC believes that the efforts it has made and will continue to make will enable E.SUN to further enhance his position as a leader in the highly competitive banking sector.

### B. Strategic Analysis

#### (A) Competitive Strategies

E.SUN FHC will use reorganization, M&A and strategic alliance to expand its operational scale, with the establishment of sound systems outstanding talent (HR) developant excellent IS helping to set for the foundation for future growth. In light of the rapid changes in the banking environment, the Company will create a

broad-based sales and marketing unit that will administer strategies and help raise operational performance. Still, risk management will always be the foremost priority for the Company. E.SUN FHC will introduce standards based on the Basel II Accord. It will seek the best operational performance possible, yet only from a sturdy foundation.

#### (B) Analysis of Competitive Strengths and Weaknesses

After years of efforts, the E.SUN brand name is recognized as a symbol of top quality among regulators and the public alike. This, along with its outstanding leaderships and corporate culture, will provide to be a great aid to E.SUN FHC in further expanding its operations.

### (3) Business Objectives

Cross selling is the key to achieving synergy in a financial holding company. In addition to stand-alone banking, securities and insurance-related products and services, these items can be packaged and marketed on a joint basis, creating a common effort to sell the brand name and providing a platform from which to provide one-stop shopping of financial services. This type of comprehensive service raises the competitive added value of the products and also encourages employees to raise their level of expertise. Meanwhile, customers benefit from financial planning services that take into account an array of products. The cross-exselling mechanism also provides a means for the companies to share profits. E.SUN FHC's subsidiaries use cross-selling, and coordinate back-office work, helping to cement an even closer relationship among themselves. This will have a positive effect on E.SUN's future development. Meanwhile, the Company will introduce international financial products and know how, working to narrow the gap between local and foreign operational concepts and culture. Strong operational performance and cooperation among member companies will help E.SUN FHC to

continue to expand its financial blueprint.

Wealth management has gradually become a focal point within traditional banking operations. E.SUN is providing a wide range of products and services that can be tailored to the needs of each customer, putting focus on the added value required by each customer. Together with E.SUN's long-standing commitment to quality, customers are highly satisfied and become life-long patrons who trust the E.SUN brand name. This has created a new model for wealth management. The Company is establishing area wealth management centers to offer even more professional, real-time and customized services.



Working to Provide Financial and consultative Services.

Trust business is primarily focused on designated-use trusts that invest in foreign mutual funds, on trusts under management, on providing custodian banking for Qualified Foreign Institutional Investors or Overseas Chinese investors in local securities, on serving as a custodian bank for securities brokerage operational guarantee funds, on employee stock ownership trusts, on verification of stocks and bonds, on verification of securities, on the agency issuance, transfer, registration and pay-out of dividends for securities, and on providing consultancy services for companies seeking to raise funds.

The Company's consumer banking operations will continue to effectively control risk while creating the highest value. Quantity and quality are equally important in the extension of

consumer loans. The highest level of service quality and professionalism is provided to customers. In light of changes in the external environment and in order to be in line with government policy, the Company will extend various persond policy-related loans to laborers. It also provides residents with mortgages and takes part in the program in which NT\$1.38 trillion of preferential mortgage loans are being disbursed. Efforts are being made to further develop credit card and cash card operations. At the end of 2004, total outstanding financing stood at NT\$170.592 billion (including the NT\$10.864 billion of Kaohsiung Business Bank), which is a rise of NT\$61.11 billion, or 55.81%, from the end of the previous year.

The Company continues to achieve new breakthroughs in its credit card operations. For example, it issued Taiwan's first co-branded card with a baseball team - the Brother Elephants Card. Baseball fans who are holders of the card can participate in a wide range of special activities held by E.SUN. The Company has also issued Taiwan's first IC card that adheres to EMV specifications and that automatically changes colors based on the level of UV rays it is exposed to. Meanwhile, E.SUN continues to be selected by the Taiwan Tourism Bureau as one of the issuers of National Travel Card to persons working in the public sector. About 170,000 civil servants in the Ministry of Transportation and Communications and the Ministry of the Interior have selected E.SUN's

card as their card of choice, helping E.SUN secure a market share of nearly 40%. E.SUN Commercial Bank also continues to be selected by the Taipei County Government to issue a government procurement card. At the end of the year, E.SUN made a bid in the Southern IC Intelligent Card Electronic System in a project being carried out by the Kaohsiung City Government. E.SUN won the right to issue cards under this program.

In terms of corporate banking, E.SUN focuses on risk management and providing customers with a diversified range of financial services. In light of the government policy to support development of SME, the Bank utilizes the SME Credit Guarantee Fund mechanism to strengthen lending to SMEs. It also provides special loans to traditional industries, receivable notes financing, and accounts receivable factoring products. The Bank combines the resources of holding company subsidiaries in providing convenient and flexible financing avenues to medium and large corporations, creating the greatest value for customers.



Making Every Trip a Memorable One.



E.SUN's eCoin Wins Silver Trophy in the Golden Web Awards.

E.SUN's electronic banking services has continuously focused on development of new products and competitiveness associated with e-Payment and e-Channel services. On the one hand, cash flow services are provided to complement e-Commerce and Digital conten online shopping. On the other hand, EDM and webpage media are used to market E.SUN FHC

products and activities to Internet banking and eCoin customers.

#### (4) Factors Impacting Developmental Prospects

##### A. Internal Factors

###### (A)Corporate Image and Brand Name

E.SUN Commercial Bank is the only local bank to have won the National Quality Award, making it an example in terms of quality for its counterparts. In addition to the professionalism of the Bank and its staff, employees express a high degree of concern for the wellbeing of customers. Anyone who steps into E.SUN Bank feels treated like a VIP. The Bank also makes contributions to the community in the humanities, arts and environmental protection. E.SUN Bank will continue to implement a total quality system, seeking to further upgrade service and give customers a banking experience that they will not soon to forget.

###### (B)Operational Characteristics and Style

The E.SUN style is characterized by a heavy organizational structure, outstanding systems, a professional workforce and upstanding operations. E.SUN Bank is dedicated to professionalism, service and responsibility. It spares no effort in training its employees, believing that providing the best service, its the bank's responsibility. E.SUN has already set a model for others to emulate and will use its excellence as a foundation for future development.

###### (C)Human Resources and Knowledge Management:

E.SUN FHC has always been totally committed to training its employees. By instilling the corporate culture and core values of the Company, as well as knowledge related to operations, E.SUN FHC molds its employees into outstanding professionals. E.SUN believes its workforce is its most important asset. In 2004, it won an award from the Taiwan Academy of Banking and Finance for its

outstanding training program. E.SUN hopes that its training program for engineers helps these individuals become well-equipped to handle the competition in the marketplace. In addition to attesting to the importance E.SUN attaches to training, the award also exhibits the company's achievements in the three pillars of



E.SUN's Knowledge Management Forum Is Forerunner in management Concepts.

establishment of systems, cultivation human resource, and development information system.

In an effort to promote research and boost academic standards, as well as to strengthen academic exchanges in the field of knowledge management, E.SUN FHC and the National Taiwan University School of Management inked an agreement in the beginning of 2005 to establish the E.SUN Knowledge Management Chair. It is hoped that the chair will provide new management concepts in the current knowledge-based economic era, leading to new opportunities. This also will set a new model for future cooperation between the academic and business sectors.



Model for Banking Acquisition and Information Integration.

(D) Information Capability:

E.SUN Commercial Bank's information system is the integrated information and network system for the entire financial holding company. This far-reaching and comprehensive platform is highly reliable and stable, and available. It is used to develop new strategies and also aid in responding to changes in business strategies or impacts brought about by changes in technology.

When E.SUN Commercial Bank acquired Kaohsiung Business Bank, it was able to completely integrate all data, HR, and operations systems within a three-month period. On September 6, it completed a one-way system to provide services to customers. This was the most efficient banking merger ever. According to an IBM engineer, this was likely the fastest and most efficient integration of information systems ever carried out in the banking sector anywhere in the world.

(E) R & D and Innovation:

With the application of the latest technology, E.SUN FHC continues to seek to become a provider of comprehensive banking solutions. Whether it be in quantifying risk, carrying out internal or external pricing, or providing new financial products and services, E.SUN FHC introduces the know-how of well-known experts. It also creates effective models using its practical experience at home and its database. The result is the design of both standardized products for the public at large as well as customized products. This enables different customer groups to select the products each requires.

(F) Depth and Breadth of Development:

In the wake of the acquisition of Kaohsiung Business Bank, E.SUN Commercial Bank expects to complete the re-location of branches by the end of 2006. At that time, the Bank will have 116 branches at home and abroad. This network, with highly competitive products, an outstanding corporate culture, and a highly trained workforce, will serve over 3.5 million loyal customers. Coupled with its

comprehensive quality management system, strong financial strength and asset quality, and its top notch information development ability, E.SUN is well on the road to setting new milestones in terms of size, professionalism and quality.

B. External Factors

(A) The global economy registered strong expansion in 2004, exhibiting a growth rate of 4.2%. This was the first time since 2000 that global growth surpassed 4%. However, the US Federal Reserve began raising interest rates, the US dollar depreciated against major currencies, and oil and raw material prices rose sharply. Meanwhile, China implemented measures to control its economic growth. As a result, demand in some sectors was less than expected, causing a slowdown in certain areas and industries to emerge in the second half of the year.

(B) Global Insight predicts global economic growth in 2005 to slow to 3.3%. It forecasts global trade growth in 2005 will slow slightly to 8.0% growth, from 8.9% growth in 2004. Meanwhile, Taiwan's Directorate General of Budget, Accounting and Statistics has forecast that the local economy's growth will slow to 4.6% in 2005 as a result of the waning growth internationally.

(C) The domestic and global economies are still exhibiting growth. As the economy recovers and globalization takes root, regular companies will not only require more banking services, but a wider variety of services as well. Meanwhile, the government continues to promote financial liberalization, as well as internationalization and banking reform policies. Competition in the banking sector is only going to get tougher. However, challenges present opportunities. The domestic banking sector is improving its finances, carrying out operational reforms, and introducing new financial products and marketing campaigns, creating competition on a scale not seen before.



## 6. Human Resource



E.SUN Nurtures You Today, You Nurture E.SUN Tomorrow.

The cultivation of human resource lays the foundation for a company's sustained operations. ESFHC continues to restructure organization and boost business performance based on the spirit of integrating resources and effective management. As of March 31, 2005, ESFHC presently has 49 employees with average age of 37.7 years and average experience of 9.29 years. Of this group, 36.7% have master's degrees, 36.7% have bachelor's degrees, and the remaining 26.6% are graduates of technical colleges; A total of 16 people have 37 professional licenses in the banking

field, while seven people have eight licenses in the field of insurance. Eleven people have 17 securities-related licenses, while 17 people have 28 licenses in other areas. With employees being our most important asset, E.SUN is dedicated to providing training to these individuals to boost its intellectual capital. In 2004, ESFHC and its subsidiaries held a total of 170 training courses and A total of 10,317 person-time took part in 465 external workshops, averaging out to 4.22 per employee.

The employees profile of each subsidiaries is as following :

### (1)E.SUN Bank

Item \ Year		2005.3.31	2004	2003	
Number of Employee		2,698	2,438	1,816	
Average Age		30.5	29.7	29.2	
Average Experience		3.8	3.6	4.0	
Education Profile(%)	Master	15.2	13.5	12.1	
	Bachelor	55.7	56.3	54.9	
	College	26.6	27.7	31.2	
	Senior high school (Occupational school)	2.5	2.5	1.8	
The number of employees with certificate		Bank 1,230	Insurance 699	Security 361	Others 271
Number of certificates		3,165	1,121	570	390

### (2)E.SUN Bills Finance Corp.

Item \ Year		2005.3.31	2004	2003	
Number of Employee		84	83	92	
Average Age		33.4	32.7	31.2	
Average Experience		6.3	6.4	5.2	
Education Profile(%)	Master	15.1	12.5	9.8	
	Bachelor	64.4	63.9	64.1	
	College	19.2	22.2	23.9	
	Senior high school (Occupational school)	1.3	1.4	2.2	
The number of employees with certificate		Bank 42	Insurance 11	Security 57	Others 73
Number of certificate		104	15	103	107

### (3)E.SUN Securities Co., Ltd.

Item \ Year		2005.3.31	2004	2003	
Number of Employee		242	261	225	
Average Age		31.7	30.9	30.5	
Average Experience		2.3	2.1	3.9	
Education Profile(%)	Master	8.7	8.5	9.8	
	Bachelor	54.5	56.7	47.6	
	College	33.1	31.0	36.8	
	Senior high school (Occupational school)	3.7	3.8	5.8	
The number of employees with certificate		Bank	Insurance	Security	Others
Number of certificate		28	19	91	77
		48	22	177	91

### (5)E.SUN Insurance Brokers Co., Ltd.

Item \ Year		2005.3.31	2004	2003	
Number of Employee		17	18	6	
Average Age		29.4	29.4	30	
Average Experience		0.9	0.7	0.4	
Education Profile(%)	Master	5.9	5.6	50	
	Bachelor	94.1	94.4	33.3	
	College	0	0	16.7	
The number of employees with certificate		Bank	Insurance	Security	Others
Number of certificates		11	16	3	3
		20	48	4	3

\*E.SUN Insurance Brokers Co., Ltd. was incorporated on July 30, 2003

### (4)E.SUN Venture Capital Co., Ltd.

Item \ Year		2005.3.31	2004	2003	
Number of Employee		9	9	9	
Average Age		34.6	34.3	33.3	
Average Experience		2.4	2.1	1.1	
Education Profile(%)	Master	66.7	66.7	66.7	
	Bachelor	33.3	33.3	33.3	
The number of employees with certificate		Bank	Insurance	Security	Others
Number of certificates		3	2	4	3
		4	2	6	5

\*E.SUN Venture Capital Co., Ltd. was incorporated on October 7, 2002

### (6)E.SUN Securities Investment Trust Co., Ltd.

Item \ Year		2005.3.31	2004	2003	
Number of Employee		22	24	24	
Average Age		32.3	31.5	31.8	
Average Experience		3.8	3.9	4	
Education Profile(%)	Master	40.9	41.7	37.5	
	Bachelor	50.0	41.7	45.8	
	College	9.1	16.6	16.7	
The number of employees with certificate		Bank	Insurance	Security	Others
Number of certificates		12	9	14	9
		25	10	29	10

\*E.SUN Securities Investment Trust Co., Ltd. became a subsidiary of the Company on September 16, 2003



E.SUN Bank Wins Award for Its Excellent Training Program.

## 7. Labor-Management Relations

### (1) Important Labor-Management Agreements within ESFHC and Subsidiaries

A.Labor Insurance: The Company bears 70% of the premiums, while employees are responsible for 20%.

B.National Health Insurance: The Company bears 60% of the premiums, while employees are responsible for 30%.

C.Group Insurance: Employees enjoy group accident insurance, life insurance, and hospitalization and accident medical insurance. These premiums are paid in full by the Company.

D.Bonuses: Employee bonuses are paid according to the articles of incorporation of ESFHC and subsidiaries.

E.Holiday policy: Holiday leave is based on rules in the Labor Standards Law. Employees will receive at least seven days of paid leave after working for an entire year.

F.The employee welfare committee regularly holds various activities and functions, and also provides various subsidies.

### (2) Retirement

Regulations governing employee retirement are based according to the Labor Standards Law.

### (3) Losses in Past Three Years Due to Labor-Management Disputes: None

### (4) Campaigns Related to Employee Ethical Standards and Concepts:

A.Prior to initiating work at the Company, each employee must sign a statement agreeing to abide by E.SUN's service guidelines and ethical standards.

B.The Company also publishes these guidelines and standards on its internal website to enable employees to casually review and familiarize themselves with these rules. The Company also regularly holds information campaigns to publicize these standards.

### (5) Measures to Protect Workers in the Workplace:

A.The Company has installed security systems and guards at all operational branches to protect the safety of employees and the workplace.

B.The Company has produced an employee safety and health handbook to promote employee welfare. This boosts safety in the workplace and helps to achieve the goal of zero accidents at the office.

## 8. Invested Company

### 1. Overview of Invested Companies

#### (1) E.SUN Financial Holding Company, Ltd.

2004.12.31 Unit : NT\$1,000; 1,000 shares

Investee	Business lines	Investment cost	Book value	Shares invested		Net equity	Market value	Accounting Method	Return on Investment in the most recent year		Shareholdings
				Shares	%				Investment gain/loss	Dividend allocated	
ESUN Bank	Bank	25,160,117	32,644,613	2,017,500	100	32,644,613	-	Equity Method	4,026,300	2,181,000	2,017,500
ESUN Bills Finance Corp.	Bills Finance	5,150,581	5,971,533	426,500	100	5,971,533	-	Equity Method	591,104	618,425	426,500
ESUN Securities Co., Ltd.	Security	3,137,819	3,185,334	306,000	100	3,185,334	-	Equity Method	(54,317)	61,200	306,000
ESUN Venture Capital Co., Ltd.	Venture Capital	1,000,000	1,021,077	100,000	100	1,021,077	-	Equity Method	12,914	0	100,000
ESUN Insurance Brokers Co., Ltd.	Insurance Brokerage	10,000	143,222	6,200	100	143,222	-	Equity Method	74,489	52,000	6,200
ESUN Securities Investment Trust Co., Ltd.	Investment & Trust	366,211	417,562	30,000	100	417,562	-	Equity Method	101,432	81,600	30,000
Debt instruments Depository and Clearing Co. Taiwan	Depository	40,000	40,000	4,000	2	40,143	-	Cost Method	0	0	4,000

## (2)E.SUN Commercial Bank, Ltd.

2004.12.31 Unit : NT\$1,000; 1,000 shares

Investee	Business lines	Investment cost	Book value	Shares invested		Net Equity	Market value	Accounting Method	Return on Investment in recent years		Shareholdings
				Shares	%				Investment gain/loss	Dividend allocated	
E.SUN Finance and Leasing Co., Ltd.	Lease	196,000	154,241	19,600	98.99	154,241	-	Equity Method	22,248	0	19,800
Taipei Forex Inc.	Exchange brokerage	2,000	2,000	160	0.81	2,634	-	Cost Method	214	214	19,820
Taiwan Future Exchange Co., Ltd.	Stock Exchange House	9,000	9,000	900	0.45	20,793	-	Cost Method	1,116	1,116	200,000
Financial Information service Co., Ltd.	Information	108,954	108,954	9,100	2.28	132,949	-	Cost Method	8,509	8,509	400,000
E.SUN Insurance Agent Co., Ltd.	Insurance Agent	3,950	18,042	1,280	79.00	18,042	-	Equity Method	168	0	1,620
Fubon Securities Finance Co.	Security	98,957	98,957	10,253	2.56	135,037	-	Cost Method	6,154	6,154	400,000
Apex Venture Capital Corp.	Venture Capital	50,000	50,000	5,000	4.67	46,878	-	Cost Method	0	0	107,000
Gapura Incorporated	Venture Capital	23,428	14,828	557	4.90	13,806	-	Cost Method	0	0	11,367
National Venture Capital Corp.	Venture Capital	27,000	27,000	2,700	4.99	21,666	-	Cost Method	0	0	54,100
Bank- Pro E-Service Technology Co., Ltd	Information	4,500	4,500	450	3.33	3,486	-	Cost Method	0	0	13,500
UMC	Electronics	200,451	200,451	4,445	0.02	55,375	89,247	Cost Method	0	3,300	17,791,982
Taiwan Asset management Corporation	AMC	100,000	100,000	10,000	0.57	109,316	-	Cost Method	0	0	1,762,000
Taiwan Financial Asset Service Corporation	RTC	50,000	50,000	5,000	2.94	51,122	-	Cost Method	4,000	4,000	170,000
Kao Li Real-Estate Management Corp.	Real-Estate Management	11,832	11,289	1,500	30.00	11,289	-	Equity Method	(543)	0	5,000
Taiwan Incudator SMEs Development Co.	SMEs Development	24,071	24,071	2,425	3.44	23,436	-	Cost Method	0	0	70,554
Taiwan Finance Corporation	Bills Finance	21,355	21,355	2,120	0.41	22,588	-	Cost Method	0	0	516,165

### (3) E.SUN Venture Capital Capital Co., Ltd.

2004.12.31 Unit : NT\$1,000; 1,000 shares

Investee	Business lines	Investment cost	Book value	Shares invested		Net Equity	Market value	Accounting Method	Return on Investment in recent years		Shareholdings
				Shares	%				Investment gain/loss	Dividend allocated	
E.SUN Technology Co., Ltd.	Information software service and computer equipment installment	12,000	11,997	1,200	48.00	8,820	-	Equity Method	(1,122)	0	2,500
E.SUN Capital Co., Ltd.	Brokerage service	4,500	3,663	450	45.00	3,294	-	Equity Method	(767)	0	1,000
Twin Han Technology Co., Ltd.	Digital TV card	33,192	33,192	744	1.63	8,487	-	Cost Method	0	2,623	45,504
Univacoco Technology Inc.	Vacuum evaporation metallizing	30,000	30,000	1,150	2.63	20,487	-	Cost Method	0	1,725	43,720
Chun Hwa Chemical Synthesis & Biotech Co., Ltd.	Raw material medicine	20,005	20,005	2,000	3.07	16,494	-	Cost Method	0	0	65,200
Ampire Co., Ltd.	STN-LCD module	13,314	13,314	913	1.93	11,608	-	Cost Method	0	1,653	47,300
Epoch Chemtronics Corp.	Backlight module	24,800	24,800	900	9.00	16,472	-	Cost Method	0	0	10,000
Bank-Pro E-Service Technology Co., Ltd.	Information	3,250	3,250	325	2.41	2,514	-	Cost Method	0	0	13,500
Sam Lam Technology Co., Ltd.	Cooler Fan	23,800	23,800	1,700	6.07	20,868	-	Cost Method	0	0	42,300
Etrend Hightech Corp.	Semiconductor test	6,825	6,825	546	2.02	5,694	-	Cost Method	0	0	27,000
Progressive Optoelectronics Technology co., Ltd.	Optical lenses	25,088	25,088	784	1.85	11,515	-	Cost Method	0	0	42,300
Beyond Innovation Technology Co., Ltd.	IC Design	25,388	25,388	832	3.86	12,226	-	Cost Method	0	555	21,523
ABBA Linear Tech Co., Ltd.	Linear Guideways	14,500	14,500	500	1.92	7,278	-	Cost Method	0	0	26,000
Advance Data Technology	Safety test	38,943	38,943	1,122	4.01	20,587	-	Cost Method	3,366	3,366	27,960
Super Link Electronics Co., Ltd.	Connectors	25,000	25,000	2,000	10.00	17,915	-	Cost Method	0	0	20,000
Joinsoon Electronics MFG Co., Ltd.	Connectors	25,200	25,200	1,200	2.91	14,232	-	Cost Method	0	0	41,200
Star World Technology Corp.	LCM module	2,655	2,655	153	0.33	2,005	-	Cost Method	31	77	45,890
Globaltop Partner I Venture Capital Corp.	Investment	100,000	100,000	10,000	2.97	99,906	-	Cost Method	0	0	100,000
Solidlite Corporation	LED	16,000	16,000	1,000	4.00	7,306	-	Cost Method	0	0	25,000

(4) E.SUN Bills Finance Corp.: None

(5) E.SUN Securities Investment Trust Co., Ltd.: None

## (6)E.SUN Securities Co., Ltd.

2004.12.31 Unit : NT\$1,000; 1,000 shares

Investee	Business lines	Investment cost	Book value	Shares invested		Net Equity	Market value	Accounting Method	Return on Investment in recent years		Shareholdings
				Shares	%				Investment gain/loss	Dividend allocated	
E.SUN Investment Consulting Co., Ltd.	Security investment consulting	10,000	11,586	1,000	100	11,586	-	Equity Method	1,549	310	1,000
Top Taiwan IV Venture Capital	Ventures Capital	60,000	60,000	6,000	6	59,980	-	Cost Method	0	0	100,000
Giantcom International Telecommunication	Communications	1,789	1,089	96	0.18	1,076	-	Cost Method	0	0	54,060

## (7)E.SUN Insurance Brokers Co., Ltd.

2004.12.31 Unit : NT\$1,000; 1,000 shares

Investee	Business lines	Investment cost	Book value	Shares invested		Equity in net worth	Market price	Accounting Method	Return on Investment in recent years		Shareholdings
				Shares	%				Investment gain/loss	Dividend allocated	
E.SUN Insurance Agent Co., Ltd.	Insurance Agent	8,556	4,568	324	20	4568	-	Equity Method	55	0	1,620

## 2. Investment plan of invested companies next year: None

## 3. Consolidated shareholding

Unit : shares; %

Invested Company	Invested by E.SUN FHC		Invested by directors, supervisors, managers and directly or indirectly controlled business		Consolidated shareholding	
	Shares	Shareholdings (%)	Shares	Shareholdings (%)	Shares	Shareholdings (%)
E.SUN Bank	2,017,500	100	0	0	2,017,500	100
E.SUN Bills Finance Corp.	426,500	100	0	0	426,500	100
E.SUN Securities Co., Ltd	306,000	100	0	0	306,000	100
E.SUN Venture Capital Co., Ltd.	100,000	100	0	0	100,000	100
E.SUN Insurance Brokers Co., Ltd.	6,200	100	0	0	6,200	100
E.SUN Securities Investment Trust Co., Ltd.	30,000	100	0	0	30,000	100
Debt Instruments Depository and Clearing Co. Taiwan	4,000	2	0	0	4,000	2

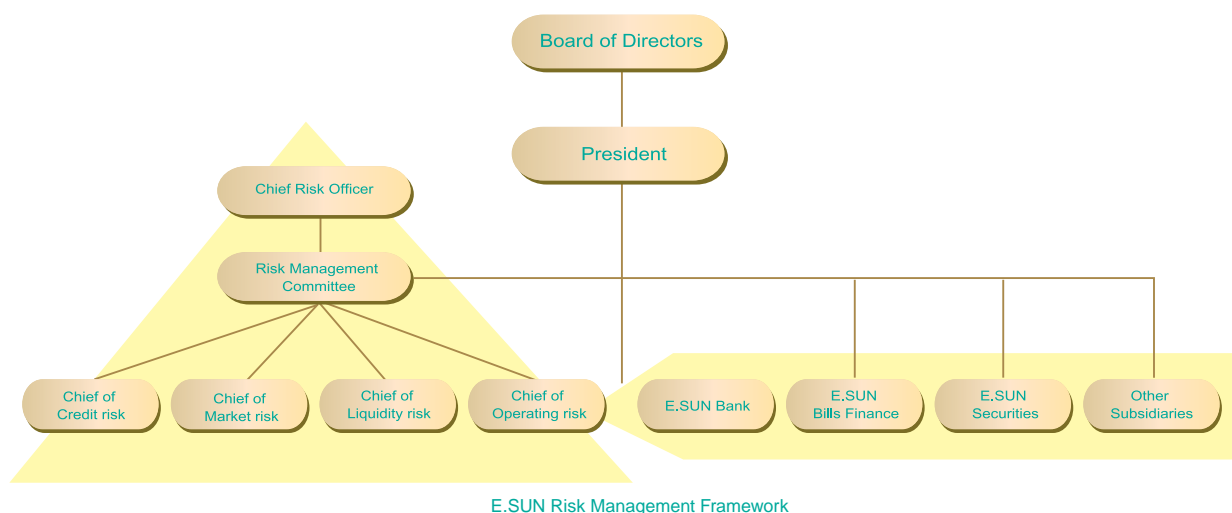
## 9. Risk Management

The main concerns in ESFHC's risk management efforts are to ensure assets safety, to provide customers with service and to create shareholder value. All operations are carried out with risk considerations in the forefront. Operations are to stress safety and liquidity first, then profitability, and then growth, with public service always in mind.

### (1) Financial Holding Company Risk Management Framework

The Company has established an independent Risk

Management Committee. This unit is charged with setting out, implementing and monitoring internationally accepted risk management strategies. This reduces credit, market risk, operations risk and other risks to a minimum. All subsidiaries also set up individual "Credit Review Committee", "Assets and Liabilities Management Committee", and risk management and auditing units responsible for daily position evaluation, risk exposure calculation and feedback of extraordinary events. The organizational framework is as follows:



### (2) Risk management strategy and procedures-applicable for all subsidiaries

#### A. Credit Risk Management

(A)The risk management target is in accordance with the regulations of authorities, internal credit and trading risk control system and we will adjust the internal regulations at the right moment depending on domestic and overseas economic and financial situation.

(B)Restricting the single financial institution risk position according to the regulations of authorities, credit rating and business performance.

(C)Following the regulations of authorities to set up the internal regulations of guarantee on short-term bills of the same enterprise and affiliates.

(D)To set up internal industrial credit limit percentage by following the regulations of authorities.

#### B. Market Risk Management

(A)Appropriately managing the efficiency of funds and keeping it liquid by the asset and liability management.

(B)To avoid the concentrating of funds using and source of funds on one or a few financial tools or counterparties to prevent from risk concentration.

(C)To control the risk of price volatility by daily funds committee deciding daily trading strategy.

(D)Evaluating the Company's risk exposure periodically to be reference for trading strategy

#### C. Operational Risk Management

The Company firmly believe that the fundamental way to avoid the internal operational risk is to build fine operation system, to train up employees' risk awareness, to drive law-abiding corporate culture and excellent internal control and audit system. It devoted to the training of all subsidiaries' employees, auditing and improving the operation processes. To the

external event, E.SUN always keeps sensitivity on market environment, customer behavior, technology innovation and regulation amendment to grasp the opportunity in advance.

### (3) The range and characteristics of risk report and measure system-applicable for all subsidiaries

A. Credit Risk : the credit line of the same enterprise and same group ; credit line control of risk weighted assets ; the exposure of the same enterprise ; each liability limits of counterparty ; trading limits of interest derivatives

B. Market risk : Measurement for market value and trading profit/loss of operating asset and derivatives

C. Operational risk : To inspect if business operation meets the operation regulations, and tracing the improvement of defect due to auditor opinion

### (4) Strategy and procedures of hedge policy and the continuity and effectiveness of monitoring hedge-applicable for all subsidiaries

A. In accordance with relative regulations, setting up limits of credit, trading and investment entity classified by different business risk degrees.

B. Reviewing and tracing the credit of the borrowers regularly.

C. Adjusting the distribution of asset and liability periodically to reduce the extent of systematic risk exposure.

D. Adjusting the development strategy of all business timely according to the situation of market and future trend.

## (5) Information of quantitative exposure of E.SUN Financial Holding Co., Ltd. related affiliates

### A. Disclosure of Credit Risk

#### E.SUN Bank

#### (A) On Balance Sheet Item - Amount of Credit Risk Weighted Asset

2004.12.31 Unit: NT\$1,000

Item	Applicable Risk Weighted Factor	Amount of Risk Weighted Asset
Claims on sovereigns	0%	0
Claim non-central government public sector entities	10%	0
Claims on banks in OECD	20%	5,464,633
Claim secured by residential property	50%	68,312,307
Other assets	100%	180,749,729
Total	-	254,526,669

#### (B) Off Balance Sheet Item - Amount of Credit Risk Weighted Asset

2004.12.31 Unit: NT\$1,000

Item	Applicable Risk Weighted Factor
General Off Balance Sheet Transaction	19,759,242
Financial derivative instruments	1,270,470
Repurchase agreement (RP)	374,078
Resell agreement (RS)	70
TOTAL	21,403,860

(C) Till a quarter preceding the date of printing this annual report, E.SUN Bank, as the role of an originator, trusted or provided its assets for security issuance, the security types and tranches, the total amount of each issuance, the outstanding amount of each issuance, and the buy-back amount in any securitization issuance: None



## E.SUN Bills Finance Corp.

### (A) Centralization of Credit Risks

Unit: NT\$1,000;%

Item	Year		2004		2003	
Credit granted to related parties			179,000		375,000	
% of credit granted to related parties			1.02%		2.04%	
% of credit pledged with stocks			18.80%		9.60%	
Credit concentration by industry			<b>Industry</b>	<b>%</b>	<b>Industry</b>	<b>%</b>
			Finance & Insurance	38%	Finance & Insurance	38%
			Manufacturing	38%	Manufacturing	38%
			Wholesale, Retail and Food	8%	Wholesale, Retail and Food	8%

### (B) Asset Quality

Unit: NT\$1,000;%

Item	Year		2004.12.31		2003.12.31	
NPL (Note 1)			-		-	
Overdue Loan (Note 1)			-		-	
NPL Ratio (Note 2)			-		-	
Allowance for Overdue and Receivables			323,124		431,123	

Note:1. NPL includes the amount of overdue loan

Note:2. NPL Ratio=NPL(overdue loan and receivables)/(guaranteed & endorsed notes receivables + NPL)

Note:3. Meant for the reserve for guarantee

## E.SUN Securities Co., Ltd.

### Credit Risk Weighted Assets and Liabilities

Unit: NT\$1,000

Item	2004.12.31	2003.12.31
Outstanding of Margin Purchase	1,858,509	1,453,183
Outstanding of Short Sale	177,589	39,984
Bonds purchased under resell agreement(RS)	737,478	787,347
Bonds sold under repurchase agreement(RP)	1,787,616	3,114,802

## B. Capital Charge for Market Risk and Risk Weighted Assets

### E.SUN BANK

2004.12.31 Unit: NT\$1,000

Risk type	Capital Charge	Amount of Risk Weighted Assets (Note)
Interest Rate Risk	1,640,346	20,504,325
Equity Risk	133,048	1,663,100
Currency Risk	98,732	1,234,150
Commodity Risk	0	0
Option (Simple Approach)	902,855	11,285,688
Total	2,744,981	34,687,263

Note:12.5xCapital Charge

### E.SUN Bills Finance Corp.

Unit: %

Item	Year	2004.12.31	2003.12.31
	Ratio of interest-sensitive assets to liability (Note 1)		71.91
Ratio of interest sensitive gap to stockholders' equity (Note 2)		(222.15)	(232.23)

Note1: Ratio of interest sensitive assets to liability= interest sensitive assets / interest sensitive liability

Note2: Interest sensitive gap= interest sensitive asset -interest sensitive liabilities

### E.SUN Securities Co., Ltd.

Unit: NT\$1,000

Item	2004.12.31		2003.12.31	
	Market value	Exposure of Market Risk	Market value	Exposure of Market Risk
Government bond	679,386	6,377	1,383,217	19,372
Supernational organization note denominated in NTD	—	—	20,375	122
Listed (OTC) Corporate Bond	299,997	10,500	859,360	38,939
Listed stock	121,452	18,218	608,810	91,321
Over-the-counter (OTC) stock	48,338	9,668	227,058	45,412
Emerging stock	15,368	9,221	13,492	8,095
Hedging position of issuing call (put) warrant	28,859	1,732	—	—
Convertible bond, orporate bonds with warrants	4,505	901	28,292	5,658
Beneficiary certificate	891,135	60,221	833,335	54,170
Short term bills	99,960	240	—	—

## C. Liquidity Risk

### E.SUN BANK

#### (A) Liquidity analysis of assets and liabilities- NTD

2004.12.31 Unit: NT\$Million

Item	Total	Period Remaining until Due Date				
		0-30days	31-90days	91-180days	181days - 1year	Over 1 year
Assets	387,170	65,843	19,126	14,359	28,207	259,635
Liabilities	360,827	41,143	45,411	164,330	66,894	43,049
Gap	26,343	24,700	(26,285)	(149,971)	(38,687)	216,586
Accumulated Gap	26,343	24,700	(1,585)	(151,556)	(190,243)	26,343

Note: Listed amount of the head office and domestic branches are in New Taiwan dollars (i.e., excluding foreign-currency amounts).

**(B) Maturity analysis of assets and liabilities-Foreign currency**

2004.12.31 Unit: USD1,000

Item	Total	Period Remaining until Due Date				
		0-30days	31-90days	91-180days	181days - 1year	Over 1 year
Assets	1,356,700	350,300	658,480	218,270	50,450	79,200
Liabilities	1,321,700	682,242	280,020	46,600	73,330	239,508
Gap	35,000	(331,940)	378,460	171,670	( 22,880)	(160,310)
Accumulated	35,000	(331,940)	46,520	218,190	195,310	35,000

Note: Listed amount of the head office and domestic branches are in foreign dollars (all convert into US dollars).

**E.SUN Bills Finance Corp.****Period gap analysis of assets and liabilities**

2004.12.31 Unit: NT\$Million

Item		Period	0-30days	31-90days	91-180days	181days - 1year	Over 1 year
Usage of funds	Bills		8,636	12,193	4,369	2,390	-
	Bonds		-	46	-	1	23,538
	Deposits		1,338	1,223	455	2,476	383
	Loan		180	-	-	-	-
	R,S		520	125	-	-	-
	Total		10,674	13,587	4,824	4,867	23,921
Source of funds	Borrowings		4,950	-	-	-	5,000
	R,P		37,191	4,436	488	152	-
	Capital		-	-	-	-	-
	Total		42,141	4,436	488	152	5000
Net flows			(31,467)	9,151	4,336	4,715	18,921
Accumulated net flows			(31,467)	(22,316)	(17,980)	(13,265)	5,656

NOTE: R,S - Securities purchased under resell agreement  
R,P - Securities sold under repurchase agreement**E.SUN Securities Co., Ltd.**

2004.12.31 Unit: NT\$Million

Item	Total	Period Remaining until Due Date				
		0-30days	31-90days	91-180days	181days - 1year	Over 1 year
Assets	4,794	1,736	220	0	1,919	919
Liabilities	2,597	2,057	201	0	338	0
Gap	2,197	(321)	19	0	1,580	919
Accumulated Gap	2,197	(321)	(302)	(302)	1,278	2,197

D. Counterparty Risk  
E.SUN Securities Co., Ltd.

Unit: NT\$1,000

Item	2004.12.31		2003.12.31	
	Market Value	Risk Exposure	Market Value	Risk Exposure
Margin Transaction	2,036,098	40,722	1,493,167	29,863
Repurchase Agreement/Reverse Repurchase Agreement of bonds and Forward Transaction	2,525,094	3,026	3,902,149	7,550
Consignment Trading of Securities	2,061,779	41,712	1,483,480	33,754

E. Foundation(Business)Risk  
E.SUN Securities Co., Ltd.

Unit: NT\$1,000

Item	2004.12.31		2003.12.31	
	Operating Expense	Risk Exposure	Operating Expense	Risk Exposure
Total Operating Expense	327,832	81,958	158,044	39,511

(6) Effect on the Financial Holding Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

Starting in 2004, all bond repo trading of listed and over-the-counter companies is treated as financing. It is now forbidden to treat by outright sales or purchases any more. As a result, when selling bond under repurchase agreement, losses or profits are booked immediately and it will cause a wider fluctuation in gains or losses. Nonetheless, the situation is still under the Company's control.

(7) Effect on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response:

The Company acknowledges that change of science and industry will impact on not only technical level (i.e. allocation of society resources, cash flow and instruments for finance management) but also fundamental concepts, such as on performance management, risk management as well as strategy management, therefore we always encourage all subsidiaries to closely watch movement of science and industry, as well as to catch up with international standard through aids of consulting firm.

(8) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response

The Company believes service quality represents a company's image, therefore it continues to pay attention to the service quality management in all subsidiaries. In 2004, E.SUN Commercial Bank acquired Kaohsiung Business Bank through the Resolution Trust mechanism. Upon the settlement day, the Bank had completely integrated IT systems, human resource and business operations. The acquisition not only expands the Bank's network and customer base, but further adds to the Bank's image, winning recognition among investors and the public alike.

(9) Expected benefits and possible risks associated with merger and acquisitions

A. The expected benefits of E.SUN Commercial Bank acquiring Kaohsiung Business Bank on September 4, 2004 are as follows:

- Domestic network will increase to 114 branches from its previous 54 and that will accelerate set up of regional centers following the principle of division of labor, and broaden the Bank's client case and marketing network.

- The acquisition will raise economies of scale,

boosting competitiveness in the areas of corporate banking, consumer banking and wealth management. This will help E.SUN realize its strategy of achieving high growth.

- The acquisition will enable E.SUN to bring its leading service quality to a broader network, creating a strong and trusted relationship with customers. This will boost profits over the long term.

B. Possible risks and measures to be taken in response:

- The value of acquired assets

If the Bank discovers any undisclosed liabilities or distressed assets within a year after the acquisition, it can apply for damages and compensation from the Resolution Trust. Any undisclosed liabilities discovered after one year of the takeover present potential risk to the Bank. As a result, E.SUN Commercial Bank has undertaken a comprehensive screening of KBB assets in the wake of the takeover.

- Goodwill provisioning and impairment loss

E.SUN completed the maximum provisioning allowed at one time in September 2004. The remainder, amounting to NT\$4,956 million, will be gradually amortized. The Bank presently amortize on average NT\$84 million per month, meaning that provisioning could be completed within five years. This will not have any major impact on the bank's profitability or anticipated economies of scale.

#### (10) Expected Benefits and Potential Risks of Expanded Branch Network

E.SUN has comprehensive risk management mechanisms in effect in terms of deposit and remittance operations at all branches, benefited by highly standardized and computerized. An increased number of branches is expected to result in higher business benefits. At the same time, standardization and E.SUN's strict risk management and discipline are expected to reduce any risks to a minimum.

#### (11) Risks Associated with Concentrated Operations

##### 1. Concentration of Business Operations

The Bank will maintain a keen eye on the banking environment and will appropriately adjust its development strategies in the wake of macroeconomic, industrial or pricing changes.

##### 2. Concentration of Counterparty

The Bank set ceiling limits on risk exposure of credit and investments in terms of customer's industry and group. The Bank regularly reviews its lending terms to reduce the possibility of systemic risk.

#### (12) Effect upon and risk to company associated with any change in governance personnel or top management:

As of the end of 2004, there were no major changes in the ownership of E.SUN Financial Holding Company.

(13) Litigious and non-litigious matters (the annual report shall list major litigious, non-litigious or administrative disputes that: (1) involve the company, its subsidiaries and any company director, any company supervisor, the President, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 1 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect Financial Holding Company's shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of printing of the annual report: None

(14) Other Important Risks: None.

#### (15) Response mechanism of Emergency or Contingency

The Company has enacted "Guidelines for Emergency or Contingency" to correctly reponse internal and external emergency or contingency events and feedback immediately. The Company also performed periodically to maintain and examine its effectiveness to ensure sound development of all departments and to achieve the goal of sustainable operation and social responsibility.

(16) Other important matters: None

## IV. FUNDS UTILIZATION PLAN



Vivid, lofty into sky.

# 1. Funds Utilization Plans

(1) Plan, funds source, allocation and expected synergy of acquiring other financial institutions or investing in other companies' acquisition or investment in 2004: None.

(2) Cash Capital Injection : None

(3) Analysis of expected benefit from funds utilization plans for the past 3 years.

A. Overseas convertible bond

(A) Approval date and letter of the Authority: Tai-Tsi-Rong(2)-Zi-0910049978 on October 29, 2002

(B) Total Funds need: Around USD178,200,000.

(C) Source of funds:

Issuance of Overseas convertible bond (The bond was already totally converted on November 5, 2004.

(D) Use and implementation schedule of funds:

Unit: USD1,000

Item	Date of completion	Funds needed	Expected implementation of funds 2004		
			2nd Quarter	3rd Quarter	4th Quarter
For bank's acquisition of Kaohsiung Business Bank and to its operating capital	4th Quarter 2004	178,200	-	178,200	-
Total	-	178,200	-	178,200	-

(E) Expected benefit:

i. Expand bank's distribution channel and business scale, as well as boost FHC's cross selling performance.

ii. Strengthen financial structure and raise capital adequacy ratio.

(F) Current state of implementation: totally Implemented as of the date of annual report printed.

B. Overseas depositary receipt

(A) Approval date and letter of the Authority: Chi-Kuan-Chen(1)-Zi-0930135237 on August 20, 2004

(B) Total Funds need: Around USD100,000,000.

(C) Source of funds:

Issuance of USD100,000,000 Overseas depositary receipt

(D) Use and implementation schedule of funds:

Unit: USD1,000

Item	Date of completion	Funds needed	Expected implementation of funds 2004		
			2nd Quarter	3rd Quarter	4th Quarter
Inject capital to E.SUN Bank to enhance capital adequacy ratio	4th Quarter 2004	100,000	-	-	100,000
Total	-	100,000	-	-	100,000

(E) Expected benefit:

i. Integrate overall FHC resource and strengthen financial structure to enhance the Company's reputation and competitive edges in international financial market.

ii. Optimize E.SUN's operation capital and raise capital adequacy ratio.

(F) Current state of implementation: Cash capital increase of E.SUN Bank has already approved by the letter of ChunKuanYin(VI)Tzi 0930035242 dated 2004/12/10 issued by Financial Supervisory commission of Executive Yuan. The record date is December 17, 2004 and the plan was totally Implemented as of the date of annual report printed.

## 2. Disposal or Acquisition of Real Estate or Long-term Investment Plants in 2004

For need of information development and employee training, E.SUN Commercial Bank purchased land and built "Learning and Development Center" that went into use in June 2004. Meanwhile, because of the benefits of centralized management, reduction in rental expense and greater operational synergy to raise competitiveness and leading to sustainable operations, after careful consideration, the Bank has purchased the land and structure at Chungshan North Road, Section 2, No. 41 to serve as an operation building. It is expected to be ready for use in June 2006.



### 3. Corporate Bonds, Overseas Depository Receipts and Employee Share Subscription

#### (1) Unsecured Overseas Convertible Bonds

Type of Bond	First Unsecured Overseas Convertible Bond	
Date of Issuance	June 27, 2003	
Face Value	US \$1,000	
Place of Issue and Trading	Place of Issue: Outside of ROC Place of Trading: Luxembourg Stock Exchange	
Issue Price	US \$101	
Total Amount	US\$117,200,000	
Interest Rate	0%	
Term	Term: 18 months Maturity: December 27, 2004	
Order of Debt	Regular Debt	
Verifying Institution	Deutsche Bank AG, Hong Kong Branch	
Trustee	DB Trustee (Hong Kong) Limited	
Underwriter	Morgan Stanley	
Verifying Legal Firm	Lee and Li Attorneys-at-Law	
Verifying Accountant	Deloitte Touche Tohmatsu	
Method of Repayment	Not Applicable (Conversion completed in full on November 5, 2004)	
Unpaid Principal	0 ( Conversion completed in full on November 5, 2004 )	
Redemption or Early Buy-back Clause	Not Applicable (Conversion completed in full on November 5, 2004.)	
Limiting Clauses	None	
Calculated as Qualified Capital	Not Applicable	
Name of Rating Agency, Date of Rating and Rating Result	Moody's Investors' Service/Baa3(2004/12)	
Other Rights	Value of shares issued via conversion, GDR or other securities as of printing date of annual report	Conversion of this bond was completed in full on November 5, 2004.
	Issuance and Conversion (Exchange or Subscription) Rules	Not Applicable
The dilution effect and impact from rules governing issuance, conversion, exchange or subscription on shareholders' equity of issuance conditions		Not Applicable (Conversion completed in full on November 5, 2004.)
Name of Custodian for Conversion		Not Applicable

#### (2) Information on Corporate Convertible Bond

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Type of Corporate Bond		First Unsecured Convertible Bond		
Year	Item	2003	2004	2005.3.31
Market Price of Corporate Convertible Bond	Highest	112.5708	140.9167	Note
	Lowest	101.0240	102.9286	Note
	Average	105.3	116.41	Note
Conversion Price		19.716	17.978	Note
Date of Issuance and Conversion Price at Issue		2003.6.27 / 19.716	2003.6.27 / 19.716	Note
Responsibility Under Conversion Agreement		Issuing new shares		Note

Note: The convertible bond has already converted totally on November 25, 2004.

(3) Exchangeable Corporate Bond Information: None.

(4) State of Announcement of Issuance of Corporate Bonds: None.

(5) Corporate Bonds Carrying Warrants Information: None.

(6) Issuance of Preferred Shares Information: None.

(7) Preferred Shares Carrying Warrants Information: None.



## (8) State of Overseas Depository Receipt

Items	Issue Date	September 27, 2004	
Issue Date		September 27, 2004	
Issuing and trading location		Outside R.O.C.(listed in Luxembourg Stock Exchange)	
Total issue amount		USD98,600,000	
Issue price		USD14.50	
Total issue units		6,800,000 units	
Source of Underlying Shares of the GDRs		E.SUN FHC common shares held by E.SUN Bank	
Number of Underlying Shares of the GDRs		170,000,000 shares	
Rights and Obligations of GDR Holders		<p>The rights and obligations of GDR Holders will be regulated in accordance with applicable provisions of the laws and regulations of the ROC and the provisions of the Deposit Agreement. The principal provisions of the Deposit Agreement include the following:</p> <p>(1)Voting Rights: Holders of GDRs shall be entitled to exercise the voting rights of the underlying common shares represented by the GDRs held, in accordance with the Deposit Agreement and applicable provisions of the laws and regulations of the Republic of China.</p> <p>(2)Distribution of Dividends, Pre-Emptive Right to Subscribe for New Shares and Other Rights and Interests: In the event that E.SUN FHC shall distribute stock dividends or other stock issues, the Depository shall, pursuant to the provisions of the Deposit Agreement, issue corresponding units of new GDRs and allocate them to GDR holders pro rata to their respective GDR holdings, or to the extent permitted by law, increase the number of common shares represented by each GDR, or sell the stock dividends on behalf of the GDR Holders and subsequently distribute the sale proceeds, after deduction or upon payment of the fees, expenses and taxes, to the GDR Holders pro rata to their shareholding. In the event that E.SUN FHC undertakes rights offerings or similar events, the Depository should, pursuant to the provisions of the Deposit Agreement, provide such pre-emptive rights to GDR Holders, or should sell such rights on behalf of the GDR Holders and subsequently distribute the sale proceeds, after deduction or upon payment of the fees, expenses and taxes, to the GDR Holders pro rata to their shareholding. If none of the above is feasible, the Depository may, pursuant to the provisions of the Deposit Agreement, at its discretion to allow the rights to lapse.</p>	
Trustee		Not applicable	
Depository Institution		Citibank	
Custodian Institution		Citibank, Taipei Branch	
Outstanding units		1,965,789 Units(as of March 31, 2005)	
Fees and Expenses Relating to the GDR offering		<p>(1) Cost Related to the Issuance of GDRs Unless agreed upon otherwise among E.SUN FHC, E.SUN Bank and the Lead Managers and Depository, all costs and expenses including, but not limited to, legal, accounting, listing, financial advisory fees, and other fees and expenses related to the issuance of GDRs shall be borne by E.SUN Bank in proportion to actual selling shares.</p> <p>(2) Cost Arising After the Offering of GDRs Unless agreed upon otherwise between E.SUN FHC and the Depository, expenses incurred during the life of the GDR program such as annual listing fees, information disclosure expense and other expenses will be borne by the Issuer.</p>	
Important matters of Depository Agreement and Custodian Agreement that need to be specified		None	
Market Price /Unit	Year 2004	Highest	USD19.4
		Lowest	USD15.38
		Average	USD17.493
	March 31, 2005 Highest	Highest	USD20.00
		Lowest	USD19.50
		Average	USD19.75

(9)Employee Stock Options: None.

(10)The names of top-level company executives holding employee share subscription warrants and the cumulative number of such warrants exercised by said executives, as well as the names of the ten employees holding employee subscription warrants authorizing purchase of the most shares where the purchase price of such shares is NT\$30 million or greater, along with the cumulative number of warrants exercised by these ten employees: None.

(11)Issuance of Preferred Shares: None

(12)Issuance of Financial Debentures: None

(13)Basic Information of Other Financial Institutions that Have Been Merged or Acquired: None.

(14)Information on Private Placement of Securities: None.

## V. SPECIAL ITEMS

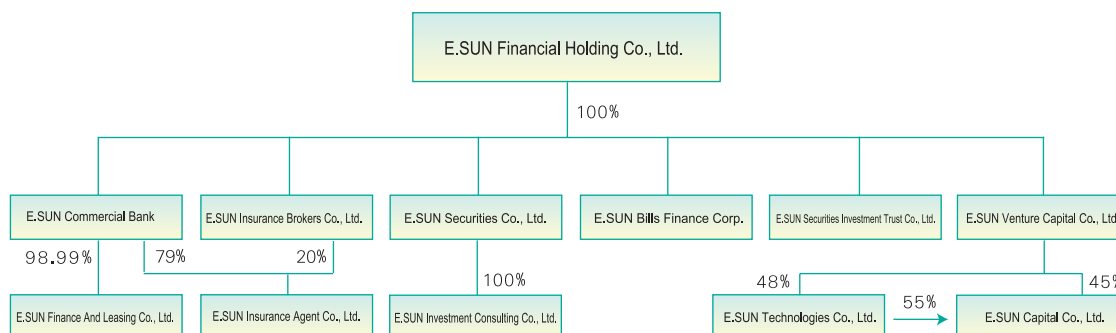


Under the crimson ray of light, E.SUN, full of warmth and vigor

# 1. Information related to the company's affiliates

## ( 1 ) Consolidated business report on related affiliates:

### A.Organizational structure



### B.Basic information of each related affiliates:

2004.12.31 Unit: NT\$1,000

Enterprises	Established	Address	Paid-in capital	Major business lines
E.SUN Commercial Bank, Ltd.	1992.01.16	NO.115, SEC. 3, MINSHENG E. RD., TAIPEI	20,175,000	DEPOSIT, LOAN, FOREIGN EXCHANGE, TRUST, CREDIT CARD AND ECT.
E.SUN Bills Finance Corp.	1995.10.12	5F, NO.115 & 3F, NO. 117, SEC. 3, MINSHENG E. RD., TAIPEI	4,265,000	BROKERAGE AND PROPRIETARY TRADING OF SHORT-TERM SECURITY AND FINANCAL BOND
E.SUN Securities Co., Ltd.	2000.11.20	4F & 5F, NO.77, SEC. 1, WUCHANG ST., TAIPEI	3,060,000	UNDERWRITING, PROPRIETARY TRADING, AND BROKERAGE OF MARKETABLE SECURITIES
E.SUN Securities Investment Trust Co., Ltd.	2001.09.07	8F, NO.85, YENPING S. RD., TAIPEI	300,000	SUBSCRIPTION AND APPLICATION OF SECURITIES INVESTMENT AND TRUST FUND
E.SUN Venture Capital Co., Ltd.	2002.10.07	4F, NO.117, SEC. 3, MINSHENG E. RD., TAIPEI	1,000,000	INVESTMENT IN DOMESTIC AND INTERNATIONAL TECHNOLOGY BUSINESS, DOMESTIC MANUFACTURING BUSINESS, AND DOMESTIC AND INTERNATIONAL VENTURE CAPITAL
E.SUN Insurance Brokers Co., Ltd.	2003.07.30	13F, NO. 5, YUNG-SUI ST., TAIPEI	62,000	LIFE INSURANCE BROKER AND PROPERTY INSURANCE BROKER
E.SUN Finance And Leasing Co., Ltd.	1997.10.09	5F, NO.115, SEC. 3, MINSHENG E. RD., TAIPEI	198,000	TRADE, DISTRIBUTION, AND RENTAL OF MACHINERY EQUIPMENT
E.SUN Insurance Agent Co., Ltd.	1999.12.15	9F, NO.64, SEC. 1, WUCHANG ST., TAIPEI	16,200	LIFE INSURANCE AGENT
E.SUN Investment Consulting Co., Ltd.	2003.03.11	5F, NO.77, SEC.1, WUCHANG ST., TAIPEI	10,000	SECURITY INVESTMENT CONSULTING
E.SUN Capital Co., Ltd.	2002.02.19	B1 & 1F, NO.56, SECTION 2, ROOSEVELT ROAD, TAIPEI, TAIWAN	10,000	AGENCY OF SERVICE AND HUMAN RESOURCE
E.SUN Technologies Co., Ltd.	2000.05.30	2F, NO.77, SECTION 1, WUCHANG ST., TAIPEI, TAIWAN	25,000	PROVIDES INFORMATION SOFTWARE AND COMPUTER INSTALLATION SERVICES

(A) Designated controlling or subordinate enterprises: None

(B) The business scope of E.SUN Holdings and its related affiliates includes: Investment in the authority -approved domestic and international financial business and the management of the invested business, banking business, brokerage and proprietary trading of short-term security, underwriting, brockrage ,and proprietary trading of marketable securities, venture capital, subscription and application of securities investmentand trust funds and general investment, life insurance brokerage, property insurance brokerage, leasing business, life insurance agency, and securities consulting. each related affiliate is independent from the rest and is responsible for its own scope of business.

## C.Directors, supervisors, and managing director of related affiliates

Unit: 1,000shares; %

Enterprise	Title	Name and Representing Firm	Shareholding	
			Shares	Percentage
E.SUN Commerical Bank, Ltd.	Chairman	Representative of E.SUN FHC -Yung -Jen Huang	2,017,500	100
	Managin Director and President	Representative of E.SUN FHC -Yung -Hsung Hou		
	Managin Director	Representative of E.SUN FHC -Tai -Chi Lee		
	Managin Director	Representative of E.SUN FHC -Jackson		
	Managin Director	Representative of E.SUN FHC -Earle Ho		
	Director	Representative of E.SUN FHC -Chiu - Hsiung Huang		
	Director	Representative of E.SUN FHC -Wu - Lin Duh		
	Director	Representative of E.SUN FHC -Chun - Hsiung Huang		
	Director	Representative of E.SUN FHC -Wei - Hsiung Yu		
	Director	Representative of E.SUN FHC -Suka Chen		
	Director	Representative of E.SUN FHC -Chao-Tsai Lin		
	Director	Representative of E.SUN FHC -Cheng -Pin Lee		
	Director	Representative of E.SUN FHC -Tung - Long Kuo		
	Director	Representative of E.SUN FHC -S.C. Shue		
	Director	Representative of E.SUN FHC -Yuh -Ming Ho		
	Residential Supervisor	Representative of E.SUN FHC -Charles C. Y. Yuan		
Supervisor	Representative of E.SUN FHC -Chuan - Hsing Huang			
Supervisor	Representative of E.SUN FHC -Yu - Chen Yang			
E.SUN Finance Corp.	Chairman	Representative of E.SUN FHC -Tung - Long Kuo	426,500	100
	Director and President	Representative of E.SUN FHC - C. H. Su		
	Director	Representative of E.SUN FHC - Shang-Chi Gong		
	Director	Representative of E.SUN FHC - Wei-Liang Huang		
	Director	Representative of E.SUN FHC - T.C. Wu		
	Supervisor	Representative of E.SUN FHC - Che-Yu Lee		
E.SUN Securities Co., Ltd.	Supervisor	Representative of E.SUN FHC - Magi Chen	306,000	100
	Chairman	Representative of E.SUN FHC - Jiaw-Hwang Shy		
	Director and President	Representative of E.SUN FHC - Suka Chen		
	Director	Representative of E.SUN FHC - Mang-Han Shy		
	Director	Representative of E.SUN FHC - PeterJohn Huang		
E.SUN Securities Investment Trust Co., Ltd.	Director	Representative of E.SUN FHC - J. C. Wang	30,000	100
	Supervisor	Representative of E.SUN FHC - Ching-Long Wang		
	Chairman	Representative of E.SUN FHC - Jiaw-Hwang Shy		
	Director and President	Representative of E.SUN FHC - Richard Yeh		
E.SUN Venture Capital Co., Ltd.	Director	Representative of E.SUN FHC - Magi Chen	100,000	100
	Director	Representative of E.SUN FHC - Ryh-Hsiung Tzeng		
	Director	Representative of E.SUN FHC - Liang -Yuan Shy		
	Director	Representative of E.SUN FHC - Tien Ying Huang		
	Supervisor	Representative of E.SUN FHC - Kuan Her Wu		
E.SUN Insurance Brokers Co., Ltd.	Chairman	Representative of E.SUN FHC - C. S. Huang	1,000	100
	Director and President	Representative of E.SUN FHC - David Chen		
	Director	Representative of E.SUN FHC - Ben Chen		
	Director	Representative of E.SUN FHC - Yu-Lun Tsai		
E.SUN Finance and Leasing Co., Ltd.	Supervisor	Representative of E.SUN FHC - Allen Chang	19,600	100
	Chairman	Representative of E.SUN Commercial Bank -Tung-Long Kuo		
	Director	Representative of E.SUN Commercial Bank -J. K. Huang		
	Director	Representative of E.SUN Commercial Bank -Mao-Chin Chen		
E.SUN Insurance Agent Co., Ltd.	Supervisor	Representative of E.SUN Commercial Bank -Kuan -Her Wu	1,279	79
	Chairman	Representative of E.SUN Commercial Bank -Woody Lin		
	Director	Representative of E.SUN Commercial Bank -Chi-Chuan Wang		
	Supervisor	Representative of E.SUN Commercial Bank -Allen Chang		
E.SUN Investment Consulting Co., Ltd.	Director	Representative of E.SUN Insurance Brokers Co., Ltd. - Yu-Lun Tsai	324	20
	Director and President	Representative of E.SUN Securities Co., Ltd. - Chi-Chang Huang		
	Director	Representative of E.SUN Securities Co., Ltd. - Chien-Hung Chen		
	Director	Representative of E.SUN Securities Co., Ltd. - Jheng-Cong Wang		
E.SUN Technologies Co., Ltd.	Supervisor	Representative of E.SUN Securities Co., Ltd. - Chuan-Jen Chen	1,000	100
	Chairman	Representative of San Ta Investment Co., Ltd. -- San-Lang Jhang		
	Director	Representative of Shao San International Investment Co., Ltd. -Meng-Sin Guan		
	Director	Representative of Shao San International Investment Co., Ltd. -Wei-Liang Wang		
E.SUN Capital Co., Ltd.	Supervisor	Representative of Shao San International Investment Co., Ltd. -Anthony Lin	500	20
	Chairman	Representative of E.SUN Technologies Co., Ltd. -Ming-Hong Li		
	Director	Representative of E.SUN Technologies Co., Ltd. -Ci-Gan Zhong		
	Director	Representative of E.SUN Technologies Co., Ltd. -De-Ming Zhong		
	Director	Representative of E.SUN Technologies Co., Ltd. -Yuan-Ren Jiang		
	Director	Representative of E.SUN Technologies Co., Ltd. -Huai-Kuan Wu		
E.SUN Capital Co., Ltd.	Supervisor	Representative of E.SUN Technologies Co., Ltd. -Lin-Cin Ciou	550	55
	Supervisor	Representative of E.SUN Technologies Co., Ltd. - Che-Yu Lee		

Note: There are no President positions in E.SUN Finance and Leasing Co., Ltd., E.SUN Insurance Agent Co., Ltd., E.SUN Technologies Co., Ltd and E.SUN Capital Co., Ltd.

## D. Business operation of the related affiliates

2004.12.31 Unit: NT\$1,000

Company name	Capital	Total assets	Total liabilities	Net worth	Operating revenues	Operating income	Net income	Basic Earning Per Share (After income tax, NTS)
E.SUN Commercial Bank, Ltd.	20,175,000	433,320,900	400,676,287	32,644,613	21,201,638	9,543,266	7,283,936	3.99
E.SUN Bills Finance Corp.	4,265,000	58,750,073	52,778,541	5,971,532	1,409,368	763,447	611,393	1.43
E.SUN Securities Co., Ltd.	3,060,000	5,901,377	2,716,043	3,185,334	562,326	(59,480)	55,971	0.18
ESUN Securities Investment Trust Co., Ltd.	300,000	472,611	55,049	417,562	192,500	128,960	104,032	3.47
E.SUN Venture Capital Co., Ltd.	1,000,000	1,024,250	3,173	1,021,077	17,985	13,977	12,994	0.13
E.SUN Insurance Brokers Co., Ltd.	62,000	165,682	22,460	143,222	122,256	99,475	74,619	12.04
ESUN Finance And Leasing Co., Ltd.	198,000	1,331,743	1,175,928	155,815	91,419	27,209	22,475	1.14
E.SUN Insurance Agent Co., Ltd.	16,200	22,851	13	22,838	647	565	455	0.28
ESUN Investment Consulting Co., Ltd.	10,000	13,774	2,189	11,585	13,000	1,984	1,549	1.54
E.SUN Technologies Co., Ltd.	25,000	21,401	3,016	18,385	26,699	(1,064)	(1,625)	(0.65)
E.SUN Capital Co., Ltd.	10,000	10,020	2,700	7,320	19,014	(1,281)	(1,472)	(1.47)

## (2) Statement of Consolidated Financial Statements of Affiliated Enterprises:

Please refer to audited consolidated financial statements of the Company and affiliated enterprises for the most recent fiscal year in VII, section 9.

### Statement of Consolidated Financial Statements of Affiliated Enterprises

The Company and its affiliated enterprises defined by "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" in 2004 are the same with those defined by Article 7 of Statement Fincial Accounting Standard. A consolidated financial statement of the parent company and affiliated enterprises has already been released and therefore there is no need to separately produce a consolidated financial statement for affiliated enterprises.

Company Name: E.SUN Financial Holding Company, Ltd.

Chairman

*Yung-Jen Huang*



January 28, 2005

## (3) Affiliation Reports: None

## 2. Internal control declaration

### E.SUN FINANCIAL HOLDING COMPANY, LTD. STATEMENT ON INTERNAL CONTROL SYSTEM

December 31, 2004

On behalf of E.SUN Financial Holding Company, Ltd., we hereby certify that the company indeed complies with the "Enforcement Regulations for Financial Holding Company Internal Audit Control System" and the company's internal control system and risk management mechanism for the fiscal year of 2004 have been implemented and audited by the independent internal auditors, and the internal audit reports are periodically presented to the company's board of directors and supervisors. Under due assessment, the internal controls, law and regulations compliance of each department during 2004 are effectively in place; This statement will become a major part of our annual report and open statement and will in addition be released to the public. The existence of discrepancies or omissions in the content of this open statement would constitute violations of Articles 20, 32, 171 and 174 of the Securities and Futures Exchange Act and entail relevant legal responsibility.

Sincerely yours,  
Financial Supervisory Commission, Executive Yuan

Signature of declarant:

Chairman



President



General Auditor



Compliance Officer



3. Improvements for Major imperfect cases, those against the law and imposed punishment in the past two years: None

#### 4. Important Contracts and Resolutions

(1) Important Contracts: None.

(2) Important Resolutions:

1. Important Resolutions at the 2004 Shareholders' Meeting: Shareholders approved the proposal by the Board regarding "Allotment of 2003 Earnings", "Capitalization of retained earnings", "Guidelines on derivatives trading", "Loan operation procedures", and "Amendments of articles of incorporation". Ron-Chu Chen, Cheng-Ping Lee and Chen-En Ko (independent) were elected as directors.
2. Important Resolutions at the 2004 Board of Directors Meeting: The board reviewed ""Report on E.SUN Commercial Bank's acquisition of Kaohsiung Business Bank's assets, liabilities and operations", "Approval of capital changes associated with offshore convertible bond", "Appointed representatives for supervisors of E.SUN Commercial Bank and E.SUN Bills Finance", "Approval of issuance of global depository shares", "Draft of guidelines for auditing committee", "Appointed representatives for directors and supervisors for E.SUN Securities Investment Trust", "Subscription to cash capital increase of E.SUN Commercial Bank" and "Change of the Company's address".

# VI. CORPORATE GOVERNANCE

Item	State of Operation	Reason for Any Departure with Corporate Governance Best-Practice Principles for Financial Holding Companies
1, FHC Shareholding Structure and Shareholders' Equity (1) Methods FHC handles shareholder suggestions or grievances (2) State of understanding controlling shareholders of the FHC (3) Methods to establish risk control mechanisms and firewalls between FHC and subsidiaries	(1) Shareholders can express opinions via the appropriate office, after which actions will be taken. (2) Any shareholder with at least a 10% stake in the Company must file a declaration with the Company according to the law. (3) Risk control mechanisms and firewalls are routinely implemented.	No Departure
2, Duties of Board of Directors (1) State of FHC designation of independent directors (2) State of regularly evaluating independence of verifying accountant	(1) One independent director was elected at the 2004 shareholders' meeting. (2) Carried out regularly.	No Departure
3, Duties of Supervisors (1) State of the FHC designating independent supervisors (2) State of communications between supervisor, employees of FHC and shareholders	(1) Anticipating the appointment of one independent supervisory in the current year. (2) Carried out regularly.	No Departure
4, Establishing Avenues of Communication for Interested Parties	Shareholders and customers can express opinions through shareholder service unit and Customer Service Division. Employee grievances can be filed with Human Resource Division	No Departure
5, Disclosure of Information (1) Financial Holding Company State of website, release of financial information and corporate governance information (2) The FHC uses various avenues to release information (i.e. English website, a designated agency to collect and release information, a spokesman, and institutional investors conference listed on the Company's website)	(1) The Company already has an English website and has an individual responsible for collection and disclosing Company information. (2) A spokesman is designated who understands all areas of operation. The agenda of the institutional investors' conference is listed in full on the Company's website.	No Departure
6, State of the auditing committee set up by FHC	The auditing committee was set up in 2004, convened by the independent director. The committee operates under the Board of Director and monitors the following: 1. The Company's financial statements 2. The selection (or dismissal) of verifying accountants, and their independence and performance 3. The implementation of internal controls 4. The adherence to laws and regulations	No Departure
7, Description of any departures between the state of the FHC's corporate governance and rules governing corporate governance: ESFHC's corporate governance presently is deemed satisfactory and there are no discrepancies with promulgated rules.		
8, Any other important information providing insight on the state of corporate governance (such as state of directors and supervisors attending training courses, attendance records at board meetings, state of risk management policies and risk measurement standards, state of protection of consumer interests, state of preventing conflicts of interest among directors, state of directors and supervisors acquiring liability insurance, and social responsibilities). (1) According to Article 26 of FHC's corporate governance rules, in order to better monitor the function of directors and supervisors, the Company has promulgated rules governing the affairs of board members. (2) Directors and supervisors periodically are enrolled in various courses to boost their professional abilities. (3) Participation by directors at all board meetings in the past has been deemed normal. Supervisors have also attending board meetings. (4) All directors must avoid conflicts of interest. (5) The Company has established a risk management committee to execute risk management policies. (6) The Company stresses customer service quality and provides an avenue for consumer complaints, aiming to protect the interests of consumers.		

## VII. FINANCIAL STATEMENTS



The Sun Shines, Illuminating the Earth



## — 、 Condensed Financial Statements 2004, 2003 and 2002

### (一) Condensed Balance Sheet

Unit:NT\$1,000

Item		Financial data 2004,2003 and 2002 (Note 2)				
		Year	Years ended March 31,2005	2004	2003	2002
Current assets			1,322,639	1,024,775	6,204,539	14,173
Long-term equity investments			44,749,462	43,423,341	27,935,022	23,587,445
Other assets			516	1,729	57,929	-
Current liabilities	Before distribution		1,890,673	1,689,566	6,504,403	461,705
	After distribution		Note 3	Note 3	9,388,032	461,705
Long-term debts			400,000	400,000	888,000	1,019,000
Accrued pension liabilities			-	1,041	-	-
Capital Stock			29,306,096	29,306,096	25,063,669	24,700,000
Capital Surplus			7,607,644	7,607,644	1,769,432	4,839,667
Retained earnings	Before distribution		6,974,298	5,548,506	4,529,029	( 3,091,451 )
	After distribution		Note 3	Note 3	1,645,400	-
Treasury stock			-	-	(4,503,276)	( 4,247,603 )
Cumulative translation adjustments			(15,666)	(13,152)	2,624	2,906
Unrealized loss on long-term equity			(90,428)	(89,856)	(56,391)	( 82,606 )
Investments			46,072,617	44,449,845	34,197,490	23,601,618
Total liabilities	Before distribution		2,290,673	2,090,607	7,392,403	1,480,705
	After distribution		Note 3	Note 3	10,276,032	1,480,705
Total stockholders' equity	Before distribution		43,781,944	42,359,238	26,805,087	22,120,913
	After distribution		Note 3	Note 3	23,921,458	22,120,913

Note1: E.SUN Financial Holding Company,Ltd.was established on January 28,2002.

Note2: Above Financial Statements have been audited by Deloitte & Touche.

Note3: Earnings distribution of the year (ended December 31) 2004 shall be resolved in the shareholders' meeting.

## (二) Condensed Income Statement

Unit: NTS1,000 Except Earnings (Losses) Per Share

Item \ Year	Financial data 2004,2003 and 2002 (Note 2)			
	Years ended March 31,2005	2004	2003	2002
Operating revenues	1,444,757	4,836,862	4,548,952	554,641
Operating costs	8,535	54,317	-	3,609,010
Gross profit (loss)	1,436,222	4,782,545	4,548,952	( 3,054,369 )
Operating expenses	8,076	49,663	15,832	23,848
Operating income (loss)	1,428,146	4,732,882	4,533,120	( 3,078,217 )
Interest income	-	102,973	58,679	118
Interest expenses	5,589	19,858	24,485	13,352
Foreign exchange gain, net	57	-	-	-
Income (loss) before income tax	1,422,500	4,723,164	4,528,811	( 3,091,451 )
Net income (loss)	1,425,792	4,836,437	4,529,029	( 3,091,451 )
Basic earnings (losses) per share	0.49	1.94	2.13	( 1.46 )
Diluted earnings (losses) per share	0.49	1.78	1.94	( 1.46 )

Note1: E.SUN Financial Holding Company,Ltd.was established on January 28,2002.

Note2: Above Financial Statements have been audited by Deloitte& Touche.

## (三) CPAS' Auditing Opinion from 2000 to 2004

Deloitte & Touche had examined the Financial Statements of E.SUN Financial Holding Company,Ltd. for the years ended December 31, 2000, 2001, 2002, 2003 and 2004, and issued unqualified opinion reports.

## 二、Financial analysis from 2002 and 2004

Item		Year	Financial data 2004,2003 and 2002 (Note 2)			
			Years ended March 31,2005	2004	2003	2002
Financial structure (%)	Ratio of debt to assets		4.97	4.70	21.62	6.27
	Ratio of properties to net worth		Note 3	Note 3	Note 3	Note 3
	According to Article 41 of Financial Holding Company Law		none	none	none	none
Liquidity ratio (%)	Liquidity reserves ratio		69.96	60.65	95.39	3.07
Operating ratio	Total assets turnover (Times)		0.03	0.12	0.16	Note 4
Profitability ratio	Ratio of return on total assets (%)		3.14	12.34	15.74	( 11.66 )
	Ratio of return on stockholders' equity (%)		3.31	13.99	18.51	( 12.05 )
	Profit margin ratio (%)		99.84	99.99	99.56	Note 4
	Basic earnings (losses) per share		0.49	1.94	2.13	( 1.46 )
	Diluted earnings (losses) per share		0.49	1.78	1.94	( 1.46 )
Cash flows	Cash flow ratio (%)		Note 9	173.62	5.34	332.24
	Cash flow adequacy ratio (%)		170.37	40.37	60.53	51.13
	Cash reinvestments ratio (%)		Note 9	0.26	1.24	6.50
Leverage ratio	Operating leverage ratio (%)		100.60	101.95	100.15	Note 5
	Financial leverage ratio (%)		100.39	100.42	100.54	Note 5
Subsidiaries' Capital adequacy Ratio calculated by regulation (%)	ESUN Commercial Bank		11.51	11.51	9.97	10.38
	ESUN Bills Finance Corp.		15.39	15.39	14.90	17.21
	ESUN Securities Co., Ltd.		835.20	835.20	607.39	1,097.98
	ESUN Venture Capital Co., Ltd.		99.69	99.69	99.87	99.94
	ESUN Insurance Brokers Co., Ltd.		86.44	86.44	76.01	Note 6
	ESUN Securities Investment Trust Co., Ltd.		88.35	88.35	91.37	Note 6
Qualified capital of subsidiaries (NT\$thousand)	ESUN Commercial Bank		35,800,391	35,800,391	23,227,083	19,852,431
	ESUN Bills Finance Corp.		5,320,988	5,320,988	5,390,995	5,855,861
	ESUN Securities Co., Ltd.		2,376,116	2,376,116	2,270,249	2,722,718
	ESUN Venture Capital Co., Ltd.		1,021,077	1,021,077	1,010,214	1,002,206
	ESUN Insurance Brokers Co., Ltd.		143,222	143,222	68,733	Note 6
	ESUN Securities Investment Trust Co., Ltd.		417,562	417,562	397,730	Note 6
Net Group qualified capital			36,142,247	36,142,247	25,724,766	22,467,243
Legal requirement of subsidiaries' capital (NT\$thousand)	ESUN Commercial Bank		24,875,991	24,875,991	18,645,523	15,303,786
	ESUN Bills Finance Corp.		2,766,558	2,766,558	2,893,566	2,722,207
	ESUN Securities Co., Ltd.		426,743	426,743	560,654	371,958
	ESUN Venture Capital Co., Ltd.		512,125	512,125	505,741	501,423
	ESUN Insurance Brokers Co., Ltd.		82,841	82,841	45,211	Note 6
	ESUN Securities Investment Trust Co., Ltd.		236,306	236,306	217,652	Note 6
Legal requirement of group capital (NT\$thousand)			73,291,556	73,291,556	50,565,729	20,787,503
Group Capital Adequacy Ratio (%) (note 7)			120.84	120.84	113.47	108.08
Disclosure of the sum up which loans, endorsements or other transactions of all subsidiaries with the same individual, the same related party or enterprise according to article 46 of Financial Holding Company Law (NT\$thousand)	The same individual		6,989,436	6,989,436	9,704,518	82,564,424
	The same related enterprise		22,368,888	22,368,888	28,341,561	94,452,460

Note 1 : E.SUN Financial Holding Company, Ltd. was established on January 28,2002.

Note 2 : Above financial statements have been audited by Deloitte & Touche.

Note 3 : There are no properties for operating.

Note 4 : No analysis for zero operating income this year.

Note 5 : Due to that the losses of Operating Income or Operating Income is subtracted from Interest expenses, the Leverage ratio is not calculated.

Note 6 : The company had not yet been the subsidiaries of E.SUN Financial Holding Company in that year.

Note 7 : Group Capital Adequacy Ratio = Net Group qualified capital ÷ Legal requirement of group capital.

## 三、Supervisors' Report

### To the 2004 Annual Shareholders' Meeting

E.SUN Financial Holding Co., Ltd.

The board of directors have compiled and submitted the Company's 2004 business report, statement of earnings appropriation and financial statements which are audited by Deloitte & Touche.

We have completed our examinations and found them to meet the requirements of applicable laws and regulations. This report is hereby prepared in accordance with Article 219 of the Company Law and submitted for your approval.

Supervisor *Huang Chuan Hsing*

Supervisor *Charles C. Yuan*

Supervisor *Yu-Anen Yang*

February 15, 2005

## 四、Financial Statements of 2004

### (一) Independent Auditors' Report

**Deloitte.**  
勤業眾信

勤業眾信會計師事務所  
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#### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
E.Sun Financial Holding Co., Ltd.

We have audited the accompanying balance sheets of E.Sun Financial Holding Co., Ltd. as of December 31, 2004 and 2003, 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. The financial statements of two equity-method investees, E.Sun Securities Corp. and E.Sun Securities Investment Trust Corp., had been audited by other auditors, whose reports were furnished to us, and our opinion expressed herein, insofar as it relates to the long-term equity investments in these companies, is based solely on the reports of the other auditors. The balances of the long-term equity investments in these investees were NT\$3,602,896 thousand and \$3,502,015 thousand as of December 31, 2004 and 2003, which were 8% and 10%, respectively, of the Company's total assets. The Company's equities in the investees' net income for the years ended December 31, 2004 and 2003 were NT\$47,115 thousand and NT\$129,765 thousand, respectively. Moreover, the financial statements of E.Sun Bank's foreign branches in 2004 had been audited by other auditors, whose reports were furnished to us, and our opinion expressed herein, insofar as it relates to the accounts of these branches is based solely on the reports of the other auditors. The total assets as of December 31, 2004 and net income in 2004 of these branches were 5% (NT\$21,610,277 thousand) and 2% (NT\$135,379 thousand) of the Bank's total assets and net income, respectively.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements of Financial Institutions by Certified Public Accountants and auditing standards generally accepted in the Republic of China. 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 misstatement. 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 statement 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 our audits and the reports of the other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of E.Sun Financial Holding Co., Ltd. as of December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Financial Holding Companies and accounting principles generally accepted in the Republic of China.

Audit, Tax, Consulting, Financial Advisory.  
審計・稅務・企業管理諮詢・財務諮詢

Member of  
Deloitte Touche Tohmatsu

We have also audited the consolidated financial statements of E.Sun Financial Holding Co., Ltd. and its subsidiaries as of December 31, 2004 and 2003 and have issued a modified unqualified opinion thereon, also dated January 28, 2005.

*Deloitte & Touche*

January 28, 2005

*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.*

## (二) BALANCE SHEET

DECEMBER 31, 2004 AND 2003

In Thousands of New Taiwan Dollars, Except Par Value)

	2004	2003
	Amount	Amount
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Notes 2, 3 and 16)	\$ 56,436	\$ 5,693,385
Short-term investment, net (Notes 2 and 4)	-	364,493
Receivables (Notes 5 and 16)	967,648	146,661
Deferred income tax assets - current (Notes 2 and 13)	688	-
Prepaid expenses	3	-
Total current assets	<u>1,024,755</u>	<u>6,204,539</u>
<b>LONG -TERM INVESTMENTS (Notes 2 and 6)</b>		
Long-term equity investments - equity method	43,383,341	27,895,022
Long-term equity investments - cost method	40,000	40,000
Total long-term investments	<u>43,423,341</u>	<u>27,935,022</u>
<b>OTHER ASSETS</b>		
Bond issuance expenses (Note 2)	-	57,929
Deferred pension cost (Notes 2 and 10)	1,041	-
Deferred income tax assets - noncurrent (Notes 2 and 13)	688	-
Total other assets	<u>1,729</u>	<u>57,929</u>
<b>TOTAL</b>	<u>\$ 44,449,845</u>	<u>\$ 34,197,490</u>
<b>LIABILITILES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term liabilities (Notes 2, 7 and 9)	\$ 38,000	\$ 6,371,764
Payables (Notes 8 and 16)	851,274	132,639
Advances	292	-
Total current liabilities	<u>1,689,566</u>	<u>6,504,403</u>
<b>LONG-TERM DEBTS, NET OF CURRENT PORTION</b> (Notes 6, 7 and 9)		
	400,000	888,000
<b>ACCRUED PENSION COST (Notes 2 and 10)</b>		
Total liabilities	<u>1,041</u>	<u>-</u>
	<u>2,090,607</u>	<u>7,392,403</u>
<b>STOCKHOLDERS' EQUITY</b>		
Capital stock - NT\$10 par value, authorized 5,000,000 thousand shares, issued 2,930,610 thousand shares in 2004 and 2,506,367 thousand shares in 2003	<u>29,306,096</u>	<u>25,063,669</u>
Capital surplus		
Paid-in capital in excess of par value	4,383,057	1,769,432
From treasury stock	3,224,587	-
Total capital surplus	<u>7,607,644</u>	<u>1,769,432</u>
Retained earnings		
Legal reserve	452,903	-
Special reserve	53,767	-
Unappropriated earnings	5,041,836	4,529,029
Total retained earnings	<u>5,548,506</u>	<u>4,529,029</u>
Unrealized loss on long-term equity investments	( 89,856)	( 56,391)
Cumulative translation adjustments	( 13,152)	2,624
Treasury stock - 374,629 thousand shares in 2003	-	( 4,503,276)
Total stockholders' equity	<u>42,359,238</u>	<u>26,805,087</u>
<b>TOTAL</b>	<u>\$ 44,449,845</u>	<u>\$ 34,197,490</u>

The accompanying notes are an integral part of the financial statements.  
(With Deloitte & Touche audit report dated January 28, 2005)

## (三) STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2004 AND 2003

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

	2004	2003
	Amount	Amount
<b>OPERATING REVENUES (Note 2)</b>		
Income from long-term equity investments under the equity method (Note 6)	\$ 4,806,239	\$ 4,544,956
Other operating revenue	30,623	3,996
Total operating revenues	<u>4,836,862</u>	<u>4,548,952</u>
<b>OPERATING COSTS</b>		
Loss from long-term equity investments under the equity method (Notes 2 and 6)	<u>54,317</u>	-
<b>GROSS PROFIT</b>	<u>4,782,545</u>	4,548,952
<b>OPERATING EXPENSES (Note 11)</b>	<u>49,663</u>	15,832
<b>OPERATING INCOME</b>	<u>4,732,882</u>	<u>4,533,120</u>
<b>NONOPERATING INCOME AND GAINS</b>		
Interest income (Note 16)	102,973	58,679
Foreign exchange gain, net (Notes 2 and 16)	-	5,078
Others	42	-
Total nonoperating income and gains	<u>103,015</u>	<u>63,757</u>
<b>NONOPERATING EXPENSES AND LOSS</b>		
Interest expense	19,858	24,485
Foreign exchange loss, net (Notes 2 and 16)	55,686	-
Amortization of bond issuance expense (Note 2)	34,622	29,048
Loss on short-term investments (Note 2)	2,493	14,533
Others	74	-
Total nonoperating expenses and loss	<u>112,733</u>	<u>68,066</u>
<b>INCOME BEFORE INCOME TAX</b>	<u>4,723,164</u>	4,528,811
<b>INCOME TAX BENEFIT (Notes 2 and 13)</b>	<u>113,273</u>	218
<b>NET INCOME</b>	<u>\$ 4,836,437</u>	<u>\$ 4,529,029</u>

### EARNINGS PER SHARE (Note 15)

Basic earnings per share  
Diluted earnings per share

	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
	\$ 1.90	\$ 1.94	\$ 2.13	\$ 2.13
	<u>\$ 1.74</u>	<u>\$ 1.78</u>	<u>\$ 1.94</u>	<u>\$ 1.94</u>

Pro forma information under the assumption that the shares of E.SUN Financial Holding Co.,Ltd. held by its subsidiaries were not treated as treasury stock:

### NET INCOME

2004	2003
<u>\$ 8,060,541</u>	<u>\$ 4,529,029</u>

### BASIC EARNINGS PER SHARE DILUTED EARNINGS PER SHARE

	2004		2003	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
	\$ 2.91	\$ 2.95	\$ 1.83	\$ 1.83
	<u>\$ 2.69</u>	<u>\$ 2.74</u>	<u>\$ 1.67</u>	<u>\$ 1.67</u>

The accompanying notes are an integral part of the financial statements.  
(With Deloitte & Touche audit report dated January 28, 2005)



## (四) STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2004 AND 2003

(In Thousands of New Taiwan Dollars)

	Capital Stock(Note12)		Capital Surplus (Notes 2 and 12)		Retained Earnings (Deficit) (Note 12)				Unrealized Loss on Long-term Equity Investments (Note 2)	Cumulative Translation Adjustments (Note 2)	Treasury Stock (Notes 2 and 14)	Total Stockholders' Equity	
	Shares (Thousands)	Amount	Paid-in Capital in Excess of Par Value	From Treasury Stock	Total	Legal Reserve	Special Reserve	Unappropriated Earnings (Deficit)					Total
<b>BALANCE, JANUARY 1, 2003</b>	2,470,000	\$ 24,700,000	\$ 4,839,667	\$ -	\$ 4,839,667	\$ -	\$ -	(\$ 3,091,451)	(\$ 3,091,451)	(\$ 82,606)	\$ 2,906	(\$ 4,247,603)	\$ 22,120,913
Offset of deficit against capital surplus	-	-	( 3,091,451)	-	( 3,091,451)	-	-	3,091,451	3,091,451	-	-	-	-
Issuance of shares for a share swap	35,400	354,000	12,211	-	12,211	-	-	-	-	-	-	-	366,211
Reclassification of shares held by subsidiaries to treasury stock	-	-	-	-	-	-	-	-	-	-	-	( 255,673)	( 255,673)
Conversion of corporate bonds payable to capital stock	967	9,669	9,005	-	9,005	-	-	-	-	-	-	-	18,674
Net income in 2003	-	-	-	-	-	-	-	4,529,029	4,529,029	-	-	-	4,529,029
Translation adjustments	-	-	-	-	-	-	-	-	-	( 282)	-	( 282)	( 282)
Reversal of unrealized loss on long-term equity investments	-	-	-	-	-	-	-	-	26,215	-	-	-	26,215
<b>BALANCE, DECEMBER 31, 2003</b>	2,506,367	25,063,669	1,769,432	-	1,769,432	-	-	4,529,029	4,529,029	( 56,391)	2,624	( 4,503,276)	26,805,087
Appropriation of prior year's earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	452,903	-	( 452,903)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	53,767	( 53,767)	-	-	-	-	-
Dividend	-	-	-	-	-	-	-	( 2,818,678)	( 2,818,678)	-	-	-	( 2,818,678)
- Cash	-	-	-	-	-	-	-	( 845,603)	( 845,603)	-	-	-	-
- Stock	84,560	845,603	-	-	-	-	-	( 845,603)	( 845,603)	-	-	-	-
Bonus to directors and supervisors	-	-	-	-	-	-	-	( 38,170)	( 38,170)	-	-	-	( 38,170)
Bonus to employees - issued 8,773 thousand shares and \$26,781 thousand in cash	8,773	87,728	-	-	-	-	-	( 114,509)	( 114,509)	-	-	-	( 26,781)
Balance after appropriation	2,599,700	25,997,000	1,769,432	-	1,769,432	452,903	53,767	205,399	712,069	( 56,391)	2,624	( 4,503,276)	23,921,458
Conversion of corporate bonds payable to capital stock	330,910	3,309,096	2,613,625	-	2,613,625	-	-	-	-	-	-	-	5,922,721
Treasury stock transaction recognized from subsidiaries	-	-	-	3,015,943	3,015,943	-	-	-	-	-	-	4,005,259	7,021,202
Transfer the shares to employees by the subsidiary	-	-	-	483	483	-	-	-	-	-	-	498,017	498,500
Cash dividends from the Company received by the subsidiaries	-	-	-	208,161	208,161	-	-	-	-	-	-	-	208,161
Net income in 2004	-	-	-	-	-	-	-	4,836,437	4,836,437	-	-	-	4,836,437
Translation adjustments	-	-	-	-	-	-	-	-	-	( 15,776)	-	( 15,776)	( 15,776)
Unrealized loss on long-term equity investments	-	-	-	-	-	-	-	-	( 33,465)	-	-	( 33,465)	( 33,465)
<b>BALANCE, DECEMBER 31, 2004</b>	2,930,610	\$ 29,306,096	\$ 4,383,057	\$ 3,224,587	\$ 7,607,644	\$ 452,903	\$ 53,767	\$ 5,041,836	\$ 5,548,506	(\$ 89,856)	(\$ 13,152)	\$ -	\$ 42,359,238

The accompanying notes are an integral part of the financial statements.  
(With Deloitte & Touche audit report dated January 28, 2005)

## (五) STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2004 AND 2003

In Thousands of New Taiwan Dollars

	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 4,836,437	\$ 4,529,029
Equity in net income of equity-method investees	( 4,751,922)	( 4,544,956)
Cash dividend received from equity-method investees	2,942,225	383,850
Amortization of premium on bonds payable	( 24,516)	( 20,569)
Provision for losses on short-term investments	-	14,533
Amortization of bond issuance expense	34,622	-
Deferred income tax	( 1,376)	-
Others	74	-
Net changes in operating assets and liabilities:		
Receivables	( 820,987)	( 146,464)
Prepaid expenses	( 3)	-
Payables	718,635	131,934
Advances	292	-
Net cash provided by operating activities	<u>2,933,481</u>	<u>347,357</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in short-term investments	364,493	( 379,026)
Increase in long-term equity investments	( 6,000,000)	( 50,000)
Increase in bond issuance expense	-	( 58,115)
Net cash used in investing activities	<u>( 5,635,507)</u>	<u>( 487,141)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in bonds payable	-	6,233,676
Redemption of bonds payable	( 50,565)	-
Increase in long-term debts	350,000	50,000
Repayment of long-term debts	( 291,000)	( 351,000)
Payment of cash dividend	( 2,818,678)	-
Payment of bonus to directors, supervisors and employees	( 64,951)	-
Net cash provided by (used in) financing activities	<u>( 2,875,194)</u>	<u>5,932,676</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>	<u>( 59,729)</u>	<u>( 113,483)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>( 5,636,949)</u>	<u>5,679,409</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>5,693,385</u>	<u>13,976</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 56,436</u>	<u>\$ 5,693,385</u>
<b>SUPPLEMENTARY INFORMATION</b>		
Interest paid	<u>\$ 19,801</u>	<u>\$ 24,643</u>
Income tax paid	<u>\$ 10,236</u>	<u>\$ 1,193</u>
<b>NON CASH INVESTING AND FINANCING ACTIVITIES</b>		
Reclassification of shares held by subsidiaries to treasury stock	<u>\$ -</u>	<u>\$ 255,673</u>
Share swap resulting in E.Sun Securities Investment Trust Corp. becoming a 100% subsidiary of E.Sun Financial Holding Co., Ltd.	<u>\$ -</u>	<u>\$ 366,211</u>
Proceeds from sales or exchange of parent's shares	<u>\$ 7,021,202</u>	<u>\$ -</u>
Costs of treasury stock	<u>4,005,259</u>	<u>-</u>
Capital surplus from treasury stock	<u>\$ 3,015,943</u>	<u>\$ -</u>
Conversion of corporate bonds payable to capital stock	<u>\$ 5,922,721</u>	<u>\$ 18,674</u>
Current portion of long-term debts	<u>\$ 838,000</u>	<u>\$ 291,000</u>

The accompanying notes are an integral part of the financial statements.  
(With Deloitte & Touche audit report dated January 28, 2005)

## (六) NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2004 AND 2003

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

### 1. ORGANIZATION AND OPERATIONS

E.Sun Financial Holding Company, Ltd. (the "Company" or "ESFHC") was established by E.Sun Commercial Bank Ltd. ("E.Sun Bank"), E.Sun Bills Finance Corp. ("E.Sun Bills") and E.Sun Securities Corp. ("E.Sun Securities") through a share swap on January 28, 2002 based on the Financial Holding Companies Law and related regulations in the Republic of China (the "ROC"). After the swap, E.Sun Bank, E.Sun Bills and E.Sun Securities became 100% subsidiaries of the Company.

E.Sun Securities Investment Trust Corp. ("ESSIT") became a 100% subsidiary of the Company through a share swap on September 16, 2003.

The Company invests in and manages businesses related to financial institutions.

The Company's shares have been listed on the Taiwan Stock Exchange ("TSE") since January 28, 2002.

As of December 31, 2004 and 2003, the Company had 66 and 68 employees, respectively. 56 and 68 employees also served in the subsidiaries.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The accompanying financial statements had been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Financial Holding Companies and accounting principles generally accepted in ROC.

In preparing financial statements in conformity with these guidelines and principles, the Company is required to make certain estimates and assumptions that could affect the amounts of income tax, etc. Actual results could differ from these estimates.

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. 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 financial statements shall prevail.

The Company's significant accounting policies are summarized below.

#### Current and Noncurrent Assets and Liabilities

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

#### Cash Equivalents

Cash equivalents are highly liquid investments with maturities of up to three months.

#### Short-term Investments

Short-term investments are carried at aggregate cost less any allowance for decline in value. The allowance is reversed when the market value recovers and recognized as income.

#### Long-term Investments

Under a directive of the Accounting Research and Development Foundation of the ROC, a financial holding company should treat the investees' net worth as paid-in capital if the holding company is incorporated or the affiliated company becomes the subsidiary of the holding company through stock conversion. The stock issued by the holding company is accounted for as capital stock, and the amount in excess of the par value of the issued stock is accounted for as capital surplus.

Investments in shares of stock of companies in which the Company exercises significant influence on their operating and financial policy decisions are accounted for by the equity method. Under the equity method, the investments are carried at cost on the acquisition date and subsequently adjusted for the Company's proportionate share in the net income or loss of the investees. The proportionate share in the net income or loss is recognized as current income or loss, and any cash dividends received are reflected as a reduction of the carrying values of the investments. A capital increase of investees that results in the increase in the Company's equity in the investees' net assets is credited to capital surplus, and any decrease is charged to such capital surplus to the extent of the available balance, with the difference charged to unappropriated earnings. The Company recognizes the investees' cumulative translation adjustments and unrealized losses on long-term equity investments proportionately.

Other long-term equity investments are accounted for by the cost method and are stated at cost. Cash dividends received are recorded as investment income. For the stocks with no quoted market price, the carrying amount of the investment is reduced to reflect an other than temporary decline in the value of the investments, with the related losses charged to current income.

For both equity-method and cost-method investments, stock dividends received are recognized only as increases in the number of shares held, and not as income.

The cost of long-term equity investments sold is determined by the weighted-average method.

#### Amortization of Bond Issuance Expenses

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

#### Corporate Bonds Payable

The net carrying amount of the Euro-convertible bonds (the face amount adjusted for unamortized premium and bond issuance expenses at the date of conversion) is credited to the appropriate capital accounts (capital stock equal to par value, with the balance credited to capital surplus) upon bond conversion.

#### Pension Costs

The Company recognizes pension costs on the basis of actuarial calculations, and unrecognized net transitional obligation is amortized over 28 years.

### Treasury Stock

Under a directive issued by the Securities and Futures Bureau (SFB), if a financial institution ("FI") repurchases its own capital stock pursuant to the Securities and Exchange Law and becomes a wholly owned subsidiary of a financial holding company ("FHC"), resulting in the conversion of the FI's treasury stocks to the FHC's stock, the FHC's shares held by the FI should be treated as treasury stock. The FHC should also present the shares it issued in exchange for FI's capital stock as treasury stock. If shares of the FIs under the same FHC were held among each other before the share swap, these shares will be stated as equity investments after the swap. However, the FHC should state these shares as treasury stocks starting with its 2002 financial statements.

### Foreign Currency Transactions

Foreign-currency transactions (except forward transactions) are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or loss resulting from the application of prevailing exchange rates when foreign-currency assets and liabilities are settled, are credited or charged to income in the period of settlement. The year-end balances of foreign-currency assets and liabilities are restated at the prevailing exchange rates, and the resulting differences are recorded as credits or charges to income.

### Recognition of Revenue

Revenue is recorded when a major part of the earnings process is completed and revenue is realized.

### Income Tax

The provision for income tax is based on inter-period tax allocation. The tax effects of deductible temporary differences, unused tax credits and operating loss carryforwards are recognized as deferred income tax assets, and those of taxable temporary differences are recognized as deferred tax liabilities. Valuation allowance is

provided for deferred tax assets that are not probable to be realized. Deferred tax liabilities and assets are classified as current or noncurrent on the basis of classification of the related asset or liability for financial reporting. A deferred tax asset or liability that cannot be related to an asset or liability for financial reporting, such as the deferred tax assets related to net loss carryforwards, is classified according to the expected reversal or realization date of the temporary difference.

The Company and its subsidiaries elected to file a consolidated tax return from 2003. The difference between consolidated income tax payable and the sum of income tax payable of the entities included in the consolidated tax return is considered as a tax consolidation adjustment which is shown on the Company's income tax expense or benefit. Any distribution of cash payments and receipts among the consolidated group members is recorded as receivable or payable.

Adjustments to prior year's tax liabilities are added to or deducted from the current year's tax expense.

Income taxes (10%) on undistributed earnings are recorded as expense in the year when the stockholders resolve to retain the earnings.

### Derivatives

Forward exchange contracts entered into for nontrading purposes are recorded in New Taiwan dollars as assets or liabilities, using the spot rates on the starting dates of the contracts. The premium or discount, computed using the foreign currency amount of the contract multiplied by the difference between the contracted forward rate and the spot rate on the contract starting dates, is also recognized. These premiums or discounts are amortized over the terms of the forward contracts, and the amortizations are recognized in income.

## 3. CASH AND CASH EQUIVALENTS

	2004	2003
Deposits	\$ 56,436	\$ 3,415,790
Cash equivalent-earnings ratio is 0.75-1.12%	-	2,277,595
	<u>\$ 56,436</u>	<u>\$ 5,693,385</u>

## 4. SHORT-TERM INVESTMENT

	2004	2003
Overseas securities	\$ -	\$ 379,026
Less allowance for possible losses	-	14,533
	<u>\$ -</u>	<u>\$ 364,493</u>

## 5. RECEIVABLES

	2004	2003
Other receivables-consolidated corporate tax	\$ 825,340	\$ 748
Tax refundable	141,146	130,135
Other	1,162	15,778
	<u>\$ 967,648</u>	<u>\$ 146,661</u>

## 6. LONG-TERM INVESTMENTS

The details of long-term equity investments are summarized below:

	2004		2003	
	Amount	% of Owner-ship	Amount	% of Owner-ship
Equity method				
E.Sun Bank	\$ 32,644,613	100.0	\$ 17,315,206	100.0
E.Sun Bills	5,971,533	100.0	5,998,854	100.0
E.Sun Securities	3,185,334	100.0	3,104,285	100.0
E.Sun Venture Capital Co.,Ltd(ESVC)	1,021,077	100.0	1,010,214	100.0
E.sun securities Investment Trust Corp.(ESSIT)	417,562	100.0	397,730	100.0
E.Sun Insurance Broker Co.,Ltd.(ESIB)	143,222	100.0	68,733	100.0
Cost method	43,383,341		27,895,022	
Taiwan Debt Instruments Depository and Clearing Co.,Ltd.	40,000	2.0	40,000	2.0
	<u>\$ 43,423,341</u>		<u>\$ 27,935,022</u>	

The Company's consolidated financial statements included the accounts of E.Sun Bank, E.Sun Bills, E.Sun Securities and ESIB. The total operating revenues and total assets of ESVC and ESSIT were each less than 10% and collectively less than 30% of those of the Company. Thus, ESVC's and ESSIT's accounts were not consolidated.

The carrying value of the investments accounted for by the equity method and the related income were based on audited

financial statements. As of December 31, 2004 and 2003, E.Sun Bank's 454,000 thousand shares and 494,000 thousand shares, respectively, were secured as collaterals for long-term debts.

The net income from long-term equity investments under the equity method for the years ended December 31, 2004 and 2003 were \$4,751,922 thousand and \$4,544,956 thousand, respectively.

## 7. CURRENT PORTION OF LONG-TERM LIABILITIES

	2004	2003
Corporate bonds payable	\$ -	\$ 6,039,745
Plus premium on bonds payable	-	41,019
	-	6,080,764
Current portion of long-term debts(Note9)	838,000	291,000
	<u>\$ 838,000</u>	<u>\$ 6,371,764</u>

On June 27, 2003, the Company issued US\$178,200 thousand zero coupon Euro convertible bonds (the "Bonds") with par of US\$1,000 in Luxembourg. The terms of the Bonds are as follows:

### a.Redemption method

The Company will redeem the Bonds on the maturity date at a price equal to 100% of the outstanding principal amount unless the Bonds had been previously redeemed, repurchased and canceled or converted.

#### 1)Redemption at the option of the Company

a)At any time on or after June 27, 2004 and prior to November 27, 2004, the Company may redeem all the Bonds at one time or make piecemeal redemptions at 100% of the principal amount if the closing price of the shares, translated into U.S. dollars at the prevailing rate on the issue date, for at least 20 out of 30 consecutive trading days immediately preceding the date of such notice of redemption, is at least 115% of the conversion price then in effect, translated into U.S. dollars at the fixed exchange rate.

b)The Company may redeem all the Bonds at one time, i.e., not piecemeal, at 100% of the principal at any time if at least 90% of the principal of the Bonds had already been

redeemed, repurchased and canceled or converted.

c)The Company may redeem all the Bonds at one time, i.e., not piecemeal, at 100% of the principal at any time if any changes in ROC taxation would require the Company to gross up payment of interest or premium.

#### 2)Redemption at the options of holders

a)Each holder of the Bonds has the right to require the Company to redeem, all or part of the Bonds only on June 27, 2004 at 100% of the principal unless the Bonds had been previously redeemed, repurchased and canceled or converted.

b)Each holder has the right to require the Company to buy all or a portion of the holder's Bonds at 100% of the principal amount (a) if the shares cease to be listed or admitted for trading on the Taiwan Stock Exchange for at least five consecutive trading days or (b) there is change of control over the Company (e.g., a change of half of the members of the Company's board of directors.)

#### b.Maturity date

The maturity period is one year and six months after the issuance. The Bonds were issued on June 27, 2003; thus, their maturity is on December 27, 2004.

c.Pledged

Negative.

d.Conversion period

The bondholder can convert the Bonds to the Company's stock for the period starting on or after November 24, 2003 up to December 12, 2004. The holders of the Bonds, however, will not be able to effect conversions into shares during any closed period. A closed period means (i) 60 days before the date of any general stockholders' meetings; (ii) 30 days before the date of any special stockholders' meetings; (iii) the period from the date following the third trading day before the date of the Company's notification to the Taiwan Stock Exchange of the record date for the determination of stockholders entitled to the receipt of dividends, subscription of new shares due to capital increase or appropriation of other benefits and bonuses; and (iv) such other periods during which the Company may be required to close its stock transfer books under ROC laws and regulations.

e.Conversion price

1)The conversion price on issuance is NT\$19,716 (US\$0.5688) per share. The conversion price in U.S. dollars is based on the exchange rate of US\$1=NT\$34.661. The conversion price is subject to adjustment based on certain terms of the related indenture. The adjusted conversion price is NT\$17,978 (US\$0.5187) per share because of subscription of new share

due to capital increase in 2004.

2)If the average closing price of the shares for any of the periods of 5, 10 or 15 consecutive trading days immediately before June 4, 2004 (the 15th trading day before the holder's put date, or the "Standard Reset Date"), converted into U.S. dollars at the prevailing rate on the Standard Reset Date, is less than the conversion price then in effect as converted into U.S. dollars at the fixed exchange rate, the conversion price may be adjusted. The conversion price adjustment should only be downward and should not be less than 80% of the initial conversion price.

3)If the average closing prices of the shares for any of the periods of 10, 15 and 20 consecutive trading days immediately before November 15, 2004 (the 30th trading day before the maturity day, or the "Special Reset Date"), converted into U.S. dollars at the prevailing rate on the Special Reset Date, is less than the conversion price then in effect converted into U.S. dollars at the fixed exchange rate, the conversion price may be adjusted.

f.Cash settlement option

Instead of delivering to the holders some or all of the shares required for the valid exercise of a conversion right, the Company may elect to make a cash payment for all or any portion of a holder's Bonds deposited for conversion.

As of December 31, 2004, all of the convertible bonds had been converted and redeemed.

## 8. PAYABLES

	2004	2003
Tax	\$ 683,144	\$ -
Other payables-consolidated corporate tax	159,786	129,459
Other	8,344	3,180
	<u>\$ 851,274</u>	<u>\$ 132,639</u>

## 9. LONG-TERM DEBTS

Secured long-term debts - interest rate at 1.6150%-

1.7759% in 2004 and 1.5391%-1.6300% in 2003

Less due in one year

\$	1,238,000	\$	1,179,000
	838,000		291,000
<u>\$</u>	<u>400,000</u>	<u>\$</u>	<u>888,000</u>

The term of the debts is three years through April 2007. Of these debts, \$850,000 thousand is repayable on maturity date. The other debts will be repaid as follows: 30% after one year, 30% after two years, and 40% on maturity. The Company has provided securities for the long-term debts; please refer to Note 6.

## 10. PENSION PLAN

The Company has pension plans for all regular employees. Upon retirement, an employee will receive the Company's contributions calculated based on length of service and monthly average basic pay for the six months before retirement. The Company makes monthly contributions, equal to 5.54% of salaries, to a pension fund. The fund is deposited in the Central Trust of China in the name of the workers' fund administration committee, which manages the fund.

Pension information is as follows:

a.Reconciliation of the plan funded status to balance sheet amounts

	2003
Benefit obligation:	
Vested benefit obligation	\$ -
Non-vested benefit obligation	( 1,203 )
Accumulated benefit obligation	( 1,203 )
Additional benefits based on future salaries	( 1,324 )
Projected benefit obligation	( 2,527 )
Fair value of plan assets	163
Funded status	( 2,364 )
Unrecognized net transitional obligation	2,364
Additional minimum pension	( 1,041 )
Accrued pension cost	( \$1,041 )
	<hr/> <hr/>
b. Vested benefits	\$ -
	<hr/> <hr/>
c. Actuarial assumptions	
Discount rate	3.0%
Rate of increase in compensation	3.0%
Expected long-term rate of return on plan assets	3.0%

## 11. PERSONNEL EXPENSES

	2004	2003
Personnel expenses		
Salaries	\$ 31,665	\$ 4,854
Insurance	415	40
Pension	192	-
Other	261	45

The personnel expenses were part of operating expenses.

## 12. STOCKHOLDERS' EQUITY

### a. Capital stock

In 2003, the stockholders resolved to have ESSIT become a 100% subsidiary of the Company through a share swap. The swap ratio was 1.18 shares of the Company for 1.0 share of ESSIT. The swap date was September 16, 2003, and the capital stock of the Company increased to \$25,054,000 thousand on that date.

In 2004 shareholders' meeting, the shareholders resolved to transfer unappropriated earnings amounted to \$933,331 thousand to issue 93,333 thousand shares. The above appropriations were approved by the SFB and Ministry of Economic Affairs.

The number of shares converted from Euro convertible bonds issued by the Company were 330,910 thousand shares and 967 thousand shares, respectively, for the years ended December 31, 2004 and 2003. As of December 31, 2004, the capital stock was \$29,306,096 thousand.

For the purpose of disposing the Company's shares held by E.Sun Bank, the Company issued 6,800 thousand units of Global Depository Shares (GDS) (one unit represents 25 common shares), which equals to 170,000 thousand common shares, in US\$14.5 per share on the Luxembourg Stock Exchange on September 27, 2004.

The GDS holders are entitled to present their GDSs for cancellation and receive the corresponding number of

underlying common shares, and the common shares can be traded in domestic stock exchange market. As of December 31, 2004, the GDS holders cancelled 4,156 thousand units (equaled 103,902 thousand shares) and the deposit agents reissued 32 thousand units (equaled 790 thousand shares). Therefore, the outstanding GDSs were 2,676 thousand units, which equaled 66,888 thousand shares, and represented 2% of the Company's total outstanding common shares.

### b. Capital surplus

Under related regulations, capital surplus may only be used to offset a deficit. However, capital surplus arising from issuance of shares in excess of par value (issuance in excess of common stock par value, capital surplus from issuance of common stock for combination and treasury stock transactions) and donation may be transferred to common stock on the basis of the percentage of shares held by the stockholders. Any capital surplus transferred to common stock should be within a certain percentage prescribed by law. Capital surplus from long-term equity method investments can not be distributed for any purpose.

Under the Financial Holding Company Law and related directives issued by the SFB, the distribution of the ex-conversion unappropriated earnings that are generated by financial institutions (the subsidiaries) and become part of capital surplus of the financial holding company through stock conversion, is exempted from the appropriation restriction of the Securities and Exchange Law.

The subsidiaries' unappropriated retained earnings before stock conversion amounted to \$2,919,727 thousand, which was already stated as the Company's capital surplus as of its establishment date. In 2002, the stockholders resolved to increase the Company's capital by \$1,800,000 thousand through

the issuance of stock dividends from capital surplus.

The capital surplus as of December 31, 2004 came from treasury stock and the issuance of shares in excess of par value. Capital surplus sources and uses were as follows:

Sources	
From subsidiaries	
Capital surplus (mainly paid-in capital in excess of par value)	\$ 413,733
Legal reserve	2,776,834
Special reserve	109,230
Unappropriated earnings	2,919,727
Proportionate share in the unrealized loss on long-term equity investments	<u>( 23,399)</u>
	6,196,125
Total capital stock of subsidiaries in excess of the Company's issuance	<u>600,000</u>
Balance on January 28, 2002	6,796,125
From ESSIT which became a 100% subsidiary of the Company in 2003 through a shareswap	
Legal reserve	4,350
Unappropriated earnings	<u>7,861</u>
	6,808,336
Corporate bonds payable converted into capital stock	
In 2003	9,005
In 2004	2,613,625
Treasury stock transaction recognized from subsidiaries	3,015,943
Transfer the shares to employees by subsidiary	483
Cash dividend from the Company received by subsidiaries	<u>208,161</u>
	12,655,553
Uses	
Bonus to directors, supervisors and employees of subsidiaries	( 156,458)
Issuance of the Company's stock dividends in 2002	( 1,800,000)
Offset of deficit in 2003	<u>( 3,091,451)</u>
	<u>\$ 7,607,644</u>

#### c. Appropriation of earnings and dividend policy

When the Company appropriates its earnings, legal reserve should be appropriated from the annual net income less any accumulated deficit. A special reserve may then be appropriated. Any remainder should be appropriated as follows:

- 1) 96% as dividends
- 2) 1% as remuneration to directors and supervisors
- 3) 3% as bonus to employees.

Under the Company's Articles of Incorporation, the stockholders may decide not to declare any dividends or declare only a portion of distributable earnings as dividends.

Under the Company's dividend policy, the issuance of stock dividends takes precedence over the payment of cash dividends to strengthen the Company's financial structure. This policy is also intended to improve the Company's capital adequacy ratio and keep it at a level higher than the ratio set under relevant regulations. However, when dividends are declared, cash dividends must at least be 10% of total dividends declared, unless the resulting cash dividend per share falls below NT\$0.10.

Under the Company Law, legal reserve should be appropriated until the reserve equals the Company's paid-in

capital. This reserve is used only to offset a deficit, or, when its balance reaches 50% of the aggregate par value of the Company's outstanding capital stock, up to 50% of the reserve may be distributed as stock dividends.

Under an SFB directive, a special reserve is appropriated from the balance of the retained earnings at an amount that is equal to the debit balance of accounts in the stockholders' equity section (such as unrealized loss on long-term equity investments and cumulative translation adjustments, except treasury stocks). 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.

The appropriation of retained earnings should be resolved by the stockholders in the following year and given effect to in the financial statements of the year.

On June 6, 2003, the stockholders of the Company resolved to offset a deficit of \$3,091,451 thousand against capital surplus.

On June 11, 2004, the stockholders of the Company resolved the appropriation of earnings in 2003, which were resolved by the Company's board of directors on February 12, 2004, as follows:

Legal reserve	\$ 452,903
Special reserve	53,767
Dividend	2,818,678
- cash, \$1 per share	
- stock, \$0.3 per share	845,603
Bonus to directors and supervisors	38,170
Bonus to employees - cash	26,781
- stock	87,728



The dividend per share amount is calculated by 2,506,367 thousand shares issued by the Company 312,311 thousand shares which were converted from all outstanding Euro convertible bonds as of December 31, 2003. The dividend per share amount will change if the holder of the convertible bonds does not convert the bonds into the Company's shares or the treasury stock for reissuance to employees was not transferred before ex-rights or ex-dividend date.

The actual dividend per share is \$1.0856 in cash and \$0.3257 in stock. The basic earnings per share in 2003 would have decreased from \$2.13 to \$2.08 had all the bonus been distributed to employees, directors and supervisors in cash and recognized as the current year expenses.

As of January 28, 2005, the date of the accompanying auditors' report, the board of directors had not resolved the appropriations of earnings in 2004. Information on the

appropriation of earnings or deficit offsetting can be accessed through the Web site of the Taiwan Stock Exchange (<http://mops.tse.com.tw>).

Under the integrated income tax system, certain stockholders are allowed tax credits for the income tax paid by the Company.

### 13. INCOME TAX

Under Article 49 of the Financial Holding Company Law, a financial holding company (FHC) can elect to file income tax returns with a 10% income tax on undistributed earnings for both itself and its domestic subsidiaries if the FHC held more than 90% of the subsidiaries' outstanding shares for the entire tax year. The Company is qualified in the regulation.

The Company and its subsidiaries started to file consolidated tax returns since 2003.

a. Income tax information is as follows:

	2004	2003
Income tax expense - current before tax credits	\$ 11,622	\$ -
Net change in deferred income tax:		
Organization costs	( 1,376)	-
Tax on unappropriated earnings (10%)	-	\$ 154,448
Adjustment of prior year's tax	( 11,011)	-
Tax effect on consolidated tax returns	( 112,508)	( 154,666)
Income tax benefit	<u>(\$ 113,273)</u>	<u>(\$ 218)</u>

The operating revenues for the year ended December 31, 2003 consisted of equity income from subsidiaries, which was exempt from ROC income tax.

b. Net deferred income tax assets were as follows:

	2004	2003
Deferred income tax assets-current		
Organization	<u>\$ 688</u>	<u>\$ -</u>
Deferred income tax assets-noncurrent		
Organization costs	<u>\$ 688</u>	<u>\$ -</u>

c. Imputed tax credit

	2004	2003
Balance of stockholder's imputed tax credit	<u>\$ 373,286</u>	<u>\$ 91,317</u>

The Company's actual creditable tax ratio for distributing 2003 earnings was 2.64%. The estimated creditable tax ratio for distributing 2004 earnings was 20.60%. The actual creditable tax ratio may differ from the estimated creditable tax ratio since such ratio is computed on the date the dividend is actually paid or distributed.

d. The Company has no unappropriated earnings generated before January 1, 1998 as of December 31, 2004 and 2003.

e. The Company's income tax returns have not been examined by the tax authorities.

## 14. TREASURY STOCK

(Unit: Thousand Shares)

Reason for Redemption	Shares at Beginning of the Year	Share Increase During the Year	Share Decrease During the Year	Shares at End of the Year
<u>2004</u>				
Reissuance to employees-held by E.Sun Bank	40,000	-	40,000	-
Treasury stock previously classified by E.Sun Bank and E.Sun Securities as long-term investments	<u>334,629</u>	<u>6,248</u>	<u>340,877</u>	-
	<u>374,629</u>	<u>6,248</u>	<u>380,877</u>	-
<u>2003</u>				
Reissuance to employees-held by E.Sun Bank	40,000	-	-	40,000
Treasury Stock previously classified by E.Sun Bank and E.Sun securities as long-term investments	<u>309,849</u>	<u>24,780</u>	-	<u>334,629</u>
	<u>349,849</u>	<u>24,780</u>	-	<u>374,629</u>

On December 31, 2003, the carrying values and market values of treasury stock pertaining to long-term equity investments (shares of the Company held by E.Sun Bank and E.Sun Securities as a result of the share swap) were as follows:

	<u>2003</u>
E.Sun Bank	\$ 3,914,375
E.Sun Securities	<u>90,884</u>
Carrying values	<u>\$ 4,005,259</u>
Market values	<u>\$ 6,846,513</u>

Under the Financial Holding Company Law, when a financial institution (a subsidiary) holds the shares of a financial holding company (FHC) as a result of a share swap, those shares should be sold to the FHC or the subsidiary's employees or exchanged for other purposes - e.g., sold on the Taiwan Stock Exchange or over-the-counter exchange - within three years from the swap date. Otherwise, the shares will be regarded as the FHC's unissued capital, and the FHC may change the amount of its registered capital.

On August 26, 2004, E.Sun Bank reissued 40,000 thousand shares of the Company to employees.

On December 1, 2003, the board of directors of E.Sun Bank resolved to issue bonds for exchange with the underlying shares of the Company within the limit of 150,000 thousand shares under Article 31 of the Financial Holding Company Law. On January 23, 2004, E.Sun Bank issued three-year debenture exchangeable bonds amounting to \$2,696,100 thousand at 0% interest. As of June 14, 2004, all the exchangeable bond holders had exchanged bonds to the Company's common stock.

On February 12, 2004, the board of directors of E.Sun Bank resolved to authorize the chairman to dispose the shares of the Company within the limit of 184,449 thousand shares under Article 31 of the Financial Holding Company Law.

For E.Sun Bank's purpose of disposing the Company's shares amounting to 170,000 thousand shares, the Company issued 6,800 thousand units of Global Depository Shares (Please refer to Note 12).

On June 23, 2004, the board of directors of E.Sun Securities resolve to authorize the chairman to dispose the Company's stock as a result of the share swap within the 8,850 thousand shares limit.

As of December 31, 2004, E.Sun Bank and E.Sun Securities have disposed all of the treasury stock.

Under the Securities and Exchange Law, the Company is not allowed to buy more than 10% of its issued and outstanding capital stock. In addition, the Company may not spend more than the sum of retained earnings and all realized capital surplus.

Further, the Company can not pledge or hypothecate any purchased capital stock and exercise stockholders' rights before reissuance of the stocks.

The Company's capital stock held by subsidiaries is treated as treasury stock. However, the subsidiaries can not exercise stockholders' rights on the treasury stock if the shares had been bought by subsidiaries before the Company's establishment.

Except for the shares which had been bought by subsidiaries before the Company's establishment, the subsidiaries can only exercise the earnings distribution, and surplus capitalization rights.

Under SFB regulations, to maintain the stability of the Company's financial structure and protect stockholders, the Company appropriated a special reserve from retained earnings at an amount equal to the carrying value of the treasury stock held by subsidiaries in excess of the market value at balance sheet date. The special reserve may be reversed if the market value recovers. Since the market value of the treasury stock held by subsidiaries was higher than its carrying value as of December 31, 2003, the special reserve was not appropriated.

## 15. EARNINGS PER SHARE

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

	Amounts (Numerator)		Shares (Denominator IN Thousands)	Earnings Per Share(Dollar)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
<u>2004</u>					
Basic EPS	\$ 4,723,164	\$ 4,836,437	2,488,483	\$ 1.90	\$ 1.94
Effect of diluted common shares:					
Convertible bonds	(49,549)	(37,162)	201,922		
Diluted EPS	\$ 4,673,615	\$ 4,799,275	2,690,405	\$ 1.74	\$ 1.78
<u>2003</u>					
Basic EPS	\$ 4,528,811	\$ 4,529,029	2,123,299	\$ 2.13	\$ 2.13
Effect of diluted common shares:					
Convertible bonds	(105,005)	(105,005)	161,326		
Diluted EPS	\$ 4,423,806	\$ 4,424,024	2,284,625	\$ 1.94	\$ 1.94

Pro forma information under the assumption that shares of E.Sun Financial Holding Co., Ltd. held by its subsidiaries were not treated as treasury stock is summarized as follows:

	Amounts (Numerator)		Shares (Denominator IN Thousands)	Earnings Per Share(Dollar)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
<u>2004</u>					
Basic EPS	\$ 7,947,268	\$ 8,060,541	2,728,687	\$ 2.91	\$ 2.95
Effect of diluted common shares:					
Convertible bonds	( 49,549)	( 37,162)	201,922		
Diluted EPS	\$ 7,897,719	\$ 8,023,379	2,930,609	\$ 2.69	\$ 2.74

	Amounts (Numerator)		Shares (Denominator IN Thousands)	Earnings Per Share(Dollar)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
<u>2003</u>					
Basic EPS	\$ 4,528,811	\$ 4,529,029	2,480,412	\$ 1.83	\$ 1.83
Effect of diluted common shares:					
Convertible bonds	(105,005)	(105,005)	161,326		
Diluted EPS	\$ 4,423,806	\$ 4,424,024	2,641,738	\$ 1.67	\$ 1.67

The number of shares outstanding was retroactively adjusted to reflect the effects of the stock dividends distributed subsequently in 2004.

## 16. RELATED-PARTY TRANSACTIONS

In addition to those mentioned in other notes, the relationship with the Company and significant related party transactions were summarized as follows:

### a. Related parties

Related Party	Relationship with the Company
E.Sun Bank, E.Sun Bills, E.Sun Securities, E.Sun Venture Capital Co., Ltd. (ESVC), E.Sun Securities Investment Trust Corp. (ESSIT) and E.Sun Insurance Brokers Co., Ltd. (ESIB)	Subsidiaries
E.Sun Foundation and E.Sun Volunteer & Social Welfare Foundation	One-third of the funds are donated by E.Sun Bank and E.Sun Bills
E.Sun Finance & Leasing Co., E.Sun Insurance Agent Co., Ltd., Kao Li Real - Estate Management Co., Ltd., E.Sun Securities Investment Consulting Co., Ltd. ("ESSIC"), E.Sun Technologies Co., Ltd. and E.Sun Capital Co., Ltd.	Equity-method investees of subsidiaries
Fubon Securities Finance Co. and Bank-Pro E-Service Technology Co., Ltd.	E.Sun Bank is a director of the Company
Globaltop Partner I Venture Capital Co., Ltd.	ESVC is a supervisor of the Company
Others	The Company's and subsidiaries' chairman, president, directors, supervisors, and managers and their relatives

### b. Significant transactions with related parties

	2004		2003	
	Amount	% to Total	Amount	% to Total
<u>December 31</u>				
Deposits (part of cash and cash equivalents) - E.Sun Bank	\$ 56,436	100	\$ 3,415,790	60
Interest receivables (part of receivables) - E.Sun Bank	\$ -	-	\$ 6,491	4
Other receivables (part of receivables)				
E.Sun Bank	\$ 786,427	81	\$ -	-
ESVC	1,940	-	748	1
ESIB	15,171	2	-	-
ESSIT	21,802	2	-	-
	\$ 825,340	85	\$ 748	1
Other payables (part of payables)				
E.Sun Bank	\$ 80,131	10	\$ 80,131	60
E.Sun Bills	60,761	7	30,849	23
E.Sun Securities	18,894	2	18,479	14
	\$ 159,786	19	\$ 129,459	97
<u>For the year ended December 31</u>				
Interest revenue - E.Sun Bank	\$ 67,951	66	\$ 15,869	27
Foreign exchange gain (loss), net - E.Sun Bank	(\$ 115,415)	207	\$ 4,743	93

The Company and its subsidiaries will file consolidated corporate tax returns in 2003. Any distribution of cash payments and receipts among the consolidated group members is recorded as receivables or payables.

The term of transaction are similar to, or approximate, those offered to third parties.

c.Subsidiaries' related-party transactions that amounted to more than \$100,000 thousand in 2004 and 2003

1)E.Sun Bank

	December 31			
	Amount	% to Total	Interest Rate(%)	Revenue (Expense) Amount
2004				
a)Loans	\$ 615,370	-	0-8.5	\$ 10,995
b)Deposits	\$ 1,966,648	1	1.025-6.72	(\$ 91,474)
c)Securities sold under agreement to repurchase	\$ 517,762	5	0.65-1.025	(\$ 3,537)
d)Purchases and sales of securities				

Related Party	Purchases Amount	Sales Amount
	E.Sun Bills	\$ 847,459
E.Sun Securities	<u>200,480</u>	<u>216,309</u>

e)Other payables (part of payables)	December 31,2004	
	Amount	%
ESFHC	<u>\$ 786,427</u>	<u>12</u>

	2004
f)Foreign exchange gain, net-ESFHC	<u>\$ 115,415</u>

	December 31			
	Amount	% to Total	Interest Rate(%)	Revenue (Expense) Amount
2003				
a)Loans	\$ 514,181	-	1.10-7.02	\$ 10,308
b)Deposits	\$ 5,999,963	2	0-13	(\$59,360)
c)Securities sold under agreement to repurchase - E.Sun Securities	\$ 687,303	-	0.7-1.25	(\$10,517)
d)Bonds payable	\$ 260,000	2	4.2	(\$10,800)
e)Purchases and sales of securities				

Related Party	Purchases Amount	Sales Amount
	E.Sun Bills	\$24,843,391
E.Sun Securities	975,508	724,337

The interest rates shown above are similar to, or approximate, those offered to third parties. However, the interest rates on deposits given to managers of the E.Sun Bank are the same as the interest rates on a certain amount of savings deposits of employees.

Under the Banking Law, except for consumer loans and government loans, credits extended by E.Sun Bank to any related party should be 100% secured, and the terms of credits extended to related parties should be similar to those extended to third parties.

2)E.Sun Bills

For the year ended December 31, 2004

	December 31			
	Amount	% to Total	Interest Rate(%)	Revenue (Expense) Amount
a)Bank loans - E.Sun Bank				
b)Bank deposits and deposits for bond clearance (paid through time deposits, recorded as refundable deposits) - E.Sun Bank	\$330,000	\$-	0.925-1.175	(\$26)
c)Purchases and sales of negotiable instruments and bonds:	1,622,698	880,629	1.15-1.85	12,573

Related Party	Purchases		Sales		Sales under Agreements to Repurchase		Purchases under Agreements to Resell	
	Amount	%	Amount	%	Amount	%	Amount	%
E.SUN Bank	\$2,698,469	-	\$847,459	-	\$199,656	-	\$730,047	-
E.SUN Securities	413,451	-	553,207	-	-	-	70,000	-
ESSIT	-	-	-	-	938,648	-	-	-

For the year ended December 31, 2003

	Highest Balance During the Year	Year-End Balance	Interest Rate (%)	Interest Revenue (Expense)
a)Bank loans - E.Sun Bank	\$ 150,000	\$ -	0.865 - 1	(\$13)
b)Bank deposits and deposits for bond clearance (paid through time deposits, recorded as refundable deposits) - E.Sun Bank	2,990,517	1,565,917	0-2.4	33,485
c)Long-term bond investments - E.Sun Bank	160,000	160,000	4.2	6,720
d)Purchases and sales of negotiable instruments and bonds:				

Related Party	Purchases		Sales		Sales under Agreements to Repurchase		Purchases under Agreements to Resell	
	Amount	%	Amount	%	Amount	%	Amount	%
E.Sun Bank	\$20,910,703	1	\$24,843,391	1	\$5,794,542	-	\$1,780,489	-
E.Sun Securities	1,178,421	-	1,607,320	-	189,162	-	991,950	-
ESSIT	-	-	49,888	-	538,159	-	-	-
E.Sun Finance & Leasing Co.,Ltd.	953,581	-	-	-	-	-	-	-

3)E.Sun Securities

a)Deposit in E.Sun Bank as of December 31, 2004 and 2003

	2004	2003
Demand	\$4,051	\$5,345
Checking	1	1
Pledged time deposit	10,000	10,000
Operation deposits	305,000	280,000
Settlement account	624	1,730

b)Securities purchased under agreements to resell as of December 31, 2004 and 2003

Related Party	2004		2003	
	Amount	% to Total	Amount	% to Total
E.SUN Bank	\$517,762	70	\$687,303	87

## c)Securities sold under agreements to repurchase

Related Party	2004		2003	
	Amount	% to Total	Amount	% to Total
Funds under ESSIT	\$607,666	34	\$602,065	19

## d)Bond transactions

## Purchases from:

Related Party	2004	2003
E.Sun Bank	\$216,309	\$724,337
E.Sun Bills	553,207	1,607,320
Funds under ESSIT	-	435,021
	\$769,516	\$2,766,678

## Sales to:

Related Party	2004	2003
E.Sun Bills	\$413,451	\$1,178,421
E.Sun Bank	200,480	975,508
	\$613,931	\$2,153,929

e)E.Sun Securities entrusted to E.Sun Bank the deal settlement of securities and applied for a guarantee overdraft amounting to \$1,300,000 thousand and \$800,000 thousand, in 2004 and 2003, respectively. For this overdraft, E.Sun Securities provided securities to E.Sun Bank as collaterals as of December 31, 2004. Taishin International Bank and Far Eastern International Bank provided guarantee for the overdraft both in 2004 and 2003. There were no overdraft both in 2004 and 2003.

## 4)ESVC

	2004	2003
Deposit - E.Sun Bank	\$ 308,324	\$ 505,606

## 5)ESSIT

	2004	2003
a)Long-term investments - bond of E.Sun Bank	\$ -	\$ 100,000

	2004	2003
b)Service revenue - funds under ESSIT	\$ 192,216	\$ 156,794

	2004	2003
c)Bond and bills transactions with E.Sun Bills		
Purchase	\$ 938,648	\$ 588,047

## 6)ESIB

	2004	2003
Short-term investments - funds under ESSIT	\$ 101,001	\$ 36,001

## 17. FAIR VALUE OF NONDERIVATIVE FINANCIAL INSTRUMENTS

	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Assets with fair value the same as carrying value	\$43,480,938	\$43,480,938	\$34,008,643	\$34,008,643
Liabilities				
Liabilities with fair value the same as carrying value	1,246,344	1,246,344	1,182,177	1,182,177
Bonds payable	-	-	6,080,764	6,797,310

Methods and assumptions used in estimating the fair value of nonderivative financial instruments were as follows:

a. The carrying values of cash and cash equivalents, receivables and payables approximate fair values because of the short maturity of these instruments; thus, their carrying value also approximates its fair value.

b. If market prices for short-term investments and long-term equity investments are available, the fair value of these financial instruments should be based on the market price. Otherwise, carrying value represents current fair value.

c. Bonds payable are foreign-listed financial liabilities, thus, their market value represents fair value.

d. Long-term debts are interest-bearing financial liabilities. Thus, their carrying value represent current fair values.

Only the fair values of financial instruments were listed above, thus, the total of the fair values listed does not represent the fair value of the Company.

## 18. CAPITAL ADEQUACY RATIO

Under the Financial Holding Company Law and related regulations, the Company should maintain a consolidated capital adequacy ratio (CAR) of at least 100%. If the ratio falls below 100%, the appropriation of earnings as cash dividends or others assets will be restricted, and the authorities may discipline the Company, depending on the situation. The consolidated CARs of the Company were 120.84% and 113.47% as of December 31, 2004 and 2003, respectively.

The Banking Law and related regulations require that E.Sun Bank maintain both stand-alone and consolidated CARs at a minimum of 8% each. If E.Sun Bank's CAR falls below 8%, the authorities may impose certain restrictions on the amount of

cash dividends that E.Sun Bank may declare or, in certain conditions, totally prohibit E.Sun Bank from declaring cash dividends. As of December 31, 2004 and 2003, the non-consolidated CARs of E.Sun Bank were 11.51% and 9.97%, respectively and the consolidated CARs of the E.Sun Bank were 11.52% and 9.99%, respectively.

Under the law governing bills finance companies and related regulations, E.Sun Bills should maintain a CAR of at least 8%. If the CAR falls below 8%, the authorities might subject E.Sun Bills' earnings appropriations to certain restrictions. The CARs of E.Sun Bills were 15.39% and 14.90% as of December 31, 2004 and 2003, respectively.

Under the rules governing securities firms and related regulations, the CAR of a securities firm should be at least 200% to ensure its stability as well as maintain the health of the security markets. If the ratio is below 200%, the authorities may impose certain restrictions on a firm's operations. The CARs of E.Sun Securities were 835.20% and 607.39% as of December 31, 2004 and 2003, respectively.

## 19. DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY LAW

Please refer to Table 6.

## 20. CONDENSED FINANCIAL STATEMENTS OF SUBSIDIARIES

a. Condensed balance sheets



**E.Sun Commercial Bank, Ltd.**  
**Condensed Balance Sheets**

December 31, 2004 and 2003 (In Thousands of New Taiwan Dollars)

Assets	2004	2003	Liabilities and Stockholders' Equity	2004	2003
Cash and cash equivalents	\$ 7,899,575	\$6,886,834	<b>Liabilities</b>		
Due from the Central Bank of China and banks	27,671,867	15,868,370	Securities sold under agreements to repurchase	\$ 10,676,519	\$ -
Securities purchased	54,815,405	42,870,451	Due to banks	21,568,711	21,664,199
Receivables, net	30,520,884	24,915,454	Payables	6,464,381	5,287,111
Securities purchased under agreements to resell	5,569,238	-	Advance	589,965	175,034
Prepaid expenses	307,262	45,269	Deposits and remittances	330,971,515	247,016,471
Bills, discounts and loans, net	275,359,584	199,070,296	Bonds	29,600,000	15,000,000
Long-term investments	11,624,627	10,512,806	Other	805,196	545,647
Net properties	8,991,839	9,395,216	<b>Total liabilities</b>	<b>400,676,287</b>	<b>289,688,462</b>
Goodwill	4,661,587	-	<b>Stockholders' equity</b>		
Other assets, net	5,899,032	1,433,136	Capital stock	20,175,000	18,175,000
<b>Total</b>	<b>\$ 433,320,900</b>	<b>\$310,997,832</b>	Capital surplus	4,233,985	233,502
			Retained earnings	8,359,984	3,396,261
			Unrealized loss on long-term equity investments	(111,204)	-
			Cumulative translation adjustments	(13,152)	2,624
			Treasury stock	-	(498,017)
			<b>Total stockholders' equity</b>	<b>32,644,613</b>	<b>21,309,370</b>
			<b>Total</b>	<b>\$ 433,320,900</b>	<b>\$ 310,997,832</b>

**E.Sun Bills Finance Corp.**  
**Condensed Balance Sheets**

December 31, 2004 and 2003 (In Thousands of New Taiwan Dollars)

Assets	2004	2003	Liabilities and Stockholders' Equity	2004	2003
Cash	\$5,485,154	\$3,869,343	<b>Liabilities</b>		
Call loans to banks	180,000	200,000	Commercial paper issued	\$ -	\$ 798,837
Operating securities, net	49,548,257	9,940,333	Securities sold under agreements to repurchase	42,267,206	-
Other short-term investments	100,000	290,000	Bank loans	4,950,000	7,620,000
Receivables	706,075	561,532	Payables	138,418	129,132
Securities purchased under agreements to resell	645,000	-	<b>Total current liabilities</b>	<b>47,355,624</b>	<b>8,547,969</b>
Other current assets	5,251	6,886	Corporate bonds payable	5,000,000	3,000,000
<b>Total current assets</b>	<b>56,669,737</b>	<b>14,868,094</b>	Reserve for losses on guarantees	323,124	431,123
Long-term bond investments	1,257,510	2,685,499	Reserve for losses on sale of bonds	99,793	96,476
Other financial assets - noncurrent	300,000	-	<b>Total liabilities</b>	<b>52,778,541</b>	<b>12,075,568</b>
Net properties	97,644	96,758	<b>Stockholders' equity</b>		
Other assets	425,182	424,071	Capital stock	4,265,000	4,265,000
<b>Total</b>	<b>\$58,750,073</b>	<b>\$18,074,422</b>	Capital surplus	87,500	87,500
			Retained earnings	1,619,032	1,646,354
			<b>Total stockholders' equity</b>	<b>5,971,532</b>	<b>5,998,854</b>
			<b>Total</b>	<b>\$58,750,073</b>	<b>\$18,074,422</b>

**E.Sun Securities Corp.**  
**Condensed Balance Sheets**

December 31, 2004 and 2003 (In Thousands of New Taiwan Dollars)

Assets	2004	2003	Liabilities and Stockholders'	2004	2003
			Equity		
Current assets	\$4,963,325	\$6,243,191	Liabilities		
Long-term investments	72,675	163,022	Current liability	\$2,688,938	\$4,028,061
Net properties	368,758	368,642	Other	27,105	36,184
Intangible assets	3,637	9,148	Securities brokerage accounts,	-	10,601
Other assets	480,617	486,012	net		
Securities brokerage accounts,	12,365	-	Total liabilities	2,716,043	4,074,846
net			Stockholders' equity		
			Capital stock	3,060,000	3,060,000
			Retained earnings	125,334	135,169
			Total stockholders' equity	3,185,334	3,195,169
Total	<u>\$5,901,377</u>	<u>\$7,270,015</u>	Total	<u>\$5,901,377</u>	<u>\$7,270,015</u>

**E.Sun Insurance Broker Co., Ltd.**  
**Condensed Balance Sheet**

December 31, 2004 and 2003 (In Thousands of New Taiwan Dollars)

Assets	2004	2003	Liabilities and Stockholders'	2004	2003
			Equity		
Current assets	\$160,987	\$81,881	Liabilities		
Long-term investments	4,568	8,537	Current liability	\$22,324	\$21,689
Intangible assets	127	-	Other	136	-
Other assets	-	4	Total liabilities	22,460	21,689
			Stockholders' equity		
			Capital stock	62,000	10,000
			Retained earnings	81,222	58,733
			Total stockholders' equity	143,222	68,733
Total	<u>\$165,682</u>	<u>\$90,422</u>	Total	<u>\$165,682</u>	<u>\$90,422</u>

b. Condensed income statements

**E.Sun Commercial Bank, Ltd.**  
**Condensed Income Statements**

Years Ended December 31, 2004 and 2003 (In Thousands of New Taiwan Dollars)

Item	2004	2003
Operating revenues and gains	\$21,201,638	\$13,898,432
Operating cost	5,557,143	5,334,985
Gross profit	15,644,495	8,563,447
Operating expenses	6,101,229	4,354,843
Operating income	9,543,266	4,208,604
Nonoperating income and gains	47,254	29,134
Nonoperating expense and loss	1,218,764	47,059
Income before income tax	\$8,371,756	\$4,190,679
Net income	<u>\$7,283,936</u>	<u>\$3,396,261</u>
Earnings per share - before income tax	<u>\$4.59</u>	<u>\$2.31</u>
Earnings per share - after income tax	<u>\$3.99</u>	<u>\$1.87</u>

E.Sun Bills Finance Corp.  
Condensed Income Statements

Years Ended December 31, 2004 and 2003(In Thousands of New Taiwan Dollars)

Item	2004	2003
Operating income	\$1,409,368	\$1,149,528
Operating expenses	645,921	277,827
Income before income tax	\$763,447	\$871,701
Net income	\$611,393	\$966,177
Earnings per share - before income tax	\$1.79	\$2.04
Earnings per share - after income tax	\$1.43	\$2.27

VE.Sun Securities Corp.  
Condensed Income Statements

Years Ended December 31, 2004 and 2003(In Thousands of New Taiwan Dollars)

Item	2004	2003
Operating income	\$688,407	\$494,309
Operating expenses	638,983	399,412
Income before income tax	\$49,424	\$94,897
Net income	\$55,971	\$98,246
Earnings per share - before income tax	\$0.16	\$0.31
Earnings per share - after income tax	\$0.18	\$0.32

E.Sun Insurance Broker Co., Ltd.  
Condensed Income Statement

Years Ended December 31, 2004 and 2003(In Thousands of New Taiwan Dollars)

Item	2004	2003
Operating income	\$122,256	\$80,191
Operating expenses	22,781	1,877
Nonoperating revenue and expense	142	(10)
Income before income tax	\$99,617	\$78,304
Net income	\$74,619	\$58,733

## 21.ALLOCATION OF REVENUE, COST AND EXPENSE RESULTING FROM INTERCOMPANY SHARING OF RESOURCES

Under cooperation arrangements, E.Sun Bank and E.Sun Securities shared some equipment and operating sites; thus, related expenses were apportioned as follows:

2004	E.Sun Bank	E.Sun Securities	Total	Apportionment Method
Rental expense	\$4,738	\$3,879	\$8,617	E.Sun Bank: 2/3; E.Sun Securities: 1/3. Nevertheless E.Sun Bank Chiayi Branch: 1/3; E.Sun Securities: 2/3.
Broadcasting and security systems	36	36	72	50% each
Networking, monitoring and telephone systems	-	282	282	Based on actual number of equipment used.
Others	1,354	2,634	3,988	Signboard, telephone and miscellaneous expenses - based on actual occurrence. Insurance and cleaning expenses - 50% each. Utilities - based on the actual number of employees. Building maintenance expenses - based on space actually occupied.
	<u>\$6,128</u>	<u>\$6,831</u>	<u>\$12,959</u>	
2003				
Rental expense	\$4,400	\$2,200	\$6,600	E.Sun Bank: 2/3; E.Sun Securities: 1/3.
Fixture	4,346	3,369	7,715	Based on area actually occupied.
Broadcasting and security systems	4,494	4,494	8,988	50% each.
Networking, monitoring and telephone systems	-	1,142	1,142	Based on actual number of equipment used.
Others	1,359	2,615	3,974	Signboard, telephone and miscellaneous expenses - based on actual occurrence. Insurance and cleaning expenses - 50% each. Utilities - based on the actual number of employees. Building maintenance expenses - based on space actually occupied.
	<u>\$14,599</u>	<u>\$13,820</u>	<u>\$28,419</u>	

Under cooperation arrangements, E.Sun Bank and E.Sun Bills shared some equipment and operating site since 2004; thus, related expense were apportioned as follows:

2004	E.Sun Bank	E.Sun Securities	Total	Apportionment Method
Rental expense	\$1,432	\$836	\$2,268	Based on space actually occupied
	3,153	1,881	5,034	Based on space actually occupied
	749	666	1,415	Broadcast and network - based on actual number of equipment used. Security system - E.Sun Bank, E.Sun Bills and E.Sun Capital Co., Ltd. 1/3 each.
Broadcasting and security systems				
Networking, monitoring and telephone systems				
Others	298	251	549	Signboard, telephone and miscellaneous expenses - based on actual occurrence. Insurance and cleaning expenses - 50% each. Utilities - based on the actual number of employees. Building maintenance expenses - based on space actually occupied.
	<u>\$5,632</u>	<u>\$3,634</u>	<u>\$9,266</u>	

Under cooperation arrangements, E.Sun Bank and E.Sun Insurance Broker Co., Ltd. ("ESIB") shared some equipment and operating site, personnel, internet service system and provide cross-selling financial services in 2004. The revenue earned by E.Sun Bank is based on 10% of the gross revenue derived from the insurance companies' products sold by E.Sun Bank. ESIB should pay E.Sun Bank \$12,996 thousand for 2004 and the unpaid amount was \$2,738 thousand.

E.Sun Bank received \$16,110 thousand and \$2,083 thousand of cross-selling revenues from E.Sun Securities and ESSIT in 2004, respectively.

## 22. CONTINGENCIES AND COMMITMENTS OF SUBSIDIARIES

### a.E.Sun Bank

1) Sale for \$5,571,843 thousand before January 27, 2005 of short-term negotiable instruments acquired for \$5,569,238 thousand under agreements to resell; and purchase for \$10,682,837 thousand before June 8, 2005 of short-term negotiable instruments sold for \$10,676,519 thousand under agreements to repurchase.

2) Renewable operating lease agreements on premises occupied by E.Sun Bank's branches, which will expire on various dates by 2010. Rentals are calculated on the basis of the leased areas and are payable monthly, quarterly or semiannually. Refundable deposits on these leases totaled \$732,955 thousand as of December 31, 2004. Minimum annual rentals for the next five years are as follows:

Year	Amount
2005	\$293,169
2006	245,277
2007	197,474
2008	144,838
2009	89,281

Total rentals for 2010 will aggregate \$3,907 thousand. The present value of these rentals is \$3,563 thousand, based on 1.55% annual interest.

3) Contracts to decorate a building and make various purchases to improve the various branch premises. Total contract amount was approximately \$71,084 thousand and unpaid balance on these contracts was approximately \$49,585 thousand.

4) Derivatives transaction: Please refer Note 24.

### b.E.Sun Bills

Commitments and contingent liabilities as of December 31, 2004:

#### 1) Arising in the ordinary course of business

Securities sold under agreement to repurchase	\$42,310,356
Securities purchased under agreement to resell	645,414
Guarantees on commercial paper	17,567,400
Negotiable instruments underwritten	267,200
Buying fixed rate commercial paper	610,000

#### 2) Leases

E.Sun Bills leases certain properties under operating lease agreements expiring on various dates by 2009. The rentals are payable quarterly. Refundable deposits on these leases aggregated \$3,477 thousand as of December 31, 2004. Future minimum annual rentals are as follows:

Year	Amount
2005	\$ 9,943
2006	9,165
2007	9,165
2008	9,165
2009	3,813

### c.E.Sun Securities

1) Sale for \$737,895 thousand of bonds acquired for \$737,478 thousand under agreements to resell; purchase for \$1,788,228 thousand of bonds sold for \$1,787,616 thousand under agreement to repurchase.

2) E.Sun Securities leases certain properties under operating lease agreements expiring on various dates. Future minimum annual rentals are as follows:

Year	Amount
2005	\$ 20,173
2006	13,856
2007	8,293
2008	2,351
2009	450

3) E.Sun Securities entered into agreements to acquire fixed assets. As of December 31, 2004, the related contracts are summarized as follows:

	Contract Amount	Paid Amount	Unpaid Balance
Office equipment	\$6,021	\$4,941	\$1,080
Lease improvement	1,748	948	800

### d.E.Sun Securities Investment Trust Corp.

1) ESSIT leases certain properties under operating lease agreements expiring on various dates. The unpaid amount under agreements is approximately \$378 thousand.

2) ESSIT entered into internet service agreements with E.Sun Technology Co., Ltd. The unpaid amount under agreements is approximately \$600 thousand.

### e.E.Sun Insurance Broker Co., Ltd.

ESIB entered into insurance agent contracts with various insurance companies. The contracts are summarized as follows:

Insurance Company	Contract Date	Commission Received	Contract Period
Newa Insurance	2004.01.02	Billed and received according to contract terms	Effectively starts on contract date. The term is one year after the contract date. The contract may be preterminated if a party provides a written notice of termination 30 days before the contract expiry.
Prudential Insurance	2004.02.02	Billed and received according to contract terms	Same as the above.

## 23.SUBSIDIARIES' ASSET QUALITY, MANAGEMENT INFORMATION, PROFITABILITY, LIQUIDITY AND SENSITIVITY TO MARKET RISK

### a.Asset quality

#### 1)E.Sun Bank

Items	December 31, 2004	December 31, 2003
Non performing loans (overdue loans included)	2,438,734	2,381,188
Overdue loans	1,829,381	1,677,190
Non performing loans ratio	0.88	1.18
Surveillance loans	787,924	821,022
Surveillance loans/Total loan	0.28	0.41
Allowance for possible losses on loans and receivables	1,811,699	2,169,760

Note 1:Non performing loans represent the amounts of reported non performing loans, as required by the Ministry of Finance (MOF) rulings dated February 16, 1994 (Ref. No. Tai-Tsai-Zong-832292834) and December 1, 1997 (Ref. No. Tai-Tsai-Zong-86656564)

Note 2:Non performing loans ratio = Non performing loans (including overdue loans)/(Outstanding loan balances + Overdue loans)

Note 3:Surveillance loans

- a)Midterm and long-term loans repayable in installments, with repayments overdue for more than three months but less than six months.
- b)Other loans, with principal repayments overdue by less than three months and interest overdue by more than three months but less than six months.
- c)Non performing loans exempted from reporting (including rescheduled loans which repayment terms meeting the criteria under relevant regulations; non performing loans which are to be repaid through a credit insurance fund and settlement fund; non performing loans with the same amount of certificates of time deposits as collaterals; and loans extended under other approved exemption programs).
- d)Loans of companies experiencing financial difficulty enterprise loans do not qualify as overdue loans.

#### 2)E.Sun Bills

Items	December 31, 2004	December 31, 2003
Non performing loans	-	-
Overdue loans	-	-
Non performing loans/Total loan	-	-
Allowance for possible losses on loans and receivables	323,124	431,123

### b.Management information

#### 1)Concentration of credit risk

##### E.Sun Bank

Items	December 31, 2004		December 31, 2003	
Credit to interested party	5,171,371		3,981,127	
Credit to interested party/Total credit	1.84		1.92	
Credit with stock pledged/Total credit	0.40		1.02	
Loan concentration by industry	Type of Industry	%	Type of Industry	%
	a.Manufacturing	15	a.Manufacturing	16
	b.Finance, insurance and real estate	10	b.Finance, insurance and real estate	12
	c.Wholesale, retail and catering	6	c.Wholesale, retail and catering	6

Note:a)Total credits includes bills, discounts and loans (including import and export negotiations), acceptances and guarantees.

b)Ratios of credit extensions to interested parties: Credit to interested parties ÷ Total credit.

c)Ratios of credit extensions secured by pledged stocks: Credit with stocks pledged ÷ Total credit

d)The calculation of amounts of credit extensions to interested parties should be based on the Banking Law provisions.

## E.Sun Bills

Items	December 31, 2004		December 31, 2003	
Credit to interested party	179,000		375,000	
Credit to interested party/Total credit	1.02		2.04	
Credit with stock pledged/Total credit	18.80		9.60	
Loan concentration by industry	Type of Industry	%	Type of Industry	%
	Finance and insurance	38	Finance and insurance	38
	Manufacturing	38	Manufacturing	38
	Wholesale, retail and catering	8	Wholesale, retail and catering	8

Note:a)Ratios of credit extensions to interested parties: Credit to interested parties ÷ Total credit.

b)Ratios of credit extensions secured by pledged stocks: Credit with stocks pledged ÷ Total credit

c)Total credits include guarantees, endorsed check and non performing loans.

2)Accounting policies on allowances for losses on loans, overdue loans, and securities purchased:

### E.Sun Bank

a)Allowances for possible losses and reserve for losses on guarantees:

E.Sun Bank makes provisions for bad debts and losses on guarantees based on the evaluation of specific risks and general risks on the collectibility of loans, overdue loans, bills, discounts, receivables, guarantees and acceptances. Allowances for specific-risk debts are evaluated internally for their collaterals, collectibility and customers' overall credit.

Under guidelines from the Ministry of Finance, E.Sun Bank should make full provisions for credits deemed uncollectible. Provisions for credits with high uncollectibility should be at least 50% of the credits. In addition, credits deemed uncollectible may be written off subject to a resolution issued by the Board of Directors.

b)Allowances for possible losses on investments

i.Securities purchased

Securities purchased are carried at cost less allowance for decline in value. The allowance is reversed when the market value recovers, with the reversal recognized as income.

ii.Long-term equity investments

Investments in stocks with no quoted market price are accounted for at cost. The carrying amount of the investment is reduced to reflect an other than temporary decline in the value of the investments, with the related losses charged to current income. Investment in stock with quoted market price is stated at the lower of aggregate cost or market. The reduction of an investment cost to reflect a lower market value and its write-up due to the subsequent recovery in market value are charged and credited, respectively, to stockholders' equity. Cash dividends received from a year after investment acquisition are recorded as investment income. Foreign-currency investments are recorded in New Taiwan dollars at the rate of exchange in effect when the

transactions occur. At year-end, the balances of these investments are restated at year-end exchange rates. If the restated amounts are lower than cost, the differences are recognized as translation adjustments under stockholders' equity; otherwise, no adjustment is made.

### E.Sun Bills

a)Allowance for doubtful receivables and reserve for losses on guarantees

A reserve for losses on guarantees for commercial paper issued is provided for any defaults by commercial paper issuers. Under the regulations of the Ministry of Finance of the Republic of China (ROC), the balance of this reserve should be at least equal to 1% of the amount guaranteed, full provisions for credits deemed uncollectible and 50% of provision for credits with high uncollectibility.

b)Reserves for losses on sale of bonds

Under the regulations of the Securities and Futures Bureau of the ROC, reserves for losses on the sale of bonds are computed at 10% of the net gain on the sale of these bonds until the balance of the reserve reaches \$200,000 thousand. This reserve should be used only to offset actual losses on the sale of bonds.

c)Allowance for reduction of investments

i)Operating securities

Operating securities are stated at aggregate cost less allowance for losses from decline in market value. The allowance is reversed when the market value recovers, with the reversal recognized as income.

ii)Other short-term investments

Other short-term investments are stated at aggregate cost less allowance for losses from decline in market value. The allowance is reversed when the market value recovers, with reversal recognized as income.

3)Concentrations of risk

a)E.Sun Bank

Under normal business operations, E.Sun Bank is a party to

transactions involving financial services with off-balance-sheet risks, such as issuing credit cards, extending credit facilities and providing financial guarantee and obligations under letters of credit issued. Generally, the related transactions are for one year. The interest rates for loans ranged from 1.20% to 18.25% and from 1.00% to 18.25% in 2004 and 2003, respectively. The highest interest rate for credit cards was 19.71% in both 2004 and 2003.

There was no concentration of maturity dates in one particular period that would potentially result in liquidity problems to E.Sun Bank.

The amounts of financial contracts with off-balance-sheet credit risks as of December 31, 2004 and 2003 were as follows:

	2004	2003
Credit card commitments	\$228,563,223	\$190,074,198
Guarantees and issuance of letter of credit	8,359,827	10,328,590

Since many of the commitments are expected to expire without being drawn upon, the total committed amounts do not necessarily represent future cash requirements. The total potential loss (without considering the value of any collateral) in case of default by counter-parties is equal to the above contractual amounts, if completely drawn upon.

E.Sun Bank evaluates the creditworthiness of credit applications case by case, taking into account the applicant's credit history, credit rating and financial condition. Collateral, mostly in the form of real estate, cash, inventories and marketable securities, may be required depending on the evaluation result. As of December 31, 2004 and 2003, about 63% and 58% of total loans granted, respectively, and both about 25% of the aggregate guarantees and letters of credit issued, were secured. No collateral is required for credit card facilities but the credit status of each credit card holder is closely monitored. Depending on the results of credit status monitoring, appropriate measures are adopted, including amending the credit limit and, if necessary, canceling the facility.

The concentration of credit risk exists when counter-parties to financial transactions are individuals or groups engaged in similar activities or activities in the same region, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. E.Sun Bank has no credit risk concentration arising from any counter-party or groups of counter-parties engaged in similar business activities. The concentrations of credit risks were as follows (10% or more of the outstanding loans):

	2004		2003	
	Amount	%	Amount	%
Natural person	\$170,581,201	61	\$109,502,010	53
Manufacturing	41,453,228	15	32,869,364	16

#### b)E.Sun Bills

E.Sun Bills guarantees commercial paper issued by other entities. The guarantee period is normally one year. As of December 31, 2004 and 2003, the rate for guarantee service fees were 0.05%-1.00% and 0.1%-2.0%, respectively. As of December 31, 2004 and 2003, the total amounts guaranteed were \$17,567,400 thousand and \$18,366,200 thousand, respectively.

Most of the guarantee contracts are expected to expire without entailing any payment by E.Sun Bills. Thus, the total amount guaranteed does not necessarily represent future cash payments. In addition, the potential total loss on each guarantee is equal to the amount guaranteed, without considering the value of any collateral. E.Sun Bills approves the guarantee arrangements for commercial paper (including the maximum amount to be guaranteed) after reviewing a customer's history and credit rating. An appropriate collateral is required, if needed, and the transaction is made within the approved maximum amount. As of December 31, 2004 and 2003, about 31.77% and 29.74%, respectively, of total amounts guaranteed were covered by securities or other properties. If a customer defaults, E.Sun Bills is entitled to sell the related collateral.

Credit risk concentrations exist when the counter-parties to financial-instrument transactions are individuals or groups engaged in similar activities or activities in the same region, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. For E.Sun Bills, concentration of credit risk do not involve individuals but industry groups, as follows:

	2004	2003
Guarantee on commercial paper - by industries:		
Finance and insurance	\$6,667,000	\$6,984,000
Manufacturing	6,606,000	6,758,000
Wholesale, retail and catering	1,439,000	1,779,000

E.Sun Bills' maximum exposure to losses associated with credit guarantees, regardless of collateral involved, equals the total contract amount.



## 4)Matter requiring special notation

## E.Sun Bank

December 31, 2004

(In Thousands of New Taiwan Dollars)

Causes	Summary and Amount
Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor.	None
Within the past year, a fine was levied on E.Sun Bank for violations of the Banking Law	None
Within the past year, misconduct occurred, resulting in the Ministry of Finance's imposing strict corrective measures on E.Sun Bank.	None
Within the past year, the individual loss or total loss from employee fraud, accidental and material events, or failure to abide by the "Guidelines for Maintenance of Soundness of Financial Institutions" exceeded \$50 million dollars.	None
Other	None

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

Note 2:The term "a fine levied for violations of the Banking Law within the past year" means a fine levied by the Bureau of Monetary Affairs, Securities and Futures Bureau, Insurance Bureau or Examination Bureau.

## E.Sun Bills

December 31, 2004

(In Thousands of New Taiwan Dollars)

Causes	Summary and Amount
Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor.	None
Within the past year, a fine was levied on E.Sun Bills for violations of related regulations	None
Within the past year, misconduct occurred, resulting in the Ministry of Finance's imposing strict corrective measures on E.Sun Bills.	None
Within the past year, the individual loss or the total losses from employee corruption, accidental and material events, or failure to abide by the "Guidelines for the Maintenance of Soundness of Financial Institutions" exceeded \$50 million dollars.	None
Other	None

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

## 5)Business information of E.Sun Bills

Items	Decemder 31, 2004	Decemder 31, 2003
Guarantees and endorsements.	\$ 17,567,400	\$ 18,366,200
Guarantees and endorsements/stockholders' equity.	3.28 times	3.65 times
Securities sold under agreements to repurchase.	42,267,206	44,551,324
Securities sold under agreements to repurchase/stockholders' equity	7.89 times	8.85 times

c. Profitability

E.Sun Bank

Unit: %

Items	For the Year Ended December 31, 2004	For the Year Ended December 31, 2003
Return on assets	2.25	1.44
Return on equity	31.03	21.37
Net income ratio	34.36	20.44

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

2) Return on equity = Income before income tax/Average equity

3) Net income ratio = Net income/Total operating revenue

4) Income before income tax or net income represents income for the years ended December 31, 2004 and 2003.

5) The profitability is expressed on annual basis.

d. Liquidity as of December 31, 2004

1) Liquidity analysis of assets and liabilities for E.Sun Bank

	Total	Period Remaining until Due Date				
		0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Assets	\$387,170,000	\$65,843,000	\$19,126,000	\$14,359,000	\$28,207,000	\$259,635,000
Liabilities	360,827,000	41,143,000	45,411,000	164,330,000	66,894,000	43,049,000
Gap	26,343,000	24,700,000	(26,285,000)	(149,971,000)	(38,687,000)	216,586,000
Accumulated gap	26,343,000	24,700,000	(1,585,000)	(151,556,000)	(190,243,000)	26,343,000

Note: Listed amounts of the head office and domestic branches are in New Taiwan dollars (i.e., excluding foreign-currency amounts).

2) Liquidity analysis of E.Sun Bills

(In Millions of New Taiwan Dollars)

Items		Period	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Usage of funds	Bills		\$ 8,636	\$ 12,193	\$ 4,369	\$ 2,390	\$ -
	Bonds		-	46	-	1	23,538
	Deposits		1,338	1,223	455	2,476	383
	Call loans		180	-	-	-	-
	R.S		520	125	-	-	-
	Total		10,674	13,587	4,824	4,867	23,921
Source of funds	Borrowings		4,950	-	-	-	5,000
	R.P		37,191	4,436	488	152	-
	Capital		-	-	-	-	-
	Total		42,141	4,436	488	152	5,000
Net flows			( 31,467)	9,151	4,336	4,715	18,921
Accumulated net flows			( 31,467)	( 22,316)	( 17,980)	(13,265)	5,656

Note: R.S - securities purchased under agreement to resell

R.P - securities sold under agreement to repurchase

## e. Market risk sensitivity

## 1) E.Sun Bank

Unit: %

Items	December 31, 2004	December 31, 2003
Ratio of interest rate-sensitive assets to liabilities	82.35	84.48
Ratio of interest rate-sensitivity gap to stockholders' equity	(165.33)	(149.38)

## 2) E.Sun Bills

Unit: %

Items	December 31, 2004	December 31, 2003
Ratio of interest rate-sensitive assets to liabilities	71.91	73.30
Ratio of interest rate-sensitivity gap to stockholders' equity	(222.15)	(232.23)

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

Note 2: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities

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

## f. Average amount and average interest rate of interest-earning assets and interest-bearing liabilities

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

## 1) E.Sun Bank

	2004		2003	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<b>Interest-earning assets</b>				
Cash and cash equivalents - due from banks	\$3,293,861	1.11	\$2,727,363	0.69
Due from the Central Bank of China and banks	15,272,565	1.55	17,619,784	1.52
Securities purchased	51,367,824	1.39	49,426,109	2.44
Securities purchased under agreements to resell	2,510,687	0.81	-	-
Receivables of credit cards	25,418,504	14.31	19,356,279	14.87
Bills, discount and loans	240,121,560	3.40	180,280,515	3.96
Long-term bond investments	6,384,168	2.08	1,646,479	3.11
Other long-term investments	1,823,816	1.69	-	-
<b>Interest-bearing liabilities</b>				
Securities sold under agreements to repurchase	11,414,941	0.80	-	-
Due to banks	26,677,506	1.31	28,357,388	1.16
Demand	31,711,638	0.18	23,076,362	0.26
Savings - demand	70,520,794	0.54	52,851,142	0.69
Time	81,163,817	1.26	68,817,865	1.53
Savings - time	82,407,110	1.45	78,478,447	1.87
Negotiable certificates of deposit	13,267,152	1.03	3,077,525	1.13
Bonds	23,660,073	1.86	11,045,479	3.21



necessary, required guarantees) are approved by E.Sun Bank on the basis of the results of the reviews. The transactions are carried out within the approved terms and limits. The acceptability of doing business with another bank is evaluated on the basis of its world ranking and credit rating. The evaluation also covers determining the limits on contractual amounts with

respect to the bank counter-parties, and the transactions are made within this limit.

The contract (notional) amounts, credit risks, and fair values of derivative transactions as of December 31, 2004 and 2003 were as follows:

	2004			2003		
	Contract (Notional)			Contract (Notional)		
	Amount	Credit Risk	Fair Value	Amount	Credit Risk	Fair Value
<b>Trading purposes</b>						
Forward exchange contracts	\$9,750,002	\$90,833	(\$34,974)	\$1,583,647	\$6,647	\$261
Foreign-currency swap contracts	6,037,084	8,115	5,182	14,319,423	8,776	150
Interest rate swap contracts	3,424,200	15,182	3,010	10,000,000	169,735	(9,704)
Cross-currency swap contracts	5,321,177	270,825	222,495	-	-	-
Foreign-currency option contracts						
Buy	25,631,023	534,367	534,367	1,533,956	58,228	58,745
Sell	24,361,892	-	(563,393)	1,533,956	-	(58,745)
<b>Nontrading purposes</b>						
Asset swap contracts	8,894,881	463,428	260,784	7,653,800	20,547	(113,269)
Cross-currency swap contracts	6,159,825	246,415	210,230	5,500,044	52,705	31,109
Interest rate swap contracts	19,300,000	389,273	(140,533)	5,000,000	151,337	151,337
Credit default swap contracts	317,680	266	144	-	-	-

E.Sun Bank calculates the fair value of each forward contract at the forward rate for the remaining term, quoted from Reuters or the Telerate Information System.

The contract (notional) amount is used to calculate the amounts for settlement with the counter-parties, so it is neither the actual amount delivered nor the cash requirement for E.Sun Bank.

Also, E.Sun Bank has ability to enter into derivative financial contracts at reasonable market terms. Thus, E.Sun Bank does not expect significant cash flow requirements to settle these contracts.

The gains and losses on the derivative transactions for the years ended December 31, 2004 and 2003, were as follows:

	2004	2003
Forward exchange contracts (under "foreign exchange gain, net")	\$402,842	\$116,973
Foreign-currency swap contracts		
Interest revenue	\$72,906	\$46,476
Interest expense	(9,246)	(13,195)
	\$63,660	\$33,281
Asset swap contracts (under "interest revenue")	\$24,703	\$3,609
Cross-currency swap contracts		
Gains on derivative transactions	\$-	\$92,905
Interest revenue	172,305	92,747
Interest expense	(160,126)	(76,571)
	\$12,179	\$109,081
Interest rate swap contracts		
Gains on derivative transactions	\$244,091	\$217,396
Loss on derivative transactions	(725)	-
Interest expenses reduction	207,962	102,688
	\$451,328	\$320,084
Foreign-currency margin contracts (under "foreign exchange gain, net")	\$119,523	\$103,792
Foreign-currency option contracts		
Gains on derivative transactions	\$1,031,511	\$41,209
Loss on derivative transactions	(921,417)	(36,906)
	\$110,094	\$4,303

### E.Sun Bills

E.Sun Bills used interest rate swap to hedge interest rates exposure primarily to its issuance of corporate bonds.

Credit risk is the exposure to loss on any counter-party's default on contracts. To manage this risk, E.Sun Bills enters into derivative transactions only with known international financial

institutions among the top 500 listed in "The Banker" magazine or rated as "A" in the S&P (Standard & Poor) classification or "A3" in Moody's. Thus, E.Sun Bills' credit risk is minimal.

The contract (notional) amounts, credit risks, and fair value of derivative transactions as of December 31, 2004 and 2003 were as follows:

	2004			2003		
	Contract (Notional)		Fair Value	Contract (Notional)		Fair Value
	Amount	Credit Risk		Amount	Credit Risk	
Nontrading Purposes						
Interest rate swap contracts	\$5,000,000	\$24,016	\$24,016	\$3,000,000	\$28,982	\$28,982

E.Sun Bills calculates the fair value of each contract at the interest rate shown on TWD-T6165 from the Telerate Information System.

The contract (notional) amount is used to calculate the amount of settlement with a counter-party, so it is neither the amount to be actually delivered to nor it is the cash required from E.Sun Bills.

Also, for corporate bonds issued, E.Sun Bills will hold the contracts to maturity to hedge the related interest rate fluctuations. Thus, E.Sun Bills does not expect significant cash flow requirements to settle these instruments.

The gains and losses on the derivative transactions for the years ended December 31, 2004 and 2003 were as follows:

	2004	2003
Interest rate swap contracts		
Interest income	\$169,455	\$2,877
Interest expense	(37,853)	(275)
	<u>\$131,602</u>	<u>\$2,602</u>

### E.Sun Securities

The E.Sun Securities' purpose of issuing derivative financial instruments is to generate reasonable profit by controlling the risk within a tolerable limit. As premium from the stock warrants issued by E.Sun Securities were all received, there is no credit risk.

E.Sun Securities is in a short position for the stock warrants issued, which is in reverse to the investors' position. As the investors may exercise their option rights before expiration of the contracts because of the fluctuations in the underlying securities' fair values, E.Sun Securities' position is expected to be exposed to market risk. To reduce the uncertainty, E.Sun Securities mainly adopts delta and vega risk hedging strategies which are summarized below.

#### a) Delta risk hedging strategy

The hedge instruments are mainly the underlying securities. The dynamic hedging method is adopted by referring to the delta risk

value calculated using E.Sun Securities' risk model.

#### b) Vega risk hedging strategy

The hedge instruments are mainly the warrants listed in the domestic market with the same underlying securities. The strategy adopted in vega hedge is primarily through buying the significantly under priced stock warrants with the same underlying securities, of which the price volatility will partly offset the price volatility of the stock warrants issued by E.Sun Securities.

Future cash flows refer to the cash inflows or outflows resulting from the settlements of stock warrants by cash or securities when the warrants are exercised. The amount and timing of future cash flows depend on the amount and timing of the stock warrants exercised.

The stock warrant (E.Sun 01) issued by E.Sun Securities, which underlying securities is First Financial Holding Co., Ltd., was summarized as follows:

	December 31, 2004				Gain on Change in Market Value of Stock Warrants Liabilities in 2004
	Price at Issuance (in New Taiwan Dollars)	Market Price (in New Taiwan Dollars)	Unit Issued	Issued Amount	
Stock Warrants					
E.Sun 01	3.50	2.55	25,000,000	\$87,500	\$23,750
Less gains on change in market value of stock warrants liabilities				(23,750)	
Market value				<u>\$63,750</u>	

The information of stock warrant was summarized as follows:

Stock Warrants	Type	Expired Day	Exercise Day	Settlements
E.Sun 01	American	Six months after listed	From listed date to expired day	Cash or securities chosen by E.Sun Securities

Details of repurchase of stock warrants issued were as follows:

	2004	
	Units Repurchase	Amount
E.Sun 01	22,343,000	\$67,875
Less gains on change in market value of stock warrants repurchased		(10,900)
Market value		<u>\$56,975</u>

Gains of stock warrants issued in 2004 was as follows:

	2004
Gains on change in market value of stock warrants liabilities	\$ 23,750
Loss on disposal of stock warrants repurchased	( 12,440)
Loss on change in market value of stock warrants repurchase	( 10,900)
Gains on stock warrants issued	<u>\$ 410</u>

b.Investment in Mainland China: None.

## 25.SEGMENT INFORMATION

The Company engages only in investing and managing businesses related to financial institutions and has no overseas segment. The Company also has no customer from whom income of more than 10% of the total income of the Company is generated. Thus, the Company need not disclose industry, geographic and major customer information.

(一) Independent Auditors' Report

**Deloitte.**  
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**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Stockholders  
E.Sun Financial Holding Co., Ltd.

We have audited the accompanying consolidated balance sheets of E.Sun Financial Holding Co., Ltd. and its subsidiaries (the "Company") as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The financial statements of E.Sun Financial Holding Co., Ltd.'s subsidiaries, E.Sun Securities Corp. ("E.Sun Securities") and E.Sun Securities Investment Trust Corp. ("ESSIT") in 2004 and 2003, and E.Sun Commercial Bank, Ltd. ("E.Sun Bank") foreign branches in 2004 had been audited by other auditors, whose reports were furnished to us, and our opinion expressed herein, insofar as it relates to the accounts of E.Sun Securities and E.Sun Bank's foreign branches, which are included in these consolidated financial statements, and the long-term equity investments in ESSIT, is based solely on the reports of such other auditors. The total assets of E.Sun Securities was 1% (NT\$5,901,377 thousand) and 2% (NT\$7,270,015 thousand) as of December 31, 2004 and 2003, respectively, of the Company's consolidated total assets. The balances of E.Sun Securities' net operating revenue were both 3% (NT\$562,326 thousand and NT\$436,866 thousand, respectively) for the years ended December 31, 2004 and 2003, of the Company's consolidated net operating revenue. The total assets of E.Sun Bank's foreign branches was 4% (NT\$21,610,277 thousand) of the Company's consolidated total assets as of December 31, 2004. The net operating revenues of these branches was 3% (NT\$503,707 thousand) of the Company's consolidated net operating revenues in 2004. The balances of the long-term equity investments in ESSIT were NT\$417,562 thousand and NT\$397,730 thousand as of December 31, 2004 and 2003, respectively. The Company's equity in ESSIT's net income was NT\$101,432 thousand and NT\$31,519 thousand in 2004 and 2003, respectively.

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

Audit, Tax, Consulting, Financial Advisory.  
審計、稅務、企業管理諮詢、財務諮詢

Member of  
Deloitte Touche Tohmatsu



In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of E.Sun Financial Holding Co., Ltd. and its subsidiaries as of December 31, 2004 and 2003 and the consolidated results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Financial Holding Companies, Guidelines Governing the Preparation of Financial Reports by Public Banks (effective January 1, 2004), Guidelines Governing the Preparation of Financial Reports by Public Bills Finance Corporations (effective January 1, 2004), Guidelines Governing the Preparation of Financial Reports by Securities Issuers (applicable to financial statements for 2003 and earlier), Guidelines Governing the Preparation of Financial Reports by Securities Firms and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the consolidated financial statements, sales and purchases of bonds and short-term bills under agreements to repurchase or to resell were treated as outright sales or purchases until 2003 for E.Sun Bank and E.Sun Bills Finance Corp. However, pursuant to Guidelines Governing the Preparation of Financial Reports by Public Banks and Guidelines Governing the Preparation of Financial Reports by Public Bills Finance Corporations effective January 1, 2004, the repurchase/resell transactions are treated as financing.

*Deloitte & Touche*

January 28, 2005

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated 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.*

## (二) CONSOLIDATED BALANCE SHEETS

### E.SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES DECEMBER 31, 2004 AND 2003

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

ASSETS	2004		2003		LIABILITIES AND STOCKHOLDERS' EQUITY	2004		2003	
	Amount	%	Amount	%		Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 2 and 5)	\$ 12,677,385	3	\$ 11,560,026	3	LIABILITIES				
DUE FROM THE CENTRAL BANK OF CHINA AND BANKS (Note 6)	27,851,867	6	16,028,370	5	Short-term debts (Note 15)	\$ 100,000	-	\$ 100,000	-
SECURITIES PURCHASED, NET (Notes 2, 3, 7, 31 and 32)	106,673,130	21	57,302,118	17	Commercial paper issued (Note 16)	419,551	-	1,467,956	1
RECEIVABLES, NET (Notes 2, 8, 31 and 32)	33,261,751	7	27,082,312	8	Securities sold under agreements to repurchase (Notes 2, 3, 17 and 31)	54,213,579	11	3,114,802	1
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 2, 3 and 9)	6,433,954	1	787,347	-	Current portion of long-term liabilities (Notes 2 and 18)	838,000	-	6,371,764	2
PREPAID EXPENSES	314,814	-	72,501	-	Stock warrants issued liabilities, net (Notes 2 and 19)	6,775	-	-	-
BILLS, DISCOUNTS AND LOANS, NET (Notes 2, 10 and 31)	275,359,584	55	199,070,296	60	Due to banks (Note 20)	26,518,711	5	29,284,199	9
LONG-TERM INVESTMENTS, NET (Notes 2, 11 and 32)					Payables (Note 21)	6,886,405	2	5,578,463	2
Long-term equity investments - equity method	1,638,365	-	1,592,592	-	Advances	590,396	-	175,122	-
Long-term equity investments - cost method	701,001	-	679,935	-	Deposits and remittances (Notes 22 and 31)	329,695,478	66	241,716,006	72
Bonds	8,466,314	2	8,300,232	3	Bonds (Notes 23 and 31)	29,600,000	6	14,840,000	4
Others	3,932,339	1	-	-	Corporate bonds payable (Notes 2 and 24)	5,000,000	1	3,000,000	1
Total long-term investments, net	14,738,019	3	10,572,759	3	Long-term debts (Note 25)	400,000	-	888,000	-
PROPERTIES (Notes 2 and 12)					Others (Note 2)	1,254,646	-	1,120,050	-
Cost	5,126,329	1	3,015,143	1	Total liabilities	455,523,541	91	307,656,362	92
Land	3,185,775	1	1,686,726	1	STOCKHOLDERS' EQUITY				
Buildings	2,007,419	-	1,595,570	-	Capital stock - NT\$10 par value, authorized 5,000,000 thousand shares, issued 2,930,610 thousand shares in 2004 and 2,506,367 thousand shares in 2003	29,306,096	6	25,063,669	7
Computers	232,014	-	190,671	-	Capital surplus				
Transportation equipment	906,117	-	762,595	-	Paid-in capital in excess of par value	4,383,057	1	1,769,432	1
Miscellaneous equipment	11,457,654	2	7,250,705	2	From treasury stock	3,224,587	1	-	-
Total cost	11,457,654	2	7,250,705	2	Total capital surplus	7,607,644	2	1,769,432	1
Accumulated depreciation	( 2,028,856)	-	( 1,708,860)	-	Retained earnings				
Prepayments	9,428,798	2	5,541,845	2	Legal reserve	452,903	-	-	-
Net properties	9,458,241	2	9,860,616	3	Special reserve	53,767	-	-	-
GOODWILL (Notes 2, 13 and 45)	4,661,587	1	-	-	Unappropriated earnings	5,041,836	1	4,529,029	1
OTHER ASSETS, NET (Notes 2, 14 and 27)					Total retained earnings	5,548,506	1	4,529,029	1
Rentable assets	3,103,224	1	-	-	Unrealized loss on long-term equity investments	( 89,856)	-	( 56,391)	-
Deferred income tax assets, net	297,381	-	430,973	-	Cumulative translation adjustments	( 13,152)	-	2,624	-
Refundable deposits	999,844	-	919,373	1	Treasury stock - 374,629 thousand shares in 2003	-	-	( 4,503,276)	( 1)
Operating deposits	267,612	-	307,197	-	Total stockholders' equity	42,359,238	9	26,805,087	8
Settlement funds	73,544	-	73,170	-	CONTINGENCIES AND COMMITMENTS (Notes 2 and 33)				
Others	1,710,842	-	394,391	-					
Total other assets, net	6,452,447	1	2,125,104	1					
TOTAL	\$ 497,882,779	100	\$334,461,449	100	TOTAL	\$ 497,882,779	100	\$334,461,449	100

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

(With Deloitte & Touche audit report dated January 28, 2005)

### (三) CONSOLIDATED STATEMENTS OF INCOME

E.SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES  
DECEMBER 31, 2004 AND 2003

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

	2004		2003	
	Amount	%	Amount	%
<b>OPERATING REVENUES AND GAINS (Note 2)</b>				
Interest (Note 31)	\$15,308,812	76	\$11,401,039	73
Service fees (Note 31)	2,454,184	12	1,835,670	12
Gains on sale of securities, net	371,780	2	1,505,527	10
Income from long-term equity investments under the equity method, net (Note 11)	137,821	1	78,942	-
Foreign exchange gain, net	105,034	1	312,140	2
Reversal of allowance for bad debts	34,655	-	-	-
Gains on stock warrants issued	23,750	-	-	-
Gains on derivative transactions (Notes 2 and 38)	1,275,602	6	351,510	2
Others	388,810	2	141,376	1
Total operating revenues and gains	<u>20,100,448</u>	<u>100</u>	<u>15,626,204</u>	<u>100</u>
<b>OPERATING COSTS</b>				
Interest (Notes 2 and 31)	4,448,659	22	3,959,636	25
Service charges	658,516	3	611,084	4
Provisions (Note 2)	-	-	853,908	6
Loss on stock warrants issued	23,340	-	-	-
Loss on derivative transactions (Notes 2 and 38)	922,142	5	36,906	-
Operating expenses (Note 31 and 34)	6,839,876	34	4,849,495	31
Others	7,203	-	5,603	-
Total operating costs	<u>12,899,736</u>	<u>64</u>	<u>10,316,632</u>	<u>66</u>
<b>OPERATING INCOME</b>	<b>7,200,712</b>	<b>36</b>	<b>5,309,572</b>	<b>34</b>
<b>NONOPERATING INCOME AND GAINS</b>	<b>34,501</b>	<b>-</b>	<b>31,958</b>	<b>-</b>
<b>NONOPERATING EXPENSES AND LOSS (Notes 2 and 13)</b>	<b>1,253,724</b>	<b>6</b>	<b>96,555</b>	<b>-</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>5,981,489</b>	<b>30</b>	<b>5,244,975</b>	<b>34</b>
<b>INCOME TAX EXPENSE (Notes 2 and 27)</b>	<b>1,145,052</b>	<b>6</b>	<b>715,946</b>	<b>5</b>
<b>CONSOLIDATED NET INCOME</b>	<b><u>\$ 4,836,437</u></b>	<b><u>24</u></b>	<b><u>\$ 4,529,029</u></b>	<b><u>29</u></b>
<b>EARNINGS PER SHARE (Note 29)</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>
Basic earnings per share	<u>\$ 2.40</u>	<u>\$ 1.94</u>	<u>\$ 2.47</u>	<u>\$ 2.13</u>
Diluted earnings per share	<u>\$ 2.20</u>	<u>\$ 1.78</u>	<u>\$ 2.25</u>	<u>\$ 1.94</u>

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

(With Deloitte & Touche audit report dated January 28, 2005)

## (四) CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

### E.SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES DECEMBER 31, 2004 AND 2003

(In Thousands of New Taiwan Dollars)

	Capital Stock(Note26)		Capital Surplus (Notes 2 and 26)		Retained Earnings (Deficit) (Note 26)				Unrealized Loss on Long-term Equity Investments (Note 2)	Cumulative Translation Adjustments (Note 2)	Treasury Stock (Notes 2 and 28)	Total Stockholders' Equity	
	Shares (Thousands)	Amount	Paid-in Capital in Excess of Par Value	From Treasury Stock	Total	Legal Reserve	Special Reserve	Unappropriated Earnings (Deficit)					Total
<b>BALANCE, JANUARY 1, 2003</b>	2,470,000	\$ 24,700,000	\$ 4,839,667	\$ -	\$ 4,839,667	\$ -	\$ -	(\$ 3,091,451)	(\$ 3,091,451)	(\$ 82,606)	\$ 2,906	(\$ 4,247,603)	\$ 22,120,913
Offset of deficit against capital surplus	-	-	( 3,091,451)	-	( 3,091,451)	-	-	3,091,451	3,091,451	-	-	-	-
Issuance of shares for a share swap	35,400	354,000	12,211	-	12,211	-	-	-	-	-	-	-	366,211
Reclassification of shares held by subsidiaries to treasury stock	-	-	-	-	-	-	-	-	-	-	-	( 255,673)	( 255,673)
Conversion of corporate bonds payable to capital stock	967	9,669	9,005	-	9,005	-	-	-	-	-	-	-	18,674
Net income in 2003	-	-	-	-	-	-	-	4,529,029	4,529,029	-	-	-	4,529,029
Translation adjustments	-	-	-	-	-	-	-	-	-	-	( 282)	-	( 282)
Reversal of unrealized loss on long-term equity investments	-	-	-	-	-	-	-	-	-	26,215	-	-	26,215
<b>BALANCE, DECEMBER 31, 2003</b>	2,506,367	25,063,669	1,769,432	-	1,769,432	-	-	4,529,029	4,529,029	( 56,391)	2,624	( 4,503,276)	26,805,087
Appropriation of prior year's earnings													
Legal reserve	-	-	-	-	-	452,903	-	( 452,903)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	53,767	( 53,767)	-	-	-	-	-
Dividend													
- Cash	-	-	-	-	-	-	-	( 2,818,678)	( 2,818,678)	-	-	-	( 2,818,678)
- Stock	84,560	845,603	-	-	-	-	-	( 845,603)	( 845,603)	-	-	-	-
Bonus to directors and supervisors	-	-	-	-	-	-	-	( 38,170)	( 38,170)	-	-	-	( 38,170)
Bonus to employees - issued 8,773 thousand shares and \$26,781 thousand in cash	8,773	87,728	-	-	-	-	-	( 114,509)	( 114,509)	-	-	-	( 26,781)
Balance after appropriation	2,599,700	25,997,000	1,769,432	-	1,769,432	452,903	53,767	205,399	712,069	( 56,391)	2,624	( 4,503,276)	23,921,458
Conversion of corporate bonds payable to capital stock	330,910	3,309,096	2,613,625	-	2,613,625	-	-	-	-	-	-	-	5,922,721
Treasury stock transaction recognized from subsidiaries	-	-	-	3,015,943	3,015,943	-	-	-	-	-	-	4,005,259	7,021,202
Transfer the shares to employees by the subsidiary	-	-	-	483	483	-	-	-	-	-	-	498,017	498,500
Cash dividends from the Company received by the subsidiaries	-	-	-	208,161	208,161	-	-	-	-	-	-	-	208,161
Net income in 2004	-	-	-	-	-	-	-	4,836,437	4,836,437	-	-	-	4,836,437
Translation adjustments	-	-	-	-	-	-	-	-	-	( 15,776)	-	-	( 15,776)
Unrealized loss on long-term equity investments	-	-	-	-	-	-	-	-	-	( 33,465)	-	-	( 33,465)
<b>BALANCE, DECEMBER 31, 2004</b>	2,930,610	\$ 29,306,096	\$ 4,383,057	\$ 3,224,587	\$ 7,607,644	\$ 452,903	\$ 53,767	\$ 5,041,836	\$ 5,548,506	(\$ 89,856)	(\$ 13,152)	\$ -	\$ 42,359,238

The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche audit report dated January 28, 2005)

## (五) CONSOLIDATED STATEMENTS OF CASH FLOWS

### E.SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES DECEMBER 31, 2004 AND 2003

(In Thousands of New Taiwan Dollars)

	2004	2003
	Amount	Amount
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Consolidated net income	\$ 4,836,437	\$ 4,529,029
Reversal of allowance for losses on securities purchased	( 10,708)	( 60,507)
Provisions (reversal)	( 34,655)	853,908
Reversal of reserve for losses on sale of bonds	( 14,372)	( 126,442)
Depreciation and amortization	895,154	404,508
Recovery of written-off credits and guarantees	1,351,604	1,887,109
Written-off allowance for guarantees	( 130,000)	-
Equity in net income of equity-method investees, net of cash dividends received	( 35,992)	( 37,105)
Amortization of premium on long-term bond investments	87,883	36,739
Loss on sale of properties and foreclosed collaterals	22,976	19,363
Impairment loss of goodwill	1,103,393	-
Loss (gains) on derivative transactions	( 56,796)	9,704
Deferred income tax	133,592	926,122
Amortization of premium on corporate bonds payable	( 24,516)	( 20,569)
Amortization of bond issuance expense	34,622	-
Pension liability	5,511	12,552
Others	45,295	18,910
Net changes in operating assets and liabilities:		
Securities purchased for trading purposes	( 46,280,443)	6,889,095
Securities purchased under agreements to resell	( 77,369)	1,401,038
Receivables	( 6,644,405)	( 10,021,164)
Prepaid expenses	( 223,868)	( 24,472)
Securities sold under agreements to repurchase	40,940,020	( 2,011,912)
Payables	1,049,302	366,946
Advances	400,684	140,884
Stock warrants issued liabilities	63,750	-
Repurchase of stock warrants issued	( 56,975)	-
Net cash provided by (used in) operating activities	( 2,619,876)	5,193,736
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in securities purchased for investing purposes	( 203,593)	( 6,798,519)
Decrease (increase) in due from the Central Bank of China and banks	( 6,950,172)	1,155,474
Increase in securities purchased under agreements to resell	( 5,569,238)	-
Increase in bills, discounts and loans	( 62,074,842)	( 29,932,004)
Increase in long-term investments	( 6,433,945)	( 7,337,343)
Return of principal on long-term investments	1,046,613	-
Acquisition of properties	( 1,546,712)	( 5,046,770)
Proceeds from sales of properties	573	989
Proceeds from sales of foreclosed collaterals	179,149	258,406
Increase in other assets	( 134,473)	( 390,143)
Cash subsidy received from acquisition of Kaohsiung Business Bank Co., Ltd.	13,428,965	-
Cash received from acquisition of Kaohsiung Business Bank Co., Ltd. on September 3, 2004	1,347,863	-
Net cash used in investing activities	( 66,909,812)	( 48,089,910)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term debts	-	100,000
Increase (decrease) in commercial paper issued	( 1,048,405)	1,467,956
Increase (decrease) in due to banks	( 2,774,312)	11,743,819
Increase in securities sold under agreements to repurchase	10,158,757	-
Increase in deposits and remittances	42,945,013	19,569,754
Proceeds from issuance of bonds	17,856,100	5,000,000
Repayment of bonds	( 400,000)	-
Increase in corporate bonds payable	2,000,000	9,233,676
Redemption of corporate bonds payable	( 50,565)	-
Increase in long-term debts	350,000	50,000
Repayment of long-term debts	( 291,000)	( 351,000)
Increase (decrease) in other liabilities	( 168,443)	229,734
Proceeds from treasury stock	4,823,602	-
Payment of cash dividend	( 2,610,517)	-
Payments of bonus to directors, supervisors and employees	( 64,951)	-
Net cash provided by financing activities	70,725,270	47,043,939
EFFECTS OF EXCHANGE RATE CHANGES	( 78,232)	( 115,965)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,117,359	4,031,800
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,560,026	7,528,226
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 12,677,385</u>	<u>\$ 11,560,026</u>
<b>SUPPLEMENTARY INFORMATION</b>		
Interest paid	\$ 4,332,023	\$ 4,096,403
Income tax paid	<u>\$ 261,819</u>	<u>\$ 281,923</u>
<b>NON CASH INVESTING AND FINANCING ACTIVITIES</b>		
Reclassification of shares held by subsidiaries to treasury stock	\$ -	\$ 255,673
Share swap resulting in E.Sun Securities Investment Trust Corp. becoming a 100% subsidiary of E.Sun Financial Holding Co., Ltd.	\$ -	\$ 366,211
Proceeds from exchangeable bonds issued by subsidiary for exchange parent's shares	\$ 2,696,100	\$ -
Costs of treasury stock	\$ 1,514,142	\$ -
Capital surplus from treasury stock	\$ 1,181,958	\$ -
Conversion of corporate bonds payable to capital stock	<u>\$ 5,922,721</u>	<u>\$ 18,674</u>
Current portion of long-term debts	<u>\$ 838,000</u>	<u>\$ 291,000</u>

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

(With Deloitte & Touche audit report dated January 28, 2005)

## (六) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2004 AND 2003(In Thousands of New Taiwan Dollars, Unless Otherwise Stated)

### 1. ORGANIZATION AND OPERATIONS

E.Sun Financial Holding Company, Ltd. ("ESFHC") was established by E.Sun Commercial Bank Ltd. ("E.Sun Bank"), E.Sun Bills Finance Corp. ("E.Sun Bills") and E.Sun Securities Corp. ("E.Sun Securities") through a share swap on January 28, 2002 based on the Financial Holding Companies Law and related regulations in the Republic of China (the "ROC"). After the swap, E.Sun Bank, E.Sun Bills and E.Sun Securities became 100% subsidiaries of ESFHC.

E.Sun Securities Investment Trust Corp. ("ESSIT") became a 100% subsidiary of ESFHC through a share swap on September 16, 2003.

ESFHC invests in, and manages businesses related to financial institutions.

The ESFHC's shares have been listed on the Taiwan Stock Exchange ("TSE") since January 28, 2002.

E.Sun Bank engages in commercial banking permitted under the Banking Laws and regulations of the ROC. The operations of E.Sun Bank's Trust Department consist of planning, managing and operating a trust business. These operations are regulated under the Banking Law and Trust Law of the ROC. As of December 31, 2004, E.Sun Bank had a business department, a international banking department, an offshore banking unit (OBU), 2 overseas branches (Los Angeles and Hong Kong) and 89 domestic branches. On September 4, 2004, E.Sun Bank acquired assets and liabilities (except the assets and liabilities generated from trust business and pension) and business (except trust business) of the Kaohsiung Business Bank Co., Ltd. Please refer to Note 45.

The operations of E.Sun Bills are: (a) underwriting and acting as registrar of commercial paper and bank acceptances; (b) brokering and dealing in commercial paper and bank acceptances; (c) providing guarantees on or endorsements of commercial paper and bank acceptances; (d) brokerage of call loans between financial institutions; (e) consultations on corporate financial matters; (f) brokering and dealing in government bonds; (g) underwriting and acting as registrar of financial institution bonds; (h) brokering and dealing in financial institution bonds; (i) conducting derivative activities approved by the authorities; and (j) dealing in corporate bonds. As of December 31, 2004, it had branches in Kaohsiung, Taichung, Taoyuan and Panchiau.

E.Sun Securities engages in underwriting, dealing and brokerage of securities. On June 27, 2003, E.Sun Securities took over the brokerage department and five branch offices of Yung Li Security Co., Ltd.

E.Sun Insurance Broker Co., Ltd. ("ESIB") brokers life and property insurance.

As of December 31, 2004 and 2003, ESFHC and its subsidiaries had 2,838 and 2,143 employees, respectively.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The consolidated financial statements were issued in conformity with the Guidelines Governing the preparation of Financial Reports by Financial Holding Companies, Guidelines Governing the Preparation of Financial Reports by Public Banks (effective January 1, 2004), Guidelines Governing the Preparation of Financial Reports by Public Bills Finance Corporations (effective January 1, 2004), Guidelines Governing the Preparation of Financial Reports by Securities Issuers (applicable to financial statements for 2003 and earlier), Guidelines Governing the Preparation of Financial Reports by Securities Firms and accounting principles generally accepted in ROC.

In preparing consolidated financial statements in conformity with these guidelines and principles, ESFHC and its subsidiaries are required to make certain estimates and assumptions that could affect the amounts of allowances for possible losses, reserve for losses on guarantees, property depreciation, pension, income tax, loss on market value decline of foreclosed collaterals, impairment loss of goodwill and accrued litigation loss. Actual results could differ from these estimates.

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. 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 financial statements shall prevail.

Significant accounting policies are summarized below.

#### Consolidation

The consolidated financial statements include the accounts of ESFHC, E.Sun Bank, E.Sun Bills, E.Sun Securities and ESIB (collectively, the "Company"). All significant intercompany transactions and balances have been eliminated for consolidation purposes.

Neither the operating revenues nor total assets of ESFHC's other subsidiaries - E.Sun Venture Capital Co., Ltd. ("ESVC"), E.Sun Finance & Leasing Co., Ltd., E.Sun Insurance Agent Co., Ltd., ESSIT and E.Sun Securities Investment Consulting Co., Ltd. ("ESSIC") - individually reached 10%, or collectively reached 30% of those of ESFHC. Thus, their accounts were not included in these consolidated financial statements.

#### Current and Noncurrent Assets and Liabilities

Since the operating cycle in the banking industry cannot be reasonably identified, accounts included in the financial statements of E.Sun Bank were not classified as current or noncurrent. Nevertheless, these accounts were properly categorized according to the nature of each account and sequenced by their liquidity.

Except for the matter stated in the preceding paragraph, assets to be converted or consumed within one year are classified as current.

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

The consolidated financial statements, however, did not show a classification of current or noncurrent assets/liabilities because the banking industry accounted for a major part of the consolidated accounts. Thus, accounts in the consolidated financial statements were instead categorized by nature and sequenced by their liquidity. Please refer to Note 37 for the maturity analysis of assets and liabilities.

#### Cash Equivalents

Cash equivalents are highly liquid investments with maturities of up to three months.

#### Securities Purchased

Operating securities held by E.Sun Securities which are traded in OTC-Emerging stock are carried at cost and the others are carried at aggregate cost less any allowance for decline in value. The allowance is reversed and recognized as income when the market value recovers.

Costs of securities sold are determined by the following methods: Stocks, mutual funds and government bonds - moving average; and others - specific identification.

Securities Purchased/Sold Under Agreements to Resell/Repurchase

Sales or purchases of bonds and short-term bills under agreements to repurchase or resell for the Company are stated at cost. The difference between the original purchase cost (or sale price) and the contracted resale (or repurchase) amount is recognized as interest income (or interest expense). Please refer to Note 3.

#### Overdue Loans

Under a Ministry of Finance (MOF) guideline, E.Sun Bank classifies loans and other credits (including accrued interest) overdue for at least six months as overdue loans.

Allowances for Possible Losses and Reserve for Losses on Guarantees

E.Sun Bank makes provisions for bad debts and losses on guarantees based on the evaluation of loans, overdue loans, bills, discounts, receivables, guarantees and acceptances for their specific risks or general risks.

Debts and guarantees with specific risks are evaluated internally for their collaterals, collectibility and customers' overall credit. Under MOF guidelines, E.Sun Bank makes full provisions for credits deemed uncollectible and makes at least 50% provisions for credits with high uncollectibility.

E.Sun Bills makes provision for bad debts and reserve for losses on guarantees based on the evaluation or related risks. E.Sun Bills makes provisions for at least equal to 1% of the amount guaranteed, full provisions for credits deemed uncollectible and 50% provision for credits with high uncollectibility.

Under the regulation (88) Tai-Tsai-Tseng (7) No. 91625

published by the Securities and Futures Bureau (SFB), E.Sun Securities should provide 3% of annual non-primary business transactions from July 1, 1999 to write off bad debt expenses or to use as allowance for bad debts. However, under the regulation (92) Tai-Tsai Tseng (4) No. 03199 published by the SFB, this allowance requirement was terminated on July 1, 2003.

Under MOF guidelines, credits deemed uncollectible may be written off if the write-off is approved by the Company's Board of Directors.

#### Purchase on Margin and Short Sale

E.Sun Securities recognizes the margin loans as loans to customers for purchases on margin while providing financing to investors who buy stocks. Margin loans made by E.Sun Securities are generally collateralized by securities in the client's account. These collateralized securities are not entered in E.Sun Securities' book, but recorded using memorandum entries. After security investors settle the margin loan, these pledged securities are returned to investors.

E.Sun Securities requires a deposit from security investors for short sale services while providing short sale to investors. This deposit is recorded as deposit in for short sale transactions. The amount collected from selling of short sales securities (net of securities transaction tax, brokerage fee and handling fee) is kept by E.Sun Securities as collateral and recorded as payable for short sales transactions. The securities lent to clients as short sale are recorded using memorandum entries. The deposit-in for short sales transactions and payable for short sales are returned to security investors after investors settle the short sales transactions.

#### Long-term Investments

Under a directive of the Accounting Research and Development Foundation of the ROC, a financial holding company should treat the investees' net worth as paid-in capital if the holding company is incorporated or the affiliated company becomes the subsidiary of the holding company through stock conversion. The stock issued by the holding company is accounted for as capital stock, and the amount in excess of the par value of the issued stock is accounted for as capital surplus.

Investments in shares of stock of companies in which the Company exercises significant influence on their operating and financial policy decisions are accounted for by the equity method. Under the equity method, the investments are carried at cost on the acquisition date and subsequently adjusted for the Company's proportionate share in the net income or loss of the investees. The difference, on the acquisition date, between the acquisition cost and the Company's proportionate equity in the investees' net assets is amortized over five years. The proportionate share in the net income or loss is recognized as current income or loss, and any cash dividends received are reflected as a reduction of the carrying values of the investments. A capital increase of investees that results in the increase in the Company's equity in the investees' net assets is credited to capital surplus, and any decrease is charged to such capital surplus to the extent of the available balance, with the difference charged to unappropriated earnings. The Company recognizes the investees' cumulative translation adjustments and

unrealized losses on long-term equity investments proportionately.

Other long-term equity investments are accounted for by the cost method and are stated at cost. Investments in stocks with no quoted market price are accounted for at cost. The carrying amount of the investment is reduced to reflect an other than temporary decline in the value of the investments, with the related losses charged to current income. Investments in stock with a quoted market price is stated at the lower of aggregate cost or market. The reduction of an investment cost to reflect a lower market value and its write-up due to the subsequent recovery in market value are charged or credited to stockholders' equity. Cash dividends received from a year after the acquisition date are recorded as investment income. Foreign-currency investments are recorded in New Taiwan dollars at the rate of exchange in effect when the transactions occur. At year-end, the balances of these investments are restated at year-end exchange rates. If the restated balances are lower than cost, the differences are recognized as translation adjustment under stockholders' equity, otherwise, no adjustment is made.

For both equity-method and cost-method investments, stock dividends received are recognized only as increases in the number of shares held, and not as income.

The cost of long-term equity investments sold is determined by the weighted-average method.

Long-term bond investments are stated at cost. Premium or discount is amortized (as a charge or credit to interest income, respectively) over the remaining term of each bond. Cost of bonds sold are determined by the specific identification method. If the long-term bond investments are changed to operating securities, the cost of the securities is compared with its market value at the time of conversion. If the comparison shows a decline in market value of the investment, a loss is recorded and the lower market value becomes the new investment cost, otherwise, no adjustment is made.

The special-purpose trust beneficiary certificates are stated at cost. The costs of the special-purpose trust beneficiary certificates are determined by the moving-average method.

#### Properties and Rentable Assets

Properties and rentable assets are carried at cost less accumulated depreciation. The cost of betterments and major renewals that extend the useful life of an item of property and equipment is also capitalized. The cost of repairs and maintenance is charged to expense as incurred.

Depreciation is calculated by the straight-line method over service lives estimated as follows: buildings, 3 to 55 years; computers, 3 to 7 years; transportation equipment, 5 to 8 years; and miscellaneous equipment, 3 to 10 years; and rentable assets, 5 to 50 years. If an asset reaches its residual value but is still in use, it is further depreciated over its newly estimated service life.

The cost and accumulated depreciation are removed from the accounts when an item of property is disposed of or retired, and any gain or loss is credited or charged to income.

#### Goodwill

Goodwill is amortized over 5 years. The carrying amount of goodwill is reduced to reflect an impairment loss on balance sheet

date.

#### Operation Deposits

Under the Rules Governing Administration of Securities Firms and Rules Governing Administration of Futures Firms, securities firms should place in government-designated banks guarantee deposits based on their respective type of business operations after registration.

#### Settlement Funds

Under Article 132 of the Securities Exchange Law, Article 10 of the Regulation Governing Securities Firms and Article 3 of the Over-the-Counter Securities Exchange Regulation, securities firms that broker marketable securities and trade securities for their own purposes should deposit settlement funds to the Taiwan Stock Exchange and the Over-the-Counter exchange before and after the start of business operation.

#### Brokerage Accounts, Net

Under the Guidelines Governing the Preparation of Financial Reports by Securities Firms, the brokerage accounts, net are recorded as brokerage accounts - debit (including bank deposits - settlement account, brokerage securities receivable, exchange clearance, credit transactions and settlements receivable) and brokerage accounts - credit (including brokerage securities payable, exchange clearances, credit transactions and settlements payable). As a result, brokerage accounts - debits are offset against brokerage accounts - credit and recorded as brokerage accounts, net.

#### Foreclosed Collaterals

Foreclosed collaterals (part of other assets) are recorded at the lower of cost or net realizable value on the balance sheet dates.

#### Amortization of Bond Issuance Expenses

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

#### Stock Warrants Issued Liabilities/Repurchase of Stock Warrants Issued

Stock warrants are accrued and valued under the fair value method and recorded as stock warrants issued liabilities. If the stock warrants are hedged against its own investment securities as of the balance sheet date, the unrealized loss on the changes in market value of the stock warrants, which is less than the unrealized gain from the increase in market value of the hedging instruments, should be deferred; however, if the loss is greater than the above mentioned unrealized gain, it should be included in current year's results. The repurchase of stock warrants, according to full disclosure principle, should be classified as repurchase of stock warrants issued and debited to stock warrants issued liabilities.

#### Corporate Bonds Payable

The net carrying amount of the Euro-convertible bonds (the face



amount adjusted for unamortized premium and bond issuance expenses at the date of conversion) is credited to the appropriate capital accounts (capital stock equal to par value, with the balance credited to capital surplus) upon bond conversion.

#### Reserve for Loss on Breach of Purchase Commitment

Securities firms engaged in brokerage trading of marketable securities are required to provide 0.0028% of monthly transaction volume as the default loss provision until the balance of this provision reaches \$200,000 thousand. This provision may only be used to offset default losses or other losses approved by the Securities and Future Bureau (SFB) of the ROC.

#### Reserves for Losses on Sale of Bonds

Under the regulations of the SFB, reserves for losses on sale of bonds (part of other liabilities) are computed at 10% of net gain on sale of bonds until the balance of the reserve reaches the required amounts set under relevant regulations. This reserve should be used only to offset actual losses on sale of the bonds.

#### Pension Costs

ESFHC, E.Sun Bank, E.Sun Bills and E.Sun Securities recognize pension costs on the basis of actuarial calculations, and unrecognized net transitional asset or obligation is amortized over 28, 29, 27 and 15 years, respectively.

Since 2004, ESIB follows ROC GAAP SFAS No. 18 "Accounting for Pension" to calculate pension costs, and unrecognized net transitional obligation is amortized over 30 years.

#### Treasury Stock

The reacquisition of issued capital stock is carried at cost and presented as a deduction to arrive at stockholders' equity.

The reissuance of treasury stocks is accounted for as follows: (a) reissue price higher than the acquisition cost - the excess is credited to capital surplus on treasury stock; and (b) reissue price less than the acquisition cost - initially charged to capital surplus on treasury stock, with any remaining deficiency charged to unappropriated earnings.

Under a directive issued by the SFB, if a financial institution ("FI") repurchases its own capital stock pursuant to the Securities and Exchange Law and becomes a wholly owned subsidiary of a financial holding company ("FHC"), resulting in the conversion of the FI's treasury stocks to the FHC's stock, the FHC's shares held by the FI should be treated as treasury stock. The FHC should also present the shares it issued in exchange for FI's capital stock as treasury stock. If shares of the FIs under the same FHC were held among each other before the share swap, these shares will be stated as equity investments after the swap. However, the FHC should state these shares as treasury stocks starting with its 2002 financial statements.

#### Recognition of Revenue

Interest revenue is recorded on an accrual basis. Under the regulations of MOF, no interest revenue is recognized on loans

and other credits extended by the Company that are classified as overdue loans. The interest revenue on those loans is recognized upon collection.

The unpaid interest on rescheduled loans should be recorded as deferred revenue, and the paid interest is recognized as interest revenue.

Service fees are recorded when a major part of the earnings process is completed and revenue is realized.

Other operating revenue is recorded on an accrual basis when a major part of the earnings process is completed.

#### Income Tax

The provision for income tax is based on inter-period tax allocation. The tax effects of deductible temporary differences, unused tax credits and operating loss carryforwards are recognized as deferred income tax assets, and those of taxable temporary differences are recognized as deferred tax liabilities. Valuation allowance is provided for deferred tax assets that are not probable to be realized.

ESFHC and its subsidiaries elected to file a consolidated tax return from 2003. The difference between consolidated income tax payable and the sum of income tax payable of the entities included in the consolidated tax return is considered as a tax consolidation adjustment which is shown on ESFHC's income tax expense or benefit. Any distribution of cash payments and receipts among the consolidated group members is recorded as receivable or payable.

Income tax on interest in short-term negotiable instruments, which is levied separately, and any adjustment of income taxes of prior years are added to or deducted from the current year's tax expense.

Tax credits for certain technology or equipment purchases, expenditures for research and development, employee training and stock investments are recognized in the current period.

Income taxes (10%) on undistributed earnings are recorded as expense in the year when the stockholders resolve to retain the earnings.

#### Contingencies

A loss is recognized when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. A footnote disclosure is made of the situation that might result in a loss if loss is possible but the amount of loss cannot be reasonably estimated.

#### Foreign Currency Transactions

Foreign-currency transactions of ESFHC (except forward transactions) are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or loss resulting from the application of prevailing exchange rates when foreign-currency assets and liabilities are settled, are credited or charged to income in the period of settlement. The year-end balances of foreign-currency assets and liabilities are restated at the prevailing exchange rates, and the resulting differences are recorded as credits or charges to income.

E.Sun Bank's foreign-currency transactions are included in the

financial statements at their equivalent New Taiwan dollar amounts at the following rates: Assets and liabilities - current exchange rates; and income and expenses - rates prevailing on the date of each transaction. Exchange gains or loss are credited or charged to income.

#### Forward Contracts

Forward exchange contracts entered into for nontrading purposes by ESFHC are recorded in New Taiwan dollars as assets or liabilities, using the spot rates on the starting dates of the contracts. The premium or discount, computed using the foreign currency amount of the contract multiplied by the difference between the contracted forward rate and the spot rate on the contract starting dates, is also recognized. These premiums or discounts are amortized over the terms of the forward contracts, and the amortizations are recognized in income.

For forward contracts, which are used for trading purposes by E.Sun Bank, assets and liabilities are recorded at the contracted forward rate. Gains or loss resulting from the difference between the spot rate and the contracted forward rate on the settlement date are credited or charged to income. For contracts outstanding as of the balance sheet date, the gains or loss resulting from the difference between the contracted forward rates and the forward rates available for the remaining periods of the contracts are credited or charged to income. In addition, the receivables and payables related to the forward contracts are netted out, and the resulting amount is presented as an asset or liability.

#### Foreign-currency Swap Contracts

Foreign-currency spot-position assets or liabilities arising from foreign currency swap contracts, which are entered into for trading purposes, are recorded at spot rates when the transactions occur, while the corresponding forward-position assets or liabilities are recorded at the contracted forward rates.

The related differences between spot rates and contracted forward rates are amortized and recorded as interest revenue or interest expense over the contract period on the straight-line basis. The receivables and payables related to the foreign currency swap contracts are netted out, and the resulting amount is presented as an asset or liability as of the balance sheet date.

#### Asset Swaps

The Company agrees to swap the fixed interest and redemption premium or conversion right on its investments in bonds for the floating interest rates. There is no exchange of contract (notional) principals (equal to the aggregate face values of the bonds). For swaps entered into for nontrading purposes, the net interest upon each settlement is recorded as an adjustment to interest revenue associated with the items being hedged.

#### Cross-currency Swap

Cross-currency swap contracts, are recorded at their forward rates on the contract dates. The interest received or paid under the contract is recorded to interest revenue or expense.

#### Interest Rate Swaps

Interest rate swap contracts are recorded through memorandum entries on the contract dates since there is no exchange of notional principals. Interest received or paid upon each settlement is recorded as interest revenue or expense.

#### Foreign-currency Options

The Company enters into foreign-currency option contracts for trading purposes. Premiums received or paid are recorded as liability or assets. Gains or losses from the exercise of options are credited or charged to current income. For contracts outstanding as of the balance sheet date, gains or losses from valuation of the contracts are credited or charged to current income.

#### Foreign-currency Margin Contracts

E.Sun Bank enters into foreign-currency margin contracts for trading purposes. Margins received or paid are recorded as liability or assets. The Bank evaluates the unrealized gain or loss based on the spot rate on a daily basis. Gains or losses on the settlement date are credited or charged to income.

#### Credit Default Swap Contracts

Credit default swap contracts, which are intended to hedge the credit risk of held assets, are recorded through memorandum entries on the contract dates. Premiums amortized or accrued during the contract period are recorded as expenses. Gains or losses from the valuation of contracts on the balance sheet date are credited or charged to current income.

#### Reclassifications

Certain accounts for 2003 had been reclassified to conform to the 2004 consolidated financial statement presentation.

### 3.ACCOUNTING CHANGES

Under a directive issued by MOF, sales and purchases of bonds and short-term bills under agreements to repurchase or to resell were treated as outright sales or purchases until 2003. However, under the Criteria Governing the Preparation of Financial Reports by Public Banks and Criteria Governing the Preparation of Financial Reports by Public Bills Corporations, both effective January 1, 2004, the repurchase/resell transactions are treated as financing. The effect of this accounting change for the year ended December 31, 2004 increased E.Sun Bank's net income by \$66,855 thousand and decreased E.Sun Bills' net income by \$266,181 thousand.

Since the volume of the E.Sun Bank and E.Sun Bills repurchase/resell transactions is huge and the accounting systems had been revised for several times such that historical trading data are hard to trace, calculating the cumulative effect of the change in accounting principle was difficult. Thus, E.Sun Bank and E.Sun Bills cannot calculate the cumulative effect of the change in accounting principle, and the pro forma information cannot be disclosed either.

#### 4. ELIMINATED SIGNIFICANT INTERCOMPANY TRANSACTIONS

Transacting Party	Eliminated Account	Amount	Transaction Counter-party	
2004				
ESFHC	Cash and cash equivalents	\$56,436	E.Sun Bank	
	Other receivable	801,598	E.Sun Bank and ESIB	
	Other payables	159,786	E.Sun Bank, E.Sun Bill and E.Sun Securities	
E.Sun Bank	Interest revenue	67,951	E.Sun Bank	
	Foreign exchange loss	115,415	E.Sun Bank	
	Other receivables	83,193	ESFHC and ESIB	
	Securities sold under agreements to repurchase	517,762	E.Sun Securities	
	Interest payables	233	E.Sun Securities	
	Other payables	786,427	ESFHC	
	Deposits and remittances	1,276,037	ESFHC, E.Sun Bills, E.Sun Securities and ESIB	
	Deposits received	1,910	E.Sun Bills	
	Interest revenue	279	E.Sun Bills and E.Sun Securities	
	Service fees	12,996	ESIB	
	Foreign exchange gain	115,415	ESFHC	
	Rent revenue	5,027	E.Sun Securities, E. Sun Bills and ESIB	
	Other revenue	16,110	E.Sun Securities	
	Interest expense	87,158	ESFHC, E.Sun Bills, E.Sun Securities and ESIB	
	Service charges	4,265	E.Sun Securities	
	Rent expense	\$3,000	E.Sun Securities	
	General and administrative expense	1,624	E.Sun Securities	
	E.Sun Bills	Cash and cash equivalents	790,629	E.Sun Bank
		Other receivables	60,761	ESFHC
		Operating deposits	40,000	E.Sun Bank
Refundable deposits		51,910	E.Sun Bank	
Interest revenue		12,748	E.Sun Bank and E.Sun Securities	
Interest expense		141	E.Sun Bank	
Service charges		35	E.Sun Securities	
Rent expense		2,479	E.Sun Bank	
E.Sun Securities		Cash and cash equivalents	4,676	E.Sun Bank
		Securities purchased under agreements to resell	517,762	E.Sun Bank
	Interest receivables	233	E.Sun Bank	
	Other receivables	18,894	ESFHC	
	Operating deposits	305,000	E.Sun Bank	
	Pledge time deposits	10,000	E.Sun Bank	
	Interest revenue	6,440	E.Sun Bank	
	Service fees	5,924	E.Sun Bank and E.Sun Bills	
	Rent revenue	3,000	E.Sun Bank	
	Interest expense	140	E.Sun Bond and E.Sun Bills	
	Service charges	16,110	E.Sun Bank	
	Rent expense	2,239	E.Sun Bank	
	ESIB	Cash and cash equivalents	19,296	E.Sun Bank
		Accrued expense	3,062	E.Sun Bank
		Other payables	15,171	ESFHC
Interest revenue		21	E.Sun Bank	
Rent expense		309	E.Sun Bank	
Operation expense		12,996	E.Sun Bank	

Transacting Party	Eliminated Account	Amount	Transaction Counter-party
2003			
ESFHC	Cash and cash equivalents	3,415,790	E.Sun Bank
	Interest receivables	6,491	E.Sun Bank
	Other payables	129,459	E.Sun Bank, E.Sun Bills and E.Sun Securities
E.Sun Bank	Interest revenue	15,869	E.Sun Bank
	Other receivables	80,131	ESFHC
	Bonds	160,000	E.Sun Bills
	Deposits and remittances	5,300,465	ESFHC, E.Sun Bills, E.Sun Securities and ESIB
	Interest payables	6,682	ESFHC and E.Sun Securities
	Interest revenue	13	E.Sun Bills
	Interest expense	65,964	ESFHC, E.Sun Bills, E.Sun Securities and ESIB
	Service charges	2,499	E.Sun Securities
	Rent revenue	1,290	E.Sun Securities
	Rent expense	1,440	E.Sun Securities
E.Sun Bills	Cash and cash equivalents	1,515,917	E.Sun Bank
	Other receivables	30,849	ESFHC
	Long-term bond investments	160,000	E.Sun Bank
	Refundable deposit	50,000	E.Sun Bank
	Interest revenue	40,205	E.Sun Bank
E.Sun Securities	Interest expense	13	E.Sun Bank
	Cash and cash equivalents	7,076	E.Sun Bank
	Pledge time deposits	10,000	E.Sun Bank
	Interest receivables	191	E.Sun Bank
	Other receivables	18,479	ESFHC
	Operating deposits	280,000	E.Sun Bank
	Interest revenue	9,886	E.Sun Bank
	Service fees	2,499	E.Sun Bank
	Rent revenue	1,440	E.Sun Bank
	Rent expense	1,290	E.Sun Bank
ESIB	Cash and cash equivalents	21,682	E.Sun Bank
	Interest revenue	4	E.Sun Bank

## 5. CASH AND CASH EQUIVALENTS

	2004	2003
Cash on hand	\$ 2,889,907	\$ 2,050,386
Due from banks	6,976,324	4,746,353
Checks for clearing	2,731,194	2,485,692
Cash equivalent - earnings ratio is 1.10%-1.15% in 2004 and 0.75%-1.12% in 2003	79,960	2,277,595
	<u>\$ 12,677,385</u>	<u>\$ 11,560,026</u>

## 6. DUE FROM THE CENTRAL BANK OF CHINA (CBC) AND BANKS

	2004	2003
Reserves for deposits in CBC	\$14,118,370	\$11,171,225
Call loans to banks	13,354,468	2,467,533
Deposit in CBC	379,029	2,389,612
	<u>\$27,851,867</u>	<u>\$16,028,370</u>

As required by law, the reserves for deposits in CBC are calculated by applying the prescribed rates to the average monthly balances of various types of deposit accounts held by E.Sun Bank. As of December 31, 2004 and 2003, deposit reserve portions of \$8,098,534 thousand and \$5,873,524 thousand, respectively, were restricted from E.Sun Bank use, as required by certain regulations.

## 7. SECURITIES PURCHASED

	2004	2003
Government bonds and treasury bills	\$ 34,379,247	\$ 7,237,411
Certificates of deposit	30,267,672	18,414,440
Overseas securities	20,410,533	21,332,271
Commercial paper	14,439,505	2,235,180
Corporate bonds and bank debentures	3,446,556	928,154
Stocks and mutual funds	2,528,598	4,174,771
Operating securities - dealing department	1,108,072	2,880,864
Others	112,764	124,439
	<u>106,692,947</u>	<u>57,327,530</u>
Less allowance for decline in value	19,817	25,412
	<u>\$ 106,673,130</u>	<u>\$ 57,302,118</u>

As of December 31, 2004, some of the securities, which amounted to \$49,682,655 thousand (face value), had been sold under agreements to repurchase.

## 8. RECEIVABLES

	2004	2003
Credit cards	\$26,735,412	\$22,215,161
Margin loans receivable	1,858,509	1,453,183
Accrued interest	1,810,560	922,879
Forward exchange receivable	\$746,044	\$249,537
Acceptances	679,647	942,915
Accounts receivable	543,719	155,444
Tax refundable	436,134	582,504
Accrued income	110,513	307,337
Other receivables - consolidated corporate tax	23,742	748
Others	589,547	637,325
	<u>33,533,827</u>	<u>27,467,033</u>
Less allowance for possible losses	272,076	384,721
	<u>\$33,261,751</u>	<u>\$27,082,312</u>

## 9. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

Securities acquired under agreements to resell amounted to \$6,433,954 thousand and \$787,347 thousand as of December 31, 2004 and 2003, respectively and will be sold for \$6,437,180 thousand and \$787,691 thousand.

As of December 31, 2004, some of the securities, which amounted to \$1,253,600 thousand (face value), had been sold under agreements to repurchase.

## 10. BILLS, DISCOUNTS AND LOANS

	2004	2003
Loans:		
Short-term	\$ 55,477,356	\$ 44,916,198
Medium-term	67,795,554	60,402,800
Long-term	150,525,009	92,234,971
Overdue loans	1,829,381	1,677,190
Bills and discounts	<u>1,543,983</u>	<u>2,008,897</u>
	277,171,283	201,240,056
Less allowance for possible losses	1,811,699	2,169,760
	<u>\$ 275,359,584</u>	<u>\$ 199,070,296</u>

As of December 31, 2004 and 2003, the loan and credit balances for which accrual of interest revenues was discontinued, amounted to \$1,829,381 thousand and \$1,677,190 thousand, respectively. The unrecognized interest revenues on these loans and credits amounted to \$69,411 thousand and \$60,994 thousand for the years ended December 31, 2004 and 2003.

For the years ended December 31, 2004 and 2003, E.Sun Bank carried out legal procedures required before writing off certain credits.

The details of and changes in the allowance for credit losses on bills, discounts and loans are summarized below:

	2 0 0 4		
	General Risk	Specific Risk	Total
Balance, January 1, 2004	\$ 227,684	\$ 1,942,076	\$ 2,169,760
Transfer from the Kaohsiung Business Bank Co., Ltd.	-	1,721,007	1,721,007
Provisions (reversal)	1,669,898	(2,367,059)	(697,161)
Write-offs	(2,558,585)	-	(2,558,585)
Recovery of written-off credits	1,180,625	-	1,180,625
Effects of exchange rate changes	-	(3,947)	(3,947)
Balance, December 31, 2004	<u>\$ 519,622</u>	<u>\$ 1,292,077</u>	<u>\$ 1,811,699</u>

	2 0 0 3		
	General Risk	Specific Risk	Total
Balance, January 1, 2003	\$ 104,593	\$ 1,436,162	\$ 1,540,755
Recovery of written-off credits	1,808,204	-	1,808,204
Provisions (reversal)	(900,880)	508,721	(392,159)
Write-offs	(784,233)	-	(784,233)
Recovery of written-off credits	-	(2,807)	(2,807)
Balance, December 31, 2003	<u>\$ 227,684</u>	<u>\$ 1,942,076</u>	<u>\$ 2,169,760</u>

## 11. LONG-TERM INVESTMENTS

	2 0 0 4	2 0 0 3
Long-term equity investments	\$ 2,339,366	\$ 2,272,527
Long-term bond investments	8,466,314	8,300,232
Other long-term investments	3,932,339	-
	<u>\$ 14,738,019</u>	<u>\$ 10,572,759</u>

The details of long-term equity investments are summarized below:

	2 0 0 4		2 0 0 3	
	Amount	% of Owner-ship	Amount	% of Owner-ship
Equity method				
With no quoted market prices				
E.Sun Venture Capital Co., Ltd.	\$1,021,077	100.0	\$1,010,214	100.0
E.Sun Securities Investment Trust Corp.	417,562	100.0	397,730	100.0
E.Sun Finance & Leasing Co., Ltd.	154,241	99.0	131,993	99.0
E.Sun Insurance Agent Co., Ltd.	22,610	99.0	42,306	99.0
E.Sun Securities Investment Consulting Co., Ltd.	11,586	100.0	10,349	100.0
Kao Li Real-Estate Management Co. (KLMC)	11,289	30.0	-	-
	<u>1,638,365</u>		<u>1,592,592</u>	
Cost method				
With quoted market prices				
United Micro Electronics	200,451	-	200,451	-
With no quoted market prices				
Financial Information Service Co., Ltd.	108,954	2.3	45,500	1.1
Taiwan Asset Management Corporation	100,000	0.6	100,000	0.6
Fu Bon Securities Finance Co.	98,957	2.6	155,857	2.6
Others	303,843	-	257,917	-
	<u>812,205</u>		<u>759,725</u>	
Less allowance for possible losses	<u>111,204</u>		<u>79,790</u>	
	<u>701,001</u>		<u>679,935</u>	
	<u>\$2,339,366</u>		<u>\$2,272,527</u>	
Market values of stock with quoted market prices	<u>\$89,247</u>		<u>\$ 120,661</u>	

The equity-method investees' financial statements on which the calculation of investment carrying value and the related income was based, had all been audited, except those of E.Sun Insurance Agent Co., Ltd. and KLMC. The Company's management believes that had this investees' accounts been audited, the effect of any adjustments on the Company's financial statements would not be significant. The net income from long-term investment under equity method for the years ended December 31, 2004 and 2003 were \$137,821 thousand and \$78,942 thousand, respectively. The stockholders' meeting of KLMC had resolved its dissolution on October 12, 2004. E.Sun Bank will receive the investment amount after KLMC completed the liquidation procedures.

The details of long-term bond investments are summarized below:

	<u>2 0 0 4</u>	<u>2 0 0 3</u>
Government bonds	\$ 8,466,314	\$ 7,040,255
Bank debentures	-	859,980
Corporate bonds	-	399,997
	<u>\$ 8,466,314</u>	<u>\$ 8,300,232</u>

The details of other long-term investments are summarized below:

	<u>2 0 0 4</u>	<u>2 0 0 3</u>
Special-purpose trust beneficiary certificates	\$ 3,632,339	\$ -
Callable accumulator inverse-floater structural products	300,000	-
	<u>\$ 3,932,339</u>	<u>\$ -</u>

## 12. ACCUMULATED DEPRECIATION

	<u>2 0 0 4</u>	<u>2 0 0 3</u>
Buildings	\$ 407,752	\$ 346,926
Computers	925,439	769,778
Transportation equipment	142,419	121,454
Miscellaneous equipment	553,246	470,702
	<u>\$ 2,028,856</u>	<u>\$ 1,708,860</u>

## 13. GOODWILL

E.Sun Bank acquired substantially business, and assets and liabilities of the Kaohsiung Business Bank Co., Ltd. on September 4, 2004. E.Sun Bank recognized the goodwill of \$6,117,415 thousand from this acquisition. The goodwill is amortized over five years. E.Sun Bank recognized amortization expenses \$352,435 thousand in 2004 and impairment loss of \$1,103,393 thousand (recorded as nonoperating losses) on September 30, 2004 which was based on the management's future operation scale evaluation.

## 14. OTHER ASSETS

	<u>2 0 0 4</u>	<u>2 0 0 3</u>
Foreclosed collaterals	\$478,379	\$130,418
Less allowance for possible losses	75,899	-
Foreclosed collaterals, net	402,480	130,418
Rentable assets (less accumulated depreciation \$13,305 thousand)	3,103,224	-
Refundable deposits	999,844	919,373
Idle assets (less accumulated depreciation \$2,127 thousand)	690,664	-
Deferred charges, net	315,638	190,977
Deferred income tax assets, net	297,381	430,973
Revaluation of derivative transactions	284,827	-
Operating deposits	267,612	307,197
Settlement fund	73,544	73,170
Others	17,233	72,996
	<u>\$6,452,447</u>	<u>\$2,125,104</u>

## 15. SHORT-TERM DEBTS

	<u>2 0 0 4</u>	<u>2 0 0 3</u>
Credit loans - annual interest rate at 1.275%-1.400% in 2004 and 1.4800% in 2003	<u>\$ 100,000</u>	<u>\$ 100,000</u>

## 16.COMMERCIAL PAPER ISSUED

The face value of commercial paper issued was \$420,000 thousand and \$1,470,000 thousand and the annual discount rate was 0.922%-1.100% and 0.75%-1.07%, as of December 31, 2004 and 2003, respectively

## 17.SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Short-term negotiable instruments sold under agreements to repurchase amounted to \$54,213,579 thousand and \$3,114,802 thousand as of December 31, 2004 and 2003. These will be repurchased for \$54,263,449 thousand and \$3,116,489 thousand.

## 18.CURRENT PORTION OF LONG-TERM LIABILITIES

	2004	2003
ESFHC convertible bonds payable	\$ -	\$ 6,039,745
Plus premium of bonds payable	-	41,019
	-	6,080,764
Current portion of long-term debts (Note 25)	838,000	291,000
	<u>\$ 838,000</u>	<u>\$ 6,371,764</u>

On June 27, 2003, ESFHC issued US\$178,200 thousand zero coupon Euro convertible bonds (the "Bonds") with par of US\$1,000 in Luxembourg. The terms of the Bonds are as follows:

### a.Redemption method

ESFHC will redeem the Bonds on the maturity date at a price equal to 100% of the outstanding principal amount unless the Bonds had been previously redeemed, repurchased and canceled or converted.

#### 1)Redemption at the option of ESFHC

a)At any time on or after June 27, 2004 and prior to November 27, 2004, ESFHC may redeem all the Bonds at one time or make piecemeal redemptions at 100% of the principal amount if the closing price of the shares, translated into U.S. dollars at the prevailing rate on the issue date, for at least 20 out of 30 consecutive trading days immediately preceding the date of such notice of redemption, is at least 115% of the conversion price then in effect, translated into U.S. dollars at the fixed exchange rate.

b)ESFHC may redeem all the Bonds at one time, i.e., not piecemeal, at 100% of the principal at any time if at least 90% of the principal of the Bonds had already been redeemed, repurchased and canceled or converted.

c)ESFHC may redeem all the Bonds at one time, i.e., not piecemeal, at 100% of the principal at any time if any changes in ROC taxation would require ESFHC to gross up payment of interest or premium.

#### 2)Redemption at the options of holders

a)Each holder of the Bonds has the right to require ESFHC to redeem, all or part of the Bonds only on June 27, 2004 at 100% of the principal unless the Bonds had been previously redeemed, repurchased and canceled or converted.

b)Each holder has the right to require ESFHC to buy all or a portion of the holder's Bonds at 100% of the principal amount (a) if the shares cease to be listed or admitted for trading on the Taiwan Stock Exchange for at least five consecutive trading

days or (b) there is change of control over ESFHC (e.g., a change of half of the members of ESFHC's board of directors.)

### b.Maturity date

The maturity period is one year and six months after the issuance. The Bonds were issued on June 27, 2003; thus, their maturity is on December 27, 2004.

### c.Pledged

Negative.

### d.Conversion period

The bondholder can convert the Bonds to ESFHC's stock for the period starting on or after November 24, 2003 up to December 12, 2004. The holders of the Bonds, however, will not be able to effect conversions into shares during any closed period. A closed period means (i) 60 days before the date of any general stockholders' meetings; (ii) 30 days before the date of any special stockholders' meetings; (iii) the period from the date following the third trading day before the date of ESFHC's notification to the Taiwan Stock Exchange of the record date for the determination of stockholders entitled to the receipt of dividends, subscription of new shares due to capital increase or appropriation of other benefits and bonuses; and (iv) such other periods during which ESFHC may be required to close its stock transfer books under ROC laws and regulations.

### e.Conversion price

1)The conversion price on issuance is NT\$19.716 (US\$0.5688) per share. The conversion price in U.S. dollars is based on the exchange rate of US\$1=NT\$34.661. The conversion price is subject to adjustment based on certain terms of the related indenture. The adjusted conversion price is NT\$17.978 (US\$0.5187) per share because of subscription of new share due to capital increase in 2004.

2)If the average closing price of the shares for any of the periods of 5, 10 or 15 consecutive trading days immediately



before June 4, 2004 (the 15th trading day before the holder's put date, or the "Standard Reset Date"), converted into U.S. dollars at the prevailing rate on the Standard Reset Date, is less than the conversion price then in effect as converted into U.S. dollars at the fixed exchange rate, the conversion price may be adjusted. The conversion price adjustment should only be downward and should not be less than 80% of the initial conversion price.

3) If the average closing prices of the shares for any of the periods of 10, 15 and 20 consecutive trading days immediately before November 15, 2004 (the 30th trading day before the maturity day, or the "Special Reset Date"), converted into U.S.

dollars at the prevailing rate on the Special Reset Date, is less than the conversion price then in effect converted into U.S. dollars at the fixed exchange rate, the conversion price may be adjusted.

f. Cash settlement option

Instead of delivering to the holders some or all of the shares required for the valid exercise of a conversion right, ESFHC may elect to make a cash payment for all or any portion of a holder's Bonds deposited for conversion.

As of December 31, 2004, all of the convertible bonds had been converted and redeemed.

### 19. STOCK WARRANTS ISSUED LIABILITIES, NET

	2004
Stock warrants issued liabilities	\$63,750
Less repurchase of stock warrants	56,975
	<u>\$6,775</u>

a. The stock warrant (E.Sun 01) issued by E.Sun Securities, which underlying securities is First Financial Holding Co., Ltd., was summarized as follows:

	December 31, 2004				Gain on Change in Market Value of Stock Warrants Liabilities in 2004
	Price at Issuance (in New Taiwan Dollars)	Market Price (in New Taiwan Dollars)	Unit Issued	Issued Amount	
Stock Warrants					
E.Sun 01	3.50	2.55	25,000,000	\$87,500	\$23,750
Less gains on change in market value of stock warrants liabilities				(23,750)	
Market value				<u>\$63,750</u>	

The information of stock warrant was summarized as follows:

Stock Warrants	Type	Expired Day	Exercise Day	Settlements
E.Sun 01	American	Six months after listed	From listed date to expired day	Cash or securities chosen by E.Sun Securities

b. Details of repurchase of stock warrants issued were as follows:

	2004	
	Units Repurchase	Amount
E.Sun 01	22,343,000	\$67,875
Less gains on change in market value of stock warrants repurchased		(10,900)
Market value		<u>\$56,975</u>

c. Gains of stock warrants issued in 2004 was as follows:

	2004
Gains on change in market value of stock warrants liabilities	\$ 23,750
Loss on disposal of stock warrants repurchased	( 12,440)
Loss on change in market value of stock warrants repurchase	( 10,900)
Gains on stock warrants issued	<u>\$ 410</u>

## 20. DUE TO BANKS

	2004	2003
Call loans from banks	\$26,292,104	\$27,890,309
Due to banks	161,168	657,609
Bank overdraft	65,439	736,281
	<u>\$26,518,711</u>	<u>\$29,284,199</u>

## 21. PAYABLES

	2004	2003
Checks for clearing	\$2,726,836	\$2,485,407
Accrued interest	1,148,677	1,016,055
Tax	761,449	117,506
Acceptance	683,912	963,726
Accrued expenses	284,802	276,041
Collections payable	245,191	133,487
Payable for short sales transactions	177,589	39,984
Deposits in for short sales transactions	160,705	31,771
Others	697,244	514,486
	<u>\$6,886,405</u>	<u>\$5,578,463</u>

## 22. DEPOSITS AND REMITTANCES

	2004	2003
Deposits:		
Savings - time	\$101,672,666	\$ 76,988,620
Time	84,530,484	62,777,583
Savings - demand	83,158,428	59,528,129
Demand	41,498,908	30,192,157
Negotiable certificates of deposit	14,654,000	9,145,000
Checking	4,145,859	3,050,177
Remittances	35,133	34,340
	<u>\$329,695,478</u>	<u>\$241,716,006</u>

## 23. BONDS

	2004	2003
Bonds issued on August 6, 2001; 3.76% interest, payable annually; principal due on maturity date (5 years after the issue date).	\$ 3,000,000	\$ 3,000,000
Subordinated bonds issued on August 6, 2001; 4.2% interest, payable annually; principal repayable in five installments starting in the third year from the issue date and final installment due at the end of the seventh year.	1,600,000	1,840,000
Four types of subordinated bonds issued on June 13, 2002; 5%-8.6% interest rate minus the 90 days' interest rate of commercial paper (stated below), payable quarterly; principal due on the maturity date (5 years after the issue date).	1,700,000	1,700,000
Four types of subordinated bonds issued on August 16, 2002; 5.94% interest rate minus a floating interest rate (stated below), payable semiannually; principal due on the maturity date (5 years after the issue date).	1,300,000	1,300,000
Five types of bonds issued on August 23, 2002; 6% interest rate minus a floating interest rate (stated below), payable semiannually; principal due on the maturity date (5.5 years after the issue date).	2,000,000	2,000,000
Eight types of bonds issued on October 9, 2003; interest rate at (a) 3.8% for the first year and 5.0% minus six months' London Interbank Offered Rate for U.S. dollars (6M LIBOR) for the second to fifth year for types A and B bonds; (b) 5.15% minus 6M LIBOR		

	2004	2003
for types C to E bonds; and (c) 4.22% minus 90 days' interest rate of commercial paper for types F to H bonds, with all interest rates not to fall below 0% and payable semiannually; principal due on the maturity date (5 years after the issue date).	\$ 2,000,000	\$ 2,000,000
Seven types of bonds issued on October 16, 2003; interest rate at (a) twice the five years' NT\$ interest rate swap (IRS) minus the two years' NT\$ IRS for types A to D bonds; (b) twice the five years' NT\$ IRS minus the two years' NT\$ IRS plus 0.75% for types E and F bonds; and (c) 3% for the first year and twice the five years' NT\$ IRS minus the two years' NT\$ IRS plus 0.4% for the second to the fifth year for the type G bond, with all interest rates not to fall below 0% and payable semiannually; principal due on the maturity date (5 years after the issue date).	1,800,000	1,800,000
Five types of bonds issued on October 29, 2003; interest rates at (a) three months' London Interbank Offered Rate for U.S. dollars (3M LIBOR) plus 1.2% if 3M LIBOR is less than 1% or 4.7% minus 3M LIBOR if 3M LIBOR is more than or equal to 1% for type A bond; (b) 2.5 times of the five years' NT\$ IRS minus two years' NT\$ IRS plus 0.45%, with limit of 3.75%, for types B and C bonds; and (c) 2.5 times of the five years' NT\$ IRS minus the two years' NT\$ IRS plus 0.4%, with limit of 3.7%, for types D and E bonds, with all interest rates not to fall below 0% and payable semiannually for type A bond and quarterly for other bond types; principal due on the maturity date (5 years after the issue date).	1,200,000	1,200,000
Seven types of bonds issued on February 27, 2004; interest rates at (a) 6M LIBOR if 6M LIBOR is less than 1.05%, or 3.6% if 6M LIBOR is between 1.05% and 2%, or 4.52% minus 6M LIBOR if 6M LIBOR is more than 2% for types A to D bonds; (b) 6M LIBOR if 6M LIBOR is less than 1.05%, or 3.50% if 6M LIBOR is between 1.05% and 2%, or 4.5% minus 6M LIBOR if 6M LIBOR is more than 2% for types E to G bonds with all interest rates not to fall below 0% and payable quarterly for all bond types; principal repayable on the maturity date (5 years after the issue date).	2,000,000	-
Three types of bonds issued on February 27, 2004; interest rates at 3.03% if 6M LIBOR is less than or equal to 2.5%, or 5.2% minus 6M LIBOR if 6M LIBOR is more than 2.5%, with all interest rates not to fall below 0% and payable quarterly for all bond types; principal repayable on the maturity date (7 years after the issue date).	1,000,000	-
Eight types of bonds issued on March 18, 2004; interest rates at (a) 6M LIBOR if 6M LIBOR is less than 1.05%, or 3.50% if 6M LIBOR is between 1.05% and 2.00%, or 4.5% minus 6M LIBOR if 6M LIBOR is more than 2% for types A and B bonds; (b) 6M LIBOR if 6M LIBOR is less than 1.05%, or 3.40% if 6M LIBOR is between 1.05% and 2.00%, or 4.4% minus 6M LIBOR if 6M LIBOR is more than 2% for types C to E bonds; (c) 2.5 times of the five years' NT\$ IRS minus the two years' NT\$ IRS plus 0.5% if the five years' NT\$ IRS minus the two years' NT\$ IRS is up to 1.2%, or 2% if the five years' NT\$ IRS minus the two years' NT\$ IRS is more than 1.2% for types F and G bonds; (d) 2 times of the five years' NT\$ IRS minus the two years' NT\$ IRS plus 1.75% if the five years' NT\$ IRS minus the two years' NT\$ IRS is up to 1.2% in the first and second year, or 2.65% if the five years' NT\$ IRS minus the two years' NT\$ IRS is more than 1.2% in the first and second years, and 3 times of the five years' NT\$ IRS minus the two years' NT\$ IRS if the five years' NT\$ IRS minus the two years' NT\$ IRS is up to 1.2%, or 2.1% if the five years' NT\$ IRS minus the two years' NT\$ IRS is		

more than 1.2% in the third to fifth year for type H bond, with all interest rates not to fall below 0% and payable quarterly for all bond types; principal repayable on the maturity date (5 years after the issue date).

Five bond types issued on May 10, 2004; interest rates at (a) (6M LIBOR plus 0.5001%)  $\times$  n/N for type A bond; (b) (6M LIBOR plus 0.5002%)  $\times$  n/N for type B bond; (c) (6M LIBOR plus 0.5003%)  $\times$  n/N for type C bond; (d) (6M LIBOR plus 0.5004%)  $\times$  n/N for type D bond, with 6M LIBOR for types A to D bonds between 1% and 2% in first year, between 1% and 2.25% in second year, between 1.05% and 3.00% in the third year, between 1.05% and 3.50% in the fourth year, between 1.1% and 4.0% in the fifth year, between 1.10% and 4.25% in the sixth year, between 1.1% and 4.5% in the seventh year, "n" means the total days of 6M LIBOR between the foregoing interest rate range in each interest-bearing period, "N" means total days of each interest-bearing period; (e) 1.15 times of the ten years' US\$ CMS minus the two years' US\$ CMS with interest rates not to fall below 0% for type E bond; payable quarterly for all bond types; principal repayable on the maturity date (7 years after the issue date).

Three types of bonds issued on May 19, 2004, interest rates at (a) 3% if 6M LIBOR is less than or equal to 2.5%, or 5.3% minus 6M LIBOR if 6M LIBOR is more than 2.5% for type A bond; (b) 6M LIBOR if 6M LIBOR is less than 1.1%, or 3.82% if 6M LIBOR is between 1.1% and 2.5%, or 5% minus 6M LIBOR if 6M LIBOR is more than 2.5% for type B bond; (c) 6M LIBOR if 6M LIBOR is less than 1.1%, or 4% if 6M LIBOR between 1.1% and 2.0%, or 5.1% minus 6M LIBOR if 6M LIBOR is more than 2%; with all interest rates not to fall below 0% and payable semiannually for all bond types; principal repayable on the maturity date (7 years after the issue date).

Five types of bonds issued on June 1, 2004; interest rates at (a) 6M LIBOR if 6M LIBOR is less than 1.1%, or 3.5% if 6M LIBOR is between 1.1% and 2.5%, or 5.15% minus 6M LIBOR if 6M LIBOR is more than 2.5% for type A bond; (b) 6M LIBOR if 6M LIBOR is less than 1.1%, or 4% if 6M LIBOR is between 1.1% and 3.5%, or 5.5% minus 6M LIBOR if 6M LIBOR is more than 3.5% for types B and C bonds; (c) 6M LIBOR if 6M LIBOR is less than 1.1%, or 4% if 6M LIBOR is between 1.1% and 3.5%, or 6.05% minus 6M LIBOR if 6M LIBOR is more than 3.5%, with all interest rates not to fall below 0% and payable semiannually for all bond types; principal repayable on the maturity date (5 years after the issue date).

Bonds issued on June 1, 2004; interest rate at 6M LIBOR if 6M LIBOR is less than 0.9%, or 4% if 6M LIBOR is between 0.9% and 3.5%, or 5.5% minus 6M LIBOR if 6M LIBOR is more than 3.5%, with all interest rates not to fall below 0% and payable semiannually; principal repayable on the maturity date (7 years after the issue date).

Subordinated bonds issued on September 16, 2004; 2.95% interest, payable semiannually; principal repayable on maturity date (5.5 years after the issue date)

Subordinated bonds issued on December 17, 2004; 2.80% interest, payable semiannually; principal repayable on maturity date (5.5 years after the issue date)

	2004	2003
	2,000,000	-
	\$ 2,300,000	\$ -
	\$900,000	-
	1,300,000	-
	500,000	-
	\$1,300,000	-
	3,700,000	-
	<u>\$29,600,000</u>	<u>\$14,840,000</u>

The above 90 days' interest rate of commercial paper and floating interest rate were based on the average interest rate quoted by Hong Kong's Moneyline Telerate and Reuter.

## 24. CORPORATE BONDS PAYABLE

	2004	2003
E.Sun Bills first secured corporate bonds in 2003	\$ 3,000,000	\$ 3,000,000
E.Sun Bills second secured corporate bonds in 2003	2,000,000	-
	<u>\$ 5,000,000</u>	<u>\$ 3,000,000</u>

On December 22, 2003, E.Sun Bills made a first issue of its secured corporate bonds with aggregate face value of \$3,000,000 thousand. The corporate bonds are categorized from A to J at the stated interest rate. The corporate bonds will mature in five years, and the principal is payable on the maturity date. Interest is payable semiannually, and interest calculation is based on six months' London Interbank Offered Rate for U.S. dollars (6M LIBOR). If the 6M LIBOR is less than 1.05%, the interest rate will be between 6M LIBOR and 6M LIBOR plus 0.005%. If the 6M LIBOR falls between 1.05% and 2.00%, the interest rate is 3.5%, but if 6M LIBOR is more than 2%, the interest rate is 4.52% minus 6M LIBOR. However, the interest rate should not below zero.

On February 20, 2004, E.Sun Bills made a second issue of its secured corporate bonds with aggregate face value of \$2,000,000 thousand. The corporate bonds are categorized from A to H at the stated interest rate. The corporate bonds will mature in five years, and the principal is payable on the maturity date. Interest is payable semiannually, and interest calculation is based on the 6M LIBOR. If the 6M LIBOR is less than 1.05%, the interest rate will be between 6M LIBOR and 6M LIBOR plus 0.007%. If the 6M LIBOR falls between 1.05% and 2.00%, the interest rate is 3.8%, but if 6M LIBOR is more than 2%, the interest rate is 5% minus 6M LIBOR. However, the interest rate should not below zero.

## 25. LONG-TERM DEBTS

	2004	2003
Secured long-term debts - interest rate at 1.6150%-1.7759% in 2004 and 1.5391%-1.6300% in 2003	\$ 1,238,000	\$ 1,179,000
Less due in one year	<u>838,000</u>	<u>291,000</u>
	<u>\$ 400,000</u>	<u>\$ 888,000</u>

The term of the debts is three years through April 2007. Of these debts, \$850,000 thousand is repayable on maturity date. The other debts will be repaid as follows: 30% after one year, 30% after two years, and 40% on maturity. ESFHC has provided E.Sun Bank's 454,000 thousand shares and 494,000 thousand shares, respectively, as collaterals for the long-term debts as of December 31, 2004 and 2003.

## 26. STOCKHOLDERS' EQUITY

### a. Capital stock

In 2003, the stockholders of ESFHC resolved to have ESSIT become a 100% subsidiary of ESFHC through a share swap. The swap ratio was 1.18 shares of ESFHC for 1.0 share of ESSIT. The swap date was September 16, 2003, and the capital stock of ESFHC increased to \$25,054,000 thousand on that date.

In 2004 shareholders' meeting, the shareholders of ESFHC resolved to transfer unappropriated earnings amounted to \$933,331 thousand to issue 93,333 thousand shares. The above appropriations were approved by the SFB and Ministry of Economic Affairs.

The number of shares converted from Euro convertible bonds issued by ESFHC were 330,910 thousand shares and 967 thousand shares, respectively, for the years ended December 31, 2004 and 2003. As of December 31, 2004, the capital stock of ESFHC was \$29,306,096 thousand.

For the purpose of disposing ESFHC's shares held by E.Sun

Bank, ESFHC issued 6,800 thousand units of Global Depositary Shares (GDS) (one unit represents 25 common shares), which equals to 170,000 thousand common shares, in US\$14.5 per share on the Luxembourg Stock Exchange on September 27, 2004.

The GDS holders are entitled to present their GDSs for cancellation and receive the corresponding number of underlying common shares, and the common shares can be traded in domestic stock exchange market. As of December 31, 2004, the GDS holders cancelled 4,156 thousand units (equaled 103,902 thousand shares) and the deposit agents reissued 32 thousand units (equaled 790 thousand shares). Therefore, the outstanding GDSs were 2,676 thousand units, which equaled 66,888 thousand shares, and represented 2% of ESFHC's total outstanding common shares.

### b. Capital surplus

Under related regulations, capital surplus may only be used to offset a deficit. However, capital surplus arising from issuance of shares in excess of par value (issuance in excess of common stock

par value, capital surplus from issuance of common stock for combination and treasury stock transactions) and donation may be transferred to common stock on the basis of the percentage of shares held by the stockholders. Any capital surplus transferred to common stock should be within a certain percentage prescribed by law.

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

Under the Financial Holding Company Law and related directives issued by the SFB, the distribution of the ex-conversion unappropriated earnings that are generated by

financial institutions (the subsidiaries) and become part of capital surplus of the financial holding company through stock conversion, is exempted from the appropriation restriction of the Securities and Exchange Law.

The subsidiaries' unappropriated retained earnings before stock conversion amounted to \$2,919,727 thousand, which was already stated as ESFHC's capital surplus as of its establishment date. In 2002, the stockholders resolved to increase ESFHC's capital by \$1,800,000 thousand through the issuance of stock dividends from capital surplus.

The capital surplus as of December 31, 2004 came from treasury stock and the issuance of shares in excess of par value. Capital surplus sources and uses were as follows:

Sources	
From subsidiaries	
Capital surplus (mainly paid-in capital in excess of par value)	\$ 413,733
Legal reserve	2,776,834
Special reserve	109,230
Unappropriated earnings	2,919,727
Proportionate share in the unrealized loss on long-term equity investments	( 23,399)
	<u>6,196,125</u>
Total capital stock of subsidiaries in excess of the Company's issuance	600,000
Balance on January 28, 2002	6,796,125
From ESSIT which became a 100% subsidiary of the Company in 2003 through a shareswap	
Legal reserve	4,350
Unappropriated earnings	7,861
	<u>6,808,336</u>
Corporate bonds payable converted into capital stock	
In 2003	9,005
In 2004	2,613,625
Treasury stock transaction recognized from subsidiaries	3,015,943
Transfer the shares to employees by subsidiary	483
Cash dividend from the Company received by subsidiaries	208,161
	<u>12,655,553</u>
Uses	
Bonus to directors, supervisors and employees of subsidiaries	( 156,458)
Issuance of the Company's stock dividends in 2002	( 1,800,000)
Offset of deficit in 2003	( 3,091,451)
	<u>\$ 7,607,644</u>

#### c.Appropriation of earnings and dividend policy

When ESFHC appropriates its earnings, legal reserve should be appropriated from the annual net income less any accumulated deficit. A special reserve may then be appropriated. Any remainder should be appropriated as follows:

- 1)96% as dividends
- 2)1% as remuneration to directors and supervisors
- 3)3% as bonus to employees.

Under ESFHC's Articles of Incorporation, the stockholders may decide not to declare any dividends or declare only a portion of distributable earnings as dividends.

Under ESFHC's dividend policy, the issuance of stock

dividends takes precedence over the payment of cash dividends to strengthen ESFHC's financial structure. This policy is also intended to improve the ESFHC's capital adequacy ratio and keep it at a level higher than the ratio set under relevant regulations. However, when dividends are declared, cash dividends must at least be 10% of total dividends declared, unless the resulting cash dividend per share falls below NT\$0.10.

Under the Company Law, legal reserve should be appropriated until the reserve equals ESFHC's paid-in capital. This reserve is used only to offset a deficit, or, when its balance reaches 50% of the aggregate par value of ESFHC's outstanding capital stock, up to 50% of the reserve may be distributed as stock dividends.

Under an SFB directive, a special reserve is appropriated from the balance of the retained earnings at an amount that is equal to the debit balance of accounts in the stockholders' equity section (such as unrealized loss on long-term equity investments and cumulative translation adjustments, except treasury stocks). 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.

The appropriation of retained earnings should be resolved by the stockholders in the following year and given effect to in the financial statements of the year.

On June 6, 2003, the stockholders of ESFHC resolved to offset a deficit of \$3,091,451 thousand against capital surplus.

On June 11, 2004, the stockholders of ESFHC resolved the appropriation of earnings in 2003, which were resolved by the ESFHC's board of directors on February 12, 2004, as follows:

Legal reserve		\$ 452,903
Special reserve		53,767
Dividend	- cash, \$1 per share	2,818,678
	- stock, \$0.3 per share	845,603
Bonus to directors and supervisors		38,170
Bonus to employees	- cash	26,781
	- stock	87,728

The dividend per share amount is calculated by 2,506,367 thousand shares issued by ESFHC and 312,311 thousand shares which were converted from all outstanding Euro convertible bonds as of December 31, 2003. The dividend per share amount will change if the holder of the convertible bonds does not convert the bonds into ESFHC's shares or the treasury stock for reissuance to employees was not transferred before ex-rights or ex-dividend date.

The actual dividend per share is \$1.0856 in cash and \$0.3257 in stock. The basic earnings per share in 2003 would have decreased from \$2.13 to \$2.08 had all the bonus been distributed to employees, directors and supervisors in cash and recognized as the current year expenses.

As of January 28, 2005, the date of the accompanying auditors' report, the ESFHC's board of directors had not resolved the appropriations of earnings in 2004. Information on the appropriation of earnings or deficit offsetting can be accessed through the Web site of the Taiwan Stock Exchange

(<http://mops.tse.com.tw>).

Under the integrated income tax system, certain stockholders are allowed tax credits for the income tax paid by ESFHC.

## 27. INCOME TAX

Under Article 49 of the Financial Holding Company Law, a financial holding company (FHC) can elect to file income tax returns with a 10% income tax on undistributed earnings for both itself and its domestic subsidiaries if the FHC held more than 90% of the subsidiaries' outstanding shares for the entire tax year. ESFHC is qualified in the regulations.

ESFHC and its subsidiaries started to file consolidated tax returns since 2003.

a. Income tax information was as follows:

	2004	2003
Income tax expense - current before tax credits	\$1,023,946	\$ 214,878
Net change in deferred income tax:		
Tax credits	10,440	(540)
Allowance for possible losses on loans and receivables	108,148	(74,840)
Unrealized foreign exchange gain	(19,513)	(6,842)
Reserve for losses on guarantees	849	(8,759)
Loss carryforwards	307,698	1,012,843
Pension	-	126
Net income or loss from equity-method investees	13	(4)
Organization costs	(1,335)	141
Loss on market value decline of securities purchased	-	2,385
Reserve for loss on breach of purchase commitment	(1,831)	(898)

	<u>2004</u>	<u>2003</u>
Reserves for losses on sale of bonds	3,593	(1,188)
Employees' benefit	1,530	(1,920)
Unrealized gain on derivative transactions	9,872	-
Loss on market value decline of foreclosed collaterals	(18,975)	-
Impairment loss of goodwill	(262,000)	-
Valuation allowance	(4,896)	5,617
Tax on unappropriated earnings (10%)	111,201	154,448
Tax effect on consolidated tax returns	(112,508)	(171,782)
Adjustment of prior year's tax	(11,180)	(407,719)
Income tax expense	<u>\$1,145,052</u>	<u>\$715,946</u>

b.A reconciliation of income tax expense - current before tax credits and income tax expense on income before income tax was shown below:

	<u>2004</u>	<u>2003</u>
Income tax expense on income before income tax at statutory rate (25%)	\$ 1,495,362	\$ 1,311,590
Permanent differences	(303,922)	(168,075)
Temporary differences	(167,494)	(928,637)
Income tax expense - current before tax credits	<u>\$ 1,023,946</u>	<u>\$ 214,878</u>

c.Net deferred income tax assets were as follows:

	<u>2004</u>	<u>2003</u>
Deferred income tax assets (liabilities)		
Reserve for losses on guarantees	\$ 50,371	\$ 51,220
Employees' benefit	4,216	5,746
Allowance for possible losses on loans and receivables	2,640	110,788
Tax credits	239	10,679
Loss carryforwards	16,396	324,094
Unrealized foreign exchange gain	(39,908)	(59,421)
Reserve for loss on breach of purchase commitment	3,254	1,422
Reserve for losses on sale of bonds	-	3,593
Net income or loss from equity-method investees	(9)	4
Organization costs	1,376	41
Unrealized gain on derivative transactions	(9,872)	-
Impairment loss of goodwill	262,000	-
Loss on market value decline of foreclosed collaterals	18,975	-
	<u>309,678</u>	<u>448,166</u>
Less valuation allowance	12,297	17,193
Net deferred income taxes assets	<u>\$ 297,381</u>	<u>\$ 430,973</u>

Loss carryforwards of E.Sun Securities as of December 31, 2004 are summarized below:

<u>Expiration</u>	<u>Amounts</u>
2005	7,005
2006	33,984
2007	24,597



## d. Imputed tax credit

	ESFHC	E.Sun Bank	E.Sun Bills	E.Sun Securities	ESIB
Balance of ICA					
December 31, 2004	\$ 373,286	\$ 6,451	\$ 7,365	\$ 2,745	\$ 20,932
December 31, 2003	91,317	141,565	62,804	14,561	-
Estimated creditable tax ratio for distributing the 2004 earnings	20.60%	0.14%	1.35%	17.04%	27.78%
Actual creditable tax ratio for distributing the 2003 earnings	2.64%	4.24%	6.34%	14.08%	-

The actual creditable tax ratio may differ from the estimated creditable tax ratio since such ratio is computed on the date the dividend is actually paid or distributed.

## e. The unappropriated earnings generated before January 1, 1998 were as follows:

	ESFHC	E.Sun Bank	E.Sun Bills	E.Sun Securities	ESIB
December 31, 2004 and 2003	\$ -	\$ -	\$ 91,777	\$ -	\$ -

f. For E.Sun Bank and E.Sun Securities, income tax returns through 2001, and for E.Sun Bills, income tax returns through 2000, had been examined by the tax authorities. For ESFHC and ESIB, the income tax returns have not been examined by the tax authorities.

g. For E.Sun Bank's income tax returns for 1994, 1995, 1997, 1998, 2000 and 2001, the tax authorities denied the creditability of 10% withholding tax on interest income on bonds pertaining to periods in which those bonds, totaling \$290,044 thousand, were held by other investors. In addition, the 1996 and 1999 income tax returns included a reduction of \$30,431 thousand in income tax obligations, which the tax authorities had already examined but could still deny. E.Sun Bank had accrued liabilities and written off assets that were related to the foregoing withholding taxes as part of income tax expense in 2001. In August 2002, the Supreme Administrative Court decided that the Taipei National Tax Administration should review again the withholding tax issue.

In 2003, the Taipei National Tax Administration decided to rebate 65% of the foregoing withholding taxes. E.Sun Bank accepted this decision and thus recognized a tax refund receivable of \$218,988 thousand for 1994 to 2001 and wrote off withholding taxes of \$10,711 thousand from its 2002 accounts. As of December 31, 2004, E.Sun Bank had received tax refund of \$25,430 thousand for 1995 and 1998 tax returns.

h. The tax authorities challenged E.Sun Bills' income tax refund claim of \$277,515 thousand (covering the period 1995 to 2000). The claim pertains to the tax withheld from interest income on bonds for the periods when other investors held those bonds. In light of this tax issue, E.Sun Bills might also face questioning by the tax authorities on the taxes of \$56,771 thousand withheld in 2001 and \$25,960 withheld in 2002 for bonds held under the same situation.

In view of the tax authorities' challenge, E.Sun Bills wrote off from its 2001 and 2002 accounts the related income tax refunds of \$334,286 thousand for 2001 and \$25,960 thousand for 2002, which had been recognized as assets in its accounts. However, in 2003 and 2002, the supreme court decided that the tax refund of \$219,305 thousand covering 1996 to 1999 be given to E.Sun Bills.

The tax authorities informed the Bills Finance Trade Association in the Republic of China of their intent to negotiate with each bills financing company for the return of 60% of tax credit from interest income for the period when other investors held those bonds in 2002 and earlier. Thus, on December 31, 2003, E.Sun Bills reversed the tax refund receivable of \$207,758 thousand covering 1995 to 2002. As of December 31, 2004, a tax refund of \$78,638 thousand had been recorded as receivables.

## i. The effective tax rates for 2004 and 2003 were 25%.

(Unit: Thousand Shares)

Reason for Redemption	Shares at Beginning of the Year	Share Increase During the Year	Share Decrease During the Year	Shares at End of the Year
<u>2004</u>				
Reissuance to employees-held by E.Sun Bank	40,000	-	40,000	-
Treasury stock previously classified by E.Sun Bank and E.Sun Securities as long-term investments	<u>334,629</u>	<u>6,248</u>	<u>340,877</u>	-
	<u>374,629</u>	<u>6,248</u>	<u>380,877</u>	-
<u>2003</u>				
Reissuance to employees-held by E.Sun Bank	40,000	-	-	40,000
Treasury Stock previously classified by E.Sun Bank and E.Sun securities as long-term investments	<u>309,849</u>	<u>24,780</u>	-	<u>334,629</u>
	<u>349,849</u>	<u>24,780</u>	-	<u>374,629</u>

On December 31, 2003, the market values of treasury stock pertaining to shares of ESFHC held by E.Sun Bank and E.Sun Securities as a result of the share swap were as follows:

Market values	<u>2003</u>
	<u>\$ 6,846,513</u>

Under the Financial Holding Company Law, when a financial institution (a subsidiary) holds the shares of a financial holding company (FHC) as a result of a share swap, those shares should be sold to the FHC or the subsidiary's employees or exchanged for other purposes - e.g., sold on the Taiwan Stock Exchange or over-the-counter exchange - within three years from the swap date. Otherwise, the shares will be regarded as the FHC's unissued capital, and the FHC may change the amount of its registered capital.

On August 26, 2004, E.Sun Bank reissued 40,000 thousand shares of ESFHC to employees.

On December 1, 2003, the board of directors of E.Sun Bank resolved to issue bonds for exchange with the underlying shares of ESFHC within the limit of 150,000 thousand shares under Article 31 of the Financial Holding Company Law. On January 23, 2004, E.Sun Bank issued three-year debenture exchangeable bonds amounting to \$2,696,100 thousand at 0% interest. As of June 14, 2004, all the exchangeable bond holders had exchanged bonds to ESFHC's common stock.

On February 12, 2004, the board of directors of E.Sun Bank resolved to authorize the chairman to dispose the shares of ESFHC within the limit of 184,449 thousand shares under Article 31 of the Financial Holding Company Law.

For E.Sun Bank's purpose of disposing ESFHC's shares amounting to 170,000 thousand shares, ESFHC issued 6,800 thousand units of Global Depositary Shares on September 27, 2004 (Please refer to Note 26).

On June 23, 2004, the board of directors of E.Sun Securities resolve to authorize the chairman to dispose ESFHC's stock as a

result of the share swap within the 8,850 thousand shares limit.

As of December 31, 2004, E.Sun Bank and E.Sun Securities have disposed all of the treasury stock.

Under the Securities and Exchange Law, ESFHC is not allowed to buy more than 10% of its issued and outstanding capital stock. In addition, ESFHC may not spend more than the sum of retained earnings and all realized capital surplus. Further, ESFHC can not pledge or hypothecate any purchased capital stock and exercise stockholders' rights before reissuance of the stocks.

ESFHC's capital stock held by subsidiaries is treated as treasury stock. However, the subsidiaries can not exercise stockholders' rights on the treasury stock if the shares had been bought by subsidiaries before ESFHC's establishment.

Except for the shares which had been bought by subsidiaries before ESFHC's establishment, the subsidiaries can only exercise the earnings distribution, and surplus capitalization rights.

Under SFB regulations, to maintain the stability of ESFHC's financial structure and protect stockholders, ESFHC appropriated a special reserve from retained earnings at an amount equal to the carrying value of the treasury stock held by subsidiaries in excess of the market value at balance sheet date. The special reserve may be reversed if the market value recovers. Since the market value of the treasury stock held by subsidiaries was higher than its carrying value as of December 31, 2003, the special reserve was not appropriated.

## 29. EARNINGS PER SHARE

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

	Amounts (Numerator)		Shares (Denominator IN Thousands)	Earnings Per Share(Dollar)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
<u>2004</u>					
Basic EPS	\$5,981,489	\$4,836,437	2,488,483	\$ 2.40	\$ 1.94
Effect of diluted common shares:					
Convertible bonds	(49,549)	(37,162)	201,922		
Diluted EPS	\$5,931,940	\$4,799,275	2,690,405	\$ 2.20	\$ 1.78
<u>2003</u>					
Basic EPS	\$5,244,975	\$4,529,029	2,123,299	\$ 2.47	\$ 2.13
Effect of diluted common shares:					
Convertible bonds	(105,005)	(105,005)	161,326		
Diluted EPS	\$5,139,970	\$4,424,024	2,284,625	\$ 2.25	\$ 1.94

The number of shares outstanding was retroactively adjusted to reflect the effects of the stock dividends distributed subsequently in 2004.

## 030. PENSION PLAN

The Company has pension plans for all regular employees. Upon retirement, an employee will receive the Company's contributions before Labor Standards Act (LSA), which were credited to his/her account, plus earnings thereof and an amount calculated on the basis of length of service after LSA effective date, and monthly average basic pay of the six months before retirement.

ESFHC makes monthly contributions, equal to 5.54% of salaries, to a pension fund. The fund is deposited in the Central Trust of China in the name of the workers' fund administration committee, which manages the fund.

E.Sun Bank and E.Sun Bills make monthly contributions, equal to 5.54% and 4.00%, respectively, of salaries, to a

pension fund. The fund is deposited in the Central Trust of China in the name of the workers' fund administration committee, which manages the fund. The difference between the foregoing contributions and the pension costs based on actuarial calculations for E.Sun Bank and E.Sun Bills is deposited in a financial institution in the name of the employees' pension fund administration committee.

E.Sun Securities makes monthly contributions, equal to 4% of salaries, to a pension fund. The fund is managed by the workers' fund administration committee and deposited in its name in the Central Trust of China.

Pension information is as follows:

a. Net pension cost

	ESFHC	E.Sun Bank		E.Sun Bills		E.Sun Securities		ESIB
	2004	2004	2003	2004	2003	2004	2003	2004
Service cost	\$ 192	\$ 99,172	\$ 69,429	\$ 4,545	\$ 4,086	\$ 6,561	\$ 4,787	\$ -
Interest cost	-	14,657	12,642	887	784	811	641	-
Actual return on plan assets	-	(76,712)	(199,363)	(431)	(628)	(106)	(68)	-
Amortization	-	53,868	183,714	(829)	(636)	758	878	-
	\$ 192	\$ 90,985	\$ 66,422	\$ 4,172	\$ 3,606	\$ 8,024	\$ 6,238	\$ -

b.Reconciliation of the plan funded to balance sheet amounts

	ESFHC	E.Sun Bank		E.Sun Bills		E.Sun Securities		ESIB
	2004	2004	2003	2004	2003	2004	2003	2004
Benefit obligation:								
Vested benefit obligation	\$ -	(\$ 15,734)	(\$ 13,983)	(\$ 5,020)	(\$ 5,312)	(\$ 6,123)	(\$ 5,524)	\$ -
Non-vested benefit obligation	(1,203)	(356,054)	(278,234)	(13,570)	(14,884)	(16,327)	(14,308)	(127)
Accumulated benefit obligation	(1,203)	(371,788)	(292,217)	(18,590)	(20,196)	(22,450)	(19,832)	(127)
Additional benefits based on future salaries	(1,324)	(254,242)	(196,354)	(10,162)	(9,358)	(7,537)	(7,204)	(180)
Projected benefit obligation	(2,527)	(626,030)	(488,571)	(28,752)	(29,554)	(29,987)	(27,036)	(307)
Fair value of plan assets	163	783,441	627,216	37,510	34,474	11,505	6,851	-
Funded status	(2,364)	157,411	138,645	8,758	4,920	(18,482)	(20,185)	(307)
Unrecognized net transitional assets or obligations	2,364	(23,304)	(24,404)	(3,242)	(3,399)	12,093	13,023	307
Unamortized net gains or losses	-	(138,104)	(115,941)	(2,326)	1,661	(918)	3,331	-
Additional minimum pension	(1,041)	-	-	-	-	(3,637)	(9,148)	(127)
Prepaid pension (accrued pension cost)	(\$ 1,041)	(\$ 3,997)	(\$ 1,700)	\$ 3,190	\$ 3,182	(\$ 10,944)	(\$ 12,979)	(\$ 127)

c.Vested benefits

	ESFHC	E.Sun Bank		E.Sun Bills		E.Sun Securities		ESIB
	2004	2004	2003	2004	2003	2004	2003	2004
	\$ -	(\$ 15,734)	(\$ 13,989)	(\$ 5,020)	(\$ 5,312)	(\$ 6,123)	(\$ 5,524)	\$ -

d.Actuarial assumptions

	ESFHC	E.Sun Bank		E.Sun Bills		E.Sun Securities		ESIB
	2004	2004	2003	2004	2003	2004	2003	2004
Discount rate	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Rate of increase in compensation	3.0%	3.0%	3.0%	3.0%	3.0%	2.5%	2.5%	3.0%
Expected long-term rate of return on plan assets	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

e.Summary of contributions and payment in the pension funds

	ESFHC	E.Sun Bank		E.Sun Bills		E.Sun Securities		ESIB
	2004	2004	2003	2004	2003	2004	2003	2004
Contributions	\$ 163	\$ 88,688	\$ 65,459	\$ 4,180	\$ 4,558	\$ 4,548	\$ 3,342	\$ -
Payment of benefits	\$ -	\$ 8,543	\$ 19,785	\$ 1,575	\$ -	\$ -	\$ -	\$ -

### 31. RELATED-PARTY TRANSACTIONS

In addition to those mentioned in other notes, the relationship with the Company and significant related party transactions were summarized as follows:

#### a. Related parties

Related Party	Relationship with the Company
E.Sun Foundation and E.Sun Volunteer & Social Welfare Foundation	One-third of the funds are donated by E.Sun Bank and E.Sun Bills
E.Sun Venture Capital Co., Ltd. ("ESVC"), E.Sun Securities Investment Trust Corp. ("ESSIT"), E.Sun Finance & Leasing Co., Ltd., E.Sun Insurance Agent Co., Ltd., Kao Li Real-Estate Management Corporation and E.Sun Securities Investment Consulting Co., Ltd. ("ESSIC")	Equity-method investees
E.Sun Technologies Co., Ltd. and E.Sun Capital Co., Ltd.	Equity-method investees of subsidiaries
Fu Bon Securities Finance Co. and Bank-Pro E-Service Technology Co., Ltd.	E.Sun Bank is a director of the Company
Globaltop Partner I Venture Capital Co.	ESVC is a supervisor of the Company
Others	ESFHC's and subsidiaries' chairman, president, directors, supervisors, general managers and their relatives

#### b. Significant transactions with related parties

##### 1) Loans, deposits and bonds

	Amount	% to Total	Interest Rate (%)	Revenue (Expense)
<b>2004</b>				
Loans	\$615,370	-	1.025-6.72	\$ 10,995
Deposits	\$690,611	-	0-8.5	(\$ 7,853)
Bonds	\$ -	-	-	(\$ 3,621)
<b>2003</b>				
Loans	\$514,181	-	1.10-7.02	\$ 10,308
Deposits	\$989,498	-	0-13	(\$ 116)
Bonds	\$100,000	1	4.2	(\$ 4,080)

The interest rates shown above are similar to, or approximate, those offered to third parties. However, the interest rates for deposits given to managers of E.Sun Bank are the same as the interest rates on a certain amount of savings deposits of employees.

Under the Banking Law, except for consumer loans and government loans, credits extended by E.Sun Bank to any related party should be 100% secured, and the terms of credits extended to related parties should be similar to those extended to third parties.

##### 2) Securities sold under agreements to repurchase

	Amount	% to Total	Accumulated Amount
<b>2004</b>			
Funds managed by ESSIT	\$ 607,666	1	\$ 21,660,397
ESSIT	\$ 69,900	-	\$ 938,648
<b>2003</b>			
Funds managed by ESSIT	\$ 602,065	19	\$ 14,491,866
ESSIT	\$ 48,885	2	\$ 538,159

## 3) Bills and bonds transactions

Purchased from:

Related Party	2004	2003
E.Sun Finance & Leasing Co., Ltd.	\$ -	\$ 953,581
Funds managed by ESSIT	\$ -	\$ 435,021

Sold to:

Related Party	2004	2003
ESSIT	\$ -	\$ 49,888

	2004	2003
4) Securities purchased (mutual funds) - funds managed by ESSIT	\$ 171,324	\$ 36,001

Related Party	2004	2003
E.Sun Volunteer & Social Welfare Foundation	\$ 35,943	\$ 18,000
E.Sun Foundation	\$ 20,000	\$ -

The purpose of the donation above is for education and social welfare charity.

Related Party	2004	2003
6) Other receivables (part of receivables)		
ESVC	\$ 1,940	\$ 748
ESSIT	\$ 21,802	\$ -

The Company started to file consolidated corporate tax returns since 2003. Any distribution of cash payments and receipts among the consolidated group members is recorded as receivables or payables.

## 7) Rent expenses

Related Party	Address	Contract Period	2004	2003
E.Sun Finance & Leasing Co., Ltd.	2F., No. 178, Fu-Xhin N. Road, Taipei, Taiwan	92.10.1-95.09.30	\$ 5,201	\$ 5,800

## 8) Rent revenue

Related Party	Address	Contract Period	2004	2003
ESSIC	5F., No. 77, Sec. 1 Wuchang St., Taipei, Taiwan	92.05.01-97.09.30	\$ 1,080	\$ 630
E.Sun Finance & Leasing Co., Ltd.	5F., No. 151, Sec. 3, Min Sheng E. Road, Taipei, Taiwan	93.07.01-98.05.31	\$ 760	\$ -

## 9) Brokerage service fee

Related Party	2004	2003
E.Sun Finance & Leasing Co., Ltd.	\$ -	\$ 46
Funds managed by ESSIT	\$ 2,044	\$ 5,189

10) E.Sun Securities signed an investment consulting service contract with ESSIC, and \$12,600 thousand was unpaid.  
 11) ESIB bought 324 thousand shares of E.Sun Insurance Agent Co., Ltd. from E.Sun Finance & Leasing Co., Ltd. in 2003. The purchase price was \$8,556 thousand, based on the net equity of E.Sun Insurance Agent Co., Ltd. on the transaction day.

The terms of the above transactions were similar to or approximated those made with third parties.

### 32. PLEDGED ASSETS

	2004	2003
Securities purchased (face value)	7,544,100	\$ 11,265,200
Receivables	600	-
Long-term bond investments (face value)	6,250,000	199,980
	<u>\$ 13,794,700</u>	<u>\$ 11,465,180</u>

As of December 31, 2004 and 2003, certain certificates of deposit and government bonds, aggregating face values of \$7,150,000 thousand and \$7,200,000 thousand, respectively, and included in the long-term bond investments and securities purchased account, had been provided as collaterals for day-term overdraft to comply with the Central Bank's clearing system requirement for Real-time Gross Settlement (RTGS). The unused overdraft amount at the end of the day may also be treated as liquidity reserve.

As of December 31, 2004 and 2003, the above-mentioned securities purchased amounting \$5,300,000 thousand and \$3,200,000 thousand, respectively, had been provided to International Commercial Bank of China and Chiao Tung Bank as collaterals for issuing corporate bonds. E.Sun Bank provided government bonds with face value of \$100,000 thousand as refundable execution deposits according to the contract (Note 45). Others securities were placed with courts of justice pursuant to various collection cases on overdue loans and secured potential obligations in its business.

### 33. CONTINGENCIES AND COMMITMENTS

In addition to those mentioned in other notes, the commitments as of December 31, 2004 were as follows:

#### a.E.Sun Bank

1)Renewable operating lease agreements on premises occupied by E.Sun Bank's branches, which will expire on various dates by 2010. Rentals are calculated on the basis of the leased areas and are payable monthly, quarterly or semiannually. Refundable deposits on these leases totaled \$732,955 thousand as of December 31, 2004. Minimum annual rentals for the next five years are as follows:

Year	Amount
2005	\$293,169
2006	245,277
2007	197,474
2008	144,838
2009	89,281

Total rentals to 2010 will aggregate \$3,907 thousand. The present value of these rentals is \$3,563 thousand, based on 1.55% annual interest.

2)Contracts to decorate a building and make various purchases to improve the various branch premises. Total contract amount was approximately \$71,084 thousand and unpaid balance on these contracts was approximately \$49,585 thousand.

#### b.E.Sun Bills

Commitments and contingent liabilities as of December 31, 2004:

##### 1)Arising in the ordinary course of business

Guarantees on commercial paper	\$ 17,567,400
Negotiable instruments underwritten	267,200
Buying fixed rate commercial paper	610,000

##### 2)Leases

E.Sun Bills leases certain properties under operating lease agreements expiring on various dates by 2009. The rentals are payable quarterly. Refundable deposits on these leases aggregated \$3,477 thousand as of December 31, 2004. Future minimum annual rentals are as follows:

Year	Amount
2005	\$ 9,943
2006	9,165
2007	9,165
2008	9,165
2009	3,813

c.E.Sun Securities

1)E.Sun Securities leases certain properties under operating lease agreements expiring on various dates. Future minimum annual rentals are as follows:

Year	Amount
2005	\$ 20,173
2006	13,856
2007	8,293
2008	2,351
2009	450

2)E.Sun Securities entered into agreements to acquire fixed assets. As of December 31, 2004, the related contracts are summarized as follows:

	Contract Amount	Paid Amount	Unpaid Balance
Office equipment	\$6,021	\$4,941	\$1,080
Lease improvement	1,748	948	800

d.E.Sun Securities Investment Trust Corp.

1)ESSIT leases certain properties under operating lease agreements expiring on various dates. The unpaid amount under agreements is approximately \$378 thousand.

2)ESSIT entered into internet service agreements with E.Sun Technology Co., Ltd. The unpaid amount under agreements is approximately \$600 thousand.

e.E.Sun Insurance Broker Co., Ltd.

ESIB entered into insurance agent contracts with various insurance companies. The contracts are summarized as follows:

Insurance Company	Contract Date	Commission Received	Contract Period
Newa Insurance	2004.01.02	Billed and received according to contract terms	Effectively starts on contract date. The term is one year after the contract date. The contract may be preterminated if a party provides a written notice of termination 30 days before the contract expiry.
Prudential Insurance	2004.02.02	Billed and received according to contract terms	Same as the above.

### 34.PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2004	2003
Personnel expenses		
Salaries	\$ 2,138,412	\$ 1,662,248
Insurance	146,218	112,985
Pension	103,373	76,266
Other	179,849	111,470
Depreciation expenses	455,471	357,246
Amortization expenses	439,683	47,262

### 35.CAPITAL ADEQUACY RATIO

Under the Financial Holding Company Law and related regulations, ESFHC should maintain a consolidated capital adequacy ratio (CAR) of at least 100%. If the ratio falls below 100%, the appropriation of earnings as cash dividends or others assets will be restricted, and the authorities may discipline ESFHC, depending on the situation. The consolidated CARs of ESFHC were 120.84% and 113.47% as of December 31, 2004 and 2003, respectively.

The Banking Law and related regulations require that E.Sun Bank maintain both non-consolidated and consolidated CARs at a minimum of 8% each. If E.Sun Bank's CAR falls below 8%, the authorities may impose certain restrictions on the amount of cash dividends that E.Sun Bank may declare or, in certain conditions, totally prohibit E.Sun Bank from declaring cash dividends. As of December 31, 2004 and 2003, the non-consolidated CARs of E.Sun Bank were 11.51% and 9.97%, respectively and the consolidated CARs of the E.Sun Bank were 11.52% and 9.99%, respectively.

Under the law governing bills finance companies and related regulations, E.Sun Bills should maintain a CAR of at least 8%. If the CAR falls below 8%, the authorities might subject E.Sun Bills' earnings appropriations to certain restrictions. The CARs of E.Sun Bills were 15.39% and 14.90% as of December 31, 2004 and 2003.

Under the rules governing securities firms and related regulations, the CAR of a securities firm should be at least 200% to ensure its stability as well as maintain the health of the security markets. If the ratio is below 200%, the authorities may impose certain restrictions on a firm's operations. The CARs of E.Sun Securities were 835.20% and 607.39% as of December 31, 2004 and 2003, respectively.



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

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

a.E.Sun Bank

	2004		2003	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Cash and cash equivalents - due from banks	\$3,293,861	1.11	\$2,727,363	0.69
Due from the Central Bank of China and banks	15,272,565	1.55	17,619,784	1.52
Securities purchased	51,367,824	1.39	49,426,109	2.44
Securities purchased under agreements to resell	2,510,687	0.81	-	-
Receivables of credit cards	25,418,504	14.31	19,356,279	14.87
Bills, discount and loans	240,121,560	3.40	180,280,515	3.96
Long-term bond investments	6,384,168	2.08	1,646,479	3.11
Other long-term investments	1,823,816	1.69	-	-
<u>Interest-bearing liabilities</u>				
Securities sold under agreements to repurchase	11,414,941	0.80	-	-
Due to banks	26,677,506	1.31	28,357,388	1.16
Demand	31,711,638	0.18	23,076,362	0.26
Savings - demand	70,520,794	0.54	52,851,142	0.69
Time	81,163,817	1.26	68,817,865	1.53
Savings - time	82,407,110	1.45	78,478,447	1.87
Negotiable certificates of deposit	13,267,152	1.03	3,077,525	1.13
Bonds	23,660,073	1.86	11,045,479	3.21

2)E.Sun Bills

	2004		2003	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from banks	\$3,956,786	1.39	\$4,652,241	1.60
Call loan to banks	225,929	1.90	212,411	2.36
Operating securities - bills	31,855,360	1.18	9,102,478	2.12
Operating securities - bonds	21,699,696	4.05	648,817	4.35
Bills purchased under agreements to resell	54,768	0.99	-	-
Bonds purchased under agreements to resell	1,326,338	0.83	-	-
Other financial assets - noncurrent	180,328	2.89	-	-
Long-term bond investments	1,744,093	4.05	1,412,967	4.52
<u>Interest-bearing liabilities</u>				
Call loan from banks	7,357,139	1.01	9,787,636	1.06
Commercial paper issued	303,825	0.85	530,137	0.79
Bills sold under agreements to repurchase	21,749,488	1.04	-	-
Bonds sold under agreements to repurchase	21,988,975	0.87	-	-
Corporate bonds payable	4,726,776	3.59	82,192	3.50

### 37. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The maturity of the Company's assets and liabilities is based on the remaining period from balance sheet dates. The remaining period to maturity is based on maturity dates specified under related agreements and, if there are no specified maturity dates, on the expected dates of collection.

December 31, 2004				
	Due in One Year	Due after One Year Up to Seven Years	Due After Seven Years	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 12,677,385	\$ -	\$ -	\$ 12,677,385
Due from the Central Bank of China and banks	27,851,867	-	-	27,851,867
Securities purchased	106,692,947	-	-	106,692,947
Receivables	33,533,827	-	-	33,533,827
Securities purchased under agreements to resell	6,433,954	-	-	6,433,954
Bills, discounts and loans	79,445,646	51,294,233	146,431,404	277,171,283
Long-term bond investments	-	-	8,466,314	8,466,314
Other long-term investments	-	3,932,339	-	3,932,339
	<u>\$ 266,635,626</u>	<u>\$ 55,226,572</u>	<u>\$ 154,897,718</u>	<u>\$ 476,759,916</u>
<b>Liabilities</b>				
Short-term debts	\$100,000	\$ -	\$ -	\$ 100,000
Commercial paper issued	419,551	-	-	419,551
Securities sold under agreements to repurchase	54,213,579	-	-	54,213,579
Due to banks	26,518,711	-	-	26,518,711
Payables	6,886,405	-	-	6,886,405
Deposits and remittances	318,654,227	11,041,251	-	329,695,478
Bonds	400,000	29,200,000	-	29,600,000
	-	5,000,000	-	5,000,000
Corporate bonds payable	838,000	400,000	-	1,238,000
Long-term debts	<u>\$ 408,030,473</u>	<u>\$ 45,641,251</u>	<u>\$ -</u>	<u>\$ 453,671,724</u>

December 31, 2003				
	Due in One Year	Due after One Year Up to Seven Years	Due After Seven Years	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 11,560,026	\$ -	\$ -	\$ 11,560,026
Due from the Central Bank of China and banks	16,028,370	-	-	16,028,370
Securities purchased	57,327,530	-	-	57,327,530
Receivables	27,467,033	-	-	27,467,033
Securities purchased under agreements to resell	787,347	-	-	787,347
Bills, discounts and loans	63,956,107	47,204,336	90,079,613	201,240,056
Long-term bond investments	-	2,525,499	5,774,733	8,300,232
	<u>\$ 177,126,413</u>	<u>\$ 49,729,835</u>	<u>\$ 95,854,346</u>	<u>\$ 322,710,594</u>
<b>Liabilities</b>				
Short-term debts	\$ 100,000	\$ -	\$ -	\$ 100,000
Commercial paper issued	1,467,956	-	-	1,467,956
Securities sold under agreements to repurchase	3,114,802	-	-	3,114,802
Due to banks	29,284,199	-	-	29,284,199
Payables	5,578,463	-	-	5,578,463
Deposits and remittances	241,716,006	-	-	241,716,006
Bonds	-	14,840,000	-	14,840,000
Corporate bonds payable	6,039,745	3,000,000	-	9,039,745
Long-term debts	291,000	888,000	-	1,179,000
	<u>\$ 287,592,171</u>	<u>\$ 18,728,000</u>	<u>\$ -</u>	<u>\$ 306,320,171</u>

### 38. FINANCIAL INSTRUMENTS

#### a. Derivative financial instruments

##### 1) E.Sun Financial Holding Co., Ltd.

ESFHC uses forward exchange to hedge the exchange rate exposure related to its foreign assets and liabilities.

The net exchange gains on the forward exchange contracts in 2004 was \$212,096 thousand.

##### 2) E.Sun Bank

E.Sun Bank uses forward exchange, foreign-currency swap, interest rate swap, cross-currency swap, foreign-currency margin and foreign-currency option contracts as hedge instruments for foreign-currency and interest rate exposures primarily related to its clients' import obligations and export receipts and remittances. It also uses these contracts to cover its own exposures. Furthermore, E.Sun Bank uses cross-currency swap, interest rate swap, asset swap and credit default swap contracts to hedge its exchange rate, interest rate exposures and credit risk of bond issuer.

Credit risk represents the exposure of E.Sun Bank to potential losses due to defaults by counter-parties. To manage this risk, E.Sun Bank reviews the credit history and credit rating of individual customers before entering into any derivative contracts with customers. The general terms of acceptable arrangement (including maximum limits on contractual amounts and, if necessary, required guarantees) are approved by E.Sun Bank on the basis of the results of the reviews. The transactions are carried out within the approved terms and limits. The acceptability of doing business with another bank is evaluated on the basis of its world ranking and credit rating. The evaluation also covers determining the limits on contractual amounts with respect to the bank counter-parties, and the transactions are made within this limit.

The contract (notional) amounts, credit risks, and fair values of derivative transactions were as follows:

	2004			2003		
	Contract (Notional) Amount	Credit Risk	Fair Value	Contract (Notional) Amount	Credit Risk	Fair Value
<b>Trading purposes</b>						
Forward exchange contracts	\$9,750,002	\$90,833	(\$34,974)	\$1,583,647	\$6,647	\$261
Foreign-currency swap contracts	6,037,084	8,115	5,182	14,319,423	8,776	150
Interest rate swap contracts	3,424,200	15,182	3,010	10,000,000	169,735	(9,704)
Cross-currency swap contracts	5,321,177	270,825	222,495	-	-	-
Foreign-currency option contracts						
Buy	25,631,023	534,367	534,367	1,533,956	58,228	58,745
Sell	24,361,892	-	(563,393)	1,533,956	-	(58,745)
<b>Nontrading purposes</b>						
Asset swap contracts	8,894,881	463,428	260,784	7,653,800	20,547	(113,269)
Cross-currency swap contracts	6,159,825	246,415	210,230	5,500,044	52,705	31,109
Interest rate swap contracts	19,300,000	389,273	(140,533)	5,000,000	151,337	151,337
Credit default swap contracts	317,680	266	144	-	-	-

E.Sun Bank calculates the fair value of each forward contract at the forward rate for the remaining term, quoted from Reuters or the Telerate Information System.

The contract (notional) amount is used to calculate the amounts for settlement with the counter-parties, so it is neither the actual amount delivered nor the cash requirement for E.Sun Bank. Also, E.Sun Bank has ability to enter into derivative financial contracts at reasonable market terms. Thus, E.Sun

Bank does not expect significant cash flow requirements to settle these contracts.

The gains and losses on the derivative transactions for the years ended December 31, 2004 and 2003, were as follows:

	2004	2003
Forward exchange contracts (under "foreign exchange gain, net")	\$402,842	\$116,973
Foreign-currency swap contracts		
Interest revenue	\$72,906	\$46,476
Interest expense	(9,246)	(13,195)
	\$63,660	\$33,281
Asset swap contracts (under "interest revenue")	\$24,703	\$3,609
Cross-currency swap contracts		
Gains on derivative transactions	\$ -	\$92,905
Interest revenue	172,305	92,747
Interest expense	(160,126)	(76,571)
	\$12,179	\$109,081
Interest rate swap contracts		
Gains on derivative transactions	\$244,091	\$217,396
Loss on derivative transactions	(725)	-
Interest expenses reduction	207,962	102,688
	\$451,328	\$320,084
Foreign-currency margin contracts (under "foreign exchange gain, net")	\$119,523	\$103,792
Foreign-currency option contracts		
Gains on derivative transactions	\$1,031,511	\$41,209
Loss on derivative transactions	(921,417)	(36,906)
	\$110,094	\$4,303

### 3)E.Sun Bills

E.Sun Bills used interest rate swaps as hedge interest rates exposures primarily to its issuance of corporate bonds.

Credit risk is the exposure to loss on any counter-party's default on contracts. To manage this risk, E.Sun Bills enters into derivative transactions only with known international

financial institutions among the top 500 listed in "The Banker" magazine or rated as "A" in the S&P (Standard & Poor) classification or "A3" in Moody's. Thus, E.Sun Bills' credit risk is minimal.

The contract (notional) amounts, credit risks, and fair value of derivative transactions were as follows:

	2004			2003		
	Contract (Notional)			Contract (Notional)		
	Amount	Credit Risk	Fair Value	Amount	Credit Risk	Fair Value
Nontrading Purposes						
Interest rate swap contracts	\$5,000,000	\$24,016	\$24,016	\$3,000,000	\$28,982	\$28,982

E.Sun Bills calculates the fair value of each contract at the interest rate shown on TWD-T6165 from the Telerate Information System.

The contract (notional) amount is used to calculate the amount of settlement with a counter-party, so it is neither the amount to be actually delivered to nor it is the cash required

from E.Sun Bills. Also, for corporate bonds issued, E.Sun Bills will hold the contracts to maturity to hedge the related interest rate fluctuations. Thus, E.Sun Bills does not expect significant cash flow requirements to settle these instruments.

The gain and losses on the derivative transactions were as follows:

	2004	2003
Interest rate swap contracts		
Interest income	\$169,455	\$2,877
Interest expense	(37,853)	(275)
	\$131,602	\$2,602

#### 4)E.Sun Securities

The E.Sun Securities' purpose of issuing derivative financial instruments is to generate reasonable profit by controlling the risk within a tolerable limit. As premium from the stock warrants issued by E.Sun Securities were all received, there is no credit risk.

E.Sun Securities is in a short position for the stock warrants issued, which is in reverse to the investors' position. As the investors may exercise their option rights before expiration of the contracts because of the fluctuations in the underlying securities' fair values, E.Sun Securities' position is expected to be exposed to market risk. To reduce the uncertainty, E.Sun Securities mainly adopts delta and vega risk hedging strategies which are summarized below.

##### a)Delta risk hedging strategy

The hedge instruments are mainly the underlying securities.

The dynamic hedging method is adopted by referring to the delta risk value calculated using E.Sun Securities' risk model.

##### b)Vega risk hedging strategy

The hedge instruments are mainly the warrants listed in the domestic market with the same underlying securities. The strategy adopted in vega hedge is primarily through buying the significantly under priced stock warrants with the same underlying securities, of which the price volatility will partly offset the price volatility of the stock warrants issued by E.Sun Securities.

Future cash flows refer to the cash inflows or outflows resulting from the settlements of stock warrants by cash or securities when the warrants are exercised. The amount and timing of future cash flows depend on the amount and timing of the stock warrants exercised.

Please refer the related information to Note 19.

#### b.Fair value of nonderivative financial instruments

	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Assets</b>				
Assets with fair value the same as carrying value	\$ 355,464,436	\$ 355,464,436	\$ 254,688,105	\$ 254,688,105
Securities purchased	106,673,130	107,384,294	57,302,118	57,400,046
Long-term investments	14,738,019	14,615,590	10,572,759	10,086,523
Operating deposits	267,612	285,739	307,197	323,703
<b>Liabilities</b>				
Liabilities with fair value the same as carrying value	448,214,559	448,214,559	297,524,562	297,524,564
Corporate bonds payable	5,000,000	5,060,000	9,080,764	9,797,310

Methods and assumptions used in estimating the fair value of nonderivative financial instruments were as follows:

1)The carrying values of cash and cash equivalents, due from the Central Bank of China and banks, receivables, securities sold (purchased) under agreements to repurchase (resell), refundable deposits, settlement fund, due to banks, payables and remittances approximate fair values because of the short maturity of these instruments. The carrying value of other liabilities also approximate the expected cash inflows or outflows at settlement dates; thus, the carrying value also approximates fair value.

2)If market prices for securities purchased, long-term investments and operating deposits are available, the fair value of these financial instruments should be based on the market

price. Otherwise, carrying value represents current fair value.

3)Bills, discounts and loans, deposits, bonds, short-term debts, commercial paper issued and long-term debts are interest-bearing financial assets and liabilities. Thus, their carrying value is deemed to represents current fair value.

4)If market prices for corporate bonds payable are available, the fair value of these financial instruments should be based on the market price. Otherwise, carrying values represent current fair values because corporate bonds payable are interest-bearing financial liabilities.

Only the fair values of financial instruments were listed above, thus, the total of the fair values listed does not represent the fair value of the Company.

### 39. CONDENSED FINANCIAL STATEMENTS OF SUBSIDIARIES

#### E.Sun Commercial Bank, Ltd. Condensed Balance Sheets

December 31, 2004 and 2003 (In Thousands of New Taiwan Dollars)

Assets	2004	2003	Liabilities and Stockholders' Equity	2004	2003
Cash and cash equivalents	\$ 7,899,575	\$6,886,834	Liabilities		
Due from the Central Bank of China and banks	27,671,867	15,868,370	Securities sold under agreements to repurchase	\$ 10,676,519	\$ -
Securities purchased	54,815,405	42,870,451	Due to banks	21,568,711	21,664,199
Receivables, net	30,520,884	24,915,454	Payables	6,464,381	5,287,111
Securities purchased under agreements to resell	5,569,238	-	Advance	589,965	175,034
Prepaid expenses	307,262	45,269	Deposits and remittances	330,971,515	247,016,471
Bills, discounts and loans, net	275,359,584	199,070,296	Bonds	29,600,000	15,000,000
Long-term investments	11,624,627	10,512,806	Other	805,196	545,647
Net properties	8,991,839	9,395,216	Total liabilities	400,676,287	289,688,462
Goodwill	4,661,587	-	Stockholders' equity		
Other assets, net	5,899,032	1,433,136	Capital stock	20,175,000	18,175,000
Total	\$ 433,320,900	\$310,997,832	Capital surplus	4,233,985	233,502
			Retained earnings	8,359,984	3,396,261
			Unrealized loss on long-term equity investments	(111,204)	-
			Cumulative translation adjustments	(13,152)	2,624
			Treasury stock	-	(498,017)
			Total stockholders' equity	32,644,613	21,309,370
			Total	\$ 433,320,900	\$ 310,997,832

#### E.Sun Bills Finance Corp. Condensed Balance Sheets

December 31, 2004 and 2003 (In Thousands of New Taiwan Dollars)

Assets	2004	2003	Liabilities and Stockholders' Equity	2004	2003
Cash	\$5,485,154	\$3,869,343	Liabilities		
Call loans to banks	180,000	200,000	Commercial paper issued	\$ -	\$ 798,837
Operating securities, net	49,548,257	9,940,333	Securities sold under agreements to repurchase	42,267,206	-
Other short-term investments	100,000	290,000	Bank loans	4,950,000	7,620,000
Receivables	706,075	561,532	Payables	138,418	129,132
Securities purchased under agreements to resell	645,000	-	Total current liabilities	47,355,624	8,547,969
Other current assets	5,251	6,886	Corporate bonds payable	5,000,000	3,000,000
Total current assets	56,669,737	14,868,094	Reserve for losses on guarantees	323,124	431,123
Long-term bond investments	1,257,510	2,685,499	Reserve for losses on sale of bonds	99,793	96,476
Other financial assets - noncurrent	300,000	-	Total liabilities	52,778,541	12,075,568
Net properties	97,644	96,758	Stockholders' equity		
Other assets	425,182	424,071	Capital stock	4,265,000	4,265,000
Total	\$58,750,073	\$18,074,422	Capital surplus	87,500	87,500
			Retained earnings	1,619,032	1,646,354
			Total stockholders' equity	5,971,532	5,998,854
			Total	\$58,750,073	\$18,074,422

**E.Sun Securities Corp.**  
**Condensed Balance Sheets**

December 31, 2004 and 2003 (In Thousands of New Taiwan Dollars)

Assets	2004	2003	Liabilities and Stockholders'	2004	2003
			Equity		
Current assets	\$4,963,325	\$6,243,191	Liabilities		
Long-term investments	72,675	163,022	Current liability	\$2,688,938	\$4,028,061
Net properties	368,758	368,642	Other	27,105	36,184
Intangible assets	3,637	9,148	Securities brokerage accounts,	-	10,601
Other assets	480,617	486,012	net		
Securities brokerage accounts,	12,365	-	Total liabilities	2,716,043	4,074,846
net			Stockholders' equity		
			Capital stock	3,060,000	3,060,000
			Retained earnings	125,334	135,169
			Total stockholders' equity	3,185,334	3,195,169
Total	<u>\$5,901,377</u>	<u>\$7,270,015</u>	Total	<u>\$5,901,377</u>	<u>\$7,270,015</u>

**E.Sun Insurance Broker Co., Ltd.**  
**Condensed Balance Sheet**

December 31, 2004 and 2003 (In Thousands of New Taiwan Dollars)

Assets	2004	2003	Liabilities and Stockholders'	2004	2003
			Equity		
Current assets	\$160,987	\$81,881	Liabilities		
Long-term investments	4,568	8,537	Current liability	\$22,324	\$21,689
Intangible assets	127	-	Other	136	-
Other assets	-	4	Total liabilities	22,460	21,689
			Stockholders' equity		
			Capital stock	62,000	10,000
			Retained earnings	81,222	58,733
			Total stockholders' equity	143,222	68,733
Total	<u>\$165,682</u>	<u>\$90,422</u>	Total	<u>\$165,682</u>	<u>\$90,422</u>

b. Condensed income statements

**E.Sun Commercial Bank, Ltd.**  
**Condensed Income Statements**

Years Ended December 31, 2004 and 2003 (In Thousands of New Taiwan Dollars)

Item	2004	2003
Operating revenues and gains	\$21,201,638	\$13,898,432
Operating cost	5,557,143	5,334,985
Gross profit	15,644,495	8,563,447
Operating expenses	6,101,229	4,354,843
Operating income	9,543,266	4,208,604
Nonoperating income and gains	47,254	29,134
Nonoperating expense and loss	1,218,764	47,059
Income before income tax	\$8,371,756	\$4,190,679
Net income	\$7,283,936	\$3,396,261
Earnings per share - before income tax	\$4.59	\$2.31
Earnings per share - after income tax	\$3.99	\$1.87

E.Sun Bills Finance Corp.  
Condensed Income Statements

Years Ended December 31, 2004 and 2003(In Thousands of New Taiwan Dollars)

Item	2004	2003
Operating income	\$1,409,368	\$1,149,528
Operating expenses	645,921	277,827
Income before income tax	\$763,447	\$871,701
Net income	\$611,393	\$966,177
Earnings per share - before income tax	\$1.79	\$2.04
Earnings per share - after income tax	\$1.43	\$2.27

VE.Sun Securities Corp.  
Condensed Income Statements

Years Ended December 31, 2004 and 2003(In Thousands of New Taiwan Dollars)

Item	2004	2003
Operating income	\$688,407	\$494,309
Operating expenses	638,983	399,412
Income before income tax	\$49,424	\$94,897
Net income	\$55,971	\$98,246
Earnings per share - before income tax	\$0.16	\$0.31
Earnings per share - after income tax	\$0.18	\$0.32

E.Sun Insurance Broker Co., Ltd.  
Condensed Income Statement

Years Ended December 31, 2004 and 2003(In Thousands of New Taiwan Dollars)

Item	2004	2003
Operating income	\$122,256	\$80,191
Operating expenses	22,781	1,877
Nonoperating revenue and expense	142	(10)
Income before income tax	\$99,617	\$78,304
Net income	\$74,619	\$58,733



#### 40.ALLOCATION OF REVENUE, COST AND EXPENSE RESULTING FROM INTERCOMPANY SHARING OF RESOURCES

Under cooperation arrangements, E.Sun Bank and E.Sun Securities shared some equipment and operating sites; thus, related expenses were apportioned as follows:

2004	E.Sun Bank	E.Sun Securities	Total	Apportionment Method
Rental expense	\$4,738	\$3,879	\$8,617	E.Sun Bank: 2/3; E.Sun Securities: 1/3. Nevertheless E.Sun Bank Chiayi Branch: 1/3; E.Sun Securities: 2/3.
Broadcasting and security systems	36	36	72	50% each
Networking, monitoring and telephone systems	-	282	282	Based on actual number of equipment used.
Others	1,354	2,634	3,988	Signboard, telephone and miscellaneous expenses - based on actual occurrence. Insurance and cleaning expenses - 50% each. Utilities - based on the actual number of employees. Building maintenance expenses - based on space actually occupied.
	<u>\$6,128</u>	<u>\$6,831</u>	<u>\$12,959</u>	
2003				
Rental expense	\$4,400	\$2,200	\$6,600	E.Sun Bank: 2/3; E.Sun Securities: 1/3.
Fixture	4,346	3,369	7,715	Based on area actually occupied.
Broadcasting and security systems	4,494	4,494	8,988	50% each.
Networking, monitoring and telephone systems	-	1,142	1,142	Based on actual number of equipment used.
Others	1,359	2,615	3,974	Signboard, telephone and miscellaneous expenses - based on actual occurrence. Insurance and cleaning expenses - 50% each. Utilities - based on the actual number of employees. Building maintenance expenses - based on space actually occupied.
	<u>\$14,599</u>	<u>\$13,820</u>	<u>\$28,419</u>	

Under cooperation arrangements, E.Sun Bank and E.Sun Bills shared some equipment and operating site since 2004; thus, related expense were apportioned as follows:

2004	E.Sun Bank	E.Sun Securities	Total	Apportionment Method
Rental expense	\$1,432	\$836	\$2,268	Based on space actually occupied
	3,153	1,881	5,034	Based on space actually occupied
	749	666	1,415	Broadcast and network - based on actual number of equipment used. Security system - E.Sun Bank, E.Sun Bills and E.Sun Capital Co., Ltd. 1/3 each.
Broadcasting and security systems				
Networking, monitoring and telephone systems				
Others	298	251	549	Signboard, telephone and miscellaneous expenses - based on actual occurrence. Insurance and cleaning expenses - 50% each Utilities - based on the actual number of employees. Building maintenance expenses - based on space actually occupied.
	<u>\$5,632</u>	<u>\$3,634</u>	<u>\$9,266</u>	

Under cooperation arrangements, E.Sun Bank and E.Sun Insurance Broker Co., Ltd. ("ESIB") shared some equipment and operating site, personnel, internet service system and provide cross-selling financial services in 2004. The revenue earned by E.Sun Bank is based on 10% of the gross revenue derived from the insurance companies' products sold by E.Sun Bank. ESIB should pay E.Sun Bank \$12,996 thousand for 2004 and the unpaid amount was \$2,738 thousand.

E.Sun Bank received \$16,110 thousand and \$2,083 thousand of cross-selling revenues from E.Sun Securities and ESSIT in 2004, respectively.

#### 41.SUBSIDIARIES' ASSET QUALITY, MANAGEMENT INFORMATION, PROFITABILITY, LIQUIDITY AND SENSITIVITY TO MARKET RISK

##### a.Asset quality

##### 1)E.Sun Bank

Items	December 31, 2004	December 31, 2003
Non performing loans (overdue loans included)	2,438,734	2,381,188
Overdue loans	1,829,381	1,677,190
Non performing loans ratio	0.88%	1.18%
Surveillance loans	787,924	821,022
Surveillance loans/Total loan	0.28%	0.41%
Allowance for possible losses on loans and receivables	1,811,699	2,169,760

Note 1:Non performing loans represent the amounts of reported non performing loans, as required by the Ministry of Finance (MOF) rulings dated February 16, 1994 (Ref. No. Tai-Tsai-Zong-832292834) and December 1, 1997 (Ref. No. Tai-Tsai-Zong-86656564)

Note 2:Non performing loans ratio = Non performing loans (including overdue loans)/(Outstanding loan balances + Overdue loans)

Note 3:Surveillance loans

a)Midterm and long-term loans repayable in installments, with repayments overdue for more than three months but less than six months.

b)Other loans, with principal repayments overdue by less than three months and interest overdue by more than three months but less than six months.

c)Non performing loans exempted from reporting (including rescheduled loans which repayment terms meeting the criteria under relevant regulations; non performing loans which are to be repaid through a credit insurance fund and settlement fund; non performing loans with the same amount of certificates of time deposits as collaterals; and loans extended under other approved exemption programs).

d)Loans of companies experiencing financial difficulty enterprise loans do not qualify as overdue loans.

##### 2)E.Sun Bills

Items	December 31, 2004	December 31, 2003
Non performing loans	-	-
Overdue loans	-	-
Non performing loans/Total loan	-	-
Allowance for possible losses on loans and receivables	323,124	431,123

##### b.Management information

##### 1)Concentration of credit risk

##### E.Sun Bank

Items	December 31, 2004		December 31, 2003	
Credit to interested party	5,171,371		3,981,127	
Credit to interested party/Total credit	1.84%		1.92%	
Credit with stock pledged/Total credit	0.40%		1.02%	
Loan concentration by industry	Type of Industry	%	Type of Industry	%
	a.Manufacturing	15	a.Manufacturing	16
	b.Finance, insurance and real estate	10	b.Finance, insurance and real estate	12
	c.Wholesale, retail and catering	6	c.Wholesale, retail and catering	6

Note:a)Total credits includes bills, discounts and loans (including import and export negotiations), acceptances and guarantees.

b)Ratios of credit extensions to interested parties: Credit to interested parties ÷ Total credit.

c)Ratios of credit extensions secured by pledged stocks: Credit with stocks pledged ÷ Total credit

d)The calculation of amounts of credit extensions to interested parties should be based on the Banking Law provisions.

## E.Sun Bills

Items	December 31, 2004		December 31, 2003	
Credit to interested party	179,000		375,000	
Credit to interested party/Total credit	1.02%		2.04%	
Credit with stock pledged/Total credit	18.80%		9.60%	
Loan concentration by industry	Type of Industry	%	Type of Industry	%
	Finance and insurance	38	Finance and insurance	38
	Manufacturing	38	Manufacturing	38
	Wholesale, retail and catering	8	Wholesale, retail and catering	8

Note:a)Ratios of credit extensions to interested parties: Credit to interested parties ÷ Total credit.

b)Ratios of credit extensions secured by pledged stocks: Credit with stocks pledged ÷ Total credit

c)Total credits include guarantees, endorsed check and non performing loans.

2)Accounting policies on allowances for losses on loans, overdue loans, and securities purchased:

## E.Sun Bank

a)Allowances for possible losses and reserve for losses on guarantees:

E.Sun Bank makes provisions for bad debts and losses on guarantees based on the evaluation of specific risks and general risks on the collectibility of loans, overdue loans, bills, discounts, receivables, guarantees and acceptances. Allowances for specific-risk debts are evaluated internally for their collaterals, collectibility and customers' overall credit.

Under guidelines from the Ministry of Finance, E.Sun Bank should make full provisions for credits deemed uncollectible. Provisions for credits with high uncollectibility should be at least 50% of the credits. In addition, credits deemed uncollectible may be written off subject to a resolution issued by the Board of Directors.

b)Allowances for possible losses on investments

## i.Securities purchased

Securities purchased are carried at cost less allowance for decline in value. The allowance is reversed when the market value recovers, with the reversal recognized as income.

## ii.Long-term equity investments

Investments in stocks with no quoted market price are accounted for at cost. The carrying amount of the investment is reduced to reflect an other than temporary decline in the value of the investments, with the related losses charged to current income. Investment in stock with quoted market price is stated at the lower of aggregate cost or market. The reduction of an investment cost to reflect a lower market value and its write-up due to the subsequent recovery in market value are charged and credited, respectively, to stockholders' equity. Cash dividends received from a year after investment acquisition are recorded as investment income. Foreign-currency investments are recorded in New Taiwan dollars at the rate of exchange in effect when the

transactions occur. At year-end, the balances of these investments are restated at year-end exchange rates. If the restated amounts are lower than cost, the differences are recognized as translation adjustments under stockholders' equity; otherwise, no adjustment is made.

## E.Sun Bills

a)Allowance for doubtful receivables and reserve for losses on guarantees

A reserve for losses on guarantees for commercial paper issued is provided for any defaults by commercial paper issuers. Under the regulations of the Ministry of Finance of the Republic of China (ROC), the balance of this reserve should be at least equal to 1% of the amount guaranteed, full provisions for credits deemed uncollectible and 50% of provision for credits with high uncollectibility.

b)Reserves for losses on sale of bonds

Under the regulations of the Securities and Futures Bureau of the ROC, reserves for losses on the sale of bonds are computed at 10% of the net gain on the sale of these bonds until the balance of the reserve reaches \$200,000 thousand. This reserve should be used only to offset actual losses on the sale of bonds.

c)Allowance for reduction of investments

## i)Operating securities

Operating securities are stated at aggregate cost less allowance for losses from decline in market value. The allowance is reversed when the market value recovers, with the reversal recognized as income.

## ii)Other short-term investments

Other short-term investments are stated at aggregate cost less allowance for losses from decline in market value. The allowance is reversed when the market value recovers, with reversal recognized as income.

3)Concentrations of risk

## a)E.Sun Bank

Under normal business operations, E.Sun Bank is a party to

transactions involving financial services with off-balance-sheet risks, such as issuing credit cards, extending credit facilities and providing financial guarantee and obligations under letters of credit issued. Generally, the related transactions are for one year. The interest rates for loans ranged from 1.20% to 18.25% and from 1.00% to 18.25% in 2004 and 2003, respectively. The highest interest rate for credit cards was 19.71% in both 2004 and 2003.

There was no concentration of maturity dates in one particular period that would potentially result in liquidity problems to E.Sun Bank.

The amounts of financial contracts with off-balance-sheet credit risks as of December 31, 2004 and 2003 were as follows:

	2004	2003
Credit card commitments	\$228,563,223	\$190,074,198
Guarantees and issuance of letter of credit	8,359,827	10,328,590

Since many of the commitments are expected to expire without being drawn upon, the total committed amounts do not necessarily represent future cash requirements. The total potential loss (without considering the value of any collateral) in case of default by counter-parties is equal to the above contractual amounts, if completely drawn upon.

E.Sun Bank evaluates the creditworthiness of credit applications case by case, taking into account the applicant's credit history, credit rating and financial condition. Collateral, mostly in the form of real estate, cash, inventories and marketable securities, may be required depending on the evaluation result. As of December 31, 2004 and 2003, about 63% and 58% of total loans granted, respectively, and both about 25% of the aggregate guarantees and letters of credit issued, were secured. No collateral is required for credit card facilities but the credit status of each credit card holder is closely monitored. Depending on the results of credit status monitoring, appropriate measures are adopted, including amending the credit limit and, if necessary, canceling the facility.

The concentration of credit risk exists when counter-parties to financial transactions are individuals or groups engaged in similar activities or activities in the same region, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. E.Sun Bank has no credit risk concentration arising from any counter-party or groups of counter-parties engaged in similar business activities. The concentrations of credit risks were as follows (10% or more of the outstanding loans):

	2004		2003	
	Amount	%	Amount	%
Natural person	\$170,581,201	61	\$109,502,010	53
Manufacturing	41,453,228	15	32,869,364	16

#### b)E.Sun Bills

E.Sun Bills guarantees commercial paper issued by other entities. The guarantee period is normally one year. As of December 31, 2004 and 2003, the rate for guarantee service fees were 0.05%-1.00% and 0.1%-2.0%, respectively. As of December 31, 2004 and 2003, the total amounts guaranteed were \$17,567,400 thousand and \$18,366,200 thousand, respectively.

Most of the guarantee contracts are expected to expire without entailing any payment by E.Sun Bills. Thus, the total amount guaranteed does not necessarily represent future cash payments. In addition, the potential total loss on each guarantee is equal to the amount guaranteed, without considering the value of any collateral. E.Sun Bills approves the guarantee arrangements for commercial paper (including the maximum amount to be guaranteed) after reviewing a customer's history and credit rating. An appropriate collateral is required, if needed, and the transaction is made within the approved maximum amount. As of December 31, 2004 and 2003, about 31.77% and 29.74%, respectively, of total amounts guaranteed were covered by securities or other properties. If a customer defaults, E.Sun Bills is entitled to sell the related collateral.

Credit risk concentrations exist when the counter-parties to financial-instrument transactions are individuals or groups engaged in similar activities or activities in the same region, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. For E.Sun Bills, concentration of credit risk do not involve individuals but industry groups, as follows:

	2004	2003
Guarantee on commercial paper - by industries:		
Finance and insurance	\$6,667,000	\$6,984,000
Manufacturing	6,606,000	6,758,000
Wholesale, retail and catering	1,439,000	1,779,000

E.Sun Bills' maximum exposure to losses associated with credit guarantees, regardless of collateral involved, equals the total contract amount.

## 4)Matter requiring special notation

## E.Sun Bank

December 31, 2004

(In Thousands of New Taiwan Dollars)

Causes	Summary and Amount
Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor.	None
Within the past year, a fine was levied on E.Sun Bank for violations of the Banking Law	None
Within the past year, misconduct occurred, resulting in the Ministry of Finance's imposing strict corrective measures on E.Sun Bank.	None
Within the past year, the individual loss or total loss from employee fraud, accidental and material events, or failure to abide by the "Guidelines for Maintenance of Soundness of Financial Institutions" exceeded \$50 million dollars.	None
Other	None

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

Note 2: The term "a fine levied for violations of the Banking Law within the past year" means a fine levied by the Bureau of Monetary Affairs, Securities and Futures Bureau, Insurance Bureau or Examination Bureau.

## E.Sun Bills

December 31, 2004

(In Thousands of New Taiwan Dollars)

Causes	Summary and Amount
Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor.	None
Within the past year, a fine was levied on E.Sun Bills for violations of related regulations	None
Within the past year, misconduct occurred, resulting in the Ministry of Finance's imposing strict corrective measures on E.Sun Bills.	None
Within the past year, the individual loss or the total losses from employee corruption, accidental and material events, or failure to abide by the "Guidelines for the Maintenance of Soundness of Financial Institutions" exceeded \$50 million dollars.	None
Other	None

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

## 5)Business information of E.Sun Bills

Items	December 31, 2004	December 31, 2003
Guarantees and endorsements.	\$ 17,567,400	\$ 18,366,200
Guarantees and endorsements/stockholders' equity.	3.28 times	3.65 times
Securities sold under agreements to repurchase.	42,267,206	44,551,324
Securities sold under agreements to repurchase/stockholders' equity	7.89 times	8.85 times

c.Profitability

E.Sun Bank

Unit: %

Items	For the Year Ended December 31, 2004	For the Year Ended December 31, 2003
Return on assets	2.25	1.44
Return on equity	31.03	21.37
Net income ratio	34.36	20.44

Note:1)Return on assets = Income before income tax/Average total assets  
 2)Return on equity = Income before income tax/Average equity  
 3)Net income ratio = Net income/Total operating revenue  
 4)Income before income tax or net income represents income for the years ended December 31, 2004 and 2003.  
 5)The profitability is expressed on annual basis.

d.Liquidity as of December 31, 2004

1)Liquidity analysis of assets and liabilities for E.Sun Bank

	Total	Period Remaining until Due Date				
		0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Assets	\$387,170,000	\$65,843,000	\$19,126,000	\$14,359,000	\$28,207,000	\$259,635,000
Liabilities	360,827,000	41,143,000	45,411,000	164,330,000	66,894,000	43,049,000
Gap	26,343,000	24,700,000	(26,285,000)	(149,971,000)	(38,687,000)	216,586,000
Accumulated gap	26,343,000	24,700,000	(1,585,000)	(151,556,000)	(190,243,000)	26,343,000

Note:Listed amounts of the head office and domestic branches are in New Taiwan dollars (i.e., excluding foreign-currency amounts).

2)Liquidity analysis of E.Sun Bills

(In Millions of New Taiwan Dollars)

Items		Period	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Usage of funds	Bills		8,636	12,193	4,369	2,390	-
	Bonds		-	46	-	1	23,538
	Deposits		1,338	1,223	455	2,476	383
	Call loans		180	-	-	-	-
	R.S		520	125	-	-	-
	Total		10,674	13,587	4,824	4,867	23,921
Source of funds	Borrowings		4,950	-	-	-	5,000
	R.P		37,191	4,436	488	152	-
	Capital		-	-	-	-	-
	Total		42,141	4,436	488	152	5,000
Net flows			(31,467)	9,151	4,336	4,715	18,921
Accumulated net flows			(31,467)	(22,316)	(17,980)	(13,265)	5,656

Note:R.S - securities purchased under agreement to resell  
 R.P - securities sold under agreement to repurchase

e. Market risk sensitivity

1) E.Sun Bank

Unit: %

Items	December 31, 2004	December 31, 2003
Ratio of interest rate-sensitive assets to liabilities	82.35	84.48
Ratio of interest rate-sensitivity gap to stockholders' equity	(165.33)	(149.38)

2) E.Sun Bills

Unit: %

Items	December 31, 2004	December 31, 2003
Ratio of interest rate-sensitive assets to liabilities	71.91	73.30
Ratio of interest rate-sensitivity gap to stockholders' equity	(222.15)	(232.23)

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

Note 2: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities

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

f. Average amount and average interest rate of interest-earning assets and interest-bearing liabilities: Please refer to Note 36

g. The net position on foreign-currency transactions

The net position on foreign-currency of E.Sun Bank is shown below (in thousands of dollars):

	December 31, 2004		December 31, 2003	
	Currency	NT\$	Currency	NT\$
The net position on foreign-currency transaction (market risk)	USD	(21,112)	USD	(35,003)
	HKD	(102,329)	HKD	113,218
	SGD	9,382	EUR	1,050
	JPY	508,226	GBP	406
	RMB	(19,044)	NZD	972

Note: The foreign currencies represent the top five currencies in E.Sun Bank's basket of international currencies.

#### 42. E.SUN BANK'S INFORMATION REGARDING BORROWERS, GUARANTORS AND COLLATERAL PROVIDERS AS INTERESTED PARTIES

Item	Account Volume	December 31, 2004	Possibility of Loss
Consumer loans (Note 1)	408	\$ 95,467	-
Loan for employees' mortgage housing	481	906,960	-
Other loans (Note 2)	397	4,168,943	-
Guarantees	768	1,901,623	-
Collateral providers	774	2,004,369	-

Note 1: Consumer loans are governed by Article 32 of the Banking Law in ROC.

Note 2: Represent the loans, except for consumer loans and loans for employees' mortgage housing, that borrowers are interested parties.

Note 3: The interested parties mentioned above are governed by Article 33-1 of the Banking Law in ROC.

#### 43.DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY LAW

Please see Table 6.

#### 44.E.SUN BANK'S INFORMATION REGARDING THE TRUST BUSINESS UNDER THE TRUST LAW

a.Trust-related item, as shown in the following balance sheet and property list of trust items:

##### Balance Sheet of Trust

December 31, 2004 and 2003

<u>Trust Assets</u>	<u>2004</u>	<u>2003</u>	<u>Trust Liabilities</u>	<u>2004</u>	<u>2003</u>
	\$ 7,589	\$ 409			
Cash in banks	28,110,551	19,744,466	Trust capital	\$ 26,095,800	\$ 19,527,265
Short-term investments			Trust by cash		
			Trust by securities	2,022,340	217,610
<u>Total assets</u>	<u>\$ 28,118,140</u>	<u>\$ 19,744,875</u>	<u>Total liabilities</u>	<u>\$ 28,118,140</u>	<u>\$ 19,744,875</u>

##### Property List of Trust

December 31, 2004 and 2003

<u>Investment Items</u>	<u>2004</u>	<u>2003</u>
Employee deposit trust - demand	\$ 2,112	\$ 409
Collective account - demand	1,467	-
Time	4,010	-
Bonds	9,959	-
Stocks	2,022,390	217,610
Funds	26,078,202	19,526,856
	<u>\$ 28,118,140</u>	<u>\$ 19,744,875</u>

b.Nature of trust business operations under the Trust Law: Note 1.

#### 45.ACQUISITION OF OTHER FINANCIAL INSTITUTIONS' MAIN ASSETS, LIABILITIES AND OPERATION

To expand E.Sun Bank's business, enhance its competitiveness and ensure its long-term development, E.Sun Bank participated in the open bid and refund procedure for the assets, liabilities (except the assets and liabilities generated from trust business and pension) and operations (except for trust business) of Kaohsiung Business Bank (KBB) and won the bid for \$13,368,000 thousand, to be subsidized by the

Executive Yuan Resolution Trust Corporation (RTC) Fund. This acquisition was approved by the Board of Directors on June 1, 2004, but if the related regulations and the authorities would require changes in the content and other matters of the bid, E.Sun Bank's chairman will be fully authorized to handle these changes. The acquisition finished on September 4, 2004.

KBB was established in November 1950 and was approved to change into banking institution in July 1978. Main operations include savings, loans, guarantees, safe-keeping, exchange, trust



funds etc. Credit card operation started in 1994, and asset trust operations was approved by Ministry of Finance in 2001.

KBB's stock started to be traded on the Taiwan Stock Exchange (TSE) on March 12, 1984, but stopped trading on the TSE on January 17, 2002. The Securities and Futures Commission had approved it to be unpublished on February 10, 2003. KBB had business department, trust department and 44 domestic branches as of the acquisition date.

E.Sun Bank's acquisition of KBB's whole operation (except for trust business) and assets and liabilities (except for trust business and related assets/liabilities of pension) means that KBB will transfer all its profits and risks to E.Sun Bank as of the date of the acquisition. If there was any liability assumed which KBB or its related parties (under the definition of the contract) did not disclose during E.Sun Bank's due diligence performing period and the liability was occurred

Fair values of the assets and liabilities of KBB are as follows:

Cash subsidy received	\$	13,428,965
Fair value		
Cash and cash equivalents		1,347,863
Due from Central Bank of China and banks		4,833,325
Securities purchase		1,616,288
Receivables		345,798
Prepaid expenses		15,263
Bills, discounts, and loans, net		15,262,493
Long-term investments		121,912
Net properties		1,787,268
Other assets		654,118
Due to banks		(8,824)
Payables	(	264,822)
Advance	(	14,590)
Deposits and remittance	(	45,034,459)
Other liabilities	(	208,013)
	(	19,546,380)
Goodwill	\$	6,117,415

before the acquisition date, E.Sun Bank could ask for compensation within one year after the acquisition date. The payments of cash subsidy from RTC Fund are:

a.70% of the subsidy should be paid on the first working day after the acquisition date; and

b.The remaining 30% should be paid within 60 days of the first payment, and after the second stage execution deposit paid by E.Sun Bank.

Under the related regulations, E.Sun Bank recognized goodwill of \$6,117,415 thousand, equal to the difference between the actual cash subsidy of \$13,428,965 thousand and fair value in net liabilities of \$19,546,380 thousand as of the date of the acquisition. Goodwill is amortized using straight-line method over 5 years.

All major assets additions from the acquisition are going to be used for future operations and are not going to be disposed. All operating results of KBB after September 4, 2004 are included in E.Sun Bank's income statement, but any profit or loss before the acquisition date is not included. For comparison purposes, the combined pro forma income statements for 2004 and 2003 are provided as follows (KBB's data during January 1 and September 3, 2004 and the year ended 2003 were audited by other auditor).

	2004		2003	
	Amount	%	Amount	%
Operating income	\$ 22,043,908	100	\$ 15,895,023	100
Operating cost	6,113,816	28	6,731,343	42
Gross profit	15,930,092	72	9,163,680	58
Operating expenses	6,667,455	30	5,249,315	33
Operating income	9,262,637	42	3,914,365	25
Nonoperating income and gains	70,486	1	123,619	-
Nonoperating expenses and losses	1,230,244	6	7,679,621	48
Income (loss) before income tax	8,102,879	37	( 3,641,637)	(23)
Income tax expense	1,087,147	5	794,418	5
Net income (loss)	\$ 7,015,732	32	(\$ 4,436,055)	(28)
Earnings (loss) per share (NT\$)	\$ 3.84		(\$ 2.44)	

In the Executive Yuan Resolution Trust Corporation Fund Committee's meeting on July 1, 2003, the Committee reached a consensus that RTC fund will subsidize the difference between the retirement and severance payment under Labor Standards Act, which KBB should pay, and KBB's pension funds up to the date before acquisition date.

To show good faith to employees in order to build a good working relationship, E.Sun Bank drew up a "Taking care of employees plan" which let KBB terminate the employee contracts with all employees before the acquisition date and pay the pension and severance to all employees, and E.Sun Bank will re-negotiate with each employee for the new wages after the acquisition date. E.Sun Bank also came up with a compensation plan for the employees:

a. Calculation standards

1) Those who do not qualify for retiring will get 0.5 base number for each year they worked for KBB as compensations. People who worked less than a year will be calculated by percentages.

2) Those who qualify for voluntary retirement will get a month's average salary as compensation.

3) Those who qualify for forced retirement will not get any compensation.

b. Base number

One base number means one month's average salary. Definition of average salary in this plan will be the total salary of the employees from November 1, 2003 to April 30, 2004 divided by six. Those who did not work up to 6 months will tally up their wages and divide by total working days, and then times 30.

E.Sun Bank paid \$232,881 thousand to the employees according to this compensation plan, and were recognized as business expenses, and all compensations were paid on October 1, 2004.

As of December 31, 2004, E.Sun Bank provided government bonds with face value of \$100,000 thousand as refundable execution deposits according to the contract.

#### 46. OTHERS

In January 2003, pursuant to the resolution of the meeting of the board of directors, E.Sun Securities decided to take over the brokerage business of Yung Li Security Co., Ltd., including the brokerage department of head office, its five branch offices and its office buildings. The total transaction price for the above business take-over is \$355,000 thousand. E.Sun Securities had paid off all amount and completed the title transfer registration in 2003. The details of the transaction targets were as follows:

	Amount
Land	\$ 146,250
Buildings	78,750
Business operation right	105,000
Information system equipments	25,000

#### 47. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau for ESFHC and its investees:

a. Related information of significant transactions and investees:

- 1) Marketable securities held: Table 1 (attached)
- 2) Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Table 2 (attached)
- 3) Acquisition of individual real estates at costs of at least NT\$100 million or 20% of the paid-in capital: Table 3 (attached)
- 4) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached)
- 5) Names, locations, and other information of investees on which the Company exercises significant influence: Table 5 (attached)
- 6) Derivative transactions: Please refer to Note 38.

b. Investment in Mainland China: None.

#### 48. SEGMENT INFORMATION

ESFHC and its subsidiaries engage in investing, banking, bills financing and the securities industry. The revenues, operating profits and identifiable assets related to the Company's banking operations represent more than 90% of those of all the Company's operations.

## E.SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2004

(In Thousands of New Taiwan Dollars)

TABLE 1

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2004					
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value of Net Asset Value	Note	
E.Sun Financial Holding Co., Ltd.	<u>Stocks</u> E.Sun Commercial Bank, Ltd.	Equity-method investee	Long-term investments	2,017,500	\$32,644,613	100.00	\$32,644,613	3 and 4(454,000 thousand shares are hypothecated to a bank)	
	E.Sun Bills Finance Corp.	Equity-method investee	Long-term investments	426,500	5,971,533	100.00	5,971,533	3 and 4	
	E.Sun Securities Corp.	Equity-method investee	Long-term investments	306,000	3,185,334	100.00	3,185,334	3 and 4	
	E.Sun Venture Capital Co., Ltd.	Equity-method investee	Long-term investments	100,000	1,021,077	100.00	1,021,077	3	
	E.Sun Securities Investment Trust Corp.	Equity-method investee	Long-term investments	30,000	417,562	100.00	417,562	3	
	E.Sun Insurance Broker Co., Ltd.	Equity-method investee	Long-term investments	6,200	143,222	100.00	143,222	3 and 4	
	Taiwan Debt Instruments Depository and Clearing Co., Ltd.	-	-	Long-term investments	4,000	40,000	2.00	40,143	3
E.Sun Commercial Bank, Ltd.	<u>Stocks</u> Fubon Securities Finance Co., Ltd.	Its director	Long-term investments	10,253	98,957	2.56	135,037	2	
	Taipei Forex Inc.	-	Long-term investments	160	2,000	0.81	2,634	2	
	Apex Venture Capital Corp.	-	Long-term investments	5,000	50,000	4.67	46,878	2	
	Taiwan Futures Exchange Co., Ltd.	-	Long-term investments	900	9,000	0.45	20,793	2	
	E.Sun Finance & Leasing Co., Ltd.	Equity-method investee	Long-term investments	19,600	154,241	98.99	154,241	3	
	Gapura Incorporated	-	Long-term investments	557	14,828	4.90	13,806	2	
	Financial Information Service Co., Ltd.	-	Long-term investments	9,100	108,954	2.28	132,949	2	
	National Venture Capital Corp.	-	Long-term investments	2,700	27,000	4.99	21,666	2	
	E.Sun Insurance Agent Co., Ltd.	-	Long-term investments	1,280	18,042	79.00	18,042	2	
	Bank-Pro E-Service Technology Co. Ltd.	Equity-method investee	Long-term investments	450	4,500	3.33	3,486	2	
	Kao Li Real-Estate Management Co., Ltd.	Its director	Long-term investments	1,500	11,289	30.00	11,289	2	
	United Micro Electronics	Equity-method investee	Long-term investments	4,445	200,451	0.02	89,247	1	
	Taiwan Asset Management Corporation	-	Long-term investments	10,000	100,000	0.57	109,316	2	
	Taiwan Financial Asset Service Corporation	-	Long-term investments	5,000	50,000	2.94	51,122	2	
	Taiwan Incubator Small & Medium Enterprises Development Co., Ltd.	-	Long-term investments	2,425	24,071	3.44	23,436	2	
	Taiwan Finance Corp.	-	Long-term investments	2,120	21,355	0.41	22,588	2	
	<u>Government bonds</u> A9007	-	-	Long-term investments	-	1,937,692	-	1,807,289	-
	A9104	-	-	Long-term investments	-	3,767,780	-	3,666,339	-
	A893	-	-	Long-term investments	-	1,503,332	-	1,583,690	-
	<u>Special-purpose trust beneficiary certificates</u> First Commercial Bank, 2003 type A	-	-	Long-term investments	-	\$903,984	-	\$ 903,984	-
	Taishin Commercial Bank, 2004-1 type A	-	-	Long-term investments	-	788,355	-	788,355	-
	Chang Hwa Bank, 2004-1 type A1	-	-	Long-term investments	-	1,940,000	-	1,940,000	-
	E.Sun Bills Finance Corp.	<u>Bonds</u> Farmers Bank, 2002	-	Long-term bond investments and other assets	-	40,000	-	40,002	-
		<u>Government bonds</u> A91104	-	Long-term bonds investment	-	1,257,510	-	1,282,619	-
		A87103	-	Other assets	-	215,548	-	232,979	-
		A86310	-	Other assets	-	12,064	-	12,758	-
		E.Sun Securities Corp.	<u>Stocks</u> E.Sun Investment Consulting Co., Ltd.	Equity-method investee	Long-term equity investments	1,000	11,586	100.00	11,586
Lian Ding Venture Capital Co., Ltd.	-		Long-term equity investments	6,000	60,000	6.00	59,980	2	
Giantcom International Telecommunication	-		Long-term equity investments	96	1,089	0.18	1,076	2	
E.Sun Venture Capital Co., Ltd.	<u>Stocks</u> Univacco Technology Inc.	-	Long-term equity investments	1,150	30,000	2.63	20,487	2	
	Ampire Co., Ltd.	-	Long-term equity investments	913	13,314	1.93	11,608	3	
	E.Sun Technologies Co., Ltd.	Equity-method investee	Long-term equity investments	1,200	11,997	48.00	8,820	2	
	Bank-Pro E-Service Technology Co., Ltd.	-	Long-term equity investments	325	3,250	2.41	2,514	2	
	E.Sun Capital Co., Ltd.	Equity-method investee	Long-term equity investments	450	3,663	45.00	3,294	2	
	Twinhan Technology Co., Ltd.	-	Long-term equity investments	744	33,192	1.63	8,487	2	
	Chunghwa Chemical Synthesis Biotech Co., Ltd.	-	Long-term equity investments	2,000	20,005	3.07	16,494	2	
	Epoch Chemtronics Corp.	-	Long-term equity investments	900	24,800	9.00	16,472	2	
	Sam Lam Technology Co., Ltd.	-	Long-term equity investments	1,700	23,800	6.07	20,868	2	
	Etrend Technology Co., Ltd.	-	Long-term equity investments	546	6,825	2.02	5,694	2	
	Progressive Optoelectronic Technology Co., Ltd.	-	Long-term equity investments	784	25,088	1.85	11,515	2	
	Beyond Innovation Technology Co., Ltd.	-	Long-term equity investments	832	25,388	3.86	12,226	2	
	Linear Tech Co., Ltd.	-	Long-term equity investments	500	14,500	1.92	7,278	2	
	Advance Data Technology, Ltd.	-	Long-term equity investments	1,122	38,943	4.01	20,587	2	
	Super Link Electronics Co., Ltd.	-	Long-term equity investments	2,000	25,000	10.00	17,915	2	
	Joinson Electronics Mfg. Co., Ltd.	-	Long-term equity investments	1,200	25,200	2.91	14,232	2	
	Star World Technology Co., Ltd.	-	Long-term equity investments	153	2,655	0.33	2,005	2	
	Globaltop Partner I Venture Capital co., Ltd.	-	Long-term equity investments	10,000	100,000	2.97	99,906	2	
	Solidite Co., Ltd.	-	Long-term equity investments	1,000	16,000	4.00	7,306	2	
	<u>Funds</u> Mega Diamond Bond Fund	-	-	Short-term investments	10,430	115,873	-	116,658	1
	Seng Hua 1699 Bond Fund	-	-	Short-term investments	436	5,195	-	5,277	1
	IFT Wan Hwa Fund	-	-	Short-term investments	7,279	101,719	-	102,443	1
	KGI Victory Fund	-	-	Short-term investments	4,032	41,685	-	42,244	1
	Grand Cathay Bond Fund	-	-	Short-term investments	725	8,830	-	9,151	1
	E.Sun Securities Investment Trust Corp.	<u>Bonds</u> Fubon Commercial Bank, 2002-1	-	Long-term investments	-	200,000	-	200,000	-
		First Commercial Bank, 2003-7	-	Long-term investments	-	50,000	-	50,000	-
		Fubon Commercial Bank, 2004-5	-	Long-term investments	-	50,000	-	50,000	-
E.Sun Insurance Broker Co., Ltd.	<u>Funds</u> E.Sun Gin-Ru-E Balanced Fund	Common parent company with the same fund management company	Short-term investments	2,588	26,001	-	25,094	1	
	E.Sun New Era Bond Fund	Common parent company with the same fund management company	Short-term investments	4,172	50,000	-	50,496	1	
	E.Sun Rising-Sun Fund	Common parent company with the same fund management company	Short-term investments	1,000	10,000	-	10,097	1	
	Fuh-Hwa Bond Fund	-	Short-term investments	885	11,000	-	11,017	1	
	CITC Safe Income Fund	-	Short-term investments	764	11,000	-	11,018	1	
	E.Sun Global Balance Fund	Common parent company with the same fund management company	Short-term investments	1,500	15,000	-	15,108	1	
	<u>Stocks</u> E.Sun Insurance Agent Co., Ltd.	Equity-method investee	Long-term equity investments	324	4,568	20.00	4,568	2	

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2004				
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value of Net Asset Value	Note
E.Sun Finance & Leasing Co., Ltd.	Stocks Gapura Incorporated	-	Long-term investments	705	18,757	6.22	17,525	2
	Government bonds							
	A832	-	Long-term investments	-	3,000	-	3,000	\$6,911 thousand
	A854	-	Long-term investments	-	1,000	-	1,000	government bonds
E.Sun Insurance Agent Co., Ltd.	A862	-	Long-term investments	-	4,378	-	4,383	pledged with
	A861	-	Long-term investments	-	4,911	-	4,920	courts of justice for collection case on overdue loan
Kao Li Real-Estate Management Co., Ltd.	Funds E.Sun Gin-Ru-E Balance Fund	The fund management company is in the same group	Short-term investments	1,414	14,200	-	13,649	1
E.Sun Securities Investment Consulting	Stocks							
	Far Eastern Textile Ltd.	-	Short-term investments	26	1,800	-	655	1
	Lan Fa Textile Co., Ltd.	-	Short-term investments	200	3,044	-	2,054	1
	BenQ Corp.	-	Short-term investments	10	1,377	-	354	1
E.Sun Technologies Co., Ltd.	Acer Incorporated	-	Short-term investments	12	1,948	-	642	1
	Mega Holding Co., Ltd.	-	Short-term investments	11	456	-	232	1
	Baotek Industrial Materials Ltd.	-	Short-term investments	10	361	-	107	1
	Kent World Co., Ltd.	-	Short-term investments	16	495	-	174	1
E.Sun Capital Co., Ltd.	Funds							
	Polaris 2001 Fund	-	Short-term investments	126	3,507	-	2,182	1
	Polaris Silicon Valley Fund	-	Short-term investments	262	3,507	-	1,648	1
	Shinkong Competitiveness Fund	-	Short-term investments	96	2,602	-	1,450	1
	Shinkong National Development Fund	-	Short-term investments	208	4,338	-	2,910	1
	Shinkong Chi-Shun Fund	-	Short-term investments	309	4,408	-	4,998	1
	Upame Home Run Bond Fund	-	Short-term investments	743	10,000	-	10,037	1
	Funds							
	Upame Home Run Bond Fund	-	Short-term investments	225	3,000	-	3,076	1
	Stocks							
	E.Sun Capital Co., Ltd.	Equity-method investee	Long-term equity investments	550	4,371	55.00	4,026	2
	Funds							
	E.Sun Gin-Ru-E Balance Fund	The fund management company is in the same group	Short-term investments	199	2,000	-	1,930	1
	Funds							
	E.Sun Gin-Ru-E-Balance Fund	The fund management company is in the same group	Short-term investments	498	5,000	-	4,826	1

Note 1: Market value of the listed stocks was based on the average closing prices in December 2004. The market value of fund was based on the net worth as of December 31, 2004.

Note 2: The amounts are based on the latest unaudited financial statements.

Note 3: The amounts are based on the latest audited financial statements.

Note 4: When compiling the consolidated financial statements, it has been eliminated.

## E.SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

### MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL YEAR ENDED DECEMBER 31, 2004 (In Thousands of New Taiwan Dollars)

TABLE 2

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares (Thousand)	Amount	Shares (Thousand)	Amount	Shares (Thousand)	Amount	Carrying Value	Gain(Loss) on Disposal	Shares (Thousand)	Amount
E.Sun Financial Holding Co., Ltd.	JP Morgan Chase & Co.	Short-term investments	-	-	-	\$ 364,493	-	\$ -	-	\$ 362,000	\$ 364,493	(\$ 2,493)	-	\$ -
E.Sun Commercial Bank, Ltd.	E.Sun Financial Holding Co., Ltd.	Long-term investments	-	-	325,779	3,914,375	6,139 (Note 1)	-	331,918	6,828,273	3,914,375	2,913,898	-	-
	Government Bond A893	Long-term bond investments	-	-	-	-	-	1,513,945	-	-	10,613 (Note 2)	-	-	1,503,332
	First Commercial Bank - 2003 mortgage loans securitization beneficiary certificates, type A	Other long-term investments	-	-	-	-	-	1,630,000	-	-	726,016 (Note 3)	-	-	903,984
	Taihsin Commercial Bank - 2004-1 mortgage loans securitization beneficiary certificates, type A	Other long-term investments	-	-	-	-	-	1,050,000	-	-	261,645 (Note 3)	-	-	788,355
	Chang Hwa Bank - 2004-1 mortgage loans securitization beneficiary certificates, type A1	Other long-term investments	-	-	-	-	-	1,940,000	-	-	-	-	-	1,940,000
E.Sun Bills Finance Corp.	Government Bond A914	Long-term bond investments	Open Market	-	-	-	-	1,266,204	-	-	8,694 (Note 2)	-	-	1,257,510
E.Sun Securities Corp.	E.Sun Financial Holding Co., Ltd.	Long-term investment	-	-	8,850	90,884	109 (Note 1)	-	8,959	192,929	90,884	102,045	-	-
E.Sun Securities Investment Trust Corp.	E.Sun Commercial Bank - Bonds	Long-term investment	China Bills Finance Corp.	-	-	100,000	-	-	-	-	100,000	-	-	-

Note 1: Stock dividend.

Note 2: This amount is premium amortized.

Note 3: Return of principal.

Note 4: When compiling the consolidated financial statements, it has been eliminated.

E.SUN FINANCIAL HOLDING CO.,LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATES AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
YEAR ENDED DECEMBER 31,2004  
(In Thousands of New Taiwan Dollars)

TABLE 3

Company Name	property	Transacti on Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
E.Sun Commercial Bank Ltd.	No. 115 and 117, Minsheng E. Rd., Sec. 3, Songshan District, Taipei City 105, Taiwan (R.O.C.)	92.12.11	\$4,280,000	\$3,870,949	Walsin Lihwa Corp.	-	-	-	-	\$ -	Appraisal of DTZ and Honda Appraisers Firm	For use by the head office and business unit	-
		93.01.28		428,000	Walsin Lihwa Corp.	-	-	-	-	-			
		93.08.05		562,156	Collaterals assumed in cash form	Transferring ownership of collaterals to creditor Chung Hwa Real-Estate Management Corp. (Debtor Wo-Ni-Nan Construction Development Co.).	-	-	-	-			
	Lands and buildings	93.09.04	2,284,294	Acquisition	Acquisition of Kaohsiung Business Bank's assets, liabilities and operations	-	-	-	-	Appraisal of Honda Appraisers Firm	To expand the Bank's business, enhance its competitiveness and ensure its long-term development	Follow the contract of acquisition of Kaohsiung Business Bank	

E.SUN FINANCIAL HOLDING CO.,LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31,2004  
(In Thousands of New Taiwan Dollars)

TABLE 4

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
E.Sun Financial Holding Co.,Ltd.	E.Sun Commercial Bank,Ltd.	Subsidiaries	\$ 786,427 (Note)	-	\$ -	-	\$ -	\$ -

Note1: The receivable comes from the adoption of the linked tax system for tax filing.  
Note2:When compiling the consolidated financial statements, it has been eliminated.

E.SUN FINANCIAL HOLDING CO.,LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICATN INFLUENCE  
YEAR ENDED DECEMBER 31,2004  
(Amounts in Thousands of New Taiwan Dollars)

TABLE 5

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31,2004			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31,2004	December 31,2003	Shares (Thousands)	Percentage of Ownership	Carrying Value			
E.Sun Financial Holding Co., Ltd.	E.Sun Commercial Bank, Ltd.	Taipei	Banking	\$25,160,117	\$19,160,117	2,017,500	100.00	\$32,644,613	\$7,283,936	\$4,026,300	1
	E.Sun Bills Finance Corp.	Taipei	Dealing and brokering short-term negotiable instruments	5,150,581	5,150,581	426,500	100.00	5,971,533	611,393	591,104	1
	E.Sun Securities Corp.	Taipei	Dealing, underwriting and brokering securities	3,137,819	3,137,819	306,000	100.00	3,185,334	55,971	(54,317)	1
	E.Sun Venture Capital Co., Ltd.	Taipei	Investment	1,000,000	1,000,000	100,000	100.00	1,021,077	12,994	12,914	
	E.Sun Insurance Broker Co., Ltd. E.Sun Securities Investment Trust Co., Ltd.	Taipei Taipei	Insurance broker Investing funds under full discretionary authorization from customers	10,000 366,211	10,000 366,211	6,200 30,000	100.00 100.00	143,222 417,562	74,619 104,032	74,489 101,432	1
E.Sun Commercial Bank, Ltd.	E.Sun Finance & Leasing Co., Ltd.	Taipei	Leasing and sale of machinery and equipment	196,000	196,000	19,600	98.99	154,241	22,475	22,248	
	E.Sun Insurance Agent Co., Ltd.	Taipei	Life insurance agent	3,950	3,950	1,280	79.00	18,042	455	168	
	Kao Li Real-Estate Management Corp.	Kaohsiung	Building management	11,832	-	1,500	30.00	11,289	(2,501)	(543)	
E.Sun Securities Corp.	E.Sun Securities Investment Consulting Co., Ltd.	Taiwan	Security consulting	10,000	10,000	1,000	100.00	11,483	1,550	1,547	
E.Sun Venture Capital Co., Ltd.	E.Sun Technologies Co., Ltd.	Taipei	Provides information software and computer installation services	12,000	12,000	1,200	48.00	11,997	(1,635)	(1,122)	
	E.Sun Capital Co., Ltd.	Taipei	Agency of service and human resource	4,500	4,500	450	45.00	3,663	(1,472)	(767)	
E.Sun Technologies Co., Ltd.	E.Sun Capital Co., Ltd.	Taipei	Agency of service and human resource	5,500	5,500	550	55.00	4,371	(1,472)	(602)	
E.Sun Insurance Broker Co., Ltd.	E.Sun Insurance Agent Co., Ltd.	Taipei	Life insurance agent	8,556	8,556	324	20.00	4,568	455	55	

Note1:When compiling the consolidated financial statements, it has been eliminated.

E.SUN FINANCIAL HOLDING CO.,LTD. AND SUBSIDIARIES

DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY LAW  
DECEMBER 31,2004

(Amounts in Thousands of New Taiwan Dollars)

TABLE 3

Investor Company	Investee Company	Total Amounts of Credits, Endorsement or Other Transactions	Percentage of ESFHC's Equity
1.Masterlink Securities Co., Ltd.	The same person	\$2,635,296	8.77%
2.Tai Power Co., Ltd.	The same person	2,500,000	8.32%
3.City Bus Operation Office	The same person	1,854,140	6.17%
4.Continental Engineering Corp. and related parties	The same affiliate	2,953,887	9.83%
5.China Development Financial Holding Corporation and related parties	The same affiliate	2,731,899	9.09%
6.Mega Financial Holding Co., Ltd. and the related parties	The same affiliate	2,688,808	8.94%
7.Fuhwa Financial Holding Co., Ltd. and related parties	The same affiliate	2,535,000	8.43%
8.SinoPac Financial Holding Co., Ltd. and related parties	The same affiliate	2,115,191	7.04%
9.Far Eastern TextileCo., Ltd. and related parties	The same affiliate	2,067,619	6.88%
10.China Trust Financial Holding Co., Ltd. and related parties	The same affiliate	1,962,333	6.53%
11.Jih Sun Securities Co., Ltd. and the related parties	The same affiliate	1,918,150	6.38%
12.Union Bank Co., Ltd. and related parties	The same affiliate	1,789,000	5.95%
13.Taiwan Acceptance Corporation and related parties	The same affiliate	1,607,001	5.35%

## 六、Review and analysis of financial Status and Results

### (一) Analysis of Financial Status

Unit:NT\$1,000

Item	Year	2004	2003	Difference	
				Amount	%
Current assets		1,024,775	6,204,539	(5,179,764)	( 83)
Long-termequity investments		43,423,341	27,935,022	15,488,319	55
Other assets		1,729	57,929	( 56,200)	( 97)
Total liabilities		44,449,845	34,197,490	10,252,355	30
Current liabilities		1,689,566	6,504,403	( 4,814,837)	( 74)
Lon-term debt		400,000	888,000	( 488,000)	( 55)
Accrued pension liabilities		1,041	-	1,041	-
Total liabilities		2,090,607	7,392,403	( 5,301,796)	( 72)
Capital Stock		29,306,096	25,063,669	4,242,427	17
Capital Surplus		7,607,644	1,769,432	5,838,212	330
Retained earnings		5,548,506	4,529,029	1,019,477	23
Total stockholders' equity		42,359,238	26,805,087	15,554,151	58

Note :

- 1.Current assets decreased mainly because the Due from Banks was used to inject capital to E.SUN Bank in December 2004.
- 2.Long term equity investment increased mainly because the Company injected capital to E.SUN Bank, and the subsidiaries settled the Company's shares and recognized investment profit by equity method.
- 3.Other assets decreased mainly because the Company's Offshore Convertible Bond was already completely converted or redeemed, and issuance expenses were totally amortized by the end of Year 2004.
- 4.Current liabilities decreased mainly because the Company's Offshore Convertible Bond was already completely converted or redeemed by the end of Year 2004.
- 5.Long term debt decreased mainly because borrowings within one year's duration was reclassified to Current Liabilities.
- 6.Total stockholders' equity increased mainly because the investees enhanced the profits.

### (二) Review and Analyses of Significant Capital Expenditure and Related Capital Resources

- 1.Significant Scheduled Cash Outflows and Capital Resources for Capital Expenditure and the nature of capital expenditure of expected investment for next 5 years :

Unit:NT\$1,000

Items	Actual/Expected Capital Resources	Actual/Expected Completed Date	Total Required Capital	Actual/Expected Cash Flow Schedule						
				2003	2004	2005	2006	2007	2008	2009
Subscribe E.SUN BANK capital increase by cash	Issue ECB	2004.12.17	6,000,000	-	6,000,000	-	-	-	-	-

- 2.Expected Benefits : increasing investment profits.



### (三) Analyses for Liquidity

#### 1.Liquidity Analyses of 2004 and 2003

Item	Year	2004		2003		Changes(%)
Cash flow ratio (%)		173.62		5.34		3,151
Cash flow adequacy ratio (%)		40.37		60.53		(33)
Cash re-investments ratio (%)		0.26		1.24		(79)

Note : 1.Cash flow ratio increased mainly because the Company received more cash dividends from equity-method investees in 2004 and the bond payable had already completely converted or redeemed by the end of Year 2004.  
2.Cash flow adequacy ratio decreased because the Company injected capital to E.SUN Bank in cash in 2004.  
3.Cash re-investments ratio decreased mainly because most net cash inflow from operating activities in 2004 are used to pay cash dividends, remuneration of directors and supervisors as well as employees bonus.

#### 2.Liquidity analyses for the coming year

Unit : NT\$1,000

Cash balance beginning of year①	Expected cash outflows for operating activities for the come year②	Expected cash outflows for the whole year③	Expected cash Surplus / deficit ①+②-③	Response expected cash deficit	
				Plans of investing activities	Plans of financing activities
\$ 56,436	\$ 3,469,340	\$ 4,147,902	(\$ 622,126)	\$ -	\$ 700,000

1.Cash flow analysis :  
(1)Operating activity : expect to acquire the cash dividend distributed by investees adopting equity method.  
(2)Investing activity : none.  
(3)Financing activity : expect to distribute cash dividend, remuneration of directors and supervisors, employee bonus, and amortize the long-term loans.  
2.Response for expected cash deficit and liquidity analysis : increasing long term debt.

### (四) Operating result analyses

#### 1.Operating result analyses 2004 and 2003 :

Unit : NT\$1,000

Item	Year	2004		2003		Changes	
		Amount	(%)	Amount	(%)	Amount	(%)
Operating income		\$ 4,836,862		\$4,548,952		\$287,910	6
Operating costs		54,317		-		54,317	-
Cross profit		4,782,545		4,548,952		233,593	5
Operating expense		49,663		15,832		33,831	214
Operating income		4,732,882		4,533,120		199,762	4
Non-operating income and gains		103,015		63,757		39,258	62
Non-operating expense and losses		112,733		68,066		44,667	66
Income before income tax		4,723,164		4,528,811		194,353	4
Income tax benefit		113,273		218		113,055	51.860
Net income		\$ 4,836,434		\$4,529,029		307,408	7

Notes : 1.Operating expense : Mainly due to increasing official employees in 2004.

2.Non-operating income and gains : mainly from the increase of interesting come acquired from issuing ECB in June,2003.

3. Non-operating expense and losses : due to (1) increasing exchange losses because of exchange rate's variation in 2004 ; (2) more amortization of issuance expense of ECB in 2004 than that of 2003 ; (3) increased by provision of loss on short term investment ( due to fall in price ) purchased in 2003.

#### 2.Analyses of gross profit changes : N/A.

Bottomless gratitude and enternal blessings

E.SUN FINANCIAL HOLDING COMPANY, LTD.



Chairman

*Yung-Jen Huang*



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