Mega Financial Holding Company

(Formerly CTB Financial Holding Company)

Annual Report 2003

Mega Financial Holding Company Annual Report 2003

Mega Holdings

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Contents

Chairman **SHEN-CHIH CHENG**

Message to Shareholders

The year 2003 is an extremely volatile year in economic terms. Affected by the war between the U.S. and Iraq, the SARS crisis, as well as other major setbacks to the international economy, a recovery underway was thwarted. However, from the beginning of the 2nd half of the year, with the fading away of all negative factors, the world economy saw accelerated recovery, leading to an export expansion in Taiwan. Taiwan's economy has weathered through a negative growth in the 2nd quarter and registered an annual economic growth of around 3.15%.

Taking a look at Taiwan's financial industry, with a total of 14 financial holding companies competing for market shares – the last one was established in early 2003, the fierceness of competition is no less than among private banks several years ago when the market was just open for them. Given the size of Taiwan's financial market, as many researches and discussions indicate, only four to five financial holding companies will survive in the future. To confront such strict challenge, we in the Company, from the management to staff, cannot afford to sit back and relax. Instead, we have made conscientious efforts to pursue a steady and solid growth by responding to market changes rapidly and actively exploring the undeveloped businesses such as consumer banking and wealth management while safeguarding our current market advantages.

Looking back over the year 2003, the performance of Mega Financial Group was gratifying. First of all, the Mega family has grown bigger and stronger. In addition to the upgrading of Mega Investment Trust Corporation (formerly Central Securities Investment Trust Corporation) to become the Company's direct subsidiary, the set-up of Mega Asset Management Corporation was set up in December of 2003, bringing the total number of direct subsidiaries to seven and making the Group's business scope even more complete. Secondly, the year 2003 was the Group's first year after integration. Led by the seven task forces, the integration has shown results. Whether in business area such as corporate banking, consumer banking, credit investigation and cross-selling, or in finance area such as the operation of short-term funds and bonds, the integration has achieved the target effects of synergy. In addition, the Company launched the first issue of European convertible bonds (ECBs) for

USD690 million in 2003 and held rounds of roadshow in HK and Singapore to attract overseas investors. In November of 2003, we also held the Company's first investor conference in Taiwan. These public relation events aimed for investors have greatly enhanced the Company's financial transparency and raised the confidence of domestic and overseas institutional investors in the Company, a great plus to the Company's overall image.

The Company's business operations for the year 2003 and business plans for the year 2004 may be summarized as follows:

I. Review of Business Operations in 2003

A. Operating Performance

Pursuant to the Financial Holding Company Act, the business scope of financial holding companies is limited to investments and management of the companies in which they are investing. As of the end of the year 2003, there are seven subsidiary companies in which the Company has controlling shares, namely, Chiao Tung Bank Co., Ltd., Barits International Securities Co., Ltd., Chung Hsing Bills Finance Corporation, The International Commercial Bank of China, Chung Kuo Insurance Co., Ltd., Mega Investment Trust Corp., and Mega Asset Management Corporation. The operating results for each of these subsidiaries are as follows:

Chiao Tung Bank Co., Ltd.

- Lending: In 2003, total loans, guarantees and acceptances amounted to NT$464,310 million, an increase of 5.28% over the NT$441,040 million recorded in 2002.
- Long-term equity investments: Total investments amounted to NT$24,053 million, an increase of 16.24% as compared with NT$20,692 million recorded in 2002.
- Deposits: Total deposits in 2003 amounted to NT$290,782 million, an increase of 7.47% as compared with NT$270,563 million in 2002.
- Foreign exchange business: Total foreign exchange transactions undertaken in 2003 amounted to US$46,432 million, a growth of 8.67% over the US$42,729 million recorded in 2002.
- Consumer banking: The bank's Retail Banking Department has aggressively made inroads into the market of consumer banking since its establishment in July 2002, by the launch of various consumer banking products such as loans for military service personnel, auto loans, loans secured by stocks, court-auctioned house mortgage. The total consumer loans amounted to NT$22,725 million in 2003, a growth of 225.34% over the NT$6,985 million of the previous year.
- Trust business: In 2003, total securities under custody grew by 22.17% from the previous year and the volume of non-discretionary trust business for investment in local mutual funds and overseas securities undertaken grew by 22.96% from the previous year.
- Non-performing loans: The non-performing loans outstanding at the end of 2003 amounted to NT$10,201 million, representing a non-performing loan ratio of 2.40% or a decrease of 0.67% over the 3.07% recorded at the end of 2002. The coverage ratio was at 40.04%, an increase of 12.12% over the previous year.

Barits International Securities Co., Ltd.

- Securities brokerage: The total revenue from securities brokerage amounted to NT$1,135 million, accounting for a market share of 2.78% (including institutional clients). The amount of margin loan grew to NT$9,100 million from NT$3,052 million recorded in 2002, a growth of 1.98 folds. By the end of 2003, the number of branch office totaled 36. The margin loan amount grew in 2003 because a quality adjustment plan was implemented in all those branches.
- Securities underwriting: In the year 2003, the number of companies guided and filed by Barits International with the authority for listing in TAIEX totaled 28 and for listing in OTC totaled 44. The number of IPO totaled 11; SPO totaled 8 and the Emerging Stock Market listing totaled 47, representing a market leadership position carried over from the previous year.
- Securities dealing: The revenue from securities trading for 2003 amounted to NT$1,196 million.
- Bond business: The company was lead manager for 12 corporate bond issues in 2003, ranked number two in the market. The total underwriting amount was NT$18,757 million, ranked among leading securities houses in the market. The total operating revenue from the Bond Department amounted to NT$604 million for 2003.
- Stock-registration services: Total 50 companies have appointed Barits International as agent in 2003. The total revenue amounted to NT$10 million.
- New financial products: In the year 2003, Barits International issued 26 warrants with premium revenue ranked the 2nd in the market. The revenue from warrants issuance amounted to NT$528 million. Moreover, in response to the authorities' opening up of the market to new products, the company made its first launch of Principal Guaranteed Notes (PGNs) , fully demonstrating Barits International's capability to develop new products.
- Overall operating results: The net profit before tax for the year 2003 amounted to NT$1,710.8 million. By deducting the income tax of NT$287.78 million, the net profit after tax came to NT$1,423 million amounting to 115.51% of the annual budget.

Chung Hsing Bills Finance Corporation

- Guaranteed issues of commercial paper outstanding at the end of 2003 for all bills finance companies amounted to NT$490,379 million. The corresponding amount for Chung Hsing Bills Finance Corporation was NT$161,326 million, representing a market share of 32.90%.
- Initial purchases of commercial paper in the primary market in the year 2003 for all bills finance companies together amounted to NT$6,212,636 million. The purchases made by Chung Hsing Bills Finance Corporation totaled NT$1,610,793 million, representing a market share of 25.93%.
- Transactions of commercial paper in the secondary market in the year 2003 for all bills finance companies as a whole amounted to NT$28,346,550 million. The transactions attributable to Chung Hsing Bills Finance Corporation totaled NT$6,411,374 million, representing a market share of 22.62%.

All of the above three business activities of Chung Hsing were ranked number one in the market, a full demonstration of Chung Hsing's market leadership.

The International Commercial Bank of China

- Deposits: Total deposits in 2003 amounted to NT$587,478 million, a growth of 5.9% as compared with NT$554,898 million recorded for 2002.
- Lending: In 2003, total loans, guarantees and acceptances amounted to NT$627,539 million, a growth of 16.75% as compared with NT$537,513 million for 2002.
- Foreign exchange business: Total foreign exchange business undertaken in 2003 amounted to US$183,455 million, an increase of 40.3% over the US$130,752 million recorded for 2002.
- Non-performing loans: Non-performing loans outstanding at the end of 2003 amounted to NT$9,243 million, representing a non-performing loan ratio of 1.74%.
- Long-term equity investments: Total long-term equity investments at the end of 2003 amounted to NT$9,505 million, representing a decline of 5.86% over the NT$10,097 million for 2002.
- Trust Business: Total assets in custody in 2003 (including domestic trust funds, depositary receipts (DR), investment of foreign investors, discretionary funds, investment linked insurance policies, structured financial products, physical securities, and venture capital funds) amounted to NT$275.7 billion, an increase of 28.53% over the NT$214.5 billion recorded for 2002. Custodian fee income totaled NT$22.73 million, an increase of 19.08% over the NT$19.09 million for 2002. Mutual funds distributed by the bank amounted to NT$47,337 million with commission fee income totaling NT$133 million, while distribution of structured notes amounted to US$227 million with commission fee income totaling US$4.18 million.
- Consumer Banking Business: Consumer banking loans outstanding (including credit card loan outstanding) at the end of 2003 amounted to NT$98,488 million, an increase of 34.21% over the NT$73,382 million for 2002. The number of effective credit cards issued broke the one million mark on September 28, 2003 and amounted to 1.16 million as of the end of 2003. This represented an annual increase of 488 thousand in new card issued or an annual growth rate of near 70%.

Chung Kuo Insurance Co., Ltd.

- Direct Written Business: Total gross direct written premiums for the year 2003 amounted to NT$5,503 million, an increase of NT$304 million or a growth rate of 5.85% compared with the NT$5,199 million for 2002.
- Reinsurance Business: Total reinsurance premiums for 2003 amounted to NT$1,136 million, an increase of NT$247 million or a growth rate of 27.78% compared with the NT$889 million for 2002.

Mega Investment Trust Corp.

- The total operating revenue amounted to NT$171 million. After the deduction of operating expense NT$108 million, the net operating profit amounted to NT$63 million and the net profit after tax came to NT$77 million, a growth of 2.5 folds compared with the previous year.
- At the end of December 2003, the total assets under management amounted to NT$39,270 million, a growth of 64% over the year 2002.

Mega Asset Management Corporation

Mega Asset Management Corporation was established on December 5th, 2003. Various business projects will be rolled in starting from 2004.

B.Comparison of Budget with Actual

In millions of NT dollars, except EPS in NT$

Item	2003 Budgeted	Actual Achievement	Rate
Operating Revenues	18,993	18,854	99.27%
Operating Profit	18,587	18,557	99.84%
Net Income before Tax	18,087	18,100	100.07%
Net Income after Tax	18,087	18,099	100.06%
Earnings per Share	1.85	1.84	-

C.Analysis of Profitability

For the year 2003, the Company's major results from operations were as follows: operating revenues NT$18,854 million, operating profits NT$18,557 million, net income before tax NT$18,100 million, net income after tax NT$18,099 million, earnings per share after tax NT$1.84. The net income rate was 95.99%, the return on assets10.07%, the rate of return on shareholders' equity 12.10%.

D.Research and Development

For the year 2003, the progress made by the Company and its subsidiaries in research and business development may be summarized as follows:

- Creation of a products- and clients-oriented business group structure through the set-up of Wealth Management Business Unit.
- Establishment of Global e-banking system, which will incorporate global key locations into the system based on a timetable, to enable the Group to serve as clients' fund transferring center.
- Promotion of OBU as Taiwanese businessmen's global fund center, including the launch of NDO hedge service for RMB, trust business for institutional investors etc.
- Continued provision of high-quality topic research and other special topic reports. In addition, 24 investor conferences and 6 large-scale seminars were held in 2003.
- Development of new products combining short term debt instruments and interests futures, and design of various arbitrage models to cultivate the capability of designing structured financial products.
- Research on the dynamics of various industries as well as the impacts of their changes on the Company's business.
- Strategic alliance with others to develop the business of real estate securitization and corporate reorganization.

II. Business Plans For 2004

A.Major Operating Policies

- Strengthening cross-selling channels and providing "one-stop shopping" financial services.
- Enlarging the Group's financial domain and enhancing its competitiveness.
- Establishing the risk measurement database to strengthen the Group'S risk management.
- Strengthening the Group's assets and liabilities management to enhance operating performance.
- Establishing common IT platforms, to upgrade the efficiency of each type of business and its supervision.

- Realizing e-human resources management, promoting knowledge management based on human resources management.

B.Business Targets

In millions of NT dollars, except EPS in NT$

Major Business Targets for 2004	
Operating Revenues	22,852
Operating Profit	22,220
Net Income before Tax	21,869
Net Income after Tax	21,869
Earnings per Share	2.20

With the increase of merger activities among holding companies, Taiwan's financial market has started to shift like the earth plate movement in that the rule of completion is the winner takes all. As a result, all major financial holding companies have made every effort to pursue business expansion and profit growth so as to secure a future position in the market. Given such business environment, we have no choice but striving to move forward. For the year 2003, all the subsidiaries have turned in a commendable record of performance in their finance and business operation, and the Group's integration also has made good progress. Looking into the future, we will follow the Company's medium- and long-term strategies to reach the targets set for the major business areas – syndicated loans, corporate banking and investment banking, offshore banking, wealth management and consumer banking, service to small and medium enterprises. In addition, we will work on creating client-oriented business, consolidating the existing business, establishing a business group structure, and integrating the Group's resources, all with the vision in mind – to become clients' best partner in financial service. It's believed that with the support of each distinguished shareholder, Mega Financial Group will continue to grow and prosper day by day.

Shen-Chih Cheng
Chairman

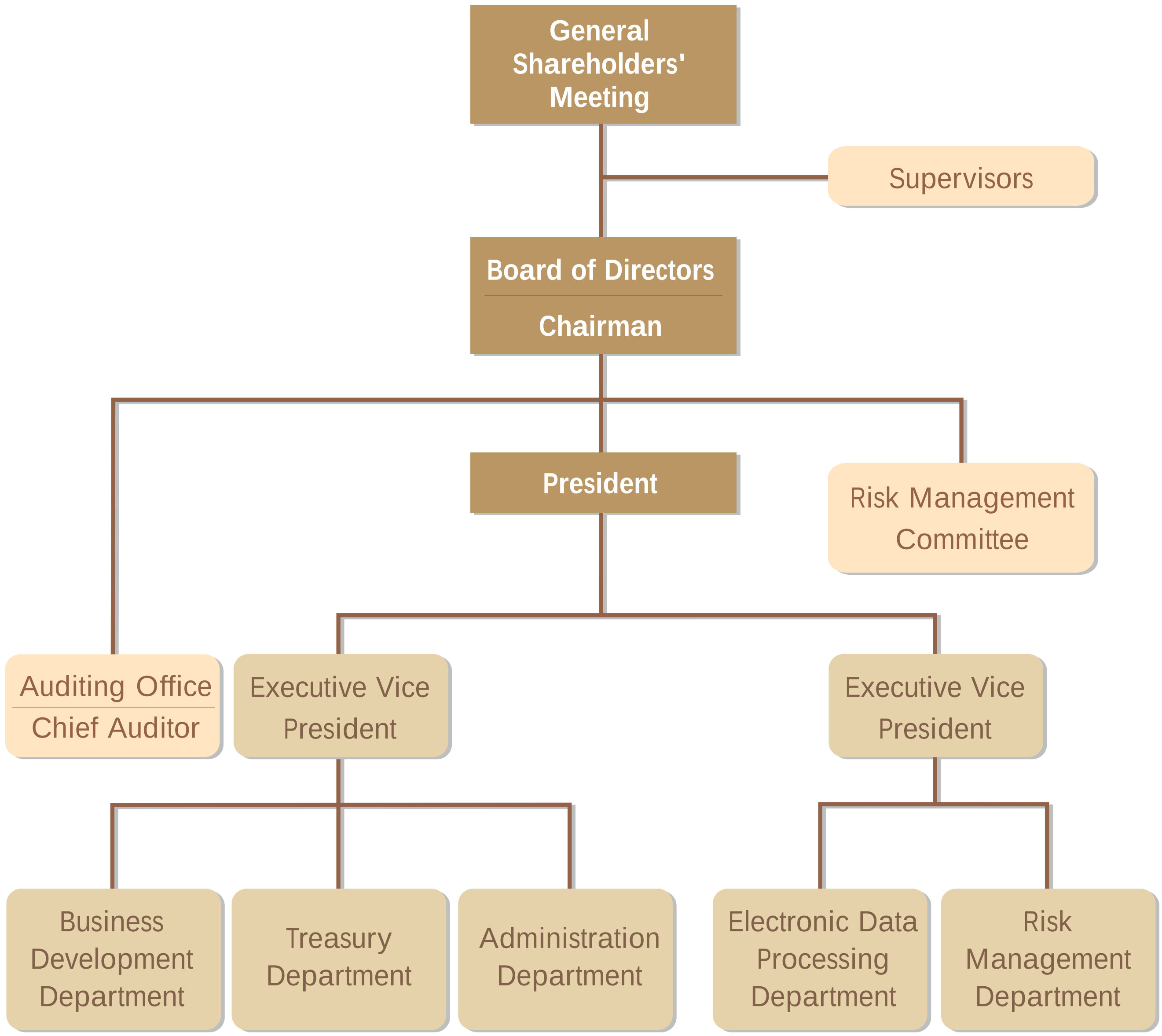
Profile of the Company

I. History of the Company

Mega Financial Holding Company (the Company, formerly CTB Financial Holding Company) was formed by Chiao Tung Bank Co., Ltd. (CTB) and International Securities Co., Ltd. (IS) through exchange of shares on February 4, 2002 and has been listed and traded on the Taiwan Stock Exchange since then. Chung Hsing Bills Finance Corporation (CHBF) and Barits Securities Corp. (BS) later joined the Company through exchange of shares. On January 31, 2003, the two subsidiaries, IS and BS, were further combined with the sub-subsidiary, Chung Hsing Securities Corp., to become Barits International Securities Co., Ltd. (BIS), for the integration of the Company's securities business and further uplifting of its competitiveness.

To extend the Company's business domain in financial service and to reach scale economies as well as to improve overall operating performance, a special shareholders meeting was called on November 11, 2002 to approve the combination of The International Commercial Bank of China (ICBC) and Chung Kuo Insurance Co., Ltd. (CK) as wholly-owned subsidiaries through exchange of shares and to change the Company's name into "Mega Financial Holding Company". The combination of ICBC and CK took effect formally on December 31, 2002. In addition, to achieve resources sharing and improve operating efficiency, the Central Securities Investment Trust Corporation, originally an investee of BIS, was upgraded into the Company's direct subsidiary with controlling shares (as of the end of 2003, the shareholding was 93.9%) through cash purchase on May 29, 2003, pursuant to the Article 36 of the Financial Holding Company Act, and the name was changed into "Mega Investment Trust Corp." in July of 2003. Apart from that, in response to the Government's initiative to lower the financial industry's non-performing loan (NPL) ratios and to promote the specialization of financial institutions, the Company set up Mega Asset Management Corporation in December 2003, the 7th subsidiary of the Company. To sum up, the combination of two new subsidiaries in 2003 will make great contributions to the Group's cross-selling channels and business specialization.

II. Organization



III. Board of Directors & Supervisors

As of December 31, 2003

Name	Position	Age	Note
Shen-Chih Cheng	Chairman	52	
Tzong-Yeong Lin	Director	52	Representative of the Ministry of Finance of the ROC
Duei Tsai	Director	56	Representative of the Ministry of Finance of the ROC
Chin-Tsair Tsay	Director	62	Representative of the Ministry of Finance of the ROC
Pao-Sheng Wei	Director	45	Representative of the Ministry of Finance of the ROC
Chih-Chen Cheng*	Director	52	Representative of the Ministry of Finance of the ROC
Chao-Yih Chen	Director	49	Representative of the Development Fund, Executive Yuan of the ROC
Teh-Chien Su	Director	61	Representative of the Bank of Taiwan
Samuel J.S. Hsu	Director	50	Representative of the Chunghwa Post Co., Ltd.
Wen-Wen Hsui Cheng	Director	74	Representative of the First Investment Co., Ltd
Robert H.C. Tsao	Director	56	Representative of the United Microelectronics Corp.
Pei-Chun Patty Tsai	Director	24	Representative of Shun Tai Investments Corp.
Lo-Shan Wang	Director	74	Representative of Chang -Lo Investment Co., Ltd
Hung-Wen Chien	Director	51	
Sheng-Yen Liu	Director	64	Representative of the Ministry of Finance of the ROC
Pi-Liang Liu	Supervisor	63	Representative of the Ministry of Finance of the ROC
Chi-Shih Cheng	Supervisor	59	Representative of the Ministry of Finance of the ROC
Neng-Yuan Yu	Supervisor	63	Representative of the United Microelectronics Corp.
Chia-Tsung Hung	Supervisor	43	
Lindy Chern	Supervisor	52	

Note: Chih-Chen Cheng, Director left office on Feb.27, 2004, to be replaced by Mr. Teng-Cheng Liu, 53

IV. Executive Officers

Name	Position	Age
Tzong-Yeong Lin	President	52
Joseph J.P. Shieh	Executive Vice President	43
Simon C. Dzeng	Executive Vice President	46
Chung-Cheng Kao	Chief Auditor	63
Yu-Lin Chou	Chief Secretary of the Board	39
Jui-Yun Lin	Senior Vice President & Head of Treasury Department	46
Yung-Ming Chen	Senior Vice President & Head of Administration Department	54
Ching-Tsan Wai	Senior Vice President & Head of Business Development Department	51
Ray Chao	Vice President & Head of Electronic Data Processing Department	43

V. Capital, Shares and Corporate Bonds

As of March 31, 2004

Paid-in capital	NT$113,657,296,610
Number of common shares issued	11,365,729,661 shares
Number of preferred shares issued	None
Corporate bonds issued	(1)NT$2,100,000,000 bond due 2005
	(2)NT$12,900,000,000 bond due 2007
	(3)US$690,000,000 ECB due 2005
	(4)US$200,000,000 ECB due 2005
Participation in the issue of Overseas Depositary Receipts	None

VI. Ten Major Shareholders

April 12, 2004

Name of Shareholder	Number of Common Shares	Percentage of Total Issued Shares
Ministry of Finance of the ROC	1,142,208,205	10.05%
The Development Fund, Executive Yuan of the ROC	675,918,450	5.95%
Bank of Taiwan	282,170,670	2.48%
Chunghwa Post Co., Ltd.	214,270,574	1.89%
Bureau of Labor Insurance of the ROC	175,082,361	1.54%
Kuo Hua Life Insurance Co., Ltd.	129,264,550	1.14%
United Microelectronics Corp.	95,576,810	0.84%
Barits Development Corp.	94,727,454	0.83%
Cathay Life Insurance Co., Ltd.	77,098,430	0.68%
Land Bank of Taiwan	65,879,394	0.58%
Total	2,952,196,898	25.98%

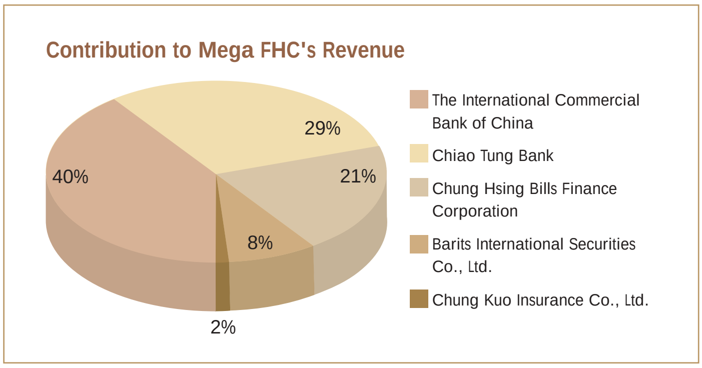
Operating Report

I. Scope of Business

Mega Financial Holding Company

- The Company is mainly engaged in investment activities and management of the investee companies. According to the Financial Holding Company Act, the Company may invest in the following enterprises: banking enterprises, bills finance enterprises, credit card businesses, trust enterprises, insurance enterprises, securities enterprises, futures enterprises, venture capital investment enterprises and other enterprises recognized by the competent authority that are related to the financial sector.
- The Company may apply to the competent authority for permission to invest in other enterprises not listed above, but it shall not itself engage in the management of such enterprises.

As of December 31, 2003, the Company has the following seven subsidiaries: Chiao Tung Bank, Barits International Securities Co., Ltd., Chung Hsing Bills Finance Corporation, the International Commercial Bank of China and Chung Kuo Insurance Co., Ltd, Mega Investment Trust Corp., Mega Asset Management Corporation. Their contributions to the Company's revenue for 2003 are illustrated as follows:



Chiao Tung Bank

A.Major Business Activities

- Commercial banking business: including all kinds of deposit, loan and guarantee business, trading financing, remittance business, offshore banking business, short-term bills business, foreign exchange trading, safety deposit box business, book-entry government bond business, electronic banking and internet banking, etc.
- Long-term equity investments: equity and venture capital investment businesses.
- Consumer banking business: including consumer loans, home purchase and maintenance loans, stock loan, and automobile loans, among others.
- Trust and financial counseling business: including various types of trust and investments, securities underwriting and financial advisory.
- Engaging in other related activities subject to the approval of the central competent authority.

B. Major Operating Results for 2003

- Lending: For the year 2003, Chiao Tung Bank's loans, guarantees and acceptances amounted to NT$464,310 million, including at NT$402,485 million, NT$59,687 million and NT$2,138 million respectively. Of the total, the medium- and long-term development credit amounted to NT$365,293 million, or 78.67% of total credit extended, meeting the Bank's requirement as prescribed by the Chiao Tung Bank Act that stipulates that medium- and long-term development credit shall amount to at least 70% of total credit.
- Long-term equity investments: Total long-term equity investments for 2003 amounted to NT$24,053 million, a growth of 16.24% from the NT$20,692 million for 2002.

  As of the end of 2003, Chiao Tung Bank had made equity investments involving a total sum of NT$23,248 million in 164 companies. Of the total, 33 were venture capital corporations, of which 20 were domestic and 13 were overseas.

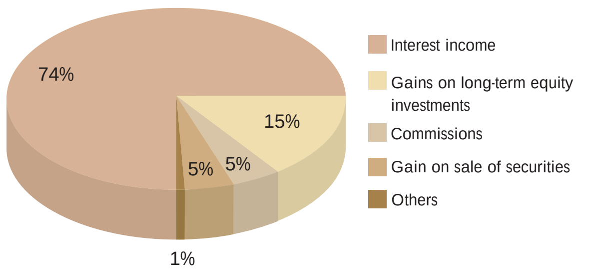
- International banking and foreign exchange business:

--Foreign exchange business: For 2003, the Bank's import and export operations increased by 24.89% and 12.24% respectively as compared with 2002. The volume of its foreign exchange business undertaken during the year amounted to US$46,432 million, a growth of 8.67% from the previous year.

--International banking services: Since the establishment of its offshore banking branch, Chiao Tung Bank has actively participated in the international financial market to enhance its fund management efficiency and provide clients with better services. Its main business activities include: foreign exchange operations, international money market and capital market, financial swap, futures and options, international lending and syndicated loan, guarantee business, L/C forfeiting, financial services across the Strait, international accounts receivable factoring, etc.

- Trust business: In response to the promulgation of the Trust Business Law, the company, devoted to promote its trust business, has developed various new types of trust products to strengthen its client service and increase profits. For 2003, total amount of securities under custodianship grew by 22.17% from the previous year and the volume of non-discretionary trust business for investment in local mutual funds and overseas securities undertaken grew by 22.96% from the previous year.
- Consumer banking: Given the rapid development of consumer banking in the domestic personal finance market, Chiao Tung Bank set up a "Retail Banking Department" on July 1, 2002 and gradually proceeded with the restructuring of its branches, actively participated in the consumer banking market and launched various consumer banking products.
  As of the end of 2003, the consumer loans totaled NT$22,725 million, growing by 225.34% from 2002. The interest income from consumer banking business for 2003 amounted to NT$806 million, a growth of 125.77% over the previous year.
- Bills finance business: For the year 2003, the business volume of certification and underwriting of commercial paper amounted to NT$17,889 million, a significant growth of 47.66% over the NT$12,122 million of 2002. The business volume of repurchase/re-sell of bills grew from the NT$6,293 million recorded for 2002 to the NT$9,500 million for 2003, a growth of 50.96%, because of the Bank's efforts to extend its client base.

Revenue Streams



Barits International Securities Co., Ltd.

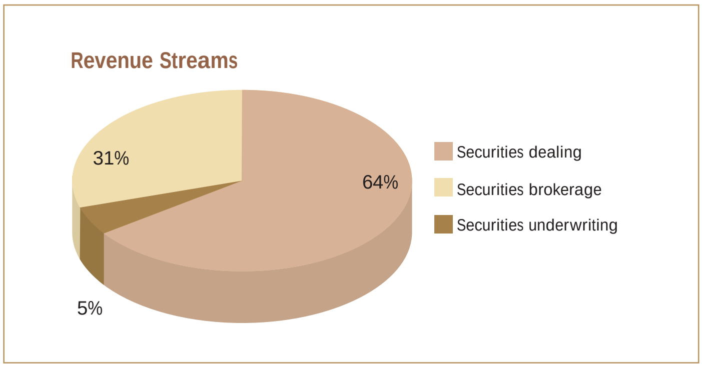
A.Major Business Activities

- Brokerage, dealing and underwriting of securities.
- Margin trading of securities.
- Stock-registration services.
- Foreign securities brokerage.
- Dealing in securities-related futures.
- Intermediary brokerage for securities-related futures trading.
- Other securities-related business with the approval of the competent authority.

B. Major Operating Results for 2003

- Securities dealing: With the economic and political situations around the world stabilized and the SARS crisis under control, the global economy was also seeing a rebound in 2003. As a result, the confidence of investors was boosted and the stock markets were bullish again. The revenue from securities trading for 2003 amounted to NT$1,196 million, a significant contribution to Barits International's overall return.

- Securities brokerage: At the end of 2003, the stock market index and volume of transactions had shown signs of a recovery in the economy. The average daily volume of transactions amounted to NT$72,000 million in December 2003. In 2003, Barits International had a market share of 2.78%. The margin loan outstanding grew from NT$3,052 million in 2002 to NT$9,100 million, a growth of 1.98 times. It had 550 associated persons operating out of 37 offices throughout Taiwan.
- Securities underwriting: In line with the government policy to encourage securities companies to transform themselves into investment banks, Barits International had taken steps in that direction by integrating resources within the Group, and the results for 2003 were: the number of companies guided and filed by Barits International with the authority for listing in TAIEX totaled 28 and for listing in OTC totaled 44. The number of IPO totaled 11, SPO totaled 8 and the Emerging Stock Market listing totaled 47, representing a market leadership position carried over from the previous year.
- Bond business: The company was lead manager for 12 corporate bond issues in 2003, ranked number two in the market. The total underwriting amount was NT$18,757 million, a top-tier securities house in the market. The total operating revenue from the Bond Department amounted to NT$604 million for 2003.
- Stock-registration services: Total 50 companies have appointed Barits International as agent in 2003. The total revenue amounted to NT$10 million.
- New financial products: In the year 2003, the company issued 26 warrants with premium revenue ranked the 2nd in the market. The revenue from warrants issuance amounted to NT$528 million. Moreover, in response to the authorities' opening up of the market to new products, the company made its first launch of Principal Guaranteed Notes (PGNs).



Chung Hsing Bills Finance Corporation

A. Major Business Activities

- Brokerage, dealing, certification and underwriting of short-term debt instruments.
- Brokerage, dealing, certification and underwriting of financial debentures.
- Guarantee or endorsement services for short-term debt instruments.
- Brokerage for inter-bank call loans.
- Financial consulting services to customers.
- Proprietary trading in government bonds and corporate bonds.

B. Major Operating Results for 2003

- Guaranteed issues of commercial paper outstanding at the end of 2003 for all bills finance companies amounted to NT$490,379 million. The corresponding amount for Chung Hsing Bills Finance Corporation was NT$161,326 million, representing a market share of 32.90%.
- Initial purchases of commercial paper in the primary market in the year 2003 for all bills finance companies together amounted to NT$6,212,636 million. The purchase made by Chung Hsing Bills Finance Corporation totaled NT$1,610,793

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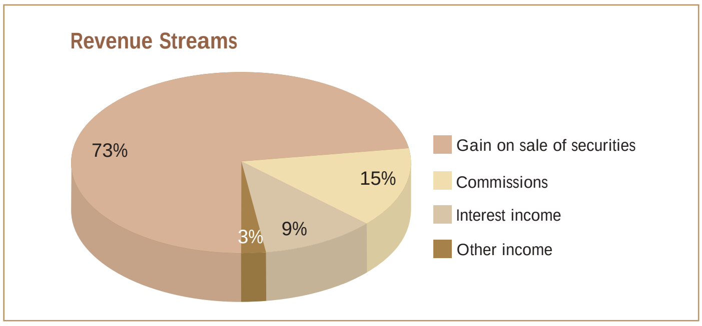
- Transactions of commercial paper in the secondary market in the year 2003 for all bills finance companies amounted to NT$28,346,550 million. The transactions attributable to Chung Hsing Bills Finance Corporation totaled NT$6,411,374 million, representing a market share of 22.62%.



The International Commercial Bank of China

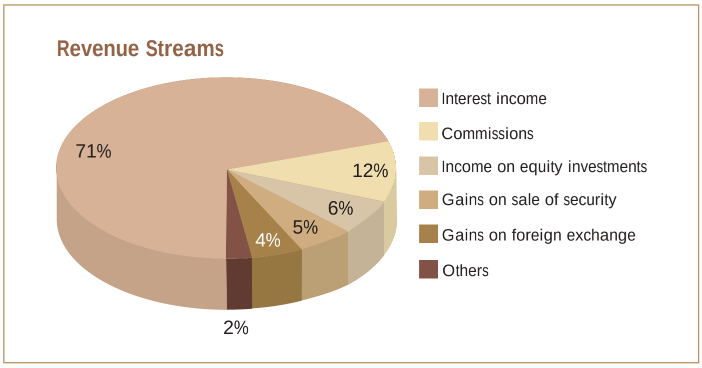
A.Major Business Activities

- Commercial banking business: including all kinds of deposits, loan and guarantee business, trading financing, remittance business, offshore banking business, short-term bills business, foreign exchange trading, safety deposit box business, book-entry government bond business, various kinds of ATM debit card business and electronic banking, and internet banking business.
- Consumer banking business: including all kinds of credit card business, consumer loans, student loans, home purchase and maintenance loans, private banking, car loans, and credit insurance consumer loans, among others.
- Trust, investment and financial consulting business: including all kinds of trust and investment, agency, securities underwriting and brokerage, distribution of trust fund beneficiary certificates, gold and silver bullion and coinage; as well as financial planning services in relation to large private investments, and financial consulting services for major public infrastructure projects.
- Engaging in other related activities subject to the approval of the central competent authority.

B.Major Operating Results for 2003

- Deposits: Total deposits in 2003 amounted to NT$587,478 million, a growth of 5.9% as compared with NT$554,898 million recorded for 2002.
- Lending: Total loans, guarantees and acceptances in 2003 amounted to NT$627,539 million, a growth of 16.75% as compared with the NT$537,513 million for 2002.
- Foreign exchange business: Total foreign exchange business undertaken in 2003 amounted to US$183,455 million, an increase of 40.3% over the US$130,752 million recorded for 2002.
- Non-performing loans: Non-performing loans outstanding at the end of 2003 amounted to NT$9,243 million, representing a non-performing loan ratio of 1.74%.
- Long-term equity investments: Total long-term equity investments at the end of 2003 amounted to NT$9,505 million, representing a decline of 5.86% over the NT$10,097 million for 2002.
- Trust business: Total assets under custody in 2003 (including domestic trust funds, depositary receipts (DR), investment of foreign investors, discretionary funds, investment linked insurance policies, structured financial products, physical securities, and venture capital funds) amounted to NT$275.7 billion, an increase of 28.53% over the NT$214.5 billion recorded for 2002. Custodian fee income totaled NT$22.73 million, an increase of 19.08% over the NT$19.09 million for 2002. Mutual funds distributed by the bank amounted to NT$47,337 million with commission fee income totaling NT$133 million, while distribution of structured notes amounted to US$227 million with commission fee income totaling US$4.18 million.

● Consumer banking business: Consumer banking loans outstanding (including credit card loan outstanding) at the end of 2003 amounted to NT$98,488 million, an increase of 34.21% over the NT$73,382 million for 2002. The number of effective credit cards issued broke the one million mark on September 28, 2003 and amounted to 1.16 million as of the end of 2003. This represented an annual increase of 488 thousand in new card issued or an annual growth rate of near 70%.



Chung Kuo Insurance Co., Ltd.

A.Major Business Activities

The company's major businesses include: fire insurance, marine cargo insurance, marine hull insurance, fishing vessel insurance, automobile insurance, aviation insurance, nuclear energy insurance, engineering insurance, liability insurance, credit and bond insurance, accident insurance, and miscellaneous insurance.

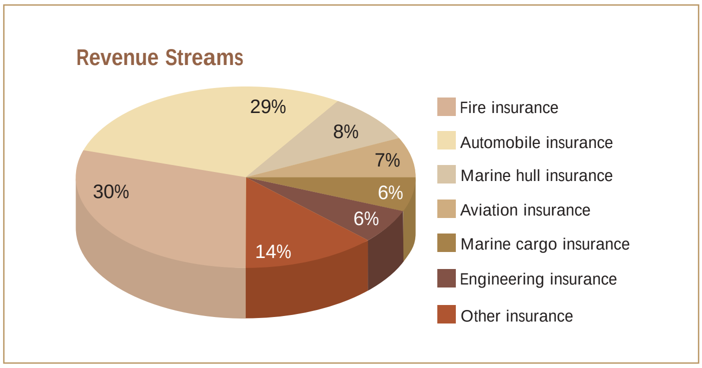
B.Major Operating Results for 2003

● Direct written business: Total gross direct written premiums for the year 2003 amounted to NT$5,502 million, an increase of NT$304 million or a growth rate of 5.85% compared with the NT$5,198 million for 2002.

● Reinsurance business: Total reinsurance premiums for 2003 amounted to NT$1,136 million, an increase of NT$247 million or a growth rate of 27.78% compared with the NT$889 million for 2002. Of which,

--Domestic inward reinsurance premium totaled NT$1,017 million, accounting for 89.49% of the total reinsurance premiums;

--Foreign inward reinsurance premium totaled NT$119 million, accounting for 10.51% of the total reinsurance premiums.



Mega Investment Trust Corp.

A.Major Business Activities

● Issuing beneficial certificates to raise securities investment trust funds.

● Investing in securities and other related products with the trust funds.

● Other related activities subject to the approval of Securities & Futures Commission of MOF

B.Major Operating Results for 2003

The company experienced a significant growth both in operating revenues and assets under management due to cross selling within the Group after becoming the direct subsidiary of the Mega Financial Holding Company. In 2003, its total operating revenue amounted to NT$171 million, an increase of NT$95 million or a growth rate of 125% compared with the NT$76 million for 2002. At the end of December 2003, total assets under management amounted to NT$39,270 million, a growth of 64% over the 2002.

Mega Asset Management Corporation

A.Major Business Activities

- Purchasing, appraising, or auctioning of non-performing loans released by financial institutions
- Management and servicing of non-performing loans
- Account receivable factoring and management of non-performing loans
- Investment and business management consulting
- Other business activities not prohibited or restricted by laws

B.Major Operating Results for 2003

Mega Asset Management Corporation was set up on December 5th, 2003. Its main business activities have yet to be started and only the daily operating expenses and some other revenues and expenses were incurred.

II. Market Conditions

The Company is a financial holding company with its main business as investment and management of the businesses that it has invested in; and its main operating incomes from its subsidiaries. Sets forth below are the respective markets and business strategies of its subsidiaries:

Banking Business

A.Main Areas of Operations

Currently, the Group's banking business still concentrates in Taiwan. As of the end of March 2004, Chiao Tung Bank has 31 domestic and 3 overseas branches, and the International Commercial Bank of China has 76 domestic and 22 overseas branches (or subsidiaries).

B.Market Conditions

- There are total 14 financial holding companies currently in Taiwan, with none of them having a market share over 10% or the scale of economy in banking sector. In addition to increased market share, mergers of banks are believed to have the benefits of more efficient back-office operations and cost down. Therefore, larger financial holding companies are aggressively seeking to buy out medium and small size financial institutions to beef up their size and improve operating efficiency. Facing the competition from large size, diversified financial holding companies, banks that haven't been incorporated into financial holding companies have no choice but joining or forming a financial holding company, or seeking strategic alliance with other financial institutions to enhance their competitiveness.
- With Taiwan still extremely over-banking, the cutthroat price competition has led to shrinking interest spread for all the banks. In order to increase their fee-based incomes, all of them are making new product development and wealth management business their primary goals. The number and creativity of those new financial products will be one of the critical factors that determine the success or failure of banking business.
- The New Basel Capital Accord (Basel II) is planned to enforce in 2006. The Accord will require banks to take into account operational risks, increasing legal capital requirement; as a result, unfavorable to regional small and medium size banks.

Furthermore, the establishment of risk measurement model and database systems requires lots of manpower and money, which may exceed what small size banks could bear, negatively affect regional small and medium banks, and cause the acceleration of mergers among banks.

C.Business Strategies

- Fortifying core businesses, optimizing asset utilization and expanding sources of revenues.
- Developing new financial products and making full thrust into the wealth management market to increase fee based incomes.
- Expanding distribution channels to raise market shares, integrating operating systems to cut down on costs and improve operating performance.
- Continuing to promote e-transaction platforms, namely, internet banking, phone banking, and PC Banking Plus businesses, aiming at becoming clients' money transfer center.
- Continuing to implement "the global logistic center for Taiwanese companies" project through its offshore banking unit, so as to raise the proportion of international business.

Securities Business

A.Main Areas of Operations

Currently, the Group's securities business still concentrates in Taiwan. As of the end of March 2004, there were 39 domestic offices and branches. For overseas business, in particular the Great China area, services were provided through Barits International's subsidiaries and sub-subsidiaries in HK.

B.Market Conditions

- To encourage Taiwan's securities companies moving toward the direction of investment banking, the authority is loosing regulations on new financial products, extending the business scope of securities companies, improving underwriting systems and widening the channels for fund raising, further enlarging the room of development for securities companies. In the future, diversification and scale should be the directions for securities companies to enhance their international competitiveness. A team of well-trained professionals and extended distribution channels will also determine the future development of a securities company.
- Propelled by the mounting demand for internationalization, the Government is gradually loosening its ties on foreign capital. The inflow of foreign capital into Taiwan will activate the issuance and circulation of securities in the market.
- With the popularity of personal investments and wealth management increasing, investors' demand for financial products is also growing. Traditional products are no longer satisfactory to customers. Tailor-made and full-service financial products are the trend of future.
- In terms of service model, given the popularity of e-commerce and technology, service provision in the securities market will not be restricted by time or location, and will be more efficient economically.

C.Business Strategies

- Moving rapidly toward the direction of internationalization and product diversification; recruiting financial professionals with international exposure to compete with foreign players.
- Adding more branches to raise market share.
- Planning on increasing product lines, improving income structure, raising channel effectiveness and providing

customers with comprehensive financial services.

- Following the Government's pace in market deregulation to formulate overall business planning.

Bills Finance Business

A.Main Areas of Operations

In addition to the Group's banking network, Chung Hsing Bills Finance Corporation provides bills finance business through its Taipei head office and 8 branch offices in Taiwan's major metropolitan areas.

B.Market Conditions

- As Taiwan's leading economic indicator climbed up from the bottom in May 2003 and the business outlook turned around, export trade order and industrial production also grew strong. The coming upturn economic cycle is expected to bring about stronger demand for capital and therefore, favorable for bills finance business.
- In terms of capital market, given that the central bank has lowered interest rate 14 times since the year 2000, the short-term money market remained extremely loose but long-term interest rate saw a rebound. With the economic recovery growing strong in the 2nd half of 2003, interest rate is moving slowly upward with little room for further drop.
- For the continued improvement of the financial environment and lifting of the industry's competitiveness, the MOF has been encouraging the mergers and acquisitions of financial institutions based on the Financial Holding Company Act. The mergers and acquisitions are not only for the creation of size but also the innovation of products and the expansion of markets for the effects of synergy. Therefore, the future survival and competition of bills finance companies are no longer restricted to the business of bill or bond but to interest rate derivative products or even more complicated products that linked with the products of the Group subsidiaries, so as to secure a steady development and continued growth.

C.Business Strategies

- Strengthening the cooperation with the Group's subsidiary banks to promote structured NIF business, so as to effectively expand customer base and increase group profits.
- Enhancing the capability to predict interest rate trend in a more precise way, and using derivative financial products to improve operating performance in the micro-profit era.
- Undertaking limited credit risk and take opportunities to exchange for higher-yield financial debentures or convertible bonds.
- Making adjustments to lower the durations of portfolios, effectively reducing interest rate risk.

Non-life Insurance Business

A.Main Areas of Operations

Chung Kuo Insurance Co., Ltd. sells its products mainly within the country, accounting for 90.13% of the total premium income written with the rest 9.87% being written by its Guam office. Currently, it has 9 branches and 15 liaison offices in Taiwan and two overseas offices, one in Vietnam and one in Guam.

B.Market Conditions

- In a highly developed country, with increasing commercial activities and continued innovation in technology, new risk factors will appear continuously, hence increasing a country's dependence on insurance. With growing economy and rising income standard, individuals and families will also place more importance on their insurance need.

- With the expanding business scope granted by the amended Insurance Law and growing consumer awareness, non-life insurers are continuously developing new types of product to meet consumer needs. The product supply of non-life insurers is moving toward diversification.

C.Business Strategies

- Expanding marketing channels through cross-selling among subsidiaries of the Group.
- Adjusting corporate structure and improving operating procedures to rapidly respond to the market and customer needs, raising customer satisfaction.
- Speeding up the development of new products and building up market distinction in order to generate quality core products.
- Making timely adjustment to its investment portfolio, taking into account the portfolio's safety, liquidity and return on investment; take advantage of the Group's professional advisory on fund utilization to increase the returns.

Securities Investment Trust

A.Main Areas of Operations

Currently, the Group's securities investment trust services are only available in Taiwan, divided into three major markets: the northern, middle and southern parts of Taiwan.

B.Market Conditions

- As of December 31, 2003, there were total 43 securities investment trust companies in Taiwan, with the total number of funds at 417, total assets value at NT$2,666.8 billion, and total number of beneficiaries at 1,836,087. The market is intensely competitive, while both the numbers of funds and total assets value have grown compared with 2002. With the number of investors increasing and the government's continued deregulation policy, it is believed that there is still plenty of room for the investment trust industry.
- The restrictions on various new financial products such as index fund, structured fund and principle guaranteed fund, were lifted during 2003. As a result, investors now have more choices in terms of investment instruments and the market is full of activities again with total investment amount reaching NT$59.9 billion. In 2004, hedge fund and umbrella fund will join the array, expecting to inject more money into the market.
- In response to the trend of diversification in the financial market, the government has allowed banks to engage in fund issuance business, making a significant impact on the securities investment trust industry. Therefore, the future development of securities investment trust business will depend on the success in improving fund performance and product type, in making strategic alliances cross industries or getting the benefits of synergy through channel integration and resource sharing in the Group.

C.Business Strategies

- Integrating with the research resources of the Group to improve fund performance and build up customer confidence.
- Strengthening new product development and research to enhance overall market competitiveness.
- Upgrading customer service and operating quality to establish a consistent and professional corporate image.

Asset Management

A.Main Areas of Operations

Mega Asset Management Corporation mainly operated in Taiwan area.

B.Market Conditions

- It is widely expected that when the economic recovery turns strong in 2004, the remaining non-performing loans (NPLs) in the market will not exceed NT$200 billion. The MOF's Bureau of Monetary Affairs reported that as of the end of 2003, the ratio of non performing loans for all financial institutions in Taiwan stood at 5.00% and the total NPL amount at NT$802.8 billion.
- Currently, asset management companies have their business still focused on collateral prosecuting with few of them moving toward company reorganization. According to foreign experience, the future development will be in the direction of reorganization fund, asset backed securitization and real estate investment trust fund. A few of domestic financial institutions have started working on those business items.

C.Business Strategies

- Absorbing related experience through strategic alliance.
- Developing the business of real estate securitization and business reorganization.

III. Human Resources

The total number of employees for the Company and its subsidiaries amounted to 6,817 on December 31, 2003. The Company's statistical data of personnel are as follows:

Year		2002	2003	March 31,2004
Number of Employees	Management	26	46	50
Average Age		41.04	37.63	38.12
Average Years of Service		0.35	1.00	1.16
Distribution by Education Background	Ph. D.	-	2	2
	Masters	5	13	14
	University	16	20	22
	College	4	10	11
	High School	1	1	1
	Others	-	-	-

IV. Risk Management

The Group Risk Management Goals

Risk, performance and cost are the three business factors that the Mega Financial Group (or "the Group" in short) considers to be the most important. In order to effectively manage the operating risk in relation to the business of banks, bills finance, securities and insurance companies, and ensure that each of the Group's risk is maintained within tolerable limits, Mega Financial Holding Company will reexamine the Group's risk management structure and establish an overall risk governance mechanism while aggressively integrating its marketing strategies.

The Board of Directors is the highest authority in charge of the Company's risk management and is responsible for the goal of creating and implementing a group risk management structure in conformance with the New Basel Capital Accord and Taiwan's related laws. In seeking to effectively control the various kinds of business risk within the Group and respond to changing economic and financial conditions, the Company has had in place a Risk Management Committee that reports directly to the Company's Board of Directors. It is the responsibility of this committee to formulate the Group's risk management system and strategies, and to perfect the mechanism step by step.

A.Short-Term Risk Management Goals

In line with the short-term risk management goals, the Group has produced "Risk Management Policies and Guidelines" as reference for all subsidiaries to comply with and amend their internal guidelines so as to control their operating risks. In addition, with the assistance of outside consultant, the Group is evaluating its market and credit risks based on the New Basel Capital Accord and international best practices. Internal trainings will also be held to develop risk management consciousness and foster such culture in the Group.

B.Medium-Term Risk Management Goals

For the medium term, the goals are to formulate the Group's risk governance policies, establish a group risk control system, construct a IT platform for such system, and set up a quantified and real-time mechanism to gradually conform with international standards.

C.Long-Term Risk Management Goals

For the long term, the goals are to combine risk management and capital management, and to implement a risk-adjusted return evaluation system. And the most important task is to work on the integration of the Group's risk management systems, identification and control of potential risks as to pursue loss minimization and profit maximization in the long run.

Focus of Risk Management Policies

The Company's risk control policies in the short term will focus on the establishment of risk management database, its related systems and the improvement in risk quantification. The establishment of risk control system relies a lot on computerization and quantification. For the operation of banks, Activity Based Costing or Fund Transfer Pricing is one of the important elements to perfect risk control system. Therefore, the establishment of such infrastructure will be proceeded with the cooperation of related departments.

With respect to credit risks, the improvement of credit evaluation procedures should be the focus. Related task forces within the Group and experienced staff will be called on to work on the jobs. Of all the jobs, the set up of risk management database, including data evaluation and model development, is most important. With respect to market risks, the systems and models developed by international players have already been quite mature. Therefore, a market risks management system is going to be introduced in this coming year. With respect to operational risks, the compliance with laws and regulations will be our focus in this starting period since the data collection and calculation are complicated and take time. In addition, a self-assessment system will be adopted to rectify the manual auditing procedures currently in use, detail the operational procedures within the Group, and establish the database gradually for periodical review and as the foundation of a risk control environment.

The Scope of Risk Management

The Group's risk management will include all of the on and off-balance sheet operating risk of the holding company and its subsidiaries, namely, market risk, liquidity risk, credit risk, operational risk, country risk, information system risk and legal risk.

Many of the adverse effects of the business risks, which would otherwise prevent the financial entity as a whole from achieving its objectives, can be lowered or even completely removed through the setting up of a system of internal controls and management procedures. However, in order to get hold of the Group's real-time risk situation and conform to the recommendations of the New Basel Capital Accord as promoted by the Basel Committee, the Company will establish risk measurement system, by using quantitative techniques step by step.

Although the regulatory authority has not yet made the New Basel Capital Accord mandatory standards for domestic financial institutions, the Company seeks to adhere to international standards by integrating various evaluation methods for trading and business risk. It is hoped that by achieving the rationalization of the return on risk, adopting risk-adjusted performance evaluation system and assets allocation, and applications of economic capital, the Company can generate the greatest benefits for its investors.

Medium-to-long-term Business Strategies

Medium-to-long-term Business Strategies

In pursuit of everlasting operation of the Group, the Company has formulated the "Medium-to-long-term Business Strategies" in order to establish competitiveness of core businesses, encourage innovative research and development, and integrate related businesses of subsidiaries to boost development and bolster information sharing. Each subsidiary also develops its own action plan, in accordance with group development strategies, as the guidelines when promoting related businesses.

The Company's "Medium-to-long-term Business Strategies" include vision of the Group, operating objectives, and medium-to-long-term strategies. They are described as follows:

I. Vision- Being the best financial service partner of clients

Increase the proportion of the Group's personal banking business that is 10% at present to 20% in mid-term and 30%~40% in long-term. In addition, gradually adjust the business proportion of the Group's corporate and investment banking from 89% at present to 80% in mid-term and 60%~70% in long-term. Moreover, proceed with organizational adjustment in responding to market challenges. That is, transfer the current branch-based organization into customer-oriented one through the establishment of business units. In this way, the Company could build up operating advantages and become the market leader with the aim of being ranked among the top three in terms of market share and profitability for core businesses.

II. Objectives

● Business Objectives:

--Maintain to be the top one lead manager in syndicated loans market with a market share above 20%

--Preserve the leadership in corporate and investment banking business with a 10% market share in lending volume

--Maintain advantages of offshore banking business

--Develop wealth management business to raise the business proportion of consumer banking to 20%

--Strengthen the relationship with small and medium enterprises while raising the service proportion to 20%~25%

● Financial Objectives:

--ROE: 12-15% within three years；15-18% within five years	--Capital Adequacy Ratio: above 105%
--Double Leverage: below 120%	--Debt / Equity: below 25%
--Current Ratio: above 200%	--Cost/Income Ratio: below 40%
--Bank Subsidiaries - NPL Ratio: below 2.5%	--Bank Subsidiaries - Coverage Ratio: above 40%

III. Medium-to-long-term Strategies

● Fortify advantages of corporate banking and foreign exchange businesses

--Business: Develop five major business divisions, namely, investment banking, syndicated loans, small and medium enterprises financial service, financial consultancy, and asset backed securitization

--System: Establish "Customer Relationship Management System" of the Group

--Maintain foreign exchange business advantages

--Launch into the mainland Chinese market

● Develop consumer banking and wealth management businesses

--Business: Develop credit cards and mortgage loan businesses

--System: Apply centralized product R&D effort system and double channels for single brand

--Develop wealth management business

--Increase the percentage of commissions and handling fees income to 25%

● Enhance the Group synergy by cross selling

--Corporate banking business: Increase the business of securities underwriting and property insurance through cross selling by corporate banking units of Group. Offer consolidated quotations on syndication loans by the two subsidiary banks.

--Consumer banking business: Revenue percentage of consumer banking products contributed by cross-selling efforts should achieve 15% or above.

● Reduce costs and improve operating performance

--Adjust human resource structure

--Save administration expenses

--Optimize the allocation of asset and liability

--Adjust personnel and resources of front-middle-back working platforms

● Accelerate integration of the information system-Utilizing dominant IT technology to back up enterprise development

--Accomplish the Group's internet connection

--Accomplish establishment of the common data center of the Group

--Proceed with the integration of the Group's information application platform (EAI)

--Proceed with the set up of the Group's disaster recovery center in other location

--Proceed with the set up of the Group's data warehouse (DW)

--Plan the Group's information communication center

--Plan the Group's information safety

● Integrate risk management system

--Mid Term:

a.Devise the Group's risk governance policy and system, set up risk management organization for the Group, and establish connections with subsidiaries for risk managing activities.

b.In accordance with internal data warehouse process, conduct preliminary information processing for establishment of the risk monitor system.

c.Organize a quantified and real-time risk management mechanism and system to accomplish the best operating practice in conformity with the international standard.

--Long Term:

a.Combine risk management and capital management; implement the risk-adjusted performance evaluation mechanism all over the Group.

b.Consolidate risk management system of the Group; identify and control risks with the objective of minimizing loss and maximizing profit.

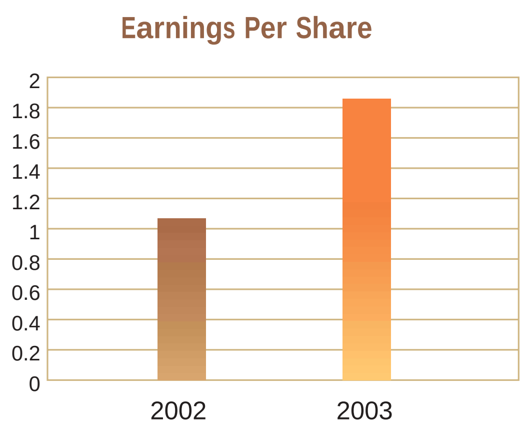
Financial Reports

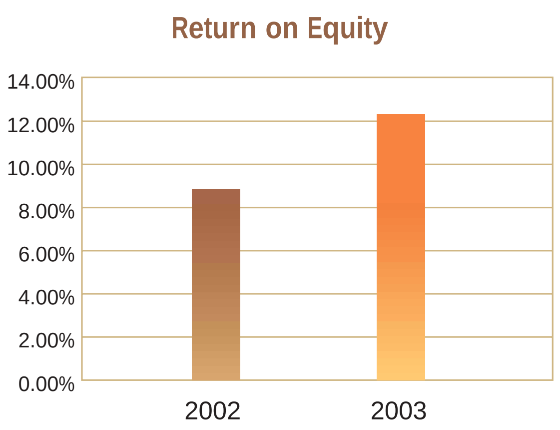
I. Financial Highlights

NT$ million, except per share amount in NT$

	YEAR 2002	YEAR 2003
FINANCIAL CONDITION		
Paid-in Capital	110,488	113,972
Total Shareholders' Equity	142,537	156,533
Total Assets	1,649,625	1,757,980
PER SHARE		
Earnings Per Share	1.02	1.84
Shareholders' Equity Per Share	15.08	15.97
Dividends Declared Per Share		
Stock Dividend	1.0392	0.40
Cash Dividend	-	0.40
FINANCIAL RATIO		
Capital Adequacy Ratio	119.61%	114.25%
Return on Assets	0.76%	1.06%
Return on Stockholders' Equity	8.84%	12.10%
Net Income to Operation Revenues	7.35%	21.91%
Double Leverage Ratio	117.92%	119.80%

Note: The above financial highlights are based on the consolidated financial statements.





II. Consolidated Financial Statements and Notes

English Translation of a Report Originally Issued in Chinese

Report of Independent Auditors

The Board of Directors and Stockholders
Mega Financial Holding Co., Ltd.
(Formerly known as CTB Financial Holding Co., Ltd.)

We have audited the accompanying consolidated balance sheets of Mega Financial Holding Co., Ltd. and its subsidiaries as of December 31, 2002 and 2003, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the period from February 4 (date of inception) to December 31, 2002 and for the year ended December 31, 2003, all expressed in New Taiwan dollars. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the "Regulations for Audit and Certification of Financial Statements of Financial Institutions by Certified Public Accountants" and auditing standards generally accepted in the Republic of China on Taiwan. Those 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 provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mega Financial Holding Co., Ltd. and its subsidiaries as of December 31, 2002 and 2003, and the consolidated results of their operations and their consolidated cash flows for the period from February 4 (date of inception) to December 31, 2002 and for the year ended December 31, 2003, in conformity with the "Guidelines for Preparation of Financial Reports by Financial Holding Companies", "Guidelines for Preparation of Financial Reports by Public Listed Banks", "Guidelines for Preparation of Financial Reports by Securities Firms", "Guidelines for Preparation of Financial Reports by Securities Issuers" and accounting principles generally accepted in the Republic of China on Taiwan.

Diwan, Ernst & Young

March 9, 2004
Taipei, Taiwan
Republic of China

Notice to Readers

The accompanying consolidated financial statements are intended only to present the financial position and 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.

MEGA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2002 and 2003

ASSETS	Notes	Dec. 31, 2002	Dec. 31, 2003	
		NT$	NT$	US$
Cash and cash equivalents	II & IV-1	$23,483,423	$24,116,344	$709,346
Due from the Central Bank and other banks	IV-2	299,779,354	245,638,768	7,225,095
Securities purchased - net	II & IV-3	276,851,904	363,711,138	10,698,016
Receivables - net	II, IV-4 & V	47,936,048	70,569,711	2,075,702
Bills, discounts and loans - net	II, IV-5 & V	888,059,203	944,595,992	27,783,869
Long-term equity investments	II & IV-6	37,390,185	37,606,487	1,106,138
Other long-term investments	IV-7	12,332,405	23,386,444	687,877
Property and equipment - net	II & IV-8	23,590,158	23,243,823	683,682
Other assets	II	40,201,845	25,111,324	738,612
TOTAL ASSETS		$1,649,624,525	$1,757,980,031	$51,708,337

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

Expressed in Thousands of Dollars

LIABILITIES AND STOCKHOLDERS' EQUITY	Notes	Dec. 31, 2002	Dec. 31, 2003	
		NT$	NT$	US$
Liabilities				
Short term debts	IV-9	$13,827,933	$18,823,184	$553,656
Due to the Central Bank and other banks	IV-10 & V	275,349,986	277,329,965	8,157,244
Payables	IV-11	49,885,775	59,676,176	1,755,285
Deposits and remittances	IV-12 & V	864,439,617	915,616,002	26,931,467
Funds borrowed from the Central Bank and other banks	IV-13	155,593,810	144,475,721	4,249,536
Financial debentures - net	IV-14	64,209,200	74,320,344	2,186,021
Corporate bonds payable - net	II & IV-15	15,000,000	43,444,820	1,277,864
Accrued pension liability	II & IV-16	1,457,968	1,640,079	48,240
Other liabilities	II	67,323,516	66,121,158	1,944,854
Total Liabilities		1,507,087,805	1,601,447,449	47,104,167
Stockholders' Equity				
Capital stock				
Common stock	IV-17	110,488,402	113,971,716	3,352,306
Capital surplus	II			
Additional paid-in capital		49,924,209	46,573,328	1,369,884
Capital surplus - treasury stock		-	1,954	58
Adjustments arising from long-term equity investments accounted for under equity method		1,132	1,047	31
Total capital surplus		49,925,341	46,576,329	1,369,973
Retained earnings	IV-18			
Legal reserve		5,077,446	5,697,916	167,596
Special reserve		354,967	405,703	11,933
Unappropriated retained earnings		6,239,231	18,920,504	556,518
Total retained earnings		11,671,644	25,024,123	736,047
Equity adjustments				
Unrealized loss on the decline in market value of long-term equity investments		(66,241)	(18,750)	(551)
Cumulative translation adjustments		258,034	606,770	17,847
Net loss not recognized as pension costs	II	-	(9,340)	(275)
Total equity adjustments		191,793	578,680	17,021
Treasury stock	II & IV-19	(29,740,460)	(29,618,266)	(871,177)
Total Stockholders' Equity		142,536,720	156,532,582	4,604,170
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		$1,649,624,525	$1,757,980,031	$51,708,337

MEGA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Period from February 4 to December 31, 2002 and the Year Ended December 31, 2003

Expressed in Thousands of Dollars, Except Per Share Amounts

	Notes	Feb. 4 to Dec. 31, 2002	Year Ended Dec. 31, 2003	
		NT$	NT$	US$
Operating Revenues	II			
Interest income		$52,001,754	$43,274,067	$1,272,842
Premiums income		6,088,104	6,590,183	193,840
Reinsurance commissions income		473,755	457,552	13,458
Reinsurance payments refund		1,740,497	327,660	9,638
Recovered premiums and reserves		1,699,675	1,650,125	48,536
Recovered special reserve		316,873	164,736	4,846
Recovered indeterminate claim reserve		33,727	30,072	885
Fees income		6,906,576	7,924,695	233,093
Underwriting income		352,679	299,258	8,802
Gain on issuance of stock warrants		164,762	1,870,690	55,024
Futures commission income		-	60,116	1,768
Gain on futures contracts		52,798	1,870	55
Gain on disposal of securities		226,633	1,199,929	35,294
Warehousing and transportation income		4,109	3,521	104
Gain on trading of securities		6,453,296	14,257,008	419,348
Investment income accounted for under equity method		6,805,304	1,964,758	57,790
Gain on real estate investments		4,904	13,442	395
Foreign exchange gain		1,421,056	1,406,436	41,368
Gain on investments in trusts		70,497	46,844	1,378
Other operating revenues		969,316	1,049,218	30,861
Total Operating Revenues		85,786,315	82,592,180	2,429,325
Operating Expenses	II & IV-20			
Loss on the decline in market value of securities held for operations		(255,036)	-	-
Interest expense		(28,273,011)	(19,364,021)	(569,564)
Insurance expense		(3,866,419)	(3,858,406)	(113,489)
Commissions expense		(626,667)	(743,998)	(21,884)
Insurance claims		(3,467,991)	(1,799,691)	(52,935)
Provision for unearned premium reserve		(1,649,122)	(1,689,404)	(49,691)
Provision for special reserve		(134,071)	(325,097)	(9,562)
Disbursement for stabilization fund		-	(9,686)	(285)
Provision for claim reserve		(30,088)	(35,843)	(1,054)
Service charges		(516,884)	(643,197)	(18,919)
Expense on issuance of stock warrants		-	(1,361,551)	(40,048)
Loss on futures contracts		-	(53,151)	(1,563)
Securities brokerage charges		-	(19,062)	(561)
Loss on trading of securities		-	(1,482,832)	(43,615)

(Forward)

Expressed in Thousands of Dollars, Except Per Share Amounts

	Notes	Feb. 4 to Dec. 31, 2002	Year Ended Dec. 31, 2003	
		NT$	NT$	US$
Loss on real estate investments		(4,030)	(8,946)	(263)
Provisions expense		(16,332,777)	(13,954,408)	(410,448)
Business and administrative expenses		(15,347,885)	(16,909,313)	(497,362)
Other operating expenses		(716,753)	(443,368)	(13,041)
Total Operating Expenses		(71,220,734)	(62,701,974)	(1,844,284)
Operating Profit		14,565,581	19,890,206	585,041
Non-operating Income		1,527,370	1,707,930	50,236
Non-operating Expenses	II and IV-21	(4,145,826)	(1,030,532)	(30,312)
Income before Income Tax from Continuing Operations		11,947,125	20,567,604	604,965
Income Tax Expense		(1,932,525)	(2,468,528)	(72,608)
Net Income before Cumulative Effect of Changes in Accounting Principles		10,014,600	18,099,076	532,357
Cumulative Effect of Changes in Accounting Principles		542,291	-	-
Net Income before Share Swap		(4,258,816)	-	-
Consolidated Net Income		$6,298,075	$18,099,076	$532,357
Basic Earnings Per Share (in dollars)	IV-22			
Income before income tax from continuing operations		$1.33	$2.09	$0.0615
Consolidated net income		$1.02	$1.84	$0.0541
Diluted Earnings Per Share (in dollars)				
Income before income tax from continuing operations		$1.33	$2.03	$0.0597
Consolidated net income		$1.02	$1.79	$0.0527
Pro forma information based on the assumption that shares of the Company held by its subsidiaries are not treated as treasury stock:				
Income before income tax from continuing operations		$8,243,166	$20,593,637	$605,731
Consolidated net income		$6,285,873	$18,125,109	$533,123
Basic earnings per share (in dollars)				
Income before income tax from continuing operations		$1.32	$2.08	$0.0612
Consolidated net income		$1.01	$1.83	$0.0538
Diluted earnings per share (in dollars)				
Income before income tax from continuing operations		$1.32	$2.02	$0.0594
Consolidated net income		$1.01	$1.78	$0.0524

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

MEGA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Period from February 4 to December 31, 2002 and the Year Ended December 31, 2003

	Common Stock		Capital Surplus
	No. of Shares	Amount	
Balance as of February 4, 2002	2,915,608	$29,156,078	$30,094,296
Adjustment of subsidiaries' income of prior period	-	-	(128,220)
Capitalization of capital surplus	291,561	2,915,608	(2,915,608)
New shares issued due to share swap	7,841,671	78,416,716	-
Premium from merger	-	-	22,873,741
Adjustments arising from long-term equity investments accounted for under equity method:			
Changes in capital surplus	-	-	1,132
Changes in cumulative translation adjustments	-	-	-
Changes in unrealized loss on the decline in market value of long-term equity investments	-	-	-
Net income for the period from February 4 to December 31, 2002	-	-	-
Reclassification of investment income accounted for under equity method prior to share swap	-	-	-
Treasury stock purchased	-	-	-
Treasury stock held by subsidiaries	-	-	-
Balance as of December 31, 2002	11,048,840	110,488,402	49,925,341
Appropriation of 2002 earnings			
Legal reserve	-	-	-
Cash dividends	-	-	(2,742,903)
Remuneration to directors and supervisors	-	-	-
Bonus to employees	-	-	-
Capitalization of retained earnings	378,331	3,783,314	-
Adjustments arising from long-term equity investments accounted for under equity method:			
Changes in capital surplus	-	-	(166,189)
Changes in cumulative translation adjustments	-	-	-
Changes in unrealized loss on the decline in market value of long-term equity investments	-	-	-
Net loss not recognized as pension costs	-	-	-
Net income for the year ended December 31, 2003	-	-	-
Treasury stock purchased	-	-	-
Retirement of the Company's treasury stock by its subsidiaries	(30,000)	(300,000)	(441,629)
Disposal of treasury stock held by subsidiaries	-	-	(245)
Provision of special reserve for valuation loss on treasury stock held by subsidiaries	-	-	-
Cash dividends distributed to the subsidiaries holding the Company's shares	-	-	1,954
Balance as of December 31, 2003	11,397,171	$113,971,716	$46,576,329

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

Expressed in Thousands of New Taiwan Dollars / Thousand Shares

Retained Earnings: Legal Reserve	Retained Earnings: Special Reserve	Retained Earnings: Unappropriated Retained Earnings	Treasury Stock	Unrealized Loss on the Decline in Market Value of Long-term Equity Investments	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Costs	Total Stockholders' Equity
$ -	$ -	$ -	$ (1,283,552)	$ -	$ -	$ -	$ 57,966,822
-	-	-	-	-	-	-	(128,220)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	78,416,716
5,077,446	354,967	34,524	-	(33,645)	91,285	-	28,398,318
-	-	-	-	-	-	-	1,132
-	-	-	-	-	166,749	-	166,749
-	-	-	-	(32,596)	-	-	(32,596)
-	-	6,298,075	-	-	-	-	6,298,075
						-	
-	-	(93,368)	-	-	-		(93,368)
-	-	-	(28,364,696)	-	-	-	(28,364,696)
-	-	-	(92,212)	-	-	-	(92,212)
5,077,446	354,967	6,239,231	(29,740,460)	(66,241)	258,034	-	142,536,720
620,470	-	(620,470)	-	-	-	-	-
	-	(1,040,411)	-	-	-	-	(3,783,314)
-	-	(48,400)	-	-	-	-	(48,400)
-	-	(7,807)	-	-	-	-	(7,807)
-	-	(3,783,314)	-	-	-	-	-
-	-	134,158	-	-	-	-	(32,031)
-	-	-	-	-	348,736	-	348,736
-	-	-	-	47,491	-	-	47,491
-	-	-	-	-	-	(9,340)	(9,340)
-	-	18,099,076	-	-	-	-	18,099,076
-	-	-	(619,435)	-	-	-	(619,435)
-	-	-	741,629	-	-	-	-
-	-	(823)	-	-	-	-	(1,068)
-	50,736	(50,736)	-	-	-	-	-
-	-	-	-	-	-	-	1,954
$5,697,916	$405,703	$18,920,504	$(29,618,266)	$ (18,750)	$606,770	$ (9,340)	$156,532,582

MEGA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

For the Year Ended December 31, 2003

	Common Stock		Capital Surplus
	No. of Shares	Amount	
Balance as of December 31, 2002	11,048,840	$3,249,850	$1,468,479
Appropriation of 2002 earnings			
Legal reserve	-	-	-
Cash dividends	-	-	(80,678)
Remuneration to directors and supervisors	-	-	-
Bonus to employees	-	-	-
Capitalization of retained earnings	378,331	111,280	-
Adjustments arising from long-term equity investments accounted for under equity method:			
Changes in capital surplus	-	-	(4,888)
Changes in cumulative translation adjustments	-	-	-
Changes in unrealized loss on the decline in market value of long-term equity investments	-	-	-
Net loss not recognized as pension costs	-	-	-
Net income for the year ended December 31, 2003	-	-	-
Treasury stock purchased	-	-	-
Retirement of the Company's treasury stock by its subsidiaries	(30,000)	(8,824)	(12,990)
Disposal of treasury stock held by subsidiaries	-	-	(7)
Provision of special reserve for valuation loss on treasury stock held by subsidiaries	-	-	-
Cash dividends distributed to the subsidiaries holding the Company's shares	-	-	57
Balance as of December 31, 2003	11,397,171	$3,352,306	$1,369,973

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

Expressed in Thousands of US Dollars / Thousand Shares

Retained Earnings: Legal Reserve	Retained Earnings: Special Reserve	Retained Earnings: Unappropriated Retained Earnings	Treasury Stock	Unrealized Loss on the Decline in Market Value of Long-term Equity Investments	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Costs	Total Stockholders' Equity
$149,345	$10,441	$183,518	$(874,771)	$(1,948)	$7,590	$ -	$4,192,504
18,251	-	(18,251)	-	-	-	-	
-	-	(30,602)	-	-	-	-	(111,280)
-	-	(1,424)	-	-	-	-	(1,424)
-	-	(230)	-	-	-	-	(230)
-	-	(111,280)	-	-	-	-	-
-	-	3,946	-	-	-	-	(942)
-	-	-	-	-	10,257		10,257
-	-	-	-	1,397	-	-	1,397
-	-	-	-	-	-	(275)	(275)
-	-	532,357	-	-	-	-	532,357
-	-	-	(18,220)	-	-	-	(18,220)
-	-	-	21,814	-	-	-	-
-	-	(24)	-	-	-	-	(31)
-	1,492	(1,492)	-	-	-	-	-
-	-	-	-	-	-	-	57
$167,596	$11,933	$556,518	$(871,177)	$(551)	$17,847	$(275)	$4,604,170

MEGA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Period from February 4 to December 31, 2002 and the Year Ended December 31, 2003

Expressed in Thousands of Dollars

	Feb. 4 to Dec. 31, 2002	Year Ended Dec. 31, 2003	
	NT$	NT$	US$
Cash Flows from Operating Activities			
Consolidated net income	$6,298,075	$18,099,076	$532,357
Net income before share swap	4,258,816	-	-
Combined net income	10,556,891	18,099,076	532,357
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation and provisions expense	9,754,814	10,629,826	312,660
Gain on disposal of assets - net	(212,219)	(1,956,601)	(57,551)
Excess of investment income accounted for under equity method over cash dividends received	(159,092)	(382,757)	(11,258)
Allowance for bad debts - net	-	1,553,864	45,705
Increase in securities purchased for trading purposes	(119,060,013)	(82,672,086)	(2,431,675)
Increase in receivables	(3,862,645)	(25,949,735)	(763,272)
Increase in payables	14,030,675	9,883,571	290,710
Decrease (increase) in deferred income tax assets - net	(40,900)	606,380	17,836
Appropriation of pension reserve	(504,730)	150,373	4,423
Increase (decrease) in net forward exchange receivable / payable for trading purposes	(2,512,599)	2,430,056	71,476
Net cash used in operating activities	(92,009,818)	(67,608,033)	(1,988,589)
Cash Flows from Investing Activities			
Decrease in due from the Central Bank and other banks	6,488,114	54,990,890	1,617,474
Increase in bills, discounts and loans	(23,231,145)	(48,940,633)	(1,439,515)
Increase in long-term investments - net	(3,156,184)	(7,788,369)	(229,083)
Acquisition of property and equipment	(1,186,347)	(2,917,670)	(85,819)
Proceeds from disposal of property and equipment	376,588	954,322	28,070
Decrease in other assets	1,042,221	1,222,476	35,957
Increase in securities purchased for non-trading purposes	(519,192)	(2,000,000)	(58,827)
Increase in net forward exchange receivable for non-trading purposes	(2,148,813)	(4,282,578)	(125,965)
Net cash used in investing activities	(22,334,758)	(8,761,562)	(257,708)

Expressed in Thousands of Dollars

	Feb. 4 to Dec. 31, 2002	Year Ended Dec. 31, 2003	
	NT$	NT$	US$
Cash Flows from Financing Activities			
Increase (decrease) in short-term debts	30,997,211	(7,964,186)	(234,255)
Increase in due to the Central Bank and other banks	11,719,393	2,908,987	85,564
Increase in deposits and remittances	70,250,475	50,572,983	1,487,528
Increase (decrease) in funds borrowed from the Central Bank and other banks	11,036,807	(6,059,451)	(178,230)
Increase in financial debentures	5,681,700	10,111,143	297,404
Increase (decrease) in other liabilities	(3,466,171)	29,789,439	876,212
Increase in net forward exchange payable for non-trading purposes	4,701,493	1,714,325	50,424
Distribution of cash dividends and bonus	(4,391,722)	(3,737,175)	(109,923)
Purchase of treasury stock	(28,327,032)	(636,625)	(18,725)
Proceeds from sale of treasury stock	-	16,123	474
Net cash provided by financing activities	98,202,154	76,715,563	2,256,473
Effect of Exchange Rate Changes	210,229	286,953	8,440
Net Increase (Decrease) in Cash and Cash Equivalents	(15,932,193)	632,921	18,616
Cash and Cash Equivalents, Beginning of Period	39,415,616	23,483,423	690,730
Cash and Cash Equivalents, End of Period	$23,483,423	$24,116,344	$709,346
Supplemental Information:			
Interest paid	$31,424,888	$21,711,357	$638,607
Income tax paid	$1,613,905	$2,680,286	$78,837
Investing and Financing Activities not Affecting Cash Flows:			
Increase in long-term equity investments due to share swap	$167,328,394	$-	$-
Capitalization of capital surplus	$2,915,608	$-	$-
Capitalization of retained earnings	$-	$3,783,314	$111,280
Shares of the Company held by its subsidiaries	$92,212	$-	$-

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

MEGA FINANCIAL HOLDING CO., LTD.
(Formerly CTB FINANCIAL HOLDING CO., LTD.)AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2002 and 2003

(Expressed in thousand dollars unless otherwise stated)

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

I. Organization and Operations

Mega Financial Holding Co., Ltd. (the "Company") was formed by Chiao Tung Bank Co., Ltd. ("CTB") and Barits International Securities Co., Ltd. ("BIS"; formerly known as International Securities Co., Ltd.) on February 4, 2002 pursuant to the Financial Holding Company Act and other related Company Laws. CTB and BIS were simultaneously acquired by the Company through a share swap. On August 22, 2002, Chung Hsing Bills Finance Corporation ("CHBF") and Barits Securities Co., Ltd ("BS") were acquired by the Company through a second share swap. On December 31, 2002, the Company acquired a 100% equity stake both in The International Commercial Bank of China ("ICBC"), an investee of the Company originally accounted for under the equity method with a 28% equity interest, and Chung Kuo Insurance Co., Ltd. ("CKI") through a further share swap and changed its name from CTB Financial Holding Co., Ltd. to Mega Financial Holding Co., Ltd. The Company's shares have been publicly traded on the Taiwan Stock Exchange since February 4, 2002. The Company is mainly engaged in investment activities approved by the governing authorities and management of the investee companies. Background of the Company's subsidiaries is summarized below.

1. CTB was established in Mainland China in 1907, five years before the founding of the Republic of China (ROC), and moved to Taiwan along with the central government of ROC in 1949. CTB resumed its operation in 1960 to continue its role of assisting the ROC government in implementing economic development programs. CTB's shares were publicly traded on the Taiwan Stock Exchange since September 1996 and the bank completed its privatization process in September 1999. On February 4, 2002, CTB became a wholly- owned subsidiary of the Company through share swap pursuant to the Financial Holding Company Act and was therefore delisted from the Taiwan Stock Exchange. As an industrial development bank, CTB is mainly engaged in extending medium- and long-term loans, equity and venture capital investments, international banking and trust related business. In line with the government's economic policy and economic development programs, CTB also assists major industries in developing strategies for improving the industrial infrastructure and promotes industrial development of the nation.
2. BIS (formerly known as International Securities Co., Ltd.) was incorporated on October 19, 1989, and became a wholly-owned subsidiary of the Company on February 4, 2002 through share swap. On October 31, 2002, BIS' Board of Directors passed a resolution to merge with BS. On November 28, 2002, the merger was formally approved by the Securities and Futures Commission ("SFC") with the effective merger date set on January 31, 2003. BIS is the surviving company after the merger. On January 30, 2003, BIS further acquired all operations and properties of Chung Hsing Securities Corp. Principal activities of BIS include underwriting, brokerage and proprietary trading of securities, margin trading of securities and bills, issuance of stock warrants, and brokerage of overseas securities. Barits Holding Limited ("BHL"), registered in British Virgin Islands, is 100% owned by BIS with an investment amount of NT$896,070 thousand (US$26,327 thousand). BHL is mainly involved in asset management and venture capital activities.
3. CHBF, established on May 3, 1976, became a wholly-owned subsidiary of the Company through share swap on August 22, 2002 and was delisted from the Taiwan Stock Exchange accordingly. CHBF is mainly engaged in proprietary trading, brokerage and short-term notes and bills and financial debentures underwriting, provision of guarantees for short-term notes and bills, arrangement of inter-bank call loans, corporate financial consulting and proprietary trading of government bonds and corporate bonds.
4. International Commercial Bank of China ("ICBC"), formerly known as Bank of China, was restructured on December 17, 1971 in accordance with the Chinese commercial banking regulations. Shares of ICBC were originally traded on the Taiwan Stock Exchange. On December 31, 2002, ICBC became a wholly-owned subsidiary of the Company through share swap and was delisted from the Taiwan Stock Exchange accordingly. ICBC's major activities include foreign exchange and related operations, trade finance and guarantees, trust related business and other commercial banking business related to international trade.
5. Initially established by Bank of China (predecessor of ICBC) in November 1931, CKI merged with the Central Trust of China's Non-life Insurance Department in February 1972 and became a direct investee company of the Ministry of Finance (MOF). CKI completed its privatization process on May 5, 1994 and became a wholly-owned subsidiary of the Company through share swap on December 31, 2002. CKI is primarily engaged in general insurance business.
6. The total number of employees for the Company and its subsidiaries amounted to 6,349 and 6,817 on December 31, 2002 and 2003, respectively.

II. Summary of Significant Accounting Policies

The accompanying consolidated financial statements are prepared in conformity with the "Guidelines for Preparation of Financial Reports by Financial Holding Companies", "Guidelines for Preparation of Financial Reports by Public Listed Banks", "Guidelines for Preparation of Financial Reports by Securities Firms", "Guidelines for Preparation of Financial Reports by Securities Issuers" and the ROC GAAP. The significant accounting policies adopted are summarized below.

1.Foreign currency transactions and translation of foreign branches' financial statements

The accompanying financial statements are stated in New Taiwan dollars. Translation of New Taiwan dollar amounts into U.S. dollars as of December 31, 2003 are included in the financial statements solely for the convenience of the readers, using the noon buying rate of the U.S. Federal Reserve Bank of New York on December 31, 2003 of NT$33.998=US$1. These translations should not be construed as a representation that the New Taiwan dollar amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other exchange rate.

2.Principles for preparation of consolidated financial statements

(1)Annual and interim consolidated financial statements are prepared as required by the governing authorities. Apart from the bank, insurance and securities subsidiaries, the Company is required to consolidate accounts of the investee companies of which the Company directly or indirectly holds more than 50% of the common stocks and whose individual total assets or total operating revenues account for more than 10% of the Company's respective unconsolidated amounts. Where the combined total assets or total operating revenues of all the subsidiaries which do not meet the above-mentioned consolidation requirements exceed 30% of the Company's respective unconsolidated amounts, accounts of each individual subsidiary with total assets or total operating revenues exceeding 3% of the Company's respective unconsolidated amounts should also be included in the consolidated financial statements.

(2)The shares of CTB and BIS held by the Company are accounted for in accordance with the rule stipulated by the Accounting Research and Development Foundation of the Republic of China (ARDF), which is summarized below:

Capital expenditure incurred by the Company to acquire equity interest in a financial institution through share swap is stated at the book value of the respective financial institution's assets less the book value of its liabilities. The par value of the new shares issued is recorded as common stock, and the amount in excess of the par value is recorded as capital surplus.

As ICBC was the Company's affiliate before joining the Company through share swap, its shares held by the Company are accounted for in accordance with the ARDF's rule, which is summarized below:

The Company's equity investment in a financial institution is stated at the book value of the respective financial institution's net assets. When the book value of the financial institution's net assets exceeds the par value of the Company's issued shares, the excess is recorded as capital surplus. Conversely, when the net assets' book value is less than the par value of the Company's issued shares, the difference is accounted for by issuing new shares at discount.

(3)CHBF, BS and CKI were acquired by the Company through share swap. The business combination of the three subsidiaries was accounted for by the pooling-of-interests method in accordance with the rule stipulated in the ARDF's Letter (90) Chi-Mi-Tze No. 079.

(4)The merger of BIS and BS, in which BIS was the surviving entity, was accounted for in accordance with the rule stipulated in the ARDF's Letter (91) Chi-Mi-Tze No.244. Under the rule, the book value of BIS' long-term investments in BS was treated as the cost of the new shares issued for acquisition of BIS.

(5)All significant inter-company transactions and the respective balances have been eliminated from the consolidated financial statements.

(6)Subsidiaries that are included in the consolidated financial statements and the Company's percentage of ownership in each subsidiary are as follows:

Subsidiaries	%
Chiao Tung Bank Co., Ltd.	100.00
Barits International Securities Co., Ltd.	100.00
Chung Hsing Bills Finance Corporation	100.00
International Commercial Bank of China	100.00
Chung Kuo Insurance Co., Ltd.	100.00
Barits Holding Limited (Subsidiary of BIS)	100.00

(7)Mega Investment Trust Co., Ltd., Mega Asset Management Co., Ltd., CTB Financial Management & Consulting Co., Ltd., Barits International Futures Co., Ltd., International Securities Investment Consulting Co., Ltd., Barits Global Asset Management Ltd., Cathay Investment & Development Corporation (Bahamas), International Commercial Bank of Cathay (Canada), Barits International Investment Services Corp., Yung Shing Industries Co. and Cathay Insurance Company, Inc. are the Company's investees in which the Company holds more than 50% of the equity stake. As the individual total assets and total operating revenues of these investees account for less than 10% of the Company's respective unconsolidated amounts, and the combined total assets and total operating revenues of these investees account for less than 30% of the Company's respective unconsolidated amounts, accounts of these investees are not required to be consolidated into those of the Company.

3.Cash and cash equivalents

Cash and cash equivalents include cash, unrestricted bank deposits, and short-term investments in highly liquid instruments, which can be readily converted into cash without significant penalty and of which the values will not be significantly affected by fluctuation in interest rates. The above-mentioned short-term investments include treasury bills, negotiable certificates of deposit, commercial papers and banker's acceptances with maturity of three months or less.

4.Securities purchased

Securities purchased, including certificates of time deposits, commercial papers, bonds, securities held for operations, listed stocks, mutual funds, and bills and bonds purchased under resell agreements, are initially stated at cost and restated at the lower of cost or market value at year-end. That is, the average closing price at year-end is compared with the cost. If the market price at year-end is not available, the most recent market price is used in the comparison. Upon disposal of the securities, costs of the stocks and mutual funds are determined by the weighted average method whereas costs of the other securities are determined by the specific identification method.

Pursuant to the rules stipulated in the Letter (91) Tai-Tsai-Tseng (2) No.000599 issued by the Securities and Futures Commission (SFC) of MOF, emerging stocks held by securities firms are required to be recorded at cost as "securities held for proprietary trading" and are valued by the cost method. Clause 14 of the "Guidelines for Preparation of Financial Reports by Securities Firms" which requires securities held for operations by the securities firms to be valued by the lower of cost or market value method is not applicable.

5.Bills sold or purchased under repurchase or resell agreements

Bills sold under repurchase agreements for financing purposes are credited to "bills sold under repurchase agreements", and the difference between the selling price and repurchase price is charged to interest expense. Bills purchased under resell agreements for financing purposes are debited to "bills purchased under resell agreements" under "securities purchased", and the difference between the purchase price and resell price is credited to interest income.

6.Margin deposits for futures trading – own capital

(1)Margin deposits for futures trading are guarantee deposits paid for futures and options trading using the Company's own capital. The Company's position in the futures contracts is revalued daily and the variation in the margin deposits is recorded under "margin deposits for futures trading – own capital" and "unrealized gain (loss) on futures contracts – risk hedging (non-risk hedging)".

(2)Upon settlement of the futures contracts or exercise of the option contracts, the difference between the spot price and the contracted price is credited or charged to current income. On the balance sheet date, the difference between the closing price of the outstanding contracts and the average price is also credited or charged to current income.

7.Margin trading of securities

(1)Margin loans extended to stock investors are recorded as "marginal receivables" and the stocks purchased by the borrowers are held by the Company as collaterals. The collaterals are recorded in the memorandum account and are returned to the borrowers when the loans are repaid.

(2)Guarantee deposits received from stock investors on short sales are recorded as "margin deposits on short sales". The proceeds from short sales (less the securities transaction tax and service charges) are held by the Company as guarantee deposits which are recorded as "payables on proceeds from short sales". The stocks lent to the customers are recorded in the memorandum account. When the stocks are returned to the Company, the margin deposits and proceeds from the short sales are returned to the customers accordingly.

(3)Loans borrowed by the Company from other securities lenders when the Company has insufficient fund to conduct margin trading are recoded as "margin loans from other securities lenders". When the Company has insufficient stocks to conduct short selling, the guarantee deposits paid for the stocks borrowed from other securities lenders are recorded as "deposits paid to other securities lenders". The proceeds from short sales are then paid to the securities lenders as additional guarantees and are recorded as "refinancing guarantees receivable".

8.Allowances for doubtful accounts

(1)Allowances for doubtful accounts are provided based on the balances of bills, discounts, loans, receivables and non-accrual loans on the balance sheet date and their collectibility.

(2)Balances of uncollectible accounts are written off upon the approval by the Board of Directors.

9.Long-term equity investments

(1)Long-term equity investments are stated at historical cost. The equity method is applied to investee companies of which the Company holds more than 20% of the voting shares or over which the Company can exercise significant influence.

(2)The cost method is applied where the Company holds less than 20% of the voting shares and cannot exercise significant influence over the investees. When the book value of the investments in listed stocks exceeds the market value, an allowance for losses on decline in market value is provided and is recorded as a contra account under long-term equity investments, whereas the unrealized loss on decline in market value of these investments is accounted for as a deduction from the stockholders' equity. When the decline in investment value of unlisted stocks is permanent and the probability of a recovery in market value is remote, the book value is written down and an investment loss is recognized accordingly.

(3)Upon disposal of equity investments, the cost is determined by the weighted average method.

10.Capital expenditure and revenue expenditure

Expenditures incurred on the acquisition of property and equipment are capitalized. Leasehold improvements, expenditures on bond issuance and other deferred charges are amortized and charged to expenses over the prescribed periods. All other expenditures are charged to income as incurred.

11.Leases

All leases are treated as operating leases. Leasehold improvements are stated at cost and amortized over the lease period on a reasonable and systematic basis.

12.Valuation and depreciation of property and equipment

Except for land, property and equipment are depreciated on a straight-line basis according to their value after revaluation increment. Gains or losses on disposal of property and equipment are recorded in the period incurred as non-operating income and expenses.

13.Rental assets

Properties leased out as operating leases are recorded as "rental assets" at cost. Depreciation of the rental assets is calculated based on the estimated useful life using the straight-line method. The resulting rental income after deducting depreciation expense is recorded as non-operating income.

14.Intangible assets

Excess of the price paid for acquisition of a company over the book value of its identifiable assets is accounted for as "intangible assets – goodwill" which is amortized on a straight-line basis over five years.

15.Corporate bonds payable

(1)Conversion of euro convertible bonds (ECB) is accounted for by the book value method. That is, the unamortized premium, issuance cost and the face value of the bonds are netted at the date of conversion, and the resulting net amount is reversed accordingly. Where the above net amount exceeds the par value of the issued stock, the excess amount is recorded as capital surplus. Issuance of the ECBs is recorded at the spot exchange rate at the date of issuance. On the balance sheet date, adjustments are made based on the spot exchange rate on that date. The resulting difference is recorded as current gain (loss). Upon conversion of the ECBs, the difference between the spot exchange rate on the conversion date and the contracted exchange rate is recorded as capital surplus, while the difference between the spot exchange rate on the conversion date and that on the most recent balance sheet date is recorded as current gain (loss).

(2)The difference between the issue price and face value of convertible corporate bonds is accounted for as premium or discount which is required to be amortized over the period from the date of issuance to maturity date in accordance with the interest method. If the interest method and straight-line method do not result in material difference, the straight-line method is also acceptable. Premium or discount on convertible corporate bonds with redemption options is required to be amortized over the period from the date of issuance to the expiry date of the redemption right.

16.Liability on issuance of stock warrants / repurchase of stock warrants issued

Issuance of stock warrants and its subsequent valuation are accounted for by the fair value method and are recorded as "liability on issuance of stock warrants". For the warrants issued by BIS that use the derivative products issued by BIS as the hedge instruments, if the unrealized gain arising from the increase in the market value of the hedge instruments exceeds the loss arising from the variation in the warrants' value upon valuation at year-end, the excess amount is deferred. Conversely, if the loss arising from the variation in the warrants' value exceeds the unrealized gain arising from the increase in the market value of the hedge instruments, the excess amount is recognized as current loss. For the warrants that are issued under repurchase agreements, the repurchase amount is recorded under "repurchase of stock warrants issued" which is a contra account of "liability on issuance of stock warrants". At expiration of the warrants, the unexercised portion of the warrants is firstly revalued by the fair value method and is then reversed. A gain on the unexercised expired stock warrants is recognized accordingly.

17.Reserves for liabilities and losses

Reserves for liabilities and losses are mainly provided for guarantee liabilities and trading losses. Reserve for guarantee liabilities is estimated at 1% of the ending balance of guarantee accounts but the amount of such reserve cannot exceed the total guarantee commissions received for the current year. Pursuant to the Rules Governing the Administration of Securities Firms (RGASF), 10% of the excess of gains on proprietary trading of securities over its losses must be set aside as reserve for trading losses on a monthly basis until the cumulative balance of such reserve reaches NT$200 million (US$5.88 million). Such reserve can only be used to offset the excess of securities trading losses over gains. As required by the SFC, securities firms are also required to set aside an amount equal to 0.28‰ of the monthly brokerage trading volume as reserve for default losses until the balance of such reserve reaches NT$200 million (US$5.88 million). Such reserve can only be used to offset default losses or other losses as approved by the SFC.

18.Insurance reserves

On December 24, 2002, the Department of Insurance promulgated the "Regulations on Setting Reserves for Insurance Industry" (RSRII). Rules for provisions of the respective reserves are set forth below.

(1)Unearned premium reserve

(a)Unearned premium reserve is provided in accordance with the Insurance Law and other related regulations and reviewed by the actuaries. The portion of the reserve for the premiums that have been earned in the current year is reversed and credited to current income.

(b)The reserving method for the unearned premium reserve has been changed from the fixed rate method to the 1/365 method in accordance with Clause 5 of the RSRII and reviewed by the actuaries. The change in the reserving method was approved by the Department of Insurance in June 2003.

(2)Special reserve

The special reserve is set aside in accordance with the Insurance Law and other related regulations. The provision amount reviewed by the actuaries and the amount of the reserve reversed are charged and credited to current income respectively according to the insurance category.

(3)Claim reserve

The claim reserve is provided in accordance with the Insurance Law and other related regulations. For the retained business, the claim reserve for losses incurred but not reported is set aside on a policy-by-policy basis. The provision amount is debited to "insurance claims" or "reinsurance claims" and credited to "claim reserve". In the following year when the claim reserve is released, adjustment is made to the provision based on the actual amount of the claims, and the released amount is debited to "claim reserve" and credited to "insurance claims" or "reinsurance claims". For losses not incurred and not reported, the claim reserve is set aside based on the retained earned premiums and the prescribed provision rate. The provision amount is debited to "provision for claim reserve" and credited to "claim reserve". In the following year when the claim reserve is released, adjustment is also made to the provision based on the actual amount of the claims, and the released amount is debited to "claim reserve" and credited to "recovered claim reserve."

19.Pensions

Pensions are accounted for in accordance with the Statement of Financial Accounting Standards No.18, "Accounting for Pensions". Minimum accrued pension liability and net pension cost must be recognized based on actuarial calculations. Prior service costs and pension gain / loss are amortized on a straight-line basis over the average remaining service years of the employees.

20.Income taxes

(1)Inter-period and intra-period income taxes are allocated in accordance with the Statement of Financial Accounting Standards No.22, "Accounting for Income Taxes". Income tax effects arising from taxable temporary differences are recognized as deferred income tax liabilities. Income tax effects arising from deductible temporary differences, loss carryforwards and income tax credits are recognized as deferred income tax assets, and a valuation allowance is provided based on the expected realizability of the deferred income tax assets.

(2)Income tax credits are accounted for in accordance with the Statement of Financial Accounting Standards No.12, "Accounting for Income Tax Credits". Recognition of income tax credits arising from acquisitions of equipment and technology is deferred, whereas those arising from research and development, staff training and equity investments are recognized in the current period.

(3)An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense for the year when the tax is levied.

(4)Projected income tax is estimated based on the expected taxable income. Any difference between the tax estimated by the Company and that assessed by the National Tax Administration (NTA) is treated as an adjustment to the income tax expense for the year when the income tax is assessed by NTA.

21.Capital surplus

(1)Pursuant to the Company Law, capital surplus arising from share issue premium and donations can be capitalized with the stockholders' resolution. However, according to the SFC regulations, capital surplus arising from share issue premium generated by cash injection is allowed to be capitalized only once a year and is subject to a specified limit. In addition, capitalization is prohibited in the year when the cash is injected.

(2)As per the rule stipulated by SFC, capital surplus arising from share swap between financial institutions can be appropriated as cash dividends and capitalized in the year of the share swap according to Section 4 of Article 47 of the Financial Holding Company Act, if the capital surplus arises from the unappropriated earnings generated prior to share swap. In addition, the capitalization amount is not subject to the limit stipulated in Article 8 of the Securities and Exchange Law.

22.Special reserve

If there are any negative stockholders' equity items recorded by the Company, such as unrealized losses on declines in market value of long-term equity investments and cumulative translation adjustments, the Company is required to set aside a special reserve with an amount equal to the total amount of the negative items but not exceeding the limits listed below before the earnings are appropriated.

(1)The special reserve set aside for the negative stockholders' items which occur in the current year should not exceed the sum of after-tax net income generated in that year plus the unappropriated retained earnings accumulated for previous years.

(2)The special reserve set aside for the negative stockholders' items which occur in previous years should not exceed the amount of the unappropriated retained earnings accumulated for previous years less the amount of special reserve set aside in (1).

According to the regulation stipulated by SFC, the Company is required to set aside a special reserve with an amount equal to the excess of the book value of the Company's shares held by its subsidiaries over their market value, and the reserve cannot be appropriated. If the market value recovers in the future, the special reserve can be reversed by the recovered amount in proportion to the percentage of shareholding.

23.Treasury stock

(1)Costs incurred on the stock buyback are debited to "treasury stock". The book value of the treasury stock is computed based on the weighted average book value of the common stock and preferred stock bought back, and is computed separately for different reasons of the buyback. When treasury stock is retired, "treasury stock" is credited, and "capital surplus – share issue premium" and "common stock" are debited according to the ratio of retiring treasury stock to total issued stock. Where the book value of the retiring treasury stock exceeds the sum of its par value and share issue premium, the difference is debited to capital surplus arising from treasury stock of the same kind. If the capital surplus is insufficient to cover the difference, retained earnings are debited for the remaining amount. Where the book value of the retiring treasury stock is less than the sum of its par value and share issue premium, the difference is credited to the capital surplus arising from treasury stock of the same kind. When the securities holders exercise the right of conversion by returning the treasury stock, it should be recorded at the book value of the securities converted, and the book value of the securities converted is considered as the disposal price of the treasury stock.

(2)Under the SFC's regulation, a financial institution's shares, which are originally bought back in accordance with Section 1 of Article 28-2 of the Securities and Exchange Law and are subsequently transformed into the Company's shares in accordance with Article 31 of the Financial Holding Company Act because the respective financial institution becomes the Company's subsidiary, are still treated as treasury stock of the respective financial institution and are recorded as a negative item under stockholders' equity. Those shares should also be accounted for as the Company's treasury stock. When a financial institution holds the shares of another financial institution, which is incorporated into a financial holding company through share swap, and the former consequently becomes the stockholder of the respective financial holding company, the original accounting treatment for those shares should be maintained. As per the SFC's regulation, the Company's shares held by its subsidiaries are treated as treasury stock of the Company.

(3)As per the rule stipulated in the Letter (92) Tai-Tsai-Shuei No.920456602 issued by MOF, if the loss incurred on the treasury stock transaction conducted in accordance with Article 28-2 of the Securities and Exchange Law (including transfer and retirement of treasury stock) is offset against the retained earnings generated after 1998, the tax credit included in the offset amount of the retained earnings shall be deducted from the imputation tax credit on the date when the treasury stock is transferred or retired.

(4)Shares of the Company held by its subsidiaries are required to be stated in the financial statements as treasury stock of the Company for the period ended December 31, 2002 and onwards.

24.Foreign currency transactions

Foreign currency transactions are recorded in the respective functional currencies. The foreign currency denominated assets and liabilities arising from transactions other than currency forwards are translated into New Taiwan dollars on the balance sheet date at the respective closing exchange rates on that date. Differences arising from the translations of foreign currency denominated financial statements are recorded as cumulative translation adjustments under stockholders' equity.

25.Derivative financial instruments

(1)Currency forwards

Foreign currency denominated assets and liabilities arising from the currency forward contracts undertaken for purposes other than trading are recorded at the contracted forward rates on the contract starting dates. Upon settlement, gains (losses) on the forward contracts are credited or charged to current income. On the balance sheet dates, gains (losses) on the outstanding forward contracts arising from the differences between the forward rates prevailing over the respective remaining contract periods and the contracted forward rates are credited or charged to current income. Balances of the receivables and payables arising from the forward contracts are netted at year-end, and the net amount is recorded as an asset or liability.

(2)Interest rate swaps

As no principals are exchanged upon settlement of interest rate swaps, the transactions are recorded in the memorandum account on the contract starting dates. For interest rate swap contracts undertaken for purposes other than trading, interest received or paid upon each settlement, or accrued on the balance sheet date, is recorded as an adjustment to interest income or expense of the hedged items.

(3)Foreign exchange swaps

Foreign exchange swaps are on-balance-sheet transactions. Accrued interest income and prepaid interest expense are calculated based on the spot rate and forward rate on the contract starting dates and are recorded accordingly.

(4)Cross-currency swaps

Cross-currency swap contracts used for non-trading purposes are recorded in the memorandum account at the nominal principal amounts on the contract starting dates. Difference between the interest received and paid upon each settlement is recorded as an adjustment to income or expense of the hedged items.

(5)Forward rate agreements (FRA)

Forward rate agreements are used to lock in at an interest rate for a specified period in the future and are recorded in the memorandum account at the nominal principal amounts or the contract amounts on the contract starting dates. Losses on FRAs are assessed at the end of each month and recognized as interest expense. For FRAs used for trading purposes, difference between the interest received and paid is recorded as an adjustment to the interest expense. For FRAs undertaken for hedging purposes, the difference is amortized against deferred interest income (expense) over the contract period. The memorandum account is reversed upon settlement of the contract.

(6)Futures

Futures are traded according to the regulation set by the Taiwan Futures Exchange. Only the nominal principal amount or contract amount is recorded in the memorandum account on the contract starting date. Deposits and brokerage commissions paid are debited to "guarantee deposits paid" and "service charges", respectively. Loss on the futures contracts is assessed at the end of each month and is recognized as "unrealized loss on derivative financial instruments" and "loss on trading of securities – valuation of futures contracts" for the contracts entered into for trading purposes and hedging purposes, respectively. At expiration of the contracts, the memorandum account is reversed and the commissions paid are charged to "relalized gain (loss) on derivative financial instruments" and "gain (loss) on trading of securities held for long term" for the contracts entered into trading purposes and hedging purposes, respectively.

(7)Options

An option gives the buyer, in return for paying a premium, the right, but not the obligation, to buy or sell a specified amount of an underlying asset at a specified price on or before the expiration date. The nominal principal amount or the contract amount is recorded in the memorandum account on the contract starting date. Premiums paid for options bought are recorded as "premiums for options bought", whereas those received for options written are recorded as "premiums for options written". Loss on the option contracts is assessed at the end of each month. For the contracts entered into for trading purposes, the loss is recognized as "unrealized loss on derivative financial instruments". For those entered into for hedging purposes, the loss is recognized as "foreign exchange loss – valuation of options" for currency options and "loss on trading of securities – valuation of options" for interest rate options. At the beginning of the following month, the journal entries made at the end of the previous month are reversed. At expiration or settlement of the option contracts, the memorandum account is reversed. For the options written for trading purposes, the difference between the premiums received when the options are written and the premiums paid upon settlement of the contracts is recorded as "realized gain on derivative financial instruments" when the premiums received exceed the premiums paid. Conversely, the difference is recorded as "realized loss on derivative financial instruments". For the option contracts entered into for hedging purposes, the difference is recorded as "realized foreign exchange gain (loss)" for currency options and "gain (loss) on trading of securities held for long term" for interest rate options.

(8)Non-delivery forwards (NDF)

As the principal amounts are not exchanged upon settlement of the NDFs, the nominal principal amounts are recorded in the memorandum account. Upon settlement of the contracts or the balance sheet dates, gains (losses) arising from the differences between the contracted forward rates and the spot rates prevailing on the settlement dates are credited or charged to current income.

26.Recognition of interest income, service fees and financial income

(1)Bank subsidiaries

Interest income from loans is recorded on an accrual basis. Interest income from non-accrual loans is not recognized until such loans are collected. Service fees are recognized on an accrual basis.

(2)Securities subsidiaries

Interest income and expense arising from securities margin trading, bonds sold under repurchase agreements and those purchased under resell agreements, and interest-bearing securities are recorded under the respective accounts in the income statement. Financial income or expenses derived from activities other than those mentioned above are recorded as non-operating income or expenses.

27.Collaterals assumed

Collaterals assumed are initially stated at the prices paid for the collaterals and are restated at the lower of cost or net realizable value on the balance sheet date.

28.Contingent losses

At the balance sheet date, if any asset is considered to be potentially impaired or potential obligations have been incurred, the contingent losses which can be reasonably estimated are recorded as losses for the current year. If the amount of the losses cannot be reasonably estimated or the potential losses have been incurred, disclosure of the contingent losses in the notes to the financial statements is required.

29.Premiums income and acquisition cost of insurance policies

The premiums income from underwriting business is recognized in the year when the respective policies are issued. The associated expenses such as commissions, agency cost and service charges are recognized accordingly. Income and expenses derived from received and ceded reinsurance business are recorded on the date when the bills are received. The associated expenses and income such as reinsurance commission expenses / income and reinsurance service charges / fee income are also recorded accordingly. In line with the matching principle, the unearned premium reserve, special reserve and claim reserve set aside for received and ceded reinsurance business are incorporated into the respective reserves set aside for underwriting business.

III. Changes in Accounting Principle: None

IV. Details of Significant Accounts

1.Cash and cash equivalents

	December 31, 2002	December 31, 2003	
	NT$	NT$	US$
Cash	$9,102,403	$9,647,977	$283,781
Bank deposits	7,977,454	7,054,383	207,494
Checks for clearance	6,403,566	7,405,996	217,836
Cash equivalents	-	7,988	235
Total	$23,483,423	$24,116,344	$709,346

2.Due from the Central Bank and other banks

	December 31, 2002	December 31, 2003	
	NT$	NT$	US$
Due from banks	$77,875,517	$27,998,809	$823,543
Banks' overdrafts	117	-	-
Call loans to banks	160,495,545	157,761,053	4,640,304
Due from the Central Bank	61,408,175	57,831,997	1,701,041
Deposits transferred to the Central Bank	-	2,066,000	60,768
Less: Allowance for bad debts	-	(19,091)	(561)
Total	$299,779,354	$245,638,768	$7,225,095

As of December 31, 2002 and 2003, the deposit reserves placed in the Central Bank amounted to NT$26,790,197 thousand and NT$25,603,564 thousand (US$753,090 thousand), respectively. The deposit reserves are determined monthly based on the average daily balances of the customers' deposits over the month and the prescribed rates. The deposit reserve A and the foreign currency reserve bear no interest and can be withdrawn without restrictions, whereas deposit reserve B are subject to certain withdrawal restrictions.

3.Securities purchased – net

	December 31, 2002	December 31, 2003	
	NT$	NT$	US$
Certificates of time deposits	$101,367,825	$177,715,751	$5,227,241
Marketable securities	118,757,010	120,369,949	3,540,501
Bankers' acceptances	81,659	40,841	1,201
Commercial papers	29,259,283	18,244,693	536,640
Treasury bills	1,272,905	54,967	1,617
Government bonds	-	3,698,008	108,771
Trust funds and trust receipts	4,354,522	1,722,275	50,658
Financial debentures	-	1,100,000	32,355
Securities held for operations	19,845,343	34,425,483	1,012,574
Bonds purchased under resell agreements	2,296,808	6,446,394	189,611
Total	277,208,355	363,818,361	10,701,170
Less: Allowance for loss on decline in market value	(356,451)	(107,223)	(3,154)
Securities purchased – net	$276,851,904	$363,711,138	$10,698,016

Please refer to Note VI for details of the above assets pledged by the subsidiaries for loans.

4.Receivables – net

	December 31, 2002	December 31, 2003	
	NT$	NT$	US$
Notes receivable	$386,104	$768,084	$22,592
Accounts receivable	13,497,972	29,541,532	868,920
Tax refund receivable	435,475	363,307	10,686
Accrued income	198,936	547,968	16,118
Interest receivable	7,737,843	7,259,433	213,525
Acceptances receivable	8,849,290	9,061,500	266,530
Premiums receivable	435,423	304,306	8,951
Indemnity refundable on reinsurance ceded	5,163,394	306,401	9,012
Receivables from banks	199,086	132,147	3,887
Deposits paid to other securities lenders	1,329	-	-
Marginal receivables	3,052,904	9,100,931	267,690
Refinancing guarantees receivable	3,666	3,224	95
Accrued deposits for futures	-	90,783	2,670
Forward exchange receivable - foreign currencies	34,466,854	71,015,612	2,088,817
Payables on forward exchange purchased	(30,533,598)	(61,494,239)	(1,808,760)
Receivables on reinsurance operations	-	157,470	4,632
Other receivables	5,112,480	4,483,984	131,890
Total	49,007,158	71,642,443	2,107,255
Less: Allowance for bad debts	(1,071,110)	(1,072,732)	(31,553)
Receivables – net	$47,936,048	$70,569,711	$2,075,702

5.Bills, discounts and loans – net

	December 31, 2002	December 31, 2003	
	NT$	NT$	US$
Exchange bills and import and export bills negotiated	$13,903,052	$14,573,025	$428,644
Bills and notes discounted	163,946	282,491	8,309
Short-term loans	512,566,329	174,166,135	5,122,835
Short-term secured loans	8,863,718	56,243,737	1,654,325
Overdrafts	48,239	857,148	25,212
Secured overdrafts	389,582	884,427	26,014
Medium-term loans	73,315,177	202,287,361	5,949,978
Medium-term secured loans	90,684,450	158,260,120	4,654,983
Long-term loans	37,487,676	92,021,148	2,706,664
Long-term secured loans	149,786,927	235,842,510	6,936,952
Non-accrual loans	10,981,367	20,643,223	607,189
Total	898,190,463	956,061,325	28,121,105
Less: Allowance for bad debts - bills, discounts, loans and overdrafts	(8,015,152)	(5,809,808)	(170,887)
Less: Allowance for bad debts – non-accrual loans	(2,116,108)	(5,655,525)	(166,349)
Bills, discounts and loans – net	$888,059,203	$944,595,992	$27,783,869

6.Long-term equity investments

Investee Company	December 31, 2002		December 31, 2003		
	NT$	Percentage of Shareholding	NT$	US$	Percentage of Shareholding
Equity method:					
Mega International Securities Investment Trust Corporation	$73,879	25.00%	$423,676	$12,462	93.90%
Mega Asset Management Co., Ltd.	-	-	1,998,532	58,784	100.00%
CTB Financial Management & Consulting Co., Ltd.	24,849	100.00%	34,752	1,022	100.00%
Barits International Futures Co., Ltd.	333,333	100.00%	418,658	12,314	100.00%
International Securities Investment Consulting Co., Ltd.	94,048	100.00%	-	-	-
Barits Global Asset Management Ltd.	21,127	100.00%	29,609	871	100.00%
Cathay Investment & Development Corporation (Bahamas)	941,507	100.00%	950,093	27,946	100.00%
International Commercial Bank of Cathay (Canada)	476,484	100.00%	602,469	17,721	100.00%
Barits International Investment Services Corp.	333,694	99.98%	331,168	9,741	99.98%
Yung Shing Industries Co.	444,640	95.22%	540,190	15,889	95.22%
Cathay Insurance Company, Inc.	17,173	56.09%	12,906	380	56.09%
CTB I Venture Capital Co., Ltd.	-	-	399,274	11,744	40.40%
Euroc II Venture Capital Corp.	218,726	25.00%	193,552	5,693	25.00%
Grand Cathay Venture Capital Co., Ltd.	611,638	25.00%	533,396	15,689	25.00%
Grand Cathy II Venture Capital Corp.	218,055	25.00%	176,825	5,201	25.00%
International Trade Building Corp.	328,300	25.00%	337,328	9,922	25.00%
Taiwan Finance Holding Corporation	1,002,361	24.55%	1,207,832	35,526	24.55%
Quartz Frequency Technology Ltd.	6,354	23.02%	2,077	61	23.02%
Everstrong Iron & Foundry & Mfg. Corp.	19,753	22.22%	20,305	597	22.22%
United Investments Corp.	201,621	22.60%	170,024	5,001	22.60%
China Real Estate Management Co., Ltd.	100,235	20.00%	105,524	3,104	20.00%
Chung Hsing Securities Corp.	4,150,720	99.58%	-	-	-
Others	113,663	-	191,253	5,625	-
Subtotal	9,732,160		8,679,443	255,293	
Cost method:					
Listed companies	6,677,663		4,729,942	139,124	
Less: Allowance for loss on decline in market value	(25,679)		(7,781)	(229)	
Listed companies – net	6,651,984		4,722,161	138,895	
Unlisted companies	21,006,041		24,204,883	711,950	
Less: Allowance for loss on decline in market value	-		-	-	
Unlisted companies – net	21,006,041		24,204,883	711,950	
Subtotal	27,658,025		28,927,044	850,845	
Total	$37,390,185		$37,606,487	$1,106,138	

(1)For the above investees in which the Company holds more than 50% equity interest, neither the total assets and operating revenues of each individual investee exceed 10% of each respective subsidiary'S respective amounts nor the combined total assets or operating revenues of all these investees exceed 30% of each subsidiary's respective amounts. Therefore, these investees are not included in the consolidated financial statements.

(2)Barits International Futures Co., Ltd was formerly known as International Futures Co., Ltd.

(3)Barits Global Asset Management Ltd. was formerly known as ISI Securities (Global) Holdings Ltd.

(4)Mega Investment Trust Co., Ltd. was formerly known as Central Securities Investment Trust Co., Ltd.

(5)Barits International Securities Co., Ltd. (BIS) acquired all the operations and properties of Chung Hsing Securities Corp. (CHS) on January 30, 2002.

(6)Please refer to Note VI for details of the above assets pledged as collaterals.

7.Other long-term investments and receivables

	December 31, 2002	December 31, 2003	
	NT$	NT$	US$
Long-term investments in bonds	$12,039,016	$20,213,933	$594,562
Long-term investments in trusts	237,287	231,951	6,823
Real estate investments	56,102	1,845,845	54,293
Long-term receivables	-	1,094,715	32,199
Total	$12,332,405	$23,386,444	$687,877

(1)Long-term investments in bonds

	December 31, 2002	December 31, 2003	
	NT$	NT$	US$
European financial debentures	$1,494,410	$1,341,765	$39,466
US government bonds	4,278,328	4,631,301	136,223
Singapore government bonds	409,304	426,305	12,539
Domestic government bonds	2,824,267	8,615,399	253,409
Domestic unsecured corporate bonds	1,495,146	2,419,819	71,175
Thailand bonds	925,096	865,023	25,443
Others	612,465	1,914,321	56,307
Total	$12,039,016	$20,213,933	$594,562

(2)Long-term investments in trusts

	December 31, 2002	December 31, 2003	
	NT$	NT$	US$
ED & F Man Fund Corp. (AHL P Ltd., principal protection fund)	$167,727	$163,955	$4,823
ED & F Man Fund Corp. (MIN-IP 360 Ltd., principal protection fund)	69,560	67,996	2,000
Total	$237,287	$231,951	$6,823

(3)Real estate investments

	December 31, 2002	December 31, 2003	
	NT$	NT$	US$
Costs			
Land	$28,737	$1,155,518	$33,988
Buildings and equipment	35,784	724,651	21,315
Revaluation increment	344	344	10
Construction in progress	-	31,389	923
Subtotal	64,865	1,911,902	56,236
Accumulated depreciation	(8,763)	(66,057)	(1,943)
Real estate investments - net	$56,102	$1,845,845	$54,293

(a)Investments in buildings and equipment were revalued on June 30, 1975.

(b)Please refer to Note IV-7, property and equipment, for details of the insurance coverage for real estate investments.

(c)None of the above real estate investments has been pledged as collaterals.

(d)As of December 31, 2003, rents receivable for the next two years were as follows:

Period	Amount	
	NT$	US$
January 2004 ~ December 2004	$36,509	$1,074
January 2005 ~ December 2005	23,907	703
Total	$60,416	$1,777

(4)Long-term receivables

BIS acquired all the operations and properties of Chung Hsing Securities Corp. (CHS) for a consideration of NT$4,222,296 thousand on January 30, 2003. As of December 31, 2003, CHS was still under the process of liquidation. The investment amount receivable from CHS in proportion to the Company's percentage of shareholding is NT$1,094,715 thousand (US$32,199 thousand) and is listed under "long-term receivables" with the estimated interest.

8.Property and equipment

In thousands of NT dollars

	December 31, 2002			
	Cost	Revaluation Increment	Accumulated Depreciation	Balance
Land	$10,309,671	$2,483,091	$-	$12,792,762
Land improvements	2,849	418	3,169	98
Buildings and structures	11,813,146	47,588	3,241,022	8,619,712
Machinery	1,139,558	-	662,352	477,206
Transportation equipment	2,787,496	-	1,980,856	806,640
Miscellaneous equipment	1,211,798	-	896,689	315,109
Leasehold improvements	335,126	-	237,013	98,113
Subtotal	27,599,644	2,531,097	7,021,101	23,109,640
Construction in progress	387,718	-	-	387,718
Machinery on order	92,800	-	-	92,800
Total	$28,080,162	$2,531,097	$7,021,101	$23,590,158

In thousands of NT dollars

	December 31, 2003			
	Cost	Revaluation Increment	Accumulated Depreciation	Balance
Land	$10,341,240	$2,103,900	$-	$12,445,140
Land improvements	2,849	418	3,196	71
Buildings and Structures	12,220,475	47,588	3,490,202	8,777,861
Machinery	1,742,423	-	896,830	845,593
Computers	2,091,897	-	1,543,859	548,038
Transportation equipment	311,470	-	207,829	103,641
Miscellaneous equipment	1,207,712	-	905,924	301,788
Leasehold improvements	300,519	-	185,745	114,774
Subtotal	28,218,585	2,151,906	7,233,585	23,136,906
Construction in progress	18,133	-	-	18,133
Machinery on order	88,784	-	-	88,784
Total	$28,325,502	$2,151,906	$7,233,585	$23,243,823

In thousands of US dollars

	December 31, 2003			
	Cost	Revaluation Increment	Accumulated Depreciation	Balance
Land	$304,172	$61,883	$-	$366,055
Land improvements	84	12	94	2
Buildings and Structures	359,447	1,400	102,659	258,188
Machinery	51,251	-	26,379	24,872
Computers	61,530	-	45,410	16,120
Transportation equipment	9,161	-	6,113	3,048
Miscellaneous equipment	35,523	-	26,646	8,877
Leasehold improvements	8,839	-	5,463	3,376
Subtotal	830,007	63,295	212,764	680,538
Construction in progress	533	-	-	533
Machinery on order	2,611	-	-	2,611
Total	$833,151	$63,295	$212,764	$683,682

(1)As required by the government regulations, the land and other property and equipment of the Company's subsidiaries were revalued in 1975, 1991 and 1995. As of December 31, 2002 and 2003, the total revaluation increment for land and other property and equipment amounted to NT$2,531,097 thousand and NT$2,151,906 thousand (US$63,295 thousand), respectively, and was recorded under property and equipment. Reserve for land revaluation increment tax amounted to NT$1,317,349 thousand and NT$1,105,138 thousand (US$32,506 thousand) as of December 31, 2002 and 2003, respectively.

(2)As of December 31, 2002 and 2003, the insurance coverage for the subsidiaries' property and equipment and their real estate investments was NT$12,555,765 thousand and NT$12,361,219 thousand (US$363,587 thousand), respectively.

(3)Please refer to Note VI for details of the property and equipment pledged by the subsidiaries as collaterals.

9.Short-term debts

	December 31, 2002	December 31, 2003	
	NT$	NT$	US$
Short-term loans	$10,670,000	$8,427,792	$247,891
Commercial paper payable - net	2,578,708	8,849,529	260,296
Liability on issuance of stock warrants - net	10,063	305,368	8,982
Margin loans from other securities lenders	-	13,402	394
Margin deposits on short sales	269,332	562,916	16,557
Payables on proceeds from short sales	299,830	664,177	19,536
Total	$13,827,933	$18,823,184	$553,656

(1)As at December 31, 2002 and 2003, the interest rates ranged from 0.67% to 1.05% and 1.70% to 2.12% for short-term loans, and 1.25% to 1.55% and 1.50% to 2.25% for commercial paper payable, respectively.

(2)Please refer to Note VI for details of the assets pledged by the Company and its subsidiaries for loans

10.Due to the Central Bank and other banks

	December 31, 2002	December 31, 2003	
	NT$	NT$	US$
Due to the Central Bank	$155,451,575	$157,822,997	$4,642,126
Due to other banks	73,105,448	62,514,315	1,838,765
Overdrafts on banks	1,594,428	4,994,217	146,897
Call loans from banks	45,198,535	51,998,436	1,529,456
Total	$275,349,986	$277,329,965	$8,157,244

11.Payables

	December 31, 2002	December 31, 2003	
	NT$	NT$	US$
Notes payable	$-	$753	$22
Accounts payable	7,894,410	14,364,716	422,517
Collections for others	263,636	1,355,543	39,871
Accrued expenses	2,695,731	3,553,789	104,529
Taxes payable	1,764,703	1,818,695	53,494
Interest payable	5,893,094	3,850,127	113,246
Acceptances	8,975,201	9,272,620	272,740
Commissions payable	42,133	68,976	2,029
Dividends payable	5,704,804	6,092,831	179,211
Insurance claims payable	4,981,835	196,544	5,781
Due from other insurers	516,595	132,387	3,894
Forward exchange payable - foreign currencies	34,590,050	65,396,939	1,923,553
Receivables on forward exchange sold	(30,692,731)	(56,012,740)	(1,647,530)
Other payables	7,256,314	9,161,857	269,482
Payables on reinsurance operations	-	320,502	9,427
Accounts under custody	-	102,637	3,019
Total	$49,885,775	$59,676,176	$1,755,285

12.Deposits and remittances

	December 31, 2002	December 31, 2003	
	NT$	NT$	US$
Checking account deposits	$22,876,192	$26,645,745	$783,744
Demand deposits	147,516,509	197,149,331	5,798,851
Time deposits	411,962,157	383,044,681	11,266,683
Savings deposits	275,191,301	303,875,604	8,938,044
Remittances	6,893,458	4,900,641	144,145
Total	$864,439,617	$915,616,002	$26,931,467

13.Funds borrowed from the Central Bank and other banks

	December 31, 2002	December 31, 2003	
	NT$	NT$	US$
Funds borrowed from the Central Bank	$124,595,569	$95,253,779	$2,801,747
Funds borrowed from other banks	30,998,241	49,221,942	1,447,789
Total	$155,593,810	$144,475,721	$4,249,536

14.Financial debentures – net

	December 31, 2002	December 31, 2003	
	NT$	NT$	US$
Financial debentures	$64,209,200	$74,320,344	$2,186,021
Less: Discounts	-	-	-
Financial debentures – net	$64,209,200	$74,320,344	$2,186,021

(1)In April 1998, CTB obtained the approval from MOF to issue 10-year subordinated bonds in the United States for US$300 million with the principal to be repaid at maturity in 2008. The interest rate on the bonds is LIBOR plus 0.65% per annum for the first five years and LIBOR plus 3.00% per annum for the last five years. CTB redeemed all the bonds on April 28, 2003 in accordance with the early redemption clause.

(2)On December 10, 2001, ICBC issued five-year subordinated financial debentures totaling NT$6.7 billion (US$197.07 million) with the principal to be repaid at maturity. Interest on the bonds is fixed at 2.99%, payable annually.

(3)On May 27, 2003, ICBC issued zero coupon exchangeable notes of US$218,373 thousand exchangeable for common shares of Cathay Financial Holding Co., Ltd. (Cathay) at their face value of US$1,000. The rate of return at redemption and maturity is compounded at 1%. These notes are exchangeable, at the option of the noteholders, at any time on or after June 26, 2003 and on or prior to April 28, 2008 for common shares of Cathay at an exchange price stipulated in the offering memorandum. Unless previously redeemed, repurchased, cancelled or exchanged, the notes will be redeemed at maturity at a price based on the rate of return at maturity.

15.Corporate bonds payable – net

	December 31, 2002	December 31, 2003	
	NT$	NT$	US$
Domestic unsecured corporate bonds	$15,000,000	$20,000,000	$588,270
Euro convertible bonds (ECB)	-	23,444,820	689,594
Total	$15,000,000	$43,444,820	$1,277,864

(1)The Company issued its first unsecured corporate bonds in December 2002 with a total amount of NT$15 billion and the principal to be repaid at maturity. Please refer to Table 2 for details of the terms on the corporate bonds.

(2)In September 2003, the Company issued ECBs of US$690,000 thousand exchangeable for the treasury stock of the Company that was transformed from the common shares of ICBC. Please refer to Table 3 for details of the terms on the issuance and conversion of the ECBs.

(3)In June 2003, CHBF issued its first unsecured corporate bonds totaling NT$5 billion with the principal to be repaid at maturity. Details are as follows:

Bonds	Trustee	Issue Period	Interest Rate	Total Issue Amount	Ending Balance	Method of Interest Payment	Method of Repayment
First unsecured corporate bonds	Bank SinoPac	Jun. 17 2003 ~ Jun. 30 2008	1.48%	NT$5,000,000	NT$5,000,000	Simple interest payable semi-annually	Bullet payment of principal at maturity

16.Payables

(1)Reconciliation of the funded status of the plan to the carrying amount of accrued pension liability is as follow:

	December 31, 2002	December 31, 2003	
	NT$	NT$	US$
Benefit obligations			
Vested benefit obligation(VBO)	$(1,833,035)	$(2,312,349)	$(68,014)
Non-vested benefit obligation	(2,897,090)	(3,503,959)	(103,064)
Accumulated benefit obligation(ABO)	(4,730,125)	(5,816,308)	(171,078)
Effects of future salary increments	(1,674,290)	(1,552,498)	(45,664)
Projected benefit obligation (PBO)	(6,404,415)	(7,368,806)	(216,742)
Fair value of plan assets	5,579,620	5,927,233	174,341
Fund status	(824,795)	(1,441,573)	(42,401)
Unrecognized net transition obligation	343,187	326,067	9,591
Unrecognized prior service costs	74,487	69,283	2,038
Unrecognized loss (gain) on plan assets	(1,016,689)	(531,957)	(15,647)
Additional accrued pension liability	(34,158)	(61,899)	(1,821)
Accrued pension liability	$(1,457,968)	$(1,640,079)	$(48,240)

(2)Pension costs consist of the following:

	February 4 to December 31, 2002	Year ended December 31, 2003	
	NT$	NT$	US$
Service cost	$567,880	$540,452	$15,896
Interest cost	310,890	246,308	7,245
Projected return on plan assets	(136,422)	(97,138)	(2,857)
Net amortization and deferral	(185,777)	(122,610)	(3,606)
Curtailment of gain (loss)	(93,782)	-	-
Net pension costs	$462,789	$567,012	$16,678

(3)Actuarial assumptions

	December 31, 2002	December 31, 2003
Discount rate	3.50%-4.00%	3.00%-3.50%
Increase in future salary level	2.00%-2.50%	2.00%-3.00%
Projected long-term rate of return on plan assets	2.50%-4.00%	2.50%-3.50%

17.Capital stock

The amount of the Company's paid-in capital as at its inception date, February 4, 2002, was NT$29,156,078 thousand. A resolution was passed in the year 2002 stockholders' meeting to increase capital through capitalization of capital surplus by NT$2,915,608 thousand and to incorporate CHBF, BS, ICBC and CKI under the Company's umbrella through share swap by issuing new shares of NT$78,416,716 thousand. As of December 31, 2002 and 2003, the Company's authorized capital was NT$120 billion (US$3.53 billion) with the paid-in capital amounting to NT$110,488,402 thousand and NT$113,971,716 thousand (US$3,352,306 thousand), respectively, which was divided into 11,048,840 thousand and 11,397,171 thousand shares of common stock, respectively, with a par value of NT$10 (US$0.2941) per share.

18.Appropriation of earnings and dividend policy

(1)Dividends are distributed not only in accordance with the Company's Articles of Incorporation which regulate the appropriation of retained earnings but also the business development needs of the Company. This principle is applied for the stability of the Company's operations and business financing requirements. According to the Company's Articles of Incorporation, the after-tax net income shall be used to offset the accumulated deficit first and then be appropriated to the legal reserve at the rate regulated by the governing authority. The remainder shall be appropriated to the special reserve, if necessary, and an appropriated portion can be retained according to the Company's financing requirements. Any remaining income will be distributed in the following order based on the resolution of the stockholders.

(a)Dividends

Cash dividends should not exceed 50% of the total distributed amount, and the remainder will be in the form of stock dividends.

(b)Remuneration to directors and supervisors

Remuneration to directors and supervisors should not exceed 1% of the total distributed amount.

(c)Bonus to employees

Bonus to employees ranges from 0.02% to 0.16% of the total distributed amount and can be distributed in the form of cash or stocks based on the stockholders' resolution. Employees of the affiliated companies may be entitled to the Company's stock bonus at the Board's discretion.

(d)Information relating to the appropriation of the Company's 2003 earnings is available from the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(2)Appropriation of 2002 earnings as proposed by the Board on April 21, 2003 and resolved by the stockholders on June 6, 2003 is as follows:

	Appropriated Amount		Dividend Per Share (in dollars)	
	NT$	US$	NT$	US$
Cash dividends	1,040,411	30,602	$0.11	$0.0032
Stock dividends	3,783,314	111,280	0.40	$0.0118

(3)The capital surplus arising from the subsidiaries' unappropriated retained earnings generated prior to the share swap is allowed to be appropriated as cash dividends or capitalized in the year of the share swap. Appropriation of the capital surplus as proposed by the Board on March 22, 2002 and April 21, 2003 and resolved by the stockholders on June 12, 2002 and June 6, 2003, respectively, is as follows:

	Appropriated Amount			Dividend Per Share (in dollars)		
	2001	2002		2001	2002	
	NT$	NT$	US$	NT$	NT$	US$
Cash dividends	$-	$2,742,903	$80,678	$-	$0.2900	$0.0085
Stock dividends	2,915,608	-	-	1.0392	-	-

(4)As calculated by the following formula, the after-tax basic earnings per share for 2002 decreased from NT$1.02 to NT$1.01 after distributing NT$7,807 thousand and NT$48,400 thousand as employees' bonus and remuneration of directors and supervisors, respectively, from the 2002 earnings.

$$\frac{\text{After-tax net income for 2002 – Cash bonus to employees – Stock dividends to employees – Remuneration to directors and supervisors}}{\text{Weighted-average number of shares outstanding during 2002}}$$

$$= (6{,}298{,}075 - 7{,}807 - 48{,}400) / 6{,}186{,}158 = \$1.01$$

19.Treasury stock

Reasons for stock buyback (in thousand shares)	Balance, Feb. 4, 2002	Increase (Decrease)	Balance, Dec. 31, 2002	Increase (Decrease)	Balance, Dec. 31, 2003
Shares of the Company held by itself					
Shares bought back to be reissued to employees	-	132,010	132,010	-	132,010
Shares bought back for maintaining the Company's creditability and stockholders' rights	-	-	-	31,442	31,442
Shares of ICBC originally held by the Company and treated as treasury stock due to swap of 100% shares	-	1,398,544	1,398,544	-	1,398,544
Shares of the Company held by its subsidiaries					
Shares of the Company held by CTB	60,000	-	60,000	(30,000)	30,000
Shares of the Company held by CKI	8,722	(3,837)	4,885	195	5,080
Total	68,722	1,526,717	1,595,439	1,637	1,597,076

Reasons for stock buyback (in thousand shares)	Balance, Feb. 4, 2002		Increase (Decrease)		Balance, Dec. 31, 2002		Increase (Decrease)		Balance, Dec. 31, 2003	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Shares of the Company held by itself										
Shares bought back to be reissued to employees	$-	$-	$2,364,701	$69,554	$2,364,701	$69,554	$-	$-	$2,364,701	$69,554
Shares bought back for maintaining the Company's creditability and stockholders' rights	-	-	-	-	-	-	619,435	18,220	619,435	18,220
Shares of ICBC originally held by the Company and treated as treasury stock due to swap of 100% shares	-	-	25,999,995	764,751	25,999,995	764,751	-	-	25,999,995	764,751
Shares of the Company held by its subsidiaries										
Shares of the Company held by CTB	1,283,552	37,754	-	-	1,283,552	37,754	(741,629)	(21,814)	541,923	15,940
Shares of the Company held by CKI	129,876	3,820	(37,664)	(1,108)	92,212	2,712	-	-	92,212	2,712
Total	$1,413,428	$41,574	$28,327,032	$833,197	$29,740,460	$874,771	$(122,194)	$(3,594)	$29,618,266	$871,177

(1)For the purpose of reissuing the Company's shares to its employees, the Company bought back its issued shares in accordance with Section 1 of Article 28-2 of the Securities and Exchange Law in July, November and December 2002. As of December 31, 2003, shares bought back by the Company amounted to NT$2,364,701 thousand (US$69,554 thousand), representing 132,010 thousand shares. The above treasury stock is required to be reissued to the Company's employees within three years from the date when the treasury stock was purchased. The shares which are not reissued to the employees before the end of the three-year period are treated as the unissued shares of the Company and should be retired accordingly.

(2)For maintaining the Company's creditability and stockholders' rights, the Company bought back its issued shares in accordance with Section 1 of Article 28-2 of the Securities and Exchange Law during the period from October 4, 2003 to December 3, 2003 for a price ranging from NT$16 (US$0.47) to NT$20 (US$0.59) per share. As of December 31, 2003, shares bought back by the Company amounted to NT$619,435 thousand (US$18,220 thousand), representing 31,442 thousand shares. The above treasury stock is required to be retired within six months from the date when the treasury stock was purchased.

(3)The Securities and Exchange Law sets a ceiling on the outstanding shares allowed to be bought back at 10% of the total issued shares of a company and the amount of shares bought back cannot exceed the sum of the retained earnings plus share issue premium and realized capital surplus. The ceiling on the shares allowed to be bought back by the Company as of December 31, 2003 was 1,139,717 thousand shares or NT$71,191,748 thousand (US$2,093,998 thousand). As of December 31, 2003, the Company's treasury stock amounted to 163,452 thousand shares or NT$2,984,136 thousand (US$87,774 thousand).

(4)On November 7, 2002, the Company acquired a 28% equity stake in ICBC, totaling 1,043,734 thousand shares. As ICBC joined the Company on December 31, 2002 through swap of 100% shares, the 1,043,734 thousand shares acquired on November 7, 2002 were transformed into the Company's treasury stock which represented 1,398,544 thousand shares of the Company as of December 31, 2003. The original acquisition cost of the above treasury stock was NT$25,999,995 thousand (US$764,751 thousand) with a par value of NT$18.59 (US$0.5468) per share and market value of NT$20.40 (US$0.6) per share as at December 31, 2003. The euro convertible bonds issued by the Company in September 2003 are exchangeable for the above treasury stock. Please refer to Note IV-15 for details.

(5)In October 2000 and October 2001, CTB respectively bought back 30 million shares of treasury stock in compliance with Section 1 of Article 28-2 of the Securities and Exchange Law, and is obliged to reissue these shares to its employees no later than October 2003 and October 2004, respectively. As CTB became a wholly-owned subsidiary of the Company on February 4, 2002 through share swap, the above treasury stock was transformed into the Company's shares which are also treated as treasury stock of the Company.

As CTB did not reissue the 30 million shares bought back in 2000 to its employees within three years, those shares were treated as CTB's unissued shares and were required to be retired under Section 4 of Article 28-2 of the Securities and Exchange Law. Therefore, CTB decreased its capital stock by NT$300 million (US$8.82 million) by retiring the aforementioned 30 million shares on December 18, 2003. As of December 31, 2003, the number of the Company's shares held by CTB was totaled at 30 million with an acquisition cost of NT$541,923 thousand (US$15,940) and a par value and market value of NT$18.06 (US$0.5312) and NT$20.40 (US$0.6) per share, respectively.

(6)CKI previously acquired shares of CTB as short-term investments. As CTB joined the Company as a wholly-owned subsidiary through share swap, these CTB's shares were transformed into the Company's shares. In addition, CKI was incorporated into the Company through share swap on December 31, 2002. Accordingly, these CTB's shares held by CKI are treated as treasury stock of the Company, which is required to be disposed of before November 2005. The aforementioned treasury stock is entitled to appropriation of the Company's earnings. The stock dividends and cash dividends distributed to CKI by the Company in 2003 based on the number of the treasury stock held by CKI were 195 thousand shares and NT$1,954 thousand (US$57 thousand), respectively. As of December 31, 2003, the number of the treasury stock held by CKI amounted to 5,080 thousand with an acquisition cost of NT$92,212 thousand (US$2,712) and a par value and market value of NT$18.15 (US$0.5339) and NT$20.40 (US$0.6) per share, respectively.

(7)Treasury stock of the Company is prohibited from being pledged as collateral and is not entitled to dividends and voting rights.

(8)Under the Financial Holding Company Act, when a financial institution is incorporated into a financial holding company and consequently holds the shares of the respective financial holding company because of share swap, the financial institution can reissue all these shares to the employees of the financial holding company or its subsidiaries within three years after joining the financial holding company. Alternatively, these shares can be used for share swap, traded on the Stock Exchange or sold through securities brokers. The shares, which are not reissued to the employees or sold before the end of the three-year period, are treated as the unissued shares of the financial holding company and should be retired accordingly. The number of the Company's shares held by its subsidiaries is totaled at 35,080 thousand.

20.Operating expenses

Expenses relating to employment, depreciation and amortization summarized by function for the period from February 4 to December 31, 2002 and the year ended December 31, 2003 are as follows:

	February 4 to December 31,2002			Year Ended December 31, 2003			
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total	
	NT$	NT$	NT$	NT$	NT$	NT$	US$
Employment	$-	$8,795,280	$8,795,280	$-	$9,773,661	$9,773,661	$287,478
Salaries and wages	-	7,355,032	7,355,032	-	8,441,516	8,441,516	248,295
Labor and health insurance	-	446,940	446,940	-	492,798	492,798	14,495
Pension	-	674,507	674,507	-	585,017	585,017	17,207
Others	-	318,801	318,801	-	254,330	254,330	7,481
Depreciation	-	949,311	949,311	-	981,331	981,331	28,864
Amortization	-	253,428	253,428	-	400,634	400,634	11,784

21.Income taxes

(1)The income taxes comprise the following:

Item	February 4 to December 31, 2002	Year ended December 31, 2003	
	NT$	NT$	US$
Income tax payable – current period	$606,213	$1,971,118	$57,978
10% tax on unappropriated retained earnings	600,377	367,114	10,798
Separate tax expenses	336,213	293,885	8,644
Income tax expense (benefit) incurred by foreign branches	333,732	56,197	1,653
Deferred income tax expense (benefit)	(64,552)	(429,946)	(12,646)
Adjustments of previous years' income tax	120,542	172,279	5,067
Withholding tax on interest income from bonds pertaining to former purchasers	-	37,881	1,114
Total	$1,932,525	$2,468,528	$72,608

(2)Imputation tax credit

	December 31, 2002	December 31, 2003	
	NT$	NT$	US$
Account balance of imputation tax credit	$8,580	$74,813	$2,201

Item	February 4 to December 31, 2002	Year Ended December 31, 2003
	NT$	US$
Estimated (actual) tax credit rate for individual stockholders	6.44%	0.39%

Estimated (actual) tax credit rate for individual stockholders is computed as follows:

$$\frac{\text{Stockholders' account balance of imputation tax credit as of the dividend distribution date}}{\text{Cumulative unappropriated retained earnings recorded in the book (including capital surplus arising from the subsidiaries' unappropriated earnings for 1998 and the years between 1998 and the share swap)}}$$

(3)Unappropriated retained earnings

	December 31, 2002	December 31, 2003	
	NT$	NT$	US$
1997 and before	$12,265	$61,969	$1,823
1998 and onwards	6,226,966	18,858,535	554,695
Total	$6,239,231	$18,920,504	$556,518

(4) Corporate income tax returns filed by the subsidiaries

(a)As of December 31, 2003, CTB'sincome tax returns were assessed by the NTA up to the year ended December 31, 2000.

(b)BIS' income tax returns were assessed by NTA up to the year ended December 31, 1999. An additional income tax of NT$29,751 thousand was levied by NTA for the year ended December 31, 1999 as NTA revised the withholding tax levied on the interest income from bonds pertaining to former purchasers, coupled with the discrepancy in the recognition of related expenses incurred on securities exchange. BIS did not agree with the ruling and has filed an appeal which was still under review as of December 31, 2003. BIS has made necessary provision for income tax expenses.

(c)For the bonds sold by CHBF under repurchase agreements, the interest income pertaining to former purchasers is recorded as interest receivable when the bonds are repurchased by CHBF. The withholding taxes paid on the interest income pertaining to former purchasers are recorded as creditable withholding income tax. However, the NTA of Taipei (NTAT) does not consider the interest income relating to the creditable withholding income tax as the income of CHBF, and claims that the withholding taxes paid on the interest income pertaining to former purchasers should be treated as part of the repurchasing costs instead of being refundable.

CHBF'sincome tax returns through 2000 have been assessed by the NTA. However, NTA considers that the 10% withholding taxes on interest income from bonds pertaining to former purchasers, amounting to NT$234,316 thousand, NT$267,326 thousand, NT$288,132 thousand, NT$379,574 thousand, NT$485,654 thousand, NT$455,299 thousand, and NT$407,459 thousand for the years ended December 31, 1994, 1995, 1996, 1997, 1998, 1999 and 2000, respectively, should not be declared as a tax credit or tax refund. Since CHBF considered that there was no defined regulation in respect of the foregoing issue, it had applied for re-examination for its 2000 tax return and also filed an appeal on the foregoing issue for the remaining years and placed with the NTAT a deposit of NT$480,168 thousand (US$14,123 thousand). The withholding taxes on interest income from bonds pertaining to former purchasers were declared to be NT$425,693 thousand and NT$463,566 thousand for the un-assessed tax returns filed for 2001 and 2002, respectively. The corresponding amount for the year ended December 31, 2003 is estimated to be NT$475,033 thousand (US$13,972 thousand).

The tax appeal filed by CHBF for 1994 was ruled in CHBF's favor on May 8, 2003 by the Supreme Administrative Court. CHBF also won the tax appeal filed for 1995 on June 25, 2003, which was ruled by the High Administrative Court. The High Administrative Court ruled in CHBF's favor on the tax appeals for 1996 and 1997 on October 8, 2002.

The aforementioned tax appeals regarding the interest income from bonds pertaining to former purchasers are still under discussion with the NTAT. CHBF estimated that 60% of the withholding taxes that have been paid would be refunded.

The withholding taxes that were paid by CHBF during the period from 1994 to 2002 amounted to NT$3,407,019 thousand. As of December 31, 2003, NT$1,362,808 thousand (US$40,085 thousand; 40% of $3,407,019 thousand) was set aside as provision for taxes on interest income from bonds pertaining to former purchasers, which was recorded as a valuation allowance for creditable withholding income tax. The difference of NT$1,172,192 thousand (US$34,449 thousand) between the tax provision of NT$2,535,000 thousand (US$74,563 thousand) set aside in 2002 and the NT$1,362,808 thousand (US$40,085 thousand) was recorded as a reduction in provisions for losses.

Additionally, CHBF has set aside NT$190,013 thousand (US$5,589 thousand), 40% of the withholding taxes estimated for 2003 (NT$475,033 thousand) on the interest income from bonds pertaining to former purchasers, as tax provision.

(d)ICBC's income tax returns have been assessed by the NTAT up to the year ended December 31, 1997. For the income tax returns filed for 1994, 1995 and 1997, the NTAT eliminated the withholding taxes of NT$73,097 thousand paid on interest income from government bonds pertaining to former purchasers. In addition, the withholding taxes paid by ICBC on the interest income from government bonds pertaining to former purchasers for 1996, 1998, 1999, 2000 and 2001 amounted to NT$192,708 thousand. The total amount of the above-mentioned withholding taxes paid for the years from 1994 to 2001 was recorded in the ICBC's book in 2001. The withholding tax of NT$17,496 thousand on interest income from bonds pertaining to former purchasers for the six months ended June 30, 2002 has also been incorporated into the income tax expense for the same period.

The assessment of the tax appeals filed by ICBC regarding the aforementioned withholding taxes for the 1994, 1995 and 1997 tax returns has been transferred from the Administrative Court to the NTAT. ICBC plans to make necessary adjustments after a ruling is confirmed.

(e)CKI's income tax returns have been assessed by the NTA up to the year ended December 31, 2000. The tax returns assessed by NTA are not materially different from those filed by CKI.

22.Earnings per share

In thousand shares

(1)	February 4 to December 31, 2002	Year Ended December 31, 2003
Beginning balance of outstanding shares	2,915,608	11,048,840
Add: Capitalization of capital surplus	291,561	-
Add: Capitalization of retained earnings	237,929	378,331
Add: 7,841,672 thousand new shares issued due to share swap	2,863,991	-
Less: Shares bought back from May 21 to December 31, 2002	(55,511)	-
Less: Shares bought back from November 13 to 17, 2003	-	(4,062)
Less: Beginning balance of treasury stock	-	(1,530,554)
Less: Shares of the Company held by its subsidiaries and treated as treasury stock	(68,722)	(35,080)
Less: Retirement of the shares of the Company held by its subsidiaries and treated as treasury stock	-	(30,000)
Add: Treasury stock reissued to the employees of the Company's subsidiaries	1,302	-
Weighted average number of shares outstanding	6,186,158	9,827,475

In thousand dollars

	February 4 to December 31, 2002	Year Ended December 31, 2003	
	NT$	NT$	US$
Income before income tax	$8,255,368	$20,567,604	$604,965
Consolidated net income	$6,298,075	$18,099,076	$532,357
Basic earnings per shares (in dollars)			
Income before income tax	$1.33	$2.09	$0.0615
Consolidated net income	$1.02	$1.84	$0.0541
Diluted earnings per share (in dollars)			
Income before income tax from continuing operations	$1.33	$2.03	$0.0597
Consolidated net income	$1.02	$1.79	$0.0527

Calculation of the 2002 earnings per share has been adjusted retroactively for the effect of the stock dividends distributed. The pre-tax and after-tax basic earnings per share both decreased from NT$1.06 to NT$1.02 due to the retroactive adjustments.

(2)Pro forma information based on the assumption that shares of the Company held by its subsidiaries are not treated as treasury stock:

In thousand shares

	February 4 to December 31, 2002	Year Ended December 31, 2003
Beginning balance of outstanding shares	2,915,608	11,048,840
Add: Capitalization of capital surplus	291,561	-
Add: Capitalization of retained earnings	237,929	378,331
Add: 7,841,672 thousand new shares issued due to share swap	2,863,991	-
Less: Shares bought back from May 21 to December 31, 2002	(55,511)	-
Less: Shares bought back from November 13 to 17, 2003	-	(4,062)
Less: Beginning balance of treasury stock	-	(1,530,554)
Weighted average number of shares outstanding	6,253,578	9,892,555

In thousand dollars

	February 4 to December 31, 2002	Year Ended December 31, 2003	
	NT$	NT$	US$
Income before income tax	$8,243,166	$20,593,637	$605,731
Consolidated net income	$6,285,873	$18,125,109	$533,123
Basic earnings per shares (in dollars)			
Income before income tax	$1.32	$2.08	$0.0612
Consolidated net income	$1.01	$1.83	$0.0538
Diluted earnings per share (in dollars)			
Income before income tax from continuing operations	$1.32	$2.02	$0.0594
Consolidated net income	$1.01	$1.78	$0.0524

Calculation of the 2002 earnings per share based on the assumption that shares of the Company held by its subsidiaries are not treated as treasury stock has been adjusted retroactively for the effect of the stock dividends distributed. The pre-tax and after-tax basic earnings per share both decreased from NT$1.05 to NT$1.01 due to the retroactive adjustments.

V. RELATED PARTY TRANSACTIONS

1.Names of the related parties and their relationship with the Company

Related Party	Relationship with the Company
Chunghwa Post Co., Ltd. (Chunghwa Post) (formerly Directorate General of Postal Remittances and Savings Bank)	Director of the Company
Bank of Taiwan (BOT)	Director of the Company
United Microelectronics Corp. (UMC)	Director and supervisor of the Company
Mega Investment Trust Co., Ltd. (MITC)	Subsidiary of the Company
Chung Hsing Securities Corp. (CHS)	Indirect subsidiary of the Company (Operations sold to BIS on January 31, 2003)
Chung Hsing Securities Investment Service Corp. (CHSIS)	Indirect subsidiary of the Company (liquidated on August 12, 2003)
International Commercial Bank of Cathay (Canada) (ICBC Canada)	Indirect subsidiary of the Company
Cathay Investment and Development Corporation (Bahamas) (CIDC Bahamas)	Indirect subsidiary of the Company
Win Card Co., Ltd. (Win Card)	Indirect subsidiary of the Company
ICBC (Europe) N.V. (ICBC Europe)	Indirect subsidiary of the Company (wound up in 2003)
Chung Hsing Asset Management Co., Ltd. (CHAM)	Investee accounted for under equity method
Taiwan Finance Holding Corporation (TFC)	Investee accounted for under equity method
Other related parties	The Company's directors, supervisors, managers, their relatives, associated companies and substantial related parties

2.Significant transactions with related parties

Related party transactions with an amount exceeding NT$100 million (US$2.94 million) are set forth below.

(1)Deposits:

Details of the related parties' deposits placed with CTB and ICBC and recorded under "deposits and remittances" are as follows:

	December 31, 2002	December 31, 2003	
	NT$	NT$	US$
Chunghwa Post	$64,280,861	$61,558,439	$1,810,649
Others (individual amount accounting for less than 10% of the total amount)	17,973,098	46,151,371	1,357,473
Total	$82,253,959	$107,709,810	$3,168,122

(2)Credits extended:

Details of the credits extended to the related parties by CTB and ICBC and recorded under "bills, discounts and loans" are as follows:

	December 31, 2002	December 31, 2003	
	NT$	NT$	US$
Others (individual amount accounting for less than 10% of the total amount)	$13,231,025	$39,769,725	$1,169,767

(3)Guarantees provided by the Company to its related parties

	December 31, 2002	December 31, 2003	
	NT$	NT$	US$
Other related parties	$581,111	$52,105	$1,533

(4)Securities purchased

	December 31, 2002	December 31, 2003	
	NT$	NT$	US$
MITC	$99,000	$839,998	$24,707
TFC	11,747,495	622,862	18,321
Total	$11,846,495	$1,462,860	$43,028

(5)Other receivables

	December 31, 2002	December 31, 2003	
	NT$	NT$	US$
Other related parties	$-	$192,021	$5,648

(6)Sales of securities and bonds

	Year Ended December 31, 2002	Year Ended December 31, 2003	
	NT$	NT$	US$
BOT	$432,976,132	$369,833,085	$10,878,084
UMC	45,324,433	44,539,566	1,310,064
CHS	9,185,201	85,288,253	2,508,625
CHSIS	-	579,925	17,058
CHAM	166,878	946,734	27,847
Chunghwa Post	136,975,685	59,879,034	1,761,252
Other related parties	563,654	3,631,617	106,818
Total	$625,191,983	$564,698,214	$16,609,748

Terms and conditions on the above transactions are not materially different from those with non-related parties.

(7)Investments in bonds

In thousands of NT dollars

Year	Related Party	Cost	Period	Interest Rate (%)	Interest Receivable	Interest Income
2002	-	$-	-	-	$-	$-
2003	UMC					
	The third domestic unsecured corporate bonds (Bond A-14)	300,000	Jun. 10, 2003 ~ Jun. 10, 2008	2.86437	4,813	4,813

In thousands of US dollars

Year	Related Party	Cost	Period	Interest Rate (%)	Interest Receivable	Interest Income
2003	UMC					
	The third domestic unsecured corporate bonds (Bond A-14)	$8,824	Jun. 10, 2003 ~ Jun. 10, 2008	2.86437	$142	$142

(8)Short-term debts

In thousands of NT dollars

Year	Related Party	Highest Balance	Ending Balance	Interest Receivable	Interest Income
2002	MITC	$150,000	$-	1.65-4.80	$5
	Other related parties	86,288	-	1.60-2.30	339
2003	-	-	-	-	-

(9)Other long-term liabilities

In thousands of US dollars

	December 31, 2002	December 31, 2003	
	NT$	NT$	US$
CHS	$-	$450,000	$13,236

(10)Transactions with other financial institutions

(a)Due from banks

In thousands of NT dollars

Year	Related Party	Highest Balance	Ending Balance	Interest Rate (%)	Interest Income
2002	ICBC Canada	$960,594	$868,354	0.25-3.63	$11,527
	ICBC Europe	106,071	-	0.004-3.45	1,402
	TFC	500,000	435,000	1.25	542
2003	ICBC Canada	1,399,113	1,399,113	0.25-3.40	18,459

In thousands of US dollars

Year	Related Party	Highest Balance	Ending Balance	Interest Rate (%)	Interest Income
2003	ICBC Canada	$41,153	$41,153	0.25-3.40	$543

(b)Call loans to banks

In thousands of NT dollars

Year	Related Party	Highest Balance	Ending Balance	Interest Rate (%)	Interest Income
2002	SCSB	$300,000	$-	2.275	$19
2003	TFC	300,000	-	1.05-1.185	49

In thousands of US dollars

Year	Related Party	Highest Balance	Ending Balance	Interest Rate (%)	Interest Income
2003	TFC	$8,824	$-	1.05-1.185	$1

(c)Due to banks

In thousands of NT dollars

Year	Related Party	Highest Balance	Ending Balance	Interest Rate (%)	Interest Expense
2002	Chunghwa Post	$59,401,160	$58,978,877	2-3	$1,463,699
	ICBC Canada	141,715	80,081	1.5-1.8125	1,262
	ICBC Europe	277,337	-	0.004-3.45	5,738
	CIDC Bahamas	713,342	220,095	1.25-3.20	8,054
	TFC	40,157	582	-	-
	Total		$59,279,635		$1,478,753

In thousands of NT dollars

Year	Related Party	Highest Balance	Ending Balance	Interest Rate (%)	Interest Expense
2003	Chunghwa Post	$58,673,693	$47,481,264	1.52-2.15	$963,485
	ICBC Canada	300,585	58,162	0.75-1.70	651
	CIDC Bahamas	557,350	103,524	0.95-1.72	3,089
	Total		$47,642,950		$967,225

In thousands of US dollars

Year	Related Party	Highest Balance	Ending Balance	Interest Rate (%)	Interest Expense
2003	Chunghwa Post	$1,725,798	$1,396,590	1.52-2.15	$28,339
	ICBC Canada	8,841	1,711	0.75-1.70	19
	CIDC Bahamas	16,394	3,045	0.95-1.72	91
	Total		$1,401,346		$28,449

(d)Overdrafts on banks

In thousands of NT dollars

Year	Related Party	Highest Balance	Ending Balance	Interest Rate (%)	Interest Expense
2002	BOT	$2,647,000	$1,138,000	3.50-6.975	$47,691
2003	BOT	$2,587,000	$733,000	1.75-3.50	$17,193

In thousands of US dollars

Year	Related Party	Highest Balance	Ending Balance	Interest Rate (%)	Interest Expense
2003	BOT	$76,093	$21,560	1.75-3.50	$506

(e)Call loans from banks

In thousands of NT dollars

Year	Related Party	Highest Balance	Ending Balance	Interest Rate (%)	Interest Expense
2002	BOT	$2,260,000	$500,000	1.625-2.325	$3,574
	Chunghwa Post	3,200,000	-	1.675-2.450	2,556
2003	BOT	1,600,000	-	1.025-1.625	1,419
	TFC	105,000	-	1.125	2

In thousands of US dollars

Year	Related Party	Highest Balance	Ending Balance	Interest Rate (%)	Interest Expense
2003	BOT	$47,062	$-	1.025-1.625	$42
	TFC	3,088	-	1.125	-

(11)Collaterals

Collaterals	December 31, 2002	December 31, 2003	
	NT$	NT$	US$
BOT Certificates of time deposits, government bonds and corporate bonds	$4,282,747	$4,925,223	$144,868

(12)Others

(a)The insurance coverage provided by CKI for Hoan Insurance Agency Co., Ltd.'s premiums received under custody was NT$263,917 thousand and NT$348,063 thousand (US$10,238 thousand) for the years ended December 31, 2002 and 2003, respectively. The associated commission expense was NT$63,177 thousand and NT$86,741 thousand (US$2,551 thousand), respectively. As of December 31, 2002 and 2003, premiums receivable arising from the above transaction amounted to NT$11,194 thousand and NT$15,175 thousand (US$446 thousand), respectively, and commissions payable amounted to NT$4,721 thousand and NT$8,271 thousand (US$243 thousand), respectively.

(b)ICBC has been outsourcing its credit card operations to Win Card Co., Ltd. (subsidiary of ICBC) since 2001. The operational costs incurred for the years ended December 31, 2002 and 2003 were $218,683 thousand and NT$387,232 thousand (US$11,390 thousand), respectively, which were recorded as general expenses. ICBC paid part of the costs on Win Card's behalf, which resulted in a receivable from Win Card of NT$5,015 thousand and NT$17,300 thousand (US$509 thousand) as of December 31, 2002 and 2003, respectively. Additionally, ICBC has a lease agreement with Win Card, which is effective from January 2001 to January 2008. The rent is paid quarterly with a monthly rent of NT$507 thousand (US$15 thousand). The rental income for the years ended December 31, 2002 and 2003 was NT$6,080 thousand and NT$6,835 thousand (US$201 thousand), respectively.

VI. Pledged Assets

	Book value		
	December 31, 2002	December 31, 2003	
	NT$	NT$	US$
Certificates of time deposits	$8,226,742	$1,724,135	$50,713
Securities purchased	15,985,810	26,195,378	770,498
Long-term investments and stocks of the subsidiaries	65,802,159	30,083,229	884,853
Property and equipment	1,117,773	1,228,514	36,135
Negotiable certificates of time deposits	4,502,826	-	-
Total	$95,635,310	$59,231,256	$1,742,198

VII. Commitments and Contingent Liabilities

1.The Company

(1)As of December 31, 2003, the total amount of the contracts entered into by the Company for the set up of information system, risk management consulting and the advertising campaign for enhancing the Group's image was NT$204,387 thousand (US$6,012 thousand), and the accrued amount on the above expenditures was NT$96,559 thousand (US$2,840 thousand).

(2)The Company signed several operating lease agreements for its offices. Rents are based on the actual floor area of the rental property and are paid monthly or quarterly according to the respective lease agreements. Guarantee deposits paid by the Company (listed under non-operating assets) totaled NT$1,691 thousand (US$50 thousand). As of December 31, 2003, the rents payable for the next five years were as follows:

Year	Amount	
	NT$	US$
2004	$24,193	$712
2005	24,193	712
2006	24,193	712
2007	21,568	634
2008	4,298	126
Total	$98,445	$2,896

2.The subsidiaries

(1)Chiao Tung Bank (CTB)

(a)As of December 31, 2002 and 2003, CTB's commitments and contingent liabilities were as follows:

	December 31, 2002	December 31, 2003	
	NT$	NT$	US$
Forward securities purchased	$7,929,743	$7,044,663	$207,208
Forward securities sold	1,783,821	-	-
Trust assets	4,557,205	7,405,761	217,829
Customers' securities under custody	308,070,539	424,175,314	12,476,479
Guarantee effects	90,246	35,402	1,041
Travelers' checks consigned-in	288,382	286,243	8,420
Investments for customers	791,093	600,346	17,658
Collections for customers	213,047,797	272,406,449	8,012,426
Agency loans payable	12,528,677	11,644,827	342,515
Government bonds	132,121,000	174,861,300	5,143,282
Certified notes paid	108,884,162	88,883,413	2,614,372
Guarantees issued	48,663,705	67,991,313	1,999,862
Letters of credit	12,678,856	15,197,252	447,004
Options written	-	339,980	10,000
Total	$851,435,226	$1,070,872,263	$31,498,096

(b)The following information is disclosed in accordance with Article 17 of the Trust Law Enforcement Rules.

Balance sheet of trust accounts

Year	Related Party	Highest Balance		Ending Balance	Interest Rate (%)	Interest Expense	
	NT$	NT$	US$		NT$	NT$	US$
Bank deposits	$30,006	$34,937	$1,028	Trust capital－pecuniary trust	$4,557,205	$7,405,761	$217,829
Short-term investments							
－bonds	2,000	-	-				
－mutual funds	4,525,199	7,370,824	216,801				
Total Trust Assets	$4,557,205	$7,405,761	$217,829	Total Trust Liabilities	$4,557,205	$7,405,761	$217,829

Trust property

	December 31, 2002	December 31, 2003	
	NT$	NT$	US$
Demand deposits	$1,098	$1,170	$34
Time deposits	28,908	33,767	993
Overseas mutual funds	2,726,650	3,555,140	104,569
Domestic mutual funds	1,798,549	3,815,684	112,233
Bonds	2,000	-	-
Total	$4,557,205	$7,405,761	$217,829

(c)In April 1996, CTB's Singapore Branch wrote off its entire participation in a syndicated loan facility granted to an Indonesian customer as a non-performing loan which was then assigned to a third party in January 2001. In October 2001, a stockholder of the Indonesian customer brought legal action against the consortium of 57 banks participating in the syndicated loan facility, including CTB's Singapore Branch. The stockholder claimed among others that the loan facility granted by the consortium banks was illegal. In August 2003, a district court in South Jakarta passed its summary judgment and ruled in favor of the plaintiff on some of the claims. The consortium banks were advised by their lawyers that the district court's ruling did not appear to have a strong legal basis and thus have filed for an appeal. The appeal has yet to be heard.

(2)Barits International Securities Co., Ltd. (BIS)

(a)BIS has signed proxy delivery agreements with Yuanta Core Pacific Securities and SinoPac Securities. Under these agreements, Yuanta Core Pacific Securities and SinoPac Securities agree to be BIS' first and second proxies. If BIS is unable to fulfill its obligations to the Taiwan Stock Exchange, the proxies must act upon the said obligations. BIS has reciprocated by agreeing to act as the first or second proxy for Yuanta Core Pacific Securities and SinoPac Securities.

(b)Two of BIS' former brokers conducted a fraudulent transaction in November 1994 and embezzled NT$56,823 thousand (US$1,377 thousand) from Lu-Kang Credit Cooperative (LKCC) accordingly by taking advantage of LKCC's operational flaws when it was dealing with the settlement of the above transaction. LKCC claimed that they had to pay the NT$56,823 thousand in advance for BIS and thus, cancelled BIS' NT$60 million (US$1.76 million) time deposit placed with LKCC without BIS' consent and deducted NT$56,823 thousand from the cancelled deposit. BIS filed a lawsuit against LKCC for return of the NT$56,823 thousand as well as execution of provisional seizure of the properties of the said securities brokers' joint guarantors.

The NT$56,823 thousand was recorded by BIS under "other assets – other receivables". For executing the provisional seizure, BIS pledged NT$19,000 thousand (US$559 thousand) time deposit to the Court as collateral in 1998, which was replaced by the government bonds with a cost of NT$21,167 thousand (US$623 thousand) and a face value of NT$19,000 thousand (US$559 thousand) in June 1999. The collateral was recorded under "other assets – guarantee deposits paid".

On July 9, 2002, the High Court ruled that both parties were liable for the above fraudulent transaction. Therefore, LKCC was required to compensate BIS NT$39,467 thousand (US$1,161 thousand) whereas BIS was required to compensate LKCC NT$17,354 thousand (US$510 thousand). Neither the two parties agreed with the ruling and again lodged an appeal. As a result, the case was sent back to the Supreme Court for the third time on January 23, 2003 and was still under review by the High Court as at December 31, 2003. BIS has set aside NT$24,172 thousand (US$711 thousand) as an allowance for bad debts as recommended by its legal consultant.

(c)BIS entered into an agreement with Seaward Leasing Limited on June 24, 1998 to purchase the computer hardware and software required for futures trading from Seaward for a total price of NT$15,435 thousand (US$454 thousand). As the computer hardware and software delivered by Seaward did not perform all the functions as specified in the agreement, only NT$4,862 thousand (US$143 thousand) was paid by BIS. As a result, Seaward filed a lawsuit in November 1999 to claim the remaining amount and the associated interest totaling NT$11,344 thousand (US$334 thousand). In July 2000, the Taipei District Court ruled that BIS lost the case and was obliged to pay Seaward NT$5,844 thousand (US$172 thousand) and the associated interest.

While the above case was under review, BIS filed a counter charge against Seaward on December 21, 1999. BIS claimed that the above agreement was duly dissolved, and Seaward should return the NT$4,862 thousand (US$143 thousand) to BIS. The counter charge was also ruled in favor of Seaward by the Taipei District Court in July 2000. Neither BIS nor Seaward agreed with the ruling and both of them filed an appeal to the High Court, which was rejected on November 20, 2001. BIS consequently appealed to the Supreme Court on December 18, 2001. The Supreme Court ruled that both parties' claims were justifiable and denounced the previous ruling by the High Court. The case was therefore sent back to the High Court and was still under review as at December 31, 2003. BIS has recorded the NT$11,344 thousand (US$334 thousand) payable to Seaward under "other payables – non-related parties".

(d)BIS has signed several operating lease agreements for its offices. As of December 31, 2003, the annual minimum rents payable (excluding the adjustments for the consumer price index) for the next five years were as follows:

Year	Amount	
	NT$	US$
2004	$55,451	$1,631
2005	32,894	967
2006	19,108	562
2007	16,759	493
2008	5,708	168
Total	$129,920	$3,821

(e)As of December 31, 2002 and 2003, the checks written by BIS and pledged to the Taiwan Stock Exchange as guarantee deposits for settlement of securities transactions amounted to NT$30,000 thousand (US$882 thousand). As the deposits were classified as contingent liability, they were not disclosed in the balance sheet.

(f)As of December 31, 2003, the securities underwritten by BIS on a firm commitment basis were summarized below.

Securities Issuer	Type of Securities	No. of Shares	Price Per Share(in dallars)		Total Amount Underwritten	
			NT$	US$	NT$	US$
Evergreen Marine	Convertible bonds	100,000	$100.00	2.9413	$10,000	294
Ampire Co., Ltd.	Common shares	73,000	17.00	0.5000	1,241	37
Total					$11,241	$331

(3)Chung Hsing Bills Finance Corp. (CHBF)

(a)As of December 31, 2002 and 2003, CHBF's commitments and contingent liabilities arising from its normal course of business were as follows:

	December 31, 2002	December 31, 2003	
	NT$	NT$	US$
Bills and bonds sold under repurchase agreements	$191,179,861	$190,020,748	$5,589,174
Guarantees for commercial papers	161,023,600	161,326,400	4,745,173
Bills and bonds purchased under resell agreements	11,437,727	12,734,340	374,562
Total	$363,641,188	$364,081,488	$10,708,909

(b)In April 2002, Taichung Commercial Bank filed a supplemental civil suit against CHBF and other defendants claiming joint liability of NT$3,608,804 thousand (US$106,148 thousand) plus interest. The action is supplemental to the criminal proceeding against Chen-Jen Tseng and other officers of the Guang San Group filed to the Criminal Division of the Taiwan High Court in Taichung. The plaintiff alleged that CHBF and other bills finance companies issued commercial papers or extended loans to the affiliated companies of the Guang San Group against collaterals provided by Shun Da Yu Corporation, a Taiwan listed company, without the consent of Shun Da Yu's Board of Directors. The plaintiff alleged that the defendants' action facilitated the non-disclosure of the transactions to the public and in Shun Da Yu's financial statements. This caused the plaintiff to incur losses of NT$1,860,851 thousand (US$54,734 thousand) as it acquired Shun Da Yu's shares of NT$1,747,953 thousand (US$51,414 thousand) by relying on the incomplete public information and inaccurate financial statements. The plaintiff'saction was dismissed by the High Court in Taichung in January 2004 as the plaintiff failed to appeal against the Court's ruling within the prescribed time frame. However, Taichung Commercial Bank is entitled to file separate civil actions against CHBF to a different court for the same claim. While CHBF will rigorously defend any such action, the outcome and its effect on CHBF is not certain.

(4)International Commercial Bank of China (ICBC)

As of December 31, 2003, ICBC had the following commitments and contingent liabilities:

(a)Collection and guarantee assets and liabilities

	December 31, 2003	
	NT$	US$
Securities sold under repurchase agreements	$8,301,422	$244,174
Securities purchased under resell agreements	4,357,428	128,167
Trust and security held for safekeeping (including trustee amount of NT$123,970,265 thousand (US$3,646,399 thousand))	726,256,320	21,361,737
Travelers' checks consigned-in	3,029,248	89,101
Collections for customers and agency loans payable	80,402,695	2,364,924
Guarantees for commercial paper, customs duties and performance bonds	102,231,608	3,006,989
Letters of credit	54,286,950	1,596,769
Government bonds and consignment of goods	209,081,702	6,149,824
Loan commitments	325,716,665	9,580,465
Credit card lines	103,904,022	3,056,180

(b)The following information is disclosed in accordance with Article 17 of the Trust Law Enforcement Rules.

Balance sheet of trust accounts

Trust Assets	December 31, 2003		Trsut Liabilities	December 31, 2003	
	NT$	US$		NT$	US$
Cash	$4,531,791	$133,296	Trust capital		
Investments in stocks	20,293,391	596,900	Pecuniary trust	$123,277,520	$3,626,023
Investments in bonds	60,330,220	1,774,523	Securities trust	674,445	19,838
Investments in mutual funds	37,906,260	1,114,955	Real estate trust	18,300	538
Other assets	908,603	26,725			
Total Trust Assets	$123,970,265	$3,646,399	Total Trust Liabilities	$123,970,265	$3,646,399

Trust property

	December 31, 2003	
	NT$	US$
Investments in stocks	$20,293,391	$596,900
Investments in bonds	60,330,220	1,774,523
Investments in mutual funds	37,906,260	1,114,955
Other assets	908,603	26,725
Total	$119,438,474	$3,513,103

(c)ICBC signed several lease agreements for a number of its branch offices. Rents are based on the actual floor area of the rental property and are paid monthly, quarterly or semi-annually according to the respective lease agreements. All the lease agreements will expire by the end of August 2021 and are renewable. Deposits paid for these lease agreements amounted to NT$142,777 thousand (US$4,200 thousand) as of December 31, 2003 and were recorded under "other assets". The annual rents payable for the next five years are as follows:

Year	Amount	
	NT$	US$
2004	$193,548	$5,693
2005	166,318	4,892
2006	118,649	3,490
2007	84,129	2,475
2008	55,816	1,642

(d)As of December 31, 2003, contracts signed by ICBC for renovation of its branch offices and purchase of equipment were totaled at NT$349,179 thousand (US$10,271 thousand). The accrued expenses on these contracts as of December 31, 2003 were NT$191,817 thousand (US$5,642 thousand).

(5)Chung Kuo Insurance Co., Ltd. (CKI)

(a)As of December 31, 2002 and 2003, the unutilized portion of the letters of credit issued by CKI for reinsurance was NT$7,348 thousand and NT$2,679 thousand (US$79 thousand), respectively.

(b)CKI entered into a contract with a construction company totaling NT$30,870 thousand (US$908 thousand) in November 2001. As of December 31, 2003, the accrued construction expense was NT$1,544 thousand (US$45 thousand).

(c)In March 2003, CKI purchased "Deryuan Commercial Square"as an investment for a total consideration of NT$1,622,000 thousand (US$47,709 thousand). As of December 31, 2003, the accrued amount was NT$1,070 thousand (US$31 thousand). On December 31, 2003, CKI's Board of Directors resolved to sell the block of building to BIS and authorized the General Manager to oversee the transaction process, including valuation, price setting and negotiation, and signing of the contract..

(6)Mega Investment Trust Co., Ltd. (MITC)

(a)In July 1999, the former Chairman of MITC together with the former Chairman of Tung-Kang Credit Cooperative (TKCC) and other staff of TKCC embezzled MITC's time deposits placed with TKCC of NT$220 million (US$6.47 million) and NT$430 million (US$12.65 million) from MITC's mutual funds. The District Court of Pingtung indicted the above persons in August 1999. As of June 30, 2003, the ruling made by the High Court was that MITC's former Chairman was not guilty while the others were sentenced to 14 months to 12 years of imprisonment. The persons found guilty have lodged an appeal.

(b)MITC's former Chairman together with a number of TKCC's staff embezzled MITC's time deposits placed with TKCC and pledged the said deposits as collaterals for loans. As a result, MITC incurred a contingent liability of NT$195 million (US$5.74 million). According to the information provided by TKCC, the interest on the aforementioned loans was all paid up as of May 1999 with the interest rate ranging from 7.25% to 7.9%. However, the fact is that interest on the loans had not been paid since June 1999. The interest on the loans accrued from June 1999 to January 2000 amounted to approximately NT$1,853 thousand (US$55 thousand). To safeguard its rights, upon maturity of the pledged time deposits in January 2000, the creditor bank used the pledged time deposits to compensate for the principal of the loans, and the interest on the pledged time deposits of NT$1,230 thousand (US$36 thousand) for the corresponding period to compensate for the interest on the loans. The amount of shortage was deducted from the demand deposits. Clarification of the above dispute is pending for the Court's ruling.

(c)As of December 31, 2003, details of the property rented by MITC under operating lease were set forth below.

Lessor	Location of the Rental Property	Lease Period	Rent Per Month	Method of Payment	Year	Accrued Rent
BIS	9th Floor, 100 Roosevelt Rd., Section 2, Taipei	Nov. 1, 2003 ~ Oct. 31, 2013	NT$832	Monthly	2004	NT$9,988
					2005	9,988
					2006	9,988
					2007	9,988
					2008 and onwards	58,261
						NT$98,213

(7)Mega Asset Management Co., Ltd. (MAM)

(a)As of December 31, 2003, details of the property rented by MAM under operating lease were set forth below.

Lessor	Location of the Rental Property	Lease Period	Per Month	Accrued Rent for the Following Years
CHBF	12th Floor of CHBF's head office located on Chunghsiao East Rd., Taipei	Dec. 1, 2003 ~Nov. 30, 2008	NT$482	NT$28,447

(b)As of December 31, 2003, details of the construction contracts entered into by MAM for renovation of its office premise were as follows:

Item under Construction	Contract Amount	Amount Paid	Accrued Amount
	NT$	NT$	NT$
Interior renovation	NT$3,920	NT$-	NT$3,920
Office furniture and equipment	1,580	-	1,580
Total	NT$5,500	NT$-	NT$5,500

VIII. Significant Disaster Loss: None

IX. Significant Subsequent Events

1.The Company

On December 23, 2003, the Company'S Board of Directors resolved to issue 1.5-year euro convertible bonds (ECBs) with the maximum issuing amount capped at US$200 million. The transaction was approved by the SFC and completed on February 9, 2004 with a total amount of US$200 million raised (including the US$30 million ECBs purchased by the underwriters). The ECBs were issued at the face value and the fund raised would be utilized in investing in companies in the Taiwan financial services industry.

2.The subsidiary - Barits International Securities Co., Ltd. (BIS)

BIS planned to acquire the land and block of building where its head office is currently located from Chung Kuo Insurance Co., Ltd. in February 2004 for a proposed price of NT$1,709,000 thousand. The acquisition was resolved in the Board'S meeting held on February 26, 2004.

X. Others

1.Derivative financial instruments

(1)The Company and its subsidiaries have entered into financial derivative transactions for hedging and non-hedging purposes. The financial derivative contracts undertaken for hedging purposes are to hedge the existing exposure of the Company and its subsidiaries by entering into back-to-back transactions. On the other hand, those for non-hedging purposes are undertaken for profit seeking.

(2)The financial derivative contracts undertaken by the Company and its subsidiaries are mainly for risk hedging purposes by taking certainty, profitability and liquidity into account.

(3)The contract amounts (nominal principal amounts) of the derivative financial instruments, the associated credit risk and their fair values are as follows:

In thousands of NT dollars

Year	Financial Instrument	Contract Amount	Credit Risk	Fair Value
2002	Trading purposes			
	Non-delivery forwards	$973,840	$1,682	$1,432
	Currency options	125,138	-	70
	Currency forwards	87,307,575	1,433,458	(783,572)
	Foreign exchange swaps	14,503,260	616,385	583,778
	Cross-currency swaps	15,998,800	10,642	(53,387)
	Interest rate swaps	11,120,576	583,874	528,741
	Non-trading purposes			
	Currency options	$2,559,048	$-	$-
	Currency forwards	50,632	-	(417)
	Foreign exchange swaps	1,580,562	-	(5,704)
	Cross-currency swaps	6,711,994	135,989	76,868
	Interest rate swaps	28,714,786	280,479	(849,362)

In thousands of NT dollars

Year	Financial Instrument	Contract Amount	Credit Risk	Fair Value
2003	Trading purposes			
	Non-delivery forwards	$2,171,769	$8,125	$7,733
	Currency options	380,268	115,831	115,831
	Currency forwards	197,046,031	66,806,025	34,010,703
	Foreign exchange swaps	23,840,338	289,642	266,502
	Cross-currency swaps	12,047,460	23,201	(78,672)
	Financial futures	33,998	-	(170)
	Interest rate swaps	11,650,550	398,027	386,187
	Non-trading purposes			
	Currency options	$4,185,053	$-	$2,244
	Interest rate swaps	86,695,801	234,858	(1,747,554)
	Foreign exchange swaps	2,613,460	34,474	17,713
	Cross-currency swaps	32,716,352	221,073	97,580

In thousands of US dollars

Year	Financial Instrument	Contract Amount	Credit Risk	Fair Value
2003	Trading purposes			
	Non-delivery forwards	$63,879	$239	$227
	Currency options	11,185	3,407	3,407
	Currency forwards	5,795,812	1,964,999	1,000,374
	Foreign exchange swaps	701,228	8,519	7,839
	Cross-currency swaps	354,358	682	(2,314)
	Financial futures	1,000	-	(5)
	Interest rate swaps	342,683	11,707	11,359
	Non-trading purposes			
	Currency options	$123,097	$-	$66
	Interest rate swaps	2,550,027	6,908	(51,402)
	Foreign exchange swaps	76,871	1,014	521
	Cross-currency swaps	962,302	6,503	2,870

(a)The currency forward, interest rate swap, cross-currency swap and currency option contracts undertaken by CTB and ICBC for trading purposes are mainly for hedging customers' as well as CTB'S and ICBC's exposures and currency exposures arising from foreign currency funding requirements. Non-delivery forward, interest rate swap and cross-currency swap contracts undertaken by CTB, CHBF and ICBC for non-trading purposes are mainly for hedging interest rate and exchange rate exposures arising from foreign currency denominated assets. CTB, CHBF and ICBC aim to utilize the derivative financial instruments to hedge most of their market risk by undertaking derivative contracts of which the fair values are inversely proportional to those of the hedged items. CTB, CHBF and ICBC also perform periodic review on their positions.

(b)The above credit risk amounts are based on the contracts with positive fair values at the balance sheet date and represent the possible loss that will be incurred by CTB and ICBC in the event that the counterparties default.

(c)Before entering into financial derivative transactions, credit history and credit rating of the customers are reviewed. The transactions can then be conducted within the approved credit limits. Adequate collaterals and guarantee deposits are required from the customers to cover the realized or potential loss of such transactions.

(d)The above-mentioned credit risk pertains to the risk that the counterparties may default on maturity dates. As the counterparties of CTB, CHBF and ICBC are all financial institutions with good credit ratings, credit risk is considered to be remote.

(e)Fair values of currency forwards are determined based on the exchange rates published in the inquiry system of Reuters or the Associated Press.

(f)Net trading gains (losses) of CTB and ICBC and their disclosures in the income statement

Financial Instrument	Year Ended Dec. 31, 2002	Year Ended Dec. 31, 2003		Income Statement Disclosure
	NT$	NT$	US$	
Financial futures	$-	$801	$24	Gain (loss) on trading of securities
Currency options	67,428	110,103	3,239	Commissions income (expense)
Currency forwards	(95,770)	4,750	140	Foreign exchange gain (loss) / interest income (expense)
Forward rate agreements	-	-	-	Interest income (expense) / other deferred income (expense)
Interest rate swaps, foreign exchange swaps and cross-currency swaps	(9,782)	183,171	5,388	Foreign exchange gain (loss) / interest income (expense)

(g)Market risk and cash flow risk

1)Market risk arises from the fluctuations in interest rates and exchange rates.

2)As the forward exchange rates are determined by the spot exchange rates and the interest rates on the respective currencies, CTB and ICBC compute the forward exchange rate for each future period at the end of each month based on the closing spot exchange rate published by the Central Bank on that date and the interest rate on the respective currency on the same date. The resulting forward exchange rate at maturity of each contract is then used to determine its fair value.

3)As CTB'S, CHBF's and ICBC's position in currency forwards matches with their spot and forward exchange position, fluctuations in exchange rates will not result in significant gains (losses) and changes in cash flows. The aforementioned interest rate swap, foreign exchange swap and cross-currency swap contracts were undertaken by CTB, CHBF and ICBC to hedge their interest rate and foreign exchange risks arising from their foreign currency denominated assets or liabilities. The gains (losses) arising from the fluctuations in interest rates and exchange rates are mostly offset by the gains (losses) on the hedged items. As a result, market risk and changes in cash flows are assessed to be minimal.

(h)Liquidity risk and the amount, timing and uncertainty of future cash requirements

1)CTB and ICBC entered into numerous financial derivative transactions of which the nominal principal amounts are the bases for computing the amounts receivable from / payable to counterparties upon settlement. Therefore, the nominal principal amounts are neither the actual amounts delivered nor the actual amounts of cash requirements of CTB and ICBC. As the derivative financial instruments issued or held by CTB and ICBC are likely to be sold at a reasonable price, it is expected that there are no significant cash requirements upon maturity of these contracts.

2)Derivative financial instruments employed by CTB and ICBC are all denominated in major foreign currencies. Thus, liquidity risk is considered to be low. The working capital of CTB and ICBC is expected to be adequate to support their future cash needs.

(i)The purposes and strategies of holding derivative financial instruments

The above financial derivative contracts are undertaken for risk hedging purposes. By entering into reverse transactions, the risk exposure is minimized.

(4)Futures

(a)BIS has been undertaking contracts of Taiwan Stock Exchange (TSE) Banking and Insurance Sector Index Futures, TSE Electronic Sector Index Futures and Taiwan Stock Index Futures for trading purposes since the first quarter of 1999. Details of the outstanding futures contracts as of December 31, 2002 and 2003 are summarized below.

1)

Year	Transaction	No. of Outstanding Contracts	Contract Amount / Premium Paid		Fair Value	
			NT$	US$	NT$	US$
2002	-	-	$-	$-	$-	$-
2003	Purchase of January 2004 Financial futures	180	$157,826	$4,642	$157,752	$4,640
	Sale of January 2004 Financial futures	120	105,217	3,095	105,168	3,093

2)BIS' gain on the outstanding futures contracts, loss on the settled futures contracts and loss on the outstanding futures contracts for the year ended December 31, 2003 amounted to NT$1,845 thousand (US$54 thousand), NT$16,414 thousand (US$483 thousand) and NT$125 thousand (US$4 thousand), respectively, which were recorded under "unrealized gain on futures contracts", "realized loss on futures contracts" and "unrealized loss on futures contracts", respectively.

(b)Market risk

The futures contracts currently traded on the Taiwan Futures Exchange are the Banking and Insurance Sector Index Futures, Electronic Sector Index Futures and Taiwan Stock Index Futures. As these index futures are not exposed to significant fluctuations, future market price movements will not cause volatile fluctuations in the values of these financial instruments.

(c)Disclosures of derivative financial instruments in the financial statements

Margin deposits for the transactions entered into for the Banking and Insurance Sector Index Futures, Electronic Sector Index Futures and Taiwan Stock Index Futures are recorded under "margin deposits for futures trading – own capital". The difference upon settlement is credited or charged to current income. The gains (losses) on the futures contracts recognized by BIS for the years ended December 31, 2002 and 2003 were NT$14,320 thousand and NT$(14,694) thousand (US$(432) thousand), respectively. As of December 31, 2002 and 2003, the "marginal deposits for futures trading – own capital" was NT$111,752 thousand and NT$90,783 thousand (US$2,670 thousand), respectively.

(5)Index futures and TAIEX Index Options

(a)As of December 31, 2002 and 2003, the contracts of the Banking and Insurance Sector Index Futures, Electronic Sector Index Futures and Taiwan Stock Index Futures undertaken by BIS for trading purposes were all settled.

(b)Gains (losses) on the settled TAIEX Index Option contracts for the years ended December 31, 2002 and 2003 were NT$14,320 and NT$(1,252) thousand (US$(37) thousand), respectively, which were recorded under "realized gain (loss) on option contracts – risk hedging".

(6)Issuance of stock warrants

(a)Credit risk

As proceeds from the stock warrants issued by BIS were all received, there is no credit risk.

(b)Market risk

BIS 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, BIS' position is exposed to market risk. To reduce the uncertainty, BIS mainly adopts delta and vega risk hedging strategies which are summarized below.

1)Delta risk hedging strategy

(i)Hedge instruments

The hedge instruments are mainly the underlying securities and are supplemented by the title certificates of the underlying securities.

(ii)Risk hedging strategy

The dynamic hedging method is adopted by referring to the delta risk value calculated using BIS' risk model. Under this method, when the values of the underlying securities fluctuate, BIS will trade the underlying securities or the title certificates of those securities to maintain its position in gains (losses) on the stock warrants to be neutral to the delta risk.

2)Vega risk hedging strategy

(i)Hedge instruments

The hedge instruments are mainly the warrants listed in the domestic market with the same underlying securities (including the warrants issued by BIS) and are supplemented by the convertible bonds issued by the companies of the underlying securities.

(ii)Risk hedging strategy

As there are currently no options contracts on spot goods traded in Taiwan, and the domestic securities firms are prohibited from engaging in trading of overseas financial products, the strategy adopted in vega hedge is primarily through buying the significantly underpriced stock warrants with the same underlying securities, of which the price volatility will partly offset the price volatility of the stock warrants issued by BIS.

As convertible bonds involve the risk of early redemption by the bond issuers, coupled with the liquidity risk (large difference between the buying and selling prices) and the interest rate risk, the hedging strategy would become complicated and inefficient if convertible corporate bonds are used as hedge instruments. Therefore, convertible bonds will not be used as the primary hedge instruments unless the underlying securities of the stock warrants issued show volatile price movements, and the terms on the convertible bonds and their liquidity meet the risk hedging requirements of BIS.

(c)Gain (loss) recognized by BIS pertaining to the issuance of stock warrants for the years ended December 31, 2002 and 2003 was as follows:

1)Valuation gain (loss)

	Valuation Gain (Loss)			Account
	2002	2003		
	NT$	NT$	US$	
Liability on issuance of stock warrants	$341,921	$1,852,506	$54,489	Gain on issuance of stock warrants
Repurchase of stock warrants issued	(177,159)	(1,357,300)	(39,923)	Loss on repurchase of stock warrants issued
Securities held for risk hedging	(4,196)	(28,562)	(840)	Allowance for decline in market value of securities held for risk hedging

2)Gain (loss) on sale

	Valuation Gain (Loss)			Account
	2002	2003		
	NT$	NT$	US$	
Repurchase of stock warrants issued	$-	$(377,805)	$(11,113)	Contra account of gain on issuance of stock warrants
Securities held for risk hedging	(11,402)	43,024	1,265	Gain (loss) on sale of securities – risk hedging

(7)Structured financial instruments

(a)BIS obtained the approval from the governing authority in July 2003 to issue structured financial products denominated in New Taiwan dollars, which include the equity-linked notes and principal-guaranteed notes (PGN). On September 22, 2003, BIS issued its first PGN which was linked to the common shares of United Microelectronics Corporation (UMC) with a total notional amount of NT$60,300 thousand (US$1,774 thousand).

(b)Terms on the above-mentioned PGN

Name of the PGN issued	Three-month UMC 97% Knock-out PGN
Note number	PGN0000001
Notional amount (F)	NT$100,000 or its multiples
Principal-guaranteed rate	97% of the notional amount
Issue date	September 17, 2003
Trade date	September 22, 2003
Issue price	100% of the notional amount
Underlying securities	Common shares of UMC (2303.TW)
Initial price (S_1)	The official closing price of the underlying securities published by the Taiwan Stock Exchange on the trade date
Strike price (K)	100% of the issue price
Settlement price (S_2)	The official closing price of the underlying securities published by the Taiwan Stock Exchange on the valuation date
Cap price	120% of the strike price
Compensation	4%
Participation rate	100%
Valuation date	December 22, 2003
Expiration date	December 22, 2003
Settlement date	December 24, 2003
Clause on calculation of gain (loss) at expiration	(1)If the daily closing price of the underlying securities is never higher than or equal to the cap price during the period from the trade date to the valuation date, the amount that the investors will receive is F× {97% + 100% × Max 〔(S2 - K)/ S1 , 0〕} .
	(2)If any daily closing price of the underlying securities is higher than or equal to the cap price during the period from the trade date to the valuation date, the amount that the investors will receive is F × (97% + 4%) = F × 101%
Maximum loss	3% of the notional amount
Early redemption clause	Investors are obliged to inform the issuer of any early redemption as specified in the contract.
Exclusions	The issuer will not be liable for its failure to perform its obligation, which is caused by natural disasters, wars, strikes, government orders, changes in laws and regulations, malfunction or destruction of the telecommunication equipment, or other factors which cannot be controlled by the issuer.

(c)Market risk

As the structured financial products currently approved by the governing authority are Over-The-Counter (OTC) traded products rather than exchange traded products, the market prices are not available. The prices are quoted by the securities firms issuing the products. Additionally, as the structured financial instruments are the hybrid of fixed income securities and options, and the fixed income securities account for a significant portion of the structured products' value, the degree of price volatility of the structured products is lower than that of stocks. Therefore, fluctuation in the structured products' value is assessed to be low even though the stock market price movement may be volatile.

(d)Nature and terms of PGN

1)Credit risk

As the notional amount of the contract has been fully received, credit risk is assessed to be remote.

2)Market risk

BIS is in a short position for the PGN issued, which is in reverse to the investors' position. As the investors may receive gain upon expiration of the contracts because of the fluctuation in the market price of the underlying securities, BIS' position is exposed to market risk. To reduce the uncertainty, BIS hedges its market risk by:

(i)buying the underlying stocks and constantly adjusting its stock inventory through dynamic hedging, and

(ii)buying a certain amount of fixed income securities (e.g. time deposits, bonds with repurchase agreements and government bonds, etc.) calculated according to the trading model in order to ensure that the guaranteed principal amount can be delivered to the investors upon expiration of the contract.

(e)Gain (loss) recognized by BIS pertaining to the issuance of PGN for the years ended December 31, 2002 and 2003 was as follows:

1)Valuation gain (loss)

	Valuation Gain (Loss)			Account
	2002	2003		
	NT$	NT$	US$	
Liability on issuance of PGN – options	$-	$930	$27	Valuation gain – PGN

2)Amortization of interest

	Amortized Interest			Account
	2002	2003		
	NT$	NT$	US$	
Liability on issuance of PGN – fixed income securities	$-	$168	$5	Loss on PGN

2.Fair values of non-derivative financial instruments

In thousands of NT dollars

	December 31, 2002		December 31, 2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Cash and cash equivalents	$23,483,423	$23,483,423	$24,116,344	$24,116,344
Due from the Central Bank and other banks	299,779,354	299,779,354	245,638,768	245,638,768
Securities purchased - net	276,851,904	276,851,904	363,711,138	364,190,195
Receivables - net	47,936,048	47,936,048	70,569,711	70,569,711
Bills, discounts and loans - net	888,059,203	888,059,203	944,595,992	944,595,992
Long-term equity investments	37,390,185	37,390,185	37,606,487	37,606,487
Other long-term investments	12,332,405	12,332,405	23,386,444	23,521,851
Liabilities				
Short-term debts	13,827,933	13,827,933	18,823,184	18,823,184
Due to the Central Bank and other banks	275,349,986	275,349,986	277,329,965	277,329,965
Payables	49,885,775	49,885,775	59,676,176	59,676,176
Deposits and remittances	864,439,617	864,439,617	915,616,002	915,616,002
Funds borrowed from the Central Bank and other banks	155,593,810	155,593,810	144,475,721	144,475,721
Financial debentures - net	64,209,200	64,209,200	74,320,344	74,320,344
Corporate bonds payable - net	15,000,000	15,000,000	43,444,820	43,444,820

In thousands of US dollars

	December 31, 2003	
	Carrying Value	Fair Value
Assets		
Cash and cash equivalents	$709,346	$709,346
Due from the Central Bank and other banks	7,225,095	7,225,095
Securities purchased - net	10,698,016	10,712,106
Receivables - net	2,075,702	2,075,702
Bills, discounts and loans - net	27,783,869	27,783,869
Long-term equity investments	1,106,138	1,106,138
Other long-term investments	687,877	691,860
Liabilities		
Short-term debts	553,656	553,656
Due to the Central Bank and other banks	8,157,244	8,157,244
Payables	1,755,285	1,755,285
Deposits and remittances	26,931,467	26,931,467
Funds borrowed from the Central Bank and other banks	4,249,536	4,249,536
Financial debentures - net	2,186,021	2,186,021
Corporate bonds payable - net	1,277,864	1,277,864

The assumptions and methods adopted by the Company to estimate the fair values of the above financial instruments are summarized below.

(1)Fair values of the short-term financial instruments are estimated to be equal to their carrying values on the balance sheets. As maturity of these instruments is short and their disposal prices approximate to their carrying values, it is reasonable that their fair values equal their carrying values. This method is applied to cash and cash equivalents, due from the Central Bank and other banks, receivables, short-term debts, due to the Central Bank and other banks, payables, deposits and remittances.

(2)Fair values of the securities purchased, long-term equity investments and other long-term investments equal the quoted market prices, if available. If the quoted market prices are not available, fair values are estimated using financial information or other information.

(3)As bills, discounts, loans and deposits are all interest-bearing financial assets and liabilities, most of which are based on floating interest rates, their fair values approximate to their carrying values.

(4)As funds borrowed from the Central Bank and other banks and financial debentures are financial liabilities with floating interest rates, their fair values equal their carrying values.

(5)As the unsecured corporate bonds recorded under corporate bonds payable are interest-bearing financial liabilities, most of which are based on floating interest rates, their fair value approximates to their carrying value. The fair value of the ECBs is estimated based on their carrying value on the balance sheet. As the coupon rate on the ECBs is zero and the date of redemption is uncertain, it is difficult to calculate the present value of ECBs. In addition, the carrying value of ECBs is adjusted on the balance sheet date based on the prevailing spot exchange rate on that date. Therefore, the fair value of the ECBs is estimated based on their carrying value on the balance sheet.

3.Disclosures required by Clause 11 of the Guidelines for Preparation of Financial Reports by Financial Holding Companies

(1)Capital adequacy ratio on a consolidated basis

		December 31, 2002	December 31, 2003
The Group's Eligible Capital－Items Deducted from Capital / The Group's Statutory Capital Requirement	=	119.61%	114.25%

(2)Information on the apportionment and amounts of the revenues, costs, expenses, gains and losses arising from the transactions between the Company and its subsidiaries, joint promotion of businesses, and sharing of information, operating facilities or premises

(a)Transactions between the Company and its subsidiaries

Please refer to Note V.

(b)Joint promotion of businesses

To create synergies within the group and provide one-stop financial services, CTB established a financial consulting center to facilitate the cross selling of BIS' and CKI's products on April 2, 2003.

(c)Sharing of information

Under the Financial Holding Company Act, Computer Process of Personal Data Protection Law and the related regulations stipulated by MOF, when customers' information of a financial holding company's subsidiary is disclosed to the other subsidiaries under the group or exchanged between the subsidiaries for the purpose of cross selling of products, the subsidiaries receiving, utilizing, managing or maintaining the information are bound to use the information for the specified purposes only. In addition, the Company is required to publish its "Measures for Protection of Customers' Information" at its website. Customers also reserve the right to have their information withdrawn from the information sharing mechanism.

(d)Sharing of operating facilities or premises

To provide one-stop-shopping services, CTB set up a securities counter and an insurance counter within its financial consulting center on April 2, 2003, which are engaged in the cross selling of BIS' and CKI's products, respectively.

(e)Apportionment and amounts of revenues, costs, expenses, gains and losses

Costs and expenses incurred on cross selling of products are shared equally between the subsidiaries involved. As of December 31, 2003, expenses incurred by the financial consulting center amounted to NT$238 thousand (US$7 thousand) which was shared equally between CTB, BIS and CKI.

(3)Capital adequacy ratio of the Company's securities subsidiary

Subsidiary	December 31, 2002	December 31, 2003
Barits International Securities Co., Ltd.	204.06%	386.39%

(4)Eliminations of the transactions between the controlling company and its affiliated companies

(a)Pursuant to the rules stipulated by SFC, listed companies are required to comply with Paragraph 36 of the Statement of Financial Accounting Standards No.7, "Consolidated Financial Statements", when they are preparing the notes to the consolidated financial statements. In addition, they are required to disclose the information on the affiliated companies' accounts eliminated and the eliminated gains (losses) on the transactions between affiliated companies.

(b)Separate disclosures are required where the affiliated companies' total assets and operating revenues both exceed 10% of the controlling company's respective accounts.

Please refer to Table 1 for details.

XI. Segment Information

1.The Company: None

2.The subsidiaries

International Commercial Bank of China (ICBC)

Geographic information

in thousands of NT dollars

	Domestic (including OBU)	North America	Other Overseas Operating Units	Adjustments and Elimination	Total
Income derived from transactions conducted outside the Company	27,657,571	3,172,871	3,439,837	-	34,270,279
Income derived from inter-department transactions	307,783	43,541	186,569	(537,893)	-
Total income	27,965,354	3,216,412	3,626,406	(537,893)	34,270,279
Net income	5,493,964	629,285	874,867		6,998,116
Investment income					2,038,661
Income before income tax from continuing operations					9,036,777
Identifiable assets	998,797,350	167,664,796	112,952,199	(229,159,508)	1,050,254,837
Investments					9,366,718
Total assets					1,059,621,555

III. Financial Statements(Parent Company)

English Translation of a Report Originally Issued in Chinese

Report of Independent Auditors

The Board of Directors and Stockholders
Mega Financial Holding Co., Ltd.
(Formerly known as CTB Financial Holding Co., Ltd.)

We have audited the accompanying balance sheets of Mega Financial Holding Co., Ltd. as of December 31, 2002 and 2003, and the related statements of income, changes in stockholders' equity and cash flows for the period from February 4 (date of inception) to December 31, 2002 and for the year ended December 31, 2003, all expressed in New Taiwan dollars. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the "Regulations for Audit and Certification of Financial Statements of Financial Institutions by Certified Public Accountants" and auditing standards generally accepted in the Republic of China on Taiwan. Those 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 provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mega Financial Holding Co., Ltd. as of December 31, 2002 and 2003, and the results of its operations and its cash flows for the period from February 4 (date of inception) to December 31, 2002 and for the year ended December 31, 2003, in conformity with the "Guidelines for Preparation of Financial Reports by Financial Holding Companies", "Guidelines for Preparation of Financial Reports by Securities Issuers" and accounting principles generally accepted in the Republic of China on Taiwan.

We have also audited the consolidated financial statements of Mega Financial Holding Co., Ltd. as of December 31, 2002 and 2003, and for the period from February 4 (date of inception) to December 31, 2002 and the year ended December 31, 2003, on which we have issued an unqualified opinion thereon.

Diwan, Ernst & Young

March 9, 2004
Taipei, Taiwan
Republic of China

Notice to Readers

The accompanying financial statements are intended only to present the financial position and 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.

MEGA FINANCIAL HOLDING CO., LTD. / BALANCE SHEETS

December 31, 2002 and 2003

ASSETS	Notes	Dec. 31, 2002	Dec. 31, 2003	
		NT$	NT$	US$
Current Assets				
Cash and cash equivalents	II, IV-1 and V	$400,778	$10,399,216	$305,877
Receivables	II	11,185	132,583	3,900
Prepaid expenses		-	6,900	203
Other current assets		-	-	-
Total Current Assets		411,963	10,538,699	309,980
Long-Term Investments and Receivable	II, IV-2 and V			
Long-term equity investments				
Long-term investments accounted for under equity method		168,075,622	187,522,453	5,515,691
Long-term investments accounted for under cost method		50,000	150,000	4,412
Total Long-Term Investments		168,125,622	187,672,453	5,520,103
Property and Equipment	II and IV-3			
Computers		-	38,418	1,130
Miscellaneous equipment		2,137	6,852	201
Leasehold improvements		5,468	28,588	841
Less: Accumulated depreciation		(207)	(4,971)	(146)
Sub-total		7,398	68,887	2,026
Construction in progress and machinery on order		-	21,753	640
Total Property and Equipment - Net		7,398	90,640	2,666
Non-operating Assets				
Guarantee deposits paid	V	1,764	1,980	58
Miscellaneous assets		10	10	-
Bond issuance expenses	II	34,305	226,683	6,668
Deferred pension costs	II	4,476	-	-
Other deferred expenses	II	-	23,079	679
Total Non-operating Assets		40,555	251,752	7,405
TOTAL ASSETS		$168,585,538	$198,553,544	$5,840,154

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

Expressed in Thousands of Dollars

LIABILITIES AND STOCKHOLDERS' EQUITY	Notes	Dec. 31, 2002	Dec. 31, 2003	
		NT$	NT$	US$
Current Liabilities				
Short-term loans	IV-4 and V	$11,000,000	$2,192,000	$64,474
Commercial paper payable - net	IV-5	-	899,285	26,451
Payables	V	41,345	453,082	13,327
Total Current Liabilities		11,041,345	3,544,367	104,252
Long-Term Liabilities				
Corporate bonds payable - net	II and IV-6	15,000,000	38,444,820	1,130,797
Accrued pension liability	II and IV-7	6,122	13,226	389
Total Long-Term Liabilities		15,006,122	38,458,046	1,131,186
Other Liabilities				
Guarantee deposits received		1,351	1,291	38
Deferred revenue		-	17,258	508
Total Other Liabilities		1,351	18,549	546
Total Liabilities		26,048,818	42,020,962	1,235,984
Stockholders' Equity				
Capital stock				
Common stock	IV-8	110,488,402	113,971,716	3,352,306
Capital surplus	II			
Additional paid-in capital		49,924,209	46,573,328	1,369,884
Capital surplus - treasury stock		1,132	1,047	31
Adjustments arising from long-term equity investments accounted for under equity method		-	1,954	58
Total capital surplus		49,925,341	46,576,329	1,369,973
Retained earnings				
Legal reserve		5,077,446	5,697,916	167,596
Special reserve	II	354,967	405,703	11,933
Unappropriated retained earnings	IV-9	6,239,231	18,920,504	556,518
Total retained earnings		11,671,644	25,024,123	736,047
Equity adjustments				
Unrealized loss on the decline in market value of long-term equity investments		(66,241)	(18,750)	(551)
Cumulative translation adjustments		258,034	606,770	17,847
Net loss not recognized as pension costs		-	(9,340)	(275)
Total equity adjustments	II	191,793	578,680	17,021
Treasury stock	II and IV-10	(29,740,460)	(29,618,266)	(871,177)
Total Stockholders' Equity		142,536,720	156,532,582	4,604,170
Commitments and Contingent Liabilities	VII			
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		$168,585,538	$198,553,544	$5,840,154

MEGA FINANCIAL HOLDING CO., LTD. / STATEMENTS OF INCOME

For the Period from February 4 to December 31, 2002 and the Year Ended December 31, 2003

Expressed in Thousands of Dollars

	Notes	Feb. 4 to Dec. 31, 2002	Year Ended Dec. 31, 2003	
		NT$	NT$	US$
Operating Revenues				
Investment income accounted for under equity method	II and IV-2	$6,501,741	$18,822,304	$553,630
Other operating revenues		-	32,194	947
Total Operating Revenues		6,501,741	18,854,498	554,577
Operating Expenses	II, IV-11 and V			
Administrative and general expenses		(127,009)	(296,340)	(8,717)
Staff training expenses		(275)	(749)	(22)
Total Operating Expenses		(127,284)	(297,089)	(8,739)
Income from operations		6,374,457	18,557,409	545,838
Non-operating Income				
Interest income	V	27,442	65,530	1,927
Miscellaneous income		2,289	3,871	114
Total Non-operating Income		29,731	69,401	2,041
Non-operating Expenses				
Interest expense	V	(105,636)	(521,744)	(15,346)
Foreign exchange loss		-	(1,750)	(52)
Remittance fees, service charges and securities issuance expenses		-	(3,751)	(110)
Total Non-operating Expenses		(105,636)	(527,245)	(15,508)
Income before Income Tax from Continuing Operations		6,298,552	18,099,565	532,371
Income Tax Expense	II and IV-12	(477)	(489)	(14)
Net Income		$6,298,075	$18,099,076	$532,357
Basic Earnings Per Share (in dollars)	II and IV-13			
Income before income tax from continuing operations		$1.02	$1.84	$0.0542
Net income		$1.02	$1.84	$0.0542
Diluted Earnings Per Share (in dollars)				
Income before income tax from continuing operations		$1.02	$1.79	$0.0526
Net income		$1.02	$1.79	$0.0526
Pro forma information based on the assumption that shares of the Company held by its subsidiaries are not treated as treasury stock:				
Income before income tax from continuing operations		$6,286,350	$18,125,598	$533,137
Net income		$6,285,873	$18,125,109	$533,123
Basic earnings per share (in dollars)				
Income before income tax from continuing operations		$1.01	$1.83	$0.0539
Net income		$1.01	$1.83	$0.0539
Diluted earnings per share (in dollars)				
Income before income tax from continuing operations		$1.01	$1.78	$0.0523
Net income		$1.01	$1.78	$0.0523

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

MEGA FINANCIAL HOLDING CO., LTD. / STATEMENTS OF CASH FLOWS

For the Period from February 4 to December 31, 2002 and the Year Ended December 31, 2003

Expressed in Thousands of Dollars

	Feb. 4 to Dec. 31, 2002	Year Ended Dec. 31, 2003	
	NT$	NT$	US$
Cash Flows from Operating Activities			
Net income	$6,298,075	$18,099,076	$532,357
Adjustments to reconcile net income to net cash provided by operating activities:			
Investment income accounted for under equity method	(6,501,741)	(18,822,304)	(553,630)
Cash dividends received from investees accounted for under equity method	3,029,462	7,347,682	216,121
Depreciation and amortization	493	70,346	2,069
Increase in receivables	(11,195)	(27,318)	(803)
Increase in prepaid expenses	-	(6,900)	(203)
Decrease in deferred pension costs	-	4,476	132
Increase (decrease) in payables	41,345	(1,796)	(53)
Increase in accrued pension liability	1,646	7,104	209
Net cash provided by operating activities	2,858,085	6,670,366	196,199
Cash Flows from Investing Activities			
Increase in long-term investments	(50,000)	(7,716,466)	(226,968)
Acquisition of property and equipment	(7,605)	(88,006)	(2,589)
Increase in guarantee deposits paid	(1,764)	(216)	(6)
Increase in bond issuance expenses	(34,593)	(256,238)	(7,537)
Increase in other deferred expenses	-	(24,802)	(730)
Increase in forward exchange receivable for non-trading purposes	-	(94,080)	(2,767)
Net cash used in investing activities	(93,962)	(8,179,808)	(240,597)
Cash Flows from Financing Activities			
Increase (decrease) in guarantee deposits received	1,351	(60)	(2)
Increase (decrease) in short-term loans	11,000,000	(8,808,000)	(259,074)
Increase in commercial paper payable	-	899,285	26,451
Increase in corporate bonds payable	15,000,000	23,444,820	689,594
Increase in deferred revenue	-	17,258	508
Distribution of cash dividends and bonus	-	(3,425,988)	(100,770)
Purchase of treasury stock	(28,364,696)	(619,435)	(18,220)
Cash provided by (used in) financing activities	(2,363,345)	11,507,880	338,487
Net Increase in Cash and Cash Equivalents	400,778	9,998,438	294,089
Cash and Cash Equivalents, Beginning of Period	-	400,778	11,788
Cash and Cash Equivalents, End of Period	$400,778	$10,399,216	$305,877
Supplemental Information:			
Interest paid	$78,595	$533,655	$15,697
Income tax paid	$1,923	$5,176	$152
Investing and Financing Activities not Affecting Cash Flows:			
Increase in long-term equity investments due to share swap	$167,328,394	$-	$-
Capitalization of capital surplus	$2,915,608	$-	$-
Capitalization of retained earnings	$-	$3,783,314	$111,280
Shares of the Company held by its subsidiaries	$92,212	$-	$-

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

MEGA FINANCIAL HOLDING CO., LTD. / STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Period from February 4 to December 31, 2002 and the Year Ended December 31, 2003

	Common Stock		Capital Surplus
	No. of Shares	Amount	
Balance as of February 4, 2002	2,915,608	$ 29,156,078	$ 30,094,296
Adjustment of subsidiaries' income of prior period	-	-	(128,220)
Capitalization of capital surplus	291,561	2,915,608	(2,915,608)
New shares issued due to share swap	7,841,671	78,416,716	-
Premium from merger	-	-	22,873,741
Adjustments arising from long-term equity investments accounted for under equity method:			
Changes in capital surplus	-	-	1,132
Changes in cumulative translation adjustments	-	-	-
Changes in unrealized loss on the decline in market value of long-term equity investments	-	-	-
Net income for the period from February 4 to December 31, 2002	-	-	-
Reclassification of investment income accounted for under equity method prior to share swap	-	-	-
Treasury stock purchased	-	-	-
Treasury stock held by subsidiaries	-	-	-
Balance as of December 31, 2002	11,048,840	110,488,402	49,925,341
Appropriation of 2002 earnings			
Legal reserve	-	-	-
Cash dividends	-	-	(2,742,903)
Remuneration to directors and supervisors	-	-	-
Bonus to employees	-	-	-
Capitalization of retained earnings	378,331	3,783,314	-
Adjustments arising from long-term equity investments accounted for under equity method:			
Changes in capital surplus	-	-	(166,189)
Changes in cumulative translation adjustments	-	-	-
Changes in unrealized loss on the decline in market value of long-term equity investments	-	-	-
Net loss not recognized as pension costs	-	-	-
Net income for the year ended December 31, 2003	-	-	-
Treasury stock purchased	-	-	-
Retirement of the Company's treasury stock by its subsidiaries	(30,000)	(300,000)	(441,629)
Disposal of treasury stock held by subsidiaries	-	-	(245)
Provision of special reserve for valuation loss on treasury stock held by subsidiaries	-	-	-
Cash dividends distributed to the subsidiaries holding the Company's shares	-	-	1,954
Balance as of December 31, 2003	11,397,171	$113,971,716	$ 46,576,329

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

Expressed in Thousands of New Taiwan Dollars / Thousand Shares

Retained Earnings			Treasury Stock	Unrealized Loss on the Decline in Market Value of Long-term Equity Investments	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Costs	Total Stockholders' Equity
Legal Reserve	Special Reserve	Unappropriated Retained Earnings					
$ -	$ -	$ -	$ (1,283,552)	$ -	$ -	$ -	$ 57,966,822
-	-	-	-	-	-	-	(128,220)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	78,416,716
5,077,446	354,967	34,524	-	(33,645)	91,285	-	28,398,318
-	-	-	-	-	-	-	1,132
-	-	-	-	-	166,749	-	166,749
-	-	-	-	(32,596)	-	-	(32,596)
-	-	6,298,075	-	-	-	-	6,298,075
					-	-	
-	-	(93,368)	-	-			(93,368)
-	-	-	(28,364,696)	-	-	-	(28,364,696)
-	-	-	(92,212)	-	-	-	(92,212)
5,077,446	354,967	6,239,231	(29,740,460)	(66,241)	258,034	-	142,536,720
620,470	-	(620,470)	-	-	-	-	-
-	-	(1,040,411)	-	-	-	-	(3,783,314)
-	-	(48,400)	-	-	-	-	(48,400)
-	-	(7,807)	-	-	-	-	(7,807)
-	-	(3,783,314)	-	-	-	-	-
-	-	134,158	-	-	-	-	(32,031)
-	-	-	-	-	348,736	-	348,736
-	-	-	-	47,491	-	-	47,491
-	-	-	-	-	-	(9,340)	(9,340)
-	-	18,099,076	-	-	-	-	18,099,076
-	-	-	(619,435)	-	-	-	(619,435)
-	-	-	741,629	-	-	-	-
-	-	(823)	-	-	-	-	(1,068)
-	50,736	(50,736)	-	-	-	-	-
-	-	-	-	-	-	-	1,954
$ 5,697,916	$ 405,703	$18,920,504	$ (29,618,266)	$ (18,750)	$ 606,770	$ (9,340)	$156,532,582

MEGA FINANCIAL HOLDING CO., LTD. / STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

For the Year Ended December 31, 2003

	Common Stock		Capital Surplus
	No. of Shares	Amount	
Balance as of December 31, 2002	11,048,840	$3,249,850	$1,468,479
Appropriation of 2002 earnings			
Legal reserve	-	-	-
Cash dividends	-	-	(80,678)
Remuneration to directors and supervisors	-	-	-
Bonus to employees	-	-	-
Capitalization of retained earnings	378,331	111,280	-
Adjustments arising from long-term equity investments accounted for under equity method:			
Changes in capital surplus	-	-	(4,888)
Changes in cumulative translation adjustments	-	-	-
Changes in unrealized loss on the decline in market value of long-term equity investments	-	-	-
Net loss not recognized as pension costs	-	-	-
Net income for the year ended December 31, 2003	-	-	-
Treasury stock purchased	-	-	-
Retirement of the Company's treasury stock by its subsidiaries	(30,000)	(8,824)	(12,990)
Disposal of treasury stock held by subsidiaries	-	-	(7)
Provision of special reserve for valuation loss on treasury stock held by subsidiaries	-	-	-
Cash dividends distributed to the subsidiaries holding the Company's shares	-	-	57
Balance as of December 31, 2003	11,397,171	$3,352,306	$1,369,973

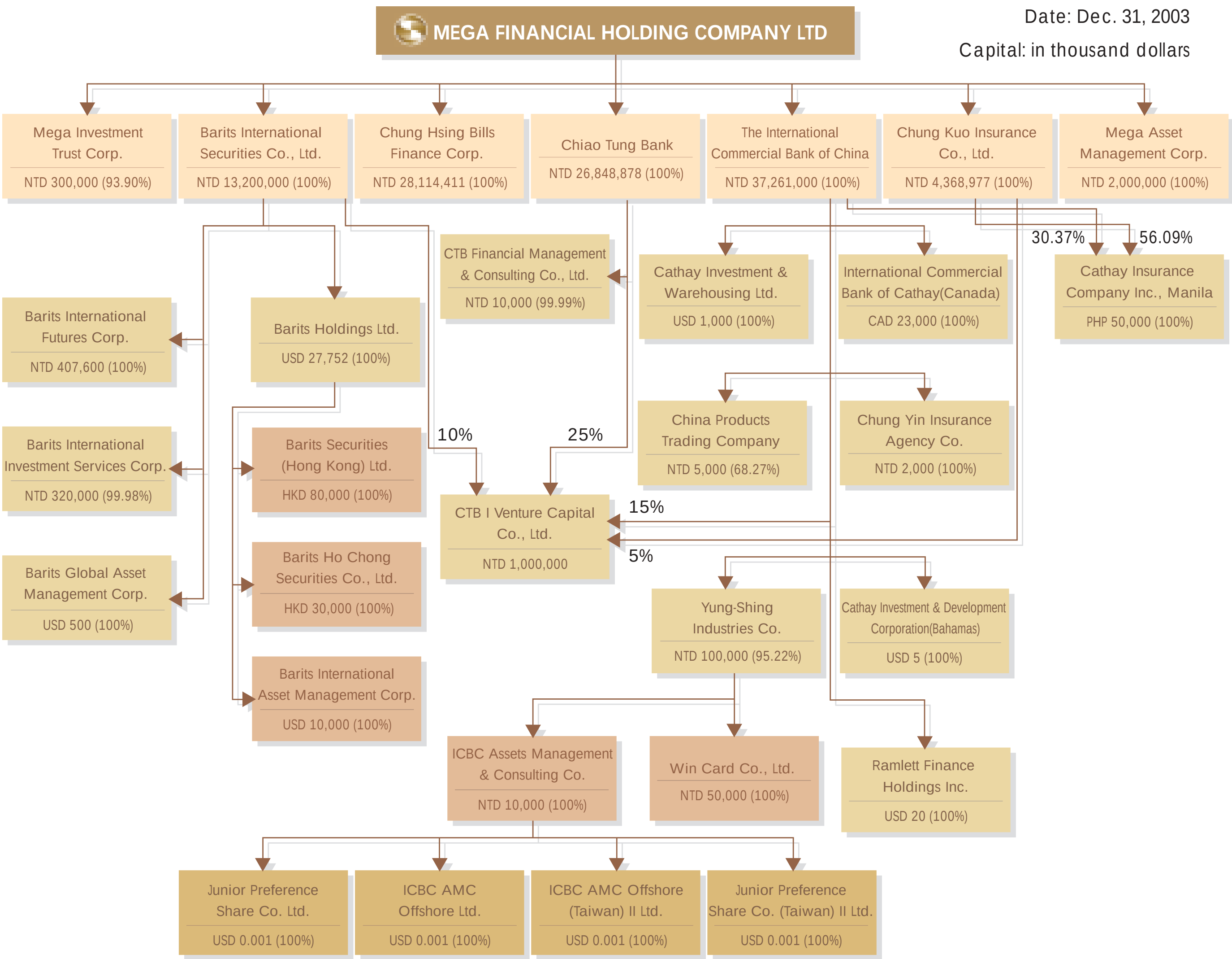
The accompanying notes are an integral part of the financial statements.

Expressed in Thousands of US Dollars / Thousands Shares

Retained Earnings			Treasury Stock	Unrealized Loss on the Decline in Market Value of Long-term Equity Investments	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Costs	Total Stockholders' Equity
Legal Reserve	Special Reserve	Unappropriated Retained Earnings					
$149,345	$10,441	$183,518	($874,771)	($1,948)	$7,590	$ -	$4,192,504
18,251	-	(18,251)	-	-	-	-	
-	-	(30,602)	-	-	-	-	(111,280)
-	-	(1,424)	-	-	-	-	(1,424)
-	-	(230)	-	-	-	-	(230)
-	-	(111,280)	-	-	-	-	-
-	-	3,946	-	-	-	-	(942)
-	-	-	-	-	10,257		10,257
-	-	-	-	1,397	-	-	1,397
-	-	-	-	-	-	(275)	(275)
-	-	532,357	-	-	-	-	532,357
-	-	-	(18,220)	-	-	-	(18,220)
-	-	-	21,814	-	-	-	-
-	-	(24)	-	-	-	-	(31)
-	1,492	(1,492)	-	-	-	-	-
-	-	-	-	-	-	-	57
$167,596	$11,933	$556,518	$(871,177)	$(551)	$17,847	($275)	$4,604,170

Group Information

I. Mega Financial Group



II. Concise Company Profile

Dec. 31, 2003 Expressed in thousands of dollars

Company	Date of Incorporation	Address	Paid-in Capital	Main Business
Chiao Tung Bank	03.15.1907	91 Heng Yang Road. Taipei, Taiwan	NTD 26,848,878	Commercial banking & industrial banking business
The International Commercial Bank of China	12.17.1971	100 Chi-lin Road, Taipei, Taiwan	NTD 37,261,000	Commercial banking business
Barits International Securities Co., Ltd.	10.19.1989	3F, No.95, Sec. 2, Chung Hsiao E. Road, Taipei, Taiwan	NTD 13,200,000	Brokerage, dealing and underwriting of securities
Chung Hsing Bills Finance Corp.	05.03.1976	3-7F, No.123, Sec. 2, Chung Hsiao E. Road, Taipei, Taiwan	NTD 28,114,411	Brokerage, dealing, underwriting, and guaranteeing of short-term debt instruments
Chung Kuo Insurance Co., Ltd.	11.01.1931	58 Sec.1, Wu Chang Street, Taipei, Taiwan	NTD 4,368,977	Non-life insurance
Mega Investment Trust Corp.	05.21.1996	9F, No.100, Sec. 2, Roosevelt Road, Taipei, Taiwan	NTD 300,000	Asset management
Mega Asset Management Corp.	12.05.2003	12F, No.123, Sec. 2, Chung Hsiao E. Road, Taipei, Taiwan	NTD 2,000,000	NPL asset management
CTB Financial Management & Consulting Co., Ltd.	01.16.2002	5F, No.91, Heng Yang Road, Taipei, Taiwan	NTD 10,000	Asset management and investment consulting
CTB I Venture Capital Co., Ltd.	11.05.2003	5F, No.91, Heng Yang Road, Taipei, Taiwan	NTD 1,000,000	Venture capital investment
Barits International Futures Corp.	07.29.1999	B1-1 No.563, Sec. 4, Chung Hsiao E. Road, Taipei, Taiwan	NTD 407,600	Brokerage of futures contracts
Barits International Investment Services Corp.	12.10.1997	4F-1 No.95, Sec. 2, Chung Hsiao E. Road, Taipei, Taiwan	NTD 320,000	Securities investment advisory
Barits Holdings Ltd.	05.05.1997	P. O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	USD 27,752	Investment business
Barits Global Asset Management Corp.	11.06.1998	P. O. Box 309, Grand Cayman	USD 500	Overseas investment
Barits Securities（Hong Kong）Ltd.	05.23.1997	Room 3406, 34F, Edinburgh Tower, The Landmark, No.15, Queen's Road Central, Hong Kong	HKD 80,000	Investment consulting
Barits Ho Chong Securities Co., Ltd.	08.20.1992	Room 3404-5, 34F, Edinburgh Tower, The Landmark, No.15, Queen's Road Central, Hong Kong	HKD 30,000	Brokerage of securities
Barits International Asset Management Corp.	01.16.1998	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	USD 10,000	Asset management
China Products Trading Company	12.29.1956	11F, No.100, Chi-lin Road, Taipei, Taiwan	NTD 5,000	Harvesting, processing, transporting, and warehousing of agriculture products（stop running business since 1966）
Yung-Shing Industries Co.	12.09.1950	7F, No.100, Chi-lin Road, Taipei, Taiwan	NTD 100,000	International trading and agency service for electronic data processing, printing and packaging

Forward

Dec. 31, 2003 Expressed in thousands of dollars

Company	Date of Incorporation	Address	Paid-in Capital	Main Business
Chung Yin Insurance Agency Co.	11.05.1996	9F, No.99, Sec. 3, Chung-yang Road, San-chung City, Taipei Hsien, Taiwan	NTD 2,000	Life insurance agent
Win Card Co., Ltd.	11.10.2000	4F, No.99, Sec. 3, Chung-yang Road, San-chung City, Taipei Hsien, Taiwan	NTD 50,000	Business administration consulting, advertising, and management of past due accounts receivable
International Commercial Bank of Cathay (Canada)	12.01.1982	North York Madison Centre 4950 Yonge Street, Suite 1002 Toronto, Ontario, M2N 6K1, Canada	CAD 23,000	Commercial Banking
Cathay Investment & Warehousing Ltd.	11.01.1982	Calle 16 Colon Free Zone Local No. 4 Edificio No 49 P.O. Box 4036 Colon Free Zone, Colon, Republic of Panama	USD 1,000	Warehousing of exported and Imported merchandise, providing business information of international trades
Cathay Investment & Development Corporation (Bahamas)	07.15.1969	Post Office Box 3937 Nassau, Bahamas	USD 5	International investment and development
Ramlett Finance Holdings Inc.	01.13.1982	Calle 50 y Esquina Margarita A de Vallarino, Entrada Nuevo Campo Alegre Edificio ICBC, Panama	USD 20	Investment of real estate
Cathay Insurance Company Inc.	04.06.1960	10F, Tytana Plaza, Lorenzo Ruiz Binondo, Manila, Philippines	PHP 50,000	Non-life insurance
ICBC Assets Management & Consulting Co., Ltd.	01.30.2003	12F, No.100, Chi-lin Road, Taipei, Taiwan	NTD 10,000	Asset management and investment consulting
ICBC AMC Offshore Limited	04.01.2003	Romasco Place, Wickhams Cay 1,P.O. Box 3140, Road Town, Tortola, British Virgin Islands	USD 0.001	Fund management
Junior Preference Share Company Limited	04.01.2003	Century Yard, Cricket Square, Hutchins Drive, P. O. Box 2681GT, George Town, Grand Cayman, British West Indies	USD 0.001	Investment
ICBC AMC Offshore (Taiwan) II Limited	10.28.2003	Romasco Place, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands	USD 20	Fund management
Junior Preference Share Company (Taiwan) II Limited	04.06.1960	Century Yard, Cricket Square, Hutchins Drive, P. O. Box 2681GT, George Town, Grand Cayman, British West Indies	USD 0.001	Investment

Footnote：Exchange rate：PHP1=NTD0.6117；USD1=NT$33.998 ；CAD1=NT$26.2614，HKD1=NT＄4.3791

III. Operation Information

Expressed in millions of NT$, except EPS

Company	Paid-in Capital	Total Assets	Total Liabilities	Stockholders' Equity	Total Operating Revenue	Operating Income (Loss)	Net Income (After Tax)	Earnings per share (After Tax)
Chiao Tung Bank	26,848,878	590,732,715	533,000,432	57,732,283	22,435,980	5,734,209	5,642,789	2.13
The International Commercial Bank of China	37,261,000	1,059,621,555	992,008,540	67,613,015	34,987,402	8,565,737	7,494,407	2.01
Barits International Securities Co., Ltd.	13,200,000	39,282,062	23,683,078	15,598,984	4,053,055	1,541,261	1,423,017	1.33
Chung Hsing Bills Finance Corporation	28,114,411	49,315,643	11,661,592	37,654,051	8,463,319	3,945,434	4,108,071	1.46
Chung Kuo Insurance Co., Ltd.	4,368,977	11,737,866	5,109,927	6,627,939	9,565,062	335,662	336,821	0.77
Mega Investment Trust Corp.	300,000	375,070	29,818	345,252	171,657	63,443	76,905	2.56
Mega Asset Management Corp.	2,000,000	1,999,637	1,105	1,998,532	-	-	-1,468	-0.10
CTB Financial Management & Consulting Co., Ltd	10,000	42,914	8,162	34,752	44,320	30,415	22,917	22.92
CTB I Venture Capital Co., Ltd	1,000,000	999,868	2,773	997,095	-	-3,309	-2,905	-0.03
Barits International Futures Corp.	407,600	1,360,520	944,797	415,723	203,074	2,364	2,390	0.06
Barits International Investment Services Corp.	320,000	361,249	30,583	330,666	22,860	-2,704	-3,094	-0.10
Barits Holdings Ltd.	943,512	8,529,115	7,096,510	1,432,605	665,192	204,722	187,035	6.74
Barits Global Asset Management Corp.	16,999	29,674	65	29,609	12,993	8,910	8,910	17.82
Barits Securities（Hong Kong） Ltd.	350,328	664,794	205,326	459,467	177,638	10,479	10,053	0.13
Barits Ho Chong Securities Co., Ltd.	131,373	3,367,693	3,030,735	336,958	144,364	51,684	51,621	1,032.43
Barits International Asset Management Corp.	339,980	4,735,245	4,193,013	542,232	155,680	126,968	126,968	12.70
China Products Trading Company	5,000	130,606	5,981	124,625	0	-1,011	76,495	764.95
Yung-Shing Industries Co.	100,000	1,500,331	881,784	618,547	239,800	14,747	111,975	111.98
Chung Yin Insurance Agency Co.	2,000	54,976	17,791	37,185	160,676	43,841	33,148	165.96
Win Card Co., Ltd	50,000	236,953	150,973	85,980	403,020	43,967	35,239	70.48
ICBC Assets Management & Consulting Co., Ltd.	10,000	61,223	15,280	45,943	29,214	24,641	35,943	35.94
International Commercial Bank of Cathay (Canada)	604,012	7,410,918	6,808,449	602,469	312,439	50,794	33,608	146
Cathay Investment & Warehousing Ltd.	33,998	94,955	50,629	44,326	16,467	4,188	1,916	1,916
Cathay Investment & Development Corp. (Bahamas)	170	953,198	3,105	950,093	29,909	30,182	30,182	6,036
Ramlett Finance Holdings Inc.	680	67,996	74,456	-6,460	11,083	2,584	1,820	1,213
Cathay Insurance Company Inc.	30,585	41,798	8,675	33,123	4,836	-4,193	-4,573	-9.15
ICBC AMC Offshore Ltd.	0.035	87,676	72,558	15,118	13,762	13,755	15,118	-
Junior Preference Share Co. Ltd.	0.035	-	-	-	-	-	-	-
ICBC AMC Offshore (Taiwan) II Ltd.	0.034	113,411	105,872	7,539	7,539	7,538	7,539	-
Junior Preference Share Co. (Taiwan) II Ltd.	0.034	-	-	-	-	-	-	-