



# SinoPac Holdings

**2002**  
**Annual Report**



## SinoPac Holdings & Its Subsidiaries

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- Bank SinoPac  
No.9-1, Sec. 2, Chien Kuo North Road, Taipei, Taiwan 104, R.O.C.  
886 (02) 2508-2288  
[www.banksinopac.com.tw](http://www.banksinopac.com.tw)
- SinoPac Securities Corporation  
7F, No. 2, Sec. 1, Chungching South Road, Taipei, Taiwan 100, R.O.C.  
886 (02) 2312-3866  
[www.sinotrade.com.tw](http://www.sinotrade.com.tw)
- SinoPac Call Center Co., Ltd.  
10~11F, No.441, Yucheng Road, Tzuoying Chiu, Kaohsiung,  
Taiwan 813, R.O.C.  
886 (07) 559-6288
- SinoPac Asset Management International  
6F, No.136, Section 3, Nanking East Road, Taipei, Taiwan 104, R.O.C.  
886 (02) 2777-9049
- SinoPac Venture Capital Corporation  
6F, No.136, Section 3, Nanking East Road, Taipei, Taiwan 104, R.O.C.  
886 (02) 2777-9049
- SinoPac Marketing Consulting Co., Ltd.  
2F, No. 85, Sec. 4, Chengde Road, Taipei, Taiwan 111, R.O.C.  
886 (02) 2886-8786
- SinoPac Life Insurance Agent Co., Ltd.  
3F, No.9-1, Sec. 2, Chien Kuo North Road, Taipei, Taiwan 104, R.O.C.  
886 (02) 2730-3183
- SinoPac Property Insurance Agent Co., Ltd.  
3F, No.9-1, Sec. 2, Chien Kuo North Road, Taipei, Taiwan 104, R.O.C.  
886 (02) 2508-8823



*One of the Best Financial Holding  
Companies in the Pacific Rim*



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Operating Outlook for 2003

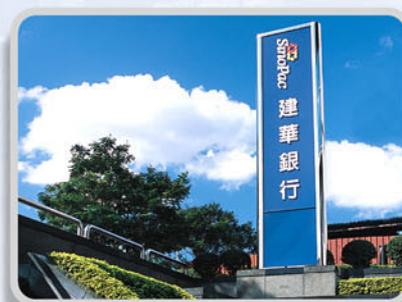
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# LETTER TO SHAREHOLDERS

SinoPac Holdings, incorporated on May 9, 2002 with the merger of Bank SinoPac and National Securities, began its first year with one objective in mind: *to ensure that the new group starts with a solid foundation for future profitable growth.*

In order to maintain the tradition and reputation of its banking and securities predecessors, SinoPac Holdings concentrated on integrating all its different businesses under a single corporate brand, "SinoPac", thus completing Taiwan's first successful model of a financial alliance involving banking and securities entities. The new "SinoPac" logo was exhibited on each and every branch office in Taiwan, the U.S., Hong Kong and Shanghai, to help maximize synergies from having a common culture. Its emphasis on professionalism and speedy execution ensures achievement of a common goal, which is to be a leading financial services provider in the Asia-Pacific region.

While proceeding with internal integration, SinoPac Holdings is also accelerating its expansion in the Asia-Pacific region. Bank SinoPac opened its Hong Kong branch in October 2002, the first Taiwanese bank to operate with a "Full Banking License" in Hong Kong. In addition, SinoPac's U.S. subsidiary, Far East National Bank, has signed a management contract with First Sino Bank in China to strengthen its banking expertise and offer enhanced services to retail and corporate clients on both sides of the Taiwan Strait and in the U.S. Also, SinoPac Holdings has issued US\$230 million of Euro convertible bonds to fund future business expansion.

National Securities and SinoPac Securities completed their merger on July 22, 2002, and fully integrated their organizational structures, personnel, marketing and operations. The merged company, which retains SinoPac Securities as its English name, has captured substantial synergy benefits from the integration. The combined market share of its brokerage businesses grew from 4.83% at the time of the merger to 5.3% after only six months. While fortifying its position as the third largest brokerage house in Taiwan, SinoPac Securities has also achieved a leading position in its Greater China operations as its Hong Kong subsidiary, SinoPac Securities (Hong Kong), introduced new underwriting and innovative financial products.

SinoPac Holdings is also outperforming its peers in cross-selling operations. Ever since its inauguration, SinoPac has actively capitalized on cross-selling opportunities among its member companies. Bank SinoPac



◆ Dr. Richard M. Hong,  
Chairman

*Richard Hong*

settlement counters located in securities branches can now provide full banking services to clients of SinoPac Securities. Numerous existing securities and banking branches are being relocated and integrated to facilitate "one-stop shopping". SinoPac has also set up a New Banking Division to cross-sell banking products through securities branch channels and a New Securities Division to cross-sell securities products via the banking channel. While the synergetic effect of the merger has already exceeded expectations during the second half of 2002, SinoPac Holdings expects growth to further accelerate during 2003.

Earnings for full year 2002 reached NT\$3.501 billion with EPS of NT\$1.01. Total revenue for 2002 was NT\$3.913 billion, composed mostly of "Income from long-term equity investments", of which, NT\$2.23

billion were from Bank SinoPac, and NT\$1.629 billion were from SinoPac Securities. The group's total assets reached US\$13.276 billion at the end of 2002. In addition to Bank SinoPac and SinoPac Securities, the group's overseas subsidiaries include Far East National Bank (with 14 branches) in California, U.S.A., SinoPac Securities (Hong Kong), SinoPac Capital (Hong Kong), Bank SinoPac Hong Kong Branch, SinoPac Securities (Shanghai), SinoPac Securities (Tokyo), SinoPac Securities (Europe), and domestic subsidiaries SinoPac Leasing Corporation, AnShin Card Services Co., SinoPac Financial Consulting Co., SinoPac Life Insurance Agent Co., SinoPac Property Insurance Agent Co., SinoPac Capital Management Corp. and SinoPac Futures Corporation.

2002 was Taiwan's first year of financial reform. The formation of 14 financial holding companies, along with mergers, acquisitions and restructurings among banks, securities firms, and insurance companies, have completely re-shaped the landscape of Taiwan's financial sector. Banks began aggressively writing off bad debt in order to significantly lower their non-performing loan (NPL) ratios to conform with the government's "2-5-8" policy, i.e. to reduce the NPL ratio to below 5% and increase the capital adequacy ratio to over 8% within 2 years. Financial reform is essential for Taiwan's continued economic prosperity. SinoPac Holdings will make every effort to participate in the industry consolidation and government reforms for increasing the international competitiveness of Taiwan's financial industry.

Taiwan's financial reforms are still in the early stages. Government reform efforts suffered a major setback when over 100,000 farmers demonstrated in November 2002 to protest measures proposed by the Ministry of Finance for reform of farmers' & fisheries' credit cooperatives. This is only one of many serious situations the government has encountered in implementing financial reforms. Despite the setback, such reforms are crucial for the island to regain its economic momentum and there should be no turning back on the reforms. It will require not only cooperation from both government and private sectors, but also the determination and intelligence of all parties to overcome the obstacles ahead.

To cope with the challenges of the harsh macroeconomic environment worldwide and the globalization of markets, financial institutions are urged to merge or form alliances with each other in order to preserve their present and future competitiveness. The merger of Bank SinoPac and National Securities is only the first step of integration for SinoPac in the new millennium. Through the pursuit of other M&A opportunities and internal organic growth, SinoPac Holdings will strive to become a market leader in the Cross-Pacific markets by expanding its business operations.

While market consolidation in Taiwan's financial industry for banks, securities firms and insurance companies has begun, the restructuring process will be a painful one. SinoPac Holdings will insist on professional integrity, steady growth, and will take advantage of every possible business consolidation opportunity. With the mission to become one of the best financial holding companies in the Cross-Pacific arena, SinoPac Holdings will continue to enhance its service qualities, provide the best working environment for its employees, and create maximum profit for its shareholders.



◆ Paul C. Lo,  
President & CEO.

*Paul Lo*

# C O R P O R A T E P R O F I L E

## *I. Introduction*

SinoPac Holdings was listed on the Taiwan Stock Exchange (TSE Code: 2890) on May 9, 2002. The services provided by its subsidiaries include commercial banking, securities, insurance brokerage, credit cards, leasing, futures, investment consulting, and asset management consulting. In addition to overseas subsidiaries and offices located in Hong Kong, China, the United States, London, Tokyo and Vietnam, the company maintains more than one hundred business outlets in Taiwan, serving over one million clients. Its shareholders' equity stood at NT\$44.797 billion at the end of 2002, with total assets valued at NT\$422.713 billion.

SinoPac Holdings was formed through the merger of Bank SinoPac and National Securities. It was the first truly distinct merger between a banking and a securities group in Taiwan. Managed by professional teams to uphold sound business principles, SinoPac Holdings strives to become the most competitive financial holding company in the Asia-Pacific region, in part by cross-selling a wide range of products and services, thus offering the convenience of "one-stop shopping" to its customers.

Since its incorporation, SinoPac Holdings' strategy has been to adopt a "single brand with full integration" to better serve its customers. To that end, all SinoPac subsidiaries were simultaneously renamed to present the same corporate identity of "SinoPac" to the public. "SinoPac" is a combined word composed of "Sino", meaning Chinese, and "Pac", for Pacific; this signifies the company's global vision and ambition to become the best financial holding company in the Asia-Pacific region, as well as its mission to provide a full range of financial services to its customers in Greater China and the United States.

Bank SinoPac, the flagship subsidiary of SinoPac Holdings, was founded in 1992 and has been honored as the "Best Bank in Taiwan" by several international financial journals such as The Banker, Euromoney, Asiamoney, Global Finance, and The Asset. SinoPac's MMAb2b.com platform was ranked by Global Finance as one of the world's best corporate banking websites. SinoPac was also ranked as having the top integrated consumer banking website in the Asia-Pacific region.

National Securities (renamed SinoPac Securities post-merger) was the first securities firm listed on Taiwan's OTC market. It was established in 1988 by the National Electric Appliance Group. National Securities has long been a major securities firm in Taiwan, and remains a leader in the industry through business diversification, e-application technology investments, and international expansion. The company provided full brokerage services through more than 40 branches in Taiwan. The merged company, SinoPac Securities, has outperformed its peers in the securities and e-brokerage business and is among the industry's top three in terms of aggregate share trading volume in 2002.

## *II. Capital Stock, Bond Issuing and Treasury Stock*

- ❖ SinoPac Holdings reported a share capital of NT\$37.481 billion, represented by 3,748,126,974 shares, at the end of 2002.
- ❖ To fund the expansion of its subsidiaries, SinoPac Holdings issued US\$230 million of zero-coupon Euro-convertible bonds in Luxembourg on July 12, 2002, at a par value of US\$1,000 per unit for a period of five years.
- ❖ In treasury stock transactions, Bank SinoPac and SinoPac Securities had, respectively, spent NT\$500,354,000 and NT\$554,992,000 in purchasing 40,535,000 shares and 53,330,000 shares of their



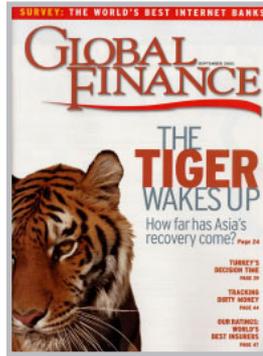
*"The Best Domestic Commercial Bank in Taiwan"*

Jan. 2003, The Asset



*"Best in Corporate Governance, Taiwan"*

Dec. 2002, The Asset



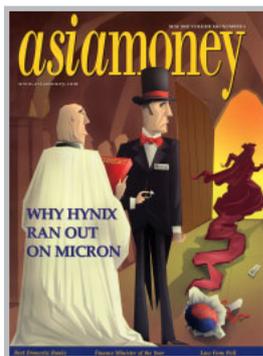
*"World's Best Corporate Integrated Site"*  
*"Best Consumer Integrated Site/Asia Pacific"*

Sep. 2002, Global Finance



*"The Best Corporate Governance Company in Taiwan"*  
*"The Best Bank in Taiwan"*

July 2002, Euromoney



*"The Best Domestic Commercial Bank in Taiwan"*

May 2002, Asiamoney



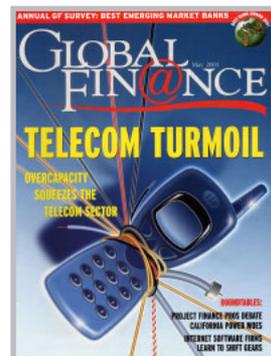
*"The Best Domestic Commercial Bank in Taiwan"*

Dec. 2001, The Asset



*"the Benchmark Enterprise in Banking Industry"*

Oct. 2001, Common Wealth



*"The Best Emerging Market Bank in Taiwan"*

May 2001, Global Finance



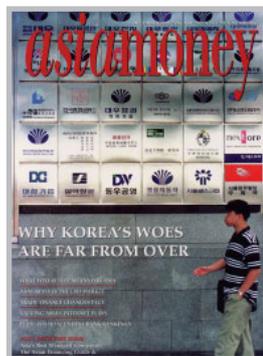
*"The Benchmark Enterprise in the Banking Industry"*

Oct. 2000, Common Wealth



*"The Best Bank of the Year in Taiwan"*

Sep. 2000, The Banker



*"The Best New Bank in Taiwan"*

Jan. 2000, Asiamoney



*The Stars of Asia*  
*"Paul C. Lo, The Bulletproof Banker"*

June 1999, BusinessWeek

own stocks from the market prior to the conversion of their shares to those of SinoPac Holdings. These were converted to 95,476,000 shares of SinoPac Holdings stock when Bank SinoPac and SinoPac Securities became subsidiaries of SinoPac Holdings. In September 2002, Bank SinoPac and SinoPac Securities transferred 41,618,000 shares and 20,198,000 shares of their treasury stocks, respectively, to their employees at a price of NT\$11.84 and NT\$10.826 per share.

- ❖ Bank SinoPac also previously owned 256,127,000 shares of former SinoPac Securities, which merged with National Securities on July 22, 2002, and the combined entity was renamed SinoPac Securities. As a result of the merger, these shares were converted into SinoPac Holdings shares with a book value of NT\$2,896,922,000. From these shares, Bank SinoPac received an additional 12,436,000 new shares in stock dividends in 2002. Thus Bank SinoPac's shareholdings of SinoPac Holdings increased to a total of 216,543,000 shares.

#### General Corporate Data

Date of establishment:	May 9, 2002
Date of listing on Taiwan Stock Exchange:	May 9, 2002
Paid-in Capital:	NT\$37,481,269,740
Total shareholders' equity:	NT\$44,797,359,000
Number of shares issued:	3,748,126,974
Number of shareholders: (Aug. 28, 2002)	154,492
Number of employees: (SinoPac Group)	4,202
Auditor:	T N Soong & Co
Moody's Long-term credit rating:	Baa3
Standard & Poor's Long-term credit rating:	BB+
Taiwan Ratings Corporation Long-term credit rating:	TwA-

#### Chairmen of Major Subsidiaries

##### **LO, Paul C.**

Chairman, Bank SinoPac

##### **HWANG, Min-Juh**

Chairman, SinoPac Securities Corporation

##### **CHEN, Pou-Tsang**

Chairman, SinoPac Call Center Co., Ltd.

##### **CHIU, Tsai-Shing**

Chairman, SinoPac Asset Management International (incorporated in Jan. 2003)

##### **HSU, Daw-Yi**

Chairman, SinoPac Venture Capital Corporation (incorporated in Jan. 2003)

##### **HAN, Dao-Wei**

Chairman, SinoPac Marketing Consulting Co., Ltd. (incorporated in Jan. 2003)

##### **CHI, Chien**

Chairman, SinoPac Life Insurance Agent Co., Ltd. (effective Jan. 2003)

##### **HUANG, Chi-Lin**

Chairman, SinoPac Property Insurance Agent Co., Ltd. (effective Jan. 2003)

### III. Company Structure

#### Board of Directors

● December 31, 2002



◆ Chairman of the Board / HONG, Richard M. / Representative of National Holding Co., Ltd.



◆ Managing Director / YIN, Yen-Liang / Representative of Gin An Investment Ltd.



◆ Managing Director / LO, Paul C.



◆ Director / HONG, Eugene / Representative of National Holding Co., Ltd.



◆ Director / HSU, Cheng-Tsai / Representative of Rei-Fu Investment Co., Ltd.



◆ Director / SHEU, Jong-Ming / Representative of Fortune Investment Co., Ltd.



◆ Director / HSU, Daw-Yi / Representative of National Holding Co., Ltd.



◆ Director / CHEN, Pou-Tsang



◆ Director / CHEN, Kai-Yuan / Representative of Southeast Soda Manufacturing Co., Ltd.



◆ Director / HWANG, Min-Juh / Representative of National Holding Co., Ltd.



◆ Director / YEH, Tien-Cheng / Representative of Gin An Investment Ltd.



◆ Supervisor / LU, Daung-Yen



◆ Supervisor / HUANG, Chuen-Su / Representative of Hong Yue Investment Corporation Ltd.



◆ Supervisor / TSENG, Ta-Mong / Representative of Yu Ruen Investment Ltd.

## Executive Officers

• December 31, 2002



◆ Chairman Richard M. Hong and Executive officers

## Executive Officers

President &amp; CEO / LO, Paul C.

Chief Secretary / CHIANG, Wen-You

Chief Auditor / LEE, Nancy C.

Senior Executive, Spokesperson, &amp; Head of Administration Division / PENG, Kevin H.

Senior Executive &amp; Head of Research Division / CHEN, Daniel W.

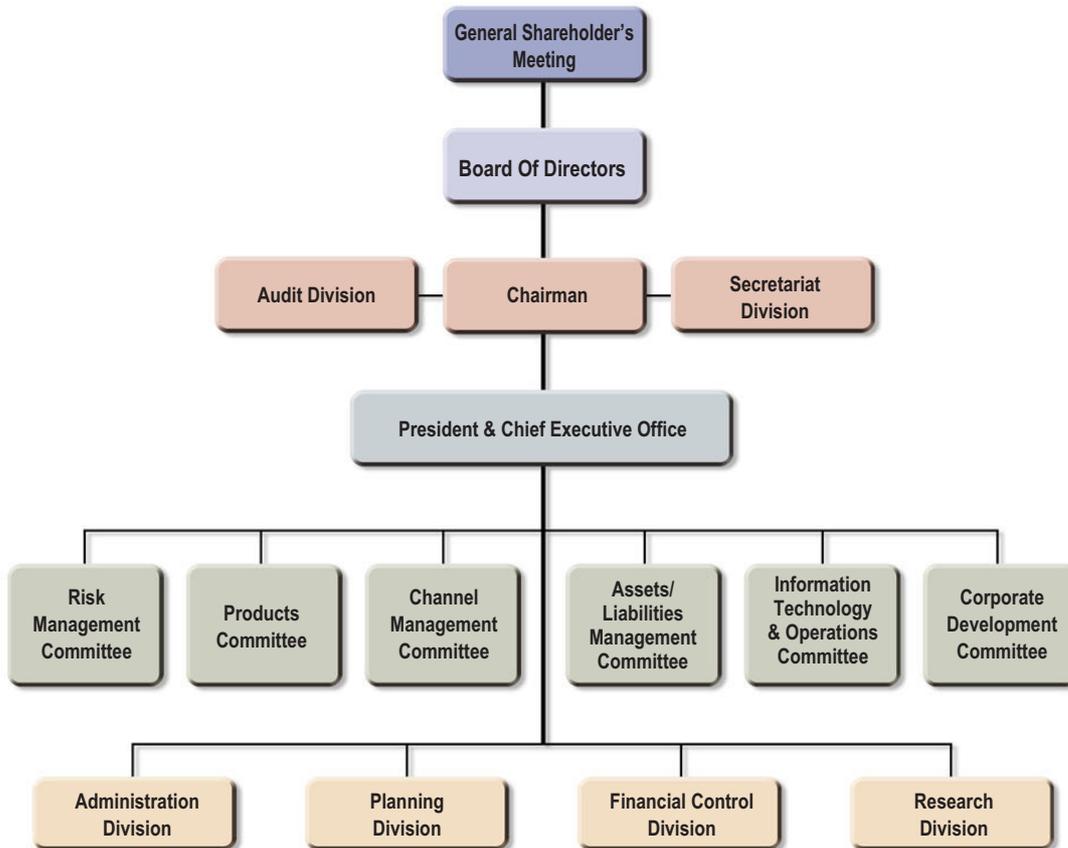
Senior Executive &amp; Head of Planning Division / HUANG, Kuoliang Joe

Deputy Chief Auditor / LYU, Albert

Senior Executive, Research Division / CHEN, Bruce

Senior Executive &amp; Head of Financial Control Division / LIN, Walter

## Organization



### The Chairs of Committees



**CHEN, Pou-Tsang**  
President, Bank SinoPac  
/ Risk Management  
Committee Chair



**HSU, Daw-Yi**  
President, SinoPac  
Securities Corporation /  
Products Committee  
Chair



**CHIA, Chen-I**  
Senior Executive Vice  
President & COO, Bank  
SinoPac / Channel  
Management  
Committee Chair



**CHEN, Chien-Jung**  
Senior Executive Vice  
President, Bank SinoPac  
/ Assets/Liabilities  
Committee Chair



**FANG, Nai-Chen**  
Senior Executive Vice  
President, Bank SinoPac  
/ IT & Operations  
Committee Chair



**CHANG, Richard**  
Senior Executive Vice  
President, SinoPac  
Securities Corporation /  
Corporate Development  
Committee Chair



**CHUANG, Rudy**  
Senior Executive Vice  
President, SinoPac  
Securities Corporation /  
Risk Management  
Committee Deputy Chair



**HAN, Dao-Wei**  
Executive Vice  
President, Bank SinoPac  
/ Products Committee  
Deputy Chair



**SNG, Steven L.H.**  
Executive Vice  
President, Bank SinoPac  
/ Products Committee  
Deputy Chair



**YEH, Ivan**  
Senior Executive Vice  
President, SinoPac  
Securities Corporation /  
Channel Management  
Committee Deputy Chair



**LYU, Albert**  
Deputy Chief Auditor,  
SinoPac Holdings /  
Assets/Liabilities  
Committee Deputy Chair



**KUO, Jesse**  
Executive Vice  
President, SinoPac  
Securities Corporation /  
IT & Operations  
Committee Deputy Chair



**LIANG, Bor-Song**  
Executive Vice  
President, SinoPac  
Securities Corporation /  
Corporate Development  
Committee Deputy Chair

**SinoPac Holdings & Its Subsidiaries**

● NT\$ Thousand



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Annual Report

# O P E R A T I N G R E P O R T

## I. Scope of Business

### SinoPac Holdings

The company reported NT\$1.548 billion of net income after tax for the period of May 9 (date of establishment) to December 31, 2002. On pro forma basis, net income after tax for the full year 2002 was NT\$3.501 billion, including NT\$1.953 billion of earnings from subsidiaries before the incorporation date. Total revenue for 2002 was NT\$3.913 billion, composed mostly of “income from long-term equity investments”, of which, NT\$2.23 billion was from Bank SinoPac, and NT\$1.629 billion from SinoPac Securities.

On a consolidated basis, the group’s total revenue reached NT\$23.935 billion in 2002, and net income after tax amounted to NT\$3.501 billion. For details on company’s financial summary, operating results and major shareholders at year-end 2002, please refer to the “Ten Major Shareholder”, “Financial Highlights”, “Statement of Income”, and “Consolidated Statement of Income” as follows:



Banking Lobby / Bank SinoPac

Ten Major Shareholders		
AUG. 28, 2002	NO. OF SHARES	%
BANK SINOPAC	216,542,894	5.78%
NATIONAL HOLDING CO., LTD.	142,178,186	3.79%
GIN AN INVESTMENT LTD.	88,027,482	2.35%
FORMOSAN RUBBER GROUP INC.	78,052,852	2.08%
HONG YUE INVESTMENT CORP. LTD.	70,664,969	1.89%
RUENTEX INDUSTRIAL LTD.	67,665,484	1.81%
SINOPAC SECURITIES CORPORATION	53,857,815	1.44%
POSTAL REMITTANCES AND SAVINGS BANKS	50,231,890	1.34%
QFII A	45,775,511	1.22%
QFII B	44,642,317	1.19%

2002 Financial Highlights	
	NT\$ MILLION, EXCEPT PER SHARE AMOUNT IN NT\$
TOTAL ASSETS	422,713
TOTAL SHAREHOLDERS' EQUITY	44,797
<b>PER SHARE</b>	
EARNINGS PER SHARE	1.01
SHAREHOLDERS' EQUITY PER SHARE	12.81
DIVIDENDS DECLARED PER SHARE - STOCK DIVIDEND	0.6093
<b>FINANCIAL RATIO (PARENT COMPANY)</b>	
CAR RATIO	195%
DOUBLE LEVERAGE RATIO	98%

**Pro Forma Statement of Income (Parent Company)**

• (NT\$ million)

ITEM	2002	
	AMOUNT	%
<b>OPERATING REVENUES</b>	3,913	100.00%
INTEREST	72	1.84%
INCOME FROM SHORT-TERM INVESTMENTS	12	0.31%
INCOME FROM LONG-TERM EQUITY INVESTMENTS	3,829	97.85%
BANK SINOPAC	2,230	56.99%
SINOPAC SECURITIES CORP.	1,629	41.63%
SINOPAC CALL CENTER CO., LTD.	(2)	(0.05%)
ANSHIN CARD SERVICES CO., LTD.	(28)	(0.72%)
<b>OPERATING EXPENSES</b>	410	10.48%
INTEREST	167	4.27%
OPERATING EXPENSES	243	6.21%
<b>NON-OPERATING INCOME - NET</b>	1	0.03%
<b>INCOME BEFORE INCOME TAX</b>	3,504	89.55%
<b>INCOME TAX</b>	3	0.077%
<b>NET INCOME</b>	3,501	89.47%



◆ Treasury Division / Bank SinoPac

**Pro Forma Consolidated Statement of Income**

• (NT\$ million)

ITEM	2002	
	AMOUNT	%
<b>OPERATING REVENUES</b>	23,935	100.00%
INTEREST	15,493	64.73%
SERVICES FEES	4,009	16.75%
INCOME FROM SECURITIES - NET	3,429	14.33%
INCOME FROM LONG-TERM EQUITY INVESTMENTS	298	1.25%
FOREIGN EXCHANGE GAIN - NET	170	0.71%
OTHERS	536	2.23%
<b>OPERATING AND ADMINISTRATIVE EXPENSES</b>	19,420	81.14%
INTEREST	8,365	34.95%
SERVICE FEES	368	1.54%
PROVISION FOR CREDIT LOSSES	1,599	6.68%
OPERATING AND ADMINISTRATIVE EXPENSES	9,025	37.71%
OTHERS	63	0.26%
<b>NON-OPERATING INCOME - NET</b>	123	0.52%
<b>INCOME BEFORE INCOME TAX</b>	4,638	19.38%
<b>INCOME TAX</b>	1,137	4.75%
<b>CONSOLIDATED NET INCOME</b>	3,501	14.63%

## Bank SinoPac

Bank SinoPac tailors its businesses to meet the demands of both enterprises and the general public. Its operations are outlined as follows:

### Deposit services

#### The bank will:

- ❖ Take various types of NT dollar demand deposits, savings deposits, and time deposits;
- ❖ Provide short, medium, and long-term consumer loans including home mortgages, home maintenance loans, automobile loans, short-term housing loans, housing equity loans, and other consumer loans;
- ❖ Provide corporate clients with secured or unsecured loans including various short-term revolving funds, mid- to long-term financing, guarantees, and acceptance services;
- ❖ Provide peripheral financial services including domestic fund remittances, safe deposit rental services, short-term bills trading, over-the-phone fund transfers, and subscription payments of utility fees and taxes;
- ❖ Provide businesses with electronic fund management systems to handle salary disbursements for company employees as well as general cash management services including payments, fund transfers, and funding;
- ❖ Provide domestic and international accounts receivable factoring.

### Trust and investment services

#### The bank provides:

- ❖ Money trust services;
- ❖ Securities trust services;
- ❖ Real estate trust services;
- ❖ Debt and collateral trust services;
- ❖ Discretionary trust funds for investing in domestic and offshore mutual funds as well as offshore securities;
- ❖ Custodian services for securities investment trusts funds of overseas Chinese and foreigners for investments in Taiwan securities, funds for discretionary account management;
- ❖ Custodian services for the employee welfare and pension funds of state-run or private companies;
- ❖ Consulting services for raising funds through securities issuances;
- ❖ Trusteeship for bond issuances;
- ❖ Notary services for securities issuances;
- ❖ Discretionary account management services;
- ❖ Investments in shares listed on either the Taiwan Stock Exchange (TSE) or the Over-the-Counter Securities Exchange (OTC), rights certificates for holdings of new shares, stock warrants with bond certificates, deposit receipts and beneficiary certificates of corporate bonds and trust funds beneficiary certificates;
- ❖ Investments in related financial or non-financial businesses.

### Foreign exchange business

#### The bank deals in:

- |  |  |
|--|--|
| ❖ Export financing;                            | ❖ Foreign currency loans;  |
| ❖ Import financing;                            | ❖ Guaranty service for foreign currency payments;                        |
| ❖ Cross-border outward and inward remittances; | ❖ Buying and selling of foreign currencies (cash and traveler's checks); |
| ❖ Foreign currency deposits;                   | ❖ Trading on financial derivatives.                                      |

## Summary of Deposits

(NT\$ million)

TYPE	DECEMBER 31, 2002		DECEMBER 31, 2001	
	AMOUNT	%	AMOUNT	%
<b>DEMEND DEPOSITS</b>				
CHECKING DEPOSITS	1,587	0.67%	1,329	0.61%
DEMAND DEPOSITS	14,261	6.06%	8,586	3.95%
SAVINGS DEMAND DEPOSITS	48,816	20.77%	44,984	20.69%
FOREIGN CURRENCY DEMAND DEPOSITS	14,901	6.34%	10,729	4.94%
<b>SUBTOTAL</b>	<b>79,565</b>	<b>33.84%</b>	<b>65,628</b>	<b>30.19%</b>
<b>TIME DEPOSITS</b>				
TIME DEPOSITS	77,998	33.17%	74,002	34.04%
SAVINGS TIME DEPOSITS	58,162	24.74%	57,005	26.23%
FOREIGN CURRENCY TIME DEPOSITS	19,390	8.25%	20,732	9.54%
<b>SUBTOTAL</b>	<b>155,550</b>	<b>66.16%</b>	<b>151,739</b>	<b>69.81%</b>
<b>TOTAL</b>	<b>235,115</b>	<b>100%</b>	<b>217,367</b>	<b>100%</b>
<b>NUMBER OF ACCOUNTS</b>	<b>976,863</b>		<b>844,720</b>	

## Summary of Credits

(NT\$ million)

TYPE	DECEMBER 31, 2002	DECEMBER 31, 2001
<b>CORPORATE BANKING</b>		
CREDIT LINES	261,644	189,735
CREDIT BALANCE	82,469	66,403
LOAN BALANCE	49,841	43,262
<b>CONSUMER BANKING</b>		
CREDIT LINES	186,210	166,752
CREDIT BALANCE	136,847	123,681
LOAN BALANCE	135,329	122,853
<b>TOTAL CREDIT BALANCE</b>	<b>219,316</b>	<b>190,084</b>
<b>TOTAL LOAN BALANCE</b>	<b>185,170</b>	<b>166,115</b>

## Summary of Loans

(NT\$ million)

TYPE	DECEMBER 31, 2002		DECEMBER 31, 2001	
	AMOUNT	%	AMOUNT	%
<b>LOANS</b>				
SHORT-TERM UNSECURED LOANS	26,308	14.21%	18,673	11.24%
SHORT-TERM SECURED LOANS	18,706	10.10%	19,262	11.60%
MID-TERM UNSECURED LOANS	12,052	6.51%	10,814	6.51%
MID-TERM SECURED LOANS	25,139	13.57%	29,980	18.05%
LONG-TERM UNSECURED LOANS	3,253	1.77%	2,975	1.79%
LONG-TERM SECURED LOANS	99,712	53.84%	84,411	50.81%
<b>SUBTOTAL</b>	<b>185,170</b>	<b>100.00%</b>	<b>166,115</b>	<b>100.00%</b>
<b>NON-PERFORMING LOANS</b>	<b>2,027</b>	<b>-</b>	<b>1,894</b>	<b>-</b>
<b>BILLS PURCHASED AND IMPORT/EXPORT BILLS</b>	<b>1,322</b>	<b>-</b>	<b>408</b>	<b>-</b>
<b>GUARANTEES, ACCEPTANCES, LETTERS OF CREDIT</b>	<b>11,009</b>	<b>-</b>	<b>11,231</b>	<b>-</b>
<b>FACTORING BUSINESS</b>	<b>6,970</b>	<b>-</b>	<b>4,774</b>	<b>-</b>
<b>OTHERS</b>	<b>12,817</b>	<b>-</b>	<b>5,662</b>	<b>-</b>
<b>TOTAL</b>	<b>219,316</b>	<b>-</b>	<b>190,084</b>	<b>-</b>

## Securities Trading

● (NT\$ million)

	DECEMBER 31, 2002	DECEMBER 31, 2001
BILLS, BONDS TRADING VOLUME	2,273,095	2,633,391
BILLS, BONDS HOLDINGS (AVERAGE)	65,741	30,563
BILLS, BONDS HOLDINGS AT YEAR-END	89,135	33,142
LISTED SHARE HOLDINGS (AVERAGE)	1,287	59
BENEFICIARY CERTIFICATES HOLDINGS (AVERAGE)	122	255
LISTED SHARE HOLDINGS AT YEAR-END (NOTE)	2,897	0.2
BENEFICIARY CERTIFICATES HOLDINGS AT YEAR-END	152	687
BILLS CERTIFIED AND UNDERWRITTEN	58,005	52,667

● Note : The balance on December 31, 2002 includes holdings of SinoPac Holdings stock worth NT\$2.897 billion.

## Foreign Currency Business

● (NT\$ million)

TYPE	DECEMBER 31, 2002	DECEMBER 31, 2001
OUTWARD REMITTANCES	9,089	7,694
INWARD REMITTANCES	9,888	7,684
EXPORT BILLS/BILLS FOR COLLECTION	645	880
IMPORT LETTERS OF CREDIT/BILLS FOR COLLECTION	662	413
OTHERS	86	95
<b>TOTAL</b>	<b>20,370</b>	<b>16,766</b>

## Revenue and Expenses

● (NT\$ million)

TYPE	DECEMBER 31, 2002		DECEMBER 31, 2001	
	AMOUNT	%	AMOUNT	%
<b>OPERATING REVENUE</b>	<b>15,145</b>	<b>100.00%</b>	<b>16,361</b>	<b>100.00%</b>
INTEREST	11,820	78.05%	14,149	86.48%
SERVICE FEES	955	6.31%	692	4.23%
INCOME FROM SECURITIES - NET	1,472	9.72%	1,292	7.90%
EQUITY IN NET INCOME OF INVESTEE COMPANIES - NET	447	2.95%	-	-
FOREIGN EXCHANGE GAIN - NET	126	0.83%	89	0.54%
OTHERS	325	2.15%	139	0.85%
<b>OPERATING EXPENSE</b>	<b>12,494</b>	<b>82.50%</b>	<b>14,510</b>	<b>88.69%</b>
INTEREST	6,747	44.55%	9,389	57.39%
SERVICE CHARGES	139	0.92%	107	0.65%
PROVISION FOR TRADING LOSSES	14	0.09%	-	-
LOSS FROM LONG-TERM EQUITY INVESTMENTS - NET	-	-	42	0.26%
PROVISION FOR CREDIT LOSSES	1,200	7.92%	1,000	6.11%
OPERATING AND ADMINISTRATIVE EXPENSES	4,394	29.01%	3,971	24.27%
OTHERS	-	-	1	0.00%
<b>NON-OPERATING INCOME - NET</b>	<b>110</b>	<b>0.73%</b>	<b>165</b>	<b>1.01%</b>
<b>PRE-TAX EARNINGS</b>	<b>2,760</b>	<b>18.22%</b>	<b>2,016</b>	<b>12.32%</b>
<b>NET INCOME</b>	<b>2,255</b>	<b>14.89%</b>	<b>1,551</b>	<b>9.48%</b>

## SinoPac Securities

SinoPac Securities is an integrated securities firm offering a wide range of services including brokerage, securities financing, electronic trading, intermediary brokerage for futures trading, securities trading, bond transactions, financial derivatives transactions, stock-related services, and international business services. These services are detailed as follows:

### Securities brokerage

SinoPac Securities is entrusted by its investors to trade stocks listed on either the Taiwan Stock Exchange (TSE) or Over-the-Counter Securities Exchange (OTC). Brokers at SinoPac Securities have all received professional training enabling them to offer the best investment advice possible to clients and properly execute the transactions entrusted to them. Moreover, SinoPac Securities maintains its cooperation with SinoPac Capital Management Corp. in the R&D department, thereby developing a complete database for securities analysis. Besides in-depth analysis on operations of individual



◆ SinoPac Securities Headquarters

companies, the database includes macroeconomic and market movement analyses, commentary on company prospects, and research on separate industries, bond market developments, the international economy, and other relevant issues.

### Margin trading and short selling

To allow greater flexibility for its clients, SinoPac Securities began its securities financing service in 1991, by lending cash or stocks to investors for them to trade stocks on credit. Besides providing such services, SinoPac Securities helps its clients open accounts with securities financing companies and obtain credit lines at lower interest rates.

### Electronic trading

The firm's electronic trading services include trading over the Internet or telephone (including fixed-line and wireless telephones), thus providing around-the-clock and year-round services to clients. The firm continues its efforts to develop new and more convenient operating systems and information services for clients such as real-time stock quotes, real-time market information, corporate research reports, and other relevant information. In addition, clients can ask questions via efficient e-mail or voicemail services and receive prompt answers from the Customer Service Department.

### Intermediary brokerage (IB) for futures trading

The Taiwan Futures Exchange (TAIFEX) launched Taiwan's first futures product on July 21, 1998. It later launched two sub-index futures on financial and electronics indices, respectively. SinoPac Securities provides a convenient online futures trading system. Its intermediary brokerage (IB) service helps clients open accounts, and take or transfer their orders to other futures brokers. Its futures affiliate, SinoPac Futures, is a qualified settlement institution for futures trading. While providing channels for investors to hedge risks, it also provides consulting services about investments in new financial products.

### Securities dealing business

SinoPac Securities has a stock dealing division to trade stock on its own accounts. Such trading can help boost market transactions, moderate sharp price fluctuations, and help adjust market supply and demand as well as stabilize market movement.



◆ Brokerage Services / SinoPac Securities

### Futures dealings

SinoPac Securities began its futures dealing business in 2001 mainly to hedge the risks associated with its securities investments. On occasion, the firm acts as a “market maker” for certain futures and options contracts. The firm maintains a strong futures research team to support the company's futures trading and risk-hedging strategies.

### Bonds

The Bond Division offers brokerage services for the trading of various kinds of bonds such as government bonds, corporate bonds, financial debentures, and convertible bonds. In addition, it also underwrites and trades bonds itself. In 1991, the firm gained its license to trade government bonds, thereby enhancing its professionalism and extending its services to include trading in re-purchased bonds.

### Financial derivatives

**The firm provides the following services:**

- ❖ Warrant issuance and risk hedging - to improve its ability to develop new products and manage related risks as well as diversify product lines, enhance the company's profitability and disperse aggregate risk. The firm issued seven warrants in 1999-2000 and two each in 2001, 2002.

- ❖ Options “market maker” and arbitrage - to quote offering the prices for new options in the Taiwan Futures Exchange (TAIFEX) and proceed with strategic and arbitrage transactions between options, futures or their cash markets.
- ❖ Interest rate swap (IRS) -- SinoPac Securities received its license to trade in IRS in December 2001, and its licenses to trade interest rate options (IRO) and forward rate agreements (FRA) in September 2002. These new business activities help enhance product risk control.
- ❖ Asset conversion for convertible bonds -- to search for reasonably priced convertible bonds and options, and re-package them into other financial derivatives.
- ❖ Development of new ETF-related business - as the Taiwan Stock Exchange is scheduled to launch the first Exchange Trading Fund (ETF) in the second quarter of 2003, the firm is striving to offer new ETF-related business and products so as to facilitate channels for clients to trade new products.

### Securities underwriting

The firm provides its securities underwriting service to assist unlisted share-issuing companies gain listings on the Taiwan Stock Exchange (TSE), Over-the-Counter Securities Exchange (OTC), or Taiwan Innovative Growing Enterprises (TIGER -- the second board of the OTC market), and also help companies raise funds on the capital market. With its high professionalism, comprehensive consulting services and execution capability, SinoPac Securities has helped many companies successfully raise funds through stock offerings and, at the same time, help boost market activities.

### Stock-registration services

SinoPac Securities offers various share-related services with its professional experience and efficient computerized system. Besides common shares, the service also covers mutual funds, preferential shares, convertible bonds, and others.

### International businesses

The firm offers the following international services:

- ❖ Brokerage - offered to both qualified foreign institutional investors (QFII) and qualified foreign non-institutional investors (non-QFII) for trading stocks issued on the Taiwan stock market;
- ❖ Underwriting - to help Taiwan companies raise funds from international markets through issuance of marketable securities;
- ❖ Foreign securities brokerage - SinoPac Securities is the first Taiwan securities firm to offer brokerage services for trading international securities entrusted by foreign brokers. The service currently covers equities traded on the Hong Kong, U.S. and Japanese markets.

With the goal of internationalization and the commitment to offer superior services to both international and domestic clients, SinoPac Securities extends its international business network by setting up overseas subsidiaries in Hong Kong, London and San Francisco, a representative office in Shanghai and a liaison office in Tokyo.

<b>Operating Income - Breakdown of Major Businesses</b> ● (NT\$ million)				
BUSINESS	2002		2001	
	AMOUNT	%	AMOUNT	%
<b>BROKERAGE</b>	3,611	60.8%	2,437	55.9%
<b>DEALING</b>	1,048	17.7%	746	17.1%
<b>UNDERWRITING</b>	1,276	21.5%	1,173	26.9%
<b>TOTAL</b>	5,935	100%	4,355	100.0%

### Market Shares of Major Businesses

MAJOR BUSINESS	2002	2001
<b>BROKERAGE</b>		
REVENUE (NT\$ MILLION)	2,062,742	1,512,052
MARKET SHARE (%)	5.73	3.64
<b>UNDERWRITING</b>		
LEAD MANAGER (CASES)	27	17
LEAD + CO-LEAD (CASES)	105	71
<b>BONDS</b>		
CORPORATE BOND UNDERWRITING CASES AS LEAD MANAGER	10	8
CORPORATE BOND UNDERWRITING AMOUNTS AS LEAD MANAGER (NT\$ BILLION)	15.4	9.1
<b>STOCK REGISTRATION SERVICES</b>		
NO. OF COMPANIES	197	170
NO. OF ACCOUNTS	1,922,200	1,810,000

#### SinoPac Call Center Co.

SinoPac Call Center Co. provides value-added, integrated customer service outsourcing through various virtual marketing channels such as 24-7 phone-based services, customer relationship management, internet-based customer service, customer care, and telemarketing.

With both inbound and outbound calling techniques, the center's well-trained staff and agents provide professional over-the-phone customer services. Their services are enhanced with integrated customer service systems (including IVR, CTI, PBX, ACD software, hardware facilities, and CRM database management systems), seamless service processes, strict customer information protection, complete inbound call documentation systems, prompt emergency handling, detailed customer inline data analysis as well as precise and flexible staff management.

#### ■ Main services provided include:

1. Telephone customer service outsourcing;
2. Telemarketing service outsourcing;
3. Consulting services/education and training outsourcing;
4. Customer service management and integration project outsourcing.

The 2003 business operations will focus on telephone customer service outsourcing, providing SinoPac Holdings' banking, securities, and credit card subsidiaries with telephone customer services. It will expand its staff to include 140 customer service agents by year-end 2003. The agents serving the banking, securities and credit card business will be at a ratio of 3:1:4 in 2003.

#### AnShin Card Services Co., Ltd.

#### ■ Operations:

1. Issuance of credit cards and handling of related card services;
2. Extension of revolving credit on credit cards and cash advances.



Revenue percentages: Interest (68.9%); service charges (30.8%); annual fees (0.3%).

AnShin Card Services Co. was formed as a joint venture between SinoPac Holdings and ING Aetna Life Insurance.

Bank SinoPac and SinoPac Securities maintain nearly 100 branches throughout Taiwan, with a client base of over 1 million. Meanwhile, ING Aetna Life Insurance claims more than 2.3 million customers and around 10,000 insurance consultants in Taiwan. The joining of the two companies is mutually beneficial, as SinoPac maintains a well-known local presence, and ING maintains a large international one. Their operations, therefore, are complementary as they benefit from the “local” aspects of SinoPac and ING Group's global resources. It's the most distinguished advantage of this company's sales network. With professional risk managers as well as effective risk control and information management systems in place to proactively provide effective warnings, the company can aggressively promote its business while effectively controlling the risk involved. Because of its strict credit guidelines and effective collection methods, the company enjoys the lowest bad debt ratio and best credit risk management ability in the industry.



AnShin Card Services Co. combines insurance products with the credit card's “add-on” functions such as express claims service for policyholders, treatment at participating hospitals, mail-order shopping, revolving credit, cash advances, etc. Together with Bank SinoPac's innovative Money Management Account®, which combines credit cards, deposits, securities, mortgage loans and mutual funds, AnShin Card Services Co. provide the cardholder with complete all-around service. In November 2001, the company launched the “MMA Card,” the first in Taiwan to combine a credit card with an ATM card. In June 2002, the company and Tsann Kuen (the foremost 3C operation in Taiwan with nearly 300 3C retail outlets island wide) together launched the first 3C channel joint-brand card offering double reward bonus: the AnShin e-card Tsann Kuen Card.

**Targets for 2003 Operations**

	2002	2003 (FORECAST)
NUMBER OF CARDS ISSUED	906,728	1,200,000
ANNUAL GROWTH	29%	32%
SPENDING AMOUNT (NT\$ MILLION)	30,963	50,200
ANNUAL GROWTH	28%	62%
ACCOUNTS RECEIVABLE BALANCE AT YEAR-END (NT\$ MILLION)	7,995	12,100
OPERATING REVENUE (NT\$ MILLION)	1,405	2,200
ANNUAL GROWTH	20%	57%

**SinoPac Property Insurance Agent Co.  
(a subsidiary of SinoPac Holdings from January 29, 2003)**

SinoPac Property Insurance Agent Co. (SPIA) sells mainly third-party property insurance policies, and already offers products from 10 property insurance companies as of the end of 2002. The company is dedicated to providing the most suitable and competitive property insurance policies available to both individuals and companies in possession of insurable property. In addition to communicating and

negotiating with insurance companies, SPIA is able to plan and design property insurance policies that meet a customer's individual needs at a reasonable price.

In 2002, commission income for the brokerage service amounted to NT\$4.52 million. SPIA's total assets as of the end of 2002 were NT\$4.7 million, operating income for 2002 was NT\$4.52 million, operation expenses were NT\$2.15 million, net profit from operations was NT\$2.37 million, non-operating income was NT\$0.03 million, and accumulated pretax earnings were NT\$2.4 million.



#### ■ New insurance products:

##### ❖ Transportation insurance

This product was specially designed to meet the needs of Bank SinoPac's corporate clients for cargo transportation insurance when they issue a letter of credit or have export bills for collection. Working together with SinoPac's Corporate Banking Division, SPIA added special insurance services to the "MMAb2b.com" website, allowing the user to easily calculate the cargo transportation insurance premium amount as well as buy the insurance directly online, helping reduce both the customer and the bank's operating costs.

##### ❖ Automobile insurance

The special insurance services on Bank SinoPac's MMA financial trading website allows members to buy and pay for automobile insurance online. SPIA is planning to launch several promotional campaigns to encourage the usage of this online services.

##### ❖ Individual liability and casualty insurance

To separate from common accident insurance policies, this special insurance product combines different insurance policies to offer a much higher coverage roughly ten times the regular amount for accidents caused while traveling on public transportation. This is one of the package's main selling features and, combined with other liability insurance policies, makes it an extremely attractive product.

##### ❖ Board director and supervisor liability insurance

With the requirement of the independent director and supervisor system in Taiwan, independent directors and supervisors will be held jointly liable for their company's acts. To mitigate this liability, the company and/or the individual directors and supervisors can purchase a liability insurance policy to shift this risk to the insurance company. Plans call for close cooperation with the underwriting divisions of securities companies to provide this coverage to their corporate clients listed on either the Taiwan Stock Exchange (TSE) or the Over-the-Counter Securities Exchange (OTC).

#### **SinoPac Life Insurance Agent Co. (a subsidiary of SinoPac Holdings from January 29, 2003)**

SinoPac Life Insurance Agent Co. (SLIA) was established on October 1, 2000, providing SinoPac Holdings customers with financial planning and personal risk management services. In addition to individual life insurance brokerage, SLIA provides SinoPac Holdings customers with exclusive tailor-made insurance service, fulfilling the customer's need for one-stop financial product shopping, in addition to deepening SinoPac Holdings' relationship with its customers. Since inauguration, the company has been pursuing the goal of "perpetual growth". In order to provide SinoPac Holdings customers and employees with superior

insurance packages, SLIA carefully selects from numerous insurance companies those life insurance products that best meet consumer demands. In the future, the company will address the needs of each individual customer by providing him/her with personalized, professional insurance service. At the same time, it will continue to develop new types of insurance products so that it can offer more complete risk management and professional financing services.

In 2002, commission income from life insurance brokerage amounted to NT\$187 million. Of this, commission from lump-sum payment products accounted for roughly 75% of total life insurance commission income, while installment payment products represented 25%.

As of the end of 2002, SLIA's total assets were NT\$119 million, while 2002 operating income was NT\$182 million, operating expenses were NT\$76 million, net profit from operations was NT\$106 million, non-operating income was NT\$0.15 million, and the annual pretax earnings were NT\$106 million.

**SinoPac Marketing Consulting Co.**  
(a subsidiary of SinoPac Holdings from January 13, 2003)

SinoPac Marketing Consulting Co. (SMC) establishes sales channels to help market SinoPac group's products and boost its businesses.

Initially, with automobile loan as its major product, the company combines the loan with other relevant financial products such as life insurance, property insurance, and credit cards. By marketing such products to mortgage clients of Bank SinoPac, the company increased commissions and service fees. Once business operations have been solidified, SMC will selectively offer non-financial products to go along with other financial products, either through its own channels or in collaboration with the group's credit card service.



◆ Active in community involvement

■ **Operating plans are to:**

- ❖ Focus on single product line with market potential, build up recognition of that product as well as the company's professional image in the market within a short period of time, and horizontally expand to other product lines once revenue and market position are secure;
- ❖ Recruit sales representatives with experience in selling automobiles or automobile loans to take advantage of their personal relationships with automobile dealers and obtain information about potential new customers;
- ❖ Search for and develop partnerships with automobile dealers that do not already have their own financing companies, and support such dealers' funding needs in order to obtain potential new customer information, thereby expanding business opportunities;
- ❖ Form strategic partnerships using the group's existing relationships, with certain automobile dealers (e.g. Taikoo Motors), by offering promotions as well as loan programs with favorable terms;
- ❖ Increase product value-added by mixing and packaging them with the group's other related financial

products, to develop and deepen customer relationships, build mutual trust and brand loyalty through these new product packages;

- ❖ Provide innovative and flexible automobile loans with flexible terms, re-payment methods, credit utilization methods, tenor and pricing, to effectively differentiate with the competition;
- ❖ Periodically hold product discussion groups, seminars and other activities to attract customer participation, increase the customer's understanding of a given product, and improve the chance of completing a transaction;
- ❖ Build other cross-industry alliances by participating in other industries' business promotion activities or jointly sponsoring exhibitions in order to reach out to different customer segments, expand into different fields, and locate new business opportunities;
- ❖ Design and implement suitable promotion activities such as web pages, direct marketing and sales staff visits to prospective clients, in order to increase the effectiveness of the company's business expansion.

### **SinoPac Asset Management International** (a subsidiary of SinoPac Holdings from January 6, 2003)

**In the initial phase, SinoPac Asset Management International's main focus will be to:**

- ❖ Build professional recognition and set up a secure foundation for the group's own venture capital company;
- ❖ Keep up to date with the latest technology trends, introduce advanced skills from abroad, raise funds from the public for the new venture capital company, and maximize the synergetic effects of the integrated operations with the group's member companies;
- ❖ Work closely with the group's other members to develop business opportunities in the areas of underwriting, loans, foreign exchange, leasing and consumer banking;
- ❖ Periodically hold V.C. Club activities to discuss the latest hot topics of the market, and invite guests from the venture capital and investment trust industries, important clients, and other relevant people in the group to participate;
- ❖ Systematically design effective methods to exploit various different customer sources, such as securities firms, accountants, banks, or other venture capital companies.

### **SinoPac Venture Capital Corporation** (a subsidiary of SinoPac Holdings from January 6, 2003)

**The company's mandate will be:**

- ❖ To authorize SinoPac Asset Management International to manage SinoPac Venture Capital's venture capital funds and, within a pre-determined limit, authorize SinoPac Asset Management International to review and approve investment opportunities as well as exit decisions.
- ❖ In terms of investment focus, to target various sectors of the hi-tech industry including wireless local area networks (WLAN), advanced monitors, digital cameras, information appliances (IA), wireless communications, semiconductors, optical electronics, software, computers and peripherals, biotechnology, precision machinery, etc.
- ❖ In terms of target investment stages, to ensure that the investments on mature companies account for 60% of the total portfolio, the remainder on seed- and early-stage companies.

- ❖ In terms of investment process, to strengthen the due diligence process prior to investing, and exhibit strong management after post-investment, in order to safeguard the quality of the investment assets.

## II. Market Analysis

### 2003 economic outlook for Taiwan and the world

Looking to the future, the Bush administration's proposed US\$674 billion economic stimulus package is expected to be passed by Congress. The package should definitely help to improve the economic situation in the U.S. A likely war between the United States and Iraq should have limited impact on the economy, as there is a substantial gap between the military strengths of both countries. In addition, cost-control measures by companies in 2002 have corrected overcapacity issues and are expected to help improve profitability, a move that should prompt investors to regain confidence. Furthermore, tax reductions and post-war spending could contribute to increased consumer activities and a market rebound. With substantial support given to revitalize the U.S. economy, the force of recovery is expected to strengthen in the latter half of the year. Economic growth is expected to reach 3.0%, and the world economy should increase by 2.7%, up from 1.6% in 2002.

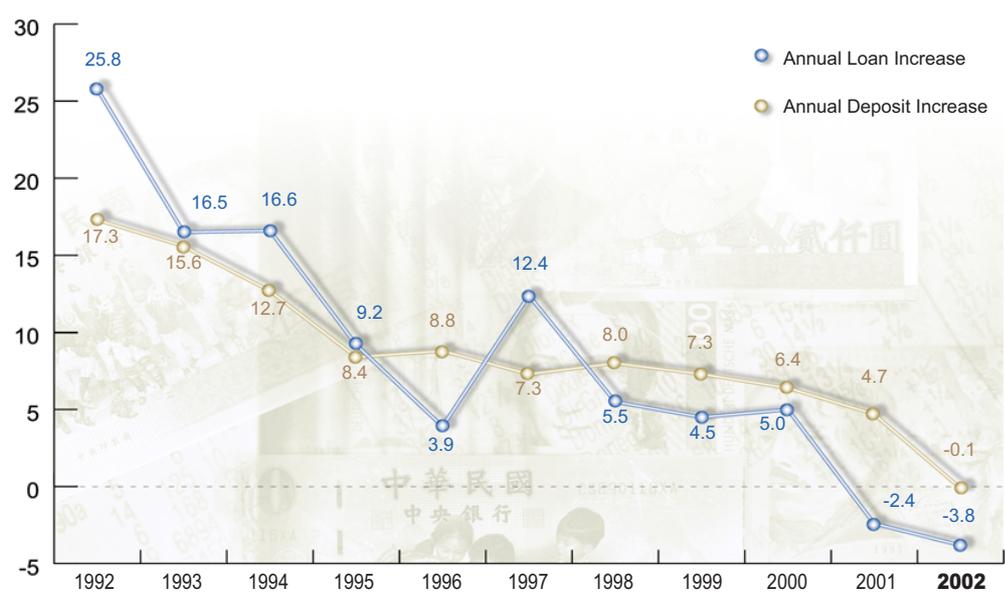
Taiwan's economy, keeping pace with the recently-begun worldwide economic recovery, should perform well. With the continued high growth of the mainland Chinese economy and increased division of labor between the two sides of the strait, Taiwan's exports should continue to increase. However, the continued migration of Taiwan companies to China may cause the unemployment rate to remain high, and lead to slow growth in GDP. It may also prove difficult for Taiwan consumers to change their conservative habits, causing limited growth in consumer spending.

Nevertheless, with the "Challenge of 2008 national development projects" offering incentives to encourage enterprises set up operations and R&D centers in Taiwan - companies may be more willing to invest in

2002

Annual Report

**Growth in Loan and Deposit** ● (Source: Central Bank of China. The figures are based on numbers released at the end of November 2002)



**Economic Growth Rate of Major Countries**

● Unit: %

	GLOBAL	U.S.	E.U.	JAPAN	MAINLAND CHINA	TAIWAN
1999	3.2	4.1	2.6	0.7	7.1	5.4
2000	3.9	3.8	3.3	2.4	8.0	5.9
2001	1.2	0.3	1.5	(0.2)	7.3	(2.2)
2002(F)	1.6	2.4	0.9	(0.6)	7.9	3.27
2003(F)	2.7	3.0	1.8	1.4	7.8	3.38

● Source: Ministry of Economic Affairs (The numbers for 2001 and before are official. The rest are forecasts made in October 2002.)

the island. Overall, Taiwan should continue to experience a slow yet steady growth in 2003, with the growth rate increase to 3.38% from 3.27% in 2002.

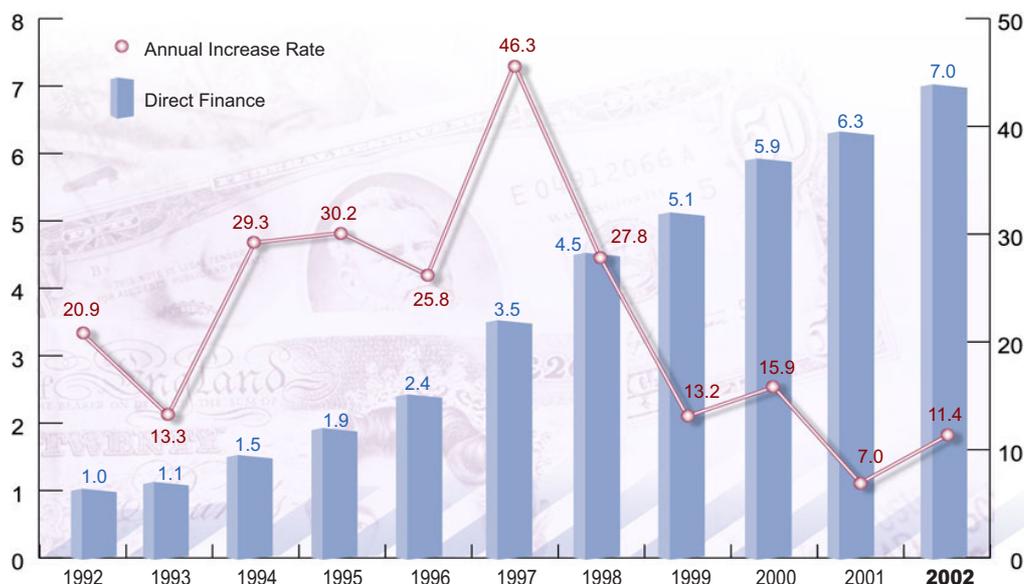
**Trends in the banking sector**

Banks are facing increasingly difficult environment as fierce competition, stock market fluctuations, and the proliferation of new products hinder their ability to operate smoothly. Market consolidation has been the recent trend in the banking industry globally, and financial institutions that operate in traditional ways offering traditional products can no longer effectively satisfy customers' needs. Nowadays, banks are forced to provide integrated services either by combining banking, insurance, securities and asset management operations or through strategic alliances, and focus on increasing capital efficiency, cutting costs and improving cross-selling practices. This has become an important trend in the financial industry.

Taiwan's entry into the World Trade Organization (WTO) has created even more threats to the local banking industry, which is facing tough competition from foreign companies. As a result, the Legislative Yuan has passed several bills to enable banks to merge or form financial holdings companies, in order to make local financial institutions larger, healthier and more competitive. Mergers and acquisitions have

**Growth in Direct Financing**

● (Source: Central Bank of China. The figures are based on numbers released at the end of November 2002)



therefore been the trend in Taiwan's banking sector. Since November 2001, the Ministry of Finance has issued 14 financial holdings company licenses. As financial holding companies are getting bigger and more internationalized, it is expected that the healthy competition among financial services firms will increase in Taiwan to an unprecedented level.

### Supply and demand in the future banking sector

Since the beginning of the global economic downturn in 2001, the world's leading economic powers have lowered their interest rates to stimulate economic growth. The Central Bank of China also introduced expansionary monetary policy in a bid to revitalize the Taiwan economy and help companies raise funds. The CBC has lowered interest rates eleven times in 2001, and twice in 2002. Currently, Taiwan's rediscount rate sits at a record low of 1.625%. However, there has been no noticeable increase in corporate loans. In fact, annual growth in total lending has fallen from 26% in 1992 to -4% in 2002. This represents a significant decrease in corporate loans.

A growth in direct financing business was expected, as interest rate cuts were to encourage enterprises to raise funds directly from capital markets. However, as the figure below suggests, the annual growth of direct financing has slowed after hitting a record high of 46% in 1997. Growth in 2002 slowed to 11%, indicating lesser needs for capital from enterprises. This phenomenon reflects both the massive migration of Taiwan companies into mainland China and Taiwan's diminishing investment needs.

The same phenomenon can be seen with bank deposits. As the government's monetary policy called for a drop in interest rates, all banks followed suit. Subsequently, the public's willingness to deposit money in banks decreased due to the lower interest rates, as those seeking higher yields put their money into bond funds, structured bonds and other new financial products. Annual overall deposit growth declined from 17% in 1992 to -0.1% in 2002, which is an indication that, in the current era of low interest, simply depositing money in a bank is no longer an ideal financial management practice. As well, due to the bearish stock market, structured financial products combining foreign exchange, gold, oil and other investment instruments have become more appealing to investors. It is estimated that in 2002 investors sunk as much as US\$4 billion into such products. With interest rates expected to remain low in the near term, the ability to launch innovative financial products has become a vital issue. If banks cannot detect trends in the financial market and create higher-yield products, then they will have a much harder time in attracting customers and expanding operations.

Meanwhile, many Taiwanese merchants have migrated across the strait to mainland China, which has become a global factory. Statistics provided by the Ministry of Economic Affairs suggest that Taiwan businesses have invested some US\$25 billion in the mainland since 1991, and the mainland continues to attract more and more investment from Taiwan with a strong magnet-like force. Given this situation, the SinoPac Group will not only continue to serve the Taiwan market but also offer more services for mainland-based Taiwan merchants through its operations in the United States and Hong Kong, and also through the strategic alliance between Far East National Bank and First Sino Bank. SinoPac seeks to become a major financial group in the Asia-Pacific region.

### III. Human Resources

AGE	NUMBER OF EMPLOYEES
20-29	1,799
30-39	1,869
40-49	448
50-59	79
60 AND ABOVE	7
TOTAL	4,202
AVERAGE AGE	32.23 YEARS OLD
AVERAGE YEARS OF SERVICE	3.89 YEARS

EDUCATIONAL BACKGROUND	NUMBER OF EMPLOYEES	%
DOCTORATE DEGREE HOLDERS	11	0.3%
MASTER DEGREE HOLDERS	534	13%
UNIVERSITY GRADUATES	2,045	49%
COLLEGE GRADUATES	1,079	26%
HIGH SCHOOL, VOCATIONAL SCHOOL GRADUATES	533	13%
TOTAL	4,202	100%



◆ SinoPac Holdings annual sporting event

### IV. Risk Management

#### SinoPac Holdings

To effectively identify and assess the risks of every subsidiary and streamline risk control operations of the whole group, SinoPac Holdings has established principles and guidelines covering its risk control system, measurement, assessment, and reporting, which the company and its subsidiaries will abide by.

#### Risk management system

- ❖ The board of directors is responsible for approving risk control principles and relevant measures, monitoring and evaluating the effectiveness of tasks managed by qualified personnel.
- ❖ Independent units are set up to take charge of credit and market risk management.
  1. The Risk Management Committee in SinoPac Holdings is designated to propose risk control principles, execution measures, and assessment criteria, as well as coordinate and supervise the risk control operations of each subsidiary, and review the group's total risks on a consolidated basis.

2. Each subsidiary is to set up its own risk control unit and system, evaluating potential risks involved with new services and products, formulating procedures to review proposals for launching new products or services. The unit will also take charge of the day-to-day supervision of risk control and debt collection, and hold regular meetings to review the system.
3. An internal assessment will be made periodically on the operations of the risk-control system and reported to the Board of Directors.

### Risk management principles

#### ❖ Credit risks:

1. To ensure the function of an efficient risk control system and credit screening procedure so as to maintain strict risk management, assessment, supervision and efficient monitoring of the credit related risks.
2. To control the risks involved with all transacting parties, such as risks involved with transactional and settlement default.
3. To set the criteria in evaluating the credit ratings of transacting parties, financial products traded, industry-specific risks and others.

#### ❖ Market risks:

1. To establish a set of criteria in controlling market risks involved with changes in interest rates, exchange rates, premiums for various contracts, and the prices of the financial products traded on either spot or derivative markets as follows:
  - The maximum investment amount for any financial products or contracts,
  - The maximum trading amount for certain categories of financial products or contracts,
  - The maximum potential risks of each investment or transaction,
  - The limits on the loss value or ratio of each investment or transaction as well as those of the total investments and transactions of a certain product or business,
  - The criteria in measuring the potential losses of each investment and transaction.
2. The subsidiaries with larger business volumes such as Bank SinoPac and SinoPac Securities have already used statistical models to calculate the value at risk (VaR) in their daily operations. They are now revising these models to conform to both qualitative and quantitative measures in the New Basel Capital Accord for risk assessments, published by the Bank of International Settlements (BIS) as well as the government's new policies. The new models will cover a much broader range of risk control, including retrospective risk and pressure assessments, to assure comprehensive control of all the risks involved. They will also be used as tools in the future when the company make decisions regarding its investment portfolios, performance evaluations and resource allocations.

#### ❖ Liquidity risks:

Funds used to support the company's operations mainly come from cash dividends, borrowings and issuance of various securities such as commercial paper, corporate bonds, subordinated corporate bonds, convertible bonds, common stock, preferred stock, and others. SinoPac Holdings uses these funds to support its operations, investments, acquisitions and debt repayments, as well as the annual stock dividends appropriated to its shareholders. When necessary, the company also helps its subsidiaries solve their capital shortage problems with its own funds.

The company's policy on liquidity management is to diversify its funding sources, at reasonable capital costs, and maintain sufficient liquid assets to assure its capability to repay debt obligations and prevent serious losses in its current asset holdings due to major market fluctuation and changes. The company applies a variety of criterias for risk assessment and management such as the liquidity ratio, matching of asset/liability duration, borrowing limits, uses of the borrowings, funding sources and applications, fund-raising proposal evaluation as well as market risk evaluation.

Each subsidiary such as the bank, securities firm and others sets its own criteria tailored to its industry-specific characteristics and regulations. Both SinoPac Holdings and each subsidiary supervise its own risk-control operations of liquidity. The Financial Control Divisions of SinoPac Holdings and each subsidiary make regular reports of current asset positions and risk exposure to the Assets/Liabilities Committee.

The company has raised US\$230 million in 5-year convertible bonds maturing in July 2007, and also obtained a total of NT\$3.45 billion in credit lines from other banks for possible short-term uses. No liquidity problems are expected for the company's fund appropriation plans in 2003.

#### Risks Related to Foreign Exchange

DECEMBER 31, 2002		• (NT\$ million)
ITEM	AMOUNT	
CONTRACTS ON CROSS CURRENCY SWAPS	175	

#### Maturity Analysis of Assets and Liabilities

DECEMBER 31, 2002		• (NT\$ million)
PERIOD	ACCUMULATED GAP	
0 - 30 DAY	4,974	
31-90 DAY	8,657	
91-180 DAY	8,880	
181 DAY -1 YEAR	8,932	
1 YEAR OR LONGER	(131)	

• Note: The accumulated gap is the net amount of assets minus liabilities.

### Bank SinoPac

#### Credit risks

The bank's risk control policy is to require thorough risk evaluation and market analysis before developing any new business, so as to ensure the success of the new business. Once a new business plan is launched, it will be executed according to strict risk control through effective credit investigation and analysis. The supervisors meet regularly to make sure its execution strictly follows the defined policy to control any risks involved and, whenever necessary, make suggestions for improvement.

The bank has taken measures to properly diversify risks. It sets the credit line for each individual, corporate client, and the maximum credit exposure for each individual industry and financial sector. It is now revising its risk control principles in accordance with the requirements stated in the New Basel Capital Accord, so as to provide qualitative and quantitative measures for effective risk control.

#### Market risks

The bank saw significant growth in its foreign exchange and financial derivatives business in 2002 by providing highly competitive prices to its clients and trading partners. It uses Reuters' Kondor Plus risk

control system in managing risks associated with its rapidly expanding foreign exchange and financial derivatives volume and has undertaken the following measures:

❖ **Controls on transaction volume:**

The bank performs an annual review of the outstanding credits extended to each business, and of the credit lines for each trading party and broker. The annual review is reported to the Board of Directors and high-ranking executives for their approval. It requires routine checks of extended credits and total credit lines for each business and, if necessary, makes immediate adjustments.

❖ **Controls on risks associated with price fluctuations:**

The bank requires daily reports on changes in the holding positions of each financial product, such as daily balance and market price, so as to make sure that the potential losses of each item do not exceed maximum loss limitations. The daily report also includes an analysis of various price sensitivity indices such as the Duration, BPV, Delta and Vega figures. In addition, the daily changes in the situation of each product traded, broken down by trader, are available on the computerized system so that supervisors can get up-to-date information anytime.

**Maturity Analysis of Assets and Liabilities**

DECEMBER 31, 2002		• (NT\$ million)
PERIOD	ACCUMULATED GAP OF NT\$	ACCUMULATED GAP OF US\$
0-90 DAY	( 140,111)	( 769)
91-180 DAY	( 7,109)	367
181 DAY-1 YEAR	( 2,429)	25
1-3 YEAR	29,263	164
3 YEAR OR LONGER	119,269	28

• Note: The accumulated gap is the net amount of assets minus liabilities.

**Foreign Exchange Transactions**

DECEMBER 31, 2002		• (NT\$ million)
ITEM	NOTIONAL (CONTRACT) AMOUNT	
OPTIONS	96,636	
FORWARDS	235,228	
SWAPS	44,234	

The bank currently uses the Reuters KVaR system to assess the VaR of each transaction on each trading day in accordance with the market risk definition of the Basel Capital Accord. The bank is also revising the system to meet the government’s newly published standards for risk control in both volume and value, and aims to develop a reliable risk control system that can adequately measure the bank’s risk exposure, asset allocation, and performance evaluation.

The bond position from fixed-income portfolio of Bank SinoPac stood at NT\$7.343 billion at the end of 2002, with a VaR of NT\$62 million. The contracts of the forward rate agreement (FRA) and interest rate swap (IRS), and foreign exchange rate options totaled NT\$315.49 billion at the end of 2002, with a market sensitivity of negative NT\$4.3 million for each one-point change in prices. The VaR of foreign exchange transactions and financial derivatives transactions was NT\$14 million and NT\$30 million, respectively.

**SinoPac Securities**

**Risk control policy**

SinoPac Securities established its risk control policy to ensure the company’s capability to handle appropriate levels of risks (and maintain adequate capital adequacy ratios). The policy enables the company to properly diversify, hedge and sometimes transfer the risks involved with its operations so as

to ensure long-term growth through maintaining proper liquidity and return on assets (ROA).

### **Risk assessment and control measures**

SinoPac Securities adopts a strict model for risk assessment and control. The model measures different risks related to the company's operations with defined formulas and patterns to cover the following :

❖ **Line of credit control:**

The company sets the credit lines for its underwriting and dealing activities, and other businesses exposed to risks. It also sets maximum transaction value, ratio of the transaction amount to the company's net assets value, risks involved, and potential market risks for each business.

❖ **Risk-control staff:**

The company sets the individual limit for personnel in its trading departments, taking into account his or her trading volume and position. Supervisors are not allowed to exceed the aggregate limit set for his or her department .

❖ **Multi-faceted risk-control system:**

The company requires strict evaluation of the risks involved with any new business proposal before it is developed. Items required for review include the management information system and measures for controlling the risks involved with the new business. The risk-control measures cover all respects of each business so as to ensure comprehensive control of risks. To take credit control as an example, it controls the risks from every aspect including all the risks involved with single client from different products as well as the risks involved with all customers of certain credit rating, or same product.

❖ **Independent risk-control unit:**

The company sets up an independent risk control unit, which directly reports to the President, to control the risks associated with credit, market and liquidity of each division. The unit monitors how each division executes the risk control policy and examines the results in addition to developing an efficient management information system for risk-control tasks. SinoPac Securities is one of the few securities firms in Taiwan to run such an independent risk control unit.

In addition, each division also has its own independent risk control personnel to monitor the operation of each trader and broker to make sure that they follow the risk control rules by checking the credit or trading limits, adjusting the quota for each client, broker and trader, reviewing the figures involved with each transaction and monitoring the stop-loss limits.

❖ **Real-time risk-control system:**

Due to the wide variety of products traded on the securities market and their frequent price fluctuations, SinoPac Securities developed a computerized information system for supervisors to access the real-time market information and to monitor the risks involved with the daily changes. In addition, regular cross-departmental supervision of the risks involved with the businesses of different divisions under the system has already been implemented for several years to assure strict control of the risks involved with all the company's business.

❖ **Risk assessment mechanism:**

SinoPac Securities completed the VaR (value at risk) assessment system in 1999, the first among its peers to manage the risks involved with bond transactions. It was later integrated with the CaR (credit at risk) system to have full control on the risks of transactions. For controlling the risks associated with price fluctuations, the system uses datas accumulated over years in testing the pressure, sensitivity and feedback. The system is effective in predicting both the VaR and CaR.

❖ **Resource allocation based on VaR evaluation:**

SinoPac Securities uses VaR and CaR, when developing a new service or product, to set the maximum limit of the resource allocation and minimize the risks involved. SinoPac Securities continues to seek

the appropriate risk tolerance each business can endure and to strengthen its risk-control reviewing system to assure that each business prudently pursues maximized profits under full risk controls.

**The latest assessment of the risks exposed to the company:**

❖ **Capital adequacy ratio (CAR)**

The risk-based capital adequacy ratio of SinoPac Securities related to the counter-party, market fluctuation, and systematic risks stood at 504% at the end of 2002, compared to the minimum requirement of 150% set by regulators.

❖ **Credit risks**

The risks involved with its counter-parties are equivalent to NT\$574 million, approximately 3.7% of the company’s paid-in capital or 2.7% of its net assets value.

As for the risks related to the companys’ total investments and cash flow management, the investment



◆ E-Commerce Division / SinoPac Securities

on corporate bonds (including convertible bonds) generates the most risks. Among the company’s corporate bond portfolio at the end of 2002, most unsecured bonds have a credit rating of AA- by S&P or higher.

As of the end of 2002, the credit risks associated with financial derivatives transactions was equivalent to NT\$11 million, or 0.05% of the company’s net assets value. The relevant figures are shown in the following table:

CREDIT RISK	VALUE OF THE CREDIT RISKS	RATIO TO THE NAV
RISKS RELATED TO THE TRADING PARTY	NT\$574 MILLION	2.7%
CREDIT RISKS RELATED TO FINANCIAL DERIVATIVES	NT\$11 MILLION	0.05%

● Note: NAV is denoted for the company’s net assets value.

❖ **Market risks**

Market risks amounted to NT\$1.625 billion at the end of 2002, equivalent to 10.58% of the qualified capital or 7.6% of the net worth.

Using the internal model, the daily value at risk (VaR) of the stocks, bonds and warrants, which

accounted for the majority of the company's daily transaction, is estimated at NT\$63 million (95% for 1 day), or 0.3% of the company's net worth. See the relevant figures in the following table:

PRICING RISK	VALUE AT RISK (VAR)	RATIO TO NET WORTH
MARKET RISKS	1.625 BILLION	7.6%
VAR OF STOCKS, BONDS, AND WARRANTS	63 MILLION	0.3%

#### ❖ Liquidity risks

As of the end of 2002, the company's holdings of high-liquidity stocks accounted for 55% of the total holdings of listed stocks; the securities with high liquidity accounted for 78.6% of the total securities held. The company adopts stricter risk-control standards for its investments on securities with lower liquidity such as convertible bonds (CB), corporate bonds, shares held for underwriting and the shares



◆ Hsin Tien Branch / SinoPac Securities

traded on the TIGER (Taiwan Innovative Growing Enterprises-the second board of the OTC market).

#### ❖ Sovereign risks

The company's securities investments are focused on the stocks issued by domestic companies. The sovereign risks are primarily from Taiwan's sovereignty.

#### ❖ Operation risks

The risks involved with the company's operations as of the end of 2002 were equivalent to NT\$620 million, around 4% of the company's net worth. The company operates in accordance with the standard operation guidelines and procedures, with internal audits conducted regularly to ensure internal control compliance.

#### ❖ Legality risk

The company maintains an internal legal department and also hires outside lawyers to monitor its compliance and handle legal issues.

# OPERATING OUTLOOK

## I. Operating Outlook for 2003

### Bank SinoPac

#### Corporate banking:

- ❖ To integrate SinoPac Holdings' various resources to expand customer base and capitalize on cross-selling opportunities to provide corporate clients with "one-stop shopping" for their financial services needs.
- ❖ To cooperate with the branches and offices in Los Angeles, Hong Kong, Vietnam, and also the subsidiary Far East National Bank, to energetically assist Chinese companies in conducting their trade activities in the Cross-Pacific area.



◆ Nei Hu Branch / Bank SinoPac

- ❖ To support information technology (IT) research and development, continue to develop new innovative products, enhance the functions of the "MMAb2b.com" corporate financial services platform, making it an asset management platform for the bank to serve its clients in the Cross-Pacific area. The bank will also promote its global service capability using its core competencies in IT system.
- ❖ To maintain good credit quality customers via strict credit control guidelines. The bank will take the initiative to understand the needs of clients, provide eligible local and foreign companies with a full range of financial services, and achieve a low-risk high-growth operational objective.

#### Consumer banking

- ❖ To swiftly integrate the marketing channels and resources of each of the group's subsidiaries, effectively use the company's data warehousing and data mining systems, so that to strengthen cross-selling of financial products to existing customers and maximize operational synergies.
- ❖ To create, by integrating existing IT systems, an electronic customer relationship management platform and actively establish an operational structure with a focused offering. In addition, to continue training wealth management consultants with broad and extensive product knowledge to provide financial consulting services.

- ❖ To combine the MMA trading website (“mma.com”) with the customer relationship management system (CRM) so as to provide mma.com-based, comprehensive e-commerce financial platform.
- ❖ To strengthen coordination of marketing channels and product management as well as enhance product innovation and competitiveness in a bid to increase interest income from the deposits, loans and fee income from wealth management business at the same time.
- ❖ To aggressively develop overseas businesses and fully utilize the bank’s existing Cross-Pacific network, offering integrated trans-continental financial services to provide customers with flexible funding solutions.
- ❖ To leverage McKinsey & Co.’s research and survey results when developing a customer needs-based segmentation system and continue applying different sales channels in order to provide financial



◆ Far East National Bank

products and services tailored to the needs of the customers.

- ❖ To continue strengthening the risk management system and build an online loan application and approval system with innovative information management techniques in order to effectively manage credit risk and increase operational efficiency through computer automation.

#### Foreign exchange business

- ❖ To invest in securities issued by foreign companies and design financial products that will further satisfy customer needs, thereby increasing the revenues generated from interest spread. Also, to participate in syndications to increase the bank’s recognition among domestic and international syndication markets as well as cultivate the bank’s ability to arrange syndication loans;
- ❖ To aggressively promote, along with SinoPac Capital Ltd. (HK) and Far East National Bank (USA), trade financing services for Taiwanese manufacturers;
- ❖ To provide local companies with consulting services for offshore listing so as to help them to access international capital markets.
- ❖ To integrate SinoPac group’s resources to help overseas clients make direct or indirect investments in Taiwan.

- ❖ To help Taiwanese companies, in collaboration with the newly established Hong Kong Branch, fund their business needs in the Greater China area through the cross-strait financial channels.
- ❖ To recruit talented international finance professionals, thereby strengthening the marketing team of the bank's foreign exchange business and trade financing services.
- ❖ To expand the underwriting business by assisting companies with steady growth to issue convertible bonds, and to generate profits from interest spread by conducting asset swap with banks having good credit ratings.
- ❖ To trade credit-linked bills and bonds issued by local or foreign companies, institutions with investment grade ratings.
- ❖ To develop asset securitization business, to reduce risks related to the group's assets and provide asset securitization services to clients and other financial institutions.
- ❖ To develop new financial derivatives tailored to the needs of different customers so as to increase the bank's revenue.



◆ Best Corporate Integrated Site as rated by Global Finance

**Trust business**

- ❖ To launch, new trust products that meet customer needs such as MMA Family Trust Accounts, discretionary account management, asset securitization. In addition, to plan and raise new mutual trust funds, develop trust fund management accounts and develop innovative products and marketing strategies so as to generate higher profits.
- ❖ To expand market share and increase revenues through actively developing the mutual fund business, discretionary account management, custodian services for both domestic and international institutional investors, and trustee services for other companies' employee welfare and savings trusts.
- ❖ To work towards the bank's business expansion goals, to accelerate upgrading of the trust IT system so as to streamline the trust management business with standardized procedures and to provide more information and convenient services to customers with more security.
- ❖ To organize a special unit in charge of wealth management, education and training so as to cultivate more professional trust and financial planning staff. Also, to help sales representatives by requiring them to obtain licenses and take training courses to enhance their expertise and service quality.

**Investment banking**

- ❖ To actively manage the bank's investments so as to control the overall operational performance and business risks.
- ❖ To support the parent company in integrating its resources with other affiliates, and achieve the group's financial management and strategic investment plans.

**Treasury operations**

China will continue to open up its markets under the WTO framework. As Taiwan gradually loosens its cross-strait policies, it will develop closer business links with China. Meanwhile, financial institutions will be faced with even more severe competition on the



◆ Southern Operations Center / Bank SinoPac

domestic market, as more financial holding companies are formed. Enhancing professionalism and strengthening marketing abilities are the only path to success under such an environment.

**■ The main tasks for 2003:**

- ❖ To actively train and recruit outstanding talent, to build a strong treasury team. Also to coordinate and integrate the funding and treasury operations of the group’s member companies.
- ❖ To build up the group’s global treasury operations management network and to enhance the efficiency of fund management and treasury operations.
- ❖ To implement the concepts of “return on assets” and “risk-weighted capital” that most banks of today adopt so as to increase the bank’s earnings, better manage the risks, more efficiently allocate the resources, and create higher returns on investments.
- ❖ To develop new treasury products and provide alternative choices to customers in order to create higher value-added services and enhance the group’s competitiveness as well as profitability.
- ❖ To integrate with the marketing channels of the group’s other member companies and provide tailor-made services to customers so as to create a win-win relationship.

**SinoPac Securities**

**Vision:**

To become a leading Chinese securities firm in the Cross-Pacific region.

**Strategic goals for the next three years:**

- ❖ To be a competitive full-service securities firm
- ❖ To be a top investment bank
- ❖ To be a market leader in the e-brokerage business
- ❖ To rank among the three most profitable securities firms
- ❖ To rank among the top three securities firms in terms of asset size

**Goals for 2003:**

OPERATIONS	MANAGEMENT
1. TO RANK AMONG THE TOP 3 IN BROKERAGE BUSINESS	1. TO MERGE WITH OR ACQUIRE OTHER SECURITIES FIRMS
2. TO LEAD IN E-BROKERAGE	2. TO ENHANCE PROFESSIONALISM OF STAFF WORKERS THROUGH ON-THE-JOB TRAINING
3. TO EXPAND MARKET SHARE OF FUTURES INTERMEDIARY BROKERAGE (IB) BUSINESS	3. TO ENHANCE RISK CONTROL
4. TO PROMOTE CROSS-SELLING	4. TO ENHANCE THE COMPANY’S DATABASE MANAGEMENT
5. TO DEVELOP NEW FINANCIAL PRODUCTS	5. TO INTEGRATE R&D INFORMATION AND RESOURCES
6. TO BE A MARKET LEADER IN INVESTMENT BANKING	6. TO INCREASE THE EFFICIENCIES OF THE COMPUTERIZED INFORMATION SYSTEM
7. TO LEAD IN INTERNATIONAL UNDERWRITING BUSINESS	7. TO INTEGRATE THE IT SYSTEMS WITH OTHER AFFILIATES
8. TO DEVELOP THE INVESTMENT BANKING BUSINESS IN HONG KONG	8. TO REDUCE OPERATIONAL COSTS
9. TO BE AMONG THE TOP 3 IN BOND BUSINESS	
10. TO BE AMONG THE TOP 3 WARRANT ISSUERS AND TOP 3 OPTIONS MARKET MAKERS	
11. TO PROMOTE THE DISCRETIONARY ACCOUNT MANAGEMENT SERVICE IN ITS AFFILIATED INVESTMENT CONSULTING COMPANY	

**Operations for 2003**

Since incorporation, SinoPac Securities has been operating with the goal of developing a well-balanced business around the world while keeping its focus on the domestic Taiwan market. Initially business development is targeted at the Greater China region. Thereafter, SinoPac Securities will, step-by-step, endeavor to develop and expand its business through globalization, computerized operations and business diversification.

2002 marked the first year of Taiwan’s “financial revolution”. New financial holding companies have, one by one, been inaugurated, consolidating banking, securities, and insurance businesses’ marketing networks to provide one-stop shopping service to customers. To cope with this trend, the company has launched a new department designed to capitalize upon cross-selling operations, so as to maximize the company’s profits from the consolidation.

Promoting cross-selling is one of the company’s major tasks for 2003. Regarding the emerging business opportunities and challenges after both Taiwan and China join the WTO, the company will seek to enhance its overseas operations with the goal of become a leading securities firm for the Chinese community in the Cross-Pacific area. It will continue to develop its business in the Greater China area, to increase its competitiveness and pursue steady growth.



◆ SinoPac Securities & SinoPac Futures Hong Kong Office

■ **Targets for 2003 operations:**

BUSINESS SEGMENT	GOAL
BROKERAGE	AVERAGE DAILY TRANSACTIONS ON THE TSE-ORGANIZED MARKET: NT\$100 BILLION (THERE ARE 249 TRADING DAYS IN 2003.) AVERAGE DAILY TRANSACTIONS ON THE OTC MARKET: NT\$5 BILLION MARKET SHARE OF THE TSE-ORGANIZED MARKET: 5.506% MARKET SHARE OF THE OTC MARKET: 5.211%
UNDERWRITING	PROJECTS AS A LEAD MANAGER: 43 PROJECTS AS A CO-MANAGER: 61
SHARE REGISTRATION SERVICES	CLIENTS OF COMPANIES: 240 CLIENTS OF INVESTORS: 2.1 MILLION ACCOUNTS
PROPRIETARY TRADING	TO OUTPERFORM THE MARKET INDEX BY 5%
BONDS	OUTSTANDING HOLDINGS OF GOVERNMENT BONDS: NT\$8 BILLION OUTSTANDING HOLDINGS OF CORPORATE BONDS: NT\$4 BILLION
FINANCIAL DERIVATIVES	NEW PRODUCTS PROPOSED FOR 2003: 18
INTERNATIONAL BUSINESS	MARKET SHARE OF QFII BROKERAGE BUSINESS: 0.10% INTERNATIONAL UNDERWRITING PROJECTS: 5

**SinoPac Call Center Co.**

A major operation initiative for 2003 is to set up a customer service center in Kaohsiung to enhance the

group's economies of scale and operational efficiency. Initially, the center will service Bank SinoPac's and SinoPac Securities' clients. In the second phase, it will take over the customer service operations of AnShin Card Services. The company will further expand its business to serve other SinoPac Holdings subsidiaries. Its services include telephone customer service, customer relationship management, online customer service, customer attention, telemarketing and others. The company is aimed at increasing the number of its service representatives to 140 by the end of 2003.



◆ SinoPac Call Center Co., Ltd.

While expanding its Kaohsiung customer service center and operations, the company will also be active in training another management team for its next phase business expansion. It has also crafted market development plans detailing customer satisfaction strategies in different areas and cities. It will strive to set up professional customer service and telemarketing centers to accommodate any new businesses with high market potential. The company aims to meet the needs of its customers, from different industries, through continued expansion in terms of service variety, size of staff and marketing networks.

Leveraging on the group's experience in developing and managing customer service centers, the company will gradually expand its clientele to include companies other than its affiliates. Such clients may come from a variety of industries such as retail, transportation, travel, communications and e-commerce. The company, aimed at becoming a specialized customer service provider, will enhance its training programs accordingly to ensure professionalism of its staff workers when providing services to clients.

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

Expecting to issue its millionth card in the first quarter of 2003, AnShin Card Services Co. will fully integrate its services with those of Bank SinoPac and SinoPac Securities so as to take full advantage of cross-selling opportunities. Its credit cards offer both purchasing and money management functions, and can also be used to pay insurance premiums, utility bills, taxes, and to buy mutual funds, securities, options, etc. They have become an indispensable money management tool, enabling clients to realize their dreams of "one-stop shopping" and maximizing the synergetic effects.



### **SinoPac Asset Management International**

For year 2003, the company's main focus will be to build up an investment portfolio for SinoPac Venture Capital Corporation, and, if possible, to raise new funds from other investors in order to expand scale of operations and increase efficiency. In the meantime, to enhance the company's recognition in the industry, the company will collaborate with other research institutes, business incubators, and venture capital companies to develop new investment opportunities in high-tech industries.

### **SinoPac Venture Capital Corporation**

As the forerunner of the financial industry, the company is looking forward to investing in those start-up companies with great potential. The company's strategy will be to diligently detect the trend of future technology development such as microelectronics, biotechnology, and participate at their early stages. The company, meanwhile, will take advantage of available marketing channels to introduce best products and technology to existing customers so as to maximize the synergy effect of the group.

### **SinoPac Property Insurance Agent Co.**

The company will continue to strengthen its customer relations management system and utilize Bank SinoPac and SinoPac Securities' customer database to develop bank and securities related insurance products for both Bank SinoPac and SinoPac Securities' clients, through cross-selling marketing strategies.

#### **SPIA will:**

- ❖ Collaborate with Bank SinoPac in consumer and corporate banking areas and develop suitable property insurance policies for bank clients;
- ❖ Collaborate with SinoPac Securities, offering property insurance policies to both its individual and corporate clients;
- ❖ Strengthen education and training to ensure that all of group's employees have basic product knowledge, meanwhile help interested employees obtain property insurance broker licenses;
- ❖ Use the group's existing marketing channels and customer information databases to develop insurance policies that meet the needs of different member companies. SPIA will combine its insurance products with Bank SinoPac and SinoPac Securities products, and market them as packages, in order to provide customers with complete service and protection;
- ❖ Form strategic alliances with other companies and introduce SinoPac's insurance and other financial products to their employees;
- ❖ Continue to enhance its services through the group's marketing channels such as Web sites, account statements, and electronic newspapers, to increase customer awareness and recognition of the company, thereby increasing product awareness. SPIA will also strive to expand the company's market share with the lowest operating costs.
- ❖ Set up an exclusive web site where customers can retrieve company and insurance information, and purchase insurance policies.

## SinoPac Life Insurance Agent Co.

### ■ Goals for 2003 operations:

- ❖ To strengthen SinoPac Holdings employees' knowledge and support for the company's insurance products, and create new marketing channels through Bank SinoPac and SinoPac Securities and other member companies so as to diversify its marketing channels.
- ❖ To create new income sources from non-OTC (over-the-counter) channels. Currently, the company has been collaborating with Bank SinoPac to promote insurance sales by introducing its group accident insurance to the bank's deposit clients. The company also has plans to cooperate with AnShin Card Services Co. in introducing its savings insurance to cardholders.
- ❖ To continue to search for and introduce new, simple insurance products with attractive selling features.
- ❖ To promote its insurance marketing strategies in line with SinoPac group's overall business plans.



## II. Plans for Disposal, Acquisition of Real Estate and Long-Term Investments

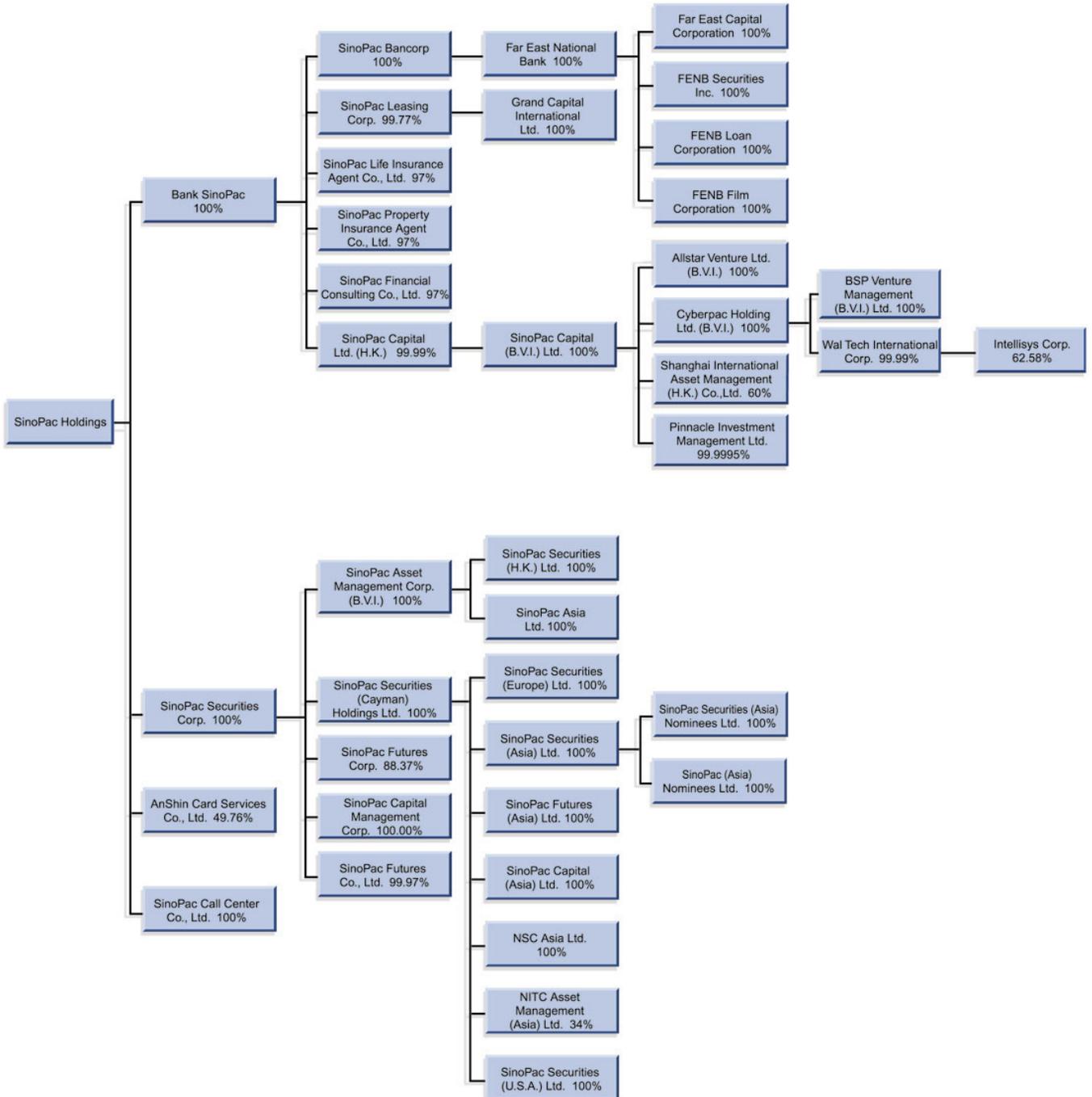
In order to further integrate the investments of SinoPac member companies and create synergies, the company has made new investments in Li Shen Development Co. (5%), AnShin Card Services Co. preferred shares (60.07%), SinoPac Call Center Co. (100%), SinoPac Venture Capital Corporation (100%), SinoPac Asset Management International (100%), and SinoPac Marketing Consulting Co. (100%).

The company also acquired from its subsidiary Bank SinoPac and other parties, shares of SinoPac Life Insurance Agent (100%), SinoPac Property Insurance Agent (100%), AnShin Card Services Co. common (40.24%) and preferred (39.93%), and U.S.-based Far East National Bank (100%).

SinoPac Holdings

As of December 31, 2002

2002  
Annual Report





# SinoPac Holdings

## 2002 FINANCIAL REPORTS

- Consolidated Financial Statements and Notes
- Financial Statements of Parent Company
- Group Information

**I. CONSOLIDATED FINANCIAL STATEMENTS AND NOTES****INDEPENDENT AUDITORS' REPORT**

January 30, 2003

The Board of Directors and the Stockholders  
SinoPac Holdings

We have audited the consolidated balance sheet of SinoPac Holdings and subsidiaries as of December 31, 2002, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the period from May 9, 2002 (date of establishment) to December 31, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Regulations for Audit of Financial Statements by Certified Public Accountants, Regulations for Audit of Financial Statements of Financial Institutions by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements 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 SinoPac Holdings and subsidiaries as of December 31, 2002, and the results of its operations and its cash flows for the period from May 9, 2002 to December 31, 2002, in conformity with Guidelines for Financial Holding Company's Financial Reporting, Guidelines for Securities Issuers' Financial Reporting, Criteria Governing the Preparation of Financial Reports by Securities Firms, Criteria Governing the Preparation of Financial Reports by Futures Firms and accounting principles generally accepted in the Republic of China.

T N Soong & Co  
An Associate Member Firm of Deloitte Touche Tohmatsu  
Taipei, Taiwan  
The Republic of China



January 30, 2003

**NOTICE TO READERS**

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

**SINOPAC HOLDINGS AND SUBSIDIARIES CONSOLIDATED BALANCE SHEET**

DECEMBER 31, 2002 (AMOUNTS EXPRESSED IN THOUSANDS  
OF NEW TAIWAN DOLLARS, EXCEPT PAR VALUE OF CAPITAL STOCK)

2002

<b>ASSETS</b>	<b>AMOUNT</b>	<b>%</b>
CASH (NOTE 4)	\$ 68,172,740	16
DUE FROM BANKS	11,303,691	3
DUE FROM CENTRAL BANK (NOTE 5)	11,011,956	3
OPERATING SECURITIES - NET (NOTES 2 AND 6)	17,037,210	4
SECURITIES PURCHASED (NOTES 2, 7 AND 30)	35,278,281	8
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (NOTES 2, 8 AND 30)	1,522,124	-
ACCOUNTS, INTEREST AND OTHER RECEIVABLES - NET (NOTES 2, 9 AND 30)	26,816,251	7
ACCEPTANCES	1,375,624	-
PREPAID EXPENSES (NOTES 2 AND 30)	320,560	-
LOANS, DISCOUNTS AND BILLS PURCHASED - NET (NOTES 2, 10 AND 30)	224,972,445	53
LONG-TERM INVESTMENTS - NET (NOTES 2 AND 11)	7,995,144	2
PROPERTIES (NOTES 2, 12, 30 AND 31)		
COST		
LAND	3,370,338	1
BUILDINGS	3,071,311	1
COMPUTER EQUIPMENT	2,337,888	1
TRANSPORTATION EQUIPMENT	58,767	-
OFFICE AND OTHER EQUIPMENT	2,088,772	-
TOTAL COST	10,927,076	3
ACCUMULATED DEPRECIATION	3,154,195	1
	7,772,881	2
ADVANCES ON ACQUISITIONS OF EQUIPMENT AND CONSTRUCTION IN PROGRESS	284,718	-
NET PROPERTIES	8,057,599	2
OTHER ASSETS (NOTES 2, 13, 30 AND 31)	8,848,765	2
<b>TOTAL ASSETS</b>	<b>\$422,712,390</b>	<b>100</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
SHORT-TERM BORROWINGS (NOTES 14 AND 31)	\$ 7,675,979	2
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (NOTES 2, 15 AND 30)	14,072,269	3
CALL LOANS AND DUE TO BANKS	55,248,193	13
WARRANT LIABILITIES (NOTES 2 AND 16)	81,950	-
REPURCHASE OF WARRANTS ISSUED (NOTES 2 AND 17)	( 45,346)	-
ACCOUNTS, INTEREST AND OTHER PAYABLES (NOTES 18 AND 28)	11,516,326	3
ACCEPTANCES PAYABLE	1,375,624	-
DEPOSITS AND REMITTANCES (NOTES 19 AND 30)	268,204,668	63
BANK DEBENTURES (NOTE 20)	7,000,000	2
EURO-CONVERTIBLE BONDS (NOTE 21)	8,160,299	2
OTHER LIABILITIES (NOTE 28)	4,625,069	1
<b>TOTAL LIABILITIES</b>	<b>377,915,031</b>	<b>89</b>
<b>STOCKHOLDERS' EQUITY</b>		
CAPITAL STOCK, \$10 PAR VALUE, AUTHORIZED 10,000,000,000 SHARES		
ISSUED - 3,748,126,974 SHARES	37,481,270	9
CAPITAL SURPLUS	9,067,958	2
RETAINED EARNINGS	1,531,273	1
UNREALIZED LOSS ON LONG-TERM EQUITY INVESTMENTS	( 321,429)	-
UNREALIZED REVALUATION LOSS ON LONG-TERM EQUITY INVESTMENTS	( 40,695)	-
CUMULATIVE TRANSLATION ADJUSTMENT	324,552	-
TREASURY STOCK - AT COST: 250,202,767 SHARES	( 3,245,570)	( 1)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>44,797,359</b>	<b>11</b>
CONTINGENCIES AND COMMITMENTS (NOTES 2, 30, 32 AND 38)		
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$422,712,390</b>	<b>100</b>

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

**SINOPAC HOLDINGS AND SUBSIDIARIES CONSOLIDATED STATEMENT OF INCOME**

FOR THE PERIOD FROM MAY 9, 2002 (DATE OF ESTABLISHMENT) TO DECEMBER 31, 2002 (NOTE 1)  
(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE)

	AMOUNT	%
<b>OPERATING REVENUES</b>		
INTEREST (NOTES 2, 10 AND 30)	\$15,492,962	65
SERVICE FEES (NOTES 2, 24 AND 30)	4,008,818	17
INCOME FROM SECURITIES - NET (NOTE 25)	3,429,414	13
INCOME FROM LONG-TERM EQUITY INVESTMENTS (NOTE 2)	297,445	1
FOREIGN EXCHANGE GAIN - NET	170,349	-
OTHER (NOTE 30)	535,599	4
<b>TOTAL OPERATING REVENUES</b>	<b>23,934,587</b>	<b>100</b>
<b>OPERATING COSTS AND EXPENSES</b>		
INTEREST	8,364,799	35
SERVICE CHARGES	367,930	2
PROVISION FOR CREDIT AND TRADING LOSSES (NOTES 2 AND 10)	1,599,369	7
OPERATING AND ADMINISTRATIVE EXPENSES (NOTES 26, 27 AND 30)	9,024,677	38
OTHER	62,791	-
<b>TOTAL OPERATING COSTS AND EXPENSES</b>	<b>19,419,556</b>	<b>82</b>
<b>OPERATING INCOME</b>	<b>4,515,031</b>	<b>18</b>
<b>NON-OPERATING INCOME (EXPENSES)</b>		
INCOME (NOTE 30)	217,026	1
EXPENSES	( 94,005)	-
<b>NON-OPERATING INCOME - NET</b>	<b>123,021</b>	<b>1</b>
<b>INCOME BEFORE INCOME TAX FOR THE YEAR ENDED DECEMBER 31, 2002</b>	<b>4,638,052</b>	<b>19</b>
<b>INCOME TAX (NOTES 2 AND 28)</b>	<b>1,136,778</b>	<b>5</b>
<b>CONSOLIDATED NET INCOME FOR THE YEAR ENDED DECEMBER 31, 2002</b>	<b>3,501,274</b>	<b>14</b>
<b>NET INCOME FROM SUBSIDIARIES FOR THE PERIOD FROM JANUARY 1, 2002 TO MAY 8, 2002</b>	<b>( 1,952,668)</b>	<b>8</b>
<b>CONSOLIDATED NET INCOME FOR THE PERIOD FROM MAY 9, 2002 TO DECEMBER 31, 2002</b>	<b>\$ 1,548,606</b>	<b>6</b>
	<b>PRE-TAX</b>	<b>AFTER TAX</b>
<b>EARNINGS PER SHARE (NOTE 29)</b>		
<b>BASIC EARNINGS PER SHARE</b>	<b>\$0.78</b>	<b>\$0.45</b>
<b>DILUTED EARNINGS PER SHARE</b>	<b>\$0.73</b>	<b>\$0.44</b>

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

**SINOPAC HOLDINGS AND SUBSIDIARIES CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE PERIOD FROM MAY 9, 2002 (DATE OF ESTABLISHMENT) TO DECEMBER 31, 2002 (NOTE 1)

(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

AMOUNT

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
CONSOLIDATED NET INCOME FOR THE PERIOD FROM MAY 9, 2002 TO DECEMBER 31, 2002	\$ 1,548,606
NET INCOME FROM SUBSIDIARIES FOR THE PERIOD FROM JANUARY 1, 2002 TO MAY 8, 2002	1,952,668
CONSOLIDATED NET INCOME FOR THE YEAR ENDED DECEMBER 31, 2002	3,501,274
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
DEPRECIATION AND AMORTIZATION	903,830
PROVISION FOR CREDIT AND TRADING LOSSES	1,536,521
REVERSAL OF ALLOWANCE FOR DECLINE IN MARKET VALUE OF SECURITIES PURCHASED	( 809)
PROVISION FOR DECLINE IN MARKET VALUE OF OPERATING SECURITIES	2,146
REALIZED LOSS ON LONG-TERM EQUITY INVESTMENTS	10,583
LOSS ON DISPOSAL OF PROPERTIES - NET	64,984
INCOME FROM LONG-TERM EQUITY INVESTMENTS UNDER EQUITY METHOD - NET	( 266,301)
CASH DIVIDENDS RECEIVED FROM LONG-TERM EQUITY INVESTMENTS UNDER EQUITY METHOD	83,360
GAIN ON SALE OF LONG-TERM EQUITY INVESTMENTS	( 4,894)
GAIN ON WARRANTS ISSUED - NET	( 305,752)
ACCRUED PENSION COST	162,142
DEFERRED INCOME TAXES	209,607
INCREASE IN SECURITIES PURCHASED - FOR TRADING PURPOSES	( 190,166)
INCREASE IN OPERATING SECURITIES	( 4,033,371)
DECREASE IN SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL	7,549,318
INCREASE IN ACCOUNTS, INTEREST AND OTHER RECEIVABLES	( 4,820,596)
INCREASE IN PREPAID EXPENSES	( 35,020)
DECREASE IN SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE	( 3,936,161)
INCREASE IN WARRANT LIABILITIES	368,800
INCREASE IN REPURCHASE OF WARRANTS ISSUED	( 169,071)
INCREASE IN ACCOUNTS, INTEREST AND OTHER PAYABLES	1,143,988
OTHER	802
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,775,214</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
DECREASE IN DUE FROM BANKS	29,705,562
INCREASE IN DUE FROM CENTRAL BANK	( 3,814,273)
INCREASE IN SECURITIES PURCHASED - FOR INVESTING PURPOSES	( 2,652,039)
INCREASE IN LOANS, DISCOUNTS AND BILLS PURCHASED	( 34,197,459)
INCREASE IN LONG-TERM EQUITY INVESTMENTS	( 1,423,355)
INCREASE IN LONG-TERM BOND INVESTMENTS	( 346,309)
PROCEEDS FROM SALES OF LONG-TERM EQUITY INVESTMENTS	736,811
ACQUISITION OF PROPERTIES	( 837,411)
PROCEEDS FROM SALE OF PROPERTIES	80,789
DECREASE IN OTHER ASSETS	2,269,884
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>( 10,477,800)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
INCREASE IN SHORT-TERM BORROWINGS	3,567,735
INCREASE IN CALL LOANS AND DUE TO BANKS	27,996,774
INCREASE IN DEPOSITS AND REMITTANCES	18,693,445
INCREASE IN BANK DEBENTURES	2,000,000
ISSUANCE OF EURO-CONVERTIBLE BONDS	8,160,299
DECREASE IN OTHER LIABILITIES	( 1,633,728)
REMUNERATION TO DIRECTORS AND SUPERVISORS AND BONUS TO EMPLOYEES	( 317,113)
PROCEEDS FROM REISSUING TREASURY STOCK TO EMPLOYEES	783,408
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>59,250,820</b>
<b>INCREASE IN CASH</b>	<b>50,548,234</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>17,624,506</b>
<b>CASH, END OF PERIOD</b>	<b>\$ 68,172,740</b>
<b>SUPPLEMENTAL INFORMATION</b>	
INTEREST PAID	\$ 8,900,529
INCOME TAX PAID	\$ 809,134
<b>INVESTING AND FINANCING ACTIVITIES NOT AFFECTING CASH</b>	
PROCEEDS FROM REISSUING TREASURY STOCK TO EMPLOYEES PRIOR TO THE BEGINNING OF PERIOD	\$ 175,808
<b>THE COMPANY'S SHARES HELD BY BANK SINO PAC WERE TREATED AS TREASURY STOCK</b>	<b>\$ 2,896,922</b>

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

## SINOPAC HOLDINGS AND SUBSIDIARIES CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE PERIOD FROM MAY 9, 2002 (DATE OF ESTABLISHMENT) TO DECEMBER 31, 2002 (NOTE 1) (AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT DIVIDENDS PER SHARE)	CAPITAL STOCK (NOTE 22)		ADDITIONAL PAID-IN CAPITAL AFTER STOCK CONVERSION	ADDITIONAL PAID-IN CAPITAL PRIOR TO STOCK CONVERSION	CAPITAL SURPLUS FROM MERGER OF BUSINESS	CAPITAL SURPLUS (NOTES 2 AND 22)		
	SHARES	AMOUNT				GAIN ON DISPOSAL OF PROPERTIES	DONATED CAPITAL	TREASURY STOCK
BALANCE, JANUARY 1, 2002	3,538,352,487	\$ 35,383,525	\$ -	\$ 709,777	\$ 773,040	\$ 21,866	\$ 83	\$ -
APPROPRIATION OF SUBSIDIARIES FOR 2001 EARNINGS								
LEGAL RESERVE	-	-	-	-	-	-	-	-
SPECIAL RESERVE	-	-	-	-	-	-	-	-
BONUS TO EMPLOYEES	-	-	-	-	-	-	-	-
REMUNERATION TO DIRECTORS AND SUPERVISORS	-	-	-	-	-	-	-	-
REVERSAL OF SPECIAL RESERVE APPROPRIATED EQUIVALENT TO THE DEBIT BALANCE OF ACCOUNTS IN STOCKHOLDERS' EQUITY FROM SUBSIDIARIES	-	-	-	-	-	-	-	-
TRANSFER CAPITAL SURPLUS FROM GAIN ON DISPOSAL OF PROPERTIES TO UNAPPROPRIATED EARNINGS FROM SUBSIDIARIES	-	-	-	-	-	( 5,376)	-	-
UNREALIZED LOSS ON LONG-TERM EQUITY INVESTMENTS RECOGNIZED FROM SUBSIDIARIES	-	-	-	-	-	-	-	-
CHANGE IN TRANSLATION ADJUSTMENT ON LONG-TERM EQUITY INVESTMENTS FROM SUBSIDIARIES	-	-	-	-	-	-	-	-
REISSUED TREASURY STOCK TO EMPLOYEES FROM SUBSIDIARIES	-	-	-	-	-	-	-	-
NET INCOME FROM SUBSIDIARIES FOR THE PERIOD FROM JANUARY 1, 2002 TO MAY 8, 2002	-	-	-	-	-	-	-	-
RECLASSIFICATION OF SHARES HELD BY SUBSIDIARIES TO TREASURY STOCKS	-	-	-	-	-	-	-	-
RECLASSIFICATION OF STOCK CONVERSION BETWEEN THE COMPANY AND ITS SUBSIDIARIES	-	-	11,154,040	( 709,777)	( 773,040)	( 16,490)	( 83)	-
BALANCE, MAY 9, 2002	3,538,352,487	35,383,525	11,154,040	-	-	-	-	-
CAPITALIZATION OF CAPITAL SURPLUS STOCK DIVIDENDS - \$0.6093 PER SHARE	209,774,487	2,097,745	( 2,097,745)	-	-	-	-	-
CONSOLIDATED NET INCOME FOR THE PERIOD FROM MAY 9, 2002 TO DECEMBER 31, 2002	-	-	-	-	-	-	-	-
UNREALIZED LOSS ON LONG-TERM EQUITY INVESTMENTS RECOGNIZED FROM SUBSIDIARIES	-	-	-	-	-	-	-	-
UNREALIZED REVALUATION LOSS RECOGNIZED FROM SUBSIDIARIES	-	-	-	-	-	-	-	-
CHANGE IN CUMULATIVE TRANSLATION ADJUSTMENT RECOGNIZED FROM SUBSIDIARIES	-	-	-	-	-	-	-	-
DIFFERENCE ADJUSTMENT BETWEEN THE EQUITY IN NET ASSETS FOR THE INVESTMENTS AND THE BOOK VALUE FROM LONG-TERM INVESTMENTS	-	-	-	-	-	-	-	-
EFFECT OF ACQUIRING LONG-TERM EQUITY INVESTMENTS FROM SUBSIDIARIES	-	-	( 1,679)	-	-	-	-	-
TREASURY STOCK TRANSACTIONS OF SUBSIDIARIES	-	-	-	-	-	-	-	11,663
BALANCE, DECEMBER 31, 2002	3,748,126,974	\$ 37,481,270	\$ 9,054,616	\$ -	\$ -	\$ -	\$ -	\$ 11,663

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

OTHER	TOTAL	RETAINED EARNINGS (NOTE 22)				UNREALIZED LOSS ON LONG-TERM EQUITY INVESTMENTS (NOTES 2 AND 11)	UNREALIZED REVALUATION LOSS ON LONG-TERM EQUITY INVESTMENTS (NOTES 2 AND 11)	CUMULATIVE TRANSLATION ADJUSTMENT (NOTES 2 AND 11)	TREASURY STOCK (NOTES 2 AND 23)	TOTAL STOCKHOLDERS' EQUITY
		LEGAL RESERVE	SPECIAL RESERVE	UNAPPROPRIATED	TOTAL					
\$ 3,212	\$1,507,978	\$ 3,290,784	\$ 1,787,268	\$ 2,945,697	\$ 8,023,749	(\$ 302,532)	(\$ 35,746)	\$ 346,735	(\$1,317,663)	\$ 43,606,046
-	-	590,001	-	( 590,001)	-	-	-	-	-	-
-	-	-	267,940	( 267,940)	-	-	-	-	-	-
-	-	-	-	( 248,547)	( 248,547)	-	-	-	-	( 248,547)
-	-	-	-	( 69,423)	( 69,423)	-	-	-	-	( 69,423)
-	-	-	( 5,536)	5,536	-	-	-	-	-	-
-	(5,376)	-	-	5,376	5,376	-	-	-	-	-
-	-	-	-	-	-	( 23,390)	-	-	-	( 23,390)
-	-	-	-	-	-	-	-	46,934	-	46,934
-	-	-	-	( 12,385)	( 12,385)	-	-	-	262,317	249,932
-	-	-	-	1,952,668	1,952,668	-	-	-	-	1,952,668
-	-	-	-	-	-	-	-	-	( 2,896,922)	( 2,896,922)
( 3,212)	9,651,438	( 3,880,785)	( 2,049,672)	( 3,720,981)	( 9,651,438)	-	-	-	-	-
-	11,154,040	-	-	-	-	( 325,922)	( 35,746)	393,669	( 3,952,268)	42,617,298
-	(2,097,745)	-	-	-	-	-	-	-	-	-
-	-	-	-	1,548,606	1,548,606	-	-	-	-	1,548,606
-	-	-	-	-	-	4,493	-	-	-	4,493
-	-	-	-	-	-	-	( 4,949)	-	-	( 4,949)
-	-	-	-	-	-	-	-	( 69,117)	-	( 69,117)
-	-	-	-	( 8,256)	( 8,256)	-	-	-	-	( 8,256)
1,679	-	-	-	-	-	-	-	-	-	-
-	11,663	-	-	( 9,077)	( 9,077)	-	-	-	706,698	709,284
\$ 1,679	\$9,067,958	\$ -	\$ -	\$1,531,273	\$1,531,273	(\$ 321,429)	(\$ 40,695)	\$ 324,552	(\$ 3,245,570)	\$ 44,797,359

## SINOPAC HOLDINGS AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

#### 1. ORGANIZATION AND OPERATIONS

SinoPac Holdings (the Company) was formed pursuant to the Financial Holding Company Law and other related regulations on May 9, 2002. Following the incorporation the Company issued stocks to exchange for the shares of Bank SinoPac, National Securities Corporation (NSC), and SinoPac Securities Co., Ltd. (SPS), respectively, at ratios of 1:1.0267130836, 1:1.0098971566 and 1:0.7968960296, respectively, resulting in all three companies becoming wholly-owned subsidiaries of the Company. The shares of Bank SinoPac and NSC then ceased trading in Taiwan Stock Exchange (TSE) and Over-the-Counter Securities Exchange (OTC Exchange), respectively, while SinoPac Holdings became listed in TSE instead.

On July 22, 2002, SPS was merged into NSC with the latter as surviving entity pursuant to resolutions reached by the Boards of both companies. The exchange ratio is 1.2672884782 shares of SPS's stock for each share of NSC common stock, and the merged company was immediately renamed to SinoPac Securities Corporation (SinoPac Securities).

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

Bank SinoPac obtained government approval to incorporate on August 8, 1991, and commenced operations on January 28, 1992. The Bank is engaged in commercial banking, trust, and foreign exchange operations as prescribed by the Banking Law.

As of December 31, 2002, Bank SinoPac's operating units include Banking, Trust, International Division of the Head Office, an Offshore Banking Unit (OBU), 42 domestic branches, 2 overseas branches and 1 overseas representative office.

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

On August 15, 1997, Bank SinoPac acquired Far East National Bank (FENB), through SinoPac Bancorp, by purchase of 100% of its shares. FENB was established in Los Angeles in 1974. It is a commercial bank engaged mainly in deposit taking and lending businesses. As of December 31, 2002, FENB has 15 branches in Los Angeles and San Francisco areas and one Beijing representative office. It also has 4 wholly-owned subsidiaries - Far East Capital Corporation, a small business investment bank, FENB Securities Inc., a small securities corporation, FENB Loan Corp., an asset management corporation, and FENB Film Corp., a motion picture asset management corporation.

SinoPac Securities was established on October 11, 1988 and started operations on November 8, 1988. It engages in transactions involving marketable securities such as: (a) underwriting, dealing (securities and futures) and brokerage, (b) financing the acquisition and short-sales by customers, (c) trading foreign securities on behalf of customers, and (d) assistance activities in futures trading. As of December 31, 2002, the SinoPac Securities has 49 branches in operation (including 7 branches merged from SPS).

#### 2. SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies, which conform to accounting principles generally accepted in the Republic of China (ROC), are summarized below:

##### • Consolidation

The consolidated financial statements include the accounts of the SinoPac Holdings, Bank SinoPac, as consolidated with SinoPac Bancorp and its subsidiary FENB and SinoPac Securities (the Company, thereafter). All significant inter-company transactions and balances have been eliminated for consolidation purpose.

The operating revenues and total assets of the other investees - SinoPac Call Center Co., Ltd., SinoPac Leasing Corporation, SinoPac Capital Limited, SinoPac Financial Consulting Co., Ltd., SinoPac Life Insurance Agent Co., Ltd., SinoPac Property Insurance Agent Co., Ltd., SinoPac Futures Corp. (formerly National Futures Corp.), SinoPac Futures Co., Ltd., SinoPac Securities (Cayman) Holdings Ltd. (formerly NSC (Cayman) Holdings Ltd.),

SinoPac Capital Management Corp. (formerly Wang Shen Securities Investment Consulting Co., Ltd.), and SinoPac Asset Management Corp. (B.V.I.) - are individually less than 10%, and are in aggregate less than 30%, of those of the Company. Accordingly, their accounts were not included in consolidated financial statements.

#### ● Operating securities

Stocks, except for Emerging Stocks, held by SinoPac Securities' dealing and underwriting departments are stated at the lower of aggregate cost or market value. Emerging Stock is stated at cost. The aggregate market value of the stocks, except Emerging Stocks, is based on closing price as of the balance sheet date. Allowance for loss is provided for the excess of the total cost of the securities over their market value. Any recovery of the market values of the securities to the extent of their original carrying values is recognized as income. The allowance is adjusted when the market value subsequently recovers. The cost of stocks sold is determined using the moving-average method.

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

#### ● Securities purchased

Securities purchased include short-term bills, stocks, beneficiary certificates and bonds.

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

For applying the lower of cost or market method, the SinoPac Holdings shares held by Bank SinoPac should be evaluated separately from the other listed and over-the-counter stocks held by Bank SinoPac pursuant to the accounting principles generally accepted in the ROC.

#### ● Warrant liabilities and operating securities - hedging

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

Securities held as hedges for warrants issued are stated at purchased cost or at the lower of cost or market value on the date of being transferred to hedge position. These securities are stated at the lower of cost or market value based on individual warrants issued. The loss from decline in market value of such securities is charged to current income.

#### ● Securities purchased or sold under agreements to resell or to repurchase

Except for Bank SinoPac, sales or purchases of bonds and short-term bills under agreements to repurchase or resell for the Company are stated at cost. The difference between the original purchase cost (or sale price) and the contracted resale (or repurchase) amount is recognized as interest income (or interest expense) except for Bank SinoPac.

For Bank SinoPac, securities purchased or sold under agreements to resell or to repurchase are treated as outright sales or purchases pursuant to a directive issued by the Ministry of Finance (MOF).

### ● Margin loans and stock loans

Margin loans represent pecuniary financing to customers. Margin loans receivable represent the margin given to customers to purchase securities. These loans are secured by securities purchased by customers that are recorded through memo entries as “collateral securities”. The collateral securities are returned when the loans are repaid.

The refinancing of margin loans with securities finance companies are recorded as “refinancing borrowings” which are secured by securities purchased by customers.

The collateral securities are disposed by SinoPac Securities when their market value fall below the pre-agreed level and the customer fails to maintain to such level. The balance of the margin loan is reclassified to “accounts receivable in dunning process” account in cases where the proceeds from the disposal of collateral securities is not sufficient to cover the balance of the loan and the customer is unable to timely settle the deficiency. In cases when the collateral securities cannot be sold in the open market, the balance of the loan is reclassified to the account, “other receivables” or “accounts receivable in dunning process” with appropriate allowance for bad debt recognized based on an estimated amount collectible.

Stock loans represent securities lent to customers for short-sales transactions. The deposits received from customers on securities lent are credited to “deposits on short sale”. The securities short sold are recorded through memo entries as “stock loans”. The proceeds from sales of securities lent to customers less any dealer’s commission, financing charges and securities exchange tax are recorded to “short sales proceeds payable”. The deposits received and the proceeds from sales of securities are returned when the stocks are repaid.

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

### ● Non-performing loans

The balance of loans and other credits extended by the Company and the related accrued interest thereon are classified as non-performing when the loan is six months overdue pursuant to guidelines issued by the MOF and, upon approval by the board of directors, those loans which are less than six months overdue will also be classified as non-performing.

### ● Allowance for credit losses and provision for losses on guarantees

In determining the allowance for credit losses and provision for losses on guarantees, Bank SinoPac evaluates the losses on particular loans and overall credit portfolio considering the balances of loans, discounts and bills purchased, accounts, interest and other receivables, non-performing loans, as well as guarantees and acceptances as of the balance sheet dates.

Losses on overall credit portfolio are assessed on the basis of Bank SinoPac’s prior experiences.

Bank SinoPac evaluates losses on particular loans based on its borrowers’ /clients’ credit limit, collateral provided and estimated level of collectibility in accordance with “The Rules for Bank Asset Evaluation, Loss Reserve Provision, and Disposal of Overdue Loans and Bad Debts” (the “Rules”) issued by the MOF. The Rules provide that the minimum amount requirement of provision for credit losses shall equal to the aggregate of 50% of the doubtful credits and 100% of the unrecoverable credits.

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

For SinoPac Securities, allowance for bad debts is provided on the basis of a review of the estimated collectibility of notes and accounts receivables, other receivables and accounts receivable in dunning process. After provision for such allowance, SinoPac Securities provides additional amount for bad debts reserve in order to save 3% of the value-added tax which should be paid to tax authority.

### ● Long-term equity investments

Pursuant to a directive issued by the Accounting Research and Development Foundation of ROC, a financial holding company should treat the net worth of the investees as paid in capital if the holding company is incorporated through the stock conversion. The issued stock by the holding company is accounted for as capital stock, while the excess of the par value is accounted for as additional paid-in capital.

Long-term equity investments are accounted for by the equity method if the Company has significant influence over the investees. Investments accounted for by the equity method are stated at cost, plus (or minus) a proportionate share in net earnings (losses) or changes in net worth of the investees. Any difference between the acquisition cost and the equity of the investee acquired at the time of investment is amortized over 15 years by Bank SinoPac and 5 years by SinoPac Securities, respectively. Long-term equity investments are accounted for by the cost method if the Company does not have significant influence over the investees. Stock dividends result only in an increase in number of shares and are not recognized as investment income.

When investing in cumulative and non-participating preferred stocks, dividend income shall be accrued according to the related offering terms.

If an investee issues new shares and the Company does not purchase new shares proportionately, then the investment percentage, and therefore the equity in net assets for the investment, will be changed. Such difference shall be used to adjust the additional paid-in capital and the long-term equity investment. If the carrying value of additional paid-in capital from long-term equity investment is not enough to be offset, then the difference shall be debited to the retained earnings.

For listed and over-the-counter stocks accounted for by the cost method, when the aggregate market value is lower than the total carrying value, an allowance for market value decline is provided and the unrealized loss is charged against stockholders' equity. If a decline in the value of an investment in unlisted stock is considered as permanent loss, the decline is charged to current income.

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

### ● Long-term bond investments

Long-term bond investments, comprised of corporate bonds, are recorded at cost and adjusted for amortization of premiums or discounts. Cost of bonds sold is calculated by the moving-average method.

### ● Properties

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

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

The gain on disposal of properties is not required to be transferred to capital surplus anymore starting the year of 2001 according to the amendment of the Company Law. The gain on disposal of properties for the year 2001, occurred before such amendment, has been transferred to capital surplus at the end of year, net of the applicable income tax. In compliance with related regulations, the aforementioned capital surplus has been reversed to retained earnings before December 31, 2002.

Depreciation is calculated by the straight-line method, and based on estimated useful lives as follows: Buildings, 8 to 60 years; computer equipment, 3 to 5 years; transportation equipment, 5 years; office and other equipment, 2 to 55 years. For assets still in use beyond their original estimated useful lives, depreciation is calculated on the basis of the estimated additional useful lives.

### ● Amortization of issuance costs of Euro-convertible bonds

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

### ● Intangible assets

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

Deferred charges of SinoPac Securities (included in other assets), which include acquiring operating rights, computer software, network construction and housing renovations, are capitalized and amortized over 5 years.

### ● Collateral assumed

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

### ● Interest-premium

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

### ● Securities brokerage accounts

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

### ● Reserve for default accounts

As required by Rules Governing Securities Firms, SinoPac Securities trading securities for customers' accounts shall allocate 0.0028% of the transaction price of the traded securities on a monthly basis as a reserve for default accounts. When the accumulated reserve for default accounts reaches 2 billion, allocation will be suspended. This reserve shall not be used except for the purpose of covering the losses caused by breach of contracts for trading on customers' account or for purpose approved by the Securities & Futures Commission (SFC).

### ● Reserve for trading losses

An amount equivalent to 10% of the net gain from sale of securities and futures is recognized as reserve for trading losses every month under the Rules Governing Securities Firms and Rules Governing Future Firms. This reserve is recognized until its accumulated balance reaches \$2 billion. This reserve can be used only to offset actual loss from securities and futures dealings.

### ● Derivative financial instruments

#### a. Foreign exchange forward contracts

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

#### b. Forward rate agreements

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

#### c. Currency swap contracts

Foreign-currency spot-position assets or liabilities arising from currency swap contracts, which are mainly to accommodate customers' needs or to manage the Company's currency positions, are recorded at spot rates when

the transactions occur, while the corresponding forward-position assets or liabilities are recorded at the contracted forward rates; with receivables netted against the related payables.

The related discount or premium is amortized by the straight-line basis over the contract period.

**d. Cross currency swaps**

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

**e. Options**

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

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

**f. Interest rate swaps**

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

For SinoPac Securities, the notional amounts of the interest rate swap agreements, entered into by SinoPac Securities to profit from short-term fluctuation in interest rates or hedge its interest rate exposures, are recognized through memo entries since the agreements do not require the actual settlement of such amounts. The change in present value of expected future net cash flows under agreements entered into to profit from short-term fluctuation in interest rates is recognized as interest income or expenses. The net interest receivable or payable as of the balance sheet dates and those received or paid at the settlement dates on agreements that are entered into to hedge interest rate exposures are reported as interest income or expenses. The interest income and interest expense are offset by its purpose and presented as a net amount in the income statements.

**g. Asset swaps**

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

**h. Futures**

Premiums paid by Bank SinoPac related to interest rate futures contracts entered into for trading purposes are recognized as assets. Gains or losses as a result of marking to market value of the interest rate futures contracts as of the balance sheet dates are recognized as current income. Gains or losses arising from the settlement of the interest rate futures contracts are also recognized as current income.

Initial margin deposited by SinoPac Securities on future contracts and margin deposits which are maintained to reflect the fluctuation of market price of futures contracts are recognized as margin deposits - futures. Gains or

losses, arising from daily marking to market the carrying amounts of the futures contracts, taking opposite positions of futures and settlement of futures contracts, are recognized as gains or losses from transactions of futures - nonhedging. Gains or losses of future contracts, as a result of hedging market risks of financial instruments, are recognized as gains or losses from transactions of futures - hedging.

- **Recognition of interest revenue and service fees**

Interest revenue from deposits in banks recognized by the SinoPac Holdings and interest revenue on loans recognized by Bank SinoPac is recorded using the accrual method. No interest revenue is recognized in the accompanying financial statements on loans and other credits extended by Bank SinoPac that are classified as non-performing loans. The interest revenue on those loans/credits is recognized upon collection.

Pursuant to the regulations of the MOF, the interest revenue on credits covered by agreements that extend their maturities is recognized upon collection. Service fees are recorded as income upon receipt and substantial completion of activities involved in the earnings process.

For SinoPac Securities, revenue from rendering service, such as brokerage and underwriting commissions and fees, stock affairs agent fees and future commissions and fees, etc., is recognized by reference to the stage of completion when this can be measured reliably as of the balance sheet dates. Interest income is accrued on a time basis, by reference to the principle outstanding and at the effective interest rate applicable. Dividend income from equity securities is recognized on ex-dividend date or the stockholders' resolved dates.

- **Pension**

Pension expense (including retirement and severance benefits cost, the "pension expense" thereon) is determined based on actuarial calculations except for FENB.

- **Income tax**

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

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

Tax credits, generated from acquisitions of equipment or technology, research and development expenditure, personnel training expenditure and equity investments acquisition, are accounted for by the flow-through method.

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

- **Contingencies**

A loss is recognized when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. If the amount of the loss cannot be reasonably estimated or the loss is possible and remote, the related information is disclosed in the financial statements.

- **Foreign-currency transactions**

Foreign-currency transactions are recorded in the respective currencies denominated and translated into New Taiwan Dollar equivalents using the month-end spot rates. Foreign-currency assets and liabilities are translated into New Taiwan Dollar equivalents using the closing rates as of the balance sheet dates. Realized and unrealized foreign exchange gains or losses are recorded to the income of respective periods. Gains or losses resulting from restatement of period-end foreign-currency denominated long-term equity investments accounted for by the equity method are credited or charged to "cumulative translation adjustment" under stockholders' equity.

- **Treasury stock**

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

Pursuant to a directive issued by the SFC, the qualified treasury stock originally owned by a financial institution, which later become a subsidiary of a financial holding company, should still be treated as treasury stock in the books of subsidiary after exchange to the shares of parent company. However, in case what that subsidiary owns are shares of other subsidiary under the same financial holding company, and the shares are later exchanged to the shares of the parent company due to the share swap, these shares should be treated as investments in subsidiary's books, but as treasury stock in parent's books starting December 31, 2002.

### **3. ELIMINATIONS OF SIGNIFICANT TRANSACTIONS BETWEEN PARENT COMPANY AND SUBSIDIARIES**

<u>Name of Corporation</u>	<u>Elimination Account</u>	<u>Amount</u>	<u>Counterparties of Transaction</u>
SinoPac Holdings	Cash	\$ 8,528,634	Bank SinoPac and subsidiaries
	Bonds purchased under agreements to resell	470,000	SinoPac Securities
	Interest receivable	19,080	Bank SinoPac and subsidiaries
	Interest revenue	71,646	Bank SinoPac and subsidiaries
Bank SinoPac and subsidiaries	Deposits and remittances	1,198,058	SinoPac Securities
	Deposits and remittances	8,528,634	SinoPac Holdings
	Loans, discounts and bills purchased	200,000	SinoPac Securities
	Interest payable	19,080	SinoPac Holdings
	Interest revenue	4,592	SinoPac Securities
	Interest expenses	71,646	SinoPac Holdings
	Interest expenses	53,144	SinoPac Securities
	Non-operating income	1,554	SinoPac Securities
	Operating and administrative expenses	24,057	SinoPac Securities
SinoPac Securities	Cash and cash equivalents	68,058	Bank SinoPac and subsidiaries
	Pledged time deposits	1,130,000	Bank SinoPac and subsidiaries
	Short-term borrowings	200,000	Bank SinoPac and subsidiaries
	Bonds sold under agreements to repurchase	470,000	SinoPac Holdings
	Operating and administrative expenses	1,554	Bank SinoPac and subsidiaries
	Services fees	1,653	Bank SinoPac and subsidiaries
	Non-operating income	75,548	Bank SinoPac and subsidiaries
	Non-operating expenses	4,592	Bank SinoPac and subsidiaries

### **4. CASH**

	<u>December 31, 2002</u>
Negotiable certificates of deposit	\$ 64,644,097
Deposits in Bank	1,418,786
Cash	1,658,543
Notes and checks in clearing	451,314
	<u>\$ 68,172,740</u>

As of December 31, 2002, negotiable certificates of deposit aggregating \$23,600,000 have maturities over one year and may be withdrawn momentarily.

For Bank SinoPac, to comply with the Central Bank's clearing system of Real-time Gross Settlement (RTGS), negotiable certificates of deposit aggregating \$13,800,000 has been provided as collateral for the day-time overdrafts as of December 31, 2002, with the pledged amount which can be adjusted momentarily.

**5. DUE FROM CENTRAL BANK**

This account consists mainly of New Taiwan dollar and foreign currency denominated deposit reserves.

Pursuant to a directive issued by the Central Bank of the ROC, New Taiwan dollar denominated deposit reserves are determined monthly at prescribed rates on average balances of customers' New Taiwan dollar - denominated deposits. These reserves include \$5,437,730 as of December 31, 2002, which are subject to withdrawal restrictions.

In addition, the foreign-currency denominated deposit reserves are determined at prescribed rates on balances of additional foreign-currency denominated deposits. These reserves may be withdrawn momentarily on demand and are non-interest earnings. As of December 31, 2002, the balance of foreign-currency denominated deposit reserves was \$45,179.

**6. OPERATING SECURITIES**

	<u>December 31, 2002</u>
<u>Dealing department</u>	
Bonds	
Government bonds - interest rate: 2.25%-7.75%	\$ 5,732,419
Corporate bonds - interest rate: 2.20%-7.36%	5,466,325
Bank debentures - interest rate: 3.55%-6.04%	1,152,422
Listed stocks and convertible corporate bonds	1,577,780
Over-the-counter stocks and convertible corporate bonds	1,465,917
Emerging stocks	453,230
Taiwan Innovative Growing Entrepreneurs	24,704
	<u>15,872,797</u>
<u>Underwriting department</u>	
Listed stocks	392,630
Over-the-counter stocks and convertible corporate bonds	565,784
Unlisted stocks	64,986
	<u>1,023,400</u>
<u>Hedge positions for stock warrants</u>	
Listed stocks	153,800
Less - allowance for decline in market value	12,787
	<u>141,013</u>
	<u>\$ 17,037,210</u>

The aggregate market values determined by the closing prices and reference prices as of December 31, 2002 are as follows:

	<u>December 31, 2002</u>
Dealing department - bonds	\$ 12,646,782
Dealing departments - listed stocks, over-the-counter stocks and convertible corporate bonds	2,824,808
Dealing departments - Taiwan Innovative Growing Entrepreneurs	20,345
Underwriting department - listed stocks, over-the-counter stocks and convertible corporate bonds	1,067,137
Securities for hedging purpose	141,013

**7. SECURITIES PURCHASED**

	<u>December 31, 2002</u>
Corporate bonds	\$ 14,343,933
Commercial papers	5,838,887
Beneficiary certificates	4,984,164
Treasury bills	3,940,049
Floating rate notes	3,789,720
Government bonds	1,797,744
Bank debentures	583,584
Listed and over-the-counter stocks	200
	<u>\$ 35,278,281</u>

As of December 31, 2002, the aggregate market values or reference prices of corporate bonds, beneficiary certificates, floating rate notes, government bonds, bank debentures and listed and over-the-counter stocks, are as follows:

	<u>December 31, 2002</u>
Corporate bonds	\$ 14,458,525
Beneficiary certificates	5,005,712
Floating rate notes	3,889,345
Government bonds	1,829,449
Bank debentures	593,128
Listed and over-the-counter stocks	139

### **8. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL**

As of December 31, 2002, securities purchased under agreements to resell will be sold for \$1,539,589 by September 2003.

### **9. ACCOUNTS, INTEREST AND OTHER RECEIVABLES**

	<u>December 31, 2002</u>
Margin loans receivable	\$ 12,089,479
Accounts receivable	11,780,625
Interest receivable	1,627,798
Accrued revenue	587,722
Tax refundable	183,456
Other	710,804
	<u>26,979,884</u>
Less - allowance for credit losses	163,633
Net	<u>\$ 26,816,251</u>

The balance of the accounts receivable as of December 31, 2002 included \$11,200,653 representing accounts receivable acquired from other parties in the factoring business.

### **10. LOANS, DISCOUNTS AND BILLS PURCHASED**

	<u>December 31, 2002</u>
Overdrafts	\$ 2,834,970
Short - term loans	52,644,007
Mid - term loans	58,389,464
Long - term loans	109,672,916
Import and export negotiations	1,320,750
Bills purchased	1,712
Non-performing loans	2,596,036
	<u>227,459,855</u>
Less-allowance for credit losses	2,366,419
-unearned loan fees	120,991
Net	<u>\$ 224,972,445</u>

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

As of December 31, 2002, the balance of non-accrual loans was \$3,709,926. The unrecognized interest revenue on non-accrual loans amounted to \$187,803 for the year ended December 31, 2002.

For the year ended December 31, 2002, the Company had not written off credits for which legal proceedings had not been initiated.

The details and changes in allowance for credit losses of loans, discounts and bills purchased for the year ended December 31, 2002, are summarized below:

	<u>For the Year Ended December 31, 2002</u>		
	For Losses on Particular Loss	For Loss on the Overall Loan Portfolio (Excluding the Particular Loans)	Total
Balance, beginning of year	\$ 792,671	\$ 1,107,719	\$ 1,900,390
Provision	1,365,525	70,364	1,435,889
Write-off	( 1,557,729)	-	( 1,557,729)
Recovery of written-off credits	105,731	-	105,731
Reclassifications	505,529	( 23,391)	482,138
Balance, end of year	<u>\$ 1,211,727</u>	<u>\$ 1,154,692</u>	<u>\$ 2,366,419</u>

As of December 31, 2002, allowance for credit losses and provisions for losses on guarantees of the Company was \$2,563,198.

Since the second half of 2000, the economic and financial environment has been beset by many economic and noneconomic difficulties from inside and outside Taiwan. As a result, the country's economic growth decelerated, investment decreased unemployment rose, the stock market slumped, and the New Taiwan dollar depreciated in value, which in turn caused many business enterprises, including conglomerates and listed companies, failed to meet their financial obligations. To stabilize the situation, the government has taken various measures to boost economy.

With this background, the Company's financial statements for the year ended December 31, 2002 include provisions for loan losses and guarantee liabilities based on information available to the Company, including defaults to the extent they can be determined or estimated. However, these estimates do not include any adjustments that might be required when related contingent liabilities become probable or determinable in the future.

## 11. LONG-TERM INVESTMENTS

	<u>December 31, 2002</u>
<u>Long-term equity investments</u>	
Equity method	
Unlisted stocks	\$ 5,568,657
Preferred stock	288,336
Cost method	
Listed and over-the-counter stocks	655,717
Unlisted stocks	1,434,512
	2,090,229
Less - unrealized losses	298,387
Net	2,080,178
<u>Long-term bond investments</u>	
Corporate bonds	346,309
	<u>\$ 7,995,144</u>

As of December 31, 2002, the total market values in listed and over-the-counter stocks of long-term equity investments, and long-term bond investments were \$357,330 and \$353,647, respectively.

As of December 31, 2002, the unrealized loss on long-term equity investments resulted from market value decline of listed and over-the-counter stocks held by an investee accounted for by the equity method amounted to \$321,429. Also, the Company recognized the unrealized revaluation loss on long-term equity investments of Aetna Sinopac Credit Card Co., Ltd., which had been renamed as AnShin Card Services Company Limited (AnShin Card Services) since January 3, 2003, and cumulative translation adjustment from subsidiaries totaling \$40,695 and \$324,552, respectively.

The Company acquired 28,833,600 shares of preferred stock issued by AnShin Card Services as of October 30, 2002 at the cost of \$288,336. The aforementioned preferred stock bears annual interest rate of 4% and will be matured in October 2006. The Company has accrued dividend income from preferred stock totaling \$1,991 for the period starting the date of investment to December 31, 2002.

**12. PROPERTIES**

	December 31, 2002
Cost	\$ 10,927,076
Less - accumulated depreciation	
Buildings	393,903
Computer equipment	1,443,921
Transportation equipment	39,225
Office and other equipment	1,277,146
	<u>3,154,195</u>
Advances on acquisitions of equipment and construction in progress	284,718
Net	<u>\$ 8,057,599</u>

**13. OTHER ASSETS**

	December 31, 2002
Guarantee deposits	\$ 2,377,487
Pledged time deposits	2,203,400
Intangible assets	1,219,913
Value of options purchased	1,136,609
Collateral assumed	380,460
Property held for lease - net	340,125
Suspense account	323,950
Computer system software	247,614
Other	619,207
	<u>\$ 8,848,765</u>

As of December 31, 2002, guarantee deposits included, \$1,530,121, which were in the forms of government bonds, corporate bonds, time deposits and bank debentures.

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

**14. SHORT-TERM BORROWINGS**

	December 31, 2002
Short-term borrowings - due from January to February 2003, with interest rates ranging from 1.6% to 2.45%	\$ 4,058,000
Current portion of long-term liabilities	1,000,000
Commercial paper payables - due from January to March 2003, with interest rates ranging from 1.07% to 2.00%	2,620,000
Less - unamortized discounts	2,021
	<u>2,617,979</u>
Net	<u>\$ 7,675,979</u>

Current portion of long-term liabilities were from SinoPac Securities, which issued the second unsecured corporate bonds with interest rate of 5.7% from May 18, 2000 to May 18, 2003. The interest payment and the principal will be paid at the maturity date.

**15. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE**

As of December 31, 2002, securities sold under agreements to repurchase will be repurchased for \$14,084,151 by May 2003.

**16. WARRANT LIABILITIES**

Warrant Name	Date of Issuance	Underlying Security	Units Issued	Price at Issuance (NT\$)	Amount	Strike Price (NT\$)	Leverage
National Securities - 11	January 7, 2002	United Microelectronics Corp.	19,000,000	\$ 11.20	\$ 212,800	\$54.26	4.6
SinoPac Securities - 01	October 22, 2002	Compal Electronics Inc.	20,000,000	5.30	106,000	55.50	7.0
SinoPac Securities - 02	November 15, 2002	Uni-President Enterprises Corp.	20,000,000	2.50	50,000	12.10	4.8

Less - gain on change in market value of warrants liabilities as of December 31, 2002 ( 286,850)  
Market value \$ 81,950

The above-mentioned warrants are American-type warrants and expire one year after their respective issue dates. SinoPac Securities, at its option, can settle a warrant exercised either through the issuance of the underlying securities or in cash.

The market values of warrant liabilities were calculated using their closing prices as of December 31, 2002.

**17. REPURCHASED OF WARRANTS ISSUED**

Warrant Name	December 31, 2002	
	Units Purchased (in Thousands)	Amount
National Securities - 11	430,000	\$ 1,409
SinoPac Securities - 01	17,396,000	92,950
SinoPac Securities - 02	643,000	1,370
Less - loss on change in market value of warrants repurchased		( 50,383)
Market value		<u>\$ 45,346</u>

The market values of warrants repurchased were calculated using the closing price of the warrants as of December 31, 2002.

**18. ACCOUNTS, INTEREST AND OTHER PAYABLES**

	December 31, 2002
Accounts payable	\$ 4,899,339
Short sale proceeds payable	1,838,645
Interest payable	1,354,671
Accrued expenses	1,244,861
Notes and checks in clearing	1,150,541
Tax payable	728,068
Securities brokerage credit account - net	91,486
Other	208,715
	<u>\$ 11,516,326</u>

The balance of the accounts payable as of December 31, 2002 included \$4,242,009 from the factoring business.

**19. DEPOSITS AND REMITTANCES**

	December 31, 2002
Checking	\$ 6,138,835
Demand	40,997,264
Savings - demand	50,317,311
Time	110,855,165
Negotiable certificates of deposit	851,600
Savings - time	58,162,492
Inward remittances	818,984
Outward remittances	63,017
	<u>\$ 268,204,668</u>

**20. BANK DEBENTURES**

Bank SinoPac issued the first 5-year bank debentures with total amount of \$5,000,000 on December 20, 2001. This instrument bears fixed annual interest rate of 3.08%. The annual interest payment will be paid in the end of every year and the principal will be repaid at the maturity date.

In addition, Bank SinoPac issued the first 5-year and 3-month subordinated bank debentures with total amount of \$2,000,000 on December 23, 2002. For the first two years, this instrument bears fixed annual interest rate of 2.15% and interest payment shall be paid semiannually. For the remaining duration, this instrument bears floating interest rate determined by the average secondary money market rate on 6-month commercial paper with a 0.4% mark-up. The interest will be paid semi-annually and the principal will be repaid at the maturity.

**21. EURO-CONVERTIBLE BONDS**

	December 31, 2002
Euro-convertible bonds	\$ 7,993,925
Add: Interest premium payable	166,374
	<u>\$ 8,160,299</u>

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

**a. Redemption terms**

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

1) Early redemption at the option of the Company: The Bonds may be redeemed at their early redemption amount in whole or in part, at the option of the Company.

- a) Provided that after the third anniversary of the issue date, the closing prices of the common shares on the TSE, for 20 consecutive trading days, exceed 130% of the Conversion Price.
- b) If at least 90% in principal amount of the Bonds have already been redeemed, converted, or purchased and cancelled.
- c) In the event of certain changes in ROC taxation which oblige the Company to pay such additional amounts of the Bonds.

2) Redemption at the option of the bondholders: The Company will, at the option of any bondholder, redeem all or any portion of the Bonds at the accreted value.

- a) At the third anniversary of the issue date (the "put date") by submitting the Relevant Event Redemption Notice to the Company prior to the put date. The put rights will be expired after the put date.
- b) If the common shares of the Company ceased to be listed or admitted to trading on TSE.
- c) If there is a change in control (as defined in the Trust Deed) with respect to the Company.

**b. Maturity date:**

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

**c. Pledged: Negative****d. Conversion right and conversion period**

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

**e. Conversion price**

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

**22. STOCKHOLDERS' EQUITY****a. Capital stock**

On June 26, 2002 the 1<sup>st</sup> special stockholders' meeting resolved to appropriate \$2,097,745 of capital surplus into capital stock by distributing 209,774,487 shares of stock dividends. The capital increase has been approved by the SFC and became effective on August 28, 2002.

**b. Capital surplus**

According to the Company Law, the capital surplus arising from stock issuance with share price in excess of par can be appropriated and transfer to the capital stock account with the resolution of stockholders' meeting.

The capital surplus arising from long-term equity investments accounted for by equity method can not be distributed for any purpose.

Pursuant to the Financial Holding Company Law and related directives issued by SFC, if the capital surplus a FHC obtains through the share-swap are from its subsidiaries' un-appropriated retained earnings after legal and special reserves, the surplus is excluded from the above restriction as prescribed in the Securities and Exchange Law.

The subsidiaries' unappropriated retained earnings prior to the share swap amounted to \$3,720,981 which the Company had accounted as capital surplus at the date of establishment. As of June 26, 2002, the stockholders' meeting resolved to appropriate \$2,097,745 of aforementioned capital surplus into capital stock by distributing 209,774,487 shares of stock dividends.

**c. Retained earnings**

The Company's Articles of Incorporation provide that the annual net income, after taxes and offsetting any loss carried over from previous years, should be appropriated for legal and special reserve first, then the employee bonus which should not be less than 1% of the balance. The Board will propose to the stockholders' meeting for appropriation of the reminder and retained earnings from previous year.

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

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

10% of total dividend declared.

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

The appropriation and the distribution of the above shall be approved by the stockholders in the following year and reflect in the financial statements of that year.

The appropriation for 2002 earnings has not yet been proposed by the board of directors at January 30, 2003, the date of auditors' report. The information regarding the proposed and resolved earnings appropriation for 2002 can be obtained later from the SEC Market Observation Post System (M.O.P.S.) website when the resolution is made.

According to the Company Law, legal reserve needs to be appropriated until the total reserve is equal to the aggregate amount of the outstanding capital stock. This reserve can only be used to offset a deficit, or, when its balance reaches 50% of aggregate amount of capital stock of the Company, up to 50% thereof can be distributed as stock dividends.

Pursuant to a directive issued by the SFC, a special reserve is appropriated from the balance of the retained earnings at an amount that is equivalent to the debit balance of accounts in the stockholders' equity section (such as unrealized loss of long-term equity investments, unrealized revaluation loss of long-term equity investments and cumulative translation adjustment account but excluding the balance of treasury stock). The balance of the special reserve is adjusted to reflect any changes in the debit balance of the related accounts at the balance sheet dates. Except for the amount reversed due to the reduction in the total debit balance, the special reserve shall not be appropriated.

Pursuant to a directive issued by the SFC, in order to prevent a company from excessive earnings distribution and thus damaging its capital structure as well as stockholders' interest, if the shares of parent company held by subsidiaries suffer decline in market value, the parent company shall appropriate special reserve equal to the amount of the market value lost times the ratio it owns. The reserve can be reversed to the extent which had been provided when the market value subsequently recovers. Since no decline in market value arising from shares of the Company held by Bank SinoPac as of December 31, 2002, the Company make no appropriation for aforementioned special reserve.

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

### 23. TREASURY STOCK

(Shares in Thousands)

Reasons	Shares at Beginning of Period	Shares Increased During the Period	Shares Decreased During the Period	Shares at End of Period
Re-issuance to employees				
Bank SinoPac	41,618	-	41,618	-
SinoPac Securities	53,858	-	20,198	33,660
Shares held by subsidiary	204,107	12,436	-	216,543

Under the Securities and Exchange Law, the Company is not allowed to buy back more than 10% of its total shares outstanding. In addition, the Company may not spend more than the aggregate amount of the retained earnings, paid-in capital in excess of par value, and capital surplus arising from gains on disposal of properties and donated capital.

The Company may not pledge or hypothecate any shares bought back, or exercise any shareholders' rights attached to such shares.

Bank SinoPac and SinoPac Securities acquired 40,535,000 and 53,330,000 shares of treasury stock for \$500,354 and \$554,992, respectively. As a result of the share swap (see Note 1), the aforementioned capital stocks have been

exchanged for 95,475,631 shares of the Company. Pursuant to a directive issued by the SFC, the Company treated those shares as treasury stock. Among these treasury stock, 41,617,816 and 20,197,943 shares held by Bank SinoPac and SinoPac Securities, respectively, had been re-issued to their employees at NT\$11.84 and NT\$10.826 per share in 2002. Pursuant to the Securities and Exchange Law, the remaining treasury stock shall be re-issued to employees before November 2004. Any shares remaining shall be deemed as not yet issued by the Company and be cancelled accordingly.

Bank SinoPac had held 256,127,108 shares of SPS (which was merged with SinoPac Securities on July 22, 2002) with carrying value of \$2,896,922 prior to the exchange of shares described in Note 1. Those shares have been exchanged for 204,106,675 shares of the Company and, together with stock dividends of 12,436,219 shares received, were presented by Bank SinoPac as securities purchased in its financial statements; while the Company treated such 216,542,894 shares with carrying value of \$2,896,922 as treasury stock according to accounting principles generally accepted in the ROC.

Pursuant to the Financial Holding Company Law, the aforementioned treasury stock held by Bank SinoPac (i) may be re-issued to the employees of the Company or the Company's subsidiaries within three years, (ii) may be used for equity conversion, or (iii) may be sold on a stock exchange or over-the-counter market. In the event that such shares are not timely re-issued or sold, such shares shall be cancelled and decrease the Company's capital. The Board of directors of the Company has resolved to re-issue part of the aforesaid treasury stock to employees of Bank SinoPac, SinoPac Securities and the Company, while the Board of Bank SinoPac has made no related resolution as yet.

#### 24. SERVICE FEES

	For the Year Ended December 31, 2002
Brokerage	\$ 2,532,651
Factoring and financing	260,717
Underwriting	200,939
Mutual funds and structured notes	231,922
Custody	139,491
Guarantees	94,406
Loan documentation fee	56,382
Index linked mortgage conversion	41,253
Other	451,057
	<u>\$ 4,008,818</u>

#### 25. INCOME FROM SECURITIES - NET

	For the Year Ended December 31, 2002
Short-term bills	
Capital gain - net	\$ 105,340
Interest revenue	1,257,259
	<u>1,362,599</u>
Bonds	
Capital gain - net	902,067
Interest revenue	82,788
	<u>984,855</u>
Beneficiary certificates	
Capital loss - net	<u>( 2,241)</u>
Stock	
Capital gain - net	1,062,274
Dividends	24,073
Provision for decline in market value	<u>( 2,146)</u>
	<u>1,084,201</u>
	<u>\$ 3,429,414</u>

**26. OPERATING AND ADMINISTRATIVE EXPENSES**

	For the Year Ended December 31, 2002
Salaries and wages	\$ 4,584,403
Depreciation and amortization	794,755
Rental	594,696
Taxes other than income tax	439,008
Professional service charges	378,035
Insurance	269,356
Postage	201,542
Repairs and maintenance	27,172
Other	1,735,700
	<u>\$ 9,024,667</u>

**27. PENSION**

SinoPac Holdings has a defined benefit contributory pension plan covering all regular employees. SinoPac Holdings makes monthly contributions in the range of 2% to 15% of employee salaries, to the pension reserve which is administrated by the employee's pension plan supervisors committee.

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

SinoPac Securities has pension and severance plans covering all regular employees. Employees who have served either 25 years or over 15 years and have reached 55 years of age are eligible for retirement benefits. Employees hired on or before May 19, 1997 and have served over 20 years are eligible for retirement benefits. In addition, employees hired on or before March 15, 1996 and have served at least 5 years are eligible for severance benefits. Both pension and severance benefits are calculated at the average six months' salary or wage before retirement or termination. SinoPac Securities makes monthly contributions equal to 6% of basic salaries and wages (net of bonuses and benefits) to a pension fund (the "Fund"). The Fund is administered by the employees pension plan committee and deposited in the committee's name, and establish an employees pension plan supervisors committee to administrate such pension fund.

FENB has a pension plan for regular employees who have been employed for at least one year. Under this plan, employees may contribute up to 15% of their annual salary with FENB matching up to 3% of the employee's contribution. The Company believes that the impact is insignificant for the accompanying consolidated financial statements if FENB recognized pension expense according to the actuarial calculations.

a. The change in the pension fund is summarized below:

	For the Year Ended December 31, 2002
Balance, January 1	\$ 1,092,828
Contributions	247,230
Benefits paid	( 67,293)
Contributions to affiliates	( 2,155)
Interest income	48,707
Balance, December 31	<u>\$ 1,319,317</u>

b. The reconciliation of the funded status of the plan and accrued pension cost is as follows:

	<u>December 31, 2002</u>
Benefit obligation	
Vested benefit obligation	(\$ 307,203)
Nonvested benefit obligation	( 511,742)
Accumulated benefit obligation	( 818,945)
Additional benefits based on future salaries	( 399,926)
Projected benefit obligation	( 1,218,871)
Fair value of plan assets	974,203
Funded status	( 244,668)
Unrecognized net transition obligation	38,120
Unrecognized prior service cost	812
Unrecognized pension loss	290,005
Accrued pension cost	<u>\$ 84,269</u>
c. Vested benefit	<u>\$ 410,940</u>
d. Actuarial assumptions	
Discount rate used in determining present values	3.5%-4.0%
Future salary increase rate	1.5%-4.0%
Expected rate of return on plan assets	3.5%-4.0%

## 28. INCOME TAX

a. The compositions of income tax are as follows:

	<u>For the Year Ended December 31, 2002</u>
Currently payable	\$ 554,182
Foreign income taxes over limitation	27,863
Changes in deferred income taxes	209,607
Tax on unappropriated earnings (10%)	109,183
Separation taxes on short-term bills interest income and others	245,701
Prior year's adjustment	( 9,758)
Income tax	<u>\$ 1,136,778</u>

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

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

	<u>For the Year Ended December 31, 2002</u>
Tax on pretax income at statutory rate	\$ 1,459,361
Add (deduct) tax effects of:	
Tax-exempt income	( 329,383)
Permanent difference	( 481,449)
Temporary difference	( 89,902)
Investment tax credit	( 7,911)
Other	3,466
Currently payable	<u>\$ 554,182</u>

c. Net deferred income tax assets (liabilities) as of December 31, 2002 consist of the tax effects of the following:

	December 31, 2002
Goodwill amortization	(\$ 91,608)
Deferred loan fees	( 150,706)
Provision for credit losses	434,007
Contribution to employees welfare fund	2,190
Pension expense due to difference in calculation for accounting and tax purposes	( 38,701)
Investment income under the equity method	( 348,672)
Unrealized foreign exchange gain	( 6,971)
Other	( 41,390)
Net deferred income tax liabilities - net (included in other liabilities)	<u>(\$ 241,851)</u>

d. The related information under the Integrated Income Tax System is as follows:

	SinoPac Holdings	Bank SinoPac	SinoPac Securities
Balances of imputed tax credit account	<u>\$ 155,165</u>	<u>\$ 191,766</u>	<u>\$ 97,437</u>

The 2002 projected ratios of imputed tax credit to earnings for SinoPac Holdings, Bank SinoPac, and SinoPac Securities are 6.02%, 10.55% and 6.55%, respectively; the 2001 actual ratios of imputed tax credit to earnings were 5.70%, 12.67% and 19.70%, respectively.

The unappropriated retained earnings as of December 31, 2002 did not consist of earnings which were generated before January 1, 1998.

e. For Bank SinoPac, income tax returns of 2000 and earlier except for 1996 and 1999, had been audited by the tax authorities. As a result of those examination, in the income tax returns for 1994, 1995, 1997, 1998 and 2000, the tax authorities had denied the deductibility of 10% withholding taxes on bonds interest income totaling \$69,766 attributable to period that those bonds were held by other investors. Bank SinoPac had appealed the decision to the supreme court on the tax controversy, and the decision made on the tax return for 1994 was later rescinded and other judgment was made. The income tax returns for 1996, 1999 and 2001 also reflected reduction in income tax obligations totaling \$41,443 attributable to similar type of withholding taxes; which returns were not audited by the tax authorities. Bank SinoPac had accrued all related tax liabilities according to the final judgement.

For SinoPac Securities, the income tax returns through 1999 have been audited by the tax authorities. In connection with such audits, the tax authorities denied certain deduction items in 1994 to 1998 returns such as the allocation of the operating expenses, interest expenses and withholding taxes on bond interest income. SinoPac Securities has appealed the decision, but had accrued additional income tax expense for possible future assessment.

## 29. EARNINGS PER SHARE

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

For the period from May 9, 2002 to December 31, 2002	Numerator (Amounts)		Denominator (Shares in Thousands)	EPS (NT\$)	
	Pre-tax	After tax		Pre-tax	After tax
Basic EPS	\$ 2,685,384	\$ 1,548,606	3,462,481	<u>\$ 0.78</u>	<u>\$ 0.45</u>
Influence on diluted common shares: Euro-convertible bonds	<u>166,374</u>	<u>166,374</u>	<u>462,915</u>		
Diluted EPS	<u>\$ 2,851,758</u>	<u>\$ 1,714,980</u>	<u>3,925,396</u>	<u>\$ 0.73</u>	<u>\$ 0.44</u>

Pro forma information under assumptions that shares of the Company held by its subsidiary were not treated as treasury stock:

For the period from May 9, 2002 to December 31, 2002	Numerator (Amounts)		Denominator (Shares in Thousands)	EPS (NT\$)	
	Pre-tax	After tax		Pre-tax	After tax
Basic EPS	\$ 2,685,384	\$ 1,548,606	3,712,684	\$ 0.72	\$ 0.42
Influence on diluted common shares: Euro-convertible bonds	166,374	166,374	462,915		
Diluted EPS	\$ 2,851,758	\$ 1,714,980	4,175,599	\$ 0.68	\$ 0.41

### 30. RELATED PARTY TRANSACTIONS

Significant transactions with related parties are summarized as follows:

#### a. Credit extended and deposits taken and placed

	December 31, 2002		For the Year Ended December 31, 2002 Interest Rate (%)
	Amount	% of Account Balance	
Loans and discounts	\$ 1,935,869	0.9	1.70-12.50
Deposits	827,249	0.3	0-6.95

None of the related party transactions individually accounts for more than 10% of the respective account balances.

#### b. Lease

SinoPac Holdings leased certain office premises from National Electric Appliance Co., Ltd. for a period from May 2002 to December 2005. Rentals are paid annually at the beginning of each year. Rentals for the period from May 9, 2002 to December 31, 2002 was \$1,944.

SinoPac Holdings leased certain apartments as employees' dormitory from Hong Yue Investment Corp. from May 2002 to May 2005 with monthly rental payment. Rental for the period from May 9, 2002 to December 31, 2002 was \$2,274.

Bank SinoPac leased certain office premises from China Television Co., Ltd. (Bank SinoPac is a director of China Television Co., Ltd.) with rental paid monthly for a three-year period ending July 2004. Rental for the year ended December 31, 2002 was \$9,950.

Bank SinoPac leased certain office premises from Su Kwang Hui (son of a director of Bank SinoPac before April 18, 2001) with rental paid monthly for a five-year period ending December 2003. Rental for the year ended December 31, 2002 was \$6,476.

Bank SinoPac leased certain office premises from Ruentex Construction & Development Co., Ltd. (an affiliate of Bank SinoPac) with rental paid monthly for a five-year period ending September 2005. Rental for the year ended December 31, 2002 was \$3,196.

Bank SinoPac leased an office premise from Hung-Guan Real Estate Development Corporation. Since the said property had been purchased by SinoPac Leasing Corporation (SPL, a subsidiary of Bank SinoPac), rights on the remaining term of the related lease agreement was assigned to SPL until July 2002. Rental paid monthly to SPL for the year ended December 31, 2002 was \$6,664.

SinoPac Securities leased 2 office premises from National Electric Appliance Co., Ltd. and Hong Yue Investment Corp. (both are directors of SinoPac Securities). The contract between SinoPac Securities and National Electric Appliance Co., Ltd. lasts for 5 years ending May 2007. Annual rental for the first year of Po-Ai Building was

\$7,623 and is subject to the yearly adjustment of price index for the following years. The rental contract of Wu-Tsang Building lasts for 3 years ending September 2004, with \$864 annual rental. The rental contract with Hung Yue Investment Corp. lasts for 3 years ending July 2003. Annual rental was \$10,830 and guarantee deposit of \$2,708 had been provided.

Rentals paid to aforementioned related parties by SinoPac Securities for the year ended December 31, 2002 were \$20,258, and the related prepaid rentals for the year then ended were \$2,556.

Rentals, included in non-operating income, totaling \$4,018 and \$2,700 were paid to SinoPac Securities by SinoPac Futures Corp. (an affiliate) and SinoPac Capital Management Corp. (an affiliate), respectively.

**c. Guarantee and securities purchased**

As of December 31, 2002, Bank SinoPac had provided guarantees on commercial paper with aggregate face value of \$19,000 issued by Fortune Investment Co., Ltd. (an affiliate). Fortune Investment also provided real estate and stocks totaling \$95,924 as collateral. In addition, as of December 31, 2002, Bank SinoPac had provided guarantees on commercial papers issued by Wal Tech International Corporation (an affiliate), with aggregate face value of \$168,000.

Guarantees on Wal Tech International are collateralized by the following assets provided by SPL, Wal Tech International Corporation and Grand Capital International Limited (Grand Capital, a subsidiary of SPL):

	<u>December 31, 2002</u>
Assets collateralized - carrying value	<u>\$ 1,551,724</u>

**d. Professional service fees and advisory charges**

Bank SinoPac has entered into several professional advisory contracts with its investees. The professional advisory charges paid for the year ended December 31, 2002 amounted to \$97,173.

SinoPac Securities has offered brokerage and underwriting services to its affiliates in 2002 with commissions and fees received for the services amounted to \$60,437.

**e. Due from affiliates**

SinoPac Securities entered into future contracts with SinoPac Futures and generated related notes and accounts receivable totaling \$117,793 as of December 31, 2002 and commissions income totaling \$73,892 for the year ended December 31, 2002.

SinoPac Securities entered into stock affairs agency contracts with National Investment Trust Co., Ltd. (NITC) and generated related notes and accounts receivable totaling \$169 as of December 31, 2002 and stock agent affair fees income totaling \$1,217 for the year ended December 31, 2002.

As of December 31, 2002, Bank SinoPac has made receivable from AnShin Card Services amounted to \$18,579.

**f. Assets purchase contract**

In 2002, SinoPac Holdings acquired fixed assets from Ruentex Interior Design Inc. (the chairman of the company was a director of Bank SinoPac) with amount of \$9,945. The purchase cost has already been paid for \$9,377 as of December 31, 2002.

In January 2001, Bank SinoPac entered into a contract with Fu-I Co., Ltd. (the chairman of the company was a director of Bank SinoPac before April 18, 2001) to purchase land and a building located in Taipei for its own use. The purchase cost was \$199,900, of which \$198,830 has already been paid as of December 31, 2002.

In 2002, SinoPac Securities entered into contracts with SinoPac Future Co., Ltd. to purchase computer equipments totaling \$5,798. The consideration has not been paid to SinoPac Future Co., Ltd. as of December 31, 2002.

In 2002, SinoPac Securities entered into contracts with SinoPac Futures Corp. to sell computer equipments totaling \$2,500, with a carrying value of \$4,765, and recognized loss on disposal of properties of \$2,265. The consideration has not been received from SinoPac Futures Corp. as of December 31, 2002.

g. Short-term bonds transactions

Short-term bonds transactions with SinoPac Securities and related parties for the year ended December 31, 2002 are as follows:

Name	December 31, 2002		Interest Expense for the Year Ended December 31, 2002
	Face Amount	Cost	
Mutual funds managed by NITC	\$ 1,672,200	\$ 1,678,576	\$ 31,199
National Electronic Appliance Co., Ltd.	33,500	36,000	4
Hong Yue Investment Corp.	6,000	6,000	4
Other	-	-	936
	<u>\$ 1,711,700</u>	<u>\$ 1,720,576</u>	<u>\$ 32,143</u>

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

1)SPL

	December 31, 2002
Short-term borrowings - Bank SinoPac	\$ 200,000
Long-term borrowing - Bank SinoPac	496,000

2)Grand Capital

	December 31, 2002
Short-term loans	
- Allstar Venture Ltd. (B.V.I.) (an affiliate)	\$ 627,091
- Cyberpac Holding Ltd. (B.V.I.) (an affiliate)	275,532
	<u>\$ 902,623</u>
Current portion of long-term borrowings - Bank SinoPac	<u>\$ 583,369</u>

3)Wal Tech International

	December 31, 2002
Short-term borrowings - Bank SinoPac	\$ 180,000
Long-term borrowings - Bank sinoPac	145,000

As of December 31, 2002, the face amount of commercial papers guaranteed by Bank SinoPac amounted to \$168,000.

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

In compliance with the Banking Law, except for customer loans, credits extended by Bank SinoPac to any related party should be fully secured, and the terms of credits extended to related parties should be similar to those extended to non-related parties.

### 31. PLEDGED OR MORTGAGED ASSETS

The assets pledged as guarantee on the issuance of commercial paper, acquiring bank loans and filing a petition for tax reassessment by the Company are summarized as follows:

	<u>December 31, 2002</u>
Other assets - pledged time deposits	\$ 2,203,400
Properties - carrying value	1,747,073
Property held for lease - carrying value	<u>340,125</u>
	<u>\$ 4,290,598</u>

### 32. CONTINGENCIES AND COMMITMENTS

Contingencies and commitments of the Company, in addition to financial instruments disclosed in Note 38, are summarized as follows:

#### a. Lease contract

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

<u>Year</u>	<u>Amount</u>
2003	\$ 492,045
2004	666,924
2005	562,804
2006	524,429
2007	484,604

Rentals for the years beyond 2007 amount to \$176,764, the present value of which is about \$132,380 as discounted at Bank SinoPac's one-year time deposit rate of 1.5% and FENB's interest rate of 5.1% on January 1, 2003.

#### b. Land and buildings purchase contract

In January 2001, Bank SinoPac entered into contracts to purchase land and buildings located in Taipei for its own use. The consideration was \$199,900, of which \$198,830 had already been paid as of December 31, 2002. (Please see Note 30.f.)

#### c. Equipment purchase contract

Bank SinoPac entered into contracts to purchase computer hardware and software for \$115,910, of which \$66,882 had already been paid as of December 31, 2002.

#### d. Interior decoration contract

Bank SinoPac entered into contracts to do interior decoration of its office premises for \$66,626, of which \$54,964 has already been paid as of December 31, 2002.

#### e. Short-term bills and bonds sold under agreements to repurchase - treated as outright sales

As of December 31, 2002, short-term bills and bonds with a total face amount of \$12,292,400 were sold under agreements to repurchase at \$12,590,329 by Bank SinoPac between January and April 2003.

#### f. Short-term bills purchased under agreements to resell - treated as outright purchases

As of December 31, 2002, short-term bills with a total face amount of \$285,000 were purchased under agreements to resell at \$284,014 by Bank SinoPac between January and February 2003.

#### g. The Securities and Futures Institute (SFI), on behalf of the investors of Cheng-Yi Food Co. (CYF) in respect to its Initial Public Offering (IPO), filed a civil suit with the District Court of Taipei against CYF, the major and co-underwriters (SinoPac Securities being a co-underwriter in the IPO) of CYF. The compensatory damages claimed by SFI amounted to \$71,018 and plus 5% of interest. It is the opinion of SinoPac Securities' management and its legal counsel that SinoPac Securities shall not be held liable for material damages incurred by the investors since the role of co-underwriter is limited to the distribution only and it has not advised CYF on matters related to the IPO.

- h. Mr. Chang, a customer of SinoPac Securities, initiated a lawsuit against the Company and its two former employees Mr. Lin and Mr. Huang, for embezzling his money. Mr. Chang claimed damages of \$32,872 plus and 5% of interest. In the opinion of SinoPac Securities' legal counsel, SinoPac Securities should not have been involved in the lawsuit since the act of Mr. Lin and Mr. Huang stipulated in the lawsuit is not connected to their work as employees of SinoPac Securities. Thus SinoPac Securities did not accrue any liability in respect to this case.
- i. Tai Sheng Investment Management Co., Ltd. (Tai Shen) is a fund manager of P.T. Opportunities Fund (P.T. Fund), purchased unsecured convertible bonds of Chinese Automobile Company (the "CAC convertible bonds") for US\$985,062.50. After the subsequent bankruptcy of CAC, Tai Sheng sued CAC, the major and co-underwriters for US\$985,062.5 and annual management fee of US\$15,000. In the opinion of SinoPac Securities' legal counsel, SinoPac Securities shall not be held liable for material damages incurred by the investors since it was involved only in the distribution of the securities. Accordingly, no liability was recognized in the accompanying financial statements.
- j. Taichung Commercial Bank initiated a lawsuit against Mr. Wu, a former employee of Wan Sheng Securities (which was acquired by SinoPac Securities), for violating the securities and money laundry law by providing accounts to Kuangsan Enterprise Group (Kuangsan) for conducting certain unlawful acts. The compensatory damages claimed amounted to \$97,069 plus and 5% of interest. SinoPac Securities undertakes Wan Sheng's lawsuits because of merger. In the opinion of SinoPac Securities' legal counsel, the lawsuit should be a dispute between Taichung Commercial Bank and Mr. Wu due to that his act is not within his duty at work in Wan Sheng Securities, SinoPac Securities should not be liable for this case.
- k. Balance sheet and trust property of trust accounts of Bank SinoPac

## BALANCE SHEET OF TRUST ACCOUNTS

December 31, 2002

<u>Trust Assets</u>	<u>Trust Liabilities</u>
<u>\$ 40,808,630</u>	<u>\$ 40,808,630</u>

## TRUST PROPERTY OF TRUST ACCOUNTS

December 31, 2002

<u>Investment Portfolio</u>	<u>Amount</u>
Demand deposits	\$ 69,903
Certificate of deposits	215,688
Beneficiary certificates	3,338,492
Trust certificates	283,076
Overseas mutual funds and bonds	11,996,216
Domestic mutual funds	22,103,387
Domestic stocks	314,480
Domestic and overseas bonds	2,491,080
Other	16
Unrealized loss	( 3,708)
	<u>\$ 40,808,630</u>

**33. SIGNIFICANT SUBSEQUENT EVENTS**

On January 20, 2003, the board of directors has resolved to purchase a portion of office building to be built by Li-Seng Develop Company. (Ruentex Industries Ltd. is the major stockholder of Li-Seng, and Li-Seng chairman's spouse is a director of the Company). The building will be located in Taipei City and be used as Company's future headquarters. Total purchase price of \$1,748,000,000 does not include sales tax and costs beard by the buyer. The transaction is currently under review by the regulator.

### 34. CAPITAL ADEQUACY RATIO

Pursuant to the Financial Holding Company Law and related regulations, the financial holding company is required to maintain a group consolidated capital adequacy ratio of at least 100%. If the company's capital adequacy ratio falls below 100%, the authorities may prohibit the company from declaring cash dividends or distributing other property. In certain conditions, the authorities may impose punishments on the company. As of December 31, 2002, consolidated capital adequacy ratio of the Company was 195%.

The Banking Law and regulations of bank capital adequacy ratio require the bank to maintain a capital adequacy ratio of at least 8%. Pursuant to such law and regulations, if the bank's capital adequacy ratio falls below 8%, the authorities may impose certain restrictions on the cash dividends that the bank can declare or, in certain conditions, prohibits the bank from declaring any cash dividend. As of December 31, 2002, Bank SinoPac's standalone and consolidated capital adequacy ratios were 12.85% and 10.76%, respectively.

The Rules Governing Securities Firms and the regulations of securities company capital adequacy ratio require the securities company to maintain a capital adequacy ratio of at least 150%. Pursuant to such law and regulations, if the securities company's capital adequacy ratio falls below 150%, the authorities may impose certain restrictions on the company's operation. As of December 31, 2002, SinoPac Securities' capital adequacy ratio was 504%.

As of December 31, 2002, the financial ratios of SinoPac Futures Corp. (a subsidiary of SinoPac Securities) in conformity with the Rules Governing Futures Firms were as follows:

	Calculation	Benchmark	Financial Ratios
a.	<u>Equities</u>		
	Total liabilities deducted futures trading loss reserve and default reserve	≥ 1	1,202
b.	<u>Current assets</u>		
	Current liabilities	≥ 1	133
c.	<u>Equities</u>	≥ 0.6	113
	Capital stock	≥ 0.4	
d.	<u>Adjusted net capital</u>	≥ 0.25	287
	Client and proprietary account	≥ 0.15	

### 35. PUBLIC ANNOUNCEMENTS PRESCRIBED IN FINANCIAL HOLDING COMPANY LAW, ARTICLE 46

The information regarding the credit extensions, guarantees or other transactions engaged by the Company's subsidiaries to the same person, the same related person or the same affiliate as of December 31, 2002 is summarized as follows:

(In Millions of New Taiwan Dollars, %)

Name	Aggregate Amount of Credit Extensions, Guarantees or Other Transactions	% of the Net Worth
Taiwan Power Company	\$ 5,043	11.26
Capital Securities Corp. and its affiliates	2,321	5.18
Fubon Financial Holding Co., Ltd. and its affiliates	4,047	9.03
Department of National Treasury	3,000	6.70
Mega Financial Holding Company and its affiliates	2,891	6.45
China Development Financial Holding Corp. and its affiliates	2,742	6.12
Taishin Financial Holding Co., Ltd. and its affiliates	2,122	4.74
First Global Investment Trust Co., Ltd. and its affiliates	2,252	5.03
Formosa Petrochemical Corp. and its affiliates	4,333	9.67

The above public information announced by the Company are summarized and calculated by the relevant account or transaction balances as of December 31, 2002 provided by the Company and all of involved subsidiaries.

### 36. AVERAGE AMOUNT AND AVERAGE INTEREST RATE OF INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES

Average balance of interest-earning assets and interest-bearing liabilities of Bank SinoPac and its subsidiary, SinoPac Bancorp, as consolidated with FENB, is as follows:

	For the Year Ended December 31, 2002	
	Average Balance	Average Rate (%)
<b><u>Interest-earning assets</u></b>		
Cash - negotiable certificates of deposit	\$ 38,201,479	1.62
Due from banks	1,955,131	1.71
Call loans (placement)	18,732,491	2.75
Due from Central Bank	5,254,416	2.47
Securities purchased	39,548,290	3.94
Loans, discounts and bills purchased	203,111,439	5.55
<b><u>Interest-bearing liabilities</u></b>		
Due to banks	\$ 5,441	0.69
Call loans (taken)	33,630,163	1.90
Demand deposits	32,174,743	1.25
Savings - demand deposits	51,144,928	1.68
Time deposits	116,911,613	2.26
Savings - time deposits	57,815,254	2.96
Negotiable certificates of deposit	949,050	2.13

Average balance are derived from the daily average balance of interest-earning assets and interest-bearing liabilities.

### 37. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	December 31, 2002			
	Due in One Year	Due Between One Year and Five Years	Due After Five Years	Total
<b><u>Assets</u></b>				
Cash	\$ 66,752,359	\$ -	\$ -	\$ 66,752,359
Due from banks	11,303,691	-	-	11,303,691
Due from Central Bank	11,011,956	-	-	11,011,956
Securities purchased	33,093,259	-	-	33,093,259
Receivables	\$ 15,239,422	\$ -	\$ -	\$ 15,239,422
Loans, discounts and bills purchased (excluding non-performing loans)	74,554,355	36,261,881	114,247,583	225,063,819
	<u>\$211,955,042</u>	<u>\$ 36,261,881</u>	<u>\$ 114,247,583</u>	<u>\$362,464,506</u>
<b><u>Liabilities</u></b>				
Call loans and due to banks	\$ 55,248,193	\$ -	\$ -	\$ 55,248,193
Payables	9,121,705	46,512	24,092	9,192,309
Deposits and remittances	268,960,556	8,970,804	-	277,931,360
Bank debentures	-	5,000,000	2,000,000	7,000,000
	<u>\$333,330,454</u>	<u>\$14,017,316</u>	<u>\$ 2,024,092</u>	<u>\$349,371,862</u>

### 38. DISCLOSURE OF FINANCIAL INSTRUMENTS

#### a. Derivative financial instruments

The Company is engaged in cross currency swap to hedge the effects of foreign exchange or interest rate risks on its net liabilities denominated in foreign-currency. The Company's strategy is to hedge most of the market risk exposures using hedging instruments whose changes in market value have a highly negative correlation with the changes in the market of the exposures being hedged. The Company also assesses the hedge effectiveness of the instruments periodically.

The counterparties to the cross currency swap contracts are financial institutions with good worldwide ranking. Accordingly, the Company does not expect significant credit risks due to the default of counterparties.

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

	December 31, 2002		
	Contract (Notional) Amount	Credit Risk	Fair Value
Financial Instruments			
For hedging purposes:			
Cross currency swap contracts	\$ 174,500	\$ -	(\$ 837)

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

The gains and losses on derivative financial instruments for the period from May 9, 2002 to December 31, 2002 were as follows:

	Amount	For the Period from May 9, 2002 to December 31, 2002	
For hedging purposes:			
Cross currency swap contracts			
Realized	Interest revenue	\$	11
	Interest expense	(	5)

#### **Bank SinoPac and subsidiary**

Bank SinoPac and its subsidiary SinoPac Bancorp, as consolidated with FENB (Bank SinoPac and subsidiary), engaged in foreign exchange and interest derivative transactions mainly to accommodate customers' needs and to manage its exposure positions. It also enters into cross currency swap, interest rate swap, and asset swap contracts to hedge the effects of foreign exchange or interest rate fluctuations on its foreign-currency net assets. Bank SinoPac and subsidiary's strategy is to hedge most of the market risk exposures using hedging instruments whose market value will change in opposite direction with underlying items, and the effectiveness of these instruments is re-assessed periodically.

Bank SinoPac and its subsidiaries are exposed to credit risks in the event of counterparties default. Bank SinoPac and its subsidiaries enter into contracts with customers that have satisfied the credit approval process. Collateral or deposits are sometimes required depending on the customer's credit standing. Transactions with other banks are made within the trading limit set for each bank based on the bank's credit rating and its worldwide ranking. The provisions for credit losses are evaluated based on the credit risks undertaken.

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

Financial Instruments	December 31, 2002		
	Contract (Notional) Amount	Credit Risk	Fair Value
For hedging purposes:			
Interest rate swap contracts	\$ 1,561,000	\$ -	(\$ 80,826)
For the purposes of accommodating customers' needs or managing Bank SinoPac and subsidiaries' exposure:			
Forward contracts			
Buy	25,702,349	304,759	232,683
Sell	21,724,333	292,567	61,340
Forward rate agreements			
Buy	63,931,364	-	( 241,496)
Sell	64,931,364	242,187	242,187
Currency swap contracts	60,606,619	668,675	( 177,765)
Interest rate swap contracts	44,233,503	461,519	( 60,003)
	December 31, 2002		
Financial Instruments	Contract (Notional) Amount	Credit Risk	Value of Options Purchased/Written
For the purpose of accommodating customers' needs or managing Bank SinoPac and subsidiaries' exposure:			
Options			
As buyer	50,020,459	578,594	1,215,070
As seller	50,785,417	-	1,210,393

The fair value of each contract is determined through by the quotations from Reuters or Telerate Information System.

As of December 31, 2002, Bank SinoPac and its subsidiaries entered into asset swap contracts for hedging purpose with total notional amounts of \$4,830,283. All counterparties are with good splendid worldwide ranking and credit rating, thus, no significant credit risk is expected.

The notional amounts of derivative contracts are used solely for the purpose of calculating the receivables and payables to all contracts parties, and thus, do not represent the actual cash inflows or outflows. Since the possibility is remote for the derivative financial instruments held or issued not to be sold at reasonable market prices, no significant cash demand is expected.

The gains and losses on derivative financial instruments for the year ended December 31, 2002 are as follows:

Account	For the Year Ended December 31, 2002	
For hedging purposes:		
Cross currency swap contracts		
- Realized	Interest revenue	\$ 31,690
	Interest expense	( 14,425)
For the purposes of accommodating customers' needs or managing Bank SinoPac and subsidiaries' exposure:		
Forward contracts		
- Realized	Foreign exchange gain	128,377
- Unrealized	Foreign exchange gain	358,774
Forward rate agreements		
- Realized	Income from derivative financial transactions	10,033
- Unrealized	Loss from derivative financial transactions (	6,855)

	Account	For the Year Ended December 31, 2002
Currency swap contracts		
- Realized	Interest revenue	368,811
	Interest expense	( 402,643)
Interest rate swap contracts		
- Realized	Interest revenue	571,601
	Interest expense	( 627,702)
- Unrealized	Income from derivative financial transactions	17,263
Options contracts		
- Realized	Income from derivative financial transactions	268,438
- Unrealized	Foreign exchange loss	( 48,152)
	Income from derivative financial transactions	17,007
Interest rate futures contracts		
- Realized	Loss from derivative financial transactions	( 3,423)

The gains and losses on derivative financial instruments from the Bank SinoPac's subsidiary, FENB, for the year ended December 31, 2002 were insignificant.

### **SinoPac Securities**

#### 1) Warrants

a) The objective of issuing warrants and strategies to achieve such objective

SinoPac Securities issues warrants for transaction purpose. It also holds underlying securities to meet requests of share exchange from warrant holders and to hedge the market risks derived from the warrant position. SinoPac Securities' strategy is to hedge most of market risks by buying securities with prices correlate closely with the warrants issued. Their effectiveness of hedging is re-assessed periodically.

b) Credit risk

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

c) Market risk

The market risks on warrants issued mainly arose from the changes in market prices of their underlying securities. The risks can be hedged by adjusting the positions held on warrants and underlying securities.

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

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

These warrants will expire in January 2003 and November 2003. Except for the cash inflows and outflows arising from hedging, no additional cash is required.

e) Please refer to Note 16 for leverage ratios of the warrants.

#### 2) Interest rate swaps

a) The objectives of holding interest rate swap and the strategies for achieving such objectives

SinoPac Securities has entered into Interest Rate Swap (IRS) contracts for trading purposes based on its judgement about the future interest rates. It also uses IRS to hedge the interest rate risks from its bond and loan portfolio. The strategy is to hedge most of interest rate risks by holding instruments with value change in the opposite direction of underlying items. The effectiveness of these instruments is re-assessed periodically.

b) The information on the outstanding IRS contracts is as follows:

	December 31, 2002		
	Nominal Amount	Credit Risk	Fair Value
For trading purposes	\$ 1,200,000	\$ 10,720	(\$ 23,222)

The counterparties to the foregoing swap contracts are all reputable banks. Accordingly, no significant credit risks are expected.

## c)Market risk

SinoPac Securities has used Value-at-Risks (VAR), base on statistical analysis of interest rate data and foreign industrial standards, in evaluating market risks of the IRS contracts held for trading purposes. As of December 31, 2002, the VAR was \$2,626.

Since interest rate swaps for hedging purposes are to hedge SinoPac Securities' net interest rate exposure, market risks are offsetting with each other and no significant market risks are expected.

## d)Cash flows and demands

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

## e)The net interest income recognized by SinoPac Securities under the IRS contracts for hedging purposes for the year 2002 was \$507. The net interest expense recognized for trading purposes for the year 2002 was \$54,925.

## 3)Stock index futures and options

## a)The objectives of stock index futures and options and strategies to achieve such objective

SinoPac Securities holds stock index futures and options contracts for trading purpose. The Company is using these contracts to provide more investment vehicles and services to its customers, and increase overall capital efficiency.

## b)Notional amounts, fair values and credit risks

	December 31, 2002	
	Notional Amount	Fair Value
TAIEX futures	\$ 92,509	\$ 91,624
TAIEX options		
- Call options	11,969	12,188
- Put options	1,849	1,669

The market value of each contract was based on the reference price published by the TAIEX at the balance sheet date. Since the contract party is TAIEX, no significant credit risks is expected.

## c)Market risk

Market risks are caused by the price fluctuation for stock index futures and options. SinoPac Securities has established risk control mechanism and has set up stop loss points to monitor price fluctuation of positions held. When the balance of the trading margin account is lower than the maintenance margin, SinoPac Securities will recognize a loss by either closing the position or putting in additional margin. If the position held is for hedging purpose, the profits or losses from the position will offset with that from underlying securities, and thus result in only insignificant market risks.

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

Since all maintenance margin required for futures and option contracts are already paid, there is no future cash requirement unless margin goes below the required level.

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

As of December 31, 2002, margin deposits maintained for transactions involving futures and options amounted to \$117,793. The market value of margin paid for call options amounted to \$12,188 while the market value of margin received on put options amounted to \$1,669. SinoPac Securities incurred non-hedging gains of \$3,801 for the year 2002 on stock index futures transactions and non-hedging losses of \$5,300 for the year 2002 on options transactions.

## b. Fair values of non-derivative financial instruments

	December 31, 2002	
	Carrying Amount	Fair Value
<u>Assets</u>		
Financial assets - with fair values approximating carrying amounts	\$122,405,786	\$122,405,786
Securities purchased	35,278,281	35,555,234
Operating securities	17,037,210	16,700,085
Loans, discounts and bills purchased	224,972,445	224,972,445
Long-term investments	7,995,144	8,002,482
Other assets - guarantee deposits	2,377,487	2,378,772
<u>Liabilities</u>		
Financial liabilities - with fair values approximating carrying amounts	\$ 89,888,391	\$ 89,888,391
Deposits and remittances	268,204,668	268,204,668
Bank debentures	7,000,000	7,000,000
Euro-convertible bonds	8,160,299	8,662,620
Other liabilities	1,566,022	1,566,022

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

- 1)The carrying amounts of cash, due from banks, due from Central Bank, acceptances, receivables, margin loans receivables, refinancing deposits receivables, pledged time deposits, securities purchased or sold under agreements to resell or repurchase, call loans and due to banks, acceptances payable, commercial paper payables, payables, short sales proceeds payables and remittance approximate their fair values because of the short maturities of these instruments.
  - 2)The fair values of securities purchased, operating securities and long-term investments are based on their market prices, if such market prices are available. Otherwise, fair values are estimated at their carrying amounts.
  - 3)Loans, discounts and bills purchased, deposits, bank debentures and funds received for loans are interest-earning assets and interest-bearing liabilities. Thus, their carrying amounts represent fair values. Fair value of non-performing loans is based on the carrying amount, which is net of the allowance for credit losses.
  - 4)The fair values of government bonds, corporate bonds and bank debentures submitted as guarantee deposits are based on their market prices while certificates of deposits are estimated at their carrying amounts. Fair values of other guarantee deposits are estimated at their carrying amounts since such deposits do not have specific due dates.
  - 5)The fair values of Euro-convertible bonds are estimated at their market prices listed in Luxembourg.
- The fair value of certain financial instruments and all non-financial instruments are excluded from disclosure requirement. Accordingly, the aggregate fair values presented above do not necessarily represent the total values of the Company.

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

The Company has significant credit commitments principally relating to customer financing activities. Most of the credit commitments are with terms under seven years and loan interest rates ranging from 0.38% to 12.75%. The Company also issues financial guarantees and standby letters of credit to guarantee the performance of a customer obligated to a third party. The guarantees are usually with terms of less than one year, and maturity dates not in any particular period.

The contract amounts of financial instruments with off-balance-sheet credit risks as of December 31 are as follows:

	<u>December 31, 2002</u>
Irrevocable loan commitments	\$ 14,310,438
Financial guarantees and standby letters of credit	10,113,474
Credit card commitments for credit cards	58,507

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

The Company makes credit commitments and issues financial guarantees and standby letters of credit only after through evaluation of customers' credit standing. Based on the result of the credit evaluation, the Company may require collateral before draw down against the credit facilities. As of December 31, 2002, secured loans amounted to about 79% of the total loans. Collaterals include cash, inventories, marketable securities, and other property. When the customers default, the Company will, as required by circumstances, foreclose the collateral or execute other rights arising out of the guarantees given.

### **39. INFORMATION ON CONCENTRATION OF RISK**

The Company has no concentrated credit risk in any individual counterparty or groups of counterparties engaged in similar business activities. Industries with 5% or more of the outstanding loans as of December 31, 2002 are as follows:

	<u>December 31, 2002</u>
Natural person	\$ 136,837,518
Foreign corporation	25,639,592
Real estate	23,449,870
Manufacturing	15,510,637

The net position on foreign-currency transactions as of December 31, 2002 is insignificant.

### **40. CONDENSED BALANCE SHEETS AND STATEMENTS OF INCOME OF THE BANK AND THE SECURITIES SUBSIDIARIES**

#### **a. Condensed balance sheets**

#### BANK SINOPAC AND SUBSIDIARIES CONSOLIDATED BALANCE SHEET

December 31, 2002

(Amounts Expressed in Thousands of New Taiwan Dollars)

<u>Assets</u>	<u>Amount</u>	<u>Liabilities</u>	<u>Amount</u>
Cash	\$ 66,752,359	Call loans and due to banks	\$ 55,248,193
Due from banks	11,303,691	Payables	9,192,309
Due from Central Bank	11,011,956	Deposits and remittances	277,931,360
Securities purchased - net	33,093,259	Bank debentures	7,000,000
Receivables - net	15,126,548	Other liabilities	2,655,880
Prepayments	213,213	Total liabilities	<u>352,027,742</u>
Loans, discounts and bills purchased - net	225,169,615	<u>Stockholders' equity</u>	
Long-term investments	4,610,515	Capital stock	19,443,975
Properties - net	5,280,745	Capital surplus	125,208
Other assets	<u>4,461,515</u>	Retained earnings	5,526,647
		Equity adjustments	( 100,156)
		Total stockholders' equity	<u>24,995,674</u>
Total assets	<u>\$377,023,416</u>	Total liabilities and stockholders' equity	<u>\$377,023,416</u>

## SINOPAC SECURITIES CORPORATION

## BALANCE SHEET

December 31, 2002

(Amounts Expressed in Thousands of New Taiwan Dollars)

<u>Assets</u>	<u>Amount</u>	<u>Liabilities</u>	<u>Amount</u>
Current assets	\$ 41,470,582	Current liabilities	\$ 27,335,996
Long-term investments	2,847,933	Other liabilities	384,867
Properties - net	2,749,743	Securities brokerage credit account -	
Other assets	2,066,401	net	91,486
		Total liabilities	<u>27,812,349</u>
		<u>Stockholders' equity</u>	
		Capital stock	15,269,020
		Capital surplus	2,321,997
		Retained earnings	3,976,662
		Equity adjustments	( 245,369)
		Total stockholders' equity	<u>21,322,310</u>
		Total liabilities and stockholders'	
Total assets	<u>\$ 49,134,659</u>	equity	<u>\$ 49,134,659</u>

## b. Condensed statements of income

## BANK SINOPAC AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF INCOME

For the Year Ended December 31, 2002

(Amounts Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>Amount</u>
Operating revenues	\$ 17,848,451
Operating expenses	14,921,221
Operating income	2,927,230
Non-operating income	165,793
Non-operating expenses	56,154
Income before income tax	3,036,869
Net income	<u>\$ 2,255,049</u>
Pre-tax earnings per share	<u>\$ 1.59</u>
After tax earnings per share	<u>\$ 1.18</u>

## SINOPAC SECURITIES CORPORATION

## STATEMENT OF INCOME

For the Year Ended December 31, 2002

(Amounts Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>Amount</u>
Operating revenues	\$ 5,934,858
Operating costs and expenses	4,147,071
Operating income	1,787,787
Non-operating income	487,097
Non-operating expenses	293,183
Income before income tax	1,981,701
Net income	<u>\$ 1,629,284</u>
Pre-tax earnings per share	<u>\$ 1.34</u>
After tax earnings per share	<u>\$ 1.10</u>

**41. JOINT MARKETING INFORMATION**

For the year ended December 31, 2002, Bank SinoPac paid \$24,057 to SinoPac Securities for their joint marketing activities expenses and rental allocation from sharing of operating equipments and premises. The amounts are recorded in Bank SinoPac's books as operating expenses and in SinoPac Securities' books as operating and non-operating revenues.

For the year ended December 31, 2002, SinoPac Securities paid \$1,554 to Bank SinoPac for rental expenses allocation occurred from sharing of premises. The aforementioned amounts are recorded in SinoPac Securities and Bank SinoPac's books as expenses and revenues, respectively.

**42. THE SUBSIDIARIES' SIGNIFICANT FINANCIAL AND OPERATING PROFILE - BANK SINOPAC****a. Assets quality**

(In Thousands of New Taiwan Dollars, %)

Item	December 31, 2002
Overdue loans (including non-performing loans)	\$ 3,798,045
Non-performing loans	2,027,366
Overdue loans ratio (note)	2.015%
Delinquent loans	2,095,110
Delinquent loans/total gross loans	1.111%
Allowance for credit losses	1,450,886

Note: Overdue loans ratio = Overdue loans (including non-performing loans)/(Gross loans + Non-performing loans). If overdue loans (including non-performing loans)/Total credits, the overdue loans ratio as of December 31, 2002 was 1.73%.

**b. Management information****1) Profile of concentration of credit risk**

(In Thousands of New Taiwan Dollars, %)

	December 31, 2002	
Loans to related parties in privity	\$ 4,326,511	
Ratio of loans to related parties in privity	1.97	
Ratio of pledged stock loans	1.19	
Profile of concentration of credit industry	Industry	Percentage
	Manufacturing	8.73
	Wholesaling	2.89
	Finance and insurance	1.88
	Real estate and leasing	2.83
	Government organizations	2.32
	Other	81.35

**2) Information of investees of Bank SinoPac**

(In Thousands of New Taiwan Dollars, %)

Names of Investees	December 31, 2002	
	Original Investment Amount	Percentage of Ownership
SinoPac Bancorp	\$ 3,328,915	100.00

Rocorp Holding S. A.	3,531	33.33
SinoPac Leasing Corporation	999,940	99.77
SinoPac Capital Limited	1,001,108	99.99
SinoPac Financial Consulting Co., Ltd.	1,940	97.00
SinoPac Life Insurance Agent Co., Ltd.	1,940	97.00
SinoPac Property Insurance Agent Co., Ltd.	1,940	97.00
Fuh-Hwa Investment Trust Co., Ltd.	24,000	7.77
Mondex Taiwan Inc.	25,000	6.47

Note: Only included percentage of ownership above 5%.

### 3) Policy of provisions on credit losses

In determining the allowance for credit losses and provisions for losses on guarantees, Bank SinoPac evaluates the potential losses on each loans and then the whole credit portfolio considering the balances of loans, discounts and bills purchased, accounts, interest and other receivables, non-performing loans, as well as guarantees and acceptances as of the balance sheet dates.

Losses on overall credit portfolio are assessed on the basis of Bank SinoPac's prior experiences.

Bank SinoPac evaluates losses on particular loans based on its borrowers/clients' credit limit, collateral provided and estimated level of collectibility in accordance with "The Rules for Bank Asset Evaluation, Loss Reserve Provision, and Disposal of Overdue Loans and Bad Debts" (the "Rules") issued by the MOF. The Rules provide that the minimum amount requirement of provision for credit losses shall be equal to the aggregate of 50% of the doubtful credits and 100% of the unrecoverable credits.

Write-offs of specific loans under MOF guidelines, after approved by the board of directors, are offset against the recorded allowance for loan losses.

### 4) Exceptional items

December 31, 2002

	Causes and Amounts
Director or employee prosecuted by attorney due to violating laws and regulations concerned with operation in the latest year	A former employee sued by Bank SinoPac for violating the related regulations of the Banking Law, was prosecuted by the District Attorney. The case was still tried by the District Court. Partial damage has been recovered, and amount still outstanding is \$1,400.
Fines due to violation of the Banking Law in the latest year	None
Serious violations corrected by the Ministry of Finance in the latest year	None
Events due to employee fraud, major accidents, violations of rules provided in the "Notice to financial institutions about safeguarding", which result in losses of over NT\$50 million dollars in one or total count	None
Other	None

## c. Profitability

Item	For the Year Ended December 31, 2002
Return on total assets (Note 1)	0.91%
Return on net worth (Note 2)	11.43%
Profit margin (Note 3)	18.23%

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

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

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

## d. Liquidity

## MATURITY ANALYSIS OF ASSETS AND LIABILITIES

December 31, 2002

(In Thousands of New Taiwan Dollars)

	Total	Amounts of Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days to One Year	Over One Year
Assets	\$ 305,614	\$ 43,856	\$ 27,646	\$ 27,886	\$ 37,135	\$ 169,091
Liabilities	307,031	88,792	41,802	36,820	44,066	95,551
Gap	( 1,417)	( 44,936)	( 14,156)	( 8,934)	( 6,931)	73,540
Accumulated gap	( 1,417)	( 44,936)	( 59,092)	( 68,026)	( 74,957)	( 1,417)

Note: The above amounts included only the portion of assets and liabilities held by the Bank SinoPac, which are denominated in New Taiwan Dollars (excluding foreign currency) .

## e. Sensibility of market risk

Item	December 31, 2002
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities	80.34%
Ratio of interest-rate-sensitive gap to net worth	30.28%

Note 1: Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities = Interest-rate-sensitive assets / Interest-rate-sensitive liabilities (which were in New Taiwan Dollars and will mature within one year)

Note 2: Interest-rate-sensitive gap = Interest-rate-sensitive assets - Interest-rate-sensitive liabilities

**43. ADDITIONAL DISCLOSURES**

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

- 1) Financing provided: Please see Table 1;
- 2) Endorsement/guarantee provided: Please see Table 2;
- 3) Marketable securities held: Please see Table 3;
- 4) Marketable securities acquired and disposed of, at costs or prices of at least NT\$100 million or 20% of the issued capital: Please see Table 4;
- 5) Names, locations, and other information of investees on which the Company exercises significant influences: Please see Table 5;
- 6) Derivative financial transactions: Please see Note 38. The derivative financial instruments of AnShin Card Services are summarized as follows:

**AnShin Card Services**

The interest rate swap contracts held by AnShin Card Services are for the purpose of hedging the risks that may result from changes in interest rates of liabilities rather than for the purpose of trading. The AnShin Card Services' strategy is to hedge most market risks by using derivative instruments whose value change in the opposite direction of underlying items, and the effectiveness of these instruments is re-assessed periodically.

a)As of December 31, 2002, the unsettled balances of interest rate swap contracts were as follows:

<u>Financial instruments</u>	<u>Nominal Amount</u>	<u>Fair Value</u>	<u>Credit Risk</u>
Interest rate swap contract	<u>\$ 2,500,000</u>	<u>(\$ 81,788)</u>	<u>\$ -</u>

The amount of credit risk is a potential loss of AnShin Card Services if the counterpart involved in that transaction defaults. Since AnShin Card Services' derivative financial instruments agreements are entered into with financial institutions with good credit ratings, management does not believe that there is significant credit risk from these transactions.

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

b)Market risk

The purpose of the interest rate swap contracts is to hedge the interest risk of liabilities. Therefore, the gains or losses resulting from changes in interest rates will be offset by those of the hedged item. Management believes that the related market risk is not significant.

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

AnShin Card Services enters into the aforementioned transactions only with financial institutions of good credit standing and usually transacts with several different financial institutions in order to diversify financial risks. It is believed that the default risks of these financial institutions are minimal and would not have material impact on the financial statements.

In accordance with the contracts, there is no principal to be delivered at the time of contractual and its maturity date. Instead, the interest netting is calculated based on the difference between the contractual rate and the market floating rate multiplied by the nominal principal, and settled every 90 days. The interest differential is usually not material.

d)For the year ended December 31, 2002, interest expenses recognized as non-operating expenses under the interest rate swap contracts amounting to \$56,055. The unrealized revaluation losses based on fair value amounting to \$81,788 were recognized as other liabilities and a deduction item to stockholders' equity.

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

**44. SEGMENT AND GEOGRAPHIC INFORMATION****a. Segment information**

The segment information about the Company for the year ended December 31, 2002 is as follows:

	Banking	Securities	Other	Adjustments and Eliminations	Total
Revenue from third parties	\$ 17,665,048	\$ 5,938,906	\$ 2,030	\$ 62,302	\$ 23,668,286
Revenue from the Company and consolidated subsidiaries	6,146	77,370	84,442	( 167,958)	-
Total revenue	<u>\$ 17,671,194</u>	<u>\$ 6,016,276</u>	<u>\$ 86,742</u>	<u>(\$ 105,656)</u>	<u>\$ 23,668,286</u>
Segment income (loss)	<u>\$ 2,859,612</u>	<u>\$ 1,860,621</u>	<u>(\$ 322,962)</u>	<u>(\$ 25,520)</u>	<u>\$ 4,371,751</u>
Investment income under the equity method					266,301
Income before income tax					<u>\$ 4,638,052</u>
Identifiable assets	<u>\$ 373,994,035</u>	<u>\$ 46,843,743</u>	<u>\$ 9,623,671</u>	<u>(\$ 13,317,716)</u>	<u>\$ 417,143,733</u>
Long-term equity investments - the equity method					5,568,657
Total assets					<u>\$ 422,712,390</u>
Depreciation and amortization expenses	\$ 558,729	\$ 233,742	\$ 2,284		
Capitalized expenditures	<u>\$ 639,760</u>	<u>\$ 168,588</u>	<u>\$ 29,063</u>		

**b. Geographic information**

The geographic information about the Company for the year ended December 31, 2002 is as follows:

	Domestic	United States	Adjustments and Eliminations	Total
Revenue from third parties	\$20,257,947	\$ 3,348,037	\$ 62,302	\$ 23,668,286
Revenue from the Company and consolidated subsidiaries	167,958	-	( 167,958)	-
Total revenue	<u>\$20,425,905</u>	<u>\$ 3,348,037</u>	<u>(\$ 105,656)</u>	<u>\$ 23,668,286</u>
Segment income	<u>\$ 3,638,706</u>	<u>\$ 758,565</u>	<u>(\$ 25,520)</u>	<u>\$ 4,371,751</u>
Investment income under the equity method				266,301
Income before income tax				<u>\$ 4,638,052</u>
Identifiable assets	<u>\$371,440,479</u>	<u>\$ 59,020,970</u>	<u>(\$ 13,317,716)</u>	<u>\$ 417,143,733</u>
Long-term equity investments - the equity method				5,568,657
Total assets				<u>\$ 422,712,390</u>

**TABLE 1 SINOPAC HOLDINGS AND SUBSIDIARIES**

For The Year Ended December 31, 2002

● FINANCING PROVIDED (Amounts Expressed in Thousands of New Taiwan Dollars)														
No.	Financing Name	Counterparty	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Financing Type	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limits
											Item	Value		
6	Intellisys Corp.	Intellisoft Corporation	Temporary Payments	\$ 5,106	\$ -	-	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 20,000 (Note)	\$ 57,791 (Note)
		Intellisys Shanghai Corporation	Temporary Payments	313	-	-	Short-term financing	-	Working capital	-	-	-	20,000 (Note)	57,791 (Note)

● Note: The stockholders of Intellisys Corp. have approved that the limit on total financing amounts is up to 30% of the net asset value of Intellisys corp., and the limit on individual financing amounts is up to \$20,000.

**TABLE 2 SINOPAC HOLDINGS AND SUBSIDIARIES**

For The Year Ended December 31, 2002

● COLLATERAL/GUARANTEE PROVIDED (Amounts Expressed in Thousands of New Taiwan Dollars)									
No.	Collaterals/ Guarantees Provider	Counterparty		Limits on Individual Endorsement or Guarantee Amounts	Maximum Balance for the Period	Ending Balance	Carrying Value (As of Balance Sheet Date) of Properties Guaranteed by Collateral	Ratio of Accumulated Amount of Guarantee to Net Asset Value of the Latest Financial Statement (Note 5)	Maximum Endorsement/ Guarantee Amounts Allowable
		Name	Nature of Relationship						
1	SinoPac Securities Corporation	SinoPac Securities (Asia) Ltd. (formerly NSC Securities (Asia) Ltd.)	Wholly-owned grandson company	\$ 4,264,462 (Note 2)	\$ 1,563,750 (Note 1) (US\$ 45,000 thousand dollars)	\$ -	\$ -	-	\$ 4,264,462 (Note 2)
2	SinoPac Leasing Corporation	Grand Capital International Limited	Subsidiary	\$ 3,655,818 (Note 3)	2,372,048	\$ 2,372,048	-	130%	9,139,546 (Note 4)
		Wal Tech International Corporation	Affiliate Company	\$ 3,655,818 (Note 3)	522,500	409,000	-	22%	9,139,546 (Note 4)

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

● Note 2: The limit on individual endorsement or guarantee amounts is up to 20% of the net asset value (Note 5) of SinoPac Securities Corporation.

● Note 3: Except for no limitation applied on any subsidiary of SinoPac Leasing Corporation, the limits on individual endorsement or guarantee amounts is up to 200% of the net asset value (Note 5) of SinoPac Leasing Corporation.

● Note 4: Except for no limitation applied on any subsidiary of SinoPac Leasing Corporation, the maximum amount of endorsement or guarantee amount allowance is up to 500% of the net asset value (Note 5) of SinoPac Leasing Corporation.

● Note 5: The net asset values of the aforementioned corporations were based on the audited financial statements as of December 31, 2002.

**TABLE 3 SINOPAC HOLDINGS AND SUBSIDIARIES**

December 31, 2002

● MARKETABLE SECURITIES HELD (Amounts Expressed in Thousands of New Taiwan Dollars)								
Name of Held Company	Type and Name of Marketable Securities	Relationship	Account of Financial Statement	December 31, 2002				Note
				Shares/Units/ Face Value (In Thousand)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
SinoPac Holdings	<b>Stock (common stock)</b>							
	Bank SinoPac	Subsidiary	Long-term equity investments	1,944,398	\$22,035,057	100.00%	\$24,995,674	Note 5
	SinoPac Securities corporation	Subsidiary	Long-term equity investments	1,526,902 (Note 8)	21,322,310	100.00%	21,322,310	Note 5
	AnShin Card Services Co., Ltd. (formerly Aetna SinoPac Credit Card Co., Ltd.)	An investee accounted for by the equity method	Long-term equity investments	81,104	151,227	49.76%	151,227	Note 5

Name of Held Company	Type and Name of Marketable Securities	Relationship	Account of Financial Statement	December 31, 2002				Note
				Shares/Units/ Face Value (In Thousand)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
	SinoPac Call Center Co., Ltd.	Subsidiary	Long-term equity investments	10,000	\$ 97,134	100.00%	\$ 97,134	Note 5
	<b>Stock (preferred stock)</b> AnShin Card Services Co., Ltd.	-	Long-term equity investments	28,834	288,336	60.07%	288,336	Note 6
Bank SinoPac	<b>Stock</b>							
	SinoPac Bancorp	Subsidiary	Long-term equity investments	20	5,033,023	100.00%	5,033,023	Note 5
	Rocorp Holdings S.A.	An investee accounted for by the equity method	Long-term equity investments	0.11	3,531	33.33%	3,531	Note 6
	SinoPac Leasing Corporation	Subsidiary	Long-term equity investments	149,652	2,040,696	99.77%	1,823,674	Note 5
	SinoPac Capital Limited	Subsidiary	Long-term equity investments	229,998	898,618	99.99%	898,618	Note 5
	SinoPac Financial Consulting Co., Ltd.	Subsidiary	Long-term equity investments	194	3,284	97.00%	3,284	Note 4
	SinoPac Life Insurance Agent Co., Ltd.	Subsidiary	Long-term equity investments	194	79,451	97.00%	79,451	Note 5
	SinoPac Property Insurance Agent Co., Ltd.	Subsidiary	Long-term equity investments	194	3,801	97.00%	3,801	Note 4
	Ruentex Industries Ltd. (formerly Ruentex Textile Co., Ltd.)	Supervisor of the Bank SinoPac and an investee accounted for by the cost method	Long-term equity investments	11,452	165,486 (Note 3)	1.45%	183,696	Note 2
	Mega Financial Holding Company	An investee accounted for by the cost method	Long-term equity investments	3,998	110,732 (Note 3)	0.07%	65,496	Note 2
	Vate Technology Co., Ltd.	An investee accounted for by the cost method	Long-term equity investments	186	6,272 (Note 3)	0.25%	1,339	Note 2
	China Television Co., Ltd.	An investee accounted for by the cost method	Long-term equity investments	12,468	364,539 (Note 3)	3.40%	105,977	Note 2
	Global Securities Finance Corp.	An investee accounted for by the cost method	Long-term equity investments	11,719	100,000	1.56%	132,473	Note 4
	Z-Com, Inc.	An investee accounted for by the cost method	Long-term equity investments	1,040	13,230	1.58%	12,031	Note 4
	Taipei Forex Inc.	An investee accounted for by the cost method	Long-term equity investments	80	800	0.40%	1,153	Note 4
	Taiwan Future Exchange Co., Ltd.	An investee accounted for by the cost method	Long-term equity investments	899	8,990	0.45%	10,481	Note 4
	Taiwan Leader Advanced Technology Co., Ltd.	An investee accounted for by the cost method	Long-term equity investments	1,103	16,554	1.07%	10,968	Note 4
	Apack Technology Inc.	An investee accounted for by the cost method	Long-term equity investments	1,694	14,476	1.31%	13,299	Note 4
	Fuh-Hwa Investment Trust Co., Ltd.	An investee accounted for by the cost method	Long-term equity investments	2,400	24,000	7.77%	33,286	Note 4
	Financial Information Services Co., Ltd.	An investee accounted for by the cost method	Long-term equity investments	4,550	45,500	1.14%	64,476	Note 4
	Taiwan Asset Management Corporation	An investee accounted for by the cost method	Long-term equity investments	5,000	50,000	0.28%	50,899	Note 4
	Taiwan Financial Asset Service Corporation	An investee accounted for by the cost method	Long-term equity investments	5,000	50,000	2.94%	50,728	Note 4
	Prudence Venture Investment Corporation	An investee accounted for by the cost method	Long-term equity investments	5,000	50,000	2.50%	49,262	Note 4
	Mondex Taiwan Inc.	An investee accounted for by the cost method	Long-term equity investments	2,000	25,000	6.47%	16,148	Note 4
SinoPac Bancorp	<b>Stock</b>							
	Far East National Bank	Subsidiary	Long-term equity investments	175	4,919,206	100.00%	4,919,206	Note 5
Far East National Bank	<b>Stock</b>							
	Far East Capital Corporation	Subsidiary	Long-term equity investments	350	82,433	100.00%	82,433	Note 5
	FENB Securities, Inc.	Subsidiary	Long-term equity investments	3	13,521	100.00%	13,521	Note 5
	FENB Loan Corp.	Subsidiary	Long-term equity investments	0.1	( 14,046)	100.00%	( 14,046)	Note 5
	FENB Film Corp.	Subsidiary	Long-term equity investments	0.1	( 41,033)	100.00%	( 41,033)	Note 5
	Federal Reserve Bank	An investee accounted for by the cost method	Long-term equity investments	62	112,303	-	112,303	Note 6
	Federal Home Loan Bank	An investee accounted for by the cost method	Long-term equity investments	100	225,895	-	225,895	Note 6

Name of Held Company	Type and Name of Marketable Securities	Relationship	Account of Financial Statement	December 31, 2002				Note
				Shares/Units/ Face Value (In Thousand)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
	Southern California Business Development Corporation (SCBDC)	An investee accounted for by the cost method	Long-term equity investments	40	\$ 1,390	-	\$ 1,390	Note 6
	California Economic Development Lending Initiative (CEDLI)	An investee accounted for by the cost method	Long-term equity investments	50	1,738	-	1,738	Note 6
	<b>Fund</b>							
	Genesis L.A. Real Estate Fund LLC	-	Long-term investments	-	45,802	-	45,802	Note 6
	California Tax Credit Fund LLC	-	Long-term investments	-	28,980	-	28,980	Note 6
	Bay Area Smart Growth Fund LLC	-	Long-term investments	-	11,885	-	11,885	Note 6
Far East Capital Corporation	<b>Stock (common stock)</b>							
	Metropolis Digital	An investee accounted for by the cost method	Long-term equity investments	1,257	8,739	8.00%	8,739	Note 6
	Hollywood International Finance Inc.	An investee accounted for by the cost method	Long-term equity investments	0.3	10	15.10%	10	Note 6
	PCRS Capital Partners, LLC	An investee accounted for by the cost method	Long-term equity investments	-	2,182	4.00%	2,182	Note 6
	TVIA, Inc.	An investee accounted for by the cost method	Long-term equity investments	33	8,688	0.20%	822	Note 7
	<b>Stock (preferred stock)</b>							
	AgraQuest, Inc.	-	Long-term equity investments	100	8,167	0.80%	8,167	Note 6
	iPhysician Net, Inc.	-	Long-term equity investments	115	14,127	0.30%	14,127	Note 6
	Silicon Motion Inc.	-	Long-term equity investments	61	8,688	0.20%	8,688	Note 6
	Soffknot Corporation	-	Long-term equity investments	250	6,952	2.00%	6,952	Note 6
	Zone Reactor, Inc.	-	Long-term equity investments	300	2,085	1.50%	2,085	Note 6
SinoPac Leasing Corporation	<b>Stock</b>							
	Grand Capital International Limited	Subsidiary	Long-term equity investments	29,900	1,347,751	100.00%	1,347,751	Note 5
	Bank of Overseas Chinese	An investee accounted for by the cost method	Long-term equity investments	5,482	39,269 (Note 3)	0.33%	15,240	Note 2
	Chain Yarn Co., Ltd.	An investee accounted for by the cost method	Long-term equity investments	1,969	38,444	1.90%	23,945	Note 4
	Tekcon Electronics Corp.	An investee accounted for by the cost method	Long-term equity investments	832	20,768	1.51%	7,046	Note 4
	Global Securities Finance Corp.	An investee accounted for by the cost method	Long-term equity investments	1,423	15,664	0.19%	16,135	Note 4
	Z-Com, Inc.	An investee accounted for by the cost method	Long-term equity investments	330	6,600	0.50%	3,819	Note 4
	Walton Advanced Engineering, Inc. (formerly Walsin Advanced Electronics Ltd.)	An investee accounted for by the cost method	Long-term equity investments	1,528	23,616	0.45%	12,874	Note 4
	Telexpress Corp.	An investee accounted for by the cost method	Long-term equity investments	525	7,835	5.00%	5,474	Note 5
Grand Capital International Limited	<b>Venture fund</b>							
	World Wide Multimedia L.P.	-	Long-term investments	0.005	86,883	16.67%	85,108	Note 4
	<b>Stock (preferred stock)</b>							
	@Network, Inc.	-	Long-term equity investments	106	10,426	0.49%	10,426	Note 6
	Best 3C. Com, Inc.	-	Long-term equity investments	600	15,639	1.85%	15,639	Note 6
	e21 Corp.	-	Long-term equity investments	200	10,426	0.79%	10,426	Note 6
	Netvista (B.V.I.) Holding Company, Ltd.	-	Long-term equity investments	600	10,426	3.30%	10,426	Note 6
	<b>Stock (common stock)</b>							
	Ciphergen Biosystems, Inc.	An investee accounted for by the cost method	Long-term equity investments	45	9,929	0.17%	9,929	Note 6
SinoPac Capital Limited	<b>Stock</b>							
	SinoPac Capital (B.V.I.) Ltd.	Subsidiary	Long-term equity investments	4,450	148,653	100.00%	148,653	Note 5
	Shanghai Land Holding Ltd.	-	Short-term investments	2,850	10,284	0.09%	8,258	Note 2

Name of Held Company	Type and Name of Marketable Securities	Relationship	Account of Financial Statement	December 31, 2002				Note
				Shares/Units/Face Value (In Thousand)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
	ASM Pacific	-	Short-term investments	250	\$ 17,622	0.07%	\$ 16,711	Note 2
	Phoenix TV	-	Short-term investments	5,000	16,866	0.10%	15,336	Note 2
	TPV Holdings	-	Short-term investments	160	1,711	0.01%	1,765	Note 2
	<b>Fund</b>							
	KCM Asset Management	-	Short-term investments	-	69,517	-	69,538	Note 7
	<b>Convertible bill and bond</b>							
	Harbin Brewery Group Limited	-	Short-term investments	34,758	34,758	-	46,233	Note 2
	Sinbon Electronics Co., Ltd.	-	Short-term investments	34,758	34,758	-	34,407	Note 2
	Micro Star Int'l Co., Ltd.	-	Short-term investments	104,275	104,275	-	104,275	Note 2
SinoPac Capital (B.V.I.) Ltd.	<b>Stock</b>							
	Cyberpac Holding Ltd. (B.V.I.)	Subsidiary	Long-term equity investments	4,000	53,228	100.00%	53,228	Note 5
	Allstar Venture Ltd. (B.V.I.)	Subsidiary	Long-term equity investments	0.002	( 135,570)	100.00%	( 135,570)	Note 5
	Shanghai International Asset Management (Hong Kong) Co., Ltd.	Subsidiary	Long-term equity investments	4,800	33,143	60.00%	23,611	Note 4
	Pinnacle Investment Management Ltd.	Subsidiary	Long-term equity investments	200	4,466	99.9995%	4,467	Note 4
Cyberpac Holding Ltd. (B.V.I.)	<b>Venture fund</b>							
	3V Source One LP	-	Long-term investments	2,000	71,012	71.43%	71,012	Note 6
	<b>Stock</b>							
	Wal Tech International Corporation	Subsidiary	Long-term equity investments	26,497	208,243	99.99%	202,738	Note 5
	BSP Venture Management (B.V.I.) Ltd.	Subsidiary	Long-term equity investments	50	1,168	100.00%	1,168	Note 4
	Telexpress Corp.	An investee accounted for by the equity method	Long-term equity investments	3,900	51,942	34.21%	35,298	Note 5
	Hollywood International Finance Inc.	An investee accounted for by the cost method	Long-term equity investments	0.098	3	4.90%	3	Note 4
Allstar Venture Ltd. (B.V.I.)	<b>Venture fund</b>							
	InveStar Excelsus Venture Capital (Int'l) Inc., LDC	-	Long-term investments	2,220	84,900	6.25%	84,900	Note 6
	UOB	-	Long-term investments	26	77,545	8.62%	77,545	Note 6
	MDS Life Sciences Technology Fund	-	Long-term investments	50	116,343	25.00%	116,343	Note 6
	Bio Asia Investment, LLC/BDF II	-	Long-term investments	-	36,232	2.30%	36,232	Note 6
	NAVF II	-	Long-term investments	-	46,760	2.07%	46,760	Note 6
	<b>Stock (common stock)</b>							
	Ardent Pharmaceutica, Inc.	An investee accounted for by the cost method	Long-term equity investments	143	17,763	0.58%	17,763	Note 6
	TVIA, Inc.	An investee accounted for by the cost method	Long-term equity investments	167	10,206	0.75%	4,112	Note 7
	DiCon Fiberoptics, Inc.	An investee accounted for by the cost method	Long-term equity investments	221	34,747	0.20%	34,747	Note 6
	<b>Stock (preferred stock)</b>							
	Sunol Molecular Corp.	-	Long-term equity investments	100	17,540	0.92%	17,540	Note 6
	Phytoceutica, Inc.	-	Long-term equity investments	200	17,926	1.10%	17,926	Note 6
	Selective Genetics, Inc.	-	Long-term equity investments	50	10,789	0.43%	10,789	Note 6
	Immusol, Inc.	-	Long-term equity investments	75	10,658	0.16%	10,658	Note 6
	Virtual Silicon Technology, Inc.	-	Long-term equity investments	120	10,650	0.31%	10,650	Note 6
	BioAgri Corp.	-	Long-term equity investments	63	10,426	1.08%	10,426	Note 6
	Divio, Inc.	-	Long-term equity investments	125	17,443	0.64%	17,443	Note 6
Wal Tech International Corporation	<b>Stock (common stock)</b>							
	Intellisys Corp.	Subsidiary	Long-term equity investments	10,326	244,045	62.58%	120,552	Note 5
	Multiwin Asset Management Co., Ltd.	An investee accounted for by the equity method	Long-term equity investments	1,800	10,292	30.00%	10,292	Note 5
	Monmon Medza Technology Co., Ltd.	An investee accounted for by the equity method	Long-term equity investments	598	3,473	32.39%	3,473	Note 4
	Fu Po Electronics Corporation	An investee accounted for by the cost method	Long-term equity investments	1,650	29,700	1.50%	14,397	Note 4
	Webi & Netii Internet Services Inc.	An investee accounted for by the cost method	Long-term equity investments	63	625	2.63%	397	Note 4
	YesMobile Ltd.	An investee accounted for by the cost method	Long-term equity investments	400	12,000	2.00%	4,453	Note 4

Name of Held Company	Type and Name of Marketable Securities	Relationship	Account of Financial Statement	December 31, 2002				Note
				Shares/Units/ Face Value (In Thousand)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
	SynTest Technologies, Inc., Taiwan	An investee accounted for by the cost method	Long-term equity investments	79	\$ 10,598	0.35%	\$ 658	Note 4
	Taiwan Leader Advanced Technology Co., Ltd.	An investee accounted for by the cost method	Long-term equity investments	1,575	15,000	1.53%	15,693	Note 4
	Ruentex Resources Integration Co., Ltd. (formerly Runhorn Preftech Engineering Co., Ltd.)	A subsidiary of Bank SinoPac's supervisor and an investee accounted for by the cost method	Long-term equity investments	2,361	24,114	2.47%	18,681	Note 4
	Media Reality Technologies, Inc.	An investee accounted for by the cost method	Long-term equity investments	800	13,598	1.78%	8,124	Note 5
	Advanced Power Electronics Corp.	An investee accounted for by the cost method	Long-term equity investments	660	14,520	1.32%	9,246	Note 4
	Nanya PCB Corporation	An investee accounted for by the cost method	Long-term equity investments	1,519	93,080	0.33%	27,569	Note 4
	ENE Technology Inc.	An investee accounted for by the cost method	Long-term equity investments	765	29,996	3.22%	9,324	Note 5
	SonicEdge Industries Corporation	An investee accounted for by the cost method	Long-term equity investments	580	14,500	3.00%	5,960	Note 4
	Maximum Venture I, Inc., Taiwan	An investee accounted for by the cost method	Long-term equity investments	7,000	70,350	8.33%	70,350	Note 6
	<b>Stock (preferred stock)</b> Silicon Motion Inc.	-	Long-term equity investments	90	12,523	0.31%	12,523	Note 6
Intellisys Corp.	<b>Beneficiary certificate</b> KGI Pioneer Fund	-	Short-term investments	200	2,000 (Note 3)	-	1,698	Note 7
	Apollo Nobel Fund	-	Short-term investments	10	100 (Note 3)	-	51	Note 7
	<b>Stock</b> Orion Financial Tech. Ltd.	An investee accounted for by the cost method	Long-term equity investments	81	525	2.31%	402	Note 4
SinoPac Life Insurance Agent Co., Ltd.	<b>Beneficiary certificate</b> Fuh-hwa Yu-Li Fund	-	Short-term investments	1,328	15,000	-	15,295	Note 7
	Fuh-hwa Bond Fund	-	Short-term investments	164	2,000	-	2,035	Note 7
	CP Bond Fund	-	Short-term investments	3,432	50,000	-	50,230	Note 7
SinoPac Property Insurance Agent Co., Ltd.	<b>Beneficiary certificate</b> CP Bond Fund	-	Short-term investments	104	1,500	-	1,526	Note 7
	ABN AMRO Bond Fund Cap	-	Short-term investments	71	1,000	-	1,012	Note 7
SinoPac Securities Corporation	<b>Stock</b> SinoPac Futures Corp. (formerly National Futures Corp.)	Subsidiary	Long-term equity investments	35,348	397,700	88.37%	397,700	Note 4
	SinoPac Securities (Cayman) Holdings Ltd. (formerly NSC (Cayman) Holdings Ltd.)	Subsidiary	Long-term equity investments	22,100	888,395	100.00%	888,395	Note 4
	SinoPac Capital Management Corp. (formerly Wan Sheng Securities Investment Consulting Co., Ltd.)	Subsidiary	Long-term equity investments	21,000	198,939	100.00%	198,312	Note 4
	SinoPac Asset Management Corp. (B. V. I.)	Subsidiary	Long-term equity investments	16,000	612,056	100.00%	612,056	Note 4
	SinoPac Futures Co., Ltd.	Subsidiary	Long-term equity investments	19,994	193,826	99.97%	193,826	Note 4
	Honpang Venture Capital Corp.	An investee accounted for by the cost method	Long-term equity investments	8,000	80,000	10.00%	80,000	Note 6
	Shengtung Venture Capital Corporation	An investee accounted for by the cost method	Long-term equity investments	65,000	65,000	10.00%	65,000	Note 6
	Communicator II Venture Holding Ltd.	An investee accounted for by the cost method	Long-term equity investments	5,500	55,000	10.00%	55,000	Note 6
	Parawin Venture Capital Corporation	An investee accounted for by the cost method	Long-term equity investments	5,000	50,000	5.00%	50,000	Note 6
	Top Taiwan III Venture Capital Co., Ltd.	An investee accounted for by the cost method	Long-term equity investments	5,000	50,000	5.00%	50,000	Note 6

Name of Held Company	Type and Name of Marketable Securities	Relationship	Account of Financial Statement	December 31, 2002				Note
				Shares/Units/ Face Value (In Thousand)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
Chiachen Chiayi Venture Capital Corporation		An investee accounted for by the cost method	Long-term equity investments	2,000	\$ 20,000	10.00%	\$ 20,000	Note 6
China Power Venture Capital Co., Ltd.		An investee accounted for by the cost method	Long-term equity investments	7,000	70,000	7.00%	70,000	Note 6
Hua VI Venture Capital Corp.		An investee accounted for by the cost method	Long-term equity investments	9,000	90,000	8.70%	90,000	Note 6
Fu-Ban Securities Finance Co., Ltd.		An investee accounted for by the cost method	Long-term equity investments	2,945	29,037	0.50%	29,037	Note 6
Global Securities Finance Co., Ltd.		An investee accounted for by the cost method	Long-term equity investments	2,628	23,562	0.35%	23,562	Note 6
Taiwan Securities Central Depository Co., Ltd.		An investee accounted for by the cost method	Long-term equity investments	1,574	12,858	0.63%	12,858	Note 6
Taiwan Future Exchange Co., Ltd.		An investee accounted for by the cost method	Long-term equity investments	1,120	11,560	0.56%	11,560	Note 7
<b>Beneficiary certificate</b>								
Jf (Taiwan) New America Trust		-	Short-term investments	1,000	10,035	-	8,770	Note 7
Prudential Financial Global Bio-Health Fund		-	Short-term investments	2,000	20,050	-	21,800	Note 7
The Global Fund		-	Short-term investments	3,120	31,197	-	33,474	Note 7
Abnamro Global Leader Fund		-	Short-term investments	2,000	20,000	-	20,540	Note 7
UBS Treasury Global Technology Biotech Fund		-	Short-term investments	1,000	10,000	-	9,340	Note 7
Bsitc World Technology Fund		-	Short-term investments	1,000	10,000	-	10,000	Note 7
Truswell Asian American Fund		-	Short-term investments	3,000	30,000	-	29,970	Note 7
E. Sun Deng Feng Fund		-	Short-term investments	1,000	10,000	-	8,300	Note 7
NT And High Yield Fund		-	Short-term investments	6,343	99,000	-	99,211	Note 7
Sinkong Chi-Shun Fund		-	Short-term investments	5,081	69,427	-	70,374	Note 7
The Wan Tai Bond Fund		-	Short-term investments	42,350	542,393	-	559,791	Note 7
Fubon Ju-II Fund		-	Short-term investments	20,042	300,066	-	300,547	Note 7
Sinkong Chi- Shin Fund		-	Short-term investments	11,118	150,000	-	150,310	Note 7
Asia Pacific Bond Fund		-	Short-term investments	42,486	500,705	-	509,391	Note 7
Sheng Hua 5599 Bond Fund		-	Short-term investments	19,509	204,924	-	205,376	Note 7
President Home Run Bond Fund		-	Short-term investments	34,298	446,600	-	452,833	Note 7
Prudential Financial Return Fund		-	Short-term investments	29,948	411,299	-	412,197	Note 7
Cathay Bond Fund		-	Short-term investments	43,839	476,081	-	478,280	Note 7
President James Bond Fund		-	Short-term investments	13,111	190,281	-	190,693	Note 7
Ta Chong Gallop Bond Fund		-	Short-term investments	26,573	271,267	-	272,156	Note 7
Diamond Bond Fund		-	Short-term investments	8,409	90,000	-	90,774	Note 7
Abnamro Select Bond Fund		-	Short-term investments	28,064	300,000	-	300,466	Note 7
Ta Chong Enterpriser Fund		-	Short-term investments	692	10,000	-	7,372	Note 7
GP ROC Bond Fund		-	Short-term investments	14,216	200,000	-	200,226	Note 7
Apollo B.B. Bond Fund		-	Short-term investments	9,394	100,000	-	100,040	Note 7
Sinkong Great China Fund		-	Short-term investments	2,000	20,020	-	18,620	Note 7
Chung Hsing Taiwan Fund		-	Short-term investments	947	9,475	-	8,415	Note 7
Water Land Vision Fund		-	Short-term investments	5,000	50,000	-	46,750	Note 7
Cathay Technology Fund		-	Short-term investments	3,000	30,030	-	27,090	Note 7
Fuh-Hwa Small Capital Fund		-	Short-term investments	1,969	20,099	-	19,331	Note 7
Union Taiwan Knowledge Fund		-	Short-term investments	1,000	10,000	-	8,410	Note 7
President Jump Fund		-	Short-term investments	2,000	20,060	-	19,080	Note 7
Capital Asset Allocation Fund		-	Short-term investments	870	10,025	-	8,364	Note 7
Grand Cathay Balance Fund		-	Short-term investments	3,000	30,060	-	31,470	Note 7
Zurich Balanced Fund		-	Short-term investments	2,000	20,000	-	20,000	Note 7
Tai-Yu High Tech Fund		-	Short-term investments	1,992	10,000	-	9,821	Note 7
APIT II Fund		-	Short-term investments	3,584	20,030	-	18,817	Note 7
Central Chiao Tung Hi-Tech Fund		-	Short-term investments	3,112	30,000	-	28,351	Note 7
AIG TW Growth Fund		-	Short-term investments	1,600	8,000	-	7,840	Note 7
Jin Sun American Growth Fund		-	Short-term investments	2,004	20,040	-	20,040	Note 7
Shinkong Asia Equity Fund		-	Short-term investments	2,000	20,000	-	20,000	Note 7

Name of Held Company	Type and Name of Marketable Securities	Relationship	Account of Financial Statement	December 31, 2002				Note
				Shares/Units/Face Value (In Thousand)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
SinoPac Futures Corp.	<b>Stock</b> Taiwan Future Exchange Co., Ltd.	An investee accounted for by the cost method	Long-term equity investments	500	\$ 5,000	0.25%	\$ 5,000	Note 6
SinoPac Securities (Cayman) Holdings Ltd.	<b>Stock</b> SinoPac Securities (Europe) Ltd. (formerly NSC Securities (Europe) Limited)	Subsidiary	Long-term equity investments	1,000	44,102	100.00%	44,102	Note 4
	SinoPac Securities (Asia) Ltd. (formerly NSC Securities (Asia) Ltd.)	Subsidiary	Long-term equity investments	10	547,603	100.00%	547,603	Note 4
	SinoPac Futures (Asia) Ltd. (formerly NSC Futures (Asia) Ltd.)	Subsidiary	Long-term equity investments	10,000	81,565	100.00%	81,565	Note 4
	SinoPac Capital (Asia) Ltd. (formerly NSC Capital (Asia) Ltd.)	Subsidiary	Long-term equity investments	30,000	136,232	100.00%	136,232	Note 4
	NSC Asia Ltd.	Subsidiary	Long-term equity investments	1	869	100.00%	869	Note 4
	SinoPac Securities (U.S.A.) Ltd.	Subsidiary	Long-term equity investments	2	45,561	100.00%	45,561	Note 4
	NITC Asset Management (Asia) Ltd.	An investee accounted for by the equity method	Long-term equity investments	1,360	15,708	34.00%	15,708	Note 4
SinoPac Securities (Asia) Ltd.	<b>Stock</b> SinoPac Securities (Asia) Nominees Ltd. (formerly NSC Securities (Asia) Nominees Ltd.)	Subsidiary	Long-term equity investments	0.002	0.009	100.00%	0.009	Note 4
	SinoPac (Asia) Nominees Ltd. (formerly NSC (Asia) Nominees Ltd.)	Subsidiary	Long-term equity investments	0.002	0.009	100.00%	0.009	Note 4
SinoPac Capital Management Corp.	<b>Beneficiary certificate</b> NITC Bond Fund	-	Short-term investments	359	55,385	-	55,671	Note 7
SinoPac Asset Management Corp. (B.V.I.)	<b>Stock</b> SinoPac Securities (H.K.) Limited	Subsidiary	Long-term equity investments	25,000	109,646	100.00%	109,646	Note 5
	SinoPac Asia Limited (formerly SP Asset Management Corp., Ltd.)	Subsidiary	Long-term equity investments	6,000	282,924	100.00%	282,924	Note 5
SinoPac Futures Co., Ltd.	<b>Stock</b> Taiwan Future Exchange Co., Ltd.	An investee accounted for by the cost method	Long-term equity investments	1	10	-	10	Note 6

- Note 1: Foreign-currency amounts are translated to New Taiwan dollars at the exchange rate as of the balance sheet date.
- Note 2: Market prices of listed and over-the-counter stocks are determined by average daily closing prices for the last month of the accounting period.
- Note 3: The amounts are before deducting related unrealized losses.
- Note 4: Net asset values are based on the investees' unaudited or unreviewed financial statements for the latest period.
- Note 5: Net asset values are based on the investees' audited or reviewed financial statements for the latest period.
- Note 6: Net asset values are based on the carrying values.
- Note 7: Market prices are determined by the closing prices of the last day of the accounting period.
- Note 8: The shares include 33,660 thousand shares of treasury stock.

**TABLE 4 SINOPAC HOLDINGS AND SUBSIDIARIES**

• For The Year Ended December 31, 2002  
(Amounts Expressed in Thousands of New Taiwan Dollars)

•MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE ISSUED CAPITAL														
Company Name	Type and Name of Marketable Securities	Account of Financial Statement	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares/Units/ Face Value (In Thousand)	Amount	Shares/Units/ Face Value (In Thousand)	Amount (Note 3)	Shares/Units/ Face Value (In Thousand)	Amount	Carrying Value (Note 6)	Gain (Loss) on Disposal	Shares/Units/ Face Value (In thousand)	Amount
SinoPac Holdings (Note 1)	<b>Stock (common stock)</b> Bank SinoPac	Long-term equity investments	-	-	-	\$ -	1,944,398 (Note 2)	\$24,931,979 (Notes 3 and 4)	-	\$ -	\$ 2,896,922 (Note 7)	\$ -	1,944,398	\$22,035,057
	SinoPac Securities Corporation	Long-term equity investments	-	-	-	-	1,526,902 (Note 2)	21,322,310 (Notes 3, 4 and 5)	-	-	-	-	1,526,902 (Note 2)	21,322,310
	SinoPac Securities Co., Ltd.	Long-term equity investments	-	-	-	-	317,916 (Note 3)	3,595,117 (Note 3)	317,916	-	3,595,117 (Note 8)	-	-	-
	AnShin Card Services Co., Ltd.	Long-term equity investments	Bank SinoPac	Subsidiary	-	-	81,104 (Note 4)	151,227 (Note 4)	-	-	-	-	81,104	151,227
	SinoPac Call Center Co., Ltd.	Long-term equity investments	-	-	-	-	10,000 (Note 4)	97,134 (Note 4)	-	-	-	-	10,000	97,134
	<b>Stock (preferred stock)</b> AnShin Card Services Co., Ltd.	Long-term equity investments	-	-	-	-	28,834	288,336	-	-	-	-	28,834	288,376
Bank SinoPac	<b>Stock</b> SinoPac Bancorp	Long-term equity investments	-	-	20	4,425,056	-	607,967 (Note 4)	-	-	-	-	20	5,033,023
	AnShin Card Services Co., Ltd.	Long-term equity investments	SinoPac Holdings	Parent company	81,104	349,264	-	-	81,104	180,695 (Note 9)	349,264	( 38,451)	-	-
SinoPac Bancorp	<b>Stock</b> Far East National Bank	Long-term equity investments	-	-	170	4,367,729	5	551,477 (Note 4)	-	-	-	-	175	4,919,206
SinoPac Capital (B.V.I.) Ltd.	<b>Stock</b> Cyberpac Holding Ltd.(B.V.I.)	Long-term equity investments	-	-	0.002	( 38,675)	3,999,998	91,903 (Note 4)	-	-	-	-	4,000	53,228
Cyberpac Holding Ltd.(B.V.I.)	<b>Stock</b> Wal Tech International Corporation	Long-term equity investments	-	-	4,997	30,007	21,500	178,236 (Note 4)	-	-	-	-	26,497	208,243
Wal Tech International Corporation	<b>Stock</b> Intellisys Corp.	Long-term equity investments	Gin An Investment, Ltd., Ruentex Industries Ltd., et al.	Affiliates	2,970	138,027	7,356	106,028 (Note 4)	-	-	-	-	10,326	245,055

- Note 1: The Company is established by Bank SinoPac, SinoPac Securities Corporation (formerly NSC) and SinoPac Securities Co., Ltd. through the stock conversion.
- Note 2: Treasury stocks are included in the shares.
- Note 3: Mainly consist of the beginning investment amount transferred from each subsidiary's net asset value through the stock conversion on May 9, 2002 amounting to \$23,976,716, \$17,971,400 and \$3,595,117, respectively.
- Note 4: Consist of acquisition costs, investment income (loss) recognized under the equity method and cumulative translation adjustment for the year ended December 31, 2002.
- Note 5: Except for Note 3, the amount also consists of the amount of \$3,469,100 transferred from long-term equity investments on SinoPac Securities Co., Ltd. (please see Note 8).
- Note 6: Consist of investment loss recognized under the equity method, cash dividends, unrealized loss on long-term equity investments, unrealized revaluation loss on long-term equity investments and cumulative translation adjustments for the period from May 9, 2002 to December 31, 2002.
- Note 7: The amount includes the carrying value of treasury stock held by Bank SinoPac.
- Note 8: Consist of the book value of long-term equity investments on SinoPac Securities Co., Ltd. totaling \$3,469,100 (of which investment loss amounting to \$93,077 recognized for the period from May 9, 2002 to July 21, 2002 had been included through consolidation).
- Note 9: Consist of investment loss recognized under the equity method, unamortized portion of the compensation for the transfer of the credit card accounts and personnel, adjustments for additional paid-in capital, and unrealized revaluation loss.
- Note 10: Foreign-currency amounts are translated to New Taiwan dollars at the exchange rate as of the balance sheet date.

**TABLE 5 SINOPAC HOLDINGS AND SUBSIDIARIES**

● For The Year Ended December 31, 2002

(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

● NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE											
Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2002			Net Income (Losses) of the Investee (Note 1)	Recognized Gains (Losses) on Investment (Note 1)	Note
				December 31, 2002 (Note 1)	December 31, 2001 (Note 1)	Shares (Thousand)	Percentage of Ownership (%)	Carrying Value (Note 1)			
SinoPa Holdings	Bank SinoPac	Taipei	Commercial bank	\$ 23,976,716 (Note 3)	\$ -	1,944,398	100.00	\$ 22,035,057	\$ 2,255,049	\$ 1,467,793 (Note 2)	Subsidiary
	SinoPac Securities Corporation	Taipei	Brokerage, dealing, and underwriting of securities	21,440,500 (Notes 3 and 4)	-	1,526,902	100.00	21,322,310	1,629,284	438,352 (Note 2)	Subsidiary
	AnShin Card Services Co., Ltd.	Taipei	Credit card business	181,238	-	81,104	49.76	151,227	(384,746)	(29,170) (Note 5)	An investee under significant influence held by SinoPac Holdings' Subsidiary
	SinoPac Call Center Co., Ltd.	Taipei	Data processing, manpower and agency services	100,000	-	10,000	100.00	97,134	(2,866)	(2,866)	Subsidiary
Bank SinoPac	SinoPac Bancorp	California	Stock holding Company	3,328,915	2,979,015	20	100.00	5,033,023	380,855	290,205	Grandson corp.
	Rocorp Holding S.A.	Luxembourg	Stock holding Company	3,531	3,531	0.11	33.33	3,531	-	-	An investee under significant influence held by SinoPac Holdings' Subsidiary
	SinoPac Leasing Corporation	Taipei	Engaged in leasing of aircraft and machinery equipment	999,940	999,940	149,652	99.77	2,040,696	146,000	143,295	Grandson corp.
	SinoPac Capital Limited	Hong Kong	Lending and financing	1,001,108	1,001,108	229,998	99.99	898,618	(42,758)	(42,906)	Grandson corp.
	SinoPac Financial Consulting Co., Ltd.	Taipei	Investment advisory and business management advisory	1,940	1,940	194	97.00	3,284	1,304	1,258	Grandson corp.
	SinoPac Securities Co., Ltd.	Taipei	Brokerage, dealing, and underwriting of securities	-	2,944,784	-	-	-	149,455	172,386	Grandson corp.
	AnShin Card Services Company Limited	Taipei	Credit card business	-	811,037	-	-	-	(384,746)	(164,186)	Grandson corp.
SinoPac Life Insurance Agent Co., Ltd.	Taipei	Life insurance agent	1,940	1,940	194	97.00	79,451	79,830	77,435	Grandson corp.	
SinoPac Property Insurance Agent Co., Ltd.	Taipei	Property insurance agent	1,940	1,940	194	97.00	3,801	1,813	1,751	Grandson corp.	
SinoPac Bancorp	Far East National Bank	California	Commercial bank	3,153,965	2,979,015	175	100.00	4,919,206	389,530		Great-grandson corp.
Far East National Bank	Far East Capital Corporation	California	Investment bank	121,636	121,636	350	100.00	82,433	2,156		Great-great-grandson corp.
	FENB Securities, Inc.	California	Brokerage of securities	24,368	3,475	3	100.00	13,521	6,782		Great-great-grandson corp.
	FENB Loan Corp.	California	Asset management corporation	35	35	0.1	100.00	(14,046)	(14,005)		Great-great-grandson corp.
	FENB Film Corp.	California	Motion picture assets management	35	35	0.1	100.00	(41,033)	(14,005)		Great-great-grandson corp.
SinoPac Leasing Corporation	Grand Capital International Limited	British Virgin Islands	Oversea trading, leasing, lending and financing	914,066	914,066	29,900	100.00	1,347,751	124,291		Great-grandson corp.
SinoPac Capital Limited	SinoPac Capital (B.V.I.) Ltd.	British Virgin Islands	Financial advisory	154,651	154,651	4,450	100.00	148,653	(13,890)		Great-grandson corp.
SinoPac Capital (B.V.I.) Ltd.	Cyberpac Holding Ltd. (B.V.I.)	British Virgin Islands	Investment and advisory business	139,012	0.07	4,000	100.00	53,228	(45,795)		Great-great-grandson corp.
	Allstar Venture Ltd. (B.V.I.)	British Virgin Islands	Investment corporation	0.07	0.07	0.002	100.00	(135,570)	(35,030)		Great-great-grandson corp.
	Shanghai International Asset Management (Hong Kong) Co., Ltd.	Hong Kong	Asset management corporation	44,562	44,562	4,800	60.00	33,143	888		Great-great-grandson corp.
	Pinnacle Investment Management Ltd.	Hong Kong	Asset management corporation	6,951	6,951	200	99.9995	4,466	(1,081)		Great-great-grandson corp.
Cyberpac Holding Ltd. (B.V.I.)	Wal Tech International Corporation	Taipei	Leasing, international trading, and sale of machinery equipment	272,160	57,160	26,497	99.99	208,243	(36,287)		Great-great-grandson corp.
	BSP Venture Management (B.V.I.) Ltd.	British Virgin Islands	Investment management corporation	1,738	1,738	50	100.00	1,168	(9)		Great-great-grandson corp.
	Telexpress Corp.	Cayman Islands	Investment corporation	54,215	54,215	3,900	34.21	51,942	1,630		An investee under significant influence held by SinoPac Holdings' great-great-grandson Corp.
Wal Tech International Corporation	Intellisys Corp.	Taipei	Computer and peripheral system integration engineering, software development and design	258,836	148,500	10,326	62.38	244,045	4,236		Great-great-grandson corp.

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2002			Net Income (Losses) of the Investee (Note 1)	Recognized Gains (Losses) on Investment (Note 1)	Note
				December 31, 2002 (Note 1)	December 31, 2001 (Note 1)	Shares (Thousand)	Percentage of Ownership(%)	Carrying Value (Note 1)			
	Mutiwin Asset Management Co., Ltd.	Taipei	Asset management corporation	\$ 18,000	\$ 18,000	1,800	30.00	\$ 10,292	\$ 1,051		An investee under significant influence held by SinoPac Holdings' great-great-grandson corp.
	Monmon Medza Technology	Taipei	Software products retail and distribution service	5,980	5,980	598	32.39	3,473	( 7,861)		An investee under significant influence held by SinoPac Holdings' great-great-grandson corp.
SinoPac Securities Corporation	SinoPac Futures Corp.	Taipei	Brokerage of futures contracts	353,480	353,480	35,348	88.37	397,700	35,971	\$ 29,605	Grandson corp.
	SinoPac Securities (Cayman) Holdings Ltd.	Cayman Islands, British West Indies	Investment holding company	733,226	733,226	22,100	100.00	888,395	38,456	38,456	Grandson corp.
	SinoPac Capital Management Corp.	Taipei	Investment consulting	146,028	144,864	21,000	10.00	198,939	( 24,793)	( 24,917)	Grandson corp.
	SinoPac Asset Management Corp. (B.V.I.)	British Virgin Islands	Securities brokerage and investment advisory	524,857	524,857	16,000	10.00	612,056	84,752	84,752	Grandson corp.
	SinoPac Futures Co., Ltd.	Taipei	Brokerage of futures contracts	199,940	199,940	19,994	99.97	193,826	( 6,793)	( 6,816)	Grandson corp.
SinoPac Securities (Cayman) Holdings Ltd.	SinoPac Securities (Europe)Ltd.	London, UK	European agent business	52,616	52,616	1,000	100.00	44,102	( 2,834)		Great-grandson corp.
	SinoPac Securities (Asia)Ltd.	Hong Kong	Hong Kong stock brokerage	449,739	449,739	10	100.00	547,603	41,477		Great-grandson corp.
	SinoPac Futures (Asia)Ltd.	Hong Kong	Futures brokerage business	41,877	41,877	10,000	100.00	81,565	795		Great-grandson corp.
	SinoPac Capital (Asia)Ltd.	Hong Kong	IPO underwriting business	134,216	134,216	30,000	100.00	136,232	1,106		Great-grandson corp.
	NSC Asia Ltd.	British Virgin Islands	Derivatives instruments business	25,856	25,856	1	100.00	869	726		Great-grandson corp.
	NITC Asset Management (Asia)Ltd.	Hong Kong	Asset management and investment consulting	5,491	5,491	1,360	34.00	15,708	16,003		An investee under significant influence held by SinoPac Holdings' grandson corp.
	SinoPac Securities (U.S.A.)Ltd.	California	Collecting and analyzing financial market information	64,224	8,688	2	100.00	45,561	( 12,719)		Great-grandson corp.
SinoPac Asset Management Corp. (B.V.I.)	SinoPac Securities (H.K.)Ltd.	Hong Kong	Securities brokerage, investment advisory, fund management and security business	111,383	111,383	25,000	100.00	109,646	11,925		Great-grandson corp.
	SinoPac Asia Limited	British Virgin Islands	Securities brokerage, investment advisory and consulting business	208,518	208,518	6,000	100.00	282,924	83,230		Great-grandson corp.
SinoPac Securities (Asia) Ltd.	SinoPac Securities (Asia) Nominees Ltd.	Hong Kong	Hong Kong stock trust business	0.009	0.009	0.002	100.00	0.009	-		Great-great-grandson corp.
	SinoPac (Asia) Nominees Ltd.	Hong Kong	Nominee trust account for oversea stock holdings	0.009	0.009	0.002	100.00	0.009	-		Great-great-grandson corp.

- Note 1: Except for foreign-currency denominated income and expenses are translated to New Taiwan dollars at the average exchange rate for the year ended December 31, 2002 and foreign-currency denominated original investment amounts that Bank SinoPac and SinoPac Leasing Corporation had invested in are translated to New Taiwan dollars at the historical exchange rate, other foreign-currency amounts are translated at the exchange rate as of the balance sheet date.
- Note 2: The Company recognized the investment income for the period from May 9 to December 31, 2002.
- Note 3: Mainly consist of the beginning investment amount transferred from each subsidiary's net asset value through the stock conversion on May 9, 2002 amounting to \$23,976,716, \$19,791,400 and \$3,595,117, respectively.
- Note 4: Except for Note 3, the amount also consists of the amount of \$3,469,100 transferred from long-term equity investments on SinoPac Securities Co., Ltd.
- Note 5: The Company recognized the investment income for December 2002.

**II. FINANCIAL STATEMENTS OF PARENT COMPANY****INDEPENDENT AUDITORS' REPORT**

January 30, 2003

The Board of Directors and the Stockholders  
SinoPac Holdings

We have audited the accompanying balance sheet of SinoPac Holdings as of December 31, 2002, and the related statements of income, changes in stockholders' equity and cash flows for the period from May 9, 2002 (date of establishment) to December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements based on our audits.

We conducted our audits in accordance with Regulations for Audit of Financial Statements by Certified Public Accountants, Regulations for Audit of Financial Statements of Financial Institution by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits 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 SinoPac Holdings as of December 31, 2002, and the results of its operations and its cash flows for the period from May 9, 2002 to December 31, 2002, in conformity with Guidelines for Financial Holding Company's Financial Reporting and accounting principles generally accepted in the Republic of China.

We have also audited the consolidated financial statements of SinoPac Holdings as of December 31, 2002, and for the period from May 9, 2002 to December 31, 2002, on which we have issued an unqualified opinion thereon.



T N Soong & Co  
An Associate Member Firm of Deloitte Touche Tohmatsu  
Taipei, Taiwan  
The Republic of China

**NOTICE TO READERS**

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

**SINOPAC HOLDINGS BALANCE SHEET**

DECEMBER 31, 2002 (AMOUNTS EXPRESSED IN THOUSANDS  
OF NEW TAIWAN DOLLARS, EXCEPT PAR VALUE OF CAPITAL STOCK)

2002

<b>ASSET</b>	<b>AMOUNT</b>	<b>%</b>
<b>CURRENT ASSETS</b>		
CASH	\$ 8,704,121	16
BONDS PURCHASED UNDER AGREEMENTS TO RESELL	470,000	1
RECEIVABLES	21,154	-
PREPAYMENTS	4,858	-
<b>TOTAL CURRENT ASSETS</b>	<b>9,200,133</b>	<b>17</b>
<b>LONG-TERM EQUITY INVESTMENTS</b>	<b>43,894,064</b>	<b>82</b>
<b>PROPERTIES</b>		
<b>COST</b>		
LEASEHOLD IMPROVEMENT	12,001	-
COMPUTER EQUIPMENT	2,231	-
TRANSPORTATION EQUIPMENT	4,180	-
OFFICE AND OTHER EQUIPMENT	6,079	-
<b>TOTAL COST</b>	<b>24,491</b>	<b>-</b>
ACCUMULATED DEPRECIATION	1,952	-
ADVANCES ON ACQUISITIONS OF EQUIPMENT	4,572	-
<b>NET PROPERTIES</b>	<b>27,111</b>	<b>-</b>
<b>OTHER ASSETS</b>	<b>108,091</b>	<b>1</b>
<b>TOTAL ASSETS</b>	<b>\$53,229,399</b>	<b>100</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
SHORT-TERM BORROWINGS	250,000	-
PAYABLES	18,541	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>268,541</b>	<b>-</b>
<b>EURO-CONVERTIBLE BONDS</b>	<b>8,160,299</b>	<b>16</b>
<b>OTHER LIABILITIES</b>	<b>3,200</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>8,432,040</b>	<b>16</b>
<b>STOCKHOLDERS' EQUITY</b>		
CAPITAL STOCK - \$10 PAR VALUE, AUTHORIZED 10,000,000,000 SHARES AND ISSUED 3,748,126,974 SHARES	37,481,270	70
CAPITAL SURPLUS	9,067,958	17
RETAINED EARNINGS	1,531,273	3
UNREALIZED LOSS ON LONG-TERM EQUITY INVESTMENTS	( 321,429)	( 1)
UNREALIZED REVALUATION LOSS ON LONG - TERM EQUITY INVESTMENTS	( 40,695)	-
CUMULATIVE TRANSLATION ADJUSTMENT	324,552	1
TREASURY STOCK - AT COST : 250,202,767 SHARES	( 3,245,570)	( 6)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>44,797,359</b>	<b>84</b>
<b>CONTINGENCIES AND COMMITMENTS</b>		
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$53,229,399</b>	<b>100</b>

2002

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**SINOPAC HOLDINGS STATEMENT OF INCOME**

FOR THE PERIOD FROM MAY 9, 2002 (DATE OF ESTABLISHMENT) TO DECEMBER 31, 200  
(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE)

	AMOUNT	%
<b>OPERATING REVENUES</b>		
INTEREST	\$ 71,773	4
INCOME FROM SHORT-TERM INVESTMENTS	12,708	-
INCOME FROM LONG-TERM EQUITY INVESTMENTS	1,876,100	96
TOTAL OPERATING REVENUES	<u>1,960,581</u>	<u>100</u>
<b>OPERATING COSTS AND EXPENSES</b>		
INTEREST	166,729	9
OPERATING AND ADMINISTRATIVE EXPENSES	243,601	12
TOTAL OPERATING COSTS AND EXPENSES	<u>410,330</u>	<u>21</u>
<b>OPERATING INCOME</b>	<b>1,550,251</b>	<b>79</b>
<b>NON-OPERATING INCOME - NET</b>	<b>896</b>	<b>-</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>1,551,147</b>	<b>79</b>
<b>INCOME TAX</b>	<b>2,541</b>	<b>-</b>
<b>NET INCOME</b>	<b><u>\$ 1,548,606</u></b>	<b><u>79</u></b>
	<b>PRE-TAX</b>	<b>AFTER TAX</b>
<b>EARNINGS PER SHARE</b>		
<b>BASIC EARNINGS PER SHARE</b>	<b><u>\$ 0.45</u></b>	<b><u>\$ 0.45</u></b>
<b>DILUTED EARNINGS PER SHARE</b>	<b><u>\$ 0.44</u></b>	<b><u>\$ 0.44</u></b>
<b>PRO FORMA INFORMATION UNDER ASSUMPTIONS THAT SHARES OF SINOPAC HOLDINGS HELD BY ITS SUBSIDIARIES WERE NOT TREATED AS TREASURY STOCK:</b>		
	<b>PRE-TAX</b>	<b>AFTER TAX</b>
<b>BASIC EARNINGS PER SHARE</b>	<b><u>\$ 0.42</u></b>	<b><u>\$ 0.42</u></b>
<b>DILUTED EARNINGS PER SHARE</b>	<b><u>\$ 0.41</u></b>	<b><u>\$ 0.41</u></b>

**SINOPAC HOLDINGS STATEMENT OF CASH FLOWS**

FOR THE PERIOD FROM MAY 9, 2002 (DATE OF ESTABLISHMENT) TO DECEMBER 31, 2002  
(AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

AMOUNT

**CASH FLOWS FROM OPERATING ACTIVITIES**

NET INCOME	\$ 1,548,606
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
DEPRECIATION AND AMORTIZATION	2,284
INCOME FROM LONG-TERM EQUITY INVESTMENTS UNDER EQUITY METHOD	( 1,874,109)
CASH DIVIDENDS RECEIVED FROM LONG-TERM EQUITY INVESTMENTS UNDER EQUITY METHOD	1,798,372
INCREASE IN RECEIVABLES	( 21,154)
INCREASE IN PREPAYMENTS	( 4,858)
INCREASE IN PAYABLES	18,541
INCREASE IN OTHER LIABILITIES	3,200
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,470,882</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

INCREASE IN BONDS PURCHASED UNDER AGREEMENTS TO RESELL	( 470,000)
INCREASE IN LONG-TERM EQUITY INVESTMENTS	( 569,574)
ACQUISITION OF PROPERTIES	( 29,063)
INCREASE IN OTHER ASSETS	( 108,423)
NET CASH USED IN INVESTING ACTIVITIES	<u>( 1,177,060)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

INCREASE IN SHORT-TERM BORROWINGS	250,000
ISSUANCE OF EURO-CONVERTIBLE BONDS	8,160,299
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>8,410,299</u>

**CASH, END OF PERIOD**

\$ 8,704,121

**SUPPLEMENTAL INFORMATION**

INTEREST PAID	<u>\$ 321</u>
INCOME TAX PAID	<u>\$ 5,619</u>

THE COMPANY'S SHARES HELD BY ITS SUBSIDIARY WERE TREATED AS TREASURY STOCK

\$ 2,896,922

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**SINOPAC HOLDINGS STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**

FOR THE PERIOD FROM MAY 9, 2002 (DATE OF ESTABLISHMENT) TO DECEMBER 31, 2002 (AMOUNTS EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT DIVIDENDS PER SHARE)	CAPITAL STOCK		CAPITAL SURPLUS				RETAINED EARNINGS	UNREALIZED LOSS ON LONG-TERM EQUITY INVESTMENTS	UNREALIZED REVALUATION LOSS ON LONG-TERM INVESTMENTS	CUMULATIVE TRANSLATION ADJUSTMENT	TREASURY STOCK	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	TREASURY STOCK	OTHER	TOTAL						
	<b>BALANCE, MAY 9, 2002</b>	3,538,352,487	\$ 35,383,525	\$ 11,154,040	\$ -	\$ -						
<b>CAPITALIZATION OF CAPITAL SURPLUS</b>	209,774,487	2,097,745	( 2,097,745)	-	-	( 2,097,745)	-	-	-	-	-	-
<b>STOCK DIVIDENDS - \$0.6093 PER SHARE</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>NET INCOME FOR THE PERIOD FROM MAY 9, 2002 TO DECEMBER 31, 2002</b>	-	-	-	-	-	-	1,548,606	-	-	-	-	1,548,606
<b>UNREALIZED LOSS ON LONG-TERM EQUITY INVESTMENTS RECOGNIZED FROM SUBSIDIARIES</b>	-	-	-	-	-	-	-	4,493	-	-	-	4,493
<b>UNREALIZED REVALUATION LOSS RECOGNIZED FROM SUBSIDIARIES</b>	-	-	-	-	-	-	-	( 4,949)	-	-	( 4,949)	-
<b>CHANGE IN CUMULATIVE TRANSLATION ADJUSTMENT RECOGNIZED FROM SUBSIDIARIES</b>	-	-	-	-	-	-	-	-	( 69,117)	-	( 69,117)	-
<b>DIFFERENCE ADJUSTMENT BETWEEN THE EQUITY IN NET ASSETS FOR THE INVESTMENTS AND THE BOOK VALUE FROM LONG-TERM EQUITY INVESTMENTS</b>	-	-	-	-	-	-	( 8,256)	-	-	-	-	( 8,256)
<b>EFFECT OF ACQUIRING LONG-TERM EQUITY INVESTMENTS FROM SUBSIDIARIES</b>	-	-	( 1,679)	-	1,679	-	-	-	-	-	-	-
<b>TREASURY STOCK TRANSACTIONS OF SUBSIDIARIES</b>	-	-	-	11,663	-	11,663	( 9,077)	-	-	-	706,698	709,284
<b>BALANCE, DECEMBER 31, 2002</b>	<u>3,748,126,974</u>	<u>\$ 37,481,270</u>	<u>\$ 9,054,616</u>	<u>\$ 11,663</u>	<u>\$ 1,679</u>	<u>\$ 9,067,958</u>	<u>\$ 1,531,273</u>	<u>(\$ 321,429)</u>	<u>(\$ 40,695)</u>	<u>\$ 324,552</u>	<u>(\$ 3,245,570)</u>	<u>\$ 44,797,359</u>

## III. GROUP INFORMATION

## Operation Information

(Expressed in millions of NTD, 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)
SinoPac Holdings	37,481	53,229	8,432	44,797	3,913 (Footnote1)	3,503 (Footnote1)	3,501 (Footnote1)	1.01 (Footnote1)
Bank SinoPac	19,444	330,702	305,707	24,995	15,145	2,651	2,255	1.18
SinoPac Securities Corporation	15,269	49,135	27,812	21,323	5,935	1,788	1,629	1.10
SinoPac Call Center Co., Ltd.	100	106	9	97	0	( 4)	( 3)	( 0.29)
AnShin Card Services Co., Ltd.	1,630	8,673	7,886	787	1,405	( 468)	( 385)	( 2.38)
SinoPac Bancorp	3,903	51,721	46,565	5,156	2,930	574	383	19,147
SinoPac Leasing Corporation	1,500	4,858	3,030	1,828	321	129	146	0.97
SinoPac Capital Ltd. (HK)	1,025	5,168	4,255	913	196	( 43)	( 43)	( 0.19)
SinoPac Financial Consulting Co., Ltd. (unaudited)	2	6	2	4	7	2	1	6.52
SinoPac Life Insurance Agent Co., Ltd.	2	119	37	82	182	106	80	399.15
SinoPac Property Insurance Agent Co., Ltd. (unaudited)	2	5	1	4	5	2	2	9.06
Far East National Bank	3,743	51,765	46,849	4,916	1,659	661	383	2,190.83
Far East Capital Corporation	122	133	50	83	2	4	2	6.26
FENB Securities Inc.	3	21	7	14	0	12	7	2,724.64
FENB Film Corporation	0.035	103	144	( 41)	0	( 24)	( 14)	(140,749.65)
FENB Loan Corporation	0.035	103	117	( 14)	0	( 24)	( 14)	(140,749.65)
Grand Capital International Limited	1,039	4,805	3,460	1,345	223	120	122	4.09
SinoPac Capital (B.V.I.) Ltd.	155	156	0	156	71	( 13)	( 13)	( 3)
Shanghai International Asset Management (Hong Kong) Co., Ltd.	36	49	10	39	39	1	1	0.11
Allstar Venture Ltd.	-	528	663	( 135)	0	( 0.02)	( 35)	(17,611,005)
Cyberpac Holding Ltd.	139	342	289	53	34	( 32)	( 46)	( 11.51)
Pinnacle Investment Management Limited	7	5	0	5	0.0001	( 1)	( 1)	( 5.44)
BSP Venture Management (B.V.I.) Ltd. (Unaudited)	2	1	0	1	0	( 0.02)	( 0.01)	( 0.19)
Wal Tech International Corporation	265	837	634	203	125	0.76	( 36)	( 1.37)
Intellsys Corporation	165	279	86	193	189	5	4	0.26
SinoPac Futures Corp.	400	1,323	873	450	198	22	36	0.9
SinoPac Capital Management Corp.	210	209	11	198	70	23	25	1.18
SinoPac Securities (Cayman) Holdings Ltd.	768	888	0.101	888	39	38	38	1.74
SinoPac Securities (Asia) Ltd.	446	1,161	614	548	260	43	41	4,147.51
SinoPac Capital (Asia) Ltd.	134	136	0.027	136	0.150	0.11	0.11	0.04
SinoPac Futures (Asia) Ltd.	45	84	2	82	5	0.806	0.806	0.08
NSC Asia Ltd.	0.034	23	22	0.876	10	0.732	0.732	732.10
NITC Asset Management (Asia) Ltd.	18	82	36	46	48	16	16	11.76
SinoPac Securities (Europe) Ltd.	55	50	6	44	23	( 3)	( 3)	( 2.85)
SinoPac Securities (U.S.A.) Ltd.	70	41	0.362	41	0.2	( 13)	( 13)	( 14,547.78)
SinoPac Securities (Asia) Nominees Ltd.	0.000009	-	-	-	-	-	-	-
SinoPac (Asia) Nominees Ltd.	0.000009	-	-	-	-	-	-	-
SinoPac Asset Management Corp. (B.V.I.)	556	617	5	612	420	85	85	5.3
SinoPac Futures Co., Ltd.	200	208	15	194	11	9	( 0.007)	( 0.36)
SinoPac Securities (H.K.) Ltd.	111	111	2	110	151	13	12	0.48
SinoPac Asia Limited	209	2,004	1,721	283	1,853	83	83	13.87

• Footnote 1: The figures are represent the total amount of year 2002.

• Footnote 2: Exchange Rate: USD/NTD:34.753; HKD/NTD:4.4562.

● As of December, 2002

**Concise Company Profile**

● (Expressed in millions of NTD, except EPS)

Company	Date of Incorporation	Address	Capital	Main Business
SinoPac Holdings	2002.05	9F, No. 136, Nanking East Road, Sec. 3, Taipei, Taiwan 104, R.O.C.	37,481	Investment holding company
Bank SinoPac	1992.01	1-3F, No. 4, Chung Hsiao West Road, Sec. 1, Taipei, Taiwan 100, R.O.C.	19,444	Commercial bank
SinoPac Securities Corporation	1998.10	7-8F, No. 2, Chungching South Road, Taipei, Taiwan 100, R.O.C.	15,269	Brokerage, dealing and underwriting of securities
SinoPac Call Center Co., Ltd.	2002.12	10-11F, No. 441, Yucheng Road, Tzuoying Chiu, Kaohsiung, Taiwan 813, R.O.C.	100	Data processing, manpower and agency services
AnShin Card Services Co., Ltd.	2000.03	12F, No. 760, Sec. 4, Bade Road, Sungshan Chiu, Taipei, Taiwan 105, R.O.C.	2,110	Credit card business
SinoPac Bancorp	1997.06	350 S. Grand Avenue, 41 <sup>st</sup> Floor, Los Angeles, California 90071	USD 112	Stock holding Company
SinoPac Leasing Corporation	1997.09	7F, No. 132, 136, Sec. 3, Nanking East Road, Taipei, Taiwan 104, R.O.C.	1,500	Engaged in leasing of aircraft and machinery equipment
SinoPac Capital Ltd. (HK)	1999.01	Suite 1108, Cosco Tower, Grand Millennium Plaza, 183 Queen's Road, Central, Hong Kong	HKD 230	Lending and financing
SinoPac Financial Consulting Co., Ltd.	1999.06	6F, No. 9-1, Sec. 2, Chien Kuo North Road, Taipei, Taiwan 104, R.O.C.	2	Investment advisory and business management advisory
SinoPac Life Insurance Agent Co., Ltd.	2000.07	3F, No. 9-1, Sec. 2, Chien Kuo North Road, Taipei, Taiwan 104, R.O.C.	2	Life insurance agent
SinoPac Property Insurance Agent Co., Ltd.	2000.07	3F, No. 9-1, Sec. 2, Chien Kuo North Road, Taipei, Taiwan 104, R.O.C.	2	Property insurance agent
Far East National Bank	1974.12	350 S. Grand Avenue, 41 <sup>st</sup> Floor, Los Angeles, California 90071	USD 108	Commercial bank
Far East Capital Corporation	1988.09	350 S. Grand Avenue, 41 <sup>st</sup> Floor, Los Angeles, California 90071	USD 4	Investment bank
FENB Securities Inc.	2000.09	350 S. Grand Avenue, 41 <sup>st</sup> Floor, Los Angeles, California 90071	USD 0.1	Brokerage of securities
FENB Film Corporation	2001.05	350 S. Grand Avenue, 41 <sup>st</sup> Floor, Los Angeles, California 90071	USD 0.001	Motion picture assets management
FENB Loan Corporation	2001.05	350 S. Grand Avenue, 41 <sup>st</sup> Floor, Los Angeles, California 90071	USD 0.001	Asset management of corporation
Grand Capital International Limited	1998.01	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	USD 30	Oversea trading, leasing, lending and financing
SinoPac Capital (B.V.I.) Ltd.	1999.10	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	USD 4	Financial advisory
Shanghai International Asset Management (Hong Kong) Co., Ltd.	1993.02	Suite 4412-13 Cosco Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong	HKD 8	Asset management corporation
Allstar Venture Ltd.	2000.12	P.O. Box 901, East Asia Chambers, Road Town, Tartola, British Virgin Islands	USD 0.000002	Investment corporation
Cyberpac Holding Ltd.	2000.12	P.O. Box 901, East Asia Chambers, Road Town, Tartola, British Virgin Islands	USD 4	Investment and advisory business
Pinnacle Investment Management Limited	2001.03	Room 1107, Cosco Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong	USD 0.2	Asset management corporation
BSP Venture Management (B.V.I.) Ltd.	2001.02	P.O. Box 901, East Asia Chambers, Road Town, Tartola, British Virgin Islands	USD 0.05	Asset management corporation
Wal Tech International Corporation	1999.12	8F, No. 132, 136, Sec. 3, Nanking East Road, Taipei, Taiwan 104, R.O.C.	265	Leasing, international trading, and sale of machinery equipment
Intellisys Corp.	1993.06	6F-5, No. 205, Sec. 1, Dunhua South Road, Taipei, Taiwan 106, R.O.C.	165	Computer and peripheral system integration engineering, software development and design

Company	Date of Incorporation	Address	Capital	Main Business
SinoPac Futures Co., Ltd.	2001.05	5F, No. 132, Sec. 3, Nanking East Road, Taipei, Taiwan 104, R.O.C.	200	Brokerage of futures contracts
SinoPac Futures Corp.	1994.01	8F, No. 2, Sec. 1, Chungching South Road, Taipei, Taiwan 100, R.O.C.	400	Brokerage of futures contracts
SinoPac Capital Management Corp.	1984.10	19F, No. 2, Sec. 1, Chungching South Road, Taipei, Taiwan 100, R.O.C.	210	Securities investment advisory
SinoPac Securities (Cayman) Holdings Ltd.	1998.04	3 <sup>rd</sup> Floor, British American House, Dr. Roy's Drive, George Town, Grand Cayman, Cayman Islands	USD 22.1	Investment holding company
SinoPac Asset Management Corp.(B.V.I.)	1999.07	Akara Bldg., 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands.	USD 16	Securities brokerage and investment advisory
SinoPac Securities (Asia) Ltd.	1994.04	11F, Cosco Tower, Grand Millennium Plaza, 183 Queen's Road, Central, Hong Kong	HKD 100	Hong Kong stock brokerage
SinoPac Capital (Asia) Ltd.	1995.10	11F, Cosco Tower, Grand Millennium Plaza, 183 Queen's Road, Central, Hong Kong	HKD 30	IPO underwriting business
SinoPac Futures (Asia) Ltd.	1994.04	11F, Cosco Tower, Grand Millennium Plaza, 183 Queen's Road, Central, Hong Kong	HKD 10	Futures brokerage business
NSC Asia Ltd.	1997.02	Akara Bldg., 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands.	USD 0.001	Derivatives instruments business
NITC Asset Management (Asia) Ltd.	1994.10	46F, Cosco Tower, Grand Millennium Plaza, 183 Queen's Road, Central, Hong Kong	HKD 4	Asset management and investment consulting
SinoPac Securities (Europe) Ltd.	1999.05	Ground Floor, 30-40 Eastcheap, London, EC3M 1 HD, UK	GBP 1	European agent business
SinoPac Securities (U.S.A.) Ltd.	1999.04	1750 Montgomery St., Suite 110, San Francisco, CA94111, U.S.A.	USD 2	Securities agent business
SinoPac Securities (H.K.) Ltd.	2000.05	11F, Cosco Tower, Grand Millennium Plaza, 183 Queen's Road, Central, Hong Kong	HKD 25	Securities brokerage, investment advisory, fund management and security business
SinoPac Asia Ltd.	2001.06	Akara Bldg., 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands.	USD 6	Securities brokerage, investment advisory, fund management and security business
SinoPac Securities (Asia) Nominees Ltd.	1994.04	11F, Cosco Tower, Grand Millennium Plaza, 183 Queen's Road, Central, Hong Kong	HKD 0.000002	Hong Kong stock trust business
SinoPac (Asia) Nominees Ltd.	1995.10	11F, Cosco Tower, Grand Millennium Plaza, 183 Queen's Road, Central, Hong Kong	HKD 0.000002	Nominee trust account for oversea stock holdings

## Directors, Supervisors, and Presidents

● As of December 31, 2002

Company	Titles	Name	Nominating Legal Entity	Number of Shares Held by the Legal Entity		Shares Held by the Directors, Supervisors, or Presidents	
				No. of Shares	Percentage	No. of Shares	Percentage
SinoPac Holdings	Chairman	HONG, Richard M.	National Holding Co., Ltd.	142,178,186	3.7933%	11,978,069	0.3196%
	Managing Director	YIN, Yen-Liang	Gin An Investment Ltd.	88,027,482	2.3486%	6,095,835	0.1626%
	Managing Director	LO, Paul C.				7,400,780	0.1975%
	Director	HONG, Eugene	National Holding Co., Ltd.	142,178,186	3.7933%	184,336	0.0049%
	Director	HSU, Cheng-Tsai	Rei-Fu Investment Co., Ltd.	146,496	0.0039%	0	-
	Director	SHEU, Jong-Ming	Fortune Investment Co., Ltd.	603,239	0.0161%	15,974,486	0.4262%
	Director	HSU, Daw-Yi	National Holding Co., Ltd.	142,178,186	3.7933%	1,025,349	0.0274%
	Director	CHEN, Pou-Tsang				3,391,322	0.0905%
	Director	CHEN, Kai-Yuan	Southeast Soda Manufacturing Co., Ltd.	32,205,826	0.8593%	10,910,685	0.2911%
	Director	HWANG, Min-Juh	National Holding Co., Ltd.	142,178,186	3.7933%	581,631	0.0155%
	Director	YEH, Tien-Cheng	Gin An Investment Ltd.	88,027,482	2.3486%	0	-
	Supervisor	LU, Daung-Yen				15	0.0000%
	Supervisor	TSENG, Ta-Mong	Yu Ruen Investment Ltd.	9,803,435	0.2616%	0	-
	Supervisor	HUANG, Chuen-Su	Hong Yue Investment Corp. Ltd.	70,664,969	1.8853%	1,174	0.0000%
	President	LO, Paul C.				7,400,780	0.1975%
	Bank SinoPac	Chairman	Lo, Paul C.		1,944,397,617	100%	0
Managing Director		YIN, Yen-Liang		1,944,397,617	100%	0	-
Managing Director		CHEN, Pou-Tsang		1,944,397,617	100%	0	-
Director		LEE, Tien-Chia	Gin An Investment Ltd.	1,944,397,617	100%	0	-
Director		LEE, Chen-Chia	Maywufa Co., Ltd.	1,944,397,617	100%	0	-
Director		LIN, Ying-Feng		1,944,397,617	100%	0	-
Director		SHEU, Jong-Ming	Fortune Investment Co., Ltd.	1,944,397,617	100%	0	-
Director		CHEN, Kai-Yuan	Southeast Soda Manufacturing Co., Ltd.	1,944,397,617	100%	0	-
Director		HUANG, Chung-Hsing		1,944,397,617	100%	0	-
Director		YEH, Tien-Chen	Gin An Investment Ltd.	1,944,397,617	100%	0	-
Director		CHIA, Chen-I		1,944,397,617	100%	0	-
Resident Supervisor		CHENG, Tse-Yao	Ruentex Industries Ltd.	1,944,397,617	100%	0	-
Supervisor		HUANG, Chuen-Su		1,944,397,617	100%	0	-
Supervisor		HSIEH, Mei-Yueh	Ruentex Industries Ltd.	1,944,397,617	100%	0	-
President	CHEN, Pou-Tsang				0	-	
SinoPac Securities Corporation	Chairman	HWANG, Min-Juh	Hong Yue Investment Corp. Ltd.	1,526,902,025	100%	0	-
	Vice Chairman	HONG, Ai-Hwei	Hong Yue Investment Corp. Ltd.	1,526,902,025	100%	0	-
	Managing Director	HSU, Daw-Yi	National Electric Appliance Co., Ltd.	1,526,902,025	100%	0	-
	Director	CHANG, Richard	National Electric Appliance Co., Ltd.	1,526,902,025	100%	0	-
	Director	LIN, Che-Sheng	National Electric Appliance Co., Ltd.	1,526,902,025	100%	0	-
	Director	TU, Tsung-Dian	National Electric Appliance Co., Ltd.	1,526,902,025	100%	0	-
	Director	JIAN, Raymond	Rei-Fu Investment Co., Ltd.	1,526,902,025	100%	0	-
	Director	CHUANG, Rudy	National Finance Corp. Ltd.	1,526,902,025	100%	0	-
	Supervisor	WU, Sheng-Yi		1,526,902,025	100%	0	-
	Supervisor	CHI, Tsai-Shing		1,526,902,025	100%	0	-
President	HSU, Daw-Yi				0	-	
SinoPac Call Center Co., Ltd.	Chairman	CHEN, Pou-Tsang	SinoPac Holdings	10,000,000	100%	0	-
	Director	CHIA, Chen-I	SinoPac Holdings	10,000,000	100%	0	-
	Director	YEH, Ivan	SinoPac Holdings	10,000,000	100%	0	-
	Supervisor	LEE, Nancy C.	SinoPac Holdings	10,000,000	100%	0	-
	President	CHEN, Eliza				0	-
AnShin Card Services Co., Ltd.	Chairman	YIN, Yen-Liang				1,000	0.0006%
	Director	LO, Paul C.				1,000	0.0006%
	Director	LEE, Billy	ING Heart Investment Co., Ltd.	64,665,033	39.672%	1,000	0.0006%
	Director	POON, Patrick	ING Heart Investment Co., Ltd.	64,665,033	39.672%	1,000	0.0006%
	Director	LIU, Stacy	ING Heart Investment Co., Ltd.	64,665,033	39.672%		
	Supervisor	WAPLES, David Bede	ING Heart Investment Co., Ltd.	64,665,033	39.672%		
President	Jeannine Farhi						
SinoPac Bancorp	Chairman	LO, Paul C.	Bank SinoPac	2,000	100%	0	-
	Director	CHEN, Pou-Tsang	Bank SinoPac	2,000	100%	0	-
	Director	CHIA, Chen-I	Bank SinoPac	2,000	100%	0	-
	President	LO, Paul C.	Bank SinoPac	2,000	100%	0	-

Company	Titles	Name	Nominating Legal Entity	Number of Shares Held by the Legal Entity		Shares Held by the Directors, Supervisors, or Presidents	
				No. of Shares	Percentage	No. of Shares	Percentage
SinoPac Leasing Corporation	Chairman	Lo, Paul C.	Bank SinoPac	149,652,419	99.768%	1,496	0.001%
	Director	LIU, I-Cheng	Bank SinoPac	149,652,419	99.768%	227,234	0.151%
	Director	CHENG, Chuan-Jay	Bank SinoPac	149,652,419	99.768%	1,496	0.001%
	Director	CHEN, Chien-Jung	Bank SinoPac	149,652,419	99.768%	1,496	0.001%
	Director	CHEN, Pou-Tsang	Bank SinoPac	149,652,419	99.768%	1,496	0.001%
	Supervisor	CHI, Chien	Bank SinoPac	149,652,419	99.768%	1,496	0.001%
	President	LIU, I-Cheng				227,234	0.151%
SinoPac Capital Ltd.(HK)	Chairman	Lo, Paul C.	Bank SinoPac	229,998,000	99.9991%	1,000	0.0004%
	Managing Director & President	CHIU, Tac Chiang	Bank SinoPac	229,998,000	99.9991%	1,000	0.0004%
SinoPac Financial Consulting Co., Ltd.	Chairman	LEI, Mike Y.L.	Bank SinoPac	194,000	97%	0	-
	Director	CHIA, Chen-I	Bank SinoPac	194,000	97%	1,000	0.5%
	Director	CHEN, Chien-Jung	Bank SinoPac	194,000	97%	1,000	0.5%
	Director	HAN, Dao-Wei	Bank SinoPac	194,000	97%	0	-
	Director	CHEN, Jason	Bank SinoPac	194,000	97%	0	-
	Supervisor	LEE, Nancy C.	Bank SinoPac	194,000	97%	1,000	0.5%
	President	CHEN, Jason				0	-
SinoPac Life Insurance Agent Co., Ltd.	Chairman	CHI, Chien	Bank SinoPac	194,000	97%	0	-
	Director	CHIA, Chen-I	Bank SinoPac	194,000	97%	1,000	0.5%
	Director	YANG, Shun-Fa	Bank SinoPac	194,000	97%	0	-
	Director	HAN, Dao-Wei	Bank SinoPac	194,000	97%	1,000	0.5%
	Supervisor	HAN, Amy	Bank SinoPac	194,000	97%	0	-
	President	CHEN, Mary Ann				0	-
SinoPac Property Insurance Agent Co., Ltd.	Chairman	LIU, I-Cheng	Bank SinoPac	194,000	97%	1,000	0.5%
	Director	CHEN, Chien-Jung	Bank SinoPac	194,000	97%	1,000	0.5%
	Director	HUANG, Chin-Lin	Bank SinoPac	194,000	97%	0	-
	Director	HSU, Yian	Bank SinoPac	194,000	97%	0	-
	Director	SU, Shwu-Yi	Bank SinoPac	194,000	97%	0	-
	Supervisor	HSU, Swei-Yuan	Bank SinoPac	194,000	97%	0	-
	President	LIU, I-Cheng				1,000	0.5%
Far East National Bank	Chairman	Lo, Paul C.	SinoPac Bancorp	175,000	100%	0	-
	Director	SHEU, Jong-Ming	SinoPac Bancorp	175,000	100%	0	-
	Director	CHEN, Pou-Tsang	SinoPac Bancorp	175,000	100%	0	-
	Director	HONG, Eugene	SinoPac Bancorp	175,000	100%	0	-
	Director	CHEN, Willington	SinoPac Bancorp	175,000	100%	0	-
	Director	Robert Oehler	SinoPac Bancorp	175,000	100%	0	-
	Director	Robert Oehler	SinoPac Bancorp	175,000	100%	0	-
	President	Robert Oehler				0	-
Far East Capital Corporation	Chairman	Robert Oehler	Far East National Bank	350,000	100%	0	-
	Director	Jeffrey Ball	Far East National Bank	350,000	100%	0	-
	Director	Edmond Hon	Far East National Bank	350,000	100%	0	-
	Director	Edward Kuo	Far East National Bank	350,000	100%	0	-
	Director	Glenn Yee	Far East National Bank	350,000	100%	0	-
	Director	CHEN, Chien-Jung	Far East National Bank	350,000	100%	0	-
	Supervisor	Edward Kuo	Far East National Bank	350,000	100%	0	-
	President	Edmond Hon				0	-
FENB Securities Inc.	Chairman	WANG, Ching	Far East National Bank	2,500	100%	0	-
	Director	CHEN, Chien-Jung	Far East National Bank	2,500	100%	0	-
	Director	CHANG, Richard	Far East National Bank	2,500	100%	0	-
	Director	HONG, Eugene	Far East National Bank	2,500	100%	0	-
	Director	Robert Oehler	Far East National Bank	2,500	100%	0	-
	President	Joseph Lee				0	-
FENB Film Corporation	Director	Robert Oehler	Far East National Bank	100	100%	0	-
	Director	William Serumgard	Far East National Bank	100	100%	0	-
	Director	Steve Butcher	Far East National Bank	100	100%	0	-
	President	William Serumgard				0	-
FENB Loan Corporation	Director	Robert Oehler	Far East National Bank	100	100%	0	-
	Director	William Serumgard	Far East National Bank	100	100%	0	-
	Director	Steve Butcher	Far East National Bank	100	100%	0	-
	President	William Serumgard				0	-
Grand Capital International Limited	Sole Director	LIU, I-Cheng	SinoPac Leasing Co., Ltd.	29,900,000	100%	0	-

Company	Titles	Name	Nominating Legal Entity	Number of Shares Held by the Legal Entity		Shares Held by the Directors, Supervisors, or Presidents	
				No. of Shares	Percentage	No. of Shares	Percentage
SinoPac Capital (B.V.I.) Ltd.	Director	Lo, Paul C.	SinoPac Capital Ltd. (HK)	4,450,001	100%	0	-
	Director	CHIU, Tac Chiang	SinoPac Capital Ltd. (HK)	4,450,001	100%	0	-
Shanghai International Asset Management (Hong Kong) Co., Ltd.	Chairman	ZHOU, You-Dao	A.T.S. Co., Ltd.	3,200,000	40%	0	-
	Director	HSU, Chih-Chang	SinoPac Capital (B.V.I.) Ltd.	4,800,000	60%	0	-
	Director	CAI, Nong-Rui	A.T.S. Co., Ltd.	3,200,000	40%	0	-
	Director	CHEN, Ting-Ko	SinoPac Capital (B.V.I.) Ltd.	4,800,000	60%	0	-
	Director	HU, Jing-Gang	A.T.S. Co., Ltd.	3,200,000	40%	0	-
	Director	LIU, Hsing-Yen	SinoPac Capital (B.V.I.) Ltd.	4,800,000	60%	0	-
	Director	CHIU, Tac Chiang	SinoPac Capital (B.V.I.) Ltd.	4,800,000	60%	0	-
	Director	WANG, Ching	SinoPac Capital (B.V.I.) Ltd.	4,800,000	60%	0	-
	Director	WU, Choi-Sun	SinoPac Capital (B.V.I.) Ltd.	4,800,000	60%	0	-
	Director	LIN, Bin	A.T.S. Co., Ltd.	3,200,000	40%	0	-
Allstar Venture Ltd.	Director	CHEN, Chien-Jung	SinoPac Capital (B.V.I.) Ltd.	2	100%	0	-
	Director	HSU, Swee-Yuan	SinoPac Capital (B.V.I.) Ltd.	2	100%	0	-
Cyberpac Holding Ltd.	Director	CHEN, Chien-Jung	SinoPac Capital (B.V.I.) Ltd.	4,000,000	100%	0	-
	Director	HSU, Swee-Yuan	SinoPac Capital (B.V.I.) Ltd.	4,000,000	100%	0	-
Pinnacle Investment Management Limited	Director	CHANG, Beng-An	SinoPac Capital (B.V.I.) Ltd.	199,999	99.99%	1	0%
	Director	CHEN, Chien-Jung	SinoPac Capital (B.V.I.) Ltd.	199,999	99.99%	0	-
	Director	MAN, Suet-Ying	SinoPac Capital (B.V.I.) Ltd.	199,999	99.99%	0	-
	Director	WANG, Ching	SinoPac Capital (B.V.I.) Ltd.	199,999	99.99%	0	-
BSP Venture Management (B.V.I.) Ltd.	Director	CHEN, Chien-Jung	Cyberpac Holding Ltd.	50,000	100%	0	-
	Director	LEI, Mike Y.L.	Cyberpac Holding Ltd.	50,000	100%	0	-
Wal Tech International Corporation	Chairman	YEH, Juei-Sheng	Cyberpac Holding Ltd.	26,497,000	99.988%	0	-
	Director	PIEN, C.S.	Cyberpac Holding Ltd.	26,497,000	99.988%	0	-
	Director	CHEN, Sabine	Cyberpac Holding Ltd.	26,497,000	99.988%	0	-
	Supervisor	HOU, Gloria	Cyberpac Holding Ltd.	26,497,000	99.988%	0	-
	President	YEH, Juei-Sheng				0	-
Intellisys Corporation	Chairman	YANG, Bill	Wal Tech International Corporation	10,325,700	62.58%	0	-
	Director	FANG, Nai-Chen	Wal Tech International Corporation	10,325,700	62.58%	0	-
	Director	CHEN, Chien-Jung	Wal Tech International Corporation	10,325,700	62.58%	0	-
	Director	LEE, Dennis	Wal Tech International Corporation	10,325,700	62.58%	0	-
	Director	KOO, Charlie	Wal Tech International Corporation			1,544,863	9.36%
	Supervisor	PENG, Kevin H.	Wal Tech International Corporation	10,325,700	62.58%	0	-
	Supervisor	HSIEH, S.B.	Wal Tech International Corporation	10,325,700	62.58%	0	-
SinoPac Futures Co., Ltd.	Chairman	CHEN, Ting-Ko	SinoPac Securities Corporation	19,994,000	99.97%	1,000	0.005%
	Director	CHANG, Richard	SinoPac Securities Corporation	19,994,000	99.97%	1,000	0.005%
	Director	CHIANG, Wei-Ying	SinoPac Securities Corporation	19,994,000	99.97%	1,000	0.005%
	Supervisor	CHAO, Chin-Chin	SinoPac Securities Corporation	19,994,000	99.97%	1,000	0.005%
SinoPac Futures Corp.	Chairman	HUANG, Chung-Wen	SinoPac Securities Corporation	35,348,000	88.37%	20,000	0.05%
	Director	LU, Maurice	SinoPac Securities Corporation	35,348,000	88.37%	0	-
	Director	HUANG, Fred Y.H.	SinoPac Securities Corporation	35,348,000	88.37%	0	-
	Director	HSU, Cheng-Tsai	SinoPac Securities Corporation	35,348,000	88.37%	0	-
	Director	LI, Shi-Ren	SinoPac Securities Corporation	35,348,000	88.37%	20,000	0.05%
	Director	YEH, Wen-Yei	Geo Yang Investment Co., Ltd.	2,000,000	5%	0	-
	Director	HSU, Li-Quan	Hui Sung Agr & Food Corp.	1,500,000	3.75%	0	-
	Supervisor	CHIANG, Wen-You	SinoPac Securities Corporation	35,348,000	88.37%	0	-
	Supervisor	YEH, David T.L.	SinoPac Securities Corporation	35,348,000	88.37%	0	-
	President	LU, Maurice				0	-
SinoPac Capital Management Corp.	Chairman	HUANG, Fred Y.H.	SinoPac Securities Corporation	21,000,000	100%	0	-
	Director	LIN, Sunday	SinoPac Securities Corporation	21,000,000	100%	0	-
	Supervisor	LIU, Ching-shin	SinoPac Securities Corporation	21,000,000	100%	0	-
	President	YEH, David T.L.				0	-
SinoPac Securities (Cayman) Holdings Ltd.	Director	HONG, Richard M.	SinoPac Securities Corporation	USD 22,100	100%	0	-
	Director	HONG, Ai-Hwei	SinoPac Securities Corporation	USD 22,100	100%	0	-
	Director	HWANG, Min-Juh	SinoPac Securities Corporation	USD 22,100	100%	0	-
	Director	HSU, Daw-Yi	SinoPac Securities Corporation	USD 22,100	100%	0	-
	Director	LYU, Albert	SinoPac Securities Corporation	USD 22,100	100%	0	-

Company	Titles	Name	Nominating Legal Entity	Number of Shares Held by the Legal Entity		Shares Held by the Directors, Supervisors, or Presidents		
				No. of Shares	Percentage	No. of Shares	Percentage	
SinoPac Asset Management Corp.(B.V.I.)	Director	CHANG, Richard	SinoPac Securities Corporation	USD	16,000	100%	0	-
	Director	CHIA, Yuan-Yu	SinoPac Securities Corporation	USD	16,000	100%	0	-
SinoPac Securities (Asia) Ltd.	Chairman	HSU, Daw-Yi	SinoPac Securities (Cayman) Holdings Ltd.	HKD	100,000	100%	0	-
	Vice Chairman	CHUANG, Rudy	SinoPac Securities (Cayman) Holdings Ltd.	HKD	100,000	100%	0	-
	Director President	WANG, Ching	SinoPac Securities (Cayman) Holdings Ltd.	HKD	100,000	100%	0	-
	Director	LYU, Albert	SinoPac Securities (Cayman) Holdings Ltd.	HKD	100,000	100%	0	-
	Director	KWAN, Wai-Man	SinoPac Securities (Cayman) Holdings Ltd.	HKD	100,000	100%	0	-
	Director	CHEN, Han-Ming	SinoPac Securities (Cayman) Holdings Ltd.	HKD	100,000	100%	0	-
	Director	LAU, Mi Yi	SinoPac Securities (Cayman) Holdings Ltd.	HKD	100,000	100%	0	-
	Director	LAN, Mei M.C.	SinoPac Securities (Cayman) Holdings Ltd.	HKD	100,000	100%	0	-
	Director	HSIEH, Caroline Y.C.	SinoPac Securities (Cayman) Holdings Ltd.	HKD	100,000	100%	0	-
	Director	TSANG, Kin-Hung	SinoPac Securities (Cayman) Holdings Ltd.	HKD	100,000	100%	0	-
	Director	HUANG, Chun-Ming	SinoPac Securities (Cayman) Holdings Ltd.	HKD	100,000	100%	0	-
	Director	HONG, Dennis Y.C.	SinoPac Securities (Cayman) Holdings Ltd.	HKD	100,000	100%	0	-
President	WANG, Ching							
SinoPac Capital (Asia) Ltd.	Chairman	HSU, Daw-Yi	SinoPac Securities (Cayman) Holdings Ltd.	HKD	30,000	100%	0	-
	Vice Chairman	LYU, Albert	SinoPac Securities (Cayman) Holdings Ltd.	HKD	30,000	100%	0	-
	Director	WANG, Ching	SinoPac Securities (Cayman) Holdings Ltd.	HKD	30,000	100%	0	-
	Director	HONG, Dennis Y.C.	SinoPac Securities (Cayman) Holdings Ltd.	HKD	30,000	100%	0	-
	Director	LAN, Mei M.C.	SinoPac Securities (Cayman) Holdings Ltd.	HKD	30,000	100%	0	-
	Director	HSIEH, Caroline Y.C.	SinoPac Securities (Cayman) Holdings Ltd.	HKD	30,000	100%	0	-
SinoPac Futures (Asia) Ltd.	Director President	WANG, Ching	SinoPac Securities (Cayman) Holdings Ltd.	HKD	10,000	100%	0	-
	Executing Director	KWAN, Wai-Man	SinoPac Securities (Cayman) Holdings Ltd.	HKD	10,000	100%	0	-
	Director	HSU, Daw-Yi	SinoPac Securities (Cayman) Holdings Ltd.	HKD	10,000	100%	0	-
	Director	LYU, Albert	SinoPac Securities (Cayman) Holdings Ltd.	HKD	10,000	100%	0	-
	Director	LAN, Mei M.C.	SinoPac Securities (Cayman) Holdings Ltd.	HKD	10,000	100%	0	-
	Director	HSIEH, Caroline Y.C.	SinoPac Securities (Cayman) Holdings Ltd.	HKD	10,000	100%	0	-
	Director	HUANG, Chun-Ming	SinoPac Securities (Cayman) Holdings Ltd.	HKD	10,000	100%	0	-
	Director	CHEN, Han-Ming	SinoPac Securities (Cayman) Holdings Ltd.	HKD	10,000	100%	0	-
President	WANG, Ching							
NSC Asia Ltd.	Director	WANG, Ching	SinoPac Securities (Cayman) Holdings Ltd.	USD	1	100%	0	-
	Director	LYU, Albert	SinoPac Securities (Cayman) Holdings Ltd.	USD	1	100%	0	-
	Director	LAN, Mei M.C.	SinoPac Securities (Cayman) Holdings Ltd.	USD	1	100%	0	-
	Director	HSIEH, Caroline Y.C.	SinoPac Securities (Cayman) Holdings Ltd.	USD	1	100%	0	-
NITC Asset Management (Asia) Ltd.	Chairman	SHIAO, I-Fang	NITC (Cayman)	HKD	2,040	51%	0	-
	Director President	HUANG, Chow-Wei	NITC (Cayman)	HKD	2,040	51%	0	-
	Executing Director	HSU, Kerry	NITC (Cayman)	HKD	2,040	51%	0	-
	Executing Director	TSAI, Ching-Long	NITC (Cayman)	HKD	2,040	51%	0	-
	Director	HSU, Daw-Yi	SinoPac Securities (Cayman) Holdings Ltd.	HKD	1,360	34%	0	-
	Director	LYU, Albert	SinoPac Securities (Cayman) Holdings Ltd.	HKD	1,360	34%	0	-
	Director	CHEN, David	SinoPac Securities (Cayman) Holdings Ltd.	HKD	1,360	34%	0	-
	Director	HONG, Dennis Y.C.	SinoPac Securities (Cayman) Holdings Ltd.	HKD	1,360	34%	0	-
	Director	LI, Kim-Man	NITC (Cayman)	HKD	2,040	51%	0	-
	President	HUANG, Chow-Wei						
SinoPac Securities (Europe) Ltd.	Chairman	HSU, Daw-Yi	SinoPac Securities (Cayman) Holdings Ltd.	GBP	1,000	100%	0	-
	Vice Chairman	LYU, Albert	SinoPac Securities (Cayman) Holdings Ltd.	GBP	1,000	100%	0	-
	Director President	LAN, Mei M.C.	SinoPac Securities (Cayman) Holdings Ltd.	GBP	1,000	100%	0	-
	Director	LEE, Juno	SinoPac Securities (Cayman) Holdings Ltd.	GBP	1,000	100%	0	-
	Director	WANG, Peter	SinoPac Securities (Cayman) Holdings Ltd.	GBP	1,000	100%	0	-
President	LAN, Mei M.C.							
SinoPac Securities (U.S.A.) Ltd.	Chairman	CHIANG, Wen-You	NITC (Cayman)	USD	2,000	100%	0	-
	Director	HUANG, Chow-Wei	NITC (Cayman)	USD	2,000	100%	0	-
	President	HONG, Eugene	NITC (Cayman)	USD	2,000	100%	0	-
SinoPac Securities (H.K.) Ltd.	Director	WANG, Ching	SinoPac Securities Corporation	HKD	25,000	100%	0	-
	Director	CHANG, Richard	SinoPac Securities Corporation	HKD	25,000	100%	0	-
	Director	CHEN, Hon-Ming	SinoPac Securities Corporation	HKD	25,000	100%	0	-
	Director	MAN, Suet-Ying	SinoPac Securities Corporation	HKD	25,000	100%	0	-
	President	WANG, Ching						
SinoPac Asia Ltd.	Director	CHANG, Richard	SinoPac Securities Corporation	USD	6,000	100%	0	-
	Director	WANG, Ching	SinoPac Securities Corporation	USD	6,000	100%	0	-
SinoPac Securities (Asia) Nominees Ltd.	Director	LYU, Albert	SinoPac Securities (Cayman) Holdings Ltd.	HKD	0.002	100%	0	-
	Director	LAN, Mei M.C.	SinoPac Securities (Cayman) Holdings Ltd.	HKD	0.002	100%	0	-
	Director	HSIEH, Caroline Y.C.	SinoPac Securities (Cayman) Holdings Ltd.	HKD	0.002	100%	0	-
SinoPac (Asia) Nominees Ltd.	Director	LYU, Albert	SinoPac Securities (Cayman) Holdings Ltd.	HKD	0.002	100%	0	-
	Director	LAN, Mei M.C.	SinoPac Securities (Cayman) Holdings Ltd.	HKD	0.002	100%	0	-
	Director	HSIEH, Caroline Y.C.	SinoPac Securities (Cayman) Holdings Ltd.	HKD	0.002	100%	0	-

• Footnote: The Director representatives of Bank SinoPac and SinoPac Securities Corp. are assigned by SinoPac Holdings since May 9, 2002.



