

Hsinchu International Bank

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Website:http://www.hibank.com.tw

### 2004 Annual Report



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Refer to Page P.128 ~ P.132

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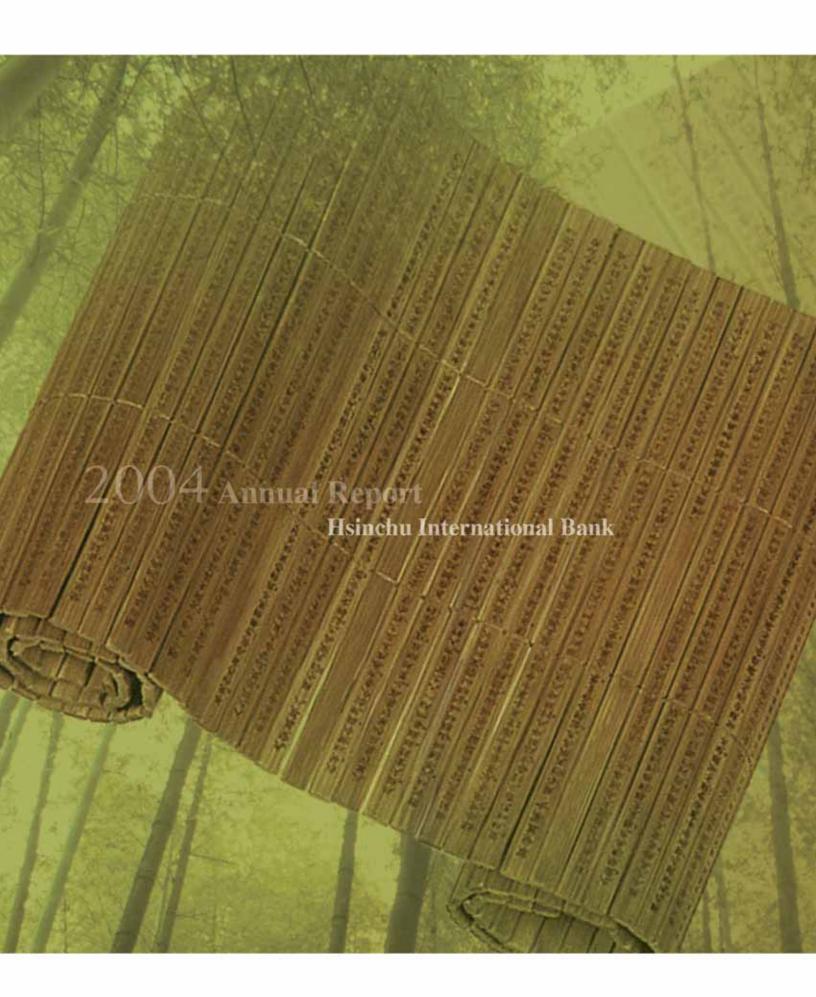
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### **Letter to the Shareholders**

In 2004, the global economy has come out from the gloom of deflation; the domestic and international economy started to rebound. Following the strength of recovery and increasing international trade demand, the global economic growth rate is expected to reach 5.93%, the highest since 1976 and also a historical peak. Similarly, in Taiwan, the domestic economy shows signs of continuous expansion and inward investment; the government's loose monetary and taxation policies as well as the vigorous industrial strategies in private sectors have further fostered the economic recovery and the strength of growth. Overall, in addition to the guidance of international environment and governmental policies, the recovery from the SARS epidemic, the wealth effect of real-estate market recovery, the continuous implementation of large-scale infrastructure and the public service to expand employment program have reinforced the will of private consumption and thus simultaneously have even stimulated the growth rate of large-scale business investment. Consequently, the domestic economic growth rate for 2004 rises to between 5.6% and 5.8%, higher than the 5% economic planning and development target.

Regarding domestic financial conditions, the annual growth rate of money supply M1A has grown from 22.10% to 24.85% in the middle of the year as a result of economic recovery in the beginning of 2004; however, the figure has dropped to 14.77% in the second half of the year due to slowdown of global economy. But, in terms of dollar, the money supply M1A has increased by NTD160.8 billion for the whole year. Regarding stock market, the vigorous market condition for the second half of 2003 was continued, in the beginning of the year, the weighted share price index has once reached the new high of 7,135 points. However, at the end of the first quarter, the domestic political instability, cooling economy by Chinese government, interest rate increase worried by U.S. stock market, international terrorism attacks and international oil's price hike caused domestic stock market continue to slide, the monthly average weighted share price index dropped from 6,236 points to 5,554 points, the market finally closed at 6,140 points at the end of the year. Overall, the domestic financial condition showed buoyancy in the beginning of the year but starting from the second half of the year, the slowdown of global economy recovery, weakening of international stock markets, together with the certainties of continuous price hikes of international raw materials and crude oil have caused overall economy grows slower. In addition to this, the successive interest rate raise by the Fed and the worsening of U.S. fiscal and trade deficits has affirmed the market's opinion that the U.S. Dollar will become weaker in the long run and thus causing speculations in international money market and foreign exchange. There are strong expectations of Asian currencies appreciation and hence many Asian central banks started to increase interest rates in order to prevent any foreign exchange speculation. Taiwan, for a long time, has huge foreign exchange reserves and trade surplus, any changes in both interest rate and exchange rate definitely will influence the country's future economic and financial development.

Looking back the Bank's operation in 2004, with the dedications from all staffs, the Bank's total deposits and total lending respectively reached NTD334.1 billion and 256.6 billion, or an increase of NTD 37.6 billion and NTD 22.0 billion over the previous year. Among the business operations, as of the end of December, a total loan of more than NTD 20 billion has been approved for the personal financial product [Di Me More] program since its promotion in April. Regardless of credit quality or business growth, the achievement can be regarded as outstanding among the industry's counterparts. In addition to this, from the point of view of overall management effectiveness, the Bank's profit has grown substantially. The before-tax earnings for the year 2004 is NTD3 billion, a -pproximately 20% increase from the NTD2.5 billion in 2003, the pre-tax earnings per share is NTD2.14 per share. With respect to asset quality, as a result of implementing active write off bad assets policy and adopting various new credit ratings control systems, the Taiwan-Standard non-performing loans ratio dropped to 2.63% at the end of 2004 as compared to 4.39% at the end of previous year. At the same time, the coverage ratio for bad-debt allowances increases to 49.30% from 34.07%; the risk-based capital adequacy ratio (referred to as BIS in brief) is maintained at 8.97%. The overall operation, regardless of the profit making ability or asset quality control, has grown and matures day after day. In addition to attain the yearly operating targets, the Bank even meets the operating standards as prescribed by the competent authority.

With regard to organization management, the risk control department is established to centrally monitor the Bank's loan policies and to meet the requirement of new Basel II Accord. In addition to overall planning of the Bank's loan policies, the department also sets up operating procedures as stipulated in the Basel II Accord. At the end of 2004, the Bank also establishes

wealth management department to strive for the big wealth management opportunity. The personal banker's learning passport system is implemented to reinforce professional trainings in order to satisfy the clients' needs of comprehensive financial planning at different stages of their life cycle. Facing the fierce financial competition, in addition to the continued marketing of new financial products, the Bank has also devoted efforts to upgrade the information technology and transaction security control system. In addition to the award of ISO9001: 2000 (the version of ISO9001 for the year 2000), an international quality certification to guarantee that the highest quality and the best service are provided for the clients, the Bank currently is the first domestic bank that has met the requirements of both aforementioned international certifications.

In view of the Bank's excellent profit-making ability, clear-cut strategic positioning, implementation and accomplishment of various operation and management targets, Fitch Ratings Company has formally raised the Bank's long-term and short-term credit ratings on March 1, 2005. The long-term rating is raised to A- (twn) from BBB (twn) whereas the short-term rating is raised to F2(twn) from F3(twn). The overall rating for the Bank's outlook is [stable], another affirmation of the Bank's operation reform and performance in recent years.

For international and domestic economic outlook in 2005, due to continuous depreciation of U.S. Dollars, successive interest rate hikes from major countries and sustainable high international raw material prices, the global economy will grow at slower pace and the domestic economy will also become cooler. Although the Directorate-General of Budget, Accounting and Statistics, IMF and World Bank; the domestic and international economics research organizations, have separately downward revised that the economic growth rate for Taiwan will fall between 4.21% and 4.3% in 2005, nevertheless, the figure is still higher than the average of 3% as in the past years.

In addition to the continuous implementation of existing policies, the Bank has included human resources coordination, integration of comprehensive information system, accelerating new product research and development, strengthen direct and cross selling ability in the 2005 business plans. Also, the Bank will devote great efforts in planning and all staffs will work together as a team. The focus of future strategic business planning is listed as follows:

Organization Planning: (1) Continue organization reform, recruit and cultivate financial professionals.

(2) Promote lifetime learning passport and adopt e-Learning system.

Operation and Management: (1) Promote electronic management environment, shorten decision-making procedures.

(2) Reinforce MBO management program.

Sales Promotion: (1) Devote to develop high yield products to increase overall profit.

(2) Promote sales representatives' sales capabilities and sales by all staffs.

Information System: (1) Speed up and complete the construction of Core Banking System.

(2) Improve the ability to integrate various information systems applications.

(3) Plan and implement overall credit ratings system.

In the future, our Bank and all staffs as usual will continue to hold the belief of creating the largest profits for our entire shareholders. We will strive for the greatest profit of the Bank. We believe with the good foundation accumulated in recent years, our Bank surely will advance forward and achieve outstanding performance. We rely on all shareholders and staffs for their supports and efforts to strive and grow continuously. Facing the increasingly competitive financial environment, we sincerely request our shareholders, experts and professional in the field continue to give us the strongest encouragements and supports in order to grow more steadily and accomplish more excellent achievement.

Chairman of the Board

Vice Chairman of the Board

Gent Co

President

Wa Chila-Wei





**Background In General** 

# 2004 Annual Report

### **BACKGROUNDS IN GENERAL**

### I. Introduction

The gentries of Taoyuan, Hsinchu, and Maioli areas established the Bank in 1948. The original name was 《Hsinchu District's Mutual Loan Inc》. It specialized in the mutual loan business. Its business regions included Taoyuan, Hsinchu, and Miaoli Counties. The initial capital was twenty million Old Taiwan Dollars, which was only about NTD500. It employed only 38 people, while the business environment was not ideal.

In early years, the Taiwanese economy was recession ridden and inflation ran high. Developing new business was rather difficult. And it was hard for the pioneers to begin. Because of the efforts of all the employees, business grew gradually. Especially after 1954, our business increased rapidly and several branches were established. At the same time, the Bank bought its own building and laid the foundation for later development.

In early 1965, the president, Mr. Shao-Hwa Chan (the current Emeritus Chairman of the Board) proposed an important concept for the development of the company. 《Hsinchu Bank is one family, sharing profits and benefits together.》 All employees were united under this motto with great morale. Thus, steady growth under all circumstances was insured.

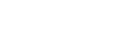
Since 1970, its business has increased greatly. The profit in 1969 was around NTD6 million. By 1977, it was increased to NTD96 million, showing a growth of 1500% in a mere eight years. This was the result of the effort of our colleagues. In 1975, mutual loan companies went under the coverage of the new banking regulation and were renamed 《Medium Business Banks》. In compliance with the regulations and facing the fast growing development, the company was changed formally to 《The Medium Business Bank of Hsinchu District》 in 1978.

Since the Bank is regional, it puts a strong emphasis on different needs of its individual clients, hoping to closely bond with the region. In 1980, it established a regional development policy. The staff visited clients one by one in order to establish a mutual relationship between the Bank and its clients. This unique policy enabled the Bank to grow under a difficult economic climate and fare well amid fierce competition with other banks. In order to expand its business, it began, ahead of other private banks, in 1983 to have its stock listed at NTD35.3 per share in Taiwan's stock market.

In light of its increased business, the Bank started to computerize its business in 1978. It started implementing a computer system in 1984 and completed its inter-branch computer network in 1989. Following the development of various software programs, the operations have been fully computerized. Moreover, due to the increase in the number of employees, the original office space became inadequate. So, the Bank invested a large amount of capital to build new office building, located at the corner of Chungcheng Rd. and Chungyang Rd. in the heart of downtown Hsinchu. The Bank has been using it for its own headquarters since 1987.

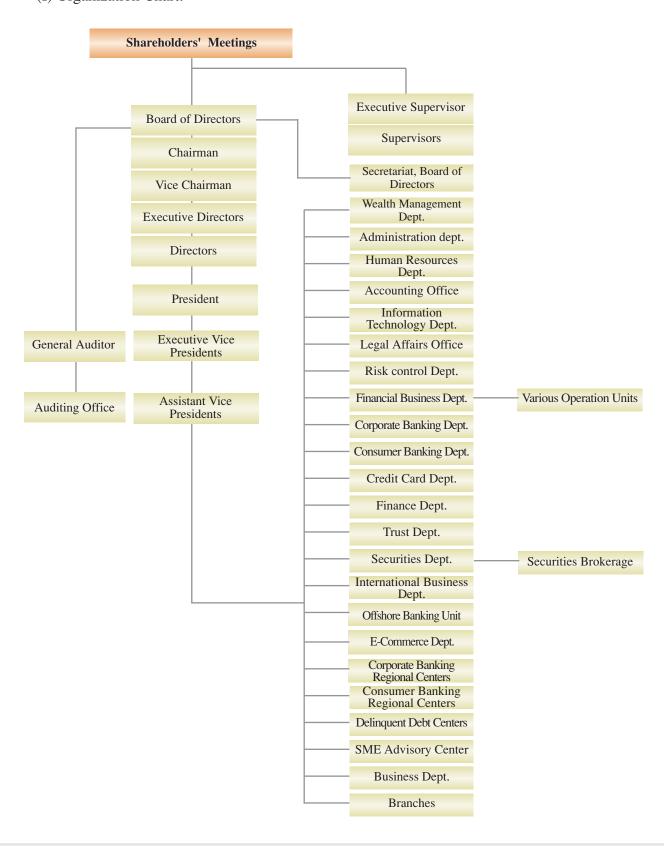
To raise the quality of its human resources, it especially emphasized personnel training in the hope that every employee can be familiarized with the operation of the company in a short time. Because of the outstanding training program, the Bank has received the 《Ching Shang》 Prize (Golden Business Award) from the Ministry of Economic Affairs. It shows our efforts in personnel training is recognized by the society. In order to cope with the drastic competitions after opening up the financial markets, our Bank made official announcement of the Corporate Identification System (CIS) in the beginning of January 1993, we also participated and won a silver medal in the first session of the Fine Logo Design Contest held by the Ministry of Economic Affairs, which greatly enhanced the corporate image of our Bank. Furthermore, to correspond to our transformation into a commercial bank in 1999, our CIS has also been redesigned, modifying the Chinese character 'bamboo' from an 80 degree inclination in the original logo to stand at an upright 90 degree, creating a simple, solid, and elegant visual effect, which serves to captivate the centripetal identification of all our staff, and to strengthen the recognition of our clients.

The Bank provides services of deposits, loans collection, exchange, trust, credit cards, foreign exchange, etc. In addition, the International Business Department of the Bank was established in August 16, 1993 and the international banking business has operated independently thereafter. The Finance Department of the Bank was established in November 1996 and financing arrangement and management efficiency has been improved tremendously since then. Since the Ministry of Finance announced on August 19, 1994 that it would ease restrictions on the scope of business for medium and small business banks signaled our first step beyond being just a regional operation. Moreover, our official transformation into 《Hsinchu International Commercial Bank》 on April 20, 1999, shaking off restrictions of client segments and regions, continue to provide comprehensive financial services to the general public. In order to cultivate our business in the Taichung and Tainan areas, total of 5 simple branches were opened successively in the Taichung and Tainan areas in 2001. To expand our business in the Taipei area, we continued to open three branches in Taipei. Our Bank had 83 business locations as of the end of 2002. We are confident in maintaining stable growth and becoming a comprehensive and internationalized bank through our complete and prospective plan and strong teamwork.



II. Organization

### (I) Organization Chart:



### (II) Duty of Each Department:

### 1. Auditing Office

This Office is in charge of auditing business, accounts, finance, and various inventory safe deposit articles.

### 2. Secretariat, Board of Directors

This Office is in charge of handling meeting affairs, seal specimen, letters and documents, confidential and important matters, and public relations related to the Board of Directors.

### 3. Administration Department

This Department is in charge of letters and documents, seal specimen, stock affairs, confidential and important matters, and public relations, corporate image, purchasing, cashier, buy & sell of real estate, civil engineering activities, and matters that are not under other departments.

### 4. Human Resources Department

This Department is in charge of personnel management, employees remuneration, welfare and benefits planning, promoting and implementing personnel training, books selection and purchasing, and editing and printing training materials and periodicals.

### 5. Accounting Office

This Office is in charge of preparing and executing budget and final settlement of account, tax declaration and accounting, annual accounting, operational affairs counseling, management, evaluation, and analysis.

### 6. Information Technology Department

This Department is in charge of system programming, write and protect designed program, data processing, and data control.

### 7. Legal Affairs Office

This Office is in charge of legal cases, creditor's management, handling various business regulations, and studying related laws and orders enacted by the government.

### 8. Financing Business Department

This Department is in charge of savings business, the planning, promotion, management, and evaluation of marketing on agreement business, upgrading service quality, and the study and promotion of business automation and computerization.

### 9. Risk control Department

This Department is in charge of drawing up accrediting policy and accrediting system, examination and reexamination of accrediting cases, macro economy and industrial study, and credit and market risk monitoring and management.

### 10. Corporate Banking Department:

This Department is in charge of policy planning and promotion medium and long-term corporate financing business, AO personnel training, and budget follow-up and management of each business banking center.

### 11. Consumer Banking Department

This Department is in charge of developing the consumer banking business and consumer banking products, and the development, promotion, management, verification, evaluation, and risk control and control of related businesses.

### 12. Credit Card Department

This Department is in charge of developing credit and issuing card products, and the development, promotion, management, verification, evaluation, and risk control and control of related businesses.



### 13. Finance Department

This Department is in charge of related works in fund revolving, allocation, short-term bill business.

### 14. Trust Department

This Department is in charge of credit business planning, management, and execution, and handling businesses assigned by the competent authority.

### 15. International Business Department

This Department is in charge of foreign exchange management, supervision, operation, corporate financial allocation and management in New Taiwan Dollars and foreign currencies, and consumer financial allocation and management in New Taiwan Dollars and foreign currencies.

### 16. International Financial Business Branch

This Department is in charge of the planning, management, promotion, supervision, and operation of international financial business, and corporate financing allocation and management.

### 17. E-Commerce Department

This Department is in charge of e-commerce affairs and planning and executing related customer service.

### 18. Securities Department

This Department is in charge of the planning, management and execution of securities business, and processing businesses assigned by the competent authority.

### 19. Corporate Banking Center

This Center is in charge of maintaining corporate banking business, promotion, examination, risk control, product development and performance evaluation and budget achievement of business promotion section and AO performance.

### 20. Consumer Banking Regional Centers

This Center is in charge of the promotion, maintenance, and budget achievement of consumer banking business.

### 21. Delinquent Debt Centers

This Center is in charge of collection bad debts, compromise, legal charges, and bad debts management.

### 22. SME Advisory Center

This Center is in charge of providing management, financial, production, marketing, and loan consultation and supervision to small and medium enterprises.

### 23. Financial Management Department

This Department is in charge of the planning, promotion, management, and evaluation of financial management.

### 24. Business Department

The competent authority in charge of business scope provided in the Banking Law and those approves this Department.

### 25. Branches

The competent authority in charge of business scope provided in the Banking Law and those approves these branches.

(III) Names, Education & Selected Past Positions, Date of Appointment, Term of Office, Shareholding By Spouse

### 1. Directors and Supervisors

Title	Name	Date of		Initial Date of		ling at ment	Currer Sharehol	nt ding		ding of Representative, & Dependents	Shareh Others	nolding by Nominally
		Appointment	Term	Appointment								
Chairman	Representative of Xuan-De Investments Co., Ltd.: Shuan-Yung Chan	June 6, 2002	3 years	February 28, 1978	62,568,742			4.92%	3,108,229	0.22%	-	-
Vice Chairman	Representarive of Hwa Hung Investments Co., Ltd.: Kenneth Chen	June 6, 2002	3 years	June 7, 1999	9,353,934	0.74%	11,050,613	0.78%	4,238,488	0.30%	-	-
Executive Director	Meei-Yu Tai	June 6, 2002	3 years	February 28, 1978	5,121,367	0.40%	5,746,173	0.40%	980,214	0.07%	_	-
Executive Director	Po-Hsiung Cheng	June 6, 2002	Ī	February 9, 1964 (Feb. 6, 1967-Feb. 28, 1981 suspended)	8,118,332	0.64%	8,866,467	0.62%	1,025,757	0.07%	-	_
Executive Director	Representative of Xuan-De Investments Co., Ltd.:Sung-Der Jen	June 6, 2002	3 years		62,568,742	4.94%	70,067,927	4.92%	_	-	_	_
Executive Director	Chih-Wei Wu	June 6, 2002	3 years	May 5, 1980	2,032,571	0.16%	2,887,193	0.20%	681,915	0.05%	-	-



use & Dependents and the Shareholding (December 31, 2004) of Directors, Supervisors, & Management

y	Education & Selected	Current Position in the Company and	Management, Directors & Supervisory by Spouse or Relation						
	Past Positions	Other Company	Title	Name	Relation				
	President of the Medium Business Bank of Hsinchu District Tam Kang University, Business	Director of Chung-Shing Assets management Co., Ltd.  Managing Director of Hsinchu Futures Co., Ltd.  Chairman of Hsinchu Insurance Agent Co., Ltd.  Chairman of Chu-Chiann Insurance Agent Co., Ltd.  Chairman of Chu Sheng Technology Co.  Chairman of Hsinchu Real Estate Co., Ltd.  Chairman of Hsinchu Gen-Gin Security Co., Ltd.  Chairman of Hsinchu Gen-Gin Apartment Building Management & Maintenance Co., Ltd.  Chairman of Chu Ying International Co., Ltd.  Chairman of Sheng Yuan Venture Fund Co., Ltd.  Chairman of Hsinchu Gen-Gin Car Rental Co., Ltd.	Director Director, Secretary General	Sung-De Jen Yi-Pei Chan	Brother Son				
	Chairman of Tai Sang Shr Ya Co., Ltd. Tam Kang University, Business	Managing Director of Hsinchu Futures Co., Ltd. Director of Hsinchu Insurance Agent Co., Ltd Director of Chu-Chian Insurance Agent Co., Ltd. Director of Chu Sheng Technology Co. Managing Director of Hsinchu Real Estate Co., Ltd. Director of Hsinchu Gen-Gin Security Co., Ltd Director of Hsinchu Gen-Gin Apartment Building Management & Maintenance Co., Ltd. Director of Chu Ying International Co., Ltd Director of Hsinchu Gen-Gin Car Rental Co., Ltd.	Managing Director Director Director	Ching-Tang Chen Gui-Ying Chen Chien-Chung Chen	Brother Brother Son				
	Managing Director of the Medium Business Bank of Hsinchu District Shih Chien University, Economics	Director of Hsinchu Futures Co., Ltd. Director of Chu Sheng Technology Co. Managing Director of Hsinchu Real Estate Co., Ltd Director of Hsinchu Gen-Gin Security Co., Ltd Director of Hsinchu Gen-Gin Apartment Building Management & Maintenance Co., Ltd.	Director	Chih-Yang Wu	Son				
	Managing Director of the Medium Business Bank of Hsinchu District	Director of Hsinchu Futures Co., Ltd.  Director of Hsinchu Real Estate Co., Ltd.							
		Director of Hsinchu Futures Co., Ltd.  Director of Hsinchu Real Estate Co., Ltd.	Director	Shuan-Yung Chan	Brother				
	President of the Medium Business Bank of Hsinchu District University of California, MBA	President of Hsinchu International Bank Director of Hsinchu Futures Co., Ltd. Director of Hsinchu Insurance Agent Co., Ltd Chairman of Chu-Chiann Insurance Agent Co., Ltd. Director of Taipei Forex Co., Ltd. Director of Modex Taiwan Co., Ltd. Director of Hsinchu Real Estate Co., Ltd. Director of Chu Ying International Co., Ltd. Director of Universal Venture Fund Co., Ltd. Executive Supervisor of Taiwan Small and Medium Enterprises Development Co., Ltd. Director of Hsinchu Gen-Gin Car Rental Co., Ltd.	Director	Yunn-Shyong Wu	Father				

Title	Name	Date of	Term	Initial Date of	Sharehol Appoin		Curre Shareho		Current Shareholding Spouse, & D	of Representative, ependents		olding by Nominally
	Name	Appointment	101111	Appointment	Shares	%	Shares	%	Shares	%	Shares	%
Executive Director	Ching-Tang Chen	June 6, 2002	3 years	May 4, 1984	3,417,334	0.27%	3,591,368	0.25%	989,067	0.07%	_	-
Director	Yunn-Shyong Wu	June 6, 2002	3 years	March 1, 1981	2,991,443	0.24%	3,323,398	0.23%	_	_	_	_
Director	Chih-Yang Wu	June 6, 2002	3 years	June 5, 1997	892,290	0.07%	1,001,148	0.07%	69,439	0.004%	_	_
Director	Representative of Xuan- De Investments Co., Ltd.: Yi-Mei Chan Hsu	June 6, 2002	3 years	June 7, 1999 (representative was elected on Jul. 23, 2004)	62,568,742	4.94%	70,067,927	4.92%	4,459,535	0.31%	-	_
Director	Chien-Chung Chen	June 6, 2002	3 years	June 7, 1999	2,704,854	0.21%	3,034,846	0.21%	-	_	-	_
Director	Representative of Xuan-De Investments Co., Ltd.: Yi-Pei Chan	June 6, 2002	3 years	May 5, 1987 (representative was elected on June 7, 1999)	62,568,742	4.94%	70,067,927	4.92%	-	-	_	-
Director	Representative of Yi Chou Investments Co., Ltd.: Shi-Yu Wang	June 6, 2002	3 years	June 5, 1996	1,048,256	0.08%	1,484,143	0.10%	3,138,802	0.22%	_	-
Director	Chao-Shiun Chiu	June 6, 2002	3 years	May 5, 1990	3,015,822	0.24%	3,383,751	0.24%	_	_	_	_
Director	Yi-Tze Chou	June 6, 2002	3 years	June 3, 1993	7,623,604	0.60%	8,346,283	0.59%	89,860	0.006%	_	-
Director	Willis Electric Co., Ltd.: Wen-Tung Chen	June 6, 2002	3 years	June 6, 2002	1,000,000	0.08%	1,122,000	0.08%	12,903,000	0.91%	_	-
Director	Representative of Xuan- De Investments Co., Ltd.: Kung-Yung Tien	June 6, 2002	3 years	June 5, 1996	62,568,742	4.94%	70,067,927	4.92%	155,323	0.01%	_	-
Director	Representative of Hsin Den Investments Co., Ltd.: Guo-Ying Chen	June 6, 2002	3 years	June 7, 1999	1,988,243	0.16%	2,230,807	0.16%	6,109,423	0.43%	_	-



Education & Selected	Current Position in the Company and	Management, Directors & Supervisory by Spouse or Relation					
Past Positions	Other Company			Relation			
Director of Hsinchu	Director of Hsinchu Futures Co., Ltd.	Vice Chairman	Kenneth Chen	Brother			
Futures Co., Ltd.	Director of Hsinchu Real Estate Co., Ltd.	Director	Guo-Ying Chen	Brother			
Lecturer of Chung Yuan Christian		President and	Chih-Wei Wu	Son			
University		Managing Director					
National Taiwan University,							
Lawyer		Managing	Meei-Yu Tai	Mother			
National Taiwan University, Master of Law		Director					
Harvard University, L.L.M							
Director of Medium Business Bank of Hsinchu District Hsinchu Girls High School							
Division Head of the International Department of Hsinchu International Bank Dallas University, MBA		Vice Chairman	Kenneth Chen	Father			
Management of Global Strategic Investment Fund Asia University, Japan Business Administration	Chief Secretary of Hsinchu International Bank Chairman & Managing Director of Hsinchu Futures Co., Ltd.	Director	Shuan-Yung Chan	Father			
Director of the Medium Business							
Bank of Hsinchu District							
Lawyer National Taiwan University, Master Degree in Law	Director of Hsinchu Real Estate Co., Ltd.						
Director of Hsinchu Bus							
National Taiwan University							
Chairman of Weber Electric Co.,							
Ltd.							
Chairman of Te-Hui Industry Co., Ltd.							
Chung Yuan Christian University							
Director of the Medium Business		Vice Chairman	Kenneth Chen	Brother			
Bank of Hsinchu District		Managing Director	Ching-Tang Chen	Brother			
Chinese Culture University							

### 2004 Annual Report

Title	Name	Date of	Term	Initial Date of Appointment	Sharehol Appoin		Current Shareholding				Shareholding by Others Nominally	
TILIG	Ivaille	Appointment		Appointment								%
Director	Representative of Hsin Chu Bank Employees' Welfare Foundation: Chang- Luan Liu	June 6, 2002	3 years	June 7, 1999 (representative was reelected on February 12, 2003)	13,176,142	1.04%	12,404,611	0.87%	110,616	0.008%	_	
Director	Representative of Hsin Chu Bank Employees' Welfare Foundation: Wen- Kuang Wu	June 6, 2002	3 years	June 7, 1999	13,176,142	1.04%	12,404,611	0.87%	520,511	0.04%	_	_
Executive Supervisor	Representative of Trans-Asia Investments Co., Ltd.: Chuan-Feng Chen	June 6, 2002	3 years	May 5, 1987	23,426,942	1.85%	25,892,790	1.82%	1,055,201	0.07%	_	_
Supervisor	Chen-Chuan Huang	June 6, 2002	3 years	June 5, 1996	4,013,589	0.32%	4,293,346	0.30%	155,595	0.01%	_	_
Supervisor	Representative of Kuen-Tai Investments Co., Ltd.: Yu-Ling Chen	June 6, 2002	3 years	June 3, 1993 (representative was elected on June 6, 2002)	740,321	0.06%	830,639	0.06%	2,951,956	0.21%	-	_





Education & Selected	Current Position in the Company and	Management, Directors & Supervisory by Spouse or Relation					
Past Positions	Other Company			Relation			
Director of First Bank							
Chinese Culture University,							
Economics							
Vice President of Hsinchu	Vice President of Hsinchu International Bank						
International Bank	Director of Hsinchu Futures Co., Ltd.						
Chung Hsing University							
Doctor	Supervisor of Hsinchu Futures Co., Ltd.						
National Taiwan University,	Supervisor of Hsinchu Real Estate Co., Ltd.						
Medicine	Supervisor of Hsinchu Gen-Gin Security Co., Ltd						
	Supervisor of Hsinchu Gen-Gin Apartment						
	Building Management & Maintenance Co., Ltd.						
Chinese Culture University, PHD	Executive Supervisor of Hsinchu Futures Co., Ltd.						
	Supervisor of Hsinchu Real Estate Co., Ltd.						
	Director of Chu Chi Interior Furnishing						
	Engineering Co., Ltd.						
Vice CEO of Kuen Tai Cultural and							
Educational Foundation							
Wisconsin University, MBA							

### 2. Management

President Vice Executive President General Auditor Assistant Vice President Manager Chin-I Manager Min-Y Manager Manager Min-Y Manager Min-S	hih-Wei Wu 'en-Kuang Wu bel Liu bel Liu bel Liu bel-Hwa Lo am Chang eui-Ling Hu 'en-Jin Hung a-Shian Chiu hia-Rung Chen Rung Lin hun-Wu Liang hin-Te Chan u-Ching Hsu hi-Cheng Lin	Appointment  85.06.05  85.06.05  91.06.06  93.09.15  90.07.02  92.06.11  91.07.01  91.07.01  93.10.26  92.12.01  93.10.26	Share  2,887,193 520,511  284,019 50,000  152,418 373,118  533,470 207,998  287,911 176,187	0.037% 0.020% 0.003% 0.012% 0.026% 0.037%	Share 681,915 35,481	% 0.050% 0.002%	Share	% - - -	University of California, MBA Chung Hsing University, Business Administration University of Indiana, MBA Tung Hai University, MBA National Cheng Chi University, MBA	Company and Other Company Note 1 Note 2 Note 2 N/A N/A N/A	Title N/A	Name N/A	Relat N/A
Vice Executive President Vice Executive President Vice Executive Shen-I President Vice Executive Shen-I President General Auditor Sam C Assistant Vice President Assistant Vice Da-Sh President Assistant Vice Da-Sh President Assistant Vice I-Rung President Assistant Vice I-Rung President Manager Chin-I Mana	Ven-Kuang Wu bel Liu nen-Hwa Lo am Chang eui-Ling Hu Ven-Jin Hung a-Shian Chiu hia-Rung Chen Rung Lin hun-Wu Liang hin-Te Chan u-Ching Hsu hi-Cheng Lin	85.06.05 91.06.06 93.09.15 90.07.02 92.06.11 91.07.01 91.07.01 93.10.26 92.12.01 93.10.26	520,511 284,019 50,000 152,418 373,118 533,470 207,998 287,911	0.037% 0.020% 0.003% 0.012% 0.026% 0.037% 0.015%		-	- - - -	-	Chung Hsing University, Business Administration University of Indiana, MBA Tung Hai University, MBA National Cheng Chi University, MBA	Note 2  Note 2  N/A  N/A	N/A	N/A	N/A
President Vice Executive President Vice Executive President Vice Executive President General Auditor Assistant Vice President Assistant Vice I-Rung President Manager Chin-T Manager Min-Y Manager Manager Min-Y Min	bel Liu  nen-Hwa Lo  am Chang eui-Ling Hu  /en-Jin Hung a-Shian Chiu  hia-Rung Chen  Rung Lin  hun-Wu Liang hin-Te Chan u-Ching Hsu hi-Cheng Lin	91.06.06 93.09.15 90.07.02 92.06.11 91.07.01 91.07.01 93.10.26 92.12.01 93.10.26	284,019 50,000 152,418 373,118 533,470 207,998 287,911	0.020% 0.003% 0.012% 0.026% 0.037% 0.015%		-	- - -	-	University of Indiana, MBA  Tung Hai University, MBA  National Cheng Chi University, MBA	Note 2 N/A N/A			
Vice Executive President Vice Executive President Vice Executive President General Auditor Assistant Vice President Assistant Vice President Assistant Vice Da-Sh President Assistant Vice President Assistant Vice Da-Sh President Assistant Vice I-Rung President Manager Chin-Tun-Manager Chin-Tun-Manager Chin-Tun-Manager Chin-Quanager Chin-Quanager Chin-Quanager Chin-Quanager Chin-Quanager Chin-Tun-Manager Chin-Tun-Manager Chin-Tun-Manager Chin-Tun-Manager Chin-Tun-Manager Chin-Tun-Manager Chin-Tun-Manager Chin-Tun-Manager Chin-Tun-Manager Chin-Quanager Chin-Q	nen-Hwa Lo am Chang eui-Ling Hu /en-Jin Hung a-Shian Chiu hia-Rung Chen Rung Lin hun-Wu Liang hin-Te Chan u-Ching Hsu hi-Cheng Lin	93.09.15 90.07.02 92.06.11 91.07.01 91.07.01 91.07.01 93.10.26 92.12.01 93.10.26	50,000 152,418 373,118 533,470 207,998 287,911	0.003% 0.012% 0.026% 0.037% 0.015%	- - - 35,481	-	- - -	-	Tung Hai University, MBA National Cheng Chi University, MBA	N/A N/A			
President Vice Executive President General Auditor Assistant Vice President Assistant Vice Assistant Vice I-Rung President Manager Chin-I Manager Min-Y Manager Manager Min-Y Man	nen-Hwa Lo am Chang eui-Ling Hu /en-Jin Hung a-Shian Chiu hia-Rung Chen Rung Lin hun-Wu Liang hin-Te Chan u-Ching Hsu hi-Cheng Lin	93.09.15 90.07.02 92.06.11 91.07.01 91.07.01 91.07.01 93.10.26 92.12.01 93.10.26	50,000 152,418 373,118 533,470 207,998 287,911	0.003% 0.012% 0.026% 0.037% 0.015%	- - - 35,481	-	- - -	-	Tung Hai University, MBA  National Cheng Chi University, MBA	N/A N/A			
Vice Executive President General Auditor Assistant Vice President Assistant Vice President Assistant Vice President Assistant Vice Da-Sh President Assistant Vice President Assistant Vice Chia-Feresident Assistant Vice President Assistant Vice I-Rung President Assistant Vice I-Rung Assi	am Chang eui-Ling Hu /en-Jin Hung a-Shian Chiu hia-Rung Chen Rung Lin hun-Wu Liang hin-Te Chan u-Ching Hsu hi-Cheng Lin	90.07.02 92.06.11 91.07.01 91.07.01 91.07.01 93.10.26 92.12.01 93.10.26	152,418 373,118 533,470 207,998 287,911	0.012% 0.026% 0.037% 0.015%	35,481	-	- -	-	National Cheng Chi University, MBA	N/A			
President General Auditor Assistant Vice President Assistant Vice I-Rung President Manager Chin-T Manager Manager Manager Manager Manager Chieh Manager Min-Y Mana	am Chang eui-Ling Hu /en-Jin Hung a-Shian Chiu hia-Rung Chen Rung Lin hun-Wu Liang hin-Te Chan u-Ching Hsu hi-Cheng Lin	90.07.02 92.06.11 91.07.01 91.07.01 91.07.01 93.10.26 92.12.01 93.10.26	152,418 373,118 533,470 207,998 287,911	0.012% 0.026% 0.037% 0.015%	35,481	-	- -	-	National Cheng Chi University, MBA	N/A			
General Auditor General Auditor Assistant Vice President Assistant Vice I-Rung President Manager Chin-T Manager Chin-T Manager Manager Ching Manager Ching Manager Manager Manager Chieh Manager Manager Manager Manager Manager Chieh Manager Manager Chieh Manager Manager Manager Chin-T Manager Manager Chieh Manager Manager Manager Chieh Manager Manager Manager Manager Manager Manager Manager Chien Manager Mu-St Manager Mu-St Manager Mu-St Manager Manager Mu-St Manager Mu-St Manager Mu-St Manager Mu-St Manager Munger Min-Y Manager Min-Y Manager Min-Y Manager Min-St Man	eui-Ling Hu  /en-Jin Hung  a-Shian Chiu  hia-Rung Chen  Rung Lin  hun-Wu Liang  hin-Te Chan  u-Ching Hsu  hi-Cheng Lin	92.06.11 91.07.01 91.07.01 91.07.01 93.10.26 92.12.01 93.10.26	373,118 533,470 207,998 287,911	0.026% 0.037% 0.015%	35,481	-	-						
Assistant Vice President Assistant Vice President Assistant Vice President Assistant Vice Da-Sh President Assistant Vice President Assistant Vice Chia-F President Assistant Vice I-Rung President Assistant Vice I-Rung President Assistant Vice I-Rung President Manager Chin-T Manager Chi-Ci Manager Chi-Ci Manager Ching-Manager Ching-Manager Ching-Manager Chi-Ci Manager Manager Chi-Ci Manager Mu-Si Manager Chi-Ci Manager Min-Y Manager Ching-Manager Min-Y Manager Ching-Manager Min-Y Manager Ching-Manager Ching-M	eui-Ling Hu  /en-Jin Hung  a-Shian Chiu  hia-Rung Chen  Rung Lin  hun-Wu Liang  hin-Te Chan  u-Ching Hsu  hi-Cheng Lin	92.06.11 91.07.01 91.07.01 91.07.01 93.10.26 92.12.01 93.10.26	373,118 533,470 207,998 287,911	0.026% 0.037% 0.015%	35,481	-	-						
President Assistant Vice I-Rung President Manager Chin-T Manager Manager Chia-F Manager Manager Ching Manager Min-Y Manager Manager Min-Y Manager Manager Min-St Mana	/en-Jin Hung a-Shian Chiu hia-Rung Chen Rung Lin hun-Wu Liang hin-Te Chan u-Ching Hsu hi-Cheng Lin	91.07.01 91.07.01 91.07.01 93.10.26 92.12.01 93.10.26	533,470 207,998 287,911	0.037% 0.015%	35,481			-	National Taiwan University, Law				
Assistant Vice President Assistant Vice I-Rung President Assistant Vice I-Rung President Manager Chin-1 Manager Chin-1 Manager Ching Manager Ching Manager Ching Manager Chieh Manager Chieh Manager China-P Manager China	a-Shian Chiu hia-Rung Chen Rung Lin hun-Wu Liang hin-Te Chan u-Ching Hsu hi-Cheng Lin	91.07.01 91.07.01 93.10.26 92.12.01 93.10.26	207,998 287,911	0.015%		0.002%	_		Ivational Taiwan Oniversity, Law	11/11			
President Assistant Vice President Manager Chin-7 Manager Manager Chined Manager Ching Manager Manager Chieh Manager Manager Manager Manager Manager Chieh Manager Min-Y Manager Min-Si	a-Shian Chiu hia-Rung Chen Rung Lin hun-Wu Liang hin-Te Chan u-Ching Hsu hi-Cheng Lin	91.07.01 91.07.01 93.10.26 92.12.01 93.10.26	207,998 287,911	0.015%		0.00270		_	Hsinchu Commercial High School	N/A			
Assistant Vice Da-Sh President Chia-F President Assistant Vice President Assistant Vice I-Rung President Manager Chin-T Manager Chin-T Manager Ching-Manager Ching-Manager Chieh Manager Chia-F Manager Chia-F Manager Chia-F Manager Ching-Manager Chia-F Manager Chia-F Manager Chia-F Manager Ching-Manager Chien-Manager Chien-Manager Mungager Chien-Manager Min-Y Manager Chien-Manager Ching-Manager Ching-Manager Ching-Manager Ching-Manager Chien-Manager Chien-Manage	hia-Rung Chen Rung Lin hun-Wu Liang hin-Te Chan u-Ching Hsu hi-Cheng Lin	91.07.01 93.10.26 92.12.01 93.10.26	287,911		-			-	Tishicha Commerciai Tiigh School	IN/A			
President Assistant Vice President Assistant Vice President Assistant Vice President Manager Chin-T Manager Manager Manager Chine-Manager Manager Manager Ching-Manager Manager Min-Y Manager Min-Y Manager Min-S Manage	hia-Rung Chen Rung Lin hun-Wu Liang hin-Te Chan u-Ching Hsu hi-Cheng Lin	91.07.01 93.10.26 92.12.01 93.10.26	287,911			_	_	_	Taichung College of Commerce, Banking & Insurance	Note 3			
Assistant Vice Chia-Feresident  Assistant Vice I-Rung President  Manager Chin-T  Manager Chi-Cl  Manager Chia-Feresident  Manager Chin-G  Manager Ching  Manager Ching  Manager Ching  Manager Chieh  Manager Chieh  Manager Chia-Feresident  Manager	Rung Lin hun-Wu Liang hin-Te Chan u-Ching Hsu hi-Cheng Lin	93.10.26 92.12.01 93.10.26		0.020%			_		raichting conege of commerce, Banking & insurance	11010 3			
President Assistant Vice President Manager Chun- Manager Chin-T Manager Chi-Cl Manager Chia-R Manager Ching-Manager Manager Ching-Manager Manager Chia-R Manager Manager Manager Manager Chia-R Manager Chin-C Manager Munsy Manager Munsy Manager Min-Y Manager Min-Y Manager Min-Y Manager Min-S M	Rung Lin hun-Wu Liang hin-Te Chan u-Ching Hsu hi-Cheng Lin	93.10.26 92.12.01 93.10.26		0.02070	_	_	_	_	Feng Chia University, Accounting	N/A			
Assistant Vice President  Manager Chun- Manager Yu-Ch Manager Chi-Cl Manager Chia-Cl Manager Ching- Manager Ching- Manager Ching- Manager Ching- Manager Chieh Manager Tai-Gu Manager Kao-W Manager Chia-F Manager Ching- Manager Ching- Manager Ching- Manager Mu-SI Manager Ching-	hun-Wu Liang hin-Te Chan u-Ching Hsu hi-Cheng Lin	92.12.01 93.10.26	176,187				_		Tong Chia Oniversity, Accounting	14/11			
President  Manager  Chun- Manager  Chin-I  Manager  Chi-Cl  Manager  Chia-I  Manager  Ching- Manager  Ching- Manager  Ching- Manager  Chieh  Manager  Chia-I  Manager  Chin-C  Manager  Manager  Min-Y  Manager  Min-Y  Manager  Min-Y  Manager  Chian-  Manager  Min-Si  Manager  Chian-  Manager  Min-Si  Manager  Chian-  Manager  Min-Y  Manager  Chian-  Manager  Chian-  Manager  Chian-  Manager  Chian-  Manager  Min-Y  Manager  Chian-  Ma	hun-Wu Liang hin-Te Chan u-Ching Hsu hi-Cheng Lin	92.12.01 93.10.26	170,107	0.012%	_	_	_	_	Hsinchu Commercial High School	N/A			
Manager Chun- Manager Yu-Ch Manager Chi-Cl Manager Chi-Cl Manager Chi-Cl Manager Ching- Manager Ching- Manager Ching- Manager Chieh Manager Tai-Gt Manager Kao-W Manager Chia-F Manager Chia-F Manager Chia-F Manager Chia-F Manager Chia-F Manager Ching- Manager Ch	hin-Te Chan u-Ching Hsu hi-Cheng Lin	93.10.26		0.01270					Tioniona Commercial Tingli School	- 1/1-1			
Manager Chin-1 Manager Yu-Ch Manager Yu-Ch Manager Fang-G Manager Ching- Manager Ching- Manager Ching- Manager Chieh Manager Tai-Gr Manager Kao-W Manager Chia-F Manager Chia-F Manager Ching- Manager Min-Y Manager Ching- Manager Ming- Ming- Manager Ching- Manage	hin-Te Chan u-Ching Hsu hi-Cheng Lin	93.10.26	32,414	0.002%	-	_	_	_	Soochow University, Mathematics	N/A			
Manager Yu-Ch Manager Chi-Cl Manager Chiage Manager Chiage Manager Chinge Manager Chieh Manager Chieh Manager Tai-Gt Manager Kao-W Manager Chia-F Manager Chia-F Manager Chiage Manager Chiager Manager Chien Manager Chien Manager Chien Manager Chien Manager Chien Manager Chin-G Manager Chin-G Manager Chinger Manager Manager Chinger Manager Ma	u-Ching Hsu hi-Cheng Lin		241,587	0.017%	-	-	_	-	Soochow University, Accounting	N/A			
Manager Chi-Cl Manager Chiage Manager Chiage Manager Chien Manager Chieh Manager Chieh Manager Tai-Gi Manager Kao-W Manager Chia-F Manager Chia-F Manager Chia-F Manager Chiager Manager Chiager Manager Chien Manager Chien Manager Chien Manager Chien Manager Chien Manager Chin-G Manager Chin-G Manager Chin-G Manager Chin-G Manager Chien M	hi-Cheng Lin	93.10.26	69,469	0.005%	-	_	_	_	University of Florida, MBA	N/A			
Manager Fang-4 Manager Chiang- Manager Wen-F Manager Chieh Manager Tai-Gi Manager Kao-W Manager Kao-W Manager Chia-F Manager Chia-F Manager Munger Munger Chin-G Manager Chin-G Manager Chin-G Manager Chin-G Manager Chin-G Manager Min-St Manager Chin-G Manager Min-St Manager Chin-G Manager Min-St Manager Chin-G Manager Ch	-	90.03.02	188,012	0.013%	-	-	_	-	Fu Jen Catholic University, Economics	N/A			
Manager Chuan Manager Ching- Manager Wen-H Manager Chieh Manager Tai-Gu Manager Kao-W Manager Kao-W Manager Chia-H Manager Chia-H Manager Chien- Manager Chien- Manager Mu-Sl Manager Chino- Manager Chien- Manager Hung- Minchu Branch Business Dept. Hsinchu Branch Changfu Branch Ching- Rusiness Dept. Cheng	ang-Ching Lin	92.11.17	165,266	0.012%	-	-	-	-	University of Washington, MBA	N/A			
Manager Ching- Manager Wen-F Manager Chieh Manager Yen-W Manager Kao-W Manager Chia-F Manager Shih-F Manager Chia-F Manager Mu-Sh Manager Chien- Manager Mu-Sh Manager Chin-G Manager Chien- Manager Hung- Minchu Branch Ting-F Business Dept. Cheng Hsinchu Branch Hui-C Kuangfu Branch Ching-	huan-Chien Chiu	91.12.30	192,929	0.014%	2,200	0.000%	-	-	Tamsui Oxford University College, Industrial Management	N/A			
Manager Wen-F Manager Chieh Manager Yen-W Manager Kao-W Manager Chia-F Manager Shih-F Manager Chia-F Manager Chien Manager Chien Manager Chien Manager Mu-Sl Manager Chin-G Manager Chin-G Manager Chin-G Manager Chin-G Manager Chin-G Manager Chien Manager Hung- Minchu Branch Ting-F Business Dept. Cheng Hsinchu Branch Hui-C Kuangfu Branch Ching-	hing-Piao Huang	92.06.06	77,586	0.005%	-	-	-	-	Soochow University, Law	N/A			
Manager Chieh Manager Yen-W Manager Kao-W Manager Chia-F Manager Shih-F Manager Chien- Manager Chien- Manager Mu-Sl Manager Chin-G Manager Chin-G Manager Chin-G Manager Chin-G Manager Chin-G Manager Chin-G Manager Chien- Manager Hung- Minchu Branch Ting-F Business Dept. Cheng Hsinchu Branch Hui-C Kuangfu Branch Ching-	en-Hao Chen	91.10.09	10,000	0.001%	-	-	-	-	National Chiao Tung University, MBA	N/A			
Manager Yen-W Manager Kao-W Manager Chia-F Manager Shih-F Manager Chien- Manager Mu-Sh Manager Chin-G Manager Chin-G Manager Chin-G Manager Chin-G Manager Chin-G Manager Chien- Manager Chien- Manager Chien- Manager Chien- Manager Hung- Minchu Branch Ting-F Business Dept. Cheng Hsinchu Branch Hui-C Kuangfu Branch Ching-	hieh Wang	92.05.16	10,000	0.001%	-	-	-	-	Texas University, MBA	N/A			
Manager Kao-W Manager Chia-F Manager Shih-F Manager Tung-I Manager Chien- Manager Mu-Sh Manager Chung Manager Chung Manager Chung Manager Chung Manager Chao-I Manager Chien- Manager Chien- Manager Chien- Manager Hung- Minchu Branch Ting-F Business Dept. Cheng Hsinchu Branch Hui-Cl Kuangfu Branch Ching-	ni-Gu Hsieh	92.07.15	57,023	0.004%	-	-	-	-	Feng Chia University, Economics	N/A			
Manager Chia-I Manager Shih-I Manager Tung-I Manager Chien- Manager Mu-Sh Manager Chin-G Manager Chung Manager Chung Manager Chung Manager Chao-I Manager Chien- Manager Wen-C Manager Hung- Minchu Branch Ting-I Business Dept. Cheng Hsinchu Branch Hui-Cl Kuangfu Branch Ching-	en-Wen Peng	93.10.26	178,717	0.013%	5,952	0.000%	-	-	Open College of Commerce, Banking & Insurance	N/A			
Manager Shih-F Manager Tung-I Manager Chien- Manager Mu-Sh Manager Chung Manager Chung Manager Chung Manager Min-Y Manager Chao-I Manager Chien- Manager Wen-C Manager Hung- Minchu Branch Ting-F Business Dept. Cheng Hsinchu Branch Hui-Cl Kuangfu Branch Ching-	ao-Wen Sung	92.12.26	114,961	0.008%	-	-	-	-	Fu Jen Catholic University, Law	N/A			
Manager Tung-I Manager Chien- Manager Mu-Sl Manager Chung Manager Chung Manager Min-Y Manager Chao-I Manager Chien- Manager Wen-C Manager Hung- Minchu Branch Ting-F Business Dept. Cheng Hsinchu Branch Hui-Cl Kuangfu Branch Ching-	hia-Hung Chang	91.12.30	61,160	0.004%	-	-	-	-	Feng Chia University, Public Finance	N/A			
Manager Chien- Manager Mu-St Manager Chin- Manager Chung Manager Min-Y Manager Chao- Manager Chien- Manager Wen-C Manager Hung- Minchu Branch Ting-F Business Dept. Cheng Hsinchu Branch Ching- Kuangfu Branch Ching-	nih-Ping Chen	93.03.19	83,650	0.006%	-	-	-	-	National Tsing Hua University, ME	N/A			
Manager Mu-St Manager Chin-G Manager Chung Manager Min-Y Manager Chao-I Manager Chien- Manager Wen-G Manager Hung- Minchu Branch Ting-F Business Dept. Cheng Hsinchu Branch Hui-Cl Kuangfu Branch Ching-	ung-Kuang Han	91.12.30	35,995	0.003%	-	-	-	-	Chung Hsing University, Statistics	N/A			
Manager Chin- Manager Chung Manager Min-Y Manager Chao- Manager Chien- Manager Wen-C Manager Hung- Minchu Branch Ting-F Business Dept. Cheng Hsinchu Branch Hui-Cl Kuangfu Branch Ching-	hien-Chung Hsu	91.12.30	125,563	0.009%	-	-	-	-	Fu Jen Catholic University, Economics	N/A			
Manager Chung Manager Min-Y Manager Chao- Manager Chien- Manager Wen-C Manager Hung- Minchu Branch Ting-F Business Dept. Cheng Hsinchu Branch Hui-Cl Kuangfu Branch Ching-	lu-Sheng Lin	91.12.30	51,000	0.004%	-	-	-	-	Hsinchu Commercial High School	N/A			
Manager Min-Y Manager Chao- Manager Chien- Manager Wen-C Manager Hung- Minchu Branch Ting-F Business Dept. Cheng Hsinchu Branch Hui-Cl Kuangfu Branch Ching-	hin-Chun Ho	91.12.30	111,772	0.008%	-	-	-	-	National Cheng Kung University, Economics	N/A			
Manager Chao- Manager Chien- Manager Wen-C Manager Hung- Minchu Branch Ting-F Business Dept. Cheng Hsinchu Branch Hui-Cl Kuangfu Branch Ching-	hung-Chieh Tung	92.04.14	5,002	0.000%	-	-	-	-	National Dr. Sun Yat-Sen University, ME	N/A			
Manager Chien- Manager Wen-C Manager Hung- Minchu Branch Ting-F Business Dept. Cheng Hsinchu Branch Hui-Cl Kuangfu Branch Ching-	lin-Yuan Chuang	91.12.30	49,645	0.003%	-	-	-	-	Tamkang University, Business Administration	N/A			
Manager Wen-C Manager Hung- Minchu Branch Ting-F Business Dept. Cheng Hsinchu Branch Hui-C Kuangfu Branch Ching-	hao-Kuang Chiang	93.03.19	54,520	0.004%	-	-	-	-	Chung YuanChristian University, International Trade	N/A			
Manager Hung- Minchu Branch Ting-F Business Dept. Cheng Hsinchu Branch Hui-C Kuangfu Branch Ching-	hien-Lang Yang	93.10.26	59,732	0.004%	-	-	-	-	Chinese Culture College, Tourism	N/A			
Minchu Branch Business Dept. Hsinchu Branch Kuangfu Branch Ching	en-Chieh Chan	91.12.30	1,201,635	0.084%	-	-	-	-	Federal University, MBA	N/A			
Business Dept. Cheng Hsinchu Branch Hui-Cl Kuangfu Branch Ching-	ung-Chi Huang	87.01.01	66,275	0.005%	-	-	-	-	Illinois University, MBA	N/A			
Hsinchu Branch Hui-Ci Kuangfu Branch Ching-	ng-Feng Lu	91.07.08	33,657	0.003%	-	-	-	-	Lingtung Junior College of Commerce, International Trade	N/A			
Kuangfu Branch Ching-	heng-Hwa Lee	93.07.01	57,412	0.004%	-	-	-	-	Feng Chia University, Banking & Insurance	N/A			
-	ui-Chi Tseng	91.10.11	52,651	0.004%	-	-	-	-	Fu Jen Catholic University, Law	N/A			
Peimen Branch   Min-H	hing-Liang Wu	93.03.19	24,636	0.002%	-	-	-	-	Soochow University, Law	N/A			
	lin-Hwa Chan	94.01.01	85,404	0.006%	2,200	0.000%	-	-	National Feng-Yuan Commercial High School	N/A			
	ao-Chuan Chen	93.01.07	326,079	0.023%	1,043	0.000%	-	-	Hsinchu Senior Vocational School	N/A			
	nou-Chuan Huang	93.11.26	36,640	0.003%	22	0.000%	-	-	Tung Hai University, International Trade	N/A			
	hih-Hung Tsai	91.06.13	47,409	0.003%	- 25 722	0.0020	-	-	Miaoli Commercial High School	N/A			
C	sin-Yi Ho	92.12.01	2,803	0.000%	25,733	0.002%	-	-	Feng Chia University, Banking & Insurance	N/A			
*		93.01.07	38,716	0.003%	65,000	0.005%	-	-	Chung Hsing University, Cooperative Economics	N/A			
	hao-Jun Li	90.08.24	32,636	0.003%	-	-	-	-	Fu Jen Catholic University, Economics	N/A			
	hao-Jun Li huoa-Chu Su	90.12.05	170,836	0.012%	- 100	0.000%	-	-	Soochow University, Business Administration	N/A			
	hao-Jun Li huoa-Chu Su hang-Sheng Liu	92.12.01	63,412	0.005%	100	0.000%	-	-	Lienho Junior College of Technology, Industrial Management	N/A			
-	hao-Jun Li huoa-Chu Su hang-Sheng Liu nen-Shien Cheng	93.10.26 91.12.30	53,983 7,252	0.004%	-	-	-	-	Fu Jen Catholic University, International Trade	N/A			
Hsinshing Branch Chin-J Fali Branch Yunng	hao-Jun Li huoa-Chu Su hang-Sheng Liu	0 1 19 20	82,092	0.000% 0.006%	-	-	-	-	Tamsui Oxford University College, Accounting & Statistics Open Business College, Business Administration	N/A N/A			



		Date of Appoint-		olding					Education & Selected Past			Management, Directors & Supervisory by Spouse or Relation	
									Positions	Company and Other Company			Relation
Hsinshing Securities	Yu-Ying Liu	92.10.15	78,558	0.006%	-	-	-	-	Taipei Private Yu-Dah Commercial Professional School	N/A	N/A	N/A	N/A
Hsinshey Branch	Shu-Chi Chen	91.12.30	155,362	0.011%	79,114	0.006%	-	-	National Open University, Human culture	N/A			
Isinshey Securities	Tien-Sung Feng	92.09.15	22,445	0.002%	-	-	-	-	Tamsui Oxford University College, Bank Management	N/A			
Park Branch	Shou-Hui Chao	93.10.26	54,474	0.004%	-	-	-	-	Shih Chien Home Economics College, Secretarial Course	N/A			
North Hsinchu Branch	Chin-Lung Lu	93.07.01	154,105	0.011%	-	-	-	-	Hsinchu Commercial High School	N/A			
Taoyuan Branch	Wen-Chin Tsai	93.10.26	105,420	0.007%	-	-	-	-	Tamsui Oxford University College, International Trade	N/A			
Tashi Branch	Yen-Tze Huang	91.08.01	41,015	0.003%	-	-	-	-	Tamsui Oxford University College, Industrial Management	N/A			
Tayuan Branch	Chien-Sheng Hsu	90.08.24	111,309	0.008%	-	-	-	-	Tamsui Oxford University College, Bank Management	N/A			
Chungli Branch	Ching-Cheng Chang	90.12.05	199,980	0.014%	-	-	-	-	National Taipei College of Business, Business Administration	N/A			
Yangmei Branch	Keng-Chung-Tsai	93.01.07	129,544	0.009%	-	-	-	-	Soochow University, Economics	N/A			
Hsinwu Branch	Chao-Man Wu	93.01.07	2,064	0.000%	418	0.000%	-	-	Tamkang University, Cooperative Economics	N/A			
Lungtan Branch	Kuang-Jung Fan	90.12.05	20,136	0.001%	20,541	0.001%	-	_	Chung Yuan Christian University, Business Administration	N/A			
Sanmin Branch	Ming-Chung-Tseng	91.12.30	103,418	0.007%	-	-	-	_	Tamsui Oxford University College, Law & Statistics	N/A			
Neili Branch	Jih-Hsin Lee	92.07.15	203,701	0.014%	-	_	_	_	Open College of Commerce, International Trade	N/A			
Pateh Branch	Lung-Ching Chang	90.12.05	55,183	0.004%	-	-	-	_	Tung Hai University, Business Administration	N/A			
Pateh Securities	Chia-Yung Wu	92.06.16	6,267	0.000%	660	0.000%	_	_	University of Michigan, MBA	N/A			
Yungan Branch	Lien-Fa Hsu	92.04.28	37,551	0.003%	10,248	0.001%	_	_	National Chin-Yi Institute of Technology, Industrial Management	N/A			
Shiming Branch	Yueh-Chun Liao	93.10.26	154,627	0.011%	-	-	_	_	Chungli Commercial High School	N/A			
Shinming Securities	Liang-Hsing Lai	93.01.07	32,538	0.002%	-	_	_	_	Chinese Culture University, Bank Management	N/A			
Kueishan Branch	Chun-Ying Tseng	91.12.30	74,729	0.002%	_	_	_	_	Tamsui Oxford University College, Bank Management	N/A			
Nankan Branch	Ching-Po Chang	91.07.12	141,006	0.010%	_	_	_	-	Open College of Commerce, Accounting	N/A			
Fashulin Branch	Mei-Mei Lin	93.10.26	64,191	0.010%	_	_		-	Cheng Kung Senior Commercial School, Evening Class	N/A			
	Yao-Huang Sun	92.06.11	2,360	0.003%	_	-	-	-	National Cheng Chi University, Law	N/A			
North Chungli Branch	-					-	-		·				
Lungkang Branch	Chien-Yu Chiu	93.01.07	54,994 16.579	0.004%	-	-	-	-	Open College of Commerce, Banking & Insurance	N/A			
Shanting Tzu Branch	Wen-Chih Chen	91.12.30	16,578	0.001%		-	-	-	Nan-Tai Industrial & Commercial School, Industrial Management	N/A			
Shinpi Branch	Jung-Hsiang Chung	90.12.05	71,000	0.005%	-	-	-	-	Feng Chia University, Economics	N/A			
Hueilung Branch	Yung-Chen Wu	93.01.07	191,839	0.013%	10.640	0.0016	-	-	Feng Chia University, Banking & Insurance	N/A			
Kuaichi Branch	Hisen-Ming Chiu	93.10.26	133,635	0.009%	10,649	0.001%	-	-	National Chin-Yi Institute of Technology, Industrial Management	N/A			
Huanpei Branch	Jui-Heng Chuang	93.01.07	130,931	0.009%	22,000	0.002%	-	-	Open College of Commerce, International Trade	N/A			
Juifeng Branch	Shun-Yuan Tseng	91.12.30	25,360	0.002%	18,468	0.001%	-	-	Fu Jen Catholic University, Law	N/A			
Fungmen Branch	Yen-Hai Fu	90.12.05	69,285	0.005%	446	0.000%	-	-	Tatung Institute of Technology, Professional Management	N/A			
Hsinpo Branch	Chin-Fu Deng	90.12.05	61,532	0.004%	154	0.000%	-	-	Tamsui Oxford University College, International Trade	N/A			
Pingchen Branch	Wen-Wei Ku	93.01.07	44,191	0.003%	-	-	-	-	National Chin-Yi Institute of Technology, Industrial Management	N/A			
Fachu Branch	Kuang-Hua Huang	91.07.15	177,076	0.012%	-	-	-	-	Feng Chia University, Public Finance	N/A			
Miaoli Branch	Chien-Hung Lin	92.03.14	166,007	0.012%	46,238	0.003%	-	-	Chung Hsing University, Public Finance	N/A			
Chunan Branch	Lin-Chang Wei	93.04.19	82,232	0.006%	-	-	-	-	Feng Chia University, Banking & Insurance	N/A			
Chunan Securities	Hsiu-Chn Peng	92.09.15	29,701	0.002%	23,539	0.002%	-	-	Open College of Commerce, International Trade	N/A			
Toufen Branch	Wen-Chung Su	92.04.28	4,414	0.000%	-	-	-	-	Feng Chia University, Business Administration	N/A			
Fanli Branch	Kuei-Huang Jao	91.05.24	40,191	0.003%	-	-	-	-	Chung Yu Junior College of Business Administration, International Trade	N/A			
Chuolan Branch	Feng-Tsai Huang	93.01.07	58,771	0.004%	-	-	-	-	Political Warfare College	N/A			
Kungkuan Branch	Ting-Feng Chan	93.04.19	143,653	0.010%	13,880	0.001%	-	-	Fengyuan Commercial High School	N/A			
Tunghsiao Branch	Te-Liang Lin	91.06.06	121,987	0.008%	18,937	0.001%	-	-	Hsinchu Commercial High School	N/A			
Tunghsiao Securities	Chi-Hsiang Lu	93.10.26	8,377	0.000%	-	-	-	-	Chinese Culture University, Business Administration	N/A			
Houlung Branch	Cheng-Yuan Wang	93.01.07	29,426	0.002%	-	-	-	-	Lienho Junior College of Commerce, Industrial Management	N/A			
SanYi Branch	Chun-Fu Huang	93.01.07	103,131	0.007%	-	-	-	-	Taichung College of Commerce, Accounting	N/A			
Peimiao Branch	Kuo-Wei Lin	92.03.14	21,935	0.002%	30,737	0.002%	-	-	Tung Hai University, International Trade	N/A			
Peimiao Securities	Sung-Kuang Lai	92.10.15	32,305	0.002%	-	-	-	-	Miaoli Senior High School	N/A			
Tahu Branch	Kao-Yuan Chu	93.01.07	158,560	0.011%	-	-	-	-	Fengyuan Commercial High School	N/A			
Tonglo Branch	Kuang-Huai Ho	91.12.30	38,523	0.003%	490	0.000%	-	-	Lienho Junior College of Commerce, Industrial Management	N/A			
Sanshing Bridge Branch	Chiu-Lai Peng	93.10.26	29,617	0.002%	-	-	_	_	Chung Hua University	N/A			

Title	Name	Date of Appoint-	Shareh	olding	Shareho Spouse, & I		Sharehold Others No		Education & Selected Past	Current Position in the Company			y by
									Positions				Relation
East Neili Branch	Huan-Po Lo	91.01.03	54,171	0.004%	3,095	0.000%	-	-	Chinese Culture University, Law	N/A	N/A	N/A	N/A
East Neili Securities	Shao-Kuang Wu	90.10.24	37,743	0.003%	-	-	-	-	Fu Jen Catholic University, Accounting	N/A			
Chungyuan Branch	Jung-Ta Chang	91.12.30	27,026	0.002%	22	0.000%	-	-	Tamsui Oxford University College, Bank Management	N/A			
Kingshi Branch	Hsiu-Ju Chiu	93.10.26	122,344	0.009%	-	-	-	-	Tatung College of Commerce, Accounting & Statistics	N/A			
Chuangching Branch	Chi-Tien Yang	90.12.05	70,768	0.005%	-	-	-	-	Open College of Commerce, International Trade	N/A			
Chinling Branch	Shu-Ling Chiu	90.12.05	151,592	0.011%	-	-	-	-	Open College of Commerce, International Trade	N/A			
Taipei Branch	Shih-Fen Weng	93.10.26	105,710	0.007%	-	-	-	-	Van-Nung University of Technology, Business Administration	N/A			
Panchiao Simplified Branch	Mong-Lin Wang	92.07.17	16,648	0.001%	-	-	-	-	Chung Hsing University, Cooperative Economics	N/A			
Luchow Simplified Branch	Chan-Chou Chen	93.10.26	51,674	0.004%	-	-	-	-	Tamsui Oxford University College, International Trade	N/A			
Neihu Simplified Branch	Wen-Fa Tsai	91.12.30	111,004	0.008%	-	-	-	-	Chung Hsing Univesity, Business Administration	N/A			
Taichung Branch	Mei-Hui Chen	92.07.15	123,634	0.009%	-	-	-	-	Lingtung Junior College of Commerce, Accounting & Statistics	N/A			
Fengyuan Branch	Kuo-Hsin Hu	91.12.30	37,689	0.003%	-	-	-	-	Tamsui Oxford University College, Bank Management	N/A			
Chiayi Branch	Chang-Yuan Lee	91.06.13	70,747	0.005%	56,896	0.004%	-	-	Tak Ming Junior College of Commerce, International Trade	N/A			
Tainan Branch	Shen-Chien Su	91.12.30	27,245	0.002%	-	-	-	-	Tak Ming Junior College of Commerce, International Trade	N/A			
Kaohsiung Branch	Tzu-Hsien Lee	93.07.05	70,411	0.005%	-	-	-	-	Chinese Culture University, Law	N/A			
Tunghing Simplified Branch	Shih-Lung Tsai	92.05.16	15,467	0.001%	3,802	0.000%	-	-	Feng Chia University, Public Finance	N/A			
Tunghai Simplified Branch	Chih-Min Lin	92.04.28	52,832	0.004%	-	-	-	-	Chung Yuan Christian University, Business Administration	N/A			
Shenkang Simplified Branch	Lien-Huang Pan	93.10.26	133,507	0.010%	34,962	0.002%	-	-	Open College of Commerce, International Trade	N/A			
Taoyuan Securities	Lung-Chuan Hsu	91.12.30	26,939	0.002%	25,291	0.002%	-	-	Chinese Culture University, Law	N/A			
Chungteh Simplified Branch	Wen-Pin Chan	93.03.19	63,472	0.004%	-	-	-	-	Feng Chia University, Economics	N/A			
Liming Simplified Branch	Wan-Te Lin	93.10.26	27,736	0.002%	28,113	0.002%	-	-	Open College of Commerce, Business Administration	N/A			
Chungho Branch	Jung-Lin Tseng	92.03.14	62,947	0.004%	-	-	-	-	Fu Jen Catholic University, International Trade	N/A			
Shilin Branch	Ying-Chun Chao	91.12.30	123,037	0.009%	6,876	0.000%	-	-	Chung Yuan Christian University, International Trade	N/A			
Yungho Branch	Ying-Lo Lu	92.05.09	85,478	0.006%	7,000	0.000%	-	-	Tamkang University, Statistics	N/A			
Peitun Branch	Wei-Feng Chan	93.01.07	87,173	0.006%	36,000	0.003%	-	-	Tamsui Oxford University College, Tourism	N/A			
Hsitun Branch	Chih-Ming Chang	93.01.07	75,846	0.005%	-	-	-	-	Tamsui Oxford University College, Accounting & Statistics	N/A			

Note 1: Director of Hsinchu Futures Co., Ltd., Director of Hsinchu Insurance Agent Co., Ltd., Director of Chu-Chiann Insurance Agent Co., Ltd., Director of Taipei Forex Co., Ltd., Director of Universal Venture Fund Co., Ltd., Director of Hsinchu Real Estate Co., Ltd., Director of Chu Ying International Co., Ltd.

Note 2: Director of Hsinchu Futures Co., Ltd.

Note 3: Supervisor of Chu Ying International Co., Ltd.

### (IV) Major Shareholders of Institutional Shareholders (December 31, 2004)

Willis Electric Co., Ltd.	Wen-Tung Chen Chung-Wei Chen	Ya-Ching Chen					
	Chung-Wei Chen						
		Ya-Yu Chen					
	Sui-Chen Lin Chen						
Xuan-De Investments Co., Ltd.	Shao-Hwa Chan	Yen-Wan Hu Chan					
	Shuan-Yung Chan	Sung-Der Jen					
	Ming-Fan Chan	Ming-Chu Chan					
	Hwa Yen Investments Co., Ltd.						
	TEC Investments Co., Ltd.						
	Conquest Group Holdings LTD.						
	ANB Developments Co., Ltd.						
Kuen Tai Investments Co., Ltd.	Kuen-Tu Chu	Lu-Feng Chu					
	Wen-Hui Chu	Wen-Huang Chu					
	Arthur H. Chu	Hau-Ming Chu					
	Shey-Mei Chang	Yi-Lin Li					
	Yu-Lin Chen						
Trans-Asia Investments Co., Ltd.	Chuan-Feng Chen	Yen-Chun Chen					
	Pao-Mei Chou	Chi-Chin Lin					
	Mei-Chen Lin Chen	Fang-Chin Lin					
Hwa Hung Investments Co., Ltd.	Kenneth Chen	Yin-Hsueh Tseng					
	Chien-Chung Chen	Ping-Hung Chen					
	Shiow-Mei Chen	Chao-Rong Chen					
	Wen-Yuan Tsai						
Hsin Den Investments Co., Ltd.	Kuo-Ying Chen	Ting-Wei Chen					
	Tsui-Ling Cheng	Ling-Yu Chen					
	Tze-Yun Chen						
Yi Chou Investments Co., Ltd.	Shi-Yu Wang	Fang-Yun Chen					
	Chin-Chou Wang	Ta-Sung Wang					
	Ta-Wei Wang	Chin-Ling Wang					
	Kuo-Ying Chen						

Note: 10% or more Shareholdings of Institutional Shareholder Representatives, directors, Supervisors and Top 10 Shareholders

### (V) Major Shareholders of Institutional Shareholders (December 31, 2004)

Name of Corporate	Name of Shareholder
Conquest Group Holdings LTD	Yi-Pei Chan Mei-Miao Hung Chan
	Yi-Chang Chan
	Yi-Kun Chan
	Shuan-Yung Chan
ANB Developments Co., Ltd.	Brunei Yung Meng Corp., Ltd.
TEC Investments Co., Ltd.	Sung-der Jen
	Mei-Jung Chen
	Chao-Nu Li
	Chao-Pu Li
	Hsiu-Chen Tsai
	Hsiu-Min Tsai
	Pin-Hui Wu
Hwa Yen Investments Co., Ltd.	Hsiu-Chen Tsai
	Ming-Hui Chan Tsai
	Hsiu-Ling Tsai
	Hsiu-Min Tsai
	Hung-Yu Tsai
	Wei-Shuan Tseng
	Ming-Shih Sun
	Yi-Tze Tsai
	Yi-Cheng Tsai
	Wei-Kai Zheng

Note: Major shareholders of corporate in Table 4 with 10% or more shareholdings and Top 10 Shareholders



### $(VI\ )$ Professional Knowledge and Independence of Directors & Supervisors

	Qualification	More than 5	Not	Natural shareholder	Not the	Corporate director,	Director, Supervisor, &	Business owners, partners, directors,
Title			employed by the bank or director, supervisor , or	who non- directly or indirectly holds more than 1% of the total				
	Name (Note 1)	business	employee of its affiliated company	amount of stock issued by the bank or top 10 shareholder	Sharcholder	stock amount issued by the bank or top 5 corporate shareholders	business association with the Bank or shareholder who holds more than 5% of the stock	institutional groups who did not provide business and legal services and consultations to the bank or affiliated company(ies) in recent
Chairman	Representaitve of Xuan-De Investments Co., Ltd.: Shuan- Yung Chan	V		V				$\checkmark$
Vice Chairman	Representative of Hwa Hung Investments Co., Ltd.: Kenneth Chen	V		V		√	V	V
Executive Director	Meei-Yu Tai	V					√	V
Executive Director	Po-Hsiung Cheng	V			V	√	V	V
Executive Director	Representative of Xuan-De Investments Co., Ltd.: Sung- Der Jen	√		V	V			V
Executive Director	Chih-Wei Wu	V		V			√	V
Executive Director	Ching-Tang Chen	√		V		√	√	V
Director	Yunn-Shyong Wu	√	√	V			√	V
Director	Chih-Yang Wu	√	√	V		√	√	
Director	Representative of Xuan De Investments Co., Ltd.: Yi-Mei Chan Hsu	V	√		√		V	V
Director	Chien-Chung Chen	√	√	V		√	√	V
Director	Representative of Xuan-De Investments Co., Ltd.: Yi-Pei Chan	V		V			V	$\checkmark$
Director	Representative of Yi Chou Investments Co., Ltd.: Shi-Yu Wang	V	√	√		V	V	V
Director	Chao-Shiun Chu			$\sqrt{}$	$\sqrt{}$	$\checkmark$	√	
Director	Yi-Tze Chou	√	√		√	V	√	$\checkmark$
Director	Representative of Willis Electric Co., Ltd.: Wen-Tung Chen	V	√		V	√		V
Director	Representative of Xuan-De Investments Co., Ltd.: Kung-Yung Tien	V	√	√	V		V	V
Director	Representative of Hsin De Investments Co., Ltd.: Guo-Ying Chen	V	√		V	√	V	V
Director	Representative of Hsinchu Bank Employees' Welfare Foundation: Chang-Luan Liu	√	√	V	V	√	V	√
Director	Representative of Hsinchu Bank Employees' Welfare Foundation: Wen-Kuang Wu	V		V	V	$\checkmark$	V	$\checkmark$
Executive Supervisor	Representative of Trans-Asia Investments Co., Ltd.: Chuan-Feng Chen	V		V	√		V	$\checkmark$
Supervisor	Chen-Chuan Huang	√			√	V	√	V
Supervisor	Representative of Kuen Tain Investments Co., Ltd.: Yu-Ling Chen	V	√	V	V	V	V	√

Note 1: Mark " $\sqrt{\phantom{a}}$ " in the block where the director or supervisor qualifies.

### (VII) Remuneration of Directors, Supervisors, and Key Management (December 31, 2004)

### 1. Remuneration of Directors

		Transportation &	Earning Distribution for Director's	Earning	Distribution f	or Employ te 1)	ees' Bonus	Total of the Aforementi oned 3	Ratio (%)	Total Amount of Stock	Other Remunera		
Title	Name					ock Bonus							
				Cash Bonus	Number of Share (Share)	Market Value (NTD)				Subscribed by Employees	(Thousand NTD)		
Chairman	Representative of Xuan De Investments Co., Ltd.: Shuan-Yung Chan												
Vice Chairman	Representative of Hwa Hung Investments Co., Ltd.: Kenneth Chen												
Executive Director	Chih-Wei Wu												
Executive Director	Ching-Tang Chen												
Executive Director	Meei-Yu Tai												
Executive Director	Po-Hsiung Cheng												
Executive Director	Representative of Xuan De Investments Co., Ltd.: Sung-Der Jen												
Director	Yunn Shyong Wu												
Director	Chih-Yang Wu												
Director	Representative of Xuan De Investments Co., Ltd.: Yi-Mei Chan Hsu			; -	- 432,695	21.5	9,302	82,917	2.95	-	1,396		
Director	Representative of Xuan De Investments Co., Ltd.: Yi-Pei Chan												
Director	Representative of Xuan De Investments Co., Ltd.: Kung-Yung Tien	11,569	62,046										
Director	Representative of Yi Chou Investments Co., Ltd.: Shi-Yu Wang												
Director	Chien-Chung Chen												
Director	Representative of Willis Electric Co., Ltd.: Wen-Tung Chen												
Director	Yi-Tze Chou												
Director	Representative of Hsin Den Investments Co., Ltd.: Guo-Ying Chen												
Dimanton	Č												
Director  Director	Chao-Shiun Chu Representative of Hsinchu Bank Employees' Welfare Foundation: Wen- Kuang Wu												
Director	Representative of Hsinchu Bank Employees' Welfare Foundation: Chang- Luan Liu												

Note 1: Employee's bonus (stock bonus), "Market Value" of stock bonus is calculated based on the average closing price of the last month of accounting period.



### 2. Remuneration of Supervisors

Title	Name	Transportation & Remuneration (Thousand NTD)	Earning Distribution for Director's Remuneration (Thousand NTD)	Total of the Aforementioned 2 Items (Thousand NTD)	Ratio (%) in Net Profit after Tax	Other Remuneration
Supervisor	Representative of Kuen Tai Investments Co., Ltd.					
Supervisor	Chen Chuan Huang	1,792	9,090	10,882	0.38%	-
Executive Supervisor	Representative of Trans- Asia Investments Co., Ltd.: Chuan-Feng Chen					

### 3. Remuneration of Chief Managers

		Salary		Earning					Ratio (%) in	Total Amount of Stock	Other Remunera
Title		(Thousand NTD)									tion (Thousand
President	Chih-Wei Wu										
Executive	Wen-Kuang Wu										
Vice President											
Executive	Abel Liu										
Vice President											
Executive	Shen-Hwa Lo										
Vice President											
Executive	Sam Chang										
Auditor											
Assistant	Wen-Jin Hung	21,540	9,168	2,073	1,131,407	21.5	24,325	57,106	2.03%	-	6,828
Vice President											
Assistant	Da-Shian Chiu										
Vice President											
Assistant	Chia-Rung Chen										
Vice President											
Assistant	Keui-Ling Hu										
Vice President											
Assistant	Yi-Jung Lin										
Vice President											
Financial	Yu-Ching Hsu										
Accounting Chief											

Note 1: Employee's bonus (stock bonus), "Market Value" of stock bonus is calculated based on the average closing price of the last month of accounting period.

(VIII) Shareholding on the same reinvestment business of the Bank, Directors, Supervisors, President, Executive Vice President, Assistant Vice President, head of each departments and branches of the Bank, and business(s) directly or indirectly controlled by the Bank, and combined in the computation of shareholding percentage return(December 31, 2004)

Reinvestment (Note 1)	Bank's Inv	restment	Investment of Direct President, Executiv Assistant Vice If department, and di controlled business of i		General Investment		
(Note 1)	Number of Shares (Share)		Number of Shares (Share)		Number of Shares (Share)		
Hsinchu Futures Co., Ltd.	30,112,440	88.57%	0	0%	30,112,440	88.57%	
Hsinchu Real Estate Co., Ltd.	12,050,147	59.84%	2,432,345	12.08%	14,482,492	71.92%	
Hsinchu Insurance Agent Co., Ltd.	18,355,370	100.00%	0	0%	18,355,370	100.00%	
Chu Chiann Insurance Agent Co., Ltd.	697,986	100.00%	0	0%	697,986	100.00%	
Masterlink Securities Co., Ltd.	6,644,080	0.52%	0	0%	6,644,080	0.52%	
Preferred Bank U.S.A.	279,780	5.04%	0	0%	279,780	5.04%	
Taipei Forex Co., Ltd.	600,000	3.03%	0	0%	600,000	3.03%	
Taiwan Small and Medium Enterprise Development Co., Ltd.	3,417,440	4.84%	0	0%	3,417,440	4.84%	
Fubon Securities & Finance Co., Ltd.	3,943,335	0.99%	0	0%	3,943,335	0.99%	
Trad-Van Information Services Co., Ltd.	3,707,170	1.87%	0	0%	2,557,170	1.29%	
Universal Venture Fund Co., Ltd.	8,000,000	4.76%	0	0%	8,000,000	4.76%	
Taiwan Futures Exchange Co., Ltd.	1,025,000	0.51%	3,050,000	1.53%	4,075,000	2.04%	
Financial Information Services	4,550,000	1.14%	0	0%	4,550,000	1.14%	
Windance Co., Ltd.	18,850,000	2.73%	634,491	0.09%	19,484,491	2.82%	
Taiwan Financial Asset Service Co., Ltd.	5,000,000	2.94%	0	0%	5,000,000	20.00%	
Chung Hsing Assets Management Co., Ltd.	6,000,000	20.00%	0	0%	6,000,000	20.00%	
Modex Taiwan Co., Ltd.	2,000,000	6.47%	0	0%	2,000,000	6.47%	
Debt Investments & Clearance Co., Taiwan	4,000,000	2.00%	0	0%	4,000,000	2.00%	
Sheng Yuan Venture Fund Co., Ltd.	2,025,000	5.00%	0	0%	2,025,000	5.00%	

Note: Investment in compliance with Article 74 of Banking Law



			2	.004	As of March	31 of the year
President	Shuan-Yung Chan					
Executive Director	Sung-Der Jen					
Director	Yi-Mei Chan Hsu	Representative of Xuan De	6,369,811			
Director	Yi-Pei Chan	Investments Co., Ltd.				
Director	Kung-Yung Tien					
Vice Chairman	Representative of Hwa	Hung Investments Co., Ltd.: Kenneth Chen	1,004,601	-		
Executive Director	Meei-Yu Tai		522,379	-		
Executive Director	Ching-Tang Chen		296,488	-		
Executive Director	Chih-Wei Wu		786,145	-		
Executive Director	Po-Hsiung Cheng		720,769	-		
Director	Yi Chou Investmen	ts Co., Ltd.	414,922	-		
Director	Chih-Yang Wu		91,013	-		
Director	Yunn-Shyong Wu		272,127			
Director	Chien-Chung Chen		275,895	-		
Director	Representative of Will	is Electric Co., Ltd.: Wen-Tung Chen	102,000			
Director	I-Tze Chou		759,207	-		
Director	Chao-Shiun Chu		307,613	-	-	-
Director	Hsin Den Investme	nts Co., Ltd.	202,800			
Director	Wen-Kuang Wu	Representatives of Hsinchu Bank	121 120	-		
Director	Chang-Lian Liu	Employees' Welfare Foundation	421,138			
Executive Supervisor	Representative of Trans-A	Asia Investments Co., Ltd.: Chuan-Feng Chen	2,343,890	-		
Supervisor	Representative of Kuen	Tai Investments Co., Ltd.: Yu-Ling Chen	75,512	-		
Supervisor	Chen-Chuan Huang	9	199,486	-		
Executive VicePresident	Wen-Kuang Wu		318,186	-		
Executive VicePresident	Abel Liu		284,019	-		
Executive VicePresident	Shen-Hua Lo		50,000	-		
General Auditor	Sam Chang		96,212	-		
Assistant Vice President	Wen-Jin Hung		243,555	-		
Assistant Vice President	Chia-Rung Chen		155,659	-		
Assistant Vice President	Da-Shian Chiu		148,746	-		
Assistant Vice President	Kuei-Lin Hu		286,017	-		
Assistant Vice President	Yi-Jung Lin		9,604	-		
Financial Accounting Chief	Yu-Ching Hsu		4,622	-		

Note 1: No changes in the stock rights pledge of directors, supervisors, and management for 2004 declared in accordance with Clause 3, Article 25 of the Banking Law.

Note 2: No equity transfer and changes in the stock rights pledge of directors, supervisors, and management as of March 31, 2005 that was declared in accordance with Clause 3, Article 25 of the Banking Law.

### III. Capital and Shares (including Preferred Shares), Financial Debentures (including Overseas Financial Debentures), and Overseas Depository Receipts and Stock Warrant Subscription of Employees:

### (I) Capital and Shares

### 1. Source of Capital

5 .	Issued	Authorized Capital		Paid-ir	n Capital	Remark	
Date	Pric	Number of Shares (Share)	Amount (NTD)	Number of Shares (Share)	Amount (NTD)		Other
93.10.18	10	1,700,000,000	17,000,000,000	1,423,616,085	14,236,160,850	Note 1	-

Note 1 : Surplus of 1,335,050,410 was transferred to capital increase on October 18, 2004, which was registered on July 28, 2004, Chin-Kuan-Cheng - 1-Tzu-0930133730

T (0)		Authorized Capital		Domosile	
Type of Shares	Shares Issued	Shares Unissued Total		Remark	
Common Shares	1,423,616,085	276,383,915	1,700,000,000	Listed stocks	

### 2. Shareholders' Structure:

Basis date of Shareholding: April 12, 2005

Shareholders' Structure Quantity	Government Institution	Bank Institution	Other Corporate	Individual	Foreign Corporate & Foreigner	Total
Number of Person	2	17	187	96,587	69	96,862
Shareholding	1,267	68,927,500	318,828,359	909,967,805	125,891,154	1,423,616,085
Shareholding %	0.00%	4.84%	22.40%	63.92%	8.84%	100.00%

### 3. Holding diversification:

NTD10.00/par value

Basis date of Shareholding: April 12, 2005

Shareholding Classification	Shareholders	shareholding	shareholding
1 to 999	37,270	11,402,252	0.80%
1,000 to 5,000	34,410	82,906,035	5.82%
5,001 to 10,000	10,647	76,720,208	5.39%
10,001 to 15,000	5,272	64,016,017	4.50%
15,001 to 20,000	2,375	42,300,501	2.97%
20,001 to 30,000	2,418	59,312,133	4.17%
30,001 to 50,000	1,959	75,580,132	5.30%
50,001 to 100,000	1,363	94,811,727	6.66%
100,001 to 200,000	609	84,959,936	5.97%
200,001 to 400,000	231	66,299,451	4.66%
400,001 to 600,000	91	45,247,226	3.18%
600,001 to 800,000	47	31,898,813	2.24%
800,001 to 1,000,000	27	24,786,831	1.74%
More than 1,000,001, classify according to actual situation	142	663,374,823	46.60%
Total	96,862	1,423,616,085	100%



### 4. List of Major Shareholders:

Basis date of Shareholding: April 12, 2005

Share Name of Major Shareholder	Shareholding	Shareholding %
Xuan De Investments Co., Ltd.	70,067,927	4.92 %
Chih Der Investment Co., Ltd.	63,777,305	4.48 %
JP Morgan Chase & Co., Custodial of the Special Investment Account of University Retirement Plan Co., Ltd.	37,400,000	2.63 %
Fubon Life Assurance	37,375,000	2.63 %
Chunghwa Post Co., Ltd.	31,407,000	2.21%
Trans-Asia Investments Co., Ltd.	25,892,790	1.82 %
Charter Bank, Custodial of the Special Investment Account of Punan International Capital Opportunity Fund	20,881,000	1.47%
HSBC, Custodial of the Special Account of Morgan Stanley International Co., Ltd.	18,832,700	1.32 %
Hua Wan Investment Co., Ltd.	14,401,381	1.01%
Fubon Insurance	12,475,000	0.88%

Note: Shareholders holding more than 1% shareholding or top 10 shareholders.

### 5. Market Price, Net Value, Earnings, Stock Dividend Per Share, and Relevant Data of the Last Two Years:

	Ye	ear	2003	2004	Current Year Till March 31,
					2005
Market price	Maximum		18.80	22.70	22.30
per share	Minimum		11.50	14.90	21.00
	Average	Average		19.71	21.57
Net value per	Before distribution		12.46	13.35	14.02
share (NTD)	After distrib	After distribution		Note 2	Note 3
Earnings per	Weighted average share (1000 shares		1,236,445	1,408,254	1,423,616
share (NTD)	Earning	Before adjustment	2.04	1.99	0.53
	per share	After adjustment	1.84	Note 2	Note 3
Stock dividend	Cash divide	nd	0.00	0.00	Note 2
per share (NTD)	Distribution	Surplus share distribution	0.00	1.00	Note 2
Note 1	without condition	Capital reserve distribution	0.00	0.00	Note 2
	Cumulative ur	paid stock divided	0.00	0.00	Note 2
Investment return	Gain ratio		7.27	9.90	10.17
analysis	Profit ratio		0.00	0.00	Note 2
	Rate of yield	of cash dividend	0.00	0.00	Note 2

Note 1 : Stock dividend per share of each fiscal year refers to the distribution of earnings of the previous year that was resolved by the Shareholders' Meeting.

Note 2 : Shareholders' Meeting not convened yet.

Note 3: Y2005 not closed yet.

### 6. Stock Dividend Policy and Execution:

- (1) Stock dividend policy of the Bank:
  - For the continuous expansion of the scale of the Bank and increase ability to profit, and taking into account sufficiency of capital, the bank has adopted surplus stock dividend policy. Distribution of stock dividend is based on the capital budget plan of the Company. Stock dividend is first appropriated for the required fund reserve, part of the surplus is appropriated as cash dividend. Cash dividend should not be less than 10% of the total amount of the whole stock dividend. But, if cash dividend per share is less than NTD0.1, it shall be changed to stock dividend.
- (2) Stock dividend policy of the bank for this year had been approved by the 9th Term Board of Directors in its 20th meeting, and to be in the form of distributing stock dividend, but it is not yet resolved by the Stockholders' Meeting.
- 7. Proposed This Year the Effect of Stock Distribution Without Condition to the Business Performance of the Company and Earning Per Share:

According to the provision stipulated in the Letter No. (91)-Tai-Tsai-Cheng-(I)-002534 from the Securities and Futures Exchange Commission under the Ministry of Finance, disclosure is not required if the company did not prepare and make public announcement of its financial forecast. The Bank did not prepare and make public announcement of the 2005 Financial Forecast, hence, disclosure is not necessary.

### 8. Distribution of Employees' Bonus and Directors & Supervisors' Reward:

- (1) Distribution of employees' bonus and the number of members or scope of directors and supervisors' reward stipulated in the Articles of Incorporation of the Bank: Refer to Page 75.
- (2) Proposal for the distribution of employees' bonus passed by the Board of Directors:
  - a. Amount to be distributed as employees' cash bonus, stock dividends, and directors & supervisors' reward:
     Proposed to distribute NTD25,144,566 as employees' cash bonus, NTD85,581,130 as stock dividends, and NTD110,725,696 as directors & supervisors' reward.
  - b. Proposed distribution of employees' stock bonus shares and its percentage on the surplus transferred to capital increase:Proposed to distribute 8,558,113 shares as employees' stock bonus shares, which is 5.67% of the total shares of surplus transferred to capital increase this time.
  - c. Considered earning per share after the proposed distribution of employees' bonus and directors & supervisors' reward : Considered earning per share at NTD1.84 per share after the proposed distribution of employees' bonus and directors & supervisors' reward
- (3) Distribution of last year's earnings as employees' bonus and directors & supervisors' reward: Refer to Page 75.
- 9. Repurchase of Bank's Share: None



### (II) Issuance of Financial Debentures

Type of Financial Debenture	First Overseas Unsecured Convertible Financial Debenture
Date of Approval and Reference No. of the Competent Authority	May 4, 2004, Ref. No. Tai-Tsai-Cheng-(I)-Tzu-0930114232
Date of Issue	May 13, 2004
Face Value	USD1,000
Place of Issue	Europe & Asia
Currency	U. S. Dollar
Issuing Price	100% of the face value of bond
Total Amount	USD110,000,000
Rate	0%
Period	5 Years, Date of maturity: May 13, 2009
Order of Redemption	Primary order
Endorsing Institution	None
Consignee	Bank of New York
Underwriting Institution	Merrill Lynch International
Certifying Lawyer	N/A
CPA	Irene Juanlu, Roger Ho
Certifying Financial Institution	N/A
Redemption Method	Except for advance redemption, repurchase & cancellation or exercising conversion rights, this bond shall be redeemed by the Company upon maturity at 98.50897% of its face value.
Unredeemed Balance	USD110,000,000
Paid-in Capital of Last Year	NTD12,901,110,440
Net Worth after the Final Settlement of Last Year	NTD16,072,170,000
Performance	Good
Redemption or Advance Redemption Clause	<ol> <li>After 2 years of issuance of the corporate bond, if the closing price of the common stock of the Company in the Taiwan Stock Exchange based on the exchange rate to USD at that time had reached 120% of the convertible price for 20 consecutive business days (converted into USD based on the stipulated fixed exchange rate of pricing day), the Company may redeem all or part of the bonds based on its face value.</li> <li>If more than 95% of the bonds were already redeemed, repurchased, or exercising conversion rights, the Company may redeem all of the bonds based on its face value.</li> <li>In case there is any change on the laws and regulations of the National Tax Administration of the Republic of China, and as a result, it was necessary for the Company to pay extra interest, the Company may redeem all of the bonds based on</li> </ol>
Conversion & Exchange Condition	its face value.  Except advance redemption or repurchase and cancellation, and period not allowed for conversion stipulated by the law, owner of bonds may exercise conversion rights commencing from the 31st day after the issuance of the bond until 10 days prior to its maturity. But exercising conversion of rights before June 30, 2006, except for a specific situation, it is necessary that the closing price of the Company's common stock should be higher by a specific percentage than conversion price of the bond for at least 20 consecutive transaction days from last 30 transaction days of the last quarter.
Restriction Clause (Note 2)	N/A
Fund Utilization Plan	Redeem loan and deal with medium and long term loans.
Declaration of issued amount plus issued balance	71.62%
to the net worth after final settlement of last year	
Included in the qualified own capital and other category	None
Name of Credit Rating Institute, Date of Ratings and Its Class of Rating	None

(III) Issuance of Overseas Depository Receipts, Preferred Shares, Stock Warrant Subscription of Employees, and Merging or Transferring Other Financial Institution: None





**Business Operations & Fund Utilization Plans** 

### 2004 Annual Report

### Hsinchu International Bank

### **Business Operations**

### I. General Banking Operation:

- (I) Major Business of Each Business Category
  - 1. General Deposits and Loans
    - (1). Acceptance of checking deposits
    - (2). Acceptance of other deposits
    - (3). Corporate and consumer loans
    - (4). Bill and notes discounting
    - (5). Processing of domestic remittance
    - (6). Handling of domestic guarantee
    - (7). Collecting and paying agency

- (8). Acceptance of commercial draft
- (9). Buying and selling of gold and silver bullion
- (10). Bills brokerage and dealing
- (11). Syndication loan
- (12). Factoring
- (13). Issuing letters of credit

### 2. Trusts and Investment

- (1). Securities investment
- (2). Conducting warehousing and custodial businesses relating to the above items.
- (3). Securities brokerage and dealing
- (4). Securities underwriting, register and dividends distribution agency
- (5). Consulting services regarding securities issuance
- (6). Securities certification
- (7). Custodial
- (8). Margin loan and stock short sale services
- (9). Over-the-counter (OTC) stock brokerage
- (10). Domestic futures brokerage

### 3. Foreign Exchange

- (1). Export trade finance
- (2). Import trade finance
- (3). Inward and outward remittance
- (4). Foreign currency deposits
- (5). Foreign currency loans
- (6). Foreign currency payment guarantee
- (7). Offshore Banking Unit's business

### 4. Other Business

- (1). Issuance of financial debentures
- (2). Credit card businesses
- (3). Other services authorized by the government





# (II) Major Businesses and Its Operation Ratio, Market Share, Growth, and Changes:

# 1. Growth and Changes of Major Businesses:

(UNIT : NTD Thousand)

Item		End of Dec. 2004 End of Dec. 2003		Increase (decrease)	Rate of Growth (%)
Deposits and remittances payable		334,105,007	296,542,718	37,562,289	12.67%
Loans, bills disc	Loans, bills discounted and purchased		234,638,025	22,005,308	9.38%
Guarantees	Guarantees		9,810,605	(2,404,865)	-24.51%
C 1'. C 1	Number of Authorized Mechants	11,126	10,587	539	5.09%
Credit Card	Volume of Card Issued	816,464	614,358	202,106	32.90%

(UNIT : NTD Thousand)

			Jan. ~ Dec. 2003	Increase (decrease)	Rate of Growth (%)
Securities & Trust	Transaction volume of stock brokerage	213,593,049	152,297,937	61,295,112	40.25%
	Sales volume of trust fund	21,725,002	24,867,575	(3,142,573)	-12.64%
	Total	235,318,051	177,165,512	58,152,539	32.82%
Foreign	International Exchange	9,640,153	4,396,204	5,243,949	119.28%
Exchange	Negotiation of import bills	855,888	516,738	339,150	65.63%
(UNIT : USD Thousand)	Negotiation of export bills	1,050,227	627,729	422,498	67.31%
i nousanu)	Total	11,546,267	5,540,671	6,005,596	108.39%

# 2. Operation Ratio of Major Businesses:

(1). Loans (exclude bills negotiated and discounted and NAL)

(UNIT : NTD Thousand)

	December 31, 2004		December 31, 2003	
	Amount	Percentage	Amount	Percentage
Short-term loan and overdraft	28,677,619	11.50%	25,594,194	11.43%
Short-term secured loan and overdraft	7,959,911	3.19%	6,406,962	2.86%
Medium-term loan	51,966,953	20.85%	38,062,127	16.99%
Medium-term secured loan	27,442,094	11.01%	26,695,853	11.92%
Long-term loan	9,216,596	3.70%	8,151,237	3.64%
Long-term secured loan	124,026,476	49.75%	119,052,046	53.16%
Total	249,289,649	100.00%	223,962,419	100.00%

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# Hsinchu International Bank

# (2). Customer Deposits and Remittances Payable

(UNIT : NTD Thousand)

	December 31, 2004		December 31, 2003	
	Amount	Percentage	Amount	Percentage
Savings deposit	235,256,757	70.42%	217,165,149	73.23%
Time deposit	62,491,389	18.70%	48,236,699	16.27%
Demand deposit	33,102,810	9.91%	27,782,430	9.37%
Check deposit	3,216,835	0.96%	3,307,333	1.12%
Remittances payable	37,216	0.01%	51,107	0.01%
Total	334,105,007	100.00%	296,542,718	100.00%

(3). Loans, bills discounted and purchased-summarize in categories of similar industries:Refer to page 85

# (4). Foreign Exchange

(UNIT : USD Thousand)

	December	31, 2004	December 31, 2003		
	Amount	Percentage	Amount	Percentage	
International exchange	9,640,153	83.49%	4,396,204	79.34%	
Negotiation of import bills	855,888	7.41%	516,738	9.33%	
Negotiation of export bills	1,050,227	9.10%	627,729	11.33%	
Total	11,546,268	100.00%	5,540,671	100.00%	

3. Market Share of Major Businesses: Refer to page 54

# (III) Operation Plans for 2005:

### 1. Loans

- (1). Increase our Bank's market share
  - A. Deposits market share in the districts of Taoyuan, Hsinchu, and Miaoli to exceed more than 15% comparing with our domestic banks
- (2). Develop fine clients and young tribes.
  - A. Specific growth of clients under 35 years old shall grow from 42% to 50%
  - B. 100 Thousand new accounts in 2005 (excluding loan clients), a growth of 20% over last year.
- (3). Strengthen bank employees' learning skill and train them to become marketing-oriented bank employees.
  - A. Implement license system in branches.
  - B. Management staff of branches shall take banking seminar for middle and high level heads once every two years.
  - C. Create human resources inventory and forecast management system for branches
- (4). Continuous improvement of the work flow of branches
  - A. Improve the provisional counter service of branches for collection of school matriculation fee.
  - B. Utilize SMART tool to improve the production yield of the staff in the clerical section of branches.
- (5). Nationwide distribution bases expansion plan for branches
  - A. Three branches in the districts of Taoyuan and Hsinchu will be moved to the districts of Changhua, Yuanlin, and Fengshan in 2005.
  - B. Five simplified branches in the central and southern Taiwan will be upgraded as a general branch in 2005.
  - C. Applying for three branches in the districts of Taoyuan and Hsinchu to be moved to Taipei & Taipei County and to Kaohsiung.
- (6). Prepare to introduce the second-generation working system of New Taiwan dollars
  - A. Create measure and implementation plan for the introduction of second-generation system in the banking business.
  - B. Practice banking and financial business department at the personnel training center to create simulated branches and work center in coordination with the introduction of the system.

### 2. Loans

- (1). Corporate Financing
  - A. Essential Points of "Loan" Operation Plan
    - Products: Put emphasis on the abilities to transact, self-repay, and firm's financial management related business of corporate finance; cooperate with IT implementation and industry's strategic alliance to provide clients with overall professional financial services, namely Total-Solution.
    - Sales: Through business operations of offshore corporate financial centers, to reinforce the
      promotions of business activities related to international banking. Moreover, along with a recovery
      in the economic condition, our Bank will establish a dedicated sales task force to actively promote
      business activities for small and medium enterprise.
    - Credit: Standardized both the reviewing and appraisal process, and both operational efficiency and risk control were taken into account.
    - Management: To implement a data warehouse system, providing real-time and accurate MIS
      information to facilitate decision-making management, import and train expert talents, as well as
      guide our Bank's employees to becoming more professional in the area of financial business.

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# B. "Loan" Operation Target

Target market shall be divided into medium & large enterprise and small & medium enterprise (SME) customer groups. The main mission is to enlarge the business with medium & large enterprise, simultaneously creating an RM system, with "Customer-oriented" as principle, to build a deep relationship with customers. "Industry-oriented" will be the principle adopted in SME customers, mainly by regional industry, developing the market crosswise, mainly those transactable and self-redeemable products, in order to grasp the business trend of customers and assist the sales growth of customers. Cooperate with policy-allied banks to actively develop the banking business between the two straits.

### (2). Consumer Loans

- A. Established an integrated platform such as IMAGE FILING SYSTEM.
- B. Set up a credit reviewing operation center, execute centralization of credit control by stages.
- C. Maintenance and revision of Di Me More and index linked mortgage loans.
- D. With the importation of Basel II risk control system and the introduction of PD, LGD, and LEAD calculation technique, we expect to acquire the Advanced IRB qualification in 2006.
- E. Establish an appraisal system, expand scorecard system, introduction of customized scorecard for mortgage loans, Di Me More, evaluation and revision of the scorecard of fine customers.
- F. To realize the increase and vacancy filling of human resources, release plans and implement structurization of employees training (S-OJT), to create high efficiency, high quality, and low cost working team.

# 3. Securities & Trusts Business

### (1). Securities

- A. Set up securities brokerage Lingtan, Nankan, and Peitun, keep on recruiting operation staff.
- B. Promoted new version of negotiation by internet.
- C. Reinforce in-job training of securities brokerage's personnel and acquire various professional licenses for securities and futures.

### (2). Trusts

- A. Application for "Insurance Premium Trust", "Retirement Pension Trust", "Real Estate Trust", "Negotiable Securities Trust", "Employee's Savings/Shareholding Trust", "Trust for Specific single Utilization and Management of Money".
- B. Increase overseas bond, ETF, structural products, etc., allowing customer to enjoy more preferred value and diversified financial management services.
- C. Actively expanding assets management program to provide customer with more professional, richer, and customized financial management services.
- D. Develop channel trust products with professional image of "Trust Plan" through media and marketing channels, in order to provide planned services in financial management and taxation matters, so as to attract customers and be linked with the trust image of the Bank and consultation on related business, to expedite expansion of trust business in the future.

# 4. Foreign Exchange

- (1). Draw up and apply for handling new financial products
  - A. Interest Rate Swap (IRS).
  - B. Cross Currency Swap (CCS).
- (2). Introduce KONDOR + risk control system to reinforce financial operation risk control.

- (3). Introduce competence management system to reinforce personnel's educational training.
- (4). Continuously promoting Trade Finance to reinforce and absorb foreign exchange deposit.

### 5. Credit Card

- (1). Card issuance policy: Maintain stable growth mainly to increase validity of new cards, not to measure the volume of phantom cards; expect to issue associate cards like Asia Shopping Card at the end of January and issue Dainty Card at the end of February.
- (2). Exert all efforts in developing high yield products: installment payment, balance transfer, and cash in advance (including home emergency fund).
- (3). Usage: Continue to promotional activities to increase the rate of valid cards and customers loyalty, and reduce the rate of cutting cards.
- (4). Effectively control the rate of overdue payment of debt-payment loan, and reinforce the monitoring and control on installment payment shops (ON-US).
- (5). Introduce SCORING and image system and modify the automated reviewing work system (E-CARD).
- (6). Reduce operation cost: Review various costs and propose a concrete improvement measure.

# 6. Wealth Management Department

Business promotion shall begin from the four major structures of organization, strategy, system, and products, and shall simultaneously start case planning for "Organization Development of Financial Management Experts", "Wealth Management Plan Module", "Pan Shih Private Wealth Management Bank", and "Development of New Financial Products" to reinforce competitiveness of the Bank in wealth management business. Major works are as follows:

- (1). Organization development of financial management experts: By the end of 2005 financial management experts shall grow to 200 persons.
- (2). Training & management system of financial management experts: Introduce e-learning passport system of financial management experts, and plan for a sound career development path and salary, reward, and promotion system for financial management experts. Continue with upgrading the ability of financial management experts in professional consultation and financial management program.
- (3). Customer transferring media system: Implement the system of customer grading, diversion, and specialized job sharing system. Divide the staff in branches into three major competencies in management, sales, and processing. Let professional financial management staff to conduct a sound financial management program and consultation and a regular asset observation service with the customer, to provide customer with a professional, real-time, and continuous wealth management consultation services.
- (4). Wealth management program system: Introduce investment plan analysis system to create kernel asset combination for customer through real-time product's value and accurate financial analysis mode, and match with the application of software of various modules to provide a Total-solution based on the financial plan target and priority of customer
- (5). Develop and promote new type of business: Create "Project Team for New Financial Products", integrate the R&D resources of various departments and conduct R&D cooperation with professional R&D team from outside, to satisfy the financial management program requirement of different customers through the difference in financial engineering design of the product.
- (6). Develop and use new business channels: Set up "Panshih Private Wealth Management Bank", from the point

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of simulated channel, cooperate with e-Commerce Department and develop a "Non-Distance Financial Management Center" to reduce the cost of installation, management, and training, and advantageous in accelerating the development of asset management business in Taipei and districts in central and southern Taiwan.

(7). Development strategic cooperative alliance: Conduct strategic cooperation with professional institutions such as professional accountants and lawyers, to provide wider and more professional asset management consultation service to customers.

# 7. Human Resources Department

In order to carry out the 2004~2007 Three-Year Strategic Plan for Human Resources, set up a Human Resources Department with the concept of customer service. In the past 6 months, Human Resources had completed the foundation work of several sophisticated human resources systems in succession, including:

- (1). Special competence module for the employees of Hsinchu International Bank (i.e., Competency Module)
- (2). Department heads' competent interviewing skill (Behavior Event Inteview ) training.
- (3). Internal fair report of employees' salary and reward.
- (4). 2004 Individual Salary, Reward, and Benefits Report of the Whole Banking Staff.
- (5). Personnel administrative flow simplification.
- (6). Sales executives' practice license at the consumer banking area block.
- (7). Establish a knowledge management (KM) project.

The bank expects that in 2005, Human Resources Department will adopt "Creativity" as the arbor of its work to help the Bank in achieving its future strategic target, and to develop more efficient human resources system. The emphasized mission of various points are as follows:

# (1). Recruitment:

- A. Diversified recruitment channels. This includes holding talents recruitment presentation, campus talents recruitment, on-line talents recruitment, internal talents recruitment, participate in the employment exposition and case recruitment.
- B. Activate employment prerequisite of freshmen to facilitate in attracting talents and increase the stay-put of talents.

# (2). Salary, Rewards, & Benefits:

- A. Introduce the new system of labor retirement in compliance with the law, and make a thorough communication with all the bank employees.
- B. Finish the internal fair report of employees' salary & reward of all the bank employees, in order to construct a market-competitive salary policy foundation.

# (3). Training & Development:

- A. Develop digital learning (e-Learning) and establish the "E-Learning College of Hsinchu International Bank" before the end of the year.
- B. Plan and execute 3-stages training of "2005 Branch Management Competence Upgrading Plan".
- C. Plan for a brand new savings managerial class and savings section head training.
- D. Introduce practice license in corporate financial area block.
- E. Carryout individual performance management circulation, and finish the individual e-PMS before end of the year to reinforce the performance management of department heads and employees.

# (4). Employees' Relationship:

- A. Create a complaint system for the employees to find out and solve organizational and internal management issues earlier.
- B. Arrange the celebration of an 57th anniversary of Hsinchu International Bank.

### (5). e-HR

- A. Install a new human resources administrative information system to replace the old system.
- B. Simplify training administrative flow and finish the educational training information system to improve work efficiency.

# (IV) Market Analysis

### 1. Situation and Growth of Future Market Demand

Under the worldwide laxation of monetary policy in 2004 and the advocate of trade liberalization, macro economy performance was as forecasted at the end of 2003. There was a general strong recovery worldwide. Although the step of recovery in the international economy is rather slow, the economic trade activities in Taiwan are quite active. During the last half year of 2004, due to the high rise of the price of international oil and great regulation control effect of Mainland China, initial statistics of economic growth in the third quarter was 5.27%. Growth during the fourth quarter slowed down with the recovery step of international economy, and with the basic index higher in comparison with the same period in 2003, it will be hard for Taiwan to have a big scale of increase in export, and forecasted economic growth is 4.11%. Combining the last three quarters, forecasted economic growth is 5.93%, an increase of 0.06% over the forecast in August. Analysis of 2004 economy is as follows:

# (1). Industrial Production

Industrial production in 2004 had an increase of 9.80% compared with 2003, cumulated manufacturing production had an increase of 10.48%, and the most outstanding was the 14.4% increase in the computer & electronic industry which was due to the recovery of international scientific industry. Cumulated builder's industry production index had an increase of 5.43%, and cumulated application for construction permits and areas also had an increase of 50.03%, which shows that there was a gradual increase in the domestic real estate market.

# (2). Foreign Trade

With continuous recovery of foreign and domestic economy, foreign trade had created a new high. Total amount of trade in 2004 was USD3,41.93 Billion. Comparing with 2003 there was an increase of 31.9% and 20.7% in import and export respectively. Cumulated export P/O for 2004 was USD215.09 Billion, an increase of USD45.06 Billion compared with 2003, a growth of 26.5%.

# (3). Price Index

Consumer Index on Price (CIP) growth had a 1.62% increase compared with the same period in 2003. Since the price of crude oil, metal products and its finished products, and chemical materials remained high, Wholesale Index of Price (WIP) remained high, an increase of 7.06% compared with the same period in 2003. Local sales index on price and import/export index on price also showed a rising trend

# (4). Monetary Supply

Rate of the annual increase of M1A and M1B in December 2004 was 14.77% and 14.35% respectively, higher than last month, which was mainly due to the obvious increase in bank loans and investments compare to last month. Due to the obvious increase of net remittance of foreign investments, the rate of increase of M2 went up from the 6.14% of last month to 6.33%, but it had yet broken through the upper limit of 6.5%

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M2 went up from the 6.14% of last month to 6.33%, but it had yet broken through the upper limit of 6.5%

target of the Central bank for 11 consecutive months, reflecting that monetary supply was still lax.

# (5). Interest Rate

Since the banking system fund remained to be lax, market interest rate remained at the low level. Banking discount loan rate in December 2004 was 1.15%, a slight increase of 0.01% compared with the 1.14% of last month. Rate for commercial notes was 1.13%, and increase of 0.05% compared with the 1.08% of last month.

# (6). Exchange Rate

Average exchange rate of U.S. Dollar to N.T. Dollar in 2004 was 33.43. Average exchange rate in December was 32.23, an appreciation of 5.37% compared with 34.06 at the end of 2003.

# (7). Stock Market

Influenced by the boom in domestic exports and the recovery of local economy, closing index of Taiwan stock market at the end of December was 6,139.69, average weighted stock price index was 5967.39. Cumulated turnover of transaction value (total transaction value/market value) in 2004 was 177.46, obvious recession compared with of 190.82 at the end of 2003, showing the slackness of transaction and investment in the stock market.

# 2. Advantageous and Disadvantageous Factors of Region, Competition, and Prospectus of Business Operation

### (1). Social Economy:

- A. Great-aged society, great age population is the new customer group of consumer banking in the future.
- B. With the popularity of Internet, Internet /Phone Banking will be the trend in the future.
- C. The national income of Taiwan had already exceeded USD12 thousand, which means that the era for personal financial management has arrived.
- D. There is a tendency of gradual rise of interest rate.

# (2). Future Trend of Consumer Banking Market

- A. Market resources is limited, competition among local banks and between international senior banks had become fierce. In 2003 after tax earnings of foreign banks in Taiwan was 16.116 billion, occupying approximately 40% in the 42.34 billion profit of all the banking institutions in Taiwan (Data source: Department of Statistics, Bureau of Monetary Affairs, Financial Supervisory Commission).
- B. In the holdings industry, resources of groups squeezed the profiting (existing) space of general banks. At present each holding company is active in continuously expanding its market share through merging, in order to increase the profiting rate of the company. This causes a great threat to non-bank holding companies.
- C. Non-Banking financial institutions offer the same nature of high quality products as that of the banks, generating a substitution threat. For example, investment policy that was jointly promoted by the insurance industry and securities industry and sold through the banking system had absorbed a considerable amount of deposits and customers under the banking system.
- D. Consumer financial banks develop towards 「Department Stores Synthesis Bank」. Consumer financial products are packed, designed, and customized to different types of customers according to their attributes, life styles, and stages of growth. Also, in order to give satisfaction to different types of customers to have contacts with the bank, developing new marketing channel is also a link that should be actively planned in the consumer financial banking in the future.
- E. Designing financial products for consumer financial banks is transforming from "product-oriented" to "customer-oriented" in order to satisfy different types of customers.

### Strength Weakness Customer Data Base of more than 1.4 million persons Insufficient covering scope of branches in the metropolitan Some banking products are innovative and leading in the local Popularity of personal financial brand is insufficient in the Rapid increase of sales organization/ personnel/channels metropolitan area Package combination of financial products is far behind Quick decision making for consumer financial banking (work flow, strategic adjustment) than foreign banks Some colleagues (departments) are unable to catch up Strong risk control ability Fine manpower did not receive acknowledgement and Advertising policy can gradually link with sales volume encouragement from the organization **Opportunity Threaten** Competition between Holdings and Non Banking Since there are many base points for branches in Taoyuan, Over Banking Hsinchu, and Miaoli, there is still great space for developing Banking product is easily sold by performer at a lower another automated bank, Phone banking, and Internet banking price, destroying the whole profiting of the bank Create the popularity of "Di Me More" step by step, to extend the Macro market scale of consumer loan is limited popularity of the Bank outside these municipalities (Taoyuan, Hsinchu, Miaoli) effectively. With regards to risk control, scoring system can be carried out gradually, increase the ability to separate customers and prediction, and then conduct risk analysis Had already created first national big reward system for marketing organization, and gradually developing into pyramid marketing mode.

# (V) Banking Product Research and Business Development:

- 1. R&D Expenditures of Major Products, Results, and New Installation of Business Departments For the Last 2 Years
  - (1). Introduced "Di Me More" to customers using cash card and credit card new circulation interest in January 2004 and officially used the scoring system for risk control, appropriated NTD150 million for advertising budget (Year 2004), in the hope of creating the brand of "Di Me More". Budget for 2004 was NTD20 Billion, actual achievement was NTD23.615 Billion, rate of achievement was 118.07%, handling charge income was NTD709 Million.
  - (2). Became a new member of the Factors Chain International (FCI), reinforcing the expansion of its factoring accounts.
  - (3). Successfully launched the IC credit card (COMBO card) in July 2004.
  - (4). As to international banking business, branches had opened the non-principal delivery of distant foreign exchange (NDF) of USD to JMP and exchange rate option (NDO).
  - (5). New Taiwan Dollars IRS.
  - (6). NDO in New Taiwan Dollars.
  - (7). A combination product of NDO in foreign currency linking with foreign currency deposits.
  - (8). Swap transaction between NTD and foreign currency.
  - (9). Swap transaction of foreign currency

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- (10). Created a warning system for corporate financial loan extension to reduce the risk of loan extension.
- (11). Create volumized credit grading system, using the grade of loan extension customer as reference for authorization approval level of loan extension and consideration for pricing strategy, and created the MIS administrative report.
- (12). "Factoring Accounts Management System" was officially put on line, assisting in the promotion of factoring accounts and reinforce risk control
- (13). Our Bank's corporate finance network, namely "B2Bank", was officially put on line.
- (14). Launched new kind of business, namely "easy-check", simplifying notes financing.
- (15). Launched new kind of business, namely "Margin Business for Core Factories and Suppliers" to select creditable core factories under the structure of core factories and suppliers chain and provide easy and fast financing service to its suppliers, in order to develop the "Dynamic Fund Flow Service For Supplier Chains" of the Bank.
- (16). Established the International Corporate Banking Regional Center, but was later changed as Overseas Corporate Banking System, actively expanding its international banking business to three places of the two straits
- (17). Corporate banking organization was adjusted and set up the primary corporate banking center, small & medium enterprise banking center, and the overseas corporate banking center.
- (18). In order to cope with the flourishing development capital market, the Bank had launched the "Capital Market CB (local convertible bond) Business".
- 2. Future Research and Development Plans
  - (1). New Taiwan Dollars IRS
  - (2). CCS

# (VI) Long-term and Short-term Business Development Plans

# 1. Short-term:

- (1) Card issuance plan is to issue 4 to 5 small and medium associated cards annually and assist in processing card on the spot for payment by installment and bring in card volume from debt payment business to maintain a stable growth.
- (2). Develop high yield business such as debt-paying, cash loan, and payment by installment, and increase the credit card revolving balance in order to increase income from various handling charges
- (3). Establish a comprehensive Internet-based electronic platform for enterprises, in order to provide a simple transaction environment and overall professional financial services in Total-Solution.
- (4). Establish a financial platform in four places between the 3 straits to reinforce the promotion of various business in international banking.
- (5). Install a data warehouse system and management information system (MIS) to facilitate risk control and decision making management

- (6). Keep on upgrading the professional quality of corporate banking experts.
- (7). Establish a RM system, adopting the principle of "Customer Oriented", provide comprehensive products and services to medium and large customers and built up a deep relationship with the customers.
- (8). Regional industries shall be the main axis for small and medium enterprises, developing the market crosswise, mainly on products that are transactable and self-redeemable, be in control of the business trend of customers, and assist customers in the growth of their businesses.
- (9). Upgrade the fighting force of the marketing organization to achieve profit and loss target prompted by the Company. Also, introduce customized scorecard for mortgage loan and learn the professional technique of scorecard production and risk control management technique.

# 2. Long-term:

- (1). Review and improve various business workflows. Make various business to be standardized and automated to reduce operation cost.
- (2). Increase cash loan channel, expand payment by installment appointed shops, increase credit card revolving balance, make all efforts in stimulating high yield businesses, increase the source of various handling charge incomes, in order to achieve the final target of high earnings
- (3). Provide solution proposal, create professional image, and dedicated in product innovation to become a corporate financial management consultant.
- (4). Striving towards "National Top Five Fine Consumer Financing Bank".

# **II. Human Resources:**

- (I) Number of Employees, Average Seniority, Average Age, Education Ration, Professional Licenses Possessed, and Advance Study & Training
  - 1. Table of Employees' Seniority and Education

		2003	2004	
				March 31, 2005
	50 Years old & above	48	51	55
	40 Years old & above	259	328	349
No. of Employee	30 Years old & above	990	1,334	1373
No. of Employee	20 Years old & above	914	1,174	1194
	20 Years old & under	3	2	0
	Total	2,214	2,889	2971
Average Age		32.30	32.30	32.40
Average Seniority		7.80	6.80	6.70
	Doctorate	0.00%	0.00%	0.00%
	Master	4.34%	4.12%	4.51%
Education	University	76.92%	73.49%	73.85%
	Senior High School	18.52%	22.15%	21.44%
	Other	0.22 %	0.24%	0.20%

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# 2. Table of Professional Licenses Possessed

Title of License	Total No. of Employees
Title of License	In Possession as of End of 2004
Account Executive of Security Broker	242
Account Executive of Investment Type Insurance Product	565
Account Executive of Investment Trust & Investment Advisers	82
Professional Capability Test for Accrediting Personnel in Primary Level	526
Professional Capability Test for Accrediting Personnel in Advanced Level	17
Account Executive Future Broker	118
Life Insurance Account Executive Registration Certificate	1,173
Professional Capability Test for Bond's Account Executive	3
Professional Capability Test for Foreign Exchange Personnel in Primary Level	148
Professional Capability Test for Financial Management Planner	429
Professional Test in Trust Professional Business of Account Executive in the Trust Industry	947
Fundamental Test in Internal Control of Bank	1,481
Senior Account Executive of Security Broker	198
Property Insurance Account Executive's Registration Certificate	807
Qualification Test for Account Executive of Finance Bill Broker	5
Account Executive for the Buy & Sell and Margin Trading of Security	14
Internal Auditor's Certificate	1
Professional Capability Test of Stock Personnel	7

# 3. Table of the Advance Study and Training of Employees

	2004	2005 (Estimated)	Difference	Rate of Increase
Total Trained Personnel	4,967	9,550	4,583	92.27%
Total Class Hours	1,559	1,905	346	22.19%
Total Classes Opened	102	190	88	86.27%
Total Days of Class	250	303	53	21.20%

<sup>4.</sup> Employees Behavior or Moral Principle Rules and Regulations: None

# III. Business Responsibility and Moral Ethics:

- 1. Donated NTD2,061,000 to charity in 2004 for scholarship fund.
- 2. Donated NTD4,000,000 in 2004 for blood donation car of Hsinchu Blood Donation Center.
- 3. Donated NTD2,000,000 to the Municipal Government of Hsinchu County to help the victims of Typhoon Ailee, and used this in implementing the charity plan of "Hometown Foundation" to construct a rich educational resources system for the aboriginal school-age children in the reconstructed Wufeng Town, Chienshih Town.

# **IV. Information Equipment:**

(I) Hardware & Software Installation and Maintenance of Major Information System, and Future Development & Procurement Plan

Upgrade the existing HP Himalaya K2016 motherboard to HP NonStop Server S88016.

# (II) Emergency Readiness and Safety Measures

- 1. If there is any employee casualty, system document emergency repair section should send someone to be in charge and coordinate with saving the evidence, get in contact with the insurance company, cooperate with insurance investigation, and insurance claim matters
- 2. If there is any employee casualty that resulted in lawsuit, system document emergency repair section should send someone to be in charge and coordinate with the legal unit to make compromise or proceed with litigation.
- 3. With regards to the construction of working space in foreign places or new working space, communication emergency repair section should send someone to be in charge of getting in touch with suppliers, spare parts contact and acquisition, software and hardware purchasing, and purchasing of actual equipment.

# V. Labor-Management Relations:

(I) Amount of loss caused by dispute with our labors in the last 2 years and as of March 31, 2005, and estimation of possible future loss:

We paid NTD5,266 million to the dismissed employees according to court's judgment.

- (II) Employees Welfare Benefits, Retirement System and Implementation:
  - 1. Employees welfare benefits:
    - (1) Employees bonus and stock bonus.
    - (2) Employees joining the "Labor Insurance" and "National Health Insurance".
    - (3) Employees joining the "Group Insurance".
    - (4) Allocating marriage, funeral, birth, and educational subsidy.
    - (5) Retirement pay for retiring employees, retirement pay may be based on "Preferred Deposits Code for Employees' Retirement and Resignation Pay" and deposit into the Bank according to the situation, and enjoy a preferred interest in comparison with the savings clause for Bank employees.
    - (6) For employees who died on duty, aside from resignation pay, a preferable pension shall be given.
    - (7) Employee's saving deposits shall enjoy a preferable interest.
    - (8) Free lunch.
    - (9) Organize tour once a year and various club recreational activities to mould the mind of employees.
  - 2. Retirement & Severance system:
    - (1) Employee's retirement is divided into voluntary retirement and ordered retirement.
    - (2) Retirement age of employee is 60 years old. Employee in the management level with excellent performance who had been reviewed by the Performance Evaluation Committee and submitted for approval by the Chairman may be extended for another year, but limited to five times only
    - (3) Retirement pay is divided into lump-sum payment and monthly pension. Employee whose retirement pay is paid in lump-sum shall be calculated at the average salary based on the years of service at the time of retirement. Employee over 60 years old and been employed for more than fifteen years who retired before 2000 may be paid by monthly pension, but it shall not be applicable to those who retire after 2000 (inclusive)

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- (III) Labor-Management Agreement: None
- (IV) Protective Measure of Employee's Equity:

  Transparency of human resource management regulation, set up a personnel arbitration committee, and discuss employee's reward & punishment and matters for renewed discussion
- (V) Working Environment and Employees' Safety Measures:
  - It was promulgated and stipulated by the Council of Labor Affairs of the Executive Yuan as per Letter No. Tai-90-Lao-An-1st-Tzu-0012982 dated March 28, 2001 that "Labor Safety & Sanitary Act" shall be applicable to the banking industry.
  - 2. The Bank has always given great consideration to the working environment and safety measures of employees, in the hope of avoiding occupational hazard to employees effectively that might result in casualty death. Aside from conducting physical examination for the entire Bank every 2 years in compliance with the "Labor Health Protection Regulation", the Bank is more than active in promoting and establishing relevant measures of "Labor Safety Derivative Act".
  - 3. In coordination with the implementation of "Labor Safety Derivative Act", the Bank had organized the "Educational Training Class for Labor Safety Derivative Staff" in July 2002, co-sponsored by the Industrial Labor Safety Derivative Association of R. O. C., to reinforce and improve the concept of labor safety.
  - 4. In compliance with the law, the Industrial Safety & Sanitary Association of R. O. C. shall co-sponsor in "Working Environment Measurement" every half-year commencing from August 2002. Besides, in order to prevent occupational hazard due to working environment and equipment, the "Safety and Sanitary Automatic Inspection Code" of the bank was drafted on December 2002, announced and commenced its implementation commencing from January 2003.
  - 5. North Labor Inspection Office of the Council of Labor Affairs under the Ministry of Finance had given its approval on the Safety Derivative Working Regulations of the Bank on February 24, 2003 as per Letter No. Lao-Pei-Chien-Chung-Tzu-0921001912, and was promulgated on March for the entire Bank to follow. The bank organized a General Safety Derivative Educational Training for the entire Bank on April of same year, and the sound relevant measures for Labor Safety Derivative Act of the Bank begins from here.

# **VI. Material Contracts:**

Nature of Contract	Party Concerned	Contract Validity	Main Description	Restriction Clause
Cooperative	Consumer Financing Department	93.0494.01.31	Went into "Di Me More" marketing advertising cooperation	-
Cooperative	Information Department	91.05.31	Singed contract with Huan Hsin Technology Co., Ltd. For the "Developing Second Generation NTD System"	-

VII. Application For Approval To Handle Securitization Products and Related Information In Recent Years In Accordance with the Regulation for Securitization of Financial Assets or Regulation for Securitization of Real Estate: None



# I. Fund Utilization Plan:

- 1. Source of Fund: Solicited overseas unsecured convertible debentures for USD110,000,000.
- 2. Fund Utilization Purpose: Used in the redemption of medium and long-term foreign currency loan due to banks and to pay for future medium and long term foreign currency loan.
- 3. Overseas unsecured convertible debentures fund utilization plan:

UNIT: USD Thousand

Plan	Total Fund	Expected Date	2004			2005
	Required	of Completion	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter	1st Quarter
Redemption of loan from banks	68,300	2005 / 3 / 31	68,300	-	-	-
Pay for future medium and long term loan	41,700	2005 / 3 / 31	13,907	13,691	8,530	5,572
Total	110,000		82,207	13,691	8,530	5,572

# **II. Fund Utilization Execution:**

1. Overseas unsecured convertible debentures fund utilization plan:

UNIT: USD Thousand

Plan	Execution Schedule till End of 2004			
	T.	Estimated expense	68,300	None
Redemption of	Expense	Actual expense	68,300	
loan from banks	Execution	Estimated expense	100.00%	
	Schedule	Actual expense	100.00%	
	r	Estimated expense	36,128	None
Pay for future medium and long term loan	Expense	Actual expense	36,128	
	Execution	Estimated expense	100.00%	
	Schedule	Actual expense	100.00%	

- 2. Benefit that may arise from the fund utilization of overseas unsecured convertible debentures: Acquire low interest fund required in paying for medium and long-term loan.
- 3. Other fund utilization execution and benefit that may possible arise: Refer to Page  $100 \sim 101$ .





**Financial Status** 

# **Financial Status**

# I. Balance Sheets and Income Statements for the last 5 Years:

# ( I ) Balance Sheets for the last 5 years

UNIT: NTD Thousand

	Year		Financial Info	ormation For Th	ne Last 5 Years	
Item		2004	2003	2002	2001	2000
Cash, Due from Centr	al Bank of China and Banks	25,410,244	23,803,242	28,904,151	29,417,921	21,963,232
Marketable securit	ies, net	81,280,208	52,488,956	39,143,659	25,883,860	28,060,948
Loans, Bills Disco	unted and Purchased, net	253,313,957	231,125,940	220,235,780	219,840,808	202,420,688
Receivable, net		11,138,392	10,733,027	8,716,886	4,657,608	3,939,550
Long-term Investm	ent	7,953,664	1,424,164	1,166,963	1,226,217	1,106,239
Fixed assets, net		6,994,117	6,650,268	6,315,340	6,029,157	7,296,896
Other Assets		6,910,632	6,933,541	7,277,922	6,946,151	5,754,377
Due from Central l	Bank of China and Banks	870,663	3,360,596	79,005	156,561	652,433
Customer deposits a	nd Remittances payable	334,105,007	296,542,718	280,881,881	270,829,063	246,440,892
Financing/Borrowing from	Central Bank of China and Banks	16,033,834	8,681,030	8,347,530	-	527,872
Other Liabilities		16,801,225	1,189,867	832,685	776,612	804,269
Common Stock		14,236,161	12,901,110	12,901,110	12,665,348	12,665,348
Comital Sumulus	Before Distribution	196,026	206,798	229,394	225,813	223,105
Capital Surplus	After Distribution	Note	206,798	206,574	225,813	223,105
Reserves	Before Distribution	4,578,056	3,193,137	650,434	4,403,628	4,035,437
Reserves	After Distribution	Note	1,770,438	673,254	4,167,866	4,035,437
Other Shareholders' Equity		-	(228,875)	(424,783)	(418,861)	(146,278)
Total Assets		393,063,368	333,298,597	311,806,967	294,035,250	270,581,015
Total Liabilities	Before Distribution	374,053,125	317,226,427	298,450,812	277,159,322	253,803,403
Total Liabilities	AfterDistribution	Note	317,314,075	298,450,812	277,159,322	253,803,403
Total Shareholders	Before Distribution	19,010,243	16,072,170	13,356,155	16,875,928	16,777,612
Equity	AfterDistribution	Note	15,984,522	13,356,155	16,875,928	16,777,612

Note: Shareholders' meeting is not hold



# (II) Income Statements for the last $5\ years$

UNIT: NTD Thousand

Year	Finar	Financial Information For The Last 5 Years(Note1)					
	2004	2003	2002	2001	2000	March 31, 2005	
Operating Revenue	14,208,852	14,132,747	15,401,628	17,327,657	18,172,309	3,889,560	
Operating Costs & Expense	11,355,802	11,659,772	19,181,246	17,058,699	18,267,279	3,091,118	
Operating Profit (Loss)	2,853,050	2,472,975	(3,779,618)	268,958	(94,970)	798,442	
Non-operating Income (Expense),Net	160,744	58,563	117,270	154,218	109,094	38,082	
Income(Loss) Before Income Taxes	3,013,794	2,531,538	(3,662,348)	423,176	14,124	836,524	
Net Income(Loss)	2,807,618	2,519,883	(3,517,432)	368,191	2,413	756,091	
Earnings (Loss) Before Retroacti	re 1.99	2.04	(2.91)	0.30	0.002	053	
Per Share After Retroactiv	e -	1.84	(2.62)	0.27	0.002	-	

# (III)CPA's Name and Auditing opinions for the last 5 years

Year	CPA's Name	Auditing opinions
2000	Charles Huang, Roger Ho	Unqualified Opinion
2000~2002	Charles Huang, Roger Ho	Modified Unqualified Opinion
2003	Roger Ho, Irene Juanlu	Modified Unqualified Opinion
2004	Irene Juanlu,Josh Chen	Modified Unqualified Opinion

# II. Financial Ratios for the Last 5 years:

UNIT: NTD Thousand

Year			Financ	ial Ananlysis	For The Last	5 Years (Note	e2)	Current Year Till March 31.
Ite			2004	2003	2002	2001	2000	
ial	Liabilities to Assets Ra	atio(%)(Note2)	95.14	95.09	95.65	94.21	93.76	94.99
Financial Structure	Savings to Net Worth Ratio(%)		1,757.50	1,845.07	2,103.01	1,604.82	1,468.87	1,711.50
	Fixed Assets to Net V	Worth Ratio(%)	36.79	41.38	47.28	35.73	43.49	35.80
Solvency	Liquidity Reserve	Ratio(%)	19.98	16.06	15.83	12.97	10.01	26.31
ity	Loans to Deposits	Ratio (%)	76.82	79.12	79.40	82.04	83.19	74.57
Abili	Overdue Ratio (%	)	2.63	4.39	4.46	7.92	8.41	2.34
Operating Ability	Total Assets Turno	over (Time)	0.04	0.04	0.05	0.06	0.07	0.04 (Note 3)
erati	Average Operating Inc	come Per Employee	5,408.78	6,619.55	7,857.97	8,493.95	8,736.69	5,281.14(Note 3)
op	Average Profit Per	r Employee	1,068.75	1,180.27	(1,794.61)	180.49	1.16	1,026.60(Note 3)
	Return on Total A	ssets(%)	0.77	0.78	(1.16)	0.13	-	0.76 (Note 3)
llity	Return in Shareho	olders' Equity(%)	16.01	17.13	(23.27)	2.19	0.01	15.52(Note 3)
Profitability	Profit Margin (%)		19.76	17.83	(22.87)	2.12	0.01	19.44
Prof	Retroactive Earnings	Before Retroactive	1.99	2.04	(2.91)	0.30	0.002	0.53
	Per Share (NTD)	After Retroactive	-	1.84	(2.62)	0.27	0.002	-
Cash Flows	Cash Flow Ratio	(%) (Note1)	Note1	Note1	Note1	Note1	Note1	Note1
	Cash Flow Adequacy Ratio (%)		373.94	330.38	224.31	176.64	159.33	-
	Cash Re-investments F	Ratio (%) (Note1)	Note1	Note1	Note1	Note1	Note1	-
	Capital adequacy	ratio (%)	8.97%	9.54%	9.86%	8.74%	9.25%	-
atio	Net capital		21,219,538	20,590,024	19,766,904	16,916,486	16,563,797	-
Capital to Risky Asset Ratio	Total risky asset		236,605,497	215,737,312	200,558,060	193,644,719	179,070,403	-
Asse	Type I capital to ri	isk-weighted	7.96	7.36	6.56	8.65	9.42	-
sky	risky asset ratio (%	%)						
o Ri	Type I & Type II o	capital to	9.65	10.17	10.40	9.24	9.90	-
ital t	risk-weighted risk	y asset ratio (%)						
Capi	Leveraged ratio (%	%)	7.96	7.36	6.56	8.65	9.42	-
	Common stock equity t	to total asset ratio (%)	3.62	3.87	4.13	4.30	4.69	3.56
Total I	Relationship Collater	ral Loan	3,282,044	1,897,818	2,059,134	2,132,385	2,185,359	2,422,475
Total I	Relationship Collater	ral Loan to	1.24	0.77	0.88	0.93	1.04	0.92
Total I	Loan Ratio (%)							
_	Asset's market sha	are (%)	1.11	1.01	1.01	0.96	0.90	-
Operation Scale	Net worth's marke	et share (%)	0.97	0.89	0.76	0.86	0.86	-
per: Sca	Saving's market sl	hare (%)	1.48	1.40	1.40	1.37	1.30	-
0	Loan's market sha	re (%)	1.59	1.60	1.59	1.55	1.39	-
NT		2=1 1.1						<del>.</del>

Note 1: According to Statement of Financial Accounting Standards No. 28, it should not be distinguished to current and non-current.

Note 2: Total liability is the total after deduction of guaranteed liability reserve, loss reserve on buy & sell of bonds, and breach of contract loss reserve.

Note 3: Current computation of the whole year.

Note 4: Calculation of analyzed items is as follows:

# **Financial Status**



- (1) Financial Structure
  - 1. Liabilities to Asset Ratio = Total Liability : Total Asset
  - 2. Savings to Net Worth Ratio = Savings ÷ Net Worth
  - 3. Fixed Assets to Net Worth Ratio = Net Fixed Assets ÷ Net Shareholders' Equity
- (2) Solvency

Liquidity Reserve Ratio = Current Asset stipulated by the Central Bank ÷ Various Savings Appropriated for Current Reserve

- (3) Operating Ability
  - 1. Loans to Deposits Ratio = Total loan ÷ Total Savings
  - 2. Overdue Ratio = (Overdue Loan + Reminder Collection) ÷ Total Loan (including Reminder Collection)

  - 5. Average Profit Per Employee = Net Profit After Tax ÷ Total Number of Employees
- (4) Profitability
  - 1. Return on Total Assets = Profit/Loss After Tax ÷ Total Average Assets
  - 2. Return on Shareholders' Equity = Profit/Loss After Tax ÷ Net Average Shareholders' Equity

  - 4. Earnings Per Share = (Net Profit After Tax − Special Stock Dividend) ÷ Weighted Average Shares Issued
- (5) Cash Flows
  - 1. Cash flow Ratio = Net Cash Flow on Operating Activities ÷ Current Liability
  - 2. Cash Flow Adequacy Ratio = Net Cash Flow on Operating Activities of the Last 5 Years (Capital Expense + Cash Dividend)
  - 3. Cash Re-Investments Ratio = (Net Cash Flow on Operating Activities − Cash Dividend) ÷ (Gross Fixed Assets + Long-term Investments + Other Assets + Operating Fund)
- (6) Capital to Risky Asset Ratio
  - 1. Capital Adequacy Ratio = Net Capital / Total Risky Asset
  - 2. Net Capital = Type I Capital + Type II Capital + Type III Capital Capital Deductible Item(s)
  - 3. Total Risky Assets = Credit risk-weighted risky assets + Capital Appropriation on Market Risk  $\times$  12.5
  - 4. Type I Capital to Risk-weighted Risky Assets Ratio = Type I Capital / Adjusted Average Assets (Average Assets Type I Capital 「Goodwill」 Item)
  - 5. Type I Capital and Type II Capital to Risk-Weighted Risky Assets Ratio = (Type I Capital + Type II Capital) / Risk-Weighted Risky Assets
  - 6. Leverage Ratio = Type I Capital / Adjusted Average Assets (Average Assets Type I Capital 「Goodwill」 Item)
  - 7. Common stock equity to total asset ratio = Common Stock Equity  $\angle$  Total Asset
- (7) Operating Scale
  - 1. Asset's Market Share = Total Assets / Total Bank & Branches Assets for Loan Business
  - 2. Net Worth's Market Share = Net Worth / Total Bank & Branches Assets for Loan Business
  - 3. Saving's Market Share = Total Savings / Total Bank & Branches Assets for Loan Business
  - 4. Loan's Market Share = Total Loan / Total Bank & Branches Assets for Loan Business
  - 5. Overall financial institutions who are authorized to process loan business include local banks, branches of foreign banks in Taiwan, credit cooperative banks, credit departments of farmers and fisheries associations, and trust 7 investment companies.
  - 6. Source of the total amount of loan business of overall financial institutions come from the statistic data of Financial Supervisory Commission of the Executive Yuan.

# V. Consolidated Financial Statements by Independent Auditors for Recent Year: N/A

# VI. Financial Revolving Difficulty Occurred with Affiliates in Recent Year Till March 31, 2005: None

# sinchu Internationa

# III. Supervisors' Report on Financial Statements for Recent Year:

# **Supervisors' Report**

To the 2005 Annual Shareholders' Meeting

The board of directors have complied and submitted the bank's 2004 financial report (including balance sheets, statements of income, statements of changes in shareholders' equity, statements f cash flows, audited by Diwan ,Ernst Young; and business report and statements of distribution of retain earnings. We are satisfied that they have been correctly complied from the books and accounts of the Bank at the date therefore according to Company law in ROC article 219.

Managing Supervisor: Trans-Asia Investment Crop.

Chuan-Tany Chan
Supervisor: Chen-Chuan Huang

Kuen Tai Investment Corp.

Chen Cury

April 19,2005



### IV. Financial Statements for Recent Year

# INDEPENDENT AUDITORS' REPORT

Hsinchu International Bank Co., Ltd.:

We have audited the accompanying balance sheets of Hsinchu International Bank Co., Ltd. (the "Bank") as of December 31, 2004 and 2003, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the equity-method investees, Hsin-Chu Insurance Agent Co., Ltd. and Chu-Chiann Insurance Agent Co., Ltd. for fiscal year of 2003. The Bank recognized the above equity investment incomes of NT\$188,834 thousand, representing 7.46% of the income before income taxes for the year ended December 31, 2003; total investments amounted to NT\$195,009 thousand representing 0.06% of total assets as of December 31, 2003. We either did not audit the financial statements of Ju-Ying International Co., Ltd. for fiscal years of 2004 and 2003, as described in Note 21(2). Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amount and other information included in the financial statements for the company, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial positions of the Bank as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended, in conformity with the "Guidelines Governing the Preparation of Financial Reports by Public Banks", "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and generally accepted accounting principles in the Republic of China.

As stated in Note 3 to the financial statements, the Bank has adopted "Guidelines Governing the Preparation of Financial Report by Public Banks" since year 2004. According to this guidelines, financing method is applied to bonds and short-term bills transactions under repurchase or resell agreements.

Disan, Ernst & Young Diwan, Ernst & Young

February 16, 2005

Taipei, Taiwan, Republic of China

The above auditors' report and the following financial statements are English translations of the Chinese auditors' report and financial statements prepared for and used in the Republic of China. The accompanying financial statements were prepared using accounting principles, procedures and reporting practices generally accepted in the Republic of China and are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than those in the Republic of China. The standards, procedures and practices utilized to audit such financial statements are those generally accepted and applied in the Republic of China.

# **BALANCE SHEETS**

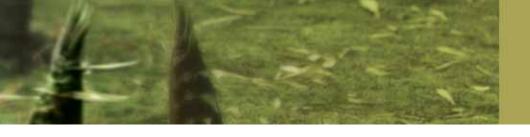
DECEMBER 31, 2004 AND 2003

(Expressed in Thousands of New Taiwan Dollars)

	De	ec. 31, 2004	De	ec. 31, 2003
ASSETS				
Cash and cash equivalents (Note 4)	NT\$	7,033,866	NT\$	6,070,688
Due from banks and Central Bank of China (Note 4)		18,376,378		17,732,554
Marketable securities, net (Notes 5 and 18)		81,280,208		52,488,956
Receivables, net (Notes 16 and 20)		11,138,392		10,733,027
Prepayments and others		62,154		139,459
Loans, bills discounted and purchased, net				
(Notes 6, 18 and 20)		253,313,957		231,125,940
Long-term investments (Note 7)				
Equity investment				
Equity investment under equity method		967,264		704,342
Equity investment under cost method		640,661		651,696
		1,607,925		1,356,038
Debt investment		6,345,739		68,126
		7,953,664		1,424,164
Fixed assets, net (Notes 8, 18 and 19)				
Land		2,825,647		2,769,608
Buildings		2,948,680		2,852,012
Computer and other office equipment		3,184,841		2,703,169
Revaluation increment		516,273		538,081
		9,475,441		8,862,870
Less: accumulated depreciation		(2,642,950)		(2,336,942)
Construction in progress and prepayments for premises and equipment		161,626		124,340
		6,994,117		6,650,268
Other assets, net (Notes 8, 9, 13 and 16)		6,910,632		6,933,541
TOTAL ASSETS	NT\$	393,063,368	NT\$	333,298,597

See accompanying notes to the financial statements.





	D	ec. 31, 2004		Dec. 31, 2003
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities:				
Due to banks and Central Bank of China	NT\$	870,663	NT\$	3,360,596
Payables (Note 20)		5,331,908		6,862,583
Receipts in advance and others		910,488		589,633
Customer deposits and remittances payable				
(Notes 10 and 18)		334,105,007		296,542,718
Financing/ Borrowings from Central Bank of China and banks		4,523,184		681,030
Bonds payable (Note 11)		11,510,650		8,000,000
Other liabilities (Notes 8 and 12)		16,801,225		1,189,867
Total liabilities		374,053,125		317,226,427
Shareholders' equity (Note 14):				
Common stock		14,236,161		12,901,110
Capital surplus				
Revaluation increment on property and equipment		187,132		200,285
Gains on disposal of treasury stock		8,024		6,513
Others capital surplus		870		
		196,026		206,798
Reserves				
Statutory reserve		1,428,899		672,934
Special reserve		320		320
Retained earnings		3,148,837		2,519,883
		4,578,056		3,193,137
Other adjustment				
Treasury stock				(228,875)
				(228,875)
Total shareholders' equity		19,010,243		16,072,170
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	NT\$	393,063,368	NT\$	333,298,597

# STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

# FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(Expressed in Thousands of New Taiwan Dollars)

			Capital su	rplus	
		Common stock	Gains on disposal of fixed assets	Revaluation increment on property and equipment	Gains on disposal of treasury stock
Balance as of January 1, 2003	NT\$	12,901,110	NT\$ 22,820	NT\$ 200,285	NT\$ 6,289
Statutory reserve appropriated to offset accumulated loss	es	-	-	-	-
Capital surplus-gain on disposal of fixed assets transferred to retained earning	ngs	-	(22,820)	-	-
Net income for year 2003		-	-	-	-
Disposal of treasury stock		-	-	-	224
Recovery of unrealized loss on valuation of long-term investments		-	-	-	-
Balance as of December 31, 2003		12,901,110	-	200,285	6,513
Appropriation of retained earnings:					
Statutory reserve		-	-	-	-
Stock dividends		1,335,051	-	-	-
Directors and supervisors' remuneration		-	-	-	-
Employee cash dividends		-	-	-	-
Revaluation increment on property and equipment - transferred to gains on disposal of fixed assets		-	(13,153)	-	-
Net income for year 2004		-	-	-	-
Disposal of treasury stock		-	-	-	1,264
Disposal of treasury stock by subsidiary		-	-	-	247
Dividends payable transferred to capital surplus		-	-	-	-
Capital surplus of subsidiary by equity method		-	-	-	-
Balance as of December 31, 2004	NT\$	14,236,161	-	NT\$ 187,132	NT\$ 8,024

See accompanying notes to the financial statements.





	Reserve				Other adjustment		
Other capital surplus	Statutory reserve	Special reserve	Retained earnings (Accumulated losses)	Unrealized loss on valuation of long-term investments	Treasury stock	Total shareholders' equity	
NT\$ -	NT\$ 4,138,788	NT\$ 320	NT\$ (3,488,674)	NT\$ (47,813)	NT\$ (376,970)	NT\$ 13,356,155	
-	(3,465,854)	-	3,465,854	-	-	-	
-	-	-	22,820	-	-	-	
-	-	-	2,519,883	-	-	2,519,883	
-	-	-	-	-	148,095	148,319	
-	-	-	-	47,813	-	47,813	
-	672,934	320	2,519,883	-	(228,875)	16,072,170	
_	755,965	-	(755,965)	-	-	-	
-	-	-	(1,335,051)	-	-	-	
-	-	-	(71,135)	-	-	(71,135)	
-	-	-	(16,513)	-	-	(16,513)	
-	-	-	-	-	-	(13,153)	
-	_	-	2,807,618	-	_	2,807,618	
-	-	-	-	-	228,817	230,081	
-	-	-	-	-	58	305	
406	-	-	-	-	-	406	
464	-	-	-	-	-	464	
NT\$ 870	NT\$ 1,428,899	NT\$ 320	NT\$ 3,148,837	NT\$ -	NT\$ -	NT\$ 19,010,243	

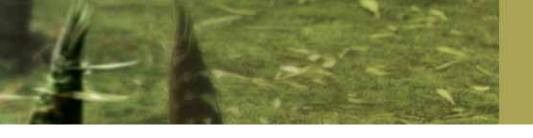
# STATEMENTS OF CASH FLOWS

# FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(Expressed in Thousands of New Taiwan Dollars)

	2004	2003
Cash flows from operating activities:		
Net income	NT\$ 2,807,618	NT\$ 2,519,883
Adjustments to reconcile net income to cash flows from (used in) operating activiti	es:	
Depreciation and amortization	414,352	401,799
Amortization for bond issuing cost	6,428	-
Amortization for discount and premium on long-term debt investment	ent 11,259	-
Provision for loan and other losses	2,373,734	3,063,228
Provision for other reserves	6,498	88,942
Reserve for loss on trading securities transferred to non-operating is	ncome (200,000)	-
Provision for decline in market value of pledged properties taken or	ver 222,850	165,623
Payments and contributions of retirement benefits	-	29,006
Investment income recognized by equity method	(270,553)	(193,643)
Receipts of cash dividends on equity method	8,400	-
Gain on disposal of long-term investment	(28,218)	(16,510)
Loss (gain) on disposal and sale of fixed assets	(48,523)	1,843
Loss (gain) on sale of pledged properties taken over	47,624	(68)
Changes in assets and liabilities provided (used) cash:		
Receivables	(2,495,850)	(750,259)
Acceptances receivable	711,709	(1,221,423)
Receivable on forward contracts for trading purposes	7,198	(36,373)
Prepayments and others	77,305	(93,193)
Deferred tax assets, net	120,039	(64,298)
Payables	484,635	(2,282,688)
Payable on forward contracts for trading purposes	59,172	4,551
Collection for customers	23,938	(46,227)
Acceptances	(648,914)	1,191,475
Advance receipts and others	320,855	269,803
Net cash flows from operating activities	4,011,556	3,031,471
Cash flows from investing activities:		
Increase (decrease) in due from Central Bank of China and banks	NT\$ (643,824)	NT\$ 4,548,552
Increase in marketable securities	(17,911,108)	(13,345,297)





Increase in loans, bills discounted and purchased  (24,512,081)  Increase in long-term investments  (1,150,681)  Proceeds from sale of long-term investment  38,242  Proceeds from invested company resolved to decrease its capital  22,674  Purchase of fixed assets  (576,058)  Purchase of pledged properties taken over  (58)  Proceeds from sales of fixed assets and pledged properties taken over  (669,377  Increase in receivable on non-trading purpose forward contracts  (109,483)  Increase (decrease) in payable for non-trading purpose forward contracts  (17,709)  (Increase) decrease in guarantee deposits  (1,090,687)	13,935,326) (30,411) 31,176 - (787,970) (213,602) 225,214 (26,147) 5,589 248,273 (5,137)
Proceeds from sale of long-term investment  38,242  Proceeds from invested company resolved to decrease its capital  22,674  Purchase of fixed assets  (576,058)  Purchase of pledged properties taken over  (58)  Proceeds from sales of fixed assets and pledged properties taken over  Increase in receivable on non-trading purpose forward contracts  (109,483)  Increase (decrease) in payable for non-trading purpose forward contracts  (17,709)	31,176 (787,970) (213,602) 225,214 (26,147) 5,589 248,273
Proceeds from invested company resolved to decrease its capital 22,674  Purchase of fixed assets (576,058)  Purchase of pledged properties taken over (58)  Proceeds from sales of fixed assets and pledged properties taken over 669,377  Increase in receivable on non-trading purpose forward contracts (109,483)  Increase (decrease) in payable for non-trading purpose forward contracts (17,709)	(787,970) (213,602) 225,214 (26,147) 5,589 248,273
Purchase of fixed assets  Purchase of pledged properties taken over  (58)  Proceeds from sales of fixed assets and pledged properties taken over  (669,377  Increase in receivable on non-trading purpose forward contracts  (109,483)  Increase (decrease) in payable for non-trading purpose forward contracts  (17,709)	(213,602) 225,214 (26,147) 5,589 248,273
Purchase of pledged properties taken over (58)  Proceeds from sales of fixed assets and pledged properties taken over 669,377  Increase in receivable on non-trading purpose forward contracts (109,483)  Increase (decrease) in payable for non-trading purpose forward contracts (17,709)	(213,602) 225,214 (26,147) 5,589 248,273
Proceeds from sales of fixed assets and pledged properties taken over  669,377  Increase in receivable on non-trading purpose forward contracts  (109,483)  Increase (decrease) in payable for non-trading purpose forward contracts  (17,709)	225,214 (26,147) 5,589 248,273
Increase in receivable on non-trading purpose forward contracts (109,483)  Increase (decrease) in payable for non-trading purpose forward contracts (17,709)	(26,147) 5,589 248,273
Increase (decrease) in payable for non-trading purpose forward contracts (17,709)	5,589 248,273
	248,273
(Increase) decrease in guarantee deposits (1,090,687)	
	(5,137)
Increase in other assets (114,884)	
Net cash flows used in investing activities (45,396,280) (23	3,285,086)
Cash flows from financing activities:	
Increase in customer deposits and remittances payable 37,562,289	15,660,837
(Increase) decrease in due to banks and Central Bank of China (2,489,933)	3,281,591
Increase in financing / borrowing from Central Bank of China and banks 3,842,154	333,500
Increase (decrease) in guarantee deposits received (246,963)	277,011
Issuance of convertible bonds 3,510,650	-
Increase in other liabilities 27,272	-
Payment of employee cash dividends and directors and supervisors' remuneration (87,648)	-
Disposition of treasury stock 230,081	148,319
Net cash flows from financing activities 42,347,902 1	19,701,258
Net increase (decrease) in cash and cash equivalents 963,178	(552,357)
Cash and cash equivalents, beginning of year 6,070,688	6,623,045
Cash and cash equivalents, end of year NT\$ 7,033,866 NT\$	6 6,070,688
Supplemental information on cash flows:	
Income taxes paid NT\$ 115,948 NT\$	3 77,723
Other investing and financing activities not affecting cash:	
Reserve for land revaluation and capital surplus transferred to gain on sale of fixed assets NT\$ 27,529 NT\$	5 -
Recovery of unrealized loss in valuation of long-term investments NT\$ - NT\$	\$ 47,813
Dividends payable transferred to capital surplus.  NT\$ 406 NT\$	\$ -

# STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

		2004		2003
Operating revenues:	'			
Interest income (Notes 18 and 20)	NT\$	10,443,039	NT\$	10,117,364
Fee and commission income (Note 20)		2,095,184		1,045,812
Securities brokerage income		223,665		170,056
Gain on trading marketable securities, net (Note 18)		-		1,825,762
Investment income recognized by equity method (Note 7)		270,553		193,643
Exchange gain, net (Note 20)		138,221		87,866
Other operating revenue (Note 20)		1,038,190		692,244
Total operating revenues	-	14,208,852		14,132,747
Operating expenses:				
Interest expenses (Notes 18 and 20)		3,893,645		4,303,142
Fee and commission expense		183,073		148,794
Charges on securities brokerage		13,885		9,901
Loss on trading marketable securities, net (Note 18)		87,495		-
Provision for loan and other losses (Note 20)		2,380,232		3,152,523
General and administrative expense (Notes 13, 15 and 18)		4,486,745		3,874,987
Other operating expense		310,727		170,425
Total operating expenses	-	11,355,802	_	11,659,772
Operating profit		2,853,050		2,472,975
Non-operating income (expenses):				
Rental income		93,327		99,636
Gain on disposal of fixed assets (Note 8)		55,118		301
Loss on disposal of fixed assets (Note 8)		(6,595)		(2,144)
Other income (expense), net		18,894		(39,230)
		160,744		58,563
ncome before income taxes		3,013,794	_	2,531,538
Provision for income taxes (Note 16)		206,176		11,655
Net income	NT\$	2,807,618	NT\$	2,519,883
Earnings per common share as reported (Note 17)		xes After taxes	Before taxes	After taxes
Calculated base on the current period weighted average number of shar			NT\$ 2.05	NT\$ 2.04
Calculated based on the weighted average number of shares after taking		1(1ψ 1.//	1114 2.03	1114 2.07
he effect of increase in capital, transferred from retained earnings,	>			
nto account as per decision resolved in year 2004 shareholders'				
mo account as per accision resorred in year 2007 shareholders				

See accompanying notes to the financial statements.

# **Financial Status**



# HSINCHU INTERNATIONAL BANK CO., LTD.

# NOTES TO FINANCIAL STATEMENTSFOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

# 1. ORGANIZATION AND BUSINESS SCOPE

Hsinchu International Bank Co., Ltd. (the Bank) was founded in 1948. The Bank's business activities were those of a medium size business bank as regulated by the Banking Law and Securities Brokerage Regulations.

Pursuant to an approval granted by the Securities and Futures Commission (SFC), the Bank's shares have been publicly listed since 1983. The SFC had changed to the Securities and Futures Bureau (SFB) from July 1, 2004.

Pursuant to approvals granted by the Ministry of Finance (MOF), the Bank established a Trust Department in 1989, and an International Business Department in 1993. From year 1989, the Bank started security trading business and from year 1993, the Bank started security broker business, both approved by SEC. In 1995, the Bank established its Offshore Banking Unit (OBU) and Taipei Branch. The Bank was approved by the MOF to operate as a commercial bank and changed its name to Hsinchu International Bank Co., Ltd. on April 20, 1999.

Additionally, the Bank's operations have been expanded to business activities of commercial bank defined by the MOF.

As of December 31, 2004 and 2003, the Bank had employees amounted to 2,889 and 2,214 persons.

# 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bank prepares its financial statements in accordance with "Guidelines Governing the Preparation of Financial Reports by Public Banks", "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and generally accepted accounting principles in the Republic of China. The significant accounting policies are summarized as follows:

# (1) Basis of preparation of financial statements

The accompanying financial statements include the accounts of the head office, branches and the OBU. All inter-branch and inter-office transactions and balances have been eliminated when financial statements were prepared.

### (2) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the Republic of China requires management to make estimates and assumptions that may affect the carrying amounts of assets and liabilities at the balance sheet date and the amounts of revenues and expenses during the reporting period and disclosure of contingencies. Actual results could differ from those estimates.

### (3) Cash and Cash equivalents

Cash on hand, notes and checks for clearance, petty cash, and due from other banks.

### (4) Marketable securities

Marketable securities are stated at the lower of cost or fair market value. The fair market value is determined by the average closing price of the last month of the accounting period. Unlisted securities' equivalent market price is the latest settlement price at the end of the period. However, the market value of open-ended mutual funds is measured by the net asset value of the mutual fund on the balance sheet date. On disposition, cost is calculated based on the moving-average method.

### (5) Loans, non-accrual loans, and interest revenue

Loans are recorded at the amounts of principal outstanding with relevant interests recognized by accrual basis, except for non-accrual loans, whose interests should be stopped accruing at the date of transferring and will be recognized when realized.

Interests should be stopped accruing if,

- 1) Loans are due over 6 months, and transferred to nonaccrual loans with relevant interests.
- Loans are due within 6 months, in which case the collateral has been sold under court orders, and transferred to non-accrual loans with relevant interests.
- 3) Loans whose interests have not been paid more than 6 months since the due date.
- 4) When there is postponement or modification of the credit terms for the debtors, the Bank agrees to receive partial interests and the rest of interests are stopped accruing.

The interests during the stopped accruing period are not recognized until realized.

# 2004 Ajmual Report Hsinchu International Bank

# (6) Allowance for and write-off of doubtful accounts

Allowance for doubtful accounts is determined by evaluating the collectibility of loans, discounts and bills purchased, non-accrual loans and the relevant credit risk.

According to "Rules for Bank Assets Evaluation, Loss-Reserve Provision, and Disposing of Overdue Loans, Non-accrual Loans and Bad Debts" issued by the MOF, the Bank writes off the loans that are uncollectible from the allowance for doubtful accounts or reserve for guarantee liabilities after the board of directors' approval. If the allowance is not enough to write off bad debts, the Bank recognizes loss in the current period. Amounts of bad debts recovered are accounted for as operating income in the statement of income.

As a result of changes in the operating and financial performance of customers and general economic conditions of the market which may have an impact on the debtors' ability to repay their loans, and uncertainties related to the future realization of collateral values, the ultimate losses may be different from the amounts presently estimated and provisioned.

# (7) Long-term investments

Long-term equity investments

Long-term investments in equity securities traded in the open market that represent less than 20% of the investee's common stocks with voting rights, and where the Bank and its subsidiaries together do not have significant influence over the investee, are stated at the lower of cost or market value. Unrealized loss then is recorded as a reduction in shareholder's equity. Long-term investments in equity securities not traded in the open market are stated at cost.

When there is a material and permanent decline in the market value of an investee's company stocks and the probability of recovery is considered remote, the carrying value of the investment is reduced to reflect the market value and the resulting loss shall be recognized in the period of such reduction.

When the Bank holds 20% or more of an investee company's stock with voting rights, or when the Bank has significant influence over the investee's operation and financial policies, the investments are accounted for under the equity method. The difference between the cost of investment and the amount of underlying equity

in net asset of an investee is amortized using the straight-line method over five years, and recognized as investment gain or loss.

When the Bank holds more than 50% of an investee company's common stock with voting rights, the investee company is treated as a subsidiary and included in the consolidated financial statements at the end of the accounting period, unless the nature of the subsidiary's operation is different from the Bank or the assets and operation income of the subsidiary is less than 10% of the Bank. When both of the total assets and operating revenue of those non-consolidated subsidiaries exceed 30% of the Bank's respective account balance, any subsidiary with total assets and revenues exceed 3% of the Bank's still has to be included in the consolidated financial statements. These subsidiaries need to be included in the consolidated financial statement until the total assets and operating income of the nonconsolidated subsidiaries decrease to less than 20% of that of the Bank.

For investments accounted under equity method, any difference between the costs and the net assets of the invested company multiplied by the percentage of stocks owned by the investor should be amortized over five years evenly and listed as investment income or loss

The cost of long-term equity investment sold is calculated based on the weighted-average method. The gain or loss on disposal of long-term equity investments is recognized as investment income or loss. Stock dividends are not recognized as investment income but recorded as an increase in the number of shares held.

The unrealized gains or losses from intercompany transactions between the Bank and investee companies shall be eliminated. The realized gains or losses resulting from depreciable or amortizable assets are recognized over the useful life of the assets. The unrealized gains or losses from other types of assets are recognized in the year when they are realized.

Long-term debt investments

Long-term debt investments are stated at acquisition cost, and the valuation of unamortized premium or discount is adjusted based on the par value.

# (8) Fixed assets and depreciation

Fixed assets are stated at acquisition cost or reappraised

# **Financial Status**



value. Major renewals, improvements and additions are treated as capital expenditures. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets: Buildings are from five to sixty years; computer and office other equipment are from three to five years. Fixed assets that are still in use at the end of the original estimated useful life, are depreciated based on the residual value. Gains or losses on the disposal of property and equipment are recorded as non-operating income or expense.

Property held for lease and property and equipment not in use are stated at the lower of the net book value or net realizable value. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets.

### (9) Collaterals and residuals taken over

Real estate taken over from mortgage forfeitures is accounted for as pledged property taken over under "other assets" account, and is stated at the lower of the net book value or net realizable value. If the pledged property taken over cannot be sold within two years, depreciation is calculated on the straight-line basis over the estimated useful lives of the assets starting at the beginning of the second year.

### (10) Convertible bonds

Due to the inseparability of the conversion option and debt elements of the convertible bonds, the issuer should record total proceeds received for the issuance of the convertible bond solely as a liability.

The direct and necessary costs of issuing convertible bond should be recorded as deferred expenses. The costs should be amortized by using the straight-line method over the period from issuance to maturity or the period from the issuance date to the expiry date, which ever is shorter, and recognized as issuing expenses.

When the holder exercises the conversion option, the convertible bonds should be valued as the fair market price of the common stocks at the exercising date. The difference of the fair market price of the convertible bonds over the par value of the common stocks should be recognized as capital surplus. The un-amortized issuing costs should be recorded as a reduction in capital surplus.

# (11) Reserves

Employee retirement and severance benefits

The Bank established an employee retirement plan in 1968, which has been revised several times and covered substantially all regular employees. The plan provides a lump-sum payment to the retiring employee based on years of service and the employees' average monthly salary at the retirement. According to the plan, if the qualified employee retired before year 2000, there was additional monthly payment based on the 30% of average monthly salary at the time of retirement except for the one off retirement payment.

The Bank has adopted the R.O.C. "Labor Standards Laws" on May 1, 1997 and set up "Supervisory Committee of Retirement Fund" and informed the social authority. The Bank has made the monthly deposits to the fund in Central Trust of China since July 1998.

The measurement date of the Bank's pension plan was established on the balance sheet date. The Bank accrues pension cost and minimum pension liability when the accumulated benefit obligation exceeds the fair value of the fund assets. Prior service cost and gains or losses on pension plan assets are amortized over the remaining service period.

Reserve for losses on trading securities

According to "Rules Governing Securities Firms", the provision equal to 10% of the monthly net trading gains is made as a reserve for losses on default until such reserve reaches NT\$200 million. Such reserve can only

be used to offset default losses or other purposes as approved and as deemed appropriate by the SFB.

Reserve for losses on default in securities brokerage

Based on the "Rules Governing Securities Firms", a provision equal to 0.0028% of the monthly brokerage commissions earned is made as a reserve for losses on default until such reserve reaches NT\$200 million. Such reserve can only be used to offset default losses or other purposes as approved and as deemed appropriate by the SFB.

Reserve for losses on guarantee

The provision for loss on guarantee is determined by evaluating the potential losses of acceptances, guarantees, and letters of credit.

### (12) Derivatives

Forward foreign exchange contracts

When the Bank entered into forward foreign exchange

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contracts for trading purposes, the Bank will record a receivable and a corresponding payable based on the contracted foreign exchange amount at the contracted forward rate. At each financial reporting date, the Bank will adjust the receivable amount based on the spot rate and recognized the differences as gains or losses in the statement of income and expenditure. Upon settlement, gains or losses resulting from the difference between the foreign exchange amount at the spot rate and the carrying amount of the receivable are credited or charged to statement of income. In addition, for financial presentation purposes, balances of these receivable and payable are netted.

For forward foreign exchange contracts undertaken for hedging purposes, the difference between the spot rate and the contracted forward rate is recorded as an adjustment to the exchange gain and loss resulted from those hedged foreign currency denominated assets and liabilities.

# Cross-currency swap

For cross-currency swap contracts undertaken for trading purposes, the amounts to be exchanged on settlement dates are recorded at the rates prevailing on the date of contract. Interest income or expenses arise during the contract period are recognized as exchange gains or losses in the statement of income.

For contracts undertaken for non-trading purposes, amounts to be exchanged on settlement dates are recorded at the contracted forward rate. Interest income or expenses arise during the contract period are recognized as an adjustment to the income or expense of the hedged items.

### Options

For option contracts, the premium collected from put options is recognized as advance receipts and the premium paid for call options is recognized as prepaid expenses. The values of the option contracts are evaluated every month according to the market prices, and the differences are recognized as unrealized revenues or expenses. Unrealized revenues or expenses will be reversed in the beginning of the next month and realized when the contracts are settled. The gains or losses resulting from settlement are recognized in the current period.

Non-delivery deposit forward contracts

Given that there is no physical transfer of principal in non-delivery forward transactions, only memorandum entries of nominal amount are recorded on contracting date. Upon maturity of a contract, gains or losses resulting from the difference in exchange rate applied on maturity date are credited or charged to the current period. On the balance sheet date, differences resulting from exchange rate adjustments of uncleared positions with respect to the time remaining are recognized as current exchange gains or losses.

### Interest rate swap contracts of assets

Interest rate swap contracts of assets for non-trading purpose are based on the convertible bonds. During the bonds period, par fixed rate and compensation interest on maturity are exchanged with the counter parties for floating rate and fixed rate. The Bank adjusted the interest difference for the above transaction both on settlement date and balance sheet date.

## (13) Foreign currency transactions

The Bank maintains its accounts in New Taiwan dollars. Transactions denominated in foreign currencies are translated into New Taiwan dollars at the exchange rates prevailing on the transaction dates. At the end of each month, those foreign-currency denominated assets and liabilities, other than those using forward foreign exchange contracts to hedge the exposure, are restated at the prevailing exchange rates and the resulting differences are recorded as follows:

- The cumulative translation effects for long-term equity investments using functional currencies other than the New Taiwan dollars are included in the cumulative translation adjustment in the shareholders' equity;
- 2) The cumulative translation effects for other investments are included in the cumulative translation adjustments in the shareholders' equity if restated New Taiwan dollar amounts are lower than the carrying amount. Otherwise, no adjustment is made:
- 3) Other assets and liabilities credited or charged to current income.

# (14) Treasury stock

According to "Regulations Governing Share Repurchase by Listed and OTC Companys", the Bank claims that the treasury stock will be transferred to



employees. The cost is determined by the average method and is recorded as " treasury stock ", which is the deduction of shareholders' equity. When transferring the treasury stock, if the transferring price is higher than the book value, the difference is credited to the account "capital surplus- gains on disposal of treasury stock"; if lower than the book value, the difference is debited to the same account; if higher than the book value, debited to "retained earnings."

### (15) Income taxes

The accounting for income taxes requires the recognition of deferred tax liabilities and tax assets for the expected future tax consequences of temporary differences between the financial reporting basis and tax basis of assets and liabilities. Deferred tax assets are reduced by a valuation allowance if it is likely that some portion or all of the deferred tax assets will not be realized.

Adjustment of prior year's income tax expense is recorded as current period income tax expense in the year of adjustment.

Effective in year 1998, any tax-adjusted retained earnings, which have not been distributed in the next year, should be subject to an additional tax of 10% under the Integrated Income Tax System. The tax levied should be listed as income tax expense in the year in which the non-distribution decision is made.

# (16) Contingencies

A loss is recognized if it is probable that an asset will be impaired or a liability will be incurred and the amount of loss can be reasonably estimated. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability in the footnotes to the financial statements.

# (17) Earnings per share of common stock

Earnings per share (EPS) are computed as net income divided by the weighted average number of outstanding shares of common stock. In the calculation of the weighted-average number of shares outstanding, the number of shares outstanding should be retroactively adjusted if the number of shares outstanding increases as a result of stock dividends (capitalization of retained earnings or capital surplus). Contingent shares should be considered as outstanding shares from the date when

all necessary conditions have been met and shall be included in the calculation of weighted-average number of common shares outstanding when computing the basic EPS.

# 3. THE REASON AND EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

According to the "Guidelines Governing the Preparation of Financial Reports by Public Banks", the Bank adopts "financing method" in applying bonds and short-term bills transactions under repurchase or resell agreements. Because the Bank involved in these transactions for a long time and it is uneasy to calculate the repurchase period, the Bank does not calculate the accumulated effect caused from this adoption. If the Bank does not apply the foregoing treatment, income before income taxes would decrease by NT\$444,130 thousand and EPS decreased NT\$0.32 for the year ended December 31, 2004.

# 4. CASH AND EQUIVALENTS, DUE FROM BANKS AND CENTRAL BANK OF CHINA

# (1) Cash and cash equivalents

	('000)	('000)
	Dec. 31, 2004	Dec. 31, 2003
Cash on hand	NT\$ 4,305,317	NT\$ 4,025,188
Notes and checks for clearance	100,244	192,289
Due from banks	2,628,305	1,853,211
Total	NT\$ 7,033,866	NT\$ 6,070,688

# $(2) \ Due \ from \ banks \ and \ Central \ Bank \ of \ China$

	('000)	('000)
	Dec. 31, 2004	Dec. 31, 2003
Reserve for deposits-category A	NT\$ 4,263,963	NT\$ 4,652,154
Reserve for deposits-category B	8,304,617	7,522,661
Settlement accounts	392,922	598,944
Reserve for deposits-foreign curr	ency 15,957	10,023
General deposits	-	2,915,000
Call loans	5,398,919	2,033,772
	NT\$ 18,376,378	NT\$ 17,732,554

As required by law, the Reserves for Deposits are calculated at prescribed rates on the average balances of various deposit accounts. The Reserve for Deposits - category A and foreign currency deposits accounts are non-interest bearing and call on demand. Reserve for Deposits - category B earns interest but its use is restricted under relevant regulations.

### 5. MARKETABLE SECURITIES

	( '000)	( '000)
	Dec. 31, 2004	Dec. 31, 2003
Government bonds	NT\$ 5,232,079	NT\$ 7,458,818
Corporate bonds	1,092,806	651,709
Commercial bonds	725,972	306,894
Certificates of deposits	37,283,776	32,101,804
Treasury bill	3,064,796	-
Bank acceptance	-	25,465
Commercial paper	10,110,559	10,002,585
Bonds and short-term bills	20,345,638	-
sold under resale agreements		
Listed stocks and mutual funds	3,424,582	1,941,681
	81,280,208	52,488,956
Less: allowance for probable losses	-	-
	NT\$ 81,280,208	NT\$ 52,488,956

As of December 31, 2004 and 2003, the Bank had NT\$1,085,448 thousand and NT\$1,339,742 thousand, respectively in government and corporate bonds deposited for such legal proceedings.

In accordance with the R.O.C. Trust Law, the Bank is required to deposit government and corporate bonds against its trust operations. As of December 31, 2004 and 2003, the Bank both had NT\$50,196 thousand of deposit in the Central Bank of China for this purpose.

In accordance with guidelines set by the National Credit Card Center, the Bank is required to make a deposit for credit card transaction amount. As of December 31, 2004 and 2003, the Bank had NT\$51,877 thousand and NT\$57,516 thousand of deposit in the Central Bank of China for its credit card operations, respectively.

For the operations in the settlement of commercial paper trading activities through the R.O.C. OTC Securities Exchange the Bank provided a deposit of NT\$130,898 thousand and NT\$130,107 thousand for its settlement activities as of December 31, 2004 and 2003, respectively.

In accordance with the R.O.C. "Regulation Governing Administration of Bills Finance", the Bank, which is involved in bills finance, is required to make a deposit for its operations. As of December 31, 2004 and 2003, the Bank had NT\$50,196 thousand and NT\$50,195 thousand, respectively in government bonds deposited in the Central Bank of China for this purpose.

In accordance with "Rules Governing Securities Firm", the Bank also operates as the security agent is required to make a deposit for its operation. As of December 31, 2004 and 2003, the Bank had NT\$192,455 thousand and NT\$208,416 thousand, respectively deposited in Bank of Taiwan.

In accordance with "Rules Governing the Operation of Auxiliary Futures Trading Services by Securities Firms", the Bank, which is involved in future trading services, is required to make a deposit for its operation. As of December 31, 2004 and 2003, the Bank had NT\$50,646 thousand and NT\$25,416 thousand, respectively deposited in the Bank of Taiwan.

In accordance with the rule set by Central Bank of China, the Bank is required to deposit sufficient guaranty for daytime overdraft to Central Bank of China. As of December 31, 2004 and 2003, the Bank had NT\$2,000,000 thousand and NT\$1,500,000 thousand, respectively deposited in the Central Bank of China and the interest rate of these certificates of deposits was 1.30%~1.457% and 2.11%~2.207%, respectively, and the maturity will be on September 2, 2005 and August 22, 2004, respectively.

As of December 31, 2004, The Bank held bonds and short-term bills purchased under agreement to resell amounted to NT\$10,880,144 thousand.

# 6. LOANS, BILLS DISCOUNTED AND PURCHASED

	( '000)	( '000)
	Dec. 31, 2004	Dec. 31, 2003
Bills negotiated and discounted	NT\$ 452,102	NT\$ 180,118
Short-term loans and overdraft	28,677,619	25,594,194
Short-term secured loans and overdraft	7,959,911	6,406,962
Medium-term loans	51,966,953	38,062,127
Medium-term secured loans	27,442,094	26,695,853
Long-term loans	9,216,596	8,151,237
Long-term secured loans	124,026,476	119,052,046
Non-accrual loans	6,901,582	10,495,488
	256,643,333	234,638,025
Less: allowance for doubtful accounts	(3,329,376)	(3,512,085)
Net	NT\$ 253,313,957	NT\$ 231,125,940



#### 7. LONG-TERM INVESTMENTS

	Dec.	31, 2004	Dec. 31,	2003
Perc	entage of	('000')	Percentage of	(000')
share ho	olding(%)	Amount	share holding(%)	Amount
Equity Investments:				
Equity method:				
Hsin-Chu Real Estate Co., Ltd.	60	NT\$184,158	60	NT\$ 165,982
Hsin-Chu Futures Co., Ltd.	89	262,917	89	273,163
Hsin-Chu Insurance Agent Co., Ltd.	100	426,905	100	186,011
Chu-Chiann Insurance Agent Co., Ltd.	100	19,824	100	8,998
Chung-Shing Assets Management Co., Ltd.	20	73,460	20	70,188
		967,264		704,342
Cost method:				
Investment in listed companies:				
Master Link Securities Co., Ltd.	1	34,175	1	44,994
Trad-Van Information Services Co., Ltd.	2	33,962	2	32,547
Investment in non-listed companies:				
Preferred Bank U.S.A.	5	39,960	5	39,960
Taiwan Small and Medium Enterprises Development Co., Ltd.	5	29,000	5	29,000
Universal Venture Fund Co., Ltd.	5	80,000	5	80,000
Windance Co., Ltd.	3	188,500	3	188,500
Mondex Taiwan Co., Ltd.	7	25,000	7	25,000
TSC Bio Ventures Capital Co., Ltd.	5	20,250	-	-
Others (percentage of shares held under		189,814		211,695
5 % or amount under NT\$100,000 thousand)				
		640,661		651,696
Long-term debt investment:				
Government bond		6,220,951		-
Oversea bond		124,788		68,126
		6,345,739		68,126
		7,953,664		1,424,164
Less: allowance for decline in market value		-		
		NT\$ 7,953,664		NT\$ 1,424,164

Each subsidiary's assets and total operating income of all the invested companies of the Bank under the equity method are below the criterion of making consolidated financial statements, and all the subsidiaries' combined assets and combined operating income are under 30% of the Bank's total assets and total operating income, therefore the Bank and its subsidiaries are not necessary to prepare the consolidated financial statements.

For the years of 2004 and 2003, the Bank recognized investment income under the equity method to NT\$270,553 thousand and NT\$193,643 thousand, respectively which are determined based on audited financial statement

As of December 31, 2002, Hsin-Chu Real Estate Co., Ltd. recognized an unrealized loss on market value decline of long-term equity investments under the lower of cost or market value method. Consequently, The Bank recognized an unrealized loss on market value decline of long-term equity investments amounting to NT\$47,813 thousand in proportion to the Bank's holding interest, as a reduction in shareholders' equity. And the Bank recovered the full amount of unrealized loss as of December 31, 2003.

In April 2003, the stockholders of Hsin-Chu Futures Co., Ltd. resolved to decrease 15% of its capital, which is approved by SFC and Ministry of Economic Affairs. The capital decreased from NT\$400,000 thousand to NT\$340,000 thousand.

In July 2003, the Bank invested in Debt Instruments Depository and Clearing Co., Ltd. Taiwan, which is approved by the MOF, the Bank held 2% of ownership, amounted to NT\$40,000 thousand.

In December 2003, the stockholders of Fubon Securities Finance Co., Ltd. resolved to decrease its capital to make a return of stocks. The Bank received NT\$22,674 thousand in proportion to the Bank's holding interest.

In August 2004, the Bank invested in TSC Bio Ventures Capital Co., Ltd., which is approved by the Bureau of Monetary Affairs (BMA), the Bank held 5% of ownership, amounted to NT\$20,250 thousand.

In June 2004, the Board of Directors meeting resolved to invest in the government bonds as long-term debt investment, and as an attachment of the repurchase agreement. The cost of

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attachment for the repurchase agreement provided by long-term bonds was NT\$5,159,853 thousand in December 31, 2004.

As of December 31, 2004 and 2003, the last maturity of bonds issued by overseas banks and invested by the Bank will be in February 2014 and April 2013, respectively.

#### **8. FIXED ASSETS AND OTHER ASSETS**

The Bank had revalued its land and buildings several times since 1974. The latest revaluation was made for land on July 31, 1992. The details of the revaluation increment were as follows:

		( '000)		( '000)
	Dec.	Dec. 31, 2004		31, 2003
	Land	Buildings	Land	Buildings
Fixed assets	NT\$ 505,866	NT\$ 10,407	NT\$ 527,674	NT\$ 10,407
Other assets	221,576	914	233,320	914
	NT\$ 727,442	NT\$ 11,321	NT\$ 760,994	NT\$ 11,321

As of December 31, 2004 and 2003, reserve for land revaluation increment taxes amounted to NT\$516,850 thousand and NT\$532,294 thousand, respectively.

In June 2004, the Bank sold the land and building located in No.555, Sec. 3, Chang-an E. Rd, Taipei City to a non-related party. The contract price was NT\$5,364 thousand and the gain on disposal, net of book value and the related expenses, was NT\$4,386 thousand (including the reversal of reserve for asset revaluation increment taxes and capital surplus of NT\$2,972 thousand). Besides, in July 2004, the Bank sold the land located in No.38-18, Sec.1, Rong-guang. Rd, Hsinchu City to a non-related party. The contract price was NT\$63,310 thousand and the gain on disposal, net of book value and the related expenses, was NT\$50,676 thousand (including the reversal of reserve for asset revaluation increment taxes and capital surplus of NT\$24,557 thousand).

In November 2004, the Bank sold the land and building located in No.1174, Puding E. Rd, Thongli City to Hsin-Chu Real Estate Co., Ltd. The contract price was NT\$2,300 thousand and the loss on disposal, net of book value and the related expense, was NT\$993 thousand.

#### 9. OTHER ASSETS

	( '000)	( '000)
	Dec. 31, 2004	Dec. 31, 2003
Rental real estate-land	NT\$ 859,791	NT\$ 960,426
Rental real estate buildings, net	1,112,259	1,229,659
Guarantee deposit	1,539,066	448,379
Pledged properties taken over-land	1,462,451	1,871,448
Pledged properties taken over buildings and equipment, net	1,637,597	1,912,741

Less: allowance for market value decline	(651,868)	(429,018)
of pledged properties taken over		
Idle assets-land	102,647	82,048
Idle assets buildings, net	64,167	57,313
Deferred pension cost	129,227	75,056
Deferred tax assets, net	602,429	722,468
Others	52,866	3,021
	NT\$ 6,910,632	NT\$ 6,933,541

The lease terms range from one to ten years and based on the lease agreements existing as of December 31, 2004, the minimum rental incomes for the following five years were as follows:

		( '000)	
Year		Amount	
2005	NT\$	47,234	
2006		38,617	
2007		33,221	
2008		28,324	
2009		25,498	
2010 and thereafter		53,265	(Net present value is
			NT\$ 52,321 thousand)

Part of the Bank's building which is located in Jung-Yang Rd., Hsin-Chu City has been rented to Hsin-Chu Chinatrust Hotel. The rental contract contains an additional variable component dependent on sales revenue percentage.

### 10. CUSTOMER DEPOSITS AND REMITTANCES PAYABLE

	( '000)	( '000)
	Dec. 31, 2004	Dec. 31, 2003
Savings deposits	NT\$ 235,256,757	NT\$ 217,165,149
Time deposits	62,491,389	48,236,699
Demand deposits	33,102,810	27,782,430
Checking accounts	3,216,835	3,307,333
Remittances payable	37,216	51,107
Total	NT\$ 334,105,007	NT\$ 296,542,718

As of December 31, 2004 and 2003, the Bank has issued transferable time deposits amounting to NT\$4,574,500 thousand and NT\$3,390,000 thousand, respectively.

#### 11. BONDS PAYABLE

	( '000)	( '000)
	Dec. 31, 2004	Dec. 31, 2003
Subordinated debentures	NT\$ 8,000,000	NT\$ 8,000,000
Convertible bonds	3,510,650	-
	NT\$ 11,510,650	NT\$ 8,000,000





#### (1) Subordinated debentures

	( 000)	( '000)
	Dec. 31,2004	Dec. 31, 2003
A 5-year term, interest payable semi-annually, annual interest rate for the first 3 years		
is 4.25%, and 4.5% for the last 2 years, maturity date: July 19, 2007	NT\$ 6,067,400	NT\$ 6,067,400
B 5-year term, interest payable semi-annually, base on the Banks' variable one year		
regular rate +1.75%, maturity date: July 19, 2007	972,600	972,600
C 5-year term, interest payable semi-annually, base on the Banks' variable one year		
regular rate +1.75%, maturity date: July 19, 2007	400,000	400,000
D 5-year term, interest payable semi-annually, base on the Banks' variable one year		
regular rate +1.75%, maturity date: July 19, 2007	320,000	320,000
E 5-year term, interest payable semi-annually, annual interest rate for the first 3 years		
is 4.25%, and 4.5% for the last 2 years, maturity date $\div$ July 19, 2007	240,000	240,000
	NT\$ 8,000,000	NT\$ 8,000,000

The Bank's Board of Directors resolved the issuance of the first term of subordinated debentures at the total amount of NT\$8,000,000 thousand on April 2, 2002, which was approved on June 27, 2002 by the MOF and the subscription was completed in July 2002. Besides, trading has begun since September 2, 2002.

The Bank's Board of Directors resolved the issuance of the non-maturity date accumulated subordinated debentures at the total amount of NT\$10,000,000 thousand on October 26, 2004. The SFB approved the issuance on January 3, 2005 and the subscription was completed on January 28, 2005.

#### (2) Convertible bonds

The details of the Convertible bonds payable were as follows:

('000)

Original issue size (US\$110,000 thousand)

Dec. 31, 2004 NT\$ 3,510,650

In order to improve the Bank's financial structure, the Board of Directors meeting authorized the issuance of the Global Convertible Bonds (the Bonds) on March 19, 2004. The related issuing conditions were as follows:

#### (A) Issue Size

Up to US\$110 million in principal amount.

#### (B) Form, Denomination and Issue Price

The Bonds will be issued at 100% ~ 103% of the principal amount in global registered form in denominations of US\$1,000 or integral multiples thereof and will constitute direct, unconditional, unsubordinated and unsecured obligations of the Band. The actual gross proceeds will exceed the aggregate principal amount if the issue price of the Bonds is greater than 100% of the principal amount.

#### (C) Issue Date:

May 13, 2004

#### (D) Redemption or the Maturity Date

Unless previously redeemed, purchased and cancelled or converted, the Bonds will be redeemed on the maturity date at a price equal to 98.50897% of the unpaid principal amount of the Bonds. The maturity date will be 5 years after the issue date.

#### (E) Coupon rate

The indicative coupon for the Bonds is 0% per annum.

#### (F) Conversion

- (a) Unless previously redeemed, purchased and cancelled or converted and except during a period in which conversion is prohibited by law, the Bondholders may, at any time from the 31st day after the issuance of the Bonds to the date 10 days prior to the Maturity Date.
- (b) The Bank and the Lead Manager, in view of market conditions on the Pricing Date, may jointly determine to adopt a Contingent Conversion Feature. If a Contingent Conversion Feature is adopted, for the bondholders to exercise the conversion rights before certain anniversary of the Bonds (to be determined on the Pricing Date), the closing price of common shares shall exceed the contingent conversion trigger for at least 20 trading days out of the last 30 consecutive trading days in the preceding quarter.

#### (G) Redemption at the Option of the Issuer

(a) The Bank may redeem the Bonds in whole or in part, beginning 2 years after the Issue Date at par provided that each of the closing price of the common shares of the Bank on the Taiwan Stock Exchange Corporation (TSEC) translated into US dollars at the prevailing rate for a period of 20 consecutive trading days is or exceeds 120% of the Conversion Price then in effect translated into US dollars at a fixed exchange rate set on the Pricing Date;

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#### Hsinchu International Bank.

- (b) The Bank may redeem the Bonds in whole at par at any time if at least 95% in principal amount of the Bonds have already been redeemed, converted, or purchased and cancelled; or
- (c) If as a result of changes relating to tax laws in the R.O.C., the Bank becomes obligated to pay Additional Amounts, the Bonds may be redeemed at any time at the option of the Issuer, in whole but not in part, at a price of par.

#### (H) Conversion Securities

The Bonds will be converted into newly issued common shares of the Bank. However, if the Bank sets up a global depositary receipts (DR) program in the future, the Bondholders may elect to convert the Bonds into DRs of the Bank after the Bank obtains SFC approvals.

#### (I) Conversion Price

NT\$22.4 per common share, representing a premium of 33% above the closing price of common shares on the pricing date.

#### **12. OTHER LIABILITIES**

	( '000)	( '000)
	Dec. 31, 2004	Dec. 31,2003
Appropriated loan fund	NT\$ 27,272	NT\$ -
Reserve for land revaluation increment ta	xes 516,850	532,294
Reserve for losses on guarantee	62,157	62,157
Reserve for losses on default in securities be	rokerage 47,409	41,429
Reserve for losses on trading secturities	517	200,000
Bonds and short-term bills sold under	16,039,997	-
repurchase agreements		
Guarantee deposits received	107,023	353,987
	NT\$ 16,801,225	NT\$ 1,189,867

#### **13. EMPLOYEE RETIREMENT BENEFITS**

The reconciliation of the plan funding status to the balance sheet was as follows:

	( '000)	( '000)
	Dec. 31, 2004	Dec. 31, 2003
Benefit obligation:		
Vested benefit obligation	NT\$ (189,486)	NT\$ (188,770)
Non-vested benefit obligation	(664,495)	(652,045)
Accumulated benefit obligation	(853,981)	(840,815)
Additional benefit based on future salar	ries (567,096)	(457,490)
Projected benefit obligation	(1,421,077)	(1,298,305)
Fair value of plan assets	1,069,042	875,636
Funded status	(352,035)	(422,669)
Unrecognized pension losses	117,975	96,427
Net transition obligation	363,287	401,298
Deferred pension cost	NT\$ (129,227)	NT\$ (75,056)

The components of net periodic pension cost were as follows:

	( '000)	( '000)	
	2004	2003	
Service cost	NT\$ 93,227	NT\$ 93,030	
Interest cost	45,441	43,459	
Expected return on plan assets	(30,648)	(28,415)	
Amortized and deferred portion	38,011	107,849	
Net periodic pension cost	NT\$ 146,031	NT\$ 215,923	

The major actuarial assumptions were as follows:

Dec.	31, 2004	Dec. 31, 2003
Discount rate	3.50%	3.50%
Expected long-term rate of return on plan assets	3.50%	3.50%
Rate of future increase in compensation	3.00%	2.50%

Payments of retirement benefits amounted to NT\$17,940 thousand and NT\$45,248 thousand in 2004 and 2003, respectively.

As of December 31, 2004 and 2003, the movement of the fund deposited in Central Trust of China was as follows:

	( '000)	( '000)
	2004	2003
Beginning balance	NT\$ 875,636	NT\$ 733,967
Deposits during the year	183,520	157,062
Interest during the year	11,145	-
Withdrawals during the year	(1,259)	(15,393)
Ending balance	NT\$ 1,069,042	NT\$ 875,636

#### 14. SHAREHOLDERS' EQUITY

#### (1) Capital surplus and reserve

The R.O.C. Company Law provides that capital surplus may only be used to offset accumulated deficit or to increase capital.

According to the Securities Exchange Law and other related regulations, the total capital surplus transferred to capital cannot exceed 10 percentage of issued capital every year. The capital surplus can be used to increase the capital in the next year after the transfer is approved by the authorities concerned.

According to SFB, the companies listed in the open market should set aside a statutory reserve when distributing the earnings. They should also conform with Securities Exchange Law No.41, which requires the companies to appropriate a special reserve from the current year's net income and prior

#### **Financial Status**



years' unappropriate earnings with the amount equals to the total of any valuation or contra-account in the shareholder's equity of the year. The valuation and contra-account includes unrealized loss of valuation on long-term investment, cumulative translation adjustments, etc. As for accumulated prior years' valuation or contra-account in the shareholder's equity, the special reserve should be appropriated from the prior years' unappropriated earnings and cannot be distributed. If the valuation or contra-account of shareholder's equity were reversed, the special reserve could be distributed.

According to the Bank's Articles of Incorporation, the Bank's net earnings are to be used to pay income taxes and offset against accumulated' deficits, if any; 30% of the balance shall be set aside as statutory reserve before appropriation of earnings. Appropriation should be made after special reserve was made:

Stockholders' dividends and bonus	90%
Directors and supervisors' remuneration	5%
Employee profit sharing	5%

#### (2) Dividend policy

In order to increase the profitability, expand the sales and to maintain the risk-based capital ratio, the dividend policy of the Bank in the future should follow the capital budgeting plan of the Bank. Stock dividend will be distributed, first in order to retain sufficient capital, and the surplus will be distributed in the form of cash dividend, which must not be less than 10 percent of the total dividends. However, the Bank could issue stock dividends instead if cash dividends are lower than NT\$0.1 per share.

On June 11, 2004, the general shareholders' meeting resolved to make a distribution of earnings for the year 2003. The distribution includes NT\$755,965 thousand of statutory reserve, NT\$1,280,429 thousand of stock dividends, NT\$71,135 thousand of directors and supervisors' remuneration, NT\$16,513 thousand of employee cash dividends and NT\$54,622 thousand of employee stock dividends.

On the same day, the Board of Directors authorized the chairman to determine the date of stock distribution and the date of capital increase. The SFB authorized the capital increase on July 28, 2004 and approved September 15, 2004 to be the date for stock distribution and capital increase. The legal registration has been completed on October 18, 2004.

The 2003 earnings distribution to the employees bonus and the director and supervisors' remuneration was disclosed as follows:

(Number of shares and amounts are in thousands, except per share)

		solution of the general areholders'	of t	resolution he Bank's Directors	
		meeting			Difference
Distribution					
(a) Employee cash bonus	NT\$	16,513	NT\$	16,513	-
(b) Employee stock bonus					
Amount		54,622		54,622	-
Number of shares		5,462		5,462	-
Percentage of share outstanding		0.43 %		0.43 %	-
(c) Directors and supervisors' remuneration		71,135		71,135	-
Earning per share					
Original earning per share		2.04		2.04	-
The projected earning per share after distributing		1.92		1.92	-
employee cash bonus and director and supervisors'					
remuneration					

As of the audit report date, the Board of Directors have not completed the distribution of earnings for the year 2004.

Information on employee bonus and remuneration of directors and supervisors as resolved by the Board of Directors and determined in general meeting of shareholders can be found in "Market Observation Post System" (http://mops.tse.com.tw of the TSEC).

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#### (3) Treasury Stock

					( 000 shares)
Year	Reason	Shares on Jan 1, 2004	Increase during Year 2004	Decrease during Year 2004	Shares on Dec. 31, 2004
2004	Transfer to employee	42,699	-	42,699	-
					( '000 shares)
Year	Reason	Shares on Jan 1, 2003	Increase during Year 2003	Decrease during Year 2003	Shares on Dec. 31, 2003
2003	Transfer to employee	68,686	-	25,987	42,699

Securities Exchange Law regulates that corporation's purchase of its own stocks can not be over 10% of the issued shares, and the dollar amount of purchase can not be more than the amount of retained earnings plus reserve for capital increase and realized capital surplus. As of December 31, 2004, the Bank held 102,722 thousand shares at most with the cost of NTD568,141 thousand. On the basis of auditors' report for the nine-month period ended September 30, 2004, the upper limits were 142,362 thousand shares and amount of NT\$3,964,966 thousand.

According to Securities Exchange Law, the treasury stock of the Bank can't be pledged and cannot have the shareholders' rights until transferring.

Chu-Cherng Construction Co., Ltd., the Bank's subsidiary, held 14 thousand of the Banks' shares at book value of NT\$14.05 and market value of NT\$14.60 per share on December 31, 2003 SFAS No.30 "Accounting for Treasury Stock" requires that subsidiary's holdings of parent company's shares be treated as treasury stock. The total book value of shares held by this subsidiary was calculated and amounted based on the indirect holding percentage and amounted to NT\$58 thousand. The amount was transferred to the cost of treasury stock on December 31, 2003.

Chu-Cherng Construction Co., Ltd sold the Bank's shares during the six-month period ended June 30, 2004, resulting in the gain of NT\$819 thousand. As required by SFAS No.30, the gain on disposal from subsidiaries' sale of the Bank's shares was calculated based on the indirect holding percentage and amounted to NT\$247 thousand. The amount was transferred to "Capital surplus-gain on disposal of treasury stock".

For the years 2004 and 2003, the Bank disposed its treasury stocks to employees, and the total transferring prices were NT\$230,081 thousand and NT\$148,319 thousand, respectively. The differences between transferring prices and book values were NT\$1,264 thousand and NT\$224 thousand, respectively were credited to the account "capital surplus-gains on disposal of treasury stock".

### 15. PERSONNEL EXPENSE, DEPRECIATION EXPENSE AND AMORTIZATION

The Bank's personnel expense, depreciation expense and amortization were summarized as follow:

	( '000)	( '000)
	2004	2003
Person expense:		
Salary expense	NT\$ 1,878,485	NT\$ 1,563,381
Insurance expense	112,565	95,277
Pension expense	146,031	215,923
Depreciation expense	409,913	399,235
Amortization	4,439	2,564

### 16. INCOME TAXES AND THE INTEGRATED INCOME TAX SYSTEM INFORMATION

#### (1) Income taxes

The Bank is subject to the maximum income tax rate of 25 percent. The provisions (benefits) for income taxes were summarized below:

	( '000)	( '000)
	2004	2003
Current income tax expense	NT\$ 86,137	NT\$ 75,953
Deferred income tax provisions (benefits)	120,039	(64,298)
	NT\$ 206,176	NT\$ 11,655





The differences between "expected" income taxes at the statutory income tax rate and the income tax as reported in the accompanying financial statements were summarized as follows:

	( '000)	( '000)
	2004	2003
Income tax at statutory rate	NT\$ 753,448	NT\$ 632,884
10% income tax on unappropriated	89,282	-
earning		
Undeductible tax expense of	-	697
the overseas income		
20% preferential tax effect on	(21,367)	(16,431)
certain interest income		
Exempt (gain) loss from	68,686	(367,111)
securities trading		
Offshore banking unit tax-exempt in	ncome (14,051)	(10,298)
Loss (Gain) on disposal of fixed ass	ets (3,192)	269
Investment gain recognized	(70,200)	(53,049)
under the equity method		
Prior years' income tax adjustments	(44,967)	(1,770)
Tax credit on employee training	(5,558)	(4,397)
expenditure		
Other tax reconciling items	35,094	80,833
Change in allowance for deferred	(580,999)	(249,972)
tax assets		
	NT\$ 206,176	NT\$ 11,655

The deferred income tax provisions (benefits) were as follows:

	( '000)	( '000)
	2004	2003
Investment loss recognized under the equity method	NT\$ (2,561)	NT\$ (4,638)
(Recognition) recovery of allowan for bad-debt in excess of tax limit	ce 93,092	(138,870)
(Recognition) recovery provision for other reserves	48,375	(22,324)
Provision of reserve for market val decline of pledged properties taker	(,,	(41,406)
Loss carry forwards	578,763	395,821
Tax credit (debit) on employee training expenditure	39,082	(2,909)
Change in allowance for deferred tax assets	(580,999)	(249,972)
	NT\$ 120,039	NT\$ (64,298)
The deferred income tax ass	sets were as foll	ows:
	( '000)	( '000)
	Dec. 31, 2004	Dec. 31, 2003
Deferred tax assets	NT\$ 1,208,787	NT\$ 1,909,826
Allowance for deferred tax assets	(606,358)	(1,187,358)
Deferred tax assets, net	NT\$ 602,429	NT\$ 722,468

The temporary differences and their effects on deferred income tax assets were as follows:

		( '000)		( '000)
	Dec	. 31, 2004	Dec.	31, 2003
	Amount	Income tax effect	Amount	Income tax effect
Deferred tax assets:				
Investment loss recognized under the equity method	NT\$ 57,758	14,439	NT\$ 47,512	NT\$ 11,878
Bad debts expense over limitation	884,037	221,009	1,256,405	314,101
Provision of reserve for default in securities brokerage	47,763	11,941	41,783	10,446
Provision of reserve for loss in securities trading	517	129	200,000	50,000
Market value decline of pledged properties taken over	651,868	162,968	429,018	107,255
Loss carry forwards	3,161,158	790,289	5,476,208	1,369,052
Tax credit on employee training expenditure and	8,012	8,012	47,094	47,094
important technology industries				
		NT\$ 1,208,787		NT\$ 1,909,826

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As of December 31, 2004 and 2003, income tax refundable were as follows:

	( '000)	( '000)
	Dec. 31, 2004	Dec. 31, 2003
Estimated income tax expenses	NT\$ 86,137	NT\$ 75,953
Prepaid and withheld income taxes	(76,392)	(133,025)
20% preferential taxes on certain interest income	(86,463)	(77,026)
Undeductible tax expense of the overseas income	-	(697)
Prior years' income tax adjustments	44,967	1,770
Income tax refundable	NT\$ (31,751)	NT\$ (133,025)

According to the Law of Income Taxes, the losses could be carried forward 5 years to deduct the following years income. As of December 31, 2004, the details of the Bank's losses for past years were as follows:

					( 000)
	Declared	Available		,	The extended
Years	(approved)	deductable	Deducte	Undedcuted	years for
of loss	amount of losses	amount	amount	amount	the losses
1999	NT\$ 1,718,567	NT\$ 1,702,447	NT\$ 1,702,447	NT\$ -	2004
2000	766,095	736,104	736,104	-	2005
2001	540,883	495,181	495,181	-	2006
2002	3,824,364	3,781,251	620,093	3,161,158	2007
		NT\$ 6,714,983	NT\$ 3,553,825	NT\$ 3,161,158	
	of loss 1999 2000 2001	Years (approved) of loss amount of losses 1999 NT\$ 1,718,567 2000 766,095 2001 540,883	Years of loss         (approved) amount of losses         deductable amount           1999         NT\$ 1,718,567         NT\$ 1,702,447           2000         766,095         736,104           2001         540,883         495,181           2002         3,824,364         3,781,251	Years of loss         (approved) amount of losses         deductable amount         Deducte amount           1999         NT\$ 1,718,567         NT\$ 1,702,447         NT\$ 1,702,447           2000         766,095         736,104         736,104           2001         540,883         495,181         495,181           2002         3,824,364         3,781,251         620,093	Years of loss         (approved) (approved)         deductable amount         Deducte amount         Undedcuted amount           1999         NT\$ 1,718,567         NT\$ 1,702,447         NT\$ 1,702,447         NT\$ 1,702,447         NT\$ -           2000         766,095         736,104         736,104         -           2001         540,883         495,181         495,181         -           2002         3,824,364         3,781,251         620,093         3,161,158

The tax authorities have examined and assessed the Bank's income tax returns for the years through fiscal year 2001.

There is appeal pending for the prior years tax returns with the tax authority and result in the tax effect of about NT\$8,359 thousand. The Bank believed that the final arbitration will not significantly affect the presentation of financial position and operating results.

#### (2) Information regarding the Integrated Income Tax System

0,500111		
	( '000)	( '000)
	Dec.31, 2004	Dec.31, 2003
Imputed tax credits	NT\$ 122,368	NT\$ 373,162
for shareholders		
	2004 (estimated)	2003 (actual)
Imputed tax credit rate	3.89%	16.20%
of earnings appropriation		
	( '000)	( '000)
Unappropriated retained earnings	Dec. 31, 2004	Dec. 31, 2003
1997 and before	NT\$ -	NT\$ -
1998 and after	3,148,837	2,519,883
	NT\$ 3,148,837	NT\$ 2,519,883

#### **17. EARNINGS PER SHARE**

The earnings per share of common stock for the years ended December 31, 2004 and 2003 were as follows:

(Number of shares and amounts are in thousands, except per share data)

	An	Amount		Earnings per share	
	Before taxes	After taxes	of shares	Before taxes	After taxes
	NT\$	NT\$		NT\$	NT\$
Net income	3,013,794	2,807,618			
Net income for	3,013,794	2,807,618	1,408,254	2.14	1.99
basic earnings			(Note1)		
per common stoc	ck				

#### For the year ended December 31, 2003

	Amount		Number	Earnings per share	
	Before taxes	After taxes	of shares	Before taxes	After taxes
N	T\$	NT\$		NT\$	NT\$
Net income	2,531,538	2,519,883			
Net income for	2,531,538	2,519,883	1,236,445		
basic earnings per common stock			(Note 1)	2.05	2.04
Net income for basic earnings per common stock	2,531,538	2,519,883	1,369,950 (Note 2)	1.85	1.84

Note 1: Calculated based on the current period weighted average number of shares.

Note 2: Calculated based on the weighted average number of shares after taking the effect of increase in capital, transferred from retained earnings, into account as per decision resolved in year 2004 shareholders' meeting.





#### 18. RELATED-PARTY TRANSACTIONS

#### (1) Relationship with the Bank

Name	Relationship with the Bank
Hsin-Chu Real Estate Co., Ltd. (HCRE)	The Bank's subsidiary
Hsin-Chu Futures Co., Ltd. (HCF)	The Bank's subsidiary
Hsin-Chu Insurance Agent Co., Ltd. (HCIA)	The Bank's subsidiary
Chu-Chiann Insurance Agent Co., Ltd.	The Bank's subsidiary
Hsin-Chu Gen-Gin Security Co., Ltd. (HGSC)	HCRE's subsidiary
Chu-Chi Interior Decoration Engineering Co., Ltd. (CIDEC)	HCRE's subsidiary
Chu-Sheng Technology Co., Ltd. (CST)	HCRE's subsidiary
Ju-Ying International Co., Ltd. (JYIC)	HCRE's subsidiary
Chu-Cherng Construction Co., Ltd. (CCC)	HCRE's subsidiary
Hsin-Chu Gen-Gin Apartment Building Management & Maintenance Co., Ltd. (HGABM)	HCRE's subsidiary
Hsin-Chu Gen-Gin Car Leasing Co., Ltd.	HGABM's subsidiary
Hsin-Chu Gen-Gin Truck Leasing Co., Ltd. (Note)	HGABM's subsidiary
Chu-Chi Travel service Co., Ltd.	HCRE's subsidiary
Hiplan (Nanking) Technology Corp. Ltd.	CST's subsidiary
International Bills Financing Co., Ltd. (IBF)	The Bank's chairman is the second immediate family of the company's director in Board
Xuan-De Investment Co., Ltd.	An affiliate
Hua-Wan Investment Co., Ltd.	An affiliate
Cheng-De Consulting Co., Ltd.	An affiliate
Zhi-De Investment Co., Ltd.	An affiliate
Others	As SFAS No.6,"Disclosure for related party transactions," and the directors of the company are the spouse or within the second immediate family of other companies

Note: The company was liquidated in May 2004.

#### (2) Major transactions with related parties

#### 1) Loans to related parties

As of December 31, 2004 and 2003, short and midterm loans to related parties were approximately NT\$1,873,088 thousand and NT\$804,320 thousand, respectively, representing 0.73% and 0.35% of total loans, discounts, and bills purchased as of December 31, 2004 and 2003, respectively. Interests resulting from such loans were NT\$21,486 thousand and NT\$47,800 thousand, respectively, representing 0.21% and 0.47% of total interest revenue for 2004 and 2003. The ranges of interest rates were equal approximately 1.55%~18.25%. In the years of 2004 and 2003, the highest balances of loans to related parties were approximately NT\$1,948,239 thousand and NT\$1,017,890 thousand, respectively.

The terms and conditions of short and mid-term loans to the related parties were substantially similar to those for other loans.

#### 2) Deposits from the related parties

As of December 31, 2004 and 2003, deposits from the related parties were approximately NT\$1,327,186 thousand and NT\$1,000,309 thousand, respectively, representing 0.40% and 0.34% of total deposits and remittances as of December 31, 2004 and 2003, respectively. Interest expenses resulting from such deposits were NT\$12,311 thousand and NT\$3,212 thousand, respectively, representing 0.32% and 0.07% of total interest expenses for 2004 and 2003, respectively. In the years of 2004 and 2003, the highest balances of deposits from the related parties were approximately

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NT\$2,264,205 thousand and NT\$1,374,422 thousand, respectively. The interest rates and other terms provided to the above related parties were the same as the terms offered to the general public, except that employees' saving interest rate is 8% when the deposit balance was below NT\$480 thousand per employee.

- 3) The Bank contracted HCRE to administer the construction of certain premises. The service fees for the years ended December 31, 2004 and 2003, amounted to NT\$16,949 thousand and NT\$13,524 thousand, respectively.
- 4) The Bank contracted HGSC to administer the security services of certain premises. The service fees for the years ended December 31, 2004 and 2003 amounted to NT\$59,217 thousand and NT\$47,784 thousand, respectively.
- 5) The Bank has paid to CIDEC for the decoration of the Bank's branches for the years ended December 31, 2004 and 2003, amounted to NT\$151,538 thousand and NT\$102,206 thousand, respectively.
- 6) The Bank contracted HGABM to take over the building management of the bank's branches for the years ended December 31, 2004 and 2003 amounted to NT\$38,778 thousand and NT\$35,916 thousand, respectively.
- 7) The Bank leased the office premises from HCRE, and the rental expenses for the years ended December 31, 2004 and 2003 were NT\$ 851 thousand and NT\$1,192 thousand, respectively.
- 8) The Bank leased cars from Hsin-Chu Gen-Gin Car Leasing Co., Ltd. and the rental expenses for the years ended December 31, 2004 and 2003 were NT\$8,823 thousand and NT\$5,676 thousand, respectively.
- During 2004, the Bank leased the office premises from CCC and deposited NT\$475,000 thousand, accounted as guarantee deposit, in CCC, instead of any rental pay.
- 10) In November 2004, the Bank sold the land and building located in No. 1174, Puding E. Rd, Thongli City to HCRE. The contract price was NT\$2,300 thousand and the loss on disposal, net of book value and the related expense, was NT\$993 thousand.
- 11) In December 2004, the Bank sold the land and building located in No. 1-23 and No. 1-49, Dongmen Sec. 2, Hsinchu City to HCIA. The contract price was NT\$42,500 thousand, and the Bank collected the first payment of NT\$4,250

- thousand. However, the Bank didn't transfer the title as of December 31, 2004.
- 12) The transactions involving government bonds and other short-term bills with the related parties were as follows:

#### A. Repurchase or resale agreement

	2004					( '000)
Transactions	Related parties	M	Iaximum	Ending	Interest	Interest income
			amount	balance	rate%	(expense)
Resale	IBF	NT\$	14,967	NT\$ -	0.675	NT\$ -
Repurchase	IBF	NT\$ 2	,900,843	NT\$ 438,659	$0.655 \sim 1.025$	NT\$ (5,472)
	Others 11,811		5,906	$0.950 \sim 0.975$	(8)	
			NT\$ 444,565		NT\$ (5,480)	
			2003			( '000)
						Gain (loss) on
		M	Iaximum	Ending	Interest	trading
Transactions	Related parties		amount	balance	rate%	marketable
						securities
Resale	IBF	NT\$ 2	,224,806	NT\$ 2,224,806	0.715~1.050	NT\$ 1
Repurchase	Others		74,681	-	1.650~1.250	(295)

#### B. Purchase or sale agreements

		2004			(000')
					Gain (loss) on
		Maximum	Ending	Interest	trading
Transactions	Related parties	amount	balance	rate%	marketable
					securities
Purchase	IBF	NT\$ 100,776	NT\$ -	2.437~2.972	NT\$ -
Sale	IBF	NT\$ 99,823	NT\$ -	1.300~2.754	NT\$ 296





#### 19. COMMITMENTS AND CONTINGENCIES

(1) As of December 31, 2004 and 2003, the Bank's significant commitments and contingencies were as follows:

	(000')	(000')
	Dec. 31, 2004	Dec. 31,2003
Letters of credit issued	NT\$ 2,261,430	NT\$ 2,889,934
Guarantees extended	7,405,740	9,810,605
Government bonds and other short-term bills sold under repurchase agreements	16,051,500	42,284,131
Government bonds and other short-term bills acquired under resale agreements	20,357,771	9,164,116
Unsettled foreign currency forward contract	5,397,041	4,163,939
Unsettled foreign currency swap and options contract	14,963,815	17,401,600

- (2) As of December 31, 2004 and 2003, the existing contracts for construction and decoration of the Bank's premises approximated NT\$17,154 thousand and NT\$21,397 thousand, respectively. The Bank had paid approximately NT\$13,769 thousand and NT\$17,081 thousand, respectively.
- (3) According to the existing contracts for the lease of its premises, as of December 31, 2004, rental payments were as follows:

( '000)					
Year	Amount				
2005	NT\$ 78,831				
2006	65,313				
2007	50,093				
2008	32,148				
2009	17,501				
2010 and thereafter	17,102 (Net present value is				
	NT\$16,530 thousand)				

(4) As of December 31, 2004 and 2003, the Bank had the following major commitments relating to trust activities:

	( '000)	( '000)
	Dec. 31, 2004	Dec. 31, 2003
Bills for collection	NT\$ 23,832,110	NT\$ 23,193,216
Marketable securities for custody	1,761,834	1,182,614
Travelers checks held for sale	102,664	154,619
Assets resulting from various trust agencies	22,855,911	18,135,963

- (5) As a result of business operation and employee termination of the Bank a lawsuit was brought up regarding the employment relationship, and a claim for salary and damage compensation of NT\$7,206 thousand plus interest at 5%. The case has not yet been settled.
- (6) Trust balance sheets and trust assets which are required to disclose by the R.O.C. Trust Law were as follows:

#### Balance Sheet of Trust December 31, 2004

			( '000)	
Trust Assets		Trust Liabilities		
Short-term investments:		Trust capital:		
Investments in funds	NT\$ 22,855,911	Money trust	NT\$ 22,855,911	
Total trust assets	NT\$ 22,855,911	Total trust liabilities	NT\$ 22,855,911	

#### Trust Assets December 31, 2004

	( '000)
Investments	Book Value
Short-term investments:	
Investments in funds	NT\$ 22,855,911
Total	NT\$ 22.855.911

#### **20. OTHER**

- (1) Financial derivatives and fair market value of financial instruments
  - 1) Financial derivatives

The Bank involved in a variety of derivative instruments such as forward foreign exchange contracts, foreign exchange swap contracts, and interest rate swap contracts in response to its customers' trading activities and in the management of its risk exposure to fluctuations in foreign exchange and financing needs.

Pursuant to the "Appointed Bank Regulations" established by the Central Bank of China. The Bank engaged in two kinds of forwards transactions-fixed due date and selected due date. Divided by due date, there are 30, 60, 90, 120, 150, 180, 360 days instruments. The limitation of the transaction date is one year.

The Bank uses swap contracts to buy or sell US dollars. Since currencies other than US dollars sometimes are hard to buy through the foreign exchange money market, the Bank can use swap transactions in order to hedge its risks.

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The credit risk amount, accounting for potential market risk and credit risk, and measured at fair market value, represents the possibility that an accounting loss to the Bank may occur as a direct result of the counterparts' failure to meet their contractual obligations. To limit credit exposure arising from such transactions, the Bank evaluates the credit standing of the counterparts in accordance with the Bank's policies and procedures of credit monitoring and approval.

The market price risk is a risk of fluctuation in exchange rate and interest rate. The Bank uses forwards and currency swaps together with calculated capital of long and short position in every currency to evaluate the market price risk value. This value represents the loss of unfavorable fluctuation in market. The objective of the Bank entering into FX swap contracts, interest rate swap contracts and NDF contracts is to limit its risk exposure to various currencies. The exchange rate risk exposure derived from the currency fluctuations could be offset by the net gain (loss) on hedged transactions. Hence, the market price risk is not expected to be material. Interest rate swaps are conducted within transaction limits, and the resulting gain or loss changes along with interest rate fluctuations, hence achieving market price risk hedging.

In order to be highly effective in achieving offsetting changes in fair value attributable to the hedged risk, the Bank designates derivative instruments negatively correlated to the proportionate changes in the fair values of hedged item as hedging tools. Moreover, the positions are monitored on a timely basis.

#### A. Derivatives held or issued for trading purposes

#### (A) Contract amount and credit risk

	Dec. 31	, 2004 ( '000)	Dec. 31,	2003 ( '000)
F. 110	Contract	Credit risk	Contract	Credit risk
Financial Contract	amount	amount	amount	amount
Forward contracts	NT\$ 5,338,207	NT\$ 87,398	NT\$ 2,778,527	NT\$ 69,097
Buy (sell) options	12,156,368	132,454	13,375,302	535,004

#### (B) Market risk

	( '000)	( '000)
	Dec. 31, 2004	Dec. 31, 2003
Exchange rate risk value	NT\$ 12,280	NT\$ 3,276
Interest rate risk value	7,728	20,214

### (C) Liquidity risk, cash flow risk and uncertainty of future funding requirements

The expected future cash flows needed for the settlements of Bank's derivative contracts were as follows:

	( 000)	( 000)
Average maturity	2004	2003
Less than one year	NT\$ 5.424.855	NT\$ 2,775,256

The amount of the expected future cash flows is estimated. The uncertainty arising from fluctuations of exchange rates and interest rates is the primary function for estimating expected future cash flow. Accordingly, duration can also be a function. Generally, the longer the maturity of a financial instrument, the less certain it becomes.

It is unlikely for the Bank to settle a forward contract it held in an unreasonable price in the market. Additionally, the exchange rates are fixed for the forward contracts and the Bank does not anticipate any significant cash flow risk.

#### (D) Financial statement disclosures

- a. In 2004 and 2003, transactional exchange gains (losses) for derivative transactions amounted to NT\$(56,656) thousand and NT\$18,069 thousand, respectively.
- b. The book values and fair values of the Bank's unmatured forward contracts outstanding were as follows:

	( '000)	( '000)
Category	Dec. 31, 2004	Dec. 31, 2003
Forward proceeds receivable-foreign currencies	NT\$ 20,076	NT\$ 41,833
Forward settlement payable	61,139	1,557
Forward proceeds receivable	18,278	3,719
Forward settlement payable-foreign currencies	13,849	14,259

#### (E) Options

The Bank engaged in options transactions to comply with the new business of hedging tools. Depositors include savings deposit

#### **Financial Status**



clients and the internationally well-known banks, who would have to qualify under the risk management assessment of the Bank. The deposit clients are those who deposit their principal in the Bank and use the interest earned to buy the options. Therefore, the credit risk is very low. In order to eliminate the potential market risk, the Bank will buy opposite options at the same time when the clients buy their options.

From the option transactions, the Bank recognized net exchange gain amounted to NT\$10,890 thousand and NT\$6,556 thousand, service revenues amounted to NT\$46,229 thousand and NT\$15,502 thousand and service expenses amounted to NT\$2 thousand and NT\$3,444 thousand for the years ended December 31, 2004 and 2003, respectively.

B. Derivatives held or issued for non-trading purposes

(A) Contract amount and credit risk

	Γ	( '000) Dec. 31, 2004	Г	( '000) Dec. 31, 2003
Financial instruments	Contract	Credit risk amount	Contract amount	Credit risk amount
Forward contracts NT\$	1,419,988	NT\$ 227,342	NT\$ 2,966,297	NT\$ 104,491
Non-delivery deposit forward (NDF) contracts	1,198,963	6,636	1,385,412	3,624
Cross Currency Swap contracts	1,724,300	33,755	1,060,000	13,999
Interest rate swap contracts of assets	1,055,875	15,145	371,824	5,073

(B) Liquidity risk, cash flow risk and uncertainty of future funding requirements

The Bank had unmatured FX swap contracts, NDF contracts, Corss Currency Swap contracts and the expected future cash flows needed for those transactions were NT\$4,190,665 thousand and NT\$5,388,844 thousand in 2004 and 2003, respectively.

An interest rate swap contract is to exchange a fixed interest rate for a floating rate. The Bank expects that there is no significant need for future cash flows and does not anticipate any significant cash flows risk.

Derivative financial products are mainly held by the Bank to meet the needs of its customers and for its own funds management. The principle of the Bank is just to borrow sufficient funds from the money market, without engaging in high leverage transactions, the financial products held are of a higher liquidity in the general financial market. The possibility of not selling at a reasonable price in the open market is remote; hence liquidity risk is very low.

(C) In 2004 and 2003, the Bank incurred net interest expenses for FX swap contracts amounted to NT\$42,898 thousand and NT\$24,230 thousand, respectively. Besides, the Bank incurred net excharge gain (loss) for derivative NDF transactions amounted to NT\$(3,658) thousand and NT\$8,116 thousand for the years of 2004 and 2003, respectively. The book values and estimated fair values of the Bank's unmatured forward contracts outstanding were as follows:

	( '000)	( '000)
Category	Dec. 31, 2004	Dec. 31, 2003
Swap agreements:		
Forward proceeds receivable Forward settlement	NT\$ 11,553	NT\$ 6,270
payable-foreign currencies	4,574	18,209
Non-delivery deposit forward (NDF contracts:	7)	
Forward proceeds receivable	15,117	967
Forward proceeds receivable-foreign currencies	2,160	-
Forward settlement payable-foreign currencies	810	4,885
Cross Currency Swap (CCS)		
Forward proceeds receivable	128,550	40,660

(D) Interest rate swap contracts of assets signed with the counter parties based on the capital gain of debenture bonds, which will counteract the interest incomes and the interest expenses. The Bank has interest incomes for interest rate swap contracts of assets NT\$22,492 thousand for the year 2004.

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#### 2) Fair value of financial instruments

		( '000)		( '000)
	Dec. 31	, 2004	Dec. 31,	2003
Financial assets	Book value	Fair value	Book value	Fair value
Book value equivalent to fair value	NT\$ 291,401,659	291,401,659	NT\$ 266,110,588	266,110,588
Marketable securities	81,280,208	81,469,792	52,488,956	52,624,485
Long-term investment	7,953,664	8,128,449	1,424,164	1,572,017
		( '000)		( '000)
	Dec. 31	, 2004	Dec. 31,	2003
Financial liabilities	Book value	Fair value	Book value	Fair value
Book amount equivalent to fair value	NT\$ 26,872,775	26,872,775	NT\$ 11,258,195	11,258,195
Customer deposits and remittances payab	334,105,007 le	334,034,758	296,542,718	296,431,249
Subordinated debentur	e 8,000,000	8,000,000	8,000,000	8,000,000
Bonds payable	3,510,650	3,510,650	-	-

The following methods and significant assumptions were used to estimate the fair value of each class of financial instruments:

### (A) Financial assets with book amounts equivalent to fair values:

The fair values for financial assets including cash and cash equivalents, due from banks and Central Bank of China, receivables and guarantee deposits were approximately equal to book values. For those short-term instruments, the book value is a reasonable estimate of fair value because of the short maturity of those instruments.

#### (B) Marketable securities:

The fair value was based on either the average end-of-month quoted closing price of the reported accounting period or the latest settlement price at the end of the fiscal year. The fair value of open-ended mutual funds was measured by the net asset value of the mutual funds on the balance sheet date. If a quoted market price was not available, a reasonable estimate of fair value was based on financing or other data.

#### (C) Loan, discounts and bills purchased:

The fair values of loans, discounts and bills purchased were estimated based on certain characteristics of banking industry. On that account, the book value was a reasonable estimate of fair value, taking into account the current credit-worthiness of the borrowers. The fair values of fixed-rate loans with medium to long term maturity were estimated by discounting the future cash flows using the current rates. Since the Bank entered into fixed-rate loans of which interest rate were higher than market rate and the remaining maturities were less than three years and it was not practical to calculate the present value of each transaction, the fair value of loans was estimated using book value, taking into account of the current credit-worthiness of the borrowers.

#### (D) Long-term investments:

The fair values of long-term investments were estimated based on the market price if the market price was available. If a quoted market price was not available, a reasonable estimate of fair value was based on financing or other data.

### (E) Financial liabilities with book values equivalent to fair values:

The fair values for financial liabilities including due to banks and Central Bank of China, payables, and financing from banks and Central Bank of China approximates book values at the balance sheet date. For those short-term instruments, the book value is a reasonable estimate of fair value because of the short maturity until realization.

#### (F) Customer deposits and remittances payable:

The fair values of customer deposits and remittances payable were estimated based on the certain characteristics of banking industry. A large portion of the bank's deposit liabilities was made with floating interest rate and the maturities for most of those deposit liabilities were less than one year. On that account, the book value was a reasonable estimate of fair value. The fair values of long-term deposits were estimated by discounting the future cash flows using the current rates.





#### (G) Subordinated debenture:

The subordinated debenture was financial liability with floating interest rate, their fair value equal to their carrying value.

#### (H) Convertible Bonds:

Fair values of the Bonds are estimated based on their carrying values on the balance sheet. As the coupon rate on the Bonds is zero and the date of redemption is uncertain, it is difficult to calculate the present value of the Bonds. In addition, the carrying amount of the Bonds is adjusted based on the prevailing spot exchange rate on the balance sheet date. Therefore, fair values of the Bonds is estimated based on their carrying amount on the balance sheet.

3) Concentrations of credit risk of financial instruments Concentrations of credit risk are most likely resulting from exposures with an individual counterparty. Group concentrations of credit risk exist if a number of counterparts are engaged in similar activities or activities in the same region have similar economic characteristics that would affect their ability to meet contractual obligations. The Bank maintains trading positions in a number of markets and with a variety of counterpart or obligors. The Bank's significant group concentrations of credit risk were summarized in categories of similar industries as follows:

	( '000)	( '000)
	Dec. 31, 2004	Dce. 31, 2003
Loans-industry		
Individuals	NT\$ 167,076,705	NT\$ 132,641,000
Commercial	376,732	17,781,000
Manufacturing	45,963,772	39,899,000
Construction and real estate	8,492,641	8,530,000
Other institutions	34,796,483	35,787,025
Total	NT\$ 256,643,333	NT\$ 234,638,025

The Bank will incur a transaction loss equal to the book value, if counterparty is unable to fulfill its obligations and collateral promised by the counterparty is completely worthless.

(2) The policy of credit risk, market risk, liquidity risk, activity risk and law risk, and the risk exposed condition.

#### 1) Loan quality

	( '000)	( '000)
	Dce. 31, 2004	Dec. 31, 2003
Non-performing loans (NPLs)	NT\$ 6,755,112	NT\$ 10,308,233
Non-accrual loans	6,901,582	10,495,488
NPLs/Gross loans	2.63%	4.39%
Surveillance loans	501,125	1,129,171
Surveillence loans/Gross loans	0.20%	0.48%
Allowance for loan losses	3,329,376	3,512,085
Loans write-offs	2,352,158	2,270,614

#### 2) Credit risk centralization

(In thousand)

	Dce. 31, 2004		Dec. 31, 20	03
Loans to related parties	NT\$ 3,591,982		NT\$ 2,218,	601
Loans to related parties / Total loans	1.35%		0.90%	
Loans collateralized with stocks	0.49%		0.59%	
Industry link	Industry	Percentage	Industry	Percentage
	1.Manufacturing	18.52%	1.Manufacturing	18.12%
	2. Commercial	4.27%	2. Commercial	6.24%
	3. Construction and real estate	3.59%	Construction and real estate	3.74%

Note: Total loans include loans, bills discounted and purchased ,acceptances receivables and guarantees.

#### Loan losses and the policy for loan losses allowance:

Allowance for doubtful accounts is determined by evaluating the collectibility of loans, discounts and bills purchased, nonaccrual loans and the relevant credit risk. According to "Rules for Bank Assets Evaluation, Loss-Reserve Provision, and Disposing of Overdue Loans, Non-accrual Loans and Bad Debts" issued by the MOF, the Bank writes off the loans that are uncollectible from the allowance for doubtful accounts or reserve for guarantee liabilities after the board of directors' approval. If the allowance is not enough to write off bad debts, the Bank recognizes loss in the current period. Amounts of bad debts recovered are accounted for as operating income in the statement of income.

4) Financial instruments with off-balance-sheet credit risk

In 2004 and 2003, majority of the Bank's credit commitments expired within one year with the 0.01% ~ 15% interest rate range (the interest rates for the credit card receivable were both up to 19.89%). The Bank's commitments such as financial guarantees and letters of credit were conditional commitments to guarantee performance to third parties. These guarantee agreements primarily expired within one year. Maturity was not concentrated in the specific period. The Bank's financial instruments with off-balance-sheet credit risk were summarized as follows:

	( 000)	( 000)
	Dec. 31, 2004	Dec. 31, 2003
Loan commitments	NT\$ 90,408,944	NT\$ 72,193,154
Lines of credit commitments for credit card holders	34,717,511	35,481,401
Financial guarantees and standby letters of credit	9,667,171	12,700,539

The Bank anticipates that not all of those commitments will be utilized before agreed-upon expiration or other termination clauses. The amount of unused commitment does not necessarily represent future funding requirements. For that reason, the contract or nominal amount does not represent the amount of the Bank's exposure to credit risk. The amount is potentially subject to credit risk arising from the possible inability of counterparties to meet the terms of contracts and the material deterioration in collateral.

Before entering loan commitments, financial guarantees or letters of credits, the Bank performs a strick credit evaluation. The strategy of the Bank is to require certain borrowers to provide collateral (usually in the form of cash, inventory or marketable securities) for all or part of the exposures prior to the approval and authorization of loans. The Bank had the right to dispose the collateral in case of default. The percentage of secured loans as a percentage of total loan as of December 31, 2004 and 2003, were 62.08% and 70.38%, respectively.

The Bank's credit card holders were not required to maintain collateral for the lines of credit committed by the Bank. The Bank evaluated the present creditworthiness of the cardholders regularly. The Bank would adjust their credit lines, if there were a material deterioration in creditworthiness of the cardholders.

5) The interest earning assets, interest bearing liabilities and the average interest rates were as follows:

( '000) ( '000)

For the year For the year ended December 31, 2004 ended December 31, 2003

				,
	Average amount	Average interest rate%(Annual rate)	Average amount	Average tinterest rate%(Annual rate
Assets:				
Due from Central Bank of China	NT\$ 11,229,223	1.36	NT\$ 10,082,940	1.75
Call loans	4,206,068	0.76	4,367,454	1.01
Marketable securities-bonds	19,037,919	4.13	7,190,731	4.27
Loan, discounts and bills purchased	241,435,159	3.55	212,736,089	4.20
Long-term investments-bonds	3,464,508	2.78	76,578	6.50
Liabilities:				
Demand deposits	NT\$ 112,188,605	0.45	NT\$ 92,521,079	0.60
Foreign currency demand deposits	4,777,487	0.33	3,091,227	0.23
Time deposits	181,954,584	1.42	181,323,266	1.78
Foreign currency time deposits	7,626,323	1.42	5,671,828	1.08
Transferable time deposits	4,606,899	1.17	2,222,338	1.73
Financing/Borrowing from	4,510,111	1.27	3,913,150	1.07
Central Bank of China and banks				
Subordinated debentures	8,000,000	4.02	8,000,000	4.08





#### 6) Risk sensitivity

	Dec. 31, 2004	Dec. 31, 2003
Risk sensitive assets/ Risk sensitive liabilities	91.96%	89.87%
Risk sensitive gap/ Total shareholders' equity	(139.41%)	(176.95%)

#### 7) Primary foreign currencies

(In thousand)

							(-	,	
		De	c. 31, 200	)4		Dec. 31, 2003			
Equivalent	Original			Equivalent		Origin	ıal	Equivalent	
		curren	cy	NTD amount		currency		NTD amount	
Primary foreign	1	USD	4,407	140,660	1	USD	777	26,389	
currencies held	2	JPY	18,897	60,742	2	THB	11,616	13,539	
(Market risk)	3	EUR	554	24,113	3	HKD	1,859	8,136	
	4	HKD	2,653	10,890	4	SGD	389	7,772	
	5	CNY	2,566	9,894	5	JPY	17,102	5,433	

#### 8) Profitability

	2004	2003
The ratio of return on assets	0.83%	0.78%
The ratio of return on shareholders' equity	17.17%	17.20%
Net income ratio	19.76%	17.83%(Note)

Note: It had been recalculated to the presentation of the year of 2004 for the comparison purpose.

### 9) Demand deposits, time deposits and foreign currency deposits

	Dec. 31, 2004	Dec. 31, 2003
Demand deposits	NT\$ 132,460,222	NT\$ 110,099,913
Demand deposit/total deposits	41.31%	38.84%
Time deposits	188,156,414	173,354,043
Time deposits/total deposits	58.69%	61.16%
Foreign currency-denominated deposits	15,036,577	9,560,922
Foreign currency-denominated deposits/total deposits	4.69%	3.37%

Note: Total deposits exclude Postal Bureau deposits.

### 10)Small and medium enterprise loans and consumer loans

	('000)	(000')
	Dec. 31, 2004	Dec. 31, 2003
Small and medium enterprise loans	NT\$ 70,654,000	NT\$ 71,809,000
Small and medium enterprise loans/Total loans	28.07%	30.99%
Consumer loans	134,159,850	97,339,847
Consumer loans/ Total loans	53.30%	42.00%

#### 11) The maturity analysis of assets and liabilities

(In thousand)

	Amount during the maturity period from the balance sheet date to due date						
	Total	Within 30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	
Assets	NT\$ 375,086,563	nts 79,038,952	NTS 28,140,119	NT\$16,668,163	NT\$18,667,096	nts 232,572,233	
Liabilities	457,745,491	52,260,646	40,837,845	48,665,494	152,035,170	163,946,336	
Gap	(82,658,928)	26,778,306	(12,697,726)	(31,997,331)	(133,368,074)	68,625,897	
Accumulat gap	ted	26,778,306	14,080,580	(17,916,751)	(151,284,825)	(82,658,928)	

#### 12) Special memorandum items

	Cases and amount
Management or any employee being prosecuted in lawsuit for disobeying of any rules in business in one year	Note
The Bank being fined for disobeying the Banking Law in one year	None
The Bank being punished by MOF for any fault in one year	None
The Bank incurred losses over NT\$50,000 thousand for management employee fraud or for any security incident in one year	or None
Others	None

Note: The ex-employee of Sanyi branch of the Bank, Sheng-Chun Tang, Cong-Jhih Wu, Wun-Guang Su; the employees of the same branch, Chun-Fu Huang, Jin-Long Hsu and Dai-Yi Liu had been prosecuted by The Taipei District Public Prosecutors Office for the class breach of trust for the defective loan processing of the Jiou Jyun Industrial Business Park.

#### (3) Capital Adequacy

	Dec. 31, 2004	Dce. 31, 2003
Capital adequacy ratio	8.97%	9.54%
Total liabilities/Shareholders' equity	1,967.64%	1,973.76%

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#### (4) Related party credit transaction

('000') Balance as of Category Number Dce. 31, 2004 Probable loss Consumers loans NT\$ 312,653 NT\$ 1,172 Employee loans for house purchase 515 951,365 Loans for other related parties 45 1,781,340 1,800 Loans guaranteed by related parties 161 280,246 Loans with collateral security provided by related parties

#### (5) Reclassifications

The Bank has adopted "Guidelines Governing the Preparation of Financial Report by Public Banks" since year 2004. Certain accounts of financial statements of 2003 had been reclassified to the presentation 2004 for the comparison purpose.

## (6) In accordance with R.O.C. SFAS No. 28, further disclosures were as follows:

#### 1) The maturity analysis of material assets and liabilities were as follows:

Dec.31, 2004 ('000)

	Dec.31, 2004					(000)	
		Within month	1~6 months	6 months ~	1~7 years	Over 7 years	Total
Assets:							
Marketable securities- bonds	NT\$	314,184	NT\$ 393,982	NT\$ 999,97	1 NT\$ 4,027,827	NT\$ 1,314,893	NT\$ 7,050,857
Call loans		5,077,294	156,177	51,86	2 113,586	; -	5,398,919
Loan, bills discounts and purchased (Note 1)		7,686,292	27,973,315	10,372,27	5 73,025,435	130,684,434	249,741,751
Long-term debt investments		-	-		- 31,915	6,313,824	6,345,739
Total	NT\$	13,077,770	NT\$28,523,474	NT\$11,424,10	8 NT\$77,198,763	NT\$138,313,151	NT\$268,537,266
Liabilities:							
Due to banks (Note 2)	NT\$	200,000	NT\$ 3,661,479	NT\$ 542,55	5 NT\$ 319,150	NT\$ -	NT\$ 4,723,184
Customer deposits and		23,574,471	81,615,742	87,559,47	5 8,857,752	-	201,607,440
remittances payable (Note 3)							
Total	NT\$	23,774,471	NT\$ 85,277,221	NT\$ 88,102,03	0 NT\$ 9,176,902	NT\$ - 1	NT\$206,330,624

Dec.31, 2003 ('000)

	Within 1 month	1~6 months	6 months~	1~7 years	Over 7 years	Total
Assets:			,			
Marketable securities- bonds	NT\$ 142,083	NT\$ 29,134	NT\$ 1,174,168	NT\$ 2,876,713	NT\$ 4,195,323	NT\$ 8,417,421
Call loans	1,948,215	-	64,320	21,237	-	2,033,772
Loan, bills discounts and purchased (Note 1)	8,503,491	24,211,881	11,895,892	55,828,923	123,702,350	224,142,537
Long-term debt investments	-	-	-	34,148	33,978	68,126
Total	NT\$10,593,789	NT\$ 24,241,015	NT\$13,134,380	NT\$58,761,021	NT\$127,931,651	NT\$234,661,856
Liabilities:						
Due to banks (Note 2)	NT\$ 3,267,956	NT\$ 441,250	NT\$ 271,824	NT\$ -	NT\$ -	NT\$ 3,981,030
Customer deposits and remittances						
payable (Note 3)	19,099,692	74,702,925	82,238,065	10,350,838	-	186,391,520
Total	NT\$ 22,367,648	NT\$ 75,144,175	NT\$82,509,889	NT\$10,350,838	NT\$ - 1	NT\$190,372,5503

Note 1:Non-accrual loans are not included.

Note 2:Including due to banks and Central Bank of China and financing / borrowing from Central Bank of China and banks.

Note 3:Only time deposits and time saving deposits are included.

#### **Financial Status**



The maturity analysis of the Bank recognized the maturity period from the date of balance sheet to the due date.

#### 2) Allowance for doubtful accounts

		2004	('000')		
	Unrecovery risk for particular for the overall loans Country risk loan portfolio (excluding the particular loans)			Total	
Beginning balance	NT\$ 2,929,277	NT\$ -	NT\$ 758,304	NT\$ 3,687,581	
Provision for loan losses and doubtful receivable	2,145,810	-	227,924	2,373,734	
Write-off	(2,352,455)	-	(154,318)	(2,506,773)	
Ending balance	NT\$ 2,722,632	NT\$ -	NT\$ 831,910	NT\$ 3,554,542	
		2003		('000)	
	Unrecovery risk for particular loans	Country risk	Unrecovery risk for the overall loan portfolio (excluding the particular loans)	Total	
Beginning balance	NT\$ 2,193,762	NT\$ -	NT\$ 782,651	NT\$ 2,976,413	
Provision for loan losses and doubtful receivable	2,999,843	-	63,385	3,063,228	
W.: cc					
Write-off	(2,264,328)	-	(87,732)	(2,352,060)	

The Bank received NT\$752,036 thousand and NT\$652,857 thousand of bad debts recovery during the years of 2004 and 2003, respectively, and recorded as operating income.

The balances of loans with non-accumulating interests were NT\$7,069,257 thousand and NT\$11,104,659 thousand on December 31, 2004 and 2003, respectively. The balances of non-accumulating interest receivable were NT\$1,803,240 thousand and NT\$2,849,782 thousand on December 31, 2004 and 2003, respectively.

3) The Bank had not written off any loans without lodging appeals.

#### 21. NOTES TO DISCLOSURE ITEMS

#### (1) Information of significant transactions

- Accumulated purchases or sales of the stocks for the same invested company amounted to NT\$300 million or over 10% of the capital were as follows: None
- 2) Real estate acquisition amounted to NT\$300 million or over 10% of the capital were as follows: None.
- 3) Real estate disposal amounted to NT\$300 million or over 10% of the capital were as follows: None.
- 4) Allowances for service fee from transaction with the related parties amounted to NT\$5 million were as follows: None.
- 5) Receivables from the related parties amounted to NT\$300 million or over 10% of the capital were as follows: None.
- Sales of NPLs amounted to NT\$5,000 million or more were as follows: None.
- Other significant transactions that might have influence over the decision making of the financial statements users: None.

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#### (2) Information of invested company

1) The information that the Bank has direct or indirect significant influences or controls: (number of shares and amounts are in thousands)

December 31, 2004

December 31, 2004	+		
Investor		Investee's address	Operating item
The Bank	Hsin-Chu Real Estate Co., Ltd.	11F,130, Si Wei Road, Hsin-Chu, Taiwan	Bond and stock underwriter, guarantee, and endorsement
The Bank	Hsin-Chu Futures Co., Ltd.	3F,130, Si Wei Road, Hsin-Chu, Taiwan	Futures underwriter
The Bank	Hsin-Chu Insurance Agent Co., Ltd.	4F,326, Chung-Zeng Road, Hsin-Chu, Taiwan	Life insurance agent
The Bank	Chu-Chiann Insurance Agent Co., Ltd.	4F,326, Chung-Zeng Road, Hsin-Chu, Taiwan	Property insurance agent
The Bank	Chung-Shing Assets Management Co., Ltd.	19F, 123, Sec2, Chung-Hsiao East Road, Taipei, Taiwan	Securities investment trust
Hsin-Chu Real Estate Co., Ltd.	Chu Cherng Construction Co., Ltd.	4F,130, Si Wei Road, Hsin-Chu, Taiwan	Land development
Hsin-Chu Real Estate Co., Ltd.	Chu-Chi Interior Decroation Engineering Co.,Ltd.	11F,130, Si Wei Road, Hsin-Chu, Taiwan	Indoor decoration
Hsin-Chu Real Estate Co., Ltd.	Chu-Sheng Technology Co.,Ltd.	11F,130, Si Wei Road, Hsin-Chu, Taiwan	Computer software development
Hsin-Chu Real Estate Co., Ltd.	Chu-Chi Travel Service Co., Ltd.	9F,256, Nan Da Road, Hsin-Chu, Taiwan	Traveling agent
Hsin-Chu Real Estate Co., Ltd.	Hsin-Chu Gen-Gin Security Co., Ltd.	11F,130, Si Wei Road, Hsin-Chu, Taiwan	Security
Hsin-Chu Real Estate Co., Ltd.	Hsin-Chu Gen-Gin Apartment Building Management & Maintenance Co., Ltd.	11F,130, Si Wei Road, Hsin-Chu, Taiwan	Apartment and mension management
Hsin-Chu Real Estate Co., Ltd.	Ju-Ying International Co., Ltd.	3F,481,Sec 1, Kuang-Fu Road, Hsin-Chu, Taiwan	Information and software services
Hsin-Chu Real Estate Co., Ltd.	Yu-zhuang Co., Ltd.	70-72, Hebei W. St., Beitun District, Taichung City 406, Taiwan	Hotel
Chu-Cherng Construction Co., Ltd.	Ju-Ying International Co., Ltd.	3F,481,Sec 1, Kuang-Fu Road, Hsin-Chu, Taiwan	Information and software services
Hsin-Chu Gen-Gin Security Co., Ltd.	Ju-Ying International Co., Ltd.	3F,481,Sec 1, Kuang-Fu Road, Hsin-Chu, Taiwan	Information and software services
Hsin-Chu Gen-Gin Security Co., Ltd.	Hsin-Chu Gen-Gin Car Leaseing Co., Ltd.	11F,130, Si Wei Road, , Hsin-Chu, Taiwan	Car Leaseing
Chu-Chi Interior Decoration Engineering Co., Ltd.	Hsin-Chu Gen-Gin Car Leaseing Co., Ltd.	11F,130, Si Wei Road, , Hsin-Chu, Taiwan	Car Leaseing
Chu-Chi Interior Decoration Engineering Co., Ltd.	Yu-zhuang Co., Ltd.	No.70, 72, Hebei W. St., Beitun District, Taichung City 406, Taiwan	Hotel
Hsin-Chu Gen-Gin Apartment Building Management & Mainten-ance Co., Ltd.	Ju-Ying International Co., Ltd.	3F,481,Sec 1, Kuang-Fu Road, Hsin-Chu, Taiwan	Information and software services
Hsin-Chu Gen-Gin Apartment Building Management & Mainten-ance Co., Ltd.	Hsin-Chu Gen-Gin Car Leaseing Co., Ltd.	11F,130, Si Wei Road, Hsin-Chu, Taiwan	Car Leaseing
Ju-Ying International Co., Ltd.	Hsin-Chu Gen-Gin Car Leaseing Co., Ltd.	11F,130, Si Wei Road, Hsin-Chu, Taiwan	Car Leaseing
Chu-Sheng Technology Co.,Ltd.	Hiplan (Nanking) Technology Corp., Ltd.	168, Kiangsu SoftwarePark Long Pan Zhong Road, Nanking Mainland China	Information processing services

Note1: Due to the unavailability of the financial statement in current period, the investor will recognize the investment income or loss under the equity method next year.





	Original inve	sted amount	December 31, 2004					Note
	December31, 2004					Dec. 31, 2004		
t	30,000	30,000	12,050	59.84	184,158	30,126	17,406	Subsidiary of the Bank
	442,830	442,830	30,112	88.57	262,917	(11,568)	(10,246)	Subsidiary of the Bank
	2,000	2,000	18,355	100.00	426,905	241,355	240,894	Subsidiary of the Bank
	2,000	2,000	698	100.00	19,824	10,839	10,827	Subsidiary of the Bank
	60,000	60,000	6,000	20.00	73,460	60,653	11,672	-
	80,000	80,000	8,484	50.50	52,517	(38,495)	(19,440)	Subsidiary of the Bank
	4,415	4,415	1,087	88.30	14,380	3,033	2,551	Subsidiary of the Bank
	15,880	4,880	1,588	79.40	14,781	563	447	Subsidiary of the Bank
	1,800	1,800	180	30.00	-	(1,211)	(1,361)	Subsidiary of the Bank
	39,520	39,520	4,328	98.80	47,947	724	621	Subsidiary of the Bank
	9,880	9,880	1,126	98.80	21,228	3,389	3,302	Subsidiary of the Bank
	15,000	15,000	1,500	15.15	15,956	1,332	202	Subsidiary of the Bank
	14,000	-	1,400	20.00	14,000	Note 1	-	Subsidiary of the Bank
	10,000	10,000	1,000	10.10	10,638	1,332	134	Subsidiary of the Bank
	20,000	20,000	2,000	20.20	21,277	1,332	269	Subsidiary of the Bank
	2,000	2,000	230	13.93	2,665	2,315	309	Subsidiary of the Bank
	1,000	-	100	6.07	1,016	2,315	16	Subsidiary of the Bank
	1,600	-	160	2.29	1,600	Note 1	-	Subsidiary of the Bank
	10,095	10,095	1,000	10.10	10,544	1,332	166	Subsidiary of the Bank
	6,000	3,000	644	39.10	7,610	2,315	647	Subsidiary of the Bank
	6,000	5,000	674	40.90	6,738	2,315	-	Subsidiary of the Bank
	4,146	4,146	-	100.00	1,187	(670)	(640)	Subsidiary of the Bank

## 2004 Annual Report

#### Hsinchu International Bank.

- 2) The information on the Bank's invested companies, which the Bank has significant influence or controls.
  - A. Real estate acquisition amounted to NT\$300 million or over 10% of the capital were as follows: Please refer to Appendix 1
  - B. Real estate disposal amounted to NT\$300 million or over 10% of the capital were as follows: None.
  - C. Allowances for service fees from transaction with the related parties amounted to NT\$5 million were as follows: None.
  - D. Receivables form the related parties amounted to NT\$300 million or over 10% of the capital were as follows: None.

#### Appendix 1

Purchasing company

Hsin-Chu Real Estate Co., Ltd.

Recording entry

Land and buildings

Date

Dec. 2, 2004

Cost

NT\$655,708

Payment paid

NT\$647,000

Trading party

Liou ming long, Jhang dong yu

Relationship

Relationship

Owner

Relationship
with the company

Date

Cost

Basis of the price

Global Vision Evaluate Real-Estate Co., Ltd.

Purpose and usage

Real-estate investment

Other rights or/and obligation

None

- E. Sales of NPLs amounted to NT\$5,000 million or more as follows: None.
- F. Other significant transactions that might have influence over the decision making of financial statements users: None.
- G. Loans to others on December 31, 2004 were as follows: Please refer to Appendix 2
- H. Financial guarantees for others: None.
- I. Securities held at December 31, 2004 were as follows: Please refer to Appendix 3
- J. Accumulated stock purchases or sales of the same stock amounted to NT\$300 million or over 10% of the capital were as follows: None.
- K. Financial derivatives transaction: None.

#### Appendix 2

For the ye	ar 2004	(amounts are in thousands)		
Loaner		Hsin-Chu Real Estate Co., Ltd.		
Debtor		Chi-Da united building Co.		
Recordir	ng entry	Account receivable		
Line of c	redit to the debtor	-		
Highest	balance	NT\$20,070		
Ending E	Balance	NT\$20,070		
Interest I		-		
Purpose		Build market place		
Allowand	ce for bad debts	-		
Collatera	Item	-		
		-		
Business	s Amount	-		
Line of C	Credit	NT\$123,101 (Note)		

Note: Calculated based on the 40% of Hsin-Chu Real Estate Co., Ltd.'s shareholders' equity as of December 31, 2004.





Appendix 3
For the year of 2004

(numbers of shares and amounts are in thousands)

Holding		Security	Relationship	Recording		Decembe	r 31, 2004		
company	Category				Shares	Cost NT\$	Percentage	Fair market value	Note
Hsin-Chu Real	Stock	Chu-Cherng Construction	Invested company	Long-term	8,484	52,517	50.50	52,517	-
Estate Co., Ltd.		Co., Ltd.	measured by equity method	investments	,	ŕ		Í	
Hsin-Chu Real	Stock	Chu-Chi Interior Decroation		Long-term	1,087	14,380	88.30	14,380	-
Estate Co., Ltd.		Engineering Co., Ltd.	measured by equity method	investments	,	,		,	
Hsin-Chu Real	Stock	Chu-Sheng Technology	Invested company	Long-term	1,588	14,781	79.40	14,781	_
Estate Co., Ltd.		Co., Ltd.	measured by equity method	investments	,	,		,	
Hsin-Chu Real	Stock	Chu-Chi Travel	Invested company	Long-term	180	_	30.00	-	Note 1
Estate Co., Ltd.		Service Co., Ltd.	measured by equity method	investments					
Hsin-Chu Real	Stock	Hsin-Chu Gen-Gin	Invested company	Long-term	4,328	47,947	98.80	47,947	_
Estate Co., Ltd.	Stock	Security Co., Ltd.	measured by equity method	investments	1,020	.,,,,,,,	70.00	.,,,,,,,,	
Hsin-Chu Real	Stock	Hsin-Chu Gen-Gin Apartment	Invested company	Long-term	1,126	21,228	98.80	21,228	_
Estate Co., Ltd.	Stock	Building Management & Maintenance Co., Ltd.	measured by equity method	investments	1,120	21,220	70.00	21,220	
Hsin-Chu Real	Stock	Ju-Ying International	Invested company	Long-term	1,500	15,956	15.15	15,956	_
Estate Co., Ltd.	Stock	Co., Ltd.	measured by equity method	investments	1,500	13,730	15.15	15,750	
Hsin-Chu Real	Stock	Hsin-Chu Gen-Gin	Invested company	Prepayment	_	2,953		_	
Estate Co., Ltd.	Stock	Car Leaseing Co., Ltd.	measured by equity method	Stock		2,733			
Hsin-Chu Real	Stock	Shin Kong Financial	-	Long-term	5,733	100,930	0.19	169,640	_
Estate Co., Ltd.	Diock	Holding Co., Ltd.		investments	3,733	100,730	0.17	102,040	
Hsin-Chu Real	Stock	Phoenix Silicon	_	Long-term	306	4,968	0.33	2,861	Note 1
Estate Co., Ltd.	Stock	International Corp.	-	investments	300	7,700	0.55	2,001	11010 1
Hsin-Chu Real	Stock	Yu-zhuang Co., Ltd.	Invested company	Long-term	1,400	14,000	20.00	12,880	Note 1
Estate Co., Ltd.	Stock	Tu-ziiuaiig Co., Ltu.	measured by equity method	investments	1,400	14,000	20.00	12,000	Note 1
Hsin-Chu Real	Stock	Fair Fiend Enterprise	incasured by equity inclined	Long-term	9	135	0.01	141	Note 2
Estate Co., Ltd.	Stock	Co., Ltd.	-	investments	7	155	0.01	141	Note 2
Hsin-Chu Real	Stock	Excellence Electronic		Long-term	_	3			Note 3
Estate Co., Ltd.	Stock	Co., Ltd.	-	investments	-	3	-	-	Note 5
Hsin-Chu Real	Stock	Leadwell Cnc	_	Long-term	6	62	0.01	_	Note 3
Estate Co., Ltd.	Stock	Machines Mfg. Corp.	-	investments	U	02	0.01	-	Note 5
Hsin-Chu Real	Stock	Crpwnpo Technology Inc.		Long-term	_	3		1	Note 1
Estate Co., Ltd.	Stock	Cipwiipo reciniology inc.	-	investments	-	3	-	1	Note 1
Hsin-Chu Real	Preferred	MAXSPEED		Long-term	6	141		91	Note 4
Estate Co., Ltd.	Stock	CORPORATION	-	investments	U	141	-	91	Note 4
Estate Co., Ltd.	Stock	-Series A		invesincins					
Hsin-Chu Real	Preferred	MAXSPEED		I ama tamm	4	95		126	Note 4
Estate Co., Ltd.	Stock	CORPORATION	-	Long-term	4	93	-	120	Note 4
Estate Co., Ltd.	Stock			investments					
Hein Chy Deel	Duofamad	-Series B		I ama tamm	1	21		257	Mata 1
Hsin-Chu Real	Preferred	MAXSPEED CORPORATION	-	Long-term	1	21	-	257	Note 4
Estate Co., Ltd.	Stock			investments					
II-i Ch	C41-	-Series C		T 4	2.050	20.500	1.52	70.464	NI-4- 1
Hsin-Chu	Stock	Taiwan Futures	-	Long-term	3,050	30,500	1.53	70,464	Note 1
Futures Co., Ltd.	0. 1	Exchange Co., Ltd.		investments	22	07/		020	
Chu-Cherng	Stock	D-Link Corp.	-	Short-term	23	976	-	828	-
Construction Co., Ltd.				investments				105	
Chu-Cherng	Stock	Mega Holdings Co., Ltd.	-	Short-term	5	133	-	103	-
Construction Co., Ltd.				investments					
Chu-Cherng	Stock	Der Lee Co., Ltd.	-	Short-term	143	2,443	-	-	-
Construction Co., Ltd.				investments					

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Holding		Security	Relationship	Recording		Decembe	er 31, 2004		
company						Cost NT\$			Note
Chu-Cherng Construction Co., Ltd.	Stock	Giantplus Technology Co., Ltd.	-	Short-term investments	105	2,063	-	1,914	-
Chu-Cherng Construction Co., Ltd.	Stock	Phoenix Precision Technology Crporation	-	Short-term investments	300	4,800	-	3,579	-
Chu-Cherng Construction Co., Ltd.	Stock	Ju-Ying International Co., Ltd.	Hsin-Chu Real Estate Co., Ltd. 's subsidiary	Long-term investments	1,000	10,638	10.10	10,638	-
Chu-Cherng Construction Co., Ltd.	Stock	Internatonal Venice Co., Ltd.	-	Long-term investments	100	1,200	9.09	869	Note 3
Chu-Chi Interior Design Engineering Co., Ltd.	Stock	Windance Co., Ltd.	-	Long-term investments	510	5,100	0.07	4,447	Note 1
Chu-Chi Interior Design Engineering Co., Ltd.	Stock	Yu-zhuang Co., Ltd.	Hsin-Chu Real Estate Co., Ltd. 's subsidiary	Long-term investments	160	1,600	2.29	1,472	Note 1
Chu-Chi Interior Design Engineering Co., Ltd.	Stock	Hsin-Chu Gen-Gin Car Leaseing Co., Ltd.	Hsin-Chu Real Estate Co., Ltd. 's subsidiary	Long-term investments	100	1,016	6.07	1,016	-
Hsin-Chu Gen-Gin building Security Co., Ltd.	Stock	Ju-Ying International Co., Ltd.	Hsin-Chu Real Estate Co., Ltd. 's subsidiary	Long-term investments	2,000	21,277	20.20	21,277	-
Hsin-Chu Gen-Gin building Security Co., Ltd.	Stock	Hsin-Chu Gen-Gin Car Leasing Co., Ltd.	Hsin-Chu Real Estate Co., Ltd. 's subsidiary	Long-term investments	230	2,665	13.93	2,665	-
Hsin-Chu Gen-Gin building Security Co., Ltd.	Stock	Chu-Chiann Investments Co., Ltd.	The company's chairman is a director of CCI	Long-term investments	1,150	8,050	5.12	9,476	Note 1
Hsin-Chu Gen-Gin building Security Co., Ltd.	Stock	Windance Co., Ltd.	-	Long-term investments	124	1,245	0.02	1,086	Note 1
Hsin-Chu Gen-Gin building Management & Maintenance Co., Ltd.	Stock	Hsin-Chu Gen-Gin Car Leasing Co., Ltd.	Hsin-Chu Real Estate Co., Ltd. 's subsidiary	Long-term investments	644	7,610	39.10	7,610	-
Hsin-Chu Gen-Gin building Management & Maintenance Co., Ltd.	Stock	Ju-Ying International Co., Ltd.	Hsin-Chu Real Estate Co., Ltd. 's subsidiary	Long-term investments	1,000	10,544	10.10	10,544	-
Ju-Ying International Co., Ltd.	Stock	Hsin-Chu Gen-Gin Car Leasing Co., Ltd.	Hsin-Chu Real Estate Co., Ltd. 's subsidiary	Long-term investments	674	6,738	40.90	6,738	-
Chu-Sheng Technology Co., Ltd.	Stock	Hiplan (Nanking) Technology Corp., Ltd.	The China company invested indirectly by Chu-Sheng Technology Co.,Ltd. Via third place.	Long-term investments	-	1,187	100.00	1,242	Note 1
Chu-Sheng Technology Co., Ltd.	Stock	Hsin-Chu Real Estate Co., Ltd.'s Subsidiary	Hsin-Chu Gen-Gin Car Leaseing Co., Ltd.	Prepayment Stock	-	3,000	-	-	-

Note 1: Calculated with reference to the investees' unaudited shareholders' equity as of December 31, 2004.

Note 2: Calculated with reference to the investees' unaudited shareholders' equity as of September 30, 2004.

Note 3: Calculated with reference to the investees' unaudited shareholders' equity as of October 31, 2004.

Note 4: Calculated with reference to the investees' unaudited shareholders' equity as of December 31, 2003.





#### 3) Investment information of China

A. As of December 31, 2004, the details information:

(amounts are in thousands)

Name of China	Main operating	Paid-in capital	Investment methods	Accumulatd invested amount remitted out of Taiwan at the		nitted out or drawn In the riod	Accumulatd invested amount remitted out of Taiwan at the end	Direct or indirect investment holding	Investment gain/loss recognized in the	Book value of investment at the end	Gain/loss on investment remitted back to Taiwan up to the
investee											end of the period
Hiplan	Information	NT\$4,146	Note 1	NT\$4,146	-	-	NT\$4,146	48%	(640)	NT\$1,187	-
(Nanking)	processing	(US\$120)		(US\$ 120)			(US\$ 120)				
Technology	services			(Note 1)			(Note 2)				
Corp., Ltd.											

Note 1: Invested in China through remittance of funds to Hong Kong.

Note 2: Hiplan (Nanking) Technology Corp., Ltd. is a subsidiary of Chu-Sheng Technology Co., Ltd., which is an investee accounted for under the equity method by Hsin-Chu Real Estate Co., Ltd.

B. As of December 31, 2004 the limit amounts of investment in Mainland China were as follows:

(amounts are in thousands)

Accumulated investment funds remitted to China at the end of the period	Investment amount permitted by MOEAIC	Limitation on the amount of funds invested in China (Note 1)
NT\$ 4,146 (US\$120 , Note 2)	US\$ 200	NT\$ 5,302,049

Note 1: Calculated in accordance with the rule set by Ministry of Economic Affairs R.O.C.

Note 2: Total funds remitted out of Taiwan to China at December 31, 2004 were US\$120 thousand which were equivalent to NT\$3,830 thousand using the spot rate at December 31, 2004 for exchange conversion.

#### 22. SEGMENT INFORMATION

#### (1) Industry segments

The Bank's principal activities include accepting deposits and extending loans. Disclosure of financial information of the Trust Department and International Department is not required since the division's revenues represent less than 10% of total operating revenues.

#### (2) Geographic segments

Except for the Offshore Banking Unit commencing operations in January 1995, foreign operations are limited; therefore, no disclosure of geographic segment information is required.

#### (3) Foreign exchange revenues

No export sales to non-banking customers represent 10% or more of the Bank's operating revenue.

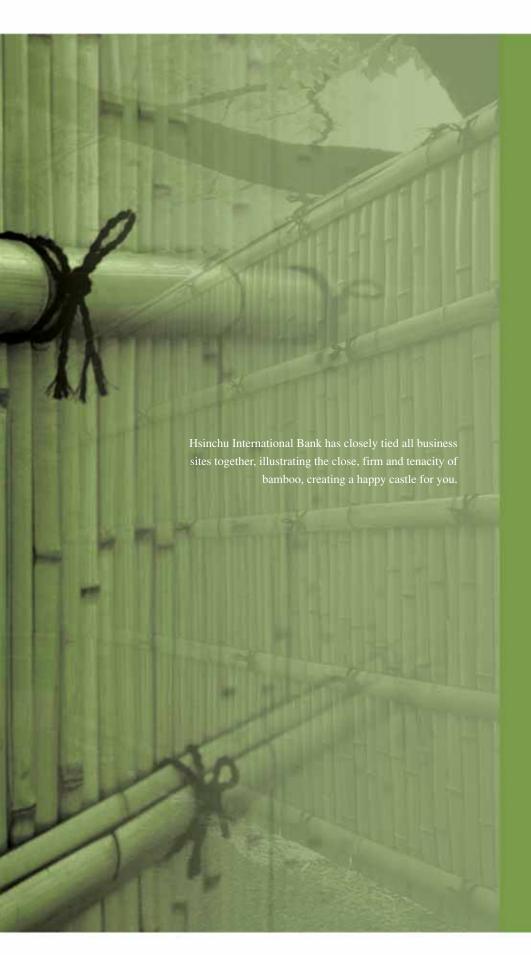
#### (4) Major customers

No single customer represents 10% or more of the Bank's operating revenues.

#### V. Consolidated Financial Statements by Independent Auditors for Recent Year: N/A

## VI. Financial Revolving Difficulty Occurred with Affiliates in Recent Year Till March 31, 2005: None





Financial Status and Review & Analysis of Operation Result and Risk control

#### Financial Status and Review & Analysis of Operation Result and Risk Control

#### I. Review & Analysis of Financial Status and Operation Result:

#### (I) Financial Status

UNIT: NTD Thousand

Year	2004	2003	Differe	nce
Item			Amount	
Cash & cash equivalent	7,033,866	6,070,688	963,178	16
Due from Central bank of China and Banks	18,376,378	17,732,554	643,824	4
Marketable bills & securities, net	81,280,208	52,488,956	28,791,252	55
Receivables, net	11,138,392	10,733,027	405,365	4
Prepayments & others	62,154	139,459	(77,305)	(55)
Loans, bills discounted and purchased, net	253,313,957	231,125,940	22,188,017	10
Long-term investments	7,953,664	1,424,164	6,529,500	458
Fixed assets, net	6,994,117	6,650,268	343,849	5
Other assets, net	6,910,632	6,933,541	(22,909)	-
Total assets	393,063,368	333,298,597	59,764,771	18
Due to Central bank of China and banks	870,663	3,360,596	(2,489,933)	(74)
Payables	5,331,908	6,862,583	(1,530,675)	(22)
Receipts in advance and others	910,488	589,633	320,855	54
Deposits and remittances payable	334,105,007	296,542,718	37,562,289	13
Financing/borrowings from Central Bank of China and banks	4,523,184	681,030	3,842,154	564
Subordinated debentures	11,510,650	8,000,000	3,510,650	44
Other liabilities	16,801,225	1,189,867	15,611,358	1,312
Total liabilities	374,053,125	317,226,427	56,826,698	18
Total shareholders' equity	19,010,243	16,072,170	2,938,073	18

- 1. Increase in Bills and Securities Purchased for the current period was mainly because commencing from 2004 accounting processing of bills, bonds, and securities' conditional transaction was based on financing method, as a result bills sold under repurchase agreements and government bonds investments increased.
- 2. Decrease in Prepayments and Others for the current period was mainly due to the decrease in temporary payments of general expenses.
- 3. Increase in Long-term Investment for the current period was mainly due to the purchase of domestic government bonds for the amount of NTD 6,220,951,000 provided repurchase transaction operation.
- 4. Decrease in Due to Central Bank of China and Banks for the current period was mainly due to fund dispatching at ending of the current period and discounted loan with banks decreased.
- 5. Decrease in Payables for the current period was mainly due to decrease in royalty payments at ending of the current period by NTD1,431,390,000.

## Financial Status and Review & Analysis of Operation Result and Risk control

- Increase in Receipts in Advance and Others for the current period was mainly due to increase in payment of temporary credit of litigation cases.
- 7. Increase in Financing/Borrowings from Central bank of China and Banks for the current period was mainly due to fund dispatching at the ending of the current period and financing from banks increased.
- 8. Increase in Subordinated Debentures for the current period was mainly due to the issuance of convertible subordinated debentures.
- 9. Increase in Other Liabilities was mainly because commencing from 2004 accounting processing of bills, bonds, and securities' conditional transaction was based on financing method, as a result government bonds and bills sold under repurchase agreement increased.

#### (II) Business Result

UNIT: NTD Thousand

	2004		20	2003		Ratio (%)
Item	Sub-total	Total	Sub-total	Total	(Decrease)	of Change
Operating Income		14,208,852		14,132,747	76,105	1
Interest income	10,443,039		10,117,364		325,675	3
Other operating income	3,765,813		4,015,383		(249,570)	(6)
Operating expense		11,355,802		11,659,772	(303,970)	(3)
Interest expense	3,893,645		4,303,142		(409,497)	(10)
Other operating expense	7,462,157		7,356,630		105,527	1
Operating Profit		2,853,050		2,472,975	380,075	15
Non-operating Income & Gain		280,650		159,572	121,078	76
Non-operating Expense & Loss		119,906		101,009	18,897	19
Income before income tax		3,013,794		2,531,538	482,256	19
Income tax expense		206,176		11,655	194,521	1,669
Income after income tax		2,807,618		2,519,883	287,735	11

Analysis and explanation of the increase/decrease in ration of changes are as follows:

- 1. Increase in Non-operating Income and Gain for the current period was mainly due to the increase in recovering overdue accounts and gain from disposal of fixed assets.
- 2. Increase in Income Tax Expense for the current period was because suspension of tax on securities transaction in the income tax expense for the current period was less by approximately NTD1,743,188,000 than the last period.

#### (III) Accountant's Information

1. Professional charges information: Exempted from exposure in accordance with the regulation.

#### (IV) Cash Flow

1. Fluidity analysis for the last 2 years

Year	2004	2003	Increase (Decrease)
Item			
Cash Flow Ratio (%) (Note)	N/A	N/A	N/A
Cash Flow Adequacy Ratio (%)	373.94	330.38	13.18
Cash Re-investments Ratio (%) (Note)	N/A	N/A	N/A

Note: According to Statement of Financial Accounting standards No. 28, it should not be distinguished to current and non-current.

Analysis exempted because the increase (decrease) ratio in cash flow adequacy did not meet the standard for analysis.

#### 2. Cash fluidity analysis for the next year:

UNIT: NTD Thousand

Cash Balance at Beginning of Year	I Net Cash Provided by	Cash Flow in (3)	Cash Surplus (Overdraft)	Remedy for Cash Overdraft			
(1)							
7,033,866	6,047,378	5,343,991	7,737,253	-	-		

#### (V) Major Capital Expense Affecting Financial Business In Recent Years

#### 1. Major Capital Expense in Recent Years

 $UNIT: NTD\ Thousand$ 

Plan	Actual or Expected	Actual or Expected	Total Fund		Ac	ctual or Exp	ected Fun	d Utilizatio	n	
				92	93	94	95	96		98
Chungli Branch's Furnishing	Equity	2002	11,757	4,342	-	-	-	-	-	-
Head Office	Equity	2002	48,000	23,100	-	-	-	-	-	-
Neihu Branch	Equity	2003	366,000	311,100	-	-	-	-	-	-
NTD System	Equity	2004	110,000	50,000	38,000	-	-	-	-	-
YungAn Branch' furnishing	Equity	2004	12,000	-	12,000	-	-	-	-	-
Furnishings for 3 new branches in Shi Tuen	Equity	2004	25,870	-	25,870	-	-	-	-	-
Ho Feng Building furnishing	Equity	2004	49,800	-	48,600	1,200	-	-	-	-
Purchasing Information Department	Equity	2005	206,000	-	-	206,000	-	-	-	-
Nankan Branch' furnishing	Equity	2005	20,000	-	-	20,000	-	-	-	-
Kueishan Branch' furnishing	Equity	2005	10,000	-	-	10,000	-	-	-	-
Information Department's furnishing	Equity	2005	10,600	-	-	10,600	-	-	-	-
Set up branches in Changhua, Yuanlin, and Kushan	Equity	2005	25,000	-	-	25,000	-	-	-	-
Flagship Branch' furnishing	Equity	2006	100,000	-	-	16,000	84,000	-	-	-



#### 2. Expected possible benefit:

With regards to the new renovated branches, shall set up a flagship branch in each county (city), aside from serving as a beachhead for expanding outside the region, it can also establish the CIS image of the Company, achieving the actual result of advertisement

## (VI) Re-investment Policy in Recent Years, Its Major Cause of Profit or Loss, Improvement Plan, and Investment Plan for the Next Year:

The Bank, through the operation of reinvestment activities, elaborates financial institution's comprehensive operating benefits and strengthens financial institution's operation in different industry. In the year 2004, Hsinchu Futures Co., Ltd. incurred a loss of NTD10.246 million dollars, mainly due to the fall of average commission revenue as a result of market competition. However, up to the first quarter of 2005, this reinvestment subsidiary has made a profit of more than NT D510 thousand dollar. In the future, the medium-term goal of this reinvestment subsidiary is to make stable profit; furthermore, the affiliated securities firms of this Bank also will continue to cooperate with Hsinchu Futures Co., Ltd to carry out its business growth plan in order to help the afore said Company in attaining the goal of revenue growth. (The other information refer to page 90~95.)

## (VII) Analysis and Evaluation of Risk control in Recent Years till March 31, 2005 are as follows:

- 1. Risk Control Organization Structure and Policy of the Bank
  - (1). Risk control organization structure

The Board of Directors is the highest supervisory unit of risk control Execution and management unit of risk policy is as follows:



#### (2). Risk control policy

#### A. Credit risk policy

According to the accredition policy of the bank, bank credit risk control relies on real-time recognition of risk, accurate weigh up, effective supervision and strict control. The purpose is to supervise loan staff to take mass consideration in order to achieve surplus target, simultaneously to demand them to conform to appropriate accrediting standard, keep the risk within reason, in the hope of keeping losses at its minimum. Also, evaluate new business opportunity, adjust operation in coordination with revision of laws and regulations, and provide sufficient bank fluidity. The target includes 3 parts as follows:

- (A). Construct and monitor asset combining of the entire Bank to ensure that it is within the bearable cope of risk.
- (B). Combine assets for collective accredition and manage by limiting the amount, but avoid over collective accredition, in order to achieve the purpose of thorough distribution of risk.
- (C). Achieve most appropriate surplus target.

#### B. Market Risk Policy

At the time of making the market risk policy of the bank, the Bank had already created market risk recognition, measurement, supervision, monitor, and report flow. Aside from referring to the relevant risk control principle and system stipulated in the Basel II Capital Agreement Standard, the Bank had also made a plan to install a risk control system to assist in the use of internal module method, in the hope that the risk control of the Bank will achieve the standard of international banks.

The target of market risk control is to control market risk that may possible occur in various businesses within a certain range, in order to achieve the target of risk and turnover rationalization based on an effective management method.

- 2. Method of measuring and controlling various risks and insurance mass information
  - (1). General fixed exposure: The Bank should describe the risk control target and policy of each risk sector (including credit risk, market risk, operating risk, and other risk).

#### A. Credit risk

According to the accredition policy of the Bank, the financial target of all the business units and appropriate credit risk standard should be clearly set up in the credit risk control policy and plan of the Bank. Acceptable condition of risk should be integrated in the business policy and should achieve the expected risk adjustment turnover threshold. Risk should be taken into account in product designing and should blend into the business policy

Although credit risk control of the Bank is centrally managed, it still emphasizes authorization of power in decision-making according to the business, transaction scale, and gravity of risk. Credit risk control is also divided into top-down management mode and bottom-up management according to difficulty of reviewing and different attributes of products.

(A). In the top-down management mode, statistics module was adopted in the review system and supplemented by "small amount, big quantity", the rule of big figure accredition. It also has the feature of short flow period and simple work in approving the loan, and concentrated in the expansion of customer group, spread the constitution of accrediting asset, and visibility of profit rate. Standardization of product conforms to this management mode.

Risk measuring tool used in this kind of management mode is Scorecard, which is a module in statistics. The existing applicant is evaluated according to the content of predictable data, generating a measured score. Each score shows a fixed range graduation among all the possible scores. The higher the score, it is more possible that the applicant will make payment as promised. The lower the score, it is more possible that the applicant will not be able to make payment as promised. Conduct a mother system stability, separation of good/bad accounts, and evaluate each score distance and loan balance performance on the Scorecard every quarter to serve as an important basis for the business management unit to draw up marketing policy, line of loan, and approval or rejection of loan.

Scoring system is already introduced in the major credit financing products such as "Di me more" and "Index Credit Loan for fine customers" in the consumer financing business of the Bank at present. The Bank plans to introduce scoring system gradually in the collateral products and credit card for the consumer financing business to reinforce the ability of risk control.

## Financial Status and Review & Analysis of Operation Result and Risk control

(B). In bottom-up management mode, the main arbor of accredition is by single customer or customer's affiliate, applicable in large amount and complicated products, and risk measurement should be conducted to each accrediting customer. Target market and acceptable risk condition should be clearly stipulated in approving accredition. Financial statement and expert's judgment should be included in the review. Customized product conforms to this management mode.

Risk measuring tool used in this kind of management mode is risk evaluation. Risk valuation grade is the index of risk credibility of accredited customer. If volume is used, this indicates that the customer will probably not able to(cannot) pay off in the future as promised.

Risk score grading should be given to individual accrediting customers during approval. Mea while, with the unique characteristic of the ever changing market, the credit status of the same customer keeps on changing. Therefore, re-evaluation and revision should be frequently made in score grading. It is necessary to make at least one revision each year on the risk grading of normal customers.

Expert risk grading system is entirely used at present in the corporate banking business of the Bank. Also, Basel II Standard was already installed in the corporate banking credit risk mode commencing from September 2004. Best international model bank shall be our guidepost in continually and dedicated in improving the risk control system of the Bank.

In credit risk policy feedback, performance evaluation and report provide a total supervision to the soundness of asset quality. In order to avoid risk effectively, risk should be exposed and thoroughly distributed, and capital should be relatively increased to asset that easily increases its risk, to reinforce its safety.

The significance of performance evaluation and report is in the regular examination credit quality of asset in the entire bank, so that industrial risk profile, credit line and whether the constitution of an individual accredited customer will become week due to environmental factor can be thoroughly reflected.

The followings are the credit risk control report of the bank:

- A). Corporate banking business:
  - a). Monthly report of various busioness restriction follow-up.
  - b). Monthly report of industrial credit limit.
  - c). Analysis (weekly report) of corporate banking assets quality.
  - d). Daily report of market risk control.
  - e). Quarter report of the concentration analysis of the amount of credit .
- B). Consumer banking business
  - a). Report on the quality of the total assets of consumer banking (monthly)
  - b). Report on the quality of the asset in various products of consumer banking (monthly)
  - c). Report on the quality of the asset in various products of various regional centers (monthly)
  - d). Re-examination Report (monthly)
  - e). Implementation report of scorecard (weekly)
  - f). Daily implementation report of scorecard (daily)
  - g). Quarterly implementation report of scorecard

h). Report on matters ordered by other department heads

#### B). Credit card business

- a). Real-time consumption monitoring report of credit card holder (on-line monitoring of irregular consumption)
- b). List of manual authorization (monitoring whether there is any improper authorization).
- c). List of credit card fraudulent consumption (monitoring irregular transaction request, chargeback per receipt)
- d). Report of credit card overdue customers (for reminder work)
- e). Monthly report of credit card business (profit and loss status, performance statistics and integrated analysis (including overdue situation and situation of external collection).

#### B. Market risk

Market risk control policy and flow

- (A). Transaction line control: Based on the authorization of power by the Board of Directors or high position heads to approve the upper limit of various products include upper limit to total credit line, investment limit of a single share, transacting opponent's credit line and whether the transaction credit line level of the transacting employee is over the limit and been controlled.
- (B). Price risk control: Mark to Market Valuation as a principle. The so-called Mark to Market Valuation refers to the method of calculating the loss on the un-offset portion from the settlement price each day upon ending of transaction day stop-loss point monitoring and transaction sensitivity analysis (such as PVBP) can both be acquired through the transaction administration system for department head's reference. The so-called PVBP (Price Value of a Basis Point) refers to the scale of bond price changes when interest rate changes.
- (C). Risk report production: Provide control information to the inventory department and consolidate the market risk control report of cross departments and cross businesses, in order to control risk changes.
- (D). Installation of risk control system: Draw up a plan and install a risk control system to calculate the value of risk (VaR) of each transacting department to serve as a market risk regulation to cope with the Basel II Capital Agreement.

#### C. Operating risk

With the increasing demand of providing convenient & fine banking service to customers, banking business becomes diversified, which also causes daily increase of operating risk. In order to prevent unnecessary risk due to internal operation and employee, improper or error of system, and legal negligence that jeopardizes customer's equity and affect the normal operation of the Bank, the Bank had already created a sound internal system and administration system as follows:

- (A). The relevant policy and work flow drawn up by each business department are announced in the internal system of the Bank to facilitate reading by the entire employees of the Bank.
- (B). Draw up principle of internal control in accordance with the laws and regulations. Set up various work control points and mutual control system.
- (C). Conduct regular self auditing. A general or case auditing should be conducted on each business unit by the auditing unit, and to keep on follow-up, re-audit and make improvement.



## Financial Status and Review & Analysis of Operation Result and Risk control

#### (2). Exposure of credit risk:

A. Items in the Table — Amount of risky asset in credit risk

December 31, 2004

UNIT: NTD Thousand

Items (Note 1)	Applicable Number of Risk Equity	Amount of Risky Assets
Due from the central Bank of China (banks)	0%	0
Overdraft & loans (local government)	10%	271,430
Call loans (banks)	20%	2,909,711
Overdraft & loans (using housing as collateral of debt)	50%	61,712,962
Overdraft & loans (other collateral or unsecured loan)	100%	144,665,867
Total	-	209,559,970

Note 1: The titles of asset items in the Table are the major asset items in the Table and their major creditors applicable to that same class of risk equity rate.

B. Items outside the Table — Amount of risky assets in credit risk

December 31, 2004

UNIT: NTD Thousand

Items	Amount of risk Assets
General transaction outside the Table	9,003,656
Derivative banking products	502,730
Bills and bonds acquired under repurchase agreement (RP)	193,193
Bills and bonds sold under resell agreement (RS)	18,548
Total	9,718,127

- C. Bank's engagement in asset securitization: None
- (3). Capital requirement that should be exposed by banks who adopt the standard method in calculating market risk: Calculation and appropriation of market risk capital and amount of risky assets

December 31, 2004

UNIT: NTD Thousand

Type of Risk	Calculated Capital	Amount of Risky Assets (Note 1)	
Risk on interest rate	827,572	10,344,650	
Risk on equity securities	546,340	6,829,250	
Risk or foreign exchange	12,280	153,500	
Risk of product	0	0	
Simplified method adopted in processing option	0	0	
Total	1,386,192	17,327,400	

Note 1: Calculated capital multiplied by 12.5 times.

- (4). Matters that should be exposed for banks who use the existing module in planning for the capital required in market risk of each type of asset combination that applies existing module:
  - A. The so-called market risk refers to risk on market fluctuation on the combination portion of investment holding due to fluctuation of stock price, interest rate, and exchange rate. The Bank had started using the market risk control system and installed planning project on December 2004, in the hope that with the introduction of market risk control system, VaR(Value at Risk) generated from existing module method can substitute the standard method, and achieve the following matters. The so-called VaR(Value at Risk) refers to the biggest amount of loss that may possible occur on the investment combination within a certain period of time and under a specific fiducial interval.
    - A). Integrating the on-time monitoring of the types of business, investment combinations, and risks of Financial Department, Foreign Department, Securities Department and Trading Department, and provides a daily report of control information.
    - B). Calculate the VaR(Value at Risk) of trading department daily, assist in controlling the potential risk of that financial product, and create an effective risk evaluation system. Aside from serving as a basis for the competent authority to request for capital calculation and as a standard in coping with the Basel II Capital Agreement, the Bank will also be able to reduce its capital cost, allowing the investors to acquire maximum benefit.
  - B. Analysis of Assets and Matured Liabilities

December 31, 2004

UNIT: NTD Thousand

	Total	Remaining Period from Maturity and Amount					
		0 to 30 days	31 days to 90 days	91 days to 180 days	181 days to 1 year	More than 1 year	
Assets	375,086,563	79,038,952	28,140,119	16,668,163	18,667,096	232,572,233	
Liabilities	457,745,491	52,260,646	40,837,845	48,665,494	152,035,170	163,946,336	
Short	(82,658,928)	26,778,306	(12,697,726)	(31,997,331)	(133,368,074)	68,625,897	
Cumulated Short		26,778,306	14,080,580	(17,916,751)	(151,284,825)	(82,658,928)	

Note: This Table includes only the portions in New Taiwan dollars (excluding foreign currencies) of the head office and local branches.

- 3. Foreign and Local Significant Policies and Changes in the Laws Affecting Financial Business and Countermeasures:

  The most direct effect of "Code for the Reserves and Allocation of Loss in Bank Assets Evaluation and Handling Bad Debts' Overdue Reminders" that is to be implemented by the competent authority commencing of July 1, 2005 is that banks should allocate reserves for loss. That is, when the new system is implemented, there is an additional allocation for reserves for loss, and it will probably affect the earnings or banks. During the buffer period, the Bank had already adopted the new mode in calculating the reserve for loss to be allocated, and will be adjusted from time to time by comparing with the existing amount of allocation of the Bank, so that by the time the new system is implemented, it will not have a great impact to the earnings of the Bank
- 4. Changes in technology and industry affecting financial business and countermeasures: None
- 5. Changes of bank image affecting the Bank and countermeasures: None
- 6. Expected benefit and possible risk in merging: None
- 7. Expected benefit and possible risk in expanding business basses:

# Financial Status and Review & Analysis of Operation Result and Risk control

The Bank is a district bank transformed into a commercial bank. Its main operational municipality is mainly in the 4 counties and cities of Taoyuan, Hsinchu, and Miaoli. Commencing from becoming a commercial bank in 1999, the bank had set up branches outside Taoyuan, Hsinchu, and Maioli either by adding new branches or by removal method. As of 2004, the Bank had set up 63 branches and 20 branches in the districts of Taoyuan, Hsinchu, and Miaoli and other districts respectively. In which, concentration of branches in the districts of Taoyuan, Hsinchu, and Miaoli reached 75.9%. In order to achieve balance development of district and business, the followings are the analysis on the expected benefits and possible risk of the Bank in expanding its business bases:

#### Expected benefit:

- 1. Improve the overall operation resources performance.
- 2. Reduce operation cost.
- 3. Improve the predicament of gradual drop of marginal performance of branches in Taoyuan, Hsinchu, and Miaoli.
- 4. Crisis is also a turning point. Holdings keep on merging with local banking system. The geographical advantage of the Bank is going downhill year by year. The only opportunity is to expand outward, open another battlefield
- It is necessary for the bank to expand outward in order to develop into a comprehensive nationwide commercial bank.
- 6. With the expansion of the number of bases, competitiveness of branches in districts besides Taoyuan, Hsinchu, and Miaoli will increase.

#### Expected risk:

- 1. Risk of losing business by merging branches base.
- 2. As to the advantage of local bank, due to reduction in bases, comprehensive efficiency of service net will drop.
- If the characteristic development of nationwide market is not taken into account in the development of new type of business, business development of new bases will be limited.
- 4. If the image of district bank cannot be discarded, it will affect the competitiveness of new bases,
- 5. Crisis on insufficient human resources in the new municipalities, and cannot plow deeply in the locality
- 8. Risk to be Encountered by the Business Center:
  - In order to distribute the risk of accredition effectively, the Bank had drawn up a management principle for asset combination limit, carry out industry classification, corporate group classification, risk grading classification, product classification, collateral classification, transacting opponent's classification and insurance management of centralization. Create a corporate banking accredition flow e-system to improve management performance, and comply with the regulation of Basel II
- 9. Change in the operating rights affecting the Bank and risk: None
- 10. Litigation or non-litigation cases:

There is no significant litigation and non-litigation cases occurred to the Company for the last 2 years.

#### (VIII) Coping with Crisis and Measures:

The spokesperson shall establish a provisional crisis handling team as per situation and deal with it.

(IX) Other Significant Matter: Refer to page 127.





## **Corporate Governance**

# (I) Hsinchu International Bank's Operational Status and the Differences in Contrast to the Corporate Governance Best-practice Principles for Banks

Item	Status of Operation	Status and Reasons for Differences
<ol> <li>The Bank's capital structure and shareholders' equity</li> <li>Methods adopted by the Bank in resolving shareholders' suggestions and disputes.</li> <li>Monitoring status of major shareholders and its final controller by the Bank.</li> <li>Methods adopted in the implementation of risk control mechanism and firewall with the Bank's affiliated companies.</li> </ol>	<ol> <li>Problems related to suggestions and conflicts are handled by our bank's Stock Affairs Section of Administration Department and its spokesperson.</li> <li>Print a List of Shareholders from the date of Shareholders' Meeting or from the day of stoppage of transferring ex equity (dividend), in order to be in control of the shareholdings of major shareholders.</li> <li>On 06/06/2003, Shareholders' Meeting passed and amended our Bank's procedures on acquisition and disposal of assets, as well as risk control mechanism and firewall.</li> </ol>	In compliance with the Principles.
<ul> <li>2. The formation and duties of Board of Directors</li> <li>(1) Status of the establishment of directors.</li> <li>(2) Periodic assessment on the independence of auditors.</li> </ul>	<ul> <li>(1) Not yet established</li> <li>(2) The Bank had completed the evaluation of accountant independency on December 2003 and December 2004</li> </ul>	Pending discussion.     In compliance with the Principles.
The formation and duties of supervisors     (1) Status of the establishment of independent supervisors.     (2) Communication status between supervisors and the bank's employees and shareholders.	<ol> <li>Not yet established.</li> <li>Our Bank's supervisors conducted a supervisory tour on each business units and employees every year, as well as established communication channels with shareholders and interested parties.</li> </ol>	Pending discussion.     In compliance with the Principles.
Status of establishment of communication channels with interested parties.	Each related department is responsible for the maintenance of communication channels with interested parties, and handle in compliance with the law and the principle of credibility	In compliance with the Principles.
5. Publication of material information  (1) The establishment of an Internet website to publicize the financial info and operational profile of the Bank.  (2) Other methods to publicize material information (such as English website, designated person for the collection and publication of the Bank's information, spokesperson mechanism, and implementation of the Bank's website during corporate investors' conference.	<ol> <li>Our Bank's IT room, electronic business department, and related offices are responsible for the establishment and maintenance of the website to publicize financial information and operational profiles. Mr. Gui-Ling Hu, Assistant Vice President, shall be the spokesperson of the Company.</li> <li>Same as above.</li> </ol>	In compliance with the Principles.
6. Operational status for auditor's committee	Not yet established	Pending discussion

<sup>7.</sup> Please explain and illustrate the differences of the bank's principles for management and business activities stipulated with the " Corporate Governance Best-practice Principles of Banks": Our Bank's operations and supervisions are performed in accordance with the " Corporate Governance Best-practice Principles of Banks" to the fullest extent.

Item	Status of Operation	Status and Reasons for Differences
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- 8. Other material information (including education for directors and supervisors, attendance status of Board of Directors' meeting by directors and supervisors, supervision on risk control policies and risk evaluation standards, supervision on the protection for consumers, independence demonstrated by director regarding issues in which the director's interests are present, purchase of responsibility insurance for the social responsibility of directors and supervisors.
  - 1. Directors and supervisors are instructed to attend government held educational seminars related to management on an irregular basis.
  - 2. Directors of our Bank are all restricted to participate in issues in which their interests are present. None of them is allowed to vote in such issues.
  - 3. Our Bank had enrolled an USD\$5,000,000 insurance for all directors and supervisors on April 16, 2003.
  - 4. Our Bank had stipulated risk control policies including guidelines for acquisition and disposal of assets and investment policies and its related procedures in accordance with "Procedures and Guidelines for Acquisition and Disposal of Assets for Public Companies". Related department had also been established to supervise the procedures.
  - 5. Our Bank had stipulated risk control and risk measurement standard in the accredition policy and to be executed by each department accordingly.
  - 6. Issues regarding customers' or consumers' complaints and disputes are all first processed in accordance with the procedures and guidelines for customer services by the electronic business department, in addition to tracking all follow-up matters.
  - Our Bank had specified procedures and guidelines on business performance for presidents, and explicit regulations have been set forth regarding their duties and responsibilities.
  - 8. In coordination with the revision of "Information Declaration Code for Securities OTC" by the Taiwan Stock Exchange Corporation, our Bank has publicized the changes in the attendance of directors and supervisors in the Board of Directors' Meeting and continuing education and training on the publicized information website monthly commencing from November 2004.
  - 9. In order to upgrade the transparency and fairness of publicized merging information and in coordination with the Order of the Taiwan Stock Exchange Corporation, our Bank had drawn up the "Self-control Standard of the Bank's Merging Information Publication" as a basis to be followed by the Bank on February 24,2005.
- Note 1: For continuing educations and training of directors and supervisors, refer to the regulations set forth by the Taiwan Stock Exchange Corporation in the "Reference governing the key points in the promotion of continuing education for directors and supervisors at listed and OTC companies.
- Note 2: Specify supervisory status on risk control policies, risk evaluation standards, and protection policies for customers and consumers.

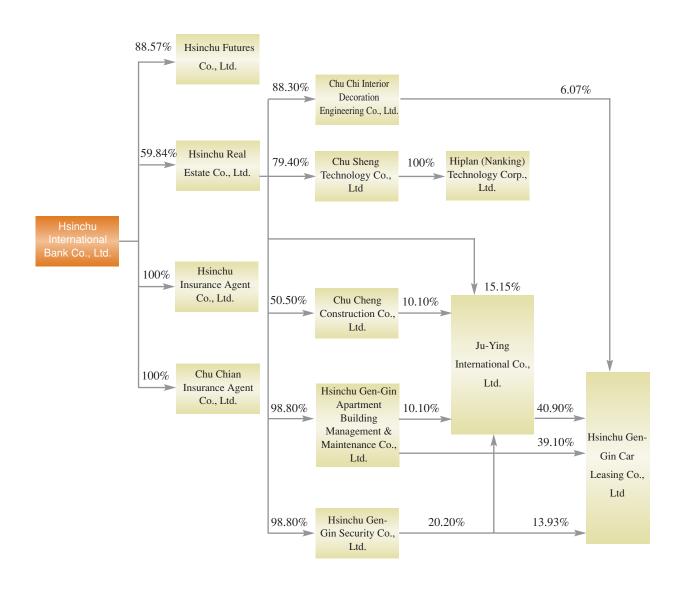




## **Special Items**

#### I. Affiliates Information

(I) Organization Chart of Affiliates and Shareholdings



## (II) Basic Information of Respective Affiliates

Name	Established Date	Address	Paid-in Capital	Main Business or Production Item
Hsinchu Futures Co Ltd.	Dec. 30, 1993	1, 3F, 130 Si Wei Road, Hsinchu, Taiwan	340,000	Futures dealer and futures consulting
Hsinchu Real Estate Co., Ltd.	Mar. 1, 1989	1-2, 11F, 130 Si Wei Road, Hsinchu, Taiwan	201,389	Examination and consultation of construction projects, notarize contracts, appraisal and credit checks on real estates, financial audits, verification of project progress and construction management, real estates transactions and other items of disposal, assist in procedures to guarantee compliance with contract, other consultation and advisory items to the above-mentioned businesses.
Hsinchu Insurance Agent Co., Ltd.	Sept. 7, 1999	4F, 326 Chungcheng Road, Yungtien Li, Hsinchu, Taiwan	183,560	Agent for personal insurance
Chu Chiann Insurance Agent Co., Ltd.	Sept. 30, 1999	4F, 326 Chungcheng Road, Yungtien Li, Hsinchu, Taiwan	6,980	Agent for property insurance
Chu Chi Interior Decoration Engineering Co., Ltd.	Sept. 16, 1998	1-2, 11F, 130 Si Wei Road, Hsinchu, Taiwan	12,309	Interior design business, construction material retail business, scenic interior design business, interior furnishing, and may engage in non-banned or restricted businesses except licensed business.
Chu Sheng Technology Co., Ltd.	September 10, 1996	1-2, 11F, 130 Si Wei Road, Hsinchu, Taiwan	20,000	Wholesale of computer software, wholesale of electronic materials, retail of electrical appliance, retail of communication materials, retails of computer software, retail of electronic materials, general store, international trade, business management consultation, electronic information service, leasing business, manufacturing generator, power transmission and distributor machine, water treatment engineering, waste disposal equipment installation engineering, air pollution control engineering, freezer, ventilation and air conditioning engineering, guatomatic control equipment engineering, computer equipment installation, telecommunication engineering, instruments and meters installation engineering, cable installation engineering, wholesale of precision instruments, wholesale of fleecommunication materials, wholesale of pollution control equipment, retail of precision instruments, retail of pollution control equipment, retails of fire safety equipment, computer software service, and may engage in non-banned or retricted businesses except licensed business.

## Hsinchu International Ban

Name	Established Date	Address	Paid-in Capital	Main Business or Production Item
Chu Cheng Construction Co., Ltd.	May 25, 1993	2-3, 4F, 130 Si Wei Road, Hsinchu, Taiwan	168,000	Consign construction companies to build commercial buildings, rental and sales of public housing, to design and carry out interior embellishment business (other than the construction business), sales and import/export business for construction materials and machinery, sales distribution and agent dealership for plumbing and electrical materials, development and sales or rental of industrial plants, development for special industrial zones, investment in public construction projects, development of new townships and new communities, and the agency distribution, dealership, quotation, and tender bidding services for the above-mentioned domestic or foreign products.
Hsinchu Gen-Gin Apartment Building Management & Maintenance Co., Ltd.	Sept. 8, 2000	3, 4F, 130 Si Wei Road, Hsinchu, Taiwan	11,395	Apartment building management services industry
Hsinchu Gen-Gin Security Co., Ltd.	Sept. 29, 2000	2, 11F, 130 Si Wei Road, Hsinchu, Taiwan	43,804	Security industry
Ju Ying International Co., Ltd.	May 22, 2001	3F, 481, Sec. 1, Kuangfu Road, Hsienshui Li, Hsinchu, Taiwan	99,000	Retail of food and soft drinks, retail of garments, retail of apparel, retail or books and stationery, retail of toys and entertainment products, retail of computer software, general store, international trade, computer software service, leasing business, other business service (conducting presentations and concerts).
Hiplan (Nanking) Technology Corp., Ltd.	June 18, 2001	203, 49F Kuangsu Software Park, Long Pan Zhong Road, Nanking, Mainland China	USD120,000 (USD1=NTD31.917)	Hardware & software R&D, production, sales, and after service
Hsinchu Gen-Gin Car Leasing Co., Ltd.	May 30, 2002	2, 4F, 130 Si Wei Road, Hsinchu, Taiwan	36,477	Car leasing, and may engage in non-banned or restricted businesses except licensed businesss.

Note 1: No matter the size of affiliated companies, all should be disclosed.

Note 2: If the affiliated companies have factories and sales of the products over 10% of operating revenues, factory names, established date, address and main production items should be listed

Note 3: If the affiliated companies have branches overseas, company name and address should be listed in English, established date should be in Gregorian Calendar, and paid-in capital may be expressed in foreign currency (but should be noted with the prevailing exchange rate at the date of report).

#### (III) Business Scope of the Respective Affiliates

- 1. Hsinchu Futures Co.. Ltd.: Future underwriter
- 2. Hsinchu Gen-Gin Real Estate Co., Ltd.: Construction management business
- 3. Hsinchu Insurance Agent Co., Ltd.: Life insurance agent
- 4. Chu chiann Insurance Agent Co., Ltd.: Property insurance agent business
- 5. Chu Chi Interior Decoration Engineering Co., Ltd.: Interior decoration and furnishing
- 6. Chu Sheng Technology Co., Ltd.: Computer software development
- 7. Chu Cheng Construction Co, Ltd.: Construction & development
- 8. Hsinchu Gen-Gin Apartment Building Management & Maintenance Co., Ltd.: Apartment and mansion management
- 9. Hsinchu Gen-Gin Security Co., Ltd.: Security
- 10. Ju Ying International Co., Ltd.: Leasing
- 11. Hiplan (Nanking) Technology Corp. Ltd.: Information processing services
- 12. Hsinchu Gen-Gin Car Leasing Co., Ltd.: Car leasing

Hsinchu International Bank

## (IV) Information on directors, supervisors, and presidents at the respective affiliates

Company Name	Title	Name of Representatives	Shareh	olding
				Ratio
Hsinchu Futures Co Ltd.	Chairman	Hsinchu International Bank's Representative: Yi-Pei Chan	30,112,440	88.57%
	Executive Director	Hsinchu International Bank's Representative: Kenneth Chen	30,112,440	88.57%
	Executive Director	Hsinchu International Bank's Representative: Shuan-Yung Chan	30,112,440	88.57%
	Director	Hsinchu International Bank's Representative: Abel Liu	30,112,440	88.57%
	Director	Hsinchu International Bank's Representative: Min Yuan Zhuang	30,112,440	88.57%
	Director	Hsinchu International Bank's Representative: Sung-Der Jen	30,112,440	88.57%
	Director	Hsinchu International Bank's Representative: Meei-Yu tai	30,112,440	88.57%
	Director	Hsinchu International Bank's Representative: Po-Hsiung Cheng	30,112,440	88.57%
	Director	Hsinchu International Bank's Representative: Ching-Tang Chen	30,112,440	88.57%
	Director	Hsinchu International Bank's Representative: Chih-Wei Wu	30,112,440	88.57%
	Director	Hsinchu International Bank's Representative: Wen Kuang Wu	30,112,440	88.57%
	Supervisor	Hsinchu International Bank's Representative: Chuan Feng Chen	30,112,440	88.57%
	Supervisor	Hsinchu International Bank's Representative: Long Xing Liu	30,112,440	88.57%
	Supervisor	Hsinchu International Bank's Representative: Chen Chuan Huang	30,112,440	88.57%
	President	Li Der Chang	0	0.00%
Hsinchu Real Estate Co., Ltd.	Chairman	Hsinchu International Bank's Representative: Shuan-Yung Chan	12,050,147	59.84%
	Executive Director	Hsinchu International Bank's Representative: Meei-Yu Tai	12,050,147	59.84%
	Executive Director	Hsinchu International Bank's Representative: Kenneth Chen	12,050,147	59.84%
	Director	Hsinchu International Bank's Representative: Chih-Wei Wu	12,050,147	59.84%
	Director	Hsinchu International Bank's Representative: Po-Hsiung Cheng	12,050,147	59.84%
	Director	Hsinchu International Bank's Representative: Sung-Der Jen	12,050,147	59.84%
	Director	Hsinchu International Bank's Representative: Ching-Tang Chen	12,050,147	59.84%
	Director	Chao-Shiun Chu	825,659	4.09%
	Director	Ming Zhe Luo	803,343	3.98%
	Supervisor	Hsinchu International Bank's Representative: Chuan Feng Chen	12,050,147	59.84%
	Supervisor	Hsinchu International Bank's Representative: Chen Chuan Huang	12,050,147	59.84%
	Supervisor	De Gang Tsai	803,343	3.98%
	President	Chi Meng Shi	0	0.00%

Company Name	Title	Name of Representatives	Shareh	Shareholding		
				Ratio		
Hsinchu Insurance Agent Co., Ltd.	Chairman	Hsinchu International Bank's Representative: Shuan-Yung Chan	18,355,370	99.99%		
	Director	Hsinchu International Bank's Representative: Chih-Wei Wu	18,355,370	99.99%		
	Director	Hsinchu International Bank's Representative: Kenneth Chen	18,355,370	99.99%		
	Supervisor	Hsinchu International Bank's Representative: Long Xing Liu	18,355,370	99.99%		
Chu Chiann Insurance Agent Co.,	Chairman	Hsinchu International Bank's Representative: Shuan-Yung Chan	697,986	99.99%		
Ltd.	Director	Hsinchu International Bank's Representative: Chih-Wei Wu	697,986	99.99%		
	Director	Hsinchu International Bank's Representative: Kenneth Chen	697,986	99.99%		
	Supervisor	Hsinchu International Bank's Representative: Long Xing Liu	697,986	99.99%		
Chu Chi Interior Decoration	Chairman	Hsinchu Real Estate Co., Ltd.'s Representative: Chi Meng Shi	1,086,869	88.30%		
Engineering Co., Ltd.	Director	Hsinchu Real Estate Co., Ltd.'s Representative: Zhao Pan Sheng	1,086,869	88.30%		
	Director	Hsinchu Real Estate Co., Ltd.'s Representative: Chen Chuan Huang	1,086,869	88.30%		
	Supervisor	Hsinchu Real Estate Co., Ltd.'s Representative: Xuei Wen Fan	1,086,869	88.30%		
	President	Chen Jian Huang	7,385	0.60%		
Chu Sheng Technology Co., Ltd.	Chairman	Shuan-Yung Chan	1,000	0.05%		
	Director	Meei-Yu Tai	1,000	0.05%		
	Director	Kenneth Chen	1,000	0.05%		
	Director	Ming Zhe Luo	1,000	0.05%		
	President	Xing Lo Sun	0	0.00%		
Chu Cherng Construction Co., Ltd.	Chairman	Miao Ling Huang	1,708,000	10.17%		
	Director	Chu Chiann Investment Co., Ltd.'s Representative: Xing Yao Sheng	1,334,000	7.94%		
	Director	YUan-Fu Construction Co., Ltd.'s Representative: Zheng Zhou Zhang	2,520,000	15.00%		
	Director	Hsinchu Real Estate Co., Ltd.'s Representative: Chi Meng Shi	8,484,000	50.50%		
	Director	Hsinchu Real Estate Co., Ltd.'s Representative: Chen Jian Huang	8,484,000	50.50%		
	Supervisor	Hsinchu Real Estate Co., Ltd.'s Representative: Tsai Yi Yang	8,484,000	50.50%		
	President	Ching Kun Wu	0	0.00%		
Hsinchu Gen-Gin Apartment	Chairman	Hsinchu Real Estate Co., Ltd.'s Representative: Shuan-Yung Chan	1,125,878	98.80%		
Building Management &	Director	Hsinchu Real Estate Co., Ltd.'s Representative: Meei-Yu Tai	1,125,878	98.80%		
Maintenance Co., Ltd.	Director	Hsinchu Real Estate Co., Ltd.'s Representative: Kenneth Chen	1,125,878	98.80%		
	Supervisor	Chuan Feng Chen	1,139	0.10%		
	President	Rei Yao Chiu	0	0.00%		

### Hsinchu International Bank

Company Name		Name of Representatives	Shareholding		
				Ratio	
Hsinchu Gen-Gin Security Co., Ltd.	Chairman	Hsinchu Real Estate Co., Ltd.'s Representative: Shuan-Yung Chan	4,327,795	98.80%	
	Director	Hsinchu Real Estate Co., Ltd.'s Representative: Meei-Yu Tai	4,327,795	98.80%	
	Director	Hsinchu Real Estate Co., Ltd.'s Representative: Kenneth Chen	4,327,795	98.80%	
	Supervisor	Chuan Feng Chen	4,380	0.10%	
	President	Rei Yao Chiu	0	0.00%	
Ju Ying International Co., Ltd.	Chairman	Hsinchu Real Estate Co., Ltd.'s Representative: Shuan-Yung Chan	1,500,000	15.15%	
	Director	Hsinchu Gen-Gin Security Co., Ltd.'s Representative: Kenneth Chen	2,000,000	20.20%	
	Director	Chu Chiann Investment Co., Ltd.'s Representative: Xing Yao Sheng	2,000,000	20.20%	
	Director	Chu Cherng Construction Co., Ltd.'s Representative: Miao Ling Huang	1,000,000	10.10%	
	Director	Shi Yang International Co., Ltd.' Representative: Zhi Yang Chiu	1,000,000	10.10%	
	Director	Hsinchu Gen-Gin Apartment Building Management & Maintenance Co., Ltd.'s Representative: Chih-Wei Wu	1,000,000	10.10%	
	Director	Long Xing Liu	400,000	4.04%	
	Supervisor	Da Zian Chiu	200,000	2.02%	
Hiplan (Nanking) Technology Corp., Ltd.	Chairman & President	Chu Sheng Technology Co., Ltd.'s Representative: Xing Lo Sun	0	0.00%	
	Director	Chu Sheng Technology Co., Ltd.'s Representative: Chi Zhen Lin	0	0.00%	
	Director	Chu Sheng Technology Co., Ltd.'s Representative: Zi Ping Lin	0	0.00%	
Hsinchu Gen-Gin Car Leasing Co., Ltd.	Chairman	Chu Sheng Technology Co., Ltd.'s Representative: Shuan-Yung Chan	250,000	6.85%	
	Director	Hsinchu Real Estate Co., Ltd.'s Representative: Kenneth Chen	250,000	6.85%	
	Director	Hsinchu Gen-Gin Security Co., Ltd.'s Representative: Chih-Wei Wu	479,533	13.15%	
	Director	Cheng Der Consultants Co., Ltd.'s Representative: Mei-Miao Hung Chan	250,000	6.85%	
	Director	Hua Hung Financial Marketing Co., Ltd.'s Representative: Chih-Pon Chu	500,000	13.71%	
	Director	Chin-Yao Chen	10,000	0.27%	
	Director	Chu Chiann Investment Co., Ltd.'s Representative: Xing Yao Sheng	250,000	6.85%	
	Supervisor	Hsinchu Gen-Gin Apartment Building Management & Maintenance Co., Ltd.'s Representative: Rei Yao Chiu	644,298	17.66%	
	Supervisor	Chu Chi Interior Decoration Engineering Co., Ltd.'s Representative: Chi Meng Shi	100,000	2.74%	
	President	Chih-Pon Chu	500,000	13.71%	

Note 1: In cases where the affiliate is a foreign company, persons with equivalent title will be listed.

Note. 2: In cases where the invested company is a limited corporation, please fill out number of shares and holding percentage; for others, please fill out capitals balance and contributed capital percentage with an explanation footnote.

Note 3: In cases where the director or supervisor is a corporate company, additional related information on the representatives must be revealed.

## (V) Operating Results of the Respective Affiliates:

UNIT:NTD Thousand

Company Name	Capital								Note
			Liabilities						
Hsinchu Futures Co Ltd.	340,000	563,881	267,035	296,846	43,714	(18,264)	(11,568)	(0.34)	audited
Hsinchu Real Estate Co., Ltd.	201,389	1,300,554	992,802	307,752	76,265	39,451	30,126	1.50	audited
Hsinchu Insurance Agent Co., Ltd.	183,560	494,832	67,914	426,918	383,976	319,948	241,355	13.15	audited
Chu Chiann Insurance Agent Co., Ltd.	6,980	24,210	4,385	19,825	17,938	14,620	10,839	15.53	audited
Chu Chi Interior Decoration Engineering Co., Ltd.	12,309	34,480	18,195	16,285	181,611	4,025	3,033	2.46	audited
Chu Sheng Technology Co., Ltd.	20,000	33,887	15,267	18,620	67,637	869	563	0.28	unaudited
Chu Cheng Construction Co., Ltd.	168,000	1,621,400	1,517,405	103,995	19,012	(22,873)	(38,495)	(2.29)	audited
Hsinchu Gen-Gin Apartment Building Management	11,395	26,853	5,368	21,485	42,626	3,630	3,389	2.97	audited
& Maintenance Co., Ltd.									
Hsinchu Gen-Gin Security Co., Ltd.	43,804	61,237	12,708	48,529	79,984	159	724	0.17	audited
Ju Ying International Co., Ltd.	99,000	149,445	44,122	105,323	155,127	719	1,332	0.13	audited
Hiplan (Nanking) Technology Corp., Ltd.	3,824	1,221	35	1,186	1,549	(638)	(670)	(1.75)	unaudited
Hsinchu Gen-Gin Car Leasing Co., Ltd.	16,477	60,336	17,262	43,074	13,413	3,554	2,315	2.07	audited

Note 1: No matter the size of affiliated companies, all should be disclosed.

Note 2: The exchange rate was as follows: RMB1 = NT3.8563

# 2004 Annual Report Hsinchu Internation

#### **II. Internal Control System Execution Status:**

(I) Internal Control Declaration

# Hsinchu International Bank Internal Control Declaration

February 24, 2005

With regards to the internal control system of our Company from January 1, 2004 to December 31, 2004, under the basis of self-assessment, we hereby declare as follows:

- 1. The Company is fully aware that the establishment, implementation, and maintenance of an internal control system is the responsibility of the Company's Board of Directors and its presidents. The Company has already established such a system, with an aim to offer reasonable assurance to accomplishing targets such as operational results and efficiency (including profitability, performances, and asset quality), reliability of financial statements, and adherence to related laws and regulations.
- 2. Internal control systems have their inherent limitations. Regardless of how sophisticated and effective, an internal control system can only provide reasonable assurance regarding the three aforementioned goals. Furthermore, the effectiveness of an internal control system varies according to changes in the environment and situations. However, our Company's internal control system is consisted of a self-monitoring function. Once deficiencies are detected, the Company will take immediate corrective actions.
- 3. The judgment concerning the design and execution effectiveness of internal control systems in our Company is made according to the check items on internal control effectiveness in "Guidelines for Establishment of Internal Control Systems by Public Companies" (hereafter referred as "Guidelines"), as decreed by the Securities and Futures Commission of the Ministry of Finance. The check items adopted by the "Guidelines" divide internal control into five constituting elements in accordance with the process of management control: 1) Control environment, 2) Risk evaluation, 3) Control operations, 4) Information and communication, and 5) Supervision. Each constituting element can be further divided into several items. Please refer to the "Guidelines" for details on the items.
- 4. Our Company has already adopted the above internal control check items to evaluate the design and execution effectiveness of the internal control system.
- 5. Based on the aforementioned evaluation results, we believe that the design and execution of our internal control system within the aforementioned period are effective, and reasonably assure the fulfillment of the aforementioned goals such as operational results and efficiency, reliability of financial statements, and adherence to related laws and regulations.
- 6. This Declaration shall be publicized among the major contents of our annual report and company prospectus. Any illegal falsification and concealment regarding the publications will be in violation of Articles 20, 32, 171, and 174 of the Securities Transaction Law.
- 7. This Declaration had been passed by the Board of Directors of our Company during a meeting held on February 24, 2005. All 20 directors that attended the meeting agreed to the contents of this Declaration without any objections

**Hsinchu International Bank** 

W. Chil-Wei

Chairman of the Board Shuan Munj Chan

President

## Hsinchu International Bank Internal Control Declaration

February 24, 2005

With regards to the internal control system of our Company from January 1, 2004 to December 31, 2004, under the basis of self-assessment, we hereby declare as follows:

- 1. The Company is fully aware that the establishment, implementation, and maintenance of an internal control system is the responsibility of the Company's Board of Directors and its presidents. The Company has already established such a system, with an aim to offer reasonable assurance to accomplishing targets such as operational results and efficiency (including profitability, performances, and asset quality), reliability of financial statements, and adherence to related laws and regulations.
- 2. Internal control systems have their inherent limitations. Regardless of how sophisticated and effective, an internal control system can only provide reasonable assurance regarding the three aforementioned goals. Furthermore, the effectiveness of an internal control system varies according to changes in the environment and situations. However, our Company's internal control system is consisted of a self-monitoring function. Once deficiencies are detected, the Company will take immediate corrective actions.
- 3. The judgment concerning the design and execution effectiveness of internal control systems in our Company is made according to the check items on internal control effectiveness in "Guidelines for Establishment of Internal Control Systems in Securities and Futures Service Enterprises" (hereafter referred as "Guidelines"), as decreed by the Securities and futures Commission of the Ministry of Finance. The check items adopted by the "Guidelines" divide internal control into five constituting elements in accordance with the process of management control: 1) Control environment, 2) Risk evaluation, 3) Control operations, 4) Information and communication, and 5) Supervision. Each constituting element can be further divided into several items. Please refer to the "Guidelines" for details on the items.
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- 5. Based on the aforementioned evaluation results, we believe that the design and execution of our internal control system within the aforementioned period are effective, and reasonably assure the fulfillment of the aforementioned goals such as operational results and efficiency, reliability of financial statements, and adherence to related laws and regulations.
- 6. This Declaration shall be publicized among the major contents of our annual report and company prospectus. Any illegal falsification and concealment regarding the publications will be in violation of Articles 20, 32, 171, and 174 of the Securities Transaction Law.
- 7. The Board of Directors of our Company had passed this Declaration during a meeting held on February 24, 2005. All 20 directors that attended the meeting agreed to the contents of this Declaration without any objections

**Hsinchu International Bank** 

Wa Chila-Wei

Chairman of the Board Skun funj Chan

President

#### (II) Auditor's Report on Internal Control

Date: April 18, 2005

#### Auditor's Report

Hsinchu International Bank Co., Ltd.

In accordance with the stipulation in Clause 1, Article 26 of the Guidelines for Certified Public Accountants' Examinations of and Reports on Financial Statements of Financial Institutions promulgated by the Ministry of Finance: "In the cases where the financial statements of the bank is being certified by certified public accountant, the consigned CPA should also make an audit on the internal control systems of the bank, and should give its opinions and submit a report of the declaration authority with regards to the accuracy of the information, internal control system, execution of the system in compliance with the laws and regulations decreed by the competent authority, and the appropriateness of the proposed allowance for bad debts policy."

The CPA authorized by Hsinchu International Bank Co., Ltd. based on the stipulation in Article 29 of the aforementioned Guidelines, and enclosing the scope of audit, audit procedure, and audit result, processed the abovementioned matters.

This Audit Report is for your reference only. Except for providing it to the Financial Supervisory Commission for supervision reference, it should not be used for other purpose or provided to a third party.

Divan, Ernst & Young Diwan, Ernst & Young

April 18, 2005

Taipei, Taiwan, Republic of China

- III. From recent years till March 31, 2005, difference of opinion and with recorded or written statement of director(s) or supervisor(s) with regard to the major resolutions passed by the Board of Directors: None
- IV. From recent years till March 31, 2005, in cases where there is private offering of marketable securities, the date passed by the Shareholders' Meeting or Board of Directors and the shares, basis and rationality for fixing the price, selection method of specific person, and necessary reason for soliciting should be disclosed: None
- V. From recent years till March 31, 2005, shareholding of Subsidiary or disposal of Bank's shares: None
- VI. From recent years till March 31, 2005, major resolutions by Shareholders' Meeting, Board of Directors, and Special Meeting:

Major resolutions passed by the Board of Directors and Shareholders' Meeting in 2004

Date	Meeting		Description of Resolution
March 19,	Board of	1.	Passed the resolution for 2003 Financial Statements.
2004	Directors	2.	Passed the resolution for 2003 Distribution of Earnings.
		3.	Passed the resolution for 2003 Earnings and Employees' Bonus Transferred to Capital Increase.
		4.	Passed the resolution for the date, time, and place for the 2004 Shareholders' Meeting.
		5.	Passed the resolution for soliciting and issuing overseas-unsecured convertible debentures.
July 27, 2004	Board of Directors	1.	Passed the resolution for 2004 Financial Report of the First Half Year.
October 26,	Board of Directors	1.	Passed the resolution for Hsinchu Real Estate Co., Ltd. to purchase the real estate of the Bank
2004			located at 2F-13, 2F-17, 2F-21, & 2F-25, 140 Chenhsing St., Chungli City, a total of 4 units.
		2.	Passed the resolution to issue "permanent — cumulative subordinated debentures ".
December 9,	Board of Directors	1.	Passed the resolution to sell the real estate of the Bank located at 85 Chungcheng Rd., Hsinchu,
2004			to Hsinchu Insurance Agent Co., Ltd.
December 16,	Board of Directors	1.	Passed the resolution for CPAs Irene Juanlu anf Hsiao-Jen Chen to be in charge of the
2004			certification of the financial statements of the Bank commencing from the $4^{\text{th}}$ quarter of 2004
			instead of CPAs Roger Ho and Irene Juanlu.
		2.	Passed the resolution to sell the real estate of the Bank located at 454 Chungshan Rd., Chungli
			City
		3.	Passed the resolution to sell the real estate of the bank located at Basement 1, 1170 Wanshou
			Rd., Sec. 2, Keuishan Town, Taoyuan County
		4.	Passed the resolution to put the real state of the Bank for rent located at 3F-1, 13 Shi Wei Rd.,
			Hsinchu and the vacant portion at 2F, 50, Lane 214, Yenping Rd., Hsinchu City
June 10, 2004	Shareholders'	1.	Passed the resolution to amend the "Articles of Incorporation" to cope with actual business
	Meeting		necessity.
		2.	Passed the resolution for 2003 Distribution of Earnings.
		3.	Passed the resolution for 2003 Earnings and Employees' Bonus Transferred to Capital Increase.

## VII. Legal Violations Resulting in Punishment and Major Deficiencies of the Past 2 Years, and Status of Improvement:

- ( I ) Officials and employees indicted for crime committed in the performance of their duties:
  - The ex-employees of our Sanyi Branch namely: Shen-Chun Tang (manager at that time), Tsung-Chih Wu (assistant manager at that time), Wen-Kuang Su (loan processor at that time), and current employees namely: Chun-Fu Huang (assistant at that time), Chin-Lung Hsu (credit processor at that time), Tai-I Liu (assistant at that time), committed accredition deficiency related to the accredition case of Chiu Chun Commercial General Area, and were prosecuted by the Taipei District Prosecutor's Office for joint breach of trust. (Please refer to the Indictment Letter No. 92-Chen-tzu-18216 of Taipei District Prosecutors's Office for the content of facts.
- (I I) Violations resulting of the Banking Law in fines by the Board: None
- (III) Deficiencies resulting in strict disciplinary action by the Board: None
- (IV) Punishment by the Board in accordance with Article 61-1 of the Banking Law: None
- (V) Major security incidents occurred as a result of staff malpractice, major unexpected incidents, or failure to observe the guidelines for the Maintenance of Security in financial Institutions, the actual losses from which exceeded NTD50 Million during one or both years: None
- (VI) Other matters, which the Board has instructed, should be disclosed: None







COMBO Platinum

Press conference of COMBO Card

#### VIII. Other Matters for Supplementary Explanation

- (I) Significant Events in 2004
  - 01/02 Business opening of Hsin Shey Stock Broker
  - 01/08 Cooperated with First International Telecom in issuing the PHS associated card.
  - 02/25 Launched the USD to RMB NDF business and NDO
  - 03/04 Became a new member of Factors Chain International (FCI), to reinforce the development of factoring business.
  - 04/01 Receiving system for credit card payment by installment was on line.
  - 04/26 Had a presentation on the "Di me more" credit loan product.
  - 05/10 Launched a new business,"capital market CB (local convertible bond) business".
  - 05/13 Issued overseas unsecured convertible debenture in USD110 Million.
  - 05/17 Chungshan Branch moved to Taichung City and officially changed its name to Shituen Branch and started business.
  - 05/24 Chunghsing Branch moved to Taichung City and officially changed its name to Peituen Branch and started business.
  - 06/01 Issued the IC bank/ credit card COMBO Card.
  - 06/01 Bank Card was repackaged and introduced the HOLLY Card.
  - 07/05 Total changing and issuance of IC bank card.
  - 07/19 East Chungli Branch moved to Taichung County and officially changed its name to Tali Branch and started business.
  - 08/16 VIP Financial Center of Taichung Branch as established.
  - 08/16 IT Department passed the International Standard, ISO9001.
  - 08/27 Donated NTD2 Million to the Municipal Government of Hsinchu County for the victims of Typhoon Ailee.
  - 09/18 Conducted the 56th Anniversary Sports' Family Day.
  - 10/14 IT Department passed the Information Safety Standard BS7799-2:2002
  - 11/01 MONDEX Electronic cash Internet receiving system was online.
  - 11/09 Donated NTD2,061,000 to the 2004 Charity for Matriculation Subsidy.
  - 11/20 International liquidation system (PLUS) was on line, providing the function of overseas withdrawal transaction.
  - 11/22 Introduced the new ATM to upgrade the transaction function of IC bank card.
  - 11/24 Installed Competency HR System.
  - 11/29 Promoted the debt-paying product —"Big Payment".
  - 11/29 Introduced the Kondor+ road transaction management system to reinforce risk control mechanism.
  - 12/06 Donated NTD4,000,000 as blood donation car for the Hsinchu Blood Donation Center.
  - 12/17 Launched the New Taiwan Dollar IRS business.







### Hsinchu International Bank

### (II) Address of Head Office and Branches

Code	Bank Code	Unit	Establishment Date	Address	Telephone No.	Fax No.	Note
02	052-0029	Mingtsu Branch	July 12, 1978	88 Mingtzu Rd., Hsinchu, Taiwan	03-5326171~6	03-5326504	
03	052-0018	Business Department	Sept. 15, 1948	106 Chungyang Rd., Hsinchu, Taiwan	03-5243151~9	03-5230963	
04	052-0292	Hsinchu Branch	Jan. 6, 1987	35 Fushing Rd., Hsinchu, Taiwan	03-5266171~8	03-5236079	
05	052-0328	Kaungfu Branch	Mar. 26, 1987	270 Kuangfu Rd., Sec. 1, Hsinchu, Taiwan	03-5775663~4	03-5781742	Change address on Oct. 6, 1996
06	052-0339	Peimen Branch	Sept. 16, 1988	658 Shita Rd., Hsinchu, Taiwan	03-5215115~9	03-5251843	
07	052-0432	Chulien Branch	Dec. 20, 1989	256 Nanta Rd., Hsinchu, Taiwan	03-5215130~2	03-5261855	Oct. 21, 1997 Branch
08	052-0454	Chungcheng Branch	Dec. 11, 1990	326 Chungcheng, Hsinchu, Taiwan	03-5348939~43	03-5349865	Change address on Oct. 13, 1997
09	052-0498	Yenping Simple Branch	Nov. 9, 1990	50, Lane 214, Yenping Rd., Sec. 1, Hsinchu, Taiwan	03-5219216~9	03-5219215	Oct. 09, 1996 Branch Changed system on Sept. 17, 2001
10	052-0052	Chutung Branch	Mar. 1, 1950	300 Changchun Rd., Sec. Chutung Town	03-5965711~5	03-5954025	
11	052-0085	Hsinpu Branch	Oct. 24, 1955	386 Chungcheng Rd., Hsinpu Town	03-5883611~5	03-5883344	
12	052-0133	Hukou Branch	Jul. 3, 1974	82 Chungcheng Rd., Sec. 1, Hukou town	03-5992614~8	03-5901627	
13	052-0177	Chupei Branch	Jul. 7, 1983	59 Sanmin Rd., Chupei Town	03-5513115~8	03-5512190	Change address on Aug. 22, 1994
14	052-0306	Kuanshi Branch	Sept. 9, 1987	21 Mingteh Rd., Kuanshi Town	03-5875151~3	03-5877927	Apr. 16, 2001 Branch
15	052-0384	Hsinfeng Branch	Sept. 22, 1988	155-7 Chienshing Rd., Sec. 1, Hsinfeng Town	03-5591113~5	03-5594636	Jul. 27, 1993 Branch
16	052-0513	Hsinshing Branch	Dec. 16, 1991	130 Shi Wei Rd., Hsinchu, Taiwan	03-5233171~5	03-5233177	
		Hsinshing Broker		3F-1, 130 Shi Wei Rd., Hsinchu, Taiwan	03-5226000	03-5254277	
17	052-0524	Hsinshey Branch	Nov. 21, 1991	141 Chungcheng W. Rd., Chupei	03-5519456~61	03-5551783	Changed address on Oct. 12, 1996
18	052-0546	Science Park Branch	Nov. 15, 1991	11 Science Park 2nd Rd., Hsinchu Science Park, Hsinchu, Taiwan	03-5785355~8	03-5787055	Sept. 12, 1995 Branch
19	052-0579	North Hsinchu Branch	Dec. 9, 1992	243 Peita Rd., Hsinchu, Taiwan	03-5348155~9	03-5421589	Changed address on June. 30, 2003
20	052-0030	Taoyuan Branch	Sept. 1, 1949	66 Chungcheng Rd., Taoyuan City	03-3340176~83	03-3371647	Changed address on Dec. 4, 2000
21	052-0100	Dashi Branch	Jul. 4, 1972	95 Kangchuang Rd., Dashi Town	03-3873915~9	03-3889901	
22	052-0155	Dayuan Branch	Jul. 4, 1972	44 Chungshan N. Rd., Dayuan Town	03-3861130~33	03-3861924	
23	052-0041	Chingli Branch	Sept. 1, 1949	194 Chungshan Rd., Chingli City	03-4252186~90	03-4256977	
24	052-0111	Yangmei Branch	Jul. 3, 1977	105 Tacheng Rd., Yangmei Town	03-4783491~4	03-4752718	
25	052-0122	Hsinwu Branch	Jul. 9, 1973	251 Chungshan Rd., Hsinwu Town	03-4773226~9	03-4772052	

		Unit	Establishment Date	Address	Telephone No.	Fax No.	Note
26	052-0166	Lungtan Branch	Apr. 1, 1973	202 Peilung Rd., Lungtan Town	03-4793185~8	03-4891391	
27	052-0199	Sanmin Branch	Sept. 3, 1984	301 Sanmin Rd., Sec. 3, Taoyuan City	03-3351593~7	03-3328102	Changed address on June. 26, 2000 Combined the savings & remittance business of Chungshan Branch on May 17, 2004
28	052-0203	Neili Branch	Sept. 20, 1984	83 Hsinyi Rd., Neili, Chungli City	03-4553122~6	03-4524244	
29	052-0214	Pateh Branch	Oct. 16, 1985	43 Chiehshou Rd., Sec. 2, Pateh City	03-3634341~6	03-3660967	Changed address on May 27, 1996
		Pateh Stock Broker		4F, 43 Chiehshou Rd., Sec. 2, Pateh City	03-3632299	03-3642903	
30	052-0236	YungAn Branch	Nov. 11, 1985	465 Chungcheng Rd., Taoyuan City	03-3324002~6	03-3361491	Combined the savings and remittnce business of Chungli Branch on May 24 , 2004
31	052-0225	Hsinming Branch	Nov. 5, 1985	56 Minchu Rd., Chungli City	03-4918701~10	03-4918710	
		Hsinming Stock Broker		B1, 56 Minchu Rd., Chungli City	03-4910736	03-4910745	
32	052-0270	Kueishan Branch	Jan. 14, 1987	1077 Wanshou Rd., Sec. 2, Kueishan Town	03-3290728~32	03-3290273	
33	052-0281	Nankan Branch	Jan. 15, 1987	90 Chungcheng Rd., Luchu Rowan	03-3524148~52	03-3226443	
34	052-0317	Dashulin Branch	Apr. 14, 1987	233 Taoying Rd., Taoyuan City	03-3664291~6	03-3664296	Changed address on Feb. 12, 1996
35	052-0340	North Chungli Branch	Sept. 19, 1988	130 Chungmei Rd., Sec. 2, Hsingkuo Li, Chungli City	03-4222921~4	03-4251065	Changed address on Aug. 1, 1994
36	052-0351	Lungkang Branch	Sept. 14, 1988	302 Lungtung Rd., Chungli City	03-4657783.87	03-4567704	Changed address on Oct. 14, 1986
37	052-0362	Shantzuting Branch	Sept. 23, 1988	150 Chungfeng Rd., Shanting Sec., Pinchen City	03-4696257	03-4692907	Sept. 21, 1994 Branch
38	052-0373	Pushin Branch	Aug. 1, 1988	351 Yungmei Rd., Lin 3, Pushin Li, Yangmei Town	03-4824984~6	03-4826073	Changed address on Jul. 25, 1994
39	052-0395	Chungshing Branch (Changed address on May 24, 2004 and changed the name to Peitun Branch)	Dec. 22, 1989	308 YungAn Rd., Taoyuan City	03-3331210	03-3331272	Changed address on Mar. 10, 1997 Changed the name as Peitun Branch on May 24, 2001 (combined the savings & remittance business into YungAn Branch)
40	052-0409	East Chungli Branch	Nov. 27, 1989	171 Chienshing Rd., Chungli City	03-4578111~5	03-4578417	Changed address on Aug. 12, 2001
41	052-0421	Hueilung Branch	Nov. 21, 1989	111 Wanshou Rd., Sec. 1, Kueishan Town	02-82001277	02-82006012	Dec. 16, 1996 Branch
42	052-0465	Kuaichi Branch	Dec. 14, 1990	862 Chunjih Rd., Taoyuan City	03-3553278~82	03-3553723	
43	052-0476	Huanpei Branch	Dec. 26, 1989	405 Huanpei Rd., Chungli City	03-4511333	03-4513135	Changed address on Jul. 7, 1997
44	052-0487	Juifeng Branch	Dec. 24, 1989	909 Chiehshou Rd., Sec. 2, Pateh City	03-3685706~8	03-3685727	Changed address on Dec. 8, 1997
45	052-0535	Tungmen Branch	Dec. 10, 1991	119 Chingshan E. Rd., Taoyuan City	03-3395633	03-3394301	
46	052-0557	Hsinpo Branch	Dec. 5, 1991	661 Chungshan Rd., Hsipo Village, Kuanyin Town	03-4986401~3	03-4986404	Sept. 8, 1997 Branch

### Hsinchu International Bank

Code	Bank Code	Unit	Establishment Date	Address	Telephone No.	Fax No.	Note
47	052-0580	Chungshan Branch (Changed address on May 17, 2004 and changed name as Shituen Branch)	Dec. 4, 1992	807 Chungshan, Taoyuan City	03-3794637~41	03-3794642	Changed address on May 17, 2004 and changed name as Shituen Branch (savings & remittance business were combined in the Sanmin Branch)
48	052-0591	Pinchen Branch	Dec. 16, 1992	225 Huannan Rd., Pingchen City. Taoyuan County	03-4910311~7	03-4910319	Changed address on Mar. 5, 2001
49	052-0616	Dachu Branch	Jane. 25, 1994	506-23 Dachu Rd., Luchu Town, Taoyuan County	03-3137633	03-3137626	Changed address on May 18, 1996
50	052-0074	Miaoli Branch	Sept. 1, 1949	562 Chungcheng Rd., Miaoli City	037-324671~6	037-358940	
51	052-0063	Chunan Branch	Sept. 1, 1949	217 Chungcheng Rd., Chunan Town	037-476161~5	037-474881 037-474882	Changed address on Dec. 15, 1997
52	052-0096	Toufen Branch	Jul. 3, 1970	106 Hoping Rd., Toufen Town	037-668281~5	037-676791	
53	052-0144	Wanli Branch	Jul. 3, 1975	19 Weikung Rd., Fanli Town	037-862851~5	037-852609	
54	052-0188	Chuolan Branch	Jul. 4, 1983	48 Chungcheng Rd., Chuolan Town	045-891916~9	045-894942	
55	052-0247	Kungkuan Branch	Jan. 28, 1986	211 Chunghsiao Rd., Kungkuan Town	037-228525~6	037-221245	Changed address on May 17, 1999
56	052-0258	Tungshiao Branch	Jan. 28, 1986	16 JenAi Rd., Tungshiao Town	037-757511~2	037-757514	Changed address on Jul. 27, 1998
57	052-0269	Houlung Branch	Apr. 8, 1986	20 Chengkung Rd., Peilung Li, Houlung Town	037-724591~2	037-724980	Changed address on Nov. 22, 1999
58	052-0410	Sanyi Branch	Oct. 27, 1989	83 Chungcheng Rd., Sanyi Town	037-875281~3	037-875242	Changed address on Aug. 12, 1986
59	052-0443	Peimiao Branch	Dec. 19, 1989	296 Weikung Rd., Chinghua Li, Miaoli City	037-267501~3	037-260184	Sept. 2, 1996 Branch
		Peimiao Stock Broker		B1, 296 Weikung Rd., Chinghua Li, Miaoli City	037-273001	037-273008	
60	052-0502	Tahu Branch	Nov. 6, 1990	79 Minsheng Rd., Tahu Town	037-995561~3	037-995564	Sept. 11, 1995 Branch
61	052-0568	Tunglo Simple Branch	Oct. 18, 1991	201 Chungcheng Rd., Tunglo Town, Tunglo Village	037-985211~3	037-985214	OC. 14, 1998 Branch Changed system on Sept. 28, 2001
62	052-0638	Sanshing Bridge Simple Branch	Jan. 19, 1994	576 Chunghua Rd., Sec. 4, Hsinchu, Taiwan	03-5303838	03-5308328	Changed address on Aug. 13, 2001 Changed system on Sept. 17, 2001
63	052-0649	East Neili Branch	Jan. 26, 1994	47 Jungmin Rd., Chungli City	03-4351988~95	03-4351093	Changed address on Sept. 20, 1999
64	052-0627	Chungyuan Simple Branch	Jan. 24, 1994	90 Hungyang Rd., Chungli City	03-4668166	03-4662442	Changed address on Jun. 28, 1999 changed system on Sept. 17, 2001
65	052-0683	Lungshi Branch	Apr. 28, 1995	220 Fushing 1st Rd., Kueishan Town, Taoyuan County	03-3972288	03-3972266	
66	052-0708	Chuangching Simple Branch	Apr. 27, 1995	35 Dashing W. Rd., Sec. 2, Taoyuan City	03-3026699	03-3028833	Changed address on Jul. 24, 2000 changed system on Sept. 17, 2001
67	052-0694	Chinling Branch	Apr. 26, 1995	87 Chinling Rd., Pinchen City	03-4579155	03-4579920	

Code	Bank Code	Unit	Establishment Date	Address	Telephone No.	Fax No.	Note
68	052-0672	Taipei Branch	Mar. 21, 1995	38 Chienkuo N. Rd., Sec. 1, Taipei	02-87723233	02-87723838	Changed address on Feb. 12, 2001
69	052-0719	Panchiao Branch	Mar. 28, 1997	192 Minchu Rd., Panchiao City	02-29528799	02-29528797	Changed address on May 7. 2001 changed system on Jul. 12, 2002
70	052-0720	Luchou Branch	May 18, 1998	342 Chihsien Rd., Luchou City, Taipei County	02-82828266	02-82815941	changed system on Jul. 12, 2002 Changed address on Sept. 16, 2002
71	052-0753	Neihu Branch	Apr. 23, 1998	1F, 69 Tunghu Rd., Neihu District, Taipei	02-26318888	02-26326910	changed system on Jul. 12, 2002
72	052-0742	Taichung Branch	May 29, 1998	1F, 308 Wenshin Rd., Sec. 1, Taichung	04-3192480-5	04-23192473	
73	052-0731	Fenguan Branch	May 20, 1998	797 Yuanhuan E. Rd., Fenguan City, Taichung County	04-25234116	04-25240078	
74	052-0786	Chiayi Branch	Jul. 26, 1999	345 Minchu Rd., Chiayi	05-2288855	05-2240800	
75	052-0775	Tainan Branch	June 23, 1999	429 Chinhua Rd., Sec. 2, Tainan	06-2648101	06-2648140	
76	052-0764	Kaohsiung Branch	June 24, 1999	383 Chiuju 1st Rd., Kaohsiung	07-3872296	07-3860532	
77	052-0812	Tungning Simple Branch	Aug. 17, 2001	96 TungAn Rd., East District, Tainan	06-2761561	06-2761565	Opened on Aug. 17, 2001
78	052-0823	Tunghai Simple Branch	Sept. 18, 2001	306 Fuko Rd., Shituen District, Taichung	04-24653500	04-24653501	Opened on Sept. 18, 2001
79	052-0801	Shenkang Simple Branch	Sept. 26, 2001	27-15 Minsheng Rd., Shenkang Town, Taichung County	04-25634781	04-25634785	Opened on Sept. 26, 2001
82	052-0834	Chungteh Simple Branch	Sept. 27, 2001	364 Chungteh Rd., Tainan	06-2697461	06-2697458	Opened on Sept. 27, 2001
83	052-0797	Liming Simple Branch	Sept. 28, 2001	562 Tayueh Rd., Taichung	04-22536208	04-22536205	Opened on Sept. 28, 2001
84	052-0867	Chungho Simple Branch	Jul. 2, 2002	182 Chien 1st Rd., Chungho City, Taipei County	02-82271656	02-82271659	Opened on Jul. 2, 2002
85	052-0845	Shilin Simple Branch	Jul. 3, 2002	177 Chungcheng Rd., Sec. 1, Shilin District, Taipei	02-28386096	02-28386160	Opened on Jul. 3, 2002
86	052-0756	Yungho Simple Branch	Jul. 9, 2002	302 Chungcheng Rd., Yungho City, Taipei County	02-29452510	02-29451275	Opened on Jul. 9, 2002
87	052-0878	Peituen Branch	May 24, 2004	236 Wenshin Rd., Sec. 4, North District, Taichung 40462	04-22990755	04-22990803	Chungshing Branch changed system
88	052-0889	Shituen Branch	May 17, 2004	327 Honan Rd., Sec. 2, Shituen District, Taichung 40744	04-27081040	04-27081118	Chungshan Branch changed system
89	052-0890	Tali Branch	Jul. 19, 2004	161, 163, 165, & 167 Chengkung Rd., Tali City, Taichung	04-24967768	04-24965125	East Chungli Branch changed system
80	052-0650	Trust Department		106 Chungyang Rd., Hsinchu, Taiwan	03-5253171	03-5269443	Changed address on Aug. 12, 1996
81		Taoyuan Stock Broker		4F-1, 465 Chungcheng Rd., Taoyuan City	03-3347111	03-3355711	

## Hsinchu International Ban

Code	Bank Code	Unit	Establishment Date	Address	Telephone No.	Fax No.	Note
90	052-0605	Foreign Department	Aug. 16, 1993	5F, 106 Chungcheng Rd., Hsinchu, Taiwan	03-5288234	03-5255840	Changed address on Dec. 9, 2002
91	052-0661	International Bank Branch	Oct. 22, 1994	5F, 106 Chungcheng Rd., Hsinchu, Taiwan	03-5288234	03-5255840	Changed address on Dec. 9, 2002
		Credit Card Department		2~6F, 326 Chungcheng Rd., Hsinchu, Taiwan	03-5345858		
		Consumer Banking Department		6F, 9, Lane 91, Tungmei Rd., Hsinchu, Taiwan	03-5710399	03-5710599	
		Financing Business Department		4F, 9, Lane 91, Tungmei Rd., Hsinchu, Taiwan	03-5722525	03-5722770	
		Legal Affairs Office		4F, 106 Chungyang Rd., Hsinchu, Taiwan	03-5250381	03-5250397	
		Auditing Office		3F, 9, Lane 91, Tungmei Rd., Hsinchu, Taiwan	03-5725199	03-5724199	
		Information Technology Department		21 Park 2nd Rd., Hsinchu Science Park, Hsinchu, Taiwan	03-5789366	03-5789348	
		Corporate Banking Department		4F, 106 Chungyang Rd., Hsinchu, Taiwan	03-5245131	03-5251531	
		Personnel Training Department		5F, 658 Sida Rd., Hsinchu, Taiwan	03-5258016	03-5260782	
		E-commerce Department		8F, 9, Lane 91, Tungmei Rd., Hsinchu, Taiwan	03-6003456	03-6000666	

(III) Matters with significant effect on Shareholders' Equity or Securities price occurred as since last year till March 31, 2005 mentioned in Clause 2, Item 2, Article 36 of Stock Exchange Law: None



