

Chinatrust Financial Holding Company (CFHC)

1. Business

As a holding company, CFHC is financial institution engaging in investment banking, securities, bills, insurance, venture capital, and asset management sectors.

2. Main Subsidiaries:

Chinatrust Commercial Bank, Chinatrust Securities Company, Chinatrust Bills Finance Corporation, Chinatrust Insurance Brokers Company, Chinatrust Venture Capital Corporation, and Chinatrust Asset Management Company.

Chinatrust Commercial Bank (CTCB)

1. Business:

Corporate Banking Business

As the industry's development brings new improvements to the country's social dynamics, CTCB continues to uphold its spirit of serving and fulfilling the needs of corporations as well as the industries by providing a comprehensive range of financial services to support and actively participate in the growth and development of the financial market. CTCB endeavors to "pursue dynamic innovation", "superior risk management", "top-quality, competitive human resources", "prudent cost management & controls", and "a spirit of teamwork to achieve common goals" in its quest to provide the best corporate banking services, to become the chosen financial partner in the business world, and to generate the highest value for its shareholders.

With the increasing maturity and sophistication of the domestic financial market as well as growing diversity of corporate financing services brought by the rapid advancement of globalization and cross-border businesses, CTCB's corporate finance segment has also made the necessary adjustments to accommodate changing market

requirements. Under a customer-oriented policy, CTCB provides a comprehensive range of products and services covering four main areas: Corporate Lending, Investment, Cash Management, and Risk Management.

Under the Corporate Lending business segment, CTCB not only provides loans to corporations to ensure both short-term and long-term financial and operational assistance for their cash flow needs, but in line with the trend towards large-scale financing, it is also the major player in the syndicated loans market. Its success in leading and completing various important loan syndications has led to its recognition as the "Best Domestic Investment Bank in Taiwan" by the Asset, an authoritative publication in financing. The award was presented to CTCB in recognition of its success in raising funds amounting to NT\$156.8 billion, which is also a reflection of the Bank's capabilities in the realm of international corporate finance. Under a thriving domestic capital market, CTCB has also consolidated its financial resources in order to offer a diverse range of financing structures. Aside from integrating Chinatrust Securities' resources in helping customers raise capital through initial public offerings (IPOs) on the Taiwan Stock Exchange, OTC market, and GTSM (GreTai Securities Market), secondary public offerings, and even share agency services, the Bank also collaborates with its network of distribution channels to facilitate the issuance of various corporate bonds as well as developing other financing methods which best suit the capital structures and allocation requirements of their institutional clients. Besides, CTCB offers convenient and attractive trade financing services through joint efforts with corporate supply chains to ensure efficient Accounts Receivables (AR) collections. Its high degree of customer confidence is well-reflected in its No. 1 position in the market.

In the Institutional Investments segment, CTCB is the largest bond trading house in the country, and it endeavors to maintain the most circulating and transparent trading platform to meet liquidity and investment

requirements of its customers' short-term financing needs. Together with its experienced and qualified financial engineering team, CTCB aims to grow with their corporate clients in a mutually beneficial partnership by offering a variety of structured products combining different investment features to improve returns on investments for their customers, while reducing the Bank's funding costs.

In terms of Cash Management, CTCB consolidates its fund and foreign exchange settlement mechanisms to integrate with its branches in Hong Kong and Internet banking channels, in response to the fast moving and the more globalize and e-evolutionary flow of funds, and to ensure convenient and more timely services for fund transfers or exchanges, collections, and payments. In particular, the rapid growth of cross-border financing has also led the Bank to offer a complete range of trade financing services, including lending, collection/payment controls.

In the Risk Management segment, CTCB has been recognized as second to none among the financial institutions involved in derivatives trading in the country. Whether the risks involve exchange rates, interest rates, or exposures to index movements, CTCB has the competence to provide tailor-made products to satisfy their customers' specific hedging requirements, offering Forwards, Options, Swaps, or combinations of these derivative instruments to assist customers in optimizing their risk management at minimum cost.

The economy in the first half of 2004 was driven by the boom in the second half of 2003 with ongoing expansion in institutional investments. CTCB's corporate banking business actively supported customers' financing needs in the capital market, providing both long-term and short-term working capital to bolster enterprises' operational and business growth, with outstanding results. During the second half of 2004, CTCB's corpo-

rate banking business continued to push ahead with profitable results despite the economic slowdown during that period, recording a dramatic 51% increase in its annual surplus from 2003. Based on such a solid foundation, it expects 2005 to be another positive year for locking in targeted customers, and implementing related analysis and management controls; breaking higher ground and attaining even better results.

Consumer Banking Business

The 2004 Taiwan economy benefited from the strong rebound in the global economy, which drove substantial exports and production, giving rise to a significant investment expansion that resulted in a robust domestic growth during the first half of the year. Subsequently, the substantial increase in international crude oil prices caused many Central Banks in countries around the world to raise interest rates one after another while restraining credit growth. This put the brakes on global economic growth, which in turn, leading to a slowdown in the Taiwanese economy. Nonetheless, the overall domestic economy still performed admirably in 2004, with a corresponding growth in CTCB's consumer banking business. CTCB's strong understanding of customer requirements and serious commitment to customer relationships helped realize its aim of providing better products and more personalized services. This approach drove the success of our Consumer Banking business pass the NT10 billion milestone set in 2003, surpassing its target by 105%.

Along with the popularization of internet transaction, CTCB's Consumer Internet Bank has been ranked No.1 in market share for four consecutive years and the internet acquiring business went up to the first in 2004 with a leap. In addition, CTCB's Consumer Internet Bank has been elected as the "The Best Consumer Internet Bank in Taiwan" by international financial journal, Global Finance for two consecutive years since 2003. We are also the only banking website in Taiwan to win "Click!

Awards”, recognized as “Best Online Customer Service Website” among the 500 intercoastal websites

In the area of Consumer lending, the amount of new loans as well as net increases in loans both reached new historical highs, bringing about outstanding results and earnings in 2004. Total loans increased significantly by 28%, from 2003’s NT\$288.7 billion to NT\$369.4 billion in 2004. Unsecured loans, which comprised 16.4% of total assets in 2003, increased to 20.0% of total assets in 2004; while the quality of loans represented by the NPL Ratio continued to improve from 1.31% to 1.07%, with corresponding improvements in profit margins. In the market, brand awareness and customer preferences for its loan products ranked first and second respectively.

CTCB’s cash card business also grew quickly, reaching 18 billion, the market share of outstanding balance moving up from the seventh place in the market last year to No. 4 in 2004, while being acknowledged as the most preferred brand among consumers. Re-launch cash card named “Wish Cash Card” in July 2004, CTCB also signed a three-year exclusive partnership deal with Japan’s largest financing Company, Acom, in December 2004 to study and develop Taiwan’s cash card market.

CTCB’s unsecured personal loan business offers a simple and easy application process, providing a diverse range of products and prices to suit different customer needs. Assets under this category officially broke through the 55 billion mark this year-end, with an annual growth rate of 43%, once gain confirming its status as the customer’s most preferred financial institution for personal loan business.

In view of rising interest rates and to accommodate individual housing needs, CTCB launched two new products in Mortgage business, “fixed rate mortgage” and “high loan to value mortgage”. As a result, new loans increased by 122% compare to the previous year, while others increased by 22% over the same period. At the

same time, CTCB set up a retention team of property experts to maintain existing customers, securing its position as the third largest mortgage provider in the domestic mortgage market.

In the area of wealth management business, CTCB focused on the Three-Bs strategy concept — “Best People, Best Product, Best Solution”, to bring customers more value-added products, which better suit their financial needs. With a team of wealth management experts and through an “open platform of product sourcing”, global investment management concepts and products were introduced, together with a complete range of financial planning system, so called Advisory Services, bringing the best investment alternatives to customers in meeting the demands of sustainable financial growth. CTCB’s 2004 annual sales volume for its structured products exceeded NT\$50.3 billion, a 43% increase compared to 2003. Its “Funds” (including domestic and foreign funds as well as Collective Investment Accounts) rose further to reach NT\$96.4 billion. Similarly, its premium income from “new Life Insurance policies” also surpassed the NT\$26.5 billion mark, recording a 47% increase from 2003. It is ranked sixth in terms of new premium revenue among other Life Insurance players, and holds the leading position on Bancassurance business

In order to provide customers with convenient and timely financial services, as of end-2004, CTCB has set up a total of 2,669 ATMs at strategic locations including 7-Eleven convenience stores, capturing some 12.5% market share — a close second to the 14.8% share held by those at Chunghwa Post outlets and about 700 more ATMs than the bank ranking the third. CTCB ATMs aim to provide customers with convenient, secure, and readily available services, guaranteeing round-the-clock, 24-hour financial assistance. According to Financial Information Service Co., Ltd. in December 2004, cross-banking transaction volumes have already exceeded those done through postal outlets, taking up more than 16% of the transaction market. Likewise, related processing fees

recorded a new high, with revenue from ATM processing fees reaching around NT\$683 million in December 2004, a whopping 173% increase from the corresponding period in 2003. In keeping with its continued customer-orientation in development of ATM features, up to 90% of its transaction channels have been automated since December 2004, with the objective of achieving a “one-stop shopping” function to provide online purchases, enquiries, and applications for various products. This will enable customers to receive convenient services without visiting bank branches in person, while maximizing ATMs’ profitability and lowering the serving cost to improve its competitive strengths.

Due to the rapid growth of the Bank’s wealth management business, CTCB had converted all Grand Commercial Bank branches into consumer finance platforms to offer a comprehensive range of products by the end of the first quarter in 2004, after the completion of our integration process. On top of this, at least a third of the branches on the entire island have already been remodeled to provide a more secure, private, and comfortable VIP centers for the customers of wealth management. CTCB also aims to introduce “Counterless Branch-Air-tube Delivery System” in Chengtung and Taipei Downtown branches, as well as Taoyuan branch, to provide customers with international standard financial services. In the fourth quarter, the completion of the acquisition of the Fengshan Credit Cooperative increased our total branches from 101 to 111 branches. At the moment, CTCB is actively setting up new branches and relocating existing ones so that in time, there will be at least one branch in every major city in every county, over the entire Taiwan, to accommodate the rapid expansion and development of its consumer finance business.

In the area of Credit Cards, CTCB has adopted a customer and service management, and has successively

introduced innovative products and services to satisfy a variety of demands from customers. With the support of its credit card customers, it not only managed to secure 15.6% of the overall credit card market, but also captured up to 20.1% of the retail spending market. CTCB also holds a 15% market share in cash advance, and a 12.4% share of the country’s revolving balance, holding the lead position in every market segment.

Income from Credit Card acquiring business also displayed an exceptional performance, accumulating a total balance of NT\$246.2 billion, an increase of NT\$48.4 billion from 2003, leading to a 23.7% market share. The total volume of installments for the year reached NT\$14 billion, a 180% increase, or NT\$5 billion up from the previous year.

Trust Banking Business

Aside from the continued development and expansion of its existing scope and quality of services, CTCB’s Trust segment aims to introduce popular new products to target individuals, families, as well as corporate clients in areas such as investment management, tax-savings planning, asset transfers, and wealth protection. Since 2004, CTCB’s assets under management reached NT\$1,408.5 billion, a 42% increase, of NT\$418.1 billion up from 2003.

CTCB’s total trust investments in both domestic and foreign marketable securities amounted to NT\$257.4 billion as at end-2004, one of the highest figures in Taiwan. Furthermore, the launch of its “Collective Investment Account of Trust Funds”, followed by August 2004 re-launch of its “Collective Investment Account-Taiwan Selective” secured its position as the first financial institution to have a trust structure with two collective investment accounts.

In terms of Custodial business, CTCB was the industry leader during the year, and the first company to offer custodial services to OTC and Listed corporations for “Employee Stock Option Certificates of Overseas

Foreign Employees”. As at end-2004, the total balance under its management amounted to NT\$997 billion, recording a 26% increase from 2003.

In the Corporate and Personal Trust segment, the total amount of marketable securities held as at end-2004 was NT\$32.2 billion, an increase of NT\$27.4 billion from 2003. This phenomenal 563% growth propelled it to the forefront of the overall financial institutions in Taiwan. Where “Employee Stock Ownership Trusts” are concerned, CTCB holds the leading position with a 48% share of the market, after the launch of two new products, the “Employee Profit-Sharing Unit Trust” and the “Treasury Shares Trust”.

Through a comprehensive sales approach as well as authorization and transfer agent services, CTCB’s Transfer Agent business held the top position in the market, posting excellent results as the country’s largest transfer agent institution. With respect to ESOP services, it pioneered an Internet registration process to provide a more convenient channel which not only improves its services and competitive advantage, but also provides added value to customers. A total of 1,073 companies now provide certification services for CTCB’s unit trusts. The management scope of its discretionary trust business also ranked top among the 12 licensed banks in the industry.

2. Segmentation by Business

Unit: NT\$1,000,000

Business Segment	Amount	Ratio %
Retail Banking	42,592	60%
Consumer Banking	18,728	20%
Credit Cards	14,216	26%
Wealth Management	9,648	14%
Corporate Banking	28,586	40%
Total	71,178	100%

Chinatrust Securities Company (CTSC)

1. Business Overview

Brokerage Services

CTSC operates in the securities market where it receives orders from clients to trade securities in the TSE and OTC markets. It also accepts customers’ trading directives for the Taiwan Futures Exchange, including domestic indexed futures, electronic indexed futures, financial insurance indexed futures, Taiwan-50 indexed futures,

interest rate futures, small-cap indexed futures, indexed options, stock options, and other approved futures or new derivative products, offering investors the opportunity to hedge their risks or exposures to the spot market. In 2004, the total completed transaction volume for exchange and OTC market trades amounted to NT\$27627.8 billion, where CTSC’s trading volume accounted to NT\$240.9 billion.

Proprietary Trading

Equity

CTSC trades on its own behalf for securities listed in the stock exchange and the OTC market.

Fixed Income

CTSC uses its expertise to conduct balanced proprietary trades for various government bonds, corporate bonds, and bank debentures. Its bond trading activities include outright purchasing and selling, re-purchase and re-sell.

In order to realize the Government's goal of more wide-ranging and developed securities markets through its financial restructuring scheme, CTSC continues to increase when-issue trades, bond trading under borrowing & lending, treasury futures, and other similar instruments to fulfill the need for a more diverse securities market.

Also, CTSC is actively developing cross-industry sales channels and integrated financial products and services in order to realize synergies through its plan to develop various financial products and distribution of these products through effective sales channels to promote the consolidation of its resources. These include appropriate bundling, customized products and a complete range of one-stop services.

Financial Derivatives

The main aim of CTSC's Derivative Product Division is to conduct innovative analysis and carry out actual trades on new financial products in the domestic and foreign markets. The main products consist of warrants, structured products, and other derivative instruments.

In the warrants market, the main focus is on the issuance of call-warrants in the domestic exchange and OTC markets, and conducting hedging trades through these markets while meeting customer requirements by restructuring and engineering various warrant products.

The market's resistance to the attempted inclusion of warrant issues into the securities market in July caused a major shrinkage to the primary warrant market, with

almost zero new issues from July to November.

Nonetheless, since its re-launch, the warrant market has shown a healthy growth with over 360 new issues during the year. Of this, CTSC handled 15 issues, representing 4% of the market.

In 2004, CTSC's Structured Products Division did not participate actively in the market due to tax-related reasons. However, it expects to play an aggressive role in the coming year.

Futures

CTSC's Futures Proprietary Trading Division is mainly involved in futures and options trading, as well as carrying out research and analysis of trading strategies.

Underwriting Business

CTSC offers planning and consulting services of mergers and Initial Public Offering (IPOs) on TSE and OTC markets. It also assists public companies to raise needed capital, thereby stimulating the capital market and facilitating economic development.

Aside from continuing to direct high-quality companies towards the capital market in 2004, it also provided support to many corporations in arranging for cash injections and the issuance of convertible debt to raise required capital, such as Yeun Chyang Industrial Co., Aurotek Corporation, Well Communication Corp., L&K Precision Technology, ITEQ Corporation, Lipers Enterprise Co., PRO-NETS Technology Corporation, Taiwan Chinsan Electronic, Mirle Automation Technology, Powertip Technology Corporation, Leofoo Development Co., Shanloong Transportation Co., Prime View International Co., Kuen Ling Machinery Refrigerating Co., and Yulon Motor Co. In addition, it provides consultation services to the issuer regarding securities issuance and related trading activities, and provides assistance to the issuer for the issuance of corporate bonds, financial bonds, as well as international financial bonds, promoting liquidity in the capital market while ensuring sustainable development for corporations and the economy.



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2. Revenue Breakdown

Unit: NT\$1,000,000

Item	2004	
	Amount	%
Income from Brokerage Fees	263	20
Income from Underwriting	96	7
Net Profit from Sale of Securities – Underwriting	38	3
Interest Income	109	8
Net Profit from warrants issued	531	41
Net Profit from Futures Contracts	109	8
Net Profit from Options Contracts	79	6
Gain on reversal of market decline of securities	45	4
Other Income from other Operations	40	3
Total	1,310	100

Chinatrust Bills Finance Corp.

1. Business

- Brokerage and proprietary trading for short-term bills
- Certification of bills
- Underwriting of bills
- Guarantor for Notes/Debt
- Providing financial consulting services to financial enterprises
- Authorized dealer, underwriter, broker, and proprietary trader for Financial Bonds
- Brokerage and proprietary trading on Government Bonds
- Proprietary Trading on Corporate Bonds
- Related advisory services and consultation
- Derivative instruments approved by the Ministry of Finance.

2. Segmentation by Business

Main Business

1. New Purchases

Item	2004	
	Amount	%
Commercial Papers	129,901	85.10
Bankers Acceptances	-	-
Negotiable Certificates of Deposits	22,238	14.57
Treasury Securities	500	0.33
Total	152,639	100.00

2. Bonds/Debentures Underwriting

(a) Segmentation by Guarantor

Item	2004	
	Amount	%
Bank	21,355	16.44
Unit Trust/Mutual Fund	-	-
Other Bills Companies	226	0.17
The Company	93,170	71.73
Unsecured Debt	15,150	11.66
Total	129,901	100.00

(b) Segmentation by Tenure

Item	2004	
	Amount	%
1-30 days	41,353	31.83
31-90 days	66,948	51.54
91-180 days	17,715	13.64
181 days	3,885	2.99
Total	129,901	100.00

3. Trading of Notes and Bonds

(a) Segmentation by Trading Instruments

Unit: NT\$1,000,000		2004	
Item	Amount	%	
Promissory Notes	1,199,373	13.36	
Bankers Acceptances	36	0.00	
Negotiable Certificates of Deposits	237,115	2.64	
Treasury Securities	17,030	0.19	
Government Bonds	7,517,657	83.73	
Financial Bonds/Bank Debentures	7,103	0.08	
Corporate Bonds	426	0.00	
Total	8,978,740	100.00	

(b) Segmentation by Counterparties to Transactions

Unit: NT\$1,000,000		2004	
Counterparty	Amount	%	
Bank	1,165,625	12.98	
Securities Companies	2,763,611	30.78	
Trust Companies	16,419	0.18	
Insurance Companies	315,491	3.51	
Government Agencies	7,315	0.08	
Private Enterprises	4,611,397	51.36	
Institutional Groups	12,437	0.14	
Funded Agencies	31,887	0.36	
Others	54,558	0.61	
Total	8,978,740	100.00	

Chinatrust Insurance Brokers Company

1. Business

The company is involved in general and life insurance businesses as listed below:

General Insurance	Corporate	Marine Insurance, Fire Insurance, Liability Protection, Engineering Insurance, and Fidelity Insurance.
	Personal	Fire Insurance, Fidelity Insurance, Auto/Car Insurance, Unemployment Insurance, and Group Accident Insurance.
Life Insurance	Corporate	Group Fixed Life Insurance, Group Health and Accident Insurance.
	Personal	Personal Injury Insurance, Health Insurance, Whole-Life Insurance, Endowment Insurance, Investment-linked Insurance, and Annuity Insurance.

2. Segmentation by Business

A breakdown of commissions-based income received in 2004 is listed in the table below:

Unit: NT\$1,000,000

Product	Income from Commissions	% Contribution
General Insurance	91	4.5%
Life Insurance	1,910	95.5%
Total	2,001	100.00%

The company was mainly involved in the Life Insurance business during the year.

Chinatrust Venture Capital Corp. (CTVC)

1. Business: Venture Capital Investments

2. Segmentation by Business

CTVC's major business involves direct investments in non-listed companies. In 2004, the company invested in a total of three new projects, and two capital increment by cash in two of its existing projects; and all of which are

domestic investments. As of Dec 31 2004, total combined domestic investments amounted to NT\$440 million or 56% of the company, while foreign investments made up the remaining 44% with US\$10.85 million, with investments largely allocated in telecommunications, technology, computing hardware, and software sectors.

The following table shows a breakdown of investee companies, amounts invested, and % contributions:

Unit: NT\$1,000,000

	Amount Invested	% Contribution to Total
Telecommunications, Technology, Computing Hardware and Software Industries.	339	43%
Biotechnology Industry	197	25%
Semiconductor and Fiber-optics Industries	152	20%
Other Industries	92	12%
Total	780	100%

Chinatrust Asset Management Company (CTAM)

1. Business

- Purchase of Non-performing Loans (NPLs) from financial institutions
- Manage the NPLs auction process for financial institutions
- NPLs management services for financial institutions
- Credit valuation of NPLs
- Related businesses to investments in NPLs.

2. Segmentation by Business

Unit: NT\$1,000,000

	Invested Amounts	%
Purchase of Non-Performing Loans	11,271	100