

# Special Notes

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Financial Supervisory Commission

## Internal Control Representation

*Dear Sirs:*

On behalf of Chinatrust Financial Holding Co., Ltd, we hereby certify that the company's internal control system and risk management mechanism for the fiscal year of 2004 have been implemented and audited by the independent internal auditors as to comply with "Financial Holding Companies' Internal Control and Internal Audit Rules", and the internal audit reports are periodically presented to the company's board of directors and supervisors.

We hereby certify that the company complies with all related laws and regulations, and the internal controls are effectively in place. This representation is part of the annual report and publicly disclosed.

We understand that we are legally bound to SEC ordinance #20, 32, 171 & 174.

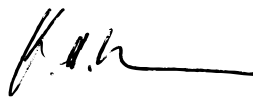
Sincerely yours,



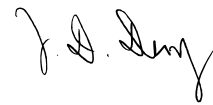
**Jeffrey L.S. Koo**  
*Chairman*



**Jeffrey J.L. Koo, Jr.**  
*President*



**Thomas K.S. Chen**  
*General Auditor*



**Y.D. Deng**  
*Compliance Officer*

## Dividend Policy and Earnings Distribution

### 1. Dividend policy and status of execution

#### (1) Dividend policy:

In order to sustain growth and increase profitability, the company shall keep a policy of retaining a portion of the earnings in conformity with relevant laws and regulations. After deduction of the retained earnings, the balance of the surplus is distributed in the form of stock dividends and cash dividends, but the cash dividends shall not be less than 10% of the distributed earnings. If the cash dividend is less than NT\$0.10, it shall not be distributed. The above ruling is the general principle for distributing earnings. The board of directors may request the shareholders' meeting to make adjustments in the distribution, if necessary.

Terms, timing, and amounts for distribution of earnings: In case there is a surplus, the company shall first pay taxes, make up losses in past years, and set aside retained earnings, legal surplus, and dividends for preferred shares in accordance with the law. For the balance, 0.01% – 0.05% shall be for the bonuses of the employees, and 4% shall be for the remuneration of directors and supervisors. Distribution of the remainder funds, together with the undistributed surplus in the previous year, shall be proposed by the board of directors at the shareholders' meeting for approval or adjustment.

The board of directors shall be authorized to decide on the exact percentage for distribution of bonuses to employees. If the bonuses are in the form of stock dividends, employees of subsidiary companies approved by the Company Law shall also be entitled to the distribution. The details are to be decided by the board of directors.

#### (2) The Board has approved the earnings appropriation proposal for 2004. The original assumptive resolution of dividend distribution approved by the Board is as follows:

- Preferred stock dividends: NT\$612,000,000
- Common stock dividends: It is proposed that NT\$10,598,497,556 from retained earnings of Year 2004 and NT\$ 7,065,665,040 from capital surplus will be distributed according to the record shown in the shareholder book on the distribution record date (Record Date). The dividends are NT\$1.0 per share in cash and NT\$2.0 per share in stock, total Common Stock' dividends are NT\$3.0 per share.

### 2. The influence of dividend allocation this time to the operation performance, earnings per share and investment return rate for the stockholders: There was no announced financial forecast for the company in 2005, therefore no disclosure of such information is needed.

### 3. Information relating to employee bonuses and compensation to directors and supervisors of the Board:

- (1) The allocation percentage or range of employee bonuses and compensation to directors and supervisors of the Board mentioned in the Articles of Incorporation: The employee bonuses allocation range is between 0.01%~0.05%, and the compensation to directors and supervisors of the Board is 4%.

(2) The original assumptive resolution of dividend distribution for 2004 approved by the Board is as follows:

- Distribution of employee cash bonus NT\$5,713 thousand, stock bonus NT\$0, compensation to directors and supervisors NT\$457,016 thousand.
- Employee bonus distributed in the form of stock: 0 share.
- The assumptive earnings per share after allocation of employee bonuses and compensation to directors and supervisors of the Board will be NT\$2.52.

(3) The appropriation of employee bonus and remuneration to directors and supervisors for 2003

	Year 2003			
	Distributed with the resolution from the Annual General Meeting	Distribution proposal approved by the Board of Directors	Difference	Explanation
<b>1. Distribution status:</b>				
A. Employee bonus distributed in the form of cash	NT\$3,160,974	NT\$3,160,974	-	-
B. Employee bonus distributed in the form of stock				
(1) shares	-	-	-	-
(2) amount	-	-	-	-
(3) % of outstanding shares of the Year	-	-	-	-
C. Remuneration to Directors and Supervisors	NT\$252,877,995	NT\$252,877,995	-	-
<b>2. EPS:<sup>□</sup></b>				
A. Original EPS	NT\$1.42	NT\$1.42	-	-
B. Pro forma EPS	NT\$1.37	NT\$1.37	-	-

<sup>□</sup> The original and pro forma data stated above were not retroactively adjusted.

*This annual report is a simplified version of its full content.  
Please refer to the annual report in Chinese or visit our company website at  
<http://www.chinatrustgroup.com.tw>  
for complete disclosure required by the regulation.*

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Chinatrust Financial Holding Co., Ltd.