

Investment Opportunities in the Taiwan Stock Market

SinoPac Holdings

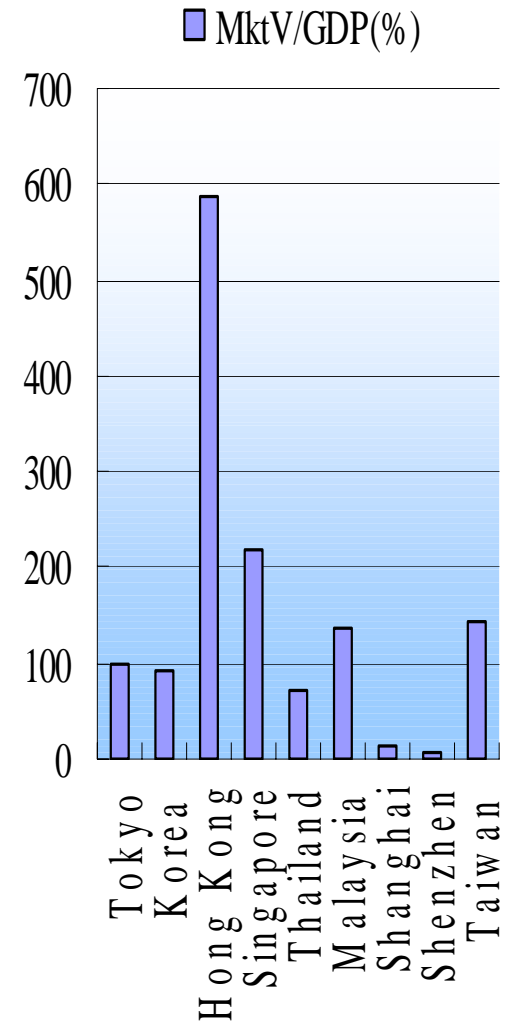
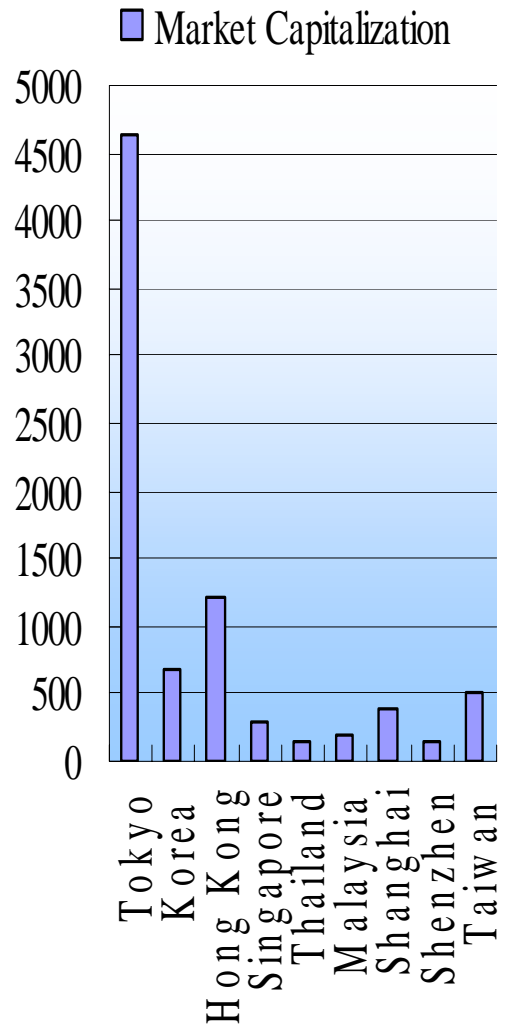
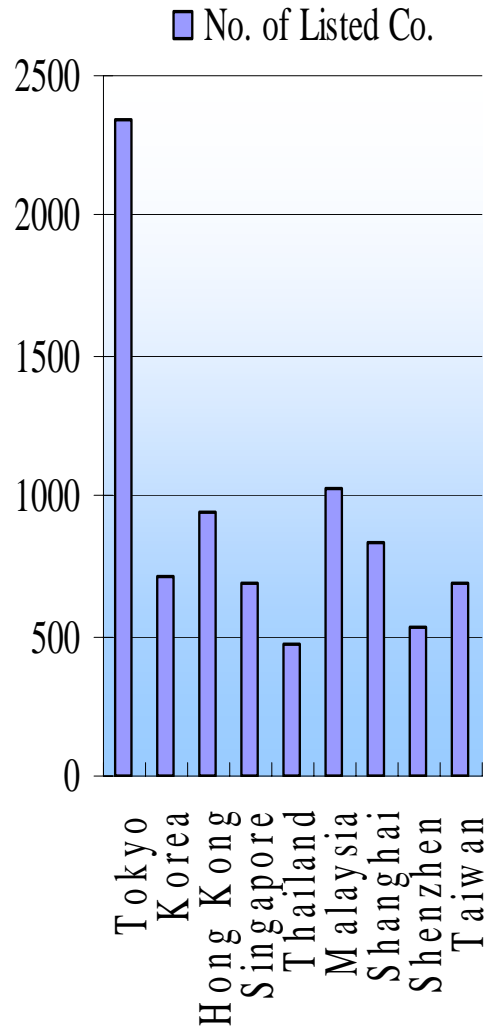
SinoPac Securities (Europe) Ltd.

18 Sep 2006 – presented by Juno Lee

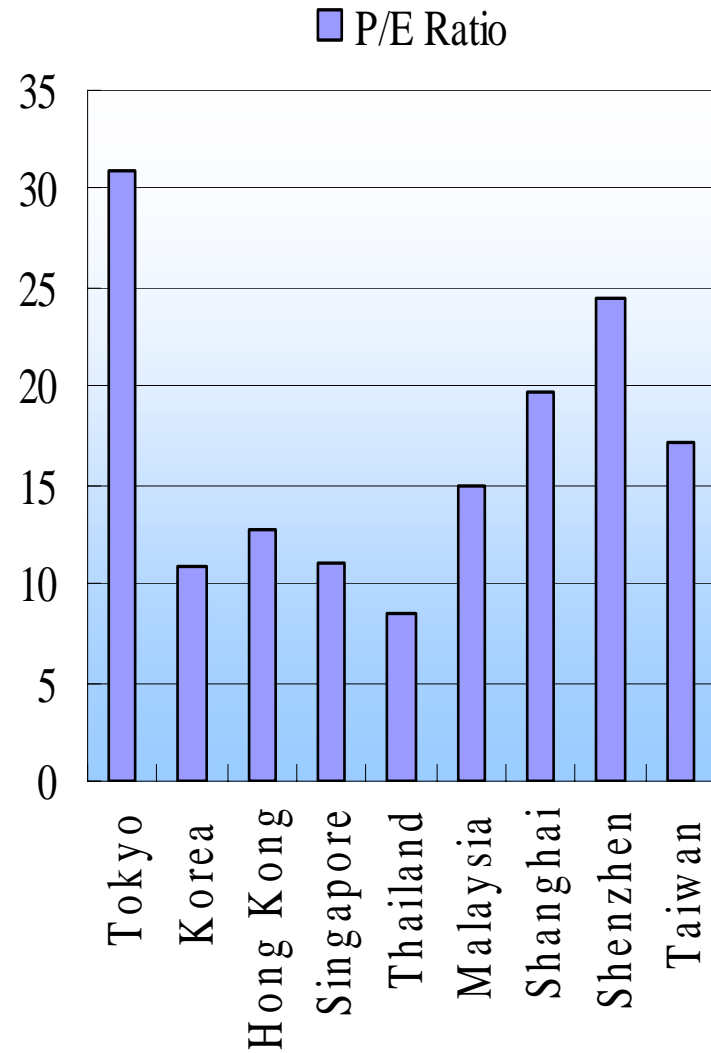
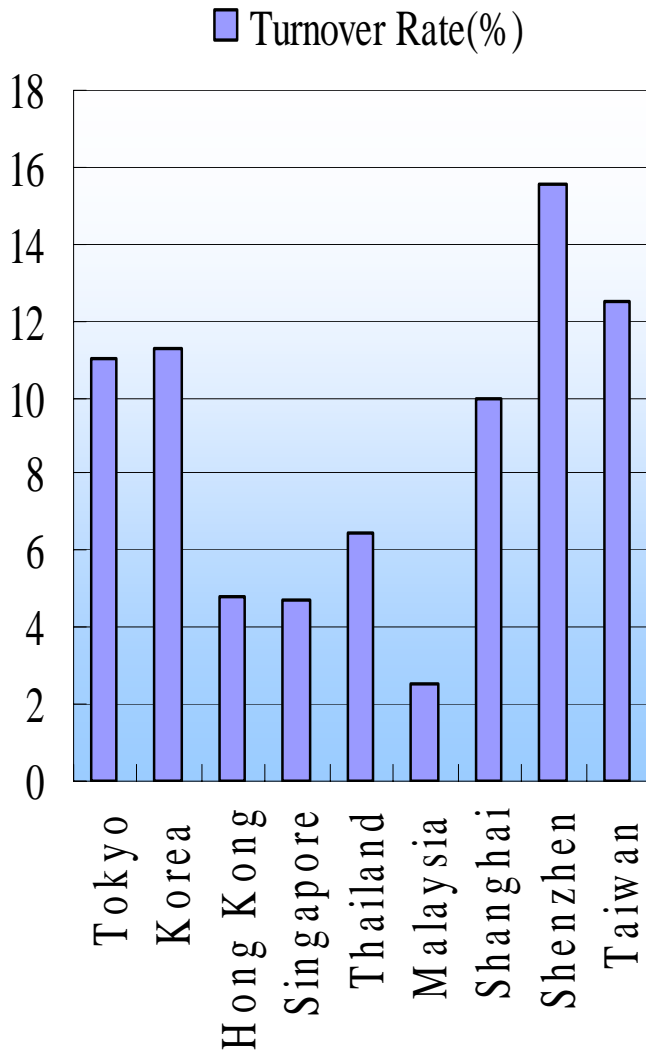
Contents

- ◆ Taiwan Stock Market overview
- ◆ Why Invest in the Taiwan Stock Market?
- ◆ Future Industry Trends & Investment Opportunities

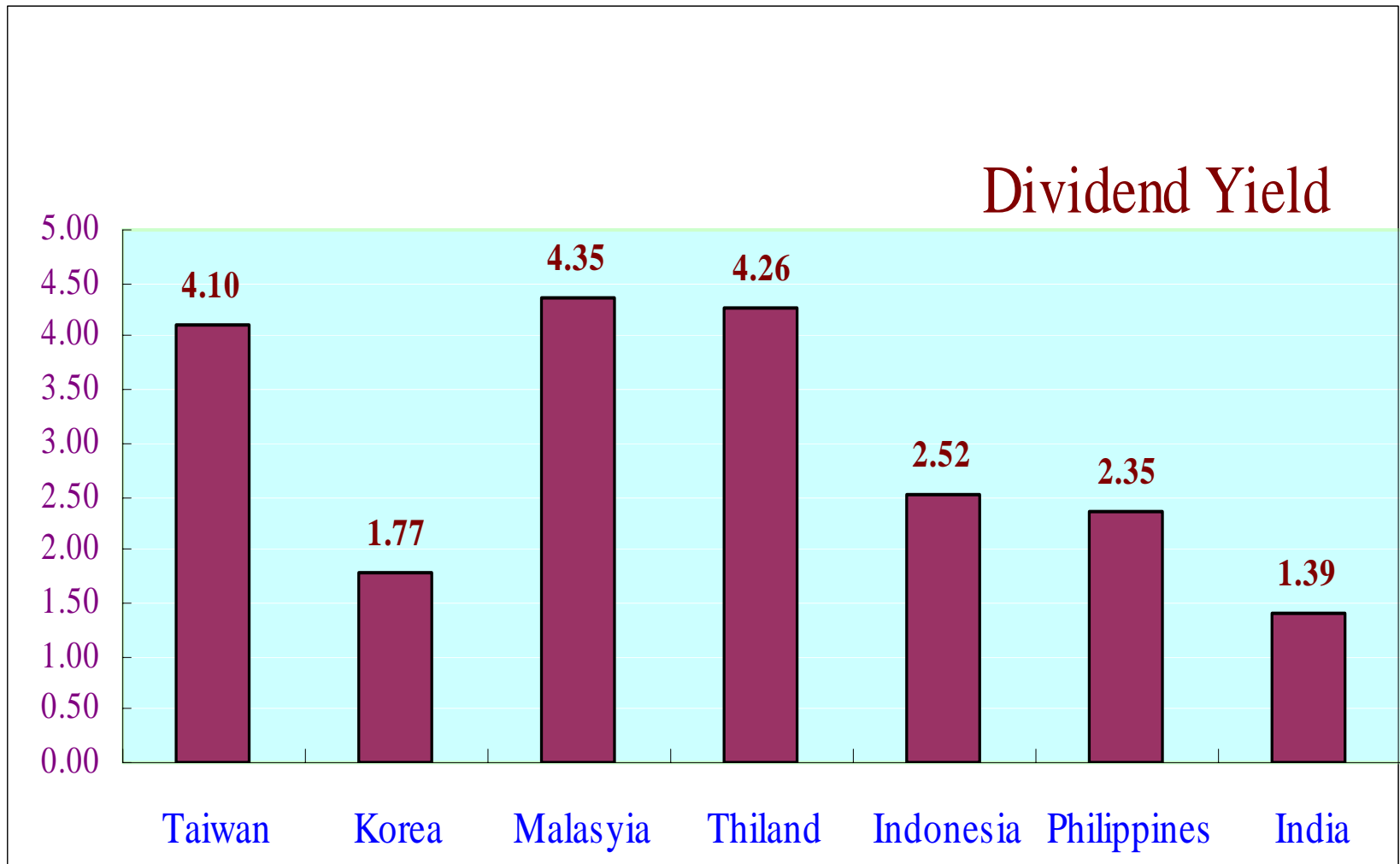
Taiwan Market Overview



Taiwan Market overview

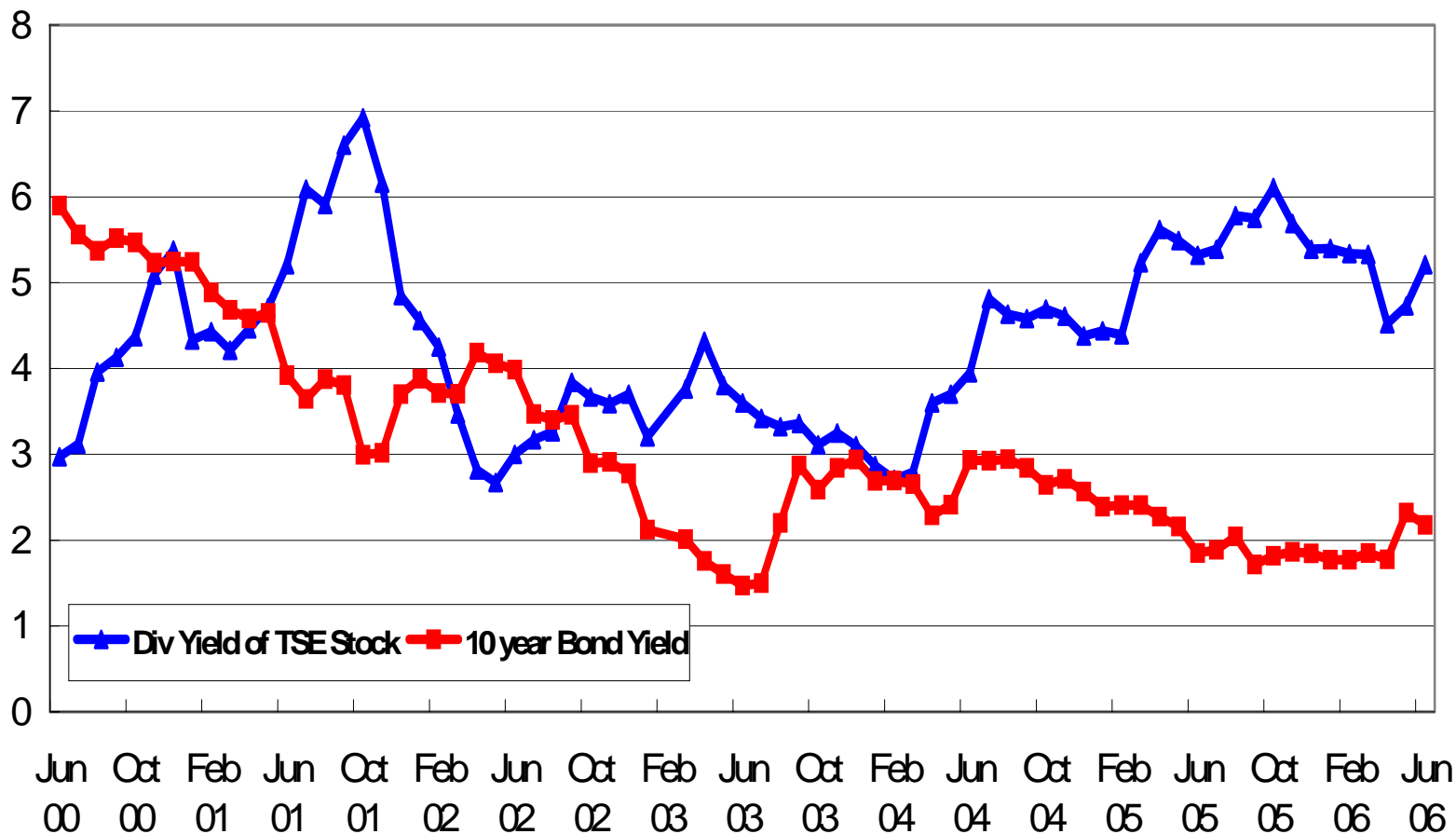


Taiwan dividend yield is competitive



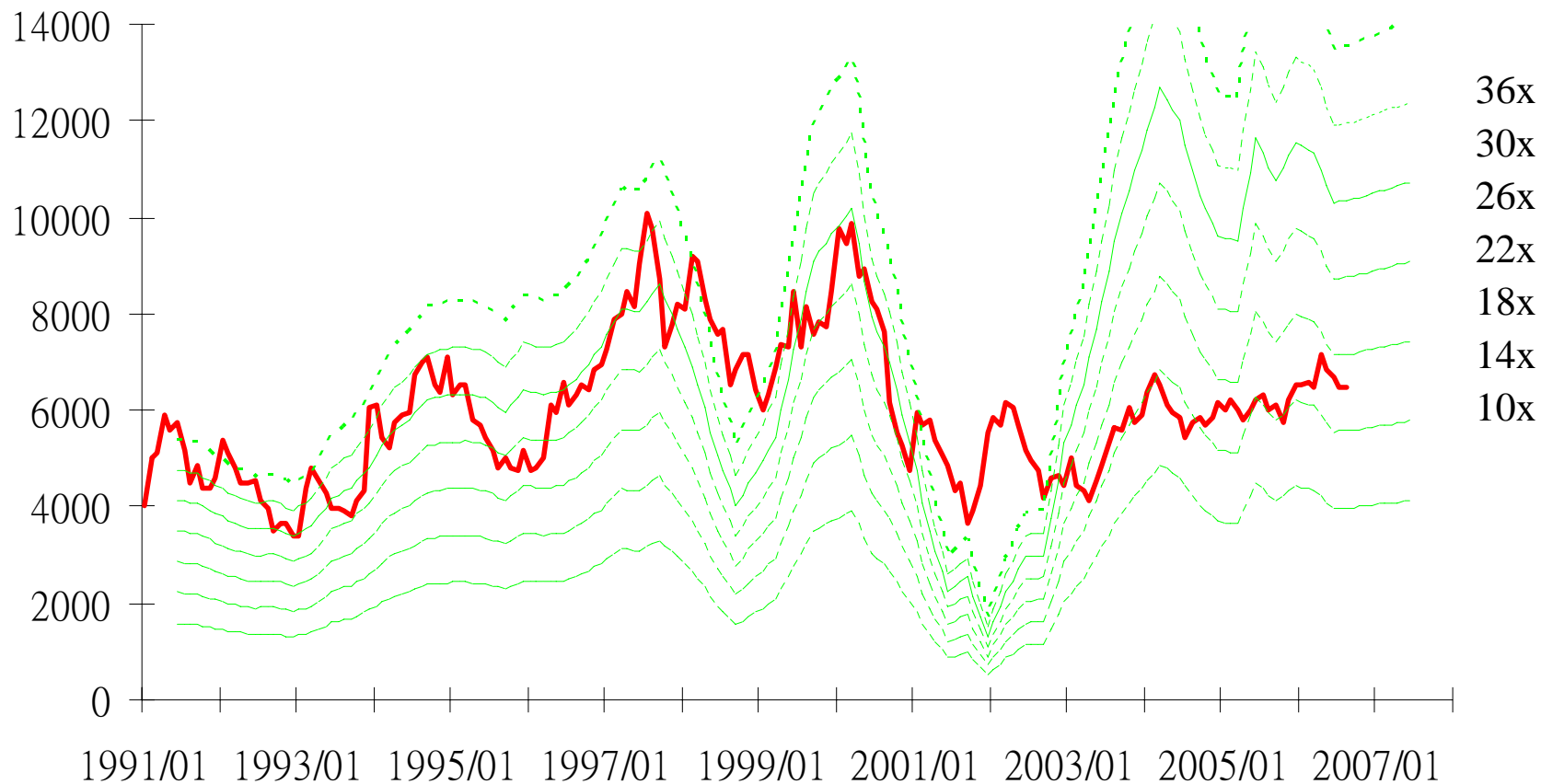
Taiwan Stock Market Div Yield is better than 10 yr Bond Yield

Taiwan Div Yield vs. 10 Year Bond Yield

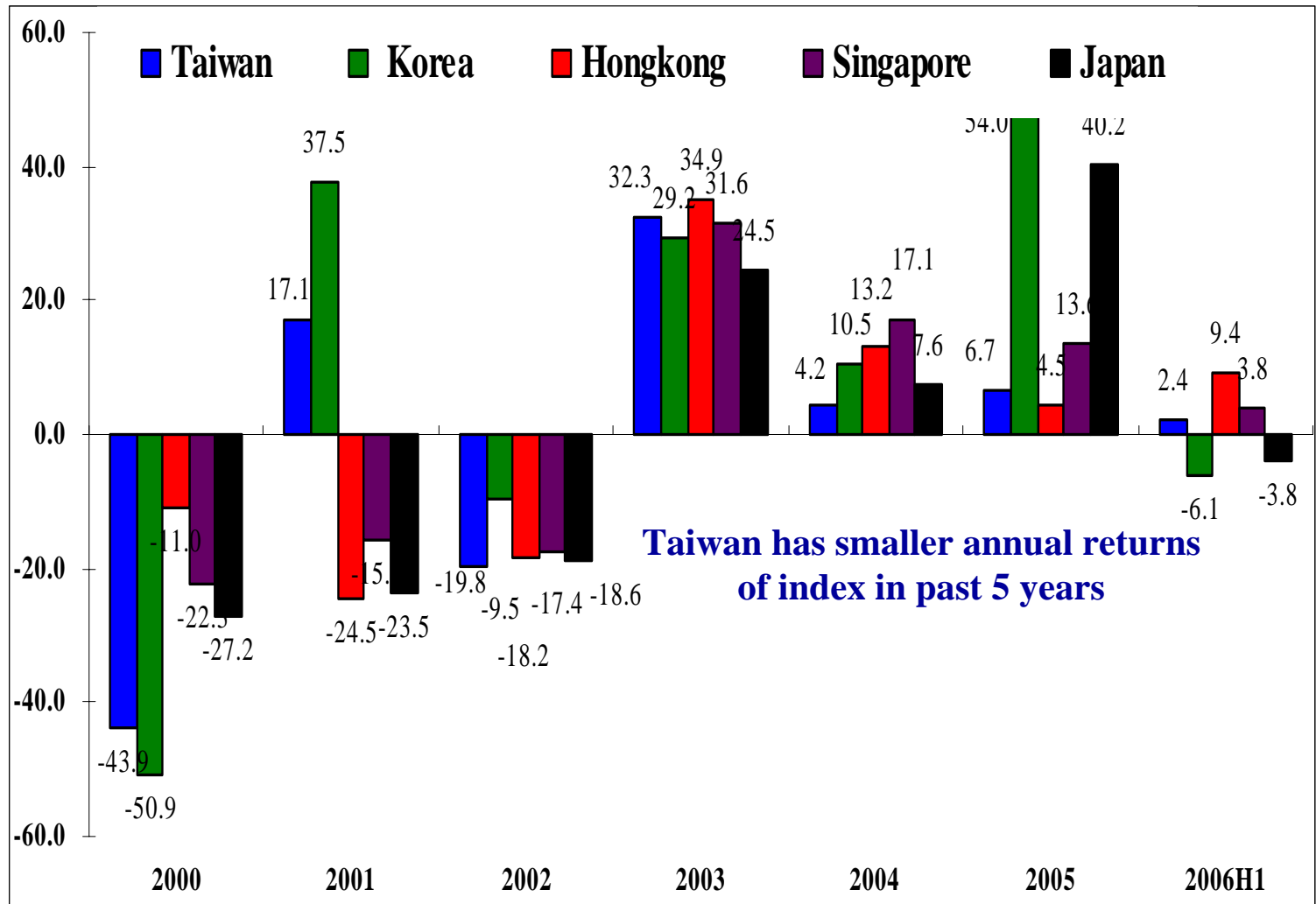


Taiwanese PER is at a Historic Low

PER-Band of TWSE Since 1991



Downside Risk of Taiwan Stock Market is Lower than Asian Peers



Taiwan Ranked 14th in the MSCI AC World Index

MSCI AC World Index

	<u>% of Index</u>	<u>Rank</u>
◆ USA	45.90%	1st
◆ Japan	10.63%	2nd
◆ UK	10.47%	3rd
◆ Korea	1.30%	12 th
◆ Taiwan	0.99%	14th
◆ Hong Kong	0.72%	16th
◆ China	0.68%	17 th
◆ Malaysia	0.20%	30 th
◆ Singapore	0.36%	38th

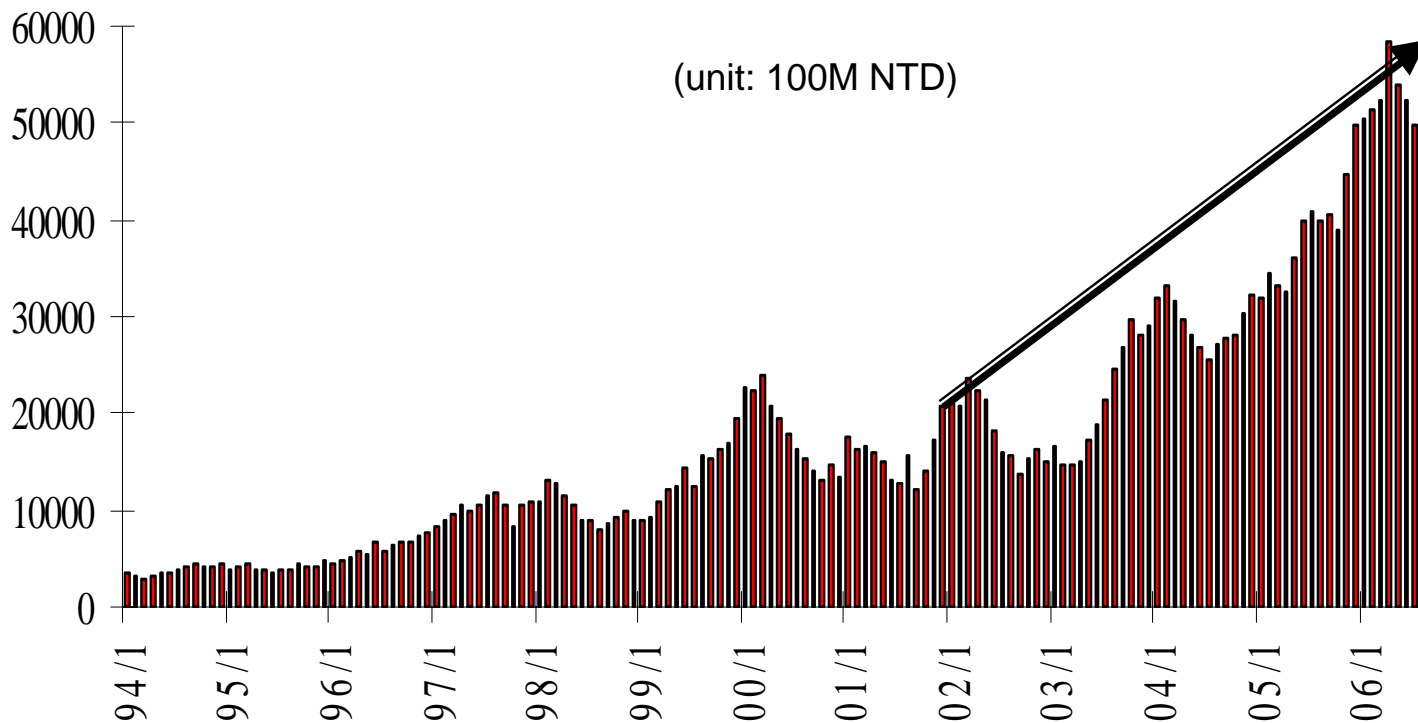
Taiwan ranked 2nd in the MSCI Emerging Markets Index

MSCI Emerging markets Index

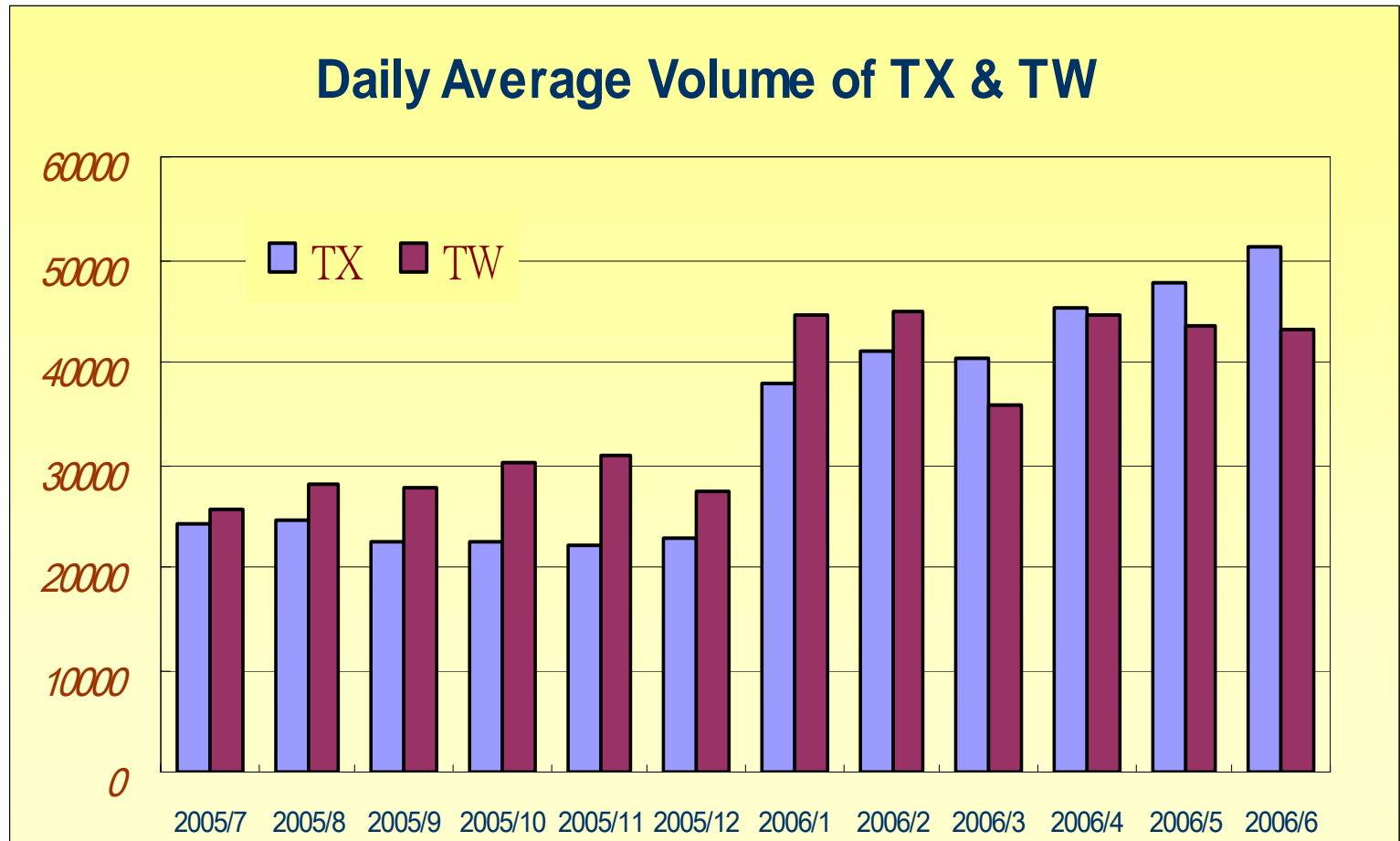
	Weighting	Rank
South Korea	17.67%	1st
Taiwan	13.23%	2nd
Brazil	10.82%	3rd
China	9.62%	4th
South Africa	8.90%	5th
India	6.05%	7th
Malaysia	2.79%	9th
Thailand	1.63%	12th
Indonesia	1.54%	14th

FINI investments increase in Taiwan

Foreign Institutional Investors (FINI) investment in Taiwan has increased significantly in the past 10 yrs. At present (in Aug 2006) FINI accounts 33% of TAIEX market cap



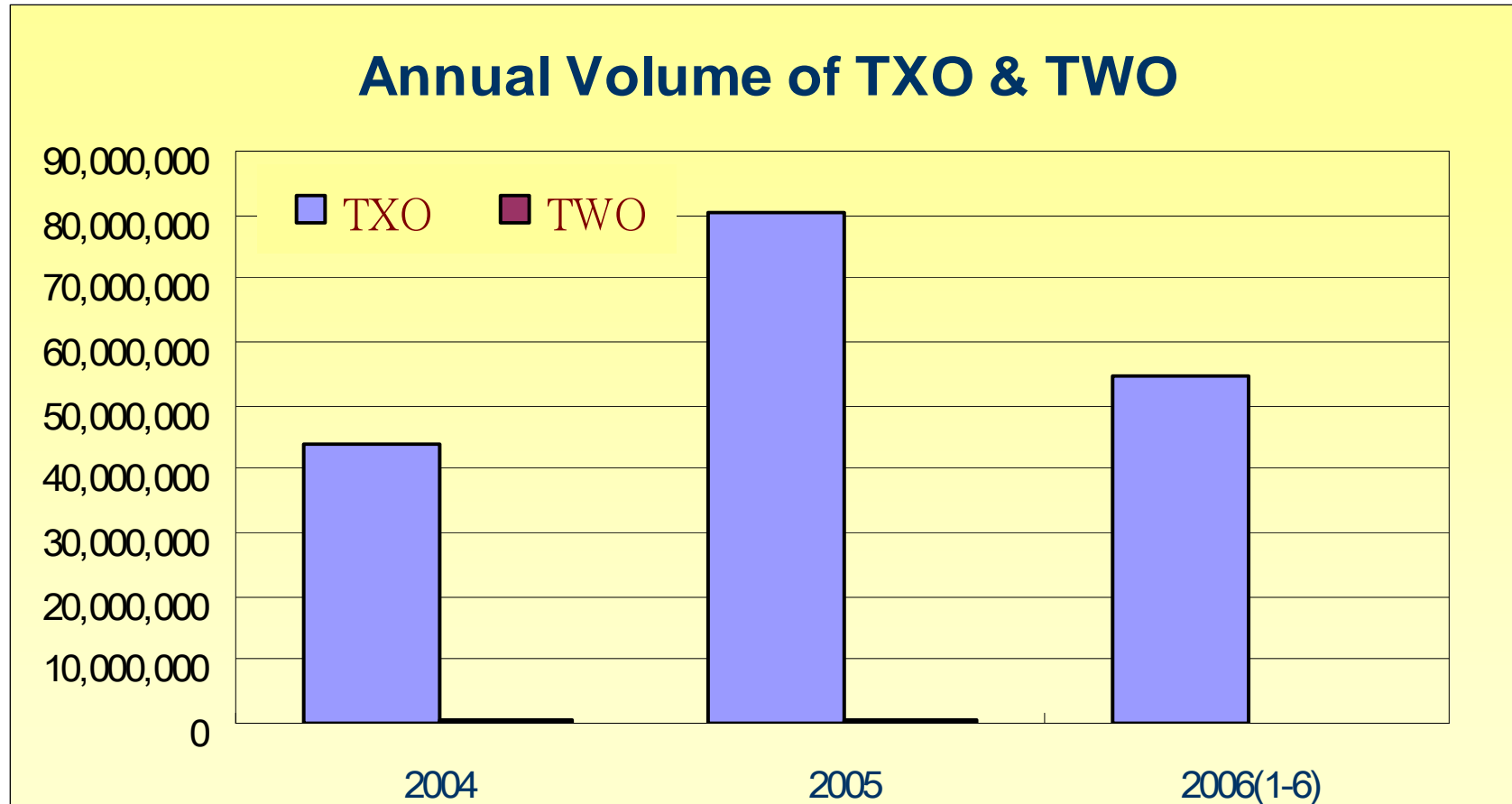
Taiwan Futures Market has Surpassed Singapore Futures Market



Notes: TX denotes Taiwan Index Futures

TW denotes SGX MSCI Taiwan Index Futures

Taiwan Options have Strong Liquidity to that in Singapore

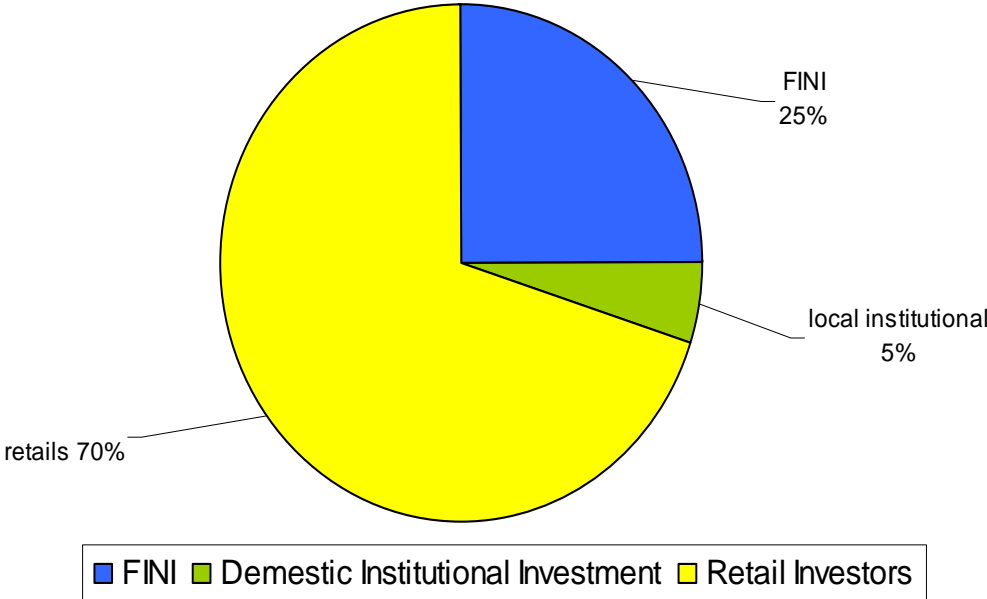


Notes: TXO denotes Taiwan Index Options

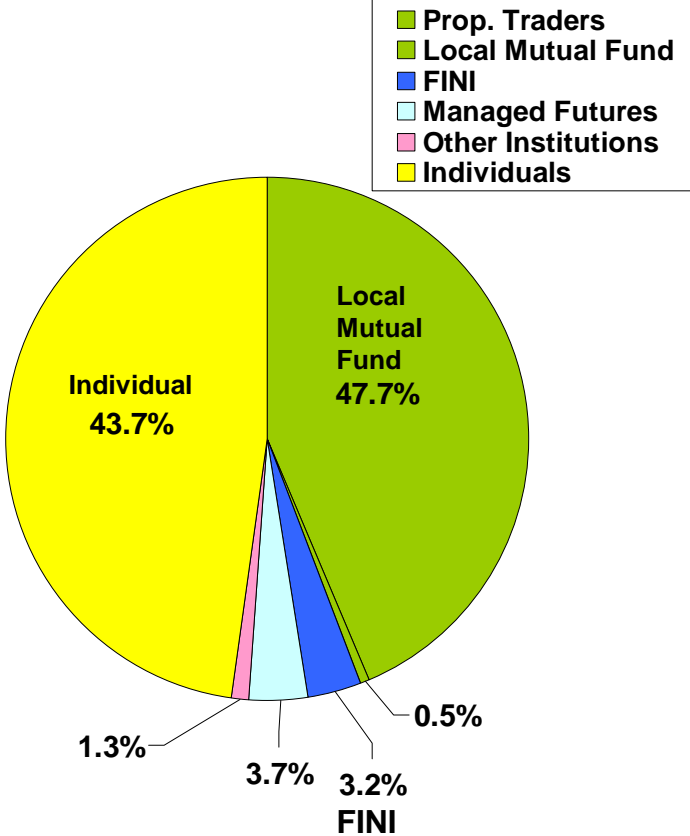
TWO denotes SGX MSCI Taiwan Index Options

Retail Investors Dominate Taiwan Market Trading Volume

Equities market



Futures & Options Mkt



Improving Investment and Hedge Environment for FINI*

- ◆ Stock Borrowing and Lending for FINI (June 2003)
- ◆ Futures & Options trading for non-hedging purpose for FINI (March 2006)
- ◆ Margin Finance for FINI (effective, 2nd Oct 2006)

* FINI stands for Foreign Institutional Investors

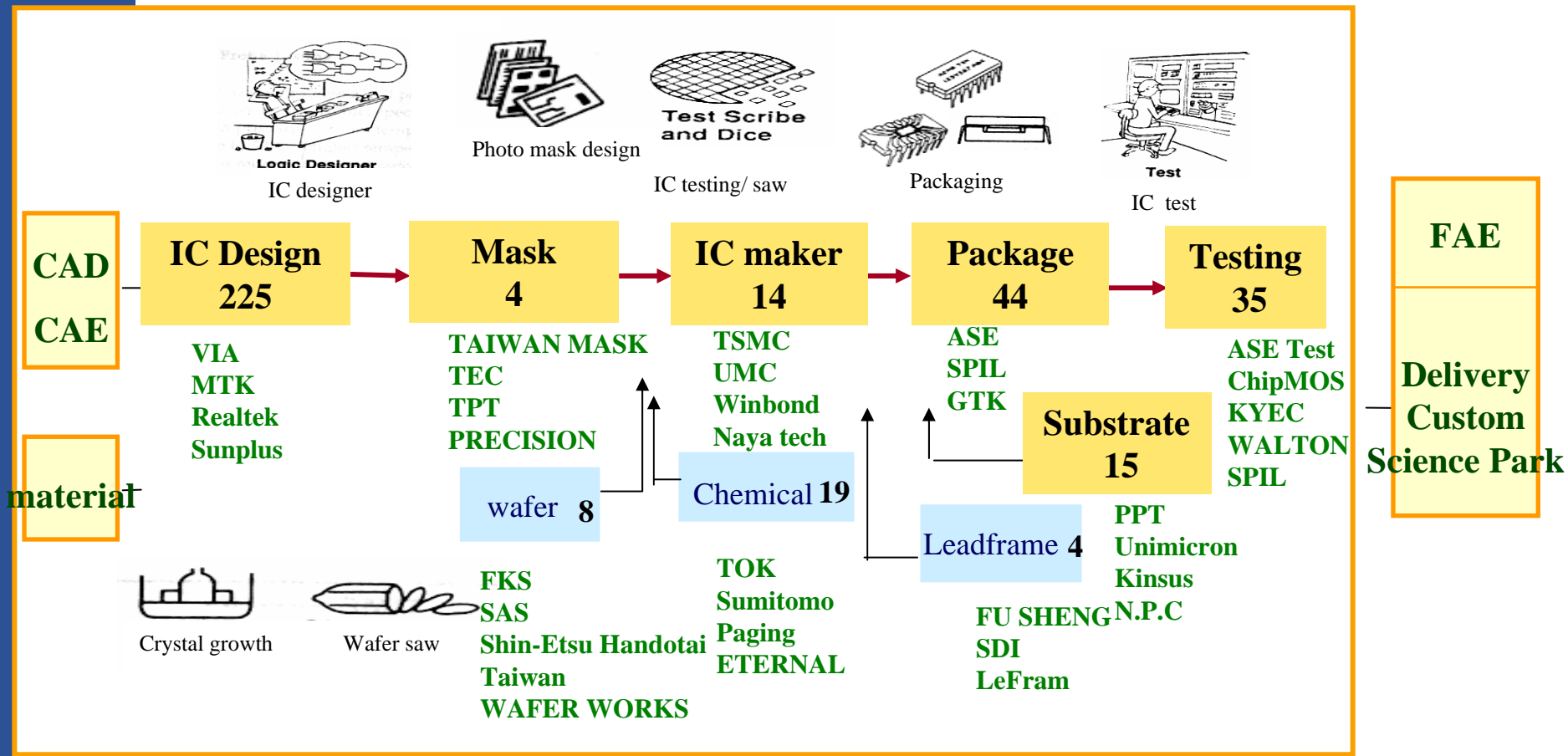
Contents

- ◆ Taiwan Market Overview
- ◆ Why Invest in the Taiwanese Stock Market?
- ◆ Future of Industry Trends & Investment Opportunities

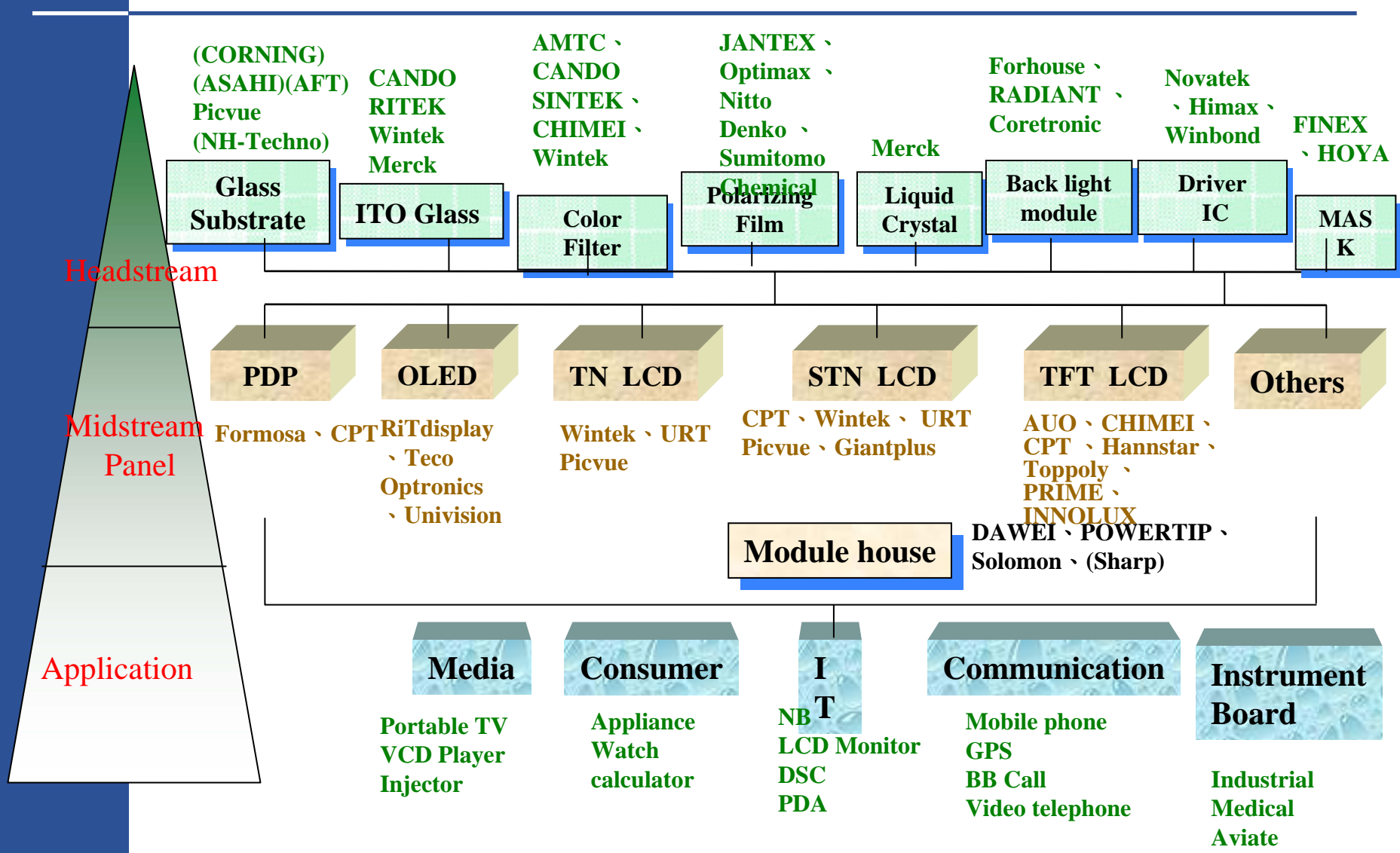
Why Invest in Taiwan

- ◆ Complete supply chain in IT industry
- ◆ Gateway to China

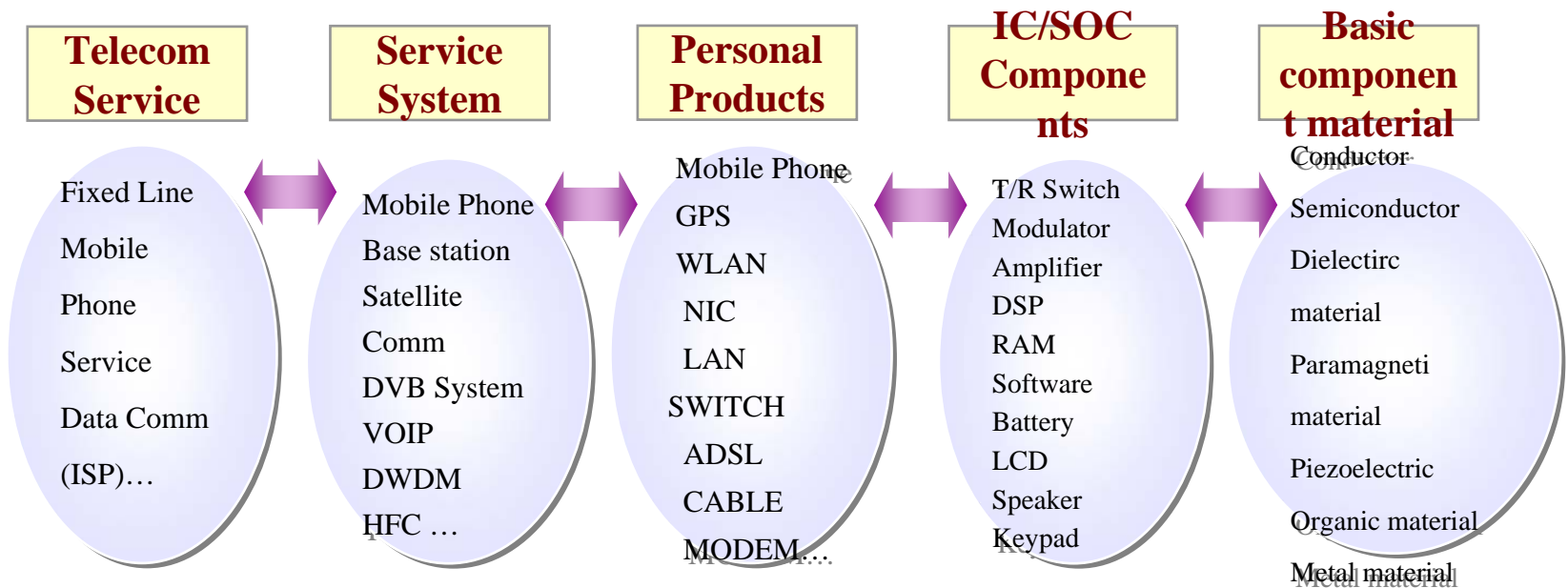
Complete Semiconductor Industry Supply Chain



Taiwan FPD (TFT-LCD) Industry Supply Chain



Strong Communication industry supply chain



Chunghwa Telecom
Fareastone
Vibo Telecom
APBW
Taiwan Fixed Network
Sparq
Taiwan Mobile
Seednet

MTI
Zinwell
D-Link
Askey
DSG

BenQ **Compal**
Comm
DBTel
Quanta

Garmin **Leadtek**
Royaltek

D-Link **Accton**
Hon Hai **Zyxel**
Alpha Networks
Gemtek

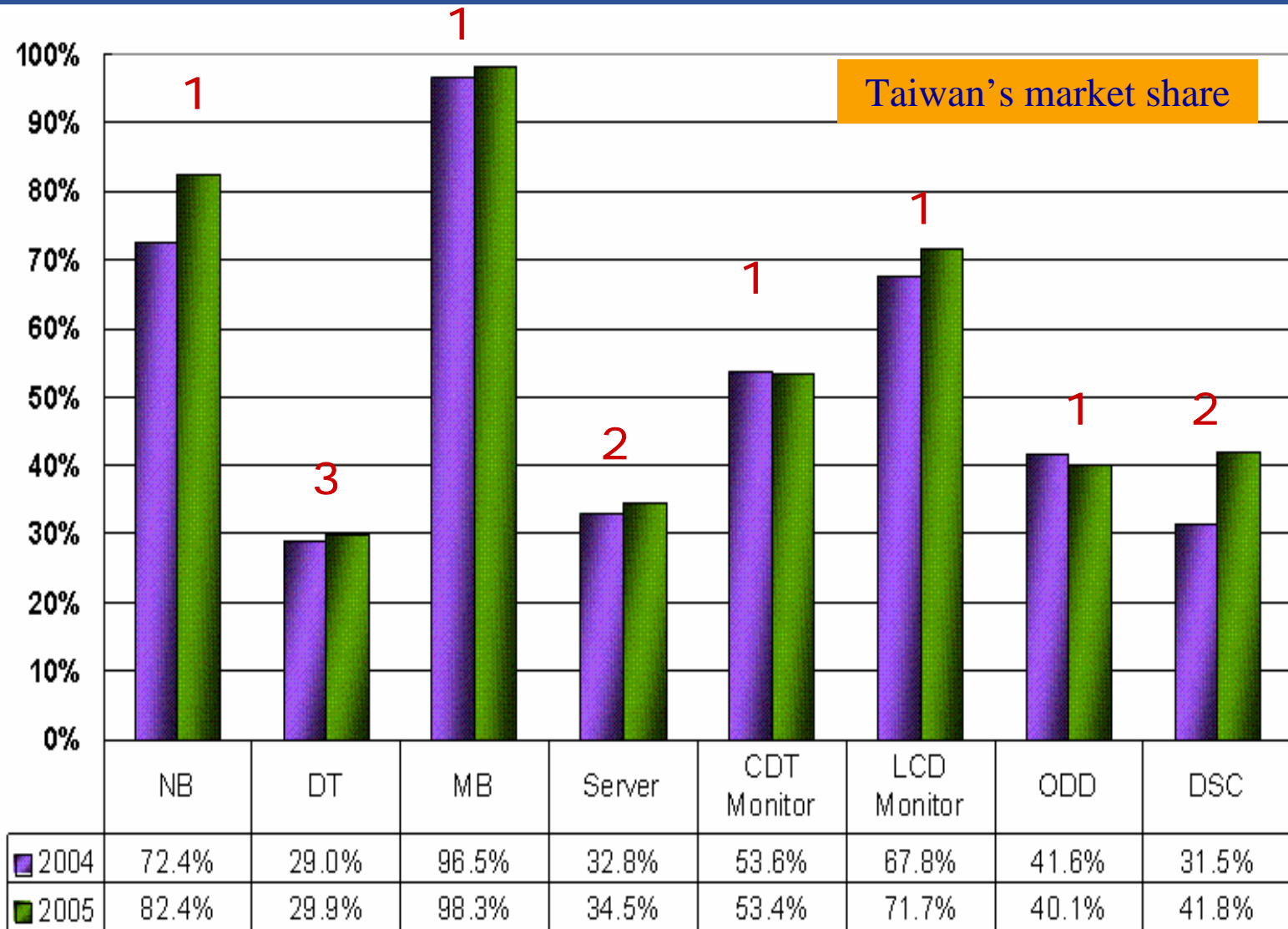
TST
Winbond
MXiC
TXC
Etron
Picvue
Wintek

Delta
Luminentoic
FOCI

PC Food Chain

	Companies	Ticker	Products	Companies	Ticker	Products	Companies	Ticker			
Audio (<1%)	ESS Crystal Yamaha	ESST Unlisted 7951 JP	Keyboard (2%)	ALPS Chicony Darfon Lite-on Tech Sunrex Zippy NMB	6770 JP 2385 TT 8163 TT 2301 TT 2387 TT 2420 TT Unlisted	Floppy (<1%)	ALPS Mitsumi NEC TEAC	6770 JP 6767 JP 6701 JP 6803 JP			
Microphone/speaker (<1%)	Harman Kardon Sable Fortune grand Vansonic	HAR US subsidiary of 6143 TT Unlisted Unlisted	Heat dissipation (1%)	ADDA Auras AVC CCI Diamond Electric Foxconn Tech Fujikura Furukawa Nidec Sumitomo Sunonwealth Wah hong YCTC Coolermaster EKL NMB Noren Thermacore	3071 TT 3324 TT 3017 TT 6230 TT 6895 JP 2354 TT 5803 JP 5801 JP 6594 JP 5802 JP 2421 TT 8240 TT 6124 TT Unlisted Unlisted Unlisted Unlisted	BIOS (<1%)	AMI Phoenix Tech	Unlisted PTEC			
Graphic chips (3%)	Ati Intel nVidia SiS (XGI) VIA (S3)	ATYT INTC NVDA 2363 TT 2388 TT				Power management	Analog devices Intersil Linear Tech Maxim National Semi Richtek Semtech	ADI ISIL LLTC MXIM NSM 6286 TT SMTC			
CPU (19%)	AMD Intel Transmeta	AMD INTC TMTA				Memory (5%)	Hynix Inotera Micron Nanya Tech Powerchip ProMos Samsung	000660 KS 3474 TT MU 2408 TT 5346 TT 5387 TT 005930 KS			
Chipsets (4-5%)	Ati Intel nVidia SiS VIA	ATYT INTC NVDA 2363 TT 2388 TT				TFT panel (20%)	AUO CMO CPT Hannstar Hitachi LPL QDI Samsung Sharp	2409 TT 3009 TT 2475 TT 6116 TT 6501 JP 034220 KS 3012 TT 005930 KS 6753 JP			
Connectors (5%)	Amphenol Foxlink Hirose Hon Hai Inalways JAE Ji-Haw Molex P-two Tyco	APH US 2392 TT 6807 JP 2317 TT 5398 TT 6806 JP 3011 TT MOLX US 6158 TT TYC US	Casing (7%)	Catcher Everskill Foxconn Tech Huan hsin In-win Ju Teng KH Vatec Merida Waffer Landsfair	2474 TT 6232 TT 2354 TT HUAN SP 6117 TT 3336 HK 060720 KS 9914 TT 6235 TT Unlisted	Touch panel (<1%)	Fujitsu Synaptics Takamisawa Toshiba	6702 JP SYNA US 6424 JP 6502 JP			
Modem (<1%)	Lite-on Tech Lucent PCTel	2301 TT LU PCTI	ODD (7%)	Asustek Liteon IT Matsushita Mitsumi NEC Teac HLDS PBDS Pioneer Sony TSST QSI	2357 TT 8008 TT 6752 JP 6767 JP 6723 JP 6803 JP Unlisted Unlisted 6773 JP 6758 JP Unlisted 6188 TT	Passive components (<1%)	Murata Ralec Ta-i Taiyo yuden TDK Team Young WTC Yageo	6981 JP 2437 TT 2478 TT 6976 JP 6762 JP 5345 TT 2492 TT 2327 TT			
HDD (7%)	Fujitsu Seagate Tohisba Western digital Hitachi-IBM Maxtor	6702 JP STX US 6502 JP WDC US Unlisted Acquired by Seagate				PCB (<1%)	Cadac Compeq Daeduck Gold circuit board Hannstar board Nanya PCB SEMCO Top Search Tripod Unimicron Vertex Ya-hsin Yufu Chant world	5301 TT 2313 TT 008060 KS 2368 TT 5469 TT 8046 TT 009150 KS 2323 HK 3044 TT 3037 TT 5318 TT 2419 TT 6194 TT Unlisted	NB assembler	Arima Asustek Compal Elitegroup Inventec Mitac Quanta Twinhead Wistron	2381 TT 2357 TT 2324 TT 2331 TT 2356 TT 3005 TT 2382 TT 2364 TT 3231 TT
Battery (6%)	BYD Cheng Uei Dynapack E-one Moli LG Matsushita Samsung Sanyo Simple Solomon Tech Sony Toshiba Tianjin Lishen	1211 HK 2392 TT 3211 TT 3127 TT 066570 KS 6752 JP 005930 KS 6764 JP 6121 TT 2358 TT 6758 JP 6502 JP Unlistd				Desktop assembler	Hon Hai Asustek Mitac Elitegroup FIC Lite-On Tech Wistron Trigem	2317 TT 2357 TT 2315 TT 2331 TT 3701 TT 2301 TT 3231 TT 014900 KS			
SPS (3%)	Chicony Delta Liteon Tech Phihong SPI Ya-hsin	2385 TT 2308 TT 2301 TT 2457 TT 3015 TT 2419 TT	Other IC component (<2%)	Realtek Phison	2379 TT 8299 TT						

Taiwan IT Industry Lead Global Movement



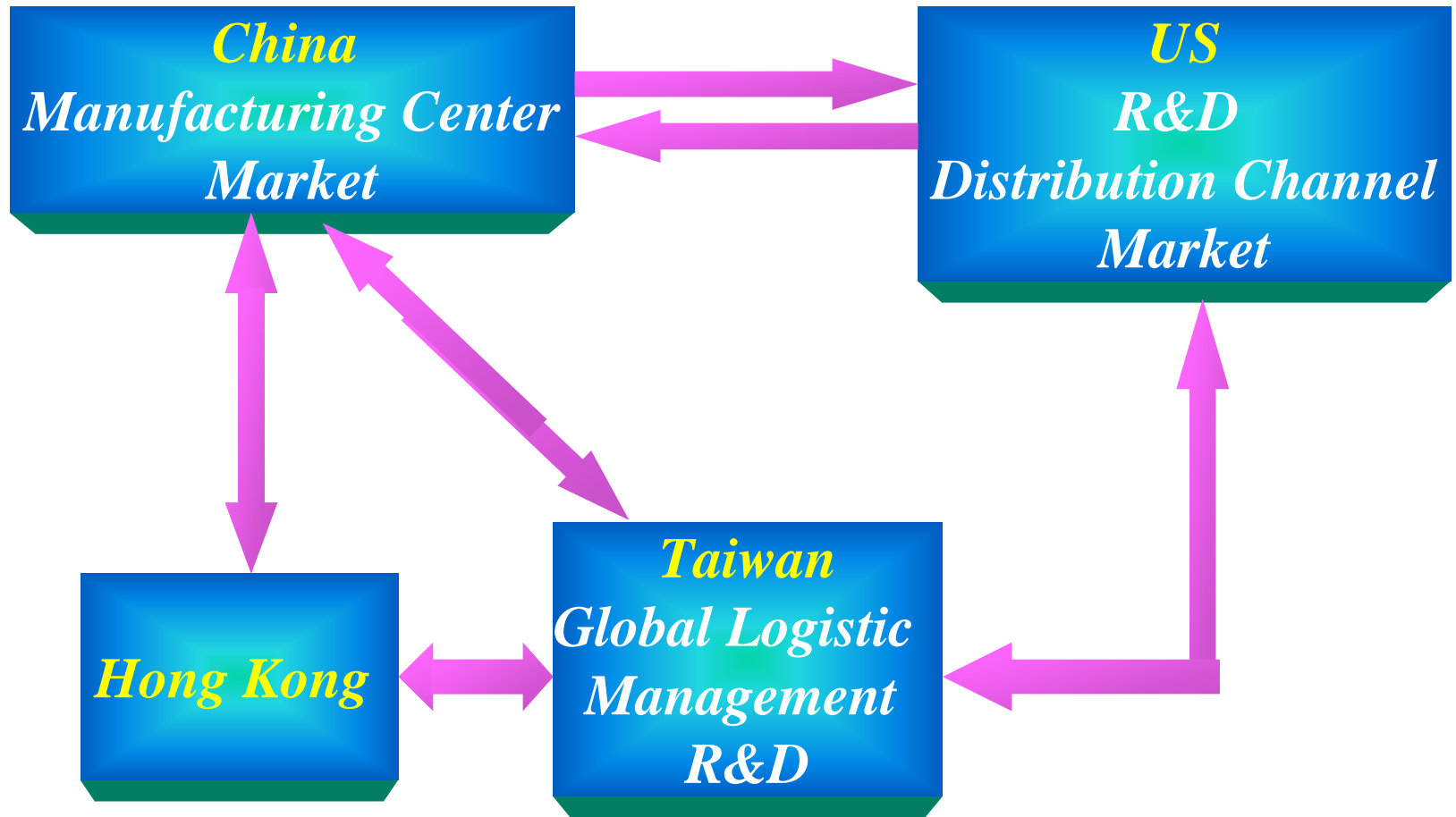
Note : the market share of MB shipment including only MB 、barebone and system type

Source : MIC ,ITIS Plan , Nov. 2005

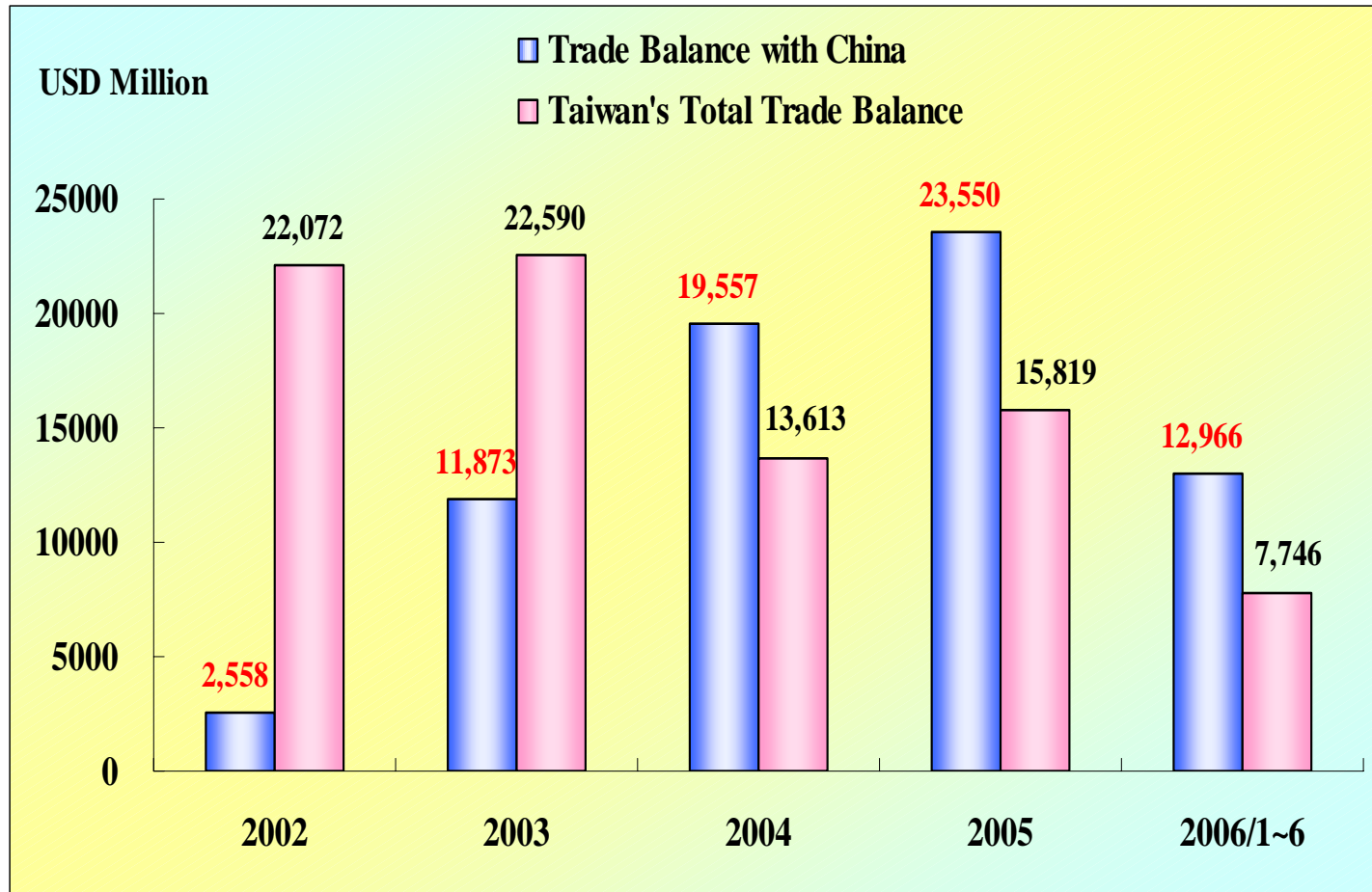
Why Invest in the Taiwan Stock Market?

- ◆ Complete supply chain in IT industry
- ◆ Gateway to China

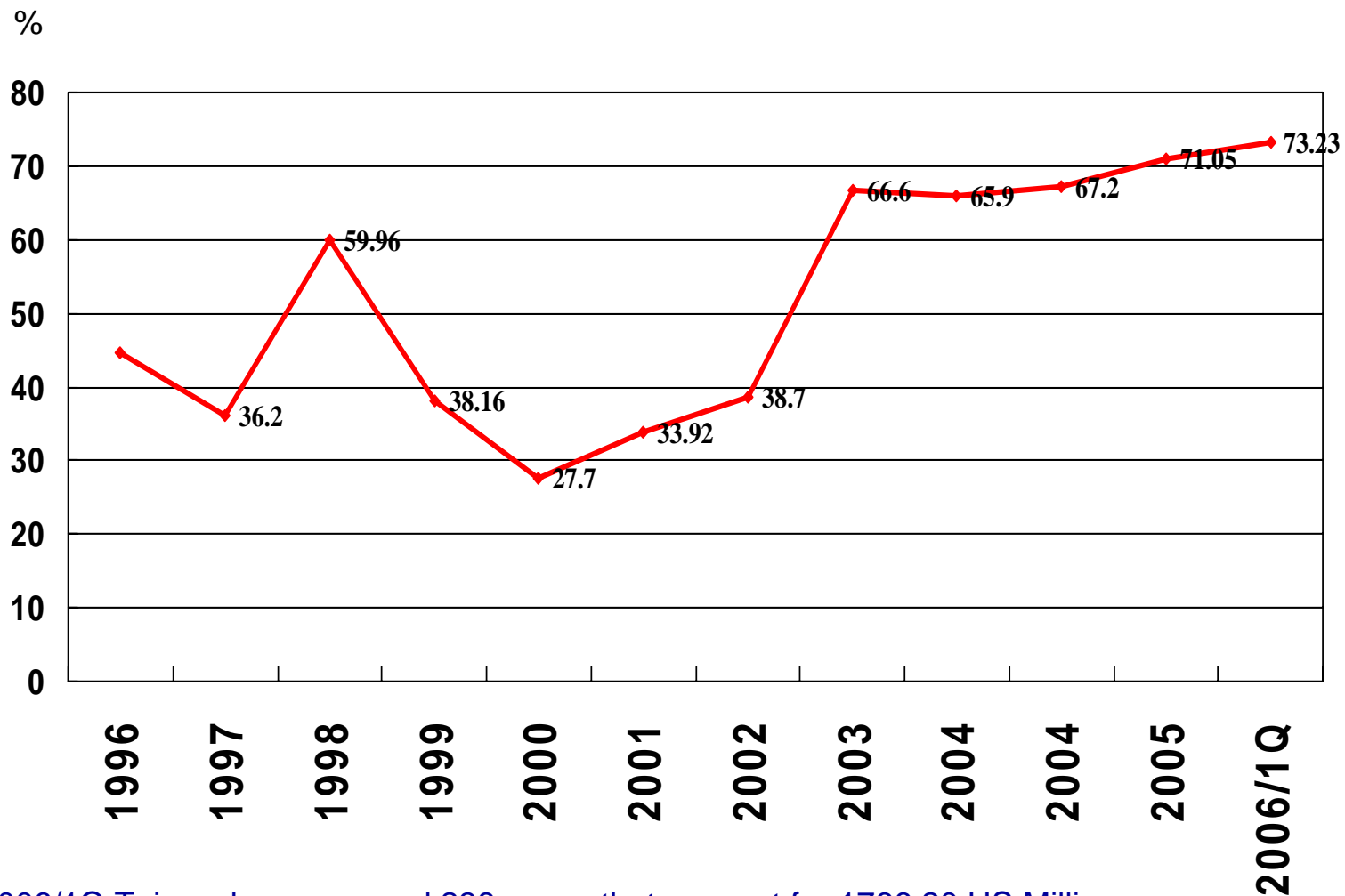
Greater China Industry Value Chain



China is Taiwan's Major Trade Partner



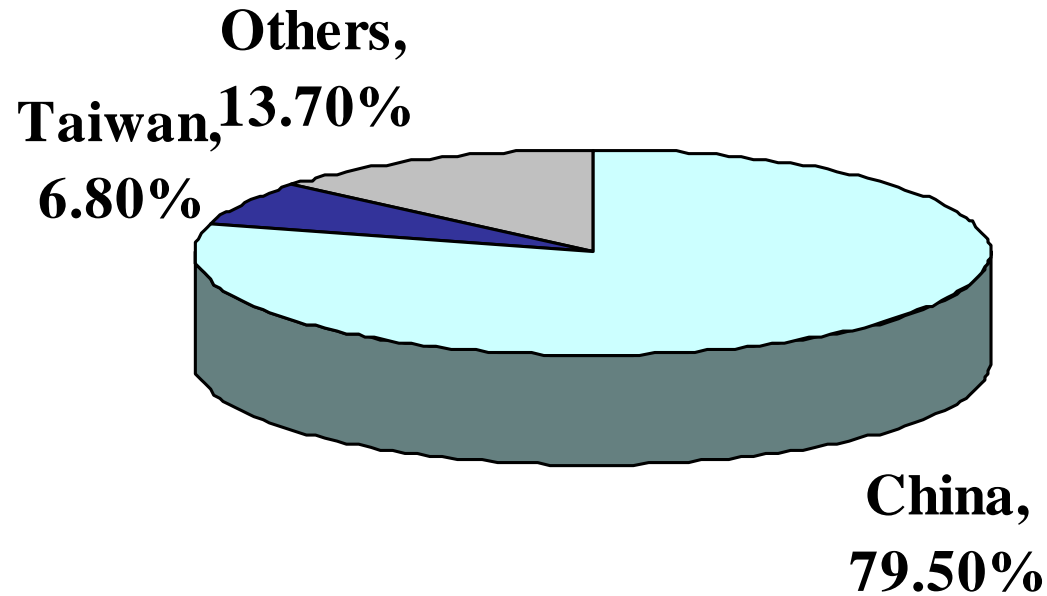
Taiwan Maintains Investment in China



2006/1Q Taiwan has approved 238 cases that account for 1766.20 US Million

China is Taiwan's Major Manufacturing Centre

2005



Total Production Value :
77,012 (USD : M)

Contents

- ◆ Taiwan Market Overview
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- ◆ Industry Trend & Investment Opportunities

Industry Trends & Investment Opportunities

◆ IT sector

Digital Living

Energy Saving

Digital living

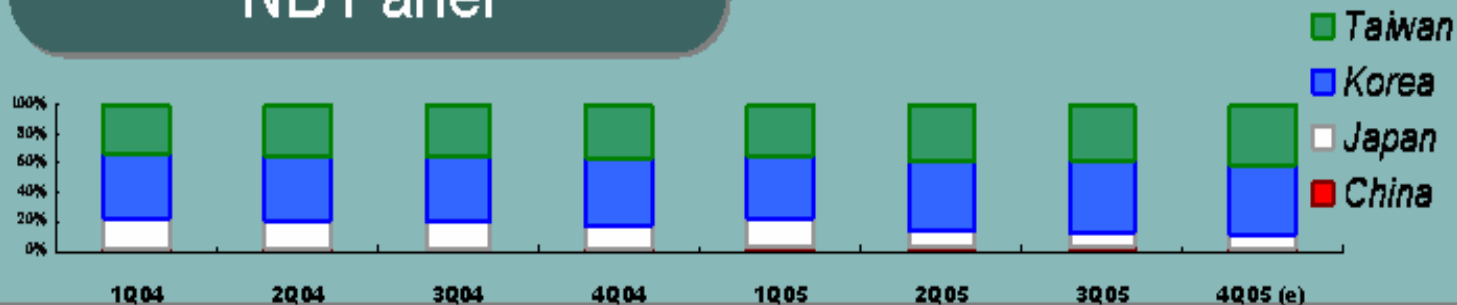
- ◆ DTV
- ◆ Hardware and Consumer Electronics
- ◆ Broadband and Internet Access
- ◆ Entertainment and Multimedia Applications
- ◆ Home Security & Systems / Controls & Wiring

Industry Trend & Investment Opportunities

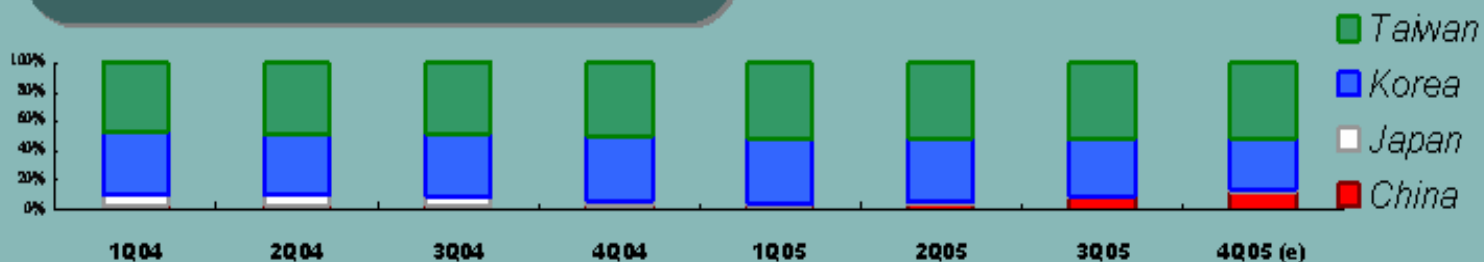
TFT LCD

Taiwan Takes Lead in TFT LCD Panel Supply

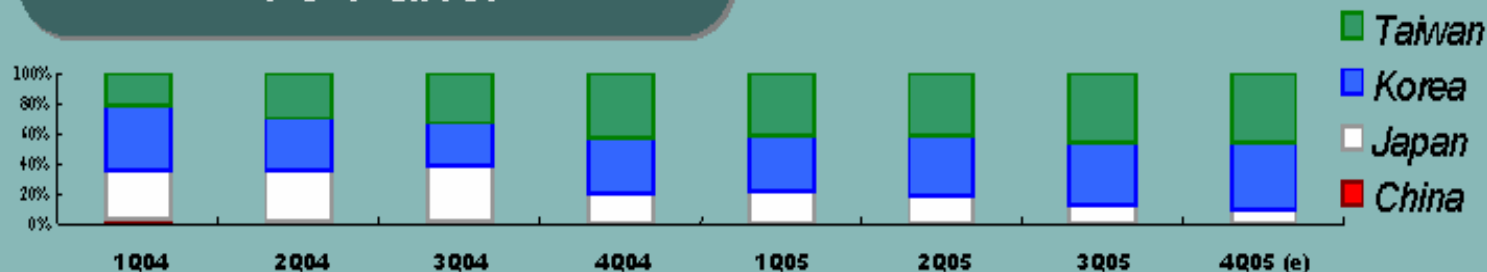
NB Panel



Monitor Panel

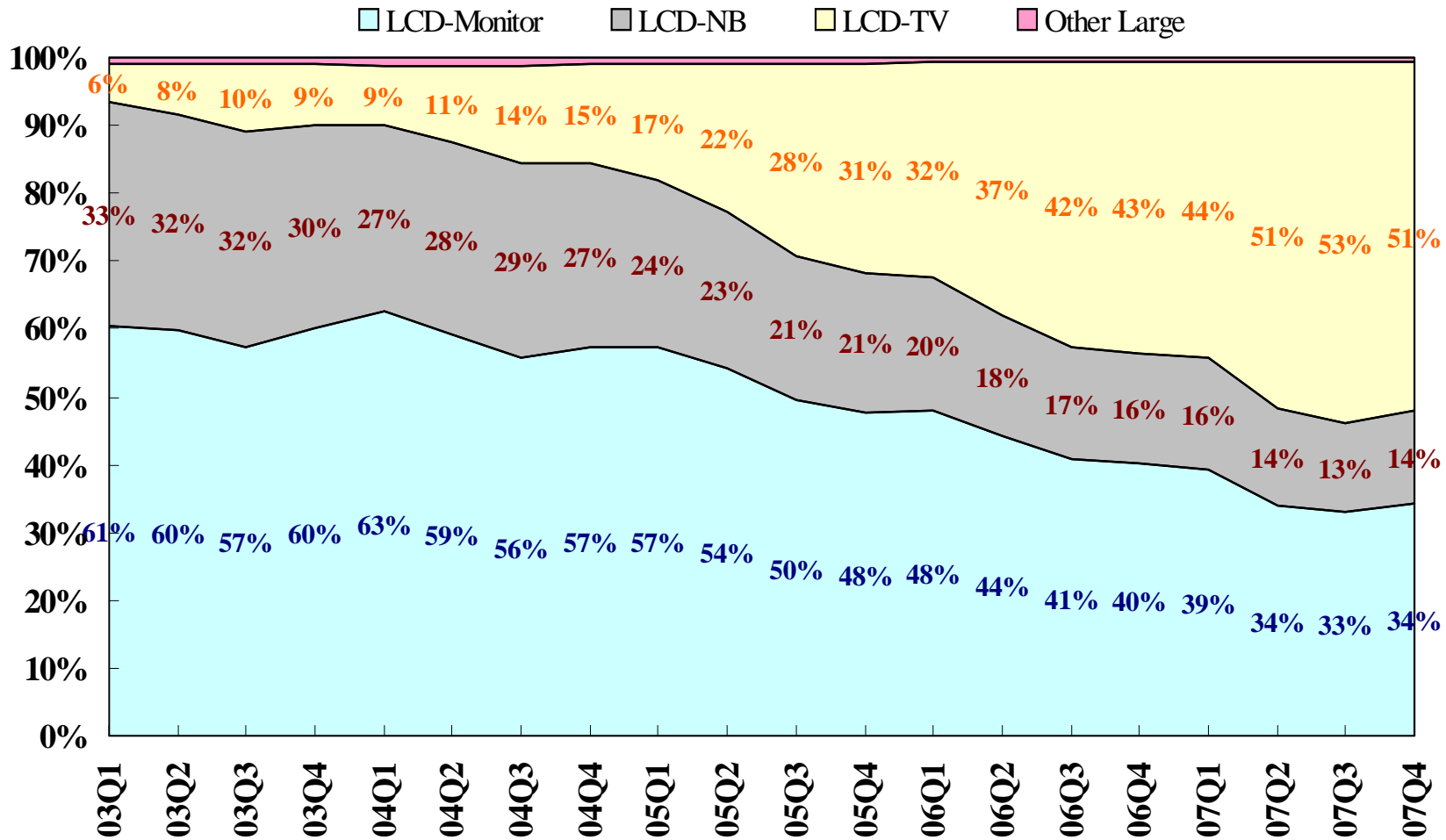


TV Panel

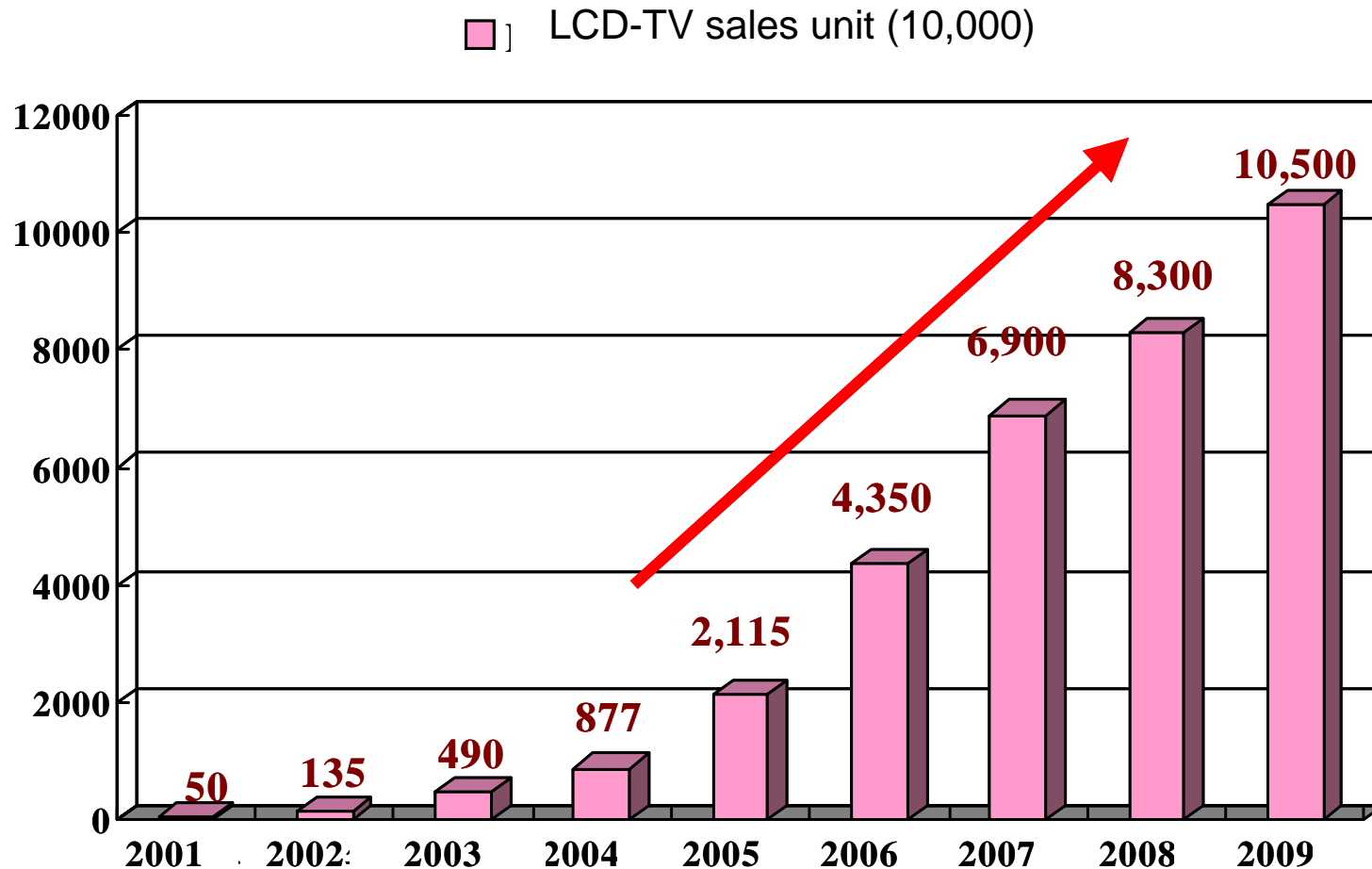


Source : MIC, March 2006

LCD-TV is a Future Growing Trend

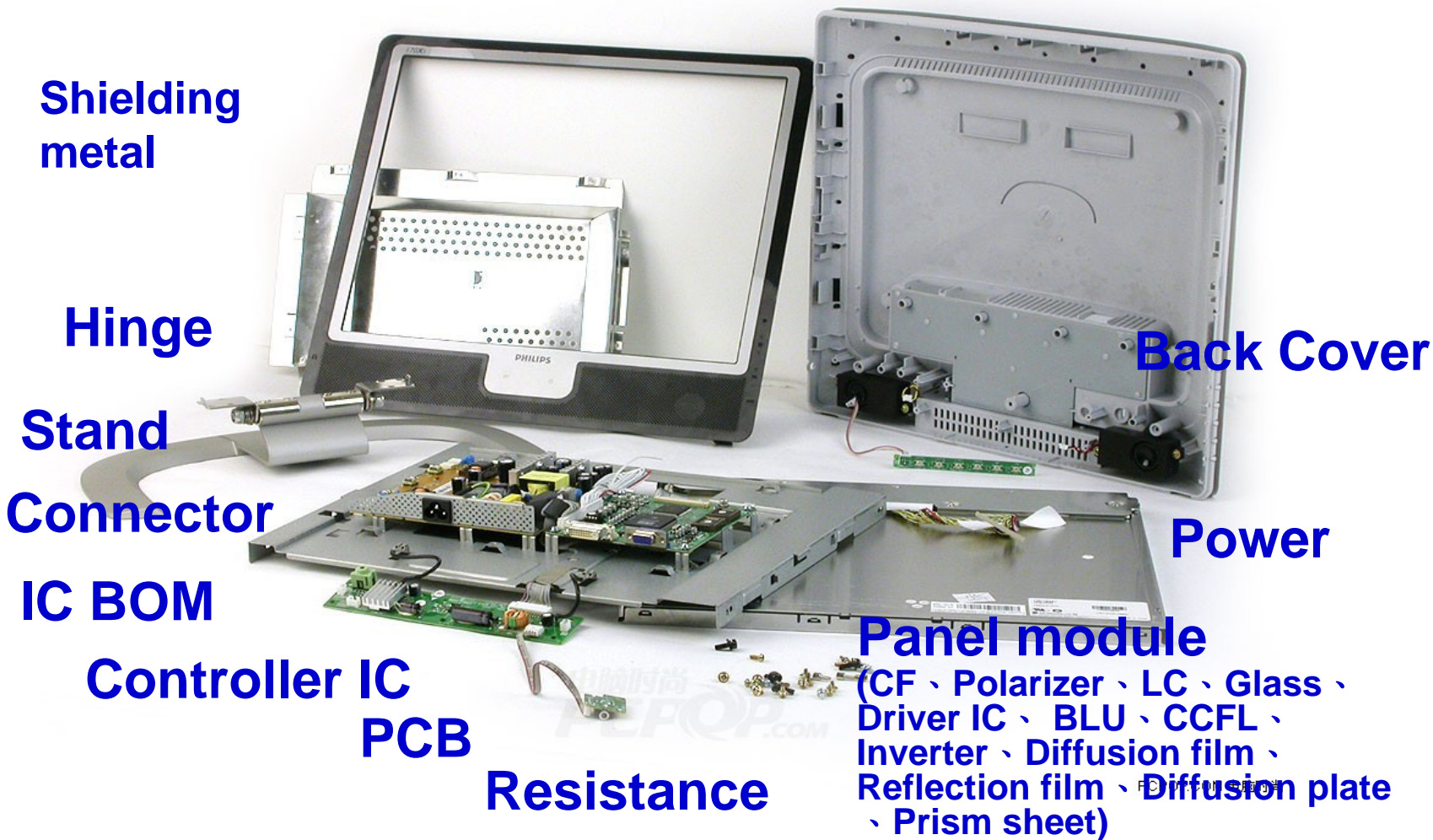


LCD TV Demand Will Grow Significantly



- In 2006, LCD TV demand of 43.5M units; penetration rate of 21.9%
- Expect LCD TV penetration rate to reach 50% in 2010

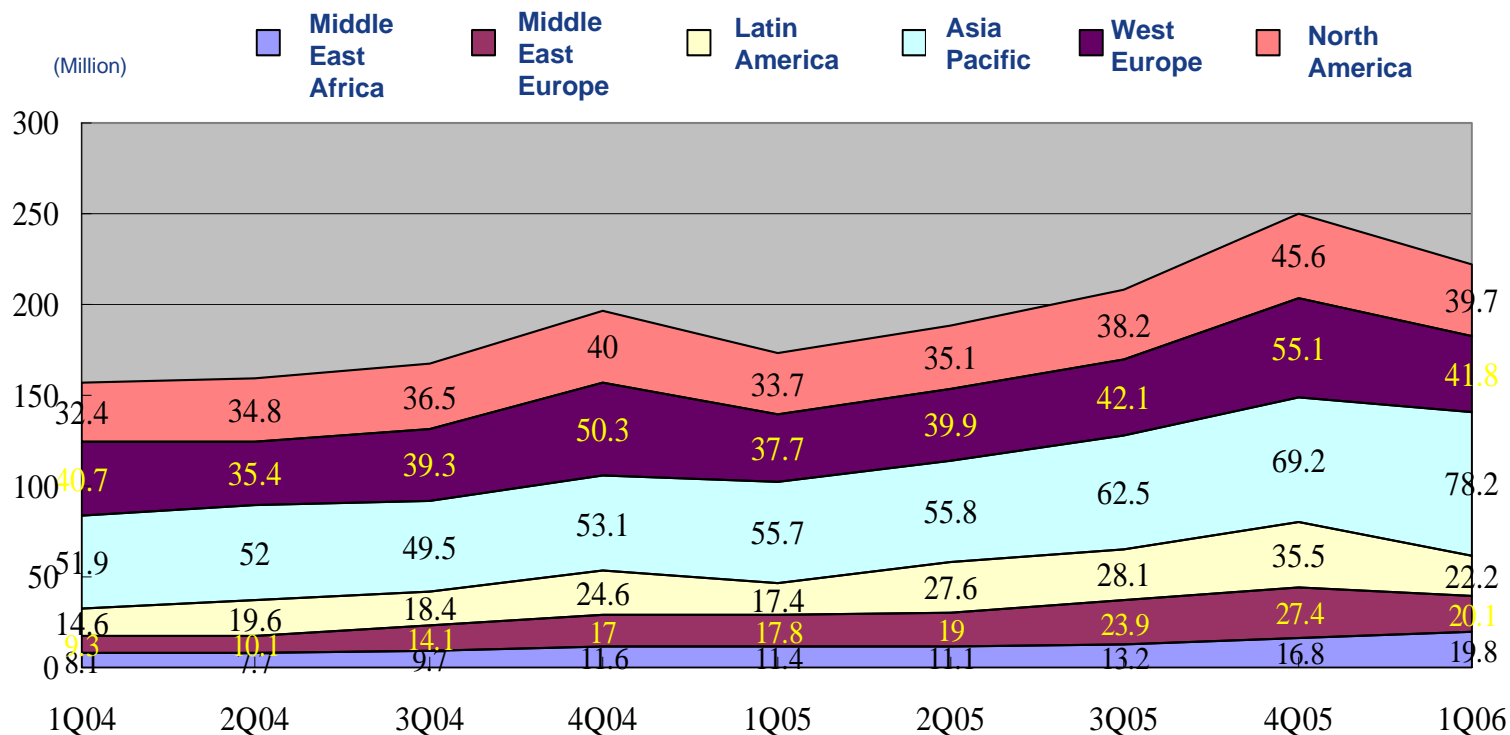
Investment opportunities for LCD TV Panel components



Industry Trend & Investment Opportunities

Handset

Handset demand in Asia Pacific continues to grow



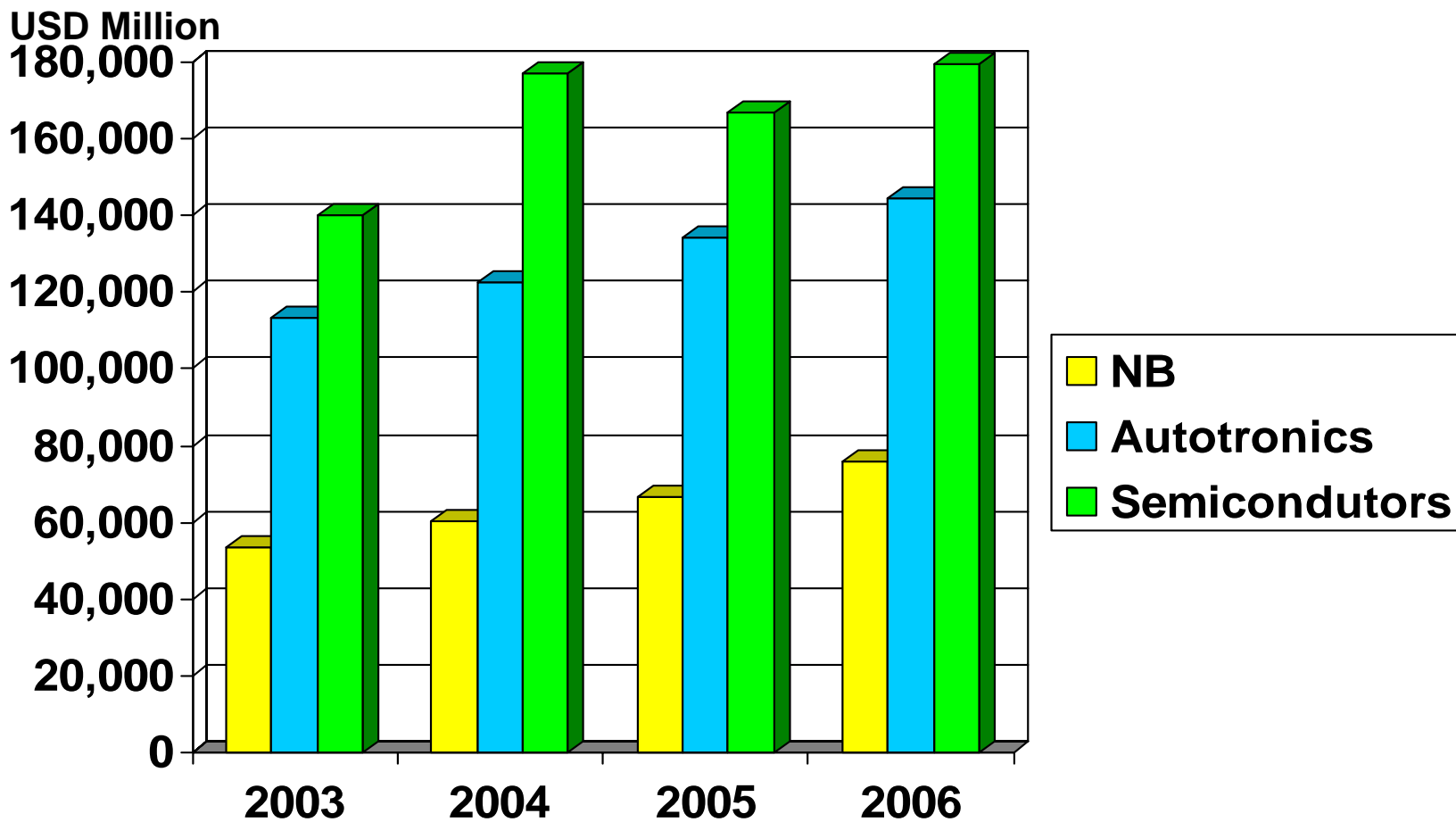
Taiwan has complete handset components supply chain



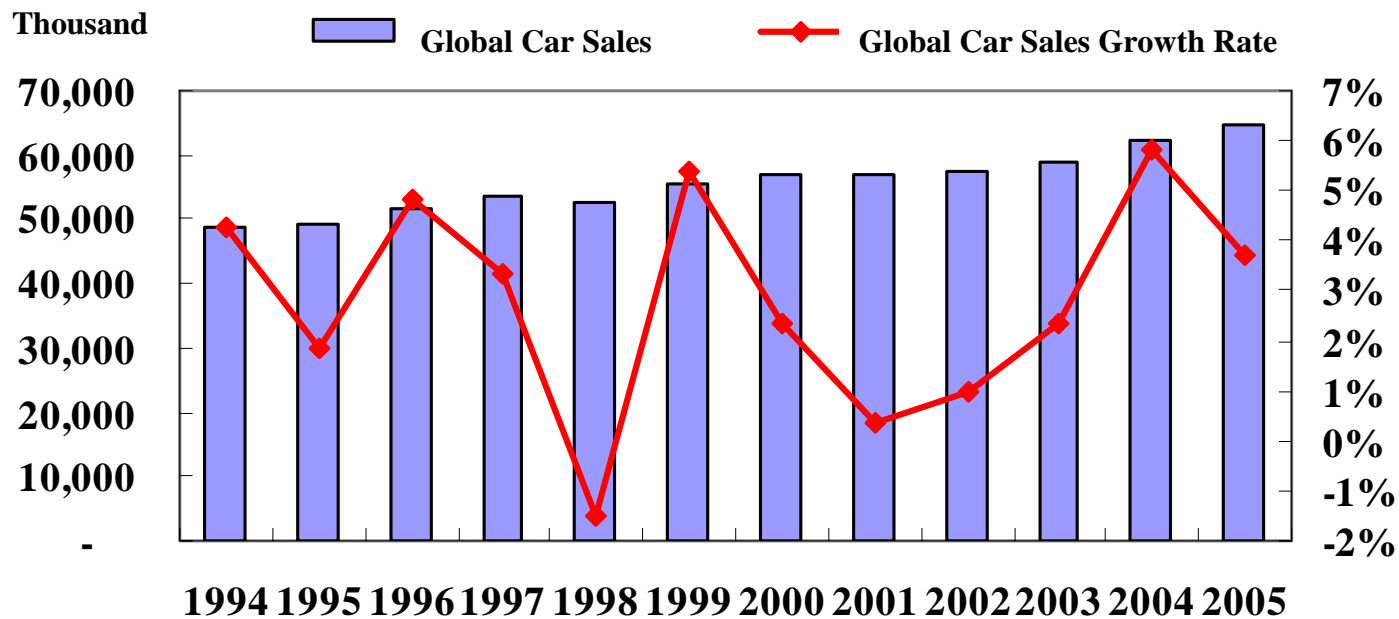
Source: SinoPac research center, July 2006

Automobile Electronics

Automotive Electronic: Global Market Value

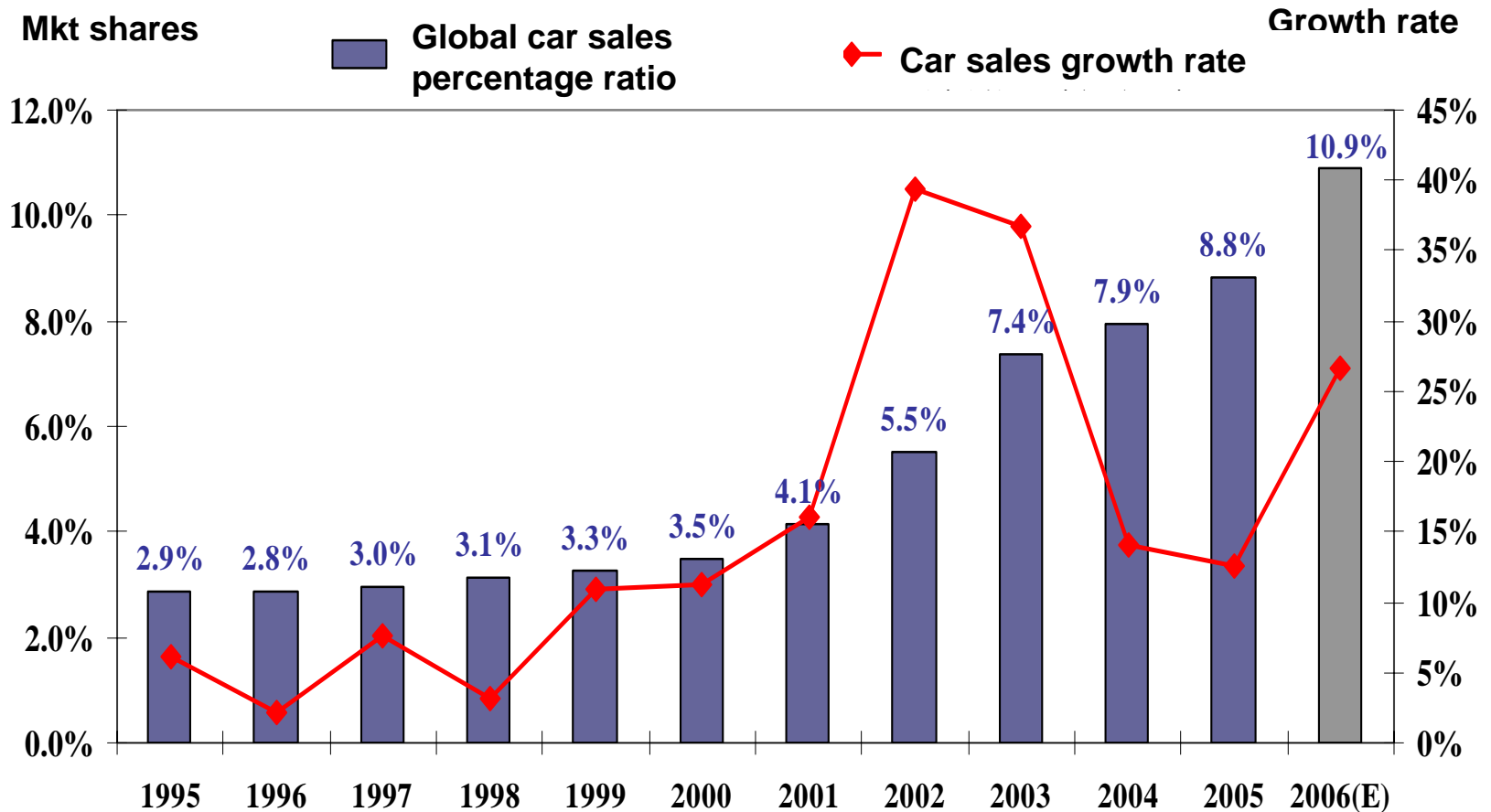


Gradually Increase of Global Car Sales



Emerging Market Car Demand to be Growth Driver

China's car sales and growth rate on the global market

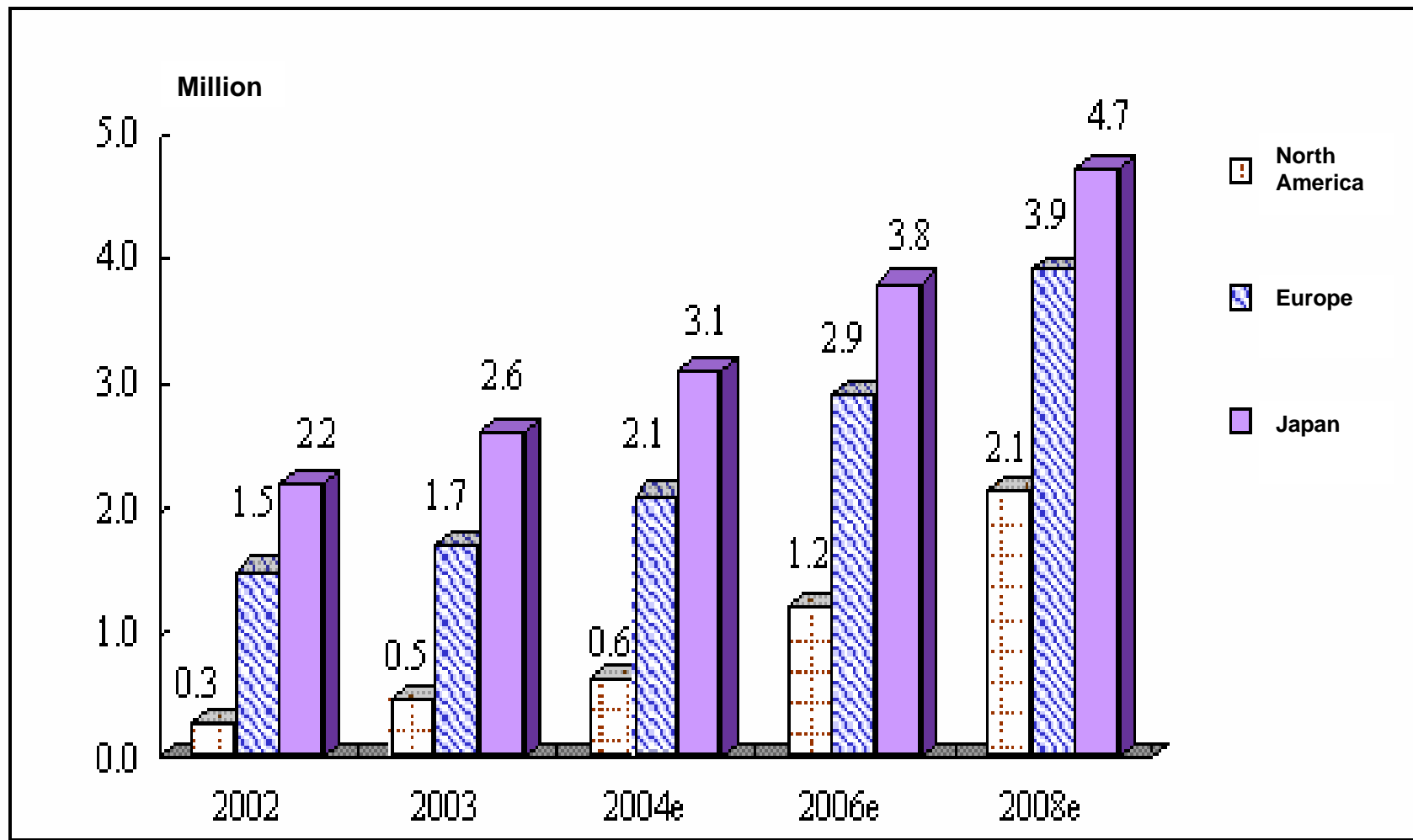


Autotronics

- **Advanced GPS tracking systems**
- **On-board modular entertainment**
- **Automobile Display Panel**

GPS global market demand keep growing

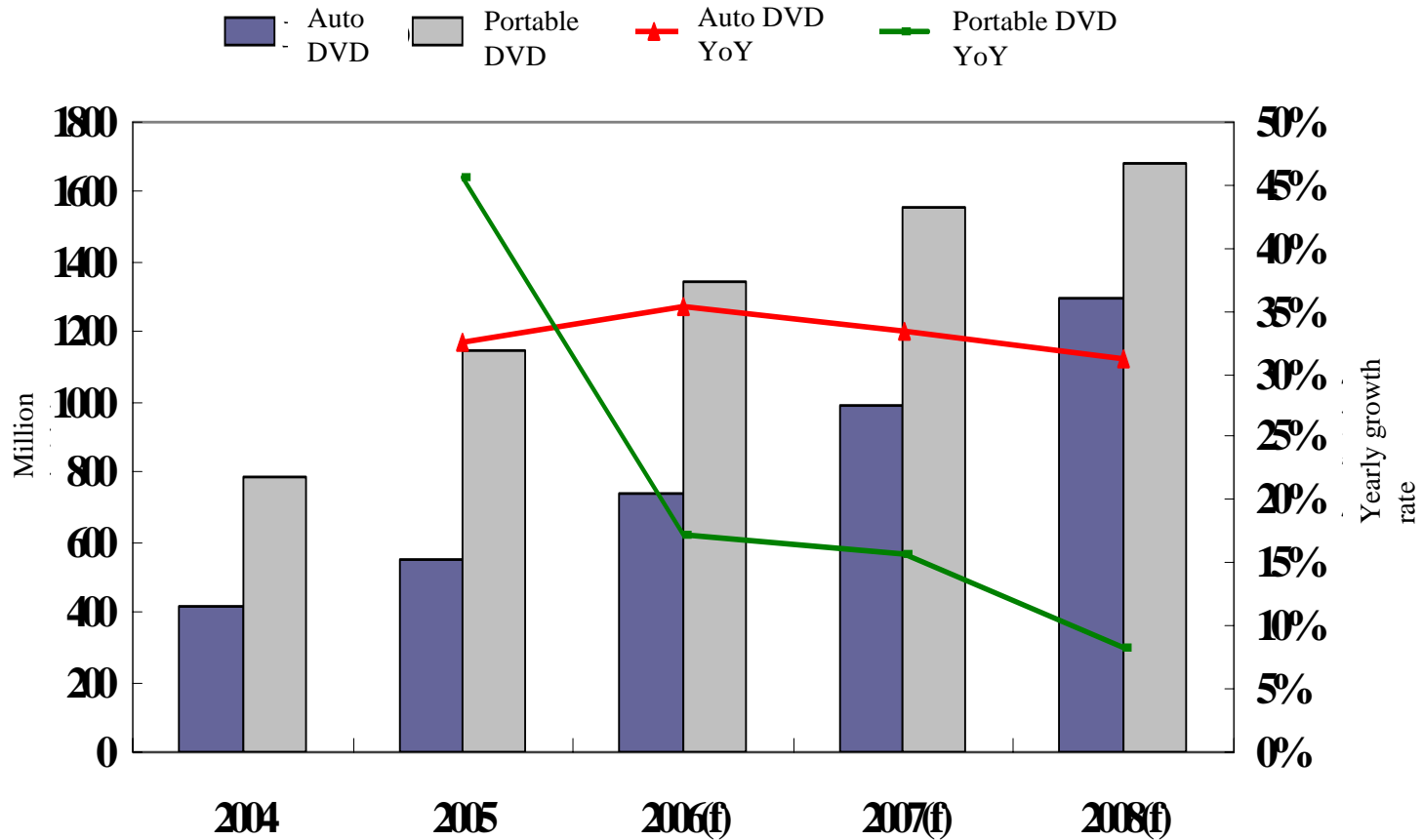
USA, Japan, Europe GPS market growth forecast



資料來源：Allied Business Intelligence；工研院IEK-ITIS計畫(2004/10)

DVD players and Digital TV for Automobile application

DVD players annual growth rate from 2004 to 2008(f)



Green concept (Environmental protection)

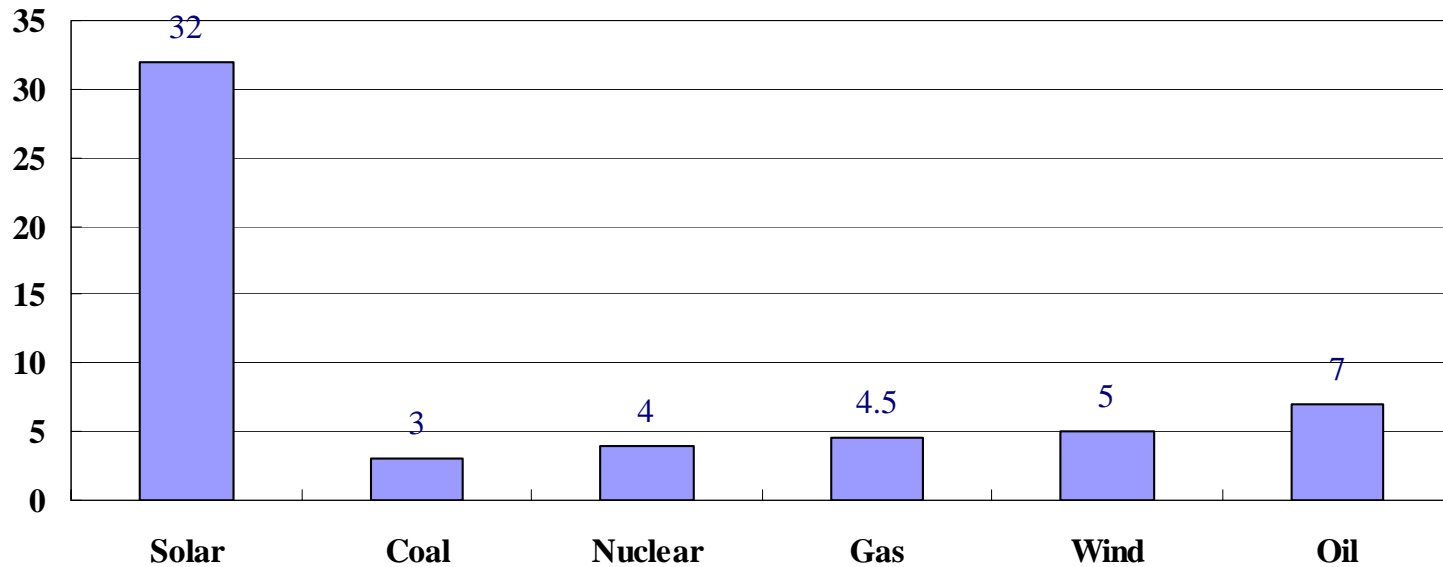
- ◆ Solar Energy => Solar Cell
- ◆ Low Energy Lighting => LED

Industry Trend & Investment Opportunities

Solar Cell

Cost comparison: Solar battery vs other battery

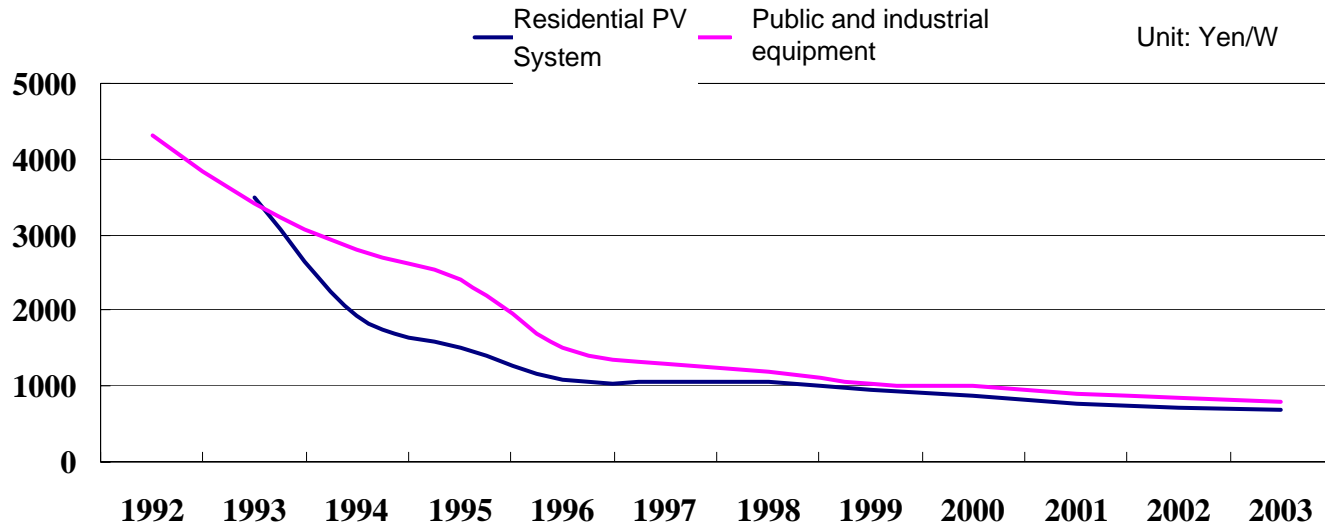
Unit : USD0.01 / KW



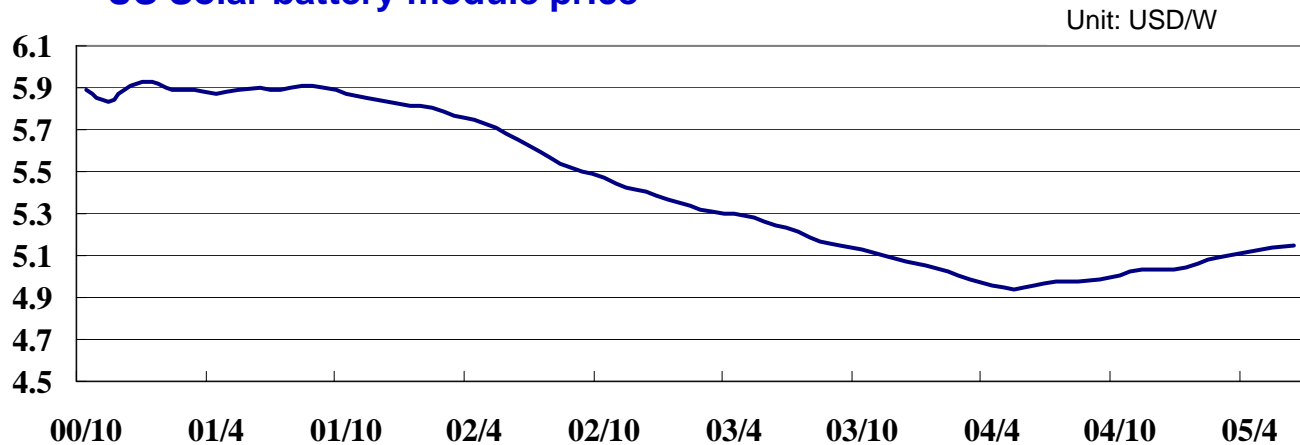
Source : Solar World AG

Price trend of Solar System

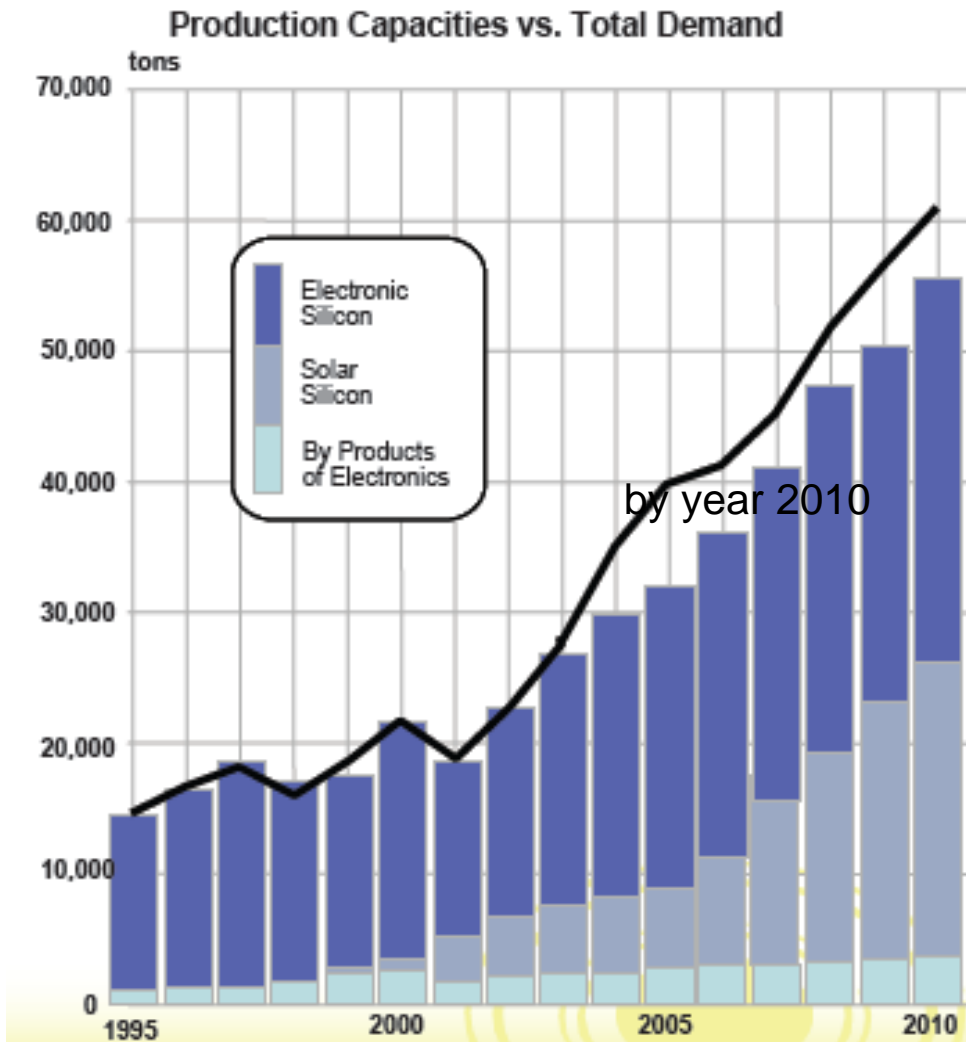
Japan Solar battery module price



US Solar battery module price

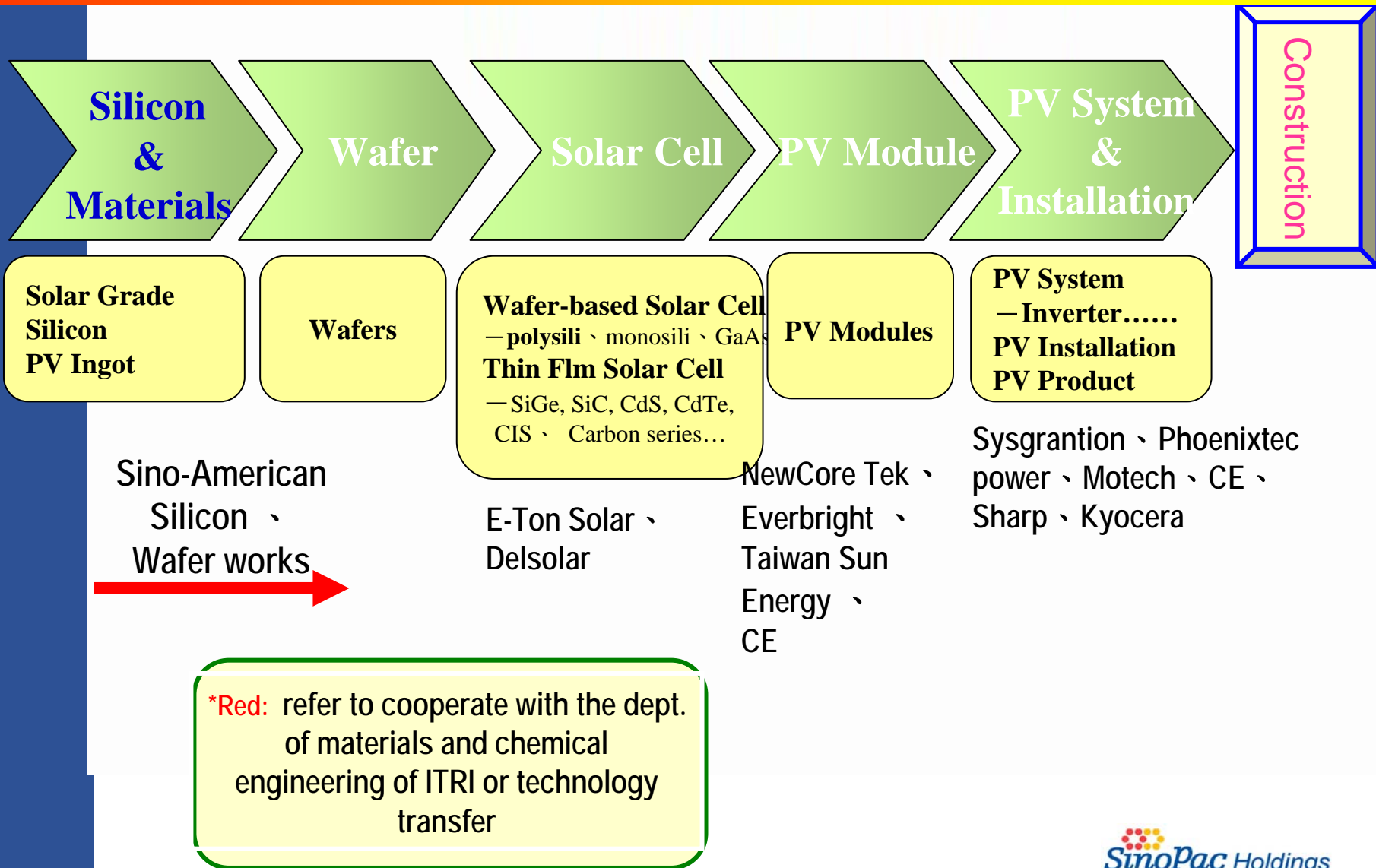


Poly Silicon production capacity and demand



		2005
Japan	Tokuyama	5,200 tons
	Mitsubishi	1,600
	Sumitomi	700
USA	Hemlock	7,400
	Adv Silicon	3,000
	SGS	2,200
	MEMC	2,700
	Mitsubishi USA	1,200
Germany	Wacker	5,000
Italy	MEMC	1,000
		30,000 tons (semiconductor 20,700, solar battery 8,100)

Taiwan Solar cell supply chain



equipment/material supplier

Industry Trend & Investment Opportunities

LED

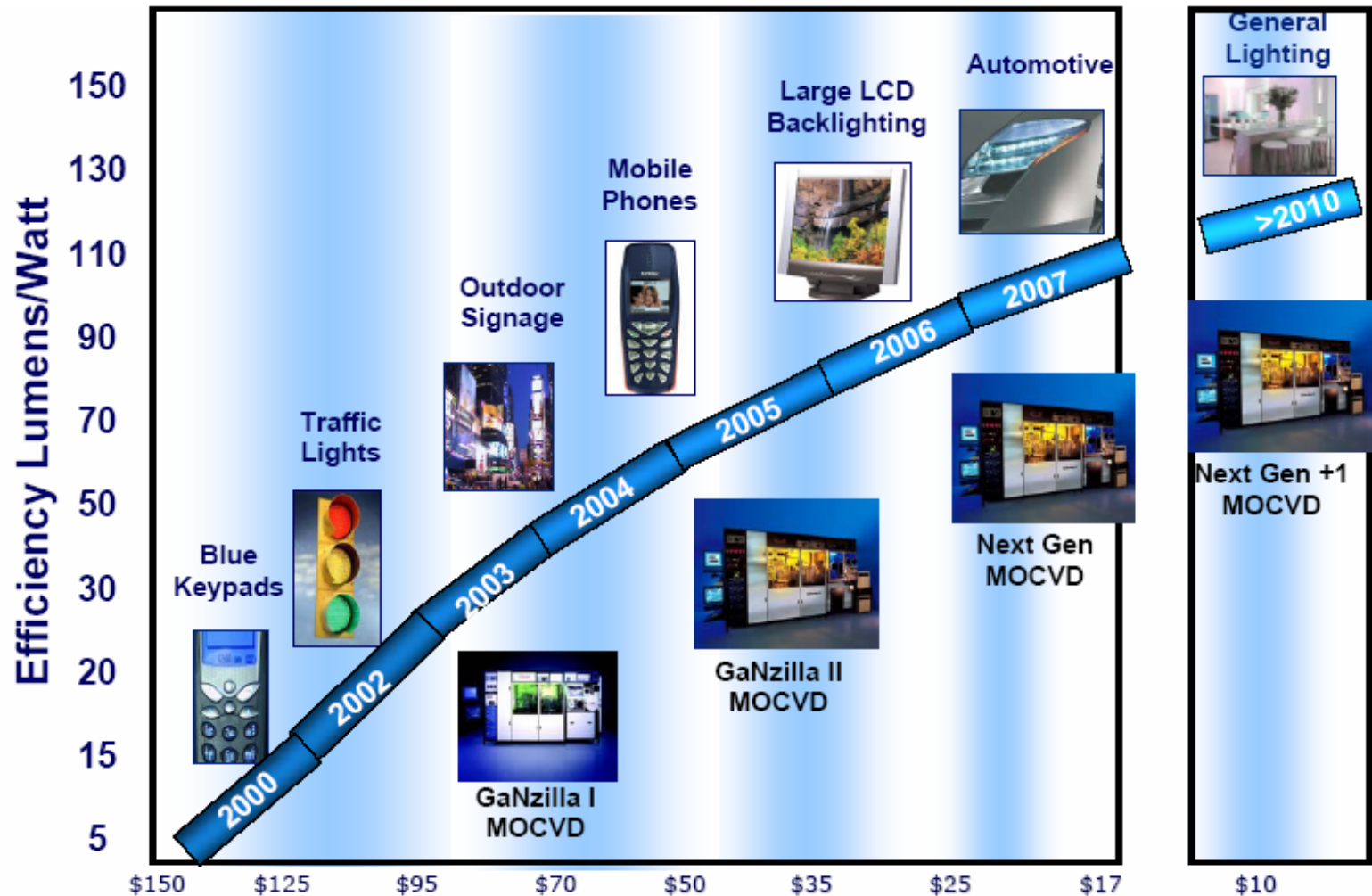
Investment Opportunity: Demand has Been Created



亦

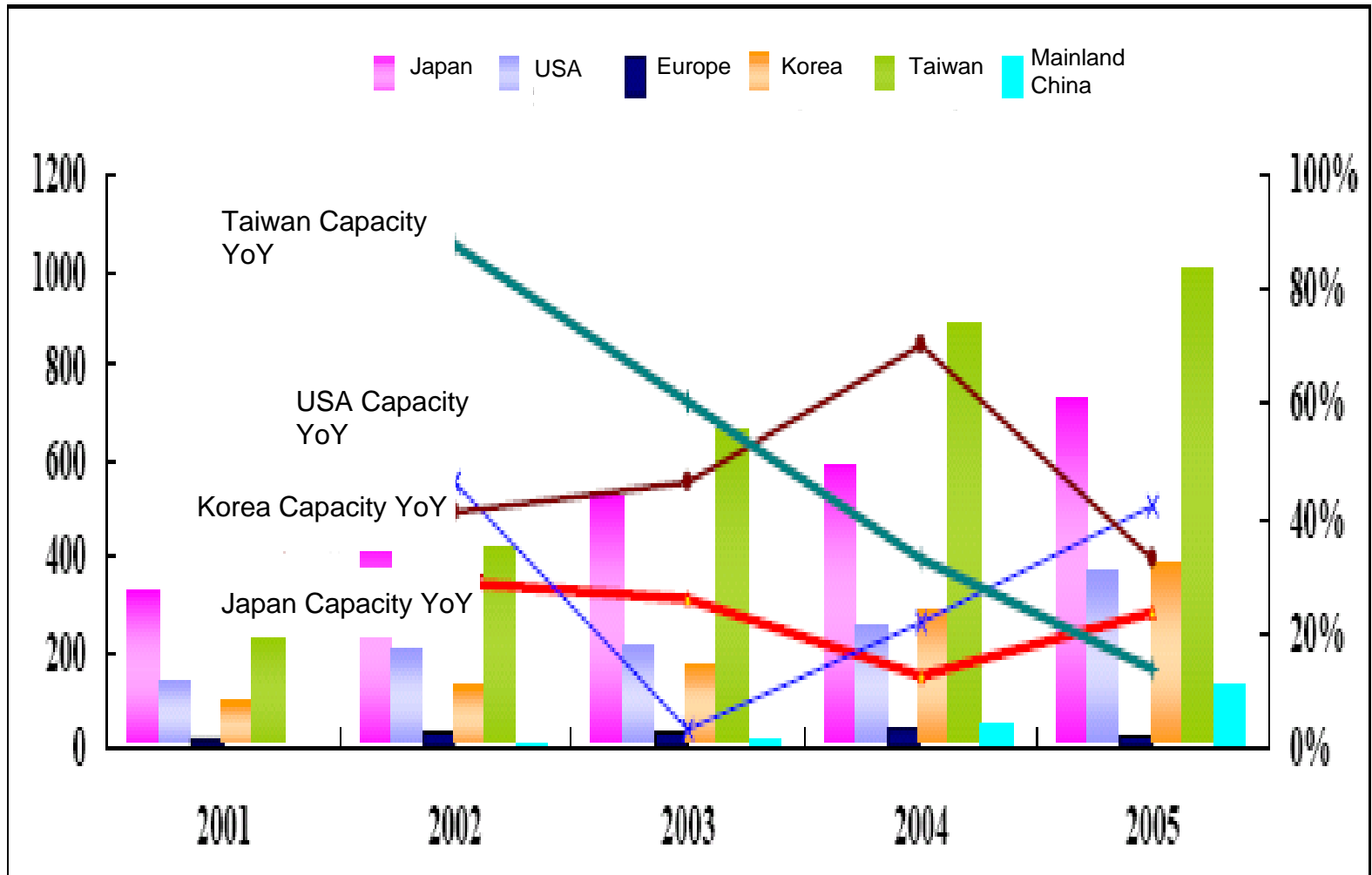
The improved efficiency of LED expands LED applications

- Technology improvement and new applications expansion drive the LED industry

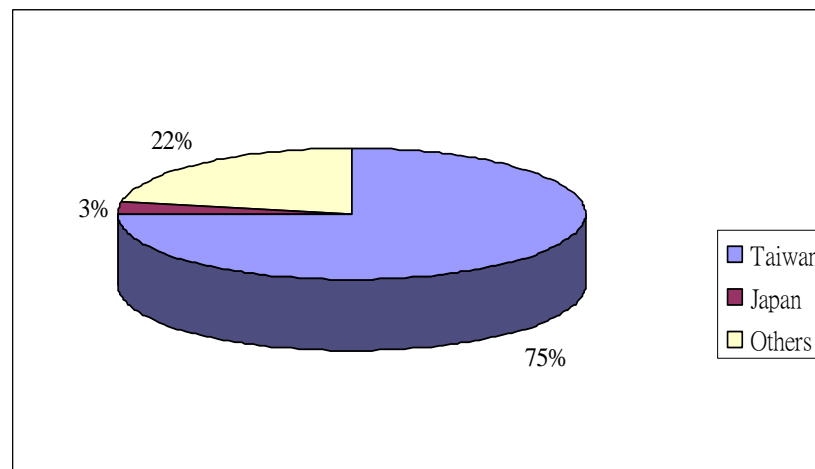
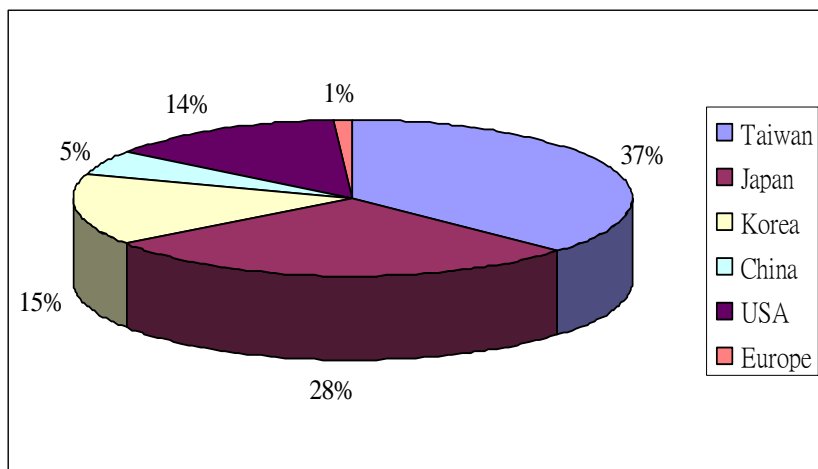


Source: Veeco

Taiwan is the most active country to increase production capability in last 5 years

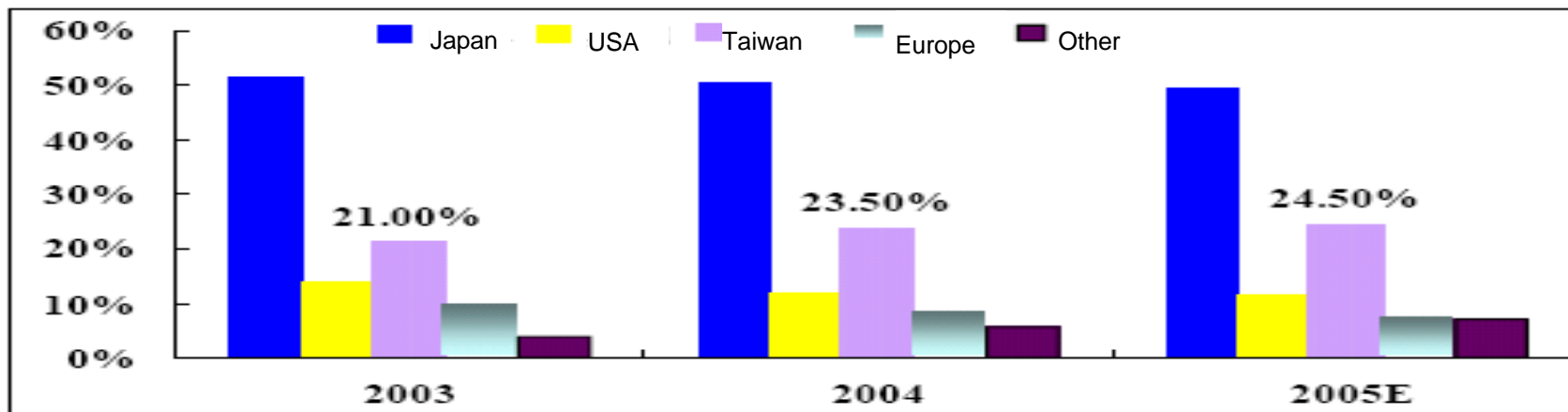


Taiwan LED is No.1 in Production Capability



Taiwan GaN capacity share is W.W. No.1

Taiwan AlGaInP capacity share is W.W. No.1



China Play

Improvement in the Sino-Taiwanese Relationship

Effective

-Direct Charter Flights (July 2006)

-Chinese visitors allowed to visit Taiwan increase to 1,000 per day
(Oct 2006)

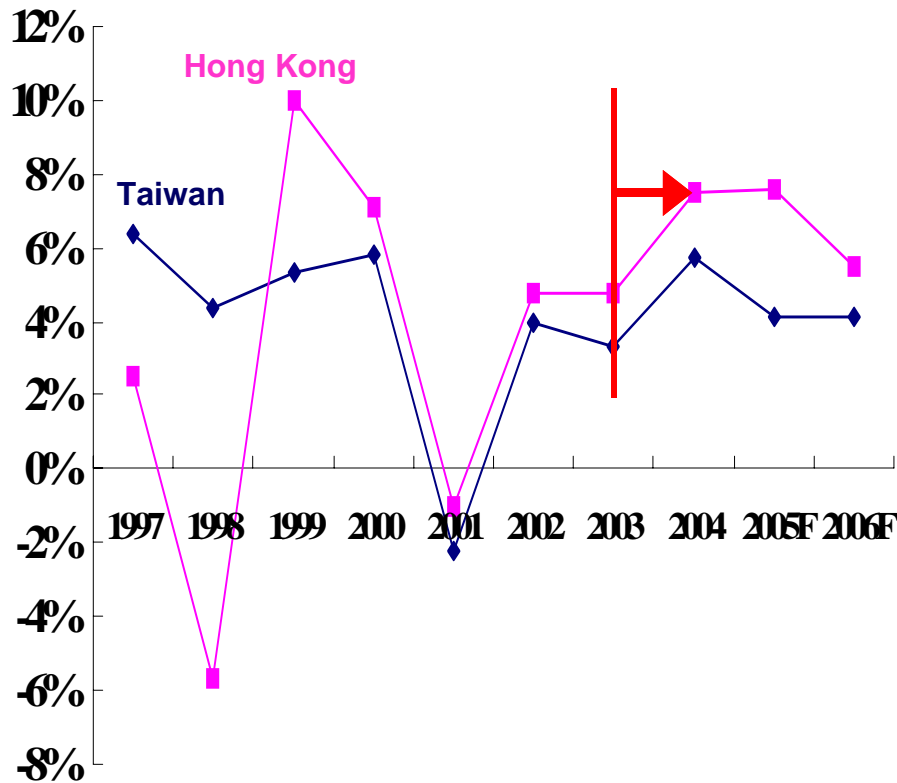
Potential

-Ease 40% investment limit

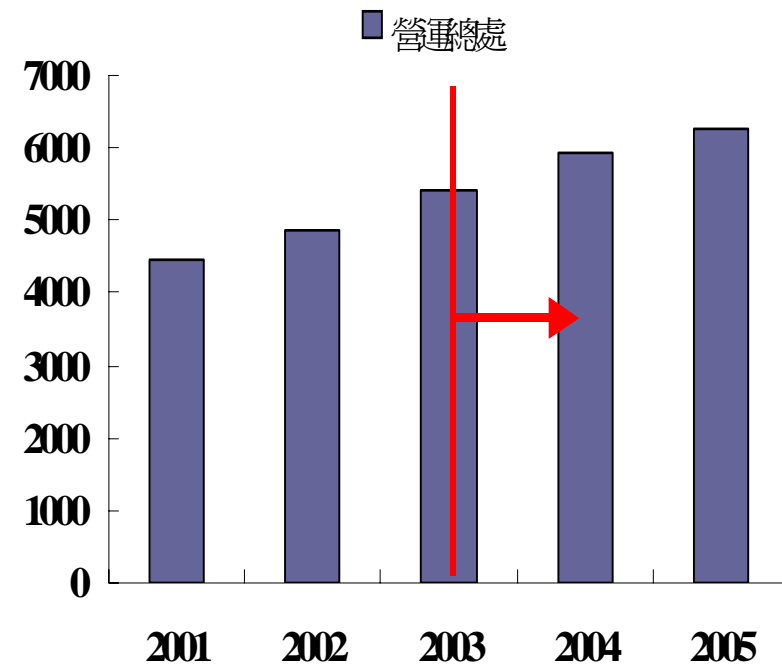
-Direct flights

Direct-link and Mainland Tourists are Heating Up Taiwan Property Market

Taiwan, Hong Kong GDP growth



FI set operation offices in HK



Investment Opportunities in China Play

=>Direct-link plays (Transportation)

=>Chinese Tourists to visit Taiwan (Tourism)

=>Taiwan domestic concept plays (property, financials)

=>Companies to benefit from China strong GDP growth (China domestic consumption

Financial Sector

Financial Reform

1999~2004 1st Financial Reform

- Aim to lower NPL, improving asset quality

2004~2006 2nd Financial Reform

- Aim for consolidation

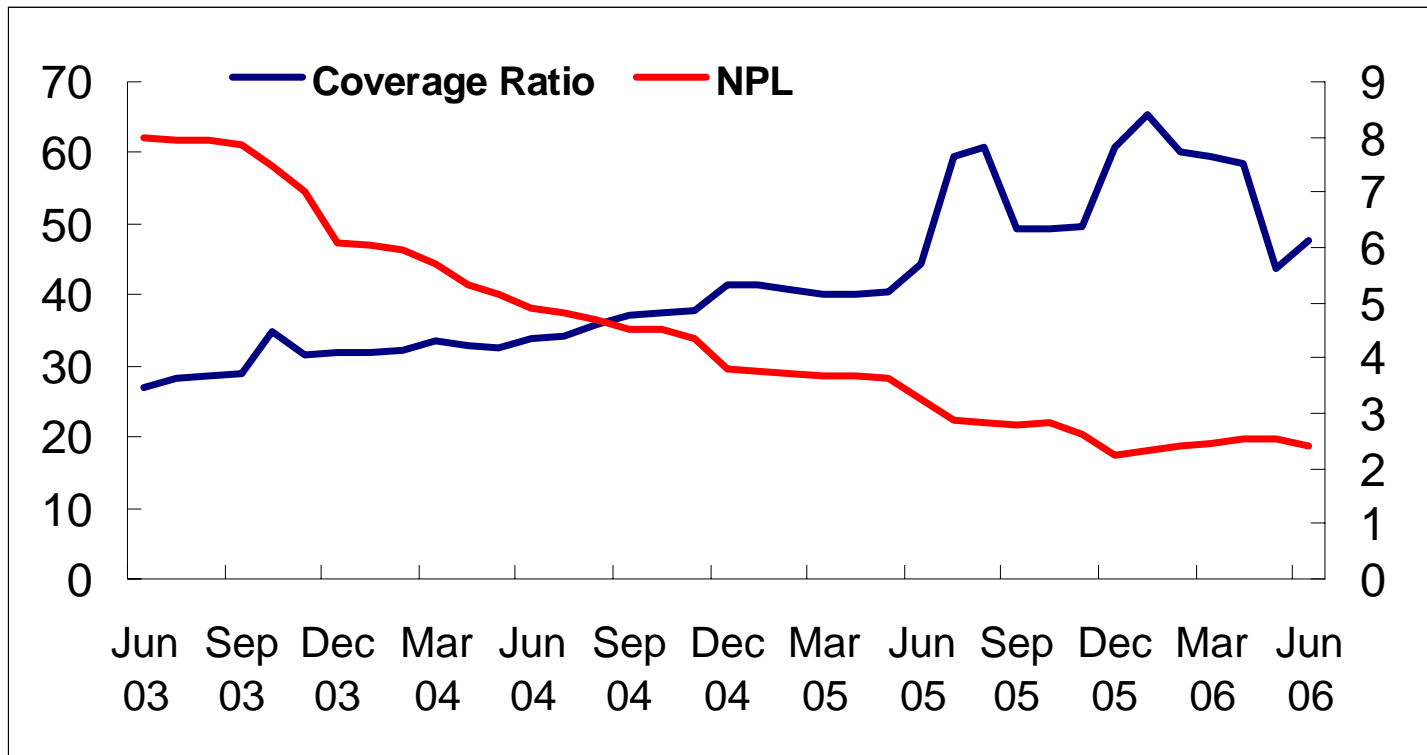
Three banks with market share over 10%

Halving the number of state-owned banks

Reducing the number of FHCs

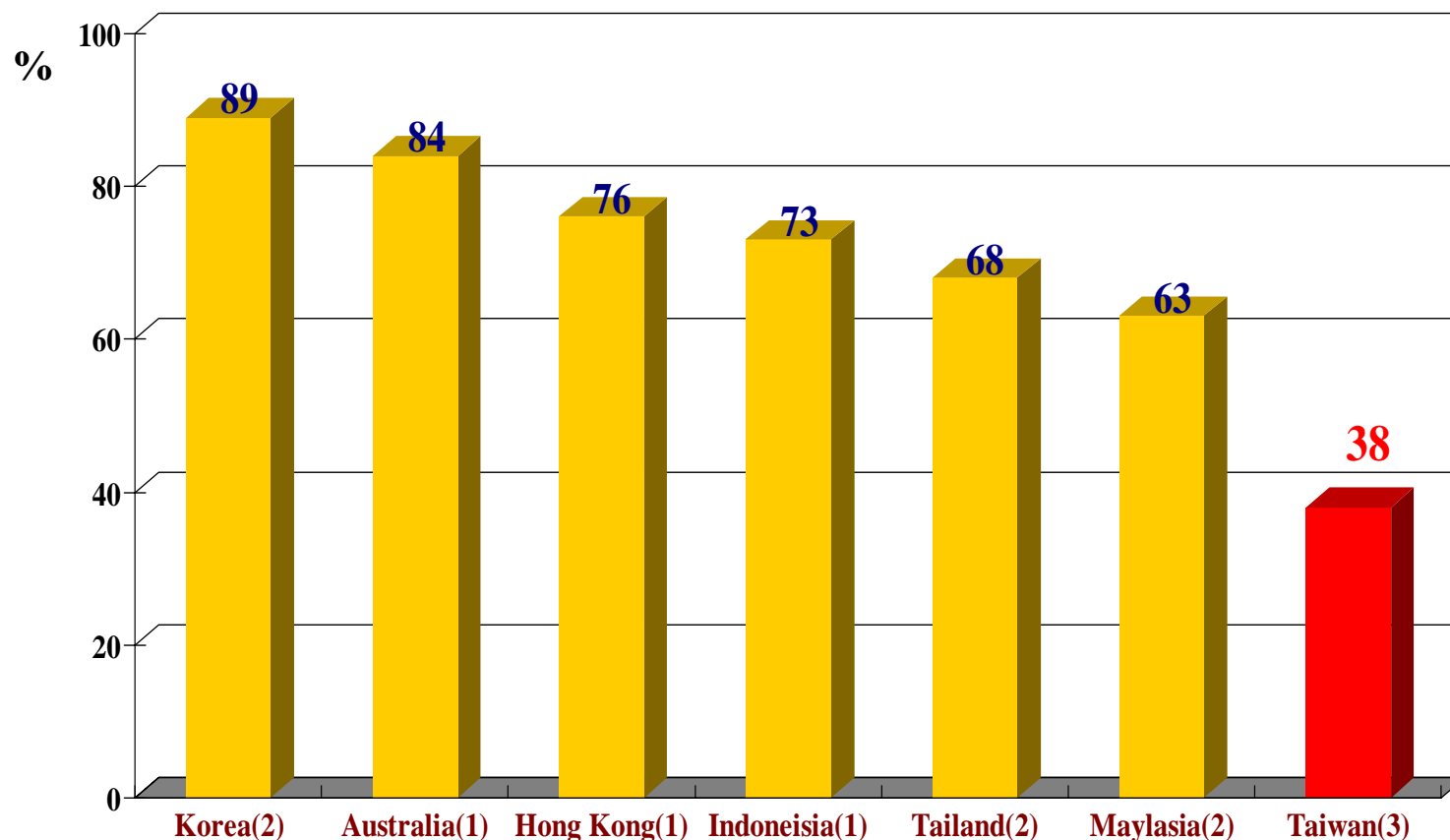
Financial institutions with foreign investment

Improvement of Taiwanese Banks' NPL



Taiwan Financial Industry has More Room to Consolidate

Market Share of Top 5 Banks in Selected Countries



Notes

1. Market share calculated on the basis of total asset value, except for Australia where market share is calculated on the basis of gross loans and advances, as of 2002
2. Market share calculated on the basis of total asset value as of June 2003
3. Market share calculated on the basis of total asset value as of June 2004

Source: Morgan Stanley report

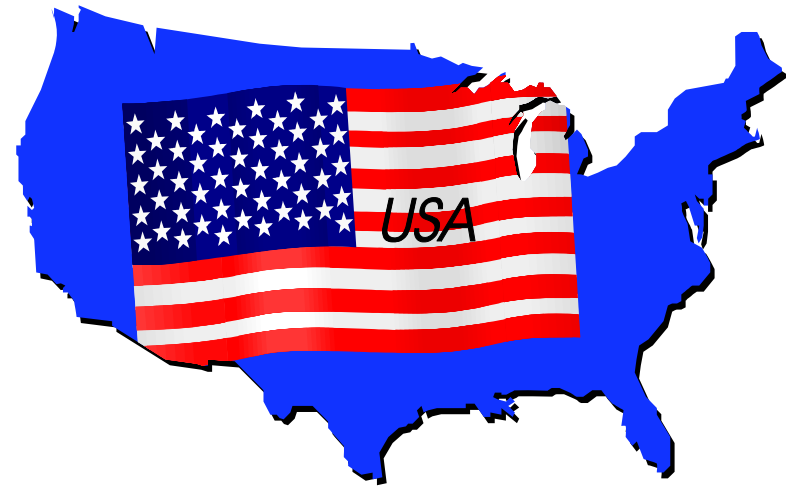
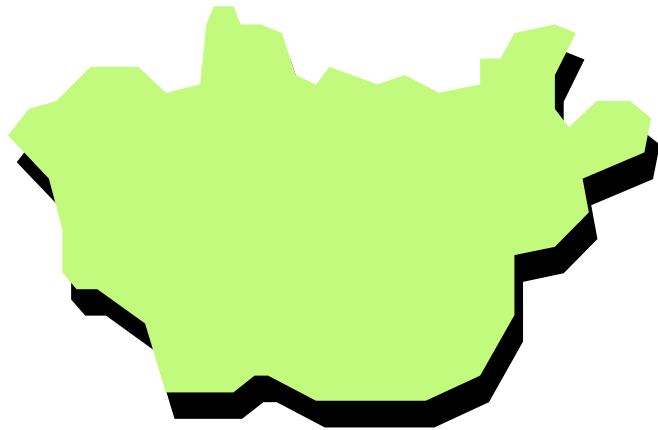
Investment Opportunity in the Financial sector

- ◆ Banks with good asset quality
- ◆ Banks with China business exposure

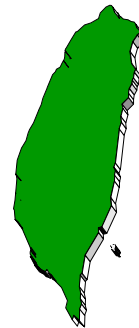
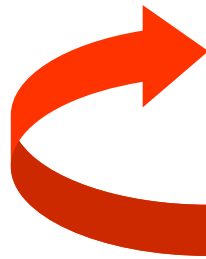
Summary

- 1. Taiwan market is close to a historic low valuation**
- 2. Taiwan strives to lead global IT supply**
- 3. Taiwan will benefit from China market platforms**
- 4. Taiwan Financials consolidation on the horizon**

Taiwan Economy Rides on US and China



*High-speed
Growth
Market*



*High-tech
Recovery*

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