In response to the changing financial environment both internally and externally, the
government endeavored to pass the Financial Holding Company Act, which is
intended to provide an environment conducive to financial integrations. According to
the Principal-Agent theory, agency problems tend to take place when misalignment
occurs between an ultimate owner’s cash flow rights and voting power. It is of interest
whether the financial holding company structure actually increases or decreases such
misalignment. The shareholdings of the Hong family of SinoPac Holdings is the
subject of this research, and the essence of the research is to examine the Hong
family’s shareholding and their actual control based on the one-share-one-vote
principle before and after the holding company structure. The findings conclude that
the misalignment between the Hong family’s ownership and control in fact increases
under the holding company structure, which is generally viewed as a negative sign of
corporate governance. Notwithstanding, the Hong family has adopted some measures
to strengthen corporate governance despite the widening misalignment.

Key words: Financial Holding Company; Corporate Governance;
Principal-Agent Model; Ownership; Control; Cash flow rights; Voting power;
Misalignment