

Cathay Financial Holding Co., Ltd.
Financial Statements
Together with
Review Report
AS of March 31, 2004 and 2003

Name of the company: Cathay Financial Holding Co., Ltd.

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Review report

To: Board of Directors
Cathay Financial Holding Co., Ltd.

We have reviewed the accompanying balance sheets of Cathay Financial Holding Co., Ltd. (the "Company") as of March 31, 2004 and 2003, and the related statements of income, changes in stockholders' equity and cash flows for the three-month periods then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue reports based on our reviews. We did not review the financial statements of Cathay United Bank Co., Ltd., (United World Chinese Commercial Bank Co., Ltd. and Cathay United Bank Co., Ltd. were merged on October 27, 2003. United World Chinese Commercial Bank Co., Ltd. was the surviving company but the merged bank was re-named under Cathay United Bank Co., Ltd.) and Cathay Pacific Venture Capital Co., Ltd., wholly-owned subsidiaries of the Company. Total investment for the subsidiaries is NT\$ 73,291 million (US\$ 2,221 million) constituting 40.38% of total assets of the Company as of March 31, 2004, and investment gain is NT\$ 4,577 million (US\$ 139 million) constituting 37.55% of income before taxes of the Company for the three-month period ended March 31, 2004. We did not review the financial statements of United World Chinese Commercial Bank Co., Ltd. and Cathay United Bank Co., Ltd.(formerly), wholly-owned subsidiaries of the Company. Total investment for the subsidiaries is NT\$67,715 million (US\$1,949 million) constituting 47.07% of the total assets of the Company as of March 31, 2003, and investment gain is NT\$2,300 million (US\$66 million) constituting 31.94% of income before taxes of the Company for the three-month period ended March 31, 2003. These statements were reviewed by other auditors whose reports have been furnished to us, and our review report, insofar as it relates to the amounts, is based solely on the report of the other auditors.



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We conducted our reviews in accordance with generally accepted auditing standards in the Republic of China. A review of interim financial information consists principally of applying analytical review procedures to financial data, and making inquiries to persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review and the report of other auditors, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in conformity with generally accepted accounting principles in the Republic of China.

Cathay Financial Holding Co., Ltd. has prepared the consolidated financial statements as of March 31, 2004 and 2003 accompany with modificatory unqualified review report issued by our auditors furnished upon request.

The accompanying financial statements as of and for the three-month periods ended March 31, 2004 and 2003, have been translated into United States dollars solely for the convenience of the readers. We have reviewed the translation and, in our review report, the financial statements expressed in New Taiwan dollars have been translated into United States dollars on the basis set forth in note 2(13) to the financial statements.

BDO Taiwan Union & Co.
Taipei, Taiwan
Republic of China

April 15, 2004

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdiction. The standards, procedures and practices to review such financial statements are those generally accepted and applied in the Republic of China.

Cathay Financial Holding Co.,Ltd.
Balance sheets
(Expressed in thousands of dollars)
As of March 31, 2004 and 2003

Assets	2004			2003		
	NT \$	US \$	%	NT \$	US \$	%
Current assets:						
Cash and cash equivalents (Notes 2,4)	\$5,854,021	\$177,395	3.23	\$10,650,457	\$306,488	7.40
Short-term investments (Notes 2,5)	1,910,061	57,880	1.05	123,864	3,564	0.09
Interest receivable	137,997	4,182	0.08	121,858	3,507	0.08
Other receivable	0	0	0.00	108,424	3,120	0.08
Deferred income tax assets-current (Notes 2,13)	26,800	812	0.01	4,069	117	0.00
Prepayments	0	0	0.00	6	0	0.00
Subtotal	7,928,879	240,269	4.37	11,008,678	316,796	7.65
Long-term investments						
Long-term investments in stocks (Notes 2,6)						
Long-term investments under equity method	172,639,963	5,231,514	95.12	132,279,758	3,806,612	91.96
Long-term investments under cost method	100,000	3,030	0.05	0	0	0.00
Allowance for valuation loss on long-term investments in stocks	(113,254)	(3,432)	(0.06)	(592,256)	(17,043)	(0.41)
Prepayments for long-term investments in stocks	701,014	21,243	0.39	600,000	17,266	0.42
Subtotal	173,327,723	5,252,355	95.50	132,287,502	3,806,835	91.97
Property and equipment (Note 2)						
Communication and transportation equipment	3,199	97	0.00	2,499	72	0.00
Other equipment	2,673	81	0.00	2,668	77	0.00
Subtotal	5,872	178	0.00	5,167	149	0.00
Less: Accumulated depreciation	(1,447)	(44)	0.00	(527)	(15)	0.00
Subtotal	4,425	134	0.00	4,640	134	0.00
Other assets						
Temporary payments and suspense accounts	57	2	0.00	2,275	65	0.00
Deferred income tax assets -noncurrent (Notes 2,13)	52,040	1,577	0.03	192,985	5,554	0.13
Deferred charges (Note 2)	190,714	5,779	0.10	354,184	10,192	0.25
Subtotal	242,811	7,358	0.13	549,444	15,811	0.38
Total assets	\$181,503,838	\$5,500,116	100.00	\$143,850,264	\$4,139,576	100.00
Liabilities & stockholders' equity						
Current liabilities						
Collections for others	\$706	\$21	0.00	\$515	\$15	0.00
Accrued expenses	9,649	292	0.00	2,429	70	0.00
Income taxes payable	37,571	1,139	0.02	380	11	0.00
Dividends payable	1,415	43	0.00	922	27	0.00
Subtotal	49,341	1,495	0.02	4,246	123	0.00
Long-term liabilities						
Bonds payable (Notes 2,7,20)	24,609,818	745,752	13.56	25,227,181	725,962	17.53
Accrued pension liabilities	4,498	136	0.00	0	0	0.00
Subtotal	24,614,316	745,888	13.56	25,227,181	725,962	17.53
Other liabilities						
Guarantee deposits received	24	1	0.00	0	0	0.00
Temporary receipts and suspense accounts	704	21	0.00	849	24	0.00
Subtotal	728	22	0.00	849	24	0.00
Total liabilities	24,664,385	747,405	13.58	25,232,276	726,109	17.53
Stockholders' equity						
Capital stock						
Common stock (Note 8)	83,074,891	2,517,421	45.77	83,074,891	2,390,644	57.75
Capital surplus (Note 9)	53,650,859	1,625,784	29.56	55,839,804	1,606,901	38.82
Retained earnings (Note 10)						
Legal reserve	1,335,046	40,456	0.74	13,713	395	0.01
Special reserve	1,833,255	55,553	1.01	0	0	0.00
Unappropriated retained earnings	28,947,370	877,193	15.95	16,642,940	478,933	11.57
Equity adjustments						
Unrealized valuation losses on long-term equity investments (Notes 2,6)	(113,254)	(3,432)	(0.06)	(592,256)	(17,043)	(0.41)
Cumulative conversion adjustments (Note 2)	119,807	3,631	0.07	183,374	5,277	0.13
Net loss not yet recognized as net pension cost	(1,971)	(60)	0.00	0	0	0.00
Treasury stock (Notes 2,11)	(12,006,550)	(363,835)	(6.62)	(36,544,478)	(1,051,640)	(25.40)
Total stockholders' equity	156,839,453	4,752,711	86.42	118,617,988	3,413,467	82.47
Total liabilities and stockholders' equity	\$181,503,838	\$5,500,116	100.00	\$143,850,264	\$4,139,576	100.00

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2004 and 2003 were NT\$33.00 and NT\$34.75 to US\$1.00)

The accompanying notes are an integral part of these financial statements.

Cathay Financial Holding Co.,Ltd.
Statements of income
(Expressed in thousands of dollars,except earning per share)
For the three-month periods ended March 31, 2004 and 2003

	2004			2003		
	NT \$	US \$	%	NT \$	US \$	%
Operating revenues (Note 2)						
Interest income	\$111,135	\$3,368	0.95	\$123,210	\$3,546	1.64
Gain on long-term equity investments (Notes 2,6)	11,586,330	351,101	99.05	7,374,157	212,206	98.36
Subtotal	11,697,465	354,469	100.00	7,497,367	215,752	100.00
Operating costs (Note 2)						
Interest expenses	(167,728)	(5,083)	(1.43)	(210,702)	(6,064)	(2.81)
Provision for securities trading losses reserve	(19,853)	(602)	(0.17)	0	0	0.00
Subtotal	(187,581)	(5,685)	(1.60)	(210,702)	(6,064)	(2.81)
Operating gross profit	11,509,884	348,784	98.40	7,286,665	209,688	97.19
Operating expenses						
Administrative and general expenses	(73,792)	(2,236)	(0.63)	(80,196)	(2,308)	(1.07)
Operating income	11,436,092	346,548	97.77	7,206,469	207,380	96.12
Non-operating revenues						
Gain on foreign exchange	639,862	19,390	5.47	0	0	0.00
Miscellaneous income	113,338	3,434	0.97	0	0	0.00
Subtotal	753,200	22,824	6.44	0	0	0.00
Non-operating expenses						
Loss on foreign exchange	0	0	0.00	(4,526)	(130)	(0.06)
Subtotal	0	0	0.00	(4,526)	(130)	(0.06)
Income from continuing operations before income taxes	12,189,292	369,372	104.21	7,201,943	207,250	96.06
Income taxes (Notes 2, 13)	(149,297)	(4,524)	(1.28)	43,826	1,261	0.58
Net income	12,039,995	\$364,848	102.93	\$7,245,769	\$208,511	96.64
Earnings per share(expressed in dollars) (Note 14)						
Primary earnings per share:						
Before income tax earnings per share	\$1.52	\$0.05		\$0.97	\$0.03	
After income tax earnings per share	\$1.51	\$0.05		\$0.97	\$0.03	
Fully-diluted earnings per share:						
Before income tax earnings per share	\$1.47	\$0.04		\$0.94	\$0.03	
After income tax earnings per share	\$1.44	\$0.04		\$0.94	\$0.03	
Pro-forma as if amounts, assuming subsidiaries' shareholdings of the Company were not treated as treasury stock:						
Income from continuing operations before income taxes	\$12,293,833	372,540		\$7,250,825	\$208,657	
Net income	\$12,144,536	368,016		\$7,294,650	\$209,918	
Earnings per share(expressed in dollars)						
Primary earnings per share:						
Before income tax earnings per share	\$1.53	\$0.05		\$0.93	\$0.03	
After income tax earnings per share	\$1.52	\$0.05		\$0.94	\$0.03	
Fully-diluted earnings per share:						
Before income tax earnings per share	\$1.48	\$0.04		\$0.91	\$0.03	
After income tax earnings per share	\$1.45	\$0.04		\$0.91	\$0.03	

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2004 and 2003 were NT\$33.00 and NT\$34.75 to US\$1.00)

The accompanying notes are an integral part of these financial statements.

Cathay Financial Holding Co., Ltd.
Statements of changes in stockholders' equity
(Expressed in thousands of dollars)
For the three-month periods ended March 31, 2004 and 2003

Summary	Common stock		Capital surplus		Retained earnings						Equity adjustments				Treasury stock		Total			
					Legal reserve		Special reserve		Unappropriated retained earnings		Unrealized valuation losses on long-term equity investments		Cumulative conversion adjustments		Net loss not yet recognized as net pension cost					
	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$
Balance on January 1, 2003	\$84,531,631	\$2,432,565	\$56,807,974	\$1,634,762	\$13,713	\$395	\$0	\$0	\$13,085,153	\$376,551	\$(1,032,426)	\$(29,710)	\$199,570	\$5,743	\$0	\$0	\$(42,706,265)	\$(1,228,958)	\$110,899,350	\$3,191,348
Retired treasury stock	(1,456,740)	(41,921)	(978,976)	(28,172)					(3,687,982)	(106,129)							6,123,698	176,222	0	0
Cumulative conversion adjustments													(16,196)	(466)					(16,196)	(466)
Unrealized valuation losses on long-term equity investments											440,170	12,667							440,170	12,667
Treasury stock																	(5,075)	(146)	(5,075)	(146)
Treasury stock transactions			10,806	311													43,164	1,242	53,970	1,553
Net income for the three-month period ended March 31, 2003									7,245,769	208,511									7,245,769	208,511
Balance on March 31, 2003	\$83,074,891	\$2,390,644	\$55,839,804	\$1,606,901	\$13,713	\$395	\$0	\$0	\$16,642,940	\$478,933	\$(92,256)	\$(17,043)	\$183,374	\$5,277	\$0	\$0	\$(36,544,478)	\$(1,051,640)	\$118,617,988	\$3,413,467
Balance on January 1, 2004	\$83,074,891	\$2,517,421	\$53,651,046	\$1,625,789	\$1,335,046	\$40,456	\$1,833,255	\$55,553	\$16,916,694	\$512,627	\$(136,202)	\$(4,127)	\$176,537	\$5,350	\$(1,971)	\$(60)	\$(15,039,516)	\$(455,743)	\$141,809,780	\$4,297,266
Capital surplus			(187)	(5)															(187)	(5)
Cumulative conversion adjustments													(56,730)	(1,719)					(56,730)	(1,719)
Unrealized valuation losses on long-term equity investments											22,948	695							22,948	695
Treasury stock transactions									(9,319)	(282)							3,032,966	91,908	3,023,647	91,626
Net income for the three-month period ended March 31, 2004									12,039,995	364,848									12,039,995	364,848
Balance on March 31, 2004	\$83,074,891	\$2,517,421	\$53,650,859	\$1,625,784	\$1,335,046	\$40,456	\$1,833,255	\$55,553	\$28,947,370	\$877,193	\$(113,254)	\$(3,432)	\$119,807	\$3,631	\$(1,971)	\$(60)	\$(12,006,550)	\$(363,835)	\$156,839,453	\$4,752,711

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2004 and 2003 were NTS33.00 and NTS34.75 to US\$1.00)
The accompanying notes are an integral part of these financial statements.

Cathay Financial Holding Co., Ltd.
Statements of cash flows
(Expressed in thousands of dollars)
For the three-month periods ended March 31, 2004 and 2003

	2004		2003	
	NT \$	US \$	NT \$	US \$
Cash flows from operating activities				
Net income	\$12,039,995	\$364,848	\$7,245,769	\$208,511
Adjustments:				
Amortizations	36,342	1,101	36,342	1,046
Depreciation	245	7	180	5
Provision loss on short-term investments	19,853	602	0	0
Investment gains recognized by equity method smaller (excess) of cash dividends received	(11,586,330)	(351,101)	(7,374,157)	(212,206)
Increase(decrease) in bonds payable redemption premium	167,727	5,083	210,702	6,064
Effects of exchange rate changes	53,138	1,610	4,526	130
Decrease (increase) in short-term investments	217,507	6,591	326,391	9,393
Decrease (increase) in interest receivable	(95,255)	(2,886)	(77,652)	(2,235)
Decrease (increase) in deferred income tax assets-current	(4,963)	(150)	0	0
Decrease (increase) in deferred income tax assets-noncurrent	119,782	3,630	(51,658)	(1,487)
Decrease (increase) in temporary payments and suspense accounts	110	3	(1,648)	(47)
Increase (decrease) in collections for others	(191)	(6)	10	0
Increase (decrease) in accrued expenses	(26,979)	(817)	(402,185)	(11,574)
Increase (decrease) in income tax payable	31,972	969	380	11
Increase (decrease) in dividends payable	(61)	(2)	(41)	(1)
Accrued pension liabilities	922	28	(436)	(13)
Increase (decrease) in temporary receipts and suspense accounts	10	0	141	4
Net cash provided by (used in) operating activities	973,824	29,510	(83,336)	(2,399)
Cash flows from investing activities				
Acquisition of long-term investments in stocks	(701,014)	(21,243)	(600,000)	(17,266)
Acquisition of property and equipment	0	0	(2,519)	(72)
Decrease (increase) in deferred charges	4,526	137	4,526	130
Net cash provided by (used in) investing activities	(696,488)	(21,106)	(597,993)	(17,208)
Cash flows from financing activities				
Increase (decrease) in bonds payable	(693,000)	(21,000)	0	0
Increase (decrease) guarantee deposits received	25	1	0	0
Net cash provided by (used in) financing activities	(692,975)	(20,999)	0	0
Effects of exchange rate changes	(53,138)	(1,610)	(4,526)	(130)
Increase (decrease) in cash and cash equivalents	(468,777)	(14,205)	(685,855)	(19,737)
Cash and cash equivalents at the beginning of period	6,322,798	191,600	11,336,312	326,225
Cash and cash equivalents at the end of period	\$5,854,021	\$177,395	\$10,650,457	\$306,488
Supplemental disclosure of cash flows information				
Income tax paid	\$2,506	\$76	\$7,453	\$214

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2004 and 2003 were NT\$33.00 and NT\$34.75 to US\$1.00)

The accompanying notes are an integral part of these financial statements.

Cathay Financial Holding Co., Ltd.

Notes to financial statements

(Expressed in thousands of dollars unless otherwise stated)

As of March 31, 2004 and 2003

1. Organization of business scope

On December 31, 2001 Cathay Life Insurance Co., Ltd. (“Cathay Life”) was reincorporated as Cathay Financial Holding Co., Ltd. (the “Company”) through stock conversion pursuant to provisions of the Republic of China (“ROC”) Financial Holding Company Act (“Financial Holding Company Act”). On April 22, 2002, Cathay Century Insurance Co., Ltd. (“Cathay Century”) and Cathay United Bank Co., Ltd. (“Cathay United Bank (formerly)”) joined the Company, as two subsidiaries of the Company by stock conversion. On December 18, 2002, United World Chinese Commercial Bank Co., Ltd. (“UWCCB”) became a subsidiary of the Company by stock conversion. UWCCB and Cathay United Bank (formerly) were merged on October 27, 2003. UWCCB was the Surviving Company but the merged bank was re-named under Cathay United Bank Co., Ltd. (“Cathay United Bank (merged)”) On July 29, 2003, the Company listed its partial shares of stock on the Luxembourg Stock Exchange in the form of Global Depositary Shares. The Company mainly engages in financial holding business activities.

2. Summary of significant accounting policies

We prepared the financial statements in accordance with generally accepted accounting principles, “Guidelines Governing the Preparation of Financial Reports by Securities Issuers” and “Guidelines Governing the Preparation of Financial Reports by Financial Holding Companies.” Summary of significant accounting policies is as follows:

(1) Distinguish assets and liabilities, current and non-current

Current assets are assets that can be liquidated or disposed within one year. Assets that do not belong to current assets are called non-current assets. Current liabilities are debts that will be paid-off within one year. Debts, which do not belong to current liabilities, are called non-current liabilities.

(2) Cash and cash equivalents

Cash includes cash on hand, unrestricted bank deposits, and all highly liquid investments with a maturity of less than three months.

Cathay Financial Holding Co., Ltd.

Notes to financial statements

(Expressed in thousands of dollars unless otherwise stated)

As of March 31, 2004 and 2003

(3) Short-term investments

When market value is available, short-term notes are stated at the lower of aggregate cost or market value. The costs of these notes, interest income, and gain or loss due to maturity or as a result of sales of notes are determined by the specific identification method.

Bonds are valued at the lower of cost or market value. The cost of these bonds sold is determined based on the weighted-average method.

(4) Long - term investments in stocks

Long-term investments in listed companies in which the Company's ownership interest is less than 20% of the voting stock, and over which the Company lacks significant operational influence, are stated at the lower of cost or market value. Unrealized loss thereon is reflected as a reduction of shareholders' equity. Long-term investments in unlisted companies, in which the Company's ownership interest accounted for less than 20% of the common stock, are stated at cost. However, when there is evidence showing that a decline in market value of such investment is not temporary and is already less than cost, the market value becomes the new cost basis and the difference is accounted for as if it were a realized loss, and included in the determination of net income. Stock dividends are not recognized as income but treated as an increase in the number of shares held. Upon sales of long-term equity investments (accounted for under cost method), the difference between the weighted-average cost and sales price is used to compute the resulting gain or loss.

Investments in equity securities are accounted for under the equity method where the Company's ownership interest is 20% or more of the voting shares and the Company has significant operational influence.

If changes occur in the capital structure of the investee companies causing an increase or decrease of the value of the stock, and the Company can no longer maintain its original shareholding, adjustments will be made in the capital surplus and long-term equity investments accounts. If there is any deficiency in the capital surplus account, the difference will be debited to the retained earnings account.

The cost of the disposal of an investment is determined by the weighted-average method.

Unrealized intercompany gains or losses are eliminated under the equity method. Gains or losses from sales of depreciable assets between the subsidiaries and the Company are amortized to income over the assets, economic service lives. Gains or losses from other types of inter-company transactions are recognized when realized.

Cathay Financial Holding Co., Ltd.

Notes to financial statements

(Expressed in thousands of dollars unless otherwise stated)

As of March 31, 2004 and 2003

(5) Property and equipment

Property and equipment are carried at cost. Improvement and major renovation of properties are capitalized, while repairs and maintenance are expensed immediately. Upon disposal of an item of property and equipment, the related cost and accumulated depreciation are removed from the accounts.

Depreciation on depreciable assets is computed using the straight-line method over service lives, prescribed by the “Estimated Useful Life of Fixed Assets Table” published by the Executive Yuan of the ROC. “The Executive Yuan Depreciation Table”. Properties still used in operations beyond their original estimated service lives are further depreciated over their newly estimated service lives.

(6) Deferred charges

Deferred charges are expenses, which are effective more than one year. Deferred charges are amortized over the economic useful life by straight-line method.

(7) Convertible bonds payable

The stated redemption price in excess of the face value of a convertible bond is amortized by the effective interest method and is credited to the reserve for bonds redemption accounts. In addition, this amortization is treated as interest expense.

The book value approach is used when the conversion privilege of a convertible bond is exercised. In addition, the accounts of convertible bonds payable and reserve amount for bonds redemption are transferred to the accounts of capital stock and capital surplus and, accordingly, no gain or loss is recognized upon conversion.

(8) Foreign currency transactions

Foreign currency transactions should be accounted for at cost and recognized on a straight-line method recorded in NT dollars at the exchange rates prevailing on the transaction dates. Gains or losses resulting from adjustments or settlements of foreign currency assets and liabilities are credited or charged to income in the period of actual conversion or settlement. Foreign currency of long-term investment accounted cumulative translation adjustments are treated as adjustments of stockholders' equity. Year-ended foreign currency assets and liabilities are converted at the prevailing exchange rate on the balance sheet date, and any gains or losses resulting from the transactions are credited or charged to current income.

Cathay Financial Holding Co., Ltd.

Notes to financial statements

(Expressed in thousands of dollars unless otherwise stated)

As of March 31, 2004 and 2003

(9) Derivative financial instruments

A. Interest rate swaps (IRS)

Interest rate swap transactions may involve the exchange of fixed-rate interest payment for the market floating-rate interest payment obligation based on a notional principal amount. For interest rate swap transactions undertaken for trading purposes, income and expenses arising upon settlement are netted off and recognized in the statement of income and expenditure.

B. Options

Premiums paid or received for options are recorded as assets or liabilities, respectively. Gains or losses on exercise of such option are credited to or charged against current income. As of the balance sheet dates, options are marked to market and the resulting gains or losses are credited or charged to current income.

(10) Income taxes

The Company adopted Statement of Financial Accounting Standards (“SFAS”) No. 22, “ Accounting for Income Taxes”, which requires inter-period and intra-period tax allocations in addition to computing current period income tax payable. Furthermore, it requires recognition of temporary differences in deferred income tax liabilities, deferred income tax assets, prior year’s loss carry-forwards and investment tax credits. The realization of deferred income tax assets should be further assessed and valuation allowance will be estimated, if needed. The prior year’s income tax expense adjustment should be recorded as current period income tax expenses in the year of adjustment.

In accordance with article 49 of Financial Holding Company Act, the Company and its subsidiaries company jointly filed corporation income tax returns and 10% surcharge on its unappropriate retained earnings under the Integrated Income Tax Systems. If there is any tax effects due to adopt forgoing Integrated Income Tax System, the Company can proportionately allocate the effects on tax expense (benefit), deferred income tax and tax payable(tax refund receivable) among the Company and its subsidiaries.

Deferred income tax assets and liabilities are classified as current or non-current depending on the underlying assets or liabilities. Deferred income taxes not relating to assets or liabilities are classified as current or non-current based on the length of the expected realizable or reversible period.

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The additional 10% income tax imposed on undistributed earnings is recognized as expenses on the date of the stockholders' meeting.

(11)Capital expenditure expenses

Expenditure is capitalized and amortized over its useful life if it involves a significant amount and generate revenues in future periods. Otherwise, it is expensed in the year of expenditure.

(12)Treasury stock

The issued stocks can be purchased back by the company and treated as treasury stock, and the cost for this purchase should be credited under the category "Treasury Stock", the face value of these treasury stocks should be calculated separately based on the reason of purchase and in accordance with stock type (common or preferred stock) using the weighted average method. It should be debited under the treasury stock category at time the treasury stock is written off and credited to "capital surplus-stock premium" and capital stock according to stock equity ratio. If the book value of treasury stock is higher than the sum of face value and stock premium, the difference should be charged off to the capital surplus of the same type of treasury stock, the insufficient amount, if any, should be credited to retained earning; if however, the face value of treasury stock is lowered than the sum of face value and stock premium, the difference should be debited to capital surplus that derived from stock exchange of the same type of treasury stock. According to the Ministry of Finance Security and Future Committee (91) article 108164 ruled that the company:

In accordance with article 38 of the financial holding company act that based on the principle of strict prohibition in cross holding, the initial listing and over the counter financial institution must act in accordance with article 28 of the security exchange to buy back company shares prior to the conversion to a subsidiary of a financial holding company. In addition, article 31 of the financial holding company act indicated that the adjustable period for such conversion is 3 yeas maximum, the past due is deemed as unissued shares and should undergo registration amendment and be charged off accordingly.

Under the previous circumstance, subsidiary of a financial holding company holds shares that are treated as treasury stock of the subsidiary should act in accordance with article 28-2, that is, ineligibility of equity right before the conversion of those shares.

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According to the Ministry of Finance Security and Future Committee (91) article 111467 ruled that a financial institution acted in accordance with security exchange article 28-2, item 1, that the buy back of treasury shares where the conversion to a subsidiary of a financial hold is taking place, the mentioned treasury shares, according to Financial Holding Company Act, article 31, although converted to financial holding common shares, should still be listed as treasury shares and deducted from shareholder equity, the same applied to the holding of subsidiary common shares, that the holder of financial holding shares as a result of this conversion, the company should act in accordance with SFAS NO.30 "Treasury Stock Accounting Principle" and treated shares held by the subsidiary as treasury stock in its financial report and income statement.

(13) Convenience conversion U.S. dollars

The financial statements are stated in NT dollars. Conversion of the March 31, 2004 and 2003 NT dollar amounts into U.S. dollar amounts is included in the financial statements solely for the convenience of the readers, using the noon buying rate of NT\$33.00 and NT\$34.75 to US\$1.00 effective on March 31, 2004 and 2003, as provided by the Federal Reserve Bank of New York. The convenience conversion should not be construed as a representation that the NT dollars have been, or could in the future be, converted into U.S. dollars at this rate or any other rate of exchange.

3. Changes in accounting and its effects: None

4. Cash and cash equivalents

	March 31,			
	2004(NT\$)	2004(US\$)	2003(NT\$)	2003(US\$)
Petty cash	\$60	\$2	\$20	\$1
Cash in banks	395,891	11,997	678	19
Time deposits	2,637,687	79,930	2,163,130	62,248
Cash equivalents	2,820,383	85,466	8,486,629	244,220
Total	<u>\$5,854,021</u>	<u>\$177,395</u>	<u>\$10,650,457</u>	<u>\$306,488</u>

5. Short-term investments

Cathay Financial Holding Co., Ltd.

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As of March 31, 2004 and 2003

	March 31,			
	2004(NT\$)	2004(US\$)	2003(NT\$)	2003(US\$)
Government bonds	\$0	\$0	\$123,864	\$3,564
Oversea Investments	2,000,984	60,636	0	0
Less: Allowance for valuation loss	(90,923)	(2,756)	(0)	(0)
Total	<u>\$1,910,061</u>	<u>\$57,880</u>	<u>\$123,864</u>	<u>\$3,564</u>

As of March 31, 2004 and 2003, the Company didn't provide collateral or guarantee on short-term investments.

6. Long-term investments in stocks

Name of investee	March 31,			
	2004(NT\$) Book Value	2004(US\$) Book Value	2003(NT\$) Book Value	2003(US\$) Book Value
Under the equity method:				
Cathay Life	\$95,996,868	\$2,908,996	\$61,274,307	\$1,763,289
Cathay Century	3,164,643	95,898	2,698,291	77,649
Cathay United Bank (formerly)	0	0	12,168,880	350,184
Cathay United Bank (merged)	72,700,848	2,203,056	55,546,024	1,598,447
Cathay Pacific Venture Capital Co., Ltd.	590,573	17,896	0	0
Cathay Venture Capital Corp.	73,777	2,236	0	0
Sub-Total	<u>172,526,709</u>	<u>5,228,082</u>	<u>131,687,502</u>	<u>3,789,569</u>
Under the cost method:				
Debt Instruments Depository and Clearing Co., Ltd.				
Taiwan	100,000	3,030	0	0
Prepayments for long-term investments in stocks:				
Cathay Pacific Venture capital Co., Ltd.	0	0	600,000	17,266
Cathay Venture capital Inc	600,000	18,182	0	0
Cathay securities corp.	101,014	3,061	0	0
Sub-Total	<u>701,014</u>	<u>21,243</u>	<u>600,000</u>	<u>17,266</u>
Total	<u>\$173,327,723</u>	<u>\$5,252,355</u>	<u>\$132,287,502</u>	<u>\$3,806,835</u>

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As of March 31, 2004 and 2003

(1) Changes in long-term investments under the equity method are summarized as follows:

	For the three-month periods ended March 31,			
	2004(NT\$)	2004(US\$)	2003(NT\$)	2003(US\$)
Balance on January 1	\$157,950,702	\$4,786,385	\$123,840,475	\$3,563,755
Add: Investment gains under equity method recognized	11,586,330	351,101	7,374,157	212,206
Add: Disposal of the Company stocks that the subsidiaries held as investments were treated as treasury stocks	3,023,647	91,626	53,970	1,553
Add : Unrealized valuation loss on long-term equity investments under equity method recognized	22,948	695	440,170	12,667
Less: Capital surplus under equity method recognized	(188)	(6)	0	0
Less: Cumulative conversion adjustments under equity method recognized	(56,730)	(1,719)	(16,195)	(466)
Less: The Company stocks that the subsidiaries held as investments were treated as treasury stocks	0	0	(5,075)	(146)
Balance on March 31	<u>\$172,526,709</u>	<u>\$5,228,082</u>	<u>\$131,687,502</u>	<u>\$3,789,569</u>

(2) The investment gains (losses) recognized by the equity method for the three-month periods ended March 31, 2004 and 2003 are listed below:

Name of Investee	For the three-month periods ended March 31,			
	2004(NT\$)	2004(US\$)	2003(NT\$)	2003(US\$)
Cathay Life	\$6,741,520	\$204,288	\$4,945,007	\$142,302
Cathay Century	267,760	8,114	128,951	3,711
Cathay United Bank (formerly)	0	0	459,232	13,215
Cathay United Bank (merged)	4,579,331	138,768	1,840,967	52,978
Cathay Pacific Venture Capital Co., Ltd.	(2,306)	(70)	0	0
Cathay Venture Capital Corp.	25	1	0	0
Total	<u>\$11,586,330</u>	<u>\$351,101</u>	<u>\$7,374,157</u>	<u>\$212,206</u>

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- A. Cathay Life was reviewed by auditors with qualified review report due to potential adjustments, except for the long-term investments under the equity method in parts of subsidiaries financial statements, which were in accordance with unreviewed report of its investee companies. The related amount of long-term investments for these companies under the equity method were NT\$780,640 (US\$23,656) and NT\$693,020 (US\$19,943) as of March 31, 2004 and 2003, respectively. The related amount of investment gain (loss) were NT\$7,238(US\$219) and NT\$9,972 (US\$287) for the three-month periods ended March 31, 2004 and 2003. However, as no significant effects on the potential adjustments, the Company recognized its gain/loss on investments in accordance with the financial statements of Cathay Life previously reviewed by auditors.
- B. The investment gains (losses), which were recognized, based on the reviewed financial statements of Cathay Century in the same current periods for the three-month periods ended March 31, 2004 and 2003.
- C. UWCCB and Cathay United Bank (formerly) were merged on October 27, 2003. UWCCB was the surviving Company but the merged bank was re-named under Cathay United Bank (merged).
- D. We did not review the financial statements of Cathay United Bank (merged) for the three-month periods ended March 31, 2004 and 2003. Cathay United Bank (merged) was reviewed by other auditors with modificatory unqualified review report. In accordance with other auditors' report of its investee, it recognized its gain/loss on investments in accordance with the statements reviewed by other auditors.
- E. We did not review the financial statements of Cathay Pacific Venture Co., Ltd. for the three-month period ended March 31, 2004. Cathay Pacific Venture Co., Ltd. was reviewed by other auditors with unqualified review report. In accordance with other auditors' report of its investee, it recognized its gain/loss on investments in accordance with the statements reviewed by other auditors.
- F. The investment gains (losses), which were recognized based on the reviewed financial statements of Cathay Venture Capital Corp. in the same current periods for the three-month period ended March 31, 2004.
- G. We did not review the financial statements of Cathay United Bank (formerly) for the

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As of March 31, 2004 and 2003

three-month period ended March 31, 2003. Cathay United Bank (formerly) was reviewed by other auditors with qualified review report, which complied with the ROC Financial Institution Merger Law amortizing the losses of disposition of delinquent assets. On April 11, 2002, Cathay United Bank (formerly) had transferred its delinquent assets to Taiwan Asset Management Corporation, and the related losses amounted to NT\$ 1,894,609 (US\$54,147). According to Article 15 of the ROC Financial Institution Merger Law, the losses on the transaction will be amortized over five years from April 2002. As of March 31, 2003, the unamortized losses on the transfer of delinquent assets accounted for as other assets amounted to NT\$1,515,412 (US\$43,609) and should be recognized as current expenses. The investment gains (losses) of the Company accounted for under equity method of the losses were recognized as current expenses, provision for credit losses of Cathay United Bank (formerly) decreased by NT\$94,725 (US\$2,726), the income before tax increased by NT\$94,725 (US\$2,726), the income tax expenses increased by NT\$23,681 (US\$ 681) and the net income after tax increased by NT\$71,044 (US\$2,045) for the three-month period ended March 31, 2003. The investment gains of the Company accounted for under equity method recognized increased by NT\$71,044 (US\$2,045).

- H. The company was established the subsidiaries Cathay venture Capital Inc and Cathay Securities Corp. There were not formally operation and admitted the investment statement of gain and loss for the three-month period March 31, 2004.
- I. The consolidated financial statements of the Company as of and for the three-month period March 31, 2004 include the Company, and its subsidiaries, which include Cathay Life, Cathay Century, Cathay United Bank (merged). As of and for the three-month period March 31, 2003 the consolidated financial statements include the Company, Cathay Life, Cathay Century, Cathay United Bank(formerly) and UWCCB. The consolidated financial statements of the Company as of March 31, 2004 exclude Cathay Venture Pacific Co., Ltd., because its total assets and operating revenues are not up to 10% of the Company.

(3) As of March 31, 2004 and 2003, the Company didn't provide collateral or guarantee on long-term investments.

7. Bonds payable

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As of March 31, 2004 and 2003

	March 31,			
	2004(NT\$)	2004(US\$)	2003(NT\$)	2003(US\$)
Zero coupon convertible notes	\$24,500,000	\$742,424	\$24,500,000	\$705,036
Add(Less): Loss (Gain) on foreign exchange	(1,400,000)	(42,424)	0	0
Add: Redemption premium payable	1,509,818	45,752	727,181	20,926
Total	<u>\$24,609,818</u>	<u>\$745,752</u>	<u>\$25,227,181</u>	<u>\$725,962</u>

Please see note 20(3), “Zero coupon convertible notes related information” for details.

8. Common stock

As of March 31, 2004 and 2003, the numbers of issued shares, par value of NT10 dollars (US0.3 dollars), were 8,307,489,100 shares.

On July 29, 2003, the Company listed its partial shares of stock on the Luxembourg Stock Exchange in the form of Global Depositary Shares.

9. Capital surplus

(1) Capital surplus was the NT\$53,650,859 (US\$1,625,784) and NT\$55,839,804 (US\$1,606,901) in March 31, 2004 and 2003. Before conversion into financial holding company, NT\$267,215 (US\$8,097) and NT\$1,917,548 (US\$55,181) constituted retained earnings of certain subsidiaries of the Company.

(2) The additional paid-in capital at par value through exchange of shares was generated from the transfer of the shares of the subsidiaries to the Company. In compliance with Item 4 of Article 47 of the Financial Holding Company Act, the portion of additional paid-in capital from the share exchange which comes from the original financial institution’s unappropriated retained earnings is allowed to be distributed as cash dividends.

(3) In addition, pursuant to the Company Law, capital surplus can only be used to offset deficit or to increase share capital. Capital surplus cannot be distributed as cash dividends. Issuance of new stock from capital surplus can be made only once per year. In addition, the amount to be capitalized should not exceed the specific percentage of capital surplus set by the SFC.

10. Retained earnings

Cathay Financial Holding Co., Ltd.

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(Expressed in thousands of dollars unless otherwise stated)

As of March 31, 2004 and 2003

(1) Legal reserve

Pursuant to the Company Law, 10% and the Company's annual after-tax net income must be allocated as legal reserve until the total amount of the legal reserve equals the issued share capital. This legal reserve can only be used to offset deficit but not for cash dividend distributions. However, if the total accumulated legal reserve is greater than 50% of the issued share capital, up to 50% of such excess can be capitalized if agreed by its stockholders.

(2) Unappropriated retained earnings

A. According to the Company Law and the Company's articles of incorporation, 10% of the Company's annual earnings, after paying tax and offsetting deficit, if any, should first be added to the legal reserve. After distributing 0.01%~0.05% of total distribution for employee's bonus, the remainder shall be allocated in accordance with the resolutions passed at the stockholders' meeting.

B. As the stockholder's meeting of the company resolved on June 6, 2003, declared cash dividends NT\$1.5 dollars each stock and bonus from retained earnings of NT\$13,085,153 (US\$ 396,520) in 2002 and capital surplus from unappropriated earnings with both the subsidiary before conversion amounted to NT\$1,917,548 (US\$ 58,108) and the disposition of fixed assets amounted to NT\$128,170 (US\$ 3,884), respectively. The issuance date of cash dividends was on July 11, 2003.

C. Cathay life had acquired 156,927,000 shares of treasury stock. After conversion into a financial holding company, Cathay life treasury stock is treated as the Company's treasury stock without any stockholder rights. As of March 31, 2004, Cathay life had been transferred to employees.

D. According to the revised Income Tax Law of 1998, the Company is required to pay an extra 10% income tax on all undistributed retained earnings generated during the year.

E. Under the regulations of the Securities and Futures commission, a special reserve equivalent to the debit balance of any account shown in the shareholders' equity section of the balance sheets, other than the deficit, is made from unappropriated retained earnings. However, the special reserve of equal amounts for prior years' accumulated shareholders' equity contra accounts should only be provided from prior years' unappropriated earnings. If a reversal of shareholders' equity contra account occurs, the reversed portion of the special reserve could be distributed as dividends.

F. In accordance with SFC regulations, subsidiaries of financial holding companies that hold shares of their parent company should treat those shares as treasury stock

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as of January 1, 2002. The cost of these shares cannot be distributed as special reserve.

G. Dividends policy

According to the operating program, stock dividends are for the purpose of retaining operating capital. The remainder is distributed in cash, but cash dividends are a minimum of 10% of the dividends declared.

11. Treasury stock

(1) The following is a summary of the movement of treasury stock for the three-month period ended March 31, 2004.

(Unit: in thousands of shares)

Reason for Transfer	January 1, 2004	Increase	Decrease	March 31, 2004	Book Value (in NT thousands of dollars)	Book Value (in US thousands of dollars)	Per Share Book Value (in NT dollars)	Per Share Book Value (in US dollars)	Per Share Market Value (in NT dollars)	Per Share Market Value (in US dollars)
Subsidiaries translated it to employees	51,551	0	51,551	0	\$0	\$0	-	-	-	-
Parent's stock that the subsidiaries held were treated as treasury stock	11,705	0	0	11,705	555,788	16,842	47.48	1.44	61.96	1.88
Holding subsidiaries' stocks by conversion were treated as treasury stock	254,911	0	0	254,911	11,450,762	346,993	44.92	1.36	61.96	1.88
Total	<u>318,167</u>	<u>0</u>	<u>51,551</u>	<u>266,616</u>	<u>\$12,006,550</u>	<u>\$363,835</u>				

(2) The Companies' stocks held by subsidiaries are illustrated as follows:

(Unit: in thousands of shares)

Name	Holding share	Amount (in NT thousands of dollars)	Amount (in US thousands of dollars)	Cause	About retained earnings limit	Legal time limit	Pro forma way by the board of directors determine
Cathay Century	\$3,397	\$210,475	\$6,378	Holding other subsidiaries stock by conversion	None	Within three years	None
Cathay United Bank (merged)	8,308	500,400	15,164	"	None	Within three years	None
Total	<u>11,705</u>	<u>\$710,875</u>	<u>\$21,542</u>				

12. Personnel, depreciation, depletion and amortizations

Cathay Financial Holding Co., Ltd.

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(Expressed in thousands of dollars unless otherwise stated)

As of March 31, 2004 and 2003

Item	For the three-month period ended March 31,2004 (NT\$)			For the three-month period ended March 31,2003 (NT\$)		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel Expenses						
Salary and wages	0	18,295	18,295	0	12,530	12,530
Labor & health Insurance expenses	0	691	691	0	164	164
Pension expenses	0	922	922	0	0	0
Other expenses	0	9,406	9,406	0	7,647	7,647
Depreciation	0	245	245	0	180	180
Depletion	0	0	0	0	-	-
Amortizations	0	36,342	36,342	0	36,342	36,342

Item	For the three-month period ended March 31,2004 (US\$)			For the three-month period ended March 31,2003 (US\$)		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel Expenses						
Salary and wages	0	554	554	0	361	361
Labor & health Insurance expenses	0	21	21	0	5	5
Pension expenses	0	28	28	0	0	0
Other expenses	0	285	285	0	220	220
Depreciation	0	7	7	0	5	5
Depletion	0	0	0	0	0	0
Amortizations	0	1,101	1,101	0	1,046	1,046

The total number of employees was 53 and 35, respectively, on March 31, 2004 and 2003.

13. Estimated income taxes

(1) Income tax expenses for the three-month periods ended March 31, 2004 and 2003 are estimated as follows:

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	For the three-month periods ended March 31,			
	2004(NT\$)	2004(US\$)	2003(NT\$)	2003(US\$)
Income before taxes	\$12,189,292	\$369,372	\$7,201,943	\$207,250
Adjustments:				
Unrealized exchange loss(gain)	(647,285)	(19,615)	0	0
Unrealized loss (gain) on market price loss (recovery) of short-term investments	19,853	602	0	0
Interest income of tax on a separate basis	(11,011)	(334)	(30,473)	(877)
Investment gains recognized by equity method	(11,586,330)	(351,101)	(7,374,157)	(212,206)
Unrealized bonds payable redemption premium	167,727	5,083	210,702	6,063
Others	(3,105)	(94)	(4,069)	(117)
Taxable income	129,141	3,913	3,946	113
Times: Taxes rate	25%-10	25%	25%-10	25%
Subtotal	32,275	978	976	28
Add: Tax on a separate basis	2,203	67	6,856	197
Deferred income tax expense (benefit)	114,819	3,479	(51,658)	(1,486)
Income taxes expense (benefit)	\$149,297	\$4,524	(\$43,826)	(\$1,261)

(2) Deferred income tax liabilities and assets are as follows:

	For the three-month periods ended March 31,			
	2004(NT\$)	2004(US\$)	2003(NT\$)	2003(US\$)
A. Total deferred income tax liabilities	\$333,659	\$10,111	\$0	\$0
B. Total deferred income tax assets	\$412,499	\$12,500	\$197,054	\$5,671
C. Temporary differences from resulting deferred tax assets or liabilities:				
a. Deductible temporary difference from unrealized bonds payable redemption premium	\$1,509,818	\$45,752	\$727,181	\$20,926
b. Deductible temporary difference from unrealized loss on market price loss of short-term investments	90,923	2,755	0	0
c. Deductible temporary difference from pension expenses	4,498	136	0	0
d. Deductible temporary difference from organization costs amortization into 5 years	44,758	1,356	61,033	1,756
e. Taxable temporary difference from unrealized exchange gain	(1,334,637)	(40,443)	0	0
Subtotal	\$315,360	\$9,556	\$788,214	\$22,682
D. Deferred income tax assets-current	\$26,800	\$812	\$4,069	\$117

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Deferred income tax liabilities- Current	0	0	0	0
Net offset balance of deferred income tax assets (liabilities)-current	\$26,800	\$812	\$4,069	\$ 117
E. Deferred income tax assets-noncurrent	\$385,699	\$11,688	\$192,985	\$5,554
Deferred income tax Liabilities- noncurrent	(333,659)	(10,111)	0	0
Net offset balance of deferred income tax assets (liabilities) - noncurrent	\$52,040	\$1,577	\$192,985	\$5,554

(3) The Company's income tax returns, up to 2001, had already been examined and cleared by the Tax Authorities.

(4) In accordance with Article 49 of Financial Holding Company Act, the Company were selected as representative taxpayer of the holding group and filed income tax returns with a 10% surcharge on the undistributed retained earnings for both itself and its domestic subsidiaries, on the basis that the Company holds more than 90% of the outstanding issued shares of subsidiaries for the entire tax year.

(5) Information related tax imputation:

	March 31,			
	2004(NT\$)	2004(US\$)	2003(NT\$)	2003(US\$)
Balance of imputation credit account	\$2,090,022	\$63,334	\$1,958,610	\$56,363
Imputation credit account ratio	March 31, 2004(Estimate)		March 31, 2003(Actual)	
	12.34%		35.19%	

(6) Information relating of undistributed earnings:

Year	March 31,			
	2004(NT\$)	2004(US\$)	2003(NT\$)	2003(US\$)
Prior to 1997	\$267,215	\$8,097	\$869,860	\$25,032
After 1998	16,916,694	512,627	14,132,841	406,700
Total	\$17,183,909	\$520,724	\$15,002,701	\$431,732

Net income for the three-month periods ended March 31, 2004 and 2003 were not included in inappropriate earnings computation since 1998.

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The undistributed earnings include additional paid-in capital from the stock conversion, which comes from the original financial institution's unappropriated retained earnings and is allowed to be distributed as cash dividends.

Undistributed retained earnings before 1997 includes subsidiary's unappropriated retained earnings before the stock conversion subsidiary's unappropriated retained earnings before 1997.

14. Earnings per share

	For the three-month period ended March 31, 2004								
	Income (Numerator)				Shares (denominator)	EPS			
	Before income taxes (in thousands of dollars)		After income taxes (in thousands of dollars)			Before income taxes EPS (in dollars)		After income taxes EPS (in dollars)	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	
Net Income	<u>\$12,189,292</u>	<u>\$369,372</u>	<u>\$12,039,995</u>	<u>\$364,848</u>					
Primary earnings per share									
Net income for common stock holder	\$12,189,292	\$369,372	\$12,039,995	\$364,848	7,998,385,588	\$1.52	\$0.05	\$1.51	\$0.05
Effect of potentially dilutive common stock									
Convertible bonds payable	<u>\$167,727</u>	<u>\$5,083</u>	<u>\$125,796</u>	<u>\$3,812</u>	<u>431,864,407</u>				
Fully-diluted earnings per share									
Net income for common stock holder & effect of potentially common stock	<u>\$12,357,019</u>	<u>\$374,455</u>	<u>\$12,165,791</u>	<u>\$368,660</u>	<u>8,430,249,995</u>	\$1.47	\$0.04	\$1.44	\$0.04
	For the three-month period ended March 31, 2003								
	Income (Numerator)				Shares (denominator)	EPS			
	Before income taxes (in thousands of dollars)		After income taxes (in thousands of dollars)			Before income taxes EPS (in dollars)		After income taxes EPS (in dollars)	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	
Net Income	<u>\$7,201,943</u>	<u>\$207,250</u>	<u>\$7,245,769</u>	<u>\$208,511</u>					
Primary earnings per share									
Net income for common stock holder	\$7,201,943	\$207,250	\$7,245,769	\$208,511	7,433,031,035	\$0.97	\$0.03	\$0.97	\$0.03
Effect of potentially dilutive common stock									
Convertible bonds payable	<u>\$210,702</u>	<u>\$6,064</u>	<u>\$158,026</u>	<u>\$4,548</u>	<u>418,890,994</u>				
Fully-diluted earnings per share									
Net income for common stock holder & effect of potentially common stock	<u>\$7,412,645</u>	<u>\$213,314</u>	<u>\$7,403,795</u>	<u>\$213,059</u>	<u>7,851,922,029</u>	\$0.94	\$0.03	\$0.94	\$0.03

Cathay Financial Holding Co., Ltd.

Notes to financial statements

(Expressed in thousands of dollars unless otherwise stated)

As of March 31, 2004 and 2003

The changes of the above weighted-average outstanding number of shares are shown below:

(Shares)	For the three-month periods end March 31,	
	2004	2003
Shares at the beginning of year	8,307,489,100	8,453,163,100
Less: Treasury stock	(254,911,401)	(505,823,901)
The Company that the subsidiaries held were treated as treasury stock	(54,192,111)	(368,634,164)
Retired treasury stock	0	(145,674,000)
Total	<u>7,998,385,588</u>	<u>7,433,031,035</u>

The pro forma earnings per shares of the Company that the subsidiaries held as short-term investments were not treated as treasury stock:

	For the three-month periods ended March 31,			
	2004(NT\$)	2004(US\$)	2003(NT\$)	2003(US\$)
Income before income taxes	<u>\$12,293,833</u>	<u>\$372,540</u>	<u>\$7,250,825</u>	<u>\$208,657</u>
Net income after income taxes	<u>\$12,144,536</u>	<u>\$368,016</u>	<u>\$7,294,650</u>	<u>\$209,918</u>
Before income taxes primary earnings per share (expressed in dollars)	<u>\$1.53</u>	<u>\$0.05</u>	<u>\$0.93</u>	<u>\$0.03</u>
After income taxes primary earnings per share (expressed in dollars)	<u>\$1.52</u>	<u>\$0.05</u>	<u>\$0.94</u>	<u>\$0.03</u>
Before income taxes fully – diluted earnings per share (expressed in dollars)	<u>\$1.48</u>	<u>\$0.04</u>	<u>\$0.91</u>	<u>\$0.03</u>
After income taxes fully – diluted earnings per share (expressed in dollars)	<u>\$1.45</u>	<u>\$0.04</u>	<u>\$0.91</u>	<u>\$0.03</u>

15. Related party transactions

(1) Related parties

Name	Relationship
Cathay Life	Subsidiary of the Company
Cathay Century	Subsidiary of the Company
Cathay United Bank (merged)	Subsidiary of the Company
UWCCB	Subsidiary of the Company

Cathay Financial Holding Co., Ltd.

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(Expressed in thousands of dollars unless otherwise stated)

As of March 31, 2004 and 2003

Cathay Pacific Venture Capital Co., Ltd.	Subsidiary of the Company
Cathay Venture Capital Corp.	The investee is accounted for using the equity method
Cathay Securities Investment Co., Ltd.	Affiliate
Cathay Real Estate Development Co., Ltd.	Affiliate
San Ching Engineering Co., Ltd.	Affiliate
Cathay General Hospital	Their chairman is an immediate family member of the company's chairman
Cathay Life Charity Foundation	Their chairman is an immediate family member of the company's chairman
Wan Pao Development Co., Ltd.	Their chairman is a second immediate family member of the company's chairman
Lin Yuan Investment Co., Ltd.	Their chairman is a second immediate family member of the company's chairman
Cathay Securities Investment Trust Co., Ltd.	Subsidiaries' investee is accounted for using the equity method
Cathay Insurance (Bermuda) Co., Ltd.	Subsidiaries' investee is accounted for using the equity method
Lin Yuan Property Management Co., Ltd.	Subsidiaries' investee is accounted for using the equity method
Symphox Information Co., Ltd.	Subsidiaries' investee is accounted for using the equity method
Cathay Life Insurance Agent Co., Ltd.	Subsidiaries' investee is accounted for using the equity method
Cathay Property Insurance Agent Co., Ltd.	Subsidiaries' investee is accounted for using the equity method
Cathay Futures Corp.(formerly Seward Futures Corp.)	Subsidiaries' investee is accounted for using the equity method
Seaward Leasing Ltd.	Subsidiaries' investee is accounted for using the equity method
Seaward Insurance Agent Corp.(merged with Cathay Life Insurance Agent Co., Ltd. on February 5, 2004, Cathay Life Insurance Agent Co., Ltd was the surviving company)	Subsidiaries' investee is accounted for using the equity method
Seaward Property Insurance Agent Corp.(liquidated in October, 2003)	Subsidiaries' investee is accounted for using the equity method
Huong Yee Co., Ltd.(liquidated in July, 2003)	Subsidiaries' investee is accounted for using the equity method

Cathay Financial Holding Co., Ltd.

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(Expressed in thousands of dollars unless otherwise stated)

As of March 31, 2004 and 2003

Taiwan Real-estate Management Corp.	Subsidiaries' investee is accounted for using the equity method
Taiwan Finance Corp.	Subsidiaries' investee is accounted for using the equity method
Seaward Card Co., Ltd.	Subsidiaries' investee is accounted for using the equity method
Indovina Bank	Subsidiaries' investee is accounted for using the equity method
Vista Technology Venture Capital Crop.	Subsidiaries' investee is accounted for using the equity method
Gemfor Tech Co.	Their Chairman of the Board is the director of the Cathay United Bank(merged)
KG Telecommunication Ltd.	Cathay Life is to occupy the supervisor for KG Telecommunication Ltd.,
China England Company Ltd. and etc.	Investee company of Cathay United Bank(merged)
Taipei Smart Card Corp.	Investee Company of Cathay United Bank(merged)
Culture and Charity Foundation of the CUB	Cathay United Bank(merged) is the major sponsor of the Foundation

(2) Significant transactions with related parties:

A. Real estate rental expense

Name	For the three-month periods ended March 31,			
	2004(NT\$)	2004(US\$)	2003(NT\$)	2003(US\$)
Cathay Life	\$2,052	\$62	\$2,052	\$59

B. Cash in bank

Name	Item	For the three-month period ended March 31, 2004			
		Maximum Amount (NT\$)	Ending Balance (NT\$)	Rate	Interest Income (NT\$)
Cathay United Bank (merged)	Time deposits	\$1,225,242	\$1,225,242	1.0%	\$3,062
	Cash in bank	597,076	395,864	0.1% ~ 0.2%	0
	Total		<u>\$1,621,106</u>		

Name	Item	For the three-month period ended March 31, 2004			
		Maximum Amount (US\$)	Ending Balance (US\$)	Rate	Interest Income (US\$)
Cathay United Bank (merged)	Time deposits	\$37,129	\$37,129	1.0%	\$93
	Cash in bank	18,093	11,996	0.10% ~ 0.2%	0
	Total		<u>\$49,125</u>		

Cathay Financial Holding Co., Ltd.

Notes to financial statements

(Expressed in thousands of dollars unless otherwise stated)

As of March 31, 2004 and 2003

Name	Item	For the three-month period ended March 31, 2003			
		Maximum Amount (NT\$)	Ending Balance (NT\$)	Rate	Interest Income (NT\$)
Cathay United Bank	Time deposits	\$1,817,571	\$1,400,000	1.2% ~ 2.5%	\$5,828
	Cash in bank	5,120	651	0.5% ~ 1.00%	0
	Total		\$1,400,651		

Name	Item	For the three-month period ended March 31, 2003			
		Maximum Amount (US\$)	Ending Balance (US\$)	Rate	Interest Income (US\$)
Cathay United Bank	Time deposits	\$52,304	\$40,288	1.2% ~ 2.5%	\$168
	Cash in bank	147	19	0.5% ~ 1.0%	0
	Total		\$40,307		

C. Interest receivable

Name	March 31,			
	2004(NT\$)	2004(US\$)	2003(NT\$)	2003(US\$)
Cathay United Bank (merged)	\$34	\$1	\$293	\$8

D. Temporary payments and suspense accounts

Name	March 31,			
	2004(NT\$)	2004(US\$)	2003(NT\$)	2003(US\$)
Cathay Securities Investment Co., Ltd.	\$0	\$0	\$2,263	\$65

E. Insurance Expense

Name	For the three-month periods ended March 31,			
	2004(NT\$)	2004(US\$)	2003(NT\$)	2003(US\$)
Cathay Century	\$79	\$2	\$169	\$5
Cathay Life	131	4	0	0
Total	\$210	\$6	\$169	\$5

16. Pledged assets: None.

17. Other important matters and contingent liabilities: None.

Cathay Financial Holding Co., Ltd.

Notes to financial statements

(Expressed in thousands of dollars unless otherwise stated)

As of March 31, 2004 and 2003

18. Serious damages: None

19. Subsequent events: None

20. Other important events

(1) Pension related information

According to the ROC SFAS No. 23 “Interim Financial Reporting and Disclosures”, the interim financial statements are not required to follow the principles outlined in the ROC SFAS No. 18 “Accounting for Pensions”.

(2) Financial instruments related information

A. Derivative financial instruments:

a. Credit and market price risk

The Company has entered into certain derivative transactions, including interest rate swaps (IRS) and foreign currency options with high credit rating financial institutions. Losses incurred from fluctuations of exchange rate and interest rate can be offset by forward hedging contracts.

b. Liquidity and cash requirement

The primary objective of IRS and foreign currency options is to limit exchange rate and interest rate exposures related to assets and liabilities denominated in foreign currencies and foreign currency commitments, and bearing fixed interest rates. As there will be cash inflow and cash outflow on the expiration date of an IRS contract, no material fund raising risk and cash flow risk.

c. Interest Rate Swaps (IRS)

(a) The purpose of the IRS held by the Company is to hedge the risks that may result from changes in currency rates and interest rates. IRS transactions may involve the exchange of fixed-rate interest payment for the market floating-rate interest payment obligation based on a notional principal amount. For interest rate swaps transactions undertaken for hedging purposes, income and expenses arises upon settlement are netted off and recognized in the statement of income.

Cathay Financial Holding Co., Ltd.

Notes to financial statements

(Expressed in thousands of dollars unless otherwise stated)

As of March 31, 2004 and 2003

(b) The maturity dates of IRS are from May 20, 2002 to May 20, 2007.

As of March 31, 2004:

Item	Contract Amount	Due Value
IRS	USD 700,000	USD 700,000

As of March 31, 2003:

Item	Contract Amount	Due Value
IRS	USD 700,000	USD 700,000

d. Foreign currency options

The Company uses foreign currency option contract - a European option to manage currency exposures.

As of March 31, 2004:None

As of March 31, 2003:

Counterpart	Effective Date	Put Date	Amount
Goldman Sachs	2002.5.20	2005.5.20;	USD 700,000
International		2007.5.20	

B. Non-derivative financial instruments related information:

The book value of non-derivative financial instruments held by the Company as of March 31, 2004 is the same as the estimated fair market value.

(3) Zero coupon convertible notes related information:

Issuer: Cathay Financial Holding Co., Ltd., a financial holding company organized under the Financial Holding Company Act and the Company Law. Cathay Financial Holdings' registration number issued by the Ministry of Economic Affairs of the ROC is 118958.

Cathay Financial Holding Co., Ltd.

Notes to financial statements

(Expressed in thousands of dollars unless otherwise stated)

As of March 31, 2004 and 2003

Offering: The Purchaser is offering outside United States the International Notes in reliance on Regulation S under the U.S. Securities Act ("Regulation S") and is offering Rule 144A Notes concurrently in the United States through its selling agent, only to institutions that are qualified institutional buyers (or QIBs) (as defined in Rule 144A).

Issue amount: US\$700 million.

Issue price: 100%.

Maturity date: May 20, 2007.

Interest: The Notes not bear interest except in limited circumstances.

Conversion rights:

Subject to certain conditions, each holder of the Notes (the "Holder") will have the right during the conversion period to convert its Notes (or any portion thereof, being US\$1,000 dollars in principal amount or an integral multiple thereof) into common shares and, upon conversion may, subject to compliance with the terms and conditions of the applicable deposit agreement, direct that the common shares deliverable upon conversion be deposited with the depository for issuance of GDSs, provided, however, that the conversion right during any closed period shall be suspended and the conversion period shall not include any such closed period. Cathay Financial Holdings shall as soon as practicable but in no event more than five trading days from the conversion date deliver common shares to the converting holders or the depository, as the case may be.

Repurchase at the option of the holder:

Unless the Notes have been previously redeemed, repurchased and cancelled, or converted, each Holder shall have the right, at such Holder's option, to require Cathay Financial Holdings to repurchase all (or any portion of the principal amount thereof which is US\$1,000 dollars or any integral multiple thereof) of such Holder's Notes, on May 20, 2005 at a price equal to 100% of the outstanding principal amount thereof plus the redemption premium.

Cathay Financial Holding Co., Ltd.

Notes to financial statements

(Expressed in thousands of dollars unless otherwise stated)

As of March 31, 2004 and 2003

Repurchase in the event of desisting:

Unless the Notes have been previously redeemed, repurchased and cancelled, or converted, in the event that the Common Shares cease to be listed or admitted to trading on the Taiwan Stock Exchange, each Holder shall have the right, at such Holder's option, to require Cathay Financial Holdings to repurchase all (or any portion of the principal amount thereof which is US1,000 dollars or any integral multiple thereof) of such Holder's Notes at a price equal to 100% of the outstanding principal amount thereof plus the redemption premium.

Repurchase in the event of change of control:

Unless the Notes have been previously redeemed, repurchased and cancelled, or converted, each Holder shall have the right, at such Holder's option, to require Cathay Financial Holdings to repurchase all (or any portion of the principal amount thereof which is US1,000 dollars or any integral multiple thereof) of such Holder's Notes at a price equal to 100% of the outstanding principal amount thereof plus the redemption premium, upon the occurrence of a change of control.

Redemption at the option of Cathay Financial Holdings:

The Notes may be redeemed at the option of Cathay Financial Holdings, in whole but not in part, at any time on or after May 20, 2005 at a price equal to 100% of the outstanding principal amount thereof plus the redemption premium on the redemption date; provided that (a) the closing price (translated into U.S. dollars at the prevailing rate) of the common shares for a period of 30 consecutive trading days (including trading days that fall within a closed period), the last of which occurs not more than five days prior to the date on which notice of such redemption is given, is at least 130% of the conversion price (translated into U.S. dollars at the exchange rate, as defined in the indenture) and (b) the applicable redemption date does not fall within a closed period. Notwithstanding the foregoing, Cathay Financial Holdings may redeem, in whole but not in part, the Notes at any time, on not less than 30 nor more than 60 days' notice, if at least 90% in principal amount of the Notes originally outstanding have been redeemed, repurchased and cancelled, or converted, at a redemption price equal to 100% of the outstanding principal amount thereof plus the redemption premium on the redemption date; provided that the applicable redemption date does not fall within a closed period.

Cathay Financial Holding Co., Ltd.

Notes to financial statements

(Expressed in thousands of dollars unless otherwise stated)

As of March 31, 2004 and 2003

Tax redemption:

If, as a result of certain changes relating to the ROC tax laws or such other jurisdiction in which Cathay Financial Holdings is then organized, Cathay Financial Holdings becomes obligated to pay certain additional amounts, the Notes may be redeemed at the option of Cathay Financial Holdings, in whole but not in part, at a price equal to 100% of the outstanding principal amount thereof plus the redemption premium on such redemption date.

Redemption amount at maturity:

Unless the Notes have been previously redeemed, repurchased and cancelled, or converted, Cathay Financial Holdings will redeem the Notes on the maturity date (as defined herein) at a price equal to 100% of the outstanding principal amount thereof plus the redemption premium.

Negative pledge:

Subject to certain exceptions, Cathay Financial Holdings will not, and will procure that none of its principal subsidiaries will, create or permit to subsist any lien to secure for the benefit of the holders of any international investment securities any sum owing in respect thereof or any guarantee or indemnity thereof without making effective provision to secure the Notes (a) equally and ratably with such international investment securities with a similar lien or (b) with such other security as shall be approved by Holders of not less than a majority in aggregate principal amount of the outstanding Notes.

Further issues:

Cathay Financial Holdings may from time to time without the consent of the Holders of the Notes create and issue further securities having the same terms and conditions as the Notes in all respects so that such further issue shall be consolidated and form a single series with the respective Notes.

Governing law:

The indenture, the Notes and the deposit agreements are governed by, and construed in accordance with, the laws of the State of New York.

Cathay Financial Holding Co., Ltd.

Notes to financial statements

(Expressed in thousands of dollars unless otherwise stated)

As of March 31, 2004 and 2003

Listing:

The international Notes have been listed on the Luxembourg Stock Exchange and the Rule 144A Notes have been designated for trading on the PORTALSM Market in the United States. Application has been made to have the International GDSs issuable upon conversion of the Notes listed on the Luxembourg Stock Exchange.

Trading market for the common shares:

The only trading market for the common shares is the Taiwan Stock Exchange. The common shares have been listed on the Taiwan Stock Exchange since March 31, 2004.

(4) The Convertible bondholders have not yet exercise their conversion rights as of March 31, 2004.

(5) Material contract: None.

(6) Presentation of financial statements:

Certain accounts in financial statements for the three-month period ended of 2003 have been reclassified in order to be comparable with those in the financial statements for the three-month period ended of 2004.

21. Information for investment in Mainland China: None

22. Segment information: None

Cathay Financial Holding Co., Ltd.
Notes to financial statements (continued)
(Expressed in thousands of dollars unless otherwise stated)

As of March 31, 2004 and 2003

23. The Subsidiaries' concise balance sheets and statements of income

a. Concise balance sheets:

Items/Period	CATHAY LIFE INSURANCE CO., LTD				CATHAY CENTURY INSURANCE CO., LTD				CATHAY UNITED BANK CO., LTD(merged)				CATHAY UNITED BANK CO., LTD(formerly)	
	March 31, 2004		March 31, 2003		March 31, 2004		March 31, 2003		March 31, 2004		March 31, 2003		March 31, 2003	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Current assets	\$576,784,512	\$17,478,319	\$491,636,647	\$14,147,817	\$7,546,559	\$228,684	\$7,542,385	\$217,047	\$353,144,911	\$10,701,361	\$229,136,972	\$6,593,870	\$46,235,567	\$1,330,520
Exchange bills negotiated, discounted, and loans	471,258,726	14,280,567	500,214,519	14,394,662	776,145	23,519	934,135	26,882	530,642,552	16,080,077	386,177,770	11,113,029	114,008,828	3,280,829
Funds and long-term investments	408,372,275	12,374,917	293,706,842	8,451,996	2,187,201	66,279	786,221	22,625	28,166,452	853,529	12,617,344	363,089	5,849,432	168,329
Property and equipment	15,535,698	470,779	16,133,473	464,273	52,476	1,590	64,751	1,863	25,468,325	771,767	23,150,647	666,206	1,657,218	47,690
Other assets(including intangible assets)	33,291,820	1,008,843	15,218,351	437,938	471,680	14,293	457,897	13,177	7,215,019	218,637	8,905,507	256,273	11,648,452	335,207
Current liabilities	4,583,798	138,903	8,833,778	254,209	839,469	25,438	864,945	24,890	844,501,605	25,590,958	586,750,178	16,884,897	166,912,846	4,803,247
Long-term liabilities	911,721	27,628	125,681	3,617	8,966	272	8,067	232	0	0	0	0	0	0
Other liabilities	1,403,750,644	42,537,898	1,233,399,876	35,493,522	6,810,508	206,379	6,084,954	175,107	26,934,406	816,194	17,343,700	499,099	267,638	7,702
Capital stocks	50,686,158	1,535,944	50,686,158	1,458,594	2,317,006	70,212	2,317,006	66,676	43,182,407	1,308,557	39,715,627	1,142,896	12,346,083	355,283
Capital surplus	5,200	158	3,048	88	430	13	0	0	13,461,632	407,928	5,095,598	146,636	0	0
Retained earnings	45,322,228	1,373,401	31,193,786	897,663	1,056,395	32,012	508,245	14,626	16,535,631	501,080	10,992,241	316,323	(127,070)	(3,657)
Equity adjustments	(16,718)	(507)	1,368	39	1,287	39	2,172	63	21,578	654	90,896	2,616	0	0
Treasury stocks	0	0	(7,333,863)	(211,046)	0	0	0	0	0	0	0	0	0	0
Total assets	\$1,505,243,031	\$45,613,425	\$1,316,909,832	\$37,896,686	\$11,034,061	\$334,365	\$9,785,389	\$281,594	\$944,637,259	\$28,625,371	\$659,988,240	\$18,992,467	\$179,399,497	\$5,162,575
Total liabilities	\$1,409,246,163	\$42,704,429	\$1,242,359,335	\$35,751,348	\$7,658,943	\$232,089	\$6,957,966	\$200,229	\$871,436,011	\$26,407,152	\$604,093,878	\$17,383,996	\$167,180,484	\$4,810,949
Total stockholders' equity	\$95,996,868	\$2,908,996	\$74,550,497	\$2,145,338	\$3,375,118	\$102,276	\$2,827,423	\$81,365	\$73,201,248	\$2,218,219	\$55,894,362	\$1,608,471	\$12,219,013	\$351,626

Cathay Financial Holding Co., Ltd.
Notes to financial statements (continued)
(Expressed in thousands of dollars unless otherwise stated)

As of March 31, 2004 and 2003

b. Concise statements of income:

Items/Period	CATHAY LIFE INSURANCE CO., LTD				CATHAY CENTURY INSURANCE CO., LTD				CATHAY UNITED BANK CO., LTD(merged)				CATHAY UNITED BANK CO., LTD(formerly)	
	The three months ended March.		The three months ended March. 31.		The three months ended March.		The three months ended March.		The three months ended		The three months ended		The three months ended March.	
	31, 2004		2003		31, 2004		31, 2003		March. 31, 2004		March. 31, 2003		31, 2003	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Operating revenues	\$114,163,271	\$3,459,493	\$97,950,890	\$2,818,731	\$6,234,932	\$188,937	\$5,778,816	\$166,297	\$11,698,038	\$354,486	\$7,979,883	\$229,637	\$2,873,322	\$82,686
Operating costs & expenses	(107,706,030)	(3,263,819)	(92,072,014)	(\$2,649,554)	(5,875,864)	(\$178,056)	(5,601,267)	(\$161,188)	(7,350,237)	(222,734)	(5,535,149)	(159,285)	(2,343,100)	(67,427)
Operating income	6,457,241	195,674	5,878,876	169,176	359,068	10,881	177,549	5,109	4,347,801	131,752	2,444,734	70,352	530,222	15,258
Non-operating revenues	433,644	13,141	372,621	10,723	12,571	381	342	10	1,202,459	36,438	8,537	246	23,309	671
Non-operating expenses	(168,409)	(5,103)	(6,118)	(176)	(6,122)	(186)	(693)	(20)	(72,887)	(2,209)	(33,546)	(965)	(3,274)	(94)
Operating income before taxes	6,722,476	203,712	6,245,379	179,723	365,517	11,076	177,198	5,099	5,477,373	165,981	2,419,725	69,633	550,257	15,835
Net income	6,741,520	204,287	4,965,478	142,891	302,260	9,159	135,718	3,906	4,649,373	140,890	1,869,724	53,805	460,545	13,253
Earning per share before taxes (in dollars)	\$1.34	\$0.04	\$1.27	\$0.04	\$1.58	\$0.05	\$0.76	\$0.02	\$1.27	\$0.04	\$0.61	\$0.02	\$0.45	\$0.01
Earning per share (in dollars)	\$1.34	\$0.04	\$0.01	\$0.00	\$1.30	\$0.04	\$0.59	\$0.02	\$1.08	\$0.03	\$0.47	\$0.01	\$0.37	\$0.01

Annotation 1: On April 11, 2002, Cathay United Bank(formerly) had transferred its delinquent assets to Taiwan Asset Management Corporation, and the related losses amounted to NT\$1,894,609(US\$54,147). According to Article 15 of the ROC Financial Institution Merger Law, the losses on the transaction will be amortized over five years from April 2002. The amortized loss amounted to NT\$94,725 (US\$2,726) for the three-month period ended March 31, 2003. As of March 31, 2003, the unamortized losses on the transfer of delinquent assets accounted for as other assets amounted to NT\$1,515,412(US\$43,609) and according to general accepted accounting principles, should be recognized as current expenses, other assets decreased by NT\$1,136,559 (US\$32,707), provision for credit losses decreased by NT\$94,725 (US\$2,726), the net income before tax increased by NT\$94,725 (US\$2,726), the income tax expenses increased by NT\$23,681 (US\$681) and the net income after tax increased by NT\$71,044 (US\$2,045) for the year ended March 31, 2003.

Annotation 2: UWCCB and Cathay United Bank (formerly) were merged on October 27, 2003. After merged, UWCCB becomes the Surviving Company but re-named under Cathay United Bank Co., Ltd.