

Cathay Financial Holding Co., Ltd.
Unaudited financial statements
Together with
Review report of independent accountants
As of September 30, 2003 and 2004

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English Translation of Review Report Originally Issued in Chinese

Review report of independent accountants

To: Board of Directors

Cathay Financial Holding Co., Ltd.

We have reviewed the accompanying balance sheet of Cathay Financial Holding Co., Ltd. (the “Company”) as of September 30, 2004 and the related statements of income, changes in stockholders' equity and cash flows for the nine-month period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a review report based on our review. The financial statements of the Company as of and for the nine-month period ended September 30, 2003 were reviewed by other auditors whose report, dated October 17, 2003, expressed a modified unqualified review report due to the fact that certain investees were reviewed by other auditors.

We conducted our reviews in accordance with generally accepted auditing standards No.36 “Review of Financial Statements” in the Republic of China. A review of interim financial information consists principally of applying analytical review procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted 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.

Base on our review, we are not aware of any material modifications that should be made to the financial statements as of and for the nine-month period ended September 30, 2004 in order for them to be in conformity with “Guidelines Governing the Preparation of Financial Reports by Financial Holding Companies”, “Guidelines Governing the Preparation of Financial Reports by Securities Issuers” and generally accepted accounting principles in the Republic of China.

Cathay Financial Holding Co., Ltd. has prepared the consolidated financial statements as of September 30, 2004 accompany with standard unqualified review report issued by our auditors furnished upon request.

DIWAN, ERNST & YOUNG

Taipei, Taiwan

The Republic of China

October 28, 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.
Unaudit balance sheets
As of September 30, 2003 and 2004
(Expressed in thousands of dollars)

Assets	Notes	2003		2004	
		NT \$	US \$	NT \$	US \$
Current assets:					
Cash and cash equivalents	2, 4	\$3,614,555	\$107,003	\$353,349	\$10,396
Short-term investments	2	4,917	146	-	-
Tax refund receivable		592,229	17,532	611,178	17,981
Interest receivable		121,176	3,587	32,323	951
Other receivable		4,747,057	140,529	4,674,496	137,526
Deferred income tax assets-current	2, 12	4,069	120	3,958	116
Prepayments		2	-	-	-
Subtotal		<u>9,084,005</u>	<u>268,917</u>	<u>5,675,304</u>	<u>166,970</u>
Long-term investments					
Long-term investments in stocks	2, 5				
Long-term investments under equity method		153,282,625	4,537,674	174,707,574	5,139,970
Long-term investments under cost method		100,000	2,960	100,000	2,942
Allowance for valuation loss on long-term investments in stocks		(201,350)	(5,960)	(114,845)	(3,379)
Subtotal		<u>153,181,275</u>	<u>4,534,674</u>	<u>174,692,729</u>	<u>5,139,533</u>
Property and equipment					
Transportation and communication equipment	2	3,199	94	3,199	94
Other equipment		2,668	79	3,343	98
Subtotal		<u>5,867</u>	<u>173</u>	<u>6,542</u>	<u>192</u>
Less: Accumulated depreciation		(958)	(28)	(1,974)	(58)
Subtotal		<u>4,909</u>	<u>145</u>	<u>4,568</u>	<u>134</u>
Other assets					
Temporary payments and suspense accounts		116	3	-	-
Deferred income tax assets -noncurrent	2, 12	94,272	2,791	325,947	9,590
Deferred charges	2	272,449	8,065	108,980	3,206
Subtotal		<u>366,837</u>	<u>10,859</u>	<u>434,927</u>	<u>12,796</u>
Total assets		<u>\$162,637,026</u>	<u>\$4,814,595</u>	<u>\$180,807,528</u>	<u>\$5,319,433</u>
Liabilities & stockholders' equity					
Current liabilities					
Collections for others		\$436	\$13	\$886	\$26
Accrued expenses		524	16	27,701	815
Income taxes payable		819	24	-	-
Dividends payable		2,711	80	3,976	117
Other payable		642,813	19,029	759,343	22,340
Subtotal		<u>647,303</u>	<u>19,162</u>	<u>791,906</u>	<u>23,298</u>
Long-term liabilities					
Bonds payable	2, 6, 19	24,775,924	733,450	25,777,355	758,381
Accrued pension liabilities		1,313	39	3,691	108
Subtotal		<u>24,777,237</u>	<u>733,489</u>	<u>25,781,046</u>	<u>758,489</u>
Other liabilities					
Temporary receipts and suspense accounts		715	21	727	22
Subtotal		<u>715</u>	<u>21</u>	<u>727</u>	<u>22</u>
Total liabilities		<u>25,425,255</u>	<u>752,672</u>	<u>26,573,679</u>	<u>781,809</u>
Stockholders' equity					
Capital stock					
Common stock	7	83,074,891	2,459,292	83,074,891	2,444,098
Capital surplus	8	53,101,646	1,571,985	53,697,720	1,579,809
Retained earnings	9				
Legal reserve		1,335,046	39,522	3,026,715	89,047
Special reserve		1,833,255	54,270	122,653	3,609
Unappropriated retained earnings		17,290,583	511,858	26,233,972	771,814
Equity adjustments					
Unrealized valuation losses on long-term equity investments		(201,350)	(5,961)	(114,845)	(3,379)
Cumulative conversion adjustments		118,113	3,497	175,865	5,174
Net loss not yet recognized as net pension cost		-	-	(1,971)	(58)
Treasury stock	2, 10	(19,340,413)	(572,540)	(11,981,151)	(352,490)
Total stockholders' equity		<u>137,211,771</u>	<u>4,061,923</u>	<u>154,233,849</u>	<u>4,537,624</u>
Total liabilities and stockholders' equity		<u>\$162,637,026</u>	<u>\$4,814,595</u>	<u>\$180,807,528</u>	<u>\$5,319,433</u>

(The exchange rates provided by the Federal Reserve Bank of New York on September 30, 2003 and 2004 were NT\$33.78 and NT\$33.99 to US\$1.00)

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

Cathay Financial Holding Co.,Ltd.

Unaudit statements of income

For the nine-month periods ended September 30, 2003 and 2004

(Expressed in thousands of dollars,except earning per share)

	Notes	2003		2004	
		NT \$	US \$	NT \$	US \$
Operating revenues	2				
Interest income		\$333,003	\$9,858	\$178,489	\$5,251
Gain on long-term equity investments	2, 5	20,707,763	613,019	25,885,831	761,572
Other operating income		-	-	71,070	2,091
Subtotal		<u>21,040,766</u>	<u>622,877</u>	<u>26,135,390</u>	<u>768,914</u>
Operating costs	2				
Interest expenses		(606,445)	(17,953)	(643,235)	(18,924)
Provision for securities trading losses reserve		-	-	(41,783)	(1,229)
Subtotal		<u>(606,445)</u>	<u>(17,953)</u>	<u>(685,018)</u>	<u>(20,153)</u>
Operating gross profit		<u>20,434,321</u>	<u>604,924</u>	<u>25,450,372</u>	<u>748,761</u>
Operating expenses					
Administrative and general expenses		(267,663)	(7,924)	(291,146)	(8,566)
Operating income		<u>20,166,658</u>	<u>597,000</u>	<u>25,159,226</u>	<u>740,195</u>
Non-operating revenues					
Gain on foreign exchange		768,888	22,761	-	-
Miscellaneous income		35,162	1,041	121,497	3,574
Subtotal		<u>804,050</u>	<u>23,802</u>	<u>121,497</u>	<u>3,574</u>
Non-operating expenses					
Loss on foreign exchange		-	-	(17,810)	(524)
Subtotal		<u>-</u>	<u>-</u>	<u>(17,810)</u>	<u>(524)</u>
Income from continuing operations before income taxes		<u>20,970,708</u>	<u>620,802</u>	<u>25,262,913</u>	<u>743,245</u>
Income taxes	2, 12	(49,826)	(1,475)	157,217	4,626
Net income		<u>20,920,882</u>	<u>\$619,327</u>	<u>\$25,420,130</u>	<u>\$747,871</u>
Earnings per share (expressed in dollars)	13				
Primary earnings per share:					
Before income tax earnings per share		<u>\$2.78</u>	<u>\$0.08</u>	<u>\$3.15</u>	<u>\$0.09</u>
After income tax earnings per share		<u>\$2.78</u>	<u>\$0.08</u>	<u>\$3.17</u>	<u>\$0.09</u>
Fully-diluted earnings per share:					
Before income tax earnings per share		<u>\$2.71</u>	<u>\$0.08</u>	<u>\$3.06</u>	<u>\$0.09</u>
After income tax earnings per share		<u>\$2.69</u>	<u>\$0.08</u>	<u>\$3.06</u>	<u>\$0.09</u>
Pro-forma as if amounts, assuming subsidiaries' shareholdings of the Company were not treated as treasury stock:					
Income from continuing operations before income taxes		<u>\$21,554,860</u>	<u>638,095</u>	<u>\$25,395,191</u>	<u>\$747,137</u>
Net income		<u>\$21,505,034</u>	<u>636,620</u>	<u>\$25,552,408</u>	<u>\$751,763</u>
Earnings per share (expressed in dollars)					
Primary earnings per share:					
Before income tax earnings per share		<u>\$2.76</u>	<u>\$0.08</u>	<u>\$3.16</u>	<u>\$0.09</u>
After income tax earnings per share		<u>\$2.75</u>	<u>\$0.08</u>	<u>\$3.18</u>	<u>\$0.09</u>
Fully-diluted earnings per share:					
Before income tax earnings per share		<u>\$2.69</u>	<u>\$0.08</u>	<u>\$3.07</u>	<u>\$0.09</u>
After income tax earnings per share		<u>\$2.67</u>	<u>\$0.08</u>	<u>\$3.07</u>	<u>\$0.09</u>

(The exchange rates provided by the Federal Reserve Bank of New York on September 30, 2003 and 2004 were NT\$33.78 and NT\$33.99 to US\$1.00)

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

Cathay Financial Holding Co., Ltd.
Unaudit statements of changes in stockholders' equity
For the nine-month periods ended September 30, 2003 and 2004
(Expressed in thousands of dollars)

Summary	Retained earnings										Equity adjustments						Treasury stock		Total	
	Common stock		Capital surplus		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\$)		
Balance on January 1, 2003	\$84,531,631	\$2,502,417	\$56,807,974	\$1,681,705	\$13,713	\$406	\$-	\$-	\$13,085,153	\$387,364	\$(1,032,426)	\$(30,564)	\$199,570	\$5,908	\$-	\$-	\$(42,706,265)	\$(1,264,247)	\$110,899,350	\$3,282,989
Disposal of property and equipment retransfer unappropriated retained earnings			(185,853)	(5,502)					185,853	5,502										
Appropriations and distributions for 2002																				
Legal reserve					1,321,332	39,116			(1,321,332)	(39,116)										
Special reserve							1,833,255	54,270	(1,833,255)	(54,270)										
Cash dividends			(1,649,407)	(48,828)					(10,053,091)	(297,605)									(11,702,498)	(346,433)
Remuneration paid to directors and supervisors			(761)	(22)					(4,639)	(138)									(5,400)	(160)
Bonus paid to employees			(165)	(5)					(1,006)	(30)									(1,171)	(35)
Retired treasury stock	(1,456,740)	(43,125)	(978,976)	(28,981)					(3,687,982)	(109,176)							6,123,698	181,282		
Capital surplus			(773,011)	(22,884)															(773,011)	(22,884)
Cumulative conversion adjustments												(81,457)	(2,411)						(81,457)	(2,411)
Unrealized valuation losses on long-term equity investments											831,076	24,603							831,076	24,603
Disposal of treasury stock			(558,274)	(16,527)													4,221,829	124,980	3,663,555	108,453
Treasury stock			440,119	13,029													13,020,325	385,445	13,460,444	398,474
Net income for the nine-month period ended September 30, 2003									20,920,882	619,327									20,920,882	619,327
Rounding					1	-													1	-
Balance on September 30, 2003	<u>\$83,074,891</u>	<u>\$2,459,292</u>	<u>\$53,101,646</u>	<u>\$1,571,985</u>	<u>\$1,335,046</u>	<u>\$39,522</u>	<u>\$1,833,255</u>	<u>\$54,270</u>	<u>\$17,290,583</u>	<u>\$511,858</u>	<u>\$(201,350)</u>	<u>\$(5,961)</u>	<u>\$118,113</u>	<u>\$3,497</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(19,340,413)</u>	<u>\$(572,540)</u>	<u>\$137,211,771</u>	<u>\$4,061,923</u>
Balance on January 1, 2004	\$83,074,891	\$2,444,098	\$53,651,046	\$1,578,436	\$1,335,046	\$39,278	\$1,833,255	\$53,935	\$16,916,694	\$497,696	\$(136,202)	\$(4,007)	\$176,537	\$5,194	\$(1,971)	\$(58)	\$(15,039,516)	\$(442,469)	\$141,809,780	\$4,172,103
Appropriations and distributions for 2003																				
Legal reserve					1,691,669	49,769			(1,691,669)	(49,769)										
Special reserve							(1,710,602)	(50,326)	1,710,602	50,326										
Cash dividends									(16,105,155)	(473,820)									(16,105,155)	(473,820)
Remuneration paid to directors and supervisors									(5,700)	(168)									(5,700)	(168)
Bonus paid to employees									(1,611)	(48)									(1,611)	(48)
Cash dividends to subsidiaries			22,194	653															22,194	653
Capital Surplus			10,124	298															10,124	298
Cumulative conversion adjustments												(672)	(20)						(672)	(20)
Unrealized valuation losses on long-term equity investments											21,357	628							21,357	628
Treasury stock			14,356	422					(9,319)	(274)							3,058,365	89,979	3,063,402	90,127
Net income for the nine-month period ended September 30, 2004									25,420,130	747,871									25,420,130	747,871
Balance on September 30, 2004	<u>\$83,074,891</u>	<u>\$2,444,098</u>	<u>\$53,697,720</u>	<u>\$1,579,809</u>	<u>\$3,026,715</u>	<u>\$89,047</u>	<u>\$1,222,653</u>	<u>\$3,609</u>	<u>\$26,233,972</u>	<u>\$771,814</u>	<u>\$(114,845)</u>	<u>\$(3,379)</u>	<u>\$175,865</u>	<u>\$5,174</u>	<u>\$(1,971)</u>	<u>\$(58)</u>	<u>\$(11,981,151)</u>	<u>\$(352,490)</u>	<u>\$154,233,849</u>	<u>\$4,537,624</u>

(The exchange rates provided by the Federal Reserve Bank of New York on September 30, 2003 and 2004 were NTS\$33.78 and NTS\$33.99 to US\$1.00)

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

Cathay Financial Holding Co., Ltd.
Unaudit statements of cash flows
For the nine-month periods ended September 30, 2003 and 2004
(Expressed in thousands of dollars)

	2003		2004	
	NT \$	US \$	NT \$	US \$
Cash flows from operating activities				
Net income	\$20,920,882	\$619,327	\$25,420,130	\$747,871
Adjustments:				
Amortizations	109,025	3,228	109,025	3,208
Depreciation	611	18	771	23
Investment gains recognized by equity method excess of cash dividends received	(19,798,151)	(586,091)	(13,915,705)	(409,406)
Increase(decrease) in bonds payable redemption premium	606,445	17,953	642,264	18,896
Effects of exchange rate changes	(9)	-	17,810	524
Decrease (increase) in short-term investments	445,338	13,184	2,147,421	63,178
Decrease(increase) in tax refund receivable	(592,229)	(17,533)	(611,178)	(17,981)
Decrease (increase) in interest receivable	(76,970)	(2,279)	10,419	306
Decrease(increase) in other accounts receivable	30,772	911	(167,852)	(4,938)
Decrease(increase) in prepayments	4	-	-	-
Decrease (increase) in deferred income tax assets-current	-	-	17,879	526
Decrease (increase) in deferred income tax assets-noncurrent	47,054	1,393	(154,125)	(4,534)
Decrease (increase) in temporary payments and suspense accounts	513	15	167	5
Increase (decrease) in collections for others	(70)	(2)	(10)	-
Increase (decrease) in accrued expenses	(404,090)	(11,961)	(8,927)	(263)
Increase (decrease) in income tax payable	819	24	(5,600)	(165)
Increase (decrease) in dividends payable	1,749	52	2,499	73
Increase(decrease) in other accounts payable	642,813	19,029	759,343	22,340
Accrued pension liabilities	877	26	115	3
Increase (decrease) in temporary receipts and suspense accounts	6	-	33	1
Net cash provided by (used in) operating activities	1,935,389	57,294	14,264,479	419,667
Cash flows from investing activities				
Acquisition of long-term investments in stocks	(775,001)	(22,943)	(4,116,560)	(121,111)
Acquisition of property and equipment	(3,218)	(95)	(669)	(19)
Decrease (increase) in deferred charges	13,578	402	13,577	399
Net cash provided by (used in) investing activities	(764,641)	(22,636)	(4,103,652)	(120,731)
Cash flows from financing activities				
Increase (decrease) in bonds payable	(847,000)	(25,073)	-	-
Remuneration paid to directors and supervisors	(5,400)	(160)	(5,700)	(168)
Bouns paid to employees	(1,171)	(35)	(1,611)	(47)
Cash dividends	(11,702,498)	(346,433)	(16,105,155)	(473,820)
Disposal of treasury stock	3,663,555	108,453	-	-
Net cash provided by (used in) financing activities	(8,892,514)	(263,248)	(16,112,466)	(474,035)
Effects of exchange rate changes	9	-	(17,810)	(524)
Increase (decrease) in cash and cash equivalents	(7,721,757)	(228,590)	(5,969,449)	(175,623)
Cash and cash equivalents at the beginning of period	11,336,312	335,593	6,322,798	186,019
Cash and cash equivalents at the end of period	\$3,614,555	\$107,003	\$353,349	\$10,396
Supplemental disclosure of cash flows information				
Interest paid during the period	\$-	\$-	\$971	\$29
Interest paid (excluding capitalized interest)	\$-	\$-	\$971	\$29
Income tax paid	\$13,408	\$397	\$3,727	\$110

(The exchange rates provided by the Federal Reserve Bank of New York on September 30, 2003 and 2004 were NT\$33.78 and NT\$33.99 to US\$1.00)

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

Cathay Financial Holding Co., Ltd.
Notes to unaudited financial statements
(Expressed in thousands of dollars except
for share and per share data and unless otherwise stated)
As of September 30, 2003 and 2004

1. Organization and 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 the provisions of the Republic of China (“ROC”) Financial Holding Company Act (“Financial Holding Company Act”) and its shares were listed on the Taiwan Stock Exchange Corporation (TSE) on the same day. On April 22, 2002, Cathay Century Insurance Co., Ltd. (“Cathay Century”) and Cathay United Bank Co., Ltd. (“Cathay United Bank”) were merged into the Company through 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 merged on October 27, 2003. UWCCB was the surviving company, and the merged bank was re-named Cathay United Bank Co., Ltd. (“Cathay United Bank (merged)”). On July 29, 2003, the Company listed a portion of its common shares on the Luxembourg Stock Exchange (LSE) in the form of Global Depository Shares (GDSs). The Company mainly engages in financial holding business activities.

As of September 30, 2003 and 2004, the total numbers of employees were 38 and 57, respectively.

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.” The summary of significant accounting policies is as follows:

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

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

Cathay Financial Holding Co., Ltd.
Notes to unaudited financial statements (Continued)
(Expressed in thousands of dollars except
for share and per share data and unless otherwise stated)
As of September 30, 2003 and 2004

(2) Cash and cash equivalents

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

(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.

Beneficiary certificates are stated at cost. The cost and gain/loss of beneficiary certificates sold are determined based on the weighted-average cost method.

(4) Long - term investments

A. 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 which the Company lacks significant influence over operating and financial policies of the investee, 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 investment income but are recorded as an increase in the number of shares held. Upon sales of long-term equity investments (accounted for under the cost method), the difference between the weighted-average cost and sales price is used to compute the resulting gain or loss.

Cathay Financial Holding Co., Ltd.
Notes to unaudited financial statements (Continued)
(Expressed in thousands of dollars except
for share and per share data and unless otherwise stated)
As of September 30, 2003 and 2004

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.

When the Company subscribes to additional investee shares at a percentage different from its existing equity interest, the resulting carrying amount of the investment in equity investee differs from the amount of Company's proportionate share in the investee's net equity. The Company records such difference as an adjustment to "capital surplus" as well as the "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.

B. Transactions with affiliated companies:

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

(5) Property and equipment

Property and equipment are stated at cost or cost plus appreciation. Major additions, renewals and betterment are capitalized, while repairs and maintenance are expensed immediately.

Upon the sale or disposal of properties and equipment, the relating cost and accumulated depreciation are eliminated. Gain or loss resulting from such sale or disposal is classified as non-operating gain or loss.

Depreciation is calculated using the straight-line method over the estimated service lives prescribed by the "Estimated Useful Life of Fixed Assets Table" published by the Executive Yuan of the ROC. Property and equipment that are still in use after their useful lives are depreciated based on the residual value and the newly estimated remaining useful lives.

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(6) Deferred charges

Deferred charges are expenses where the associated economic benefit extend more than one year. Deferred charges are amortized over the economic useful life by the straight-line method.

(7) Convertible bonds payable

The excess of the redemption price over the par value of a convertible bond is credited to redemption premium payable and amortized using the interest method. This amortization is recorded 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 are recorded in NT dollars at the spot rate when the conversion occurs. 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. Long-term investments in foreign currency are accounted for as cumulative translation adjustments and are treated as adjustments of stockholders' equity. Year-end foreign currency assets and liabilities are converted at the exchange rate on the balance sheet date, and any gains or losses resulting from the transactions are credited or charged to current income.

(9) Derivative financial instruments

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

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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, any resulting gain or loss upon settlement is credited or charged to income in the period of settlement.

(10)Income taxes

The Company adopted 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 between deferred income tax liabilities, deferred income tax assets, prior year's loss carry forwards and investment tax credits. The valuation allowance is recognized if evidence shows it is more likely than not that a part or all of the deferred tax assets will not be realized. 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 the Financial Holding Company Act, the Company and its subsidiaries jointly file corporation income tax returns and pay a 10% surcharge on their undistributed retained earnings under the Integrated Income Tax System. If there are any tax effects due to the adoption of the foregoing 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 asset or liability is, according to the classification of its related asset or liability, classified as current or non-current. However, if a deferred asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or non-current based on the expected length of time before it is realized.

In accordance with Article 49 of the Financial Holding Company Act, if a company holds more than 90% of the outstanding issued shares of its domestic subsidiaries, such company may, for any tax year in which its shareholding in the subsidiary has existed for the entire twelve months of the tax year, elect to be the taxpayer itself, and jointly declare and report income tax and the 10% surcharge on undistributed retained earnings to the Tax Authority under the ROC Income Tax Law ("Income Tax Law").

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

(11)Capital expenditure expenses

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

(12)Treasury stock

The stock that the Company repurchases is recorded in the "treasury stock account". The book value of this treasury stock is determined based on the reason of purchase and stock type (common or preferred stock) using the weighted average method. When treasury stock is retired, capital surplus-premium of common shares and common stock are debited according to the ratio of retired treasury stock to total issued stock. When the book value of the retired treasury stock is higher than the sum of its par value and capital surplus-premium of common shares, the difference is debited to other capital surplus. If other capital surplus is insufficient to cover the difference, retained earnings are debited. When the book value of the retired treasury stock is lower than the sum of its par value and capital surplus-premium of common shares, the difference is credited to capital surplus-treasury stock.

According to the Ministry of Finance Security and Future Committee (91) article 108164:

In accordance with Article 38 of the Financial Holding Company Act which provides strict prohibitions on cross-holdings, all the prior share buybacks conducted by listed or over-the-counter traded financial institutions (in accordance with Article 28-2 of Securities and Exchange Law), upon the conversion of such institutions into wholly-owned subsidiaries of a financial holding company, must be converted into treasury shares of the financial holding company to be held by such subsidiaries for a period of no more than three years. If such subsidiaries fail to dispose of such treasury shares within this period, those shares will be deemed as un-issued share capital of the financial holding company and shall be cancelled accordingly. Treasury shares of a financial holding company held by its subsidiaries as described above are also treated as their own treasury shares and therefore such subsidiaries may not exercise shareholders rights with respect to those stocks in accordance with Article 28-2 of the Securities and Exchange Law.

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According to the Securities and Futures Commission (91) article 111467, shares previously bought back by listed or over-the-counter traded financial institutions (in accordance with Article 28-2 of Securities and Exchange Law), upon conversion of the institutions into wholly-owned subsidiaries of a financial holding company and the conversion of such shares into treasury shares of the financial holding company, must be treated by such subsidiaries as their own treasury shares and a deduction of shareholders' equity and must be treated as treasury shares of the financial holding company. If the financial institutions hold shares of other financial institutions whose shares are also converted into the shares of the same financial holding company, the principle of equity investment shall apply. The Company follows SFAS NO.30 "Treasury Stock Accounting Principle" and treats shares held by its subsidiaries as treasury stock in its income statements.

(13) Pension plan

The Company has established a pension plan for all employees. Pension plan benefits are based primarily on participants' compensation and the number of years of credited service.

In compliance with SFC regulations, the Company and its subsidiaries follow the ROC SFAS No. 18, "Accounting for Pensions". An actuarial valuation of pension liability is performed on the balance sheet date, and a minimum pension liability is recorded in the financial statements based on the difference between the accumulated benefit obligation and the fair value of plan assets.

According to the ROC SFAS No. 23 "Interim Financial Reporting and Disclosures", certain pension information is not required to be disclosed in the Company's interim financial statements.

(14) Convenience conversion U.S. dollars

The financial statements are stated in NT dollars. Conversion of the September 30, 2003 and 2004 NT dollar amounts into US dollar amounts is provided solely for the convenience of the readers, using the noon buying rate of NT\$33.78 and NT\$33.99 to US\$1.00 on September 30, 2003 and 2004, as provided by the Federal Reserve Bank of New York. The convenience conversion should not be construed as representation that the NT dollars amounts have been, could have been, or could in the future be, converted into US dollars at this rate or any other rate of exchange.

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3. Changes in accounting and its effects: None

4. Cash and cash equivalents

	September 30,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Petty cash	\$30	\$1	\$60	\$2
Cash in banks	723	21	5,520	162
Time deposits	3,613,802	106,981	144,234	4,244
Cash equivalents	-	-	203,535	5,988
Total	<u>\$3,614,555</u>	<u>\$107,003</u>	<u>\$353,349</u>	<u>\$10,396</u>

5. Long-term investments in stocks

Name of investee	September 30,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
	Book Value	Book Value	Book Value	Book Value
Under the equity method:				
Cathay Life	\$77,491,149	\$2,293,995	\$89,068,742	\$2,620,440
Cathay United Bank (merged)	58,977,625	1,745,933	77,845,327	2,290,242
Cathay United Bank (formerly)	13,113,140	388,192	-	-
Cathay Century	2,830,543	83,794	2,926,203	86,090
Cathay Securities Corporation	-	-	3,485,951	102,558
Cathay Pacific Venture Capital Co., Ltd.	595,296	17,623	586,017	17,241
Cathay Venture Capital Co., Ltd.	73,522	2,177	75,173	2,212
Cathay II Venture Capital Co., Ltd.	-	-	594,419	17,488
Cathay Capital Management Inc.	-	-	10,897	320
Sub-Total	<u>153,081,275</u>	<u>4,531,714</u>	<u>174,592,729</u>	<u>5,136,591</u>
Under the cost method:				
Debt Instrument Depository and Clearing				
Co., Ltd. Taiwan	100,000	2,960	100,000	2,942
Total	<u>\$153,181,275</u>	<u>\$4,534,674</u>	<u>\$174,692,729</u>	<u>\$5,139,533</u>

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

	For the nine-month periods ended September 30,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Balance on January 1	\$123,840,475	\$3,666,089	\$157,950,702	\$4,646,976
Add: Investment gains under equity method recognized	20,707,763	613,019	25,885,831	761,572
Add: Increment of investment	675,000	19,982	4,116,560	121,111
Add: Cash dividends to subsidiaries	-	-	22,194	653
Add: Disposal of the Company stocks that the subsidiaries held as investments were treated as treasury stocks	13,465,519	398,624	3,063,402	90,126
Add (Less): Capital surplus under equity method recognized	(830,693)	(24,591)	10,124	298
Add: Unappropriated retained earnings under equity method recognized	57,683	1,708	-	-
Less: Cumulative conversion adjustments under equity method recognized	(81,457)	(2,411)	(672)	(20)
Add: Unrealized valuation loss on long-term equity investments under equity method recognized	831,077	24,603	21,357	628
Less: The Company stocks that the subsidiaries held as investments were treated as treasury stocks	(5,075)	(151)	-	-
Less: Cash dividends received	(5,579,017)	(165,158)	(16,476,769)	(484,753)
Balance on September 30	<u>\$153,081,275</u>	<u>\$4,531,714</u>	<u>\$174,592,729</u>	<u>\$5,136,591</u>

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- (2) The investment gains (losses) recognized by the equity method for the nine-month periods ended September 30, 2003 and 2004 are listed below:

Name of Investee	For the nine-month periods ended September 30,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Cathay Life	\$12,724,210	\$376,679	\$13,814,723	\$406,435
Cathay United Bank (merged)	6,120,637	181,191	11,548,860	339,772
Cathay United Bank (formerly)	1,398,784	41,409	-	-
Cathay Century	470,313	13,923	546,582	16,080
Cathay Securities Corporation	-	-	(14,049)	(413)
Cathay Pacific Venture Capital Co., Ltd.	(4,704)	(139)	(6,862)	(202)
Cathay Venture Capital Co., Ltd.	(1,477)	(44)	1,421	42
Cathay II Venture Capital Co., Ltd.	-	-	(5,581)	(164)
Cathay Capital Management Inc.	-	-	737	22
Total	<u>\$20,707,763</u>	<u>\$613,019</u>	<u>\$25,885,831</u>	<u>\$761,572</u>

- A. Except for the Cathay Venture Capital Co., Ltd. Cathay II Venture Capital Co., Ltd. and Cathay Capital Management Inc., which were recognized by the Company under the equity method, the investment gains/losses of the rest of the subsidiaries were determined based on the reviewed financial statements of the investees for the same period as the Company.
- B. We did not review the financial statements of Cathay Pacific Venture Capital Co., Ltd. for the nine-month period ended September 30, 2004. Cathay Pacific Venture Capital Co., Ltd. was reviewed by other auditors with unqualified opinion. 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.
- C. Combined with the voting rights of its subsidiaries, the Company had significant influence on Cathay Venture Capital Co., Ltd. Thus the investment gain, based on the un-reviewed financial statements in same current periods for the nine-month period ended September 30, 2004, was recognized upon equity method. Although the financial statements were un-reviewed, the Company consider it no significant impact.

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- D. The investment gains of Cathay II Venture Capital Co., Ltd. and Cathay Capital Management Inc. for the nine-month period ended September 30, 2004 were recognized by the equity method based on un-reviewed financial statements in the same period.
- E. 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).
- F. We did not review the financial statements of Cathay United Bank (formerly), a wholly-owned subsidiary of the Company. Cathay United Bank (formerly) was reviewed by other auditors with qualified opinions, which complied with the ROC Financial Institution Merger Law amortizing the losses of disposing 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\$56,088). 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 losses amounted to NT\$284,149 (US\$8,412), for the nine-month period ended September 30, 2003. As of September 30, 2003, the unamortized losses on the transfer of delinquent assets accounted for as other assets amounted to NT\$1,325,895 (US\$39,251) should be recognized as current expense on the transaction date. If the losses were recognized as expense in 2002, other assets would be decreased by NT\$994,421 (US\$29,438) and accumulated earnings would be decreased by NT\$994,421 (US\$29,438) as of September 30, 2003; provision for credit losses would be decreased by NT\$284,149 (US\$8,412); the net income before tax would be increased by NT\$284,149 (US\$8,412); and the net income after tax would be increased by NT\$213,112 (US\$6,309) for the nine-month period ended September 30, 2003. Effective 2002, the Company recognized as subsidiary's current expenses, the investment gains of the Company accounted for under equity method recognized increased by NT\$213,112 (US\$6,309) for the nine-month period ended September 30, 2003.

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G. The consolidated financial statements of the Company as of and for the nine-month period ended September 30, 2004 include the Company, and its subsidiaries, which include Cathay Life, Cathay United Bank (merged), Cathay Century and Cathay Securities Corporation. As of and for the nine-month period ended September 30, 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 and for the nine-month period ended September 30, 2004 exclude Cathay Pacific Venture Capital Co., Ltd., Cathay II Venture Capital Co., Ltd. and Cathay Capital Management Inc. because their total assets and operating revenues were less than 10% of the total assets of the Company.

- (3) As of September 30, 2003 and 2004, the Company didn't provide collateral or guarantee on long-term investments.

6. Bonds payable

	September 30,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Zero coupon convertible notes	\$23,653,000	\$700,207	\$23,793,000	\$700,000
Redemption premium payable	1,122,924	33,243	1,984,355	58,381
Total	<u>\$24,775,924</u>	<u>\$733,450</u>	<u>\$25,777,355</u>	<u>\$758,381</u>

Please see note 19(3), "Zero coupon convertible notes related information" for details.

7. Common stock

As of September 30, 2003 and 2004, the numbers of issued shares, par value of NT\$10 dollars (US\$0.3), per share, were 8,307,489,100 shares.

On December 31, 2001, the Company listed its shares of stock on Taiwan Stock Exchange (TSE) in accordance with relevant regulations. On July 29, 2003, the Company listed a portion of its common shares on the Luxembourg Stock Exchange in the form of Global Depositary Shares.

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8. Capital surplus

- (1) Capital surplus was NT\$53,101,646 (US\$1,571,985) and NT\$53,697,720 (US\$1,579,809) as of September 30, 2003 and 2004. Before conversion into a financial holding company, NT\$267,215 (US\$7,862) constituted retained earnings of certain subsidiaries of the Company.
- (2) The additional paid-in capital of par value through the conversion 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 undistributed 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 a 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.

9. Retained earnings

- (1) Legal reserve

Pursuant to the Company Law, 10% of the Company's after-tax net income in the current year must be appropriated as legal reserve until the total amount of the legal reserve equals the issued share capital. This legal reserve can be used to offset deficits but cannot be used for the purpose of cash dividend distributions. However, if the total 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 deductions, if any, shall be appropriated as legal reserve and 0.01%~0.05% for employees' bonus. The remainder must be appropriated in accordance with the resolutions passed at the stockholders' meeting.

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- B. The distribution of the 2003 earnings was approved in the shareholders' meeting on June 3, 2004. The distribution resulted from retained earnings of NT\$20,588,763 (US\$605,730) in 2003, amounts from special reserve which were converted into undistributed retained earnings totaling NT\$887,442 (US\$26,109) and the disposition of fixed assets from subsidiaries which amounted to NT\$57,683 (US\$1,697), respectively. The Company declared cash dividends of NT\$2 (US\$0.06) on each common share and such dividends were paid on July 9, 2004.
- C. The stockholder's meeting of the Company approved the declaration of dividends on June 6, 2003. It is the Company's policy to distribute the aforementioned dividends based on its annual earnings of NT\$13,085,153 (US\$387,364), its subsidiaries' capital surplus belongs to unappropriated retained earnings before stock conversion of NT\$1,917,548 (US\$56,766) and its disposal of fixed assets retransfer as unappropriated retained earnings of NT\$128,170 (US\$3,794). The Company declared cash dividends of NT\$1.5 (US\$0.04) on each common share and such dividend was paid on July 11, 2003.
- D. Cathay Life originally held 156,927,000 shares of the Company. After conversion into a financial holding company, Cathay Life's treasury stock has been treated as the Company's treasury stock without any stockholder rights. As of September 30, 2004, Cathay Life had transferred all such treasury shares to employees.
- E. According to the revised Tax Law of 1998, the Company is required to pay an extra 10% income tax on all undistributed retained earnings generated during the year.
- F. In accordance with SFC regulations, in addition to the legal reserve retained, the Company is required to provide a special reserve in the amount equal to current year's contra account in shareholders' equity from current year's earnings after tax or prior years' undistributed earnings. However, contra accounts in prior years' accumulated shareholders' equity should only be provided from prior years' undistributed earnings. If a reversal of shareholders equity contra account occurs, the reversed portion of the special reserve could be distributed as dividends.

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G. In accordance with SFC regulations, subsidiaries of financial holding companies that hold shares of their parent company should treat those shares as treasury stock as of January 1, 2002. The cost of these shares cannot be distributed as special reserve.

H. Dividends policy

The Company's dividends policy is to distribute dividends in stock in order to retain sufficient cash for operations with excess cash from retained earnings distributed in cash, but cash dividends must be a minimum of 10% of the total dividends declared.

10. Treasury stock

(1) The following is a summary of the movement of treasury stock for the nine-month period ended September, 30 2004.

(Unit: in thousands of shares)

Reason for acquisition	January 1, 2004			September 30, 2004	Book value (NT\$)	Book value (US\$)	Per share	Per share	Per share	Per share
	Increase	Decrease	Book value (in NT dollars)				Book value (in US dollars)	Market value (in NT dollars)	Market value (in US dollars)	
Subsidiaries										
transferred shares										
to employees	51,551	-	51,551	-	\$-	\$-	\$-	\$-	\$-	\$-
Parent's stock that its subsidiaries held which are treated as treasury stock										
	11,705	-	608	11,097	530,389	15,604	47.80	1.41	62.67	1.84
Subsidiaries' stocks held by the Company after conversion which are treated as treasury stock										
	254,911	-	-	254,911	11,450,762	336,886	44.92	1.32	62.67	1.84
Total	318,167	-	52,159	266,008	\$11,981,151	\$352,490				

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

Name	Holding share	Amount (NT\$)	Amount (US\$)	Cause	About retained earnings limit	Legal time limit	Pro forma way determined by the board of directors determine
Cathay United Bank (merged)	7,700	\$463,776	\$13,645	Holding other subsidiaries stock by conversion	None	Within three years	None
Cathay Century	3,397	212,886	6,263	"	None	Within three years	None
Total	<u>11,097</u>	<u>\$676,662</u>	<u>\$19,908</u>				

11. Personnel, depreciation, depletion and amortizations

Item	For the nine-month period ended September 30,2003 (NT\$)			For the nine-month period ended September 30,2004 (NT\$)		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salary and wages	\$ -	\$42,611	\$42,611	\$ -	\$57,631	\$57,631
Labor & health insurance expenses	-	1,290	1,290	-	2,270	2,270
Pension expenses	-	877	877	-	2,765	2,765
Other expenses	-	9,662	9,662	-	29,021	29,021
Depreciation	-	611	611	-	771	771
Depletion	-	-	-	-	-	-
Amortizations	-	109,025	109,025	-	109,025	109,025

Item	For the nine-month period ended September 30,2003 (US\$)			For the nine-month period ended September 30,2004 (US\$)		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salary and wages	\$ -	\$1,261	\$1,261	\$ -	\$1,696	\$1,696
Labor & health insurance expenses	-	38	38	-	67	67
Pension expenses	-	26	26	-	81	81
Other expenses	-	286	286	-	854	854
Depreciation	-	18	18	-	23	23
Depletion	-	-	-	-	-	-
Amortizations	-	3,228	3,228	-	3,208	3,208

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12. Estimated income taxes

- (1) Income tax expenses for the nine-month periods ended September 30, 2003 and 2004 are estimated as follows:

	For the nine-month periods ended September 30,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Income before taxes	\$20,970,708	\$620,802	\$25,262,913	\$743,245
Adjustments:				
Interest income of tax on a separate basis	(63,234)	(1,872)	(18,637)	(548)
Investment gains recognized by equity method	(20,707,763)	(613,019)	(25,885,831)	(761,572)
Unrealized bonds payable redemption premium	606,445	17,953	642,264	18,896
Unrealized exchange gain	(782,456)	(23,163)	(446)	(13)
Realized exchange loss	-	-	(19,647)	(578)
Realized loss on market price recovery of short-term investment	-	-	(71,071)	(2,091)
Others	(12,096)	(358)	(9,469)	(279)
Taxable income	11,604	343	(99,924)	(2,940)
Times: Taxes rate	25%-10	25%	25%-10	25%
Subtotal	2,891	86	(24,991)	(735)
Add: Extra 10% income tax on undistributed retained earnings	-	-	-	-
Less: Tax effects under integrated income tax systems	-	-	-	-
Add: Tax on a separate basis	13,408	397	3,727	109
Deferred income tax expense (benefit)	47,055	1,393	(136,246)	(4,008)
Dissimilitude on estimate tax aforetime	(13,528)	(401)	293	8
Income taxes expense (benefit)	<u>\$49,826</u>	<u>\$1,475</u>	<u>\$(157,217)</u>	<u>\$(4,626)</u>

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

	For the nine-month periods ended September 30,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
A. Total deferred income tax liabilities	\$195,614	\$5,791	\$176,861	\$5,203
B. Total deferred tax assets	\$293,955	\$8,702	\$506,766	\$14,909
C. Temporary differences from resulting deferred tax assets or liabilities:				
a. Deductible temporary difference from Unrealized bonds payable redemption premium	\$1,122,924	\$33,242	\$1,984,354	\$58,381
b. Deductible temporary difference from organization costs amortization into 5 years	52,895	1,566	36,620	1,077
c. Deductible temporary difference from unrealized gain on foreign exchange	(782,456)	(23,163)	(707,446)	(20,813)
d. Deductible temporary difference from pension expenses	-	-	6,091	179
Subtotal	\$393,363	\$11,645	\$1,319,619	\$38,824
D. Deferred income tax assets-current	\$4,069	\$120	\$4,069	\$119
Deferred income tax liabilities-current	-	-	(111)	(3)
Net offset balance of deferred income tax assets (liabilities)-current	\$4,069	\$120	\$3,958	\$116
E. Deferred income tax assets-noncurrent	\$289,886	\$8,582	\$502,697	\$14,790
Deferred income tax liabilities-noncurrent	(195,614)	(5,791)	(176,750)	(5,200)
Net offset balance of deferred income tax assets (liabilities) - noncurrent	\$94,272	\$2,791	\$325,947	\$9,590

(3) The Tax Authority has examined and cleared income tax returns of the Company through 2001.

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(4) The Company, in accordance with the Financial Holding Company Act, elected to be the payer of the consolidated income tax and the 10% additional undistributed earnings tax filing the consolidated income tax return which includes all subsidiaries who have twelve months of operations in a taxable year.

(5) Information related tax imputation:

	September 30,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Balance of imputation credit account	\$2,171	\$64	\$356,633	\$10,492
	For the nine-month period ended September 30,2003		For the nine-month period ended September 30,2004	
Imputation credit account ratio-Actual	35.19%		19.17%	

(6) Information relating of undistributed earnings:

Year	For the nine-month periods ended September 30,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Prior to 1997	\$267,215	\$7,910	\$267,215	\$7,862
After 1998	-	-	813,842	23,943
Total	\$267,215	\$7,910	\$1,081,057	\$31,805

The above undistributed earnings do not include the net income for the nine-month periods ended September 30, 2003 and 2004.

The undistributed earnings include additional paid-in capital from the stock conversion creating the Company's financial holding company structure, which came from the original financial institution's undistributed retained earnings and is allowed to be distributed as cash dividends.

Undistributed earnings before 1997 are from the Company's subsidiaries (before conversion) in that period.

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13. Earnings per share

	For the nine-month period ended September 30, 2003									
	Amount (Numerator)				EPS					
					Shares					
					(in thousands					
					of shares)		Before income tax		After income tax	
	Before income taxes		After income taxes		(denominator)	EPS (in dollars)		EPS (in dollars)		
	NT\$	US\$	NT\$	US\$		NT\$	US\$	NT\$	US\$	
Net income	\$20,970,708	\$620,802	\$20,920,882	\$619,327						
Primary earnings										
per share										
Net income for										
common stock										
holder	\$20,970,708	\$620,802	\$20,920,882	\$619,327	7,532,906	\$2.78	\$0.08	\$2.78	\$0.08	
Effect of										
potentially										
dilative										
common stock										
Convertible										
bonds payable	\$606,445	\$17,953	\$454,834	\$13,465	421,873					
Fully-diluted										
earnings per										
share										
Net income for										
common stock										
holder & effect										
of potentially										
common stock	\$21,577,153	\$638,755	\$21,375,716	\$632,792	7,954,779	\$2.71	\$0.08	\$2.69	\$0.08	

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For the nine-month period ended September 30, 2004

	Amount (Numerator)				EPS				
					Shares	Before income tax		After income tax	
					(in thousands				
					of shares)	EPS (in dollars)		EPS (in dollars)	
	Before income taxes		After income taxes		(denominator)				
	NT\$	US\$	NT\$	US\$		NT\$	US\$	NT\$	US\$
Net income	\$25,262,913	\$743,245	\$25,420,130	\$747,871					
Primary earnings									
per share									
Net income for									
common stock									
holder	\$25,262,913	\$743,245	\$25,420,130	\$747,871	8,027,124	\$3.15	\$0.09	\$3.17	\$0.09
Effect of									
potentially									
dilative									
common stock									
Convertible									
bonds payable	\$642,264	\$18,896	481,698	\$14,172	447,017				
Fully-diluted									
earnings per									
share									
Net income for									
common stock									
holder & effect									
of potentially									
common stock	\$25,905,177	\$762,141	\$25,901,828	\$762,043	8,474,141	\$3.06	\$0.09	\$3.06	\$0.09

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

(Shares)	For the nine-month periods end September 30,	
	2003	2004
Shares at the beginning of year	8,453,163	8,307,489
Less: Treasury stock	(490,005)	(254,911)
The Company that the subsidiaries held were treated as treasury stock	(284,578)	(25,454)
Retired treasury stock	(145,674)	-
Total	7,532,906	8,027,124

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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 nine-month periods ended September 30,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Income before income taxes	\$21,554,860	\$638,095	\$25,395,191	\$747,137
Net income after income taxes	\$21,505,034	\$636,620	\$25,552,408	\$751,763
Before income taxes primary earnings per share (expressed in dollars)	\$2.76	\$0.08	\$3.16	\$0.09
After income taxes primary earnings per share (expressed in dollars)	\$2.75	\$0.08	\$3.18	\$0.09
Before income taxes fully – diluted earnings per share (expressed in dollars)	\$2.69	\$0.08	\$3.07	\$0.09
After income taxes fully – diluted earnings per shares (expressed in dollars)	\$2.67	\$0.08	\$3.07	\$0.09

14. Related party transactions

(1) Related parties

Name	Relationship
Cathay Life	Subsidiary of the Company
Cathay United Bank (merged)	Subsidiary of the Company
Cathay Century	Subsidiary of the Company
Cathay Securities Corporation	Subsidiary of the Company
Cathay Pacific Venture Capital Co., Ltd.	Subsidiary of the Company
Cathay II Venture Capital Co., Ltd.	Subsidiary of the Company
Cathay Capital Management Inc.	Subsidiary of the Company
Cathay Venture Capital Co., Ltd.	The investee is accounted for using the equity method

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Name	Relationship
Lin Yuan Property Management 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
Symphox Information Co., Ltd.	Subsidiaries' investee is accounted for using the equity method
Cathay Securities Investment Co., Ltd.	Subsidiaries' investee is accounted for using the equity method
Cathay Real Estate Development Co., Ltd.	Affiliate
San Ching Engineering Co., Ltd.	Affiliate
Cathay Bank Life Insurance Agency of Association (merged with Seaward Insurance Agent Corp. on February 5, 2004, Cathay Bank Life Insurance Agency of Association was the surviving company)	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
Cathay General Hospital	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
Seaward Leasing Ltd.	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
Taiwan Real-estate Management Corp.	Subsidiaries' investee is accounted for using the equity method

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Name	Relationship
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
Cathay Bank Property Agency of Association	Subsidiaries' investee is accounted for using the equity method
China England Company Ltd. and etc.	Investee company of Cathay United Bank (merged)
Gemfor Tech Co.	Their Chairman of the board is the president of Cathay United Bank (merged)
Taipei Smart Card Corp.	Investee company of Cathay United Bank (merged)
Culture and Charity Foundation of the UWCCB	Cathay United Bank (merged) is the major sponsor of the foundation
Cathay Life Charity Foundation	Their chairman is an immediate family member of the company's chairman
KG Telecommunication Ltd.	Cathay Life appointed a supervisor for KG Telecommunication Ltd. (resigned on Jan. 19, 2004)
Wu Ming-Yang	Senior manager of Cathay Century

(2) *Significant transactions with related parties:*

A. Rental expense

Name	For the nine-month periods ended September 30,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Cathay Life	\$6,155	\$182	\$6,155	\$181
Symphox Information Co., Ltd.	-	-	37	1
Total	\$6,155	\$182	\$6,192	\$182

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D. Insurance expense

Name	For the nine-month periods ended September 30,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Cathay Life	\$-	\$-	\$373	\$11
Cathay Century	-	-	79	2
Total	\$-	\$-	\$452	\$13

E. Other accounts payable

Name	September 30,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Cathay Life	\$454,719	\$13,461	\$187,737	\$5,523
Cathay United Bank (merged)	188,094	5,568	571,606	16,817
Total	\$642,813	\$19,029	\$759,343	\$22,340

F. Other accounts receivable

Name	September 30,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Cathay Life	\$-	\$-	\$4,500,243	\$132,399
Cathay United Bank (merged)	-	-	100,582	2,959
Cathay Century	50,584	1,497	73,671	2,168
Total	\$50,584	\$1,497	\$4,674,496	\$137,526

G. Repair expense

Name	For the nine-month periods ended September 30,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Lin Yuan Property Management Co., Ltd.	\$-	\$-	\$117	\$3

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H. Property exchange

Name	For the nine-month periods ended September 30,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Lin Yuan Property Management Co., Ltd.	\$-	\$-	\$152	\$4

I. Benefits expense

Name	For the nine-month periods ended September 30,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Symphox Information Co., Ltd.	\$-	\$-	\$167	\$5

J. Assignment

Based on the resolution of Cathay Securities' board of directors on April 23, 2004, the securities department and the securities agent (Taipei branch) of Cathay United Bank (merged), along with its business, assets and liabilities, were assigned to Cathay Securities through business assignment, which amounted to NT\$414,930 (US\$12,207). The Xin-yi and Bo-ai branch offices were established at the same locations as at the assignment. The assignment date was August 13, 2004, the application date for the assignment was June 15, 2004 and the authorities approved it on June 28, 2004.

15. Pledged assets: None.

16. Other important matters and contingent liabilities: None.

17. Serious damages: None.

18. Subsequent events: None.

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19. 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 with financial institutions with high credit ratings to manage exposures related to interest rates and foreign currencies. Management believes its exposure related to the potential default by those counterparties is low. In addition, gains or losses from forward foreign exchange contracts are likely to be offset by gains or losses from the hedged payables. Thus, market risks are believed to be minimal.

b. Liquidity and cash requirement

The primary objective of IRS and foreign currency options is to limit interest rate and exchange 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, there is no material fund raising risk or cash flow risk associated with these instruments.

c. Cash flow and demand

As cash inflow and cash outflow will be automatically offset against each other on the expiration date of a forward contract, no demand for substantial cash flow is expected in connection with such transactions.

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d. Interest rate swaps (IRS)

(a) IRS transactions may involve the exchange of fixed-rate interest payments for a market floating-rate interest payment obligation based on a notional principal amount. For IRS transactions undertaken for hedging purposes, income and expenses that arise upon settlement are netted off and recognized in the statement of income.

(b) As of September 30, 2004, the maturity dates of IRS ranged from May 20, 2002 to May 20, 2007.

As of September 30, 2003:

Counterpart	Effective	Contract amount	Contract value
Goldman Sachs International	2002.5.20	USD 700,000	USD 700,000

As of September 30, 2004:

Counterpart	Effective	Contract amount	Contract value
Goldman Sachs International	2002.5.20	USD 700,000	USD 700,000

e. Foreign currency options

The Company uses foreign currency option contracts to manage currency exposures.

As of September 30, 2003:

Counterpart	Effective date	Put date	Contract amount	Contract value
Goldman Sachs International	2002.5.20	2005.5.20; 2007.5.20	USD 700,000	USD700,000

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B. Non-derivative financial instruments related information

Item	September 30, 2003			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and cash equivalents	\$3,614,555	\$3,614,555	\$107,003	\$107,003
Short-term investments	4,917	4,917	146	146
Receivables	4,747,057	4,747,057	140,529	140,529
Long-term investments in stocks	153,181,275	153,603,945	4,534,674	4,547,186
Deferred charges	272,449	272,449	8,065	8,065
Liabilities				
Payables	642,813	642,813	19,029	19,029
Bonds payable	24,775,924	24,775,924	733,449	733,449
Item	September 30, 2004			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and cash equivalents	\$353,349	\$353,349	\$10,396	\$10,396
Receivables	4,674,496	4,674,496	137,526	137,526
Long-term investment in stocks	174,692,729	175,240,041	5,139,533	5,155,635
Deferred charges	108,980	108,980	3,206	3,206
Liabilities				
Payables	759,343	759,343	22,340	22,340
Bonds payable	25,777,355	25,777,355	758,381	758,381

Methods and assumptions for estimating the fair value of non-derivative financial instruments are as follows:

- a. Short-term financial instruments are stated at carrying amount on the balance sheet date. Because the maturity date of those instruments is very close to the balance sheet date, it is reasonable that their carrying amounts are equal to their fair values. That assumption is adopted by the following accounts: cash and cash equivalents and receivables.

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- b. If short-term investments and long-term investment in stocks have a market value, that will be their fair value. If there is no market value, their fair value will be estimated based on other financial information or their carrying amount on the balance sheet date.

(3) Zero coupon convertible notes related information:

Issuer: Cathay Financial Holding Co., Ltd.

Issue amount: US\$700 million.

Issue price: 100%.

Maturity date: May 20, 2007.

Interest: The notes do not bear interest except in the limited circumstances.

Conversion rights:

Subject to certain conditions, each holder of the notes (the "Holder") has 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.

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 the Company 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. The redemption premium is the amount payable at the issue price on the original issue date, plus a compound yield rate of 2.75% per annum (computed on a semi-annual note equivalent basis).

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Repurchase in the event of delisting:

Unless the notes have been previously redeemed, repurchased and cancelled, or converted, in the event that the Company's 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 the Company 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 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 the Company 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 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 the Company:

The notes may be redeemed at the option of the Company, 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 for the notes) and (b) the applicable redemption date does not fall within a closed period. Notwithstanding the foregoing, the Company 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.

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Tax redemption:

If, as a result of certain changes relating to the ROC tax laws or such other jurisdiction in which the Company is then organized, the Company becomes obligated to pay certain additional amounts, the notes may be redeemed at the option of the Company, 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, the Company will redeem the notes on the maturity date at a price equal to 100% of the outstanding principal amount thereof plus the redemption premium.

Negative pledge:

Subject to certain exceptions, the Company 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:

The Company may create and issue further securities with the same terms and conditions from time to time without the consent of the Holders of the notes so that such further issuance shall be consolidated and form a single series with the notes.

Governing law:

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

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(4) Material contract: None.

(5) Presentation of financial statements:

Certain accounts in the financial statements for the nine-month period ended September 30, 2003 have been reclassified in order to be comparable with those in the financial statements for the nine-month period ended September 30, 2004.

20. Information for investment in Mainland China: None.

21. Segment information: None.

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

(a) Concise balance sheets:

Items/Period	Cathay Life				Cathay United Band (merged)				Cathay Century				Former Cathay United Bank		Cathay Securities	
	September 30, 2003		September 30, 2004		September 30, 2003		September 30, 2004		September 30, 2003		September 30, 2004		September 30, 2003		September 30, 2004	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Current assets	\$492,457,215	14,578,367	\$581,059,842	\$17,095,023	\$247,929,931	\$7,339,548	\$324,804,404	\$9,555,881	\$6,403,024	\$189,551	\$7,088,439	\$208,545	\$57,210,291	\$1,693,614	\$3,339,640	\$98,252
Exchange bills negotiated, discounted, and loans	485,853,150	14,382,864	456,958,880	13,443,921	396,790,672	11,746,319	548,579,361	16,139,434	870,310	25,764	823,217	24,220	119,020,093	3,523,389	-	-
Funds and long-term investments	381,221,734	11,285,427	479,772,810	14,115,117	11,983,504	354,751	39,702,953	1,168,078	2,282,905	67,581	2,739,718	80,604	15,211,090	450,299	18	1
Fixed assets	15,885,887	470,275	15,297,952	450,072	23,148,805	685,281	25,663,377	755,027	55,568	1,645	55,628	1,636	1,858,016	55,004	13,179	388
Other assets (including intangible assets)	26,565,244	786,419	48,151,597	1,416,640	6,805,252	201,459	4,459,099	131,189	462,517	13,692	478,133	14,066	10,137,617	300,107	236,541	6,960
Current liabilities	10,934,263	323,690	14,354,602	422,318	610,541,869	18,074,064	830,490,537	24,433,379	735,982	21,787	916,146	26,954	189,966,830	5,623,648	102,842	3,026
Long-term liabilities	528,754	15,653	1,252,595	36,852	-	-	-	-	8,067	239	18,966	558	-	-	-	-
Other liabilities	1,313,029,065	38,870,014	1,476,565,141	43,441,163	16,827,926	498,162	34,409,555	1,012,343	6,351,061	188,012	7,110,933	209,206	304,236	9,006	585	17
Capital stocks	50,686,158	1,500,478	50,686,158	1,491,208	39,715,627	1,175,714	43,182,407	1,270,445	2,317,006	68,591	2,317,006	68,167	12,346,083	365,485	3,500,000	102,971
Capital surplus	5,200	154	12,591	371	4,261,892	126,166	13,463,074	396,089	430	13	1,909	56	430	13	-	-
Retained earnings	34,148,047	1,010,895	38,385,188	1,129,308	15,382,006	455,359	21,589,072	635,159	659,535	19,524	818,915	24,093	819,457	24,259	(14,049)	(413)
Equity adjustments	(14,394)	(425)	(15,194)	(447)	(71,156)	(2,107)	74,549	2,194	2,243	67	1,260	37	71	2	-	-
Treasury stocks	(7,333,863)	(217,107)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$1,401,983,230	\$41,503,352	\$1,581,241,081	\$46,520,773	\$686,658,164	\$20,327,358	\$943,209,194	\$27,749,609	\$10,074,324	\$298,233	\$11,185,135	\$329,071	\$203,437,107	\$6,022,413	\$3,589,378	\$105,601
Total liabilities	\$1,324,492,082	\$39,209,357	\$1,492,172,338	\$43,900,333	\$627,369,795	\$18,572,226	\$864,900,092	\$25,445,722	\$7,095,110	\$210,038	\$8,046,045	\$236,718	\$190,271,066	\$5,632,654	\$103,427	\$3,043
Total stockholders' equity	\$77,491,148	\$2,293,995	\$89,068,743	\$2,620,440	\$59,288,369	\$1,755,132	\$78,309,102	\$2,303,887	\$2,979,214	\$88,195	\$3,139,090	\$92,353	\$13,166,041	\$389,759	\$3,485,951	\$102,558

Cathay Financial Holding Co., Ltd.

Notes to unaudit financial statements (Continued)

(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)

As of September 30, 2003 and 2004

(b) Concise statements of income:

Items/Period	Cathay Life				Cathay United Band (merged)				Cathay Century				Former Cathay United Bank		Cathay Securities	
	The nine-month period ended		The nine-month period ended		The nine-month period ended		The nine-month period ended		The nine-month period ended		The nine-month period ended		The nine-month period ended		12.5.2004-30.6.2004	
	September 30, 2003		September 30, 2004		September 30, 2003		September 30, 2004		September 30, 2003		September 30, 2004		September 30, 2003			
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Operating revenues	\$339,456,443	\$10,049,036	\$380,352,566	\$11,190,131	\$22,211,238	\$657,526	\$30,613,857	\$900,673	\$10,027,547	\$296,849	\$11,108,419	\$326,814	\$9,158,285	\$271,116	\$29,614	\$871
Operating costs & expenses	(325,945,356)	(9,649,064)	(366,387,870)	(10,779,284)	(14,884,851)	(440,641)	(17,041,212)	(501,360)	(9,414,753)	(278,708)	(10,361,500)	(304,839)	(7,412,996)	(219,449)	(46,235)	(1,360)
Operating income	13,511,087	399,972	13,964,696	410,847	7,326,387	216,885	13,572,645	399,313	612,794	18,141	746,919	21,975	1,745,289	51,667	(16,621)	(489)
Non-operating revenues	1,000,227	29,611	1,536,591	45,208	46,405	1,374	1,270,796	37,387	2,339	69	28,411	837	59,496	1,761	-	-
Non-operating expenses	(8,644)	(256)	(1,648,432)	(48,498)	(58,985)	(1,746)	(115,008)	(3,383)	(4,445)	(132)	(17,576)	(518)	(28,770)	(852)	-	-
Operating income before taxes	14,502,670	429,327	13,852,855	407,557	7,313,807	216,513	14,728,443	433,317	610,688	18,078	757,754	22,294	1,776,015	52,576	(16,621)	(489)
Net income	13,346,847	395,111	14,047,478	413,283	6,201,807	183,594	11,637,433	342,378	498,060	14,744	598,174	17,599	1,407,002	41,652	(14,049)	(413)
Earning per share before taxes (in dollars)	\$2.95	\$0.09	\$2.74	\$0.08	\$1.84	\$0.05	\$3.41	\$0.10	\$2.64	\$0.08	\$3.27	\$0.10	\$1.44	\$0.04	\$(0.05)	\$-
Earning per share (in dollars)	\$2.72	\$0.08	\$2.78	\$0.08	\$1.56	\$0.05	\$2.69	\$0.08	\$2.15	\$0.06	\$2.58	\$0.08	\$1.14	\$0.03	\$(0.04)	\$-

Annotation1: On April 11, 2002, Cathay United Bank transferred certain non-performing loans to the Taiwan Asset Management Corporation, and the related losses amounted to NT\$1,894,609 (US\$56,087). According to Article 15 of the ROC Financial Institution Merger Act, the losses on the transaction are being amortized over five year from April 2002. The amortized loss amounted to NT\$284,149 (US\$8,412), for the nine-month period ended September 30, 2003. As of September 30, 2003, the unamortized losses on the transfer of delinquent assets accounted for as other assets amounted to NT\$1,325,895 (US\$39,251). According to general accepted accounting principles in the ROC, the losses are recognized as current expenses on the transaction date. Thus on September 30, 2003, other assets of former Cathay United Bank decreased by NT\$994,421 (US\$29,438), and retained earnings of former Cathay United Bank decreased by NT\$994,421 (US\$29,438). In the nine-month period ended September 30, 2003, provision for credit losses of former Cathay United Bank decreased by NT\$284,149 (US\$8,412), the net income before tax of former Cathay United Bank increased by NT\$284,149 (US\$8,412) and the net income after tax of former Cathay United Bank increased by NT\$213,112 (US\$6,309).