

Cathay Financial Holding Co., Ltd.
Financial statements
Together with
Independent auditors' report
As of December 31, 2003 and 2004

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English Translation of Report Originally Issued in Chinese

Independent auditors' report

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

We have audited the accompanying balance sheet of Cathay Financial Holding Co., Ltd. (the "Company") as of December 31, 2004 and the related statements of income, changes in stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Company as of and for the year ended December 31, 2003. For that year, the Company was audited by other auditors which provided a modified unqualified opinion.

We conducted our audits in accordance with generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2004 and the results of its operations and its cash flows for the year ended December 31, 2004 in conformity with generally accepted accounting principles in the Republic of China, "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and "Guidelines Governing the Preparation of Financial Reports by Financial Holding Companies."

In addition, we have also audited the consolidated financial statements of the Company as of and for the year ended December 31, 2004 and the separate auditors' report with unqualified opinion was issued.

Diwan, Ernst & Young
Taipei, Taiwan
The Republic of China
January 28, 2005

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 audit such financial statements are those generally accepted and applied in the Republic of China.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

Balance sheets

As of December 31, 2003 and 2004

(Expressed in thousands of dollars)

Assets	Notes	2003		2004	
		NT \$	US \$	NT \$	US \$
Current assets					
Cash and cash equivalents	2, 4	\$6,322,799	\$186,019	\$20,472,483	\$645,006
Short-term investments	2, 5	2,147,421	63,178	-	-
Tax refund receivable		631,947	18,592	589,326	18,567
Interest receivable		42,742	1,258	293	9
Other receivable		58,452	1,720	584,594	18,418
Deferred income tax assets-current	2, 13	21,836	642	149,698	4,717
Subtotal		9,225,197	271,409	21,796,394	686,717
Long-term investments					
Long-term investments in stocks	2, 6				
Long-term investments under equity method		158,086,904	4,650,983	178,515,166	5,624,296
Long-term investments under cost method		100,000	2,942	100,000	3,151
Allowance for valuation loss on long-term investments in stocks		(136,202)	(4,007)	(110,435)	(3,479)
Subtotal		158,050,702	4,649,918	178,504,731	5,623,968
Property and equipment					
Transportation and communication equipment	2	3,199	94	3,199	101
Other equipment		2,673	78	3,880	122
Subtotal		5,872	172	7,079	223
Less: Accumulated depreciation		(1,202)	(35)	(2,258)	(71)
Net		4,670	137	4,821	152
Other assets					
Temporary payments and suspense accounts		167	5	1	-
Deferred income tax assets -noncurrent	2, 13	171,822	5,055	-	-
Deferred charges	2	231,582	6,813	66,627	2,099
Subtotal		403,571	11,873	66,628	2,099
Total assets		\$167,684,140	\$4,933,337	\$200,372,574	\$6,312,936
Liabilities & stockholders' equity					
Current liabilities					
Collections for others		\$896	\$26	\$761	\$24
Accrued expenses		36,628	1,078	53,546	1,687
Income taxes payable		-	-	145,714	4,591
Dividends payable		1,476	43	2,316	73
Other payable		695,999	20,477	987,900	31,125
Subtotal		734,999	21,624	1,190,237	37,500
Long-term liabilities					
Bonds payable	2, 7, 20	25,135,091	739,485	23,774,560	749,041
Accrued pension liabilities	2, 20	3,576	105	8,037	253
Subtotal		25,138,667	739,590	23,782,597	749,294
Other liabilities					
Deferred income tax liabilities -noncurrent	2, 13	-	-	49,794	1,569
Temporary receipts and suspense accounts		694	20	709	22
Subtotal		694	20	50,503	1,591
Total liabilities		25,874,360	761,234	25,023,337	788,385
Stockholders' equity					
Capital stock	8				
Common stock		83,074,891	2,444,098	83,167,130	2,620,262
Capital surplus	9				
Additional paid-in capital		53,101,717	1,562,275	53,524,308	1,686,336
Treasury stock transactions		-	-	4,852,742	152,891
Others		549,329	16,161	581,647	18,325
Retained earnings	10				
Legal reserve		1,335,046	39,278	3,026,715	95,360
Special reserve		1,833,255	53,935	122,653	3,864
Unappropriated retained earnings		16,916,694	497,696	30,640,997	965,375
Equity adjustments					
Unrealized valuation losses on long-term equity investments		(136,202)	(4,007)	(110,435)	(3,479)
Cumulative conversion adjustments		176,537	5,194	(96,005)	(3,025)
Net loss not yet recognized as net pension cost		(1,971)	(58)	(5,560)	(175)
Treasury stock	2, 10, 11	(15,039,516)	(442,469)	(354,955)	(11,183)
Total stockholders' equity		141,809,780	4,172,103	175,349,237	5,524,551
Total liabilities and stockholders' equity		\$167,684,140	\$4,933,337	\$200,372,574	\$6,312,936

(The exchange rates provided by the Federal Reserve Bank of New York on December 31, 2003 and 2004 were NT\$33.99 and NT\$31.74 to US\$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

Statements of income

For the years ended December 31, 2003 and 2004

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

	Notes	2003		2004	
		NT \$	US \$	NT \$	US \$
Operating revenues					
Interest income		\$426,013	\$12,534	\$194,076	\$6,115
Gain on disposal of investments		3,455	102	-	-
Gain on long-term equity investments	2, 6	20,645,091	607,387	29,689,400	935,394
Other operating income		-	-	71,070	2,239
Subtotal		21,074,559	620,023	29,954,546	943,748
Operating costs					
Interest expenses	2	(825,612)	(24,290)	(723,072)	(22,781)
Provision for securities trading losses reserve		(71,070)	(2,091)	-	-
Loss on disposal of investments		-	-	(41,783)	(1,317)
Subtotal		(896,682)	(26,381)	(764,855)	(24,098)
Operating gross profit					
Operating expenses					
Administrative and general expenses		(366,604)	(10,786)	(382,621)	(12,055)
Operating income					
Non-operating revenues					
Gain on foreign exchange		667,733	19,645	956,637	30,140
Miscellaneous income		69,790	2,053	121,846	3,839
Subtotal		737,523	21,698	1,078,483	33,979
Income from continuing operations before income taxes					
Income taxes	2, 13	39,967	1,176	(58,398)	(1,840)
Net income					
Earnings per share(expressed in dollars)					
Primary earnings per share:					
Income from continuing operations before income taxes		\$2.69	\$0.08	\$3.71	\$0.12
Net income		\$2.69	\$0.08	\$3.70	\$0.12
Fully-diluted earnings per share:					
Income from continuing operations before income taxes		\$2.65	\$0.08	\$3.60	\$0.11
Net income		\$2.63	\$0.08	\$3.57	\$0.11
Pro-forma as if subsidiaries' investment in the Company were not treated as treasury stock:					
Income from continuing operations before income taxes		\$21,873,053	\$643,514	\$30,041,879	\$946,499
Net income		\$21,913,019	\$644,690	\$29,983,481	\$944,659
Earnings per share(expressed in dollars)					
Primary earnings per share:					
Income from continuing operations before income taxes		\$2.78	\$0.08	\$3.72	\$0.12
Net income		\$2.79	\$0.08	\$3.71	\$0.12
Fully-diluted earnings per share:					
Income from continuing operations before income taxes		\$2.74	\$0.08	\$3.61	\$0.11
Net income		\$2.72	\$0.08	\$3.58	\$0.11

(The exchange rates provided by the Federal Reserve Bank of New York on December 31, 2003 and 2004 were NT\$33.99 and NT\$31.74 to US\$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.
Statements of changes in stockholders' equity
For the years ended December 31, 2003 and 2004
(Expressed in thousands of dollars)

Summary	Retained earnings										Equity adjustments						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		Treasury sock		Total	
	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	\$2,486,956	\$56,807,974	\$1,671,314	\$13,713	\$404	\$-	\$-	\$13,085,153	\$384,971	\$(1,032,426)	\$(30,374)	\$199,570	\$5,871	\$-	\$-	\$(42,706,265)	\$(1,256,436)	\$110,899,350	\$3,262,706
Disposal of property and equipment retransfer to unappropriated retained earnings			(185,853)	(5,468)					185,853	5,468									-	-
Appropriations and distributions for 2002																				
Legal reserve					1,321,332	38,874			(1,321,332)	(38,874)									-	-
Special reserve							1,833,255	53,935	(1,833,255)	(53,935)									-	-
Cash dividends			(1,649,407)	(48,526)					(10,053,091)	(295,766)									(11,702,498)	(344,292)
Remuneration paid to directors and supervisors			(761)	(22)					(4,639)	(137)									(5,400)	(159)
Bonus paid to employees			(165)	(5)					(1,006)	(30)									(1,171)	(35)
Retired treasury stock	(1,456,740)	(42,858)	(978,976)	(28,802)					(3,687,982)	(108,502)							6,123,698	180,162	-	-
Cash dividends to subsidiaries			549,329	16,162															549,329	16,162
Capital surplus			(772,940)	(22,740)															(772,940)	(22,740)
Cumulative conversion adjustments													(23,033)	(677)					(23,033)	(677)
Unrealized valuation losses on long-term equity investments											896,224	26,367							896,224	26,367
Disposal of treasury stock			(558,274)	(16,425)													4,221,829	124,208	3,663,555	107,783
Treasury stock			440,119	12,948					(41,770)	(1,229)							17,321,223	509,597	17,719,572	521,316
Net income for the year ended December 31, 2003									20,588,763	605,730									20,588,763	605,730
Net loss not yet recognized as net pension cost															(1,971)	(58)			(1,971)	(58)
Rounding					1	-											(1)		-	-
Balance on December 31, 2003	83,074,891	2,617,356	53,651,046	1,690,329	1,335,046	42,062	1,833,255	57,759	16,916,694	532,977	(136,202)	(4,291)	176,537	5,562	(1,971)	(62)	(15,039,516)	(473,835)	141,809,780	4,467,857
Appropriations and distributions for 2003																				
Legal reserve					1,691,669	53,298			(1,691,669)	(53,298)									-	-
Special reserve							(1,710,602)	(53,895)	1,710,602	53,895									-	-
Cash dividends									(16,105,155)	(507,409)									(16,105,155)	(507,409)
Remuneration paid to directors and supervisors									(5,700)	(179)									(5,700)	(179)
Bonus paid to employees									(1,611)	(51)									(1,611)	(51)
Convertible notes converted into common stock	92,239	2,906	422,591	13,314															514,830	16,220
Cash dividends to subsidiaries			22,194	699															22,194	699
Capital surplus			10,124	319															10,124	319
Cumulative conversion adjustments													(272,542)	(8,587)					(272,542)	(8,587)
Unrealized valuation losses on long-term equity investments											25,767	812							25,767	812
Disposal of treasury stock			4,737,927	149,273													11,450,763	360,768	16,188,690	510,041
Treasury stock			114,815	3,618					(9,319)	(294)							3,233,798	101,884	3,339,294	105,208
Net income for the year ended December 31, 2004									29,827,155	939,734									29,827,155	939,734
Net loss not yet recognized as net pension cost															(3,589)	(113)			(3,589)	(113)
Balance on December 31, 2004	\$83,167,130	\$2,620,262	\$58,958,697	\$1,857,552	\$3,026,715	\$95,360	\$122,653	\$3,864	\$30,640,997	\$965,375	\$(110,435)	\$(3,479)	\$(96,005)	\$(3,025)	\$(5,560)	\$(175)	\$(354,955)	\$(11,183)	\$175,349,237	\$5,524,551

(The exchange rates provided by the Federal Reserve Bank of New York on December 31, 2003 and 2004 were NT\$33.99 and NT\$31.74 to US\$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.
Statements of cash flows
For the years ended December 31, 2003 and 2004
(Expressed in thousands of dollars)

	2003		2004	
	NT \$	US \$	NT \$	US \$
Cash flows from operating activities				
Net income	\$20,588,763	\$605,730	\$29,827,155	\$939,734
Adjustments:				
Amortizations	145,366	4,276	146,688	4,622
Depreciation	855	25	1,055	33
Provision loss on short-term investments	71,070	2,091	-	-
Investment income recognized by equity method excess of cash dividends received	(15,066,074)	(443,250)	(13,212,631)	(416,277)
Increase in bonds payable redemption premium	825,611	24,290	716,399	22,571
Effects of exchange rate changes	39,267	1,155	571,275	17,999
(Increase) decrease in short-term investments	(1,768,236)	(52,022)	2,147,421	67,657
(Increase) decrease in tax refund receivable	(631,947)	(18,592)	42,621	1,343
Decrease in interest receivable	1,464	43	42,449	1,337
Decrease (increase) in other accounts receivable	49,972	1,470	(526,142)	(16,577)
Decrease in prepayments	6	-	-	-
Increase in deferred income tax assets-current	(17,767)	(523)	(127,862)	(4,028)
(Increase) decrease in deferred income tax assets-noncurrent	(30,495)	(897)	171,822	5,413
Decrease in temporary payments and suspense accounts	461	13	166	5
Increase (decrease) in collections for others	391	12	(135)	(4)
(Decrease) increase in accrued expenses	(367,986)	(10,826)	16,918	533
Increase in income tax payable	-	-	145,714	4,591
Increase in dividends payable	514	15	840	26
Increase in other accounts payable	695,999	20,477	291,901	9,197
Increase accrued pension liabilities	1,169	34	872	27
(Decrease) increase in temporary receipts and suspense accounts	(14)	-	14	-
Increase in deferred income tax liabilities-noncurrent	-	-	49,794	1,569
Net cash provided by operating activities	4,538,389	133,521	20,306,334	639,771
Cash flows from investing activities				
Acquisition of long-term investments in stocks	(775,000)	(22,801)	(4,116,560)	(129,696)
Acquisition of property and equipment	(3,224)	(95)	(1,207)	(38)
Decrease in deferred charges	18,103	533	18,267	576
Net cash used in investing activities	(760,121)	(22,363)	(4,099,500)	(129,158)
Cash flows from financing activities				
Decrease in bonds payable	(707,000)	(20,800)	(1,562,099)	(49,216)
Remuneration paid to directors and supervisors	(5,400)	(159)	(5,700)	(179)
Bonus paid to employees	(1,171)	(35)	(1,611)	(51)
Cash dividends	(11,702,498)	(344,292)	(16,105,155)	(507,409)
Disposal of treasury stock	3,663,555	107,783	16,188,690	510,041
Net cash used in financing activities	(8,752,514)	(257,503)	(1,485,875)	(46,814)
Effects of exchange rate changes	(39,267)	(1,155)	(571,275)	(17,999)
(Decrease) increase in cash and cash equivalents	(5,013,513)	(147,500)	14,149,684	445,800
Cash and cash equivalents at the beginning of year	11,336,312	333,519	6,322,799	199,206
Cash and cash equivalents at the end of year	\$6,322,799	\$186,019	\$20,472,483	\$645,006
Supplemental disclosure of cash flows information				
Interest paid during the period	\$-	\$-	\$971	\$31
Interest paid (excluding capitalized interest)	\$-	\$-	\$971	\$31
Income tax paid	\$640,244	\$18,836	\$5,054	\$159
Investing and financing activities with no cash flow effects				
Conversion of convertible notes into common stock	\$-	\$-	\$514,830	\$16,220

(The exchange rates provided by the Federal Reserve Bank of New York on December 31, 2003 and 2004 were NT\$33.99 and NT\$31.74 to US\$1.00)

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

English Translation of Financial Statements Originally issued in Chinese

Cathay Financial Holding Co., Ltd.

Notes to financial statements

(Expressed in thousands of dollars except

for share and per share data and unless otherwise stated)

As of December 31, 2003 and 2004

The reader is advised that these financial statements have been prepared originally in Chinese. These financial statements do not include additional disclosure information that is required for Chinese-language reports under the Guidelines Governing the Preparation of Financial Reports by Financial Holding Companies, Financial. If there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese language financial statements shall prevail.

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 May 12, 2004 the Company build-in a wholly owned subsidiaries of Cathay Securities Corporation (“Cathay Securities”). On July 29, 2003 and November 9, 2004, the Company listed a portion of its common shares on the Luxembourg Stock Exchange in the form of Global Depository Shares (GDSs). The Company mainly engages in financial holding business activities.

As of December 31, 2003 and 2004, the total numbers of employees were 40 and 59, 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:

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(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.

(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.

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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 extends more than one year. Deferred charges are amortized over the economic useful life by the straight-line method.

(7) Convertible notes

The excess of the redemption price over the par value of a convertible notes are 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 notes 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.

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.

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(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.

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.

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(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.

(14) Convenience conversion US dollars

The financial statements are stated in NT dollars. Conversion of the December 31, 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\$33.99 and NT\$31.74 to US\$1.00 on December 31, 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.

3. Accounting changes: None

4. Cash and cash equivalents

	December 31,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Petty cash	\$40	\$1	\$60	\$2
Cash in banks	746,698	21,968	15,707,437	494,878
Time deposits	3,031,635	89,192	2,673,595	84,234
Cash equivalents	2,544,426	74,858	2,091,391	65,892
Total	<u>\$6,322,799</u>	<u>\$186,019</u>	<u>\$20,472,483</u>	<u>\$645,006</u>

5. Short-term investments

	December 31,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Government bonds	\$217,506	\$6,399	\$-	\$-
Oversea investments	2,000,985	58,870	-	-
Less: Allowance for valuation loss	(71,070)	(2,091)	-	-
Total	<u>\$2,147,421</u>	<u>\$63,178</u>	<u>\$-</u>	<u>\$-</u>

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

6. Long-term investments in stocks

Name of investee	December 31,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Under the equity method:				
Cathay Life	\$86,233,341	\$2,537,021	\$90,571,820	\$2,853,555
Cathay United Bank (merged)	68,153,847	2,005,115	80,149,348	2,525,184
Cathay Century	2,896,883	85,227	2,966,117	93,450
Cathay Securities	-	-	3,458,434	108,961
Cathay Pacific Venture Capital Co., Ltd.	592,879	17,443	583,715	18,391
Cathay Venture Capital Co., Ltd.	73,752	2,170	69,538	2,191
Cathay II Venture Capital Co., Ltd.	-	-	586,314	18,472
Cathay Capital Management Inc.	-	-	19,445	613
Subtotal	<u>157,950,702</u>	<u>4,646,976</u>	<u>178,404,731</u>	<u>5,620,817</u>
Under the cost method:				
Debt Instrument Depository and Clearing				
Co., Ltd. Taiwan	<u>100,000</u>	<u>2,942</u>	<u>100,000</u>	<u>3,151</u>
Total	<u>\$158,050,702</u>	<u>\$4,649,918</u>	<u>\$178,504,731</u>	<u>\$5,623,968</u>

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

	For the years ended December 31,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Balance on January 1	\$123,840,475	\$3,643,439	\$157,950,702	\$4,976,393
Add: Investment gains under equity method recognized	20,645,091	607,387	29,689,400	935,394
Add: Increment of investment	675,000	19,859	4,116,560	129,696
Add: Cash dividends to subsidiaries	549,329	16,162	22,194	699
Add: Disposal of the Company stocks that the subsidiaries held as investments were treated as treasury stocks	17,724,647	521,466	3,339,295	105,208
Add: Unappropriated retained earnings under equity method recognized	57,683	1,697	-	-

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Add: Unrealized valuation loss on long-term equity investments under equity method recognized	896,224	26,367	25,767	812
(Less) Add: Capital surplus under equity method recognized	(830,622)	(24,437)	10,124	319
Less: Cumulative conversion adjustments under equity method recognized	(23,033)	(678)	(272,542)	(8,587)
Less: The Company stocks that the subsidiaries held as investments were treated as treasury stocks	(5,075)	(149)	-	-
Less: Cash dividends received	<u>(5,579,017)</u>	<u>(164,137)</u>	<u>(16,476,769)</u>	<u>(519,117)</u>
Balance on December 31	<u>\$157,950,702</u>	<u>\$4,646,976</u>	<u>\$178,404,731</u>	<u>\$5,620,817</u>

(2) The investment gains (losses) recognized by the equity method for the years ended December 31, 2003 and 2004 are listed below:

Name of Investee	For the years ended December 31,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Cathay Life	\$16,676,188	\$490,621	\$15,386,051	\$484,753
Cathay United Bank (merged)	3,518,271	103,509	13,767,747	433,766
Cathay United Bank (formerly)	(73,106)	(2,151)	-	-
Cathay Century	532,513	15,667	587,903	18,522
Cathay Securities	-	-	(41,566)	(1,309)
Cathay Pacific Venture Capital Co., Ltd.	(7,121)	(210)	(8,372)	(264)
Cathay Venture Capital Co., Ltd.	(1,654)	(49)	(3,744)	(118)
Cathay II Venture Capital Co., Ltd.	-	-	(7,904)	(249)
Cathay Capital Management Inc.	-	-	9,285	293
Total	<u>\$20,645,091</u>	<u>\$607,387</u>	<u>\$29,689,400</u>	<u>\$935,394</u>

A. The investment gains/losses of the subsidiaries were determined based on the audited financial statements of the investees for the same period as the Company.

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- B. We did not audit the financial statements of Cathay Pacific Venture Capital Co., Ltd. for the year ended December 31, 2004. Cathay Pacific Venture Capital Co., Ltd. was audited by other auditors with unqualified opinion. In accordance with other auditors' report of its investee, it recognized its gains/losses on investments in accordance with the statements audited by other auditors.
- C. Joined with its subsidiaries, the Company had significant influence on Cathay Venture Capital Co., Ltd. Thus, the investment gains/losses of Cathay Venture Capital Co., Ltd. for the year ended December 31, 2004 were recognized by the equity method based on the audited financial statements in the same period.
- D. 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).
- E. The consolidated financial statements of the Company as of and for the year ended December 31, 2003 include the Company and its subsidiaries, which include Cathay Life, Cathay Century, Cathay United Bank (merged). As of and for the year ended December 31, 2004, the consolidated financial statements include the Company, Cathay Life, Cathay United Bank (merged), Cathay Century and Cathay Securities. The consolidated financial statements of the Company as of and for the year ended December 31, 2004 excluded Cathay Pacific Venture Capital Co., Ltd., Cathay 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 and operating revenues of the Company.
- (3) As of December 31, 2003 and 2004, the Company didn't provide collateral or guarantee on long-term investments.

7. Bonds payable

	December 31,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Zero coupon convertible notes	\$23,793,000	\$700,000	\$21,759,548	\$685,556
Redemption premium payable	1,342,091	39,485	2,015,012	63,485
Total	<u>\$25,135,091</u>	<u>\$739,485</u>	<u>\$23,774,560</u>	<u>\$749,041</u>

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

8. Common stock

As of December 31, 2003 and 2004, the numbers of issued shares, par value of NT10 dollars (US0.3 dollars), per share, were 8,307,489 thousand shares and 8,316,713 thousand shares, respectively.

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 and November 9, 2004, the Company listed a portion of its common shares on the Luxembourg Stock Exchange in the form of Global Depositary Shares (GDSs).

9. Capital surplus

- (1) The capital surplus of the Company consists of premium of stock conversion from consolidation, equity method adjustments from investee companies, and transactions of treasury stocks. Capital surplus was NT\$53,651,046 (US\$1,578,436) and NT\$58,958,697 (US\$1,857,552) as of December 31, 2003 and 2004. Before conversion into a financial holding company, NT\$267,215 (US\$8,419) 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.

10. 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.

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\$648,669) in 2003, amounts from special reserve which were converted into undistributed retained earnings totaling NT\$887,442 (US\$27,960) and the disposition of fixed assets from subsidiaries which amounted to NT\$57,683 (US\$1,817), 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\$384,971), its subsidiaries' capital surplus belongs to unappropriated retained earnings before stock conversion of NT\$1,917,548 (US\$56,415) and its disposal of fixed assets retransfer as unappropriated retained earnings of NT\$128,170 (US\$3,771). 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.

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- D. Cathay Life originally held 156,927 thousand 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 December 31, 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 ROC 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.
- 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.

- I. In 2004, pursuant to SFC, the information regarding the appropriation of employees, directors and supervisors, and estimate earnings per share will be available on the website of "Market Observation Post System" immediately after the meeting of directors.

In accordance with SFC regulations, the Company should assume that the dividends of year 2003 would be appropriated to the employees, directors and supervisors, and pro forma earnings per share for the current year.

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Name of Investee	For the year ended December 31,	
	2003(NT\$)	2003(US\$)
a. Distributions		
Bonus paid to employees-cash	\$1,611	\$47
Bonus paid to employees-stock	-	-
Remuneration paid to directors and supervisors	5,700	168
b. After income taxes earnings per share:		
(expressed in dollars)	\$2.69	\$0.08
Pro forma earnings per share:		
(expressed in dollars)	\$2.69	\$0.08

$$\text{Pro forma earnings per share} = \frac{\text{Net income-Bonus paid to employees-Remuneration paid to directors and supervisors}}{\text{Weighted average outstanding number of shares}}$$

11. Treasury stock

(1) The following is a summary of the movement of treasury stock for the year ended December 31, 2004.

(Unit: in thousands of shares)

Reason for acquisition	January 1, 2004			December 31, 2004	Book value		Per share	Per share	Per share	Per share
	Increase	Decrease			(in NT\$)	(in US\$)	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	-	\$-	\$-	\$-	\$-	\$-	\$-
The Company that the subsidiaries held were treated										
as treasury stock	11,705	-	4,808	6,897	354,955	11,183	51.47	1.62	63.00	1.98
Subsidiaries' stocks held by the Company after conversion which are treated as										
treasury stock	254,911	-	254,911	-	-	-	-	-	-	-
Total	318,167	-	311,270	6,897	\$354,955	\$11,183				

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

(Unit: in thousands of shares)

Name	Holding share	Amount	Amount	Cause	About retained	Legal time	Pro forma way
		(NT\$)	(US\$)		earnings limit	limit	determined by the board of directors
Cathay United Bank (merged)	3,500	\$210,810	\$6,642	Holding other subsidiaries stock by conversion	None	Within three years	None
Cathay Century	3,397	214,007	6,742	"	None	Within three years	None
Total	6,897	\$424,817	\$13,384				

12. Personnel, depreciation, depletion and amortizations

Item	For the year ended December 31,2003 (NT\$)			For the year ended December 31,2004 (NT\$)		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salary and wages	\$-	\$58,760	\$58,760	\$-	\$77,383	\$77,383
Labor & health insurance expenses	-	2,051	2,051	-	3,008	3,008
Pension expenses	-	1,169	1,169	-	3,687	3,687
Other expenses	-	44,599	44,599	-	46,525	46,525
Depreciation	-	855	855	-	1,055	1,055
Depletion	-	-	-	-	-	-
Amortizations	-	145,367	145,367	-	146,688	146,688

Item	For the year ended December 31,2003 (US\$)			For the year ended December 31,2004 (US\$)		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salary and wages	\$-	\$1,729	\$1,729	\$-	\$2,438	\$2,438
Labor & health insurance expenses	-	60	60	-	95	95
Pension expenses	-	34	34	-	116	116
Other expenses	-	1,312	1,312	-	1,466	1,466
Depreciation	-	25	25	-	33	33
Depletion	-	-	-	-	-	-
Amortizations	-	4,277	4,277	-	4,622	4,622

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13. Estimated income taxes

(1) Income tax expenses for the years ended December 31, 2003 and 2004 are estimated as follows:

	For the years ended December 31,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Income before income taxes	\$20,548,796	\$604,554	\$29,885,553	\$941,574
Adjustments:				
Interest income of tax on a separate basis	(63,344)	(1,864)	(19,636)	(619)
Investment gains recognized by equity method	(20,645,091)	(607,387)	(29,689,400)	(935,394)
Unrealized bonds payable redemption premium	825,612	24,290	716,399	22,571
Realized exchange gain	-	-	687,352	21,656
Unrealized exchange gain	(687,352)	(20,222)	(1,652,397)	(52,060)
Unrealized loss (gain) on market price loss (recovery) of short-term investment	71,070	2,091	(71,070)	(2,239)
Others	(16,075)	(473)	(15,067)	(475)
Taxable income	33,616	989	(158,266)	(4,986)
Times: Taxes rate	25%-10	25%	25%-10	25%
Subtotal	8,394	247	(39,576)	(1,247)
Add: Extra 10% income tax on undistributed retained earnings	-	-	-	-
Add: Tax on a separate basis	13,430	395	3,927	124
Deferred income tax (benefit) expense	(48,263)	(1,420)	93,755	2,954
Dissimilitude on estimate tax after time	(13,528)	(398)	292	9
Income taxes (benefit) expense	<u>\$(39,967)</u>	<u>\$(1,176)</u>	<u>\$58,398</u>	<u>\$1,840</u>

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

	For the years ended December 31,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
A. Total deferred income tax liabilities	\$171,838	\$5,056	\$558,728	\$17,603
B. Total deferred income tax assets	\$365,496	\$10,753	\$658,632	\$20,751
C. Temporary differences from resulting deferred tax assets or liabilities:				
a. Deductible temporary difference from unrealized redemption premium payable of bonds	\$1,342,091	\$39,485	\$2,015,012	\$63,485
b. Deductible temporary difference from organization costs amortization into 5 years	48,827	1,436	32,551	1,025
c. Deductible temporary difference from unrealized loss on market price loss of short-term investments	71,070	2,091	-	-
d. Deductible temporary difference from pension expenses	-	-	4,449	140
e. Deductible temporary difference from unrealized loss on foreign exchange	-	-	582,515	18,353
f. Taxable temporary difference from unrealized gain on foreign exchange	(687,352)	(20,222)	(2,234,913)	(70,413)
Subtotal	\$774,636	\$22,790	\$399,614	\$12,590
D. Deferred income tax assets-current	\$21,836	\$642	\$149,698	\$4,717
Deferred income tax liabilities- current	-	-	-	-
Net offset balance of deferred income tax assets (liabilities)-current	\$21,836	\$642	\$149,698	\$4,717
E. Deferred income tax assets-noncurrent	\$343,660	\$10,111	\$508,934	\$16,034
Deferred income tax liabilities-noncurrent	(171,838)	(5,056)	(558,728)	(17,603)
Net offset balance of deferred income tax assets (liabilities) - noncurrent	\$171,822	\$5,055	\$(49,794)	\$(1,569)

(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 that have twelve months of operations in a taxable year.

(5) Information related tax imputation:

	December 31,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Balance of imputation credit account	\$1,435,439	\$42,231	\$362,239	\$11,413
	For the year ended December 31,2003 (Actual)		For the year ended December 31,2004 (Estimate)	
Imputation credit account ratio	19.17%		1.66%	

(6) Information relating of undistributed earnings:

Year	For the years ended December 31,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Prior to 1997	\$267,215	\$7,862	\$267,215	\$8,419
After 1998	16,916,694	497,696	30,640,997	965,375
Total	\$17,183,909	\$505,558	\$30,908,212	\$973,794

The undistributed earnings prior to 1997 which derived from the undistributed retained earnings of the subsidiaries were included in the Company's capital surplus and were allowed to be distributed as cash dividends by the regulations.

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14. Earnings per share

For the year ended December 31, 2003									
	Amount (Numerator)				Shares (in thousands of shares) (denominator)	EPS			
	Before income taxes		After income taxes			Before income tax		After income tax	
	EPS (in dollars)		EPS (in dollars)			EPS (in dollars)		EPS (in dollars)	
	NT\$	US\$	NT\$	US\$		NT\$	US\$	NT\$	US\$
Net income	<u>\$20,548,796</u>	<u>\$604,554</u>	<u>\$20,588,763</u>	<u>\$605,730</u>					
Primary earnings per share									
Net income for common stock holder	\$20,548,796	\$604,554	\$20,588,763	\$605,730	7,642,463	<u>\$2.69</u>	<u>\$0.08</u>	<u>\$2.69</u>	<u>\$0.08</u>
Effect of potentially dilutive common stock									
Convertible bonds payable	<u>825,612</u>	<u>24,290</u>	<u>619,209</u>	<u>18,217</u>	<u>431,864</u>				
Fully-diluted earnings per share									
Net income for common stock holder & effect of potentially diluted common stock	<u>\$21,374,408</u>	<u>\$628,844</u>	<u>\$21,207,972</u>	<u>\$623,947</u>	<u>8,074,327</u>	<u>\$2.65</u>	<u>\$0.08</u>	<u>\$2.63</u>	<u>\$0.08</u>

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For the year ended December 31, 2004									
	Amount (Numerator)				Shares (in thousands of shares) (denominator)	EPS			
	Before income taxes		After income taxes			Before income tax EPS (in dollars)		After income tax EPS (in dollars)	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	
	Net income	<u>\$29,885,553</u>	<u>\$941,574</u>	<u>\$29,827,155</u>	<u>\$939,734</u>				
Primary earnings per share									
Net income for common stock holder	\$29,885,553	\$941,574	\$29,827,155	\$939,734	8,064,662	<u>\$3.71</u>	<u>\$0.12</u>	<u>\$3.70</u>	<u>\$0.12</u>
Effect of potentially dilutive common stock									
Convertible bonds payable	<u>716,398</u>	<u>22,571</u>	<u>537,299</u>	<u>16,928</u>	<u>446,119</u>				
Fully-diluted earnings per share									
Net income for common stock holder & effect of potentially common stock	<u>\$30,601,951</u>	<u>\$964,145</u>	<u>\$30,364,454</u>	<u>\$956,662</u>	<u>8,510,781</u>	<u>\$3.60</u>	<u>\$0.11</u>	<u>\$3.57</u>	<u>\$0.11</u>

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

(In thousands of shares)	For the years end December 31,	
	2003	2004
Shares at the beginning of year	8,453,163	8,307,489
Less: Treasury stock	(313,375)	(222,873)
The Company that the subsidiaries held were treated as treasury stock	(351,651)	(20,852)
Retired treasury stock	(145,674)	-
Add: Convertible notes conversion	-	898
Total	<u>7,642,463</u>	<u>8,064,662</u>

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

	For the years ended December 31,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Income before income taxes	\$21,873,053	\$643,514	\$30,041,879	\$946,499
Net income after income taxes	\$21,913,019	\$644,690	\$29,983,481	\$944,659
Before income taxes primary earnings per share (expressed in dollars)	\$2.78	\$0.08	\$3.72	\$0.12
After income taxes primary earnings per share (expressed in dollars)	\$2.79	\$0.08	\$3.71	\$0.12
Before income taxes fully – diluted earnings per share (expressed in dollars)	\$2.74	\$0.08	\$3.61	\$0.11
After income taxes fully – diluted earnings per shares (expressed in dollars)	\$2.72	\$0.08	\$3.58	\$0.11

15. 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	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
Cathay Life Insurance 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 the Company's chairman
Wan Pao Development Co., Ltd.	Their chairman is an immediate family member of the Company's chairman
Lin Yuan Investment Co., Ltd.	Their chairman is an 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 Co., Ltd.	Investee company of Cathay United Bank (merged)
Gemfor Tech Co., Ltd.	Their Chairman of the board is the president of Cathay United Bank (merged) (resigned on April, 2004)
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
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 January 19, 2004)

(2) *Significant transactions with related parties:*

A. Cash in bank

For the year ended December 31, 2003					
Name	Item	Maximum amount (NT\$)	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$3,613,802	\$919,309	0.90%-1.05%	\$22,411
(merged)	Cash in bank	5,553,130	746,672	0.25%-0.50%	246
			<u>\$1,665,981</u>		
For the year ended December 31, 2003					
Name	Item	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$106,320	\$27,047	0.90%-1.05%	\$659
(merged)	Cash in bank	163,375	21,967	0.25%-0.50%	7
			<u>\$49,014</u>		

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		For the year ended December 31, 2004			
Name	Item	Maximum amount (NT\$)	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$1,289,648	\$41,462	1.00%	\$5,824
(merged)	Cash in bank	3,412,484	5,767	0.10%	524
			<u>\$47,229</u>		

		For the year ended December 31, 2004			
Name	Item	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$40,632	\$1,306	1.00%	\$183
(merged)	Cash in bank	107,514	182	0.10%	17
			<u>\$1,488</u>		

B. Interest receivable

Name	December 31,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Cathay United Bank				
(merged)	<u>\$6</u>	<u>\$-</u>	<u>\$50</u>	<u>\$2</u>

C. Other accounts receivable

Name	December 31,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Cathay Life	\$25,283	\$744	\$-	\$-
Cathay United Bank				
(merged)	-	-	508,186	16,011
Cathay Century	33,169	976	76,408	2,407
Total	<u>\$58,452</u>	<u>\$1,720</u>	<u>\$584,594</u>	<u>\$18,418</u>

D. Other accounts payable

Name	December 31,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Cathay Life	\$-	\$-	\$409,990	\$12,917
Cathay United Bank				
(merged)	695,999	20,477	571,606	18,009
Cathay Pacific Venture				
Capital Co., Ltd.	-	-	5,906	186
Total	<u>\$695,999</u>	<u>\$20,477</u>	<u>\$987,502</u>	<u>\$31,112</u>

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E. Rental expense

Name	For the years ended December 31,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Cathay Life	\$8,207	\$241	\$8,207	\$258
Symphox Information Co., Ltd.	-	-	56	2
Total	\$8,207	\$241	\$8,263	\$260

F. Insurance expense

Name	For the years ended December 31,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Cathay Life	\$-	\$-	\$511	\$16
Cathay Century	169	5	128	4
Total	\$169	\$5	\$639	\$20

G. Repair expense

Name	For the years ended December 31,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Lin Yuan Property Management Co., Ltd.	\$-	\$-	\$235	\$7

H. Property transactions

Name	For the years ended December 31,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Lin Yuan Property Management Co., Ltd.	\$-	\$-	\$152	\$5

I. Transportation expense

Name	For the years ended December 31,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Seaward Leasing Ltd.	\$-	\$-	\$204	\$6

J. Benefits expense

Name	For the years ended December 31,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Symphox Information Co., Ltd.	\$-	\$-	\$167	\$5

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K. Other expense

Name	For the years ended December 31,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
Cathay United Bank (merged)	\$-	\$-	\$358	\$11
Seaward Card Co., Ltd.	-	-	853	27
Total	\$-	\$-	\$1,211	\$38

16. Pledged assets: None.

17. Other important matters and contingent liabilities: None.

18. Serious damages: None.

19. Subsequent events: None.

20. Other important events

(1) Pension related information

According to the ROC SFAS No.18 “Accounting for Pensions”, the actuarial report disclosure of pension information for the years ended December 31, 2003 and 2004 was as follows:

A. Pension fund status

	December 31,			
	2003(NT\$)	2003(US\$)	2004(NT\$)	2004(US\$)
a. Vested benefit obligation	\$(1,698)	\$(50)	\$(3,668)	\$(116)
b. Non-vested benefit obligation	(1,878)	(55)	(4,785)	(151)
c. Accumulated benefit obligation	(3,576)	(105)	(8,453)	(267)
d. Additions benefits based on future salaries	(1,636)	(48)	(4,548)	(143)
e. Projected benefit obligation	(5,212)	(153)	(13,001)	(410)
f. Fair value of plan assets	-	-	416	13
g. Vested benefit	3,152	93	9,173	289
h. Funded status=e+f	(5,212)	(153)	(12,585)	(397)
i. Unrecognized transitional net benefit obligation (net assets)	-	-	-	-
j. Unrecognized prior service cost	-	-	-	-
k. Unrecognized pension gain and loss	3,607	106	10,108	319
l. Additional accrued pension liability	(1,971)	(58)	(5,560)	(175)
m. (Accrued pension liability)/prepaid pension cost=h+i+j+k+l	\$(3,576)	\$(105)	\$(8,037)	\$(253)

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B. Actuarial Assumptions

	For the years ended December 31,	
	2003	2004
a. Discount rate	3.5%	3.0%
b. Expected rate of increase in salaries	3.0%	3.0%
c. Expected long-term rate of return on plan assets	3.5%	3.0%

(2) Financial instruments related information

A. Derivative financial instruments related information:

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 December 31, 2004, the maturity dates of IRS ranged from May 20, 2002 to May 20, 2007.

As of December 31, 2003:

<u>Counterpart</u>	<u>Effective</u>	<u>Contract amount</u>	<u>Contract value</u>
Goldman Sachs International	2002.5.20	<u>USD 700,000</u>	<u>USD 700,000</u>

As of December 31, 2004:

<u>Counterpart</u>	<u>Effective</u>	<u>Contract amount</u>	<u>Contract value</u>
Goldman Sachs International	2002.5.20	<u>USD 700,000</u>	<u>USD 700,000</u>

e. Foreign currency options

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

As of December 31, 2003:

<u>Counterpart</u>	<u>Effective date</u>	<u>Put date</u>	<u>Contract amount</u>	<u>Contract value</u>
Goldman Sachs International	2002.5.20	2005.5.20; 2007.5.20	<u>USD 594,000</u>	<u>USD 594,000</u>

Up to December 31, 2004, the option contracts mentioned above of the Company have been terminated.

B. Non-derivative financial instruments related information

<u>Item</u>	<u>December 31, 2003</u>			
	<u>NT\$</u>		<u>US\$</u>	
<u>Assets</u>	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
Cash and cash equivalents	\$6,322,799	\$6,322,799	\$186,019	\$186,019
Short-term investments	2,147,421	2,147,421	63,178	63,178
Other receivable	58,452	58,452	1,720	1,720
Long-term investments in stocks	158,050,702	158,050,702	4,649,918	4,649,918
Deferred charges	231,582	231,582	6,813	6,813

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Liabilities				
Other payable	\$695,999	\$695,999	\$20,477	\$20,477
Bonds payable	25,135,091	25,135,091	739,485	739,485

December 31, 2004				
	NT\$		US\$	
	Carrying		Carrying	
	amount	Fair value	amount	Fair value
Assets				
Cash and cash equivalents	\$20,472,483	\$20,472,483	\$645,006	\$645,006
Other receivable	584,594	584,594	18,418	18,418
Long-term investment in stocks	178,504,731	178,504,731	5,623,968	5,623,968
Deferred charges	66,627	66,627	2,099	2,099
Liabilities				
Other payable	987,900	987,900	31,125	31,125
Bonds payable	23,774,560	23,774,560	749,041	749,041

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.
- 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.

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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).

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.

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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 US 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 US 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.

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.

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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.

Status quo:

Up to December 31, 2004, the Company has converted US\$ 14,444 convertible notes at conversion price of NT\$ 54.15 (US\$1.71) per share, into 9,224 thousand common stocks. The redemption premiums payable and additional paid-in capital of this conversion amounted to NT\$ 422,591 (US\$13,314), and are recognized as capital surplus.

(4) Capital adequacy ratio on a consolidated basis

As of December 31, 2003 and 2004 the consolidated capital adequacy ratios were 120.71% and 153.89%, respectively.

(5) Material contract: None.

(6) Presentation of financial statements:

Certain accounts in the financial statements for the year ended December 31, 2003 have been reclassified in order to be comparable with those in the financial statements for the year ended December 31, 2004.

21. Information for investment in Mainland China:

On December 25, 2002 and July 24, 2003, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized Cathay Life to remit US\$22,850 and US\$27,150, respectively, as the registered capital to establish a China-based company called Cathay Life Insurance Co., Ltd. (Guangzhou) to engage in the life insurance business. On September 25, 2003, MOEAIC approved Cathay Life Insurance Co., Ltd. (Guangzhou) to change its location from Guangzhou to Shanghai. Cathay Life Insurance Ltd. (Shanghai) has acquired business license of an enterprise as legal person on December 29, 2004. As of December 31, 2004, Cathay Life's remittances to this new company totaled approximately US\$48,330.

22. Segment information: None.

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

(1) Concise balance sheets:

Items/Period	Cathay Life				Cathay United Bank (merged)				Cathay Century				Cathay Securities	
	December 31, 2003		December 31, 2004		December 31, 2003		December 31, 2004		December 31, 2003		December 31, 2004		December 31, 2004	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Current assets	\$538,378,543	\$15,839,322	\$571,371,303	\$18,001,616	\$309,843,530	\$9,115,726	\$371,856,922	\$11,715,719	\$6,772,966	\$199,263	\$7,725,799	\$243,409	\$4,199,265	\$132,302
Exchange bills negotiated, discounted, and loans	478,362,995	14,073,639	450,828,752	14,203,804	511,762,416	15,056,264	585,618,279	18,450,481	761,767	22,411	788,350	24,838	-	-
Funds and long-term investments	394,179,994	11,596,940	537,449,975	16,932,892	26,841,388	789,685	37,399,221	1,178,300	2,270,550	66,801	2,579,776	81,278	18	1
Fixed assets	15,465,945	455,015	14,855,948	468,051	26,049,117	766,376	24,794,199	781,166	55,506	1,633	65,002	2,048	35,871	1,130
Other assets (including intangible assets)	28,337,778	833,709	50,215,565	1,582,091	7,930,653	233,323	4,696,134	147,956	436,349	12,838	500,402	15,766	245,152	7,723
Current liabilities	8,301,670	244,239	8,191,707	258,088	786,840,025	23,149,162	893,869,496	28,162,240	749,488	22,050	1,201,945	37,869	1,018,191	32,079
Long-term liabilities	736,217	21,660	1,431,436	45,099	-	-	-	-	8,584	253	9,209	290	-	-
Other liabilities	1,359,454,027	39,995,705	1,524,526,580	48,031,713	27,002,873	794,436	50,135,101	1,579,556	6,466,208	190,238	7,268,050	228,987	3,681	116
Capital stocks	50,686,158	1,491,208	50,686,158	1,596,917	43,182,407	1,270,445	43,182,407	1,360,504	2,317,006	68,167	2,317,006	73,000	3,500,000	110,271
Capital surplus	5,200	153	12,591	397	13,461,820	396,052	13,463,074	424,168	430	13	1,909	60	-	-
Retained earnings	38,590,027	1,135,335	39,956,516	1,258,869	11,886,259	349,699	23,830,886	750,815	754,135	22,187	861,358	27,138	(41,566)	(1,310)
Equity adjustments	(15,078)	(444)	(83,445)	(2,629)	53,720	1,580	(116,209)	(3,661)	1,287	38	(148)	(5)	-	-
Treasury stocks	(3,032,966)	(89,231)	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$1,454,725,255	\$42,798,625	\$1,624,721,543	\$51,188,454	\$882,427,104	\$25,961,374	\$1,024,364,755	\$32,273,622	\$10,297,138	\$302,946	\$11,659,329	\$367,339	\$4,480,306	\$141,156
Total liabilities	\$1,368,491,914	\$40,261,604	\$1,534,149,723	\$48,334,900	\$813,842,898	\$23,943,598	\$944,004,597	\$29,741,796	\$7,224,280	\$212,541	\$8,479,204	\$267,146	\$1,021,872	\$32,195
Total stockholders' equity	\$86,233,341	\$2,537,021	\$90,571,820	\$2,853,554	\$68,584,206	\$2,017,776	\$80,360,158	\$2,531,826	\$3,072,858	\$90,405	\$3,180,125	\$100,193	\$3,458,434	\$108,961

English Translation of Financial Statements Originally issued in Chinese

(2) Concise statements of income:

Items/Period	Cathay Life				Cathay United Bank (merged)				Cathay Century				Cathay Securities		Former Cathay United Bank	
	For the year ended Dec. 31,2003		For the year ended Dec. 31,2004		For the year ended Dec. 31,2003		For the year ended Dec. 31,2004		For the year ended Dec. 31,2003		For the year ended Dec. 31,2004		5.12.2004~12.31.2004		1.1.2003~10.26.2003	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Operating revenues	\$474,956,405	\$13,973,416	\$531,305,391	\$16,739,300	\$30,350,469	\$892,924	\$41,851,027	\$1,318,558	\$12,254,223	\$360,524	\$13,892,595	\$437,700	\$76,521	\$2,411	\$10,076,237	\$296,447
Operating costs & expenses	(457,215,568)	(13,451,474)	(515,392,739)	(16,237,956)	(27,697,691)	(814,878)	(25,322,607)	(797,814)	(11,566,764)	(340,299)	(13,083,064)	(412,195)	(125,734)	(3,961)	(9,786,111)	(287,911)
Operating income	17,740,837	521,942	15,912,652	501,344	2,652,778	78,046	16,528,420	520,744	687,459	20,225	809,531	25,505	(49,213)	(1,550)	290,126	8,536
Non-operating revenues	2,072,947	60,987	2,106,927	66,381	74,340	2,187	1,287,486	40,563	14,214	418	37,466	1,180	-	-	60,615	1,783
Non-operating expenses	(43,485)	(1,279)	(2,757,105)	(86,866)	(106,717)	(3,140)	(147,659)	(4,652)	(8,103)	(238)	(27,414)	(864)	-	-	(29,714)	(874)
Operating income before taxes	19,770,299	581,650	15,262,474	480,859	2,620,401	77,093	17,668,247	556,655	693,570	20,405	819,583	25,821	(49,213)	(1,550)	321,027	9,445
Net income	17,830,597	524,583	15,618,806	492,086	2,706,059	79,613	13,879,247	437,279	592,660	17,436	640,617	20,183	(41,566)	(1,310)	(62,795)	(1,847)
Earning per share before taxes (in dollars)	\$4.01	\$0.12	\$3.02	\$0.10	\$0.65	\$0.02	\$4.09	\$0.13	\$2.99	\$0.09	\$3.54	\$0.11	\$(0.14)	\$-	\$0.03	\$-
Earning per share (in dollars)	\$3.61	\$0.11	\$3.09	\$0.10	\$0.67	\$0.02	\$3.21	\$0.10	\$2.56	\$0.08	\$2.76	\$0.09	\$(0.12)	\$-	\$(0.01)	\$-

Annotation 1: On April 11, 2002 former 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\$59,692). According to Article 15 of the ROC Financial Institution

Merger Act, the losses on the transaction are being amortized over five years from April 2002. According to general accepted accounting principles in the ROC, the losses are recognized as current expenses on the transaction date. Therefore, the above accounting treatment results in decreased the provision for credit losses and increased the net income before tax of its subsidiary by NT\$316,092 (US\$9,300), and the net income after tax of its subsidiary increased by NT\$237,069 (US\$6,975) from January 1 to October 16, 2003.

From Jan. 1 to Oct. 26, 2003, provision for credit losses of its subsidiary decreased by NT\$316,092 (US\$9,300), the net income before tax of its subsidiary increased by NT\$316,092 (US\$9,300), and the net income after tax of its subsidiary increased by NT\$237,069 (US\$6,975).

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