

Cathay Life Insurance Co., Ltd.
Financial statements
Together with
Report of independent auditors
For the years ended December 31, 2003 and 2004

Name of the company: Cathay Life Insurance Co., Ltd.

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English Translation of Report Originally Issued in Chinese

Independent auditors' report

To: Board of Directors
Cathay Life Insurance Co., Ltd.

We have audited the accompanying balance sheet of Cathay Life Insurance Co., Ltd. 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. The Company's financial statements as of and for the year ended December 31, 2003 were audited by other auditors, dated January 20, 2004, expressed an unqualified opinion.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of China, and "Guidelines for Certified Public Accountants' Examination and Reporting on Financial Statements". 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 Cathay Life Insurance Co., Ltd. as of December 31, 2004 and the results of its operations and their cash flows for the year then ended December 31, 2004 in conformity with "Guidelines Governing the Preparation of Financial Reports by Personal Insurance Industries.", "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and generally accepted accounting principles in the Republic of China.

Diwan, Ernst & Young
Taipei, Taiwan
The Republic of China
January 21, 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 jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

Cathay Life Insurance 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	\$110,832,510	\$3,260,739	\$219,409,605	\$6,912,716
Short-term investments	2,5	394,517,196	11,606,861	308,494,073	9,719,410
Notes receivable		15,256,262	448,846	12,360,660	389,435
Notes receivable-related parties	18	34,225	1,007	-	-
Accounts receivable-related parties	18	13,476	396	79,573	2,507
Tax refund receivable	18	15,029	442	-	-
Interest receivable		10,672,933	314,002	8,778,274	276,568
Other accounts receivable		7,006,490	206,134	22,225,245	700,228
Prepayments		30,422	895	23,873	752
Subtotal		538,378,543	15,839,322	571,371,303	18,001,616
Exchange bills negotiated, discounted and loans					
Policy loans	2,6	183,721,399	5,405,160	169,330,068	5,334,911
Short-term secured loans		61,106	1,798	100,430	3,164
Medium-term secured loans		9,928,879	292,112	9,127,958	287,585
Long-term secured loans		284,651,611	8,374,569	272,270,296	8,578,144
Subtotal		478,362,995	14,073,639	450,828,752	14,203,804
Funds, long-term investments, and receivable					
Long-term investments in stocks					
Under the equity method	2,7	2,133,813	62,778	3,602,793	113,510
Under the cost method		44,369,985	1,305,383	10,639,592	335,211
Allowance for valuation loss on long-term investments in stocks		(19,419)	(571)	-	-
Long-term investments in bonds	2,8	253,211,527	7,449,589	421,757,853	13,287,897
Investments in real estate	2,9	94,484,088	2,779,761	101,449,737	3,196,274
Subtotal		394,179,994	11,596,940	537,449,975	16,932,892
Property and equipment					
Land	2,10	5,161,509	151,854	5,018,358	158,108
Buildings and construction		11,193,060	329,304	11,142,721	351,063
Communication and transportation equipment		137,010	4,031	85,457	2,693
Other equipment		4,359,036	128,245	4,467,766	140,761
Subtotal		20,850,615	613,434	20,714,302	652,625
Less: Accumulated depreciation		(5,494,597)	(161,653)	(6,052,476)	(190,690)
Construction in progress and prepayment for equipment		109,927	3,234	194,122	6,116
Subtotal		15,465,945	455,015	14,855,948	468,051
Intangible assets					
Computer software cost	2	-	-	68,921	2,171
Subtotal		-	-	68,921	2,171
Other assets					
Non-operating assets	2	3,002,047	88,322	1,116,667	35,182
Guarantee deposits paid	2,19	1,176,827	34,623	1,221,763	38,493
Overdue receivables	2,11	1,431,930	42,128	856,746	26,993
Temporary payments and suspense accounts		244,124	7,182	1,061,317	33,438
Securities serving as deposits paid-bonds	2,8,19	7,937,998	233,539	8,090,599	254,902
Other assets-other	19	-	-	42,957	1,354
Deferred income tax assets	2,16	259,724	7,641	356,927	11,245
Investment-linked products assets	2	14,285,128	420,274	37,399,668	1,178,313
Subtotal		28,337,778	833,709	50,146,644	1,579,920
Total assets		\$1,454,725,255	\$42,798,625	\$1,624,721,543	\$51,188,454

(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.

Cathay Life Insurance Co., Ltd.
Balance sheets - (continued)
As of December 31, 2003 and 2004
(Expressed in thousands of dollars)

Liabilities & stockholders' equity	Notes	2003		2004	
		NT\$	US\$	NT\$	US\$
Current liabilities					
Notes payable		\$1,603	\$47	\$1,949	\$61
Accounts payable-related parties	18	209,741	6,171	85,301	2,688
Collections for others		142,696	4,198	146,704	4,622
Accrued expenses		3,196,696	94,048	3,503,500	110,381
Taxes payable		322,235	9,480	354,950	11,183
Commissions payable		1,148,918	33,802	1,093,224	34,443
Dividends payable		175,596	5,166	93,565	2,948
Life insurance proceeds payable		481	14	2,042	64
Other payable		1,443,383	42,465	2,311,870	72,838
Deferred income tax liabilities- current	2,16	1,125,244	33,105	442,800	13,951
Accounts collected in advance		535,077	15,743	155,802	4,909
Subtotal		<u>8,301,670</u>	<u>244,239</u>	<u>8,191,707</u>	<u>258,088</u>
Long-term liabilities					
Reserve for land revaluation increment tax		3,726	110	3,726	117
Accrued pension liability	2,23	732,491	21,550	1,427,710	44,982
Subtotal		<u>736,217</u>	<u>21,660</u>	<u>1,431,436</u>	<u>45,099</u>
Other liabilities					
Reserve for operations and liabilities					
Unearned premium reserve	2	9,471,557	278,657	9,486,598	298,885
Reserve for life insurance		1,320,057,659	38,836,648	1,456,702,273	45,894,841
Special reserve		13,379,990	393,645	16,732,119	527,162
Claims reserve		329,851	9,704	348,034	10,965
Miscellaneous liabilities					
Guarantee deposits received		1,327,385	39,052	1,647,431	51,904
Temporary receipts and suspense accounts		602,457	17,725	2,210,457	69,643
Investment-linked products liabilities	2	14,285,128	420,274	37,399,668	1,178,313
Subtotal		<u>1,359,454,027</u>	<u>39,995,705</u>	<u>1,524,526,580</u>	<u>48,031,713</u>
Total liabilities		<u>1,368,491,914</u>	<u>40,261,604</u>	<u>1,534,149,723</u>	<u>48,334,900</u>
Stockholders' equity					
Capital stock					
Common stock	12	50,686,158	1,491,208	50,686,158	1,596,917
Capital surplus		5,200	153	12,591	397
Retained earnings					
Legal reserve	13,16	14,552,065	428,128	16,330,948	514,523
Special reserve		6,249,135	183,852	8,016,080	252,554
Unappropriated retained earnings		17,788,827	523,355	15,609,488	491,792
Equity adjustment					
Unrealized valuation losses on long-term equity investment	2,7	(19,419)	(572)	-	-
Cumulative conversion adjustments	2,14	4,341	128	(83,445)	(2,629)
Treasury stock		(3,032,966)	(89,231)	-	-
Total stockholders' equity		<u>86,233,341</u>	<u>2,537,021</u>	<u>90,571,820</u>	<u>2,853,554</u>
Total liabilities and stockholders' equity		<u>\$1,454,725,255</u>	<u>\$42,798,625</u>	<u>\$1,624,721,543</u>	<u>\$51,188,454</u>

(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.

Cathay Life Insurance Co., Ltd.
Statements of income
For the years ended December 31, 2003 and 2004
(Expressed in thousands of dollars, except earnings per share)

Item	Notes	2003		2004	
		NT\$	US\$	NT\$	US\$
Operating revenues	2				
Premiums income		\$260,375,620	\$7,660,360	\$281,951,493	\$8,883,160
Reinsurance commission earned		100,663	2,962	121,490	3,827
Claims recovered from reinsures		191,186	5,625	214,363	6,754
Recovered premiums reserve		128,477,867	3,779,873	141,776,609	4,466,812
Recovered special reserve		-	-	176,245	5,553
Recovered claims reserve		278,080	8,181	329,851	10,392
Handling fees earned		545,547	16,050	805,495	25,378
Interest income		47,277,701	1,390,930	51,887,670	1,634,772
Gain on disposal of investments		11,006,551	323,817	19,378,500	610,539
Gain on long-term equity investments		22,960	675	78,674	2,479
Gain on investments-real estate		4,513,133	132,778	4,718,312	148,655
Other operating revenues		5,072,265	149,228	-	-
Investment-linked products revenues	2	17,094,832	502,937	29,866,689	940,979
Subtotal		<u>474,956,405</u>	<u>13,973,416</u>	<u>531,305,391</u>	<u>16,739,300</u>
Operating costs	2				
Insurance expenses		(445,229)	(13,099)	(563,924)	(17,767)
Brokerage expenses		(23,818,122)	(700,739)	(24,333,563)	(766,653)
Commissions expenses		(314,055)	(9,240)	(651,145)	(20,515)
Insurance claims payment		(134,132,353)	(3,946,230)	(161,667,595)	(5,093,497)
Provision for premiums reserve		(265,258,198)	(7,804,007)	(278,436,263)	(8,772,409)
Provision for special reserve		(2,224,669)	(65,451)	(3,528,373)	(111,165)
Contribution to the stabilization funds		(259,913)	(7,647)	(281,656)	(8,874)
Provision for claims reserve		(329,851)	(9,704)	(348,034)	(10,965)
Handling fees paid		(1,775,924)	(52,248)	(662,641)	(20,877)
Interest expenses		(32,377)	(953)	(51,052)	(1,608)
Provisions expenses		(592,873)	(17,443)	-	-
Other operating cost		(693,125)	(20,392)	(4,248,985)	(133,869)
Investment-linked products expenses	2	(17,094,832)	(502,937)	(29,866,689)	(940,979)
Subtotal		<u>(446,971,521)</u>	<u>(13,150,090)</u>	<u>(504,639,920)</u>	<u>(15,899,178)</u>
Operating gross profit		<u>27,984,884</u>	<u>823,326</u>	<u>26,665,471</u>	<u>840,122</u>
Operating expenses	2				
Marketing expenses		(2,740,427)	(80,624)	(2,811,532)	(88,580)
Administrative and general expenses		(7,503,620)	(220,760)	(7,941,287)	(250,198)
Operating income		<u>17,740,837</u>	<u>521,942</u>	<u>15,912,652</u>	<u>501,344</u>
Non-operating revenues & gains					
Gains on foreign exchange		500,780	14,734	-	-
Gains on disposal of property and equipment		2,903	85	4,041	127
Miscellaneous income		1,569,264	46,168	2,102,886	66,254
Subtotal		<u>2,072,947</u>	<u>60,987</u>	<u>2,106,927</u>	<u>66,381</u>
Non-operating expenses & losses					
Losses on foreign exchange		-	-	(2,749,797)	(86,635)
Losses on disposal of property and equipment		(15,004)	(441)	(1,298)	(41)
Miscellaneous expenses		(28,481)	(838)	(6,010)	(190)
Subtotal		<u>(43,485)</u>	<u>(1,279)</u>	<u>(2,757,105)</u>	<u>(86,866)</u>
Income from continuing operations before income taxes		19,770,299	581,650	15,262,474	480,859
Income taxes (expense) benefit	2,16	(1,939,702)	(57,067)	356,332	11,227
Net income		<u>\$17,830,597</u>	<u>\$524,583</u>	<u>\$15,618,806</u>	<u>\$492,086</u>
Earnings per share (In dollars)	17				
Income before income tax		\$4.01	\$0.12	\$3.02	\$0.10
Net income		<u>\$3.61</u>	<u>\$0.11</u>	<u>\$3.09</u>	<u>\$0.10</u>

(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.

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

Summary	Retained earnings										Equity adjustments						Total	
	Common stock		Capital surplus		Legal reserve		Special reserve		Unappropriated retained earnings		Unrealized valuation losses on long-term equity investment		Cumulative conversion adjustments		Treasury stock			
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Balance on January 1, 2003	\$50,686,158	\$1,491,208	\$3,048	\$90	\$13,254,705	\$389,959	\$-	\$-	\$12,973,603	\$381,689	\$(935,733)	\$(27,530)	\$10,829	\$319	\$(7,333,863)	\$(215,765)	\$68,658,747	\$2,019,970
Appropriations and distributions for 2002																		
Legal reserve	-	-	-	-	1,297,360	38,169	-	-	(1,297,360)	(38,169)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	6,249,135	183,852	(6,249,135)	(183,852)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(5,369,406)	(157,970)	-	-	-	-	-	-	(5,369,406)	(157,970)
Remuneration paid to directors and supervisors	-	-	-	-	-	-	-	-	(8,100)	(238)	-	-	-	-	-	-	(8,100)	(238)
Bonus paid to employees	-	-	-	-	-	-	-	-	(49,602)	(1,459)	-	-	-	-	-	-	(49,602)	(1,459)
Capital surplus-long-term equity investment	-	-	2,152	63	-	-	-	-	-	-	-	-	-	-	-	-	2,152	63
Unrealized valuation losses on long-term equity investment	-	-	-	-	-	-	-	-	-	-	916,314	26,958	-	-	-	-	916,314	26,958
Cumulative conversion adjustments	-	-	-	-	-	-	-	-	-	-	-	-	(6,488)	(191)	-	-	(6,488)	(191)
Disposal of treasury stock	-	-	-	-	-	-	-	-	(41,770)	(1,229)	-	-	-	-	4,300,897	126,534	4,259,127	125,305
Net income after tax for the year ended December 31, 2003	-	-	-	-	-	-	-	-	17,830,597	524,583	-	-	-	-	-	-	17,830,597	524,583
Balance on December 31, 2003	<u>\$50,686,158</u>	<u>\$1,491,208</u>	<u>\$5,200</u>	<u>\$153</u>	<u>\$14,552,065</u>	<u>\$428,128</u>	<u>\$6,249,135</u>	<u>\$183,852</u>	<u>\$17,788,827</u>	<u>\$523,355</u>	<u>\$(19,419)</u>	<u>\$(572)</u>	<u>\$4,341</u>	<u>\$128</u>	<u>\$(3,032,966)</u>	<u>\$(89,231)</u>	<u>\$86,233,341</u>	<u>\$2,537,021</u>
Balance on January 1, 2004	\$50,686,158	\$1,596,917	\$5,200	\$164	\$14,552,065	\$458,477	\$6,249,135	\$196,885	\$17,788,827	\$560,455	\$(19,419)	\$(612)	\$4,341	\$137	\$(3,032,966)	\$(95,557)	\$86,233,341	\$2,716,866
Appropriations and distributions for 2003																		
Legal reserve	-	-	-	-	1,778,883	56,046	-	-	(1,778,883)	(56,046)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	1,766,945	55,669	(1,766,945)	(55,669)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(14,010,243)	(441,407)	-	-	-	-	-	-	(14,010,243)	(441,407)
Remuneration paid to directors and supervisors	-	-	-	-	-	-	-	-	(8,100)	(255)	-	-	-	-	-	-	(8,100)	(255)
Bonus paid to employees	-	-	-	-	-	-	-	-	(224,656)	(7,078)	-	-	-	-	-	-	(224,656)	(7,078)
Capital surplus-long-term equity investment	-	-	7,391	233	-	-	-	-	-	-	-	-	-	-	-	-	7,391	233
Unrealized valuation losses on long-term equity investment	-	-	-	-	-	-	-	-	-	-	19,419	612	-	-	-	-	19,419	612
Cumulative conversion adjustments	-	-	-	-	-	-	-	-	-	-	-	-	(87,786)	(2,766)	-	-	(87,786)	(2,766)
Disposal of treasury stock	-	-	-	-	-	-	-	-	(9,318)	(294)	-	-	-	-	3,032,966	95,557	3,023,648	95,263
Net income after tax for the year ended December 31, 2004	-	-	-	-	-	-	-	-	15,618,806	492,086	-	-	-	-	-	-	15,618,806	492,086
Balance on December 31, 2004	<u>\$50,686,158</u>	<u>\$1,596,917</u>	<u>\$12,591</u>	<u>\$397</u>	<u>\$16,330,948</u>	<u>\$514,523</u>	<u>\$8,016,080</u>	<u>\$252,554</u>	<u>\$15,609,488</u>	<u>\$491,792</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(83,445)</u>	<u>\$(2,629)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$90,571,820</u>	<u>\$2,853,554</u>

(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.

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

	2003		2004	
	NT\$	US\$	NT\$	US\$
Cash flows from operating activities				
Net income for the year	\$17,830,597	\$524,583	\$15,618,806	\$492,086
Adjustments:				
Recovered bad debt	-	-	(106,611)	(3,359)
Loss on bad debt	592,873	17,443	-	-
Depreciation	1,953,497	57,473	2,003,629	63,126
Amortization	-	-	5,745	181
Provision or recovered for each reserve	139,056,770	4,091,108	140,029,967	4,411,782
Recovered gain on short-term investments	(5,072,265)	(149,228)	-	-
Realized loss on long-term investments	198,077	5,828	-	-
Loss(gain) on disposal of property and equipment	12,101	356	(2,743)	(86)
Gain on disposal of investments	(3,242,717)	(95,402)	(253,568)	(7,989)
Gain on disposal of real estate	(117,527)	(3,458)	(26,564)	(837)
Amortization of long-term investments in bonds	86,644	2,549	71,868	2,264
Unrealized loss (gain) on long-term investments	16,144	475	(11,533)	(363)
Effects of exchange rate changes	1,319	39	(8,462)	(267)
(Increase)decrease in short-term investments	(107,374,227)	(3,158,995)	276,809	8,721
Decrease in notes receivable	4,407,632	129,674	3,054,336	96,230
Increase in notes and accounts receivable-related parties	(11,590)	(341)	(31,873)	(1,004)
Decrease in prepayments	274,290	8,070	6,549	206
Decrease in prepaid pension	76,930	2,263	-	-
Increase in other current assets	(3,546,120)	(104,328)	(13,309,067)	(419,315)
Increase in other assets-other	-	-	(42,957)	(1,353)
Increase in temporary payments and suspense accounts	(139,167)	(4,094)	(817,193)	(25,746)
Decrease (increase) in deferred income tax assets	173,654	5,109	(97,204)	(3,063)
(Decrease) increase in notes payable	(1,075)	(32)	346	11
Increase (decrease) in accounts payable-related parties	176,470	5,192	(124,440)	(3,921)
(Decrease)increase in accrued expenses	(2,575,600)	(75,775)	260,104	8,195
(Decrease) increase in other payable	(169,990)	(5,001)	811,738	25,575
Increase (decrease) in accounts collected in advance	332,740	9,789	(379,275)	(11,949)
(Decrease) increase in other current liabilities	(37,755)	(1,111)	4,008	126
Increase in accrued pension liability	732,490	21,550	695,220	21,903
Increase in temporary receipts and suspense accounts	153,474	4,515	1,608,001	50,662
Decrease in deferred income tax liabilities	(90,763)	(2,670)	(682,444)	(21,501)
Net cash provided by operating activities	43,696,906	1,285,581	148,553,192	4,680,315
Cash flows from investing activities				
Decrease in policy loans	700,534	20,610	14,391,331	453,413
Decrease in secured loans	23,823,966	700,911	13,301,647	419,081
Acquisition of long-term investments	(121,652,215)	(3,579,059)	(51,986,251)	(1,637,878)
Proceeds from disposal of long-term investments	31,547,624	928,144	1,296,021	40,832
Recovered proceeds of long-term investments	-	-	93,846	2,957
Disposal of investments in real estate	149,572	4,401	1,837,250	57,884
Acquisition of investments in real estate	(1,116,034)	(32,834)	(9,713,882)	(306,045)
Disposal of property and equipment	18,614	548	24,214	763
Acquisition of property and equipment	(731,828)	(21,531)	(549,318)	(17,307)
Acquisition of intangible assets	-	-	(74,666)	(2,352)
Decrease in non-operating assets	358,425	10,545	1,885,380	59,401
Increase in guarantee deposits paid	(914,004)	(26,890)	(44,937)	(1,416)
Decrease in overdue receivables	1,048,225	30,839	454,111	14,307
Net cash used in investing activities	(66,767,121)	(1,964,316)	(29,085,254)	(916,360)

(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.

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

	2003		2004	
	NT\$	US\$	NT\$	US\$
Cash flows from financing activities				
Increase in guarantee deposits received	32,985	971	320,046	10,084
Remuneration paid to directors and supervisors	(8,100)	(238)	(8,100)	(255)
Employee bonus	-	-	(224,656)	(7,078)
Cash dividends	(5,441,520)	(160,092)	(14,010,243)	(441,407)
Disposal of treasury stock	4,259,127	125,305	3,023,648	95,263
Net cash used in financing activities	(1,157,508)	(34,054)	(10,899,305)	(343,393)
Effects of exchange rate changes	(1,319)	(39)	8,462	267
(Decrease) increase in cash and cash equivalents	(24,229,042)	(712,828)	108,577,095	3,420,829
Cash and cash equivalents at the beginning of year	135,061,552	3,973,567	110,832,510	3,491,887
Cash and cash equivalents at the end of year	\$110,832,510	\$3,260,739	\$219,409,605	\$6,912,716
Supplemental disclosure of cash flows information				
Interest paid during the year	\$14,672	\$432	\$37,666	\$1,187
Interest paid (excluding capitalized interest)	\$14,672	\$432	\$37,666	\$1,187
Income tax paid	\$3,981,446	\$117,136	\$883,713	\$27,842

(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.

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Cathay Life Insurance Co., Ltd.

Notes to financial statements

(Expressed in thousands of dollars except for share
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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 Securities Issuers” and “Guidelines Governing the Preparation of Financial Reports by Personal Insurance Industries.” 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. Organizations and business scope

Cathay Life Insurance Co., Ltd. (the “Company”) was incorporated in Taiwan on October 23, 1962, under the provisions of the Company Law (the “Company Law”) of the Republic of China (“ROC”). The Company mainly engages in the business of life insurance. On December 31, 2001, the Company became a subsidiary of Cathay Financial Holding Co., Ltd. (“Cathay Financial Holding”) by adopting the stock conversion method under the ROC Financial Holding Company Act (“Financial Holding Company Act”) and other pertinent laws of the ROC.

As of December 31, 2003 and 2004, the total number of employees was 28,977 and 26,555, 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 Personal Insurance Industries.” The summary of significant accounting policies is as follows:

(1) Distinguish assets from 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 classified as non-current assets. Current liabilities are debts which must be paid-off within one year. Debts that do not belong to current liabilities are classified as non-current liabilities.

(2) Cash and cash equivalents

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

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Cathay Life Insurance Co., Ltd.
Notes to financial statements – continued
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(3) Short-term investments

Marketable equity securities are stated at the lower of cost or market value. Stock dividends are not recognized as income but treated as an increase in the number of shares. Cost of marketable equity securities sold is determined based on the weighted-average method.

Beneficiary certificates are stated at the lower of cost or market. The cost of beneficiary certificates sold is determined based on the weighted-average method.

Short-term notes are recorded at cost when acquired and stated at the lower of cost or market value at each balance sheet date, if the market value is available. The cost of notes, interest income, and gain or loss, either due to maturity or resulting from the sale of notes, is determined by the specific identification method.

Overseas investment trust funds are investments in foreign securities made through financial institutions with pre-determined purposes. The trust funds are recorded at the amount originally remitted and stated at the lower of cost or market value at each balance date. Realized interest, dividends and disposal gain which are remitted back are recognized at the amount received in the current period. Realized gain or loss which are not remitted back are recognized based on the net equity as reported by the trustee each month. The trust funds are translated into NT dollars using the spot rate at each balance sheet date. Any exchange difference is charged to income statement accounts.

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

(4) Allowance for bad and doubtful debts

Allowance for bad debts and doubtful accounts on notes receivable, overdue accounts and loans are determined based on the aging analysis of outstanding balances of such accounts and experience.

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Cathay Life Insurance Co., Ltd.
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(5) Long-term investments

A. Long-term investments in stocks

Long-term investments in listed companies for 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 income but treated 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.

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.

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

B. Long-term investments in bonds

Long-term investments in bonds are accounted for at cost, and any premium or discount is amortized based on a reasonable and systematic basis.

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(6) Investments in real estate

Investments in real estate are stated at cost when acquired.

Improvements and major renovation of investments in real estate are capitalized, while repairs and maintenance are expensed immediately.

Upon disposal, the related cost and accumulated depreciation are eliminated and gain and loss are recorded in operating gain and loss accounts.

Depreciation is calculated using the straight-line method in accordance with the “Estimated Useful Life of Fixed Assets Table” published by the Executive Yuan of the ROC (the “Executive Yuan Depreciation Table”).

The Company’s real estate investments are for business leasing purposes; rents can be paid annually, semi-annually, quarterly, monthly or in a lump sum.

(7) Property and equipment

Property and equipment are stated at cost or cost plus appreciation. When reevaluating property and equipment, land and other properties shall be reevaluated separately. Property appreciation shall be recorded under “capital surplus”, according to applicable regulations. The capital surplus can only be used for making up operating losses and for capital increase.

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 Executive Yuan Depreciation Table. 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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(8) Intangible assets

Intangible assets are computer software cost stated at cost and amortized on a straight-line basis over 3 years.

(9) Deferred charges

According to the regulations established by the ROC Ministry of Finance (the “MOF”), the Company created a “stabilization fund” and an offsetting account “stabilization fund reserve”. These two accounts are not listed in the financial statements due to their offsetting nature. From 1993 to December 31, 2004, an aggregate of NT\$2,286,910 (US\$72,051) was appropriated to this fund.

(10) Guaranteed depository insurance payment

According to Article 141 of the ROC Insurance Law (the “Insurance Law”), an amount equal to 15% of the Company’s capital stock must be deposited in the form of a bond with the Central Bank of China (the “Central Bank”) as the “Guaranteed Depository Insurance”.

(11) Reserve for operations

Reserves for operations are organized according to the Insurance Law. These reserves include the unearned premium reserve, claim reserve, special reserve, and reserve for life insurance. Actuaries provide the figures for these reserves.

The MOF promulgated a new regulation on December 24, 2002. Under this regulation, when the accumulated gross amount of “Special Reserve for the Loss Movement” exceeds 30% of the gross amount of “net earned premium”, the excess should be reversed and recorded as income.

In addition, according to the MOF regulation which became effective from December 30, 2002, the surplus from the “Special Reserve for the Loss Movement” should be placed as special reserve under proprietary equity after the Board of Directors approved the surplus appropriation. This amount may not be distributed or used for other purposes unless approved by the MOF.

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The Company had a surplus of NT\$8,016,080 (US\$252,554) from the “Special Reserve for the Loss Movement” as of December 31, 2004.

(12) Insurance premiums income and expenses

Direct premiums are recognized on the date that the policies become effective. Policy-related expenses are recognized when incurred.

(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 ROC Securities and Futures Commissions (“SFC”) regulations, the Company follows the ROC Statement of Financial Accounting Standards (“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) Foreign currency transactions

A. Conversion of foreign currency transactions

Foreign currency transactions are recorded in New Taiwan Dollars (“NT dollars”) at the rate of exchange 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. At each balance sheet date, foreign currency assets and liabilities are converted at the balance sheet date exchange rate, and exchange gains or losses are credited or charged to current income.

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B. Conversion of foreign subsidiaries' statements

Financial statements of foreign subsidiaries accounted for by the equity method are converted into NT dollars as follows: all assets and liabilities denominated in foreign currencies are converted into NT dollars at the exchange rate prevailing on the balance sheet date. Stockholders' equity items are converted on the historical rate basis except for the opening balance of retained earnings, which is posted directly from the balance of the last year. Income Statements items are converted by the weighted-average exchange rate for the period. Differences arising from above conversion are reported as "Cumulative Conversion Adjustments" in stockholders' equity as a separate item.

When the financial statements of a foreign operation are converted into the local currency, the foreign currency financial statements are first converted into the functional currency if the foreign currency is not the functional currency. The exchange gain or loss from the conversion is recognized in the current period because it directly affects the cash flows of the foreign operation.

(15) 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 expenses adjustment should be recorded as current period income tax expenses in the year of adjustment.

Deferred income tax assets and liabilities are classified as current or non-current in accordance with the underlying assets or liabilities. Deferred income taxes not related to any assets or liabilities appearing in the financial statements are classified as current or non-current based on the expected length of time before it is settled or recovered.

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The Company has adopted SFAS No. 12, “Accounting for Income Tax Credits” in dealing with income tax credits. Accordingly, the income tax credits resulting from expenditures on the purchase of equipment and technology, research and development, education training, and investment in equity are accounted for by the flow-through method.

In accordance with Article 49 of the Financial Holding Company Act, the Company and its parent company jointly file corporation income tax returns and pay the 10% additional tax for their undistributed retained earnings since 2002 under the Integrated Income Tax System. If there are any tax effects due to the adoption of the foregoing Integrated Income Tax System, the parent company may proportionately allocate the effects on tax expense (benefit), deferred income tax and tax payable (tax refund receivable) to the Company and other subsidiaries.

(16) 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 the expenditure.

(17) Treasury stock

The Company uses the cost method to account for treasury stock. Under the cost method, the treasury stock account is recorded at the cost of the shares purchased. When the disposal price of the treasury stock is greater than the cost, the difference is credited to capital surplus. If the disposal price is lower than cost, the difference is debited to capital surplus. If capital surplus is insufficient to cover the excess of the cost over the price, the difference is charged to retained earnings. The book value of treasury stock is calculated using the weighted-average method based on the security type and the reason of repurchase.

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.

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(18) Derivative financial products transaction

A. Forward foreign exchange contracts for hedging purposes

The purpose of the forward exchange contracts held by the Company is to hedge the risks that may result from changes in currency rates. Transactions on forward foreign exchange contracts are recognized based on the spot rate at the contract date. The difference between the spot rate and the agreed forward rate is amortized over the contract period. The exchange gains or losses resulting from the adjustments of the spot rate on the balance sheet date are credited or charged to current income.

B. Currency swap (CS)

The purpose of the CS held by the Company is to hedge the risks that may result from changes in currency rates. CS transactions are recognized based on the spot rate at the contract date. The difference between the spot rate and the agreed forward rate is amortized over the contract period. The exchange gains or losses resulting from the adjustments of the spot rate on the balance sheets date are recognized in the current period. The exchange gains or losses resulting from the settlement of the swap are credited or charged to current income at the settlement date.

The receivables and payables of the foreign currency and forward exchange contracts are presented on a net basis in the balance sheets.

C. Cross-currency swap (CCS)

The purpose of the CCS held by the Company is to hedge the risks that may result from changes in currency rates and interest rates. CCS transactions are recognized based on the spot rate at the contract date. Interest rates are determined according to the applicable interest rate within the agreed period. The difference is credited or charged to the current income.

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D. Interest rate swap agreements (IRS)

The interest rate swap agreements are used for the purpose of hedging risks against interest rate fluctuations and are adjusted for interest revenue or expenses based on the interest difference as of the agreed date of settlement.

E. Options

The premium for an option contract is recorded at cost. The cost of options sold is determined upon the first-in first-out method. Premium assets for hedging purpose are amortized over the contract period, and adjusted on the balance sheet date by market value. Any gain or loss arising from hedging risks associated with the existing asset or liability is recognized as a current period's gain or loss. Gains or losses arising from hedging risks associated with an identifiable commitment are deferred until the transaction date, and recognized as an adjustment of the transaction price.

F. Futures

Deposits of futures are stated at costs. Upon disposal, the cost of futures are determined on the FIFO basis. Unrealized gains or losses of futures entered into trading market for hedge purposes are recognized as current income or losses or deferred as an adjustment of the hedge items, depending on whether the hedge is fair value hedge or a cash flow hedge.

(19) Investment-linked products

The Company sells investment-linked products, of which the insured should pay the insurance fees according to the agreement amount less the expenses incurred by the insured. In addition, the investment distribution is approved by the insured and then transferred to specific accounts as requested by the insured. The value of these specific accounts is determined based on the market value on the applicable day, and its net value is determined based on the accounting principles and practices generally accepted in the ROC.

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The Company has established special journals for assets, liabilities, and revenues and expenses accounts in accordance with accounting regulation of “Personal Insurance Accounting Standards in Sale-Investment-Linked Insurance Products”. The above accounts are recorded under the line items of “Investment-linked products assets”, “Investment-linked products liabilities”, “Investment-linked products revenues”, and “Investment-linked products expenses”.

(20) Convenience conversion into U.S. dollars

The financial statements are stated in NT dollars. Conversion of the December 31, 2003 and 2004 NT dollar amounts into U.S. dollar amounts is included in the financial statements solely for the convenience of the readers, using the noon buying rate of NT\$33.99 and NT\$31.74 to US\$1.00 effective at December 31, 2003 and 2004, as provided by the Federal Reserve Bank of New York. The convenience conversion should not be construed as a representation that the NT dollars have been, or could in the future be, converted into U.S. dollars at this rate or any other rate of exchange.

3. Changes in accounting and its effects

None

4. Cash and cash equivalents

	December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
Cash on hand	\$358,068	\$10,535	\$378,466	\$11,924
Cash in banks	4,195,877	123,444	4,540,400	143,050
Time deposits	63,754,099	1,875,672	143,126,468	4,509,340
Cash equivalents	42,524,466	1,251,088	71,364,271	2,248,402
Total	<u>\$110,832,510</u>	<u>\$3,260,739</u>	<u>\$219,409,605</u>	<u>\$6,912,716</u>

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5. Short-term investments

	December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
Common stock and beneficiary certificates	\$132,875,857	\$3,909,263	\$97,452,488	\$3,070,337
Overseas investments	170,351,226	5,011,804	115,955,643	3,653,297
Designated purpose trust fund	46,557,350	1,369,737	32,912,014	1,036,925
Corporate bonds	8,388,114	246,782	8,356,152	263,269
Government bonds	17,756,801	522,413	13,951,964	439,570
Financial debentures	15,000,000	441,306	34,055,589	1,072,955
Short-term notes	46,112,314	1,356,644	77,174,494	2,431,459
Sub-total	437,041,662	12,857,949	379,858,344	11,967,812
Less: Cash equivalents	(42,524,466)	(1,251,088)	(71,364,271)	(2,248,402)
Allowance for valuation loss of short-term investment	-	-	-	-
Total	<u>\$394,517,196</u>	<u>\$11,606,861</u>	<u>\$308,494,073</u>	<u>\$9,719,410</u>

6. Loans

(1) Policy loans

A. Policy loans were secured by policies issued by the Company.

B. Pursuant to MOF regulations, insurance applicants who are unable to meet their insurance installments after their second installment becomes overdue can make written statements, requesting that the Company pay the premium and interest payable by using the Company's "policy value reserve" prior to the due date or before the insurance contract's termination date. However, applicants may also choose to inform the Company by writing to stop paying such installments.

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(2) Secured loans

	December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
Short-term secured loans	\$61,500	\$1,809	\$101,077	\$3,184
Less: Allowance for bad debts	(394)	(11)	(647)	(20)
Sub-total	61,106	1,798	100,430	3,164
Medium-term secured loans	9,993,233	294,005	9,186,919	289,443
Less: Allowance for bad debts	(64,354)	(1,893)	(58,961)	(1,858)
Sub-total	9,928,879	292,112	9,127,958	287,585
Long-term secured loans	286,599,639	8,431,881	274,064,729	8,634,679
Less: Allowance for bad debts	(1,948,028)	(57,312)	(1,794,433)	(56,535)
Sub-total	284,651,611	8,374,569	272,270,296	8,578,144
Total	\$294,641,596	\$8,668,479	\$281,498,684	\$8,868,893

Secured loans are secured by government bonds, stocks, corporate bonds and real estate. Loans are classified as short-term, medium-term and long-term based on the terms as follows:

Short-term: within one year

Medium-term: over one year but less than seven years

Long-term: over seven years

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7. Long-term investments in stocks

(1) Long -term investments in stocks

(All of the following securities are common stock unless otherwise stated.)

<u>Investee</u>	December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
	Book value	Book value	Book value	Book value
A. Under the equity method:				
WK Technology Fund VI Co., Ltd.	\$375,440	\$11,046	\$377,149	\$11,882
Vista Technology Venture Capital Corp.	68,181	2,006	49,126	1,548
Omnitek Venture Capital Corp.	150,572	4,430	152,081	4,791
Wa Tech Venture Capital Co., Ltd.	179,871	5,292	178,895	5,636
IBT Venture Capital Corp.	565,288	16,631	502,290	15,825
Cathay Insurance (Bermuda) Co., Ltd.	56,954	1,676	59,635	1,879
Symphox Information Co., Ltd.	258,625	7,609	265,822	8,375
Cathay Securities Investment Trust Co., Ltd.	207,601	6,108	222,741	7,018
Cathay Venture Capital Crop.	221,256	6,509	208,614	6,573
Lin Yuan Property Management Co., Ltd.	15,129	445	34,124	1,075
Cathay Securities Investment Co., Ltd.	15,477	455	25,662	809
Cathay Life Insurance Ltd. (Shanghai)	-	-	1,526,654	48,099
Sub-total	2,114,394	62,207	3,602,793	113,510

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B. Under the cost method or the lower of cost or market :

Chunghwa Telecom Co., Ltd.	33,581,819	987,991	-	-
WK Technology Fund Co., Ltd.	100,000	2,942	100,000	3,151
Taiwan Aerospace Company	110,500	3,251	110,500	3,482
Koo Group Telecommunications Co., Ltd.	749,998	22,065	-	-
Concord Venture Capital Co., Ltd.	89,280	2,627	89,280	2,813
Taipei Financial Center Corp.	1,441,591	42,412	1,541,591	48,569
InveStar Dayspring V.C. Inc.	200,000	5,884	200,000	6,301
FAT Venture Capital Co., Ltd.	50,000	1,471	50,000	1,575
Concord Venture Capital Co., Ltd.	50,000	1,471	50,000	1,575
WK Technology Fund Co., Ltd.	150,000	4,413	150,000	4,726
WK Technology Fund Co., Ltd.	127,200	3,742	127,200	4,008
Century Venture Capital Co., Ltd.	100,000	2,942	100,000	3,151
China Power Venture Capital Co., Ltd.	190,000	5,590	190,000	5,986
Super Tech Venture Capital Corp.	100,000	2,942	100,000	3,151
CDIB & Partners Investment Holding Corp.	500,000	14,710	500,000	15,753
Alex-Tech Machinery Industrial Co., Ltd.	7,008	206	7,008	221

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R.O.C. Venture Capital Co., Ltd.	151,970	4,471	151,970	4,788
National Venture Capital Co., Ltd.	100,000	2,942	100,000	3,151
WK Technology Fund Co., Ltd.	200,000	5,884	200,000	6,301
Capital Venture Fund Corp.	50,000	1,471	50,000	1,575
Fu Yu Venture Capital Investment Corp.	200,000	5,884	200,000	6,301
Concord Venture Capital Co., Ltd.	100,000	2,942	100,000	3,151
Allied Material Technology Corp.	98,400	2,895	-	-
New Century InfoComm Tech Co., Ltd.	1,268,000	37,305	1,268,000	39,950
Srsuntour Co., Ltd.	62,000	1,824	62,000	1,953
Titan Venture Capital Co., Ltd.	150,000	4,413	150,000	4,726
Harbinger Venture Capital Crop.	200,000	5,884	200,000	6,301
Prosperity Venture Capital Corp.	100,000	2,942	100,000	3,151
KGEx.com Co., Ltd.	175,000	5,149	175,000	5,514
United Venture Corp.	50,000	1,471	50,000	1,575
BioCare Corp.	12,000	353	12,000	378
Megic Corp.	18,000	530	18,000	567
WK Technology Fund Co., Ltd.	200,000	5,884	200,000	6,301
Hua Chih Venture Capital Corp.	60,000	1,765	60,000	1,890
Jih Sun Venture Capital Investment Co., Ltd.	80,000	2,354	80,000	2,520
Win Semiconductors Corp.	16,364	482	16,364	516
Kinik Precision Grinding Co., Ltd.	6,000	177	7,800	246

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Vita Genomics Inc.	87,500	2,574	87,500	2,757
Tong Hsing Electronic Inc. Co., Ltd.	27,144	799	27,144	855
China Technology Venture Capital Corp.	50,000	1,471	50,000	1,575
Daiwa Securities SMBC-Cathay Co., Ltd.	259,200	7,626	259,200	8,166
Applied Vacuum Coating Technologies Co., Ltd.	6,661	196	6,661	210
TaiGen Biotechnology Co., Ltd.	16,500	485	42,000	1,323
Cdid BioScience venture Inc.	285,000	8,385	285,000	8,979
Maxima Venture , Inc, Taiwan	126,630	3,726	221,130	6,967
Parawin Venture Capital Co., Ltd.	50,000	1,471	50,000	1,575
Darly 3 Venture Co., Ltd.	20,000	588	17,000	536
Top Taiwan Venture Capital Co., Ltd.	50,000	1,471	50,000	1,575
Cash Box Audio and Video Co., Ltd.	200,000	5,884	200,000	6,301
Zeng Hsing Industrial Co., Ltd	-	-	28,824	908
Hua Venture Capital Corp.	50,000	1,471	50,000	1,575
Shin Sheng Venture Capital Investment Corp.	50,000	1,471	50,000	1,575
Centillion Venture Capital Corp.	50,000	1,471	50,000	1,575
Harbinger Venture Capital Corp.	100,000	2,942	100,000	3,151
Unitive Semiconductor Taiwan Corp.	46,800	1,377	24,000	756
Taiwan High Speed Rail Co. – Preferred Stock	1,000,000	29,420	1,000,000	31,506

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Enermax Technology Co.	47,600	1,400	47,600	1,500
Creative Sensor Inc.	11,820	348	11,820	373
Tong Lung metal Industry Co., Ltd.-preferred stock	300,000	8,826	300,000	9,452
Hsin Tao Power Co., Ltd.	640,000	18,829	765,000	24,102
CTBI Venture Capital Co., Ltd.	50,000	1,471	50,000	1,575
Ip Fund Two Co., Ltd.	-	-	50,000	1,575
Global Top Partner Venture Capital Co.,Ltd	-	-	300,000	9,452
Sub-total	<u>44,369,985</u>	<u>1,305,383</u>	<u>10,639,592</u>	<u>335,211</u>
Total	<u>\$46,484,379</u>	<u>\$1,367,590</u>	<u>\$14,242,385</u>	<u>\$448,721</u>

(2) Changes in long-term investments in stocks under the equity method are summarized below:

	For the years ended December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
Balance as of January 1	\$2,065,196	\$60,759	\$2,114,394	\$66,616
Add: Equity investment gains	22,960	675	78,674	2,479
Additional investment	75,000	2,207	1,628,688	51,313
Capital surplus- long-term equity investment	2,152	63	7,391	233
Unrealized valuation losses on long-term equity investment	(9,962)	(293)	19,419	612
Recovered proceeds of long-term investments	-	-	(90,846)	(2,862)
Cumulative conversion adjustments	(1,849)	(54)	(87,786)	(2,766)
Less: Cash dividends	(39,103)	(1,150)	(67,141)	(2,115)
Balance as of December 31	<u>\$2,114,394</u>	<u>\$62,207</u>	<u>\$3,602,793</u>	<u>\$113,510</u>

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

<u>Investee</u>	For the years ended December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
WK Technology Fund Co., Ltd.	\$(142)	\$(4)	\$5,436	\$171
Vista Technology Venture Capital Corp.	(17,319)	(510)	(26,309)	(829)
Omnitek Venture Capital Corp.	2,979	87	15,039	474
Wa Tech Venture Capital Co., Ltd.	22,192	653	13,793	435
IBT Venture Capital Corp	(12,043)	(354)	30,601	964
Cathay Insurance (Bermuda) Co., Ltd.	4,804	141	6,334	200
Symphox Information Co., Ltd.	10,675	314	7,197	227
Cathay Securities Investment Trust Co., Ltd.	8,875	261	28,082	885
Cathay Venture Capital Corp.	4,917	145	(11,233)	(354)
Lin Yuan Property Management Co., Ltd.	(8,028)	(236)	18,995	598
Cathay Securities Investment Co., Ltd.	6,050	178	10,185	321
Cathay Life Insurance Ltd. (Shanghai)	-	-	(19,446)	(613)
Total	\$22,960	\$675	\$78,674	\$2,479

- (4) The Company owned less than 50% of the voting shares of the following investee companies: WK Technology Fund VI Co., Ltd., Visa Technology Venture Capital Corp., Omnitek Venture Capital Corp., Wa Tech Venture Capital Corp. and IBT Venture Capital Corp. It is not practicable for some investee companies under the equity method to provide timely audited financial statements. If the Company owns less than a 50% interest in , or have no significant influence or controlling power over, such investees the recognition of investment gains or losses for those investees may be deferred to the next year. That is, the Company will recognize its investment gains or losses in proportion to its equivalent stock ownership in the following year.

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In 2003 and 2004, the Company holds more than 50% of stocks of the following companies: Symphox Information Co., Ltd., Cathay Securities Investment Co., Ltd., Lin Yuan Property Management Co., Ltd., Cathay Insurance (Bermuda) Co., Ltd., and Cathay Life Insurance Ltd. (Shanghai), which is newly established in 2004. The financial reports of the five subsidiaries mentioned above were not consolidated in that of the Company because each account items in their total assets and operation revenues contributed less than 10% to the Company's.

- (5) The investment gains (losses) for Cathay Insurance (Bermuda) Co., Ltd., Symphox Information Co., Ltd., Lin Yuan Property Management Co., Ltd., Cathay Securities Investment Co., Ltd., Cathay Securities Investment Trust Co., Ltd. Cathay Venture Capital Corp and Cathay Life Insurance Ltd. (Shanghai) were recognized based on their audited financial statements for the years ended December 31, 2003 and 2004.
- (6) On July 30, 2004, as approved by the board of directors' resolution, the Company reclassified the investment of Chunghwa Telecom Co., Ltd. from long-term to short-term investment as the Company no longer has the intention to hold the investment for the long term period.

8. Long-term investments in bonds

Long-term investments in bonds consist mainly of government bonds as of December 31, 2003 and 2004. Government Bonds were deposited with the Central Bank of China as capital guarantee deposits. As of December 31, 2003 and 2004, the capital guarantee deposits amounted to NT\$7,937,998 (US\$233,539) and NT\$8,090,599 (US\$254,902), respectively, and were categorized under "securities serving as deposits paid-bond". Please see Note 19, "pledged assets" for details.

One of the long-term investments in bonds, Global structured notes, amounted to NT\$0 and NT\$41,807,358 (US\$1,317,182) as of December 31, 2003 and 2004, respectively.

9. Investments in real estate

Item	December 31, 2003							
	Cost		Revaluation surplus		Accumulated depreciation		Net value	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Investments in								
real estate	\$94,700,707	\$2,786,134	\$4,851	\$143	\$(11,688,521)	\$(343,881)	\$83,017,037	\$2,442,396
Construction	11,466,637	337,353	-	-	-	-	11,466,637	337,353
Prepayments for								
buildings and								
land	414	12	-	-	-	-	414	12
Total	<u>\$106,167,758</u>	<u>\$3,123,499</u>	<u>\$4,851</u>	<u>\$143</u>	<u>\$(11,688,521)</u>	<u>\$(343,881)</u>	<u>\$94,484,088</u>	<u>\$2,779,761</u>

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Item	December 31, 2004								
	Cost		Revaluation surplus		Accumulated depreciation		Net value		
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	
Investments in									
real estate	\$110,896,032	\$3,493,889	\$4,566	\$144	\$(13,078,642)	\$(412,056)	\$97,821,956	\$3,081,977	
Construction	3,627,781	114,297	-	-	-	-	3,627,781	114,297	
Total	<u>\$114,523,813</u>	<u>\$3,608,186</u>	<u>\$4,566</u>	<u>\$144</u>	<u>\$(13,078,642)</u>	<u>\$(412,056)</u>	<u>\$101,449,737</u>	<u>\$3,196,274</u>	

(1) The real estate investments are held mainly to generate rental revenue.

(2) Rents from real estate investment can be paid annually, semi-annually, quarterly, monthly or in a lump sum.

(3) No investments in real estate were pledged as collateral. Investments in real estate were fully insured.

10. Property and equipment

Item	December 31, 2003								
	Cost		Revaluation surplus		Accumulated depreciation		Net value		
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	
Land	\$5,159,585	\$151,797	\$1,924	\$57	\$-	\$-	\$5,161,509	\$151,854	
Buildings and									
construction	11,193,060	329,304	-	-	(3,105,383)	(91,361)	8,087,677	237,943	
Communication and									
transportation									
equipment	137,010	4,031	-	-	(59,307)	(1,745)	77,703	2,286	
Other equipment	4,359,036	128,245	-	-	(2,329,907)	(68,547)	2,029,129	59,698	
Sub-total	<u>20,848,691</u>	<u>613,377</u>	<u>1,924</u>	<u>57</u>	<u>(5,494,597)</u>	<u>(161,653)</u>	<u>15,356,018</u>	<u>451,781</u>	
Construction in									
progress	48,768	1,435	-	-	-	-	48,768	1,435	
Prepayment for									
equipment	61,159	1,799	-	-	-	-	61,159	1,799	
Total	<u>\$20,958,618</u>	<u>\$616,611</u>	<u>\$1,924</u>	<u>\$57</u>	<u>\$(5,494,597)</u>	<u>\$(161,653)</u>	<u>\$15,465,945</u>	<u>\$455,015</u>	

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Item	December 31, 2004							
	Cost		Revaluation surplus		Accumulated depreciation		Net value	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Land	\$5,016,149	\$158,038	\$2,209	\$70	\$-	\$-	\$5,018,358	\$158,108
Buildings and construction	11,142,721	351,063	-	-	(3,260,251)	(102,718)	7,882,470	248,345
Communication and transportation equipment	85,457	2,693	-	-	(43,869)	(1,382)	41,588	1,311
Other equipment	4,467,766	140,761	-	-	(2,748,356)	(86,590)	1,719,410	54,171
Sub-total	<u>20,712,093</u>	<u>652,555</u>	<u>2,209</u>	<u>70</u>	<u>(6,052,476)</u>	<u>(190,690)</u>	<u>14,661,826</u>	<u>461,935</u>
Construction in progress	158,664	4,999	-	-	-	-	158,664	4,999
Prepayment for equipment	35,458	1,117	-	-	-	-	35,458	1,117
Total	<u>\$20,906,215</u>	<u>\$658,671</u>	<u>\$2,209</u>	<u>\$70</u>	<u>\$(6,052,476)</u>	<u>\$(190,690)</u>	<u>\$14,855,948</u>	<u>\$468,051</u>

No property and equipment were pledged as collateral. Property and equipment were fully insured.

11. Overdue receivables

	December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
Overdue receivables	\$2,863,861	\$84,256	\$1,666,081	\$52,492
Less: Allowance for bad and doubtful debts	<u>(1,431,931)</u>	<u>(42,128)</u>	<u>(809,335)</u>	<u>(25,499)</u>
Total	<u>\$1,431,930</u>	<u>\$42,128</u>	<u>\$856,746</u>	<u>\$26,993</u>

12. Capital stock

As of December 31, 2003 and 2004, the total authorized shares were 5,068,615,765, with par value of NT\$10 each.

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13. Retained earnings

(1) Legal reserve

Pursuant to the ROC Company Law, 10% of the Company's net income shall 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 deficit 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 the Board of Directors.

(2) Undistributed retained earnings

- A. According to the Company Law and the Company's articles of incorporation, 10% of the Company's annual earnings, after paying tax and offsetting deficit, if any, shall be appropriated as legal reserve. After distributing stock interests and 2% of the total remaining amount as a bonus distribution to employees, the remainder is distributed in accordance with the resolutions of the Board of Directors.
- B. According to applicable regulations, if the assessed undistributed retained earnings prior to 1997 exceeded 100% of the Company's paid-in capital, the Company must distribute cash dividends or stock dividends following the year of the assessment. Otherwise, income tax will be levied on each shareholder's proportion of the total undistributed retained earnings. Alternatively, the Company may pay an extra 10% income tax on the additional undistributed retained earnings.
- C. According to the amended Income Tax Law ("Tax Law") in 1998, the Company has to pay an extra 10% income tax on all undistributed retained earnings generated during the year.
- D. According to the regulations issued by SFC, the Company should assume that dividends for year 2003 would be appropriated to the employee, directors and supervisors, and pro forma earnings per share for the current year.

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	For the years ended December 31,	
	2003(NT\$)	2003(US\$)
A. Distribution		
Bonus paid to employees-Cash	\$224,656	\$7,078
Remuneration paid to directors and supervisors	8,100	255
B. After income tax earnings per share (expressed in dollars)	\$3.61	\$0.11
Pro forma earnings per share (expressed in dollars)	\$3.57	\$0.11

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

The surplus appropriation act of 2004 has not yet passed by the board of directors of the Company as the date of this audit report is issued.

14. Treasury stock

- (1) The Company's treasury stock information for the nine months ended December 31, 2004 is as follows:

Reason of acquisition	(Unit: thousand shares)			
	Jan. 1, 2004	Increase	Decrease	Dec. 31, 2004
Transfer to employees	51,551	-	51,551	-

- (2) Pursuant to the ROC Securities and Exchange Law, the shares which a company can acquire as treasury stock should not exceed 10% of the total shares issued. The amount of the repurchase of shares cannot exceed the sum of the retained earnings plus the premium of issued shares and realized capital surplus. As of December 30, 2001, the Company had acquired 156,927,000 shares of treasury stock for NT\$7,333,863 (US\$215,765).
- (3) Treasury stock of the Company was converted into common stock of Cathay Financial Holding Co., Ltd. on December 31, 2001. As a result of this conversion, Cathay Financial Holding owns 100% of the Company's shares.

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(4) The Company transferred 51,551,000 shares to its employees at a price of NT\$58.83 per share (US\$1.85 per share), which was approved by the SFC on March 13, 2004. After the transfer, treasury stock of the Company was eliminated.

15. Personnel, depreciation, depletion and amortizations

Item	For the year ended December 31, 2003			For the year ended December 31, 2003		
	NT\$			US\$		
	Operating costs	Operating expense	Total	Operating costs	Operating expense	Total
Personnel expenses						
Salary and wages	\$20,403,545	\$2,693,679	\$23,097,224	\$600,281	\$79,249	\$679,530
Labor & health insurance expenses	1,243,291	186,483	1,429,774	36,578	5,487	42,065
Pension expenses	958,877	143,823	1,102,700	28,211	4,231	32,442
Other expenses	1,127,502	213,231	1,340,733	33,172	6,273	39,445
Depreciation	-	1,953,497	1,953,497	-	57,473	57,473
Depletion	-	-	-	-	-	-
Amortizations	-	-	-	-	-	-

Item	For the year ended December 31, 2004			For the year ended December 31, 2004		
	NT\$			US\$		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salary and wages	\$21,235,911	\$2,564,381	\$23,800,292	\$669,059	\$80,793	\$749,852
Labor & health insurance expenses	1,131,378	208,604	1,339,982	35,645	6,572	42,217
Pension expenses	837,119	154,349	991,468	26,374	4,863	31,237
Other expenses	1,036,315	270,178	1,306,493	32,650	8,512	41,162
Depreciation	-	2,003,629	2,003,629	-	63,126	63,126
Depletion	-	-	-	-	-	-
Amortizations	-	5,745	5,745	-	181	181

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16. Estimated income taxes

(1) Income tax expenses include the following:

	For the years ended December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
Income before taxes	\$19,770,299	\$581,650	\$15,262,474	\$480,859
Adjustments				
Interest income of tax on a separate basis	(879,469)	(25,874)	(1,322,019)	(41,652)
Gain on disposal of investments	(4,971,138)	(146,253)	(10,251,094)	(322,971)
Gain on disposal of land	(126,246)	(3,714)	(415,188)	(13,081)
Unrealized exchange loss	191,027	5,620	2,741,334	86,369
Gain on market price recovery of short-term investments	(5,072,265)	(149,228)	-	-
Bad debts recovery	(1,284,683)	(37,796)	(296,484)	(9,341)
Cash dividend	(1,733,886)	(51,012)	(5,088,019)	(160,303)
Pension expense not actually contributed	809,420	23,814	695,220	21,904
Loss on market price less of long-term investments	198,077	5,828	-	-
Equity investment gains	(22,960)	(676)	(78,674)	(2,479)
Others	(18,508)	(545)	(33,671)	(1,061)
Taxable income	6,859,668	201,814	1,213,879	38,244
Times: taxes rate	25%	25%	25%	25%
Add: extra 10% income tax on undistributed retained earnings	137,663	4,050	335,222	10,561
Less: tax effects under integrated income tax systems	(137,663)	(4,050)	(335,222)	(10,561)
Sub-total	1,714,917	50,454	303,470	9,561
Add: Tax on a separate basis	175,894	5,175	261,882	8,251
Beginning deferred income tax assets	649,565	19,110	270,265	8,515
Ending deferred income tax liabilities	1,135,785	33,415	450,452	14,192
Less: Income tax credit	(17,739)	(522)	(81,833)	(2,579)
Beginning deferred income tax liabilities	(1,432,194)	(42,136)	(1,135,785)	(35,784)
Ending deferred income tax assets	(270,265)	(7,951)	(364,579)	(11,486)
Dissimilitude on estimate tax after time	(16,261)	(478)	(60,204)	(1,897)
Total income tax expenses (benefit)	\$1,939,702	\$57,067	\$(356,332)	\$(11,227)

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(2) The Company's income tax returns through 2000 had been and assessed by the Tax Authorities.

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

	December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
A. Total deferred tax liabilities	\$1,135,785	\$33,415	\$450,452	\$14,192
Total deferred tax assets	\$270,265	\$7,951	\$364,579	\$11,486
B. Temporary differences:				
Employee benefits	\$33,142	\$975	\$10,786	\$340
Pension expense	732,490	21,550	1,427,710	44,981
Unrealized exchange gains	(4,543,141)	(133,661)	(1,801,807)	(56,768)
Bad debts exceeding limit	295,619	8,697	-	-
Other	19,811	583	19,820	624
C. Deferred tax assets-current	\$10,541	\$310	\$7,652	\$241
Deferred tax liabilities-current	(1,135,785)	(33,415)	(450,452)	(14,192)
Net offset balance of deferred tax assets (liabilities)-current	<u>\$ (1,125,244)</u>	<u>\$ (33,105)</u>	<u>\$ (442,800)</u>	<u>\$ (13,951)</u>
D. Deferred tax assets-noncurrent	\$259,724	\$7,641	\$356,927	\$11,245
Deferred tax liabilities-noncurrent	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net balance of deferred tax assets (liabilities)-noncurrent	<u>\$259,724</u>	<u>\$7,641</u>	<u>\$356,927</u>	<u>\$11,245</u>

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(4) Information related to imputation

	December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
Balance of imputation credit account	\$1,418,513	\$41,733	\$1,257,227	\$39,610
	For the years ended December 31,			
			2003	2004
Imputation credit account ratio-estimate			-	8.05%
Imputation credit account ratio-actual			8.34%	-

(5) Related information on undistributed earnings

Year	December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
Prior to 1997	\$-	\$-	\$-	\$-
After 1998	17,788,827	523,355	15,609,488	491,792
Total	\$17,788,827	\$523,355	\$15,609,488	\$491,792

(6) Tax credits obtained in accordance with “Statute for Upgrading Industries” are as follows:

Regulation	Deductible items	Amount of deductible income tax		Remaining balance		Expiry year
		NT\$	US\$	NT\$	US\$	
		Statute for Upgrading Industries	Education training	\$10,889	\$343	
	Investment	60,600	1,909	-	-	2008
	Total	\$71,489	\$2,252	\$-	\$-	

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17. Earnings per share

	For the years ended December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
Income from continuing operations before income taxes (a)	\$19,770,299	\$581,650	\$15,262,474	\$480,859
Net income (b)	\$17,830,597	\$524,583	\$15,618,806	\$492,086
Outstanding number of shares at year-end	5,068,615,765	5,068,615,765	5,068,615,765	5,068,615,765
Weighted average outstanding number of shares (c)	4,932,763,965	4,932,763,965	5,057,911,186	5,057,911,186
Earnings per share before income taxes (a) / (c) (dollars)	\$4.01	\$0.12	\$3.02	\$0.10
Earnings per share after income taxes (b) / (c) (dollars)	\$3.61	\$0.11	\$3.09	\$0.10

The following table summarizes the changes in the weighted-average number of outstanding shares:

(Shares)	For the years ended December 31,	
	2003	2004
Shares at the beginning of period	5,068,615,765	5,068,615,765
Less: Treasury stock	(135,851,800)	(10,704,579)
Total	4,932,763,965	5,057,911,186

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18. Related party transactions

(1) Related parties

<u>Name</u>	<u>Relationship</u>
Cathay Financial Holding Co., Ltd.	Parent Company
Lin Yuan Property Management Co., Ltd.	Subsidiary of the Company
Cathay Insurance (Bermuda) Co., Ltd.	Subsidiary of the Company
Symphox Information Co., Ltd.	Subsidiary of the Company
Cathay Securities Investment Co., Ltd.	Subsidiary of the Company
Cathay Real Estate Development Co., Ltd.	Affiliate
Cathay United Bank	Affiliate
(Created by the merger of United World Chinese Commercial Bank and the former Cathay United Bank; merger completed on October 27, 2003)	
San Ching Engineering Co., Ltd.	Affiliate
Cathay Century Insurance Co., Ltd.	Affiliate
Cathay Life Insurance Agent Co., Ltd.	Affiliate
(Seaward Insurance Agent Co., Ltd. and Cathay Life Insurance Agent Co., Ltd. merged on March 25, 2004)	
Cathay Futures Co., Ltd.	Affiliate
Cathay Securities Co., Ltd.	Affiliate
Cathay Capital Management Inc.	Affiliate
Lin Yuan Investment Co., Ltd.	Their chairman is an immediate family member of the Company's chairman
Cathay General Hospital	Their chairman is the Company's chairman
KG Telecommunication Co., Ltd.	The Company served as the supervisor of KG Telecommunication Co., Ltd. (resigned on January 19, 2004)
Cathay Securities Investment Trust Co., Ltd.	An equity method investee

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(2) Significant transactions with related parties

A. Property transactions (from related parties):

Transactions between the Company and related parties are undertaking contracted projects, construction, and lease transactions. The terms of such transactions are based on market surveys and the contracts of both parties.

(A) Significant transactions with related parties for the years ended December 31, 2003 and 2004 are listed below:

Name	For the year ended December 31, 2003		
	Item	NT\$	US\$
San Ching Engineering Co., Ltd.	Tainmu Jung Cheng-A	\$6,888	\$203
	Tainmu Jung Cheng-B	6,973	205
	Hsinyi District Base-D	721,116	21,215
	Cathay Information Building	22,122	651
	Tucheng Office Building	41,029	1,207
	Ban Ciao Building	146,108	4,298
	Hsinyi District Base-E	23,874	702
	Min Sheng Building	19,104	562
	Sheraton Taipei Building	80,884	2,380
	Taitung Building	2,776	82
	Yong Kang Building	125	4
	Cathay General Hospital of Hsinchu	189	6
	Other	13,051	384
Cathay Real Estate Development Co., Ltd.	Hsinyi District Base-D	3,749	110
	Tucheng Office Building	1,330	39
	Ban Ciao Building	2,357	69
	Hsinyi District Base-E	442	13
	Total	<u>\$1,092,117</u>	<u>\$32,130</u>

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Name	For the year ended December 31, 2004		
	Item	NT\$	US\$
San Ching Engineering Co., Ltd.	Hsinyi Oistrict Base-E	\$18,766	\$591
	Tainmu Jung Cheng-A	4,272	135
	Tainmu Jung Cheng-B	4,315	136
	Hsinyi District Base-D	20,338	641
	Ban Ciao Building	254,236	8,010
	Sheraton Taipei Hotel	57,234	1,803
	Cathay General Hospital	8,585	271
	Sainyang Building	30,033	946
	Cosmos Building	7,020	221
	Cathay Golden & Sliver Bldg	27,276	859
	Xi-Men Bldg	16,490	520
	Tainmu Shopping Mall-B	9,441	297
	Taipei Financial Center Building	5,528	174
	Li-Yuan Bldg	52,309	1,648
	Lin Yuan Bldg	510	16
	Tainmu Base-A	1,242	39
	Cathay Information Building	11,567	364
	Cathay Life Insurance Building	1,757	55
	Tucheng office Building	98,430	3,101
	Jhunan Building	11,192	353
Keelung Second Building	6,777	214	
Taitung Siwei Building	685	22	
Cathay Real Estate Development Co., Ltd.	Ban Ciao Building	3,340	105
	Hsinyi District Base-D	332	10
	Tucheng Office Building	116	4
Symphox Information Co., Ltd.	Hsinyi District Base-E	27,000	851
	Total	\$678,791	\$21,386

The total amount of contracted projects for real estate as of December 31, 2003 and 2004 between the Company and San Ching Engineering Co., Ltd. was NT\$10,361,754 (US\$304,847) and NT\$9,873,635 (US\$311,079), respectively.

- (B) The Company sold real estate to a related parties in the years ended December 31, 2003 and 2004 as follows:

The Company did not sell any real estate to its related parties for the year ended December 31, 2003.

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Name	Item	For the year ended December 31, 2004			
		Sales amount	Sales amount	Loss on disposal of assets	Loss on disposal of assets
		NT\$	US\$	NT\$	US\$
Cathay General Hospital	No.678 Sec.2 Chung-Hwa Rd. Hsinchu	\$1,520,000	\$47,889	\$(8,390)	\$(264)

(C) Real-estate rental income (from related parties) :

Name	Rental income			
	For the years ended December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
Cathay Financial Holding Co., Ltd.	\$7,816	\$230	\$7,816	\$246
Cathay Real Estate Development Co., Ltd.	28,092	826	21,568	680
Cathay United Bank	187,088	5,504	251,580	7,926
Cathay Century Insurance Co., Ltd.	50,462	1,485	53,395	1,682
Cathay General Hospital	166,271	4,892	134,315	4,232
San Ching Engineering Co., Ltd.	18,336	539	12,906	407
Symphox Information Co., Ltd.	29,008	853	24,390	769
Lin Yuan Investment Co., Ltd.	136	4	68	2
Cathay Securities Investment Trust Co., Ltd.	8,854	261	8,830	278
Cathay Securities Investments Co., Ltd.	4,140	122	4,136	130
Lin Yuan Property Management Co., Ltd.	437	13	434	14
KG Telecommunication Co., Ltd.	11,719	345	-	-
Cathay Securities Co., Ltd.	-	-	6,003	189
Cathay Capital Management Inc.	-	-	160	5
Total	\$512,359	\$15,074	\$525,601	\$16,560

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Name	Guarantee deposits received			
	December 31, 2003		December 31, 2004	
	NT\$	US\$	NT\$	US\$
Cathay Real Estate Development Co., Ltd.	\$12,386	\$364	\$4,286	\$135
Cathay United Bank	65,964	1,941	73,862	2,327
Cathay Century Insurance Co., Ltd.	13,078	385	13,657	430
Cathay General Hospital	2,339	69	2,354	74
San Ching Engineering Co., Ltd.	7,079	208	1,895	60
Symphox Information Co., Ltd.	1,421	42	1,394	44
Cathay Securities Investment Trust Co., Ltd.	2,144	63	2,738	86
Lin Yuan Property Management Co., Ltd.	49	1	49	1
KG Telecommunication Co., Ltd.	8,383	246	-	-
Cathay Securities Co., Ltd.	-	-	3,323	105
Lin Yuan Investment Co., Ltd.	16	1	16	1
Cathay Securities Investment Co., Ltd.	-	-	877	28
Cathay Capital Management Inc.	-	-	479	15
Total	\$112,859	\$3,320	\$104,930	\$3,306

Lease terms and collection of rental are governed by signed contracts, with lease terms generally 2 to 5 years. Rentals are collected monthly.

(D) Real-estate rental expense (to related parties) :

Name	Rental expense			
	For the years ended December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
Cathay Real Estate Development Co., Ltd.	\$30,300	\$891	\$29,582	\$932
Lin Yuan Investment Co., Ltd.	5,016	148	6,680	210
Total	\$35,316	\$1,039	\$36,262	\$1,142

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Name	Guarantee deposits paid			
	December 31, 2003		December 31, 2004	
	NT\$	US\$	NT\$	US\$
Cathay Real Estate Development Co., Ltd.	\$9,352	\$275	\$9,157	\$288
Lin Yuan Investment Co., Ltd.	1,650	49	1,650	52
Total	\$11,002	\$324	\$10,807	\$340

According to contracts, terms of leases with third parties generally were 3 years, and rents were paid monthly.

(E) Acquisition of property and equipment information:

Name	Item	For the years ended December 31,			
		2003		2004	
		NT\$	US\$	NT\$	US\$
Symphox Information Co., Ltd.	Communication and transportation equipment	\$1,560	\$46	\$-	\$-

B. Cash in banks

For the year ended December 31, 2003					
Name	Item	Maximum amount NT\$	Interest income NT\$	Rate	Ending balance NT\$
Cathay United Bank	Time deposit	\$13,393,550	\$67,409	0.75%~1.90%	\$8,768,550
	Cash in bank	21,650,859	1,101	0.00%~0.20%	4,188,598
Total			\$68,510		\$12,957,148

For the year ended December 31, 2003					
Name	Item	Maximum amount US\$	Interest income US\$	Rate	Ending balance US\$
Cathay united Bank	Time deposit	\$394,044	\$1,983	0.75%~1.90%	\$257,975
	Cash in bank	636,977	33	0.00%~0.20%	123,230
Total			\$2,016		\$381,205

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		For the year ended December 31, 2004			
Name	Item	Maximum amount NT\$	Interest income NT\$	Rate	Ending balance NT\$
Cathay United Bank	Time deposit	\$49,798,450	\$198,963	0.80%~2.50%	\$28,276,150
	Cash in bank	18,184,155	3,517	0.00%~0.60%	5,091,709
Total			<u>\$202,480</u>		<u>\$33,367,859</u>

		For the year ended December 31, 2004			
Name	Item	Maximum amount US\$	Interest income US\$	Rate	Ending balance US\$
Cathay United Bank	Time deposit	\$1,568,949	\$6,268	0.80%~2.50%	\$890,868
	Cash in bank	572,910	111	0.00%~0.60%	160,419
Total			<u>\$6,379</u>		<u>\$1,051,287</u>

C.Secured loans

		For the year ended December 31, 2003			
Name		Maximum amount NT\$	Interest income NT\$	Rate	Ending balance NT\$
Cathay General Hospital		<u>\$1,173,912</u>	<u>\$44,911</u>	3.50%~4.25%	<u>\$1,173,181</u>

		For the year ended December 31, 2003			
Name		Maximum amount US\$	Interest income US\$	Rate	Ending balance US\$
Cathay General Hospital		<u>\$34,537</u>	<u>\$1,321</u>	3.50%~4.25%	<u>\$34,515</u>

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For the year ended December 31, 2004				
Name	Maximum amount NT\$	Interest income NT\$	Rate	Ending balance NT\$
Cathay General Hospital	\$2,192,866	\$50,795	2.60%~3.50%	\$2,192,411

For the year ended December 31, 2004				
Name	Maximum amount US\$	Interest income US\$	Rate	Ending balance US\$
Cathay General Hospital	\$69,088	\$1,600	2.60%~3.50%	\$69,074

D. Beneficiary certificates:

		December 31,			
		2003		2004	
Name	Item	NT\$	US\$	NT\$	US\$
Cathay Securities Investment Trust Co., Ltd.	Cost	\$4,056,000	\$119,329	\$4,866,000	\$153,308
	Market value	4,041,834	118,912	4,866,388	153,320

E. Notes receivable-related parties

		December 31,			
		2003		2004	
Name		NT\$	US\$	NT\$	US\$
Notes receivable					
Cathay General Hospital		\$16,404	\$483	\$-	\$-
Cathay Century Insurance Co., Ltd.		15,873	467	-	-
Symphox Information Co., Ltd.		1,388	41	-	-
Cathay Securities Investment Co., Ltd.		76	2	-	-
Cathay Real Estate Development Co., Ltd.		475	14	-	-
Lin Yuan Property Management Co., Ltd.		9	-	-	-
Total		\$34,225	\$1,007	\$-	\$-

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F. Accounts receivable – related parties

Name	December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
Accounts receivable				
Cathay Century Insurance Co., Ltd.	\$-	\$-	\$62,522	\$1,970
Symphox Information Co., Ltd.	-	-	501	16
Cathay Real Estate Development co., Ltd.	-	-	287	9
Cathay Securities Investment Co., Ltd.	-	-	70	2
Cathay Futures Corp.	-	-	149	5
Cathay Insurance (Bermuda) Co., Ltd.	13,476	396	16,044	505
Total	<u>\$13,476</u>	<u>\$396</u>	<u>\$79,573</u>	<u>\$2,507</u>

G. Other receivable-tax refund receivable

Name	December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
Cathay Financial Holding Co., Ltd.	<u>\$-</u>	<u>\$-</u>	<u>\$409,990</u>	<u>\$12,917</u>

H. Accounts payable-related parties

Name	December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
Cathay Century Insurance Co., Ltd.	\$2,242	\$66	\$21,910	\$690
San Ching Engineering Co., Ltd.	189,660	5,580	42,028	1,324
Symphox Information Co., Ltd.	16,698	491	20,453	645
Lin Yuan Property Management Co., Ltd.	-	-	1	-
Cathay Real Estate Development Co., Ltd.	1,141	34	909	29
Total	<u>\$209,741</u>	<u>\$6,171</u>	<u>\$85,301</u>	<u>\$2,688</u>

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I. Other payable - tax payable

Name	December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
Cathay Financial Holding Co., Ltd.	\$25,282	\$744	\$-	\$-

J. Accounts collected in advance

Name	December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
Cathay Century Insurance Co., Ltd.	\$2,219	\$65	\$2,405	\$76
Other	284	9	491	15
Total	\$2,503	\$74	\$2,896	\$91

K. Prepayment

Name	December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
Symphox Information Co., Ltd.	\$21,758	\$640	\$8,159	\$257

L. Guarantee deposit paid

Name	December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
Cathay United Bank.	\$55,000	\$1,618	\$-	\$-

Guarantee deposit paid was the funds deposited with Cathay United Bank Co., Ltd.

M. Insurance income

Name	For the years ended December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
Cathay United Bank.	\$100,891	\$2,968	\$334,357	\$10,534
Cathay Financial Holding Co., Ltd.	-	-	511	16
Cathay Securities Co., Ltd.	-	-	292	9
Cathay Futures Co., Ltd.	1,835	54	2,214	70
	\$102,726	\$3,022	\$337,374	\$10,629

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N. Insurance expense

Name	For the years ended December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
Cathay Century Insurance Co., Ltd.	\$174,748	\$5,141	\$177,836	\$5,603

Insurance expenses are mainly insurance premium paid for property and equipment, cash, and public accident. Among the insurance expense, NT\$12,358 (US\$364) and NT\$10,757 (US\$339) were paid for employees' fidelity guarantee insurance for the nine months ended December 31, 2003 and 2004, respectively.

O. Indemnity income

Name	For the years ended December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
Cathay Century Insurance Co., Ltd.	\$17,559	\$517	\$15,767	\$497

Indemnity income mainly consists of claims on insured property and equipment, cash, and public accident. Among the claims received for the nine-month periods ended December 31, 2003 and 2004, NT\$12,201 (US\$359) and NT\$13,028 (US\$410), respectively, were the claims for employees' fidelity guarantee insurance.

P. Reinsurance income

Name	For the years ended December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
Cathay Insurance (Bermuda) Co., Ltd.	\$90,584	\$2,665	\$95,492	\$3,009

Cathay Insurance (Bermuda) Co., Ltd. started its reinsurance business on April 1, 2000 by assuming damage reinsurance policies from Reinsurance Group of America Incorporated and Central Reinsurance Corporation. Cathay Insurance (Bermuda) Co., Ltd. subsequently redirected 90% of such policies to the Company.

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Q. Reinsurance claims payment

Name	For the years ended December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
Cathay Insurance (Bermuda) Co., Ltd.	\$34,161	\$1,005	\$22,143	\$698

R. Reinsurance commission expense

Name	For the years ended December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
Cathay Insurance (Bermuda) Co., Ltd.	\$21,481	\$632	\$18,243	\$575

S. Reinsurance handling fee expense

Name	For the years ended December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
Cathay Insurance (Bermuda) Co., Ltd.	\$6,490	\$191	\$7,665	\$241

T. Miscellaneous income

Name	For the years ended December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
Cathay Century Insurance Co., Ltd.	\$309,840	\$9,116	\$485,733	\$15,303
Cathay United Bank	-	-	236,575	7,454
Cathay Securities Investment Trust Co., Ltd.	-	-	299	9
Cathay Futures Co., Ltd.	-	-	7,617	240
Total	\$309,840	\$9,116	\$730,224	\$23,006

The miscellaneous income was commission and cross-selling income received for fire and earthquake insurance bundled with loans to customers.

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U. Commissions expense

Name	For the years ended December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
Cathay Life Insurance Agent Co., Ltd.	\$119,060	\$3,503	\$287,969	\$9,073

V. Marketing expense

Name	For the years ended December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
Symphox Information Co., Ltd.	\$424,457	\$12,488	\$253,506	\$7,987

W. Administrative and general expense

Name	For the years ended December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
Lin Yuan Property Management Co., Ltd.	\$736,739	\$21,675	\$736,109	\$23,192
Cathay Securities Investment Co., Ltd.	39,375	1,159	52,500	1,654
San Ching Engineering Co., Ltd.	14,750	434	7,589	239
Cathay Real Estate Development Co., Ltd.	11,090	326	7,790	245
Total	\$801,954	\$23,594	\$803,988	\$25,330

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19. Pledged assets

As of December 31, 2003 and 2004, the Company provided time deposits as guarantees for the return of the deposits received from its real estate lessees, premiums of retrocede business, and as bonds placed with courts in legal proceedings. Further, pursuant to Article 141 of the Insurance Law, the Company is required to deposit long-term investment in bonds equal to 15% of its capital into the Central Bank as capital guaranteed deposits.

Item	December 31,			
	2003		2004	
	NT\$	US\$	NT\$	US\$
Long-term investment in bonds	\$7,937,998	\$233,539	\$8,090,599	\$254,902
Time deposits	878,750	25,853	338,907	10,678
Total	<u>\$8,816,748</u>	<u>\$259,392</u>	<u>\$8,429,506</u>	<u>\$265,580</u>

20. Other important matters and contingent liabilities

Letters of credit issued by the Company for the retrocede business amounted to US\$0 and US\$1,250 as of December 31, 2003 and 2004, respectively.

21. Serious damages

None.

22. Subsequent events

On January 26, 2005, the Company acquired the five-year series A Preferred 100,000,000 shares of Stock of Chi Mei Corporation, which is subject to a three-year unnegotiable restriction, at a price of NT\$100 per share.

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23. Other important events

(1) Pension related information

A. With respect to the accounting for pensions, the Company calculated the pension amount based on minimum pension liability and net periodic pension cost. As of December 31, 2003 and 2004, the company has contributed NT\$293,280 (US\$8,628) and NT\$296,249 (US\$9,334) to the pension fund, respectively.

B. Pension funded status:

	For the years ended December 31,			
	2003	2003	2004	2004
	NT\$	US\$	NT\$	US\$
(1) Vested benefit obligation	\$(5,406,316)	\$(159,056)	\$(5,712,528)	\$(179,979)
(2) Non-vested benefit obligation	(3,898,071)	(114,683)	(3,073,193)	(96,824)
(3) Accumulated benefit obligation	(9,304,387)	(273,739)	(8,785,721)	(276,803)
(4) Additional benefits based on future salaries	(2,163,173)	(63,641)	(2,059,182)	(64,877)
(5) Projected benefit obligation	(11,467,560)	(337,380)	(10,844,903)	(341,680)
(6) Vested benefit	(7,902,437)	(232,493)	(7,980,112)	(251,421)
(7) Fair value of plan assets	10,092,972	296,939	12,042,436	379,409
(8) Funded status = (5) + (7)	(1,374,588)	(40,441)	1,197,533	37,729
(9) Unrecognized transitional net benefit obligation (net assets)	(2,650,892)	(77,990)	(2,272,193)	(71,588)
(10) Unrecognized prior service cost	413,867	12,176	362,134	11,409
(11) Unrecognized pension gain and loss	2,879,122	84,705	(715,184)	(22,532)
(12) Additional accrued pension liability	-	-	-	-
(13) Accrued pension liability / prepaid pension cost				
= (8) + (9) + (10) + (11) + (12)	<u>\$(732,491)</u>	<u>\$(21,550)</u>	<u>\$(1,427,710)</u>	<u>\$(44,982)</u>

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C. Actuarial assumptions

	For the years ended December 31,	
	2003	2004
(1) Discount rate	3.50%	3.00%
(2) Rate of increase in future salaries	3.00%	3.00%
(3) Expected return on pension plan Assets	3.50%	3.00%

(2) Financial instruments related information

A. Derivative financial instruments related information

(A) Purpose

As of December 31, 2004, the Company held the following derivative financial instruments: futures contracts, forward foreign exchange contracts and interest rate swaps. Futures contracts are entered into to hedge against risks of stock price fluctuations; forward contracts are entered into to hedge against risks of foreign currency and exchange rate fluctuations; interest rate swaps are entered into to hedge against risk of interest rate fluctuations. None of them was for trading purposes.

(B) Credit and market risks

The counterparties for all of the Company's futures contracts, forward foreign exchange contracts, and interest rate swaps are international financial organization with superior credit ratings. In addition, the Company worked with several other financial institutions to diversify its risks. The Company believes that the possibility of a breach of contract was quite low. Moreover, if there is a breach, the Company believes that it would not encounter major loss due to the nature of the investments. Further, the Company was exposed to various exchange rate risks but the possible loss can be balanced out by gain/loss from hedging transactions.

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(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.

(D) Product type and condition

a. Futures

All futures transaction had offset on December 31, 2003.

Item	Transaction type	December 31, 2004		
		Lot	Contract amount	Net loss of fair value estimated
Overseas stock futures	Selling out	310	NT\$1,063,432 US\$33,504	NT\$(42,841) US\$(1,350)
Overseas bonds futures	Selling out	1,120	NT\$3,908,581 US\$123,144	NT\$(6,837) US\$(215)
Taiwan weighted stock index futures	Selling out	100	NT\$118,998 US\$3,749	NT\$(4,762) US\$(150)

b. Forward and CCS contracts

(a) Receivables and payables resulting from forward foreign exchange contracts are offset against each other. The differences between receivables and payables are recorded as assets or liabilities.

(b) As of December 31, 2003 and 2004, the Company had forward foreign exchange contracts of approximately US\$12,376,800 and US\$15,036,800, respectively, in notional value.

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The forward foreign exchange contracts as of December 31, 2003, were due between January 3, 2003 and January 2, 2004. In addition, the forward exchange contracts as of December 31, 2004, were due between January 5, 2005 and December 13, 2005.

Item	Contract amount	December 31, 2003			
		Fair value		Due value	
		NT\$	US\$	NT\$	US\$
Forward					
& CCS	US\$12,376,800	\$420,160,422	\$12,361,295	\$422,574,293	\$12,432,312

Item	Contract amount	December 31, 2004			
		Fair value		Due value	
		NT\$	US\$	NT\$	US\$
Forward					
& CCS	US\$15,036,800	\$480,851,885	\$15,149,713	\$497,959,345	\$15,688,700

The above-mentioned forward foreign exchange contracts hedge against risks associated with net assets exchange rate fluctuations for the following short-term investment.

Net assets	December 31,	
	2003	2004
Short-term investment	US\$12,376,800	US\$15,036,800

Losses on the forward foreign exchange and currency swap contracts were NT\$966,356 (US\$28,431) and NT\$1,111,561 (US\$35,021), respectively, for the years ended December 31, 2003 and 2004.

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c. Interest rate swap agreement (IRS)

The IRS agreements of the Company as of December 31, 2004 are set forth below:

Category	Currency	Period	Amount
IRS	NTD	2002.09.03~2014.11.29	NT\$ 48,284,212 US\$1,521,242

d. Option

No option transactions were outstanding on December 31, 2003.

Item	Transaction type	December 31, 2004		
		Lot	Contract amount	Net loss of fair value estimated
Taiwan weighted stock index futures	Call Option & Put Option	4,268	NT\$ 1,263,225 US\$ 39,799	NT\$(13,436) (423)

B. Non-derivative financial instruments related information:

Except for the items listed in the following table, the carrying amounts of non-derivative financial instruments as of December 31, 2003 and 2004, were the same as their estimated fair value:

Item	December 31, 2003			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Assets</u>				
Cash and cash equivalents	\$110,832,510	\$110,832,510	\$3,260,739	\$3,260,739
Receivables	15,303,963	15,303,963	450,249	450,249
Short-term investments	394,517,196	403,809,617	11,606,861	11,880,248
Long-term investments in stocks	46,503,798	48,299,920	1,368,161	1,421,004
Guarantee deposits paid	1,176,827	1,176,827	34,623	34,623
Securities serving as deposits paid-bonds	7,937,998	7,937,998	233,539	233,539
<u>Liabilities</u>				
Payables	211,344	211,344	6,218	6,218
Guarantee deposits revived	1,327,385	1,327,385	39,052	39,052

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Item	December 31, 2004			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Assets</u>				
Cash and cash equivalents	\$219,409,605	\$219,409,605	\$6,912,716	\$6,912,716
Receivables	12,440,233	12,440,233	391,942	391,942
Short-term investments	308,494,073	320,778,412	9,719,410	10,106,440
Long-term investments in stocks	14,242,385	14,220,032	448,721	448,016
Guarantee deposits paid	1,221,763	1,221,763	38,493	38,493
Securities serving as deposits paid-bonds	8,090,599	8,090,599	254,902	254,902
<u>Liabilities</u>				
Payables	87,250	87,250	2,749	2,749
Guarantee deposits received	1,647,431	1,647,431	51,904	51,904

The methods and assumptions used to estimate the fair values of the financial instruments are as follows:

- ① The fair value of the Company's short-term financial instruments is based on the carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash, cash equivalents, receivables and payables.
- ② The fair value of the guarantee deposits paid and guarantee deposits received is based on the carrying amount.
- ③ The fair value of the Company's short-term investments and long-term investments is based on market prices at the reporting date if market prices are available. The fair value of the Company's long-term investments is based on relevant financial or any other information if market prices are not available.

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(3) Discretionary account management

Item	December 31, 2003			
	Book value		Fair value	
	NT\$	US\$	NT\$	US\$
Listed stocks	\$2,213,351	\$65,118	\$2,247,032	\$66,109
Repurchase bonds	6,197,247	182,326	6,198,381	182,359
Short-term securities	250,024	7,356	250,081	7,357
Convertible bonds	497,528	14,638	533,182	15,686
Bonds	1,890,603	55,622	1,885,500	55,473
Cash in banks	295,962	8,707	295,962	8,707
Net other assets less liabilities	(163,411)	(4,808)	(163,411)	(4,808)
Total	<u>\$11,181,304</u>	<u>\$328,959</u>	<u>\$11,246,727</u>	<u>\$330,883</u>

Item	December 31, 2004			
	Book value		Fair value	
	NT\$	US\$	NT\$	US\$
Listed stocks	\$1,835,044	\$57,815	\$1,865,982	\$58,789
Repurchase bonds	4,927,808	155,255	4,928,799	155,287
Convertible bonds	190,292	5,995	172,244	5,427
Convertible bonds	3,640,806	114,707	3,706,615	116,780
Cash in bank	339,800	10,706	339,800	10,706
Net other assets less liabilities	(34,318)	(1,081)	(34,318)	(1,081)
Total	<u>\$10,899,432</u>	<u>\$343,397</u>	<u>\$10,979,122</u>	<u>\$345,908</u>

As of December 31, 2003 and 2004, the Company had discretionary account management contracts in the amount of NT\$10,300,000 (US\$303,030) and NT\$10,050,000 (US\$316,635), respectively.

(4) Material contract:

None

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(5) 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.

(6) Other:

None

24. Information regarding investment in Mainland China

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

25. Segment Information

None