

Cathay Century Insurance Co., Ltd.
Financial statements
Together with
Review report
As of March 31, 2004 and 2005

Name of the company: Cathay Century Insurance Co., Ltd.
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Index to financial statements

| | <u>Page</u> |
|--|-------------|
| Review report of independent accountants | 2 |
| Unaudited balance sheets as of March 31, 2004 and 2005 | 3-4 |
| Unaudited statements of income for the three months ended March 31, 2004 and 2005 | 5 |
| Unaudited statements of changes in stockholders' equity for the three months ended March 31, 2004 and 2005 | 6 |
| Unaudited statements of cash flows for the three months ended March 31, 2004 and 2005 | 7-8 |
| Notes to unaudited Financial Statements | 9-39 |

English Translation of Review Report Originally Issued in Chinese
Review report of independent accountants

Board of Directors
Cathay Century Insurance Co., Ltd.

We have reviewed the accompanying balance sheet of Cathay Century Insurance Co., Ltd. (the “Company”) as of March 31, 2005, and the related statements of income, changes in stockholders’ equity, and cash flows for the three-month period then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to issue a review report based on our review. The Company’s statements as of and for the three-month period ended March 31, 2004 were reviewed by other auditors whose report, date April 13, 2004 expressed a standard unqualified review report.

We conducted our reviews in accordance with generally accepted auditing standards No. 36 “Review of Financial Statements” in the Republic of China. A review of interim financial information consists principally of applying analytical review procedures to financial data, and making inquires of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the financial statements as of and for the three-month period ended March 31, 2005 in order for them to be in conformity with “Guidelines Governing the Preparation of Financial Reports by Property and Casualty Insurance”, “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
Republic of China
April 18, 2005

Notice to Readers:

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Unaudited balance sheets

As of March 31, 2004 and 2005

(Expressed in thousands of dollars)

| Assets | Notes | March 31, 2004 | | March 31, 2005 | |
|--|-------|---------------------|------------------|---------------------|------------------|
| | | NTS | US\$ | NTS | US\$ |
| Current assets | | | | | |
| Cash and cash equivalents | 2,4 | \$4,091,290 | \$123,978 | \$2,997,129 | \$95,268 |
| Short-term investments | 2,5 | 2,106,033 | 63,819 | 2,653,426 | 84,343 |
| Notes receivable | 2 | 146,556 | 4,441 | 135,800 | 4,316 |
| Interests receivable | | 26,108 | 791 | 27,837 | 885 |
| Premiums receivable | 2,6 | 718,297 | 21,767 | 942,318 | 29,953 |
| Claims recoverable from reinsurers | 2 | 171,785 | 5,206 | 180,286 | 5,731 |
| Due from reinsurers and ceding companies | | 113,205 | 3,430 | 29,622 | 941 |
| Other accounts receivable | 2 | 119,750 | 3,629 | 81,816 | 2,601 |
| Deferred income tax assets - current | 2,15 | 51,152 | 1,550 | 39,179 | 1,245 |
| Prepayments | | 2,383 | 72 | 2,640 | 84 |
| Subtotal | | 7,546,559 | 228,683 | 7,090,053 | 225,367 |
| Exchange bills negotiated, discounted and loans | | | | | |
| Short-term secured loans | 2,7 | - | - | 15,253 | 485 |
| Medium-term secured loans | | 408,548 | 12,380 | 656,062 | 20,854 |
| Long-term secured loans | | 367,597 | 11,139 | 429,576 | 13,655 |
| Subtotal | | 776,145 | 23,519 | 1,100,891 | 34,994 |
| Funds, long-term investments and receivable | | | | | |
| Long-term investments in stocks | 2,8 | | | | |
| Under the equity method | | 234,968 | 7,120 | 230,984 | 7,342 |
| Under the cost method | | 165,780 | 5,024 | 83,796 | 2,664 |
| Long-term investments in bonds | | 1,786,453 | 54,135 | 2,890,447 | 91,877 |
| Subtotal | | 2,187,201 | 66,279 | 3,205,227 | 101,883 |
| Property and equipment | | | | | |
| Communication and transportation equipment | 2,9 | 18,234 | 553 | 19,660 | 625 |
| Other equipment | | 149,855 | 4,541 | 171,321 | 5,446 |
| Subtotal | | 168,089 | 5,094 | 190,981 | 6,071 |
| Less: Accumulated depreciation | | (115,613) | (3,503) | (134,476) | (4,275) |
| Prepayments for equipment | | - | - | 2,520 | 80 |
| Subtotal | | 52,476 | 1,591 | 59,025 | 1,876 |
| Intangible assets | | | | | |
| Computer software cost | 2 | 9,582 | 290 | 13,251 | 421 |
| Subtotal | | 9,582 | 290 | 13,251 | 421 |
| Other assets | | | | | |
| Guarantee deposits paid | | 16,815 | 510 | 17,922 | 570 |
| Overdue receivables | 2 | 64,056 | 1,941 | 178,430 | 5,672 |
| Temporary payments and suspense accounts | | 16,088 | 487 | 5,920 | 188 |
| Securities serving as deposits paid-bonds | 10,18 | 359,058 | 10,881 | 361,232 | 11,482 |
| Funds held by ceding companies | | 8 | - | 8 | - |
| Deferred pension cost | | 6,059 | 184 | 6,303 | 200 |
| Deferred income tax assets- noncurrent | 2,15 | 14 | - | - | - |
| Subtotal | | 462,098 | 14,003 | 569,815 | 18,112 |
| Total assets | | \$11,034,061 | \$334,365 | \$12,038,262 | \$382,653 |

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2004 and 2005 were NT\$33.00 and NT\$31.46 to US\$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.
Unaudited balance sheets - (Continued)
As of March 31, 2004 and 2005
(Expressed in thousands of dollars)

| Liabilities & stockholders' equity | Notes | March 31, 2004 | | March 31, 2005 | |
|---|-------|---------------------|------------------|---------------------|------------------|
| | | NTS | US\$ | NTS | US\$ |
| Current liabilities | | | | | |
| Collections for others | | \$6,790 | \$206 | \$4,890 | \$155 |
| Accrued expenses | | 155,522 | 4,713 | 149,158 | 4,741 |
| Commissions payable | | 3,818 | 116 | 4,234 | 135 |
| Claims outstanding | | 2,383 | 72 | 789 | 25 |
| Due to reinsurers and ceding companies | | 168,806 | 5,115 | 261,623 | 8,316 |
| Other payables | | 502,150 | 15,216 | 717,181 | 22,797 |
| Subtotal | | <u>839,469</u> | <u>25,438</u> | <u>1,137,875</u> | <u>36,169</u> |
| Long-term liabilities | | | | | |
| Accrued pension liabilities | | 8,966 | 272 | 9,450 | 300 |
| Subtotal | | <u>8,966</u> | <u>272</u> | <u>9,450</u> | <u>300</u> |
| Other liabilities | | | | | |
| Unearned premiums reserve | 2,11 | 3,774,238 | 114,371 | 4,167,471 | 132,469 |
| Special reserve | 2,11 | 2,351,670 | 71,263 | 2,666,127 | 84,747 |
| Claims reserve | 2,11 | 619,699 | 18,779 | 643,422 | 20,452 |
| Temporary receipts and suspense accounts | | 64,716 | 1,961 | 45,158 | 1,435 |
| Funds held for reinsurers | | 185 | 5 | 185 | 6 |
| Subtotal | | <u>6,810,508</u> | <u>206,379</u> | <u>7,522,363</u> | <u>239,109</u> |
| Total liabilities | | <u>7,658,943</u> | <u>232,089</u> | <u>8,669,688</u> | <u>275,578</u> |
| Stockholders' equity | | | | | |
| Capital stock | | | | | |
| Common stock | 12 | 2,317,006 | 70,212 | 2,317,006 | 73,649 |
| Capital surplus | | 430 | 13 | 2,021 | 64 |
| Retained earnings | | | | | |
| Legal reserve | 13 | 161,475 | 4,893 | 220,741 | 7,017 |
| Unappropriated retained earnings | | 894,920 | 27,119 | 829,271 | 26,360 |
| Equity adjustment | | | | | |
| Cumulative conversion adjustments | | 1,287 | 39 | (465) | (15) |
| Total stockholders' equity | | <u>3,375,118</u> | <u>102,276</u> | <u>3,368,574</u> | <u>107,075</u> |
| Total liabilities and stockholders' equity | | <u>\$11,034,061</u> | <u>\$334,365</u> | <u>\$12,038,262</u> | <u>\$382,653</u> |

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2004 and 2005 were NT\$33.00 and NT\$31.46 to US\$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Unaudited statements of income

For the three months ended March 31, 2004 and 2005

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

| Items | Notes | 2004 | | 2005 | |
|---|-------|-------------|-----------|-------------|-----------|
| | | NTS | US\$ | NTS | US\$ |
| Operating revenues | 2 | | | | |
| Premiums income | | \$2,098,235 | \$63,583 | \$2,210,995 | \$70,280 |
| Reinsurance commission earned | | 84,571 | 2,563 | 115,819 | 3,682 |
| Claims recovered from reinsurers | | 259,218 | 7,855 | 239,444 | 7,611 |
| Recovered unearned premiums reserve | | 3,601,016 | 109,122 | 4,031,204 | 128,137 |
| Recovered special claim reserve | | 18,187 | 551 | 24,628 | 783 |
| Recovered claims reserve | | 10,173 | 308 | 12,213 | 388 |
| Handling fee earned | | 10 | - | 14 | - |
| Interest income | | 50,416 | 1,528 | 60,456 | 1,922 |
| Gain on trading bills and securities | | 113,030 | 3,425 | 9,872 | 314 |
| Gain on long-term equity investment | | 76 | 2 | 12,750 | 405 |
| Subtotal | | 6,234,932 | 188,937 | 6,717,395 | 213,522 |
| Operating costs | 2 | | | | |
| Reinsurance premiums ceded | | (760,330) | (23,040) | (767,277) | (24,389) |
| Commissions expenses | | (27,365) | (829) | (34,762) | (1,105) |
| Insurance claims payment | | (765,367) | (23,193) | (893,965) | (28,416) |
| Provision for unearned premiums reserve | | (3,774,238) | (114,371) | (4,167,471) | (132,469) |
| Provision for special claim reserve | | (107,090) | (3,246) | (120,301) | (3,824) |
| Contribution to the stabilization funds | | (3,999) | (121) | (4,158) | (132) |
| Provision for claims reserve | | (12,213) | (370) | (14,027) | (446) |
| Handling fee paid | | (60,366) | (1,829) | (51,650) | (1,642) |
| Agent expenses | | (770) | (23) | (70) | (2) |
| Subtotal | | (5,511,738) | (167,022) | (6,053,681) | (192,425) |
| Operating gross profit | | 723,194 | 21,915 | 663,714 | 21,097 |
| Operating expenses | 2 | | | | |
| Marketing expenses | | (305,382) | (9,254) | (346,991) | (11,030) |
| Administrative and general expenses | | (58,744) | (1,780) | (64,600) | (2,053) |
| Operating income | | 359,068 | 10,881 | 252,123 | 8,014 |
| Non-operating revenues | | | | | |
| Gain on foreign exchange | | 79 | 2 | 344 | 11 |
| Gain on disposal of property and equipment | | 184 | 6 | 247 | 8 |
| Miscellaneous income | | 12,308 | 373 | 3,188 | 101 |
| Subtotal | | 12,571 | 381 | 3,779 | 120 |
| Non-operating expenses | | | | | |
| Loss on foreign exchange | | (6,122) | (186) | (11,849) | (376) |
| Loss on disposal of property and equipment | | - | - | (4) | - |
| Miscellaneous expense | | - | - | (1) | - |
| Subtotal | | (6,122) | (186) | (11,854) | (376) |
| Income from continuing operations before income taxes | | 365,517 | 11,076 | 244,048 | 7,758 |
| Income taxes | 2,15 | (63,257) | (1,917) | (55,394) | (1,761) |
| Net income | | \$302,260 | \$9,159 | \$188,654 | \$5,997 |
| Earning per share (In dollars) | | | | | |
| Income before income taxes | 16 | \$1.58 | \$0.05 | \$1.05 | \$0.03 |
| Net income | 16 | \$1.30 | \$0.04 | \$0.81 | \$0.03 |

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2004 and 2005 were NT\$33.00 and NT\$31.46 to US\$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Unaudited statements of changes in stockholders' equity

For the three months ended March 31, 2004 and 2005

(Expressed in thousands of dollars)

| Summary | Capital stock | | Capital surplus | | Retained earnings | | | | Cumulative | | Total | |
|--|--------------------|-----------------|-----------------|-------------|-------------------|----------------|------------------|-----------------|------------------------|---------------|--------------------|------------------|
| | Common stock | | | | Legal reserve | | Unappropriated | | conversion adjustments | | | |
| | NT\$ | US\$ | NT\$ | US\$ | NT\$ | US\$ | NT\$ | US\$ | NT\$ | US\$ | NT\$ | US\$ |
| Balance on January 1, 2004 | \$2,317,006 | \$70,212 | \$430 | \$13 | \$161,475 | \$4,893 | \$592,660 | \$17,960 | \$1,287 | \$39 | \$3,072,858 | \$93,117 |
| Appropriations and distributions for 2003 | | | | | | | | | | | | |
| Net Income for the three months ended March 31, 2004 | | | | | | | 302,260 | 9,159 | | | 302,260 | 9,159 |
| Balance on March 31, 2004 | <u>\$2,317,006</u> | <u>\$70,212</u> | <u>\$430</u> | <u>\$13</u> | <u>\$161,475</u> | <u>\$4,893</u> | <u>\$894,920</u> | <u>\$27,119</u> | <u>\$1,287</u> | <u>\$39</u> | <u>\$3,375,118</u> | <u>\$102,276</u> |
| Balance on January 1, 2005 | \$2,317,006 | \$73,649 | \$1,909 | \$60 | \$220,741 | \$7,017 | \$640,617 | \$20,363 | (\$148) | (\$5) | \$3,180,125 | \$101,084 |
| Appropriations and distributions for 2004 | | | | | | | | | | | | |
| Capital surplus- long-term equity investment | | | 112 | 4 | | | | | | | 112 | 4 |
| Cumulative conversion adjustments | | | | | | | | | (317) | (\$10) | (317) | (10) |
| Net Income for the year ended March 31, 2005 | | | | | | | 188,654 | 5,997 | | | 188,654 | 5,997 |
| Balance on March 31, 2005 | <u>\$2,317,006</u> | <u>\$73,649</u> | <u>\$2,021</u> | <u>\$64</u> | <u>\$220,741</u> | <u>\$7,017</u> | <u>\$829,271</u> | <u>\$26,360</u> | <u>(\$465)</u> | <u>(\$15)</u> | <u>\$3,368,574</u> | <u>\$107,075</u> |

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2004 and 2005 were NT\$33.00 and NT\$31.46 to US\$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Unaudited statements of cash flows

For the three months ended March 31, 2004 and 2005

(Expressed in thousands of dollars)

| Items | Notes | 2004 | | 2005 | |
|---|-------|-------------|-----------|-------------|-----------|
| | | NT\$ | US\$ | NT\$ | US\$ |
| Cash flows from operating activities | | | | | |
| Net income | | \$302,260 | \$9,159 | \$188,654 | \$5,997 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | | | |
| Amortization | | 1,000 | 30 | 1,790 | 57 |
| Depreciation | | 4,829 | 146 | 5,846 | 186 |
| Provision for reserve for operations | | 3,893,541 | 117,986 | 4,301,799 | 136,739 |
| Recovered unearned premiums reserve | | (3,601,016) | (109,122) | (4,031,204) | (128,137) |
| Recovered special claim reserve | | (18,187) | (551) | (24,628) | (783) |
| Recovered claims reserve | | (10,173) | (308) | (12,213) | (388) |
| Loss on disposal of property and equipment | | - | - | 4 | - |
| Gain on disposal of property and equipment | | (184) | (6) | (247) | (8) |
| Smaller (excess) of cash dividends received | | (76) | (2) | (12,750) | (405) |
| Effects of exchange rate changes | | 6,042 | 183 | 11,505 | 366 |
| Increase in short-term investments | | (40,930) | (1,240) | (205,050) | (6,518) |
| Decrease in notes receivable | | 41,758 | 1,265 | 5,135 | 163 |
| Decrease (increase) in interests receivable | | 190 | 6 | (7,274) | (231) |
| Increase in premiums receivable | | (194,477) | (5,893) | (4,306) | (137) |
| Decrease in claims recoverable from reinsurers | | 37,350 | 1,132 | 72,683 | 2,310 |
| Decrease in due from reinsurers and ceding companies | | 73,987 | 2,242 | 12,329 | 392 |
| Increase in other accounts receivable | | (96,320) | (2,919) | (964) | (31) |
| Decrease in prepayments | | 180 | 6 | 176 | 6 |
| Decrease in deferred income tax assets-current | | 507 | 15 | 594 | 19 |
| Increase in overdue receivables | | (44,709) | (1,355) | (97,766) | (3,108) |
| (Increase) decrease in temporary payments and suspense accounts | | (1,169) | (35) | 1,117 | 35 |
| Increase (decrease) in collections for others | | 1,899 | 58 | (1,268) | (40) |
| Decrease in accrued expenses | | (79,524) | (2,410) | (119,752) | (3,807) |
| (Decrease) increase in commissions payable | | (117) | (3) | 2,397 | 76 |
| Decrease dividend and bonus payable | | (1,441) | (44) | (7,887) | (251) |
| (Decrease) increase in claims outstanding | | (2,354) | (71) | 157 | 5 |
| Increase in other payables | | 76,205 | 2,309 | 38,598 | 1,227 |
| Increase in accrued pension liabilities | | 382 | 12 | 241 | 8 |
| Increase in temporary receipts and suspense accounts | | 47,883 | 1,451 | 13,124 | 417 |
| Increase in claims reserve | | 32,351 | 980 | 7,436 | 236 |
| Net cash provided by (used in) operating activities | | 429,687 | 13,021 | 138,276 | 4,395 |

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2004 and 2005 were NT\$33.00 and NT\$31.46 to US\$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Unaudited statements of cash flows-(Continued)

For the three months ended March 31, 2004 and 2005

(Expressed in thousands of dollars)

| Items | Notes | 2004 | | 2005 | |
|--|-------|-------------|-----------|-------------|----------|
| | | NT\$ | US\$ | NT\$ | US\$ |
| Cash flows from investing activities | | | | | |
| Increase in short-term secured loans | | - | - | (17,000) | (540) |
| Decrease (increase) in medium-term secured loans | | 74 | 2 | (262,827) | (8,354) |
| Increase in long-term secured loans | | (1,902) | (58) | (19,180) | (610) |
| Disposal of long-term investments in stocks | | 33,600 | 1,018 | - | - |
| Decrease (increase) in long-term investments in bonds | | 49,825 | 1,510 | (612,906) | (19,482) |
| Disposal of property and equipment | | 503 | 15 | 1,104 | 35 |
| Acquisition of property and equipment | | (2,118) | (64) | (730) | (23) |
| Acquisition of intangible assets | | (3,321) | (100) | (22) | (1) |
| Decrease (increase) in guarantee deposits paid | | 7 | - | (31) | (1) |
| Decrease (increase) in securities serving as deposits paid-bonds | | 1,226 | 37 | (1,295) | (41) |
| Decrease in funds held by ceding companies | | 99 | 3 | - | - |
| Net cash provided by (used in) investing activities | | 77,993 | 2,363 | (912,887) | (29,017) |
| Cash flows from financing activities | | | | | |
| Decrease in funds held for reinsurers | | (99) | (3) | - | - |
| Net cash provided by (used in) financing activities | | (99) | (3) | - | - |
| Effects of exchange rate changes | | (6,042) | (183) | (11,505) | (366) |
| Increase (decrease) in cash and cash equivalents | | 501,539 | 15,198 | (786,116) | (24,988) |
| Cash and cash equivalents at the beginning of period | | 3,589,751 | 108,780 | 3,783,245 | 120,256 |
| Cash and cash equivalents at the end of period | | \$4,091,290 | \$123,978 | \$2,997,129 | \$95,268 |
| Supplemental disclosure of cash flows information | | | | | |
| Income tax paid | | \$8,059 | \$244 | \$2,790 | \$89 |

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2004 and 2005 were NT\$33.00 and NT\$31.46 to US\$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Notes to unaudited financial statements

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

As of March 31, 2004 and 2005

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 Property and Casualty Insurance”. If there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese language financial statements shall prevail.

1. Organization and business scope

Cathay Century Insurance Co., Ltd. (the “Company”) was incorporated in Taiwan on July 19, 1993, under the provisions of the Company Law (the “Company Law”) of the Republic of China (“ROC”). The Company mainly engaged in the business of property and casualty insurance. On April 22, 2002, the Company became a subsidiary of Cathay Financial Holding Co., Ltd. by adopting the stock conversion method under the ROC Financial Holding Company Act (“Financial Holding Company Act”) and other pertinent laws of the ROC. On August 2, 2002, the Company officially changed its name from “Tong-Tai Insurance Co., Ltd.” to “Cathay Century Insurance Co., Ltd.”.

As of March 31, 2004 and 2005, the total numbers of employees were 832 and 870, respectively.

2. Summary of significant accounting policies

We prepared the financial statement, 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 Property and Casualty Insurance”. Summary of significant accounting policies as follows:

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

Current assets are assets which can be liquidated or disposed 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.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Notes to unaudited financial statements (continued)

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

As of March 31, 2004 and 2005

(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.

(3) Short-term investments

Marketable equity securities are stated at the lower of cost or market value. Stock dividends are not treated as an increase in the number of shares, not as investment income. The cost of marketable equity securities sold is determined by the weighted-average cost method.

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

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

Bonds and convertible bonds are recorded at the lower of cost or market value. The cost of these bonds sold is determined by the specific identification method.

The ROC Statement of Financial Accounting Standards (“SFAS”) No. 30 “Treasury stock” considers parent company stock held by a subsidiary to be treasury stock of the consolidated entity. Parent stock held by subsidiary is stated individually at the lower of aggregate cost or market value.

(4) Allowance for bad and doubtful debts

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Notes to unaudited financial statements (continued)

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

As of March 31, 2004 and 2005

(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 over which the Company lacks significant operational influence are stated at the lower of cost or market value. Unrealized loss thereon is reflected as a reduction of shareholders' equity. Long-term investments in unlisted companies, in which the Company's ownership interest accounted for less than 20% of the common stock, are stated at cost. However, when there is evidence showing that a decline in market value of such investment is not temporary and is already less than cost, the market value becomes the new cost basis and the difference is accounted for as if it were a realized loss, and included in the determination of net income. Stock dividends are not recognized as income but treated as an increase in the number of shares held. Upon sales of long-term 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. According to the ROC SFAS No.23, "Interim Financial Reporting and Disclosures", the equity method is not required where the Company's first quarter interim financial statements are prepared for a holding interest of between 20% and 50% on a consistent basis.

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 should be accounted for at cost, and any premium or discount should be amortized based on a reasonable and systematic basis.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Notes to unaudited financial statements (continued)

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

As of March 31, 2004 and 2005

(6) Property and equipment

Property and equipment are carried at cost. Improvements and major renovation of properties are capitalized, while repairs and maintenances are expensed currently. Upon the sale or disposal of property and equipment, the related cost and accumulated depreciation and accumulated impairment are eliminated. Gain or loss resulting from such sale or disposal is classified as non-operating gain or loss. Depreciation on depreciable assets is calculated on a straight-line method over the estimated service lives prescribed by the “Estimated Useful Life of Fixed Assets Table” published by the ROC Executive Yuan (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.

(7) Intangible assets

“Computer software cost” are stated at cost and amortized over three years on the straight-line method.

(8) Accounting for Asset Impairment

Pursuant to SFAS No. 35, the Company assesses indicators for impairment for all its assets within the scope of SFAS No. 35 at each balance sheet date. If impairment indicators exist, the Company shall then compare the carrying amount with the recoverable amount of the assets or the cash-generating unit (“CGU”) and write down the carrying amount to the recoverable amount where applicable. Recoverable amount is defined as the higher of fair values less costs to sell and the values in use.

For previously recognized losses, the Company shall assess, at each balance sheet date, whether there is any indication that the impairment loss may no longer exist or may have decreased. If there is any such indication, the Company has to recalculate the recoverable amount of the asset. If the recoverable amount increases as a result of the increase in the estimated service potential of the assets, the Company shall reverse the impairment loss to the extent that the carrying amount after the reversal would not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the assets in prior years.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Notes to unaudited financial statements (continued)

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

As of March 31, 2004 and 2005

In addition, a goodwill-allocated CGU or group of CGUs is tested for impairment at the same time each year, regardless of whether an impairment indicator exists. Any impairment loss is recognized to reduce the carrying amount of the assets of the CGU or the group of CGUs in the following order:

- (a) first, to reduce the carrying amount of any goodwill allocated to the CGU or group of CGUs; and
- (b) if the goodwill has been written off, to reduce the other assets of the CGU or group of CGUs pro rate to their carrying amount.

The write-down in goodwill cannot be reversed under any circumstances in subsequent periods. Impairment loss (reversal) is classified as non-operating losses/(income).

(9) Reserve for operations

Reserves for operations are organized according to the Insurance Law. These reserves include unearned premiums reserve, claims reserve and special claim reserve. The actuary provides the figures of such reserves in the financial statements.

(10) Premiums income

Direct premiums are recognized on the date when the policies became effective. Policy related expenses are recognized when incurred.

Reinsurance premiums and reinsurance commission expenses are recognized upon the assumption of reinsurance. Claim expenses for assumed reinsurance policies are recognized upon notification that claim payments are due. Adjustments are made at year-end based on past experience.

(11) Contribution to the stabilization funds

The Company makes a monthly contribution from gross premiums to the stabilization funds and deposits it in “Property Insurance Stabilization Fund Committees”. It is reported as “Contribution to the stabilization funds” in income statements.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Notes to unaudited financial statements (continued)

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

As of March 31, 2004 and 2005

(12) Pension plan

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

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

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

(13) Securities serving as deposits paid-bonds

According to Article 141 of the Insurance Law of the ROC, an amount equal to 15% of the Company's capital stock should be deposited in the Central Bank of China as the "Securities serving as deposits paid-bonds". The amount was deposited in the form of a bond.

(14) Foreign currency transactions

Foreign currency transactions should be accounted for at cost and recognized on a straight-line method recorded in NT dollars at the spot rate when the transactions occur. Any gain or loss resulting from adjustments or settlements of foreign currency assets and liabilities are credited or charged to income. All assets and liabilities stated in foreign currencies are converted into New Taiwan Dollars at the exchange rate on the balance sheet date. And any gain or loss resulting from the transactions is recognized as current income.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Notes to unaudited financial statements (continued)

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

As of March 31, 2004 and 2005

(15) Income Taxes

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

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

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

The additional 10% income tax imposed on undistributed earnings is recognized as expense on the date of the shareholders’ meeting.

The Company adopted SFAS No. 12, “Accounting for Income Tax Credits” for deductible income tax. The deductible income tax resulting from the expenditure on the purchase of equipment, R& D, education training, and investment in equity shall be dealt with under the current recognition method.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Notes to unaudited financial statements (continued)

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

As of March 31, 2004 and 2005

(16) Capital expenditure expenses

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

(17) Derivative financial products transaction

Transactions on forward exchange contracts are converted into NT dollars 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. At each period-end, the assets and liabilities of the forward exchange contracts are restated at the prevailing exchange rate, and any gain or loss is credited or charged to current income. The net value of receivables and payables of the forward exchange contracts is represented as an asset or a liability in the balance sheet. The exchange gains or losses resulting from the settlement of forward exchange contracts are credited or charged to current income in the year of settlement.

The premiums of futures transaction are stated at cost. For those hedging the risks of existed assets or liabilities, the unrealized gains/losses are recognized as current gains/losses or as deferred assets/liabilities, stated at income statement when resold. For those hedging the forecast risks of transactions, the unrealized gains/losses of futures transactions are deferred to the actual trading date as adjustments to the transaction value. The premiums of non-hedging transactions are value upon market value one a monthly basis; its unrealized gains/losses are recognized upon current gains/losses.

(18) Convenience conversion into U.S. dollars

The financial statements are stated in NT dollars. Conversion of the March 31, 2004 and 2005, NT dollar amounts into U.S. dollar amounts is included in the financial statements solely for the convenience of the readers, using the noon buying rate of NT\$33.00 and NT\$31.46 to US\$1.00 effective on March 31, 2004 and 2005, as provided by the Federal Reserve Bank of New York. The convenience conversion should not be construed as a representation that the NT dollar amounts have been, or could in the future be, converted into U.S. dollars at this rate or any other rate of exchange.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Notes to unaudited financial statements (continued)

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

As of March 31, 2004 and 2005

3. Changes in accounting and its effects

In accordance with the ROC SFAS No.5, “Long-Term Investments in Equity Securities” revised on December 9, 2004, the Company is required to obtain the investee company’s financial statements under the equity method for the same period, and recognized investment gain or loss based on those.

The adoption of ROC SFAS No.5 resulted in a decrease of long-term investment in stocks by NT\$1,846 (US\$59) thousand, and a decrease in net income for the first quarter, 2005 by NT\$1,915 (US\$61) thousand. The Company considers the effect is insignificant on this change in accounting principles.

4. Cash and cash equivalents

| Item | March 31, | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|
| | 2004 | | 2005 | |
| | NT\$ | US\$ | NT\$ | US\$ |
| Cash on hand | \$8,730 | \$264 | \$10,990 | \$349 |
| Cash in banks | 343,055 | 10,395 | 224,917 | 7,149 |
| Time deposits | 3,560,132 | 107,883 | 2,624,671 | 83,429 |
| Cash equivalents | 179,373 | 5,436 | 136,551 | 4,341 |
| Total | \$4,091,290 | \$123,978 | \$2,997,129 | \$95,268 |
| Interest rate of time deposits | 0.75%~1.70% | 0.75%~1.70% | 1.25%~1.565% | 1.25%~1.565% |
| Interest rate of cash equivalents | 0.95%~0.975% | 0.95%~0.975% | 1.175%~1.18% | 1.175%~1.18% |

5. Short – term investments

| Item | March 31, | | | |
|---|-------------|----------|-------------|----------|
| | 2004 | | 2005 | |
| | NT\$ | US\$ | NT\$ | US\$ |
| Current stock | \$228,587 | \$6,927 | \$228,587 | \$7,266 |
| Less: Allowance for valuation loss | (18,112) | (549) | (22,935) | (729) |
| Subtotal | 210,475 | 6,378 | 205,652 | 6,537 |
| Common stock and beneficiary certificates | 1,108,090 | 33,579 | 1,583,828 | 50,344 |
| Designated purpose pecuniary trust funds | 18,791 | 569 | 29,601 | 941 |
| Financial debentures | 203,179 | 6,157 | 460,383 | 14,634 |
| Corporate bonds | 565,498 | 17,136 | 373,962 | 11,887 |
| Short-term notes | 179,373 | 5,436 | 136,551 | 4,340 |
| Subtotal | 2,074,931 | 62,877 | 2,584,325 | 82,146 |
| Cash equivalents | (179,373) | (5,436) | (136,551) | (4,340) |
| Subtotal | 1,895,558 | 57,441 | 2,447,774 | 77,806 |
| Total | \$2,106,033 | \$63,819 | \$2,653,426 | \$84,343 |

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Notes to unaudited financial statements (continued)

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

As of March 31, 2004 and 2005

6. Premiums receivable

| Item | March 31, | | | |
|-------------------------------|------------------|-----------------|------------------|-----------------|
| | 2004 | | 2005 | |
| | NT\$ | US\$ | NT\$ | US\$ |
| Premiums receivable | \$723,007 | \$21,909 | \$951,836 | \$30,256 |
| Less: Allowance for bad debts | (4,710) | (142) | (9,518) | (303) |
| Net | <u>\$718,297</u> | <u>\$21,767</u> | <u>\$942,318</u> | <u>\$29,953</u> |

7. Secured loans

| Item | March 31, | | | |
|-------------------------------|--------------------|--------------------|---------------------|---------------------|
| | 2004 | | 2005 | |
| | NT\$ | US\$ | NT\$ | US\$ |
| Short-term secured loans | \$- | \$- | \$17,000 | \$540 |
| Less: Allowance for bad debts | - | - | (1,747) | (55) |
| Subtotal | - | - | 15,253 | 485 |
| Medium-term secured loans | 507,578 | 15,381 | 731,238 | 23,243 |
| Less: Allowance for bad debts | (99,030) | (3,001) | (75,176) | (2,389) |
| Subtotal | 408,548 | 12,380 | 656,062 | 20,854 |
| Long-term secured loans | 456,701 | 13,839 | 478,800 | 15,219 |
| Less: Allowance for bad debts | (89,104) | (2,700) | (49,224) | (1,564) |
| Subtotal | 367,597 | 11,139 | 429,576 | 13,655 |
| Total | <u>\$776,145</u> | <u>\$23,519</u> | <u>\$1,100,891</u> | <u>\$34,994</u> |
| Interest rate | <u>2.48%~5.00%</u> | <u>2.48%~5.00%</u> | <u>2.174%~4.66%</u> | <u>2.174%~4.66%</u> |

Secured loans are loans, which secured by real estate. Loans with terms of less than one year are short-term loans; loans with terms of more than one year but less than seven years are medium-term loans ; and loans with terms of more than seven years are long-term loans.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Notes to unaudited financial statements (continued)

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

As of March 31, 2004 and 2005

8. Long-term investments

A. Long-term investments in stocks:

| Investee | March 31, | | | |
|--|-----------|----------|-----------|----------|
| | 2004 | | 2005 | |
| | NT\$ | US\$ | NT\$ | US\$ |
| a. Under the equity method: | | | | |
| Cathay Venture Capital Corp. | \$221,332 | \$6,707 | \$223,005 | \$7,088 |
| Vista Technology Venture Capital Corp. | 13,636 | 413 | 7,979 | 254 |
| Subtotal | 234,968 | 7,120 | 230,984 | 7,342 |
| b. Under the cost method: | | | | |
| Koo Group Telecommunication Co., Ltd. | 90,780 | 2,751 | - | - |
| Taiwan Cement Corp. | - | - | 8,796 | 280 |
| KGEX. Com Co., Ltd. | 75,000 | 2,273 | 75,000 | 2,384 |
| Subtotal | 165,780 | 5,024 | 83,796 | 2,664 |
| Total | \$400,748 | \$12,144 | \$314,780 | \$10,006 |

c. Changes in long-term investments in stocks under equity method are summarized as follows:

| | For the three months ended March 31, | | | |
|---|--------------------------------------|---------|-----------|---------|
| | 2004 | | 2005 | |
| | NT\$ | US\$ | NT\$ | US\$ |
| Balance on January 1 | \$234,892 | \$7,118 | \$218,439 | \$6,943 |
| Investment income by equity method recognized | 76 | 2 | 12,750 | 405 |
| Cumulative conversion adjustments by equity method recognized | - | - | (317) | (10) |
| Capital surplus by equity method recognized | - | - | 112 | 4 |
| Balance on March 31 | \$234,968 | \$7,120 | \$230,984 | \$7,342 |

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Notes to unaudited financial statements (continued)

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

As of March 31, 2004 and 2005

- d. The investment gains (losses) recognized by the equity method for the three-month periods ended March 31, 2004 and 2005 are listed below :

| Investee | For the three months ended March 31, | | | |
|--|--------------------------------------|------|----------|-------|
| | 2004 | | 2005 | |
| | NT\$ | US\$ | NT\$ | US\$ |
| Cathay Venture Capital Corp. | \$76 | \$2 | \$14,665 | \$466 |
| Vista Technology Venture Capital Corp. | - | - | (1,915) | (61) |
| Total | \$76 | \$2 | \$12,750 | \$405 |

- e. In accordance with the ROC SFAS No.5, “Long-Term Investments in Equity Securities” revised on December 9, 2004, and ROC SFAS No.23, “Interim Financial Reporting and Disclosures”, the Company is required to obtain the investee Company’s financial statements under the equity method for the same period exclude first and third quarter. The accounting treatment of - Investment in Vista Technology Venture Capital Corp. is changed from the cost method to the equity method. The investment loss of Vista Technology Venture Capital Corp. for the three-month period ended March 31, 2005 was recognized by the equity method based on last year’s audited financial statements.
- f. The investment gains of Cathay Venture Capital Corp. for the three-month period ended March 31, 2004 was recognized by the equity method based on unreviewed financial statements and for the three-month period ended March 31, 2005 was recognized on reviewed financial statement in the same period.
- g. The company invested Koo Group Telecommunications Co., Ltd. was signed the merged contract with Far Eastone Telecommunications Co., Ltd. on October 7, 2003 by adopting partial cash and partial stocks as merging value consideration. After Koo Group Telecommunications and Far Eastone Telecommunications Co., Ltd. exchanged their stock on April 29, 2004, the stock held by the Company was reclassified from long-term investments to short-term investments.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Notes to unaudited financial statements (continued)

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

As of March 31, 2004 and 2005

B. Long-term investments in bonds

| Investee | March 31, | | | |
|-------------------------------|-------------|-------------|-------------|-------------|
| | 2004 | | 2005 | |
| | NT\$ | US\$ | NT\$ | US\$ |
| Overseas investments in bonds | \$1,786,453 | \$54,135 | \$2,890,447 | \$91,877 |
| Interest rate | 4.00%~6.00% | 4.00%~6.00% | 4.00%~6.30% | 4.00%~6.30% |

9. Property and equipment

| Item | March 31, 2004 | | | | | |
|--|----------------|---------|--------------------------|---------|-----------|---------|
| | Cost | | Accumulated Depreciation | | Net Value | |
| | NT\$ | US\$ | NT\$ | US\$ | NT\$ | US\$ |
| Communication and transportation equipment | \$18,234 | \$553 | \$7,686 | \$233 | \$10,548 | \$320 |
| Other equipment | 149,855 | 4,541 | 107,927 | 3,270 | 41,928 | 1,271 |
| Subtotal | \$168,089 | \$5,094 | \$115,613 | \$3,503 | \$52,476 | \$1,591 |

| Item | March 31, 2005 | | | | | |
|--|----------------|---------|--------------------------|---------|-----------|---------|
| | Cost | | Accumulated Depreciation | | Net Value | |
| | NT\$ | US\$ | NT\$ | US\$ | NT\$ | US\$ |
| Communication and transportation equipment | \$19,660 | \$625 | \$10,221 | \$325 | \$9,439 | \$300 |
| Other equipment | 171,321 | 5,446 | 124,255 | 3,950 | 47,066 | 1,496 |
| Subtotal | \$190,981 | \$6,071 | \$134,476 | \$4,275 | \$56,505 | \$1,796 |
| Prepayments for equipment | \$2,520 | \$80 | \$- | \$- | \$2,520 | \$80 |
| Total | \$193,501 | \$6,151 | \$134,476 | \$4,275 | \$59,025 | \$1,876 |

The insurance of insured property and equipment were NT\$100,955 (US\$3,059) and NT\$121,554 (US\$3,864) as of March 31, 2004 and 2005, respectively.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Notes to unaudited financial statements (continued)

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

As of March 31, 2004 and 2005

10. Securities serving as deposits paid-bonds

| Item | March 31, | | | |
|------------------|-------------|-------------|-------------|-------------|
| | 2004 | | 2005 | |
| | NT\$ | US\$ | NT\$ | US\$ |
| Government bonds | \$359,058 | \$10,881 | \$361,232 | \$11,482 |
| Interest rate | 6.25%~7.75% | 6.25%~7.75% | 3.00%~6.90% | 3.00%~6.90% |

Government bonds are according to Article 141 of the ROC Insurance Law, an amount equal to 15% of the Company's stockholder's equity should be deposited in the Central Bank of China as the "Securities serving as deposits paid-bonds".

11. Reserve for operations and liabilities

| | January 1, 2004 | | Provision | | Recovered | | March 31, 2004 | |
|-------------------|-----------------|-----------|-------------|-----------|-------------|-----------|----------------|-----------|
| | NT\$ | US\$ | NT\$ | US\$ | NT\$ | US\$ | NT\$ | US\$ |
| Unearned premiums | | | | | | | | |
| reserve | \$3,601,016 | 109,122 | \$3,774,238 | \$114,371 | \$3,601,016 | \$109,122 | \$3,774,238 | \$114,371 |
| Special reserve | 2,262,767 | 68,568 | 107,090 | 3,246 | 18,187 | 551 | 2,351,670 | 71,263 |
| Claims reserve | 585,308 | 17,737 | 585,319 | 17,737 | 550,928 | 16,695 | 619,699 | 18,779 |
| Total | \$6,449,091 | \$195,427 | \$4,466,647 | \$135,354 | \$4,170,131 | \$126,368 | \$6,745,607 | \$204,413 |

| | January 1, 2005 | | Provision | | Recovered | | March 31, 2005 | |
|-------------------|-----------------|-----------|-------------|-----------|-------------|-----------|----------------|-----------|
| | NT\$ | US\$ | NT\$ | US\$ | NT\$ | US\$ | NT\$ | US\$ |
| Unearned premiums | | | | | | | | |
| reserve | \$4,031,204 | \$128,137 | \$4,167,471 | \$132,469 | \$4,031,204 | \$128,137 | \$4,167,471 | \$132,469 |
| Special reserve | 2,570,454 | 81,706 | 120,301 | 3,824 | 24,628 | 783 | 2,666,127 | 84,747 |
| Claims reserve | 634,173 | 20,158 | 603,694 | 19,189 | 594,445 | 18,895 | 643,422 | 20,452 |
| Total | \$7,235,831 | \$230,001 | \$4,891,466 | \$155,482 | \$4,650,277 | \$147,815 | \$7,477,020 | \$237,668 |

12. Capital stock and capital increment

As of March 31, 2004 and 2005, the total authorized thousand shares both were 231,7001, with par value of NT\$10 each.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Notes to unaudited financial statements (continued)

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

As of March 31, 2004 and 2005

13. Retained earnings

(1) Legal reserve

Pursuant to the Company Law, 10% of the annual after-tax net income of the Company shall be appropriated as a legal reserve until the total amount of the legal reserve equals to the amount of issued capital stock. This legal reserve can only be used to offset deficit but not for 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 it approves by the Board of Directors.

(2) Unappropriated retained earnings

A. According to the Company Law and the Company's articles of incorporations, 10% of the Company's annual earnings, after paying taxes and offsetting deficits, if any, shall be appropriated as legal reserve. In addition to distributing stock interest and 2% as a bonus for employees, the remainder shall be allocated in accordance with the resolutions of the Board of Directors.

B. According to related regulations, if the assessed unappropriated retained earnings of the Company assessed by the tax authority exceed 100% of the Company's paid-in capital, the Company shall distribute cash dividends or stock dividends in the year following the assessment. Otherwise, income tax will be levied on each stockholder's proportion of the total unappropriated retained earnings, Alternatively; the Company may pay an extra 10% income tax on the excessive unappropriated retained earnings.

(3) According to the revised Income Tax Law in 1998, the Company has to pay an extra 10% income tax on all unappropriated retained earnings generated during the year.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Notes to unaudited financial statements (continued)

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

As of March 31, 2004 and 2005

14. Personnel, depreciation, depletion and amortization

| Item | For the three months ended March 31, 2004 (NT\$) | | | For the three months ended March 31, 2005 (NT\$) | | |
|-----------------------------------|---|-----------------------|-----------|---|-----------------------|-----------|
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Personnel Expenses | | | | | | |
| Salaries and wages | \$- | \$115,160 | \$115,160 | \$- | \$133,157 | \$133,157 |
| Labor & health insurance expenses | - | 8,106 | 8,106 | - | 8,517 | 8,517 |
| Pension expenses | - | 8,722 | 8,722 | - | 9,443 | 9,443 |
| Other expenses | - | 49,494 | 49,494 | - | 57,695 | 57,695 |
| Depreciation | - | 4,829 | 4,829 | - | 5,846 | 5,846 |
| Depletion | - | - | - | - | - | - |
| Amortization | - | 1,000 | 1,000 | - | 1,790 | 1,790 |

| Item | For the three months ended March 31, 2004 (US\$) | | | For the three months ended March 31, 2005 (US\$) | | |
|-----------------------------------|---|-----------------------|---------|---|-----------------------|---------|
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Personnel Expenses | | | | | | |
| Salaries and wages | \$- | \$3,490 | \$3,490 | \$- | \$4,233 | \$4,233 |
| Labor & health insurance expenses | - | 246 | 246 | - | 270 | 270 |
| Pension expenses | - | 264 | 264 | - | 300 | 300 |
| Other expenses | - | 1,500 | 1,500 | - | 1,834 | 1,834 |
| Depreciation | - | 146 | 146 | - | 186 | 186 |
| Depletion | - | - | - | - | - | - |
| Amortization | - | 30 | 30 | - | 57 | 57 |

English Translation of Financial Statements Originally Issued in Chinese
Cathay Century Insurance Co., Ltd.
Notes to unaudited financial statements (continued)
(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)
As of March 31, 2004 and 2005

15. Estimated income taxes

(1) Income tax expenses include the following:

| Item | For the three months ended March 31, | | | |
|--|--------------------------------------|----------|-----------|---------|
| | 2004 | | 2005 | |
| | NT\$ | US\$ | NT\$ | US\$ |
| Income before taxes | \$365,517 | \$11,076 | \$244,048 | \$7,757 |
| Adjustments | | | | |
| Interest income of tax on a separate basis | (1,890) | (57) | (1,018) | (32) |
| Losses (gains) on market price loss (recovery) of short-term investments | (34,499) | (1,046) | 8,356 | 266 |
| Bad debts exceeding legal limitation recovery | (1,993) | (60) | (3,959) | (126) |
| Investment gains recognized by equity method | (76) | (2) | (12,750) | (405) |
| Gains on trading securities | (78,531) | (2,380) | (18,228) | (579) |
| Unrealized losses on foreign exchange | 1,258 | 38 | 1,582 | 50 |
| Others | 5 | - | 38 | 1 |
| Taxable Income | 249,791 | 7,569 | 218,069 | 6,932 |
| Time; taxes rate; less: progressive difference | 25%-10 | - | 25%-10 | - |
| Subtotal | 62,438 | 1,892 | 54,507 | 1,733 |
| Extra 10% income tax on unappropriated retained earnings | 5,319 | 161 | - | - |
| Tax effects under integrated income tax systems | (5,319) | (161) | 10 | - |
| Income tax credit | (65) | (2) | (70) | (2) |
| Subtotal | 62,373 | 1,890 | 54,447 | 1,731 |
| Tax on a separate basis | 378 | 12 | 204 | 6 |
| Adjustment of prior year's income tax | - | - | 149 | 5 |
| Deferred income tax expenses | 506 | 15 | 594 | 19 |
| Total income tax expenses | \$63,257 | \$1,917 | \$55,394 | \$1,761 |

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Notes to unaudited financial statements (continued)

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

As of March 31, 2004 and 2005

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

| | March 31, | | | |
|--------------------------------------|-----------|---------|-----------|---------|
| | 2004 | | 2005 | |
| | NT\$ | US\$ | NT\$ | US\$ |
| A. Total deferred tax assets | \$51,166 | \$1,550 | \$39,179 | \$1,245 |
| Total deferred tax liabilities | \$- | \$- | \$- | \$- |
| B. Temporary differences: | | | | |
| Employee benefits | \$101 | \$3 | \$- | \$- |
| Bad debts exceeding legal limitation | 204,507 | 6,197 | 152,970 | 4,862 |
| Others | 57 | 2 | 3,745 | 119 |
| Total | \$204,665 | \$6,202 | \$156,715 | \$4,981 |
| C. Deferred tax assets-current | \$51,152 | \$1,550 | \$39,179 | \$1,245 |
| D. Deferred tax assets - noncurrent | \$14 | \$- | \$- | \$- |

(3) Please refer to the following columns including law of income tax credits, the credits items, and the amount of income tax credits, the remaining balance, and the expiry year:

| Law of income tax credits | The credits items | The amount of income tax credits | The remaining balance | Expiry year |
|-------------------------------------|--------------------|-------------------------------------|--------------------------|-------------|
| Statute for Upgrading Industries | Education training | \$70 (US\$2) | \$- | 2009 |

(4) The Company's income tax returns, except 1999, have been filed and assessed by the Tax Authorities until 2002.

(5) Information related to imputation:

| | March 31, | | | |
|--------------------------------------|---------------------------|---------|---------------------------|-------|
| | 2004 | | 2005 | |
| | NT\$ | US\$ | NT\$ | US\$ |
| Balance of imputation credit account | \$177,123 | \$5,367 | \$9,885 | \$314 |
| Imputation credit account ratio | March 31, 2004 (Estimate) | | March 31, 2005 (Estimate) | |
| | 29.89% | | 1.54% | |

English Translation of Financial Statements Originally Issued in Chinese
Cathay Century Insurance Co., Ltd.
Notes to unaudited financial statements (continued)
(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)
As of March 31, 2004 and 2005

(6) Information relating of unappropriated earnings:

| Year | March 31, | | | |
|---------------|------------------|-----------------|------------------|-----------------|
| | 2004 | | 2005 | |
| | NT\$ | US\$ | NT\$ | US\$ |
| Prior to 1997 | \$- | \$- | \$- | \$- |
| After 1998 | 592,660 | 17,960 | 640,617 | 20,363 |
| Total | <u>\$592,660</u> | <u>\$17,960</u> | <u>\$640,617</u> | <u>\$20,363</u> |

Net income after tax for three months ended March 31, 2004 and 2005 does not classify as undistributed earnings generated since 1998.

16. Earnings per share

| | For the three months ended March 31, | | | |
|--|--------------------------------------|-----------------|------------------|----------------|
| | 2004 | | 2005 | |
| | NT\$ | US\$ | NT\$ | US\$ |
| Income before taxes (A) | <u>\$365,517</u> | <u>\$11,076</u> | <u>\$244,048</u> | <u>\$7,758</u> |
| Net income after taxes (B) | <u>\$302,260</u> | <u>\$9,159</u> | <u>\$188,654</u> | <u>\$5,997</u> |
| Outstanding number of thousand shares at year-end | 231,701 | 231,701 | 231,701 | 231,701 |
| Adjusted weighted average outstanding number of thousand shares(C) | 231,701 | 231,701 | 231,701 | 231,701 |
| Earnings per share before income taxes (A)/(C) (dollars) | <u>\$1.58</u> | <u>\$0.05</u> | <u>\$1.05</u> | <u>\$0.03</u> |
| Earnings per share after income taxes (B)/(C) (dollars) | <u>\$1.30</u> | <u>\$0.04</u> | <u>\$0.81</u> | <u>\$0.03</u> |

English Translation of Financial Statements Originally Issued in Chinese
Cathay Century Insurance Co., Ltd.
Notes to unaudited financial statements (continued)
(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)
As of March 31, 2004 and 2005

17. Related party transactions

(1) Related parties

| Name | Relationship |
|--|----------------|
| Cathay Financial Holding Co., Ltd. | Parent company |
| Cathay Life Insurance Co., Ltd. | Affiliate |
| Cathay United Bank | Affiliate |
| San-Ching Engineering Co., Ltd. | Affiliate |
| Seaward Leasing Ltd. | Affiliate |
| Cathay Real Estate Development Co., Ltd. | Affiliate |
| Cathay General Hospital | Affiliate |
| Cathay Securities Investment Trust Co., Ltd. | Affiliate |
| Symphox Information Co., Ltd. | Affiliate |
| Lin Yuan Building Management & Maintenance Co., Ltd. | Affiliate |
| Cathay Futures Corp | Affiliate |
| Lin Yuan Investment Co., Ltd. | Affiliate |
| Cathay Securities Corp. | Affiliate |
| Cathay Capital Management Inc. | Affiliate |
| Wan Pao Development Co., Ltd. | Affiliate |
| Cathay Securities Investment Co., Ltd. | Affiliate |
| Vista Technology Venture Capital Corp. | Affiliate |
| Culture and Charity Foundation of the CUB | Affiliate |
| Cathay Bank Property Agency of Association | Affiliate |
| Wu Ming-Yang | Senior manager |

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Notes to unaudited financial statements (continued)

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

As of March 31, 2004 and 2005

(2) *Transactions with related parties*

A. Premiums income and premiums receivable

| Name | For the three months ended March 31, 2004 | | | |
|--|---|----------------|---------------------|--------------|
| | Direct written premiums | | Premiums receivable | |
| | NT\$ | US\$ | NT\$ | US\$ |
| Cathay Financial Holding Co., Ltd. | \$79 | \$2 | \$- | \$- |
| Cathay Life Insurance Co., Ltd. | 105,646 | 3,201 | 2,388 | 72 |
| Cathay United Bank | 43,894 | 1,330 | 6,827 | 207 |
| Cathay Real Estate Development Co., Ltd. | 376 | 11 | 348 | 11 |
| Cathay General Hospital | 1,475 | 45 | 264 | 8 |
| Seaward Leading Ltd. | 901 | 27 | 1,299 | 39 |
| Others | 95 | 3 | 65 | 2 |
| Total | <u>\$152,466</u> | <u>\$4,619</u> | <u>\$11,191</u> | <u>\$339</u> |

| Name | For the three months ended March 31, 2005 | | | |
|--|---|----------------|---------------------|--------------|
| | Direct written premiums | | Premiums receivable | |
| | NT\$ | US\$ | NT\$ | US\$ |
| Cathay Life Insurance Co., Ltd. | \$85,963 | \$2,732 | \$2,277 | \$72 |
| Cathay United Bank | 63,863 | 2,030 | 15,865 | 504 |
| Cathay Real Estate Development Co., Ltd. | 318 | 10 | - | - |
| Cathay General Hospital | 2,254 | 72 | 397 | 13 |
| Seaward Leasing Ltd. | 722 | 23 | - | - |
| Others | 23 | 1 | 347 | 11 |
| Total | <u>\$153,143</u> | <u>\$4,868</u> | <u>\$18,886</u> | <u>\$600</u> |

B. Insurance claims payment

| Name | For the three months ended March 31, | | | |
|---------------------------------|--------------------------------------|-------------|-----------------|----------------|
| | 2004 | | 2005 | |
| | NT\$ | US\$ | NT\$ | US\$ |
| Cathay Life Insurance Co., Ltd. | \$657 | \$20 | \$250 | \$8 |
| Cathay United Bank | 112 | 3 | 71,324 | 2,267 |
| Total | <u>\$769</u> | <u>\$23</u> | <u>\$71,574</u> | <u>\$2,275</u> |

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Notes to unaudited financial statements (continued)

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

As of March 31, 2004 and 2005

C. Rental expenses, guarantee deposits paid and prepaid rents

| Name | For the three months ended March 31, 2004 | | | | | |
|---------------------------------|---|-------|-------------------------|-------|---------------|------|
| | Rental expenses | | Guarantee deposits paid | | Prepaid rents | |
| | NT\$ | US\$ | NT\$ | US\$ | NT\$ | US\$ |
| Cathay Life Insurance Co., Ltd. | \$13,712 | \$416 | \$13,199 | \$400 | \$2,324 | \$70 |

| Name | For the three months ended March 31, 2005 | | | | | |
|---------------------------------|---|-------|-------------------------|-------|---------------|------|
| | Rental expenses | | Guarantee deposits paid | | Prepaid rents | |
| | NT\$ | US\$ | NT\$ | US\$ | NT\$ | US\$ |
| Cathay Life Insurance Co., Ltd. | \$14,146 | \$450 | \$13,731 | \$436 | \$2,506 | \$80 |

D. Cash in banks

| Name | Type | For the three months ended March 31, 2004 | | |
|--------------------|---------------|---|---------------|-----------------|
| | | Ending balance | Interest rate | Interest income |
| | | NT\$ | | NT\$ |
| Cathay United Bank | Cash in banks | \$306,935 | 0.35% | \$- |
| | Time deposits | \$235,900 | 0.85%~1.55% | \$573 |

| Name | Type | For the three months ended March 31, 2004 | | |
|--------------------|---------------|---|---------------|-----------------|
| | | Ending balance | Interest rate | Interest income |
| | | US\$ | | US\$ |
| Cathay United Bank | Cash in banks | \$9,301 | 0.35% | \$- |
| | Time deposits | \$7,148 | 0.85%~1.55% | \$17 |

| Name | Type | For the three months ended March 31, 2005 | | |
|--------------------|---------------|---|---------------|-----------------|
| | | Ending balance | Interest rate | Interest income |
| | | NT\$ | | NT\$ |
| Cathay United Bank | Cash in banks | \$201,801 | 0.10% | \$- |
| | Time deposits | \$343,850 | 1.40%~1.565% | \$1,049 |

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Notes to unaudited financial statements (continued)

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

As of March 31, 2004 and 2005

| Name | Type | For the three months ended March 31, 2005 | | |
|--------------------|---------------|---|---------------|-----------------|
| | | Ending balance | Interest rate | Interest income |
| | | US\$ | | US\$ |
| Cathay United Bank | Cash in banks | \$6,415 | 0.10% | \$- |
| | Time deposits | \$10,930 | 1.40%~1.565% | \$33 |

E. Secured loans

| Name | For the three months ended March 31, 2004 | | | |
|--------------|---|----------------|---------------|-----------------|
| | Maximum amount | Ending balance | Interest rate | Interest income |
| | NT\$ | NT\$ | | NT\$ |
| Wu Ming-Yang | \$2,374 | \$1,737 | 2.48% | \$17 |

| Name | For the three months ended March 31, 2004 | | | |
|--------------|---|----------------|---------------|-----------------|
| | Maximum amount | Ending balance | Interest rate | Interest income |
| | US\$ | US\$ | | US\$ |
| Wu Ming-Yang | \$72 | \$53 | 2.48% | \$1 |

| Name | For the three months ended March 31, 2005 | | | |
|--------------|---|----------------|---------------|-----------------|
| | Maximum amount | Ending balance | Interest rate | Interest income |
| | NT\$ | NT\$ | | NT\$ |
| Wu Ming-Yang | \$1,651 | \$1,622 | 2.66% | \$11 |

| Name | For the three months ended March 31, 2005 | | | |
|--------------|---|----------------|---------------|-----------------|
| | Maximum amount | Ending balance | Interest rate | Interest income |
| | US\$ | US\$ | | US\$ |
| Wu Ming-Yang | \$52 | \$52 | 2.66% | \$- |

F. Commissions expenses

| Name | For the three months ended March 31, | | | |
|--|--------------------------------------|------|---------|-------|
| | 2004 | | 2005 | |
| | NT\$ | US\$ | NT\$ | US\$ |
| Cathay Bank Property Agency of Association | \$2,933 | \$89 | \$6,557 | \$208 |

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Notes to unaudited financial statements (continued)

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

As of March 31, 2004 and 2005

G. Handling fee paid

| Name | For the three months ended March 31, | | | |
|---------------------------------|--------------------------------------|------|-------|------|
| | 2004 | | 2005 | |
| | NT\$ | US\$ | NT\$ | US\$ |
| Cathay Life Insurance Co., Ltd. | 782 | 24 | 1,818 | 58 |

H. Marketing expense and accrued expense

| Name | For the three months ended March 31, 2004 | | | |
|---------------------------------|---|-------|-----------------|-------|
| | Marketing expense | | Accrued expense | |
| | NT\$ | US\$ | NT\$ | US\$ |
| Cathay Life Insurance Co., Ltd. | 124,722 | 3,779 | 68,460 | 2,075 |

| Name | For the three months ended March 31, 2005 | | | |
|---------------------------------|---|-------|-----------------|-------|
| | Marketing expense | | Accrued expense | |
| | NT\$ | US\$ | NT\$ | US\$ |
| Cathay Life Insurance Co., Ltd. | 136,144 | 4,328 | 65,962 | 2,097 |

I. Short-term investments-beneficiary certificates

| Name | | March 31, | | | |
|--|------------|-----------|--------|---------|-------|
| | | 2004 | | 2005 | |
| | | NT\$ | US\$ | NT\$ | US\$ |
| Cathay Securities Investment Trust Co., Ltd. | Book value | 333,230 | 10,098 | 254,828 | 8,100 |
| | Fair value | 353,239 | 10,704 | 260,535 | 8,281 |

18. Pledged assets

| Item | March 31, | | | |
|--|-----------|--------|---------|--------|
| | 2004 | | 2005 | |
| | NT\$ | US\$ | NT\$ | US\$ |
| Securities serving as deposits paid-government bonds | 359,058 | 10,881 | 361,232 | 11,482 |

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Notes to unaudited financial statements (continued)

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

As of March 31, 2004 and 2005

(1) According to Article 141 of the ROC Insurance Law, the Company should deposited government bonds, an amount equal to 15% of its' stockholders' equity, into the Central Bank of China as capital guarantee deposit.

(2) The pledged assets are disclosed at net carrying amount.

19. Other important matters and contingent liabilities

A. The withholding tax on the interest of prior bondholders and tax effects on the interest expenses of amortized premium bonds in both years 2001 and 2002 tax returns, amounting to NT\$2,474 (US\$79) and NT\$1,658 (US\$53), respectively, were rejected by the Tax Authority as being able to offset income tax payable. The Company disputed the above tax assessments and had filed for reinvestigation.

B. By the date March 31, 2005, the Company had signed some significant rental contracts, and base, which we estimate that the rents for the following 5 years are, as follows:

| Period | Amount (NT\$) | Amount (US\$) |
|---------------------------------|------------------|------------------|
| April 01, 2005 ~ March 31, 2006 | \$58,670 | \$1,865 |
| April 01, 2006 ~ March 31, 2007 | 59,759 | 1,900 |
| April 01, 2007 ~ March 31, 2008 | 61,507 | 1,955 |
| April 01, 2008 ~ March 31, 2009 | 63,307 | 2,012 |
| April 01, 2009 ~ March 31, 2010 | 65,162 | 2,071 |
| Total | <u>\$308,405</u> | <u>\$9,803</u> |

20. Serious damages

None.

21. Subsequent events

None.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Notes to unaudited financial statements (continued)

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

As of March 31, 2004 and 2005

22. Other important events

(1) Pension related information

A. Pension funded status:

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

(2) Financial instruments related information

A Derivative financial instruments related information :

a. Purpose

As of March 31, 2005, the Company enters into forward foreign exchange contracts and futures contracts. The former were to hedge against risks of foreign currency and net assets exchange rate fluctuations while the latter were mainly to hedge against the volatile risks of stock quotes decline. For the purpose of hedging the maximum market risks, the Company adopted those financial derivative instruments highly relevant to the hedged items and assessed its strategies on a regular basis.

b. Credit and market risks

The Company enters into forward foreign exchange contracts with financial institutions with good credit ratings. In addition, the Company enters into contracts with many financial institutions to hedge risks. Forward hedging contracts can offset losses incurred from exchange rate fluctuations.

On a discretionary basis, Fuh Hwa Securities Investment Trust conducts transactions with Taiwan Futures Exchange for the Company. The credit risks of those transactions are not substantial to the point of causing loss; on the other hand, the market risks of stock quotes volatility which might cause loss is offset by the gains/losses from hedging instruments of electronic sector stocks.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Notes to unaudited financial statements (continued)

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

As of March 31, 2004 and 2005

c. Cash flow and demand

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

d. Forward foreign exchange contracts

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

| Item | March 31, 2004 | | March 31, 2005 | |
|----------------------------|--------------------|-----------------|--------------------|-----------------|
| | NT\$ | US\$ | NT\$ | US\$ |
| Forward exchange contracts | | | | |
| receivable | \$1,831,560 | \$55,502 | \$2,905,631 | \$92,360 |
| Discount on forward | | | | |
| exchange contracts | 7,327 | 222 | 15,992 | 508 |
| Payables on forward | | | | |
| exchange purchased | <u>(1,783,080)</u> | <u>(54,033)</u> | <u>(2,878,689)</u> | <u>(91,503)</u> |
| Net-other receivable | <u>\$55,807</u> | <u>\$1,691</u> | <u>\$42,934</u> | <u>\$1,365</u> |

(b) As of March 31, 2004 and 2005, the Company has forward exchange contracts of approximately US\$54,000 and US\$91,300, respectively, in notional value. The forward foreign exchange contracts as of March 31, 2004 were due between July 14, 2004 and December 29, 2004. In addition, the forward contracts as of March 31, 2005 were due between April 12, 2005 and March 14, 2006.

| Item | Contract amount | March 31, 2004 | | | |
|---------|-------------------|--------------------|-----------------|--------------------|-----------------|
| | | Fair value | | Due value | |
| | | NT\$ | US\$ | NT\$ | US\$ |
| Forward | <u>US\$54,000</u> | <u>\$1,783,080</u> | <u>\$54,033</u> | <u>\$1,831,560</u> | <u>\$55,502</u> |

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Notes to unaudited financial statements (continued)

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

As of March 31, 2004 and 2005

| Item | Contract amount | March 31, 2005 | | | |
|---------|-----------------|----------------|----------|-------------|----------|
| | | Fair value | | Due value | |
| | | NT\$ | US\$ | NT\$ | US\$ |
| Forward | US\$91,300 | \$2,878,689 | \$91,503 | \$2,905,631 | \$92,360 |

The above-mentioned forward foreign exchange contracts hedge against risks associated with net assets exchange rate fluctuations for the long-term investments in bonds.

Futures Contract:

a. The Company recognizes NT\$76 (US\$2) offsets before March 31, 2005, as futures trading loss (NT\$41 (US\$1) unrealized future contract gain included).

b.

| Type | Open Interest | | March 31, 2005 | | | | |
|-------------------------|---------------|----------|-----------------|-------|------------|-------|--|
| | Buy/Sell | Position | Contract amount | | Fair value | | |
| | | | NT\$ | US\$ | NT\$ | US\$ | |
| Taiwan Stock Exchange | | | | | | | |
| Electronic Sector Index | Sell | 4 | \$3,735 | \$119 | \$3,694 | \$117 | |

The Futures contract mentioned above is to hedge the volatility.

c. 2004: None.

If financial instruments have a market value, that will be their fair value. If there is no market value, their fair value will be estimated based on financial information or other information on the balance sheet date.

English Translation of Financial Statements Originally Issued in Chinese
Cathay Century Insurance Co., Ltd.
Notes to unaudited financial statements (continued)
(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)
As of March 31, 2004 and 2005

B. Non-derivative financial instruments related information :

| Item | March 31, 2004 | | | |
|---|-----------------|-------------|-----------------|------------|
| | NT\$ | | US\$ | |
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Assets | | | | |
| Cash and cash equivalents | \$4,091,290 | \$4,091,290 | \$123,978 | \$123,978 |
| Short-term investments | 2,106,033 | 2,228,385 | 63,819 | 67,527 |
| Receivables | 890,961 | 890,961 | 26,999 | 26,999 |
| Claims recoverable from reinsurers | 171,785 | 171,785 | 5,206 | 5,206 |
| Due from reinsurers and ceding companies | 113,205 | 113,205 | 3,430 | 3,430 |
| Secured loans | 776,145 | 776,145 | 23,519 | 23,519 |
| Long-term investment in stocks | 400,748 | 400,748 | 12,144 | 12,144 |
| Guarantee deposits paid | 16,815 | 16,815 | 510 | 510 |
| Securities serving as deposits paid-bonds | 359,058 | 359,058 | 10,881 | 10,881 |
| Liabilities | | | | |
| Claims outstanding | 2,383 | 2,383 | 72 | 72 |
| Due to reinsurers and ceding companies | 168,806 | 168,806 | 5,115 | 5,115 |
| Reserve for operations and liabilities | 6,745,607 | 6,745,607 | 204,413 | 204,413 |
| Item | March 31, 2005 | | | |
| | NT\$ | | US\$ | |
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Assets | | | | |
| Cash and cash equivalents | \$2,997,129 | \$2,997,129 | \$95,268 | \$95,268 |
| Short-term investments | 2,650,333 | 2,668,169 | 84,245 | 84,811 |
| Receivables | 1,105,955 | 1,105,955 | 35,154 | 35,154 |
| Claims recoverable from reinsurers | 180,286 | 180,286 | 5,731 | 5,731 |
| Due from reinsurers and ceding companies | 29,622 | 29,622 | 941 | 941 |
| Secured loans | 1,100,891 | 1,100,891 | 34,994 | 34,994 |
| Long-term investment in stocks | 314,780 | 317,950 | 10,006 | 10,006 |
| Guarantee deposits paid | 16,577 | 16,577 | 527 | 527 |
| Securities serving as deposits paid-bonds | 361,232 | 361,232 | 11,482 | 11,482 |

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Notes to unaudited financial statements (continued)

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

As of March 31, 2004 and 2005

| <u>Liabilities</u> | | | | |
|--|-----------|-----------|---------|---------|
| Claims outstanding | 789 | 789 | 25 | 25 |
| Due to reinsurers and ceding companies | 261,623 | 261,623 | 8,316 | 8,316 |
| Reserve for operations and liabilities | 7,477,020 | 7,477,020 | 237,668 | 237,668 |

Methods and assumptions for estimating the fair value of nonderivative financial instruments are as follows:

- ① Short-term financial instruments estimate their fair values are stated at carrying amount on the balance sheet date. Because the maturity date of those instruments is very close to the balance sheet date, it is reasonable that their carrying amounts are equal to their fair values. That assumption is adopted by the following accounts: cash and cash equivalents, receivables, claims recoverable from reinsurers, due from/to reinsurers and ceding companies, secured loans, claims outstanding and reserve for operations and liabilities.
- ② The amounts are expected to receive guarantee deposits paid and securities serving as deposits paid-bonds are closed to the fair value; accordingly their fair value is equal to their carrying amount.
- ③ If short-term investments and long-term investments in stocks have a market value, that will be their fair value. If there is no market value, their fair value will be estimated based on other financial information or their carrying amount on the balance sheet date.

(3) Discretionary account management

| Item | March 31, 2004 | | | |
|-----------------------------------|-----------------|----------------|-----------------|----------------|
| | Book value | | Fair value | |
| | NT\$ | US\$ | NT\$ | US\$ |
| Listed stocks | \$3,229 | \$98 | \$3,240 | \$98 |
| Cash in banks | 54,725 | 1,658 | 54,725 | 1,658 |
| Net other assets less liabilities | (48) | (1) | (48) | (1) |
| Total | <u>\$57,906</u> | <u>\$1,755</u> | <u>\$57,917</u> | <u>\$1,755</u> |

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Notes to unaudited financial statements (continued)

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

As of March 31, 2004 and 2005

| Item | March 31, 2005 | | | |
|-----------------------------------|----------------|---------|------------|---------|
| | Book value | | Fair value | |
| | NT\$ | US\$ | NT\$ | US\$ |
| Listed stocks | \$48,045 | \$1,527 | \$47,874 | \$1,522 |
| Short-term notes | 16,002 | 508 | 16,002 | 508 |
| Cash in banks | 41,932 | 1,333 | 41,932 | 1,333 |
| Net other assets less liabilities | 2,386 | 76 | 2,386 | 76 |
| Total | \$108,365 | \$3,444 | \$108,194 | \$3,439 |

As of March 31, 2004 and 2005, the Company had discretionary account management contracts in the amount of NT\$50,000 (US\$1,515) and NT\$100,000 (US\$3,179), respectively.

(4) Material Contract: None

(5) Presentation of Financial Statements:

Certain accounts in financial statements for the three months ended March 31, 2004 have been reclassified in order to be comparable with those in the financial statements for the three months ended March 31, 2005.

23. Information for investment in Mainland China

None.

24. Segment information

According to the ROC SFAS No. 23 "Interim Financial Reporting and Disclosures", the interim financial statements are not required to follow the principles outlined in the ROC SFAS No. 20 "Disclosures of Segment Financial Information".