

**Cathay Financial Holding Co., Ltd.**  
**Unaudited financial statements**  
**Together with**  
**Independent auditors' review report**  
**March 31, 2004 and 2005**

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## **English Translation of Review Report Originally Issued in Chinese**

### Independent auditors' review report

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

We have reviewed the accompanying balance sheet of Cathay Financial Holding Co., Ltd. (the "Company") as of 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 financial statements of the Company as of and for the three-month period ended March 31, 2004 were reviewed by other auditors whose report, dated April 15, 2004, expressed a modified unqualified review report due to the fact that certain investees were reviewed by other auditors.

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

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 Securities Issuers", "Guidelines Governing the Preparation of Financial Reports by Financial Holding Companies" and generally accepted accounting principles in the Republic of China.

In addition, we have also reviewed the consolidated financial statements of the Company as of and for the three-month period ended March 31, 2005 and the separate auditors' review report with unqualified review report was issued.

Diwan, Ernst & Young  
Taipei, Taiwan  
The 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.

**Cathay Financial Holding Co., Ltd.**  
**Unaudited balance sheets**  
**March 31, 2004 and 2005**  
**(Expressed in thousands of dollars)**

Assets	Notes	2004		2005	
		NT \$	US \$	NT \$	US \$
<b>Current assets</b>					
Cash and cash equivalents	2,4	\$5,854,021	\$177,395	\$17,824,536	\$566,578
Short-term investments	2,5	1,910,061	57,880	-	-
Tax refund receivable		86,281	2,615	589,326	18,733
Interest receivable		137,997	4,182	18,470	587
Other receivable		54,692	1,657	1,443,149	45,872
Deferred income tax assets-current	2,13	26,800	812	173,533	5,516
Subtotal		8,069,852	244,541	20,049,014	637,286
<b>Long-term investments</b>					
Long-term investments in stocks	2,6				
Long-term investments under equity method		172,639,963	5,231,514	183,596,994	5,835,887
Long-term investments under cost method		100,000	3,030	100,000	3,178
Allowance for valuation loss on long-term investments in stocks		(113,254)	(3,432)	(142,447)	(4,528)
Prepayments for long-term investments in stocks		701,014	21,243	-	-
Subtotal		173,327,723	5,252,355	183,554,547	5,834,537
<b>Property and equipment</b>					
Transportation and communication equipment	2	3,199	97	3,199	101
Other equipment		2,673	81	4,589	146
Subtotal		5,872	178	7,788	247
Less: Accumulated depreciation		(1,447)	(44)	(2,561)	(81)
Net		4,425	134	5,227	166
<b>Other assets</b>					
Refundable deposits		-	-	2,523,600	80,216
Temporary payments and suspense accounts		56	2	20	1
Deferred income tax assets -noncurrent	2,13	52,040	1,577	-	-
Deferred charges	2	190,714	5,779	17,394	553
Subtotal		242,810	7,358	2,541,014	80,770
<b>Total assets</b>		<b>\$181,644,810</b>	<b>\$5,504,388</b>	<b>\$206,149,802</b>	<b>\$6,552,759</b>
<b>Liabilities &amp; stockholders' equity</b>					
<b>Current liabilities</b>					
Collections for others		\$706	\$21	\$1,126	\$36
Accrued expenses		9,649	292	80,243	2,551
Income taxes payable		5,599	170	849,583	27,005
Dividends payable		1,415	43	2,261	72
Other payable		172,944	5,241	1,348,389	42,860
Subtotal		190,313	5,767	2,281,602	72,524
<b>Long-term liabilities</b>					
Bonds payable	2,7,20	24,609,818	745,752	15,257,124	484,969
Accrued pension liabilities	2,20	4,498	136	9,706	309
Subtotal		24,614,316	745,888	15,266,830	485,278
<b>Other liabilities</b>					
Deferred income tax liabilities -noncurrent	2,13	-	-	22,327	710
Guarantee deposits in		24	1	-	-
Temporary receipts and suspense accounts		704	21	708	22
Subtotal		728	22	23,035	732
<b>Total liabilities</b>		<b>24,805,357</b>	<b>751,677</b>	<b>17,571,467</b>	<b>558,534</b>
<b>Stockholders' equity</b>					
Capital stock	8				
Common stock		83,074,891	2,517,421	84,741,672	2,693,632
Capital surplus	9				
Additional paid-in capital		53,101,530	1,609,137	60,416,134	1,920,411
Treasury stock transactions		549,329	16,647	5,424,266	172,418
Others		-	-	10,909	347
Retained earnings	10				
Legal reserve		1,335,046	40,456	3,026,715	96,208
Special reserve		1,833,255	55,553	122,653	3,899
Unappropriated retained earnings		28,947,370	877,193	35,435,374	1,126,363
Equity adjustments					
Unrealized valuation losses on long-term equity investments		(113,254)	(3,432)	(142,447)	(4,528)
Cumulative conversion adjustments		119,807	3,631	(96,426)	(3,065)
Net loss not yet recognized as net pension cost		(1,971)	(60)	(5,560)	(177)
Treasury stock	2,11	(12,006,550)	(363,835)	(354,955)	(11,283)
<b>Total stockholders' equity</b>		<b>156,839,453</b>	<b>4,752,711</b>	<b>188,578,335</b>	<b>5,994,225</b>
<b>Total liabilities and stockholders' equity</b>		<b>\$181,644,810</b>	<b>\$5,504,388</b>	<b>\$206,149,802</b>	<b>\$6,552,759</b>

(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 Financial Holding Co., Ltd.**  
**Unaudited statements of income**  
**For the three-month periods ended March 31, 2004 and 2005**  
**(Expressed in thousands of dollars, except earning per share)**

	Notes	2004		2005	
		NT \$	US \$	NT \$	US \$
<b>Operating revenues</b>					
Interest income		\$111,135	\$3,368	\$112,328	\$3,571
Income from long-term equity investments	2,6	11,586,330	351,101	5,081,464	161,521
Subtotal		11,697,465	354,469	5,193,792	165,092
<b>Operating costs</b>	2				
Interest expenses		(167,728)	(5,083)	(218,840)	(6,956)
Provision for securities trading losses reserve		(19,853)	(602)	-	-
Subtotal		(187,581)	(5,685)	(218,840)	(6,956)
<b>Operating gross profit</b>		11,509,884	348,784	4,974,952	158,136
<b>Operating expenses</b>					
Administrative and general expenses		(73,792)	(2,236)	(129,819)	(4,126)
<b>Operating income</b>		11,436,092	346,548	4,845,133	154,010
<b>Non-operating revenues</b>					
Gain on foreign exchange		639,862	19,390	106,786	3,394
Miscellaneous income		113,338	3,434	30	1
Subtotal		753,200	22,824	106,816	3,395
<b>Income from continuing operations before income taxes</b>		12,189,292	369,372	4,951,949	157,405
<b>Income taxes</b>	2,13	(149,297)	(4,524)	(157,572)	(5,009)
<b>Net income</b>		\$12,039,995	\$364,848	\$4,794,377	\$152,396
<b>Earnings per share (expressed in dollars)</b>	14				
Primary earnings per share:					
Income from continuing operations before income taxes		\$1.52	\$0.05	\$0.59	\$0.02
Net income		\$1.51	\$0.05	\$0.57	\$0.02
Fully-diluted earnings per share:					
Income from continuing operations before income taxes		\$1.47	\$0.04	\$0.58	\$0.02
Net income		\$1.44	\$0.04	\$0.56	\$0.02
<b>Pro-forma information as if subsidiaries' investment in the Company were not treated as treasury stock:</b>					
Income from continuing operations before income taxes		\$12,293,833	\$372,540	\$4,943,593	\$157,139
Net income		\$12,144,536	\$368,016	\$4,786,020	\$152,130
<b>Earnings per share (expressed in dollars)</b>	14				
Primary earnings per share:					
Income from continuing operations before income taxes		\$1.53	\$0.05	\$0.59	\$0.02
Net income		\$1.52	\$0.05	\$0.57	\$0.02
Fully-diluted earnings per share:					
Income from continuing operations before income taxes		\$1.48	\$0.04	\$0.58	\$0.02
Net income		\$1.45	\$0.04	\$0.56	\$0.02

(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 Financial Holding Co., Ltd.  
**Unaudited statements of changes in stockholders' equity**  
**For the three-month periods ended March 31, 2004 and 2005**  
 (Expressed in thousands of dollars)

Summary	Common stock		Capital surplus		Legal reserve		Special reserve		Unappropriated retained earnings		Unrealized valuation losses on long-term equity investments		Cumulative conversion adjustments		Net loss not yet recognized as net pension cost		Treasury stock		Total	
	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$
	<b>Balance on January 1, 2004</b>	\$83,074,891	\$2,517,421	\$53,651,046	\$1,625,789	\$1,335,046	\$40,456	\$1,833,255	\$55,553	\$16,916,694	\$512,627	\$(136,202)	\$(4,127)	\$176,537	\$5,350	\$(1,971)	\$(60)	\$(15,039,516)	\$(455,743)	\$141,809,780
Capital surplus			(187)	(5)															(187)	(5)
Cumulative conversion adjustments													(56,730)	(1,719)					(56,730)	(1,719)
Unrealized valuation losses on long-term equity investments											22,948	695							22,948	695
Treasury stock									(9,319)	(282)							3,032,966	91,908	3,023,647	91,626
Net income for the three-month period ended March 31, 2004									12,039,995	364,848									12,039,995	364,848
<b>Balance on March 31, 2004</b>	<u>\$83,074,891</u>	<u>\$2,517,421</u>	<u>\$53,650,859</u>	<u>\$1,625,784</u>	<u>\$1,335,046</u>	<u>\$40,456</u>	<u>\$1,833,255</u>	<u>\$55,553</u>	<u>\$28,947,370</u>	<u>\$877,193</u>	<u>\$(113,254)</u>	<u>\$(3,432)</u>	<u>\$119,807</u>	<u>\$3,631</u>	<u>\$(1,971)</u>	<u>\$(60)</u>	<u>\$(12,006,550)</u>	<u>\$(363,835)</u>	<u>\$156,839,453</u>	<u>\$4,752,711</u>
<b>Balance on January 1, 2005</b>	\$83,167,130	\$2,643,583	\$58,958,697	\$1,874,085	\$3,026,715	\$96,208	\$122,653	\$3,899	\$30,640,997	\$973,967	\$(110,435)	\$(3,510)	\$(96,005)	\$(3,052)	\$(5,560)	\$(177)	\$(354,955)	\$(11,283)	\$175,349,237	\$5,573,720
Convertible notes converted into common stock	1,574,542	50,049	6,891,826	219,066															8,466,368	269,115
Capital surplus			786	25															786	25
Cumulative conversion adjustments													(421)	(13)					(421)	(13)
Unrealized valuation losses on long-term equity investments											(32,012)	(1,018)							(32,012)	(1,018)
Net income for the three-month period ended March 31, 2005									4,794,377	152,396									4,794,377	152,396
<b>Balance on March 31, 2005</b>	<u>\$84,741,672</u>	<u>\$2,693,632</u>	<u>\$65,851,309</u>	<u>\$2,093,176</u>	<u>\$3,026,715</u>	<u>\$96,208</u>	<u>\$122,653</u>	<u>\$3,899</u>	<u>\$35,435,374</u>	<u>\$1,126,363</u>	<u>\$(142,447)</u>	<u>\$(4,528)</u>	<u>\$(96,426)</u>	<u>\$(3,065)</u>	<u>\$(5,560)</u>	<u>\$(177)</u>	<u>\$(354,955)</u>	<u>\$(11,283)</u>	<u>\$188,578,335</u>	<u>\$5,994,225</u>

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2004 and 2005 were NTS33.00 and NTS31.46 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 Financial Holding Co., Ltd.**

**Unaudited statements of cash flows**

**For the three-month periods ended March 31, 2004 and 2005**

**(Expressed in thousands of dollars)**

	2004		2005	
	NT \$	US \$	NT \$	US \$
<b>Cash flows from operating activities</b>				
Net income	\$12,039,995	\$364,848	\$4,794,377	\$152,396
Adjustments:				
Amortizations	36,342	1,101	43,922	1,396
Depreciation	245	7	303	10
Provision loss on short-term investments	19,853	602	-	-
Investment income recognized by equity method excess of cash dividends received	(11,586,330)	(351,101)	(5,081,464)	(161,521)
Increase in bonds payable redemption premium	167,727	5,083	156,531	4,976
Effects of exchange rate changes	53,138	1,610	5,470	174
Decrease in short-term investments	217,507	6,591	-	-
Decrease in tax refund receivable	545,667	16,535	-	-
Decrease in interest receivable	(95,255)	(2,886)	(18,178)	(578)
Increase in other accounts receivable	3,760	114	(858,555)	(27,290)
Increase in deferred income tax assets-current	(4,963)	(150)	(23,836)	(758)
Decrease in deferred income tax assets-noncurrent	119,782	3,630	-	-
Decrease (increase) in temporary payments and suspense accounts	110	3	(18)	(1)
(Decrease) increase in collections for others	(191)	(6)	365	12
(Decrease) increase in accrued expenses	(26,979)	(817)	26,697	849
Increase in income taxes payable	5,599	170	703,868	22,373
Decrease in dividends payable	(61)	(2)	(54)	(2)
(Decrease) increase in other accounts payable	(523,054)	(15,850)	360,489	11,458
Increase accrued pension liabilities	922	28	1,669	53
Increase in temporary receipts and suspense accounts	10	-	-	-
Decrease in deferred income tax liabilities-noncurrent	-	-	(27,467)	(873)
<b>Net cash provided by operating activities</b>	<b>973,824</b>	<b>29,510</b>	<b>84,119</b>	<b>2,674</b>
<b>Cash flows from investing activities</b>				
Acquisition of long-term investments in stocks	(701,014)	(21,243)	-	-
Acquisition of property and equipment	-	-	(709)	(23)
Decrease in deferred charges	4,526	137	5,311	169
Increase in guarantee deposits paid	-	-	(2,523,600)	(80,216)
<b>Net cash used in investing activities</b>	<b>(696,488)</b>	<b>(21,106)</b>	<b>(2,518,998)</b>	<b>(80,070)</b>
<b>Cash flows from financing activities</b>				
Decrease in bonds payable	(693,000)	(21,000)	(207,598)	(6,599)
Increase in guarantee deposits in	25	1	-	-
<b>Net cash used in financing activities</b>	<b>(692,975)</b>	<b>(20,999)</b>	<b>(207,598)</b>	<b>(6,599)</b>
<b>Effects of exchange rate changes</b>	<b>(53,138)</b>	<b>(1,610)</b>	<b>(5,470)</b>	<b>(174)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(468,777)</b>	<b>(14,205)</b>	<b>(2,647,947)</b>	<b>(84,169)</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>6,322,798</b>	<b>191,600</b>	<b>20,472,483</b>	<b>650,747</b>
<b>Cash and cash equivalents at the end of period</b>	<b>\$5,854,021</b>	<b>\$177,395</b>	<b>\$17,824,536</b>	<b>\$566,578</b>
<b>Supplemental disclosure of cash flows information</b>				
Income tax paid	\$2,506	\$76	\$2,675	\$85
<b>Investing and financing activities with no cash flow effects</b>				
Conversion of convertible notes into common stock	\$-	\$-	\$8,466,368	\$269,115

(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 Financial Holding Co., Ltd.**

**Notes to unaudited financial statements**

**(Expressed in thousands of dollars except**

**for share and per share data and unless otherwise stated)**

**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 Financial Holding Companies. If there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese language financial statements shall prevail.

### **1. Organization and business scope**

On December 31, 2001, Cathay Life Insurance Co., Ltd. (“Cathay Life”) was reincorporated as Cathay Financial Holding Co., Ltd. (the “Company”) through stock conversion pursuant to the provisions of the Republic of China (“ROC”) Financial Holding Company Act (“Financial Holding Company Act”) and its shares were listed on the Taiwan Stock Exchange Corporation (TSE) on the same day. On April 22, 2002, Cathay Century Insurance Co., Ltd. (“Cathay Century”) and Cathay United Bank Co., Ltd. (“Cathay United Bank”) were merged into the Company through stock conversion. On December 18, 2002, United World Chinese Commercial Bank Co., Ltd. (“UWCCB”) became a subsidiary of the Company by stock conversion. UWCCB and Cathay United Bank merged on October 27, 2003. UWCCB was the surviving company, and the merged bank was re-named Cathay United Bank Co., Ltd. (“Cathay United Bank (merged)”). On May 12, 2004 the Company build-in a wholly owned subsidiary of Cathay Securities Corporation (“Cathay Securities”). On July 29, 2003 and November 9, 2004, the Company listed a portion of its common shares on the Luxembourg Stock Exchange in the form of Global Depository Shares (GDSs). The Company mainly engages in financial holding business activities.

As of March 31, 2004 and 2005, the total numbers of employees were 53 and 59, respectively.

### **2. Summary of significant accounting policies**

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



## **English Translation of Financial Statements Originally issued in Chinese**

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

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

### *(2) Cash and cash equivalents*

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

### *(3) Short-term investments*

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

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

### *(4) Long-term investments*

#### **A. Long-term investments in stocks**

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

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

When the Company subscribes to additional investee shares at a percentage different from its existing equity interest, the resulting carrying amount of the investment in equity investee differs from the amount of Company's proportionate share in the investee's net equity. The Company records such difference as an adjustment to "capital surplus" as well as the "long-term equity investments" accounts. If there is any deficiency in the capital surplus account, the difference will be debited to the retained earnings account.

### **B. Transactions with affiliated companies**

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

#### *(5) Property and equipment*

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

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

#### *(6) Deferred charges*

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

## **English Translation of Financial Statements Originally issued in Chinese**

### *(7) Impairment of assets*

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.

In addition, a goodwill-allocated CGU or group of CGUs is tested for impairment at the same day 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 rata 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).

### *(8) Convertible notes*

The excess of the redemption price over the par value of a convertible notes are credited to redemption premium payable and amortized using the interest method. This amortization is recorded as interest expense.

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

### *(9) Foreign currency transactions*

Foreign currency transactions are recorded in NT dollars at the spot rate when the conversion occurs. Gains or losses resulting from adjustments or settlements of foreign currency assets and liabilities are credited or charged to income in the period of actual conversion or settlement. Long-term investments in foreign currency are accounted for as cumulative translation adjustments and are treated as adjustments of stockholders' equity. Year-end foreign currency assets and liabilities are converted at the exchange rate on the balance sheet date, and any gains or losses resulting from the transactions are credited or charged to current income.

### *(10) Derivative financial instruments*

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

For cross-currency swap contracts undertaken for non-trading purposes, amounts to be exchanged on settlement dates are recorded at the contracted forward rate. The interest, which may involve the exchange of fixed-rate interest payments for floating-rate interest payments based on a notional principal amount, on each settlement date, is recorded as revenue or expense.

For option contracts, only memo entries of notional principal amounts are made on the contract date. Premiums paid or received are recorded as assets or liabilities. As of the balance sheet date, outstanding option contracts are marked-to-market and the gains and losses are recognized in the current statement of income. Gains or losses on the exercise of options are recognized in current statement of income.

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### *(11)Income taxes*

The Company adopted SFAS No. 22, “Accounting for Income Taxes”, which requires inter-period and intra-period tax allocations in addition to computing current period income tax payable. Furthermore, it requires recognition of temporary differences between deferred income tax liabilities, deferred income tax assets, prior year’s loss carry forwards and investment tax credits. The valuation allowance is recognized if evidence shows it is more likely than not that a part or all of the deferred tax assets will not be realized. The prior year’s income tax expense adjustment should be recorded as current period income tax expenses in the year of adjustment.

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

Deferred income tax asset or liability is, according to the classification of its related asset or liability, classified as current or non-current. However, if a deferred asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or non-current based on the expected length of time before it is realized.

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

### *(12)Capital expenditure expenses*

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

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### *(13) Treasury stock*

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

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

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

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

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### *(14) Pension plan*

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

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

### *(15) The interim financial statement*

The interim financial statements are prepared according to the ROC SFAS No. 23, "Interim Financial Reporting and Disclosures".

### *(16) Convenience conversion US dollars*

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

## **3. Accounting changes: None**

## **4. Cash and cash equivalents**

	March 31,			
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
Petty cash	\$60	\$2	\$60	\$2
Cash in banks	395,891	11,997	6,862,006	218,119
Time deposits	2,637,687	79,930	7,286,357	231,607
Cash equivalents	2,820,383	85,466	3,676,113	116,850
Total	\$5,854,021	\$177,395	\$17,824,536	\$566,578

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**5. Short-term investments**

	March 31,			
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
Oversea investments	\$2,000,984	\$60,636	\$-	\$-
Less: Allowance for valuation loss	(90,923)	(2,756)	-	-
Total	<u>\$1,910,061</u>	<u>\$57,880</u>	<u>\$-</u>	<u>\$-</u>

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

**6. Long-term investments in stocks**

Name of investee	March 31,			
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
Under the equity method:				
Cathay Life	\$95,996,868	\$2,908,996	\$91,944,082	\$2,922,571
Cathay United Bank (merged)	72,700,848	2,203,056	83,635,499	2,658,471
Cathay Century	3,164,643	95,898	3,162,922	100,538
Cathay Securities	-	-	3,446,744	109,560
Cathay Pacific Venture Capital Co., Ltd.	590,573	17,896	577,474	18,356
Cathay Venture Capital Co., Ltd.	73,777	2,236	74,335	2,363
Cathay II Venture Capital Co., Ltd.	-	-	582,340	18,510
Cathay Capital Management Inc.	-	-	31,151	990
Subtotal	<u>172,526,709</u>	<u>5,228,082</u>	<u>183,454,547</u>	<u>5,831,359</u>
Under the cost method:				
Debt Instrument Depository and Clearing				
Co., Ltd. Taiwan	100,000	3,030	100,000	3,178
Prepayments for long-term investments in				
stock:				
Cathay II Venture Capital Co., Ltd.	600,000	18,182	-	-
Cathay Securities	101,014	3,061	-	-
Subtotal	<u>701,014</u>	<u>21,243</u>	<u>-</u>	<u>-</u>
Total	<u>\$173,327,723</u>	<u>\$5,252,355</u>	<u>\$183,554,547</u>	<u>\$5,834,537</u>



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

	For the three-month periods ended March 31,			
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
Balance on January 1	\$157,950,702	\$4,786,385	\$178,404,731	\$5,670,843
Add: Investment gains under equity method recognized	11,586,330	351,101	5,081,464	161,521
Add: Disposal of the Company stocks that the subsidiaries held as investments were treated as treasury stocks	3,023,647	91,626	-	-
(Less) Add: Capital surplus under equity method recognized	(188)	(6)	785	25
Less: Cumulative conversion adjustments under equity method recognized	(56,730)	(1,719)	(421)	(13)
Add (Less): Unrealized valuation loss (recovered) on long-term equity investments under equity method recognized	22,948	695	(32,012)	(1,017)
Balance on March 31	<u>\$172,526,709</u>	<u>\$5,228,082</u>	<u>\$183,454,547</u>	<u>\$5,831,359</u>

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

Name of Investee	For the three-month periods ended March 31,			
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
Cathay Life	\$6,741,520	\$204,288	\$1,430,323	\$45,465
Cathay United Bank (merged)	4,579,331	138,768	3,457,729	109,909
Cathay Century	267,760	8,114	197,010	6,262
Cathay Securities	-	-	(11,690)	(372)
Cathay Pacific Venture Capital Co., Ltd.	(2,306)	(70)	(6,136)	(195)
Cathay Venture Capital Co., Ltd.	25	1	4,889	155
Cathay II Venture Capital Co., Ltd.	-	-	(2,367)	(75)
Cathay Capital Management Inc.	-	-	11,706	372
Total	<u>\$11,586,330</u>	<u>\$351,101</u>	<u>\$5,081,464</u>	<u>\$161,521</u>

A. Except for the Cathay Capital Management Inc. was recognized based on the unreviewed financial statement, the investment gains/losses of the subsidiaries were determined based on the reviewed financial statements of the investees for the same period as the Company.

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- B. We did not review the financial statements of Cathay Pacific Venture Capital Co., Ltd. for the three-month period ended March 31, 2005. Cathay Pacific Venture Capital Co., Ltd. was reviewed by other auditors with unqualified review report. In accordance with other auditors' report of its investee, it recognized its gains/losses on investments in accordance with the statements reviewed by other auditors.
- C. Combined with the voting rights of its subsidiaries, the Company had significant influence on Cathay Venture Capital Co., Ltd. Thus the investment gains/losses of Cathay Venture Capital Co., Ltd. for the three-month period ended March 31, 2005 was recognized upon equity method based on the reviewed financial statements in the same period.
- D. The Company's subsidiaries such as Cathay Securities, Cathay II venture Capital Co., Ltd. and Cathay Capital Management Inc. were not formally launch their operation, thus the Company was not recognized their investment gains/losses for the three-month period March 31, 2004.
- E. Effective from January 1, 2005, the Company adopted SFAS No. 7 "Consolidated Financial Statements" which was revised on December 9, 2004. The adoption of SFAS No. 7 resulted in deleting the requirement of the assets and income which was under 10% of parent company may not prepare consolidated financial statements and unconsidering restating prior consolidated financial statement. The consolidated financial statements of the Company as of and for the three-month period ended March 31, 2004 include the Company and its subsidiaries, which include Cathay Life, Cathay Century, Cathay United Bank (merged). The consolidated financial statements of the Company as of March 31, 2004 exclude Cathay Pacific Venture Capital Co., Ltd., because its total assets and operating revenues was less than 10% of the total assets and operating revenues of the Company.

As of and for the three-month period ended March 31, 2005, the consolidated financial statements include the Company, Cathay Life, Cathay United Bank (merged), Cathay Century, Cathay Securities, Cathay Pacific Venture Capital Co., Ltd., Cathay II Venture Capital Co., Ltd., Cathay Venture Capital Co., Ltd., Cathay Life Insurance Ltd. (Shanghai), Lin Yuan Property Management Co., Ltd., Symphox Information Co., Ltd., Cathay Futures Corp., Seaward Leasing Ltd. and Indovina Bank. The consolidated financial statements of the Company as of and for the three-month period ended March 31, 2005 excluded Cathay Capital Management Inc., Cathay Bank Life Insurance Agency of Association, Seaward Card Co., Ltd., Cathay Insurance (Bermuda) Co., Ltd., Cathay Securities Investment Co., Ltd., Cathay Pacific Partners Co., Ltd., Cathay Bank Property Agency of Association and China England Co., Ltd. because their total assets and operating revenues were insignificant of the total assets and operating revenues of the Company.

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- (3) As of March 31, 2004 and 2005, the Company didn't provide collateral or guarantee on long-term investments.

### **7. Bonds payable**

	March 31,			
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
Zero coupon convertible notes	\$23,100,000	\$700,000	\$13,848,034	\$440,179
Redemption premium payable	1,509,818	45,752	1,409,090	44,790
Total	<u>\$24,609,818</u>	<u>\$745,752</u>	<u>\$15,257,124</u>	<u>\$484,969</u>

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

### **8. Common stock**

As of March 31, 2004 and 2005, the numbers of issued shares, par value of NT10 dollars (US0.3 dollars), per share, were 8,307,489 thousand shares and 8,474,167 thousand shares, respectively.

On December 31, 2001, the Company listed its shares of stock on Taiwan Stock Exchange (TSE) in accordance with relevant regulations. On July 29, 2003 and November 9, 2004, the Company listed a portion of its common shares on the Luxembourg Stock Exchange in the form of Global Depositary Shares (GDSs).

### **9. Capital surplus**

- (1) The capital surplus of the Company consists of premium of stock conversion from consolidation, equity method adjustments from investee companies, and transactions of treasury stocks. Capital surplus was NT\$53,650,859 (US\$1,625,784) and NT\$65,851,309 (US\$2,093,176) as of March 31, 2004 and 2005. Before conversion into a financial holding company, NT\$267,215 (US\$8,494) constituted retained earnings of certain subsidiaries of the Company.
- (2) The additional paid-in capital of par value through the conversion of shares was generated from the transfer of the shares of the Subsidiaries to the Company. In compliance with Item 4 of Article 47 of the Financial Holding Company Act, the portion of additional paid-in capital from the share exchange which comes from the original financial institution's undistributed retained earnings is allowed to be distributed as cash dividends.

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

### **10. Retained earnings**

- (1) Legal reserve

Pursuant to the Company Law, 10% of the Company's after-tax net income in the current year must be appropriated as legal reserve until the total amount of the legal reserve equals the issued share capital. This legal reserve can be used to offset deficits but cannot be used for the purpose of cash dividend distributions. However, if the total legal reserve is greater than 50% of the issued share capital, up to 50% of such excess can be capitalized if agreed by its stockholders.

- (2) Unappropriated retained earnings

- A. According to the Company Law and the Company's articles of incorporation, 10% of the Company's annual earnings, after paying tax and offsetting deductions, if any, shall be appropriated as legal reserve and 0.01%~0.05% for employees' bonus. The remainder must be appropriated in accordance with the resolutions passed at the stockholders' meeting.
- B. The distribution of the 2003 earnings was approved in the shareholders' meeting on June 3, 2004. The distribution resulted from retained earnings of NT\$20,588,763 (US\$623,902) in 2003, amounts from special reserve which were converted into undistributed retained earnings totaling NT\$887,442 (US\$26,892) and the disposition of fixed assets from subsidiaries which amounted to NT\$57,683 (US\$1,748), respectively. The Company declared cash dividends of NT2 dollars (US0.06 dollars) on each common share and such dividends were paid on July 9, 2004.
- C. Cathay Life originally held 156,927 thousand shares of the Company. After conversion into a financial holding company, Cathay Life's treasury stock has been treated as the Company's treasury stock without any stockholder rights. As of March 31, 2004, Cathay Life had transferred all such treasury shares to employees.

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

E. In accordance with ROC SFC regulations, in addition to the legal reserve retained, the Company is required to provide a special reserve in the amount equal to current year's contra account in shareholders' equity from current year's earnings after tax or prior years' undistributed earnings. However, contra accounts in prior years' accumulated shareholders' equity should only be provided from prior years' undistributed earnings. If a reversal of shareholders equity contra account occurs, the reversed portion of the special reserve could be distributed as dividends.

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

G. Dividends policy

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

**11. Treasury stock**

(1) The following is a summary of the movement of treasury stock for the three-month period ended March 31, 2005.

Reason for acquisition	January 1, 2005			March 31, 2005			(Unit: in thousands of shares)			
	2005	Increase	Decrease	Book value (NT\$)	Book value (US\$)	Per share	Per share	Per share	Per share	
						Book value (in NT dollars)	Book value (in US dollars)	Market value (in NT dollars)	Market value (in US dollars)	
The Company that the subsidiaries held were treated as treasury stock	6,897	-	-	6,897	\$354,955	\$11,283	\$51.47	\$1.64	\$60.54	\$1.92

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

(Unit: in thousands of shares)

Name	Holding share	Amount	Amount	Cause	About retained	Legal time	Pro forma way
		(NT\$)	(US\$)		earnings limit	limit	determined by the board of directors
Cathay United Bank (merged)	3,500	\$210,810	\$6,701	Holding other subsidiaries stock by conversion	None	Within three years	None
Cathay Century	3,397	205,651	6,537	"	None	Within three years	None
<b>Total</b>	<b>6,897</b>	<b>\$416,461</b>	<b>\$13,238</b>				

**12. Personnel, depreciation, depletion and amortizations**

Item	For the three-month period ended March 31,2004			For the three-month period ended March 31,2005		
	(NT\$)			(NT\$)		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salary and wages	\$-	\$27,295	\$27,295	\$-	\$54,010	\$54,010
Labor & health insurance expenses	-	691	691	-	661	661
Pension expenses	-	922	922	-	1,834	1,834
Other expenses	-	406	406	-	475	475
Depreciation	-	245	245	-	303	303
Depletion	-	-	-	-	-	-
Amortizations	-	36,342	36,342	-	43,922	43,922

Item	For the three-month period ended March 31,2004			For the three-month period ended March 31,2005		
	(US\$)			(US\$)		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salary and wages	\$-	\$827	\$827	\$-	\$1,717	\$1,717
Labor & health insurance expenses	-	21	21	-	21	21
Pension expenses	-	28	28	-	58	58
Other expenses	-	12	12	-	15	15
Depreciation	-	7	7	-	10	10
Depletion	-	-	-	-	-	-
Amortizations	-	1,101	1,101	-	1,396	1,396

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**13. Estimated income taxes**

- (1) Income tax expenses for the three-month periods ended March 31, 2004 and 2005 are estimated as follows:

	For the three-month periods ended March 31,			
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
Income before income taxes	\$12,189,292	\$369,372	\$4,951,949	\$157,405
Adjustments:				
Interest income of tax on a separate basis	(11,011)	(334)	(13,251)	(421)
Investment gains recognized by equity method	(11,586,330)	(351,101)	(5,081,464)	(161,521)
Unrealized bonds payable redemption premium	167,727	5,083	156,531	4,975
Unrealized exchange gain	(647,285)	(19,615)	(112,256)	(3,568)
Realized exchange gain	-	-	925,790	29,427
Unrealized loss on market price loss of short-term investment	19,853	602	-	-
Others	(3,105)	(94)	(2,358)	(75)
Taxable income	129,141	3,913	824,941	26,222
Times: Taxes rate	25%-10	25%	25%-10	25%
Subtotal	32,275	978	206,225	6,556
Add: Tax on a separate basis	2,203	67	2,650	84
Deferred income tax expense (benefit)	114,819	3,479	(51,303)	(1,631)
Income taxes (benefit) expense	\$149,297	\$4,524	\$157,572	\$5,009

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

	For the three-month periods ended March 31,			
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
A. Total deferred income tax liabilities	\$333,659	\$10,111	\$379,180	\$12,053
B. Total deferred income tax assets	\$412,499	\$12,500	\$530,386	\$16,859
C. Temporary differences from resulting deferred tax assets or liabilities:				
a. Deductible temporary difference from unrealized redemption premium payable of bonds	\$1,509,818	\$45,752	\$1,409,090	\$44,790
b. Deductible temporary difference from organization costs amortization into 5 years	44,758	1,356	28,482	905
c. Deductible temporary difference from unrealized loss on market price loss of short-term investments	90,923	2,755	-	-

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d. Taxable temporary difference from unrealized gain on foreign exchange	(1,334,637)	(40,443)	(1,516,721)	(48,211)
e. Deductible temporary difference from unrealized loss on foreign exchange	-	-	677,858	21,547
f. Deductible temporary difference from pension expenses	4,498	136	6,118	194
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	\$315,360	\$9,556	\$604,827	\$19,225
	<hr/>	<hr/>	<hr/>	<hr/>
D. Deferred income tax assets-current	\$26,800	\$812	\$173,533	\$5,516
Deferred income tax liabilities- current	-	-	-	-
Net offset balance of deferred income tax assets (liabilities)-current	<hr/>	<hr/>	<hr/>	<hr/>
	\$26,800	\$812	\$173,533	\$5,516
	<hr/>	<hr/>	<hr/>	<hr/>
E. Deferred income tax assets-noncurrent	\$385,699	\$11,688	\$356,853	\$11,343
Deferred income tax liabilities-noncurrent	<hr/>	<hr/>	<hr/>	<hr/>
	(333,659)	(10,111)	(379,180)	(12,053)
Net offset balance of deferred income tax assets (liabilities) - noncurrent	<hr/>	<hr/>	<hr/>	<hr/>
	\$52,040	\$1,577	\$(22,327)	\$(710)

- (3) The Tax Authority has examined and cleared income tax returns of the Company through 2001.
- (4) The Company, in accordance with the Financial Holding Company Act, elected to be the payer of the consolidated income tax and the 10% additional undistributed earnings tax filing the consolidated income tax return which includes all subsidiaries that have twelve months of operations in a taxable year.
- (5) Information related tax imputation:

	March 31,			
	<hr/>	<hr/>	<hr/>	<hr/>
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
Balance of imputation credit account	<hr/>	<hr/>	<hr/>	<hr/>
	\$2,090,022	\$63,334	\$364,246	\$11,578
	<hr/>	<hr/>	<hr/>	<hr/>
	For the three-month period ended March 31,2004 (Actual)		For the three-month period ended March 31,2005 (Estimate)	
Imputation credit account ratio	<hr/>	<hr/>	<hr/>	<hr/>
	19.17%		1.66%	



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(6) Information relating of undistributed earnings:

Year	For the three-month periods ended March 31,			
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
Prior to 1997	\$267,215	\$8,097	\$267,215	\$8,494
After 1998	16,916,694	512,627	30,640,997	973,967
Total	\$17,183,909	\$520,724	\$30,908,212	\$982,461

The above undistributed earnings do not include the net income for the three-month periods ended March 30, 2004 and 2005.

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

**14. Earnings per share**

	For the three-month period ended March 31, 2004								
	Amount (Numerator)				Shares (in thousands of shares) (denominator)	EPS			
	Before income taxes		After income taxes			Before income taxes		After income taxes	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	
Net income	<u>\$12,189,292</u>	<u>\$369,372</u>	<u>\$12,039,995</u>	<u>\$364,848</u>					
<b>Primary earnings per share</b>									
Net income for common stock holder	12,189,292	369,372	12,039,995	364,848	7,998,386	<u>\$1.52</u>	<u>\$0.05</u>	<u>\$1.51</u>	<u>\$0.05</u>
<b>Effect of potentially dilutive common stock</b>									
Convertible bonds payable	<u>167,727</u>	<u>5,083</u>	<u>125,796</u>	<u>3,812</u>	<u>431,864</u>				
<b>Fully-diluted earnings per share</b>									
Net income for common stock holder & effect of potentially common stock	<u>\$12,357,019</u>	<u>\$374,455</u>	<u>\$12,165,791</u>	<u>\$368,660</u>	<u>8,430,250</u>	<u>\$1.47</u>	<u>\$0.04</u>	<u>\$1.44</u>	<u>\$0.04</u>

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For the three-month period ended March 31, 2005

	Amount (Numerator)				Shares (in thousands of shares) (denominator)	EPS			
	Before income taxes		After income taxes			Before income taxes		After income taxes	
	EPS (in dollars)		EPS (in dollars)		Before income taxes		After income taxes		
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	
Net income	<u>\$4,951,949</u>	<u>\$157,405</u>	<u>\$4,794,377</u>	<u>\$152,396</u>					
<b>Primary earnings per share</b>									
Net income for common stock holder	\$4,951,949	\$157,405	\$4,794,377	\$152,396	8,349,828	<u>\$0.59</u>	<u>\$0.02</u>	<u>\$0.57</u>	<u>\$0.02</u>
<b>Effect of potentially dilutive common stock</b>									
Convertible bonds payable	<u>\$156,531</u>	<u>\$4,975</u>	<u>\$117,398</u>	<u>\$3,732</u>	<u>397,782</u>				
<b>Fully-diluted earnings per share</b>									
Net income for common stock holder & effect of potentially common stock	<u>\$5,108,480</u>	<u>\$162,380</u>	<u>\$4,911,775</u>	<u>\$156,128</u>	<u>8,747,610</u>	<u>\$0.58</u>	<u>\$0.02</u>	<u>\$0.56</u>	<u>\$0.02</u>

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

(In thousands of shares)	For the three-month periods end March 31,	
	2004	2005
Shares at the beginning of year	7,989,322	8,309,816
Add: The Company that the subsidiaries held were treated as treasury stock	9,064	-
Convertible notes conversion	-	40,012
Total	<u>7,998,386</u>	<u>8,349,828</u>

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

	For the three-month periods ended March 31,			
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
Income before income taxes	\$12,293,833	\$372,540	\$4,943,593	\$157,139
Net income after income taxes	\$12,144,536	\$368,016	\$4,786,020	\$152,130
Before income taxes primary earnings per share (expressed in dollars)	\$1.53	\$0.05	\$0.59	\$0.02
After income taxes primary earnings per share (expressed in dollars)	\$1.52	\$0.05	\$0.57	\$0.02
Before income taxes fully – diluted earnings per share (expressed in dollars)	\$1.48	\$0.04	\$0.58	\$0.02
After income taxes fully – diluted earnings per shares (expressed in dollars)	\$1.45	\$0.04	\$0.56	\$0.02

**15. Related party transactions**

*(1) Related parties*

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

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Name	Relationship
Lin Yuan Property Management Co., Ltd.	Subsidiaries' investee is accounted for using the equity method
Cathay Insurance (Bermuda) Co., Ltd.	Subsidiaries' investee is accounted for using the equity method
Cathay Life Insurance Ltd. (Shanghai)	Subsidiaries' investee is accounted for using the equity method
Symphox Information Co., Ltd.	Subsidiaries' investee is accounted for using the equity method
Cathay Securities Investment Co., Ltd.	Subsidiaries' investee is accounted for using the equity method
Cathay Bank Life Insurance Agency of Association (merged with Seaward Insurance Agent Corp. on February 5, 2004, Cathay Bank Life Insurance Agency of Association was the surviving company)	Subsidiaries' investee is accounted for using the equity method
Cathay Futures Corp. (formerly Seaward Futures Corp.)	Subsidiaries' investee is accounted for using the equity method
Cathay General Hospital	Their chairman is the Company's chairman
Wan Pao Development Co., Ltd.	Their chairman is a second immediate family member of the Company's chairman
Lin Yuan Investment Co., Ltd.	Their chairman is a second immediate family member of the Company's chairman
Seaward Leasing Ltd.	Subsidiaries' investee is accounted for using the equity method
Seaward Card Co., Ltd.	Subsidiaries' investee is accounted for using the equity method
Indovina Bank	Subsidiaries' investee is accounted for using the equity method
Cathay Bank Property Agency of Association	Subsidiaries' investee is accounted for using the equity method
China England Co., Ltd.	Investee company of Seaward Leasing Ltd.
Culture and Charity Foundation of the CUB	Cathay United Bank (merged) is the major sponsor of the foundation

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(2) *Significant transactions with related parties:*

A. Cash in bank

As of and for the three-month period ended March 31, 2004					
Name	Item	Maximum amount (NT\$)	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$1,225,242	\$1,225,242	1.0%	\$3,062
(merged)	Cash in bank	597,076	395,864	0.1%-0.2%	-
			<u>\$1,621,106</u>		

As of and for the three-month period ended March 31, 2004					
Name	Item	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$37,129	\$37,129	1.0%	\$93
(merged)	Cash in bank	18,093	11,996	0.1%-0.2%	-
			<u>\$49,125</u>		

As of and for the three-month period ended March 31, 2005					
Name	Item	Maximum amount (NT\$)	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$6,580,800	\$6,350,434	3.02%	\$8,718
(merged)	Cash in bank	62,661	4,568	0.10%	-
			<u>\$6,355,002</u>		

As of and for the three-month period ended March 31, 2005					
Name	Item	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$209,180	\$201,858	3.02%	\$277
(merged)	Cash in bank	1,992	145	0.10%	-
			<u>\$202,003</u>		

B. Interest receivable

Name	March 31,			
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
Cathay United Bank				
(merged)	<u>\$34</u>	<u>\$1</u>	<u>\$8,519</u>	<u>\$271</u>

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C. Other receivable

Name	March 31,			
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
Cathay United Bank (merged)	\$-	\$-	\$1,314,730	\$41,790
Cathay Century	54,692	1,657	128,419	4,082
Total	<u>\$54,692</u>	<u>\$1,657</u>	<u>\$1,443,149</u>	<u>\$45,872</u>

D. Other payable

Name	March 31,			
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
Cathay Life	\$78,523	\$2,380	\$769,892	\$24,472
Cathay United Bank (merged)	94,421	2,861	571,606	18,169
Cathay Pacific Venture Capital Co., Ltd.	-	-	6,891	219
Total	<u>\$172,944</u>	<u>\$5,241</u>	<u>\$1,348,389</u>	<u>\$42,860</u>

E. Rental expense

Name	For the three-month periods ended March 31,			
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
Cathay Life	\$2,183	\$66	\$2,490	\$79
Cathay Century	79	2	-	-
Lin Yuan Property Management Co., Ltd.	-	-	59	2
Symphox Information Co., Ltd.	-	-	111	4
Seaward Leasing Ltd.	-	-	226	7
Seaward Card Co., Ltd.	-	-	142	4
Total	<u>\$2,262</u>	<u>\$68</u>	<u>\$3,028</u>	<u>\$96</u>

**16. Pledged assets: None.**

**17. Other important matters and contingent liabilities: None.**

**18. Serious damages: None.**

**19. Subsequent events: None.**

**20. Other important events**

(1) Pension related information

According to the ROC SFAS No. 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 held the following derivative financial instruments: interest rate swaps, cross-currency swaps and foreign currency options. The primary objective of interest rate swaps, cross-currency swaps and foreign currency options is to limit interest rate and exchange rate exposures related to assets and liabilities denominated in foreign currencies and foreign currency commitments, and bearing fixed interest rates. None of them was for trading purposes.

b. Credit and market risks

The counterparties for all of the Company’s interest rate swaps, cross-currency swaps and foreign currency options 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. Interest rate swaps (IRS)

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

(b) As of March 31, 2004:

<u>Counterpart</u>	<u>Effective</u>	<u>Period</u>	<u>Contract amount</u>	<u>Contract value</u>
Goldman Sachs International	2002.5.20	2005.5.20-2007.5.20	<u>USD 700,000</u>	<u>USD 700,000</u>

As of March 31, 2005:

<u>Counterpart</u>	<u>Effective</u>	<u>Period</u>	<u>Contract amount</u>	<u>Contract value</u>
Goldman Sachs International	2002.5.20	2005.5.20-2007.5.20	<u>USD 700,000</u>	<u>USD 700,000</u>

### e. Cross-currency swaps (CCS)

(a) For CCS contracts undertaken for non-trading purposes, amounts to be exchanged on settlement dates are recorded at the contracted forward rate. The interest, which may involve the exchange of fixed-rate interest payments for floating-rate interest payments based on a notional principal amount, on each settlement date is recorded as revenue or expense.

(b) As of March 31, 2005:

<u>Counterpart</u>	<u>Effective</u>	<u>Period</u>	<u>Contract amount</u>	<u>Contract value</u>
Goldman Sachs International	2005.3.3	2005.3.7-2010.3.7	<u>USD 500,000</u>	<u>USD 500,000</u>



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f. Foreign currency options

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

As of March 31, 2005:

<u>Counterpart</u>	<u>Effective date</u>	<u>Put date</u>	<u>Contract amount</u>	<u>Contract value</u>
Goldman Sachs	2005.3.3	2005.3.7;	<u>USD 500,000</u>	<u>USD 500,000</u>
International		2010.3.7		

As of March 31, 2004: None.

B. Non-derivative financial instruments related information

<u>Item</u>	<u>March 31, 2004</u>			
	<u>NT\$</u>		<u>US\$</u>	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
<u>Assets</u>				
Cash and cash equivalents	\$5,854,021	\$5,854,021	\$177,395	\$177,395
Short-term investments	1,910,061	1,910,061	57,880	57,880
Other receivable	54,692	54,692	1,657	1,657
Long-term investments in stocks	173,327,723	173,327,723	5,252,355	5,252,355
<u>Liabilities</u>				
Other payable	172,944	172,944	5,241	5,241
Bonds payable	24,609,818	24,609,818	745,752	745,752
	<u>March 31, 2005</u>			
	<u>NT\$</u>		<u>US\$</u>	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
<u>Assets</u>				
Cash and cash equivalents	\$17,824,536	\$17,824,536	\$566,578	\$566,578
Other receivable	1,443,149	1,443,149	45,872	45,872
Long-term investment in stocks	183,554,547	183,554,547	5,834,537	5,834,537
Guarantee deposits paid	2,523,600	2,523,600	80,216	80,216

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Liabilities				
Other payable	1,348,389	1,348,389	42,860	42,860
Bonds payable	15,257,124	15,257,124	484,969	484,969

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

- a. Short-term financial instruments are stated at carrying amount on the balance sheet date. Because the maturity date of those instruments is very close to the balance sheet date, it is reasonable that their carrying amounts are equal to their fair values. That assumption is adopted by the following accounts: cash and cash equivalents and receivables.
- b. If short-term investments and long-term investment in stocks have a market value, that will be their fair value. If there is no market value, their fair value will be estimated based on other financial information or their carrying amount on the balance sheet date.
- c. The fair value of the guarantee deposits paid is based on the carrying amount.

### (3) Zero coupon convertible notes related information:

Issuer: Cathay Financial Holding Co., Ltd.

Issue amount: US\$700 million.

Issue price: 100%.

Maturity date: May 20, 2007.

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

Conversion rights:

Subject to certain conditions, each holder of the notes (the "Holder") has the right during the conversion period to convert its notes (or any portion thereof being US1,000 dollars in principal amount or an integral multiple thereof) into common shares and, upon conversion may, subject to compliance with the terms and conditions of the applicable deposit agreement, direct that the common shares deliverable upon conversion be deposited with the depository for issuance of GDSs, provided, however, that the conversion right during any closed period shall be suspended and the conversion period shall not include any such closed period.

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### Repurchase at the option of the holder:

Unless the notes have been previously redeemed, repurchased and cancelled, or converted, each Holder shall have the right, at such Holder's option, to require the Company to repurchase all (or any portion of the principal amount thereof which is US\$1,000 dollars or any integral multiple thereof) of such Holder's notes, on May 20, 2005 at a price equal to 100% of the outstanding principal amount thereof plus the redemption premium. The redemption premium is the amount payable at the issue price on the original issue date, plus a compound yield rate of 2.75% per annum (computed on a semi-annual note equivalent basis).

### Repurchase in the event of delisting:

Unless the notes have been previously redeemed, repurchased and cancelled, or converted, in the event that the Company's common shares cease to be listed or admitted to trading on the Taiwan Stock Exchange, each Holder shall have the right, at such Holder's option, to require the Company to repurchase all (or any portion of the principal amount thereof which is US\$1,000 dollars or any integral multiple thereof) of such Holder's notes at a price equal to 100% of the outstanding principal amount thereof plus the redemption premium.

### Repurchase in the event of change of control:

Unless the notes have been previously redeemed, repurchased and cancelled, or converted, each Holder shall have the right, at such Holder's option, to require the Company to repurchase all (or any portion of the principal amount thereof which is US\$1,000 dollars or any integral multiple thereof) of such Holder's notes at a price equal to 100% of the outstanding principal amount thereof plus the redemption premium, upon the occurrence of a change of control.

### Redemption at the option of the Company:

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

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### Tax redemption:

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

### Redemption amount at maturity:

Unless the notes have been previously redeemed, repurchased and cancelled, or converted, the Company will redeem the notes on the maturity date at a price equal to 100% of the outstanding principal amount thereof plus the redemption premium.

### Negative pledge:

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

### Further issues:

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

### Governing law:

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

### Status quo:

Up to March 31, 2005, the Company has converted US\$ 261,007 convertible notes at conversion price of NT\$ 54.15 (US\$1.72) per share, into 166,678 thousand common stocks. The redemption premiums payable and additional paid-in capital of this conversion amounted to NT\$ 7,314,417 (US\$232,499), and are recognized as capital surplus.

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(4) Material contract: None.

(5) Presentation of financial statements:

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

### **21. Information for investment in Mainland China:**

On December 25, 2002 and July 24, 2004, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized Cathay Life to remit US\$27,150 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, 2004, MOEAIC authorized Cathay Life Insurance Co., Ltd. (Guangzhou) to change its location from Guangzhou to Shanghai. Cathay Life's subsidiary, Cathay Life Insurance Ltd. (Shanghai) has acquired a business license of an enterprise as legal person on December 29, 2004. As of March 31, 2005, Cathay Life's remittance to this new company totaled approximately US\$48,330.

### **22. Segment information: None.**

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

(1) Concise balance sheets:

Items/Period	Cathay Life				Cathay United Bank (merged)				Cathay Century				Cathay Securities	
	March 31, 2004		March 31, 2005		March 31, 2004		March 31, 2005		March 31, 2004		March 31, 2005		March 31, 2005	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Current assets	\$576,797,148	\$17,478,701	\$552,979,150	\$17,577,214	\$352,471,420	\$10,680,952	\$370,805,146	\$11,786,559	\$7,546,559	\$228,683	\$7,090,053	\$225,367	\$4,032,155	\$128,167
Exchange bills negotiated, discounted, and loans	471,258,726	14,280,567	446,557,843	14,194,464	530,642,552	16,080,077	594,629,774	18,901,137	776,145	23,519	1,100,891	34,994	-	-
Funds and long-term investments	408,372,275	12,374,918	594,310,747	18,890,997	28,839,943	873,938	41,163,004	1,308,423	2,187,201	66,279	3,205,227	101,883	18	1
Fixed assets	15,523,600	470,412	14,790,521	470,137	25,468,325	771,767	24,835,784	789,440	52,476	1,591	59,025	1,876	57,419	1,826
Other assets (including intangible assets)	33,303,918	1,009,210	57,656,767	1,832,701	7,215,019	218,637	4,143,364	131,703	471,680	14,293	583,066	18,533	239,138	7,601
Current liabilities	4,596,434	139,286	6,281,136	199,655	844,501,605	25,590,957	905,651,831	28,787,407	839,469	25,438	1,137,875	36,169	876,749	27,869
Long-term liabilities	911,721	27,628	1,499,458	47,662	-	-	-	-	8,966	272	9,450	300	-	-
Other liabilities	1,403,750,644	42,537,898	1,566,570,352	49,795,625	26,934,406	816,194	46,078,933	1,464,683	6,810,508	206,379	7,522,363	239,109	5,237	167
Capital stocks	50,686,158	1,535,944	50,686,158	1,611,130	43,182,407	1,308,558	43,182,407	1,372,613	2,317,006	70,212	2,317,006	73,649	3,500,000	111,252
Capital surplus	5,200	158	13,153	418	13,461,632	407,928	13,463,186	427,946	430	13	2,021	64	-	-
Retained earnings	45,322,228	1,373,401	41,386,839	1,315,538	16,535,631	501,080	27,288,614	867,407	1,056,395	32,012	1,050,012	33,377	(53,256)	(1,693)
Equity adjustments	(16,718)	(507)	(142,068)	(4,515)	21,578	654	(87,899)	(2,794)	1,287	39	(465)	(15)	-	-
Total assets	\$1,505,255,667	\$45,613,808	\$1,666,295,028	\$52,965,513	\$944,637,259	\$28,625,371	\$1,035,577,072	\$32,917,262	\$11,034,061	\$334,365	\$12,038,262	\$382,653	\$4,328,730	\$137,595
Total liabilities	\$1,409,258,799	\$42,704,812	\$1,574,350,946	\$50,042,942	\$871,436,011	\$26,407,151	\$951,730,764	\$30,252,090	\$7,658,943	\$232,089	\$8,669,688	\$275,578	\$881,986	\$28,036
Total stockholders' equity	\$95,996,868	\$2,908,996	\$91,944,082	\$2,922,571	\$73,201,248	\$2,218,220	\$83,846,308	\$2,665,172	\$3,375,118	\$102,276	\$3,368,574	\$107,075	\$3,446,744	\$109,559

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(2) Concise statements of income:

Items/Period	Cathay Life				Cathay United Bank (merged)				Cathay Century				Cathay Securities	
	For the three-month period		For the three-month period		For the three-month period		For the three-month period		For the three-month period		For the three-month period		For the three-month period	
	ended Mar. 31, 2004		ended Mar. 31, 2005		ended Mar. 31, 2004		ended Mar. 31, 2005		ended Mar. 31, 2004		ended Mar. 31, 2005		ended Mar. 31, 2005	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Operating revenues	\$113,929,548	\$3,452,411	\$111,591,227	\$3,547,083	\$10,159,809	\$307,873	\$11,852,564	\$376,750	\$6,234,932	\$188,937	\$6,717,395	\$213,522	\$48,082	\$1,528
Operating costs & expenses	(107,472,307)	(3,256,738)	(109,567,100)	(3,482,743)	(5,812,008)	(176,121)	(6,923,603)	(220,076)	(5,875,864)	(178,056)	(6,465,272)	(205,508)	(66,701)	(2,120)
Operating income	6,457,241	195,673	2,024,127	64,340	4,347,801	131,752	4,928,961	156,674	359,068	10,881	252,123	8,014	(18,619)	(592)
Non-operating revenues	433,644	13,141	350,921	11,155	1,202,458	36,438	39,082	1,242	12,571	381	3,779	120	6,171	196
Non-operating expenses	(168,409)	(5,103)	(1,418,103)	(45,077)	(72,886)	(2,209)	(375,315)	(11,930)	(6,122)	(186)	(11,854)	(376)	-	-
Operating income before taxes	6,722,476	203,711	956,945	30,418	5,477,373	165,981	4,592,728	145,986	365,517	11,076	244,048	(7,758)	(12,448)	(396)
Net income	6,741,520	204,288	1,430,323	45,465	4,649,373	140,890	3,457,728	109,909	302,260	9,159	188,654	5,997	(11,690)	(372)
Earning per share before taxes (in dollars)	\$1.34	\$0.04	\$0.19	\$0.01	\$1.27	\$0.04	\$1.06	\$0.03	\$1.58	\$0.05	\$1.05	\$0.03	\$(0.04)	\$-
Earning per share (in dollars)	\$1.34	\$0.04	\$0.28	\$0.01	\$1.08	\$0.03	\$0.80	\$0.03	\$1.30	\$0.04	\$0.81	\$0.03	\$(0.03)	\$-