

Cathay Financial Holding Co., Ltd.
Financial statements
Together with
Independent auditors' report
June 30, 2004 and 2005

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English Translation of Report Originally Issued in Chinese
Independent auditors' report

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

We have audited the accompanying balance sheets of Cathay Financial Holding Co., Ltd. (the "Company") as of June 30, 2004 and 2005 and the related statements of income, changes in stockholders' equity and cash flows for the six-month periods then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2004 and 2005 and the results of its operations and its cash flows for the six-month periods ended June 30, 2004 and 2005 in conformity with generally accepted accounting principles in the Republic of China, "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and "Guidelines Governing the Preparation of Financial Reports by Financial Holding Companies".

Diwan, Ernst & Young
Taipei, Taiwan
The Republic of China
August 1, 2005

Notice to Readers

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

Balance sheets

As of June 30, 2004 and 2005

(Expressed in thousands of dollars)

Assets	Notes	2004		2005	
		NT \$	US \$	NT \$	US \$
Current assets					
Cash and cash equivalents	2, 4	\$2,699,986	\$80,214	\$35,098,096	\$1,109,295
Short-term investments	2, 5	669,619	19,894	-	-
Tax refund receivable		589,326	17,508	589,326	18,626
Interest receivable		19,350	575	48,236	1,524
Other receivable		18,076,268	537,025	1,608,786	50,847
Deferred income tax assets-current	2, 13	8,629	256	160,919	5,086
Subtotal		22,063,178	655,472	37,505,363	1,185,378
Long-term investments	2, 6				
Long-term investments in stocks					
Long-term investments under equity method		166,810,093	4,955,736	172,398,665	5,448,757
Long-term investments under cost method		100,000	2,971	100,000	3,161
Allowance for valuation loss on long-term investments in stocks		(114,845)	(3,412)	(4,961)	(157)
Subtotal		166,795,248	4,955,295	172,493,704	5,451,761
Property and equipment	2				
Transportation and communication equipment		3,199	95	3,199	101
Other equipment		3,248	96	4,730	149
Subtotal		6,447	191	7,929	250
Less: Accumulated depreciation		(1,699)	(50)	(2,887)	(91)
Net		4,748	141	5,042	159
Other assets					
Refundable deposits		-	-	2,529,600	79,949
Temporary payments and suspense accounts		1,534	45	57	2
Deferred income tax assets -noncurrent	2, 13	210,802	6,263	18,021	569
Deferred charges	2	149,847	4,452	145	5
Subtotal		362,183	10,760	2,547,823	80,525
Total assets		\$189,225,357	\$5,621,668	\$212,551,932	\$6,717,823
Liabilities & stockholders' equity					
Current liabilities					
Collections for others		\$1,797	\$53	\$1,711	\$54
Accrued expenses		20,975	623	55,247	1,746
Income taxes payable		257,155	7,640	737,217	23,300
Dividends payable		16,106,531	478,507	21,191,530	669,771
Other payable		772,332	22,945	1,661,601	52,516
Subtotal		17,158,790	509,768	23,647,306	747,387
Long-term liabilities					
Bonds payable	2, 7, 20	25,313,234	752,027	15,238,962	481,636
Accrued pension liabilities	2, 20	5,321	158	11,327	358
Subtotal		25,318,555	752,185	15,250,289	481,994
Other liabilities					
Guarantee deposits in		25	1	-	-
Temporary receipts and suspense accounts		722	21	1,216	38
Subtotal		747	22	1,216	38
Total liabilities		42,478,092	1,261,975	38,898,811	1,229,419
Stockholders' equity					
Capital stock	8				
Common stock		83,074,891	2,468,060	84,758,914	2,678,853
Capital surplus	9				
Additional paid-in capital		53,101,717	1,577,591	60,492,671	1,911,905
Treasury stock transactions		563,685	16,746	5,407,666	170,912
Others		10,124	301	11,133	352
Retained earnings	10				
Legal reserve		3,026,715	89,920	6,009,431	189,931
Special reserve		122,653	3,644	226,579	7,161
Unappropriated retained earnings		18,785,160	558,086	16,998,517	537,248
Equity adjustments					
Unrealized valuation losses on long-term equity investments		(114,845)	(3,412)	(4,961)	(157)
Cumulative conversion adjustments		160,287	4,762	(95,048)	(3,004)
Net loss not yet recognized as net pension cost		(1,971)	(59)	(5,560)	(176)
Treasury stock	2, 11	(11,981,151)	(355,946)	(146,221)	(4,621)
Total stockholders' equity		146,747,265	4,359,693	173,653,121	5,488,404
Total liabilities and stockholders' equity		\$189,225,357	\$5,621,668	\$212,551,932	\$6,717,823

(The exchange rates provided by the Federal Reserve Bank of New York on June 30, 2004 and 2005 were NT\$33.66 and NT\$31.64 to US\$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

Statements of income

For the six-month periods ended June 30, 2004 and 2005

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

	Notes	2004		2005	
		NT \$	US \$	NT \$	US \$
Operating revenues					
Interest income		\$158,877	\$4,720	\$383,807	\$12,130
Income from long-term equity investments	2, 6	18,036,281	535,837	11,008,847	347,941
Other operating income		52,829	1,570	-	
Subtotal		18,247,987	542,127	11,392,654	360,071
Operating costs					
Interest expenses		(409,144)	(12,155)	(536,819)	(16,966)
Provision for securities trading losses reserve		(27,869)	(828)	-	-
Subtotal		(437,013)	(12,983)	(536,819)	(16,966)
Operating gross profit		17,810,974	529,144	10,855,835	343,105
Operating expenses					
Administrative and general expenses		(190,732)	(5,667)	(202,641)	(6,405)
Operating income		17,620,242	523,477	10,653,194	336,700
Non-operating revenues					
Gain on foreign exchange		206,141	6,124	110,132	3,481
Miscellaneous income		121,467	3,609	8,670	274
Subtotal		327,608	9,733	118,802	3,755
Income from continuing operations before income taxes		17,947,850	533,210	10,771,996	340,455
Income taxes benefit (expense)	2, 13	23,469	697	(132,681)	(4,193)
Net income		\$17,971,319	\$533,907	\$10,639,315	\$336,262
Earnings per share(expressed in dollars)					
	14				
Primary earnings per share:					
Income from continuing operations before income taxes		\$2.24	\$0.07	\$1.28	\$0.04
Net income		\$2.24	\$0.07	\$1.27	\$0.04
Fully-diluted earnings per share:					
Income from continuing operations before income taxes		\$2.17	\$0.06	\$1.26	\$0.04
Net income		\$2.16	\$0.06	\$1.24	\$0.04
Pro-forma information as if subsidiaries' investment in the Company were not treated as treasury stock:					
Income from continuing operations before income taxes		\$18,037,101	\$535,862	\$10,750,123	\$339,764
Net income		\$18,060,570	\$536,559	\$10,617,442	\$335,570
Earnings per share(expressed in dollars)					
	14				
Primary earnings per share:					
Income from continuing operations before income taxes		\$2.25	\$0.07	\$1.28	\$0.04
Net income		\$2.25	\$0.07	\$1.26	\$0.04
Fully-diluted earnings per share:					
Income from continuing operations before income taxes		\$2.18	\$0.06	\$1.26	\$0.04
Net income		\$2.17	\$0.06	\$1.24	\$0.04

(The exchange rates provided by the Federal Reserve Bank of New York on June 30, 2004 and 2005 were NT\$33.66 and NT\$31.64 to US\$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.
Statements of changes in stockholders' equity
For the six-month periods ended June 30, 2004 and 2005
(Expressed in thousands of dollars)

Summary	Retained earnings										Equity adjustments										Total	
	Common stock		Capital surplus		Legal reserve		Special reserve		Unappropriated retained earnings		Unrealized valuation losses on long-term equity investments		Cumulative conversion adjustments		Net loss not yet recognized as net pension cost		Treasury stock					
	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$		
Balance on January 1, 2004	\$83,074,891	\$2,468,060	\$53,651,046	\$1,593,911	\$1,335,046	\$39,663	\$1,833,255	\$54,464	\$16,916,694	\$502,576	\$(136,202)	\$(4,046)	\$176,537	\$5,245	\$(1,971)	\$(59)	\$(15,039,516)	\$(446,807)	\$141,809,780	\$4,213,007		
Appropriations and distributions for 2003																						
Legal reserve					1,691,669	50,257			(1,691,669)	(50,257)									-	-		
Special reserve							(1,710,602)	(50,820)	1,710,602	50,820									-	-		
Cash dividends									(16,105,155)	(478,466)									(16,105,155)	(478,466)		
Remuneration paid to directors and supervisors									(5,700)	(169)									(5,700)	(169)		
Bonus paid to employees									(1,612)	(48)									(1,612)	(48)		
Capital surplus			10,124	301															10,124	301		
Cumulative conversion adjustments													(16,250)	(483)					(16,250)	(483)		
Gains on unrealized value recoveries of long-term equity investments											21,357	634							21,357	634		
Treasury stock			14,356	426					(9,319)	(277)							3,058,365	90,861	3,063,402	91,010		
Net income for the six-month period ended June 30, 2004									17,971,319	533,907									17,971,319	533,907		
Balance on June 30, 2004	\$83,074,891	\$2,468,060	\$53,675,526	\$1,594,638	\$3,026,715	\$89,920	\$122,653	\$3,644	\$18,785,160	\$558,086	\$(114,845)	\$(3,412)	\$160,287	\$4,762	\$(1,971)	\$(59)	\$(11,981,151)	\$(355,946)	\$146,747,265	\$4,359,693		
Balance on January 1, 2005	\$83,167,130	\$2,628,544	\$58,958,697	\$1,863,423	\$3,026,715	\$95,661	\$122,653	\$3,877	\$30,640,997	\$968,426	\$(110,435)	\$(3,490)	\$(96,005)	\$(3,034)	\$(5,560)	\$(176)	\$(354,955)	\$(11,219)	\$175,349,237	\$5,542,012		
Appropriations and distributions for 2004																						
Legal reserve					2,982,716	94,270			(2,982,716)	(94,270)									-	-		
Special reserve							103,926	3,284	(103,926)	(3,284)									-	-		
Cash dividends									(21,187,333)	(669,638)									(21,187,333)	(669,638)		
Remuneration paid to directors and supervisors									(5,700)	(181)									(5,700)	(181)		
Bonus paid to employees									(2,120)	(67)									(2,120)	(67)		
Convertible notes converted into common stock	1,591,784	50,309	6,968,363	220,239															8,560,147	270,548		
Capital surplus			1,009	32															1,009	32		
Cumulative conversion adjustments													957	30					957	30		
Gains on unrealized value recoveries of long-term equity investments											105,474	3,333							105,474	3,333		
Treasury stock			(16,599)	(525)													208,734	6,598	192,135	6,073		
Net income for the six-month period ended June 30, 2005									10,639,315	336,262									10,639,315	336,262		
Balance on June 30, 2005	\$84,758,914	\$2,678,853	\$65,911,470	\$2,083,169	\$6,009,431	\$189,931	\$226,579	\$7,161	\$16,998,517	\$537,248	\$(4,961)	\$(157)	\$(95,048)	\$(3,004)	\$(5,560)	\$(176)	\$(146,221)	\$(4,621)	\$173,653,121	\$5,488,404		

(The exchange rates provided by the Federal Reserve Bank of New York on June 30, 2004 and 2005 were NTS33.66 and NTS31.64 to US\$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.
Statements of cash flows
For the six-month periods ended June 30, 2004 and 2005
(Expressed in thousands of dollars)

	2004		2005	
	NT \$	US \$	NT \$	US \$
Cash flows from operating activities				
Net income	\$17,971,319	\$533,907	\$10,639,315	\$336,262
Adjustments:				
Amortizations	72,683	2,159	59,249	1,872
Depreciation	497	15	629	20
Gain on market price recovery of short-term investments	(52,829)	(1,570)	-	-
Investment income recognized by equity method (excess) smaller of cash dividends received	(17,926,281)	(532,569)	6,960,602	219,994
Increase in bonds payable redemption premium	409,144	12,155	280,511	8,866
Effects of exchange rate changes	24,860	739	(825,631)	(26,095)
Decrease in short-term investments	1,530,631	45,473	-	-
Increase in tax refund receivable	(589,326)	(17,508)	-	-
Decrease (increase) in interest receivable	23,392	695	(47,943)	(1,515)
Increase in other accounts receivable	(1,715,900)	(50,977)	(1,024,191)	(32,370)
Decrease (increase) in deferred income tax assets-current	13,207	392	(11,222)	(355)
Increase in deferred income tax assets-noncurrent	(38,981)	(1,158)	(18,021)	(570)
Increase in temporary payments and suspense accounts	(1,367)	(41)	(56)	(2)
Increase in collections for others	901	27	950	30
(Decrease) increase in accrued expenses	(15,653)	(465)	1,701	54
Increase in income tax payable	251,556	7,474	591,502	18,695
Decrease in dividends payable	(7,412)	(220)	(5,939)	(188)
Increase in other accounts payable	772,332	22,945	673,702	21,293
Increase accrued pension liabilities	1,745	52	3,290	104
Increase in temporary receipts and suspense accounts	28	1	507	16
Decrease in deferred income tax liabilities-noncurrent	-	-	(49,794)	(1,574)
Net cash provided by operating activities	724,546	21,526	17,229,161	544,537
Cash flows from investing activities				
Acquisition of long-term investments in stocks	(4,100,000)	(121,806)	(650,000)	(20,544)
Acquisition of property and equipment	(575)	(17)	(850)	(27)
Decrease in deferred charges	9,052	269	7,233	229
Increase in refundable deposits	-	-	(2,529,600)	(79,949)
Net cash used in investing activities	(4,091,523)	(121,554)	(3,173,217)	(100,291)
Cash flows from financing activities				
Decrease in bonds payable	(231,000)	(6,863)	(255,962)	(8,090)
Increase in guarantee deposits in	25	1	-	-
Net cash used in financing activities	(230,975)	(6,862)	(255,962)	(8,090)
Effects of exchange rate changes	(24,860)	(739)	825,631	26,095
(Decrease) increase in cash and cash equivalents	(3,622,812)	(107,629)	14,625,613	462,251
Cash and cash equivalents at the beginning of period	6,322,798	187,843	20,472,483	647,044
Cash and cash equivalents at the end of period	\$2,699,986	\$80,214	\$35,098,096	\$1,109,295
Supplemental disclosure of cash flows information				
Interest paid during the period	\$-	\$-	\$230,180	\$7,275
Interest paid (excluding capitalized interest)	\$-	\$-	\$230,180	\$7,275
Income tax paid	\$4,174	\$124	\$5,314	\$168
Investing and financing activities with no cash flow effects				
Conversion of convertible notes into common stock	\$-	\$-	\$8,560,147	\$270,548

(The exchange rates provided by the Federal Reserve Bank of New York on June 30, 2004 and 2005 were NT\$33.66 and NT\$31.64 to US\$1.00)

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

English Translation of Financial statements Originally issued in Chinese

Cathay Financial Holding Co., Ltd.

Notes to financial statements

(Expressed in thousands of dollars

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

June 30, 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 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”). Since July 29, 2003, the Company listed a portion of its common shares on the Luxembourg Stock Exchange (LSE) in the form of Global Depositary Shares (GDSs). The Company mainly engages in financial holding business activities.

As of June 30, 2004 and 2005, the total numbers of employees were 54 and 62, 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 Financial

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

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

Current assets are assets that 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, which 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), any 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.

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

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. Cost of major additions, renewals and betterment are capitalized, while repairs and maintenance are expensed when incurred.

Upon the sale or disposal of properties and equipment, their cost, related accumulated depreciation and accumulated impairment are removed from the respective accounts. Gain or loss resulting from such sale or disposal is accounted for as non-operating gain or loss.

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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.

(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 on 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 annually, or more frequently if events or changes in circumstance indicate goodwill impairment. 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:

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- (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.

Thus, reversal of impairment loss on goodwill is prohibited.

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.

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 investment in foreign currency is accounted for as cumulative translation adjustments and is 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.

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(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 obligation 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.

(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. Valuation allowance is provided for deferred income tax assets that are not certain to 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 may jointly file corporation income tax returns and pay a 10% surcharge on their undistributed retained earnings under the consolidated income tax return. If there are any tax effects due to the adoption of the foregoing consolidated income tax return, 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.

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Deferred income tax assets or liabilities are classified as current or non-current on the basis of the classification of the related assets or liabilities for financial reporting. A deferred income tax asset or liability that cannot be related to an asset or liability for financial reporting is classified according to the expected realization date of the temporary difference.

The additional 10% income tax imposed on undistributed earnings is recognized as expenses on the date when the stockholders resolve the appropriation 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.

(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:

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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.

(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.

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The Labor Pension Act of ROC (“the Act”), which adopts a defined contribution scheme, takes effect from July 1, 2005. In accordance with the Act, employees of the Company may elect to be subject to either the Act, and maintain their seniority before the enforcement of the Act, or the pension mechanism of the Labor Standards Law. For employees subject to the Act, the Company shall make monthly contributions to the employees’ individual pension accounts on a basis no less than 6% of the employees’ monthly wages.

(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 June 30, 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\$33.66 and NT\$31.64 to US\$1.00 on June 30, 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

	June 30,			
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
Petty cash	\$60	\$2	\$60	\$2
Cash in banks	126,762	3,766	6,657,172	210,404
Time deposits	833,951	24,776	14,799,957	467,761
Cash equivalents	1,739,213	51,670	13,640,907	431,128
Total	<u>\$2,699,986</u>	<u>\$80,214</u>	<u>\$35,098,096</u>	<u>\$1,109,295</u>

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5. Short-term investments

	June 30,			
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
Oversea investments	\$687,860	\$20,436	\$-	\$-
Less: Allowance for valuation loss	(18,241)	(542)	-	-
Total	\$669,619	\$19,894	\$-	\$-

As of June 30, 2004, the Company didn't provide collateral or guarantee on short-term investments.

6. Long-term investments in stocks

Name of investee	June 30,			
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
Under the equity method:				
Cathay Life	\$84,802,424	\$2,519,383	\$83,713,371	\$2,645,808
Cathay United Bank (merged)	74,308,043	2,207,607	80,448,169	2,542,610
Cathay Century	2,819,464	83,763	2,896,834	91,556
Cathay Securities	3,503,506	104,085	3,938,659	124,484
Cathay Pacific Venture Capital Co., Ltd.	589,901	17,525	559,411	17,680
Cathay Venture Capital Co., Ltd.	74,211	2,204	226,282	7,152
Cathay II Venture Capital Co., Ltd.	597,699	17,757	587,875	18,580
Cathay Capital Management Inc.	-	-	23,103	730
Subtotal	166,695,248	4,952,324	172,393,704	5,448,600
Under the cost method:				
Debt Instrument Depository and Clearing Co., Ltd. Taiwan	100,000	2,971	100,000	3,161
Total	\$166,795,248	\$4,955,295	\$172,493,704	\$5,451,761

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

	For the six-month periods ended June 30,			
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
Balance on January 1	\$157,950,702	\$4,692,534	\$178,404,731	\$5,638,582
Add: Investment gains under equity method recognized	18,036,281	535,837	11,008,847	347,941
Add: Increment of investment	4,100,000	121,806	650,000	20,544
Add: Capital surplus under equity method recognized	10,124	301	1,009	32
(Less) add :Cumulative conversion adjustments under equity method recognized	(16,250)	(483)	957	30
Add: Disposal of the Company stocks that the subsidiaries held as investments were treated as treasury stocks	3,063,402	91,010	192,135	6,072
Add: Gains on unrealized value recoveries of long-term equity investments under equity method recognized	21,357	634	105,474	3,334
Less: Cash dividends received	(16,470,368)	(489,315)	(17,969,449)	(567,935)
Balance on June 30	\$166,695,248	\$4,952,324	\$172,393,704	\$5,448,600

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(2) The investment gains (losses) account for by the equity method for the six-month periods ended June 30, 2004 and 2005 are listed below:

Name of Investee	For the six-month periods ended June 30,			
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
Cathay Life	\$9,548,775	\$283,683	\$4,074,421	\$128,774
Cathay United Bank (merged)	8,042,184	238,924	6,643,698	209,978
Cathay Century	446,636	13,269	310,763	9,822
Cathay Securities	3,506	104	(19,774)	(625)
Cathay Pacific Venture Capital Co., Ltd.	(2,978)	(89)	(24,246)	(766)
Cathay Venture Capital Co., Ltd.	459	14	7,262	230
Cathay II Venture Capital Co., Ltd.	(2,301)	(68)	(2,435)	(77)
Cathay Capital Management Inc.	-	-	19,158	605
Total	\$18,036,281	\$535,837	\$11,008,847	\$347,941

- A. The investment gains/losses for the six-month period ended June 30, 2004 and 2005 of the subsidiaries were based on the investees' audited financial statements, respectively, except that of the Cathay Venture Capital Co., Ltd. which was based on the unaudited financial statements for the six-month period ended June 30, 2004.
- B. Combined with the voting rights of its subsidiaries, the Company had significant influence on Cathay Venture Capital Co., Ltd. Thus the investment gains of Cathay Venture Capital Co., Ltd. for the six-month period ended June 30, 2004 was recognized upon equity method based on the unaudited financial statements in the same period. The investment gains of Cathay Venture Capital Co., Ltd. for the six months then ended June 30, 2005 was recognized upon equity method based on the audited financial statements in the same period.
- C. We did not audit the financial statements of Cathay Pacific Venture Capital Co., Ltd. for the six-month period ended June 30, 2004 and 2005. Cathay Pacific Venture Capital Co., Ltd. was audited by other auditors with unqualified opinion. In accordance with other auditors' report of its investee, it recognized its losses on investments in accordance with the statements audited by other auditors.

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- (3) 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 six-month period ended June 30, 2004 include the Company and its subsidiaries, which include Cathay Life, Cathay Century, Cathay Securities, Cathay United Bank (merged). The consolidated financial statements of the Company as of June 30, 2004 exclude Cathay Pacific Venture Capital Co., Ltd., Cathay II Venture Capital Co., Ltd., because its total assets and operating revenues were less than 10% of the total assets and operating revenues of the Company.
- (4) As of and for the six-month period ended June 30, 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 six-month period ended June 30, 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.
- (5) As of June 30, 2004 and 2005, the Company didn’t provide collateral or guarantee on long-term investments.

7. Bonds payable

	June 30,			
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
Zero coupon convertible notes	\$23,562,000	\$700,000	\$13,716,535	\$433,519
Redemption premium payable	1,751,234	52,027	1,522,427	48,117
Total	<u>\$25,313,234</u>	<u>\$752,027</u>	<u>\$15,238,962</u>	<u>\$481,636</u>

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

8. Common stock

As of June 30, 2004 and 2005, the numbers of issued shares, par value of NT10 dollars (US\$0.3 dollars), per share, were 8,307,489 thousand shares and 8,475,891 thousand shares, respectively.

On December 31, 2001, the Company listed its shares of stock on Taiwan Stock Exchange (TSE) in accordance with relevant regulations. Since July 29, 2003, 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\$53,675,526 (US\$1,594,638) and NT\$65,911,470 (US\$2,083,169) as of June 30, 2004 and 2005. Before conversion into a financial holding company, NT\$267,215 (US\$8,445) constituted retained earnings of certain subsidiaries of the Company.
- (2) The additional paid-in capital of par value through the conversion of shares was generated from the transfer of the shares of the Subsidiaries to the Company. In compliance with Item 4 of Article 47 of the Financial Holding Company Act, the portion of additional paid-in capital from the share exchange which comes from the original financial institution's undistributed retained earnings is allowed to be distributed as cash dividends.
- (3) In addition, pursuant to the Company Law, capital surplus can only be used to offset a deficit or to increase share capital. Capital surplus cannot be distributed as cash dividends. Issuance of new stock from capital surplus can be made only once per year. In addition, the amount to be capitalized should not exceed the specific percentage of capital surplus set by the SFC.

10. Retained earnings

(1) Legal reserve

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

(2) Unappropriated retained earnings

- A. According to the Company Law and the Company's articles of incorporation, 10% of the Company's annual earnings, after paying tax and offsetting deductions, if any, shall be appropriated as legal reserve and 0.01%~0.05% for employees' bonus. The remainder must be appropriated in accordance with the resolutions passed at the stockholders' meeting.
- B. The distribution of the 2003 earnings was approved in the shareholders' meeting on June 3, 2004. The distribution resulted from retained earnings of NT\$20,588,763 (US\$611,669) in 2003, amounts from special reserve which were converted into undistributed retained earnings totaling NT\$887,442 (US\$26,365) and the disposition of fixed assets from subsidiaries which amounted to NT\$57,683 (US\$1,714), 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. On June 3, 2005, the stockholders' meeting resolved the appropriation of earnings for the year ended December 31, 2004. The Company declared cash dividends and cash bonus of NT2.5 dollars (US0.08 dollars) per common share and such dividends were paid on July 11, 2005.
- D. Cathay Life originally held 156,927 thousand shares of the Company. After conversion into a financial holding company, Cathay Life's treasury stock has been treated as the Company's treasury stock without any stockholder rights. As of June 30, 2004, Cathay Life had transferred all such treasury shares to employees.

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E. The Company is required to pay an extra 10% income tax on all undistributed retained earnings generated during the year.

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

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

H. Dividends policy

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

11. Treasury stock

(1) The following is a summary of the movement of treasury stock for the six-month period ended June 30, 2005.

Reason for acquisition	January 1, 2005			June 30, 2005		(Unit: in thousands of shares)				
	Increase	Decrease		Book value (NT\$)	Book value (US\$)	Per share Book value (in NT dollars)	Per share Book value (in US dollars)	Per share Market value (in NT dollars)	Per share Market value (in US dollars)	
Shares held by subsidiaries	6,897	-	3,397	3,500	\$146,221	\$4,621	\$41.77	\$1.32	\$61.18	\$1.93

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

(Unit: in thousands of shares)

Name	Holding share	Amount (NT \$)	Amount (US\$)	Cause	About retained earnings limit	Legal time limit	Pro forma way by the board of directors determine
					None	Within three years	None
Cathay United Bank (merged)	3,500	\$210,810	\$6,663	Holding other subsidiaries stock by conversion	None	Within three years	None

12. Personnel, depreciation, depletion and amortization expenses

Item	For the six-month period ended June 30,2004 (NT\$)			For the six-month period ended June 30,2005 (NT\$)		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel Expenses						
Salary and wages	\$-	\$56,477	\$56,477	\$-	\$87,972	\$87,972
Labor & health Insurance expenses	-	1,500	1,500	-	1,640	1,640
Pension expenses	-	1,844	1,844	-	3,668	3,668
Other expenses	-	866	866	-	995	995
Depreciation	-	497	497	-	629	629
Depletion	-	-	-	-	-	-
Amortizations	-	72,683	72,683	-	59,249	59,249

Item	For the six-month period ended June 30,2004 (US\$)			For the six-month period ended June 30,2005 (US\$)		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel Expenses						
Salary and wages	\$-	\$1,678	\$1,678	\$-	\$2,780	\$2,780
Labor & health Insurance expenses	-	45	45	-	52	52
Pension expenses	-	55	55	-	116	116
Other expenses	-	26	26	-	31	31
Depreciation	-	15	15	-	20	20
Depletion	-	-	-	-	-	-
Amortizations	-	2,159	2,159	-	1,872	1,872

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13. Estimated income taxes

(1) Income tax expenses for the six-month periods ended June 30, 2004 and 2005 are estimated as follows:

	For the six-month periods ended June 30,			
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
Income before income taxes	\$17,947,850	\$533,210	\$10,771,996	\$340,455
Adjustments:				
Interest income of tax on a separate basis	(15,414)	(458)	(28,359)	(896)
Investment gains recognized by equity method	(18,036,281)	(535,837)	(11,008,847)	(347,941)
Unrealized bonds payable redemption premium	409,144	12,155	280,511	8,866
Unrealized exchange gain	(250,405)	(7,439)	(131,231)	(4,148)
Realized exchange gain	-	-	944,810	29,861
Unrealized gain on market price recovery of short-term investments	(52,829)	(1,570)	-	-
Others	(6,309)	(187)	(4,758)	(150)
Taxable income	(4,244)	(126)	824,122	26,047
Times: Taxes rate	25% - 10	25%	25% - 10	25%
Subtotal	(1,071)	(32)	206,020	6,511
Add: Tax on a separate basis	3,083	92	5,672	179
Deferred income tax benefit	(25,773)	(766)	(79,036)	(2,498)
Dissimilitude on estimate tax after time	292	9	25	1
Income taxes (benefit) expense	<u>\$(23,469)</u>	<u>\$(697)</u>	<u>\$132,681</u>	<u>\$4,193</u>

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

	June 30,			
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
A. Total deferred income tax liabilities	<u>\$234,440</u>	<u>\$6,965</u>	<u>\$366,555</u>	<u>\$11,585</u>
B. Total deferred income tax assets	<u>\$453,871</u>	<u>\$13,484</u>	<u>\$545,495</u>	<u>\$17,240</u>

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	June 30,			
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
C. Temporary differences from resulting deferred tax assets or liabilities:				
a. Deductible temporary difference from unrealized redemption premium payable of convertible notes	\$1,751,234	\$52,027	\$1,522,427	\$48,117
b. Deductible temporary difference from organization costs amortization into 5 years	40,689	1,209	24,413	772
c. Deductible temporary difference from unrealized loss on market price loss of short-term investment	18,241	542	-	-
d. Deductible temporary difference from pension expenses	5,320	158	7,738	245
e. Taxable temporary difference from unrealized gain on foreign exchange	(937,757)	(27,860)	(1,466,220)	(46,341)
f. Deductible temporary difference from unrealized loss on foreign exchange	-	-	627,401	19,829
Total	<u>\$877,727</u>	<u>\$26,076</u>	<u>\$715,759</u>	<u>\$22,622</u>
D. Deferred income tax assets-current	\$8,629	\$256	\$160,919	\$5,086
Deferred income tax liabilities-current	-	-	-	-
Net offset balance of deferred income tax assets (liabilities)-current	<u>\$8,629</u>	<u>\$256</u>	<u>\$160,919</u>	<u>\$5,086</u>
E. Deferred income tax assets-noncurrent	\$445,242	\$13,228	\$384,576	\$12,154
Deferred income tax liabilities- noncurrent	(234,440)	(6,965)	(366,555)	(11,585)
Net offset balance of deferred income tax assets (liabilities)-noncurrent	<u>\$210,802</u>	<u>\$6,263</u>	<u>\$18,021</u>	<u>\$569</u>

(3) The tax authorities have examined and cleared income tax returns of the Company through 2001.

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(4) Under a Article 49 of the Financial Holding Company Act, a financial holding company and its subsidiaries issued by the financial holding company for 12 months within the same tax year, may choose to adopt the consolidated income tax return.

(5) Information related tax imputation:

	June 30,			
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
Balance of imputation credit account	<u>\$1,439,178</u>	<u>\$42,756</u>	<u>\$1,097,249</u>	<u>\$34,679</u>

	For the six-month periods ended June 30,	
	2004 (Actual)	2005 (Actual)
Imputation credit account ratio	<u>19.17%</u>	<u>7.58%</u>

(6) Information relating of undistributed earnings:

Year	June 30,			
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
Prior to 1997	\$267,215	\$7,939	\$267,215	\$8,445
After 1998	<u>823,160</u>	<u>24,455</u>	<u>6,359,202</u>	<u>200,986</u>
Total	<u>\$1,090,375</u>	<u>\$32,394</u>	<u>\$6,626,417</u>	<u>\$209,431</u>

The above undistributed earnings do not include the net income for the six-month periods ended June 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.

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14. Earnings per share

For the six-month period ended June 30, 2004									
	Amount (Numerator)				Shares (in thousands of shares) (denominator)	EPS			
	Before income taxes		After income taxes			Before income tax EPS (in dollars)		After income tax EPS (in dollars)	
	NT\$	US\$	NT\$	US\$		NT\$	US\$	NT\$	US\$
Net Income	\$17,947,850	\$533,210	\$17,971,319	\$533,907					
Primary earnings per share									
Net income for common stock holder	\$17,947,850	\$533,210	\$17,971,319	\$533,907	8,019,866	\$2.24	\$0.07	\$2.24	\$0.07
Effect of potentially dilutive common stock									
Convertible notes payable	409,144	12,155	306,858	9,116	431,865				
Fully-diluted earnings per share									
Net income for common stock holder & effect of potentially common stock	\$18,356,994	\$545,365	\$18,278,177	\$543,023	\$8,451,731	\$2.17	\$0.06	\$2.16	\$0.06
For the six-month period ended June 30, 2005									
	Amount (Numerator)				Shares (in thousands of shares) (denominator)	EPS			
	Before income taxes		After income taxes			Before income tax EPS (in dollars)		After income tax EPS (in dollars)	
	NT\$	US\$	NT\$	US\$		NT\$	US\$	NT\$	US\$
Net Income	\$10,771,996	\$340,455	\$10,639,315	\$336,262					
Primary earnings per share									
Net income for common stock holder	\$10,771,996	\$340,455	\$10,639,315	\$336,262	8,410,401	\$1.28	\$0.04	\$1.27	\$0.04
Effect of potentially dilutive common stock									
Convertible notes payable	287,187	9,077	215,390	6,807	337,839				
Fully-diluted earnings per share									
Net income for common stock holder & effect of potentially common stock	\$11,059,183	\$349,532	\$10,854,705	\$343,069	8,748,240	\$1.26	\$0.04	\$1.24	\$0.04

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

(in thousands of shares)	For the six-month periods end June 30,	
	2004	2005
Shares at the beginning of year	7,989,322	8,309,816
Add: The subsidiaries were sold The Company's stock	30,544	1,345
Convertible notes conversion	-	99,240
Total	<u>8,019,866</u>	<u>8,410,401</u>

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

	For the six-month periods ended June 30,			
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
Income before income taxes	<u>\$18,037,101</u>	<u>\$535,862</u>	<u>\$10,750,123</u>	<u>\$339,764</u>
Net income after income taxes	<u>\$18,060,570</u>	<u>\$536,559</u>	<u>\$10,617,442</u>	<u>\$335,570</u>
Before income taxes primary earnings per share (expressed in dollars)	<u>\$2.25</u>	<u>\$0.07</u>	<u>\$1.28</u>	<u>\$0.04</u>
After income taxes primary earnings per share (expressed in dollars)	<u>\$2.25</u>	<u>\$0.07</u>	<u>\$1.26</u>	<u>\$0.04</u>
Before income taxes fully – diluted earnings per share (expressed in dollars)	<u>\$2.18</u>	<u>\$0.06</u>	<u>\$1.26</u>	<u>\$0.04</u>
After income taxes fully – diluted earnings per shares (expressed in dollars)	<u>\$2.17</u>	<u>\$0.06</u>	<u>\$1.24</u>	<u>\$0.04</u>

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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
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.	Subsidiaries' investee is accounted for using the equity method
Cathay General Hospital	Their chairman is 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

Name	Item	As of and for the six-month period ended June 30, 2004		
		Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank (merged)	Time deposits	\$-	1.00%	\$6,031
	Cash in bank	126,734	0.10%	20
	Total	\$126,734		

Name	Item	As of and for the six-month period ended June 30, 2004		
		Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank (merged)	Time deposits	\$-	1.00%	\$179
	Cash in bank	3,765	0.10%	1
	Total	\$3,765		

Name	Item	As of and for the six-month period ended June 30, 2005		
		Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank (merged)	Time deposits	\$8,504,640	1.15%-3.02%	\$57,333
	Cash in bank	9,958	0.10%	27
	Total	\$8,514,598		

Name	Item	As of and for the six-month period ended June 30, 2005		
		Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank (merged)	Time deposits	\$268,794	1.15%-3.02%	\$1,812
	Cash in bank	315	0.10%	1
	Total	\$269,109		

B. Interest receivable

Name	June 30,			
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
Cathay United Bank (merged)	\$-	\$-	\$9,356	\$296

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C. Other accounts receivable

Name	June 30,			
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
Cathay Life	\$14,200,025	\$421,866	\$-	\$-
Cathay United Bank (merged)	1,934,619	57,475	1,524,385	48,179
Cathay Century	642,153	19,078	79,416	2,510
Cathay Capital Management Inc.	-	-	4,985	158
Total	\$16,776,797	\$498,419	\$1,608,786	\$50,847

D. Property transactions

Name	For the six-month periods ended June 30,			
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
Lin Yuan Property Management Co., Ltd.	\$152	\$5	\$-	\$-

E. Temporary payments and suspense accounts

Name	June 30,			
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
Cathay Securities	\$1,414	\$42	\$-	\$-

F. Other accounts payable

Name	June 30,			
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
Cathay Life	\$17,721	\$527	\$1,077,234	\$34,047
Cathay United Bank (merged)	728,717	21,649	571,606	18,066
Cathay Securities	-	-	4,191	132
Cathay Pacific Venture Corp.	-	-	7,041	223
Cathay II Venture Capital Co., Ltd.	-	-	1,529	48
Total	\$746,438	\$22,176	\$1,661,601	\$52,516

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G. Operating expense

Name	For the six-month periods ended June 30,			
	2004(NT\$)	2004(US\$)	2005(NT\$)	2005(US\$)
Cathay Life	\$4,353	\$129	\$5,026	\$159
Cathay Century	79	3	60	2
Lin Yuan Property Management Co., Ltd.	117	3	117	4
Symphox Information Co., Ltd.	166	5	218	7
Seaward Leasing Ltd.	-	-	451	14
Seaward Card Co., Ltd.	-	-	259	8
Cathay General Hospital	-	-	56	2
Total	<u>\$4,715</u>	<u>\$140</u>	<u>\$6,187</u>	<u>\$196</u>

16. Pledged assets: None.

17. Other important matters and contingent liabilities: None.

18. Serious damages: None.

19. Subsequent events:

- (1) As of July 8, 2005, the Company's supervisor – Cheng Jin Han was replaced by Chien Fu whose prefecture is from July 8, 2005 to June 2, 2007.
- (2) As of July 29, 2005, the Company had acquired the Lucky Bank's common stocks of 255,141 thousand shares with its ownership interest of 81.10% at the exercise price NT\$16 (US\$0.51) per share, totaling NT\$4,082,256 (US\$ 129,022).

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 June 30, 2004 and 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.

c. Cash flow and demand

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

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d. Interest rate swaps (IRS)

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

(b) As of June 30, 2004:

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

As of June 30, 2005: None.

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 June 30, 2004: None.

(c) As of June 30, 2005:

<u>Counterpart</u>	<u>Effective</u>	<u>Period</u>	<u>Contract amount</u>	<u>Contract value</u>	<u>Fair value</u>
Goldman Sachs International	2005.3.3	2005.3.7- 2010.3.7	<u>USD 500,000</u>	<u>USD 500,000</u>	<u>USD 461,911</u>

f. Foreign currency options

(a) The Company uses foreign currency option contract to manage currency exposures.

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(b) As of June 30, 2004: None.

As of June 30, 2005:

Counterpart	Effective	Period	Contract amount	Contract value	Fair value
Goldman Sachs International	2005.3.3	2005.3.7; 2010.3.7	USD 500,000	USD 500,000	USD 521,250

B. Non-derivative financial instruments related information

	June 30, 2004			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and cash equivalents	\$2,699,986	\$2,699,986	\$80,214	\$80,214
Short-term investments	669,619	669,619	19,894	19,894
Other receivable	18,076,268	18,076,268	537,025	537,025
Long-term investments in stocks	166,795,248	166,795,248	4,955,295	4,955,295
Liabilities				
Other payable	772,332	772,332	22,945	22,945
Bonds payable	25,313,234	25,313,234	752,027	752,027
June 30, 2005				
NT\$				
US\$				
Carrying amount				
Fair value				
Carrying amount				
Fair value				
Assets				
Cash and cash equivalents	\$35,098,096	\$35,098,096	\$1,109,295	\$1,109,295
Other receivable	1,608,786	1,608,786	50,847	50,847
Long-term investment in stocks	172,493,704	172,493,704	5,451,761	5,451,761
Guarantee deposits paid	2,529,600	2,529,600	79,949	79,949
Liabilities				
Other payable	1,661,601	1,661,601	52,516	52,516
Bonds payable	15,238,962	15,238,962	481,636	481,636

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Methods and assumptions applied in 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. The carrying amounts of the accounts such as cash and cash equivalents, and receivables approximate their fair value because of the short maturities of these instruments.
- 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 values of the guarantee deposits paid are estimated at their carrying amounts.

(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 US1,000 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 desisting:

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 US1,000 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 US1,000 dollars or any integral multiple thereof) of such Holder's notes at a price equal to 100% of the outstanding principal amount thereof plus the redemption premium, upon the occurrence of a change of control.

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Redemption at the option of the Company:

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

Tax redemption:

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

Redemption amount at maturity:

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

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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:

As of June 30, 2005, the Company has converted US\$ 263,707 convertible notes at conversion price of NT54.15 dollars (US1.71 dollars) per share, into 168,402 thousand common stocks. The redemption premiums payable and additional paid-in capital of this conversion amounted to NT\$ 7,390,954 (US\$233,595), which are recognized as capital surplus. As of June 30, 2005 the Holder had exercised the repurchase right with US\$2,500 by par value, the Company had repurchased such Holder's notes at par value plus the redemption premium with US\$214.

(4) Capital adequacy ratio on a consolidated basis

As of June 30, 2004 and 2005, consolidated capital adequacy ratios of the Company were 104.11% and 137.47%, respectively.

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(5) Material contract: None.

(6) Presentation of financial statements:

Certain accounts in financial statements for the six-month period ended June 30, 2004 have been reclassified in order to be comparable with those in the financial statements for the six-month period ended June 30, 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\$22,850 and US\$27,150, respectively, as the registered capital to establish a China-based company named Cathay Life Insurance Co., Ltd. (Guangzhou). On September 25, 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 June 30, 2005, Cathay Life's remittances to this new company totaled approximately US\$48,330.

22. Segment information: None.

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		Cathay Life Insurance Ltd. (Shanghi)		Indovina Bank	
	June 30, 2004	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2005	June 30, 2004	June 30, 2005	
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	
Current assets	\$529,470,061	\$609,201,982	\$310,332,769	\$349,816,071	\$7,498,792	\$6,590,416	\$3,409,569	\$4,193,469	\$1,979,658	\$1,379,059	\$1,687,287	
Exchange bills negotiated, discounted, and loans	465,898,374	444,591,719	551,276,132	612,539,747	840,835	1,306,392	-	-	600	5,391,866	5,937,543	
Funds and long-term investments	494,009,867	568,945,296	38,967,689	41,665,706	2,719,894	3,374,765	-	18	454,075	240,334	-	
Property and equipment	15,336,001	14,554,331	25,544,496	25,048,759	52,892	57,692	-	92,432	21,403	24,671	27,386	
Other assets(including intangible assets)	42,906,968	69,556,297	5,651,720	3,716,151	492,432	574,534	100,097	227,879	628,575	58,759	7,972	
Current liabilities	23,737,191	6,440,372	815,873,218	920,470,603	1,534,254	1,146,736	6,160	566,135	12,587	6,272,168	6,706,615	
Long-term liabilities	1,086,877	1,568,186	-	-	8,966	9,450	-	-	122	-	-	
Other liabilities	1,437,994,779	1,615,127,695	41,136,476	31,656,852	7,041,401	7,850,778	-	9,004	106,750	-	-	
Capital stocks	50,686,158	50,686,158	43,182,407	46,420,519	2,317,006	2,317,006	3,500,000	3,700,000	3,257,376	675,000	791,658	
Capital surplus	12,591	13,153	13,463,074	13,463,713	1,909	2,021	-	300,000	-	103,106	115,004	
Retained earnings	34,119,240	33,124,326	18,058,290	20,761,111	700,049	578,273	3,506	(61,341)	(91,472)	44,044	46,385	
Equity adjustments	(15,565)	(110,265)	59,341	13,636	1,260	(465)	-	-	(201,052)	371	526	
Treasury stocks	-	-	-	-	-	-	-	-	-	-	-	
Total assets	\$1,547,621,271	\$1,706,849,625	\$931,772,806	\$1,032,786,434	\$11,604,845	\$11,903,799	\$3,509,666	\$4,513,798	\$3,084,311	\$7,094,689	\$7,660,188	
Total liabilities	\$1,462,818,847	\$1,623,136,253	\$857,009,694	\$952,127,455	\$8,584,621	\$9,006,964	\$6,160	\$575,139	\$119,459	\$6,272,168	\$6,706,615	
Total stockholders' equity	\$84,802,424	\$83,713,372	\$74,763,112	\$80,658,979	\$3,020,224	\$2,896,835	\$3,503,506	\$3,938,659	\$2,964,852	\$822,521	\$953,573	

(1) Concise balance sheets:

Items/Period	Cathay Life		Cathay United Bank (merged)		Cathay Century		Cathay Securities		Cathay Life Insurance Ltd. (Shanghi)		Indovina Bank	
	June 30, 2004	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2005	June 30, 2004	June 30, 2005	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	
Current assets	\$15,729,948	\$19,254,171	\$9,219,631	\$11,056,134	\$222,781	\$208,294	\$101,294	\$132,537	\$62,568	\$40,970	\$53,328	
Exchange bills negotiated, discounted, and loans	13,841,306	14,051,572	16,377,782	19,359,663	24,980	41,289	-	-	20	160,186	187,659	
Funds and long-term investments	14,676,467	17,981,836	1,157,685	1,316,868	80,805	106,661	-	1	14,351	7,140	-	
Property and equipment	455,615	459,998	758,898	791,680	1,571	1,823	-	2,921	676	733	865	
Other assets(including intangible assets)	1,274,717	2,198,366	167,906	117,451	14,630	18,159	2,974	7,202	19,866	1,746	252	
Current liabilities	705,204	203,552	24,238,658	29,091,991	45,581	36,243	183	17,893	397	186,339	211,966	
Long-term liabilities	32,290	49,563	-	-	266	299	-	-	4	-	-	
Other liabilities	42,721,176	51,047,019	1,222,118	1,005,533	209,192	248,128	-	285	3,374	-	-	
Capital stocks	1,505,828	1,601,965	1,282,900	1,467,147	68,836	73,230	103,981	116,940	102,951	20,053	25,021	
Capital surplus	374	416	399,972	425,528	57	64	-	9,482	-	3,063	3,635	
Retained earnings	1,013,643	1,046,913	536,491	656,166	20,798	18,277	104	(1,939)	(2,891)	1,309	1,466	
Equity adjustments	(462)	(3,485)	1,763	431	37	(15)	-	-	(6,354)	11	17	
Treasury stocks	-	-	-	-	-	-	-	-	-	-	-	
Total assets	\$45,978,053	\$53,945,943	\$27,681,902	\$32,641,796	\$344,767	\$376,226	\$104,268	\$142,661	\$97,481	\$210,775	\$242,104	
Total liabilities	\$43,458,670	\$51,300,134	\$25,460,776	\$30,097,524	\$255,039	\$284,670	\$183	\$18,178	\$3,775	\$186,339	\$211,966	
Total stockholders' equity	\$2,519,383	\$2,645,809	\$2,221,126	\$2,549,272	\$89,728	\$91,556	\$104,085	\$124,483	\$93,706	\$24,436	\$30,138	

(2) Concise income statement:

Cathay Life Insurance Ltd.											
	Cathay Life		Cathay United Bank (merged)		Cathay Century		Cathay Securities		(Shanghi)	Indovina Bank	
	For the six-month period ended Jun. 30,2004	For the six-month period ended Jun. 30,2005	For the six-month period ended Jun. 30,2004	For the six-month period ended Jun. 30,2005	For the six-month period ended Jun. 30,2004	For the six-month period ended Jun. 30,2005	For the six-month period ended Jun. 30,2004	For the six-month period ended Jun. 30,2005	For the six-month period ended Jun. 30,2005	For the six-month period ended Jun. 30,2004	For the six-month period ended Jun. 30,2005
Items/Period	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
Operating revenues	\$243,957,549	\$238,693,104	\$19,934,996	\$23,582,394	\$8,534,351	\$10,919,688	\$-	\$93,432	\$141,670	\$223,800	\$254,678
Operating costs & expenses	(233,695,963)	(235,014,098)	(11,094,925)	(14,536,687)	(7,936,084)	(10,516,536)	-	(132,874)	(194,209)	(151,978)	(205,788)
Operating income	10,261,586	3,679,006	8,840,071	9,045,707	598,267	403,152	-	(39,442)	(52,539)	71,822	48,890
Non-operating revenues	1,104,152	770,749	1,256,414	44,628	27,598	4,293	4,463	18,167	-	15,964	10,880
Non-operating expenses	(1,516,733)	(1,185,309)	(92,834)	(390,637)	(11,070)	(26,855)	-	(900)	(41)	(15,128)	-
Operating income before taxes	9,849,005	3,264,446	10,003,651	8,699,698	614,795	380,590	4,463	(22,175)	(52,580)	72,658	59,770
Net income	9,781,530	4,150,109	8,106,651	6,645,698	479,308	293,470	3,506	(19,775)	(52,580)	54,641	59,770
Earning per share before taxes (in dollars)	\$1.95	\$0.64	\$2.16	\$1.87	\$2.65	\$1.64	\$0.01	(\$0.06)	\$-	\$-	\$-
Earning per share (in dollars)	\$1.94	\$0.82	\$1.75	\$1.43	\$2.07	\$1.27	\$0.01	(\$0.06)	-	-	-

Cathay Life Insurance Ltd.											
	Cathay Life		Cathay United Bank (merged)		Cathay Century		Cathay Securities		(Shanghi)	Indovina Bank	
	For the six-month period ended Jun. 30,2004	For the six-month period ended Jun. 30,2005	For the six-month period ended Jun. 30,2004	For the six-month period ended Jun. 30,2005	For the six-month period ended Jun. 30,2004	For the six-month period ended Jun. 30,2005	For the six-month period ended Jun. 30,2004	For the six-month period ended Jun. 30,2005	For the six-month period ended Jun. 30,2005	For the six-month period ended Jun. 30,2004	For the six-month period ended Jun. 30,2005
Items/Period	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Operating revenues	\$7,247,700	\$7,544,030	\$592,246	\$745,335	\$253,546	\$345,123	\$-	\$2,953	\$4,478	\$6,649	\$8,049
Operating costs & expenses	(6,942,840)	(7,427,753)	(329,618)	(459,440)	(235,772)	(332,381)	-	(4,200)	(6,138)	(4,515)	(6,504)
Operating income	304,860	116,277	262,628	285,895	17,774	12,742	-	(1,247)	(1,660)	2,134	1,545
Non-operating revenues	32,803	24,360	37,327	1,410	820	136	133	574	-	474	344
Non-operating expenses	(45,060)	(37,462)	(2,758)	(12,346)	(329)	(849)	-	(28)	(1)	(449)	-
Operating income before taxes	292,603	103,175	297,198	274,959	18,265	12,029	133	(701)	(1,661)	2,159	1,889
Net income	290,598	131,167	240,839	210,041	14,240	9,275	104	(625)	(1,661)	1,623	1,889
Earning per share before taxes (in dollars)	\$0.06	\$0.02	\$0.06	\$0.06	\$0.08	\$0.05	\$-	\$-	\$-	\$-	\$-
Earning per share (in dollars)	\$0.06	\$0.03	\$0.05	\$0.05	\$0.06	\$0.04	-	-	-	-	-