Cathay Century Insurance Co., Ltd.
Unaudited financial statements
Together with
Review report of independent auditors
As of September 30, 2005 and 2006

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

Name of the company: Cathay Century Insurance Co., Ltd.
Address: 5F, No.296, Jen Ai Road, Sec. 4, Taipei, Taiwan, ROC
Telephone: 886-2-2755-1299

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<u>English Translation of Review Report Originally Issued in Chinese</u>

Review Report of Independent Auditors

Board of Directors
Cathay Century Insurance Co., Ltd.

We have reviewed the accompanying balance sheets of Cathay Century Insurance Co., Ltd. (the "Company") as of September 30, 2005 and 2006, and the related statements of income, changes in stockholders' equity, and cash flows for the nine-month periods then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a review report based on our reviewed.

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

Based on our review, we are not aware of any material modifications that should be made to the financial statements as of and for the nine-month periods ended September 30, 2005 and 2006 in order for them to be in conformity with "Guidelines Governing the Preparation of Financial Reports by Property and Casualty Insurance", "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and generally accepted accounting principles in the Republic of China.

As discussed in Note 3 to the financial statements, effective from January 1, 2006, the Company adopted the Republic of China Statement of Financial Accounting Standards No. 34, "Accounting for Financial Instruments," and No. 36, "Disclosure and Presentation of Financial Instruments".

ERNST & YOUNG
Taipei, Taiwan
Republic of China
October 14, 2006

Notice to Readers:

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Unaudited balance sheets

As of September 30, 2005 and 2006

(Expressed in thousands of dollars)

		September 30, 2005		September 30, 2006	
Assets	Notes	NT$	US$	NT$	US$
Current assets					
Cash and cash equivalents	2,4	$2,979,728	89,805	$2,149,403	$64,937
Financial assets at fair value through profit or loss - current	2,5	480,196	14,472	578,108	17,465
Available-for-sale financial assets - current	2,6	1,514,725	45,652	1,939,903	58,607
Investments in debt securities with no active market - current	2,7	53,271	1,606	277,468	8,383
Notes receivable	2	131,249	3,956	204,604	6,181
Premiums receivable	2,8	893,745	26,936	1,182,749	35,733
Claims recoverable from reinsurers		239,265	7,211	276,432	8,351
Due from reinsurers and ceding companies		218,843	6,596	228,706	6,910
Accounts receivable-reinsurance		16,602	500	28,878	872
Other accounts receivable	2	43,930	1,324	68,489	2,069
Prepayments		2,952	89	3,034	92
Deferred income tax assets - current	2	37,606	1,133	46,798	1,414
Subtotal		6,612,112	199,280	6,984,572	211,014
Loans	2,9				
Secured loans		1,357,534	40,914	1,984,134	59,944
Subtotal		1,357,534	40,914	1,984,134	59,944
Funds and investments	2				
Held-to-maturity financial assets - noncurrent	10	3,039,783	91,615	3,611,519	109,109
Financial assets carried at cost - noncurrent	11	36,000	1,085	60,000	1,813
Investments in debt securities with no active market - noncurrent	12	510,187	15,377	229,942	6,947
Long-term investments under equity method	13	389,024	11,724	450,460	13,609
Subtotal		3,974,994	119,801	4,351,921	131,478
Fixed assets	14				
Communication and transportation equipments		17,430	525	15,403	465
Other equipments		175,705	5,296	186,119	5,623
Subtotal		193,135	5,821	201,522	6,088
Less: Accumulated depreciation		(142,268)	(4,288)	(160,615)	(4,853)
Prepayments for equipments		2,520	76	2,838	86
Subtotal		53,387	1,609	43,745	1,321
Intangible assets	2				
Computer software cost		11,940	360	8,342	252
Deferred pension cost		6,302	190	3,464	105
Subtotal		18,242	550	11,806	357
Other assets					
Guarantee deposits paid		375,374	11,313	404,995	12,235
Funds held by ceding companies		8	-	8	-
Overdue receivables	2	174,846	5,270	370,478	11,193
Other assets-others		15,039	453	14,355	434
Subtotal		565,267	17,036	789,836	23,862
Total assets		$12,581,536	$379,190	$14,166,014	$427,976

(The exchange rates provided by the Federal Reserve Bank of New York on September 30, 2005 and 2006 were NT$33.18 and NT$33.10 to US$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Unaudited balance sheets - (Continued)

As of September 30, 2005 and 2006

(Expressed in thousands of dollars)

Liabilities & stockholders' equity	Notes	September 30, 2005 NT$	September 30, 2005 US$	September 30, 2006 NT$	September 30, 2006 US$
Current liabilities					
Financial liabilities at fair value through profit and loss - current	2	$60,032	$1,809	$89,295	$2,698
Commissions payable		1,083	33	3,734	113
Claims outstanding		466,616	14,063	82,513	2,493
Due to reinsurers and ceding companies		110,781	3,339	129,572	3,914
Accounts payable-reinsurance		518,715	15,633	870,304	26,293
Other payables		337,839	10,182	699,631	21,137
Subtotal		1,495,066	45,059	1,875,049	56,648
Long-term liabilities	2				
Accrued pension liabilities		10,648	321	8,855	268
Subtotal		10,648	321	8,855	268
Operating and liability reserve	2,15				
Unearned premiums reserve		4,347,925	131,040	4,784,007	144,532
Special reserve		2,665,237	80,327	3,014,594	91,075
Claims reserve		936,914	28,237	1,078,626	32,587
Subtotal		7,950,076	239,604	8,877,227	268,194
Other liabilities					
Funds held for reinsurers		185	6	185	6
Other liabilities-others		94,897	2,860	83,092	2,510
Subtotal		95,082	2,866	83,277	2,516
Total liabilities		9,550,872	287,850	10,844,408	327,626
Stockholders' equity					
Capital stock	16				
Common stock		2,317,006	69,831	2,317,006	70,000
Capital surplus		2,021	61	1,930	58
Retained earnings	17				
Legal reserve		284,803	8,584	343,857	10,388
Unappropriated retained earnings		426,299	12,848	608,822	18,393
Equity adjustment					
Unrealized gains and losses on financial instruments		-	-	49,991	1,511
Cumulative conversion adjustments		535	16	-	-
Total stockholders' equity		3,030,664	91,340	3,321,606	100,350
Total liabilities and stockholders' equity		$12,581,536	$379,190	$14,166,014	$427,976

(The exchange rates provided by the Federal Reserve Bank of New York on September 30, 2005 and 2006 were NT$33.18 and NT$33.10 to US$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Unaudited statements of income

For the nine months ended September 30, 2005 and 2006

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

Items	Notes	January 1-September 30,2005		January 1-September 30,2006	
		NT$	US$	NT$	US$
Operating revenues	2				
Premiums income		$6,416,751	$193,392	$7,120,191	$215,112
Reinsurance commission earned		302,371	9,113	172,240	5,204
Claims recovered from reinsurers		2,264,427	68,247	924,837	27,941
Recovered unearned premiums reserve		4,031,204	121,495	4,449,253	134,419
Recovered special claim reserve		331,412	9,988	188,449	5,693
Recovered claims reserve		38,783	1,169	44,292	1,338
Handling fee earned		38	1	49	1
Interest revenues		193,568	5,834	236,065	7,132
Gains from valuation on financial assets		-	-	7,353	222
Gains on investments recognized under the equity method		18,790	566	33,442	1,010
Exchanges gains		3,956	119	38,041	1,149
Gains on disposal of investments		29,674	895	64,391	1,945
Subtotal		13,630,974	410,819	13,278,603	401,166
Operating costs	2				
Reinsurance premiums ceded		(2,058,196)	(62,031)	(2,135,412)	(64,514)
Commissions expenses		(124,372)	(3,748)	(132,281)	(3,996)
Insurance claims payment		(4,576,571)	(137,932)	(3,159,224)	(95,445)
Provision for unearned premiums reserve		(4,347,925)	(131,040)	(4,784,007)	(144,532)
Provision for special claim reserve		(426,195)	(12,845)	(455,250)	(13,754)
Contribution to the stabilization funds		(11,969)	(361)	(13,573)	(410)
Provision for claims reserve		(44,284)	(1,335)	(192,970)	(5,830)
Handling fee paid		(159,181)	(4,797)	(177,808)	(5,372)
Losses from valuation on financial assets		(29,941)	(903)	-	-
Losses from valuation on financial liabilities		-	-	(89,295)	(2,698)
Exchanges losses		(42,279)	(1,274)	(5,544)	(167)
Other operating costs		(5,906)	(178)	(3,051)	(92)
Subtotal		(11,826,819)	(356,444)	(11,148,415)	(336,810)
Operating gross profit		1,804,155	54,375	2,130,188	64,356
Operating expenses	2				
Marketing expenses		(1,064,957)	(32,097)	(1,235,106)	(37,315)
Management and general affairs expenses		(184,456)	(5,559)	(190,831)	(5,765)
Operating income		554,742	16,719	704,251	21,276
Non-operating revenues					
Gains on disposal of fixed assets		564	17	-	-
Other non-operating revenues		6,005	181	1,592	48
Subtotal		6,569	198	1,592	48
Non-operating expenses					
Losses on disposal of fixed assets		(5)	-	(48)	(1)
Miscellaneous expenses		(14)	-	(57)	(2)
Subtotal		(19)	-	(105)	(3)
Income from continuing operations before income taxes		561,292	16,917	705,738	21,321
Income taxes	2,19	(134,993)	(4,069)	(157,057)	(4,745)
Income from continuing operations after income taxes		426,299	12,848	548,681	16,576
Cumulative effect of changes in accounting principles	3	-	-	60,141	1,817
Net income		$426,299	$12,848	$608,822	$18,393
Earning per share (In dollars)	20				
Income before income taxes		$2.42	$0.07	$3.31	$0.10
Net income		$1.84	$0.06	$2.63	$0.08

(The exchange rates provided by the Federal Reserve Bank of New York on September 30, 2005 and 2006 were NT$33.18 and NT$33.10 to US$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Unaudited statements of changes in stockholders' equity

For the nine months periods ended September 30, 2005 and 2006

(Expressed in thousands of dollars)

Summary	Capital stock				Retained earnings				Equity adjustment					
	Common stock		Capital surplus		Legal reserve		Unappropriated retained earnings		Unrealized gains or losses on financial instruments		Cumulative translation adjustments		Total	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Balance on January 1, 2005	$2,317,006	$69,831	$1,909	$58	$220,741	$6,653	$640,617	$19,307	$-	$-	$(148)	$(4)	$3,180,125	$95,845
Appropriations and distributions for 2004														
Legal reserve					64,062	1,931	(64,062)	(1,931)					-	-
Cash dividends							(571,975)	(17,238)					(571,975)	(17,238)
Bonus paid to employees							(4,580)	(138)					(4,580)	(138)
Capital surplus- long term equity investment			112	3									112	3
Cumulative translation adjustments											683	20	683	20
Net Income for the nine months period ended September 30, 2005							426,299	12,848					426,299	12,848
Balance on September 30, 2005	$2,317,006	$69,831	$2,021	$61	$284,803	$8,584	$426,299	$12,848	$-	$-	$535	$16	$3,030,664	$91,340
Balance on January 1, 2006	$2,317,006	$70,000	$2,021	$61	$284,803	$8,604	$590,545	$17,841	$-	$-	$(158)	$(5)	$3,194,217	$96,501
Unrealized gains or losses on financial instruments - first time adoption									(24,734)	(747)			(24,734)	(747)
Appropriations and distributions for 2005														
Legal reserve					59,054	1,784	(59,054)	(1,784)					-	-
Cash dividends							(527,812)	(15,946)					(527,812)	(15,946)
Bonus paid to employees							(3,679)	(111)					(3,679)	(111)
Capital surplus			(91)	(3)									(91)	(3)
Changes in unrealized gains or losses on financial instruments									74,725	2,258			74,725	2,258
Cumulative translation adjustments											158	5	158	5
Net Income for the nine months period ended September 30, 2006							608,822	18,393					608,822	18,393
Balance on September 30, 2006	$2,317,006	$70,000	$1,930	$58	$343,857	$10,388	$608,822	$18,393	$49,991	$1,511	$-	$-	$3,321,606	$100,350

(The exchange rates provided by the Federal Reserve Bank of New York on September 30, 2005 and 2006 were NT$33.18 and NT$33.10 to US$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Unaudited statements of cash flows

For the nine months periods ended September 30, 2005 and 2006

(Expressed in thousands of dollars)

Items	Notes	January 1-September 30,2005 NT$	January 1-September 30,2005 US$	January 1-September 30,2006 NT$	January 1-September 30,2006 US$
Cash flows from operating activities					
Net income		$426,299	$12,848	$608,822	$18,393
Adjustments :					
operating activities:					
Amortization		5,443	164	5,608	169
Depreciation		17,936	541	17,561	530
Provision for reserve for operations		4,818,404	145,220	5,432,227	164,116
Recovered unearned premiums reserve		(4,031,204)	(121,495)	(4,449,253)	(134,419)
Recovered special claim reserve		(331,412)	(9,988)	(188,449)	(5,693)
Recovered claims reserve		(38,783)	(1,169)	(44,292)	(1,338)
Losses on disposal of fixed assets		5	-	-	-
Gains on disposal of fixed assets		(564)	(17)	-	-
Losses on obsolescence of fixed assets		-	-	48	1
Unrealized gains on investments recognized under the equity method		(18,790)	(566)	(33,442)	(1,010)
Effects of exchange rate changes		38,323	1,155	(32,497)	(982)
Effects of changes in accounting principles		-	-	(60,141)	(1,817)
Decrease in financial assets at fair value through profit or loss - current		456,978	13,773	26,257	793
(Increase) decrease in notes receivable		9,732	293	(7,918)	(239)
(Increase) decrease in premiums receivable		44,758	1,349	(5,635)	(170)
(Increase) decrease in claims recoverable from reinsurers		13,705	413	(60,657)	(1,833)
Increase in due from reinsurers and ceding companies		(327,734)	(9,877)	(242,646)	(7,331)
(Increase) decrease in reinsurance accounts receivable		(38,565)	(1,162)	249,736	7,545
Increase in other accounts receivable		(16,303)	(492)	(33,540)	(1,013)
Increase in prepayments		(136)	(4)	(196)	(6)
(Increase) decrease in deferred income tax assets-current		2,167	65	(8,810)	(266)
Increase in overdue receivables		(91,421)	(2,755)	(229,819)	(6,943)
Increase in other assets-others		(8,001)	(241)	(232)	(7)
Increase in financial liabilities at fair value through profit or loss - current		60,032	1,809	89,294	2,698
Decrease in commissions payable		(754)	(23)	(3,538)	(107)
Increase in claims outstanding		465,984	14,044	81,885	2,474
(Decrease) increase in other payables		(69,353)	(2,090)	256,838	7,760
Increase in accrued pension liabilities		1,438	43	1,986	60
Increase in other liabilities-others		62,862	1,895	7,336	222
Increase in claims reserve		297,240	8,958	2,943	89
Net cash provided by (used in) operating activities		1,748,286	52,691	1,379,476	41,676

(The exchange rates provided by the Federal Reserve Bank of New York on September 30, 2005 and 2006 were NT$33.18 and NT$33.10 to US$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Unaudited statements of cash flows-(Continued)

For the nine months ended September 30, 2005 and 2006

(Expressed in thousands of dollars)

Items	Notes	January 1-September 30,2005		January 1-September 30,2006	
		NT$	US$	NT$	US$
Cash flows from investing activities					
Increase in available-for-sale financial assets - current		(432,785)	(13,043)	(228,529)	(6,904)
Increase in investments in debt securities with no active market - current		(53,271)	(1,605)	(25,180)	(761)
Increase in secured loans		(558,948)	(16,846)	(662,922)	(20,028)
Increase in held-to-maturity financial assets - noncurrent		(762,241)	(22,973)	(457,564)	(13,824)
(Increase) Decrease in investments in debt securities with no active market - noncurrent		(48,694)	(1,468)	79,691	2,408
(Increase) decrease in financial assets carried at cost - noncurrent		39,000	1,175	(24,000)	(725)
Acquisition of long-term investment under equity method		(151,000)	(4,551)	-	-
Disposal of fixed assets		2,245	68	-	-
Acquisition of fixed assets		(8,007)	(241)	(5,672)	(171)
Acquisition of intangible assets		(2,363)	(71)	(599)	(18)
Increase in guarantee deposits paid		1,033	31	(21,137)	(639)
Net cash provided by (used in) investing activities		(1,975,031)	(59,524)	(1,345,912)	(40,662)
Cash flows from financing activities					
Bonus to employees		(7,888)	(238)	(8,259)	(250)
Cash dividends		(571,975)	(17,239)	(527,811)	(15,946)
Net cash provided by (used in) financing activities		(579,863)	(17,477)	(536,070)	(16,196)
Effects of exchange rate changes		(38,323)	(1,155)	32,497	982
Decrease in cash and cash equivalents		(844,931)	(25,465)	(470,009)	(14,200)
Cash and cash equivalents at the beginning of periods		3,824,659	115,270	2,619,412	79,137
Cash and cash equivalents at the end of periods		$2,979,728	$89,805	$2,149,403	$64,937
Supplemental disclosure of cash flows information					
Income tax paid		$130,177	$3,923	$137,165	$4,144

(The exchange rates provided by the Federal Reserve Bank of New York on September 30, 2005 and 2006 were NT$33.18 and NT$33.10 to US$1.00)

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

1. Organization and business scope

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

As of September 30, 2005 and 2006, the total numbers of employees were 869 and 916., respectively.

2. Summary of significant accounting policies

We prepared the financial statement, in accordance with generally accepted accounting principles, "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and "Guidelines Governing the Preparation of Financial Reports by Property and Casualty Insurance". A summary of significant accounting policies follows:

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

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

(2) Cash and cash equivalents

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

(3) Financial assets and financial liabilities

The Company adopted the Statements of Financial Accounting Standards of the ROC ("ROC SFAS") No.34 "Accounting for Financial Instruments" and "Criteria Governing the Preparation of Financial Reports by Property and Casualty Insurance". Financial assets are categorized as the "financial assets at fair value through profit or loss", "investments in debt securities with no active market", "held-to-maturity financial assets" or "available-for-sale financial assets", and accordingly, recognized at fair value initially. Financial liabilities are categorized as the "financial liabilities at fair value through profit or loss" or "financial liabilities measured at cost".

All "regular way" purchases and sales of financial assets are recorded on the trade date (i.e. the date that the Company commits to purchase or sell the asset). "Regular way" purchases or sales are transactions of financial assets that require delivery of assets within the period established by regulation or convention in the marketplace.

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are categorized as held for trading or designated as assets to be measured at fair value. Gains or losses from changes in fair values of such assets are reflected in the income statement.

B. Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the intention and ability to hold to maturity. Such investments are subsequently measured at amortized cost. Gains or losses are recognized in the income statement when the investments are derecognized, impaired, or amortized. The amortized cost is computed as the cost (amount initially recognized) minus principle repayments, plus or minus the cumulative amortization using the effective interest method of any difference between cost and the maturity amount, and less the impairment. The contracts related to the financial assets, transactions costs, fees and premiums/ discounts have been taken into the consideration of the effective interest rate calculation.

C. Investments in debt securities with no active market

Investments in debt securities with no active market are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains or losses from changes in fair value are recognized when investments in debt securities with no active market are derecognized, impaired, or amortized.

D. Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any forementioned categories. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of a listed stock or a depositary receipt is the closing price as of the balance sheet date. The fair value of an open-end fund is the net asset value of the fund as of the balance sheet date.

The Company uses amortized cost for subsequent valuation of financial liabilities, except for “financial liabilities at fair value through profit or loss” and “derivative financial liabilities for hedging” which are measured at fair value.

(4) Allowance for bad debts

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

(5) Long – term investments under equity method

Long-term investments in equity securities are accounted for under the equity method where the Company owns more than 20% of the investee's voting stocks or the Company has significant influence over the investee company. The difference between the investment cost and the Company's share of net assets of the investee company was amortized over 5 years. However, started from January 1, 2006, such difference is no longer amortized. Newly acquired difference is analyzed and accounted for in inconformity with the acquisition cost allocation as provided in SFAS No.25 "Business Combination-Accounting Treatment under Purchase Method." Goodwill is no longer amortized.

If the investee company issues new shares and original shareholders do not purchase or acquire new shares proportionately, then the investment percentage and the equity in net assets for the investment that the investor company has invested will be changed. Such difference shall be used to adjust the additional paid-in capital and the long-term investment under the equity method.

If the adjustment stated above is to debit the additional paid-in capital account and the amount of additional paid-in capital from long-term investments is not enough to be offset, the difference shall be debited to the retained earnings account.

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.

(6) Fixed assets

Fixed assets are carried at cost. Improvements and major renovation of properties are capitalized, while repairs and maintenances are expensed when occurred. Upon the sale or disposal of fixed assets, the related cost and accumulated depreciation and accumulated depletion are eliminated. Gain or loss resulting from such sale or disposal is recorded as non-operating gain or loss. Depreciation on depreciable assets is calculated on the straight-line method over the estimated service lives prescribed by the "Estimated Useful Life of Fixed Assets Table" published by the ROC Executive Yuan (the "Executive Yuan Depreciation Table"). Fixed assets that are still in use after their useful lives are depreciated based on their residual value and the newly estimated remaining useful lives.

(7) Intangible assets

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

(8) Accounting for Asset Impairment

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

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

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

(a) first, to reduce the carrying amount of any goodwill allocated to the CGU or group of CGUs; and

(b) if the goodwill has been written off, reduce the carrying amounts of other assets of the CGU proportionately.

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

(9) Accounting for impairment of financial assets

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

A. Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

B. Financial assets measured at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

C. Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

(10) Operating and liability reserves

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

(11) Derecognizing of financial assets and liabilities

A. Financial assets

A financial asset (or a portion) is derecognized in which the control over the asset (or a portion) is surrendered. Transfer a financial asset (or a portion) is deemed a sale to the extent of consideration received when the transferor surrenders control over the assets.

If a transfer of financial assets in exchange for cash or other consideration (other than beneficial interests in the transferred assets) does not meet the criteria for a sale, the transfer is accounted for as a borrowing with collateral.

B. Financial liabilities

A financial liability (or a portion) is derecognized when the obligation under the liability agreement is discharged or cancelled or expires.

Where an existing financial liability is replaced by another one from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognization of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognized in the income statement.

(12) Premiums income

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

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

(13) Contribution to the stabilization funds

The Company makes a monthly contribution based on 2‰ of the gross premiums to the stabilization funds and deposits it in "Property Insurance Stabilization Fund Committees". It is reported as "Contribution to the Stabilization funds" in the income statement.

(14) Pension plan

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

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.

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

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

(15) Foreign currency transactions

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

(16) Income Taxes

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

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

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

The Company adopted SFAS No. 12, "Accounting for Income Tax Credits" for income tax credits. The income tax credits resulting from the expenditures on the purchases of equipments, R & D, education trainings, and investments in equity shall be recognized at the current period.

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

Effective from January 1, 2006, the Company has adopted "Income Basic Tax Act" and "Enforcement Rules of the Income Basic Tax Act" to estimate income basic tax.

(17) Capital expenditure expenses

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

(18) Derivative financial instruments

The Company takes derivative financial instrument transactions such as forward currency contracts and futures to hedge its risks associated with foreign currency and stock fluctuations. These derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the period.

For the purpose of hedge accounting, hedges are classified as:

A. Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability;

B. Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecast transaction; or

C. Hedge of a net investment in a foreign operation.

Hedges of the foreign currency risk and stock fluctuation of a firm commitment are belong to fair value hedges. The Company adopted SFAS No. 34, Accounting for Financial Instruments categorized as financial assets at fair value through profit or loss are recognized in earnings.

(19) Conversion to U.S. dollars

The financial statements are stated in NT dollars. The converted U.S. dollars amounts from NT dollars as of September 30, 2005 and 2006 are for information only. The U.S. dollar/NT dollars noon buying rates of NT$33.18 and NT$33.10 provided by Federal Reserve Bank of New York of September 30, 2005 and 2006 are used for the conversion.

(20) Significant accounting policies used in 2005

A. Short-term investments

Equity securities are recorded at cost initially and stated at the lower of cost or market value as of the balance sheet date. Stock dividends are treated as an increase in the number of shares, not investment income. The cost of equity securities sold is determined by the moving weighted-average method.

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

Short-term notes are recorded at cost initially and stated at the lower of cost or market value as of the balance sheet date. Disposal gains or losses are calculated and recognized individually.

Bonds and convertible bonds are recorded at cost initially and stated at the lower of cost or market value. Disposal gains or losses are calculated and recognized individually.

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

B. Long – term investments

(a) Long-term investments in stocks

Long-term investments in stocks are investments in stocks of unlisted companies or stocks in listed companies with the intention to hold for long-term. Long-term investments in listed companies in which the Company's ownership interest is less than 20% of the voting stock with no significant influence over the investee company are stated at the lower of cost or market value. Unrealized loss 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. If there is objective evidence that the investment is impaired and the chance of recovery is remote, the carrying amount of the investment is reduced and an impairment loss is recognized. Stock dividends are not recognized as income but treated as an increase in the number of shares held.

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

(b) Long-term investments in bonds

Long-term investments in bonds are recorded at cost at the time of purchase. Premiums or discounts are amortized over the period.

C. Derivative financial products transaction

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

3. Changes in accounting and their effects

The Company adopted the ROC Statements of Financial Accounting Standards No.34 “Accounting for Financial Instruments” (SFAS No.34) and No.36. “Disclosure and Presentation of Financial Instruments” (SFAS No.36) beginning on and after January 1, 2006 (the “effective date”).

At the effective date, the Company shall remeasure and reclassify financial assets and liabilities that should be measured at fair value or at amortized cost as appropriate according to ROC SFAS No.34. Any resulting adjustment shall be recognized. Adjustments for “financial assets/liabilities at fair value through profit or loss” are recognized as cumulative effects of changes in accounting principles. Adjustments for “Available-for-sale financial assets” are recognized as changes of stockholders’ equity.

The above changes in accounting principles increased the Company’s assets, by NT$33,715 (US$1,043) and decreased the Company’s liabilities and stockholders’ equity-unrealized gains and losses on financial instruments by NT$1,692 (US$52) and NT$24,734 (US$765) as of January 1, 2006, respectively. The company’s net income and earnings per share increased by NT$60,141 (US$1,860) and NT$0.26 (US$0.01), respectively, for the nine months ended September 30, 2006.

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

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

The adoption of ROC SFAS No.5 did not effect the financial statement under the equity method and investment gain or loss for the nine-month period ended September 30, 2005.

4. Cash and cash equivalents

	September 30,			
	2005		2006	
Item	NT$	US$	NT$	US$
Cash on hand	$14,567	$439	$11,026	$333
Cash in banks	255,488	7,700	242,917	7,339
Time deposits	2,357,523	71,053	1,456,264	43,996
Cash equivalents	352,150	10,613	439,196	13,269
Total	$2,979,728	$89,805	$2,149,403	$64,937
Interest rate of time deposits	1.350%~1.845%	1.350%~1.845%	1.715%~2.090%	1.715%~2.090%
Interest rate of cash equivalents	1.285%~1.300%	1.285%~1.300%	1.500%~1.600%	1.500%~1.600%

5. Financial assets at fair value through profit or loss - current

	September 30,			
	2005		2006	
Item	NT$	US$	NT$	US$
Common stock	$396,343	$11,945	$371,050	$11,210
Beneficiary certificates	124,039	3,738	193,132	5,835
Derivative financial instruments	4,334	131	6,573	198
Subtotal	524,716	15,814	570,755	17,243
Add (less): Valuation adjustment	(44,520)	(1,342)	7,353	222
Total	$480,196	$14,472	$578,108	$17,465

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

6. Available-for-sale financial assets-current

	September 30,			
	2005		2006	
Item	NT$	US$	NT$	US$
Common stock	$866,543	$26,116	$495,356	$14,965
Beneficiary certificates	4,268	129	526,418	15,904
Corporate bonds	242,810	7,318	401,180	12,120
Financial debentures	401,104	12,089	501,387	15,148
Subtotal	1,514,725	45,652	1,924,341	58,137
Add (less): Valuation adjustment	-	-	15,562	470
Total	$1,514,725	$45,652	$1,939,903	$58,607

7. Investments in debt securities with no active market-current

	September 30,			
	2005		2006	
Item	NT$	US$	NT$	US$
Financial debentures	$53,271	$1,606	$277,468	$8,383
Interest rate	4.00%	4.00%	2.99%~4.00%	2.99%~4.00%

8. Premiums receivable

	September 30,			
	2005		2006	
Item	NT$	US$	NT$	US$
Premiums receivable	$902,773	$27,208	$1,194,696	$36,094
Less: Allowance for bad debts	(9,028)	(272)	(11,947)	(361)
Net	$893,745	$26,936	$1,182,749	$35,733

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

9. Loans

	September 30,			
	2005		2006	
Item	NT$	US$	NT$	US$
Secured loans	$1,486,979	$44,816	$2,061,542	$62,282
Less: Allowance for bad debts	(129,445)	(3,902)	(77,408)	(2,338)
Net	$1,357,534	$40,914	$1,984,134	$59,944
Interest rate	1.86%~4.50%	1.86%~4.50%	1.93%~4.50%	1.93%~4.50%

Secured loans are secured by real estate.

10. Held-to-maturity financial assets - noncurrent

	September 30,			
	2005		2006	
Item	NT$	US$	NT$	US$
Overseas investments in bonds	$3,039,783	$91,615	$3,611,519	$109,109
Interest rate	4.00%~6.30%	4.00%~6.30%	4.00%~6.30%	4.00%~6.30%

11. Financial assets carried at cost - noncurrent

	September 30,			
	2005		2006	
Item	NT$	US$	NT$	US$
KGEX. Com Co., Ltd.	$36,000	$1,085	$36,000	$1,088
Tong Lung Metal Industry Co., Ltd.-preferred stock	-	-	24,000	725
Total	$36,000	$1,085	$60,000	$1,813

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

12. Investments in debt securities with no active market - noncurrent

	September 30,			
	2005		2006	
	NT$	US$	NT$	US$
Financial debentures	$510,187	$15,377	$229,942	$6,947
Interest rate	2.99%~4.00%	2.99%~4.00%	4.00%	4.00%

13. Long-term investments under equity method

	September 30,			
	2005		2006	
Investee	NT$	US$	NT$	US$
Cathay Venture Capital Corp.	$380,074	$11,454	$442,162	$13,358
Vista Technology Venture Capital Corp.	8,950	270	8,298	251
Total	$389,024	$11,724	$450,460	$13,609

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

	For the nine months ended September 30,			
	2005		2006	
	NT$	US$	NT$	US$
Balance on Jan. 1	$218,439	$6,583	$382,522	$11,557
Add (less): Additional investment	151,000	4,551	-	-
Investment income by equity method recognized	18,790	566	33,442	1,010
Cumulative conversion adjustments by equity method recognized	683	21	158	5
Capital surplus by equity method recognized	112	3	(91)	(3)
Net gains or losses not recognized as retirement fund costs on long-term equity investment	-	-	34,429	1,040
Balance on September 30	$389,024	$11,724	$450,460	$13,609

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

b. The investment gains (losses) recognized by the equity method for nine months periods ended September 30, 2005 and 2006 are listed below:

	For the nine months ended September 30,			
	2005		2006	
Investee	NT$	US$	NT$	US$
Cathay Venture Capital Corp.	$20,735	$625	$33,010	$997
Vista Technology Venture Capital Corp.	(1,945)	(59)	432	13
Total	$18,790	$566	$33,442	$1,010

c. The accounting treatment for the investment in Vista Technology Venture Capital Corp.(VTVCC) is changed from the cost method to the equity method. The investment gains of VTVCC for the nine months periods ended September 30, 2005 and 2006 were recognized under the equity method based on the respective reviewed financial statements of VTVCC.

d. The investment gains of Cathay Venture Capital Corp. for the nine months periods ended September 30, 2005 and 2006 were recognized under the equity method based on the respective reviewed financial statements of Cathay Venture Capital Corp.

14. Fixed assets

	September 30, 2005					
	Cost		Accumulated Depreciation		Net	
Item	NT$	US$	NT$	US$	NT$	US$
Communication and transportation equipments	$17,430	$525	$10,239	$308	$7,191	$217
Other equipments	175,705	5,296	132,029	3,980	43,676	1,316
Subtotal	193,135	5,821	142,268	4,288	50,867	1,533
Prepayments for equipments	2,520	76	-	-	$2,520	76
Total	$195,655	$5,897	$142,268	$4,288	$53,387	$1,609

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

	September 30, 2006					
	Cost		Accumulated Depreciation		Net	
Item	NT$	US$	NT$	US$	NT$	US$
Communication and transportation equipments	$15,403	$465	$10,451	$316	$4,952	$149
Other equipments	186,119	5,623	150,164	4,537	35,955	1,086
Subtotal	201,522	6,088	160,615	4,853	40,907	1,235
Prepayments for equipments	2,838	86	-	-	2,838	86
Total	$204,360	$6,174	$160,615	$4,853	$43,745	$1,321

15. Operating and liability reserve

	January 1, 2005		Provision		Recovered		September 30, 2005	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Unearned premiums reserve	$4,031,204	$121,495	$4,347,925	$131,040	$4,031,204	$121,495	$4,347,925	$131,040
Special reserve	2,570,454	77,470	426,195	12,845	331,412	9,988	2,665,237	80,327
Claims reserve	634,173	19,113	923,756	27,841	621,015	18,717	936,914	28,237
Total	$7,235,831	$218,078	$5,697,876	$171,726	$4,983,631	$150,200	$7,950,076	$239,604

	January 1, 2006		Provision		Recovered		September 30, 2006	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Unearned premiums reserve	$4,449,253	$134,419	$4,784,007	$144,532	$4,449,253	$134,419	$4,784,007	$144,532
Special reserve	2,747,793	83,014	455,250	13,754	188,449	5,693	3,014,594	91,075
Claims reserve	927,006	28,007	1,062,748	32,107	911,128	27,527	1,078,626	32,587
Total	$8,124,052	$245,440	$6,302,005	$190,393	$5,548,830	$167,639	$8,877,227	$268,194

16. Capital stock and capital increment

As of September 30, 2005 and 2006, the Company has issued 231,701 thousand shares with a par value of NT$10.

17. Retained Earnings

(1) Legal reserve

Pursuant to the Company Law, 10% of the annual after-tax net income of the Company shall be appropriated as a legal reserve until the total amount of the legal reserve equals to the amount of issued capital stock. This legal reserve can only be used to offset deficit but not for cash dividend distributions. However, if the total legal reserve is greater than 50% of the issued share capital, up to 50% of such excess can be capitalized if it approves by the Board of Directors.

(2) Unappropriated retained earnings

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

B. According to the related regulations, if any unappropriated retained earnings of the Company assessed by the tax authority exceed 100% of the Company's paid-in capital, the "excessive" amounts shall be distributed as cash dividends or stock dividends in the following year of the assessment. Otherwise, either an additional 10% income tax will be levied on shareholders of the total unappropriated retained earnings; or the Company may pay an extra 10% income tax on the excessive unappropriated retained earnings.

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

(4) Pursuant to the explanatory letter of SFB on January 27, 2006, the Company is required to appropriate a special reserve in the amount equal to unrealized loss of financial instruments expect for the legal reserve since 2007.

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

18. Personnel, depreciation, depletion and amortization expenses

Item	For the nine months ended September 30, 2005 (NT$)			For the nine months ended September 30, 2006 (NT$)		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel Expenses						
Salary and wages	$-	$552,038	$552,038	$-	$621,206	$621,206
Labor & health insurance expenses	-	28,069	28,069	-	34,863	34,863
Pension expenses	-	28,330	28,330	-	31,525	31,525
Other expenses	-	14,204	14,204	-	14,749	14,749
Depreciation	-	17,936	17,936	-	17,561	17,561
Depletion	-	-	-	-	-	-
Amortization	-	5,443	5,443	-	5,608	5,608

Item	For the nine months ended September 30, 2005 (US$)			For the nine months ended September 30, 2006 (US$)		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel Expenses						
Salary and wages	$-	$16,638	$16,638	$-	$18,768	$18,768
Labor & health insurance expenses	-	846	846	-	1,053	1,053
Pension expenses	-	854	854	-	952	952
Other expenses	-	428	428	-	446	446
Depreciation	-	541	541	-	530	530
Depletion	-	-	-	-	-	-
Amortization	-	164	164	-	169	169

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

19. Estimated income taxes

(1) Income tax expenses include the following:

	For the nine months ended September 30,			
	2005		2006	
Item	NT$	US$	NT$	US$
Income before taxes	$561,292	$16,917	$705,738	$21,321
Adjustments:				
Interest income of tax on a separate basis	(3,673)	(111)	(5,840)	(176)
Gains (losses) on appraising financial assets (liabilities)	83,520	2,517	81,942	2,476
Bad debts recovery	(5,959)	(179)	(15,174)	(458)
Gains on trading securities	(83,253)	(2,509)	(96,124)	(2,904)
Investment gains recognized by the equity method	(18,790)	(566)	(33,442)	(1,010)
Unrealized gains on foreign exchanges	-	-	(35,304)	(1,067)
Realized loss on foreign exchanges	(2,707)	(82)	(359)	(11)
Realized pension expenses recovery	-	-	(3,405)	(103)
Others	115	3	713	21
Taxable Income	530,545	15,990	598,745	18,089
Time; taxes rate	25%	25%	25%	25%
Subtotal	132,636	3,997	149,686	4,522
Extra 10% income tax on unappropriated retained earnings	-	-	-	-
Tax effects under integrated income tax systems	-	-	17,958	543
Income tax credit	(1,182)	(35)	(1,674)	(51)
Subtotal	131,454	3,962	165,970	5,014
Tax on a separate basis	735	22	1,168	35
Adjustment of prior year's income tax	638	19	(274)	(8)
Deferred income tax expenses (benefits)	2,166	66	(8,810)	(266)
Share the cumulative effect of changes in accounting principles	-	-	(997)	(30)
Total income tax expenses	$134,993	$4,069	$157,057	$4,745

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

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

	September 30,			
	2005		2006	
	NT$	US$	NT$	US$
A. Total deferred income tax assets	$37,606	$1,133	$55,624	$1,681
Total deferred income tax liabilities	$-	$-	$8,826	$267
B. Temporary differences:				
Bad debts exceeding legal limitation	$150,970	$4,550	$133,013	$4,018
Unrealized gains on foreign exchanges	-	-	(35,303)	(1,067)
Unrealized losses on valuation financial assets	-	-	187	6
Unrealized losses on valuation financial liabilities	-	-	89,295	2,698
Others	(544)	(16)	-	-
Total	$150,426	$4,534	$187,192	$5,655
C. Deferred income tax assets-current	$37,606	$1,133	$55,624	$1,681
Deferred income tax liabilities	-	-	(8,826)	(267)
Net between current deferred income tax assets and liabilities	$37,606	$1,133	$46,798	$1,414
D. Deferred income tax assets-non current	$-	$-	$-	$-

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

Law of income tax credits	The credits items	The amount of income tax credits	The remaining balance	Expiry year
Statute for Upgrading Industries	Education training	$1,674(US$51)	$-	2010

(4) The Company's income tax returns have been filed and examined by the Tax Authorities through 2002; and the tax authority has informed the Company to pay additional corporate income taxes on the bond premium amortization for the tax returns of 2002, 2001 and 1999. The company has filed a dispute.

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

(5) Information related to imputation:

	September 30,			
	2005		2006	
	NT$	US$	NT$	US$
Balance of imputation credit account	$7,548	$227	$3,770	$114

	September 30, 2005 (Actual)	September 30, 2006 (Actual)
Imputation credit account ratio	1.83%	1.73%

(6) Information relating of unappropriated earnings:

	September 30,			
	2005		2006	
Year	NT$	US$	NT$	US$
Prior to 1997	$-	$-	$-	$-
After 1998	-	-	-	-
Total	$-	$-	$-	$-

Net income after tax for the nine months periods ended September 30, 2005 and 2006 are not included in the unappropriated earnings after 1998 expressed above.

20. Earnings per share

	For the nine months ended September 30, 2005		For the nine months ended September 30, 2006	
	NT$	US$	NT$	US$
Net income (loss) from continuing operations (A)	$426,299	$12,848	$548,681	$16,576
Cumulative effect of changes in accounting principles(B)	-	-	60,141	1,817
Net income (loss) (C)	$426,299	$12,848	$608,822	$18,393
Outstanding number of shares at end of period	231,701	231,701	231,701	231,701
Weighted average outstanding number of shares(D)	231,701	231,701	231,701	231,701
Earnings per share of net income (loss) from continuing operations (A)/(D) (dollars)	$1.84	$0.06	$2.37	$0.07
Earnings per share of cumulative effect of changes in accounting principles(B)/(D) (dollars)	-	-	0.26	0.01
Earnings per share of net income (loss) (C)/(D) (dollars)	$1.84	$0.06	$2.63	$0.08

21. Related party transactions

(1) Related parties

Name	Relationship
Cathay Financial Holding Co., Ltd.	Parent Company
Cathay Life Insurance Co., Ltd.	Affiliate
Cathay United Bank	Affiliate
Cathay Securities Corp.	Affiliate
Cathay Pacific Venture Capital Co., Ltd.	Affiliate
Cathay Capital Management Inc.	Affiliate
Cathay II Venture Capital Corp.	Affiliate
Cathay Venture Capital Corp.	An equity method investee
Vista Technology Venture Capital Corp.	An equity method investee
San Ching Engineering Co., Ltd.	Affiliate
Seaward Leasing Ltd.	Affiliate
Cathay Real Estate Development Co., Ltd.	Affiliate
Lucky Bank	Affiliate
Cathay General Hospital	Affiliate
Cathay Securities Investment Trust Co., Ltd.	Affiliate
Symphox Information Co., Ltd.	Affiliate
Lin Yuan Property Management Co., Ltd.	Affiliate
Cathay Futures Corp.	Affiliate
Lin Yuan Investment Co., Ltd.	Affiliate
Wan Pao Development Co., Ltd.	Affiliate
Cathay Securities Investment Co., Ltd.	Affiliate
Culture and Charity Foundation of the CUB	Affiliate
Cathay Bank Property Agency of Association	Affiliate
Cathay Pacific Partners Co., Ltd.	Affiliate
Cathay Insurance (Bermuda) Co., Ltd.	Affiliate
Cathay Life Insurance Co., Ltd.(Shanghai)	Affiliate
Cathay Bank Life Insurance Agency of Association	Affiliate
Seaward Card Co., Ltd.	Affiliate
Indovina Bank Limited	Affiliate
China England Company Ltd.	Affiliate
Pao Shin Securities Co., Ltd.	Affiliate
Cathay Charity Foundation	Affiliate
Wu Ming-Yang	Vice-president of the Company
Que Ming-Huang	Manager of the Company
Chang Zhao-Yang	Manager of the Company
Yang Zhi-Quan	Manager of the Company
Jian Jie	Internal audit manager of the Company

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

(2) Transactions with related parties

A. Premiums income

	For the nine months ended September 30,			
	2005		2006	
	Direct written premiums		Direct written premiums	
Name	NT$	US$	NT$	US$
Cathay Life Insurance Co., Ltd.	$130,218	$3,924	$99,673	$3,011
Cathay United Bank	121,401	3,659	53,726	1,623
Lucky Bank	-	-	4,837	146
Cathay General Hospital	5,415	163	5,141	155
Seaward Leasing Ltd.	4,868	147	9,284	281
Cathay Real Estate Development Co., Ltd.	982	30	993	30
San Ching Engineering Co., Ltd.	1,493	45	-	-
Lin Yuan Property Management Co., Ltd.	597	18	-	-
Wan Pao Development Co., Ltd.	-	-	938	28
Symphox Information Co., Ltd.	-	-	585	18
Total	$264,974	$7,986	$175,177	$5,292

B. Premiums receivable

	For the nine months ended September 30,			
	2005		2006	
	Premiums receivable		Premiums receivable	
Name	NT$	US$	NT$	US$
Cathay Life Insurance Co., Ltd.	$6,938	$209	$5,953	$180
Cathay United Bank	11,791	355	986	30
Cathay General Hospital	2,535	77	3,263	99
Seaward Leasing Ltd.	739	22	4,214	127
Total	$22,003	$663	$14,416	$436

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

C. Insurance claims payment

	For the nine months ended September 30,			
	2005		2006	
Name	NT$	US$	NT$	US$
Cathay Life Insurance Co., Ltd.	$8,616	$260	$6,781	$205
Cathay United Bank	208,318	6,278	26,726	807
Seaward Leasing Ltd.	-	-	387	12
Total	$216,934	$6,538	$33,894	$1,024

D. Cash in banks

		September 30, 2005		
Name	Type	Ending balance	Interest rate	Interest income
		NT$		NT$
Cathay United Bank	Cash in banks	$208,427	0.10%	$77
	Time deposits	$327,450	1.36%-1.75%	$4,152
Lucky Bank	Cash in banks	$-	-	$-
	Time deposits	$-	-	$-

		September 30, 2005		
Name	Type	Ending balance	Interest rate	Interest income
		US$		US$
Cathay United Bank	Cash in banks	$6,282	0.10%	$2
	Time deposits	$9,869	1.36%-1.75%	$125
Lucky Bank	Cash in banks	$-	-	$-
	Time deposits	$-	-	$-

		September 30, 2006		
Name	Type	Ending balance	Interest rate	Interest income
		NT$		NT$
Cathay United Bank	Cash in banks	$194,325	0.10%	$96
	Time deposits	$280,855	1.79%-2.09%	$5,072
Lucky Bank	Cash in banks	$2,106	0.10%	$2
	Time deposits	$10,000	1.97%	$50

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

		September 30, 2006		
Name	Type	Ending balance	Interest rate	Interest income
		US$		US$
Cathay United Bank	Cash in banks	$5,871	0.10%	$3
	Time deposits	$8,485	1.79%-2.09%	$153
Lucky Bank	Cash in banks	$64	0.10%	$0.06
	Time deposits	$302	1.97%	$2

E. Loans

	For the nine months ended September 30, 2005			
Name	Maximum amount	Ending balance	Interest rate	Interest income
	NT$	NT$		NT$
Wu Ming-Yang	$1,651	$1,564	2.66%-2.76%	$32

	For the nine months ended September 30, 2005			
Name	Maximum amount	Ending balance	Interest rate	Interest income
	US$	US$		US$
Wu Ming-Yang	$50	$47	2.66%-2.76%	$1

	For the nine months ended September 30, 2006			
Name	Maximum amount	Ending balance	Interest rate	Interest income
	NT$	NT$		NT$
Wu Ming-Yang	$1,536	$-	3.03%	$5
Que Ming-Huang	$7,596	$7,377	2.20%	$124
Chang Zhao-Yang	$3,569	$3,502	2.39%-3.14%	$78
Jian Jie	$1,548	$1,485	3.14%	$35
Yang Zhi-Quan	$5,000	$5,000	1.93%	$16

	For the nine months ended September 30, 2006			
Name	Maximum amount	Ending balance	Interest rate	Interest income
	US$	US$		US$
Wu Ming-Yang	$46	$-	3.03%	$-
QueMing-Huang	$229	$223	2.02%	$4
ChangZhao-Yang	$108	$106	2.39%-3.14%	$2
Jian Jie	$47	$45	3.14%	$1
Yang Zhi-Quan	$151	$151	1.93%	$-

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

F. Financial assets at fair value through profit or loss-current

	September 30,			
	2005		2006	
Name	NT$	US$	NT$	US$
Cathay Securities Investment Trust Co., Ltd.	$122,862	$3,703	$118,803	$3,589
Cathay Futures Corp.	-	-	5,079	153
Total	$122,862	$3,703	$123,882	$3,742

G. Prepaid rents

	September 30,			
	2005		2006	
Name	NT$	US$	NT$	US$
Cathay Life Insurance Co., Ltd.	$2,431	$73	$2,477	$75

H. Guarantee deposits paid

	September 30,			
	2005		2006	
Name	NT$	US$	NT$	US$
Cathay Life Insurance Co., Ltd.	$13,957	$421	$14,036	$424

I. Commissions expenses

	For the nine months ended September 30,			
	2005		2006	
Name	NT$	US$	NT$	US$
Cathay Bank Property Agency of Association	$24,659	$743	$17,014	$514

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

J. Handling fee paid

	For the nine months ended September 30,			
	2005		2006	
Name	NT$	US$	NT$	US$
Cathay Life Insurance Co., Ltd.	$3,420	$103	$3,329	$101

K. Accrued marketing expense

	September 30,			
	2005		2006	
Name	NT$	US$	NT$	US$
Cathay Life Insurance Co., Ltd.	$38,068	$1,147	$331,064	$10,002
Cathay United Bank	-	-	1,532	46
	$38,068	$1,147	$332,596	$10,048

L. Other payables-tax payable

	September 30,			
	2005		2006	
Name	NT$	US$	NT$	US$
Cathay Financial Holding Co., Ltd.	$79,058	$2,383	$130,642	$3,947

M. Operating expenses

		For the nine months ended September 30,			
		2005		2006	
Name	Summary	NT$	US$	NT$	US$
Cathay Life Insurance Co., Ltd.	Rental expenses	$43,926	$1,324	$41,061	$1,240
	Marketing expenses	408,018	12,297	468,933	14,167
	Party premium expenses	4,495	135	4,486	136
	Training expenses	-	-	1,120	34
Cathay United Bank	Marketing expenses	-	-	11,153	337
Seaward Leasing Ltd.	Rental expenses	160	5	1,274	38
Total		$456,599	$13,761	$528,027	$15,952

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

N. Other expenses

	For the nine months ended September 30,			
	2005		2006	
Name	NT$	US$	NT$	US$
Symphox Information Co., Ltd.	$5,549	$167	$3,383	$102

22. Pledged assets

	September 30,			
	2005		2006	
Item	NT$	US$	NT$	US$
Government bonds	$357,784	$10,783	$351,286	$10,613

According to Article 141 of the ROC Insurance Law, the Company should deposit government bonds at an amount equal to 15% of its paid-in capital in the Central Bank of China as capital guarantee deposit. The above assets were stated at book value.

23. Other important matters and contingent liabilities

A. The Company and Itanara Import Export Company have a dispute on cargo insurance benefits. The Itanara filed a lawsuit against the Company and claimed for US$773 with related notarization expenses. The Taiwan Taipei District Court ruled in favor of Itanara in the lawsuit except the notarization expenses. The Company appealed to the higher court and the lawsuit is still in progress.

B. As of September 30, 2006, the Company has entered into several significant rental contracts. The estimated rents payable for the next five years are as follows:

Period	Amount (NT$)	Amount (US$)
October 01, 2006 ~ September 30, 2007	$59,351	$1,793
October 01, 2007 ~ September 30, 2008	60,254	1,821
October 01, 2008 ~ September 30, 2009	62,017	1,874
October 01, 2009 ~ September 30, 2010	63,833	1,928
October 01, 2010 ~ September 30, 2011	65,702	1,985
Total	$311,157	$9,401

24. Serious damages

None

25. Subsequent events

None

26. 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) Risk management policies and hedge strategies

The Company's primary financial instruments other than derivatives consists of cash and cash equivalents, current and non current investments. The main purpose of holding these financial instruments is to manage cash flow. The Company has other financial assets and liabilities such as notes receivable, due to and from reinsurers and ceding companies, reinsurance account, receivable and payable and secured loans, etc.

The Company also conducts derivative transactions, primarily including futures, option contracts and forward currency contracts. The purpose is to manage the stock price fluctuation and currency exchange risks arising from the Company's investment activities. The company does not conduct derivative transactions based on trading purpose.

The primary risks involved in these derivative transactions are market risk, credit risk, operational risk and liquidity risk. In addition to the risk management policies and guidance, the Company also establishes risk management systems such as the VaR model, the credit evaluation model, the integrated appraisal and collection and the concentration management systems to monitoring and managing the Company's risks.

Market Risk

Market risk is the exposure to uncertain market value of a portfolio, including interest rate risk, stock value risk and exchange rate risk, etc.. The Company conducts analysis and assessments of the investment targets before any investment decisions are made. In addition, VaR model in connection with atmosphere simulation methods, stress test methods, Position Limit, VaR Limit and Loss Limit are used to effectively manage the market risk of the Company's financial assets.

As a result of significant overseas designated purpose pecuniary trust funds, the Company's balance sheet can be affected significantly by the fluctuation of the US$/NT$ exchange rates. The Company utilizes forward currency contracts to hedge this exposure.

The Company also has transactional currency exposures. Such exposure arise from reinsurance transactions. These transactions with foreign reinsurance company usually receive on time and the fluctuation of exchange rate is not significant. Thus the Company did not seek to hedge this exposure.

Credit risk

The company only conducts business with recognized and creditworthy third parties. Customers are subject to credit verification procedures, and the collection of premium receivable and notes receivable are subsequently assessed. In addition, once the credit of the third party is impaired, the Company will freeze the related contracts until the credit of the third party recovers. Thus the Company has minimal bad debts.

Operational Risk

Operational risk is the risk of loss due to inadequate or failed internal controls, employee fraud or misconduct and management negligence. To mitigate the operational risk, the Company has adopted and implemented the internal control regulations and sheets. The Company is also commenced to develop the information systems to accommodate the aforementioned policies.

Liquidity risk

The company's exposure to liquidity risk is minimal.

English Translation of Financial Statements Originally Issued in Chinese
Cathay Century Insurance Co., Ltd.
Notes to unaudited financial statements (continued)
(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)
As of September 30, 2005 and 2006

(3) Financial instruments related information:

	September 30, 2005			
	NT$		US$	
Assets	Carrying amount	Fair value	Carrying amount	Fair value
Non-derivative financial instruments:				
Cash and Cash equivalents	$2,979,728	$2,979,728	$89,805	$89,805
Financial assets at fair value through profit or loss - current	480,196	480,196	14,472	14,472
Available-for-sale financial assets - current	1,514,725	1,514,725	45,652	45,652
Investments in debt securities with no active market-current	53,271	53,271	1,606	1,606
Receivables	1,068,924	1,068,924	32,216	32,216
Claims recoverable from reinsurers	239,265	239,265	7,211	7,211
Due from reinsurers and ceding Companies	218,843	218,843	6,596	6,596
Secured loans	1,357,534	1,357,534	40,914	40,914
Held-to-maturity financial assets - noncurrent	3,039,783	3,039,783	91,615	91,615
Financial assets carried at cost - noncurrent	36,000	36,000	1,085	1,085
Investments in debt securities with no active market – noncurrent	510,187	510,187	15,377	15,377
Long-term investments under equity method	389,024	389,024	11,724	11,724
Guarantee deposits paid	375,374	375,374	11,313	11,313
Derivative financial instruments:				
Financial assets at fair value through profit or loss - current				
Futures Contract	-	-	-	-
Options Contract	-	-	-	-

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Cathay Century Insurance Co., Ltd.
Notes to unaudited financial statements (continued)
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As of September 30, 2005 and 2006

Liabilities				
Non-derivative financial instrument：				
Claims outstanding	466,616	466,616	14,063	14,063
Due to reinsurers and ceding companies	110,781	110,781	3,339	3,339
Operating and debt reserve	7,950,076	7,950,076	239,604	239,604
Derivative financial instruments:				
Financial liabilities at fair value through profit or loss - current				
Foreign exchange SWAP	60,032	60,032	1,809	1,809

	September 30, 2006			
	NT$		US$	
Assets	Carrying amount	Fair value	Carrying amount	Fair value
Non-derivative financial instruments:				
Cash and Cash equivalents	$2,149,403	$2,149,403	$64,937	$64,937
Financial assets at fair value through profit or loss - current	571,832	571,832	17,276	17,276
Available-for-sale financial assets - current	1,939,903	1,939,903	58,607	58,607
Investments in debt securities with no active market-current	277,468	277,468	8,383	8,383
Receivables	1,455,842	1,455,842	43,983	43,983
Claims recoverable from reinsurers	276,432	276,432	8,351	8,351
Due from reinsurers sand ceding companies	228,706	228,706	6,910	6,910
Secured loans	1,984,134	1,984,134	59,944	59,944
Held-to-maturity financial assets - noncurrent	3,611,519	3,611,519	109,109	109,109
Financial assets carried at cost - noncurrent	60,000	60,000	1,813	1,813
Investments in debt securities with no active market – noncurrent	229,942	229,942	6,947	6,947
Long-term investments under equity method	450,460	450,460	13,609	13,609
Guarantee deposits paid	404,995	404,995	12,235	12,235

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

Derivative financial instruments:				
Financial assets at fair value through profit or loss - current				
Futures Contract	5,761	5,761	174	174
Options Contract	515	515	15	15
Liabilities				
Non-derivative financial instrument:				
Claims outstanding	82,513	82,513	2,493	2,493
Due to reinsurers and ceding companies	129,572	129,572	3,914	3,914
Operating and debt reserve	8,877,227	8,877,227	268,194	268,194
Derivative financial instruments:				
Financial liabilities at fair value through profit or loss - current				
Foreign exchange SWAP	89,295	89,295	2,698	2,698

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

① The fair value of the Company's short-term financial instruments is based on the carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash, cash equivalents, receivables and payables, claims recoverable from reinsurers, due from reinsurers and ceding companies, secured loans, claims outstanding, due to reinsurers and ceding companies, operating and liability reserve.

② The fair value of the guarantee deposits paid and guarantee deposits received is based on the carrying amount.

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

③ Quoted market price, if available, are utilized as estimates of the fair value of held-to-maturity financial assets. If no quoted market prices exist for the Company's held-to-maturity financial assets, the fair value of financial assets has been derived based on pricing models. A pricing model incorporates all factors that market participants would consider in setting a price. The Company uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics. The characteristics involve debtor's credit standing, residual period of contracted fixed interest rates, residual period of principal repayment and currency of payment.

④ The fair value of the Company's current and noncurrent financial asset or liabilities was based on market prices at the reporting date if market prices are not available. When market prices are not available, the fair value was based on relevant financial or any other information.

⑤ The following table summarizes the fair value information of the Company's financial assets and liabilities at September 30, 2006:

	September 30,2006			
	NT$			
	Based on the quoted market price		Based on valuation techniques	
Financial Instruments	Carrying amount	Fair value	Carrying amount	Fair value
Assets-non-derivative				
Financial assets at fair value through profit or loss-current	$571,832	$571,832	$-	$-
Available-for-sale financial assets-current	1,939,903	1,939,903	-	-
Investment in debt securities with no active market-current	-	-	277,468	-
Held-to-maturity financial assets-noncurrent	-	-	3,611,519	-
Financial assets carried at cost-noncurrent	-	-	60,000	-
Investment in debt securities with no active market-noncurrent	-	-	229,942	-
Long-term investments in stocks under the equity method	-	-	450,460	-

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

Assets- derivative				
Financial assets at fair value through profit				
or loss-current				
Futures	5,761	5,761	-	-
Option	515	515	-	-
Liability-derivative				
Financial liability at fair value through				
profit or loss-current				
Forward contracts	89,295	89,295	-	-

	September 30,2006			
	US$			
	Based on the quoted market price		Based on valuation techniques	
Financial Instruments	Carrying amount	Fair value	Carrying amount	Fair value
Assets-non-derivative				
Financial assets at fair value through profit				
or loss-current	$17,276	$17,276	$-	$-
Available-for-sale financial assets-current	58,607	58,607	-	-
Investment in debt securities with no active				
market-current	-	-	8,383	-
Held-to-maturity financial assets-noncurrent	-	-	109,109	-
Financial assets carried at cost-noncurrent	-	-	1,813	-
Investment in debt securities with no active				
market-noncurrent	-	-	6,947	-
Long-term investments in stocks under the				
equity method	-	-	13,609	-
Assets-derivative				
Financial assets at fair value through profit				
or loss-current				
Futures	174	174	-	-
Option	15	15	-	-

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

Liability- derivative				
Financial liability at fair value through				
profit or loss-current				
Forward contracts	2,698	2,698	-	-

(4) Risk of interest rate

The following table summarizes the maturities of the Company's financial instruments at September 30, 2006:

Fixed interest rate

	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
Item	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Held-to-maturity financial assets	$-	$-	$57,638	$1,741	$862,005	$26,042	$197,637	$5,971
Investments in debt securities								
with no active market	277,468	8,383	126,208	3,813	103,734	3,134	-	-

	Due in 4~5 years		Over 5 years		Total	
Item	NT$	US$	NT$	US$	NT$	US$
Held-to-maturity financial assets	$645,237	$19,494	$1,849,002	$55,861	$3,611,519	$109,109
Investments in debt securities						
with no active market	-	-	-	-	507,410	15,330

(5) Credit risk

The Company's exposure to credit risk in minimal.

(6) Fair value hedges

	Designated as hedging instruments				
		Fair value			
		September 30, 2005		September 30, 2006	
Hedged item	Financial instruments of designated as hedging instruments	NT$	US$	NT$	US$
Overseas investments in bonds	Foreign exchange SWAP	$(60,032)	$(1,809)	$(89,295)	$(2,698)

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

(7) Discretionary account management

	September 30, 2005			
	Book value		Fair value	
Item	NT$	US$	NT$	US$
Listed stocks	$88,131	$2,655	$89,113	$2,685
Short-term notes	8,054	243	8,054	243
Cash in banks	18,242	550	18,242	550
Net other assets less liabilities	(2,265)	(68)	(2,265)	(68)
Total	$112,162	$3,380	$113,144	$3,410

	September 30, 2006			
	Book value		Fair value	
Item	NT$	US$	NT$	US$
Listed stocks	$211,328	$6,384	$211,328	$6,384
Short-term notes	40,083	1,211	40,083	1,211
Cash in banks	30,743	929	30,743	929
Net other assets less liabilities	3,234	98	3,234	98
Total	$285,388	$8,622	$285,388	$8,622

As of September 30, 2005 and 2006, the Company had discretionary account management contracts in the amount of NT$100,000 (US$3,014) and NT$250,000 (US$7,553), respectively.

(8) Material Contract

None.

(9) Presentation of Financial Statements:

Certain accounts in financial statements for the nine months ended September 30, 2005 have been reclassified in order to be comparable with those in the financial statements for the nine months ended September 30, 2006.

27. Information for investment in Mainland China

    None.

28. Segment information

    None.