

Cathay Financial Holding Co., Ltd. and Subsidiaries
Consolidated Financial Statements
For the Nine-Month Periods Ended
September 30, 2005 and 2006
With Independent Auditors' Review Report

Address: 296, Jen Ai Road, Sec. 4, Taipei, Taiwan, ROC

Telephone: 886-2-2708-7698

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

Index

	<u>Page</u>
Independent auditors' report	3
Consolidated balance sheets	4
Consolidated statements of income	5
Consolidated statements of changes in stockholders' equity	6
Consolidated statements of cash flows	7-8
Notes to consolidated financial statements	9-167

English Translation of Financial Statements Originally Issued in Chinese
Independent Auditors' Review Report

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

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

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

Base on our review, we are not aware of any material modifications that should be made to the consolidated 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 generally accepted accounting principles in the Republic of China, "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies".

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

Ernst & Young
Taipei, Taiwan
The Republic of China
October 23, 2006

Notice to Readers

The accompanying consolidated 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 consolidated 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. and Subsidiaries
Unaudited consolidated balance sheets
September 30, 2005 and 2006
(Expressed in thousands of dollars)

Assets	Notes	September 30, 2005		September 30, 2006	
		NT \$	US \$	NT \$	US \$
Cash and cash equivalents	2,4	\$363,821,335	\$10,965,079	\$431,706,502	\$13,042,493
Due from the Central Bank and call loans to banks		52,174,214	1,572,460	51,227,322	1,547,653
Financial assets at fair value through profit or loss	2,5	144,709,984	4,361,362	148,733,798	4,493,468
Securities purchased under agreements to resell	2	7,677,986	231,404	6,453,016	194,955
Receivables -net		102,604,661	3,092,365	91,170,490	2,754,395
Loans -net	6	1,127,604,961	33,984,477	1,181,661,809	35,699,753
Available-for-sale financial assets -net	2,7	290,768,075	8,763,354	306,875,330	9,271,158
Held-to-maturity financial assets -net	2,8	456,578,644	13,760,658	548,421,452	16,568,624
Investments - equity method	2,9	3,227,927	97,285	3,569,075	107,827
Other financial assets -net	2,10	107,271,327	3,233,012	180,954,090	5,466,891
Investments in debt securities with no active market	2	102,055,882	3,075,825	172,646,838	5,215,917
Investments in real estate	2,11	99,190,919	2,989,479	104,943,433	3,170,496
Property and equipment -net	2	43,190,202	1,301,694	39,179,116	1,183,659
Goodwill and intangible assets -net		194,034	5,848	388,406	11,734
Other assets -net		42,718,507	1,287,478	47,508,851	1,435,313
Total assets		\$2,943,788,658	\$88,721,780	\$3,315,439,528	\$100,164,336
Liabilities & stockholders' equity					
Liabilities					
Due to the Central Bank and call loans from banks		\$75,265,041	\$2,268,386	\$88,408,462	\$2,670,951
Funds borrowed from the Central and other banks		829,875	25,011	824,500	24,909
Commercial paper payable	12	1,388,989	41,862	-	-
Financial liabilities at fair value through profit or loss	2,13	69,723,834	2,101,382	71,262,689	2,152,951
Securities sold under agreements to repurchase	2	24,347,247	733,793	20,696,642	625,276
Payables		32,625,103	983,276	49,758,623	1,503,282
Deposits	14	829,215,882	24,991,437	926,033,088	27,976,830
Bonds payable	2,15	15,776,490	475,482	28,721,175	867,709
Reserve for operations and liabilities	2,16	1,601,561,411	48,268,879	1,772,838,686	53,560,081
Other financial liabilities	2,17	80,642,756	2,430,463	139,288,128	4,208,101
Other liabilities		15,801,845	476,246	12,133,921	366,584
Total liabilities		2,747,178,473	82,796,217	3,109,965,914	93,956,674
Equity attributable to stockholders of the parent					
Capital Stock	18				
Common stock		85,242,234	2,569,085	90,924,450	2,746,962
Capital surplus	19	68,091,474	2,052,184	73,902,093	2,232,692
Retained earnings	20				
Legal reserve		6,009,431	181,116	8,188,136	247,376
Special reserve		226,579	6,829	-	-
Undistributed earnings		33,645,753	1,014,037	22,202,291	670,764
Other stockholders' equity					
Land revaluation adjustments		3,048	92	2,106	64
Cumulative translation adjustments		125,407	3,780	138,263	4,177
Unrealized gains or losses on financial instruments		(12,758)	(385)	11,559,116	349,218
Treasury stock	2,21	-	-	(4,140,046)	(125,077)
Net loss not recognized as pension cost		(5,560)	(168)	(1,837)	(56)
Total equity attributable to stockholders of the parent		193,325,608	5,826,570	202,774,572	6,126,120
Minority interest		3,284,577	98,993	2,699,042	81,542
Total stockholders' equity		196,610,185	5,925,563	205,473,614	6,207,662
Total liabilities and stockholders' equity		\$2,943,788,658	\$88,721,780	\$3,315,439,528	\$100,164,336

(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, respectively)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
Unaudited consolidated statements of income
For the nine-month periods ended September 30, 2005 and 2006
(Expressed in thousands of dollars, except earning per share)

	Notes	January 1 ~ September 30, 2005		January 1 ~ September 30, 2006			
		NT \$	US \$	NT \$	US \$		
Interest income	2	\$70,649,058	\$2,129,266	\$80,138,534	\$2,421,104		
Less: Interest expenses	2	(10,096,256)	(304,287)	(14,532,727)	(439,055)		
Net interest income		60,552,802	1,824,979	65,605,807	1,982,049		
Net income other than interest							
Net commission and handling fee		4,794,086	144,487	3,368,491	101,767		
Net premiums from insurance business		90,272,718	2,720,697	90,687,306	2,739,798		
Gains on financial assets and liabilities at fair value through profit or loss		(2,438,051)	(73,480)	(14,434,518)	(436,088)		
Realized gains on available-for-sale financial assets		11,954,000	360,277	11,600,542	350,470		
Realized gains on held-to-maturity financial assets		22,959	692	(164,591)	(4,973)		
Gains on investments - equity method		205,452	6,192	1,720,518	51,979		
Gains on investments in real estate		12,904,046	388,911	6,701,947	202,476		
Losses on foreign exchange		2,275,536	68,582	8,566,557	258,808		
Impairment losses		(1,039,325)	(31,324)	(234,173)	(7,075)		
Provision for premiums reserve		(110,561,844)	(3,332,183)	(113,620,511)	(3,432,644)		
Other non-interest income -net		1,099,924	33,150	1,882,855	56,884		
Subtotal		70,042,303	2,110,980	61,680,230	1,863,451		
Provision for loan losses		(2,419,593)	(72,923)	(13,640,134)	(412,089)		
Operating expenses							
Personnel expenses		(27,657,386)	(833,556)	(27,760,517)	(838,686)		
Depreciation and amortizations expenses		(2,910,067)	(87,706)	(2,956,080)	(89,307)		
Other general and administration expenses		(7,434,503)	(224,066)	(7,903,011)	(238,762)		
Income from continuing operations before income taxes		29,620,754	892,729	9,420,488	284,607		
Income taxes (expenses) benefit	2,22	(2,349,410)	(70,808)	526,659	15,911		
Consolidated income before cumulative effect of changes in accounting principles		27,271,344	821,921	9,947,147	300,518		
Cumulative effect of changes in accounting principles		-	-	3,249,323	98,167		
Consolidated income		\$27,271,344	\$821,921	\$13,196,470	\$398,685		
Include:							
Parent company		\$27,286,551	\$822,379	\$13,069,341	\$394,844		
Minority interest		(15,207)	(458)	127,129	3,841		
Consolidated income		\$27,271,344	\$821,921	\$13,196,470	\$398,685		
Earnings per share (expressed in dollars) :	23						
Primary earnings per share:							
		Before taxes	After taxes	Before taxes	After taxes	Before taxes	After taxes
Consolidated income before cumulative effect of changes in accounting principles		\$3.34	\$3.08	\$0.10	\$0.09	\$1.05	\$1.11
Cumulative effect of changes in accounting principles		-	-	-	-	0.28	0.36
Consolidated income		\$3.34	\$3.08	\$0.10	\$0.09	\$1.33	\$1.47
Fully-diluted earnings per share:							
Consolidated income before cumulative effect of changes in accounting principles		\$3.27	\$3.01	\$0.10	\$0.09	\$1.06	\$1.11
Cumulative effect of changes in accounting principles		-	-	-	-	0.27	0.35
Consolidated income		\$3.27	\$3.01	\$0.10	\$0.09	\$1.33	\$1.46

(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, respectively)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries

Unaudited consolidated statements of changes in stockholders' equity

For the nine-month periods ended September 30, 2005 and 2006

(Expressed in thousands of dollars)

Summary	Retained earnings										Other stockholders' equity															
	Common stock		Capital surplus		Legal reserve		Special reserve		Undistributed earnings		Land revaluation adjustments		Cumulative translation adjustments		Unrealized gains or losses on financial instruments		Treasury stock		Net loss not recognized as pension cost		Minority interest		Total			
	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$		
Balance on January 1, 2005	\$83,167,130	\$2,506,544	\$58,955,649	\$1,776,843	\$3,026,715	\$91,221	\$122,653	\$3,697	\$30,640,997	\$923,478	\$3,048	\$92	\$(96,005)	\$(2,893)	\$(110,435)	\$(3,329)	\$(354,955)	\$(10,698)	\$(5,560)	\$(168)	\$-	\$-	\$175,349,237	\$5,284,787		
Minority interest-first time inclusion of subsidiaries																					3,299,784	99,451	3,299,784	99,451		
Appropriations and distribution for 2004																										
Legal reserve					2,982,716	89,895			(2,982,716)	(89,895)																
Special reserve							103,926	3,132	(103,926)	(3,132)																
Cash dividends									(21,187,334)	(638,557)													(21,187,334)	(638,557)		
Remuneration paid to directors and supervisors									(5,700)	(172)													(5,700)	(172)		
Bonus paid to employees									(2,119)	(64)													(2,119)	(64)		
Convertible notes converted into common stock	2,075,104	62,541	9,067,913	273,294																			11,143,017	335,835		
Cash dividends to subsidiaries				8,749	264																		8,749	264		
Capital surplus			1,009	30																		1,009	30			
Cumulative translation adjustments												221,412	6,673										221,412	6,673		
Unrealized gains or losses on financial instruments															97,677	2,944							97,677	2,944		
Treasury stock			58,154	1,753													354,955	10,698					413,109	12,451		
Consolidated income for the nine-month period ended September 30, 2005									27,286,551	822,379												(15,207)	(488)	27,271,344	821,921	
Balance on September 30, 2005	\$85,242,234	\$2,569,085	\$68,091,474	\$2,052,184	\$6,009,431	\$181,116	\$226,579	\$6,829	\$33,645,753	\$1,014,037	\$3,048	\$92	\$125,407	\$3,780	\$(12,758)	\$(385)	\$-	\$-	\$(5,560)	\$(168)	\$3,284,577	\$98,993	\$196,610,185	\$5,925,563		
Balance on January 1, 2006	\$85,242,234	\$2,575,294	\$68,092,037	\$2,057,161	\$6,009,431	\$181,554	\$226,579	\$6,846	\$28,146,255	\$850,340	\$3,048	\$92	\$81,154	\$2,452	\$(68,263)	\$(2,062)	\$-	\$-	\$(1,837)	\$(56)	\$3,430,369	\$103,636	\$191,161,007	\$5,775,257		
Minority interest																						(888,456)	(25,935)	(888,456)	(25,935)	
Effect on first time of adoption of unrealized gains on financial instruments															10,485,096	316,770							10,485,096	316,770		
Appropriations and distribution for 2005																										
Legal reserve					2,178,705	65,822			(2,178,705)	(65,822)																
Special reserve							(226,579)	(6,846)	226,579	6,846																
Cash dividends									(12,790,330)	(386,415)													(12,790,330)	(386,415)		
Stock dividend	4,263,443	128,805							(4,263,443)	(128,805)																
Remuneration paid to directors and supervisors									(5,700)	(172)													(5,700)	(172)		
Bonus paid to employees									(1,706)	(52)													(1,706)	(52)		
Convertible notes converted into common stock	599,331	18,106	2,728,521	82,433																			3,327,852	100,539		
Land revaluation adjustments											(942)	(28)											(942)	(28)		
Capital surplus			(547)	(16)																			(547)	(16)		
Cumulative translation adjustments												57,109	1,725										57,109	1,725		
Unrealized gains or losses on financial instruments															1,142,283	34,510							1,142,283	34,510		
Shares exchange	819,442	24,757																					819,442	24,757		
Share premium			\$3,082,082	\$93,114																			\$3,082,082	\$93,114		
Treasury stock																	(4,140,046)	(125,077)					(4,140,046)	(125,077)		
Consolidated income for the nine-month period ended September 30, 2006									13,069,341	394,844													127,129	3,841	13,196,470	398,685
Balance on September 30, 2006	\$90,924,450	\$2,746,962	\$73,902,093	\$2,232,692	\$8,188,136	\$247,376	\$-	\$-	\$22,202,291	\$670,764	\$2,106	\$64	\$138,263	\$4,177	\$11,559,116	\$349,218	\$(4,140,046)	\$(125,077)	\$(1,837)	\$(56)	\$2,699,042	\$81,542	\$205,473,614	\$6,207,662		

(The exchange rates provided by the Federal Reserve Bank of New York on September 30, 2005 and 2006 were NTS33.18 and NTS33.10 to US\$1.00, respectively)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries

Unaudited consolidated statements of cash flows

For the nine-month periods ended September 30, 2005 and 2006

(Expressed in thousands of dollars)

	January 1 ~ September 30, 2005		January 1 ~ September 30, 2006	
	NT \$	US \$	NT \$	US \$
Cash flows from operating activities				
Consolidated income	\$27,271,344	\$821,921	\$13,196,470	\$398,685
Adjustments:				
Income and other adjustments with no cash flow effects				
Net loss before acquisitions of the subsidiaries	(124,217)	(3,744)	-	-
Depreciation and amortizations expenses	2,910,141	87,708	2,956,082	89,307
Investment income recognized by equity method in smaller (excess) of cash dividends received	66,062	1,991	(111,738)	(3,376)
Provision for loan losses	2,419,593	72,923	13,640,134	412,089
Provision for premiums reserve from insurance business	110,561,690	3,332,179	113,619,025	3,432,599
Gains on disposal of property and equipment	(8,096,554)	(244,019)	(2,684,916)	(81,115)
Impairment losses	1,039,325	31,324	234,173	7,075
Cumulative effect of changes in accounting principles	-	-	(3,249,323)	(98,167)
Other adjustments	(1,783,287)	(53,746)	(565,625)	(17,088)
Change in operating assets and liabilities				
Increase in receivables	(17,225,090)	(519,141)	(3,738,539)	(112,947)
Increase in deferred income tax assets	(10,666)	(321)	(1,285,503)	(38,837)
Decrease in financial assets at fair value through profit or loss	48,816,485	1,471,262	25,717,391	776,961
Increase in other financial assets	(62,739,963)	(1,890,897)	(8,715,816)	(263,318)
Decrease (increase) in other assets	487,082	14,680	(6,406,728)	(193,557)
Increase in payables	3,979,484	119,936	15,583,800	470,810
Increase in financial liabilities at fair value through profit or loss	23,280,379	701,639	16,667,673	503,555
Increase (decrease) in deferred income tax liabilities	410,008	12,357	(397,907)	(12,021)
(Decrease) increase in other financial liabilities	(162,740)	(4,905)	16,795	507
Increase (decrease) in other liabilities	7,050,851	212,503	(5,083,528)	(153,581)
Net cash provided by operating activities	138,149,927	4,163,650	169,391,920	5,117,581
Cash flows from investing activities				
Increase in restricted assets	(800,000)	(24,111)	(1,800,000)	(54,381)
Increase in loans	(20,280,864)	(611,238)	(59,824,552)	(1,807,388)
Decrease in due from the Central Bank and call loans to banks	6,270,021	188,970	1,409,003	42,568
Increase in available-for-sale financial assets	(4,754,116)	(143,282)	(20,614,874)	(622,806)
Increase in held-to-maturity financial assets	(10,221,783)	(308,071)	(76,915,419)	(2,323,729)
(Increase) decrease in investments - equity method	(4,076,665)	(122,865)	3,272,166	98,857
Decrease (increase) in investments in real estate	11,309,978	340,867	(2,852,196)	(86,169)
(Acquisition) disposal of property and equipment	(938,431)	(28,283)	700,927	21,176

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries

Unaudited consolidated statements of cash flows

For the nine-month periods ended September 30, 2005 and 2006

(Expressed in thousands of dollars)

	January 1 ~ September 30, 2005		January 1 ~ September 30, 2006	
	NT \$	US \$	NT \$	US \$
Decrease in securities purchased under agreements to resell	-	-	1,066,252	32,213
(Increase) decrease in other financial assets	(6,666,904)	(200,931)	69,290,467	2,093,368
Increase in other assets	(3,539,454)	(106,674)	(17,750,339)	(536,264)
Net cash used in investing activities	(33,698,218)	(1,015,618)	(104,018,565)	(3,142,555)
Cash flows from financing activities				
(Decrease) increase in due to the Central Bank and call loans from banks	(6,865,788)	(206,925)	17,450,623	527,209
Increase in deposits	31,087,974	936,949	48,210,926	1,456,524
Decrease in securities sold under agreements to repurchase	-	-	(13,168,292)	(397,834)
Increase (decrease) in funds borrowed from the Central and other banks	579,944	17,479	(115,603)	(3,492)
Increase (decrease) in bonds payable	331,644	9,995	(429,945)	(12,989)
Increase in other financial liabilities	1,722,542	51,915	34,431	1,040
Increase (decrease) in other liabilities	468,408	14,117	(60,571)	(1,830)
Cash dividends	(21,432,178)	(645,937)	(12,790,932)	(386,433)
Remuneration paid to directors and supervisors	(5,700)	(172)	(5,700)	(172)
Bonus paid to employees	(73,014)	(2,200)	(1,706)	(52)
Capital increased by cash	150,000	4,521	-	-
Net cash provided by financing activities	5,963,832	179,742	39,123,231	1,181,971
Effect of exchange rate changes	847,020	25,528	191,596	5,788
Effect of first time inclusion of subsidiaries	7,072,363	213,151	-	-
Increase in cash and cash equivalents	118,334,924	3,566,453	104,688,182	3,162,785
Cash and cash equivalents at the beginning of period	245,486,411	7,398,626	327,018,320	9,879,708
Cash and cash equivalents at the end of period	\$363,821,335	\$10,965,079	\$431,706,502	\$13,042,493
Supplemental disclosure of cash flows information				
Interest paid during the period (excluding capitalized interest)	\$9,425,877	\$284,083	\$13,116,711	\$396,275
Income taxes paid	\$1,341,629	\$40,435	\$4,106,999	\$124,079
Investing and financing activities with no cash flow effects				
Conversion of convertible notes into common stocks	\$11,143,017	\$335,835	\$3,327,852	\$100,539
Acquisition through share exchange	\$-	\$-	\$3,901,524	\$117,871

(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, respectively)

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

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Financial Holding Co., Ltd. and Subsidiaries
Notes to unaudited consolidated financial statements
(Expressed in thousands of dollars except
for share and per share data and unless otherwise stated)
September 30, 2005 and 2006**

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 was re-named to Cathay United Bank Co., Ltd. (“Cathay United Bank”). On May 12, 2004 the Company established Cathay Securities Corporation (“Cathay Securities”) as a wholly owned subsidiary. On June 30, 2005, the Company has invested Lucky Bank, Inc. (“Lucky Bank”) which was approved as a strategic investment by the Financial Supervisory Commission, Executive Yuan. And Lucky Bank became a subsidiary of the Company by stock conversion on August 25, 2006. 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 September 30, 2005 and 2006, the total numbers of the employees of the Company and its subsidiaries were 32,359 and 34,377, respectively.

As of and for the nine months ended September 30, 2006, the consolidated financial statements include the followings:

Investors	Investees	Business	Ownership interest	Notes
The Company	Cathay Life	Life insurance	100%	Cathay Life was incorporated in Taiwan on October 23, 1962 under the provisions of the ROC Company Law (the “Company Law”).

English Translation of Financial Statements Originally Issued in Chinese

Investors	Investees	Business	Ownership interest	Notes
The Company	Cathay United Bank	Commercial banking operations	100%	Cathay United Bank, originally named UWCCB, was enfranchised by the ROC government in January 1975, and started its operations on May 20, 1975. On October 27, 2003, UWCCB merged the former Cathay United Bank which dissolved after the merger.
The Company	Cathay Century	Property and casualty insurance	100%	Cathay Century was incorporated in Taiwan on July 19, 1993, under the provisions of the Company Law. Cathay Century changed its name from “Tong Tai Insurance Co., Ltd.” to “Cathay Century Insurance Co., Ltd.” on August 2, 2002.
The Company	Cathay Securities	Securities	100%	Cathay Securities was incorporated on May 12, 2004, under the Company Law. The securities department and the securities agent (Taipei branch) of Cathay United Bank were transferred to Cathay Securities by using operating assignment along with its business, assets and liabilities. The assignment date was August 13, 2004.
The Company	Cathay Pacific Venture Capital Co., Ltd. (“Cathay Pacific Venture”)	Venture capital investment	100%	Cathay Pacific Venture was incorporated on April 16, 2003, under the Company Law.
The Company、 Cathay Life、 Cathay United Bank、 Cathay Century	Cathay Venture Capital Co., Ltd. (“Cathay Venture”)	Venture capital investment	67%	Cathay Venture was incorporated on September 13, 2000, under the Company Law.

English Translation of Financial Statements Originally Issued in Chinese

Investors	Investees	Business	Ownership interest	Notes
The Company	Cathay II Venture Capital Co., Ltd. (“Cathay II Venture”)	Venture capital investment	100%	Cathay II Venture was incorporated on April 12, 2004, under the Company Law.
The Company	Lucky Bank	Commercial banking operations	100%	Lucky Bank, the former Taichung Central District Credit Union, was incorporated in 1947, reorganized as Taichung Seventh Credit Cooperative in 1971 and restructured into a commercial bank in 1997. On August 25, 2006, the Company acquired 100% of Lucky Bank by share swap. The share swap ratio was 3.8392 of Lucky Bank shares to 1 share of the Company. A merge with Cathay United Bank through share swap was then approved by the board of directors of Lucky Bank and Cathay United Bank was the surviving bank. The share swap ratio is 1 share of Lucky Bank to 0.7212 share of Cathay United Bank. The estimated merger date is January 1, 2007.
Cathay Life	Cathay Life Insurance Ltd. (Shanghai) (“Cathay Life (Shanghai)”)	Life insurance	50%	Cathay Life (Shanghai) was incorporated on December 29, 2004. Cathay Life and China Eastern Airlines Corporation Limited hold 50% of the common stock respectively.
Cathay Life 、 Cathay Venture	Symphox Information Co., Ltd. (“Symphox Information”)	Type II telecom service, data processing service, information supply service	99.53%	Symphox Information was incorporated on December 12, 1999, under the Company Law. Cathay Life and Cathay Venture’s hold 60.12% and 39.41% of the common stock respectively.

English Translation of Financial Statements Originally Issued in Chinese

Investors	Investees	Business	Ownership interest	Notes
Cathay Life	Lin Yuan Property Management Co., Ltd. (“Lin Yuan Property Management”)	Property management services	90%	Lin Yuan Property Management Co., Ltd. was incorporated on July 1, 1990, under the Company Law. On May 22, 2002, the company name was changed from “San Ching Property Management Co., Ltd.” to “Lin Yuan Property Management Co., Ltd.” As of January 13, 2006, Cathay Life has disposed 80% of the shares held.
Cathay United Bank	Indovina Bank Limited (“Indovina Bank”)	Wholesale banking	50%	Indovina Bank was incorporated in Vietnam on October 29, 1992.
Cathay United Bank · Cathay Securities	Cathay Futures Corp. (“Cathay Futures”)	Further related business	99.99%	Cathay Futures, former Seaward Futures Agency Co., Ltd., was incorporated on December 29, 1993 under the Company Law and renamed to Seaward Futures Corp. on March 6, 1998. On December 24, 2003, Seaward Futures Corp. changed its name to Cathay Futures Corp. On February 10, 2006, Cathay United Bank sold all the stocks of Cathay Futures to Cathay Securities.
Cathay United Bank	Seaward Leasing Ltd. (“Seaward Leasing”)	Leasing for all kinds of equipments	100%	Seaward Leasing was incorporated on February, 1996, under the Company Law. As of June 30, 2006, all Seaward Leasing shares held by Cathay United Bank were disposed.
Lucky Bank	Pao Shin Securities Co., Ltd. (“Pao Shin Securities”)	Securities	38.35%	Pao Shin Securities was incorporated on September 9, 1988, under the Company Law. As of April 10, 2006, all Pao Shin Securities shares held by Lucky Bank were disposed.

As of and for the nine months ended September 30, 2005 and 2006, the consolidated financial statements excluded following subsidiaries due to the respective total assets and operating revenues were considered immaterial to the Company.

English Translation of Financial Statements Originally Issued in Chinese

Investors	Investees	Business	Ownership interest	Notes
The Company	Cathay Capital Management Inc., (“Cathay Capital Management”)	Management consultant	100%	Cathay Capital Management was incorporated on September 12, 2000.
Cathay life	Cathay Insurance (Bermuda) Co., Ltd. (“Cathay Insurance (Bermuda)”)	Class3 general business insurers and a long-term insurer	100%	Cathay Insurance (Bermuda) was incorporated on January 24, 2000.
Cathay life	Cathay Securities Investment Co., Ltd. (“Cathay Securities Investment”)	Securities investment research analysis	100%	Cathay Securities Investment was incorporated on November 25, 2002.
Cathay United Bank	Cathay Life Insurance Agent Co., Ltd. (“Cathay Life Insurance Agent”)	Life insurance agent	100%	Cathay Life Insurance Agent was incorporated on March 23, 2000.
Cathay United Bank	Cathay Property Insurance Agent Co., Ltd (“Cathay Property Insurance Agent”)	Property insurance agent	100%	Cathay Property Insurance Agent was incorporated on March 23, 2000.
Cathay United Bank	Seaward Card Co., Ltd. (“Seaward Card”)	Credit card service	100%	Seaward Card was incorporated on April 9, 1999.

English Translation of Financial Statements Originally Issued in Chinese

Investors	Investees	Business	Ownership interest	Notes
Cathay Capital Management	Cathay Pacific Partners Co., Ltd. (“Cathay Pacific Partners”)	Finance consultant	60%	Cathay Pacific Partners was incorporated on October 15, 2002.
Seaward Leasing	China England Co., Ltd. (“China England”)	Accreditation, load and securities investment	100%	China England was incorporated on August 7, 1996. As of June 30, 2006, all Seaward Leasing shares held by Cathay United Bank were disposed and therefore the Company lost control over China England.

2. Summary of significant accounting policies

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

(1) Principles of consolidation

- A. In accordance with the “Regulations Governing the Preparation of Financial Reports by Financial Holding Companies”, consolidated financial statements preparation should comply with the Statements of Financial Accounting Standards of Republic of China (“ROC SFAS”) No. 7, except for subsidiaries in banking, insurance and securities which are required to be included in the consolidated financial statements.
- B. All significant inter-company transactions were eliminated in the consolidated financial statements.

(2) Cash and cash equivalents

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

English Translation of Financial Statements Originally Issued in Chinese

(3) Financial assets and financial liabilities

The Company adopted the ROC SFAS No.34 “Accounting for Financial Instruments”, “Guidelines Governing the Preparation of Financial Reports by Securities Issuers” and “Regulations Governing the Preparation of Financial Reports by Financial Holding Company”. Financial assets are categorized as the “financial assets at fair value through profit or loss”, “held-to-maturity financial assets”, “investments in debt securities with no active market”, “available-for-sale financial assets”, “derivative financial asset for hedging” or “financial assets carried at cost”, and accordingly, recognized at fair value initially. Financial liabilities are categorized as the “financial liabilities at fair value through profit or loss”, “derivative financial liability for hedging”, or “financial liabilities carried at cost”.

The Company purchases and sales of financial assets in “regular way”. “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 or liabilities at fair value through profit or loss

Financial assets or liabilities at fair value through profit or loss are categorized as held for trading or designated as at fair value through profit or loss. Gains and 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 and 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 principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the 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.

English Translation of Financial Statements Originally Issued in Chinese

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 values 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 non-derivative financial assets that are designated as available-for-sale or not classified in any of the three preceding categories. Gain or losses on available-for-sale financial assets shall be recognized in equity, except for impairment losses and gains or losses on exchange rate of monetary financial assets until the financial assets is derecognized, at which time the cumulative gains or losses previously recognized in equity shall be recognized in profits and losses.

E. Derivative financial assets or liabilities for hedging

Derivative financial assets or liabilities for hedging are derivative financial assets or liabilities that have been designated as hedges based on hedge accounting and are effective hedging instruments. These assets or liabilities are measured at fair value.

F. Financial assets carried at cost

Financial assets measured at initial cost are investments to non-listed companies without significant influence or control. They are recorded at initial cost due to the fair values of the related equity instruments are not able to be reliably measured. If there is objective evidence that an impairment loss has been incurred, the amount of the loss will be recognized. The impairment loss can not be reversed.

G. Financial liabilities

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.

The fair value of a listed share 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.

English Translation of Financial Statements Originally Issued in Chinese

(4) 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 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 de-recognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognized in the current period income statement.

(5) Accounting for impairment of financial assets

The Company assesses at each balance sheet date whether a financial asset or a 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.

English Translation of Financial Statements Originally Issued in Chinese

If, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurs 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 carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument, 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 recorded 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. The impairment loss can not be reversed.

C. Available-for-sale financial assets

If an available-for-sale 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.

(6) Derivative financial instruments

The Company conducts derivative financial instrument transactions such as forward foreign exchange, interest rate swap, cross-currency swap, option and futures to hedge its risks associated with interest rates and foreign currency fluctuations. These derivative financial instruments are initially recognized at fair value on the date of 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.

English Translation of Financial Statements Originally Issued in Chinese

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

- A. Fair value hedges: to hedge the exposure to changes in the fair value of a recognized asset or liability;
- B. Cash flow hedges: to hedge the exposure to fluctuation in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction;
- C. Hedge of a net investment in a foreign operation: to hedge the exchange rate variability risk for a net investment in a foreign operation.

Hedges of the foreign currency risk of a firm commitment are belonging to cash flow hedges.

Hedges in compliance with hedge accounting requirements are accounted for as follows:

A. Fair value hedges

Fair value hedges are hedges of the Company's exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk which could impact profit or loss. The carrying amount of the fair value hedged item is adjusted for gains and losses attributable to the risk being hedged. The underlying derivative is remeasured at fair value and resulting gains or losses are recognized as profit or loss.

For fair value hedge relating to items carried at amortized cost, the adjustment to carrying value is amortized through profit or loss over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortized to profit or loss.

Amortization may begin as soon as an adjustment exists and shall begin before the hedge accounting is no longer applicable.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit or loss. The changes in the fair value of the hedging instrument are also recognized in profit or loss.

English Translation of Financial Statements Originally Issued in Chinese

The company discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Company revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortized to profit or loss. Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

Hedging instruments are subsequently measured at fair value or the gains (losses) resulting from the exchange rate changes are recognized in current period earnings by to the ROC SFAS No.14 “Accounting for Foreign Currency Transactions and Translation of Foreign Financial Statements”.

B. Cash flow hedges

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while the ineffective portion is recognized in profit or loss.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognized in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to profit or loss.

C. Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instruments relating to the effective portion of the hedges are recognized directly in equity while any gains or losses relating to the ineffective portion are recognized in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognized directly in equity is transferred to profit or loss.

English Translation of Financial Statements Originally Issued in Chinese

(7) Securities purchased under agreements to resell/Securities sold under agreements to repurchase

Securities purchased under agreements to resell/Securities sold under agreements to repurchase are recorded at the amount of cash received or paid at the transaction. The difference between the recorded cost and the amount which was reacquired or resold as specified in the respective agreements is accrued as interest revenue or interest expense.

(8) Allowance for bad debts

Allowance for bad debts on bills, loans, overdue accounts and receivables are determined based on the aging analysis of outstanding balances of such accounts and past experience.

(9) Investments-equity method

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. However, started from January 1, 2006, such difference is no longer amortized. Newly acquired difference is analyzed and accounted for in conformity with the acquisition cost allocation as provided in ROC 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 capital surplus and the accounts. If the adjustment stated above is to debit the capital surplus account and the book balance of capital surplus 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.

English Translation of Financial Statements Originally Issued in Chinese

(10) Investments in real estate

Investments in real estate are stated at cost when acquired. Improvements and major renovation of investments in real estate are capitalized, while repairs and maintenance are expensed immediately.

Upon disposal, the related cost, accumulated depreciation and accumulated impairment are eliminated and gains and losses are recorded in operating gains and losses accounts.

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

Real estate investment primarily is for commercial leasing purposes; rents can be paid annually, semi-annually, quarterly, monthly or in a lump sum.

(11) Property and equipment

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

Major improvements, additions, and renewals 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 respective accounts. Gain or loss resulting from such sale or disposal is accounted for as non-operating gain or loss.

Depreciation is calculated using the straight-line method over the estimated service lives prescribed by the Executive Yuan Depreciation Table. Property and equipment that are still in use after their useful lives are depreciated based on the residual value and the newly estimated remaining useful lives.

English Translation of Financial Statements Originally Issued in Chinese

(12) Accounting for Assets Impairment

Pursuant to ROC SFAS No. 35, “Accounting for Asset Impairment” the Company assesses indicators of impairment for all its assets within the scope of ROC 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 at the same day of 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;
- B. if the goodwill has been written off, to reduce the other assets of the CGU or group of CGUs pro rata to their carrying amount.

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

(13) Real Estate Investment Trust (REIT)

Cathay Life has adopted “Accounting Treatment under Real Estate Securitization” with the Accounting Research and Development Foundation.

Once the sales process is complete and the transferor has transferred his risk and ownership of the real estate property to the transferee, gain on disposal of real estate shall be recognized under “total amount accrual method”.

English Translation of Financial Statements Originally Issued in Chinese

If the promoter and its related parties do not participate in the initial offering but subsequently acquire the REIT beneficiary securities less than 20% of its outstanding shares from the TSE at fair market value within three months after the issue date, the transfer and purchase transaction are deemed two independent transactions due to the subsequent purchase transaction has no significant influence over the transfer transaction. However, if the promoter and its related parties subsequently acquire the REIT beneficiary securities over 20% of its outstanding shares within three months after the issue date, the subsequently acquired portion is not deemed a sale and therefore gain or loss on disposal of real estate for the promoter related to the subsequently acquired portion shall be deferred.

(14) Convertible notes

The excess of the redemption price over the par value of 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 amounts for bonds redemption are transferred to the accounts of capital stock and capital surplus and accordingly, no gain or loss is recognized upon conversion.

(15) Reserves for operations and liabilities

The subsidiaries in banking, insurance and security industries are required by the government to record operating and loss reserves. The reserves recognized in the reporting period are recorded as expenses for the reporting period.

(16) Treasury stock

The stock that the Company repurchases is recorded in the “treasury stock account”. The book value of the treasury stock is determined based on the reason of purchase and stock type (common or preferred stock) using the weighted average method. At the time of writing off treasury stock, the Company should debit common stock and capital surplus premium on stock issuance proportionally. As long as 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 excess should be debited to other capital surplus or retained earnings when capital surplus treasury stock is insufficient. 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.

English Translation of Financial Statements Originally Issued in Chinese

According to the Ministry of Finance-securities and Future Commission (91) article 108164:

In accordance with Article 38 of the Financial Holding Company Act which provides strict prohibitions on cross-holdings, all the prior share buybacks conducted by listed or over-the-counter traded financial institutions (in accordance with Article 28-2 of Securities and Exchange Law), upon the conversion of such institutions into wholly-owned subsidiaries of a financial holding company, must be converted into treasury shares of the financial holding company to be held by such subsidiaries for a period of no more than three years. If such subsidiaries fail to dispose 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 ROC SFAS NO.30 "Treasury Stock Accounting Principle" and treats shares held by its subsidiaries as treasury stock in its income statements.

(17) Recognition of interest income and service fees

Interest income is recognized on an accrual basis except for loans classified as delinquent accounts. The accrual of income from delinquent accounts is discontinued; subsequent interest payments are credited to income when received. Service fees are recognized on an accrual basis.

English Translation of Financial Statements Originally Issued in Chinese

(18) Insurance premium income and expenses

In accordance with “The General Accounting Systems for Insurance Companies” published by the MOF, of the insurance subsidiaries records direct premiums as income at the time of cash receipts. Related expenses (commissions, brokerage fees, etc.) are recognized on an accrual basis.

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

(19) Pension plan

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 SFC regulations, the Company and its subsidiaries follow the ROC SFAS No. 18, “Accounting for Pensions”. When providing defined benefit plans, 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; when providing defined contribution plans, an enterprise should recognize the amounts to be contributed as current expense for the employee’s employment period.

(20) Foreign currency transactions

A. Translation of foreign currency transactions

Foreign currency transactions are recorded in NT dollars at the spot rate when the translation 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 translation or settlement. Investments-equity method in foreign currency are accounted for as cumulative translation adjustments and are treated as adjustments of stockholders’ equity. Assets and liabilities denominated in foreign currencies are restated at the balance sheet date exchange rate, and resulting gains or losses are credited or changed to current income.

English Translation of Financial Statements Originally Issued in Chinese

B. Translation of foreign subsidiaries' financial statements

Financial statements of foreign subsidiaries under the equity method are translated into NT dollars based on follows: all assets and liabilities denominated in foreign currencies are translated into NT dollars at the exchange rate prevailing on the balance sheet date. Stockholders' equity items are translated based on the historical rates except for the opening balance of retained earnings, which is posted directly from the year end balance of previous year. Income statement items are translated by the weighted-average exchange rate of the fiscal year. Differences arising from above translation are reported as "cumulative translation adjustments" under stockholders' equity.

Before translating into the local currency, the foreign currency financial statements need to be translated into the functional currency if the foreign currency is not the functional currency. This process will have the same result as if the transactions are recorded in the functional currency from the beginning. The foreign exchange gain or loss from the translation is recognized in the current period due to the impact to the cash flows of the foreign operation.

(21) Income taxes

The Company adopted ROC 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. An allowance is provided under assessment of the realizability of deferred tax assets. Adjustment of prior years' income tax payable are included in current income tax expense.

In accordance with Article 49 of the Financial Holding Company Act, the Company and its subsidiaries adopt the linked-tax system for tax filings 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 linked-tax system, the Company can proportionately allocate the effects on tax expense (benefit), deferred income tax and tax payable (tax refund receivable) among the Company and its subsidiaries.

The Company adopted ROC SFAS No. 12, "Accounting for Income Tax Credits," for deductible income tax. The deductible income tax resulting from the expenditure on the purchase of equipment, research and development, education, training and investment in equity is accounted for under the current recognition method.

English Translation of Financial Statements Originally Issued in Chinese

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

Effective from January 1, 2006, the Company and its subsidiaries have considered the impact of the “Alter native Minimum Tax Act” to estimate its income tax liabilities.

(22) Capital expenditure

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 as incurred.

(23) The interim financial statement

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

(24) 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.

(25) Significant accounting policies used in 2005

A. Short-term investments

- a. Marketable equity securities are stated at the lower of cost or market value. Stock dividends are not recognized as income but treated as an increase in the number of shares. Cost of marketable equity securities sold is determined based on the weighted-average method. Market price is the weighted-average closing price of the month before the balance sheet date.
- b. Beneficiary certificates are stated at cost. The cost and gain/loss of beneficiary certificates sold are determined based on the weighted-average cost method.

English Translation of Financial Statements Originally Issued in Chinese

- c. Bonds and convertible bonds repaid (converted) when due or sold before maturity are recorded at cost. The cost and gain/loss of these bonds sold is determined based on the weighted-average cost method. At the end of the reporting period, bonds are stated at the lower of cost or market value or at cost if there is no market value available.
- d. Overseas investment trust funds are investments in foreign securities made through financial institutions with pre-determined purposes. The trust funds are recorded at the amount originally remitted and stated at the lower of cost or market value at each balance sheet date. Realized interests, dividends, and disposal gains which are remitted back are recognized at the amounts received in the current period. Realized gain or loss which is not remitted back is recognized based on the net equity as reported by the trustee each month. The trust funds are translated into NT dollars using the spot rate at each balance sheet date. Any exchange difference is charged to income statement accounts.
- e. 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.
- f. Securities purchased are stated at the lower of cost or market value. Except for the Company's equity shares held by Cathay United Bank and Lucky Bank, the lower of cost or market value is determined based on a portfolio basis with similar securities. A provision is made when the market value is lower than the cost. When the market value recovers, the gain is offset against the provision to the extent of the provision made previously.

When stocks and mutual funds are sold, the cost is calculated based on the weighted-average method. For other securities, the cost is calculated using specific identification method.

Securities purchased under resell agreements are presented in the balance sheets as part of "Securities purchased" and securities sold under repurchase agreements are presented as part of "Other liabilities". Interest income from securities purchased under resell agreements and interest expense from securities sold under repurchase agreements are recognized on an accrual basis.

English Translation of Financial Statements Originally Issued in Chinese

- g. Investment in bonds with resale agreements / Bonds sold under repurchase agreements are recorded at the amount of cash received or paid at the transaction date. The difference between the recorded cost and the amount which was reacquired or resold as specified in the respective agreements, is accrued as interest revenue or interest expense.

According to an explanatory letter of the Securities and Futures Bureau (“SFB”), investments in bonds with resale agreements – securities financing, in conjunction with operating securities – dealing, are valued at the lower of aggregate cost or market value at the balance sheet date. Gains or losses should be recognized at the date the bonds are repurchased.

- h. Securities purchased for resale by the dealing department are accounted for as “operating securities-dealing”, and consist of bonds, stock warrants, listed stocks, and over-the -counter (OTC) stocks.

Operating securities are valued at the lower of cost or market value. Cost is determined using the weighted-average method. Market value is the closing market price on the balance sheet date.

B. 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 with no significant influence over 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 voting stock, are stated at cost. However, when there is evidence showing that a decline in market value of such investment is not temporary and the market value is already less than the cost, the market value becomes the new cost basis. The difference is recorded as a loss for the period. Stock dividends are not recognized as investment income but as an increase in the number of shares held. Upon the sales of long-term equity investments (accounted for under the cost method), any differences between the weighted-average costs and sale prices are used to compute the resulting gain or loss.

English Translation of Financial Statements Originally Issued in Chinese

b. Long-term investments in bonds

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

C. Derivative financial products transaction

a. Transactions on forward foreign exchange contracts are converted into NT dollars based on the spot rate on the contract date. The difference between the spot rate and the agreed forward rate is amortized over the contract period. At the end of each period, the assets and liabilities of the forward exchange contracts are restated at the prevailing exchange rate, and any gains or losses are 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.

b. Structured notes transactions

The structured notes transactions of Cathay Securities can be divided into equity-linked notes and principal guaranteed notes based on the terms of the contracts.

Equity-linked notes transactions involve receiving proceeds from investors, investing in fixed income products and selling options on linked assets. The proceeds received on the contract date are recognized as “Liabilities for equity-linked notes-fixed-income products” and “Liabilities for equity-linked notes-option premium”. The former amortizes its interest expense over the contract period using the straight-line method or interest method with the amount recognized as “Losses on equity-linked notes”. Any options purchased are recognized as “Assets for equity-linked notes-options”, and are valued at fair value with any resulting gains or losses recognized as “gains (losses) on valuation for equity-linked notes”. To the extent the losses do not exceed the unrealized gains of the hedging position based on market prices, the total amount of the losses is deferred. Otherwise, the portion of losses exceeding the unrealized gains is recognized as a loss in current period earnings.

English Translation of Financial Statements Originally Issued in Chinese

Principal guaranteed notes transactions involve receiving proceeds from investors and providing them with a guaranteed payment and returns, if any, of linked assets. The proceeds received from investors are recognized as “liabilities for principal guaranteed notes – fixed-income products” and “liabilities for principal guaranteed notes – options”. The former amortizes its interest expense over the contract period using the straight-line method or interest method with the amount recognized as “losses on principal guaranteed notes”. The latter is valued at fair value with any resulting gains or losses recognized as “gains (losses) on valuation for principal guaranteed notes”. To the extent the losses do not exceed the unrealized gains of the hedging position based on market prices, the total amount of the losses is deferred. Otherwise, the portion of losses exceeding the unrealized gains is recognized as a loss in current period earnings.

- c. 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.
- d. There is no physical exchange of notional principal amounts for interest rate swaps. Memo entries are made on the trade date. For interest rate swap transactions undertaken for trading purposes, mark-to-market value is calculated based on the discounted present value of all future cash flows using the applicable market rate at the balance sheet date. Any difference between the carrying amount and mark-to-market value is recognized as a gain or loss. For swaps entered into for hedging purposes, interest income and expense are recognized upon settlement.
- e. Margin deposits paid for futures contracts entered into for trading or hedging purposes are recognized as assets and nominal amounts are made as memo entries. On the balance sheet date, outstanding futures contracts are market-to-market and any gain or loss is recognized in the statements of income. Unrealized gain or loss from classified as hedging or non-hedging based on the initial intentions when the contracts were entered into.
- f. 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.

English Translation of Financial Statements Originally Issued in Chinese

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

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

- h. The interest rate swap agreements are used for the purpose of hedging risks against interest rate fluctuations and are adjusted for interest revenue or expenses based on the interest difference as of the agreed date of settlement. Interest rate swaps for trading purposes do not involve the exchange of nominal principal and are recorded by memorandum entries at the contract dates. The difference between interest received and paid at the settlement date and balance sheet date is recognized as “gain (loss) from derivative financial instruments”. Interest rate swaps are valued at fair value on the balance sheet date.

3. Change in accounting and its effects

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

The above change in accounting principles increased consolidated assets, liabilities and stockholders’ equity by NT\$16,384,910 (US\$495,012), NT\$2,486,909 (US\$75,133) and NT\$10,648,678 (US\$321,712) as of January 1, 2006, respectively, and increased consolidated income and earnings per share by NT\$3,249,323 (US\$98,167) and NT\$0.36 (US\$0.01), respectively, for the nine months ended September 30, 2006.

The Company and its subsidiaries adopted the ROC SFAS No.5, “Accounting for long-term investments in stocks under the equity method” (“ROC SFAS No.5,”) and No.25, “Business Combinations-Accounting Treatment under Purchase Method” to account for the difference between the acquisitions cost and the Company and its subsidiaries’ share of net assets of equity investee for its financial statements beginning on and after January 1, 2006 (the “effective date”). Goodwill is not amortized. Such change in accounting principles decrease investments-equity method income by NT\$138,458 (US\$4,183) as of September 30, 2006, and decrease consolidated income by NT\$138,458 (US\$4,183) for the nine months ended September 30, 2006. The Company considers the effect insignificant to its financial statements.

English Translation of Financial Statements Originally Issued in Chinese

The Company and its subsidiaries adopted the ROC SFAS No.5 revised on December 9, 2004, the Company and its subsidiaries are required to obtain the investee company's financial statements under the equity method for the same period, and to recognize investment gain or loss based on those financial statements. The adoption of ROC SFAS No.5 resulted in the increases of investments-equity method by NT\$54,152 (US\$1,632), cumulative translation adjustments by NT\$347 (US\$10), unrealized valuation losses on investments-equity method decrease by NT\$27,230 (US\$821) and a increase in consolidated income for the nine months ended September 30, 2005 by NT\$26,575 (US\$801). The Company considers the effect insignificant to its financial statements.

The Company and its subsidiaries adopted the ROC SFAS No. 35 on January 1, 2005. No retroactive adjustment is required under ROC SFAS No. 35. The goodwill, investments in real estate, property and equipment and non-operating assets of the Company and its subsidiaries decreased NT\$311,442 (US\$9,386), NT\$197,253 (US\$5,945), NT\$194,467 (US\$5,861) and NT\$336,163 (US\$10,132) as of September 30, 2005, respectively, due to the change of accounting principles under ROC SFAS No. 35. Consolidated income of the Company decreased NT\$1,039,325 (US\$31,324) for the nine months ended September 30, 2005. Such effect is insignificant to the Company financial statement.

4. Cash and cash equivalents

	September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Petty cash and cash on hand	\$10,640,322	\$320,685	\$11,194,507	\$338,203
Cash in banks	9,824,122	296,085	16,904,283	510,703
Time deposits	272,628,513	8,216,652	350,331,927	10,584,046
Cash equivalents	60,236,399	1,815,443	34,003,223	1,027,288
Checks for clearance	5,975,342	180,089	9,920,357	299,709
Due from commercial banks	4,516,637	136,125	9,352,205	282,544
Total	<u>\$363,821,335</u>	<u>\$10,965,079</u>	<u>\$431,706,502</u>	<u>\$13,042,493</u>

As of September 30, 2005 and 2006, the amounts of time deposits with maturities beyond one year were NT\$750,000 (US\$22,604) and NT\$131,000 (US\$3,958), respectively.

English Translation of Financial Statements Originally Issued in Chinese

5. Financial assets at fair value through profit or loss

	September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Common stock	\$19,354,884	\$583,330	\$17,321,767	\$523,316
Mutual funds	47,221,243	1,423,184	34,500,622	1,042,315
Commercial papers	7,633,794	230,072	13,199,921	398,789
Corporate bonds	1,539,475	46,397	802,525	24,245
Government bonds	53,813,770	1,621,874	49,187,876	1,486,039
Overseas financial instruments	9,773,495	294,560	18,384,129	555,412
Financial debentures	519,299	15,651	1,516,179	45,806
Derivative financial instruments	4,900,313	147,689	3,575,322	108,016
Adjustment of valuation	(46,289)	(1,395)	10,245,457	309,530
Total	<u>\$144,709,984</u>	<u>\$4,361,362</u>	<u>\$148,733,798</u>	<u>\$4,493,468</u>

As of September 30, 2005 and 2006, certain financial assets at fair value through profit or loss were sold under repurchase agreements with notional amounts of NT\$22,149,900 (US\$667,568) and NT\$9,852,600 (US\$297,662), respectively. Such repurchase agreements amounting of NT\$23,550,540 (US\$709,781) and NT\$9,830,205 (US\$296,985), respectively, were recorded in the account “Securities sold under agreements to repurchase” on the balance sheets. Repurchase agreements entered prior to September 30, 2005 and 2006 are settled at NT\$23,591,622 (US\$711,019) and NT\$9,838,809 (US\$297,245) prior to March, 2006 and November, 2006, respectively.

As of September 30, 2005, the above financial assets were valued at the lower of cost or market value.

6. Loans-net

	September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Inward-outward documentary bills	\$731,824	\$22,056	\$1,018,972	\$30,785
Loans	1,120,082,686	33,757,767	1,173,743,920	35,460,541
Overdrafts	680,130	20,498	551,536	16,663
Discounted	6,244,606	188,204	7,769,985	234,743
Delinquent accounts	8,503,908	256,296	11,964,635	361,469
Subtotal	1,136,243,154	34,244,821	1,195,049,048	36,104,201
Less: Allowance for bad debts	(8,638,193)	(260,344)	(13,387,239)	(404,448)
Total	<u>\$1,127,604,961</u>	<u>\$33,984,477</u>	<u>\$1,181,661,809</u>	<u>\$35,699,753</u>

English Translation of Financial Statements Originally Issued in Chinese

7. Available-for-sale financial assets-net

	September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Common stock	\$120,584,989	\$3,634,267	\$91,282,334	\$2,757,775
Mutual funds	3,084,814	92,972	9,029,494	272,794
Government bonds	36,399,747	1,097,039	45,824,439	1,384,424
Corporate bonds	27,920,471	841,485	34,894,783	1,054,223
Financial debentures	15,209,865	458,405	33,379,908	1,008,456
Overseas financial instruments	87,525,633	2,637,903	77,527,314	2,342,215
Real estate investment trust	46,669	1,407	4,029,813	121,747
Adjustment of valuation	(4,113)	(124)	10,907,245	329,524
Total	<u>\$290,768,075</u>	<u>\$8,763,354</u>	<u>\$306,875,330</u>	<u>\$9,271,158</u>

As of September 30, 2006, certain available-for-sale financial assets were sold under repurchase agreements with notional amounts of NT\$9,947,400 (US\$300,526). Such repurchase agreements amounting of NT\$10,866,437 (US\$328,291) were recorded in the account “Securities sold under agreements to repurchase” on the balance sheets. Repurchase agreements entered prior to March 31, 2007 will be settled at NT\$10,894,518 (US\$329,140).

As of September 30, 2005, the above financial assets were valued at the lower of cost or market value.

8. Held-to-maturity financial assets-net

	September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Government bonds	\$17,174,184	\$517,607	\$13,188,554	\$398,446
Corporate bonds	6,255,474	188,531	5,320,574	160,742
Financial debentures	11,482,726	346,074	10,069,872	304,226
Overseas financial instruments	418,263,346	12,605,887	499,919,640	15,103,312
Collateralized loans obligation and collateralized bonds obligation	60,417	1,821	9,466,321	285,992
Short-term notes	3,342,497	100,738	10,458,530	315,968
Subtotal	<u>456,578,644</u>	<u>13,760,658</u>	<u>548,423,491</u>	<u>16,568,686</u>
Less: Accumulated impairment	-	-	(2,039)	(62)
Total	<u>\$456,578,644</u>	<u>\$13,760,658</u>	<u>\$548,421,452</u>	<u>\$16,568,624</u>

As of September 30, 2005, the above financial assets were valued at the lower of cost or market value.

English Translation of Financial Statements Originally Issued in Chinese

9. Investments-equity method

Investee	September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Cathay Securities Investment	\$31,829	\$959	\$110,989	\$3,353
Cathay Capital Management	34,853	1,050	49,614	1,499
Seaward Card	56,973	1,717	39,033	1,179
Cathay Property Insurance Agent	9,921	299	9,035	273
Cathay Life Insurance Agent	100,373	3,025	83,079	2,510
Cathay Insurance (Bermuda)	64,207	1,935	72,200	2,181
WK Technology Fund VI Co., Ltd	361,485	10,895	391,930	11,841
Vista Technology Venture Capital Corp.	62,037	1,870	58,475	1,767
Omnitek Venture Capital Corp.	172,721	5,206	358,908	10,843
Wa Tech Venture Capital Co., Ltd.	151,074	4,553	167,330	5,055
Taiwan Real-estate Management Corp.	20,955	632	18,335	554
Taiwan Finance Corp.	1,373,304	41,389	1,350,394	40,797
IBT Venture Capital Corp.	513,926	15,489	596,656	18,026
Cathay Securities Investment Trust Co., Ltd.	253,686	7,646	263,097	7,949
Subtotal	3,207,344	96,665	3,569,075	107,827
Less: Unrealized gain from intercompany transactions	20,583	620	-	-
Total	\$3,227,927	\$97,285	\$3,569,075	\$107,827

Certain of the above investments and related investment gains (losses) accounted for by the equity method as of and for the nine months ended September 30, 2005 and 2006 were recognized based on the investees' unreviewed financial statements or reviewed by other auditors financial statements. No material adjustments are expected if those financial statements have been reviewed.

10. Other financial assets-net

	September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Derivative financial assets for hedging	\$-	\$-	\$304,329	\$9,194
Financial assets carried at cost	26,806,123	807,900	26,366,774	796,579
Separate account products assets	75,690,141	2,281,198	138,435,295	4,182,335
Structured time deposits	3,000,000	90,416	14,350,000	433,535
Customer's margin accounts	733,610	22,110	1,205,763	36,428
Other miscellaneous financial assets	1,042,109	31,408	857,017	25,892
Accumulated impairment	(656)	(20)	(565,088)	(17,072)
Total	\$107,271,327	\$3,233,012	\$180,954,090	\$5,466,891

English Translation of Financial Statements Originally Issued in Chinese

11. Investments in real estate

September 30, 2005										
Item	Cost		Revaluation increment		Accumulated depreciation		Accumulated impairment		Net value	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Investments										
in real estate	\$109,233,813	\$3,292,158	\$4,563	\$138	\$(12,603,872)	\$(379,864)	\$(197,253)	\$(5,945)	\$96,437,251	\$2,906,487
Construction	1,526,192	45,997	-	-	-	-	-	-	1,526,192	45,997
Leased assets	1,267,495	38,201	-	-	(40,019)	(1,206)	-	-	1,227,476	36,995
Total	<u>\$112,027,500</u>	<u>\$3,376,356</u>	<u>\$4,563</u>	<u>\$138</u>	<u>\$(12,643,891)</u>	<u>\$(381,070)</u>	<u>\$(197,253)</u>	<u>\$(5,945)</u>	<u>\$99,190,919</u>	<u>\$2,989,479</u>

September 30, 2006										
Item	Cost		Revaluation increment		Accumulated depreciation		Accumulated impairment		Net value	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Investments in										
real estate	\$118,933,072	\$3,593,144	\$4,215	\$127	\$(14,389,106)	\$(434,716)	\$(196,952)	\$(5,950)	\$104,351,229	\$3,152,605
Construction	592,204	17,891	-	-	-	-	-	-	592,204	17,891
Total	<u>\$119,525,276</u>	<u>\$3,611,035</u>	<u>\$4,215</u>	<u>\$127</u>	<u>\$(14,389,106)</u>	<u>\$(434,716)</u>	<u>\$(196,952)</u>	<u>\$(5,950)</u>	<u>\$104,943,433</u>	<u>\$3,170,496</u>

- (1) The real estate investments are held mainly to generate rental revenue.
- (2) Rents from real estate investment can be paid annually, semiannually, quarterly, monthly or in a lump sum.
- (3) No investments in real estate were pledged as collaterals.
- (4) Cathay Life has securitized its real estate properties such as the Sheraton Taipei Hotel, Taipei Xi-Men Building and the Taipei Zhong Hwa Building in 2005. The accounting treatment of these transactions is conformed to the regulation of the Accounting Research and Development Foundation. The relative information was disclosed as following:

Cathay Life transferred the risk and returns of ownership of the real estate property to the assignee and recognized the gain on disposal of real estates under “total amount accrual method” was NT\$8,627,731 (US\$260,028).

English Translation of Financial Statements Originally Issued in Chinese

After the REIT was issued, the sponsor and related parties of Cathay life did not participate in the original offering. Instead, Cathay life bought the REIT beneficiary securities which were issued within three months and its ownership was over the 20% of the REIT fund's outstanding should be treated as a part of unsold real estate. Cathay life had deferred gain on disposal of real estate by percentage of REIT outstanding securities holding by the company. As of September 30, 2006, Cathay life ownership was under the 20% of REIT fund's outstanding securities. Thus, the amount of deferred gain on disposal of real estate was NT\$1,773,919 (US\$53,593) has been recognized in current.

12. Commercial paper payable

Item	Rate	September 30, 2005		Collaterals
		Amount(NT\$)	Amount(US\$)	
E. Sun Bills financial Corp.	1.29%	\$150,000	\$4,521	None
Taching Bills finance Ltd.	1.20%	180,000	5,425	None
Hua Nan Bills finance Corp.	1.02%	30,000	904	None
Taishin Bills finance Corp.	1.10%	150,000	4,521	None
Grand Bills financial Corp.	1.18%	180,000	5,425	None
Union Bills financial Corp.	0.80%	120,000	3,617	None
International Bills financial Corp.	1.09%-1.10%	240,000	7,233	None
Chinatrust Bills financial Corp.	1.15%	80,000	2,411	None
China Bills finance Corp.	1.22%	10,000	301	None
Mega Bills finance Corp.	1.23%	250,000	7,535	None
Total		1,390,000	41,893	
Less: unamortized discount		(1,011)	(31)	
Net		\$1,388,989	\$41,862	

As of September 30, 2006, all commercial paper payable had been repaid.

13. Financial liabilities at fair value through profit or loss

	September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Derivative financial instruments	\$20,018,938	\$603,344	\$1,343,875	\$40,600
Financial debentures	39,700,000	1,196,504	39,700,000	1,199,396
Subordinated financial debentures	10,000,000	301,386	10,000,000	302,115
Adjustment of valuation	4,896	148	20,218,814	610,840
Total	\$69,723,834	\$2,101,382	\$71,262,689	\$2,152,951

English Translation of Financial Statements Originally Issued in Chinese

On May 23, 2002, Cathay United Bank issued a five-year subordinated financial debentures totaling NT\$5,000,000 (US\$151,057) with a stated interest rate of 4.15%, and the interest is payable annually. Subsequently on September 10, 2002, Cathay United Bank issued five-year and six-month subordinated financial debentures totaling NT\$5,000,000 (US\$151,057) with a floating interest rate or inverse floating interest rate and the interest is paid semiannually. The subordinated financial debentures are repayable at maturity.

Each subordinated financial debenture has a lower priority claim on assets and income than other debts. That is, its principal and interest are repayable only after more senior debt with higher priority has been satisfied. These subordinated financial debentures are, however, senior to common stock.

On September 20, 2003, Cathay United Bank issued five-year and six-month dominant financial debentures amounting to NT\$5,000,000 (US\$151,057) with inverse floating interest rate. On December 4, 2003, December 10, 2003 and December 11, 2003, Cathay United Bank issued five-year dominant financial debentures amounting to NT\$3,200,000 (US\$96,677), NT\$2,700,000 (US\$81,571) and NT\$1,800,000 (US\$54,381), respectively, with floating interest rates, inverse floating interest rates or specific structure rates. Subsequently on March 29, 2004, Cathay United Bank issued six-year dominant financial debentures amounting to NT\$2,000,000 (US\$60,423) with a floating interest rate. These dominant financial debentures are repayable at maturity, and the interest is payable quarterly or semiannually.

On July 8 and July 15, 2004, Cathay United Bank issued five-year to seven-year dominant financial debentures amounting to NT\$1,000,000 (US\$30,211), NT\$3,500,000 (US\$105,740), NT\$2,000,000 (US\$60,423), and NT\$1,000,000 (US\$30,211), respectively, with floating interest rates, inverse floating interest rates or specific structure rates. These dominant financial debentures are repayable at maturity, and the interest is payable quarterly or semiannually. On November 10, November 25, November 26, December 9, December 10, December 22, December 23, December 29, 2004, and on January 14 and February 22, 2005, Cathay United Bank issued five-year to seven-year dominant financial debentures amounting to NT\$2,500,000 (US\$75,529), NT\$1,500,000 (US\$45,317), NT\$1,500,000 (US\$45,317), NT\$2,500,000 (US\$75,529), NT\$1,500,000 (US\$45,317), NT\$2,500,000 (US\$75,529), NT\$1,000,000 (US\$30,211) and NT\$1,000,000 (US\$30,211), NT\$2,000,000 (US\$60,423), NT\$1,500,000 (US\$45,317), respectively, with fixed interest rates. These dominant financial debentures are repayable at maturity and the interest is payable quarterly.

These dominant financial debentures are senior in priority to the subordinated financial debentures and common shares, but are equal to other debts of Cathay United Bank.

English Translation of Financial Statements Originally Issued in Chinese

14. Deposits

	September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Check deposits	\$12,202,717	\$367,773	\$14,215,645	\$429,476
Demand deposits	123,560,164	3,723,935	136,878,850	4,135,313
Savings deposits	534,831,660	16,119,098	590,747,307	17,847,350
Time deposits	158,240,291	4,769,147	183,793,695	5,552,679
Remittances payable	381,050	11,484	397,591	12,012
Total	<u>\$829,215,882</u>	<u>\$24,991,437</u>	<u>\$926,033,088</u>	<u>\$27,976,830</u>

15. Bonds payable

	September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Subordinated financial debentures	\$2,350,000	\$70,826	\$18,840,000	\$569,184
Discount in financial debentures	-	-	(109,557)	(3,310)
Bonds payable	13,426,490	404,656	10,444,402	315,541
Adjustment of valuation	-	-	(453,670)	(13,706)
Total	<u>\$15,776,490</u>	<u>\$475,482</u>	<u>\$28,721,175</u>	<u>\$867,709</u>

On April 28, 2003, Cathay United Bank issued a five-year subordinated financial debentures totaling NT\$2,350,000 (US\$70,997) with a stated interest rate of 2%. The subordinated financial debentures are repayable at maturity, and the interest is payable annually.

Cathay United Bank issued a 15-year US\$500 million subordinated bonds with a stated interest rate of 5.5% on October 5, 2005, and the interest is payable semi-annually. Cathay United Bank can redeem the bond after 10 years by exercising the call option. Cathay United Bank has adopted hedge accounting to account for its subordinated financial debentures.

Each subordinated financial debenture has a lower priority claim on assets and income than other debts. That is, its principal and interest are repayable only after more senior debt with higher priority has been satisfied. These subordinated financial debentures are, however, senior to common stock.

English Translation of Financial Statements Originally Issued in Chinese

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 US\$1,000 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.

Repurchase at the option of the holder:

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

Repurchase in the event of delisting:

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

English Translation of Financial Statements Originally Issued in Chinese

Repurchase in the event of change of control:

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

Redemption at the option of the Company:

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

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.

English Translation of Financial Statements Originally Issued in Chinese

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 September 30, 2006, the Company has converted US\$425,074 convertible notes into 276,667 thousand common stocks. The redemption premiums payable and additional paid-in capital of this conversion amounted to NT\$12,219,025 (US\$369,155), which are recognized as capital surplus. As of September 30, 2006 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.

16. Reserve for operations and liabilities

	September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Reserve for insurance business	\$1,601,377,151	\$48,263,326	\$1,772,647,033	\$53,554,291
Reserves for losses on guarantees	28,731	866	28,706	867
Reserves for losses on stock brokerage transactions	6,952	209	15,008	453
Reserves for losses on trading securities	148,577	4,478	147,939	4,470
Total	<u>\$1,601,561,411</u>	<u>\$48,268,879</u>	<u>\$1,772,838,686</u>	<u>\$53,560,081</u>

English Translation of Financial Statements Originally Issued in Chinese

17. Other financial liabilities

	September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Derivative financial liabilities for hedging	\$51,105	\$1,540	\$539,248	\$16,292
Borrowed funds	311,510	9,389	313,585	9,474
Separate account products liabilities	75,690,141	2,281,198	138,435,295	4,182,335
Short-term debts	4,590,000	138,336	-	-
Total	<u>\$80,642,756</u>	<u>\$2,430,463</u>	<u>\$139,288,128</u>	<u>\$4,208,101</u>

Short-term debts are credit loans. The interest rates were 1.43%-1.48% for the nine months ended September 30, 2005.

18. Common stock

As of September 30, 2005 and 2006, the authorized share capital amounted NT\$120,000,000 (US\$3,625,378), and the issued share capital amounted NT\$85,242,234 (US\$2,569,085) and NT\$90,924,450 (US\$2,746,962), respectively.

The undistributed earnings recapitalization of NT\$4,263,443 (US\$128,805) thousand by issuing 426,344 thousand shares with par value of NT\$10 (US\$0.3) was resolved by the Company's stockholders' meeting on June 9, 2006 and approved by the Securities and Futures Bureau on June 30, 2006. The recapitalization record date was August 14, 2006.

On December 31, 2001, the Company listed its shares of stock on Taiwan Stock Exchange Corporation (TSE) in accordance with relevant regulations. 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).

19. 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\$68,091,474 (US\$2,052,184) and NT\$73,902,093 (US\$2,232,692) as of September 30, 2005 and 2006. Before conversion into a financial holding company, NT\$267,215 (US\$8,073) constituted retained earnings of certain subsidiaries of the Company.

English Translation of Financial Statements Originally Issued in Chinese

- (2) The capital surplus 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 capital surplus from the share exchange which comes from the original financial institution's undistributed 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.

20. 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) Undistributed 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. On September 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 NT\$2.5 (US\$0.08) per common share and such dividends were paid on July 11, 2005.

C. On September 9, 2006, the stockholders' meeting resolved the distribution of earnings of NT\$2.0 (US\$0.06) per share for the year ended December 31, 2005. The cash and stock dividends with cut-off dates are NT\$1.5 (US\$0.05) and NT\$0.5 (US\$0.02) on July 17 and August 14, 2006, respectively.

English Translation of Financial Statements Originally Issued in Chinese

D. The Company is required to pay an extra 10% in the forthcoming tax year for undistributed earnings.

E. In accordance with 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 stockholders' equity from current year's earnings after tax or prior years' undistributed earnings. However, contra accounts in prior years' accumulated stockholders' equity should only be provided from prior years' undistributed earnings. If a reversal of stockholders equity contra account occurs, the reversed portion of the special reserve could be distributed as dividends.

F. In accordance with SFC regulations, posterior to 2002 subsidiaries of financial holding companies that hold shares of their parent company should treat those shares as treasury stock. The cost of these shares are exempted from distributing as special reserve.

G. 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, cumulative conversion adjustments, and net loss not yet recognized as net pension cost expect for the special reserve since 2007.

21. Treasury stock

The following is a summary of the movement of treasury stock for the nine months ended September 30, 2005 and 2006:

September 30, 2005										
	In thousands of shares				Book value		Book value Per share		Market value Per share	
Reason for acquisition	January 1, 2005	Increase	Decrease	September 30, 2005	(NT\$)	(US\$)	(in NT dollars)	(in US dollars)	(in NT dollars)	(in US dollars)
Shares held by subsidiaries	6,897	-	6,897	-	-	-	\$-	\$-	\$-	\$-
September 30, 2006										
	In thousands of shares				Book value		Book value Per share		Market value Per share	
Reason for acquisition	January 1, 2006	Increase	Decrease	September 30, 2006	(NT\$)	(US\$)	(in NT dollars)	(in US dollars)	(in NT dollars)	(in US dollars)
Shares held by share exchange	-	66,660	-	66,660	\$4,140,046	\$125,077	\$62.11	\$1.88	\$66.30	\$2.00

English Translation of Financial Statements Originally Issued in Chinese

22. Estimated income taxes

(1) Income tax expenses include the following:

	For the nine months ended September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Income tax calculates on accounting income	\$1,410,823	\$42,520	\$-	\$-
Plus: Interest income of tax on a separate basis	445,070	13,414	866,384	26,175
Extra 10% income tax on undistributed retained earnings	372,302	11,221	257,799	7,789
Deferred income tax benefits	350,638	10,568	202,362	6,114
Income basic tax payable	-	-	13,574	410
Allocation of the cumulative effect of changes in accounting principles	-	-	763,167	23,056
Less: Income tax credit	(26,371)	(795)	(14,559)	(440)
(Less) Plus: Tax effects under consolidated income tax return	(305,660)	(9,212)	31,119	940
Plus (Less): Dissimilitude on estimate tax from prior years	53,828	1,622	(566,411)	(17,112)
Operating loss carryforwards	48,780	1,470	(2,080,094)	(62,843)
Total income tax expenses (benefits)	<u>\$2,349,410</u>	<u>\$70,808</u>	<u>\$(526,659)</u>	<u>\$(15,911)</u>

The Company in accordance with the Financial Holding Company Act, elected to be the payer of the consolidated income tax and the 10% additional undistributed earnings tax filing the consolidated income tax return which includes all subsidiaries that have twelve months of operations in a taxable year.

(2)Income tax returns:

	September 30, 2006	
	Income tax returns assessed	Notes
The Company	through 2001	-
Cathay Life	through 2001	-

English Translation of Financial Statements Originally Issued in Chinese

September 30, 2006

	Income tax returns assessed	Notes
Cathay United Bank	through 2001	Cathay United Bank had accrued appropriate tax provisions for the years 1999 and 2001, and appealed to the tax authority. After further review, the tax authority re-determined the income tax obligations of Cathay United Bank for the years 1999 and 2001 in 2005.
Former Cathay United Bank	through 2003	For the tax years 2003 with respect to the former Cathay United Bank, withholding tax on interest income from bonds held by other investors (the “bond withholding tax”) was disallowed by the tax authority as a deduction. The Former Cathay United Bank accrued appropriate tax provisions, and filed for administrative remediation. In 2005, The Former Cathay United Bank settled the tax dispute arising from the withholding tax on interest income from bonds pertaining to the above relevant periods in its 2003 tax returns.
Cathy Century	through 2002	The withholding tax on the interest of prior bondholders and tax effects on the interest expenses of amortized premium bonds in years 2002, 2001 and 1999 tax returns, respectively, were rejected by the Tax Authority as being able to offset income tax payable. Cathay Century has filed the dispute.
Cathay Pacific Venture	through 2003	-
Symphox Information	through 2003	-
Cathay Futures	through 2004	-
Lucky Bank	through 2003	-
Cathay Venture	through 2003	-
Cathay Securities	through 2004	Cathay Securities did not agree with the decision of the tax authorities and filed an application for a reexamination.

English Translation of Financial Statements Originally Issued in Chinese

(3) Information related tax imputation:

A. Balance of imputation credit account

	September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
The Company	\$1,102,086	\$33,215	\$2,013,634	\$60,835
Cathay Life	824,278	24,843	216,950	6,554
Cathay United Bank	38,417	1,158	338,256	10,219
Cathay Century	7,548	227	3,770	114
Cathay Securities	4,839	146	7,447	225
Cathay Pacific Venture	392	12	487	15
Cathay Venture	13,575	409	19,100	577
Cathay II Venture	3,007	91	7,162	216
Lin Yuan Property Management	14,381	433	-	-
Cathay Futures	11,772	355	14,480	437
Lucky Bank	2,960	89	8,783	265
Seaward Leasing	66,331	1,999	-	-

B Imputation credit account ratio

	For the nine months ended September 30,	
	2005	2006
The Company		
-cash dividends	7.58%	11.97%
-stock dividends	-	11.96%
Cathay Life	9.52%	7.33%
Cathay United Bank		
-cash dividends	1.04%	13.98%
-stock dividends	3.28%	-
Cathay Century	1.83%	1.73%
Cathay Securities	-	14.45%
Cathay II Venture	-	33.33%
Cathay Futures	33.33%	-
Lin Yuan Property Management	33.33%	-
Lucky Bank	2.77%	-

English Translation of Financial Statements Originally Issued in Chinese

(4) Information relating of undistributed earnings:

Year	For the nine months ended September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Prior to 1997	\$267,215	\$8,053	\$267,215	\$8,073
After 1998	6,359,202	191,658	9,132,950	275,920
Total	<u>\$6,626,417</u>	<u>\$199,711</u>	<u>\$9,400,165</u>	<u>\$283,993</u>

A. Undistributed earnings after 1998 did not include the net income from January 1 to September 30, 2005 and 2006.

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

23. Earnings per share

	For the nine months ended September 30, 2005								
	Amount (Numerator)				Shares (in thousands of shares) (denominator)	EPS (in dollars)			
	Before income taxes		After income taxes			Before income taxes		After income taxes	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	
	Primary earnings per share:								
Consolidated income	\$29,620,755	\$892,729	\$27,271,344	\$821,921	8,863,811	<u>\$3.34</u>	<u>\$0.10</u>	<u>\$3.08</u>	<u>\$0.09</u>
Effect of potentially dilutive common stock:									
Convertible notes payable	471,647	14,215	353,736	10,661	330,763				
Fully-diluted earnings per share:									
Consolidated income	<u>\$30,092,402</u>	<u>\$906,944</u>	<u>\$27,625,080</u>	<u>\$832,582</u>	<u>9,194,574</u>	<u>\$3.27</u>	<u>\$0.10</u>	<u>\$3.01</u>	<u>\$0.09</u>

	For the nine months ended September 30, 2006								
	Amount (Numerator)				Shares (in thousands of shares) (denominator)	EPS (in dollars)			
	Before income taxes		After income taxes			Before income taxes		After income taxes	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	
	Primary earnings per share:								
Income from continuing operations									
before income taxes	\$9,420,488	\$284,607	\$9,947,147	\$300,518	8,972,029	\$1.05	\$0.03	\$1.11	\$0.03
Cumulative effect of changes in accounting principles	<u>2,486,193</u>	<u>75,111</u>	<u>3,249,323</u>	<u>98,167</u>	8,972,029	<u>0.28</u>	<u>0.01</u>	<u>0.36</u>	<u>0.01</u>
Consolidated income	11,906,681	359,718	13,196,470	398,685	8,972,029	<u>\$1.33</u>	<u>\$0.4</u>	<u>\$1.47</u>	<u>\$0.04</u>
Effect of potentially dilutive common stock:									
Convertible notes payable	<u>317,505</u>	<u>9,593</u>	<u>238,128</u>	<u>7,194</u>	<u>235,061</u>				
Fully-diluted earnings per share:									
Consolidated income	<u>\$12,224,186</u>	<u>\$369,311</u>	<u>\$13,434,598</u>	<u>\$405,879</u>	<u>9,207,090</u>	<u>\$1.33</u>	<u>\$0.04</u>	<u>\$1.46</u>	<u>\$0.04</u>

English Translation of Financial Statements Originally Issued in Chinese

24. Related party transactions

(1) Related parties

Name	Relationship
Cathay Life	Subsidiary of the Company
Cathay United Bank	Subsidiary of the Company
Cathay Century	Subsidiary of the Company
Cathay Securities	Subsidiary of the Company
Cathay Pacific Venture	Subsidiary of the Company
Cathay II Venture	Subsidiary of the Company
Lucky Bank	Subsidiary of the Company
Cathay Capital Management	Subsidiary of the Company
Cathay Venture	Subsidiary of the Company
Cathay Life (Shanghai)	Subsidiary of the Company
Symphox Information	Subsidiary of the Company
Pao Shin Securities	Subsidiary of the Company (Sold to a non-related party on April 10, 2006)
Cathay Futures	Subsidiary of the Company
Seaward Leasing	Subsidiary of the Company (Became affiliated after June 30, 2006)
Indovina Bank	Subsidiary of the Company
Cathay Pacific Partners	Subsidiary of the Company
Cathay Insurance (Bermuda)	Subsidiary of the Company
Cathay Securities Investment	Subsidiary of the Company
Cathay Life Insurance Agent	Subsidiary of the Company
Seaward Card	Subsidiary of the Company
Cathay Property Insurance Agent	Subsidiary of the Company
Cathay Securities Investment Trust Co., Ltd.	The investee is accounted for using the equity method
Cathay General Hospital	Their chairman is also the Company's chairman
Lin Yuan Investment Co., Ltd.	Their chairman is a second immediate family member of the Company's chairman
Yi Ru Corporation	Their chairman is a second immediate family member of the Company's chairman
Wan Pao Development Co., Ltd.	Their chairman is a second immediate family member of the Company's chairman
Taipei Smart Card Corp.	Investee company of Cathay United Bank
Culture and Charity Foundation of the CUB	Cathay United Bank is the major sponsor of the

English Translation of Financial Statements Originally Issued in Chinese

Name	Relationship
	foundation
Taiwan Asset Management Corporation	Their chairman is Cathay United Bank
China England Co., Ltd.	Affiliate
Cathay Real Estate Development Co., Ltd.	Affiliate
San Ching Engineering Co., Ltd.	Affiliate
Cathay Real Estate Management Corp.	Affiliate
Cathay Charity Foundation	Affiliate
Lin Yuan Property Management	Affiliate
Industrial and Commercial Bank of Vietnam	Affiliate
Shanghai China Eastern Media Co., Ltd.	Affiliate
CEA Futures Brokerage Co., Ltd.	Affiliate
CEA Finance Holding Co., Ltd.	Affiliate
CEA Finance Co., Ltd.	Affiliate
China Eastern Airlines Co., Ltd.	Affiliate
Other related parties	Includes chairmans, managers, their spouses and linear relatives

(2) Significant transactions with related parties:

A. Cash in banks

For the nine months ended September 30, 2005						
Name	Item	Ending balance		Rate	Interest income	
		(NT\$)	(US\$)		(NT\$)	(US\$)
CEA Finance Co., Ltd.	Demand deposits	\$2,325	\$70	0.72%-1.44%	\$374	\$11

For the nine months ended September 30, 2006						
Name	Item	Ending balance		Rate	Interest income	
		(NT\$)	(US\$)		(NT\$)	(US\$)
CEA Finance Co., Ltd.	Demand deposits	\$2,092	\$63	0.72%-1.44%	\$86	\$3

B. Due from the Central Bank and call loans to banks

Name	For the nine months ended September 30,							
	2005				2006			
	Ending balance		Interest revenue		Ending balance		Interest revenue	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Due from commercial banks								
Industrial and Commercial Bank of Vietnam	\$48	\$1	\$-	\$-	\$1,593	\$48	\$15	\$-

English Translation of Financial Statements Originally Issued in Chinese

C. Financial assets at fair value through profit or loss

Name	September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Cathay Securities				
Investment Trust Co., Ltd.	\$5,992,489	\$180,605	\$6,417,790	\$193,891

D. Securities purchased under agreements to resell

Name	For the nine months ended September 30,							
	2005				2006			
	Ending balance		Interest revenue		Ending balance		Interest revenue	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Taiwan Finance Corp.	\$612,422	\$18,458	\$1,277	\$38	\$-	\$-	\$10	\$-

E. Receivables

	September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Cathay Insurance				
(Bermuda)	\$3,798	\$115	\$14,047	\$424
Cathay Securities				
Investments	53	2	53	2
Cathay Capital				
Management	5,903	178	8,829	267
Cathay General Hospital	32,431	977	37,244	1,125
Cathay Real Estate				
Development Co., Ltd.	156	5	415	13
Cathay Securities				
Investment Trust Co.,				
Ltd.	509	15	492	15
China England Co., Ltd.	54,560	1,644	54,560	1,648
Total	\$97,410	\$2,936	\$115,640	\$3,494

English Translation of Financial Statements Originally Issued in Chinese

F. Loans

For the nine months ended September 30, 2005				
Name	Maximum amount (NT\$)	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay General				
Hospital	\$2,321,146	\$2,320,813	2.60%-2.84%	\$47,480
Other related parties	1,651	1,564	2.66%-2.76%	32
Total	<u>\$2,322,797</u>	<u>\$2,322,377</u>		<u>\$47,512</u>

For the nine months ended September 30, 2005				
Name	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay General				
Hospital	\$69,956	\$69,946	2.60%-2.84%	\$1,431
Other related parties	50	47	2.66%-2.76%	1
Total	<u>\$70,006</u>	<u>\$69,993</u>		<u>\$1,432</u>

For the nine months ended September 30, 2006				
Name	Maximum amount (NT\$)	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay General				
Hospital	\$4,070,069	\$4,070,000	3.03%-3.26%	\$89,357
Other related parties	91,432	86,103	1.93%-3.14%	1,643
Total	<u>\$4,161,501</u>	<u>\$4,156,103</u>		<u>\$91,000</u>

For the nine months ended September 30, 2006				
Name	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay General				
Hospital	\$122,963	\$122,961	3.03%-3.26%	\$2,699
Other related parties	2,762	2,601	1.93%-3.14%	50
Total	<u>\$125,725</u>	<u>\$125,562</u>		<u>\$2,749</u>

English Translation of Financial Statements Originally Issued in Chinese

G. Loans and deposits

September 30,												
2005						2006						
Account	(NT\$)		% of account	Interest revenue (expense)		(NT\$)		(US\$)		% of account	Interest revenue (expense)	
	(NT\$)	(US\$)		(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)			
Bills and loans	\$1,507,470	\$45,433	0.13%	\$41,651	\$1,255	\$2,968,442	\$89,681	0.25%	\$42,372	\$1,280		
Deposits	\$2,046,950	\$61,692	0.25%	\$(55,518)	\$(1,673)	\$3,962,924	\$119,726	0.43%	\$(40,920)	\$(1,236)		

H. Property transactions

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

For the nine months ended September 30, 2005			
Name	Item	NT\$	US\$
San Ching Engineering Co., Ltd.	Ban Ciao Building	\$266,182	\$8,022
	Tianmu Base-A	2,769	84
	Cathay Golden & Sliver Bldg	3,791	114
	Sheraton Taipei Hotel	44,046	1,328
	Siangyang Building	4,222	127
	Cathay Land Mark	3,000	90
	Financial Center Hsing-E	2,583	78
	Other	281	9
Cathay Real Estate Development Co., Ltd.	Ban Ciao Building	2,062	62
	Cathay Land Mark	1,000	30
	Total	\$329,936	\$9,944

For the nine months ended September 30, 2006			
Name	Item	NT\$	US\$
San Ching Engineering Co., Ltd.	Cathay General Hospital	\$5,874	\$177
	Other	638	19
Cathay Real Estate Development Co., Ltd.	Cathay Land Mark	1,500	45

English Translation of Financial Statements Originally Issued in Chinese

Name	Item	For the nine months ended September 30, 2006	
		NT\$	US\$
Lin Yuan Property Management	Cathay Cosmos Building	5,092	154
	Li-Yuan Building	17,639	533
	Jhong Jheng Building	7,663	231
	International Building	2,062	62
	World commercial Building	2,742	83
	Financial Center Hsing-E	8,095	245
	Yuanlin Second Building	3,109	94
	Changhua Second Building	1,430	43
	Central industrial & Commercial Building	1,406	42
	Taipei Royalty Building	12,873	389
	Jhong Gang Building	10,352	313
	Cathay Building	16,946	512
	Tun Nan Commercial Building	3,506	106
	Min Sheng Chien Kuo Building	1,088	33
	Wanbon Commercial Building	8,854	268
	Sih Wei Financial Building	2,914	88
	Min Sheng Commercial Building	1,066	32
	Feng Chia Building	2,326	70
	Sianyang Building	1,778	54
	World Building	3,463	105
	Other	11,918	360
Total		<u>\$134,334</u>	<u>\$4,058</u>

The total amount of the contracted projects for real estate as of September 30, 2005 and 2006 between Cathay Life and San Ching Engineering Co., Ltd. was NT\$1,620,227 (US\$48,831) and NT\$1,233,866 (US\$37,277), respectively.

English Translation of Financial Statements Originally Issued in Chinese

b. Cathay Life acquire of real estate information:

Cathay Life did not acquire any real estate from its related parties for the nine months ended September 30, 2005.

		For the nine months ended September 30, 2006	
		Contract Price	
Name	Item	NT\$	US\$
Wan Pao Development Co., Ltd.	No. 658 Simen Rd, Tainan City.	\$5,290,000	\$159,819
Cathay Real Estate Development Co., Ltd.	Tianmu E.Rd., and Sec. 2 Zhong Cheng Rd., Shilin District, Taipei City.	\$2,470,000	\$74,622

c. The Company disposal of property and equipment information:

		For the nine months ended September 30, 2005			
		Amount		Loss	
Name	Item	NT\$	US\$	NT\$	US\$
Cathay Real Estate Development Co., Ltd.	Transportation and communication equipment	\$2,499	\$75	\$(473)	\$(14)

The Company did not disposal any property and equipment to its related parties for the nine months ended September 30, 2006.

d. Real estate rental income from Cathay Life 、Cathay United Bank and Seaward Leasing:

Name	Rental income			
	For the nine months ended September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Cathay Securities Investment	\$2,717	\$82	\$2,507	\$76
Cathay Capital Management	1,442	43	1,487	45
Cathay Real Estate Development Co., Ltd.	13,119	395	13,019	393
Cathay General Hospital	99,730	3,006	111,233	3,360
San Ching Engineering Co., Ltd.	5,677	171	5,592	169
Cathay Securities Investment Trust Co., Ltd.	9,250	279	9,440	285
Taiwan Asset Management Corporation	10,756	324	10,463	316
Taipei Smart Card Corp.	4,280	129	4,702	142
Culture and Charity Foundation of CUB	750	23	750	23
Total	\$147,721	\$4,452	\$159,193	\$4,809

English Translation of Financial Statements Originally Issued in Chinese

Name	Guarantee deposits in			
	September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Cathay Securities Investment	\$877	\$26	\$877	\$26
Cathay Capital Management	479	14	479	14
Cathay Real Estate Development Co., Ltd.	4,286	129	3,645	110
Cathay General Hospital	4,509	136	6,840	207
San Ching Engineering Co., Ltd.	2,009	61	1,709	52
Cathay Securities Investment Trust Co., Ltd.	2,738	83	2,738	83
Taiwan Asset Management Corporation	3,477	105	3,477	105
Total	<u>\$18,375</u>	<u>\$554</u>	<u>\$19,765</u>	<u>\$597</u>

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

d. Real estate rental expense from Cathay Life, Cathay United Bank and Lucky Bank.

Name	Rental expense			
	For the nine months ended September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Cathay Real Estate Development Co., Ltd.	\$32,603	\$983	\$33,412	\$1,010
Lin Yuan Investment Co., Ltd.	2,875	87	1,684	51
Yi Ru Corporation	3,062	92	2,757	83
Pao Shin Securities	3,060	92	-	-
Total	<u>\$41,600</u>	<u>\$1,254</u>	<u>\$37,853</u>	<u>\$1,144</u>

Name	Guarantee deposits paid			
	September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Cathay Real Estate Development Co., Ltd.	\$12,439	\$375	\$12,318	\$372
Yi Ru Corporation	1,190	36	1,190	36
Lin Yuan Investment Co., Ltd.	628	19	628	19
Total	<u>\$14,257</u>	<u>\$430</u>	<u>\$14,136</u>	<u>\$427</u>

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

English Translation of Financial Statements Originally Issued in Chinese

I. Other assets

Prepayment

Name	September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Cathay Life Insurance Agent	\$-	\$-	\$17,229	\$520
Yi Ru Corporation	-	-	462	14
Total	\$-	\$-	\$17,691	\$534

J. Due to the Central Bank and call loans from banks

Name	For the nine months ended September 30, 2006			
	Ending balance	Interest expense	Ending balance	Interest expense
	(NT\$)	(NT\$)	(US\$)	(US\$)
Due to commercial banks				
Industrial and Commercial				
Bank of Vietnam	\$3,006	\$263	\$91	\$8

K. Funds borrowed from the Central and other banks

Name	For the nine months ended September 30, 2005			
	Ending balance	Interest expense	Ending balance	Interest expense
	(NT\$)	(NT\$)	(US\$)	(US\$)
Bank overdraft				
Industrial and Commercial				
Bank of Vietnam	\$251,255	\$11,830	\$7,572	\$357

Name	For the nine months ended September 30, 2006			
	Ending balance	Interest expense	Ending balance	Interest expense
	(NT\$)	(NT\$)	(US\$)	(US\$)
Bank overdraft				
Industrial and Commercial				
Bank of Vietnam	\$-	\$263	\$-	\$8

English Translation of Financial Statements Originally Issued in Chinese

L. Securities sold under agreements to repurchase

Name	September 30,			
	Ending balance			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$46,000	\$1,387	\$-	\$-
Wan Pao Development Co., Ltd.	319,391	9,626	4,472,671	135,126
Other related parties	658,268	19,839	1,015,000	30,665
Total	\$1,023,659	\$30,852	\$5,487,671	\$165,791

Name	For the nine months ended September 30,			
	Interest expenses			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$1,966	\$59	\$-	\$-
Wan Pao Development Co., Ltd.	1,029	31	36,799	1,112
Other related parties	7,682	232	10,184	307
Total	\$10,677	\$322	\$46,983	\$1,419

M. Payables

Name	September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Seaward Card	\$85,400	\$2,574	\$34,673	\$1,048
Lin Yuan Property Management	-	-	45,620	1,378
Industrial and Commercial Bank of Vietnam	-	-	61,013	1,843
Total	\$85,400	\$2,574	\$141,306	\$4,269

N. Advance receipts

Name	September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Taiwan Asset Management Corporation	\$2,550	\$77	\$2,484	\$75

O. Net commission and handling fee

a. Handling fee Income

Name	For the nine months ended September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Cathay Life Insurance Agent	\$-	\$-	\$4,689	\$142
Cathay securities investment Trust Co., Ltd.	-	-	923	28
Total	\$-	\$-	\$5,612	\$170

English Translation of Financial Statements Originally Issued in Chinese

b. Reinsurance handling fee income

Name	For the nine months ended September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Cathay Insurance (Bermuda) Co., Ltd.	\$7,601	\$229	\$579,244	\$17,500

c. Commissions expense

Name	For the nine months ended September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Cathay Life Insurance Agent	\$146,102	\$4,404	\$90,881	\$2,746
Cathay Property Insurance Agent	24,659	743	17,014	514
Total	\$170,761	\$5,147	\$107,895	\$3,260

d. Reinsurance commissions expense

Name	For the nine months ended September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Cathay Insurance (Bermuda)	\$10,882	\$328	\$13,305	\$402

P. Net premiums from insurance business

a. Insurance income

Name	For the nine months ended September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Cathay General Hospital	\$23,220	\$700	\$25,436	\$769
Cathay Real Estate Development Co., Ltd.	1,978	60	1,982	60
San Ching Engineering Co., Ltd.	2,374	72	891	27
Cathay Securities Investment Trust Co., Ltd.	602	18	612	19
Wan Pao Development Co., Ltd.	-	-	938	28
China Eastern Airlines Co., Ltd.	-	-	227,833	6,883
Shanghai China Eastern Media Co., Ltd.	1,431	43	1,520	46
CEA Futures Brokerage Co., Ltd.	825	25	-	-
CEA Finance Holding Co., Ltd.	800	24	306	9
CEA Finance Co., Ltd.	1,368	41	-	-
Shanghai East Fly Service Co., Ltd.	10	-	-	-
Other related parties	-	-	25,665	775
Total	\$32,608	\$983	\$285,183	\$8,616

English Translation of Financial Statements Originally Issued in Chinese

b. Reinsurance income

Name	For the nine months ended September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Cathay Insurance (Bermuda)	\$78,686	\$2,371	\$106,074	\$3,205

c. Reinsurance claims payment

Name	For the nine months ended September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Cathay Insurance (Bermuda)	\$55,834	\$1,683	\$71,282	\$2,154

Q. Net other non-interest income

a. Sales

Name	For the nine months ended September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Cathay General Hospital	\$507	\$15	\$11,152	\$337
Cathay Securities Investment Trust Co., Ltd.	2,146	65	3,736	113
Lin Yuan Property Management	-	-	574	17
San Ching Engineering Co., Ltd.	243	7	348	11
Cathay Real Estate Development Co., Ltd.	923	28	1,069	32
Cathay Securities Investment	26	1	320	10
Total	\$3,845	\$116	\$17,199	\$520

b. Service Income

Name	For the nine months ended September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Cathay General Hospital	\$2,338	\$70	\$4,682	\$142
Cathay Securities Investment Trust Co., Ltd.	1,733	52	937	28
Cathay Real Estate Development Co., Ltd.	613	19	589	18
San Ching Engineering Co., Ltd.	371	11	325	10
Lin Yuan Property Management	-	-	674	20
Total	\$5,055	\$152	\$7,207	\$218

English Translation of Financial Statements Originally Issued in Chinese

c. Miscellaneous income

Name	For the nine months ended September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$7,102	\$214	\$10,179	\$308

R. Sale of securities

For the nine months ended September 30, 2006						
Name	Securities	Shares (in thousand)	Amount		Gain on disposal	
			(NT\$)	(US\$)	(NT\$)	(US\$)
San Ching Engineering Co., Ltd.	Lin Yuan Property Management	2,400	\$47,554	\$1,437	\$3,707	\$112
Cathay Real Estate Development Co., Ltd.	Seaward Leasing	200,000	3,180,000	96,072	1,323,466	39,984
Total			\$3,227,554	\$97,509	\$1,327,173	\$40,096

S. Operating expense

Name	For the nine months ended September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Cathay Securities Investment	\$39,375	\$1,187	\$39,681	\$1,199
Seaward Card	747,391	22,525	319,630	9,656
Cathay Pacific Management	36,883	1,112	66,666	2,014
Lin Yuan Property Management	-	-	483,694	14,613
Cathay Real Estate Development Co., Ltd.	10,244	309	9,061	274
San Ching Engineering Co., Ltd.	5,777	174	3,040	92
Cathay Charity Foundation	-	-	2,250	68
Cathay General Hospital	268	8	3,287	99
Cathay Lin Yuan Security Co., Ltd.	-	-	4,009	121
Total	\$839,938	\$25,315	\$931,318	\$28,136

T. Others

- a. Cathay United Bank purchased automated systems for its 24-hour self-service banking centers from San Ching Engineering Corp. for the amounts of NT\$3,820 (US\$115) and NT\$72 (US\$2) during the nine months periods ended September 30, 2005 and 2006, respectively.

English Translation of Financial Statements Originally Issued in Chinese

- b. Cathay United Bank paid construction planning and design maintenance services fees to Lin Yuan Property Management and Maintenance Co., Ltd. in the amounts of NT\$10,246 (US\$309) and NT\$12,277 (US\$371) during the nine-month periods ended September 30, 2005 and 2006, respectively.
- c. Cathay United Bank sold its lands in Taichung to Cathay Real Estate Development Co., Ltd for NT\$300,334(US\$9,074) (taxes were deducted) during the nine months period ended September 30, 2006, the relevant carrying values were NT\$308,037 (US\$9,306) and the disposal losses were NT\$7,703 (US\$233).
- d. Cathay United Bank entered into a contract with Taipei Smart Card Corp. for issuing Easy co-branded card. The contract lasts for three years starting 2006 and the royalty was paid amounted to NT\$103,125 (US\$3,116) (amortized NT\$2,865 (US\$87) per month) in January, 2006.
- e. As of September 30, 2006, the notional amount of the forward Cathay United Bank entered into transactions with Cathay Global Money Market Fund etc. (the funds are managed by Cathay Securities Trust Co., Ltd) was US\$29,200.

(3)The Company significant transactions with related parties

A. Cash in bank

		For the nine months ended September 30, 2005		
		Ending balance		Interest income
Name	Item	(NT\$)	Rate	(NT\$)
Cathay United Bank	Time deposits	\$6,878,086	3.50%	\$58,914
	Cash in bank	9,029	0.10%	27
	Total	<u>\$6,887,115</u>		<u>\$58,941</u>

		For the nine months ended September 30, 2005		
		Ending balance		Interest income
Name	Item	(US\$)	Rate	(US\$)
Cathay United Bank	Time deposits	\$207,296	3.50%	\$1,775
	Cash in bank	272	0.10%	1
	Total	<u>\$207,568</u>		<u>\$1,776</u>

English Translation of Financial Statements Originally Issued in Chinese

		For the nine months ended September 30, 2006		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$3,372,211	4.375%- 5.264%	\$125,646
	Cash in bank	450,773	0.10%-2.25%	206,286
	Total	<u>\$3,822,984</u>		<u>\$331,932</u>

		For the nine months ended September 30, 2006		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$101,879	4.375%- 5.264%	\$3,796
	Cash in bank	13,619	0.10%-2.25%	6,232
	Total	<u>\$115,498</u>		<u>\$10,028</u>

B. Receivable

		September 30,			
Name	Item	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Cathay United Bank	Consolidated income tax return, interest	\$2,067,941	\$62,325	\$38,111	\$1,151
	Cathay Century				
	Consolidated income tax return	79,058	2,383	130,642	3,947
Cathay Capital Management	Consolidated income tax return	5,903	178	8,829	267
	Cathay Securities				
	Consolidated income tax return	19,447	586	7,204	217
Cathay II Venture	Consolidated income tax return	-	-	10,784	326
	Total	<u>\$2,172,349</u>	<u>\$65,472</u>	<u>\$195,570</u>	<u>\$5,908</u>

English Translation of Financial Statements Originally Issued in Chinese

C. Disposal of Property and Equipment Information:

Name	Item	As of and for the nine months ended September 30, 2005			
		Amount		Loss	
		NT\$	US\$	NT\$	US\$
Cathay Real Estate Development Co., Ltd.	Transportation and communication equipment	\$2,499	\$75	\$(473)	\$(14)

The Company did not disposal any property and equipment to its related parties for the nine months ended September 30, 2006.

D. Payable

Name	Item	September 30,			
		2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Cathay Life	Consolidated income tax return	\$2,086,204	\$62,875	\$525,713	\$15,882
Cathay United Bank	Consolidated income tax return	571,606	17,228	1,242,697	37,544
Cathay Pacific Venture	Consolidated income tax return	7,962	240	10,313	312
Cathay II Venture	Consolidated income tax return	2,294	69	-	-
Total		\$2,668,066	\$80,412	\$1,778,723	\$53,738

E. Operating expenses

Name	For the nine months ended September 30,			
	2005(NT\$)	2005(US\$)	2006(NT\$)	2006(US\$)
Cathay Life	\$7,522	\$227	\$8,369	\$253
Cathay Century	60	2	-	-
Lin Yuan Property Management	117	3	176	5
Symphox Information	356	11	117	4
Seaward Leasing	677	20	703	21
Seaward Card	335	10	-	-
Cathay General Hospital	56	2	218	7
Lucky Bank	1,900	57	-	-
Total	\$11,023	\$332	\$9,583	\$290

English Translation of Financial Statements Originally Issued in Chinese

(4)The subsidiaries significant transactions with related parties are follows:

A. Cathay Life

a. Cash in banks

		For the nine months ended September 30,2005		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United	Time deposit	\$3,416,250	0.90%-2.25%	\$166,913
Bank	Cash in bank	4,022,644	0.00%-1.45%	2,670
Total		<u>\$7,438,894</u>		<u>\$169,583</u>

		For the nine months ended September 30,2005		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United	Time deposit	\$102,961	0.90%-2.25%	\$5,031
Bank	Cash in bank	121,237	0.00%-1.45%	80
Total		<u>\$224,198</u>		<u>\$5,111</u>

		For the nine months ended September 30,2006		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United	Time deposit	\$26,250	1.05%-2.02%	\$75,657
Bank	Cash in bank	2,210,568	0.00%-0.10%	1,325
Total		<u>\$2,236,818</u>		<u>\$76,982</u>

		For the nine months ended September 30,2006		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United	Time deposit	\$793	1.05%-2.02%	\$2,286
Bank	Cash in bank	66,785	0.00%-0.10%	40
Total		<u>\$67,578</u>		<u>\$2,326</u>

English Translation of Financial Statements Originally Issued in Chinese

b. Receivable

Name	September 30,			
	2005		2006	
	NT\$	US\$	NT\$	US\$
Cathay Financial Holding	\$2,086,204	\$62,875	\$525,713	\$15,882
Cathay Century	-	-	315,630	9,536
Total	\$2,086,204	\$62,875	\$841,343	\$25,418

c. Other financial assets – current

Name	For the nine months ended September 30,2005		
	Ending balance	Rate	Interest income
	(NT\$)		(NT\$)
Cathay United Bank	\$-	0.12%-3.03%	\$29,902

Name	For the nine months ended September 30,2005		
	Ending balance	Rate	Interest income
	(US\$)		(US\$)
Cathay United Bank	\$-	0.12%-3.03%	\$901

Name	For the nine months ended September 30,2006		
	Ending balance	Rate	Interest income
	(NT\$)		(NT\$)
Cathay United Bank	\$2,500,000	1.80%-3.00%	\$15,369

Name	For the nine months ended September 30,2006		
	Ending balance	Rate	Interest income
	(US\$)		(US\$)
Cathay United Bank	\$75,529	1.80%-3.00%	\$464

d. Secured loans

Name	For the nine months ended September 30,2005			
	Maximum amount	Ending balance	Rate	Interest income
	(NT\$)	(NT\$)		(NT\$)
Cathay General Hospital	\$2,321,146	\$2,320,813	2.60%-2.84%	\$47,480

English Translation of Financial Statements Originally Issued in Chinese

For the nine months ended September 30,2005				
Name	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay General Hospital	\$69,956	\$69,946	2.60%-2.84%	\$1,431

For the nine months ended September 30,2006				
Name	Maximum amount (NT\$)	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay General Hospital	\$4,070,069	\$4,070,000	3.03%-3.26%	\$89,357

For the nine months ended September 30,2006				
Name	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay General Hospital	\$122,963	\$122,961	3.03%-3.26%	\$2,700

e. Financial assets at fair value through profit or loss-beneficiary certificates

Name	September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Cathay Securities Investment Trust Co., Ltd.	\$5,217,312	\$157,243	\$6,011,412	\$181,614

f. Property transactions

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

(a) Significant transactions with related parties for the nine months ended September 30, 2005 and 2006 are listed below:

English Translation of Financial Statements Originally Issued in Chinese

Name	Item	For the nine months ended September 30, 2005	
		NT\$	US\$
San Ching Engineering Co., Ltd.	Ban Ciao Building	\$266,182	\$8,022
	Tianmu Jung Cheng-A	2,769	84
	Cathay Golden & Silver Bldg	3,791	114
	Sheraton Taipei Hotel	44,046	1,328
	Sianyang Building	4,222	127
	Cathay Land Mark	3,000	91
	Financial Center Hsing-E	2,583	78
	Other	281	8
	Lin Yuan Property Management	Cathay Building	699
	Total	\$327,573	\$9,873

Name	Item	For the nine months ended September 30, 2006	
		NT\$	US\$
San Ching Engineering Co., Ltd.	Cathay General Hospital	\$5,874	\$177
	Other	638	19
Lin Yuan Property Management	Cathay Cosmos Building	5,092	154
	Li-Yuan Building	17,639	533
	Jhong Jheng Building	7,663	232
	International Building	2,062	62
	World Commercial Building	2,742	83
	Financial Center Hsing-E	8,095	245
	Yuanlin Second Building	3,109	94
	Changhua Second Building	1,430	43
	Central Industrial & Commercial Building	1,406	42
	Taipei Royalty Building	12,873	389
	Jhong Gang Building	10,352	313
	Cathay Building	16,946	512
	Tun Nan Commercial Building	3,506	106
	Min Sheng Chien Kuo Building	1,088	33
	Wanbon Commercial Building	8,854	267
	Sih Wei Financial Building	2,914	88
	Min Sheng Commercial Building	1,066	32
	Feng Chia Building	2,326	70
	Sianyang Building	1,778	54
	World Building	3,463	105
Other	11,918	360	
	Total	\$132,834	\$4,013

English Translation of Financial Statements Originally Issued in Chinese

The total amount of contracted projects for real estate as of September 30, 2005 and 2006 between Cathay Life and San Ching Engineering Co., Ltd. was NT\$1,620,227 (US\$48,831) and NT\$1,233,866 (US\$37,277), respectively.

(b) Real estates acquired from related parties for the nine months ended September 30, 2005 and 2006 are as follows:

Cathay Life did not acquire any real estates from its related parties for the nine months ended September 30, 2005.

Name	Item	For the nine months ended September 30, 2006	
		Contract price	
		NT\$	US\$
Wan Pao Development Co., Ltd.	No. 658 Simen Rd, Tainan City.	\$5,290,000	\$159,819
Cathay Real Estate Development Co., Ltd.	Tianmu E.Rd., and Sec. 2 Zhong Cheng Rd., Shilin District, Taipei City.	\$2,470,000	\$74,622

(c).Real estate rental from related parties for the nine months ended September 30, 2005 and 2006 are as follows:

Name	Rental income			
	For the nine months ended September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Cathay United Bank	\$202,903	\$6,115	\$187,244	\$5,657
Cathay General Hospital	99,020	2,985	110,523	3,339
Total	\$301,923	\$9,100	\$297,767	\$8,996

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

g. Guarantee deposits paid

Name	September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Cathay Futures	\$431,664	\$13,010	\$642,829	\$19,421

English Translation of Financial Statements Originally Issued in Chinese

h. Other accounts payable

Name	September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Cathay Securities	\$158,000	\$4,762	\$37,800	\$1,142

i. Insurance income

Name	For the nine months ended September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Cathay United Bank	\$227,118	\$6,845	\$256,807	\$7,759

j. Reinsurance income

Name	For the nine months ended September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Cathay Insurance (Bermuda)	\$78,686	\$2,371	\$106,074	\$3,205

k. Reinsurance handling fee income

Name	For the nine months ended September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Cathay Insurance (Bermuda) Co., Ltd.	\$7,601	\$229	\$579,244	\$17,500

l. Miscellaneous income

Name	For the nine months ended September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Cathay Century	\$416,656	\$12,557	\$503,299	\$15,205

The miscellaneous income was cross-selling income received of Cathay Life.

m. Cost of disposal real estate

Name	For the nine months ended September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Cathay Securities	\$158,000	\$4,762	\$37,800	\$1,142

English Translation of Financial Statements Originally Issued in Chinese

n. Insurance expense

Name	For the nine months ended September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Cathay Century	\$130,218	\$3,925	\$99,673	\$3,011

The insurance expense were insurance expense of fix assets cash, public accident and etc. The amount NT\$7,829 (US\$236) and NT\$8,000 (US\$242) were insurance expense paid by Cathay Life offered Fidelity insurance for employee for the nine months ended September 30, 2005 and 2006.

o. Commission expense

Name	For the nine months ended September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Cathay Life Insurance Agent	\$146,102	\$4,403	\$90,881	\$2,746

p. Operating expense

Name	For the nine months ended September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Lin Yuan Property Management	\$593,104	\$17,876	\$483,518	\$14,608
Symphox Information	173,310	5,223	158,272	4,781
Total	\$766,414	\$23,099	\$641,790	\$19,389

q. Other

As of September 30, 2005 and 2006, the notional amount of the derivative financial instruments transactions with Cathay United Bank are listed below:

Item	September 30,	
	2005	2006
Forward foreign exchange contracts	USD118,601	USD302,316
CCS contracts	USD748,000	USD1,830,344

English Translation of Financial Statements Originally Issued in Chinese

B. Cathay United Bank

a. Loans and deposits

Account	September 30,							
	2005				2006			
	Ending Balance		Interest revenue (expense)		Ending Balance		Interest revenue (expense)	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Loans	\$2,509,151	\$75,622	\$37,167	\$1,120	\$2,842,072	\$85,863	\$39,527	\$1,194
Deposits	\$21,301,083	\$641,986	\$(341,809)	\$(10,302)	\$15,105,235	\$456,352	\$(284,085)	\$(8,583)

For the nine months ended September 30, 2005

Name	Maximum amount		Ending balance		Rate	Interest revenue	
	(NT\$)	(US\$)	(NT\$)	(US\$)		(NT\$)	(US\$)
Call loans to banks							
Indovina Bank	\$697,095	\$21,009	\$514,523	\$15,507	2.48%-4.19%	\$13,040	\$393

For the nine months ended September 30, 2006

Name	Maximum amount		Ending balance		Rate	Interest revenue	
	(NT\$)	(US\$)	(NT\$)	(US\$)		(NT\$)	(US\$)
Call loans to banks							
Indovina Bank	\$768,544	\$23,219	\$521,371	\$15,751	4.38%-7.80%	\$20,693	\$625

Transactions terms with related parties are similar to those with third parties.

b. Securities sold under agreements to repurchase

Name	September 30,			
	Ending balance			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Wan Pao Development Co., Ltd.	\$319,391	\$9,626	\$4,472,671	\$135,126
Other related parties	658,268	19,839	1,015,000	30,665
Total	\$977,659	\$29,465	\$5,487,671	\$165,791

English Translation of Financial Statements Originally Issued in Chinese

Name	For the nine months ended September 30,			
	Interest expense			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Wan Pao Development Co., Ltd.	\$ (1,029)	\$ (31)	\$ (36,799)	\$ (1,112)
Other related parties	(7,682)	(232)	(10,184)	(307)
Total	\$ (8,711)	\$ (263)	\$ (46,983)	\$ (1,419)

c. Securities purchased under agreements to resell

Name	September 30,			
	Ending balance			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Taiwan Finance Corp.	\$612,422	\$18,458	\$-	\$-

Name	For the nine months ended September 30,			
	Interest expense			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Taiwan Finance Corp.	\$1,277	\$38	\$10	\$-

d. Receivable

Name	September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
	Cathay Financial Holding Co., Ltd.	\$571,606	\$17,227	\$1,239,285
Indovina Bank	49,793	1,501	110,483	3,338
Seaward Leasing	-	-	218,761	6,609
Total	\$621,399	\$18,728	\$1,568,529	\$47,388

e. Payable

Name	September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
	Cathay Financial Holding Co., Ltd.	\$2,057,130	\$61,999	\$-

English Translation of Financial Statements Originally Issued in Chinese

f. Rent expense

Name	For the nine months ended September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Cathay Life	\$201,795	\$6,082	\$186,095	\$5,622

g. General expense

Name	For the nine months ended September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Seaward Card	\$745,227	\$22,460	\$318,055	\$9,609
Cathay Life	192,376	5,798	119,165	3,600
Symphox Information	10,136	306	104,930	3,170
Total	\$947,739	\$28,564	\$542,150	\$16,379

h. Insurance Expense

Name	For the nine months ended September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Cathay Life	\$161,050	\$4,854	\$165,282	\$4,993

i. Other

- (a) As of September 30, 2005 and 2006, the notional amounts of the forward and cross-currency swaps the Bank entered into transactions with Cathay Life Insurance Co., Ltd. were US\$870,000 and US\$2,132,660, respectively.
- (b) As of September 30, 2006, the notional amount of the forward the Bank entered into transactions with Cathay Century Insurance Co., Ltd. and Cathay Global Money Market Fund etc. (the funds are managed by Cathay Securities Trust Co., Ltd) was US\$42,350 and US\$29,200, respectively.
- (c) Cathay United Bank sold its lands in Taichung to Cathay Real Estate Development Co., Ltd for NT\$300,334(US\$9,074) (taxes were deducted) during the nine months ended September 30, 2006, the relevant carrying values were NT\$308,037 (US\$9,306) and the disposal losses were NT\$7,703 (US\$233).

English Translation of Financial Statements Originally Issued in Chinese

- (d) Cathay United Bank entered into a contract with Taipei Smart Card Corp. for issuing Easy co-branded card. The contract lasts for three years starting 2006 and the royalty was paid amounted to NT\$103,125 (US\$3,116) (amortized NT\$2,865 (US\$87) per month) in January, 2006.
- (e) For organization restructuring, Cathay United Bank's board of directors resolved to sell its 64,994 thousand shares of Cathay Futures Corp. to Cathay Securities Corp. on February 10, 2006. The carrying value on the date when the transaction occurred was NT\$736,454 (US\$22,249) and net selling price was NT\$708,275 (US\$21,398) (the security transaction cost NT\$2,132 (US\$64) was deducted). The loss from the transaction was NT\$28,179 (US\$851) classified as the loss from disposal of the investment recognized by equity method.
- (f) For prospective operation and concentration on banking development, the board of directors of Cathay United Bank resolved to sell out the stocks of Seaward Leasing Ltd. to the Cathay Real Estate Development for the amount of NT3,180,000 (US\$96,073) on June 30, 2006, with NT\$15.9 (US\$0.48) per share. The gain from disposal of the investment recognized by the equity method was NT\$1,323,466 (US\$39,984), with selling price NT\$3,170,460 (US\$95,784) (securities transaction cost NT\$9,540 (US\$288) was deducted) minus the carrying value NT\$1,846,994 (US\$55,800).

C. Cathay Century

a. Cash in banks

		For the nine months ended September 30, 2005		
Name	Item	Ending balance (NT\$)	Interest rate	Interest income (NT\$)
Cathay United Bank	Cash in banks	\$208,427	0.00%-0.10%	\$77
	Time deposits	327,450	1.36%-1.75%	4,152
Total		<u>\$535,877</u>		<u>\$4,229</u>

		For the nine months ended September 30, 2005		
Name	Item	Ending balance (US\$)	Interest rate	Interest income (US\$)
Cathay United Bank	Cash in banks	\$6,282	0.00%-0.10%	\$2
	Time deposits	9,869	1.36%-1.75%	125
Total		<u>\$16,151</u>		<u>\$127</u>

English Translation of Financial Statements Originally Issued in Chinese

		For the nine months ended September 30, 2006		
Name	Item	Ending balance (NT\$)	Interest rate	Interest income (NT\$)
Cathay United Bank	Cash in banks	\$194,325	0.00%-0.10%	\$96
	Time deposits	280,855	1.79%-2.09%	5,072
Total		<u>\$475,180</u>		<u>\$5,168</u>

		For the nine months ended September 30, 2006		
Name	Item	Ending balance (US\$)	Interest rate	Interest income (US\$)
Cathay United Bank	Cash in banks	\$5,871	0.00%-0.10%	\$3
	Time deposits	8,485	1.79%-2.09%	153
Total		<u>\$14,356</u>		<u>\$156</u>

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

Name	September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Cathay Securities Investment Trust Co., Ltd.	<u>\$122,862</u>	<u>\$3,703</u>	<u>\$118,803</u>	<u>\$3,589</u>

c. Accrued Marketing expense

Name	September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Cathay Life	<u>\$38,068</u>	<u>\$1,147</u>	<u>\$331,064</u>	<u>\$10,002</u>

d. Other payables

Name	September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Cathay Financial Holding Co., Ltd.	<u>\$79,058</u>	<u>\$2,383</u>	<u>\$130,642</u>	<u>\$3,947</u>

English Translation of Financial Statements Originally Issued in Chinese

e. Premiums income

Name	For the nine months ended September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Cathay Life	\$130,218	\$3,924	\$99,673	\$3,011
Cathay United Bank	121,401	3,659	53,726	1,623
Total	<u>\$251,619</u>	<u>\$7,583</u>	<u>\$153,399</u>	<u>\$4,634</u>

f. Insurance claims payment

Name	For the nine months ended September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Cathay United Bank	<u>\$208,318</u>	<u>\$6,278</u>	<u>\$26,726</u>	<u>\$807</u>

g. Operating expense

Name	For the nine months ended September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Cathay Life	<u>\$408,018</u>	<u>\$12,297</u>	<u>\$468,933</u>	<u>\$14,167</u>

D. Cathay Securities

a. Cash in bank

Name	Item	For the nine months ended September 30, 2005		
		Ending balance (NT\$)	Interest rate	Interest income (NT\$)
Cathay United Bank	Cash in banks	\$23,391	0.00%-0.10%	\$58
	Negotiable certificates of deposit	<u>2,675,000</u>	0.85%-1.32%	<u>19,574</u>
		<u>\$2,698,391</u>		<u>\$19,632</u>

Name	Item	For the nine months ended September 30, 2005		
		Ending balance (US\$)	Interest rate	Interest income (US\$)
Cathay United Bank	Cash in banks	\$705	0.00%-0.10%	\$2
	Negotiable certificates of deposit	<u>80,621</u>	0.85%-1.32%	<u>590</u>
		<u>\$81,326</u>		<u>\$592</u>

English Translation of Financial Statements Originally Issued in Chinese

		For the nine months ended September 30, 2006		
Name	Item	Ending balance	Interest income	
		(NT\$)	Interest rate	(NT\$)
Cathay United Bank	Cash in banks	\$62,968	0.00%-0.10%	\$63
	Negotiable certificates of deposit	1,120,000	1.24%-1.45%	14,110
		<u>\$1,182,968</u>		<u>\$14,173</u>

		For the nine months ended September 30, 2006		
Name	Item	Ending balance	Interest income	
		(US\$)	Interest rate	(US\$)
Cathay United Bank	Cash in banks	\$1,902	0.00%-0.10%	\$2
	Negotiable certificates of deposit	33,837	1.24%-1.45%	426
		<u>\$35,739</u>		<u>\$428</u>

As of September 30, 2005 and 2006, except for NT\$1,300,000 (US\$39,180) and NT\$600,000 (US\$18,127) pledged as collateral for the over-loaning of settlement accounts and recognized under restricted assets, the remaining negotiable certificates of deposit have not been pledged as collateral.

b. Open-end funds and currency market instruments

Name	September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Cathay Securities Investment Trust Co., Ltd. – Cathay Bond Fund	\$265,000	\$7,987	\$267,561	\$8,083
– Cathay Soaring Eagle Bond Fund	-	-	20,014	605
Total	<u>\$265,000</u>	<u>\$7,987</u>	<u>\$287,575</u>	<u>\$8,688</u>

English Translation of Financial Statements Originally Issued in Chinese

c. Receivable

Name	September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Cathay Life	\$158,000	\$4,762	\$37,800	\$1,142

d. Revenue from underwriting commissions

Name	For the nine months ended September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Cathay Life	\$158,000	\$4,762	\$37,800	\$1,142

e. Clearing and settlement fees, dealing handling fee expense and margin for futures trading – own funds

Name	For the nine months ended September 30, 2005							
	Clearing and settlement fees		Dealing handling fee expense		Accounts payable		Margin for futures trading – own funds	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Cathay Futures	\$48	\$1	\$37	\$1	\$23	\$1	\$31,100	\$937

Name	For the nine months ended September 30, 2006							
	Clearing and settlement fees		Dealing handling fee expense		Accounts payable		Margin for futures trading – own funds	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Cathay Futures	\$383	\$12	\$423	\$13	\$108	\$3	\$304,555	\$9,201

E. Cathay Pacific Venture

a. Cash in bank

Name	Item	For the nine months ended September 30, 2005		
		Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in bank	\$357	0.10%	\$3

English Translation of Financial Statements Originally Issued in Chinese

		For the nine months ended September 30, 2005		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Cash in bank	\$11	0.10%	\$-

		For the nine months ended September 30, 2006		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$325,000	1.23%-1.25%	\$3,127
	Cash in bank	50,936	0.10%	2
	Total	\$375,936		\$3,129

		For the nine months ended September 30, 2006		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$9,819	1.23%-1.25%	\$95
	Cash in bank	1,539	0.10%	-
	Total	\$11,358		\$95

b. Available-for-sale financial assets-current

Name	September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Cathay Securities Investment Trust Co., Ltd.	\$387,315	\$11,673	\$-	\$-

F. Lin Yuan Property Management

Service Income

Name	For the nine months ended September 30, 2005	
	NT\$	US\$
Cathay Life	\$565,527	\$17,044

English Translation of Financial Statements Originally Issued in Chinese

G. Seaward Leasing

Short-term debts

For the nine months ended September 30, 2005				
Name	Maximum amount (NT\$)	Ending balance (NT\$)	Rate	Interest expense
Cathay United Bank	\$1,580,000	\$1,580,000	1.45%-1.48%	\$15,205

For the nine months ended September 30, 2005				
Name	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest expense
Cathay United Bank	\$47,619	\$47,619	1.45%-1.48%	\$458

H. Indovina Bank

a. Call Loans to Banks

For the nine months ended September 30, 2005				
Name	Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)
Cathay United Bank	\$514,523	\$15,507	\$12,740	\$384
Industrial and Commercial Bank of Vietnam	251,255	7,573	11,830	357
Total	\$765,778	\$23,080	\$24,570	\$741

For the nine months ended September 30, 2006				
Name	Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)
Cathay United Bank	\$521,371	\$15,751	\$23,058	\$697
Industrial and Commercial Bank of Vietnam	-	-	263	8
Total	\$521,371	\$15,751	\$23,321	\$705

b. Dividends payable

Name	September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Cathay United Bank	\$49,793	\$1,501	\$110,483	\$3,338

English Translation of Financial Statements Originally Issued in Chinese

I. Cathay Futures

a. Cash in bank

		For the nine months ended September 30, 2005		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$130,000	0.82%-0.95%	\$1,500
	Cash in bank	12,445	0.00%-1.20%	15
	Total	\$142,445		\$1,515

		For the nine months ended September 30, 2005		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$3,918	0.82%-0.95%	\$45
	Cash in bank	375	0.00%-1.20%	1
	Total	\$4,293		\$46

		For the nine months ended September 30, 2006		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$215,000	1.24%-1.64%	\$2,284
	Cash in bank	15,918	0.00%-1.20%	69
	Total	\$230,918		\$2,353

		For the nine months ended September 30, 2006		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$6,495	1.24%-1.64%	\$69
	Cash in bank	481	0.00%-1.20%	2
	Total	\$6,976		\$71

b. Customer's margin accounts

Name	September 30,					
	2005			2006		
	(NT\$)	(US\$)	Rate	(NT\$)	(US\$)	Rate
Cathay United Bank	\$510,587	\$15,388	0.01%-2.10%	\$859,635	\$25,971	0.01%-1.64%

English Translation of Financial Statements Originally Issued in Chinese

c. Futures customer's equity

Name	September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Cathay Life	\$431,664	\$13,010	\$642,829	\$19,421
Cathay Securities	31,100	937	304,555	9,201
Total	462,764	\$13,947	\$947,384	\$28,622

J. Lucky Bank

Loans and deposits

	September 30, 2005			
	Ending balance		Interest revenue (expense)	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Loans	\$180,498	\$5,440	\$4,484	\$135
Deposits	\$520,859	\$15,698	\$(4,850)	\$(146)

	September 30, 2006			
	Ending balance		Interest revenue (expense)	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Loans	\$126,370	\$3,818	\$2,845	\$86
Deposits	\$723,538	\$21,859	\$(10,407)	\$(314)

Transactions terms with related parties are similar to those with third parties.

K. Cathay Life (Shanghai)

Premiums income

Name	For the nine months ended September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
China Eastern Airlines Co., Ltd.	\$-	\$-	\$227,833	\$6,883

English Translation of Financial Statements Originally Issued in Chinese

L. Symphox Information

Sales income

Name	For the nine months ended September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Cathay United Bank	\$30,275	\$912	\$140,932	\$4,258

Service Revenue

Name	For the nine months ended September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Cathay Life	\$137,523	\$4,145	\$135,454	\$4,092

25. Pledged assets

As of September 30, 2005 and 2006, the Company and its subsidiaries pledged assets are summarized below:

Item	Guarantee purpose	Carrying amount			
		2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Time deposits	Correspondent deposit, collateral for the over-loaning of settlement accounts, Loan, others financial or leasing	\$2,288,658	\$68,977	\$1,476,477	\$44,607
Government bonds	Guarantee deposits paid	8,419,263	253,745	8,460,733	255,611
Financial assets at fair value through profit or loss	Business reserves and guarantees	1,977,991	59,614	167,970	5,075
Available-for-sale financial assets	Business reserves and guarantees	258,988	7,806	263,721	7,967
Held-to-maturity financial assets	Business reserves and guarantees	88,539	2,668	2,325,185	70,247
Investments in debt securities with no active market	Business reserves and guarantees	16,000,000	482,218	14,830,000	448,036

26. Commitment and contingent liabilities

(1) Cathay United Bank

- A. In 1996, several clients of Cathay United Bank filed a lawsuit (the lawsuit) against Cathay United Bank, claiming restitution in the amount of NT\$24,000 (US\$725) for theft of their properties stored in a safe at Chung-Li Branch. The High Court had held Cathay United Bank responsible for making restitution. Cathay United Bank subsequently appealed and the appeal is being reviewed by the High Court. Cathay United Bank also filed claim (the claim) against Taiwan Secom Co., Ltd. in relation to the loss mentioned above. The lawsuit procedure was continuance since May, 2006 and receive a judgment from the High Court on July 11, 2006, ordering Cathay United Bank pay NT\$9,447 (US\$285) plus interest to clients. Cathay United Bank file an appeal against such judgment.
- B. In 1997, Cathay United Bank, as requested by Polaris International Securities Investment Trust Co., Ltd., paid Chung Shing Bank (which merged with Union Bank of Taiwan) in an amount of NT\$600,000 (US\$18,127) for the purchase of a certain certificate of time deposit. Such certificate of time deposit was later found to have been forged by Mr. Chung-For Su (a clerk of another bank). Cathay United Bank filed a lawsuit against Chung Shing Bank for the return of unjustified benefits. Cathay United Bank obtained a judgment rendered by the Taiwan High Court in favor of Chung Shing Bank. Cathay United Bank appealed and the Taiwan High Court reversed its previous decision. The Chung Shing Bank subsequently filed an appeal to the Supreme Court. On September 8, 2005 the Supreme Court rendered a judgment in favor of Chung Shing Bank. This lawsuit is pending as Cathay United Bank subsequently filed an appeal to the Taiwan High Court.
- C. In 2001, embezzlement and illegal acts involving the amount of NT\$60,204 (US\$1,819) was committed by one of Cathay United Bank's employees. Cathay United Bank has filed a motion of injunction against the employee's personal properties. The Central Insurance Co., Ltd. has compensated for the loss in the amount of NT\$39,900 (US\$1,205). The District Prosecutors Office has taken a public prosecution. Cathay United Bank also filed an incidental civil procedure.

English Translation of Financial Statements Originally Issued in Chinese

- D. On January 1, 2004, Pacific SOGO issued its own SOGO membership card, which Cathay United Bank believes constitutes a breach of Pacific SOGO's co-branded card contract with Cathay United Bank. Cathay United Bank has filed a motion of injunction against certain of Pacific SOGO's properties and the issuance of its own membership cards. About provisional measures, the Taipei District Court adjudged that Cathay United Bank win the lawsuit on September 30, 2006. However, Pacific SOGO appealed and the appeal is being reviewed by the High Court. Furthermore, Cathay United Bank also filed an incidental civil procedures and claim, which is being review by the Taipei District Court, against Pacific SOGO. Then the Taipei District Court issued a judgment favoring Cathay United Bank on October 12, 2006, ordering Pacific SOGO to pay the punitive damages of NT\$400,000 (US\$12,085).
- E. On December 25, 2004, a charge of embezzlement in the amount of NT\$24,971 (US\$754) by one of Cathay United Bank's employees was brought to the Taipei District Prosecutors Office. The sentence was three years and six months in prison.
- F. As of September 30, 2006, Cathay United Bank had entered into certain contracts to purchase premises and equipments totaling NT\$1,735,595 (US\$52,435) with prepayments of NT\$763,561 (US\$23,068). In addition, foreclosed properties are transferring from the court were amount of NT\$839,300 (US\$25,356).

(2) Cathay Century

Cathay Century and Itanara Import Export Company have a dispute on cargo insurance benefits. The Itanara filed a lawsuit against Cathay Century 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. Cathay Century appealed to the higher court and the lawsuit is still in progress.

(3) Lucky Bank

- A. In 2003, Lucky Bank together with one of its employee was jointly and severally sued by a third party for a dispute on a land transaction. The plaintiff sought reimbursement of NT\$22,000 (US\$665) plus interest. The plaintiff's claim had been overruled by Taiwan High Court. The plaintiff, however, appealed. As of the date of this report, the case is still being tried. It is the prudently optimistic view of Lucky Bank and its counselor that the case may end up favorably to Lucky Bank given the original judgment of Taiwan High Court. Lucky Bank believes, even if the case ends up unfavorably, it may still seek reimbursement from the employee who was jointly and severally being sued. Accordingly, Lucky Bank did not make any accrual.

English Translation of Financial Statements Originally Issued in Chinese

B. In 2006, embezzlement and illegal acts involving Lucky Bank's client deposit amounting of NT\$11,654 (US\$352) was committed by one of Lucky Bank's ex-employees. Lucky Bank had compensated to its client and made a claim to the ex-employee. As of the date of this report, the case is heard by Taichung District Court. Lucky Bank has estimated a loss NT\$11,165 (US\$337) classified as the other loss except for interest account on the basis of conservatism principle.

(4) As of September 30, 2005 and 2006, the bank subsidiaries had the following commitments and contingent liabilities, which were not reflected in the financial statements:

	September 30,			
	2005 (NT\$)	2005 (US\$)	2006 (NT\$)	2006 (US\$)
Trust and security held for safekeeping	\$605,040,013	\$18,235,082	\$284,754,847	\$8,602,865
Travelers checks for sale	718,541	21,656	756,049	22,841
Bills for collection	60,020,197	1,808,927	50,491,001	1,525,408
Guarantees on duties and contracts	14,602,887	440,111	17,148,856	518,092
Unused commercial letters of credit	4,282,981	129,083	2,829,874	85,495
Irrevocable loan commitments	26,114,029	787,041	38,793,551	1,172,011
Credit card lines	289,177,948	8,715,429	285,087,804	8,612,925
Stamp tax, securities and memorial currency consignments	1,727	52	1,727	52
Agent for government bonds and depository for short-term marketable securities under management	-	-	359,838,397	10,871,251

(5) According to the effective operating leases agreement, rentals for the next five years are as follows:

Periods	NT\$	US\$
October 1, 2006~September 30, 2007	\$144,477	\$4,365
October 1, 2007~September 30, 2010	235,956	7,128
October 1, 2010~September 30, 2011	65,894	1,991
Total	\$446,327	\$13,484

27. Significant disaster losses: None.

28. Subsequent events:

(1) Cathay Life

Cathay Life is planning to securitize parts of its investments in real estate, such as the Min Sheng Commercial Building, AnHe Commercial Building and World Building, in October, 2006. The accounting treatment is conformed to the regulations of the Accounting Research and Development Foundation. Cathay Life will transfer the risks and returns of ownership of the investments in real estate to the assignee and the gains on disposal of real estates under “total amount accrual method” will be about NT\$4,120,582 (US\$124,489) in the fourth quarter of 2006.

(2) Cathay United Bank

Cathay United Bank initiated the litigation against Pacific SOGO, alleging its breach of contract by failing to provide benefits on the purchases by cardholders. The Court orders SOGO to pay Cathay United Bank NT\$400,000 (US\$12,085) as damages, further disclosures please refer to Note 26.D.

29. Other significant matters

(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. The Company

a. Information of fair value

English Translation of Financial Statements Originally Issued in Chinese

Item	September 30, 2005			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$14,142,446	\$14,142,446	\$426,234	\$426,234
Receivables	2,798,433	2,798,433	84,341	84,341
Investments under equity method	193,593,727	193,593,727	5,834,651	5,834,651
Other financial assets	100,000	100,000	3,014	3,014
<u>Liabilities</u>				
Payables	3,238,707	3,238,707	97,610	97,610
Bonds payable	13,426,490	13,426,490	404,656	404,656
 <u>Derivative financial instruments</u>				
<u>Liabilities</u>				
IRS, option	-	-	-	-
Item	September 30, 2006			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$13,911,163	\$13,911,163	\$420,277	\$420,277
Receivables	1,267,841	1,267,841	38,303	38,303
Investments under equity method	198,045,092	198,045,092	5,983,235	5,983,235
Other financial assets	31,720	31,720	958	958
<u>Liabilities</u>				
Payables	1,931,882	1,931,882	58,365	58,365
Bonds payable	10,444,402	10,444,402	315,541	315,541
 <u>Derivative financial instruments</u>				
<u>Liabilities</u>				
IRS, option	1,268,804	1,268,804	38,332	38,332

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

English Translation of Financial Statements Originally Issued in Chinese

- (a) 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 and cash equivalents, receivables payables and other financial assets.
- (b) The fair value of derivative and bonds payable was recognized by the present value of anticipate cash flow.
- c. The fair value of the Company financial assets or liabilities determined by quoted market price or pricing models are summarized as following:

Financial instruments	September 30, 2006			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$-	\$-	\$13,911,163	\$420,277
Receivables	-	-	1,267,841	38,303
Investments under equity method	-	-	198,045,092	5,983,235
Other financial assets	-	-	31,720	958
<u>Liabilities</u>				
Payables	-	-	1,931,882	58,365
Bonds payable	-	-	10,444,402	315,541
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
IRS, option	-	-	1,268,804	38,332

Note: The derivative financial instruments of the Company were valued using Discount Cash flow Model and Black-Scholes Model.

d. Information on financial risk

- (a) Risk of interest rate

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

English Translation of Financial Statements Originally Issued in Chinese

Fixed interest rate

Item	Less than one year		Due in 1~2 year		Due in 2~3 year		Due in 3~4 year	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial liabilities at fair value								
through profit or loss	\$-	\$-	\$-	\$-	\$-	\$-	\$1,268,804	\$38,332
Item	Due in 4~5 year		Over 5 years		Total			
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial liabilities at fair value through								
profit or loss		\$-	\$-	\$-	\$-		\$1,268,804	\$38,332

Floating interest rate

Item	Less than one year		Due in 1~2 year		Due in 2~3 year		Due in 3~4 year	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial liabilities at fair value								
through profit or loss	\$-	\$-	\$-	\$-	\$-	\$-	\$1,268,804	\$38,332
Item	Due in 4~5 year		Over 5 years		Total			
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial liabilities at fair value through								
profit or loss		\$-	\$-	\$-	\$-		\$1,268,804	\$38,332

The interest rate of floating interest rate financial instrument is repriced within a year. The interest rate of fixed interest rate financial instrument is fixed until the due date. Financial instruments excluded from the tables above due to absence of interest risk are financial instruments with no interest.

(b) Credit risk

The Company's exposure to credit risk is minimal.

e. Financial risk management objectives and policies

The Company's financial assets primarily consist of cash and cash equivalents, short-term notes and domestic common stocks.

English Translation of Financial Statements Originally Issued in Chinese

The Company enters into derivative transactions such as foreign currency options and cross currency swaps to protect against the risks of interest rate and exchange rate from investment activities.

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.

Credit Risk

Credit risk is the risk of loss due to a counterparty defaulting on a contract. An internal credit risk evaluation model for investments in financial instruments is also created based on external credit assessments and various characteristics of financial instruments. The Company also monitors the credit risk level of the investment targets, issuers or counterparties by evaluating the credit concentration of the investments or counterparties.

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.

English Translation of Financial Statements Originally Issued in Chinese

Liquidity Risk

Liquidity risk is the risk stemming from the lack of marketability of an investment that can not be bought or sold quickly enough to prevent or minimize a loss. The Company primarily has sought to achieve the flexible cash flow and stable liquidity by utilizing the deposits in financial institutions and short-term notes (includes repurchase agreement). In pursuit of these goals, the Company also conducts analysis of assets allocation, liquid asset ratio and cash flows to ensure the effectiveness and timeliness of managing liquidity risk.

B. Cathay Life

a. Information of fair value

Item	September 30, 2005			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$253,349,050	\$253,349,050	\$7,635,595	\$7,635,595
Notes receivable	11,931,050	11,931,050	359,586	359,586
Financial assets at fair value through profit or loss - current	95,430,309	95,931,351	2,876,139	2,891,240
Available-for-sale financial assets - current	114,956,691	124,506,267	3,464,638	3,752,449
Held-to-maturity financial assets - current	3,342,497	3,342,497	100,738	100,738
Investments in debt securities with no active market - current	537,739	537,739	16,207	16,207
Available-for-sale financial assets - noncurrent	130,093,565	130,741,885	3,920,843	3,940,382
Held-to-maturity financial assets - noncurrent	441,158,365	441,069,723	13,295,912	13,293,241
Financial assets carried at cost - noncurrent	20,417,709	20,417,709	615,362	615,362
Investments in debt securities with no active market - noncurrent	46,705,831	46,697,534	1,407,650	1,407,400
Long-term investments in stocks under the equity method	3,819,458	3,819,458	115,113	115,113
Guarantee deposits paid	8,253,789	8,253,789	248,758	248,758
<u>Liabilities</u>				
Notes payable	1,459	1,459	44	44
Guarantee deposits received	1,610,004	1,610,004	48,523	48,523

English Translation of Financial Statements Originally Issued in Chinese

Item	September 30,2005			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Futures	2,197,838	2,178,721	66,240	65,664
Option	49,623	50,687	1,496	1,528
Forward	2,618,311	2,618,311	78,912	78,912
IRS	(56,318)	(31,668)	(1,697)	(954)
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current				
Forward	19,924,667	19,924,667	600,503	600,503
IRS	22,136	22,136	667	667

Item	September 30,2006			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$302,443,003	\$302,443,003	\$9,137,251	\$9,137,251
Notes receivable	10,149,842	10,149,842	306,642	306,642
Financial assets at fair value through profit or loss - current				
Available-for-sale financial assets - current	83,100,332	83,100,332	2,510,584	2,510,584
Held-to-maturity financial assets - current	104,195,732	104,195,732	3,147,907	3,147,907
Investments in debt securities with no active market - current	10,458,530	10,458,530	315,968	315,968
Available-for-sale financial assets - noncurrent	5,517,326	5,517,326	166,687	166,687
Held-to-maturity financial assets - noncurrent	147,599,794	147,599,794	4,459,208	4,459,208
Financial assets carried at cost - noncurrent	529,790,151	522,613,586	16,005,745	15,788,930
Investments in debt securities with no active market - noncurrent	20,011,317	20,011,317	604,572	604,572
Long-term investments in stocks under the equity method	42,995,008	42,749,992	1,298,943	1,291,541
Guarantee deposits paid	4,198,857	4,198,857	126,854	126,854
	8,286,274	8,286,274	250,341	250,341

English Translation of Financial Statements Originally Issued in Chinese

Item	September 30,2006			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Liabilities</u>				
Notes payable	3,523	3,523	106	106
Guarantee deposits received	1,568,398	1,568,398	47,384	47,384
 <u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Futures	3,505,484	3,505,484	105,906	105,906
Option	38,566	38,566	1,165	1,165
Forward	3,409,922	3,409,922	103,019	103,019
IRS	399,766	399,766	12,077	12,077
Derivative financial assets for hedging - current				
IRS	304,329	304,329	9,194	9,194
 <u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current				
Option	2,383	2,383	72	72
Forward	16,428,852	16,428,852	496,340	496,340
IRS	391,325	391,325	11,823	11,823
Derivative financial liabilities for hedging - current				
IRS	35,549	35,549	1,074	1,074

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

- (a) The fair value of Cathay Life'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.

English Translation of Financial Statements Originally Issued in Chinese

- (b) The fair value of the guarantee deposits paid and guarantee deposits received is based on the carrying amount.
- (c) Quoted market price, if available, are utilized as estimates of the fair value of financial instruments. If no quoted market prices exist for Cathay Life'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. Cathay Life 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.
- (d) The fair value of Cathay Life'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.
- c. The following table summarizes the fair value information of Cathay Life's financial assets and liabilities at September 30, 2006:

Financial Instruments	September 30, 2006			
	NT\$			
	Based on the quoted market price		Based on valuation techniques	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current	\$77,430,266	\$77,430,266	\$5,670,066	\$5,670,066
Available-for-sale financial assets - current	104,195,732	104,195,732	-	-
Held-to-maturity financial assets - current	10,458,530	10,458,530	-	-
Investments in debt securities with no active market - current	-	-	5,517,326	5,517,326
Available-for-sale financial assets - noncurrent	133,424,557	133,424,557	14,175,237	14,175,237
Held-to-maturity financial assets - noncurrent	76,898,134	90,646,144	452,892,017	431,967,442
Financial assets carried at cost - noncurrent	20,011,317	20,011,317	-	-
Investment in debt securities with no active market - noncurrent	11,478,875	11,617,884	31,516,133	31,132,108
Long-term investments in stocks under the equity method	-	-	4,198,857	4,198,857

English Translation of Financial Statements Originally Issued in Chinese

Financial Instruments	September 30, 2006			
	NT\$			
	Based on the quoted market price		Based on valuation techniques	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Futures	3,505,484	3,505,484	-	-
Option	38,566	38,566	-	-
Forward contracts	-	-	3,409,922	3,409,922
IRS	-	-	399,766	399,766
Derivative financial assets for hedging - current				
IRS	-	-	304,329	304,329
<u>Liability</u>				
Financial liabilities at fair value through profit or loss - current				
Option	2,383	2,383	-	-
Forward contracts	-	-	16,428,852	16,428,852
IRS	-	-	391,325	391,325
Derivative financial assets for hedging - current				
IRS	-	-	35,549	35,549

Financial Instruments	September 30, 2006			
	US\$			
	Based on the quoted market price		Based on valuation techniques	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Available-for-sale financial assets - current	\$2,339,283	\$2,339,283	\$171,301	\$171,301
Held-to-maturity financial assets - current	3,147,907	3,147,907	-	-
Investments in debt securities with no active market - current	315,968	315,968	-	-
Available-for-sale financial assets - noncurrent	-	-	166,687	166,687
Held-to-maturity financial assets - noncurrent	4,030,953	4,030,953	428,255	428,255
Financial assets carried at cost - noncurrent	2,323,207	2,738,554	13,682,538	13,050,376
Investment in debt securities with no active market - noncurrent	604,572	604,572	-	-
Long-term investments in stocks under the equity method	346,794	350,994	952,149	940,547
	-	-	126,854	126,854

English Translation of Financial Statements Originally Issued in Chinese

Financial Instruments	September 30, 2006			
	US\$			
	Based on the quoted market price		Based on valuation techniques	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Futures	105,906	105,906	-	-
Option	1,165	1,165	-	-
Forward contracts	-	-	103,019	103,019
IRS	-	-	12,077	12,077
Derivative financial assets for hedging - current				
IRS	-	-	9,194	9,194
<u>Liability</u>				
Financial liabilities at fair value through profit or loss - current				
Option	72	72	-	-
Forward contracts	-	-	496,340	496,340
IRS	-	-	11,823	11,823
Derivative financial assets for hedging - current				
IRS	-	-	1,074	1,074

d. Information on financial risk

(a) Risk of interest rate

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

Non-derivative financial instruments of fixed interest rate

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value								
through profit or loss	\$363,510	\$10,982	\$539,025	\$16,285	\$159,547	\$4,820	\$223,329	\$6,747
Available-for-sale financial assets	11,144,156	336,681	1,620,299	48,952	1,283,648	38,781	801,015	24,200
Held-to-maturity financial assets	11,723,683	354,190	7,883,815	238,182	3,818,776	115,371	13,411,878	405,193
Investments in debt securities								
with no active market	501,195	15,142	346,991	10,483	1,570,060	47,434	486,942	14,711

English Translation of Financial Statements Originally Issued in Chinese

Item	Due in 4~5 years		Over 5 years		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value						
through profit or loss	\$865,979	\$26,163	\$25,907,666	\$782,709	\$28,059,056	\$847,706
Available-for-sale financial						
assets	6,349,032	191,814	76,687,946	2,316,856	97,886,096	2,957,284
Held-to-maturity financial assets	14,085,128	425,532	409,004,036	12,356,617	459,927,316	13,895,085
Investments in debt securities						
with no active market	298,832	9,028	31,634,667	955,730	34,838,687	1,052,528

Non-derivative financial instruments of float interest rate

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value								
through profit or loss	\$7,072,195	\$213,661	\$-	\$-	\$-	\$-	\$-	\$-
Available-for-sale financial								
assets	49,713,698	1,501,924	-	-	-	-	-	-
Held-to-maturity financial assets	88,430,813	2,671,626	-	-	-	-	-	-
Investments in debt securities								
with no active market	13,673,648	413,101	-	-	-	-	-	-

Item	Due in 4~5 years		Over 5 years		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value						
through profit or loss	\$-	\$-	\$-	\$-	\$7,072,195	\$213,661
Available-for-sale financial						
assets	-	-	-	-	49,713,698	1,501,924
Held-to-maturity financial assets	-	-	-	-	88,430,813	2,671,626
Investments in debt securities						
with no active market	-	-	-	-	13,673,648	413,101

Derivative financial instruments

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value								
through profit or loss	\$258,199	\$7,801	\$109,200	\$3,299	\$17,483	\$528	\$3,825	\$115
Derivative financial assets for								
hedging	4,965	150	46,432	1,403	13,462	407	124,287	3,755
Financial liabilities at fair value								
through profit or loss	(63,329)	(1,913)	(2,308)	(70)	(310)	(9)	(1,335)	(40)
Derivative financial liabilities								
for hedging	(1,109)	(33)	(5,283)	(160)	(29,157)	(881)	-	-

English Translation of Financial Statements Originally Issued in Chinese

Item	Due in 4~5 years		Over 5 years		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value						
through profit or loss	\$857	\$26	\$275,024	\$8,309	\$664,588	\$20,078
Derivative financial assets for						
hedging	63,863	1,929	51,320	1,550	304,329	9,194
Financial liabilities at fair value						
through profit or loss	(25,071)	(758)	(301,355)	(9,105)	(393,708)	(11,895)
Derivative financial liabilities						
for hedging	-	-	-	-	(35,549)	(1,074)

(b) Credit risk

Cathay Life's exposure to credit risk is minimal.

e. Hedged of derivative financial instruments related information:

Cash flow hedges-IRS

Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$187,500	\$5,665	ARMS	Each quarter	2009/3/24
185,000	5,589	ARMS	Each quarter	2009/3/24
350,000	10,574	4.0005%-6ML	Yearly	2008/9/26
500,000	15,106	7.6%-90DCP	Half year	2007/10/10
500,000	15,106	7.05%-90DCP	Half year	2007/10/10
300,000	9,063	5.5%-6ML	Half year	2007/12/26
500,000	15,106	6.9%-90DCP	Each quarter	2007/7/9
200,000	6,042	4.003%-6ML	Half year	2008/6/13
500,000	15,106	4%-12ML	Yearly	2008/6/5
300,000	9,063	4.3%-12ML	Yearly	2010/6/20
900,000	27,190	90DCP	Each quarter	2015/2/4
50,000	1,511	90DCP	Each quarter	2009/3/15
200,000	6,042	If 6ML<1.1%,6ML If 1.1%<6ML<2.0%,3.8% If 6ML>2.0%,Max(5.50%-6ML,0)	Half year	2011/6/30
300,000	9,063	If 6ML<1.1%,6ML If 1.1%<6ML<2.0%,3.8% If 6ML>2.0%,Max(5.50%-6ML,0)	Half year	2011/6/30

English Translation of Financial Statements Originally Issued in Chinese

Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
200,000	6,042	7.603%-6ML	Half year	2007/7/31
300,000	9,063	7.75%-6ML	Half year	2007/7/31
300,000	9,063	If 6ML<6.9%,3.8% If 6ML>6.9%,0%	Half year	2007/7/31
200,000	6,042	0~0.5Y:3.8%,0.5Y+6ML :3.0% 0.5-1.5Y:0.75%-2.0%, 1.5-2.5Y:1%-2.5%, 2.5-3.5Y:1%-3.0%, 3.5-4.5Y:1%-3.5%, 4.5-5.5Y;1%-4.0%, 5.5-6.5Y:1%-4.5%, 6.5-7.0Y:1%-5.0%	Half year	2011/3/19
300,000	9,063	5.1%-6ML	Half year	2007/12/19
200,000	6,042	If 6ML<0.95%,6ML If 0.95%<6ML<2.0%,3.5% If 2.0%<6ML;4.8%-6ML	Half year	2009/1/9
300,000	9,063	If 6ML<0.95%,6ML If 0.95%<6ML<2.0%,3.5% If 2.0%<6ML;4.8%-6ML	Half year	2009/1/7
200,000	6,042	4.000%-6ML	Half year	2010/4/7
300,000	9,063	4.0002%-6ML	Half year	2010/4/7
400,000	12,085	4.0006%-6ML	Half year	2010/4/7
400,000	12,085	4.0007%-6ML	Half year	2010/4/7
250,000	7,553	90DCP	Each quarter	2008/8/10
900,000	27,190	90DCP	Each quarter	2010/8/18
600,000	18,127	90DCP	Each quarter	2010/8/19
100,000	3,021	4.0006%-6ML	Half year	2010/4/7
100,000	3,021	4.0007%-6ML	Half year	2010/4/7
450,000	13,595	90DCP	Each quarter	2008/8/22
330,000	9,970	90DCP	Each quarter	2008/8/24
300,000	9,063	5.35%-6ML	Each quarter	2008/1/8
200,000	6,042	4.0003%-6ML	Half year	2010/4/7
300,000	9,063	5.37%-6ML	Yearly	2011/3/15
200,000	6,042	5.85%-6ML	Half year	2009/1/13
50,000	1,511	4.15%-6ML	Half year	2009/1/16
200,000	6,042	6.3%-6ML	Yearly	2010/11/27

English Translation of Financial Statements Originally Issued in Chinese

The terms of interest rate swap agreements are established based on the terms of the bonds being hedged.

Cathay Life's interest rate swap agreements for cash flow hedges have passed the effectiveness testing. Unrealized gains on financial instruments were recognized in equity by NT\$416,550 (US\$12,585) as of September 30, 2006.

f. Financial risk management objectives and policies

Cathay Life's financial assets primarily consist of domestic or foreign common stocks, preferred stocks, bonds, corporate bonds, mortgage-backed securities, mutual funds, short-term notes, cash and cash equivalents.

Cathay Life enters into derivative transactions such as stock options, index futures, interest rate futures, interest rate swaps, currency forwards and cross currency swap to protect against the risks of stock value, interest rate and exchange rate from investment activities.

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, Cathay Life 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 Cathay Life's risks.

Market Risk

Market risk is the exposure to uncertain market value of a portfolio, including interest rate risk, stock price risk and exchange rate risk, etc.. Cathay Life 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 testing methods, back testing methods, Position Limit, VaR Limit and Loss Limit are used to effectively manage the market risk of Cathay Life's financial assets.

Credit Risk

Credit risk is the risk of loss due to counterparty or a debtor defaulting on their contractual obligations. Cathay Life minimizes the credit risk exposure by performing the following evaluations and controls:

Cathay Life has taken the credit concentration index of each group into the consideration of establishing Lending Policy to prevent over-exposure. Strict credit evaluations are carried out by Cathay Life before committing to any business lending, mortgage lending, policy loan, and security investments. All lending are secured by land, property, plant and equipments or financial guarantees. No defaults have occurred during the current financial year.

Assessments on the mortgage repayment ability and personal credits are performed before the mortgages are granted. The total mortgage amounts granted are limited to 80% of the carrying value of the secured buildings which varies in different regions.

The credit risk level of policy loans is assessed at low, as the policy loan amounts are limited to the net realizable value of the insurance policy and hence are deemed as fully secured investments.

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, Cathay Life has adopted and implemented the internal control regulations and sheets. Cathay Life is also commenced to develop the information systems to accommodate the aforementioned policies.

Liquidity Risk

Liquidity risk is the risk stemming from the lack of marketability of an investment that can not be bought or sold quickly enough to prevent or minimize a loss. Cathay Life primarily has sought to achieve the flexible cash flow and stable liquidity by utilizing the deposits in financial institutions, short-term notes (includes repurchase agreement) and domestic bond funds. In pursuit of these goals, Cathay Life also conducts analysis of assets allocation, liquid asset ratio and cash flows to ensure the effectiveness and timeliness of managing liquidity risk.

English Translation of Financial Statements Originally Issued in Chinese

C. Cathay United Bank

a. Information of fair value

	September 30, 2006			
	Carrying amount		Fair value	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	\$51,405,893	\$1,553,048	\$51,405,893	\$1,553,048
Available-for-sale financial assets	51,114,457	1,544,243	51,114,457	1,544,243
Held-to-maturity financial assets and debt securities				
with no active market	208,825,924	6,308,941	208,851,358	6,309,709
Investment accounted for using equity method	2,112,220	63,813	2,112,220	63,813
Others	782,694,861	23,646,370	782,694,861	23,646,370
Liabilities				
Financial liabilities at fair value through profit or loss	49,173,737	1,485,612	49,173,737	1,485,612
Financial debentures payable	18,276,773	552,168	18,276,773	552,168
Others	980,616,347	29,625,872	980,616,347	29,625,872
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	4,927,994	148,882	4,927,994	148,882
Liabilities				
Financial liabilities at fair value through profit or loss	3,865,161	116,772	3,865,161	116,772
Others	817,283	24,691	817,283	24,691

b. The methodologies and assumptions used by Cathay United Bank to estimate the above fair value of financial instruments are summarized as following:

(a) The carrying value of short-term financial instruments, such as cash and cash equivalents, receivables, securities purchased under agreements to resell, securities sold under agreements to repurchase, payables, refundable deposits, guarantee deposits, borrowed funds, due from the Central Bank and call loans to banks and due to the Central Bank and call loans from banks arising in the ordinary course of business, approximate fair value because of the relatively short period of time between their origination and expected realization.

English Translation of Financial Statements Originally Issued in Chinese

(b) Quoted market price, if available, are utilized as estimates of the fair values of financial instruments at fair value through profit or loss, available-for-sale financial instruments and held-to-maturity financial assets. If no quoted market prices exist for certain of Cathay United Bank's financial instruments, the fair value of such instruments has been derived based on pricing models. A pricing model incorporates all factors that market participants would consider in setting a price. Cathay United Bank uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics.

(c) Discounts, loans and deposits are classified as interest-bearing financial assets. Thus, their face value is equivalent to their fair value.

The face value of delinquent accounts deducted from allowance for doubtful accounts is adopted as fair value.

(d) The value of debt securities with no active market, financial assets carried at cost and investments accounted for using equity method is determined by pricing models. A pricing model incorporates all factors that market participants would consider in setting a price. If fair value of equity security can not reliable measurement, fair value is equal to carrying value.

(e) Fair value of financial debentures payable is based on quoted market price. If quoted market price is not available, pricing models are utilized to assess the fair value of such instruments.

(f) If there is a quoted market price in an active market, the quoted market price of derivative financial instruments is regarded as fair value. Otherwise, if the market for a derivative financial instrument is not active, Cathay United Bank assesses fair value by using pricing models.

c. The fair values of Cathay United Bank's financial assets or liabilities determined by quoted market price or pricing models are summarized as following:

English Translation of Financial Statements Originally Issued in Chinese

	September 30, 2006			
	Value determined by quoted market price		Value determined by pricing models	
	NT	US	NT	US
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	\$49,919,778	\$1,508,150	\$1,486,115	\$44,898
Available-for-sale financial assets	51,114,457	1,544,243	-	-
Held-to-maturity financial assets and debt securities without active market	154,244,324	4,659,950	\$54,607,034	1,649,759
Others	(Note)	(Note)	(Note)	(Note)
Liabilities				
Financial liabilities at fair value through profit or loss	-	-	49,173,737	1,485,612
Financial debentures payable	-	-	18,276,773	552,168
Others	(Note)	(Note)	(Note)	(Note)
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	1,489,166	44,990	3,438,828	103,892
Liabilities				
Financial liabilities at fair value through profit or loss	-	-	3,865,161	116,772
Others	-	-	817,283	24,691

Note: Most of such assets and liabilities are investment accounted for cost or using equity method. The amount of fair value is not determined by quoted market price or pricing models but estimated face value.

- d. Gains recognized for the changes in fair value of financial asset or liabilities determined by pricing models were NT\$83,114(US\$2,511) for the nine months ended September 30, 2006.
- e. Cathay United Bank recognized NT\$29,701,725 (US\$897,333) and NT\$11,578,238 (US\$349,796) as interest income and expense from financial assets or liabilities not at fair value through profit or loss, respectively, for the nine months ended September 30, 2006.
- f. Cathay United Bank recognized an unrealized gains or losses of NT\$583,427 (US\$17,626) in shareholders' equity for the changes in fair value of available-for-sale financial assets and realized gains of NT\$369,776 (US\$11,171) in income statement for the nine months ended September 30, 2006.

English Translation of Financial Statements Originally Issued in Chinese

g. The interest income of NT\$27 (US\$1) from financial assets was impaired which was assessed by discount rate of cash flow.

h. Information on financial risk

(a) Market risk

Market risk is the potential loss arising from adverse movements of market price, such as interest rates, foreign exchange rates and equity securities.

① Interest rate risk

If interest rates are rising, the fair value of Cathay United Bank's fixed-rate bond investments such as government bonds and corporate bonds may decline.

② Foreign exchange risk

Cathay United Bank manages foreign exchange risk by matching foreign currency assets and liabilities. Cathay United Bank trade in currencies and derivative instruments, primarily spot and forward exchange contracts and currency swaps, to manage asset and liability positions and hedge against Cathay United Bank's commercial positions. As most of foreign currency assets and liabilities are matched, the foreign exchange risk is insignificant.

③ Equity securities price risk

Cathay United Bank may expose to risk when the price of equity securities, such as stocks, mutual funds and TAIEX Futures and Options, moves in adverse direction.

Cathay United Bank adopts many methodologies to manage its market risk. Value-at-risk (VAR) is one of the methodologies. VAR is statistical measure that assesses potential losses that might be caused by changes in risk factors over a specified period of time and at a specific level of statistical confidence.

Factors of market risk	Average balance		Maximum balance		Minimum balance	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Interest rate	85,029	2,569	138,367	4,180	55,349	1,672
Foreign exchange	37,925	1,146	117,919	3,563	164	5
Equity Securities price	44,722	1,351	80,270	2,425	17,301	523

English Translation of Financial Statements Originally Issued in Chinese

(b) Credit risk

Credit risk represents the risk of loss that Cathay United Bank would incur if counterparty fails to perform Cathay United Bank's contractual obligations.

To centralize risk management functions currently handled by different departments, Cathay United Bank's board of directors resolved that a risk management department would be established to manage the credit risks. The objectives of credit risk management are to improve asset quality and to generate stable profits while reducing risk through a diversified and balance loan portfolio. Cathay United Bank's board of directors sets the counterparty credit limits, which are then implemented by credit committee. The credit committee also monitors current and potential credit exposure to individual counterparties and on an aggregate basis to counterparties and their affiliates. Cathay United Bank performs periodic and systematic detailed reviews of its lending portfolios to identify credit risks and to assess the overall collectibility of those portfolios.

Cathay United Bank maintains a strict policy to evaluate customers' credit ratings when providing loan commitments and commercial letters of credit transactions. Certain customers are required to provide appropriate collateral for the related loans, and Cathay United Bank retains the legal right to foreclose on or liquidate the collateral.

- ① The credit risk amounts pertain to contracts with a fair value on balance sheet date and off-balance-sheet commitment and guarantee contracts. The maximum credit risk exposure amounts of various financial instruments are the same as carrying value except which Cathay United Bank held are as following:

Items	September 30, 2006			
	Carrying value		Maximum credit risk exposed amount	
	NT	US	NT	US
Guarantees on duties and contracts	\$-	\$-	\$17,148,856	\$518,092
Unused commercial letters of credit	-	-	2,531,618	76,484
Irrevocable loan commitments	-	-	24,246,859	732,534
Credit card lines	-	-	285,087,804	8,612,925

English Translation of Financial Statements Originally Issued in Chinese

- ⑥ Cathay United Bank mitigates the credit risk by diversifying counterparties and customers. However, Cathay United Bank is likely to be exposed to region or industry concentration risk. Cathay United Bank information of concentration of credit risk is as follows:

Loans, customers' liabilities under acceptances and guarantees account	September 30,			
	2005		2006	
	NT	US	NT	US
Industry type				
Manufacturing	\$75,145,339	\$2,264,778	\$101,491,818	\$3,066,218
Financial institutions and insurance	35,872,369	1,081,144	40,280,252	1,216,926
Leasing and real estate	66,916,303	2,016,766	68,492,709	2,069,266
Individuals	356,220,558	10,736,003	366,633,385	11,076,537
Others	105,072,429	3,166,740	103,540,891	3,128,124
Total	639,226,998	19,265,431	680,439,055	20,557,071
Valuation allowance	(6,467,447)	(194,920)	(11,377,499)	(343,731)
Maximum credit risk exposed	<u>\$632,759,551</u>	<u>\$19,070,511</u>	<u>\$669,061,556</u>	<u>\$20,213,340</u>
Geographic Region				
Domestic	\$603,128,615	\$18,177,475	\$639,269,180	\$19,313,268
South East Asia	10,708,526	322,740	11,706,964	353,685
North East Asia	28,426	857	-	-
North America	9,660,164	291,144	8,353,691	252,377
Others	15,701,267	473,215	21,109,220	637,741
Total	639,226,998	19,265,431	680,439,055	20,557,071
Valuation allowance	(6,467,447)	(194,920)	(11,377,499)	(343,731)
Maximum credit risk exposed	<u>\$632,759,551</u>	<u>\$19,070,511</u>	<u>\$669,061,556</u>	<u>\$20,213,340</u>

(c) Liquidity risk

The purpose of liquidity risk management is to ensure the availability of funds to meet present and future financial obligations.

Liquidity is also managed by ensuring that the excess of maturing liabilities over maturing assets in any period is kept to manageable levels relative to the amount of funds Cathay United Bank believe Cathay United Bank can generate within that period. As part of our liquidity risk management, Cathay United Bank focuses on a number of components, including tapping available sources of liquidity, preserving necessary funds at reasonable cost and continuous contingency planning.

English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank's asset and liability management committee is responsible for overall liquidity risk management. Cathay United Bank's liquidity policy focuses on cash flow management, interbank funding capacity and the maintenance of sufficient liquid assets. The treasury department is responsible for daily operation and monitoring. The primary tools for monitoring liquidity include measurement of liquidity risk, analysis of interest rate sensitivity and scenario simulation, and continuous contingency planning. Cathay United Bank manages liquidity risks across all classes of assets and liabilities with the goal that even under adverse conditions.

(d) Cash flow risk and fair value risk of interest rate fluctuation

Cathay United Bank's financial debentures payable was matched with an interest rate swap contract and was transferred from fixed rate to floating rate.

Except for default or redemption in advance, expected reset and maturity dates of interest-bearing financial instruments are confirmed under related contracts. As of September 30, 2006, there is no significant change in these dates.

As of September 30, 2006, the effective interest rates of financial instruments held and issued by the Bank are classified as follows:

<u>Financial instruments</u>	<u>Effective interest rate (%)</u>
Available-for-sale financial assets	
Bonds	1.1362-6.8397
Overseas financial instruments	1
Held-to-maturity financial assets	
Bonds	1.6463-6.9523
Overseas financial instruments	3.45-7.625
Investments in debt securities with no active market	
Preferred stocks	5
Certificates of deposit	1.59-1.923
Overseas financial instruments	0-8.36
Financial debentures payable	2-5.5

English Translation of Financial Statements Originally Issued in Chinese

i. Fair value hedge

The interest rate swap is used to hedge interest rate fluctuations of financial debentures payable with fixed rate:

Hedged item	Hedging instruments	
	Derivative designated as hedging instruments	Fair value September 30, 2006
Financial debentures payable	Interest rate swap	NT\$503,698 (US\$15,217)

The hedge is regarded as highly effective, at inception and throughout the life of the hedge, Cathay United Bank can expect changes in the fair value of the hedged item that are attributable to the hedged risk to be almost fully offset by the changes in the fair value of the hedging instrument and actual results are within a range of 80~125 percent.

D. Cathay Century

a. Information of fair value

Assets	September 30, 2005			
	NT\$		US\$	
	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

English Translation of Financial Statements Originally Issued in Chinese

Assets	September 30, 2005			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-derivative financial instruments:				
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	-	-	-	-
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
Assets	September 30, 2006			
	NT\$		US\$	
	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

English Translation of Financial Statements Originally Issued in Chinese

Assets	September 30, 2006			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-derivative financial instruments:				
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
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

English Translation of Financial Statements Originally Issued in Chinese

- b. The methods and assumptions used to estimate the fair values of the financial instruments are as follows:
- (a) The fair value of Cathay Century'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.
 - (b) The fair value of the guarantee deposits paid and guarantee deposits received is based on the carrying amount.
 - (c) 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 Cathay Century'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. Cathay Century 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.
 - (d) The fair value of Cathay Century'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.
- c. The following table summarizes the fair value information of Cathay Century's financial assets and liabilities at September 30, 2006:

English Translation of Financial Statements Originally Issued in Chinese

Financial Instruments	September 30,2006			
	NT\$			
	Based on the quoted market price		Based on pricing models	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets-non-derivative</u>				
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	-
<u>Derivative financial instruments</u>				
<u>Asset</u>				
Financial assets at fair value through profit or loss-current				
Futures	5,761	5,761	-	-
Option	515	515	-	-
<u>Liability</u>				
Financial liability at fair value through profit or loss-current				
Forward contracts	89,295	89,295	-	-

English Translation of Financial Statements Originally Issued in Chinese

Financial Instruments	September 30,2006			
	US\$			
	Based on the quoted market price		Based on pricing models	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Asset</u>				
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	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current				
Futures	174	174	-	-
Option	15	15	-	-
<u>Liability</u>				
Financial liability at fair value through profit or loss-current				
Forward contracts	2,698	2,698	-	-

d. Information on financial risk

(a) Risk of interest rate

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

English Translation of Financial Statements Originally Issued in Chinese

Fixed interest rate

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	(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	-	-

Item	Due in 4~5 years		Over 5 years		Total	
	(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

(b) Credit risk

Cathay Century's exposure to credit risk is minimal.

e. Cash flow risk and fair value risk of interest rate fluctuation

Fair value hedges

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

f. Financial risk management objectives policies

Cathay Century'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. Cathay Century 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.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century 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 Cathay Century's investment activities. Cathay Century 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, Cathay Century 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 Cathay Century'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.. Cathay Century 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 Cathay Century's financial assets.

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

Cathay Century 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 Cathay Century did not seek to hedge this exposure.

Credit risk

Cathay Century 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, Cathay Century will freeze the related contracts until the credit of the third party recovers. Thus Cathay Century has minimal bad debts.

English Translation of Financial Statements Originally Issued in Chinese

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, Cathay Century has adopted and implemented the internal control regulations and sheets. Cathay Century is also commenced to develop the information systems to accommodate the aforementioned policies.

Liquidity risk

Cathay Century's exposure to liquidity risk is minimal.

E. Cathay Securities

a. Information of fair Value

Item	September 30, 2005			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
Assets				
Cash and cash equivalents	\$1,550,942	\$1,550,942	\$46,743	\$46,743
Financial assets at fair value through profit or loss – current				
Open-end funds and currency market instruments	725,027	727,078	21,851	21,913
Operating securities – net	291,332	291,332	8,781	8,781
Securities purchased under agreements to resell	532,067	532,067	16,036	16,036
Receivables – net	164,446	\$164,446	\$4,956	\$4,956
Restricted assets – current	1,300,000	1,300,000	39,180	39,180
Available-for-sale financial assets – noncurrent	18	18	1	1
Operating deposits	150,098	150,098	4,524	4,524
Settlement and clearance funds	37,435	37,435	1,128	1,128
Guarantee deposits paid	21,560	21,560	650	650

English Translation of Financial Statements Originally Issued in Chinese

Item	September 30, 2005			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Liabilities</u>				
Securities sold under agreements to repurchase	796,707	796,707	24,012	24,012
Payables	39,763	39,763	1,199	1,199
Guarantee deposits-in	1,638	1,638	49	49
 <u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss – current	25	25	1	1
Call options-futures				
Margin for futures trading – own funds	31,100	31,100	937	937
Derivative financial instrument assets – GreTai (over-the-counter)	5,505	5,505	166	166
 <u>Liabilities</u>				
Financial liabilities at fair value through profit or loss – current				
Put options – futures	177	177	5	5
Other financial liabilities – current	51,105	51,105	1,540	1,540
Item	September 30, 2006			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$738,059	\$738,059	\$22,298	\$22,298
Financial assets at fair value through profit or loss – current				
Open-end funds and currency market instruments	600,997	600,997	18,157	18,157
Operating securities – net	208,081	208,081	6,286	6,286

English Translation of Financial Statements Originally Issued in Chinese

Item	September 30, 2006			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
Receivable amount for margin loans	567,915	567,915	17,158	17,158
Receivables – net	46,825	46,825	1,415	1,415
Restricted assets – current	600,000	600,000	18,127	18,127
Long-term investments under equity method	722,374	722,374	21,824	21,824
Available-for-sale financial assets – noncurrent	18	18	1	1
Operating deposits	215,098	215,098	6,499	6,499
Settlement and clearance funds	56,335	56,335	1,702	1,702
Guarantee deposits paid	29,239	29,239	883	883
<u>Liabilities</u>				
Securities financing guarantee deposits-in	11,434	11,434	346	346
Deposit payable for securities financing	12,642	12,642	382	382
Payables	28,362	28,362	857	857
Guarantee deposits-in	299	299	9	9
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss – current				
Margin for futures trading – own funds	304,555	304,555	9,201	9,201
Derivative financial instrument assets – GreTai (over-the-counter)	3,109	3,109	94	94
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss – current				
Liabilities for issuance of call (put) warrants	2,400	2,400	73	73
Repurchase of issued call (put) warrants	(1,762)	(1,762)	(53)	(53)
Put options – futures	2	2	-	-
Derivative financial instrument liabilities – GreTai (over-the-counter)	84	84	2	2
Other financial liabilities – current	42,408	42,408	1,281	1,281

English Translation of Financial Statements Originally Issued in Chinese

- b. The methods and assumptions used to estimating the fair value of the financial instruments are as follows:
- (a) Short-term financial instruments are stated at their carrying amount on the balance sheet date. Because the maturity date of these instruments is very close to the balance sheet date, it is reasonable that their carrying amounts are equal to their fair values. This assumption is adopted for the following accounts: cash and cash equivalents, securities purchased under agreements to resell, receivable amount for margin loans, receivables, restricted assets, operating deposits, settlement and clearance funds, guarantee deposits paid, securities sold under agreements to repurchase, securities financing guarantee deposits-in, deposit payable for securities financing, payables and guarantee deposits-in.
- (b) Long-term investments under equity method and available-for-sale financial assets – noncurrent are estimated based on market prices, if available. If long-term investments under equity method and available-for-sale financial assets – noncurrent of the Company are not traded on the open market, the carrying amount on the balance sheet date is used to estimate the fair value.
- (c) If there is a quoted market price on the open market, the quoted market price of financial assets and liabilities is regarded as fair value. Otherwise, if the market for a financial instrument is not active, Cathay Securities assesses the fair value by using pricing model. A pricing model incorporates all factors that market participants would consider in setting a price.

The following table summarizes the fair value of financial assets and liabilities as of September 30, 2006:

Item	September 30, 2006			
	Based on	Based on	Based on	Based on
	quoted market price	valuation method	quoted market price	valuation method
	(NT\$)	(NT\$)	(US\$)	(US\$)
Assets				
Financial assets at fair value				
through profit or loss – current				
Open-end funds and currency				
market instruments	\$600,997	\$-	\$18,157	\$-
Operating securities – net	208,081	-	6,286	-

English Translation of Financial Statements Originally Issued in Chinese

Item	September 30, 2006			
	Based on quoted market price	Based on valuation method	Based on quoted market price	Based on valuation method
Margin for futures trading – own funds	304,555	-	9,201	-
Derivative financial instrument assets – GreTai (over-the-counter)	-	3,109	-	94
Liabilities				
Financial liabilities at fair value through profit or loss – current				
Liabilities for issuance of call (put) warrants	2,400	-	73	-
Repurchase of issued call (put) warrants	(1,762)	-	(53)	-
Put options – futures	2	-	-	-
Derivative financial instrument liabilities - GreTai (over-the-counter)	-	84	-	2
Other financial liabilities – current	-	42,408	-	1,281

The above derivative financial instrument assets – GreTai (over-the-counter), derivative financial instrument liabilities – GreTai (over-the-counter) and other financial liabilities – current are valued using “Monte Carlo Simulations” and the “Interest Method”.

English Translation of Financial Statements Originally Issued in Chinese

c. Financial derivatives

(a) Issuance of call warrants

① Nominal principal or contract amount and credit risk

Financial instruments	September 30, 2005		September 30, 2006	
	Nominal principal /contract amount	Credit risk	Nominal principal /contract amount	Credit risk
<u>For trading purposes</u>				
Issuance of call warrants	NT\$- (US\$-)	\$-	NT\$5,160 (US\$156)	\$-

Cathay Securities collects premium from investors when issuing call warrants. Therefore, Cathay Securities believes it does not have any credit risk with respect to investors.

② Market price risk

Market risk for call warrants issued arises from changes in the prices of the underlying securities. Market risk can be avoided by adjusting Cathay Securities' outstanding warrant and hedging positions.

③ Liquidity risk, cash flow risk and future cash requirements

When issuing call warrants, Cathay Securities utilizes existing holdings of underlying securities and premiums received in advance to establish hedging positions. Further, because underlying securities must meet specific regulatory requirements with respect to market price and shareholder diversification, Cathay Securities believes they can be easily sold at reasonable prices and that liquidity risk is low. Risk may arise from the need for capital when adjusting hedging position in response to price changes of underlying securities. However, assuming strong market liquidity, Cathay Securities believes cash flow risk is low.

The call warrants issued by Cathay Securities typically have contract periods of six months starting from the date when the warrants are listed. Except for the flow of cash related to hedging transactions, there are no other cash requirements.

English Translation of Financial Statements Originally Issued in Chinese

④Types, purposes, and strategies for derivatives

Cathay Securities' hedging positions are not held for trading purposes but instead, are held to minimize the risk of investors exercising warrants. Cathay Securities' hedging strategy is focused on avoiding market price risks. The value of the underlying securities for hedging are highly correlated to the fair value of the issued call warrants. Cathay Securities' hedging positions are evaluated and adjusted periodically.

⑤Financial statement presentation of derivative financial instruments

As of September 30, 2005 and 2006, the disclosure of the issuance of call (put) warrants on the balance sheets and statements of income are summarized as follows:

Balance sheet

	September 30, 2006	
	Financial liabilities at fair value through profit or loss-current	
	NT\$	US\$
Liabilities for issuance of call (put) warrants	\$2,400	\$73
Repurchase of issued call (put) warrants	(1,762)	(53)
Total	\$638	\$20

Statement of income

	For the nine months ended September 30, 2006		
	Profit from issuing call (put) warrants		Comments
	NT\$	US\$	
Liabilities of call (put) warrants	\$2,760	\$83	Fair value method
Repurchase of issued call (put) warrants	(2,429)	(73)	"
Total	\$331	\$10	

English Translation of Financial Statements Originally Issued in Chinese

(a) Structured notes transactions

Ⓐ Nominal principal or contract amount and credit risk

<u>Financial instruments</u>	September 30, 2005		September 30, 2006	
	Nominal principal /contract amount	Credit risk	Nominal principal /contract amount	Credit risk
<u>For trading purposes</u>				
Equity-linked notes	NT\$48,200 (US\$1,453)	\$-	NT\$15,000 (US\$453)	\$-
Principal guaranteed notes	\$-	\$-	NT\$27,700 (US\$837)	\$-

Cathay Securities' credit risk derives from a breach of contract by a counterparty. Cathay Securities believes it is not exposed to credit risk because contract amounts are collected in advance of structured notes being issued.

Ⓑ Market risk

In structured notes transactions, Cathay Securities receives proceeds from investors on the contract date and makes its investments pursuant to the contract. Cathay Securities invests in linked and fixed income assets that are subject to regulations and open market pricing. Since hedging positions for derivative instruments and stop-loss points are established, Cathay Securities believes it can limit its losses to within an expected range and that, as a result, there is no significant market risk.

Ⓒ Risk from liquidity, cash flow and future cash requirements

In structured notes transactions, Cathay Securities receives the contract amount from investors on the contract date and makes its investments pursuant to the contract. In order to provide investors with the ability for early redemption, Cathay Securities considers liquidity risk when investing in fixed income securities. As a result, Cathay Securities does not expect any significant cash requirements at expiration of the contract.

English Translation of Financial Statements Originally Issued in Chinese

④ Types, purposes, and strategies for financial derivatives

The structured notes transactions of Cathay Securities can be divided into principal guaranteed notes and equity-linked notes.

Principal guaranteed notes transactions involve receiving proceeds from investors on the contract date and providing them with a guaranteed payment and returns, if any, of linked assets.

Equity-linked notes transactions involve receiving proceeds from investors, investing in fixed-income products and selling options that settle in cash on the expiration date. Proceeds received by investors consist of returns from the fixed income products and value of the options at expiration.

(b) Financial statement presentation of derivative financial instruments

As of September 30, 2005 and 2006, the disclosure of structured notes transactions on the balance sheets and statements of income are summarized as follows:

<u>Balance sheet</u>	September 30, 2005			
			Financial liabilities at fair value through profit or loss – current (derivative financial instrument liabilities – GreTai (over-the-counter) and other financial liabilities – current	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Equity – linked notes	\$5,505	\$166	\$51,105	\$1,540

<u>Statement of income</u>	For the nine months ended September 30, 2005		
			Comments
	(NT\$)	(US\$)	
Equity – linked notes	\$1,917	\$58	Fair value method
Principal guaranteed notes	3,911	118	"
	\$5,828	\$176	

English Translation of Financial Statements Originally Issued in Chinese

Balance sheet

September 30, 2006

	Financial assets at fair value through profit or loss – current (derivative financial instrument assets – GreTai (over-the-counter))		Financial liabilities at fair value through profit or loss – current (derivative financial instrument liabilities – GreTai (over-the-counter)) and other financial liabilities – current	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Equity – linked notes	\$3,109	\$94	\$14,974	\$452
Principal guaranteed notes	\$-	\$-	\$27,518	\$831

Statement of income

For the nine months ended September 30, 2006

	Loss from derivative financial instruments – GreTai (over-the-counter)		Comments
	(NT\$)	(US\$)	
Equity – linked notes	\$8,230	\$249	Fair value method
Principal guaranteed notes	3	-	//
Total	\$8,233	\$249	

d. Futures and options transactions

As of September 30, 2005 and 2006, Cathay Securities' unexercised options were as follows:

September 30, 2005

Item	Nature of transaction	Unexercised options		Contract amount/ payment (receipt) of premium		Fair value	
		Buy/Sell	Units	(NT\$)	(US\$)	(NT\$)	(US\$)
				Options	TXO-Call	Sell	375
Options	TXO-Put	Sell	372	\$(170)	\$(5)	\$77	\$2
Options	TXO-Call	Buy	3	\$20	\$1	\$20	\$1
Options	TXO-Put	Buy	3	\$18	\$1	\$5	\$-
Futures	TAIEX futures	Buy	5	\$6,102	\$184	\$6,095	\$184

English Translation of Financial Statements Originally Issued in Chinese

September 30, 2006

Item	Nature of transaction	Unexercised options		Contract amount/ payment (receipt) of premium		Fair value	
		Buy/Sell	Units	(NT\$)	(US\$)	(NT\$)	(US\$)
Options	TXO-Call	Sell	2	\$ (3)	\$ -	\$ 2	\$ -
Futures	TAIEX futures	Sell	28	\$(41,153)	\$(1,243)	\$38,511	\$1,163

(a) Nominal principal or contract amount and credit risk

	September 30, 2005	
Financial instruments	Nominal principal/ contract amount	Credit risk
<u>For trading purposes</u>		
TXO	NT\$352 (US\$11)	\$-
TAIEX futures	NT\$6,102 (US\$184)	\$-
	September 30, 2006	
Financial instruments	Nominal principal/ contract amount	Credit risk
<u>For trading purposes</u>		
TXO	NT\$3 (US\$-)	\$-
TAIEX futures	NT\$41,153 (US\$1,243)	

Cathay Securities believes it has no significant credit risk exposure since it has entered into futures trading transactions with the Taiwan Futures Exchange and the risk of default is low.

(b) Market risk

Cathay Securities' market risk from futures and options transactions arise from the purchase and sale of futures and options and the volatility of indexes. Since the fair values of futures and options are available and stop-loss points are established, Cathay Securities' believes it can limit its losses to within an expected range and that, as a result, there is no significant market risk.

English Translation of Financial Statements Originally Issued in Chinese

(c) Risk from liquidity, cash flow, and future cash requirements

Cathay Securities' unexercised options could all be liquidated at reasonable prices in the market. As a result, Cathay Securities believes liquidity risk is low.

Cathay Securities' trading in Taiwan stock index futures requires an initial margin and additional margin depending on the daily valuation of open positions. In the event additional margin is required, Cathay Securities has sufficient working capital to meet its requirements, and hence Cathay Securities believes funding risk and cash flow risk are low. With respect to Cathay Securities' trading in options, prior to any transaction Cathay Securities pays or receives option premium. If Cathay Securities sells call options and the counterparty exercises its option, Cathay Securities has sufficient working capital to cover the exercise and hence the Cathay Securities believes funding risk and cash flow risk are low.

(d) Types, purposes, and strategies for financial derivatives

Cathay Securities' purpose in trading futures and options is to increase the scope of its investment activities and improve its capital efficiency.

e. Financial statement presentation of derivative financial instruments

The margin and premium resulting from trading are reflected in "financial assets at fair value through profit or loss – current" and "margin for futures trading – own funds" on the balance sheet. For the nine months ended September 30, 2005 and 2006, the related gain (loss) of futures and options on the statement of income were as follows:

	For the nine months ended September 30, 2005	
	(NT\$)	(US\$)
Gain from derivative financial instruments – futures		
Gain on futures contracts	\$345	\$10
(Includes unrealized gain from options transactions of NT\$7 (US\$-))		
Loss from options transactions	\$279	\$8
(Includes unrealized gain from options transactions of NT\$124 (US\$3))		

English Translation of Financial Statements Originally Issued in Chinese

	For the nine months ended September 30, 2006	
	<u>(NT\$)</u>	<u>(US\$)</u>
Gain from derivative financial instruments – futures		
Gain on futures contracts	<u>\$1,329</u>	<u>\$40</u>
(Includes unrealized loss on futures contracts NT\$154 (US\$5))		
Gain from options transactions	<u>\$1,443</u>	<u>\$44</u>
(Includes unrealized loss from options transactions of NT\$89 (US\$3))		

F. Cathay Pacific Venture

a. Information of fair value

Non-derivative financial instruments

	September 30, 2005			
	<u>(NT\$)</u>		<u>(US\$)</u>	
	Carrying		Carrying	
	amount	Fair value	amount	Fair value
<u>Assets</u>				
Cash and cash equivalents	\$357	\$357	\$11	\$11
Available-for-sale financial assets-current	387,315	390,995	11,673	11,784
Other receivable (contain transactions with related parties)	7,963	7,963	240	240
Available-for-sale financial assets-noncurrent	45,990	70,514	1,386	2,125
<u>Liabilities</u>				
Accrued expenses	111	111	3	3
Other current liabilities	11	11	-	-

English Translation of Financial Statements Originally Issued in Chinese

	September 30, 2006			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Assets</u>				
Cash and cash equivalents	\$375,956	\$375,956	\$11,358	\$11,358
Other receivables (contain transactions with related parties)	13,051	13,051	394	394
Other current assets	6,150	6,150	186	186
Available-for-sale financial assets-noncurrent	109,061	109,061	3,295	3,295
<u>Liabilities</u>				
Accrued expenses	277	277	8	8

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

(a) The fair value of Cathay Pacific Venture 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 and cash equivalents, other receivables (contain transactions with related parties), other current assets, accrued expenses and other current liabilities.

(b) Quoted market price, if available, are utilized as estimates of the fair value of available-for-sale financial assets-noncurrent.

(c) Financial assets carried at cost are unlisted stock. Since these stocks have no quoted market prices in an active market and their fair value cannot be reliably measured, their fair values are based on their carrying values.

English Translation of Financial Statements Originally Issued in Chinese

G. Cathay Futures

a. Information of fair value

Non-derivative financial instruments

	September 30, 2005			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Assets</u>				
Cash and cash equivalents	\$142,501	\$142,501	\$4,295	\$4,295
Financial assets at fair value through profit or loss-current	70,691	70,691	2,131	2,131
Customers' margin accounts	733,610	733,610	22,110	22,110
Futures trading deposits receivable	850	850	26	26
Accounts receivable – related parties	23	23	1	1
Other receivables (contain transactions with related parties)	1,044	1,044	31	31
Available-for-sale financial assets-noncurrent	30,500	30,500	919	919
Operating deposits	80,000	80,000	2,411	2,411
Settlement and clearance funds	56,000	56,000	1,688	1,688
Guarantee deposits paid	1,817	1,817	55	55
<u>Liabilities</u>				
Futures customers' equity	732,993	732,993	22,091	22,091
Payables (contain transactions with related parties)	1,517	1,517	46	46
Receipts under custody	292	292	9	9
Other payable (contain transactions with related parties)	5,133	5,133	155	155
Guarantee deposits in	146	146	4	4
<u>Derivative financial instruments</u>				
Financial assets at fair value through profit or loss-current	2,488	2,488	75	75
Financial liabilities at fair value through profit or loss-current	2,259	2,259	68	68

English Translation of Financial Statements Originally Issued in Chinese

	September 30, 2006			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and cash equivalents	\$230,969	\$230,969	\$6,978	\$6,978
Customers' margin accounts	1,205,763	1,205,763	36,428	36,428
Futures trading deposits receivable	673	673	20	20
Accounts receivable-related parties	108	108	3	3
Other receivable (contain transactions with related parties)	2,847	2,847	86	86
Available-for-sale financial assets-noncurrent	30,500	30,500	921	921
Operating deposits	60,000	60,000	1,813	1,813
Settlement and clearance funds	57,000	57,000	1,722	1,722
Guarantee deposits paid	1,247	1,247	38	38
Liabilities				
Futures customers' equity	1,205,482	1,205,482	36,419	36,419
Payables (contain transactions with related parties)	1,679	1,679	51	51
Advance receipts	141	141	4	4
Receipts under custody	240	240	7	7
Other payable (contain transactions with related parties)	3,245	3,245	98	98
Guarantee deposits in	67	67	2	2

b. Methods and assumptions applied in estimating the fair value of financial instruments are as follows:

- (a) The carrying amounts of the financial instruments such as cash and cash equivalent, customers' margin accounts, futures trading deposits receivable, accounts receivable-related parties, other receivable, operation bond, settlement and clearance funds, refundable deposits, futures customers' equity, payables, Advance receipts under custody, other payable and guarantee deposits in, approximate their fair values because of the short maturities of these instruments.

English Translation of Financial Statements Originally Issued in Chinese

(b) The fair value of financial assets at fair value through profit or loss is valued at market prices.

(c) The fair value of available-for-sale financial assets-noncurrent is valued at market price or other financial information when available.

c. The fair value of the Cathay Futures financial assets or liabilities determined by quoted market price or pricing models are summarized as following:

	September 30,							
	2005				2006			
	Based on the		Based on pricing		Based on the		Based on pricing	
	quoted market price		models		quoted market price		models	
(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Cash and cash equivalents	\$-	\$-	\$142,501	\$4,295	\$-	\$-	\$230,969	\$6,978
Financial assets at fair value through profit or loss-current	2,537	76	68,154	2,054	-	-	-	-
Customer's margin accounts	-	-	733,610	22,110	-	-	1,205,763	36,428
Futures trading deposits receivable	-	-	850	26	-	-	673	20
Accounts receivable-related parties	-	-	23	1	-	-	108	3
Other receivable (contain transactions with related parties)	-	-	1,044	31	-	-	2,847	86
Available-for-sale financial assets-non current	-	-	30,500	919	-	-	30,500	921
Operating deposits	-	-	80,000	2,411	-	-	60,000	1,813
Settlement and clearance funds	-	-	56,000	1,688	-	-	57,000	1,722

English Translation of Financial Statements Originally Issued in Chinese

	September 30,							
	2005				2006			
	Based on the quoted market price		Based on pricing models		Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Guarantee deposits paid	-	-	1,817	55	-	-	1,247	38
<u>Liabilities</u>								
Futures customer's equity	-	-	732,993	22,091	-	-	1,205,482	36,419
Payable (contain transactions with related parties)	-	-	1,517	46	-	-	1,679	51
Advance receipts	-	-	-	-	-	-	141	4
Receipts under custody	-	-	292	9	-	-	240	7
Other payable (contain transactions with related parties)	-	-	5,133	155	-	-	3,245	98
Guarantee deposits in	-	-	146	4	-	-	67	2
<u>Derivative financial instruments</u>								
Financial assets at fair value through profit or loss-current	-	-	2,488	75	-	-	-	-
Financial liabilities at fair value through profit or loss-current	-	-	2,259	68	-	-	-	-

d. Information on financial risk

- (a) Market risk - The derivative transactions of funds and options were based on the day trade. The market risk is insignificant.
- (b) Credit risk - The credit of customers should be got the approval and turnovers should be controlled and limited. All deals via Taiwan Futures Exchanges, Hence, no significant credit risk is expected.

English Translation of Financial Statements Originally Issued in Chinese

(c) Risk from liquidity and cash flow – Cathay Futures has sufficient working capital to cover the exercise. Hence, there is no default risk. In additions, Cathay Futures invests the listed stocks, therefore, the market price which is fair value is expected.

H. Symphox Information

a. Information of fair value

Item	September 30, 2005			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$83,155	\$83,155	\$2,506	\$2,506
Financial assets at fair value				
through profit or loss-current	199,642	199,642	6,017	6,017
Receivables	78,766	78,766	2,374	2,374
Guarantee deposits paid	3,528	3,528	106	106
<u>Liabilities</u>				
Payables	49,758	49,758	1,500	1,500
Guarantee deposits in	87	87	3	3
Item	September 30, 2006			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$81,885	\$81,885	\$2,474	\$2,474
Financial assets at fair value				
through profit or loss-current	81,857	81,857	2,473	2,473
Receivables	164,607	164,607	4,973	4,973
Guarantee deposits paid	11,070	11,070	334	334
<u>Liabilities</u>				
Payables	72,237	72,237	2,182	2,182
Guarantee deposits in	88	88	3	3

English Translation of Financial Statements Originally Issued in Chinese

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

(a) The fair value of Symphox Information 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 and cash equivalents, financial assets at fair value through profit or loss-current, receivables.

(b) The fair value of the guarantee deposits paid and guarantee deposits in is based on the carrying amount.

I. Cathay Life (Shanghai)

a. Information of fair value

Item	September 30,2005			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$877,176	\$877,176	\$26,437	\$26,437
Financial assets at fair value through profit or loss-current	662,571	662,571	19,969	19,969
Available-for-sale financial assets-noncurrent	20,507	20,507	618	618
Held-to-maturity financial assets-noncurrent	649,640	649,640	19,579	19,579
Guarantee deposits paid	669,189	669,189	20,168	20,168
<u>Liabilities</u>				
Guarantee deposits in	304	304	9	9

English Translation of Financial Statements Originally Issued in Chinese

Item	September 30,2006			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$1,246,643	\$1,246,643	\$37,663	\$37,663
Receivable	42	42	1	1
Financial assets at fair value through profit or loss-current	486,345	486,345	14,693	14,693
Available-for-sale financial assets-noncurrent	208,472	208,472	6,298	6,298
Held-to-maturity financial assets-noncurrent	1,069,565	1,069,565	32,313	32,313
Guarantee deposits paid	684,671	684,671	20,685	20,685
<u>Liabilities</u>				
Guarantee deposits in	674	674	20	20

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

- (a) The fair value of Cathay Life (Shanghai) 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 and cash equivalents and other financial assets-current and other financial assets-current.
- (b) When financial instruments have activity market, the fair value is the market price. Estimation by evaluation method if there have no activity market.
- (c) The fair value of the guarantee deposits paid and guarantee deposits in is based on the carrying amount.

English Translation of Financial Statements Originally Issued in Chinese

J. Lucky Bank

a. Information of fair value

	September 30,							
	2005				2006			
	Carrying amount		Fair Value		Carrying amount		Fair Value	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Financial Assets</u>								
Cash and cash equivalents	\$2,511,613	\$75,697	\$2,511,613	\$75,697	\$3,353,973	\$101,328	\$3,353,973	\$101,328
Due from Central Bank and call loans to banks	2,499,965	75,346	2,499,965	75,346	2,394,013	72,327	2,394,013	72,327
Financial assets at fair value through profit or loss								
Stocks	78,956	2,380	78,956	2,380	-	-	-	-
Mutual funds	86,215	2,598	86,215	2,598	48,256	1,458	48,256	1,458
Receivables	227,077	6,844	227,077	6,844	278,207	8,405	278,207	8,405
Bills and loans	59,540,049	1,794,456	59,540,049	1,794,456	54,079,658	1,633,827	54,079,658	1,633,827
Available-for-sale financial assets	712,541	21,475	712,541	21,475	500,355	15,116	500,355	15,116
Investment accounted for using equity method	104,106	3,138	104,106	3,138	-	-	-	-
Other financial assets	22,310,235	672,400	22,310,235	672,400	27,495,274	830,673	27,495,274	830,673
<u>Financial liabilities</u>								
Due to commercial banks	247,241	7,452	247,241	7,452	151,693	4,583	151,693	4,583
Payables	991,761	29,890	991,761	29,890	1,972,604	59,595	1,972,604	59,595
Deposits and remittances	85,330,021	2,571,731	85,330,021	2,571,731	84,154,266	2,542,425	84,154,266	2,542,425

b. The methodologies and assumptions used by Lucky Bank to estimate the above fair value of financial instruments are summarized as following:

(a) The carrying value of short-term financial instruments, such as cash and cash equivalents, due from the Central Bank and call loans to banks, receivables, due to commercial banks and payables arising in the ordinary course of business, approximate fair value because of the relatively short period of time between their origination and expected realization.

(b) Quoted market price, if available, are utilized as estimates of the fair values of financial assets at fair value through profit or loss and available-for-sale financial assets.

English Translation of Financial Statements Originally Issued in Chinese

- (c) Bills and loans, deposits are interest bearing of financial assets and liabilities, the carrying value approximates fair value. The carrying value of delinquent accounts is determined by the recoverable amount of estimating after decreasing doubtful accounts, so the carrying value is equal to fair value.
- (d) If there is a published price quotation in an active market, the quoted market price of investment accounted for using equity method is regarded as fair value. Otherwise, if the quoted market price is not available, Lucky Bank is determined fair value by using valuation techniques.
- (e) According to the “Regulations Governing the Preparation of Financial Reports by Public Banks”, financial assets carried at cost, such as unlisted stock, shall be measured at cost when Lucky Bank is unable to exercise significant influence at these assets.
- (f) The value of debt securities with no active market, the carrying value is equal to fair value.
- c. The fair values of Lucky Bank’s financial assets or liabilities determined by quoted market price or pricing models are summarized as following:

	September 30,							
	2005				2006			
	Based on the quoted		Based on pricing		Based on the quoted		Based on pricing	
	market price		models		market price		models	
(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	
<u>Financial assets</u>								
Cash and cash equivalents	\$-	\$-	\$2,511,613	\$75,697	\$-	\$-	\$3,353,973	\$101,328
Due from Central Bank and call loans to banks	-	-	2,499,965	75,346	-	-	2,394,013	72,327
Financial assets at fair value through profit or loss	165,171	4,978	-	-	48,256	1,458	-	-
Receivables	-	-	227,077	6,844	-	-	278,207	8,405
Bills and loans	-	-	59,540,049	1,794,456	-	-	54,079,658	1,633,827
Available-for-sale financial assets	712,541	21,475	-	-	500,355	15,116	-	-

English Translation of Financial Statements Originally Issued in Chinese

	September 30,							
	2005				2006			
	Based on the quoted		Based on pricing		Based on the quoted		Based on pricing	
	market price		models		market price		models	
(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	
Investment accounted for								
using equity method	-	-	104,106	3,138	-	-	-	-
Other financial assets	-	-	22,310,235	672,400	-	-	27,495,274	830,673
<u>Financial liabilities</u>								
Due to commercial banks	-	-	247,241	7,452	-	-	151,693	4,583
Payables	-	-	991,761	29,890	-	-	1,972,604	59,595
Deposits and remittances	-	-	85,330,021	2,571,731	-	-	84,154,266	2,542,425

d. Gains or losses recognized for the changes in fair value of financial asset or liabilities determined by pricing models both were NT\$0 (US\$0) for the nine months ended September 30, 2005 and 2006.

e. Lucky Bank recognized NT\$1,524,627 (US\$45,950) and NT\$1,548,855 (US\$46,793) as interest income, NT\$648,210 (US\$19,536) and NT\$776,019 (US\$23,445) as interest expense from the financial assets or liabilities that were not valued at fair value through profit or loss, respectively, for the nine months ended September 30, 2005 and 2006. The adjustment in shareholders' equity arising from available-for-sale financial assets for the nine months ended September 30, 2005 and 2006 were NT\$38,616 (US\$1,164) and NT\$35,400 (US\$1,069), respectively, and realizing gains or losses in income statements are both NT\$0 (US\$0) for the nine months ended September 30, 2005 and 2006. The impairment loss of financial assets had not take place for the nine months ended September 30, 2005 and 2006.

f. Information of financial risk

Lucky Bank holds non-derivative financial instruments mainly including: cash and cash equivalents, due from Central Bank and call loans to banks, financial assets at fair value through profit or loss, bills and loans, available-for-sale financial assets, due to commercial banks, deposits and remittances. Lucky Bank adjusts the demand of operating fund by the above mentioned financial instruments. Lucky Bank also holds other financial assets and liabilities, such as receivables and payables caused by operating activities, financial assets carried at cost, debt securities with no active market and investment accounted for using equity method.

English Translation of Financial Statements Originally Issued in Chinese

The main risks arising from Lucky Bank's financial instruments are as follows:

(a) Market risk

Lucky Bank holds financial assets at fair value through profit or loss and available-for-sale financial assets, its fair value will fluctuate on the stock market and interest rate tendency, and make the market price or the net assets value of the fund fluctuation.

(b) Credit risk

Lucky Bank holds or issue financial instruments may result in loss when certain customers fail to fulfill the obligation of contracts. Lucky Bank maintains a strict policy to evaluate customers' credit ratings when providing loan commitments and commercial letters of credit transactions. The collateral loans is about 81% of total loans. Certain customers are required to provide appropriate collateral, such as cash, currency securities and other properties, for the related loans, and Lucky Bank retains the legal right to foreclose on or liquidate the collateral.

Financial assets	September 30,							
	2005				2006			
	Book value		Maximum risk exposed		Book value		Maximum risk exposed	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Available-for-sale								
financial assets	\$591,894	\$17,839	\$591,894	\$17,839	\$360,310	\$10,885	\$360,310	\$10,885
Other financial assets								
Preferred stocks	149,730	4,513	149,730	4,513	149,730	4,524	149,730	4,524
Certificate of								
deposits	22,015,000	663,502	22,015,000	663,502	27,300,000	824,773	27,300,000	824,773
Bills and loans	59,540,049	1,794,456	59,540,049	1,794,456	54,079,658	1,633,827	54,079,658	1,633,827
Off-balance sheet								
commitments and								
guarantees	18,940,455	570,839	18,940,455	570,839	14,844,948	448,488	14,844,948	448,488
Total	\$101,237,128	\$3,051,149	\$101,237,128	\$3,051,149	\$96,734,646	\$2,922,497	\$96,734,646	\$2,922,497

English Translation of Financial Statements Originally Issued in Chinese

The amount of the credit risks regards fair value on balance sheet date as the positive number and off-balance sheet commitments and guarantees as evaluated target. Concentrations of credit risk exist when the counterparty to financial instrument transactions are either concentrated in certain individuals or group of individuals or engaged in business activities in the same industry, which would impair their ability to meet contractual obligations under negative economic or other conditions. Lucky Bank does not believe it has high levels of risk concentration with regard to any single customer or transaction. However, Lucky Bank is likely to be exposed to industry concentration risk. Lucky Bank's information on concentration of credit risk is as follows:

Item	September 30,			
	2005		2006	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Industry type				
Government institution	\$8,910,346	\$268,545	\$5,824,087	\$175,955
Leasing and real estate	2,857,586	86,124	3,029,784	91,534
Manufacturing	4,125,230	124,329	3,197,368	96,597
Individuals	37,259,283	1,122,944	35,383,550	1,068,990
Others	6,960,494	209,780	7,253,109	219,127
Total	<u>\$60,112,939</u>	<u>\$1,811,722</u>	<u>\$54,687,898</u>	<u>\$1,652,203</u>

The credit risk represents the maximum accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted and any collateral or security proved to be of no value.

(c) Liquidity risk

Lucky Bank's operation fund is enough to cope with, it is able to raise the fund to fulfill the contract obligation.

The stocks with active market do not have liquidity risk except for financial assets carried at cost, investment accounted for using equity method and preferred stocks. Lucky Bank expects to sell these kinds of financial assets easily at the price approximate to fair value.

(d) Cash flow risk of interest rate fluctuation

Lucky Bank holds assets and obligations with a floating interest rate will make cash flow of interest rate risk from market interest rate change.

English Translation of Financial Statements Originally Issued in Chinese

(3) Discretionary account management

Item	September 30, 2005			
	Carrying value		Fair value	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Listed stocks	\$3,118,959	\$94,001	\$3,299,204	\$99,433
Repurchase bonds	3,977,017	119,862	3,977,937	119,890
Convertible bonds	33,867	1,021	34,776	1,048
Short-term notes	8,054	243	8,054	243
Bonds	4,893,829	147,493	4,907,530	147,906
Cash in banks	171,678	5,174	171,710	5,175
Net other assets less liabilities	(2,265)	(68)	(2,265)	(68)
Total	\$12,201,139	\$367,726	\$12,396,946	\$373,627

Item	September 30, 2006			
	Carrying value		Fair value	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Listed stocks	\$5,358,521	\$161,889	\$5,358,521	\$161,889
Repurchase bonds	6,327,016	191,149	6,329,588	191,226
Convertible bonds	28,415	858	28,415	858
Short-term notes	40,083	1,211	40,083	1,211
Bonds	2,674,479	80,800	2,674,479	80,800
Cash in banks	193,381	5,842	193,440	5,844
Net other assets less liabilities	3,234	98	3,234	98
Total	\$14,625,129	\$441,847	\$14,627,760	\$441,926

As of September 30, 2005 and 2006, Cathay Life and Cathay Century had discretionary account management contracts in the amount of NT\$11,650,000 (US\$368,205), and NT\$12,900,000 (US\$399,010), respectively.

(4) Business or trading behaviors within subsidiaries:

A. Business or trading behaviors

Please find appendix five (business with stakeholders) for your reference.

B. Integrate business activities:

By integrating the insurance, securities, banking and other diversified financial institutions, the Company has become a full-functioning financial platform. Through the branches and professional sales representatives across Taiwan, the Company is able to develop its cross-selling marketing strategy and provide a one-stop shopping service for its customers.

English Translation of Financial Statements Originally Issued in Chinese

C. Cross utilization of information:

With respect to customers' confidentiality, the Company FHC has established related regulations to ensure the safety and confidentiality of customer information.

D. Locations and business utilities:

The Company has established national presence to provide customers with one-stop services not only in insurance but also in banking and securities services. Since July 2002, The Company has built up four flagship stores of wealth management in Taipei, Taichung and Kaohsiung. In November 2002, we upgraded 5 insurance branches into wealth management service locations.

E. Allocation on revenues, costs, expenses, profits and losses:

Allocated to each subsidiaries by business features.

(6) Material contract: None.

(7) Presentation of financial statements:

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

30. Information regarding investment in Mainland China

On December 25, 2002 and July 24, 2003, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized 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, 2003, 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 September 30, 2006, Cathay Life's remittances to this company totaled approximately US\$48,330.

English Translation of Financial Statements Originally Issued in Chinese

31. Segment information

For the nine months ended September 30, 2005

Item	Bank division (NT\$)	Life insurance division (NT\$)	Property and casualty insurance division (NT\$)	Securities division (NT\$)	Others division (NT\$)	Total (NT\$)
Net interest income	20,830,919	39,856,395	189,752	(15,935)	(308,329)	60,552,802
Non income other than interest	5,021,341	112,928,740	1,867,171	83,509	150,584	120,051,345
Provision for premiums reserve	-	(110,144,839)	(417,005)	-	-	(110,561,844)
Total income	25,852,260	42,640,296	1,639,918	67,574	(157,745)	70,042,303
Bad debt expenses-Loan	(2,419,593)	-	-	-	-	(2,419,593)
Operating expenses	(9,999,080)	(26,130,220)	(786,697)	(175,525)	(910,434)	(38,001,956)
Income from continuing operations before income taxes	13,433,587	16,510,076	853,221	(107,951)	(1,068,179)	29,620,754
Income taxes (expense) benefit	(2,936,701)	979,182	(134,994)	(32,388)	(224,509)	(2,349,410)
Consolidated income	10,496,886	17,489,258	718,227	(140,339)	(1,292,688)	27,271,344

For the nine months ended September 30, 2005

Item	Bank division (US\$)	Life insurance division (US \$)	Property and casualty insurance division (US \$)	Securities division (US \$)	Others division (US \$)	Total (US \$)
Net interest income	627,816	1,201,217	5,719	(480)	(9,293)	1,824,979
Non income other than interest	151,336	3,403,518	56,274	2,517	4,538	3,618,183
Provision for premiums reserve	-	(3,319,615)	(12,568)	-	-	(3,332,183)
Total income	779,152	1,285,120	49,425	2,037	(4,755)	2,110,979
Bad debt expenses-Loan	(72,923)	-	-	-	-	(72,923)
Operating expenses	(301,359)	(787,529)	(23,710)	(5,290)	(27,439)	(1,145,327)
Income from continuing operations before income taxes	404,870	497,591	25,715	(3,253)	(32,194)	892,729
Income taxes (expense) benefit	(88,508)	29,511	(4,069)	(976)	(6,766)	(70,808)
Consolidated income	316,362	527,102	21,646	(4,229)	(38,960)	821,921

English Translation of Financial Statements Originally Issued in Chinese

For the nine months ended September 30, 2006

Item	Bank division (NT\$)	Life insurance division (NT\$)	Property and casualty insurance division (NT\$)	Securities division (NT\$)	Others division (NT\$)	Total (NT\$)
Net interest income	19,898,794	46,058,247	231,576	5,578	(588,388)	65,605,807
Non income other than interest	5,929,264	100,898,523	2,464,748	231,564	170,834	109,694,933
Provision for premiums reserve	-	(112,870,279)	(750,232)	-	-	(113,620,511)
Total income	25,828,058	34,086,491	1,946,092	237,142	(417,554)	61,680,229
Bad debt expenses-Loan	(13,640,134)	-	-	-	-	(13,640,134)
Operating expenses	(8,735,901)	(27,931,306)	(885,900)	(218,380)	(848,120)	(38,619,607)
Income from continuing operations before income taxes	3,452,023	6,155,185	1,060,192	18,762	(1,265,674)	9,420,488
Income taxes (expense) benefit	178,236	710,864	(157,057)	(11,200)	(194,184)	526,659
Cumulative effect of changes in accounting principles	726,679	3,319,319	60,141	29	(856,845)	3,249,323
Consolidated income	4,356,938	10,185,368	963,276	7,591	(2,316,703)	13,196,470

For the nine months ended September 30, 2006

Item	Bank division (US\$)	Life insurance division (US \$)	Property and casualty insurance division (US \$)	Securities division (US \$)	Others division (US \$)	Total (US \$)
Net interest income	601,172	1,391,488	6,996	168	(17,776)	1,982,048
Non income other than interest	179,132	3,048,293	74,464	6,996	5,161	3,314,046
Provision for premiums reserve	-	(3,409,978)	(22,666)	-	-	(3,432,644)
Total income	780,304	1,029,803	58,794	7,164	(12,615)	1,863,450
Bad debt expenses-Loan	(412,089)	-	-	-	-	(412,089)
Operating expenses	(263,924)	(843,846)	(26,764)	(6,598)	(25,623)	(1,166,755)
Income from continuing operations before income taxes	104,291	185,957	32,030	566	(38,238)	284,606
Income taxes (expense) benefit	5,385	21,476	(4,745)	(338)	(5,867)	15,911
Cumulative effect of changes in accounting principles	21,954	100,282	1,817	1	(25,886)	98,168
Consolidated income	131,630	307,715	29,102	229	(69,991)	398,685

32. Parent company financial statements

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

Unaudited balance sheets

As of September 30, 2005 and 2006

(Expressed in thousands of dollars)

	September 30, 2005		September 30, 2006	
	NT \$	US \$	NT \$	US \$
Assets				
Cash and cash equivalents	\$14,142,446	\$426,234	\$13,911,163	\$420,277
Receivables -net	2,798,433	84,341	1,267,841	38,303
Investments under equity method	193,593,727	5,834,651	198,045,092	5,983,235
Other financial assets -net	100,000	3,014	31,720	958
Property and equipment -net	3,380	102	4,588	139
Other assets -net	2,966,764	89,414	3,177,829	96,007
Total assets	<u>\$213,604,750</u>	<u>\$6,437,756</u>	<u>\$216,438,233</u>	<u>\$6,538,919</u>
Liabilities & stockholders' equity				
Short-term debts	\$3,600,000	\$108,499	\$-	\$-
Financial liabilities at fair value through profit and loss	-	-	1,268,804	38,332
Payables	3,238,707	97,610	1,931,882	58,365
Bonds payable	13,426,490	404,656	10,444,402	315,541
Other payable	13,945	421	18,573	561
Total liabilities	<u>20,279,142</u>	<u>611,186</u>	<u>13,663,661</u>	<u>412,799</u>
Stockholders' equity				
Capital stock				
Common stock	85,242,234	2,569,085	90,924,450	2,746,962
Capital surplus	68,091,474	2,052,184	73,902,093	2,232,692
Retained earnings				
Legal reserve	6,009,431	181,116	8,188,136	247,376
Special reserve	226,579	6,829	-	-
Unappropriated retained earnings	33,645,753	1,014,037	22,202,291	670,764
Equity adjustments				
Reserve for land revaluation increment	3,048	92	2,106	64
Cumulative conversion adjustments	125,407	3,780	138,263	4,177
Unrealized gains or losses on financial instruments	(12,758)	(385)	11,559,116	349,218
Treasury stock	-	-	(4,140,046)	(125,077)
Net loss not yet recognized as net pension cost	(5,560)	(168)	(1,837)	(56)
Total stockholders' equity	<u>193,325,608</u>	<u>5,826,570</u>	<u>202,774,572</u>	<u>6,126,120</u>
Total liabilities and stockholders' equity	<u>\$213,604,750</u>	<u>\$6,437,756</u>	<u>\$216,438,233</u>	<u>\$6,538,919</u>

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

Unaudited statements of income

For the nine months ended September 30, 2005 and 2006

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

	January 1 ~ September 30, 2005		January 1 ~ September 30, 2006	
	NT \$	US \$	NT \$	US \$
Income				
Income from long-term equity investments	\$27,671,763	\$833,989	\$14,811,653	\$447,482
Gain on foreign exchange	299,835	9,037	32,648	987
Other operating income	8,710	262	17,816	538
Total income	27,980,308	843,288	14,862,117	449,007
Expenses and loss				
Interest income	662,969	19,981	812,563	24,549
Less: interest expenses	(871,942)	(26,279)	(1,264,610)	(38,206)
Net interest income	(208,973)	(6,298)	(452,047)	(13,657)
Loss on financial assets and liabilities at fair value through profit	-	-	(123,719)	(3,738)
Loss on foreign exchange	(473)	(14)	-	-
Operating expenses	(270,641)	(8,157)	(177,669)	(5,368)
Income from continuing operations before income taxes	27,500,221	828,819	14,108,682	426,244
Income taxes expense	(213,670)	(6,440)	(180,527)	(5,454)
Cumulative effect of changes in accounting principles	-	-	(858,814)	(25,946)
Net income	\$27,286,551	\$822,379	\$13,069,341	\$394,844
Earnings per share(expressed in dollars)				
Primary earnings per share:				
Net income from continuing operations	\$3.08	\$0.09	\$1.55	\$0.04
Cumulative effect of changes in accounting principles	-	-	(0.09)	-
Net income	<u>\$3.08</u>	<u>\$0.09</u>	<u>\$1.46</u>	<u>\$0.04</u>
Fully-diluted earnings per share:				
Net income from continuing operations	\$3.01	\$0.09	\$1.54	\$0.04
Cumulative effect of changes in accounting principles	-	-	(0.09)	-
Net income	<u>\$3.01</u>	<u>\$0.09</u>	<u>\$1.45</u>	<u>\$0.04</u>
Pro-forma information as if subsidiaries' investment in the Company were not treated as treasury stock:				
Income from continuing operations before income taxes	<u>\$27,497,262</u>	<u>\$828,730</u>		
Net income	<u>\$27,283,592</u>	<u>\$822,290</u>		
Earnings per share(expressed in dollars)				
Primary earnings per share:				
Net income from continuing operations	\$3.08	\$0.09		
Cumulative effect of changes in accounting principles	-	-		
Net income	<u>\$3.08</u>	<u>\$0.09</u>		
Fully-diluted earnings per share:				
Net income from continuing operations	\$3.01	\$0.09		
Cumulative effect of changes in accounting principles	-	-		
Net income	<u>\$3.01</u>	<u>\$0.09</u>		

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries

Unaudited statements of changes in stockholders' equity

For the nine months ended September 30, 2005 and 2006

(Expressed in thousands of dollars)

Summary	Retained earnings										Other stockholders' equity											
	Common stock		Capital surplus		Legal reserve		Special reserve		Unappropriated retained earnings		Reserve for land revaluation increment		Cumulative conversion adjustments		Unrealized gains or losses on financial instruments		Treasury stock		Net loss not yet recognized as net pension cost		Total	
	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$
Balance on January 1, 2005	\$83,167,130	\$2,506,544	\$58,955,649	\$1,776,843	\$3,026,715	\$91,221	\$122,653	\$3,697	\$30,640,997	\$923,478	\$3,048	\$92	\$(96,005)	\$(2,893)	\$(110,435)	\$(3,329)	\$(354,955)	\$(10,698)	\$(5,560)	\$(168)	\$175,349,237	\$5,284,787
Appropriations and distribution for 2004																						
Legal reserve					2,982,716	89,895			(2,982,716)	(89,895)											-	-
Special reserve							103,926	3,132	(103,926)	(3,132)											-	-
Cash dividends									(21,187,334)	(638,557)											(21,187,334)	(638,557)
Remuneration paid to directors and supervisors									(5,700)	(172)											(5,700)	(172)
Bonus paid to employees									(2,119)	(64)											(2,119)	(64)
Convertible notes converted into common stock	2,075,104	62,541	9,067,913	273,294																	11,143,017	335,835
Cash dividends to subsidiaries									8,749	264											8,749	264
Capital surplus			1,009	30																	1,009	30
Cumulative conversion adjustments												221,412	6,673								221,412	6,673
Unrealized gains or losses of financial instruments															97,677	2,944					97,677	2,944
Treasury stock			58,154	1,753													354,955	10,698			413,109	12,451
Consolidated income for the nine months ended September 30, 2005									27,286,551	822,379											27,286,551	822,379
Balance on September 30, 2005	\$85,242,234	\$2,569,085	\$68,091,474	\$2,052,184	\$6,009,431	\$181,116	\$226,579	\$6,829	\$33,645,753	\$1,014,037	\$3,048	\$92	\$125,407	\$3,780	\$(12,758)	\$(385)	\$-	\$-	\$(5,560)	\$(168)	\$193,325,608	\$5,826,570
Balance on January 1, 2006	\$85,242,234	\$2,575,294	\$68,092,037	\$2,057,161	\$6,009,431	\$181,554	\$226,579	\$6,845	\$38,146,255	\$850,340	\$3,048	\$92	\$81,154	\$2,452	\$(68,263)	\$(2,062)	\$-	\$-	\$(1,837)	\$(56)	\$187,730,638	\$5,671,620
Unrealized gains on financial instruments-for first time adoption															10,485,096	316,770					10,485,096	316,770
Appropriations and distribution for 2005																						
Legal reserve					2,178,705	65,822			(2,178,705)	(65,822)											-	-
Special reserve							(226,579)	(6,845)	226,579	6,845											-	-
Cash dividends									(12,790,330)	(386,415)											(12,790,330)	(386,415)
Stock dividend	4,263,443	128,805							(4,263,443)	(128,805)											-	-
Remuneration paid to directors and supervisors									(5,700)	(172)											(5,700)	(172)
Bonus paid to employees									(1,706)	(51)											(1,706)	(51)
Convertible notes converted into common stock	599,331	18,106	2,728,521	82,433																	3,327,852	100,539
Land revaluation increment											(942)	(28)									(942)	(28)
Capital surplus			(547)	(16)																	(547)	(16)
Cumulative conversion adjustments													57,109	1,725							57,109	1,725
Unrealized gains or losses of financial instruments															1,142,283	34,510					1,142,283	34,510
Shares converted for issuing new shares	819,442	24,757																			819,442	24,757
Net assets from merger			3,082,082	93,114																	3,082,082	93,114
Treasury stock																	(4,140,046)	(125,077)			(4,140,046)	(125,077)
Consolidated income for the nine months ended September 30, 2006									13,069,341	394,844											13,069,341	394,844
Balance on September 30, 2006	\$90,924,450	\$2,746,962	\$73,902,093	\$2,232,692	\$8,188,136	\$247,376	\$-	\$-	\$22,202,291	\$670,764	\$2,106	\$64	\$138,263	\$4,177	\$11,559,116	\$349,218	\$(4,140,046)	\$(125,077)	\$(1,837)	\$(56)	\$202,774,572	\$6,126,120

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Financial Holding Co., Ltd.
Unaudited statements of cash flows
For the nine months ended September 30, 2005 and 2006
(Expressed in thousands of dollars)**

	January 1 ~ September 30, 2005		January 1 ~ September 30, 2006	
	NT \$	US \$	NT \$	US \$
Cash flows from operating activities				
Net income	\$27,286,551	\$822,379	\$13,069,341	\$394,844
Adjustments:				
Amortizations	59,249	1,786	-	-
Depreciation	926	28	937	28
Losses on disposal of property and equipment	473	14	-	-
Investment income recognized by equity method excess of cash dividends received	(9,702,315)	(292,414)	1,499,768	45,310
Increase in bonds payable redemption premium	463,302	13,963	317,505	9,592
Effects of exchange rate changes	(687,575)	(20,723)	(62,227)	(1,880)
Cumulative effect of changes in accounting principles	-	-	858,814	25,946
Decrease (increase) on operating assets and liabilities				
(Increase) decrease in accounts receivable	(1,624,220)	(48,952)	1,736,161	52,452
Increase in deferred income tax assets	(162,435)	(4,895)	(42,384)	(1,280)
Decrease in other financial assets	-	-	68,280	2,063
Increase in other assets	(98)	(3)	(31)	(1)
Increase(decrease) in accounts payable	2,048,470	61,738	(945,615)	(28,568)
Increase in financial liabilities at fair value through profit and loss	-	-	123,720	3,738
Decrease in income tax payable	-	-	(462,698)	(13,979)
Decrease in deferred income tax liabilities	(49,794)	(1,501)	-	-
Increase in other liabilities	5,200	157	7,594	230
Net cash provided by operating activities	17,637,734	531,577	16,169,165	488,495
Cash flows from investing activities				
Acquisition of long-term investments in stocks	(4,744,726)	(143,000)	-	-
Disposal of property and equipment	950	29	-	-
Acquisition of property and equipment	(907)	(27)	(551)	(17)
Decrease in deferred charges	-	-	40	1
Increase in other assets	(2,647,154)	(79,782)	(20,000)	(604)
Net cash used in investing activities	(7,391,837)	(222,780)	(20,511)	(620)
Cash flows from financing activities				
Increase in short-term debts	3,600,000	108,499	-	-
Increase in bonds payable	331,644	9,995	49,579	1,498
Remuneration paid to directors and supervisors	(5,700)	(172)	(5,700)	(172)
Bonus paid to employees	(2,119)	(64)	(1,706)	(52)
Cash dividends	(21,187,334)	(638,557)	(12,790,330)	(386,415)
Net cash used in financing activities	(17,263,509)	(520,299)	(12,748,157)	(385,141)
Effects of exchange rate changes	687,575	20,723	62,227	1,880
(Decrease) increase in cash and cash equivalents	(6,330,037)	(190,779)	3,462,724	104,614
Cash and cash equivalents at the beginning of year	20,472,483	617,013	10,448,439	315,663
Cash and cash equivalents at the end of year	\$14,142,446	\$426,234	\$13,911,163	\$420,277
Supplemental disclosure of cash flows information				
Interest paid during the period	\$363,249	\$10,948	\$933,812	\$28,212
Interest paid (excluding capitalized interest)	\$363,249	\$10,948	\$933,812	\$28,212
Income tax paid	\$21,401	\$645	\$252,907	\$7,641
Investing and financing activities with no cash flow effects				
Conversion of convertible notes into common stock	\$11,143,017	\$335,835	\$3,327,852	\$100,539
Non-cash assets received from the investee companies of liquidation	\$-	\$-	\$3,901,524	\$117,871

33.The major Subsidiaries' Condensed balance sheets and statements of income

**Cathay Life Insurance Co., Ltd.
Condensed balance sheets
September 30, 2005 and 2006
(Expressed in thousands of dollars)**

Item	September 30,2005		September 30,2006	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$521,374,409	#####	\$575,755,628	#####
Loans	444,373,874	13,392,823	466,146,833	14,082,986
Funds and investments	740,158,371	22,307,365	849,538,560	25,665,817
Property and equipment	14,069,119	424,024	12,930,782	390,658
Intangible assets	163,527	4,929	331,541	10,016
Other assets	85,884,802	2,588,451	151,152,427	4,566,539
Total assets	<u>#####</u>	<u>#####</u>	<u>#####</u>	<u>#####</u>
Liabilities				
Current liabilities	\$28,531,763	\$859,908	\$38,798,336	\$1,172,155
Long-term liabilities	1,595,817	48,096	1,668,041	50,394
Other liabilities	1,678,615,187	50,591,175	1,908,772,770	57,666,851
Total liabilities	<u>1,708,742,767</u>	<u>51,499,179</u>	<u>1,949,239,147</u>	<u>58,889,400</u>
Stockholders' equity				
Capital stock	50,686,158	1,527,612	50,686,158	1,531,304
Capital surplus	10,105	305	9,649	292
Retained earnings	46,580,645	1,403,877	44,738,402	1,351,613
Others	4,427	133	11,182,415	337,837
Total stockholders' equity	<u>97,281,335</u>	<u>2,931,927</u>	<u>106,616,624</u>	<u>3,221,046</u>
Total liabilities and stockholders' equity	<u>#####</u>	<u>#####</u>	<u>#####</u>	<u>#####</u>

**Cathay Life Insurance Co., Ltd.
Condensed statements of income
For the nine months ended September 30, 2005 and 2006
(Expressed in thousands of dollars, except earnings per share)**

Item	January 1 ~ September 30,2005		January 1 ~ September 30,2006	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$380,593,207	#####	\$412,535,000	#####
Operating costs	(358,228,834)	(10,796,529)	(399,126,398)	(12,058,199)
Operating gross profit	22,364,373	674,032	13,408,602	405,094
Operating expenses	(7,565,287)	(228,007)	(7,617,895)	(230,148)
Non-operating revenues & gains	2,117,423	63,816	1,120,388	33,848
Non-operating expenses & losses	(289,263)	(8,718)	(17,278)	(522)
Income from continuing operations before income taxes	\$16,627,246	\$501,123	\$6,893,817	\$208,272
Cumulative effect of changes in accounting principles	\$-	\$-	\$3,315,855	\$100,177
Net income	<u>\$17,606,428</u>	<u>\$530,634</u>	<u>\$10,920,536</u>	<u>\$329,926</u>
Earnings per share (In dollars)				
Income from continuing operations before income taxes	\$3.28	\$0.10	\$1.36	\$0.04
Cumulative effect of changes in accounting principles	\$-	\$-	\$0.66	\$0.02
Net income	<u>\$3.47</u>	<u>\$0.10</u>	<u>\$2.16</u>	<u>\$0.07</u>

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Condensed balance sheets

September 30, 2005 and 2006

(Expressed in thousands of dollars)

Items	September 30, 2005		September 30, 2006	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$6,612,112	\$199,280	\$6,984,572	\$211,014
Loans	1,357,534	40,914	1,984,134	59,944
Funds and investments	3,974,994	119,801	4,351,921	131,478
Fixed assets	53,387	1,609	43,745	1,321
Intangible assets	18,242	550	11,806	357
Other assets	565,267	17,036	789,836	23,862
Total assets	\$12,581,536	\$379,190	\$14,166,014	\$427,976
Liabilities				
Current liabilities	\$1,495,066	\$45,059	\$1,875,049	\$56,648
Long-term liabilities	10,648	321	8,855	267
Other liabilities	8,045,158	242,470	8,960,504	270,710
Total liabilities	9,550,872	287,850	10,844,408	327,625
Stockholders' equity				
Capital stock	2,317,006	69,831	2,317,006	70,000
Capital surplus	2,021	61	1,930	59
Retained earnings	711,102	21,432	952,679	28,782
Others	535	16	49,991	1,510
Total stockholders' equity	3,030,664	91,340	3,321,606	100,351
Total liabilities and stockholders' equity	\$12,581,536	\$379,190	\$14,166,014	\$427,976

Cathay Century Insurance Co., Ltd.

Condensed statements of income

For the nine months ended September 30, 2005 and 2006

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

Items	January 1 ~ September 30, 2005		January 1 ~ September 30, 2006	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$13,630,974	\$410,819	\$13,278,603	\$401,166
Operating costs	(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	(1,249,413)	(37,656)	(1,425,937)	(43,080)
Non-operating revenues	6,569	198	1,592	48
Non-operating expenses	(19)	-	(105)	(3)
Income from continuing operations before income taxes	\$561,292	\$16,917	\$705,738	\$21,321
Cumulative effect of changes in accounting principles	\$-	\$-	\$60,141	\$1,817
Net income	\$426,299	\$12,848	\$608,822	\$18,393
Earning per share (In dollars)				
Income from continuing operations before income taxes	\$2.42	\$0.07	\$3.05	\$0.09
Cumulative effect of changes in accounting principles	\$-	\$-	\$0.26	\$0.01
Net income	\$1.84	\$0.06	\$2.63	\$0.08

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Life Insurance Ltd.(Shanghai)
Condensed balance sheets
September 30, 2005 and 2006
(Expressed in thousands of dollars)**

Items	September 30, 2005		September 30, 2006	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$1,992,784	\$60,060	\$2,238,843	\$67,639
Loans	-	-	2,072	63
Funds and investments	670,147	20,197	1,278,038	38,611
Fixed assets	22,660	683	29,323	886
Intangible assets	2,911	88	2,460	74
Other assets	673,682	20,304	1,170,868	35,374
Total assets	\$3,362,184	\$101,332	\$4,721,604	\$142,647
Liabilities				
Current liabilities	\$11,651	\$351	\$18,303	\$553
Other liabilities	229,571	6,919	1,658,994	50,121
Total liabilities	241,222	7,270	1,677,297	50,674
Stockholders' equity				
Capital stock	3,281,040	98,886	3,349,920	101,206
Retained earnings	(160,078)	(4,824)	(310,879)	(9,392)
Others	-	-	5,266	159
Total stockholders' equity	3,120,962	94,062	3,044,307	91,973
Total liabilities and stockholders' equity	\$3,362,184	\$101,332	\$4,721,604	\$142,647

**Cathay Life Insurance Ltd.(Shanghai)
Condensed statements of income
For the nine months ended September 30, 2005 and 2006
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ September 30, 2005		January 1 ~ September 30, 2006	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$283,585	\$8,547	\$1,065,445	\$32,189
Operating costs	(234,110)	(7,056)	(969,521)	(29,291)
Operating gross profit	49,475	1,491	95,924	2,898
Operating expenses	(146,514)	(4,416)	(191,489)	(5,785)
Non-operating revenues	-	-	3,306	100
Non-operating expenses	(14,665)	(442)	(15,299)	(462)
Loss from continuing operations before income taxes	\$(111,704)	\$(3,367)	\$(107,558)	\$(3,249)
Cumulative effect of changes in accounting principles	\$-	\$-	\$3,492	\$105
Net loss	\$(111,704)	\$(3,367)	\$(104,066)	\$(3,144)
Earnings per share (In dollars)				
Income from continuing operations before income taxes	Note	Note	Note	Note
Net loss	Note	Note	Note	Note

Note : Cathay Life Insurance (Shanghai) is a limited company, there is non information about earnings per share.

English Translation of Financial Statements Originally Issued in Chinese

**Cathay United Bank Co., Ltd.
Condensed balance sheets
September 30, 2005 and 2006
(Expressed in thousands of dollars)**

Items	September 30, 2005		September 30, 2006	
	NT\$	US\$	NT\$	US\$
Assets				
Cash and cash equivalents	\$17,537,552	\$528,557	\$25,781,811	\$778,907
Due from the Central Bank and call loans to banks	49,869,891	1,503,011	48,832,234	1,475,294
Financial assets at fair value through profit and loss	44,431,032	1,339,091	56,333,887	1,701,930
Securities purchased under agreements to resell	3,168,902	95,506	126,000	3,807
Available-for-sale financial assets, net	41,405,345	1,247,901	51,114,457	1,544,243
Receivables, net	60,616,743	1,826,906	51,015,180	1,541,244
Loans and advances to customers, net	617,419,767	18,608,191	651,277,767	19,676,065
Held-to-maturity financial assets, net	8,388,359	252,814	5,541,686	167,423
Investments accounted for using equity method, net	5,079,446	153,088	2,112,220	63,813
Premises and equipment, net	24,917,361	750,975	23,841,780	720,296
Other financial assets, net	139,653,893	4,208,978	207,824,286	6,278,679
Other assets, net	5,547,504	167,194	8,149,445	246,207
Total assets	\$1,018,035,795	\$30,682,212	\$1,131,950,753	\$34,197,908
Liabilities				
Due to the Central Bank and call loans from banks	\$73,956,117	\$2,228,937	\$87,582,531	\$2,645,998
Payables	24,067,437	725,360	23,649,139	714,476
Deposits and remittances	757,378,680	22,826,362	846,849,398	25,584,574
Financial liabilities at fair value through profit or loss	49,714,563	1,498,329	53,038,898	1,602,384
Securities sold under agreements to repurchase	23,550,540	709,781	20,696,643	625,276
Banker's acceptances and funds borrowed	829,875	25,011	824,500	24,909
Financial debentures payable	2,350,000	70,826	18,276,773	552,168
Other financial liabilities	311,510	9,388	817,283	24,691
Other liabilities	2,124,725	64,036	1,797,229	54,297
Total liabilities	934,283,447	28,158,030	1,053,532,394	31,828,773
Shareholders' equity				
Capital stock	46,420,518	1,399,051	46,420,518	1,402,433
Capital reserves	13,463,713	405,778	13,464,276	406,776
Retained earnings	23,745,999	715,672	18,221,269	550,491
Others	122,118	3,681	312,296	9,435
Total shareholders' equity	83,752,348	2,524,182	78,418,359	2,369,135
Total liabilities and shareholders' equity	\$1,018,035,795	\$30,682,212	\$1,131,950,753	\$34,197,908

**Cathay United Bank Co., Ltd.
Condensed statements of income
For the nine months ended September 30, 2005 and 2006
(Expressed in thousands of dollars, except per share information)**

Items	January 1 ~ September 30, 2005		January 1 ~ September 30, 2006	
	NT\$	US\$	NT\$	US\$
Net interest income	\$19,950,592	\$601,284	\$18,885,901	\$570,571
Non-interest income	5,129,903	154,608	5,829,397	176,115
Net operating income	25,080,495	755,892	24,715,298	746,686
Provision for loan losses	(2,419,593)	(72,923)	(13,640,134)	(412,089)
Operating expenses	(10,111,316)	(304,742)	(9,168,810)	(277,003)
Income from continuing operations before income taxes	\$12,549,586	\$378,227	\$1,906,354	\$57,594
Cumulative effect of changes in accounting principles	\$-	\$-	\$726,679	\$21,954
Net income	\$9,630,586	\$290,253	\$2,950,033	\$89,125
Earnings per share (In dollars)				
Income from continuing operations before income taxes	\$2.70	\$0.08	\$0.41	\$0.01
Cumulative effect of changes in accounting principles	\$-	\$-	\$0.16	\$-
Net income	\$2.70	\$0.08	\$0.57	\$0.02

English Translation of Financial Statements Originally Issued in Chinese

Lucky Bank, Inc.
Condensed balance sheets
September 30, 2005 and 2006
(Expressed in thousands of dollars)

Items	September 30, 2005		September 30, 2006	
	NT\$	US\$	NT\$	US\$
Assets				
Cash and cash equivalents	\$2,511,613	\$75,697	\$3,353,973	\$101,328
Due from the Central Bank and call loans to banks	2,499,965	75,345	2,394,013	72,327
Financial assets at fair value through profit or loss	165,171	4,978	48,256	1,458
Available-for-sale financial assets, net	712,541	21,475	500,355	15,116
Receivables, net	227,077	6,844	278,207	8,405
Loans and advances to customers, net	59,540,049	1,794,456	54,079,658	1,633,827
Investments accounted for using equity method, net	104,106	3,138	-	-
Premises and equipment, net	1,693,117	51,028	1,668,422	50,406
Other financial assets, net	22,310,235	672,400	27,495,274	830,673
Other assets, net	813,342	24,513	613,955	18,548
Total assets	\$90,577,216	\$2,729,874	\$90,432,113	\$2,732,088
Liabilities				
Due to the Central Bank and call loans from banks	\$247,241	\$7,452	\$151,693	\$4,583
Payables	991,761	29,890	1,972,604	59,595
Deposits and remittances	85,330,021	2,571,731	84,154,266	2,542,425
Other liabilities	291,302	8,779	258,839	7,820
Total liabilities	86,860,325	2,617,852	86,537,402	2,614,423
Shareholders' equity				
Capital stock	3,146,000	94,816	3,146,000	95,045
Capital reserves	463,482	13,969	463,482	14,003
Retained earnings	163,132	4,916	321,073	9,700
Others	(55,723)	(1,679)	(35,844)	(1,083)
Total shareholders' equity	3,716,891	112,022	3,894,711	117,665
Total liabilities and shareholders' equity	\$90,577,216	\$2,729,874	\$90,432,113	\$2,732,088

Lucky Bank, Inc.
Condensed statements of income
For the nine months ended September 30, 2005 and 2006
(Expressed in thousands of dollars, except per share information)

Items	January 1 ~ September 30, 2005		January 1 ~ September 30, 2006	
	NT\$	US\$	NT\$	US\$
Net interest income	\$876,417	\$26,414	\$772,836	\$23,348
Non-interest income	(304,934)	(9,190)	118,324	3,575
Net operating revenue	571,483	17,224	891,160	26,923
Operating expenses	(664,033)	(20,013)	(589,873)	(17,821)
(Loss) income from continuing operations before income taxes	\$(92,550)	\$(2,789)	\$301,287	\$9,102
Net (loss) income	\$(110,522)	\$(3,331)	\$214,207	\$6,472
Earnings per share (In dollars)				
(Loss) income from continuing operations before income taxes	\$(0.29)	\$(0.01)	\$0.96	\$0.03
Net (loss) income	\$(0.35)	\$(0.01)	\$0.68	\$0.02

English Translation of Financial Statements Originally Issued in Chinese

Indovina Bank Limited
Condensed balance sheets
September 30, 2005 and 2006
(Expressed in thousands of dollars)

Items	September 30, 2005		September 30, 2006	
	NT\$	US\$	NT\$	US\$
Assets				
Cash and cash equivalents	\$811,808	\$24,467	\$1,101,478	\$33,277
Due from the Central Bank and call loans to banks	318,880	9,610	522,445	15,784
Financial assets at fair value through profit and loss	20,568	620	90,087	2,722
Investments in debt securities with no active market	448,068	13,504	323,125	9,762
Receivables, net	49,793	1,501	74,428	2,248
Loans and advances to customers, net	6,244,606	188,204	7,769,985	234,743
Premises and equipment, net	61,051	1,840	118,109	3,568
Other assets, net	266	8	325	10
Total assets	\$7,955,040	\$239,754	\$9,999,982	\$302,114
Liabilities				
Due to the Central Bank and call loans from banks	\$1,576,205	\$47,505	\$1,252,176	\$37,830
Payables	330,273	9,954	689,213	20,822
Deposits and remittances	4,998,498	150,648	6,895,273	208,317
Total liabilities	6,904,976	208,107	8,836,662	266,969
Shareholders' equity				
Capital stock	791,657	23,859	791,657	23,917
Retained earnings	212,958	6,418	315,080	9,519
Others	45,449	1,370	56,583	1,709
Total shareholders' equity	1,050,064	31,647	1,163,320	35,145
Total liabilities and shareholders' equity	\$7,955,040	\$239,754	\$9,999,982	\$302,114

Indovina Bank Limited
Condensed statements of income
For the nine months ended September 30, 2005 and 2006
(Expressed in thousands of dollars, except per share information)

Items	January 1 ~ September 30, 2005		January 1 ~ September 30, 2006	
	NT\$	US\$	NT\$	US\$
Net interest income	\$180,948	\$5,454	\$254,336	\$7,684
Non-interest income	32,356	975	109,546	3,309
Net operating revenue	213,304	6,429	363,882	10,993
Operating expenses	(74,921)	(2,258)	(107,893)	(3,259)
Income from continuing operations before income taxes	\$138,383	\$4,171	\$255,989	\$7,734
Net income	\$110,304	\$3,324	\$204,305	\$6,172
Earnings per share (In dollars)				
Income from continuing operations before income taxes	Note	Note	Note	Note
Net income	Note	Note	Note	Note

Note : Indovina Bank is a subsidiary of foreign bank. Thus, there is non information about earnings per share.

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Securities Corporation
Condensed balance sheets
September 30, 2005 and 2006
(Expressed in thousands of dollars)**

Items	September 30, 2005		September 30, 2006	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$4,602,981	\$138,728	\$3,072,921	\$92,838
Funds and investments	18	-	722,392	21,825
Property and equipment	100,112	3,017	103,548	3,128
Intangible assets	1,552	47	1,928	58
Other assets	228,589	6,889	319,724	9,659
Total assets	\$4,933,252	\$148,681	\$4,220,513	\$127,508
Liabilities				
Current liabilities	\$891,331	\$26,863	\$152,814	\$4,617
Long-term liabilities	-	-	371	11
Other liabilities	10,315	311	32,873	993
Total liabilities	901,646	27,174	186,058	5,621
Stockholders' equity				
Capital stock	3,700,000	111,513	3,700,000	111,782
Capital surplus	258,434	7,789	258,434	7,808
Retained earnings	73,172	2,205	76,021	2,297
Total stockholders' equity	4,031,606	121,507	4,034,455	121,887
Total liabilities and stockholders' equity	\$4,933,252	\$148,681	\$4,220,513	\$127,508

**Cathay Securities Corporation
Condensed statements of income
For the nine months ended September 30, 2005 and 2006
(Expressed in thousands of dollars, except for earnings per share)**

Items	January 1 ~ September 30, 2005		January 1 ~ September 30, 2006	
	NT\$	US\$	NT\$	US\$
Revenue	\$323,784	\$9,758	\$280,749	\$8,482
Expenses	(218,224)	(6,577)	(250,600)	(7,571)
Income (loss) from continuing operations before income taxes	\$105,560	\$3,181	\$30,149	\$911
Cumulative effect of changes in accounting principles	\$-	\$-	\$173	\$5
Net income (loss)	\$73,172	\$2,205	\$19,122	\$578
Earnings per share (In dollars)				
Income (loss) from continuing operations before income taxes	\$0.30	\$0.01	\$0.08	\$-
Cumulative effect of changes in accounting principles	\$-	\$-	\$-	\$-
Net income (loss)	\$0.20	\$0.01	\$0.05	\$-

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Pacific Venture Capital Co., Ltd.
Condensed balance sheets
September 30, 2005 and 2006
(Expressed in thousands of dollars)**

Items	September 30, 2005		September 30, 2006	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$395,635	\$11,924	\$395,157	\$11,938
Funds and investments	162,541	4,899	212,980	6,435
Total assets	\$558,176	\$16,823	\$608,137	\$18,373
Liabilities				
Current liabilities	\$122	\$4	\$398	\$12
Total liabilities	122	4	398	12
Stockholders' equity				
Capital stock	600,000	18,083	600,000	18,127
Retained earnings	(41,946)	(1,264)	(33,789)	(1,021)
Equity adjustment	-	-	41,528	1,255
Total stockholders' equity	558,054	16,819	607,739	18,361
Total liabilities and stockholders' equity	\$558,176	\$16,823	\$608,137	\$18,373

**Cathay Pacific Venture Capital Co., Ltd.
Condensed statements of income
For the nine months ended September 30, 2005 and 2006
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ September 30, 2005		January 1 ~ September 30, 2006	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$206	\$6	\$6,821	\$206
Operating costs	(20,333)	(613)	(9,142)	(276)
Operating gross profit	(20,127)	(607)	(2,321)	(70)
Operating expenses	(11,250)	(339)	(11,250)	(340)
Non-operating revenues	618	19	1,496	45
Non-operating expenses	(3,656)	(110)	(827)	(25)
Income from continuing operations before income taxes	\$(34,415)	\$(1,037)	\$(12,902)	\$(390)
Net income	\$26,453	\$797	\$(2,749)	\$(83)
Earning per share (In dollars)				
Income from continuing operations before income taxes	\$(0.57)	\$(0.02)	\$(0.22)	\$(0.01)
Net income	\$(0.44)	\$(0.01)	\$(0.05)	\$-

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Venture Capital Co., Ltd.
Condensed balance sheets
September 30, 2005 and 2006
(Expressed in thousands of dollars)**

Items	September 30, 2005		September 30, 2006	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$721,675	\$21,750	\$707,522	\$21,375
Funds and investments	802,091	24,174	1,074,712	32,469
Total assets	<u>\$1,523,766</u>	<u>\$45,924</u>	<u>\$1,782,234</u>	<u>\$53,844</u>
Liabilities				
Current liabilities	\$3,468	\$104	\$13,584	\$410
Total liabilities	<u>3,468</u>	<u>104</u>	<u>13,584</u>	<u>410</u>
Stockholders' equity				
Capital stock	1,500,000	45,208	1,500,000	45,317
Retained earnings	18,159	547	130,951	3,957
Equity adjustment	2,139	65	137,699	4,160
Total stockholders' equity	<u>1,520,298</u>	<u>45,820</u>	<u>1,768,650</u>	<u>53,434</u>
Total liabilities and stockholders' equity	<u>\$1,523,766</u>	<u>\$45,924</u>	<u>\$1,782,234</u>	<u>\$53,844</u>

**Cathay Venture Capital Co., Ltd.
Condensed statements of income
For the nine months ended September 30, 2005 and 2006
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ September 30, 2005		January 1 ~ September 30, 2006	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$116,209	\$3,502	\$175,315	\$5,296
Operating costs	(11,894)	(358)	(10,663)	(322)
Operating gross profit	104,315	3,144	164,652	4,974
Operating expenses	(17,913)	(540)	(22,447)	(678)
Non-operating expenses	-	-	(3)	-
Income from continuing operations before income taxes	<u>\$86,402</u>	<u>\$2,604</u>	<u>\$142,202</u>	<u>\$4,296</u>
Net income	<u>\$82,936</u>	<u>\$2,500</u>	<u>\$132,041</u>	<u>\$3,989</u>
Earning per share (In dollars)				
Income from continuing operations before income taxes	<u>\$0.73</u>	<u>\$0.02</u>	<u>\$0.95</u>	<u>\$0.03</u>
Net income	<u>\$0.70</u>	<u>\$0.02</u>	<u>\$0.88</u>	<u>\$0.03</u>

English Translation of Financial Statements Originally Issued in Chinese

**Cathay II Venture Capital Co., Ltd.
Condensed balance sheets
September 30, 2005 and 2006
(Expressed in thousands of dollars)**

Items	September 30, 2005		September 30, 2006	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$101,110	\$3,047	\$92,084	\$2,782
Funds and investments	494,250	14,896	755,387	22,821
Total assets	<u>\$595,360</u>	<u>\$17,943</u>	<u>\$847,471</u>	<u>\$25,603</u>
Liabilities				
Current liabilities	\$86	\$2	\$10,784	\$326
Total liabilities	<u>86</u>	<u>2</u>	<u>10,784</u>	<u>326</u>
Stockholders' equity				
Capital stock	600,000	18,083	600,000	18,127
Retained earnings	1,424	43	108,576	3,280
Equity adjustment	(6,150)	(185)	128,111	3,870
Total stockholders' equity	<u>595,274</u>	<u>17,941</u>	<u>836,687</u>	<u>25,277</u>
Total liabilities and stockholders' equity	<u>\$595,360</u>	<u>\$17,943</u>	<u>\$847,471</u>	<u>\$25,603</u>

**Cathay II Venture Capital Co., Ltd.
Condensed statements of income
For the nine months ended September 30, 2005 and 2006
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ September 30, 2005		January 1 ~ September 30, 2006	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$18,482	\$557	\$118,794	\$3,589
Operating gross profit	18,482	557	118,794	3,589
Operating expenses	(9,154)	(276)	(7,873)	(238)
Income from continuing operations before income taxes	<u>\$9,328</u>	<u>\$281</u>	<u>\$110,921</u>	<u>\$3,351</u>
Net income	<u>\$9,328</u>	<u>\$281</u>	<u>\$103,207</u>	<u>\$3,118</u>
Earning per share (In dollars)				
Income from continuing operations before income taxes	<u>\$0.16</u>	<u>\$-</u>	<u>\$1.85</u>	<u>\$0.06</u>
Net income	<u>\$0.16</u>	<u>\$-</u>	<u>\$1.72</u>	<u>\$0.05</u>

English Translation of Financial Statements Originally Issued in Chinese

**Symphox Information Co., Ltd.
Condensed balance sheets
September 30, 2005 and 2006
(Expressed in thousands of dollars)**

Items	September 30, 2005		September 30, 2006	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$415,088	\$12,510	\$415,156	\$12,543
Fixed assets	132,224	3,985	146,873	4,437
Intangible assets	5,445	164	6,471	196
Other assets	7,910	239	24,637	744
Total assets	\$560,667	\$16,898	\$593,137	\$17,920
Liabilities				
Current liabilities	\$126,337	\$3,808	\$169,586	\$5,123
Other liabilities	87	2	89	3
Total liabilities	126,424	3,810	169,675	5,126
Stockholders' equity				
Capital stock	499,000	15,039	499,000	15,076
Retained earnings	(64,757)	(1,951)	(75,538)	(2,282)
Total stockholders' equity	434,243	13,088	423,462	12,794
Total liabilities and stockholders' equity	\$560,667	\$16,898	\$593,137	\$17,920

**Symphox Information Co., Ltd.
Condensed statements of income
For the nine months ended September 30, 2005 and 2006
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ September 30, 2005		January 1 ~ September 30, 2006	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$417,539	\$12,584	\$622,943	\$18,820
Operating costs	(388,127)	(11,698)	(591,191)	(17,861)
Operating gross profit	29,412	886	31,752	959
Operating expenses	(44,503)	(1,341)	(58,436)	(1,765)
Non-operating revenues	3,819	115	2,569	78
Non-operating expenses	(61)	(2)	(17)	(1)
Income from continuing operations before income taxes	\$(11,333)	\$(342)	\$(24,132)	\$(729)
Cumulative effect of changes in accounting principles	\$-	\$-	\$1,809	\$55
Net income	\$(11,333)	\$(342)	\$(22,322)	\$(674)
Earning per share (In dollars)				
Income from continuing operations before income taxes	\$(0.23)	\$(0.01)	\$(0.49)	\$(0.01)
Cumulative effect of changes in accounting principles	\$-	\$-	\$0.04	\$-
Net income	\$(0.23)	\$(0.01)	\$(0.45)	\$(0.01)

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Futures Corp.
Condensed balance sheets
September 30, 2005 and 2006
(Expressed in thousands of dollars)**

Items	September 30, 2005		September 30, 2006	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$951,943	\$28,691	\$1,440,956	\$43,533
Funds and investments	30,500	919	30,500	922
Fixed assets	342,285	10,316	331,632	10,019
Other assets	145,430	4,383	137,067	4,141
Total assets	\$1,470,158	\$44,309	\$1,940,155	\$58,615
Liabilities				
Current liabilities	\$742,194	\$22,369	\$1,210,787	\$36,580
Other liabilities	13,097	395	6,927	209
Total liabilities	755,291	22,764	1,217,714	36,789
Stockholders' equity				
Capital stock	650,000	19,590	650,000	19,637
Retained earnings	64,867	1,955	72,441	2,189
Total stockholders' equity	714,867	21,545	722,441	21,826
Total liabilities and stockholders' equity	\$1,470,158	\$44,309	\$1,940,155	\$58,615

**Cathay Futures Corp.
Condensed statements of income
For the nine months ended September 30, 2005 and 2006
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ September 30, 2005		January 1 ~ September 30, 2006	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$126,321	\$3,807	\$62,146	\$1,877
Operating costs	(76,285)	(2,299)	(21,495)	(649)
Operating gross profit	50,036	1,508	40,651	1,228
Operating expenses	(65,727)	(1,981)	(47,000)	(1,420)
Non-operating revenues	14,395	434	27,789	840
Non-operating expenses	(762)	(23)	(9,622)	(291)
Income from continuing operations before income taxes	\$(2,058)	\$(62)	\$11,818	\$357
Cumulative effect of changes in accounting principles	\$-	\$-	\$159	\$5
Net income	\$(3,183)	\$(96)	\$11,968	\$362
Earning per share (In dollars)				
Income from continuing operations before income taxes	\$(0.05)	\$-	\$0.18	\$0.01
Cumulative effect of changes in accounting principles	\$-	\$-	\$-	\$-
Net income	\$(0.05)	\$-	\$0.18	\$0.01