Cathay Century Insurance Co., Ltd.
Unaudited financial statements
Together with
Review report of independent auditors
As of March 31, 2006 and 2007

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

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

Review Report of Independent Auditors

Board of Directors
Cathay Century Insurance Co., Ltd.

We have reviewed the accompanying balance sheets of Cathay Century Insurance Co., Ltd. (the “Company”) as of March 31, 2006 and 2007, and the related statements of income, changes in stockholders’ equity, and cash flows for the three-month periods then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to issue a review report based on our reviewed.

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

Based on our review, we are not aware of any material modifications that should be made to the financial statements as of and for the three-month periods ended March 31, 2006 and 2007 in order for them to be in conformity with “Business Entity Accounting Act”, “Guidelines Governing the Preparation of Financial Reports by Property and Casualty Insurance”, “Guidelines Governing the Preparation of Financial Reports by Securities Issuers” and generally accepted accounting principles in the Republic of China.

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

ERNST & YOUNG
Taipei, Taiwan
Republic of China
April 11, 2007

Notice to Readers:

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Unaudited balance sheets

As of March 31, 2007 and 2007

(Expressed in thousands of dollars)

Assets	Notes	March 31,2006 NT$	March 31,2006 US$	March 31,2007 NT$	March 31,2007 US$
Current assets					
Cash and cash equivalents	2,4	$2,536,270	$78,232	$2,109,456	$63,904
Financial assets at fair value through profit or loss - current	2,5	412,044	12,710	849,826	25,744
Available-for-sale financial assets - current	2,6	1,826,050	56,325	2,513,385	76,140
Held-to-maturity financial assets - current	2,7	-	-	44,020	1,333
Investments in debt securities with no active market - current	2,8	253,576	7,822	76,733	2,324
Notes receivable	2	153,979	4,750	220,988	6,695
Premiums receivable	2,9	1,121,899	34,605	1,504,559	45,579
Claims recoverable from reinsurers		189,372	5,841	187,894	5,692
Due from reinsurers and ceding companies		71,098	2,193	88,464	2,680
Accounts receivable-reinsurance		26,693	823	36,794	1,115
Other accounts receivable	2	26,133	806	65,889	1,996
Prepayments		2,741	84	3,298	100
Deferred income tax assets - current	2,21	42,112	1,299	30,097	912
Subtotal		6,661,967	205,490	7,731,403	234,214
Loans	2,10				
Secured loans		1,558,924	48,085	2,238,809	67,822
Subtotal		1,558,924	48,085	2,238,809	67,822
Funds and investments	2				
Held-to-maturity financial assets - noncurrent	11	3,560,634	109,828	3,924,266	118,881
Financial assets carried at cost - noncurrent	12	36,000	1,111	60,000	1,818
Investments in debt securities with no active market - noncurrent	13	306,841	9,465	228,510	6,922
Long-term investments under the equity method	14	426,107	13,143	461,619	13,984
Subtotal		4,329,582	133,547	4,674,395	141,605
Fixed assets	15				
Communication and transportation equipments		15,743	486	11,355	344
Other equipments		182,620	5,633	194,148	5,882
Subtotal		198,363	6,119	205,503	6,226
Less: Accumulated depreciation		(150,421)	(4,640)	(167,451)	(5,073)
Prepayments for equipments		2,838	87	2,467	75
Subtotal		50,780	1,566	40,519	1,228
Intangible assets	2,16				
Computer software cost		11,491	354	6,432	195
Deferred pension cost		3,464	107	-	-
Subtotal		14,955	461	6,432	195
Other assets					
Guarantee deposits paid		382,159	11,788	409,973	12,420
Funds held by ceding companies		8	-	8	-
Overdue receivables	2	293,123	9,042	253,657	7,684
Other assets-others		41,147	1,269	23,811	721
Subtotal		716,437	22,099	687,449	20,825
Total assets		$13,332,645	$411,248	$15,379,007	$465,889

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2006 and 2007 were NT$32.42 and NT$33.01 to US$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Unaudited balance sheets - (Continued)

As of March 31, 2006 and 2007

(Expressed in thousands of dollars)

Liabilities & stockholders' equity	Notes	March 31,2006 NT$	March 31,2006 US$	March 31,2007 NT$	March 31,2007 US$
Current liabilities					
Financial liabilities at fair value through profit or loss - current	2	$12,648	$390	$53,055	$1,607
Commissions payable		6,019	186	4,883	148
Claims outstanding		684	21	19,110	579
Due to reinsurers and ceding companies		260,845	8,046	332,271	10,066
Accounts payable-reinsurance		631,475	19,478	866,264	26,242
Other payables		355,840	10,976	478,752	14,503
Subtotal		1,267,511	39,097	1,754,335	53,145
Long-term liabilities	2				
Accrued pension liabilities		6,869	212	3,405	103
Subtotal		6,869	212	3,405	103
Operating and liability reserve	2,17				
Unearned premiums reserve		4,589,415	141,561	5,044,980	152,832
Special reserve		2,818,977	86,952	3,356,827	101,691
Claims reserve		1,089,937	33,619	1,207,129	36,569
Subtotal		8,498,329	262,132	9,608,936	291,092
Other liabilities					
Funds held for reinsurers		185	6	185	6
Other liabilities-others		91,507	2,822	108,881	3,298
Subtotal		91,692	2,828	109,066	3,304
Total liabilities		9,864,401	304,269	11,475,742	347,644
Stockholders' equity					
Capital stock	18				
Common stock		2,317,006	71,468	2,317,006	70,191
Capital surplus		2,021	63	1,929	58
Retained earnings	19				
Legal reserve		284,803	8,785	343,857	10,417
Unappropriated retained earnings		850,627	26,238	1,070,141	32,419
Equity adjustment					
Unrealized gains or losses on financial instruments		13,787	425	170,332	5,160
Total stockholders' equity		3,468,244	106,979	3,903,265	118,245
Total liabilities and stockholders' equity		$13,332,645	$411,248	$15,379,007	$465,889

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2006 and 2007 were NT$32.42 and NT$33.01 to US$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Unaudited statements of income

For the three months March ended 31, 2006 and 2007

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

Items	Notes	January 1-March 31,2006 NT$	January 1-March 31,2006 US$	January 1-March 31,2007 NT$	January 1-March 31,2007 US$
Operating revenues	2				
Premiums income		$2,424,055	$74,770	$2,748,982	$83,277
Reinsurance commission earned		73,448	2,265	82,808	2,509
Claims recovered from reinsurers		291,118	8,979	222,955	6,754
Recovered unearned premiums reserve		4,449,253	137,238	4,955,218	150,113
Recovered special claim reserve		90,253	2,784	33,542	1,016
Recovered claims reserve		14,027	433	54,750	1,659
Handling fee earned		20	1	14	-
Interest revenues		72,705	2,243	87,257	2,643
Gains from valuation on financial assets		11,368	351	10,024	304
Gains from valuation on financial liabilities		12,073	372	8,790	266
Gains on investments recognized under the equity method		24,139	745	2,957	90
Exchanges gains		647	20	62,668	1,898
Gains on disposal of investments		27,205	839	27,273	826
Subtotal		7,490,311	231,040	8,297,238	251,355
Operating costs	2				
Reinsurance premiums ceded		(792,314)	(24,439)	(872,437)	(26,429)
Commissions expenses		(38,101)	(1,175)	(40,688)	(1,232)
Insurance claims payment		(1,057,418)	(32,616)	(1,041,265)	(31,544)
Provision for unearned premiums reserve		(4,589,415)	(141,561)	(5,044,980)	(152,832)
Provision for special claim reserve		(161,436)	(4,980)	(204,089)	(6,183)
Contribution to the stabilization funds		(4,617)	(143)	(5,271)	(160)
Provision for claims reserve		(54,750)	(1,689)	(79,957)	(2,422)
Handling fee paid		(56,611)	(1,746)	(62,154)	(1,883)
Exchanges losses		(38,594)	(1,190)	(645)	(20)
Other operating costs		(1,071)	(33)	(1,061)	(32)
Subtotal		(6,794,327)	(209,572)	(7,352,547)	(222,737)
Operating gross profit		695,984	21,468	944,691	28,618
Operating expenses	2				
Marketing expenses		(392,128)	(12,095)	(452,311)	(13,702)
Management and general affairs expenses		(59,606)	(1,838)	(69,315)	(2,100)
Operating income		244,250	7,535	423,065	12,816
Non-operating revenues					
Gains on disposal of fixed assets		-	-	642	20
Other non-operating revenues		594	18	562	17
Subtotal		594	18	1,204	37
Non-operating expenses					
Miscellaneous expenses		(23)	(1)	(29)	(1)
Subtotal		(23)	(1)	(29)	(1)
Income from continuing operations before income taxes		244,821	7,552	424,240	12,852
Income taxes	2,21	(44,880)	(1,384)	(83,865)	(2,541)
Income from continuing operations after income taxes		199,941	6,168	340,375	10,311
Cumulative effect of changes in accounting principles	3	60,141	1,855	-	-
Net income		$260,082	$8,023	$340,375	$10,311
Earning per share (In dollars)	22				
Income before income taxes		$1.32	$0.04	$1.83	$0.06
Net income		$1.12	$0.03	$1.47	$0.04

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2006 and 2007 were NT$32.42 and NT$33.01 to US$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Unaudited statements of changes in stockholders' equity

For the three months ended March 31, 2006 and 2007

(Expressed in thousands of dollars)

Summary	Capital stock				Retained earnings				Equity adjustment					
	Common stock		Capital surplus		Legal reserve		Unappropriated retained earnings		Unrealized gains or losses on financial instruments		Cumulative conversion adjustments		Total	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Balance on January 1, 2005	$2,317,006	$71,468	$2,021	$63	$284,803	$8,785	$590,545	$18,215	$-	$-	$(158)	$(5)	$3,194,217	$98,526
Unrealized gains or losses on financial instruments - first time adoption	-	-	-	-	-	-	-	-	(24,734)	(763)	-	-	(24,734)	(763)
Changes in unrealized gains or losses on financial instruments	-	-	-	-	-	-	-	-	38,521	1,188	-	-	38,521	1,188
Cumulative conversion adjustments	-	-	-	-	-	-	-	-	-	-	158	5	158	5
Net Income for the three months period ended March 31, 2006	-	-	-	-	-	-	260,082	8,023	-	-	-	-	260,082	8,023
Balance on March 31, 2006	$2,317,006	$71,468	$2,021	$63	$284,803	$8,785	$850,627	$26,238	$13,787	$425	$ -	$ -	$3,468,244	$106,979
Balance on January 1, 2007	$2,317,006	$70,191	$1,929	$58	$343,857	$10,417	$729,766	$22,108	$179,028	$5,423	$-	$-	$3,571,586	$108,197
Changes in unrealized gains or losses on financial instruments	-	-	-	-	-	-	-	-	(8,696)	(263)	-	-	(8,696)	(263)
Net Income for the three months period ended March 31, 2007	-	-	-	-	-	-	340,375	10,311	-	-	-	-	340,375	10,311
Balance on March 31, 2007	$2,317,006	$70,191	$1,929	$58	$343,857	$10,417	$1,070,141	$32,419	$170,332	$5,160	$-	$-	$3,903,265	$118,245

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2006 and 2007 were NT$32.42 and NT$33.01 to US$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Unaudited statements of cash flows

For the three months ended March 31, 2006 and 2007

(Expressed in thousands of dollars)

		January 1-March 31,2006		January 1-March 31,2007	
Items	Notes	NT$	US$	NT$	US$
Cash flows from operating activities					
Net income		$260,082	$8,023	$340,375	$10,311
Adjustments to reconcile net income to net cash provided by (used in)					
operating activities:					
Amortization		1,903	59	1,605	49
Depreciation		5,725	177	4,240	129
Provision for reserve for operations		4,805,601	148,229	5,329,026	161,437
Recovered unearned premiums reserve		(4,449,253)	(137,238)	(4,955,218)	(150,113)
Recovered special claim reserve		(90,253)	(2,784)	(33,542)	(1,016)
Recovered claims reserve		(14,027)	(433)	(54,750)	(1,659)
Gaines on disposal of fixed assets		-	-	(642)	(20)
Gains from valuation on financial assets		(11,368)	(351)	(10,024)	(304)
Gains from valuation on financial liabilities		(12,073)	(372)	(8,790)	(266)
Unrealized gain on investments recognized under the equity method		(24,139)	(745)	(2,957)	(90)
Effects of exchange rate changes		37,947	1,170	(62,023)	(1,879)
Effects of changes in accounting principles		(60,141)	(1,855)	-	-
(Increase) decrease in financial assets at fair value through profit or loss - current		204,949	6,322	(328,119)	(9,940)
(Increase) decrease in notes receivable		43,138	1,331	(2,877)	(87)
(Increase) decrease in premiums receivable		55,773	1,720	(6,981)	(211)
(Increase) decrease in claims recoverable from reinsurers		26,404	814	(17,523)	(531)
Decrease in due from reinsurers and ceding companies		46,235	1,426	59,788	1,811
Decrease in reinsurance accounts receivable		13,092	404	36,081	1,093
Dncrease in other accounts receivable		8,817	272	159,326	4,827
(Increase) decrease in prepayments		98	3	(489)	(15)
(Increase) decrease in deferred income tax assets-current		(4,124)	(127)	23,470	711
Increase in overdue receivables		(181,590)	(5,601)	(149,885)	(4,541)
Increase in other assets-others		(27,024)	(834)	(6,845)	(207)
Increase (decrease) in financial liabilities at fair value through profit or loss - current		22,465	693	-	-
Increase (decrease) in commissions payable		(1,254)	(39)	1,962	60
Increase (decrease) in claims outstanding		56	2	(440)	(13)
Decrease in other payables		(87,720)	(2,706)	(102,526)	(3,106)
Increase in other liabilities-others		15,751	486	49,081	1,487
Increase in claims reserve		122,209	3,770	30,018	909
Net cash provided by (used in) operating activities		707,279	21,816	291,341	8,826

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2006 and 2007 were NT$32.42 and NT$33.01 to US$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Statements of cash flows-(Continued)

For the three months ended March 31, 2006 and 2007

(Expressed in thousands of dollars)

		January 1-March 31,2006		January 1-March 31,2007	
Items	Notes	NT$	US$	NT$	US$
Cash flows from investing activities					
(Increase) decrease in available-for-sale financial assets - current		(135,739)	(4,187)	16,437	498
Decrease in investments in debt securities with no active market - current		1,110	34	564	17
Increase in secured loans		(209,577)	(6,464)	(109,999)	(3,332)
Increase in held-to-maturity financial assets - noncurrent		(406,680)	(12,544)	(218,939)	(6,632)
Decrease in investments in debt securities with no active market - noncurrent		394	12	394	12
Disposal of fixed assets		-	-	1,072	32
Acquisition of fixed assets		(3,638)	(112)	(4,686)	(142)
Acquisition of intangible assets		(44)	(1)	-	-
Decrease in guarantee deposits paid		1,700	52	99,555	3,016
Net cash provided by (used in) investing activities		(752,474)	(23,210)	(215,602)	(6,531)
Effects of exchange rate changes		(37,947)	(1,170)	62,023	1,879
Increase (decrease) in cash and cash equivalents		(83,142)	(2,564)	137,762	4,174
Cash and cash equivalents at the beginning of periods		2,619,412	80,796	1,971,694	59,730
Cash and cash equivalents at the end of periods		$2,536,270	$78,232	$2,109,456	$63,904
Supplemental disclosure of cash flows information					
Income tax paid		$3,326	$103	$4,089	$124

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2006 and 2007 were NT$32.42 and NT$33.01 to US$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese
Cathay Century Insurance Co., Ltd.
Notes to unaudited financial statements
(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)
As of March 31, 2006 and 2007

1. Organization and business scope

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

As of March 31, 2006 and 2007, the total numbers of employees were 904 and 955, respectively.

2. Summary of significant accounting policies

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

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

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

(2) Cash and cash equivalents

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

(3) Financial assets and financial liabilities

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

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

A. Financial assets at fair value through profit or loss

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

B. Held-to-maturity financial assets

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

C. Investments in debt securities with no active market

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

D. Available-for-sale financial assets

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

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

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

(4) Allowance for bad debts

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

(5) Long – term investments under the equity method

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

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

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

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

(6) Fixed assets

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

(7) Intangible assets

The Company adopted the ROC SFAS No. 37 "Accounting for Intangible Assets" on January 1, 2007. Intangible assets are initially recognized at cost except the intangible assets granted by government which are recognized at fair values. After the initial recognition, the intangible assets shall be carried at the costs plus statutory revaluation increment less accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets of the Company are deemed finite.

The amortization amounts of the intangible assets with finite useful lives are allocated on a systematic basis over their useful lives. Impairment testing are performed when there are indications of impairment on intangible assets. The Company revaluates the residual values, amortization periods and amortization methods of the intangible assets with finite useful lives at each balance sheet date and the changes are treated as changes in accounting estimates.

The "intangible assets" of the Company are computer softwares and are amortized over the estimated useful lives of 3 years using the straight-line method.

(8) Accounting for Asset Impairment

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

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

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

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

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

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

(9) Accounting for impairment of financial assets

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

A. Financial assets carried at amortized cost

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

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

B. Financial assets measured at cost

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

C. Available-for-sale financial assets

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

(10) Operating and liability reserves

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

(11) Derecognizing of financial assets and liabilities

A. Financial assets

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

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

B. Financial liabilities

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

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

(12) Premiums income

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

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

(13) Contribution to the stabilization funds

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

(14) Pension plan

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

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

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

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

(15) Foreign currency transactions

Foreign currency monetary assets or liabilities shall be translated using the applicable rate at each balance sheet date and exchange differences shall be recognized in profit or loss in current income. Non-monetary assets or liabilities that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined. When a gain or loss on a non-monetary asset or liability is recognized directly in equity, any exchange component of that gain or loss shall be recognized in equity. When a gain or loss on a non-monetary is recognized, any exchange component of that gain or loss shall be recognized. Non-monetary assets or liabilities that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction.

(16) Income Taxes

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

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

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

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

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

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

(17) Capital expenditure expenses

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

(18) Derivative financial instruments

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

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

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

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

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

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

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

(19) Conversion to U.S. dollars

The financial statements are stated in NT dollars. The converted U.S. dollars amounts from NT dollars as of March 31, 2006 and 2007 are for information only. The U.S. dollar/NT dollars noon buying rates of NT$32.42 and NT$33.01 provided by Federal Reserve Bank of New York of March 31, 2006 and 2007 are used for the conversion.

3. Changes in accounting and their effects

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

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

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

The above changes in accounting principles increased the Company's assets, by NT$33,715 (US$1,040) and decreased the Company's liabilities and stockholders' equity-unrealized gains and losses on financial instruments by NT$1,692 (US$52) and NT$24,734 (US$763) as of January 1, 2006, respectively. The company's net income and earnings per share increased by NT$60,141 (US$1,855) and NT$0.26 (US$0.01), respectively, for the year ended December 31, 2006.

4. Cash and cash equivalents

	March 31,			
	2006		2007	
Item	NT$	US$	NT$	US$
Cash on hand	$14,293	$441	$10,739	$325
Cash in banks	347,504	10,719	338,445	10,253
Time deposits	1,758,537	54,242	1,565,713	47,432
Cash equivalents	415,936	12,830	194,559	5,894
Total	$2,536,270	$78,232	$2,109,456	$63,904

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

	March 31,			
	2006		2007	
Item	NT$	US$	NT$	US$
Common stock	$234,818	$7,243	$414,132	$12,546
Beneficiary certificates	157,216	4,849	266,640	8,077
Corporate bonds	-	-	123,997	3,756
Derivative financial instruments	8,642	267	6,126	186
Subtotal	400,676	12,359	810,895	24,565
Add (less): Valuation adjustment	11,368	351	38,931	1,179
Total	$412,044	$12,710	$849,826	$25,744

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

6. Available-for-sale financial assets-current

	March 31,			
	2006		2007	
Item	NT$	US$	NT$	US$
Common stock	$817,927	$25,229	$818,050	$24,782
Beneficiary certificates	370,666	11,433	671,967	20,357
Corporate bonds	241,940	7,463	400,657	12,137
Financial debentures	401,017	12,369	501,253	15,185
Subtotal	1,831,550	56,494	2,391,927	72,461
Add (less): Valuation adjustment	(5,500)	(169)	121,458	3,679
Total	$1,826,050	$56,325	$2,513,385	$76,140

7. Held-to-maturity financial asets-current

	March 31,			
	2006		2007	
Item	NT$	US$	NT$	US$
Overseas investments in bonds	$-	$-	$44,020	$1,333

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

	March 31,			
	2006		2007	
Item	NT$	US$	NT$	US$
Financial debentures	$253,576	$7,822	$76,733	$2,324

9. Premiums receivable

	March 31,			
	2006		2007	
Item	NT$	US$	NT$	US$
Premiums receivable	$1,133,231	$34,955	$1,519,756	$46,039
Less: Allowance for bad debts	(11,332)	(350)	(15,197)	(460)
Net	$1,121,899	$34,605	$1,504,559	$45,579

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

10. Loans

	March 31,			
	2006		2007	
Item	NT$	US$	NT$	US$
Secured loans	$1,656,997	$51,110	$2,328,273	$70,532
Less: Allowance for bad debts	(98,073)	(3,025)	(89,464)	(2,710)
Net	$1,558,924	$48,085	$2,238,809	$67,822

Secured loans are secured by real estate.

11. Held-to-maturity financial assets - noncurrent

	March 31,			
	2006		2007	
Item	NT$	US$	NT$	US$
Overseas investments in bonds	$3,560,634	$109,828	$3,968,286	$120,214
Less: Overseas investments in bonds by payable with in one year	-	-	(44,020)	(1,333)
Total	$3,560,634	$109,828	$3,924,266	$118,881

12. Financial assets carried at cost - noncurrent

	March 31,			
	2006		2007	
Item	NT$	US$	NT$	US$
KGEX. Com Co., Ltd.	$36,000	$1,111	$36,000	$1,091
Tong Lung Metal Industry Co., Ltd.-preferred stock	-	-	24,000	727
Total	$36,000	$1,111	$60,000	$1,818

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

	March 31,			
	2006		2007	
	NT$	US$	NT$	US$
Financial debentures	$560,417	$17,287	$305,243	$9,246
Less: Financial debentures by payable with in one year	(253,576)	(7,822)	(76,733)	(2,324)
Total	$306,841	$9,465	$228,510	$6,922

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

14. Long-term investments under the equity method

	March 31,			
	2006		2007	
Investee	NT$	US$	NT$	US$
Cathay Venture Capital Corp.	$418,162	$12,898	$453,701	$13,744
Vista Technology Venture Capital Corp.	7,945	245	7,918	240
Total	$426,107	$13,143	$461,619	$13,984

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

	For the three months ended March 31,			
	2006		2007	
	NT$	US$	NT$	US$
Balance on Jan. 1	$382,522	$11,799	$449,041	$13,603
Add (less) : Investment income by equity method recognized	24,139	745	2,957	90
Cumulative conversion adjustments by equity method recognized	158	5	-	-
Net gains or losses not recognized as retirement fund costs on long-term equity investment	19,288	594	9,621	291
Balance on March 31	$426,107	$13,143	$461,619	$13,984

b. The investment gains (losses) recognized by the equity method for three months periods ended March 31, 2006 and 2007 are listed below:

	For the three months ended March 31,			
	2006		2007	
Investee	NT$	US$	NT$	US$
Cathay Venture Capital Corp.	$24,147	$746	$3,014	$92
Vista Technology Venture Capital Corp.	(8)	(1)	(57)	(2)
Total	$24,139	$745	$2,957	$90

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

c. Equity method was applied for the investees whose common stocks was jointly held by the Company and its related parties in an amount over 20%. The investment gains of Vista Technology Venture Capital Corp. for the three months periods ended March 31, 2006 and 2007 were recognized under the equity method based on the audited financial statements.

d. The investment gains of Cathay Venture Capital Corp. for the three months periods ended March 31, 2006 and 2007 were recognized under the equity method based on the reviewed financial statements.

15. Fixed assets

	March 31, 2006					
	Cost		Accumulated Depreciation		Net	
Item	NT$	US$	NT$	US$	NT$	US$
Communication and transportation equipments	$15,743	$486	$9,758	$301	$5,985	$185
Other equipments	182,620	5,633	140,663	4,339	41,957	1,294
Subtotal	198,363	6,119	150,421	4,640	47,942	1,479
Prepayments for equipments	2,838	87	-	-	2,838	87
Total	$201,201	$6,206	$150,421	$4,640	$50,780	$1,566

	March 31, 2007					
	Cost		Accumulated Depreciation		Net	
Item	NT$	US$	NT$	US$	NT$	US$
Communication and transportation equipments	$11,355	$344	$7,776	$236	$3,579	$108
Other equipments	194,148	5,882	159,675	4,837	34,473	1,045
Subtotal	205,503	6,226	167,451	5,073	38,052	1,153
Prepayments for equipments	2,467	75	-	-	2,467	75
Total	$207,970	$6,301	$167,451	$5,073	$40,519	$1,228

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

16. Intangible assets

	January 1,2006		Increase		Decrease		March 31, 2006	
Item	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Acquired cost:								
Computer software	$42,239	$1,303	$44	$1	$-	$-	$42,283	$1,304
Amortization and impairment								
Amortization	(28,889)	(891)	(1,903)	(59)	-	-	(30,792)	(950)
Book value	$13,350	$412					$11,491	$354

	January 1,2007		Increase		Decrease		March 31, 2007	
Item	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Acquired cost:								
Computer software	$43,241	$1,309	$952	$30	$-	$,	$44,193	$1,339
Amortization and impairment								
Amortization	(36,156)	(1,095)	(1,605)	49	-	-	(37,761)	(1,144)
Book value	$7,085	$214					$6,432	$195

The intangible assets of the Company are computer softwares and are amortized over 3 years using the straight-line method.

17. Operating and liability reserve

	January 1, 2006		Provision		Recovered		March 31, 2006	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Unearned premiums reserve	$4,449,253	$137,238	$4,589,415	$141,561	$4,449,253	$137,238	$4,589,415	$141,561
Special reserve	2,747,793	84,756	161,436	4,980	90,252	2,784	2,818,977	86,952
Claims reserve	927,006	28,593	1,043,794	32,196	880,863	27,170	1,089,937	33,619
Total	$8,124,052	$250,587	$5,794,645	$178,737	$5,420,368	$167,192	$8,498,329	$262,132

	January 1, 2007		Provision		Recovered		March 31, 2007	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Unearned premiums reserve	$4,955,218	$150,113	$5,044,980	$152,832	$4,955,218	$150,113	$5,044,980	$152,832
Special reserve	3,186,280	96,524	204,089	6,183	33,542	1,016	3,356,827	101,691
Claims reserve	1,151,903	34,896	993,151	30,086	937,925	28,413	1,207,129	36,569
Total	$9,293,401	$281,533	$6,242,220	$189,101	$5,926,685	$179,542	$9,608,936	$291,092

18.Capital stock and capital increment

As of March 31, 2006 and 2007, the Company has issued 231,701 thousand shares with a par value of NT$10.

19. Retained Earnings

(1) Legal reserve

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

(2) Unappropriated retained earnings

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

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

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

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

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

20. Personnel, depreciation, depletion and amortization expenses

Item	For the three months ended March 31, 2006 (NT$)			For the three months ended March 31, 2007 (NT$)		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel Expenses						
Salary and wages	$-	$200,855	$200,855	$-	$223,123	$223,123
Labor & health insurance expenses	-	9,875	9,875	-	11,160	11,160
Pension expenses	-	10,617	10,617	-	11,671	11,671
Other expenses	-	5,090	5,090	-	5,875	5,875
Depreciation	-	5,725	5,725	-	4,240	4,240
Depletion	-	-	-	-	-	-
Amortization	-	1,903	1,903	-	1,605	1,605

Item	For the three months ended March 31, 2006 US$)			For the three months ended March 31, 2007 (US$)		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel Expenses						
Salary and wages	$-	$6,195	$6,195	$-	$6,759	$6,759
Labor & health insurance expenses	-	305	305	-	338	338
Pension expenses	-	327	327	-	354	354
Other expenses	-	157	157	-	178	178
Depreciation	-	177	177	-	129	129
Depletion	-	-	-	-	-	-
Amortization	-	59	59	-	49	49

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

21. Estimated income taxes

(1) Income tax expenses include the following:

	For the three months ended March 31,			
	2006		2007	
Item	NT$	US$	NT$	US$
Income before taxes	$244,821	$7,552	$424,240	$12,852
Adjustments:				
Interest income of tax on a separate basis	(1,397)	(43)	(843)	(25)
Gains on appraising financial assets (liabilities)	(23,441)	(723)	(18,814)	(570)
Bad debts recovery	(2,923)	(90)	(2,698)	(82)
Gains on trading securities	(26,916)	(831)	(87,269)	(2,644)
Investment gains recognized by the equity method	(24,139)	(745)	(2,957)	(90)
Unrealized losses (gains) on foreign exchanges	37,037	1,142	(61,390)	(1,860)
Realized losses on foreign exchanges	(359)	(11)	(19,477)	(590)
Realized pension expenses recovery	(3,405)	(105)	-	-
Others	21	1	33	1
Taxable Income	199,299	6,147	230,825	6,992
Time; taxes rate	25%	-	25%	-
Subtotal	49,825	1,537	57,706	1,748
Tax effects under integrated income tax systems	-	-	2,749	84
Income tax credit	(103)	(3)	(229)	(7)
Subtotal	49,722	1,534	60,226	1,825
Tax on a separate basis	279	8	169	5
Deferred income tax expenses (benefits)	(4,124)	(127)	23,470	711
Share the cumulative effect of changes in accounting principles	(997)	(31)	-	-
Total income tax expenses	$44,880	$1,384	$83,865	$2,541

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

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

	March 31,			
	2006		2007	
	NT$	US$	NT$	US$
A. Total deferred income tax assets	$42,112	$1,299	$48,377	$1,466
Total deferred income tax liabilities	$-	$-	$18,280	$554
B. Temporary differences:				
Bad debts exceeding legal limitation	$145,265	$4,481	$128,257	$3,885
Unrealized gains on foreign exchanges	-	-	(61,390)	(1,860)
Unrealized losses on foreign exchanges	37,037	1,142	-	-
Unrealized gains on valuation financial assets	-	-	(2,938)	(89)
Unrealized losses on valuation financial assets	(13,854)	(427)	-	-
Unrealized gains on valuation financial liabilities	-	-	(8,790)	(266)
Unrealized losses on valuation financial liabilities	-	-	61,846	1,874
Others	-	-	3,405	103
Total	$168,448	$5,196	$120,390	$3,647
C. Deferred income tax assets-current	$42,112	$1,299	$48,377	$1,466
Deferred income tax liabilities	-	-	(18,280)	(554)
Net between current deferred income tax assets and liabilities	$42,112	$1,299	$30,097	$912
D. Deferred income tax assets-non current	$-	$-	$-	$-

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

Law of income tax credits	The credits items	The amount of income tax credits	The remaining balance	Expiry year
Statute for Upgrading Industries	Education training	$229 (US$7)	$-	2011

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

(4) The Company's income tax returns have been examined by the tax authority through year 2003, however, the Company has requested the re-examination on the tax return of year 2003. The results of the re-examination of the tax authority were received and disputes on the bond premiums tax issue were filed by the Company. The appeal on year 1999 tax return is pending at the supreme court.

(5) Information related to imputation:

	March 31,			
	2006		2007	
	NT$	US$	NT$	US$
Balance of imputation credit account	$9,196	$284	$4,498	$136

	March 31, 2006 (Actual)	March 31, 2007(Estimated)
Imputation credit account ratio	1.73%	0.62%

(6) Information relating of unappropriated earnings:

	March 31,			
	2006		2007	
Year	NT$	US$	NT$	US$
Prior to 1997	$-	$-	$-	$-
After 1998	590,545	18,215	729,766	22,108
Total	$590,545	$18,215	$729,766	$22,108

Net income after tax for the three months periods ended March 31, 2006 and 2007 are not included in the unappropriated earnings after 1998 expressed above.

22. Earnings per share

	For the three months ended March 31, 2006		For the three months ended March 31, 2007	
	NT$	US$	NT$	US$
Net income (loss) from continuing operations (A)	$199,941	$6,168	$340,375	$10,311
Cumulative effect of changes in accounting principles(B)	60,141	1,855	-	-
Net income (loss) (C)	$260,082	$8,023	$340,375	$10,311

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

	For the three months ended March 31, 2006		For the three months ended March 31, 2007	
	NT$	US$	NT$	US$
Outstanding number of shares at end of period	231,701	231,701	231,701	231,701
Weighted average outstanding number of shares(D)	231,701	231,701	231,701	231,701
Earnings per share of net income (loss) from continuing operations (A)/(D) (dollars)	$0.86	$0.02	$1.47	$0.04
Earnings per share of cumulative effect of changes in accounting principles(B)/(D) (dollars)	0.26	0.01	-	-
Earnings per share of net income (loss) (C)/(D) (dollars)	$1.12	$0.03	$1.47	$0.04

23. Related party transactions

(1) Related parties

Name	Relationship
Cathay Financial Holding Co., Ltd.	Parent Company
Cathay Life Insurance Co., Ltd.	Affiliate
Cathay United Bank	Affiliate
Cathay Securities Corp.	Affiliate
Cathay Pacific Venture Capital Co., Ltd.	Affiliate
Cathay Capital Management Inc.	Affiliate
Cathay II Venture Capital Corp.	Affiliate
Cathay Venture Capital Corp.	An equity method investee
Vista Technology Venture Capital Corp.	An equity method investee
San Ching Engineering Co., Ltd.	Affiliate
Seaward Leasing Ltd.	Affiliate
Cathay Real Estate Development Co., Ltd.	Affiliate
Lucky Bank	Affiliate (Have been merged with Cathay United Bank on January 1, 2007)
Cathay General Hospital	Affiliate
Cathay Securities Investment Trust Co., Ltd.	Affiliate
Symphox Information Co., Ltd.	Affiliate
Lin Yuan Property Management Co., Ltd.	Affiliate
Cathay Futures Corp.	Affiliate
Lin Yuan Investment Co., Ltd.	Affiliate

Name	Relationship
Wan Pao Development Co., Ltd.	Affiliate
Cathay Securities Investment Co., Ltd.	Affiliate
Culture and Charity Foundation of the CUB	Affiliate
Cathay Bank Property Agency of Association	Affiliate
Cathay Pacific Partners Co., Ltd.	Affiliate
Cathay Insurance (Bermuda) Co., Ltd.	Affiliate
Cathay Life Insurance Co., Ltd.(Shanghai)	Affiliate
Cathay Bank Life Insurance Agency of Association	Affiliate
Seaward Card Co., Ltd.	Affiliate
Indovina Bank Limited	Affiliate
China England Company Ltd.	Affiliate
Pao Shin Securities Co., Ltd.	Affiliate
Cathay Charity Foundation	Affiliate
Wu Ming-Yang	Vice-president of the Company
Fan Shi-Kai	Manager of the Company
Que Ming-Huang	Manager of the Company
Chang Zhao-Yang	Manager of the Company
Yang Zhi-Quan	Manager of the Company
Jian Jie	Internal audit manager of the Company

(2) Transactions with related parties

A. Premiums income

	For the three months ended March 31,			
	2006		2007	
	Direct written premiums		Direct written premiums	
Name	NT$	US$	NT$	US$
Cathay Life Insurance Co., Ltd.	$79,306	$2,446	$79,341	$2,403
Cathay United Bank	19,197	592	36,375	1,102
Cathay General Hospital	1,279	39	1,381	42
Seaward Leasing Ltd.	1,901	59	2,467	75
Cathay Real Estate Development Co., Ltd.	318	10	-	-
Total	$102,001	$3,146	$119,564	$3,622

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

B. Premiums receivable

	March 31			
	2006		2007	
	Premiums receivable		Premiums receivable	
Name	NT$	US$	NT$	US$
Cathay Life Insurance Co., Ltd.	$7,320	$226	$3,396	$103
Cathay United Bank	8,870	273	15,605	473
Total	$16,190	$499	$19,001	$576

C. Insurance claims payment

	March 31			
	2006		2007	
Name	NT$	US$	NT$	US$
Cathay Life Insurance Co., Ltd.	$316	$10	$-	$-
Cathay United Bank	1,536	47	-	-
Total	$1,852	$57	-	$-

D. Cash in banks

		March 31, 2006		
Name	Type	Ending balance	Interest rate	Interest income
		NT$		NT$
Cathay United Bank	Cash in banks	$297,883	0.10%	$-
	Time deposits	$318,055	1.63%~1.95%	$1,763
Lucky Bank	Cash in banks	$3,666	0.10%	$-

		March 31, 2006		
Name	Type	Ending balance	Interest rate	Interest income
		US$		US$
Cathay United Bank	Cash in banks	$9,188	0.10%	$-
	Time deposits	$9,810	1.63%~1.95%	$54
Lucky Bank	Cash in banks	$113	0.10%	$-

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

		March 31, 2007		
Name	Type	Ending balance	Interest rate	Interest income
		NT$		NT$
Cathay United Bank	Cash in banks	$257,796	0.10%	$-
	Time deposits	$455,350	1.79%~2.21%	$2,299

		March 31, 2007		
Name	Type	Ending balance	Interest rate	Interest income
		US$		US$
Cathay United Bank	Cash in banks	$7,810	0.10%	$-
	Time deposits	$13,794	1.79%~2.21%	$70

E. Loans

	For the three months ended March 31, 2006			
Name	Maximum amount	Ending balance	Interest rate	Interest income
	NT$	NT$		NT$
Wu Ming-Yang	$1,536	$-	3.03%	$5

	For the three months ended March 31, 2006			
Name	Maximum amount	Ending balance	Interest rate	Interest income
	US$	US$		US$
Wu Ming-Yang	$47	$-	3.03%	$-

	For the three months ended March 31, 2007			
Name	Maximum amount	Ending balance	Interest rate	Interest income
	NT$	NT$		NT$
FAN Shi-Kai	$10,510	$10,510	1.93%	$2
Que Ming-Huang	$5,800	$5,434	2.44%	$35
Chang Zhao-Yang	$3,475	$3,447	2.44%	$21
Jian Jie	$1,461	$1,436	2.44%	$9
Yang Zhi-Quan	$5,000	$5,000	2.44%	$29

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

	For the three months ended March 31, 2007			
Name	Maximum amount	Ending balance	Interest rate	Interest income
	US$	US$		US$
FAN SHI-KAI	$318	$318	1.93%	$-
Que Ming-Huang	$176	$165	2.44%	$1
Chang Zhao-Yang	$105	$104	2.44%	$1
Jian Jie	$44	$44	2.44%	$-
Yang Zhi-Quan	$151	$151	2.44%	$1

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

	March 31,			
	2006		2007	
Name	NT$	US$	NT$	US$
Cathay Securities Investment Trust Co., Ltd.	$113,597	$3,504	$149,553	$4,530
Cathay Futures Corp.	4,174	129	3,490	106
Total	$117,771	$3,633	$153,043	$4,636

G. Available-for sale financial assets-current

	March 31,			
	2006		2007	
Name	NT$	US$	NT$	US$
Cathay Securities Investment Trust Co., Ltd.	$-	$-	$54,300	$1,645

H. Prepaid rents

	March 31,			
	2006		2007	
Name	NT$	US$	NT$	US$
Cathay Life Insurance Co., Ltd.	$2,453	$76	$2,878	$87

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

I. Guarantee deposits paid

	March 31,			
	2006		2007	
Name	NT$	US$	NT$	US$
Cathay Life Insurance Co., Ltd.	$13,832	$427	$16,586	$502

J. Commissions expenses

	For the three months ended March 31,			
	2006		2007	
Name	NT$	US$	NT$	US$
Cathay Bank Property Agency of Association	$8,634	$266	$-	$-

K. Handling fee paid

	For the three months ended March 31,			
	2006		2007	
Name	NT$	US$	NT$	US$
Cathay Life Insurance Co., Ltd.	$1,291	$40	$905	$27

L. Accrued marketing expense

	March 31,			
	2006		2007	
Name	NT$	US$	NT$	US$
Cathay Life Insurance Co., Ltd.	$70,192	$2,165	$84,579	$2,562

M. Other payables-tax payable

	March 31,			
	2006		2007	
Name	NT$	US$	NT$	US$
Cathay Financial Holding Co., Ltd.	$147,618	$4,553	$210,669	$6,382

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

N. Operating expenses

		For the three months ended March 31,			
		2006		2007	
Name	Summary	NT$	US$	NT$	US$
Cathay Life Insurance Co., Ltd.	Rental expenses	$13,471	$416	$15,793	$478
	Marketing expenses	155,037	4,782	180,382	5,464
	Party premium expenses	1,509	46	1,614	49
	Other expenses	888	27	949	29
Cathay United Bank	Marketing expenses	-	-	8,166	247
Seaward Leasing Ltd.	Rental expenses	417	13	611	19
Seaward Card Co.,Ltd.	Other expenses	-	-	419	13
Total		$171,322	$5,284	$207,934	$6,299

O. Other expenses

	For the three months ended March 31,			
	2006		2007	
Name	NT$	US$	NT$	US$
Symphox Information Co., Ltd.	$1,307	$40	$6,636	$201

23. Pledged assets

	March 31,			
	2006		2007	
Item	NT$	US$	NT$	US$
Government bonds	$354,355	$10,930	$350,628	$10,622

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

25. Other important matters and contingent liabilities

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

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

B. As of March 31, 2007, the Company has entered into several significant rental contracts. The estimated rents payable for the next five years are as follows:

Period	Amount (NT$)	Amount (US$)
April 01, 2007 ~ March 31, 2008	$65,968	$1,998
April 01, 2008 ~ March 31, 2009	67,237	2,037
April 01, 2009 ~ March 31, 2010	69,209	2,097
April 01, 2010 ~ March 31, 2011	71,240	2,158
April 01, 2011 ~ March 31, 2012	73,333	2,222
Total	$346,987	$10,512

26. Serious damages

None

27. Subsequent events

None

28. Other important events

(1) Pension related information

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

(2) Risk management policies and hedge strategies

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

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

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

Market Risk

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

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

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

Credit risk

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

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

Operational Risk

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

Liquidity risk

The company's exposure to liquidity risk is minimal.

(3) Financial instruments related information:

	March 31, 2006			
	NT$		US$	
Assets	Carrying amount	Fair value	Carrying amount	Fair value
Non-derivative financial instruments:				
Cash and Cash equivalents	$2,536,270	$2,536,270	$78,232	$78,232
Financial assets at fair value through profit or loss - current	403,702	403,702	12,453	12,453
Available-for-sale financial assets - current	1,826,050	1,826,050	56,325	56,325
Investments in debt securities with no active market-current	253,576	253,576	7,822	7,822
Receivables	1,302,011	1,302,011	40,161	40,161
Claims recoverable from reinsurers	189,372	189,372	5,841	5,841
Due from reinsurers and ceding Companies	71,098	71,098	2,193	2,193
Secured loans	1,558,924	1,558,924	48,085	48,085
Held-to-maturity financial assets - noncurrent	3,560,634	3,560,634	109,828	109,828
Financial assets carried at cost - noncurrent	36,000	36,000	1,111	1,111
Investments in debt securities with no active market – noncurrent	306,841	306,841	9,465	9,465
Long-term investments under equity method	426,107	426,107	13,143	13,143
Guarantee deposits paid	382,159	382,159	11,788	11,788
Derivative financial instruments:				
Financial assets at fair value through profit or loss - current				
Futures Contract	7,785	7,785	240	240
Options Contract	557	557	17	17

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

Liabilities				
Non-derivative financial instrument：				
Claims outstanding	684	684	21	21
Due to reinsurers and ceding companies	260,845	260,845	8,046	8,046
Operating and debt reserve	8,498,329	8,498,329	262,132	262,132
Derivative financial instruments:				
Financial liabilities at fair value through profit or loss - current				
Foreign exchange SWAP	12,648	12,648	390	390

	March 31, 2007			
	NT$		US$	
Assets	Carrying amount	Fair value	Carrying amount	Fair value
Non-derivative financial instruments:				
Cash and Cash equivalents	$2,109,456	$2,109,456	$63,904	$63,904
Financial assets at fair value through profit or loss - current	843,930	843,930	25,566	25,566
Available-for-sale financial assets - current	2,513,385	2,513,385	76,140	76,140
Held-to-maturity financial assets-current	44,020	44,020	1,333	1,333
Investments in debt securities with no active market-current	76,733	76,733	2,324	2,324
Receivables	1,791,436	1,791,436	54,270	54,270
Claims recoverable from reinsurers	187,894	187,894	5,692	5,692
Due from reinsurers sand ceding companies	88,464	88,464	2,680	2,680
Secured loans	2,238,809	2,238,809	67,822	67,822
Held-to-maturity financial assets - noncurrent	3,924,266	3,924,266	118,881	118,881
Financial assets carried at cost - noncurrent	60,000	60,000	1,818	1,818
Investments in debt securities with no active market – noncurrent	228,510	228,510	6,922	6,922
Long-term investments under equity method	461,619	461,619	13,984	13,984
Guarantee deposits paid	409,973	409,973	12,420	12,420
Derivative financial instruments:				
Financial assets at fair value through profit or loss - current				
Futures Contract	5,387	5,387	163	163
Options Contract	509	509	15	15

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

Liabilities				
Non-derivative financial instrument:				
Claims outstanding	19,110	19,110	579	579
Due to reinsurers and ceding companies	332,271	332,271	10,066	10,066
Operating and debt reserve	9,608,936	9,608,936	291,092	291,092
Derivative financial instruments:				
Financial liabilities at fair value through profit or loss - current				
Foreign exchange SWAP	53,055	53,055	1,607	1,607

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

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

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

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

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

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

⑤ The following table summarizes the fair value information of the Company's financial assets and liabilities at March 31, 2007:

	March 31, 2007			
	NT$			
	Based on the quoted market price		Based on valuation techniques	
Financial Instruments	Carrying amount	Fair value	Carrying amount	Fair value
Assets-non-derivative				
Financial assets at fair value through profit or loss-current	$843,930	$843,930	$-	$-
Available-for-sale financial assets-current	2,513,385	2,513,385	-	-
Held-to-maturity financial assets-current	-	-	44,020	-
Investment in debt securities with no active market-current	-	-	76,733	-
Held-to-maturity financial assets-noncurrent	-	-	3,924,266	-
Financial assets carried at cost-noncurrent	-	-	60,000	-
Investment in debt securities with no active market-noncurrent	-	-	228,510	-
Long-term investments in stocks under the equity method	-	-	461,619	-
Assets- derivative				
Financial assets at fair value through profit or loss-current				
Futures	5,387	5,387	-	-
Option	509	509	-	-
Liability-derivative				
Financial liability at fair value through profit or loss-current				
Forward contracts	53,055	53,055	-	-

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

	March 31, 2007			
	US$			
	Based on the quoted market price		Based on valuation techniques	
Financial Instruments	Carrying amount	Fair value	Carrying amount	Fair value
Assets-non-derivative				
Financial assets at fair value through profit or loss-current	$25,566	$25,566	$-	$-
Available-for-sale financial assets-current	76,140	76,140	-	-
Held-to-maturity financial assets-current	-	-	1,333	-
Investment in debt securities with no active market-current	-	-	2,324	-
Held-to-maturity financial assets-noncurrent	-	-	118,881	-
Financial assets carried at cost-noncurrent	-	-	1,818	-
Investment in debt securities with no active market-noncurrent	-	-	6,922	-
Long-term investments in stocks under the equity method	-	-	13,984	-
Assets-derivative				
Financial assets at fair value through profit or loss-current				
Futures	163	163	-	-
Option	15	15	-	-
Liability- derivative				
Financial liability at fair value through profit or loss-current				
Forward contracts	1,607	1,607	-	-

(4) Risk of interest rate

The following table summarizes the maturities of the Company's financial instruments at March 31, 2007:

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

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	$44,020	$1,333	$862,383	$26,125	$197,616	$5,986	$165,801	$5,023
Investments in debt securities with no active market	76,733	2,324	125,573	3,804	102,937	3,118	-	-

Item	Due in 4~5 years		Over 5 years		Total	
	NT$	US$	NT$	US$	NT$	US$
Held-to-maturity financial assets	$460,279	$13,944	$2,238,187	$67,803	$3,968,286	$120,214
Investments in debt securities with no active market	-	-	-	-	305,243	9,246

(5) Credit risk

The Company's exposure to credit risk in minimal.

(6) Fair value hedges

	Designated as hedging instruments				
		Fair value			
		March 31, 2006		March 31, 2007	
Hedged item	Financial instruments of designated as hedging instruments	NT$	US$	NT$	US$
Overseas investments in bonds	Foreign exchange SWAP	$(12,648)	$(390)	$(53,055)	$(1,607)

(7) Discretionary account management

	March 31, 2006			
	Book value		Fair value	
Item	NT$	US$	NT$	US$
Listed stocks	$135,091	$4,167	$135,091	$4,167
Short-term notes	37,163	1,146	37,163	1,146
Cash in banks	109,734	3,385	109,734	3,385
Net other assets less liabilities	(2,599)	(80)	(2,599)	(80)
Total	$279,389	$8,618	$279,389	$8,618

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

	March 31, 2007			
	Book value		Fair value	
Item	NT$	US$	NT$	US$
Listed stocks	$258,302	$7,825	$258,302	$7,825
Short-term notes	50,159	1,520	50,159	1,520
Cash in banks	82,407	2,496	82,407	2,496
Net other assets less liabilities	29,374	890	29,374	890
Total	$420,242	$12,731	$420,242	$12,731

As of March 31, 2006 and 2007, the Company had discretionary account management contracts in the amount of NT$250,000 (US$7,711) and NT$350,000 (US$10,603), respectively.

(8) Material Contract

None.

(9) Presentation of Financial Statements:

Certain accounts in financial statements for the three months ended March 31, 2006 have been reclassified in order to be comparable with those in the financial statements for the three months ended March 31, 2007.

29. Information for investment in Mainland China

None.

30. Segment information

None.