

Cathay Financial Holding Co., Ltd. and Subsidiaries
Consolidated Financial Statements
Three-Month Periods ended March 31, 2006 and 2007
With Independent Auditors' Review Report

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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.

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

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

We have reviewed the accompanying consolidated balance sheets of Cathay Financial Holding Co., Ltd. (the "Company") and its subsidiaries ("Subsidiaries") as of March 31, 2006 and 2007 and the related consolidated statements of income, changes in stockholders' equity and cash flows for the three-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 review 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 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 Securities Issuers", "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies" and generally accepted accounting principles in the Republic of China.

As discussed in Note 3 to the consolidated financial statements, effective from January 1, 2006, the Company and Subsidiaries have 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
April 24, 2007

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

As of March 31, 2006 and 2007

(Expressed in thousands of dollars)

	Notes	March 31, 2006		March 31, 2007	
		NT \$	US \$	NT \$	US \$
Assets					
Cash and cash equivalents	2,4	\$488,203,162	\$15,058,703	\$444,338,867	\$13,460,735
Due from the Central Bank and call loans to banks		46,512,499	1,434,685	46,966,071	1,422,783
Financial assets at fair value through profit or loss	2,5	181,424,531	5,596,068	161,828,088	4,902,396
Securities purchased under agreements to resell		2,387,631	73,647	126,000	3,817
Receivables -net	2	98,049,899	3,024,365	86,743,352	2,627,790
Loans -net	2,6	1,132,924,935	34,945,248	1,232,746,638	37,344,642
Available-for-sale financial assets -net	2,7	263,221,292	8,119,102	451,792,438	13,686,533
Held-to-maturity financial assets -net	2,8	517,423,161	15,959,999	567,315,682	17,186,177
Investments -equity method	2,9	3,698,589	114,084	3,841,982	116,389
Other financial assets -net		37,605,536	1,159,948	45,046,942	1,364,645
Investments in debt securities with no active market	2	92,120,528	2,841,472	115,163,748	3,488,753
Separate account products assets		109,181,992	3,367,736	183,165,126	5,548,777
Investments in real estate	2,10	106,825,508	3,295,050	105,957,460	3,209,860
Property and equipment -net		42,013,092	1,295,900	39,193,907	1,187,334
Goodwill and intangible assets -net	2,11	1,781,891	54,963	774,233	23,454
Other assets -net		46,163,660	1,423,925	48,843,722	1,479,664
Total assets		\$3,169,537,906	\$97,764,895	\$3,533,844,256	\$107,053,749
Liabilities & stockholders' equity					
Liabilities					
Due to the Central Bank and call loans from banks		\$83,545,631	\$2,576,978	\$102,907,646	\$3,117,469
Funds borrowed from the Central and other banks		812,500	25,062	827,250	25,060
Commercial paper payable	2,12	1,298,392	40,049	-	-
Financial liabilities at fair value through profit or loss	2,13	64,968,249	2,003,956	74,187,828	2,247,435
Securities sold under agreements to repurchase	5,7	36,279,930	1,119,060	20,453,722	619,622
Payables		41,704,325	1,286,377	52,609,091	1,593,732
Deposits	14	877,767,204	27,074,867	973,483,558	29,490,565
Bonds payable	2,15	31,122,908	959,991	19,470,664	589,841
Reserve for operations and liabilities	2,16	1,696,760,965	52,336,859	1,860,197,957	56,352,559
Other financial liabilities		2,608,453	80,458	1,039,514	31,491
Separate account products liabilities		109,181,992	3,367,736	183,165,126	5,548,777
Other liabilities		16,554,370	510,622	15,710,083	475,919
Total liabilities		2,962,604,919	91,382,015	3,304,052,439	100,092,470
Stockholders' equity attributable to equity holders of the parent					
Capital stock					
Common stock	17	85,258,878	2,629,823	92,661,696	2,807,080
Capital surplus	18	68,166,265	2,102,599	81,485,226	2,468,501
Retained earnings					
Legal reserve	19	6,009,431	185,362	8,188,136	248,050
Special reserve		226,579	6,989	-	-
Undistributed earnings		36,087,845	1,113,135	29,711,851	900,086
Other stockholders' equity					
Unrealized revaluation increments		1,960	61	2,106	64
Cumulative translation adjustments		45,998	1,419	185,900	5,632
Unrealized gains or losses on financial instruments		7,695,629	237,373	18,788,999	569,191
Treasury stock	2,20	-	-	(4,140,047)	(125,418)
Net loss not recognized as net pension cost		(1,837)	(57)	(572)	(17)
Total equity attributable to stockholders of the parent		203,490,748	6,276,704	226,883,295	6,873,169
Minority interest		3,442,239	106,176	2,908,522	88,110
Total stockholders' equity		206,932,987	6,382,880	229,791,817	6,961,279
Total liabilities and stockholders' equity		\$3,169,537,906	\$97,764,895	\$3,533,844,256	\$107,053,749

(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, respectively)

The accompanying notes are an integral part of these unaudited consolidated 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 three-month periods ended March 31, 2006 and 2007
(Expressed in thousands of dollars, except earning per share)

	Notes	January 1 ~ March 31, 2006		January 1 ~ March 31, 2007			
		NT \$	US \$	NT \$	US \$		
Interest income	2	\$25,883,367	\$798,376	\$27,025,514	\$818,707		
Less: Interest expenses	2	(4,178,849)	(128,897)	(5,270,947)	(159,677)		
Net interest income		21,704,518	669,479	21,754,567	659,030		
Net income other than interest							
Net commission and handling fee		1,026,249	31,655	1,143,016	34,626		
Net premiums from insurance business		29,940,227	923,511	22,759,477	689,472		
Gains (losses) on financial assets and liabilities at fair value through profit or loss		2,514,404	77,557	(6,149,453)	(186,291)		
Realized gains on available-for-sale financial assets		5,065,327	156,241	6,916,148	209,517		
Realized gains on held-to-maturity financial assets		4,788	148	4,212	128		
Investment income under equity method		152,757	4,712	119,677	3,625		
Gains on investments in real estate		2,516,553	77,623	1,272,355	38,545		
(Losses) gains on foreign exchange		(5,145,474)	(158,713)	10,281,679	311,472		
Impairment (losses) reversal		(13,336)	(411)	22,339	677		
Provision for premiums reserve from insurance business		(37,424,352)	(1,154,360)	(33,480,087)	(1,014,241)		
Other non-interest income-net		238,652	7,361	185,018	5,605		
Subtotal		20,580,313	634,803	24,828,948	752,165		
Provision for loan losses		(2,923,947)	(90,190)	(985,266)	(29,848)		
Operating expenses							
Personnel expenses		(9,490,038)	(292,722)	(9,259,478)	(280,505)		
Depreciation and amortization expenses		(1,061,784)	(32,751)	(970,211)	(29,392)		
Other general and administration expenses		(2,514,735)	(77,567)	(2,005,859)	(60,765)		
Income from continuing operations before income taxes		4,589,809	141,573	11,608,134	351,655		
Income taxes benefit (expenses)	2,22	164,502	5,074	(1,548,037)	(46,896)		
Consolidated income before cumulative effect of changes in accounting principles		4,754,311	146,647	10,060,097	304,759		
Cumulative effect of changes in accounting principles		3,249,323	100,226	-	-		
Consolidated income		\$8,003,634	\$246,873	\$10,060,097	\$304,759		
Include:							
Parent company		\$7,941,590	\$244,959	\$10,001,641	\$302,988		
Minority interest		62,044	1,914	58,456	1,771		
Consolidated income		\$8,003,634	\$246,873	\$10,060,097	\$304,759		
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		\$0.51	\$0.53	\$0.02	\$0.02	\$1.27	\$1.10
Cumulative effect of changes in accounting principles		0.28	0.36	0.01	0.01	-	-
Consolidated income		\$0.79	\$0.89	\$0.03	\$0.03	\$1.27	\$1.10
Fully-diluted earnings per share:							
Consolidated income before cumulative effect of changes in accounting principles		\$0.51	\$0.53	\$0.02	\$0.02	\$1.26	\$1.09
Cumulative effect of changes in accounting principles		0.27	0.35	0.01	0.01	-	-
Consolidated income		\$0.78	\$0.88	\$0.03	\$0.03	\$1.26	\$1.09

(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, respectively)

The accompanying notes are an integral part of these unaudited consolidated 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 three-month periods ended March 31, 2006 and 2007

(Expressed in thousands of dollars)

Summary	Retained earnings										Other stockholders' equity														
	Common stock		Capital surplus		Legal reserve		Special reserve		Undistributed earnings		Unrealized revaluation increment		Cumulative translation adjustments		Unrealized gains or losses on financial instruments		Treasury stock		Net loss not recognized as net 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, 2006	\$85,242,234	\$2,629,310	\$68,092,037	\$2,100,309	\$6,009,431	\$185,362	\$226,579	\$6,989	\$28,146,255	\$868,176	\$3,048	\$94	\$81,154	\$2,503	\$(68,263)	\$(2,105)	\$-	\$-	\$(1,837)	\$(57)	\$3,430,369	\$105,810	\$191,161,007	\$5,896,391	
Effect on first time adoption of unrealized gains on financial instruments															10,485,096	323,414							10,485,096	323,414	
Minority interest																						(50,174)	(1,548)	(50,174)	(1,548)
Convertible notes converted into common stock	16,644	513	74,228	2,290																			90,872	2,803	
Changes in unrealized revaluation increment										(1,088)	(33)												(1,088)	(33)	
Changes in cumulative translation adjustments													(35,156)	(1,084)									(35,156)	(1,084)	
Changes in unrealized gains or losses of financial instruments															(2,721,204)	(83,936)							(2,721,204)	(83,936)	
Consolidated income for the three-month periods ended March 31, 2006									7,941,590	244,959												62,044	1,914	8,003,634	246,873
Balance on March 31, 2006	\$85,258,878	\$2,629,823	\$68,166,265	\$2,102,599	\$6,009,431	\$185,362	\$226,579	\$6,989	\$36,087,845	\$1,113,135	\$1,960	\$61	\$45,998	\$1,419	\$7,695,629	\$237,373	\$-	\$-	\$(1,837)	\$(57)	\$3,442,239	\$106,176	\$206,932,987	\$6,382,880	
Balance on January 1, 2007	\$92,068,174	\$2,789,100	\$78,867,213	\$2,389,192	\$8,188,136	\$248,050	\$-	\$-	\$19,710,210	\$597,098	\$2,106	\$64	\$105,170	\$3,186	\$21,345,473	\$646,636	\$(4,140,047)	\$(125,418)	\$(572)	\$(17)	\$2,879,875	\$87,242	\$219,025,738	\$6,635,133	
Minority interest																						(29,809)	(903)	(29,809)	(903)
Convertible notes converted into common stock	593,522	17,980	2,618,100	79,312																			3,211,622	97,292	
Capital surplus			(87)	(3)																			(87)	(3)	
Changes in cumulative translation adjustments													80,730	2,446										80,730	2,446
Changes in unrealized gains or losses of financial instruments															(2,556,474)	(77,445)							(2,556,474)	(77,445)	
Consolidated income for the three-month periods ended March 31, 2007									10,001,641	302,988												58,456	1,771	10,060,097	304,759
Balance on March 31, 2007	\$92,661,696	\$2,807,080	\$81,485,226	\$2,468,501	\$8,188,136	\$248,050	\$-	\$-	\$29,711,851	\$900,086	\$2,106	\$64	\$185,900	\$5,632	\$18,788,999	\$569,191	\$(4,140,047)	\$(125,418)	\$(572)	\$(17)	\$2,908,522	\$88,110	\$229,791,817	\$6,961,279	

(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, respectively)

The accompanying notes are an integral part of these unaudited 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 three-month periods ended March 31, 2006 and 2007

(Expressed in thousands of dollars)

	January 1 ~ March 31, 2006		January 1 ~ March 31, 2007	
	NT \$	US \$	NT \$	US \$
Cash flows from operating activities				
Consolidated income	\$8,003,634	\$246,873	\$10,060,097	\$304,759
Adjustments:				
Income and other adjustments with no cash flow effects				
Depreciation and amortization expenses	1,061,784	32,751	970,211	29,391
Investment income from equity method investment in excess of cash dividends received	(115,502)	(3,563)	(197,941)	(5,996)
Provision for loan losses	2,923,947	90,190	985,266	29,848
Provision for premiums reserve from insurance business	37,424,352	1,154,360	33,480,087	1,014,241
Gains on disposal of property and equipment	(1,081,582)	(33,362)	(48,593)	(1,472)
Impairment losses (reversal)	13,336	411	(22,339)	(677)
Cumulative effect of changes in accounting principles	(3,249,323)	(100,226)	-	-
Other adjustments	(64,463)	(1,988)	(210,381)	(6,373)
Changes in operating assets and liabilities				
(Increase) decrease in receivables	(5,468,098)	(168,665)	4,565,302	138,301
(Increase) decrease in deferred income tax assets	(2,247,366)	(69,320)	1,017,191	30,814
Increase in financial assets at fair value through profit or loss	(9,109,698)	(280,990)	(4,460,548)	(135,127)
Increase in other financial assets	(3,347,447)	(103,253)	(951,143)	(28,814)
Increase in other assets	(4,028,451)	(124,258)	(377,260)	(11,429)
Increase in payables	7,685,538	237,062	9,366,234	283,739
Increase in financial liabilities at fair value through profit or loss	10,299,890	317,702	6,133,740	185,814
Decrease in deferred income tax liabilities	(397,221)	(12,252)	(57,419)	(1,739)
Increase (decrease) in other financial liabilities	69,775	2,152	(258,245)	(7,823)
Decrease in other liabilities	(705,268)	(21,754)	(2,197,218)	(66,562)
Net cash provided by operating activities	37,667,837	1,161,870	57,797,041	1,750,895
Cash flows from investing activities				
(Increase) decrease in restricted assets	(485,000)	(14,960)	350,000	10,603
Increase in loans	(6,665,975)	(205,613)	(26,440,784)	(800,993)
Decrease in due from the Central Bank and call loans to banks	6,155,856	189,878	4,638,900	140,530
Decrease (increase) in available-for-sale financial assets	19,110,458	589,465	(66,040,782)	(2,000,630)
Increase in held-to-maturity financial assets	(46,867,679)	(1,445,641)	(21,651,798)	(655,916)
Increase in investments under -equity method	(41,019)	(1,265)	-	-
Increase in investments in real estate	(2,552,828)	(78,742)	(4,065,299)	(123,154)
Acquisition of property and equipment	(99,634)	(3,073)	(857,928)	(25,990)
Increase in securities purchased under agreements to resell	5,615,692	173,217	1,660,058	50,290
Increase in other financial assets	(19,400,540)	(598,413)	(30,735,869)	(931,108)
Decrease in other assets	368,327	11,361	155,892	4,723
Net cash used in investing activities	(44,862,342)	(1,383,786)	(142,987,610)	(4,331,645)

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows - (continued)

For the three-month periods ended March 31, 2006 and 2007

(Expressed in thousands of dollars)

	January 1 ~ March 31, 2006		January 1 ~ March 31, 2007	
	NT \$	US \$	NT \$	US \$
Cash flows from financing activities				
Increase in due to the Central Bank and call loans from banks	11,059,576	341,134	2,440,096	73,920
Increase in deposits	1,647,192	50,808	10,791,385	326,912
Increase (decrease) in securities sold under agreements to repurchase	2,414,996	74,491	(3,208,018)	(97,183)
Increase in funds borrowed from the Central Bank and other banks	-	-	11,000	333
(Decrease) increase in bonds payable	(926,873)	(28,590)	239,711	7,262
(Decrease) increase in other financial liabilities	(1,089,364)	(33,601)	99,778	3,023
Decrease in other liabilities	(80,265)	(2,476)	(14,386)	(436)
Cash dividends	(79)	(2)	-	-
Net cash provided by financing activities	13,025,183	401,764	10,359,566	313,831
Effects of exchange rate changes	(186,078)	(5,740)	315,670	9,563
Increase (decrease) in cash and cash equivalents	5,644,600	174,108	(74,515,333)	(2,257,356)
Cash and cash equivalents at the beginning of the periods	482,558,562	14,884,595	518,854,200	15,718,091
Cash and cash equivalents at the end of the periods	\$488,203,162	\$15,058,703	\$444,338,867	\$13,460,735
Supplemental disclosure of cash flows information				
Interest paid (excluding capitalized interest)	\$3,807,421	\$117,440	\$4,731,263	\$143,328
Income tax paid	\$479,635	\$14,794	\$390,298	\$11,824
Investing and financing activities with no cash flow effects				
Conversion of convertible notes into common stock	\$90,872	\$2,803	\$3,211,622	\$97,292

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, respectively.

The accompanying notes are an integral part of these unaudited 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)
March 31, 2006 and 2007**

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 March 31, 2006 and 2007, the total numbers of the employees of the Company and Subsidiaries were 33,409 and 35,342, respectively.

As of and for the three months ended March 31, 2006 and 2007, the consolidated financial statements include the followings:

Investors	Investees	Business	2006.3.31 Ownership interest	2007.3.31 Ownership interest	Notes
The Company	Cathay Life	Life insurance	100%	100%	Cathay Life was incorporated in Taiwan on October 23, 1962 under the provisions of the ROC Company Act (the “Company Act”).

English Translation of Financial Statements Originally Issued in Chinese

Investors	Investees	Business	2006.3.31 Ownership interest	2007.3.31 Ownership interest	Notes
The Company	Cathay United Bank	Commercial banking operations	100%	100%	Cathay United Bank, originally named UWCCB, was enfranchised by the ROC government in January 4, 1975. On October 27, 2003, UWCCB was merged with the former Cathay United Bank which was dissolved after the merger.
The Company	Cathay Century	Property and casualty insurance	100%	100%	Cathay Century was incorporated in Taiwan on July 19, 1993, under the provisions of the Company Act. 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%	100%	Cathay Securities was incorporated on May 12, 2004, under the Company Act. 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.

English Translation of Financial Statements Originally Issued in Chinese

Investors	Investees	Business	2006.3.31 Ownership interest	2007.3.31 Ownership interest	Notes
The Company	Cathay Pacific Venture Capital Co., Ltd. ("Cathay Pacific Venture")	Venture capital investment	100%	100%	Cathay Pacific Venture was incorporated on April 10, 2003, under the Company Act.
The Company、Cathay Life、Cathay United Bank、Cathay Century	Cathay Venture Capital Co., Ltd. ("Cathay Venture")	Venture capital investment	67%	67%	Cathay Venture was incorporated on September 13, 2000, under the Company Act.
The Company	Cathay II Venture Capital Co., Ltd. ("Cathay II Venture")	Venture capital investment	100%	100%	Cathay II Venture was incorporated on April 12, 2004, under the Company Act.
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 Union in 1971 and reincorporated a commercial bank in 1997. On August 25, 2006, the Company acquired 100% of Lucky Bank by share swap. On January 1, 2007, Cathay United Bank was merged with the former Lucky Bank which was dissolved after the merger.

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Investors	Investees	Business	2006.3.31 Ownership interest	2007.3.31 Ownership interest	Notes
Cathay Life	Lin Yuan Property Management Co., Ltd. (“Lin Yuan Property Management”)	Property management services	10%	10%	Lin Yuan Property Management Co., Ltd. was incorporated on July 1, 2000, under the Company Act. On May 22, 2002, the company name was changed from “San Ching Property Management Co., Ltd.” to “Lin Yuan Property Management Co., Ltd.” 80% of the Company’s shares were disposed by Cathay Life on January 13, 2006, while 90% of them were held by Cathay Life before the disposal. As of and for the three months ended March 31, 2007, the consolidated financial statement excluded Lin Yuan Property Management Co., Ltd.
Cathay Life	Cathay Life Insurance Ltd. (Shanghai) (“Cathay Life (Shanghai)”))	Life insurance	50%	50%	Cathay Life (Shanghai) was incorporated on December 29, 2004. Cathay Life and China Eastern Airlines Corporation Limited each owns 50% interest of Cathay Life (Shanghai).
Cathay Life 、 Cathay Venture	Symphox Information Co., Ltd. (“Symphox Information”)	Type II telecom service, data processing service, information supply service	99.53%	99.53%	Symphox Information was incorporated on December 12, 1999, under the Company Act. Cathay Life and Cathay Venture own 60.12% and 39.41% interest of Symphox Information, respectively.

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Investors	Investees	Business	2006.3.31 Ownership interest	2007.3.31 Ownership interest	Notes
Cathay United Bank	Indovina Bank Limited (“Indovina Bank”)	Wholesale banking	50%	50%	Indovina Bank was incorporated in Vietnam on November 21, 1990.
Cathay United Bank · Cathay Securities	Cathay Futures Corp. (“Cathay Futures”)	Further related business	99.99%	99.99%	Cathay Futures, former Seaward Futures Agency Co., Ltd., was incorporated on December 29, 1993 under the Company Act 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 Act. As of June 30, 2006, all Seaward Leasing shares held by Cathay United Bank were disposed. As of and for the three months ended March 31, 2007, the consolidated financial statements excluded Seaward Leasing.

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Investors	Investees	Business	2006.3.31 Ownership interest	2007.3.31 Ownership interest	Notes
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 Act. As of April 11, 2006, all Pao Shin Securities shares held by Lucky Bank were disposed. As of and for the three months ended March 31, 2007, the consolidated financial statements excluded Pao Shin Securities.

As of and for the three months ended March 31, 2006 and 2007, the consolidated financial statements excluded following subsidiaries due to the respective total assets and operating revenues were considered immaterial to the Company.

Investors	Investees	Business	2006.3.31 Ownership interest	2007.3.31 Ownership interest	Notes
The Company	Cathay Capital Management Inc. (“Cathay Capital Management”)	Management consultant	100%	100%	Cathay Capital Management was incorporated on June 12, 2000.
Cathay life	Cathay Insurance (Bermuda) Co., Ltd. (“Cathay Insurance (Bermuda)”)	Class3 general business insurers and a long-term insurer	100%	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%	100%	Cathay Securities Investment was incorporated on November 25, 2002.

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Investors	Investees	Business	2006.3.31 Ownership interest	2007.3.31 Ownership interest	Notes
Cathay United Bank	Cathay Life Insurance Agent Co., Ltd. (“Cathay Life Insurance Agent”)	Life insurance agent	100%	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%	100%	Cathay Property Insurance Agent was incorporated on March 23, 2000.
Cathay United Bank	Seaward Card Co., Ltd. (“Seaward Card”)	Credit card service	100%	100%	Seaward Card was incorporated on April 9, 1999.
Cathay Capital Management	Cathay Pacific Partners Co., Ltd. (“Cathay Pacific Partners”)	Finance consultant	60%	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 “Business Entity Accounting Act”, “Guidelines Governing the Preparation of Financial Reports by Securities Issuers”, “Regulations Governing the Preparation of Financial Reports by Financial Holding Companies” and generally accepted accounting principles. A summary of significant accounting policies follows:

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(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, checks for clearance, due from commercial banks and all highly liquid investments with maturities of less than three months.

(3) Financial assets and financial liabilities

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 and Subsidiaries 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.

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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.

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.

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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 and Subsidiaries 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 investments is determined by reference to the close price at the balance sheet date for listed shares, the net asset value for open-ended funds, the quoted price at the balance sheet date for bond and valuation techniques for debt securities with no active market, hybrid instruments and derivative instruments.

(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.

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(5) Accounting for impairment of financial assets

The Company and Subsidiaries 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.

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.

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(6) Derivative financial instruments

The Company and Subsidiaries 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.

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.

At the inception of a hedge relationship, the Company and Subsidiaries formally designates and documents hedge relationship to which the Company wishes to apply hedge accounting, the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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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.

The Company and Subsidiaries 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".

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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.

(7) 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.

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(8) 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 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.

(9) 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.

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(10) 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 “land revaluation adjustments” of stockholders’ equity.

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.

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.

(11) Intangible assets

The Company and Subsidiaries 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 value. 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 and Subsidiaries 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 and Subsidiaries reevaluates the 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 and Subsidiaries are computer softwares and are amortized over the estimated useful lives of 3 years using the straight-line method.

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(12) Accounting for Assets Impairment

Pursuant to ROC SFAS No. 35, “Accounting for Asset Impairment” the Company and Subsidiaries assesses indicators of impairment for all its assets within the scope of ROC SFAS No. 35 on each balance sheet date. If impairment indications exist, the Company and Subsidiaries 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 and Subsidiaries 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 and Subsidiaries 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 and Subsidiaries 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.

(13) Real Estate Investment Trust (REIT)

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

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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”.

If the originator 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 originator 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 originator 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 securities industries are required by the government to record operating and loss reserves.

(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 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 on stock issuance, 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 on stock issuance, the difference is credited to capital surplus-treasury stock.

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

- A. 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 Exchange Act), 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.
- B. 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 Exchange Act.

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 Exchange Act), 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 "Accounting for Treasury Stocks" and treats shares held by its subsidiaries as treasury stock in its financial 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.

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(18) Insurance premium income and expenses

Direct premiums are recorded 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 Act. For employees, the Company shall make monthly contributions to individual pension accounts on a basis no less than 6% of the employees’ monthly wages.

In compliance with SFC regulations, the Company and 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 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.

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B. Translation of foreign subsidiaries' financial statements

Financial statements of foreign subsidiaries under the equity method are translation into NT dollars based on follows: all assets and liabilities denominated in foreign currencies are translation into NT dollars at the exchange rate prevailing on the balance sheet date. Stockholders' equity items are translation 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 translation by the weighted-average exchange rate of the fiscal year. Differences arising from above translation are reported as "cumulative translation adjustments" under stockholders' equity.

(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 years' 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 Subsidiaries selected the consolidated income tax return 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 consolidated 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 Subsidiaries.

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

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 Subsidiaries have considered the impact of the "Alter native Minimum Tax Act" to estimate its income tax liabilities.

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(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) Translation to U.S. dollars

The financial statements are stated in NT dollars. The translated 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 translation.

3. Change in accounting and its effects

The Company and 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\$505,395), NT\$2,486,909 (US\$76,709) and NT\$10,648,678 (US\$328,460) as of January 1, 2006, respectively. Consolidated income and earnings per share for the three months ended March 31, 2006 increased by NT\$3,249,323 (US\$100,226) and NT\$0.36 (US\$0.01), respectively.

The Company and 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 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 increased investment under equity method by NT\$5,383 (US\$166) as of March 31, 2006, and increased consolidated income by NT\$5,383 (US\$166) for the three months ended March 31, 2006.

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4. Cash and cash equivalents

	March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Petty cash and cash on hand	\$11,518,391	\$355,287	\$10,726,457	\$324,946
Cash in banks	10,381,900	320,231	15,351,839	465,066
Time deposits	365,850,925	11,284,729	382,595,031	11,590,277
Cash equivalents	87,252,180	2,691,307	17,411,798	527,470
Checks for clearance	4,561,537	140,701	10,432,288	316,034
Due from commercial banks	8,638,229	266,448	7,821,454	236,942
Total	<u>\$488,203,162</u>	<u>\$15,058,703</u>	<u>\$444,338,867</u>	<u>\$13,460,735</u>

As of March 31, 2006 and 2007, the amounts of time deposits with maturities beyond one years were NT\$709,588 (US\$21,887) and NT\$1,267,230 (US\$38,389), respectively.

5. Financial assets at fair value through profit or loss

	March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Common stock	\$22,434,580	\$691,998	\$23,690,130	\$717,665
Beneficiary certificates	64,769,646	1,997,830	39,638,849	1,200,813
Commercial papers	12,980,074	400,372	14,916,178	451,869
Corporate bonds	1,920,821	59,248	4,100,675	124,225
Government bonds	53,022,181	1,635,477	9,685,047	293,397
Financial debentures	525,935	16,223	27,155,708	822,651
Overseas financial instruments	18,153,296	559,941	17,964,419	544,212
Derivative financial instruments	10,365,377	319,722	4,207,151	127,451
Valuation adjustment	(2,747,379)	(84,743)	20,469,931	620,113
Total	<u>\$181,424,531</u>	<u>\$5,596,068</u>	<u>\$161,828,088</u>	<u>\$4,902,396</u>

(1) As of March 31, 2006 and 2007, certain financial assets at fair value through profit or loss were sold under repurchase agreements with notional amounts of NT\$14,084,500 (US\$434,439) and NT\$9,646,200 (US\$292,221), respectively. Such repurchase agreements amounting of NT\$14,266,713 (US\$440,059) and NT\$9,613,146 (US\$291,219), respectively, were recorded in the account “Securities sold under agreements to repurchase” on the balance sheets. Repurchase agreements entered prior to March 31, 2006 and 2007 are settled at NT\$14,280,065 (US\$440,471) and NT\$9,623,409 (US\$291,530) prior to September 30, 2006 and May 31, 2007, respectively.

(2) Related information on the above financial assets at fair value through profit or loss as of March 31, 2006 and 2007 being pledged please refer to Note 25.

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6. Loans-net

	March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Inward-outward documentary bills	\$838,339	\$25,859	\$870,975	\$26,385
Loans	1,136,989,441	35,070,618	1,237,941,683	37,502,020
Overdrafts	587,854	18,132	557,881	16,901
Delinquent accounts	9,420,989	290,592	9,104,922	275,823
Subtotal	1,147,836,623	35,405,201	1,248,475,461	37,821,129
Less: Allowance for bad debts	(14,911,688)	(459,953)	(15,728,823)	(476,487)
Total	<u>\$1,132,924,935</u>	<u>\$34,945,248</u>	<u>\$1,232,746,638</u>	<u>\$37,344,642</u>

7. Available-for-sale financial assets-net

	March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Common stock	\$65,657,581	\$2,025,218	\$157,383,619	\$4,767,756
Beneficiary certificates	3,040,256	93,777	18,007,157	545,506
Collateralized loans obligation and collateralized bonds obligation	858,501	26,481	5,767,475	174,719
Government bonds	61,935,964	1,910,425	46,721,708	1,415,381
Corporate bonds	16,417,391	506,397	36,351,372	1,101,223
Financial debentures	25,938,954	800,091	71,901,563	2,178,175
Overseas financial instruments	79,907,630	2,464,763	89,299,192	2,705,216
Real estate investment trust beneficiary	3,292,777	101,566	8,583,974	260,042
Valuation adjustment	6,172,238	190,384	17,776,378	538,515
Total	<u>\$263,221,292</u>	<u>\$8,119,102</u>	<u>\$451,792,438</u>	<u>\$13,686,533</u>

(1) As of March 31, 2006 and 2007, certain available-for-sale financial assets were sold under repurchase agreements with notional amounts of NT\$19,989,900 (US\$616,592) and NT\$9,998,800 (US\$302,902). Such repurchase agreements amounting of NT\$21,963,217 (US\$677,459) and NT\$10,840,576 (US\$328,403) 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\$22,012,443 (US\$678,977) and NT\$10,871,068 (US\$329,327) prior to September 30, 2006 and 2007, respectively.

(2) Related information on the above available-for-sale financial assets as of March 31, 2006 and 2007 being pledged please refer to Note 25.

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8. Held-to-maturity financial assets-net

	March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Government bonds	\$11,322,530	\$349,245	\$12,452,592	\$377,237
Corporate bonds	5,051,556	155,816	4,507,070	136,537
Financial debentures	16,241,819	500,982	10,911,297	330,545
Overseas financial instruments	468,974,321	14,465,587	510,774,227	15,473,318
Collateralized loans obligation and collateralized bonds obligation	2,591,830	79,945	17,488,449	529,793
Short-term notes	13,243,114	408,486	11,184,092	338,809
Subtotal	517,425,170	15,960,061	567,317,727	17,186,239
Less: Accumulated impairment	(2,009)	(62)	(2,045)	(62)
Total	<u>\$517,423,161</u>	<u>\$15,959,999</u>	<u>\$567,315,682</u>	<u>\$17,186,177</u>

Related information on the above held-to-maturity financial assets as of March 31, 2006 and 2007 being pledged please refer to Note 25.

9. Investments-equity method

Investee	March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Securities Investment	\$97,964	\$3,022	\$129,763	\$3,931
Cathay Capital Management	30,757	949	70,494	2,136
Seaward Card	54,516	1,682	40,458	1,226
Cathay Property Insurance Agent	11,957	369	9,307	282
Cathay Life Insurance Agent	144,148	4,446	97,572	2,956
Cathay Insurance (Bermuda)	67,679	2,088	77,385	2,344
WK Technology Fund VI Co., Ltd	399,652	12,327	481,631	14,590
Vista Technology Venture Capital Corp.	56,206	1,734	55,424	1,679
Omnitek Venture Capital Corp.	364,481	11,242	347,370	10,523
Wa Tech Venture Capital Co., Ltd.	177,416	5,472	182,264	5,521
Taiwan Real-estate Management Corp.	16,951	523	33,587	1,018
Taiwan Finance Corp.	1,411,836	43,548	1,388,622	42,067
IBT Venture Capital Corp.	656,706	20,256	615,409	18,643
Cathay Securities Investment Trust Co., Ltd.	266,064	8,207	312,696	9,473
Subtotal	3,756,333	115,865	3,841,982	116,389
Less: Unrealized gain from intercompany transactions	(57,744)	(1,781)	-	-
Total	<u>\$3,698,589</u>	<u>\$114,084</u>	<u>\$3,841,982</u>	<u>\$116,389</u>

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10. Investments in real estate

March 31, 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	\$117,088,135	\$3,611,602	\$4,072	\$126	\$(13,466,772)	\$(415,385)	\$(196,952)	\$(6,075)	\$103,428,483	\$3,190,268
Construction	1,904,185	58,735	-	-	-	-	-	-	1,904,185	58,735
Leased assets	218,700	6,746	-	-	(14,317)	(442)	-	-	204,383	6,304
Rental leased										
assets	1,327,929	40,960	-	-	(39,472)	(1,217)	-	-	1,288,457	39,743
Total	<u>\$120,538,949</u>	<u>\$3,718,043</u>	<u>\$4,072</u>	<u>\$126</u>	<u>\$(13,520,561)</u>	<u>\$(417,044)</u>	<u>\$(196,952)</u>	<u>\$(6,075)</u>	<u>\$106,825,508</u>	<u>\$3,295,050</u>

March 31, 2007										
Item	Cost		Revaluation increment		Accumulated depreciation		Accumulated impairment		Net value	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Investments in										
real estate	\$119,511,738	\$3,620,471	\$4,632	\$140	\$(14,324,018)	\$(433,930)	\$(195,923)	\$(5,935)	\$104,996,429	\$3,180,746
Construction	961,031	29,114	-	-	-	-	-	-	961,031	29,114
Total	<u>\$120,472,769</u>	<u>\$3,649,585</u>	<u>\$4,632</u>	<u>\$140</u>	<u>\$(14,324,018)</u>	<u>\$(433,930)</u>	<u>\$(195,923)</u>	<u>\$(5,935)</u>	<u>\$105,957,460</u>	<u>\$3,209,860</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 Min Sheng Commercial Building, An He Commercial Building and World Building in 2006. The accounting treatment of these transactions is conformed to the regulations of the Accounting Research and Development Foundation. The gain on disposal of real estates under “total amount accrual method” was NT\$4,168,073 (US\$128,565) in 2006.
- (5) Cathay Life has securitized its real estate properties such as the Sheraton Taipei Hotel, Taipei Xi-Men Building and Taipei Chung Hua Building in 2005. The accounting treatment of these transactions is conformed to the regulations of the Accounting Research and Development Foundation. Related information is as follows:

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- A. Cathay Life transferred the risk and returns of ownership of the real estate property to the assignee and the gain on disposal of real estates under “total amount accrual method” was NT\$8,627,731 (US\$266,124).
- B. 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 years and its ownership was over the 20% of the REIT fund’s outstanding securities. Thus, it should be treated as a part of unsold real estate. Cathay Life has deferred gain on disposal of real estate by percentage of REIT outstanding securities holding by Cathay Life. As of March 31, 2006 and 2007, the amounts of deferred gain on disposal of real estate were NT\$1,773,919 (US\$54,717) and NT\$- (US\$-), respectively.

11. Goodwill and intangible assets-net

Item	March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Goodwill	\$1,023,985	\$31,585	\$-	\$-
Computer software	743,852	22,944	766,941	23,233
Deferred pension cost	5,398	167	-	-
Land use right	8,656	267	7,292	221
Total	<u>\$1,781,891</u>	<u>\$54,963</u>	<u>\$774,233</u>	<u>\$23,454</u>

The intangible assets are computer software and are calculated using the straight-line method over the estimated useful lives within 3 years.

12. Commercial paper payable

Item	Rate	March 31, 2006		Collaterals
		Amount(NT\$)	Amount(US\$)	
E. Sun Bills financial Corp.	1.35%	\$150,000	\$4,627	None
Union Bills finance Corp.	0.90%-0.92%	120,000	3,702	None
Grand Bills finance Corp.				Property and
	1.26%	180,000	5,552	equipment
Chinatrust Bills financial Corp.	1.27%	100,000	3,085	Property and
				equipment
China Bills financial Crop.	1.35%	250,000	7,711	Property and
				equipment
International Bills financial Corp.	1.22%	250,000	7,711	None
Chung Hsing Bills finance Corp.	1.31%	250,000	7,711	Property and
				equipment
Total		<u>1,300,000</u>	<u>40,099</u>	
Less: unamortized discount		<u>(1,608)</u>	<u>(50)</u>	
Net		<u>\$1,298,392</u>	<u>\$40,049</u>	

As of March 31, 2007, all commercial paper payable have been repaid.

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13. Financial liabilities at fair value through profit or loss

	March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Derivative financial instruments	\$11,622,508	\$358,498	\$6,927,955	\$209,874
Financial debentures	39,700,000	1,224,553	39,700,000	1,202,666
Subordinated financial debentures	10,000,000	308,452	10,000,000	302,939
Valuation adjustment	3,645,741	112,453	17,559,873	531,956
Total	<u>\$64,968,249</u>	<u>\$2,003,956</u>	<u>\$74,187,828</u>	<u>\$2,247,435</u>

- (1) On May 23, 2002, Cathay United Bank issued a five-year subordinated financial debentures totaling NT\$5,000,000 (US\$151,469) 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\$151,469) with a floating interest rate or inverse floating interest rate and the interest is paid semi-annually. The subordinated financial debentures are repayable at maturity.
- (2) 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.
- (3) On June 20, 2003, Cathay United Bank issued five-year and six-month dominant financial debentures amounting to NT\$5,000,000 (US\$151,469) 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\$96,940), NT\$2,700,000 (US\$81,793) and NT\$1,800,000 (US\$54,529), 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\$60,588) with a floating interest rate. These dominant financial debentures are repayable at maturity, and the interest is payable quarterly or semi-annually.

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- (4) 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\$30,294), NT\$3,500,000 (US\$106,028), NT\$2,000,000 (US\$60,588), and NT\$1,000,000 (US\$30,294), 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 semi-annually. 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\$75,735), NT\$1,500,000 (US\$45,441), NT\$1,500,000 (US\$45,441), NT\$2,500,000 (US\$75,735), NT\$1,500,000 (US\$45,441), NT\$2,500,000 (US\$75,735), NT\$1,000,000 (US\$30,294) and NT\$1,000,000 (US\$30,294), NT\$2,000,000 (US\$60,588), NT\$1,500,000 (US\$45,441), respectively, with fixed interest rates. These dominant financial debentures are repayable at maturity and the interest is payable quarterly.
- (5) 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.

14. Deposits

	March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Check deposits	\$12,432,730	\$383,489	\$15,686,787	\$475,213
Demand deposits	133,230,959	4,109,530	102,774,120	3,113,424
Savings deposits	559,847,618	17,268,588	353,125,025	10,697,517
Time deposits	171,856,209	5,300,932	500,526,372	15,162,871
Remittances payable	399,688	12,328	1,371,254	41,540
Total	<u>\$877,767,204</u>	<u>\$27,074,867</u>	<u>\$973,483,558</u>	<u>\$29,490,565</u>

15. Bonds payable

	March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Bonds payable	\$13,263,830	\$409,125	\$1,134,796	\$34,377
Subordinated financial debentures	18,600,000	573,720	18,895,000	572,402
Discount in financial debentures	(112,451)	(3,469)	(105,300)	(3,190)
Valuation adjustment	(628,471)	(19,385)	(453,832)	(13,748)
Total	<u>\$31,122,908</u>	<u>\$959,991</u>	<u>\$19,470,664</u>	<u>\$589,841</u>

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- (1) On April 28, 2003, Cathay United Bank issued a five-year subordinated financial debentures totaling NT\$2,350,000 (US\$71,191) with a stated interest rate of 2%. The subordinated financial debentures are repayable at maturity, and the interest is payable annually.
- (2) 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.
- (3) 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.
- (4) Zero coupon convertible notes related information:
 - A. Issuer: Cathay Financial Holding Co., Ltd.
 - B. Issue amount: US\$700 million.
 - C. Issue price: 100%.
 - D. Maturity date: May 20, 2007.
 - E. Interest: The notes do not bear interest except in the limited circumstances.

F. 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.

G. 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).

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H. 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.

I. 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.

J. Redemption at the option of the Company:

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

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K. 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.

L. 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.

M. 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.

N. 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.

O. Governing law:

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

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P. Status quo:

As of March 31, 2007, a total of US\$668,379 convertible notes have been converted into common stocks of 450,392 thousand shares. The redemption premiums payable and additional paid-in capital from the conversion amounted to NT\$19,802,247 (US\$599,886) and was recognized as capital surplus. As of March 31, 2007 the Holder has exercised the repurchase right with US\$2,500 by par value. The Company has repurchased such Holder's notes at par value plus the redemption premium with US\$214.

16. Reserve for operations and liabilities

	March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Reserve for insurance business	\$1,696,533,399	\$52,329,840	\$1,859,997,447	\$56,346,485
Reserves for losses on guarantees	28,651	884	28,719	870
Reserves for losses on stock brokerage transactions	51,288	1,582	20,476	620
Reserves for losses on trading securities	146,902	4,531	151,315	4,584
Bad debt reserves	725	22	-	-
Total	<u>\$1,696,760,965</u>	<u>\$52,336,859</u>	<u>\$1,860,197,957</u>	<u>\$56,352,559</u>

17. Common stock

- (1) As of March 31, 2006 and 2007, the authorized share capital amounted NT\$120,000,000 (US\$3,635,262), and the issued share capital amounted NT\$85,258,878 (US\$2,629,823) and NT\$92,661,696 (US\$2,807,080), respectively.
- (2) On December 31, 2001, the Company listed its shares 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).

18. Capital surplus

- (1) The capital surplus of the Company consists of consolidation premium from share exchange, accumulated adjustments on paid-in capital from investment under equity method, and paid-in capital from treasury stocks. Capital surplus were NT\$68,166,265 (US\$2,102,599) and NT\$81,485,226 (US\$2,468,501) as of March 31, 2006 and 2007, respectively. Retained earnings from certain subsidiaries of the Company before the stock exchange of formation of the financial holding company amounted NT\$267,215 (US\$8,095) were included in the capital surplus as of March 31, 2006 and 2007.

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- (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 Act, 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.

19. Retained earnings

(1) Legal reserve

Pursuant to the Company Act, 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 Act 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 June 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 record dates are NT\$1.5 (US\$0.05) and NT\$0.5 (US\$0.01) on July 17 and August 14, 2006, respectively.

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

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D. 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 year's undistributed earnings. However, contra accounts in prior year's accumulated stockholders' equity should only be provided from prior year's undistributed earnings. If a reversal of stockholders equity contra account occurs, the reversed portion of the special reserve could be distributed as dividends.

E. 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.

F. 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.

G. Dividends policy

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

20. Treasury stock

The following is a summary of the movement of treasury stock as of March 31, 2006 and 2007:

The Company has no treasury stock as of March 31, 2006.

Reason for acquisition	March 31, 2007									
	In thousands of shares			Book value		Book value Per share		Market value Per share		
	January 1, 2007	Increase	Decrease	March 31, 2007	(NT\$)	(US\$)	(in NT dollars)	(in US dollars)	(in NT dollars)	(in US dollars)
Shares held by										
share exchange	66,660	-	-	66,660	\$4,140,047	\$125,418	\$62.11	\$1.88	\$68.70	\$2.08

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21. Operating Expense

For the three months ended March 31, 2006 and 2007, personnel expense, depreciation and amortizations are summarized below:

	For the three months ended March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Personnel expenses				
Salary and wages	\$8,406,075	\$259,287	\$8,194,469	\$248,242
Labor & health insurance expenses	424,923	13,107	466,769	14,140
Pension expenses	283,833	8,755	221,920	6,723
Other expenses	375,207	11,573	376,320	11,400
Depreciation	990,427	30,550	880,223	26,665
Amortization	71,357	2,201	89,988	2,726

22. Estimated income taxes

(1) Income tax expenses include the following:

	For the three months ended March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Income tax calculates on accounting income	\$1,811,466	\$55,875	\$17,309	\$524
Plus: Interest income of tax on a separate basis	330,205	10,185	130,227	3,945
Extra 10% income tax on undistributed retained earnings	785,316	24,223	-	-
Alternative minimum tax payable	-	-	287,051	8,696
Allocation of the cumulative effect of changes in accounting principles	476,896	14,710	-	-
Withholding tax for overseas investments	-	-	31,368	950
(Less) Plus: Tax effects under consolidated income tax	(847)	(26)	73,877	2,238
Deferred income tax benefits	(2,659,817)	(82,042)	478,631	14,500
Adjustment of income tax	(447,163)	(13,793)	529,574	16,043
Operating loss carry-forward	(456,528)	(14,082)	-	-
Income tax credit	(4,030)	(124)	-	-
Total income tax (benefits) expenses	<u>\$ (164,502)</u>	<u>\$ (5,074)</u>	<u>\$ 1,548,037</u>	<u>\$ 46,896</u>

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In accordance with the Financial Holding Company Act, the Company elected to file consolidated income tax return along with 10% additional undistributed earning tax for all subsidiaries being held over 12 months within a taxable year by the Company.

(2)Income tax returns:

		March 31, 2007
	Income tax returns examined by tax authorities	Notes
The Company	through 2003	The Company filed applications for re-examination of 2002 and 2003 tax returns.
Cathay Life	through 2003	Cathay Life filed applications for re-examination of 2002 and 2003 tax returns.
Cathay United Bank	through 2003	-
Cathay Century	through 2003	The withholding tax on the interest of prior bondholders and tax effects on the interest expenses of amortized premium bonds in year 1999, 2001 and 2002 tax returns, respectively, were rejected by the Tax Authority as being able to offset income tax payable. Cathay Century has filed the dispute. Cathay Century also filed an application for re-examination of 2003 tax return.
Cathay Securities	through 2004	Cathay Securities filed an application for re-examination of 2004 tax return.
Cathay Pacific Venture	through 2003	-
Symphox Information	through 2004	-
Cathay Futures	through 2004	-
Lucky Bank	through 2004	-
Cathay Venture	through 2004	-
Cathay II Venture	through 2004	-

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(3) Information related to tax imputation:

A. Balance of imputation tax credit account balances

	March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
The Company	\$488,559	\$15,070	\$1,223,217	\$37,056
Cathay Life	1,116,423	34,436	841,421	25,490
Cathay United Bank	288,893	8,911	484,805	14,687
Cathay Century	9,196	284	4,498	136
Cathay Securities	8,085	249	9,022	273
Cathay Pacific Venture	392	12	597	18
Cathay Venture	15,545	479	18,381	557
Cathay II Venture	4,595	142	7,810	237
Cathay Futures	12,282	379	14,480	439
Seaward Leasing	76,640	2,364	-	-
Lucky Bank	4,373	135	-	-
Pao Shin Securities	24,377	752	-	-

B Imputation tax credit deductible ratio

	For the three months ended March 31,	
	2006	2007
	Actual	Estimate
The Company		
-cash dividends	11.97%	6.21%
-stock dividends	11.96%	-
Cathay Life	7.33%	3.74%
Cathay United Bank	13.98%	-
Cathay Century	1.73%	0.62%
Cathay Securities	14.45%	13.66%
Cathay Pacific Venture	-	1.06%
Cathay Venture	16.28%	15.40%
Cathay II Venture	33.33%	7.31%
Cathay Futures	-	33.33%

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(4) Information relating of undistributed earnings:

Year	For the three months ended March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Prior to 1997	\$267,215	\$8,242	\$267,215	\$8,095
After 1998	28,146,255	868,176	19,710,210	597,098
Total	<u>\$28,413,470</u>	<u>\$876,418</u>	<u>\$19,977,425</u>	<u>\$605,193</u>

- A. Undistributed earnings after 1998 did not include the net income from January 1 to March 31, 2006 and 2007.
- 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 three months ended March 31, 2006								
	Amount (Numerator)				Shares (in thousands of shares)	EPS (in dollars)			
	Before income taxes		After income taxes			Before income taxes		After income taxes	
	NT\$	US\$	NT\$	US\$	(denominator)	NT\$	US\$	NT\$	US\$
Primary earnings per share:									
Income from continuing operations	\$4,589,809	\$141,573	\$4,754,311	\$146,647	8,951,736	\$0.51	\$0.02	\$0.53	\$0.02
Cumulative effect of changes in accounting principles	2,486,193	76,687	3,249,323	100,226	8,951,736	0.28	0.01	0.36	0.01
Consolidated income	<u>\$7,076,002</u>	<u>\$218,260</u>	<u>\$8,003,634</u>	<u>\$246,873</u>	8,951,736	<u>\$0.79</u>	<u>\$0.03</u>	<u>\$0.89</u>	<u>\$0.03</u>
Effect of potentially dilutive common stock									
convertible notes payable	<u>\$91,248</u>	<u>\$2,815</u>	<u>\$68,436</u>	<u>\$2,111</u>	<u>239,234</u>				
Fully-diluted earnings per share:									
Income from continuing operations	\$4,681,057	\$144,388	\$4,822,747	\$148,758	9,190,970	\$0.51	\$0.02	\$0.53	\$0.02
Cumulative effect of changes in accounting principles	2,486,193	76,687	3,249,323	100,226	9,190,970	0.27	0.01	0.35	0.01
Consolidated income	<u>\$7,167,250</u>	<u>\$221,075</u>	<u>\$8,072,070</u>	<u>\$248,984</u>	9,190,970	<u>\$0.78</u>	<u>\$0.03</u>	<u>\$0.88</u>	<u>\$0.03</u>

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For the three months ended March 31, 2007

	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 operation	\$11,608,134	\$351,655	\$10,060,097	\$304,759	9,160,861	\$1.27	\$0.04	\$1.10	\$0.03
Effect of potentially dilutive common stock:									
Convertible notes payable	33,548	1,016	25,161	762	59,442				
Fully-diluted earnings per share:									
Consolidated income	\$11,641,682	\$352,671	\$10,085,258	\$305,521	9,220,303	\$1.26	\$0.04	\$1.09	\$0.03

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 (Merged by Cathay United Bank on January 1, 2007)
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 11, 2006)
Cathay Futures	Subsidiary of the Company
Seaward Leasing	Subsidiary of the Company (Became affiliated after July 1, 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

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Name	Relationship
Cathay Property Insurance Agent	Subsidiary of the Company
Lin Yuan Property Management	Subsidiary of the Company (Became affiliated after January 13, 2006)
Cathay Securities Investment Trust Co., Ltd.	The investee is accounted for using the equity method
Taiwan Finance Corp.	The investee in accounted for using the equity method
Taiwan Real-estate Management Corp.	The investee in accounted for using the equity method
Cathay General Hospital	The chairman is also the Company's chairman
Lin Yuan Investment Co., Ltd.	The chairman is a second immediate family member of the Company's chairman
Yi Ru Corporation	The chairman is a second immediate family member of the Company's chairman
Wan Pao Development Co., Ltd.	The 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 foundation
Taiwan Asset Management Corporation	The chairman is Cathay United Bank
China England Co., Ltd.	Affiliate
Cathay Real Estate Development Co., Ltd.	Affiliate
San Ching Engineering Co., Ltd.	Affiliate
Cathay Charity Foundation	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
Shanghai East Fly Service Co., Ltd.	Affiliate
CNDFMC (SCEA) Duty Free Merchandise Co., Ltd.	Affiliate
China Eastern Aviation IMP/EXP Corp.	Affiliate
Cathay Lin Yuan Security Co., Ltd.	Affiliate
Other related parties	Includes chairmen, managers, their spouses and linear relatives of Subsidiaries

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(2) Significant transactions with related parties:

A. Cash in banks

For the three months ended March 31, 2006						
Name	Item	Ending balance		Rate	Interest income	
		(NT\$)	(US\$)		(NT\$)	(US\$)
CEA Finance Co., Ltd.	Demand deposits	\$346	\$11	1.44%	\$184	\$6

For the three months ended March 31, 2007						
Name	Item	Ending balance		Rate	Interest income	
		(NT\$)	(US\$)		(NT\$)	(US\$)
CEA Finance Co., Ltd.	Demand deposits	\$42,612	\$1,291	1.44%	\$8	\$-

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

Name	For the three months ended March 31,							
	2006				2007			
	Ending balance		Interest revenue		Ending balance		Interest revenue	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Industrial and Commercial Bank of Vietnam	\$1,468	\$45	\$-	\$-	\$638	\$19	\$5	\$-

C. Financial assets at fair value through profit or loss

Name	March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$6,339,539	\$195,544	\$6,920,159	\$209,638

D. Securities purchased under agreements to resell

Name	For the three months ended March 31,							
	2006				2007			
	Ending balance		Interest revenue		Ending balance		Interest revenue	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Taiwan Finance Corp.	\$49,607	\$1,530	\$9	\$-	\$-	\$-	\$44	\$1

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E. Receivables

Name	March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Insurance (Bermuda)	\$8,880	\$274	\$9,433	\$286
Cathay Capital Management	11,804	364	14,322	434
Cathay General Hospital	40,582	1,252	32,580	987
Cathay Real Estate Development Co., Ltd.	219	7	575	18
Cathay Securities Investment Trust Co., Ltd.	103	3	635	19
Lin Yuan Property Management	-	-	631	19
Seaward Leasing	-	-	218,761	6,627
Cathay Securities Investment	-	-	329	10
Other related parties	-	-	201	6
Total	\$61,588	\$1,900	\$277,467	\$8,406

F. Loans

Name	For the three months ended March 31, 2006			
	Ending	Ending	Interest	Interest
	Balance	Balance	Revenue	Revenue
	(NT\$)	(US\$)	(NT\$)	(US\$)
Taiwan Real-estate Management Corp.	\$134,000	\$4,133	\$985	\$30
Cathay General Hospital	4,087,409	126,077	29,232	902
Others	488,594	15,071	3,712	115
Total	\$4,710,003	\$145,281	\$33,929	\$1,047

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Name	For the three months ended March 31, 2007			
	Ending	Ending	Interest	Interest
	Balance	Balance	Revenue	Revenue
	(NT\$)	(US\$)	(NT\$)	(US\$)
Seaward Leasing	\$2,120,000	\$64,223	\$9,221	\$279
Taiwan Real-estate Management Corp.	130,000	3,938	897	27
Cathay General Hospital	4,732,553	143,367	37,475	1,135
Others	565,822	17,141	3,513	107
Total	\$7,548,375	\$228,669	\$51,106	\$1,548

G. Available-for-sale financial assets

Name	March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$817,697	\$25,222	\$574,627	\$17,408

H. Deposit

Name	For the three months ended March 31, 2006			
	Ending	Ending	Interest	Interest
	Balance	Balance	Expense	Expense
	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$283,070	\$8,731	\$1,087	\$34
Cathay Real Estate Development Co., Ltd.	35,134	1,084	10	-
Others	3,329,186	102,689	12,383	382
Total	\$3,647,390	\$112,504	\$13,480	\$416

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Name	For the three months ended March 31, 2007			
	Ending Balance (NT\$)	Ending Balance (US\$)	Interest Expense (NT\$)	Interest Expense (US\$)
Cathay Securities Investment Trust Co., Ltd.	\$447,412	\$13,554	\$2,007	\$61
Cathay Real Estate Development Co., Ltd.	374,055	11,332	30	1
Others	2,706,002	81,975	10,418	315
Total	\$3,527,469	\$106,861	\$12,455	\$377

I. 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.

Name	Item	For the three months ended March 31, 2006	
		NT\$	US\$
Cathay Real Estate Development Co., Ltd.	Cathay Land Mark	\$750	\$23
Lin Yuan Property Management	Cathay Cosmos Building	1,291	40
	Li-Yuan Building	9,540	294
	Jhong Jheng Building	2,134	66
	International Building	1,077	33
	World commercial Building	1,393	43
	Financial Center Hsing-E	1,317	41
	Yuanlin Building	1,554	48
	Changhua 2nd Building	1,431	44
	Central industrial & commercial Building	1,406	43
	Taipei Royalty Building	9,610	296
	Jhong Gang Building	1,584	49
	Cathay Building	4,561	141
	Tun Nan Commercial Building	2,618	81
	Other	4,846	149
Total		\$45,112	\$1,391

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Name	Item	For the three months ended March 31, 2007	
		NT\$	US\$
San Ching Engineering Co., Ltd.	Cathay Lank Mark	\$1,490	\$45
	Other	774	24
Lin Yuan Property Management	International Building	3,378	102
	Taipei Royalty Building	6,184	187
	Jhong Gang Building	2,311	70
	Cathay Building	1,707	52
	Kaohsiung Chung Hua Building	7,432	225
	Hsinchu Education Center	1,099	33
	Cingshuei Building	1,521	46
	Min Sheng Chien Kuo Building	1,069	32
	Other	19,461	590
	Total	\$46,426	\$1,406

The total amounts of contracted projects for real estate as of March 31, 2006 and 2007 between the Company and San Ching Engineering Co., Ltd. were NT\$1,405,513 (US\$43,353) and NT\$22,435 (US\$680), respectively.

b. Real estates acquired by Cathay Life:

Name	Item	For the three months ended March 31, 2006	
		Contract Price	
		NT\$	US\$
Wan Pao Development Co., Ltd.	No. 658 Simen Rd, Tainan City.	\$5,290,000	\$163,171
Cathay Real Estate Development Co., Ltd.	Tianmu E.Rd., and Sec. 2 Zhong Cheng Rd., Shilin District, Taipei City.	\$2,470,000	\$76,188

The appraisal report has been taken into the consideration of determination on contract prices and the title has been transferred in 2006.

The Company did not acquire any real estates from its related parties for the three months ended March 31, 2007.

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c. Real estate rental income from Cathay Life, Cathay United Bank and Seaward Leasing:

Name	Rental income			
	For the three months ended March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Securities Investment	\$844	\$26	\$844	\$26
Cathay Capital Management	496	15	511	15
Cathay Real Estate Development Co., Ltd.	4,526	140	4,003	121
Cathay General Hospital	36,837	1,136	38,261	1,159
San Ching Engineering Co., Ltd.	1,864	58	1,892	57
Cathay Securities Investment Trust Co., Ltd.	3,184	98	3,125	95
Taiwan Asset Management Corporation	3,599	111	3,501	106
Taipei Smart Card Corp.	238	7	2,897	88
Seaward Leasing	-	-	346	11
Total	\$51,588	\$1,591	\$55,380	\$1,678

Name	Guarantee deposits in			
	March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Securities Investment	\$877	\$27	\$877	\$27
Cathay Capital Management	479	15	479	15
Cathay Real Estate Development Co., Ltd.	3,645	112	3,753	114
Cathay General Hospital	6,857	212	8,062	244
San Ching Engineering Co., Ltd.	1,709	53	1,709	52
Cathay Securities Investment Trust Co., Ltd.	2,738	84	2,738	83
Taiwan Asset Management Corporation	3,477	107	3,477	105
Seaward Leasing	-	-	346	10
Total	\$19,782	\$610	\$21,441	\$650

Lease periods are usually 2-5 years and rentals are collected monthly.

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

Name	Rental expenses			
	For the three months ended March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Real Estate Development Co., Ltd.	\$10,807	\$333	\$10,096	\$306
Lin Yuan Investment Co., Ltd.	628	19	631	19
Yi Ru Corporation	1,022	32	1,073	33
Seaward Leasing	-	-	3,805	115
Total	<u>\$12,457</u>	<u>\$384</u>	<u>\$15,605</u>	<u>\$473</u>

Name	Guarantee deposits paid			
	March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Real Estate Development Co., Ltd.	\$12,318	\$380	\$11,561	\$350
Lin Yuan Investment Co., Ltd.	601	18	628	19
Yi Ru Corporation	1,190	37	1,190	36
Seaward Leasing	-	-	33,393	1,012
Total	<u>\$14,109</u>	<u>\$435</u>	<u>\$46,772</u>	<u>\$1,417</u>

According to the contracts, periods of leases generally were 3 years and rents were paid monthly.

J. Other assets

Prepayment

Name	March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Lin Yuan Investment Co., Ltd.	\$-	\$-	\$419	\$13
Yi Ru Corporation	-	-	474	14
Cathay Life Insurance Agent	15,615	482	-	-
Total	<u>\$15,615</u>	<u>\$482</u>	<u>\$893</u>	<u>\$27</u>

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

Name	For the three months ended March 31, 2006			
	Ending balance	Interest expense	Ending balance	Interest expense
	(NT\$)	(NT\$)	(US\$)	(US\$)
Due to commercial banks				
Industrial and Commercial				
Bank of Vietnam	\$2,955	\$248	\$91	\$8

Name	For the three months ended March 31, 2007			
	Ending balance	Interest expense	Ending balance	Interest expense
	(NT\$)	(NT\$)	(US\$)	(US\$)
Due to commercial banks				
Industrial and Commercial				
Bank of Vietnam	\$-	\$234	\$-	\$7

L. Securities sold under agreements to repurchase

Name	March 31,			
	Ending balance			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Wan Pao Development Co., Ltd.	\$6,171,150	\$190,350	\$4,282,194	\$129,724
Other related parties	908,682	28,029	1,052,147	31,874
Total	\$7,079,832	\$218,379	\$5,334,341	\$161,598

Name	For the three months ended March 31,			
	Interest expenses			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Wan Pao Development Co., Ltd.	\$16,319	\$503	\$14,406	\$436
Other related parties	2,187	68	3,855	117
Total	\$18,506	\$571	\$18,261	\$553

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M. Payables

Name	March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Seaward Card	\$30,863	\$952	\$9,952	\$301
Lin Yuan Property Management	55,151	1,701	69,195	2,096
San Ching Engineering Co., Ltd.	504	15	782	24
Cathay Real Estate Development Co., Ltd.	384	12	-	-
Cathay Pacific Partners	-	-	8,471	257
Seaward Leasing	-	-	795	24
Industrial and Commercial Bank of Vietnam	60,125	1,855	-	-
Total	<u>\$147,027</u>	<u>\$4,535</u>	<u>\$89,195</u>	<u>\$2,702</u>

N. Advance receipts

Name	March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Taiwan Asset Management Corporation	\$-	\$-	\$2,484	\$75
Cathay General Hospital	428	13	-	-
Total	<u>\$428</u>	<u>\$13</u>	<u>\$2,484</u>	<u>\$75</u>

O. Net commission and handling fee

a. Handling fee Income

Name	For the three months ended March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Life Insurance Agent	\$703	\$22	\$-	\$-
Cathay securities investment Trust Co., Ltd.	403	12	-	-
Total	<u>\$1,106</u>	<u>\$34</u>	<u>\$-</u>	<u>\$-</u>

b. Commissions expense

Name	For the three months ended March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Life Insurance Agent	\$27,924	\$862	\$5,390	\$163
Cathay Property Insurance Agent	8,634	266	-	-
Total	<u>\$36,558</u>	<u>\$1,128</u>	<u>\$5,390</u>	<u>\$163</u>

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c. Reinsurance commissions expense

Name	For the three months ended March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Insurance (Bermuda)	\$4,535	\$140	\$1,103	\$33

P. Net premiums from insurance business

a. Insurance income

Name	For the three months ended March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay General Hospital	\$7,988	\$246	\$8,766	\$266
Cathay Real Estate Development Co., Ltd.	683	21	378	11
San Ching Engineering Co., Ltd.	300	9	308	9
China Eastern Airlines Co., Ltd.	-	-	373	11
CEA Finance Holding Co., Ltd.	283	9	-	-
Seaward Leasing	-	-	2,467	75
Other related parties	-	-	308,231	9,338
Total	\$9,254	\$285	\$320,523	\$9,710

b. Reinsurance income

Name	For the three months ended March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Insurance (Bermuda)	\$36,745	\$1,133	\$26,955	\$817

c. Reinsurance claims payment

Name	For the three months ended March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Insurance (Bermuda)	\$26,569	\$820	\$1,851	\$56

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Q. Net other non-interest income

a. Sales

Name	For the three months ended March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Securities Investment	\$-	\$-	\$351	\$11
Cathay General Hospital	8,608	265	2,557	77
Cathay Securities Investment Trust Co., Ltd.	1,189	37	1,385	42
Lin Yuan Property Management	-	-	623	19
Cathay Real Estate Development Co., Ltd.	-	-	800	24
Total	<u>\$9,797</u>	<u>\$302</u>	<u>\$5,716</u>	<u>\$173</u>

b. Service Income

Name	For the three months ended March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay General Hospital	\$2,627	\$81	\$1,074	\$33
Cathay Securities Investment Trust Co., Ltd.	311	10	331	10
Total	<u>\$2,938</u>	<u>\$91</u>	<u>\$1,405</u>	<u>\$43</u>

c. Miscellaneous income

Name	For the three months ended March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$2,002	\$62	\$1,820	\$55
Cathay General Hospital	8	-	727	22
Total	<u>\$2,010</u>	<u>\$62</u>	<u>\$2,547</u>	<u>\$77</u>

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R. Operating expense

Name	For the three months ended March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Securities Investment	\$13,125	\$405	\$13,125	\$398
Seaward Card	139,748	4,310	102,575	3,107
Cathay Pacific Management	19,696	607	18,467	559
Cathay Pacific Partners	3,750	116	3,750	114
Lin Yuan Property Management	183,269	5,653	167,890	5,086
Cathay Real Estate Development Co., Ltd.	3,010	93	3,164	96
San Ching Engineering Co., Ltd.	1,008	31	1,010	31
Cathay Charity Foundation	850	26	-	-
Cathay General Hospital	605	19	1,448	44
Cathay Lin Yuan Security Co., Ltd.	-	-	505	15
Seaward Leasing	-	-	2,244	68
Total	<u>\$365,061</u>	<u>\$11,260</u>	<u>\$314,178</u>	<u>\$9,518</u>

S. Others

- a. Cathay United Bank entered into a contract with San Ching Engineering Corp. to build the Nei-hu Financial Building totaling NT\$1,083,500 (US\$33,421), in 2006. Cathay United Bank paid the amount of NT\$74,694 (US\$2,263) during the three-month period ended March 31, 2007. As of March 31, 2007, the accumulated amount paid was NT\$165,244 (US\$5,006).
- b. Cathay United Bank paid construction planning and design maintenance services fees to Lin Yuan Property Management in the amount of NT\$6,202 (US\$191) and NT\$4,960 (US\$150) during the three-month periods ended March 31, 2006 and 2007, respectively.
- c. As of March 31, 2007 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\$102,265.
- d. Cathay United Bank entered into a contract with Taipei Smart Card Corp. for issuing Easy co-branded card. The contract lasts for three year starting 2006 and the royalty amounted NT\$103,125 (US\$3,181) (amortized NT\$2,865 (US\$87) per month) was paid in January, 2006.

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e. For prospective operation and concentration on banking development, the board of directors resolved to sell out the stocks of Seaward Leasing to the Cathay Real Estate Development for the amount of NT\$3,180,000 (US\$98,088) on June 30, 2006, with NT\$15.9 (US\$0.49) per share. The gain from disposal of the investment recognized by the equity method was NT\$1,323,466 (US\$40,822), with selling price NT\$3,170,460 (US\$97,793) (securities transaction cost NT\$9,540 (US\$294) was deducted) minus the carrying value NT\$1,846,994 (US\$56,971).

(3)The Company's significant transactions with related parties

A. Cash in bank

		For the three months ended March 31, 2006		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$3,257,165	4.375%- 4.9175%	\$38,492
	Cash in bank	2,248	0.10%	61,861
	Total	<u>\$3,259,413</u>		<u>\$100,353</u>

		For the three months ended March 31, 2006		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$100,468	4.375%- 4.9175%	\$1,187
	Cash in bank	69	0.10%	1,908
	Total	<u>\$100,537</u>		<u>\$3,095</u>

		For the three months ended March 31, 2007		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$3,471,160	4.375%- 5.498%	\$46,369
	Cash in bank	1,929	0.10%-2.35%	-
	Total	<u>\$3,473,089</u>		<u>\$46,369</u>

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		For the three months ended March 31, 2007		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$105,155	4.375%- 5.498%	\$1,405
	Cash in bank	58	0.10%-2.35%	-
	Total	\$105,213		\$1,405

B. Receivables

		March 31,			
Name	Item	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay United Bank	Receivables due to consolidated income tax and time deposits interests	\$2,252,511	\$69,479	\$18,605	\$564
Cathay Life	Receivables due to consolidated income tax	1,612,842	49,748	-	-
Cathay Century	Receivables due to consolidated income tax	147,618	4,553	210,898	6,389
Cathay Capital Management	Receivables due to consolidated income tax	11,801	364	14,322	434
Cathay Securities	Receivables due to consolidated income tax	15,088	466	7,548	229
Cathay Pacific Venture	Receivables due to consolidated income tax	-	-	19,176	581
Cathay II Venture	Receivables due to consolidated income tax	-	-	3,816	115
Total		\$4,039,860	\$124,610	\$274,365	\$8,312

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C. Payables

Name	Item	March 31,			
		2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Life	Receivables due to consolidated income tax	\$2,171,620	\$66,984	\$811,691	\$24,589
Cathay United Bank	Receivables due to consolidated income tax	1,157,000	35,688	868,302	26,304
Cathay Pacific Venture	Receivables due to consolidated income tax	1,523	47	573	18
Cathay II Venture	Receivables due to consolidated income tax	3,845	118	-	-
Total		\$3,333,988	\$102,837	\$1,680,566	\$50,911

D. Operating expenses

Name	For the three months ended March 31,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Life	\$3,202	\$99	\$3,284	\$100
Lin Yuan Property Management	305	9	59	2
Symphox Information	-	-	464	14
Seaward Leasing	-	-	204	6
Total	\$3,507	\$108	\$4,011	\$122

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(4) Subsidiaries' significant transactions with related parties are follows:

A. Cathay Life

a. Cash in banks

		For the three months ended March 31,2006		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United	Time deposit	\$1,066,250	1.05%-1.85%	\$3,021
Bank	Cash in bank	19,982,811	0.01%-2.10%	55,508
Total		<u>\$21,049,061</u>		<u>\$58,529</u>

		For the three months ended March 31,2006		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United	Time deposit	\$32,889	1.05%-1.85%	\$93
Bank	Cash in bank	616,373	0.01%-2.10%	1,712
Total		<u>\$649,262</u>		<u>\$1,805</u>

		For the three months ended March 31,2007		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United	Time deposit	\$1,807,250	1.15%-2.06%	\$7,995
Bank	Cash in bank	7,543,303	0.00%-0.10%	904
Total		<u>\$9,350,553</u>		<u>\$8,899</u>

		For the three months ended March 31,2007		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United	Time deposit	\$54,748	1.15%-2.06%	\$242
Bank	Cash in bank	228,516	0.00%-0.10%	28
Total		<u>\$283,264</u>		<u>\$270</u>

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b. Receivables

Name	March 31,			
	2006		2007	
	NT\$	US\$	NT\$	US\$
Cathay Financial Holding	\$2,171,620	\$66,984	\$811,691	\$24,589

c. Other financial assets – current

Name	For the three months ended March 31,2006		
	Ending balance	Rate	Interest income
	(NT\$)		(NT\$)
Cathay United Bank	\$1,000,000	1.80%	\$-

Name	For the three months ended March 31,2006		
	Ending balance	Rate	Interest income
	(US\$)		(US\$)
Cathay United Bank	\$30,845	1.80%	\$-

Name	For the three months ended March 31,2007		
	Ending balance	Rate	Interest income
	(NT\$)		(NT\$)
Cathay United Bank	\$1,800,000	1.80%-2.31%	\$6,885

Name	For the three months ended March 31,2007		
	Ending balance	Rate	Interest income
	(US\$)		(US\$)
Cathay United Bank	\$54,529	1.80%-2.31%	\$209

d. Secured loans

Name	For the three months ended March 31,2006			
	Maximum amount	Ending balance	Rate	Interest income
	(NT\$)	(NT\$)		(NT\$)
Cathay General Hospital	\$3,750,544	\$3,750,409	3.03%-3.15%	\$26,831

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For the three months ended March 31,2006				
Name	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay General Hospital	\$115,686	\$115,682	3.03%-3.15%	\$828

For the three months ended March 31,2007				
Name	Maximum amount (NT\$)	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay General Hospital	\$4,449,654	\$4,449,584	3.28%-3.40%	\$35,516

For the three months ended March 31,2007				
Name	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay General Hospital	\$134,797	\$134,795	3.28%-3.40%	\$1,076

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

Name	March 31,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay Securities Investment Trust Co., Ltd.	\$5,915,672	\$182,470	\$6,466,201	\$195,886

f. Real estates acquisition

Real estates acquired from related parties for the three months ended March 31, 2006 and 2007 are as follows:

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		For the three months ended March 31, 2006	
		Contract price	
Name	Item	NT\$	US\$
Wan Pao Development Co., Ltd.	No. 658 Simen Rd, Tainan City.	\$5,290,000	\$163,171
Cathay Real Estate Development Co., Ltd.	Tianmu E.Rd., and Sec. 2 Zhong Cheng Rd., Shilin District, Taipei City.	\$2,470,000	\$76,188

The appraisal report has been taken into the consideration of determination on contract prices and the title has been transferred in 2007.

Cathay Life did not acquire any real estates from its related parties in 2007.

g. Guarantee deposits paid

Name	March 31,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay Futures	\$461,569	\$14,237	\$250,506	\$7,589

As of March 31, 2006 and 2007, the imputed interest income of guarantee deposits paid deposited in Cathay Futures were NT\$76 (US\$2) and NT\$51 (US\$2), respectively.

h. Insurance income

Name	For the three months ended March 31,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay United Bank	\$73,660	\$2,272	\$103,459	\$3,134

i. Miscellaneous income

Name	For the three months ended March 31,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay Century	\$133,844	\$4,128	\$186,682	\$5,655

The miscellaneous income primarily was cross-selling income received by Cathay Life.

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j. Operating expense

Name	For the three months ended March 31,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Lin Yuan Property Management	\$180,595	\$5,570	\$167,831	\$5,084

k. Other

As of March 31, 2006 and 2007, the notional amounts of the derivative financial instruments transactions with Cathay United Bank are listed below:

Item	March 31,	
	2006	2007
Foreign exchange forwards	USD\$159,267	USD\$810,332
CCS contracts	USD\$385,000	USD\$1,635,000

B. Cathay United Bank

a. Loans and deposits

Item	For the three months ended March 31,							
	2006				2007			
	Ending Balance		Interest revenue (expense)		Ending Balance		Interest revenue (expense)	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Loans								
Seaward								
Leasing	\$1,880,000	\$57,989	\$6,839	\$211	\$2,120,000	\$64,223	\$9,221	\$275
Taiwan								
Real-estate Management Corp.	134,000	4,133	985	31	130,000	3,938	897	27
Cathay General								
Hospital	337,000	10,395	2,401	74	282,969	8,572	1,959	60
Other related parties	488,594	15,071	3,707	114	323,259	9,793	2,070	63
Total	\$2,839,594	\$87,588	\$13,932	\$430	\$2,856,228	\$86,526	\$14,147	\$425

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For the three months ended March 31,								
2006								
2007								
Account	Ending Balance		Interest revenue (expense)		Ending Balance		Interest revenue (expense)	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Deposits								
Cathay Life	\$21,049,069	\$649,262	\$(58,529)	\$(1,805)	\$9,350,553	\$283,264	\$(8,899)	\$(270)
Cathay								
Financial								
Holding	3,622,555	111,738	(32,078)	(989)	3,837,675	116,258	(45,467)	(1,377)
Cathay Futures	1,026,096	31,650	(2,407)	(74)	928,651	28,132	(3,716)	(113)
Cathay								
Securities	1,462,626	45,115	(5,820)	(180)	1,068,305	32,363	(3,614)	(109)
Cathay Century	619,976	19,123	(1,592)	(49)	717,466	21,735	(2,389)	(72)
Cathay Pacific								
Venture	382,998	11,814	(640)	(20)	520,752	15,776	(1,663)	(50)
Cathay								
Securities								
Investment								
Trust Co.,								
Ltd.	283,070	8,731	(1,087)	(34)	447,412	13,554	(2,007)	(61)
Cathay Real								
Estate								
Development								
Co., Ltd.	35,134	1,084	(10)	-	374,055	11,332	(30)	(1)
Other related								
parties	3,329,186	102,689	(12,383)	(382)	2,706,002	81,975	(10,418)	(316)
Total	\$31,810,710	\$981,206	\$(114,546)	\$(3,533)	\$19,950,871	\$604,389	\$(78,203)	\$(2,369)

For the three months ended March 31, 2006							
Name	Maximum amount		Ending balance		Rate	Interest revenue	
	(NT\$)	(US\$)	(NT\$)	(US\$)		(NT\$)	(US\$)
Call loans to banks							
Indovina Bank	\$715,919	\$22,083	\$650,919	\$20,078	4.38%-7.80%	\$6,728	\$208

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For the three months ended March 31, 2007

Name	Maximum amount		Ending balance		Rate	Interest revenue	
	(NT\$)	(US\$)	(NT\$)	(US\$)		(NT\$)	(US\$)
Call loans to banks							
Indovina Bank	\$115,301	\$3,493	\$-	\$-	5.00%-7.70%	\$2,686	\$81
Due from							
Commercial							
Banks							
Indovina Bank	\$392,147	\$11,880	\$4,636	\$140	0.50%-7.70%	\$1,206	\$37
Call loans from							
banks							
Indovina Bank	\$338,114	\$10,243	\$-	\$-	5.14%-8.70%	\$(435)	\$(13)

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

b. Guarantees

For the three months ended March 31, 2006

Name	Maximum amount		Ending balance		Service fees	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Indovina Bank	\$153,725	\$4,742	\$-	\$-	\$3	\$-

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

c. Securities sold under agreements to repurchase

March 31,

Name	Ending balance			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Wan Pao Development Co., Ltd.	\$6,171,150	\$190,350	\$4,282,194	\$129,724
Other related parties	908,682	28,029	1,052,147	31,874
Total	\$7,079,832	\$218,379	\$5,334,341	\$161,598

For the three months ended March 31,

Name	Interest expense			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Wan Pao Development Co., Ltd.	\$16,319	\$503	\$14,406	\$436
Other related parties	2,187	68	3,855	117
Total	\$18,506	\$571	\$18,261	\$553

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d. Receivables

Name	March 31,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay Financial Holding	\$1,157,000	\$35,688	\$868,302	\$26,304
Seaward Leasing	-	-	218,761	6,627
Total	<u>\$1,157,000</u>	<u>\$35,688</u>	<u>\$1,087,063</u>	<u>\$32,931</u>

e. Payables

Name	March 31,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay Financial Holding	<u>\$2,245,837</u>	<u>\$69,273</u>	<u>\$-</u>	<u>\$-</u>

f. General expense

Name	For the three months ended March 31,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Seaward Card	<u>\$139,407</u>	<u>\$4,300</u>	<u>\$102,006</u>	<u>\$3,090</u>

g. Other

- (a) Cathay United Bank entered into a contract with San Ching Engineering Corp. to build the Nei-hu Financial Building totaling NT\$1,083,500 (US\$33,421) in 2006. Cathay United Bank paid the amount of NT\$74,694 (US\$2,263) during the three-month period ended March 31, 2007. As of March 31, 2007, the accumulated paid amount was NT\$165,244 (US\$5,006).
- (b) As of March 31, 2006 and 2007, the notional amounts of the forward and cross-currency swaps Cathay United Bank entered into transactions with Cathay Life were US\$544,267 and US\$2,445,332, respectively.
- (c) As of March 31, 2007 the notional amount of the forward Cathay United Bank entered into transactions with Cathay Century and Cathay Global Money Market Fund etc. (the funds are managed by Cathay Securities Investment Trust Co., Ltd.) was US\$50,604 and US\$102,265, respectively.

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- (d) Cathay United Bank entered into a contract with Taipei Smart Card Corp. for issuing Easy co-branded card. The contract lasts for three year starting 2006 and the royalty amounted to NT\$103,125 (US\$3,181) (amortized NT\$2,865 (US\$87) per month) was paid 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 to Cathay Securities Corp. on February 10, 2006. The carrying value on the date when the transaction occurred was NT\$736,454 (US\$22,716) and net selling price was NT\$708,275 (US\$21,847) (the security transaction cost NT\$2,132 (US\$66) was deducted). The loss from the transaction was NT\$28,179 (US\$869) 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 resolved to sell out the stocks of Seaward Leasing Ltd. to the Cathay Real Estate Development for the amount of NT\$3,180,000 (US\$98,088) on June 30, 2006, with NT\$15.9 (US\$0.49) per share. The gain from disposal of the investment recognized by the equity method was NT\$1,323,466 (US\$40,822), with selling price NT\$3,170,460 (US\$97,793) (securities transaction cost NT\$9,540 (US\$294) was deducted) minus the carrying value NT\$1,846,994 (US\$56,971).

C. Cathay Century

a. Cash in banks

		For the three months ended March 31, 2006		
Name	Item	Ending balance (NT\$)	Interest rate	Interest income (NT\$)
Cathay United Bank	Cash in banks	\$297,883	0.00%-0.10%	\$-
	Time deposits	318,055	1.63%-1.95%	1,763
Total		<u>\$615,938</u>		<u>\$1,763</u>

		For the three months ended March 31, 2006		
Name	Item	Ending balance (US\$)	Interest rate	Interest income (US\$)
Cathay United Bank	Cash in banks	\$9,188	0.00%-0.10%	\$-
	Time deposits	9,811	1.63%-1.95%	54
Total		<u>\$18,999</u>		<u>\$54</u>

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		For the three months ended March 31, 2007		
Name	Item	Ending balance	Interest rate	Interest income
		(NT\$)		(NT\$)
Cathay United Bank	Cash in banks	\$257,796	0.00%-0.10%	\$-
	Time deposits	455,350	1.79%-2.21%	2,299
Total		<u>\$713,146</u>		<u>\$2,299</u>

		For the three months ended March 31, 2007		
Name	Item	Ending balance	Interest rate	Interest income
		(US\$)		(US\$)
Cathay United Bank	Cash in banks	\$7,810	0.00%-0.10%	\$-
	Time deposits	13,794	1.79%-2.21%	70
Total		<u>\$21,604</u>		<u>\$70</u>

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

Name	March 31,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay Securities Investment Trust Co., Ltd.	<u>\$113,597</u>	<u>\$3,504</u>	<u>\$149,553</u>	<u>\$4,531</u>

c. Other payables

Name	March 31,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay Financial Holding Co., Ltd.	<u>\$147,618</u>	<u>\$4,553</u>	<u>\$210,669</u>	<u>\$6,382</u>

d. Operating expense

Name	For the three months ended March 31,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay Life	<u>\$170,905</u>	<u>\$5,272</u>	<u>\$198,738</u>	<u>\$6,021</u>

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D. Cathay Securities

a. Cash in bank

		For the three months ended March 31, 2006		
Name	Item	Ending balance (NT\$)	Interest rate	Interest income (NT\$)
Cathay United Bank	Cash in banks	\$125,257	0.00%-0.10%	\$-
	Negotiable certificates of deposit	1,325,000	1.24%-1.37%	5,775
		<u>\$1,450,257</u>		<u>\$5,775</u>

		For the three months ended March 31, 2006		
Name	Item	Ending balance (US\$)	Interest rate	Interest income (US\$)
Cathay United Bank	Cash in banks	\$3,863	0.00%-0.10%	\$-
	Negotiable certificates of deposit	40,870	1.24%-1.37%	178
		<u>\$44,733</u>		<u>\$178</u>

		For the three months ended March 31, 2007		
Name	Item	Ending balance (NT\$)	Interest rate	Interest income (NT\$)
Cathay United Bank	Cash in banks	\$71,334	0.00%-0.10%	\$-
	Negotiable certificates of deposit	965,000	1.50%	3,495
	Time deposits	10,000	1.39%-1.74%	128
		<u>\$1,046,334</u>		<u>\$3,623</u>

		For the three months ended March 31, 2007		
Name	Item	Ending balance (US\$)	Interest rate	Interest income (US\$)
Cathay United Bank	Cash in banks	\$2,161	0.00%-0.10%	\$-
	Negotiable certificates of deposit	29,233	1.50%	106
	Time deposits	303	1.39%-1.74%	4
		<u>\$31,697</u>		<u>\$110</u>

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As of March 31, 2006 and 2007, except for NT\$700,000 (US\$21,592) and NT\$600,000 (US\$18,176) pledged as collaterals for the over-loaning of settlement accounts and recognized under restricted assets, the remaining negotiable certificates of deposit have not been pledged as collaterals.

b. Open-end funds and currency market instruments

Name	March 31,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay Securities Investment Trust Co., Ltd.				
– Cathay Bond Fund	\$310,270	\$9,570	\$183,996	\$5,574
– Cathay Soaring Eagle	-	-	20,150	611
– Bond Fund	-	-	100,259	3,037
Total	<u>\$310,270</u>	<u>\$9,570</u>	<u>\$304,405</u>	<u>\$9,222</u>

c. Receivables

Name	Item	March 31,			
		2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay Life	Real Estate Investment Trust (REIT)	\$-	\$-	\$177,690	\$5,383

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

Name	For the three months ended March 31, 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	\$101	\$3	\$98	\$3	\$99	\$3	\$303,127	\$9,350

Name	For the three months ended March 31, 2007							
	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	\$182	\$6	\$321	\$10	\$188	\$6	\$313,282	\$9,491

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E. Cathay Pacific Venture

a. Cash in bank

		For the three months ended March 31, 2006		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$380,006	1.10%-1.15%	\$666
	Cash in bank	2,992	0.10%	-
	Total	\$382,998		\$666

		For the three months ended March 31, 2006		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$11,722	1.10%-1.15%	\$21
	Cash in bank	92	0.10%	-
	Total	\$11,814		\$21

		For the three months ended March 31, 2007		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$508,835	1.28%-1.49%	\$1,885
	Cash in bank	11,917	0.10%	-
	Total	\$520,752		\$1,885

		For the three months ended March 31, 2007		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$15,415	1.28%-1.49%	\$57
	Cash in bank	361	0.10%	-
	Total	\$15,776		\$57

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F. Seaward Leasing

a. Short-term debts

For the three months ended March 31, 2006				
Name	Maximum amount (NT\$)	Ending balance (NT\$)	Rate	Interest expense
Cathay United Bank	\$1,880,000	\$1,880,000	1.48%-1.53%	\$6,600

For the three months ended March 31, 2006				
Name	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest expense
Cathay United Bank	\$57,989	\$57,989	1.48%-1.53%	\$204

The financial statements of Seaward Leasing are not included in the consolidated financial statements of the Company as March 31, 2007. Accordingly, disclosures of related party information for Seaward leasing as March 31, 2007 were not required.

G. Indovina Bank

a. Call Loans to Banks

For the three months ended March 31, 2006				
Name	Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)
Cathay United Bank	\$650,919	\$20,078	\$6,789	\$209

For the three months ended March 31, 2007				
Name	Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)
Cathay United Bank	\$-	\$-	\$1,178	\$36

b. Dividends Payable

March 31,				
Name	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay United Bank	\$108,875	\$3,358	\$99,270	\$3,007

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H. Cathay Futures

a. Cash in bank

		For the three months ended March 31, 2006		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$270,000	0.95%-1.17%	\$2,716
	Cash in bank	2,975	0.00%-2.10%	39
	Total	\$272,975		\$2,755

		For the three months ended March 31, 2006		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$8,328	0.95%-1.17%	\$84
	Cash in bank	92	0.00%-2.10%	1
	Total	\$8,420		\$85

		For the three months ended March 31, 2007		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$275,000	1.26%-1.74%	\$3,772
	Cash in bank	14,296	0.00%-2.35%	20
	Total	\$289,296		\$3,792

		For the three months ended March 31, 2007		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$8,331	1.26%-1.74%	\$114
	Cash in bank	433	0.00%-2.35%	1
	Total	\$8,764		\$115

b. Customer's margin accounts

Name	March 31,					
	2006			2007		
	(NT\$)	(US\$)	Rate	(NT\$)	(US\$)	Rate
Cathay United Bank	\$758,644	\$23,400	0.01%-2.10%	\$639,354	\$19,368	0.02%-2.35%

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c. Futures customers' equity

Name	March 31,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay Life	\$461,569	\$14,237	\$250,506	\$7,589
Cathay Securities	303,127	9,350	313,282	9,490
Total	<u>\$764,696</u>	<u>\$23,587</u>	<u>\$563,788</u>	<u>\$17,079</u>

I. Symphox Information

a. Receivables

Name	March 31,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay United Bank	<u>\$98,244</u>	<u>\$3,030</u>	<u>\$116,578</u>	<u>\$3,532</u>

b. Sales Revenue

Name	For the three months ended March 31,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay United Bank	<u>\$64,899</u>	<u>\$2,002</u>	<u>\$127,613</u>	<u>\$3,866</u>

J. Cathay Venture Capital

Available-for-sale financial assets

Name	March 31,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay Securities Investment Trust Co., Ltd.	<u>\$712,699</u>	<u>\$21,983</u>	<u>\$453,236</u>	<u>\$13,730</u>

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K. Cathay II Venture Capital

Available-for-sale financial assets

Name	March 31,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay Securities Investment Trust Co., Ltd.	\$104,998	\$3,239	\$67,091	\$2,032

25. Pledged assets

As of March 31, 2006 and 2007, the Company and Subsidiaries' pledged assets are summarized below:

Item	Guarantee purpose	Carrying amount			
		2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Time deposits	Correspondent deposit, collateral for the over-loaning of settlement accounts, Loan, others financial or leasing	\$15,624,770	\$481,948	\$16,284,880	\$493,332
Purchase of commercial papers and securities	Collateral	17,310,793	533,954	-	-
Government bonds	Guarantee deposits paid	8,387,734	258,721	8,428,008	255,317
Financial assets at fair value through profit or loss	Business reserves and guarantees	2,349,587	72,473	138,223	4,187
Available-for-sale financial assets	Business reserves and guarantees	302,829	9,341	992,436	30,065
Held-to-maturity financial assets	Business reserves and guarantees	58,377	1,801	1,542,537	46,729
Property and equipment	Land, buildings and construction	2,409,766	74,330	-	-
		<u>\$46,443,856</u>	<u>\$1,432,568</u>	<u>\$27,386,084</u>	<u>\$829,630</u>

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\$727) 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 continued since May, 2006 and receive a judgment from the High Court on July 11, 2006, ordering Cathay United Bank pay NT\$9,447 (US\$286) plus interest to clients. Cathay United Bank filed 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\$18,176) for the purchase of a certain certificate of time deposit. Such certificates of time deposit were 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. On January 1, 2004, Pacific SOGO issued its own SOGO membership card, which Cathay United Bank believes constituted 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 in favor of 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, 2006, ordering Pacific SOGO to pay the punitive damages of NT\$400,000 (US\$12,118). Pacific SOGO appealed such order and the appeal is being reviewed by the High Court.

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D. As of March 31, 2007, Cathay United Bank had entered into certain contracts to purchase premises and equipments totaling NT\$2,911,954 (US\$88,214) with prepayments of NT\$1,070,728 (US\$32,436).

(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\$666) 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 plaintiff has brought this case up to the Supreme Court.

B. In 2006, embezzlement and illegal acts involving Lucky Bank's client deposit amounting of NT\$11,654 (US\$353) 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 under the review of Taichung District Court. Lucky Bank has estimated a loss of NT\$11,165 (US\$338) classified as the other loss except for interest account on the basis of conservatism principle.

(4) Cathay Futures

The ex-employees of Cathay Futures took a civil action of the dismiss legally paying with NT\$487 (US\$15) on March, 2007. This case is still in progress.

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- (5) As of March 31, 2006 and 2007, the bank subsidiaries had the following commitments and contingent liabilities, which were not reflected in the financial statements:

	March 31,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Trust and security held for safekeeping	\$599,052,093	\$18,477,856	\$242,838,582	\$7,356,516
Travelers checks for sale	752,569	23,213	666,284	20,184
Bills for collection	54,724,001	1,687,970	46,534,031	1,409,695
Guarantees on duties and contracts	15,129,863	466,683	17,493,763	529,953
Unused commercial letters of credit	3,221,588	99,370	1,898,369	57,509
Irrevocable loan commitments	39,069,792	1,205,114	36,967,068	1,119,875
Credit card lines commitments	287,734,235	8,875,208	281,924,656	8,540,583
Stamp tax, securities and memorial currency consignments	1,727	53	1,727	52
Book-entry for government bonds and depository for short-term marketable securities under management	-	-	325,813,100	9,870,133

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

Periods	NT\$	US\$
April 1, 2007~March 31, 2008	\$541,974	\$16,419
April 1, 2008~March 31, 2012	1,424,718	43,160
Total	<u>\$1,966,692</u>	<u>\$59,579</u>

27. Significant disaster losses: None.

28. Subsequent events: None.

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”.

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(2) Financial instruments related information

A. The Company

a. Information of fair value

Item	March 31, 2006			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$10,296,035	\$10,296,035	\$317,583	\$317,583
Receivables	4,699,553	4,699,553	144,958	144,958
Investments-equity method	204,926,247	204,926,247	6,320,982	6,320,982
Other financial assets	31,720	31,720	978	978
<u>Liabilities</u>				
Payables	4,951,407	4,951,407	152,727	152,727
Bonds payable	13,263,830	13,263,830	409,125	409,125
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
CCS, option	1,411,270	1,411,270	43,531	43,531
Item	March 31, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$13,228,432	\$13,228,432	\$400,740	\$400,740
Receivables	1,524,416	1,524,416	46,180	46,181
Investments-equity method	213,059,552	213,059,552	6,454,394	6,454,394
Other financial assets	31,720	31,720	961	961
<u>Liabilities</u>				
Payables	1,782,713	1,782,713	54,005	54,005
Bonds payable	1,134,796	1,134,796	34,377	34,378
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
CCS, option	945,852	945,852	28,653	28,653

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- b. The methods and assumptions used to estimate the fair values of the financial instruments are as follows:
- (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's financial assets or liabilities determined by quoted market price or pricing models are summarized as following:

Financial instruments	March 31, 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	\$-	\$-	\$10,296,035	\$317,583
Receivables	-	-	4,699,553	144,958
Investments-equity method	-	-	204,926,247	6,320,982
Other financial assets	-	-	31,720	978
<u>Liabilities</u>				
Payables	-	-	4,951,407	152,727
Bonds payable	-	-	13,263,830	409,125
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
CCS, option	-	-	1,411,270	43,531

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Financial instruments	March 31, 2007			
	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	\$-	\$-	\$13,228,432	\$400,740
Receivables	-	-	1,524,416	46,181
Investments-equity method	-	-	213,059,552	6,454,394
Other financial assets	-	-	31,720	961
<u>Liabilities</u>				
Payables	-	-	1,782,713	54,005
Bonds payable	-	-	1,134,796	34,378
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
CCS, option	-	-	945,852	28,653

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

d. Information on financial risks

(a) Risk of interest rate

The following table summarizes the maturities of the Company's financial instruments at March 31, 2006 and 2007:

Fixed interest rate

Item	March 31, 2006							
	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	\$-	\$-	\$-	\$-	\$-	\$-	\$1,411,270	\$43,531

Item	March 31, 2006					
	Due in 4~5 year		Over 5 year		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial liabilities at fair value through						
profit or loss	\$-	\$-	\$-	\$-	\$1,411,270	\$43,531

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March 31, 2007								
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	\$-	\$-	\$-	\$-	\$945,852	\$28,653	\$-	\$-

March 31, 2007						
Item	Due in 4~5 year		Over 5 years		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial liabilities at fair value through						
profit or loss	\$-	\$-	\$-	\$-	\$945,852	\$28,653

Floating interest rate

March 31, 2006								
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	\$-	\$-	\$-	\$-	\$-	\$-	\$1,411,270	\$43,531

March 31, 2006						
Item	Due in 4~5 year		Over 5 years		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial liabilities at fair value through						
profit or loss	\$-	\$-	\$-	\$-	\$1,411,270	\$43,531

March 31, 2007								
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	\$-	\$-	\$-	\$-	\$945,852	\$28,653	\$-	\$-

March 31, 2007						
Item	Due in 4~5 year		Over 5 years		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial liabilities at fair value through						
profit or loss	\$-	\$-	\$-	\$-	\$945,852	\$28,653

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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.

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.

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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

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	March 31, 2006			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$310,830,491	\$310,830,491	\$9,587,616	\$9,587,616
Notes receivable	8,726,159	8,726,159	269,160	269,160
Financial assets at fair value through profit or loss - current	119,913,749	119,913,749	3,698,759	3,698,759
Available-for-sale financial assets - current	79,493,137	79,493,137	2,451,978	2,451,978
Held-to-maturity financial assets - current	13,243,114	13,248,569	408,486	408,654
Investments in debt securities with no active market - current	976,297	976,297	30,114	30,114
Available-for-sale financial assets - noncurrent	128,034,417	128,034,417	3,949,242	3,949,242

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Item	March 31, 2006			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Held-to-maturity financial assets - noncurrent	\$493,934,716	\$486,074,052	\$15,235,494	\$14,993,031
Financial assets carried at cost - noncurrent	20,760,193	20,760,193	640,351	640,351
Investments in debt securities with no active market - noncurrent	44,062,874	43,314,379	1,359,126	1,336,039
Long-term investments in stocks under the equity method	4,239,990	4,239,990	130,783	130,783
Guarantee deposits paid	8,104,449	8,104,449	249,983	249,983
<u>Liabilities</u>				
Notes payable	19,811	19,811	611	611
Guarantee deposits received	1,572,014	1,572,014	48,489	48,489
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Futures	2,773,674	2,773,674	85,554	85,554
Option	17,218	17,218	531	531
Forward	3,442,445	3,442,445	106,183	106,183
IRS	105,333	105,333	3,249	3,249
Derivative financial assets for hedging - current				
IRS	474,155	474,155	14,625	14,625
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current				
Option	2,776	2,776	86	86
Forward	11,401,667	11,401,667	351,686	351,686
IRS	723,364	723,364	22,312	22,312
Derivative financial liabilities for hedging - current				
IRS	15,188	15,188	468	468

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Item	March 31, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$212,100,260	\$212,100,260	\$6,425,333	\$6,425,333
Notes receivable	7,842,644	7,842,644	237,584	237,584
Financial assets at fair value through profit or loss - current	93,206,088	93,206,088	2,823,571	2,823,571
Available-for-sale financial assets - current	211,314,249	211,314,249	6,401,522	6,401,522
Held-to-maturity financial assets - current	11,184,093	11,009,269	338,809	333,513
Investments in debt securities with no active market - current	5,342,167	5,355,951	161,835	162,252
Available-for-sale financial assets - noncurrent	181,842,946	181,842,946	5,508,723	5,508,723
Held-to-maturity financial assets - noncurrent	548,194,447	540,319,184	16,606,921	16,368,349
Financial assets carried at cost - noncurrent	19,621,636	19,621,636	594,415	594,415
Investments in debt securities with no active market - noncurrent	46,837,726	46,414,312	1,418,895	1,406,068
Long-term investments in stocks under the equity method	4,452,091	4,452,091	134,871	134,871
Guarantee deposits paid	8,145,724	8,145,724	246,765	246,765
<u>Liabilities</u>				
Notes payable	1,939	1,939	59	59
Guarantee deposits received	1,482,393	1,482,393	44,907	44,907
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Futures	1,260,217	1,260,217	38,177	38,177
Option	12,150	12,150	368	368
Forward	8,968,057	8,968,057	271,677	271,677
IRS	423,138	423,138	12,819	12,819
Derivative financial assets for hedging - current				
IRS	246,068	246,068	7,454	7,454

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Item	March 31, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current				
Option	\$9,838	\$9,838	\$298	\$298
Forward	17,865,316	17,865,316	541,209	541,209
IRS	203,386	203,386	6,162	6,162
Derivative financial liabilities for hedging - current				
IRS	18,279	18,279	554	554

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.

(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.

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c. The following table summarizes the fair value information of Cathay Life's financial assets and liabilities at March 31, 2006 and 2007:

Item	March 31, 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</u>				
Financial assets at fair value through profit and loss - current				
loss - current	\$114,365,175	\$114,365,175	\$5,548,574	\$5,548,574
Available-for-sale financial assets - current	79,320,405	79,320,405	172,732	172,732
Held-to-maturity financial assets - current	8,391,023	8,406,804	4,852,091	4,841,765
Investment in debt securities with no active market - current				
market - current	-	-	976,297	976,297
Available-for-sale financial assets - noncurrent	116,453,956	116,453,956	11,580,461	11,580,461
Held-to-maturity financial assets - noncurrent	68,707,152	69,360,485	425,227,564	416,713,567
Financial assets carried at cost - noncurrent	-	-	20,760,193	20,760,193
Investment in debt securities with no active market - noncurrent				
market - noncurrent	-	-	44,062,874	43,314,379
Long-term investments in stocks under the equity method				
equity method	-	-	4,239,990	4,239,990
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit and loss - current				
loss - current				
Futures	2,773,674	2,773,674	-	-
Option	17,218	17,218	-	-
Forward	-	-	3,442,445	3,442,445
IRS	-	-	105,333	105,333
Derivative financial assets for hedging - current				
IRS	-	-	474,155	474,155
<u>Liabilities</u>				
Financial liabilities at fair value through profit and loss - current				
and loss - current				
Option	2,776	2,776	-	-
Forward	-	-	11,401,667	11,401,667
IRS	-	-	723,364	723,364
Derivative financial liabilities for hedging - current				
IRS	-	-	15,188	15,188

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March 31, 2006				
US\$				
Item	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</u>				
Financial assets at fair value through profit and				
loss - current	\$3,527,612	\$3,527,612	\$171,147	\$171,147
Available-for-sale financial assets - current	2,446,650	2,446,650	5,328	5,328
Held-to-maturity financial assets - current	258,822	259,309	149,664	149,345
Investment in debt securities with no active				
market - current	-	-	30,114	30,114
Available-for-sale financial assets - noncurrent	3,592,041	3,592,041	357,201	357,201
Held-to-maturity financial assets - noncurrent	2,119,283	2,139,435	13,116,211	12,853,596
Financial assets carried at cost - noncurrent	-	-	640,351	640,351
Investment in debt securities with no active				
market - noncurrent	-	-	1,359,126	1,336,039
Long-term investments in stocks under the				
equity method	-	-	130,783	130,783
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit and				
loss - current				
Futures	85,554	85,554	-	-
Option	531	531	-	-
Forward	-	-	106,183	106,183
IRS	-	-	3,249	3,249
Derivative financial assets for hedging - current				
IRS	-	-	14,625	14,625
<u>Liabilities</u>				
Financial liabilities at fair value through profit				
and loss - current				
Option	86	86	-	-
Forward	-	-	351,686	351,686
IRS	-	-	22,312	22,312
Derivative financial liabilities for hedging -				
current				
IRS	-	-	468	468

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March 31, 2007				
NT\$				
Item	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</u>				
Financial assets at fair value through profit or				
loss - current	\$87,654,423	\$87,654,423	\$5,551,665	\$5,551,665
Available-for-sale financial assets - current	211,312,160	211,312,160	2,089	2,089
Held-to-maturity financial assets - current	10,228,515	10,058,042	955,578	951,227
Investments in debt securities with no active				
market - current	300,000	310,710	5,042,167	5,045,241
Available-for-sale financial assets - noncurrent	168,038,513	168,038,513	13,804,433	13,804,433
Held-to-maturity financial assets - noncurrent	85,069,439	86,233,574	463,125,008	454,085,610
Financial assets carried at cost - noncurrent	-	-	19,621,636	19,621,636
Investment in debt securities with no active				
market - noncurrent	-	-	46,837,726	46,414,312
Long-term investments in stocks under the				
equity method	-	-	4,452,091	4,452,091
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or				
loss - current				
Futures	1,260,217	1,260,217	-	-
Option	12,150	12,150	-	-
Forward	-	-	8,968,057	8,968,057
IRS	-	-	423,138	423,138
Derivative financial assets for hedging - current				
IRS	-	-	246,068	246,068
<u>Liabilities</u>				
Financial liabilities at fair value through profit or				
loss - current				
Option	9,838	9,838	-	-
Forward	-	-	17,865,316	17,865,316
IRS	-	-	203,386	203,386
Derivative financial liabilities for hedging -				
current				
IRS	-	-	18,279	18,279

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March 31, 2007				
US\$				
Item	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</u>				
Financial assets at fair value through profit or				
loss - current	\$2,655,390	\$2,655,390	\$168,181	\$168,181
Available-for-sale financial assets - current	6,401,459	6,401,459	63	63
Held-to-maturity financial assets - current	309,861	304,697	28,948	28,816
Investments in debt securities with no active				
market - current	9,088	9,412	152,747	152,840
Available-for-sale financial assets - noncurrent	5,090,534	5,090,534	418,189	418,189
Held-to-maturity financial assets - noncurrent	2,577,081	2,612,347	14,029,840	13,756,002
Financial assets carried at cost - noncurrent	-	-	594,415	594,415
Investment in debt securities with no active				
market - noncurrent	-	-	1,418,895	1,406,068
Long-term investments in stocks under the				
equity method	-	-	134,871	134,871
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or				
loss - current				
Futures	38,177	38,177	-	-
Option	368	368	-	-
Forward	-	-	271,677	271,677
IRS	-	-	12,819	12,819
Derivative financial assets for hedging - current				
IRS	-	-	7,454	7,454
<u>Liabilities</u>				
Financial liabilities at fair value through profit or				
loss - current				
Option	298	298	-	-
Forward	-	-	541,209	541,209
IRS	-	-	6,162	6,162
Derivative financial liabilities for hedging -				
current				
IRS	-	-	554	554

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d. Information on financial risk

(a) Interest rate risk

The following table summarizes the maturities of Cathay Life's financial instruments at March 31, 2006 and 2007:

Non-derivative financial instruments of fixed interest rate

Item	March 31, 2006							
	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 assets at fair value								
through profit and loss	\$-	\$-	\$339,675	\$10,477	\$471,456	\$14,542	\$286,779	\$8,846
Available-for-sale financial assets	1,578,044	48,675	1,426,934	44,014	542,777	16,742	425,619	13,128
Held-to-maturity financial assets	12,294,776	379,234	8,047,028	248,212	1,981,358	61,115	10,073,007	310,704
Investments in debt securities with								
no active market	452,379	13,954	50,962	1,572	954,945	29,455	1,788,135	55,155

Item	March 31, 2006					
	Due in 4~5 year		Over 5 year		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value						
through profit and loss	\$1,174,761	\$36,236	\$29,337,535	\$904,921	\$31,610,206	\$975,022
Available-for-sale financial assets	5,107,710	157,548	80,327,989	2,477,730	89,409,073	2,757,837
Held-to-maturity financial assets	4,397,522	135,642	377,932,101	11,657,375	414,725,792	12,792,282
Investments in debt securities with						
no active market	718,047	22,148	27,264,237	840,970	31,228,705	963,254

Non-derivative financial instruments of float interest rate

Item	March 31, 2006							
	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 assets at fair value								
through profit and loss	\$6,056,835	\$186,824	\$-	\$-	\$-	\$-	\$-	\$-
Available-for-sale financial assets	40,737,249	1,256,547	-	-	-	-	-	-
Held-to-maturity financial assets	92,452,038	2,851,698	-	-	-	-	-	-
Investments in debt securities with								
no active market	13,810,466	425,986	-	-	-	-	-	-

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Item	March 31, 2006					
	Due in 4~5 year		Over 5 year		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value						
through profit and loss	\$-	\$-	\$-	\$-	\$6,056,835	\$186,824
Available-for-sale financial assets	-	-	-	-	40,737,249	1,256,547
Held-to-maturity financial assets	-	-	-	-	92,452,038	2,851,698
Investments in debt securities with						
no active market	-	-	-	-	13,810,466	425,986

Derivative financial instruments

Item	March 31, 2006							
	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 assets at fair value								
through profit or loss	\$272,545	\$8,407	\$25,054	\$773	\$804,279	\$24,808	\$10,646	\$329
Derivative financial assets for								
hedging	-	-	26,918	830	60,588	1,869	-	-
Financial liabilities at fair value								
through profit or loss	876,291	27,030	150,924	4,655	69	2	22,689	700
Derivative financial liabilities for								
hedging	-	-	9,555	295	3,551	109	1,772	55

Item	March 31, 2006					
	Due in 4~5 year		Over 5 year		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value						
through profit or loss	\$2,926	\$90	\$26,335	\$812	\$1,141,785	\$35,219
Derivative financial assets for						
hedging	162,978	5,027	223,671	6,899	474,155	14,625
Financial liabilities at fair value						
through profit or loss	22,639	698	487,982	15,052	1,560,594	48,137
Derivative financial liabilities for						
hedging	310	9	-	-	15,188	468

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Non-derivative financial instruments of fixed interest rate

March 31, 2007								
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 assets at fair value								
through profit or loss	\$326,376	\$9,887	\$1,337,120	\$40,507	\$114,986	\$3,483	\$1,087,503	\$32,945
Available-for-sale financial assets	2,819,311	85,408	1,424,652	43,158	444,385	13,462	3,618,839	109,629
Held-to-maturity financial assets	9,697,455	293,773	2,154,449	65,267	11,874,595	359,727	11,387,979	344,986
Investments in debt securities with								
no active market	390,950	11,843	880,869	26,685	458,380	13,886	782,493	23,705

March 31, 2007						
Item	Due in 4~5 year		Over 5 year		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value						
through profit or loss	\$3,447,498	\$104,438	\$18,246,783	\$552,765	\$24,560,266	\$744,025
Available-for-sale financial assets	3,673,382	111,281	91,740,535	2,779,174	103,721,104	3,142,112
Held-to-maturity financial assets	9,244,601	280,055	425,118,047	12,878,462	469,477,126	14,222,270
Investments in debt securities with						
no active market	1,715,047	51,955	33,036,373	1,000,799	37,264,112	1,128,873

Non-derivative financial instruments of float interest rate

March 31, 2007								
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 assets at fair value								
through profit or loss	\$6,927,927	\$209,874	\$-	\$-	\$-	\$-	\$-	\$-
Available-for-sale financial assets	84,720,424	2,566,508	-	-	-	-	-	-
Held-to-maturity financial assets	89,901,414	2,723,460	-	-	-	-	-	-
Investments in debt securities with								
no active market	14,915,781	451,857	-	-	-	-	-	-

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Item	March 31, 2007					
	Due in 4~5 year		Over 5 year		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value						
through profit or loss	\$-	\$-	\$-	\$-	\$6,927,927	\$209,874
Available-for-sale financial assets	-	-	-	-	84,720,424	2,566,508
Held-to-maturity financial assets	-	-	-	-	89,901,414	2,723,460
Investments in debt securities with						
no active market	-	-	-	-	14,915,781	451,857

Derivative financial instruments

Item	March 31, 2007							
	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 assets at fair value								
through profit or loss	\$23,589	\$714	\$78,242	\$2,370	\$17,256	\$523	\$5,335	\$162
Derivative financial assets for								
hedging	48,806	1,478	32,675	990	-	-	127,542	3,864
Financial liabilities at fair value								
through profit or loss	58,781	1,781	1,933	58	880	27	18,175	550
Derivative financial liabilities for								
hedging	15,395	467	2,884	87	-	-	-	-

Item	March 31, 2007					
	Due in 4~5 year		Over 5 year		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value						
through profit or loss	\$16,892	\$512	\$293,203	\$8,882	\$434,517	\$13,163
Derivative financial assets for						
hedging	37,045	1,122	-	-	246,068	7,454
Financial liabilities at fair value						
through profit or loss	1,488	45	131,967	3,998	213,224	6,459
Derivative financial liabilities for						
hedging	-	-	-	-	18,279	554

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(b) Credit risk

Cathay Life's exposure to credit risk is minimal.

e. Hedging activities

Cash flow hedges - IRS

Cathay Life held interest swap agreements to hedge the risks from interest rate fluctuation at March 31, 2006 and 2007. The terms of the agreements are as follows:

a. March 31, 2006

Par value		Exchange rate	Frequency	Maturity date
(NT\$)	(US\$)			
\$11,030,000	\$340,222	90DCP	Each quarter	2008/8~2015/4
585,000	18,044	ARMS~ARMS+65bps	Each quarter	2009/3~2009/10
1,800,000	55,521	0~7.6%-90DCP	Half year	2007/7~2007/10
200,000	6,169	4.003%-6ml,the floor of interest rate is 0%	Half year	2008/6
500,000	15,423	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
500,000	15,423	If 6ml<0.95%,Libor If 0.95%<6ml<2.0%,3.5% If 2.0%<6ml;4.8%-6ml	Half year	2009/1
200,000	6,169	0.5y:3.8% if 6ml:3.0% or 0% 0.5-1.5y:0.75-2.0%, 1.5-2.5y:1.0-2.5%, 2.5-3.5y:1.0-3.0%, 3.5-4.5y:1.0-3.5%, 4.5-5.5y;1.0-4.0%, 5.5-6.5Y:1.0-4.5%, 6.5-7.0Y:1.0-5.0%	Half year	2011/3
4,350,000	134,176	4.00%-6ml~7.75%-6ml	Half year to one year	2007/7~2011/3
800,000	24,676	4%-12ml~4.3%-12ml	Yearly	2008/6~2010/6

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b. March 31, 2007

Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$187,500	\$5,680	ARMS	Each quarter	2009/3/24
185,000	5,604	ARMS	Each quarter	2009/3/24
350,000	10,603	4.0005%-6ml	Half year	2008/9/26
500,000	15,147	The third year, 7.30%-90 BACP The fourth and fifth year, 7.6%-90 BACP	Each quarter	2007/10/10
500,000	15,147	7.05%-90BACP	Each quarter	2007/10/10
300,000	9,088	5.5%-6m Libor	Half year	2007/12/26
500,000	15,147	6.9%-90DCP	Each quarter	2007/7/9
200,000	6,059	4.003%-6ml	Half year	2008/6/13
500,000	15,147	4%-12m Libor	Yearly	2008/6/5
300,000	9,088	4.3%-12m Libor	Yearly	2010/6/20
200,000	6,059	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	9,088	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
200,000	6,059	7.603%-6ml	Half year	2007/7/31
300,000	9,088	2005/6/17~2005/7/31 : 7.25%-6ml 2005/7/31~2006/7/31 : 7.5%-6ml 2006/7/31~2007/7/31 : 7.75%-6ml	Half year	2007/7/31
300,000	9,088	If 6ml<6.9%,3.8% If 6ml>6.9%,0%	Half year	2007/7/31
200,000	6,059	0.5Y:3.8%, 3.0%*n/N if 6ml 0.5-1.5Y:0.75%-2.0%, 1.5-2.5Y:1.0%-2.5%, 2.5-3.5Y:1.0%-3.0%, 3.5-4.5Y:1.0%-3.5%, 4.5-5.5Y:1.0%-4.0%, 5.5-6.5Y:1.0%-4.5%, 6.5-7.0Y:1.0%-5.0%	Half year	2011/3/19
300,000	9,088	5.1%-6m Libor	Half year	2007/12/19

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Par value		Exchange rate	Frequency	Maturity date
(NT\$)	(US\$)			
200,000	6,059	If 6ml<0.95%, Libor If 0.95%<6ml<2.0%,3.5% If 2.0%<6ml;4.8%-6ml	Half year	2009/1/9
300,000	9,088	If 6ml<0.95%,Libor If 0.95%<6ml<2.0%,3.5% If 2.0%<6ml;4.8%-6ml	Half year	2009/1/7
200,000	6,059	4.000%-6ml	Half year	2010/4/7
300,000	9,088	4.0002%-6ml	Half year	2010/4/7
400,000	12,118	4.0006%-6ml	Half year	2010/4/7
400,000	12,118	4.0007%-6ml	Half year	2010/4/7
250,000	7,573	90DCP	Each quarter	2008/8/10
900,000	27,264	90DCP	Each quarter	2010/8/18
600,000	18,176	90DCP	Each quarter	2010/8/19
100,000	3,029	4.0006%-6ml	Half year	2010/4/7
100,000	3,029	4.0007%-6ml	Half year	2010/4/7
450,000	13,632	90DCP	Each quarter	2008/8/22
330,000	9,997	90DCP	Each quarter	2008/8/24
300,000	9,088	5.35%-6ml	Half year	2008/1/8
200,000	6,059	4.0003%-6ml	Half year	2010/4/7
300,000	9,088	5.37%-6ml	Half year	2011/3/15
200,000	6,059	5.85%-6ml	Half year	2009/1/13
50,000	1,515	4.15%-6ml	Half year	2009/1/16
200,000	6,059	6.3%-6ml	Half year	2010/11/27
300,000	9,088	180DCP + 40bps	Half year	2008/3/24
300,000	9,088	180DCP	Half year	2008/6/12
500,000	15,147	90DCP+75bps	Each quarter	2008/7/19
500,000	15,147	90DCP+75bps	Each quarter	2008/7/19
500,000	15,147	90DCP+75bps	Each quarter	2008/7/19
1,150,000	34,838	90DCP+30bps	Each quarter	2008/9/17
725,317	21,973	1.25% + 3m Libor	Each quarter	2009/9/23
725,317	21,973	6m Libor	Half year	2013/9/20
423,101	12,817	6m Libor	Half year	2014/3/20
725,317	21,973	6m Libor	Half year	2014/3/24

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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\$459,961 (US\$14,188) and NT\$427,440 (US\$12,949) as of March 31, 2006 and 2007.

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.

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C. Cathay United Bank

a. Information of fair value

Item	March 31, 2006			
	Carrying value		Fair value	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$53,583,467	\$1,652,790	\$53,583,467	\$1,652,790
Available-for-sale financial assets	51,977,060	1,603,241	51,977,060	1,603,241
Held-to-maturity financial assets and debt securities with no active market	234,338,523	7,228,209	233,219,529	7,193,693
Investment accounted for using equity method	4,496,478	138,694	4,496,478	138,694
Others	819,203,213	25,268,452	819,203,213	25,268,452
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	49,755,502	1,534,716	49,755,502	1,534,716
Financial debentures payable	17,859,078	550,866	17,859,078	550,866
Others	1,041,532,962	32,126,248	1,041,532,962	32,126,248
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	743,201	22,924	743,201	22,924
Interest rate swap	732,285	22,588	732,285	22,588
Cross currency swap	6,936	214	6,936	214
Options	34,416	1,062	34,416	1,062
Credit derivatives	40,788	1,258	40,788	1,258
Credit default swap	562	17	562	17
<u>Liabilities</u>				
Forward	618,148	19,067	618,148	19,067
Interest rate swap	1,711,229	52,783	1,711,229	52,783
Cross currency swap	515,474	15,900	515,474	15,900
Futures	4,914	152	4,914	152
Options	32,956	1,017	32,956	1,017
Credit derivatives	148,615	4,584	148,615	4,584
Credit default swap	757	23	757	23

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Item	March 31, 2007			
	Carrying value		Fair value	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$49,891,092	\$1,511,393	\$49,891,092	\$1,511,393
Available-for-sale financial assets	55,322,764	1,675,940	55,322,764	1,675,940
Held-to-maturity financial assets and debt securities with no active market	284,601,469	8,621,674	284,644,288	8,622,971
Investment accounted for using equity method	2,350,127	71,195	2,350,127	71,195
Others	850,364,393	25,760,811	850,364,393	25,760,811
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	49,238,635	1,491,628	49,238,635	1,491,628
Financial debentures payable	18,335,868	555,464	18,335,868	555,464
Others	1,129,752,977	34,224,568	1,129,752,977	34,224,568
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	2,449,010	74,190	2,449,010	74,190
Non-delivery forward	188,390	5,707	188,390	5,707
Currency Swap	2,401,773	72,759	2,401,773	72,759
Interest rate swap	778,105	23,572	778,105	23,572
Cross currency swap	220	7	220	7
Futures	21	1	21	1
Options	10,304	312	10,304	312
Credit derivatives	51,217	1,551	51,217	1,551
Credit default swap	(95)	(3)	(95)	(3)
<u>Liabilities</u>				
Forward	592,217	17,941	592,217	17,941
Non-delivery forward	186,837	5,660	186,837	5,660
Currency Swap	3,669,140	111,153	3,669,140	111,153
Interest rate swap	1,473,196	44,629	1,473,196	44,629
Cross currency swap	392,144	11,880	392,144	11,880
Futures	26	1	26	1
Options	10,416	316	10,416	316
Credit derivatives	31,735	961	31,735	961
Credit default swap	(499)	(15)	(499)	(15)

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

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- (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.
- (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.

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- 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:

Item	March 31, 2006			
	Based on the quoted market price		Based on the pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$50,332,871	\$1,552,525	\$3,250,596	\$100,265
Available-for-sale financial assets	51,977,060	1,603,241	-	-
Held-to-maturity financial assets and debt securities				
without active market	185,599,372	5,724,842	47,620,157	1,468,851
Others	(Note)	(Note)	(Note)	(Note)
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	-	-	49,755,502	1,534,716
Financial debentures payable	-	-	17,859,078	550,866
Others	(Note)	(Note)	(Note)	(Note)
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	-	-	743,201	22,924
Interest rate swap	-	-	732,285	22,588
Cross currency swap	-	-	6,936	214
Options	-	-	34,416	1,062
Credit derivatives	-	-	40,788	1,258
Credit default swap	-	-	562	17
<u>Liabilities</u>				
Forward	-	-	618,148	19,067
Interest rate swap	-	-	1,711,229	52,783
Cross currency swap	-	-	515,474	15,900
Futures	4,914	152	-	-
Options	-	-	32,956	1,017
Credit derivatives	-	-	148,615	4,584
Credit default swap	-	-	757	23

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Item	March 31, 2007			
	Based on the quoted market price		Based on the pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$46,992,092	\$1,423,571	\$2,899,000	\$87,822
Available-for-sale financial assets	55,322,764	1,675,940	-	-
Held-to-maturity financial assets and debt securities				
without active market	222,747,821	6,747,889	61,896,467	1,875,082
Others	(Note)	(Note)	(Note)	(Note)
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	-	-	49,238,635	1,491,628
Financial debentures payable	-	-	18,335,868	555,464
Others	(Note)	(Note)	(Note)	(Note)
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	-	-	2,449,010	74,190
Non-delivery forward	-	-	188,390	5,707
Currency swap	-	-	2,401,773	72,759
Interest rate swap	-	-	778,105	23,572
Cross currency swap	-	-	220	7
Futures	21	1	-	-
Options	-	-	10,304	312
Credit derivatives	-	-	51,217	1,551
Credit default swap	-	-	(95)	(3)
<u>Liabilities</u>				
Forward	-	-	592,217	17,941
Non-delivery forward	-	-	186,837	5,660
Currency swap	-	-	3,669,140	111,153
Interest rate swap	-	-	1,473,196	44,629
Cross currency swap	-	-	392,144	11,880
Futures	26	1	-	-
Options	36	1	10,380	315
Credit derivatives	-	-	31,735	961
Credit default swap	-	-	(499)	(15)

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.

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- d. Gains recognized for the changes in fair value of financial asset or liabilities determined by pricing models were NT\$78,268(US\$2,414) and NT\$197,310 (US\$5,977) for the three-month periods ended March 31, 2006 and 2007, respectively.
- e. Cathay United Bank recognized NT\$10,414,984 (US\$321,252) and NT\$10,342,290 (US\$313,308) as interest income and NT\$3,714,192 (US\$114,565) and NT\$3,045,270 (US\$92,253) as expense from financial assets or liabilities not at fair value through profit or loss, for the three-month periods ended March 31, 2006 and 2007, respectively.
- f. Cathay United Bank recognized an unrealized gains or losses of NT\$94,657 (US\$2,920) and NT\$175,756 (US\$5,324) in shareholders' equity for the changes in fair value of available-for-sale financial assets and realized gains of NT\$18,757 (US\$579) and NT\$27,116 (US\$821) in income statement for the three-month periods ended March 31, 2006 and 2007, respectively.
- g. Interest income of NT\$9 from financial assets were impaired which were assessed by discount rate of cash flow for the three-month periods ended March 31, 2006 and 2007.
- 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.

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⑥ 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.

March 31, 2006

Factors of market risk	Average balance		Maximum balance		Minimum balance	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Interest rate	\$97,919	\$3,020	\$146,077	\$4,506	\$55,596	\$1,715
Foreign exchange	20,669	638	117,919	3,637	164	5
Equity Securities price	54,232	1,673	92,809	2,863	17,301	534

March 31, 2007

Factors of market risk	Average balance		Maximum balance		Minimum balance	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Interest rate	\$93,870	\$2,844	\$138,367	\$4,192	\$43,942	\$1,331
Foreign exchange	33,560	1,017	83,489	2,529	727	22
Equity Securities price	83,165	2,519	201,834	6,114	28,599	866

(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.

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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.

- ③ 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:

Item	March 31, 2006 (Restated)			
	Carrying value		Maximum credit risk exposed amount	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$53,583,467	\$1,652,790	\$53,583,467	\$1,652,790
Available-for-sale financial assets	51,977,060	1,603,241	51,977,060	1,603,241
Held-to-maturity financial assets and debt securities with no active market	234,338,523	7,228,209	234,338,523	7,228,209
Investment accounted for using equity method	4,496,478	138,694	4,496,478	138,694
Others	819,203,213	25,268,452	819,203,213	25,268,452
Guarantees on duties and contracts	-	-	15,129,863	466,683
Unused commercial letters of credit	-	-	3,221,588	99,370
Irrevocable loan commitments	-	-	39,069,792	1,205,114
Credit card line commitments	-	-	287,734,235	8,875,208
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	743,201	22,924	743,201	22,924
Interest rate swap	732,285	22,588	732,285	22,588
Cross currency swap	6,936	214	6,936	214
Options	34,416	1,062	34,416	1,062
Credit derivatives	40,788	1,258	40,788	1,258
Credit default swap	562	17	562	17

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Item	March 31, 2007			
	Carrying value		Maximum credit risk exposed amount	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$49,891,092	\$1,511,393	\$49,891,092	\$1,511,393
Available-for-sale financial assets	55,322,764	1,675,940	55,322,764	1,675,940
Held-to-maturity financial assets and debt securities with no active market	284,601,469	8,621,674	284,601,469	8,621,674
Investment accounted for using equity method	2,350,127	71,194	2,350,127	71,795
Others	850,364,393	25,760,811	850,364,393	25,760,811
Guarantees on duties and contracts	-	-	17,493,763	529,953
Unused commercial letters of credit	-	-	1,898,369	57,509
Irrevocable loan commitments	-	-	36,967,068	1,119,875
Credit card line commitments	-	-	281,924,656	8,540,583
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	2,449,010	74,190	2,449,010	74,190
Non-delivery forward	188,390	5,707	188,390	5,707
Currency swap	2,401,773	72,759	2,401,773	72,759
Interest rate swap	778,105	23,572	778,105	23,572
Cross currency swap	220	7	220	7
Futures	21	1	21	1
Options	10,304	312	10,304	312
Credit derivatives	51,217	1,551	51,217	1,551
Credit default swap	(95)	(3)	(95)	(3)

- ⑥ Cathay United Bank does not believe it has high levels of risk concentration with regard to any single customer or transaction. However, Cathay United Bank is likely to be exposed to region or industry concentration risk. Cathay United Banks' information of concentration of credit risk is as follows:

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	March 31,			
	2006		2007	
Loans, customers' liabilities under acceptances and guarantees account	(NT\$)	(US\$)	(NT\$)	(US\$)
Industry type				
Manufacturing	\$81,571,500	\$2,516,086	\$108,006,686	\$3,271,938
Financial institutions and insurance	42,304,381	1,304,885	52,150,734	1,579,847
Leasing and real estate	70,135,729	2,163,348	75,733,804	2,294,269
Individuals	403,864,532	12,457,265	406,314,885	12,308,842
Others	113,469,650	3,499,989	115,203,839	3,489,968
Total	711,345,792	21,941,573	757,409,948	22,944,864
Valuation allowance	(13,556,642)	(418,157)	(14,319,770)	(433,801)
Maximum credit risk exposed	<u>\$697,789,150</u>	<u>\$21,523,416</u>	<u>\$743,090,178</u>	<u>\$22,511,063</u>
Geographic Region				
Domestic	\$675,822,075	\$20,845,838	\$709,552,653	\$21,495,082
South East Asia	9,456,971	291,702	11,574,959	350,650
North East Asia	37,383	1,153	140,302	4,250
America	8,819,431	272,037	9,979,246	302,310
Others	17,209,932	530,843	26,162,788	792,572
Total	711,345,792	21,941,573	757,409,948	22,944,864
Valuation allowance	(13,556,642)	(418,157)	(14,319,770)	(433,801)
Maximum credit risk exposed	<u>\$697,789,150</u>	<u>\$21,523,416</u>	<u>\$743,090,178</u>	<u>\$22,511,063</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.

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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 March 31, 2007, there is no significant change in these dates.

As of March 31, 2006 and 2007, the effective interest rates of financial instruments held and issued by Cathay United Bank are classified as follows:

Financial instruments	Effective interest rate (%)	
	March 31, 2006	March 31, 2007
Available-for-sale financial assets		
Bonds	1.13-6.0124	1.6701-6.8376
Overseas financial instruments	1.7-4.6	1
Held-to-maturity financial assets		
Bonds	1.64-6.95	1.66-6.95
Overseas financial instruments	0.61-7.625	3.45-6.36
Investments in debt securities with no active market		
Preferred stocks	5	5
Certificates of deposit	1.45-1.67	1.69-1.923
Overseas financial instruments	0-8.64	0-7.82
Financial debentures payable	2-5.59	2-5.59

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i. Fair value hedge

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

Hedged item	Derivative designated as hedging instruments	Hedging instruments			
		Fair value			
		March 31, 2006		March 31, 2007	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Financial debentures payable	Interest rate swap	\$694,201	\$21,413	\$486,029	\$14,724

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

Item	March 31, 2006			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
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

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Item	March 31, 2006			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
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
<u>Liabilities</u>				
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
 <u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Futures Contract	7,785	7,785	240	240
Options Contract	557	557	17	17
 <u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current				
Foreign exchange SWAP	12,648	12,648	390	390

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Item	March 31, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
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 Due from reinsurers sand ceding companies	187,894	187,894	5,692	5,692
Secured loans	88,464	88,464	2,680	2,680
Held-to-maturity financial assets - noncurrent	2,238,809	2,238,809	67,822	67,822
Financial assets carried at cost - noncurrent	3,924,266	3,924,266	118,881	118,881
Investments in debt securities with no active market – noncurrent	60,000	60,000	1,818	1,818
Long-term investments under equity method	228,510	228,510	6,922	6,922
Guarantee deposits paid	461,619	461,619	13,984	13,984
	409,973	409,973	12,420	12,420
<u>Liabilities</u>				
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
 <u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Futures Contract	5,387	5,387	163	163
Options Contract	509	509	15	15

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Item	March 31, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current				
Foreign exchange SWAP	53,055	53,055	1,607	1,607

- 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.

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- c. The following table summarizes the fair value information of Cathay Century's financial assets and liabilities at March 31, 2007:

Item	March 31, 2007			
	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</u>				
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	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current				
Futures	5,387	5,387	-	-
Option	509	509	-	-
<u>Liabilities</u>				
Financial liability at fair value through profit or loss-current				
Forward contracts	53,055	53,055	-	-

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Item	March 31, 2007			
	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>Assets</u>				
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	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current				
Futures	163	163	-	-
Option	15	15	-	-
<u>Liabilities</u>				
Financial liability at fair value through profit or loss-current				
Forward contracts	1,607	1,607	-	-

d. Information on financial risk

(a) Risk of interest rate

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

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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\$)
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 year		Over 5 year		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

(b) Credit risk

Cathay Century's exposure to credit risk in minimal.

e. Hedging activities

Fair value hedges

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

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.

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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.

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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	March 31, 2006			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$896,630	\$896,630	\$27,657	\$27,657
Financial assets at fair value through profit or loss – current				
Open-end funds and currency market instruments	822,526	822,526	25,371	25,371
Operating securities-net	106,508	106,508	3,285	3,285
Receivable amount for margin loans	299,232	299,232	9,230	9,230
Receivables-net	5,815	5,815	179	179
Restricted assets – current	700,000	700,000	21,592	21,592
Long-term investments under equity method	714,872	714,872	22,050	22,050
Available-for-sale financial assets-noncurrent	18	18	1	1
Operating deposits	215,097	215,097	6,635	6,635
Settlement and clearance funds	47,535	47,535	1,466	1,466
Guarantee deposits paid	19,225	19,225	593	593

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Item	March 31, 2006			
	(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	50,000	50,000	1,542	1,542
Securities financial guarantee deposits-in	3,173	3,173	98	98
Deposit payable for securities financing	3,503	3,503	108	108
Payables	30,178	30,178	931	931
Guarantee deposits-in	484	484	15	15
 <u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current				
Call options-futures	2,449	2,449	76	76
Margin for futures trading – own funds	303,127	303,127	9,350	9,350
Derivative financial instrument assets – GreTai (over-the-counter)	3,029	3,029	93	93
 <u>Liabilities</u>				
Financial liabilities at fair value through profit or loss – current				
Put options – futures	1,432	1,432	44	44
Other financial liabilities – current	115,750	115,750	3,570	3,570
Item	March 31, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$679,142	\$679,142	\$20,574	\$20,574
Financial assets at fair value through profit or loss – current				
Open-end funds and currency market instruments	526,887	526,887	15,961	15,961
Operating securities – net	249,290	249,290	7,552	7,552

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Item	March 31, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Receivable amount for margin loans	843,451	843,451	25,551	25,551
Receivables-net	13,383	13,383	405	405
Restricted assets – current	600,000	600,000	18,176	18,176
Long-term investments under equity method	718,101	718,101	21,754	21,754
Available-for-sale financial assets – noncurrent	18	18	1	1
Operating deposits	215,097	215,097	6,516	6,516
Settlement and clearance funds	46,260	46,260	1,401	1,401
Guarantee deposits paid	28,326	28,326	858	858
<u>Liabilities</u>				
Securities financing guarantee deposits-in	7,166	7,166	217	217
Deposit payable for securities financing	7,924	7,924	240	240
Payables	26,216	26,216	794	794
Guarantee deposits-in	141	141	4	4
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss – current				
Margin for futures trading – own funds	313,282	313,282	9,491	9,491
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss – current				
Liabilities for issuance of call (put) warrants	800	800	24	24
Repurchase of issued call (put) warrants	(180)	(180)	(5)	(5)
Derivative financial instrument liabilities				
-GreTai (over-the-counter)	1,892	1,892	57	57
Other financial liabilities – current	223,045	223,045	6,757	6,757

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

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- (a) Short-term financial instruments are stated at their carrying amount on the balance sheet date. 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 Cathay Securities 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 March 31, 2006 and 2007:

Financial instruments	March 31, 2006			
	(NT\$)		(US\$)	
	Based on the quoted market price	Based on pricing models	Based on the quoted market price	Based on pricing models
<u>Assets</u>				
Financial assets at fair value				
through profit or loss – current				
Open-end funds and currency				
market instruments	\$822,526	\$-	\$25,371	\$-
Operating securities – net	106,508	-	3,285	-
Call options-futures	2,449	-	76	-
Margin for futures trading – own				
funds	303,127	-	9,350	-
Derivative financial instrument				
assets – GreTai				
(over-the-counter)	-	3,029	-	93

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Financial instruments	March 31, 2006			
	(NT\$)		(US\$)	
	Based on the quoted market price	Based on pricing models	Based on the quoted market price	Based on pricing models
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss – current				
Put options – futures	1,432	-	44	-
Other financial liabilities – current	-	115,750	-	3,570
	March 31, 2007			
	(NT\$)		(US\$)	
	Based on the quoted market price	Based on pricing models	Based on the quoted market price	Based on pricing models
<u>Assets</u>				
Financial assets at fair value through profit or loss – current				
Open-end funds and currency market instruments	\$526,887	\$-	\$15,961	\$-
Operating securities – net	249,290	-	7,552	-
Margin for futures trading – own funds	313,282	-	9,491	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss – current				
Liabilities for issuance of call (put) warrants	800	-	24	-
Repurchase of issued call (put) warrants	(180)	-	(5)	-
Derivative financial instrument liabilities-GreTai (over-the-counter)	-	1,892	-	57
Other financial liabilities – current	-	223,045	-	6,757

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

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c. Financial risk management objectives and policies

(a) Market risk

Cathay Securities invests in equity securities that have active public market prices. When adverse market conditions exist, Cathay Securities is exposed to market risk as prices fluctuate. Although Cathay Securities controls and quantifies its market risk by establishing stop-loss limits and measuring Value-at-Risk, evaluates its risk utilizing historical prices and controls its overall investment portfolio, it is still exposed to market risk.

(b) Credit risk

In accordance with Cathay Securities' policy, credit evaluations are required for all credit transactions. Credit limits are established based on customers' credit ratings. Margin ratios are also evaluated continuously to control default risk.

The counterparties to Cathay Securities' other financial assets (including cash and cash equivalents and all other current and non current investments) are all creditworthy and well-known financial institutions in the ROC. As a result, counterparty credit risk is relatively low.

(c) Liquidity risk

Cathay Securities believes its working capital is sufficient for its operations and that the risk of contract defaults resulting from a lack of capital is low.

The financial assets held by Cathay Securities all have active markets and can be sold at prices approximate to fair values. As the result, Cathay Securities believes there is no significant cash flow risk.

(d) Cash flow risk from interest rate fluctuations

Cathay Securities currently has no exposure to floating interest rates related to financial assets or liabilities and thus Cathay Securities believes there is no significant cash flow risk from interest rate fluctuations.

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d. Derivatives

(a) Issuance call warrants

① Nominal principal or contract amount and credit risk

	March 31, 2006		March 31, 2007	
	Nominal principal /contract amount	Credit risk	Nominal principal /contract amount	Credit risk
<u>Financial instruments</u>				
<u>For trading purposes</u>				
Issue call warrants	NT\$- (US\$-)	NT\$- (US\$-)	NT\$5,960 (US\$181)	NT\$- (US\$-)

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. Although market risk can be avoided by adjusting Cathay Securities warrant and hedging positions, certain market risk still exist.

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.

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④ Types, 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.

⑤ Financial statement presentation of derivative financial instruments

As of March 31, 2006 and 2007, the disclosure of the issuance of call (put) warrants on the balance sheets and statements of income are summarized as follows:

Balance sheet

	March 31, 2007	
	Financial liabilities at fair value through profit or loss-current	
	NT\$	US\$
Liabilities for issuance of call (put) warrants	\$800	\$24
Repurchase of issued call (put) warrants	(180)	(5)
Total	\$620	\$19

Statement of income

	For the three months ended		Comments
	March 31, 2007		
	NT\$	US\$	
	Profit from issuing call (put) warrants		
Liabilities of call (put) warrants	\$(1,760)	\$(53)	Fair value method
Repurchase of issued call (put) warrants			
Loss on disposal	(4,164)	(126)	
Gain from valuation	2,439	74	Fair value method
Gain from expiration of warrants issued valuation	5,160	156	
Total	\$1,675	\$51	

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(b) Structured notes transactions

Ⓐ Nominal principal or contract amount and credit risk

	March 31, 2006		March 31, 2007	
	Nominal principal /contract amount	Credit risk	Nominal principal /contract amount	Credit risk
<u>For trading purposes</u>				
Equity-linked notes	NT\$113,200 <u>(US\$3,492)</u>	NT\$- <u>(US\$-)</u>	NT\$- <u>(US\$-)</u>	NT\$- <u>(US\$-)</u>
Principal guaranteed notes	NT\$- <u>(US\$-)</u>	NT\$- <u>(US\$-)</u>	NT\$225,300 <u>(US\$6,825)</u>	NT\$- <u>(US\$-)</u>

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.

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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.

(c) Financial statement presentation of derivative financial instruments

As of March 31, 2006 and 2007, the disclosure of structured notes transactions on the balance sheets and statements of income are summarized as follows:

Balance sheet

	March 31, 2006		March 31, 2007	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Derivative financial instrument assets – GreTai (over-the-counter) (note 1)				
Equity-linked notes	\$3,029	\$93	\$-	\$-
Derivative financial instrument liabilities – GreTai (over-the-counter) (note 2)				
Principal guaranteed notes	-	-	1,892	57
Other financial liabilities – current				
Principal guaranteed notes	-	-	223,045	6,757
Equity-linked notes	115,750	3,570	-	-

Note 1: Recorded as “Financial assets at fair value through profit or loss – current” in balance sheet.

Note 2: Recorded as “Financial liabilities at fair value through profit or loss – current” in balance sheet.

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Statement of income

	For the three months ended March 31, 2006		For the three months ended March 31, 2007		Comments
	(NT\$)	(US\$)	(NT\$)	(US\$)	
	Gain (loss) on valuation				
Principal guaranteed notes	\$-	\$-	\$624	\$19	Fair value method
Equity-linked notes	(8,781)	(271)	-	-	Fair value method
Gain (loss) on redemption in advance					
Principal guaranteed notes	-	-	46	1	
Equity-linked notes	(61)	(2)	-	-	
Net	<u>\$(8,842)</u>	<u>\$(273)</u>	<u>\$670</u>	<u>\$20</u>	

e. Futures and options transactions

As of March 31, 2006 and 2007, Cathay Securities' unexercised options were as follows:

March 31, 2006

Item	Nature of Transaction	Unexercised options		Contract amount/ payment of premium		Fair value	
		Buy/Sell	Units	(NT\$)	(US\$)	(NT\$)	(US\$)
				Options	TXO-Call	Sell	150
Options	TXO-Call	Buy	450	\$1,229	\$38	\$2,220	\$69
Options	TXO-Put	Buy	150	\$301	\$9	\$229	\$7
Futures	TAIEX futures	Buy	30	\$39,194	\$1,209	\$39,366	\$1,214

March 31, 2007

Item	Nature of Transaction	Unexercised options		Contract amount/ payment of premium		Fair value	
		Buy/Sell	Units	(NT\$)	(US\$)	(NT\$)	(US\$)
				Futures	TAIEX futures	Buy	10

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(a) Nominal principal or contract amount and credit risk

Financial instruments	March 31, 2006	
	Nominal principal/ contract amount	Credit risk
<u>For trading purposes</u>		
TXO	NT\$2,287 (US\$71)	\$-
TAIEX futures	<u>NT\$39,194 (US\$1,209)</u>	\$-

Financial instruments	March 31, 2007	
	Nominal principal/ contract amount	Credit risk
<u>For trading purposes</u>		
TAIEX futures	<u>NT\$15,676 (US\$475)</u>	\$-

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. However market risk still exists.

(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 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 Cathay Securities believes funding risk and cash flow risk are low.

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(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 (margin for futures trading – own funds) on the balance sheet. For the three months ended March 31, 2006 and 2007, the related gain (loss) of futures and options on the statement of income were as follows:

	For the three months ended March 31, 2006		For the three months ended March 31, 2007	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Gain from derivative financial instruments – futures				
Gain on futures contracts - realized	\$873	\$27	\$3,713	\$112
Gain (Loss) on futures contracts - unrealized	427	13	(8)	-
Gain from options transactions - realized	1,011	31	1,009	31
Gain from options transactions - unrealized	153	5	-	-
Total	\$2,464	\$76	\$4,714	\$143

F. Cathay Pacific Venture

a. Information of fair value

Item	March 31, 2006			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$382,998	\$382,998	\$11,814	\$11,814
Other receivables (contain transactions with related parties)	660	660	20	20
Available-for-sale financial assets-noncurrent	141,918	141,918	4,377	4,377
Other current assets	2,434	2,434	75	75

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Item	March 31, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$520,772	\$520,772	\$15,776	\$15,776
Other receivables (contain transactions with related parties)	1,024	1,024	31	31
Available-for-sale financial assets-noncurrent	189,826	189,826	5,751	5,751
<u>Liabilities</u>				
Other payable (contain transactions with related parties)	19,176	19,176	581	581

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.

G. Cathay Futures

a. Information of fair value

Item	March 31, 2006			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$193,026	\$193,026	\$5,954	\$5,954
Financial assets at fair value through profit or loss-current	2,656	2,656	82	82

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	March 31, 2006			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Assets</u>				
Customers' margin accounts	1,060,158	1,060,158	32,701	32,701
Futures trading deposits receivable	761	761	23	23
Accounts receivable – related parties	99	99	3	3
Other receivables (contain transactions with related parties)	1,690	1,690	52	52
Available-for-sale financial assets-noncurrent	30,500	30,500	941	941
Operating deposits	80,000	80,000	2,468	2,468
Settlement and clearance funds	57,000	57,000	1,758	1,758
Guarantee deposits paid	1,767	1,767	55	55
<u>Liabilities</u>				
Futures customers' equity	1,059,540	1,059,540	32,682	32,682
Payables (contain transactions with related parties)	1,539	1,539	47	47
Advance receipts	171	171	5	5
Other payable (contain transactions with related parties)	2,312	2,312	71	71
Guarantee deposits in	146	146	5	5
March 31, 2007				
	(NT\$)		(US\$)	
Item	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$229,347	\$229,347	\$6,948	\$6,948
Customers' margin accounts	835,252	835,252	25,303	25,303
Futures trading deposits receivable	583	583	18	18
Accounts receivable-related parties	188	188	6	6
Other receivable (contain transactions with related parties)	3,806	3,806	115	115
Available-for-sale financial assets-noncurrent	30,500	30,500	924	924
Operating deposits	60,000	60,000	1,818	1,818
Settlement and clearance funds	57,000	57,000	1,727	1,727
Guarantee deposits paid	1,279	1,279	39	39

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Item	March 31, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Liabilities</u>				
Futures customers' equity	\$835,016	\$835,016	\$25,296	\$25,296
Payables (contain transactions with related parties)	1,797	1,797	54	54
Advance receipts	263	263	8	8
Other payable (contain transactions with related parties)	3,094	3,094	94	94

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 receipts under custody, other payable and guarantee deposits in, approximate their fair values because of the short maturities of these instruments.

(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:

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	March 31,							
	2006				2007			
	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\$)
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Cash and cash equivalents	\$-	\$-	\$193,026	\$5,954	\$-	\$-	\$229,347	\$6,948
Financial assets at fair value through profit or loss-current	2,656	82	-	-	-	-	-	-
Customer's margin accounts	-	-	1,060,158	32,701	-	-	835,252	25,303
Futures trading deposits receivable	-	-	761	23	-	-	583	18
Accounts receivable-related parties	-	-	99	3	-	-	188	6
Other receivable (contain transactions with related parties)	-	-	1,690	52	-	-	3,806	115
Available-for-sale financial assets-non current	-	-	30,500	941	-	-	30,500	924
Operating deposits	-	-	80,000	2,468	-	-	60,000	1,818
Settlement and clearance funds	-	-	57,000	1,758	-	-	57,000	1,727
Guarantee deposits paid	-	-	1,767	55	-	-	1,279	39
<u>Liabilities</u>								
Futures customer's equity	-	-	1,059,540	32,682	-	-	835,016	25,296
Payable (contain transactions with related parties)	-	-	1,539	47	-	-	1,797	54
Advance receipts	-	-	171	5	-	-	263	8
Other payable (contain transactions with related parties)	-	-	2,312	71	-	-	3,094	94
Guarantee deposits in	-	-	146	5	-	-	-	-

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d. Information on financial risk

- (a) Market risk – The derivatives transactions of funds and options by proprietary trading department are primarily for trading purposes. The higher transaction price fluctuation is due to the higher leverage ratio on the derivatives transactions. However, the proprietary trading department has ceased operation on March 21, 2006. Another risk is that the fair values of the shares on listed companies held by Cathay Futures fluctuate along with the related stock market factors.
- (b) Credit risk – Appropriate credit evaluation processes and continuous monitor of credit-lines are in place for all customers of the brokerage department. In addition, all transactions conducted by proprietary trading department go through Taiwan Futures Exchange and therefore no significant credit risk is expected.
- (c) Liquidity risk and cash flow risk – Cathay Futures has sufficient working capital for its operation and there is no liquidity risk on default. In addition, except for the financial assets carried at cost and long term investment under equity method which are embedded of liquidity risks due to lack of active market, all other stocks Cathay Futures held are able to be disposed rapidly at prices close to fair values.

The realized gains or losses on the derivatives (TSIF and TSIO - proprietary) of Cathay Futures for March 31, 2006 and 2007 are as follows:

	March 31,			
	2006		2007	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Gain on derivatives	\$6,783	\$209	\$-	\$-
Losses on derivatives	(3,763)	(116)	-	-
Net	<u>\$3,020</u>	<u>\$93</u>	<u>\$-</u>	<u>\$-</u>

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H. Symphox Information

a. Information of fair value

Item	March 31, 2006			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$86,649	\$86,649	\$2,673	\$2,673
Financial assets at fair value				
through profit or loss-current	171,150	171,150	5,279	5,279
Receivables	176,891	176,891	5,456	5,456
Guarantee deposits paid	9,877	9,877	305	305
<u>Liabilities</u>				
Payables	63,047	63,047	1,945	1,945
Guarantee deposits in	81	81	2	2
Item	March 31, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$83,119	\$83,119	\$2,518	\$2,518
Financial assets at fair value				
through profit or loss-current	162,416	162,416	4,920	4,920
Receivables	205,689	205,689	6,231	6,231
Guarantee deposits paid	8,036	8,036	243	243
<u>Liabilities</u>				
Payables	130,504	130,504	3,953	3,953
Guarantee deposits in	85	85	3	3

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

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- (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 II Venture Capital

a. Information of fair value

Item	March 31, 2006			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$2,002	\$2,002	\$62	\$62
Available-for-sale financial assets- current	104,998	104,998	3,239	3,239
Available-for-sale financial assets- noncurrent	203,377	203,377	6,273	6,273
Financial assets carried at cost - noncurrent	419,707	419,707	12,946	12,946
March 31, 2007				
Item	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
	<u>Non-derivative financial instruments</u>			
<u>Assets</u>				
Cash and cash equivalents	\$40,984	\$40,984	\$1,242	\$1,242
Available-for-sale financial assets- current	67,091	67,091	2,032	2,032
Available-for-sale financial assets- noncurrent	302,886	302,886	9,176	9,176
Financial assets carried at cost - noncurrent	452,461	452,461	13,707	13,707

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

(a) The fair value of 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 premium

(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 financial instruments is valued at market price or other financial information when available.

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

Item	March 31,							
	2006				2007			
	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\$)
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Available-for-sale financial								
assets-current	\$104,998	\$3,239	\$-	\$-	\$67,091	\$2,032	\$-	\$-
Available-for-sale financial								
assets-noncurrent	203,377	6,273	-	-	302,886	9,176	-	-
Financial assets carried at								
cost - noncurrent	419,707	12,946	-	-	452,461	13,707	-	-

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J. Cathay Life (Shanghai)

a. Information of fair value

Item	March 31,2006			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$709,887	\$709,887	\$21,897	\$21,897
Financial assets at fair value through profit or loss-current	622,600	622,600	19,204	19,204
Available-for-sale financial assets-noncurrent	312,276	312,276	9,632	9,632
Held-to-maturity financial assets-noncurrent	201,775	201,775	6,224	6,224
Investment in debt securities with no active market-noncurrent	702,714	702,714	21,675	21,675
Guarantee deposits paid	660,546	660,546	20,375	20,375
<u>Liabilities</u>				
Guarantee deposits in	464	464	14	14

Item	March 31,2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$1,269,675	\$1,269,675	\$38,463	\$38,463
Premium receivable	907	907	27	27
Financial assets at fair value through profit or loss-current	395,331	395,331	11,976	11,976
Available-for-sale financial assets-current	141,861	141,861	4,298	4,298
Held-to-maturity financial assets-current	42,806	43,078	1,297	1,305

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Item	March 31,2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Available-for-sale financial				
assets-noncurrent	218,711	218,711	6,626	6,626
Held-to-maturity financial				
assets-noncurrent	253,862	255,713	7,690	7,747
Investment in debt securities with no				
active market-noncurrent	1,304,357	1,367,610	39,514	41,430
Guarantee deposits paid	700,941	700,941	21,234	21,234
<u>Liabilities</u>				
Guarantee deposits in	1,064	1,064	32	32

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 premium receivables.

(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.

c. The fair value of the Cathay life (Shanghai) financial assets and liabilities determined by market price or pricing models are summarized as following:

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Item	March 31,							
	2006				2007			
	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\$)
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through profit or loss-current								
	\$622,600	\$19,204	\$-	\$-	\$395,331	\$11,976	\$-	\$-
Available-for-sale financial assets-current								
	312,276	9,632	-	-	141,861	4,298	-	-
Held-to-maturity financial assets-current								
	-	-	-	-	42,806	1,297	-	-
Available-for-sale financial assets-noncurrent								
	-	-	-	-	218,771	6,627	-	-
Held-to-maturity financial assets-noncurrent								
	201,775	6,224	-	-	253,862	7,690	-	-
Investment in debt securities with no active market-noncurrent								
	702,714	21,675	-	-	1,304,357	39,514	-	-

(3) Discretionary account management

Item	March 31, 2006			
	Carrying value		Fair value	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Listed stocks	\$4,103,352	\$126,569	\$4,103,352	\$126,569
Repurchase bonds	6,611,071	203,919	6,613,396	203,991
Convertible bonds	35,867	1,106	35,867	1,106
Short-term notes	37,163	1,146	37,163	1,146
Bonds	3,565,507	109,979	3,565,507	109,979
Cash in banks	195,393	6,027	195,472	6,029
Net other assets less liabilities	(2,599)	(80)	(2,599)	(80)
Total	\$14,545,754	\$448,666	\$14,548,158	\$448,740

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Item	March 31, 2007			
	Carrying value		Fair value	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Listed stocks	\$15,161,652	\$459,305	\$15,161,652	\$459,305
Repurchase bonds	10,359,720	313,836	10,363,315	313,945
Short-term notes	50,159	1,519	50,159	1,519
Bonds	1,430,650	43,340	1,430,650	43,340
Cash in banks	659,369	19,975	659,645	19,983
Net other assets less liabilities	29,374	890	29,374	890
Total	<u>\$27,690,924</u>	<u>\$838,865</u>	<u>\$27,694,795</u>	<u>\$838,982</u>

As of March 31, 2006 and 2007, Cathay Life and Cathay Century had discretionary account management contracts in the amount of NT\$12,600,000 (US\$388,649), and NT\$24,800,000 (US\$751,287), respectively.

(4) Business or trading behaviors within Subsidiaries:

A. Business or trading behaviors

Please find Note 5 (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.

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.

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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.

(5) Material contract: None.

(6) Presentation of financial statements:

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

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 March 31, 2007, Cathay Life's remittances to this company totaled approximately US\$48,330.

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31. Segment information

For the three months ended March 31, 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	\$7,007,712	\$14,796,167	\$71,113	\$4,100	\$(174,574)	\$21,704,518
Non income other than interest	1,644,172	33,801,503	760,876	77,634	15,962	36,300,147
Provision for premiums reserve	-	(37,172,283)	(252,069)	-	-	(37,424,352)
Total income	8,651,884	11,425,387	579,920	81,734	(158,612)	20,580,313
Bad debt expenses-Loan	(2,923,947)	-	-	-	-	(2,923,947)
Operating expenses	(3,005,804)	(9,457,322)	(303,361)	(79,178)	(220,892)	(13,066,557)
Income from continuing operations before income taxes	2,722,133	1,968,065	276,559	2,556	(379,504)	4,589,809
Income taxes (expense) benefit	(851,515)	953,569	(44,880)	(1,010)	108,338	164,502
Cumulative effect of changes in accounting principles	726,679	3,319,319	60,141	29	(856,845)	3,249,323
Consolidated income	\$2,597,297	\$6,240,953	\$291,820	\$1,575	\$(1,128,011)	\$8,003,634

For the three months ended March 31, 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	\$216,154	\$456,390	\$2,194	\$126	\$(5,385)	\$669,479
Non income other than interest	50,715	1,042,613	23,469	2,395	492	1,119,684
Provision for premiums reserve	-	(1,146,585)	(7,775)	-	-	(1,154,360)
Total income	266,869	352,418	17,888	2,521	(4,893)	634,803
Bad debt expenses-Loan	(90,190)	-	-	-	-	(90,190)
Operating expenses	(92,714)	(291,713)	(9,358)	(2,442)	(6,813)	(403,040)
Income from continuing operations before income taxes	83,965	60,705	8,530	79	(11,706)	141,573
Income taxes (expense) benefit	(26,265)	29,413	(1,384)	(31)	3,341	5,074
Cumulative effect of changes in accounting principles	22,414	102,385	1,855	1	(26,429)	100,226
Consolidated income	\$80,114	\$192,503	\$9,001	\$49	\$(34,794)	\$246,873

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For the three months ended March 31, 2007

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	\$5,093,586	\$16,669,240	\$84,958	\$8,924	\$(102,141)	\$21,754,567
Non income other than interest	1,629,463	33,563,728	1,027,008	73,743	260,526	36,554,468
Provision for premiums reserve	-	(33,194,570)	(285,517)	-	-	(33,480,087)
Total income	6,723,049	17,038,398	826,449	82,667	158,385	24,828,948
Bad debt expenses-Loan	(912,822)	(72,444)	-	-	-	(985,266)
Operating expenses	(2,702,528)	(8,971,000)	(310,606)	(75,547)	(175,867)	(12,235,548)
Income from continuing operations before income taxes	3,107,699	7,994,954	515,843	7,120	(17,482)	11,608,134
Income taxes (expense) benefit	(580,704)	(737,635)	(83,865)	(1,661)	(144,172)	(1,548,037)
Consolidated income	\$2,526,995	\$7,257,319	\$431,978	\$5,459	\$(161,654)	\$10,060,097

For the three months ended March 31, 2007

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	\$154,304	\$504,976	\$2,574	\$270	\$(3,094)	\$659,030
Non income other than interest	49,363	1,016,774	31,112	2,234	7,892	1,107,376
Provision for premiums reserve	-	(1,005,591)	(8,650)	-	-	(1,014,241)
Total income	203,667	516,159	25,036	2,504	4,798	752,165
Bad debt expenses-Loan	(27,653)	(2,194)	-	-	-	(29,848)
Operating expenses	(81,870)	(271,767)	(9,409)	(2,288)	(5,328)	(370,662)
Income from continuing operations before income taxes	94,144	242,198	15,627	216	(530)	351,655
Income taxes (expense) benefit	(17,591)	(22,346)	(2,541)	(51)	(4,367)	(46,896)
Consolidated income	\$76,553	\$219,852	\$13,086	\$165	\$(4,897)	\$304,759

32. Parent Company financial statements

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

Unaudited Balance Sheets

As of March 31, 2006 and 2007

(Expressed in thousands of dollars)

	March 31, 2006		March 31, 2007	
	NT \$	US \$	NT \$	US \$
Assets				
Cash and cash equivalents	\$10,296,035	\$317,583	\$13,228,432	\$400,740
Receivables -net	4,699,553	144,959	1,524,416	46,181
Investments-equity method	204,926,247	6,320,982	213,059,552	6,454,394
Other financial assets -net	31,720	978	31,720	961
Property and equipment -net	4,670	144	4,280	130
Goodwill and intangible assets -net	106	3	1,519	46
Other assets -net	3,171,057	97,812	2,912,583	88,233
Total assets	\$223,129,388	\$6,882,461	\$230,762,502	\$6,990,685
Liabilities & stockholders' equity				
Financial liabilities at fair value through profit or loss	\$1,411,270	\$43,531	\$945,852	\$28,653
Payables	4,951,407	152,727	1,782,713	54,005
Bonds payable	13,263,830	409,125	1,134,796	34,378
Other liabilities	12,133	374	15,846	480
Total liabilities	19,638,640	605,757	3,879,207	117,516
Stockholders' equity				
Capital stock				
Common stock	85,258,878	2,629,823	92,661,696	2,807,080
Capital surplus	68,166,265	2,102,599	81,485,226	2,468,501
Retained earnings				
Legal reserve	6,009,431	185,362	8,188,136	248,050
Special reserve	226,579	6,989	-	-
Undistributed earnings	36,087,845	1,113,135	29,711,851	900,086
Other stockholders' equity				
Unrealized revaluation increments	1,960	61	2,106	64
Cumulative translation adjustments	45,998	1,419	185,900	5,632
Unrealized gains or losses on financial instruments	7,695,629	237,373	18,788,999	569,191
Treasury stock	-	-	(4,140,047)	(125,418)
Net loss not recognized as pension cost	(1,837)	(57)	(572)	(17)
Total stockholders' equity	203,490,748	6,276,704	226,883,295	6,873,169
Total liabilities and stockholders' equity	\$223,129,388	\$6,882,461	\$230,762,502	\$6,990,685

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

Unaudited Statements of Income

For the three-month periods ended March 31, 2006 and 2007

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

	January 1 ~ March 31, 2006		January 1 ~ March 31, 2007	
	NT \$	US \$	NT \$	US \$
Income				
Gain on investment-equity method	\$9,128,716	\$281,577	\$10,042,778	\$304,234
Gain on financial assets and liabilities at fair value through profit or loss	-	-	67,981	2,060
Gain on foreign exchange	1,137	35	132,279	4,007
Other operating income	8,567	264	-	-
Total income	9,138,420	281,876	10,243,038	310,301
Expenses and loss				
Interest income	244,160	7,531	279,540	8,468
Less: interest expenses	(375,595)	(11,585)	(336,780)	(10,202)
Net interest income	(131,435)	(4,054)	(57,240)	(1,734)
Loss on financial assets and liabilities at fair value through profit	(266,185)	(8,211)	-	-
Operating expenses	(49,466)	(1,526)	(40,145)	(1,216)
Income from continuing operations before income taxes	8,691,334	268,085	10,145,653	307,351
Income taxes benefit (expense)	109,070	3,364	(144,012)	(4,363)
Cumulative effect of changes in accounting principles	(858,814)	(26,490)	-	-
Net income	\$7,941,590	\$244,959	\$10,001,641	\$302,988

Earnings per share (expressed in dollars)

	Before taxes		After taxes		Before taxes		After taxes	
	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$
Primary earnings per share:								
Net income from continuing operations	\$0.97	\$0.98	\$0.03	\$0.03	\$1.11	\$1.09	\$0.03	\$0.03
Cumulative effect of changes in accounting principles	(0.13)	(0.10)	-	-	-	-	-	-
Net income	<u>\$0.84</u>	<u>\$0.88</u>	<u>\$0.03</u>	<u>\$0.03</u>	<u>\$1.11</u>	<u>\$1.09</u>	<u>\$0.03</u>	<u>\$0.03</u>
Fully-diluted earnings per share:								
Net income from continuing operations	\$0.96	\$0.96	\$0.03	\$0.03	\$1.10	\$1.09	\$0.03	\$0.03
Cumulative effect of changes in accounting principles	(0.12)	(0.09)	-	-	-	-	-	-
Net income	<u>\$0.84</u>	<u>\$0.87</u>	<u>\$0.03</u>	<u>\$0.03</u>	<u>\$1.10</u>	<u>\$1.09</u>	<u>\$0.03</u>	<u>\$0.03</u>

Pro-forma information as if subsidiaries' investment in the Company

were not treated as treasury stock:

Income from continuing operations before income taxes	\$7,546,249	\$232,765
Net income	<u>\$7,941,590</u>	<u>\$244,960</u>

Earnings per share(expressed in dollars)

	Before taxes		After taxes	
	NT \$	US \$	NT \$	US \$
Primary earnings per share:				
Net income from continuing operations	\$0.97	\$0.98	\$0.03	\$0.03
Cumulative effect of changes in accounting principles	(0.13)	(0.10)	-	-
Net income	<u>\$0.84</u>	<u>\$0.88</u>	<u>\$0.03</u>	<u>\$0.03</u>
Fully-diluted earnings per share:				
Net income from continuing operations	\$0.96	\$0.96	\$0.03	\$0.03
Cumulative effect of changes in accounting principles	(0.12)	(0.09)	-	-
Net income	<u>\$0.84</u>	<u>\$0.87</u>	<u>\$0.03</u>	<u>\$0.03</u>

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Cathay Financial Holding Co., Ltd.

Unaudited Statements of Changes in Stockholders' Equity

For the three-month periods ended March 31, 2006 and 2007

(Expressed in thousands of dollars)

Summary	Retained earnings										Other stockholders' equity											
	Common stock		Capital surplus		Legal reserve		Special reserve		Undistributed earnings		Unrealized revaluation increments		Cumulative translation adjustments		Unrealized gains or losses on financial instruments		Treasury stock		Net loss not recognized as 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, 2006	\$85,242,234	\$2,629,310	\$68,092,037	\$2,100,309	\$6,009,431	\$185,362	\$226,579	\$6,989	\$28,146,255	\$868,176	\$3,048	\$94	\$81,154	\$2,503	\$(68,263)	\$(2,105)	\$-	\$-	\$(1,837)	\$(57)	\$187,730,638	\$5,790,581
Effect on first time of adoption of unrealized gains on financial instruments															10,485,096	323,414					10,485,096	323,414
Convertible notes converted into common stock	16,644	513	74,228	2,290																	90,872	2,803
Reserve for land revaluation increment											(1,088)	(33)									(1,088)	(33)
Cumulative translation adjustments													(35,156)	(1,084)							(35,156)	(1,084)
Unrealized gains or losses of financial instruments															(2,721,204)	(83,936)					(2,721,204)	(83,936)
Net income for the three-month periods ended March 31, 2006									7,941,590	244,959											7,941,590	244,959
Balance on March 31, 2006	\$85,258,878	\$2,629,823	\$68,166,265	\$2,102,599	\$6,009,431	\$185,362	\$226,579	\$6,989	\$36,087,845	\$1,113,135	\$1,960	\$61	\$45,998	\$1,419	\$7,695,629	\$237,373	\$-	\$-	\$(1,837)	\$(57)	\$203,490,748	\$6,276,704
Balance on January 1, 2007	\$92,068,174	\$2,789,100	\$78,867,213	\$2,389,192	\$8,188,136	\$248,050	\$-	\$-	\$19,710,210	\$597,098	\$2,106	\$64	\$105,170	\$3,186	\$21,345,473	\$646,636	\$(4,140,047)	\$(125,418)	\$(572)	\$(17)	\$216,145,863	\$6,547,891
Convertible notes converted into common stock	593,522	17,980	2,618,100	79,312																	3,211,622	97,292
Capital surplus			(87)	(3)																	(87)	(3)
Cumulative translation adjustments													80,730	2,446							80,730	2,446
Unrealized gains or losses of financial instruments															(2,556,474)	(77,445)					(2,556,474)	(77,445)
Net income for the three-month periods ended March 31, 2007									10,001,641	302,988											10,001,641	302,988
Balance on March 31, 2007	\$92,661,696	\$2,807,080	\$81,485,226	\$2,468,501	\$8,188,136	\$248,050	\$-	\$-	\$29,711,851	\$900,086	\$2,106	\$64	\$185,900	\$5,632	\$18,788,999	\$569,191	\$(4,140,047)	\$(125,418)	\$(572)	\$(17)	\$226,883,295	\$6,873,169

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Cathay Financial Holding Co., Ltd.

Unaudited Statements of Cash Flows

For the three-month periods ended March 31, 2006 and 2007

(Expressed in thousands of dollars)

	January 1 ~ March 31, 2006		January 1 ~ March 31, 2007	
	NT \$	US \$	NT \$	US \$
Cash flows from operating activities				
Net income	\$7,941,590	\$244,959	\$10,001,641	\$302,988
Adjustments:				
Amortizations	13	-	146	4
Depreciation	306	9	292	9
Investment income from equity method in excess of cash dividends received	(9,098,216)	(280,636)	(10,042,778)	(304,234)
Increase in bonds payable redemption premium	91,248	2,815	33,548	1,016
Effects of exchange rate changes	102,180	3,152	(132,217)	(4,005)
Cumulative effect of changes in accounting principles	858,814	26,490	-	-
Changes in operating assets and liabilities				
(Increase) decrease in accounts receivable	(1,695,550)	(52,300)	511,332	15,490
(Increase) decrease in deferred income tax assets	(86,638)	(2,672)	174,095	5,274
Decrease in other financial assets	68,280	2,106	-	-
Increase in other assets	(285)	(9)	(10,295)	(312)
Increase (decrease) in accounts payable	561,385	17,316	(573,996)	(17,389)
Increase (Decrease) in financial liabilities at fair value through profit or loss	266,185	8,211	(67,981)	(2,059)
Increase in income tax payable	1,049,828	32,382	15,340	465
Decrease in deferred income tax liabilities	-	-	(57,193)	(1,732)
Increase (Decrease) in other liabilities	1,153	36	(1,693)	(51)
Net cash provided by (used in) operating activities	60,293	1,859	(149,759)	(4,536)
Cash flows from investing activities				
Acquisition of property and equipment	-	-	(150)	(4)
Decrease (Increase) in other assets	31,200	963	(43,370)	(1,314)
Net cash provided by (used in) investing activities	31,200	963	(43,520)	(1,318)
Cash flows from financing activities				
(Increase) Decrease in bonds payable	(141,717)	(4,371)	39,661	1,201
Net cash used in financing activities	(141,717)	(4,371)	39,661	1,201
Effects of exchange rate changes	(102,180)	(3,152)	132,217	4,005
Decrease in cash and cash equivalents	(152,404)	(4,701)	(21,401)	(648)
Cash and cash equivalents at the beginning of the periods	10,448,439	322,284	13,249,833	401,388
Cash and cash equivalents at the end of the periods	\$10,296,035	\$317,583	\$13,228,432	\$400,740
Supplemental disclosure of cash flows information				
Interest paid during the period	\$276,546	\$8,530	\$455,657	\$13,804
Income tax paid	\$4,781	\$147	\$18,950	\$574
Investing and financing activities with no cash flow effects				
Conversion of convertible notes into common stock	\$90,872	\$2,803	\$3,211,622	\$97,292

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33. The major subsidiaries' condensed balance sheets and statements of income

**Cathay Life Insurance Co., Ltd.
Condensed Balance Sheets
March 31, 2006 and 2007
(Expressed in thousands of dollars)**

Item	March 31, 2006		March 31, 2007	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$574,877,566	\$17,732,189	\$593,128,150	\$17,968,135
Loans	444,544,089	13,712,033	495,581,988	15,013,087
Funds and investments	805,364,858	24,841,605	918,056,306	27,811,460
Property and equipment	13,261,326	409,048	12,817,604	388,295
Intangible assets	246,461	7,602	340,945	10,329
Other assets	119,419,487	3,683,513	194,953,370	5,905,888
Total assets	\$1,957,713,787	\$60,385,990	\$2,214,878,363	\$67,097,194
Liabilities				
Current liabilities	\$35,923,021	\$1,108,051	\$45,395,126	\$1,375,193
Long-term liabilities	1,645,179	50,746	1,630,781	49,403
Other liabilities	1,808,864,979	55,794,725	2,043,257,681	61,898,142
Total liabilities	1,846,433,179	56,953,522	2,090,283,588	63,322,738
Stockholders' equity				
Capital stock	50,686,158	1,563,423	50,686,158	1,535,479
Capital surplus	10,105	312	9,648	292
Retained earnings	53,420,780	1,647,772	56,337,750	1,706,688
Others	7,163,565	220,961	17,561,219	531,997
Total stockholders' equity	111,280,608	3,432,468	124,594,775	3,774,456
Total liabilities and stockholders' equity	\$1,957,713,787	\$60,385,990	\$2,214,878,363	\$67,097,194

**Cathay Life Insurance Co., Ltd.
Condensed Statements of Income
For the three months ended March 31, 2006 and 2007
(Expressed in thousands of dollars, except earnings per share)**

Item	January 1 ~ March 31, 2006		January 1 ~ March 31, 2007	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$139,372,560	\$4,298,969	\$164,561,394	\$4,985,198
Operating costs	(134,522,867)	(4,149,379)	(153,995,601)	(4,665,119)
Operating gross profit	4,849,693	149,590	10,565,793	320,079
Operating expenses	(2,918,505)	(90,022)	(2,720,709)	(82,421)
Non-operating revenues & gains	332,369	10,252	367,022	11,118
Non-operating expenses & losses	(9,074)	(280)	(2,020)	(61)
Income from continuing operations before income taxes	\$2,254,483	\$69,540	\$8,210,086	\$248,715
Cumulative effect of changes in accounting principles	\$3,315,855	\$102,278	\$-	\$-
Net income	\$6,523,907	\$201,231	\$7,472,452	\$226,369
Earnings per share (in dollars)				
Income from continuing operations before income taxes	\$1.03	\$0.03	\$1.62	\$0.05
Net income	\$1.29	\$0.04	\$1.47	\$0.04

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**Cathay Century Insurance Co., Ltd.
Condensed Balance Sheets
March 31, 2006 and 2007
(Expressed in thousands of dollars)**

Items	March 31, 2006		March 31, 2007	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$6,661,967	\$205,490	\$7,731,403	\$234,214
Loans	1,558,924	48,085	2,238,809	67,822
Funds and investments	4,329,582	133,547	4,674,395	141,605
Fixed assets	50,780	1,566	40,519	1,228
Intangible assets	14,955	461	6,432	195
Other assets	716,437	22,099	687,449	20,825
Total assets	\$13,332,645	\$411,248	\$15,379,007	\$465,889
Liabilities				
Current liabilities	\$1,267,511	\$39,097	\$1,754,335	\$53,145
Long-term liabilities	6,869	212	3,405	103
Other liabilities	8,590,021	264,960	9,718,002	294,396
Total liabilities	9,864,401	304,269	11,475,742	347,644
Stockholders' equity				
Capital stock	2,317,006	71,469	2,317,006	70,191
Capital surplus	2,021	62	1,929	58
Retained earnings	1,135,430	35,023	1,413,998	42,836
Others	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

**Cathay Century Insurance Co., Ltd.
Condensed Statements of Income
For the three months ended March 31, 2006 and 2007
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ March 31, 2006		January 1 ~ March 31, 2007	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$7,490,311	\$231,040	\$8,297,238	\$251,355
Operating costs	(6,794,327)	(209,572)	(7,352,547)	(222,737)
Operating gross profit	695,984	21,468	944,691	28,618
Operating expenses	(451,734)	(13,933)	(521,626)	(15,802)
Non-operating revenues	594	18	1,204	37
Non-operating expenses	(23)	(1)	(29)	(1)
Income from continuing operations before income taxes	\$244,821	\$7,552	\$424,240	\$12,852
Cumulative effect of changes in accounting principles	\$60,141	\$1,855	\$-	\$-
Net income	\$260,082	\$8,023	\$340,375	\$10,311
Earning per share (in dollars)				
Income from continuing operations before income taxes	\$1.32	\$0.04	\$1.83	\$0.06
Net income	\$1.12	\$0.03	\$1.47	\$0.04

English Translation of Financial Statements Originally Issued in Chinese

Cathay Life Insurance Ltd.(Shanghai)

Condensed Balance Sheets

March 31, 2006 and 2007

(Expressed in thousands of dollars)

Items	March 31, 2006		March 31, 2007	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$1,795,635	\$55,387	\$2,357,890	\$71,430
Loans	-	-	652	20
Funds and investments	1,216,766	37,531	1,776,930	53,830
Fixed assets	27,348	844	46,458	1,407
Intangible assets	2,542	78	2,863	87
Other assets	881,647	27,194	1,487,237	45,054
Total assets	\$3,923,938	\$121,034	\$5,672,030	\$171,828
Liabilities				
Current liabilities	\$17,365	\$536	\$53,944	\$1,634
Other liabilities	874,642	26,978	2,476,640	75,027
Total liabilities	892,007	27,514	2,530,584	76,661
Stockholders' equity				
Capital stock	3,257,376	100,474	3,257,376	98,679
Retained earnings	(202,921)	(6,259)	(272,075)	(8,242)
Others	(22,524)	(695)	156,145	4,730
Total stockholders' equity	3,031,931	93,520	3,141,446	95,167
Total liabilities and stockholders' equity	\$3,923,938	\$121,034	\$5,672,030	\$171,828

Cathay Life Insurance Ltd.(Shanghai)

Condensed Statements of Income

For the three months ended March 31, 2006 and 2007

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

Items	January 1 ~ March 31, 2006		January 1 ~ March 31, 2007	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$240,330	\$7,413	\$541,630	\$16,408
Operating costs	(201,843)	(6,226)	(437,343)	(13,249)
Operating gross profit	38,487	1,187	104,287	3,159
Operating expenses	(54,635)	(1,685)	(84,799)	(2,569)
Non-operating revenues	-	-	-	-
Non-operating expenses	-	-	(4)	-
Net (loss) income from continuing operations before income taxes	\$ (16,148)	\$ (498)	\$ 19,484	\$ 590
Cumulative effect of changes in accounting principles	\$ 3,463	\$ 107	\$ -	\$ -
Net (loss) income	\$ (12,685)	\$ (391)	\$ 19,484	\$ 590
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 no information about earnings per share.

English Translation of Financial Statements Originally Issued in Chinese

**Cathay United Bank Co., Ltd.
Condensed Balance Sheets
March 31, 2006 and 2007
(Expressed in thousands of dollars)**

Items	March 31, 2006		March 31, 2007	
	NT\$	US\$	NT\$	US\$
Assets				
Cash and cash equivalents	\$23,464,717	\$723,773	\$27,476,448	\$832,367
Due from the Central Bank and call loans to banks	46,931,076	1,447,596	46,517,120	1,409,183
Financial assets at fair value through profit or loss	55,141,655	1,700,853	55,770,037	1,689,489
Securities purchased under agreements to resell	2,387,631	73,647	126,000	3,817
Available-for-sale financial assets-net	51,977,060	1,603,241	55,322,764	1,675,940
Receivables-net	58,261,000	1,797,070	45,667,795	1,383,453
Loans and advances to customers-net	682,162,639	21,041,414	724,908,281	21,960,263
Held-to-maturity financial assets-net	6,540,298	201,737	5,214,726	157,974
Investments-equity method	4,496,478	138,694	2,350,127	71,195
Premises and equipment-net	26,164,991	807,063	25,582,991	775,007
Investments in debt securities with no active market	227,798,225	7,026,472	279,386,743	8,463,700
Other financial assets-net	4,892,303	150,904	4,487,767	135,952
Other assets-net	7,485,915	230,904	10,449,291	316,549
Total assets	\$1,197,703,988	\$36,943,368	\$1,283,260,090	\$38,874,889
Liabilities				
Due to the Central Bank and call loans from banks	\$82,797,526	\$2,553,903	\$102,287,668	\$3,098,687
Payables	18,430,060	568,478	23,030,409	697,680
Deposits and remittances	902,268,048	27,830,600	982,101,540	29,751,637
Financial liabilities at fair value through profit or loss	52,093,394	1,606,829	55,107,868	1,669,430
Securities sold under agreements to repurchase	36,229,930	1,117,518	20,453,722	619,622
Funds borrowed from the Central and other banks	812,500	25,062	827,250	25,061
Financial debentures payable	17,859,078	550,866	18,335,868	555,464
Other financial liabilities	1,009,212	31,129	798,189	24,180
Other liabilities	1,981,540	61,121	1,777,605	53,850
Total liabilities	1,113,481,288	34,345,506	1,204,720,119	36,495,611
Shareholders' equity				
Capital stock	48,689,413	1,501,832	48,689,413	1,474,990
Capital reserves	14,966,745	461,652	15,213,565	460,877
Retained earnings	20,165,431	622,006	13,689,712	414,714
Others	401,111	12,372	947,281	28,697
Total shareholders' equity	84,222,700	2,597,862	78,539,971	2,379,278
Total liabilities and shareholders' equity	\$1,197,703,988	\$36,943,368	\$1,283,260,090	\$38,874,889

**Cathay United Bank Co., Ltd.
Condensed Statements of Income
For the three months ended March 31, 2006 and 2007
(Expressed in thousands of dollars, except per share information)**

Items	January 1 ~ March 31, 2006		January 1 ~ March 31, 2007	
	NT\$	US\$	NT\$	US\$
Net interest income	\$6,831,946	\$210,733	\$4,949,115	\$149,928
Non-interest income	1,603,686	49,466	1,763,629	53,427
Net operating income	8,435,632	260,199	6,712,744	203,355
Provision for loan losses	(2,885,111)	(88,992)	(912,822)	(27,653)
Operating expenses	(3,190,573)	(98,414)	(3,030,579)	(91,808)
Income from continuing operations before income taxes	\$2,359,948	\$72,793	\$2,769,343	\$83,894
Cumulative effect of changes in accounting principles	\$726,679	\$22,414	\$-	\$-
Net income	\$2,252,291	\$69,472	\$2,207,343	\$66,869
Earnings per share (in dollars)				
Income from continuing operations before income taxes	\$0.46	\$0.01	\$0.45	\$0.01
Net income	\$0.46	\$0.01	\$0.45	\$0.01

English Translation of Financial Statements Originally Issued in Chinese

Indovina Bank Limited
Condensed Balance Sheets
March 31, 2006 and 2007
(Expressed in thousands of dollars)

Items	March 31, 2006		March 31, 2007	
	NT\$	US\$	NT\$	US\$
Assets				
Cash and cash equivalents	\$971,463	\$29,965	\$1,243,803	\$37,680
Due from the Central Bank and call loans to banks	278,890	8,602	448,951	13,600
Financial assets at fair value through profit or loss	-	-	114,076	3,456
Available-for-sale financial assets	487,759	15,045	-	-
Investments in debt securities with no active market	-	-	322,511	9,770
Receivables-net	41,222	1,271	84,773	2,568
Loans and advances to customers-net	6,239,711	192,465	9,731,166	294,795
Premises and equipment-net	96,993	2,992	124,392	3,768
Other assets-net	409	13	37,664	1,141
Total assets	\$8,116,447	\$250,353	\$12,107,336	\$366,778
Liabilities				
Due to the Central Bank and call loans from banks	\$1,423,978	\$43,923	\$642,484	\$19,463
Payables	445,345	13,737	606,419	18,371
Deposits and remittances	5,234,859	161,470	9,384,937	284,306
Total liabilities	7,104,182	219,130	10,633,840	322,140
Shareholders' equity				
Capital stock	791,658	24,419	1,118,158	33,873
Retained earnings	187,055	5,769	307,770	9,324
Others	33,552	1,035	47,568	1,441
Total shareholders' equity	1,012,265	31,223	1,473,496	44,638
Total liabilities and shareholders' equity	\$8,116,447	\$250,353	\$12,107,336	\$366,778

Indovina Bank Limited
Condensed Statements of Income
For the three months ended March 31, 2006 and 2007
(Expressed in thousands of dollars, except per share information)

Items	January 1 ~ March 31, 2006		January 1 ~ March 31, 2007	
	NT\$	US\$	NT\$	US\$
Net interest income	\$75,025	\$2,314	\$144,471	\$4,376
Non-interest income	46,278	1,428	27,943	847
Net operating revenue	121,303	3,742	172,414	5,223
Provision for loan losses	(4,588)	(142)	(11,084)	(336)
Operating expenses	(31,839)	(982)	(53,240)	(1,613)
Income from continuing operations before income taxes	\$84,876	\$2,618	\$108,090	\$3,274
Net income	\$67,697	\$2,088	\$89,386	\$2,708
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 no information about earnings per share.

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Securities Corporation
Condensed Balance Sheets
March 31, 2006 and 2007
(Expressed in thousands of dollars)**

Items	March 31, 2006		March 31, 2007	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$3,142,148	\$96,920	\$3,226,605	\$97,746
Funds and investments	714,890	22,051	718,119	21,755
Property and equipment	104,438	3,221	89,199	2,702
Intangible assets	18,454	570	10,982	333
Other assets	284,292	8,769	294,638	8,925
Total assets	\$4,264,222	\$131,531	\$4,339,543	\$131,461
Liabilities				
Current liabilities	\$207,960	\$6,414	\$272,540	\$8,256
Long-term liabilities	77	2	296	9
Other liabilities	35,428	1,094	23,222	704
Total liabilities	243,465	7,510	296,058	8,969
Stockholders' equity				
Capital stock	3,700,000	114,127	3,700,000	112,087
Capital surplus	258,434	7,972	258,434	7,829
Retained earnings	62,323	1,922	85,051	2,576
Total stockholders' equity	4,020,757	124,021	4,043,485	122,492
Total liabilities and stockholders' equity	\$4,264,222	\$131,531	\$4,339,543	\$131,461

**Cathay Securities Corporation
Condensed Statements of Income
For the three months ended March 31, 2006 and 2007
(Expressed in thousands of dollars, except for earnings per share)**

Items	January 1 ~ March 31, 2006		January 1 ~ March 31, 2007	
	NT\$	US\$	NT\$	US\$
Revenue	\$91,963	\$2,837	\$98,025	\$2,969
Expenses	(85,702)	(2,644)	(94,409)	(2,860)
Income (loss) from continuing operations before income taxes	\$6,261	\$193	\$3,616	\$109
Cumulative effect of changes in accounting principles	\$173	\$5	\$-	\$-
Net income (loss)	\$5,424	\$167	\$1,955	\$59
Earnings per share (in dollars)				
Income (loss) from continuing operations before income taxes	\$0.02	\$-	\$0.01	\$-
Net income (loss)	\$0.01	\$-	\$0.01	\$-

English Translation of Financial Statements Originally Issued in Chinese

Cathay Pacific Venture Capital Co., Ltd.

Condensed Balance Sheets

March 31, 2006 and 2007

(Expressed in thousands of dollars)

Items	March 31, 2006		March 31, 2007	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$387,615	\$11,956	\$522,798	\$15,837
Funds and investments	254,978	7,865	278,797	8,446
Other assets	2,434	75	-	-
Total assets	\$645,027	\$19,896	\$801,595	\$24,283
Liabilities				
Current liabilities	\$127	\$4	\$27,805	\$842
Total liabilities	127	4	27,805	842
Stockholders' equity				
Capital stock	600,000	18,507	600,000	18,176
Retained earnings	(32,820)	(1,012)	51,497	1,560
Equity adjustment	77,720	2,397	122,293	3,705
Total stockholders' equity	644,900	19,892	773,790	23,441
Total liabilities and stockholders' equity	\$645,027	\$19,896	\$801,595	\$24,283

Cathay Pacific Venture Capital Co., Ltd.

Condensed Statements of Income

For the three months ended March 31, 2006 and 2007

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

Items	January 1 ~ March 31, 2006		January 1 ~ March 31, 2007	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$1,300	\$40	\$1,885	\$57
Operating gross profit	1,300	40	1,885	57
Operating expenses	(3,937)	(121)	(3,954)	(120)
Income from continuing operations before income taxes	\$(2,637)	\$(81)	\$(2,069)	\$(63)
Net income	\$(1,780)	\$(55)	\$(1,850)	\$(56)
Earning per share (in dollars)				
Income from continuing operations before income taxes	\$(0.04)	\$-	\$(0.03)	\$-
Net income	\$(0.03)	\$-	\$(0.03)	\$-

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Venture Capital Co., Ltd.
Condensed Balance Sheets
March 31, 2006 and 2007
(Expressed in thousands of dollars)**

Items	March 31, 2006		March 31, 2007	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$725,103	\$22,366	\$525,713	\$15,926
Funds and investments	953,194	29,401	1,302,321	39,452
Total assets	\$1,678,297	\$51,767	\$1,828,034	\$55,378
Liabilities				
Current liabilities	\$5,648	\$174	\$13,230	\$401
Total liabilities	5,648	174	13,230	401
Stockholders' equity				
Capital stock	1,500,000	46,268	1,500,000	45,441
Retained earnings	95,498	2,945	119,335	3,615
Equity adjustment	77,151	2,380	195,469	5,921
Total stockholders' equity	1,672,649	51,593	1,814,804	54,977
Total liabilities and stockholders' equity	\$1,678,297	\$51,767	\$1,828,034	\$55,378

**Cathay Venture Capital Co., Ltd.
Condensed Statements of Income
For the three months ended March 31, 2006 and 2007
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ March 31, 2006		January 1 ~ March 31, 2007	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$117,317	\$3,619	\$19,737	\$598
Operating costs	(11,002)	(340)	-	-
Operating gross profit	106,315	3,279	19,737	598
Operating expenses	(7,588)	(234)	(7,345)	(223)
Non-operating expenses	(3)	-	-	-
Income from continuing operations before income taxes	\$98,724	\$3,045	\$12,392	\$375
Net income	\$96,589	\$2,979	\$12,058	\$365
Earning per share (in dollars)				
Income from continuing operations before income taxes	\$0.66	\$0.02	\$0.08	\$-
Net income	\$0.64	\$0.02	\$0.08	\$-

English Translation of Financial Statements Originally Issued in Chinese

**Cathay II Venture Capital Co., Ltd.
Condensed Balance Sheets
March 31, 2006 and 2007
(Expressed in thousands of dollars)**

Items	March 31, 2006		March 31, 2007	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$107,006	\$3,301	\$110,147	\$3,337
Funds and investments	623,084	19,219	755,347	22,882
Total assets	<u>\$730,090</u>	<u>\$22,520</u>	<u>\$865,494</u>	<u>\$26,219</u>
Liabilities				
Current liabilities	\$200	\$6	\$3,942	\$119
Total liabilities	<u>200</u>	<u>6</u>	<u>3,942</u>	<u>119</u>
Stockholders' equity				
Capital stock	600,000	18,507	600,000	18,176
Retained earnings	69,237	2,136	115,535	3,500
Equity adjustment	60,653	1,871	146,017	4,424
Total stockholders' equity	<u>729,890</u>	<u>22,514</u>	<u>861,552</u>	<u>26,100</u>
Total liabilities and stockholders' equity	<u>\$730,090</u>	<u>\$22,520</u>	<u>\$865,494</u>	<u>\$26,219</u>

**Cathay II Venture Capital Co., Ltd.
Condensed Statements of Income
For the three months ended March 31, 2006 and 2007
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ March 31, 2006		January 1 ~ March 31, 2007	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$66,928	\$2,064	\$10,628	\$322
Operating gross profit	66,928	2,064	10,628	322
Operating expenses	(3,060)	(94)	(2,489)	(75)
Income from continuing operations before income taxes	<u>\$63,868</u>	<u>\$1,970</u>	<u>\$8,139</u>	<u>\$247</u>
Net income	<u>\$63,868</u>	<u>\$1,970</u>	<u>\$8,093</u>	<u>\$245</u>
Earning per share (in dollars)				
Income from continuing operations before income taxes	<u>\$1.06</u>	<u>\$0.03</u>	<u>\$0.14</u>	<u>\$-</u>
Net income	<u>\$1.06</u>	<u>\$0.03</u>	<u>\$0.13</u>	<u>\$-</u>

English Translation of Financial Statements Originally Issued in Chinese

**Symphox Information Co., Ltd.
Condensed Balance Sheets
March 31, 2006 and 2007
(Expressed in thousands of dollars)**

Items	March 31, 2006		March 31, 2007	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$486,285	\$14,999	\$498,389	\$15,098
Fixed assets	155,861	4,808	158,421	4,799
Intangible assets	4,308	133	6,923	210
Other assets	13,651	421	12,363	375
Total assets	\$660,105	\$20,361	\$676,096	\$20,482
Liabilities				
Current liabilities	\$228,162	\$7,038	\$229,637	\$6,957
Other liabilities	81	2	85	2
Total liabilities	228,243	7,040	229,722	6,959
Stockholders' equity				
Capital stock	499,000	15,392	499,000	15,117
Retained earnings	(67,138)	(2,071)	(52,626)	(1,594)
Total stockholders' equity	431,862	13,321	446,374	13,523
Total liabilities and stockholders' equity	\$660,105	\$20,361	\$676,096	\$20,482

**Symphox Information Co., Ltd.
Condensed Statements of Income
For the three months ended March 31, 2006 and 2007
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ March 31, 2006		January 1 ~ March 31, 2007	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$191,726	\$5,914	\$305,616	\$9,258
Operating costs	(190,305)	(5,870)	(270,879)	(8,206)
Operating gross profit	1,421	44	34,737	1,052
Operating expenses	(18,130)	(559)	(26,503)	(803)
Non-operating revenues	993	31	1,132	35
Non-operating expenses	(16)	(1)	(389)	(12)
Income from continuing operations before income taxes	\$(15,732)	\$(485)	\$8,977	\$272
Cumulative effect of changes in accounting principles	\$1,809	\$56	\$-	\$-
Net income	\$(13,923)	\$(429)	\$8,977	\$272
Earning per share (in dollars)				
Income from continuing operations before income taxes	\$(0.28)	\$(0.01)	\$0.18	\$0.01
Net income	\$(0.28)	\$(0.01)	\$0.18	\$0.01

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Futures Corp.
Condensed Balance Sheets
March 31, 2006 and 2007
(Expressed in thousands of dollars)**

Items	March 31, 2006		March 31, 2007	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$1,259,002	\$38,834	\$1,069,567	\$32,402
Funds and investments	30,500	941	30,500	924
Fixed assets	336,775	10,388	330,043	9,998
Other assets	159,306	4,914	135,612	4,108
Total assets	\$1,785,583	\$55,077	\$1,565,722	\$47,432
Liabilities				
Current liabilities	\$1,063,562	\$32,806	\$840,207	\$25,453
Other liabilities	7,073	218	7,347	223
Total liabilities	1,070,635	33,024	847,554	25,676
Stockholders' equity				
Capital stock	650,000	20,050	650,000	19,691
Retained earnings	64,948	2,003	68,168	2,065
Total stockholders' equity	714,948	22,053	718,168	21,756
Total liabilities and stockholders' equity	\$1,785,583	\$55,077	\$1,565,722	\$47,432

**Cathay Futures Corp.
Condensed Statements of Income
For the three months ended March 31, 2006 and 2007
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ March 31, 2006		January 1 ~ March 31, 2007	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$29,737	\$917	\$12,147	\$368
Operating costs	(10,021)	(309)	(4,905)	(149)
Operating gross profit	19,716	608	7,242	219
Operating expenses	(18,560)	(572)	(12,846)	(389)
Non-operating revenues	11,847	365	4,167	126
Non-operating expenses	(9,234)	(285)	(132)	(4)
Income from continuing operations before income taxes	\$3,769	\$116	\$(1,569)	\$(48)
Cumulative effect of changes in accounting principles	\$159	\$5	\$-	\$-
Net income	\$4,475	\$138	\$(1,569)	\$(48)
Earning per share (in dollars)				
Income from continuing operations before income taxes	\$0.06	\$-	\$(0.02)	\$-
Net income	\$0.07	\$-	\$(0.02)	\$-