

Cathay Financial Holding Co., Ltd. and Subsidiaries
Consolidated Financial Statements
Nine-Month Periods ended September 30, 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 September 30, 2006 and 2007 and the related consolidated statements of income, changes in stockholders' equity and cash flows for the nine-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a review report based on our review.

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

Base on our review, we are not aware of any material modifications that should be made to the consolidated financial statements as of and for the nine-month periods ended September 30, 2006 and 2007 in order for them to be in conformity with "Business Entity Accounting Act", "Regulation on Business Entity Accounting Handling", "Guidelines Governing the Preparation of Financial Reports by Securities Issuers", "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies" and generally accepted 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
October 19, 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

September 30, 2006 and 2007

(Expressed in thousands of dollars)

Assets	September 30, 2006		September 30, 2007	
	NT \$	US \$	NT \$	US \$
Cash and cash equivalents	\$401,838,566	\$12,140,138	\$434,460,203	\$13,298,445
Due from the Central Bank and call loans to banks	51,227,322	1,547,653	59,743,737	1,828,703
Financial assets at fair value through profit or loss	148,744,241	4,493,784	147,252,414	4,507,267
Securities purchased under agreements to resell	36,422,076	1,100,365	13,054,358	399,582
Receivables -net	90,985,024	2,748,792	88,283,504	2,702,281
Loans -net	1,181,661,808	35,699,753	1,275,995,320	39,057,096
Available-for-sale financial assets -net	307,135,155	9,279,008	481,430,105	14,736,153
Held-to-maturity financial assets -net	547,854,632	16,551,499	570,116,308	17,450,759
Investments under equity method	3,569,075	107,827	3,079,385	94,257
Other financial assets -net	42,518,795	1,284,556	48,188,389	1,475,004
Investments in debt securities with no active market	173,382,329	5,238,137	117,200,880	3,587,416
Separate account products assets	137,949,099	4,167,647	245,656,759	7,519,338
Investments in real estate	104,943,433	3,170,496	106,477,651	3,259,187
Property and equipment -net	39,179,116	1,183,659	38,841,227	1,188,896
Goodwill and intangible assets -net	956,935	28,910	840,358	25,723
Other assets -net	47,071,922	1,422,112	51,570,331	1,578,523
Total assets	\$3,315,439,528	\$100,164,336	\$3,682,190,929	\$112,708,630
Liabilities & stockholders' equity				
Liabilities				
Due to the Central Bank and call loans from banks	\$88,408,462	\$2,670,951	\$57,050,697	\$1,746,272
Bankers acceptances and funds borrowed	824,500	24,909	1,628,500	49,847
Financial liabilities at fair value through profit or loss	71,262,689	2,152,951	68,684,806	2,102,381
Securities sold under agreements to repurchase	20,696,642	625,276	17,866,861	546,889
Payables	49,758,623	1,503,282	52,073,425	1,593,922
Deposits	926,033,088	27,976,830	1,028,205,689	31,472,473
Bonds payable	28,721,175	867,709	18,158,993	555,831
Reserve for operations and liabilities	1,773,323,844	53,574,739	1,933,661,207	59,187,671
Other financial liabilities	852,833	25,765	1,039,265	31,811
Separate account products liabilities	137,949,099	4,167,647	245,656,759	7,519,337
Other liabilities	12,134,959	366,615	13,831,919	423,383
Total liabilities	3,109,965,914	93,956,674	3,437,858,121	105,229,817
Stockholders' Equity attributable to equity holders of the parent				
Stock				
Common stock	90,924,450	2,746,962	92,770,192	2,839,614
Capital surplus	73,902,094	2,232,692	81,971,167	2,509,065
Retained earnings				
Legal reserve	8,188,136	247,376	9,245,862	283,008
Unappropriated retained earnings	22,202,291	670,764	37,809,225	1,157,307
Other stockholders' equity				
Land revaluation increment	2,106	64	2,106	65
Cumulative conversion adjustments	138,263	4,177	155,427	4,758
Unrealized gains or losses on financial instruments	11,559,116	349,218	23,406,229	716,444
Treasury stock	(4,140,047)	(125,077)	(4,140,047)	(126,723)
Net loss not yet recognized as net pension cost	(1,837)	(56)	(573)	(18)
Total stockholder's equity attributable to equity holders of the parent	202,774,572	6,126,120	241,219,588	7,383,520
Minority interest	2,699,042	81,542	3,113,220	95,293
Total stockholders' equity	205,473,614	6,207,662	244,332,808	7,478,813
Total liabilities and stockholders' equity	\$3,315,439,528	\$100,164,336	\$3,682,190,929	\$112,708,630

(The exchange rates provided by the Federal Reserve Bank of New York on September 30, 2006 and 2007 were NT\$33.10 and NT\$32.67 to US\$1.00 respectively)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
Unaudited consolidated statements of income
For the nine-month periods ended September 30, 2006 and 2007
(Expressed in thousands of dollars, except earning per share)

	January 1 ~ September 30, 2006		January 1 ~ September 30, 2007					
	NT \$	US \$	NT \$	US \$				
Interest income	\$80,146,757	\$2,421,352	\$83,282,938	\$2,549,218				
Less: Interest expenses	(14,532,727)	(439,055)	(15,355,121)	(470,007)				
Net interest income	65,614,030	1,982,297	67,927,817	2,079,211				
Net income other than interest								
Net commission and handling fee	3,366,922	101,720	3,756,217	114,975				
Net premiums from insurance business	90,924,145	2,746,953	80,803,442	2,473,322				
Gains on financial assets and liabilities at fair value through profit or loss	(14,434,226)	(436,079)	2,626,357	80,390				
Realized gains on available-for-sale financial assets	11,600,543	350,470	27,209,309	832,853				
Realized gains on held-to-maturity financial assets	(164,591)	(4,973)	(361,890)	(11,077)				
Gain on investments under equity method	1,720,518	51,979	(111,240)	(3,405)				
Gains on investments in real estate	6,701,947	202,476	4,810,907	147,258				
Loss on foreign exchange	8,566,557	258,808	1,243,062	38,049				
Impairment loss	(234,173)	(7,075)	(193,899)	(5,935)				
Provision for insurance reserve	(113,869,974)	(3,440,180)	(106,123,577)	(3,248,349)				
Net other non-interest income	1,890,119	57,103	365,915	11,200				
Total income	61,681,817	1,863,499	81,952,420	2,508,492				
Bad debt expenses -Loan	(13,640,134)	(412,089)	(2,993,794)	(91,637)				
Operating expenses								
Personnel expenses	(27,760,517)	(838,686)	(31,051,607)	(950,463)				
Depreciation and amortizations expenses	(2,956,079)	(89,307)	(3,065,393)	(93,829)				
Other general and administration expenses	(7,904,599)	(238,810)	(6,940,952)	(212,457)				
Income from continuing operations before income taxes	9,420,488	284,607	37,900,674	1,160,106				
Income taxes (expenses) benefit	526,659	15,911	(4,774,032)	(146,129)				
Consolidated income before cumulative effect of accounting principles	9,947,147	300,518	33,126,642	1,013,977				
Cumulative effect of changes in accounting principles	3,249,323	98,167	-	-				
Consolidated income	\$13,196,470	\$398,685	\$33,126,642	\$1,013,977				
Include:								
Parent company	\$13,069,341	\$394,844	\$32,979,363	\$1,009,469				
Minority interest	127,129	3,841	147,279	4,508				
Consolidated income	\$13,196,470	\$398,685	\$33,126,642	\$1,013,977				
Earnings per share (expressed in dollars) :								
Primary earnings per share:	Before taxes	After taxes	Before taxes	After taxes	Before taxes	After taxes	Before taxes	After taxes
Consolidated income before cumulative effect of accounting principles	\$1.05	\$1.11	\$0.03	\$0.03	\$4.12	\$3.60	\$0.13	\$0.11
Cumulative effect of changes in accounting principles	0.28	0.36	0.01	0.01	-	-	0.00	0.00
Consolidated income	\$1.33	\$1.47	\$0.04	\$0.04	\$4.12	\$3.60	\$0.13	\$0.11
Fully-diluted earnings per share:								
Consolidated income before cumulative effect of accounting principles	\$1.06	\$1.11	\$0.03	\$0.03	\$4.12	\$3.60	\$0.13	\$0.11
Cumulative effect of changes in accounting principles	0.27	0.35	0.01	0.01	-	-	0.00	0.00
Consolidated income	\$1.33	\$1.46	\$0.04	\$0.04	\$4.12	\$3.60	\$0.13	\$0.11

(The exchange rates provided by the Federal Reserve Bank of New York on September 30, 2006 and 2007 were NT\$33.10 and NT\$32.67 to US\$1.00 respectively)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries

Unaudited consolidated statements of changes in stockholders' equity

For the nine-month periods ended September 30, 2006 and 2007

(Expressed in thousands of dollars)

Summary	Retained earnings										Other stockholders' equity																			
	Common stock		Capital surplus		Legal reserve		Special reserve		Undistributed earnings		Land revaluation adjustments		Cumulative translation adjustments		Unrealized gains or losses on financial instruments		Treasury stock		Net loss not recognized as pension cost		Minority interest		Total							
	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$						
Balance on January 1, 2006	\$85,242,234	\$2,575,294	\$68,092,037	\$2,057,161	\$6,009,431	\$181,554	\$226,579	\$6,846	\$28,146,255	\$850,340	\$3,048	\$92	\$81,154	\$2,452	\$(68,263)	\$(2,062)	\$-	\$-	\$(1,837)	\$(56)	\$3,430,369	\$103,636	\$191,161,007	\$5,775,257						
Minority interest																														
Effect on first time of adoption of unrealized gains on financial instruments															10,485,096	316,770									10,485,096	316,770				
Appropriations and distribution for 2005																														
Legal reserve					2,178,705	65,822			(2,178,705)	(65,822)																				
Special reserve							(226,579)	(6,846)	226,579	6,846																				
Cash dividends									(12,790,330)	(386,415)																(12,790,330)	(386,415)			
Stock dividend	4,263,443	128,805							(4,263,443)	(128,805)																				
Remuneration paid to directors and supervisors									(5,700)	(172)																	(5,700)	(172)		
Bonus paid to employees									(1,706)	(52)																	(1,706)	(52)		
Convertible notes converted into common stock	599,331	18,106	2,728,522	82,433																							3,327,853	100,539		
Land revaluation increment											(942)	(28)															(942)	(28)		
Capital surplus			(547)	(16)																							(547)	(16)		
Cumulative translation adjustments													57,109	1,725													57,109	1,725		
Unrealized gains or losses on financial instruments															1,142,283	34,510											1,142,283	34,510		
Shares exchange	819,442	24,757																										819,442	24,757	
Share premium			3,082,082	93,114																								3,082,082	93,114	
Treasury stock																	(4,140,047)	(125,077)									(4,140,047)	(125,077)		
Consolidated income for the nine-month periods ended September 30, 2006									13,069,341	394,844																		13,196,470	398,685	
Balance on September 30, 2006	\$90,924,450	\$2,746,962	\$73,902,094	\$2,232,692	\$8,188,136	\$247,376	\$-	\$-	\$22,202,291	\$670,764	\$2,106	\$64	\$138,263	\$4,177	\$11,559,116	\$349,218	\$(4,140,047)	\$(125,077)	\$(1,837)	\$(56)	\$2,699,042	\$81,542	\$205,473,614	\$6,207,662						
Balance on January 1, 2007	\$92,068,174	\$2,818,126	\$78,867,213	\$2,414,056	\$8,188,136	\$250,632	\$-	\$-	\$19,710,210	\$603,312	\$2,106	\$65	\$105,170	\$3,219	\$21,345,473	\$653,366	\$(4,140,047)	\$(126,723)	\$(573)	\$(18)	\$2,879,875	\$88,151	\$219,025,737	\$6,704,186						
Minority interest																														
Appropriations and distribution for 2006																														
Legal reserve					1,057,726	32,376			(1,057,726)	(32,376)																				
Cash dividends									(13,815,539)	(422,882)																		(13,815,539)	(422,882)	
Remuneration paid to directors and supervisors									(5,700)	(174)																		(5,700)	(174)	
Bonus paid to employees									(1,383)	(42)																		(1,383)	(42)	
Convertible notes converted into common stock	702,018	21,488	3,104,004	95,011																								3,806,022	116,499	
Capital surplus			(87)	(3)																								(87)	(3)	
Cumulative translation adjustments													50,257	1,539														50,257	1,539	
Unrealized gains or losses on financial instruments															2,060,756	63,078												2,060,756	63,078	
Other capital surplus			37	1																									37	1
Consolidated income for the nine-month periods ended September 30, 2007									32,979,363	1,009,469																			33,126,642	1,013,977
Balance on September 30, 2007	\$92,770,192	\$2,839,614	\$81,971,167	\$2,509,065	\$9,245,862	\$283,008	\$-	\$-	\$37,809,225	\$1,157,307	\$2,106	\$65	\$155,427	\$4,758	\$23,406,229	\$716,444	\$(4,140,047)	\$(126,723)	\$(573)	\$(18)	\$3,113,220	\$95,293	\$244,332,808	\$7,478,813						

(The exchange rates provided by the Federal Reserve Bank of New York on September 30, 2006 and 2007 were NT\$33.10 and NT\$32.67 to US\$1.00 respectively)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd. and Subsidiaries
Unaudited consolidated statements of cash flows
For the nine-month periods ended September 30, 2006 and 2007
(Expressed in thousands of dollars)

	January 1 ~ September 30, 2006		January 1 ~ September 30, 2007	
	NT \$	US \$	NT \$	US \$
Cash flows from operating activities				
Consolidated income	\$13,196,470	\$398,685	\$33,126,642	\$1,013,977
Adjustments:				
Income and other adjustments with no cash flow effects				
Depreciation and amortizations expenses	2,956,079	89,308	3,065,393	93,829
Investment income recognized by equity method in (excess) smaller of cash dividends received	(111,738)	(3,376)	366,986	11,233
Bad debt expenses -loans	13,640,134	412,089	2,993,794	91,637
Provision for insurance reserve from insurance business	113,869,974	3,440,180	106,123,577	3,248,350
Gains on disposal of property and equipment	(2,684,916)	(81,115)	(1,224,245)	(37,473)
Impairment loss	234,173	7,075	193,899	5,935
Cumulative effect of changes in accounting principles	(3,249,323)	(98,167)	-	-
Disposal of treasury stock	-	-	37	1
Other adjustments	(565,617)	(17,088)	180,284	5,518
Changes on operating assets and liabilities				
Increase in receivables	(3,739,750)	(112,983)	(1,076,567)	(32,953)
(Increase) decrease in deferred income tax assets	(1,285,503)	(38,837)	2,151,155	65,845
Decrease in financial assets at fair value through profit or loss	25,707,294	776,655	10,151,868	310,740
(Increase) decrease in other financial assets	(8,715,816)	(263,318)	6,350,381	194,380
Increase in other assets	(6,406,728)	(193,557)	(488,624)	(14,956)
Increase in payables	15,583,800	470,810	9,084,003	278,053
Increase in financial liabilities at fair value through profit or loss	16,667,673	503,555	631,512	19,330
(Decrease) increase in deferred income tax liabilities	(397,907)	(12,021)	34,952	1,070
Increase in other financial liabilities	16,795	507	121,993	3,734
Decrease in other liabilities	(5,083,441)	(153,578)	(3,822,528)	(117,004)
Net cash provided by operating activities	169,631,653	5,124,824	167,964,512	5,141,246
Cash flows from investing activities				
Increase in restricted assets	(1,800,000)	(54,381)	(2,500,000)	(76,523)
Increase in loans	(59,824,552)	(1,807,388)	(68,020,303)	(2,082,042)
Decrease (Increase) in due from the Central Bank and call loans to banks	1,409,002	42,568	(8,251,217)	(252,563)
Increase in available-for-sale financial assets	(20,696,773)	(625,280)	(91,696,701)	(2,806,755)
Increase in held-to-maturity financial assets	(76,997,137)	(2,326,197)	(22,834,331)	(698,939)
Decrease in investments under equity method	3,272,166	98,857	199,662	6,111
Increase in investments in real estate	(2,852,196)	(86,169)	(4,510,991)	(138,077)
Disposal (acquisition) of property and equipment	700,927	21,176	(1,333,513)	(40,818)
Increase in securities purchased under agreements to resell	(28,847,568)	(871,528)	(11,255,278)	(344,514)
Decrease (increase) in other financial assets	69,210,654	2,090,956	(44,236,523)	(1,354,041)
Increase in other assets	(17,750,339)	(536,264)	(796,047)	(24,366)
Net cash used in investing activities	(134,175,816)	(4,053,650)	(255,235,242)	(7,812,527)
Cash flows from financing activities				
Increase (decrease) in due to the Central Bank and call loans from banks	17,450,623	527,209	(43,400,767)	(1,328,459)
Increase in deposits	48,210,926	1,456,524	65,675,190	2,010,260
Decrease in securities sold under agreements to repurchase	(13,168,292)	(397,834)	(6,837,467)	(209,289)
(Decrease) increase in funds borrowed from the Central and other banks	(115,603)	(3,493)	812,250	24,862
Decrease in bonds payable	(429,945)	(12,989)	(396,776)	(12,145)
Increase in other financial liabilities	34,431	1,040	955,566	29,249
Decrease in other liabilities	(60,571)	(1,830)	(201,681)	(6,173)
Cash dividends	(12,790,932)	(386,433)	(13,847,219)	(423,851)
Remuneration paid to directors and supervisors	(5,700)	(172)	(5,700)	(175)
Bonus paid to employees	(1,706)	(52)	(1,382)	(42)
Net cash provided by financing activities	39,123,231	1,181,970	2,752,014	84,237
Effect of exchange rate changes	193,155	5,836	124,719	3,818
Increase (decrease) in cash and cash equivalents	74,772,223	2,258,980	(84,393,997)	(2,583,226)
Cash and cash equivalents at the beginning of period	327,066,343	9,881,158	518,854,200	15,881,671
Cash and cash equivalents at the end of period	\$401,838,566	\$12,140,138	\$434,460,203	\$13,298,445
Supplemental disclosure of cash flows information				
Interest paid during the period (excluding capitalized interest)	\$13,116,711	\$396,275	\$14,382,279	\$440,229
Income tax paid	\$4,106,999	\$124,079	\$2,436,297	\$74,573
Investing and financing activities with no cash flow effects				
Conversion of convertible notes into common stocks	\$3,327,853	\$100,539	\$3,806,022	\$116,499
Acquisition through share exchange	\$3,901,524	\$117,871	\$-	\$-

(The exchange rates provided by the Federal Reserve Bank of New York on September 30, 2006 and 2007 were NT\$33.10 and NT\$32.67 to US\$1.00 respectively)

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

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Financial Holding Co., Ltd. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements
(Expressed in thousands of dollars except
for share and per share data and unless otherwise stated)
September 30, 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 September 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. Lucky Bank became a subsidiary of the Company by stock conversion on August 25, 2006. Cathay United Bank absorption merged with Lucky Bank on January 1, 2007. Since July 29, 2003, the Company listed a portion of its common shares on the Luxembourg Stock Exchange (LSE) in the form of Global Depository Shares (GDSs). The Company mainly engages in financial holding business activities. As of September 30, 2006 and 2007, the total numbers of the employees of the Company and Subsidiaries were 34,377 and 37,216, respectively.

As of and for the nine months ended September 30, 2006 and 2007, the consolidated financial statements include the followings:

Investors	Investees	Business	2006.9.30 Ownership interest	2007.9.30 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	2006.9.30 Ownership interest	2007.9.30 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.

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Investors	Investees	Business	2006.9.30 Ownership interest	2007.9.30 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 16, 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	2006.9.30 Ownership interest	2007.9.30 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 nine months ended September 30, 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).

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Investors	Investees	Business	2006.9.30 Ownership interest	2007.9.30 Ownership interest	Notes
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.
Cathay United Bank	Indovina Bank Limited (“Indovina Bank”)	Wholesale banking	50%	50%	Indovina Bank was incorporated in Vietnam on October 29, 1992.
Cathay United Bank 、 Cathay Securities	Cathay Futures Corp. (“Cathay Futures”)	Further related business	99.99%	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.

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Investors	Investees	Business	2006.9.30 Ownership interest	2007.9.30 Ownership interest	Notes
Cathay United Bank	Seaward Leasing Ltd. (“Seaward Leasing”)	Leasing for all kinds of equipments	-	-	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 such , the consolidated financial statements as of and for the nine months ended September 30, 2007 excluded Seaward Leasing.
Lucky Bank	Pao Shin Securities Co., Ltd. (“Pao Shin Securities”)	Securities	-	-	Pao Shin Securities was incorporated on September 9, 1988, under the Company Act. As of April 10, 2006, all Pao Shin Securities shares held by Lucky Bank were disposed. As such , the consolidated financial statements as of and for the nine months ended September 30, 2007 excluded Pao Shin Securities.

As of and for the nine months ended September 30, 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.

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Investors	Investees	Business	2006.9.30 Ownership interest	2007.9.30 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)”)	Reinsurance	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.
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.

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Investors	Investees	Business	2006.9.30 Ownership interest	2007.9.30 Ownership interest	Notes
Seaward Leasing	China England Co., Ltd. (“China England”)	Credit, loan and securities investment	-	-	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”, “Regulation on Business Entity 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:

(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.

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(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.

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.

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C. Investments in debt securities with no active market

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

D. Available-for-sale financial assets

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

E. Derivative financial assets or liabilities for hedging

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

F. Financial assets carried at cost

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

G. Financial liabilities

The Company 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.

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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.

(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.

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

B. Financial assets carried at cost

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

C. Available-for-sale financial assets

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

(6) Derivative financial instruments

The Company 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.

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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.

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.

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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”.

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.

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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, bill purchased, acceptances, guarantees loans, delinquent accounts, receivables of credit card and other receivables are determined based on the aging analysis of outstanding balances of such accounts and past experience.

(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 inconformity 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.

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(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.

(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.

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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 three to five years using the straight-line method.

(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:

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- 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.

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.

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(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.

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.

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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.

(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.

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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.

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.

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(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.

(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”.

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(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 September 30, 2006 and 2007 are for information only. The U.S. dollar/NT dollars noon buying rates of NT\$ and NT\$ provided by Federal Reserve Bank of New York of September 30, 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\$495,012), NT\$2,486,909 (US\$75,133) and NT\$10,648,678 (US\$321,712) as of January 1, 2006, respectively. Consolidated income and earnings per share for the nine months ended September 30, 2006 increased by NT\$3,249,323 (US\$98,167) 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 no longer being amortized. Such change in accounting principles the decreased investment under equity method by NT\$138,458 (US\$4,183) as of September 30, 2006, and decreased consolidated income by NT\$138,458 (US\$4,183) for the nine months ended September 30, 2006.

4. Cash and cash equivalents

	September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Petty cash and cash on hand	\$11,194,507	\$338,202	\$10,428,282	\$319,201
Cash in banks	16,906,617	510,774	25,864,588	791,692
Time deposits	350,375,476	10,585,362	380,041,093	11,632,724
Cash equivalents	4,089,404	123,547	3,556,009	108,846
Checks for clearance	9,920,357	299,709	9,704,026	297,032
Due from commercial banks	9,352,205	282,544	4,866,205	148,950
Total	<u>\$401,838,566</u>	<u>\$12,140,138</u>	<u>\$434,460,203</u>	<u>\$13,298,445</u>

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As of September 30, 2006 and 2007, the amounts of time deposits with maturities beyond one years were NT\$131,000 (US\$3,958) and NT\$1,072,018 (US\$32,814), respectively.

5. Financial assets at fair value through profit or loss

	September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Common stock	\$17,321,767	\$523,316	\$19,987,184	\$611,790
Beneficiary certificates	-	-	12,579,094	385,035
Exchange traded funds	34,273,462	1,035,452	219,326	6,713
Real estate investment trust	-	-	680,000	20,814
Commercial papers	13,199,921	398,789	12,077,569	369,684
Corporate bonds	685,221	20,702	24,439,239	748,064
Government bonds	49,064,540	1,482,312	3,059,531	93,650
Financial debentures	1,516,179	45,806	997,400	30,529
Overseas financial instruments	18,862,372	569,860	40,096,484	1,227,318
Derivative financial instruments	3,575,322	108,016	1,746,492	53,459
Structured time deposits	-	-	2,000,000	61,218
Valuation adjustment	10,245,457	309,531	29,370,095	898,993
Total	<u>\$148,744,241</u>	<u>\$4,493,784</u>	<u>\$147,252,414</u>	<u>\$4,507,267</u>

(1) As of September 30, 2006 and 2007, certain financial assets at fair value through profit or loss were sold under repurchase agreements with notional amounts of NT\$9,852,600 (US\$297,662) and NT\$6,852,800 (US\$209,758), respectively. Such repurchase agreements amounting of NT\$9,830,205 (US\$296,985) and NT\$6,833,686 (US\$209,173), respectively, were recorded in the account “Securities sold under agreements to repurchase” on the balance sheets. Repurchase agreements entered prior to September 30, 2006 and 2007 are settled at NT\$9,838,809 (US\$297,245) and NT\$6,836,839 (US\$209,270) prior to November 30, 2006 and 2007, respectively.

(2) Related information on the above financial assets at fair value through profit or loss as of September 30, 2006 and 2007 being pledged please refer to Note 26.

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6. Loans-net

	September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Inward-outward documentary bills	\$1,018,972	\$30,785	\$482,995	\$14,784
Loans	1,173,743,920	35,460,541	1,278,161,947	39,123,415
Overdrafts	551,536	16,663	368,295	11,273
Discounts	7,769,984	234,743	-	-
Delinquent accounts	11,964,635	361,469	8,763,929	268,256
Subtotal	1,195,049,047	36,104,201	1,287,777,166	39,417,728
Less: Allowance for bad debts	(13,387,239)	(404,448)	(11,781,846)	(360,632)
Total	\$1,181,661,808	\$35,699,753	\$1,275,995,320	\$39,057,096

7. Available-for-sale financial assets-net

	September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Common stock	\$91,282,334	\$2,757,774	\$120,230,430	\$3,680,148
Beneficiary certificates	-	-	1,134,266	34,719
Collateralized loans obligation and collateralized bonds obligation	-	-	7,742,897	237,003
Exchange traded funds	9,029,494	272,794	4,101,003	125,528
Government bonds	45,906,901	1,386,916	69,689,200	2,133,125
Corporate bonds	35,031,989	1,058,368	35,202,642	1,077,522
Financial debentures	33,420,065	1,009,670	109,649,455	3,356,274
Overseas financial instruments	77,527,314	2,342,215	101,210,384	3,097,961
Real estate investment trust beneficiary	4,029,813	121,747	9,362,104	286,566
Valuation adjustment	10,907,245	329,524	23,107,724	707,307
Total	\$307,135,155	\$9,279,008	\$481,430,105	\$14,736,153

- (1) As of September 30, 2006 and 2007, certain available-for-sale financial assets were sold under repurchase agreements with notional amounts of NT\$9,947,400 (US\$300,526) and NT\$9,028,400 (US\$276,351). Such repurchase agreements amounting of NT\$10,866,437 (US\$328,291) and NT\$9,990,587 (US\$305,803) were recorded in the account “Securities sold under agreements to repurchase” on the balance sheets. Repurchase agreements entered prior to September 30, 2007 will be settled at NT\$10,894,518 (US\$329,140) and NT\$10,017,972 (US\$306,641) prior to December 30, 2006 and 2007, respectively.
- (2) Related information on the above available-for-sale financial assets as of September 30, 2006 and 2007 being pledged please refer to Note 26.

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8. Held-to-maturity financial assets-net

	September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Government bonds	\$12,118,988	\$366,133	\$20,968,296	\$641,821
Corporate bonds	5,528,726	167,031	5,833,907	178,571
Financial debentures	10,364,465	313,126	16,035,093	490,820
Overseas financial instruments	499,919,641	15,103,312	504,049,313	15,428,507
Collateralized loans obligation and collateralized bonds obligation	9,466,321	285,991	23,231,712	711,102
Short-term notes	10,458,530	315,968	-	-
Subtotal	547,856,671	16,551,561	570,118,321	17,450,821
Less: Accumulated impairment	(2,039)	(62)	(2,013)	(62)
Total	<u>\$547,854,632</u>	<u>\$16,551,499</u>	<u>\$570,116,308</u>	<u>\$17,450,759</u>

Related information on the above held-to-maturity financial assets as of September 30, 2006 and 2007 being pledged please refer to Note 26.

9. Investments under equity method

Investee	September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Securities Investment Consulting	\$110,989	\$3,353	\$141,475	\$4,330
Cathay Capital Management	49,614	1,499	60,823	1,862
Seaward Card	39,033	1,179	37,649	1,152
Cathay Property Insurance Agent	9,035	273	7,460	228
Cathay Life Insurance Agent	83,079	2,510	39,095	1,197
Cathay Insurance (Bermuda)	72,200	2,181	84,893	2,599
WK Technology Fund VI Co., Ltd	391,930	11,841	459,445	14,063
Vista Technology Venture Capital Corp.	58,475	1,767	55,413	1,696
Omnitek Venture Capital Corp.	358,908	10,843	253,712	7,766
Wa Tech Venture Capital Co., Ltd.	167,330	5,055	222,175	6,801
Taiwan Real-estate Management Corp.	18,335	554	36,612	1,121
Taiwan Finance Corp.	1,350,394	40,797	1,279,141	39,153
IBT Venture Capital Corp.	596,656	18,026	461,721	14,133
Cathay Securities Investment Trust Co., Ltd.	263,097	7,949	355,451	10,880
Subtotal	3,569,075	107,827	3,495,065	106,981
Less: Unrealized gain from intercompany transactions	-	-	(415,680)	(12,724)
Total	<u>\$3,569,075</u>	<u>\$107,827</u>	<u>\$3,079,385</u>	<u>\$94,257</u>

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10. Other financial assets-net

Item	September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Derivative financial assets for hedging	\$304,329	\$9,194	\$184,384	\$5,644
Financial assets carried at cost	26,366,774	796,579	27,237,051	833,702
Structured time deposits	14,350,000	433,535	17,250,000	528,007
Customer's margin accounts	1,205,763	36,428	886,240	27,127
Bills purchased	-	-	5,695	174
Other miscellaneous financial assets	857,017	25,892	4,485,769	137,306
Accumulated impairment	(565,088)	(17,072)	(1,860,750)	(56,956)
Total	<u>\$42,518,795</u>	<u>\$1,284,556</u>	<u>\$48,188,389</u>	<u>\$1,475,004</u>

11. Investments in real estate

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

Item	September 30, 2007									
	Cost		Revaluation increment		Accumulated depreciation		Accumulated impairment		Net value	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Investments in										
real estate	\$120,274,484	\$3,681,496	\$4,632	\$142	\$(15,002,499)	\$(459,213)	\$(195,923)	\$(5,997)	\$105,080,694	\$3,216,428
Construction	1,388,452	42,499	-	-	-	-	-	-	1,388,452	42,499
Prepayments										
for										
buildings										
and land	8,505	260	-	-	-	-	-	-	8,505	260
Total	<u>\$121,671,441</u>	<u>\$3,724,255</u>	<u>\$4,632</u>	<u>\$142</u>	<u>\$(15,002,499)</u>	<u>\$(459,213)</u>	<u>\$(195,923)</u>	<u>\$(5,997)</u>	<u>\$106,477,651</u>	<u>\$3,259,187</u>

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- (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 had established a real estate asset trust by transferring several floors of Cathay Dun Nan Commercial Building for the nine months ended of 2007. The accounting treatment of the transactions was in compliance with (93) Article 141 and (95) Article 023 of Accounting Research and Development Foundation, “Accounting Treatment of Real Estate Securitization” and “Interpretation of the Accounting Treatment of Real Estate Securitization”, respectively. The gain on disposal of real estates on this transaction was NT\$1,193,535 (US\$36,533) for the nine months ended September 30, 2007.
- (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:
 - 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\$264,087).
 - 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 three months 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 September 30, 2006, the amounts of deferred gain on disposal of real estate was NT\$1,773,919 (US\$53,593) had been recognized.

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12. Goodwill and intangible assets-net

Item	January 1, 2006		Increase		Decrease		September 30, 2006	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Acquired cost								
Computer								
software	\$1,131,969	\$34,198	\$388,248	\$11,729	\$(1,294)	\$(39)	\$1,518,923	\$45,888
Land use right	9,480	286	-	-	(1,454)	(44)	8,026	242
Deferred								
pension cost	43,791	1,323	-	-	-	-	43,791	1,323
Subtotal	1,185,240	35,807	388,248	11,729	(2,748)	(83)	1,570,740	47,453
Amortized and impairment								
Amortized	(377,672)	(11,410)	(236,943)	(7,158)	810	25	(613,805)	(18,543)
Impairment	(311,442)	(9,409)	-	-	311,442	9,409	-	-
Subtotal	(689,114)	(20,819)	(236,943)	(7,158)	312,252	9,434	(613,805)	(18,543)
Book value	\$496,126	\$14,988	\$151,305	\$4,571	\$309,504	\$9,351	\$956,935	\$28,910

Item	January 1, 2007		Increase		Decrease		September 30, 2007	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Acquired cost								
Computer								
software	\$1,578,607	\$48,319	\$211,400	\$6,471	\$(2,556)	\$(78)	\$1,787,451	\$54,712
Land use right	16,132	494	3,542	108	-	-	19,674	602
Subtotal	1,594,739	48,813	214,942	6,579	(2,556)	(78)	1,807,125	55,314
Amortized and impairment								
Amortized	(697,771)	(21,357)	(271,552)	(8,312)	2,556	78	(966,767)	(29,591)
Book value	\$896,968	\$27,456	\$(56,610)	\$(1,733)	\$-	\$-	\$840,358	\$25,723

The intangible assets are computer software and are calculated using the straight-line method over the estimated useful lives of three to five years.

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13. Financial liabilities at fair value through profit or loss

	September 30,			
	<u>2006(NT\$)</u>	<u>2006(US\$)</u>	<u>2007(NT\$)</u>	<u>2007(US\$)</u>
Derivative financial				
instruments	\$1,343,875	\$40,600	\$354,586	\$10,854
Financial debentures	39,700,000	1,199,396	39,700,000	1,215,182
Subordinated financial				
debentures	10,000,000	302,115	5,000,000	153,046
Valuation adjustment	<u>20,218,814</u>	<u>610,840</u>	<u>23,630,220</u>	<u>723,300</u>
Total	<u>\$71,262,689</u>	<u>\$2,152,951</u>	<u>\$68,684,806</u>	<u>\$2,102,382</u>

- (1) On May 23, 2002, Cathay United Bank issued a five-year subordinated financial debentures totaling NT\$5,000,000 (US\$153,046) have matured. Subsequently on September 10, 2002, Cathay United Bank issued five-year and six-month subordinated financial debentures totaling NT\$5,000,000 (US\$153,046) 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\$153,046) 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\$97,949), NT\$2,700,000 (US\$82,645) and NT\$1,800,000 (US\$55,096), 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\$61,218) 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\$30,609), NT\$3,500,000 (US\$107,132), NT\$2,000,000 (US\$61,218), and NT\$1,000,000 (US\$30,609), 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\$76,523), NT\$1,500,000 (US\$45,914), NT\$1,500,000 (US\$45,914), NT\$2,500,000 (US\$76,523), NT\$1,500,000 (US\$45,914), NT\$2,500,000 (US\$76,523), NT\$1,000,000 (US\$30,609) and NT\$1,000,000 (US\$30,609), NT\$2,000,000 (US\$61,218), NT\$1,500,000 (US\$45,914), 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

	September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Check deposits	\$14,215,645	\$429,476	\$13,754,601	\$421,016
Demand deposits	136,878,850	4,135,313	117,811,821	3,606,116
Savings deposits	590,747,307	17,847,350	400,686,853	12,264,673
Time deposits	183,793,695	5,552,679	494,021,342	15,121,559
Remittances payable	397,591	12,012	1,931,072	59,109
Total	<u>\$926,033,088</u>	<u>\$27,976,830</u>	<u>\$1,028,205,689</u>	<u>\$31,472,473</u>

15. Bonds payable

	September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Bonds payable	\$10,444,402	\$315,541	\$-	\$-
Subordinated financial debentures	18,840,000	569,184	18,635,000	570,401
Discount in financial debentures	(109,557)	(3,310)	(98,889)	(3,027)
Valuation adjustment	(453,670)	(13,706)	(377,118)	(11,543)
Total	<u>\$28,721,175</u>	<u>\$867,709</u>	<u>\$18,158,993</u>	<u>\$555,831</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\$71,931) 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.

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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).

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.

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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.

K. Redemption due to tax regulation changes :

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.

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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.

P. Status quo:

As of May 20, 2007, a total of US\$686,074 convertible notes have been converted into common stocks of 461,242 thousand shares. The conversion premiums payable and additional paid-in capital from the conversion amounted to NT\$20,288,151 (US\$621,002) and was recognized as capital surplus. A total of face value US\$2,500, convertible bonds have been redeemed before maturity. The company also has paid US\$214, for the redemption premium. As of the maturity date there were US\$13,926 outstanding convertible bonds outstanding and the Company then had paid off the principal amount plus redemption premium of US\$2,038.

16. Reserve for operations and liabilities

	September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Reserve for insurance business	\$1,773,132,191	\$53,568,948	\$1,933,454,711	\$59,181,350
Reserves for losses on guarantees	28,706	867	28,659	877
Reserves for losses on stock brokerage transactions	15,008	453	27,405	839
Reserves for losses on trading securities	147,939	4,470	150,432	4,605
Total	<u>\$1,773,323,844</u>	<u>\$53,574,738</u>	<u>\$1,933,661,207</u>	<u>\$59,187,671</u>

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- (1) Effective from December 24, 2002, Cathay Century Insurance unearned premium reserves should be provided based on assumed risks of different insurance products. The calculation of the reserve requires the involvement of actuaries as well as disclosures on the insurance product calculation statement which can not be changed unless approved by authorities. The unearned premium reserve should be reversed and then accrued at the next year end. Cathay Century Insurance reported to the authorities on the method of calculating unearned premium reserve on July 31, 2003 and was approved by the Ministry of Finance with Article 0920708262. On December 8, 2006, Cathay Century Insurance reported to the authorities on the change of method of calculating unearned premium reserve and was approved by the Ministry of Finance with Article 09502152840.

The unearned premium on motor vehicles compulsory insurance is provided based on the assumed premium in accordance with the article of Ministry of Finance.

- (2) Effective from December 24, 2002, the accruals of claim reserves are in accordance with “Insurance Industry Provision of Reserve for Indemnity” issued by the Ministry of Finance. The accruals include retained IBNR and outstanding claims. Effective from January 1, 2006, the accruals on reserves have changed from the fixed rates to a method subject to authorities’ approval based on the past experience and expenses. Cathay Century Insurance has reported to the authorities for the accrual method and its has been approved by Insurance Bureau of FSC(Article 09500204880). The method is as follows:

- A. Reserve for outstanding claims is estimated based on historical information and circumstances surrounding each claim for each type of insurance.
- B. Reserve for IBNR is determined by the past experience and loss on each insurance product category.
- C. The unearned premium reserve should be reversed and then accrued at the next year end.
- D. The reserve for the compulsory liability insurance of motor vehicle is in compliance with the “Regulations for Deposit and Management of the Reserve of Compulsory Automobile Liability Insurance”. The reserve on retained outstanding claims is based on related information. The reserve on IBNR is based on 1% of the retained net earned premium.
- E. The special reserve of the nuclear hazard insurance is in compliance with the “Accrual of Nuclear Hazard Insurance Reserve”.

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- F. The residential earthquake insurance product is in compliance of “Regulations for Method of Coinsurance and Contingency on Residential Earthquake”.

17. Other financial liabilities

	September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Derivative financial liabilities for hedging	\$539,248	\$16,291	\$515,369	\$15,775
Borrowed funds	313,585	9,474	310,590	9,507
Others	-	-	213,306	6,529
Total	<u>\$852,833</u>	<u>\$25,765</u>	<u>\$1,039,265</u>	<u>\$31,811</u>

18. Common stock

- (1) As of September 30, 2006 and 2007, the authorized share capital amounted NT\$120,000,000 (US\$3,673,095), and the issued share capital amounted NT\$90,924,450 (US\$2,746,962) and NT\$92,770,192 (US\$2,839,614), respectively.
- (2) The undistributed earnings recapitalization of NT\$4,263,443 (US\$128,805) thousand by issuing 426,344 thousand shares with par value of NT\$10 (US\$0.3) was resolved by the Company’s stockholders’ meeting on June 9, 2006 and approved by the 79Securities and Futures Bureau on September 30, 2006. The recapitalization record date was August 14, 2006.
- (3) 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).

19. 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\$73,902,094 (US\$2,232,692) and NT\$81,971,167 (US\$2,509,065) as of September 30, 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\$8,179) were included in the capital surplus as of September 30, 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.

20. 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 15, 2007, the stockholders' meeting resolved the appropriation of earnings for the year ended December 31, 2006. The Company declared cash dividends of NT\$1.5 (US\$0.05) per common share and such dividends with record date on July 5, respectively.

C. 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\$0.02) on July 17 and August 14, 2006, respectively.

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

E. In accordance with SFC regulations, in addition to the legal reserve retained, the Company is required to provide a special reserve in the amount equal to current year's contra account in stockholders' equity from current year's earnings after tax or prior 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.

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

G. Pursuant to the explanatory letter of SFB on January 27, 2006, the Company is required to appropriate a special reserve in the amount equal to unrealized loss of financial instruments, cumulative conversion adjustments, and net loss not yet recognized as net pension cost expect for the special reserve since 2007.

H. Dividends policy

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

21. Treasury stock

The following is a summary of the movement of treasury stock as of September 30, 2006 and 2007:

The Company has no treasury stock as of September 30, 2006.

		September 30, 2006								
		In thousands of shares			Book value		Book value Per share		Market value Per share	
Reason for	January 1,			September			(in NT	(in US	(in NT	(in US
acquisition	2006	Increase	Decrease	30, 2006	(NT\$)	(US\$)	dollars)	dollars)	dollars)	dollars)
Shares held by										
share exchange	-	66,660	-	66,660	\$4,140,047	\$125,077	\$62.11	\$1.88	\$66.30	\$2.00

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September 30, 2007										
Reason for acquisition	In thousands of shares			Book value		Book value Per share		Market value Per share		
	January 1, 2007	Increase	Decrease	September 30, 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	\$126,723	\$62.11	\$1.90	\$79.00	\$2.42

22. Operating Expense

For the nine months ended September 30, 2006 and 2007, personnel expense, depreciation and amortizations are summarized below:

	For the nine months ended September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Personnel expenses				
Salary and wages	\$24,422,911	\$737,852	\$27,626,083	\$845,610
Labor & health insurance expenses	1,360,980	41,117	1,493,192	45,705
Pension expenses	876,176	26,471	713,197	21,831
Other expenses	1,100,450	33,246	1,219,135	37,317
Depreciation	2,723,638	82,285	2,790,744	85,422
Amortization	232,441	7,022	274,649	8,407

23. Estimated income taxes

(1) Income tax expenses include the following:

	For the nine months ended September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Income tax calculates on accounting income	\$-	\$-	\$115,930	\$3,549
Plus: Interest income of tax on a separate basis	866,384	26,175	357,734	10,950
Extra 10% income tax on undistributed retained earnings	257,799	7,789	55	2
Alternative minimum tax payable	13,574	410	1,476,749	45,202
Allocation of the cumulative effect of changes in accounting principles	763,167	23,056	-	-

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	For the nine months ended September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Withholding tax for overseas investments	-	-	85,105	2,605
(Less) Plus: Tax effects under				
consolidated income tax	31,119	940	416,227	12,740
Deferred income tax expenses	202,362	6,114	1,602,737	49,058
Adjustment of income tax	-	-	708,294	21,680
Income tax credit	(14,559)	(440)	(15,296)	(468)
Adjustment of tax of prior years	(566,411)	(17,112)	10,871	333
Operating loss carry-forward	(2,080,094)	(62,843)	15,626	478
Total income tax (benefits) expenses	\$(526,659)	\$(15,911)	\$4,774,032	\$146,129

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:

September 30, 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.

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		September 30, 2007	
		Income tax returns examined by tax authorities	Notes
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 2005		-
Lucky Bank	through 2004		-
Cathay Venture	through 2004		-
Cathay II Venture	through 2004		-

(3) Information related to tax imputation:

A. Balance of imputation tax credit account balances

	September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
The Company	\$2,013,634	\$60,835	\$643,333	\$19,692
Cathay Life	216,950	6,554	981,143	30,032
Cathay United Bank	338,256	10,219	661,471	20,247
Cathay Century	3,770	114	10,579	324
Cathay Securities	7,447	225	6,312	193
Cathay Pacific Venture	487	15	111	3
Cathay Venture	19,100	577	1,509	46
Cathay II Venture	7,162	216	8,841	271
Cathay Futures	14,480	437	13,918	426
Lucky Bank	8,783	265	-	-

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B. Imputation tax credit deductible ratio

	For the nine months ended September 30,	
	2006	2007
	Actual	Actual
The Company		
-cash dividends	11.97%	13.25%
-stock dividends	11.96%	-
Cathay Life	7.33%	7.96%
Cathay United Bank	13.98%	-
Cathay Century	1.73%	1.62%
Cathay Securities	14.45%	14.76%
Cathay Pacific Venture	-	1.11%
Cathay Venture	-	1.40%
Cathay II Venture	33.33%	7.26%
Cathay Futures	-	33.33%

(4) Information relating of undistributed earnings:

Year	For the nine months ended September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Prior to 1997	\$267,215	\$8,073	\$267,215	\$8,179
After 1998	9,132,950	275,920	4,829,862	147,838
Total	\$9,400,165	\$283,993	\$5,097,077	\$156,017

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

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24. Earnings per share

For the nine months ended September 30, 2006									
	Amount (Numerator)				Shares (in thousands of shares) (denominator)	EPS (in dollars)			
	Before income taxes		After income taxes			Before income taxes		After income taxes	
	NT\$	US\$	NT\$	US\$		NT\$	US\$	NT\$	US\$
Primary earnings per share:									
Income from continuing operations	\$9,420,488	\$284,607	\$9,947,147	\$300,518	8,972,029	\$1.05	\$0.03	\$1.11	\$0.03
Cumulative effect of changes in accounting principles	2,486,193	75,111	3,249,323	98,167	8,972,029	0.28	0.01	0.36	0.01
Consolidated income	<u>11,906,681</u>	<u>359,718</u>	<u>13,196,470</u>	<u>398,685</u>	8,972,029	<u>\$1.33</u>	<u>\$0.04</u>	<u>\$1.47</u>	<u>\$0.04</u>
Effect of potentially dilutive common stock									
convertible notes payable	<u>317,505</u>	<u>9,593</u>	<u>238,128</u>	<u>7,194</u>	235,061				
Fully-diluted earnings per share:									
Income from continuing operations	\$12,224,186	\$369,311	\$13,434,598	\$405,879					
Cumulative effect of changes in accounting principles	-	-	-	-					
Consolidated income	<u>\$12,224,186</u>	<u>\$369,311</u>	<u>\$13,434,598</u>	<u>\$405,879</u>	9,207,090	<u>\$1.33</u>	<u>\$0.04</u>	<u>\$1.46</u>	<u>\$0.04</u>
For the nine months ended September 30, 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	\$37,900,674	\$1,160,106	\$33,126,642	\$1,013,977	9,193,448	<u>\$4.12</u>	<u>\$0.13</u>	<u>\$3.60</u>	<u>\$0.11</u>
Effect of potentially dilutive common stock:									
Convertible notes payable	<u>37,610</u>	<u>1,151</u>	<u>28,207</u>	<u>864</u>	16,911				
Fully-diluted earnings per share:									
Consolidated income	<u>\$37,938,284</u>	<u>\$1,161,257</u>	<u>\$33,154,849</u>	<u>\$1,014,841</u>	<u>9,210,359</u>	<u>\$4.12</u>	<u>\$0.13</u>	<u>\$3.60</u>	<u>\$0.11</u>

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25. 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
Cathay Futures	Subsidiary of the Company
Indovina Bank	Subsidiary of the Company
Cathay Pacific Partners	Subsidiary of the Company
Cathay Insurance (Bermuda)	Subsidiary of the Company
Cathay Securities Investment Consulting	Subsidiary of the Company
Cathay Life Insurance Agent	Subsidiary of the Company
Seaward Card	Subsidiary of the Company
Cathay Property Insurance Agent	Subsidiary of the Company
Cathay Securities Investment Trust Co., Ltd.	The investee is accounted for using the equity method
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 in 2006
Wan Pao Development Co., Ltd.	The chairman is a second immediate family member of the Company's chairma

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Name	Relationship
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
Cathay Global Money Market Fund etc.	The funds which are managed by Cathay Securities Trust Co., Ltd.
Lin Yuan Property Management	Affiliate
Seaward Leasing	Affiliate
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
China Eastern Realestateinvestment Co.,Ltd	Affiliate
China Eastern Airlines Jiangsu Ltd	Affiliate
Cathay Lin Yuan Security Co., Ltd.	Affiliate
Other related parties	Includes chairmen, managers, their spouses and linear relatives of Subsidiaries

(2) Significant transactions with related parties:

A. Cash in banks

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

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For the nine months ended September 30, 2007

Name	Item	Ending balance		Rate	Interest income	
		(NT\$)	(US\$)		(NT\$)	(US\$)
CEA Finance Co., Ltd.	Demand deposits	\$63	\$2	0.81%-1.53%	\$20	\$1

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

For the nine months ended September 30,

Name	2006				2007			
	Ending balance		Interest revenue		Ending balance		Interest revenue	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Industrial and Commercial Bank of Vietnam	\$1,593	\$48	\$15	\$-	\$14,655	\$449	\$27	\$1

C. Funds borrowed from other banks

For the nine months ended September 30,

Name	2006				2007			
	Ending balance		Interest revenue		Ending balance		Interest revenue	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Industrial and Commercial Bank of Vietnam	\$-	\$-	\$263	\$8	\$-	\$-	\$1,260	\$39

D. Financial assets at fair value through profit or loss

September 30,

Name	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$6,417,790	\$193,891	\$7,667,524	\$234,696

E. Securities purchased under agreements to resell

For the nine months ended September 30,

Name	2006				2007			
	Ending balance		Interest revenue		Ending balance		Interest revenue	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Taiwan Finance Corp.	\$-	\$-	\$10	\$-	\$-	\$-	\$-	\$-

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F. Receivables

Name	September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Insurance (Bermuda)	\$14,047	\$424	\$10,994	\$337
Cathay Capital Management	8,829	267	14,995	459
Cathay General Hospital	37,244	1,125	3,512	107
Cathay Real Estate Development Co., Ltd.	415	13	435	13
Cathay Securities Investment Trust Co., Ltd.	492	15	4,700	144
Seaward Leasing	-	-	3,371	103
Cathay Securities Investment	53	2	13,125	402
Others	54,560	1,648	200	6
Total	\$115,640	\$3,494	\$51,332	\$1,571

G. Loans

Name	For the nine months ended September 30, 2006			
	Ending Balance (NT\$)	Ending Balance (US\$)	Interest Revenue (NT\$)	Interest Revenue (US\$)
Seaward Leasing	\$2,060,000	\$62,236	\$22,339	\$675
Taiwan Real-estate Management Corp.	130,000	3,927	2,949	89
Cathay General Hospital	4,070,000	122,961	89,357	2,699
Others	531,020	16,043	11,933	361
Total	\$6,791,020	\$205,167	\$126,578	\$3,824

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Name	For the nine months ended September 30, 2007			
	Ending Balance (NT\$)	Ending Balance (US\$)	Interest Revenue (NT\$)	Interest Revenue (US\$)
Seaward Leasing	\$2,140,000	\$65,504	\$31,911	\$977
Taiwan Real-estate Management Corp.	114,000	3,489	2,675	82
Cathay General Hospital	4,679,110	143,224	116,978	3,581
Others	569,739	17,439	10,473	320
Total	\$7,502,849	\$229,656	\$162,037	\$4,960

H. Available-for-sale financial assets

Name	September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$785,024	\$23,717	\$1,011,672	\$30,966

I. Deposit

Name	For the nine months ended September 30, 2006			
	Ending Balance (NT\$)	Ending Balance (US\$)	Interest Expense (NT\$)	Interest Expense (US\$)
Cathay Securities Investment Trust Co., Ltd.	\$279,166	\$8,434	\$3,633	\$110
Cathay Real Estate Development Co., Ltd.	37,616	1,136	33	1
Others	3,356,825	101,415	38,372	1,159
Total	\$3,673,607	\$110,985	\$42,038	\$1,270

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Name	For the nine months ended September 30, 2007			
	Ending Balance (NT\$)	Ending Balance (US\$)	Interest Expense (NT\$)	Interest Expense (US\$)
Cathay Securities Investment Trust Co., Ltd.	\$576,096	\$17,634	\$7,005	\$215
Cathay Real Estate Development Co., Ltd.	172,112	5,268	166	5
Others	2,505,050	76,677	31,372	960
Total	\$3,253,258	\$99,579	\$38,543	\$1,180

J. 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 nine months ended September 30, 2006	
		NT\$	US\$
San Ching Engineering Co., Ltd.	Cathay General Hospital etc.	\$6,512	\$197
Cathay Real Estate Development Co., Ltd.	Cathay Land Mark	1,500	45
Lin Yuan Property Management	Taipei Royalty Building etc.	126,322	3,816
	Total	\$134,334	\$4,058

Name	Item	For the nine months ended September 30, 2007	
		NT\$	US\$
San Ching Engineering Co., Ltd.	Cathay Lank Mark etc.	\$21,863	\$669
Lin Yuan Property Management	Cathay Building ect.	153,534	4,700
	Total	\$175,397	\$5,369

The total amounts of contracted projects for real estate as of September 30, 2006 and 2007 between the Company and San Ching Engineering Co., Ltd. were NT\$1,233,866 (US\$37,277) and NT\$39,388 (US\$1,206), respectively.

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b. Real estates acquired by Cathay Life:

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

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 nine months ended September 30, 2007.

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

Name	Rental income			
	For the nine months ended September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Securities Investment Consulting	2,507	\$76	\$2,646	\$81
Cathay Capital Management	1,487	45	1,601	49
Cathay Real Estate Development Co., Ltd.	11,825	357	12,733	390
Cathay General Hospital	110,523	3,339	88,591	2,712
San Ching Engineering Co., Ltd.	5,592	169	5,930	181
Cathay Securities Investment Trust Co., Ltd.	9,008	272	9,786	299
Taiwan Asset Management Corporation	10,463	316	11,029	338
Taipei Smart Card Corp.	4,702	142	8,691	266
Seaward Leasing	1,428	43	1,078	33
Culture and Charity Foundation of CUB	750	23	750	23
Total	\$158,285	\$4,782	\$142,835	\$4,372

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Name	Guarantee deposits in			
	September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Securities Investment Consulting	\$877	\$26	\$877	\$27
Cathay Capital Management	479	14	479	15
Cathay Real Estate Development Co., Ltd.	3,645	110	3,774	115
Cathay General Hospital	6,840	207	8,564	262
San Ching Engineering Co., Ltd.	1,709	52	1,709	52
Cathay Securities Investment Trust Co., Ltd.	2,738	83	2,738	84
Taiwan Asset Management Corporation	3,477	105	3,477	106
Seaward Leasing	346	11	346	11
Total	<u>\$20,111</u>	<u>\$608</u>	<u>\$21,964</u>	<u>\$672</u>

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

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

Name	Rental expenses			
	For the nine months ended September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Real Estate Development Co., Ltd.	\$33,412	\$1,010	\$31,493	\$964
Lin Yuan Investment Co., Ltd.	1,684	51	1,465	45
Yi Ru Corporation	2,757	83	2,845	87
Seaward Leasing	9,370	283	11,251	344
Other	331	10	243	8
Total	<u>\$47,554</u>	<u>\$1,437</u>	<u>\$47,297</u>	<u>\$1,448</u>

Name	Guarantee deposits paid			
	September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Real Estate Development Co., Ltd.	\$12,318	\$372	\$11,564	\$354
Lin Yuan Investment Co., Ltd.	628	19	628	19
Yi Ru Corporation	1,190	36	1,190	37
Seaward Leasing	33,393	1,009	33,393	1,022
Other	2	-	2	-
Total	<u>\$47,531</u>	<u>\$1,436</u>	<u>\$46,777</u>	<u>\$1,432</u>

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

K. Other assets

Prepayment

Name	September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Lin Yuan Investment Co., Ltd.	\$-	\$-	\$419	\$13
Yi Ru Corporation	462	14	356	11
Cathay Life Insurance Agent	17,229	520	-	-
Other	-	-	59	2
Total	\$17,691	\$534	\$834	\$26

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

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

M. Securities sold under agreements to repurchase

Name	September 30,			
	Ending balance			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Wan Pao Development Co., Ltd.	\$4,472,671	\$135,126	\$461,104	\$14,114
Other related parties	1,015,000	30,665	1,705,376	52,200
Total	\$5,487,671	\$165,791	\$2,166,480	\$66,314

Name	For the nine months ended September 30,			
	Interest expenses			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Wan Pao Development Co., Ltd.	\$36,799	\$1,112	\$28,923	\$885
Other related parties	10,184	307	12,735	390
Total	\$46,983	\$1,419	\$41,658	\$1,275

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N. Payables

Name	September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Seaward Card	\$34,673	\$1,048	\$38	\$1
Lin Yuan Property Management	45,620	1,378	64,242	1,966
Cathay Real Estate Development Co., Ltd.	-	-	5,381	165
San Ching Engineering Co., Ltd.	-	-	504	15
Seaward Leasing	-	-	837	26
Industrial and Commercial Bank of Vietnam	61,013	1,843	-	-
Other	-	-	13,362	409
Total	\$141,306	\$4,269	\$84,364	\$2,582

O. Advance receipts

Name	September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Taiwan Asset Management Corporation	\$2,484	\$75	\$2,542	\$78

P. Net commission and handling fee

a. Handling fee Income

Name	For the nine months ended September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Securities Investment Consulting	\$-	\$-	\$1,925	\$59
Cathay Life Insurance Agent	4,689	142	-	-
Cathay securities investment Trust Co., Ltd.	923	28	15,210	466
Other	279	8	83	2
Total	\$5,891	\$178	\$17,218	\$527

b. Reinsurance income

Name	For the nine months ended September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Insurance (Bermuda)	\$579	\$17	\$2,644	\$81

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c. Commissions expense

Name	For the nine months ended September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Life Insurance Agent	\$90,881	\$2,746	\$18,595	\$569
Cathay Property Insurance Agent	17,014	514	630	19
Total	\$107,895	\$3,260	\$19,225	\$588

d. Reinsurance commissions expense

Name	For the nine months ended September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Insurance (Bermuda)	\$13,305	\$402	\$1,188	\$36

Q. Net premiums from insurance business

a. Insurance income

Name	For the nine months ended September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay General Hospital	\$25,436	\$769	\$27,665	\$847
Cathay Real Estate Development Co., Ltd.	1,982	60	2,233	68
San Ching Engineering Co., Ltd.	891	27	945	29
China Eastern Airlines Co., Ltd.	227,833	6,883	157,677	4,826
CEA Finance Holding Co., Ltd.	306	9	931	29
Seaward Leasing	9,284	280	10,432	319
Shanghai China Eastern Media Co., Ltd.	1,520	46	2,528	78
Cathay Securities Investment Trust Co., Ltd.	612	19	826	25
China Eastern Aviation IMP/EXP Corp.	-	-	2,103	64
CEA Futures Brokerage Co., Ltd.	-	-	595	18
CEA Finance Co., Ltd.	-	-	1,147	35
China Eastern Airlines Jiangsu Ltd.	-	-	2,128	65
China Eastern Real Estate Investment Co., Ltd.	-	-	4,561	140
Other related parties	26,603	803	308,231	9,435
Total	\$294,467	\$8,896	\$522,002	\$15,978

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b. Insurance claims payment

Name	For the nine months ended September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
CEA Finance Holding Co., Ltd.	\$-	\$-	\$789	\$24
Other related parties	-	-	76	2
Total	\$-	\$-	\$865	\$26

c. Reinsurance income

Name	For the nine months ended September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Insurance (Bermuda)	\$106,074	\$3,205	\$90,291	\$2,764

d. Reinsurance claims payment

Name	For the nine months ended September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Insurance (Bermuda)	\$71,282	\$2,154	\$3,843	\$118

R. Net other non-interest income

a. Sales

Name	For the nine months ended September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay General Hospital	\$11,152	\$337	\$3,081	\$94
Cathay Securities Investment Trust Co., Ltd.	3,736	113	2,141	66
Other	2,311	70	2,809	86
Total	\$17,199	\$520	\$8,031	\$246

b. Service Income

Name	For the nine months ended September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay General Hospital	\$4,682	\$142	\$3,136	\$96
Other	2,525	76	2,439	75
Total	\$7,207	\$218	\$5,575	\$171

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c. Miscellaneous income

Name	For the nine months ended September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$10,179	\$308	\$3,905	\$119
Cathay General Hospital	-	-	3,222	99
Other	-	-	2,188	67
Total	<u>\$10,179</u>	<u>\$308</u>	<u>\$9,315</u>	<u>\$285</u>

S. Sale of securities

For the nine months ended September 30, 2006						
Name	Securities	Shares (in thousand)	Amount		Gain on disposal	
			(NT\$)	(US\$)	(NT\$)	(US\$)
San Ching Engineering Co., Ltd.	Lin Yuan Property Management	2,400	\$47,554	\$1,437	\$3,707	\$112
Cathay Real Estate Development Co., Ltd.	Seaward Leasing	200,000	3,180,000	96,072	1,323,466	39,984
Seaward Leading Securities Co., Ltd. etc.	Waterland Securities Co., Ltd. etc.	-	187,708	5,671	-	-
Total			<u>\$3,415,262</u>	<u>\$103,180</u>	<u>\$1,327,173</u>	<u>\$40,096</u>

There were no related party transactions of securities for the nine months ended September 30, 2007.

T. Operating expense

Name	For the nine months ended September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Securities Investment Consulting	\$39,681	\$1,199	\$64,826	\$1,984
Seaward Card	319,630	9,656	238,735	7,308
Cathay Pacific Management	66,666	2,014	58,123	1,779
Cathay Pacific Partners	-	-	9,750	298
Lin Yuan Property Management	483,694	14,613	460,400	14,092
Cathay Real Estate Development Co., Ltd.	9,061	274	9,752	299

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Name	For the nine months ended September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
San Ching Engineering Co., Ltd.	3,040	92	4,075	125
Cathay General Hospital	3,287	99	3,925	120
Cathay Lin Yuan Security Co., Ltd.	4,009	121	3,427	105
Seaward Leasing	-	-	7,128	218
Others	2,250	68	52	2
Total	<u>\$931,318</u>	<u>\$28,136</u>	<u>\$860,193</u>	<u>\$26,330</u>

U. Others

- a. Cathay United Bank entered into a contract with San Ching Engineering Corp. to build the Nei-hu Financial Building and North Taoyuan Branch totaling NT\$1,411,880 (US\$42,655), in 2006. Cathay United Bank paid the amount of NT\$259,042 (US\$7,929) during the nine-month period ended September 30, 2007. As of September 30, 2007, the accumulated amount paid was NT\$349,592 (US\$10,701).
- b. Cathay United Bank has paid decoration and fix fee to San Ching Engineering Corp. for the amount of NT\$72 (US\$2) and NT\$3,400 (US\$104) during the nine-month periods ended September 30, 2006 and 2007, respectively.
- c. Cathay United Bank paid construction planning and design maintenance services fees to Lin Yuan Property Management in the amount of NT\$12,277 (US\$371) and NT\$15,353 (US\$470) during the nine-month periods ended September 30, 2006 and 2007, respectively.
- 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\$3,116) (amortized NT\$2,865 (US\$87) per month) was paid in January, 2006.
- 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\$96,073) on June 30, 2006, with NT\$15.9 (US\$0.48) per share. The gain from disposal of the investment recognized by the equity method was NT\$1,323,466 (US\$39,984), with selling price NT\$3,170,460 (US\$95,784) (securities transaction cost NT\$9,540 (US\$288) was deducted) minus the carrying value NT\$1,846,994 (US\$55,800).

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g. Cathay United Bank paid the amount of NT\$45,546 (US\$1,394) to certain managers according to the intercession content which dissolving the construction contract on Shih-Hua Hills and the repossessed the land by mediation during the nine-month period ended September 30, 2007.

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

A. Cash in bank

		For the nine months ended September 30, 2006		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$3,372,211	4.375%- 5.2646%	\$125,646
	Cash in bank	450,773	0.10%-2.25%	226
	Total	<u>\$3,822,984</u>		<u>\$125,872</u>

		For the nine months ended September 30, 2006		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$101,879	4.375%- 5.2646%	\$3,796
	Cash in bank	13,619	0.10%-2.25%	7
	Total	<u>\$115,498</u>		<u>\$3,803</u>

		For the nine months ended September 30, 2007		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$3,512,356	4.375%-5.70%	\$137,180
	Cash in bank	1,519	0.02%-2.35%	8
	Total	<u>\$3,513,875</u>		<u>\$137,188</u>

		For the nine months ended September 30, 2007		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$107,510	4.375%-5.70%	\$4,199
	Cash in bank	47	0.02%-2.35%	-
	Total	<u>\$107,557</u>		<u>\$4,199</u>

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B. Receivables

Name	Item	September 30,			
		2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay United Bank	Receivables due to consolidated income tax, interest	\$38,111	\$1,151	\$243,016	\$7,439
Cathay Life	Receivables due to consolidated income tax	-	-	472,900	14,475
Cathay Century	Receivables due to consolidated income tax	130,642	3,947	224,937	6,885
Cathay Capital Management	Receivables due to consolidated income tax	8,829	267	14,995	459
Cathay Securities	Receivables due to consolidated income tax	7,204	217	12,953	396
Cathay II Venture	Receivables due to consolidated income tax	10,784	326	2,091	64
Total		<u>\$195,570</u>	<u>\$5,908</u>	<u>\$970,892</u>	<u>\$29,718</u>

C. Payables

Name	Item	September 30,			
		2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Life	Receivables due to consolidated income tax	\$525,713	\$15,882	\$541,486	\$16,574
Cathay United Bank	Receivables due to consolidated income tax	1,239,285	37,441	638,005	19,529
Cathay Pacific Venture	Receivables due to consolidated income tax	10,313	312	2,468	76
Total		<u>\$1,775,311</u>	<u>\$53,635</u>	<u>\$1,181,959</u>	<u>\$36,179</u>

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D. Operating expenses

Name	For the nine months ended September 30,			
	2006(NT\$)	2006(US\$)	2007(NT\$)	2007(US\$)
Cathay Life	\$8,369	\$253	\$13,224	\$405
Lin Yuan Property Management	176	5	176	5
Symphox Information	117	4	719	22
Seaward Leasing	703	21	783	24
Cathay General Hospital	218	7	70	2
Cathay Century	-	-	49	2
Total	\$9,583	\$290	\$15,021	\$460

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

A. Cathay Life

a. Cash in banks

		For the nine months ended September 30,2006		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United	Time deposit	\$26,250	1.05%-2.02%	\$508
Bank	Cash in bank	2,210,568	0.10%-1.55%	76,474
Total		\$2,236,818		\$76,982

		For the nine months ended September 30,2006		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United	Time deposit	\$793	1.05%-2.02%	\$15
Bank	Cash in bank	66,785	0.10%-1.55%	2,311
Total		\$67,578		\$2,326

		For the nine months ended September 30,2007		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United	Time deposit	\$5,663,050	1.15%-2.49%	\$35,920
Bank	Cash in bank	2,491,526	0.10%-2.35%	2,572
Total		\$8,154,576		\$38,492

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		For the nine months ended September 30,2007		
Name	Item	Ending balance		Interest income
		(US\$)	Rate	(US\$)
Cathay United Bank	Time deposit	\$173,341	1.15%-2.49%	\$1,099
	Cash in bank	76,263	0.10%-2.35%	79
	Total	\$249,604		\$1,178

b. Other Receivables

Name	September 30,			
	2006		2007	
	NT\$	US\$	NT\$	US\$
Cathay Century	\$315,630	\$9,536	\$96,857	\$2,965
Cathay Financial Holding.	525,713	15,882	68,719	2,103
Total	\$841,343	\$25,418	\$165,576	\$5,068

c. Other financial assets – current

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

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

		For the nine months ended September 30,2007		
Name		Ending balance		Interest income
		(NT\$)	Rate	(NT\$)
Cathay United Bank		\$5,250,000	1.80%-3.17%	\$31,462

		For the nine months ended September 30,2007		
Name		Ending balance		Interest income
		(US\$)	Rate	(US\$)
Cathay United Bank		\$160,698	1.80%-3.17%	\$963

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d. Secured loans

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

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

For the nine months ended September 30,2007				
Name	Maximum amount (NT\$)	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay General Hospital	\$4,449,654	\$4,420,965	3.44%-3.60%	\$111,299
Others	272,775	234,923	0.00%-5.87%	4,576
Total	\$4,722,429	\$4,655,888		\$115,875

For the nine months ended September 30,2007				
Name	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay General Hospital	\$136,200	\$135,322	3.44%-3.60%	\$3,407
Others	8,349	7,191	0.00%-5.87%	140
Total	\$144,549	\$142,513		\$3,547

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

Name	September 30,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay Securities				
Investment Trust Co., Ltd.	\$6,011,412	\$181,614	\$7,499,121	\$229,542

f. Property transactions

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 nine months ended September 30, 2006	
		NT\$	US\$
Lin Yuan Property			
Management	Cathay Cosmos Building etc.	\$126,322	\$3,816

Name	Item	For the nine months ended September 30, 2007	
		NT\$	US\$
Lin Yuan Property			
Management	International Building etc.	\$153,534	\$4,700

The total amounts of contracted projects for real estate as of September 30, 2006 and 2007 between Cathay Life and San Ching Engineering Co., Ltd. were NT\$1,233,866 (US\$37,277) and NT\$39,388 (US\$1,206), respectively.

g. Real estates acquisition

Cathay Life did not acquire any real estates from its related parties for nine months ended September 30, 2007. Please refer to page 57 for the detail of real estate acquisition from related parties for nine months ended September 30, 2006.

h. Guarantee deposits paid

Name	September 30,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay Futures	\$642,829	\$19,421	\$364,700	\$11,163

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As of September 30, 2006 and 2007, the imputed interest income of guarantee deposits paid deposited in Cathay Futures were NT\$342 (US\$10) and NT\$156 (US\$5), respectively.

i. Rental income

Name	For the nine months ended September 30,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay United Bank	\$187,244	\$5,657	\$205,547	\$6,291
Cathay General Hospital	110,523	3,339	88,591	2,712
Total	<u>\$297,767</u>	<u>\$8,996</u>	<u>\$294,138</u>	<u>\$9,003</u>

j. Insurance income

Name	For the nine months ended September 30,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay United Bank	\$256,807	\$7,759	\$343,035	\$10,500
Other related parties	25,665	775	308,231	9,435
Total	<u>\$282,472</u>	<u>\$8,534</u>	<u>\$651,266</u>	<u>\$19,935</u>

k. Reinsurance income

Name	For the nine months ended September 30,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay Insurance (Bermuda)	<u>\$106,074</u>	<u>\$3,205</u>	<u>\$90,291</u>	<u>\$2,764</u>

l. Miscellaneous income

Name	For the nine months ended September 30,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay Century	<u>\$503,299</u>	<u>\$15,205</u>	<u>\$548,806</u>	<u>\$16,798</u>

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

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m. Operating expense

Name	For the nine months ended September 30,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay United Bank	\$-	\$-	\$474,036	\$14,510
Symphox Information	158,272	4,781	185,033	5,664
Lin Yuan Property Management	483,518	14,608	460,224	14,087
Total	<u>\$641,790</u>	<u>\$19,389</u>	<u>\$1,119,293</u>	<u>\$34,261</u>

n. Other

As of September 30, 2006 and 2007, the notional amounts of the derivative financial instruments transactions with Cathay United Bank are listed below:

Item	September 30,	
	2006	2007
Forward foreign exchange contracts	<u>USD320,316</u>	<u>USD773,623</u>
CCS contracts	<u>USD1,830,344</u>	<u>USD1,352,782</u>
Financial debentures	<u>-</u>	<u>NTD200,000</u>

The above financial debentures were the debentures acquired by Cathay United Bank from the secondary market. The amount acquired of 2007 was NT\$193,510 (US\$5,923).

Of 2007, Cathay Life had entered a credit assignment agreement with Cathay United Bank in an amount of NT\$1,030,000 (US\$31,527).

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B. Cathay United Bank

a. Loans and deposits

Item	For the nine months ended September 30,							
	2006				2007			
	Ending Balance		Interest revenue (expense)		Ending Balance		Interest revenue (expense)	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Loans								
Seaward								
Leasing	\$2,060,000	\$62,236	\$22,339	\$675	\$2,140,000	\$65,504	\$31,911	\$977
Taiwan								
Real-estate								
Management								
Corp.	130,000	3,927	2,949	89	114,000	3,489	2,675	82
Cathay General								
Hospital	336,969	10,180	6,794	205	258,145	7,902	5,679	174
Other related								
parties	441,473	13,338	10,290	311	309,393	9,470	5,568	170
Total	\$2,968,442	\$89,681	\$42,372	\$1,280	\$2,821,538	\$86,365	\$45,833	\$1,403

Account	For the nine months ended September 30,							
	2006				2007			
	Ending Balance		Interest revenue (expense)		Ending Balance		Interest revenue (expense)	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Deposits								
Cathay Life	\$4,736,818	\$143,106	\$(92,350)	\$(2,790)	\$8,154,576	\$249,604	\$(38,492)	\$(1,178)
Cathay								
Financial								
Holding	4,192,270	126,655	(128,528)	(3,883)	3,846,452	117,737	(137,188)	(4,199)
Cathay Futures	1,150,395	34,755	(10,056)	(304)	1,039,621	31,822	(11,880)	(364)
Cathay								
Securities	1,204,982	36,404	(14,023)	(424)	621,486	19,023	(9,529)	(292)
Cathay Century	479,471	14,486	(4,489)	(136)	710,579	21,750	(7,290)	(223)
Cathay Pacific								
Venture	375,937	11,358	(2,997)	(90)	3,160	97	(3,514)	(108)

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For the nine months ended September 30,								
Account	2006				2007			
	Ending Balance		Interest revenue (expense)		Ending Balance		Interest revenue (expense)	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay								
Securities								
Investment								
Trust Co.,								
Ltd.	279,166	8,434	(3,633)	(110)	576,096	17,634	(7,005)	(214)
Cathay Real								
Estate								
Development								
Co., Ltd.	37,616	1,136	(33)	(1)	172,112	5,268	(166)	(5)
Other related								
parties	3,356,825	101,415	(38,372)	(1,159)	2,505,050	76,677	(31,368)	(960)
Total	\$15,813,480	\$477,749	\$(294,481)	\$(8,897)	\$17,629,132	\$539,612	\$(246,432)	\$(7,543)

For the nine months ended September 30, 2006							
Name	Maximum amount		Ending balance		Rate	Interest revenue	
	(NT\$)	(US\$)	(NT\$)	(US\$)		(NT\$)	(US\$)
Call loans to banks							
Indovina Bank	\$768,544	\$23,219	\$521,371	\$15,751	4.38%-7.80%	\$20,693	\$625
Due from commercial							
banks							
Indovina Bank	\$162,927	\$4,922	\$5,878	\$178	0.50%-2.16%	\$52	\$2
Call loans from banks							
Indovina Bank	\$82,368	\$2,488	\$-	\$-	5.145%-5.475%	\$(466)	\$(14)
Due to banks Indovina							
Bank	\$257,371	\$7,776	\$12,100	\$366	-	\$-	\$-

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For the nine months ended September 30, 2007

Name	Maximum amount		Ending balance		Rate	Interest revenue (expense)	
	(NT\$)	(US\$)	(NT\$)	(US\$)		(NT\$)	(US\$)
Call loans to banks							
Indovina Bank	<u>\$330,375</u>	<u>\$10,112</u>	<u>\$19,542</u>	<u>\$598</u>	5.00%-7.70%	<u>\$2,195</u>	<u>\$67</u>
Due from commercial banks							
Indovina Bank	<u>\$265,665</u>	<u>\$8,132</u>	<u>\$7,316</u>	<u>\$224</u>	0.50%-2.16%	<u>\$120</u>	<u>\$4</u>
Call loans from banks							
Indovina Bank	<u>\$430,957</u>	<u>\$13,191</u>	<u>\$325,700</u>	<u>\$9,969</u>	2.40%-8.70%	<u>\$(928)</u>	<u>\$(28)</u>
Due to banks							
Indovina Bank	<u>\$64,457</u>	<u>\$1,973</u>	<u>\$10,777</u>	<u>\$330</u>	-	<u>\$-</u>	<u>\$-</u>

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

b. Securities sold under agreements to repurchase

Name	September 30,			
	Ending balance			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Wan Pao Development Co., Ltd.	\$4,472,671	\$135,126	\$461,104	\$14,114
Other related parties	1,015,000	30,665	1,705,376	52,200
Total	<u>\$5,487,671</u>	<u>\$165,791</u>	<u>\$2,166,480</u>	<u>\$66,314</u>

Name	For the nine months ended September 30,			
	Interest expense			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Wan Pao Development Co., Ltd.	\$(36,799)	\$(1,112)	\$(28,923)	\$(885)
Other related parties	(10,184)	(307)	(12,735)	(390)
Total	<u>\$(46,983)</u>	<u>\$(1,419)</u>	<u>\$(41,658)</u>	<u>\$(1,275)</u>

c. Receivables

Name	September 30,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay Financial Holding	<u>\$1,239,285</u>	<u>\$37,441</u>	<u>\$638,005</u>	<u>\$19,529</u>

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d. Other receivables

Name	September 30,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Indovina Bank	\$110,483	\$3,338	\$97,710	\$2,991
Seaward Leasing	218,761	6,609	-	-
Total	<u>\$329,244</u>	<u>\$9,947</u>	<u>\$97,710</u>	<u>\$2,991</u>

e. Payables

Name	September 30,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay Financial Holding	\$-	\$-	\$242,973	\$7,437

f. Rental expense

Name	For the nine months ended September 30,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay Life	<u>\$187,244</u>	<u>\$5,657</u>	<u>\$205,547</u>	<u>\$6,292</u>

g. Commission revenue

Name	For the nine months ended September 30,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay Life	<u>\$2,568</u>	<u>\$78</u>	<u>\$476,444</u>	<u>\$14,584</u>

h. Accrued insurance expense

Name	For the nine months ended September 30,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay Life	<u>\$256,807</u>	<u>\$7,759</u>	<u>\$343,035</u>	<u>\$10,500</u>

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i. General expense

Name	For the nine months ended September 30,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Seaward Card	\$318,055	\$9,609	\$234,028	\$7,163
Symphox Information	104,930	3,170	305,558	9,353
Cathay Life	119,165	3,600	88,978	2,724
Total	<u>\$542,150</u>	<u>\$16,379</u>	<u>\$628,564</u>	<u>\$19,240</u>

j. Other

- (a) Cathay United Bank entered into a contract with San Ching Engineering Corp. to build the Nei-hu Financial Building and North Taoyuan Branch totaling NT\$1,411,880 (US\$42,655), in 2006. The Bank paid the amount of NT\$259,042 (US\$7,929) during the nine-month period ended September 30, 2007. As of September 30, 2007, the accumulated paid amount was NT\$349,592 (US\$10,701).
- (b) Cathay United Bank enters into a contract with Cathay Life Insurance Co., Ltd. to transferring credit facilities. The transferring loan amount was NT\$1,030,000 (US\$31,527) during the nine-month period ended September 30, 2007.
- (c) Cathay United Bank entered into a contract with Taipei Smart Card Corp. for issuing Easy co-branded card. The contract lasts for three years starting 2006 and the royalty was paid amounted to NT\$103,125 (US\$3,116) (amortized NT\$2,865 (US\$88) per month) in January, 2006.
- (d) The Cathay Life Insurance Co., Ltd. held the dominant financial debenture with notional amounts of NT\$200,000 (US\$6,122) which issued by Cathay United in 2003.
- (e) For organization restructuring, Cathay United Bank's board of directors resolved to sell its 64,994 thousand shares of Cathay Futures Corp. to Cathay Securities Corp. on February 10, 2006. The carrying value on the date when the transaction occurred was NT\$736,454 (US\$22,249) and net selling price was NT\$708,275 (US\$21,398) (the security transaction cost NT\$2,132 (US\$64) was deducted). The loss from the transaction was NT\$28,179 (US\$851) classified as the loss from disposal of the investment recognized by equity method.

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- (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\$96,073) on September 30, 2006, with NT\$15.9 (US\$0.48) per share. The gain from disposal of the investment recognized by the equity method was NT\$1,323,466 (US\$39,984), with selling price NT\$3,170,460 (US\$95,784) (securities transaction cost NT\$9,540 (US\$288) was deducted) minus the carrying value NT\$1,846,994 (US\$55,800).

C. Cathay Century

a. Cash in banks

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

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

		For the nine months ended September 30, 2007		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in banks	\$248,129	0.00%-0.10%	\$192
	Time deposits	462,450	2.16%-2.41%	7,098
Total		<u>\$710,579</u>		<u>\$7,290</u>

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		For the nine months ended September 30, 2007		
Name	Item	Ending balance		Interest income
		(US\$)	Rate	(US\$)
Cathay United Bank	Cash in banks	\$7,595	0.00%-0.10%	\$6
	Time deposits	14,155	2.16%-2.41%	217
Total		<u>\$21,750</u>		<u>\$223</u>

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

Name	September 30,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay Securities Investment Trust Co., Ltd.	<u>\$118,803</u>	<u>\$3,589</u>	<u>\$158,403</u>	<u>\$4,849</u>

c. Accrued marketing expense

Name	September 30,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay Life	<u>\$315,630</u>	<u>\$9,536</u>	<u>\$97,197</u>	<u>\$2,975</u>

d. Other payables

Name	September 30,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay Financial Holding	<u>\$130,642</u>	<u>\$3,947</u>	<u>\$224,937</u>	<u>\$6,885</u>

e. Operating expense

Name	For the nine months ended September 30,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay Life	<u>\$468,933</u>	<u>\$14,167</u>	<u>\$540,778</u>	<u>\$16,553</u>

f. Other

As of September 30, 2006 and 2007 the nominal amount of the derivative financial instruments transactions with Cathay United Bank are listed below:

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Item	For the nine months ended September 30,	
	2006	2007
Forward foreign exchange contracts	US\$1,300	US\$21,054
CS contracts	US\$41,050	US\$34,550
IRS	-	NT\$200,000 (US\$6,122)

D. Cathay Securities

a. Cash in bank

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

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

		For the nine months ended September 30, 2007		
Name	Item	Ending balance	Rate	Interest income
		(NT\$)		(NT\$)
Cathay United Bank	Cash in banks	\$42,538	0.10%-2.35%	\$74
	Negotiable certificates of deposit	505,000	1.50%-1.70%	9,014
	Time deposits	30,000	1.56%-1.66%	441
		<u>\$577,538</u>		<u>\$9,529</u>

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		For the nine months ended September 30, 2007		
Name	Item	Ending balance		Interest income
		(US\$)	Rate	(US\$)
Cathay United Bank	Cash in banks	\$1,302	0.10%-2.35%	\$2
	Negotiable certificates of deposit	15,458	1.50%-1.70%	276
	Time deposits	918	1.56%-1.66%	14
		<u>\$17,678</u>		<u>\$292</u>

As of September 30, 2006, for NT\$600,000 (US\$18,127) 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	September 30,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay Securities Investment Trust Co., Ltd.				
– Cathay Bond Fund	<u>\$267,561</u>	<u>\$8,083</u>	<u>\$-</u>	<u>\$-</u>

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

For the nine months ended September 30, 2006								
Name	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	<u>\$383</u>	<u>\$12</u>	<u>\$423</u>	<u>\$13</u>	<u>\$108</u>	<u>\$3</u>	<u>\$304,555</u>	<u>\$9,201</u>

For the nine months ended September 30, 2007								
Name	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	<u>\$520</u>	<u>\$16</u>	<u>\$733</u>	<u>\$22</u>	<u>\$90</u>	<u>\$3</u>	<u>\$221,014</u>	<u>\$6,765</u>

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E. Cathay Pacific Venture

a. Cash in bank

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

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

		For the nine months ended September 30, 2007		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$-	1.96%-2.16%	\$3,586
	Cash in bank	3,160	0.10%	8
	Total	\$3,160		\$3,594

		For the nine months ended September 30, 2007		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$-	1.96%-2.16%	\$110
	Cash in bank	97	0.10%	-
	Total	\$97		\$110

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F. Indovina Bank

a. Call Loans to Banks

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

For the nine months ended September 30, 2007				
Name	Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)
Cathay United Bank	\$345,242	\$10,568	\$2,855	\$87
Industrial and Commercial Bank of Vietnam	-	-	1,260	39
Total	\$345,242	\$10,568	\$4,115	\$126

b. Dividends Payable

Name	September 30,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay United Bank	\$110,483	\$3,338	\$97,710	\$2,991

G. Cathay Futures

a. Cash in bank

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

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

		For the nine months ended September 30, 2007		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$225,000	1.49%-2.41%	\$12,028
	Cash in bank	1,775	0.02%-2.35%	8
	Total	\$226,775		\$12,036

		For the nine months ended September 30, 2007		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$6,887	1.49%-2.41%	\$368
	Cash in bank	54	0.02%-2.35%	-
	Total	\$6,941		\$368

b. Customer's margin accounts

Name	September 30,					
	2006			2007		
	(NT\$)	(US\$)	Rate	(NT\$)	(US\$)	Rate
Cathay United Bank	\$859,635	\$25,971	0.01%-1.64%	\$752,668	\$23,039	0.02%-2.35%

c. Futures customers' equity

Name	September 30,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay Life	\$642,829	\$19,421	\$364,700	\$11,163
Cathay Securities	304,555	9,201	221,014	6,765
Total	\$947,384	\$28,622	\$585,714	\$17,928

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H. Cathay Life (Shanghai)

Insurance income

Name	For the nine months ended September 30,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
China Eastern Airlines Co., Ltd.	\$227,833	\$6,883	\$157,677	\$4,826

I. Symphox Information

a. Sales Revenue

Name	For the nine months ended September 30,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay United Bank	\$140,932	\$4,258	\$193,488	\$5,922

b. Service Income

Name	For the nine months ended September 30,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay Life	\$135,454	\$4,092	\$119,786	\$3,667
Cathay United Bank	73,911	2,233	116,320	3,560
Total	\$209,365	\$6,325	\$236,106	\$7,227

J. Cathay Venture Capital

Available-for-sale financial assets

Name	September 30,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay Securities Investment Trust Co., Ltd.	\$704,944	\$21,297	\$361,349	\$11,061

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K. Cathay II Venture Capital

Available-for-sale financial assets

Name	September 30,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Cathay Securities Investment Trust Co., Ltd.	\$80,080	\$2,419	\$126,027	\$3,858

L. Lucky Bank

Loans and deposits

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

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

26. Pledged assets

As of September 30, 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	\$1,476,477	\$44,607	\$1,589,344	\$48,649
Guarantee deposits paid	Government bonds	8,460,733	255,611	8,409,387	257,404
Financial assets at fair value through profit or loss	Business reserves and guarantees	167,970	5,075	123,764	3,788

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Item	Guarantee purpose	Carrying amount			
		2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Available-for-sale financial assets	Business reserves and guarantees	263,721	7,967	2,295,956	70,277
Held-to-maturity financial assets	Business reserves and guarantees	2,325,185	70,247	100,990	3,091
Investments in debt securities with no active market	Business reserves and guarantees	14,830,000	448,036	15,100,000	462,198
		<u>\$27,524,086</u>	<u>\$831,543</u>	<u>\$27,619,441</u>	<u>\$845,407</u>

27. Commitment and contingent liabilities

(1) Cathay United Bank

A. 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\$12,085). Pacific SOGO appealed such order and the appeal is being reviewed by the High Court.

B. As of September 30, 2007, Cathay United Bank had entered into certain contracts to purchase premises and equipments totaling NT\$2,726,608 (US\$83,459) with prepayments of NT\$1,440,238 (US\$44,084).

(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.

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(3) Cathay Futures

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

As of the date of this report, Court issued a judgment favoring Cathay Futures.

B. The building of management committee of original business address took a civil action of the park paying with NT\$966 (US\$30). As of the date of this report, the case is still in progress by District Court.

(4) As of September 30, 2006 and 2007, the bank subsidiaries had the following commitments and contingent liabilities, which were not reflected in the financial statements:

	September 30,			
	2006 (NT\$)	2006 (US\$)	2007 (NT\$)	2007 (US\$)
Trust and security held for safekeeping	\$284,754,847	\$8,602,865	\$337,800,669	\$10,339,782
Travelers checks for sale	756,049	22,841	603,253	18,465
Bills for collection	50,491,001	1,525,408	46,274,258	1,416,414
Guarantees on duties and contracts	17,148,856	518,092	17,923,555	548,624
Unused commercial letters of credit	2,829,874	85,495	3,190,928	97,672
Irrevocable loan commitments	38,793,551	1,172,011	35,801,924	1,095,865
Credit card lines commitments	285,087,804	8,612,925	280,177,395	8,575,984
Stamp tax, securities and memorial				
currency consignments	1,727	52	1,727	53
Book-entry for government bonds and				
depository for short-term marketable				
securities under management	359,838,397	10,871,251	366,210,100	11,209,369
Entrusted financial management				
business	-	-	1,651,969	50,565

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

Periods	NT\$	US\$
October 1, 2007~September 30, 2008	\$673,365	\$20,611
October 1, 2008~September 30, 2012	2,198,783	67,303
Total	\$2,872,148	\$87,914

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28. Significant disaster losses: None.

29. Subsequent events:

Cathay Life has received approval from the China Insurance Regulatory Commission in October, 2007 to form a joint-venture general insurance subsidiary with Cathay Century in China. Please refer to note 29 “Information for investment in Mainland China”.

Cathay United Bank bided for China United Trust & Investment Corporation (CUTIC) with NT\$12,900,000 (US\$394,858) compensation from Resolution Trust Corporation (the “RTC”) on October 2, 2007, and the Bank will assume the specific assets, liabilities (except for the certain of real estate, non-performing loan, shares of Taipei financial Center Corporation, shares of Asia United Bank Corporation and etc.) and business of CUTIC.

30. Other significant matters

(1) Pension related information

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

(2) Financial instruments related information

A. The Company

a. Information of fair value

Item	September 30, 2006			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$13,911,163	\$13,911,163	\$420,277	\$420,277
Receivables	1,267,841	1,267,841	38,303	38,303
Other financial assets	31,720	31,720	958	958

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Item	September 30, 2006			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Liabilities</u>				
Payables	\$1,931,882	\$1,931,882	\$58,365	\$58,365
Bonds payable	10,444,402	10,444,402	315,541	315,541
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
CCS, option	1,268,804	1,268,804	38,332	38,332

Item	September 30, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$10,271,872	\$10,271,872	\$314,413	\$314,413
Receivables	2,202,667	2,202,667	67,422	67,422
Other financial assets	31,720	31,720	971	971
<u>Liabilities</u>				
Payables	2,258,081	2,258,081	69,118	69,118
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
CCS, option	704,619	704,619	21,568	21,568

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:

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Financial instruments	September 30, 2006			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$-	\$-	\$13,911,163	\$420,277
Receivables	-	-	1,267,842	38,303
Other financial assets	-	-	31,720	958
<u>Liabilities</u>				
Payables	-	-	1,931,882	58,365
Bonds payable	-	-	10,444,402	315,541
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
CCS, option	-	-	1,268,804	38,332
Financial instruments	September 30, 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	\$-	\$-	\$10,271,872	\$314,413
Receivables	-	-	2,202,667	67,422
Other financial assets	-	-	31,720	971
<u>Liabilities</u>				
Payables	-	-	2,258,081	69,118
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
CCS, option	-	-	704,619	21,568

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

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d. Information on financial risks

(a) Risk of interest rate

The following table summarizes the maturities of the Company's financial instruments at September 30, 2006 and 2007:

Fixed interest rate

Item	September 30, 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	\$-	\$-	\$-	\$-	\$-	\$-	\$1,268,804	\$38,332

Item	September 30, 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	\$-	\$-	\$-	\$-	\$1,268,804	\$38,332

Item	September 30, 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 liabilities at fair value								
through profit or loss	\$-	\$-	\$-	\$-	704,619	\$21,568	\$-	\$-

Item	September 30, 2007					
	Due in 4~5 year		Over 5 years		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial liabilities at fair value through						
profit or loss	\$-	\$-	\$-	\$-	\$704,619	\$21,568

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Floating interest rate

Item	September 30, 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	\$-	\$-	\$-	\$-	\$-	\$-	\$1,268,804	\$38,332

Item	September 30, 2006						
	Due in 4~5 year		Over 5 years		Total		
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	
Financial liabilities at fair value through							
profit or loss		\$-	\$-	\$-	\$-	\$1,268,804	\$38,332

Item	September 30, 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 liabilities at fair value								
through profit or loss	\$-	\$-	\$-	\$-	\$704,619	\$21,568	\$-	\$-

Item	September 30, 2007						
	Due in 4~5 year		Over 5 years		Total		
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	
Financial liabilities at fair value through							
profit or loss		\$-	\$-	\$-	\$-	\$704,619	\$21,568

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.

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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.

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.

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Liquidity Risk

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

B. Cathay Life

a. Information of fair value

Item	September 30, 2006			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$308,770,019	\$308,770,019	\$9,328,399	\$9,328,399
Notes receivable	10,149,842	10,149,842	306,642	306,642
Financial assets at fair value through profit or loss - current	83,100,332	83,100,332	2,510,584	2,510,584
Available-for-sale financial assets - current	106,731,239	106,731,239	3,224,509	3,224,509
Held-to-maturity financial assets - current	14,249,164	14,239,821	430,488	430,206
Investments in debt securities with no active market - current	5,517,326	5,517,326	166,687	166,687
Available-for-sale financial assets - noncurrent	145,064,287	145,064,287	4,382,607	4,382,607
Held-to-maturity financial assets - noncurrent	525,999,518	514,947,113	15,891,224	15,557,315
Financial assets carried at cost - noncurrent	20,011,317	20,011,317	604,572	604,572
Investments in debt securities with no active market - noncurrent	42,995,008	42,749,992	1,298,943	1,291,541
Long-term investments in stocks under the equity method	4,198,857	4,198,857	126,854	126,854
Guarantee deposits paid	8,195,783	8,195,783	247,607	247,607

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Item	September 30, 2006			
	(NT\$)		(US\$)	
	Carrying		Carrying	
	amount	Fair value	amount	Fair value
<u>Liabilities</u>				
Notes payable	\$3,523	\$3,523	\$106	\$106
Guarantee deposits received	1,568,398	1,568,398	47,384	47,384
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Futures	3,505,484	3,505,484	105,906	105,906
Option	38,566	38,566	1,165	1,165
Forward	3,409,922	3,409,922	103,019	103,019
IRS	399,766	399,766	12,077	12,077
Derivative financial assets for hedging - current				
IRS	304,329	304,329	9,194	9,194
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current				
Option	2,383	2,383	72	72
Forward	16,428,852	16,428,852	496,340	496,340
IRS	391,325	391,325	11,823	11,823
Derivative financial liabilities for hedging - current				
IRS	35,549	35,549	1,074	1,074
September 30, 2007				
Item	(NT\$)		(US\$)	
	Carrying		Carrying	
	amount	Fair value	amount	Fair value
	<u>Non-derivative financial instruments</u>			
<u>Assets</u>				
Cash and cash equivalents	\$226,574,039	\$226,574,039	\$6,935,232	\$6,935,232
Notes receivable	9,523,621	9,523,621	291,510	291,510
Financial assets at fair value through profit or loss - current				
	81,802,435	81,802,435	2,503,901	2,503,901

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Item	September 30, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
Available-for-sale financial assets - current	\$195,285,536	\$195,285,536	\$5,977,519	\$5,977,519
Held-to-maturity financial assets - current	7,923,309	7,921,427	242,526	242,468
Investments in debt securities with no active market - current	5,051,153	5,052,472	154,611	154,652
Available-for-sale financial assets - noncurrent	223,161,080	223,161,080	6,830,765	6,830,765
Held-to-maturity financial assets - noncurrent	553,249,460	532,063,365	16,934,480	16,285,992
Financial assets carried at cost - noncurrent	19,412,750	19,412,750	594,207	594,207
Investments in debt securities with no active market - noncurrent	44,877,125	41,432,433	1,373,650	1,268,210
Long-term investments in stocks under the equity method	4,418,780	4,418,780	135,255	135,255
Guarantee deposits paid	8,264,696	8,264,696	252,975	252,975
<u>Liabilities</u>				
Notes payable	1,713	1,713	52	52
Guarantee deposits received	1,467,075	1,467,075	44,906	44,906
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss – current				
Futures	1,683,552	1,683,552	51,532	51,532
Option	45,899	45,899	1,405	1,405
Forward	18,804,085	18,804,085	575,576	575,576
IRS	128,007	128,007	3,918	3,918
Derivative financial assets for hedging - current				
IRS	184,384	184,384	5,644	5,644
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current				
Option	35,154	35,154	1,076	1,076
Forward	19,453,512	19,453,512	595,455	595,455
IRS	85,806	85,806	2,626	2,626
Derivative financial liabilities for hedging - current				
IRS	108,257	108,257	3,314	3,314

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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 Cathay Life's cash, cash equivalents, receivables and payables is based on the carrying amount of those instruments at reporting date due to the short maturity of those instruments.
 - (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 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 financial instruments was based on market prices at the reporting date if market prices are not available. When market prices are not available, the fair value was based on relevant financial or any other information.
- c. The following table summarizes the fair value information of Cathay Life's financial assets and liabilities at September 30, 2006 and 2007:

Item	September 30, 2006			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit and				
loss - current	\$77,430,266	\$2,339,283	\$5,670,066	\$171,301
Available-for-sale financial assets - current	106,730,080	3,224,474	1,159	35
Held-to-maturity financial assets - current	9,518,921	287,581	4,720,899	142,625

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Item	September 30, 2006			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Investment in debt securities with no active market - current	\$-	\$-	\$5,517,326	\$166,687
Available-for-sale financial assets - noncurrent	130,238,178	3,934,688	14,826,109	447,919
Held-to-maturity financial assets - noncurrent	74,541,832	2,252,019	440,405,281	13,305,295
Financial assets carried at cost - noncurrent	-	-	20,011,317	604,572
Investment in debt securities with no active market - noncurrent	-	-	42,749,992	1,291,541
Long-term investments in stocks under the equity method	-	-	4,198,857	126,854
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit and loss - current				
Futures	3,505,484	105,906	-	-
Option	38,566	1,165	-	-
Forward	-	-	3,409,922	103,019
IRS	-	-	399,766	12,077
Derivative financial assets for hedging - current				
IRS	-	-	304,329	9,194
<u>Liabilities</u>				
Financial liabilities at fair value through profit and loss - current				
Option	2,383	72	-	-
Forward	-	-	16,428,852	496,340
IRS	-	-	391,325	11,823
Derivative financial liabilities for hedging - current				
IRS	-	-	35,549	1,074

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Item	September 30, 2007			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or				
loss - current	\$72,230,803	\$2,210,921	\$9,571,632	\$292,979
Available-for-sale financial assets - current	195,285,536	5,977,519	-	-
Held-to-maturity financial assets - current	7,177,736	219,704	743,691	22,764
Investments in debt securities with no active				
market - current	-	-	5,052,472	154,652
Available-for-sale financial assets - noncurrent	208,834,151	6,392,230	14,326,929	438,535
Held-to-maturity financial assets - noncurrent	92,674,226	2,836,677	439,389,138	13,449,316
Financial assets carried at cost - noncurrent	-	-	19,412,750	594,207
Investment in debt securities with no active				
market – noncurrent	3,450,296	105,611	37,982,137	1,162,600
Long-term investments in stocks under the				
equity method	-	-	4,418,780	135,255
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or				
loss - current				
Futures	1,683,552	51,532	-	-
Option	4,125	126	41,774	1,279
Forward	-	-	18,804,085	575,577
IRS	-	-	128,007	3,918
Derivative financial assets for hedging - current				
IRS	-	-	184,384	5,644
<u>Liabilities</u>				
Financial liabilities at fair value through profit or				
loss - current				
Option	-	-	35,154	1,076
Forward	-	-	19,453,512	595,455
IRS	-	-	85,806	2,626
Derivative financial liabilities for hedging -				
current				
IRS	-	-	108,257	3,314

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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 September 30, 2006 and 2007:

Non-derivative financial instruments of fixed interest rate

Item	September 30, 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	\$363,510	\$10,982	\$539,025	\$16,285	\$159,547	\$4,820	\$223,329	\$6,747
Available-for-sale financial assets	11,144,156	336,681	1,620,299	48,952	1,283,648	38,781	801,015	24,200
Held-to-maturity financial assets	11,641,484	351,706	7,782,714	235,127	3,355,050	101,361	12,104,988	365,710
Investments in debt securities with								
no active market	501,195	15,142	346,991	10,483	1,570,060	47,434	486,942	14,711

Item	September 30, 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	\$865,979	\$26,163	\$25,907,666	\$782,709	\$28,059,056	\$847,706
Available-for-sale financial assets	6,349,032	191,814	76,687,946	2,316,856	97,886,096	2,957,284
Held-to-maturity financial assets	13,102,257	395,839	403,831,376	12,200,344	451,817,869	13,650,087
Investments in debt securities with						
no active market	298,832	9,028	31,634,667	955,730	34,838,687	1,052,528

Non-derivative financial instruments of float interest rate

Item	September 30, 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	\$7,072,195	\$213,661	\$-	\$-	\$-	\$-	\$-	\$-
Available-for-sale financial assets	49,713,698	1,501,924	-	-	-	-	-	-
Held-to-maturity financial assets	88,430,813	2,671,626	-	-	-	-	-	-
Investments in debt securities with								
no active market	13,673,648	413,101	-	-	-	-	-	-

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Item	September 30, 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	\$-	\$-	\$-	\$-	\$7,072,195	\$213,661
Available-for-sale financial assets	-	-	-	-	49,713,698	1,501,924
Held-to-maturity financial assets	-	-	-	-	88,430,813	2,671,626
Investments in debt securities with						
no active market	-	-	-	-	13,673,648	413,101

Derivative financial instruments

Item	September 30, 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	\$258,199	\$7,801	\$109,200	\$3,299	\$17,483	\$528	\$3,825	\$116
Derivative financial assets for								
hedging	4,965	150	46,432	1,403	13,462	407	124,287	3,755
Financial liabilities at fair value								
through profit or loss	(63,329)	(1,913)	(2,308)	(70)	(310)	(9)	(1,335)	(40)
Derivative financial liabilities for								
hedging	(1,109)	(34)	(5,283)	(160)	(29,157)	(881)	-	-

Item	September 30, 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	\$857	\$26	\$275,024	\$8,309	\$664,588	\$20,078
Derivative financial assets for						
hedging	63,863	1,929	51,320	1,550	304,329	9,194
Financial liabilities at fair value						
through profit or loss	(25,071)	(757)	(301,355)	(9,104)	(393,708)	(11,895)
Derivative financial liabilities for						
hedging	-	-	-	-	(35,549)	(1,074)

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Non-derivative financial instruments of fixed interest rate

Item	September 30, 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	\$381,201	\$11,668	\$1,428,676	\$43,730	\$171,667	\$5,255	\$309,001	\$9,458
Available-for-sale financial assets	2,395,480	73,324	2,830,762	86,647	1,654,810	50,652	10,215,191	312,678
Held-to-maturity financial assets	7,047,010	215,703	6,319,727	193,441	10,002,033	306,153	15,262,218	467,163
Investments in debt securities with								
no active market	506,302	15,497	1,024,859	31,370	1,155,729	35,376	777,618	23,802

Item	September 30, 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	\$3,351,735	\$102,594	\$15,522,396	\$475,127	\$21,164,676	\$647,832
Available-for-sale financial assets	9,845,965	301,376	87,464,814	2,677,221	114,407,022	3,501,898
Held-to-maturity financial assets	9,886,678	302,622	432,108,038	13,226,447	480,625,704	14,711,531
Investments in debt securities with						
no active market	1,190,982	36,455	34,174,593	1,046,054	38,830,083	1,188,555

Non-derivative financial instruments of float interest rate

Item	September 30, 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	\$7,370,447	\$225,603	\$-	\$-	\$-	\$-	\$-	\$-
Available-for-sale financial assets	117,978,396	3,611,215	-	-	-	-	-	-
Held-to-maturity financial assets	80,547,065	2,465,475	-	-	-	-	-	-
Investments in debt securities with								
no active market	11,098,195	339,706	-	-	-	-	-	-

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Item	September 30, 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	\$-	\$-	\$-	\$-	\$7,370,447	\$225,603
Available-for-sale financial assets	-	-	-	-	117,978,396	3,611,215
Held-to-maturity financial assets	-	-	-	-	80,547,065	2,465,475
Investments in debt securities with						
no active market	-	-	-	-	11,098,195	339,706

Derivative financial instruments

Item	September 30, 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	\$18,874	\$578	\$61,488	\$1,882	\$6,566	\$201	\$3,742	\$115
Derivative financial assets for								
hedging	21,144	647	11,674	357	94,923	2,906	4,578	140
Financial liabilities at fair value								
through profit or loss	(12,637)	(387)	(65,093)	(1,992)	(3,038)	(93)	(8,558)	(262)
Derivative financial liabilities for								
hedging	(26,813)	(821)	(5,611)	(172)	(7,752)	(237)	(14,506)	(444)

Item	September 30, 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	\$9,254	\$283	\$63,858	\$1,955	\$163,782	\$5,013
Derivative financial assets for						
hedging	-	-	52,065	1,594	184,384	5,644
Financial liabilities at fair value						
through profit or loss	(11,756)	(360)	(19,878)	(608)	(120,960)	(3,702)
Derivative financial liabilities for						
hedging	-	-	(53,575)	(1,640)	(108,257)	(3,314)

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(b) Credit risk

Cathay Life's exposure to credit risk is minimal.

e. Hedged of derivative financial instruments related information.

Cash flow hedges - IRS

The following table summarizes the terms of the Cathay life's interest rate SWAP for bonds hedging at September 30, 2006 and 2007:

a. September 30, 2006

Par value		Exchange rate	Frequency	Maturity date
(NT\$)	(US\$)			
\$372,500	\$11,254	ARMS	Each quarter	2009/3/24
350,000	10,574	4.0005%-6ml	Yearly	2008/9/26
500,000	15,106	7.6%-90DCP	Half year	2007/10/10
500,000	15,106	7.05%-90DCP	Half year	2007/10/10
300,000	9,063	5.5%-6ml	Half year	2007/12/26
500,000	15,106	6.9%-90DCP	Each quarter	2007/7/9
200,000	6,042	4.003%-6ml	Half year	2008/6/13
500,000	15,106	4%-12ml	Yearly	2008/6/5
300,000	9,063	4.3%-12ml	Yearly	2010/6/20
900,000	27,190	90DCP	Each quarter	2015/2/4
400,000	12,085	90DCP	Each quarter	2015/3/17
50,000	1,511	90DCP	Each quarter	2009/3/15
500,000	15,106	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	6,042	7.603%-6ml	Half year	2007/7/31
300,000	9,063	7.5%-6ml	Half year	2007/7/31
300,000	9,063	5.1%-6ml	Half year	2007/12/19
300,000	9,063	If 6ml<6.9%,3.8% If 6ml>6.9%,0%	Half year	2007/7/31

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Par value		Exchange rate	Frequency	Maturity date
(NT\$)	(US\$)			
\$200,000	\$6,042	0~0.5Y:3.8%,0.5Y+6ml :3.0% 0.5-1.5Y:0.75%-2.0%, 1.5-2.5Y:1%-2.5%, 2.5-3.5Y:1%-3.0%, 3.5-4.5Y:1%-3.5%, 4.5-5.5Y:1%-4.0%, 5.5-6.5Y:1%-4.5%, 6.5-7.0Y:1%-5.0%	Half year	2011/3/19
200,000	6,042	If 6ml<0.95%,6ml If 0.95%<6ml<2.0%,3.5% If 2.0%<6ml;4.8%-6ml	Half year	2009/1/9
300,000	9,063	If6ml<0.95%,6ml If 0.95%<6ml<2.0%,3.5% If 2.0%<6ml;4.8%-6ml	Half year	2009/1/7
200,000	6,042	4.000%-6ml	Half year	2010/4/7
300,000	9,063	4.0002%-6ml	Half year	2010/4/7
400,000	12,085	4.0006%-6ml	Half year	2010/4/7
400,000	12,085	4.0007%-6ml	Half year	2010/4/7
250,000	7,553	90DCP	Each quarter	2008/8/10
900,000	27,190	90DCP	Each quarter	2010/8/18
600,000	18,127	90DCP	Each quarter	2010/8/19
450,000	13,595	90DCP	Each quarter	2008/8/22
330,000	9,970	90DCP	Each quarter	2008/8/24
300,000	9,063	5.35%-6ml	Each quarter	2008/1/8
200,000	6,042	4.0003%-6ml	Half year	2010/4/7
300,000	9,063	5.37%-6ml	Yearly	2011/3/15
200,000	6,042	5.85%-6ml	Half year	2009/1/13
50,000	1,511	4.15%-6ml	Half year	2009/1/16
200,000	6,042	6.3%-6ml	Yearly	2010/11/27
100,000	3,021	4.007%-6ml	Half year	2010/4/7
100,000	3,021	4.007%-6ml	Half year	2010/4/7

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b. September 30, 2007

Par value		Exchange rate	Frequency	Maturity date
(NT\$)	(US\$)			
\$310,000	\$9,489	ARMS	Each quarter	2009/3/24
350,000	10,713	4.0005%-6ml	Yearly	2008/9/26
500,000	15,305	The third year, 7.30%-90 BACP The fourth and fifth years, 7.6%-90 BACP	Half year	2007/10/10
500,000	15,305	7.05%-90BACP	Half year	2007/10/10
300,000	9,183	5.5%-6ml	Half year	2007/12/26
200,000	6,122	4.003%-6ml	Half year	2008/6/13
500,000	15,305	4%-12ml	Yearly	2008/6/5
300,000	9,183	4.3%-12ml	Yearly	2010/6/20
500,000	15,305	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	6,122	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	9,183	5.1%-6ml	Half year	2007/12/19
200,000	6,122	If 6ml<0.95%, 6ml If 0.95%<6ml<2.0%,3.5% If 2.0%<6ml;4.8%-6ml	Half year	2009/1/9
300,000	9,183	If 6ml<0.95%,6ml If 0.95%<6ml<2.0%,3.5% If 2.0%<6ml;4.8%-6ml	Half year	2009/1/7
200,000	6,122	4.000%-6ml	Half year	2010/4/7
300,000	9,183	4.0002%-6ml	Half year	2010/4/7
400,000	12,244	4.0006%-6ml	Half year	2010/4/7
400,000	12,244	4.0007%-6ml	Half year	2010/4/7
250,000	7,652	90DCP	Each quarter	2008/8/10
900,000	27,548	90DCP	Each quarter	2010/8/18

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Par value			Exchange rate	Frequency	Maturity date
(NT\$)	(US\$)				
\$600,000	\$18,365	90DCP		Each quarter	2010/8/19
450,000	13,774	90DCP		Each quarter	2008/8/22
330,000	10,101	90DCP		Each quarter	2008/8/24
300,000	9,183	5.35%-6ml		Half year	2008/1/8
200,000	6,122	4.0003%-6ml		Half year	2010/4/7
300,000	9,183	5.37%-6ml		Yearly	2011/3/15
200,000	6,122	5.85%-6ml		Half year	2009/1/13
50,000	1,530	If 6ml<=1%,6ml + 0.2%		Half year	2009/1/16
		If 1%<6ml<2%,3.15%			
		If 6ml>=2%,4.15%-6ml			
200,000	6,122	6.3%-6ml		Yearly	2010/11/27
300,000	9,183	180DCP + 40bps		Half year	2008/3/24
300,000	9,183	180DCP		Half year	2008/6/12
2,000,000	61,218	90DCP+75bps		Each quarter	2008/7/19
1,150,000	35,200	90DCP+30bps		Each quarter	2008/9/17
100,000	3,061	180DCP+30bps		Half year	2008/12/18
200,000	6,122	180DCP+18bps		Half year	2008/7/11
900,000	27,548	90DCP+100bps		Each quarter	2009/5/20
2,700,000	82,645	90DCP+25bps		Each quarter	2013/8/24
1,500,000	45,914	90DCP+23bps		Yearly	2013/12/16
1,000,000	30,609	90DCP+26.5bps		Yearly	2013/12/14
1,300,000	39,792	90DCP+45bps		Each quarter	2013/12/27
500,000	15,305	90DCP+23bps		Yearly	2013/12/14
1,000,000	30,609	90DCP+26.5bps		Each quarter	2013/12/16
3,000,000	91,827	90DCP+26.5bps		Yearly	2013/11/3
100,000	3,061	4.0006%-6ml		Half year	2010/4/7
100,000	3,061	4.0006%-6ml		Half year	2010/4/7

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

Cathay Life's interest rate swap agreements for cash flow hedges have passed the effectiveness testing. Unrealized gains on financial instruments were recognized in equity by NT\$416,550 (US\$12,585) and NT\$125,322 (US\$3,836) as of September 30, 2006 and 2007.

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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.

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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.

C. Cathay United Bank

a. Information of fair value

Item	September 30, 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	\$53,039,409	\$1,602,399	\$53,039,409	\$1,602,399
Available-for-sale financial assets	51,614,812	1,559,360	51,614,812	1,559,360

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Item	September 30, 2006			
	Carrying value		Fair value	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Held-to-maturity financial assets and debt securities with no active market	\$236,275,654	\$7,138,238	\$236,301,088	\$7,139,006
Investment accounted for using equity method	2,112,220	63,813	2,112,220	63,813
Others	842,848,646	25,463,705	842,848,646	25,463,705
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	49,173,354	1,485,600	49,173,354	1,485,600
Financial debentures payable	18,276,773	552,168	18,276,773	552,168
Others	1,066,861,035	32,231,451	1,066,861,035	32,231,451

Derivative financial instruments

Assets

Forward	2,229,613	67,360	2,229,613	67,360
Interest rate swap	1,004,846	30,358	1,004,846	30,358
Cross currency swap	661	20	661	20
Options	54,062	1,633	54,062	1,633
Credit derivative instruments	54,292	1,640	54,292	1,640
Credit default swap	(740)	(22)	(740)	(22)

Liabilities

Forward	2,070,723	62,560	2,070,723	62,560
Interest rate swap	1,715,781	51,836	1,715,781	51,836
Cross currency swap	469,623	14,188	469,623	14,188
Futures	8,024	242	8,024	242
Options	47,706	1,441	47,706	1,441
Credit derivative instruments	58,184	1,758	58,184	1,758
Credit default swap	(799)	(24)	(799)	(24)

Item	September 30, 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	\$38,299,787	\$1,172,323	\$38,299,787	\$1,172,323
Available-for-sale financial assets	58,357,622	1,786,276	58,357,622	1,786,276
Held-to-maturity financial assets and debt securities with no active market	284,077,937	8,695,376	284,002,362	8,693,063

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Item	September 30, 2007			
	Carrying value		Fair value	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Investment accounted for using equity method	\$2,249,661	\$68,860	\$2,249,661	\$68,860
Others	869,124,647	26,603,142	869,124,647	26,603,142
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	44,016,887	1,347,318	44,016,887	1,347,318
Financial debentures payable	18,158,994	555,831	18,158,994	555,831
Others	1,139,921,250	34,891,988	1,139,921,250	34,891,988
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	1,066,035	32,630	1,066,035	32,630
Non-delivery forward	45,027	1,378	45,027	1,378
Currency swap	1,665,107	50,967	1,665,107	50,967
Interest rate swap	1,208,638	36,995	1,208,638	36,995
Cross currency swap	2,046	63	2,046	63
Options	53,728	1,645	53,728	1,645
Credit derivative instruments	10,390	318	10,390	318
Credit default swap	(367)	(11)	(367)	(11)
<u>Liabilities</u>				
Forward	1,923,240	58,869	1,923,240	58,869
Non-delivery forward	45,789	1,401	45,789	1,401
Currency Swap	698,088	21,368	698,088	21,368
Interest rate swap	1,922,044	58,832	1,922,044	58,832
Cross currency swap	460,358	14,091	460,358	14,091
Options	53,685	1,643	53,685	1,643
Credit derivatives instruments	147,855	4,526	147,855	4,526
Credit default swap	(525)	(16)	(525)	(16)

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

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

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- (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	September 30, 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	\$51,553,294	\$1,557,501	\$1,486,115	\$44,898
Available-for-sale financial assets	51,614,812	1,559,360	-	-
Held-to-maturity financial assets and debt securities				
without active market	181,694,054	5,489,247	54,607,034	1,649,759
Others	(Note)	(Note)	(Note)	(Note)
<u>Liabilities</u>				
Financial liabilities at fair value through profit or				
loss	-	-	49,173,354	1,485,600
Financial debentures payable	-	-	18,276,773	552,168
Others	(Note)	(Note)	(Note)	(Note)
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	-	-	2,229,613	67,360
Interest rate swap	-	-	1,004,846	30,358
Cross currency swap	-	-	661	20
Options	1,855	56	52,207	1,577
Credit derivatives instruments	-	-	54,292	1,640
Credit default swap	-	-	(740)	(22)
<u>Liabilities</u>				
Forward	-	-	2,070,723	62,560
Interest rate swap	-	-	1,715,781	51,836
Cross currency swap	-	-	469,623	14,188
Futures	8,024	242	-	-
Options	239	7	47,467	1,434
Credit derivatives instruments	-	-	58,184	1,758
Credit default swap	-	-	(799)	(24)

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Item	September 30, 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	\$36,694,860	\$1,123,198	\$1,604,927	\$49,125
Available-for-sale financial assets	49,845,325	1,525,722	8,512,297	260,554
Held-to-maturity financial assets and debt securities				
without active market	217,227,627	6,649,147	66,774,735	2,043,916
Others	(Note)	(Note)	(Note)	(Note)
<u>Liabilities</u>				
Financial liabilities at fair value through profit or				
loss	-	-	44,016,887	1,347,318
Financial debentures payable	-	-	18,158,994	555,831
Others	(Note)	(Note)	(Note)	(Note)
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	-	-	1,066,035	32,630
Non-delivery forward	-	-	45,027	1,378
Currency swap	-	-	1,665,107	50,967
Interest rate swap	-	-	1,208,638	36,995
Cross currency swap	-	-	2,046	63
Options	50	2	53,678	1,643
Credit derivatives instruments	-	-	10,390	318
Credit default swap	-	-	(367)	(11)
<u>Liabilities</u>				
Forward	-	-	1,923,240	58,869
Non-delivery forward	-	-	45,789	1,401
Currency swap	-	-	698,088	21,368
Interest rate swap	-	-	1,922,044	58,832
Cross currency swap	-	-	460,358	14,091
Options	-	-	53,685	1,643
Credit derivatives instruments	-	-	147,855	4,526
Credit default swap	-	-	(525)	(16)

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 or losses recognized for the changes in fair value of financial asset or liabilities determined by pricing models were gain NT\$83,114 (US\$2,511) and loss NT\$353,573 (US\$10,823) for the nine-month periods ended September 30, 2006 and 2007, respectively.
- e. The interest income arising from other than financial assets or liabilities at fair value through profit or loss for the nine-month periods ended September 30, 2006 and 2007 were NT\$31,250,580 (US\$944,126) and NT\$29,103,753 (US\$890,840), and expenses were NT\$12,354,257 (US\$373,240) and NT\$13,676,460 (US\$418,624), respectively.
- f. Cathay United Bank recognized an unrealized gains or losses of NT\$417,825 (US\$12,623) and NT\$482,474 (US\$14,768) in shareholders' equity for the changes in fair value of available-for-sale financial assets and realized gains of NT\$204,174 (US\$6,168) and NT\$1,295,578 (US\$39,657) in income statement for the nine-month periods ended September 30, 2006 and 2007, respectively.
- g. Interest income of NT\$27 (US\$1) from financial assets were impaired which were assessed by discount rate of cash flow for the nine-month periods ended September 30, 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.

Ⓐ 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.

Ⓑ 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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© 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.

January 1 – September 30, 2006						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Interest rate	\$85,029	\$2,569	\$138,367	\$4,180	\$55,349	\$1,672
Foreign exchange	37,925	1,146	117,919	3,563	164	5
Equity Securities price	44,722	1,351	80,270	2,425	17,301	523

January 1 – September 30, 2007						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Interest rate	\$122,096	\$3,737	\$191,605	\$5,865	\$43,942	\$1,345
Foreign exchange	135,734	4,155	388,037	11,877	3,842	118
Equity Securities price	142,348	4,357	250,352	7,663	59,724	1,828

Cathay United Bank enters into a variety of derivatives transactions for both trading and nontrading purposes. The objectives in using derivative instruments are to meet customers' needs, to manage Cathay United Bank exposure to risks and to generate revenues through trading activities. Cathay United Bank provides trades derivative instruments on behalf of customers and for its own positions. Cathay United Bank provides derivative contracts to address customer demands for customized derivatives and also takes proprietary positions for its own accounts.

Market risk factor sensitivity is one of the tools to manage market risk. Market risk factor sensitivities of a position are defined as the change in the value of a position caused by a unit shift in a given market factor. Market risk factor sensitivities include interest rate, foreign exchange rate and equity factor sensitivities.

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Foreign exchange rate factor sensitivities (“FX delta”) represent the foreign exchange portfolios caused by the underlying currency exchange rate at the balance sheet date.

Interest rate factor sensitivities (the present value of one basis point, or “PVBP”) represent the change in the net present value of the interest rate derivatives portfolios caused by a parallel unit shift of 0.01% (1 basis point) in the interest rates in various yield curves affecting a portfolio. Cathay United Bank’s interest rate-sensitive portfolios include bonds, interest rate swaps and structured products composed of such products.

Equity factor sensitivities (“Equity delta”) represent the change of the equity portfolio of the underlying stocks prices. Cathay United Bank equity portfolios include stocks and equity index options.

	(In thousands of US dollars)	
	<u>Currency</u>	<u>September 30, 2007</u>
<u>FX factor sensitivity (FX Delta)</u>		
	JPY	\$(1,955)
	USD	(19,248)
	NTD	6,886
 <u>Interest rate factor sensitivity (PVBP)</u>		
	JPY	1
	USD	(1,122)
	NTD	(836)
 <u>Equity factor sensitivity (Equity Delta)</u>		
	NTD	1,698

(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.

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

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

Ⓐ Information on concentrations of credit risk:

Item	September 30, 2006			
	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	\$53,039,409	\$1,602,399	\$53,039,409	\$1,602,399
Available-for-sale financial assets	51,614,812	1,559,360	51,614,812	1,559,360
Held-to-maturity financial assets and debt securities with no active market	236,301,088	7,139,006	236,301,088	7,139,006
Investment accounted for using equity method	2,112,220	63,813	2,112,220	63,813
Others	842,848,646	25,463,705	842,848,646	25,463,705
Guarantees on duties and contracts	-	-	17,424,464	526,419
Unused commercial letters of credit	-	-	2,554,266	77,168
Irrevocable loan commitments	-	-	38,793,551	1,172,011
Credit card line commitments	-	-	285,087,804	8,612,925

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Item	September 30, 2006			
	Carrying value		Maximum credit risk exposed amount	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	\$2,229,613	\$67,360	\$2,229,613	\$67,360
Interest rate swap	1,004,846	30,358	1,004,846	30,358
Cross currency swap	661	20	661	20
Options	54,062	1,633	54,062	1,633
Credit derivative instruments	54,292	1,640	54,292	1,640
Item	September 30, 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	\$38,299,787	\$1,172,323	\$38,299,787	\$1,172,323
Available-for-sale financial assets	58,357,622	1,786,276	58,357,622	1,786,276
Held-to-maturity financial assets and debt securities with no active market	284,002,362	8,693,063	284,002,362	8,693,063
Investment accounted for using equity method	2,249,661	68,860	2,249,661	68,860
Others	869,124,647	26,603,142	869,124,647	26,603,142
Guarantees on duties and contracts	-	-	17,923,555	548,625
Unused commercial letters of credit	-	-	3,190,928	97,672
Irrevocable loan commitments	-	-	35,801,924	1,095,865
Credit card line commitments	-	-	280,177,395	8,575,984
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	1,066,035	32,630	1,066,035	32,630
Non-delivery forward	45,027	1,378	45,027	1,378
Currency swap	1,665,107	50,967	1,665,107	50,967
Interest rate swap	1,208,638	36,995	1,208,638	36,995
Cross currency swap	2,046	63	2,046	63
Options	53,728	1,645	53,728	1,645
Credit derivative instruments	10,390	318	10,390	318

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- 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:

	September 30,			
	2006		2007	
Loans, customers' liabilities under acceptances, bill purchased and guarantees account	(NT\$)	(US\$)	(NT\$)	(US\$)
Industry type				
Manufacturing	\$104,689,186	\$3,162,815	\$107,264,059	\$3,283,259
Financial institutions and insurance	40,280,252	1,216,926	48,166,044	1,474,320
Leasing and real estate	71,522,493	2,160,800	69,533,930	2,128,373
Individuals	402,016,935	12,145,527	414,822,733	12,697,359
Others	116,898,005	3,531,662	124,906,996	3,823,293
Total	735,406,871	22,217,730	764,693,762	23,406,604
Valuation allowance	(11,985,739)	(362,107)	(10,204,905)	(312,363)
Maximum credit risk exposed	\$723,421,132	\$21,855,623	\$754,488,857	\$23,094,241
Geographic Region				
Domestic	\$694,232,686	\$20,973,797	\$709,539,211	\$21,718,372
South East Asia	11,706,964	353,685	16,416,240	502,487
North East Asia	-	-	141,842	4,342
America	8,353,691	252,377	13,185,461	403,595
Others	21,113,530	637,871	25,411,008	777,808
Total	735,406,871	22,217,730	764,693,762	23,406,604
Valuation allowance	(11,985,739)	(362,107)	(10,204,905)	(312,363)
Maximum credit risk exposed	\$723,421,132	\$21,855,623	\$754,488,857	\$23,094,241

(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.

The liquidity risk rate was 28.90%. Capital and working capital of Cathay United Bank have sufficed to deliver contracts. Cathay United Bank has raised sufficient capital to execute the obligations so that it is without liquidity risk.

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

Cathay United Bank's financial debentures payable was matched with the interest rate swap and currency swap contracts which had been transferred from fixed rate to floating rate.

Except for default or redemption in advance, expected reset and maturity dates of interest-bearing financial instruments are confirmed under related contracts. As of September 30, 2007, there is no significant change in these dates.

As of September 30, 2006 and 2007, respectively, the effective interest rates of financial instruments held and issued by Cathay United Bank are classified as follows:

Financial instruments	Effective interest rate (%)	
	September 30, 2006	September 30, 2007
Available-for-sale financial assets		
Bonds	1.1362-8.00	1.6727-6.8334
Overseas financial instruments	1	2.9278-6.988
Held-to-maturity financial assets		
Bonds	1.6463-6.9523	1.6727-6.9525
Overseas financial instruments	3.45-7.625	3.45-6.65
Investments in debt securities with no active market		
Preferred stocks	5	5
Certificates of deposit	1.59-1.923	1.858-3
Overseas financial instruments	0-8.36	0-8.26
Financial debentures payable	2-5.5	2-5.593

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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:

		Hedging instruments			
		Fair value			
		September 30, 2006		September 30, 2007	
Hedged item	Derivative designated as hedging instruments	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial debentures payable	Interest rate swap	\$503,698	\$15,217	\$406,986	\$12,457

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	September 30, 2006			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments:</u>				
<u>Assets</u>				
Cash and Cash equivalents	\$2,149,403	\$2,149,403	\$64,937	\$64,937
Financial assets at fair value through profit or loss				
-current	571,832	571,832	17,276	17,276
Available-for-sale financial assets - current	1,939,903	1,939,903	58,607	58,607
Investments in debt securities with no active market-current	277,468	277,468	8,383	8,383
Receivables	1,455,842	1,455,842	43,983	43,983
Claims recoverable from reinsurers	276,432	276,432	8,351	8,351
Due from reinsurers and ceding Companies	228,706	228,706	6,910	6,910
Secured loans	1,984,134	1,984,134	59,944	59,944
Held-to-maturity financial assets - noncurrent	3,611,519	3,611,519	109,109	109,109
Financial assets carried at cost - noncurrent	60,000	60,000	1,813	1,813

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Item	September 30, 2006			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
Investments in debt securities with no active market				
- noncurrent	\$229,942	\$229,942	\$6,947	\$6,947
Long-term investments in stocks under the equity method	450,460	450,460	13,609	13,609
Guarantee deposits paid	404,995	404,995	12,235	12,235
<u>Liabilities</u>				
Claims outstanding	82,513	82,513	2,493	2,493
Due to reinsurers and ceding companies	129,572	129,572	3,914	3,914
Operating and liability reserve	8,877,277	8,877,277	268,196	268,196
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Futures Contract	5,761	5,761	174	174
Options Contract	515	515	15	15
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss-current				
Foreign exchange SWAP	89,295	89,295	2,698	2,698
September 30, 2007				
Item	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-derivative financial instruments:				
<u>Assets</u>				
Cash and Cash equivalents	\$1,655,790	\$1,655,790	\$50,682	\$50,682
Financial assets at fair value through profit or loss - current	908,179	908,179	27,798	27,798
Available-for-sale financial assets - current	3,374,997	3,374,997	103,306	103,306
Held-to-maturity financial assets-current	31,112	31,112	952	952
Investments in debt securities with no active market-current	126,209	126,209	3,863	3,863
Receivables	1,715,208	1,715,208	52,501	52,501

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Item	September 30, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
Claims recoverable from reinsurers	\$119,808	\$119,808	\$3,667	\$3,667
Due from reinsurers and ceding companies	63,274	63,274	1,937	1,937
Secured loans	2,318,109	2,318,109	70,955	70,955
Held-to-maturity financial assets- noncurrent	4,222,682	4,222,682	129,253	129,253
Financial assets carried at cost-noncurrent	60,000	60,000	1,837	1,837
Investments in debt securities with no active market – noncurrent	102,136	102,136	3,126	3,126
Long-term investments in stocks under the equity method	445,273	445,273	13,629	13,629
Guarantee deposits paid	419,121	419,121	12,829	12,829
<u>Liabilities</u>				
Claims outstanding	34,494	34,494	1,056	1,056
Due to reinsurers and ceding companies	346,262	346,262	10,599	10,599
Operating and liability reserve	10,273,190	10,273,190	314,454	314,454
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current				
Futures Contract	6,012	6,012	184	184
Options Contract	573	573	18	18
Foreign exchange SWAP	9,762	9,762	299	299
<u>Liabilities</u>				
Derivative financial liabilities for hedging-current				
IRS	126	126	4	4

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.

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- (b) The fair value of the guarantee deposits paid and guarantee deposits received is based on the carrying amount.
- (c) Quoted market price, if available, are utilized as estimates of the fair value of held-to-maturity financial assets. If no quoted market prices exist for Cathay Century's held-to-maturity financial assets, the fair value of financial assets has been derived based on pricing models. A pricing model incorporates all factors that market participants would consider in setting a price. Cathay Century uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics. The characteristics involve debtor's credit standing, residual period of contracted fixed interest rates, residual period of principal repayment and currency of payment.
- (d) The fair value of Cathay Century's current and noncurrent financial asset or liabilities was based on market prices at the reporting date if market prices are not available. When market prices are not available, the fair value was based on relevant financial or any other information.
- c. The following table summarizes the fair value information of Cathay Century's financial assets and liabilities at September 30, 2006 and 2007:

Item	September 30, 2006			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current	\$571,832	\$17,276	\$-	\$-
Available-for-sale financial assets-current	1,939,903	58,607	-	-
Investment in debt securities with no active market-current	-	-	277,468	8,383
Held-to-maturity financial assets-noncurrent	-	-	3,611,519	109,109
Financial assets carried at cost-noncurrent	-	-	60,000	1,813
Investment in debt securities with no active market-noncurrent	-	-	229,942	6,947
Long-term investments in stocks under the equity method	-	-	450,460	13,609

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Item	September 30, 2006			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current				
Futures	\$5,761	\$174	\$-	\$-
Option	515	15	-	-
 <u>Liabilities</u>				
Financial liability at fair value through profit or loss-current				
Forward contracts	89,295	2,698	-	-

Item	September 30, 2007			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current				
Available-for-sale financial assets-current	\$908,179	\$27,799	\$-	\$-
Held-to-maturity financial assets-current	3,374,997	103,306	-	-
Investment in debt securities with no active market-current	-	-	31,112	952
Held-to-maturity financial assets-noncurrent	-	-	126,209	3,863
Financial assets carried at cost-noncurrent	-	-	4,222,682	129,253
Investment in debt securities with no active market-noncurrent	-	-	60,000	1,837
Long-term investments in stocks under the equity method	-	-	102,136	3,126
Long-term investments in stocks under the equity method	-	-	445,273	13,629
 <u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current				
Futures	6,012	184	-	-
Option	573	18	-	-
Foreign exchange SWAP	9,762	299	-	-

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Item	September 30, 2007			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Liabilities</u>				
Derivative financial liabilities for				
hedging-current				
IRS	\$126	\$4	\$-	\$-

d. Information on financial risk

(a) Risk of interest rate

The following table summarizes the maturities of Cathay Century's financial instruments at September 30, 2006 and 2007:

Fixed interest rate

September 30, 2006

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Held-to-maturity financial assets	\$-	\$-	\$57,638	\$1,741	\$862,005	\$26,042	\$197,637	\$5,971
Investments in debt securities								
with no active market	277,468	8,383	126,208	3,813	103,734	3,134	-	-
Item	Due in 4~5 years		Over 5 years		Total			
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)		
Held-to-maturity financial assets	\$645,237	\$19,494	\$1,849,002	\$55,861	\$3,611,519	\$109,109		
Investments in debt securities								
with no active market	-	-	-	-	507,410	15,330		

September 30, 2007

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Held-to-maturity financial assets	\$31,112	\$952	\$1,044,330	\$31,966	\$-	\$-	\$163,244	\$4,997
Investments in debt securities								
with no active market	126,209	3,863	102,136	3,126	-	-	-	-

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Item	Due in 4~5 years		Over 5 years		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Held-to-maturity financial assets	\$792,926	\$24,271	\$2,222,182	\$68,019	\$4,253,794	\$130,205
Investments in debt securities						
with no active market	-	-	-	-	228,345	6,989

(b) Credit risk

Cathay Century's exposure to credit risk is minimal.

e. Hedging activities

Fair value hedges

Hedged item	Financial instruments of designated as hedging instruments	Designated as hedging instruments			
		Fair value			
		September 30, 2006		September 30, 2007	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Overseas investments in bonds	Foreign exchange SWAP	\$(89,295)	\$(2,698)	\$9,762	\$299

f. Hedged of derivative financial instruments related information

The following table summarizes the terms of Cathay Century's interest rate swap for bonds hedging at September 30, 2007:

Cash flow hedges-IRS

① September 30, 2007

Par value		Exchange rate	Frequency	Maturity date
(NT\$)	(US\$)			
\$200,000	\$6,122	90 DCP + 0.90%	Yearly	No maturity date

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

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Cathay Century's interest rate swap agreements for cash flow hedges have passed the effectiveness testing. Unrealized loss on financial instruments were recognized in equity by NT\$126 (US\$4) as of September 30, 2007.

g. Financial risk management objectives policies

Cathay Century's primary financial instruments other than derivatives consists of cash and cash equivalents, current and noncurrent 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.

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.

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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.

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.

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E. Cathay Securities

a. Information of fair value

	September 30, 2006			
	Carrying	Fair	Carrying	Fair
	amount	value	amount	value
	(NT\$)	(NT\$)	(US\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$738,059	\$738,059	\$22,298	\$22,298
Financial assets at fair value through profit or loss – current				
Open-end funds and currency market instruments	600,997	600,997	18,157	18,157
Operating securities – net	208,081	208,081	6,286	6,286
Receivable amount for margin loans	567,915	567,915	17,158	17,158
Receivables – net	48,136	48,136	1,454	1,454
Restricted assets – current	600,000	600,000	18,127	18,127
Long-term investments under equity method	722,374	722,374	21,824	21,824
Available-for-sale financial assets-noncurrent	18	18	1	1
Operating deposits	215,098	215,098	6,499	6,499
Settlement and clearance funds	56,335	56,335	1,702	1,702
Guarantee deposits paid	29,239	29,239	883	883
<u>Liabilities</u>				
Securities financial guarantee deposits-in	11,434	11,434	346	346
Deposit payable for securities financing	12,642	12,642	382	382
Payables	28,362	28,362	857	857
Guarantee deposits-in	299	299	9	9
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit and loss – current				
Margin for futures trading – own funds	304,555	304,555	9,201	9,201
Derivative financial instrument assets – GreTai (over-the-counter)	3,109	3,109	94	94

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	September 30, 2006			
	Carrying	Fair	Carrying	Fair
	amount	value	amount	value
	(NT\$)	(NT\$)	(US\$)	(US\$)
<u>Liabilities</u>				
Financial liabilities at fair value through profit and loss – current				
Liabilities for issuance of call (put) warrants	\$2,400	\$2,400	\$73	\$73
Repurchase of issued call (put) warrants	(1,762)	(1,762)	(53)	(53)
Put options – futures	2	2	-	-
Derivative financial instrument liabilities				
-GreTai (over-the-counter)	84	84	2	2
Other financial liabilities – current	42,408	42,408	1,281	1,281
September 30, 2007				
	(NT\$)		(US\$)	
Item	Carrying	Fair	Carrying	Fair
	amount	value	amount	value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$598,354	\$598,354	\$18,315	\$18,315
Financial assets at fair value through profit or loss – current				
Open-end funds and currency market instruments				
Operating securities – net	170,145	170,145	5,208	5,208
Operating securities – net	1,039,788	1,039,788	31,827	31,827
Receivable amount for margin loans	1,207,761	1,207,761	36,969	36,969
Receivables	24,046	24,046	736	736
Long-term investments under equity method	718,652	718,652	21,997	21,997
Available-for-sale financial assets – noncurrent	18	18	1	1
Operating deposits	230,097	230,097	7,043	7,043
Settlement and clearance funds	50,550	50,550	1,547	1,547
Guarantee deposits paid	49,185	49,185	1,506	1,506
<u>Liabilities</u>				
Securities financing guarantee deposits-in	18,467	18,467	565	565
Deposit payable for securities financing	21,158	21,158	648	648
Payables	44,007	44,007	1,347	1,347
Guarantee deposits-in	141	141	4	4

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Item	September 30, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss – current				
Margin for futures trading – own funds	\$221,014	\$221,014	\$6,765	\$6,765
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss – current				
Liabilities for issuance of call (put) warrants	62,140	62,140	1,902	1,902
Repurchase of issued call (put) warrants	(28,382)	(28,382)	(869)	(869)
Put options-futures	794	794	24	24
Derivative financial instrument liabilities				
-GreTai (over-the-counter)	2,213	2,213	68	68
Other financial liabilities-current	213,306	213,306	6,529	6,529

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

- (a) Short-term financial instruments are stated at their carrying amount on the balance sheet date. Because the maturity date of these instruments is very close to the balance sheet date, it is reasonable that their carrying amounts are equal to their fair values. This assumption is adopted for the following accounts: cash and cash equivalents, receivable amount for margin loans, restricted assets, operating deposits, settlement and clearance funds, guarantee deposits paid, 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.

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- (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 fair value by using pricing model. A pricing model incorporates all factors that market participants would consider in setting a price.

The following table summarizes the fair value of financial assets and liabilities as of September 30, 2006 and 2007:

Financial instruments	September 30, 2006			
	Based on the quoted market		Based on pricing models	
	price			
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Assets</u>				
Financial assets at fair value				
through profit or loss – current				
Open-end funds and currency				
market instruments	\$600,997	\$18,157	\$-	\$-
Operating securities – net	208,081	6,286	-	-
Margin for futures trading – own				
funds	304,555	9,201	-	-
Derivative financial instrument				
assets – GreTai				
(over-the-counter)	-	-	3,109	94
<u>Liabilities</u>				
Financial liabilities at fair value				
through profit and loss – current				
Liabilities for issuance of call				
(put) warrants	2,400	73	-	-
Repurchase of issued call (put)				
warrants	(1,762)	(53)	-	-
Put options – futures	2	-	-	-
Derivative financial instrument				
liabilities-GreTei				
(over-the-counter)	-	-	84	2
Other financial liabilities – current	-	-	42,408	1,281

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Financial instruments	Based on the quoted market			
	price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Assets				
Financial assets at fair value through profit or loss – current				
Open-end funds and currency market instruments	\$170,145	\$5,208	\$-	\$-
Operating securities – net	1,039,788	31,827	-	-
Margin for futures trading – own funds	221,014	6,765	-	-
Liabilities				
Financial liabilities at fair value through profit or loss – current				
Liabilities for issuance of call (put) warrants	62,140	1,902	-	-
Repurchase of issued call (put) warrants	(28,382)	(869)	-	-
Put options-futures	794	24	-	-
Derivative financial instrument liabilities-GreTei (over-the-counter)	-	-	2,213	68
Other financial liabilities – current	-	-	213,306	6,529

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

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.

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(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.

Cathay Securities holds Real Estate Asset Trust (REAT) beneficiary certificates. The value of these certificates may decline if interest rates increase and thus they are subject to valuation risk. However, the term of the certificates is 5 years, and as a result, the risk is relatively lower. In addition, Cathay Securities will take appropriate actions with respect these certificates based on interest rate fluctuations.

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d. Derivatives

(a) Issuance call warrants

Ⓐ Nominal principal or contract amount and credit risk

Financial instruments	September 30, 2006		September 30, 2007	
	Nominal principal /contract amount	Credit risk	Nominal principal /contract amount	Credit risk
<u>For trading purposes</u>				
Issuance of call warrants	NT\$5,160 (US\$156)	NT\$- -	NT\$113,920 (US\$3,487)	NT\$- -

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.

Ⓑ Market price risk

Market risk for call warrants issued arises from changes in prices of the underlying securities. Although market risk can be avoided by adjusting Cathay Securities warrant and hedging positions, certain market risk still exist.

Ⓒ 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 shareholders 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 nine 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 financial 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 September 30, 2007, disclosure of the issuance of call (put) warrants on the balance sheets and statements of income are summarized as follows:

Balance sheet

	September 30, 2006	
	Financial liabilities at fair value through profit or loss-current	
	(NT\$)	(US\$)
Liabilities for issuance of call (put) warrants	\$2,400	\$73
Repurchase of issued call (put) warrants	(1,762)	(53)
Total	<u>\$638</u>	<u>\$20</u>
	September 30, 2007	
	Financial liabilities at fair value through profit or loss-current	
	(NT\$)	(US\$)
Liabilities for issuance of call (put) warrants	\$62,140	\$1,902
Repurchase of issued call (put) warrants	(28,382)	(869)
Total	<u>\$33,758</u>	<u>\$1,033</u>

Statement of income

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

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	For the nine months ended		
	September 30, 2007		
	Profit from issuing call (put) warrants		Comments
	(NT\$)	(US\$)	
Liabilities for issuance of call (put) warrants	\$44,860	\$1,373	Fair value method
Repurchase of issued call (put) warrants			
Loss on disposal	(17,925)	(549)	
Gain from valuation	(29,475)	(902)	Fair value method
Gain from expiration of warrants issued valuation	11,120	341	
Total	\$8,580	\$263	

(b) Structured notes transactions

Ⓐ Nominal principal or contract amount and credit risk

Financial instruments	September 30, 2006		September 30, 2007	
	Nominal	Credit	Nominal	Credit
	principal	risk	principal	risk
<u>For trading purposes</u>	/contract amount		/contract amount	
Equity-linked notes	NT\$15,000		NT\$-	
	(US\$453)	\$-	(US\$-)	\$-
Principal guaranteed notes	NT\$27,700		NT\$214,400	
	(US\$837)	\$-	(US\$6,563)	\$-

Cathay Securities credit risk arises 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.

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© 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.

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 September 30, 2006 and 2007, the disclosure of structured notes transactions on the balance sheets and statements of income are summarized as follows:

Balance sheet

	September 30, 2006		September 30, 2007	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Derivative financial instrument assets –				
GreTai (over-the-counter) (note 1)				
Structured notes transactions	\$3,109	\$94	\$-	\$-
Derivative financial instrument liabilities –				
GreTai (over-the-counter) (note 2)				
Structured notes transactions	84	2	2,213	68
Other financial liabilities – current				
Principal of structured notes	42,408	1,281	213,306	6,529

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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.

Statement of income

	For the nine months ended September 30, 2006		For the nine months ended September 30, 2007		Comments
	(NT\$)	(US\$)	(NT\$)	(US\$)	
	Loss from derivative financial instruments – Gre Jai (over the counter)				
Loss from structured notes	\$8,233	\$249	\$6,929	\$212	Fair value method

e. Futures and options transactions

As of September 30, 2006 and 2007, Cathay Securities’ unexercised futures and options were as follows:

September 30, 2006

Item	Nature of Transaction	Unexercised options		Contract amount/ payment of premium		Fair value	
		Buy/Sell	Units	(NT\$)	(US\$)	(NT\$)	(US\$)
				Options	TXO-Put	Sell	2
Futures	TAIEX futures	Sell	28	\$(38,410)	\$(1,160)	\$38,511	\$1,163

September 30, 2007

Item	Nature of Transaction	Unexercised options		Contract amount/ payment receipt of premium		Fair value	
		Buy/Sell	Units	(NT\$)	(US\$)	(NT\$)	(US\$)
				Futures	TAIEX futures	Buy	88
Options	TXO-Put	Sell	410	\$(991)	\$(30)	\$794	\$24

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(a) Nominal principal or contract amount and credit risk

September 30, 2006		
Financial instruments	Nominal principal/ contract amount	Credit risk
<u>For trading purposes</u>		
TXO	\$3(US\$-)	\$-
TAIEX futures	\$38,410(US\$1,160)	\$-
September 30, 2007		
Financial instruments	Nominal principal/ contract amount	Credit risk
<u>For trading purposes</u>		
TAIEX futures	\$166,446(US\$5,095)	\$-
TXO	\$991(US\$30)	\$-

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 arises 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 Cathay Securities pays or receives option premium. If Cathay Securities sells call options and the counterparty exercises its option, Cathay Securities has sufficient working capital to cover the exercise and hence 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 nine months ended September 30, 2006 and 2007, the related gain (loss) of futures and options on the statement of income were as follows:

Item	For the nine months ended September 30, 2006		For the nine months ended September 30, 2007	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Gain from derivative financial instruments –				
futures				
Gain on futures contracts - realized	\$6,192	\$187	\$14,959	\$458
Gain on futures contracts - unrealized	538	16	773	23
Gain from options transactions - realized	2,021	61	2,248	69
Gain from options transactions - unrealized	829	25	1,209	37
Total	<u>\$9,580</u>	<u>\$289</u>	<u>\$19,189</u>	<u>\$587</u>
Loss from derivative financial instruments -				
futures				
Loss on futures contracts - realized	\$5,017	\$151	\$5,087	\$156
Loss on futures contracts – unrealized	384	11	160	5
Loss from options transactions – realized	490	15	1,416	43
Loss from options transactions - unrealized	917	28	1,012	31
Total	<u>\$6,808</u>	<u>\$205</u>	<u>\$7,675</u>	<u>\$235</u>

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F. Cathay Pacific Venture

a. Information of fair value

Item	September 30, 2006			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash in bank	\$375,956	\$375,956	\$11,358	\$11,358
Available-for-sale financial assets-current	109,061	109,061	3,295	3,295
Other receivables (contain transactions with related parties)	13,051	13,051	394	394
Other current assets	6,150	6,150	186	186
<u>Liabilities</u>				
Other payables	277	277	8	8

Item	September 30, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash in bank	\$3,180	\$3,180	\$97	\$97
Available-for-sale financial assets-current	830,692	830,692	25,427	25,427
Other receivables (contain transactions with related parties)	2,468	2,468	76	76
Other current assets	2,066	2,066	63	63
<u>Liabilities</u>				
Other payables	139	139	4	4

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.

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

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

G. Cathay Futures

a. Information of fair value

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

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Item	September 30, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$226,826	\$226,826	\$6,943	\$6,943
Customers' margin accounts	886,240	886,240	27,127	27,127
Futures trading deposits receivable	750	750	23	23
Accounts receivable-related parties	90	90	3	3
Other receivable (contain transactions with related parties)	4,111	4,111	126	126
Available-for-sale financial assets-noncurrent	30,500	30,500	934	934
Operating deposits	60,000	60,000	1,837	1,837
Settlement and clearance funds	66,000	66,000	2,020	2,020
Guarantee deposits paid	1,279	1,279	39	39
<u>Liabilities</u>				
Futures customers' equity	886,038	886,038	27,121	27,121
Payables (contain transactions with related parties)	1,359	1,359	42	42
Advance receipts	249	249	8	8
Other payable (contain transactions with related parties)	4,507	4,507	138	138

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 deposits, settlement and clearance funds, guarantee deposits paid, futures customers' equity, payables, Advance receipts under custody, other payable and guarantee deposits in, approximate their fair values because of the short maturities of these instruments.

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- (b) The fair value of available-for-sale financial assets-current is valued at market price or other financial information when available.
- (c) The fair value of financial assets and financial liabilities is determined by pricing models.
- c. Information on financial risk
- (a) The fair values of the shares on listed companies or derivative instruments 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 September 30, 2006 and 2007 are as follows:

	September 30,			
	2006		2007	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Gain on derivatives	\$6,783	\$205	\$-	\$-
Losses on derivatives	(3,764)	(114)	-	-
Net	<u>\$3,019</u>	<u>\$91</u>	<u>\$-</u>	<u>\$-</u>

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H. Symphox Information

a. Information of fair value

Item	September 30, 2006			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$81,885,286	\$81,885,286	\$2,473,876	\$2,473,876
Financial assets at fair value through profit or loss-current	92,510,730	92,510,730	2,794,886	2,794,886
Receivables (contain transactions with related parties)	164,607,138	164,607,138	4,973,025	4,973,025
Guarantee deposits paid	11,069,607	11,069,607	334,429	334,429
<u>Liabilities</u>				
Payables (contain transactions with related parties)	72,236,944	72,236,944	2,182,385	2,182,385
Guarantee deposits in	88,400	88,400	2,671	2,671
Item	September 30, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$96,969,264	\$96,969,264	\$2,968,144	\$2,968,144
Financial assets at fair value through profit or loss-current	210,712,722	210,712,722	6,449,731	6,449,731
Receivables (contain transactions with related parties)	153,109,416	153,109,416	4,686,545	4,686,545
Guarantee deposits paid	7,938,430	7,938,430	242,988	242,988
<u>Liabilities</u>				
Payables (contain transactions with related parties)	78,285,106	78,285,106	2,396,238	2,396,238
Guarantee deposits in	79,400	79,400	2,430	2,430

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

(a) The fair value of Symphox Information short-term financial instruments is based on the carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash and cash equivalents, financial assets at fair value through profit or loss-current, receivables.

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

I. Cathay Venture Capital

a. Information of fair value

Item	September 30, 2006			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$2,578	\$2,578	\$78	\$78
Available-for-sale financial assets- current	704,944	704,944	21,297	21,297
Available-for-sale financial assets- noncurrent	280,177	280,177	8,465	8,465
Financial assets carried at cost - noncurrent	604,698	604,698	18,269	18,269

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Item	September 30, 2007			
	(NT\$)		(US\$)	
	Carrying	Fair value	Carrying	Fair value
	amount		amount	
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$24,286	\$24,286	\$743	\$743
Financial assets at fair value through profit or loss-current	12,875	12,875	394	394
Available-for-sale financial assets- current	361,349	361,349	11,061	11,061
Available-for-sale financial assets- noncurrent	254,541	254,541	7,791	7,791
Financial assets carried at cost - noncurrent	862,965	862,965	26,415	26,415

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.

(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 Venture Capital financial assets and liabilities determined by quoted market price or pricing models are summarized as following:

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Item	September 30,							
	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>								
Financial assets at fair value								
through profit or								
loss-current	\$-	\$-	\$-	\$-	\$12,875	\$394	\$-	\$-
Available-for-sale financial								
assets-current	704,944	21,297	-	-	361,349	11,061	-	-
Available-for-sale financial								
assets-noncurrent	280,177	8,465	-	-	254,541	7,791	-	-
Financial assets carried at								
cost - noncurrent	604,698	18,269	-	-	862,965	26,415	-	-

I. Cathay II Venture Capital

a. Information of fair value

Item	September 30, 2006			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$11,998	\$11,998	\$362	\$362
Available-for-sale financial				
assets- current	80,080	80,080	2,419	2,419
Available-for-sale financial				
assets- noncurrent	346,637	346,637	10,472	10,472
Financial assets carried at cost-noncurrent	408,749	408,749	12,349	12,349

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Item	September 30, 2007			
	(NT\$)		(US\$)	
	Carrying		Carrying	
	amount	Fair value	amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$27,530	\$27,530	\$843	\$843
Available-for-sale financial				
assets- current	126,027	126,027	3,858	3,858
Available-for-sale financial				
assets- noncurrent	180,687	180,687	5,531	5,531
Financial assets carried at cost-noncurrent	527,609	527,609	16,150	16,150

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.
- (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	September 30,							
	2006				2007			
	Based on the quoted		Based on pricing		Based on the quoted		Based on pricing	
	market price		models		market price		models	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Available-for-sale financial								
assets-current	\$80,080	\$2,419	\$-	\$-	\$126,027	\$3,858	\$-	\$-
Available-for-sale financial								
assets-noncurrent	346,637	10,472	-	-	180,687	5,531	-	-
Financial assets carried at								
cost-noncurrent	408,749	12,349	-	-	527,609	16,150	-	-

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K. Cathay Life (Shanghai)

a. Information of fair value

Item	September 30,2006			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$1,159,781	\$1,159,781	\$35,039	\$35,039
Financial assets at fair value through profit or loss-current	495,532	495,532	14,971	14,971
Premium receivables	42	42	1	1
Other financial assets-current	452,708	452,708	13,677	13,677
Available-for-sale financial assets-noncurrent	468,297	468,297	14,148	14,148
Held-to-maturity financial assets-noncurrent	502,745	502,745	15,189	15,189
Investment in debt securities with no active market-noncurrent	735,491	735,491	22,220	22,220
Guarantee deposits paid	684,671	684,671	20,685	20,685
<u>Liabilities</u>				
Guarantee deposits in	674	674	20	20
Item	September 30,2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$2,899,048	\$2,899,048	\$88,737	\$88,737
Financial assets at fair value through profit or loss-current	262,128	262,128	8,024	8,024
Available-for-sale financial assets-current	846,843	846,843	25,921	25,921
Held-to-maturity financial assets-current	91,897	91,897	2,813	2,813

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Item	September 30,2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
Other financial assets-currents	\$159,076	\$159,076	\$4,869	\$4,869
Available-for-sale financial assets-noncurrent	916,166	916,166	28,043	28,043
Held-to-maturity financial assets-noncurrent	389,425	389,425	11,920	11,920
Investment in debt securities with no active market-noncurrent	1,520,173	1,520,173	46,531	46,531
Guarantee deposits paid	705,522	705,522	21,595	21,595
<u>Liabilities</u>				
Guarantee deposits in	1,793	1,793	55	55

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	September 30,							
	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	\$1,159,781	\$35,039	\$-	\$-	\$2,899,048	\$88,737	\$-	\$-
Financial assets at fair value through profit or loss-current	495,532	14,971	-	-	262,128	8,024	-	-
Available-for-sale financial assets-current	-	-	-	-	846,843	25,921	-	-
Held-to-maturity financial assets-current	-	-	-	-	91,897	2,813	-	-
Premium receivables	42	1	-	-	-	-	-	-
Other financial assets-current	452,708	13,677	-	-	159,076	4,869	-	-
Available-for-sale financial assets-noncurrent	-	-	-	-	916,166	28,043	-	-
Held-to-maturity financial assets-noncurrent	502,745	15,189	-	-	389,425	11,920	-	-
Investment in debt securities with no active market- noncurrent	-	-	735,491	22,220	-	-	1,520,173	46,531
Guarantee deposits paid	684,671	20,685	-	-	705,522	21,595	-	-
<u>Liabilities</u>								
Guarantee deposits in	674	20	-	-	1,793	55	-	-

(3) Discretionary account management

Item	September 30, 2006			
	Carrying value		Fair value	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Listed stocks	\$5,358,521	\$161,889	\$5,358,521	\$161,889
Repurchase bonds	6,327,016	191,149	6,329,588	191,226
Convertible bonds	28,415	858	28,415	858
Short-term notes	40,083	1,211	40,083	1,211
Bonds	2,674,479	80,800	2,674,479	80,800
Cash in banks	193,380	5,842	193,380	5,842
Net other assets less liabilities	3,234	98	3,234	98
Total	\$14,625,128	\$441,847	\$14,627,700	\$441,924

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Item	September 30, 2007			
	Carrying value		Fair value	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Listed stocks	\$15,939,646	\$487,898	\$18,676,038	\$571,657
Repurchase bonds	9,589,219	293,517	9,593,918	293,662
Short-term notes	409,280	12,528	409,586	12,537
Cash in banks	823,963	25,221	824,177	25,227
Net other assets less liabilities	2,118	65	2,118	65
Total	<u>\$26,764,226</u>	<u>\$819,229</u>	<u>\$29,505,837</u>	<u>\$903,148</u>

As of September 30, 2006 and 2007, Cathay Life and Cathay Century had discretionary account management contracts in the amount of NT\$12,700,000 (US\$383,686), and NT\$22,350,000 (US\$684,114), 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.

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.

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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 nine months ended September 30, 2006 have been reclassified in order to be comparable with those in the consolidated financial statements for the nine months ended September 30, 2007.

31. Information regarding investment in Mainland China

- (1) On December 25, 2002 and July 24, 2003, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized Cathay Life to remit US\$22,850 and US\$27,150, respectively, as the registered capital to establish a China-based company named Cathay Life Insurance Co., Ltd. (Guangzhou). On September 25, 2003, MOEAIC authorized Cathay Life Insurance Co., Ltd. (Guangzhou) to change its location from Guangzhou to Shanghai. Cathay Life's subsidiary, Cathay Life Insurance Ltd. (Shanghai) has acquired a business license of an enterprise as legal person on December 29, 2004. As of September 30, 2007, Cathay Life's remittances to this company totaled approximately US\$48,330.
- (2) On October 17, 2007, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized Cathay life to remit US\$26,390 as the registered capital to establish a China-based general insurance subsidiary. Cathay life has received approval from the China Insurance Regulatory Commission on October 8 , 2007 to form a joint venture general insurance company. The capital fund has not been wired out as of September 30, 2007. On June 30, 2006, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized Cathay Century to remit US\$28,960 as the registered capital to establish a China-based general insurance subsidiary. Cathay Century has received approval from the China Insurance Regulatory Commission on October 8 , 2007 to form a joint venture general insurance company. The capital fund has not been wired out as of September 30 , 2007.

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32. Segment information

For the nine months ended September 30, 2006

Item	Bank division (NT\$)	Life insurance division (NT\$)	Property and casualty insurance division (NT\$)	Securities division (NT\$)	Others division (NT\$)	Total (NT\$)
Net interest income	19,898,794	46,066,469	231,577	5,578	(588,388)	65,614,030
Non-interest income	5,929,264	101,141,351	2,464,748	231,564	170,834	109,937,761
Provision for premiums reserve	-	(113,119,741)	(750,233)	-	-	(113,869,974)
Total income	25,828,058	34,088,079	1,946,092	237,142	(417,554)	61,681,817
Provision for loan losses	(13,640,134)	-	-	-	-	(13,640,134)
Operating expenses	(8,735,901)	(27,932,894)	(885,900)	(218,380)	(848,120)	(38,621,195)
Income from continuing operations before income taxes	3,452,023	6,155,185	1,060,192	18,762	(1,265,674)	9,420,488
Income taxes (expense) benefit	178,236	710,864	(157,057)	(11,200)	(194,184)	526,659
Cumulative effect of changes in accounting principles	726,679	3,319,319	60,141	29	(856,845)	3,249,323
Consolidated income	4,356,938	10,185,368	963,276	7,591	(2,316,703)	13,196,470

For the nine months ended September 30, 2006

Item	Bank division (US\$)	Life insurance division (US \$)	Property and casualty insurance division (US \$)	Securities division (US \$)	Others division (US \$)	Total (US \$)
Net interest income	601,172	1,391,736	6,996	169	(17,776)	1,982,297
Non-interest income	179,132	3,055,630	74,463	6,996	5,161	3,321,382
Provision for premiums reserve	-	(3,417,515)	(22,665)	-	-	(3,440,180)
Total income	780,304	1,029,851	58,794	7,165	(12,615)	1,863,499
Provision for loan losses	(412,089)	-	-	-	-	(412,089)
Operating expenses	(263,924)	(843,894)	(26,764)	(6,598)	(25,623)	(1,166,803)
Income from continuing operations before income taxes	104,291	185,957	32,030	567	(38,238)	284,607
Income taxes (expense) benefit	5,385	21,476	(4,745)	(338)	(5,867)	15,911
Cumulative effect of changes in accounting principles	21,954	100,282	1,817	1	(25,887)	98,167
Consolidated income	131,630	307,715	29,102	230	(69,992)	398,685

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For the nine months ended September 30, 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	16,217,093	51,459,323	268,405	38,743	(55,747)	67,927,817
Non income other than interest	5,587,419	111,002,247	3,395,177	246,301	(82,964)	120,148,180
Provision for premiums reserve	-	(105,330,272)	(793,305)	-	-	(106,123,577)
Total income	21,804,512	57,131,298	2,870,277	285,044	(138,711)	81,952,420
Bad debt expenses-Loan	(2,993,794)	-	-	-	-	(2,993,794)
Operating expenses	(8,885,298)	(30,366,433)	(942,098)	(248,632)	(615,491)	(41,057,952)
Income from continuing operations before income taxes	9,925,420	26,764,865	1,928,179	36,412	(754,202)	37,900,674
Income taxes (expense) benefit	(1,929,027)	(2,378,462)	(254,345)	(14,694)	(197,504)	(4,774,032)
Consolidated income	7,996,393	24,386,403	1,673,834	21,718	(951,706)	33,126,642

For the nine months ended September 30, 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	496,391	1,575,125	8,215	1,186	(1,706)	2,079,211
Non income other than interest	171,026	3,397,681	103,923	7,539	(2,539)	3,677,630
Provision for premiums reserve	-	(3,224,067)	(24,282)	-	-	(3,248,349)
Total income	667,417	1,748,739	87,856	8,725	(4,245)	2,508,492
Bad debt expenses-Loan	(91,637)	-	-	-	-	(91,637)
Operating expenses	(271,971)	(929,490)	(28,837)	(7,610)	(18,841)	(1,256,749)
Income from continuing operations before income taxes	303,809	819,249	59,019	1,115	(23,086)	1,160,106
Income taxes (expense) benefit	(59,046)	(72,803)	(7,785)	(450)	(6,045)	(146,129)
Consolidated income	244,763	746,446	51,234	665	(29,131)	1,013,977

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

Unaudited Balance sheets

As of September 30, 2006 and 2007

(Expressed in thousands of dollars)

	September 30, 2006		September 30, 2007	
	NT \$	US \$	NT \$	US \$
Assets				
Cash and cash equivalents	\$13,911,163	\$420,277	\$10,271,872	\$314,413
Receivables -net	1,267,842	38,303	2,202,667	67,422
Investments under equity method	198,045,092	5,983,235	228,860,698	7,005,225
Other financial assets -net	31,720	958	31,720	971
Property and equipment -net	4,588	139	4,356	133
Goodwill and intangible assets -net	79	2	1,226	37
Other assets -net	3,177,749	96,005	2,921,957	89,439
Total assets	\$216,438,233	\$6,538,919	\$244,294,496	\$7,477,640
Liabilities & stockholders' equity				
Financial liabilities at fair value through profit and loss	\$1,268,804	\$38,332	\$704,619	\$21,568
Payables	1,931,882	58,365	2,258,081	69,118
Bonds payable	10,444,402	315,541	-	-
Other payable	18,573	561	112,208	3,434
Total liabilities	13,663,661	412,799	3,074,908	94,120
Stockholders' equity				
Capital stock				
Common stock	90,924,450	2,746,962	92,770,192	2,839,614
Capital surplus	73,902,094	2,232,692	81,971,167	2,509,065
Retained earnings				
Legal reserve	8,188,136	247,376	9,245,862	283,008
Unappropriated retained earnings	22,202,291	670,764	37,809,225	1,157,307
Equity adjustments				
Reserve for land revaluation increment	2,106	64	2,106	65
Cumulative conversion adjustments	138,263	4,177	155,427	4,758
Unrealized gains or losses on financial instruments	11,559,116	349,218	23,406,229	716,444
Treasury stock	(4,140,047)	(125,077)	(4,140,047)	(126,723)
Net loss not yet recognized as net pension cost	(1,837)	(56)	(573)	(18)
Total stockholders' equity	202,774,572	6,126,120	241,219,588	7,383,520
Total liabilities and stockholders' equity	\$216,438,233	\$6,538,919	\$244,294,496	\$7,477,640

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

Unaudited Statements of Income

For the nine-month periods ended September 30, 2006 and 2007

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

	January 1 ~ September 30, 2006		January 1 ~ September 30, 2007					
	NT \$	US \$	NT \$	US \$				
Income								
Gain on investment-equity method	\$14,811,653	\$447,482	\$32,987,573	\$1,009,721				
Gain on financial assets and liabilities at fair value through profit or loss	-	-	309,214	9,465				
Gain on foreign exchange	32,648	987	-	-				
Other operating income	17,816	538	9,329	285				
Total income	14,862,117	449,007	33,306,116	1,019,471				
Expenses and loss								
Interest income	812,563	24,549	861,186	26,360				
Less: interest expenses	(1,264,610)	(38,206)	(780,698)	(23,897)				
Net interest income	(452,047)	(13,657)	80,488	2,463				
Loss on financial assets and liabilities at fair value through profit	(123,719)	(3,738)	-	-				
Losses on foreign exchange	-	-	(36,620)	(1,121)				
Operating expenses	(177,669)	(5,368)	(183,418)	(5,614)				
Income from continuing operations before income taxes	14,108,682	426,244	33,166,566	1,015,199				
Income taxes expense	(180,527)	(5,454)	(187,203)	(5,730)				
Cumulative effect of changes in accounting principles	(858,814)	(25,946)	-	-				
Net income	\$13,069,341	\$394,844	\$32,979,363	\$1,009,469				
Earnings per share (expressed in dollars)								
Primary earnings per share:	Before taxes	After taxes	Before taxes	After taxes	Before taxes	After taxes	Before taxes	After taxes
Net income from continuing operations	\$1.57	\$1.55	\$0.05	\$0.05	\$3.61	\$3.59	\$0.11	\$0.11
Cumulative effect of changes in accounting principles	(0.13)	(0.09)	-	-	-	-	-	-
Net income	\$1.44	\$1.46	\$0.05	\$0.05	\$3.61	\$3.59	\$0.11	\$0.11
Fully-diluted earnings per share:								
Net income from continuing operations	\$1.57	\$1.54	\$0.05	\$0.05	\$3.61	\$3.58	\$0.11	\$0.11
Cumulative effect of changes in accounting principles	(0.13)	(0.09)	-	-	-	-	-	-
Net income	\$1.44	\$1.45	\$0.05	\$0.05	\$3.61	\$3.58	\$0.11	\$0.11

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

Unaudited Statements of Changes in Stockholders' Equity

For the nine-month periods ended September 30, 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	\$2,575,294	\$68,092,037	\$2,057,161	\$6,009,431	\$181,554	\$226,579	\$6,845	\$28,146,255	\$850,340	\$3,048	\$92	\$81,154	\$2,452	\$(68,263)	\$(2,062)	\$-	\$-	\$(1,837)	\$(56)	\$187,730,638	\$5,671,620
Effect on first time of adoption of unrealized gains on financial instruments															10,485,096	316,770					10,485,096	316,770
Appropriations and distribution for 2005																						
Legal reserve					2,178,705	65,822			(2,178,705)	(65,822)												
Special reserve							(226,579)	(6,845)	226,579	6,845												
Cash dividends									(12,790,330)	(386,415)											(12,790,330)	(386,415)
Stock dividend	4,263,443	128,805							(4,263,443)	(128,805)												
Remuneration paid to directors and supervisors									(5,700)	(172)											(5,700)	(172)
Bonus paid to employees									(1,706)	(51)											(1,706)	(51)
Convertible notes converted into common stock	599,331	18,106	2,728,522	82,433																	3,327,853	100,539
Reserve for land revaluation increment											(942)	(28)									(942)	(28)
Capital surplus			(547)	(16)																	(547)	(16)
Cumulative translation adjustments													57,109	1,725							57,109	1,725
Unrealized gains or losses of financial instruments															1,142,283	34,510					1,142,283	34,510
Shares exchange	819,442	24,757																			819,442	24,757
Share premium			3,082,082	93,114																	3,082,082	93,114
Treasury stock																	(4,140,047)	(125,077)			(4,140,047)	(125,077)
Net income for the nine-month periods ended September 30, 2006									13,069,341	394,844											13,069,341	394,844
Balance on September 30, 2006	<u>\$90,924,450</u>	<u>\$2,746,962</u>	<u>\$73,902,094</u>	<u>\$2,232,692</u>	<u>\$8,188,136</u>	<u>\$247,376</u>	<u>\$-</u>	<u>\$-</u>	<u>\$22,202,291</u>	<u>\$670,764</u>	<u>\$2,106</u>	<u>\$64</u>	<u>\$138,263</u>	<u>\$4,177</u>	<u>\$11,559,116</u>	<u>\$349,218</u>	<u>\$(4,140,047)</u>	<u>\$(125,077)</u>	<u>\$(1,837)</u>	<u>\$(56)</u>	<u>\$202,774,572</u>	<u>\$6,126,120</u>
Balance on January 1, 2007	\$92,068,174	\$2,818,126	\$78,867,213	\$2,414,056	\$8,188,136	\$250,632	\$-	\$-	\$19,710,210	\$603,312	\$2,106	\$65	\$105,170	\$3,219	\$21,345,473	\$653,366	\$(4,140,047)	\$(126,723)	\$(573)	\$(18)	\$216,145,862	\$6,616,035
Appropriations and distribution for 2006																						
Legal reserve					1,057,726	32,376			(1,057,726)	(32,376)												
Cash dividends									(13,815,539)	(422,882)											(13,815,539)	(422,882)
Remuneration paid to directors and supervisors									(5,700)	(174)											(5,700)	(174)
Bonus paid to employees									(1,383)	(42)											(1,383)	(42)
Convertible notes converted into common stock	702,018	21,488	3,104,004	95,011																	3,806,022	116,499
Capital surplus			(87)	(3)																	(87)	(3)
Cumulative translation adjustments													50,257	1,539							50,257	1,539
Unrealized gains or losses of financial instruments															2,060,756	63,078					2,060,756	63,078
Other capital surplus				37		1															37	1
Net income for the nine-month periods ended September 30, 2007									32,979,363	1,009,469											32,979,363	1,009,469
Balance on September 30, 2007	<u>\$92,770,192</u>	<u>\$2,839,614</u>	<u>\$81,971,167</u>	<u>\$2,509,065</u>	<u>\$9,245,862</u>	<u>\$283,008</u>	<u>\$-</u>	<u>\$-</u>	<u>#REF!</u>	<u>#REF!</u>	<u>\$2,106</u>	<u>\$65</u>	<u>\$155,427</u>	<u>\$4,758</u>	<u>\$23,406,229</u>	<u>\$716,444</u>	<u>\$(4,140,047)</u>	<u>\$(126,723)</u>	<u>\$(573)</u>	<u>\$(18)</u>	<u>#REF!</u>	<u>#REF!</u>

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Financial Holding Co., Ltd.
Unaudited Statements of cash flows
For the nine months ended September 30, 2006 and 2007
(Expressed in thousands of dollars)**

	January 1 ~ September 30, 2006		January 1 ~ September 30, 2007	
	NT \$	US \$	NT \$	US \$
Cash flows from operating activities				
Net income	\$13,069,341	\$394,844	\$32,979,363	\$1,009,469
Adjustments:				
Amortizations	-	-	440	14
Depreciation	937	28	799	25
Investment income recognized by equity method in smaller (excess) of cash dividends received	1,499,768	45,310	(21,257,168)	(650,663)
Increase (Decrease) in bonds payable redemption premium	317,505	9,592	(47,237)	(1,446)
Effects of exchange rate changes	(62,227)	(1,880)	34,620	1,060
Cumulative effect of changes in accounting principles	858,814	25,946	-	-
Changes in operating assets and liabilities				
Decrease (increase) in accounts receivable	1,736,161	52,452	(166,919)	(5,109)
(Increase) decrease in deferred income tax assets	(42,384)	(1,280)	128,208	3,924
Decrease in other financial assets	68,280	2,063	-	-
Increase in other assets	(31)	(1)	(10,288)	(315)
Decrease in accounts payable	(945,615)	(28,568)	(1,046,605)	(32,036)
(Decrease) increase in financial liabilities at fair value through profit and loss	123,720	3,738	(309,215)	(9,465)
(Decrease) increase in income tax payable	(462,698)	(13,979)	963,318	29,486
Increase in deferred income tax liabilities	-	-	35,749	1,094
Increase in other liabilities	7,594	230	1,727	53
Net cash provided by operating activities	16,169,165	488,495	11,306,792	346,091
Cash flows from investing activities				
Acquisition of property and equipment	(551)	(17)	(733)	(23)
Decrease in deferred charges	40	1	-	-
Increase in other assets	(20,000)	(604)	(6,864)	(210)
Net cash used in investing activities	(20,511)	(620)	(7,597)	(233)
Cash flows from financing activities				
Increase (decrease) in bonds payable	49,579	1,498	(419,951)	(12,854)
Remuneration paid to directors and supervisors	(5,700)	(172)	(5,700)	(175)
Bonus paid to employees	(1,706)	(52)	(1,383)	(42)
Cash dividends	(12,790,330)	(386,415)	(13,815,539)	(422,882)
Disposal of treasury stock	-	-	37	1
Net cash used in financing activities	(12,748,157)	(385,141)	(14,242,536)	(435,952)
Effects of exchange rate changes	62,227	1,880	(34,620)	(1,059)
Increase in cash and cash equivalents	3,462,724	104,614	(2,977,961)	(91,153)
Cash and cash equivalents at the beginning of year	10,448,439	315,663	13,249,833	405,566
Cash and cash equivalents at the end of year	\$13,911,163	\$420,277	\$10,271,872	\$314,413
Supplemental disclosure of cash flows information				
Interest paid during the period	\$933,812	\$28,212	\$859,107	\$26,297
Income tax paid	\$252,907	\$7,641	\$38,640	\$1,183
Investing and financing activities with no cash flow effects				
Conversion of convertible notes into common stock	\$3,327,853	\$100,539	\$3,806,022	\$116,499
Non-cash assets received from the investmtee companies of liquidation	\$3,901,524	\$117,871	\$-	\$-

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

**Cathay Life Insurance Co., Ltd.
Condensed Balance Sheets
September 30, 2006 and 2007
(Expressed in thousands of dollars)**

Item	September 30, 2006		September 30, 2007	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$565,287,008	\$17,078,157	\$583,074,245	\$17,847,390
Loans	466,146,833	14,082,986	527,306,824	16,140,399
Funds and investments	860,062,420	25,983,759	974,096,846	29,816,249
Property and equipment	12,930,782	390,658	12,864,081	393,758
Intangible assets	331,541	10,016	381,951	11,691
Other assets	151,097,187	4,564,870	258,701,925	7,918,639
Total assets	\$2,055,855,771	\$62,110,446	\$2,356,425,872	\$72,128,126
Liabilities				
Current liabilities	\$38,798,336	\$1,172,155	\$42,338,402	\$1,295,941
Long-term liabilities	1,668,041	50,394	1,493,247	45,707
Other liabilities	1,908,772,770	57,666,851	2,175,686,879	66,595,864
Total liabilities	1,949,239,147	58,889,400	2,219,518,528	67,937,512
Stockholders' equity				
Capital stock	50,686,158	1,531,304	50,686,158	1,551,459
Capital surplus	9,649	292	9,648	295
Retained earnings	44,738,402	1,351,613	63,148,027	1,932,906
Others	11,182,415	337,837	23,063,511	705,954
Total stockholders' equity	106,616,624	3,221,046	136,907,344	4,190,614
Total liabilities and stockholders' equity	\$2,055,855,771	\$62,110,446	\$2,356,425,872	\$72,128,126

**Cathay Life Insurance Co., Ltd.
Condensed Statements of Income
For the nine months ended September 30, 2006 and 2007
(Expressed in thousands of dollars, except earnings per share)**

Item	January 1 ~ September 30, 2006		January 1 ~ September 30, 2007	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$412,535,000	\$12,463,293	\$604,415,654	\$18,500,632
Operating costs	(399,126,398)	(12,058,199)	(569,911,815)	(17,444,500)
Operating gross profit	13,408,602	405,094	34,503,839	1,056,132
Operating expenses	(7,617,895)	(230,148)	(7,721,367)	(236,344)
Non-operating revenues & gains	1,120,388	33,848	1,050,023	32,140
Non-operating expenses & losses	(17,278)	(522)	(188,722)	(5,776)
Income from continuing operations before income taxes	\$6,893,817	\$208,272	\$27,643,773	\$846,152
Cumulative effect of changes in accounting principles	\$3,315,855	\$100,177	\$-	\$-
Net income	\$10,920,536	\$329,926	\$25,265,311	\$773,349
Earnings per share (in dollars)				
Income from continuing operations before income taxes	\$1.36	\$0.04	\$5.45	\$0.17
Cumulative effect of changes in accounting principles	\$0.66	\$0.02	\$-	\$-
Net income	\$2.16	\$0.07	\$4.98	\$0.15

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.
Condensed Balance Sheets
September 30, 2006 and 2007
(Expressed in thousands of dollars)

Items	September 30, 2006		September 30, 2007	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$6,984,572	\$211,014	\$8,083,131	\$247,418
Loans	1,984,134	59,944	2,318,109	70,955
Funds and investments	4,351,921	131,478	4,830,091	147,845
Fixed assets	43,745	1,321	40,159	1,229
Intangible assets	11,806	357	6,317	193
Other assets	789,836	23,862	651,009	19,927
Total assets	\$14,166,014	\$427,976	\$15,928,816	\$487,567
Liabilities				
Current liabilities	\$1,875,049	\$56,648	\$1,611,616	\$49,330
Long-term liabilities	8,855	267	3,405	104
Other liabilities	8,960,504	270,710	10,404,730	318,480
Total liabilities	10,844,408	327,625	12,019,751	367,914
Stockholders' equity				
Capital stock	2,317,006	70,000	2,317,006	70,922
Capital surplus	1,930	59	1,929	59
Retained earnings	952,679	28,782	1,411,098	43,192
Others	49,991	1,510	179,032	
Total stockholders' equity	3,321,606	100,351	3,909,065	114,173
Total liabilities and stockholders' equity	\$14,166,014	\$427,976	\$15,928,816	\$482,087

Cathay Century Insurance Co., Ltd.
Condensed Statements of Income
For the nine months ended September 30, 2006 and 2007
(Expressed in thousands of dollars, except earning per share)

Items	January 1 ~ September 30, 2006		January 1 ~ September 30, 2007	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$13,278,603	\$401,166	\$14,827,333	\$453,852
Operating costs	(11,148,415)	(336,810)	(12,000,896)	(367,337)
Operating gross profit	2,130,188	64,356	2,826,437	86,515
Operating expenses	(1,425,937)	(43,080)	(1,580,130)	(48,366)
Non-operating revenues	1,592	48	2,359	72
Non-operating expenses	(105)	(3)	(57)	(2)
Income from continuing operations before income taxes	\$705,738	\$21,321	\$1,248,609	\$38,219
Cumulative effect of changes in accounting principles	\$60,141	\$1,817	\$-	\$-
Net income	\$608,822	\$18,393	\$994,264	\$30,434
Earning per share (in dollars)				
Income from continuing operations before income taxes	\$3.05	\$0.09	\$5.39	\$0.16
Cumulative effect of changes in accounting principles	\$0.26	\$0.01	\$-	\$-
Net income	\$2.63	\$0.08	\$4.29	\$0.13

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Life Insurance Ltd.(Shanghai)
Condensed Balance Sheets
September 30, 2006 and 2007
(Expressed in thousands of dollars)**

Items	September 30, 2006		September 30, 2007	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$2,296,544	\$69,382	\$4,382,841	\$134,155
Loans	2,072	63	1,550	47
Funds and investments	1,706,533	51,557	2,825,764	86,494
Fixed assets	29,323	886	58,093	1,778
Intangible assets	2,460	74	2,957	91
Other assets	684,672	20,685	720,328	22,049
Total assets	\$4,721,604	\$142,647	\$7,991,533	\$244,614
Liabilities				
Current liabilities	18,303	553	1,105,416	33,836
Other liabilities	1,658,994	50,121	3,432,961	105,080
Total liabilities	1,677,297	50,674	4,538,377	138,916
Stockholders' equity				
Capital stock	3,257,376	98,410	3,257,376	99,705
Retained earnings	(288,391)	(8,713)	(322,976)	(9,886)
Others	75,322	2,276	518,756	15,879
Total stockholders' equity	3,044,307	91,973	3,453,156	105,698
Total liabilities and stockholders' equity	\$4,721,604	\$142,647	\$7,991,533	\$244,614

**Cathay Life Insurance Ltd.(Shanghai)
Condensed Statements of Income
For the nine months ended September 30, 2006 and 2007
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ September 30, 2006		January 1 ~ September 30, 2007	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$1,065,445	\$32,189	\$1,946,499	\$59,581
Operating costs	(983,228)	(29,705)	(1,646,726)	(50,405)
Operating gross profit	82,217	2,484	299,773	9,176
Operating expenses	(193,077)	(5,833)	(334,867)	(10,250)
Non-operating revenues	3,306	100	3,682	113
Non-operating expenses	(4)	-	(4)	-
Loss from continuing operations before income taxes	\$(107,558)	\$(3,249)	\$(31,416)	\$(961)
Cumulative effect of changes in accounting principles	\$3,492	\$105	\$-	\$-
Net loss	\$(104,066)	\$(3,144)	\$(31,416)	\$(961)
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.

Cathay United Bank Co., Ltd.
Condensed Balance Sheets
September 30, 2006 and 2007
(Expressed in thousands of dollars)

Items	September 30, 2006		September 30, 2007	
	NT\$	US\$	NT\$	US\$
Assets				
Cash and cash equivalents	\$29,096,472	\$879,047	\$23,268,187	\$712,219
Due from the Central Bank and call loans to banks	51,226,247	1,547,621	59,143,989	1,810,346
Financial assets at fair value through profit or loss	56,382,143	1,703,388	42,350,391	1,296,308
Securities purchased under agreements to resell	126,000	3,807	626,000	19,161
Receivables-net	51,293,387	1,549,649	44,972,047	1,376,555
Loans and advances to customers-net	705,357,425	21,309,892	735,455,127	22,511,635
Available-for-sale financial assets -net	51,614,812	1,559,360	58,357,622	1,786,276
Held-to-maturity financial assets-net	5,541,686	167,422	4,505,039	137,895
Investments-equity method	2,112,220	63,813	2,249,661	68,860
Investments in debt securities with no active market	230,733,968	6,970,815	279,572,898	8,557,481
Other financial assets-net	4,585,592	138,537	4,413,844	135,104
Property and equipment-net	25,510,202	770,701	25,245,498	772,742
Intangible assets-net	492,022	14,865	373,022	11,418
Other assets-net	8,271,378	249,891	10,236,324	313,325
Total assets	\$1,222,343,554	\$36,928,808	\$1,290,769,649	\$39,509,325
Liabilities				
Due to the Central Bank and call loans from banks	\$87,710,206	\$2,649,855	\$56,223,665	\$1,720,957
Funds borrowed from the Central and other banks	824,500	24,909	1,628,500	49,847
Deposits and remittances	930,988,371	28,126,537	1,037,111,293	31,745,066
Financial liabilities at fair value through profit or loss	53,038,898	1,602,384	48,860,435	1,495,575
Securities sold under agreements to repurchase	20,696,643	625,276	16,824,273	514,976
Payables	25,621,742	774,071	27,115,544	829,983
Financial debentures payable	18,276,773	552,168	18,158,994	555,831
Other financial liabilities	817,283	24,691	717,576	21,964
Other liabilities	2,056,068	62,117	1,818,179	55,653
Total liabilities	1,140,030,484	34,442,008	1,208,458,459	36,989,852
Shareholders' equity				
Capital stock	48,689,413	1,470,979	48,689,413	1,490,340
Capital reserves	15,125,936	456,977	15,213,565	465,674
Retained earnings	18,221,270	550,492	18,535,645	567,360
Others	276,451	8,352	(127,433)	(3,901)
Total shareholders' equity	82,313,070	2,486,800	82,311,190	2,519,473
Total liabilities and shareholders' equity	\$1,222,343,554	\$36,928,808	\$1,290,769,649	\$39,509,325

Cathay United Bank Co., Ltd.
Condensed Statements of Income
For the nine months ended September 30, 2006 and 2007
(Expressed in thousands of dollars, except per share information)

Items	January 1 ~ September 30, 2006		January 1 ~ September 30, 2007	
	NT\$	US\$	NT\$	US\$
Net interest income	\$19,658,737	\$593,920	\$15,800,803	\$483,649
Non-interest income	5,872,743	177,424	6,429,099	196,789
Net operating income	25,531,480	771,344	22,229,902	680,438
Provision for loan losses	(13,568,441)	(409,923)	(2,993,794)	(91,638)
Operating expenses	(9,755,397)	(294,725)	(10,318,832)	(315,850)
Income from continuing operations before income taxes	\$2,207,642	\$66,696	\$8,917,276	\$272,950
Cumulative effect of changes in accounting principles	\$726,679	\$21,954	\$-	\$-
Net income	\$3,164,241	\$95,596	\$7,053,276	\$215,895
Earnings per share (in dollars)				
Income from continuing operations before income taxes	\$0.50	\$0.02	\$1.45	\$0.04
Cumulative effect of changes in accounting principles	\$0.15	\$-	\$-	\$-
Net income	\$0.65	\$0.02	\$1.45	\$0.04

English Translation of Financial Statements Originally Issued in Chinese

Indovina Bank Limited
Condensed Balance Sheets
September 30, 2006 and 2007
(Expressed in thousands of dollars)

Items	September 30, 2006		September 30, 2007	
	NT\$	US\$	NT\$	US\$
Assets				
Cash and cash equivalents	\$1,101,478	\$33,277	\$1,427,203	\$43,685
Due from the Central Bank and call loans to banks	522,445	15,784	945,570	28,943
Financial assets at fair value through profit or loss	90,087	2,722	213,161	6,525
Investments in debt securities with no active market	323,125	9,762	316,380	9,684
Receivables-net	74,428	2,248	141,202	4,322
Loans and advances to customers-net	7,769,985	234,743	10,677,493	326,829
Premises and equipment-net	118,109	3,568	153,287	4,692
Other assets-net	325	10	202	6
Total assets	\$9,999,982	\$302,114	\$13,874,498	\$424,686
Liabilities				
Due to the Central Bank and call loans from banks	\$1,252,176	\$37,830	\$1,190,822	\$36,450
Payables	689,213	20,822	523,410	16,021
Deposits and remittances	6,895,273	208,317	10,544,919	322,771
Total liabilities	8,836,662	266,969	12,259,151	375,242
Shareholders' equity				
Capital stock	791,657	23,917	1,118,158	34,226
Retained earnings	315,080	9,519	434,354	13,295
Others	56,583	1,709	62,835	1,923
Total shareholders' equity	1,163,320	35,145	1,615,347	49,444
Total liabilities and shareholders' equity	\$9,999,982	\$302,114	\$13,874,498	\$424,686

Indovina Bank Limited
Condensed Statements of Income
For the nine months ended September 30, 2006 and 2007
(Expressed in thousands of dollars, except per share information)

Items	January 1 ~ September 30, 2006		January 1 ~ September 30, 2007	
	NT\$	US\$	NT\$	US\$
Net interest income	\$254,336	\$7,684	\$417,218	\$12,771
Non-interest income	109,546	3,309	41,724	1,277
Net operating revenue	363,882	10,993	458,942	14,048
Provision for loan losses	-	-	(1,432)	(44)
Operating expenses	(107,893)	(3,259)	(137,292)	(4,202)
Income from continuing operations before income taxes	\$255,989	\$7,734	\$320,218	\$9,802
Net income	\$204,305	\$6,172	\$255,191	\$7,811
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
September 30, 2006 and 2007
(Expressed in thousands of dollars)**

Items	September 30, 2006		September 30, 2007	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$3,072,921	\$92,837	\$3,261,791	\$99,841
Funds and investments	722,392	21,825	718,670	21,998
Property and equipment	103,548	3,128	77,990	2,387
Intangible assets	17,498	529	7,491	229
Other assets	304,154	9,189	359,100	10,992
Total assets	\$4,220,513	\$127,508	\$4,425,042	\$135,447
Liabilities				
Current liabilities	\$152,814	\$4,617	\$345,628	\$10,580
Long-term liabilities	371	11	749	23
Other liabilities	32,873	993	28,424	870
Total liabilities	186,058	5,621	374,801	11,473
Stockholders' equity				
Capital stock	3,700,000	111,782	3,700,000	113,254
Capital surplus	258,434	7,808	258,434	7,910
Retained earnings	76,021	2,297	91,807	2,810
Total stockholders' equity	4,034,455	121,887	4,050,241	123,974
Total liabilities and stockholders' equity	\$4,220,513	\$127,508	\$4,425,042	\$135,447

**Cathay Securities Corporation
Condensed Statements of Income
For the nine months ended September 30, 2006 and 2007
(Expressed in thousands of dollars, except for earnings per share)**

Items	January 1 ~ September 30, 2006		January 1 ~ September 30, 2007	
	NT\$	US\$	NT\$	US\$
Revenue	\$287,557	\$8,688	\$368,009	\$11,265
Expenses	(257,408)	(7,777)	(326,266)	(9,987)
Income (loss) from continuing operations before income taxes	\$30,149	\$911	\$41,743	\$1,278
Cumulative effect of changes in accounting principles	\$173	\$5	\$-	\$-
Net income (loss)	\$19,122	\$578	\$27,049	\$828
Earnings per share (in dollars)				
Income (loss) from continuing operations before income taxes	\$0.08	\$-	\$0.11	\$-
Net income (loss)	\$0.05	\$-	\$0.07	\$-

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Pacific Venture Capital Co., Ltd.
Condensed Balance Sheets
September 30, 2006 and 2007
(Expressed in thousands of dollars)**

Items	September 30, 2006		September 30, 2007	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$395,157	\$11,938	\$457,239	\$13,996
Funds and investments	212,980	6,435	454,276	13,905
Total assets	\$608,137	\$18,373	\$911,515	\$27,901
Liabilities				
Current liabilities	\$398	\$12	\$159	\$5
Total liabilities	398	12	159	5
Stockholders' equity				
Capital stock	600,000	18,127	600,000	18,366
Retained earnings	(33,789)	(1,021)	(14,834)	(454)
Equity adjustment	41,528	1,255	326,190	9,984
Total stockholders' equity	607,739	18,361	911,356	27,896
Total liabilities and stockholders' equity	\$608,137	\$18,373	\$911,515	\$27,901

**Cathay Pacific Venture Capital Co., Ltd.
Condensed Statements of Income
For the nine months ended September 30, 2006 and 2007
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ September 30, 2006		January 1 ~ September 30, 2007	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$6,821	\$206	\$8,514	\$261
Operating costs	(9,255)	(280)	(22,805)	(698)
Operating gross profit	(2,434)	(74)	(14,291)	(437)
Operating expenses	(11,250)	(340)	(9,750)	(299)
Non-operating revenues	1,496	45	3,231	99
Non-operating expenses	(714)	(21)	(533)	(16)
Income from continuing operations before income taxes	\$(12,902)	\$(390)	\$(21,343)	\$(653)
Net income	\$(2,749)	\$(83)	\$(20,181)	\$(618)
Earning per share (in dollars)				
Income from continuing operations before income taxes	\$(0.22)	\$(0.01)	\$(0.36)	\$(0.01)
Net income	\$(0.05)	\$-	\$(0.34)	\$(0.01)

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Venture Capital Co., Ltd.
Condensed Balance Sheets
September 30, 2006 and 2007
(Expressed in thousands of dollars)**

Items	September 30, 2006		September 30, 2007	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$707,522	\$21,375	\$442,542	\$13,546
Funds and investments	1,074,712	32,469	1,323,281	40,504
Total assets	\$1,782,234	\$53,844	\$1,765,823	\$54,050
Liabilities				
Current liabilities	\$13,584	\$410	\$16,396	\$502
Total liabilities	13,584	410	16,396	502
Stockholders' equity				
Capital stock	1,500,000	45,317	1,500,000	45,914
Retained earnings	130,951	3,957	118,434	3,625
Equity adjustment	137,699	4,160	130,993	4,009
Total stockholders' equity	1,768,650	53,434	1,749,427	53,548
Total liabilities and stockholders' equity	\$1,782,234	\$53,844	\$1,765,823	\$54,050

**Cathay Venture Capital Co., Ltd.
Condensed Statements of Income
For the nine months ended September 30, 2006 and 2007
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ September 30, 2006		January 1 ~ September 30, 2007	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$175,315	\$5,296	\$137,925	\$4,222
Operating costs	(10,663)	(322)	-	-
Operating gross profit	164,652	4,974	137,925	4,222
Operating expenses	(22,447)	(678)	(21,955)	(672)
Non-operating revenues	-	-	132	4
Non-operating expenses	(3)	-	-	-
Income from continuing operations before income taxes	\$142,202	\$4,296	\$116,102	\$3,554
Net income	\$132,041	\$3,989	\$107,158	\$3,280
Earning per share (in dollars)				
Income from continuing operations before income taxes	\$0.95	\$0.03	\$0.77	\$0.02
Net income	\$0.88	\$0.03	\$0.71	\$0.02

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**Cathay II Venture Capital Co., Ltd.
Condensed Balance Sheets
September 30, 2006 and 2007
(Expressed in thousands of dollars)**

Items	September 30, 2006		September 30, 2007	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$92,084	\$2,782	\$158,257	\$4,844
Funds and investments	755,387	22,821	708,296	21,680
Total assets	<u>\$847,471</u>	<u>\$25,603</u>	<u>\$866,553</u>	<u>\$26,524</u>
Liabilities				
Current liabilities	\$10,784	\$326	\$2,607	\$80
Total liabilities	<u>10,784</u>	<u>326</u>	<u>2,607</u>	<u>80</u>
Stockholders' equity				
Capital stock	600,000	18,127	600,000	18,365
Retained earnings	108,576	3,280	161,668	4,948
Equity adjustment	128,111	3,870	102,278	3,131
Total stockholders' equity	<u>836,687</u>	<u>25,277</u>	<u>863,946</u>	<u>26,444</u>
Total liabilities and stockholders' equity	<u>\$847,471</u>	<u>\$25,603</u>	<u>\$866,553</u>	<u>\$26,524</u>

**Cathay II Venture Capital Co., Ltd.
Condensed Statements of Income
For the nine months ended September 30, 2006 and 2007
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ September 30, 2006		January 1 ~ September 30, 2007	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$118,794	\$3,589	\$79,859	\$2,444
Operating gross profit	118,794	3,589	79,859	2,444
Operating expenses	(7,873)	(238)	(23,116)	(707)
Non-operating revenues	-	-	1	-
Income from continuing operations before income taxes	<u>\$110,921</u>	<u>\$3,351</u>	<u>\$56,744</u>	<u>\$1,737</u>
Net income	<u>\$103,207</u>	<u>\$3,118</u>	<u>\$54,226</u>	<u>\$1,660</u>
Earning per share (in dollars)				
Income from continuing operations before income taxes	<u>\$1.85</u>	<u>\$0.06</u>	<u>\$0.95</u>	<u>\$0.03</u>
Net income	<u>\$1.72</u>	<u>\$0.05</u>	<u>\$0.90</u>	<u>\$0.03</u>

English Translation of Financial Statements Originally Issued in Chinese

**Symphox Information Co., Ltd.
Condensed Balance Sheets
September 30, 2006 and 2007
(Expressed in thousands of dollars)**

Items	September 30, 2006		September 30, 2007	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$425,810	\$12,864	\$492,072	\$15,062
Fixed assets	146,873	4,437	122,828	3,760
Intangible assets	6,471	196	6,381	195
Other assets	13,983	423	24,390	746
Total assets	\$593,137	\$17,920	\$645,671	\$19,763
Liabilities				
Current liabilities	\$169,586	\$5,123	\$201,718	\$6,175
Other liabilities	89	3	79	2
Total liabilities	169,675	5,126	201,797	6,177
Stockholders' equity				
Capital stock	499,000	15,076	499,000	15,274
Retained earnings	(75,538)	(2,282)	(55,126)	(1,688)
Total stockholders' equity	423,462	12,794	443,874	13,586
Total liabilities and stockholders' equity	\$593,137	\$17,920	\$645,671	\$19,763

**Symphox Information Co., Ltd.
Condensed Statements of Income
For the nine months ended September 30, 2006 and 2007
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ September 30, 2006		January 1 ~ September 30, 2007	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$622,943	\$18,820	\$757,420	\$23,184
Operating costs	(591,191)	(17,861)	(678,303)	(20,762)
Operating gross profit	31,752	959	79,117	2,422
Operating expenses	(58,436)	(1,765)	(75,506)	(2,311)
Non-operating revenues	2,569	78	3,574	109
Non-operating expenses	(17)	(1)	(708)	(22)
Income from continuing operations before income taxes	\$(24,132)	\$(729)	\$6,477	\$198
Cumulative effect of changes in accounting principles	\$1,809	\$55	\$-	\$-
Net income	\$(22,323)	\$(674)	\$6,477	\$198
Earning per share (in dollars)				
Income from continuing operations before income taxes	\$(0.49)	\$(0.01)	\$0.13	\$-
Cumulative effect of changes in accounting principles	\$0.04	\$-	\$-	\$-
Net income	\$(0.45)	\$(0.01)	\$0.13	\$-

English Translation of Financial Statements Originally Issued in Chinese

**Cathay Futures Corp.
Condensed Balance Sheets
September 30, 2006 and 2007
(Expressed in thousands of dollars)**

Items	September 30, 2006		September 30, 2007	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$1,440,956	\$43,533	\$1,118,519	\$34,237
Funds and investments	30,500	922	30,500	933
Fixed assets	331,632	10,019	326,852	10,005
Intangible assets	12,244	370	9,189	281
Other assets	124,823	3,771	133,876	4,098
Total assets	\$1,940,155	\$58,615	\$1,618,936	\$49,554
Liabilities				
Current liabilities	\$1,210,787	\$36,580	\$892,295	\$27,312
Other liabilities	6,927	209	7,922	243
Total liabilities	1,217,714	36,789	900,217	27,555
Stockholders' equity				
Capital stock	650,000	19,637	650,000	19,896
Retained earnings	72,441	2,189	68,719	2,103
Total stockholders' equity	722,441	21,826	718,719	21,999
Total liabilities and stockholders' equity	\$1,940,155	\$58,615	\$1,618,936	\$49,554

**Cathay Futures Corp.
Condensed Statements of Income
For the nine months ended September 30, 2006 and 2007
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ September 30, 2006		January 1 ~ September 30, 2007	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$62,146	\$1,877	\$42,469	\$1,300
Operating costs	(21,495)	(649)	(17,142)	(525)
Operating gross profit	40,651	1,228	25,327	775
Operating expenses	(47,000)	(1,420)	(39,988)	(1,224)
Non-operating revenues	27,789	840	15,223	466
Non-operating expenses	(9,622)	(291)	(398)	(12)
Income from continuing operations before income taxes	\$11,818	\$357	\$164	\$5
Cumulative effect of changes in accounting principles	\$159	\$5	\$-	\$-
Net income	\$11,968	\$362	\$163	\$5
Earning per share (in dollars)				
Income from continuing operations before income taxes	\$0.18	\$0.01	\$-	\$-
Net income	\$0.18	\$0.01	\$-	\$-