

**Cathay Financial Holding Co., Ltd. and Subsidiaries**

**Consolidated Financial Statements**

**As of March 31, 2007 and 2008**

**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.

## Index

	<u>Page</u>
Independent Auditors' Report	3
Consolidated Balance Sheets	4
Consolidated Statements of Income	5
Consolidated Statements of Changes in Stockholders' Equity	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8-170

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

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

We have reviewed the accompanying consolidated balance sheets of Cathay Financial Holding Co., Ltd. (the "Company") and its subsidiaries ("Subsidiaries") as of March 31, 2007 and 2008 and the related consolidated statements of income, changes in stockholders' equity and cash flows for the three-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a review report based on our review.

We conducted our 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 three-month periods ended March 31, 2007 and 2008 in order for them to be in conformity with Business Entity Accounting Act, Regulation on Business Entity Accounting Handling with respect to financial accounting standards, Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and generally accepted accounting principles in the Republic of China.

Ernst & Young  
Taipei, Taiwan  
The Republic of China  
April 21, 2008

**Notice to Readers**

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

**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay Financial Holding Co., Ltd. and Subsidiaries**

**Unaudited Consolidated Balance Sheets**

**As of March 31, 2007 and 2008**

**(Expressed in thousands of dollars)**

Assets	Notes	March 31, 2007		March 31, 2008	
		NT \$	US \$	NT \$	US \$
Cash and cash equivalents	2,4	\$431,209,900	\$13,063,008	\$441,086,893	\$14,523,770
Due from the Central Bank and call loans to banks		46,966,071	1,422,783	59,979,986	1,974,975
Financial assets at fair value through profit or loss	2,5	160,567,871	4,864,219	164,614,320	5,420,294
Securities purchased under agreements to resell		13,254,967	401,544	25,309,930	833,386
Receivables -net		86,743,352	2,627,790	81,939,768	2,698,050
Loans -net	2,6	1,232,746,638	37,344,642	1,313,227,619	43,240,949
Available-for-sale financial assets -net	2,7	451,792,438	13,686,533	452,543,971	14,901,020
Held-to-maturity financial assets -net	2,8	567,315,682	17,186,177	552,989,667	18,208,418
Investments - equity method	2,9	3,841,982	116,389	3,079,285	101,392
Other financial assets -net	2,10	45,046,942	1,364,645	46,047,739	1,516,224
Investments in debt securities with no active market		115,163,748	3,488,753	104,451,280	3,439,291
Separate account products assets		183,165,126	5,548,777	261,198,020	8,600,527
Investments in real estate	2,11	105,957,460	3,209,860	106,393,300	3,503,237
Property and equipment -net		39,193,907	1,187,334	40,268,435	1,325,928
Goodwill and intangible assets -net	2,13	774,233	23,454	7,390,405	243,346
Other assets -net		50,103,939	1,517,841	67,315,792	2,216,523
<b>Total assets</b>		<b>\$3,533,844,256</b>	<b>\$107,053,749</b>	<b>\$3,727,836,410</b>	<b>\$122,747,330</b>
<b>Liabilities &amp; stockholders' equity</b>					
<b>Liabilities</b>					
Due to the Central Bank and call loans from banks		\$102,907,646	\$3,117,469	\$67,231,050	\$2,213,732
Bankers acceptances and funds borrowed		827,250	25,060	1,520,250	50,058
Financial liabilities at fair value through profit or loss	2,14	74,187,828	2,247,435	63,816,818	2,101,311
Securities sold under agreements to repurchase	5,7	20,453,722	619,622	25,550,539	841,309
Payables		52,609,091	1,593,732	44,719,350	1,472,484
Deposits	15	973,483,558	29,490,565	1,029,938,255	33,913,015
Bonds payable	2,16	19,470,664	589,841	18,212,705	599,694
Reserve for operations and liabilities	2,17	1,860,197,957	56,352,559	1,995,716,535	65,713,419
Other financial liabilities	2,18	1,039,514	31,491	487,622	16,056
Separate account products liabilities		183,165,126	5,548,777	261,198,020	8,600,527
Other liabilities		15,710,083	475,919	7,074,761	232,952
<b>Total liabilities</b>		<b>3,304,052,439</b>	<b>100,092,470</b>	<b>3,515,465,905</b>	<b>115,754,557</b>
<b>Stockholders' equity attributable to equity holders of the parent</b>					
<b>Capital stock</b>					
Common stock	19	92,661,696	2,807,080	92,770,192	3,054,665
Capital surplus	20	81,485,226	2,468,501	81,971,213	2,699,085
<b>Retained earnings</b>					
Legal reserve		8,188,136	248,050	9,245,862	304,441
Unappropriated retained earnings		29,711,851	900,086	29,601,961	974,711
<b>Other stockholders' equity</b>					
Land revaluation increment		2,106	64	2,106	69
Cumulative translation adjustments		185,900	5,632	(265,997)	(8,759)
Unrealized gains or losses on financial instruments		18,788,999	569,191	362,369	11,932
Treasury stock	2,22	(4,140,047)	(125,418)	(4,140,047)	(136,320)
Net loss not recognized as net pension cost		(572)	(17)	(3,107)	(102)
<b>Total equity attributable to stockholders of the parent</b>		<b>226,883,295</b>	<b>6,873,169</b>	<b>209,544,552</b>	<b>6,899,722</b>
<b>Minority interest</b>		<b>2,908,522</b>	<b>88,110</b>	<b>2,825,953</b>	<b>93,051</b>
<b>Total stockholders' equity</b>		<b>229,791,817</b>	<b>6,961,279</b>	<b>212,370,505</b>	<b>6,992,773</b>
<b>Total liabilities and stockholders' equity</b>		<b>\$3,533,844,256</b>	<b>\$107,053,749</b>	<b>\$3,727,836,410</b>	<b>\$122,747,330</b>

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2007 and 2008 were NT\$33.01 and NT\$30.37 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 three months ended March 31, 2007 and 2008**  
**(Expressed in thousands of dollars, except earning per share)**

	Notes	January 1~March 31, 2007		January 1~March 31, 2008			
		NT \$	US \$	NT \$	US \$		
<b>Interest income</b>	2	\$27,025,514	\$818,707	\$28,928,267	\$952,528		
<b>Less: Interest expenses</b>	2	(5,270,947)	(159,677)	(5,277,621)	(173,778)		
<b>Net interest income</b>		21,754,567	659,030	23,650,646	778,750		
<b>Net income other than interest</b>							
Net commission and handling fee		1,143,016	34,626	3,559,907	117,218		
Net premiums from insurance business		22,759,477	689,472	22,071,500	726,753		
(Losses) gains on financial assets and liabilities at fair value through profit or losses		(6,149,453)	(186,291)	12,245,589	403,213		
Realized gains on available-for-sale financial assets		6,916,148	209,517	13,551,954	446,228		
Realized gains (losses) on held-to-maturity financial assets		4,212	128	(150,496)	(4,955)		
Gains on investments under equity method		119,677	3,625	92,166	3,035		
Gains on investments in real estate		1,272,355	38,545	1,323,324	43,574		
Gains (losses) on foreign exchange		10,281,679	311,472	(42,105,515)	(1,386,418)		
Impairment reversal (losses)		22,339	677	(36,953)	(1,217)		
Provision for premiums reserve		(33,480,087)	(1,014,241)	(29,103,303)	(958,291)		
Other non-interest income-net		185,018	5,605	(2,251,837)	(74,147)		
<b>Total Income</b>		24,828,948	752,165	2,846,982	93,743		
<b>Bad debt expenses</b>		(985,266)	(29,848)	(352,033)	(11,592)		
<b>Operating expenses</b>							
Personnel expenses		(9,259,478)	(280,505)	(10,419,920)	(343,099)		
Depreciation and amortization expenses		(970,211)	(29,392)	(865,998)	(28,515)		
Other general and administration expenses		(2,005,859)	(60,765)	(2,037,263)	(67,081)		
<b>Income (losses) from continuing operations before income taxes</b>		11,608,134	351,655	(10,828,232)	(356,544)		
<b>Income tax (expenses) benefits</b>	2,24	(1,548,037)	(46,896)	4,850,250	159,706		
<b>Income (losses) from continuing operations after income taxes</b>		10,060,097	304,759	(5,977,982)	(196,838)		
<b>Consolidated income (losses)</b>		\$10,060,097	\$304,759	\$(5,977,982)	\$(196,838)		
<b>Include:</b>							
Parent company		\$10,001,641	\$302,988	\$(5,976,002)	\$(196,773)		
Minority interest		58,456	1,771	(1,980)	(65)		
<b>Consolidated income (losses)</b>		\$10,060,097	\$304,759	\$(5,977,982)	\$(196,838)		
<b>Earnings per share (expressed in dollars) :</b>	25						
Primary earnings per share:		Before tax	After tax	Before tax	After tax	Before tax	After tax
Consolidated income (losses)		\$1.27	\$1.10	\$0.04	\$0.03	\$(1.18)	\$(0.65)
Fully-diluted earnings per share:							
Consolidated income		\$1.26	\$1.09	\$0.04	\$0.03		

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2007 and 2008 were NT\$33.01 and NT\$30.37 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 three months ended March 31, 2007 and 2008**  
(Expressed in thousands of dollars)

Summary	Retained earnings										Other stockholders' equity												
	Common stock		Capital surplus		Legal reserve		Unappropriated retained earnings		Land revaluation increment		Cumulative conversion adjustments		Unrealized gains or losses on financial instruments		Treasury stock		Net loss not recognized as net pension cost		Minority interest		Total		
	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	
<b>Balance on January 1, 2007</b>	\$92,068,174	\$2,789,100	\$78,867,213	\$2,389,192	\$8,188,136	\$248,050	\$19,710,210	\$597,098	\$2,106	\$64	\$105,170	\$3,186	\$21,345,473	\$646,636	\$(4,140,047)	\$(125,418)	\$(572)	\$(17)	\$2,879,875	\$87,242	\$219,025,738	\$6,635,133	
Minority interest																			(29,809)	(903)	(29,809)	(903)	
Convertible notes converted into common stock	593,522	17,980	2,618,100	79,312																	3,211,622	97,292	
Capital surplus			(87)	(3)																	(87)	(3)	
Cumulative conversion adjustments											80,730	2,446									80,730	2,446	
Unrealized gains or losses of financial instruments													(2,556,474)	(77,445)							(2,556,474)	(77,445)	
Consolidated income for the three months ended March 31, 2007							10,001,641	302,988												58,456	1,771	10,060,097	304,759
<b>Balance on March 31, 2007</b>	\$92,661,696	\$2,807,080	\$81,485,226	\$2,468,501	\$8,188,136	\$248,050	\$29,711,851	\$900,086	\$2,106	\$64	\$185,900	\$5,632	\$18,788,999	\$569,191	\$(4,140,047)	\$(125,418)	\$(572)	\$(17)	\$2,908,522	\$88,110	\$229,791,817	\$6,961,279	
<b>Balance on January 1, 2008</b>	\$92,770,192	\$3,054,665	\$81,971,213	\$2,699,085	\$9,245,862	\$304,441	\$35,577,963	\$1,171,484	\$2,106	\$69	\$183,766	\$6,051	\$10,955,521	\$360,735	\$(4,140,047)	\$(136,320)	\$(3,107)	\$(102)	\$3,326,309	\$109,526	\$229,889,778	\$7,569,634	
Minority interest																			(498,376)	(16,410)	(498,376)	(16,410)	
Cumulative conversion adjustments											(449,763)	(14,810)									(449,763)	(14,810)	
Unrealized gains or losses of financial instruments													(10,593,152)	(348,803)							(10,593,152)	(348,803)	
Consolidated loss for the three months ended March 31, 2008							(5,976,002)	(196,773)												(1,980)	(65)	(5,977,982)	(196,838)
<b>Balance on March 31, 2008</b>	\$92,770,192	\$3,054,665	\$81,971,213	\$2,699,085	\$9,245,862	\$304,441	\$29,601,961	\$974,711	\$2,106	\$69	\$(265,997)	\$(8,759)	\$362,369	\$11,932	\$(4,140,047)	\$(136,320)	\$(3,107)	\$(102)	\$2,825,953	\$93,051	\$212,370,505	\$6,992,773	

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2007 and 2008 were NT\$33.01 and NT\$30.37 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 three months ended March 31, 2007 and 2008**  
**(Expressed in thousands of dollars)**

	January 1~March 31, 2007		January 1~March 31, 2008	
	NT \$	US \$	NT \$	US \$
<b>Cash flows from operating activities</b>				
Consolidated income (losses)	\$10,060,097	\$304,759	\$(5,977,982)	\$(196,838)
Adjustments:				
Income (losses) and other adjustments with no cash flow effects				
Depreciation and amortization expenses	970,211	29,392	865,998	28,515
Investment income recognized by equity method in excess of cash dividends received	(197,941)	(5,996)	(92,166)	(3,035)
Bad debt expenses	985,266	29,848	352,033	11,592
Provision for insurance reserve from insurance business	33,480,087	1,014,241	29,103,303	958,291
Gains on disposal of property and equipment	(48,593)	(1,472)	(15,052)	(496)
Impairment (losses) reversal	(22,339)	(677)	36,953	1,217
Other adjustments	(210,381)	(6,373)	987,360	32,511
Changes in operating assets and liabilities				
Decrease (Increase) in receivables	4,565,301	138,300	(1,556,947)	(51,266)
Decrease (Increase) in deferred income tax assets	1,017,191	30,815	(6,735,612)	(221,785)
Increase in financial assets at fair value through profit or loss	(4,460,548)	(135,127)	(29,868,184)	(983,476)
(Increase) decrease in other financial assets	(951,143)	(28,814)	358,512	11,805
Increase in other assets	(377,260)	(11,429)	(3,260,670)	(107,365)
Increase in payables	9,366,234	283,739	15,794,646	520,074
Increase in financial liabilities at fair value through profit or loss	6,133,740	185,814	3,914,828	128,904
Decrease in deferred income tax liabilities	(57,419)	(1,740)	(61,824)	(2,036)
Decrease in other financial liabilities	(258,245)	(7,823)	(81,099)	(2,670)
Decrease in other liabilities	(2,197,218)	(66,562)	(2,098,161)	(69,087)
<b>Net cash provided by operating activities</b>	<b>57,797,040</b>	<b>1,750,895</b>	<b>1,665,936</b>	<b>54,855</b>
<b>Cash flows from investing activities</b>				
Decrease in restricted assets	350,000	10,603	2,430,000	80,013
Increase in loans	(26,440,784)	(800,993)	(6,947,111)	(228,749)
Decrease (increase) in due from the Central Bank and call loans to banks	4,638,900	140,530	(1,089,434)	(35,872)
(Increase) decrease in available-for-sale financial assets	(66,040,782)	(2,000,630)	10,166,355	334,750
(Increase) decrease in held-to-maturity financial assets	(21,651,798)	(655,916)	35,119,073	1,156,374
Increase in investments under equity method	-	-	(2,105)	(69)
Increase in investments in real estate	(4,065,299)	(123,154)	(113,924)	(3,751)
Acquisition of property and equipment	(857,928)	(25,990)	(108,732)	(3,580)
Decrease (increase) in securities purchased under agreements to resell	34,663,730	1,050,098	(6,891,882)	(226,931)
(Increase) decrease in other financial assets	(30,735,869)	(931,108)	22,089,100	727,333
Decrease (increase) in other assets	155,892	4,723	(408,067)	(13,437)
<b>Net cash (used) provided in investing activities</b>	<b>(109,983,938)</b>	<b>(3,331,837)</b>	<b>54,243,273</b>	<b>1,786,081</b>
<b>Cash flows from financing activities</b>				
Increase (decrease) in due to the Central Bank and call loans from banks	2,440,096	73,920	(6,319,123)	(208,071)
Increase in deposits	10,791,385	326,912	2,987,236	98,361
(Decrease) increase in securities sold under agreements to repurchase	(3,208,018)	(97,183)	10,915,115	359,405
Increase (decrease) in banker's acceptances and funds borrowed	11,000	333	(103,950)	(3,423)
Increase (decrease) in bonds payable	239,711	7,262	(339,132)	(11,167)
Increase (decrease) in other financial liabilities	99,778	3,023	(2,211,912)	(72,832)
(Decrease) increase in other liabilities	(14,386)	(436)	31,056	1,023
<b>Net cash provided by financing activities</b>	<b>10,359,566</b>	<b>313,831</b>	<b>4,959,290</b>	<b>163,296</b>
<b>Effects of exchange rate changes</b>	<b>315,670</b>	<b>9,563</b>	<b>(1,368,908)</b>	<b>(45,075)</b>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(41,511,662)</b>	<b>(1,257,548)</b>	<b>59,499,591</b>	<b>1,959,157</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>472,721,562</b>	<b>14,320,556</b>	<b>381,587,302</b>	<b>12,564,613</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>\$431,209,900</b>	<b>\$13,063,008</b>	<b>\$441,086,893</b>	<b>\$14,523,770</b>
<b>Supplemental disclosure of cash flows information</b>				
Interest paid (excluding capitalized interest)	\$4,731,263	\$143,328	\$4,766,669	\$156,953
Income tax paid	\$390,298	\$11,824	\$309,194	\$10,181
<b>Investing and financing activities with no cash flow effects</b>				
Conversion of convertible notes into common stocks	\$3,211,622	\$97,292	\$-	\$-

(The exchange rates provided by the Federal Reserve Bank of New York on March 31, 2007 and 2008 were NT\$33.01 and NT\$30.37 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)  
March 31, 2007 and 2008**

**1. Organization and business scope**

On December 31, 2001, Cathay Life Insurance Co., Ltd. (“Cathay Life”) was reincorporated as Cathay Financial Holding Co., Ltd. (the “Company”) through stock conversion pursuant to provisions of the Republic of China (“ROC”) Financial Holding Company Act (“Financial Holding Company Act”) and its shares were listed on the Taiwan Stock Exchange Corporation (TSE) on the same day. On April 22, 2002, Cathay Century Insurance Co., Ltd. (“Cathay Century”) and Cathay United Bank Co., Ltd. (“Cathay United Bank”) were merged into the Company through stock conversion. On December 18, 2002, United World Chinese Commercial Bank Co., Ltd. (“UWCCB”) became a subsidiary of the Company by stock conversion. UWCCB and Cathay United Bank merged on October 27, 2003. UWCCB was the surviving company and was re-named to Cathay United Bank Co., Ltd. (“Cathay United Bank”). On May 12, 2004 the Company established Cathay Securities Corporation (“Cathay Securities”) as a wholly owned subsidiary. On June 30, 2005, the Company has invested Lucky Bank, Inc. (“Lucky Bank”) which was approved as a strategic investment by the Financial Supervisory Commission, Executive Yuan. 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. Cathay United Bank acquired specific assets, liabilities, and business of China United Trust & Investment Corporation (“CUTIC”) on December 29, 2007 to increase competitiveness. Since July 29, 2003, the Company listed a portion of its common shares on the Luxembourg Stock Exchange (LSE) in the form of Global Depositary Shares (GDSs). The Company mainly engages in financial holding business activities. As of March 31, 2007 and 2008, the total numbers of the employees of the Company and Subsidiaries were 35,342 and 39,405, respectively.

As of and for the three months ended March 31, 2007 and 2008, the consolidated financial statements include the followings:

Investors	Investees	Business	2007.3.31 Ownership interest	2008.3.31 Ownership interest	Notes
The Company	Cathay Life	Life insurance	100.00%	100.00%	Cathay Life was incorporated in Taiwan on October 23, 1962 under the provisions of the ROC Company Act (the “Company Act”).

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Investors	Investees	Business	2007.3.31 Ownership interest	2008.3.31 Ownership interest	Notes
The Company	Cathay United Bank	Commercial banking operations	100.00%	100.00%	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	100.00%	100.00%	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	100.00%	100.00%	Cathay Securities was incorporated on May 12, 2004, under the Company Act. The securities department and the securities agent (Taipei branch) of Cathay United Bank were transferred to Cathay Securities by using operating assignment along with its business, assets and liabilities. The assignment date was August 13, 2004.

**English Translation of Financial Statements Originally Issued in Chinese**

Investors	Investees	Business	2007.3.31 Ownership interest	2008.3.31 Ownership interest	Notes
The Company	Cathay Pacific Venture Capital Co., Ltd. (“Cathay Pacific Venture”)	Venture capital investment	100.00%	100.00%	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	67.00%	67.00%	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	100.00%	100.00%	Cathay II Venture was incorporated on April 12, 2004, under the Company Act.
Cathay Life	Cathay Life Insurance Company (Shanghai) (“Cathay Life (Shanghai)”)	Life insurance	50.00%	50.00%	Cathay Life (Shanghai) was incorporated on December 29, 2004. Cathay Life and China Eastern Airlines Corporation Limited each owns 50% interest of Cathay Life (Shanghai).
Cathay Life、 Cathay Venture	Symphox Information Co., Ltd. (“Symphox Information”)	Type II telecom service, data processing service, information supply service	99.53%	100.00%	Symphox Information was incorporated on December 12, 1999, under the Company Act. Cathay Life and Cathay Venture own 60.12% and 39.88% interest of Symphox Information, respectively.
Cathay Life	Cathay Life Insurance (Vietnam) Co., Ltd. (“Cathay Life (Viethnam)”)	Life insurance	-	100.00%	Cathay Life (Vietnam) was incorporated on November 21, 2007.

**English Translation of Financial Statements Originally Issued in Chinese**

Investors	Investees	Business	2007.3.31 Ownership interest	2008.3.31 Ownership interest	Notes
Cathay United Bank	Indovina Bank Limited (“Indovina Bank”)	Wholesale banking	50.00%	50.00%	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.

As of and for the three months ended March 31, 2007 and 2008, the consolidated financial statements excluded following subsidiaries due to the respective total assets and operating revenues were considered immaterial to the Company.

Investors	Investees	Business	2007.3.31 Ownership interest	2008.3.31 Ownership interest	Notes
The Company	Cathay Capital Management Inc., (“Cathay Capital Management”)	Management consultant	100.00%	100.00%	Cathay Capital Management was incorporated on June 12, 2000.

**English Translation of Financial Statements Originally Issued in Chinese**

Investors	Investees	Business	2007.3.31 Ownership interest	2008.3.31 Ownership interest	Notes
Cathay life	Cathay Insurance (Bermuda) Co., Ltd. (“Cathay Insurance (Bermuda)”)	Reinsurance	100.00%	100.00%	Cathay Insurance (Bermuda) was incorporated on January 24, 2000.
Cathay life	Cathay Securities Investment Co., Ltd. (“Cathay Securities Investment”)	Securities investment research analysis	100.00%	100.00%	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	100.00%	100.00%	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	100.00%	100.00%	Cathay Property Insurance Agent was incorporated on March 23, 2000.
Cathay United Bank	Seaward Card Co., Ltd. (“Seaward Card”)	Credit card service	100.00%	100.00%	Seaward Card was incorporated on April 9, 1999.
Cathay Capital Management	Cathay Pacific Partners Co., Ltd. (“Cathay Pacific Partners”)	Finance consultant	60.00%	60.00%	Cathay Pacific Partners was incorporated on October 15, 2002.

**2. Summary of significant accounting policies**

We prepared the financial statements in accordance with Business Entity Accounting Act, Regulation on Business Entity Accounting Handling with respect to financial accounting standards, 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:

## **English Translation of Financial Statements Originally Issued in Chinese**

### *(1) Principles of consolidation*

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

### *(2) Cash and cash equivalents*

Cash and cash equivalents include cash on hand, unrestricted bank deposits, checks for clearance, due from commercial banks and all highly liquid investments with maturities of less than three months.

### *(3) Financial assets and financial liabilities*

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

The Company and Subsidiaries purchases and sales of financial assets in “regular way”. “Regular way” purchases or sales are transactions of financial assets that require delivery of assets within the period established by regulation or convention in the marketplace.

#### A. Financial assets or liabilities at fair value through profit or loss

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

## **English Translation of Financial Statements Originally Issued in Chinese**

### B. Held-to-maturity financial assets

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

### C. Investments in debt securities with no active market

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

### D. Available-for-sale financial assets

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

### E. Derivative financial assets or liabilities for hedging

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

## **English Translation of Financial Statements Originally Issued in Chinese**

### F. Financial assets carried at cost

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

### G. Financial liabilities

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

The fair value of investments is determined by reference to the close price at the balance sheet date for listed shares, the net asset value for open-ended funds, the quoted price by the Taiwan Gre Tai Securities Market 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.

## **English Translation of Financial Statements Originally Issued in Chinese**

### *(5) Accounting for impairment of financial assets*

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

#### A. Financial assets carried at amortized cost

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

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

#### B. Financial assets carried at cost

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

#### C. Available-for-sale financial assets

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

## **English Translation of Financial Statements Originally Issued in Chinese**

### *(6) Derivative financial instruments*

The Company and Subsidiaries conducts derivative financial instrument transactions such as forward foreign exchange, interest rate swap, cross-currency swap, option and futures to hedge its risks associated with interest rates and foreign currency fluctuations. These derivative financial instruments are initially recognized at fair value on the date of which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

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

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

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

## **English Translation of Financial Statements Originally Issued in Chinese**

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

### A. Fair value hedges

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

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

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

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

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

## **English Translation of Financial Statements Originally Issued in Chinese**

### B. Cash flow hedges

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

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

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

### C. Hedges of a net investment in a foreign operation

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

#### *(7) Allowance for bad debts*

Allowance for bad debts on bills, 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.

## **English Translation of Financial Statements Originally Issued in Chinese**

### *(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.

### *(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.

## **English Translation of Financial Statements Originally Issued in Chinese**

### *(10) Property and equipment*

Property and equipment are stated at cost or cost plus appreciation. When reevaluating property and equipment, land and other properties shall be reevaluated separately. Property appreciation shall be recorded under “land revaluation adjustments” of stockholders’ equity.

Major improvements, additions, and renewals are capitalized, while repairs and maintenance are expensed when incurred.

Upon the sale or disposal of properties and equipment, their cost, related accumulated depreciation and accumulated impairment are removed from respective accounts.

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

### *(11) Intangible assets*

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

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

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

The intangible assets of the Company and Subsidiaries are computer softwares and are amortized over the estimated useful lives of three to five years using the straight-line method.

## **English Translation of Financial Statements Originally Issued in Chinese**

### *(12) Accounting for Assets Impairment*

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

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

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

- A. First, to reduce the carrying amount of any goodwill allocated to the CGU or group of CGUs.
- B. If the goodwill has been written off, to reduce the other assets of the CGU or group of CGUs pro rata to their carrying amount.

The write-down in goodwill cannot be reversed under any circumstances in subsequent periods.

### *(13) Real Estate Investment Trust (REIT) and financial assets securitization*

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

## **English Translation of Financial Statements Originally Issued in Chinese**

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.

Under the Regulations for Financial Assets Securitization, Subsidiaries, with the assistance of a trustee securitized its financial assets for the purposes of offering asset-backed securities in the form of related beneficiary certificates through a special purpose trust. Due to Subsidiaries have surrendered the rights and control on these securitized financial assets, such financial assets are no longer recognized on its accounts. The gain or loss from securitization is recognized thereon, except for the retained interests in the form of subordinated seller certificates for credit enhancement, which are classified as held-to-maturity financial assets and investments in debt securities with no active market due to lack of market quotes.

The gain or loss from securitization of the financial assets is determined based on the difference between the proceeds from securitization and carrying value of the securitized financial assets. The cost of each class of asset-backed securities which is determined based on the previous carrying value of the securitized financial assets, is allocated in proportion to the fair value of each class of the asset-backed securities and the retained interests on the date of transfer. Due to securitized financial assets do not have a quoted market price, the fair value of each class of the asset-backed securities and the retained interests are evaluated based on the present value of future cash flows considering the expected credit loss rate, prepayment rate, and discount rate on the financial assets.

### *(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.

## **English Translation of Financial Statements Originally Issued in Chinese**

The book value approach is used when the conversion privilege of a convertible bond is exercised. In addition, the accounts of convertible notes and reserve amounts for bonds redemption are transferred to the accounts of capital stock and capital surplus and accordingly, no gain or loss is recognized upon conversion.

### *(15) Reserves for operations and liabilities*

The subsidiaries in banking, insurance and securities industries are required by the government to record operating and loss reserves.

### *(16) Treasury stock*

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

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.

## **English Translation of Financial Statements Originally Issued in Chinese**

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.

## **English Translation of Financial Statements Originally Issued in Chinese**

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.

## **English Translation of Financial Statements Originally Issued in Chinese**

### *(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 “Alternative 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) Employee bonus and remuneration of directors*

Pursuant to Article No.52 issued by the Accounting Research and Development Foundation in March 2007, employee bonus and remuneration of directors are accounted for as expenses and not distribution of earnings.

## English Translation of Financial Statements Originally Issued in Chinese

### *(24) The interim financial statement*

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

### *(25) Translation to U.S. dollars*

The financial statements are stated in NT dollars. The translated U.S. dollars amounts from NT dollars as of March 31, 2007 and 2008 are for information only. The U.S. dollar/NT dollars noon buying rates of NT\$33.01 and NT\$30.37 provided by Federal Reserve Bank of New York of March 31, 2007 and 2008 are used for the translation.

### **3. Change in accounting and its effects**

The company and subsidiaries adopted the accounting principles prescribed in Article No.52 “Accounting for employee bonus and remuneration of directors” by the Accounting Research and Development Foundation on January 1, 2008.

The above change in accounting principles decreased the Company and Subsidiaries’ net income and earnings per share by NT\$6,152 (US\$203) and NT\$0.001 (US\$0), respectively, for the three months ended March 31, 2008.

### **4. Cash and cash equivalents**

	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Petty cash and cash on hand	\$10,726,457	\$324,946	\$10,032,964	\$330,358
Cash in banks	15,351,839	465,066	1,560,717	51,390
Time deposits	382,595,031	11,590,277	416,262,076	13,706,358
Cash equivalents	4,282,831	129,743	1,837,238	60,495
Checks for clearance	10,432,288	316,034	4,045,658	133,212
Due from commercial banks	7,821,454	236,942	7,348,240	241,957
Total	<u>\$431,209,900</u>	<u>\$13,063,008</u>	<u>\$441,086,893</u>	<u>\$14,523,770</u>

As of March 31, 2007 and 2008, the amounts of time deposits with maturities beyond one years were NT\$1,267,230 (US\$38,389) and NT\$1,070,984 (US\$35,265), respectively.

**English Translation of Financial Statements Originally Issued in Chinese**

**5. Financial assets at fair value through profit or loss**

	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Common stock	\$23,690,130	\$717,665	\$15,232,708	\$501,571
Beneficiary certificates	36,831,723	1,115,775	10,610,908	349,388
Exchange traded funds	2,807,126	85,039	169,362	5,577
Real estate investment trust	-	-	666,250	21,938
Commercial papers	14,916,178	451,869	9,776,213	321,904
Corporate bonds	4,100,675	124,225	3,822,843	125,876
Government bonds	9,685,047	293,397	868,943	28,612
Financial debentures	27,155,708	822,651	17,766,650	585,006
Overseas financial instruments	17,964,419	544,211	73,426,357	2,417,726
Derivative financial instruments	2,946,934	89,274	78,570	2,587
Structured time deposits	-	-	2,000,000	65,854
Valuation adjustment	20,469,931	620,113	30,195,516	994,255
Total	<u>\$160,567,871</u>	<u>\$4,864,219</u>	<u>\$164,614,320</u>	<u>\$5,420,294</u>

(1) As of March 31, 2007 and 2008, certain financial assets at fair value through profit or loss were sold under repurchase agreements with notional amounts of NT\$9,646,200 (US\$292,221) and NT\$7,498,200 (US\$246,895), respectively. Such repurchase agreements amounting of NT\$9,613,146 (US\$291,219) and NT\$7,476,045 (US\$246,165), respectively, were recorded in the account “Securities sold under agreements to repurchase” on the balance sheets. Repurchase agreements entered prior to March 31, 2007 and 2008 are settled at NT\$9,623,409 (US\$291,530) and NT\$7,483,108 (US\$246,398) prior to May 31, 2007 and April 30, 2008, respectively.

(2) Related information on the above financial assets at fair value through profit or loss as of March 31, 2007 and 2008 being pledged please refer to Note 26.

**6. Loans-net**

	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Inward-outward documentary bills	\$870,975	\$26,385	\$448,524	\$14,769
Loans	1,237,941,683	37,502,020	1,315,895,714	43,328,802
Overdrafts	557,881	16,901	529,084	17,421
Delinquent accounts	9,104,922	275,823	7,552,853	248,694
Subtotal	1,248,475,461	37,821,129	1,324,426,175	43,609,686
Less: Allowance for bad debts	(15,728,823)	(476,487)	(11,198,556)	(368,737)
Total	<u>\$1,232,746,638</u>	<u>\$37,344,642</u>	<u>\$1,313,227,619</u>	<u>\$43,240,949</u>

**English Translation of Financial Statements Originally Issued in Chinese**

**7. Available-for-sale financial assets-net**

	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Common stock	\$157,383,619	\$4,767,756	\$93,598,965	\$3,081,955
Beneficiary certificates	11,108,125	336,508	1,901,252	62,603
Collateralized loans obligation and collateralized bonds obligation	5,767,475	174,719	6,339,216	208,733
Exchange traded funds	6,899,032	208,998	6,559,823	215,997
Government bonds	46,721,708	1,415,381	75,544,702	2,487,478
Corporate bonds	36,351,372	1,101,223	16,337,278	537,941
Financial debentures	71,901,563	2,178,175	164,020,427	5,400,738
Overseas financial instruments	89,299,192	2,705,216	77,951,136	2,566,715
Real estate investment trust beneficiary	8,583,974	260,042	8,725,208	287,297
Valuation adjustment	17,776,378	538,515	1,565,964	51,563
Total	<u>\$451,792,438</u>	<u>\$13,686,533</u>	<u>\$452,543,971</u>	<u>\$14,901,020</u>

(1) As of March 31, 2007 and 2008, certain available-for-sale financial assets were sold under repurchase agreements with notional amounts of NT\$9,998,800 (US\$302,902) and NT\$16,598,900 (US\$546,556). Such repurchase agreements amounting of NT\$10,840,576 (US\$328,403) and NT\$18,074,494 (US\$595,143) were recorded in the account “Securities sold under agreements to repurchase” on the balance sheets. Repurchase agreements entered prior to March 31, 2008 will be settled at NT\$10,871,068 (US\$329,327) and NT\$18,111,981 (US\$596,377) prior to September 30, 2007 and 2008, respectively.

(2) Related information on the above available-for-sale financial assets as of March 31, 2007 and 2008 being pledged please refer to Note 26.

**8. Held-to-maturity financial assets-net**

	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Government bonds	\$12,452,592	\$377,237	\$18,581,031	\$611,822
Corporate bonds	4,507,070	136,537	4,889,000	160,981
Financial debentures	10,911,297	330,545	13,003,204	428,159
Overseas financial instruments	510,774,227	15,473,318	493,158,801	16,238,354
Collateralized loans obligation and collateralized bonds obligation	17,488,449	529,793	20,409,687	672,034
Short-term notes	11,184,092	338,809	2,947,944	97,068
Subtotal	567,317,727	17,186,239	552,989,667	18,208,418
Less: Accumulated impairment	(2,045)	(62)	-	-
Total	<u>\$567,315,682</u>	<u>\$17,186,177</u>	<u>\$552,989,667</u>	<u>\$18,208,418</u>

**English Translation of Financial Statements Originally Issued in Chinese**

Related information on the above held-to-maturity financial assets as of March 31, 2007 and 2008 being pledged please refer to Note 26.

**9. Investments under equity method**

Investee	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Securities Investment Consulting	\$129,763	\$3,931	\$192,542	\$6,340
Cathay Capital Management	70,494	2,136	77,829	2,563
Seaward Card	40,458	1,226	38,123	1,255
Cathay Property Insurance Agent	9,307	282	7,708	254
Cathay Life Insurance Agent	97,572	2,956	46,711	1,538
Cathay Insurance (Bermuda)	77,385	2,344	85,298	2,809
WK Technology Fund VI Co., Ltd	481,631	14,590	405,545	13,353
Vista Technology Venture Capital Corp.	55,424	1,679	55,366	1,823
Omnitek Venture Capital Corp.	347,370	10,523	218,951	7,209
Wa Tech Venture Capital Co., Ltd.	182,264	5,521	176,342	5,806
Taiwan Real-estate Management Corp.	33,587	1,018	43,582	1,435
Taiwan Finance Corp.	1,388,622	42,067	1,302,943	42,902
IBT Venture Capital Corp.	615,409	18,643	387,847	12,771
Cathay Securities Investment Trust Co., Ltd.	312,696	9,473	456,178	15,021
Subtotal	3,841,982	116,389	3,494,965	115,079
Less: Unrealized gain from intercompany transactions	-	-	(415,680)	(13,687)
Total	\$3,841,982	\$116,389	\$3,079,285	\$101,392

**10. Other financial assets-net**

Item	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Derivative financial assets for hedging	\$246,068	\$7,454	\$1,126,446	\$37,091
Financial assets carried at cost	27,151,466	822,522	26,727,176	880,052
Structured time deposits	9,350,000	283,248	16,333,714	537,824
Customer's margin accounts	835,252	25,303	1,424,972	46,920
Bills purchased	5,202	158	4,139	136
Other miscellaneous financial assets	9,150,965	277,218	2,253,277	74,194
Accumulated impairment	(1,692,011)	(51,258)	(1,821,985)	(59,993)
Total	\$45,046,942	\$1,364,645	\$46,047,739	\$1,516,224

## English Translation of Financial Statements Originally Issued in Chinese

### 11. Investments in real estate

March 31, 2007										
Item	Cost		Revaluation increment		Accumulated depreciation		Accumulated impairment		Net value	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Investments in										
real estate	\$119,511,738	\$3,620,471	\$4,632	\$140	\$(14,324,018)	\$(433,930)	\$(195,923)	\$(5,935)	\$104,996,429	\$3,180,746
Construction	961,031	29,114	-	-	-	-	-	-	961,031	29,114
Total	<u>\$120,472,769</u>	<u>\$3,649,585</u>	<u>\$4,632</u>	<u>\$140</u>	<u>\$(14,324,018)</u>	<u>\$(433,930)</u>	<u>\$(195,923)</u>	<u>\$(5,935)</u>	<u>\$105,957,460</u>	<u>\$3,209,860</u>

March 31, 2008										
Item	Cost		Revaluation increment		Accumulated depreciation		Accumulated impairment		Net value	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Investments in										
real estate	\$120,681,753	\$3,973,716	\$4,369	\$144	\$(15,718,168)	\$(517,556)	\$(195,923)	\$(6,451)	\$104,772,031	\$3,449,853
Construction	1,621,269	53,384	-	-	-	-	-	-	1,621,269	53,384
Total	<u>\$122,303,022</u>	<u>\$4,027,100</u>	<u>\$4,369</u>	<u>\$144</u>	<u>\$(15,718,168)</u>	<u>\$(517,556)</u>	<u>\$(195,923)</u>	<u>\$(6,451)</u>	<u>\$106,393,300</u>	<u>\$3,503,237</u>

- (1) The real estate investments are held mainly to generate rental revenue.
- (2) Rents from real estate investment can be paid annually, semiannually, quarterly, monthly or in a lump sum.
- (3) No investments in real estate were pledged as collaterals.

### 12. Financial assets securitization

During 2007, Cathay United Bank securitized a collateralized loans obligation (CLO) with a carry value of NT\$5,446,335 (US\$164,990) with Land Bank Co., Ltd. as Trustee. These beneficiary certificates have a redemption period from May 28, 2007 to May 28, 2014. The other terms of these beneficiary certificates are as follows:

Class of beneficiary certificates issued		Issue amount (in thousands dollars)	Interest rate
Senior tranche	1 <sup>st</sup>	NT\$3,335,000(US\$101,030)	2.175%
Senior tranche	2 <sup>nd</sup>	NT\$315,000(US\$9,543)	2.325%
Senior tranche	3 <sup>rd</sup>	NT\$340,000(US\$10,300)	2.545%
Senior tranche	4 <sup>th</sup>	NT\$480,000(US\$14,541)	2.945%
Subordinated tranche	5 <sup>th</sup>	NT\$200,000(US\$6,059)	3.00%
Subordinated tranche	6 <sup>th</sup>	NT\$200,000(US\$6,059)	3.20%
Subordinated tranche	7 <sup>th</sup>	NT\$576,335(US\$17,459)	-

**English Translation of Financial Statements Originally Issued in Chinese**

Cathay United Bank holds the subordinated beneficiary certificates NT\$976,335 (US\$29,577) and retains the right to interest (if any) in excess of the amount paid to the holders of senior beneficiary certificates. If the loan debtors default, neither the investor nor Trustee has the right of recourse to Cathay United Bank. The retained interest of the principal of subordinated beneficiary certificates is subordinate to the investors' certificates and its value is affected by the credit risk, prepayment rate and change in interest rate of the securitized loans.

(1) Key assumptions used in measuring retained interests:

The key assumptions used in measuring the subordinated seller certificates arising from the loan securitization at the loans securitization date and the end of the year, 2008, respectively, were as follows:

	Corporate Loans Securitization	
	May 28, 2007	March 31, 2008
Expected weighted-average life (in years)	2.212	1.232
Prepayment rate (annual rate)	3.00%	3.00%
Expected credit losses rate (annual rate)	3.71%	3.71%
Discounting rate for residual cash flows (annual rate)	2.20%	2.49%

(2) Sensitivity analysis :

As of March 31, 2008, the key economic assumptions and sensitivity of the current fair value of residual cash flows with immediate 10% and 20% adverse changes in these assumptions were as follows:

	March 31, 2008	
	NT	US
Carrying amount of retained interests	\$977,748	\$32,195
Expected weighted-average life (in years)	1.232	1.232
Expected prepayment rate (annual rate)	3.00%	3.00%
Impact on fair value with 10% adverse change	(901)	(30)
Impact on fair value with 20% adverse change	(950)	(31)
Expected credit losses (annual rate)	3.71%	3.71%
Impact on fair value with 10% adverse change	(15,301)	(504)
Impact on fair value with 20% adverse change	(16,141)	(531)
Discounting rate for residual cash flows (annual rate)	2.49%	2.49%
Impact on faire value with 10% adverse change	(5,484)	(181)
Impact on faire value with 20% adverse change	(10,935)	(360)

## English Translation of Financial Statements Originally Issued in Chinese

### (3) Expected static pool credit losses:

As the securitized collateralized loans obligation do not have actual credit losses as of the balance sheet date, the expected static pool credit losses are, therefore, equal to the expected credit losses

### (4) Cash flows:

The cash flows received from and paid to securitization trusts were as follows:

	2008	
	NT	US
Servicing fees received	\$60	\$2
Other cash received on retained interests	7,636	251
Repayment of cash reserve	3,726	123

## 13. Goodwill and intangible assets-net

Item	January 1, 2007		Increase		Decrease		March 31, 2007	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Acquired cost								
Computer								
software	\$1,578,831	\$47,829	\$54,989	\$1,666	\$(89,199)	\$(2,702)	\$1,544,621	\$46,793
Land use right	16,132	489	123	3	-	-	16,255	492
Subtotal	1,594,963	48,318	55,112	1,669	(89,199)	(2,702)	1,560,876	47,285
Amortized and impairment								
Amortized	(697,995)	(21,145)	(97,255)	(2,946)	8,607	260	(786,643)	(23,831)
Book value	\$896,968	\$27,173	\$(42,143)	\$(1,277)	\$(80,592)	\$(2,442)	\$774,233	\$23,454

Item	January 1, 2008		Increase		Decrease		March 31, 2008	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Acquired cost								
Goodwill	\$6,537,374	\$215,257	\$-	\$-	\$-	\$-	\$6,537,374	\$215,257
Computer								
software	2,093,333	68,928	64,534	2,125	(157,523)	(5,187)	2,000,344	65,866
Land use right	19,630	646	-	-	(1,256)	(41)	18,374	605
Subtotal	8,650,337	284,831	64,534	2,125	(158,779)	(5,228)	8,556,092	281,728

## English Translation of Financial Statements Originally Issued in Chinese

Item	January 1, 2008		Increase		Decrease		March 31, 2008	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Amortized and impairment								
Amortized	(1,070,670)	(35,254)	(102,778)	(3,384)	7,761	256	(1,165,687)	(38,382)
Impairment	(147,141)	(4,845)	-	-	147,141	4,845	-	-
Subtotal	(1,217,811)	(40,099)	(102,778)	(3,384)	154,902	5,101	(1,165,687)	(38,382)
Book value	\$7,432,526	\$244,732	\$(38,244)	\$(1,259)	\$(3,877)	\$(127)	\$7,390,405	\$243,346

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

#### 14. Financial liabilities at fair value through profit or loss

	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Derivative financial instruments	\$6,927,955	\$209,874	\$129,815	\$4,274
Financial debentures	39,700,000	1,202,666	39,190,000	1,290,418
Subordinated financial debentures	10,000,000	302,939	-	-
Valuation adjustment	17,559,873	531,956	24,497,003	806,619
Total	<u>\$74,187,828</u>	<u>\$2,247,435</u>	<u>\$63,816,818</u>	<u>\$2,101,311</u>

- (1) On May 23, 2002, Cathay United Bank issued have been five-year subordinated financial debentures totaling NT\$5,000,000 (US\$164,636) which matured. Subsequently on September 10, 2002, Cathay United Bank issued five-year and six-month subordinated financial debentures totaling NT\$5,000,000 (US\$164,636) 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.

**English Translation of Financial Statements Originally Issued in Chinese**

- (3) On June 20, 2003, Cathay United Bank issued five-year and six-month dominant financial debentures amounting to NT\$5,000,000 (US\$164,636) 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\$105,367), NT\$2,700,000 (US\$88,904) and NT\$1,800,000 (US\$59,269), 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\$65,854) with a floating interest rate. These dominant financial debentures are repayable at maturity, and the interest is payable quarterly or semi-annually.
- (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\$32,927), NT\$3,500,000 (US\$115,245), NT\$2,000,000 (US\$65,854), and NT\$1,000,000 (US\$32,927), 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\$82,318), NT\$1,500,000 (US\$49,391), NT\$1,500,000 (US\$49,391), NT\$2,500,000 (US\$82,318), NT\$1,500,000 (US\$49,391), NT\$2,500,000 (US\$82,318), NT\$1,000,000 (US\$32,927) and NT\$1,000,000 (US\$32,927), NT\$2,000,000 (US\$65,854), NT\$1,500,000 (US\$49,391), 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.

**15. Deposits**

	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Check deposits	\$15,686,787	\$475,213	\$11,199,475	\$368,768
Demand deposits	102,774,120	3,113,424	115,402,177	3,799,874
Savings deposits	353,125,025	10,697,517	365,826,413	12,045,651
Time deposits	500,526,372	15,162,871	522,505,156	17,204,648
Outward remittances	-	-	14,299,727	470,850
Remittances payable	1,371,254	41,540	705,307	23,224
Total	<u>\$973,483,558</u>	<u>\$29,490,565</u>	<u>\$1,029,938,255</u>	<u>\$33,913,015</u>

**English Translation of Financial Statements Originally Issued in Chinese**

**16. Bonds payable**

	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Bonds payable	\$1,134,796	\$34,377	\$-	\$-
Subordinated financial debentures	18,895,000	572,402	17,552,500	577,955
Discount in financial debentures	(105,300)	(3,190)	(87,775)	(2,890)
Valuation adjustment	(453,832)	(13,748)	747,980	24,629
Total	<u>\$19,470,664</u>	<u>\$589,841</u>	<u>\$18,212,705</u>	<u>\$599,694</u>

- (1) On April 28, 2003, Cathay United Bank issued a five-year subordinated financial debentures totaling NT\$2,350,000 (US\$77,379) 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:

## **English Translation of Financial Statements Originally Issued in Chinese**

Subject to certain conditions, each holder of the notes (the “Holder”) has the right during the conversion period to convert its notes (or any portion thereof being US\$1,000 (dollars) in principal amount or an integral multiple thereof) into common shares and, upon conversion may, subject to compliance with the terms and conditions of the applicable deposit agreement, direct that the common shares deliverable upon conversion be deposited with the depository for issuance of GDSs, provided, however, that the conversion right during any closed period shall be suspended and the conversion period shall not include any such closed period.

### G. Repurchase at the option of the holder:

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

### 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.

## **English Translation of Financial Statements Originally Issued in Chinese**

### 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. Redemaption 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.

## English Translation of Financial Statements Originally Issued in Chinese

### 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\$668,033) 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.

## 17. Reserve for operations and liabilities

	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Reserve for insurance business	\$1,859,997,447	\$56,346,485	\$1,995,385,463	\$65,702,518
Reserves for losses on guarantees	28,719	870	28,408	935
Reserves for losses on stock brokerage transactions	20,476	620	32,868	1,082
Reserves for losses on trading securities	151,315	4,584	269,796	8,884
Total	<u>\$1,860,197,957</u>	<u>\$56,352,559</u>	<u>\$1,995,716,535</u>	<u>\$65,713,419</u>

Reserves for operations included the following reserves:

Unearned premium reserve, Special claim reserve claims reserve is provided based on the "Regulations on Calculation of Various Insurance Reserves" by Article 0910751651, 0920751929 and 09602505761 of Ministry of Finance:

## English Translation of Financial Statements Originally Issued in Chinese

### (1) Unearned premium reserve

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.

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) Special reserve

#### A. Catastrophe reserve :

- a. Addition: Catastrophe reserve should be accrued based on respective reserve rates of various insurance product categories.
- b. Reduction: The amount of assumed claims of catastrophe in excess of NT\$30 million should be deducted from the catastrophe reserve. In addition, the deducted amount is required to be reported to authorities.
- c. Recovery: The catastrophe reserve over 15 years the unearned premium reserve should be reversed and then accrued is required to be reported to authorities.

#### B. Contingency reserve: reserve provided for unusual fluctuations of claims or loss ratios.

- a. Addition: Thirty percent of the amount that the actual claims paid for each insurance product categories in excess of the respective contingency reserve and expected loss should be provided as the contingency reserve.

Provision contingency reserve were thirty and fifteen percentage before and after January, 2008, respectively.

- b. Reduction: The amount of actual claims paid for each insurance product categories in excess of the respective catastrophe reserve and expected loss should be deducted from the catastrophe reserve. If the deduction amount is greater than the catastrophe reserve of the insurance product category, catastrophe reserve for other insurance product categories can be used for the deduction. In addition, the deducted amount is required to be reported to authorities.

## **English Translation of Financial Statements Originally Issued in Chinese**

- c. Recovery: Once the accumulated contingency reserve of each insurance product category exceeds 60% of its retained earned premium for the year, the excess amount should be recorded as income. When the accumulated accidental insurance contingency reserve exceeds 30% of the retained earned premium for the year, the excess amount should be recorded as income. However, authorities can assign or limit the use of the amount based on the development need of the insurance industry.
  
- C. The special 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”.
  
- D. The special reserve of the nuclear hazard insurance is in compliance with the “Accrual of Nuclear Hazard Insurance Reserve”.
  
- E. The residential earthquake insurance product is in compliance of “Regulations for Method of insurance and Contingency allocation on Residential Earthquake”.

### (3) Claims reserve:

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.

## English Translation of Financial Statements Originally Issued in Chinese

- 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”.

### (4) Premiums deficiency reserve :

Effective from January 1, 2008, future benefit payments and expenses shall be estimated for unexpired insurance contracts or insurance risks. Premium deficiency reserve by category shall be recorded for the difference between the above estimated amount and the sum of unearned premium reserve and estimated future premium income.

## 18. Other financial liabilities

	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Derivative financial liabilities for hedging	\$504,308	\$15,277	\$78,378	\$2,581
Borrowed funds	312,160	9,457	308,470	10,157
Others	223,046	6,757	100,774	3,318
Total	\$1,039,514	\$31,491	\$487,622	\$16,056

## 19. Common stock

- (1) As of March 31, 2007 and 2008, the authorized share capital amounted NT\$120,000,000 (US\$3,635,262), and the issued share capital amounted NT\$92,661,696 (US\$2,807,080) and NT\$92,770,192 (US\$3,054,665), respectively.
- (2) On March 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).

## **20. 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\$81,485,226 (US\$2,468,501) and NT\$81,971,213 (US\$2,699,085) as of March 31, 2007 and 2008, 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\$8,799) were included in the capital surplus as of March 31, 2007 and 2008.
- (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.

## **21. 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.

## **English Translation of Financial Statements Originally Issued in Chinese**

- 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, 2007 respectively.
- C. The Company is required to pay a 10% surtax in the forthcoming tax year for undistributed earnings.
- D. In accordance with SFC regulations, in addition to the legal reserve retained, the Company is required to provide a special reserve in the amount equal to current year's contra account in stockholders' equity from current year's earnings after tax or prior year's undistributed earnings. However, contra accounts in prior year's accumulated stockholders' equity should only be provided from prior year's undistributed earnings. If a reversal of stockholders equity contra account occurs, the reversed portion of the special reserve could be distributed as dividends.
- E. In accordance with SFC regulations, posterior to 2002 subsidiaries of financial holding companies that hold shares of their parent company should treat those shares as treasury stock. The cost of these shares are exempted from distributing as special reserve.
- F. Pursuant to the explanatory letter of SFB on January 27, 2006, the Company is required to appropriate a special reserve in the amount equal to unrealized loss of financial instruments, cumulative conversion adjustments, and net loss not yet recognized as net pension cost expect for the special reserve since 2007.
- G. Dividends policy
- The Company's dividends policy is to distribute dividends in stock in order to retain sufficient cash for operations with excess cash from retained earnings distributed in cash, but cash dividends must be a minimum of 10% of the total dividends declared.
- H. The accrual of employee bonus and remuneration of directors for the first quarter of 2008 was NT\$6,152 (US\$203) based on the average of actual distribution in the past three years and recognized as operating costs or expenses. The difference between actual distribution and estimated amount will be recognized in 2009.
- I. The Company's earning distribution of 2007 has been resolved by the board of directors but still waiting for the approval by the stockholders' meeting. Please refer to the "Market Observation Post System" website of the Taiwan Stock Exchange Corporation.

## English Translation of Financial Statements Originally Issued in Chinese

### 22. Treasury stock

The following is a summary of the movement of treasury stock as of March 31, 2007 and 2008:

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

  

March 31, 2008										
Reason for acquisition	In thousands of shares			Book value		Book value per share		Market value per share		
	January 1, 2008	Increase	Decrease	March 31, 2008	(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	\$136,320	\$62.11	\$2.05	\$77.50	\$2.55

### 23. Operating Expense

For the three months ended March 31, 2007 and 2008, personnel expense, depreciation and amortizations are summarized below:

	For the three months ended March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Personnel expenses				
Salary and wages	\$8,194,469	\$248,242	\$9,181,404	\$302,318
Labor & health insurance expenses	466,769	14,140	525,452	17,302
Pension expenses	221,920	6,723	333,691	10,987
Other expenses	376,320	11,400	379,373	12,492
Depreciation	880,223	26,666	761,198	25,064
Amortization	89,988	2,726	104,800	3,451

**English Translation of Financial Statements Originally Issued in Chinese**

**24. Estimated income taxes**

(1) Income tax expenses include the following:

	For the three months ended March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Income tax calculates on accounting income	\$17,309	\$524	\$1,365,712	\$44,969
Plus (Less): Tax of interest income on a separate basis	130,227	3,945	64,996	2,140
Alternative minimum tax payable	287,051	8,696	541,140	17,818
Withholding tax for overseas investments	31,368	950	16,460	542
Tax effects under consolidated income tax	73,877	2,238	-	-
Deferred income tax benefits	478,631	14,500	(7,351,322)	(242,059)
Adjustment of income tax	529,574	16,043	(58,519)	(1,927)
Income tax credit	-	-	(12,432)	(409)
Operating loss carry-forward	-	-	583,715	19,220
Total income tax expenses (benefits)	<u>\$1,548,037</u>	<u>\$46,896</u>	<u>\$(4,850,250)</u>	<u>\$(159,706)</u>

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

(2)Income tax returns:

		March 31, 2008
	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	-

**English Translation of Financial Statements Originally Issued in Chinese**

			March 31, 2008
		Income tax returns examined by tax authorities	Notes
Cathay Century	through 2003		The withholding tax on the interest of prior bondholders and tax effects on the interest expenses of amortized premium bonds in year 1999, 2001 and 2002 tax returns, respectively, were rejected by the Tax Authority as being able to offset income tax payable. Cathay Century has filed the dispute. Cathay Century also filed an application for re-examination of 2003 tax return.
Cathay Securities	through 2004		Cathay Securities filed an application for re-examination of 2004 tax return.
Cathay Pacific Venture	through 2003		-
Symphox Information	through 2005		-
Cathay Futures	through 2005		-
Cathay Venture	through 2005		-
Cathay II Venture	through 2004		-

(3) Information related to imputation credit account:

A. Balance of imputation credit account

	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
The Company	\$1,262,060	\$38,233	\$643,820	\$21,199
Cathay Life	841,421	25,490	1,208,909	39,806
Cathay United Bank	484,805	14,687	669,238	22,036
Cathay Century	4,498	136	11,847	390
Cathay Securities	9,022	273	7,660	252
Cathay Pacific Venture	597	18	111	4
Cathay Venture	18,381	557	1,027	34
Cathay II Venture	7,810	237	9,007	297
Cathay Futures	14,480	439	13,918	458

## English Translation of Financial Statements Originally Issued in Chinese

### B. Imputation ratio

	For the three months ended March 31,	
	2007 Actual	2008 Estimate
The Company	13.25%	2.17%
Cathay Life	7.96%	7.23%
Cathay United Bank	-	10.42%
Cathay Century	1.62%	0.98%
Cathay Securities	14.76%	12.58%
Cathay Pacific Venture	1.11%	0.54%
Cathay Venture	32.56%	0.75%
Cathay II Venture	7.26%	4.63%
Cathay Futures	33.33%	33.33%

### (4) Information relating of undistributed retained earnings:

Year	For the three months ended March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Prior to 1997	\$267,215	\$8,095	\$267,215	\$8,798
After 1998	19,710,210	597,098	35,577,963	1,171,484
Total	<u>\$19,977,425</u>	<u>\$605,193</u>	<u>\$35,845,178</u>	<u>\$1,180,282</u>

- A. Undistributed earnings after 1998 did not include the net income from January 1 to March 31, 2007 and 2008.
- B. The undistributed retained earnings prior to 1997 which derived from the undistributed retained earnings of the subsidiaries were included in the Company's capital surplus and were allowed to be distributed as cash dividends by the regulations.

## English Translation of Financial Statements Originally Issued in Chinese

### 25. Earnings per share

For the three months ended March 31, 2007									
	Amount (Numerator)				Shares (in thousands of shares) (denominator)	EPS (in dollars)			
	Before income taxes		After income taxes			Before income taxes		After income taxes	
	(NT\$)	(US\$)	(NT\$)	(US\$)		(NT\$)	(US\$)	(NT\$)	(US\$)
Primary earnings per share:									
Income from continuing operations	\$11,608,134	\$351,655	\$10,060,097	\$304,759	9,160,861	<u>\$1.27</u>	<u>\$0.04</u>	<u>\$1.10</u>	<u>\$0.03</u>
Effect of potentially dilutive common stock:									
Convertible notes payable	<u>33,548</u>	<u>1,016</u>	<u>25,161</u>	<u>762</u>	<u>59,442</u>				
Fully-diluted earnings per share:									
Consolidated income	<u>\$11,641,682</u>	<u>\$352,671</u>	<u>\$10,085,258</u>	<u>\$305,521</u>	<u>9,220,303</u>	<u>\$1.26</u>	<u>\$0.04</u>	<u>\$1.09</u>	<u>\$0.03</u>

For the three months ended March 31, 2008									
	Amount (Numerator)				Shares (in thousands of shares) (denominator)	EPS (in dollars)			
	Before income taxes		After income taxes			Before income taxes		After income taxes	
	(NT\$)	(US\$)	(NT\$)	(US\$)		(NT\$)	(US\$)	(NT\$)	(US\$)
Primary earnings per share:									
Consolidated income	<u>\$(10,828,232)</u>	<u>\$(356,544)</u>	<u>\$(5,977,982)</u>	<u>\$(196,838)</u>	9,210,359	<u>\$(1.18)</u>	<u>\$(0.04)</u>	<u>\$(0.65)</u>	<u>\$(0.02)</u>

### 26. 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
Cathay Capital Management	Subsidiary of the Company
Cathay Venture	Subsidiary of the Company

**English Translation of Financial Statements Originally Issued in Chinese**

Name	Relationship
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 Life (Vietnam)	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
Vista Technology Venture Capital Corp.	The investee in accounted for using the equity method
IBT Venture Capital Corp.	The investee in accounted for using the equity method
Cathay Real Estate Management Co., Ltd.	The investee in accounted for using the equity method
Sunny Asset Management Co., Ltd.	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 2007
Wan Pao Development Co., Ltd.	The chairman is a second immediate family member of the Company's chairman
Taipei Smart Card Corp.	Investee company of Cathay United Bank
Culture and Charity Foundation of the CUB	Cathay United Bank is the major sponsor of the foundation
Taiwan Asset Management Corporation	The chairman is the representative of Cathay United Bank

**English Translation of Financial Statements Originally Issued in Chinese**

Name	Relationship
Cathay Global Money Market Fund etc.	The fund is managed by Cathay Securities Trust Co., Ltd.
Lin Yuan Property Management Co., Ltd.	Affiliate
Seaward Leasing Ltd.	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
Cathay Century Realty Co., Ltd.	Affiliate
Cathay Biology Technology Co., Ltd.	Affiliate
Cathay Real Estate Holding Corporation	Affiliate
Cathay Cultural Foundation	Affiliate
Other related parties	Includes chairmen, managers, their spouses and linear relatives of Subsidiaries

(2) Significant transactions with related parties:

Transactions with related parties than NT\$3,000 (US\$98) will no longer be listed since first quarter of 2008.

**English Translation of Financial Statements Originally Issued in Chinese**

A. Cash in banks

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

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

Name	For the three months ended March 31,							
	2007				2008			
	Ending balance		Interest revenue		Ending balance		Interest revenue	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Industrial and Commercial Bank of Vietnam	\$638	\$19	\$5	\$-	\$-	\$-	\$-	\$-

C. Financial assets at fair value through profit or loss

Name	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$6,920,159	\$209,638	\$7,093,712	\$233,576

D. Securities purchased under agreements to resell

Name	For the three months ended March 31,							
	2007				2008			
	Ending balance		Interest revenue		Ending balance		Interest revenue	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Taiwan Finance Corp.	\$-	\$-	\$44	\$1	\$-	\$-	\$-	\$-

**English Translation of Financial Statements Originally Issued in Chinese**

E. Receivables

Name	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Insurance (Bermuda)	\$9,433	\$286	\$9,630	\$317
Cathay Capital Management	14,322	434	14,756	486
Cathay General Hospital	32,580	987	29,415	969
Cathay Real Estate Development Co., Ltd.	575	18	-	-
Cathay Securities Investment Trust Co., Ltd.	635	19	-	-
Seaward Leasing Ltd.	218,761	6,627	-	-
Lin Yuan Property Management Co., Ltd.	631	19	-	-
Cathay Securities Investment	329	10	-	-
Other related parties	201	6	-	-
<b>Total</b>	<b>\$277,467</b>	<b>\$8,406</b>	<b>\$53,801</b>	<b>\$1,772</b>

F. Loans

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

**English Translation of Financial Statements Originally Issued in Chinese**

Name	For the three months ended March 31, 2008			
	Ending Balance (NT\$)	Ending Balance (US\$)	Interest Revenue (NT\$)	Interest Revenue (US\$)
Seaward Leasing Ltd.	\$3,014,000	\$99,243	\$16,651	\$548
Taiwan Real-estate Management Corp.	114,000	3,754	796	26
Cathay General Hospital	4,629,530	152,437	42,208	1,390
Others	1,840,078	60,589	14,981	494
<b>Total</b>	<b>\$9,597,608</b>	<b>\$316,023</b>	<b>\$74,636</b>	<b>\$2,458</b>

G. Available-for-sale financial assets

Name	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$574,627	\$17,408	\$604,747	\$19,913

H. Deposit

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

Name	For the three months ended March 31, 2008			
	Ending Balance (NT\$)	Ending Balance (US\$)	Interest Expense (NT\$)	Interest Expense (US\$)
Cathay Securities Investment Trust Co., Ltd.	\$842,656	\$27,746	\$4,388	\$145
Cathay Real Estate Development Co., Ltd.	139,954	4,608	15	-
Others	5,992,358	197,312	34,158	1,125
<b>Total</b>	<b>\$6,974,968</b>	<b>\$229,666</b>	<b>\$38,561</b>	<b>\$1,270</b>

## English Translation of Financial Statements Originally Issued in Chinese

### I. Property transactions

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

Name	Item	For the three months ended March 31, 2007	
		(NT\$)	(US\$)
San Ching Engineering Co., Ltd.	Cathay General Hospital etc.	\$2,264	\$68
Lin Yuan Property Management Co., Ltd.	Taipei Royalty Building etc.	44,162	1,338
	Total	<u>\$46,426</u>	<u>\$1,406</u>

Name	Item	For the three months ended March 31, 2008	
		(NT\$)	(US\$)
Lin Yuan Property Management Co., Ltd.	International Building ect.	<u>\$77,842</u>	<u>\$2,563</u>

The total amounts of contracted construction projects for real estate as of March 31, 2007 and 2008 between Cathay Life and San Ching Engineering Co., Ltd. were NT\$22,435 (US\$680) and NT\$32,445 (US\$1,068), respectively.

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

Name	Rental income			
	For the three months ended March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Securities Investment Consulting	\$844	\$26	\$-	\$-
Cathay Capital Management	511	15	-	-
Cathay Real Estate Development Co., Ltd.	4,003	121	4,275	141
Cathay General Hospital	38,261	1,159	40,675	1,339
San Ching Engineering Co., Ltd.	1,892	57	-	-
Cathay Securities Investment Trust Co., Ltd.	3,125	95	4,242	140
Taiwan Asset Management Corporation	3,501	106	-	-
Taipei Smart Card Corp.	2,897	88	-	-
Seaward Leasing Ltd.	346	11	-	-
Total	<u>\$55,380</u>	<u>\$1,678</u>	<u>\$49,192</u>	<u>\$1,620</u>

**English Translation of Financial Statements Originally Issued in Chinese**

Name	Guarantee deposits in			
	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Securities Investment Consulting	\$877	\$27	\$-	\$-
Cathay Capital Management	479	15	-	-
Cathay Real Estate Development Co., Ltd.	3,753	114	3,945	130
Cathay General Hospital	8,062	244	9,114	300
San Ching Engineering Co., Ltd.	1,709	52	-	-
Cathay Securities Investment Trust Co., Ltd.	2,738	83	3,743	123
Taiwan Asset Management Corporation	3,477	105	-	-
Seaward Leasing Ltd.	346	10	-	-
Total	<u>\$21,441</u>	<u>\$650</u>	<u>\$16,802</u>	<u>\$553</u>

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

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

Name	Rental expenses			
	For the three months ended March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Real Estate Development Co., Ltd.	\$10,096	\$306	\$10,508	\$346
Lin Yuan Investment Co., Ltd.	631	19	-	-
Yi Ru Corporation	1,073	33	-	-
Seaward Leasing Ltd.	3,805	115	3,535	116
Total	<u>\$15,605</u>	<u>\$473</u>	<u>\$14,043</u>	<u>\$462</u>

Name	Guarantee deposits paid			
	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Real Estate Development Co., Ltd.	\$11,561	\$350	\$-	\$-
Lin Yuan Investment Co., Ltd.	628	19	-	-
Yi Ru Corporation	1,190	36	-	-
Seaward Leasing Ltd.	33,393	1,012	33,395	1,100
Total	<u>\$46,772</u>	<u>\$1,417</u>	<u>\$33,395</u>	<u>\$1,100</u>

**English Translation of Financial Statements Originally Issued in Chinese**

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

J. Other assets

Prepayment

Name	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Lin Yuan Investment Co., Ltd.	\$419	\$13	\$-	\$-
Yi Ru Corporation	474	14	-	-
Total	\$893	\$27	\$-	\$-

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

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

L. Securities sold under agreements to repurchase

Name	March 31,			
	Ending balance			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Wan Pao Development Co., Ltd.	\$4,282,194	\$129,724	\$662,631	\$21,819
Other related parties	1,052,147	31,874	1,905,565	62,745
Total	\$5,334,341	\$161,598	\$2,568,196	\$84,564

  

Name	For the three months ended March 31,			
	Interest expenses			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Wan Pao Development Co., Ltd.	\$14,406	\$436	\$2,249	\$74
Other related parties	3,855	117	8,700	287
Total	\$18,261	\$553	\$10,949	\$361

**English Translation of Financial Statements Originally Issued in Chinese**

M. Payables

Name	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Seaward Card	\$9,952	\$301	\$-	\$-
Lin Yuan Property Management Co., Ltd.	69,195	2,096	47,246	1,556
Cathay Real Estate Development Co., Ltd.	-	-	-	-
San Ching Engineering Co., Ltd.	782	24	7,237	238
Cathay Pacific Partners	8,471	257	5,231	172
Seaward Leasing Ltd.	795	24	-	-
Industrial and Commercial Bank of Vietnam	-	-	129,221	4,255
Total	\$89,195	\$2,702	\$188,935	\$6,221

N. Advance receipts

Name	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Taiwan Asset Management Corporation	\$2,484	\$75	\$-	\$-
Lin Yuan Property Management Co., Ltd.	-	-	3,093	102
Total	\$2,484	\$75	\$3,093	\$102

O. Net commission and handling fee

a. Handling fee income

Name	For the three months ended March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$-	\$-	\$9,152	\$301

b. Reinsurance handling fee paid

Name	For the three months ended March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Insurance (Bermuda)	\$-	\$-	\$3,416	\$112

**English Translation of Financial Statements Originally Issued in Chinese**

c. Commissions expense

Name	For the three months ended March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Life Insurance Agent	\$5,390	\$163	\$3,243	\$107

d. Reinsurance commissions expense

Name	For the three months ended March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Insurance (Bermuda)	\$1,103	\$33	\$-	\$-

P. Net premiums from insurance business

a. Insurance income

Name	For the three months ended March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay General Hospital	\$8,766	\$266	\$7,805	\$257
Cathay Real Estate Development Co., Ltd.	378	11	-	-
San Ching Engineering Co., Ltd.	308	9	-	-
China Eastern Airlines Co., Ltd.	373	11	6,660	219
Seaward Leasing Ltd.	2,467	75	-	-
China Eastern Aviation IMP/EXP Corp.	-	-	3,534	117
Other related parties	308,231	9,338	206,517	6,800
Total	\$320,523	\$9,710	\$224,516	\$7,393

b. Reinsurance income

Name	For the three months ended March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Insurance (Bermuda)	\$26,955	\$817	\$38,872	\$1,280

c. Reinsurance claims payment

Name	For the three months ended March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Insurance (Bermuda)	\$1,851	\$56	\$16,484	\$543

**English Translation of Financial Statements Originally Issued in Chinese**

Q. Net other non-interest income

a. Sales

Name	For the three months ended March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Securities Investment Consulting	\$351	\$11	\$-	\$-
Cathay General Hospital	2,557	77	-	-
Cathay Securities Investment Trust Co., Ltd.	1,385	42	-	-
Lin Yuan Property Management Co., Ltd.	623	19	-	-
Cathay Real Estate Development Co., Ltd.	800	24	-	-
Total	<u>\$5,716</u>	<u>\$173</u>	<u>\$-</u>	<u>\$-</u>

b. Service Income

Name	For the three months ended March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay General Hospital	\$1,074	\$33	\$-	\$-
Cathay Securities Investment Trust Co., Ltd.	331	10	-	-
Total	<u>\$1,405</u>	<u>\$43</u>	<u>\$-</u>	<u>\$-</u>

c. Miscellaneous income

Name	For the three months ended March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$1,820	\$55	\$-	\$-
Cathay General Hospital	727	22	-	-
Total	<u>\$2,547</u>	<u>\$77</u>	<u>\$-</u>	<u>\$-</u>

## English Translation of Financial Statements Originally Issued in Chinese

### R. Operating expense

Name	For the three months ended March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Securities Investment Consulting	\$13,125	\$398	\$13,125	\$432
Seaward Card	102,575	3,107	80,677	2,656
Cathay Pacific Management	18,467	559	13,584	447
Cathay Pacific Partners	3,750	114	3,000	99
Lin Yuan Property Management Co., Ltd.	167,890	5,086	166,602	5,486
Cathay Real Estate Development Co., Ltd.	3,164	96	4,149	137
San Ching Engineering Co., Ltd.	1,010	31	-	-
Cathay General Hospital	1,448	44	-	-
Cathay Lin Yuan Security Co., Ltd.	505	15	-	-
Seaward Leasing Ltd.	2,244	68	-	-
Total	<u>\$314,178</u>	<u>\$9,518</u>	<u>\$281,137</u>	<u>\$9,257</u>

### S. 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\$46,489), in 2006. Cathay United Bank paid the amount of NT\$159,173 (US\$5,241) during the three month period ended March 31, 2008. As of March 31, 2008, the accumulated amount paid was NT\$720,996 (US\$23,740).
- b. Cathay United Bank has paid decoration and fix fee to San Ching Engineering Corp. for the amount of NT\$0 (US\$0) and NT\$1,251 (US\$41) during the three months periods ended March 31, 2007 and 2008, respectively.
- c. Cathay United Bank paid construction planning and design maintenance services fees to Lin Yuan Property Management Co., Ltd. in the amount of NT\$4,960 (US\$150) and NT\$5,702 (US\$188) during the three months periods ended March 31, 2007 and 2008, respectively.

**English Translation of Financial Statements Originally Issued in Chinese**

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

A. Cash in bank

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

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

		For the three months ended March 31, 2008		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$7,536,687	2.98%-4.57%	\$25,657
	Cash in bank	1,555	0.00%-1.70%	-
	Total	<u>\$7,538,242</u>		<u>\$25,657</u>

		For the three months ended March 31, 2008		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$248,162	2.98%-4.57%	\$845
	Cash in bank	51	0.00%-1.70%	-
	Total	<u>\$248,213</u>		<u>\$845</u>

**English Translation of Financial Statements Originally Issued in Chinese**

B. Receivables

Name	Item	March 31,			
		2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay United Bank	Interest	\$18,605	\$564	\$6,522	\$215
Cathay Life	Receivables due to consolidated income tax	-	-	960,038	31,612
Cathay Century	Receivables due to consolidated income tax	210,669	6,382	251,961	8,296
Cathay Capital Management	Receivables due to consolidated income tax	14,322	434	14,756	486
Cathay Securities	Receivables due to consolidated income tax	7,548	229	10,961	361
Cathay Pacific Venture	Receivables due to consolidated income tax	19,176	581	-	-
Cathay II Venture	Receivables due to consolidated income tax	3,816	115	9,457	311
Total		<u>\$274,136</u>	<u>\$8,305</u>	<u>\$1,253,695</u>	<u>\$41,281</u>

C. Guarantee deposits paid:

Name	As of and For the three months ended March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Life	<u>\$-</u>	<u>\$-</u>	<u>\$5,014</u>	<u>\$165</u>

**English Translation of Financial Statements Originally Issued in Chinese**

D. Payables

Name	Item	March 31,			
		2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Life	Receivables due to consolidated income tax	\$811,691	\$24,589	\$541,486	\$17,830
Cathay United Bank	Receivables due to consolidated income tax	868,302	26,304	1,096,026	36,089
Cathay Pacific Venture	Receivables due to consolidated income tax	573	18	3,527	116
Total		<u>\$1,680,566</u>	<u>\$50,911</u>	<u>\$1,641,039</u>	<u>\$54,035</u>

E. Operating expenses

Name	For the three months ended March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Life	\$3,284	\$100	\$4,611	\$152
Lin Yuan Property Management Co., Ltd.	59	2	-	-
Symphox Information	464	14	-	-
Seaward Leasing Ltd.	204	6	-	-
Total	<u>\$4,011</u>	<u>\$122</u>	<u>\$4,611</u>	<u>\$152</u>

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

A. Cathay Life

a. Cash in banks

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

**English Translation of Financial Statements Originally Issued in Chinese**

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

		For the three months ended March 31,2008		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United	Time deposit	\$1,902,150	1.24%-2.65%	\$9,177
Bank	Cash in bank	3,916,168	0.00%-1.80%	1,139
Total		\$5,818,318		\$10,316

		For the three months ended March 31,2008		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United	Time deposit	\$62,632	1.24%-2.65%	\$302
Bank	Cash in bank	128,949	0.00%-1.80%	38
Total		\$191,581		\$340

b. Other Receivables

Name	March 31,			
	2007		2008	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Financial Holding.	\$811,691	\$24,589	\$541,486	\$17,830

c. Other financial assets – current

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

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

**English Translation of Financial Statements Originally Issued in Chinese**

Name	For the three months ended March 31,2008		
	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	\$1,800,000	3.17%-4.06%	\$31,929

Name	For the three months ended March 31,2008		
	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	\$59,269	3.17%-4.06%	\$1,051

d. Secured loans

Name	For the three months ended March 31,2007			
	Maximum amount (NT\$)	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay General Hospital	\$4,449,654	\$4,449,584	3.28%-3.40%	\$35,516
Other related parties	221,239	216,736	2.10%-4.43%	1,347
<b>Total</b>	<b>\$4,670,893</b>	<b>\$4,666,320</b>		<b>\$36,863</b>

Name	For the three months ended March 31,2007			
	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay General Hospital	\$134,797	\$134,795	3.28%-3.40%	\$1,076
Other related parties	6,702	6,566	2.10%-4.43%	41
<b>Total</b>	<b>\$141,499</b>	<b>\$141,361</b>		<b>\$1,117</b>

**English Translation of Financial Statements Originally Issued in Chinese**

For the three months ended March 31,2008				
Name	Maximum amount (NT\$)	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay General Hospital	\$4,388,030	\$4,371,530	3.57%-3.80%	\$40,534
Other related parties	272,697	257,685	2.20%-4.73%	1,838
<b>Total</b>	<b>\$4,660,727</b>	<b>\$4,629,215</b>		<b>\$42,372</b>

For the three months ended March 31,2008				
Name	Maximum amount (US\$)	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay General Hospital	\$144,486	\$143,942	3.57%-3.80%	\$1,335
Other related parties	8,979	8,485	2.20%-4.73%	60
<b>Total</b>	<b>\$153,465</b>	<b>\$152,427</b>		<b>\$1,395</b>

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

Name	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$6,466,201	\$195,886	\$7,048,232	\$232,079

f. Other assets-other

Name	March 31,			
	2007		2008	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Life (Shanghai)	\$298,343	\$9,038	\$298,343	\$9,824

**English Translation of Financial Statements Originally Issued in Chinese**

g. Guarantee deposits paid

Name	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Futures	\$250,506	\$7,589	\$502,152	\$16,534

As of March 31, 2007 and 2008, the imputed interest income from guarantee deposits paid to Cathay Futures were NT\$51 (US\$2) and NT\$131 (US\$4), respectively.

h. Other payable

Name	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Financial Holding	\$-	\$-	\$960,038	\$31,611

i. Insurance income

Name	For the three months ended March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay United Bank	\$103,459	\$3,134	\$126,576	\$4,168
Other related parties	308,231	9,338	206,517	6,800
Total	\$411,690	\$12,472	\$333,093	\$10,968

j. Miscellaneous income

Name	For the three months ended March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Century	\$186,682	\$5,655	\$277,149	\$9,126

k. Operating expense

Name	For the three months ended March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay United Bank	\$18,154	\$550	\$219,772	\$7,236
Lin Yuan Property Management Co., Ltd.	167,831	5,084	166,602	5,486
Total	\$185,985	\$5,634	\$386,374	\$12,722

## English Translation of Financial Statements Originally Issued in Chinese

### I. Other

As of March 31, 2007 and 2008, the notional amounts of the derivative financial instruments transactions with Cathay United Bank are listed below:

Item	March 31,	
	2007	2008
Forward foreign exchange contracts	USD51,000	USD40,000
CCS contracts	USD1,178,000	USD1,285,000
Financial debentures	-	NTD200,000

During the three months ended March 31, 2008, Cathay Life has entered a credit assignment agreement with Cathay United Bank in an amount of NT\$1,000,000 (US\$32,927).

### B. Cathay United Bank

#### a. Loans and deposits

Account/Name	For the three months ended March 31,							
	2007				2008			
	Ending Balance		Interest revenue		Ending Balance		Interest revenue	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Loans								
Seaward								
Leasing Ltd.	\$2,120,000	\$64,223	\$9,221	\$279	\$3,014,000	\$99,242	\$16,651	\$549
Taiwan								
Real-estate								
Management								
Corp.	130,000	3,938	897	27	114,000	3,754	796	26
Cathay General								
Hospital	282,969	8,572	1,959	60	258,000	8,495	1,674	55
Other related								
parties	323,259	9,793	2,070	63	1,554,818	51,196	12,942	426
Total	\$2,856,228	\$86,526	\$14,147	\$429	\$4,940,818	\$162,687	\$32,063	\$1,056

## English Translation of Financial Statements Originally Issued in Chinese

For the three months ended March 31,								
Account/Name	2007				2008			
	Ending Balance		Interest expense		Ending Balance		Interest expense	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Deposits								
Cathay Life	\$9,350,553	\$283,264	\$8,899	\$270	\$5,818,319	\$191,581	\$10,316	\$340
Cathay								
Financial								
Holding	3,837,675	116,258	45,467	1,377	7,538,242	248,213	25,657	845
Cathay Futures	928,651	28,132	3,716	113	1,367,608	45,032	7,109	234
Cathay								
Securities	1,068,305	32,363	3,614	109	285,128	9,389	1,135	37
Cathay Century	717,466	21,735	2,389	72	867,182	28,554	2,845	94
Cathay Pacific								
Venture	520,752	15,776	1,663	50	3,616	119	5	-
Cathay								
Securities								
Investment								
Trust Co.,								
Ltd.	447,412	13,554	2,007	61	842,656	27,746	4,388	144
Cathay Real								
Estate								
Development								
Co., Ltd.	374,055	11,332	30	1	139,954	4,608	15	-
Other related								
parties	2,706,002	81,975	10,418	316	5,992,358	197,312	34,158	1,125
<b>Total</b>	<b>\$19,950,871</b>	<b>\$604,389</b>	<b>\$78,203</b>	<b>\$2,369</b>	<b>\$22,855,063</b>	<b>\$752,554</b>	<b>\$85,628</b>	<b>\$2,819</b>

For the three months ended March 31, 2007							
Account/Name	Maximum amount		Ending balance		Rate	Interest revenue (expense)	
	(NT\$)	(US\$)	(NT\$)	(US\$)		(NT\$)	(US\$)
Call loans to banks							
Indovina Bank	\$115,301	\$3,493	\$-	\$-	5.00%-7.70%	\$2,686	\$81

## English Translation of Financial Statements Originally Issued in Chinese

For the three months ended March 31, 2008

Account/Name	Maximum amount		Ending balance		Rate	Interest revenue (expense)	
	(NT\$)	(US\$)	(NT\$)	(US\$)		(NT\$)	(US\$)
Call loans to banks							
Indovina Bank	\$730,101	\$24,040	\$1,915,515	\$63,073	3.40%-26.00%	\$4,010	\$132

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

### b. Securities sold under agreements to repurchase

Name	March 31, Ending balance			
	2007 (NT\$)	2007 (US\$)	2008 (NT\$)	2008 (US\$)
Wan Pao Development Co., Ltd.	\$4,282,194	\$129,724	\$662,631	\$21,819
Other related parties	1,052,147	31,874	1,905,565	62,745
<b>Total</b>	<b>\$5,334,341</b>	<b>\$161,598</b>	<b>\$2,568,196</b>	<b>\$84,564</b>

Name	For the three months ended March 31, Interest expense			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Wan Pao Development Co., Ltd.	\$14,406	\$436	\$2,249	\$74
Other related parties	3,855	117	8,700	287
<b>Total</b>	<b>\$18,261</b>	<b>\$553</b>	<b>\$10,949</b>	<b>\$361</b>

### c. Receivables

Name	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Financial Holding	\$868,302	\$26,304	\$1,049,350	\$34,552

### d. Other receivables

Name	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Seaward Leasing Ltd.	\$218,761	\$6,627	\$-	\$-
Indovina Bank	99,270	3,007	129,221	4,225
<b>Total</b>	<b>\$318,031</b>	<b>\$9,634</b>	<b>\$129,221</b>	<b>\$4,225</b>

**English Translation of Financial Statements Originally Issued in Chinese**

e. Commission revenue

Name	For the three months ended March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Life	\$22,815	\$691	\$219,772	\$7,236

f. Accrued insurance expense

Name	For the three months ended March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Life	\$65,901	\$1,996	\$126,576	\$4,168

g. General expense

Name	For the three months ended March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Seaward Card	\$102,006	\$3,090	\$80,677	\$2,657
Symphox Information	42,953	1,301	138,589	4,563
Total	\$144,959	\$4,391	\$219,266	\$7,220

h. 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\$42,771), in 2006. The Bank paid the amount of NT\$159,173 (US\$5,241) during the three month period ended March 31, 2008. As of March 31, 2008, the accumulated paid amount was NT\$720,996 (US\$23,740).
- (b) Cathay United Bank enters into a contract with Cathay Life Insurance Co., Ltd. to transferring credit facilities. The transferring loan amount was NT\$1,000,000 (US\$32,927) during the three month period ended March 31, 2008.
- (c) The Cathay Life held the dominant financial debenture with notional amounts of NT\$200,000 (US\$6,585) which issued by Cathay United in 2003.

**English Translation of Financial Statements Originally Issued in Chinese**

C. Cathay Century

a. Cash in banks

		For the three months ended March 31, 2007		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in banks	\$257,796	0.00%-0.10%	\$-
	Time deposits	453,350	1.79%-2.21%	2,299
Total		<u>\$713,146</u>		<u>\$2,299</u>

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

		For the three months ended March 31, 2008		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in banks	\$428,032	0.00%-0.10%	\$82
	Time deposits	439,150	2.21%-2.57%	2,763
Total		<u>\$867,182</u>		<u>\$2,845</u>

		For the three months ended March 31, 2008		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Cash in banks	\$14,094	0.00%-0.10%	\$3
	Time deposits	14,460	2.21%-2.57%	91
Total		<u>\$28,554</u>		<u>\$94</u>

**English Translation of Financial Statements Originally Issued in Chinese**

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

Name	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$149,553	\$4,531	\$45,480	\$1,498

c. Available-for-sale financial assets-beneficiary certificates

Name	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$54,300	\$1,645	\$114,933	\$3,784

d. Other payables

Name	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Financial Holding	\$210,669	\$6,382	\$251,961	\$8,296

e. Operating expense

Name	For the three months ended March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Life	\$197,789	\$5,992	\$295,650	\$9,735

f. Other

As of March 31, 2007 and 2008 the nominal amount of the derivative financial instruments transactions with Cathay United Bank are listed below:

Item	For the three months ended March 31,	
	2007	2008
Forward foreign exchange contracts	USD\$21,054	USD\$22,150
CS contracts	USD\$29,550	USD\$26,550
IRS	-	NTD\$400,000

**English Translation of Financial Statements Originally Issued in Chinese**

D. Cathay Securities

a. Cash in bank

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

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

		For the three months ended March 31, 2008		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in banks	<u>\$285,128</u>	0.10%-2.62%	<u>\$1,135</u>

		For the three months ended March 31, 2008		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Cash in banks	<u>\$9,388</u>	0.10%-2.62%	<u>\$37</u>

As of March 31, 2007 and 2008 except for the NT\$600,000 (US\$18,176) and NT\$200,000 (US\$6,585) negotiable certificate pledged as collaterals for the overdraft of settlement accounts and was recorded as restricted assets, the remaining negotiable certificates were not pledged as collaterals.

**English Translation of Financial Statements Originally Issued in Chinese**

b. Open-end funds and currency market instruments

Name	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Securities Investment Trust Co., Ltd.				
– Cathay Bond Fund	\$183,996	\$5,574	\$-	\$-
– Cathay Soaring Eagle	20,150	611	-	-
– Bond Fund	100,259	3,037	-	-
Total	<u>\$304,405</u>	<u>\$9,222</u>	<u>\$-</u>	<u>\$-</u>

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

Name	For the three months ended March 31, 2007							
	Clearing and settlement fees		Dealing handling fee expense		Accounts payable		Margin for futures trading – own funds	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Cathay Futures	<u>\$182</u>	<u>\$6</u>	<u>\$321</u>	<u>\$10</u>	<u>\$188</u>	<u>\$6</u>	<u>\$313,282</u>	<u>\$9,491</u>

Name	For the three months ended March 31, 2008							
	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>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$108</u>	<u>\$4</u>	<u>\$227,980</u>	<u>\$7,507</u>

E. Cathay Pacific Venture

a. Cash in bank

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

**English Translation of Financial Statements Originally Issued in Chinese**

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

		For the three months ended March 31, 2008		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Cash in bank	\$3,615	0.10%	\$5

		For the three months ended March 31, 2008		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Cash in bank	\$119	0.10%	\$-

F. Indovina Bank

a. Call Loans from Banks

		For the three months ended March 31, 2007			
Name	Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)	
Cathay United Bank	\$-	\$-	\$2,686	\$81	

		For the three months ended March 31, 2008			
Name	Ending balance (NT\$)	Ending balance (US\$)	Interest expense (NT\$)	Interest expense (US\$)	
Cathay United Bank	\$1,915,515	\$63,073	\$4,010	\$132	

b. Dividends Payable

		March 31,			
Name	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)	
Cathay United Bank	\$99,270	\$3,007	\$129,221	\$4,255	
Industrial and Commercial Bank of Vietnam	-	-	129,221	4,255	
Total	\$99,270	\$3,007	\$258,442	\$8,510	

**English Translation of Financial Statements Originally Issued in Chinese**

G. Cathay Futures

a. Cash in bank

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

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

		For the three months ended March 31, 2008		
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United Bank	Time deposits	\$282,500	1.56%-2.57%	\$1,369
	Cash in bank	14,285	0.00%-0.95%	-
	<b>Total</b>	<b>\$296,785</b>		<b>\$1,369</b>

		For the three months ended March 31, 2008		
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United Bank	Time deposits	\$9,302	1.56%-2.57%	\$45
	Cash in bank	470	0.00%-0.95%	-
	<b>Total</b>	<b>\$9,772</b>		<b>\$45</b>

b. Customer's margin accounts

Name	March 31,					
	2007			2008		
	(NT\$)	(US\$)	Rate	(NT\$)	(US\$)	Rate
Cathay United Bank	\$639,354	\$19,368	0.02%-2.35%	\$1,070,561	\$35,251	0.04%-2.70%

**English Translation of Financial Statements Originally Issued in Chinese**

c. Futures customers' equity

Name	March 31,			
	2007 (NT\$)	2007 (US\$)	2008 (NT\$)	2008 (US\$)
Cathay Life	\$250,506	\$7,589	\$502,152	\$16,534
Cathay Securities	313,282	9,490	227,980	7,507
Total	\$563,788	\$17,079	\$730,132	\$24,041

H. Symphox Information

a. Cash in bank

For the three months ended March 31,2007				
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United	Time deposit	\$80,210	2.02%-2.16%	\$490
Bank	Cash in bank	2,722	0.10%	-
Total		\$82,932		\$490

For the three months ended March 31,2007				
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United	Time deposit	\$2,430	2.02%-2.16%	\$15
Bank	Cash in bank	82	0.10%	-
Total		\$2,512		\$15

For the three months ended March 31,2008				
Name	Item	Ending balance (NT\$)	Rate	Interest income (NT\$)
Cathay United	Time deposit	\$279,000	2.11%-2.49%	\$-
Bank	Cash in bank	3,413	0.10%	-
Total		\$282,413		\$-

For the three months ended March 31,2008				
Name	Item	Ending balance (US\$)	Rate	Interest income (US\$)
Cathay United	Time deposit	\$9,187	2.11%-2.49%	\$-
Bank	Cash in bank	112	0.10%	-
Total		\$9,299		\$-

**English Translation of Financial Statements Originally Issued in Chinese**

b. Account Receivables

Name	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay United Bank	\$116,578	\$3,532	\$93,590	\$3,082

c. Sales Revenue

Name	For the three months ended March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay United Bank	\$127,613	\$3,866	\$92,831	\$3,057

I. Cathay Venture Capital

Available-for-sale financial assets

Name	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Cathay Securities Investment Trust Co., Ltd.	\$453,236	\$13,730	\$79,570	\$2,620

**26. Pledged assets**

As of March 31, 2007 and 2008, the Company and Subsidiaries' pledged assets are summarized below:

Item	Guarantee purpose	Carrying amount			
		2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Time deposits	Correspondent deposit, collateral for the over-loaning of settlement accounts, Loan, others financial or leasing	\$16,284,880	\$493,332	\$1,576,054	\$51,895
Guarantee deposits paid	Government bonds	8,428,008	255,317	8,376,304	275,809
Financial assets at fair value through profit or loss	Business reserves and guarantees	138,223	4,187	90,082	2,966
Available-for-sale financial assets	Business reserves and guarantees	992,436	30,065	8,190,048	269,676
Held-to-maturity financial assets	Business reserves and guarantees	1,542,537	46,729	101,165	3,331
Investments in debt securities with no active market	Business reserves and guarantees	-	-	15,000,000	493,908
		\$27,386,084	\$829,630	\$33,333,653	\$1,097,585

**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 March 31, 2007. However, Pacific SOGO appealed and the appeal is being reviewed by the High Court. Furthermore, Cathay United Bank also filed an incidental civil procedures and claim, which is being review by the Taipei District Court, against Pacific SOGO. Then the Taipei District Court issued a judgment favoring Cathay United Bank on October 12, 2006, ordering Pacific SOGO to pay the punitive damages of NT\$400,000 (US\$13,171). Pacific SOGO appealed such order and the appeal is being reviewed by the High Court.
- B. Lee and Li Attorneys-at-Law and SanDisk corporation filed lawsuits in the Taiwan Taipei District Court and alleged that Cathay United Bank breached its contractual and fiduciary duties in connection with the embezzlement conducted by a former employee of Lee and Li Attorneys-at-Law, Eddie Liu, on October 2003. Both plaintiffs claimed indemnities amounted NT\$0.9 billion (US\$29,635) and NT\$3.09 billion (US\$101,745), respectively. Cathay United Bank has been advised by its legal advisor that it is possible, but not probable, that the action will succeed and accordingly no provision for any claims has been made in these financial statements.
- C. As of March 31, 2008, Cathay United Bank had entered into certain contracts to purchase premises and equipments totaling NT\$2,713,409 (US\$89,345) with prepayments of NT\$1,608,558 (US\$52,965).

(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.

**English Translation of Financial Statements Originally Issued in Chinese**

(3) Cathay Futures

The building of management committee of original business address took a civil action of the park paying with NT\$966 (US\$32). As of the date of this report, the case is still in progress by District Court.

(4) As of March 31, 2007 and 2008, the bank subsidiaries had the following commitments and contingent liabilities, which were not reflected in the financial statements:

	March 31,			
	2007(NT\$)	2007(US\$)	2008(NT\$)	2008(US\$)
Trust and security held for safekeeping	\$242,838,582	\$7,356,516	\$231,117,431	\$7,610,057
Travelers checks for sale	666,284	20,184	500,114	16,467
Bills for collection	46,534,031	1,409,695	46,053,664	1,516,420
Guarantees on duties and contracts	17,493,763	529,953	17,885,446	588,918
Unused commercial letters of credit	1,898,369	57,509	4,509,716	148,492
Irrevocable loan commitments	36,967,068	1,119,875	46,506,225	1,531,321
Credit card lines commitments	281,924,656	8,540,583	277,554,807	9,139,111
Stamp tax, securities and memorial currency consignments	1,727	52	1,727	57
Book-entry for government bonds and depository for short-term marketable securities under management	325,813,100	9,870,133	354,588,200	11,675,608
Entrusted financial management business	-	-	2,107,740	69,402

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

Periods	NT\$	US\$
April 1, 2008~March 31, 2009	\$1,031,161	\$33,953
April 1, 2009~March 31, 2013	2,792,236	91,941
Total	<u>\$3,823,397</u>	<u>\$125,894</u>

**28. Significant disaster losses:** None.

**29. Subsequent events:** None.

**English Translation of Financial Statements Originally Issued in Chinese**

**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	March 31, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$13,228,432	\$13,228,432	\$400,740	\$400,740
Receivables	1,524,416	1,524,416	46,180	46,180
Investments under equity method	213,059,552	213,059,552	6,454,394	6,454,394
Other financial assets	31,720	31,720	961	961
<u>Liabilities</u>				
Payables	1,782,713	1,782,713	54,005	54,005
Bonds payable	1,134,796	1,134,796	34,377	34,377
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
CCS, option	945,852	945,852	28,653	28,653
Item	March 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$9,695,296	\$9,695,296	\$319,239	\$319,239
Receivables	2,470,607	2,470,607	81,350	81,350
Investments under equity method	197,404,221	197,404,221	6,499,974	6,499,974
Other financial assets	31,720	31,720	1,044	1,044
<u>Liabilities</u>				
Payables	3,015,150	3,015,150	99,281	99,281
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
CCS, option	100,756	100,756	3,318	3,318

**English Translation of Financial Statements Originally Issued in Chinese**

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

(a) The fair value of the Company's short-term financial instruments is based on the carrying amount of those instruments at reporting date due to the short maturity of those instruments. The method is applied to cash and cash equivalents, receivables payables and other financial assets.

(b) The fair value of derivative and bonds payable was recognized by the present value of anticipate cash flow.

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

Financial instruments	March 31, 2007			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$-	\$-	\$13,228,432	\$400,740
Receivables	-	-	1,524,416	46,181
Investments under equity method	-	-	213,059,552	6,454,394
Other financial assets	-	-	31,720	961
<u>Liabilities</u>				
Payables	-	-	1,782,713	54,005
Bonds payable	-	-	1,134,796	34,378
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
CCS, option	-	-	945,852	28,653

## English Translation of Financial Statements Originally Issued in Chinese

Financial instruments	March 31, 2008			
	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	\$-	\$-	\$9,695,296	\$319,239
Receivables	-	-	2,470,607	81,350
Investments under equity method	-	-	197,404,221	6,499,974
Other financial assets	-	-	31,720	1,044
<u>Liabilities</u>				
Payables	-	-	3,015,150	99,281
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
CCS, option	-	-	100,756	3,318

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

### d. Information on financial risks

#### (a) Risk of interest rate

The following table summarizes the maturities of the Company's financial instruments at March 31, 2007 and 2008:

#### Fixed interest rate

Item	March 31, 2007							
	Less than one year		Due in 1~2 year		Due in 2~3 year		Due in 3~4 year	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial liabilities at fair value								
through profit or loss	\$-	\$-	\$-	\$-	\$945,852	\$28,653	\$-	\$-

  

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

## English Translation of Financial Statements Originally Issued in Chinese

March 31, 2008								
Item	Less than one year		Due in 1~2 year		Due in 2~3 year		Due in 3~4 year	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial liabilities at fair value								
through profit or loss	\$-	\$-	\$100,756	\$3,318	\$-	\$-	\$-	\$-

March 31, 2008							
Item	Due in 4~5 year		Over 5 years		Total		
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	
Financial liabilities at fair value through							
profit or loss		\$-	\$-	\$-	\$-	\$100,756	\$3,318

### Floating interest rate

March 31, 2007								
Item	Less than one year		Due in 1~2 year		Due in 2~3 year		Due in 3~4 year	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial liabilities at fair value								
through profit or loss	\$-	\$-	\$-	\$-	\$945,852	\$28,653	\$-	\$-

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

March 31, 2008								
Item	Less than one year		Due in 1~2 year		Due in 2~3 year		Due in 3~4 year	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial liabilities at fair value								
through profit or loss	\$-	\$-	\$100,756	\$3,318	\$-	\$-	\$-	\$-

March 31, 2008							
Item	Due in 4~5 year		Over 5 years		Total		
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	
Financial liabilities at fair value through							
profit or loss		\$-	\$-	\$-	\$-	\$100,756	\$3,318

## **English Translation of Financial Statements Originally Issued in Chinese**

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

### (b) Credit risk

The Company's exposure to credit risk is minimal.

### e. Financial risk management objectives and policies

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

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

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

#### Market Risk

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

#### Credit Risk

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

## English Translation of Financial Statements Originally Issued in Chinese

### Operational Risk

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

### Liquidity Risk

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

## B. Cathay Life

### a. Information of fair value

Item	March 31, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$212,100,260	\$212,100,260	\$6,425,333	\$6,425,333
Notes receivable	7,842,644	7,842,644	237,584	237,584
Financial assets at fair value through profit or loss - current	93,206,088	93,206,088	2,823,571	2,823,571
Available-for-sale financial assets - current	211,314,249	211,314,249	6,401,522	6,401,522
Held-to-maturity financial assets - current	11,184,093	11,009,269	338,809	333,513
Investments in debt securities with no active market - current	5,342,167	5,355,951	161,835	162,252
Available-for-sale financial assets - noncurrent	181,842,946	181,842,946	5,508,723	5,508,723

## English Translation of Financial Statements Originally Issued in Chinese

Item	March 31, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
Held-to-maturity financial assets -				
noncurrent	\$548,194,447	\$540,319,184	\$16,606,921	\$16,368,349
Financial assets carried at cost - noncurrent	19,621,636	19,621,636	594,415	594,415
Investments in debt securities with no active				
market - noncurrent	46,837,726	46,414,312	1,418,895	1,406,068
Long-term investments in stocks under the				
equity method	4,452,091	4,452,091	134,871	134,871
Guarantee deposits paid	9,405,941	9,405,941	284,942	284,942
 <u>Liabilities</u>				
Notes payable	1,939	1,939	59	59
Guarantee deposits in	1,482,393	1,482,393	44,907	44,907
 <u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit				
or loss - current				
Option	12,150	12,150	368	368
Forward	8,968,057	8,968,057	271,677	271,677
IRS	423,138	423,138	12,819	12,819
Derivative financial assets for hedging -				
current				
IRS	246,068	246,068	7,454	7,454
 <u>Liabilities</u>				
Financial liabilities at fair value through				
profit or loss - current				
Option	9,838	9,838	298	298
Forward	17,865,316	17,865,316	541,209	541,209
IRS	203,386	203,386	6,162	6,162
Derivative financial liabilities for hedging -				
current				
IRS	18,279	18,279	554	554

## English Translation of Financial Statements Originally Issued in Chinese

Item	March 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$239,336,589	\$239,336,589	\$7,880,691	\$7,880,691
Notes receivable	5,512,501	5,512,501	181,511	181,511
Financial assets at fair value through profit or loss - current	99,993,343	99,993,343	3,292,504	3,292,504
Available-for-sale financial assets - current	162,016,570	162,016,570	5,334,757	5,334,757
Held-to-maturity financial assets - current	8,054,238	8,012,982	265,204	263,845
Investments in debt securities with no active market - current	5,623,537	5,623,537	185,167	185,167
Available-for-sale financial assets - noncurrent	230,318,930	230,318,930	7,583,764	7,583,764
Held-to-maturity financial assets - noncurrent	538,242,267	531,264,785	17,722,827	17,493,078
Financial assets carried at cost - noncurrent	18,813,089	18,813,089	619,463	619,463
Investments in debt securities with no active market - noncurrent	56,471,277	49,213,907	1,859,443	1,620,478
Long-term investments in stocks under the equity method	5,846,982	5,846,982	192,525	192,525
Guarantee deposits paid	10,699,939	10,699,939	352,319	352,319
<u>Liabilities</u>				
Notes payable	2,396	2,396	79	79
Guarantee deposits received	1,480,540	1,480,540	48,750	48,750
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Option	32,775	32,775	1,079	1,079
Forward	23,790,632	23,790,632	783,360	783,360
IRS	190,427	190,427	6,270	6,270
Derivative financial assets for hedging - current				
IRS	338,641	338,641	11,151	11,151

**English Translation of Financial Statements Originally Issued in Chinese**

Item	March 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current				
Forward	\$17,810,450	\$17,810,450	\$586,449	\$586,449
IRS	115,124	115,124	3,791	3,791
Derivative financial liabilities for hedging - current				
IRS	78,378	78,378	2,581	2,581

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.

**English Translation of Financial Statements Originally Issued in Chinese**

c. The following table summarizes the fair value information of Cathay Life's financial assets and liabilities at March 31, 2007 and 2008:

Item	March 31, 2007			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit and loss - current	\$87,654,423	\$2,655,390	\$5,551,665	\$168,181
Available-for-sale financial assets - current	211,312,160	6,401,459	2,089	63
Held-to-maturity financial assets - current	10,058,042	304,697	951,227	28,816
Investment in debt securities with no active market - current	310,710	9,413	5,045,241	152,840
Available-for-sale financial assets - noncurrent	168,038,513	5,090,534	13,804,433	418,189
Held-to-maturity financial assets - noncurrent	86,233,574	2,612,347	454,085,610	13,756,002
Financial assets carried at cost - noncurrent	-	-	19,621,636	594,415
Investment in debt securities with no active market - noncurrent	-	-	46,414,312	1,406,068
Long-term investments in stocks under the equity method	-	-	4,452,091	134,871
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit and loss - current				
Option	12,150	368	-	-
Forward	-	-	8,968,057	271,677
IRS	-	-	423,138	12,818
Derivative financial assets for hedging - current				
IRS	-	-	246,068	7,454
<u>Liabilities</u>				
Financial liabilities at fair value through profit and loss - current				
Option	9,838	298	-	-
Forward	-	-	17,865,316	541,209
IRS	-	-	203,386	6,161
Derivative financial liabilities for hedging - current				
IRS	-	-	18,279	554

## English Translation of Financial Statements Originally Issued in Chinese

Item	March 31, 2008			
	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	\$95,150,777	\$3,133,052	\$4,842,566	\$159,452
Available-for-sale financial assets - current	162,016,570	5,334,757	-	-
Held-to-maturity financial assets - current	5,106,551	168,145	2,906,431	95,701
Investments in debt securities with no				
active market - current	-	-	5,623,537	185,168
Available-for-sale financial assets -				
noncurrent	228,889,503	7,536,697	1,429,427	47,067
Held-to-maturity financial assets -				
noncurrent	106,957,272	3,521,807	424,307,513	13,971,271
Financial assets carried at cost - noncurrent	-	-	18,813,089	619,463
Investment in debt securities with no active				
market – noncurrent	-	-	49,213,907	1,620,478
Long-term investments in stocks under the				
equity method	-	-	5,846,982	192,525
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit				
or loss - current				
Option	32,775	1,079	-	-
Forward	-	-	23,790,632	783,360
IRS	-	-	190,427	6,270
Derivative financial assets for hedging -				
current				
IRS	-	-	338,641	11,151
<u>Liabilities</u>				
Financial liabilities at fair value through				
profit or loss - current				
Forward	-	-	17,810,450	586,449
IRS	-	-	115,124	3,791
Derivative financial liabilities for hedging -				
current				
IRS	-	-	78,378	2,581

## English Translation of Financial Statements Originally Issued in Chinese

### d. Information on financial risk

#### (a) Interest rate risk

The following table summarizes the maturities of Cathay Life's financial instruments at March 31, 2007 and 2008:

#### Non-derivative financial instruments of fixed interest rate

Item	March 31, 2007							
	Less than one year		Due in 1~2 year		Due in 2~3 year		Due in 3~4 year	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value								
through profit or loss	\$326,376	\$9,887	\$1,337,120	\$40,507	\$114,986	\$3,483	\$1,087,503	\$32,945
Available-for-sale financial assets	2,819,311	85,408	1,424,652	43,158	444,385	13,462	3,618,839	109,629
Held-to-maturity financial assets	9,697,455	293,773	2,154,449	65,267	11,874,595	359,727	11,387,979	344,986
Investments in debt securities with								
no active market	390,950	11,843	880,869	26,685	458,380	13,886	782,493	23,705

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

#### Non-derivative financial instruments of float interest rate

Item	March 31, 2007							
	Less than one year		Due in 1~2 year		Due in 2~3 year		Due in 3~4 year	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value								
through profit or loss	\$6,927,927	\$209,874	\$-	\$-	\$-	\$-	\$-	\$-
Available-for-sale financial assets	84,720,424	2,566,508	-	-	-	-	-	-
Held-to-maturity financial assets	89,901,414	2,723,460	-	-	-	-	-	-
Investments in debt securities with								
no active market	14,915,781	451,857	-	-	-	-	-	-

## English Translation of Financial Statements Originally Issued in Chinese

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

### Derivative financial instruments

Item	March 31, 2007							
	Less than one year		Due in 1~2 year		Due in 2~3 year		Due in 3~4 year	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value								
through profit or loss	\$23,589	\$714	\$78,242	\$2,370	\$17,256	\$523	\$5,335	\$162
Derivative financial assets for								
hedging	48,806	1,478	32,675	990	-	-	127,542	3,864
Financial liabilities at fair value								
through profit or loss	58,781	1,781	1,933	58	880	27	18,175	550
Derivative financial liabilities for								
hedging	15,395	467	2,884	87	-	-	-	-

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

## English Translation of Financial Statements Originally Issued in Chinese

### Non-derivative financial instruments of fixed interest rate

Item	March 31, 2008							
	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	\$3,299,807	\$108,655	\$921,039	\$30,327	\$44,115	\$1,453	\$2,309,442	\$76,044
Available-for-sale financial assets	1,572,004	51,762	153,564	5,056	3,370,973	110,997	10,808,503	355,894
Held-to-maturity financial assets	5,657,561	186,288	12,189,266	401,359	12,144,014	399,869	7,184,770	236,574
Investments in debt securities with								
no active market	723,536	23,824	-	-	1,076,040	35,431	2,232,886	73,523

Item	March 31, 2008					
	Due in 4~5 year		Over 5 year		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value						
through profit or loss	\$1,215,879	\$40,036	\$6,147,074	\$202,406	\$13,937,416	\$458,921
Available-for-sale financial assets	9,888,324	325,595	104,764,194	3,449,595	130,557,562	4,298,899
Held-to-maturity financial assets	7,717,986	254,132	425,160,866	13,999,370	470,054,463	15,477,592
Investments in debt securities with						
no active market	1,078,469	35,511	46,140,658	1,519,284	51,251,589	1,687,573

### Non-derivative financial instruments of float interest rate

Item	March 31, 2008							
	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	\$3,613,871	\$118,995	\$-	\$-	\$-	\$-	\$-	\$-
Available-for-sale financial assets	112,173,671	3,693,568	-	-	-	-	-	-
Held-to-maturity financial assets	76,242,042	2,510,439	-	-	-	-	-	-
Investments in debt securities with								
no active market	10,843,225	357,037	-	-	-	-	-	-

## English Translation of Financial Statements Originally Issued in Chinese

Item	March 31, 2008					
	Due in 4~5 year		Over 5 year		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value						
through profit or loss	\$-	\$-	\$-	\$-	\$3,613,871	\$118,995
Available-for-sale financial assets	-	-	-	-	112,173,671	3,693,568
Held-to-maturity financial assets	-	-	-	-	76,242,042	2,510,439
Investments in debt securities with						
no active market	-	-	-	-	10,843,225	357,037

### Derivative financial instruments

Item	March 31, 2008							
	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	\$-	\$-	\$33,499	\$1,103	\$20,686	\$681	\$109,456	\$3,604
Derivative financial assets for								
hedging	3,617	119	-	-	24,632	811	4,743	156
Financial liabilities at fair value								
through profit or loss	5,000	165	18,554	611	62,894	2,071	-	-
Derivative financial liabilities for								
hedging	16,249	535	3,995	132	46,651	1,536	-	-

Item	March 31, 2008					
	Due in 4~5 year		Over 5 year		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Financial assets at fair value						
through profit or loss	\$-	\$-	\$26,786	\$882	\$190,427	\$6,270
Derivative financial assets for						
hedging	-	-	305,649	10,065	338,641	11,151
Financial liabilities at fair value						
through profit or loss	-	-	28,676	944	115,124	3,791
Derivative financial liabilities for						
hedging	-	-	11,483	378	78,378	2,581

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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 March 31, 2007 and 2008:

a. March 31, 2007

<u>Par value</u>		<u>Exchange rate</u>	<u>Frequency</u>	<u>Maturity date</u>
<u>(NT\$)</u>	<u>(US\$)</u>			
\$187,500	\$5,680	ARMS	Each quarter	2009/3/24
185,000	5,604	ARMS	Each quarter	2009/3/24
350,000	10,603	4.0005%-6ml	Half year	2008/9/26
500,000	15,147	The third year, 7.30%-90 BACP The fourth and fifth years, 7.6%-90 BACP	Each quarter	2007/10/10
500,000	15,147	7.05%-90BACP	Each quarter	2007/10/10
300,000	9,088	5.5%-6m Libor	Half year	2007/12/26
500,000	15,147	6.9%-90DCP	Each quarter	2007/7/9
200,000	6,059	4.003%-6ml	Half year	2008/6/13
500,000	15,147	4%-12m Libor	Yearly	2008/6/5
300,000	9,088	4.3%-12m Libor	Yearly	2010/6/20
200,000	6,059	If 6ml<1.1%,6ml If 1.1%<6ml<2.0%,3.8% If 6ml>2.0%,Max(5.50%-6ml,0)	Half year	2011/6/30
300,000	9,088	If 6ml<1.1%,6ml If 1.1%<6ml<2.0%,3.8% If 6ml>2.0%,Max(5.50%-6ml,0)	Half year	2011/6/30
200,000	6,059	7.603%-6ml	Half year	2007/7/31
300,000	9,088	2005/6/17~2005/7/31 : 7.25%-6ml 2005/7/31~2006/7/31 : 7.5%-6ml 2006/7/31~2007/7/31 : 7.75%-6ml	Half year	2007/7/31
300,000	9,088	If 6ml<6.9%,3.8% If 6ml>6.9%,0%	Half year	2007/7/31

**English Translation of Financial Statements Originally Issued in Chinese**

Par value		Exchange rate	Frequency	Maturity date
(NT\$)	(US\$)			
\$200,000	\$6,059	0.5Y:3.8%, 3.0%*n/N if 6ml 0.5-1.5Y:0.75%-2.0%, 1.5-2.5Y:1.0%-2.5%, 2.5-3.5Y:1.0%-3.0%, 3.5-4.5Y:1.0%-3.5%, 4.5-5.5Y:1.0%-4.0%, 5.5-6.5Y:1.0%-4.5%, 6.5-7.0Y:1.0%-5.0%	Half year	2011/3/19
300,000	9,088	5.1%-6m Libor	Half year	2007/12/19
200,000	6,059	If 6ml<0.95%, Libor If 0.95%<6ml<2.0%,3.5% If 2.0%<6ml;4.8%-6ml	Half year	2009/1/9
300,000	9,088	If 6ml<0.95%,Libor If 0.95%<6ml<2.0%,3.5% If 2.0%<6ml;4.8%-6ml	Half year	2009/1/7
200,000	6,059	4.000%-6ml	Half year	2010/4/7
300,000	9,088	4.0002%-6ml	Half year	2010/4/7
400,000	12,118	4.0006%-6ml	Half year	2010/4/7
400,000	12,118	4.0007%-6ml	Half year	2010/4/7
250,000	7,573	90DCP	Each quarter	2008/8/10
900,000	27,264	90DCP	Each quarter	2010/8/18
600,000	18,176	90DCP	Each quarter	2010/8/19
100,000	3,029	4.0006%-6ml	Half year	2010/4/7
100,000	3,029	4.0007%-6ml	Half year	2010/4/7
450,000	13,632	90DCP	Each quarter	2008/8/22
330,000	9,997	90DCP	Each quarter	2008/8/24
300,000	9,088	5.35%-6ml	Half year	2008/1/8
200,000	6,059	4.0003%-6ml	Half year	2010/4/7
300,000	9,088	5.37%-6ml	Half year	2011/3/15
200,000	6,059	5.85%-6ml	Half year	2009/1/13
50,000	1,515	4.15%-6ml	Half year	2009/1/16
200,000	6,059	6.3%-6ml	Half year	2010/11/27
300,000	9,088	180DCP + 40bps	Half year	2008/3/24
300,000	9,088	180DCP	Half year	2008/6/12
500,000	15,147	90DCP+75bps	Each quarter	2008/7/19

**English Translation of Financial Statements Originally Issued in Chinese**

Par value		Exchange rate	Frequency	Maturity date
(NT\$)	(US\$)			
\$500,000	\$15,147	90DCP+75bps	Each quarter	2008/7/19
500,000	15,147	90DCP+75bps	Each quarter	2008/7/19
1,150,000	34,838	90DCP+30bps	Each quarter	2008/9/17
-	24,000	1.25% + 3m Libor	Each quarter	2009/9/23
-	24,000	6m Libor	Half year	2013/9/20
-	14,000	6m Libor	Half year	2014/3/20
-	24,000	6m Libor	Half year	2014/3/24

b. March 31, 2008

Par value		Exchange rate	Frequency	Maturity date
(NT\$)	(US\$)			
\$310,000	\$10,207	ARMS	Each quarter	2009/3/24
350,000	11,525	If 6ml<0.9%, 6ml If 0.9%≤6ml<2.0%,3.05% If 2.0%<6ml,Max(4.0005%-6ml)	Yearly	2008/9/26
200,000	6,585	4.003%-6ml	Half year	2008/6/13
500,000	16,464	4%-12ml	Yearly	2008/6/5
300,000	9,878	4.3%-12ml	Yearly	2010/6/20
500,000	16,464	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	6,585	3.0%, if 6ml 2005/9/19~2006/9/19:1.0%-2.5% 2006/9/19~2007/9/19:1.0%-3.0% 2007/9/19~2008/9/19:1.0%-3.5% 2008/9/19~2009/9/19:1.0%-4.0% 2009/9/19~2010/9/19:1.0%-4.5% 2010/9/19~2011/3/19:1.0%-5.0%	Half year	2011/3/19
200,000	6,585	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	9,878	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

**English Translation of Financial Statements Originally Issued in Chinese**

Par value		Exchange rate	Frequency	Maturity date
(NT\$)	(US\$)			
\$200,000	\$6,585	4.000%-6ml	Half year	2010/4/7
300,000	9,878	4.0002%-6ml	Half year	2010/4/7
500,000	16,464	4.0006%-6ml	Half year	2010/4/7
500,000	16,464	4.0007%-6ml	Half year	2010/4/7
250,000	8,232	90DCP	Each quarter	2008/8/10
900,000	29,635	90DCP	Each quarter	2010/8/18
600,000	19,756	90DCP	Each quarter	2010/8/19
450,000	14,817	90DCP	Each quarter	2008/8/22
330,000	10,866	90DCP	Each quarter	2008/8/24
200,000	6,585	4.0003%-6ml	Half year	2010/4/7
300,000	9,878	5.37%-6ml	Yearly	2011/3/15
200,000	6,585	5.85%-6ml	Half year	2009/1/13
50,000	1,646	If 6ml ≤ 1%, 6ml+0.2% If 1% < 6ml < 2%, 3.15% If 6ml ≥ 2%, 4.15%-6ml	Half year	2009/1/16
200,000	6,585	6.3%-6ml	Yearly	2010/11/27
300,000	9,878	180DCP	Half year	2008/6/12
2,000,000	65,854	90DCP+75bps	Each quarter	2008/7/19
1,150,000	37,866	90DCP+30bps	Each quarter	2008/9/17
100,000	3,293	180DCP+30bps	Half year	2008/12/18
200,000	6,585	180DCP+18bps	Half year	2008/7/11
900,000	29,635	90DCP+100bps	Each quarter	2009/5/20
2,700,000	88,904	90DCP+25bps	Each quarter	2013/8/24
1,500,000	49,391	90DCP+23bps	Yearly	2013/12/16
1,000,000	32,927	90DCP+26.5bps	Yearly	2013/12/14
1,300,000	42,805	90DCP+45bps	Each quarter	2013/12/27
500,000	16,464	90DCP+23bps	Yearly	2013/12/14
1,000,000	32,927	90DCP+26.5bps	Yearly	2013/12/16
3,000,000	98,782	90DCP+26.5bps	Yearly	2013/11/3
1,500,000	49,391	90DCP	Yearly	2014/9/29
2,500,000	82,318	90DCP	Yearly	2014/9/27
2,000,000	65,854	90DCP	Yearly	2013/11/3
900,000	29,635	90DCP	Yearly	2014/3/12
1,350,000	44,452	90DCP	Each quarter	2014/9/28
-	24,000	6ml	Half year	2013/9/20
-	14,000	6ml	Half year	2014/3/20
-	24,000	6ml	Half year	2014/3/24

## **English Translation of Financial Statements Originally Issued in Chinese**

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

Cathay Life's interest rate swap agreements for cash flow hedges have passed the effectiveness testing. Unrealized gains on financial instruments were recognized in equity by NT\$427,440 (US\$12,949) and NT\$327,042 (US\$10,769) as of March 31, 2007 and 2008.

### 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, structured notes, alternative investment, short-term notes, mortgage-backed securities, mutual funds, 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, liquidity risk and country 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 scenario analysis, stress testing, back testing, 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:

## **English Translation of Financial Statements Originally Issued in Chinese**

Cathay Life has taken the credit concentration index of each conglomerate 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.

Assessments on the mortgage repayment ability and personal credits are performed before the mortgages are granted. The total mortgage amounts granted are based on 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.

### **Country Risk**

Country risk is the risk of market price fluctuation or default of the issuers due to the political or economical issues in the located country.

## English Translation of Financial Statements Originally Issued in Chinese

The Company categorizes and manages the investment risk based on country or region and minimizes the country risk by monitoring the concentration of country risk regularly.

### C. Cathay United Bank

#### a. Information of fair value

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

## English Translation of Financial Statements Originally Issued in Chinese

Item	March 31, 2007			
	Book value		Fair value	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
Forward	\$592,217	\$17,941	\$592,217	\$17,941
Non-delivery forward	186,837	5,660	186,837	5,660
Currency swap	3,669,140	111,153	3,669,140	111,153
Interest rate swap	1,473,196	44,628	1,473,196	44,628
Cross currency swap	392,144	11,880	392,144	11,880
Futures	26	1	26	1
Options	10,416	316	10,416	316
Credit derivative instruments	31,735	961	31,735	961
Credit default swap	(449)	(14)	(449)	(14)
Item	March 31, 2008			
	Book 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	\$31,843,883	\$1,048,531	\$31,843,883	\$1,048,531
Available-for-sale financial assets	59,816,112	1,969,579	59,816,112	1,969,579
Held-to-maturity financial assets and debt securities with no active market	262,227,444	8,634,423	262,174,356	8,632,676
Investment accounted for using equity method	2,372,144	78,108	2,372,144	78,108
Others	894,195,916	29,443,395	894,195,916	29,443,395
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	39,640,876	1,305,264	39,640,876	1,305,264
Financial debentures payable	18,212,705	599,694	18,212,705	599,694
Others	1,150,962,251	37,898,000	1,150,962,251	37,898,000
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	1,178,957	38,820	1,178,957	38,820
Non-delivery forward	202,485	6,667	202,485	6,667
Currency swap	5,809,054	191,276	5,809,054	191,276
Interest rate swap	1,758,707	57,909	1,758,707	57,909
Cross currency swap	25,087	826	25,087	826
Options	290,363	9,561	290,363	9,561

## English Translation of Financial Statements Originally Issued in Chinese

Item	March 31, 2008			
	Book value		Fair value	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Derivative financial instruments</u>				
<u>Liabilities</u>				
Forward	\$5,377,315	\$177,060	\$5,377,315	\$177,060
Non-delivery forward	200,693	6,608	200,693	6,608
Currency swap	999,032	32,896	999,032	32,896
Interest rate swap	846,928	27,887	846,928	27,887
Cross currency swap	319,504	10,520	319,504	10,520
Options	290,371	9,561	290,371	9,561
Credit derivative instruments	363,531	11,970	363,531	11,970

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.
- (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.

**English Translation of Financial Statements Originally Issued in Chinese**

- (d) The value of debt securities with no active market, financial assets carried at cost and investments accounted for using equity method is determined by pricing models. A pricing model incorporates all factors that market participants would consider in setting a price. If fair value of equity security can not reliable measurement, fair value is equal to carrying value.
- (e) Fair value of financial debentures payable is based on quoted market price. If quoted market price is not available, pricing models are utilized to assess the fair value of such instruments.
- (f) If there is a quoted market price in an active market, the quoted market price of derivative financial instruments is regarded as fair value. Otherwise, if the market for a derivative financial instrument is not active, Cathay United Bank assesses fair value by using pricing models.
- c. The fair values of Cathay United Bank's financial assets or liabilities determined by quoted market price or pricing models are summarized as following:

Item	March 31, 2007			
	Based on the quoted market price		Based on the pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$46,992,092	\$1,423,571	\$2,899,000	\$87,822
Available-for-sale financial assets	55,322,764	1,675,940	-	-
Held-to-maturity financial assets and debt securities without active market	222,747,821	6,747,889	61,896,467	1,875,082
Others	(Note)	(Note)	(Note)	(Note)
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	-	-	49,238,635	1,491,628
Financial debentures payable	-	-	18,335,868	555,464
Others	(Note)	(Note)	(Note)	(Note)

## English Translation of Financial Statements Originally Issued in Chinese

Item	March 31, 2007			
	Based on the quoted market price		Based on the pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	\$-	\$-	\$2,449,010	\$74,190
Non-delivery forward	-	-	188,390	5,707
Currency swap	-	-	2,401,773	72,759
Interest rate swap	-	-	778,105	23,572
Cross currency swap	-	-	220	7
Futures	21	1	-	-
Options	-	-	10,304	312
Credit derivative instruments	-	-	51,217	1,551
Credit default swap	-	-	(95)	(3)
<u>Liabilities</u>				
Forward	-	-	592,217	17,941
Non-delivery forward	-	-	186,837	5,660
Currency swap	-	-	3,669,140	111,153
Interest rate swap	-	-	1,473,196	44,628
Cross currency swap	-	-	392,144	11,880
Futures	26	1	-	-
Options	36	1	10,380	315
Credit derivative instruments	-	-	31,735	961
Credit default swap	-	-	(449)	(14)
March 31, 2008				
Item	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	\$30,436,445	\$1,002,188	\$1,407,438	\$46,343
Available-for-sale financial assets	50,413,492	1,659,977	9,402,620	309,602
Held-to-maturity financial assets and debt securities	215,886,817	7,108,555	46,287,539	1,524,120
without active market				
Others	(Note)	(Note)	(Note)	(Note)
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	-	-	39,640,876	1,305,264
Financial debentures payable	-	-	18,212,705	599,694
Others	(Note)	(Note)	(Note)	(Note)

## English Translation of Financial Statements Originally Issued in Chinese

Item	March 31, 2008			
	Based on the quoted market price		Based on the pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Forward	\$-	\$-	\$1,178,957	\$38,820
Non-delivery forward	-	-	202,485	6,667
Currency swap	-	-	5,809,054	191,276
Interest rate swap	-	-	1,758,707	57,909
Cross currency swap	-	-	25,087	826
Options	-	-	290,363	9,561
<u>Liabilities</u>				
Forward	-	-	5,377,315	177,060
Non-delivery forward	-	-	200,693	6,608
Currency swap	-	-	999,032	32,896
Interest rate swap	-	-	846,928	27,887
Cross currency swap	-	-	319,504	10,520
Options	-	-	290,371	9,561
Credit derivative instruments	-	-	363,531	11,970

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

- d. Gains recognized for the changes in fair value of financial asset or liabilities determined by pricing models were NT\$197,310 (US\$5,977) and NT\$170,605 (US\$5,618) For the three month periods ended March 31, 2007 and 2008, respectively.
- e. The interest income arising from other than financial assets or liabilities at fair value through profit or loss For the three month periods ended March 31, 2007 and 2008 were NT\$10,342,290 (US\$313,308) and NT\$10,027,686 (US\$330,184), and expenses were NT\$3,045,270 (US\$92,253) and NT\$4,747,217 (US\$156,313), respectively.
- f. Cathay United Bank recognized an unrealized gains or losses of NT\$175,756 (US\$5,324) and NT\$608,289 (US\$20,029) in shareholders' equity for the changes in fair value of available-for-sale financial assets and a realized gains of NT\$27,116 (US\$821) and NT\$365,419 (US\$12,032) in income statement For the three month periods ended March 31, 2007 and 2008, respectively.

## **English Translation of Financial Statements Originally Issued in Chinese**

g. Interest income of NT\$9 (US\$0) and NT\$0 from financial assets were impaired which were assessed by discount rate of cash flow For the three month periods ended March 31, 2007 and 2008.

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.

Ⓒ 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.

**English Translation of Financial Statements Originally Issued in Chinese**

January 1 ~ March 31, 2007						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Interest rate	\$93,870	\$2,844	\$138,367	\$4,192	\$43,942	\$1,331
Foreign exchange	33,560	1,017	83,489	2,529	727	22
Equity Securities price	83,165	2,519	201,834	6,114	28,599	866

January 1 ~ March 31, 2008						
Factors of market risk	Average balance		Maximum balance		Minimum balance	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Interest rate	\$146,706	\$4,831	\$191,605	\$6,309	\$71,356	\$2,350
Foreign exchange	191,730	6,313	388,037	12,777	3,842	127
Equity Securities price	165,107	5,437	250,352	8,243	109,667	3,611

Cathay United Bank enters into a variety of derivatives transactions for both trading and nontrade 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.

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.

## English Translation of Financial Statements Originally Issued in Chinese

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>March 31, 2008</u>
<u>FX factor sensitivity (FX Delta)</u>		
	USD	\$(23,869)
	JPY	177
	NTD	22,183
	HKD	(1,975)
<u>Interest rate factor sensitivity (PVBP)</u>		
	USD	(1,267)
	JPY	(3)
	NTD	(900)
	HKD	1
<u>Equity factor sensitivity (Equity Delta)</u>		
	NTD	1,699

### (b) Credit risk

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

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

## **English Translation of Financial Statements Originally Issued in Chinese**

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	March 31, 2007			
	Carrying value		Maximum credit risk exposed amount	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
Financial assets at fair value through profit or loss	\$49,891,092	\$1,511,393	\$49,891,092	\$1,511,393
Available-for-sale financial assets	55,322,764	1,675,940	55,322,764	1,675,940
Held-to-maturity financial assets and debt securities with no active market	284,601,469	8,621,674	284,601,469	8,621,674
Investment accounted for using equity method	2,350,127	71,194	2,350,127	71,194
Others	850,364,392	25,760,811	850,364,392	25,760,811
Guarantees on duties and contracts	-	-	17,493,763	529,953
Unused commercial letters of credit	-	-	1,898,369	57,509
Irrevocable loan commitments	-	-	36,967,068	1,119,875
Credit card line commitments	-	-	281,924,656	8,540,583
<u>Derivative financial instruments</u>				
Forward	2,449,010	74,190	2,449,010	74,190
Non-delivery forward	188,390	5,707	188,390	5,707
Currency swap	2,401,773	72,759	2,401,773	72,759
Interest rate swap	778,105	23,572	778,105	23,572
Cross currency swap	220	7	220	7
Futures	21	1	21	1
Options	10,304	312	10,304	312
Credit derivative instruments	51,217	1,551	51,217	1,551

## English Translation of Financial Statements Originally Issued in Chinese

Item	March 31, 2008			
	Carrying value		Maximum credit risk exposed amount	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
Financial assets at fair value through profit or loss	\$31,843,882	\$1,048,531	\$31,843,882	\$1,048,531
Available-for-sale financial assets	59,816,112	1,969,579	59,816,112	1,969,579
Held-to-maturity financial assets and debt securities with no active market	262,227,444	8,634,423	262,227,444	8,634,423
Investment accounted for using equity method	2,372,144	78,108	2,372,144	78,108
Others	894,195,916	29,443,395	894,195,916	29,443,395
Guarantees on duties and contracts	-	-	17,885,446	588,918
Unused commercial letters of credit	-	-	4,509,716	148,492
Irrevocable loan commitments	-	-	46,506,225	1,531,321
Credit card line commitments	-	-	277,554,807	9,139,111
<u>Derivative financial instruments</u>				
Forward	1,178,957	38,820	1,178,957	38,820
Non-delivery forward	202,485	6,667	202,485	6,667
Currency swap	5,809,054	191,276	5,809,054	191,276
Interest rate swap	1,758,707	57,909	1,758,707	57,909
Cross currency swap	25,087	826	25,087	826
Options	290,363	9,561	290,363	9,561

- 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:

	March 31,			
	2007		2008	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Loans, customers' liabilities under acceptances, bill purchased and guarantees account				
Industry type				
Manufacturing	\$108,006,686	\$3,271,938	\$111,743,466	\$3,679,403
Financial institutions and insurance	52,150,734	1,579,847	46,237,332	1,522,467
Leasing and real estate	75,733,804	2,294,269	78,716,131	2,591,904
Individuals	406,314,885	12,308,842	420,276,265	13,838,534
Others	115,203,839	3,489,968	130,682,449	4,303,011
Total	757,409,948	22,944,864	787,655,643	25,935,319
Valuation allowance	(14,319,770)	(433,801)	(9,209,041)	(303,228)
Maximum credit risk exposed	\$743,090,178	\$22,511,063	\$778,446,602	\$25,632,091

**English Translation of Financial Statements Originally Issued in Chinese**

Loans, customers' liabilities under acceptances, bill purchased and guarantees account	March 31,			
	2007		2008	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Geographic Region				
Domestic	\$709,552,653	\$21,495,082	\$725,901,605	\$23,901,930
South East Asia	11,574,959	350,650	18,890,253	622,004
North East Asia	140,302	4,250	333,696	10,987
America	9,979,246	302,310	12,423,066	409,057
Others	26,162,788	792,572	30,107,023	991,341
Total	757,409,948	22,944,864	787,655,643	25,935,319
Valuation allowance	(14,319,770)	(433,801)	(9,209,041)	(303,228)
Maximum credit risk exposed	\$743,090,178	\$22,511,063	\$778,446,602	\$25,632,091

(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.

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 26.99%. 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.

**English Translation of Financial Statements Originally Issued in Chinese**

(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 March 31, 2008, there is no significant change in these dates.

As of March 31, 2007 and 2008, respectively, the effective interest rates of financial instruments held and issued by Cathay United Bank are classified as follows:

Financial instruments	Effective interest rate (%)	
	March 31, 2007	March 31, 2008
Available-for-sale financial assets		
Bonds	1.6701-6.8376	1.69931-6.82261
Overseas financial instruments	1	0-4.5375
Held-to-maturity financial assets		
Bonds	1.66-6.95	2.23310-6.95008
Overseas financial instruments	3.45-6.36	3.45-4.095
Investments in debt securities with no active market		
Preferred stocks	5	5
Certificates of deposit	1.69-1.923	1.88-3
Overseas financial instruments	0-7.82	0-6.275
Financial debentures payable	2-5.59	2-5.593

i. Fair value hedge

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

Hedged item	Derivative designated as hedging instruments	Hedging instruments			
		Financial assets (liabilities) fair value			
		March 31, 2007		March 31, 2008	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Financial debentures payable	Interest rate swap	<u>\$(486,029)</u>	<u>\$(14,724)</u>	<u>\$787,019</u>	<u>\$25,914</u>

## English Translation of Financial Statements Originally Issued in Chinese

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

### D. Cathay Century

#### a. Information of fair value

Item	March 31, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments:</u>				
<u>Assets</u>				
Cash and Cash equivalents	\$2,109,456	\$2,109,456	\$63,904	\$63,904
Financial assets at fair value through profit or loss -				
current	849,317	849,317	25,729	25,729
Available-for-sale financial assets - current	2,513,385	2,513,385	76,140	76,140
Held-to-maturity financial assets-current	44,020	44,020	1,333	1,333
Investments in debt securities with no active				
market-current	76,733	76,733	2,324	2,324
Receivables	1,791,435	1,791,435	54,270	54,270
Prepayments reinsurance premiums ceded	1,047,774	1,047,774	31,741	31,741
Claims recoverable from reinsurers	1,070,879	1,070,879	32,441	32,441
Due from reinsurers and ceding companies				
Companies	88,464	88,464	2,680	2,680
Accounts receivable-reinsurance	36,794	36,794	1,115	1,115
Secured loans	2,238,809	2,238,809	67,822	67,822
Held-to-maturity financial assets- noncurrent	3,924,266	3,924,266	118,881	118,881
Financial assets carried at cost-noncurrent	60,000	60,000	1,818	1,818
Investments in debt securities with no active				
market – noncurrent	228,510	228,510	6,922	6,922
Long-term investments under equity method	461,619	461,619	13,984	13,984
Guarantee deposits paid	409,973	409,973	12,420	12,420

## English Translation of Financial Statements Originally Issued in Chinese

Item	March 31, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments:</u>				
<u>Liabilities</u>				
Claims outstanding	\$19,110	\$19,110	\$579	\$579
Due to reinsurers and ceding companies	332,271	332,271	10,066	10,066
Account payable-reinsurance	866,264	866,264	26,242	26,242
Operating and liabilities reserve	11,539,694	11,539,694	349,582	349,582
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss - current				
Options Contract	509	509	15	15
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss-current				
Foreign exchange SWAP	53,055	53,055	1,607	1,607
Item	March 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments:</u>				
<u>Assets</u>				
Cash and Cash equivalents	\$2,803,281	\$2,803,281	\$92,304	\$92,304
Financial assets at fair value through profit or loss - current	606,232	606,232	19,962	19,962
Available-for-sale financial assets - current	3,114,549	3,114,549	102,554	102,554
Held-to-maturity financial assets-current	709,937	709,937	23,376	23,376
Financial assets carried at cost-current	786	786	26	26
Derivative financial assets for hedging-current	24,000	24,000	790	790
Investments in debt securities with no active market-current	226,908	226,908	7,471	7,471
Receivables	1,968,645	1,968,645	64,822	64,822
Prepayments reinsurance premiums ceded	1,321,818	1,321,818	43,524	43,524

**English Translation of Financial Statements Originally Issued in Chinese**

Item	March 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments:</u>				
Claims recoverable from reinsurers	\$1,283,913	\$1,283,913	\$42,276	\$42,276
Due from reinsurers and ceding companies				
Companies	70,299	70,299	2,315	2,315
Account receivable-reinsurance	31,884	31,884	1,050	1,050
Secured loans	1,877,652	1,877,652	61,826	61,826
Held-to-maturity financial assets- noncurrent	2,978,886	2,978,886	98,086	98,086
Financial assets carried at cost-noncurrent	36,000	36,000	1,185	1,185
Long-term investments under equity method	426,013	426,013	14,028	14,028
Other financial asset-noncurrent	833,714	833,714	27,452	27,452
Guarantee deposits paid	448,982	448,982	14,784	14,784
<u>Liabilities</u>				
Claims outstanding	9,020	9,020	297	297
Due to reinsurers and ceding companies	378,211	378,211	12,453	12,453
Account payable-reinsurance	845,419	845,419	27,837	27,837
Operating and liabilities reserve	13,396,148	13,396,148	441,098	441,098
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current				
Options Contract	55	55	2	2
IRS	786	786	25	25
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss-current				
Foreign exchange SWAP	303	303	10	10

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.

**English Translation of Financial Statements Originally Issued in Chinese**

- (b) The fair value of the guarantee deposits paid and guarantee deposits received is based on the carrying amount.
- (c) Quoted market price, if available, are utilized as estimates of the fair value of 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 March 31, 2007 and 2008:

Item	March 31, 2007			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss-current	\$849,317	\$25,729	\$-	\$-
Available-for-sale financial assets-current	2,513,385	76,140	-	-
Held-to-maturity financial assets-current	-	-	44,020	1,333
Investment in debt securities with no active market-current	-	-	76,733	2,324
Held-to-maturity financial assets-noncurrent	-	-	3,924,266	118,881
Financial assets carried at cost-noncurrent	-	-	60,000	1,818
Investment in debt securities with no active market-noncurrent	-	-	228,510	6,922
Long-term investments under equity method	-	-	461,619	13,984

**English Translation of Financial Statements Originally Issued in Chinese**

Item	March 31, 2007			
	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	\$509	\$15	\$-	\$-
Option				
<u>Liabilities</u>				
Financial liability at fair value through profit or loss-current				
Forward contracts	53,055	1,607	-	-
Item	March 31, 2008			
	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	\$606,232	\$19,962	\$-	\$-
Available-for-sale financial assets-current	3,114,549	102,554	-	-
Held-to-maturity financial assets-current	-	-	709,937	23,376
Financial assets carried at cost-current	-	-	24,000	790
Investment in debt securities with no active market-current	-	-	226,908	7,471
Held-to-maturity financial assets-noncurrent	-	-	2,987,886	98,383
Financial assets carried at cost-noncurrent	-	-	36,000	1,185
Long-term investments under equity method	-	-	426,013	14,028
Other financial asset-noncurrent	-	-	833,714	27,452
Financial assets at fair value through profit or loss-current				
Futures				
Option	55	2	-	-
IRS	786	25	-	-
<u>Liabilities</u>				
Derivative financial liabilities for hedging-current				
Forward contracts	303	10	-	-

**English Translation of Financial Statements Originally Issued in Chinese**

d. Information on financial risk

(a) Risk of interest rate

The following table summarizes the maturities of Cathay Century's financial instruments at March 31, 2007 and 2008:

Fixed interest rate

March 31, 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	\$44,020	\$1,333	\$862,383	\$26,125	\$197,616	\$5,986	\$165,801	\$5,023
Investments in debt securities								
with no active market	76,733	2,324	125,573	3,804	102,937	3,118	-	-

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

March 31, 2008

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	\$709,937	\$23,376	\$-	\$-	\$-	\$-	\$152,339	\$5,016
Investments in debt securities								
with no active market	226,908	7,471	-	-	-	-	-	-

Item	Due in 4~5 years		Over 5 years		Total	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
Held-to-maturity financial assets	\$421,679	\$13,885	\$2,413,868	\$79,482	\$3,697,823	\$121,759
Investments in debt securities						
with no active market	-	-	-	-	226,908	7,471

**English Translation of Financial Statements Originally Issued in Chinese**

(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			
		March 31, 2007		March 31, 2008	
		(NT\$)	(US\$)	(NT\$)	(US\$)
Overseas bonds	Foreign exchange SWAP	\$ (53,055)	\$(1,607)	\$(303)	\$(10)

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 March 31, 2008:

Cash flow hedges-IRS

① March 31, 2008

Par value		Exchange rate	Frequency	Maturity date
(NT\$)	(US\$)			
\$200,000	\$6,585	2.65%	Each quarter	2014/9/30
200,000	6,585	2.40%	Each quarter	2012/9/28

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

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\$786 (US\$26) as of March 31, 2008.

## **English Translation of Financial Statements Originally Issued in Chinese**

### g. Financial risk management objectives policies

Cathay Century's primary financial instruments other than derivatives consists 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.

#### Market Risk

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

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

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

## English Translation of Financial Statements Originally Issued in Chinese

### 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.

## E. Cathay Securities

### a. Information of fair value

Item	March 31, 2007			
	Carrying amount	Fair value	Carrying amount	Fair value
	(NT\$)	(NT\$)	(US\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$679,142	\$679,142	\$20,574	\$20,574
Financial assets at fair value through profit or loss – current				
Open-end funds and currency market instruments	526,887	526,887	15,961	15,961
Operating securities – net	249,290	249,290	7,552	7,552
Receivable amount for margin loans	843,451	843,451	25,551	25,551
Receivables – net	13,867	13,867	420	420
Restricted assets – current	600,000	600,000	18,176	18,176
Available-for-sale financial assets-noncurrent	18	18	1	1
Operating deposits	215,097	215,097	6,516	6,516
Settlement and clearance funds	46,260	46,260	1,401	1,401
Guarantee deposits paid	28,326	28,326	858	858

**English Translation of Financial Statements Originally Issued in Chinese**

Item	March 31, 2007			
	Carrying amount	Fair value	Carrying amount	Fair value
	(NT\$)	(NT\$)	(US\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Liabilities</u>				
Securities financial guarantee deposits-in	\$7,166	\$7,166	\$217	\$217
Deposit payable for securities financing	7,924	7,924	240	240
Payables	26,216	26,216	794	794
Guarantee deposits in	141	141	4	4
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit and loss – current				
Margin for futures trading – own funds	313,282	313,282	9,491	9,491
<u>Liabilities</u>				
Financial liabilities at fair value through profit and loss – current				
Liabilities for issuance of call (put) warrants	800	800	24	24
Repurchase of issued call (put) warrants	(180)	(180)	(5)	(5)
Derivative financial instrument liabilities				
-GreTai (over-the-counter)	1,892	1,892	57	57
Other financial liabilities – current	223,045	223,045	6,757	6,757
Item	March 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$292,977	\$292,977	\$9,647	\$9,647
Financial assets at fair value through profit or loss – current				
Open-end funds and currency market instruments	302,501	302,501	9,961	9,961
Operating securities – net	1,157,217	1,157,217	38,104	38,104
Receivable amount for margin loans	1,143,606	1,143,606	37,656	37,656
Securities refinancing margin deposits	752	752	25	25

**English Translation of Financial Statements Originally Issued in Chinese**

Item	March 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Receivables – net	\$27,339	\$27,339	\$900	\$900
Restricted assets-current	70,000	70,000	2,305	2,305
Available-for-sale financial assets – noncurrent	18	18	1	1
Operating deposits	230,097	230,097	7,576	7,576
Settlement and clearance funds	51,403	51,403	1,693	1,693
Guarantee deposits paid	125,251	125,251	4,124	4,124
<u>Liabilities</u>				
Securities financing guarantee deposits-in	26,499	26,499	872	872
Deposit payable for securities financing	29,821	29,821	982	982
Payables	68,106	68,106	2,243	2,243
Guarantee deposits in	141	141	4	4
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss – current				
Call options-futures	9	9	-	-
Margin for futures trading – own funds	227,980	227,980	7,507	7,507
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss – current				
Liabilities for issuance of call (put) warrants	395,456	395,456	13,022	13,022
Repurchase of issued call (put) warrants	(273,111)	(273,111)	(8,993)	(8,993)
Derivative financial instrument liabilities				
-GreTai (over-the-counter)	2,495	2,495	82	82
Other financial liabilities-current	100,775	100,775	3,318	3,318

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

**English Translation of Financial Statements Originally Issued in Chinese**

- (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, securities refinancing margin deposits, receivables, 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) Available-for-sale financial assets – noncurrent is estimated based on market prices, if available. If available-for-sale financial assets – noncurrent of Cathay Securities is not traded on the open market, the carrying amount on the balance sheet date is used to estimate the fair value.
- (c) If there is a quoted market price on the open market, the quoted market price of financial assets and liabilities is regarded as fair value. Otherwise, if the market for a financial instrument is not active, Cathay Securities assesses 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 information of financial assets and liabilities as of March 31, 2007 and 2008:

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

**English Translation of Financial Statements Originally Issued in Chinese**

Financial instruments	March 31, 2008			
	Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Assets</u>				
Financial assets at fair value through profit or loss – current				
Open-end funds and currency market instruments	\$302,501	\$9,961	\$-	\$-
Operating securities – net	1,157,217	38,104	-	-
Call options-futures	9	-	-	-
Margin for futures trading – own funds	227,980	7,507	-	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss – current				
Liabilities for issuance of call (put) warrants	395,456	13,022	-	-
Repurchase of issued call (put) warrants	(273,111)	(8,993)	-	-
Derivative financial instrument liabilities-GreTai (over-the-counter)	-	-	2,495	82
Other financial liabilities – current	-	-	100,775	3,318

The above derivative financial instrument 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.

## **English Translation of Financial Statements Originally Issued in Chinese**

### (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 also held 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.

## d. Derivatives

### (a) Issuance call warrants

Ⓐ Nominal principal or contract amount and credit risk

**English Translation of Financial Statements Originally Issued in Chinese**

	March 31, 2007		March 31, 2008	
	Nominal principal /contract amount	Credit risk	Nominal principal /contract amount	Credit risk
<u>Financial instruments</u>				
<u>For trading purposes</u>				
Issuance of call warrants	NT\$5,960 <u>(US\$181)</u>	NT\$- <u>(US\$-)</u>	NT\$614,904 <u>(US\$20,247)</u>	NT\$- <u>(US\$-)</u>

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, 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 prices changes of underlying securities. However, assuming strong market liquidity, Cathay Securities believes cash flow risk is low.

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

ⓓ 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.

## English Translation of Financial Statements Originally Issued in Chinese

### ©Financial statement presentation of derivative financial instruments

As of March 31, 2007 and 2008, disclosure of the issuance of call (put) warrants on the balance sheets and statements of income are summarized as follows:

#### Balance sheet

	March 31, 2007	
	Financial liabilities at fair value through profit or loss-current	
	(NT\$)	(US\$)
Liabilities for issuance of call (put) warrants	\$800	\$24
Repurchase of issued call (put) warrants	(180)	(5)
Total	<u>\$620</u>	<u>\$19</u>
	March 31, 2008	
	Financial liabilities at fair value through profit or loss-current	
	(NT\$)	(US\$)
Liabilities for issuance of call (put) warrants	\$395,456	\$13,022
Repurchase of issued call (put) warrants	(273,111)	(8,993)
Total	<u>\$122,345</u>	<u>\$4,029</u>

#### Statement of income

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

**English Translation of Financial Statements Originally Issued in Chinese**

	For the three months ended		Comments
	March 31, 2008		
	Profit from issuing call (put) warrants		
	NT\$	US\$	
Liabilities for issuance of call (put) warrants	\$(27,372)	\$(902)	Fair value method
Repurchase of issued call (put) warrants			
- Loss on disposal	(45,027)	(1,483)	
- Gain from valuation	2,025	67	Fair value method
Gain from expiration of warrants issued	56,080	1,847	
Total	<u>\$(14,294)</u>	<u>\$(471)</u>	

(b) Structured notes transactions

Ⓐ Nominal principal or contract amount and credit risk

Financial instruments	March 31, 2007		March 31, 2008	
	Nominal principal /contract amount	Credit risk	Nominal principal /contract amount	Credit risk
<u>For trading purposes</u>				
Principal guaranteed notes	\$225,300 (US\$6,825)	NT\$- (US\$-)	\$100,800 (US\$3,319)	NT\$- (US\$-)

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.

## English Translation of Financial Statements Originally Issued in Chinese

### ③ 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 March 31, 2007 and 2008, the disclosure of structured notes transactions on the balance sheets and statements of income are summarized as follows:

#### **Balance sheet**

	March 31, 2007		March 31, 2008	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Derivative financial instrument assets – GreTai (over-the-counter) (note 1)				
Structured notes transactions	\$1,892	\$57	\$2,495	\$82
Other financial liabilities – current				
Principal of structured notes	223,045	6,757	100,775	3,318

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

**English Translation of Financial Statements Originally Issued in Chinese**

**Statement of income**

	For the three months ended March 31, 2007		For the three months ended March 31, 2008		Comments
	(NT\$)	(US\$)	(NT\$)	(US\$)	
	Gain (loss) from derivative financial instruments – Gre Tai (over the counter)				
Gain (loss) from structured notes	\$670	\$20	\$(441)	\$(14)	Fair value method

e. Futures and options transactions

As of March 31, 2007 and 2008, the Cathay Securities' unexercised options were as follows:

March 31, 2007

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

March 31, 2008

Item	Nature of Transaction	Unexercised options		Contract amount/ payment of premium		Fair value	
		Buy/Sell	Units	NT\$	US\$	NT\$	US\$
				Futures	TAIEX futures	Sell	60
Options	TXO-Call	Buy	80	\$408	\$13	\$9	\$-

(a) Nominal principal or contract amount and credit risk

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

**English Translation of Financial Statements Originally Issued in Chinese**

Financial instruments	March 31, 2008	
	Nominal principal/ contract amount	Credit risk
TAIEX futures	NT\$101,952 (US\$3,357)	\$-
TXO	NT\$408 (US\$13)	\$-

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.

(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.

## English Translation of Financial Statements Originally Issued in Chinese

### (e) Financial statement presentation of derivative financial instruments

The margin and premium resulting from trading are reflected in “financial assets at fair value through profit or loss – current (margin for futures trading – own funds) on the balance sheet. For the three months ended March 31, 2007 and 2008, the related gain (loss) of futures and options on the statement of income were as follows:

Item	For the three months ended March 31, 2007		For the three months ended March 31, 2008	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Gain from derivative financial instruments – futures				
Gain on futures contracts - realized	\$3,917	\$119	\$6,284	\$207
Gain from options transactions - realized	1,416	43	552	18
Gain from options transactions - unrealized	739	22	14	-
Total	<u>\$6,072</u>	<u>\$184</u>	<u>\$6,850</u>	<u>\$225</u>

Item	For the three months ended March 31, 2007		For the three months ended March 31, 2008	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Loss from derivative financial instruments - futures				
Loss on futures contracts - realized	\$204	\$6	\$-	\$-
Loss on futures contracts – unrealized	8	-	288	9
Loss from options transactions – realized	407	12	-	-
Loss from options transactions - unrealized	739	23	412	14
Total	<u>\$1,358</u>	<u>\$41</u>	<u>\$700</u>	<u>\$23</u>

**English Translation of Financial Statements Originally Issued in Chinese**

F. Cathay Pacific Venture

a. Information of fair value

Item	March 31, 2007			
	(NT\$)		(US\$)	
	Carrying		Carrying	
	amount	Fair value	amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash in bank	\$520,772	\$520,772	\$15,776	\$15,776
Other receivables (contain transactions with related parties)	1,024	1,024	31	31
Available-for-sale financial assets-noncurrent	189,826	189,826	5,751	5,751
<u>Liabilities</u>				
Other payables	8,614	8,614	261	261

Item	March 31, 2008			
	(NT\$)		(US\$)	
	Carrying		Carrying	
	amount	Fair value	amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash in bank	\$3,635	\$3,635	\$120	\$120
Available-for-sale financial assets-current	352,302	352,302	11,600	11,600
Available-for-sale financial assets-noncurrent	190,118	190,118	6,260	6,260
<u>Liabilities</u>				
Other payables	5,652	5,652	186	186

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) and accrued expenses.

**English Translation of Financial Statements Originally Issued in Chinese**

(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.

c. The following table summarizes the fair value information of financial assets and liabilities as of March 31, 2007 and 2008:

Item	March 31, 2007			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Available-for-sale financial assets-noncurrent	\$189,826	\$5,751	\$-	\$-
Item	March 31, 2008			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Available-for-sale financial assets-current	\$352,302	\$11,600	\$-	\$-
Available-for-sale financial assets-non-current	190,118	6,260	-	-

**G. Cathay Futures**

a. Information of fair value

Item	March 31, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$229,347	\$229,347	\$6,948	\$6,948
Customers' margin accounts	835,252	835,252	25,303	25,303
Futures trading deposits receivable	583	583	18	18

**English Translation of Financial Statements Originally Issued in Chinese**

Item	March 31, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Accounts receivable – related parties	\$188	\$188	\$6	\$6
Other receivables (contain transactions with related parties)	3,806	3,806	115	115
Available-for-sale financial assets-noncurrent	30,500	30,500	924	924
Operating deposits	60,000	60,000	1,818	1,818
Settlement and clearance funds	57,000	57,000	1,727	1,727
Guarantee deposits paid	1,279	1,279	39	39
<u>Liabilities</u>				
Futures customers' equity	835,016	835,016	25,296	25,296
Payables (contain transactions with related parties)	1,797	1,797	54	54
Advance receipts	263	263	8	8
Other payable (contain transactions with related parties)	3,094	3,094	94	94
March 31, 2008				
Item	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$236,836	\$236,836	\$7,798	\$7,798
Customers' margin accounts	1,424,972	1,424,972	46,920	46,920
Futures trading deposits receivable	402	402	13	13
Accounts receivable-related parties	108	108	4	4
Other receivable (contain transactions with related parties)	5,308	5,308	175	175
Available-for-sale financial assets-noncurrent	30,000	30,000	988	988
Operating deposits	60,000	60,000	1,976	1,976
Settlement and clearance funds	66,000	66,000	2,173	2,173
Guarantee deposits paid	1,279	1,279	42	42

**English Translation of Financial Statements Originally Issued in Chinese**

Item	March 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Liabilities</u>				
Futures customers' equity	\$1,424,007	\$1,424,007	\$46,889	\$46,889
Payables (contain transactions with related parties)	6,299	6,299	207	207
Advance receipts	652	652	21	21
Other payable (contain transactions with related parties)	2,475	2,475	81	81

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 and other payable, approximate their fair values because of the short maturities of these instruments.

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

(c) The fair value of financial assets and financial liabilities is determined by pricing models.

Item	March 31, 2007			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Available-for-sale financial assets-noncurrent	\$30,500	\$924	\$-	\$-

Item	March 31, 2008			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Available-for-sale financial assets-non-current	\$30,000	\$988	\$-	\$-

## English Translation of Financial Statements Originally Issued in Chinese

### 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 which is 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.

### H. Symphox Information

#### a. Information of fair value

Item	March 31, 2007			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$83,119	\$83,119	\$2,518	\$2,518
Financial assets at fair value through profit or loss-current	162,416	162,416	4,920	4,920
Receivables (contain transactions with related parties)	205,689	205,689	6,231	6,231
Guarantee deposits paid	8,036	8,036	243	243
<u>Liabilities</u>				
Payables (contain transactions with related parties)	130,504	130,504	3,953	3,953
Guarantee deposits in	85	85	3	3

**English Translation of Financial Statements Originally Issued in Chinese**

Item	March 31, 2008			
	Based on quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$282,639	\$282,639	\$9,307	\$9,307
Financial assets at fair value through profit or loss-current	100,360	100,360	3,305	3,305
Receivables (contain transactions with related parties)	194,844	194,844	6,416	6,416
Guarantee deposits paid	7,391	7,391	243	243
<u>Liabilities</u>				
Payables (contain transactions with related parties)	129,815	129,815	4,274	4,274
Guarantee deposits in	79	79	3	3

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 and payables.

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

Item	March 31, 2007			
	Based on 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	\$162,416	\$4,920	\$-	\$-

## English Translation of Financial Statements Originally Issued in Chinese

Item	March 31, 2008			
	Based on 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	\$100,360	\$3,305	\$-	\$-

### I. Cathay Venture Capital

#### a. Information of fair value

Item	March 31, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
	<u>Non-derivative financial instruments</u>			
<u>Assets</u>				
Cash and cash equivalents	\$47,854	\$47,854	\$1,450	\$1,450
Financial assets at fair value through profit or loss-current	13,269	13,269	402	402
Available-for-sale financial assets- current	463,513	463,513	14,042	14,042
Available-for-sale financial assets- noncurrent	377,123	377,123	11,425	11,425
Financial assets carried at cost - noncurrent	722,102	722,102	21,875	21,875

Item	March 31, 2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
	<u>Non-derivative financial instruments</u>			
<u>Assets</u>				
Cash and cash equivalents	\$12,971	\$12,971	\$427	\$427
Financial assets at fair value through profit or loss-current	33,000	33,000	1,087	1,087
Available-for-sale financial assets- current	79,570	79,570	2,620	2,620
Available-for-sale financial assets- noncurrent	319,432	319,432	10,518	10,518
Financial assets carried at cost - noncurrent	1,007,647	1,007,647	33,179	33,179

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

**English Translation of Financial Statements Originally Issued in Chinese**

- (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:

Item	March 31,							
	2007				2008			
	Based on the quoted market price		Based on pricing models		Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value								
through profit or								
loss-current	\$13,269	\$402	\$-	\$-	\$33,000	\$1,087	\$-	\$-
Available-for-sale financial								
assets-current	463,513	14,042	-	-	79,570	2,620	-	-
Available-for-sale financial								
assets-noncurrent	377,123	11,425	-	-	319,432	10,518	-	-
Financial assets carried at								
cost - noncurrent	-	-	722,102	21,875	-	-	1,007,647	33,179

## English Translation of Financial Statements Originally Issued in Chinese

### I. Cathay II Venture Capital

#### a. Information of fair value

Item	March 31, 2007			
	(NT\$)		(US\$)	
	Carrying	Fair value	Carrying	Fair value
	amount		amount	
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$40,984	\$40,984	\$1,242	\$1,242
Available-for-sale financial				
assets- current	67,091	67,091	2,032	2,032
Available-for-sale financial				
assets- noncurrent	302,886	302,886	9,176	9,176
Financial assets carried at cost-noncurrent	452,461	452,461	13,707	13,707
Item	March 31, 2008			
	(NT\$)		(US\$)	
	Carrying	Fair value	Carrying	Fair value
	amount		amount	
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$534	\$534	\$18	\$18
Financial assets at fair value through profit or				
loss-current	15,750	15,750	519	519
Available-for-sale financial				
assets- current	57,942	57,942	1,908	1,908
Available-for-sale financial				
assets- noncurrent	182,737	182,737	6,017	6,017
Financial assets carried at cost-noncurrent	597,070	597,070	19,660	19,660

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.

## English Translation of Financial Statements Originally Issued in Chinese

(b) When financial instruments have activity market, the fair value is the market price. Estimation by evaluation method if there have no activity market.

(c) The fair value of financial instruments is valued at market price or other financial information when available.

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

Item	March 31,							
	2007				2008			
	Based on the quoted market price		Based on pricing models		Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value through								
profit or loss-current	\$-	\$-	\$-	\$-	\$15,750	\$519	\$-	\$-
Available-for-sale financial								
assets-current	67,091	2,032	-	-	57,942	1,908	-	-
Available-for-sale financial								
assets-noncurrent	302,886	9,176	-	-	182,737	6,017	-	-
Financial assets carried at								
cost-noncurrent	-	-	452,461	13,707	-	-	597,070	19,660

### K. Cathay Life (Shanghai)

#### a. Information of fair value

Item	March 31, 2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$1,317,520	\$1,317,520	\$39,913	\$39,913
Financial assets at fair value through				
profit or loss-current	410,228	410,228	12,427	12,427

**English Translation of Financial Statements Originally Issued in Chinese**

Item	March 31,2007			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Available-for-sale financial assets-current	\$147,207	\$147,207	\$4,459	\$4,459
Held-to-maturity financial assets-current	44,419	44,702	1,346	1,354
Premium receivable	942	942	29	29
Available-for-sale financial assets-noncurrent	226,953	226,953	6,875	6,875
Held-to-maturity financial assets-noncurrent	263,428	265,349	7,980	8,038
Investment in debt securities with no active market-noncurrent	1,353,508	1,419,145	41,003	42,991
Guarantee deposits paid	727,354	727,354	22,034	22,034
<u>Liabilities</u>				
Guarantee deposits in	1,104	1,104	33	33

Item	March 31,2008			
	(NT\$)		(US\$)	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$1,382,728	\$1,382,728	\$45,529	\$45,529
Financial assets at fair value through profit or loss-current	385,033	385,033	12,678	12,678
Available-for-sale financial assets-current	1,313,049	1,313,049	43,235	43,235
Held-to-maturity financial assets-current	76,088	76,088	2,505	2,505
Available-for-sale financial assets-noncurrent	2,639,691	2,639,691	86,918	86,918
Held-to-maturity financial assets-noncurrent	386,984	397,716	12,742	13,096
Investment in debt securities with no active market-noncurrent	769,091	769,091	25,324	25,324
Guarantee deposits paid	709,267	709,267	23,354	23,354
<u>Liabilities</u>				
Guarantee deposits in	2,913	2,913	96	96

**English Translation of Financial Statements Originally Issued in Chinese**

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

(a) The fair value of 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:

Item	March 31,							
	2007				2008			
	Based on the quoted market price		Based on pricing models		Based on the quoted market price		Based on pricing models	
	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)	(NT\$)	(US\$)
<u>Non-derivative financial instruments</u>								
<u>Assets</u>								
Financial assets at fair value								
through profit or								
loss-current	\$410,228	\$12,427	\$-	\$-	\$385,033	\$12,678	\$-	\$-
Available-for-sale financial								
assets-current	147,207	4,459	-	-	1,313,049	43,235	-	-
Held-to-maturity financial								
assets-current	44,702	1,354	-	-	76,088	2,505	-	-
Available-for-sale financial								
assets-noncurrent	226,953	6,875	-	-	2,639,691	86,918	-	-
Held-to-maturity financial								
assets-noncurrent	265,349	8,038	-	-	397,716	13,096	-	-
Investment in debt securities								
with no active market-								
noncurrent	-	-	1,419,145	42,991	-	-	769,091	25,324

**English Translation of Financial Statements Originally Issued in Chinese**

(3) Discretionary account management

Item	March 31, 2007			
	Carrying value		Fair value	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Listed stocks	\$15,161,652	\$459,305	\$15,161,652	\$459,305
Repurchase bonds	10,409,879	315,355	10,409,879	315,355
Bonds	1,430,650	43,340	1,430,650	43,340
Cash in banks	659,369	19,975	659,369	19,975
Net other assets less liabilities	29,374	890	29,374	890
<b>Total</b>	<b>\$27,690,924</b>	<b>\$838,865</b>	<b>\$27,690,924</b>	<b>\$838,865</b>

Item	March 31, 2008			
	Carrying value		Fair value	
	(NT\$)	(US\$)	(NT\$)	(US\$)
Listed stocks	\$11,227,754	\$369,699	\$11,227,754	\$369,699
Repurchase bonds	10,836,585	356,819	10,836,585	356,819
Cash in banks	1,855,105	61,083	1,855,105	61,083
Net other assets less liabilities	(6,076)	(200)	(6,076)	(200)
<b>Total</b>	<b>\$23,913,368</b>	<b>\$787,401</b>	<b>\$23,913,368</b>	<b>\$787,401</b>

As of March 31, 2007 and 2008, Cathay Life and Cathay Century had discretionary account management contracts in the amount of NT\$ 24,800,000(US\$751,287), and NT\$ 20,350,000(US\$670,069), 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.

## **English Translation of Financial Statements Originally Issued in Chinese**

### C. Cross utilization of information:

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

### D. Locations and business utilities:

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

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

Allocated to each subsidiaries by business features.

(5) Material contract: None.

(6) Presentation of financial statements:

Certain accounts in the consolidated financial statements for the three months ended March 31, 2007 have been reclassified in order to be comparable with those in the consolidated financial statements for the three months ended March 31, 2008.

## **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 March 31, 2008, 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 been wired out as of March 31, 2008.

## English Translation of Financial Statements Originally Issued in Chinese

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 been wired out as of March 31, 2008.

### 32. Segment information

For the three months ended March 31, 2007

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

For the three months ended March 31, 2007

Item	Bank division (US\$)	Life insurance division (US\$)	Property and casualty insurance division (US\$)	Securities division (US\$)	Others division (US\$)	Total (US\$)
Net interest income	\$154,304	\$504,976	\$2,574	\$270	\$(3,094)	\$659,030
Non income other than interest	49,363	1,016,775	31,112	2,234	7,892	1,107,376
Provision for premiums reserve	-	(1,005,591)	(8,650)	-	-	(1,014,241)
Total income	203,667	516,160	25,036	2,504	4,798	752,165
Bad debt expenses	(27,653)	(2,195)	-	-	-	(29,848)
Operating expenses	(81,870)	(271,767)	(9,409)	(2,288)	(5,328)	(370,662)
Income from continuing operations before income taxes	94,144	242,198	15,627	216	(530)	351,655
Income taxes (expense) benefit	(17,591)	(22,346)	(2,541)	(51)	(4,367)	(46,896)
Consolidated income	76,553	219,852	13,086	165	(4,897)	304,759

## English Translation of Financial Statements Originally Issued in Chinese

For the three months ended March 31, 2008

Item	Bank division (NT\$)	Life insurance division (NT\$)	Property and casualty insurance division (NT\$)	Securities division (NT\$)	Others division (NT\$)	Total (NT\$)
Net interest income	\$5,496,764	\$18,026,991	\$92,545	\$20,711	\$13,635	\$23,650,646
Non income other than interest	1,014,670	6,981,008	639,408	49,558	(385,005)	8,299,639
Provision for premiums reserve	-	(29,014,928)	(88,375)	-	-	(29,103,303)
Total income	6,511,434	(4,006,929)	643,578	70,269	(371,370)	2,846,982
Bad debt expenses	(352,033)	-	-	-	-	(352,033)
Operating expenses	(2,868,159)	(9,912,263)	(274,882)	(89,705)	(178,172)	(13,323,181)
Income from continuing operations before income taxes	3,291,242	(13,919,192)	368,696	(19,436)	(549,542)	(10,828,232)
Income taxes (expense) benefit	(735,248)	5,531,352	(13,322)	3,726	63,742	4,850,250
Consolidated income	2,555,994	(8,387,840)	355,374	(15,710)	(485,800)	(5,977,982)

For the three months ended March 31, 2008

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	\$180,993	\$593,579	\$3,047	\$682	\$449	\$778,750
Non income other than interest	33,410	229,865	21,054	1,632	(12,677)	273,284
Provision for premiums reserve	-	(955,381)	(2,910)	-	-	(958,291)
Total income	214,403	(131,937)	21,191	2,314	(12,228)	93,743
Bad debt expenses	(11,592)	-	-	-	-	(11,592)
Operating expenses	(94,440)	(326,383)	(9,051)	(2,954)	(5,867)	(438,695)
Income from continuing operations before income taxes	108,371	(458,320)	12,140	(640)	(18,095)	(356,544)
Income taxes (expense) benefit	(24,210)	182,132	(438)	123	2,099	159,706
Consolidated income	84,161	(276,188)	11,702	(517)	(15,996)	(196,838)

**English Translation of Financial Statements Originally Issued in Chinese**

**32. Parent Company financial statements**

**Cathay Financial Holding Co., Ltd.**

**Unaudited Balance sheets**

**As of March 31, 2007 and 2008**

**(Expressed in thousands of dollars)**

	March 31, 2007		March 31, 2008	
	NT \$	US \$	NT \$	US \$
<b>Assets</b>				
Cash and cash equivalents	\$13,228,432	\$400,740	\$9,695,296	\$319,239
Receivables -net	1,524,416	46,181	2,470,607	81,350
Investments under equity method	213,059,552	6,454,394	197,404,221	6,499,975
Other financial assets -net	31,720	961	31,720	1,045
Property and equipment -net	4,280	130	3,013	99
Goodwill and intangible assets -net	1,519	46	933	31
Other assets -net	2,912,583	88,233	3,171,245	104,420
<b>Total assets</b>	<b>\$230,762,502</b>	<b>\$6,990,685</b>	<b>\$212,777,035</b>	<b>\$7,006,159</b>
<b>Liabilities &amp; stockholders' equity</b>				
Financial liabilities at fair value through profit and loss	\$945,852	\$28,653	\$100,756	\$3,318
Payables	1,782,713	54,005	3,015,150	99,280
Bonds payable	1,134,796	34,378	-	-
Other payable	15,846	480	116,577	3,839
<b>Total liabilities</b>	<b>3,879,207</b>	<b>117,516</b>	<b>3,232,483</b>	<b>106,437</b>
<b>Stockholders' equity</b>				
Capital stock				
Common stock	92,661,696	2,807,080	92,770,192	3,054,665
Capital surplus	81,485,226	2,468,501	81,971,213	2,699,085
Retained earnings				
Legal reserve	8,188,136	248,050	9,245,862	304,441
Unappropriated retained earnings	29,711,851	900,086	29,601,961	974,711
Equity adjustments				
Reserve for land revaluation increment	2,106	64	2,106	69
Cumulative conversion adjustments	185,900	5,632	(265,997)	(8,759)
Unrealized gains or losses on financial instruments	18,788,999	569,191	362,369	11,932
Treasury stock	(4,140,047)	(125,418)	(4,140,047)	(136,320)
Net loss not yet recognized as net pension cost	(572)	(17)	(3,107)	(102)
<b>Total stockholders' equity</b>	<b>226,883,295</b>	<b>6,873,169</b>	<b>209,544,552</b>	<b>6,899,722</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$230,762,502</b>	<b>\$6,990,685</b>	<b>\$212,777,035</b>	<b>\$7,006,159</b>

**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay Financial Holding Co., Ltd.**

**Unaudited Statements of Income**

**For the three months periods ended March 31, 2007 and 2008**

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

	January 1 ~ March 31, 2007		January 1 ~ March 31, 2008					
	NT \$	US \$	NT \$	US \$				
<b>Income</b>								
Gain on investment-equity method	\$10,042,778	\$304,234	\$ -	\$ -				
Gains on financial assets and liabilities at fair value through profit or loss	67,981	2,060	343,399	11,307				
Gain on foreign exchange	132,279	4,007	-	-				
Other operating loss	-	-	(196)	(6)				
<b>Total income</b>	<b>10,243,038</b>	<b>310,301</b>	<b>343,203</b>	<b>11,301</b>				
<b>Expenses and loss</b>								
Interest income	279,540	8,468	214,765	7,072				
Less: interest expenses	(336,780)	(10,202)	(177,516)	(5,845)				
Net interest income	(57,240)	(1,734)	37,249	1,227				
Loss on investment-equity method	-	-	(5,667,947)	(186,630)				
Loss on foreign exchange	-	-	(712,454)	(23,459)				
Operating expenses	(40,145)	(1,216)	(42,746)	(1,408)				
<b>Income (loss) from continuing operations before income taxes</b>	<b>10,145,653</b>	<b>307,351</b>	<b>(6,042,695)</b>	<b>(198,969)</b>				
<b>Income taxes (expense) benefits</b>	<b>(144,012)</b>	<b>(4,363)</b>	<b>66,693</b>	<b>2,196</b>				
<b>Net income (loss)</b>	<b>\$10,001,641</b>	<b>\$302,988</b>	<b>\$(5,976,002)</b>	<b>\$(196,773)</b>				
<b>Earnings per share (expressed in dollars)</b>								
Primary earnings per share:	Before taxes	After taxes	Before taxes	After taxes	Before taxes	After taxes	Before taxes	After taxes
Net income (loss)	\$1.11	\$1.09	\$0.03	\$0.03	\$(0.66)	\$(0.65)	\$(0.02)	\$(0.02)
Fully-diluted earnings per share:								
Net income	\$1.10	\$1.09	\$0.03	\$0.03				

English Translation of Financial Statements Originally Issued in Chinese

Cathay Financial Holding Co., Ltd.

**Unaudited Statements of Changes in Stockholders' Equity**  
**For the three months periods ended March 31, 2007 and 2008**  
 (Expressed in thousands of dollars)

Summary	Retained earnings								Other stockholders' equity								Total				
	Common stock		Capital surplus		Legal 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			
	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$		NT \$	US \$		
<b>Balance on January 1, 2007</b>	\$92,068,174	\$2,789,100	\$78,867,213	\$2,389,192	\$8,188,136	\$248,050	\$19,710,210	\$597,098	\$2,106	\$64	\$105,170	\$3,186	\$21,345,473	\$646,636	\$(4,140,047)	\$(125,418)	\$(572)	\$(17)	#####	\$6,547,891	
Convertible notes converted into common stock	593,522	17,980	2,618,100	79,312																3,211,622	97,292
Capital surplus			(87)	(3)																(87)	(3)
Cumulative translation adjustments											80,730	2,446								80,730	2,446
Unrealized gains or losses of financial instruments													(2,556,474)	(77,445)						(2,556,474)	(77,445)
Net income for the three months periods ended March 31, 2007							10,001,641	302,988												10,001,641	302,988
<b>Balance on March 31, 2007</b>	\$92,661,696	\$2,807,080	\$81,485,226	\$2,468,501	\$8,188,136	\$248,050	\$29,711,851	\$900,086	\$2,106	\$64	\$185,900	\$5,632	\$18,788,999	\$569,191	\$(4,140,047)	\$(125,418)	\$(572)	\$(17)	#####	\$6,873,169	
<b>Balance on January 1, 2008</b>	\$92,770,192	\$3,054,665	\$81,971,213	\$2,699,085	\$9,245,862	\$304,441	\$35,577,963	\$1,171,484	\$2,106	\$69	\$183,766	\$6,051	\$10,955,521	\$360,735	\$(4,140,047)	\$(136,320)	\$(3,107)	\$(102)	#####	\$7,460,108	
Cumulative translation adjustments											(449,763)	(14,810)								(449,763)	(14,810)
Unrealized gains or losses of financial instruments													(10,593,152)	(348,803)						(10,593,152)	(348,803)
Net loss for the three months periods ended March 31, 2008							(5,976,002)	(196,773)												(5,976,002)	(196,773)
<b>Balance on March 31, 2008</b>	\$92,770,192	\$3,054,665	\$81,971,213	\$2,699,085	\$9,245,862	\$304,441	\$29,601,961	\$974,711	\$2,106	\$69	\$(265,997)	\$(8,759)	\$362,369	\$11,932	\$(4,140,047)	\$(136,320)	\$(3,107)	\$(102)	#####	\$6,899,722	

**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay Financial Holding Co., Ltd.**

**Unaudited Statements of cash flows**

**For the three months periods ended March 31, 2007 and 2008**

**(Expressed in thousands of dollars)**

	January 1 ~ March 31, 2007		January 1 ~ March 31, 2008	
	NT \$	US \$	NT \$	US \$
<b>Cash flows from operating activities</b>				
Net income (loss)	\$10,001,641	\$302,988	\$(5,976,002)	\$(196,773)
Adjustments:				
Amortizations	146	4	147	5
Depreciation	292	9	268	9
Loss on disposal of assets	-	-	171	6
Investment income recognized by equity method (excess) smaller of cash dividends received	(10,042,778)	(304,234)	5,667,947	186,630
Increase in bonds payable redemption premium	33,548	1,016	-	-
Effects of exchange rate changes	(132,217)	(4,005)	549,254	18,085
Changes in operating assets and liabilities				
Decrease in accounts receivable	511,332	15,490	19,846	653
Decrease (increase) in deferred income tax assets	174,095	5,274	(14,015)	(462)
Increase in other assets	(10,295)	(312)	(13)	-
Decrease in accounts payable	(573,996)	(17,389)	(29,073)	(957)
Decrease in financial liabilities at fair value through profit and loss	(67,981)	(2,059)	(343,399)	(11,307)
Increase (decrease) in income tax payable	15,340	465	(7,538)	(248)
Decrease in deferred income tax liabilities	(57,193)	(1,732)	(50,703)	(1,670)
(Decrease) increase in other liabilities	(1,693)	(51)	755	25
<b>Net cash used in operating activities</b>	<b>(149,759)</b>	<b>(4,536)</b>	<b>(182,355)</b>	<b>(6,004)</b>
<b>Cash flows from investing activities</b>				
Disposal of property and equipment	-	-	960	32
Acquisition of property and equipment	(150)	(4)	(172)	(6)
(Increase) decrease in other assets	(43,370)	(1,314)	163,200	5,374
<b>Net cash (used in) provided by investing activities</b>	<b>(43,520)</b>	<b>(1,318)</b>	<b>163,988</b>	<b>5,400</b>
<b>Cash flows from financing activities</b>				
Increase in bonds payable	39,661	1,201	-	-
<b>Net cash provided by financing activities</b>	<b>39,661</b>	<b>1,201</b>	<b>-</b>	<b>-</b>
<b>Effects of exchange rate changes</b>	<b>132,217</b>	<b>4,005</b>	<b>(549,254)</b>	<b>(18,086)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(21,401)</b>	<b>(648)</b>	<b>(567,621)</b>	<b>(18,690)</b>
<b>Cash and cash equivalents at the beginning of year</b>	<b>13,249,833</b>	<b>401,388</b>	<b>10,262,917</b>	<b>337,929</b>
<b>Cash and cash equivalents at the end of year</b>	<b>\$13,228,432</b>	<b>\$400,740</b>	<b>\$9,695,296</b>	<b>\$319,239</b>
<b>Supplemental disclosure of cash flows information</b>				
Interest paid during the period	\$455,657	\$13,804	\$172,426	\$5,678
Interest paid (excluding capitalized interest)	\$455,657	\$13,804	\$172,426	\$5,678
Income tax paid	\$18,950	\$574	\$25	\$1
<b>Investing and financing activities with no cash flow effects</b>				
Conversion of convertible notes into common stock	\$3,211,622	\$97,292	\$-	\$-

**English Translation of Financial Statements Originally Issued in Chinese**

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

**Cathay Life Insurance Co., Ltd.  
Condensed Balance Sheets  
As of March 31, 2007 and 2008  
(Expressed in thousands of dollars)**

Item	March 31, 2007		March 31, 2008	
	NT\$	US\$	NT\$	US\$
<b>Assets</b>				
Current assets	\$591,867,933	#####	\$583,528,426	#####
Loans	495,581,988	15,013,087	537,574,884	17,700,852
Funds and investments	918,056,306	27,811,460	974,248,898	32,079,318
Property and equipment	12,817,604	388,295	12,810,058	421,800
Intangible assets	340,945	10,329	479,912	15,802
Other assets	196,213,587	5,944,065	275,540,896	9,072,799
<b>Total assets</b>	<b>#####</b>	<b>#####</b>	<b>#####</b>	<b>#####</b>
<b>Liabilities</b>				
Current liabilities	\$45,395,126	\$1,375,193	\$36,936,934	\$1,216,231
Long-term liabilities	1,630,781	49,403	1,364,252	44,921
Other liabilities	2,043,257,681	61,898,142	2,240,140,334	73,761,618
<b>Total liabilities</b>	<b>2,090,283,588</b>	<b>63,322,738</b>	<b>2,278,441,520</b>	<b>75,022,770</b>
<b>Stockholders' equity</b>				
Capital stock	50,686,158	1,535,479	50,686,158	1,668,955
Capital surplus	9,648	292	9,648	317
Retained earnings	56,337,750	1,706,687	54,613,907	1,798,285
Others	17,561,219	531,998	431,841	14,219
<b>Total stockholders' equity</b>	<b>124,594,775</b>	<b>3,774,456</b>	<b>105,741,554</b>	<b>3,481,776</b>
<b>Total liabilities and stockholders' equity</b>	<b>#####</b>	<b>#####</b>	<b>#####</b>	<b>#####</b>

**Cathay Life Insurance Co., Ltd.  
Condensed Statements of Income  
For the three months ended March 31, 2007 and 2008  
(Expressed in thousands of dollars, except earnings per share)**

Item	January 1 ~ March 31, 2007		January 1 ~ March 31, 2008	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$164,561,394	\$4,985,198	\$236,426,996	\$7,784,886
Operating costs	(153,995,601)	(4,665,119)	(246,711,182)	(8,123,516)
Operating gross profit	10,565,793	320,079	(10,284,186)	(338,630)
Operating expenses	(2,720,709)	(82,421)	(2,292,683)	(75,492)
Non-operating revenues & gains	367,022	11,118	308,757	10,167
Non-operating expenses & losses	(2,020)	(61)	(1,934)	(64)
Income from continuing operations before income taxes	\$8,210,086	\$248,715	\$(12,270,046)	\$(404,019)
Net income (loss)	\$7,472,452	\$226,369	\$(6,737,330)	\$(221,842)
Earnings per share (in dollars)				
Income from continuing operations before income taxes	\$1.62	\$0.05	\$(2.42)	\$(0.08)
Net income (loss)	\$1.47	\$0.04	\$(1.33)	\$(0.04)

**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay Century Insurance Co., Ltd.  
Condensed Balance Sheets  
As of March 31, 2007 and 2008  
(Expressed in thousands of dollars)**

Items	March 31, 2007		March 31, 2008	
	NT\$	US\$	NT\$	US\$
<b>Assets</b>				
Current assets	\$9,662,161	\$292,704	\$12,258,686	\$403,645
Loans	2,238,809	67,822	1,877,652	61,826
Funds and investments	4,674,395	141,605	4,283,613	141,048
Fixed assets	40,519	1,227	104,605	3,444
Intangible assets	6,432	195	15,867	522
Other assets	687,449	20,826	855,157	28,158
<b>Total assets</b>	<b>\$17,309,765</b>	<b>\$524,379</b>	<b>\$19,395,580</b>	<b>\$638,643</b>
<b>Liabilities</b>				
Current liabilities	\$1,754,335	\$53,145	\$1,806,118	\$59,470
Long-term liabilities	3,405	103	15,172	500
Other liabilities	11,648,760	352,886	13,642,072	449,196
<b>Total liabilities</b>	<b>13,406,500</b>	<b>406,134</b>	<b>15,463,362</b>	<b>509,166</b>
<b>Stockholders' equity</b>				
Capital stock	2,317,006	70,191	2,317,006	76,293
Capital surplus	1,929	58	1,929	63
Retained earnings	1,413,998	42,836	1,628,201	53,612
Others	170,332	5,160	(14,918)	(491)
<b>Total stockholders' equity</b>	<b>3,903,265</b>	<b>118,245</b>	<b>3,932,218</b>	<b>129,477</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$17,309,765</b>	<b>\$524,379</b>	<b>\$19,395,580</b>	<b>\$638,643</b>

**Cathay Century Insurance Co., Ltd.  
Condensed Statements of Income  
For the three months ended March 31, 2007 and 2008  
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ March 31, 2007		January 1 ~ March 31, 2008	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$8,317,640	\$251,973	\$9,087,608	\$299,230
Operating costs	(7,372,950)	(223,355)	(8,312,129)	(273,696)
Operating gross profit	944,690	28,618	775,479	25,534
Operating expenses	(521,626)	(15,802)	(595,813)	(19,618)
Non-operating revenues	1,204	37	383	13
Non-operating expenses	(28)	(1)	(1,691)	(56)
Income from continuing operations before income taxes	\$424,240	\$12,852	\$178,358	\$5,873
Net income	\$340,375	\$10,311	\$165,036	\$5,434
<b>Earning per share (in dollars)</b>				
Income from continuing operations before income taxes	\$1.83	\$0.06	\$0.77	\$0.03
Net income	\$1.47	\$0.04	\$0.71	\$0.02

**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay Life Insurance Company(Shanghai)  
Condensed Balance Sheets  
As of March 31, 2007 and 2008  
(Expressed in thousands of dollars)**

Items	March 31, 2007		March 31, 2008	
	NT\$	US\$	NT\$	US\$
<b>Assets</b>				
Current assets	\$2,357,890	\$71,430	\$3,494,301	\$115,058
Loans	652	20	5,294	174
Funds and investments	1,776,930	53,830	3,795,766	124,984
Fixed assets	46,458	1,407	88,107	2,901
Intangible assets	2,863	87	3,206	106
Other assets	1,487,237	45,054	1,034,038	34,048
<b>Total assets</b>	<b>\$5,672,030</b>	<b>\$171,828</b>	<b>\$8,420,712</b>	<b>\$277,271</b>
<b>Liabilities</b>				
Current liabilities	53,944	1,634	232,266	7,648
Other liabilities	2,476,640	75,027	5,424,664	178,619
<b>Total liabilities</b>	<b>2,530,584</b>	<b>76,661</b>	<b>5,656,930</b>	<b>186,267</b>
<b>Stockholders' equity</b>				
Capital stock	3,257,376	98,679	3,257,376	107,256
Retained earnings	(272,075)	(8,242)	(694,276)	(22,860)
Others	156,145	4,730	200,682	6,608
<b>Total stockholders' equity</b>	<b>3,141,446</b>	<b>95,167</b>	<b>2,763,782</b>	<b>91,004</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$5,672,030</b>	<b>\$171,828</b>	<b>\$8,420,712</b>	<b>\$277,271</b>

**Cathay Life Insurance Company(Shanghai)  
Condensed Statements of Income  
For the three months ended March 31, 2007 and 2008  
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ March 31, 2007		January 1 ~ March 31, 2008	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$240,330	\$7,281	\$3,943,412	\$129,846
Operating costs	(201,843)	(6,115)	(3,802,197)	(125,196)
Operating gross profit	38,487	1,166	141,215	4,650
Operating expenses	(54,635)	(1,655)	(201,817)	(6,645)
Loss from continuing operations before income taxes	\$(16,148)	\$(489)	\$(60,602)	\$(1,995)
Cumulative effect of changes in accounting principles	\$3,463	\$105	\$-	\$-
<b>Net loss</b>	<b>\$(12,685)</b>	<b>\$(384)</b>	<b>\$(60,602)</b>	<b>\$(1,995)</b>
Earnings per share (in dollars)				
Income from continuing operations before income taxes	Note	Note	Note	Note
Net loss	Note	Note	Note	Note

Note : Cathay Life Insurance (Shanghai) is a limited company, there is no information about earnings per share.

**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay Life Insurance Co., Ltd.(Vietnam)  
Condensed Balance Sheets  
As of March 31, 2007 and 2008  
(Expressed in thousands of dollars)**

Items	March 31, 2007		March 31, 2008	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$-	\$-	\$1,816,322	\$59,806
Funds and investments	-	-	24,259	799
Total assets	\$-	\$-	\$1,840,581	\$60,605
Liabilities				
Current liabilities	-	-	1,323	43
Total liabilities	-	-	1,323	43
Stockholders' equity				
Capital stock	-	-	1,940,080	63,881
Retained earnings	-	-	3,509	116
Others	-	-	(104,331)	(3,435)
Total stockholders' equity	-	-	1,839,258	60,562
Total liabilities and stockholders' equity	\$-	\$-	\$1,840,581	\$60,605

Note : Cathay Life Insurance (Vietnam) is a limited company, there is no information about earnings per share.

**Cathay Life Insurance Co., Ltd.(Vietnam)  
Condensed Statements of Income  
For the three months ended March 31, 2007 and 2008  
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ March 31, 2007		January 1 ~ March 31, 2008	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$-	\$-	\$-	\$-
Operating costs	-	-	(3,858)	(127)
Operating gross profit	-	-	(3,858)	(127)
Operating expenses	-	-	(329)	(11)
Non-operating revenues	-	-	9,061	298
Loss from continuing operations before income taxes	\$-	\$-	\$4,874	\$160
Net loss	\$-	\$-	\$3,509	\$116
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 (Vietnam) is a limited company, there is no information about earnings per share.

**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay United Bank Co., Ltd.  
Condensed Balance Sheets  
As of March 31, 2007 and 2008  
(Expressed in thousands of dollars)**

Items	March 31, 2007		March 31, 2008	
	NT\$	US\$	NT\$	US\$
<b>Assets</b>				
Cash and cash equivalents	\$27,476,448	\$832,367	\$17,483,411	\$575,680
Due from the Central Bank and call loans to banks	46,517,120	1,409,183	61,062,392	2,010,616
Financial assets at fair value through profit or loss	55,770,037	1,689,489	40,321,517	1,327,676
Securities purchased under agreements to resell	126,000	3,817	3,224,451	106,172
Receivables-net	45,667,795	1,383,453	45,918,618	1,511,973
Loans and advances to customers-net	724,908,281	21,960,263	760,142,192	25,029,378
Available-for-sale financial assets -net	55,322,764	1,675,940	59,816,112	1,969,579
Held-to-maturity financial assets-net	5,214,726	157,974	2,830,919	93,214
Investments-equity method	2,350,127	71,194	2,372,144	78,108
Investments in debt securities with no active market	279,386,743	8,463,700	259,396,525	8,541,209
Other financial assets-net	4,487,767	135,952	5,036,624	165,842
Property and equipment-net	25,582,991	775,007	26,601,775	875,923
Intangible assets-net	436,538	13,225	6,838,812	225,183
Other assets-net	10,012,753	303,325	9,808,447	322,965
<b>Total assets</b>	<b>\$1,283,260,090</b>	<b>\$38,874,889</b>	<b>\$1,300,853,939</b>	<b>\$42,833,518</b>
<b>Liabilities</b>				
Due to the Central Bank and call loans from banks	\$102,287,668	\$3,098,687	\$66,800,575	\$2,199,558
Funds borrowed from the Central and other banks	827,250	25,061	1,520,250	50,058
Deposits and remittances	982,101,540	29,751,637	1,033,485,665	34,029,821
Financial liabilities at fair value through profit or loss	55,107,868	1,669,430	48,038,250	1,581,767
Securities sold under agreements to repurchase	20,453,722	619,622	25,550,539	841,308
Payables	23,030,409	697,680	22,564,817	742,997
Financial debentures payable	18,335,868	555,464	18,212,705	599,694
Other financial liabilities	798,189	24,180	308,470	10,157
Other liabilities	1,777,605	53,850	2,139,573	70,450
<b>Total liabilities</b>	<b>1,204,720,119</b>	<b>36,495,611</b>	<b>1,218,620,844</b>	<b>40,125,810</b>
<b>Shareholders' equity</b>				
Capital stock	48,689,413	1,474,990	48,689,413	1,603,208
Capital reserves	15,213,565	460,877	15,213,611	500,942
Retained earnings	13,689,712	414,714	18,767,733	617,969
Others	947,281	28,697	(437,662)	(14,411)
<b>Total shareholders' equity</b>	<b>78,539,971</b>	<b>2,379,278</b>	<b>82,233,095</b>	<b>2,707,708</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$1,283,260,090</b>	<b>\$38,874,889</b>	<b>\$1,300,853,939</b>	<b>\$42,833,518</b>

**Cathay United Bank Co., Ltd.  
Condensed Statements of Income  
For the three months ended March 31, 2007 and 2008  
(Expressed in thousands of dollars, except per share information)**

Items	January 1 ~ March 31, 2007		January 1 ~ March 31, 2008	
	NT\$	US\$	NT\$	US\$
Net interest income	\$4,949,115	\$149,928	\$5,357,053	\$176,393
Non-interest income	1,763,629	53,427	(78,310)	(2,579)
Net operating income	6,712,744	203,355	5,278,743	173,814
Provision for loan losses	(912,822)	(27,653)	(352,033)	(11,591)
Operating expenses	(3,030,579)	(91,808)	(3,318,611)	(109,273)
Income from continuing operations before income taxes	\$2,769,343	\$83,894	\$1,608,099	\$52,950
Net income	\$2,207,343	\$66,869	\$885,099	\$29,144
<b>Earnings per share (in dollars)</b>				
Income from continuing operations before income taxes	\$0.57	\$0.02	\$0.33	\$0.01
Net income	\$0.45	\$0.01	\$0.18	\$0.01

**English Translation of Financial Statements Originally Issued in Chinese**

**Indovina Bank Limited**  
**Condensed Balance Sheets**  
**As of March 31, 2007 and 2008**  
**(Expressed in thousands of dollars)**

Items	March 31, 2007		March 31, 2008	
	NT\$	US\$	NT\$	US\$
<b>Assets</b>				
Cash and cash equivalents	\$1,243,803	\$37,680	\$215,022	\$7,080
Due from the Central Bank and call loans to banks	448,951	13,600	4,268,785	140,559
Financial assets at fair value through profit or loss	114,076	3,456	131,125	4,318
Investments in debt securities with no active market	322,511	9,770	265,930	8,756
Receivables-net	84,773	2,568	125,297	4,126
Loans and advances to customers-net	9,731,166	294,795	13,236,404	435,838
Premises and equipment-net	124,392	3,768	470,596	15,495
Intangible assets-net	37,185	1,126	36,988	1,218
Other assets-net	479	15	508	17
<b>Total assets</b>	<b>\$12,107,336</b>	<b>\$366,778</b>	<b>\$18,750,655</b>	<b>\$617,407</b>
<b>Liabilities</b>				
Due to the Central Bank and call loans from banks	\$642,484	\$19,463	\$2,356,377	\$77,589
Payables	606,419	18,371	129,506	4,264
Deposits and remittances	9,384,937	284,306	13,856,961	456,271
Other liabilities	-	-	623,612	20,534
<b>Total liabilities</b>	<b>10,633,840</b>	<b>322,140</b>	<b>16,966,456</b>	<b>558,658</b>
<b>Shareholders' equity</b>				
Capital stock	1,118,158	33,873	1,605,418	52,862
Retained earnings	307,770	9,324	296,725	9,770
Others	47,568	1,441	(117,944)	(3,883)
<b>Total shareholders' equity</b>	<b>1,473,496</b>	<b>44,638</b>	<b>1,784,199</b>	<b>58,749</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$12,107,336</b>	<b>\$366,778</b>	<b>\$18,750,655</b>	<b>\$617,407</b>

**Indovina Bank Limited**  
**Condensed Statements of Income**  
**For the three months ended March 31, 2007 and 2008**  
**(Expressed in thousands of dollars, except per share information)**

Items	January 1 ~ March 31, 2007		January 1 ~ March 31, 2008	
	NT\$	US\$	NT\$	US\$
Net interest income	\$144,471	\$4,377	\$143,819	\$4,735
Non-interest income	27,943	846	(23,391)	(770)
Net operating revenue	172,414	5,223	120,428	3,965
Provision for loan losses	(11,084)	(336)	-	-
Operating expenses	(53,240)	(1,613)	(66,004)	(2,173)
Income from continuing operations before income taxes	\$108,090	\$3,274	\$54,424	\$1,792
Net income	\$89,386	\$2,708	\$42,176	\$1,389
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  
As of March 31, 2007 and 2008  
(Expressed in thousands of dollars)**

Items	March 31, 2007		March 31, 2008	
	NT\$	US\$	NT\$	US\$
<b>Assets</b>				
Current assets	\$3,226,605	\$97,746	\$3,236,609	\$106,573
Funds and investments	718,119	21,754	722,536	23,791
Property and equipment	89,199	2,702	65,824	2,168
Intangible assets	10,982	333	6,046	199
Other assets	294,638	8,926	414,805	13,658
<b>Total assets</b>	<b>\$4,339,543</b>	<b>\$131,461</b>	<b>\$4,445,820</b>	<b>\$146,389</b>
<b>Liabilities</b>				
Current liabilities	\$272,540	\$8,256	\$355,539	\$11,707
Long-term liabilities	296	9	442	14
Other liabilities	23,222	703	48,336	1,592
<b>Total liabilities</b>	<b>296,058</b>	<b>8,968</b>	<b>404,317</b>	<b>13,313</b>
<b>Stockholders' equity</b>				
Capital stock	3,700,000	112,087	3,700,000	121,831
Capital surplus	258,434	7,829	258,434	8,510
Retained earnings	85,051	2,577	83,069	2,735
<b>Total stockholders' equity</b>	<b>4,043,485</b>	<b>122,493</b>	<b>4,041,503</b>	<b>133,076</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$4,339,543</b>	<b>\$131,461</b>	<b>\$4,445,820</b>	<b>\$146,389</b>

**Cathay Securities Corporation  
Condensed Statements of Income  
For the three months ended March 31, 2007 and 2008  
(Expressed in thousands of dollars, except for earnings per share)**

Items	January 1 ~ March 31, 2007		January 1 ~ March 31, 2008	
	NT\$	US\$	NT\$	US\$
Revenue	\$99,383	\$3,011	\$112,770	\$3,713
Expenses	(95,767)	(2,901)	(117,397)	(3,866)
Income (loss) from continuing operations before income taxes	\$3,616	\$110	\$(4,627)	\$(153)
<b>Net income (loss)</b>	<b>\$1,955</b>	<b>\$59</b>	<b>\$(901)</b>	<b>\$(30)</b>
<b>Earnings per share (in dollars)</b>				
Income (loss) from continuing operations before income taxes	\$0.01	\$-	\$(0.01)	\$-
<b>Net income (loss)</b>	<b>\$0.01</b>	<b>\$-</b>	<b>\$(0.002)</b>	<b>\$-</b>

**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay Pacific Venture Capital Co., Ltd.  
Condensed Balance Sheets  
As of March 31, 2007 and 2008  
(Expressed in thousands of dollars)**

Items	March 31, 2007		March 31, 2008	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$522,798	\$15,837	\$360,259	\$11,862
Funds and investments	278,797	8,446	340,317	11,206
Total assets	<u>\$801,595</u>	<u>\$24,283</u>	<u>\$700,576</u>	<u>\$23,068</u>
Liabilities				
Current liabilities	\$27,805	\$842	\$5,652	\$186
Total liabilities	<u>27,805</u>	<u>842</u>	<u>5,652</u>	<u>186</u>
Stockholders' equity				
Capital stock	600,000	18,176	600,000	19,756
Retained earnings	51,497	1,560	25,780	849
Equity adjustment	122,293	3,705	69,144	2,277
Total stockholders' equity	<u>773,790</u>	<u>23,441</u>	<u>694,924</u>	<u>22,882</u>
Total liabilities and stockholders' equity	<u>\$801,595</u>	<u>\$24,283</u>	<u>\$700,576</u>	<u>\$23,068</u>

**Cathay Pacific Venture Capital Co., Ltd.  
Condensed Statements of Income  
For the three months ended March 31, 2007 and 2008  
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ March 31, 2007		January 1 ~ March 31, 2008	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$1,885	\$57	\$1,895	\$63
Operating gross profit	1,885	57	1,895	63
Operating expenses	(3,750)	(114)	(3,000)	(99)
Non-operating expenses	(204)	(6)	(181)	(6)
Income from continuing operations before income taxes	<u>\$(2,069)</u>	<u>\$(63)</u>	<u>\$(1,286)</u>	<u>\$(42)</u>
Net losses	<u>\$(1,850)</u>	<u>\$(56)</u>	<u>\$(491)</u>	<u>\$(16)</u>
Earning per share (in dollars)				
Income from continuing operations before income taxes	<u>\$(0.03)</u>	<u>\$-</u>	<u>\$(0.02)</u>	<u>\$-</u>
Net losses	<u>\$(0.03)</u>	<u>\$-</u>	<u>\$(0.01)</u>	<u>\$-</u>

**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay Venture Capital Co., Ltd.  
Condensed Balance Sheets  
As of March 31, 2007 and 2008  
(Expressed in thousands of dollars)**

Items	March 31, 2007		March 31, 2008	
	NT\$	US\$	NT\$	US\$
<b>Assets</b>				
Current assets	\$525,713	\$15,926	\$133,125	\$4,383
Funds and investments	1,302,321	39,452	1,555,329	51,213
<b>Total assets</b>	<b>\$1,828,034</b>	<b>\$55,378</b>	<b>\$1,688,454</b>	<b>\$55,596</b>
<b>Liabilities</b>				
Current liabilities	\$13,230	\$401	\$16,043	\$528
<b>Total liabilities</b>	<b>13,230</b>	<b>401</b>	<b>16,043</b>	<b>528</b>
<b>Stockholders' equity</b>				
Capital stock	1,500,000	45,441	1,500,000	49,391
Retained earnings	119,335	3,615	147,763	4,865
Equity adjustment	195,469	5,921	24,648	812
<b>Total stockholders' equity</b>	<b>1,814,804</b>	<b>54,977</b>	<b>1,672,411</b>	<b>55,068</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$1,828,034</b>	<b>\$55,378</b>	<b>\$1,688,454</b>	<b>\$55,596</b>

**Cathay Venture Capital Co., Ltd.  
Condensed Statements of Income  
For the three months ended March 31, 2007 and 2008  
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ March 31, 2007		January 1 ~ March 31, 2008	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$19,737	\$598	\$31,101	\$1,024
Operating costs	-	-	(506)	(17)
Operating gross profit	19,737	598	30,595	1,007
Operating expenses	(7,345)	(223)	(7,331)	(241)
Non-operating expenses	-	-	(87)	(3)
Income from continuing operations before income taxes	\$12,392	\$375	\$23,177	\$763
Net income	\$12,058	\$365	\$21,918	\$722
<b>Earning per share (in dollars)</b>				
Income from continuing operations before income taxes	\$0.08	\$-	\$0.15	\$-
Net income	\$0.08	\$-	\$0.15	\$-

**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay II Venture Capital Co., Ltd.  
Condensed Balance Sheets  
As of March 31, 2007 and 2008  
(Expressed in thousands of dollars)**

Items	March 31, 2007		March 31, 2008	
	NT\$	US\$	NT\$	US\$
Assets				
Current assets	\$110,147	\$3,337	\$78,426	\$2,582
Funds and investments	755,347	22,882	779,808	25,677
Total assets	<u>\$865,494</u>	<u>\$26,219</u>	<u>\$858,234</u>	<u>\$28,259</u>
Liabilities				
Current liabilities	\$3,942	\$119	\$10,316	\$340
Total liabilities	<u>3,942</u>	<u>119</u>	<u>10,316</u>	<u>340</u>
Stockholders' equity				
Capital stock	600,000	18,176	600,000	19,756
Retained earnings	115,535	3,500	205,296	6,760
Equity adjustment	146,017	4,424	42,622	1,403
Total stockholders' equity	<u>861,552</u>	<u>26,100</u>	<u>847,918</u>	<u>27,919</u>
Total liabilities and stockholders' equity	<u>\$865,494</u>	<u>\$26,219</u>	<u>\$858,234</u>	<u>\$28,259</u>

**Cathay II Venture Capital Co., Ltd.  
Condensed Statements of Income  
For the three months ended March 31, 2007 and 2008  
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ March 31, 2007		January 1 ~ March 31, 2008	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$10,627	\$322	\$11,095	\$365
Operating costs	-	-	(375)	(12)
Operating gross profit	10,627	322	10,720	353
Operating expenses	(2,489)	(75)	(2,394)	(79)
Non-operating expenses	-	-	(75)	(2)
Income from continuing operations before income taxes	<u>\$8,138</u>	<u>\$247</u>	<u>\$8,251</u>	<u>\$272</u>
Net income	<u>\$8,092</u>	<u>\$245</u>	<u>\$7,597</u>	<u>\$250</u>
Earning per share (in dollars)				
Income from continuing operations before income taxes	<u>\$0.14</u>	<u>\$-</u>	<u>\$0.14</u>	<u>\$-</u>
Net income	<u>\$0.13</u>	<u>\$-</u>	<u>\$0.13</u>	<u>\$-</u>

**English Translation of Financial Statements Originally Issued in Chinese**

**Symphox Information Co., Ltd.  
Condensed Balance Sheets  
As of March 31, 2007 and 2008  
(Expressed in thousands of dollars)**

Items	March 31, 2007		March 31, 2008	
	NT\$	US\$	NT\$	US\$
<b>Assets</b>				
Current assets	\$498,389	\$15,098	\$594,130	\$19,563
Fixed assets	158,421	4,799	99,368	3,272
Intangible assets	6,923	210	6,533	215
Other assets	12,363	375	21,407	705
<b>Total assets</b>	<b>\$676,096</b>	<b>\$20,482</b>	<b>\$721,438</b>	<b>\$23,755</b>
<b>Liabilities</b>				
Current liabilities	\$229,637	\$6,956	\$248,009	\$8,166
Other liabilities	85	3	79	3
<b>Total liabilities</b>	<b>229,722</b>	<b>6,959</b>	<b>248,088</b>	<b>8,169</b>
<b>Stockholders' equity</b>				
Capital stock	499,000	15,117	499,000	16,431
Retained earnings	(52,626)	(1,594)	(25,650)	(845)
<b>Total stockholders' equity</b>	<b>446,374</b>	<b>13,523</b>	<b>473,350</b>	<b>15,586</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$676,096</b>	<b>\$20,482</b>	<b>\$721,438</b>	<b>\$23,755</b>

**Symphox Information Co., Ltd.  
Condensed Statements of Income  
For the three months ended March 31, 2007 and 2008  
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ March 31, 2007		January 1 ~ March 31, 2008	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$305,616	\$9,258	\$307,455	\$10,124
Operating costs	(270,879)	(8,206)	(266,041)	(8,760)
Operating gross profit	34,737	1,052	41,414	1,364
Operating expenses	(26,503)	(803)	(21,469)	(707)
Non-operating revenues	1,132	34	2,472	81
Non-operating expenses	(389)	(11)	(100)	(3)
Income from continuing operations before income taxes	\$8,977	\$272	\$22,317	\$735
Net income	\$8,977	\$272	\$21,655	\$713
<b>Earning per share (in dollars)</b>				
Income from continuing operations before income taxes	\$0.18	\$0.01	\$0.45	\$0.01
Net income	\$0.18	\$0.01	\$0.43	\$0.01

**English Translation of Financial Statements Originally Issued in Chinese**

**Cathay Futures Corp.  
Condensed Balance Sheets  
As of March 31, 2007 and 2008  
(Expressed in thousands of dollars)**

Items	March 31, 2007		March 31, 2008	
	NT\$	US\$	NT\$	US\$
<b>Assets</b>				
Current assets	\$1,069,567	\$32,401	\$1,668,384	\$54,935
Funds and investments	30,500	924	30,500	1,004
Fixed assets	330,043	9,998	324,030	10,669
Intangible assets	10,736	325	8,490	280
Other assets	124,876	3,783	132,705	4,370
<b>Total assets</b>	<b>\$1,565,722</b>	<b>\$47,431</b>	<b>\$2,164,109</b>	<b>\$71,258</b>
<b>Liabilities</b>				
Current liabilities	\$840,207	\$25,453	\$1,433,468	\$47,200
Other liabilities	7,347	222	8,055	265
<b>Total liabilities</b>	<b>847,554</b>	<b>25,675</b>	<b>1,441,523</b>	<b>47,465</b>
<b>Stockholders' equity</b>				
Capital stock	650,000	19,691	650,000	21,403
Retained earnings	68,168	2,065	72,586	2,390
<b>Total stockholders' equity</b>	<b>718,168</b>	<b>21,756</b>	<b>722,586</b>	<b>23,793</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$1,565,722</b>	<b>\$47,431</b>	<b>\$2,164,109</b>	<b>\$71,258</b>

**Cathay Futures Corp.  
Condensed Statements of Income  
For the three months ended March 31, 2007 and 2008  
(Expressed in thousands of dollars, except earning per share)**

Items	January 1 ~ March 31, 2007		January 1 ~ March 31, 2008	
	NT\$	US\$	NT\$	US\$
Operating revenues	\$12,147	\$368	\$28,886	\$951
Operating costs	(4,905)	(149)	(15,549)	(512)
Operating gross profit	7,242	219	13,337	439
Operating expenses	(12,846)	(389)	(16,164)	(532)
Non-operating revenues	4,167	126	7,672	253
Non-operating expenses	(132)	(4)	(655)	(22)
Income from continuing operations before income taxes	\$(1,569)	\$(48)	\$4,190	\$138
Net (loss) income	\$(1,569)	\$(48)	\$3,019	\$99
<b>Earning per share (in dollars)</b>				
Income from continuing operations before income taxes	\$(0.02)	\$-	\$0.06	\$-
Net (loss) income	\$(0.02)	\$-	\$0.05	\$-