Cathay Life Insurance Co., Ltd.
Financial Statements
As of March 31, 2007 and 2008
With Independent Auditors' Review Report

The reader is advised that these financial statements have been prepared originally in Chinese. These financial statements do not include additional disclosure information that is required for Chinese-language reports under the Business Entity Accounting Act and Regulation on Business Entity Accounting Handling with respect to financial accounting standards, Guidelines Governing the Preparation of Financial Reports by Personal Insurance Industries, and accounting principles generally accepted in the ROC. If there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese language financial statements shall prevail.

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English Translation of Report Originally Issued in Chinese

Independent Auditors' Review Report

Board of Directors

Cathay Life Insurance Co., Ltd.

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

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

Based on our review, we are not aware of any material modifications that should be made to the financial statements as of and for the three-month periods ended March 31, 2007 and 2008 in order for them to be in conformity with requirements of the Business Entity Accounting Act and Regulation on Business Entity Accounting Handling with respect to financial accounting standards, Guidelines Governing the Preparation of Financial Reports by Personal Insurance Industries, and accounting principles generally accepted in the ROC.

Ernst & Young
Taipei, Taiwan
Republic of China
April 15, 2008

Notice to Readers:

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

Cathay Life Insurance Co., Ltd.
Notes to Unaudited financial statements
(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)
As of March 31, 2007 and 2008

1. Organizations and business scope

Cathay Life Insurance Co., Ltd. (the "Company") was incorporated in Taiwan on October 23, 1962, under the provisions of the Company Act (the "Company Act") of the Republic of China ("ROC"). The Company mainly engages in the business of life insurance. On March 31, 2001, the Company became a subsidiary of Cathay Financial Holding Co., Ltd. ("Cathay Financial Holding") by adopting the stock conversion method under the ROC Financial Holding Company Act ("Financial Holding Company Act") and other pertinent acts of the ROC.

The parent company and ultimate parent company of the Company is Cathay Financial Holding. As of March 31, 2007 and 2008, the total numbers of employees were 27,693 and 29,833, respectively.

2. Summary of significant accounting policies

We prepared the financial statements in accordance with the Business Entity Accounting Act and Regulation on Business Entity Accounting Handling with respect to financial accounting standards, Guidelines Governing the Preparation of Financial Reports by Personal Insurance Industries, and accounting principles generally accepted in the ROC. A summary of significant accounting policies follows:

(1) Current and non-current assets and liabilities

Current assets are assets which can be liquidated or disposed within one year. Assets other than current assets are non-current assets. Current liabilities are liabilities which will be paid-off within one year. Liabilities other than current liabilities are non-current liabilities.

(2) Cash and cash equivalents

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

(3) Recognition of financial assets and liabilities

The Company adopted the Statements of Financial Accounting Standards of the ROC ("ROC SFAS") No.34 "Accounting for Financial Instruments", "Guidelines Governing the Preparation of Financial Reports by securities Issuers" and "Guidelines Governing the Preparation of Financial Reports by Personal Insurance Industries". 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", "financial assets carried at cost" and "derivative financial assets for hedging". Financial liabilities are categorized as the "financial liabilities at fair value through profit or loss", "derivative financial liabilities for hedging" and "financial liabilities carried at amortized cost". Financial assets are measured at fair value plus the cost of ownership or issuance cost at the initial recognition.

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

A. Financial assets at fair value through profit or loss

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

B. Held-to-maturity financial assets

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

C. Investments in debt securities with no active market

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

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 profit or loss.

E. 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.

F. Derivative financial assets for hedging

Derivative financial assets that have been designated in hedge accounting and are effective hedging instruments shall be measured at fair value.

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

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

B. Financial liabilities

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

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

(5) Accounting for impairment of financial assets

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

A. Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced 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 measured 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 financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

(6) Derivative financial instruments

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

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

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

A. Fair value hedges: 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 variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction. The variation will be recognized in profit or loss.

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

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

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 or 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 item 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 no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

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

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

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

Cash flow hedges

Cash flow hedges are 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 forecasted 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.

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 hedge 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 and doubtful debts

Based on the regulation the Company estimated the possible bad debts of accounts receivable and secured loans by evaluating customers' financial results, payments histories, collaterals and past due periods.

(8) Long-term investments in stocks under the equity method

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

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

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

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

The Company prepares semi-annual and annual consolidated financial statements which included parent company, parent controlled or significant subsidiaries.

(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 or losses are recorded in operating gains or 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 business leasing purposes; rents can be paid annually, semi-annually, quarterly, monthly or in a lump sum.

(10) Property and equipment

Property and equipment are stated at cost or cost plus appreciation. When reevaluating property and equipment, land and other properties shall be reevaluated separately. Property increments shall be recorded at "unrealized reevaluation increments" under 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. Gain or loss resulting from such sale or disposal is accounted for as non-operating gain or loss.

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

(11) Intangible assets

The Company adopted the ROC SFAS No. 37 "Accounting for Intangible Assets" on January 1, 2007. Intangible assets are initially recognized at cost except the intangible assets granted by government which are recognized at fair 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 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 is performed when there are indications of impairment on intangible assets. The Company revaluates 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 are computer software and are amortized over the estimated useful lives of 3 years using the straight-line method.

(12) Deferred charges

According to the regulations established by the ROC Ministry of Finance (the “MOF”), the Company created a “stabilization fund” and an offsetting account “stabilization fund reserve”. These two accounts are not listed in the financial statements due to their offsetting nature. From July 1, 2002 to March 31, 2008, an aggregate of NT$1,617,290 (US$53,253) was appropriated to this fund.

(13) Accounting for assets impairment

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

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

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

A. first, to reduce the carrying amount of any goodwill allocated to the CGU or group of CGUs; and

B. if the goodwill has been written off, to reduce the other assets of the CGU or group of CGUs pro rata to their carrying amount.

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

(14) Real estate securitization

The Company has adopted "Accounting Treatment under Real Estate Securitization" with the Accounting Research and Development Foundation.

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

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

(15) Guaranteed depository insurance payment

According to Article 141 of the ROC Insurance Act (the "Insurance Act"), an amount equal to 15% of the Company's capital stock must be deposited in the form of a bond with the Central Bank of China (the "Central Bank") as the "Guaranteed Depository Insurance".

(16) Reserve for operations

Reserves for operations are recorded accordance with the Insurance Act, including unearned premium reserve, claim reserve, special reserve, reserve for claims and premium deficiency reserve. Actuaries provide the figures for these reserves.

In addition, according to the MOF regulation which became effective from March 30, 2002, the surplus from the "Special Reserve for the Loss Movement" should be placed as special reserve under proprietary equity after the Board of Directors approved the surplus appropriation. This amount may not be distributed or used for other purposes unless approved by the MOF.

The Company had a surplus of NT$16,693,810 (US$549,681) from the "Special Reserve for the Loss Movement" as of March 31, 2008.

(17) Insurance premium income and expenses

In accordance with "The General Accounting Systems for Insurance Companies" published by the Finance Ministry of the ROC, the Company records direct premiums as income at the time of cash receipts. Related expenses (commissions, brokerage fees, etc.) are recognized on an accrual basis.

(18) Pension plan

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

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

In compliance with ROC Securities and Futures Commissions ("SFC") regulations, the Company adopted the ROC SFAS No. 18, "Accounting for Pensions". An actuarial valuation of pension liability is performed 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.

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".

(19) Foreign currency transactions

A. Conversion 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. Conversion of foreign subsidiaries' financial statements

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

(20) Income taxes

The Company adopted SFAS No. 22, "Accounting for Income Taxes", which requires inter-period and intra-period tax allocations in addition to computing current period income tax payable. Furthermore, it requires recognition of temporary differences between deferred income tax liabilities, deferred income tax assets, prior year's loss carry forwards and investment tax credits. The valuation allowance is recognized if evidence shows it is more likely than not that a part or all of the deferred tax assets will not be realized. The prior year's income tax expenses adjustment should be recorded as current period income tax expenses in the year of adjustment.

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

The Company has adopted SFAS No. 12, “Accounting for Income Tax Credits” in dealing with income tax credits. Accordingly, the income tax credits resulting from expenditures on the purchase of equipment and technology, research and development, education training, and investment in equity are accounted for by the flow-through method.

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

In accordance with Article 49 of the Financial Holding Company Act, the Company and its parent company jointly filed corporation income tax returns and 10% surcharge on it undistributed retained earnings since 2002 under the Integrated Income Tax System. If there is any tax effects due to the adopt foregoing Integrated Income Tax System, parent company can proportionately allocate the effects on tax expense (benefit), deferred income tax and tax payable (tax refund receivable) among the Company and its parent company.

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

(21) Capital expenditure expenses

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.

(22) Separate account products

The Company sells Separate account products, of which the insured should pay the insurance fees according to the agreement amount less the expenses incurred by the insured. In addition, the investment distribution is approved by the insured and then transferred to specific accounts as requested by the insured. The value of these specific accounts is determined based on the market value on the applicable day, and its net value is determined based on the accounting principles and practices generally accepted in the ROC.

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

The Company has established special journals for assets, liabilities, and revenues and expenses accounts in accordance with accounting regulation of “Accounting standards in separate account”. The above accounts are recorded under the line items of “Separate account products assets”, “Separate account products liabilities”, “Separate account products revenues” and “Separate account products expenses”.

(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 instead of distribution of earnings.

(24) Conversion to U.S. dollars

The financial statements are stated in NT dollars. The converted U.S. dollars amounts from NT dollars as of 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 conversion.

3. Changes in accounting and its effects

The company 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’s net income and earnings per share by NT$5,000 (US$165) and NT$0.001 (US$-), respectively, for the three months ended March 31, 2008.

4. Cash and cash equivalents

	March 31,			
	2007		2008	
	NT$	US$	NT$	US$
Cash on hand	$271,239	$8,217	$292,093	$9,618
Cash in banks	17,383,790	526,622	15,440,522	508,414
Time deposits	177,386,377	5,373,716	200,795,068	6,611,625
Cash equivalents	17,058,854	516,778	22,808,906	751,034
Total	$212,100,260	$6,425,333	$239,336,589	$7,880,691

As of March 31, 2007 and 2008, the amounts of time deposits with maturities beyond one year were NT$49,000 (US$1,484) and NT$52,000 (US$1,712), respectively.

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

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

	March 31,			
	2007		2008	
	NT$	US$	NT$	US$
Listed stocks	$18,033,226	$546,296	$11,751,029	$386,929
Overseas stocks	1,955,875	59,251	1,460,016	48,074
Beneficiary certificates	34,866,866	1,056,252	68,524,160	2,256,311
Exchange traded funds	2,538,011	76,886	169,362	5,577
Overseas bonds	15,641,586	473,844	10,915,018	359,401
Corporate bonds	3,910,586	118,467	3,516,722	115,796
Government bonds	9,807,742	297,114	868,943	28,612
Financial debentures	1,516,180	45,931	-	-
Derivative financial instruments	54,945	1,664	59,123	1,947
Structured time deposits	-	-	2,000,000	65,854
Subtotal	88,325,017	2,675,705	99,264,373	3,268,501
Add: Adjustment of valuation	14,284,416	432,730	24,742,804	814,712
Total	$102,609,433	$3,108,435	$124,007,177	$4,083,213

6. Available-for-sale financial assets - current

	March 31,			
	2007		2008	
	NT$	US$	NT$	US$
Listed stocks	$150,048,044	$4,545,533	$97,118,148	$3,197,832
Overseas stocks	15,037,450	455,542	19,999,168	658,517
Beneficiary certificates	9,667,183	292,856	16,686,517	549,441
Collateralized loans obligation and collateralized bonds obligation	-	-	830,932	27,360
Exchange traded funds	6,899,032	208,998	6,559,823	215,997
Real estate investment trust	8,583,974	260,042	8,725,208	287,297
Financial debentures	2,100,000	63,617	7,950,000	261,772
Corporate bonds	2,815,435	85,290	1,950,000	64,208
Overseas bonds	1,642,369	49,754	1,718,561	56,587
Subtotal	196,793,487	5,961,632	161,538,357	5,319,011
Add: Adjustment of valuation	14,520,762	439,890	478,213	15,746
Total	$211,314,249	$6,401,522	$162,016,570	$5,334,757

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

7. Derivative financial assets for hedging - current

	March 31,			
	2007		2008	
	NT$	US$	NT$	US$
Derivative financial instruments	$-	$-	$-	$-
Add: Adjustment of valuation	246,068	7,454	338,641	11,151
Total	$246,068	$7,454	$338,641	$11,151

8. Loans

(1) Policy loans

A. Policy loans were secured by policies issued by the Company.

B. Pursuant to MOF regulations, insurance applicants who are unable to meet their insurance installments after their second installment becomes overdue can make written statements, requesting that the Company pay the premium and interest payable by using the Company's "policy value reserve" prior to the due date or before the insurance contract's termination date. However, applicants may also choose to inform the Company by writing to stop paying such installments.

(2) Secured loans

	March 31,			
	2007		2008	
	NT$	US$	NT$	US$
Secured loans	$318,420,079	$9,646,170	$345,636,026	$11,380,837
Less: Allowance for bad debts	(308,107)	(9,333)	(550,220)	(18,117)
Subtotal	318,111,972	9,636,837	345,085,806	11,362,720
Overdue receivables	1,232,856	37,348	1,633,504	53,787
Less: Allowance for bad debts	(862,999)	(26,144)	(1,143,452)	(37,651)
Subtotal	369,857	11,204	490,052	16,136
Total	$318,481,829	$9,648,041	$345,575,858	$11,378,856

Secured loans are secured by government bonds, stocks, corporate bonds and real estate.

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

9. Available-for-sale financial assets – noncurrent

	March 31,			
	2007		2008	
	NT$	US$	NT$	US$
Corporate bonds	$15,507,809	$469,791	$14,187,278	$467,148
Government bonds	17,980,715	544,705	75,297,149	2,479,327
Financial debentures	69,300,310	2,099,373	108,199,277	3,562,703
Collateralized loans obligation and collateralized bonds obligation	5,767,475	174,719	5,508,284	181,372
Overseas bonds	71,339,372	2,161,145	26,176,706	861,926
Subtotal	179,895,681	5,449,733	229,368,694	7,552,476
Add: Adjustment of valuation	1,947,265	58,990	950,236	31,288
Total	$181,842,946	$5,508,723	$230,318,930	$7,583,764

10. Held-to-maturity financial assets – noncurrent

	March 31,			
	2007		2008	
	NT$	US$	NT$	US$
Corporate bonds	$4,507,070	$136,537	$4,217,522	$138,871
Government bonds	18,285,327	553,933	26,558,138	874,486
Financial debentures	10,911,297	330,545	10,279,076	338,462
Collateralized loans obligation and collateralized bonds obligation	17,488,449	529,793	19,597,520	645,292
Overseas bonds	505,079,684	15,300,808	485,616,160	15,989,995
Subtotal	556,271,827	16,851,616	546,268,416	17,987,106
Less: Securities serving as deposits paid - bonds	(8,077,380)	(244,695)	(8,026,149)	(264,279)
Total	$548,194,447	$16,606,921	$538,242,267	$17,722,827

11. Financial assets carried at cost – noncurrent

	March 31,			
	2007		2008	
	NT$	US$	NT$	US$
Stocks	$20,729,514	$627,977	$20,017,195	$659,111
Less: Accumulated impairment	(1,107,878)	(33,562)	(1,204,106)	(39,648)
Total	$19,621,636	$594,415	$18,813,089	$619,463

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

12. Structured notes

One of the financial assets investment structured notes, amounted to NT$87,151,483 (US$2,640,154) and NT$73,480,536 (US$2,419,511) as of March 31, 2007 and 2008, respectively. The details of structured notes are listed below:

	March 31, 2007					
Item	Cost		Adjustment of valuation		Book value	
	NT$	US$	NT$	US$	NT$	US$
Financial assets at fair value through profit or loss - current	$2,973,733	$90,086	$(9,051)	$(274)	$2,964,682	$89,812
Available-for-sale financial assets	14,962,136	453,261	(107,142)	(3,246)	14,854,994	450,015
Held-to-maturity financial assets	68,531,807	2,076,092	-	-	68,531,807	2,076,092
Investments in debt securities with no active market – noncurrent	800,000	24,235	-	-	800,000	24,235
Total	$87,267,676	$2,643,674	$(116,193)	$(3,520)	$87,151,483	$2,640,154

	March 31, 2008					
Item	Cost		Adjustment of valuation		Book value	
	NT$	US$	NT$	US$	NT$	US$
Financial assets at fair value through profit or loss - current	$2,036,013	$67,040	$124,745	$4,108	$2,160,758	$71,148
Available-for-sale financial assets	11,679,720	384,581	(116,493)	(3,836)	11,563,227	380,745
Held-to-maturity financial assets	58,420,512	1,923,626	-	-	58,420,512	1,923,626
Investments in debt securities with no active market - current	1,336,039	43,992	-	-	1,336,039	43,992
Total	$73,472,284	$2,419,239	$8,252	$272	$73,480,536	$2,419,511

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

13. Long-term investments in stocks under the equity method

(1) Long-term investments in stocks under the equity method are as follows:

	March 31,			
	2007		2008	
	NT$	US$	NT$	US$
Investee	Book value	Book value	Book value	Book value
WK Technology Fund VI Co., Ltd.	$481,631	$14,591	$405,545	$13,354
Vista Technology Venture Capital Corp.	39,591	1,199	39,550	1,302
Omnitek Venture Capital Corp.	347,370	10,523	218,951	7,209
Wa Tech Venture Capital Co., Ltd.	182,264	5,522	176,342	5,806
IBT Venture Capital Corp.	615,409	18,643	387,847	12,771
Cathay Insurance (Bermuda) Co., Ltd.	77,385	2,344	85,298	2,809
Symphox Information Co., Ltd.	268,360	8,130	284,578	9,370
Cathay Securities Investment Trust Co., Ltd.	285,894	8,661	417,077	13,733
Cathay Venture Capital Corp.	453,701	13,744	418,103	13,767
Cathay Securities Investment Co., Ltd.	129,763	3,931	192,542	6,340
Cathay Life Insurance Ltd. (Shanghai)	1,570,723	47,583	1,381,891	45,502
Cathay Life Insurance (Vietnam) Co., Ltd.	-	-	1,839,258	60,562
Total	$4,452,091	$134,871	$5,846,982	$192,525

(2) Changes in long-term investments in stocks under the equity method are summarized below:

	For the three months ended March 31,			
	2007		2008	
	NT$	US$	NT$	US$
Balance as of January 1	$4,290,720	$129,982	$6,254,217	$205,934
Add: Gains on long-term equity investments	87,675	2,656	63,822	2,101
Cumulative conversion adjustments	39,217	1,188	(150,235)	(4,947)
Unrealized gain or loss on financial instruments	55,484	1,681	(320,822)	(10,563)
Less: Cash dividends	(21,005)	(636)	-	-
Balance as of March 31	$4,452,091	$134,871	$5,846,982	$192,525

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

(3) The recognized equity investment gains for the three months ended March 31, 2007 and 2008 are listed below:

	For the three months ended March 31,			
	2007		2008	
Investee	NT$	US$	NT$	US$
WK Technology Fund Ⅵ Co., Ltd.	$4,198	$127	$(3,470)	$(114)
Vista Technology Venture Capital Corp.	(288)	(9)	(16)	-
Omnitek Venture Capital Corp.	23,111	700	(1,800)	(59)
Wa Tech Venture Capital Co., Ltd.	(1,200)	(36)	(1,120)	(37)
IBT Venture Capital Corp.	2,075	63	6,937	228
Cathay Insurance (Bermuda) Co., Ltd.	2,527	77	2,595	85
Symphox Information Co., Ltd.	5,397	163	13,019	429
Cathay Securities Investment Trust Co., Ltd.	29,396	891	43,784	1,442
Cathay Venture Capital Corp.	3,014	91	5,480	180
Cathay Securities Investment Co., Ltd.	9,703	294	25,205	830
Cathay Life Insurance Ltd. (Shanghai)	9,742	295	(30,301)	(998)
Cathay Life Insurance (Vietnam) Co., Ltd.	-	-	3,509	115
Total	$87,675	$2,656	$63,822	$2,101

The equity investment gains (losses) were recognized based on their respective reviewed financial statements for the three months ended March 31, 2007 and 2008, except for WK Technology Fund VI Co., Ltd. and Wa Tech Venture Capital Co., Ltd. were recognized based on the unreviewed financial statements. The financial statements of Omnitek Venture Capital Corp., IBT Venture Capital Corp. and Cathay Securities Investment Trust Co., Ltd. for the three months ended March 31, 2007 and 2008, were reviewed by other auditors. Unqualified review reports were issued for all above invested companies which reviewed by auditors.

14. Investments in real estate

	March 31, 2007									
	Cost		Revaluation increments		Accumulated depreciation		Accumulated impairment		Net value	
Item	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	29,113	-	-	-	-	-	-	961,031	29,113
Total	$120,472,769	$3,649,584	$4,632	$140	$(14,324,018)	$(433,930)	$(195,923)	$(5,935)	$105,957,460	$3,209,859

English Translation of Financial Statements Originally Issued in Chinese
Cathay Life Insurance Co., Ltd.
Note to Unaudited financial statements-continued
(Expressed in thousands of dollars except for share and per share data and unless otherwise stated)
As of March 31, 2007 and 2008

	March 31, 2008									
	Cost		Revaluation increments		Accumulated depreciation		Accumulated impairment		Net value	
Item	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	$122,303,022	$4,027,100	$4,369	$144	$(15,718,168)	$(517,556)	$(195,923)	$(6,451)	$106,393,300	$3,503,237

(1) The real estate investments are held mainly to generate rental revenue.

(2) Rents from real estate investment can be paid annually, semi-annually, quarterly, monthly or in a lump sum.

(3) No investments in real estate were pledged as collateral.

15. Property and equipment

	March 31, 2007									
	Cost		Revaluation increments		Accumulated depreciation		Accumulated impairment		Net value	
Item	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Land	$4,720,364	$142,998	$1,054	$32	$-	$-	$(51,331)	$(1,555)	$4,670,087	$141,475
Buildings and construction	9,871,953	299,060	-	-	(3,152,910)	(95,514)	(34,188)	(1,036)	6,684,855	202,510
Computer equipment	1,624,165	49,202	-	-	(1,212,545)	(36,733)	-	-	411,620	12,469
Communication and transportation equipment	22,359	677	-	-	(16,480)	(499)	-	-	5,879	178
Other equipment	2,926,026	88,641	-	-	(1,915,475)	(58,027)	-	-	1,010,551	30,614
Subtotal	19,164,867	580,578	1,054	32	(6,297,410)	(190,773)	(85,519)	(2,591)	12,782,992	387,246
Construction in progress and prepayment for equipment	34,612	1,049	-	-	-	-	-	-	34,612	1,049
Total	$19,199,479	$581,627	$1,054	$32	$(6,297,410)	$(190,773)	$(85,519)	$(2,591)	$12,817,604	$388,295

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

	March 31, 2008									
	Cost		Revaluation increments		Accumulated depreciation		Accumulated impairment		Net value	
Item	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Land	$4,755,724	$156,593	$1,317	$44	$-	$-	$(51,331)	$(1,691)	$4,705,710	$154,946
Buildings and construction	10,117,769	333,150	-	-	(3,481,094)	(114,623)	(34,188)	(1,125)	6,602,487	217,402
Computer equipment	1,821,211	59,967	-	-	(1,375,260)	(45,283)	-	-	445,951	14,684
Communication and transportation equipment	15,415	508	-	-	(12,793)	(422)	-	-	2,622	86
Other equipment	2,960,130	97,469	-	-	(2,099,483)	(69,130)	-	-	860,647	28,339
Subtotal	19,670,249	647,687	1,317	44	(6,968,630)	(229,458)	(85,519)	(2,816)	12,617,417	415,457
Construction in progress and prepayment for equipment	192,641	6,343	-	-	-	-	-	-	192,641	6,343
Total	$19,862,890	$654,030	$1,317	$44	$(6,968,630)	$(229,458)	$(85,519)	$(2,816)	$12,810,058	$421,800

No properties or plants and equipments were pledged as collaterals as of March 31, 2007 and 2008.

16. Intangible assets

	January 1, 2007		Increase		Decrease		March 31, 2007	
Item	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Acquired Cost:								
Computer software	$471,850	$14,294	$41,630	$1,261	$-	$-	$513,480	$15,555
Amortized and impairment:								
Amortized	(141,861)	(4,297)	(30,674)	(929)	-	-	(172,535)	(5,226)
Book value	$329,989	$9,997	$10,956	$332	$-	$-	$340,945	$10,329

	January 1, 2008		Increase		Decrease		March 31, 2008	
Item	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Acquired Cost:								
Computer software	$750,860	$24,724	$51,679	$1,702	$-	$-	$802,539	$26,425
Amortized and impairment:								
Amortized	(279,937)	(9,218)	(42,690)	(1,406)	-	-	(322,627)	(10,623)
Book value	$470,923	$15,506	$8,989	$296	$-	$-	$479,912	$15,802

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

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

17. Other overdue receivables

	March 31,			
	2007		2008	
	NT$	US$	NT$	US$
Overdue receivables	$114,795	$3,478	$119,435	$3,933
Less: Allowance for bad and doubtful debts	(82,709)	(2,506)	(82,939)	(2,731)
Total	$32,086	$972	$36,496	$1,202

18. Financial liabilities at fair value through profit or loss - current

	March 31,			
	2007		2008	
Item	NT$	US$	NT$	US$
Derivative financial instruments	$57,302	$1,736	$-	$-
Add: Adjustment of valuation	18,021,238	545,933	17,925,574	590,239
Total	$18,078,540	$547,669	$17,925,574	$590,239

19. Derivative financial liabilities for hedging - current

	March 31,			
	2007		2008	
Item	NT$	US$	NT$	US$
Derivative financial instruments	$-	$-	$-	$-
Add: Adjustment of valuation	18,279	554	78,378	2,581
Total	$18,279	$554	$78,378	$2,581

20. Common stock

As of March 31, 2007 and 2008, the total authorized thousand shares were 5,068,616 with par value of NT$10 each.

21. Retained earnings

(1) Legal reserve

Pursuant to the ROC Company Act, 10% of the Company's net income shall 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 deficit but cannot be used for the purpose of cash dividend distributions. However, if the total legal reserve is greater than 50% of the issued shares capital, up to 50% of such excess may be capitalized if authorized by the Board of Directors.

(2) Undistributed retained 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 deficit, if any, shall be appropriated as legal reserve. After distributing stock interests and 2% of the total remaining amount as a bonus distribution to employees, the remainder is distributed in accordance with the resolutions of the Board of Directors.

B. According to applicable regulations, if the assessed undistributed retained earnings prior to 1997 exceeded 100% of the Company's paid-in capital, the Company must distribute cash dividends or stock dividends following the year of the assessment. Otherwise, income tax will be levied on each shareholder's proportion of the total undistributed retained earnings. Alternatively, the Company may pay an extra 10% income tax on the additional undistributed retained earnings.

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

D. 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 losses of financial instruments expect for the legal reserve since 2007.

E. The accrual of employee bonus and remuneration of directors for the first quarter of 2008 was NT$5,000 (US$165) 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.

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

F. The Company's distribution of 2007 retained earnings of NT$13,058(US$430) and NT$8,100(US$267) to employee and directors, respectively has been approved by the board of directors. It has yet to be approved by the stockholders' meeting. For related information please refer to the "Market Observation Post System" website of the Taiwan Stock Exchange Corporation.

22. Personnel expense、depreciation and amortizations

Item	For the three months ended March 31, 2007 NT$			For the three months ended March 31, 2007 US$		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salary and wages	$5,613,136	$1,019,911	$6,633,047	$170,044	$30,897	$200,941
Labor & health insurance expenses	281,170	37,300	318,470	8,518	1,130	9,648
Pension expenses	106,938	14,186	121,124	3,239	430	3,669
Other expenses	246,016	43,355	289,371	7,453	1,313	8,766
Depreciation	-	551,718	551,718	-	16,714	16,714
Amortizations	-	30,674	30,674	-	929	929

Item	For the three months ended March 31, 2008 NT$			For the three months ended March 31, 2008 US$		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salary and wages	$6,994,916	$414,314	$7,409,230	$230,323	$13,642	$243,965
Labor & health insurance expenses	297,968	41,710	339,678	9,811	1,374	11,185
Pension expenses	192,732	26,979	219,711	6,346	888	7,234
Other expenses	219,253	51,195	270,448	7,219	1,686	8,905
Depreciation	-	431,952	431,952	-	14,223	14,223
Amortizations	-	42,690	42,690	-	1,406	1,406

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

23. Estimated income taxes

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

	March 31,			
	2007		2008	
	NT$	US$	NT$	US$
Total deferred tax assets	$4,798,480	$145,364	$13,265,436	$436,794
Total deferred tax liabilities	$2,548,296	$77,197	$1,653,231	$54,436
Allowance for deferred assets	$-	$-	$128,931	$4,246
Temporary differences:				
Pension expense	$1,627,200	$49,294	$1,360,671	$44,803
Unrealized exchange losses (gains)	(10,193,184)	(308,791)	43,094,777	1,418,992
Losses (gains) from valuation on financial assets and liabilities	6,428,338	194,739	(6,612,923)	(217,745)
Impairment loss	157,012	4,757	263,963	8,691
Other	23,065	699	32,642	1,075
Total	$(1,957,569)	$(59,302)	$38,139,130	$1,255,816
Tax effect under integrated income tax system	$2,739,576	$82,992	$1,948,492	$64,158
Deferred tax assets - current	$4,352,345	$131,849	$12,859,139	$423,416
Allowance for deferred tax assets - current	-	-	(128,931)	(4,246)
Net deferred tax assets – current	4,352,345	$131,849	12,730,208	419,170
Deferred tax liabilities – current	(2,548,296)	(77,197)	(1,653,231)	(54,436)
Net offset balance of deferred tax assets - current	$1,804,049	$54,652	$11,076,977	$364,734
Deferred tax assets - noncurrent	$446,135	$13,515	$406,297	$13,378
Deferred tax liabilities - noncurrent	-	-	-	-
Net balance of deferred tax assets - noncurrent	$446,135	$13,515	$406,297	$13,378

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

(2) Income tax (benefit) expense included the following:

	For the three months ended March 31,			
	2007		2008	
	NT$	US$	NT$	US$
Tax expense for pre-tax income	$(887,660)	$(26,891)	$1,276,405	$42,028
Add (less): Tax effects under integrated income tax systems	53,193	1,611	-	-
Amortization of deferred tax assets	-	-	128,931	4,246
Deferred income tax (benefit) expense from unrealized foreign exchange loss(gain)	2,455,798	74,396	(10,416,914)	(343,000)
Deferred income tax (benefit) expense from unrealized impairment loss	(1,279,843)	(38,771)	2,882,109	94,900
Deferred income tax (benefit) expense from unrealized financial instruments valuation loss(gain)	13,996	424	(2,435)	(80)
Deferred income tax (benefit) expense from unrealized pension expense	(2,064)	(62)	11	-
Others	109,773	3,325	59,832	1,970
Add: Separation tax				
Additional tax assessed by the tax authority	5,039	153	-	-
Prior year adjustment	31,752	962	-	-
Overseas investments tax	4,759	144	-	-
Less: Income tax credit	-	-	(1,795)	(59)
Tax effects under income basic tax systems	232,891	7,055	541,140	17,818
Total income tax (benefit) expense	$737,634	$22,346	$(5,532,716)	$(182,177)

(3) The Company's income tax returns have been assessed by the Tax Authorities up to fiscal 2003. But the Company has filed an application about the assessed tax returns of 2002 and 2003 to the Tax Authorities for reexamination.

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

(4) Information related to imputation

	March 31,			
	2007		2008	
	NT$	US$	NT$	US$
Balance of imputation credit account	$841,421	$25,490	$1,208,909	$39,806

	March 31,	
	2007	2008
Imputation credit account ratio - actual (May 15, 2007)	7.96%	
Imputation credit account ratio - estimate		7.23%

(5) Related information on undistributed earnings

	March 31,			
	2007		2008	
Year	NT$	US$	NT$	US$
After 1998	$15,047,432	$455,845	$23,468,521	$772,754

Undistributed earnings after 1998 did not include the net income from January 1 to March 31, 2007 and 2008.

(6) Tax credits obtained in accordance with “Statute for Upgrading Industries” are as follows:

		Amount of deductible income tax		Remaining balance		
Regulation	Deductible items	NT$	US$	NT$	US$	Expiry Year
Statute for Upgrading Industries	Education training	$16,325	$537	$14,530	$478	2011

24. Earnings per share

	For the three months ended March 31, 2007			
	Before tax		After tax	
	NT$	US$	NT$	US$
Net income (a)	$8,210,086	$248,715	$7,472,452	$226,369
Outstanding number of thousand shares at end of periods (b)	5,068,616	5,068,616	5,068,616	5,068,616
Weighted average outstanding number of thousand shares (c)	5,068,616	5,068,616	5,068,616	5,068,616
Earnings per share (a) / (c) (dollars)				
Net income	$1.62	$0.05	$1.47	$0.04

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

	For the three months ended March 31, 2008			
	Before tax		After tax	
	NT$	US$	NT$	US$
Net loss (a)	$(12,270,046)	$(404,019)	$(6,737,330)	$(221,842)
Outstanding number of thousand shares at end of periods (b)	5,068,616	5,068,616	5,068,616	5,068,616
Weighted average outstanding number of thousand shares (c)	5,068,616	5,068,616	5,068,616	5,068,616
Earnings per share (a) / (c) (dollars)				
Net loss	$(2.42)	$(0.08)	$(1.33)	$(0.04)

25. Related party transactions

(1) Related parties

Name	Relationship
Cathay Financial Holding Co., Ltd.	Parent Company
Cathay Insurance (Bermuda) Co., Ltd.	Subsidiary of the Company
Symphox Information Co., Ltd.	Subsidiary of the Company
Cathay Securities Investment Consulting Co., Ltd.	Subsidiary of the Company
Cathay Life Insurance Ltd. (Shanghai)	Subsidiary of the Company
Cathay Life Insurance (Vietnam) Co., Ltd.	Subsidiary of the Company
Cathay Securities Investment Trust Co., Ltd.	An equity method investee
Cathay Venture Capital Corp.	An equity method investee
Vista Technology Venture Capital Corp.	An equity method investee
IBT Venture Capital Corp.	An equity method investee
Cathay Real Estate Development Co., Ltd.	Affiliate
Cathay United Bank	Affiliate
San Ching Engineering Co., Ltd.	Affiliate
Cathay Century Insurance Co., Ltd.	Affiliate
Cathay Securities Co., Ltd.	Affiliate
Cathay Capital Management Inc.	Affiliate
Seaward Card Co., Ltd.	Affiliate

Name	Relationship
Lin Yuan Property Management Co., Ltd.	Affiliate
Cathay Pacific Venture Capital Co., Ltd.	Affiliate
Cathay II Venture Capital Corp.	Affiliate
Cathay Pacific Partners Co., Ltd.	Affiliate
Cathay Property Insurance Agent Co., Ltd.	Affiliate
Indovina Bank Limited	Affiliate
Culture and Charity Foundation of the CUB	Affiliate
Seaward Leasing Co., Ltd.	Affiliate
Cathay Life Insurance Agent Co., Ltd.	Affiliate
Cathay Futures Co., Ltd.	Affiliate
Cathay Lin Yuan Security Co., Ltd.	Affiliate
Cathay Real Estate Management Co., Ltd.	Affiliate
Taiwan Finance Corp.	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 Real Estate Investment Co., Ltd.	Affiliate
China Eastern Airlines Jiangsu Ltd.	Affiliate
Cathay Century Realty Co., Ltd.	Affiliate
Cathay Biology Technology Co., Ltd.	Affiliate
Cathay Real Estate Holding Corporation	Affiliate
Cathay Cultural Foundation	Affiliate
Sunny Asset Management Co., Ltd.	Affiliate
Cathay Global Money Market Fund etc.	Investment trust funds operated by an equity method investee
Cathay Charity Foundation	Their vice-chairman is the Company’s chairman

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

Name	Relationship
Cathay General Hospital	Their chairman is the Company's chairman
Lin Yuan Investment Co., Ltd.	Their chairman is an immediate family member of the Company's chairman
Wan Pao Development Co., Ltd.	Their chairman is an immediate family member of the Company's chairman
Taiwan Asset Management Corporation	Their chairman is Cathay United Bank
Other related parties	The directors supervisors, mangers sponges and second relatives are included

(2) Significant transactions with related parties

A. Property transactions

Transactions between the Company 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.

(A) Significant transactions with related parties for the three months ended March 31, 2007 and 2008 are listed below:

	For the three months ended March 31, 2007		
Name	Item	NT$	US$
San Ching Engineering Co., Ltd.	Cathay Lank Mark etc	$2,264	$68
Lin Yuan Property Management Co., Ltd.	International Building etc	44,162	1,338
	Total	$46,426	$1,406

	For the three months ended March 31, 2008		
Name	Item	NT$	US$
San Ching Engineering Co., Ltd.	Cathay Lank Mark etc	$-	$-
Lin Yuan Property Management Co., Ltd.	International Building etc	77,842	2,563
	Total	$77,842	$2,563

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

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

(B) Real-estate rental income (from related parties):

	Rental income			
	For the three months ended March 31,			
	2007		2008	
Name	NT$	US$	NT$	US$
Cathay Financial Holding Co., Ltd.	$2,768	$84	$4,611	$152
Cathay Real Estate Development Co., Ltd.	4,003	121	4,275	141
Cathay United Bank	64,543	1,955	71,348	2,349
Cathay Century Insurance Co., Ltd.	15,132	458	20,463	674
Cathay General Hospital	38,261	1,159	40,675	1,339
San Ching Engineering Co., Ltd.	1,892	57	-	-
Symphox Information Co., Ltd.	4,145	126	4,066	134
Cathay Securities Investment Trust Co., Ltd.	3,125	95	4,242	140
Cathay Securities Investment Consulting Co., Ltd.	844	26	-	-
Cathay Securities Co., Ltd.	3,898	118	5,114	168
Cathay Capital Management Inc.	511	16	-	-
Seaward Leasing Co., Ltd.	303	9	-	-
Taiwan Asset Management Corporation	3,501	106	-	-
Total	$142,926	$4,330	$154,794	$5,097

	Guarantee deposits received			
	March 31, 2007		March 31, 2008	
Name	NT$	US$	NT$	US$
Cathay Real Estate Development Co., Ltd.	$3,753	$114	$3,945	$130
Cathay United Bank	63,669	1,929	64,528	2,125
Cathay Century Insurance Co., Ltd.	16,586	502	19,379	638
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
Cathay Securities Investment Consulting Co., Ltd.	877	27	-	-
Cathay Securities Co., Ltd.	3,785	115	4,710	155
Cathay Capital Management Inc.	479	14	-	-
Seaward Leasing Co., Ltd.	346	10	-	-
Taiwan Asset Management Corporation	3,477	105	-	-
Cathay Financial Holding Co., Ltd.	3,770	114	5,014	165
Symphox Information Co., Ltd.	84	3	-	-
Total	$109,335	$3,312	$110,433	$3,636

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

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

(C) Real-estate rental expense (to related parties):

	Rental expense			
	For the three months ended March 31,			
	2007		2008	
Name	NT$	US$	NT$	US$
Cathay Real Estate Development Co., Ltd.	$7,401	$224	$7,678	$253
Lin Yuan Investment Co., Ltd.	631	19	-	-
Cathay United Bank	1,623	49	-	-
Total	$9,655	$292	$7,678	$253

	Guarantee deposits paid			
	March 31, 2007		March 31, 2008	
Name	NT$	US$	NT$	US$
Cathay Real Estate Development Co., Ltd.	$8,926	$270	$-	$-
Lin Yuan Investment Co., Ltd.	628	19	-	-
Cathay United Bank	1,744	53	-	-
Total	$11,298	$342	$-	$-

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

B. Cash in banks

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

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

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

		For the three months ended March 31, 2008		
Name	Item	Interest income NT$	Rate	Ending balance NT$
Cathay United Bank	Time deposit	$9,177	1.24%-2.65%	$1,902,150
	Cash in bank	1,139	0.04%-1.80%	3,916,168
Total		$10,316		$5,818,318

		For the three months ended March 31, 2008		
Name	Item	Interest income US$	Rate	Ending balance US$
Cathay United Bank	Time deposit	$302	1.24%-2.65%	$62,632
	Cash in bank	38	0.04%-1.80%	128,949
Total		$340		$191,581

C. Other financial assets

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

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

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

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

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

D. Secured loans

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

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

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

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

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

E. Financial assets at fair value through profit or loss (Beneficiary certificates)

		March 31,			
		2007		2008	
Name		NT$	US$	NT$	US$
Cathay Securities					
Investment Trust Co., Ltd.	Market value	$6,466,201	$195,886	$7,048,232	$232,079
	Cost	$5,863,072	$177,615	$6,675,225	$219,797

F. Other accounts receivable

	March 31,			
	2007		2008	
Name	NT$	US$	NT$	US$
Cathay Century Insurance Co., Ltd.	$80,554	$2,440	$95,076	$3,131
Cathay Insurance (Bermuda) Co., Ltd.	9,433	286	9,630	317
Cathay Financial Holding Co., Ltd.	811,691	24,589	541,486	17,830
Cathay General Hospital	29,421	891	29,415	969
Cathay United Banle	6,169	187	-	-

G. Prepayments

	March 31,			
	2007		2008	
Name	NT$	US$	NT$	US$
Symphox Information Co., Ltd.	$22,050	$668	$28,883	$951
Lin Yuan Investment Co., Ltd.	419	13	-	-

H. Other assets-other

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

J. Guarantee deposits paid

	March 31,			
	2007		2008	
Name	NT$	US$	NT$	US$
Cathay Futures Co., Ltd.	$250,506	$7,589	$502,152	$16,534

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

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

J. Other payable

	March 31,			
	2007		2008	
Name	NT$	US$	NT$	US$
Cathay Century Insurance Co., Ltd.	$3,396	$103	$-	$-
Symphox Information Co., Ltd.	42,941	1,301	41,443	1,365
Lin Yuan Property Management Co., Ltd.	65,195	1,975	47,246	1,556
San Ching Engineering Co., Ltd.	782	24	7,237	238
Seaward Leasing Co., Ltd.	795	24	-	-
Cathay Financial Holding Co., Ltd.	-	-	960,038	31,611

K. Accounts collected in advance

	March 31,			
	2007		2008	
Name	NT$	US$	NT$	US$
Taiwan Asset Management Corporation	$2,484	$75	$-	$-
Cathay Century Insurance Co., Ltd.	2,878	87	-	-

L. Premiums income

	For the three months ended March 31,			
	2007		2008	
Name	NT$	US$	NT$	US$
Cathay United Bank	$103,459	$3,134	$126,576	$4,168
Cathay General Hospital	7,385	224	7,805	257
Cathay Securities Investment Trust Co., Ltd.	378	12	-	-
San Ching Engineering Co., Ltd.	308	9	-	-
Cathay Century Insurance Co., Ltd.	2,018	61	-	-
Cathay Securities Co., Ltd.	441	13	-	-
Symphox Information Co., Ltd	336	10	-	-
Other related parties	308,231	9,338	206,517	6,800
Total	$422,556	$12,801	$340,898	$11,225

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

M. Insurance expense

	For the three months ended March 31,			
	2007		2008	
Name	NT$	US$	NT$	US$
Cathay Century Insurance Co., Ltd.	$79,341	$2,404	$39,023	$1,285

The insurance expenses were insurance expenses for fixed assets, cash, public accident and etc. Amounts of NT$2,480 (US$75) and NT$2,675 (US$88) paid by the Company on behalf the employees for fidelity bond insurance were included in insurance expenses for the three months ended March 31, 2007 and 2008.

N. Reinsurance income

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

Cathay Insurance (Bermuda) Co., Ltd. engaged in the reinsurance business starting on April 1, 2000. It provides reinsurance for RGA Global Reinsurance Company and Central Reinsurance Corporation’s accidental insurance and retrocedes 90% of the premiums to the Company.

O. Reinsurance service expenses

	For the three months ended March 31,			
	2007		2008	
Name	NT$	US$	NT$	US$
Cathay Insurance (Bermuda) Co., Ltd.	$3,416	$103	$-	$-

P. Reinsurance claims payment

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

Q. Reinsurance commission expense

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

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

R. Miscellaneous income

	For the three months ended March 31,			
	2007		2008	
Name	NT$	US$	NT$	US$
Cathay Century Insurance Co., Ltd.	$186,682	$5,656	$277,149	$9,126
Cathay United Bank	27,791	842	23,258	766
Cathay securities Investment Trust Co., Ltd.	1,820	55	-	-
Cathay General Hospital	727	22	-	-
Cathay Securities Co., Ltd.	534	16	-	-
Total	$217,554	$6,591	$300,407	$9,892

Miscellaneous income includes the Company's integrated marketing income and so on.

S. Commissions expenses

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

T. Operating expenses

	For the three months ended March 31,			
	2007		2008	
Name	NT$	US$	NT$	US$
Symphox Information Co., Ltd.	$61,990	$1,878	$70,273	$2,314
Cathay General Hospital	1,444	44	-	-
Lin Yuan Property Management Co., Ltd.	167,831	5,084	166,602	5,486
Cathay Securities Investment Consulting Co., Ltd.	13,125	398	13,125	432
San Ching Engineering Co., Ltd.	1,010	31	-	-
Cathay Real Estate Development Co., Ltd.	1,339	40	-	-
Cathay Capital Management Inc.	8,721	264	6,410	211
Seaward Leasing Co., Ltd.	2,244	68	-	-
Cathay United Bank	18,154	550	219,772	7,236
Cathay Securities Co., Ltd.	-	-	11,501	379
Total	$275,858	$8,357	$487,683	$16,058

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

U. Other

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

	March 31,	
Item	2007	2008
Forward foreign exchange contracts	USD$51,000	USD$40,000
CS contracts	USD$1,178,000	USD$1,285,000
Financial debentures	$-	NTD$200,000 (USD6,585)

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

26. Pledged assets

As of March 31, 2007 and 2008, the Company provided time deposits as guarantees for the return of the deposits received from its real estate lessees, premiums of retrocede business, and as bonds placed with courts in legal proceedings. Further, pursuant to Article 141 of the Insurance Act, the Company is required to deposit long-term investment in government bonds equal to 15% of its capital into the Central Bank as capital guaranteed deposits.

	March 31,			
	2007		2008	
Item	NT$	US$	NT$	US$
Guarantee deposits paid	$8,077,380	$244,695	$8,026,149	$264,279
Time deposits	500,040	15,148	199,060	6,554
Total	$8,577,420	$259,843	$8,225,209	$270,833

Pledged assets are based on the carrying amounts.

27. Other important matters and contingent liabilities

None.

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

28. Serious damages

None.

29. Subsequent events

None.

30. Others

(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) Separate account insurance products related information

① Separate account insurance products-assets and liabilities

Assets			Liabilities		
Item	March 31,2007		Item	March 31,2007	
	NT$	US$		NT$	US$
Financial assets at fair value through profit or loss	$172,315,473	$5,220,099	Other payable	$3,545,331	$107,402
Interests receivable	3,561	108	Reserve for separate account	178,833,473	5,417,554
Other receivable	10,059,796	304,750	Adjustments	26	1
Total	$182,378,830	$5,524,957	Total	$182,378,830	$5,524,957

Assets			Liabilities		
Item	March 31,2007		Item	March 31,2007	
	NT$	US$		NT$	US$
Financial assets at fair value through profit or loss	$259,613,921	$8,548,368	Other payable	$3,047,457	$100,344
Interests receivable	20,082	661	Reserve for separate account	257,825,921	8,489,494
Other receivable	1,239,543	40,815	Adjustments	168	6
Total	$260,873,546	$8,589,844	Total	$260,873,546	$8,589,844

English Translation of Financial Statements Originally Issued in Chinese

Cathay Life Insurance Co., Ltd.

Note to Unaudited financial statements-continued

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

As of March 31, 2007 and 2008

② Separate account insurance products-revenues and expenses

Expenses			Revenues		
Item	January 1-March 31,2007		Item	January 1-March 31,2007	
	NT$	US$		NT$	US$
Insurance claims payment	$316,234	49,580	Premiums income	$24,139,106	$731,266
Cash surrender value	7,263,972	220,054	Recovered separate account reserve	7,575,312	229,485
Dividends	571	17	Interest income	4,641	141
Provision for separate account reserve	29,317,048	888,126	Gains from valuation on financial assets	2,695,800	81,666
Losses on disposal of investments	115,040	3,485	Gains on foreign exchange	3,184,109	96,459
Administrative expenses	586,078	17,754	Adjustments	1	-
Adjustments	26	1			
Total	$37,598,969	$1,139,017	Total	$37,598,969	$1,139,017

Expenses			Revenues		
Item	January 1-March 31,2007		Item	January 1-March 31,2007	
	NT$	US$		NT$	US$
Insurance claims payment	$278,042	$9,155	Premiums income	$47,995,777	$1,580,368
Cash surrender value	13,402,764	441,316	Recovered separate account reserve	28,095,495	925,107
Dividends	1,210	40	Interest income	262,338	8,638
Provision for separate account reserve	32,945,641	1,084,809	Gains from valuation on financial assets	-	-
Losses from valuation on financial assets	13,828,994	455,350	Gains on foreign exchange	-	-
Losses on foreign exchange	13,455,990	443,069	Adjustments	-	-
Losses on disposal of investments	1,277,607	42,068			
Administrative expenses	1,163,302	38,304			
Adjustments	60	2			
Total	$76,353,610	$2,514,113	Total	$76,353,610	$2,514,113

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

③ The commission earned for the sales of separate account insurance products from counterparties for the three months ended March 31,2007 and 2008 were NT$263,865 (US$7,993) and NT$2,314,009 (US$76,194), respectively.

(3) Discretionary account management

	March 31, 2007			
	Carrying amount		Fair value	
Item	NT$	US$	NT$	US$
Listed stocks	$14,903,350	$451,480	$14,903,350	$451,480
Repurchase bonds	10,359,720	313,836	10,359,720	313,836
Government Bonds	1,430,650	43,340	1,430,650	43,340
Cash in banks	576,962	17,478	576,962	17,478
Total	$27,270,682	$826,134	$27,270,682	$826,134

	March 31, 2008			
	Carrying amount		Fair value	
Item	NT$	US$	NT$	US$
Listed stocks	$10,949,392	$360,533	$10,949,292	$360,533
Repurchase bonds	10,716,398	352,861	10,716,398	352,861
Cash in banks	1,750,586	57,642	1,750,586	57,642
Total	$23,416,376	$771,036	$23,416,376	$771,036

As of March 31, 2007 and 2008, the Company had discretionary account management contracts in the amount of NT$24,450,000 (US$740,685) and NT$19,950,000 (US$656,898), respectively.

(4) The allocation of revenue and expenses of the transactions, promotions and information sharing between the Company and its affiliates are based on the attribution of the transactions.

(5) Financial risk management objectives and policies

The Company'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.

The Company 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, 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 price 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 scenario analysis, stress testing, back testing, 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 counterparty or a debtor defaulting on their contractual obligations. The Company minimizes the credit risk exposure by performing the following evaluations and controls:

The Company 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 the Company 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.

<u>Operational Risk</u>

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.

<u>Liquidity Risk</u>

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, short-term notes (includes repurchase agreement) and domestic bond funds. 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.

<u>Country Risk</u>

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.

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.

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

(6) Financial instruments related information

A. Fair value

	March 31, 2007			
	NT$		US$	
Item	Carrying amount	Fair value	Carrying amount	Fair value
Assets - non-derivative				
Cash and cash equivalents	$212,100,260	$212,100,260	$6,425,333	$6,425,333
Notes receivable	7,842,644	7,842,644	237,584	237,584
Financial assets at fair value through profit or loss - current	93,206,088	93,206,088	2,823,571	2,823,571
Available-for-sale financial assets - current	211,314,249	211,314,249	6,401,522	6,401,522
Held-to-maturity financial assets - current	11,184,093	11,009,269	338,809	333,513
Investments in debt securities with no active market - current	5,342,167	5,355,951	161,835	162,252
Available-for-sale financial assets - noncurrent	181,842,946	181,842,946	5,508,723	5,508,723
Held-to-maturity financial assets - noncurrent	548,194,447	540,319,184	16,606,921	16,368,349
Financial assets carried at cost - noncurrent	19,621,636	19,621,636	594,415	594,415
Investments in debt securities with no active market - noncurrent	46,837,726	46,414,312	1,418,895	1,406,068
Long-term investments in stocks under the equity method	4,452,091	4,452,091	134,871	134,871
Guarantee deposits paid	9,405,941	9,405,941	284,942	284,942
Liabilities - non-derivative				
Notes payable	1,939	1,939	59	59
Guarantee deposits received	1,482,393	1,482,393	44,907	44,907
Assets - derivative				
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
Liabilities - derivative				
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

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

	March 31, 2008			
	NT$		US$	
Item	Carrying amount	Fair value	Carrying amount	Fair value
Assets - non-derivative				
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
Liabilities - non-derivative				
Notes payable	2,396	2,396	79	79
Guarantee deposits received	1,480,540	1,480,540	48,750	48,750
Assets - derivative				
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
Liabilities - derivative				
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	78,378	78,378	2,581	2,581
IRS				

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

① The fair value of the Company’s 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.

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

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

③ Quoted market price, if available, are utilized as estimates of the fair value of financial instruments. If no quoted market prices exist for the Company'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. The Company uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics. The characteristics involve debtor's credit standing, residual period of contracted fixed interest rates, residual period of principal repayment and currency of payment.

④ The fair value of the Company's 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.

⑤ The following table summarizes the fair value information of the Company's financial assets and liabilities at March 31, 2007 and 2008:

	March 31,2007			
	Based on the quoted market price		Based on valuation techniques	
Financial instruments	NT$	US$	NT$	US$
Assets - non-derivative				
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 curried 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

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

	March 31,2007			
	Based on the quoted market price		Based on valuation techniques	
Financial instruments	NT$	US$	NT$	US$
Assets - derivative				
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
Liabilities - derivative				
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

	March 31, 2008			
	Based on the quoted market price		Based on valuation techniques	
Financial instruments	NT$	US$	NT$	US$
Assets - non-derivative				
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 curried 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

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

	March 31, 2008			
	Based on the quoted market price		Based on valuation techniques	
Financial instruments	NT$	US$	NT$	US$
Assets - derivative				
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
Liabilities - derivative				
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

B. Risk of interest rate

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

① March 31, 2007

Non-derivative financial instruments of fixed interest rate

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

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

	Due in 4~5 years		Over 5 years		Total	
Item	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

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

	Due in 4~5 years		Over 5 years		Total	
Item	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

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

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

	Due in 4~5 years		Over 5 years		Total	
Item	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

② March 31, 2008

Non-derivative financial instruments of fixed interest rate

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

	Due in 4~5 years		Over 5 years		Total	
Item	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

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

Non-derivative financial instruments of float interest rate

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

	Due in 4~5 years		Over 5 years		Total	
Item	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

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

	Due in 4~5 years		Over 5 years		Total	
Item	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

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

C. Credit risk

The Company's exposure to credit risk is minimal.

D. Hedged of derivative financial instruments related information

The following table summarizes the terms of the Company's interest rate swap for bonds hedging at March 31, 2007 and 2008:

Cash flow hedges – IRS

① March 31, 2007

Par value				
NT$	US$	Exchange rate	Frequency	Maturity date
$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	Each quarter	2007/10/10
		The fourth and fifth years, 7.6%-90 BACP		
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	Half year	2011/6/30
		If 1.1%<6ml<2.0%,3.8%		
		If 6ml>2.0%,Max(5.50%-6ml,0)		
300,000	9,088	If 6ml<1.1%,6ml	Half year	2011/6/30
		If 1.1%<6ml<2.0%,3.8%		
		If 6ml>2.0%,Max(5.50%-6ml,0)		
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	Half year	2007/7/31
		2005/7/31~2006/7/31 : 7.5%-6ml		
		2006/7/31~2007/7/31 : 7.75%-6ml		

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

Par value				
NT$	US$	Exchange rate	Frequency	Maturity date
$300,000	$9,088	If 6ml<6.9%,3.8%	Half year	2007/7/31
		If 6ml>6.9%,0%		
200,000	6,059	0.5Y:3.8%, 3.0%*n/N if 6ml	Half year	2011/3/19
		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%		
300,000	9,088	5.1%-6m Libor	Half year	2007/12/19
200,000	6,059	If 6ml<0.95%, Libor	Half year	2009/1/9
		If 0.95%<6ml<2.0%,3.5%		
		If 2.0%<6ml;4.8%-6ml		
300,000	9,088	If 6ml<0.95%,Libor	Half year	2009/1/7
		If 0.95%<6ml<2.0%,3.5%		
		If 2.0%<6ml;4.8%-6ml		
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

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

Par value				
NT$	US$	Exchange rate	Frequency	Maturity date
$200,000	$6,059	6.3%-6ml	Half year	2010/11/27
300,000	9,088	180DCP + 40bps	Half year	2008/3/24
300,000	9,088	180DCP	Half year	2008/6/12
500,000	15,147	90DCP+75bps	Each quarter	2008/7/19
500,000	15,147	90DCP+75bps	Each quarter	2008/7/19
500,000	15,147	90DCP+75bps	Each quarter	2008/7/19
1,150,000	34,838	90DCP+30bps	Each quarter	2008/9/17
725,317	21,973	1.25% + 3m Libor	Each quarter	2009/9/23
725,317	21,973	6m Libor	Half year	2013/9/20
423,101	12,817	6m Libor	Half year	2014/3/20
725,317	21,973	6m Libor	Half year	2014/3/24

② March 31, 2008

Par value				
NT$	US$	Exchange rate	Frequency	Maturity date
$310,000	$10,207	ARMS	Each quarter	2009/3/24
350,000	11,525	If 6ml<0.9%, 6ml	Yearly	2008/9/26
		If 0.9%≦6ml<2.0%,3.05%		
		If 2.0%<6ml,Max(4.0005%-6ml)		
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	Half year	2011/6/30
		If 1.1%≦6ml≦2.0%,3.8%		
		If 6ml>2.0%,Max(5.50%-6ml,0)		
200,000	6,585	3.0%, if 6ml	Half year	2011/3/19
		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%		

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

Par value				
NT$	US$	Exchange rate	Frequency	Maturity date
$200,000	$6,585	If 6ml<0.95%, 6ml	Half year	2009/1/9
		If 0.95%<6ml<2.0%,3.5%		
		If 2.0%<6ml, 4.8%-6ml		
300,000	9,878	If 6ml<0.95%, 6ml	Half year	2009/1/7
		If 0.95%<6ml<2.0%,3.5%		
		If 2.0%<6ml, 4.8%-6ml		
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%	Half year	2009/1/16
		If 1%<6ml<2%,3.15%		
		If 6ml≧2%, 4.15%-6ml		
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

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

Par value				
NT$	US$	Exchange rate	Frequency	Maturity date
$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

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

The Company'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.

(7) Presentation of financial statements

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

31. Information regarding investment in Mainland China

On December 25, 2002 and July 24, 2003, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized the Company 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. The Company's subsidiary, Cathay Life Insurance Ltd. (Shanghai) has acquired a business license of an enterprise as legal person on December 29, 2004. As of March 31, 2007, the Company's remittances to this company totaled approximately US$48,330.

On October 17, 2007, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized the Company to remit US$26,390 as the registered capital to establish a China-based general insurance subsidiary (in form of joint venture with Cathay Century Insurance). On March 6, 2008, MOEAIC authorized the Company to increase the remittances from US$26,390 to US$28,960. As of March 31, 2008, the Company’s remittances to this general insurance company totaled approximately US$28,390.

32. Segment Information

None.