Cathay Century Insurance Co., Ltd.
Financial Statements
As of June 30, 2007 and 2008
With Independent Auditor's 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 "Guidelines Governing the Preparation of Financial Reports by Property and Casualty Insurance", "Business Entity Accounting Act" and "Regulation in Business Entity Accounting Handling" with respect to financial accounting standards. 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.

Name of the company: Cathay Century Insurance Co., Ltd.
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English Translation of Independent Auditors' Report Originally Issued in Chinese

Independent Auditors' Report

Board of Directors
Cathay Century Insurance Co., Ltd.

We have audited the accompanying balance sheets of Cathay Century Insurance Co., Ltd. (the "Company") as of June 30, 2007 and 2008, and the related statements of income, changes in stockholders' equity, and cash flows for the six-month periods then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audited.

We conducted our audits in accordance with generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cathay Century Insurance Co., Ltd. as of June 30, 2007 and 2008, and the results of its operations and its cash flows for the six-month periods then ended in conformity with 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 Property and Casualty Insurance and accounting principles generally accepted in the Republic of China.

ERNST & YOUNG
Taipei, Taiwan
Republic of China
July 23, 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.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Balance sheets

As of June 30, 2007 and 2008

(Expressed in thousands of dollars)

Assets	Notes	June 30,2007 NT$	June 30,2007 US$	June 30,2008 NT$	June 30,2008 US$
Current assets					
Cash and cash equivalents	2,4	$1,703,139	$51,878	$2,441,823	$80,429
Financial assets at fair value through profit or loss - current	2,5	974,252	29,676	681,103	22,434
Available-for-sale financial assets - current	2,6	2,703,447	82,347	2,920,293	96,189
Held-to-maturity financial assets - current	2,7	-	-	551,548	18,167
Financial assets carried at cost - current	2,8	-	-	24,000	791
Investments in debt securities with no active market - current	2,9	76,478	2,330	226,194	7,450
Notes receivable		248,335	7,564	248,998	8,202
Premiums receivable	2,10	1,738,089	52,942	1,796,930	59,187
Prepaid reinsurance premiums		1,087,006	33,110	1,340,946	44,168
Claims recoverable from reinsurers		1,100,107	33,509	1,244,518	40,992
Due from reinsurers and ceding companies		115,393	3,515	80,980	2,667
Accounts receivable - reinsurance		29,647	903	29,800	982
Other accounts receivable		48,739	1,485	79,383	2,615
Prepayments		3,623	110	4,282	141
Deferred income tax assets - current	2,24	29,788	907	104,572	3,444
Subtotal		9,858,043	300,276	11,775,370	387,858
Loans					
Secured loans	2,11	2,279,562	69,435	1,748,337	57,587
Subtotal		2,279,562	69,435	1,748,337	57,587
Funds and investments					
Held-to-maturity financial assets - noncurrent	2,12	4,271,002	130,094	2,986,795	98,379
Financial assets carried at cost - noncurrent	2,13	60,000	1,828	36,000	1,186
Investments in debt securities with no active market - noncurrent	2,14	227,795	6,939	-	-
Long-term investments under equity method	2,15	438,651	13,361	409,143	13,476
Other financial assets - noncurrent	2,16	-	-	832,315	27,415
Subtotal		4,997,448	152,222	4,264,253	140,456
Fixed assets	2,17				
Communication and transportation equipments		11,355	346	7,241	239
Other equipments		200,570	6,109	259,929	8,561
Subtotal		211,925	6,455	267,170	8,800
Less: Accumulated depreciation		(171,866)	(5,235)	(179,312)	(5,906)
Prepayments for equipments		434	13	65,322	2,152
Subtotal		40,493	1,233	153,180	5,046
Intangible assets					
Computer software cost	2,18	6,360	194	8,801	290
Deferred pension cost		-	-	6,383	210
Subtotal		6,360	194	15,184	500
Other assets					
Guarantee deposits paid		420,485	12,808	446,285	14,700
Overdue receivables	2	206,652	6,294	282,387	9,301
Other assets - others		22,443	684	50,957	1,678
Subtotal		649,580	19,786	779,629	25,679
Total assets		$17,831,486	$543,146	$18,735,953	$617,126

(The exchange rates provided by the Federal Reserve Bank of New York on June 30, 2007 and 2008 were NT$32.83 and NT$30.36 to US$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Balance sheets - (Continued)

As of June 30, 2007 and 2008

(Expressed in thousands of dollars)

Liabilities & stockholders' equity	Notes	June 30,2007 NT$	June 30,2007 US$	June 30,2008 NT$	June 30,2008 US$
Current liabilities					
Financial liabilities at fair value through profit or loss - current	2,19	$3,432	$105	$34,468	$1,135
Dervative financial liabilities for hedging - current		-	-	9,304	306
Commissions payable		12,680	386	9,775	322
Claims outstanding		27,012	823	11,289	372
Due to reinsurers and ceding companies		358,675	10,925	340,221	11,206
Accounts payable-reinsurance		961,430	29,285	641,424	21,127
Other payables		638,327	19,443	579,501	19,088
Subtotal		2,001,556	60,967	1,625,982	53,556
Long-term liabilities					
Accrued pension liabilities		3,405	104	15,172	500
Subtotal		3,405	104	15,172	500
Operating and liability reserve	2,20				
Unearned premiums reserve		6,151,949	187,388	6,606,225	217,597
Special reserve		3,596,354	109,545	4,289,424	141,285
Claims reserve		2,323,337	70,768	2,763,196	91,014
Premiums deficiency reserve		-	-	6,399	211
Subtotal		12,071,640	367,701	13,665,244	450,107
Other liabilities					
Other liabilities - others		145,673	4,437	263,004	8,663
Subtotal		145,673	4,437	263,004	8,663
Total liabilities		14,222,274	433,209	15,569,402	512,826
Stockholders' equity					
Capital stock					
Common stock	21	2,317,006	70,576	2,317,006	76,318
Capital surplus		1,929	59	1,929	63
Retained earnings	22				
Legal reserve		416,834	12,697	521,467	17,176
Unappropriated retained earnings		679,537	20,699	457,250	15,061
Equity adjustment					
Unrealized gains or losses on financial instruments		193,906	5,906	(77,014)	(2,537)
Cumulative conversion adjustments		-	-	(50,979)	(1,679)
Net loss not yet recognized as net pension cost		-	-	(3,108)	(102)
Total stockholders' equity		3,609,212	109,937	3,166,551	104,300
Total liabilities and stockholders' equity		$17,831,486	$543,146	$18,735,953	$617,126

(The exchange rates provided by the Federal Reserve Bank of New York on June 30, 2007 and 2008 were NT$32.83 and NT$30.36 to US$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Statements of income

For the six months ended June 30, 2007 and 2008

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

Items	Notes	January 1-June 30,2007 NT$	January 1-June 30,2007 US$	January 1-June 30,2008 NT$	January 1-June 30,2008 US$
Operating revenues	2				
Premiums income		$5,507,439	$167,756	$5,807,532	$191,289
Reinsurance commission earned		150,549	4,586	189,750	6,250
Claims recovered from reinsurers		441,435	13,446	609,272	20,068
Recovered unearned premiums reserve		4,955,218	150,936	5,249,330	172,903
Recovered special claim reserve		52,302	1,593	116,210	3,828
Recovered claims reserve		110,023	3,351	161,305	5,313
Handling fee earned		32	1	184	6
Interest revenues		198,663	6,051	207,242	6,826
Gains from valuation on financial assets		67,643	2,060	-	-
Gains from valuation on financial liabilities		58,414	1,779	6,968	230
Gains on investments recognized under the equity method	15	4,455	136	12,563	414
Exchanges gains		13,267	404	-	-
Gains on disposal of investments		51,392	1,566	187,235	6,167
Subtotal		11,610,832	353,665	12,547,591	413,294
Operating costs	2				
Reinsurance premiums ceded		(1,778,766)	(54,181)	(1,706,118)	(56,196)
Commissions expenses		(92,128)	(2,806)	(90,295)	(2,974)
Insurance claims payment		(1,971,257)	(60,045)	(2,563,916)	(84,451)
Provision for unearned premiums reserve		(5,064,943)	(154,278)	(5,265,279)	(173,428)
Provision for special claim reserve		(462,376)	(14,084)	(335,243)	(11,042)
Contribution to the stabilization funds		(10,596)	(323)	(10,872)	(358)
Provision for claims reserve		(202,846)	(6,178)	(218,586)	(7,200)
Provision for premiums insufficient reserve		-	-	(6,399)	(211)
Handling fee paid		(128,043)	(3,900)	(136,828)	(4,507)
Losses from valuation on financial assets		-	-	(114,941)	(3,786)
Exchanges losses		-	-	(282,471)	(9,304)
Other operating costs		(2,425)	(74)	(3,459)	(114)
Subtotal		(9,713,380)	(295,869)	(10,734,407)	(353,571)
Operating gross profit		1,897,452	57,796	1,813,184	59,723
Operating expenses	2				
Marketing expenses		(904,217)	(27,542)	(1,026,895)	(33,824)
Management and general affairs expenses		(149,112)	(4,542)	(199,543)	(6,573)
Operating income		844,123	25,712	586,746	19,326
Non-operating revenues					
Gains on disposal of fixed assets		642	20	807	27
Other non-operating revenues		1,616	49	5,057	167
Subtotal		2,258	69	5,864	194
Non-operating expenses					
Losses on disposal of fixed assets		(1)	-	(1,664)	(55)
Miscellaneous expenses		(47)	(2)	(41)	(2)
Subtotal		(48)	(2)	(1,705)	(57)
Income from continuing operations before income taxes		846,333	25,779	590,905	19,463
Income taxes	2,24	(166,796)	(5,080)	(133,655)	(4,402)
Income from continuing operations after income taxes		679,537	20,699	457,250	15,061
Net income		$679,537	$20,699	$457,250	$15,061
Earning per share (In dollars)	25				
Income before income taxes		$3.65	$0.11	$2.55	$0.08
Net income		$2.93	$0.09	$1.97	$0.06

(The exchange rates provided by the Federal Reserve Bank of New York on June 30, 2007 and 2008 were NT$32.83 and NT$30.36 to US$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Statements of changes in stockholders' equity

For the six months ended June 30, 2007 and 2008

(Expressed in thousands of dollars)

Summary	Capital stock				Retained earnings				Equity adjustment							
	Common stock		Capital surplus		Legal reserve		Unappropriated retained earnings		Unrealized gains or losses on financial instruments		Cumulative conversion adjustments		Net loss not yet recognized as net pension cost		Total	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Balance on January 1, 2007	$2,317,006	$70,576	$1,929	$59	$343,857	$10,474	$729,766	$22,228	$179,028	$5,453	$-	$-	$-	$-	$3,571,586	$108,790
Appropriations and distributions for 2006																
Legal reserve	-	-	-	-	72,977	2,223	(72,977)	(2,223)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(650,605)	(19,817)	-	-	-	-	-	-	(650,605)	(19,817)
Bonus paid to employees	-	-	-	-	-	-	(6,184)	(188)	-	-	-	-	-	-	(6,184)	(188)
Changes in unrealized gains or losses on financial instruments	-	-	-	-	-	-	-	-	14,878	453	-	-	-	-	14,878	453
Net Income for the six months ended June 30, 2007	-	-	-	-	-	-	679,537	20,699	-	-	-	-	-	-	679,537	20,699
Balance on June 30, 2007	$2,317,006	$70,576	$1,929	$59	$416,834	$12,697	$679,537	$20,699	$193,906	$5,906	$-	$-	$-	$-	$3,609,212	$109,937
Balance on January 1, 2008	$2,317,006	$76,318	$1,929	$63	$416,834	$13,730	$1,046,331	$34,464	$90,908	$2,994	$-	$-	($3,108)	($102)	$3,869,900	$127,467
Appropriations and distributions for 2007																
Legal reserve	-	-	-	-	104,633	3,446	(104,633)	(3,446)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(939,083)	(30,932)	-	-	-	-	-	-	(939,083)	(30,932)
Bonus paid to employees	-	-	-	-	-	-	(2,615)	(86)	-	-	-	-	-	-	(2,615)	(86)
Changes in unrealized gains or losses on financial instruments	-	-	-	-	-	-	-	-	(167,922)	(5,531)	-	-	-	-	(167,922)	(5,531)
Cumulative conversion adjustments	-	-	-	-	-	-	-	-	-	-	(50,979)	(1,679)	-	-	(50,979)	(1,679)
Net Income for the six months ended June 30, 2008	-	-	-	-	-	-	457,250	15,061	-	-	-	-	-	-	457,250	15,061
Balance on June 30, 2008	$2,317,006	$76,318	$1,929	$63	$521,467	$17,176	$457,250	$15,061	($77,014)	($2,537)	($50,979)	($1,679)	($3,108)	($102)	$3,166,551	$104,300

(The exchange rates provided by the Federal Reserve Bank of New York on June 30, 2007 and 2008 were NT$32.83 and NT$30.36 to US$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Statements of cash flows

For the six months ended June 30, 2007 and 2008

(Expressed in thousands of dollars)

		January 1-June 30,2007		January 1-June 30,2008	
Items	Notes	NT$	US$	NT$	US$
Cash flows from operating activities					
Net income		$679,537	$20,699	$457,250	$15,061
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Amortization		3,773	115	2,419	80
Depreciation		8,678	264	12,591	415
Provision for reserve for operations		5,730,165	174,541	5,825,507	191,881
Recovered unearned premiums reserve		(4,955,218)	(150,936)	(5,249,330)	(172,903)
Recovered special claim reserve		(52,302)	(1,593)	(116,210)	(3,828)
Recovered claims reserve		(110,023)	(3,351)	(161,305)	(5,313)
Gaines on disposal of fixed assets		(642)	(20)	(807)	(27)
Losses on disposal of fixed assets		1	-	1,664	55
(Gains) losses from valuation on financial assets		(67,643)	(2,060)	114,941	3,786
Gains from valuation on financial liabilities		(58,414)	(1,779)	(6,968)	(230)
Unrealized gain on investments recognized under the equity method		19,545	595	187	6
Effects of exchange rate changes		(13,267)	(404)	282,471	9,304
Increase in financial assets at fair value through profit or loss - current		(394,925)	(12,029)	(68,955)	(2,271)
Increase in notes receivable		(30,195)	(920)	(4,948)	(163)
(Increase) decrease in premiums receivable		(240,442)	(7,324)	15,782	520
Decrease (increase) in prepaid reinsurance premiums		22,328	680	(115,464)	(3,803)
Decrease in claims recoverable from reinsurers		266,195	8,109	19,873	655
Decrease (increase) in due from reinsurers and ceding companies		59,263	1,805	(64,459)	(2,123)
Decrease (increase) in reinsurance accounts receivable		138,395	4,216	(217,489)	(7,164)
Decrease (increase) in other accounts receivable		176,476	5,375	(5,420)	(179)
Increase in prepayments		(815)	(25)	(171)	(6)
Decrease (increase) in deferred income tax assets - current		23,780	724	(53,163)	(1,751)
Increase in overdue receivables		(69,437)	(2,115)	(106,168)	(3,497)
Increase in other assets - others		(5,476)	(167)	(27,292)	(899)
Increase in commissions payable		9,759	297	1,724	57
Increase in claims outstanding		7,463	227	9,380	309
Increase (decrease) in other payables		58,221	1,774	(84,028)	(2,768)
Increase in accrued pension liabilities		-	-	466	15
Increase in other liabilities - others		85,874	2,616	205,683	6,775
(Decrease) increase in claims reserve		(139,648)	(4,254)	293,017	9,652
Net cash provided by operating activities		1,151,006	35,060	960,778	31,646

(The exchange rates provided by the Federal Reserve Bank of New York on June 30, 2007 and 2008 were NT$32.83 and NT$30.36 to US$1.00)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Century Insurance Co., Ltd.

Statements of cash flows-(Continued)

For the six months ended June 30, 2007 and 2008

(Expressed in thousands of dollars)

		January 1-June 30,2007		January 1-June 30,2008	
Items	Notes	NT$	US$	NT$	US$
Cash flows from investing activities					
(Increase) decrease in available-for-sale financial assets - current		(149,585)	(4,556)	89,131	2,936
Decrease in held-to-maturity financial assets - current		-	-	704,706	23,212
Decrease in investments in debt securities with no active market - current		1,135	35	1,429	47
(Increase) decrease in secured loans		(184,293)	(5,614)	493,532	16,256
Increase in held-to-maturity financial assets - noncurrent		(521,655)	(15,889)	-	-
Decrease derivative financial assets hedging - current		-	-	374	12
Decrease in investments in debt securities with no active market - noncurrent		792	24	-	-
Increase in other financial assets - noncurrent		-	-	(883,294)	(29,094)
Disposal of fixed assets		1,072	33	1,481	49
Acquisition of fixed assets		(12,952)	(395)	(96,465)	(3,177)
Acquisition of intangible assets		(895)	(27)	(241)	(8)
Decrease (increase) in guarantee deposits paid		89,092	2,713	(13,545)	(446)
Decrease in funds held by ceding companies		8	-	-	-
Increase derivative financial liabilities hedging - current		-	-	9,304	306
Net cash (used in) provided by investing activities		(777,281)	(23,676)	306,412	10,093
Cash flows from financing activities					
Decrease in funds held for reinsurers		(185)	(6)	-	-
Bonus paid to employees		(4,707)	(143)	-	-
Cash dividends		(650,605)	(19,817)	(939,083)	(30,932)
Net cash used in financing activities		(655,497)	(19,966)	(939,083)	(30,932)
Effects of exchange rate changes		13,267	404	(282,471)	(9,304)
(Decrease) increase in cash and cash equivalents		(268,505)	(8,178)	45,636	1,503
Cash and cash equivalents at the beginning of periods		1,971,644	60,056	2,396,187	78,926
Cash and cash equivalents at the end of periods		$1,703,139	$51,878	$2,441,823	$80,429
Supplemental disclosure of cash flows information					
Income tax paid		$160,905	$4,901	$255,607	$8,419

(The exchange rates provided by the Federal Reserve Bank of New York on June 30, 2007 and 2008 were NT$32.83 and NT$30.36 to US$1.00)

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

1. Organization and business scope

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

As of June 30, 2007 and 2008, the total numbers of employees were 968 and 1,059, respectively.

2. Summary of significant accounting policies

We prepared the financial statement, in accordance with 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 Property and Casualty Insurance and accounting principles generally accepted in the Republic of China. A summary of significant accounting policies follows:

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

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

(2) Cash and cash equivalents

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

(3) Financial assets and financial liabilities

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

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

A. Financial assets at fair value through profit or loss

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

B. Held-to-maturity financial assets

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

C. Investments in debt securities with no active market

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

D. Available-for-sale financial assets

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

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.

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

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

(4) Allowance for bad debts

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

(5) Long - term investments under equity method

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

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

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

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

(6) Fixed assets

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

(7) Intangible assets

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

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

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

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

(8) Accounting for asset 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 such indication, the Company has to recalculate the recoverable amount of the asset. If the recoverable amount increases as a result of the increase in the estimated service potential of the assets, the Company shall reverse the impairment loss to the extent that the carrying amount after the reversal would not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the assets in prior years.

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

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

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

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

(9) Accounting for impairment of financial assets

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

A. Financial assets carried at amortized cost

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

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

B. Financial assets measured at cost

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

C. Available-for-sale financial assets

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

(10) Operating and liability reserves

Operating and liability reserves are recorded in accordance with the Insurance Law, including unearned premiums reserve, claims reserve, special reserve, and premiums deficiency reserve. The actuary provides the figures of such reserves in the financial statements.

(11) Derecognizing of financial assets and liabilities

A. Financial assets

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

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

B. Financial liabilities

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

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

(12) Premiums income

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

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

(13) Contribution to the stabilization funds

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

(14) Pension plan

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

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

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

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

(15) Foreign currency transactions

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

(16) Income Taxes

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

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

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

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

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

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

(17) Capital expenditure expenses

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

(18) Derivative financial instruments

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

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

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

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

B. Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction. The variation will be recognized in profit or loss.

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

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

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.

(19) Conversion to U.S. dollars

The financial statements are stated in NT dollars. The converted U.S. dollars amounts from NT dollars as of June 30, 2007 and 2008 are for information only. The U.S. dollar/NT dollars noon buying rates of NT$32.83 and NT$30.36 provided by Federal Reserve Bank of New York of June 30, 2007 and 2008 are used for the conversion.

(20) Employee bonus and remuneration of directors

Pursuant to Article No.52 issued by Accounting Research and Development Foundation in March 2007, employee bonus and remuneration of directors are rewarded as expenses instead of distribution of earnings.

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

3. Changes in accounting and their effects

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

The above changes in accounting principals decreased the Company's net income and earnings per share by NT$503 (US$16.57) and NT$0.002 (US$-), respectively, for the six months ended June 30, 2008.

4. Cash and cash equivalents

	June 30,			
	2007		2008	
Item	NT$	US$	NT$	US$
Petty cash and cash on hand				
Cash on hand	$11,640	$355	$12,244	$403
Cash in banks	354,509	10,798	596,707	19,654
Time deposits	1,176,990	35,851	1,442,600	47,517
Cash equivalents	160,000	4,874	390,272	12,855
Total	$1,703,139	$51,878	$2,441,823	$80,429

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

	June 30,			
	2007		2008	
Item	NT$	US$	NT$	US$
Common stock	$486,573	$14,821	$348,698	$11,486
Beneficiary certificates	265,642	8,091	294,167	9,689
Corporate bonds	123,997	3,777	127,125	4,187
Derivative financial instruments	1,489	46	-	-
Subtotal	877,701	26,735	769,990	25,362
Add: Valuation adjustment	96,551	2,941	(88,887)	(2,928)
Total	$974,252	$29,676	$681,103	$22,434

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

6. Available-for-sale financial assets-current

	June 30,			
	2007		2008	
Item	NT$	US$	NT$	US$
Common stock	$925,734	$28,198	$736,112	$24,246
Beneficiary certificates	730,634	22,255	943,202	31,067
Corporate bonds	400,396	12,196	200,000	6,588
Financial debentures	501,186	15,266	1,100,919	36,262
Subtotal	2,557,950	77,915	2,980,233	98,163
Add: Valuation adjustment	145,497	4,432	(59,940)	(1,974)
Total	$2,703,447	$82,347	$2,920,293	$96,189

7. Held-to-maturity financial assets-current

	June 30,			
	2007		2008	
Item	NT$	US$	NT$	US$
Overseas bonds	$-	$-	$551,548	$18,167

8. Financial assets carried at cost - current

	June 30,			
	2007		2008	
Item	NT$	US$	NT$	US$
Tong Lung Metal Industry Co., Ltd. - preferred stock	$-	$-	$24,000	$791

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

	June 30,			
	2007		2008	
Item	NT$	US$	NT$	US$
Financial debentures	$76,478	$2,330	$226,194	$7,450

10. Premiums receivable

	June 30,			
	2007		2008	
Item	NT$	US$	NT$	US$
Premiums receivable	$1,755,645	$53,477	$1,815,081	$59,785
Less: Allowance for bad debts	(17,556)	(535)	(18,151)	(598)
Net	$1,738,089	$52,942	$1,796,930	$59,187

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

11. Loans

	June 30,			
	2007		2008	
Item	NT$	US$	NT$	US$
Secured loans	$2,377,994	$72,433	$1,830,641	$60,298
Less: Allowance for bad debts	(98,432)	(2,998)	(82,304)	(2,711)
Net	$2,279,562	$69,435	$1,748,337	$57,587

Secured loans are secured by real estate.

12. Held-to-maturity financial assets - noncurrent

	June 30,			
	2007		2008	
Item	NT$	US$	NT$	US$
Overseas bonds	$4,271,002	$130,094	$3,538,343	$116,546
Less: Overseas bonds by payable within one year	-	-	(551,548)	(18,167)
Total	$4,271,002	$130,094	$2,986,795	$98,379

13. Financial assets carried at cost - noncurrent

	June 30,			
	2007		2008	
Item	NT$	US$	NT$	US$
KGEX. Com Co., Ltd.	$36,000	$1,097	$36,000	$1,186
Tong Lung Metal Industry Co., Ltd. - preferred stock	24,000	731	-	-
Total	$60,000	$1,828	$36,000	$1,186

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

	June 30,			
	2007		2008	
	NT$	US$	NT$	US$
Financial debentures	$304,273	$9,268	$101,733	$3,351
Less: Financial debentures by payable within one year	(76,478)	(2,329)	(101,733)	(3,351)
Total	$227,795	$6,939	$-	$-

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

15. Long-term investments under equity method

	June 30,			
	2007		2008	
Investee	NT$	US$	NT$	US$
Cathay Venture Capital Corp.	$430,734	$13,120	$401,231	$13,216
Vista Technology Venture Capital Corp.	7,917	241	7,912	260
Total	$438,651	$13,361	$409,143	$13,476

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

	For the six months ended June 30,			
	2007		2008	
	NT$	US$	NT$	US$
Balance on Jan 1	$449,041	$13,678	$432,192	$14,235
Add (less): Investment income recognized under the equity method	4,455	136	12,563	414
Cash dividends	(24,000)	(731)	(12,750)	(420)
Unrealized gains or losses on financial instruments recognized under the equity investment	9,155	278	(22,862)	(753)
Balance on June 30	$438,651	$13,361	$409,143	$13,476

B. The investment income (losses) recognized under equity method for the six months periods ended June 30, 2007 and 2008 are listed below:

	For the six months ended June 30,			
	2007		2008	
Investee	NT$	US$	NT$	US$
Cathay Venture Capital Corp.	$4,516	$138	$12,567	$414
Vista Technology Venture Capital Corp.	(61)	(2)	(4)	-
Total	$4,455	$136	$12,563	$414

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

C. Equity method was applied for the investees whose common stocks was jointly held by the Company and its related parties in an amount over 20%. The investment gains of Vista Technology Venture Capital Corp. for the six months periods ended June 30, 2007 and 2008 were recognized under the equity method based on the respective audited financial statements.

D. The investment gains of Cathay Venture Capital Corp. for the six months periods ended June 30, 2007 and 2008 were recognized under the equity method based on the audited financial statements of Cathay Venture Capital Corp.

16. Other financial assets-noncurrent

	June 30,			
	2007		2008	
Investee	NT$	US$	NT$	US$
Other financial assets-noncurrent	$-	$-	$832,315	$27,415

17. Fixed assets

	June 30, 2007					
	Cost		Accumulated Depreciation		Net	
Item	NT$	US$	NT$	US$	NT$	US$
Communication and transportation equipments	$11,355	$346	$8,128	$248	$3,227	$98
Other equipments	200,570	6,109	163,738	4,987	36,832	1,122
Subtotal	211,925	6,455	171,866	5,235	40,059	1,220
Prepayments for equipments	434	13	-	-	434	13
Total	$212,359	$6,468	$171,866	$5,235	$40,493	$1,233

	June 30, 2008					
	Cost		Accumulated Depreciation		Net	
Item	NT$	US$	NT$	US$	NT$	US$
Communication and transportation equipments	$7,241	$239	$6,246	$206	$995	$33
Other equipments	259,929	8,561	173,066	5,700	86,863	2,861
Subtotal	267,170	8,800	179,312	5,906	87,858	2,894
Prepayments for equipments	65,322	2,152	-	-	65,322	2,152
Total	$332,492	$10,952	$179,312	$5,906	$153,180	$5,046

No equipments of the Company were pledged as of June 30, 2007 and 2008.

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

18. Intangible assets - Computer software cost

	January 1,2007		Increase		Decrease		June 30, 2007	
Item	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Acquired cost:								
Computer software	$43,241	$1,317	$3,048	$93	$-	$-	$46,289	$1,410
Amortization and impairment								
Amortization	(36,156)	(1,101)	(3,773)	(115)	-	-	(39,929)	(1,216)
Book value	$7,085	$216					$6,360	$194

	January 1,2008		Increase		Decrease		June 30, 2008	
Item	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Acquired cost:								
Computer software cost	$51,385	$1,693	$1,855	$61	$-	$-	$53,240	$1,754
Amortization and impairment								
Amortization	(42,020)	(1,384)	(2,419)	(80)	-	-	(44,439)	(1,464)
Book value	$9,365	$309					$8,801	$290

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.

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

	June 30,			
	2007		2008	
Item	NT$	US$	NT$	US$
Derivative financial instruments	$-	$-	$-	$-
Add: Valuation adjustment	3,432	105	34,468	1,135
Total	$3,432	$105	$34,468	$1,135

20. Operating and liability reserve

	January 1, 2007		Provision		Recovered		June 30, 2007	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Unearned premiums reserve	$6,064,552	$184,726	$6,151,949	$187,388	$6,064,552	$184,726	$6,151,949	$187,388
Special reserve	3,186,280	97,054	462,376	14,084	52,302	1,593	3,596,354	109,545
Claims reserve	2,347,833	71,515	2,164,632	65,934	2,189,128	66,681	2,323,337	70,768
Total	$11,598,665	$353,295	$8,778,957	$267,406	$8,305,982	$253,000	$12,071,640	$367,701

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

	January 1, 2008		Provision		Recovered		June 30, 2008	
	NT$	US$	NT$	US$	NT$	US$	NT$	US$
Unearned premiums reserve	$6,474,812	$213,268	$6,606,225	$217,597	$6,474,812	$213,268	$6,606,225	$217,597
Special reserve	4,070,391	134,071	335,243	11,042	116,210	3,828	4,289,424	141,285
Claims reserve	2,528,361	83,279	2,597,544	85,558	2,362,709	77,823	2,763,196	91,014
Premiums insufficient reserve	-	-	6,399	211	-	-	6,399	211
Total	$13,073,564	$430,618	$9,545,411	$314,408	$8,953,731	$294,919	$13,665,244	$450,107

The net unearned premium reserve for the first half year of 2008 was the insurance and reinsurance business assumed of NT$6,606,225 (US$217,597) offsetting by reinsurance business ceded of NT$1,340,946 (US$44,168). The net unearned premium reserve for the first half year of 2007 was the insurance and reinsurance business assumed of NT$6,151,949 (US$187,388) offsetting by reinsurance business ceded of NT$1,087,006 (US$33,110).

The claims reserves above represent outstanding claims of NT$2,378,958 (US$78,358) and IBNR (Incurred But Not Reported) of NT$218,586 (US$7,200) of June 30, 2008. Balances of outstanding claims and IBNR as of June 30, 2007 were NT$1,961,786 (US$59,756) and NT$202,846 (US$6,179), respectively.

Reserves for operations included the following reserves:

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

(1) Unearned premium reserve

Effective from December 24, 2002, unearned premium reserves should be provided based on assumed risks of different insurance products. The calculation of the reserve requires the involvement of actuaries as well as disclosures on the insurance product calculation statement which can not be changed unless approved by authorities. The unearned premium reserve should be reversed and then accrued at the next year end.

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

(2) Special reserve

A. Catastrophe reserve：

a. Addition: Catastrophe reserve should be accrued based on respective reserve rates of various insurance product categories.

b. Reduction: The amount of assumed claims of catastrophe in excess of NT$30 million should be deducted from the catastrophe reserve. In addition, the deducted amount is required to be reported to authorities.

c. Recovery: The catastrophe reserve over 15 years the unearned premium reserve should be reversed and then accrued is required to be reported to authorities.

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

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

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

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

c. Recovery: Once the accumulated contingency reserve of each insurance product category exceeds 60% of its retained earned premium for the year, the excess amount should be recorded as income. When the accumulated accidental insurance contingency reserve exceeds 30% of the retained earned premium for the year, the excess amount should be recorded as income. However, authorities can assign or limit the use of the amount based on the development need of the insurance industry.

C. The special reserve for the compulsory liability insurance of motor vehicle is in compliance with the “Regulations for Deposit and Management of the Reserve of Compulsory Automobile Liability Insurance”.

D. The special reserve of the nuclear hazard insurance is in compliance with the "Accrual of Nuclear Hazard Insurance Reserve".

E. The residential earthquake insurance product is in compliance of "Regulations for Method of insurance and Contingency allocation on Residential Earthquake".

(3) Claims reserve:

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

A. Reserve for outstanding claims is estimated based on historical information and circumstances surrounding each claim for each type of insurance.

B. Reserve for IBNR is determined by the past experience and loss on each insurance product category.

C. The unearned premium reserve should be reversed and then accrued at the next year end.

D. The reserve for the compulsory liability insurance of motor vehicle is in compliance with the "Regulations for Deposit and Management of the Reserve of Compulsory Automobile Liability Insurance". The reserve on retained outstanding claims is based on related information. The reserve on IBNR is based on 1% of the retained net earned premium.

E. The special reserve of the nuclear hazard insurance is in compliance with the "Accrual of Nuclear Hazard Insurance Reserve".

(4) Premiums deficiency reserve :

Effective from January 1, 2008, unexpired insurance contract and to end off assumed risk should be reserved premiums insufficient reserve.

21. Common stock

As of June 30, 2007 and 2008, the authorized and issued thousand shares were 231,701 with par value of NT$10 each.

22. Retained earnings

(1) Legal reserve

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

(2) Undistributed retained earnings

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

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

(3) According to the revised Income Tax Act in 1998, the Company has to pay an extra 10% income tax in the forthcoming tax year for undistributed earnings.

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

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

(5) The accrual of employee bonus of $503 for the half year of 2008 was based on a certain percentage of net income seated in the article of corporation after considering the legal reserve. The employee bonus was recorded as operating cost and expense at current year. Any difference exists between the accrual and actual amount resolved by the stockholder's meeting shall be recorded in 2009.

(6) The earning distribution of 2007 has been approved by the board of directors and the stockholders' meeting. Please refer to the Market Observation Post System for detail information.

(7) The company has distributed NT$2,615 (US$86) employee bonus in case for fiscal year of 2007.

23. Personnel, depreciation, depletion and amortization expenses

Item	For the six months ended June 30, 2007 (NT$)			For the six months ended June 30, 2008 (NT$)		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel Expenses						
Payroll expenses	$-	$446,630	$446,630	$-	$514,258	$514,258
Labor & health insurance expenses	-	22,914	22,914	-	25,948	25,948
Pension expenses	-	22,047	22,047	-	25,274	25,274
Other expenses	-	13,994	13,994	-	15,117	15,117
Depreciation	-	8,678	8,678	-	12,591	12,591
Depletion	-	-	-	-	-	-
Amortization	-	3,773	3,773	-	2,419	2,419

Item	For the six months ended June 30, 2007 (US$)			For the six months ended June 30, 2008 (US$)		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel Expenses						
Payroll expenses	$-	$13,604	$13,604	$-	$16,939	$16,939
Labor & health insurance expenses	-	698	698	-	855	855
Pension expenses	-	672	672	-	832	832
Other expenses	-	426	426	-	498	498
Depreciation	-	264	264	-	415	415
Depletion	-	-	-	-	-	-
Amortization	-	115	115	-	80	80

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

24. Estimated income taxes

(1) Income tax expenses include the following:

	For the six months ended June 30,			
	2007		2008	
Item	NT$	US$	NT$	US$
Income tax calculates on accounting	$846,333	$25,779	$590,905	$19,463
Adjustments:				
Interest income of tax on a separate basis	(22,964)	(699)	(32,417)	(1,068)
Gains (losses) from valuation on financial assets (liabilities)	(126,057)	(3,839)	64,857	2,136
Bad debts recovery	(6,662)	(203)	(290)	(9)
Gains derived from securities transactions	(155,413)	(4,734)	(116,118)	(3,824)
Investment gains recognized by the equity method	(4,455)	(136)	(12,563)	(414)
Unrealized gains (losses) on foreign exchanges	(12,239)	(373)	273,819	9,019
Realized losses on foreign exchanges	(19,477)	(593)	(19,849)	(654)
Unrealized pension expenses	-	-	466	15
Others	33	1	606	20
Taxable Income	499,099	15,203	749,416	24,684
Multiply by : tax rate	25%	25%	25%	25%
Subtotal	124,775	3,801	187,354	6,171
Tax effects under integrated income tax systems	18,398	560	-	-
Subtotal	143,173	4,361	187,354	6,171
Taxed separately	1,909	58	3,912	129
Adjustments of prior year's income tax	(2,066)	(63)	(4,448)	(147)
Deferred income tax expenses (benefits)	23,780	724	(53,163)	(1,751)
Total income tax expenses	$166,796	$5,080	$133,655	$4,402

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

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

	June 30,			
	2007		2008	
	NT$	US$	NT$	US$
A. Total deferred income tax assets	$33,880	$1,032	$106,314	$3,502
Total deferred income tax liabilities	$4,092	$125	$1,742	$58
B. Temporary differences:				
Bad debts exceeding legal limitation	$124,293	$3,786	$123,981	$4,084
Unrealized gains on foreign exchanges	(12,239)	(373)	-	-
Unrealized losses on foreign exchanges	-	-	273,819	9,019
Unrealized gains from valuation on financial assets	(4,130)	(126)	-	-
Unrealized losses from valuation on financial assets	-	-	3,999	132
Unrealized gains from valuation on financial liabilities	-	-	(6,968)	(230)
Unrealized losses from valuation on financial liabilities	3,432	105	-	-
Others	3,405	104	5,683	187
Total	$114,761	$3,496	$400,514	$13,192

	June 30,			
	2007		2008	
	NT$	US$	NT$	US$
C. Investment tax credit	$1,098	$33	$4,443	$146

	June 30,			
	2007		2008	
	NT$	US$	NT$	US$
D. Deferred income tax assets-current	$33,880	$1,032	$106,314	$3,502
Deferred income tax liabilities-current	(4,092)	(125)	(1,742)	(58)
Net balance deferred income tax assets -current	$29,788	$907	$104,572	$3,444

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

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

		The amount of investment tax credit		The remaining balance		
Law of Investment tax credit	The credits items	NT$	US$	NT$	US$	Expiry year
Statute for Upgrading Industries	Personnel training	$3,296	$108	$3,296	$108	2011
		1,147	38	1,147	38	2012
Total		$4,443	$146	$4,443	$146	

(4) The Company's income tax returns have been examined by the tax authority through year 2003, however, the Company has requested the recheck on the tax return of year 2003. The results of the recheck of the tax authority were received and disputes on the bond premiums tax issue were filed by the Company. The Company appealed income tax return of year 1999, 2001 and 2002 is pending at the supreme court.

(5) Information related to imputation:

	June 30,			
	2007		2008	
	NT$	US$	NT$	US$
Balance of imputation credit account	$8,775	$267	$1,460	$48

	June 30, 2007 (Actual)	June 30, 2008 (Actual)
Imputation creditable ratio	1.62%	1.61%

(6) Information relating of undistributed earnings:

	June 30,			
	2007		2008	
Year	NT$	US$	NT$	US$
Prior to 1997	$-	$-	$-	$-
After 1998	-	-	-	-
Total	$-	$-	$-	$-

Net income after tax for the six months ended June 30, 2007 and 2008 are not included in the undistributed earnings after 1998 expressed above.

25. Earnings per share

	For the six months ended June 30, 2007		For the six months ended June 30, 2008	
	NT$	US$	NT$	US$
Net income (A)	$679,537	$20,699	$457,250	$15,061
Outstanding number of shares (in thousands shares)(B)	231,701	231,701	231,701	231,701
Weighted average outstanding number of shares (in thousands shares) (C)	231,701	231,701	231,701	231,701
Earnings per shares (in dollars)(A)/(C)	$2.93	$0.09	$1.97	$0.06

26. Related party transactions

(1) Related parties

Name	Relationship
Cathay Financial Holdings Co., Ltd.	Parent company
Cathay Life Insurance Co., Ltd.	Subsidiary of Cathay Financial Holdings Co., Ltd
Cathay United Bank Co., Ltd.	Subsidiary of Cathay Financial Holdings Co., Ltd
Cathay Securities Corp.	Subsidiary of Cathay Financial Holdings Co., Ltd
Cathay Pacific Venture Capital Co., Ltd.	Subsidiary of Cathay Financial Holdings Co., Ltd
Cathay Capital Management Inc.	Subsidiary of Cathay Financial Holdings Co., Ltd
Cathay Venture Capital Corp.	Subsidiary of Cathay Financial Holdings Co., Ltd
Cathay II Venture Capital Corp.	Subsidiary of Cathay Financial Holdings Co., Ltd
Vista Technology venture capital Corp.	An equity method investee
Symphox Information Co., Ltd	Subsidiary of Cathay Life Insurance Co., Ltd.
Cathay Securities Investment Consulting Co., Ltd.	Subsidiary of Cathay Life Insurance Co., Ltd.
Cathay Insurance (Bermuda) Co., Ltd.	Subsidiary of Cathay Life Insurance Co., Ltd.
Cathay Life Insurance Co., Ltd. (Shanghai)	Subsidiary of Cathay Life Insurance Co., Ltd.
Cathay Life Insurance (Vietnam) Co., Ltd.	Subsidiary of Cathay Life Insurance Co., Ltd.
Cathay Securities Investment Trust Co., Ltd.	The investee is accounted for using the equity
Cathay Bank Property Agency of Association	Subsidiary of Cathay United Bank Co, Ltd.
Cathay Bank Life Insurance Agency of Association	Subsidiary of Cathay United Bank Co, Ltd.
Seaward Card Co., Ltd.	Subsidiary of Cathay United Bank Co, Ltd.
Indovina Bank Limited	Subsidiary of Cathay United Bank Co, Ltd.
Cathay Futures Co., Ltd.	Subsidiary of Cathay Securities Co., Ltd
Cathay Pacific Partners	Subsidiary of Cathay Capital Management Inc.

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

Name	Relationship
Seaward Leasing Ltd.	Related Party disclosed according to Accounting Standard No. 6
Cathay Real Estate Development Co., Ltd.	Related Party disclosed according to Accounting Standard No. 6
Cathay General Hospital	Related Party disclosed according to Accounting Standard No. 6
Peng Yi-Miao	Assistant manager of the Company
Fan Shi-Kai	Manager of the Company
Que Ming-Huang	Manager of the Company
Chang Zhao-Yang	Manager of the Company
Ming Yi-Ching	Manager of the Company
Jian Jie	Internal audit manager of the Company

(2) Significant transactions with related parties

Related party transactions individually amounting less than NT$3,000 (US$99) are no longer disclosed starting from year 2008.

A. Premiums income

	For the six months ended June 30,			
	2007		2008	
Name	NT$	US$	NT$	US$
Cathay Life Insurance Co., Ltd.	$84,459	$2,573	$40,332	$1,328
Cathay United Bank	66,619	2,029	60,778	2,002
Cathay Securities Corp.	367	11	-	-
Cathay General Hospital	1,755	53	-	-
Cathay Real Estate Development Co., Ltd.	811	25	-	-
Seaward Leasing Ltd.	3,379	103	-	-
Total	$157,390	$4,794	$101,110	$3,330

B. Premiums receivable

	For the six months ended June 30,			
	2007		2008	
Name	NT$	US$	NT$	US$
Cathay Life Insurance Co., Ltd.	$1,565	$48	$-	$-
Cathay United Bank	11,504	350	8,979	296
Cathay Real Estate Development Co., Ltd.	538	16	-	-
Total	$13,607	$414	$8,979	$296

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

C. Insurance claims payment

	For the six months ended June 30,			
	2007		2008	
Name	NT$	US$	NT$	US$
Cathay United Bank	$331	$10	$8,868	$292

D. Cash in banks

		For the six months ended June 30, 2007		
Name	Type	Ending balance	Interest rate	Interest income
		NT$		NT$
Cathay United Bank	Cash in banks	$255,846	0.10%	$130
	Time deposits	$386,450	2.09%~2.21%	$4,679

		For the six months ended June 30, 2007		
Name	Type	Ending balance	Interest rate	Interest income
		US$		US$
Cathay United Bank	Cash in banks	$7,793	0.10%	$4
	Time deposits	$11,771	1.93%~2.21%	$143

		For the six months ended June 30, 2008		
Name	Type	Ending balance	Interest rate	Interest income
		NT$		NT$
Cathay United Bank	Cash in banks	$488,533	0.10%	$165
	Time deposits	$409,450	2.21%~2.62%	$5,323

		For the six months ended June 30, 2008		
Name	Type	Ending balance	Interest rate	Interest income
		US$		US$
Cathay United Bank	Cash in banks	$16,091	0.10%	$5
	Time deposits	$13,486	2.28%~2.62%	$175

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

E. Loans

	For the six months ended June 30, 2007			
Name	Maximum amount	Ending balance	Interest rate	Interest income
	NT$	NT$		NT$
Fan Shi-Kai	$10,600	$10,491	1.93%	$51
Que Ming-Huang	$5,800	$5,373	2.47%	$69
Chang Zhao-Yang	$3,475	$3,420	2.47%	$42
Jian Jie	$1,461	$1,436	2.47%	$18
Peng Yi-Miao	$5,000	$5,000	2.47%	$-

	For the six months ended June 30, 2007			
Name	Maximum amount	Ending balance	Interest rate	Interest income
	US$	US$		US$
Fan Shi-Kai	$323	$320	1.93%	$2
Que Ming-Huang	$177	$164	2.47%	$2
Chang Zhao-Yang	$106	$104	2.47%	$1
Jian Jie	$45	$44	2.47%	$1
Peng Yi-Miao	$152	$152	2.47%	$-

	For the six months ended June 30, 2008			
Name	Maximum amount	Ending balance	Interest rate	Interest income
	NT$	NT$		NT$
Peng Yi-Miao	$3,838	$3,826	2.85%	$59
Que Ming-Huang	$4,655	$4,637	2.85%	$69
Chang Zhao-Yang	$3,320	$3,311	2.85%	$47
Ming Yi-Ching	$6,000	$6,000	2.85%	$85
Fan Shi-Kai	$9,618	$9,586	2.85%	$138

	For the six months ended June 30, 2008			
Name	Maximum amount	Ending balance	Interest rate	Interest income
	US$	US$		US$
Peng Yi-Miao	$126	$126	2.85%	$2
Que Ming-Huang	$153	$153	2.85%	$2
Chang Zhao-Yang	$109	$109	2.85%	$2
Ming Yi- Ching	$198	$198	2.85%	$3
Fan Shi-Kai	$317	$316	2.85%	$5

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

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

	June 30,			
	2007		2008	
Name	NT$	US$	NT$	US$
Cathay Securities Investment Trust Co., Ltd.	$154,376	$4,702	$43,320	$1,427

G. Available-for-sale financial assets-current

	June 30,			
	2007		2008	
Name	NT$	US$	NT$	US$
Cathay Securities Investment Trust Co., Ltd.	$77,127	$2,349	$117,783	$3,880

H. Guarantee deposits paid

	June 30,			
	2007		2008	
Name	NT$	US$	NT$	US$
Cathay Life Insurance Co., Ltd.	$17,144	$522	$19,421	$640
Cathay Futures Corp.	4,872	149	5,066	167
Total	$22,016	$671	$24,487	$807

I. Other payable

	June 30,			
	2007		2008	
Name	NT$	US$	NT$	US$
Cathay Financial Holding Co., Ltd.	$136,475	$4,157	$183,222	$6,035
Cathay Life Insurance Co., Ltd.	260,490	7,935	158,223	5,212
Symphox Information Co., Ltd.	1,482	45	-	-
Total	$398,447	$12,137	$341,445	$11,247

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

J. Guarantee deposits received - guarantee notes

	June 30,			
	2007		2008	
Name	NT$	US$	NT$	US$
Symphox Information Co., Ltd.	$400	$12	$-	$-

K. Operating costs

		For the six months ended June 30,			
		2007		2008	
Name	Summary	NT$	US$	NT$	US$
Cathay Life Insurance Co., Ltd.	Handing fee paid	$1,393	$42	$-	$-
Cathay Bank Property Agency of Association	Commission expenses	350	11	-	-
Cathay United Bank	Handing fee paid	-	-	13,699	451
Total		$1,743	53	$13,699	$451

L. Operating expenses

		For the six months ended June 30,			
		2007		2008	
Name	Summary	NT$	US$	NT$	US$
Cathay Life Insurance Co., Ltd.	Rental expenses	$32,893	$1,002	$41,376	$1,363
	Marketing expenses	277,892	8,465	466,847	15,377
	Party premium expenses	4,016	122	4,348	143
	Training expense	710	22	-	-
	Administrative expenses	2,869	87	3,340	110
Seaward Leasing Ltd.	Rental expenses	1,319	40	-	-
Cathay United Bank	Marketing expenses	20,062	611	26,347	868
Total		$339,761	$10,349	$542,258	$17,861

M. Other expenses

	For the six months ended June 30,			
	2007		2008	
Name	NT$	US$	NT$	US$
Symphox Information Co., Ltd.	$9,316	$284	$-	$-
Seaward Card Co., Ltd.	765	23	-	-
Total	$10,081	$307	$-	$-

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

N. Other

As of June 30, 2007 and 2008 the nominal amount of the derivative financial instruments transactions with Cathay United Bank are listed below:

	For the six months ended June 30,	
Item	2007	2008
Forward foreign exchange contracts	US$21,054	US$22,150
CS contracts	US$34,550	US$31,150
IRS	NT$-	NT$600,000
	(USD$-)	(US$19,763)

27. Pledged assets

	June 30,			
	2007		2008	
Item	NT$	US$	NT$	US$
Government bonds	$350,510	$10,677	$345,033	$11,365

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

28. Commitment and contingent liabilities

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

B. As of June 30, 2008, the Company has entered into several significant rental contracts. The estimated rents payable for the next five years are as follows:

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

Period	Amount (NT$)	Amount (US$)
July 1, 2008 ~ June 30, 2009	$82,610	$2,721
July 1, 2009 ~ June 30, 2010	85,494	2,816
July 1, 2010 ~ June 30, 2011	88,012	2,899
July 1, 2011 ~ June 30, 2012	90,605	2,985
July 1, 2012 ~ June 30, 2013	93,276	3,072
Total	$439,997	$14,493

29. Significant disaster losses: None.

30. Subsequent events: None.

31. Others

(1) Pension related information

A. Pension funded status:

According to the ROC SFAS No.23 “Interim Financial Reporting and Disclosures”, the interim financial statements are requited to follow the principles outlined in the ROC SFAS No.18 “Accounting for Pensions”.

(2) Risk management policies and hedge strategies

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

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

The primary risks involved in these derivative transactions are market risk, credit risk, operational risk and liquidity risk.

Market Risk

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

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

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

Credit risk

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

Operational Risk

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

Liquidity risk

The company's exposure to liquidity risk is minimal.

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

(3) Financial instruments related information:

	June 30, 2007			
	NT$		US$	
Assets	Carrying amount	Fair value	Carrying amount	Fair value
Non-derivative financial instruments:				
Cash and Cash equivalents	$1,703,139	$1,703,139	$51,878	$51,878
Financial assets at fair value through profit or loss - current	973,666	973,666	29,658	29,658
Available-for-sale financial assets - current	2,703,447	2,703,447	82,347	82,347
Investments in debt securities with no active market - current	76,478	76,478	2,330	2,330
Receivables	2,035,163	2,035,163	61,991	61,991
Prepaid reinsurance premiums	1,087,006	1,087,006	33,110	33,110
Claims recoverable from reinsurers	1,100,107	1,100,107	33,509	33,509
Due from reinsurers and ceding companies	115,393	115,393	3,515	3,515
Accounts receivable - reinsurance	29,647	29,647	903	903
Secured loans	2,279,562	2,279,562	69,435	69,435
Held-to-maturity financial assets - noncurrent	4,271,002	4,271,002	130,094	130,094
Financial assets carried at cost - noncurrent	60,000	60,000	1,828	1,828
Investments in debt securities with no active market - noncurrent	227,795	227,795	6,939	6,939
Long-term investments under equity method	438,651	438,651	13,361	13,361
Guarantee deposits paid	420,485	420,485	12,808	12,808
Derivative financial instruments:				
Financial assets at fair value through profit or loss - current				
Options Contract	586	586	18	18
Liabilities				
Non-derivative financial instrument:				
Claims outstanding	27,012	27,012	823	823
Due to reinsurers and ceding companies	358,675	358,675	10,925	10,925
Account payable - reinsurance	961,430	961,430	29,285	29,285
Operating and liabilities reserve	12,071,640	12,071,640	367,701	367,701
Derivative financial instruments:				
Financial liabilities at fair value through Profit or loss - current				
Forward	3,432	3,432	105	105

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

	June 30, 2008			
	NT$		US$	
Assets	Carrying amount	Fair value	Carrying amount	Fair value
Non-derivative financial instruments:				
Cash and Cash equivalents	$2,441,823	$2,441,823	$80,429	$80,429
Financial assets at fair value through profit or loss - current	681,103	681,103	22,434	22,434
Available-for-sale financial assets - current	2,920,293	2,920,293	96,189	96,189
Held-to-maturity financial assets - current	551,548	551,548	18,167	18,167
Financial assets carried at cost - current	24,000	24,000	791	791
Investments in debt securities with no active market - current	226,194	226,194	7,450	7,450
Receivables	2,125,311	2,125,311	70,004	70,004
Prepaid reinsurance premiums	1,340,946	1,340,946	44,168	44,168
Claims recoverable from reinsurers	1,244,518	1,244,518	40,992	40,992
Due from reinsurers and ceding companies	80,980	80,980	2,667	2,667
Account receivable - reinsurance	29,800	29,800	982	982
Secured loans	1,748,337	1,748,337	57,587	57,587
Held-to-maturity financial assets - noncurrent	2,986,795	2,986,795	98,379	98,379
Financial assets carried at cost-noncurrent	36,000	36,000	1,186	1,186
Long-term investments under equity method	409,143	409,143	13,476	13,476
Other financial assets - noncurrent	832,315	832,315	27,415	27,415
Guarantee deposits paid	446,285	446,285	14,700	14,700
Liabilities				
Non - derivative financial instrument:				
Claims outstanding	11,289	11,289	372	372
Due to reinsurers and ceding companies	340,221	340,221	11,206	11,206
Account payable - reinsurance	641,424	641,424	21,127	21,127
Operating and liabilities reserve	13,665,244	13,665,244	450,107	450,107
Derivative financial instruments:				
Financial liabilities at fair value through Profit or loss - current				
Forward	34,468	34,468	1,135	1,135

	June 30, 2008			
	NT$		US$	
Liabilities	Carrying amount	Fair value	Carrying amount	Fair value
Derivative financial liabilities for hedging - current				
IRS	$9,304	$9,304	$306	$306

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

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

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

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

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

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

⑤ The following table summarizes the fair value information of the Company's financial assets and liabilities at June 30, 2007 and 2008:

	June 30,			
	NT$			
	Based on the quoted market price		Based on valuation techniques	
Financial Instruments	2007	2008	2007	2008
Assets-non-derivative				
Financial assets at fair value through profit or loss - current	$973,666	$681,103	$-	$-
Available-for-sale financial assets - current	2,703,447	2,920,293	-	-
Held-to-maturity financial asset - current	-	-	-	551,548
Financial asset carried at cost - current	-	-	-	24,000
Investment in debt securities with no active market-current	-	-	76,478	226,194
Held-to-maturity financial assets - noncurrent	-	-	4,271,002	2,986,795
Financial assets carried at cost - noncurrent	-	-	60,000	36,000
Investment in debt securities with no active market - noncurrent	-	-	227,795	-
Long-term investments under equity method	-	-	438,651	409,143
Other financial assets - noncurrent	-	-	-	832,315
Assets- derivative				
Financial assets at fair value through profit and loss - current				
Option	586	-	-	-
Liability-derivative				
Financial liability at fair value through profit and loss - current				
Forward contracts	3,432	34,468	-	-
Derivative financial liabilities for hedging - current				
IRS	-	9,304	-	-

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

	June 30,			
	US$			
	Based on the quoted market price		Based on valuation techniques	
Financial Instruments	2007	2008	2007	2008
Assets-non-derivative				
Financial assets at fair value through profit or loss - current	$29,658	$22,434	$-	$-
Available-for-sale financial assets - current	82,347	96,189	-	-
Held-to-maturity financial asset - current	-	-	-	18,167
Financial asset carried at cost - current	-	-	-	791
Investment in debt securities with no active market - current	-	-	2,330	7,450
Held-to-maturity financial assets - noncurrent	-	-	130,094	98,379
Financial assets carried at cost - noncurrent	-	-	1,828	1,186
Investment in debt securities with no active market - noncurrent	-	-	6,939	-
Long-term investments under the equity method	-	-	13,361	13,476
Other financial assets - noncurrent	-	-	-	27,415
Assets-derivative				
Financial assets at fair value through profit or loss-current				
Option	18	-	-	-
Liability- derivative				
Financial liability at fair value through profit or loss-current				
Forward contracts	105	1,135	-	-
Derivative financial liabilities for hedging-current				
IRS	-	306	-	-

(4) Risk of interest rate

The following table summarizes the maturities of the Company’s financial instruments at June 30, 2007 and 2008:

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

Fix interest rate:

① June 30, 2007

Item	Less than one year NT$	Less than one year US$	Due in 1~2 years NT$	Due in 1~2 years US$	Due in 2~3 years NT$	Due in 2~3 years US$	Due in 3~4 years NT$	Due in 3~4 years US$
Held-to-maturity financial assets	$-	$-	$890,959	$27,139	$-	$-	$195,518	$5,955
Investments in debt securities with no active market	76,478	2,330	125,257	3,815	102,538	3,123	-	-

Item	Due in 4~5 years NT$	Due in 4~5 years US$	Over 5 years NT$	Over 5 years US$	Total NT$	Total US$
Held-to-maturity financial assets	$640,624	$19,513	$2,543,901	$77,487	$4,271,002	$130,094
Investments in debt securities with no active market	-	-	-	-	304,273	9,268

② June 30, 2008

Item	Less than one year NT$	Less than one year US$	Due in 1~2 years NT$	Due in 1~2 years US$	Due in 2~3 years NT$	Due in 2~3 years US$	Due in 3~4 years NT$	Due in 3~4 years US$
Held-to-maturity financial assets	$551,548	$18,167	$-	$-	$-	$-	$333,746	$10,993
Investments in debt securities with no active market	226,194	7,450	-	-	-	-	-	-

Item	Due in 4~5 years NT$	Due in 4~5 years US$	Over 5 years NT$	Over 5 years US$	Total NT$	Total US$
Held-to-maturity financial assets	$230,868	$7,604	$2,422,181	$79,782	$3,538,343	$116,546
Investments in debt securities with no active market	-	-	-	-	226,194	7,450

(5) Credit risk

The Company's exposure to credit risk in minimal.

(6) Fair value hedges

	Designated as hedging instruments				
		Fair value			
		June 30, 2007		June 30, 2008	
Hedged item	Financial instruments of designated as hedging instruments	NT$	US$	NT$	US$
Overseas bonds	Foreign exchange SWAP	$(3,432)	$(105)	$(34,468)	$(1,135)

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

(7) Hedged of derivative financial instruments related information

The following table summarizes the terms of the Company's interest rate swap for bonds hedging at June 30, 2008:

Cash flow hedges-IRS

① June 30, 2008

Par value				
NT$	US$	Exchange rate	Frequency	Maturity date
$200,000	$6,588	2.65%	Each quarter	2014/9/30
200,000	6,588	2.40%	Each quarter	2012/9/28
200,000	6,588	2.785%	Each quarter	2015/4/30

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 loss on financial instruments were recognized in equity by NT$9,304 (US$306) as of June 30, 2008.

(8) Discretionary account management

	June 30, 2007			
	Book value		Fair value	
Item	NT$	US$	NT$	US$
Listed stocks	$359,962	$10,965	$359,962	$10,965
Short - term notes	100,229	3,053	100,229	3,053
Cash in banks	55,038	1,676	55,038	1,676
Net other assets less liabilities	366	11	366	11
Total	$515,595	$15,705	$515,595	$15,705

	June 30, 2008			
	Book value		Fair value	
Item	NT$	US$	NT$	US$
Listed stocks	$247,646	$8,157	$247,646	$8,157
Short - term notes	190,683	6,280	190,683	6,280
Cash in banks	164,064	5,404	164,064	5,404
Net other assets less liabilities	33,207	1,094	33,207	1,094
Total	$635,600	$20,935	$635,600	$20,935

As of June 30, 2007 and 2008, the Company had discretionary account management contracts in the amount of NT$400,000 (US$12,184) and NT$600,000 (US$19,763), respectively.

(9) 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.

(10) Material Contract: None.

(11) Presentation of Financial Statements:

Certain accounts in financial statements for the six months ended June 30, 2007 have been reclassified in order to be comparable with those in the financial statements for the six months ended June 30, 2008.

32. Information for investment in Mainland China

On June 30, 2006, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized the Company to remit US$28,690 as the registered capital to establish a China-based general insurance subsidiary(in form of joint venture with Cathay Life Insurance). The Company has received approved from the China Insurance Regulatory Commission on October 8, 2007 to form a join venture general insurance company. As of June 30, 2008, the Company's remittances to this company totaled approximately US$27,420.

33. Segment information: None.