

**CATHAY LIFE INSURANCE CO., LTD.
FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
AS OF JUNE 30, 2002 AND 2001**

Name of the company: Cathay Life Insurance Co., Ltd.

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Independent Auditors' Report

To: Board of Directors
Cathay Life Insurance Co., Ltd.

We have audited the accompanying balance sheets of Cathay Life Insurance Co., Ltd. as of June 30, 2002 and 2001 and the related statements of income, changes in stockholders' equity, and cash flows for the years 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 audits.

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 Life Insurance Co., Ltd. as of June 30, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles in the Republic of China.

BDO Taiwan Union & Co.
July 23, 2002

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 jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

CATHAY LIFE INSURANCE CO., LTD.
BALANCE SHEETS
(Expressed in thousands of dollars)
As of June 30, 2002 and 2001

	2002			2001		
	NT\$	US\$	%	NT\$	US\$	%
Assets						
Current Assets						
Cash and cash equivalents (Notes 2, 4)	\$150,252,243	\$4,490,503	12.42	\$282,544,163	\$8,194,436	25.92
Short-term investments (Notes 2, 5)	287,778,132	8,600,661	23.78	166,531,257	4,829,793	15.27
Notes receivable	19,252,768	575,397	1.59	20,099,065	582,919	1.84
Notes receivable-related parties (Note 18)	19,039	569	0.00	81,507	2,364	0.01
Tax refund receivable	15,029	449	0.00	606,250	17,583	0.06
Interest receivable	10,630,257	317,700	0.88	10,515,260	304,967	0.96
Other accounts receivable	5,334,144	159,419	0.44	1,481,434	42,965	0.14
Prepayments	559,509	16,722	0.05	312,528	9,064	0.03
Premiums paid for others (Note 6)	13,391,285	400,218	1.11	11,863,265	344,062	1.09
Sub-total	487,232,406	14,561,638	40.27	494,034,729	14,328,153	45.32
Exchange Bills Negotiated, Discounted and Loans (Notes 2, 7)						
Policy loans for life insurers	171,137,157	5,114,679	14.14	169,324,556	4,910,805	15.53
Short-term secured loans	79,598	2,379	0.01	102,978	2,987	0.01
Medium-term secured loans	11,568,922	345,754	0.96	14,896,809	432,042	1.36
Long-term secured loans	304,539,827	9,101,608	25.17	286,264,107	8,302,323	26.26
Sub-total	487,325,504	14,564,420	40.28	470,588,450	13,648,157	43.16
Funds, Long-Term Investments, and Receivable						
Long-term investments in stocks (Notes 2, 8)	11,189,256	334,407	0.92	9,544,954	276,826	0.87
Long-term investments in bonds (Notes 2, 9)	107,104,179	3,200,962	8.85	10,144,924	294,226	0.93
Investments in real estate (Notes 2, 10)	91,552,802	2,736,186	7.57	83,473,180	2,420,916	7.66
Sub-total	209,846,237	6,271,555	17.34	103,163,058	2,991,968	9.46
Property and Equipment (Notes 2,11)						
Land	5,849,141	174,810	0.49	4,940,820	143,295	0.45
Buildings and Structures	11,030,954	329,676	0.91	9,918,816	287,669	0.91
Communication and transportation equipment	150,118	4,487	0.01	144,212	4,183	0.01
Other equipment	3,724,172	111,302	0.31	3,010,321	87,306	0.28
Sub-total	20,754,385	620,275	1.72	18,014,169	522,453	1.65
Less: Accumulated depreciation	(4,775,161)	(142,713)	(0.40)	(4,122,172)	(119,552)	(0.38)
Construction in progress and prepayment for equipment	321,998	9,624	0.03	150,000	4,350	0.02
Sub-total	16,301,222	487,186	1.35	14,041,997	407,251	1.29
Other Assets						
Non-operating assets (Notes 2, 23)	4,036,260	120,629	0.33	2,666,316	77,329	0.24
Guarantee deposits paid (Notes 2, 19)	279,402	8,350	0.02	1,145,476	33,222	0.11
Overdue receivables (Notes 2, 12)	4,220,361	126,132	0.35	4,251,313	123,298	0.39
Temporary payments and suspense accounts	315,206	9,420	0.03	242,125	7,022	0.02
Deferred income tax assets (Notes 2, 16)	343,123	10,255	0.03	97,593	2,830	0.01
Sub-total	9,194,352	274,786	0.76	8,402,823	243,701	0.77
Total Assets	\$1,209,899,721	\$36,159,585	100.00	\$1,090,231,057	\$31,619,230	100.00

(The exchange rates provided by the Federal Reserve Bank of New York on June 30, 2002 and 2001 were NT\$33.46 and NT\$34.48 to US\$1.00)

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

CATHAY LIFE INSURANCE CO., LTD.
BALANCE SHEETS - (Continued)
(Expressed in thousands of dollars)
As of June 30, 2002 and 2001

	2002			2001		
	NT\$	US\$	%	NT\$	US\$	%
Liabilities & Stockholders' Equity						
Current Liabilities						
Notes payable	\$35,810	\$1,070	0.00	\$1,731	\$50	0.00
Accounts payable-related parties (Note 18)	160,002	4,782	0.01	21,381	620	0.00
Collections for others	188,926	5,646	0.02	370,923	10,758	0.04
Accrued expenses	2,012,705	60,153	0.17	2,822,960	81,872	0.26
Income taxes payable	788,279	23,559	0.06	892,985	25,899	0.08
Commissions payable	802,034	23,970	0.07	1,498,648	43,464	0.14
Dividends payable	305,209	9,122	0.02	323,938	9,395	0.03
Life insurance proceeds payable	1,984	59	0.00	772	22	0.00
Other payable	2,253,246	67,341	0.19	98,459	2,856	0.01
Accounts collected in advance	1,258,770	37,620	0.10	1,108,187	32,140	0.10
Sub-total	<u>7,806,965</u>	<u>233,322</u>	<u>0.64</u>	<u>7,139,984</u>	<u>207,076</u>	<u>0.66</u>
Long-term Liabilities						
Reserve for land revaluation increment tax	3,726	112	0.00	3,726	108	0.00
Sub-total	<u>3,726</u>	<u>112</u>	<u>0.00</u>	<u>3,726</u>	<u>108</u>	<u>0.00</u>
Other Liabilities						
Unearned premium reserve (Note 2)	13,771,846	411,591	1.14	13,253,756	384,390	1.22
Reserve for life insurance (Note 2)	1,099,166,727	32,850,171	90.85	971,948,570	28,188,763	89.15
Special claim reserve (Note 2)	17,018,278	508,616	1.41	15,470,617	448,684	1.42
Claims reserve (Note 2)	272,859	8,155	0.02	247,817	7,187	0.02
Guarantee deposits received	1,282,522	38,330	0.11	1,392,466	40,385	0.13
Temporary receipts and suspense accounts	433,019	12,941	0.03	368,100	10,676	0.03
Sub-total	<u>1,131,945,251</u>	<u>33,829,804</u>	<u>93.56</u>	<u>1,002,681,326</u>	<u>29,080,085</u>	<u>91.97</u>
Total Liabilities	<u>1,139,755,942</u>	<u>34,063,238</u>	<u>94.20</u>	<u>1,009,825,036</u>	<u>29,287,269</u>	<u>92.63</u>
Stockholders' Equity						
Capital stock						
Common stock (Note 13)	58,386,158	1,744,954	4.83	53,986,340	1,565,729	4.95
Stock Dividend to be Distributed	0	0	0.00	5,393,258	156,417	0.49
Capital surplus	3,048	91	0.00	128,489	3,727	0.01
Retained earnings (Note 14)						
Legal reserve	13,254,705	396,136	1.10	12,195,156	353,688	1.12
Unappropriated retained earnings	5,838,765	174,500	0.48	10,802,630	313,301	0.99
Equity adjustment (Notes 2, 8)						
Unrealized Valuation Losses on Long-Term Equity Investment	(9,458)	(283)	0.00	0	0	0.00
Cumulative translation adjustments	4,424	132	0.00	3,527	102	0.00
Treasury stock (Notes 2, 15)	(7,333,863)	(219,183)	(0.61)	(2,103,379)	(61,003)	(0.19)
Total Stockholders' Equity	<u>70,143,779</u>	<u>2,096,347</u>	<u>5.80</u>	<u>80,406,021</u>	<u>2,331,961</u>	<u>7.37</u>
Total Liabilities and Stockholders' Equity	<u>\$1,209,899,721</u>	<u>\$36,159,585</u>	<u>100.00</u>	<u>\$1,090,231,057</u>	<u>\$31,619,230</u>	<u>100.00</u>

(The exchange rates provided by the Federal Reserve Bank of New York on June 30, 2002 and 2001 were NT\$33.46 and NT\$34.48 to US\$1.00)

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

CATHAY LIFE INSURANCE CO., LTD.
STATEMENTS OF INCOME
(Expressed in thousands of dollars, except earning per share)
For the six Months Ended June 30, 2002 and 2001

	2002 NT\$	US\$	%	2001 NT\$	US\$	%
Operating Revenues(Note 2)						
Premiums income	\$138,674,474	\$4,144,485	65.34	\$110,277,190	\$3,198,294	61.35
Reinsurance commission earned	146,752	4,386	0.07	80,890	2,346	0.04
Claims recovered from reinsures	234,579	7,011	0.11	125,098	3,628	0.07
Recovered premiums reserve	44,424,653	1,327,694	20.93	39,449,207	1,144,119	21.95
Handling fee earned	2,464	74	0.00	4,556	132	0.00
Interest Income	21,659,215	647,317	10.21	23,799,559	690,242	13.24
Gain on disposal of investments	2,500,669	74,736	1.18	1,053,968	30,568	0.59
Gain on long-term investments	104,844	3,133	0.05	177,026	5,134	0.10
Gain on investments-real estate	2,224,728	66,489	1.05	2,596,502	75,305	1.44
Gain on foreign exchange	0	0	0.00	1,029,489	29,858	0.57
Other operating Income	2,244,885	67,092	1.06	1,168,439	33,887	0.65
Sub-total	<u>212,217,263</u>	<u>6,342,417</u>	<u>100.00</u>	<u>179,761,924</u>	<u>5,213,513</u>	<u>100.00</u>
Operating Costs(Note 2)						
Insurance expenses	(340,732)	(10,183)	(0.16)	(242,946)	(7,046)	(0.14)
Brokerage expenses	(9,948,507)	(297,325)	(4.69)	(13,866,440)	(402,159)	(7.71)
Commissions expenses	(39,469)	(1,180)	(0.02)	(5,960)	(173)	0.00
Insurance claims payment	(57,876,065)	(1,729,709)	(27.27)	(52,387,191)	(1,519,350)	(29.14)
Provision for premiums reserve	(126,046,116)	(3,767,069)	(59.40)	(94,272,190)	(2,734,112)	(52.44)
Provision for special claim reserve	(900,630)	(26,917)	(0.42)	(872,392)	(25,301)	(0.49)
Contribution to the stabilization funds	(138,589)	(4,142)	(0.07)	(110,195)	(3,196)	(0.06)
Provision for claims reserve	(6,538)	(195)	0.00	(18,011)	(522)	(0.01)
Handling fee paid	(1,089,873)	(32,573)	(0.51)	(681,693)	(19,771)	(0.38)
Interest expenses	(15,603)	(466)	(0.01)	(34,602)	(1,004)	(0.02)
Loss on foreign exchange	(473,369)	(14,147)	(0.22)	0	0	0.00
Provisions expenses	(1,984,875)	(59,321)	(0.94)	(1,063,331)	(30,839)	(0.59)
Sub-total	<u>(198,860,366)</u>	<u>(5,943,227)</u>	<u>(93.71)</u>	<u>(163,554,951)</u>	<u>(4,743,473)</u>	<u>(90.98)</u>
Operating Gross Profit	<u>13,356,897</u>	<u>399,190</u>	<u>6.29</u>	<u>16,206,973</u>	<u>470,040</u>	<u>9.02</u>
Operating Expenses (Note 2)						
Marketing expenses	(2,839,443)	(84,860)	(1.34)	(3,994,560)	(115,851)	(2.23)
Administrative and general expenses	(4,306,595)	(128,709)	(2.03)	(3,903,922)	(113,223)	(2.17)
Operating Income	<u>6,210,859</u>	<u>185,621</u>	<u>2.92</u>	<u>8,308,491</u>	<u>240,966</u>	<u>4.62</u>
Non-Operating Revenues						
Gain on disposal of property and equipment	2,225	66	0.00	2,627	76	0.00
Miscellaneous income	187,129	5,593	0.09	143,945	4,175	0.08
Sub-total	<u>189,354</u>	<u>5,659</u>	<u>0.09</u>	<u>146,572</u>	<u>4,251</u>	<u>0.08</u>
Non-Operating Expenses						
Loss on disposal of property and equipment	(2,111)	(63)	0.00	(573)	(17)	0.00
Miscellaneous expenses	(1,399)	(42)	0.00	(51,214)	(1,485)	(0.03)
Sub-total	<u>(3,510)</u>	<u>(105)</u>	<u>0.00</u>	<u>(51,787)</u>	<u>(1,502)</u>	<u>(0.03)</u>
Income from Continuing Operations before income taxes	6,396,703	191,175	3.01	8,403,276	243,715	4.67
Income Taxes (Notes 2, 16)	(685,384)	(20,484)	(0.32)	(1,497,803)	(43,440)	(0.83)
Net Income	<u>\$5,711,319</u>	<u>\$170,691</u>	<u>2.69</u>	<u>\$6,905,473</u>	<u>\$200,275</u>	<u>3.84</u>
Before income taxes Earnings Per Share (expressed in dollars) (Note 17)	<u>\$1.13</u>	<u>\$0.03</u>		<u>\$1.42</u>	<u>\$0.04</u>	
After income taxes Earnings Per Share (expressed in dollars) (Note 17)	<u>\$1.01</u>	<u>\$0.03</u>		<u>\$1.17</u>	<u>\$0.03</u>	

(The exchange rates provided by the Federal Reserve Bank of New York on June 30, 2002 and 2001 were NT\$33.46 and NT\$34.48 to US\$1.00)

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

CATHAY LIFE INSURANCE CO., LTD.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Expressed in thousands of dollars)
For the six Months Ended June 30, 2002 and 2001

Summary	Capital Stock				Retained Earnings						Equity Adjustments		Treasury Stock		Total	
	Common Stock		Stock dividend to be distributed		Capital Surplus		Legal Reserve		Unappropriated Retained Earnings		Cumulative translation adjustments		NT\$	US\$	NT\$	US\$
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Balance on January 1, 2001	\$53,986,340	\$1,565,729	\$0	\$0	\$126,519	\$3,670	\$11,222,160	\$325,469	\$15,820,997	\$458,845	\$1,573	\$45	(\$317,483)	(\$9,208)	\$80,840,106	\$2,344,5
Appropriations and Distributions for 2000																
Legal reserve							972,996	28,219	(972,996)	(28,219)						0
Cash dividends									(5,393,258)	(156,417)					(5,393,258)	(156,4
Remuneration paid to directors and supervisors									(8,100)	(235)					(8,100)	(2,
Bonus paid to employees									(154,258)	(4,474)					(154,258)	(4,4
Stock dividend to be distributed			5,393,258	156,417					(5,393,258)	(156,417)					0	
Cumulative translation adjustments											1,954	57			1,954	
Treasury stock acquired													(1,785,896)	(51,795)	(1,785,896)	(51,7
Net Income after tax for the six months ended June 30, 2001									6,905,473	200,275					6,905,473	200,2
Capital surplus from disposal of property and equipment					1,970	57			(1,970)	(57)					0	
Balance on June 30, 2001	\$53,986,340	\$1,565,729	\$5,393,258	\$156,417	\$128,489	\$3,727	\$12,195,156	\$353,688	\$10,802,630	\$313,301	\$3,527	\$102	(\$2,103,379)	(\$61,003)	\$80,406,021	\$2,331,5

(The exchange rates provided by the Federal Reserve Bank of New York on June 30, 2002 and 2001 were NT\$33.46 and NT\$34.48 to US\$1.00)

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

CATHAY LIFE INSURANCE CO., LTD.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY-(Continued)
(Expressed in thousands of dollars)
For the six Months Ended June 30, 2002 and 2001

Summary	Capital Stock		Capital Surplus		Retained Earnings				Equity Adjustments				Treasury Stock		Total	
	Common Stock				Legal Reserve		Unappropriated Retained Earnings		Cumulative translation adjustments		Unrealized valuation losses on long-term equity investment					
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Balance on January 1, 2002	\$58,386,158	\$1,744,954	\$130,494	\$3,900	\$12,195,156	\$364,470	\$11,461,899	\$342,555	\$6,657	\$199	\$0	\$0	(\$7,333,863)	(\$219,183)	\$74,846,501	\$2,236,89
Appropriations and Distributions for 2001																
Legal reserve					1,059,549	31,666	(1,059,549)	(31,666)							0	
Cash dividends							(10,254,383)	(306,467)							(10,254,383)	(306,467)
Remuneration paid to directors and supervisors							(8,100)	(242)							(8,100)	(242)
Bonus paid to employees							(139,867)	(4,180)							(139,867)	(4,180)
Capital surplus from disposal of property and equipment turned into retained earnings			(127,446)	(3,809)			127,446	3,809							0	
Cumulative translation adjustments									(2,233)	(67)					(2,233)	(67)
Unrealized valuation losses on long-term equity investment											(9,458)	(283)			(9,458)	(283)
Net Income after tax for the six months ended June 30, 2002							5,711,319	170,691							5,711,319	170,691
Balance on June 30, 2002	\$58,386,158	\$1,744,954	\$3,048	\$91	\$13,254,705	\$396,136	\$5,838,765	\$174,500	\$4,424	\$132	(\$9,458)	(\$283)	(\$7,333,863)	(\$219,183)	\$70,143,779	\$2,096,34

(The exchange rates provided by the Federal Reserve Bank of New York on June 30, 2002 and 2001 were NT\$33.46 and NT\$34.48 to US\$1.00)

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

CATHAY LIFE INSURANCE CO., LTD.
STATEMENTS OF CASH FLOWS
(Expressed in thousands of dollars)
For the six Months Ended June 30, 2002 and 2001

	2002 NT\$	US\$	2001 NT\$	US\$
Cash Flows from Operating Activities				
Net Income for the Period	\$5,711,319	\$170,691	\$6,905,473	\$200,275
Adjustments:				
Loss (gain) on bad debt	1,984,875	59,321	1,063,331	30,839
Depreciation	1,103,742	32,987	835,520	24,232
Provision for reserve for operations	126,953,283	3,794,181	95,162,594	2,759,936
Recovered reserve for life insurance	(43,540,325)	(1,301,265)	(38,796,938)	(1,125,201)
Applicant terminates the insurance contract income	(884,328)	(26,429)	(652,268)	(18,917)
Provision loss (gain) on short-term investments	(2,244,885)	(67,092)	(1,168,439)	(33,887)
Loss (gain) on disposal of property and equipment	(115)	(3)	(2,053)	(60)
Loss (gain) on disposal of investments	(13,330)	(398)	(4,327)	(126)
Loss (gain) on disposal of real estate	14,868	444	1,401	41
Amortization long-term investments in bonds	5,504	164	16,931	491
Unrealized loss (gain) on long-term investments	20,372	609	3,747	109
Effects of exchange rate changes	(26)	(1)	(50,012)	(1,451)
Decrease (increase) in short-term investments	(69,827,554)	(2,086,896)	25,727,021	746,143
Decrease (increase) in notes receivable	82,985	2,480	2,079,752	60,318
Decrease (increase) in notes and accounts receivable-related parties	4,568	137	(81,289)	(2,358)
Decrease (increase) in prepayments	(181,258)	(5,417)	(97,565)	(2,830)
Decrease (increase) in prepaid pension	360,809	10,783	515,498	14,951
Decrease (increase) in other current assets	(606,354)	(18,122)	(1,203,979)	(34,918)
Decrease (increase) in temporary payments and suspense accounts	(189,771)	(5,672)	(132,486)	(3,843)
Decrease (increase) in deferred income tax assets	68,888	2,059	(97,592)	(2,830)
Increase (decrease) in notes payable	34,136	1,020	(26)	(1)
Increase (decrease) in accounts payable-related parties	128,005	3,826	(81,745)	(2,371)
Increase (decrease) in accrued expenses	(479,720)	(14,337)	(3,731,400)	(108,219)
Increase (decrease) in other accounts payable	1,330,375	39,760	(99,141)	(2,875)
Increase (decrease) in accounts collected in advance	(9,693)	(290)	(21,102)	(612)
Increase (decrease) in other current liabilities	27,844	832	188,166	5,457
Increase (decrease) in temporary receipts and suspense accounts	18,285	546	(26,371)	(765)
Increase (decrease) in deferred income tax liabilities	(68,422)	(2,045)	115,716	3,356
Net Cash Provided by (Used in) Operating Activities	<u>19,804,077</u>	<u>591,873</u>	<u>86,368,417</u>	<u>2,504,884</u>
Cash Flows from Investing Activities				
Decrease (increase) in forward exchange receivable	(2,873,642)	(85,883)	0	0
Decrease (increase) in policy loans for life insurers	2,314,678	69,177	(8,027,306)	(232,810)
Decrease (increase) in secured loans	(8,417,613)	(251,572)	(13,196,137)	(382,718)
Acquisition of long-term investments in stocks	(16,248,100)	(485,598)	(985,604)	(28,585)
Proceeds from disposal of long-term investments in stocks	116,530	3,483	52,577	1,525
Disposal of investments in real estate	27,313	816	13,771	399
Acquisition of investments in real estate	(5,911,275)	(176,667)	(3,249,625)	(94,247)
Disposal of property and equipment	12,887	385	12,874	373
Acquisition of property and equipment	(611,482)	(18,275)	(416,298)	(12,074)
Decrease (increase) in non-operating assets	(1,958,875)	(58,544)	(403,430)	(11,700)
Decrease (increase) in guarantee deposits paid	1,001,202	29,922	(7,386)	(214)
Decrease (increase) in overdue receivables	(92,196)	(2,755)	(1,678,678)	(48,685)
Net Cash Provided by (Used in) Investing Activities	<u>(32,640,573)</u>	<u>(975,511)</u>	<u>(27,885,242)</u>	<u>(808,736)</u>

(The exchange rates provided by the Federal Reserve Bank of New York on June 30, 2002 and 2001 were NT\$33.46 and NT\$34.48 to US\$1.00)

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

CATHAY LIFE INSURANCE CO., LTD.
STATEMENTS OF CASH FLOWS-(Continued)
(Expressed in thousands of dollars)
For the six Months Ended June 30, 2002 and 2001

	2002		2001	
	NT\$	US\$	NT\$	US\$
Cash Flows from Financing Activities				
Increase (decrease) in guarantee deposits received	425	13	(8,386)	(243)
Remuneration paid to directors and supervisors	(8,100)	(242)	(8,100)	(235)
Bonus to employees	(139,867)	(4,180)	(154,258)	(4,474)
Cash dividends	(10,254,383)	(306,467)	(5,393,258)	(156,417)
Treasury stock acquired	0	0	(1,785,896)	(51,795)
Net Cash Provided by (Used in) Financing Activities	<u>(10,401,925)</u>	<u>(310,876)</u>	<u>(7,349,898)</u>	<u>(213,164)</u>
Effects of Exchange Rate Changes	26	1	50,012	1,450
Increase(decrease) in Cash and Cash Equivalents	(23,238,395)	(694,513)	51,183,289	1,484,434
Cash and Cash Equivalents at the Beginning of Period	173,490,638	5,185,016	231,360,874	6,710,002
Cash and Cash Equivalents at the End of Period	<u>\$150,252,243</u>	<u>\$4,490,503</u>	<u>\$282,544,163</u>	<u>\$8,194,436</u>
Supplemental Disclosure of Cash Flows Information				
Interest paid during the period	\$4,805	\$144	\$1,614	\$47
Less: Capitalization of interest	0	0	0	0
Interest paid (excluding capitalized interest)	<u>\$4,805</u>	<u>\$144</u>	<u>\$1,614</u>	<u>\$47</u>
Income tax paid	<u>\$535,273</u>	<u>\$15,997</u>	<u>\$4,578,716</u>	<u>\$132,793</u>

(The exchange rates provided by the Federal Reserve Bank of New York on June 30, 2002 and 2001 were NT\$33.46 and NT\$34.48 to US\$1.00)

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

CATHAY LIFE INSURANCE CO., LTD.
NOTES TO FINANCIAL STATEMENTS
(Expressed in thousands of dollars unless otherwise stated)
As of June 30, 2002 and 2001

1. Organization of Business Scope

CATHAY LIFE INSURANCE CO., LTD. (the “Company”) was incorporated in Taiwan on October 23, 1962, under the provisions of the Company Law (the “Company Law”) of the Republic of China (“R.O.C.”). The Company mainly engaged in life insurance. On December 31, 2001, the Company became the subsidiary of CATHAY FINANCIAL HOLDING CO., LTD. by adapting the stock conversion method under the “Financial Holding Company Law” and other pertinent laws of the R.O.C.

2. Summary of Significant Accounting Policies

(1) *Cash and Cash Equivalents*

Cash includes cash on hand, unrestricted bank deposits, and all highly liquid investments with less than three month to maturity.

(2) *Short-term Investments*

Marketable equity securities are stated at the lower of cost or market value. Stock dividends are treated as an increase in the number of shares. Cost of marketable equity securities sold is determined based on the weighted-average method.

Beneficiary certificates are stated at the lower of cost or market. The cost of beneficiary certificates sold is determined based on the weighted-average cost method.

When market value is obtainable, short-term notes are stated at the lower of aggregate cost or market value. The cost of these notes, interest income, and gain or loss due to maturity or as a result of sales of notes are determined by the specific identification method.

Bonds and convertible bonds are recorded at the lower of cost or aggregate market value. The cost of these bonds sold is determined by the specific identification method.

The R.O.C. Statements of Financial Accounting Standards (SFAS) No.30 “Treasury stock” considers parent company stock held by a subsidiary to be treasury stock of the consolidated entity. Parent stock held by subsidiary is stated individually at the lower of cost or market value.

CATHAY LIFE INSURANCE CO., LTD.
NOTES TO FINANCIAL STATEMENTS - (Continued)
(Expressed in thousands of dollars unless otherwise stated)
As of June 30, 2002 and 2001

(3) *Allowance for Bad and Doubtful Debts*

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

(4) *Long - Term Investments*

A. Long-term Investments in Stocks

Long-term investments in listed companies for which the Company's ownership interest is less than 20% of the voting stocks, and over which the Company lacks significant operational influence, are stated at the lower of cost or market value. Unrealized loss thereon is reflected as a reduction of shareholders' equity. Long-term investments in unlisted companies, in which the Company's ownership interest accounted for less than 20% of the common stocks, are stated at cost. However, when there is evidence showing that a decline in market value of such investment is not temporary and is already less than cost, the market value becomes the new cost basis and the difference is accounted for as if it were a realized loss, and included in the determination of net income. Stock dividends are not recognized as income but treated as an increase in the number of shares held. Upon sales of long-term equity investments (accounted for under cost method), the difference between the weighted-average cost and sales price is used to compute the resulting gain or loss.

Investments in equity securities are accounted for under the equity method where the Company's ownership interest is 20% or more of the voting shares and the Company has significant operational influence.

If changes occur in the capital structure of the invested companies causing an increase or decrease of the value of the stock, and the Company can no longer maintain its original shares of interest, adjustments will be dealt with in the capital surplus and long-term equity investment accounts. If there is any deficiency in the capital surplus account, the difference will be debited to the retained earnings account.

The cost of the disposal of an investment is determined by the weighted-average method

CATHAY LIFE INSURANCE CO., LTD.
NOTES TO FINANCIAL STATEMENTS - (Continued)
(Expressed in thousands of dollars unless otherwise stated)
As of June 30, 2002 and 2001

B. Long-Term Investments in Bonds

Long-term investments in bonds should be accounted for at cost, and any premium or discount should be amortized based on a reasonable and systematic basis.

(5) *Investments in Real Estate*

Investments in real estate are stated at cost when acquired. The cost of investments in real estate and its corresponding revaluation surplus and accumulated depreciation are written off upon retirement or disposal. Gain or loss resulting from disposal of an investment in real estate is classified as an operating gain or loss.

Depreciation is calculated by the straight-line method based on the “Estimated Useful Life of Fixed Assets Table” published by the Executive Yuan of the ROC government (the “Government”).

(6) *Property and Equipment*

Property and equipment are carried at cost. Improvements and major renovation of properties are capitalized, while repairs and maintenance are expensed immediately. Upon disposal of an item of property and equipment, the related cost and accumulated depreciation are removed from the accounts.

Depreciation on depreciable assets is recognized on a straight-line method, based on the useful lives prescribed by the Executive Yuan. When the economic useful lives have expired, property and equipment still in use are depreciated based on the residual value.

(7) *Deferred Charges*

According to a formula set by the Ministry of Finance, the Company allocated a “Stabilization fund “ and an off setting account “Stabilization fund reserve”. These two accounts would not be listed in the financial statements due to their offsetting nature.

From 1993 to June 30, 2002, an amount of \$1,603,526 has been appropriated to this fund.

CATHAY LIFE INSURANCE CO., LTD.
NOTES TO FINANCIAL STATEMENTS - (Continued)
(Expressed in thousands of dollars unless otherwise stated)
As of June 30, 2002 and 2001

(8) *Guaranteed Depository Insurance Payment*

According to Article 141 of the Insurance Law of the Republic of China, an amount equal to 15% of the Company's capital stock should be deposited in the Central Bank of China as the "Guaranteed Depository Insurance". The amount was deposited in the form of a bond.

(9) *Reserve for Operating:*

A. Unearned Premium Reserve:

Unearned premium reserve fund contains the portion of the premium that has been paid in advance for insurance not yet provided.

B. Special Claim Reserve:

An insurance company should set up the special claim reserve to avoid the unexpected loss for each type of insurance business with a one-year term or less than one-year term. The specified calculation method is regulated by Ministry of Finance (MOF).

C. Claims Reserve:

This reserve established to pay for claims of which the insurance company is aware of (claims incurred or future claims) but which the insurance company has not yet settled. This reserve is critical since it is an accurate indication of a company's liabilities. This reserve does not take into account INCURRED BUT NOT REPORTED LOSSES (IBNR).

D. Reserve for Life Insurance:

Specified by MOF regarding (a) the minimum assumptions that must be used in reserve calculations as they pertain to the maximum interest rate that can be assumed; (b) the mortality table that can be used (the more conservative the table, the higher the death rates that will be shown which exceed the death rates actually expected); and (c) the reserve valuation that must be used.

CATHAY LIFE INSURANCE CO., LTD.
NOTES TO FINANCIAL STATEMENTS - (Continued)
(Expressed in thousands of dollars unless otherwise stated)
As of June 30, 2002 and 2001

(10) Insurance Premiums Income and Expenses

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

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

(11) Pension Plan

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

In compliance with R.O.C. SFC regulations, the Company followed the R.O.C. 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 will be disclosed in the financial statements based on the difference between the accumulated benefit obligation and the fair value of plan assets.

(12) Foreign-currency Transactions

A. Translations of Foreign Currency Transactions

Foreign-currency transactions are recorded in New Taiwan Dollars at the rates of exchange in effect when the transactions occur. Gains or losses resulting from adjustments or settlements of foreign currency assets and liabilities are credited or charged to income. Year-end foreign currency assets and liabilities are translated at year-end exchange rate, and resulting gains or losses are credited or charged to current income.

CATHAY LIFE INSURANCE CO., LTD.
NOTES TO FINANCIAL STATEMENTS - (Continued)
(Expressed in thousands of dollars unless otherwise stated)
As of June 30, 2002 and 2001

B. Translation of Foreign Subsidiaries' Statements

Financial statements of foreign subsidiaries accounted for by the equity method are translated into New Taiwan Dollars as follows: All assets and liabilities denominated in foreign currencies are translated into New Taiwan Dollars at the exchange rate prevailing on the balance sheet date. Stockholders' equity items are translated on the historical rate basis except for the beginning balance of retained earnings, which is posted directly from the balance of the last year. Statements of income items are translated by the weighted-average exchange rate for the year. Differences arising from a translation are reported as "Cumulative Translation Adjustments" under stockholders' equity as a separate item.

When the financial statements of a foreign operation are translated into domestic currency, the foreign currency financial statements should be first converted into the functional currency if the foreign currency is not the functional currency. This process will have the same result if the transaction is recorded in the functional currency from the beginning. The exchange gain or loss from the conversion is recognized in the current period because it affects directly the cash flows of the foreign operation.

(13) Income Taxes

The Company adopted SFAS No. 22, "Accounting for Income Taxes", which requires inter-period and inter-period taxes allocations in addition to computing current period income tax payable (refund). Furthermore, it requires recognition of deferred income tax liabilities on future taxable temporary differences, and deferred income tax assets on future deductible temporary differences, prior year's loss carry-forwards and investment tax credits. The realization of deferred income tax assets is further assessed and a valuation allowance, if needed, is provided accordingly. Adjustment of prior year's income tax expense is recorded as current period income tax expense in the year of adjustment.

Deferred income tax assets and liabilities are classified as current or noncurrent in accordance with the underlying assets or liabilities. Deferred income taxes not relating to assets or liabilities are classified as current or noncurrent based on the length of the expected realizable or reversible period.

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

CATHAY LIFE INSURANCE CO., LTD.
NOTES TO FINANCIAL STATEMENTS - (Continued)
(Expressed in thousands of dollars unless otherwise stated)
As of June 30, 2002 and 2001

The Company adopted SFAS No. 12, "Accounting for Income Tax Credits" in dealing with the income tax credits. The income tax credits resulting from the expenditure on the purchase of equipment and technique, R& D, education training, and investment in equity shall be dealt by the flow-through method.

(14) Capital Expenditure Expenses

Expenditure is capitalized and amortized over its useful life if it involves a significant amount and benefits future periods. Otherwise, it is expensed in the year of expenditure.

(15) Treasury Stock

The Company uses the cost method to account for treasury stock. Under the cost method, the treasury stock account is debited for the cost of the shares purchased. When the disposal price of treasury stock is greater than the cost, the difference is credited to capital surplus-treasury stock. If the disposal price is lower than cost, the difference is debited to capital surplus from similar treasury stock. If the capital surplus-treasury stock account is insufficient to cover the excess of the cost over the price, retained earnings should be debited for the remaining amount. The book value of each share of treasury stock is equal to its weighted-average value and is calculated according to its reason for purchase.

When treasury stock is retired, capital surplus and common stock are debited according to the ratio of retiring treasury stock to total issued stock. When the book value of the retiring treasury stock is higher than the sum of its par value and capital surplus, the difference is debited to capital surplus-treasury stock. If the capital surplus-treasury stock account is insufficient to cover the difference, retained earnings should be debited for the remaining amount. When the book value of the retiring treasury stock is lower than the sum of its par value and capital surplus, the difference is credited to capital surplus-treasury stock.

(16) Derivative Financial Products Transaction

1. Forward Exchange Contract for Hedging

The purpose of the forward exchange contracts held by the Company is hedging the risks that may result from changes in currency rates. Transactions on forward exchange contracts are recognized based on the spot rate at the contract date. The difference between the spot rate and the agreed forward rate is amortized over the contact period. The exchange gains or losses resulting from the adjustments of the spot rate in the balance sheet date are recognized to current income.

CATHAY LIFE INSURANCE CO., LTD.
NOTES TO FINANCIAL STATEMENTS - (Continued)
(Expressed in thousands of dollars unless otherwise stated)
As of June 30, 2002 and 2001

2. Currency Swap (CS)

The purpose of the CS held by the Company is hedging the risks that may result from changes in currency rates. Transactions on CS are recognized based on the spot rate at the contact date. The difference between the spot rate and the agreed forward rate is amortized over the contract period. The exchange gains or losses resulting from the adjustments of the spot rate in the balance sheet date are recognized to current income. The exchange gains or losses resulting from the settlement of the swap are credited or charged to current income at the settlement date.

The net value of receivables and payables of the foreign currency options and forward exchange contracts is offset as an asset or a liability in the balance sheet.

3. Cross Currency Swap (CCS)

The purpose of the CCS held by the Company is hedging the risks that may result from changes in currency rates and interest rates. Transactions on CCS are recognized based on the spot rate at the contact date. Interests are calculated according to the agreed period, and interest rate. The difference is recognized to the current income.

4. Interest Rate Swap Agreements

The Interest Rate Swap Agreements for the purpose of hedging risks are adjusted interest revenue or expenses based on the interest difference as agreed date of settlement.

(17) Convenience Translation Into US Dollars

The financial statements are stated in New Taiwan dollars. Translation of the 2002 and 2001 New Taiwan dollar amounts into US dollar amounts are included in the financial statements solely for the convenience of the readers, using the noon buying rate provided by the Federal Reserve Bank of New York on June 30, 2002 and 2001, of NT\$33.46 and NT\$34.48 to US\$1.00. The convenience translation should not be construed as a representation that the New Taiwan dollars amounts have been, or could in the future be, converted into US dollars at this rate or any other rate of exchange.

CATHAY LIFE INSURANCE CO., LTD.
NOTES TO FINANCIAL STATEMENTS - (Continued)
(Expressed in thousands of dollars unless otherwise stated)
As of June 30, 2002 and 2001

3. Changes in Accounting and its Effects: None

4. Cash and Cash Equivalents

	June 30,			
	2002	2002	2001	2001
	NT\$	US\$	NT\$	US\$
Cash on hand	\$541,881	\$16,195	\$529,449	\$15,355
Cash in banks	7,027,959	210,040	6,187,418	179,450
Time deposits	125,064,873	3,737,743	234,028,671	6,787,374
Cash equivalents	17,617,530	526,525	41,798,625	1,212,257
Total	<u>\$150,252,243</u>	<u>\$4,490,503</u>	<u>\$282,544,163</u>	<u>\$8,194,436</u>

5. Short-Term Investments

	June 30,			
	2002	2002	2001	2001
	NT\$	US\$	NT\$	US\$
Parent stock	\$856,726	\$25,604	\$0	\$0
Less: Allowance for valuation loss	(350,898)	(10,487)	0	0
Sub-Total	<u>505,828</u>	<u>15,117</u>	<u>0</u>	<u>0</u>
Common stock and				
Beneficiary certificates	119,085,247	3,559,033	95,684,431	2,775,071
Overseas investments	75,964,781	2,270,316	13,062,690	378,848
Appoint purpose trust fund	58,946,699	1,761,707	53,327,173	1,546,612
Corporate bonds	9,542,643	285,195	13,941,265	404,329
Government bonds	13,831,188	413,365	3,665,202	106,299
Financial debentures	13,000,000	388,524	2,340,000	67,865
Short-term notes	18,929,974	565,749	47,818,070	1,386,835
Sub-Total	309,300,532	9,243,889	229,838,831	6,665,859
Less: Cash equivalents	(17,617,530)	(526,525)	(41,798,625)	(1,212,257)
Allowance for valuation loss	(4,410,698)	(131,820)	(21,508,949)	(623,809)
Sub-Total	<u>287,272,304</u>	<u>8,585,544</u>	<u>166,531,257</u>	<u>4,829,793</u>
Total	<u>\$287,778,132</u>	<u>\$8,600,661</u>	<u>\$166,531,257</u>	<u>\$4,829,793</u>

CATHAY LIFE INSURANCE CO., LTD.
NOTES TO FINANCIAL STATEMENTS - (Continued)
(Expressed in thousands of dollars unless otherwise stated)
As of June 30, 2002 and 2001

6. Premiums Paid for Others

If insurance applicants are unable to meet their insurance installments after their second installment, the Ministry of Finance ruled that applicants can make written statements, requesting the Company to pay the premium and interests payable by using the Company's "policy value reserve" prior to the due date of such installment payment or before the insurance contract's termination date. However, applicants may also choose to inform the Company by written statements of their intention, not to pay such installments.

7. Loans

(1) Policy Loans for Life Insurers

Loans secured by policies issued by Cathay Life Insurance Co., Ltd.

(2) Secured Loans

	June 30,			
	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2001</u>
	NT\$	US\$	NT\$	US\$
Short-term secured loans	\$ 80,402	\$ 2,403	\$104,018	\$3,017
Less: Allowance for bad debts	(804)	(24)	(1,040)	(30)
Sub-total	79,598	2,379	102,978	2,987
Medium-term secured loans	11,685,780	349,246	15,047,282	436,406
Less: Allowance for bad debts	(116,858)	(3,492)	(150,473)	(4,364)
Sub-total	11,568,922	345,754	14,896,809	432,042
Long-term secured loans	307,615,987	9,193,544	289,155,664	8,386,185
Less: Allowance for bad debts	(3,076,160)	(91,936)	(2,891,557)	(83,862)
Sub-total	304,539,827	9,101,608	286,264,107	8,302,323
Total	\$316,188,347	\$9,449,741	\$301,263,894	\$8,737,352

Secured loans are loans secured by government bonds, stock, corporate bonds and real estate. Loans with terms for less than one year are short-term loans; loans with terms for more than one year but less than seven years are medium-term loans ; loans with terms for more than seven years are long-term loans.

CATHAY LIFE INSURANCE CO., LTD.
NOTES TO FINANCIAL STATEMENTS - (Continued)
(Expressed in thousands of dollars unless otherwise stated)
As of June 30, 2002 and 2001

8. Long-Term Investments

(A) Long -term Investments in Stocks

<u>Investee</u>	June 30,			
	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2001</u>
	NT\$	US\$	NT\$	US\$
	<u>Book Value</u>	<u>Book Value</u>	<u>Book Value</u>	<u>Book Value</u>
A. Under the equity method:				
WK Technology Fund VI				
Co., Ltd	\$380,855	\$ 11,382	\$313,048	\$9,079
Cathay Insurance				
(Bermuda) Co., Ltd.	50,791	1,518	45,305	1,314
Cathay Venture Capital				
Crop.	149,561	4,470	147,969	4,292
Vista Technology Venture				
Capital Corp.	82,994	2,480	98,038	2,843
Omnitek Venture Capital				
Corp.	152,693	4,564	150,416	4,363
IBT Venture Capital Corp.	595,228	17,789	589,991	17,111
Wa Tech Venture Capital				
Co., Ltd.	183,877	5,495	184,098	5,339
Cathay Securities				
Investment Trust Co., Ltd.	193,266	5,776	78,723	2,283
Symphox Information Co.,				
Ltd.	268,965	8,039	287,249	8,331
Sub-total	<u>2,058,230</u>	<u>61,513</u>	<u>1,894,837</u>	<u>54,955</u>
B. Under the cost method:				
WK Technology Fund I				
Co., Ltd.	100,000	2,989	100,000	2,900
Taiwan Aerospace				
Company	260,000	7,771	260,000	7,541
Koo Group				
Telecommunications Co.,				
Ltd.	749,998	22,415	749,998	21,752
Concord III Venture				
Capital Co., Ltd.	89,280	2,668	89,280	2,589
Taipei Financial Center				
Corp.	1,441,591	43,084	712,017	20,650
Investar Dayspring V.C. Inc.	200,000	5,977	200,000	5,801

CATHAY LIFE INSURANCE CO., LTD.
NOTES TO FINANCIAL STATEMENTS - (Continued)
(Expressed in thousands of dollars unless otherwise stated)
As of June 30, 2002 and 2001

FAT Venture Capital Co., Ltd.	50,000	1,494	50,000	1,450
Concord IV Venture Capital Co., Ltd.	50,000	1,494	50,000	1,450
WK Technology Fund V Co., Ltd.	150,000	4,483	100,000	2,900
WK Technology Fund IV Co., Ltd.	127,200	3,802	127,200	3,689
Century Venture Capital Co., Ltd.	100,000	2,989	100,000	2,900
Super Tech Venture Capital Corp.	100,000	2,989	100,000	2,900
CDIB & Partners Investment Holding Corp.	500,000	14,943	500,000	14,501
Alex-Tech Machinery Industrial Co., Ltd.	21,000	628	21,000	609
Quanta Display Inc.	1,027,167	30,698	813,281	23,587
R.O.C. Venture Capital Co., Ltd.	151,970	4,542	151,970	4,407
National Venture Capital Co., Ltd.	100,000	2,989	100,000	2,900
WK Technology Fund VII Co., Ltd.	200,000	5,977	200,000	5,801
Capital Venture Fund II Corp	50,000	1,494	50,000	1,450
Fu Yu Venture Capital Investment Corp.	200,000	5,977	200,000	5,801
Concord VII Venture Capital Co., Ltd.	100,000	2,989	100,000	2,900
Allied Material Technology Corp.	98,400	2,941	98,400	2,854
New Century InfoComm Tech Co., Ltd.	1,268,000	37,896	1,268,000	36,775
Deltamac (Taiwan) Co., Ltd.	0	0	15,200	441
Srsuntour Co., Ltd.	62,000	1,853	62,000	1,798
Titan I Venture Capital Co., Ltd.	150,000	4,483	150,000	4,350
Harbinger Venture Capital Corp.	200,000	5,977	200,000	5,801
Prosperity Venture Capital Corp.	100,000	2,989	100,000	2,900

CATHAY LIFE INSURANCE CO., LTD.
NOTES TO FINANCIAL STATEMENTS - (Continued)
(Expressed in thousands of dollars unless otherwise stated)
As of June 30, 2002 and 2001

Taiwan ultra capacity Corp.	0	0	250	7
KGEx.com Co., Ltd.	175,000	5,230	175,000	5,075
United Venture Corp.	50,000	1,494	50,000	1,450
Atech Technology Co., Ltd.	0	0	3,750	109
BioCare Corp.	12,000	359	12,000	348
Megic Corp.	18,000	538	18,000	522
WK Technology Fund VII Co., Ltd.	200,000	5,977	200,000	5,801
Hua Chih Venture Capital Corp.	60,000	1,793	60,000	1,740
Jih Sun Venture Capital Investment Co., Ltd.	80,000	2,391	80,000	2,320
Formosa Epitaxy Inc.	20,500	613	20,500	595
Win Semiconductors Corp.	50,949	1,523	47,600	1,381
Sintek Photronic Corp.	75,000	2,241	75,000	2,175
National Aerospace Fasteners Corp.	0	0	38,000	1,102
Kinik Precision Grinding Co., Ltd.	6,000	179	6,000	174
Vita Genomics Inc.	87,500	2,615	87,500	2,538
TurboComm Tech. Inc	0	0	27,500	798
Tong Hsing Electronic Inc. Co., Ltd.	27,144	811	27,144	787
China Technology Venture Capital Corp.	50,000	1,494	50,000	1,450
Daiwa Securities SMBC-Cathay Co., Ltd.	259,200	7,747	0	0
Applied Vacuum Coating Technologies Co., Ltd.	6,661	199	0	0
TaiGen Biotechnology Co., Ltd.	16,500	493	0	0
Darly 3 Venture Co., Ltd.	10,000	299	0	0
Cdid BioScience venture I Inc.	285,000	8,518	0	0
Sub-total	<u>9,136,060</u>	<u>273,045</u>	<u>7,646,590</u>	<u>221,769</u>
Add: Cumulative translation adjustments	4,424	132	3,527	102
Less : Unrealized valuation Losses on long-term Equity investment	<u>(9,458)</u>	<u>(283)</u>	<u>0</u>	<u>0</u>
Total	<u>\$11,189,256</u>	<u>\$334,407</u>	<u>\$9,544,954</u>	<u>\$276,826</u>

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1. Changes in long-term investments in stocks under the equity method are summarized in the following :

	June 30,			
	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2001</u>
	NT\$	US\$	NT\$	US\$
Balance at January 1	\$2,003,602	\$ 59,880	\$1,285,763	\$37,291
Add: Investment gains (losses) by equity method recognized	(3,988)	(119)	(3,747)	(109)
Increment of investments	75,000	2,242	612,821	17,773
Less: Cash dividends	(16,384)	(490)	0	0
Balance of June 30,	<u>\$2,058,230</u>	<u>\$61,513</u>	<u>\$1,894,837</u>	<u>\$54,955</u>

2. The investment gains (losses) recognized by the equity method for the six months ended June 30, 2002 and 2001 are listed below:

<u>Investee</u>	For the six months ended June 30,			
	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2001</u>
	NT\$	US\$	NT\$	US\$
WK Technology Fund VI Co.,Ltd .	\$1,807	\$54	\$8,298	\$241
Vista Technology Venture Capital Corp.	(15,044)	(450)	(1,962)	(57)
Omnitek Venture Capital Corp.	2,280	68	416	12
Wa Tech Venture Capital Co., Ltd.	7,163	214	0	0
IBT Venture Capital Corp	5,237	157	(9)	0
Cathay Insurance (Bermuda) Co., Ltd.	1,925	58	4,292	124
Symphox Information Co., Ltd.	(12,566)	(376)	(12,751)	(370)
Cathay Venture Capital Corp.	847	25	(2,031)	(59)
Cathay Securities Investment Trust Co., Ltd.	4,363	131	0	0
Total	<u>(\$3,988)</u>	<u>(\$119)</u>	<u>(\$3,747)</u>	<u>(\$109)</u>

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- (1). Not all of the Company's invested companies, under the equity method, can provide its audited financial statements in time for the Company's year-end consolidation. If the Company owns less than 50% interest of such investee, the investee's investment gains or losses for the year will be deferred until the following year. That is, the Company will recognize in the following year, the investment gains or losses from such investee by the percentage of shares invested. Associated companies, under the equity method, sometimes could not provide timely audited financial statement. Thus, the share interests of the associated company's profits and losses usually carry forward into the Company consolidated financial statements the following year.
- (2). The investment gains (losses) for the six months ended June 30, 2002 and 2001 were recognized based audited financial statements of Cathay Insurance (Bermuda) Co., Ltd. and Symphox Information Co., Ltd.
- (3). The investment gains (losses) for the six months ended June 30, 2002 were recognized based unaudited financial statements, which are Cathay Venture Capital Corp. and Cathay Securities Investments Trust Co., Ltd.

9. Long-Term Investments in Bonds

Long-term investments in bonds consist mainly of government bonds and corporate bonds as of June 30, 2002 and 2001. They are deposited in The Central Bank of China as Capital Guarantee Deposits.

10. Investments in Real Estate

Item	June 30, 2002							
	Cost		Revaluation Surplus		Accumulated Depreciation		Net Value	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Investments in real estate	\$85,524,660	\$2,556,027	\$5,132	\$153	(\$9,861,349)	(\$294,721)	\$75,668,443	\$2,261,459
Construction	15,884,359	474,727	0	0	0	0	15,884,359	474,727
Total	\$101,409,019	\$3,030,754	\$5,132	\$153	(\$9,861,349)	(\$294,721)	\$91,552,802	\$2,736,186

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Item	June 30, 2001							
	Cost		Revaluation Surplus		Accumulated Depreciation		Net Value	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Investments in real estate	\$80,127,225	\$2,323,875	\$5,264	\$153	(\$8,746,683)	(\$253,674)	\$71,385,806	\$2,070,354
Construction	12,033,815	349,009	0	0	0	0	12,033,815	349,009
Prepayments for buildings and Land	53,559	1,553	0	0	0	0	53,559	1,553
Total	\$92,214,599	\$2,674,437	\$5,264	\$153	(\$8,746,683)	(\$253,674)	\$83,473,180	\$2,420,916

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

(2) As of June 30, 2002 and 2001, investments in real estate were pledged. Please see note 19, "Pledged Assets" for details.

11. Property and Equipment

Item	June 30, 2002							
	Cost		Revaluation Surplus		Accumulated Depreciation		Net Value	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Land	\$5,847,498	\$174,761	\$1,643	\$49	\$0	\$0	\$5,849,141	\$174,810
Buildings and structures	11,030,954	329,676	0	0	(2,861,652)	(85,525)	8,169,302	244,151
Communication and transportation equipment	150,118	4,487	0	0	(47,943)	(1,433)	102,175	3,054
Other equipment	3,724,172	111,302	0	0	(1,865,566)	(55,755)	1,858,606	55,547
Sub-total	20,752,742	620,226	1,643	49	(4,775,161)	(142,713)	15,979,224	477,562
Construction in progress	254,128	7,595	0	0	0	0	254,128	7,595
Prepayment for equipment	67,870	2,029	0	0	0	0	67,870	2,029
Total	\$21,074,740	\$629,850	\$1,643	\$49	(\$4,775,161)	(\$142,713)	\$16,301,222	\$487,186

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Item	June 30, 2001							
	Cost		Revaluation Surplus		Accumulated Depreciation		Net Value	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Land	\$4,939,310	\$143,251	\$1,510	\$44	\$0	\$0	\$4,940,820	\$143,295
Buildings and structures	9,918,816	287,669	0	0	(2,506,313)	(72,689)	7,412,503	214,980
Communication and transportation equipment	144,212	4,183	0	0	(48,504)	(1,406)	95,708	2,777
Other equipment	3,010,321	87,306	0	0	(1,567,355)	(45,457)	1,442,966	41,849
Sub-total	18,012,659	522,409	1,510	44	(4,122,172)	(119,552)	13,891,997	402,901
Construction in progress	150,000	4,350	0	0	0	0	150,000	4,350
Total	\$18,162,659	\$526,759	\$1,510	\$44	(\$4,122,172)	(\$119,552)	\$14,041,997	\$407,251

No property and equipment was pledged as collateral. The insurance coverage on property and equipment and real estate investments are stated at book value.

12. Overdue Receivables

	June 30,			
	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2001</u>
	NT\$	US\$	NT\$	US\$
Overdue receivables	\$6,039,441	\$180,497	\$5,987,765	\$173,659
Less: Allowance for bad and doubtful debts	(1,819,080)	(54,365)	(1,736,452)	(50,361)
Total	<u>\$4,220,361</u>	<u>\$126,132</u>	<u>\$4,251,313</u>	<u>\$123,298</u>

13. Capital Stock and Capital Increment

(1) As of June 30, 2002 and 2001, the total authorized shares were 5,838,615,765, 5,398,633,969, respectively, with par value of 10 dollars each.

(2) On May 22, 2001, the Company declared a \$5,393,258 stock dividend. Consequently, the R.O.C SFC approved the appropriation and issuance of shares on July 11, 2001.

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14. Retained Earnings

(1) Legal Reserve

Pursuant to the Company Law, 10% of the Company's annual after-tax net income must be allocated as legal reserve until the total amount of the legal reserve equals the issued share capital. This legal reserve can be used to offset deficits and not for cash dividends distributions. However, if the total accumulated legal reserve is greater than 50% of the issued share capital, up to 50% of such excess can be capitalized if agreed by it's the board of directors.

(2) Unappropriated Retained Earnings

A. According to the Company Law of the Republic of China and the Company's Articles of Incorporations, 10 % of the Company's annual earnings, after paying tax and offsetting deficit, if any, should first be distributed as legal reserve. In addition to distributing stock interest and 2% as bonus for employees, the remainder shall be allocated in accordance with the resolution in the directors' meeting.

B. According to related regulations if any undistributed retained earnings of the Company assessed by the tax authority exceed 100% of its paid-in capital, the Company must distribute cash dividends or stock dividends following the year of the assessment. Otherwise, income tax will be levied on each shareholder's proportion of the total undistributed retained earnings; or the Company may pay an extra 10% income tax on the excess undistributed retained earnings for the year.

(3) According to the revised tax law of 1998, the Company has to pay an extra 10% income tax on all undistributed retained earnings generated during the year. The regulation above is no longer standing.

15. TREASURY STOCK

Reason for transfer	(Unit: shares)			
	Jan. 1, 2002	Increase	Decrease	June 30, 2002
Transferred it to employees	156,927,000	0	0	156,927,000
Total	156,927,000	0	0	156,927,000

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- (1) Pursuant to the Securities and Exchange Law of the R.O.C., the outstanding issued shares which a company can acquire, as treasury stocks, should not exceed 10% of the total shares issued. The limit on reacquisition of shares cannot exceed the sum of the retained earnings plus the premium of issued shares and realized capital surplus. As of June 30 2002, the Company had acquired 156,927,000 shares of treasury stock for \$7,333,863(USD219,183).
- (2) Treasury stock of the Company was converted into common stock of Cathay Financial Holding Co., Ltd. on December 31, 2001. Meanwhile, the status of the Company was going unlisted company, and Cathay Financial Holding Co., Ltd. became the parent company with 100% shareholding on the basis of MOF.

16. Estimated Income Taxes

(1) *Income tax expenses include the following:*

	For the six months ended June 30,			
	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2001</u>
	NT\$	US\$	NT\$	US\$
Income before Taxes	\$ 6,396,703	\$ 191,175	\$ 8,403,276	\$243,715
Adjustments				
Interest income of tax on a separate basis	(471,174)	(14,082)	(3,027,048)	(87,791)
Loss (gain) on disposal of investments	(1,001,378)	(29,928)	(280,122)	(8,124)
Loss (gain) on market price loss (recovery) of short-term investments	(2,244,885)	(67,092)	(1,168,439)	(33,887)
Unrealized exchange loss (gain)	473,395	14,148	(979,477)	(28,407)
Bad debts exceeding legal limit	(618,019)	(18,470)	415,329	12,045
Cash Dividend	(629,433)	(18,811)	(289,429)	(8,394)
Decrease in payment pension expense	360,809	10,783	515,498	14,950
Others	(9,142)	(273)	(22,099)	(641)
Taxable Income	2,256,876	67,450	3,567,489	103,466
Times ; Taxes Rate; Less:				
Progressive difference	25% - 10	-	25% - 10	-
Add: Extra 10% Income Tax on Undistributed Retained Earnings	136,605	4,083	0	0
Sub-Total	700,814	20,946	891,862	25,866

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Add: Tax on a separate basis	94,235	2,816	605,408	17,558
Beginning deferred				
income tax assets	892,355	26,669	614,840	17,832
Ending deferred				
income tax liabilities	1,382,838	41,328	1,402,646	40,680
Underestimation				
(overestimation) of prior				
year income tax	0	0	2,320	67
Less: Income tax credit	(110,130)	(3,291)	(19,911)	(577)
Ending deferred income				
tax assets	(675,353)	(20,184)	(628,417)	(18,225)
Beginning deferred				
income tax liabilities	(1,599,375)	(47,800)	(1,370,945)	(39,761)
Total Income Tax expenses	<u>\$685,384</u>	<u>\$20,484</u>	<u>\$1,497,803</u>	<u>\$43,440</u>

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

	June 30,			
	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2001</u>
	NT\$	US\$	NT\$	US\$
A. Total deferred tax liabilities	\$1,382,838	\$ 41,328	\$1,402,646	\$40,680
Total deferred tax assets	675,353	20,184	628,417	18,225
B. Temporary differences:				
Employee benefits	\$ 92,522	\$ 2,765	\$ 97,439	\$2,826
Unrealized exchange gains				
(Losses)	(4,067,634)	(121,567)	(3,754,113)	(108,878)
Bad debts exceeding limit	1,565,967	46,801	1,882,498	54,597
Taxable temporary				
difference from recognition				
of pension expense	(436,798)	(13,054)	(1,340,973)	(38,891)
Other	16,002	478	18,233	529
C. Deferred tax assets-current	\$132,828	\$ 3,970	\$66,707	\$1,935
Deferred tax liabilities-				
current	(1,183,436)	(35,369)	(938,529)	(27,220)
Net offset balance of				
deferred tax assets				
(liabilities)-current	<u>(\$1,050,608)</u>	<u>(\$31,399)</u>	<u>(\$ 871,822)</u>	<u>(\$25,285)</u>
D. Deferred tax				
assets-noncurrent	\$ 542,525	\$ 16,214	\$561,710	\$16,290
Deferred tax Liabilities-				
noncurrent	(199,402)	(5,959)	(464,117)	(13,460)
Net offset balance of				
deferred tax assets				
(liabilities) - noncurrent	<u>\$343,123</u>	<u>\$10,255</u>	<u>\$ 97,593</u>	<u>\$ 2,830</u>

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(3) The Company's income tax returns, up until 2000, have been reviewed and approved by the Tax Authorities.

(4) Information related to imputation

	For the six months ended June 30,			
	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2001</u>
	NT\$	US\$	NT\$	US\$
Balance of imputation credit account	\$3,415,945	\$ 102,090	\$4,509,010	\$130,772
		<u>2002</u>	<u>2001</u>	
Imputation credit account ratio (stock dividends) - Actual 13 June, 2001		--	34.56%	
Imputation credit account ratio (stock dividends) - Actual 4 February, 2002		33.33%	--	

(5) Related Information on Undistributed Earnings

Year	For the six months ended June 30,			
	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2001</u>
	NT\$	US\$	NT\$	US\$
Prior to 1997	\$105,651	\$3,158	\$3,899,127	\$113,084
After 1998	21,795	651	0	0
Total	\$127,446	\$3,809	\$3,899,127	\$113,084

(6) The details of the tax credit for the Company meets the requirements of "Statute for Upgrading Industries", are as follows:

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Law of income tax deduction	The deductible items	The amount of deductible income tax	The remaining balance	Expiry year
Statute for Upgrading Industries	Education training	<u>NT\$4,342 (US\$130)</u>	<u>\$0</u>	2006

17. Earning Per Share

	For the six months ended June 30			
	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2001</u>
	NT\$	US\$	NT\$	US\$
Income from continuing operations before income taxes (a)	\$6,396,703	\$191,175	\$8,403,276	\$243,715
Net income (b)	<u>5,711,319</u>	<u>170,691</u>	<u>6,905,473</u>	<u>200,275</u>
Outstanding number of shares at year-end	5,838,615,765	5,838,615,765	5,398,633,969	5,398,633,969
Weighted average outstanding number of shares (c)	5,681,688,765	5,681,688,765	5,384,924,527	5,384,924,527
Adjusted weighted average outstanding number of shares (d)	5,681,688,765	5,681,688,765	5,924,250,323	5,924,250,323
Before income taxes Earnings per share (a) / (c) (dollars)	<u>\$1.13</u>	<u>\$0.03</u>	<u>\$1.56</u>	<u>\$0.05</u>
After income taxes Earnings per share (b) / (c) (dollars)	<u>\$1.01</u>	<u>\$0.03</u>	<u>\$1.28</u>	<u>\$0.04</u>
Before income taxes Adjusted earnings per share (a) / (d) (dollars)	<u>\$1.13</u>	<u>\$0.03</u>	<u>\$1.42</u>	<u>\$0.04</u>
After income taxes Adjusted earnings per share (b) / (d) (dollars)	<u>\$1.01</u>	<u>\$0.03</u>	<u>\$1.17</u>	<u>\$0.03</u>

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The following table summarizes the changes in weighted-average of the outstanding number of shares:

(Shares)	For the six months ended June 30,	
	2002	2001
Shares at the beginning of year	5,838,615,765	5,398,633,969
Stock Dividends, 2001	0	539,325,796
Less: The treasury stock in		
10/25 , 2000 ~ 11/16,		
2000	0	(5,376,000)
The treasury stock in		
4/30 , 2001 ~ 6/13,		
2001	0	(8,333,442)
Treasury stock	(156,927,000)	0
Total	<u>5,681,688,765</u>	<u>5,924,250,323</u>

For details related to the increase and decrease of capital, please refer to note 13.

18. Related Party Transactions

(1) Related parties

Name	Relationship
Cathay Financial Holding Co., Ltd.	Parent Company
Cathay Real Estate Development Co., Ltd.	Affiliate
Cathay United Bank	Affiliate
San Ching Engineering Co., Ltd.	Affiliate
Tong Tai Insurance Co., Ltd.	Affiliate
Lin Yuan Building Management & Maintenance Co., Ltd.	Affiliate
Lin Yuan Investment Co., Ltd.	Their chairman is an immediate family member of the Company's chairman
Cathay General Hospital	Their chairman is an immediate family member of the Company's chairman
Cathay Life Charity Foundation	Their chairman is an immediate family member of the Company's chairman
Wan Pao Development Co., Ltd.	Their chairman is an second immediate family member of the Company's chairman
Cathay Insurance (Bermuda) Co., Ltd.	The investee is accounted for using equity method
Symphox Information Co., Ltd.	The investee is accounted for using equity method

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Cathay Securities Investment Trust Co., Ltd. The investee is accounted for using equity method

Cathay Life Insurance Agent Co., Ltd. Affiliate

(2) *Significant Transactions with Related Parties*

A. Property Transactions (From related parties):

- a. Transactions between the Company and related parties are real estate, constructions, and lease transactions. The terms of such transactions are based on market surveys, contracts of both parties.

Name	Item	For the six months ended June 30, 2002		
		NT\$	US\$	
San -Ching Engineering Co., Ltd.	The construction build or extend:			
	Lin Yuan Financ building	\$568,611	\$16,994	
	Hsinyi District Base	319,994	9,563	
	Tainan Shopping Center	1,775,729	53,070	
	Cathay General Hospital of Hsinchu	332,704	9,943	
	Kaohsing International Business Building	6,629	198	
	Tainmu jungcheng	7,075	211	
	Taitung Building	90,431	2,703	
	Yungdang Building	38,147	1,140	
	Cathay Real Estate Development Co., Ltd.	Other	263	8
		Total	\$3,139,583	\$93,830

Name	Item	For the six months ended June 30, 2001		
		NT\$	US\$	
San -Ching Engineering Co., Ltd.	The construction build or extend:			
	Lin Yuan Financ building	\$345,813	\$10,029	
	Banchian Lin Yuan General Hospital	92,840	2,693	
	Danshuei Education Center	45,900	1,331	
	Tainan Shopping Center	1,067,496	30,960	
	Cathay General Hospital of Hsinchu	85,385	2,476	
	Nanton Building	26,324	763	
	Taitung Building	59,338	1,721	
	Other	26,223	761	
		Total	\$1,749,319	\$50,734

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- b. The total amount of construction contracts for real estate on June 30, 2002 and 2001 between the Company and San-Ching Engineering Co., Ltd. are \$19,862,922 (US\$593,632) and \$11,568,613 (US\$335,517) respectively. Up to June 30 in 2002 and 2001, \$14,223,596 (US\$425,093) and \$6,597,200 (US\$191,334) had been paid according to the schedule of construction contracts.
- c. For the six Months ended June 30, 2002 and 2001, the Company purchased property and investments in real estate without selling them in previous years.
- d. The Company did not sell any real estate to related parties on June 30, 2002 and 2001.
- e. Real-Estate Rental Income (From related parties)

Name	Rental income			
	For the six months ended June 30,			
	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2001</u>
	NT\$	US\$	NT\$	US\$
Cathay Real Estate				
Development Co., Ltd.	\$15,475	\$462	\$16,378	\$475
San-Ching Engineering				
Co., Ltd.	10,001	299	10,492	304
Tong Tai Insurance Co.,				
Ltd.	22,339	668	22,122	642
Cathay United Bank	62,003	1,853	71,840	2,084
Cathay Securities				
Investment Trust Co.,				
Ltd.	4,550	136	3,641	106
Cathay General Hospital	60,448	1,806	81,874	2,375
Symphox Information				
Co., Ltd.	15,259	456	15,508	450
Lin Ynan Investment Co.,				
Ltd.	52	2	29	1
Cathay Financial Holding				
Co., Ltd.	3,908	117	0	0
Total	\$194,035	\$5,799	\$221,884	\$6,437

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Name	Guarantee deposits received			
	June 30, 2002	June 30, 2002	June 30, 2001	June 30, 2001
	NT\$	US\$	NT\$	US\$
Cathay Real Estate Development Co., Ltd.	\$12,386	\$370	\$12,386	\$359
San-Ching Engineering Co., Ltd.	6,828	204	6,828	198
Tong Tai Insurance Co., Ltd.	11,546	345	10,561	306
Cathay United Bank	30,168	902	34,137	990
Cathay General Hospital	1,983	59	2,241	65
Cathay Securities Investment Trust Co., Ltd.	2,060	61	1,614	47
Other	86	3	87	3
Total	\$65,057	\$1,944	\$67,854	\$1,968

According to previously signed contracts, lease terms with third parties are usually 2 to 5 years; rental collections are received monthly.

B. Real-Estate Rental Expense (From related parties)

Name	Rental Expense			
	For the six months ended June 30,			
	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2001</u>
	NT\$	US\$	NT\$	US\$
Cathay Real Estate Development Co., Ltd.	\$11,899	\$356	\$14,244	\$413

Name	Guarantee Deposits paid			
	June 30,2002	June 30,2002	June 30,2001	June 30,2001
	NT\$	US\$	NT\$	US\$
Cathay Real Estate Development Co., Ltd.	\$ 9,352	\$279	\$402,362	\$11,669

According to contracts, terms of lease from the third party generally expire in 3 years; rentals are paid monthly.

C. Acquisition of other Equipment

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Name	For the six months ended June 30,			
	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2001</u>
	NT\$	US\$	NT\$	US\$
Symphox Information Co., Ltd.	\$21,424	\$640	\$19,561	\$567

D. Cash In Bank

		June 30, 2002			
Name	Item	Maximum Amount	Ending Balance	Rate	Interest Income
		NT\$	NT\$		
Cathay United Bank	Time Deposit	\$12,079,350	\$7,648,850	2.35% ~ 5.20%	\$116,796
	Cash In Bank	18,003,331	3,632,230	1.00%~ 2.00%	15,571

		June 30, 2002			
Name	Item	Maximum Amount	Ending Balance	Rate	Interest Income
		US\$	US\$		
Cathay United Bank	Time Deposit	\$390,895	\$228,597	2.35% ~ 5.20%	\$3,491
	Cash In Bank	538,055	108,554	1.00%~ 2.00%	465

		June 30, 2001			
Name	Item	Maximum Amount	Ending Balance	Rate	Interest Income
		NT\$	NT\$		
Cathay United Bank	Time Deposit	\$6,885,550	\$5,681,550	4.20% ~ 5.25%	\$127,382
	Cash In Bank	14,138,370	3,578,026	1.75% ~ 2.00%	20,380

		For the six months ended June 30, 2001			
Name	Item	Maximum Amount	Ending Balance	Rate	Interest Income
		US\$	US\$		
Cathay United Bank	Time Deposit	\$199,697	\$164,778	4.20% ~ 5.25%	\$3,694
	Cash In Bank	410,046	103,771	1.75% ~ 2.00%	591

E. Regular Secured Loans

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For the six months ended June 30, 2002				
Name	Maximum Amount	Ending Balance	Rate	Interest Income
	NT\$	NT\$		NT\$
Cathay General			4.36%~	
Hospital	\$1,174,594	\$1,174,261	5.21%	\$28,931

For the six months ended June 30, 2002				
Name	Maximum Amount	Ending Balance	Rate	Interest Income
	US\$	US\$		US\$
Cathay General			4.36%~	
Hospital	\$35,104	\$35,094	5.21%	\$865

For the six months ended June 30, 2001				
Name	Maximum Amount	Ending Balance	Rate	Interest Income
	NT\$	NT\$		NT\$
Cathay General				
Hospital	\$1,175,179	\$1,174,897	7.575%	\$44,505

For the six months ended June 30, 2001				
Name	Maximum Amount	Ending Balance	Rate	Interest Income
	US\$	US\$		US\$
Cathay General				
Hospital	\$34,083	\$34,075	7.575%	\$1,291

F. Notes Receivable

Name	June 30,			
	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2001</u>
	NT\$	US\$	NT\$	US\$
Cathay General Hospital	\$19,039	\$569	\$81,441	\$2,362
Symphox Information				
Co., Ltd.	0	0	66	2
Total	\$19,039	\$569	\$81,507	\$2,364

G. Accounts Payable-Related Parties

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Name	June 30,			
	<u>2002</u> NT\$	<u>2002</u> US\$	<u>2001</u> NT\$	<u>2001</u> US\$
Tong Tai Insurance Co., Ltd.	\$13,508	\$404	\$2,644	\$77
Lin Yuan Building Management & Maintenance Co., Ltd.	32,146	961	17,803	516
Other	114,348	3,417	934	27
Total	<u>\$160,002</u>	<u>\$4,782</u>	<u>\$21,381</u>	<u>\$620</u>

H. Accounts Collected in Advance

Name	June 30,			
	<u>2002</u> NT\$	<u>2002</u> US\$	<u>2001</u> NT\$	<u>2001</u> US\$
Tong Tai insurance Co., Ltd.	\$2,048	\$61	\$2,065	\$60
Other	493	15	1,698	49
Total	<u>\$2,541</u>	<u>\$76</u>	<u>\$3,763</u>	<u>\$109</u>

I. Prepayment

Name	June 30,			
	<u>2002</u> NT\$	<u>2002</u> US\$	<u>2001</u> NT\$	<u>2001</u> US\$
Symphox Information Co., Ltd.	\$72,014	\$2,152	\$0	\$0

J. Insurance Expense

Name	For the six months ended June 30,			
	<u>2002</u> NT\$	<u>2002</u> US\$	<u>2001</u> NT\$	<u>2001</u> US\$
Tong Tai Insurance Co., Ltd.	\$114,921	\$3,435	\$ 77,314	\$2,242

Insurance Expenses are mainly insurance premium paid for property and equipment, cash, and public accident. Of the premium paid on June 30, 2002 and 2001 amounts of \$ 5,503(US\$164) and \$7,025 (US\$204) were paid for employees' fidelity guarantee insurance.

CATHAY LIFE INSURANCE CO., LTD.
NOTES TO FINANCIAL STATEMENTS - (Continued)
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K. Indemnity Income

Name	For the six months ended June 30,			
	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2001</u>
	NT\$	US\$	NT\$	US\$
Tong Tai Insurance Co., Ltd.	\$826	\$ 25	\$6,385	\$185

Indemnity Income consists mainly claims on insured property and equipment, cash, and public accident of among the claims received in June 30, 2002 and 2001, \$128 (US\$9) and \$4,907 (US\$142), represented claims for employees' fidelity guarantee insurance.

L. Reinsurance Income

Name	For the six months ended June 30,			
	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2001</u>
	NT\$	US\$	NT\$	US\$
Cathay Insurance (Bermuda) Co., Ltd.	\$42,472	\$1,269	\$0	\$0

M. Reinsurance Expense

Name	For the six months ended June 30,			
	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2001</u>
	NT\$	US\$	NT\$	US\$
Cathay Insurance (Bermuda) Co., Ltd.	\$20,513	\$613	\$0	\$0

N. Commissions Expense

Name	For the six months ended June 30,			
	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2001</u>
	NT\$	US\$	NT\$	US\$
Cathay Life Insurance Agent Co., Ltd.	\$6,225	\$186	\$0	\$0

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O. Guarantee Deposit Paid

Name	June 30,			
	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2001</u>
	NT\$	US\$	NT\$	US\$
Wan Pao Development Co., Ltd.	\$0	\$0	\$600,000	\$17,401

Guarantee deposit paid is deposited to Wan Pao Development Co., Ltd. This amount will be paid back without interest when the buildings constructed by the Company receive the “user license”.

P. Other Expense (Marketing Expense)

	For the six months ended June 30,			
	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2001</u>
	NT\$	US\$	NT\$	US\$
Symphox Information Co., Ltd.	\$110,786	\$3,311	\$ 37,068	\$1,075
Lin Yuan Building Management & Maintenance Co., Ltd.	491,456	14,688	373,562	10,834
Total	<u>\$602,242</u>	<u>\$17,999</u>	<u>\$410,630</u>	<u>\$11,909</u>

Q. Beneficiary Certificates:

Name	For the six months ended June 30,			
	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2001</u>
	NT\$	US\$	NT\$	US\$
Cathay Securities Investment Trust Co., Ltd.	\$2,172,484	\$64,928	\$650,423	\$18,864

CATHAY LIFE INSURANCE CO., LTD.
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19. Pledged Assets

Item	June 30,			
	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2001</u>
	NT\$	US\$	NT\$	US\$
Investment In Real Estate	\$0	\$0	\$1,325,395	\$38,440
Long-term Investment in Bonds	9,241,716	276,202	8,312,058	241,069
Time Deposits	<u>9,000</u>	<u>269</u>	<u>9,000</u>	<u>261</u>
Total	<u>\$ 9,250,716</u>	<u>\$276,471</u>	<u>\$9,646,453</u>	<u>\$279,770</u>

As of June 30, 2002 and 2001, the Company pledged its investments in real estate and time deposits as collateral to the renters. Guaranteed deposits of NT\$ 9,000 (US\$269) and NT\$17,940 (US\$520) were received from these renters. According to Article 141, the Insurance Law of R.O.C. the Company should deposited long-term investment bonds, an amount equal to 15% of it is capital, into the Central Bank of China as capital guaranteed deposit.

20. Other Important Matters and Contingent Liabilities

Up to the date of June 30, 2002 signed sales contracts and construction contracts of approximately \$2,448 million (US\$73.16 million) dollars, respectively, are still in progress and remain open projects. About \$1,275 million (US\$38.11 million) dollars had been paid as of June 30,2002.

21.Serious Damages: None

22.Subsequent Events : None

23.Other Important Events

(1) Pension Related Information

Pension funded status:

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

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NOTES TO FINANCIAL STATEMENTS - (Continued)
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(2) Financial Instruments Related Information

(a) Derivative Financial Instruments related information

1. Credit and Market Risk

The Company entered into forward contracts with financial institutions, with good credit. In addition, the Company entered into contracts with many financial institutions to hedge risk. Losses incurred from exchange rate fluctuation can be offset by forward hedging contracts.

2. Cash Flow and Demand

As there will be cash inflow and cash outflow on the expiration date of a forward contract, no demand for substantial cash flow is expected.

3. Forward Contract

(1) Receivables and payables resulting from forward contracts are offset against each other. The differences between receivables and payables should be listed as assets or liabilities.

(2) As of June 30, 2002 and 2001, the Company has forward exchange contracts of approximately US\$3,086,000 and \$0 respectively in notional value.

4. Futures

All futures transaction had offset on June 30, 2002.

5. Interest Rate Swap Agreement (IRSA)

The IRSA agreement is applied to hedging the fluctuation risk in interest rate with several banks. The floating exchange rate is used in place of the fixed exchange rate for hedging the interest risk. As of June 30, 2002. The agreements of IRSA are summarized as following:

Category	Currency	Period	Amount
IRSA	NT	2002.05.02~2009.06.17	18,500,000

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NOTES TO FINANCIAL STATEMENTS - (Continued)
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(b) Non Derivative Financial Instruments related information :

Except for the item listed in the following table, the book value of Non Derivative Financial Instruments as of June 30, 2001 and 2002, is the same as the estimated fair market value:

Item	June 30,			
	<u>2002</u>		<u>2002</u>	
	NT\$		US\$	
	Book Value	Fair Value	Book Value	Fair Value
Shot-term Investment	\$ 287,778,132	\$287,778,132	\$8,600,661	\$8,600,661

Item	June 30,			
	<u>2001</u>		<u>2001</u>	
	NT\$		US\$	
	Book Value	Fair Value	Book Value	Fair Value
Shot-term Investment	\$166,531,257	\$166,531,257	\$4,829,793	\$4,829,793

(1) Discretionary Account Management

Item	June 30, 2002			
	Book Value		Fair Value	
	NT\$	US\$	NT\$	US\$
Stocks	\$2,945,860	\$88,041	\$2,588,744	\$77,368
Repurchase bonds	2,357,668	70,462	2,357,668	70,462
Short-term securities	99,968	2,988	99,968	2,988
Bonds	3,143,793	93,957	3,165,998	94,620
Cash in bank	765,490	22,878	765,490	22,878
Net other assets less liabilities	(9,771)	(292)	(9,771)	(292)
Total	\$9,303,008	\$278,034	\$ 8,968,097	\$268,024

2001 Year: None.

(2) Material Contract : None

18. Information for Investment in Mainland China: None

19. Segment Information:

According to the R.O.C. SFAS NO. 23 "Interim Financial Reporting and Disclosures", the interim financial statements are not required to follow the principles outlined in the R.O.C. SFAS NO. 20 "Disclosures of Segment Financial Information".