

Cathay Life Insurance Co., Ltd. and Subsidiaries
Consolidated Financial Statements
As of June 30, 2008 and 2009
With Independent Auditors' Review Report

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

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English Translation of Report Originally Issued in Chinese

Independent Auditors' Review Report

Cathay Life Insurance Co., Ltd.

We have reviewed the accompanying consolidated balance sheets of Cathay Life Insurance Co., Ltd. (the "Company") and its subsidiaries ("Subsidiaries") as of June 30, 2008 and 2009, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the six-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a review report based on our review.

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

Based on our review, we are not aware of any material modifications that should be made to the consolidated financial statements as of and for the six-month periods ended June 30, 2008 and 2009 in order for them to be in conformity with the "Guidelines Governing the Preparation of Financial Reports by Personal Insurance Industries" and generally accepted accounting principles in the R.O.C.

Ernst & Young
Taipei, Taiwan
The Republic of China
August 7, 2009

Notice to Readers:

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

Cathay Life Insurance Co., Ltd. and Subsidiaries

Unaudited consolidated balance sheets

As of June 30, 2008 and 2009

(Expressed in thousands of dollars)

Assets	Notes	June 30, 2008		June 30, 2009	
		NT\$	US\$	NT\$	US\$
Current assets					
Cash and cash equivalents	2,4,27	\$189,064,004	\$6,227,405	\$251,954,574	\$7,688,574
Financial assets at fair value through profit or loss - current	2,5,13,27,28	90,794,741	2,990,604	84,557,318	2,580,327
Available-for-sale financial assets - current	2,6,13,27	162,951,637	5,367,313	136,045,033	4,151,512
Held-to-maturity financial assets - current	2,13,28	2,358,472	77,684	30,176,218	920,849
Derivative financial assets for hedging - current	2,7	96,575	3,181	1,924,839	58,738
Investments in debt securities with no active market-current	2,13	5,621,772	185,170	4,534,726	138,380
Notes receivable	2	6,278,566	206,804	4,816,459	146,978
Premiums receivable		-	-	30,395	928
Prepaid reinsurance premium		174,494	5,747	3,808,504	116,219
Claims recoverable from reinsurers		14,116	465	-	-
Reinsurance accounts receivable		163,829	5,396	212,449	6,483
Other accounts receivable	2,27	21,206,067	698,487	45,796,929	1,397,526
Other financial assets - current		-	-	8,000,000	244,126
Prepayments		44,739	1,474	47,888	1,461
Deferred income tax assets - current	2,25	11,656,009	383,927	-	-
Other current assets		525,813	17,319	399,309	12,185
Subtotal		<u>490,950,834</u>	<u>16,170,976</u>	<u>572,304,641</u>	<u>17,464,286</u>
Loans					
Policy loans	2,8,27	193,189,573	6,363,292	196,849,415	6,007,001
Secured loans		343,591,761	11,317,252	328,786,505	10,033,155
Subtotal		<u>536,781,334</u>	<u>17,680,544</u>	<u>525,635,920</u>	<u>16,040,156</u>
Funds and investments					
Available-for-sale financial assets - noncurrent	2,9,13	256,629,984	8,452,898	235,804,890	7,195,755
Held-to-maturity financial assets - noncurrent	2,10,13,28	594,817,621	19,592,148	654,888,362	19,984,387
Financial assets carried at cost - noncurrent	2,11	20,050,474	660,424	20,003,433	610,419
Investments in debt securities with no active market-noncurrent	2,12	62,245,244	2,050,239	141,135,651	4,306,856
Long-term investments in stocks under the equity method	2,14	1,540,655	50,746	2,186,487	66,722
Investments in real estate	2,15	106,652,766	3,512,937	114,513,204	3,494,452
Other financial assets - noncurrent	27	27,954,287	920,760	11,300,000	344,828
Subtotal		<u>1,069,891,031</u>	<u>35,240,152</u>	<u>1,179,832,027</u>	<u>36,003,419</u>
Property and equipment					
Land	2,16,27	4,723,189	155,573	4,772,644	145,641
Buildings and construction		9,917,187	326,653	10,531,576	321,379
Computer equipment		2,025,434	66,714	2,441,993	74,519
Communication and transportation equipment		16,162	532	16,777	512
Other equipment		3,495,276	115,128	3,559,705	108,627
Leasehold improvements		49,966	1,646	90,401	2,758
Revaluation increments		1,317	44	974	30
Less: Accumulated depreciation		(7,418,846)	(244,363)	(8,212,816)	(250,620)
Less: Accumulated impairment		(85,519)	(2,817)	(85,519)	(2,610)
Construction in progress and prepayment for equipment		230,346	7,587	102,739	3,135
Subtotal		<u>12,954,512</u>	<u>426,697</u>	<u>13,218,474</u>	<u>403,371</u>
Intangible assets					
Computer software cost	2	757,350	24,946	815,465	24,884
Deferred pension cost	17	-	-	155,200	4,736
Subtotal		<u>757,350</u>	<u>24,946</u>	<u>970,665</u>	<u>29,620</u>
Other assets					
Guarantee deposits paid	2,27,28	12,265,375	403,998	12,712,787	387,940
Deferred income tax assets - noncurrent	2,25	408,818	13,466	8,609,155	262,715
Other overdue receivables	2,18	14,158	466	241,932	7,382
Separate account products assets	2,32(2)	279,286,140	9,199,148	236,475,658	7,216,224
Other assets - other		2,709,951	89,261	2,561,301	78,160
Subtotal		<u>294,684,442</u>	<u>9,706,339</u>	<u>260,600,833</u>	<u>7,952,421</u>
Total assets		<u>\$2,406,019,503</u>	<u>\$79,249,654</u>	<u>\$2,552,562,560</u>	<u>\$77,893,273</u>

(The exchange rates provided by the Federal Reserve Bank of New York on June 30, 2008 and 2009 were NT\$30.36 and NT\$32.77 to US\$1.00, respectively)

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Life Insurance Co., Ltd. and Subsidiaries
Unaudited consolidated balance sheets - (continued)
As of June 30, 2008 and 2009
(Expressed in thousands of dollars)

Liabilities & stockholders' equity	Notes	June 30, 2008		June 30, 2009	
		NT\$	US\$	NT\$	US\$
Current liabilities					
Short-term debts		\$-	\$-	\$319,466	\$9,749
Financial liabilities at fair value through profit or loss - current	2,19	13,160,212	433,472	4,853,764	148,116
Derivative financial liabilities for hedging - current	2,20	528,906	17,421	202,616	6,183
Notes payable		2,806	92	1,781	54
Commissions payable		1,288,294	42,434	1,090,734	33,285
Life insurance proceeds payable		39,832	1,312	83,187	2,538
Reinsurance accounts payable		124,988	4,117	1,698,287	51,825
Other payable	2,3,23,27	17,733,360	584,103	7,809,266	238,305
Accounts collected in advance	27	235,783	7,766	199,928	6,101
Deferred income tax liabilities-current	2,25	-	-	3,292,052	100,459
Other current liabilities		14,366	473	11,012	336
Subtotal		33,128,547	1,091,190	19,562,093	596,951
Long-term liabilities					
Reserve for land revaluation increment tax	2	3,581	118	3,581	109
Accrued pension liabilities	2,32(1)	1,370,798	45,151	1,835,717	56,018
Preferred stock liability - noncurrent	2,21	-	-	15,000,000	457,736
Subtotal		1,374,379	45,269	16,839,298	513,863
Reserve for operations and liabilities					
Unearned premium reserve	2	11,178,182	368,188	10,585,102	323,012
Reserve for life insurance liabilities		1,967,352,214	64,800,798	2,143,277,660	65,403,652
Special reserve		15,854,405	522,214	15,921,587	485,859
Reserve for claims		1,402,443	46,194	1,623,371	49,538
Premium deficiency reserve		2,688,177	88,543	2,820,713	86,076
Subtotal		1,998,475,421	65,825,937	2,174,228,433	66,348,137
Other liabilities					
Guarantee deposits received	27	1,506,786	49,631	1,616,866	49,340
Deferred income tax liabilities-non current	2,25	-	-	2,125	65
Separate account products liabilities	2,32(2)	279,286,139	9,199,148	236,475,658	7,216,224
Other liabilities - other		1,733,095	57,085	11,695,705	356,902
Subtotal		282,526,020	9,305,864	249,790,354	7,622,531
Total liabilities		2,315,504,367	76,268,260	2,460,420,178	75,081,482
Stockholders' equity					
Capital stock					
Common stock	2,22	52,686,158	1,735,381	52,686,158	1,607,756
Capital surplus	2	13,009,648	428,513	13,009,648	396,999
Retained earnings					
Legal reserve	2,23	23,535,758	775,222	20,328,674	620,344
Special reserve		19,169,006	631,390	20,402,545	622,598
Unappropriated retained earnings		(5,285,099)	(174,081)	1,046,286	31,928
Equity adjustment					
Unrealized losses on financial instruments	2,23	(14,966,788)	(492,977)	(17,159,301)	(523,628)
Unrealized revaluation increments	2	2,105	69	2,105	64
Cumulative conversion adjustments	2	(85,707)	(2,823)	106,602	3,253
Net loss not recognized as pension cost		-	-	(264,304)	(8,066)
Minority interests		2,450,055	80,700	1,983,969	60,543
Total stockholders' equity		90,515,136	2,981,394	92,142,382	2,811,791
Total liabilities and stockholders' equity		\$2,406,019,503	\$79,249,654	\$2,552,562,560	\$77,893,273

(The exchange rates provided by the Federal Reserve Bank of New York on June 30, 2008 and 2009 were NT\$30.36 and NT\$32.77 to US\$1.00, respectively)

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

Cathay Life Insurance Co., Ltd. and Subsidiaries

Unaudited consolidated statements of income

For the six months ended June 30, 2008 and 2009

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

Item	Notes	January 1-June 30, 2008		January 1-June 30, 2009	
		NT\$	US\$	NT\$	US\$
Operating revenues	2,27				
Premiums income		\$161,728,905	\$5,327,039	\$190,524,888	\$5,814,003
Reinsurance commission earned		214,036	7,050	3,057,314	93,296
Claims recovered from reinsures		103,120	3,396	447,868	13,667
Recovered premiums reserve		116,890,001	3,850,132	79,285,735	2,419,461
Recovered special reserve		85,751	2,824	578,792	17,662
Recovered claims reserve		117,025	3,854	31,480	961
Recovered premium deficiency reserve		208,986	6,884	-	-
Handling fees earned	32(2)	4,304,401	141,779	1,856,829	56,663
Interest income		36,966,288	1,217,598	37,760,527	1,152,289
Gains from valuation on financial assets		6,124,573	201,732	9,969,446	304,225
Gains from valuation on financial liabilities		-	-	25,298,715	772,008
Gains on long-term equity investments		165,040	5,436	91,057	2,779
Gains on disposal of investments		17,847,599	587,866	-	-
Gains on investments - real estate		2,819,572	92,871	2,894,901	88,340
Separate account products revenues	32(2)	128,407,036	4,229,481	65,296,488	1,992,569
Other operating income		448,537	14,774	525,722	16,043
Subtotal		<u>476,430,870</u>	<u>15,692,716</u>	<u>417,619,762</u>	<u>12,743,966</u>
Operating costs	2,27				
Reinsurance premiums ceded		(138,570)	(4,564)	(1,429,563)	(43,624)
Brokerage expenses	24	(13,947,703)	(459,411)	(13,793,053)	(420,905)
Commissions expenses		(104,173)	(3,431)	(220,332)	(6,724)
Insurance claims payment		(133,047,520)	(4,382,329)	(99,099,875)	(3,024,104)
Provision for premiums reserve		(161,987,466)	(5,335,555)	(191,273,817)	(5,836,857)
Provision for special reserve		(606,333)	(19,971)	(362,607)	(11,065)
Contribution to the stabilization funds		(160,047)	(5,272)	(188,966)	(5,767)
Provision for claims reserve		(20,300)	(669)	(139,029)	(4,242)
Provision for premium deficiency reserve		(75,675)	(2,493)	(129,375)	(3,948)
Handling fees paid		(754,557)	(24,854)	(838,189)	(25,578)
Interest expenses		(29,852)	(983)	(19,908)	(608)
Losses from valuation on financial liabilities		(101,592)	(3,346)	-	-
Losses on foreign exchange		(42,971,602)	(1,415,402)	(748,763)	(22,849)
Losses on disposal of investments		-	-	(36,383,707)	(1,110,275)
Separate account products expenses	32(2)	(128,407,036)	(4,229,481)	(65,296,488)	(1,992,569)
Other operating cost		(1,006,203)	(33,142)	(775,579)	(23,667)
Subtotal		<u>(483,358,629)</u>	<u>(15,920,903)</u>	<u>(410,699,251)</u>	<u>(12,532,782)</u>
Operating gross (loss) profit		<u>(6,927,759)</u>	<u>(228,187)</u>	<u>6,920,511</u>	<u>211,184</u>
Operating expenses	2,3,17,23,24,27				
Marketing expenses		(1,763,079)	(58,072)	(1,794,237)	(54,753)
Administrative and general expenses		(3,655,978)	(120,421)	(3,816,952)	(116,477)
Research and development expenses		(9,875)	(325)	(9,513)	(290)
Subtotal		<u>(5,428,932)</u>	<u>(178,818)</u>	<u>(5,620,702)</u>	<u>(171,520)</u>
Operating (loss) income		<u>(12,356,691)</u>	<u>(407,005)</u>	<u>1,299,809</u>	<u>39,664</u>
Non-operating expenses and losses	2,27				
Gains on disposal of property and equipment		2	-	153	5
Other non-operating revenues and gains		661,547	21,790	726,427	22,167
Subtotal		<u>661,549</u>	<u>21,790</u>	<u>726,580</u>	<u>22,172</u>
Non-operating expenses and losses	2,27				
Losses on disposal of property and equipment		(108)	(3)	(18)	(1)
Impairment loss		-	-	(41,246)	(1,259)
Losses on obsolescence of property and equipment		(84)	(3)	(2)	-
Dividend on preferred stock liabilities		-	-	(260,342)	(7,944)
Miscellaneous expenses		(3,480)	(115)	(3,095)	(94)
Subtotal		<u>(3,672)</u>	<u>(121)</u>	<u>(304,703)</u>	<u>(9,298)</u>
(Loss) income from continuing operations before income taxes		<u>(11,698,814)</u>	<u>(385,336)</u>	<u>1,721,686</u>	<u>52,538</u>
Income taxes benefit (expense)	2,25	<u>6,376,149</u>	<u>210,018</u>	<u>(890,920)</u>	<u>(27,187)</u>
Consolidated (loss) income		<u>\$(5,322,665)</u>	<u>\$(175,318)</u>	<u>\$830,766</u>	<u>\$25,351</u>
Include:					
Parent company		\$5,285,099	\$174,081	\$1,046,286	\$31,928
Minority interests		(37,566)	(1,237)	(215,520)	(6,577)
Consolidated (loss) income		<u>\$(5,322,665)</u>	<u>\$(175,318)</u>	<u>\$830,766</u>	<u>\$25,351</u>
Earnings per share (In dollars)	26				
Consolidated (loss) income		<u>\$(1.05)</u>	<u>\$(0.03)</u>	<u>\$0.16</u>	<u>\$-</u>

(The exchange rates provided by the Federal Reserve Bank of New York on June 30, 2008 and 2009 were NT\$30.36 and NT\$32.77 to US\$1.00, respectively)

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

Cathay Life Insurance Co., Ltd. and Subsidiaries
Unaudited consolidated statements of changes in stockholders' equity
For the six months ended June 30, 2008 and 2009
(Expressed in thousands of dollars)

Summary	Retained earnings										Equity adjustment										Total	
	Common stock		Capital surplus		Legal reserve		Special reserve		Unappropriated retained earnings		Unrealized gains (losses) of financial instruments		Unrealized revaluation increments		Cumulative conversion adjustments		Net loss not recognized as pension cost		Minority interests			
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$		
Balance on January 1, 2008	\$50,686,158	\$1,669,505	\$9,648	\$318	\$21,188,906	\$697,921	\$16,693,810	\$549,862	\$23,468,521	\$773,008	\$11,169,132	\$367,890	\$2,105	\$69	\$132,518	\$4,365	\$-	\$-	\$2,969,664	\$97,815	\$126,320,462	\$4,160,753
Appropriations and Distributions for 2007																						
Legal reserve	-	-	-	-	2,346,852	77,301	-	-	(2,346,852)	(77,301)	-	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	2,475,196	81,528	(2,475,196)	(81,528)	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(18,625,315)	(613,482)	-	-	-	-	-	-	-	-	-	-	(18,625,315)	(613,482)
Remeuneration paid to directors and supervisors	-	-	-	-	-	-	-	-	(8,100)	(267)	-	-	-	-	-	-	-	-	-	-	(8,100)	(267)
Bonus paid to employees	-	-	-	-	-	-	-	-	(13,058)	(430)	-	-	-	-	-	-	-	-	-	-	(13,058)	(430)
Capital increase by cash	2,000,000	65,876	13,000,000	428,195	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,000,000	494,071
Changes in unrealized losses on financial instruments	-	-	-	-	-	-	-	-	-	-	(26,135,920)	(860,867)	-	-	-	-	-	-	-	-	(26,135,920)	(860,867)
Cumulative conversion adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(218,225)	(7,188)	-	-	-	-	(218,225)	(7,188)
Consolidated income for the six months ended June,30,2008	-	-	-	-	-	-	-	-	(5,285,099)	(174,081)	-	-	-	-	-	-	-	-	(37,566)	(1,237)	(5,322,665)	(175,318)
Minority interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(482,043)	(15,878)	(482,043)	(15,878)
Balance on June 30, 2008	\$52,686,158	\$1,735,381	\$13,009,648	\$428,513	\$23,535,758	\$775,222	\$19,169,006	\$631,390	\$(5,285,099)	\$(174,081)	\$(14,966,788)	\$(492,977)	\$2,105	\$69	\$(85,707)	\$(2,823)	\$-	\$-	\$2,450,055	\$80,700	\$90,515,136	\$2,981,394
Balance on January 1, 2009	\$52,686,158	\$1,607,756	\$13,009,648	\$396,999	\$23,535,758	\$718,210	\$19,169,006	\$584,956	\$(1,973,545)	\$(60,224)	\$(52,489,299)	\$(1,601,748)	\$2,105	\$64	\$209,017	\$6,378	\$(264,304)	\$(8,066)	\$2,306,231	\$70,377	\$56,190,775	\$1,714,702
Covering losses and appropriations for 2008																						
Legal reserve	-	-	-	-	(3,207,084)	(97,866)	-	-	3,207,084	97,866	-	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	1,233,539	37,642	(1,233,539)	(37,642)	-	-	-	-	-	-	-	-	-	-	-	-
Changes in unrealized losses on financial instruments	-	-	-	-	-	-	-	-	-	-	35,329,998	1,078,120	-	-	-	-	-	-	-	-	35,329,998	1,078,120
Cumulative conversion adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(102,415)	(3,125)	-	-	-	-	(102,415)	(3,125)
Consolidated income for the six months ended June,30, 2009	-	-	-	-	-	-	-	-	1,046,286	31,928	-	-	-	-	-	-	-	-	(215,520)	(6,577)	830,766	25,351
Minority interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(106,742)	(3,257)	(106,742)	(3,257)
Balance on June 30, 2009	\$52,686,158	\$1,607,756	\$13,009,648	\$396,999	\$20,328,674	\$620,344	\$20,402,545	\$622,598	\$1,046,286	\$31,928	\$(17,159,301)	\$(523,628)	\$2,105	\$64	\$106,602	\$3,253	\$(264,304)	\$(8,066)	\$1,983,969	\$60,543	\$92,142,382	\$2,811,791

(The exchange rates provided by the Federal Reserve Bank of New York on June 30, 2008 and 2009 were NTS\$30.36 and NTS\$32.77 to US\$1.00)

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

Cathay Life Insurance Co., Ltd. and Subsidiaries
Unaudited consolidated statements of cash flows
For the six months ended June 30, 2008 and 2009
(Expressed in thousands of dollars)

	January 1-June 30, 2008		January 1-June 30, 2009	
	NT\$	US\$	NT\$	US\$
Cash flows from operating activities				
Consolidated (loss) income	\$(5,322,665)	\$(175,318)	\$830,766	\$25,351
Adjustments:				
Gains from valuation on financial assets	(6,124,573)	(201,732)	(9,969,446)	(304,225)
Losses (gains) from valuation on financial liabilities	101,592	3,346	(25,298,715)	(772,008)
Provision (recovered) bad debt	331,931	10,932	(227,055)	(6,929)
Depreciation	1,028,530	33,878	1,219,844	37,224
Amortization	100,059	3,296	118,731	3,623
Impairment loss	-	-	41,246	1,259
Provision or recovered for each reserve	45,652,994	1,503,722	111,954,500	3,416,372
Losses (gains) on disposal of property and equipment	190	6	(134)	(4)
Gains on disposal of investments in real estate	(128,968)	(4,248)	(14,683)	(448)
Gains on long-term equity investments less than cash dividends received	211,139	6,955	139,236	4,249
Effects of exchange rate changes	70,745	2,330	-	-
Decrease in financial assets at fair value through profit or loss - current	9,362,765	308,392	1,357,681	41,431
(Increase) decrease in available-for-sale financial assets - current	(4,233,406)	(139,440)	12,278,329	374,682
Decrease (increase) in held-to-maturity financial assets - current	5,949,415	195,962	(1,065,726)	(32,521)
(Increase) decrease in derivative financial assets for hedging - current	(433,860)	(14,290)	27,353	835
Decrease (Increase) in investments in debt securities with no active market - current	228,367	7,522	(824,647)	(25,165)
Decrease in notes receivable	2,231,521	73,502	1,108,242	33,819
Decrease (Increase) in premiums receivable	8,071	266	(30,394)	(927)
Increase in prepaid reinsurance premium	-	-	(3,615,348)	(110,325)
Decrease in claims recoverable from reinsurers	669	22	3,571	109
Increase in reinsurance accounts receivable	(153,123)	(5,044)	(181,549)	(5,540)
Decrease (increase) in other accounts receivable	3,375,308	111,176	(18,513,111)	(564,941)
Decrease (increase) in other financial assets - current	4,095,936	134,912	(8,000,000)	(244,126)
(Increase) decrease in prepayments	(30,151)	(993)	3,106	95
(Increase) decrease in deferred income tax assets - current	(8,121,716)	(267,514)	2,941,826	89,772
Increase in other current assets	(384,392)	(12,661)	(222,347)	(6,785)
Increase in deferred income tax assets - noncurrent	(4,945)	(163)	(4,831,921)	(147,450)
Increase in other assets - other	(1,845,343)	(60,782)	(793,214)	(24,206)
Increase (decrease) in derivative financial liabilities for hedging - current	427,476	14,080	(4,099)	(125)
Decrease in notes payable	(1,203)	(39)	(41)	(1)
Increase in commissions payable	306,307	10,089	193,102	5,893
(Decrease) increases in life insurance proceeds payable	(2,327)	(76)	40,714	1,242
(Decrease) increases in reinsurance accounts payable	(63,850)	(2,103)	1,513,125	46,174
Increase in other payable	9,364,285	308,442	2,489,767	75,977
Increase (decrease) in accounts collected in advance	14,719	485	(37,230)	(1,136)
Increase in deferred income tax liabilities - current	-	-	3,292,052	100,459
Decrease in other current liabilities	(3,457)	(114)	(236)	(7)
Increase in accrued pension liability	19,865	654	24,039	734
Increase in deferred income tax liabilities - non current	-	-	2,125	65
(Decrease) increase in other liabilities - other	(1,728,149)	(56,922)	10,056,637	306,885
Net cash provided by operating activities	54,299,756	1,788,530	76,006,096	2,319,381
Cash flows from investing activities				
(Increase) decrease in policy loans	(3,900,603)	(128,478)	2,269,570	69,258
Decrease in secured loans	3,895,426	128,308	13,625,120	415,780
(Increase) decrease in available-for-sale financial assets - noncurrent	(27,597,658)	(909,014)	36,905,792	1,126,207
Increase in held-to-maturity financial assets - noncurrent	(22,272,176)	(733,603)	(36,882,555)	(1,125,498)
Decrease (increase) in financial assets carried at cost - noncurrent	70,942	2,337	(163,938)	(5,003)
Increase in investments in debt securities with no active market	(1,554,878)	(51,215)	(53,725,372)	(1,639,468)
Disinvestment of long-term investments	74,871	2,466	70,918	2,164
Disposal of investments in real estate	152,070	5,009	24,204	739
Acquisition of investments in real estate	(712,943)	(23,483)	(6,097,107)	(186,058)
Increase in other financial assets - noncurrent	(8,562,648)	(282,037)	(5,200,000)	(158,682)
Disposal of property and equipment	144	5	443	14
Acquisition of property and equipment	(342,473)	(11,281)	(193,748)	(5,912)
Acquisition of intangible assets	(376,120)	(12,389)	(115,303)	(3,519)
(Increase) decrease in guarantee deposits paid	(1,200,768)	(39,551)	281,321	8,585
Decrease (increase) in other overdue receivables	42,068	1,386	(206,748)	(6,309)
Net cash used in investing activities	(62,284,746)	(2,051,540)	(49,407,403)	(1,507,702)

(The exchange rates provided by the Federal Reserve Bank of New York on June 30, 2008 and 2009 were NT\$30.36 and NT\$32.77 to US\$1.00, respectively)

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

Cathay life insurance Co., Ltd. and Subsidiaries
Unaudited consolidated statements of cash flows - (continued)
For the six months ended June 30, 2008 and 2009
(Expressed in thousands of dollars)

	January 1-June 30, 2008		January 1-June 30, 2009	
	NT\$	US\$	NT\$	US\$
Cash flows from financing activities				
Decrease in short-term debts	(293,159)	(9,656)	(92,311)	(2,817)
Increase in guarantee deposits received	16,607	547	72,087	2,200
Capital increase by cash	15,000,000	494,071	-	-
Cash dividends	(18,663,565)	(614,742)	(18,000)	(549)
Bonus paid to employees	(13,058)	(430)	-	-
Remuneration paid to directors and supervisors	(8,100)	(267)	-	-
Minority interests adjustment	-	-	(236,250)	(7,210)
Net cash used in financing activities	(3,961,275)	(130,477)	(274,474)	(8,376)
Effects of exchange rate changes	(547,255)	(18,025)	(110,489)	(3,372)
(Decrease) increase in cash and cash equivalents	(12,493,520)	(411,512)	26,213,730	799,931
Cash and cash equivalents at the beginning of the periods	201,557,524	6,638,917	225,740,844	6,888,643
Cash and cash equivalents at the end of the periods	\$189,064,004	\$6,227,405	\$251,954,574	\$7,688,574
Supplemental disclosure of cash flows information				
Interest paid during the period	\$25,926	\$854	\$9,256	\$282
Interest paid (excluding capitalized interest)	\$25,926	\$854	\$9,256	\$282
Income tax paid	\$623,340	\$20,532	\$548,622	\$16,742

(The exchange rates provided by the Federal Reserve Bank of New York on June 30, 2008 and 2009 were NT\$30.36 and NT\$32.77 to US\$1.00, respectively)

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

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Cathay Life Insurance Co., Ltd. and Subsidiaries
Note to unaudited consolidated financial statements
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As of June 30, 2008 and 2009

1. Organizations and business scope

Cathay Life Insurance Co., Ltd. (the “Company”) was incorporated in Taiwan on October 23, 1962, under the provisions of the Company Act of the Republic of China (“R.O.C.”). The Company mainly engages in the business of life insurance. On June 30, 2001, the Company became a subsidiary of Cathay Financial Holding Co., Ltd. (“Cathay Financial Holding”) by adopting the stock conversion method under the R.O.C. Financial Holding Company Act and other pertinent acts of the R.O.C.

The parent company and ultimate parent company of the Company is Cathay Financial Holding. As of June 30, 2008 and 2009, total numbers of employees in the Company were 30,959 and 31,023, respectively.

2. Summary of significant accounting policies

The consolidated financial statements are prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Personal Insurance Industries and accounting principles generally accepted in the R.O.C. A summary of significant accounting policies follows:

(1) Principles of consolidation

- A. According to the Statements of Financial Accounting Standards of the R.O.C. (“R.O.C. SFAS”) No.7 “Consolidated Financial Statements”, the consolidated financial statements include the Company and its subsidiaries (“Subsidiaries”) over which the Company holds more than 50% of the Subsidiaries’ voting rights or has a controlling interest. As of and for years ended June 30, 2008 and 2009, the consolidated financial statements included the following entities:

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Cathay Life Insurance Co., Ltd. and Subsidiaries

Note to audited consolidated financial statements-continued

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Investors	Investees	Business	Ownership interest		Notes
			2008.6.30	2009.6.30	
The Company and Cathay Venture Capital Corp. (“Cathay Venture”)	Symphox Information Co., Ltd. (“Symphox Information”)	Type II telecom service, data processing service, information supply service	100.00%	100.00%	Symphox Information was incorporated in Taiwan on December 12, 1999, under the provisions of the Company Act. Cathay Life and Cathay Venture each owns 60.12% and 39.88% interest in Symphox. As of June 30, 2008 and 2009, the total numbers of employees were 144 and 151, respectively.
The Company	Cathay Venture	Venture capital investment	25.00%	25.00%	Cathay Venture was incorporated in Taiwan on September 13, 2000. The Company has the actual ability of controlling over Cathay Venture.
The Company	Cathay Life Insurance Ltd. (Shanghai) (“Cathay Life (Shanghai)”)	Life insurance	50.00%	50.00%	Cathay Life (Shanghai) acquired an operation license of an enterprise as a juristic person on December 29, 2004. The Company and China Eastern Airlines Corporation Limited each owns 50% of interest in Cathay Life (Shanghai). As of June 30, 2008 and 2009, the total numbers of employees were 2,190 and 3,358, respectively.
The Company	Cathay Life Insurance (Vietnam) Co., Ltd. (“Cathay Life (Vietnam)”)	Life insurance	100.00%	100.00%	Cathay Life (Vietnam) acquired an operation license of an enterprise as a juristic person on November 21, 2007. As of June 30, 2008 and 2009, the total numbers of employees were 231 and 187, respectively.

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As of periods ended June 30, 2008 and 2009, the consolidated financial statements excluded:

Investors	Investees	Business	Ownership interest		Notes
			2008.6.30	2009.6.30	
The Company	Cathay Insurance (Bermuda) Co., Ltd.	Class 3 general business insurers and a Long-term insurer	100.00%	100.00%	The consolidated financial statements do not include Cathay Insurance (Bermuda) because its total assets and operating revenues were insignificant to the total assets and operating revenues of the Company.
The Company	Cathay Securities Investment Consulting Co., Ltd.	Securities investment research analysis	100.00%	100.00%	The consolidated financial statements do not include Cathay Securities Investment because its total assets and operating revenues were insignificant to the total assets and operating revenues of the Company.
The Company	Cathay Insurance Company Limited (Shanghai) (“Cathay Insurance (Shanghai)”) (“Shanghai”)	Properties insurance	-	50.00%	Cathay Insurance (Shanghai) acquired an operation license of an enterprise as a juristic person on August 26, 2008. Due to the lack of actual ability of controlling, the Company does not include Cathay Insurance (Shanghai) in the consolidated financial statements.

B. All material inter-company transactions were eliminated in the consolidated financial statements.

(2) Current and non-current assets and liabilities

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

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(3) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, and so near their maturity that they are subject to insignificant risk of changes in value from fluctuations in interest rates. Commercial papers, negotiable certificates of deposit, and bank acceptances with original maturities of three months or less are considered cash equivalents.

(4) Recognition of financial assets and liabilities

According to the R.O.C. SFAS No.34 “Accounting for Financial Instruments” and “Guidelines Governing the Preparation of Financial Reports by Personal Insurance Industries”, financial assets are categorized as the “financial assets at fair value through profit or loss”, “held-to-maturity financial assets”, “investments in debt securities with no active market”, “available-for-sale financial assets”, “financial assets carried at cost” and “derivative financial assets for hedging”. Financial liabilities are categorized as either “financial liabilities at fair value through profit or loss” or “derivative financial liabilities for hedging”. Upon their initial recognition, financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial assets.

All “regular way” purchases and sales of financial assets are recorded using trade date (the date that the Company and Subsidiaries commits to purchase or sell the asset) accounting. “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 include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets held for trading include products acquired primarily for the purpose of sale in the near term and derivative financial assets, except for those that are designated as hedging instruments and are effective. Such assets are subsequently measured at fair value with changes in fair value recognized in profit or loss.

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Apart from derivatives and financial instruments designated as at fair value through profit or loss, financial instruments may be reclassified out of the fair value through profit or loss category if the financial instruments are no longer held for the purpose of selling or repurchasing them in the near term, and the following requirements are met:

- a. Financial asset that would have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss category if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.
- b. Financial instruments that would not have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss category only in rare circumstances.

The financial instrument shall be reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in profit or loss shall not be reversed. The fair value of the financial instrument on the date of reclassification becomes its new cost or amortized cost, as applicable.

Financial instrument shall not be reclassified into the fair value through profit or loss category after initial recognition.

B. Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity financial assets if the Company and Subsidiaries have both the positive intention and ability to hold the financial assets to maturity. Such investments are subsequently measured at amortized cost. Gains or losses are recognized in profit or loss when the investments are derecognized or impaired. The amortized cost is computed as the cost amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest rate arising from the difference between the cost and the maturity amount, and minus impairment. Contracts related to the financial assets, transactions costs, fees and premiums/discounts are taken into consideration when calculating the effective interest rate.

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C. Investments in debt securities with no active market

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

D. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealized gains or losses recognized in equity, except for impairment losses and gains or losses arising from the translation of monetary financial assets. When the financial assets are derecognized, the cumulative gains or losses previously recorded in equity are recognized in profit or loss.

Available-for-sale financial asset that would have met the definition of loans and receivables may be reclassified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity. Upon reclassification, the fair value on the date of reclassification becomes its new cost or amortized cost, as applicable. Any previous gain or loss on the asset that has been recognized in stockholders' equity shall be amortized over the remaining life of the asset.

E. Financial assets carried at cost

Financial assets carried at cost are investments in equity instruments to non-listed companies which the Company and Subsidiaries have no significant influence over. They are recorded at initial cost as the fair values cannot be reliably measured. If there is objective evidence that an impairment loss has been incurred, the impairment loss is recognized. Such impairment loss shall not be reversed.

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F. Derivative financial assets for hedging

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

The fair value, as mentioned above, for a listed stock or a depositary receipt is based on the closing price on the balance sheet date, while for an open-end fund, the fair value is determined based on its net asset value as at the balance sheet date.

Financial liabilities at fair value through profit or loss and derivative financial liabilities for hedging are measured at fair value.

(5) Derecognizing of financial assets and liabilities

A. Financial assets

A financial asset or a portion of a financial asset is derecognized when the Company and Subsidiaries lose control of the contractual rights that comprise the financial asset or a portion of the financial asset. A transfer of a financial asset or a portion of the asset in which the Company and Subsidiaries surrender control over the asset in exchange of consideration received is deemed a sale.

If a financial asset is transferred but the transfer does not satisfy the conditions for loss of control, the Company and Subsidiaries account for the transaction as a secured borrowing. In that case, the Company's and Subsidiaries' right to reacquire the asset is not a derivative financial instrument.

B. Financial liabilities

An entire or a part of a financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Where an existing financial liability is replaced by another one from the same creditor with substantially different terms of agreement, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability. The difference between the respective carrying amounts is recognized as a gain or loss for the period.

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(6) Accounting for impairment of financial assets

The Company and Subsidiaries assess 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 recognized and measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease is objectively related to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset exceeding what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

B. Financial assets measured at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument, or on a derivative asset that is linked to and must be settled by delivery of such equity instrument has been incurred, the amount of the loss is recorded and 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. Such impairment loss shall not be reversed.

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C. Available-for-sale financial assets

If an available-for-sale financial asset is impaired, the cumulative loss that had been recognized in equity shall be reclassified from equity to profit or loss. The amount of the impairment loss is measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value or recoverable amount, less any impairment loss previously recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases, impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale shall be reversed through equity, rather than through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed through profit or loss.

(7) Derivative financial instruments

The Company and Subsidiaries engage in derivative financial instrument transactions, such as forward currency contracts and interest rate swaps, to hedge its risks associated with foreign currency and interest rate fluctuations. These derivative financial instruments are initially recognized at fair value on the day 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 of derivatives that no longer meets the criteria for hedge accounting are taken directly to profit or loss for the period.

Hedging relationships consist of three types:

- A. Fair value hedges: a hedge of the exposure to changes in fair value of a recognized asset or liability, an unrecognized firm commitment, or an identified portion of such asset, liability or firm commitment, that is attributable to a particular risk which could affect profit or loss.
- B. Cash flow hedges: a hedge of the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability (such as all or some future interest payments on variable rate debt) or with a highly probable forecast transaction and could affect profit or loss.

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- C. Hedge of a net investment in a foreign operation: a hedge of the exposure to foreign currency risk associated with a net investment in a foreign operation.

At the inception of a hedge relationship, the Company and Subsidiaries formally designate and document hedge relationship to which the Company and Subsidiaries wish 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 Company and Subsidiaries assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, 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 for the hedge.

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

Fair value hedges

The carrying amount of the hedged item is adjusted and gain or loss attributable to the hedged risk is recognized in profit or loss. The gain or loss from remeasuring the hedging instrument at fair value (for a derivative hedging instrument) or the foreign currency component of its carrying amount measured in accordance with the R.O.C. SFAS No. 14 "The Effects of Changes in Foreign Exchange Rates" (for a non-derivative hedging instrument) is recognized in profit or loss.

For a hedged interest-bearing financial instrument, the adjustment arising from above paragraph to its carrying amount is amortized to profit or loss based on an effective interest rate over the remaining term to maturity. Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be subject to hedge accounting.

The Company and Subsidiaries discontinue fair value hedge accounting when the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting, or the Company and Subsidiaries revoke the designation.

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Cash flow hedges

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in equity, while the ineffective portion is recognized in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in equity shall be reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the asset acquired or liability assumed affects profit or loss. If a hedge of the forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the associated gains or losses initially recognized in equity shall be removed and then be included in the initial cost or other carrying amount of the asset or liability.

If the forecast transaction is no longer expected to occur, the related cumulative gain or loss on the hedging instrument that has been recognized in equity is 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, the cumulative gain or loss that was previously recognized in equity remains in equity until the forecast transaction occurs. If the transaction is not expected to occur, the cumulative gain or loss is reclassified from equity to profit or loss.

Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation 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 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 gains or losses recognized in equity is transferred to profit or loss.

(8) Allowance for bad and doubtful debts

The Company refers the “Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises” pursuant to the second paragraph of Article 148-3 of the Insurance Act to assess its loan assets. In the assessment of its loan assets, the insurance enterprise shall consider the status and the overdue period of repayment of the loans and classify those into categories as follows:

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- Class I – normal loan assets;
- Class II – overdue loan assets under notice;
- Class III – overdue loan assets possible to be recovered;
- Class IV – overdue loan assets difficult to be recovered;
- Class V – overdue loan assets with no chance of recovery

The insurance enterprise shall actually assess the loan assets and set aside minimum allowance for bad debts in the sum of 2% of claim balance of Class II loan assets, 10% of Class III, 50% of Class IV and entire claim balance of Class V loan assets.

Accordingly, the Company estimated the allowance for bad debts based upon above guidelines, and considerations for the repayment capability and security status of the rights of creditor as of each balance sheet date for its receivables, secured loans and overdue receivables.

Allowance for bad debts on notes and accounts receivable, and loans of Symphox Information and Cathay Life (Vietnam) are determined based on the aging analysis of outstanding balances of such accounts and past experience.

Allowance for bad debts of Cathay Life (Shanghai) are accounted for using allowance method based on the recoverability of year end balances of receivables, such as premiums receivable, interest receivable and accounts receivable. The management uses aging analysis based on past experience and the financial conditions and actual operating of debtors to estimate the allowance for bad debts.

(9) Long-term investments under the equity method

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

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Adjustment to additional paid-in capital is required when the holding percentage changes due to disproportional subscription to new issue of investee's shares. If the balance of additional paid-in capital is insufficient, retained earnings are adjusted.

Unrealized intercompany gains or losses are eliminated under the equity method. Gains or losses arising from sales of depreciable assets between inter-companies are amortized over the economic service life of the assets. Gains or losses arising from other types of intercompany transactions are recognized when realized.

(10) Investments in real estate

Investments in real estate are stated at cost when acquired.

Improvements and major renovation of investments in real estate are capitalized, while repairs and maintenance are expensed as incurred.

Upon disposal, the related cost, accumulated depreciation and accumulated impairment are eliminated and gains or losses are recorded in operating gains or losses.

Depreciation is calculated using the straight-line method in accordance with the "Estimated Useful Life of Fixed Assets Table" published by the Executive Yuan of the R.O.C. (the "Executive Yuan Depreciation Table").

Real estate investment primarily is for business leasing purposes; rents can be paid annually, semi-annually, quarterly, monthly or in a lump sum.

(11) Property and equipment

Property and equipment are stated at cost or cost plus appreciation. Upon revaluation, land and depreciable properties shall be reevaluated separately. Property increments shall be recorded in "unrealized reevaluation increments" under stockholders' equity.

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

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Upon the sale or disposal of properties and equipment, their cost, related accumulated depreciation and accumulated impairment are removed from respective accounts. Gain or loss resulting from such sale or disposal is accounted for as non-operating gain or loss.

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

Fixed assets of Cathay life (Shanghai) are assets with useful life over a year, such as houses, buildings, machines, equipment and vehicles. These assets are recorded at cost and depreciated using straight-line method starting from the subsequent month after the assets are ready to be used. The remaining values of those fixed assets are 10% of their costs estimated based on their nature and conditions of usage.

(12) Intangible assets

According to the R.O.C. SFAS No. 37 “Accounting for Intangible Assets” effective on January 1, 2007, intangible assets are initially recognized at cost. After the initial recognition, the intangible assets shall be carried at cost plus statutory revaluation increment less accumulated amortization and accumulated impairment losses.

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

The intangible assets with finite useful lives are amortized on a systematic basis over their useful lives. Impairment testing is performed when there are indications of impairment on intangible assets. The Company and Subsidiaries will reassess the useful lives and amortization methods for intangible assets with finite useful lives at each balance sheet date. If there is any change to be made, it will be treated as changes in accounting estimates.

The “intangible assets” of the Company and Subsidiaries are computer software and are amortized over the estimated useful lives of 3-5 years using the straight-line method.

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(13) Deferred charges

According to the regulations established by the R.O.C. Ministry of Finance (the “MOF”), the Company created a “stabilization fund” and an offsetting account “stabilization fund reserve”, both of which are off balance sheet accounts. From January 1, 1993 to June 30, 2009, an aggregate of NT\$3,688,003 (US\$112,542) thousands was appropriated to this fund.

(14) Accounting for assets impairment

Pursuant to R.O.C. SFAS No. 35, the Company and Subsidiaries evaluate whether indicators of impairment exist at each balance sheet date for all assets subject to guidelines set forth under the Statement. If impairment indicators exist, the Company and Subsidiaries shall perform impairment testing by comparing the carrying amount with the recoverable amount of the assets or the cash-generating unit (“CGU”). Impairment losses shall be recognized when the carrying amount exceeds the recoverable amount which is defined as the higher of fair values less costs to sell and the values in use.

For previously recognized losses, the Company and Subsidiaries shall assess, at each balance sheet date, whether there is any evidence that the impairment loss may no longer exist or may have decreased. If there is any, the recoverable amount of the asset shall be subsequently re-evaluated. The impairment loss may be reversed to reflect the asset’s estimated increase in future service potential since the date of its last recognition of impairment loss. However, the carrying amount of the asset after the reversal of impairment loss shall not exceed the carrying amount of the asset that would have been, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

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

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

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- B. then, any remaining impairment loss should be allocated on a pro-rata basis based on the carrying amount of each asset within the CGU or group of CGUs.

Recognized impairment loss for goodwill should not be reversed. Impairment loss (reversal) is classified as non-operating losses (income).

(15) Guaranteed depository insurance payment

A. The Company

According to Article 141 of the R.O.C. Insurance Act (the “Insurance Act”), an amount equal to 15% of the Company’s capital stock must be deposited in the form of a bond with the Central Bank of China (the “Central Bank”) as the “Guaranteed Depository Insurance”.

B. Cathay Life (Shanghai)

According to the requirement of the China Insurance Regulatory Commission, an amount equal to 20% of the capital must be deposited in the form of time deposits as the “Guaranteed Depository Insurance”..

(16) Reserve for operations

A. The Company

Reserves for operations, including unearned premium reserve, claim reserve, special reserve, reserve for claims, and premium deficiency reserve, are recorded in accordance with insurance related acts based on Actuaries’ figures.

In addition, according to “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and related insurance regulations, when the cumulative provisions for special risk-volatility reserve exceed 30% of the amount of retained earned premiums for the current year, that portion in excess may be retired and treated as income. However, the retired reserves are appropriated as special reserve in equity

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and shall not be distributed or used for other purposes unless approved by the R.O.C Ministry of Finance (the “MOF”).

As of June 30, 2009, the cumulative special reserves released from the special risk-volatility reserves amounted to NT\$20,402,545 (US\$622,598) thousands.

B. Cathay Life (Shanghai)

In accordance with the Insurance Act of the People’s Republic of China, the operating reserves (including unearned premium reserves, claim reserves and life policy reserves) are required and are calculated based on the actuarial reports.

(17) Insurance premium income and expenses

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

(18) Pension plan

The Company and Subsidiaries have established a pension plan for all employees according to related laws and regulations. Pension funds are separated from the Company and Subsidiaries and therefore are not included in the consolidated financial statements.

The Labor Pension Act of R.O.C. (“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 other pension mechanism under the Labor Standards Act. For employees subject to the Act, the Company and domestic subsidiaries shall make monthly contributions to the employees’ individual pension accounts on a basis of no less than 6% of the employees’ monthly wages.

In compliance with R.O.C. Securities and Futures Commissions (“SFC”) regulations, the Company adopted the R.O.C. SFAS No. 18, “Accounting for Pensions” to account for its pension plan. An actuarial valuation of pension liability is performed on the balance

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sheet date, and a minimum pension liability is recorded in the financial statements based on the difference between the accumulated benefit obligation and the fair value of plan assets. When providing defined contribution plans, an enterprise should recognize the amounts to be contributed as current expense as incurred.

(19) Research and development expenses

The research and develop projects of Symphox Information were divided into the research phase and develop phase. All expenditures occurred during the research and develop phases were recognized as expenses except for those expenditures being capitalized during develop phase when Symphox Information could demonstrate all of the following:

- A. The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- B. Its intention to complete the intangible asset and use or sell it.
- C. Its ability to use or sell the intangible asset.
- D. The intangible asset is likely to generate future economic benefit
- E. The availability of adequate technical, financial and other resources to complete the development project.
- F. Its ability to measure reliably the expenditures attributable to the intangible asset during its development.

An impairment test is performed annually in December for the intangible asset arising from the develop phase.

(20) Foreign currency transactions

- A. Translation of foreign currency transactions

Monetary assets or liabilities denominated in foreign currencies shall be translated using the applicable rate as at the balance sheet date and the resulting exchange differences shall be recognized in profit or loss for the period. Non-monetary assets or liabilities denominated in foreign currencies that are measured at fair value 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,

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any exchange component of that gain or loss shall be recognized in equity. When a gain or loss on a non-monetary asset or liability is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss. Non-monetary assets or liabilities denominated in foreign currencies that are measured at historical cost shall be translated using the exchange rate at the date of the initial transaction.

B. Translation of subsidiaries' financial statements in foreign currencies

Financial statements of foreign subsidiaries accounted for under the equity method are translated into NT dollars as follows: all assets and liabilities denominated in foreign currencies are translated into NT dollars at the exchange rate on the balance sheet date. Stockholders' equity items are translated at the historical rates except for the opening balance of retained earnings, which is carried forward directly from the year end balance of previous year. Revenue and expense items are translated by the weighted-average exchange rate for the fiscal year. Translation differences arising from above conversion are reported as "cumulative conversion adjustments" under stockholders' equity.

(21) Income taxes

The Company and Subsidiaries -adopted SFAS No. 22, "Accounting for Income Taxes", which requires inter-period and intra-period tax allocations in addition to computing current period income tax payable. Deferred income tax liabilities are recognized for taxable temporary differences; while deferred income tax assets are recognized for deductible temporary differences, loss carry-forward and investment tax credits. A valuation allowance on deferred income tax assets is provided to the extent that it is more likely than not that the tax benefits will not be realized. The prior year's income tax expenses adjustment should be recorded as current period income tax expenses in the year of adjustment.

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

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

The additional 10% income tax imposed on undistributed earnings is recognized as expense on the date of shareholders’ meeting in which the shareholders have resolved that the earnings shall be retained.

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

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

(22) Capital expenditure expenses

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

(23) Separate account products

The Company and Cathay Life (Shanghai) sell Separate account products, of which the insured pays the insurance fees according to the agreement amount less the expenses incurred by the insured. In addition, the investment distribution is approved by the insured and then transferred to specific accounts as requested by the insured. The value of these specific accounts is determined based on the market value on the applicable date,

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and its fair value is determined based on the accounting principles and practices generally accepted in the R.O.C.

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

(24) Employee bonus and remuneration of directors and supervisors

Pursuant to (96) Article 052 issued by the Accounting Research and Development Foundation in March 2007, employee bonus and remuneration of directors and supervisors are accounted for as expenses instead of distribution of earnings.

(25) Conversion to U.S. dollars

The financial statements are presented in NT dollars. The converted U.S. dollars amounts from NT dollars as of June 30, 2008 and 2009 are for information only. The U.S. dollar/NT dollars noon buying rates of NT\$30.36 and NT\$32.77 provided by Federal Reserve Bank of New York of June 30, 2008 and 2009 are used for the conversion.

3. Reasons and effects for changes in accounting principles

The Company and subsidiaries adopted the accounting principles prescribed in (96) Article 052 “Accounting for employee bonus and remuneration of directors” issued by the Accounting Research and Development Foundation on January 1, 2008. This change in accounting principles increased the Company’s net loss and earnings per share by NT\$10,000 (US\$329) thousands and NT\$0.002 (US\$-), respectively, for the six months ended June 30, 2008.

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4. Cash and cash equivalents

	June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Cash on hand	\$297,181	\$9,789	\$278,637	\$8,503
Cash in banks	16,248,076	535,180	17,804,184	543,307
Time deposits	150,825,213	4,967,893	165,374,610	5,046,525
Cash equivalents	21,693,534	714,543	68,497,143	2,090,239
Total	<u>\$189,064,004</u>	<u>\$6,227,405</u>	<u>\$251,954,574</u>	<u>\$7,688,574</u>

As of June 30, 2008 and 2009, the amounts of time deposits with maturities beyond one year were NT\$1,166,983 (US\$38,438) and NT\$2,470,702(US\$75,395), respectively.

The cash equivalent usually includes commercial paper and repurchase agreement with maturity shorter than three months.

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

	June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Listed stocks	\$10,642,774	\$350,552	\$3,843,194	\$117,278
Overseas stocks	1,547,961	50,987	892,709	27,242
Beneficiary certificates	45,631,840	1,503,025	58,228,876	1,776,896
Exchange traded funds	169,362	5,578	-	-
Overseas bonds	10,486,815	345,416	3,995,784	121,934
Corporate bonds	4,135,996	136,232	3,084,683	94,131
Government bonds	868,943	28,621	1,087,097	33,173
Derivative financial instruments	30,350	1,000	14,768	451
Structured time deposits	2,000,000	65,876	1,000,000	30,516
Subtotal	75,514,041	2,487,287	72,147,111	2,201,621
Add: Adjustment of valuation	15,280,700	503,317	12,410,207	378,706
Total	<u>\$90,794,741</u>	<u>\$2,990,604</u>	<u>\$84,557,318</u>	<u>\$2,580,327</u>

As of June 30, 2008 and 2009, Symphox Information Co., Ltd. has pledged NT\$24,659 (US\$812) and NT\$28,792 (US\$879), respectively as collaterals for its e-coupon transaction. Refer to Note 28(2) disclosure for pledged assets.

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6. Available-for-sale financial assets - current

	June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Listed stocks	\$109,789,093	\$3,616,242	\$103,962,540	\$3,172,491
Overseas stocks	21,329,635	702,557	16,206,794	494,562
Beneficiary certificates	19,209,637	632,728	23,632,409	721,160
Financial debentures	7,650,000	251,976	99,901	3,049
Exchange traded funds	4,142,211	136,436	3,491,862	106,557
Real estate investment trust	8,725,208	287,392	8,725,208	266,256
Overseas bonds	1,616,932	53,259	-	-
Corporate bonds	950,000	31,291	2,242,742	68,439
Collateralized loans obligation and collateralized bonds obligation	753,248	24,811	-	-
Subtotal	174,165,964	5,736,692	158,361,456	4,832,514
Add (less) : Adjustment of valuation	(11,214,327)	(369,379)	(22,316,423)	(681,002)
Total	<u>\$162,951,637</u>	<u>\$5,367,313</u>	<u>\$136,045,033</u>	<u>\$4,151,512</u>

7. Derivative financial assets for hedging - current

	June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Derivative financial instruments	\$-	\$-	\$75,481	\$2,303
Add: Adjustment of valuation	96,575	3,181	1,849,358	56,435
Total	<u>\$96,575</u>	<u>\$3,181</u>	<u>\$1,924,839</u>	<u>\$58,738</u>

8. Loans

(1) Policy loans

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

B. Pursuant to MOF regulations, policyholder may state on the application form or issue a written statement prior to the end of grace period for premium payment to request the insurance enterprise to automatically deduct the due premiums and interest of the premium loan (as well as the principal and interest of the policy loan, if applicable) from the policyholder's policy value reserve after the second installment becomes overdue in order to remain the insurance policy to be constantly in force. Policyholder may also

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inform the enterprise in writing to stop the automatic premium loan option prior to the next due date of premium payment.

(2) Secured loans

	June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Secured loans	\$338,857,869	\$11,161,327	\$324,008,755	\$9,887,359
Secured loans-related parties	4,617,389	152,088	4,443,310	135,591
Less: Allowance for bad debts	(466,753)	(15,374)	(389,552)	(11,888)
Subtotal	343,008,505	11,298,041	328,062,513	10,011,062
Overdue receivables	1,944,186	64,038	2,413,308	73,644
Less: Allowance for bad debts	(1,360,930)	(44,827)	(1,689,316)	(51,551)
Subtotal	583,256	19,211	723,992	22,093
Total	<u>\$343,591,761</u>	<u>\$11,317,252</u>	<u>\$328,786,505</u>	<u>\$10,033,155</u>

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

9. Available-for-sale financial assets – noncurrent

	June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Corporate bonds	\$14,991,315	\$493,785	\$20,629,632	\$629,528
Government bonds	87,309,485	2,875,807	43,946,020	1,341,044
Financial debentures	120,681,002	3,975,000	134,882,014	4,116,021
Domestic stocks	243,391	8,017	29,052	887
Overseas stocks	40,338	1,329	-	-
Beneficiary certificates	35,510	1,170	152,097	4,642
Overseas bonds	30,165,315	993,587	31,534,352	962,293
Collateralized loans obligation and collateralized bonds obligation	4,608,294	151,788	2,428,619	74,111
Subtotal	258,074,650	8,500,483	233,601,786	7,128,526
Add: Adjustment of valuation	(1,444,666)	(47,585)	2,203,104	67,229
Total	<u>\$256,629,984</u>	<u>\$8,452,898</u>	<u>\$235,804,890</u>	<u>\$7,195,755</u>

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10. Held-to-maturity financial assets – noncurrent

	June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Corporate bonds	\$3,918,233	\$129,059	\$4,181,661	\$127,606
Government bonds	26,526,047	873,717	93,271,543	2,846,248
Financial debentures	10,080,461	332,031	9,594,527	292,784
Collateralized loans obligation and collateralized bonds obligation	18,760,942	617,949	9,514,450	290,340
Overseas bonds	543,541,629	17,903,216	546,260,597	16,669,533
Subtotal	602,827,312	19,855,972	662,822,778	20,226,511
Less: Securities serving as deposits				
paid – bonds	(8,009,691)	(263,824)	(7,770,336)	(237,117)
Accumulated impairment	-	-	(164,080)	(5,007)
Total	\$594,817,621	\$19,592,148	\$654,888,362	\$19,984,387

A CDO impairment provision is recognized as some objective evidences are identified showing impairment indicators associated with overseas bonds held by the Company. As of June 30, 2009, the Company recognized impairment losses amounting to NT\$164,080 (US\$5,007) thousands.

11. Financial assets carried at cost – noncurrent

	June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Domestic Stocks	\$20,929,849	\$689,389	\$20,511,168	\$625,913
Overseas stocks	250,456	8,250	241,794	7,379
Beneficiary certificates	240,617	7,925	751,160	22,922
Subtotal	21,420,922	705,564	21,504,122	656,214
Less: Accumulated impairment	(1,370,448)	(45,140)	(1,500,689)	(45,795)
Total	\$20,050,474	\$660,424	\$20,003,433	\$610,419

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An impairment provision is recognized as some objective evidences are identified showing impairment indicators associated with the stocks held by the Company and the Subsidiary, Cathay Venture. As of June 30, 2008 and 2009, the Company recognized impairment losses amounting to NT\$1,370,448 (US\$45,140) thousands and NT\$1,500,689 (US\$45,795) thousands, respectively.

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

	June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Stocks	\$-	\$-	\$316,000	\$9,643
Corporate bonds	10,000,000	329,381	14,500,000	442,478
Collateralized loans obligation and collateralized bonds obligation	435,000	14,328	-	-
Overseas bonds	51,810,244	1,706,530	126,746,285	3,867,754
Subtotal	62,245,244	2,050,239	141,562,285	4,319,875
Less: Accumulated impairment	-	-	(426,634)	(13,019)
Total	\$62,245,244	\$2,050,239	\$141,135,651	\$4,306,856

A CDO impairment provision is recognized as some objective evidences are identified showing impairment indicators associated with the overseas bonds held by the Company. As of June 30, 2009, the Company recognized impairment losses amounting to NT\$426,634 (US\$13,019) thousands.

13. Structured notes

One of the financial assets investment structured notes amounted to NT\$92,261,870 (US\$3,038,929) thousands and NT\$45,551,973 (US\$1,390,051) thousands as of June 30, 2008 and 2009, respectively. The details of structured notes are listed below:

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Item	June 30, 2008					
	Cost		Adjustment of valuation		Book value	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value						
through profit or loss - current	\$664,941	\$21,902	\$(91,195)	\$(3,004)	\$573,746	\$18,898
Available-for-sale financial assets	10,978,496	361,611	99,284	3,270	11,077,780	364,881
Held-to-maturity financial assets	79,699,724	2,625,156	-	-	79,699,724	2,625,156
Investments in debt securities						
with no active market - current	910,620	29,994	-	-	910,620	29,994
Total	<u>\$92,253,781</u>	<u>\$3,038,663</u>	<u>\$8,089</u>	<u>\$266</u>	<u>\$92,261,870</u>	<u>\$3,038,929</u>

Item	June 30, 2009					
	Cost		Adjustment of valuation		Book value	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value						
through profit or loss - current	\$582,218	\$17,766	\$(11,119)	\$(339)	\$571,099	\$17,427
Available-for-sale financial assets	8,900,000	271,590	(21,900)	(668)	8,878,100	270,922
Held-to-maturity financial assets	36,099,820	1,101,612	2,954	90	36,102,774	1,101,702
Total	<u>\$45,582,038</u>	<u>\$1,390,968</u>	<u>\$(30,065)</u>	<u>\$(917)</u>	<u>\$45,551,973</u>	<u>\$1,390,051</u>

14. Long-term investments under the equity method

Investee	June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
WK Technology Fund VI Co., Ltd.	\$354,152	\$11,665	\$337,885	\$10,311
Vista Technology Venture Capital Corp.	39,938	1,315	32,308	986
Omnitek Venture Capital Corp.	183,378	6,040	77,715	2,372
Wa Tech Venture Capital Co., Ltd.	134,851	4,442	83,771	2,556
IBT Venture Capital Corp.	272,988	8,992	217,405	6,634
Cathay Insurance (Bermuda) Co., Ltd.	84,741	2,791	96,318	2,939
Cathay Securities Investment Trust Co., Ltd.	335,078	11,037	315,184	9,618
Cathay Securities Investment Consulting Co., Ltd.	135,529	4,464	122,464	3,737
Cathay Insurance Company Limited. (Shanghai)	-	-	903,437	27,569
Total	<u>\$1,540,655</u>	<u>\$50,746</u>	<u>\$2,186,487</u>	<u>\$66,722</u>

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15. Investments in real estate

June 30, 2008										
Item	Cost		Revaluation increments		Accumulated depreciation		Accumulated impairment		Net value	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Investments in real										
estate	\$121,451,266	\$4,000,371	\$4,370	\$144	\$(16,272,599)	\$(535,988)	\$(195,923)	\$(6,453)	\$104,987,114	\$3,458,074
Construction	1,665,652	54,863	-	-	-	-	-	-	1,665,652	54,863
Total	<u>\$123,116,918</u>	<u>\$4,055,234</u>	<u>\$4,370</u>	<u>\$144</u>	<u>\$(16,272,599)</u>	<u>\$(535,988)</u>	<u>\$(195,923)</u>	<u>\$(6,453)</u>	<u>\$106,652,766</u>	<u>\$3,512,937</u>
June 30, 2009										
Item	Cost		Revaluation increments		Accumulated depreciation		Accumulated impairment		Net value	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Investments in real										
estate	\$130,058,488	\$3,968,828	\$4,712	\$144	\$(17,858,102)	\$(544,953)	\$(195,594)	\$(5,969)	\$112,009,504	\$3,418,050
Construction	2,503,700	76,402	-	-	-	-	-	-	2,503,700	76,402
Total	<u>\$132,562,188</u>	<u>\$4,045,230</u>	<u>\$4,712</u>	<u>\$144</u>	<u>\$(17,858,102)</u>	<u>\$(544,953)</u>	<u>\$(195,594)</u>	<u>\$(5,969)</u>	<u>\$114,513,204</u>	<u>\$3,494,452</u>

- (1) The real estate investments are held mainly for lease business
- (2) All the lease agreements of the Company's lease business are operating lease. The primary terms of lease agreements are the same with general lease agreement.
- (3) Rents from real estate investment can be paid annually, semi-annually, quarterly, monthly or in a lump sum.
- (4) As of June 30, 2008 and 2009, no investments in real estate were pledged as collateral.

16. Property and equipment

June 30, 2008										
Item	Cost		Revaluation increments		Accumulated depreciation		Accumulated impairment		Net value	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Land	\$4,723,189	\$155,573	\$1,317	\$44	\$-	\$-	\$(51,331)	\$(1,691)	\$4,673,175	\$153,926
Buildings and										
construction	9,917,187	326,653	-	-	(3,397,497)	(111,907)	(34,188)	(1,126)	6,485,502	213,620
Computer equipment	2,025,434	66,714	-	-	(1,431,046)	(47,136)	-	-	594,388	19,578
Communication and										
transportation										
equipment	16,162	532	-	-	(13,660)	(450)	-	-	2,502	82
Other equipment	3,495,276	115,128	-	-	(2,569,194)	(84,624)	-	-	926,082	30,504

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June 30, 2008										
Item	Cost		Revaluation increments		Accumulated depreciation		Accumulated impairment		Net value	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Leasehold										
improvements	49,966	1,646	-	-	(7,449)	(246)	-	-	42,517	1,400
Subtotal	20,227,214	666,246	1,317	44	(7,418,846)	(244,363)	(85,519)	(2,817)	12,724,166	419,110
Construction in progress										
and prepayment for										
equipment	230,346	7,587	-	-	-	-	-	-	230,346	7,587
Total	\$20,457,560	\$673,833	\$1,317	\$44	\$(7,418,846)	\$(244,363)	\$(85,519)	\$(2,817)	\$12,954,512	\$426,697
June 30, 2009										
Item	Cost		Revaluation increments		Accumulated depreciation		Accumulated impairment		Net value	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Land	\$4,772,644	\$145,641	\$974	\$30	\$-	\$-	\$(51,331)	\$(1,567)	\$4,722,287	4144,104
Buildings and										
construction	10,531,576	321,378	-	-	(3,732,029)	(113,886)	(34,188)	(1,043)	6,765,359	206,450
Computer equipment	2,441,993	74,519	-	-	(1,648,638)	(50,309)	-	-	793,355	24,210
Communication and										
transportation										
equipment	16,777	512	-	-	(11,594)	(354)	-	-	5,183	158
Other equipment	3,559,705	108,627	-	-	(2,798,561)	(85,400)	-	-	761,144	23,227
Leasehold										
improvements	90,401	2,759	-	-	(21,994)	(671)	-	-	68,407	2,087
Subtotal	21,413,096	653,436	974	30	(8,212,816)	(250,620)	(85,519)	(2,610)	13,115,735	400,236
Construction in progress										
and prepayment for										
equipment	102,739	3,135	-	-	-	-	-	-	102,739	3,135
Total	\$21,515,835	\$656,571	\$974	\$30	\$(8,212,816)	\$(250,620)	\$(85,519)	\$(2,610)	\$13,218,474	\$403,371

No properties or equipment was pledged as collaterals as of June 30, 2008 and 2009.

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17. Computer software cost

Item	January 1, 2008		Increase		Decrease		June 30, 2008	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Acquired Cost:								
Computer software	\$773,626	\$25,482	\$374,426	\$12,333	\$-	\$-	\$1,148,052	\$37,815
Amortized and impairment:								
Amortized	(291,855)	(9,613)	(98,847)	(3,256)	-	-	(390,702)	(12,869)
Book value	<u>\$481,771</u>	<u>\$15,869</u>	<u>\$275,579</u>	<u>\$9,077</u>	<u>\$-</u>	<u>\$-</u>	<u>\$757,350</u>	<u>\$24,946</u>

Item	January 1, 2009		Increase		Decrease		June 30, 2009	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Acquired Cost:								
Computer software	\$1,342,556	\$40,969	\$115,232	\$3,516	\$-	\$-	\$1,457,788	\$44,485
Amortized and impairment:								
Amortized	(524,770)	(16,014)	(117,553)	(3,587)	-	-	(642,323)	(19,601)
Book value	<u>\$817,786</u>	<u>\$24,955</u>	<u>\$(2,321)</u>	<u>\$(71)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$815,465</u>	<u>\$24,884</u>

18. Other overdue receivables

	June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Overdue receivables	\$98,730	\$3,252	\$589,715	\$17,996
Less: Allowance for bad and doubtful debts	(84,572)	(2,786)	(347,783)	(10,613)
Total	<u>\$14,158</u>	<u>\$466</u>	<u>\$241,932</u>	<u>\$7,383</u>

Allowance for doubtful accounts is evaluated and recorded based on the collectability of each overdue receivable in pursuant to “Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises”.

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

Item	June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Derivative financial instruments	\$-	\$-	\$-	\$-
Add: Adjustment of valuation	13,160,212	433,472	4,853,764	148,116
Total	<u>\$13,160,212</u>	<u>\$433,472</u>	<u>\$4,853,764</u>	<u>\$148,116</u>

20. Derivative financial liabilities for hedging - current

Item	June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Derivative financial instruments	\$-	\$-	\$-	\$-
Add: Adjustment of valuation	528,906	17,421	202,616	6,183
Total	<u>\$528,906</u>	<u>\$17,421</u>	<u>202,616</u>	<u>\$6,183</u>

21. Preferred stock liabilities-noncurrent

In accordance with the resolution of the Board of Directors' meeting on November 6, 2008, the Company issued 300,000 thousand shares of Class A preferred stocks at par value of NT\$10 per share through private offerings. The offering was approved by Insurance Bureau of Financial Supervisory Commission, Executive Yuan ("Insurance Bureau") on November 18, 2008.

Primary terms and conditions of the privately offered Class A preferred stocks are listed as follows:

- (1) Issuance period covers from December 25, 2008, the issue date, to December 25, 2015, seven years in total.
- (2) Dividend yield is 3.5% per year based on the actual issue price of NT\$50 per share. Unpaid dividends will accumulate and shall be paid in full with priority in the year with earnings.
- (3) The preference shares are not convertible to common stocks. When the shares are mature, the Company shall repurchase the shares at the issue price in compliance with R.O.C.

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Company Law. If the company is not able to repurchase all or a portion of the issued preferred stocks due to force majeure, the terms of the preferred stocks remain the same until the Company repurchases all outstanding shares. Dividends will be calculated at the original rate based on the actual extended period. Preferred shareholders' rights shall not be violated.

- (4) Preferred shareholders do not have rights to require the Company to redeem the shares. Five years after issuance, the Company can redeem the shares with the approval from the governing authorities.

According to the SFAS No. 36 "Financial Instruments: Disclosure and Presentation", the above mentioned Class A preferred stocks issued shall be categorized as a financial liability. Thus, the preferred stocks were reported as "preferred stock liabilities – noncurrent" under long-term liabilities.

22. Capital stock

On June 3, 2008, the Company's Board of Directors resolved to issue 200,000 thousand shares of common stock at par value of NT\$10 which was then approved by Ministry of Economic affairs on July 9, 2008, and the Insurance Bureau on July 21, 2008, respectively. The record date was set on June 27, 2008. As of June 30, 2008 and 2009, the total authorized thousand shares were 5,268,616 at par value of NT\$10 each.

23. Retained earnings

(1) Legal reserve

Pursuant to the Insurance Act, 20% of the Company's after-tax net income in the current year must be appropriated as legal reserve until the total amount of the legal reserve equals the issued share capital. Prior to 2007, this legal reserve was appropriated by 10% of the Company's after-tax net income according to the R.O.C. Company Act. Legal reserve can be used to offset deficits but cannot be used for the purpose of cash dividend distributions. However, if the total legal reserve is greater than 50% of the issued shares capital, up to 50% of such excess may be capitalized if resolved by the Company's Board of Directors.

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On April 29, 2009, the Company's Board of Directors resolved to use the legal reserves to offset the cumulative deficits amounting to NT\$3,207,084 (US\$97,866) thousands.

(2) Special reserve

Pursuant to the regulations established by the R.O.C. MOF, the after-tax amount of released provision from the special risk-volatility reserves according to "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises" are appropriated as special reserve when approved by stockholders' meeting in the following year. The retired reserves amounting to NT\$2,475,196 (US\$81,528) thousands and NT\$1,233,539 (US\$37,642) thousands for 2007 and 2008, respectively, were resolved by the Company's Board of Directors.

(3) Undistributed retained earnings

- A. According to the Company's articles of incorporation, 20% of the Company's annual earnings, after paying tax and offsetting deficits, if any, shall be appropriated as legal reserve. 2% of the total remaining amount after distributing stockholders' interests can be distributed to employees as employees' bonus. Finally, the remainder after deducting for the above mentioned items must be appropriated with the resolutions of the Board of Directors.
- B. According to the amended Income Tax Act ("Tax Act") in 1998, the Company has to pay an extra 10% income tax on all undistributed retained earnings generated during the year.
- C. Pursuant to the explanatory letter of SFB on January 27, 2006, the Company is required to appropriate a special reserve in the amount equal to unrealized losses of financial instruments expect for the special reserve since 2007.
- D. The employee bonus and remuneration of directors for the six months ended June 30, 2008 and 2009, amounting to NT\$10,000 (US\$329) thousands and NT\$10,648 (US\$325) thousands, respectively, was accrued based on the average of actual distribution in the past three years and recognized as operating costs or expenses. The difference between the actual distribution and the estimated amount will be adjusted in the following fiscal year.

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In the resolution of earning appropriation for year 2008, the Company didn't grant bonus for employee and remuneration for directors, which result is in consistence with the recognition and related disclosure in 2008 financial statements.

In year 2008, the subsidiaries, Symphox Information and Cathay Venture, didn't grant bonus for employee and remuneration for directors, which result is in consistence with the recognition and related disclosure in those subsidiaries' 2008 financial statements.

- E. On April 29, 2009, the Company's Board of Directors resolved not to distribute employee bonus and remuneration of directors due to the Company's net loss for year 2008. The resolution has no difference from the estimated amount in 2008. Please refer to the "Market Observation Post System" website of the Taiwan Stock Exchange Corporation for related information.

24. Personnel expense 、 depreciation and amortizations

Item	For the six months ended June 30, 2008 NT\$			For the six months ended June 30, 2008 US\$		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salary and wages	\$12,529,070	\$967,958	\$13,497,028	\$412,683	\$31,883	\$444,566
Labor & health insurance expenses	618,080	91,058	709,138	20,359	2,999	23,358
Pension expenses	386,802	57,026	443,828	12,741	1,878	14,619
Other expenses	521,588	120,999	642,587	17,180	3,986	21,166
Depreciation	30,003	998,527	1,028,530	988	32,890	33,878
Amortizations	2,453	97,606	100,059	81	3,215	3,296

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Item	For the six months ended			For the six months ended		
	June 30, 2009 NT\$			June 30, 2009 US\$		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salary and wages	\$12,422,527	\$984,692	\$13,407,219	\$379,082	\$30,049	\$409,131
Labor & health insurance expenses	656,861	112,851	769,712	20,044	3,444	23,488
Pension expenses	402,110	69,165	471,275	12,271	2,110	14,381
Other expenses	569,147	107,530	676,677	17,368	3,281	20,649
Depreciation	31,201	1,188,643	1,219,844	952	36,272	37,224
Amortizations	1,527	117,204	118,731	47	3,576	3,623

25. Estimated income taxes

The applicable statutory income tax rate of the Company is 25%. Pursuant to the amended "Income tax Act" issued on May 27, 2009, the applicable statutory income tax rate will be changed to 20% with effective date on January 1, 2010.

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

	June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Total deferred tax assets	\$13,659,333	\$449,912	\$9,078,754	\$277,045
Total deferred tax liabilities	\$(1,075,654)	\$(35,430)	\$(3,336,815)	\$(101,825)
Allowance for deferred assets	\$(518,852)	\$(17,090)	\$(426,961)	\$(13,029)
Temporary differences:				
Pension expense	\$342,700	\$11,288	\$283,243	\$8,643
Unrealized foreign exchange losses (gains)	10,893,626	358,815	(1,448,882)	(44,214)
Losses from valuation on financial assets and liabilities	(1,067,073)	(35,147)	(1,887,934)	(57,612)
Impairment loss	65,990	2,174	146,450	4,469
Unrealized bad debt losses	57	2	45,973	1,403
Other	12,225	403	6,918	211
Total	<u>\$10,247,525</u>	<u>\$337,535</u>	<u>\$(2,854,232)</u>	<u>\$(87,100)</u>

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	June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Loss carry forward	\$2,024,629	\$66,687	\$10,567,909	\$322,487
Tax effect under consolidated income tax system	\$311,525	\$10,261	\$(2,009,991)	\$(61,336)
Investment tax credits	\$-	\$-	\$38,253	\$1,167

	June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Deferred tax assets - current	\$12,992,155	\$427,937	\$45,149	\$1,378
Allowance for deferred tax assets - current	(260,493)	(8,580)	(2,511)	(77)
Net deferred tax assets - current	12,731,662	419,357	42,638	1,301
Deferred tax liabilities - current	(1,075,653)	(35,430)	(3,334,690)	(101,760)
Net offset balance of deferred tax assets - current	\$11,656,009	\$383,927	\$(3,292,052)	\$(100,459)

	June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Deferred tax assets - noncurrent	\$667,177	\$21,976	\$9,033,605	\$275,667
Allowance for deferred tax assets - noncurrent	(258,359)	(8,510)	(424,450)	(12,952)
Net deferred tax assets - noncurrent	408,818	13,466	8,609,155	262,715
Deferred tax liabilities - noncurrent	-	-	(2,125)	(65)
Net balance of deferred tax assets - noncurrent	\$408,818	\$13,466	\$8,607,030	\$262,650

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

	For the six-month period June 30			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Tax expenses before adjusting temporary and other differences	\$838,719	\$27,626	\$11,459	\$350
Add (less): Tax effects under consolidated income tax systems	-	-	17,407	531

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	For the six-month period June 30			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Deferred income tax benefit from unrealized foreign exchange loss	(10,545,426)	(347,346)	(1,819,163)	(55,513)
Deferred income tax expense from unrealized financial instruments valuation gain	2,167,566	71,396	8,201,884	250,286
Deferred income tax benefit from unrealized pension expense	(4,966)	(164)	(6,010)	(183)
Deferred income tax expense from impairment loss	-	-	59,459	1,815
Deferred income tax benefit from loss carry forward	-	-	(7,178,600)	(219,060)
Adjustments to the deferred tax liabilities or assets for the change in income tax rate	-	-	1,460,374	44,564
Allowance for deferred tax assets	257,861	8,493	5,369	164
Others	21	1	(5,347)	(163)
Add: Separation tax	113,589	3,741	42,482	1,296
Prior year adjustment	88,725	2,922	107,559	3,282
Less: Income tax credit	(7,937)	(261)	(5,953)	(182)
Add: Alternative minimum tax payable	711,428	23,433	-	-
10% surtax on undistributed retained earnings	4,271	141	-	-
Total income tax (benefit) expense	<u>\$(6,376,149)</u>	<u>\$(210,018)</u>	<u>\$890,920</u>	<u>\$27,187</u>

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(3) Income tax returns-The Company and Subsidiaries

	June 30, 2009
	Income tax returns assessed
The Company	Through 2005
Symphox Information	Through 2007
Cathay Venture	Through 2006
Cathay Life (Shanghai)	-
Cathay Life (Vietnam)	-

(4) Information related to imputation-The Company and Subsidiaries

A. Balance of imputation credit account

	June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
The Company	\$61,734	\$2,033	\$1,139,060	\$34,759
Symphox Information	-	-	9,575	292
Cathay Venture	9,408	310	20,243	618

B. Imputation credit account ratio

	For the six-month period ended June 30,	
	2008	2009
	(Actual)	(Actual)
The Company	5.62%	-
Symphox Information	-	33.33%
Cathay Venture	17.87%	19.45%

(5) Related information on undistributed earnings

Year	June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
After 1998	\$-	\$-	\$-	\$-

Net (loss) income for the six months ended June 30, 2008 and 2009, were excluded from the undistributed earnings after year 1998.

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26. Earnings per share

	Amount (numerator)		Weighted average outstanding number of shares (denominator) (thousand shares)	Earnings per share (In dollars)	
	Before tax NT\$	After tax NT\$		Before tax NT\$	After tax NT\$
For the six-month period ended June 30, 2008					
Consolidated loss	<u>\$(11,698,814)</u>	<u>\$(5,322,665)</u>	5,073,011	<u>\$(2.31)</u>	<u>\$(1.05)</u>

	Amount (numerator)		Weighted average outstanding number of shares (denominator) (thousand shares)	Earnings per share (In dollars)	
	Before tax US\$	After tax US\$		Before tax US\$	After tax US\$
For the six-month period ended June 30, 2008					
Consolidated loss	<u>\$(385,336)</u>	<u>\$(175,318)</u>	5,073,011	<u>\$(0.08)</u>	<u>\$(0.03)</u>

	Amount (numerator)		Weighted average outstanding number of shares (denominator) (thousand shares)	Earnings per share (In dollars)	
	Before tax NT\$	After tax NT\$		Before tax NT\$	After tax NT\$
For the six-month period ended June 30, 2009					
Consolidated income	<u>\$1,721,686</u>	<u>\$830,766</u>	5,268,616	<u>\$0.33</u>	<u>\$0.16</u>

	Amount (numerator)		Weighted average outstanding number of shares (denominator) (thousand shares)	Earnings per share (In dollars)	
	Before tax US\$	After tax US\$		Before tax US\$	After tax US\$
For the six-month period ended June 30, 2009					
Consolidated income	<u>\$52,538</u>	<u>\$25,351</u>	5,268,616	<u>\$0.01</u>	<u>\$-</u>

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27. Related party transactions

(1) Related parties

Name	Relationship
Cathay Financial Holding Co., Ltd.	Parent company
Cathay United Bank	Subsidiary of Cathay Financial Holding Co., Ltd.
Cathay Century Insurance Co., Ltd.	Subsidiary of Cathay Financial Holding Co., Ltd.
Cathay Securities Co., Ltd.	Subsidiary of Cathay Financial Holding Co., Ltd.
Cathay Venture Capital Corp.	Subsidiary of Cathay Financial Holding Co., Ltd.
Cathay II Venture Capital Corp.	Subsidiary of Cathay Financial Holding Co., Ltd.
Cathay Capital Management Inc.	Subsidiary of Cathay Financial Holding Co., Ltd.
Cathay Insurance (Bermuda) Co., Ltd.	Subsidiary of the Company
Cathay Securities Investment Consulting Co., Ltd.	Subsidiary of the Company
Indovina Bank Limited	Subsidiary of Cathay United Bank
Cathay Life Insurance Agent Co., Ltd.	Subsidiary of Cathay United Bank
Cathay Property Insurance Agent Co., Ltd.	Subsidiary of Cathay United Bank
Seaward Card Co., Ltd.	Subsidiary of Cathay United Bank
Cathay Futures Co., Ltd.	Subsidiary of Cathay Securities Co., Ltd.
Cathay Insurance Company Limited. (Shanghai)	An equity-method investee
Cathay Securities Investment Trust Co., Ltd.	An equity-method investee
Cathay General Hospital	Same chairman
Lin Yuan Investment Co., Ltd.	The company's chairman is an immediate family member of the Company's chairman
Taiwan Asset Management Corporation	The company's chairman is an appointed director by Cathay United Bank
Cathay Real Estate Development Co., Ltd.	Related party disclosed according to SFAS No. 6
Lin Yuan Property Management Co., Ltd.	Related party disclosed according to SFAS No. 6
Seaward Leasing Co., Ltd.	Related party disclosed according to SFAS No. 6
San Ching Engineering Co., Ltd.	Related party disclosed according to SFAS No. 6
Cathay Lin Yuan Security Co., Ltd.	Related party disclosed according to SFAS No. 6
China Eastern Airlines Co., Ltd.	Affiliate
Other related parties	The directors, supervisors, managers, and their spouses, as well as their second immediate families

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(2) Significant transactions with related parties

Transactions with related parties less than NT\$3,000 thousands (US\$99 thousands and US\$92 thousands as of June 30, 2008 and 2009, respectively) have no longer been disclosed since year 2008.

A. Property transactions

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

(A) Significant transactions with related parties For the six months ended June 30, 2008 and 2009 are listed below:

Name	Item	For the six months ended June 30, 2008	
		NT\$	US\$
Lin Yuan Property Management Co., Ltd.	International Building etc	\$112,809	\$3,716
For the six months ended June 30, 2009			
Name	Item	NT\$	US\$
San Ching Engineering Co., Ltd.	Cathay Lank Mark etc	\$13,344	\$407
Lin Yuan Property Management Co., Ltd.	International Building etc	57,264	1,748
Total		\$70,608	\$2,155

The total amounts of contracted projects for real estate as of June 30, 2008 and 2009 between the Company and San Ching Engineering Co., Ltd. were NT\$176,453 (US\$5,812) thousands and NT\$76,224 (US\$2,326) thousands, respectively.

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

Name	Rental income			
	For the six months ended June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Cathay Financial Holding Co., Ltd.	\$10,264	\$338	\$13,125	\$401
Cathay Real Estate Development Co., Ltd.	8,733	288	11,036	337
Cathay United Bank	147,082	4,845	165,439	5,048
Cathay Century Insurance Co., Ltd.	41,376	1,363	44,510	1,358
Cathay General Hospital	85,174	2,805	87,568	2,672
San Ching Engineering Co., Ltd.	4,265	140	4,908	150
Cathay Securities Investment Trust Co., Ltd.	8,892	293	11,131	340
Cathay Securities Investment Consulting Co., Ltd.	-	-	4,593	140
Cathay Securities Co., Ltd.	10,254	338	10,610	324
Total	<u>\$316,040</u>	<u>\$10,410</u>	<u>\$352,920</u>	<u>\$10,770</u>

Name	Guarantee deposits received			
	June 30, 2008		June 30, 2009	
	NT\$	US\$	NT\$	US\$
Cathay Real Estate Development Co., Ltd.	\$4,886	\$161	\$4,886	\$149
Cathay United Bank	67,224	2,214	68,143	2,079
Cathay Century Insurance Co., Ltd.	19,421	640	20,633	630
Cathay General Hospital	10,991	362	11,097	339
Cathay Securities Investment Trust Co., Ltd.	4,234	139	4,948	151
Cathay Securities Co., Ltd.	4,710	155	4,710	144
Cathay Financial Holding Co., Ltd.	4,885	161	5,964	182
Total	<u>\$116,351</u>	<u>\$3,832</u>	<u>\$120,381</u>	<u>\$3,674</u>

Lease periods are usually between 2 to 5 years and rental incomes are collected monthly.

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

Name	Rental expense			
	For the six months ended June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Cathay Real Estate Development Co., Ltd.	\$15,240	\$502	\$15,215	\$464
Cathay United Bank	5,431	179	5,629	172
Total	<u>\$20,671</u>	<u>\$681</u>	<u>\$20,844</u>	<u>\$636</u>

Name	Guarantee deposits paid			
	June 30, 2008		June 30, 2009	
	NT\$	US\$	NT\$	US\$
Cathay Real Estate Development Co., Ltd.	\$8,779	\$289	\$8,779	\$268

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

B. Cash in banks

Name	Item	For the six months ended June 30, 2008		
		Interest income		Ending balance
		NT\$	Rate	NT\$
Cathay United Bank	Time deposit	\$33,838	2.00%-12.00%	\$699,142
	Cash in bank	11,078	0.04%-1.85%	3,055,484
Indovina Bank Limited	Time deposit	9,185	3.60%-17.00%	1,068,506
	Cash in bank	186	2.40%-2.50%	35,126
Total		<u>\$54,287</u>		<u>\$4,858,258</u>

Name	Item	For the six months ended June 30, 2008		
		Interest income		Ending balance
		US\$	Rate	US\$
Cathay United Bank	Time deposit	\$1,115	2.00%-12.00%	\$23,028
	Cash in bank	365	0.04%-1.85%	100,642
Indovina Bank Limited	Time deposit	302	3.60%-17.00%	35,195
	Cash in bank	6	2.40%-2.50%	1,157
Total		<u>\$1,788</u>		<u>\$160,022</u>

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		For the six months ended June 30, 2009		
Name	Item	Interest income		Ending balance
		NT\$	Rate	NT\$
Cathay United Bank	Time deposit	\$43,118	1.00%-15.00%	\$16,588,945
	Cash in bank	1,452	0.02%-1.00%	4,702,440
Indovina Bank Limited	Time deposit	2,713	2.00%-10.80%	151,414
	Cash in bank	150	0.10%-2.40%	8,406
Total		<u>\$47,433</u>		<u>\$21,451,205</u>

		For the six months ended June 30, 2009		
Name	Item	Interest income		Ending
		US\$	Rate	balance US\$
Cathay United Bank	Time deposit	\$1,315	1.00%-15.00%	\$506,224
	Cash in bank	45	0.02%-1.85%	143,498
Indovina Bank Limited	Time deposit	83	2.00%-10.80%	4,620
	Cash in bank	4	0.10%-2.40%	257
Total		<u>\$1,447</u>		<u>\$654,599</u>

C. Other financial assets

		For the six months ended June 30, 2008		
Name		Interest income		Ending balance
		NT\$	Rate	NT\$
Cathay United Bank		<u>\$48,975</u>	3.17%-3.37%	<u>\$1,500,000</u>

		For the six months ended June 30, 2008		
Name		Interest income		Ending balance
		US\$	Rate	US\$
Cathay United Bank		<u>\$1,613</u>	3.17%-3.37%	<u>\$49,407</u>

		For the six months ended June 30, 2009		
Name		Interest income		Ending balance
		NT\$	Rate	NT\$
Cathay United Bank		<u>\$4,621</u>	3.17%-3.73%	<u>\$-</u>

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Name	For the six months ended June 30, 2009		
	Interest income		Ending balance
	US\$	Rate	US\$
Cathay United Bank	\$141	3.17%-3.73%	\$-

D. Secured loans

Name	For the six months ended June 30, 2008			
	Maximum amount	Interest income		Ending balance
	NT\$	NT\$	Rate	NT\$
Cathay General Hospital	\$4,388,030	\$81,337	3.57%-3.83%	\$4,344,505
Other related parties	304,449	3,971	2.20%-5.61%	272,884
Total		\$85,308		\$4,617,389

Name	For the six months ended June 30, 2008			
	Maximum amount	Interest income		Ending balance
	US\$	US\$	Rate	US\$
Cathay General Hospital	\$144,533	\$2,679	3.57%-3.83%	\$143,100
Other related parties	10,028	131	2.20%-5.61%	8,988
Total		\$2,810		\$152,088

Name	For the six months ended June 30, 2009			
	Maximum amount	Interest income		Ending balance
	NT\$	NT\$	Rate	NT\$
Cathay General Hospital	\$4,286,249	\$55,836	1.85%-3.91%	\$4,160,170
Other related parties	324,267	2,667	1.01%-5.37%	283,140
Total		\$58,503		\$4,443,310

Name	For the six months ended June 30, 2009			
	Maximum amount	Interest income		Ending balance
	US\$	US\$	Rate	US\$
Cathay General Hospital	\$130,798	\$1,704	1.85%-3.91%	\$126,951
Other related parties	9,895	81	1.01%-5.37%	8,640
Total		\$1,785		\$135,591

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

Name		June 30,			
		2008		2009	
		NT\$	US\$	NT\$	US\$
Cathay Securities Investment Trust Co., Ltd managed funds.	Market value	\$6,931,046	\$228,295	\$4,104,282	\$125,245

F. Available-for-sale financial assets-current (Beneficiary Certificates)

Name		June 30,			
		2008		2009	
		NT\$	US\$	NT\$	US\$
Cathay Securities Investment Trust Co., Ltd managed funds.	Market value	\$72,439	\$2,386	\$33,264	\$1,015

G. Other accounts receivable

Name	June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Cathay United Bank	\$94,089	\$3,099	\$32,104	\$980
Cathay Century Insurance Co., Ltd.	158,223	5,212	177,421	5,414
Cathay Insurance (Bermuda) Co., Ltd.	16,566	546	25,330	773
Cathay Financial Holding Co., Ltd. (note)	541,486	17,836	4,097,190	125,029

Note : Receivables are mainly consisted of tax refundable under integrated income tax system.

H. Guarantee deposits paid

Name	June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Cathay Futures Co., Ltd.	\$624,819	\$20,580	\$453,945	\$13,852

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As of June 30, 2008 and 2009, the imputed interest income of guarantee deposits paid from Cathay Futures Co., Ltd. were NT\$231 (US\$8) thousands and NT\$234 (US\$7)thousands, respectively.

I. Other payable

Name	June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Cathay Century Insurance Co., Ltd.	\$-	\$-	\$19,221	\$587
Lin Yuan Property Management Co., Ltd.	36,848	1,214	9,351	285
San Ching Engineering Co., Ltd.	5,056	167	15,215	464
Seaward Card Co., Ltd.	11,017	363	-	-
Cathay Financial Holding Co., Ltd. (Note)	1,010,644	33,289	270,383	8,251
Cathay Capital Management Inc.	-	-	3,750	114
Cathay Securities Investment Consulting Co., Ltd.	5,670	187	-	-

Note: The payables are consisted of interest expense accrued from preferred stock and tax payable under integrated income tax systems.

J. Accounts collected in advance

Name	June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Cathay Century Insurance Co., Ltd.	\$-	\$-	\$5,224	\$159
Cathay United Bank	28,181	928	27,788	848

K. Premiums income

Name	For the six months ended June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Cathay United Bank	\$267,006	\$8,795	\$292,583	\$8,928
Cathay General Hospital	12,984	428	13,173	402
Cathay Century Insurance Co., Ltd.	4,348	143	4,440	136
China Eastern Airline Co., Ltd.	66,313	2,184	138,503	4,227
Other related parties	241,449	7,953	182,019	5,554
Total	<u>\$592,100</u>	<u>\$19,503</u>	<u>\$630,718</u>	<u>\$19,247</u>

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L. Insurance expense

Name	For the six months ended June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Cathay Century Insurance Co., Ltd.	\$40,332	\$1,328	\$99,749	\$3,044

The insurance expenses were related to insurance for fixed assets, cash, public accident etc. Amounts of NT\$4,486 (US\$148) thousands and NT\$5,606 (US\$171) thousands paid by the Company on behalf of its employees for fidelity bonding insurance were included in above insurance expenses for the six months ended June 30, 2008 and 2009.

M. Indemnity income

Name	For the six months ended June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Cathay Century Insurance Co., Ltd.	\$-	\$-	\$5,840	\$178

The indemnity income for the six months ended June 30, 2009 is consisted of NT\$5,543 (US\$169) insurance benefit derived from employee's fidelity bonding insurance.

N. Reinsurance income

Name	For the six months ended June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Cathay Insurance (Bermuda) Co., Ltd.	\$70,249	\$2,314	\$43,966	\$1,342

Since April 1, 2000, Cathay Insurance (Bermuda) Co., Ltd. has engaged in the reinsurance business providing reinsurance for RGA Global Reinsurance Company and Central Reinsurance Corporation's accidental insurance for the six months ended June 30, 2008 and 2009. The Company assumes 90% and 60% of the reinsurance business from Cathay Insurance (Bermuda) Co., Ltd., respectively.

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O. Reinsurance service expenses

Name	For the six months ended June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Cathay Insurance (Bermuda) Co., Ltd.	\$5,097	\$168	\$4,695	\$143

P. Reinsurance claims payment

Name	For the six months ended June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Cathay Insurance (Bermuda) Co., Ltd.	\$60,569	\$1,995	\$54,332	\$1,658

Q. Other operating income

Name	For the six months ended June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Cathay Century Insurance Co., Ltd.	\$5,280	\$174	\$5,898	\$180
Cathay United Bank	236,301	7,783	220,723	6,736
Total	\$241,581	\$7,957	\$226,621	\$6,916

R. Miscellaneous income

Name	For the six months ended June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Cathay Century Insurance Co., Ltd.	\$472,773	\$15,572	\$531,934	\$16,232
Cathay United Bank	39,760	1,310	48,840	1,491
Cathay Securities Investment Trust Co., Ltd.	30,320	999	33,360	1,018
Total	\$542,853	\$17,881	\$614,134	\$18,741

Miscellaneous income is mainly generated from the Company's integrated marketing activity.

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S. Commissions expenses

Name	For the six months ended June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Cathay Life Insurance Agent Co., Ltd.	\$9,746	\$321	\$15,434	\$471

T. Operating expenses

Name	For the six months ended June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Lin Yuan Property Management Co., Ltd.	\$308,391	\$10,158	\$303,529	\$9,262
Cathay Securities Investment Consulting Co., Ltd.	18,795	619	11,340	346
Cathay Capital Management Inc.	25,765	849	25,940	792
Seaward Leasing Co., Ltd.	5,475	180	5,853	179
Seaward Card Co., Ltd.	22,984	757	33,397	1,019
Cathay United Bank	508,478	16,748	557,618	17,016
Total	\$889,888	\$29,311	\$937,667	\$28,614

U. Non-operating expenses and losses

Name	For the six months ended June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Cathay Financial Holding Co., Ltd.	\$-	\$-	\$260,342	\$7,945

Non-operating expenses and losses are interest expenses accrued from preferred stock liability.

V. Other

(A) As of June 30, 2008 and 2009, the nominal amounts of the financial instruments transactions with Cathay United Bank are summarized as below:

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Item	June 30,	
	2008	2009
Forward foreign exchange contracts	USD530,807	USD630,000
CS contracts	USD1,235,000	USD5,065,858
Financial debentures	NTD198,413 (USD6,535)	NTD- (USD-)

(B) The Company had entered a credit assignment agreement with Cathay United Bank in the amounts of NT\$2,480,000 (US\$81,686) thousands and NT\$800,000 (US\$24,413) thousands during the six months ended June 30, 2008 and 2009, respectively.

28. Pledged assets

(1) The Company

As of June 30, 2008 and 2009, the Company provided time deposits to its lessees as guarantees for the guarantee deposits received and bonds pledged with courts in legal as guarantee of litigations. Furthermore, pursuant to Article 141 of the Insurance Act, the Company deposited its government bonds with the Central Bank as the “Guaranteed Depository Insurance”.

Item	June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Guarantee deposits paid				
- Government bonds	\$8,009,691	\$263,824	\$8,949,129	\$273,089
Guarantee deposits paid - Time deposits	158,950	5,235	105,950	3,233
Guarantee deposits paid - others	86,063	2,835	40,088	1,224
Total	<u>\$8,254,704</u>	<u>\$271,894</u>	<u>\$9,095,167</u>	<u>\$277,546</u>

Pledged assets are summarized based on the carrying amounts.

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(2) Symphox Information

As of June 30, 2008 and 2009, the pledged property details are as follows:

Item	June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Financial assets at fair value through profit and loss - current	\$24,659	\$812	\$28,792	\$879

The pledged assets, such as cash, time deposits or bond funds, are utilized to strengthen the financial operation of electronic gift certificates and to protect the clients' interests.

(3) Cathay Life (Shanghai)

Item	June 30,			
	2008		2009	
	NT\$	US\$	NT\$	US\$
Guarantee deposits paid	\$708,560	\$23,339	\$768,640	\$23,456

According to the Insurance Act of the People's Republic of China, the guaranteed deposit is 20% of the registered capital. The guaranteed deposits of Cathay Life (Shanghai) are time deposits.

29. Other important matters and contingent liabilities

None.

30. Serious damages

None.

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31. Subsequent events

As resolution of shareholder meeting on May 13, 2009, the Company's subsidiary, Cathay Venture Capital, decided to merge with Cathay Pacific Venture Capital. After the business combination, Cathay Pacific Venture Capital will be the surviving company; Cathay Venture Capital will be the dissolved company. The business combination date is on August 10, 2009.

The determination of share exchange ratio is based on the surviving company and Cathay Venture Capital's net value per share as of March 31, 2009. The calculation of share exchange ratio takes the cash dividend and capital reduction of Cathay Venture Capital before the business combination date into consideration.

32. Others

(1) Pension related information

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

(2) Separate account insurance products related information

A. The Company

① Separate account insurance products-assets and liabilities

Assets			Liabilities		
Item	June 30, 2008		Item	June 30, 2008	
	NT\$	US\$		NT\$	US\$
Cash in bank	\$6,475	\$213	Other payable	\$2,507,976	\$82,608
Financial assets at fair value through profit or loss	277,634,897	9,144,759	Reserve for separate account	276,460,867	9,106,089
Interests receivable	23,027	759	Adjustments	60	2
Other receivable	1,304,504	42,968			
Total	\$278,968,903	\$9,188,699	Total	\$278,968,903	\$9,188,699

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Assets			Liabilities		
Item	June 30, 2009		Item	June 30, 2009	
	NT\$	US\$		NT\$	US\$
Cash in bank	\$43,235	\$1,319	Other payable	\$3,576,472	\$109,138
Financial assets at fair value through profit or loss	224,799,940	6,859,931	Reserve for separate Account	232,465,487	7,093,851
Interests receivable	198	6			
Other receivable	11,198,586	341,733			
Total	\$236,041,959	\$7,202,989	Total	\$236,041,959	\$7,202,989

② Separate account insurance products-revenues and expenses

Expenses			Revenues		
Item	January 1-June 30, 2008		Item	January 1-June 30, 2008	
	NT\$	US\$		NT\$	US\$
Insurance claims payment	\$439,229	\$14,467	Premiums income	\$77,264,694	\$2,544,950
Cash surrender value	24,418,216	804,289	Recovered separate account reserve	50,553,815	1,665,145
Dividends	2,151	71	Interest income	274,107	9,029
Provision for separate account reserve	74,038,906	2,438,699	Adjustments	47	2
Loss from valuation on financial assets	13,202,921	434,879			
Losses on disposal of investments	1,584,308	52,184			
Losses on foreign exchange	12,017,357	395,829			
Administrative expenses	2,389,575	78,708			
Total	\$128,092,663	\$4,219,126	Total	\$128,092,663	\$4,219,126

Expenses			Revenues		
Item	January 1-June 30, 2009		Item	January 1-June 30, 2009	
	NT\$	US\$		NT\$	US\$
Insurance claims payment	\$2,524,970	\$77,051	Premiums income	\$23,087,990	\$704,546
Cash surrender value	9,005,251	274,802	Recovered separate account reserve	8,033,934	245,161
Dividends	1,553	47	Interest income	3,267	100
Provision for separate account reserve	49,197,040	1,501,283	Gain from valuation on financial assets	22,130,250	675,320
Losses on disposal of investments	2,302,191	70,253	Gains on foreign exchange	11,864,829	362,064
Administrative expenses	2,092,827	63,864	Miscellaneous income	3,462	106
			Adjustments	100	3
Total	\$65,123,832	\$1,987,300	Total	\$65,123,832	\$1,987,300

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③ The commission earned for the sales of separate account insurance products from counterparties for the six months ended June 30, 2008 and 2009, were NT\$4,303,364 (US\$141,745) thousands and NT\$1,261,153 (US\$38,485) thousands, respectively.

B. Cathay Life (Shanghai)

① Separate account insurance products-assets and liabilities

Assets			Liabilities		
Item	June 30,2008		Item	June 30,2008	
	NT\$	US\$		NT\$	US\$
Cash in bank	\$19,832	\$653	Reserve for separate account	\$317,237	\$10,449
Financial assets at fair value through profit or loss	297,397	9,796			
Interests receivable	8	-			
Total	\$317,237	\$10,449	Total	\$317,237	\$10,449

Assets			Liabilities		
Item	June 30,2009		Item	June 30,2009	
	NT\$	US\$		NT\$	US\$
Cash in bank	\$40,863	\$1,247	Other account payable	\$2,669	\$82
Financial assets at fair value through profit or loss	392,832	11,988	Reserve for separate account	431,030	13,153
Interests receivable	4	-			
Total	\$433,699	\$13,235	Total	\$433,699	\$13,235

② Separate account insurance products-revenues and expenses

Expenses			Revenues		
Item	January 1- June 30,2008		Item	January 1- June 30,2008	
	NT\$	US\$		NT\$	US\$
Cash surrender value	\$-	\$-	Premiums income	\$314,373	\$10,355
Provision for separate account reserve	314,373	10,355			
Total	\$314,373	\$10,355	Total	\$314,373	\$10,355

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Expenses			Revenues		
Item	January 1- June 30,2009		Item	January 1- June 30,2009	
	NT\$	US\$		NT\$	US\$
Cash surrender value	\$35,195	\$1,074	Premiums income	\$42,489	\$1,297
Provision for separate account reserve	137,461	4,195	Recovered separate account reserve	20,540	627
Loss on financial assets valuation	-	-	Gain on financial Assets valuation	101,715	3,104
Loss on disposal of investment	-	-	Gain on disposal of investment	7,912	241
Total	\$172,656	\$5,269	Total	\$172,656	\$5,269

(3)Discretionary account management

Item	June 30, 2008			
	Carrying amount		Fair value	
	NT\$	US\$	NT\$	US\$
Listed stocks	\$9,246,719	\$304,569	\$9,246,719	\$304,569
Repurchase bonds	9,650,201	317,859	9,650,201	317,859
Cash in banks	715,491	23,567	715,491	23,567
Total	\$19,612,411	\$645,995	\$19,612,411	\$645,995

Item	June 30, 2009			
	Carrying amount		Fair value	
	NT\$	US\$	NT\$	US\$
Listed stocks	\$3,651,709	\$111,434	\$3,651,709	\$111,434
Repurchase bonds	5,193,400	158,480	5,193,400	158,480
Cash in banks	700,446	21,375	700,446	21,375
Total	9,545,555	\$291,289	9,545,555	\$291,289

As of June 30, 2008 and 2009, the Company entered into discretionary account management contracts in the amounts of NT\$17,450,000 (US\$574,769) thousands and NT\$9,300,000 (US\$283,796) thousands, respectively.

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- (4) Revenues and expenses arising from business transactions, promotion activities and information sharing are allocated to the Company and its affiliates based on the attribution of the transactions.
- (5) Financial risk management objectives and policies

The Company's financial assets primarily consist of domestic or foreign common stocks, preferred stocks, government bonds, corporate bonds, repurchase bonds, structured notes, mortgage-backed securities, mutual funds, project investments, short-term notes, cash and cash equivalents.

The Company also enters into derivative transactions such as stock index options, index futures, interest rate futures, interest rate swaps, currency forwards and cross currency swaps to protect against the price risk of stock value, interest rate risk and foreign currency risk from investment activities. The Company does not enter into derivative transactions for trading purpose; however, the derivatives not qualified for hedge accounting are measured at fair value through profit or loss.

The primary risks involved in financial instruments are market risk, credit risk, operational risk, liquidity risk and country risk. In addition to compliance with the risk management policies and guidance from the parent company Cathay Financial Holding Co., Ltd., the Company has also established risk management systems such as the VaR model, the credit evaluation model, the integrated appraisal and collection, and the concentration management systems to monitor and manage the Company's risks. The risk management policies are summarized as follows:

Market Risk

Market risk is the exposure to uncertain market value of a portfolio, including interest rate risk, stock price risk and foreign currency risk, etc. The Company conducts analysis and assessments of the investment targets before any investment decisions are made. In addition, VaR model in connection with scenario analysis, stress testing, back testing, Position Limit, VaR Limit and Loss Limit are used to effectively manage the market risk of the Company's financial instruments.

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Credit Risk

Credit risk is the risk of loss arising from the potential default of the counter-party. In order to minimize the Company's exposure to the credit risk, following evaluations and controls are performed:

The Company has taken the credit concentration index of each conglomerate into consideration of establishing Lending Policy to prevent from over-exposure. Strict credit evaluations are carried out by the Company before committing to business lending, mortgage lending, policy loan, and securities investments. All business lendings are secured by land, property, plant and equipment or financial guarantees.

Assessments on the mortgage repayment ability and personal credits are conducted before the mortgages are granted. The total mortgage amounts granted are based on a different percentage of the carrying value which varies according to regions where the secured buildings locate.

For policy loans, the credit risk level is assessed at low as the policy loan amounts are limited to their net realizable value of the insurance policy and hence are deemed as fully secured investments.

An internal credit risk evaluation model for investments in financial instruments has been created based on external credit assessments and various characteristics of financial instruments. The Company also monitors the credit risk level of the investment targets, issuers or counter-parties by evaluating the credit concentration of the investments or counter-parties.

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 procedures. The Company has also commenced the development of information systems to accommodate and support the aforementioned policies.

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Liquidity Risk

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

Country Risk

Country risk is the risk of market price fluctuation or default of the issuers due to the political or economical issues in the country where investments are located. The Company categorizes and manages the investment risk based on each country or region, as well as regularly monitors the concentration of foreign countries to minimize its country risk.

(6) Financial instruments related information

A. The Company

(a) Fair value

Item	June 30, 2008			
	NT\$		US\$	
	Carrying Amount	Fair value	Carrying amount	Fair value
<u>Assets - non-derivative</u>				
Cash and cash equivalents	\$185,559,533	\$185,559,533	\$6,111,974	\$6,111,974
Notes and accounts receivable	27,319,542	27,319,542	899,853	899,853
Financial assets at fair value through profit or loss - current	72,989,144	72,989,144	2,404,122	2,404,122
Available-for-sale financial assets - current	162,622,729	162,622,729	5,356,480	5,356,480
Held-to-maturity financial assets - current	2,152,735	2,146,703	70,907	70,708
Investments in debt securities with no active market - current	5,621,772	5,621,772	185,170	185,170

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Item	June 30, 2008			
	NT\$		US\$	
	Carrying Amount	Fair value	Carrying amount	Fair value
<u>Other financial assets - current</u>				
Available-for-sale financial assets - noncurrent	253,180,259	253,180,259	8,339,271	8,339,271
Held-to-maturity financial assets - noncurrent	594,552,042	575,612,857	19,583,401	18,959,580
Financial assets carried at cost - noncurrent	19,055,198	-	627,641	-
<u>Investments in debt securities with no active market - noncurrent</u>				
	61,512,273	53,656,291	2,026,096	1,767,335
Long-term investments under the equity method	5,226,620	5,226,620	172,155	172,155
Other financial assets – noncurrent	27,954,287	27,954,287	920,760	920,760
Guarantee deposits paid	11,509,833	11,509,833	379,112	379,112
<u>Liabilities - non-derivative</u>				
Notes and accounts payable	18,966,623	18,966,623	624,724	624,724
Guarantee deposits received	1,507,250	1,507,250	49,646	49,646
<u>Assets - derivative</u>				
<u>Financial assets at fair value through profit or loss - current</u>				
Option	82,725	82,725	2,725	2,725
Forward	16,519,435	16,519,435	544,118	544,118
IRS	119,398	119,398	3,933	3,933
<u>Derivative financial assets for hedging - current</u>				
IRS	96,575	96,575	3,181	3,181
<u>Liabilities - derivative</u>				
<u>Financial liabilities at fair value through profit or loss - current</u>				
Forward, CS, CCS	13,087,910	13,087,910	431,091	431,091
IRS, CDS	72,302	72,302	2,381	2,381
<u>Derivative financial liabilities for hedging - current</u>				
IRS	528,906	528,906	17,421	17,421

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Item	June 30, 2009			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Assets - non-derivative</u>				
Cash and cash equivalents	\$247,822,244	\$247,822,244	\$ 7,562,473	\$ 7,562,473
Notes and accounts receivable	50,492,300	50,492,300	1,540,809	1,540,809
Financial assets at fair value through profit or loss - current	71,146,713	71,146,713	2,171,093	2,171,093
Available-for-sale financial assets - current	135,565,155	135,565,155	4,136,868	4,136,868
Held-to-maturity financial assets - current	30,176,218	28,029,011	920,849	855,325
Investments in debt securities with no active market - current	4,534,726	4,413,892	138,380	134,693
Other financial assets - current	8,000,000	8,000,000	244,126	244,126
Available-for-sale financial assets - noncurrent	230,872,988	230,872,988	7,045,255	7,045,255
Held-to-maturity financial assets - noncurrent	654,456,134	640,193,916	19,971,197	19,535,975
Financial assets carried at cost - noncurrent	19,202,400	-	585,975	-
Investments in debt securities with no active market - noncurrent	139,768,341	127,397,676	4,265,131	3,887,631
Long-term investments under the equity method	5,968,307	5,968,307	182,127	182,127
Other financial assets – noncurrent	11,300,000	11,300,000	344,828	344,828
Guarantee deposits paid	11,864,922	11,864,922	362,067	362,067
<u>Liabilities - non-derivative</u>				
Notes and accounts payable	10,400,942	10,400,942	317,392	317,392
Preferred stock liability –noncurrent	15,000,000	15,413,340	457,736	470,349
Guarantee deposits received	1,613,269	1,613,269	49,230	49,230
<u>Assets - derivative</u>				
Financial assets at fair value through profit or loss - current				
Forward, CS, CCS	12,782,343	12,782,343	390,062	390,062
IRS, CDS	205,509	205,509	6,271	6,271
Derivative financial assets for hedging - current				
IRS, CDS	1,924,839	1,924,839	58,738	58,738
<u>Liabilities - derivative</u>				
Financial liabilities at fair value through profit or loss – current				
Forward, CS, CCS	4,619,687	4,619,687	140,973	140,973
IRS, CDS	234,077	234,077	7,143	7,143
Derivative financial liabilities for hedging - current				
IRS, CDS	202,616	202,616	6,183	6,183

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

- ① The fair value of the Company's cash, cash equivalents, receivables and payables is based on the carrying amount of those instruments at reporting date due to the short maturity of those instruments.
- ② The fair value of the guarantee deposits paid and guarantee deposits received is based on the carrying amount as the Company predicts the future cash inflow or outflow will be of similar amount to the carrying value.
- ③ Quoted market price, if available, are utilized as estimates of the fair value of financial instruments. If no quoted market prices exist for the Company's financial assets, the fair value of those assets is derived based on pricing models. A pricing model incorporates all information that market participants would consider in setting a price available to the Company. The Company uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics. The characteristics involve debtor's credit standing, residual period of contracted fixed interest rates, residual period of principal repayment and currency of payment.
- ④ The fair value of the Company's financial instruments is based on market prices if available at the reporting date. When market prices are not available, the fair value is based on carrying amount or other relevant financial information.
- ⑤ If no quoted market prices exist for the Company's long-term investments accounted for under the equity method, then their fair value is taken as approximating their carrying amounts when no permanent market value decline exists.
- ⑥ The fair values of financial assets or liabilities determined by quoted market price or pricing models are summarized as following:

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Financial instruments	June 30, 2008			
	Based on the quoted market price		Based on valuation techniques	
	NT\$	US\$	NT\$	US\$
<u>Assets - non-derivative</u>				
Cash and cash equivalents	\$163,908,525	\$5,398,831	\$21,651,008	\$713,143
Notes and accounts receivable	-	-	27,319,542	899,853
Financial assets at fair value through profit or loss - current	69,555,698	2,291,031	3,433,446	113,091
Available-for-sale financial assets - current	162,622,729	5,356,480	-	-
Held-to-maturity financial assets - current	889,774	29,307	1,256,929	41,401
Investments in debt securities with no active market - current	-	-	5,621,772	185,170
Available-for-sale financial assets - noncurrent	251,927,084	8,297,994	1,253,175	41,277
Held-to-maturity financial assets - noncurrent	76,351,878	2,514,884	499,260,979	16,444,696
Investments in debt securities with no active market - noncurrent	-	-	53,656,291	1,767,335
Long-term investments in stocks under the equity method	-	-	5,226,620	172,155
Other financial assets - noncurrent	-	-	27,954,287	920,760
<u>Liabilities - non-derivative</u>				
Notes and accounts payable	-	-	18,966,623	624,724
<u>Assets - derivative</u>				
Financial assets at fair value through profit or loss - current				
Option	82,725	2,725	-	-
Forward	-	-	16,519,435	544,118
IRS	-	-	119,398	3,933
Derivative financial assets for hedging - current				
IRS	-	-	96,575	3,181
<u>Liabilities - derivative</u>				
Financial liabilities at fair value through profit or loss - current				
Forward	-	-	13,087,910	431,091
IRS	-	-	72,302	2,381
Derivative financial liabilities for hedging - current				
IRS	-	-	528,906	17,421

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Financial instruments	June 30, 2009			
	Based on the quoted market price		Based on valuation techniques	
	NT\$	US\$	NT\$	US\$
<u>Assets - non-derivative</u>				
Cash and cash equivalents	\$179,325,101	\$5,472,234	\$68,497,143	\$2,090,239
Notes and accounts receivable	-	-	50,492,300	1,540,809
Financial assets at fair value through profit or loss - current	70,575,613	2,153,665	571,100	17,428
Available-for-sale financial assets - current	135,159,298	4,124,483	405,857	12,385
Held-to-maturity financial assets - current	2,824,968	86,206	25,204,043	769,119
Investments in debt securities with no active market - current	-	-	4,413,892	134,693
Other financial assets-current	-	-	8,000,000	244,126
Available-for-sale financial assets - noncurrent	229,495,919	7,003,232	1,377,069	42,022
Held-to-maturity financial assets - noncurrent	95,403,027	2,911,291	544,790,889	16,624,684
Investment in debt securities with no active market – noncurrent	4,642,752	141,677	122,754,924	3,745,954
Long-term investments under the equity method	-	-	5,968,307	182,127
Other financial assets - noncurrent	-	-	11,300,000	344,828
<u>Liabilities-non-derivative</u>				
Notes and accounts payable	-	-	10,400,942	317,393
Preferred stock liability - noncurrent	-	-	15,413,340	470,349
<u>Assets - derivative</u>				
Financial assets at fair value through profit or loss - current				
Forward, CS, CCS	-	-	12,782,343	390,062
IRS, CDS	-	-	205,509	6,271
Derivative financial assets for hedging – current				
IRS, CDS			1,924,839	58,738
<u>Liabilities - derivative</u>				
Financial liabilities at fair value through profit or loss - current				
Forward, CS, CCS	-	-	4,619,687	140,973
IRS, CDS	-	-	234,077	7,143
Derivative financial liabilities for hedging – current				
IRS, CDS	-	-	202,616	6,183

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(b) Risk of interest rate

The following table summarizes the maturities of the Company's financial instruments at June 30, 2008 and 2009:

① June 30, 2008

Non-derivative financial instruments of fixed interest rate

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$
Financial assets at fair value								
through profit or loss	\$2,624,273	\$86,439	\$962,230	\$31,694	\$27,637	\$910	\$2,466,781	\$81,251
Available-for-sale financial assets	2,495,430	82,195	334,542	11,019	5,382,739	177,297	7,842,542	258,318
Held-to-maturity financial assets	163,262,022	5,377,537	12,514,246	412,195	13,669,748	450,255	4,242,928	139,754
Investments in debt securities with								
no active market	721,772	23,774	771,191	25,402	1,207,424	39,770	1,320,736	43,503

Item	Due in 4~5 years		Over 5 years		Total	
	NTS	US\$	NTS	US\$	NTS	US\$
Financial assets at fair value						
through profit or loss	\$1,262,087	\$41,571	\$6,631,403	\$218,426	\$13,974,411	\$460,291
Available-for-sale financial assets	13,707,720	451,506	111,543,619	3,674,032	141,306,592	4,654,367
Held-to-maturity financial assets	9,087,410	299,322	295,269,374	9,725,605	498,045,728	16,404,668
Investments in debt securities with						
no active market	4,995,147	164,531	37,908,360	1,248,628	46,924,630	1,545,608

Non-derivative financial instruments of float interest rate

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$
Financial assets at fair value								
through profit or loss	\$3,049,033	\$100,429	\$-	\$-	\$-	\$-	\$-	\$-
Available-for-sale financial assets	122,823,939	4,045,584	-	-	-	-	-	-
Held-to-maturity financial assets	98,659,049	3,249,639	-	-	-	-	-	-
Investments in debt securities with								
no active market	20,209,415	665,659	-	-	-	-	-	-

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Item	Due in 4-5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value						
through profit or loss	\$-	\$-	\$-	\$-	\$3,049,033	\$100,429
Available-for-sale financial assets	-	-	-	-	122,823,939	4,045,584
Held-to-maturity financial assets	-	-	-	-	98,659,049	3,249,639
Investments in debt securities with						
no active market	-	-	-	-	20,209,415	665,659

Derivative financial instruments

Item	Less than one year		Due in 1-2 years		Due in 2-3 years		Due in 3-4 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value								
through profit or loss	\$-	\$-	\$19,607	\$646	\$7,430	\$245	\$85,034	\$2,801
Derivative financial assets for								
hedging	1,003	33	41,240	1,358	1,621	53	13,194	435
Financial liabilities at fair value								
through profit or loss	2,765	91	22,842	752	25,386	836	-	-
Derivative financial liabilities for								
hedging	10,392	342	2,600	86	32,478	1,070	-	-

Item	Due in 4-5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value						
through profit or loss	\$2,860	\$94	\$4,467	\$147	\$119,398	\$3,933
Derivative financial assets for						
hedging	-	-	39,517	1,302	96,575	3,181
Financial liabilities at fair value						
through profit or loss	-	-	21,309	702	72,302	2,381
Derivative financial liabilities for						
hedging	20,284	668	463,152	15,255	528,906	17,421

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Non-derivative financial instruments of fixed interest rate

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value								
through profit or loss	\$2,357,733	\$71,948	\$424,327	\$12,949	\$1,612,720	\$49,213	\$1,127,958	\$34,420
Available-for-sale financial assets	342,750	10,459	4,797,986	146,414	6,718,424	205,017	15,595,465	475,907
Held-to-maturity financial assets	210,681,697	6,429,103	20,040,138	611,539	7,537,126	230,001	21,572,815	658,310
Investments in debt securities with								
no active market	4,534,726	138,380	5,869,291	179,106	6,043,204	184,413	6,898,360	210,508
Preferred stock liability	-	-	-	-	-	-	-	-

Item	Due in 4~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value						
through profit or loss	\$1,088,439	\$33,215	\$2,197,109	\$67,046	\$8,808,286	\$268,791
Available-for-sale financial assets	12,948,998	395,148	77,774,468	2,373,344	118,178,091	3,606,289
Held-to-maturity financial assets	29,272,590	893,274	338,266,814	10,322,454	627,371,180	19,144,681
Investments in debt securities with						
no active market	3,240,304	98,880	98,539,922	3,007,016	125,125,807	3,818,304
Preferred stock liability	-	-	15,000,000	457,736	15,000,000	457,736

Non-derivative financial instruments of float interest rate

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value								
through profit or loss	\$269,064	\$ 8,211	\$-	\$-	\$-	\$-	\$-	\$-
Available-for-sale financial assets	115,015,896	3,509,792	-	-	-	-	-	-
Held-to-maturity financial assets	57,261,171	1,747,366	-	-	-	-	-	-
Investments in debt securities with								
no active market	19,177,261	585,208	-	-	-	-	-	-

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Item	Due in 4~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value						
through profit or loss	\$-	\$-	\$-	\$-	\$269,064	\$ 8,211
Available-for-sale financial assets	-	-	-	-	115,015,896	3,509,792
Held-to-maturity financial assets	-	-	-	-	57,261,171	1,747,366
Investments in debt securities with						
no active market	-	-	-	-	19,177,261	585,208

Derivative financial instruments

Item	Less than one year		Due in 1~2 years		Due in 2~3 years		Due in 3~4 years	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value								
through profit or loss	\$18,688	\$570	\$38,214	\$1,166	\$-	\$-	\$-	\$-
Derivative financial assets for								
hedging	-	-	22,645	691	14,232	434	88,479	2,700
Financial liabilities at fair value								
through profit or loss	1,005	31	112,605	3,436	-	-	-	-
Derivative financial liabilities for								
hedging	13,938	425	22,795	696	-	-	-	-

Item	Due in 4~5 years		Over 5 years		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Financial assets at fair value						
through profit or loss	\$307	\$10	\$-	\$-	\$57,209	\$ 1,746
Derivative financial assets for						
hedging	617,381	18,840	1,102,323	33,638	1,845,060	56,303
Financial liabilities at fair value						
through profit or loss	4,907	150	-	-	118,517	3,617
Derivative financial liabilities for						
hedging	-	-	-	-	36,733	1,121

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(c) Credit risk

The Company doesn't expose to significant concentrated credit risk.

(d) Hedged accounting disclosures

Cash flow hedges – IRS

The following table summarizes the terms of the Company's interest rate swap for bonds used as hedging instruments at June 30, 2008 and 2009:

① June 30, 2008

Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$200,000	\$6,588	180DCP+18bps	Half year	2008.7.11
2,000,000	65,876	90DCP+75bps	Each quarter	2008.7.19
250,000	8,235	90DCP	Each quarter	2008.8.10
450,000	14,822	90DCP	Each quarter	2008.8.22
330,000	10,870	90DCP	Each quarter	2008.8.24
1,150,000	37,878	90DCP+30bps	Each quarter	2008.9.17
200,000	6,588	If 6ml<0.9%, 6ml If 0.9%≤6ml<2.0%,3.05% If 2.0%<6ml,Max(4.0005%-6ml)	Yearly	2008.9.26
100,000	3,294	180DCP+30bps	Half year	2008.12.18
300,000	9,881	If 6ml<0.95%, 6ml If 0.95%<6ml<2.0%,3.5% If 2.0%<6ml, 4.8%-6ml	Half year	2009.1.7
200,000	6,588	If 6ml<0.95%, 6ml If 0.95%<6ml<2.0%,3.5% If 2.0%<6ml, 4.8%-6ml	Half year	2009.1.9
200,000	6,588	5.85%-6ml	Half year	2009.1.13
50,000	1,647	If 6ml≤1%,6ml+0.2% If 1%<6ml<2%,3.15% If 6ml≥2%, 4.15%-6ml	Half year	2009.1.16

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Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$247,500	\$8,152	ARMS	Each quarter	2009.3.24
900,000	29,644	90DCP+100bps	Each quarter	2009.5.20
200,000	6,588	4.000%-6ml	Half year	2010.4.7
300,000	9,881	4.0002%-6ml	Half year	2010.4.7
500,000	16,469	4.0006%-6ml	Half year	2010.4.7
500,000	16,469	4.0007%-6ml	Half year	2010.4.7
200,000	6,588	4.0003%-6ml	Half year	2010.4.7
300,000	9,881	4.3%-12ml	Yearly	2010.6.20
900,000	29,644	90DCP	Each quarter	2010.8.18
600,000	19,763	90DCP	Each quarter	2010.8.19
200,000	6,588	6.3%-6ml	Yearly	2010.11.27
300,000	9,881	5.37%-6ml	Yearly	2011.3.15
200,000	6,588	3.0%, if 6ml	Half year	2011.3.19
		2005.9.19~2006.9.19:1.0%-2.5%		
		2006.9.19~2007.9.19:1.0%-3.0%		
		2007.9.19~2008.9.19:1.0%-3.5%		
		2008.9.19~2009.9.19:1.0%-4.0%		
		2009.9.19~2010.9.19:1.0%-4.5%		
		2010.9.19~2011.3.19:1.0%-5.0%		
500,000	16,469	If 6ml<1.1%,6ml	Half year	2011.6.30
		If 1.1% ≤ 6ml ≤ 2.0%,3.8%		
		If 6ml>2.0%,Max(5.50%-6ml)		
2,000,000	65,876	90DCP	Yearly	2013.3.26
2,700,000	88,933	90DCP+25bps	Each quarter	2013.8.24
3,000,000	98,814	90DCP+26.5bps	Yearly	2013.11.3
2,000,000	65,876	90DCP	Yearly	2013.11.3
1,000,000	32,938	90DCP+26.5bps	Yearly	2013.12.14
500,000	16,469	90DCP+23bps	Yearly	2013.12.14
1,500,000	49,407	90DCP+23bps	Yearly	2013.12.16
1,000,000	32,938	90DCP+26.5bps	Yearly	2013.12.16
1,300,000	42,819	90DCP+45bps	Each quarter	2013.12.27
900,000	29,644	90DCP	Yearly	2014.3.12

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Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$1,000,000	\$32,938	90DCP	Yearly	2014.6.12
2,000,000	65,876	90DCP	Yearly	2014.6.29
5,000,000	164,690	90DCP	Yearly	2014.8.23
1,000,000	32,938	90DCP	Yearly	2014.9.20
3,200,000	105,402	90DCP	Yearly	2014.9.27
2,000,000	65,876	90DCP	Each quarter	2014.9.28
1,500,000	49,407	90DCP	Yearly	2014.9.29
2,500,000	82,345	90DCP	Yearly	2014.12.20
2,000,000	65,876	90DCP	Yearly	2014.12.24
-	24,000	6ml	Half year	2014.3.24

② June 30, 2009

Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$200,000	\$6,103	4.000%-6ml	Half year	2010.4.7
300,000	9,155	4.0002%-6ml	Half year	2010.4.7
500,000	15,258	4.0006%-6ml	Half year	2010.4.7
500,000	15,258	4.0007%-6ml	Half year	2010.4.7
200,000	6,103	4.0003%-6ml	Half year	2010.4.7
300,000	9,155	4.3%-12ml	Yearly	2010.6.20
900,000	27,464	90DCP	Each quarter	2010.8.18
600,000	18,309	90DCP	Each quarter	2010.8.19
200,000	6,103	6.3%-6ml	Yearly	2010.11.27
300,000	9,155	5.37%-6ml	Yearly	2011.3.15
500,000	15,258	If 6ml<1.1%,6ml If 1.1%≤6ml≤2.0%,3.8% If 6ml>2.0%,Max(5.50%-6ml)	Half year	2011.6.30
2,000,000	61,031	90DCP	Each quarter	2011.9.9
1,000,000	30,516	90DCP	Each quarter	2012.6.26
2,000,000	61,031	90DCP	Yearly	2013.3.26
2,700,000	82,392	90DCP+25bps	Each quarter	2013.8.24
3,000,000	91,547	90DCP+26.5bps	Yearly	2013.11.3

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Par value		Exchange rate	Frequency	Maturity date
NT\$	US\$			
\$2,000,000	\$61,031	90DCP	Yearly	2013.11.3
1,000,000	30,516	90DCP+26.5bps	Yearly	2013.12.14
500,000	15,258	90DCP+23bps	Yearly	2013.12.14
1,500,000	45,774	90DCP+23bps	Yearly	2013.12.16
1,000,000	30,516	90DCP+26.5bps	Yearly	2013.12.16
900,000	27,464	90DCP	Yearly	2014.3.12
1,000,000	30,516	90DCP	Yearly	2014.6.12
2,000,000	61,031	90DCP	Yearly	2014.6.29
5,000,000	152,579	90DCP	Yearly	2014.8.23
1,000,000	30,516	90DCP	Yearly	2014.9.20
3,200,000	97,650	90DCP	Yearly	2014.9.27
2,000,000	61,031	90DCP	Each quarter	2014.9.28
1,500,000	45,774	90DCP	Yearly	2014.9.29
2,500,000	76,289	90DCP	Yearly	2014.12.20
2,000,000	61,031	90DCP	Yearly	2014.12.24

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

The Company's interest rate swap agreements are considered to be highly effective cash flow hedges. As of June 30, 2008 and 2009, unrealized gains (losses) on these financial instruments recognized in equity were NT\$(371,300) (US\$(12,230)) thousands and NT\$1,961,118 (US\$59,845) thousands, respectively.

Fair value hedges

The following table summarizes the terms of the Company's credit default swap for bonds used as hedging instruments at June 30, 2008 and 2009:

① June 30, 2008

None.

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Par value		Hedge item	Maturity date
NT\$	US\$		
\$-	\$45,000	CDO	2012.09.20
-	7,000	Structured notes	2014.03.20
-	3,000	Structured notes	2014.03.20

The terms of credit default swap agreements are established based on the terms of the bonds being hedged.

The Company's credit default swap agreements are considered to be highly effective fair value hedges. As of June 30, 2009, unrealized losses on these financial instruments recognized in profit and loss were NT\$80,050 (US\$2,443) recorded as gains from valuation on financial assets by NT\$4,298 (US\$131) thousands and losses from valuation on financial liabilities by NT\$84,348 (US\$2,574) thousands, respectively.

B. Symphox Information

Item	June 30, 2008			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Assets-non-derivative</u>				
Cash and cash equivalents	\$283,339	\$283,339	\$9,333	\$9,333
Financial assets at fair value through profit and loss - current	154,841	154,841	5,100	5,100
Receivables	200,146	200,146	6,592	6,592
Guarantee deposits paid	10,229	10,229	337	337
<u>Liabilities-non-derivative</u>				
Payables	168,750	168,750	5,558	5,558
Guarantee deposits received	78	78	3	3

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Item	June 30, 2009			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Assets - non-derivative</u>				
Cash and cash equivalents	\$180,435	\$180,435	\$5,506	\$5,506
Financial assets at fair value through profit and loss - current	402,521	402,521	12,283	12,283
Receivables	117,595	117,595	3,589	3,589
Guarantee deposits paid	9,592	9,592	293	293
<u>Liabilities - non-derivative</u>				
Payables	151,522	151,522	4,624	4,624
Guarantee deposits received	80	80	2	2

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

- ① The book values of short-term financial instruments approximate their fair value due to their short maturities. Short-term financial instruments include cash and cash equivalents, notes receivable, accounts receivable and payables.
- ② The fair value of the guarantee deposits paid and guarantee deposits received is based on the carrying amount as Symphox Information predicts the future cash inflow or outflow will be of similar amount to the carrying value.
- ③ Quoted market price, if available, are utilized as estimates of the fair value of financial instruments. If no quoted market prices exist for Symphox Information's financial assets, the fair value of those assets is derived based on pricing models. A pricing model incorporates all information that market participants would consider in setting a price available to Symphox Information.

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④ The fair values of Symphox Information's financial assets or liabilities determined by quoted market price or pricing models are summarized as following:

Item	June 30, 2008			
	Based on the quoted market price		Based on pricing models	
	NT\$	US\$	NT\$	US\$
<u>Assets - non-derivative</u>				
Cash and cash equivalents	\$283,339	\$9,333	\$-	\$-
Financial assets at fair value through profit or loss-current	154,841	5,100	-	-
Receivables	-	-	200,146	6,592
<u>Liabilities - non-derivative</u>				
Payables (including due to related-parties)	-	-	168,750	5,558
June 30, 2009				
Item	Based on the quoted market price			
	Based on the quoted market price		Based on pricing models	
	NT\$	US\$	NT\$	US\$
<u>Assets - non-derivative</u>				
Cash and cash equivalents	\$180,435	\$5,506	\$-	\$-
Financial assets at fair value through profit or loss-current	402,521	12,283	-	-
Receivables	-	-	117,595	3,589
<u>Liabilities - non-derivative</u>				
Payables (including due to related-parties)	-	-	151,522	4,624

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C. Cathay Venture Capital

(a) Information of fair value

Item	June 30, 2008			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Assets - non-derivative</u>				
Cash and cash equivalents	\$19,933	\$19,933	\$657	\$657
Financial assets at fair value through profit or loss-current	31,075	31,075	1,024	1,024
Available-for-sale financial assets- current	72,439	72,439	2,386	2,386
Receivables	7,341	7,341	242	242
Available-for-sale financial assets- noncurrent	262,352	262,352	8,641	8,641
Financial assets carried at cost – noncurrent	995,276	-	32,782	-
Long-term investments under the equity method	222,712	222,712	7,336	7,336
<u>Liabilities - non-derivative</u>				
Payables	6,204	6,204	204	204

Item	June 30, 2009			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Assets - non-derivative</u>				
Cash and cash equivalents	\$223	\$223	\$7	\$7
Available-for-sale financial assets- current	33,264	33,264	1,015	1,015
Receivables	2	2	-	-
Available-for-sale financial assets- noncurrent	14,025	14,025	428	428
Financial assets carried at cost – noncurrent	801,033	-	24,444	-
Long-term investments under the equity method	241,229	241,229	7,361	7,361
<u>Liabilities - non-derivative</u>				
Payables	4,165	4,165	127	127

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

- ① The book values of short-term financial instruments approximate their fair value due to their short maturities. Short-term financial instruments include cash and cash equivalents, notes receivable, accounts receivable and payables.
- ② Quoted market price, if available, are utilized as estimates of the fair value of financial instruments. If no quoted market prices exist for Cathay Venture's financial assets, the fair value of those assets is derived based on pricing models. A pricing model incorporates all information that market participants would consider in setting a price available to Cathay Venture.
- ③ The fair value of the Cathay Venture's financial instruments is based on market prices if available at the reporting date. When market prices are not available, the fair value is based on carrying amount or other relevant financial information.

(c) The fair values of financial assets and liabilities determined by quoted market price or pricing models are summarized as following:

Item	June 30, 2008			
	Based on the quoted		Based on pricing models	
	market price			
	NT\$	US\$	NT\$	US\$
<u>Assets - non-derivative</u>				
Cash and cash equivalents	\$19,933	\$657	\$-	\$-
Financial assets at fair value through profit or loss-current	31,075	1,024	-	-
Available-for-sale financial assets- current	72,439	2,386	-	-
Receivables	-	-	7,341	242
Available-for-sale financial assets- noncurrent	262,352	8,641	-	-
Financial assets carried at cost - noncurrent			995,276	32,782
Long-term investments under the equity method	-	-	222,712	7,336
<u>Liabilities - non-derivative</u>				
Payables	-	-	6,204	204

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Item	June 30, 2009			
	Based on the quoted		Based on pricing models	
	NT\$	US\$	NT\$	US\$
<u>Assets - non-derivative</u>				
Cash and cash equivalents	\$223	\$7	\$-	\$-
Available-for-sale financial assets-current	33,264	1,015	-	-
Receivables	-	-	2	-
Available-for-sale financial assets-noncurrent	14,025	428	-	-
Financial assets carried at cost-noncurrent	-	-	801,033	24,444
Long-term investments under the equity method	-	-	241,229	7,361
<u>Liabilities - non-derivative</u>				
Payables	-	-	4,165	127

D. Cathay Life (Shanghai)

Item	June 30, 2008			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Assets-non-derivative</u>				
Cash and cash equivalents	\$1,463,626	\$1,463,626	\$48,209	\$48,209
Financial assets at fair value through profit and loss – current	898,124	898,124	29,582	29,582
Available-for-sale financial assets – current	256,469	256,469	8,448	8,448
Held-to-maturity financial assets – current	205,737	205,737	6,777	6,777
Receivables	141,939	141,939	4,675	4,675
Available-for-sale financial assets – noncurrent	3,173,314	3,173,314	104,523	104,523
Held-to-maturity financial assets – noncurrent	265,579	265,579	8,748	8,748
Investment in debt securities with no active market – noncurrent	732,971	732,971	24,143	24,143
Guarantee deposits paid	725,207	725,207	23,887	23,887
<u>Liabilities-non-derivative</u>				
Guarantee deposits received	3,331	3,331	110	110
Payables	331,276	331,276	10,912	10,912

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Item	June 30, 2009			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Assets – non-derivative</u>				
Cash and cash equivalents	\$3,636,240	\$3,636,240	\$110,962	\$110,962
Financial assets at fair value through profit and loss – current	20,232	20,232	617	617
Available-for-sale financial assets – current	446,613	446,613	13,629	13,629
Receivables	266,140	266,140	8,121	8,121
Available-for-sale financial assets – noncurrent	3,286,268	3,286,268	100,283	100,283
Held-to-maturity financial assets – noncurrent	432,228	432,228	13,190	13,190
Investment in debt securities with no active market – noncurrent	1,367,310	1,367,310	41,724	41,724
Guarantee deposits paid	791,714	791,714	24,160	24,160
<u>Liabilities – non-derivative</u>				
Short-term debt	319,466	319,466	9,749	9,749
Guarantee deposits received	7,341	7,341	224	224
Payables	406,638	406,638	12,409	12,409

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

- ① The book values of short-term financial instruments approximate their fair value due to their short maturities. Short-term financial instruments include cash and cash equivalents, notes receivable, accounts receivable and payables.
- ② Quoted market price, if available, are utilized as estimates of the fair value of financial instruments. If no quoted market prices exist for the financial assets, the fair value of those assets is derived based on pricing models. A pricing model incorporates all information that market participants would consider in setting a price available to Cathay Life (Shanghai). Cathay Life (Shanghai) 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.

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- ③ The fair value of the guarantee deposits paid and guarantee deposits received is based on the carrying amount as Cathay Life (Shanghai) predicts the future cash inflow or outflow will be of similar amount to the carrying value.
- ④ The fair values of financial assets and liabilities determined by quoted market price or pricing models are summarized as following:

Item	June 30, 2008			
	Based on the quoted market price		Based on pricing models	
	NT\$	US\$	NT\$	US\$
<u>Assets - non-derivative</u>				
Cash and cash equivalents	\$1,463,626	\$48,209	\$-	\$-
Financial assets at fair value through profit or loss-current	676,513	22,283	221,611	7,299
Available-for-sale financial assets-current	256,469	8,448	-	-
Other financial assets-current	-	-	205,737	6,777
Available-for-sale financial assets-noncurrent	134,477	4,429	3,038,837	100,094
Held-to-maturity financial assets-noncurrent	-	-	265,579	8,748
Investment in debt securities with no active market-noncurrent	-	-	732,971	24,143
<u>June 30, 2009</u>				
Item	Based on the quoted market price		Based on pricing models	
	NT\$	US\$	NT\$	US\$
<u>Assets - non-derivative</u>				
Cash and cash equivalents	\$3,636,240	\$110,962	\$-	\$-
Financial assets at fair value through profit or loss-current	20,232	617	-	-
Available-for-sale financial assets-current	446,613	13,629	-	-
Receivables	-	-	266,140	8,121
Available-for-sale financial assets-noncurrent	197,927	6,040	3,088,341	94,243
Held-to-maturity financial assets-noncurrent	-	-	432,228	13,190
Investment in debt securities with no active market-noncurrent	-	-	1,367,310	41,724
<u>Liabilities - non-derivative</u>				
Short-term debt	-	-	319,466	9,749
Payables	-	-	406,638	12,409

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E. Cathay Life (Vietnam)

Item	June 30, 2008			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Assets-non-derivative</u>				
Cash and cash equivalents	\$1,734,923	\$1,734,923	\$57,145	\$57,145
Receivables	18,802	18,802	619	619
Available-for-sale financial assets - noncurrent	14,059	14,059	463	463
Guarantee deposits paid	23,981	23,981	790	790
<u>Liabilities - non-derivative</u>				
Payables	64,256	64,256	2,116	2,116
Item	June 30, 2009			
	NT\$		US\$	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Assets - non-derivative</u>				
Cash and cash equivalents	\$315,432	\$315,432	\$9,626	\$9,626
Receivables	11,316	11,316	345	345
Available-for-sale financial assets - noncurrent	1,631,608	1,631,608	49,790	49,790
Guarantee deposits paid	50,383	50,383	1,537	1,537
<u>Liabilities - non-derivative</u>				
Payables	16,318	16,318	498	498

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

- ① The book values of short-term financial instruments approximate their fair value due to their short maturities. Short-term financial instruments include cash and cash equivalents, notes receivable, accounts receivable and payables.

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- ② Quoted market price, if available, are utilized as estimates of the fair value of financial instruments. If no quoted market prices exist for the financial assets, the fair value of those assets is derived based on pricing models. A pricing model incorporates all information that market participants would consider in setting a price available to Cathay Life (Vietnam). Cathay Life (Vietnam) 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.
- ③ The fair value of the guarantee deposits paid and guarantee deposits received is based on the carrying amount as Cathay Life (Vietnam) predicts the future cash inflow or outflow will be of similar amount to the carrying value.
- ④ The fair values of financial assets and liabilities determined by quoted market price or pricing models are summarized as following:

Item	June 30, 2008			
	Based on the quoted market		Based on pricing models	
	price			
	NT\$	US\$	NT\$	US\$
<u>Assets - non-derivative</u>				
Cash and cash equivalents	\$1,734,923	\$57,145	\$-	\$-
Receivables	-	-	18,802	619
Held-to-maturity financial assets-noncurrent	14,059	463	-	-
<u>Liabilities - non-derivative</u>				
Payables	-	-	64,256	2,116

Item	June 30, 2009			
	Based on the quoted market		Based on pricing models	
	price			
	NT\$	US\$	NT\$	US\$
<u>Assets - non-derivative</u>				
Cash and cash equivalents	\$315,432	\$9,626	\$-	\$-
Receivables	-	-	11,316	345
Held-to-maturity financial assets-noncurrent	1,631,608	49,790	-	-
<u>Liabilities - non-derivative</u>				
Payables	-	-	16,318	498

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(7) Presentation of financial statements

Certain accounts in the financial statements for the six months ended June 30, 2008 have been reclassified in order to be comparable with those in the financial statements for the six months ended June 30, 2009.

(8) Eliminated intercompany transactions

A. Eliminated intercompany transactions for the six-month period of 2008

Transactions	Companies and amounts									
	The Company		Symphox Information		Cathay Venture		Cathay Life (Shanghai)		Cathay Life (Vietnam)	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Eliminations of long-term investments under equity method and stockholders' equity										
Eliminations of investment gains/losses on subsidiaries	\$1,073	\$35	\$33,815	\$1,114	\$12,567	\$414	\$(75,248)	\$(2,478)	\$27,793	\$915
Eliminations of stockholders' equity on subsidiaries	3,908,677	128,744	485,493	15,991	1,604,924	52,863	2,492,723	82,105	1,775,592	58,485

Note: The intercompany elimination differences for the first half year of 2008 are minority interests: NT\$2,450,055 (US\$80,700).

B. Eliminated intercompany transactions for the six-month period of 2009

Transactions	Companies and amounts									
	The Company		Symphox Information		Cathay Venture		Cathay Life (Shanghai)		Cathay Life (Vietnam)	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Eliminations of long-term investments under equity method and stockholders' equity										
Eliminations of investment gains/losses on subsidiaries	\$97,449	\$2,974	\$35,980	\$1,098	\$(40,208)	\$(1,227)	\$(94,895)	\$(2,896)	\$1,674	\$51
Eliminations of stockholders' equity on subsidiaries	4,023,049	122,766	536,384	16,368	1,085,611	33,128	2,339,522	71,392	2,045,501	64,420

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Note: The intercompany elimination differences for the first half year of 2009 are minority interests: NT\$1,983,969 (US\$60,542).

33. Information regarding investment in Mainland China

On December 25, 2002 and July 24, 2003, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized the Company to remit US\$22,850 thousands and US\$27,150 thousands, respectively, as the registered capital to establish a China-based company named Cathay Life Insurance Co., Ltd. (Guangzhou). On September 25, 2003, MOEAIC authorized Cathay Life Insurance Co., Ltd. (Guangzhou) to change its location from Guangzhou to Shanghai. The Company's subsidiary, Cathay Life Insurance Ltd. (Shanghai) has acquired a business license of an enterprise as legal person on December 29, 2004. As of June 30, 2009, the Company's remittances to this company totaled approximately US\$48,330 thousands.

On October 17, 2007, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized the Company to remit US\$26,390 thousands as the registered capital to establish a China-based general insurance subsidiary (in form of joint venture with Cathay Century Insurance). On March 6, 2008, MOEAIC authorized the Company to increase the remittances from US\$26,390 thousands to US\$28,960 thousands. The Company and Cathay Century Insurance subsidiary, Cathay Insurance Company Ltd. (Shanghai) has acquired a business license of an enterprise as legal person on August 26, 2008. As of June 30, 2009, the Company's remittances to this general insurance company totaled approximately US\$28,140 thousands.

34. Segment Information

Not applicable.