

**CATHAY FINANCIAL HOLDING CO., LTD.
FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
AS OF DECEMBER 31, 2002 AND 2001**

Name of the company: Cathay Financial Holding Co., Ltd.

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Certified Public Accountants

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Independent Auditors' Report

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

We have audited the accompanying balance sheets of Cathay Financial Holding Co., Ltd. as of December 31, 2002 and 2001, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements for the year ended December 31, 2002 of Cathay United Bank Co., Ltd., and United World Chinese Commercial Bank Co., Ltd., a wholly owned subsidiaries. The total investment for the subsidiaries is NT\$ 65,382 millions (US\$ 1,844 millions) which represent 47.96% of total assets as of December 31, 2002. Related investment gain is NT\$ 524 millions (US\$ 15 millions) which represent 4.07% of income before taxes for the year ended December 31, 2002. The statements were audited by other auditors whose report have been furnished to us, and our opinion, insofar as it relates to the amounts, is based solely on the report of the other auditors.

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



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In our opinion, based upon our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Cathay Financial Holding Co., Ltd. as of December 31, 2002 and 2001, and the results of its operations and its cash flows for the year ended December 31, 2002 in conformity with generally accepted accounting principles in the Republic of China.

Cathay Financial Holding Co., Ltd. has prepared the consolidated financial statements as of December 31, 2002 and 2001 accompany with unqualified opinion issued by our auditors furnished upon request.

BDO Taiwan Union & Co.

Taipei, Taiwan
Republic of China

January 24, 2003

Notice to Readers

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

CATHAY FINANCIAL HOLDING CO.,LTD.

BALANCE SHEETS

(Expressed in thousands of dollars)

As of December 31, 2002 and 2001

Assets	2002			2001		
	NT \$	US \$	%	NT \$	US \$	%
Current assets:						
Cash and cash equivalents(Notes2,5)	\$11,336,312	\$326,695	8.32	\$0	\$0	0.00
Short-term investments(Notes2,6)	450,255	12,976	0.33	0	0	0.00
Interest receivable	44,206	1,274	0.03	0	0	0.00
Other receivable	108,424	3,124	0.08	0	0	0.00
Prepayments	4,075	117	0.00	0	0	0.00
Sub-total	<u>11,943,272</u>	<u>344,186</u>	<u>8.76</u>	<u>0</u>	<u>0</u>	<u>0.00</u>
Funds, Long-term investments and Receivable						
Long-term investments in stocks(Notes2,7)	123,840,475	3,568,890	90.84	74,846,501	2,138,471	99.89
Sub-total	<u>123,840,475</u>	<u>3,568,890</u>	<u>90.84</u>	<u>74,846,501</u>	<u>2,138,471</u>	<u>99.89</u>
Property and equipment(Note2)						
Other equipment	2,648	76	0.00	0	0	0.00
Less: Accumulated depreciation	(347)	(10)	0.00	0	0	0.00
Sub-total	<u>2,301</u>	<u>66</u>	<u>0.00</u>	<u>0</u>	<u>0</u>	<u>0.00</u>
Other assets						
Temporary payments and suspense accounts	628	18	0.00	0	0	0.00
Deferred charges	536,378	15,458	0.40	81,378	2,325	0.11
Sub-total	<u>537,006</u>	<u>15,476</u>	<u>0.40</u>	<u>81,378</u>	<u>2,325</u>	<u>0.11</u>
Total assets	<u>\$136,323,054</u>	<u>\$3,928,618</u>	<u>100.00</u>	<u>\$74,927,879</u>	<u>\$2,140,796</u>	<u>100.00</u>
Liabilities & Stockholders' Equity						
Current liabilities						
Collections for others	\$505	\$15	0.00	\$0	\$0	0.00
Accrued expenses	405,050	11,673	0.30	81,378	2,325	0.11
Dividends payable	962	28	0.00	0	0	0.00
Sub-total	<u>406,517</u>	<u>11,716</u>	<u>0.30</u>	<u>81,378</u>	<u>2,325</u>	<u>0.11</u>
Long-term liabilities						
Bonds payable(Notes2,8,20)	25,016,479	720,936	18.35	0	0	0.00
Sub-total	<u>25,016,479</u>	<u>720,936</u>	<u>18.35</u>	<u>0</u>	<u>0</u>	<u>0.00</u>
Other liabilities						
Temporary receipts and suspense accounts	708	20	0.00	0	0	0.00
Sub-total	<u>708</u>	<u>20</u>	<u>0.00</u>	<u>0</u>	<u>0</u>	<u>0.00</u>
Total liabilities	<u>25,423,704</u>	<u>732,672</u>	<u>18.65</u>	<u>81,378</u>	<u>2,325</u>	<u>0.11</u>
Stockholders' Equity						
Capital stock						
Common stock(Note9)	84,531,631	2,436,070	62.01	58,386,158	1,668,175	77.92
Capital surplus(Note10)						
Net assets from merger	56,807,974	1,637,117	41.67	23,650,414	675,726	31.57
Retained earnings(Note11)						
Legal reserve	13,713	395	0.01	0	0	0.00
Unappropriated retained earnings	13,085,153	377,094	9.60	137,135	3,918	0.18
Equity adjustments(Notes2,7)						
Unrealized valuation losses on long term equity investments	(1,032,426)	(29,753)	(0.76)	0	0	0.00
Cumulative translation adjustments	199,570	5,751	0.15	6,657	190	0.01
Treasury stock(Notes2,11,12)	(42,706,265)	(1,230,728)	(31.33)	(7,333,863)	(209,538)	(9.79)
Total stockholders' equity	<u>110,899,350</u>	<u>3,195,946</u>	<u>81.35</u>	<u>74,846,501</u>	<u>2,138,471</u>	<u>99.89</u>
Total liabilities and stockholders' equity	<u>\$136,323,054</u>	<u>\$3,928,618</u>	<u>100.00</u>	<u>\$74,927,879</u>	<u>\$2,140,796</u>	<u>100.00</u>

(The exchange rates provided by the Federal Reserve Bank of New York on December 31, 2002 and 2001 were NT\$34.70 and NT\$35.00 to US\$1.00)

**The accompanying notes are an integral part of these consolidated financial statements.
(Cathay Financial Holding Co., Ltd. was incorporated on December 31, 2001)**

CATHAY FINANCIAL HOLDING CO.,LTD.
STATEMENTS OF INCOME
(Expressed in thousands of dollars,except earning per share)
For the Years Ended December 31, 2002 and 2001

	2002			2001		
	NT \$	US \$	%	NT \$	US \$	%
Operating revenues(Note2)						
Interest income	\$442,773	\$12,760	3.14	\$0	\$0	0.00
Gain on disposal of investments	101,498	2,925	0.72	0	0	0.00
Gain on long-term investments	13,575,839	391,235	96.14	137,135	3,918	100.00
Sub-total	14,120,110	406,920	100.00	137,135	3,918	100.00
Operating costs(Note 2)						
Interest expenses	(516,479)	(14,884)	(3.66)	0	0	0.00
Loss on foreign exchange	(10,420)	(300)	(0.07)	0	0	0.00
Sub-total	(526,899)	(15,184)	(3.73)	0	0	0.00
Operating gross profit	13,593,211	391,736	96.27	137,135	3,918	100.00
Operating expenses						
Administrative and general expenses	(726,891)	(20,948)	(5.15)	0	0	0.00
Operating income	12,866,320	370,788	91.12	137,135	3,918	100.00
Non-operating revenues						
Miscellaneous income	8,100	233	0.06	0	0	0.00
Sub-total	8,100	233	0.06	0	0	0.00
Income from continuing operations before income taxes	12,874,420	371,021	91.18	137,135	3,918	100.00
Income taxes(Notes 2, 13)	210,733	6,073	1.49	0	0	0.00
Net income	\$13,085,153	\$377,094	92.67	\$137,135	\$3,918	100.00

Earnings per share(expressed in dollars)

Primary earnings per share:

Before income tax earnings per share	\$2.19	\$0.06	\$0.02	\$0.00
After income tax earnings per share	\$2.23	\$0.06	\$0.02	\$0.00

Fully-diluted earnings per share:

Before income tax earnings per share	\$2.19	\$0.06
After income tax earnings per share	\$2.20	\$0.06

Pro-forma as if amounts, assuming subsidiaries' shareholdings of the Company were not treated as treasury stock:

Income from continuing operations before income taxes	\$12,590,158	\$362,829
Net income	\$12,800,891	\$368,902

Earnings per share(expressed in dollars)
(Note14)

Primary earnings per share:

Before income tax earnings per share	\$2.13	\$0.06
After income tax earnings per share	\$2.17	\$0.06

Fully-diluted earnings per share:

Before income tax earnings per share	\$2.13	\$0.06
After income tax earnings per share	\$2.14	\$0.06

(The exchange rates provided by the Federal Reserve Bank of New York on December 31, 2002 and 2001 were NT\$34.70 and NT\$35.00 to US\$1.00)

The accompanying notes are an integral part of these financial statements.
(Cathay Financial Holding Co., Ltd. was incorporated on December 31, 2001)

CATHAY FINANCIAL HOLDING CO., LTD.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Expressed in thousands of dollars)
For The Years Ended December 31, 2002 and 2001

Summary	Capital Stock		Retained Earnings				Equity Adjustments				Treasury Stock		Total			
	Common Stock		Capital Surplus		Legal Reserve		Unappropriated Retained Earnings		Cumulative translation adjustments		Unrealized valuation losses on long-term equity investments					
	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$	NT \$	US \$		
By stock Conversion method was incorporated December 31, 2001	\$58,386,158	\$1,668,175	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$58,386,158	\$1,668,175
Net assets from merger			23,650,414	675,726											23,650,414	675,726
Cumulative translation adjustments									6,657	190					6,657	190
Treasury stock													(7,333,863)	(209,538)	(7,333,863)	(209,538)
Net income after tax for the year ended December 31, 2001							137,135	3,918							137,135	3,918
Balance on December 31, 2001	<u>\$58,386,158</u>	<u>\$1,668,175</u>	<u>\$23,650,414</u>	<u>\$675,726</u>	<u>\$0</u>	<u>\$0</u>	<u>\$137,135</u>	<u>\$3,918</u>	<u>\$6,657</u>	<u>\$190</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$7,333,863)</u>	<u>(\$209,538)</u>	<u>\$74,846,501</u>	<u>\$2,138,471</u>
Balance on January 1, 2002	\$58,386,158	1,682,598	\$23,650,414	\$681,568	\$0	\$0	\$137,135	\$3,952	\$6,657	\$192	\$0	\$0	(\$7,333,863)	(\$211,350)	\$74,846,501	\$2,156,960
Appropriations and distributions for 2001																
Legal reserve					13,713	395	(13,713)	(395)							0	(0)
Cash dividends			(8,789,809)	(253,309)			(118,609)	(3,418)							(8,908,418)	(256,727)
Remuneration paid to directors and supervisors							(4,800)	(138)							(4,800)	(138)
Bonus paid to employees							(13)	(1)							(13)	(1)
Shares converted for issuing new shares	26,145,473	753,472													26,145,473	753,472
Net assets from merger			41,947,369	1,208,858											41,947,369	1,208,858
Cumulative translation adjustments									192,913	5,559					192,913	5,559
Unrealized valuation losses on long-term equity investments											(1,032,426)	(29,753)			(1,032,426)	(29,753)
Treasury stock													(35,372,402)	(1,019,378)	(35,372,402)	(1,019,378)
Net income after tax for the year ended December 31, 2002							13,085,153	377,094							13,085,153	377,094
Balance on December 31, 2002	<u>\$84,531,631</u>	<u>\$2,436,070</u>	<u>\$56,807,974</u>	<u>\$1,637,117</u>	<u>\$13,713</u>	<u>\$395</u>	<u>\$13,085,153</u>	<u>\$377,094</u>	<u>\$199,570</u>	<u>\$5,751</u>	<u>(\$1,032,426)</u>	<u>(\$29,753)</u>	<u>(\$42,706,265)</u>	<u>(\$1,230,728)</u>	<u>\$110,899,350</u>	<u>\$3,195,946</u>

(The exchange rates provided by the Federal Reserve Bank of New York on December 31, 2002 and 2001 were NT\$34.70 and NT\$35.00 to US\$1.00)

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

(Cathay Financial Holding Co., Ltd. was incorporated on December 31, 2001)

CATHAY FINANCIAL HOLDING CO., LTD.
STATEMENTS OF CASH FLOWS
(Expressed in thousands of dollars)
For the Years Ended December 31, 2002 and 2001

	2002		2001	
	NT \$	US \$	NT \$	US \$
Cash flows from operating activities				
Net income	\$13,085,153	377,094	\$137,135	3,918
Adjustments:				
Amortizations	166,175	4,789	0	0
Depreciation	347	10	0	0
Cash dividends received in excess of unrealized gain on long-term investments	(2,998,434)	(86,410)	(137,135)	(3,918)
Increase(decrease) in bonds payable redemption premium	516,479	14,884	0	0
Decrease (increase) in short-term investments	(450,255)	(12,976)	0	0
Decrease (increase) in interest receivable	(44,206)	(1,274)	0	0
Decrease (increase) in other receivable	(108,424)	(3,125)	0	0
Decrease (increase) in prepayments	(6)	0	0	0
Decrease (increase) in deferred income tax assets-current	(4,069)	(117)	0	0
Decrease (increase) in deferred income tax assets-noncurrent	(141,326)	(4,073)	0	0
Decrease (increase) in temporary payments and suspense accounts	(628)	(18)	0	0
Increase (decrease) in collections for others	505	15	0	0
Increase (decrease) in accrued expenses	323,672	9,328	81,378	2,325
Increase (decrease) in dividends payable	962	28	0	0
Increase (decrease) in temporary receipts and suspense accounts	708	20	0	0
Net cash provided by (used in) operating activities	10,346,653	298,175	81,378	2,325
Cash flows from investing activities				
Acquisition of long-term investments in stocks	(15,690,915)	(452,188)	0	0
Disinvestments of the subsidiaries	7,700,000	221,902	0	0
Acquisition of property and equipment	(2,648)	(76)	0	0
Decrease (increase) in deferred charges	(479,849)	(13,829)	(81,378)	(2,325)
Net cash provided by (used in) investing activities	(8,473,412)	(244,191)	(81,378)	(2,325)
Cash flows from financing activities				
Increase (decrease) in bonds payable	24,500,000	706,052	0	0
Remuneration paid to directors and supervisors	(4,800)	(138)	0	0
Bonus paid to employees	(13)	(1)	0	0
Cash dividends	(8,908,418)	(256,727)	0	0
Acquisition of treasury stock	(6,123,698)	(176,475)	0	0
Net cash provided by (used in) financing activities	9,463,071	272,711	0	0
Increase (decrease) in cash and cash equivalents	11,336,312	326,695	0	0
Cash and cash equivalents at the beginning of period	0	0	0	0
Cash and cash equivalents at the end of period	\$11,336,312	\$326,695	\$0	\$0
Supplemental disclosure of cash flows information				
Income tax paid	\$43,086	\$1,242	\$0	\$0
Acquisition of subsidiaries by stock conversion method	\$68,092,842	\$1,962,330	\$74,702,709	\$2,134,363
Shares of the mutual holdings are treated as treasury stocks	\$29,248,704	\$842,902	\$0	\$0
Subsidiaries are holding treasury stocks	\$0	\$0	\$7,333,863	\$209,539

(The exchange rates provided by the Federal Reserve Bank of New York on December 31, 2002 and 2001 were NT\$34.70 and NT\$35.00 to US\$1.00)

The accompanying notes are an integral part of these financial statements.
(Cathay Financial Holding Co., Ltd. was incorporated on December 31, 2001)

CATHAY FINANCIAL HOLDING CO., LTD.
NOTES TO FINANCIAL STATEMENTS
(Expressed in thousands of dollars unless otherwise stated)
As of December 31, 2002 and 2001

1. Organization of Business Scope

Cathay Financial Holding Co., Ltd. (the "Company") was incorporated in Taiwan on December 31, 2001 from Cathay Life Insurance Co., Ltd. (Cathay Life) by stock conversion method. Pursuant to the provisions of the Financial Holding Company Law of the Republic of China ("R.O.C."). On April 22, 2002, Cathay Century Insurance Co., Ltd. (Cathay Century) and Cathay United Bank Co., Ltd. (Cathay Bank) joined Cathay Financial Holding Co. as two subsidiaries of the Company by stock conversion method. On December 18, 2002, United World Chinese Commercial Bank Co., Ltd. (UWCCB) also merged into the Company by stock conversion method. The Company mainly engages in the financial holding business activities.

2. Summary of Significant Accounting Policies

(1) Cash and Cash Equivalents

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

(2) Short-term Investments

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

(3) Long - Term Investments in stocks

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

CATHAY FINANCIAL HOLDING CO., LTD.

NOTES TO FINANCIAL STATEMENTS

(Expressed in thousands of dollars unless otherwise stated)

As of December 31, 2002 and 2001

used to compute the resulting gain or loss.

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

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

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

Transactions with affiliated companies: Unrealized intercompany gains or losses are eliminated under the equity method. Gains or losses from sales of depreciable assets between the subsidiary and the Parent Company are amortized to income over the assets, economic service lives. Gains or losses from other types of inter-company transactions are recognized when realized.

(4) Property and Equipment

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

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

(5) Deferred Charges

Deferred Charges are amortized over the economic useful life by straight-line method.

(6) Convertible Bonds Payable

A. The difference between the redemption price and face value of a convertible bond is amortized by the effective interest method and is credited to the reserve for bonds redemption accounts. In addition, this amortization is treated as interest expense.

B. The book value approach is adopted when the conversion privilege of a convertible

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD.

NOTES TO FINANCIAL STATEMENTS

(Expressed in thousands of dollars unless otherwise stated)

As of December 31, 2002 and 2001

bond is exercised. In addition, the accounts of convertible bonds payable and reserve for bonds redemption are transferred to the accounts of capital stock and capital surplus, accordingly, no gain or loss is recognized upon conversion.

(7) Foreign-currency Transactions

Foreign-currency transactions should be accounted for a cost and that was recognized on a straight-line method recorded in New Taiwan Dollars at the spot rates when the transactions occur. Gains or losses resulting from adjustments or settlements of foreign currency assets and liabilities are credited or charged to income. Year-end foreign currency assets and liabilities are translated at the exchange rate on the balance sheet date, and any gains or losses resulting from the transaction are credited or charged to current income.

(8) Derivative Financial Products Transaction

Transactions on forward exchange contracts are translated into New Taiwan Dollars based on the spot rate at the contract date. The difference between the spot rate and the agreed forward rate is amortized over the contract period. At year-end, the assets and liabilities of the forward exchange contracts are restated at the prevailing exchange rate, and resulting gains or losses are credited or charged to current income. The net value of receivables and payables of the forward exchange contracts is represented as an asset or a liability in the balance sheet. The exchange gains or losses resulting from the settlement of forward contracts are credited or charged to current income in the year of settlement.

Premium for an options contract is recorded at cost. Premium for the purpose of hedging is accounted for as an asset and amortized over the contract period, and is adjusted by market value as of the balance sheet date. Any gain or loss from hedging the exposed asset or liability position is recognized as a current period gain or loss.

Gains or losses arising from hedging an identifiable commitment are deferred and recognized as an adjustment of the transaction price on the transaction date. Any gain or loss resulting from the premium for the purpose of speculation is included in the current earnings.

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD.
NOTES TO FINANCIAL STATEMENTS
(Expressed in thousands of dollars unless otherwise stated)
As of December 31, 2002 and 2001

(9) Income Taxes

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

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

As per Article 49 of Financial Holding Company Law, in the case of the company holding the exceeding of 90% of issued shares of its native subsidiaries, the company can be selected as the taxpayer as the shareholding is over 12 months within a taxable year and files the income tax returns with 10% tax of undistributed retained earnings to the Tax Authority under the Income Tax Law.

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

(10)Capital Expenditure Expenses

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

(11)Treasury Stock

The Company uses the cost method to account for treasury stock. Under the cost method, the treasury stock account is debited for the cost of the shares purchased. When the disposal price of treasury stock is greater than the cost, the difference is credited to capital surplus-treasury stock. If the disposal price is lower than cost, the difference is

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD.

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debited to capital surplus from similar treasury stock. If the capital surplus-treasury stock account is insufficient to cover the excess of the cost over the price, retained earnings should be debited for the remaining amount. The book value of each share of treasury stock is equal to its weighted-average value and is calculated according to its reason for purchase.

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

As per Article 31 of Financial Holding Company Law, as the financial institution transformed into the Financial Holding Company, the company will adopt Article 24 to 28 in dealing with the adjustment of the organization and shareholding of its original investment. In the preceding paragraph as referred, the shareholder of the Financial Holding Company can transfer its shares to the employees of Financial Holding Company or those of its subsidiaries within three years; or treat its shares as the equity transferred in accordance with Paragraph 1, Item 2 of Article 28-2 of Securities and Exchange Law hereof; or sell its shares in Security Market or Stock Exchange Market which excluded from the restriction of Article 38. The Shares that are not transferred or unsold will be treated as the unissued shares of the Financial Holding Company and report the changes to government.

Treasury stock of subsidiary was converted into common stock of the Company on December 31 2001; the basis of conservative principle and the R.O.C. GAAP No.30, par value of these converted stocks is equal to that of the issued common stocks of the Company. These common stocks are under the guidance of the “Financial Holding Company Law” of the R.O.C. article 31 and the “Securities and Exchange Law” of the R.O.C. Article 28-2 and Article 38.

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CATHAY FINANCIAL HOLDING CO., LTD.

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Effective from January 1, 2002, the shares of the Company that the subsidiaries held as investments were treated as treasury stock to meet the requirements of SFAS No. 30, "Treasury Stock", and the authorities under the requirements, it is not necessary to retroactively adjusting the financial statements for the prior years.

(12) Convenience Translation Into US Dollars

The financial statements are stated in New Taiwan dollars. Translation of the December 31, 2002 and 2001 New Taiwan dollar amounts into US dollar amounts are included in the financial statements solely for the convenience of the readers, using the noon buying rate provided by the Federal Reserve Bank of New York on December 31, 2002 and 2001, of NT\$34.70 and NT\$35.00 to US\$1.00. The convenience translation should not be construed as a representation that the New Taiwan dollars amounts have been, or could in the future be, converted into US dollars at this rate or any other rate of exchange.

3. Pro Forma Comparative Financial Statements:

The company was incorporated transferring the shares of Cathay Life Insurance Co., Ltd. through conversion stock method on December 31, 2001. Cathay Century and Cathay Bank adopted the same conversion stock method to join the Company on April 22, 2002. UWCCB joined the Company by conversion stock method on December 18, 2002. According to R.O.C. Securities And Futures Commission (SFC) regulations, the company should disclose its Pro Forma comparative financial statements starting from January 1, 2001 as follows:

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD.

NOTES TO FINANCIAL STATEMENTS

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CATHAY FINANCIAL HOLDING CO., LTD.

PRO FORMA BALANCE SHEETS

(Expressed in thousands of dollars)

As of December 31, 2002 and 2001

	2002			2001		
	NT\$	US\$	%	NT\$	US\$	%
Assets						
Current Assets						
Cash and cash equivalents	\$11,336,312	\$326,695	8.32	\$0	\$0	0.00
Short-term investments	450,255	12,976	0.33	0	0	0.00
Interest receivable	44,206	1,274	0.03	0	0	0.00
Other receivable	108,424	3,124	0.08	0	0	0.00
Prepayments	4,075	117	0.00	0	0	0.00
Sub-total	11,943,272	344,186	8.76	0	0	0.00
Funds, Long-Term Investments and Receivable						
Long-term investments in stocks	123,828,945	3,568,558	90.85	154,633,879	4,418,111	99.95
Sub-total	123,828,945	3,568,558	90.85	154,633,879	4,418,111	99.95
Property and equipment						
Other equipment	2,648	76	0.00	0	0	0.00
Less: Accumulated depreciation	(347)	(10)	(0.00)	0	0	0.00
Sub-total	2,301	66	0.00	0	0	0.00
Other Assets						
Temporary payments and suspense accounts	628	18	0.00	0	0	0.00
Deferred Charges	536,378	15,458	0.39	81,378	2,325	0.05
Sub-total	537,006	15,476	0.39	81,378	2,325	0.05
Total Assets	\$136,311,524	\$3,928,286	100.00	\$154,715,257	\$4,420,436	100.00
Liabilities & Stockholders' Equity						
Current liabilities						
Collections for others	\$505	\$15	0.00	\$0	\$0	0.00
Dividends payable	405,050	11,673	0.30	81,378	2,325	0.05
Other payable	962	28	0.00	0	0	0.00
Sub-total	406,517	11,716	0.30	81,378	2,325	0.05
Long-term liabilities						
Bonds payable	25,016,479	720,936	18.35	0	0	0.00
Sub-total	25,016,479	720,936	18.35	0	0	0.00
Other liabilities						
Temporary receipts and suspense accounts	708	20	0.00	0	0	0.00
Sub-total	708	20	0.00	0	0	0.00
Total liabilities	25,423,704	732,672	18.65	81,378	2,325	0.05
Stockholders' equity						
Capital stocks:						
Common stock	84,531,631	2,436,070	62.01	79,138,373	2,261,096	51.15
Stock dividend to be distributed	0	0	0.00	5,393,258	154,093	3.49
Capital surplus						
Net assets from merger	52,141,695	1,502,642	38.25	59,918,575	1,711,959	38.73
Retained earnings						
Legal reserve	13,713	395	0.01	0	0	0.00
Unappropriated retained earnings	17,945,162	517,152	13.17	17,305,309	494,437	11.18
Equity adjustment						
Unrealized valuation losses on long-term equity investment	(1,335,980)	(38,501)	(0.98)	0	0	0.00
Cumulative translation adjustments	194,931	5,618	0.14	212,227	6,064	0.14
Treasury stock	(42,603,332)	(1,227,762)	(31.25)	(7,333,863)	(209,538)	(4.74)
Total stockholders' equity	110,887,820	3,195,614	81.35	154,633,879	4,418,111	99.95
Total liabilities and stockholders' equity	\$136,311,524	\$3,928,286	100.00	\$154,715,257	\$4,420,436	100.00

(The exchange rates provided by the Federal Reserve Bank of New York on December 31, 2002 and 2001 were NT\$34.70 and NT\$35.00 to US\$1.00)

CATHAY FINANCIAL HOLDING CO., LTD.
NOTES TO FINANCIAL STATEMENTS
(Expressed in thousands of dollars unless otherwise stated)
As of December 31, 2002 and 2001

CATHAY FINANCIAL HOLDING CO., LTD.
PRO FORMA STATEMENTS OF INCOME
(Expressed in thousands of dollars)
For the Year Ended December 31, 2002 and 2001

	2002			2001		
	NT\$	US\$	%	NT\$	US\$	%
Operating revenues						
Interest income	\$442,773	\$12,760	8.80	\$0	\$0	0.00
Gain on disposal of investments	101,498	2,925	2.02	0	0	0.00
Investment income under the equity method-net	4,485,292	129,259	89.18	17,305,309	494,437	100.00
Sub-total	5,029,563	144,944	100.00	17,305,309	494,437	100.00
Operating Cost						
Interest expenses	(516,479)	(14,884)	(10.27)	0	0	0.00
Loss on foreign exchange	(10,420)	(300)	(0.21)	0	0	0.00
Sub-total	(526,899)	(15,184)	(10.48)	0	0	0.00
Operation gross profit	4,502,664	129,760	89.52	17,305,309	494,437	100.00
Operation expenses						
Administrative and general expenses	(726,891)	(20,948)	(14.45)	0	0	0.00
Operating income	3,775,773	108,812	75.07	17,305,309	494,437	100.00
Non-operating revenues						
Miscellaneous income	8,100	233	0.16	0	0	0.00
Sub-total	8,100	233	0.16	0	0	0.00
Income from continuing operations before income taxes	3,783,873	109,045	75.23	17,305,309	494,437	100.00
Income taxes	210,733	6,073	4.19	0	0	0.00
Net income	\$3,994,606	\$115,118	79.42	\$17,305,309	\$494,437	100.00

(The exchange rates provided by the Federal Reserve Bank of New York on December 31, 2002 and 2001 were NT\$34.70 and NT\$35.00 to US\$1.00)

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CATHAY FINANCIAL HOLDING CO., LTD.

NOTES TO FINANCIAL STATEMENTS

(Expressed in thousands of dollars unless otherwise stated)

As of December 31, 2002 and 2001

4. Changes in Accounting and Its Effects: None

5. Cash and Cash Equivalents

	December 31,			
	2002(NT\$)	2002(US\$)	2001(NT\$)	2001(US\$)
Petty cash	\$20	\$1	\$0	\$0
Cash in banks	800	23	0	0
Certificate deposits	2,575,778	74,230	0	0
Cash equivalents	8,759,714	252,441	0	0
Total	<u>\$11,336,312</u>	<u>\$326,695</u>	<u>\$0</u>	<u>\$0</u>

6. Short-Term Investments

	December 31,			
	2002(NT\$)	2002(US\$)	2001(NT\$)	2001(US\$)
Government bonds	<u>\$450,255</u>	<u>\$12,976</u>	<u>\$0</u>	<u>\$0</u>

As of December 31, 2002, the Company didn't provide collateral or guarantee of government bonds on short-term investments.

7. Long-Term Investments in stocks

Name of Investee	December 31,			
	2002(NT\$)	2002(US\$)	2001(NT\$)	2001(US\$)
	Book Value	Book Value	Book Value	Book Value
Under the equity method:				
Cathay Life Insurance Co., Ltd.	\$55,889,135	\$1,610,638	\$74,846,501	\$2,138,471
Cathay Century Insurance Co., Ltd.	2,569,340	74,044	—	—
Cathay United Bank Co., Ltd.	11,714,723	337,600	—	—
United World Chinese Commercial Bank Co., Ltd.	53,667,277	1,546,608	—	—
Total	<u>\$123,840,475</u>	<u>\$3,568,890</u>	<u>\$74,846,501</u>	<u>\$2,138,471</u>

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD.

NOTES TO FINANCIAL STATEMENTS

(Expressed in thousands of dollars unless otherwise stated)

As of December 31, 2002 and 2001

(1) Changes in long-term investments under the equity method are summarized as follows:

	For the year ended December 31,			
	2002(NT\$)	2002(US\$)	2001(NT\$)	2001(US\$)
Balance at the beginning of year	\$74,846,501	\$2,156,960	\$0	\$0
Add (Less):				
Investment gains under equity method recognized	13,575,839	391,235	137,135	3,918
Add: Increment of investment by stock conversion method	68,197,980	1,965,359	74,709,366	2,134,553
Add: Increment of investment	15,690,915	452,188	—	—
Add: Cumulative translation adjustments under equity method recognized	9,454	272	—	—
Less: Holding company stocks that the subsidiaries held as investments were treated as treasury stocks	(13,576,114)	(391,243)	—	—
Less: Holding subsidiaries stocks by stock conversion were treated as treasury stocks	(15,672,590)	(451,660)	—	—
Less: Cash dividends received	(10,577,405)	(304,824)	—	—
Less: Disinvestments of the subsidiaries	(7,700,000)	(221,902)	—	—
Less: Unrealized valuation loss on long-term equity investments under equity method recognized	(952,944)	(27,462)	—	—
Less: Disposal of holding company stocks that the subsidiaries held as investments were treated as treasury stocks	(1,161)	(33)	—	—
Balance on December 31	<u>\$123,840,475</u>	<u>\$3,568,890</u>	<u>\$74,846,501</u>	<u>\$2,138,471</u>

(2) The investment gains (losses) recognized by the equity method for the years ended December 31, 2002 and 2001 are listed below:

	December 31,			
	2002(NT\$)	2002(US\$)	2001(NT\$)	2001(US\$)
Cathay Life Insurance Co., Ltd.	\$12,848,385	\$370,270	\$137,135	\$3,918
Cathay Century Insurance Co., Ltd.	203,445	5,863	—	—
Cathay United Bank Co., Ltd.	433,213	12,485	—	—
United World Chinese Commercial Bank Co., Ltd.	90,796	2,617	—	—
Total	<u>\$13,575,839</u>	<u>\$391,235</u>	<u>\$137,135</u>	<u>\$3,918</u>

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD.

NOTES TO FINANCIAL STATEMENTS

(Expressed in thousands of dollars unless otherwise stated)

As of December 31, 2002 and 2001

- A. The investment gains (losses) which were recognized based on the audited financial statements of the Cathay Life and Cathay Century in the same current periods for the years ended December 31, 2002 and 2001
- B. We did not audit the financial statements for the year ended December 31, 2002 of Cathay Bank a subsidiary of Cathay Financial Holding Co., Ltd. (holding company) were audited by other auditors with qualified opinions which complied with the R.O.C. Financial Institution Merger Law amortizing the losses of disposing of delinquent assets. On April 11, 2002, Cathay Bank had transferred its delinquent assets to Taiwan Asset Management Corporation, and the related losses amounted to NT\$ 1,894,609 (US\$54,600). According to Article 15 of the R.O.C. Financial Institution Merger Law, the losses on the transaction will be amortized over five years from April 2002. As of December 31, 2002, the unamortized losses on the transfer of delinquent assets accounted for as other assets amounted to NT\$ 1,610,418 (US\$ 46,410) and should be recognized as current expenses. The investment gains (losses) of parent company accounted for under equity method of the losses were recognized as current expenses, provision for credit losses of its subsidiary (Cathay Bank) increased by NT\$ 1,610,418 (US\$46,410), the income before tax of its subsidiary decreased by NT\$ 1,610,418 (US\$46,410), the income tax benefit from its subsidiary increased by NT\$ 402,605 (US\$ 11,603) and the net income after tax of the subsidiary decreased by NT\$ 1,207,813 (US\$34,807) for the year ended December 31, 2002. The investment losses of parent company accounted for under equity method recognized increased by NT\$ 379,968(US\$ 10,950), the net asset from merger of additional paid-in capital decreased by NT\$ 827,845 (US\$ 23,857) for the year ended December 31, 2002.
- C. We did not audit the financial statements of UWCCB for the years ended December 31, 2002 and 2001.UWCCB were audited by other CPAs with unqualified opinion with modification due to the potential adjustments of the long-term investments in the amount of NT\$2,073,365(US\$59,751) and NT\$2,474,162 (US\$70,690) under the equity method, which represent 0.32% and 0.35% of total assets, and investment losses in the amount of NT\$ 375,074 (US\$10,809) and investment gains in the amount of NT\$65,874(US\$1,882) which represent 3.14% and 1.04% in accordance with other auditors report of its investee, it recognized its gain/loss on investments in accordance with the statements audited by other auditors.

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD.

NOTES TO FINANCIAL STATEMENTS

(Expressed in thousands of dollars unless otherwise stated)

As of December 31, 2002 and 2001

D. The consolidated financial statements of the Company for year 2001 and 2002 include the Company, and its subsidiaries, which include Cathay Life Insurance Co., Ltd, Cathay Century Insurance Co., Ltd., Cathay United Bank Co., Ltd. and United World Chinese Commercial Bank. In 2001, the consolidated financial statements contained only two entities as the Company and Cathay Life Insurance Co., Ltd.. However, due to more enterprises joined the holding company in the year of 2002, we are required to restate the consolidated financial statement for the year of 2001.

(3) As of December 31, 2002 and 2001, the Company didn't provide collateral or guarantee on long-term investments.

8. Long-Term Liabilities

	December 31,			
	2002(NT\$)	2002(US\$)	2001(NT\$)	2001(US\$)
Zero Coupon Convertible Notes	\$24,500,000	\$706,052	\$0	\$0
Redemption premium payable	516,479	14,884	0	0
Total	\$25,016,479	\$720,936	\$0	\$0

Please see note 20, "Zero Coupon Notes Related Information" for details.

9. Common Stock

As of December 31, 2002 and 2001, the numbers of issued shares were 8,453,163,100 and 5,838,615,765, respectively, with par value of 10 dollars.

The stockholder's meeting of the company resolved on June 27, 2002 declared cash dividends NT\$1.5 dollars each stock and bonus from retained earnings of NT\$137,135(US\$3,952) in 2001 and capital surplus of NT\$10,278,928 (US\$293,684), which belongs to the subsidiary before conversion. The date of issuing cash dividends was on July 26, 2002.

10. Capital Surplus

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD.

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(Expressed in thousands of dollars unless otherwise stated)

As of December 31, 2002 and 2001

- (1) The Capital Surplus is the net asset from merger of stock conversion (the net asset from merger) and the sum is NT\$56,807,974(US\$1,637,117) and NT\$23,650,414 (US\$675,726) in December 31, 2002 and 2001. Before converting, there are NT\$1,917,548 (US\$55,261) and NT\$10,278,928 (US\$293,684) is belong to the subsidiaries retained earnings.
- (2) The additional paid-in capital of par value through exchange of shares was generated from the transfer of the shares of subsidiaries to the Company. In compliance with was Item 4 of Article 47 of the Financial Holding Company Law, the portion of additional paid-in capital from the share exchange which comes from the original financial institution's unappropriated retained earnings is allowed to be distributed as cash dividends.
- (3) Beside the above-mentioned, pursuant to the R.O.C. Company Law, capital surplus can only be used to offset a deficit or to increase share capital. Capital surplus cannot be distributed as cash dividends. Issuance of new stock from capital surplus can be made only once per year. In addition, the amount to be capitalized should not exceed the specific percentage of capital surplus set by the SFC.

11. Retained Earnings

(1) Legal Reserve

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

(2) Unappropriated Retained Earnings

According to the Company Law of the Republic of China and the Company's Articles of Incorporations, 10% of the Company's annual earnings, after paying tax and offsetting deficits, if any, should first be distributed as legal reserve. In addition to distributing stock interest and 0.01%~0.05% as bonus for employees, the remainder shall be allocated in accordance with the resolution in the stockholders' meeting.

After converting, the subsidiary's treasury stock had treat as the Company's treasury

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD.

NOTES TO FINANCIAL STATEMENTS

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As of December 31, 2002 and 2001

stock and it doesn't carry any stockholder rights.

- (3) In 2002, pursuant to ROC SFC, the information regarding the appropriation of employees, directors and supervisors, and estimate earnings per share will be available on the website of "Market Observation Post System" immediately after the meeting of directors.

According to the regulations issued by Securities and Futures Commission, the Company should assume that the dividends of year 2001 would be appropriated to the employees, directors and supervisors, and pro forma earnings per share for the current year.

	For the year ended December 31,	
	2001(NT\$)	2001(US\$)
A. Distributions		
Bonus paid to employees-cash	\$13	\$1
Bonus paid to employees-stock	0	0
Remuneration paid to directors and supervisors	4,800	138
B. After income taxes earnings per share:		
(expressed in dollars)	\$0.02	\$0.00
Pro forma earnings per share	\$0.02	\$0.00

$$\text{Pro forma earnings per share} = \frac{\text{Net income} - \text{Bonus paid to employees} - \text{Remuneration paid to directors and supervisors}}{\text{Weighted average outstanding number of shares}}$$

- (4) According to the revised tax law of 1998, the Company is required to pay an extra 10% income tax on all undistributed retained earnings generated during the year. The regulation above is no longer in effect.
- (5) According to related regulations if any undistributed retained earnings of the Company assessed by the tax authority exceed 100% of its paid-in capital, the Company must distribute cash dividends or stock dividends following the year of the assessment. Otherwise, income tax will be levied on each shareholder's proportion of the total undistributed retained earnings; or the Company may pay an extra 10% income tax on the excess undistributed retained earnings for the year.

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD.

NOTES TO FINANCIAL STATEMENTS

(Expressed in thousands of dollars unless otherwise stated)

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(6) In accordance with SFC regulations, subsidiaries of financial holding companies that hold shares of their parent company should treat those shares as treasury stock as of January 1, 2002. And the cost of these shares cannot be distributed as special reserve.

(7) Dividends Policy

According to the operating program, stock dividends are for the purpose of retaining operating capital. The remainder is distributed in cash, but cash dividends are a minimum of 10% of the dividends declared.

12. Treasury Stock

A. The following is a summary of the movement of treasury stock.

(Unit: in thousands of shares)

Reason for Transfer				Book Value	Book Value	Per Share	Per Share	Per Share	Per Share	
	Jan. 1, 2002	Increase	Decrease	Dec. 31, 2002	(in NT thousands of dollars)	(in US thousands of dollars)	Book Value (in NT dollars)	Book Value (in US dollars)	Market Value (in NT dollars)	Market Value (in US dollars)
For the purpose to conserve the credit and stockholders' equity of Cathay Financial Holding Co., Ltd.	0	145,674	0	145,674	\$6,123,698	\$176,475	\$42.04	\$1.21	\$36.02	\$1.04
Subsidiaries translated it to employees	156,927	0	0	156,927	7,333,863	211,351	46.73	1.35	36.02	1.04
Parent's stock that the subsidiaries held were treated as treasury stock	0	369,490	0	369,490	13,576,114	391,242	36.74	1.06	36.02	1.04
Holding subsidiaries stocks by conversion were treated as treasury stock	0	348,897	0	348,897	15,672,590	451,660	44.92	1.29	36.02	1.04
Total	<u>156,927</u>	<u>864,061</u>	<u>0</u>	<u>1,020,988</u>	<u>\$42,706,265</u>	<u>\$1,230,728</u>				

B. The Companies' stocks held by subsidiaries are illustrated as follows:

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD.

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(Expressed in thousands of dollars unless otherwise stated)

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Name	Holding share	Amount (in NT thousands of dollars)	Amount (in US thousands of dollars)	Cause	About retained earnings limit	Legal time limit	Rro forma way by the board of directors determine
Cathay Life Insurance Co., Ltd.	156,927	7,333,863	\$211,351	Subsidiaries purchased share were translated	Treasury stock doesn't carry any stockholder rights	Within three years	None
Cathay Life Insurance Co., Ltd.	354,514	12,769,613	368,000	Holding other subsidiaries stock by conversion	None	None	None
Cathay Century Insurance Co., Ltd.	3,397	122,365	3,526	None	None	None	None
Cathay United Bank Co., Ltd.	1,209	43,534	1,255	None	None	None	None
United World Chinese Commercial Bank Co., Ltd.	7,099	255,723	7,370	None	None	None	None
Seaward Leasing Ltd.	3,271	117,821	3,395	None	None	None	None
Total	<u>526,417</u>	<u>\$20,642,919</u>	<u>\$594,897</u>				

13. Estimated Income Taxes

(1) Income tax expenses for the years ended December 31, 2002 and 2001 is estimated as follows:

	For the year ended December 31,			
	2002(NT\$)	2002(US\$)	2001(NT\$)	2001(US\$)
Income before taxes	\$12,874,420	\$371,021	\$137,135	\$3,918
Adjustments:				
Exemption from income tax on securities trade gain	(101,498)	(2,925)	0	0
Interest income of tax on a separate basis	(200,060)	(5,765)	0	0
Investment gains recognized by equity method	(13,575,839)	(391,235)	(137,135)	(3,918)
Unrealized bonds payable redemption premium	516,479	14,884	0	0
Others	65,102	1,876	0	0
Taxable income	(421,396)	(12,144)	0	0
Times: Taxes rate	25%	—	25%	—
Sub-Total	(105,349)	(3,036)	0	0
Add: Tax on a separate basis	40,012	1,153	0	0
Deferred income tax expense (benefit)	(145,396)	(4,190)	0	0
Income taxes expense (benefit)	<u>(\$210,733)</u>	<u>(\$6,073)</u>	<u>\$0</u>	<u>\$0</u>

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD.
NOTES TO FINANCIAL STATEMENTS
(Expressed in thousands of dollars unless otherwise stated)
As of December 31, 2002 and 2001

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

	For the year ended December 31,			
	2002(NT\$)	2002(US\$)	2001(NT\$)	2001(US\$)
A. Total deferred income tax liabilities	\$0	\$0	\$0	\$0
B. Total deferred tax assets	<u>\$145,396</u>	<u>\$4,190</u>	<u>\$0</u>	<u>\$0</u>
C. Temporary differences from resulting deferred tax assets or liabilities:				
a. Deductible temporary difference from Unrealized bonds payable redemption premium	\$516,479	\$14,884	\$0	\$
b. Deductible temporary difference from organization costs amortization into 5 years	<u>65,102</u>	<u>1,876</u>	<u>0</u>	<u>0</u>
Sub-total	<u>\$581,581</u>	<u>\$16,760</u>	<u>\$0</u>	<u>\$0</u>
D. Deferred income tax assets-current	\$4,069	\$117	\$0	\$0
Deferred income tax liabilities-Current	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net offset balance of deferred income tax assets (liabilities)-current	<u>\$4,069</u>	<u>\$117</u>	<u>\$0</u>	<u>\$0</u>
E. Deferred income tax assets-noncurrent	\$141,327	\$4,073	\$0	\$0
Deferred income tax Liabilities- noncurrent	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net offset balance of deferred income tax assets (liabilities) - noncurrent	<u>\$141,327</u>	<u>\$4,073</u>	<u>\$0</u>	<u>\$0</u>

(3) The Company's income tax returns have been unapproved by the Tax Authorities.

(4) As per Article 49 of Financial Holding Company Law, the Company selected as the taxpayer as the shareholding is over 12 months within a taxable year of Cathay Life Insurance Co., Ltd. native subsidiaries and files the income tax returns with 10% tax of undistributed retained earnings to the Tax Authority under the Income Tax Law.

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD.

NOTES TO FINANCIAL STATEMENTS

(Expressed in thousands of dollars unless otherwise stated)

As of December 31, 2002 and 2001

(5) Information related tax imputation:

	December 31,			
	2002(NT\$)	2002(US\$)	2001(NT\$)	2001(US\$)
Balance of imputation credit account	\$1,958,610	\$56,444	\$0	\$0
	<u>December 31,</u> <u>2002(Estimate)</u>		<u>December 31,</u> <u>2001(Actual)</u>	
Imputation credit account ratio	28.31%		30.71%	

(6) Information relating of undistributed earnings:

Year	December 31,			
	2002(NT\$)	2002(US\$)	2001(NT\$)	2001(US\$)
After 1998	\$15,002,701	\$432,355	\$10,416,063	\$297,602

The undistributed earnings includes additional paid-in capital from the share exchange which comes from the original financial institution's unappropriated retained earnings is allowed to be distributed as cash dividends.

14. Earnings Per Share

	For the year ended December 31, 2002								
	Before income taxes		After income taxes		Shares	Before income tax		After income tax	
	EPS		EPS			EPS		EPS	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	
Net Income	\$12,874,420	\$371,021	\$13,085,153	\$377,094					
Primary earnings per share									
Net income for common stock holder	\$12,874,420	\$371,021	\$13,085,153	\$377,094	5,865,793,845	\$2.19	\$0.06	\$2.23	\$0.06
Effect of potentially dilutive common stock									
Convertible bonds payable	\$516,479	\$14,884	\$387,359	\$11,163	249,797,077				
Fully-diluted earnings per share									
Net income for common stock holder & effect of potentially common stock	\$13,390,899	\$385,905	\$13,472,512	\$388,257	6,115,590,922	\$2.19	\$0.06	\$2.20	\$0.06

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD.

NOTES TO FINANCIAL STATEMENTS

(Expressed in thousands of dollars unless otherwise stated)

As of December 31, 2002 and 2001

	For the year ended December 31, 2001								
	Before income taxes		After income taxes		Shares	Before income tax		After income tax	
						EPS		EPS	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	
Net Income	\$137,135	\$3,918	\$137,135	\$3,918					
Primary earnings per share									
Net income for common stock holder	\$137,135	\$3,918	\$137,135	\$3,918	5,681,688,765	\$0.02	\$0.00	\$0.02	\$0.00
Effect of potentially dilutive common stock									
Convertible bonds payable	—	—	—	—	—	—	—	—	—
Fully-diluted earnings per share									
Net income for common stock holder & effect of potentially common stock	—	—	—	—	—	—	—	—	—

The changes of the above weighted-average outstanding number of shares are shown below:

(Shares)	December 31,	
	2002	2001
Shares at the beginning of year	5,838,615,765	0
Add: Capital stock was issued by stock conversion method	269,439,330	5,838,615,765
Less: Treasury stock	(203,216,123)	(156,927,000)
The Company that the subsidiaries held were treated as treasury stock	(39,045,127)	0
Total	5,865,793,845	5,681,688,765

The pro forma earnings per shares of the Company that the subsidiaries held as short-term investments were not treated as treasury stock:

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD.

NOTES TO FINANCIAL STATEMENTS

(Expressed in thousands of dollars unless otherwise stated)

As of December 31, 2002 and 2001

	For the year ended December 31,			
	2002(NT\$)	2002(US\$)	2001(NT\$)	2001(US\$)
Income before income taxes	\$12,590,158	\$362,829	\$137,135	\$3,918
Net income after income taxes	\$12,800,891	\$368,902	\$137,135	\$3,918
Before income taxes primary earnings per share (expressed in dollars)	\$2.13	\$0.06	—	—
After income taxes primary earnings per share (expressed in dollars)	\$2.17	\$0.06	—	—
Before income taxes fully – diluted earnings per share (expressed in dollars)	\$2.13	\$0.06	—	—
After income taxes fully – diluted earnings per shares (expressed in dollars)	\$2.14	\$0.06	—	—

The Company was incorporated on December 31, 2001, shares of the holding company were not held by its subsidiaries for the year ended December 31, 2001.

15. Related Party Transactions

(1) Related parties

Name	Relationship
Cathay Life Insurance Co., Ltd.	Subsidiary of the Company
Cathay Century Insurance Co., Ltd.	Subsidiary of the Company
Cathay United Bank Co., Ltd.	Subsidiary of the Company
United World Chinese Commercial Bank Co., Ltd.	Subsidiary of the Company
Cathay Securities Investment Co., Ltd.	Affiliate

(2) Significant transactions with related parties:

A. Real-Estate Rental Expense

Name	For the year ended December 31,	
	2002(NT\$)	2002(US\$)
Cathay Life Insurance Co., Ltd.	\$8,207	\$237

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD.

NOTES TO FINANCIAL STATEMENTS

(Expressed in thousands of dollars unless otherwise stated)

As of December 31, 2002 and 2001

B. Cash in Bank

Name	Item	For the year ended December 31, 2002			
		Maximum Amount (NT\$)	Ending Balance (NT\$)	Rate	Interest Income (NT\$)
Cathay United Bank	Certificate				
	Deposits	\$1,539,862	\$1,400,000	1.28% ~ 2.5%	\$16,730
	Cash In Bank	99,354	773	0.5% ~ 1.15%	413
United World Chinese Commercial Bank	Cash In Bank	10,673,341	0	1.75%	428
		<u>\$1,400,773</u>			

Name	Item	For the year ended December 31, 2002			
		Maximum Amount (US\$)	Ending Balance (US\$)	Rate	Interest Income (US\$)
Cathay United Bank	Certificate				
	Deposits	\$44,376	\$40,346	1.28% ~ 2.5%	\$482
	Cash In Bank	2,863	22	0.5% ~ 1.15%	12
United World Chinese Commercial Bank	Cash In Bank	307,589	0	1.75%	12
		<u>\$40,368</u>			

C. Interest Receivable

Name	For the year ended December 31,	
	2002(NT\$)	2002(US\$)
Cathay United Bank	\$435	\$13

D. Temporary Payments and Suspense accounts

Name	For the year ended December 31,	
	2002(NT\$)	2002(US\$)
Cathay Securities Investment Co., Ltd.	\$616	\$18

16. Pledged Assets: None.

17. Other Important Matters and Contingent Liabilities: None.

18. Serious Damages: None

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD.

NOTES TO FINANCIAL STATEMENTS

(Expressed in thousands of dollars unless otherwise stated)

As of December 31, 2002 and 2001

19. Subsequent Events

The Company was discharged 145,674,000 shares and decreased NT\$1,456,740 of capital stock on January 13, 2003, pursuant to the provisions of the Stock Exchange Law of R.O.C., approve to the inscription of the MOEA brief introduction on January 24, 2003.

20. Other Important Events

(1) Pension Related Information

According to the R.O.C. SFAS No.18 “Accounting for Pensions”, according to the actuarial report disclosure of pension information for the years ended December 31, 2002 and 2001, was as follows:

1. Pension funded status

	Year Ended December 31,			
	2002(NT\$)	2002(US\$)	2001(NT\$)	2001(US\$)
(1) Vested benefit obligation	(378)	(11)	\$0	\$0
(2) Non-vested benefit obligation	(394)	(11)	0	0
(3) Accumulated benefit obligation	(772)	(22)	0	0
(4) Additions benefits based on future salaries	(277)	(8)	0	0
(5) Projected benefit obligation	(1,049)	(30)	0	0
(6) Fair value of plan assets	0	0	0	0
(7) Vested benefit	480	14	0	0
(8) Funded status = (5) + (6)	(1,049)	(30)	0	0
(9) Unrecognized transitional net benefit obligation (net assets)	0	0	0	0
(10) Unrecognized prior service cost	0	0	0	0
(11) Unrecognized pension gain and loss	614	18	0	0
(12) Additional accrued pension liability	(337)	(10)	0	0
(13) (Accrued pension liability) /prepaid pension cost =(8)+(9)+(10)+(11)+(12)	<u>(\$772)</u>	<u>(\$22)</u>	<u>\$0</u>	<u>\$0</u>

2. Actuarial Assumptions

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD.
NOTES TO FINANCIAL STATEMENTS
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	Year Ended December 31,	
	2002	2001
(1) Discount rate	4.00%	4.50%
(2) Expected rate of increase in salaries	3.00%	3.00%
(3) Expected long-term rate of return on plan assets	4.00%	4.50%

(2) Financial Instruments Related Information

(a) Derivative Financial Instruments:

1. Credit and Market Risk

The Company entered into forward contract with financial institution, with good credit. Losses incurred from exchange rate fluctuations can be offset by forward hedging contracts.

2. Cash Flow and Demand

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

3. Forward Contract

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

(2) As of December 31, 2002, the Company has forward exchange contract (the contract) of approximately US\$700,000. And the forward exchange contract period is from May 20, 2002 to May 20, 2007.

(3) As of December 31, 2002, the exchange rate of the contract is over and the foreign exchange loss is NT\$54,309 thousands dollars. It will be amortized by three years.

4. Foreign Currency Options

As of December 31, 2002:

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD.

NOTES TO FINANCIAL STATEMENTS

(Expressed in thousands of dollars unless otherwise stated)

As of December 31, 2002 and 2001

Counterpart	Effective Date	Put Date	Amount (in thousands of dollars)
Goldman Sachs International	2002.5.20	2005.5.20; 2007.5.20	US\$700,000

(b) Non Derivative Financial Instruments Related Information:

Except for the item listed in the following table, the book value of Non Derivative Financial Instruments as of December 31, 2002, is the same as the estimated fair market value.

(3) Zero Coupon Convertible Notes Related Information:

Issuer: Cathay Financial Holding Co., Ltd., a financial holding company organized under the R.O.C. Financial Holding Company Act and the R.O.C. Company Law. Cathay Financial Holdings' registration number issued by the R.O.C. Ministry of Economic Affairs is 118958.

Offering: the Purchaser outside the United States is offering The International Notes in reliance on Regulation S under the U.S. Securities Act ("Regulation S"). Goldman Sachs International is offering the Rule 144A Notes concurrently in the United States through its selling agent, only to institutions that are qualified institutional buyers or QIBs (as defined in Rule 144A).

Issue Price: 100%.

Maturity Date: May 20, 2007.

Over-allotment Option:

Cathay Financial Holdings has granted to the Purchaser an option exercisable within 30 days from May 20, 2002 to purchase up to an additional US\$150,000 aggregate principal amount of Notes, solely to cover over-allotments, if any, please refer to "Plan of Distribution". In the event that the Purchaser exercises the over-allotment option, Cathay Financial Holdings will promptly inform the Luxembourg Stock Exchange.

Interest:

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD.

NOTES TO FINANCIAL STATEMENTS

(Expressed in thousands of dollars unless otherwise stated)

As of December 31, 2002 and 2001

The Notes will not bear interest except in the limited circumstances set out under "Description of the Notes – Default Interest".

Conversion Rights:

Subject to certain conditions, each holder of the Notes (the "Holder") will have the right during the Conversion Period (as defined herein) to convert its Notes (or any portion thereof being US\$1,000 dollars in principal amount or an integral multiple thereof) into Common Shares and, upon conversion may, subject to compliance with the terms and conditions of the applicable Deposit Agreement, direct that the Common Shares deliverable upon conversion be deposited with the Depository (as defined herein) for issuance of GDSs, *provided, however*, that the Conversion Right during any Closed Period (as defined herein) shall be suspended and the Conversion Period shall not include any such Closed Period. See "Description of the Notes – Conversion" and "Risk Factors – Risks Relating to the Notes-There are limitations on your ability to exercise conversion rights". Cathay Financial Holdings shall as soon as practicable but in no event more than five Trading Days (as defined herein) from the Conversion Date (as defined herein) deliver Common Shares to the converting Holders or the Depository, as the case may be.

Repurchase at the Option of the Holder:

Unless the Notes have been previously redeemed, repurchased and cancelled, or converted, each Holder shall have the right, at such Holder's option, to require Cathay Financial Holdings to repurchase all (or any portion of the principal amount thereof which is US\$1,000 dollars or any integral multiple thereof) of such Holder's Notes, on May 20, 2005 at a price equal to 100% of the outstanding principal amount thereof plus the Redemption Premium. "Redemption Premium" means an amount payable pursuant to the Notes with respect to a repurchase or redemption of a Note that will provide a Note holder who purchased such Note at the Issue Price on the Original Issue Date (as defined herein) a compound yield of 2.75% per annum (computed on a semi-annual note equivalent basis). See "Description of the Notes – Repurchase of the Notes".

Repurchase in the Event of Desisting:

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD.

NOTES TO FINANCIAL STATEMENTS

(Expressed in thousands of dollars unless otherwise stated)

As of December 31, 2002 and 2001

Unless the Notes have been previously redeemed, repurchased and cancelled, or converted, in the event that the Common Shares cease to be listed or admitted to trading on the Taiwan Stock Exchange, each Holder shall have the right, at such Holder's option, to require Cathay Financial Holdings to repurchase all (or any portion of the principal amount thereof which is US\$1,000 dollars or any integral multiple thereof) of such Holder's Notes at a price equal to 100% of the outstanding principal amount thereof plus the Redemption Premium. See "Description of the Notes – Repurchase of the Notes".

Repurchase in the Event of Change of Control:

Unless the Notes have been previously redeemed, repurchased and cancelled, or converted, each Holder shall have the right, at such Holder's option, to require Cathay Financial Holdings to repurchase all (or any portion of the principal amount thereof which is US\$1,000 dollars or any integral multiple thereof) of such Holder's Notes at a price equal to 100% of the outstanding principal amount thereof plus the Redemption Premium, upon the occurrence of a Change of Control (as defined herein). See "Description of the Notes – Repurchase of the Notes".

Redemption at the Option of Cathay Financial Holdings:

The Notes may be redeemed at the option of Cathay Financial Holdings, in whole but not in part, at any time on or after May 20, 2005 at a price equal to 100% of the outstanding principal amount thereof plus the Redemption Premium on the Redemption Date (as defined herein); *provided* that (a) the Closing Price (translated into US dollars at the prevailing rate) of the Common Shares for a period of 30 consecutive Trading Days (including Trading Days that fall within a Closed Period), the last of which occurs not more than five days prior to the date on which notice of such redemption is given, is at least 130% of the Conversion Price (translated into US dollars at the Exchange Rate, as defined herein) and (b) the applicable Redemption Date does not fall within a Closed Period. Notwithstanding the foregoing, Cathay Financial Holdings may redeem, in whole but not in part, the Notes at any time, on not less than 30 nor more than 60 days'

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD.

NOTES TO FINANCIAL STATEMENTS

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notice, if at least 90% in principal amount of the Notes originally outstanding have been redeemed, repurchased and cancelled, or converted, at a redemption price equal to 100% of the outstanding principal amount thereof plus the Redemption Premium on the Redemption Date; *provided* that the applicable Redemption Date does not fall within a Closed Period.

Tax Redemption:

If, as a result of certain changes relating to the tax laws in the R.O.C. or such other jurisdiction in which Cathay Financial Holdings is then organized, Cathay Financial Holdings becomes obligated to pay certain Additional Amounts (as defined herein), the Notes may be redeemed at the option of Cathay Financial Holdings, in whole but not in part, at a price equal to 100% of the outstanding principal amount thereof plus the Redemption Premium on such Redemption Date.

Redemption Amount at Maturity:

Unless the Notes have been previously redeemed, repurchased and cancelled, or converted, Cathay Financial Holdings will redeem the Notes on the Maturity Date (as defined herein) at a price equal to 100% of the outstanding principal amount thereof plus the redemption premium.

Negative Pledge:

Subject to certain exceptions, Cathay Financial Holdings will not, and will procure that none of its Principal Subsidiaries (as defined herein) will, create or permit to subsist any Lien (as defined herein) to secure for the benefit of the holders of any International Investment Securities (as defined herein) any sum owing in respect thereof or any guarantee or indemnity thereof without making effective provision to secure the Notes (a) equally and ratably with such International Investment Securities with a similar Lien or (b) with such other security as shall be approved by Holders of not less than a majority in aggregate principal amount of the outstanding Notes. See "Description of the Notes-Certain Covenants-Negative Pledge".

Further Issues:

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD.

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Cathay Financial Holdings may from time to time without the consent of the Holders of the Notes create and issue further securities having the same terms and conditions as the Notes in all respects so that such further issue shall be consolidated and form a single series with the respective Notes.

Governing Law:

The Indenture, the Notes and the Deposit Agreements will be governed by, and construed in accordance with, the laws of the State of New York.

Listing:

Application has been made to list the International Notes on the Luxembourg Stock Exchange and to designate the Rule 144A Notes for trading on PORTAL in the United States. Application has been made to have the International GDSs issuable upon conversion of the Notes listed on the Luxembourg Stock Exchange.

Trading Market for the Common Shares:

The only trading market for the Common Shares is the Taiwan Stock Exchange. The Common Shares have been listed on the Taiwan Stock Exchange since December 31, 2001.

(4) As of December 31, 2002 the consolidated capital adequacy ratio was 190.08%.

(5) Material Contract: None.

18. Information for Investment in Mainland China: None

19. Segment Information: None

(Continued)

CATHAY FINANCIAL HOLDING CO., LTD.
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20. The Subsidiaries' Concise Balance Sheets and Statements of Income

(a) Concise balance sheets:

Items/Period	CATHAY LIFE INSURANCE CO., LTD.				CATHAY CENTURY INSURANCE CO., LTD.				CATHAY UNITED BANK CO., LTD.				UNITED WORLD CHINESE COMMERCIAL BANK CO., LTD.			
	December 31, 2002		December 31, 2001		December 31, 2002		December 31, 2001		December 31, 2002		December 31, 2001		December 31, 2002		December 31, 2001	
	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$	NTS	US\$
Current assets	\$465,127,273	13,404,244	\$434,824,661	\$12,423,561	\$7,317,042	\$210,867	\$6,725,995	\$192,173	\$48,805,967	\$1,406,512	\$38,800,431	\$1,108,583	\$213,899,803	\$6,164,259	\$239,637,698	\$6,846,791
Exchange bills negotiated, discounted, and loans	488,113,293	14,066,666	481,306,746	13,751,622	942,396	27,158	1,101,444	31,469	110,364,439	3,180,531	106,276,766	3,036,479	394,578,267	11,371,132	427,930,788	12,226,594
Funds and long-term investments	307,847,291	8,871,680	190,329,029	5,437,972	1,029,427	29,666	928,747	26,536	5,303,964	152,852	3,376,762	96,479	12,153,144	350,235	12,577,702	359,363
Property and equipment	15,967,119	460,147	14,347,035	\$409,915	67,526	1,946	46,206	1,321	1,470,615	42,381	1,230,738	35,164	23,240,572	669,757	22,941,184	655,462
Other assets(including intangible assets)	8,503,594	245,060	10,285,106	293,860	97,868	2,820	64,890	1,853	11,155,416	321,482	5,667,297	161,923	8,675,240	250,007	4,176,251	119,322
Current liabilities	10,690,988	308,098	6,844,439	195,555	769,330	22,170	549,462	15,699	165,148,632	4,759,326	143,358,147	4,095,946	597,754,504	17,226,355	641,210,391	18,320,297
Long-term liabilities	3,726	107	3,726	106	7,668	221	1,733	50	0	0	0	0	34,119	983	34,119	975
Other liabilities	1,206,205,109	34,760,954	1,049,397,911	29,982,797	5,985,555	172,495	5,532,018	158,057	193,511	5,577	145,409	4,155	717,575	20,679	864,242	24,692
Capital stocks	50,686,158	1,460,696	58,386,158	1,668,176	2,317,006	66,773	2,317,006	66,200	12,346,083	355,795	12,346,083	352,745	39,715,627	1,144,543	37,716,644	1,077,618
Capital surplus	3,048	88	130,494	3,729	0	0	724	21	0	0	88,315	2,523	5,095,598	146,847	5,870,989	167,743
Retained earnings	26,228,308	755,859	23,657,055	675,916	372,528	10,736	464,077	13,260	(587,825)	(16,940)	(585,960)	(16,741)	9,122,517	262,897	21,363,930	610,398
Equity adjustments	(924,904)	(26,654)	6,657	190	2,172	62	2,262	65	0	0	0	0	107,086	3,086	203,308	5,809
Treasury stocks	(7,333,863)	(211,351)	(7,333,863)	(209,539)	0	0	0	0	0	0	0	0	0	0	0	0
Total assets	\$1,285,558,570	\$37,047,797	\$1,131,092,577	\$32,316,930	\$9,454,259	\$272,457	\$8,867,282	\$253,352	\$177,100,401	\$5,103,758	\$155,351,994	\$4,438,628	\$652,547,026	\$18,805,390	\$707,263,623	\$20,207,532
Total liabilities	\$1,216,899,823	\$35,069,159	\$1,056,246,076	\$30,178,458	\$6,762,553	\$194,886	\$6,083,213	\$173,806	\$165,342,143	\$4,764,903	\$143,503,556	\$4,100,101	\$598,506,198	\$17,248,017	\$642,108,752	\$18,345,964
Total stockholders' equity	\$68,658,747	\$1,978,638	\$74,846,501	\$2,138,472	\$2,691,706	\$77,571	\$2,784,069	\$79,546	\$11,758,258	\$338,855	\$11,848,438	\$338,527	\$54,040,828	\$1,557,373	\$65,154,871	\$1,861,568

CATHAY FINANCIAL HOLDING CO., LTD.
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(Expressed in thousands of dollars unless otherwise stated)
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(b) Concise statements of income:

Items/Period	CATHAY LIFE INSURANCE CO., LTD.				CATHAY CENTURY INSURANCE CO., LTD.				CATHAY UNITED BANK CO., LTD.				UNITED WORLD CHINESE COMMERCIAL BANK CO., LTD.			
	For the year ended Dec. 31,2002		For the year ended Dec. 31,2001		For the year ended Dec. 31,2002		For the year ended Dec. 31,2001		For the year ended Dec. 31,2002		For the year ended Dec. 31,2001		For the year ended Dec. 31,2002		For the year ended Dec. 31,2001	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Operating revenues	\$451,858,334	\$13,021,854	\$391,361,364	\$11,181,753	\$11,150,975	\$321,354	\$10,750,267	\$307,151	\$10,503,809	\$302,704	\$10,516,538	\$300,472	\$32,847,130	\$946,603	\$40,963,392	\$1,170,383
Operating costs & expenses	(436,287,547)	(12,573,128)	(377,186,156)	(10,776,748)	(10,803,696)	(311,346)	(10,305,355)	(294,438)	(10,759,231)	(310,064)	(9,341,143)	(266,889)	(43,615,548)	(1,256,932)	(34,463,833)	(984,681)
Operating income	15,570,787	448,726	14,175,208	405,005	347,279	10,008	444,912	12,713	(255,422)	(7,360)	1,175,395	33,583	(10,768,418)	(310,329)	6,499,559	185,702
Non-operating revenues	527,593	15,204	349,079	9,973	4,773	137	2,538	72	31,979	922	25,481	728	316,279	9,115	79,324	2,207
Non-operating expenses	(39,291)	(1,132)	(65,010)	(1,856)	(1,369)	(39)	(1,098)	(32)	(26,395)	(761)	(21,494)	(614)	(1,475,171)	(42,512)	(265,311)	(7,521)
Operating income before taxes	16,059,089	462,798	14,459,277	413,122	350,683	10,106	446,352	12,753	(249,838)	(7,199)	1,179,382	33,697	(11,927,310)	(343,726)	6,313,572	180,388
Net income	12,846,157	370,206	10,599,467	302,842	234,503	6,758	358,523	10,244	(90,180)	(2,599)	1,088,946	31,113	(8,807,310)	(253,813)	5,258,372	150,239
Before income tax earnings per share (in dollars)	\$2.98	\$0.09	\$2.48	\$0.07	\$1.51	\$0.04	\$1.93	\$0.06	(\$0.20)	(\$0.01)	\$0.96	(\$0.03)	(\$3.00)	(\$0.09)	\$1.59	\$0.05
After income tax earnings per share (in dollars)	\$2.39	\$0.07	\$1.81	\$0.05	\$1.01	\$0.03	\$1.55	\$0.04	(\$0.07)	(\$0.00)	\$0.88	\$0.03	(\$2.22)	(\$0.06)	\$1.32	\$0.04

Annotation: On April 11, 2002, Cathay United Bank Co., Ltd. had transferred its delinquent assets to Taiwan Asset Management Corporation, and the related losses amounted to NT\$1,894,609(US\$54,256). According to Article 15 of the R.O.C. Financial Institution Merger Law, the losses on the transaction will be amortized over five years from April 2002. As of December 31, 2002, the unamortized losses on the transfer of delinquent assets accounted for as other assets amounted to NT\$1,610,418(US\$46,410) and should be recognized as current expenses, provision for credit losses of its subsidiary (Cathay United Bank Co., Ltd.) increased by NT\$1,610,418 (US\$46,410), the net income before tax of its subsidiary decreased by NT\$1,610,418(US\$46,410), the income tax benefit of its subsidiary increased by NT\$402,605(US\$11,603) and the net income after tax of its subsidiary decreased by NT\$1,207,813(US\$34,807) for the year ended December 31, 2002.