



國泰金融控股股份有限公司
Cathay Financial Holding Co., Ltd.

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CATHAY FINANCIAL HOLDINGS 2001 ANNUAL REPORT

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國泰金融
Cathay Financial Holding



Message to shareholders

Taiwan weathered a difficult year in 2001 with the continuing global drop in IT investment, along with falling share prices, dealing a serious blow to the domestic economy despite government efforts to limit the damage. The second half of 2001 brought even more pain: the September 11 terrorist attacks hurt consumer and investor confidence, further dimming hopes for a quick turnaround, and sending economic growth for the year down to -2.12%.

Despite the bleak outlook, the past year also saw some significant, positive trends and events - continuing globalization, further liberalization, Taiwan's WTO entry and the government's continuing financial reforms. Last year, the Legislative Yuan passed a number of financial reform bills, which urged consolidation in the financial services industry and integration of the legal code, and encouraged the formation of holding companies with operations on a national scale. Taiwan's entry into the WTO has coincided with a complete opening of local financial markets and, in the future, domestic financial institutions will be competing against giant international financial groups.

To ensure greater competitiveness, the Lin-Yuan Group merged with Cathay Life Insurance in an all-stock buyout at the end of last year to create the Cathay Financial Holding Company. The Group acquired Cathay United Bank and Tong Tai Insurance in April of this year to create the first domestic financial holding company centered on life insurance operations.

The Cathay Financial Holdings is currently capitalized at NT\$60.958 billion, with total assets of NT\$1,300 billion. Its eight million customers, five hundred branches and 26,000 professional consultants make it one of Taiwan's largest financial groups, with a network that serves the whole of Taiwan. By consolidating banking, insurance and other diversified financial structures, we have created a complete operations platform of asset, client and staff channels, allowing us to cross-sell the integrated financial products we actively develop and offer our clients as a "one-stop shopping" for all their financial service needs.

Looking to the time ahead, we can expect the domestic economy to follow global trends in a recovery made all the more stable by the trade and regulatory liberalizations that accompanied Taiwan's en-

try to the WTO. Taiwan's financial services industry still faces significant changes, including a complete operational overhaul. The Cathay Financial Holdings is well prepared for these changes. Even as we innovate with "one-stop" financial services and continue to expand the scope of our operations, we are also improving the Group's risk management and establishing strict internal control systems to ensure long-term sustainability. We are actively integrating our current sales channels and products through the establishment of a group-wide customer service database for promotions and sales, offering clients complete financial services as we strive to become the best financial services group in Greater China.

I am deeply grateful for the commitment of our staff, the support of friends at home and abroad, and the encouragement of our directors for making our past years and certainly this one as well successful for the Cathay Financial Holdings. My thanks to everyone.

Sincerely,
Tsai Hong-tu





中文版

Cathay Financial Group

Latest News | About Us | Products | Financial Information | Site Map | Investor Relation

Cathay Life

Cathay United Bank

Tong Tai Insurance

Achieve
the Best with
All Our
Heart

Best Viewed with Microsoft Internet Explorer 5.0 & 6.0 x 800 resolution
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a. Company Profile

I. Cathay Financial Holding Co., Ltd.

As the finance industry diversifies and globalizes, and in view of consolidation and legal code integration in Taiwan's domestic financial environment, the Cathay Financial Holdings Company was established on December 31, 2001, with registered capitalization of NT\$12b, to be more competitive and operationally effective in this rapidly changing market. The new company consolidated a range of financial operations, including its banking and insurance units, building a comprehensive financial services platform with operations across Taiwan and cross-selling products to clients by offering them a one-stop shopping, financial services solution.

II. Subsidiary Company Profiles

1. Cathay Life Insurance Co., Ltd.

Established in August 1962 and publicly listed in November 1964, Cathay Life has emerged, after 40 years of hard work, as Taiwan's premier insurance brand in terms of revenue, assets and total policy number. With sales operations across Taiwan, a huge customer base and a highly experienced management team, Cathay Life is not resting on its laurels. The company is actively investing in information technology and building an e-commerce network to raise operations efficiency and improve customer service. Our training network benefits from a satellite-based distance education channel (CSN) and an online university offering professional training to staff across Taiwan and southeast China.

2. Cathay United Bank Co., Ltd.

Established in June 1971 as Taiwan First Trust Co., Ltd, and renamed in November 1998, the Cathay United Bank was Taiwan's first incorporated trust. Publicly traded since March 1998, Cathay United Bank has experienced excellent growth in recent years, providing a wide range of financial products. With 1.3 million credit cards in circulation as of last year, Cathay United Bank is one of Taiwan's top three credit card

issuing banks. The number of auto and home loans has also jumped significantly with an accompanying increase in sales and credit service quality. In March, 2000 Cathay United Bank began branching into insurance, bringing in additional funds and clients by offering personal and property insurance.

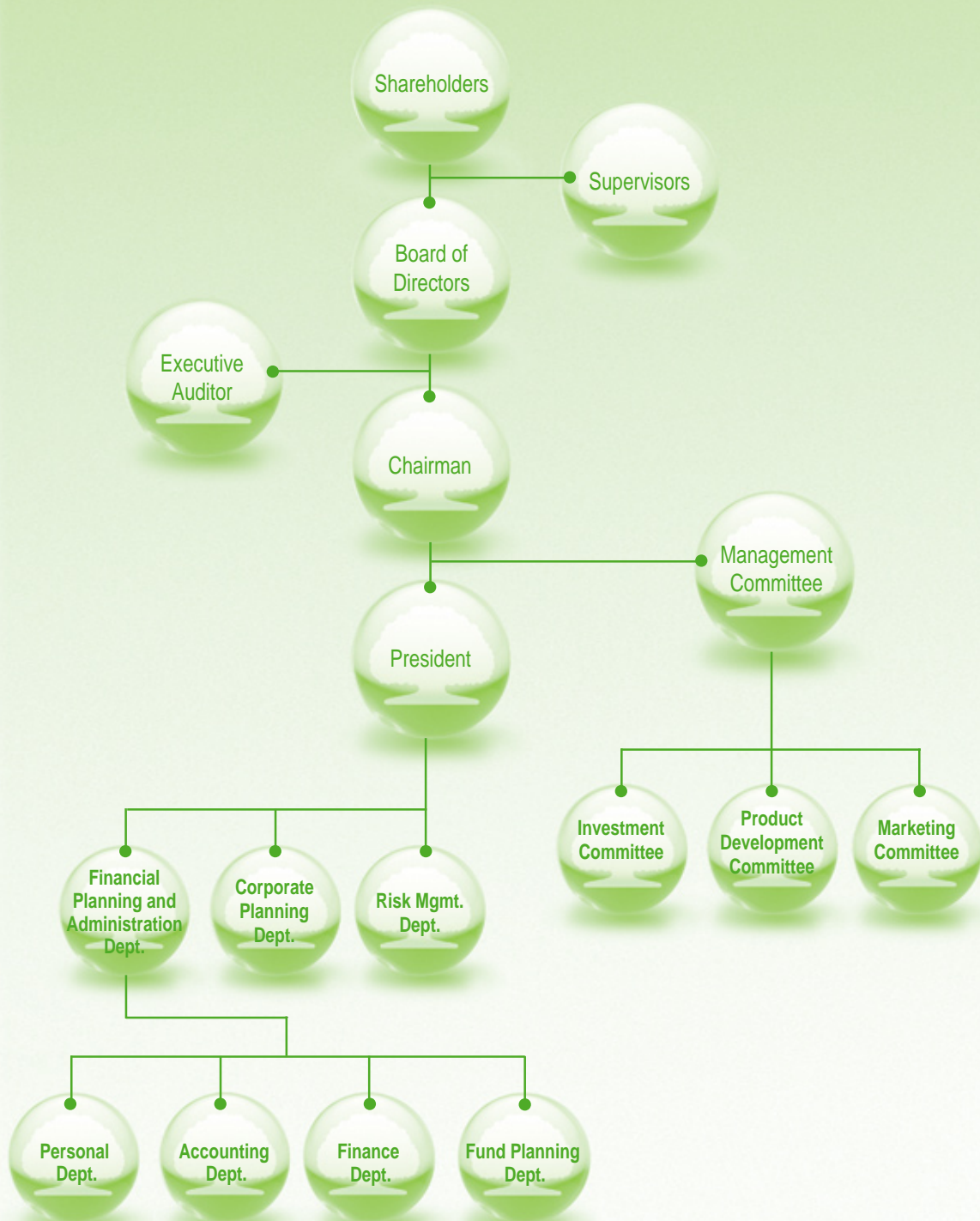
3. Tong Tai Insurance Co., Ltd.

Established in July 1993, Tong Tai Insurance's rich experience and strong sales growth are important assets for the Cathay Financial Holdings. Already one of Taiwan's six largest insurance companies, Tong Tai is actively engaged in developing new products and loss-prevention techniques, efforts which have contributed to its earning ISO9002 certification and the Insurance Industry Magazine's "Best Insurance Professionalism Award" for two years running.

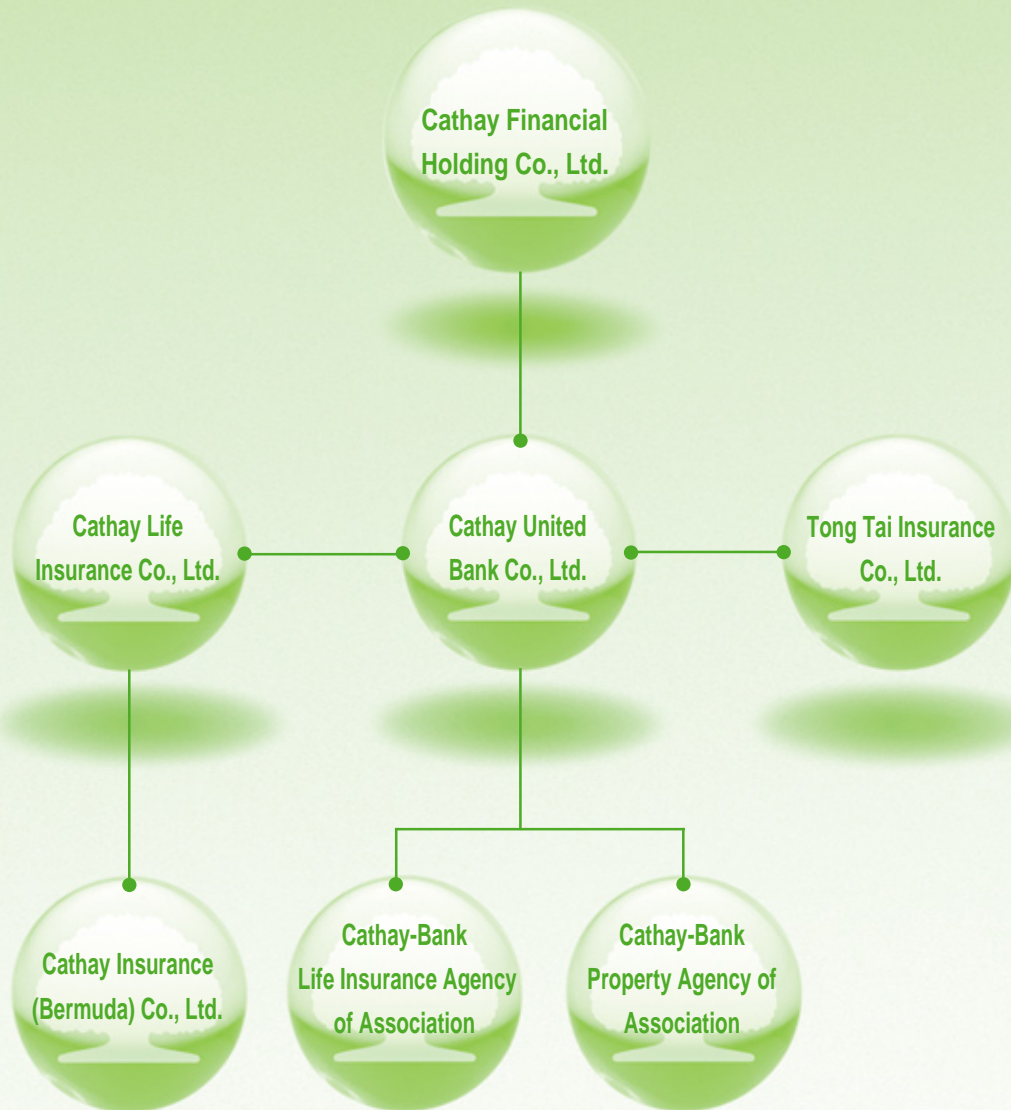


b. Cathay Financial Holdings Corporate Structure

I. Cathay Financial Holdings Organizational Chart



II. Cathay Financial Holdings Parent/Subsidiary Structure Chart



III. Directors and Auditors

1. Directors

Name	Education	Position
Hong-tu Tsai	Ph.D., Wesleyan University	Chairman of Cathay Life
Tseng-yun Tsai	Tokai University, Dept. of Political Economics	Special Consultant to Cathay United Bank
Chang Liang	Ph.D., State University of New York	Chairman of Yiho Group, Taiwan Area
Shiou-ling Lin	National Taiwan University	Consultant to Lee and Li Attorneys-at-Law
Chiu-te Liu	National Chengchi University	Chairman of Cathay Real Estate
Roger M.H. Lee	National Chengchi University	President of Cathay United Bank
Tiao-kuei Huang	M.A., Tsing Hua University	President of Cathay Life
J.H. Chen	Fu-Jen Catholic University	President of Cathay United Bank
Wan-chie Mar	M.A., Tamkang University	President of Tong Tai Insurance

2. Auditors

Name	Education	Position
Wan-teh Tsai	Tokyo University	Permanent Auditor of Cathay Life
Ruey-yun Lee	M.A., Lincoln University	Vice President of Cathay Life

IV. Key Managers

1. Cathay Financial Holding Co., Ltd.

Position	Name	Education
Chairman & President	Hong-tu Tsai	Ph.D., Wesleyan University
Comptroller	Jinn-hsing Leou	M.A., University of Iowa
Finance Director	Vivien Woan-meei Hsu	M.B.A. National Cheng-chi University M.B.A. University of New South Wales
Director	Fa-te Chang	National Chung Hsing University
Director	Chang-keng Lee	M.B.A. University of Pennsylvania
Director	Ming-ho Hsiung	M.A., University of Iowa

2. Subsidiary Company Executive Officers

(1) Cathay Life Insurance Co., Ltd.

Position	Name	Education
Chairman	Hong-tu Tsai	Ph.D., Wesleyan University
President	Tiao-kuei Huang	M.A., Tsing Hua University
Vice President	W.R. Hsiao	M.B.A., Sun Yat-Sen University
Vice President	Ruey-yun Lee	M.A., Lincoln University
Vice President	Fa-te Chang	National Chung Hsing University
Vice President	Yung-chen Lee	M.A., National Taiwan University
Vice President	Chang-keng Lee	M.B.A., University of Pennsylvania
Chief Information Officer	Chiu-sheng Chang	Ph.D., Case Western Reserve University
Chief Investment Officer	Winnie M.H. Tiao	M.B.A., University of Washington

(2) Cathay United Bank Co., Ltd.

Position	Name	Education
Chairman	Roger M.H. Lee	National Chengchi University
President	J.H. Chen	Fu-Jen Catholic University
Comptroller	Grace Chen	M.A., National Chengchi University
Vice President	Emily Chou	National Taiwan University
Vice President	Daniel Tung	M.B.A., Indiana University
Vice President	L.C. Huang	Feng Chia University

(3) Tong Tai Insurance Co., Ltd.

Position	Name	Education
Chairman	C.Y. Lee	National Chung Hsing University
Vice Chairman	Cheng-chiu Tsai	M.B.A., Keio University
President	Wan-chie Mar	M.A., Tamkang University
Vice President	Y.F. Wu	Tamkang University

V. Company Capitalization and Shares

Type of Shares	Number of Shares	Value
Common Shares	6,095,872,818	60,958,728,180

國泰金融控股股份有限公司
Cathay Financial Holding Co., Ltd.



a. Business Scope

I. Cathay Financial Holding Co., Ltd.

According to the Financial Holding Companies Act, The main businesses of the financial holding companies are limited to the investment and management at the invested companies .The Cathay Financial Holding Company was set up on December 31,2001.Because of only one business day in the year of 2001,the statement of the above business is omitted.

II. Cathay Life Insurance Co., Ltd.

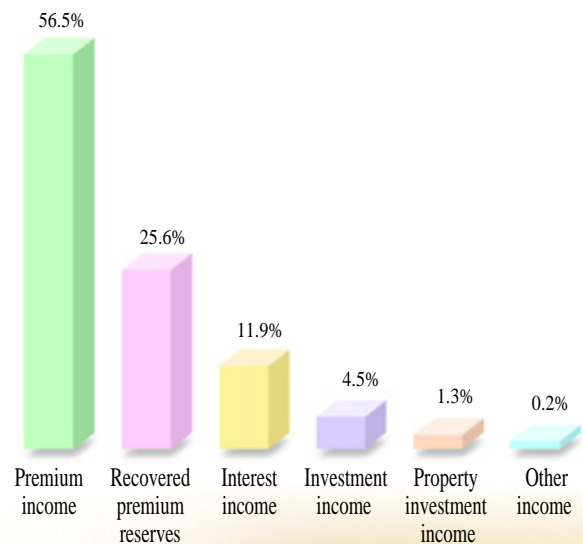
1. Business Scope

Sales of personal insurance and related services

2. Business Ratios

(NT\$1m)

Item	Amount	Percentage
Premium income	221,005	56.5
Recovered premium reserves	100,085	25.6
Interest income	46,578	11.9
Investment income	17,743	4.5
Property investment income	5,250	1.3
Other income	700	0.2
Total	391,361	100.0



Structure

III. Cathay United Bank Co., Ltd.

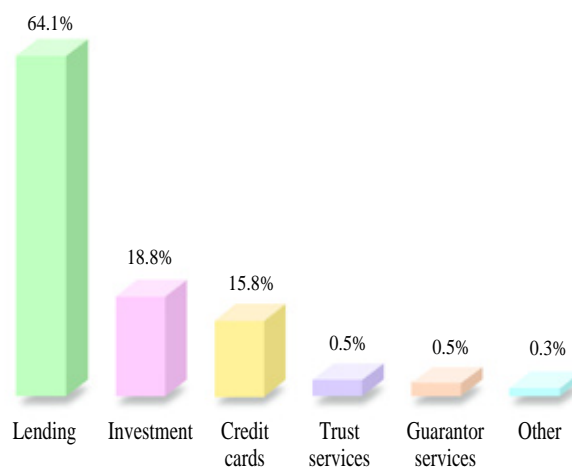
1. Business Scope

- (1) Checking deposits
- (2) Savings deposits
- (3) Fixed deposits
- (4) Short, medium and long-term lending
- (5) Bill discounting
- (6) Investment in government bonds, short-term bills, corporate bonds, financial instruments and corporate shares
- (7) Domestic remittances
- (8) Acceptance of commercial bills of exchange
- (9) Domestic L/C issuance
- (10) Domestic guarantor services
- (11) Payment and collection services
- (12) Underwriting government bonds, treasury bills, and corporate bonds and shares
- (13) Short-term certificate visa, consignment, agent and independent sales services
- (14) Consignment of securities
- (15) Trading in government bonds
- (16) Credit card services
- (17) Foreign exchange, in-bound and out-bound general remittances, foreign deposits, foreign currency payments and collateral guarantor services
- (18) Secure storage services
- (19) Safe deposit box rental
- (20) Agency services as listed on business license and permitted by the central competent authority
- (21) Operations allowed under the Trust Law
- (22) Guarantee and issuance of corporate bonds
- (23) Trading of derivatives approved by the central competent authority

2. Business Ratios

(NT\$1m)

Item	Amount	Percentage
Lending	6,744	64.1
Investment	1,979	18.8
Credit cards	1,663	15.8
Trust services	48	0.5
Guarantor services	55	0.5
Other	28	0.3
Total	10,517	100.0



IV. Tong Tai Insurance Co., Ltd.

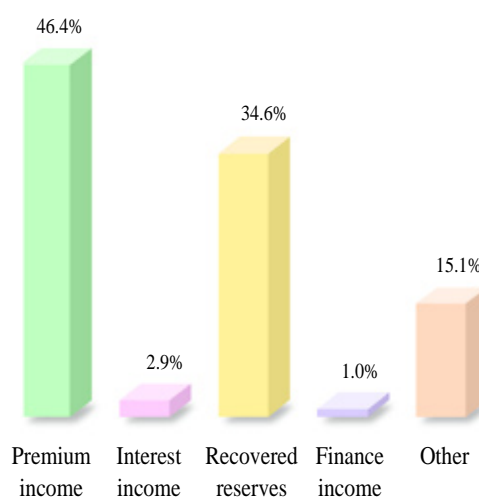
1. Business Scope

Sales of all types of property insurance and related services

2. Business Ratios

(NT\$1m)

Item	Amount	Percentage
Premium income	4,989	46.4
Interest income	316	2.9
Recovered reserves	3,717	34.6
Finance income	111	1.0
Other	1,617	15.1
Total operating income	10,750	100.0



b. Personnel Figures for the Past Two Years

(1) Cathay Life Insurance Co., Ltd.

Year	Employees	Average Age	Avg. Years in Service
2001	32,075	39.0	7.0
2000	32,977	38.6	6.8

(2) Cathay United Bank Co., Ltd.

Year	Employees	Average Age	Avg. Years in Service
2001	1,276	29.9	3.8
2000	1,002	30.3	3.5

(3) Tong Tai Insurance Co., Ltd.

Year	Employees	Average Age	Avg. Years in Service
2001	714	32.2	4.6
2000	685	31.0	3.7

IV. Tong Tai Insu

- I. Business Scope
Sales of all types

2. Business Ratios

a. Business Scope

i. Cathay Financial Holding Co., Ltd.

According to the Financial Holding Companies Act, The main businesses of the financial holding companies are limited to the investment and management of the invested companies. The Cathay Financial Holding Company was set up on December 31, 2001. Because of only one business day in the year of 2001, the statement of the above business is omitted.

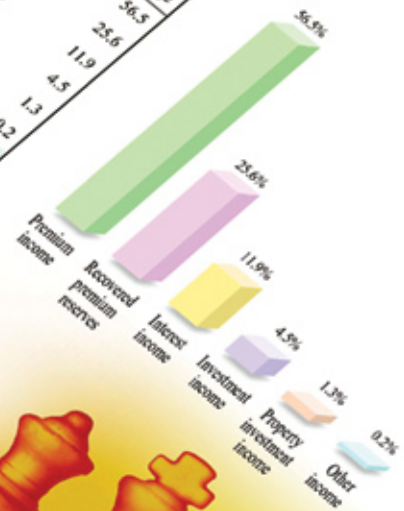
ii. Cathay Life Insurance Co., Ltd.

1. Business Scope

Sales of personal insurance and related services

2. Business Ratios

Item	Amount	Percentage (NT\$/m)
Premium income	221,005	56.5
Recovered premium reserves	100,085	25.6
Interest income	17,743	11.9
Property investment income	5,250	4.5
Other income	700	1.3
Total	391,361	100.0



iii. Cathay United Bank

1. Business Scope

- (1) Checking dep
- (2) Savings dep
- (3) Fixed dep
- (4) Short, m
- (5) Bill dis
- (6) Invest corp
- (7) Div
- (8) A
- (9) T
- (10) C

a. Business Guidelines for 2002

In 2002, Cathay Financial Holding Company and its subsidiaries will actively pursue the following business directions to improve operations effectiveness:

I. Cathay Financial Holding Co., Ltd.

1. Develop co-marketing capabilities to provide a complete range of financial services--

As part of a data warehousing project, personalized financial service accounts will be created to become the platform upon which customers can interact with the company. All types of financial services will be provided through these financial service accounts, thus achieving cross-selling and integrated marketing objectives.

2. Integrate subsidiary back office operations--

To improve the overall effectiveness of the financial holding company, business locations and related operational facilities of the Group's subsidiaries can be integrated. For example, centers offering life insurance, banking and property insurance services, as well as the human resources, administration, asset and risk management units for all subsidiaries, can be combined to raise effectiveness while also reducing costs.

3. Actively seek partners for cooperation to enhance business strengths in complimentary financial service domains--

4. Extend our dominance in the domestic personal financial services market--

We will leverage our extensive experience in the domestic insurance market to capitalize on the Cathay Financial Group's existing foundation of customer data, consolidating our presence in the domestic market for personal financial services.

II. Cathay Life Insurance Co., Ltd.

1. Channels

- (1) Real channels: Build common operational locations to accommodate the Financial Group's structure.
- (2) Personnel channels: Transform human resources to become comprehensive financial service advisors through education and adjustments to personnel structure.

2. Customers

Effectively use the data warehousing system to integrate and expand the Group's customer database resources and improve cross-selling within the Group.

3. Products

Develop customized and integrated products for different market segments, offering clients a personalized, one-stop shopping solution for a complete range of convenient financial services.

4. Operational support

Establish education and guidance controls in affiliate companies and integrate administration support platforms to provide truly comprehensive financial services.



Cathay Life Insurance Co., Ltd.
Chairman, Hong-tu Tsai



Cathay Life Insurance Co., Ltd.
President, Tiao-kuei Huang

III. Cathay United Bank Co., Ltd.

1. Deposit services

- (1) Adjust deposit structures to raise the ratio of current deposits, while lowering capital costs.
- (2) Develop appropriate new services in response to market demand, timing product launches to raise market share.
- (3) Strive to maintain appropriate loan-to-deposit ratio, cash flow and profitability.
- (4) Integrate financial products and marketing to offer personalized financial services.
- (5) Actively promote the establishment of simplified bank branches to raise competitiveness.

2. Credit services

- (1) Strengthen credit information and risk assessment, to ensure collateral value.
- (2) Enhance industry analysis and asset collateral risk management, actively clear overdue loans.
- (3) Implement self-auditing internal controls to ensure healthy banking operations.
- (4) Design various loan products to meet different customer needs, while also planning the most suitable products.
- (5) Boost the training of credit and lending personnel to improve credit business effectiveness.

3. Credit card services

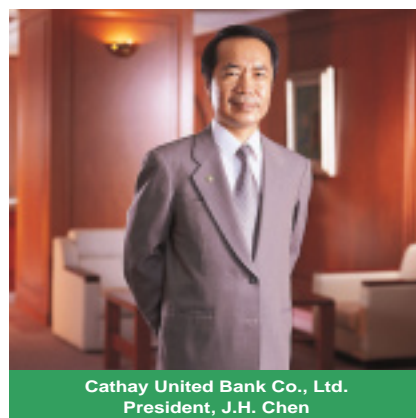
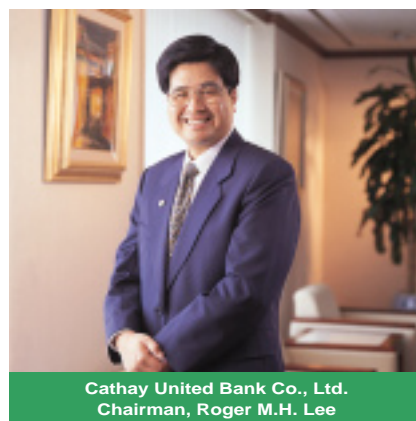
- (1) Improve customer service and satisfaction
- (2) Promote consumer lending, loans and profits; maintain high growth levels.
- (3) Strengthen cooperation with other industries in promotional activities to increase the value-added features of credit cards.
- (4) Combine banking products and promote cross-selling opportunities.
- (5) Increase cross-promotion activities between affiliated enterprises.
- (6) Promote the internationalized development of credit card services and extend cooperation with well-known international banks to enhance cardholder services.

4. Foreign exchange

- (1) Strengthen interaction with clients and simplify foreign exchange transactions.
- (2) Strengthen foreign exchange service training at branches to raise the efficiency of foreign exchange operations.
- (3) Actively build a global foreign exchange network to offer clients more convenient foreign exchange services.
- (4) Apply to set up an Offshore Banking Unit (OBU) to launch a complete range of foreign exchange services.

5. Other

- (1) Diversify financial offerings by actively promoting various derivative products.
- (2) Effectively plan human resources to raise productivity and reduce operational costs.
- (3) Strive to improve service quality through improved professional knowledge.
- (4) Actively develop fund management services, fund sales and related agency business to improve income from service fees.
- (5) Plan and participate in investment transfers to increase profit sources.
- (6) Strengthen information systems integrated capabilities, establish a crisis response system and plan.



IV. Tong Tai Insurance Co., Ltd.

1. Integrate Marketing to Realize the Group's Strengths

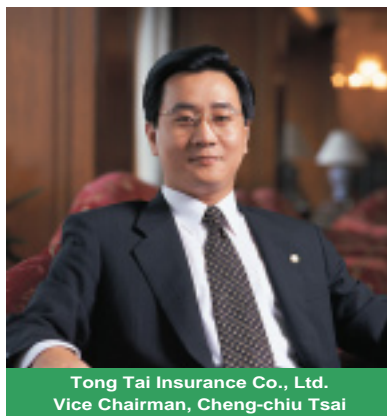
- (1) Diversify sales channels; increase access to market information; and strengthen understanding of client needs.
- (2) Cross-sell through different channels; bring into play mutual efficiencies; lower marketing costs; raise product profits.
- (3) Diversify product services; offer long-term risk planning to advisors to improve customer satisfaction.
- (4) Improve market presence; improve company name recognition; create a new corporate image.
- (5) Use Group resources more efficiently; broaden and deepen marketing strategy.

2. Adjust human resources for improved organizational efficiency

- (1) The organization needs to respond to business developments and to seriously reflect and make improvements at the appropriate time for continued operational efficiency.
- (2) Actively build e-business processes to accelerate organizational information exchange.
- (3) Improve planning and human resource management to ensure that the skills fit the task.
- (4) Develop high-quality executive talent and raise internal staff operations efficiency.
- (5) Gradually build staff morale, joining together throughout the company to be aware of those who are suffering and to provide good property insurance services.

3. Accelerate enterprise growth through knowledge management

- (1) Continue to develop a wide range of professional training in personnel insurance risk, systematically building related financial expertise and foreign language skills.
- (2) Record employee knowledge in systems - these knowledge assets will be the foundation for competitive growth.
- (3) Establish practical insurance market information and customer relationship management systems.
- (4) Improve specialized expertise to increase value-added property insurance services.
- (5) Integrate operations information planning, for efficient use of analysis resources.



b. Business Goals for 2002

I. Cathay Life Insurance Co., Ltd.

(NT\$1m)

Item	Goal
New policy coverage	467,922
Effective policy coverage	7,005,596
Total policy income	235,813

II. Cathay United Bank Co., Ltd.

(NT\$1m)

Item	Goal
Deposits	153,750
Loans	142,300
Credit cards in circulation	2,000,000 cards

III. Tong Tai Insurance Co., Ltd.

(NT\$1m)

Item	Goal
Auto insurance	3,267
Fire insurance	1,058
Flood insurance	191
Engineering insurance	255
Other	467
Total	5,238

c. Research and Development Overview

In 2002, the entire Cathay Financial Holdings is united by a commitment to provide our respected customers with a full range of financial services. Aside from integrating subsidiary resources, maintaining our leading position business strategy and protecting our services, we are actively involved in research and development in the following ways:

1. Creation of a long-term training program for all professional staff to achieve employee education and training, and establish a culture of learning to ensure our financial organization is second to none.
2. Integration of the company's various business information systems, simplifying work flows and offering faster and more complete information for policy-making decisions.
3. Internationalization and industry liberalization trends, as well as the company's continuous growth, have led to greater risk and increased working capital. Thus, expert knowledge in the areas of reinsurance, risk assessment and financial investment need to be continuously strengthened.
4. Greater attention will be paid to asset and debt management, giving new life to investment management strategy and creating increased business profits.



5. Emphasis on the development of a wide range of professional skills will continue, and a work attitude that stresses wider delegation, accountability, and dedication to service.
6. We will actively use information technology in call centers, data warehouses, data mining, customer relationship management and other systems, to improve efficiency in financial services and customer services across the organization.
7. The Cathay Financial will boost efficiency by incorporating Internet and Intranet services throughout its island-wide operations network, thus improving communication and understanding between staff, management and customers.
8. We will stay abreast of the market and changing consumer attitudes, and improve competitiveness by responding to market changes with new products designed to provide clients the most complete insurance coverage.
9. Movement into the era of integrated financial services by combining strategic alliances in the auto, finance, leisure and travel industries to develop new client potential is also priority.
10. The Cathay Financial Group will embrace internationalization and globalization trends, and actively develop business opportunities in China and other markets.

d. Capital Utilization Plan

1. The right size and the right strength

Even as the Cathay Financial Group absorbs Cathay United Bank and Tung Tai Insurance subsidiaries this year, we will continue to seek out strong, appropriately-sized partners to help us reach our forward-looking business goals, raise market competitiveness and improve service quality.

2. Criteria for planned partnerships

- (1) Able to combine marketing channels to create mutual value
- (2) Able to implement complimentary staff sharing, and develop new products
- (3) Able to collaborate on the development of e-business systems
- (4) Compatible corporate culture

e. Financial Overview

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CATHAY FINANCIAL HOLDING CO., LTD.

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2001



INDEPENDENT AUDITORS' REPORT

To: BOARD OF DIRECTORS

CATHAY FINANCIAL HOLDING CO., LTD.

We have audited the accompanying balance sheet of Cathay Financial Holding Co., Ltd. as of December 31, 2001, and the related statement of income, changes in stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

BDO TAIWAN UNION & CO.

Taipei, Taiwan

The Republic of China

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 SHEET

(Expressed in thousands of dollars)

December 31, 2001

	2001	2001
	NT\$	US\$
Assets		
Current Assets		
Funds, Long-Term Investments and Receivable		
Long-term investments in stocks (Notes 2, 4)	\$74,846,501	\$2,138,471
Sub-total	74,846,501	2,138,471
Other Assets		
Deferred charges	81,378	2,325
Sub-total	81,378	2,325
Total Assets	\$74,927,879	\$2,140,796
Liabilities & Stockholders' Equity		
Current Liabilities		
Accrued expenses	\$81,378	\$2,325
Sub-total	81,378	2,325
Total Liabilities	81,378	2,325
Stockholders' Equity		
Capital stocks:		
Common stock (Note 5)	58,386,158	1,668,175
Capital surplus		
Net assets from merger	23,650,414	675,726
Retained Earnings (Note 6)		
Unappropriated retained earnings	137,135	3,918
Equity adjustment (Note 2)		
Cumulative translation adjustments	6,657	190
Treasury stock (Note 2)	(7,333,863)	(209,538)
Total Stockholders' Equity	74,846,501	2,138,471
Total Liabilities and Stockholders' Equity	\$74,927,879	\$2,140,796

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.
STATEMENT OF INCOME

(Expressed in thousands of dollars, except earning per share)
For the Year Ended December 31, 2001

	2001	2001
	NT\$	US\$
Operating Revenues		
Investment income under the equity method-net (Notes 2, 4)	\$137,135	\$3,918
Sub-total	137,135	3,918
Operating Gross Profit	137,135	3,918
Operating Income		
Income from continuing	137,135	3,918
Operations before income taxes	137,135	\$3,918
Income Taxes (Notes 2, 7)	0	0
Net Income	\$137,135	\$3,918
Earnings Per Share (expressed in dollars) (Note 8)	\$0.02	\$0.00

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

**CATHAY FINANCIAL
STATEMENT OF CHANGES**

(Expressed in
For the Year Ended

Summary	Capital Stock			
	Common Stock		Capital Surplus	
	NT\$	US\$	NT\$	US\$
By stock conversion method was incorporated on	\$58,386,158	\$1,668,175	\$0	\$0
December 31, 2001				
Net assets from merger			23,650,414	675,726
Cumulative translation adjustments				
Treasury stock				
Net Income after tax for the year ended Dec . 31 , 2001				
Balance on Dec. 31, 2001	\$58,386,158	\$1,668,175	\$23,650,414	\$675,726

The accompanying notes are an
(Cathay Financial Holding Co., Ltd.

HOLDING CO., LTD.
IN STOCKHOLDERS' EQUITY

(thousands of dollars)
 December 31, 2001

Retained Earnings		Cumulative Translation Adjustments		Treasury Stock		Total	
Unappropriated Retained Earnings							
NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
\$0	\$0	\$0	\$0	\$0	\$0	\$58,386,158	\$1,668,175
						23,650,414	675,726
		6,657	190			6,657	190
				(7,333,863)	(209,538)	(7,333,863)	(209,538)
137,135	3,918					137,135	3,918
\$137,135	\$3,918	\$6,657	\$190	(\$7,333,863)	(\$209,538)	\$74,846,501	\$2,138,471

integral part of these financial statements.
 was incorporated on December 31, 2001)

CATHAY FINANCIAL HOLDING CO., LTD.
STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2001
(Expressed in thousands of dollars)

	2001 NT\$	2001 US\$
Cash Flows from Operating Activities		
Net Income for the Year	\$137,135	\$3,918
Adjustments:		
Investment income under the equity method-net	(137,135)	(3,918)
Increase (decrease) in accrued expenses	81,378	2,325
Net Cash Provided by (Used in) Operating Activities	81,378	2,325
Cash Flows from Investing Activities		
Decrease (increase) in deferred charges	(81,378)	(2,325)
Net Cash Provided by (Used in) Investing Activities	(81,378)	(2,325)
Increase(decrease) in Cash and Cash Equivalents	0	0
Cash and Cash Equivalents at the Beginning of Year	0	0
Cash and Cash Equivalents at the End of Year	0	0
Supplemental Disclosure of Cash Flows Information:		
By stock conversion method was incorporated	\$74,702,709	\$2,134,363

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)

December 31, 2001

1. ORGANIZATION OF BUSINESS SCOPE

CATHAY FINANCIAL HOLDING CO., LTD. (the "Company") was incorporated on December 31, 2001 in Taiwan, pursuant to the provision of the Company Law of the Republic of China ("R.O.C") from CATHAY LIFE INSURANCE CO., LTD. by Stock Conversion method. The Company mainly engages in the financial holding business activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Long - Term Investments

A. Long-term Investments in Stocks

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

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

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

An invested company ("investee") is considered to be the Company's subsidiary if the Company owns more than 50% of the investee's voting stock. Consolidated financial statements should include all subsidiaries except for subsidiaries that have different business nature from that of the Company or when compared to the Company's, each account item in the total assets and operating income of these subsidiaries is less than 10% of it. If total assets or operating income of those unconsolidated subsidiaries are more than 30% of the corresponding amount of the Company's, these subsidiaries should be included in the Company's consolidated financial statements until the percentage mentioned above is reduced to 20% or less.

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.

B. Long-Term Investments in Bonds

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

(2) Foreign-currency Transactions

A. Translations of Foreign Currency Transactions

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

B. Translation of Foreign Subsidiaries' Statements

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

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

(3) Income Taxes

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

Deferred income tax assets and liabilities are classified as current or noncurrent in 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 Tax Authority Under the Income tax Law.

Prior year's income tax adjustment, if it is a change in an accounting estimate, then should be recorded as an adjustment year's income tax expense.

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

(4) 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.

(5) Treasury Stock

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

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

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 regard 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 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 Dec 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.

3. PRO FORMA COMPARATIVE FINANCIAL STATEMENTS:

The company was incorporated on December 31, 2001 because of Cathay Life Insurance Co., Ltd. by conversion stock method. According to R.O.C. SFC (Securities & Futures Committee) had approved this with Memo#(90)-Tai-Tsai-Cheng-6-175974, the company disclose Pro Forma comparative financial statements from Cathay Life Insurance Co., Ltd. stock conversion method as follows:

Cathay Financial Holding Co., Ltd.
Pro Forma Balance Sheets

December 31, 2000 and 2001

	2000	2001	2001
	NT\$	NT\$	US\$
Assets			
Funds, Long-Term Investments			
Long-term investments in stocks	\$80,840,106	\$74,846,501	\$2,138,471
Sub-total	80,840,106	74,846,501	2,138,471
Other Assets			
Deferred charges	0	81,378	2,325
Sub-total	0	81,378	2,325
Total Assets	\$80,840,106	\$74,927,879	\$2,140,796
Liabilities & Stockholders' Equity			
Current Liabilities			
Accrued expenses	\$0	\$81,378	\$2,325
Sub-total	0	81,378	2,325
Total Liabilities	0	81,378	2,325
Stockholders' Equity			
Capital stocks			
Common stock	53,986,340	58,386,158	1,668,175
Capital surplus	17,439,712	3,458,118	98,803
Retained earnings			
Unappropriated retained earnings	9,729,964	20,329,431	580,841
Equity adjustment			
Cumulative translation adjustments	1,573	6,657	190
Treasury stock	(317,483)	(7,333,863)	(209,538)
Total Stockholders' Equity	80,840,106	74,846,501	2,138,471
Total Liabilities and Stockholders' Equity	\$80,840,106	\$74,927,879	\$2,140,796

Cathay Financial Holding Co., Ltd.
Pro Forma Statements of Income

Years Ended December 31, 2000 and 2001

	2000	2001	2001
	NT\$	NT\$	US\$
Operating Revenues			
Investment income under the equity method-net	\$9,738,996	\$10,599,467	\$302,842
Sub-total	9,738,996	10,599,467	302,842
Operating Gross Profit	9,738,996	10,599,467	302,842
Operating Income (Loss)	9,738,996	10,599,467	302,842
Income from Continuing			
Operations before income taxes	9,738,996	10,599,467	302,842
Income Taxes	(0)	(0)	(0)
Net Income	\$9,738,996	\$10,599,467	\$302,842
Earnings Per Share(expressed in dollars)	\$1.64	\$1.81	\$0.05

4. LONG-TERM INVESTMENTS IN STOCKS (Book Value)

Investee	December 31	
	2001(NT\$)	2001(US\$)
Under the equity method:		
Cathay Life Insurance Co., Ltd.	\$74,846,501	\$2,138,471

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

	December 31	
	2001(NT\$)	2001(US\$)
Balance at the beginning of year	\$0	\$0
Add/(less):		
Increment of Investments by stock conversion method	74,709,366	2,134,553
Investment income under equity method recognized		
increment of investment	137,135	3,918
Balance of December 31	\$74,846,501	\$2,138,471

(2) In 2001 the over 50% holding investees of Cathay Financial Holding Co., LTD is Cathay Life Insurance Co., Ltd.

5. CAPITAL STOCK

As of December 31, 2001, the number of authorized and outstanding shares was 5,838,615,765, at a par value of NT\$10 dollars.

6. RETAINED EARNINGS

(1) Legal Reserve

Pursuant to the Company Law, 10% of the annual after-tax net income of the Company must be allocated as legal reserve until such retention equals the paid-in capital. The legal reserve can be used only to cover deficits and not be distributed as cash dividends. However, if the total accumulated legal reserve is greater than 50% of the issued share capital, up to 50% of such excess can be converted to share capital.

(2) Unappropriated Retained Earnings

As stipulated in the Company's Articles of Incorporation, the restrictions and sequences for distributing annual net income are as follows:

- (a) Paying income tax;
- (b) Covering previous deficits;
- (c) Appropriating 10% of the remaining net income as legal reserve;
- (d) Distributing dividends;
- (e) Bonus to employees at 0.01% to 0.05% of the remaining net income;
- (f) Appropriation of any of the remainder of the retained earnings as proposed by the board of directors and approved by the stockholders.

(3) Beginning 1998, since the implementation of income tax for corporations combining into individuals' income tax, the un-appropriated retained earnings for the Company in those years which do not distribute to its shareholders will be imposed 10% income tax and then can be retained without further tax imposition.

7. INCOME TAXES

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

	2001(NT\$)	2001(US\$)
Income Tax for Accounting Income	\$137,135	\$3,918
Add(Less): Investment Credit	(137,135)	(3,918)
Taxable Income	0	0
Times: Taxes Rate; Less: Progressive Difference	25%~10	-
Income Taxes	\$0	\$0

(2) The Company's deferred income tax assets and liabilities for the years ended December 31, 2001 is as follows:

	December 31	
	2001(NT\$)	2001(US\$)
A. Total deferred income tax assets	\$0	\$0
Total deferred income tax liabilities	0	0
B. Deferred income tax assets- current	0	0
Deferred income tax liabilities-current	0	0
Net deferred tax assets - current	\$0	\$0
C. Net deferred tax assets- noncurrent	\$0	\$0
Deferred tax liabilities-noncurrent	0	0
Net deferred tax assets - noncurrent	\$0	\$0

(3) Information related to tax imputation:

	December 31		
	2001(NT\$)	2001(US\$)	2001(Estimate)
Balance of imputation credit account	\$0	\$0	\$0
Imputation credit account ratio	-	-	-

(4) Information relating to unappropriated earnings:

Year	December 31	
	2001(NT\$)	2001(US\$)
After 1998	\$137,135	\$3,918

8. EARNINGS PER SHARE

	December 31	
	2001(NT\$)	2001(US\$)
Net income (a)	\$137,135	\$3,918
Outstanding number of shares	5,838,615,765	5,838,615,765
Weighted average outstanding number of shares(b)	5,681,688,765	5,681,688,765
Earnings per share(Dollars) (a) / (b)	\$0.02	\$0.00

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

(shares)	2001
Shares at the beginning of year	5,838,615,765
Less: Treasury stock	(156,927,000)
Total	5,681,688,765

9. RELATED PARTY TRANSACTIONS

(1) Related parties

Name and relation of related parties are as follows:

Name	Relationship
Cathay Life Insurance Co., Ltd.	Investee accounted for under the equity method

(2) Major transactions involving related parties:

A. Accrued Expense

	December 31	
	2001(NT\$)	2001(US\$)
Cathay Life Insurance Co., Ltd.	\$81,378	\$2,325

10. ASSETS PLEDGED OR MORTGAGED: None.

11. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES: None.

12. SIGNIFICANT DISASTER LOSSES: None.

13. SIGNIFICANT SUBSEQUENT EVENTS

The Company scheduled to convene the Directors' Meeting on January 30, 2002, and resolve to exchange the shares of Tong Tai Insurance Co., Ltd. and Cathay United Bank to Cathay Financial Holding CO., Ltd.. The exchange ratios (i) between the company and Tong Tai and (ii) between the company and Cathay United Bank were 1:4.5 and 1:6, respectively.

14. OTHER SIGNIFICANT EVENTS

(1) DISCLOSURE OF PENSION INFORMATION

The Company was incorporated on December 31, 2001 follows the statements of Financial Accounting Standards No. 18 in handle pension costs \$0 in December 31, 2001.

(2) DERIVATIVE FINANCIAL INSTRUMENTS

1. Derivative Financial Instruments Related Information: None.
2. Non-Derivative Financial Instruments Related Information: None.

(3) MATERIAL CONTRACT: None.

(4) PRESENTATION OF FINANCIAL STATEMENTS: None.

(5) OTHER: None.

15. INFORMATION FOR INVESTMENT IN MAINLAND CHINA: None

16. SEGMENT FINANCIAL INFORMATION

- (1) Segment financial information by industry: The Company is financial holding industry and a single industry.
- (2) Geographic financial information: Not Foreign Operations.
- (3) Export sales information: None.
- (4) Disclosures of major customers: None.

The background of the page is a faded, light-colored image. On the right side, there is a stack of several silver coins. On the left side, there is a financial chart with a line graph and a bar chart, overlaid on a grid. The text is centered on the page.

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARY

PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2001

INDEPENDENT AUDITORS' REPORT

To: BOARD OF DIRECTORS

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARY

We have audited the accompanying pro forma consolidated balance sheet of Cathay Financial Holding Co., Ltd. and subsidiary as of December 31, 2001 and the related pro forma consolidated statement of income, changes in stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the pro forma consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cathay Financial Holding Co., Ltd. as of December 31, 2001, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles in the Republic of China.

BDO TAIWAN UNION & CO.

Taipei, Taiwan

The Republic of China

Notice to Readers

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

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARY
PRO FORMA CONSOLIDATED BALANCE SHEET

(Expressed in thousands of dollars)

December 31, 2001

	2001 NT\$	2001 US\$
Assets		
Current Assets		
Cash and cash equivalents (Notes 2, 4)	\$173,490,638	\$4,956,875
Short-term investments (Notes 2, 5)	215,705,693	6,163,020
Notes receivable	19,335,753	552,450
Notes receivable-related parties (Note 18)	23,607	674
Interest receivable	10,700,400	305,726
Other accounts receivable	2,072,423	59,212
Prepayments	378,251	10,807
Premiums paid for others (Note 6)	13,117,896	374,797
Sub-total	434,824,661	12,423,561
Exchange Bills Negotiated, Discounted and Loans (Notes 2, 7)		
Policy loans for life insurers	173,451,836	4,955,767
Short-term secured loans	88,704	2,534
Medium-term secured loans	12,030,573	343,731
Long-term secured loans	295,735,633	8,449,590
Sub-total	481,306,746	13,751,622
Funds, Long-Term Investments, and Receivable		
Long-term investments in stocks (Notes 2, 8)	10,688,524	305,386
Long-term investments in bonds (Notes 2, 9)	91,497,578	2,614,217
Investments in real estate (Notes 2, 10)	88,142,927	2,518,369
Sub-total	190,329,029	5,437,972
Property and Equipment (Notes 2,11)		
Land	5,012,785	143,222
Buildings and Structures	10,086,291	288,180
Communication and transportation equipment	135,846	3,881
Other equipment	3,356,997	95,914
Sub-total	18,591,919	531,197
Less: Accumulated depreciation	(4,373,984)	(124,971)
Construction in progress and prepayment for equipment	129,100	3,689
Sub-total	14,347,035	409,915
Other Assets		
Non-operating assets (Notes 2, 23)	2,438,193	69,662
Guarantee deposits paid (Notes 2, 19)	1,280,603	36,589
Overdue receivables (Notes 2, 12)	6,028,864	172,253
Temporary payments and suspense accounts	44,057	1,259
Deferred charges	493,389	14,097
Sub-total	10,285,106	293,860
Total Assets	\$1,131,092,577	\$32,316,930

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

	2001	2001
	NT\$	US\$
Liabilities & Stockholders' Equity		
Current Liabilities		
Notes payable	\$1,674	\$48
Accounts payable-related parties (Note 18)	31,996	914
Collections for others	161,082	4,602
Accrued expenses	2,846,420	81,326
Income taxes payable	487,897	13,940
Commissions payable	750,131	21,432
Dividends payable	321,057	9,173
Life insurance proceeds payable	274	8
Other payable	907,023	25,915
Accounts collected in advance	1,336,885	38,197
Sub-total	6,844,439	195,555
Long-term Liabilities		
Reserve for land revaluation increment tax	3,726	106
Sub-total	3,726	106
Other Liabilities		
Unearned premiums reserve (Note 2)	13,527,642	386,504
Reserve for life insurance (Note 2)	1,017,789,468	29,079,699
Special claim reserve (Note 2)	16,117,648	460,504
Claims reserve (Note 2)	266,322	7,609
Guarantee deposits received	1,282,097	36,631
Temporary receipts and suspense accounts	414,734	11,850
Sub-total	1,049,397,911	29,982,797
Total Liabilities	1,056,246,076	30,178,458
Stockholders' Equity		
Capital stock		
Common stock (Note 13)	58,386,158	1,668,176
Capital surplus	13,192,057	376,916
Retained earnings (Note 14)		
Unappropriated retained earnings	10,595,492	302,729
Equity adjustment (Notes 2, 8)		
Cumulative translation adjustments	6,657	190
Treasury stock (Notes 2, 15)	(7,333,863)	(209,539)
Total Stockholders' Equity	74,846,501	2,138,472
Total Liabilities and Stockholders' Equity	\$1,131,092,577	\$32,316,930

The accompanying notes are an integral part of [these consolidated](#) financial statements.

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARY
PRO FORMA CONSOLIDATED STATEMENT OF INCOME

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

For the Years Ended December 31, 2001

	2001	2001
	NT\$	US\$
Operating Revenues(Note 2)		
Premiums income	\$221,005,179	\$6,314,434
Reinsurance commission earned	181,908	5,197
Claims recovered from reinsurers	278,913	7,969
Recovered premiums reserve	100,085,518	2,859,586
Recovered claims reserve	229,805	6,566
Handling fee earned	9,279	265
Interest Income	46,578,346	1,330,810
Gain on long-term investments	255,273	7,294
Gain on investments-real estate	5,249,807	149,994
Gain on foreign exchange	1,816,429	51,898
Other operating Income	15,670,907	447,740
Sub-total	391,361,364	11,181,753
Operating Costs(Note 2)		
Insurance expenses	(594,783)	(16,994)
Brokerage expenses	(22,775,442)	(650,727)
Commissions expenses	(48,674)	(1,391)
Insurance claims payment	(115,296,796)	(3,294,194)
Provision for premiums reserve	(201,023,285)	(5,743,522)
Provision for special claim reserve	(1,519,423)	(43,412)
Contribution to the stabilization funds	(220,848)	(6,310)
Provision for claims reserve	(266,322)	(7,609)
Handling fee paid	(1,572,218)	(44,921)
Interest expenses	(69,169)	(1,976)
Loss on disposal of investments	(16,512,600)	(471,789)
Provisions expenses	(2,019,870)	(57,711)
Sub-total	(361,919,430)	(10,340,556)
Operating Gross Profit	29,441,934	841,197

	2001	2001
	NT\$	US\$
Operating Expenses (Note 2)		
Marketing expenses	(7,847,697)	(224,220)
Administrative and general expenses	(7,419,029)	(211,972)
Operating Income	14,175,208	405,005
Non-Operating Revenues		
Gain on disposal of property and equipment	5,299	151
Miscellaneous income	343,780	9,822
Sub-total	349,079	9,973
Non-Operating Expenses		
Loss on disposal of property and equipment	(2,661)	(76)
Miscellaneous expenses	(62,349)	(1,780)
Sub-total	(65,010)	(1,856)
Income from Continuing		
Operations before income taxes	14,459,277	413,122
Income Taxes (Notes 2, 16)	(3,859,810)	(110,280)
Net Income	\$10,599,467	\$302,842
Earnings Per Share (Expressed in dollars) (Note 17)	\$1.81	\$0.05

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

**CATHAY FINANCIAL HOLDING
PRO FORMA
STATEMENTS OF CHANGES**

(Expressed in
Years Ended

Summary	Capital Stock		Capital Surplus		Retained
	Common Stock				Unappropriated
	NT\$	US\$	NT\$	US\$	NT\$
Balance on January 1, 2001	\$53,986,340	\$1,542,467	\$27,171,249	\$776,321	\$0
Pro forma consolidated assumptions			(13,983,167)	(\$399,519)	13,983,167
Appropriations and Distributions of Subsidiary for 2000					
Cash dividends					(5,393,258)
Remuneration paid to directors and supervisors					(8,100)
Bonus paid to employees					(154,258)
Stock dividends	5,393,258	154,093			(5,393,258)
Treasury stock to write off	(993,440)	(28,384)			(2,994,662)
Effect change of ownership interest in an investee					(38,058)
Cumulative translation adjustments					(1,573)
Treasury stock acquired					
Net Income after tax for the year ended Dec.31, 2001					10,599,467
Capital surplus from disposal of property and equipment			3,975	114	(3,975)
Balance on Dec. 31, 2001	\$58,386,158	\$1,668,176	\$13,192,057	\$376,916	\$10,595,492

The accompanying notes are an integral

**CO., LTD. AND SUBSIDIARY
CONSOLIDATED
IN STOCKHOLDERS' EQUITY**

thousands of dollars)

December 31, 2001

Earnings

Retained Earnings		Cumulative translation adjustments		Treasury Stock		Total	
US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$
\$0	\$0	\$0	(\$317,483)	(\$9,071)	\$80,840,106	\$2,309,717	
399,519							
(154,093)					(5,393,258)	(154,093)	
(231)					(8,100)	(232)	
(4,407)					(154,258)	(4,407)	
(154,093)					0	0	
(85,562)			3,988,102	113,946	0	0	
(1,087)					(38,058)	(1,087)	
(45)	6,657	190			5,084	145	
			(11,004,482)	(314,414)	(11,004,482)	(314,414)	
302,842					10,599,467	302,842	
(114)					0	0	
\$302,729	\$6,657	\$190	(\$7,333,863)	(\$209,539)	\$74,846,501	\$2,138,472	

part of these consolidated financial statements.

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARY
PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in thousands of dollars)
For the Years Ended December 31, 2001

	2001	2001
	NT\$	US\$
Cash Flows from Operating Activities		
Net Income for the Year	\$10,599,467	\$302,842
Adjustments:		
Loss (gain) on bad debt	2,019,870	57,710
Depreciation	1,587,959	45,370
Provision for reserve for operations	202,809,030	5,794,544
Recovered unearned premiums reserve	(12,082,673)	(345,219)
Recovered reserve for life insurance	(86,586,240)	(2,473,893)
Recovered claims reserve	(229,805)	(6,566)
Applicant terminates the insurance contract income	(1,416,606)	(40,474)
Provision loss (gain) on short-term investments	(15,670,907)	(447,740)
Loss (gain) on disposal of property and equipment	(2,639)	(75)
Loss (gain) on disposal of investments	(2,598)	(74)
Loss (gain) on disposal of real estate	2,184	62
Amortization long-term investments in bonds	33,784	965
Unrealized loss (gain) on long-term investments	4,661	133
Effects of exchange rate changes	(50,038)	(1,430)
Decrease (increase) in short-term investments	(8,944,947)	(255,570)
Decrease (increase) in notes receivable	3,254,913	92,998
Decrease (increase) in notes and accounts receivable-related parties	(23,388)	(668)
Decrease (increase) in prepayments	(163,288)	(4,665)
Decrease (increase) in prepaid pension	1,058,864	30,253
Decrease (increase) in other current assets	(2,628,490)	(75,100)
Decrease (increase) in temporary payments and suspense accounts	65,582	1,874
Decrease (increase) in deferred income tax assets	(412,011)	(11,772)
Increase (decrease) in notes payable	(83)	(2)
Increase (decrease) in accounts payable-related parties	(71,130)	(2,032)
Increase (decrease) in accrued expenses	(4,862,042)	(138,915)
Increase (decrease) in other accounts payable	179,461	5,127
Increase (decrease) in accounts collected in advance	(39,613)	(1,132)
Increase (decrease) in other current liabilities	(21,674)	(619)
Increase (decrease) in temporary receipts and suspense accounts	20,263	579
Increase (decrease) in deferred income tax liabilities	362,926	10,369
Net Cash Provided by (Used in) Operating Activities	<u>88,790,792</u>	<u>2,536,880</u>

	2001	2001
	NT\$	US\$
Cash Flows from Investing Activities		
Decrease (increase) in forward exchange payable	527,080	15,059
Decrease (increase) in policy loans for life insurers	(12,154,585)	(347,274)
Decrease (increase) in secured loans	(19,853,729)	(567,249)
Acquisition of long-term investments in stocks	(83,538,523)	(2,386,815)
Proceeds from disposal of long-term investments in stocks	54,848	1,567
Disposal of investments in real estate	16,902	483
Acquisition of investments in real estate	(8,460,007)	(241,714)
Disposal of property and equipment	26,972	771
Acquisition of property and equipment	(950,566)	(27,159)
Decrease (increase) in deferred charges	(81,378)	(2,325)
Decrease (increase) in non-operating assets	(718,673)	(20,534)
Decrease (increase) in guarantee deposits paid	(142,513)	(4,072)
Decrease (increase) in overdue receivables	(4,758,041)	(135,944)
Net Cash Provided by (Used in) Investing Activities	(130,032,213)	(3,715,206)
Cash Flows from Financing Activities		
Increase (decrease) in guarantee deposits received	(118,755)	(3,393)
Remuneration paid to directors and supervisors	(8,100)	(232)
Bonus to employees	(154,258)	(4,408)
Cash dividends	(5,393,258)	(154,093)
Treasury stock acquired	(11,004,482)	(314,414)
Net Cash Provided by (Used in) Financing Activities	(16,678,853)	(476,540)
Effects of Exchange Rate Changes	50,038	1,430
Increase(decrease) in Cash and Cash Equivalents	(57,870,236)	(1,653,436)
Cash and Cash Equivalents at the Beginning of Year	231,360,874	6,610,311
Cash and Cash Equivalents at the End of Year	\$173,490,638	\$4,956,875
Supplemental Disclosure of Cash Flows Information		
Interest paid during the year	\$4,461	\$127
Less: Capitalization of interest	0	0
Interest paid (excluding capitalized interest)	\$4,461	\$127
Income tax paid	\$7,207,830	\$205,938

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

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARY

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of dollars Unless otherwise stated)

December 31, 2001

1. ORGANIZATION OF BUSINESS SCOPE

CATHAY FINANCIAL HOLDING CO., LTD. (the "Company") was incorporated in Taiwan on December 31, 2001, pursuant to the provision of the Financial Holding Company Law and the Company Law (the "Company Law") of the Republic of China ("R.O.C."). The Company mainly engages financial holding business activities.

The Common stock of the Company is listed on the Taiwan Stock Exchange.

The Company acquired the 100% equity interest in CATHAY LIFE INSURANCE CO., LTD. (the "Subsidiary") on December 31, 2001. CATHAY LIFE INSURANCE CO., LTD. was incorporated on October 23, 1962 pursuant to the provision of the Company Law. The Company primarily engages in the business of life insurance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Principles of Consolidation

The pro forma consolidated financial statements include the accounts of the Company and CATHAY LIFE INSURANCE CO., LTD. (the "Subsidiary") whose total assets or operating revenues were at least equal to or more than 10% of those of the Company.

All significant intercompany transactions and balances have been eliminated from the consolidation.

(2) Cash and Cash Equivalents

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

(3) Short-term Investments

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

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

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

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

(4) Allowance for Bad and Doubtful Debts

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

(5) Long - Term Investments

A. Long-term Investments in Stocks

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

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

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

An invested company ("investee") is considered to be the Company's subsidiary if the Company owns more than 50% of the investee's voting stock. Consolidated financial statements should include all subsidiaries except for subsidiaries that have different business nature from that of the Company or when compared to the Company's, each account item in the total assets and operating income of these subsidiaries is less than 10% of it. If total assets or operating income of those unconsolidated subsidiaries are more than 30% of the corresponding amount of the Company's, these subsidiaries should be included in the Company's consolidated financial statements until the percentage mentioned above is reduced to 20% or less.

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

B. Long-Term Investments in Bonds

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

C. 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 economic useful lives of such assets. Gains or losses from other types of inter-company transactions are recognized when realized.

(6) Investments in Real Estate

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

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

(7) Property and Equipment

Property and equipment are carried at cost. Improvements and major renovation of properties are capitalized, while repairs and maintenances 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 are recognized on a straight-line method, based on the useful lives prescribed by the Executive Yuan. When the economic useful lives have expired, properties and equipment still in use, are depreciated based on the residual value.

(8) Deferred Charges

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

From 1993 to Dec.31 2001, an amount of \$1,441,813,000 NTD has been appropriated to this fund.

(9) Guaranteed Depository Insurance Payment

According to Article 141 of the Insurance Law of the Republic of China, an amount equal to 15% of the Company’s stockholder’s equity should be deposited in the Central Bank of China as the “Guaranteed Depository Insurance”. The amount was deposited in the form of a bond.

(10) Reserve for Operating:

A. Unearned Premium Reserve:

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

B. Special Claim Reserve:

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

C. Claims Reserve:

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

D. Reserve for Life Insurance:

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

(11) Insurance Premiums Income and Expenses

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

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

(12) Pension Plan (and its Reserve)

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

In compliance with R.O.C SFC regulations, the Company followed the R.O.C Statements of Financial Accounting Standards (SFAS) No. 18, "Accounting for Pensions". An actuarial valuation of pension liability is performed as of the balance sheet date, and a minimum pension liability will be disclosed in the financial statements based on the difference between the accumulated benefit obligations and the fair value of plan assets.

(13) Foreign-currency Transactions

A. Translations of Foreign Currency Transactions

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

B. Translation of Foreign Subsidiaries' Statements

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

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

(14) Income Taxes

The Company adopted SFAS Statement 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 deferred income tax liabilities on future taxable temporary differences, and deferred income tax assets on future deductible temporary differences, prior year's loss carry-forwards and investment tax credits. The realization of deferred income tax assets is further assessed and a valuation allowance, if needed, is provided accordingly. Adjustment of prior year's income tax expense is recorded as current period income tax expense in the year of adjustment.

Deferred income tax assets and liabilities are classified as current or noncurrent in 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.

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

(15) 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.

(16) Treasury Stock

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

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

(17) 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 the 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 the forward contracts are credited or charged to current income in the year of settlement.

Premium for an option 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 premium for the purpose of speculation is included in the current earnings.

3. CHANGES IN ACCOUNTING AND ITS EFFECTS: None

4. CASH AND CASH EQUIVALENTS

	December 31	
	2001(NT\$)	2001(US\$)
Cash on hand	\$467,677	\$13,362
Cash in banks	8,396,040	239,887
Time deposits ¹	146,286,296	4,179,608
Cash equivalents	18,340,625	524,018
Total	\$173,490,638	\$4,956,875

5. SHORT-TERM INVESTMENTS

	December 31	
	2001(NT\$)	2001(US\$)
Common stock and Beneficiary certificates	\$104,403,195	\$2,982,949
Oversea investments	52,038,412	1,486,812
Appoint purpose trust fund	47,860,377	1,367,439
Corporate bonds	12,176,568	347,902
Government bonds	3,797,971	108,513
Financial debentures	2,340,000	66,857
Short-term notes	18,436,276	526,751
Sub-Total	241,052,799	6,887,223
Less: Cash equivalents	(18,340,625)	(524,018)
Allowance for valuation loss	(7,006,481)	(200,185)
Total	\$215,705,693	\$6,163,020

6. PREMIUNS PAID FOR OTHERS

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

7. LOANS

(1) Policy Loans for Life Insurers

Loans secured by policies issued by CATHAY LIFE INSURANCE CO., LTD.

(2) Secured Loans

	December 31	
	2001(NT\$)	2001(US\$)
Short-term secured loans	\$89,600	\$2,560
Less: Allowance for bad debts	(896)	(26)
Sub-total	88,704	2,534
Medium-term secured loans	12,152,094	347,203
Less: Allowance for bad debts	(121,521)	(3,472)
Sub-total	12,030,573	343,731
Long-term secured loans	298,722,862	8,534,939
Less: Allowance for bad debts	(2,987,229)	(85,349)
Sub-total	295,735,633	8,449,590
Total	\$307,854,910	\$8,795,855

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

8. LONG-TERM INVESTMENTS

(1) Long-Term Investments in Stocks (Book Value)

<u>Investee</u>	December 31	
	2001(NT\$)	2001(US\$)
A. Under the equity method:		
WK Technology Fund VI Co., Ltd.	\$313,048	\$8,944
Cathay Insurance (Bermuda) Co., Ltd.	48,866	1,396
Cathay Venture Capital Crop.	148,714	4,249
Vista Technology venture Capital Corp	98,038	2,801
Omnitek Venture Capital Corp	150,413	4,298
IBT Venture Capital Corp	589,991	16,857
Wa Tech Venture Capital Co., Ltd.	184,098	5,260
Cathay Securities Investment Trust Co., Ltd.	188,903	5,397
Symphox Information Co., Ltd.	281,531	8,044
Sub-total	2,003,602	57,246
B. Under the cost method:		
WK Technology Fund I Co., Ltd.	100,000	2,857
Taiwan Aerospace Company	260,000	7,429
Koo Group Telecommunications Co., Ltd.	749,998	21,428
Concord III Venture Capital Co., Ltd.	89,280	2,551
Taipei Financial Center Corp.	1,441,591	41,188
Investar Dayspring V.C. Inc.	200,000	5,714
FAT Venture Capital Co., Ltd.	50,000	1,429
Concord IV Venture Capital Co., Ltd.	50,000	1,429
WK Technology Fund V Co., Ltd.	100,000	2,857
WK Technology Fund IV Co., Ltd.	127,200	3,634
Century Venture Capital Co., Ltd.	100,000	2,857
Super Tech Venture Capital Corp.	100,000	2,857
CDIB & Partners Investment Holding Corp.	500,000	14,286
Alex-Tech Machinery Industrial Co., Ltd.	21,000	600
Quanta Display Inc.	813,282	23,236
R.O.C. Venture Capital, Co., Ltd.	151,970	4,342
National Venture Capital Co., Ltd.	100,000	2,857
WK Technology Fund VII Co., Ltd.	200,000	5,714
Capital Venture Fund II Corp	50,000	1,429

Fu Yu Venture Capital Investment Corp.	200,000	5,714
Concord VII Venture Capital Co., Ltd.	100,000	2,857
Allied Material Technology Corp	98,400	2,811
New Century InfoComm Tech Co., Ltd.	1,268,000	36,228
Deltamac (Taiwan) Co., Ltd.	15,200	434
Srsuntour Co., Ltd.	62,000	1,771
Titan 1 Venture Capital Co., Ltd.	150,000	4,286
Prosperity Venture Capital Crop.	200,000	5,714
Posperity Venture Capital Corp.	100,000	2,857
KGEx.com Co., Ltd.	175,000	5,000
United Venture Corp.	50,000	1,429
BioCare Corp.	12,000	343
Megic Corp.	18,000	514
WK Technology Fund VIII Co., Ltd.	200,000	5,714
Hua Chih Venture Capital Corp.	60,000	1,714
Jih Sun Venture Capital Investment Co., Ltd.	80,000	2,286
Formosa Epitaxy Inc.	20,500	586
Win Semiconductors Corp.	47,600	1,360
Sintek Photronic Corp.	75,000	2,143
National Aerospace Fasteners Corp.	38,000	1,086
Kinik Precision Grinding Co., Ltd.	6,000	171
Vita Genomics Inc.	87,500	2,500
TurboComm Tech. Inc	50,000	1,429
Tong Hsing Electronic Ind. Co., Ltd.	27,144	776
China Technology Venture Capital Corp.	50,000	1,429
Daiwa Securities SMBC-Cathay Co., Ltd.	259,200	7,406
Applied Vacuum Coating Technologies Co., Ltd.	6,150	176
TaiGen Biotechnology Co., Ltd.	8,250	236
Darly 3 Venture Co., Ltd.	10,000	286
Sub-total	8,678,265	247,950
Add: Cumulative translation adjustments	6,657	190
Total	\$10,688,524	\$305,386

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

	December 31	
	2001(NT\$)	2001(US\$)
Balance at January 1	\$1,285,763	\$36,737
Add: Investment income (losses) by equity method recognized	(6,924)	(198)
Increment of investments	762,821	21,795
Unrealized valuation loss in long-term investee by investment percentage recognized	(38,058)	(1,087)
Balance of December 31	\$2,003,602	\$57,247

(3) The investment income (losses) recognized by the equity method for the year ended December 31, 2001 are as follows:

Investee	December 31	
	2001(NT\$)	2001(US\$)
WK Technology Fund VI Co., Ltd.	\$8,298	\$237
Cathay Insurance (Bermuda) Co., Ltd.	7,853	224
Symphox Information Co., Ltd.	(18,469)	(528)
Cathay Securities Investment Trust Co., Ltd.	(1,762)	(50)
Cathay Venture Capital Corp.	(1,286)	(37)
Vista Technology Venture Capital Corp.	(1,962)	(56)
Omnitek Venture Capital Corp.	413	12
IBT Venture Capital Corp	(9)	0
Wa Tech Venture Capital Co., Ltd.	0	0
Total	(\$6,924)	(\$198)

- a. It is not practicable for some investee companies under the equity method to provide timely audited financial statements. If the Company owns less than 50% interest of such investees, the recognition of investment income or loss for those investees will be deferred for one year, i. e; the Company will recognize in the following year investment income or loss from such investees by the percentage of ownership in the preceding year.
- b. The Company owns over 50% interest in two investee, i. e; is Cathay Insurance (Bermuda) Co., Ltd. and Symphox Information Co.,Ltd. These investees' financial reports were not consolidated because total assets and operation revenue of these two entities represent less than 10% of the assets and revenue of the Company.
- c. The investment income (losses) were recognized based on the financial statements of Cathay Insurance (Bermuda)Co., Ltd., Securities Investment Trust co.,Ltd. Cathay Venture Capital Corp and Symphox Information Co., Ltd. in the same current year of their audited financial statements.

9. LONG-TERM INVESTMENTS IN BONDS

Long-Term investments in bonds Consist mainly of government bonds and financial bonds up to the date of December 31, 2001, are deposited with The Central Bank of China as capital guarantee deposits.

10. INVESTMENTS IN REAL ESTATE

Item	December 31, 2001							
	Cost		Revaluation Surplus		Accumulated Depreciation		Net Value	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Investment in real estate	\$80,122,298	\$2,289,209	\$5,264	\$150	(\$9,181,685)	(\$262,334)	70,945,877	\$2,027,025
Construction	17,197,050	491,344	0	0	0	0	17,197,050	491,344
Total	\$97,319,348	\$2,780,553	\$5,264	\$150	(\$9,181,685)	(\$262,334)	\$88,142,927	\$2,518,369

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

(2) As of December 31, 2001, investments in real estate were pledged. Please see note 19, "Pledged Assets" for details.

11. PROPERTY AND EQUIPMENT

Item	December 31, 2001							
	Cost		Revaluation Surplus		Accumulated Depreciation		Net Value	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Land	\$5,011,275	\$143,179	\$1,510	\$43	\$0	\$0	\$5,012,785	\$143,222
Buildings and structures	10,086,291	288,180	0	0	(2,634,436)	(75,270)	7,451,855	212,910
Communications and transportation equipment	135,846	3,881	0	0	(47,878)	(1,368)	87,968	2,513
Other equipment	3,356,997	95,914	0	0	(1,691,670)	(48,333)	1,665,327	47,581
Sub-total	18,590,409	531,154	1,510	43	(4,373,984)	(124,971)	14,217,935	406,226
Construction in progress	128,500	3,672	0	0	0	0	128,500	3,672
Prepayment for equipment	600	17	0	0	0	0	600	17
Total	\$18,719,509	\$534,843	\$1,510	\$43	(\$4,373,984)	(\$124,971)	\$14,347,035	\$409,915

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

12. OVERDUE RECEIVABLES

	December 31,	
	2001(NT\$)	2001(US\$)
Overdue receivables	\$8,491,358	\$242,610
Less: Allowance for bad and doubtful debts	(2,462,494)	(70,357)
Total	\$6,028,864	\$172,253

13. CAPITAL STOCK

As of December 31, 2001, the total authorized shares were 5,838,615,765, with 10 dollars par value per share.

14. RETAINED EARNINGS

(1) Legal reserve

Pursuant to the Company Law, 10% of the annual after-tax net income of each company must be allocated as legal reserve until the total amount of the legal reserve equals the issued share capital. This legal reserve can only be used to cover deficits and not for cash dividends. 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 upon resolution of the stockholders.

(2) Unappropriated Retained Earnings

As stipulated in the Company's Articles of Incorporation, the annual net income of the Company must be distributed as tax expense to cover accumulated losses, and an additional 10% of annual net income as legal reserve. In addition to distributing

stock interest and 2% as bonus for employees, the priority of distributing the remaining earnings will be approved by the stockholders based on the resolution of the Board of Directors.

(3) According to revised tax law in 1998, the company is required to pay an extra 10% income tax on all unappropriated retained earnings generated during the year. The regulation above is no longer in effect.

15. TREASURY STOCK

Reason for Transfer	Jan. 1, 2001	Increase	Decrease	Unit:share
				Dec. 31, 2001
Transferred it to employees	5,376,000	151,551,000	0	156,927,000
For the purpose to conserve the credit and stockholders' equity of Cathay Life Insurance Co., Ltd.	0	99,344,000	99,344,000	0
Total	5,376,000	250,895,000	99,344,000	156,927,000

(1) Pursuant to the Securities and Exchange Law of the R.O.C., the outstanding issued shares which a company can reacquire shall not exceed 10% of total shares already issued. The limit for reacquisition of shares cannot exceed the sum of retained earnings plus the premium of issued shares and realized capital surplus. As of Dec. 31, 2001, the Company's ownership of treasury stock reached 156,927,000 shares with the reacquisition cost at \$7,333,863.

(2) According to the law of Securities Transaction, treasury stock cannot be pledged and do not carry voting or dividend right.

16. ESTIMATED INCOME TAX

(1) Income tax expenses include the following:

	2001(NT\$)	2001(US\$)
The Company estimated income tax	\$0	\$0
Add: Subsidiary estimated income tax	3,859,810	110,280
Income tax expense	\$3,859,810	\$110,280

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

	December 31	
	2001(NT\$)	2001(US\$)
A. Total deferred tax liabilities	\$1,599,375	\$45,696
Total deferred tax assets	892,355	25,496
B. Temporary differences:		
Employee benefits	\$116,972	\$3,342
Unrealized exchange gains (Losses)	(4,541,028)	(129,744)
Bad debts exceeding law-allowed limit	2,377,580	67,931
Taxable temporary difference from recognition of pension expense	(797,607)	(22,789)
Other	16,004	457

C. Deferred tax assets-current	\$16,226	\$464
Deferred tax liabilities-current	(1,135,257)	(32,436)
Net offset balance of deferred tax assets (liabilities)-current	(\$1,119,031)	(\$31,972)
D. Deferred tax assets-noncurrent	\$876,129	\$25,032
Deferred tax Liabilities-noncurrent	(464,118)	(13,260)
Net offset balance of deferred tax assets (liabilities) - noncurrent	\$412,011	\$11,772

(3) Information related to tax imputation:

	December 31	
	2001(NT\$)	2001(US\$)
Balance of imputation credit account	\$0	\$0
Imputation credit account ratio (stock dividends)		2001(Estimate) -

(4) Information relating to unappropriated earnings

Year	December 31	
	2001(NT\$)	2001(US\$)
After 1998	\$10,595,492	\$302,728

17. EARNINGS PER SHARE

	December 31	
	2001(NT\$)	2001(US\$)
Net income(a)	\$10,599,467	\$302,842
Year-end outstanding number of shares	5,838,615,765	5,838,615,765
Weighted average outstanding number of shares (b)	5,870,563,751	5,870,563,751
Earnings per share (a) / (b) (dollars)	\$1.81	\$0.05

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

shares	2001
Shares at the beginning of year	5,398,633,969
Stock Dividends, 2001	539,325,796
Stock Dividends, 2000	0
Stock Dividends, 1999	0
Less: The treasury stock in 6/14, 2001 ~ 9/28, 2001	(22,442,622)
The treasury stock in 10/25, 2000 ~ 11/16, 2000	(5,376,000)
The treasury stock in 10/2, 2001 ~ 2/18, 2001	(39,577,392)
Total	5,870,563,751

About increase and decrease capital please refer to note 13.

18. RELATED PARTY TRANSACTIONS

(1) Related parties

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

(2) Transactions with Related Parties

A. Property Transactions (From related parties):The transactions

(1) Transactions between the company and related parties are mainly transactions of real estate, constructions and lease. Terms of transaction are based on market surveys, contracts of both parties.

Name	Item	2001	
		NT\$	US\$
San Ching Engineering Co., Ltd.	The construction build or extend: Kaohsiug International		
	Business Building	\$118,856	\$3,396
	Lin Yuan Finance Building	1,282,609	36,646
	Banchiau Lin Yuan General Hospital	100,686	2,877
	Tainan Shopping Center	3,226,802	92,194
	Cathay General Hospital of Hsinchu	290,231	8,292
	Taitung Building	116,048	3,316
	Other	198,175	5,662
	Total	\$5,333,407	\$152,383

a. The total amount of construction contracts for real estate transaction in 2001 between the Company and San Ching Engineering Co., Ltd. are \$16,867,961. Up to Dec 31, 2001, \$10,589,904 (US\$302,569) has been paid according to schedule of construction contracts.

b. In 2001 the Company purchased Property and investments in real estate without selling them in previous years.

(2) The Company did not sell any real estates to related parties in 2001.

(3) Real-Estate Rental Income (From related parties)

Name	Rental income	
	2001(NT\$)	2001(US\$)
Cathay Real Estate Development Co., Ltd.	\$32,941	\$941
San Ching engineering Co., Ltd.	21,018	601
Tong Tai Insurance Co., Ltd.	44,404	1,269
Cathay United Bank	145,408	4,155
Cathay Securities Investment Trust Co., Ltd.	8,217	235
Cathay General Hospital	156,481	4,471
Symphox Information Co., Ltd.	31,947	913
Lin Yuan Investment Co., Ltd.	118	3
Total	\$440,534	\$12,588

Name	Guarantee deposits received,	
	Dec. 31, 2001	Dec. 31, 2001
	(NT\$)	(US\$)
Cathay Real Estate Development Co., Ltd.	\$12,386	\$354
San Ching Engineering Co., Ltd.	6,828	195
Tong Tai Insurance Co., Ltd.	10,589	303
Cathay United Bank	34,195	977
Cathay General Hospital	1,983	57
Cathay Securities Investment Trust Co., Ltd.	2,060	59
Symphox Information Co., Ltd.	70	2
Lin Ynan Investment Co., Ltd.	16	0
Total	\$68,127	\$1,947

According to the contracts, terms of lease to the third party generally expire in 2 to 5 years. Rentals are collected monthly.

(4) Real-Estate Rental Expense (From related parties)

Name	Rental Expense	
	2001(NT\$)	2001(US\$)
Cathay Real Estate Development Co., Ltd.	\$28,548	\$816

Name	Guarantee Deposits paid	
	Dec. 31, 2001	Dec. 31, 2001
	(US\$)	(NT\$)
Cathay Real Estate Development Co., Ltd.	\$402,362	\$11,496

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

(5) Acquisition of other Equipment

Name	2001(NT\$)	2001(US\$)
Symphox Information Co., Ltd.	\$63,931	\$1,827

B. Acquisition of in investments

Name	Item	2001		
		Shares	Cost(NT\$)	(US\$)
Cathay Real Estate Development Co., Ltd.	Taipei Financial Center Corp.	\$61,723,638	\$729,573	\$20,845
	Daiwa Securities SMBC-Cathay Co., Ltd.	\$20,000,000	259,200	7,406

C. Cash In Bank

Name	Item	2001			
		Maximum Amount (NT\$)	Ending Balance (NT\$)	Rate	Interest Income (NT\$)
Cathay United Bank	Time Deposit	\$12,189,050	\$7,757,750	2.40% ~ 5.25%	\$277,407
	Cash In Bank	17,468,701	6,072,759	1.15% ~ 2.00%	40,690

Name	Item	2001			
		Maximum Amount (US\$)	Ending Balance (US\$)	Rate	Interest Income (US\$)
Cathay United Bank	Time Deposit	\$348,259	\$221,650	2.40% ~ 5.25%	\$7,926
	Cash In Bank	499,106	173,507	1.15% ~ 2.00%	1,163

D. Regular Secured Loans

Name	2001			
	Maximum Amount (NT\$)	Ending Balance (NT\$)	Rate	Interest Income (NT\$)
Cathay General Hospital	\$1,175,179	\$1,174,594	7.575% ~ 5.21%	\$84,370

Name	2001			
	Maximum Amount (US\$)	Ending Balance (US\$)	Rate	Interest Income (US\$)
Cathay General Hospital	\$33,577	\$33,560	7.575% ~ 5.21%	\$2,411

E. Note Receivable

Name	December 31	
	2001(NT\$)	2001(US\$)
Cathay General Hospital	\$23,607	\$674

F. Accounts Payable-related Parties

Name	December 31	
	2001(NT\$)	2001(US\$)
San Ching Engineering Co., Ltd.	\$4,983	\$142
Cathay Real Estate Development Co., Ltd.	320	9
Tong Tai insurance Co., Ltd.	24,253	693
San-Ching Building Management & Maintenance Co., Ltd.	1,018	29
Symphox Information Co., Ltd.	1,422	41
Total	\$31,996	\$914

G. Accounts Collected in Advance

Name	December 31	
	2001(NT\$)	2001(US\$)
Tong Tai insurance Co., Ltd.	\$1,905	\$55
Other	712	20
Total	\$2,617	\$75

H. Insurance Expense

Name	2001(NT\$)	2001(US\$)
Tong Tai Insurance Co., Ltd.	\$110,851	\$3,167

Insurance Expense is mainly insurance premium for property and equipment, cash, and public accident. Of the premium paid in 2001, on amounts of \$14,373 was paid for employees' fidelity guarantee insurance.

I. Reinsurance Income

Name	2001(NT\$)	2001(US\$)
Cathay Insurance (Bermuda) Co., Ltd.	\$21,727	\$621

Beginning from April 1, 2000 CATHAY INSURANCE (Bermuda) CO., LTD received life insurance business transferred from RGA and casualty insurance business transferred from Central Reinsurance Co., Ltd. and transferred 90% of received business to the Company.

J. Reinsurance Expense

Name	2001(NT\$)	2001(US\$)
Cathay Insurance (Bermuda) Co., Ltd.	\$12,813	\$366

K. Indemnity Income

Name	2001(NT\$)	2001(US\$)
Tong Tai Insurance Co., Ltd.	\$13,102	\$374

Indemnity Income consists mainly of claims received for insured property and equipment, cash, and public accident. Among the claims received in 2001, an amount of \$10,122 represent claims for employees' fidelity guarantee insurance.

L. Guarantee Deposit Paid

Name	2001(NT\$)	2001(US\$)
Wan Pao Development Co., Ltd.	\$600,000	\$17,143

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

M. Donations

Name	2001(NT\$)	2001(US\$)
The Cathay Life Charity Foundation	\$20,000	\$571

N. Other Expense (Marketing Expense)

Name	2001(NT\$)	2001(US\$)
Symphox Information Co., Ltd.	\$142,633	\$4,075

O. Repairs And Maintenance (Administrative and general expense)

Name	2001(NT\$)	2001(US\$)
San-Ching Building Management & Maintenance Co., Ltd.	\$840,969	\$24,028
Cathay Real Estate Development Co., Ltd.	263	8
Total	\$841,232	\$24,036

19. PLEDGED ASSETS

Item	December 31	
	2001(NT\$)	2001(US\$)
Long-term Investment in Bonds	9,045,139	258,433
Time Deposits	730,850	20,881
Total	\$9,775,989	\$279,314

As of Dec.31,2001, the Subsidiary had pledged its investments in real estate and time deposits in an aggregate amount of \$9,000 as security for the return of deposits made certain commercial lessee of the subsidiary in an equivalent amount. According to the Insurance law of R.O.C. Article 141, the Subsidiary deposited the long-term investment in bonds an amount equal to 15% of its capital in Central Bank of China as capital guarantee deposit.

20. OTHER IMPORTANT MATTERS AND CONTINGENT LIABILITIES

Up to the date of Dec.31 2001, sign by the Subsidiary were still unclosed; these contracts amount approximately to \$12.548 billion dollars. As of this date \$7.517 billion dollars had been paid.

21. SERIOUS DAMAGES: None

22. SUBSEQUENT EVENTS:

The Company scheduled to convene the Directors' meeting on January 30, 2002, and resolved to exchange the shares of Tong Tai Insurance Co., Ltd. and Cathay United Bank to Cathay Financial Holding CO., Ltd. The exchange ratios (i) between the company and Tong Tai and (ii) between the Company and Cathay United Bank were 1:4.5 and 1:6, respectively.

Chiu-Te Liu, the General Manager of the Subsidiary, was promoted from his position to the Vice President on Jan.14, 2002.

In addition, the Subsidiary Tiao-Kuei Huang was promoted from Vice-General Manager to General Manager.

23. OTHER IMPORTANT EVENTS

(1) PENSION RELATED INFORMATION

1. Pension funded status:

	Year Ended December 31	
	2001 (NT\$)	2001 (US\$)
(1) Vested benefit obligation	(4,275,960)	(122,170)
(2) Non-vested benefit obligation	(2,770,200)	(79,149)
(3) Accumulated benefit obligation	(7,046,160)	(201,319)
(4) Additional benefits based on future salaries	(1,723,336)	(49,238)
(5) Projected benefit obligation	(8,769,496)	(250,557)
(6) Vested benefit	(6,885,074)	(196,716)
(7) Fair value of plan assets	8,607,006	245,914
(8) Funded status = (5) + (7)	(162,490)	(4,643)
(9) Unrecognized transitional net benefit obligation (net assets)	(3,408,290)	(97,380)
(10) Unrecognized prior service cost	517,334	14,781
(11) Unrecognized pension (gain) loss	3,851,053	110,030
(12) Additional accrued pension liability	0	0
(13) Accrued pension liability /prepaid pension cost		
= (8)+(9)+(10)+(11)+(12)	\$797,607	22,788

2. Actuarial assumptions

	2001
(1) Discount rate	4.50%
(2) Rate of increase in future salaries	3.00%
(3) Expected return on pension plan assets	4.50%

(2) FINANCIAL INSTRUMENTS RELATED INFORMATION

(a) Derivative Financial Instruments related information

1. Credit and Market Risk

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

2. Cash Flows and Demand

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

3. Forward Contract

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

(2) As of Dec.31 2001, the Company had forward exchange contracts of approximately \$1,096,000 in notional value.

(b) Non Derivative Financial Instruments related information:

The book value of Non Derivative Financial Instruments as of Dec. 31, 2001, is the same as the estimated fair market value.

(3) DISCRETIONARY ACCOUNT MANAGMENT

Item	December 31, 2001			
	Book Value		Fair Value	
	NT\$	US\$	NT\$	US\$
Stocks	\$1,818,459	\$51,956	\$1,915,431	\$54,727
Short-term securities	675,434	19,298	675,434	19,298
Time deposit	100,000	2,857	100,000	2,857
Cash in bank	564,218	16,121	564,218	16,121
Net other assets less liabilities	3,046	87	3,046	87
Total	\$3,161,157	\$90,319	\$3,258,129	\$93,090

(4) MATERIAL CONTRACT: None

24. INFORMATION FOR INVESTMENT IN MAINLAND CHINA: None

25. SEGMENT INFORMATION: None

CATHAY UNITED BANK CO., LTD.

FINANCIAL STATEMENTS

DECEMBER 31, 2001

CATHAY UNITED BANK CO., LTD.
Balance Sheets

December 31, 2001 and 2000
(expressed in thousands of New Taiwan dollars)

Assets	2001		2000	
	Amount	%	Amount	%
Cash and due from banks	\$14,019,120	9	5,858,451	5
Due from Central Bank	9,386,515	6	5,545,124	4
Bills and securities purchased, net	2,888,419	2	2,003,467	2
Receivables, net	12,527,276	8	5,300,070	4
Prepaid expenses	40,639	-	19,342	-
Loans, net	106,276,766	68	95,517,143	79
Long-term investments, net	3,376,762	2	2,463,401	2
Premises and equipment, net	1,230,738	1	1,046,967	1
Other assets	5,605,759	4	3,230,710	3
Total assets	\$155,351,994	100	120,984,675	100
Liabilities and Stockholders' Equity				
Due to banks	\$782,953	-	750,589	-
Payables	3,451,505	2	4,431,101	4
Deposits and remittances payable	139,073,795	90	104,890,065	87
Provision for losses on guarantees and trading securities	49,894	-	19,175	-
Other liabilities	145,409	-	134,253	-
Total liabilities	143,503,556	92	110,225,183	91
Stockholders' equity				
Common stock	12,346,083	8	12,519,983	10
Capital surplus	88,315	-	41	-
Legal reserve	-	-	1,854,175	2
Accumulated earnings (deficits)	(585,960)	-	(3,529,081)	(3)
Treasury stock	-	-	(85,626)	-
Total stockholders' equity	11,848,438	8	10,759,492	9
Commitments and contingencies				
Total liabilities and stockholders' equity	\$155,351,994	100	120,984,675	100

CATHAY UNITED BANK CO., LTD.
Income Statements

For the years ended December 31, 2001 and 2000
(expressed in thousands of New Taiwan dollars)

	2001		2000	
	Amount	%	Amount	%
Operating revenues:				
Interest income	\$ 8,388,206	80	7,593,316	94
Commission and service fees	689,555	6	316,332	4
Gain on trading of bills and securities, net	605,201	6	-	-
Investment gains	609,935	6	179,581	2
Others	223,641	2	27,467	-
	<u>10,516,538</u>	<u>100</u>	<u>8,116,696</u>	<u>100</u>
Operating costs:				
Interest expenses	5,309,611	51	5,300,175	65
Loss on trading of bills and securities, net	-	-	395,323	5
Provision for credit losses	1,389,200	13	4,679,270	58
Others	213,486	2	116,934	1
	<u>6,912,297</u>	<u>66</u>	<u>10,491,702</u>	<u>129</u>
Gross profit (loss)	<u>3,604,241</u>	<u>34</u>	<u>(2,375,006)</u>	<u>(29)</u>
Operating expenses				
Advertising and promotion expenses	499,849	5	176,930	2
Business expenses	1,550,008	15	1,118,912	14
Administrative expenses	378,989	3	397,942	5
Total expenses	<u>2,428,846</u>	<u>23</u>	<u>1,693,784</u>	<u>21</u>
Operating income (loss)	<u>1,175,395</u>	<u>11</u>	<u>(4,068,790)</u>	<u>(50)</u>
Non-operating income	<u>25,481</u>	<u>-</u>	<u>16,157</u>	<u>-</u>
Non-operating expenses	<u>21,494</u>	<u>-</u>	<u>1,674</u>	<u>-</u>
Earnings (deficits) before income tax	1,179,382	11	(4,054,307)	(50)
Income tax expense (benefit)	90,436	1	(448,895)	(6)
Net income (loss)	<u>\$ 1,088,946</u>	<u>10</u>	<u>(3,605,412)</u>	<u>(44)</u>
Earnings (loss) per share (expressed in New Taiwan dollars)	<u>\$ 0.88</u>		<u>(2.88)</u>	



The background of the page features a soft, reddish-pink overlay. In the lower-left corner, there is a faint, semi-transparent image of a stack of coins. To the right of the coins, a portion of a financial table is visible, showing columns of numbers and some text, though it is not clearly legible.

TONG TAI INSURANCE CO., LTD.

FINANCIAL STATEMENTS

DECEMBER 31, 2001

TONG TAI INSURANCE CO., LTD.
BALANCE SHEETS

(Expressed in thousands of dollars)
December 31, 2000 and 2001

	2001	2000
	NT\$	NT\$
Assets		
Current Assets		
Cash and cash equivalents	\$3,439,314	\$3,265,146
Short-term investments	2,185,214	2,153,801
Notes receivable	175,719	277,711
Interest receivable	37,962	45,086
Premiums receivable	445,653	363,702
Claims recoverable from reinsurers	1,007,900	729,649
Due from reinsurers and ceding companies	180,389	81,984
Other accounts receivable	50,708	14,850
Prepayments	35,724	24,158
Sub-total	7,558,583	6,956,087
Exchange Bills Negotiated, Discounted and Loans		
Short-term secured loans	19,719	25,210
Medium-term secured loans	595,921	288,138
Long-term secured loans	485,804	522,443
Sub-total	1,101,444	835,791
Funds, Long-term Investments, and Receivable		
Long-term Investments in stocks	558,633	535,150
Long-term Investments in bonds	370,115	387,853
Sub-total	928,748	923,003
Property and Equipment		
Communication and transportation equipment	16,790	12,900
Other equipment	102,050	91,549
Sub-total	118,840	104,449
Less: Accumulated depreciation	(72,634)	(58,131)
Sub-total	46,206	46,318
Intangible Assets		
Computer software cost	7,536	8,409
Sub-total	7,536	8,409
Other Assets		
Guarantee deposits paid	11,422	10,487
Overdue receivables	31,767	69,357
Temporary payments and suspense accounts	12,182	14,749
Funds held by ceding companies	119	120
Deferred charges	1,864	249
Sub-total	57,354	94,962
Total Assets	\$9,699,871	\$8,864,570

	2001	2000
	NT\$	NT\$
Liabilities & Stockholders' Equity		
Current Liabilities		
Collections for others	\$10,298	\$13,768
Accrued expenses	168,621	161,112
Income taxes payable	14,090	43,001
Commissions payable	13,031	14,362
Dividends payable	1,655	3,269
Claims outstanding	833,090	549,260
Due to reinsurers and ceding companies	74,384	75,175
Other payable	266,882	321,875
Sub-total	1,382,051	1,181,822
Long-term Liabilities		
Accrued pension liabilities	1,733	0
Sub-total	1,733	0
Other Liabilities		
Unearned premiums reserve	3,186,537	3,585,327
Special claim reserve	1,811,260	1,168,069
Claims reserve	499,492	392,284
Temporary receipts and suspense accounts	32,973	17,385
Funds held for reinsurers	1,756	2,064
Sub-total	5,532,018	5,165,129
Total Liabilities	6,915,802	6,346,951
Stockholders' Equity		
Capital stock		
Common stock	2,317,006	2,317,006
Capital surplus		
Gains on disposal of property and equipment	724	724
Retained earnings		
Legal reserve	102,100	100,236
Unappropriated retained earnings	361,977	99,653
Equity adjustment		
Cumulative translation adjustments	2,262	0
Total Stockholders' Equity	2,784,069	2,517,619
Total Liabilities and Stockholders' Equity	\$9,699,871	\$8,864,570

TONG TAI INSURANCE CO., LTD.
STATEMENTS OF INCOME

(Expressed in thousands of dollars, Except Earning Per Share)
Years Ended December 31, 2000 and 2001

	2001	2000
	NT\$	NT\$
Operating Revenues(Note 2)		
Premiums income	\$4,988,633	\$5,014,087
Reinsurance commission earned	284,583	262,347
Claims recovered from reinsurers	1,331,989	891,684
Recovered unearned premiums reserve	3,585,327	3,155,128
Recovered special claim reserve	99,977	161,493
Recovered claims reserve	32,652	27,449
Handling fee earned	169	2,489
Interest income	316,311	327,927
Gain on trading bills and securities	110,626	0
Sub-total	10,750,267	9,842,604
Operating Costs(Note 2)		
Reinsurance premiums ceded	(1,726,777)	(1,409,884)
Commissions expenses	(201,294)	(134,863)
Insurance claims payment	(3,264,447)	(2,754,980)
Provision for unearned premium reserve	(3,186,537)	(3,585,327)
Provision for special claim reserve	(743,169)	(295,359)
Contribution to the stabilization funds	(9,789)	(9,830)
Provision for claims reserve	(38,306)	(32,652)
Handling fee paid	(113,714)	(145,627)
Interest expenses	(455)	(576)
Loss on trading bills and securities	0	(314,195)
Loss on Long-term investments in stocks	(1,286)	0
Agent expenses	(1,365)	(766)
Sub-total	(9,287,139)	(8,684,059)
Operating Gross Profit	1,463,128	1,158,545

	2001	2000
	NT\$	NT\$
Operating Expenses		
Marketing expenses	(789,849)	(814,328)
Administrative and general expenses	(228,367)	(213,186)
Operating Income	444,912	131,031
Non-operating Revenues		
Gain on foreign exchange	1,516	839
Gain on disposal of property and equipment	0	233
Miscellaneous income	1,022	527
Sub-total	2,538	1,599
Non-operating Expenses		
Loss on foreign exchange	(1,045)	(446)
Loss on disposal of property and equipment	(53)	(25)
Sub-total	(1,098)	(471)
Income from Continuing		
Operations before Income Taxes	446,352	132,159
Income Taxes	(87,829)	(113,341)
Net Income	\$358,523	\$18,818
Earnings Per Share (expressed in dollars)	\$1.55	\$0.08

5 Overseas Branches

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