

Central Reinsurance Corporation

Financial Statements as of December 31, 2000 and June 30, 1999

Together with Independent Auditors' Report

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

January 20, 2001

The Board of Directors and Stockholders
Central Reinsurance Corporation

We have audited the accompanying balance sheets of the Central Reinsurance Corporation as of December 31, 2000 and June 30, 1999, and the related statements of income, changes in stockholders' equity and cash flows for the eighteen months ended December 31, 2000 and the twelve months ended June 30, 1999. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted 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 audits provide 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 the Corporation as of December 31, 2000 and June 30, 1999, and the results of its operations and its cash flows for the eighteen months ended December 31, 2000 and the twelve months ended June 30, 1999 in accordance with practices generally accepted in the insurance industry, regulations governing the preparation of financial statements of public companies, other government regulations, and accounting principles generally accepted in the Republic of China.

As stated in Note 2 to financial statements, an amendment to the Budget Law change the financial reporting year of the Corporation from a fiscal year ending June 30 to a calendar year. In view of the foregoing amendment, the Securities and Futures Commission, Ministry of Finance, has issued a regulation requiring that the financial statements of the Corporation prepared after such amendment shall cover a period from July 1, 1999 to December 31, 2000.

For reference purpose, the Corporation has prepared the pro forma balance sheets as of December 31, 2000 and 1999, and the related pro forma statements of income, changes in stockholders' equity and cash flows for the years then ended, based on the relevant audited semi-annual and annual financial statements.

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.

English Translation of Financial Statements Originally Issued in Chinese

CENTRAL REINSURANCE CORPORATION

BALANCE SHEETS

(In Thousand New Taiwan Dollars, Except Par Value)

ASSETS	December 31, 2000				LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 2000			
	(Note 2)		June 30, 1999			(Note 2)		June 30, 1999	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 3)	\$ 7,212,278	53	\$ 6,813,127	57	Accrued expenses	\$ 88,460	-	\$ 66,239	-
Short-term investments - net (Notes 2, 4 and 13)	3,906,527	29	2,669,979	23	Accounts with reinsurers	510,332	4	904,233	8
Accounts receivable - net (Notes 2 and 5)	985,589	7	1,197,261	10	Other current liabilities (Notes 2 and 11)	117,075	1	93,326	1
Pledged time deposits (Note 13)	270,625	2	-	-	Total Current Liabilities	<u>715,867</u>	<u>5</u>	<u>1,063,798</u>	<u>9</u>
Prepaid expenses and other current assets (Note 11)	63,267	-	21,743	-					
Total Current Assets	<u>12,438,286</u>	<u>91</u>	<u>10,702,110</u>	<u>90</u>	LONG-TERM LIABILITIES				
					Reserve for land revaluation increment tax (Notes 2 and 8)	150,869	1	150,869	1
LONG-TERM INVESTMENTS					Accrued pension cost (Notes 2 and 10)	277,616	2	92,070	1
Real estate - net (Notes 2 and 6)	368,959	2	371,009	3	Total Long-Term Liabilities	<u>428,485</u>	<u>3</u>	<u>242,939</u>	<u>2</u>
Shares of stock - net (Notes 2 and 7)	105,523	1	83,929	1					
Total Long-Term Investments	<u>474,482</u>	<u>3</u>	<u>454,938</u>	<u>4</u>	OTHER LIABILITIES				
					Operating reserves (Note 2)				
PROPERTY AND EQUIPMENT (Notes 2 and 8)					Reserve for premiums	4,460,745	32	3,199,686	27
Cost					Contingency fund	1,216,786	9	1,103,354	9
Land	127,986	1	127,986	1	Claims reserve	3,142,552	23	2,732,776	23
Buildings	43,873	-	43,873	1	Other operating loss reserve	11,959	-	-	-
Machinery and equipment	19,452	-	15,619	-	Total operating reserves	<u>8,832,042</u>	<u>64</u>	<u>7,035,816</u>	<u>59</u>
Transportation equipment	5,880	-	6,531	-	Miscellaneous	65,839	1	66,656	1
Other equipment	15,377	-	15,231	-	Total Other Liabilities	<u>8,897,881</u>	<u>65</u>	<u>7,102,472</u>	<u>60</u>
Total cost	212,568	1	209,240	2					
Revaluation increment	280,477	2	280,477	2	Total Liabilities	<u>10,042,233</u>	<u>73</u>	<u>8,409,209</u>	<u>71</u>
	493,045	3	489,717	4					
Accumulated depreciation	(42,763)	-	(35,590)	-	STOCKHOLDERS' EQUITY (Note 12)				
Net Property and Equipment	<u>450,282</u>	<u>3</u>	<u>454,127</u>	<u>4</u>	Capital stock - \$10 par value				
					Authorized and issued - 300,000,000 shares	3,000,000	22	3,000,000	25
OTHER ASSETS					Capital surplus (Notes 2 and 8)	147,148	1	147,148	1
Reserve funds held by ceding companies	216,047	2	252,390	2	Retained earnings:				
Miscellaneous (Notes 2, 9, 10 and 11)	128,612	1	59,402	-	Appropriated as legal reserve	142,296	1	118,268	1
Total Other Assets	<u>344,659</u>	<u>3</u>	<u>311,792</u>	<u>2</u>	Unappropriated earnings	429,456	3	248,360	2
					Unrealized losses on long-term investments in shares				
					of stock (Notes 2 and 7)	(52,839)	-	-	-
					Cumulative translation adjustments (Note 2)	(585)	-	(18)	-
					Total Stockholders' Equity	<u>3,665,476</u>	<u>27</u>	<u>3,513,758</u>	<u>29</u>
TOTAL ASSETS	<u>\$ 13,707,709</u>	<u>100</u>	<u>\$ 11,922,967</u>	<u>100</u>	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 13,707,709</u>	<u>100</u>	<u>\$ 11,922,967</u>	<u>100</u>

Chairman: _____
Ching-Hsien Lin

President: _____
Cheng-Tui Yang

The accompanying notes are an integral part of the financial statements.
(With T N Soong & Co report dated January 20, 2001)

English Translation of Financial Statements Originally Issued in Chinese

CENTRAL REINSURANCE CORPORATION

STATEMENTS OF INCOME

(In Thousand New Taiwan Dollars, Except Per Share Amounts)

	Eighteen-Month Periods Ended December 31, 2000 (Note 2)		Twelve-Month Periods Ended June 30, 1999	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
	OPERATING REVENUES			
Reinsurance premiums written (Note 2)	\$ 18,702,829	148	\$ 11,256,340	154
Reinsurance premiums ceded (Note 2)	<u>7,041,224</u>	<u>56</u>	<u>4,661,106</u>	<u>64</u>
Net reinsurance premiums	11,661,605	92	6,595,234	90
Interest income	770,399	6	348,694	5
Overriding commissions	147,465	1	98,131	2
Gain on real estate investments - net (Note 2)	29,736	-	18,005	-
Investment income earned - net (Note 2)	-	-	238,642	3
Other revenues	<u>37,859</u>	<u>1</u>	<u>11,506</u>	<u>-</u>
Total Operating Revenues	<u>12,647,064</u>	<u>100</u>	<u>7,310,212</u>	<u>100</u>
OPERATING COSTS				
Reinsurance commissions	4,849,717	38	3,357,366	46
Reinsurance commission ceded	<u>1,971,112</u>	<u>15</u>	<u>1,455,229</u>	<u>20</u>
Net reinsurance commissions	<u>2,878,605</u>	<u>23</u>	<u>1,902,137</u>	<u>26</u>
Claims paid	10,765,626	85	5,945,279	81
Claims recovered	<u>4,163,766</u>	<u>33</u>	<u>2,408,369</u>	<u>33</u>
Net claims paid	<u>6,601,860</u>	<u>52</u>	<u>3,536,910</u>	<u>48</u>
Increase in operating reserves (Note 2)				
Reserve for premiums - net	1,260,938	10	529,859	7
Claims reserve - net	411,331	3	397,389	6
Contingency fund - net	<u>114,785</u>	<u>1</u>	<u>224,114</u>	<u>3</u>
	<u>1,787,054</u>	<u>14</u>	<u>1,151,362</u>	<u>16</u>
Capital loss - net	<u>98,586</u>	<u>1</u>	-	-
Other expenses	<u>45,895</u>	<u>-</u>	<u>29,195</u>	<u>1</u>
Total Operating Costs	<u>11,412,000</u>	<u>90</u>	<u>6,619,604</u>	<u>91</u>
GROSS PROFIT	1,235,064	10	690,608	9
OPERATING EXPENSES	<u>503,049</u>	<u>4</u>	<u>330,984</u>	<u>4</u>
OPERATING INCOME	732,015	6	359,624	5
NONOPERATING INCOME	682	-	7,554	-
NONOPERATING EXPENSES (Note 10)	(<u>209,952</u>)	(<u>2</u>)	(<u>57,916</u>)	(<u>1</u>)

(Forward)

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INCOME BEFORE INCOME TAX	\$ 522,745	4	\$ 309,262	4
INCOME TAX (Notes 2 and 11)	<u>107,621</u>	<u>1</u>	<u>68,978</u>	<u>1</u>
NET INCOME	<u>\$ 415,124</u>	<u>3</u>	<u>\$ 240,284</u>	<u>3</u>
NET INCOME PER SHARE – Based on weighted average number of outstanding shares of 300,000,000 in 2000 and 216,666,667 in 1999				
	<u>\$1.38</u>		<u>\$1.11</u>	

Chairman: _____ President: _____
Ching-Hsien Lin Cheng-Tui Yang

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CENTRAL REINSURANCE CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In Thousand New Taiwan Dollars, Except Per Share Amounts)

	CAPITAL STOCK		CAPITAL SURPLUS (Notes 2 and 8)			RETAINED EARNINGS (Note 12)			UNREALIZED VALUATION LOSSES ON LONG-TERM INVESTMENTS IN SHARES OF STOCK (Notes 2 and 7)	CUMULATIVE TRANSLATION ADJUSTMENTS (Note 2)	TOTAL STOCKHOLDERS' EQUITY (Note 12)
	Authorized Shares	Amount	Gain on Disposal of Property and Equipment	Revaluation Increment on Property and Equipment	Total	Legal Reserve	Unappropriated	Total			
BALANCE, JULY 1, 1998	200,000,000	\$ 2,000,000	\$ 17,540	\$ 129,608	\$ 147,148	\$ 99,211	\$ 207,133	\$ 306,344	\$ -	(\$ 551)	\$ 2,452,941
Appropriations of earnings											
Legal reserve	-	-	-	-	-	19,057	(19,057)	-	-	-	-
Cash dividends - \$0.9 per share	-	-	-	-	-	-	(180,000)	(180,000)	-	-	(180,000)
Balance after appropriations	200,000,000	2,000,000	17,540	129,608	147,148	118,268	8,076	126,344	-	(551)	2,272,941
Issuance of capital stock for cash - \$10 per share, effected on April 26, 1999	100,000,000	1,000,000	-	-	-	-	-	-	-	-	1,000,000
Net income for fiscal year 1999 (Twelve-month)	-	-	-	-	-	-	240,284	240,284	-	-	240,284
Changes in translation adjustments	-	-	-	-	-	-	-	-	-	533	533
BALANCE, JUNE 30, 1999	300,000,000	3,000,000	17,540	129,608	147,148	118,268	248,360	366,628	-	(18)	3,513,758
Appropriations of earnings											
Legal reserve	-	-	-	-	-	24,028	(24,028)	-	-	-	-
Cash dividends - \$0.7 per share	-	-	-	-	-	-	(210,000)	(210,000)	-	-	(210,000)
Balance after appropriations	300,000,000	3,000,000	17,540	129,608	147,148	142,296	14,332	156,628	-	(18)	3,303,758
Net income for the period July 1, 1999 to December 31, 2000 (Eighteen-Month, Note 2)	-	-	-	-	-	-	415,124	415,124	-	-	415,124
Unrealized valuation losses on long-term investments in shares of stock	-	-	-	-	-	-	-	-	(52,839)	-	(52,839)
Changes in translation adjustments	-	-	-	-	-	-	-	-	-	(567)	(567)
BALANCE, DECEMBER 31, 2000	<u>300,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 17,540</u>	<u>\$ 129,608</u>	<u>\$ 147,148</u>	<u>\$ 142,296</u>	<u>\$ 429,456</u>	<u>\$ 571,752</u>	<u>(\$ 52,839)</u>	<u>(\$ 585)</u>	<u>\$ 3,665,476</u>

Chairman: _____
Ching-Hsien Lin

President: _____
Cheng-Tui Yang

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

(With T N Soong & Co report dated January 20, 2001)

CENTRAL REINSURANCE CORPORATION

STATEMENTS OF CASH FLOWS
(In Thousand New Taiwan Dollars)

	Eighteen- Month Periods Ended December 31, <u>2000 (Note 2)</u>	Twelve- Month Periods Ended June 30, <u>1999</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 415,124	\$ 240,284
Adjustments to reconcile net income to net cash provided by operating activities:		
Increase in operating reserves	1,796,226	1,150,721
Provision (reversal of allowance) for loss on short-term investments	155,488	(101,685)
Deferred income taxes	(80,852)	3,411
Depreciation and amortization	10,769	5,907
Provision for doubtful accounts	5,928	1,315
Depreciation of investments in real estate	2,050	1,367
Loss on disposal of property and equipment	160	565
Changes in operating assets and liabilities:		
Short-term investments	(1,392,036)	83,821
Accounts receivable	174,619	(281,205)
Prepaid expenses and other current assets	(7,431)	6,548
Overdue receivable	(19,021)	(645)
Accrued expenses	(22,646)	(3,957)
Other current liabilities	(325,285)	399,865
Accrued pension cost	<u>185,546</u>	<u>64,290</u>
Net Cash Provided by Operating Activities	<u>898,639</u>	<u>1,570,602</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in pledged time deposits	(270,625)	-
Decrease (increase) in long-term investments in shares of stock	(74,433)	12
Decrease in other assets	63,276	45,847
Acquisitions of property and equipment	(6,332)	(4,749)
Proceeds from disposal of property and equipment	<u>10</u>	<u>40</u>
Net Cash Provided by (Used in) Investing Activities	<u>(288,104)</u>	<u>41,150</u>

(Forward)

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CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(\$ 210,000)	(\$ 180,000)
Decrease in guarantee deposits receipt and deposits from reserve funds held for reinsurers	(817)	(63,093)
Proceeds from the issuance of capital stock	-	<u>1,000,000</u>
Net Cash Provided by (Used in) Financing Activities	<u>(210,817)</u>	<u>756,907</u>
TRANSLATION ADJUSTMENTS	<u>(567)</u>	<u>532</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	399,151	2,369,191
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>6,813,127</u>	<u>4,443,936</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 7,212,278</u>	<u>\$ 6,813,127</u>
SUPPLEMENTARY INFORMATION		
Interest paid (interest of reinsurance reserve funds released)	<u>\$ 2,732</u>	<u>\$ 3,569</u>
Income tax paid	<u>\$ 52,578</u>	<u>\$ 43,485</u>

Chairman: _____ President: _____
Ching-Hsien Lin Cheng-Tui Yang

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

(With T N Soong & Co report dated January 20, 2001)

CENTRAL REINSURANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2000 and June 30, 1999

(Amounts are Expressed in Thousands New Taiwan Dollars, Unless Otherwise Stated)

1. GENERAL

The Corporation was incorporated on October 31, 1968, and it provides a broad range of property, and life inward and outward reinsurance services. Since July 6, 2000, the Corporation's shares of stock have been traded in the Taiwan Stock Exchange. The Corporation has a Branch in Singapore.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of financial statements

The Corporation is a state-owned enterprise. Its accounting practices are primarily based on the Uniform Regulations of Accounting Systems for the Financial Institutions Governed (Uniform Regulations) issued by the Directorate General of Budget Accounting and Statistics Executive Yuan. Accounting practices not specifically covered by the Uniform Regulations are accounted for in accordance with accounting practices accepted in the insurance industry, the regulations governing the preparation of financial statements of public companies, and accounting principles generally accepted in the Republic of China (ROC). The Corporation's annual financial statements are audited by the National Audit Office, R.O.C., determine the extent of the Corporation's compliance with the budget approved by the Legislative Yuan. The financial statements are finalized based on the results of such audits.

Change in financial reporting year

The fiscal year of the Corporation is prescribed by the Budget Law. Effective October 29, 1998, an amendment to the Budget Law changed the Corporation's financial reporting year from a fiscal year that ends on June 30 to a calendar year. The preparation of the balance sheet as of December 31, 2000 and the related income statement, cash flows and changes in stockholders' equity covering the eighteen months then ended was in accordance with Regulation No. 2928 issued by Securities and Futures Commission (SFC). Such regulation was issued pursuant to the amendment in the Budget Law.

Cash equivalents

Commercial paper, bank acceptances, treasury bills, and negotiable certificates of deposit acquired under resale agreements with original maturities of less than three months are classified as cash equivalents.

Short-term investments

Short-term investments are stated at the lower of cost or market method. When the aggregate market value is lower than the total carrying value, an allowance for market value decline is provided. Cost of bonds sold is determined by the specific identification method while cost of all other types of short-term investments is determined by the moving-average method.

Allowance for doubtful accounts

Allowance for doubtful accounts is provided at 1% of the ending balances of the accrued claims recoverable from reinsurers, accounts with reinsurers, other accounts receivable which includes accrued reinsurance commissions and overriding commissions, and 100% on overdue receivable.

Investments in real estate

Investments in real estate are stated at cost less accumulated depreciation.

Depreciation on buildings is provided on the straight-line method over estimated service lives ranging from 10 to 60 years.

Upon disposal of real estate, cost and related accumulated depreciation are removed from the accounts and resulting gain or loss is credited or charged to income.

Long-term investments in shares of stock

Long-term investments in shares of stock are carried at cost. The investment in listed stock is stated at the lower of cost or market value. An allowance for decline in value is provided when the carrying value of the investment exceeds the market value. Such provision for decline in value is shown as part of stockholders' equity, if the decline in value is considered temporary, otherwise, it is charged to current income. The allowance for decline in value and the account shown in the stockholder's equity shall be adjusted for any recovery of the market value to the extent of the original carrying value in cases of decline in value initially considered temporary. The valuation allowance related to decline in value of an unlisted stock that is considered permanent is charged to current income.

Costs of shares of stock sold are determined by the moving-average method.

Property and equipment

Property and equipment are stated at cost (or cost plus revaluation increment) less accumulated depreciation. Reserve for land revaluation increment tax is recognized under long-term liabilities. Major renewals and betterment are capitalized, while maintenance and repairs are charged to current year income.

Depreciation is provided on the straight-line method over these estimated service lives - buildings, 10 to 60 years; machinery and equipment 4 to 6 years; transportation equipment, 5 to 15 years; and other equipment, 3 to 10 years.

When property and equipment are retired or disposed of, their cost, cost plus revaluation increment and related accumulated depreciation are removed from the accounts, and resulting gain or loss is credited or charged to current income. Any such gain, less applicable income tax, is subsequently transferred to capital surplus in the same year.

Reinsurance revenues and costs

Reinsurance revenues and the related estimated costs are recognized when the reinsurers' billing are received.

Operating reserves

The premium reserve related to insurance contracts covering a period of more than one year (such as fire insurance, compulsory automobile third-party liability insurance, engineering insurance and consumer's credit insurance) is calculated based on criteria stipulated by the Ministry of Finance (MOF) (Article 8 of Enforcement Rules of the Insurance Law). The contingency fund, outstanding loss reserve, and incurred but unreported loss reserve (IBNR), and premium reserve related to insurance contracts covering a period of at most one year are determined in accordance with "The Standard of Calculation of Various Reinsurance Reserves for the Professional Reinsurance Industry" issued by MOF.

Other operating loss reserve equivalent to the decrease in business tax is made in compliance with a regulation promulgated by the MOF in June 2000. Such provisions are reported as part of "Operating expenses" account in the Statements of Income and as part of "Other liabilities" account in the balance sheets. The accumulated balance of operating loss reserve can only be debited for material losses arising from decline in value of bonds and other investment instruments issued by companies under financial difficulties.

Pension costs

Pension cost is recognized on the basis of actuarial calculations of pension obligation.

Income tax

The tax effects of deductible temporary differences are recognized as deferred income tax assets, and those of taxable temporary differences are recognized as deferred income tax liabilities. Also, valuation allowance is provided for deferred income tax assets that are not certain to be realized.

Under Article 51 of the Auditing Law, the taxable income of a state-owned enterprise, such as the Corporation, is based on the income as audited by the National Audit Office, R.O.C.

Income taxes (10%) on undistributed earnings are recorded as expense in the periods when the shareholders resolve that the earnings shall be retained.

Foreign-currency transactions

Transactions arising in foreign currencies during the period are converted into New Taiwan dollars at rates in the end of the preceding quarter. Gains or losses, resulting from the application of different foreign exchange rates when foreign-currency receivables and payables are settled, are credited or charged to income on the settlement date. Foreign currency monetary assets and liabilities are converted into at exchange rates prevailing at the balance sheet date. All exchange differences arising from conversion are included in the current income.

Cumulative translation adjustments

The accounts of the Singapore Branch are translated into New Taiwan dollars using the following exchange rates: Income and expense – prevailing exchange rate at the end of the preceding quarter; assets and liabilities – balance sheet date rate; accumulated loss and registered working capital – historical rate. The difference resulting from the above translation process is reported as cumulative translation adjustments under stockholders' equity.

Reclassifications

Certain accounts in 1999 financial statements were reclassified to conform to 2000 classifications.

3. CASH AND CASH EQUIVALENTS

	As of December 31, 2000	As of June 30, 1999
Time deposits	\$ 4,379,571	\$ 4,497,965
Commercial paper	2,140,936	2,110,067
Negotiable certificates of deposit	638,251	147,596
Checking accounts	38,091	27,197
Bank acceptances	9,574	9,855
Demand deposits	5,563	557
Cash on hand	292	281
Treasury bills	-	19,609
	<u>\$ 7,212,278</u>	<u>\$ 6,813,127</u>

Commercial paper and bank acceptances as of December 31, 2000 were contracted to be resold for NT\$2,165,599 during January to March 2001.

4. SHORT-TERM INVESTMENTS

	As of December 31, 2000	As of June 30, 1999
	<u>2000</u>	<u>1999</u>
Bonds	\$ 1,973,369	\$ 1,797,555
Commercial paper	1,152,430	29,370
Beneficiary certificates	549,814	527,419
Listed stocks	347,182	315,635
Bank acceptances	<u>39,220</u>	<u>-</u>
	4,062,015	2,669,979
Less – allowance for loss	<u>155,488</u>	<u>-</u>
	<u>\$ 3,906,527</u>	<u>\$ 2,669,979</u>

The market values of the investments were as follows:

	As of December 31, 2000	As of June 30, 1999
	<u>2000</u>	<u>1999</u>
Bonds	\$ 2,032,855	\$ 1,871,344
Commercial paper	1,152,430	29,370
Beneficiary certificates	471,720	553,880
Listed stocks	210,302	288,605
Bank acceptances	<u>39,220</u>	<u>-</u>
	<u>\$ 3,906,527</u>	<u>\$ 2,743,199</u>

The above market values are based on the following: (a) bonds – reference prices published by the ROC Over-the-Counter Securities Exchange on the end of periods; (b) listed stocks – average closing prices for the last month of period; (c) open-ended investment funds – net asset values as of the end of periods; and (d) commercial paper and bank acceptances – purchase cost.

Government bonds of NT\$452,500 and NT\$450,000 as of December 31, 2000 and June 30, 1999, respectively, are pledged and mainly deposited as operations guarantee in the Central Bank.

Commercial paper and bank acceptances as of December 31, 2000, are contracted to be resold for NT\$1,210,581 during January to June 2001.

5. ACCOUNTS RECEIVABLE	As of December 31, 2000	As of June 30, 1999
Accounts with reinsurers	\$ 891,012	\$ 1,049,670
Accrued income	64,342	70,356
Accrued claims recoverable from reinsurers	25,493	54,836
Other	<u>21,690</u>	<u>33,482</u>
	1,002,537	1,208,344
Allowance for doubtful accounts	(<u>16,948</u>)	(<u>11,083</u>)
Net	<u>\$ 985,589</u>	<u>\$ 1,197,261</u>

6. INVESTMENTS IN REAL ESTATE	As of December 31, 2000	As of June 30, 1999
Cost		
Land	\$ 311,804	\$ 311,804
Buildings	<u>68,591</u>	<u>68,591</u>
	380,395	380,395
Accumulated depreciation	(<u>11,436</u>)	(<u>9,386</u>)
Net	<u>\$ 368,959</u>	<u>\$ 371,009</u>

7. LONG-TERM INVESTMENTS IN SHARES OF STOCK	As of <u>December 31, 2000</u>		As of <u>June 30, 1999</u>	
	<u>Amount</u>	<u>% of Owner- ship</u>	<u>Amount</u>	<u>% of Owner- ship</u>
<u>Common stocks</u>				
Listed - China Television Co., Ltd.	\$ 83,751	0.53	\$ -	-
Unlisted -				
China Television Co., Ltd.	-	-	83,751	0.53
Asian Hull Syndicate, Ltd.	<u>181</u>	7.14	<u>178</u>	7.14
	83,932		83,929	
<u>Preferred stocks</u>				
Unlisted - Taishin International Bank (II)	<u>74,430</u>	0.31	<u>-</u>	-
	158,362		83,929	
Allowance for loss	<u>52,839</u>		<u>-</u>	
Net	<u>\$ 105,523</u>		<u>\$ 83,929</u>	

The market value of listed stocks is \$30,912 based on average closing price for the month of December 2000.

8. PROPERTY AND EQUIPMENT

	As of December 31, <u>2000</u>	As of June 30, <u>1999</u>
Cost	\$ 212,568	\$ 209,240
Revaluation increment		
Land	272,065	272,065
Buildings	<u>8,412</u>	<u>8,412</u>
	<u>493,045</u>	<u>489,717</u>
Accumulated depreciation		
Buildings	17,704	15,916
Machinery and equipment	9,776	6,592
Transportation equipment	4,393	3,890
Other equipment	<u>10,890</u>	<u>9,192</u>
	<u>42,763</u>	<u>35,590</u>
	<u>\$ 450,282</u>	<u>\$ 454,127</u>

The Corporation's land and buildings were revalued in 1976 and 1996. Such revaluation resulted in the recognition of (a) additional carrying value of property and equipment amounting to NT\$280,477, (b) reserve for land revaluation increment tax NT\$150,869 (which is payable upon disposal of land) and (c) capital surplus NT\$129,608 (Note 12).

9. OTHER ASSETS

	As of December 31, <u>2000</u>	As of June 30, <u>1999</u>
Deferred income taxes (Note 11)	\$ 83,006	\$ 36,246
Overdue receivable - net	31,125	6,157
Deferred pension cost	7,109	10,601
Other	<u>7,372</u>	<u>6,398</u>
	<u>\$ 128,612</u>	<u>\$ 59,402</u>

10. PENSION AND TERMINATION BENEFITS

The Corporation has several pension plans. Prior to the Corporation's privatization, the retirement and separation benefits are based on regulations issued by the MOF as follows:

- a. Civil Service Eligible Employees. The retirement and termination benefits were based on years of service and final monthly salary upon retirements. As funding for the foregoing benefits, for the period up to 1980, the Corporation contributes to a fund (standby fund) at amounts equivalent to 3% of monthly salaries. In addition, from 1980 and up to 1996, the contributions were increased to 4.0% to 8.5% of monthly salaries. During those years, the costs of the retirement and termination benefits were accrued as the contributions were made. Starting 1996, the Corporation contributes to the plan and accrues the related costs in accordance with an actuarial calculation. Starting 1999, the fund is administered by the civil service eligible employees pension fund committee.

- b. Non-civil Service Eligible Employees. Their retirement and termination benefits were based on years of service and salary upon retirement. Prior to 1997, the costs of the retirement and termination benefits were accrued but not funded at an amount equivalent to 4% of salaries and wages. Starting 1997, the Corporation accrued the related costs in accordance with an actuarial calculation. Starting 1999, the Corporation makes monthly contributions, equal to 15% of wages, to a retirement fund which is administered by the non-civil service eligible employees pension fund committee and deposited in the committee's name with the Central Trust of China.

The privatization of the Corporation was scheduled in December 2000. Pursuant to relevant privatization rules, additional NT\$240,690 has to be paid to its employees. A portion of such amount of NT\$50,000 was accrued in fiscal year 1999 and the balance of NT\$190,690 was recognized as nonoperating expense during the period from December 1999 to June 2000. In view, however, of the existing economic and financial condition, the privatization schedule was delayed and will proceed in the more appropriate time.

Pension information is summarized as follows:

	Eighteen- Month Periods Ended December 31, 2000	Twelve- Month Periods Ended June 30, 1999
Service cost	\$ 13,132	\$ 401
Interest cost	3,943	2,871
Projected return on plan assets	(919)	(554)
Amortization of unrecognized net actuarial losses and unrecognized net transition obligation	<u>1,121</u>	<u>200</u>
Net pension cost	<u>\$ 17,277</u>	<u>\$ 2,918</u>

The reconciliation between the retirement fund and pension liabilities follows:

	As of December 31, 2000	As of June 30, 1999
Benefit obligations		
Vested benefit obligation	\$ 38,668	\$ 36,398
Nonvested benefit obligation	<u>13,872</u>	<u>11,678</u>
Accumulated benefit obligation (ABO)	52,540	48,076
Additional benefits based on future salaries	<u>21,288</u>	<u>15,969</u>
Projected benefit obligation	73,828	64,045
Fair value of plan assets	(<u>27,714</u>)	(<u>10,191</u>)
Funded status	46,114	53,854
Unrecognized net transition obligation	266	380

(Forward)

Unrecognized prior service cost	(\$ 17,277)	(\$ 18,513)
Unrecognized net actuarial losses	(7,899)	(4,252)
Additional liability recognized representing the excess of the ABO over the fair value of the plan assets	<u>7,109</u>	<u>10,601</u>
Accrued pension liability	<u>\$ 28,313</u>	<u>\$ 42,070</u>
Vested benefits	<u>\$ 52,690</u>	<u>\$ 47,393</u>
Actuarial assumptions of benefit obligations		
Discount rate	6.5%	7.0%
Rate of salary increase	4.5%	4.5%
Expected rate of return on plan assets	6.5%	7.0%

The changes in the fund are summarized as follows:

	Eighteen- Month Periods Ended December 31, <u>2000</u>	Twelve- Month Periods Ended June 30, <u>1999</u>
Changes in the pension fund		
Retirement fund		
Balance, beginning of period	\$ 104,003	\$ 96,068
Contributions	26,096	8,623
Employees' contribution	1,368	74
Interest income	7,929	6,321
Pensions paid	(<u>16,019</u>)	(<u>7,083</u>)
Balance, end of period	<u>\$ 123,377</u>	<u>\$ 104,003</u>
Balance consists of:		
Contributions from 1980 to 1999	\$ 95,142	\$ 93,812
Pension fund of non-civil service eligible employees contributed since 1999	521	-
Standby fund (Note 10 a.)	4,098	10,191
Pension fund of civil service eligible employees contributed since 1999	<u>23,616</u>	<u>-</u>
	<u>\$ 123,377</u>	<u>\$ 104,003</u>
Changes in accrued pension cost		
Balance, beginning of period	\$ 92,070	\$ 27,780
Provision for pension cost	191,005	64,290
Reversal of deferred pension cost	(3,492)	-
Pension paid directly by the Corporation	(<u>1,967</u>)	<u>-</u>
Balance, end of period	<u>\$ 277,616</u>	<u>\$ 92,070</u>

11. INCOME TAX

The reconciliation of income tax expense computed based on income before income tax at statutory rate and total income tax expense is as follows:

	Eighteen- Month Periods Ended December 31, <u>2000</u>	Twelve- Month Periods Ended June 30, <u>1999</u>
Income tax expense based on income before income tax at statutory rate (25%)	\$ 130,676	\$ 77,305
Add (deduct) tax effects of:		
Accrued pension cost	47,689	13,946
Provision (reversal of provision) for loss on short-term investments	38,872	(25,421)
Tax-exempt income	(12,072)	(4,025)
Difference on income tax on interest income subjected to a lower tax rate	(11,497)	(6,032)
Unrealized exchange loss (gain)	(4,779)	8,130
Employees' welfare expense	3,105	2,483
Allowance for doubtful accounts	(929)	123
Other	(2,109)	(616)
Income tax expense – current	188,956	65,893
Tax credit	(483)	(326)
Income tax expense – deferred	(80,852)	3,411
Income tax expense	<u>\$ 107,621</u>	<u>\$ 68,978</u>

Deferred income taxes as of December 31, 2000 and June 30, 1999 consisted of the following:

	As of December 31, <u>2000</u>	As of June 30, <u>1999</u>
Current deferred income tax assets		
Allowance for loss on short-term investments	\$ 38,872	\$ -
Unrealized exchange loss (gain)	(3,613)	1,166
	<u>\$ 35,259</u>	<u>\$ 1,166</u>
Non-current deferred income tax assets		
Pension cost	\$ 72,586	\$ 24,896
Allowance for doubtful accounts	10,420	11,350
	<u>\$ 83,006</u>	<u>\$ 36,246</u>

The related information under the Integrated Income Tax System is as follows:

	As of December 31, <u>2000</u>	As of June 30, <u>1999</u>
Balance of Imputation Credit Account (ICA)	<u>\$ 111,181</u>	<u>\$ 61,236</u>

The projected ratio of the ICA and the earnings generated starting July 1, 1999 (tax credit ratio) as of December 31, 2000 was 26.38% while the actual tax credit ratio on earnings as of June 30, 1999 was 32.35%. The tax credits allocable to stockholders are based on the balance of ICA on the dividend distribution date. As a result, the tax credit ratio as of the dividend distribution date may differ from the credit as of December 31, 2000.

The unappropriated earning as of December 31, 2000 and June 30, 1999 included earnings of NT\$8,076 which were generated prior to July 1, 1998.

12. STOCKHOLDERS' EQUITY

The Company Law provides that capital surplus can only be used to offset deficit or transferred to capital. The Securities and Futures Commission (SFC) also restricts the capitalization of certain capital surplus items as follows: Surplus arising from revaluation increment on properties - once a year and not exceeding prescribed proportion; and capital in excess of par value - not more than once a year after the year of issuance of capital stock and not exceeding a prescribed amount.

Based on the "Guidelines on the Disposal of Operating Surplus of State-Owned Enterprises", in principle, the Corporation shall distribute dividend in the form of cash.

As prescribed by the SFC regulations, a special reserve equal to the net debit balance of the "Unrealized loss on long-term equity investments" and "Cumulative translation adjustment" accounts shall be appropriated from the current year's earnings and unappropriated earnings generated in the prior years. The balance of the special reserve arising from the foregoing shall not be available for stock dividends.

The Corporation's Articles of Incorporation provide that legal reserve should be set aside at 10% of annual net income less any deficit, and the remaining income should be appropriated for dividends (not exceeding 6% of paid-in capital). The disposition of the remainder, if any, should be resolved by the board of directors and submitted to stockholders for approval.

Under the Company Law, the appropriation for legal reserve should be made until the reserve equals the aggregate par value of the Corporation's outstanding capital stock. This reserve may be used to offset a deficit; also when the reserve has reached 50% of the aggregate par value of the Corporation's outstanding capital stock, up to 50% thereof may be declared as stock dividend.

Under the Integrated Income Tax System, shareholders are allowed a tax credit for the income tax paid by the Corporation on earnings generated starting July 1, 1998.

13. PLEDGED ASSETS

The Company has provided the following assets as collateral for issuing letter credit and for operating insurance business etc.

	As of December 31, <u>2000</u>	As of June 30, <u>1999</u>
Time deposits	\$ 270,625	\$ -
Treasury bills	<u>452,500</u>	<u>450,000</u>
	<u>\$ 723,125</u>	<u>\$ 450,000</u>

14. SIGNIFICANT SUBSEQUENT EVENTS

The Corporation was notified on January 2001 that German Reinsurance Company has filed a lawsuit against it in relation to an agent business contract carried out from 1974 to 1976. The German Reinsurance Company requested the Corporation to pay compensation of \$94,334 pounds, \$1,748,821 U.S. dollars and \$4,477 Canadian dollars, a total sum of approximately \$62,440.

This case is quite complicated because it involves issues of responsibilities and the timing of ceasing the contact. The Corporation plans to appoint a UK lawyer evaluate the possibility of successfully depending the Corporation's position on the case. If the probability of winning this case is rather small then the Corporation will try to settle out of court to lower the cost. No matter what is the outcome of this legal action, the compensation will be paid out from the contingency fund reserve, it will not affect the net income of the Corporation.

15. DERIVATIVE FINANCIAL INSTRUMENTS

Fair value of non-derivative financial instruments

	<u>As of December 31, 2000</u>		<u>As of June 30, 1999</u>	
	Carrying <u>Value</u>	<u>Fair Value</u>	Carrying <u>Value</u>	<u>Fair Value</u>
<u>Assets</u>				
Financial assets – with fair values approximating carrying amounts	\$8,474,388	\$8,474,388	\$8,016,177	\$8,016,177
Short-term investments	3,906,527	3,906,527	2,669,979	2,743,199
Long-term investments in shares of stock	105,523	119,748	83,929	29,011
<u>Liabilities</u>				
Financial liabilities – with fair values approximating carrying amounts	\$ 606,311	\$ 606,311	\$ 977,615	\$ 977,615

The Corporation adopts the following methods and assumptions for the estimates of fair value of its financial instruments:

- a. The carrying amount of cash, receivables, payables and short-term debts approximate their fair values because of the short maturities of these instruments.
- b. Fair value of short-term investments is estimated at market quotations (Note 4).
- c. Fair value of long-term investments in shares of stock is estimated at available market quotations (Note 7), or, if such quotation is not available, based on the investees' net equity.
- d. Fair value of guarantee deposits paid and receipt are estimated at their carrying amounts as such deposits do not have specific due dates.

The fair value of certain financial instruments and all nonfinancial instruments are excluded from fair value shown above. Accordingly, the aggregate fair value presented does not represent the underlying fair value of the Corporation.

16. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the SFC for the Corporation and investees:

- a. Financing provided: None.
- b. Endorsement/guarantee provided: None.
- c. Marketable securities held: Please see Table I.
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Not acceptable.
- e. Acquisition of individual real estates at costs of at least NT\$100 million or 20% of the paid-in capital: None.
- f. Disposal of individual real estates at prices of at least NT\$100 million or 20% of the paid-in capital: None.
- g. Total purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- i. Names, locations, and related information of investees on which the Corporation exercises significant influence: None.
- j. Derivative financial transactions: None.
- k. Investment in Mainland China: None.

17. DISCLOSURE OF PRO FORMA FINANCIAL STATEMENTS

The Corporation changed its fiscal year-end from June 30 to December 31. For reference purpose, the Corporation has prepared the pro forma financial statements for the years ended December 31, 2000 and 1999 (please see Table II to V), based on the relevant audited semi-annual and annual financial statements.

CENTRAL REINSURANCE CORPORATION
MARKETABLE SECURITIES HELD
December 31, 2000
(Amounts in Thousand New Taiwan Dollars, Unless Otherwise Specified)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2000				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Central Reinsurance Corporation	Listed common stocks - China Television Co., Ltd.	-	Long-term investments	1,853,258	\$ 83,751	0.53%	\$ 30,912	
	Unlisted common stocks - Asian Hull Syndicate, Ltd.	-	Long-term investments	400	181	7.14%	1,115	
	Unlisted preferred stocks - Taishin International Bank (II)	-	Long-term investments	7,443,000	74,430	0.31%	87,721	

Note 1: Short-term investments are not acceptable.

Note 2: The market values or net assets value are based on the following: (a) listed stocks – average closing prices for the last month of period; (b) unlisted stocks – the investees' net equity.

CENTRAL REINSURANCE CORPORATION
 PRO FORMA BALANCE SHEETS
 (In Thousand New Taiwan Dollars, Except Par Value)

ASSETS	December 31				LIABILITIES AND STOCKHOLDERS' EQUITY	December 31			
	2000		1999			2000		1999	
	Amount	%	Amount	%	Amount	%	Amount	%	
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents	\$ 7,212,278	53	\$ 6,982,505	56	Accrued expenses	\$ 88,460	-	\$ 84,122	1
Short-term investments - net	3,906,527	29	3,293,352	27	Accounts with reinsurers	510,332	4	889,596	7
Accounts receivable - net	985,589	7	893,530	7	Other current liabilities	117,075	1	50,505	-
Pledged time deposits	270,625	2	-	-	Total Current Liabilities	715,867	5	1,024,223	8
Prepaid expenses and other current assets	63,267	-	39,432	-					
Total Current Assets	12,438,286	91	11,208,819	90	LONG-TERM LIABILITIES				
					Reserve for land revaluation increment tax	150,869	1	150,869	1
LONG-TERM INVESTMENTS					Accrued pension cost	277,616	2	176,222	1
Real estate	368,959	2	370,326	3	Total Long-Term Liabilities	428,485	3	327,091	2
Shares of stock	105,523	1	81,104	1					
Total Long-Term Investments	474,482	3	451,430	4	OTHER LIABILITIES				
					Operating reserves				
PROPERTY AND EQUIPMENT					Reserve for premiums	4,460,745	32	3,462,252	29
Cost					Contingency fund	1,216,786	9	1,103,355	9
Land	127,986	1	127,986	1	Claims reserve	3,142,552	23	2,992,064	24
Buildings	43,873	-	43,873	-	Other operating loss reserve	11,959	-	-	-
Machinery and equipment	19,452	-	15,882	-	Total operating liabilities reserves	8,832,042	64	7,557,671	62
Transportation equipment	5,880	-	5,910	-	Miscellaneous	65,839	1	59,638	-
Other equipment	15,377	-	15,304	-	Total Other Liabilities	8,897,881	65	7,617,309	62
Total cost	212,568	1	208,955	1					
Revaluation increment	280,477	2	280,477	2	Total Liabilities	10,042,233	73	8,968,623	72
	493,045	3	489,432	3					
Accumulated depreciation	(42,763)	-	(38,324)	-	STOCKHOLDERS' EQUITY				
Net Property and Equipment	450,282	3	451,108	3	Capital stock - \$10 par value				
					Authorized and issued - 300,000,000 shares	3,000,000	22	3,000,000	25
OTHER ASSETS					Capital surplus	147,148	1	147,148	1
Reserve funds held by ceding companies	216,047	2	208,175	2	Retained earnings:				
Miscellaneous	128,612	1	67,924	1	Appropriated as legal reserve	142,296	1	142,296	1
Total Other Assets	344,659	3	276,099	3	Unappropriated earnings	429,456	3	132,364	1
					Unrealized losses on long-term investment in shares of stock	(52,839)	-	(2,820)	-
TOTAL ASSETS	\$13,707,709	100	\$12,387,456	100	Cumulative translation adjustments	(585)	-	(155)	-
					Total Stockholders' Equity	3,665,476	27	3,418,833	28
					TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$13,707,709	100	\$12,387,456	100

TABLE III

CENTRAL REINSURANCE CORPORATION

PRO FORMA STATEMENTS OF INCOME

(In Thousand New Taiwan Dollars, Except Per Share Amounts)

	December 31			
	2000		1999	
	Amount	%	Amount	%
OPERATING REVENUES				
Reinsurance premiums written	\$ 12,839,343	146	\$ 11,988,565	149
Reinsurance premiums ceded	(4,691,760)	(53)	(4,740,239)	(59)
Net reinsurance premiums	8,147,583	93	7,248,326	90
Overriding commissions	98,055	1	100,991	1
Interest income	520,394	6	442,499	6
Investment income earned - net	-	-	247,949	3
Gain on real estate investments - net	19,988	-	17,362	-
Other revenues	31,485	-	11,876	-
Total Operating Revenues	8,817,505	100	8,069,003	100
OPERATING COSTS				
Reinsurance commissions	3,231,286	37	3,677,262	46
Reinsurance commission ceded	1,282,906	15	1,540,716	19
Net reinsurance commissions	1,948,380	22	2,136,546	27
Claims paid	7,271,581	82	6,697,885	83
Claims recovered	2,721,488	31	2,713,846	34
Net claims paid	4,550,093	51	3,984,039	49
Increase in operating reserves				
Reserve for premiums - net	998,343	11	704,724	9
Claims reserve - net	152,039	2	197,379	2
Contingency fund - net	114,785	1	224,114	3
	1,265,167	14	1,126,217	14
Capital loss - net	181,436	2	-	-
Other	24,552	-	73,832	1
Total Operating Costs	7,969,628	89	7,320,634	91
GROSS PROFIT	847,877	11	748,369	9
OPERATING EXPENSES	342,679	4	336,788	4
OPERATING INCOME	505,198	7	411,581	5
NONOPERATING INCOME	319	-	7,733	-
NONOPERATING EXPENSES	(113,111)	(1)	(128,091)	(1)

(Forward)

INCOME BEFORE INCOME TAX	\$ 392,406	6	\$ 291,223	4
INCOME TAX	<u>95,314</u>	<u>1</u>	<u>47,833</u>	<u>1</u>
NET INCOME	<u>\$ 297,092</u>	<u>5</u>	<u>\$ 243,390</u>	<u>3</u>
NET INCOME PER SHARE – Based on weighted average number of outstanding shares of 300,000,000 in 2000 and 268,219,178 in 1999				
	<u>\$0.99</u>		<u>\$0.91</u>	

CENTRAL REINSURANCE CORPORATION

PRO FORMA STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In Thousand New Taiwan Dollars, Except Per Share Amounts)

	CAPITAL STOCK		CAPITAL SURPLUS			RETAINED EARNINGS			UNREALIZED VALUATION LOSSES ON LONG-TERM INVESTMENTS IN SHARES OF STOCK	CUMULATIVE TRANSLATION ADJUSTMENTS	TOTAL STOCKHOLDERS' EQUITY
	Authorized and Issued Shares	Amount	Gain on Disposal of Property and Equipment	Revaluation Increment on Property and Equipment	Total	Legal Reserve	Unappropriated	Total			
BALANCE, JANUARY 1, 1999	200,000,000	\$ 2,000,000	\$ 17,540	\$ 129,608	\$ 147,148	\$ 118,268	\$ 123,002	\$ 241,270	\$ -	(\$ 54)	\$ 2,388,364
Issuance of capital stock for cash - \$10 per share, effected on April 26, 1999	100,000,000	1,000,000	-	-	-	-	-	-	-	-	1,000,000
Appropriations of earnings											
Legal reserve	-	-	-	-	-	24,028	(24,028)	-	-	-	-
Cash dividends - \$0.7 per share	-	-	-	-	-	-	(210,000)	(210,000)	-	-	(210,000)
Net income for the period January 1 to December 31, 1999	-	-	-	-	-	-	243,390	243,390	-	-	243,390
Unrealized valuation losses on long-term investments in shares of stock	-	-	-	-	-	-	-	-	(2,820)	-	(2,820)
Changes in translation adjustments	-	-	-	-	-	-	-	-	-	(101)	(101)
BALANCE, DECEMBER 31, 1999	300,000,000	3,000,000	17,540	129,608	147,148	142,296	132,364	274,660	(2,820)	(155)	3,418,833
Net income for the period January 1 to December 31, 2000	-	-	-	-	-	-	297,092	297,092	-	-	297,092
Unrealized valuation losses on long-term investments in shares of stock	-	-	-	-	-	-	-	-	(50,019)	-	(50,019)
Changes in translation adjustments	-	-	-	-	-	-	-	-	-	(430)	(430)
BALANCE, DECEMBER 31, 2000	<u>300,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 17,540</u>	<u>\$ 129,608</u>	<u>\$ 147,148</u>	<u>\$ 142,296</u>	<u>\$ 429,456</u>	<u>\$ 571,752</u>	<u>(\$ 52,839)</u>	<u>(\$ 585)</u>	<u>\$ 3,665,476</u>

TABLE V

CENTRAL REINSURANCE CORPORATION

PRO FORMA STATEMENTS OF CASH FLOWS
(In Thousand New Taiwan Dollars)

	<u>2000</u>	<u>1999</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 297,092	\$ 243,390
Adjustments to reconcile net income to net cash provided by operating activities		
Increase in operating reserves	1,274,372	1,125,660
Provision (reversal of allowance) for loss on short-term investments	155,488	(61,799)
Depreciation and amortization	7,181	6,514
Depreciation of investments in real estate	1,367	1,366
Loss on disposal of property and equipment	25	700
Provision for doubtful accounts	-	6,514
Deferred income taxes	(55,051)	(17,669)
Changes in operating assets and liabilities		
Short-term investments	(768,663)	292,608
Accounts receivable	(157,768)	(106,054)
Overdue receivable	(24,247)	12,138
Prepaid expenses and other current assets	9,462	(3,261)
Accrued expenses	(40,529)	4,409
Other current liabilities	(234,174)	223,320
Accrued pension cost	<u>101,393</u>	<u>123,201</u>
Net Cash Provided by Operating Activities	<u>565,948</u>	<u>1,851,037</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in pledged time deposits	(270,625)	-
Decrease (increase) in long-term investments in shares of stock	(74,438)	5
Decrease in other assets	8,896	42,273
Acquisitions of property and equipment	(5,789)	(4,178)
Proceeds from disposal of property and equipment	<u>10</u>	<u>40</u>
Net Cash Provided by (Used in) Investing Activities	<u>(341,946)</u>	<u>38,140</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in guarantee deposits receipt and deposits from reserve funds held for reinsures	6,201	(36,695)
Cash dividends paid	-	(210,000)
Proceeds from the issuance of capital stock	<u>-</u>	<u>1,000,000</u>
Net Cash Provided by Financing Activities	<u>6,201</u>	<u>753,305</u>
TRANSLATION ADJUSTMENTS	<u>(430)</u>	<u>(101)</u>

(Forward)

NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 229,773	\$ 2,642,381
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>6,982,505</u>	<u>4,340,124</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 7,212,278</u></u>	<u><u>\$ 6,982,505</u></u>
SUPPLEMENTARY INFORMATION		
Interest paid (interest of reinsurance reserve funds released)	<u>\$ 1,735</u>	<u>\$ 3,010</u>
Income tax paid	<u>\$ 15,000</u>	<u>\$ 51,410</u>