

Central Reinsurance Corporation

Financial Statements as of December 31, 2001 and 2000

Together with Independent Auditor's 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 Auditor's Report

January 22, 2002

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, 2001 and 2000, and the related statements of income, changes in stockholders' equity and cash flows for the twelve months ended December 31, 2001 and the eighteen months ended December 31, 2000. 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 Regulations for Audit of Financial Statements by Certified Public Accountants and 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 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, 2001 and 2000, and the results of its operations and its cash flows for the twelve months ended December 31, 2001 and the eighteen months ended December 31, 2000 in conformity with practices generally accepted in the insurance industry, the regulations governing the preparation of financial statements of public companies, other government regulations, and accounting principles generally accepted in the Republic of China.

As more fully disclosed in Note 2 to the 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.

The pro forma income statement, pro forma statement of cash flows and pro forma statement of changes in stockholders equity for the twelve months ended December 31, 2000 that were presented in Table II to Table IV are not a required part of the basic financial statements and we did not audit and do not express an opinion on such pro forma information. Those information were prepared by management using the audited financial statements as of and for the six months ended December 31, 1999 and as of and for the eighteen months ended December 31, 2000.

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

December 31, 2001 and 2000

(In Thousand New Taiwan Dollars, Except Par Value)

ASSETS	2001		2000 (Note 2)		LIABILITIES AND STOCKHOLDERS' EQUITY	2001		2000 (Note 2)	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 7,761,092	50	\$ 7,212,278	53	Accrued expenses	\$ 34,223	-	\$ 88,460	-
Short-term investments - net (Notes 2, 5 and 14)	4,928,827	32	3,906,527	29	Accounts with reinsurers	578,959	4	505,498	4
Accounts receivable - net (Notes 2 and 6)	1,060,356	7	985,375	7	Other current liabilities (Notes 2 and 12)	137,139	1	120,585	1
Pledged time deposits (Note 14)	270,625	2	270,625	2	Total Current Liabilities	<u>750,321</u>	<u>5</u>	<u>714,543</u>	<u>5</u>
Prepaid expenses and other current assets (Note 12)	58,706	-	63,267	-					
Total Current Assets	<u>14,079,606</u>	<u>91</u>	<u>12,438,072</u>	<u>91</u>	LONG-TERM LIABILITIES				
					Reserve for land revaluation increment tax (Notes 2 and 9)	150,869	1	150,869	1
LONG-TERM INVESTMENTS					Accrued pension cost (Notes 2 and 11)	272,178	2	277,616	2
Real estate - net (Notes 2 and 7)	367,591	2	368,959	2	Total Long-term Liabilities	<u>423,047</u>	<u>3</u>	<u>428,485</u>	<u>3</u>
Shares of stock - net (Notes 2 and 8)	96,498	1	105,523	1					
Total Long-term Investments	<u>464,089</u>	<u>3</u>	<u>474,482</u>	<u>3</u>	OTHER LIABILITIES				
					Operating reserves (Note 2)				
PROPERTY AND EQUIPMENT (Notes 2 and 9)					Reserve for premiums	5,130,441	33	4,460,745	33
Cost					Contingency fund	1,684,887	11	1,216,786	9
Land	127,986	1	127,986	1	Claims reserve	3,769,510	25	3,144,969	23
Buildings	43,873	-	43,873	-	Other operating loss reserve	-	-	31,125	-
Machinery and equipment	20,596	-	19,452	-	Total operating reserves	10,584,838	69	8,853,625	65
Transportation equipment	5,930	-	5,880	-	Miscellaneous	57,525	-	65,839	-
Other equipment	15,628	-	15,377	-	Total Other Liabilities	<u>10,642,363</u>	<u>69</u>	<u>8,919,464</u>	<u>65</u>
Total cost	214,013	1	212,568	1					
Revaluation increment	280,477	2	280,477	2	Total Liabilities	<u>11,815,731</u>	<u>77</u>	<u>10,062,492</u>	<u>73</u>
	494,490	3	493,045	3					
Accumulated depreciation	(45,874)	-	(42,763)	-	STOCKHOLDERS' EQUITY (Note 13)				
Net Property and Equipment	<u>448,616</u>	<u>3</u>	<u>450,282</u>	<u>3</u>	Capital stock - \$10 par value				
					Authorized and issued - 300,000,000 shares	3,000,000	19	3,000,000	22
OTHER ASSETS					Capital surplus (Notes 2 and 9)	147,148	1	147,148	1
Reserve funds held by ceding companies	317,129	2	216,047	2	Retained earnings:				
Miscellaneous (Notes 2, 10, 11 and 12)	89,671	1	142,531	1	Appropriated as legal reserve	183,141	1	142,296	1
Total Other Assets	<u>406,800</u>	<u>3</u>	<u>358,578</u>	<u>3</u>	Appropriated as special reserve	53,424	-	-	-
					Unappropriated earnings	262,577	2	422,783	3
					Unrealized losses on long-term investments in shares of stock (Notes 2 and 8)	(61,875)	-	(52,839)	-
					Cumulative translation adjustments (Note 2)	(1,035)	-	(466)	-
					Total Stockholders' Equity	<u>3,583,380</u>	<u>23</u>	<u>3,658,922</u>	<u>27</u>
TOTAL ASSETS	<u>\$15,399,111</u>	<u>100</u>	<u>\$13,721,414</u>	<u>100</u>	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$15,399,111</u>	<u>100</u>	<u>\$13,721,414</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 22, 2002)

English Translation of Financial Statements Originally Issued in Chinese

CENTRAL REINSURANCE CORPORATION

STATEMENTS OF INCOME

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

	Twelve Months Period Ended December 31, 2001		Eighteen Months Period Ended December 31, 2000 (Note 2)	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OPERATING REVENUES				
Reinsurance premiums written (Note 2)	\$ 14,413,577	136	\$ 18,702,829	148
Reinsurance premiums ceded (Note 2)	<u>4,615,042</u>	<u>43</u>	<u>7,041,223</u>	<u>56</u>
Net reinsurance premiums	9,798,535	93	11,661,606	92
Interest income	529,418	5	770,399	6
Short-term investment income - net (Note 2)	120,915	1	-	-
Overriding commissions	93,337	1	147,465	1
Gain on real estate investments - net (Note 2)	16,641	-	29,736	-
Other revenues	<u>35,095</u>	<u>-</u>	<u>37,859</u>	<u>1</u>
Total Operating Revenues	<u>10,593,941</u>	<u>100</u>	<u>12,647,065</u>	<u>100</u>
OPERATING COSTS				
Reinsurance commissions	3,880,131	37	4,849,717	38
Reinsurance commission ceded	<u>1,401,362</u>	<u>13</u>	<u>1,971,112</u>	<u>15</u>
Net reinsurance commissions	<u>2,478,769</u>	<u>24</u>	<u>2,878,605</u>	<u>23</u>
Claims paid	8,060,973	76	10,765,626	85
Claims recovered	<u>2,459,043</u>	<u>23</u>	<u>4,166,052</u>	<u>33</u>
Net claims paid	<u>5,601,930</u>	<u>53</u>	<u>6,599,574</u>	<u>52</u>
Increase in operating reserves (Note 2)				
Reserve for premiums - net	669,642	6	1,260,938	10
Claims reserve - net	623,916	6	411,331	3
Contingency fund - net	<u>473,059</u>	<u>5</u>	<u>114,785</u>	<u>1</u>
	<u>1,766,617</u>	<u>17</u>	<u>1,787,054</u>	<u>14</u>
Short-term investment loss- net (Note 2)	-	-	<u>98,586</u>	<u>1</u>
Other expenses	<u>32,100</u>	<u>-</u>	<u>46,098</u>	<u>-</u>
Total Operating Costs	<u>9,879,416</u>	<u>94</u>	<u>11,409,917</u>	<u>90</u>
GROSS PROFIT	714,525	6	1,237,148	10
OPERATING EXPENSES	<u>345,354</u>	<u>3</u>	<u>514,031</u>	<u>4</u>
OPERATING INCOME	369,171	3	723,117	6
NONOPERATING INCOME	564	-	682	-
NONOPERATING EXPENSES (Note 11)	<u>(3,591)</u>	<u>-</u>	<u>(209,952)</u>	<u>(2)</u>

(Forward)

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INCOME BEFORE INCOME TAX	\$ 366,144	3	\$ 513,847	4
INCOME TAX (Notes 2 and 12)	<u>105,081</u>	<u>1</u>	<u>105,396</u>	<u>1</u>
NET INCOME	<u>\$ 261,063</u>	<u>2</u>	<u>\$ 408,451</u>	<u>3</u>
NET INCOME PER SHARE				
Based on weighted average number of outstanding shares of 300,000,000	<u>\$0.87</u>		<u>\$1.36</u>	

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

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(With T N Soong & Co report dated January 22, 2002)

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CENTRAL REINSURANCE CORPORATION

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

	CAPITAL STOCK AUTHORIZED AND ISSUED		CAPITAL SURPLUS (Notes 2 and 9)			RETAINED EARNINGS (Note 13)				UNREALIZED LOSSES ON LONG-TERM INVESTMENTS IN SHARES OF STOCK (Notes 2 and 8)	CUMULATIVE TRANSLATION ADJUSTMENTS (Note 2)	TOTAL STOCKHOLDERS' EQUITY (Note 13)
	Shares	Amount	Gain on Disposal of Property and Equipment	Revaluation Increment on Property and Equipment	Total	Legal Reserve	Special Reserve	Unappropriated	Total			
BALANCE, JULY 1, 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 from July 1, 1999 to December 31, 2000 (Eighteen months, Note 2)	-	-	-	-	-	-	-	408,451	408,451	-	-	408,451
Unrealized losses on long-term investments in shares of stock	-	-	-	-	-	-	-	-	-	(52,839)	-	(52,839)
Changes in translation adjustments	-	-	-	-	-	-	-	-	-	-	(448)	(448)
BALANCE, DECEMBER 31, 2000 (Note 2)	300,000,000	3,000,000	17,540	129,608	147,148	142,296	-	422,783	565,079	(52,839)	(466)	3,658,922
Appropriations of earnings:												
Legal reserve	-	-	-	-	-	40,845	-	(40,845)	-	-	-	-
Special reserve	-	-	-	-	-	-	53,424	(53,424)	-	-	-	-
Cash dividends - \$1.09 per share	-	-	-	-	-	-	-	(327,000)	(327,000)	-	-	(327,000)
Balance after appropriations	300,000,000	3,000,000	17,540	129,608	147,148	183,141	53,424	1,514	238,079	(52,839)	(466)	3,331,922
Net income for the fiscal year 2001 (Twelve months - Note 2)	-	-	-	-	-	-	-	261,063	261,063	-	-	261,063
Unrealized losses on long-term investments in shares of stock	-	-	-	-	-	-	-	-	-	(9,036)	-	(9,036)
Changes in translation adjustments	-	-	-	-	-	-	-	-	-	-	(569)	(569)
BALANCE, DECEMBER 31, 2001	<u>300,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 17,540</u>	<u>\$ 129,608</u>	<u>\$ 147,148</u>	<u>\$ 183,141</u>	<u>\$ 53,424</u>	<u>\$ 262,577</u>	<u>\$ 499,142</u>	<u>(\$ 61,875)</u>	<u>(\$ 1,035)</u>	<u>\$ 3,583,380</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 22, 2002)

CENTRAL REINSURANCE CORPORATION

STATEMENTS OF CASH FLOWS
(In Thousand New Taiwan Dollars)

	Twelve Months Period Ended December 31, 2001	Eighteen Months Period Ended December 31, 2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 261,063	\$ 408,451
Adjustments to reconcile net income to net cash provided by operating activities:		
Increase in operating reserves	1,731,213	1,817,809
Provision (reversal of allowance) for loss on short-term investments	(155,488)	155,488
Deferred income taxes	46,342	(86,587)
Provision for doubtful accounts	11,907	5,928
Depreciation and amortization	6,419	10,769
Depreciation of investments in real estate	1,368	2,050
Loss on disposal of property and equipment	186	160
Changes in operating assets and liabilities:		
Short-term investments	(866,812)	(1,392,036)
Accounts receivable	(86,888)	174,833
Prepaid expenses and other current assets	4,561	(7,431)
Overdue receivable	(49,428)	(19,021)
Accrued expenses	(54,237)	22,221
Other current liabilities	51,898	(371,476)
Accrued pension cost	-	185,546
Net Cash Provided by Operating Activities	<u>902,104</u>	<u>906,704</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in other assets	(12,756)	55,092
Acquisitions of property and equipment	(4,654)	(6,332)
Proceeds from disposal of property and equipment	14	10
Increase in long-term investments in shares of stock	(11)	(74,433)
Increase in pledged time deposits	-	(270,625)
Net Cash Used in Investing Activities	<u>(17,407)</u>	<u>(296,288)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(327,000)	(210,000)
Decrease in guarantee deposits receipt and deposits from reserve funds held for reinsurers	(8,314)	(817)
Net Cash Used in Financing Activities	<u>(335,314)</u>	<u>(210,817)</u>

(Forward)

English Translation of Financial Statements Originally Issued in Chinese

TRANSLATION ADJUSTMENTS	(\$ 569)	(\$ 448)
NET INCREASE IN CASH AND CASH EQUIVALENTS	548,814	399,151
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>7,212,278</u>	<u>6,813,127</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 7,761,092</u>	<u>\$ 7,212,278</u>
SUPPLEMENTARY INFORMATION		
Interest paid (interest of reinsurance reserve funds released)	<u>\$ 1,914</u>	<u>\$ 2,732</u>
Income tax paid	<u>\$ 85,769</u>	<u>\$ 52,578</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 22, 2002)

CENTRAL REINSURANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2001 and 2000

(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. The Corporation's shares of stock have been traded in the Taiwan Stock Exchange since July 6, 2000. The Corporation has a Branch in Singapore.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of financial statements

The financial statements are prepared 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). Furthermore, 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.

The Corporation's annual financial statements are audited by the Ministry of Audit of the Control Yuan, ROC (the "MOA"), determine the extent of the Corporation's compliance with the budget approved by the Legislative Yuan. The financial statements as of December 31, 2000 (Eighteen month) have been adjusted to reflect the adjustments that arose as a result of such audits.

Change in financial reporting year

The Corporation changed its financial reporting year-end from a fiscal year ending June 30 to a calendar year ending December 31. As a result of such change, balance sheet as of December 31, 2000 have been prepared instead of as of June 30, 1999; and statement of income, cash flows and changes in stockholders' equity for the eighteen-month period ended December 31, 2000 have been prepared instead of the twelve-month period ended June 30, 2000.

Cash equivalents

Short-term bills 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 decline in market value is recognized. Any recovery of the market value to the extent of the original cost is recognized as income. Cost of bonds sold is determined using the specific identification method while cost of all other types of short-term investments is determined using 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 and other accounts receivable (which includes accrued reinsurance commissions and overriding commissions) that are not overdue. The amounts saved arising from reduced business tax rate are recorded, in compliance with regulations, as part of allowance for doubtful accounts.

The entire amount of overdue receivable from reinsurers is covered by an allowance.

Investments in real estate

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

Depreciation on buildings is computed using the straight-line method over estimated service lives ranging from 10 years 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, for which the Corporation exercises no significant influence on the investees 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 (with quoted market price) exceeds the market value. Such provision for decline in value is shown as part of stockholders' equity, when 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 is adjusted for any recovery in the market value. The carrying value of investments in unlisted stocks are reduced to reflect an other than temporary decline in value with the reduction charged to current income.

Costs of shares of stock sold are determined using 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 presented as long-term liabilities. Major renewals and betterment are capitalized, while maintenance and repairs are charged to current year income.

Depreciation is computed using 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 items of 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 earned prior to December 31, 2000, less applicable income tax, is subsequently transferred to capital surplus.

Reinsurance revenues and costs

Reinsurance revenues (premiums written) and the related estimated costs (reinsurance premiums ceded) are recognized upon receipt of the billings from the reinsurers.

Operating reserves

The unearned premium reserve related to insurance policy (period exceeding one year), including long-term fire insurance, compulsory automobile and motorcycle liability insurance, engineering insurance and consumer's credit insurance are calculated based on criteria stipulated in Article 8 of Enforcement Rules of the Insurance Law that was issued by the MOF. On the other hand, the unearned premium reserve related to other insurance policy (period under one year) is calculated in accordance with "The Standard of Calculation of Various Reinsurance Reserves for the Professional Reinsurance Industry" issued by MOF.

The contingency reserve related to compulsory Automobile and Motorcycle Liability Insurance is determined in accordance with "The Regulation of Various Insurance Reserves Conducting Compulsory Automobile and Motorcycle Insurance" issued by MOF. The contingency reserve attributable to other types of insurance contracts is calculated in accordance with "The Standard of Calculation of Various Reinsurance Reserves for the Professional Reinsurance Industry".

The claims reserve is calculated in accordance with "The Standard of Calculation of Various Reinsurance Reserves in the Professional Reinsurance Industry".

Pension costs

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

Income tax

Deferred income tax assets are recognized for the tax effects of deductible temporary differences and deferred tax liabilities are recognized for the tax effects of taxable temporary differences. A valuation allowance is provided for deferred income tax assets that are not certain to be realized.

The taxable income of a state-owned enterprise (such as the Corporation) is, pursuant to Article 51 of the Auditing Law, based on the income as audited by the MOA.

Income taxes (10%) on undistributed earnings are recorded as expense in the periods when the shareholders have approved the retention of the earnings.

Foreign-currency transactions

The foreign currency amounts of transactions that are denominated in foreign currencies during a quarter 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.

Translation of financial statements

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

3. THE ADJUSTMENTS OF FINANCIAL STATEMENTS

The financial statements for the eighteen months periods ended December 31, 2000 have been audited by the MOA. The adjustments were as follows:

	As Previously Reported in Conformity with Generally Accepted Accounting Principles (GAAP) and Relevant <u>Regulations</u>	<u>Adjustments</u>	<u>As Adjusted</u>
<u>Balance sheet</u>			
Asset			
Accounts receivable	\$ 985,589	(\$ 214)	\$ 985,375
Miscellaneous asset	128,612	13,919	142,531
Liability			
Other current liabilities	117,075	3,510	120,585
Accounts with reinsures	510,332	(4,834)	505,498
Operating reserve	8,832,042	21,583	8,853,625

(Forward)

Stockholders' equity			
Retained earnings	\$ 571,752	(\$ 6,673)	\$ 565,079
Cumulative translation adjustments	(585)	119	(466)

Income statement

Operating revenues	\$ 12,647,064	\$ 1	\$ 12,647,065
Operating costs	11,412,000	(2,083)	11,409,917
Operating expense	503,049	10,982	514,031
Income tax	107,621	(2,225)	105,396
Net income	415,124	(6,673)	408,451

4. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2001</u>	<u>2000</u>
Time deposits	\$ 3,827,173	\$ 4,379,571
Commercial paper	2,511,092	2,140,936
Negotiable certificates of deposit	1,394,229	638,251
Checking accounts	24,322	38,091
Demand deposits	3,985	5,563
Cash on hand	291	292
Bank acceptances	-	9,574
	<u>\$ 7,761,092</u>	<u>\$ 7,212,278</u>

Commercial paper as of December 31, 2001 were contracted to be resold for \$2,515,215 during the period from January 2002 to March 2002.

5. SHORT-TERM INVESTMENTS

	<u>December 31</u>	
	<u>2001</u>	<u>2000</u>
Bonds	\$ 4,094,559	\$ 1,973,369
Open-end mutual fund beneficiary certificates	644,263	549,814
Listed stocks	190,005	347,182
Commercial paper	-	1,152,430
Bank acceptances	-	39,220
	<u>4,928,827</u>	<u>4,062,015</u>
Less - allowance for loss	-	155,488
	<u>\$ 4,928,827</u>	<u>\$ 3,906,527</u>

The market values of the investments were as follows:

	<u>December 31</u>	
	<u>2001</u>	<u>2000</u>
Bonds	\$ 4,208,798	\$ 2,032,855
Open-end mutual fund beneficiary certificates	624,559	471,720
Listed stocks	149,971	210,302
Commercial paper	-	1,152,430
Bank acceptances	<u>-</u>	<u>39,220</u>
	<u>\$ 4,983,328</u>	<u>\$ 3,906,527</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) open-end mutual funds beneficiary certificates – net asset values as of the end of periods; (c) listed stocks – average closing prices for the last month of period; and (d) commercial paper and bank acceptances – acquisition cost.

Government bonds of \$450,000 and \$452,500 as of December 31, 2001 and 2000, respectively, are pledged and mainly deposited as operations guarantee with the Central Bank.

6. ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2001</u>	<u>2000</u>
Accounts with reinsurers	\$ 877,374	\$ 891,012
Accrued income	87,500	64,342
Accrued claims recoverable from reinsurers	45,472	25,493
Other	<u>68,080</u>	<u>21,690</u>
	1,078,426	1,002,537
Less - allowance for doubtful accounts	(<u>18,070</u>)	(<u>17,162</u>)
	<u>\$ 1,060,356</u>	<u>\$ 985,375</u>

7. INVESTMENTS IN REAL ESTATE

	<u>December 31</u>	
	<u>2001</u>	<u>2000</u>
Cost		
Land	\$ 311,804	\$ 311,804
Buildings	<u>68,591</u>	<u>68,591</u>
	380,395	380,395
Less - accumulated depreciation	(<u>12,804</u>)	(<u>11,436</u>)
	<u>\$ 367,591</u>	<u>\$ 368,959</u>

8. LONG-TERM INVESTMENTS IN SHARES OF STOCK	December 31			
	2001		2000	
	Amount	% of Owner- ship	Amount	% of Owner- ship
<u>Common stocks</u>				
Listed - China Television Co., Ltd.	\$ 83,751	0.53	\$ 83,751	0.53
Unlisted - Asian Hull Syndicate, Ltd.	<u>192</u>	7.14	<u>181</u>	7.14
	83,943		83,932	
<u>Preferred stocks</u>				
Unlisted - Taishin International Bank (II)	<u>74,430</u>	0.31	<u>74,430</u>	0.31
	158,373		158,362	
Less - allowance for loss	<u>61,875</u>		<u>52,839</u>	
	<u>\$ 96,498</u>		<u>\$ 105,523</u>	

The market values of China Television Co. Ltd. were \$21,876 and \$30,912 based on average closing price for the entire month of December in 2001 and 2000, respectively.

9. PROPERTY AND EQUIPMENT	December 31	
	2001	2000
Cost	\$ 214,013	\$ 212,568
Revaluation increment		
Land	272,065	272,065
Buildings	<u>8,412</u>	<u>8,412</u>
	<u>494,490</u>	<u>493,045</u>
Accumulated depreciation		
Buildings	18,889	17,704
Machinery and equipment	10,143	9,776
Transportation equipment	4,873	4,393
Other equipment	<u>11,969</u>	<u>10,890</u>
	<u>45,874</u>	<u>42,763</u>
	<u>\$ 448,616</u>	<u>\$ 450,282</u>

The 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 \$280,477, (b) reserve for land revaluation increment tax of \$150,869 (which is payable upon disposal of land) and (c) capital surplus \$129,608 (Note 13).

10. OTHER ASSETS

	<u>December 31</u>	
	<u>2001</u>	<u>2000</u>
Deferred income taxes (Note 12)	\$ 80,516	\$ 88,741
Deferred pension cost	1,671	7,109
Overdue receivable – net	-	39,309
Other	<u>7,484</u>	<u>7,372</u>
	<u>\$ 89,671</u>	<u>\$ 142,531</u>

11. PENSION AND TERMINATION BENEFITS

The Corporation has several pension plans. The retirement and separation benefits are based on regulations issued by the MOF. The information on the plans is as follows:

- a. Plan Applicable to Civil Service Eligible Employees. The retirement and termination benefits were based on years of service and final monthly salary upon retirement. The Corporation established the following funds to cover benefit payments as follows:

<u>Description</u>	<u>Funding</u>
Pre-1980 Civil Service Employees Fund	Contributed from 1980 to 1996 equivalent to 3% of the monthly salaries of civil service eligible employees.
Post-1980 Civil Service Employees Fund	Funded by contribution (from 1980 to 1996) equivalent to 4.00% to 8.50% of the monthly salaries of civil service eligible employees. Starting 1996, additional contribution is made based on actuarial calculations.
1996 Civil Service Employees Fund	Funded by contribution (from 1996 to present) based on actuarial calculations.

All the foregoing funds are, starting in 1999, administered by the civil service eligible employees pension fund committee (the “Committee”).

- b. Plan Applicable to Non-civil Service Eligible Employees. The retirement and termination benefits are based on years of service and salary upon retirement. The plan was unfunded until April 2000. The Corporation makes monthly contributions, equal to 15% of wages, to the Non-civil Service Eligible Employees Fund. Such fund 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 costs of the retirement and termination benefits were accrued as follows: (i) from inception to 1997 - 4% of salaries and wages, and (ii) from 1997 to present - based on actuarial calculations.

The privatization of the Corporation (i.e., reducing government ownership to less than 50%) was originally targeted to be completed by December 2000. The benefits obligation payable to employees in the event of a privatization is computed in accordance with the relevant privatization rules. An additional \$240,690 of benefit payment is expected pursuant to such rules. The additional benefit obligation has been accrued as of December 31, 2001. 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:

	Twelve Months Period Ended December 31, 2001	Eighteen Months Period Ended December 31, 2000
Service cost	\$ 13,455	\$ 22,627
Interest cost	4,434	3,943
Projected return on plan assets	(2,025)	(919)
Amortization of unrecognized net actuarial losses and unrecognized net transition obligation	<u>1,162</u>	<u>1,121</u>
Net pension cost	<u>\$ 17,026</u>	<u>\$ 26,772</u>

The reconciliation between the retirement fund and pension liabilities follows:

	<u>December 31</u>	
	<u>2001</u>	<u>2000</u>
Benefit obligations		
Vested benefit obligation	\$ 54,094	\$ 38,668
Nonvested benefit obligation	<u>21,022</u>	<u>13,872</u>
Accumulated benefit obligation (ABO)	75,116	52,540
Additional benefits based on future salaries	<u>19,811</u>	<u>21,288</u>
Projected benefit obligation	94,927	73,828
Fair value of plan assets	(<u>47,191</u>)	(<u>27,714</u>)
Funded status	47,736	46,114
Unrecognized net transition obligation	152	266
Unrecognized prior service cost	(16,042)	(17,277)
Unrecognized net actuarial losses	(2,029)	(7,899)
Additional liability recognized representing the excess of the ABO over the fair value of the plan assets	<u>1,671</u>	<u>7,109</u>
Accrued pension liability	<u>\$ 31,488</u>	<u>\$ 28,313</u>
Vested benefits – undiscounted	<u>\$ 66,940</u>	<u>\$ 52,690</u>
Actuarial assumptions of benefit obligations:		
Discount rate	4.5%	6.5%
Rate of salary increase	3.0%	4.5%
Expected rate of return on plan assets	4.5%	6.5%

The changes in the fund are summarized as follows:

	Twelve Months Period Ended December 31, <u>2001</u>	Eighteen Months Period Ended December 31, <u>2000</u>
Changes in the pension fund		
Retirement fund		
Balance, beginning of period	\$ 123,377	\$ 104,003
Contributions	17,387	26,096
Employees' contribution	-	1,368
Interest income	5,079	7,929
Benefits paid	(1)	(16,019)
Balance, end of period	<u>\$ 145,842</u>	<u>\$ 123,377</u>
Balance consists of:		
Post-1980 Civil Service Employees Fund	\$ 98,651	\$ 95,142
Non-civil Service Eligible Employees Fund	1,234	521
Pre-1980 Civil Service Employees Fund	4,471	4,098
1996 Civil Service Employees Fund	<u>41,486</u>	<u>23,616</u>
	<u>\$ 145,842</u>	<u>\$ 123,377</u>
Changes in accrued pension cost:		
Balance, beginning of period	\$ 277,616	\$ 92,070
Provision for pension cost (including additional amount accrued attributable to the planned privatization)	1,671	191,005
Reversal of deferred pension cost	(7,109)	(3,492)
Pension paid directly by the Corporation	-	(1,967)
Balance, end of period	<u>\$ 272,178</u>	<u>\$ 277,616</u>

12. INCOME TAX

a. Income tax expense consisted of the following:

	Twelve Months Period Ended December 31, <u>2001</u>	Eighteen Months Period Ended December 31, <u>2000</u>
Income tax expense - current	\$ 48,268	\$ 192,466
Income tax expense (benefit) - deferred	46,342	(86,587)
Tax benefit on income tax credit	(266)	(483)
Income tax on undistributed earnings	<u>10,737</u>	<u>-</u>
	<u>\$ 105,081</u>	<u>\$ 105,396</u>

- b. Reconciliation between income tax expense computed based on income before tax at statutory tax rate and total income tax expense is as follows:

	Twelve Months Period Ended December 31, 2001	Eighteen Months Period Ended December 31, 2000
Income tax expense computed based on income before income tax at statutory tax rate of 25%	\$ 91,526	\$ 128,447
Add (less) tax effects of:		
Temporary differences:		
Provision (reversal of allowance) for loss on short-term investments	(38,872)	38,872
Accrued pension cost	1,998	47,689
Other	(9,468)	26
Permanent differences:		
Tax-exempt loss (gain) on sales of securities	10,390	(12,072)
Difference on income tax on interest income subjected to a lower tax rate	(7,229)	(11,497)
Other	(77)	1,001
Income tax payable	<u>\$ 48,268</u>	<u>\$ 192,466</u>

- c. Deferred income taxes as of December 31, 2001 and 2000 consisted of the following:

	<u>December 31</u> 2001	<u>December 31</u> 2000
Current deferred income tax assets (liabilities)		
Allowance for loss on short-term investments	\$ -	\$ 38,872
Unrealized exchange gain	(2,858)	(3,613)
	<u>(\$ 2,858)</u>	<u>\$ 35,259</u>
Non-current deferred income tax assets		
Accrued pension cost	\$ 74,583	\$ 72,586
Allowance for doubtful accounts	5,933	8,374
Operating loss reserve	-	7,781
	<u>\$ 80,516</u>	<u>\$ 88,741</u>

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

	<u>December 31</u> 2001	<u>December 31</u> 2000
Balance of Imputation Credit Account (ICA)	<u>\$ 108,590</u>	<u>\$ 111,181</u>

The projected income tax credit ratio on the earnings as of December 31, 2001 and the actual tax credit ratio on the earnings generated starting July 1, 1999 as of December 31, 2000 were 33.33%. 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, 2001.

The unappropriated earning as of December 31, 2001 and 2000, respectively included earnings of \$1,514 and \$8,076 which were generated prior to July 1, 1998.

Income tax returns through 2000 have been examined and approved by the MOA and tax authorities.

13. STOCKHOLDERS' EQUITY

The revision to the Corporation's Articles of Incorporation approved by the stockholders on May 25, 2001 required the appropriation of legal reserve equivalent to 10% of annual net income less any deficit. In addition, a special reserve should be provided as described below. The disposition of the remainder, if any, is determined by the board of directors and submitted to stockholders for approval. An approved stock dividend declaration is subject to approval by the MOF.

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 special reserve appropriation arising from the foregoing is not available for dividends.

The Company Law provides that capital surplus can only be used to offset deficit or transferred to capital (as stock dividend). The Securities and Futures Commission (SFC) also restricts the capitalization of capital surplus arising from capital in excess of par value to not more than once a year (and only in the year subsequent the related shares were issued) and only up to a certain amount.

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.

14. PLEDGED ASSETS

The Corporation has provided the following assets as security on standby letter of credit issued by banks and as statutory deposits related to its insurance operations.

	<u>December 31</u>	
	<u>2001</u>	<u>2000</u>
Time deposits	\$ 270,625	\$ 270,625
Government bonds	<u>450,000</u>	<u>452,500</u>
	<u>\$ 720,625</u>	<u>\$ 723,125</u>

15. SIGNIFICANT SUBSEQUENT EVENTS

The Corporation was notified on January 2001 by the Deutsche Rückversicherung AG that has filed a lawsuit against a reinsurance contracts carried out from 1974 to 1976. Deutsche Rückversicherung AG requested the Corporation to pay the amount of £ 94,334, US\$1,748,821 and Can\$4,477 and the interest incurred plus legal cost.

This case is quite complicated because it involves contractual liabilities and “time bar” issues. The Corporation appointed a lawyer in UK to defend the Corporation’s position on the case. The trial of this matter has been fixed for six days commencing November 25, 2002. The management does not believe that the outcome of this legal proceeding will significantly affect the net income in future periods since the balance of the contingency fund reserve is sufficient to absorb the maximum amount claimed.

16. DERIVATIVE FINANCIAL INSTRUMENTS

Fair value of non-derivative financial instruments

	<u>December 31</u>			
	<u>2001</u>		<u>2000</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
<u>Assets</u>				
Financial assets – with fair values approximating carrying amounts	\$9,194,463	\$9,194,463	\$8,850,322	\$8,850,322
Short-term investments	4,928,827	4,983,328	3,906,527	3,906,527
<u>Liabilities</u>				
Financial liabilities – with fair values approximating carrying amounts	\$ 619,712	\$ 619,712	\$ 606,311	\$ 606,311

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

- a. The carrying amount of cash and cash equivalents, receivables, pledged time deposits, payables and short-term debts approximate their fair values because of the short maturities of these instruments.
- b. Short-term investments – please refer to Note 5.
- c. The fair value of long-term investments with no quoted market price was estimated using the Investee’s equity in their net assets while the fair value of listed stock is disclosed in Note 8.
- d. Fair value of guarantee deposits paid and receipt are estimated at their carrying amounts.

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.

17. 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. Securities held: Please see Table I.
- d. 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.

18. DISCLOSURE OF PRO FORMA FINANCIAL STATEMENTS

The Corporation changed its financial reporting year-end from a fiscal year that ends in June 30 to a calendar year. For reference purpose, the Corporation has prepared the pro forma income statement, pro forma statement of cash flows and pro forma statement of changes in stockholders equity for the twelve months ended December 31, 2000 (please see Table II to Table IV), using the audited financial statements as of and for the six months ended December 31, 1999 and as of and for the eighteen months ended December 31, 2000.

CENTRAL REINSURANCE CORPORATION

SECURITIES HELD

December 31, 2001

(Amounts in Thousand New Taiwan Dollars, Unless Otherwise Specified)

Held Company Name	Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2001				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 2)	
Central Reinsurance Corporation	Listed common stock - China Television Co., Ltd.	-	Long-term investments	1,945,920	\$ 83,751	0.53%	\$ 21,876	
	Unlisted common stock - Asian Hull Syndicate, Ltd.	-	Long-term investments	400	192	7.14%	1,221	
	Unlisted preferred stock - Taishin International Bank (II)	-	Long-term investments	7,443,000	74,430	0.31%	74,430	

Note 1: The information on short-term investments are not required to be disclosed.

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 net assets of the investees.

TABLE II

CENTRAL REINSURANCE CORPORATION

PRO FORMA STATEMENTS OF INCOME

For the Years Ended December 31, 2001 and 2000

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

	2001		2000	
	Amount	%	Amount	%
OPERATING REVENUES				
Reinsurance premiums written	\$ 14,413,577	136	\$ 12,839,343	146
Reinsurance premiums ceded	<u>4,615,042</u>	<u>43</u>	<u>4,691,759</u>	<u>53</u>
Net reinsurance premiums	9,798,535	93	8,147,584	93
Interest income	529,418	5	520,394	6
Short-term investment income - net	120,915	1	-	-
Overriding commissions	93,337	1	98,055	1
Gain on real estate investments - net	16,641	-	19,988	-
Other revenues	<u>35,095</u>	<u>-</u>	<u>31,485</u>	<u>-</u>
Total Operating Revenues	<u>10,593,941</u>	<u>100</u>	<u>8,817,506</u>	<u>100</u>
OPERATING COSTS				
Reinsurance commissions	3,880,131	37	3,231,286	37
Reinsurance commission ceded	<u>1,401,362</u>	<u>13</u>	<u>1,282,906</u>	<u>15</u>
Net reinsurance commissions	<u>2,478,769</u>	<u>24</u>	<u>1,948,380</u>	<u>22</u>
Claims paid	8,060,973	76	7,271,581	83
Claims recovered	<u>2,459,043</u>	<u>23</u>	<u>2,723,774</u>	<u>31</u>
Net claims paid	<u>5,601,930</u>	<u>53</u>	<u>4,547,807</u>	<u>52</u>
Increase in operating reserves				
Reserve for premiums - net	669,642	6	998,343	12
Claims reserve - net	623,916	6	152,039	2
Contingency fund - net	<u>473,059</u>	<u>5</u>	<u>114,785</u>	<u>1</u>
	<u>1,766,617</u>	<u>17</u>	<u>1,265,167</u>	<u>15</u>
Short-term investment loss - net	<u>-</u>	<u>-</u>	<u>181,437</u>	<u>2</u>
Other expenses	<u>32,100</u>	<u>-</u>	<u>24,754</u>	<u>-</u>
Total Operating Costs	<u>9,879,416</u>	<u>94</u>	<u>7,967,545</u>	<u>91</u>
GROSS PROFIT	714,525	6	849,961	9
OPERATING EXPENSES	<u>345,354</u>	<u>3</u>	<u>353,660</u>	<u>4</u>

(Forward)

OPERATING INCOME	\$ 369,171	3	\$ 496,301	5
NONOPERATING INCOME	564	-	319	-
NONOPERATING EXPENSES	(3,591)	-	(113,111)	(1)
INCOME BEFORE INCOME TAX	366,144	3	383,509	4
INCOME TAX	<u>105,081</u>	<u>1</u>	<u>93,090</u>	<u>1</u>
NET INCOME	<u>\$ 261,063</u>	<u>2</u>	<u>\$ 290,419</u>	<u>3</u>
NET INCOME PER SHARE				
Based on weighted average number of outstanding shares of 300,000,000	<u>\$0.87</u>		<u>\$0.97</u>	

CENTRAL REINSURANCE CORPORATION
 PRO FORMA STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
 For the Years Ended December 31, 2001 and 2000
 (In Thousand New Taiwan Dollars, Except Per Share Amounts)

	CAPITAL STOCK AUTHORIZED AND ISSUED		CAPITAL SURPLUS			RETAINED EARNINGS				UNREALIZED LOSSES ON LONG-TERM INVESTMENTS IN SHARES OF STOCK	CUMULATIVE TRANSLATION ADJUSTMENTS	TOTAL STOCKHOLDERS' EQUITY
	Shares	Amount	Gain on Disposal of Property and Equipment	Revaluation Increment on Property and Equipment	Total	Legal Reserve	Special Reserve	Unappropriated	Total			
BALANCE, JANUARY 1, 2000	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	-	-	-	-	-	-	-	290,419	290,419	-	-	290,419
Unrealized losses on long-term investments in shares of stock	-	-	-	-	-	-	-	-	-	(50,019)	-	(50,019)
Changes in translation adjustments	-	-	-	-	-	-	-	-	-	-	(311)	(311)
BALANCE, DECEMBER 31, 2000	300,000,000	3,000,000	17,540	129,608	147,148	142,296	-	422,783	565,079	(52,839)	(466)	3,658,922
Appropriations of earnings												
Legal reserve	-	-	-	-	-	40,845	-	(40,845)	-	-	-	-
Special reserve	-	-	-	-	-	-	53,424	(53,424)	-	-	-	-
Cash dividends - \$1.09 per share	-	-	-	-	-	-	-	(327,000)	(327,000)	-	-	(327,000)
Balance after appropriations	300,000,000	3,000,000	17,540	129,608	147,148	183,141	53,424	1,514	238,079	(52,839)	(466)	3,331,922
Net income for the fiscal year 2001	-	-	-	-	-	-	-	261,063	261,063	-	-	261,063
Unrealized losses on long-term investments in shares of stock	-	-	-	-	-	-	-	-	-	(9,036)	-	(9,036)
Changes in translation adjustments	-	-	-	-	-	-	-	-	-	-	(569)	(569)
BALANCE, DECEMBER 31, 2001	<u>300,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 17,540</u>	<u>\$ 129,608</u>	<u>\$ 147,148</u>	<u>\$ 183,141</u>	<u>\$ 53,424</u>	<u>\$ 262,577</u>	<u>\$ 499,142</u>	<u>(\$ 61,875)</u>	<u>(\$ 1,035)</u>	<u>\$ 3,583,380</u>

TABLE IV

CENTRAL REINSURANCE CORPORATION

PRO FORMA STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2001 and 2000

(In Thousand New Taiwan Dollars)

	<u>2001</u>	<u>2000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 261,063	\$ 290,419
Adjustments to reconcile net income to net cash provided by operating activities:		
Increase in operating reserves	1,731,213	1,295,955
Provision (reversal of allowance) for loss on short-term investments	(155,488)	155,488
Deferred income taxes	46,342	(60,786)
Provision for doubtful accounts	11,907	-
Depreciation and amortization	6,419	7,181
Depreciation of investments in real estate	1,368	1,367
Loss on disposal of property and equipment	186	25
Changes in operating assets and liabilities:		
Short-term investments	(866,812)	(768,663)
Accounts receivable	(86,888)	(157,554)
Prepaid expenses and other current assets	4,561	9,462
Overdue receivable	(49,428)	(24,247)
Accrued expenses	(54,237)	4,338
Other current liabilities	51,898	(280,365)
Accrued pension cost	-	101,393
Net Cash Provided by Operating Activities	<u>902,104</u>	<u>574,013</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in other assets	(12,756)	712
Acquisitions of property and equipment	(4,654)	(5,789)
Proceeds from disposal of property and equipment	14	10
Increase in long-term investments in shares of stock	(11)	(74,438)
Increase in pledged time deposits	-	(270,625)
Net Cash Used in Investing Activities	<u>(17,407)</u>	<u>(350,130)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(327,000)	-
Increase (Decrease) in guarantee deposits receipt and deposits		
From reserve funds held for reinsurers	(8,314)	6,201
Net Cash Provided by (Used in) Financing Activities	<u>(335,314)</u>	<u>6,201</u>

(Forward)

TRANSLATION ADJUSTMENTS	(<u>\$ 569</u>)	(<u>\$ 311</u>)
NET INCREASE IN CASH AND CASH EQUIVALENTS	548,814	229,773
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>7,212,278</u>	<u>6,982,505</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 7,761,092</u>	<u>\$ 7,212,278</u>
SUPPLEMENTARY INFORMATION		
Interest paid (interest of reinsurance reserve funds released)	<u>\$ 1,914</u>	<u>\$ 1,735</u>
Income tax paid	<u>\$ 85,769</u>	<u>\$ 15,000</u>