2006 Annual Report

Fuhwa Bank

Fuhwa Commercial Bank

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Fuhwa Bank

Fuhwa

Letter to Shareholders

Letter to Shareholders

Dear Shareholders:

Fuhwa Commercial Bank marked a new beginning by accomplishing a remarkable milestone in 2006.

While the growth rate had been steady in the global economy, many local banks in Taiwan were hit hard by the delinquencies of credit and cash cards in late 2005. As a result of the financial storm, the bank industry's return on equity (ROE) plunged to -0.43 percent and the return on assets (ROA) to -0.03 percent in 2006.

Despite the challenge of the domestic economic climate, we had committed dedicated efforts in improving the asset quality as well as writing off bad debt in 2006. While the bad debt caused the net loss of NT$4.8 billion, we managed to improve capital adequacy ratio and increase the total deposit by 10.31 percent from NT$242.4 billion in 2005 to NT$267.4 billion in 2006. The loans balance (including collection) decreased by -0.65 percent from NT$231.3 billion in 2005 to NT$229.8 billion in 2006. The foreign exchange trading increased by 49.76 percent from US$9.138 billion in 2005 to US$13.685 billion. The rate of overdue loans outstanding was dropped to 1.22 percent and the coverage ratio of allowances for NPLs was improved from 42.30 percent in 2005 to 128.52 percent in 2006.

As a result of adequate capitalization and full support from Fuhwa Financial Holding, our credit ratings received from Taiwan Ratings Corporation on December 1, 2006 for long-term and short-term were upgraded from " twA-" and " twA-2" to " twA+" and " twA-1", respectively. The outlook had received a " stable" rating from a previously " positive" rating.

On December 28, 2006, the announcement of the merger between Yuanta Core Pacific Securities and Fuhwa Financial Holding Company marked the beginning of a sustaining growth for the future. The merger was finalized on April 2, 2007 and the capital reallocation from Yuanta Securities would allow us to improve capital adequacy ratio to over 10 percent.

Looking ahead in 2007, we will continue to pursue higher profitability by enhancing management discipline, improving transparency and stability of the corporate financial operations, seizing business opportunities, and strengthening asset quality.

The focus of our business plan is summarized below:

1. We will strengthen our financial platform by expanding branches in Taiwan, Hong Kong, and Mainland China to provide comprehensive financial products and services for the clients of the Fuhwa Financial Holding Company.
2. We will offer diversified financial products to meet the increasing demand for wealth management and explore the potential of the foreign currency trading business to raise revenue with high profitability.
3. We will effectively utilize the resources within the Holding Company and streamline organization structures to achieve maximum efficiencies to improve our competitiveness in the industry.
4. We will devote efforts in developing IT related B2B and B2C business to provide easy access to financial services via the internet for all customers.
5. We will utilize the IT system to improve the management of credit risk controls through prescreening, evaluating, rating, as well as monitoring post loan management.

We believe that we will prosper from the merger of Fuhwa Holding Company and Yuanta Core Pacific Securities because of expansion of the customer base and better integrated products through joint marketing efforts to serve different customer sectors.

We are grateful for your support. Your ongoing suggestions, guidance, and encouragement are welcome and crucial for the long-term success of our continuing growth.

Chairman

Ching P. Yen

Vice Chairman

Michael Wei-Chi Hsu

President

Chong-Ming Her

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Fuhwa Bank

Corporate Information

Corporate Information

(i) About Fuhwa Commercial Bank

Fuhwa Commercial Bank Co., Ltd. (hereinafter referred to as " the Bank "), previously known as Asia Pacific Commercial Bank Co., was licensed by the Ministry of Finance on January 14, 1992 and commenced operations on February 12, 1992. Under Taiwan's Financial Holding Company Law, the Bank became a wholly owned subsidiary of Fuhwa Financial Holding Co., Ltd. on August 1, 2002 through stock transfer, and renamed to Fuhwa Commercial Bank Co., Ltd. on September 2002.

Since inception, the Bank's belief and continuous efforts in "*Honesty, Stability, Service, Innovation, and Philanthropy*" have cultivated a long-term success in the growth of the business. The Bank began with only seven branches in Taiwan. After becoming part of Fuhwa Financial Holding Co., Ltd. at the end of 2002, the Bank grew to have thirty-seven business locations in Taiwan and one representative office in Hong Kong. Through tireless efforts in expanding business and improving customer relationship, the Bank acquired four cooperative banks throughout the years. Currently, the total capital of the Bank is NT$ 18 billion. At the end of 2006, the Bank had more than 2,800 employees and seventy branches in major metropolitan and rural areas.

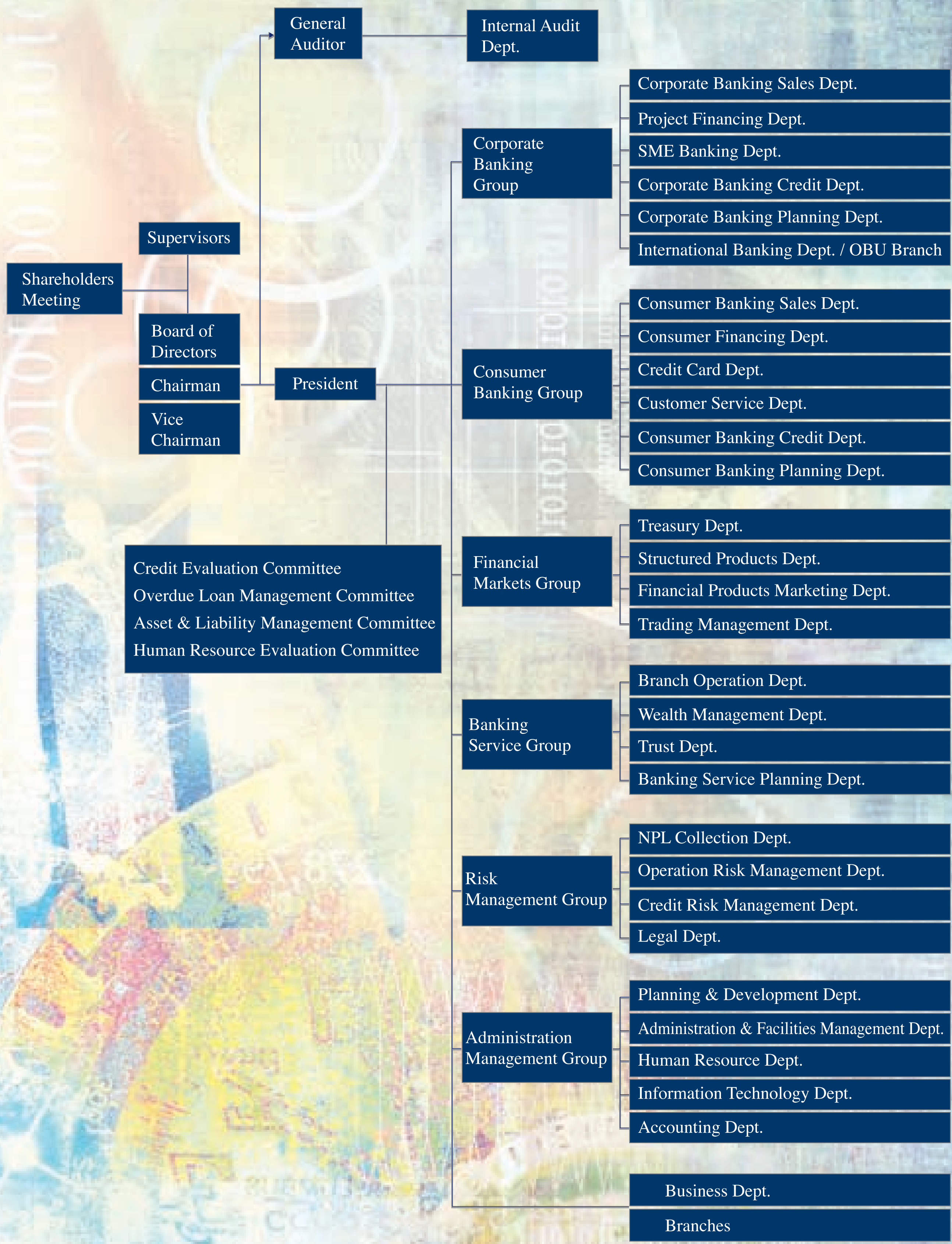
Event Date	Acquired Institution	Branch Increase	Total Branches
2005/12	Tainan 6th Credit Cooperative	12	70
2005/6	Tainan 7th Credit Cooperative	8	58
2004/6	Taitung Credit Cooperative	8	50
2003/7	Toulio Credit Cooperative	5	42
2002/8	37 branches when Asia Pacific Commercial Bank merged into Fuhwa Financial Holding Co. Ltd.		

To emerge from the highly competitive financial environment, Fuhwa Bank continued to expand business locations by emphasizing business in northern Taiwan. By the end of December 2006, 45 percent of all branches were located in northern Taiwan.

The merger of Fuhwa Financial Holding and Yuanta Core Pacific Securities would allow the Bank to leverage resources from the security business through integration of operations, consolidation of existing branch network, and serving as a securities deposit and settlement organization.

Fuhwa Bank is proud to be a full-fledged, professional financial institution in providing our customers with "one-stop-shopping" financial services. In addition to the Fuhwa Financial Holding Co.'s service in trust, securities brokerage, futures brokerage, capital venture investment, investment management and other related financial services, the Bank has also invested in Fuhwa Leasing Co., Ltd., Fuhwa Property Insurance Agent Co., and Fuhwa Life Insurance Agent Co.

(ii) Corporate Structure



(iii) Business Overview

a. Banking Service Group

1) Branch Operation Department
   - Oversee daily operations of bank branches.
   - Provide guidance, training, assistance, and performance evaluation to branch personnel.

2) Wealth Management Department
   - Develop and integrate products and services.
   - Define and measure sales targets.
   - Employ and evaluate sales personnel accordingly to achieve measurable sales targets.

3) Trust Department
   - Develop and implement sales strategies.
   - Define and measure sales targets.
   - Oversee all functions of the Trust Department and its personnel.

4) Banking Service Planning Department
   - Formulate effective sales strategies.
   - Monitor the progress of the plans.

b. Corporate Banking Group

1) Corporate Banking Sales Department
   - Formulate and manage business developments and sales target to assist in evaluating and monitoring corporate loan documentation and process.

2) Project Financing Department
   - Plan and manage corporate loan, syndicated loan, and other special financing projects.

3) SME (Small and Medium Enterprises) Banking Department
   - Develop and implement SME business development.
   - Define and measure sales targets.

4) Corporate Banking Credit Department
   - Evaluate and monitor corporate loan related documentation and requirements.

5) Corporate Banking Planning Department
   - Formulate and manage effective sales strategies.
   - Monitor the progress of the plans.
   - Provide education and training programs to personnel.

6) International Banking Department
   - Manage foreign exchange business.
   - Monitor international branches operations and performances.
7) OBU Branch
   - Manage daily operations of international branches.

c. Consumer Banking Group

1) Consumer Banking Planning Department
   - Formulate effective sales strategies.
   - Plans to manage and monitor the progress of the plans.
   - Provide education and training programs to personnel accordingly.
2) Consumer Banking Sales Department
   - Plan and manage mortgage and other consumer loan products.
   - Provide assistance in evaluating and monitoring client's loan documentation and process.
3) Consumer Financing Department
   - Formulate and manage effective business strategies for auto loans and installment plans.
4) Consumer Banking Credit Department
   - Develop consumer credit policies, collect and monitor NPL, and perform real estate appraisal.
5) Customer Service Department
   - Provide accurate information timely to customers via telephone.
6) Credit Card Department
   - Formulate business strategies on card acquisitions.
   - Manage a comprehensive program for fraud control.
   - Maintain budget-control.

d. Financial Markets Group

1) Treasury Department
   - Manage transactions within the conduit treasury platform and all aspects of funding.
   - Ensure most efficient, cost-effective banking and fund arrangements, transactions and reconciliations.
2) Structured Products Department
   - Develop, manage, and promote derivative and structured

products/solutions.

3) Financial Products Marketing Department
   - Analyze the competitive landscape on interest rate, foreign exchange rate, derivative, and structured products.
4) Trading Management Department
   - Manage asset and liability.
   - Formulate and implement effective pricing strategies.
   - Monitor and review the quality of all the executions.

e. Risk Management Group

1) NPL Collection Department
   - Direct and coordinate the implementation of policies and procedures for delinquent accounts.
2) Operation Risk Management Department
   - Develop policies related to operation risk management.
   - Monitor effectiveness of operation risk control and strategies through execution.
3) Credit Risk Management Department
   - Develop policies related to credit risk management.
   - Monitor effectiveness of credit risk control and strategies through execution.
4) Legal Department
   - Provide regulatory needs.
   - Implement law compliance systems.

f. Administration Management Group

1) Administration and Facilities Management Department
   - Provide support on business affairs.
2) Human Resource Department
   - Recruit and hire employees.
   - Provide professional development programs.
   - Plan in the rollout and management of various Human Resources-related programs and procedures.
3) Planning and Development Department
   - Coordinate processes with cross functional teams to develop and execute various business strategies, employee incentive plans, and e-Commerce projects.

4) Accounting Department
   - Manage the day-to-day accounting operations, consolidate monthly financial results.
   - Complete accurate financial statements timely and various accounting-related projects.

5) Information Technology Department
   - Provide system testing and execution of implementation activities.
   - Estimate and delegate technical tasks for large, complex projects.
   - Analyze and identify technical areas of improvement and support for e-Commerce projects.

g. Internal Audit Department

- Evaluate adequacy and effectiveness of internal controls by reviewing examination and analysis of systems, records, reports, operating practices, and documentation.

(iv) Board of Directors and Management Team

a. Board of Directors

Title	Name	Appointment Date	Positions Currently Held in the Bank and Other Companies
Chairman	Ching-Chang Yen	June 30, 2005	• Chairman, Fuhwa Commercial Bank Co., Ltd. • Chairman, Fuhwa Financial Holding Co., Ltd. • Chairman, Fuhwa Culture and Education Foundation • Director, Inotera Memories, Inc.
Director	Wei-Chien Ma	June 30, 2005	• Chairman, Fuhwa Securities Finance Co., Ltd. • Director, Fuhwa Culture and Education Foundation
Director	Wei-Chen Ma	June 30, 2005	• Vice Chairman, Fuhwa Commercial Bank Co., Ltd. • Director, Fuhwa Asset Management Co., Ltd. • Director, Fuhwa Culture and Education Foundation
Director	Chang-Mirng Her	June 30, 2005	• Director and President, Fuhwa Commercial Bank Co., Ltd. • Director and President, Fuhwa Financial Holding Co., Ltd. • Director, Fuhwa Securities Finance Co., Ltd. • Director, Fuhwa Culture and Education Foundation • Chairman, Fuhwa Life Insurance Agent Co. • Director, Fuhwa Asset Management Co., Ltd. • Director, Sun Chain Technology Corp.
Director	Vincent Lin	June 30, 2005	• Chairman, Fuhwa Financial Consulting Co., Ltd. • Chairman, Fuhwa Venture Capital Co., Ltd. • Chairman, Fuhwa One Venture Capital Co., Ltd. • Supervisor, Fuhwa Securities Co., Ltd.
Director	Yih-Liang Liu	August 23, 2006	• Executive V.P., Fuhwa Commercial Bank Co., Ltd.
Director	Hsien-Dao Chiu	June 30, 2005	• Director, Fuhwa Financial Holding Co., Ltd. • Supervisor, Deh Mei. Co., Ltd. • Director, Yi-He International • Director, Fuhwa Leasing Co., Ltd. • Director, Feng Long Co., Ltd. • Director, Kuan Ya Investment Co. • Director, Jin Li Ent. • Director, Jin Li Trading • Director, Yi ho Auto.

Title	Name	Appointment Date	Positions Currently Held in the Bank and Other Companies
			• Director, San Yueh Textile Co., Ltd. • Supervisor, Martin International • Director, Rui The Co., Ltd. • Director, ChenLong Co., Ltd. • Chairman, Jin Hung Ent. • Director, FIAT Co. • Director, Kuo Chung Co., Ltd.
Director	Wu-Hsiung Chou	August 05, 2005	• Director, Fuhwa Financial Holding Co., Ltd. • Director, Taiwan Fire & Marine Insurance Co., Ltd. • V.P., Bank of Taiwan
Director	Hai-Ching Wang	June 30, 2005	• Director, Fuhwa Financial Holding Co., Ltd. • President, Central Investment Holding Co., Ltd. • Director, Yu-Tai Co., Ltd. • Director, China Daily News • Director, Kuang Hwa Investment Holding Co., Ltd. • Director, Fu Hwa V.C. • Chairman, Yu Hwa Development Co., Ltd. • Director, Sheng Hwa V.C. • Director, Huan Yu Investment. Co., Ltd. • Director, Sino-California Investment Development • Director, Global V.C. • Chairman, Jian Hwa Investment Co., Ltd. • Director, Asia Pacific Broadband Telecom Co., Ltd. • Director, Cheng Yu V.C. • Chairman, Yu Tai Development Co., Ltd. • Director, Sing For Life Insurance Co., Ltd. • Chairman, Shuang Yuan Investment Co., Ltd. • Chairman, Asia Pacific Holding Corp. • Director, Yu Hwa V.C. • Director, Palau Hotel • Director, Chung Yuan Development Co., Ltd. • Director, Hui Hwa V.C. • Director, APH-I • Director, New Horizon Ent. • Director, Central Investment Holding Co., Ltd. • Director, Koppel Ltd • Director, Yong Zuan Investment Co., Ltd.

Title	Name	Appointment Date	Positions Currently Held in the Bank and Other Companies
Supervisor	Ping Gon	June 30, 2005	• Supervisor, Fuhwa Financial Holding Co., Ltd.
Supervisor	Tsai-Yu Chang	August 23, 2006	• Supervisor, Fuhwa Financial Holding Co., Ltd. • Supervisor, Fuhwa Life Insurance Agent Co. • Director, Fuhwa Futures Co., Ltd. • Director, Fuhwa Financial Consulting Co., Ltd. • Director, Fuhwa Venture Capital Co., Ltd. • Director, Fuhwa One Venture Capital Co., Ltd. • Director, Fuhwa Investment Management (Virgin Islands) • Director, Fuhwa Holding (Virgin Islands) • Director, Fuhwa Securities (Hong Kong)
Supervisor	Charles C. Yang	October 24, 2006	• Director, Fuhwa Financial Holding Co., Ltd. • V.P., Land Bank of Taiwan

b. Management Team

Chang-Mirng Her President	Yih-Liang Liu Executive Vice President Financial Markets Group	Dragon Giang Senior Vice President Corporate Banking Group
Chung- Ping Lue Senior Vice President Banking Service Group	Connie Lin Senior Vice President Risk Management Group	Young-Yi Chen Senior Vice President Consumer Banking Group
Ji-Sheng Wang General Auditor	Fred Liu Senior Assistant Vice President Credit Card Dept.	Yung-Long Chen Senior Assistant Vice President Corporate Banking Sales Dept.
Tien-Fu Kao Senior Assistant Vice President Administration & Facilities Management Dept.	Yung-Chung Hwang Senior Assistant Vice President Planning & Development Dept.	Jun-Chung Hou Assistant Vice President International Banking Dept.
Chin-Shun Chiang Assistant Vice President Trading Management Dept.	Jung- Shu Chi Assistant Vice President NPL Collection Dept.	Chung- Mou Lee Assistant Vice President Consumer Banking Sales Dept.
Hsien-Chung Liao Assistant Vice President Branch Operation Dept.	Guor-Liarng Wang Assistant Vice President Corporate Banking Planning Dept.	Yong-Kuan Chen Assistant Vice President Consumer Banking Credit Dept.
Gang Wong Lee Assistant Vice President Consumer Banking Planning Dept.	Yu-Cing Su Assistant Vice President Accounting Dept.	Shu-Yuan Ma Assistant Vice President IT Dept.
Jing-Ping Chang Assistant Vice President Operation Risk Management Dept.	Huei-Ling Chen Assistant Vice President Treasury Dept.	Ting-Yu Chang Assistant Vice President Project Financing Dept.
Ling-Ling Hwang Assistant Vice President Trust Dept.	Jia-Li Chung Assistant Vice President Wealth Management Dept.	Chi-Wen Tso Assistant Vice President Consumer Financing Dept.
Ri-Hsing Lee Assistant Vice President Corporate Banking Credit Dept.	Hsiao-Keng Chang Senior Manager Human Resource Dept.	Yi-Liang Su Manager Credit Risk Management Dept.
Ming-Ren Wang Manager Financial Products Marketing Dept.	Mei-Ju Chen Manager Legal Dept.	Ju-Hwa Yuan Senior Associate Manager Banking Service Planning Dept.

Wen-Chen Chang Representative Hong Kong representative Office	Chen-Fu Chen Assistant Vice President Taichung Branch	Wen-Hsiang Chang Assistant Vice President Wunsin Branch
Miao-Chen Yang Assistant Vice President Taipei Branch	Tzu-Liang Chen Senior Assistant Vice President Shalu Branch	Kuang-Chung Liao Assistant Vice President Fongyuan Branch
Ming-Jen Shih Senior Manager Changhua Branch	Ruei-Yuan Tsai Senior Manager Yuanlin Branch	Jui-Yi Chien Senior Manager Songjiang Branch
Li-Ching Yu Senior Manager Pingjhen Branch	Mei-Hsuan Hwang Senior Manager Caotun Branch	Ching-Pou Tsai Assistant Vice President Yongkang Branch
Chen-Jung Chen Senior Assistant Vice President Kaohsiung Branch	Pei-Pei Fang Senior Manager Chingmei Branch	Ching-Kao Chen Assistant Vice President Hsinchu Branch
Tsung-Hua Shieh Senior Manager Lugang Branch	Ruei-Jian Shieh Assistant Vice President Doushin Branch	Ah-Ching Tu Assistant Vice President Chiayi Branch
Shui-Yi Chang Senior Manager Yonghe Branch	Deng-Ke Chen Senior Assistant Vice President Fusing Branch	Chih-Sheng Pan Assistant Vice President Dali Branch
Ching-Chang Liu Senior Manager Boai Branch	Yao-Tang Ruan Senior Manager Miaoli Branch	Chung-Lin Yeh Senior Manager ChongDe Branch
Hsiang-Wen Wang Manager Beidou Branch	Guang-De Liao Senior Manager Jiali Branch	Shiun-Min Wang Manager Dajia Branch
An-Kuo Hung Manager Huwei Branch	Kun-Ti Lin Senior Manager Shihlin Branch	Hsin-Yu Lin Assistant Vice President Nankan Branch
Hau Tsai Manager Sihu Branch	Hsiu-Bao Lu Assistant Vice President Chengtung Branch	Yin-Wen Hung Assistant Vice President Sinjhang Branch
Yu-Yan Du Manager Chungli Branch	Shin-Yin Chang Manager Sanmin Branch	Jennifer S. C. Lin Assistant Vice President Business Department

Fu-Min Yang Manager Pingtung Branch	Chin-Sen Wang Assistant Vice President Dounan Branch	Yeong-Jen Chen Senior Assistant Vice President Banciao Branch
Ming-Cheng Huang Senior Manager Taoyuan Branch	Jin-Hao Wang Manager Rende Branch	Ming-Kung Tsai Manager Fongshan Branch
Shu-Hui Lai Manager Tungshin Branch	Kuo-Ming Chen Manager Malan Branch	Ting-Chang Chen Senior Manager Neihu Branch
Chun-Huang Chen Senior Manager Yilan Branch	Kaw-Tao Cheng Senior Manager Kinmen Branch	Chung-Fu Tu Senior Manager Linkou Branch
Yu-Ling Hsu Manager Jhubei Branch	Feng-Bin Yang Associate Manager Annan Branch	Jen-Tsung Liu Manager Anchung Branch
Ching-Fu Wang Assistant Vice President Tainan Branch	Hung-Ta Kuo Manager Hsimen Branch	Ching-Long Wang Assistant Vice President Kai Yuan Branch
Chung-Wei Kuo Manager Anhe Branch	Chien-Nan Tseng Manager Gangshan Branch	Ming-Chi Huang Senior Manager Tianmu Branch
Sun-Fang Lin Assistant Vice President Jhonghe Branch	Jia-Ji Yen Senior Manager Minsheng Branch	Chuan-Huan Lai Assistant Vice President Lujhou Branch
Ching-Shui Yang Manager Dontainan Branch	Chi-Chiang Cheng Senior Assistant Vice President Songjiang Branch	Liang-Chuen Chang Assistant Vice President Taosing Branch
Shih-Yao Lin Senior Assistant Vice President Jhongsiao Branch	Zi-Ping Liu Senior Manager Sinyi Branch	Jin-Jen Hsu Senior Manager Jhongshan North Branch
Shi-Hsien Cheng Senior Manager Sindian Branch	Tsong-Chieh Lee Manager Chungkung Branch	Cheng-Hwa Cheng Senior Manager Nanjing East Road Branch
Mu-Shun Pan Senior Manager Fucheng Branch	Sheng-Feng Chen Manager ASIP Branch	Tsong-Ping Jian Manager Hualien Branch

(v) Employee Profile

Year		2005	2006	April 30, 2007
Number of Employees		2,815	2,888	2,858
Average Age		34.82	34.8	35.72
Average Years of Experience		3.52	4	4.27
Education	Doctorate	2	2	2
	Master	149	208	214
	Bachelor	2,195	2,332	2,331
	High School	466	345	308
	Others	3	1	3

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Fuhwa Bank

Capital Allocation Plans

III. Capital Allocation Plans

(i) Shares and Dividends

a. Capital Source

December 31, 2006

In NT$ 1,000
In Thousands of Shares

Month/ Year	Offering Price	Authorized Capital		Paid-in Capital		Remarks	
		Shares	Amount	Shares	Amount	Source of Capital	Others
12/2004	$10	1,400,000	14,000,000	1,400,000	14,000,000		
07/2005	$10	100,000	1,000,000	100,000	1,000,000	Capital Increase by Earning	Note 1
07/2005	$10	300,000	3,000,000	300,000	3,000,000	Cash Capital Increment (Private Placement)	Note 2

Note 1: Gin-Guan-Jen (I) No.0940115706 dated May 16, 2005
Note 2: Gin-Guan-Yin (VI) No.0940013937 dated June 17, 2005

Type of Stock	Authorized Capital			Remark
	Outstanding Shares	Unissued Shares	Total	
Common Stock	1,800,000	—	1,800,000	Listed Stocks

b. Composition of Shareholders

December 31, 2006

Shareholders / Quantity	Government Institutions	Financial Institutions	Other Institutions	Individuals	Foreign Institutions and Foreigners	Total
Number of Holders	0	1	0	0	0	1
Shares	0	1,800,000,000	0	0	0	1,800,000,000
%	0	100%	0	0	0	100%

c. Major Shareholders Information

Shares / Major Shareholders	Shares	Shareholdings (%)
Fuhwa Financial Holding Co., Ltd.	1,800,000,000	100%

December 31, 2006

Name	Major Shareholders	Shareholding (%)
Fuhwa Financial Holding Co., Ltd.	Kuang Hwa Investment Holding Co., Ltd.	15.82
	Monarch Investment Group	10.94
	Yuanta Core Pacific Securities Co., Ltd.	9.99
	Yue Yang Investment Co., Ltd.	6.90
	Land Bank of Taiwan	6.73
	Bank of Taiwan	6.69
	Yu Hwa Development Co., Ltd.	4.41

December 31, 2006

Major Shareholders of Fuhwa Financial Holding Co., Ltd.	Major Shareholders	Shareholding (%)
Kuang Hwa Investment Holding Co., Ltd.	Central Investment Holding Co., Ltd.	100.00
Monarch Investment Group	Wei-Chien Ma	43.08
Yuanta Core Pacific Securities Co., Ltd.	Yuan Hung Investment Co., Ltd.	4.94
Yue Yang Investment Co., Ltd.	Monarch Investment Group	100.00
Land Bank of Taiwan	Ministry of Finance	100.00
Bank of Taiwan	Ministry of Finance	100.00
Yu Hwa Development Co., Ltd.	Kuang Hwa Investment Holding Co., Ltd.	100.00

d. Net Worth Per Share, Earnings, Dividends and Market Price Per Share for the Past Two Years

In NT$

<table>
<tr><th colspan="3">Items / Year</th><th>2006</th><th>2005</th><th>As of April 30, 2007</th></tr>
<tr><td rowspan="3">Market Price Per Share</td><td colspan="2">Highest</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td colspan="2">Lowest</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td colspan="2">Average</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td rowspan="2">Net Worth Per Share</td><td colspan="2">Before Dividend Distribution</td><td>7.76</td><td>10.41</td><td>7.97</td></tr>
<tr><td colspan="2">After Dividend Distribution</td><td>7.76</td><td>10.39</td><td>7.97</td></tr>
<tr><td rowspan="3">Earnings Per Share (EPS)</td><td colspan="2">Weighted Average No. of Shares (1000 shares)</td><td>1,800,000</td><td>1,650,000</td><td>1,800,000</td></tr>
<tr><td rowspan="2">EPS</td><td>Before Adjustment</td><td>(2.65)</td><td>0.03</td><td>0.21</td></tr>
<tr><td>After Adjustment</td><td>(2.65)</td><td>0.03</td><td>0.21</td></tr>
<tr><td rowspan="4">Dividends Per Share (NT$/Share)</td><td colspan="2">Cash Dividends</td><td>–</td><td>0.02</td><td>–</td></tr>
<tr><td rowspan="2">Stock Dividend</td><td>Dividends Appropriated from Retained Earnings</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td>Dividends Appropriated from Capital Surplus</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td colspan="2">Accumulated Unappropriated Dividends</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td rowspan="3">Analysis for Return on Investments</td><td colspan="2">P/E Ratio</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td colspan="2">Price-Dividend Ratio</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td colspan="2">Cash-Dividend Yield</td><td>–</td><td>–</td><td>–</td></tr>
</table>

e. Dividends

There were no dividends distributed due to the net loss for 2006.

(ii) Issuance of Bank Debentures

The Bank issued the debentures in order to enhance capital adequacy ratio and increase operating funds.

With approval from the governing authority, the Bank had already issued debentures totaling NT$4.5 billion and NT$5.0 billion on November 4, 2002 and February 24, 2006, respectively. Both were completed before the requested due dates. The Bank had also received approval to issue quota of NT$5.0 billion each of general subordinated debentures and subordinated debentures on November 2, 2006. The issuance of NT$4.8 billion of subordinated debenture was completed. The remaining NT$0.2 billion of subordinated debentures and full amount of NT$5.0 billion of general subordinated debentures were yet to be issued. As of December 31, 2006, the Bank had already issued a total of NT$14.3 billion debentures.

As a result of issuing the first series of subordinated debentures in 2006, the capital adequacy ratio was improved from 8.14 percent in the end of December 2005 to 9.90 percent at the end of March 2006. After issuing the second series of subordinated debentures, the capital adequacy ratio was improved from 8.59 % in the end of September 2006 to 9.21% in the end of December 2006.

Phase	2002 Bank Debenture – Issuance 1	2002 Bank Debenture – Issuance 1
Date and Serial No. Approved by Authority	September 24, 2002 Tai-Tsai-Rong-(II) – 0910042863	September 24, 2002 Tai-Tsai-Rong-(II) – 0910042863
Date	November 04, 2002	November 4, 2002
Par Value	NT$3,100,000	NT$1,400,000
Issuance and Trading Venue	Taipei	Taipei
Currency	NTD	NTD
Issue Price	Priced at face value on issuing date	Priced at face value on issuing date
Interest	6.15% less LIBOR (Note 1)	3.5%
Term	Term: 5 Years and 3 Months Maturity Date: February 4, 2008	Term: 5 Years and 3 Months Maturity Date: February 4, 2008
Type	Subordinated Debenture	Subordinated Debenture
Guarantor	None	None
Trustee	None	None
Underwriting Organization	None	None
Verification Attorneys-at-Law	Chien Yeh Law Office	Chien Yeh Law Office,
Verification Certified Public Accountants	KPMG	KPMG
Verification Financial Institution	Grand Bills Finance Corp.	Grand Bills Finance Corp.
Exercise	None	None
Conversion and Exchange Terms	None	None
Restriction Terms	None	None
Include in Net Capital (Risk-Based Capital Ratio); Category of Risk-Based Capital	Yes ; Tier II	Yes ; Tier II
Rating Date Credit Rating Agency Result	December 2, 2002 Taiwan Rating twBBB-	December 2, 2002 Taiwan Rating twBBB-

Note 1: The stated interest rates were recalculated every half-year according to the average six-month US dollar LIBOR.

Phase	2006 Bank Debenture – Issuance 1	2006 Bank Debenture – Issuance 2 Series 1	2006 Bank Debenture – Issuance 2 Series 2
Date and Serial No. Approved by Authority	February 15, 2006 Jin-Kuan-Yin (VI)-No. 09500034970	November 2, 2006 Jin-Kuan-Yin (VI)-No. 09500480850	November 2, 2006 Jin-Kuan-Yin (VI)-No. 09500480850
Date	February 24 , 2006	December 22, 2006	December 27, 2006
Par Value	NT$ 5,000,000	NT$ 1,800,000	NT$ 3,000,000
Issuance and Trading Venue	Taipei	Taipei	Taipei
Currency	NTD	NTD	NTD
Issue Price	Priced at face value on issuing date	Priced at face value on issuing date	Priced at face value on issuing date
Interest	2.55%	2.5%	3.25%; the interest rate will rise to 4.25% if the Bank does not call back after 5 years.
Term	Term: 5 Years and 6 months Maturity Date: August 24, 2011	Term: 6 Years Maturity Date: December 22, 2012	No maturity date, except from repurchase
Type	Subordinated Debenture	Subordinated Debenture	Subordinated Debenture
Guarantor	None	None	None
Trustee	None	None	None
Underwriting Organization	None	None	None
Verification Attorneys-at-Law	Chien Yeh Law Office	Chien Yeh Law Office	Chien Yeh Law Office
Verification Certified Public Accountants	KPMG	KPMG	KPMG
Verification Financial Institution	Grand Bill Finance Corp	None	None
Exercise	None	None	None
Conversion and Exchange Terms	None	None	None
Restriction Terms	None	None	None
Include in Net Capital (Risk-Based Capital Ratio); Category of Risk-Based Capital	Yes; Tier II	Yes; Tier II	Yes; Tier II
Rating Date Credit Rating Agency Result	None	December 01, 2006 Taiwan Rating twA+	December 01, 2006 Taiwan Rating twA+

2006 Annual Report
Fuhwa Bank

Business Segment Results

IV. Business Segment Results

(i) Deposit

in NT$ millions

Structures of Deposits	12/31/2006		12/31/2005		Comparison with 2005	
	Amount	%	Amount	%	Amount Increase (decrease)	Increase (decrease) %
Demand Deposits (note)	88,012	32.99	76,450	31.10	11,562	15.12
Checking Deposits	2,514	0.94	2,266	0.92	248	10.94
Demand Deposits	18,302	6.86	13,673	5.56	4,629	33.86
Demand Savings Deposits	67,196	25.18	60,511	24.62	6,685	11.05
Time Deposits (note)	162,067	60.74	151,290	61.55	10,777	7.12
Time Deposits	61,504	23.05	67,315	27.39	(5,811)	(8.63)
Term Savings Deposits	100,563	37.69	83,975	34.16	16,588	19.75
Time Deposits Transferred from the Post Office & Banks	16,741	6.27	18,055	7.35	(1,314)	(7.28)
Subtotal	266,820	100.00	245,795	100.00	21,025	8.55
Foreign Currency Deposits	17,338		14,629		2,709	18.52
Total	284,158		260,424		23,734	9.11

*Note: The demand deposits and time deposits don't include foreign currency deposits and treasury deposits.

(ii) Loan Services

in NT$ millions

Items	12/31/2006		12/31/2005		Comparison with 2005	
	Amount	%	Amount	%	Amount Increase (decrease)	Increase (decrease) %
Corporate Financing	112,419	49.33	99,737	44.03	12,681	12.71
Corporate Loans	49,021	21.51	41,363	18.26	7,658	18.51
SME Loans	32,862	14.42	29,187	12.88	3,675	12.59
Policy Loans	2,623	1.15	620	0.27	2,003	323.06
Foreign Currency Loans	17,709	7.77	17,413	7.69	296	1.70
Others	9,982	4.48	11,154	4.92	(950)	(8.52)
Consumer Financing	115,741	50.67	126,798	55.97	(11,279)	(8.90)
Mortgages	84,939	37.26	86,671	38.26	(1,732)	(2.00)
Car Loans	9,413	4.13	10,340	4.56	(927)	(8.96)
Consumer Loans	21,160	9.28	29,599	13.07	(8,439)	(28.51)
Others (Cash Card)	229	0.00	188	0.08	(182)	(96.62)
Total	227,938	100.00	226,535	100.00	1,402	0.62

(iii)Foreign Exchange Services

In US$ 1,000

Items \ Year	2006		2005		Comparison with 2005	
	Amount	%	Amount	%	Amount Increase (decrease)	Increase (decrease) %
Importing	974,586	7.12	763,740	8.36	210,846	27.61
Exporting	343,115	2.50	262,248	2.87	80,867	30.84
Outward	5,918,383	43.25	3,865,216	42.30	2,053,167	53.12
Inward	6,449,200	47.13	4,246,713	46.47	2,202,487	51.86
Total	13,685,284	100.00	9,137,917	100.00	4,547,367	49.76

(iv)Trust Services

in NT$1,000

Items \ Year		2006	2005	Comparison with 2005	
				Amount Increase (decrease)	Increase (decrease)%
No-discretionary Trust Funds invested in domestic and foreign marketable securities	Domestic Funds (incl. Equity linked Note)	9,559,964	11,468,302	(1,908,338)	(16.64)
	Offshore Funds (incl. Overseas Marketable Securities)	33,150,816 (note)	22,730,875	10,419,941	45.84
	Fee income	414,874	338,610	76,264	22.52
Custody services	Balance of Custodian Asset	47,969,452	35,674,880	12,294,572	34.46
	Fee Income	31,867	43,830	(11,963)	(27.29)
Balance of Employees Stock Ownership Trust		619,224	463,480	155,744	33.60
Balance of Living Trust		87,775	59,460	28,315	47.62
Balance of Specific Independent Money Trust		42,559	42,580	(21)	(0.05)
Balance of Mutual Trust (Only money market mutual trust is issued so far)		1,354,718	756,300	598,418	79.12
Balance of Marketable Securities Trust		870,789	764,850	105,939	13.85
Balance of Money Credit and Collateral Trust		9,833,663	10,912,940	(1,079,277)	(9.89)
Balance of Real Estate Trust		1,168,614	1,410,240	(241,626)	(17.13)
Fee Income (excl. custody, specific money trust investing in domestic / offshore marketable securities)		34,159	25,610	8,549	33.38
The Amount of Marketable Securities Certification		34,950,000	37,843,000	(2,893,000)	(7.64)

Note: Including OBU Trust Property NT$39,441,000

(v) Credit Card Services

Items	2006	2005	Comparison with 2005	
			Amount Increase (decrease)	Increase (decrease)%
Total Number of Cards Issued	607,370	583,732	23,638	4.05
Number of Cards Active	245,879	290,856	(44,977)	(15.46)
Amount of Cards Transactions (NT$ millions)	6,678	7,042	(364)	(5.17)
Revolving Balance (NT$ millions)	2,670	4,332	(1,662)	(38.37)

(vi) Investment Services

in NT$ millions

Type of transaction	2006	2005
Transactions of Bonds	688,138	447,367
Transactions of Bills	417,141	187,265

In US$ millions

Type	2006	2005
Spot Forex	11,212	7,736
Forward Forex	614	557
Foreign Exchange Swap	2,209	2,362
Option	1,130	554

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Fuhwa Bank

Financial Statements

V. Financial Statements

(i) Five-Year Summary of Selected Financial Data

a. Statement of Income

In NT$ 1,000, Except EPS

Items \ Year		Years Ended December 31				
		2006	2005	2004	2003	2002
Net interest income		5,848,037	5,897,274	5,293,577	3,959,102	3,407,468
Other non-interest income		(1,029,527)	418,833	1,185,365	1,002,123	1,062,316
Bad debt expenses for loans and advances to customers		6,078,190	2,292,224	1,147,145	1,251,038	6,096,884
Operating expenses		4,400,308	3,949,796	3,281,138	2,718,110	1,707,912
Income from continuing operations before income tax		(5,659,988)	74,087	2,050,659	992,077	(3,335,012)
Income from continuing operations after income tax		(4,777,022)	51,669	1,502,258	913,579	(2,772,489)
Gain (loss) from discontinued operations		-	-	-	-	-
Extraordinary gain / loss (Net after tax)		-	-	-	-	-
Cumulative effect of changes in accounting principles (Net after tax)		11,158	-	-	-	-
Net income(loss)		(4,765,864)	51,669	1,502,258	913,579	(2,772,489)
Earning per share (in NT$)	Before adjustment	(2.65)	0.03	1.11	0.87	(2.37)
	After adjustment	(2.65)	0.03	1.04	0.77	(2.61)

*Note: The financial data was audited and reviewed by KPMG.

b. Balance Sheet

In NT$ 1,000

Items \ Year		Years Ended December 31				
		2006	2005	2004	2003	2002
Cash & Cash equivalent, due from Central Bank and placement to other banks		63,275,717	35,492,474	37,651,406	29,950,906	26,940,517
Marketable securities purchased		-	-	24,538,408	23,350,138	23,423,109
Financial assets at fair value through profit or loss, net		11,998,139	7,781,535	-	-	-
Bills and bonds purchased under agreements to resell		611,200	59,556	-	-	1,646,723
Available-for-sale financial assets, net		16,667,948	17,575,892	-	-	-
Loans and advances to customers		226,180,652	228,842,212	195,102,670	168,475,062	119,262,086
Accounts receivable, net		13,983,904	9,265,445	7,960,841	6,607,607	2,687,782
Held-to-maturity financial assets, net		325,960	-	-	-	-
Long-term investments under Equity Method		160,555	185,194	217,678	187,828	162,932
Property and equipment, net		3,088,194	3,067,008	2,903,625	2,557,215	1,385,604
Goodwill and intangible assets		1,446,600	1,455,523	529,421	298,010	10,159
Other financial assets		2,101,809	2,372,896	1,890,627	1,080,043	1,104,309
Other Assets, net		2,925,277	2,770,515	1,899,187	2,738,826	2,367,096
Total Assets		**342,765,955**	**308,868,250**	**272,693,863**	**235,245,635**	**178,990,317**
Deposits by Central bank and other banks		26,328,167	26,099,261	24,670,040	31,385,695	24,412,636
Deposits & remittances		267,431,677	242,414,362	211,320,395	172,883,629	129,426,377
Financial liabilities at fair value through profit or loss		2,478,259	104,849	-	-	-
Bills and bonds sold under agreements to repurchase		12,140,286	10,796,321	10,903,860	9,737,969	7,300,390
Financial debentures		12,166,000	4,500,000	4,500,000	4,500,000	4,500,000
Preferred stock liability		-	-	-	-	-
Accrued pension liabilities		21,783	57,482	25,745	68,166	47,254
Other financial liabilities		501,190	74,560	-	-	-
Other liabilities		7,736,466	6,092,160	5,485,365	5,275,494	3,034,476
Total liabilities	**Before distribution**	**328,803,828**	**290,138,995**	**256,905,405**	**223,850,953**	**168,721,133**
	After distribution	**328,803,828**	**290,175,163**	**256,956,985**	**223,984,517**	**168,721,133**
Stockholders		18,000,000	18,000,000	14,000,000	10,500,000	12,115,136
Capital surplus		14,673	14,673	14,673	14,673	11,740
Retained earnings	Before distribution	(4,028,159)	773,874	1,773,785	905,091	(1,635,364)
	After distribution	(4,013,486)	737,706	722,205	271,527	(1,635,364)
Unrealized gain on available-for-sale financial assets		15,273	-	-	-	-
Cumulative translation adjustment		-	-	-	-	-
Other adjustment to stockholders' equity		(39,660)	(59,292)	-	(25,082)	(222,328)
Total Shareholders' Equity	**Before distribution**	**13,962,127**	**18,729,255**	**15,788,458**	**11,394,682**	**10,269,184**
	After distribution	**13,962,127**	**18,693,087**	**15,736,878**	**11,261,118**	**10,269,184**

*Note: The financial data was audited and reviewed by KPMG.

(ii) Five-Year Summary of Selected Financial Ratios

Item analyzed	Year	Years Ended December 31				
		2006	2005	2004	2003	2002
Resource Management	Loan-to-deposit Ratio (%)	81.72	89.84	86.42	88.30	78.38
	NPL Ratio (%)	1.22	2.49	2.93	3.75	4.22
	Interest Expense to Average Total Deposits (%)	1.58	1.33	1.12	1.54	2.62
	Interest Revenue to Average Total Loans (%)	3.89	3.79	3.68	4.01	5.56
	Total Asset Turnover (# of times)	0.01	0.02	0.02	0.02	0.02
Profit Performance	Return on Asset (%)	(1.46)	0.02	0.59	0.44	(1.60)
	Return on Equity (%)	(29.16)	0.30	11.05	8.43	(23.80)
	Net Profit Margin(%)	(98.91)	0.82	23.19	18.41	(62.03)
	Earning Per Share（NT$）	(2.65)	0.03	1.04	0.77	(2.61)
Financial Structure	Debt to Total Assets	95.92	93.94	94.21	95.16	94.26
	Fixed Assets to Equity Ratio	22.12	16.38	18.39	22.44	13.49
Growth Ratio	Asset Growth Rate (%)	10.97	13.27	15.92	31.43	7.38
	Earnings Growth Rate(%)	(7,739.65)	(96.39)	106.70	129.75	(497.49)
Liquidity Reserve Ratio		20.00	12.40	12.70	14.30	21.90

Fuhwa Commercial Bank

Financial Statements

December 31, 2006 and 2005
(With Independent Auditors' Report Thereon)

Address: 1, 2, 3, 7F., No. 4, Sec. 1, Jhongsiao W. Rd., Jhongjheng District, Taipei City 100, Taiwan (R.O.C.)

Tel：(02)2380-1888

Independent Auditors' Report

The Board of Directors
Fuhwa Commercial Bank:

We have audited the accompanying balance sheets of Fuhwa Commercial Bank as of December 31, 2006 and 2005, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Republic of China generally accepted auditing standards and the Rules Governing Auditing and Certification of Financial Statements of Financial Institutions by Certified Public Accountants. 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 in the first paragraph present fairly, in all material respects, the financial position of Fuhwa Commercial Bank as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Banks, the Business Entity Accounting Act, the Regulation on Business Entity Accounting Handling, and Republic of China generally accepted accounting principles.

As described in note 3 to the financial statements, Fuhwa Commercial Bank, starting from January 1, 2006, adopted ROC Statements of Financial Accounting Standards No. 34 (SFAS No. 34) "Financial Instruments: Recognition and Measurement", No. 36 (SFAS 36) "Financial Instruments: Disclosure and Presentation", and the recently revised No. 1 (SFAS No. 1) "Conceptual Framework for Financial Accounting and Preparation of Financial Statements". As a result, net loss before the cumulative effect of changes in accounting principle and basic deficits per share decreased by $127,546 thousand and $0.07, respectively. In accordance with SFAS No. 34, the beginning balance of financial assets and liabilities should be reclassified and re-measured at fair value. For the year ended December 31, 2006, the resulting cumulative effect of changes in accounting principle and the decrease in basic deficits per share were $11,158 thousand and $0.01, respectively.

Fuhwa Commercial Bank has prepared consolidated financial statements for Fuhwa Commercial Bank and its subsidiaries as of and for the years ended December 31, 2006 and 2005, on which we have expressed a modified unqualified opinion with explanatory paragraphs for reference.

KPMG

February 9, 2007

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with the 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.

FUHWA COMMERCIAL BANK

Balance Sheets

December 31, 2006 and 2005
(Expressed in thousands of New Taiwan dollars, except for par value)

	2006	2005	Change %
Assets			
Cash and cash equivalents (note 4(1))	$ 5,830,373	6,178,992	(6)
Due from Central Bank and placement to other banks (note 4(2))	57,445,344	29,313,482	96
Financial assets at fair value through profit or loss, net (notes 4(3), 5 and 6)	11,998,139	7,781,535	54
Bills and bonds purchased under agreements to resell (notes 4(5), and 6)	611,200	59,556	926
Accounts receivable, net (notes 4(6), (7), (14) and 5)	13,983,904	9,265,445	51
Loans and advances to customers (notes 4(7), 5 and 7)	226,180,652	228,842,212	(1)
Available-for-sale financial assets, net (notes 4(3), (4) and 6)	16,667,948	17,575,892	(5)
Held-to-maturity financial assets, net	325,960	-	-
Long-term investments under equity method, net (note 4(8))	160,555	185,194	(13)
Other financial assets, net (notes 4(3) and (8))	2,101,809	2,372,896	(11)
Property and equipment, net (notes 4(9) and 7)	3,088,194	3,067,008	1
Goodwill and intangible assets (notes 3 and 4(10))	1,446,600	1,455,523	(1)
Other assets－net:			
Deferred income tax assets (note 4(14))	1,647,120	720,360	129
Other assets (note 4(9))	1,278,157	2,050,155	(38)
	2,925,277	2,770,515	6
Total assets	**$ 342,765,955**	**308,868,250**	11

	2006	2005	Change %
Liabilities and Stockholders' Equity			
Deposits by Central Bank and other banks	$ 26,328,167	26,099,261	1
Financial liabilities at fair value through profit or loss (notes 4(3)and (12))	2,478,259	104,849	2,264
Bills and bonds sold under agreements to repurchase (notes 4(5), 5 and 6)	12,140,286	10,796,321	12
Notes and accounts payable (note 5)	7,512,586	5,859,712	28
Deposits and remittances (notes 4(11) and 5)	267,431,677	242,414,362	10
Financial debentures (notes 4(12) and 5)	12,166,000	4,500,000	170
Accrued pension liabilities (note 4(13))	21,783	57,482	(62)
Other financial liabilities	501,190	74,560	572
Other liabilities (note 4(3))	223,880	232,448	(4)
Total liabilities	328,803,828	290,138,995	13
Stockholders' Equity (notes 3, 4(4), (14), and (15)):			
Stockholders:			
Common stock of $10 par value per share; authorized and issued 1,800,000 thousand shares in 2006 and 2005	18,000,000	18,000,000	-
Capital surplus	14,673	14,673	-
Retained earnings:			
Legal reserve	737,705	722,205	2
Unappropriated earnings (accumulated deficits)	(4,765,864)	51,669	(9,324)
	(4,028,159)	773,874	(621)
Other adjustments to stockholders' equity:			
Net loss from unrecognized pension cost	(39,660)	(59,292)	33
Unrealized gain on available-for-sale financial assets	15,273	-	-
	(24,387)	(59,292)	59
Total stockholders' equity	13,962,127	18,729,255	(25)
Commitments and contingent liabilities (notes 4(14), 5, 7 and 10)			
Total liabilities and stockholders' equity	**$ 342,765,955**	**308,868,250**	11

See accompanying notes to financial statements.

FUHWA COMMERCIAL BANK

Statements of Income

For the years ended December 31, 2006 and 2005
(expressed in thousands of New Taiwan dollars, except for earnings per share)

	2006	2005	Change %
Interest income (notes 4(3) and 5)	$ 10,883,447	10,029,124	9
Less: Interest expense (note 5)	5,035,410	4,131,850	22
Net interest income	5,848,037	5,897,274	(1)
Other non-interest income:			
Fee and commission income, net (note 5)	992,092	1,240,714	(20)
Gain on financial instruments at fair value through profit or loss (notes 4(3) and 5)	91,913	92,739	(1)
Realized loss on available-for-sale financial assets (note 4(4))	(10,178)	(239,495)	96
Investment income under the equity method, net	45,004	32,506	38
Foreign exchange loss, net	(23,681)	(71,720)	67
Other non-interest income, net	113,554	159,591	(29)
Asset impairment loss	-	(122,795)	-
Reversal of reserve for guarantee liabilities	78,389	-	-
Other bad debt expenses (note 4(7))	(2,316,620)	(672,707)	(244)
Net revenue	4,818,510	6,316,107	(24)
Bad debt expenses for loans and advances to customers (note 4(7))	6,078,190	2,292,224	165
Operating expenses:			
Personnel costs (notes 4(13) and 10)	2,522,342	2,220,901	14
Depreciation and amortization (notes 4(9), (10) and 10)	395,520	344,402	15
Other general and administrative expenses (note 5)	1,482,446	1,384,493	7
	4,400,308	3,949,796	11
Income from continuing operations before income tax	(5,659,988)	74,087	(7,740)
Income tax expense (benefit) (note 4(14))	(882,966)	22,418	(4,039)
Income (loss) before cumulative effect of changes in accounting principle (note 3)	(4,777,022)	51,669	(9,345)
Cumulative effect of changes in accounting principle, net of income tax of $10,166 (notes 3 and 4(14))	11,158	-	-
Net income (loss)	**$ (4,765,864)**	**51,669**	(9,324)

	2006 Before tax	2006 After tax	2005 Before tax	2005 After tax
Basic earnings (deficits) per share (notes 3 and 4(15))				
Net income (loss) before cumulative effect of changes in accounting principle	**$ (3.14)**	(2.66)	**0.04**	0.03
Cumulative effect of changes in accounting principle		0.01		-
Net income (loss)		**$ (2.65)**		**0.03**

See accompanying notes to financial statements.

FUHWA COMMERCIAL BANK

Statement of Changes in Stockholders' Equity

For the years ended December 31, 2006 and 2005
(expressed in thousands of New Taiwan dollars)

	Common stock	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Unappropriated retained earnings (accumulated deficits)	Net loss from unrecognized pension cost	Unrealized gain on available-for-sale financial assets	Total
Balance at January 1, 2005	$ 14,000,000	14,673	271,527	1,502,258	-	-	15,788,458
Issuance of common for cash (note 4(15))	3,000,000	-	-	-	-	-	3,000,000
Appropriation of retained earnings (note 4(15)):							
Legal reserve	-	-	450,678	(450,678)	-	-	-
Bonus to employees	-	-	-	(21,031)	-	-	(21,031)
Cash dividends	-	-	-	(30,549)	-	-	(30,549)
Retained earnings transferred to common stock	1,000,000	-	-	(1,000,000)	-	-	-
Recognition of net loss from unrecognized pension cost	-	-	-	-	(59,292)	-	(59,292)
Net income for 2005	-	-	-	51,669	-	-	51,669
Balance at December 31, 2005	18,000,000	14,673	722,205	51,669	(59,292)	-	18,729,255
Appropriation of retained earnings (note 4(15)):							
Legal reserve	-	-	15,500	(15,500)	-	-	-
Bonus to employees	-	-	-	(723)	-	-	(723)
Cash dividends	-	-	-	(35,446)	-	-	(35,446)
Reversal of net loss from unrecognized pension cost	-	-	-	-	19,632	-	19,632
Recognition of unrealized gain on available-for-sale financial assets (note 4(4))	-	-	-	-	-	15,273	15,273
Net loss for 2006	-	-	-	(4,765,864)	-	-	(4,765,864)
Balance at December 31, 2006	**$ 18,000,000**	**14,673**	**737,705**	**(4,765,864)**	**(39,660)**	**15,273**	**13,962,127**

See accompanying notes to financial statements.

FUHWA COMMERCIAL BANK

Statements of Cash Flows

For the years ended December 31, 2006 and 2005
(expressed in thousands of New Taiwan dollars)

	2006	2005
Cash flows from operating activities:		
Net income (loss)	$ (4,765,864)	51,669
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Provision for bad debts of loans and advances to customers	8,394,810	2,964,931
Reversal of reserves	(76,777)	(9,933)
Depreciation	320,736	215,590
Amortization	74,784	128,812
Loss on sale of available-for-sale financial assets, net	10,178	239,495
Gain on long-term equity investment under equity method	(45,004)	(32,506)
Cash dividends from investees under equity method	70,643	64,991
Gain on disposal of bond investments in non-active market	(9,612)	6,858
Loss on disposal of property and equipment, net	15,889	10,664
Loss on disposal of other assets	371	246
Loss (gain) on sale of foreclosed assets, net	32,793	(18,641)
Gain on sale of idle assets, net	(6,565)	(13,978)
Impairment loss on idle assets	-	122,795
Depreciation on idle assets	8,044	-
Decrease (increase) in financial assets at fair value through profit or loss	(4,216,604)	570,248
Increase in accounts receivable	(7,035,079)	(2,066,082)
Decrease (increase) in other financial assets	(36,541)	236,458
Decrease (increase) in deferred income tax assets	(926,760)	12,745
Increase (decrease) in financial liabilities at fair value through profit or loss	239,410	(118,030)
Increase in notes and account payable	1,652,874	1,063,056
Increase (decrease) in accrued pension liabilities	(16,067)	31,737
Net cash provided by (used in) operating activities	(6,314,341)	3,461,125
Cash flows from investing activities:		
Decrease (increase) in due from Central Bank and placement to other banks	(28,131,862)	4,380,394
Increase in bills and bonds purchased under agreements to resell	(551,644)	(59,556)
Increase in loans and advances to customers	(3,415,587)	(22,459,233)
Acquisition of available-for-sale financial assets	(42,224,880)	(223,312,162)
Proceeds from disposal of available-for-sale financial assets	43,137,919	220,080,608
Acquisition of held-to-maturity financial assets	(325,960)	-
Increase in long-term investment under equity method	(1,000)	-
Capital refund from investees under cost method	2,320	1,130
Acquisition of bond investments in non-active markets	(1,751,599)	(1,053,580)
Proceeds from disposal of bond investments in non-active markets	2,065,476	1,194,057
Acquisition of property and equipment	(600,604)	(608,753)
Proceeds from disposal of property and equipment	145,044	2,638
Proceeds from disposal of foreclosed assets	203,218	288,705
Increase in idle assets	(42,519)	-
Proceeds from disposal of idle assets	315,650	271,788
Decrease (increase) in other assets	292,894	(86,895)
Net cash provided by acquisitions (note 10)	-	5,005,826
Net cash used in investing activities	(30,883,134)	(16,355,033)
Cash flows from financing activities:		
Increase in deposits by Central Bank and other banks	228,906	3,313,269
Increase (decrease) in bills and bonds sold under agreements to repurchase	1,343,965	(107,539)
Increase in deposits and remittances	25,017,315	8,816,118
Issuance of financial debentures	9,800,000	-
Increase (decrease) in other financial liabilities	426,630	(47,495)
Increase (decrease) in other liabilities	68,209	(263,205)
Cash dividends and bonus to employees	(36,169)	(51,580)
Issuance of common stock for cash	-	3,000,000
Net cash provided by financing activities	36,848,856	14,659,568
Net increase (decrease) in cash and cash equivalents	(348,619)	1,765,660
Cash and cash equivalent, at beginning of year	6,178,992	4,413,332
Cash and cash equivalent, at end of year	**$ 5,830,373**	**6,178,992**
Supplementary disclosure of cash flows:		
Cash payment of interest	**$ 4,649,680**	**3,844,517**
Cash payment of income tax	**$ 100,306**	**115,327**

See accompanying notes to financial statements.

Fuhwa Commercial Bank

Notes to Financial Statements

December 31, 2006 and 2005
(expressed in thousands of New Taiwan dollars, unless otherwise specified)

1. Organization

Fuhwa Commercial Bank (the Bank) was founded on January 14, 1992, and commenced operations on February 12, 1992. The Bank is principally engaged in commercial banking activities allowed by the Banking Law and in business activities authorized by the supervising authority of the central government. In September 2002, the Bank was authorized to be renamed Fuhwa Commercial Bank from Asia Pacific Bank.

On August 1, 2002, in accordance with the Financial Holding Company Law, the Bank became a subsidiary of Fuhwa Financial Holding Company by share exchange and was de-listed from the stock market at the same time.

The Bank's parent company is Fuhwa Financial Holding Co., Ltd. As of December 31, 2006, the number of the Bank's employees was 2,888.

2. Summary of Significant Accounting Policies

The financial statements of the Bank are presented in the local currency and in Chinese. These financial statements have been translated into English. The translated information is consistent with the Chinese version of the Bank's financial statements from which it is derived.

The financial statements of the Bank are prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Banks, the Business Entity Accounting Act, the Regulation on Business Entity Accounting Handling, and ROC generally accepted accounting principles. The financial statements are prepared primarily on a historical cost basis except as otherwise specified in the following accounting policies. A summary of significant accounting policies and the measurement basis used in preparing the financial statements is as follows:

(1) Basis of preparation

The financial statements include the accounts of the head office and its branches. All intra office balances and transactions have been eliminated for preparation of the financial statements.

The Bank, for internal management purposes, should maintain separate accounts and prepare separate sets of financial statements for the entrusted funds managed by the Bank. All the entrusted assets are booked to the memo account.

(2) Foreign currency transactions

Except for accounts in its Offshore Banking Unit (OBU) that are maintained in US dollars, accounts in all other departments are maintained in New Taiwan dollars. For those transactions denominated in foreign currencies, assets and liabilities are recorded in their original foreign currencies, and all income and expense accounts denominated in original foreign currencies are translated into New Taiwan dollars at daily closing exchange rates. At the balance sheet date, the financial statement amounts in all foreign currencies are translated into New Taiwan dollars at exchange rates assigned on that date. Differences from translation are recorded as gains or losses for the current period.

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Fuhwa Commercial Bank

Notes to Financial Statements

(3) Cash and cash equivalents

The Bank considers cash and due from banks as cash and cash equivalents.

(4) Deposit reserve

Deposit reserve is calculated based on the monthly average balance of the various deposit accounts, by using legal reserve ratios as promulgated by the Central Bank of China (CBC). The deposit reserve－demand account is placed with the CBC and is subject to change only when the monthly reserve requirement is adjusted.

(5) Financial assets and liabilities at fair value through profit or loss

Starting from January 1, 2006, the Bank accounts for financial assets in accordance with ROC Statement of Financial Accounting Standards (SFAS) No. 34 "Financial Instruments: Recognition and Measurement". The Bank recognizes the purchases or sales of stocks, funds, convertible corporate bonds denominated in New Taiwan dollars and beneficiary certificates using trade-date accounting and of other financial assets using settlement-date accounting. These financial instruments are initially recognized at fair value plus acquisition or issuance cost.

Financial assets whose changes in fair value are recognized in profit or loss include debt securities, equity shares and derivative instruments held or issued by the Bank. These financial assets can be classified into two subcategories: financial asset held for trading purposes and financial assets designated at fair value. Financial assets held for trading purposes are acquired or held principally for the purpose of selling or repurchasing them in the near term.

Financial instruments with fair value changes recognized in profit or loss should be measured at fair value. The fair value of an asset is the amount at which the asset could be purchased or sold in a current arm's-length transaction between willing parties. A quoted market price, if available, in an active market is the best evidence of fair value. The fair value of listed or OTC stocks is the market closing price of the last transaction day. The market price of open-end funds is the net asset value on the balance sheet date. The fair value of local bonds is represented by the OTC's quoted market price of the last transaction day of the bonds. However, if a quoted market price is not available, fair value should be estimated using the information available in the circumstances or estimated using pricing models. Estimation of fair value is usually based on recent trading prices of such financial instruments and supplemented by related valuation techniques available.

The realized and unrealized gain or loss, including the amortization of discount and premium, on financial instruments at fair value through profit or loss are recognized in the income statement. Interest income (expense) and cash dividends received during the holding period are recorded under the accounts "interest income (expense)" and "gain (loss) on financial instruments at fair value through profit or loss", respectively. Cash dividends, including the dividends declared in the year of investment, are recognized as income on the ex-dividend date or when the board approves the cash dividends. Stock dividends are not recognized as income but treated as increases in the number of shares held.

(Continued)

Fuhwa Commercial Bank

Notes to Financial Statements

A financial instrument cannot be reclassified into or out of the fair value through profit or loss category after initial recognition. In accordance with explanatory letter Ji-Mi-Zih No. 296 issued in 2006 by the Accounting Research and Development Foundation, after adopting SFAS No. 34 "Financial Instruments: Recognition and Measurement", financial assets held for trading purposes which are provided as collateral for loans or refundable deposits should still be recognized as financial assets held for trading purposes.

The investments held by the Bank on December 31, 2005, were classified as marketable securities, long-term equity investments, and derivative instruments. Marketable securities including short-term bills, listed stocks, government bonds, financial debentures, corporate bonds, and beneficiary certificates are recorded at cost when acquired and are evaluated by the lower-of-total-cost-or-market-value method on the balance sheet date. The market prices of listed stocks and closed-end funds are determined by the average closing price for the last month of the reporting period. The market prices of open-end funds are the net asset value on the balance sheet date. The market prices of financial debentures and corporate bonds are determined by the value on the nearest trading date. The market prices of government bonds are determined by the last trading price on the OTC at the balance sheet date. When the investments are sold, except for the cost of short-term bills sold being determined by the specific identification method, the cost of other investments sold is determined by the weighted-average-cost method.

The marketable securities as of December 31, 2005, have been reclassified and presented to conform to the financial statements for the year ended December 31, 2006.

(6) Available-for-sale financial assets

Starting from January 1, 2006, the Bank adopted ROC SFAS No. 34 "Financial Instruments: Recognition and Measurement". The Bank recognizes the purchases or sales of stocks, funds, convertible corporate bonds denominated in New Taiwan dollars, and beneficiary certificates using trade-date accounting and of other financial assets using settlement-date accounting. These financial instruments are initially recognized at fair value plus acquisition or issuance cost.

Available for sale financial assets are subsequently remeasured at fair value, and the changes therein are recognized in the shareholders' equity adjustment account. Fair value is based on the quoted market price or estimated amount if the quoted market price is not available. When there is any indication of impairment in the value of the available for sale financial assets, the impairment loss should be recognized in the income statement. The impairment losses recognized in the income statement on debt instruments classified as available for sale are reversed through the income statement if the fair value of such debt instruments increases in a subsequent period. When available for sale financial assets are sold, cumulative gains or losses previously recognized in equity are recognized in the income statement. Interest income and cash dividends are recorded under "interest income" and "realized gain on available for sale financial assets", respectively. Cash dividends are recognized as income on the ex-dividend date or when the board approves the cash dividends. Cash dividends received are deducted from the amount invested in the same year. Stock dividends are not recognized as income but treated as increases in the number of shares held.

The marketable securities as of December 31, 2005, have been reclassified as available-for-sale financial assets and presented to conform to the financial statements for the year ended December 31, 2006.

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Fuhwa Commercial Bank

Notes to Financial Statements

(7) Held-to-maturity financial assets

Starting from January 1, 2006, the Bank adopted ROC SFAS No. 34 "Financial Instruments: Recognition and Measurement". The Bank recognizes the purchases or sales of stocks, funds, convertible corporate bonds denominated in New Taiwan dollars, and beneficiary certificates using trade-date accounting and of other financial assets using settlement-date accounting. These financial instruments are initially recognized at fair value. The amount recognized includes acquisition or issuance cost.

Held-to-maturity financial assets are recorded at amortized cost. Amortized cost and interest income or interest expense of held-to-maturity financial assets is evaluated using the effective interest rate. If there is any objective evidence of impairment in the value of the held-to-maturity financial assets, an impairment loss is recognized in the income statement accordingly. In a subsequent period, if the value of a debt instrument classified as held-to-maturity financial assets increases, and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement. The carrying amount of the held-to-maturity financial assets after the reversal should not exceed the amortized cost of the assets assuming no impairment loss was recognized in prior periods.

(8) Derivative financial instruments

Derivative financial instruments are foreign exchange forward contracts, currency swaps, interest rate swaps, and currency and interest rate swaps and options, which are entered into by the Bank in foreign exchange, interest rate and capital markets. Derivative financial instruments are for trading purposes except for those accounted for under hedge accounting. Trading purposes include market creation, customer services, trading and other relevant activities.

Derivative financial instruments held for trading purposes are evaluated at fair value. Changes in fair value are recorded as current period income or loss. Fair value is the amount at which the asset could be purchased or sold in a current arm's-length transaction between willing parties. A quoted market price, if available, in an active market is the best evidence of fair value; however if a quoted market price is not available, fair value should be estimated using the information available in the circumstances or using pricing models. Estimation of fair value is usually based on recent trading prices of similar financial instruments and supplemented by related valuation techniques available.

Derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right of offset exists, and the parties intend to settle the cash flows on a net basis.

An embedded derivative financial instrument is split from the host contract and accounted for as a separate derivative if the embedded derivative financial instrument meets the definition specified in the Statements of Financial Accounting Standards. The host contract, depending on whether or not it is a financial instrument, is recognized according to the related Statements of Financial Accounting Standards.

(9) Sale and repurchase agreements

Financial instruments sold (purchased) under repurchase (resell) agreements are stated at the acquisition cost. The difference between the sale and the repurchase price is treated as interest income or interest expense and recognized over the life of the agreement.

(Continued)

Fuhwa Commercial Bank

Notes to Financial Statements

(10) Loans and advances to customers, and related allowance for doubtful accounts

Credit terms are decided by the term to maturity of loans. The loan period of short term loans is within one year, the loan period of medium term loans is one to seven years, and the loan period of long term loans is more than seven years. Loans with pledged assets are recorded as secured loans.

All loans are recorded initially as the actual amount lent out and reported at their outstanding principal balances net of any provisions for doubtful accounts. An allowance for doubtful accounts is determined by an evaluation of the collectibles of loans, receivables, and advance accounts. Doubtful accounts are written off when the recovery possibility is remote.

Principal or interest overdue over three months is categorized as overdue accounts. Interest overdue over six months is categorized as overdue accounts before June 30, 2005. In addition, when principal or interest has not been paid for over six months, the said principal and interest are transferred to non performing loans. When this occurs, interest will only be calculated and booked to the memo account accordingly.

In accordance with Ruling-Tai-Tsai-Rong No. 88733168, banks should provide 3% of operating revenue as allowance for bad debt to speed up the write-off of the default accounts from July 1, 1999, and for the following four years. In addition, based on interpretation letter Wa-Chung-One-Yi No. 09200114870, the aforementioned ruling is still valid until the overdue accounts ratio is lower than 1%. The aforementioned allowance is recognized as operating expenses－provisions expense and charged to current operations.

(11) Long-term investments under equity method

Long-term investments are accounted for under the equity method when the percentage of ownership exceeds 20%, or is less than 20% but the Bank has significant influence over the investee.

When the Bank disposes of long-term investment accounted for under the equity method, the difference between the cost and the selling price at the disposal date is recorded in gain (loss) on disposal of long-term equity investment. If there is any capital surplus arising from long-term investment under the equity method, such capital surplus is transferred to current income or loss by the percentage of disposal.

Starting from January 1, 2005, investments in which the Bank has controlling interests are consolidated into the Bank's consolidated financial statements in accordance with ROC SFAS No. 7 "Consolidated Financial Statements". In addition, for the parent company's consolidation purposes, the Bank has prepared consolidated financial statements in accordance with ROC SFAS No. 7 on a quarterly basis.

(12) Other investments

Holdings of unlisted or non-OTC stocks over which the Bank does not have significant influence are classified as financial assets stated at cost. Since the fair value cannot be obtained, these financial assets are measured at cost. If there is any objective evidence of impairment in the value of the financial assets stated at cost, an impairment loss is recognized in the income statement accordingly. This impairment loss cannot be reversed.

(Continued)

Fuhwa Commercial Bank

Notes to Financial Statements

Bond investments in a non-active market are those that do not have public quotes in an active market and are recorded at amortized cost. If there is any objective evidence of impairment in the value of the bond investment in non-active market, an impairment loss is recognized in the income statement accordingly. In a subsequent period, if the value of a debt instrument classified as bond investments in a non-active market increases, and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement. The carrying amount of the bond investments in a non-active market after the reversal should not exceed the amortized cost of the assets assuming no impairment loss was recognized in prior periods.

Cash dividends from the aforementioned financial assets are recorded under "other non-interest income, net". Stock dividends are not recognized as income but treated as increases in the number of shares held. In addition, if the fair value is available and reliably measurable, the aforementioned financial assets should be evaluated by using fair value and reclassified as "available-for-sale financial assets".

(13) Property and equipment, and related depreciation

Property and equipment are stated at acquisition cost. Interest expense on the acquisition of assets is capitalized and classified under appropriate categories of property and equipment. Major renewals and betterments of property and equipment are capitalized, while maintenance and repairs are expensed.

Apart from land, depreciation is calculated on a straight line basis over the estimated useful lives of the respective assets. In addition, the salvage value is amortized over the estimated remaining useful life of an asset. Gains or losses on the disposal of property and equipment are recorded as non operating income or losses.

The estimated useful lives of property, plant and equipment are listed as follows:

Buildings	3~55 years
Equipment	3~5 years
Transportation equipment	3~5 years
Leasehold improvements	3~10 years
Other equipment	3~20 years

(14) Intangible assets－goodwill

Goodwill arose in the acquisition of The Credit Cooperative of Douliou, The Credit Cooperative of Taidong, The Tainan Seventh Credit Cooperative, and The Tainan Sixth Credit Cooperative and was recognized as the purchase price less the market value of tangible assets obtained. Starting in 2006, in accordance with the newly revised ROC SFAS No. 1 "Conceptual Framework for Financial Accounting and Preparation of Financial Statements", goodwill shall not be amortized.

(15) Other intangible assets

Computer software is recorded at acquisition cost and is amortized over three years.

(Continued)

Fuhwa Commercial Bank

Notes to Financial Statements

(16) Other asset－idle assets

Starting from January 1, 2006, the Bank adopted ROC SFAS No. 1 "Conceptual Framework for Financial Accounting and Preparation of Financial Statements", when the property and equipment are not used for operating or any other purposes, the Bank should transfer the original cost, accumulated depreciation, and accumulated impairment of fixed asset to other assets－idle assets. The idle assets should be depreciated continually. In accordance with ROC SFAS No. 35 "Impairment of Assets", the idle assets should be assessed at each balance sheet date where there is any indication of impairment, and then the Bank should perform an impairment test.

(17) Other asset－foreclosed assets

Foreclosed assets are stated at their net realizable value. Any difference between the original loans and advances and the net realizable value is recognized as bad debts.

(18) Asset impairment

Effective January 1, 2005, the Bank adopted ROC SFAS No. 35 "Impairment of Assets". In accordance with ROC SFAS No. 35, the Bank assesses at each balance sheet date whether there is any indication that an asset other than goodwill may have been impaired. If any such indication exists, the Bank estimates the recoverable amount of the asset. The Bank recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount. The Bank assesses the cash generating unit of goodwill on an annual basis and recognizes an impairment loss on the excess of carrying value over the recoverable amount.

The Bank reverses an impairment loss recognized in prior periods for assets other than goodwill if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods. The impairment loss recognized for goodwill cannot be reversed.

(19) Deposits by banks, and deposits and remittances

Deposits are recorded at the contracted principal amount or the expected value on maturity.

(20) Financial debentures

The Bank issued financial debentures at par with a lump-sum payment at maturity, and the interest expenses are computed and recorded at face value multiplied by the stated interest rate every month. The annual fee paid to the Gre Tai (Over-the-Counter) Securities Market (OTC) is recognized as operating expense.

(21) Other liability－reserve for securities trading losses

According to the Rules Governing Securities Firms, 10% of the securities trading gains in excess of losses must be provided as a reserve on a monthly basis, until the accumulated balance of such reserve reaches $200,000. Such reserve can only be used to offset the loss from securities trading.

The aforementioned reserve for trading losses is recognized as other liability－reserve for securities trading losses and charged to other non-interest expense or income.

(Continued)

Fuhwa Commercial Bank

Notes to Financial Statements

(22) Other liability－reserve for losses on guarantees

The reserve for losses on guarantees is determined by evaluating the potential losses on guarantees and commitments.

The aforementioned reserve for guarantees is recorded as other liability－reserve for losses on guarantees and charged to non-interest expense or income.

(23) Retirement plan

The original employee retirement plan of the Bank was established in 1992 for the benefit of all eligible employees. Effective from May 1, 1997, such plan was modified in order to comply with the Labor Standards Law. Pension payments are computed based on years of service and the average monthly salary prior to retirement. On July 1, 2005, the Labor Pension Act (the New System) became effective. Under the New System the Bank has an obligation to contribute no less than 6% of monthly paid salary to the pension accounts in the Labor Insurance Bureau individually owned by the Bank's existing employees who choose to join the new system and the employees hired after the effective date. The amounts deposited are charged to current operations.

In accordance with the defined benefit pension plan, the measurement date for the completion of the actuarial assessment was the end of each fiscal year. The amount of the accumulated benefit obligation over pension plan assets is recognized as minimum pension liability on the reporting date. Furthermore, the Bank recognizes net pension cost, which includes current service cost, and amortization of net transition asset or obligation, prior service cost, and unrecognized gain (loss) on a pension plan, amortized over the average remaining service years on a straight line basis.

Minimum pension liability usually occurs due to the existence of unrecognized prior service cost and unrecognized transitional net assets or net benefit obligation. If the amount of minimum pension liability does not exceed the sum of unrecognized prior service cost and unrecognized transitional net assets or net benefit obligation, then the difference would be charged to the deferred pension cost account; otherwise, the difference shall be charged to the account net loss not yet recognized as net pension cost. Deferred pension cost is classified as an intangible asset; net loss from unrecognized net pension cost is classified as a reduction of stockholders' equity.

(24) Recognition of revenue

Interest revenue and fees and commissions are recognized as income on an accrual basis.

(25) Income tax

Income tax is estimated based on the accounting net income. Deferred income tax is determined based on differences between the financial statements and tax basis of assets and liabilities, using enacted tax rates in effect during the years in which the differences are expected to reverse. The income tax effects due to taxable temporary differences are recognized as deferred income tax liabilities. The income tax effects due to deductible temporary differences, loss carryforwards, and income tax credits are recognized as deferred income tax assets. The realization of deferred income tax assets is evaluated, and a valuation allowance is recognized accordingly.

The 10% surtax on unappropriated earnings is recorded as expense in the year the stockholders approve the distribution of earnings.

(Continued)

Fuhwa Commercial Bank

Notes to Financial Statements

In accordance with the Financial Holding Company Act, Article 49, the Bank has adopted its parent company, Fuhwa Financial Holding, as the taxpayer to file a consolidated corporate income tax return and pay the 10% surtax on undistributed earnings from 2003. When the Bank prepared its financial statements, the Bank accounted for its income tax in conformity with ROC SFAS No. 22 "Income Taxes". However, the Bank also adjusted the related income tax balance in a reasonable and systematic way to reflect the differences computed under filing a consolidated corporate income tax return with Fuhwa Financial Holding as the taxpayer. The adjustments resulting from using Fuhwa Financial Holding as the taxpayer to file to a consolidated corporate income tax return are recorded under receivable from (payable to) related parties.

(26) Earnings per share of common stock

Earnings per share are computed as net income divided by the weighted average number of issued shares of common stock. Treasury stock reduces the issued outstanding shares of common stock. The increase in issuance of a stock dividend from retained earnings or capital surplus or the decrease in issued shares due to capital reduction is adjusted retroactively. Furthermore, if the designated date of record for a stock dividend or capital reduction is proposed before the issuance of the financial statements, the earnings per common share are adjusted retroactively.

3. The Reason for and Effect of Accounting Changes

The Bank adopted ROC SFAS No. 35 "Impairment of Assets" in 2005. As of December 31, 2005, there was no asset which had an indication of impairment. In addition, the Bank performed an impairment test on goodwill, and no impairment loss needed to be recognized.

Effective January 1, 2006, pursuant to the newly revised ROC SFAS No. 1 "Conceptual Framework for Financial Accounting and Preparation of Financial Statements", goodwill is no longer being amortized. The resulting effect of this change in accounting principle amounted to $145,128. The net loss before cumulative effect of changes in accounting principle and basic deficit per share decreased by $108,846 and $0.06 (dollars), respectively.

Starting from January 1, 2006, the Bank accounted for its financial assets and liabilities in accordance with ROC SFAS No. 34 "Financial Instruments: Recognition and Measurement" and ROC SFAS No. 36 "Financial Instruments: Disclosure and Presentation". These caused net loss before the cumulative effect of changes in accounting principle and basic deficit per share to decrease by $18,700 and $0.01 (dollars), respectively.

As a result, for the year ended December 31, 2006, the net loss before the cumulative effect of changes in accounting principle and basic deficit per share decreased by $127,546 and $0.07 (dollars), respectively. In accordance with ROC SFAS No. 34, the beginning balances of financial assets and financial liabilities should be reclassified and re-measured at fair value. For the year ended December 31, 2006, the resulting cumulative effect of changes in accounting principle amounted to $11,158 and basic deficit per share decreased by $0.01 (dollars), respectively.

4. Summary of Major Accounts

(1) Cash and Cash Equivalents

As of December 31, 2006 and 2005, the composite banking insurance amounted to $327,500.

(Continued)

Fuhwa Commercial Bank

Notes to Financial Statements

(2) Due from Central Bank and Placement to Other Banks

As of December 31, 2006 and 2005, due from Central Bank and placement to other banks were as follows:

		2006	2005
Deposit reserve:			
Checking account	$	3,847,495	3,980,321
Demand account		7,255,888	6,233,311
		11,103,383	10,213,632
Certificates of deposit		42,800,000	15,950,000
Placement to other banks		3,541,961	3,149,850
Total	**$**	**57,445,344**	**29,313,482**

(3) Financial Assets and Liabilities at Fair Value through Profit or Loss

As of December 31, 2006 and 2005, financial assets and liabilities at fair value through profit or loss were as follows:

		2006	2005
Trading assets:			
Rate-related instruments	$	5,000,672	3,301,688
Equity securities / equity-linked notes		492,377	571,678
Beneficiary certificates		2,645,999	1,612,426
Derivatives		288,001	117,724
Structural bonds		-	2,178,019
		8,427,049	7,781,535
Financial assets designated at fair value:			
Equity securities / equity-linked notes		968,002	-
Structural bonds		2,603,088	-
		3,571,090	-
Total	**$**	**11,998,139**	**7,781,535**

		2006	2005
Trading liabilities:			
Derivatives	$	398,285	104,849
Financial liabilities designated at fair value:			
Subordinate financial debentures		2,079,974	-
Total	**$**	**2,478,259**	**104,849**

(Continued)

Fuhwa Commercial Bank

Notes to Financial Statements

In accordance with SFAS No. 34, some parts of hybrid financial instruments held in 2005 were designated to be financial assets and financial liabilities at fair value through profit or loss.

For the years ended December 31, 2006 and 2005, net gain (loss) on financial assets and financial liabilities at fair value through profit or loss were as follows:

	2006	2005
Net gain (loss) on valuation and disposal of trading assets:		
Rate-related instruments	$ (200,717)	6,250
Equity securities / equity-linked notes	176,177	(5,030)
Beneficiary certificates	30,232	(5,779)
Derivatives	166,491	145,013
Structural bonds	-	21,826
	172,183	162,280
Dividend income	6,189	35,308
Interest income	142,187	284,300
Total	**$ 320,559**	**481,888**

	2006	2005
Net gain (loss) on valuation and disposal of financial assets designated at fair value:		
Equity securities / equity-linked notes	$ 48,686	-
Structural bonds	(32,194)	-
	16,492	-
Interest income	178,486	-
Total	**$ 194,978**	-

	2006	2005
Net loss on valuation and disposal of trading liabilities:		
Derivatives	**$ (82,098)**	**(104,849)**

(Continued)

Fuhwa Commercial Bank

Notes to Financial Statements

	2006	2005
Net loss on valuation and disposal of financial liabilities designated at fair value:		
Equity securities / equity-linked notes	$ (20,853)	-

As of December 31, 2005, in accordance with interpretation Ji-Mi-Zih No. 016 issued in 2005 by the Accounting Research and Development Foundation, after adopting ROC Statement of Financial Accounting Standards No. 34 "Financial Instruments: Recognition and Measurement", the Bank reclassified bills evaluated by the lower-of-total-cost-or-market-value method amounting to $27,310,477 (net of allowance for cost in excess of market value of $51,447) to financial assets at fair value with changes in fair value recognized in profit or loss of $7,663,811, available-for-sale financial assets of $17,575,892, and bond investments in non-active markets of $2,070,774. The amounts of derivatives under other financial assets and other liabilities reclassified to trading assets and liabilities were $117,724 and $104,849, respectively.

(4) Available-for-sale Financial Assets

As of December 31, 2006 and 2005, available-for-sale financial assets were as follows:

	2006		
	Cost after amortization	Unrealized gain (loss)	Fair value
Rate-related instruments			
Government bonds	$ 7,003,104	(15,530)	6,987,574
Corporate bonds	8,590,045	33,791	8,623,836
Financial debentures	251,345	(57)	251,288
Beneficiary certificates	808,181	(2,931)	805,250
Total	$ 16,652,675	15,273	16,667,948

	2005
	Book value
Rate-related instruments	
Government bonds	$ 9,587,082
Corporate bonds	7,988,810
Total	$ 17,575,892

As of December 31, 2006 and 2005, ranges of yield rates of available-for-sale financial assets were 0.00%~5.50% and 0.10%~3.21%, respectively.

(Continued)

Fuhwa Commercial Bank

Notes to Financial Statements

For the year ended December 31, 2006, movements of unrealized gain on available-for-sale financial assets were as follows:

	Amount
Beginning balance	$ -
Add: effect of adoption of new SFAS	-
recognized for the year	5,095
Less: realized loss for the year	(10,178)
Ending balance	$ 15,273

(5) Bills and Bonds Purchased under Agreements to Resell; Bills and Bonds Sold under Agreements to Repurchase

As of December 31, 2006 and 2005, bills and bonds purchased (sold) under agreements to resell (repurchase) were as follows:

	2006	
	Period to resell or repurchase	**Interest rate (%)**
Bills and bonds purchased under agreements to resell	2007.1.2~ 2007.1.15	1.63
Bills and bonds sold under agreements to repurchase	2007.1.2~ 2007.3.19	1.42~1.70

	2005	
	Period to resell or repurchase	**Interest rate (%)**
Bills and bonds purchased under agreements to resell	2006.1.6	1.47
Bills and bonds sold under agreements to repurchase	2006.1.2~ 2006.8.23	1.24~1.45

Bills and bonds purchased under agreements to resell and bills and bonds sold under agreements to repurchase are the sale or purchase of a bond coupled with an agreement to resell or repurchase the same or substantially identical bond at a stated price. As of December 31, 2006, such transactions treated as financing transactions were recognized as financial assets at fair value through profit or loss of $4,514,417, bills and bonds purchased under agreements to resell of $530,867, and available-for-sale financial assets of $6,638,478. As of December 31, 2005, amounts of related assets of such financing transactions with agreements to repurchase were $10,729,798.

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Fuhwa Commercial Bank

Notes to Financial Statements

(6) Accounts Receivable, Net

As of December 31, 2006 and 2005, accounts receivable, net, were as follows:

		2006	2005
Credit card receivable	$	3,282,384	5,163,804
Affiliate receivable		485,326	418,685
Acceptance receivable		1,141,815	609,966
Tax-refund receivable		8,665	8,665
Interest receivable		1,271,832	1,038,136
Underwriting receivable and other receivable		8,226,172	2,269,141
Subtotal		14,416,194	9,508,397
Less: allowance for bad and doubtful accounts		432,290	242,952
	$	**13,983,904**	**9,265,445**

As of December 31, 2006 and 2005, details of credit card receivable classified by card-holders' age were as follows:

		2006	2005
Age 20 to 29	$	513,232	797,100
Age 30 to 44		1,836,270	2,879,675
Age 45 to 64		906,645	1,452,721
Age over 65		26,237	34,308
Total	**$**	**3,282,384**	**5,163,804**

As of December 31, 2006 and 2005, credit card receivables with accrued interest were $2,679,480 and $4,330,711, respectively.

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Fuhwa Commercial Bank

Notes to Financial Statements

(7) Loans and Advances to Customers

As of December 31, 2006 and 2005, loans and advances to customers were as follows:

		2006	2005
Remittance and discounts for exports	$	714,332	242,887
Short-term loans and overdrafts		22,796,053	25,302,141
Short-term secured loans and overdrafts		14,012,179	15,824,086
Medium-term loans		52,554,792	61,593,737
Medium-term secured loans		39,550,716	32,747,518
Long-term loans		8,922,750	4,377,820
Long-term secured loans		89,002,744	86,446,845
Accounts receivable factoring		385,101	-
Non-performing loans		1,831,089	4,747,316
Subtotal		229,769,756	231,282,350
Less: allowance for bad and doubtful accounts		3,589,104	2,440,138
	$	**226,180,652**	**228,842,212**

The Bank provided allowance for bad debts from loans, advances to customers, and so on, especially for the risk of specific debts which cannot be collected entirely. The risk of specific debts is evaluated by the defaults on payments. To strengthen the Bank's financial structure, enhance the ability to accept risk, and reinforce the quality of assets, the Bank evaluated and provided additional allowance for bad debts for expired loans and advances to customers in 2006.

For the years ended December 31, 2006 and 2005, movements of allowance for bad and doubtful accounts were as follows:

		2006		
		Specific provision	General provision	Total
Beginning balance	$	2,683,090	-	2,683,090
Add: provision for doubtful accounts		8,394,810	-	8,394,810
recoveries of doubtful accounts		524,544	-	524,544
foreign exchange translation adjustment		230	-	230
Less: write-off		7,581,280	-	7,581,280
Ending balance	$	**4,021,394**	-	**4,021,394**

(Continued)

Fuhwa Commercial Bank

Notes to Financial Statements

		2005	
	Specific provision	**General provision**	**Total**
Beginning balance	$ 1,230,204	987,533	2,217,737
Add: provision for doubtful accounts	3,952,464	(987,533)	2,964,931
provision related to acquisition of The Tainan 7th Credit Cooperative	9,458	-	9,458
provision related to acquisition of The Tainan 6th Credit Cooperative	637,280	-	637,280
recoveries of doubtful accounts	392,730	-	392,730
foreign exchange translation adjustment	2,498	-	2,498
Less: write-off	3,541,544	-	3,541,544
Ending balance	**$ 2,683,090**	**-**	**2,683,090**

As of December 31, 2006 and 2005, details of allowance for bad and doubtful accounts were as follows:

	2006	**2005**
Loans and advance (including non-performing loans)	$ 3,589,104	2,440,138
Accounts receivable	432,290	242,952
Total	**$ 4,021,394**	**2,683,090**

For the year ended December 31, 2006, the provisions for bad debt expenses and other bad debt expenses were $6,078,190 and $2,316,620 (including credit card bad debt expenses of $2,189,881), respectively. For the year ended December 31, 2005, the provisions for bad debt expenses and other bad debt expenses were $2,292,224 and $672,707 (all were credit card bad debt expenses), respectively.

For the years ended December 31, 2006 and 2005, the amounts of allowance for bad debt generated from 3% of operating revenue were $317,991 and $297,540, respectively.

As of December 31, 2006 and 2005, loans and advances not accruing interest were $1,831,089 and $4,747,316, respectively. As of December 31, 2006 and 2005, the amounts of interest receivables that were not accrued from loans and advances were $34,039 and $136,754, respectively.

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Fuhwa Commercial Bank

Notes to Financial Statements

As of December 31, 2006 and 2005, details of loans classified by geographical region were as follows:

		2006	2005
Domestic	$	218,741,850	219,352,905
Overseas		11,027,906	11,929,445
Total	$	229,769,756	231,282,350

As of December 31, 2006 and 2005, details of loans classified by industry were as follows:

		2006	2005
Manufacturing	$	44,287,205	34,086,412
General commercial		21,002,331	14,940,044
Construction		6,323,033	6,407,878
Private		126,866,309	141,003,155
Others		31,290,878	34,844,861
Total	$	229,769,756	231,282,350

As of December 31, 2006 and 2005, asset quality was as follows:

		2006		2005	
Item		Amount	Percentage of total outstanding loans	Amount	Percentage of total outstanding loans
Overdue loans category A	$	1,872,651	0.82	5,214,041	2.25
Overdue loans category B		919,895	0.40	555,145	0.24
Total overdue loans	$	2,792,546	1.22	5,769,186	2.49
Reserve for loans	$	3,589,104		2,440,138	
Write-off of current allowance for bad debts from overdue loans balance	$	7,581,280		3,541,544	

For the year ended December 31, 2006, the non-reportable amounts of overdue loans and receivables after negotiations were $90,358 and $29,381, respectively.

Note 1: The overdue loans (including nonperforming loans) are reported in accordance with the "Regulations on Reserving Allowance for Asset Impairment and Allowance for Bad Debts from Overdue Loans and Nonperforming Loans in Bank".

Note 2: The overdue loans of category A and Category B should be recorded in accordance with Yin-Ju (1) Ruling No. 0941000251 issued on April 19, 2005.

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Fuhwa Commercial Bank

Notes to Financial Statements

Note 3: Overdue loans ratio=overdue loans / loans balance.

Note 4: Write-off of current allowance for bad debts from overdue loans balance: the cumulative amount of current allowance for bad debts from overdue loans from January 1of the year to the balance sheet date.

(8) Long-term Investments under Equity Method and Other Investments

As of December 31, 2006 and 2005, details of long-term investments under equity method and other investments were as follows:

	2006 Percentage of ownership	2006 Investment cost	2006 Amount	2005 Percentage of ownership	2005 Investment cost	2005 Amount
Equity method:						
Fuhwa Leasing Co., Ltd.	98.56	$ 197,000	113,514	98.56	197,000	104,144
Fuhwa Property Insurance Agent Company	80.00	2,880	5,756	80.00	2,880	5,479
Fuhwa Life Insurance Agent Company	99.99	3,000	41,285	99.99	2,000	75,571
		$ 202,880	160,555		201,880	185,194
Financial assets stated at cost:						
Fubon Securities Financial Co., Ltd.	1.97	$ 74,542	74,542	1.97	74,542	74,542
Grand Bills Finance Co., Ltd.	1.36	64,800	64,800	1.36	64,800	64,800
Taiwan Asset Management Co., Ltd.	0.57	100,000	100,000	0.57	100,000	100,000
Financial Information Service Co., Ltd.	1.15	46,150	46,150	1.15	46,150	46,150
Taipei Forex Inc.	0.40	800	800	0.40	800	800
Ornatube Enterprise Co., Ltd.	0.05	155	155	0.05	155	155
China Daily News Co., Ltd.	0.01	46	46	0.01	46	46
National Federation of Credit Cooperatives R.O.C.	4.30	5,780	5,780	5.65	7,860	7,860
Yang Guang Asset Management Company	1.74	1,043	1,043	-	-	-
National Federation of Credit Cooperatives of Taiwan	-	-	-	2.08	200	200

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Fuhwa Commercial Bank

Notes to Financial Statements

	2006 Percentage of ownership	2006 Investment cost	2006 Amount	2005 Percentage of ownership	2005 Investment cost	2005 Amount
National Federation of Credit Cooperatives of Tainan City	-	$ -	-	16.60	40	40
Subtotal		293,316	293,316		294,593	294,593
Less: accumulated impairment－Orna tube Enterprise Co., Ltd.		-	155		-	155
		$ 293,316	293,161		294,593	294,438
Bond investments in non-active markets:						
Financial debentures	-	$ 1,594,044	1,594,044	-	2,070,774	2,070,774
Redeemable certificates of deposit	-	162,853	162,853	-	-	-
Total		$ 1,756,897	1,756,897		2,070,774	2,070,774

The financial assets stated at cost (under other financial assets) were accounted for by the cost method since there was no quoted market price and estimates of fair value were not available.

The Bank exchanged existing debts of Taichung Machinery Works Co., Ltd. for 94,705 shares of its stock in June 2006. Full provision for such debts was made; therefore, the Bank recorded the number of shares received with zero cost.

In 2006, the National Federation of Credit Cooperatives of Tainan City, the National Federation of Credit Cooperatives of Taiwan, and the National Federation of Credit Cooperatives R.O.C. made refunds of $40, $200 and $2,080, respectively, to the Bank.

After completion of the acquisition of The Tainan 7th Credit Cooperative on June 20, 2005, the investment in Taiwan Cooperative Bank Co., Ltd., which was previously held by The Tainan 7th Credit Cooperative, was accounted for as marketable securities by the Bank. Furthermore, shares in China Daily News Co., Ltd., the National Federation of Credit Cooperatives of Taiwan, the National Federation of Credit Cooperatives of Tainan City, and the National Federation of Credit Cooperatives R.O.C., which were previously held by The Tainan 7th Credit Cooperative, were accounted for by the cost method.

After completion of the acquisition of The Tainan 6th Credit Cooperative on December 23, 2005, shares in the National Federation of Credit Cooperatives of Taiwan, the National Federation of Credit Cooperatives of Tainan City, and the National Federation of Credit Cooperatives R.O.C., which were previously held by The Tainan 6th Credit Cooperative, were accounted for by the cost method.

Furthermore, the National Federation of Credit Cooperatives R.O.C., the National Federation of Credit Cooperatives of Tainan City, and the National Federation of Credit Cooperatives of Taiwan made refunds of $890, $40 and $200, respectively, in 2005.

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Fuhwa Commercial Bank

Notes to Financial Statements

(9) Property and Equipment

As of December 31, 2006 and 2005, details of property and equipment were as follows:

		2006	2005
Cost:			
Land	$	1,495,283	1,592,258
Buildings		521,802	543,208
Equipment		1,023,456	780,224
Transportation equipment		38,042	39,181
Leasehold improvements		522,190	270,631
Other equipment		272,237	271,582
Subtotal		3,873,010	3,497,084
Less: accumulated depreciation		955,016	724,193
		2,917,994	2,772,891
Prepayment for equipment		170,200	294,117
	$	**3,088,194**	**3,067,008**

For the years ended December 31, 2006 and 2005, movements of accumulated depreciation were as follows:

		2006	2005
Beginning balance	$	724,193	765,581
Add: depreciation		320,736	215,590
Less: disposals		83,753	191,290
reclassified to deferred assets		6,152	-
reclassified to idle assets		8	65,688
Ending balance	**$**	**955,016**	**724,193**

(10) Intangible Assets－Goodwill

As of December 31, 2006 and 2005, in tangible assets－goodwill were as follows:

		2006	2005
Original cost	$	1,451,273	1,451,273
Less: accumulated amortization		131,738	131,738
accumulated impairment loss		-	-
	$	**1,319,535**	**1,319,535**

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Notes to Financial Statements

For the years ended December 31, 2006 and 2005, movement of goodwill was as follows:

		2006	2005
Beginning balance	$	1,319,535	500,836
Increase		-	893,313
Amortization		-	74,614
Ending balance	$	1,319,535	1,319,535

The Bank acquired The Tainan 7th Credit Cooperative and The Tainan 6th Credit Cooperative in 2005. According to the accounting treatment of business combinations－purchase method, the costs of acquisitions exceeding the fair value of identifiable assets and liabilities acquired are recognized as goodwill. The goodwill recognized for the abovesaid acquisitions was $222,356 and $670,957, respectively.

(11) Deposits and Remittances

As of December 31, 2006 and 2005, deposits and remittances were as follows:

		2006	2005
Checking deposits	$	2,514,168	2,265,407
Demand deposits		23,228,926	17,751,704
Time deposits		73,915,102	77,865,000
Demand savings deposits		67,195,554	60,511,316
Time savings deposits		100,563,372	83,975,364
Remittances		14,555	45,571
	$	267,431,677	242,414,362

As of December 31, 2006 and 2005, the maturity date for the above time deposits and savings deposit, except for demand savings deposits, was within three years.

In accordance with related regulations, time deposits transferred from the Post Office account have been reclassified from deposits and remittance to deposits of Central Bank and other banks. Certain accounts in the period ended December 31, 2005, have been reclassified to conform to the presentation for the year ended December 31, 2006, for comparative purposes.

(12) Financial Debentures

In order to increase the regulatory capital ratio and raise medium- and long-term operating funds, the board of directors of the Bank decided to issue subordinate financial debentures on August 22, 2002, December 22, 2005, and September 21, 2006.

The issuances of subordinate financial debentures were approved by the Bureau of Monetary Affairs in Ministry of Finance Ruling Tai-Tsai-Rong No. 0910042863 on September 24, 2002, the Financial Supervisory Commission in Executive Yuan Ruling Jin-Guan-Yin (6) No. 09500034970 on February 15, 2006, and the Financial Supervisory Commission in Executive Yuan Ruling Jin-Guan-Yin (6) No. 09500480850 on November 2, 2006.

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Fuhwa Commercial Bank

Notes to Financial Statements

In accordance with the original issuance plan, the Bank issued the first series of subordinate financial debentures on November 4, 2002, and February 24, 2006. The total amounts issued were $4,500,000 and $5,000,000, respectively, which were also the par value.

The second series of general financial debentures and subordinate financial debentures both within the quota of $5,000,000 was approved on November 2, 2006. The first issuance of the second series of subordinate financial debentures and the second issuance of the second series of cumulated subordinate financial debentures with no maturity date were made on December 22 and 27, 2006, respectively. The total issued amounts were $1,800,000 and $3,000,000, respectively, which were also the par value.

The details were as follows:

First issuance of subordinate financial debentures in 2002

	Floating interest rate	Fixed interest rate
Par value	$ 3,100,000	1,400,000
Stated interest rate	6.15% less Libor (note 1)	3.5%
Period	Five years and three months	Five years and three months
Interest payment date	Payable every half-year	Payable every half-year
Term of principal payment	Repaid on maturity	Repaid on maturity
Issued price	Priced at face value on issuing date	Priced at face value on issuing date

First issuance of subordinate financial debentures in 2006

	Fixed interest rate
Par value	$ 5,000,000
Stated interest rate	2.55%
Period	Five years and six months
Interest payment date	Payable every year
Term of principal payment	Repaid on maturity
Issued price	Priced at face value on issuing date

(Continued)

Fuhwa Commercial Bank

Notes to Financial Statements

Second issuance of subordinate financial debentures in 2006, first series

	Fixed interest rate
Par value	$ 1,800,000
Stated interest rate	2.50%
Period	Six years
Interest payment date	Payable every year
Term of principal payment	Repaid on maturity (note 2)
Issued price	Priced at face value on issuing date

Second issuance of subordinate financial debentures in 2006, second series

	Fixed interest rate
Par value	$ 3,000,000
Stated interest rate	3.25%, the interest rate will rise to 4.25% if the Bank does not call back after five years
Period	No maturity date
Interest payment date	Payable every year
Term of principal payment	(note 3)
Issued price	Priced at face value on issuing date

As of December 31, 2006 and 2005, the details of financial debentures payable were as follows:

	2006	2005
Beginning balance	$ 4,500,000	4,500,000
Increase	9,800,000	-
Designated as financial liabilities at fair value through profit or loss	(2,134,000)	-
Ending balance	$ 12,166,000	4,500,000

As of December 31, 2006, the fair value of subordinate financial debentures recorded as designated financial liabilities at fair value through profit or loss was $2,079,974.

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Notes to Financial Statements

Note 1: The stated interest rates are recalculated every half-year according to the average six-month US dollar Libor rate.

Note2: The redemption right of the issuer: If its post-redemption capital adequacy ratio meets the minimum required consolidated capital adequacy ratio and is approved by the supervising authority, the Bank may redeem the debentures in whole at par value on the date two years after the issue date or on the same date in every subsequent year until maturity. Purchasers or holders of the debentures cannot raise any objection to this resolution. The Bank will announce the resolution 15 days prior to redemption date, and the debentures will stop accruing interest on and after the declaration date.

Note3: The redemption right of the issuer: If its post-redemption capital adequacy ratio meets the minimum required consolidated capital adequacy ratio and is approved by the supervising authority, the Bank may redeem the debentures in whole or in part at par value plus accrued and unpaid interest on the date five years after the issue date or on the same date in every subsequent year. Purchasers or holders of the debentures cannot raise any objection to this resolution. The Bank will announce the resolution 15 days prior to redemption date, and the debentures will stop accruing interest on and after the declaration date.

(13) Pension

The Bank deposited an amount equal to 6.90% of the monthly gross salary payment in a retirement fund account for the engaged employees in the Central Trust of China in 2006 and 2005. Furthermore, the Bank deposited an amount equal to 6% of the monthly gross salary payment in the Bureau of Labor Insurance in 2006 and the second half of the year 2005. The measurement dates of the actuarial reports were December 31, 2006 and 2005, respectively.

As of December 31, 2006 and 2005, the reconciliation of the funded status and accrued pension liabilities was as follows:

	2006	2005
Benefit obligation:		
Vested benefit obligation	$ (61,463)	(44,247)
Non-vested benefit obligation	(442,380)	(403,802)
Accumulated benefit obligation	(503,843)	(448,049)
Additional benefits based on future salaries	(184,489)	(173,274)
Projected benefit obligation	(688,332)	(621,323)
Fair value of plan assets	482,059	390,567
Funded status	(206,273)	(230,756)
Unrecognized net transition obligation	18,818	20,909
Unrecognized prior service cost	(2,934)	(3,193)
Unrecognized loss	224,150	232,566
Additional minimum pension liability	(55,544)	(77,008)
Accrued pension liabilities (recorded as other liabilities)	**$ (21,783)**	**(57,482)**
Vested Benefit	**$ 76,795**	**57,691**

(Continued)

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Notes to Financial Statements

For the years ended December 31, 2006 and 2005, the components of net pension cost were as follows:

		2006	2005
Service cost	$	53,577	63,881
Interest cost		15,533	13,324
Actual return on plan assets		(11,014)	(9,114)
Amortization		9,242	7,368
Net pension cost	**$**	**67,338**	**75,459**

Actuarial assumptions for the years 2006 and 2005 were as follows:

	2006	2005
Discount rate	2.50 %	2.50 %
Rate of increase in future compensation	2.00 %	2.00 %
Rate of projected return on plan assets	2.50 %	2.50 %

For the years ended December 31, 2006 and 2005, the net pension cost for the defined contribution pension plan was $74,870 and $32,875, respectively.

(14) Income Tax

The Bank is subject to ROC income tax at a maximum rate of 25%. Starting from January 1, 2006, the Bank adopted the ROC "Income Basic Tax Act" to calculate its basic income tax. The income tax expense for the years ended December 31, 2006 and 2005, is summarized below:

		2006	2005
Before cumulative effect of changes in accounting principle:			
Current income tax expense	$	33,628	9,673
Deferred income tax expense (benefit)		(916,594)	12,745
Effect on changes in accounting principle		(10,166)	-
Income tax expense (benefit)	**$**	**(893,132)**	**22,418**

(Continued)

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Notes to Financial Statements

The differences between the expected income tax at the statutory income tax rate and the income tax expense as reported in the accompanying financial statements for the years ended December 31, 2006 and 2005, were as follows:

		2006	2005
Income tax at statutory rate	$	(1,414,997)	18,522
Permanent differences		(1,124)	35,895
Adjustments for tax effect of separately taxable interest income from short-term bills		(7,719)	(3,218)
Income of OBU exempt from tax		(75,877)	(51,162)
Increase in investment tax credit		(5,149)	(3,520)
Expiration of loss carryforwards		-	453,362
Overestimation of prior year's loss carryforwards		-	3,909
Underestimation of prior year's investment tax credit		(1,120)	(426)
Underestimation of prior years' income tax		15,144	-
Tax-exempt dividend income disallowed for loss carryforwards		54,428	-
Provision for (reversal of) allowance for deferred income tax assets		553,547	(428,362)
Cumulative effect of changes in accounting principle		(10,166)	-
Others		(99)	(2,582)
Income tax expense (benefit)	**$**	**(893,132)**	**22,418**

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Notes to Financial Statements

For the years ended December 31, 2006 and 2005, the major components of deferred income tax expenses (benefits) were as follows:

	2006	2005
Unrealized exchange gain (loss)	$ 18,784	(76,217)
Increase in allowance for bad debts in excess of tax limitation	(328,368)	(26,129)
Unrealized gain on fair value of derivative financial instruments	6,978	-
Provision for (reversal of) decline in market price of marketable securities	12,862	(8,620)
Provision for (reversal of) decline in net realizable value of foreclosed assets	(1,826)	5,053
Provision for (reversal of) decline in market price of idle assets	36,934	(30,698)
Increase in investment tax credits	(5,149)	(3,520)
Decrease (increase) in loss carryforwards	(1,263,664)	124,393
Overestimation of prior year's loss carryforwards	-	3,909
Underestimation of prior year's investment tax credits	(1,120)	(426)
Loss carryforwards expired	-	453,362
Tax-exempt dividend income disallowed for loss carryforwards	54,428	-
Provision for (reversal of) allowance for deferred income tax assets	553,547	(428,362)
Cumulative effect of changes in accounting principle	(10,166)	-
Deferred income tax expenses (benefits)	**$ (926,760)**	**12,745**

As of December 31, 2006 and 2005, the deferred income tax assets (liabilities) were as follows:

	2006	2005
Deferred income tax assets	$ 2,529,283	1,041,998
Valuation allowance－deferred income tax assets	(875,185)	(321,638)
Net deferred income tax assets	1,654,098	720,360
Deferred income tax liabilities	(6,978)	-
Deferred income tax assets, net	**$ 1,647,120**	**720,360**

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Notes to Financial Statements

As of December 31, 2006 and 2005, the components of deferred income tax assets (liabilities), including temporary differences, loss carryforwards, and tax credits, and the respective income tax effect for each component were as follows:

	2006		2005	
	Amount	**Income tax effect**	**Amount**	**Income tax effect**
Deferred income tax assets (liabilities):				
Allowance for bad debts in excess of tax limitation	$ 1,611,108	402,777	297,635	74,409
Unrealized exchange loss	92,167	23,042	167,307	41,826
Unrealized loss on decline in market price of marketable securities	-	-	51,447	12,862
Unrealized gain on fair value of derivative financial instruments	(27,911)	(6,978)	-	-
Unrealized loss on decline in net realizable value of foreclosed assets	19,118	4,465	10,557	2,639
Unrealized loss on decline in market price of idle assets	7,153	1,788	154,889	38,722
Loss carryforwards	8,290,490	2,072,622	3,453,543	863,386
Cumulative effect of changes in accounting principle	40,663	10,166	-	-
Investment tax credits	14,423	14,423	8,154	8,154
		$ 2,522,305		**1,041,998**

(Continued)

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Notes to Financial Statements

As of December 31, 2006 and 2005, the components of the balance of tax refunds receivable and income tax receivable from affiliated parties (recorded as accounts receivable) were as follows:

		2006	2005
Current income tax	$	33,628	9,673
Withheld income tax		(81,723)	(103,072)
Prior years' income tax adjustment and additional tax assessed by authorities		(15,045)	2,582
Separate taxation		(18,583)	(12,255)
Prior year's tax refundable		(8,665)	(8,665)
Prior years' income tax receivable from affiliated parties		(403,603)	(315,613)
	$	**(493,991)**	**(427,350)**

Since 2003, the Bank filed a consolidated income tax return. As of December 31, 2006 and 2005, the details of receivable and payable resulting from income tax were as follows:

	2006		
	Receivables from affiliated parties (recorded as receivables)	**Payables to affiliated parties (recorded as payables)**	**Due from National Tax Administration (recorded as receivables)**
Before 2003	$ -	-	8,665
2003	200,879	-	-
2004	99,591	-	-
2005	103,133	-	-
2006	81,723	-	-
	$ 485,326	**-**	**8,665**

	2005		
	Receivables from affiliated parties (recorded as receivables)	**Payables to affiliated parties (recorded as payables)**	**Due from National Tax Administration (recorded as receivables)**
Before 2003	$ -	-	8,665
2003	216,022	-	-
2004	99,591	-	-
2005	103,072	-	-
	$ 418,685	**-**	**8,665**

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Notes to Financial Statements

For the years ended December 31, 2006 and 2005, reconciliation of current income tax expenses, deferred income tax expenses, deferred income tax assets, and tax refunds receivable (receivables from affiliated parties) calculated in conformity with ROC SFAS No. 22, "Income Taxes", to the balances calculated for consolidated corporate income tax return filing with Fuhwa Financial Holding Co. Ltd. is as follows:

	2006			
	Current income tax expense	**Deferred tax expenses**	**Deferred tax assets**	**Tax refunds receivable (receivables from affiliated parties)**
Amounts calculated under SFAS No. 22	$ 33,628	(916,594)	1,647,120	81,723
Difference adjustment	-	-	-	-
Amounts calculated for consolidated corporate income tax return filing	**$ 33,628**	**(916,594)**	**1,647,120**	**81,723**

	2005			
	Current income tax expense	**Deferred tax expenses**	**Deferred tax assets**	**Tax refunds receivable (receivables from affiliated parties)**
Amounts calculated under SFAS No. 22	$ 9,673	12,745	720,360	103,072
Difference adjustment	-	-	-	-
Amounts calculated for consolidated corporate income tax return filing	**$ 9,673**	**12,745**	**720,360**	**103,072**

In accordance with the ROC Income Tax Act, assessed net losses can be carried forward for five consecutive years to reduce taxable income. As of December 31, 2006, the amount of losses and the year of expiry were as follows:

Year incurred	**2006**	**Year of expiry**
2002 (assessed)	$ 3,453,543	2007
2006 (estimated)	4,836,947	2011
	$ 8,290,490	

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Fuhwa Commercial Bank

Notes to Financial Statements

Pursuant to the ROC Statute for Upgrading Industries, the Bank's unused investment tax credits－staff training cost as of December 31, 2006, was as follows:

Year incurred	2006	Year of expiry
2003	$ 1,996	2007
2004	2,638	2008
2005	4,640	2009
2006	5,149	2010
	$ 14,423	

The Bank's income tax return was examined by the tax authority for all years through 2003.

The Bank's 10% surtax on unappropriated earnings for the year 1998 has been examined by the tax authority. The ROC tax authority determined that the reversal of year 1997 unrealized exchange gains accounted for in taxable income in 1998 cannot offset unappropriated earnings of 1998. The Bank has filed for a recheck of the above tax assessment. The Bank has made a tax provision for the abovementioned tax assessment.

The Bank's income tax return for 2003 was examined by the Taipei National Tax Administration (TNTA) on December 12, 2006. According to the 2003 income tax return letter issued by the TNTA, the amortization of goodwill and bond investments in the amount of $70,836 was disallowed. The tax effect of the above said adjustment was $17,709. The Bank disagreed with the tax assessment made by the TNTA and applied for a recheck. As of December 31, 2006, The Bank had not made full provision for this tax assessment.

The information related to the imputation credit account (ICA) as of December 31, 2006 and 2005, was as follows:

	2006	2005
Balance of ICA	**$ 34,269**	**24,342**

The imputation tax credit ratio of earnings to be distributed in 2006 for ROC resident shareholders is estimated at 33.33%. The actual imputation tax credit ratio of the first and second earnings distribution in 2005 was 1.45% and 4.13%, respectively.

The unappropriated earnings (accumulated deficits) on December 31, 2006 and 2005, were as follows:

	2006	2005
Prior to 1997	$ -	-
Post 1998	(4,765,864)	51,669
	$ (4,765,864)	**51,669**

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(15) Stockholders' Equity

a. Common stock

On February 17, 2005, the board of directors decided to declare cash dividends which amounted to $30,549, or $0.02 per share, and to increase the issued capital by transferring $1,000,000 from unappropriated earnings through the issuance of 100,000 thousand shares of new common stock dividends of $0.71 per share. After the capital increase, the total issued capital amounted to $15,000,000. The resolution to increase capital was approved by the Financial Supervisory Commission (FSC) on May 16, 2005, with Ruling Jin Guan Cheng (1) No. 0940115706. The date of the capital increase was designated as July 11, 2005, by the board of directors, and the related registration was also completed.

On April 28, 2005, the board of directors resolved to increase capital by the issuance of 300,000 thousand shares of new common stock for cash. After the capital injection, the total issued capital amounted to $18,000,000. The resolution to increase capital was approved by the FSC on June 17, 2005, with Ruling Jin Guan Yin (6) No. 0940013937. The date of the capital increase was designated as July 11, 2005, by the board of directors, and the related registration was also completed.

On February 27, 2006, the board of directors decided to declare cash dividends which amounted to $35,446, or $0.02 per share. The designated date of record for this cash dividend was March 16, 2006.

b. Capital surplus

According to the ROC Company Act, realized capital surplus can be capitalized and transferred to share capital after offsetting accumulated deficit. Capital surplus should not be used for distribution of cash dividends. Realized capital surplus mentioned above includes the proceeds received in excess of the par value of common stock issued and any amounts donated to the Bank. The amount of capital surplus capitalized each year may not exceed a certain percentage of the Bank's issued share capital. Issuance of new stock from capital surplus from cash subscription in excess of par value of common stock can be made only once per year, and cannot be made in the same year as cash subscription.

As of December 31, 2006 and 2005, the components of capital surplus were as follows:

	2006	2005
Treasury stock transactions	$ 14,673	14,673

c. Legal reserve and appropriated special reserve

After paying all taxes as required, the annual net income will be distributed to appropriate 30% as legal reserve. The Bank cannot distribute cash dividends exceeding 15% of total share capital until legal reserve reaches an amount equal to total share capital. In addition, apart from the appropriation of legal reserve from retained earnings, the Bank also appropriated special reserve in accordance with the Bank's articles of incorporation or the board of directors resolution.

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d. Dividend policy and appropriation of earnings

In order to continuously expand its operation and increase earning capacity, and to maintain the capital adequacy ratio, the Bank has adopted the following dividend policy: the Bank's annual net income, after paying all taxes as required by law, must be applied to offset prior years' losses first; the remainder is then set aside with 30% as legal reserve, and a partial amount can be appropriated as special reserve or retained earnings. If there is still a remainder, it will be distributed as follows:

(a) 98% as shareholders' dividends and bonuses.

(b) 2% as bonus to employees.

The ratio of cash to stock dividends distributed is determined by the resolution of the board of directors in consideration of the related industry condition, market perceptions, and the Bank's business strategies. During the growing period of the Bank, in principle, stock dividends distributed shall not be lower than 80% unless changed by the board of directors as deemed necessary. Cash dividends shall be distributed after the distribution of earnings proposal is resolved by the board of directors, while stock dividends are distributed after obtaining authorizing documents from the supervising authority.

On February 27, 2006, and February 17, 2005, the board of directors passed a resolution on the Bank's 2005 and 2004 appropriation of earnings. The proposed distribution of the Bank's employee bonuses was as follows:

	2006	**2005**
Bonus to employees－cash	**$ 723**	**21,031**

If the aforementioned employee bonuses were all paid in cash and were charged against earnings for years 2005 and 2004, the earnings per share after tax for the years ended December 31, 2005 and 2004, would be $0.03 and $1.10, respectively. The distribution of earnings was not different from the resolution passed by the board of directors.

As of December 31, 2006, no retained earnings could be distributed due to accumulated deficits.

After the Bank became a subsidiary of Fuhwa Financial Holding Company, the rights of the shareholders' meeting were exercised by the board of directors.

e. Weighted-average outstanding shares of common stock

As of December 31, 2006 and 2005, the weighted-average outstanding shares of common stock were 1,800,000 thousand shares and 1,650,000 thousand shares, respectively.

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(16) Disclosure of Financial Instruments

a. Fair value information on financial assets

The Bank's methods and assumptions for estimating the fair value of financial instruments were as follows:

(a) The book value of the financial instruments which have a short maturity period will be considered as their fair value. This assumption is used in evaluating the following accounts: cash and cash equivalents, due from Central Bank and placement to other banks, bills and bonds purchased under resell agreements, receivables, other financial assets (not including financial assets stated at cost and bond investments in non-active markets), deposits by Central Bank and other banks, financial liabilities at fair value through profit or loss, bills and bonds sold under repurchase agreements, payables, subordinate financial debentures (not including financial liabilities designated at fair value), other financial liabilities, and some components of other liabilities.

(b) Fair values of financial instruments are the quoted market price if the instruments are actively traded in the market. If quoted market price is unavailable, the fair value is determined based on certain valuation techniques. The estimates and assumptions of the valuation techniques adopted by the Bank are identical to those adopted by other market participants. The discount rates the Bank uses are identical to those return rates of financial instruments with the same conditions, including the credit status of the debtor, the remaining periods of contracted interest based on fixed interest rates, the remaining periods of paying off principal, and currency used.

Among the derivative instruments, options are valuated by the Black-Scholes model; stock options embedded in convertible bonds and currency and interest rate swaps are evaluated by the quote of the Bloomberg system; forward contracts, currency swaps, and interest rate swaps are evaluated by the rates of the Bloomberg system by discounting future cash flows to their present values.

(c) The interest on loans and advances to customers is based on floating rates. Thus, the book value is the fair value.

(d) Other assets－foreclosed assets and idle assets are stated at their net realizable value and are evaluated for accumulated impairment loss on the balance sheet date. Thus, the book value is the fair value.

(e) Most of deposits and remittances mature in less than one year; even those which mature in more than one year are mostly based on floating rates. Thus, the book value is the fair value.

(f) Most of the off-balance-sheet financial instruments, such as commitments and guarantees, mature within one year, so the contract amount is the fair value.

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Notes to Financial Statements

b. As of December 31, 2006, except where the fair value is based on the quoted market price, the evaluated fair value of the Bank's financial instruments was as follows:

		2006
Trading assets:		
Rate-related instruments	$	4,300,884
Derivatives		288,001
		4,588,885
Financial assets designated at fair value:		
Equity securities / equity-linked notes		319,786
Structural bonds		2,603,088
		2,922,874
	$	**7,511,759**
Trading liabilties:		
Derivatives	$	398,285
Financial liabilities designated at fair value:		
Subordinate financial debentures		2,079,974
	$	**2,478,259**

c. For the year ended December 31, 2006, the Bank recognized a loss of $229,419 for financial instruments evaluated by using valuation techniques.

d. Policy for managing financial risk and risk information

To build up a good risk management system and to improve business development, the Bank established a risk management policy which focuses on risks that can be managed to achieve operative goals was approved by the board of directors to implement the system effectively and to earn stockholders stable and high-quality profits.

The Bank follows a risk management policy and strives to quantify, assess, and then manage risks in order to price risks and to obtain the optimal capital allocation.

The risks the Bank encountered were as follows:

(a) Market risk

Market risk means changes such as in interest rates, exchange rates, and the prices of equity securities and instruments which may result in a loss for the Bank, either on or off the balance sheet. The Bank has developed a market risk management standard. Through the market risk management system, the Bank is able to evaluate and control each part of the market risk.

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As of December 31, 2006, the Bank possessed government bonds amounting to $7,687,363 (including financial assets held for trading of $699,789 and available-for-sale financial assets of $6,987,574). Among the government bonds held by the Bank, bonds with a fixed rate amounting to $7,587,361, and the fair value of fixed-rate government bond investment will be affected by a change in market rate. A 1% increase in market rate will decrease the fair value of fixed-rate government bond investment by $285,423. As of December 31, 2006, the Bank possessed corporate bonds amounting to $8,460,856 (including available-for-sale financial assets). The fixed-rate corporate bonds amounted to $7,727,356, and the fair value of fixed-rate corporate bond investment will be affected by a change in market rate. A 1% increase in market rate will decrease the fair value of bond investment by $231,971.

The Bank engages in foreign currency transactions which give rise to foreign currency assets and liabilities. Therefore, changes in exchange rates will affect the fair value of the net position in foreign currencies. For assets denominated in USD, appreciation of the NTD by 0.1 against the USD will cause a loss of $3,301.

(b) Credit risk

Credit risk is the risk that borrowers and counter-parties will not be able to fulfill contracts. The Bank has developed a credit risk management standard which is able to evaluate and control possible credit risk resulting from business operations by establishing and implementing a management structure.

Financial instruments issued by or held by the Bank may cause losses as counter-parties are not able to fulfill contracts. The amount of the Bank’s credit risk is equal to financial instruments which remain positive on the balance sheet date. The Bank conducts a cautious credit assessment before qualifying loans and guarantees. Loans with collateral amounted to 62.52% of the total amount of loans in 2006. In order to obtain credit lines from the Bank, borrowers and guarantors are asked to provide collateral such as cash, fixed assets, liquid securities, and other assets. Furthermore, in order to reduce credit risk, the Bank follows certain credit policies and negotiates credit limits with counter-parties. In addition, the Bank may sign master netting agreements with the counter-party to reduce credit risk.

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Concentration of credit risk refers to the significant concentration of credit risks from all financial instruments, whether the risks are from an individual counter-party or group of counter-parties. Group concentration of credit risks exists if a number of counter-parties are engaged in similar activities or activities in the same region, or have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. There is no significant concentration of credit risk from counter-parties of the Bank's financial instruments. The related information can be found in note 10 to the financial statements and as follows:

i Lines of credit to interested parties and information on concentration of credit risk

Item	December 31, 2006		December 31, 2005	
Outstanding balance of credit extended to related parties	$ 3,523,263		2,993,369	
Ratio of lines of credit to related parties to total outstanding credits (%)	1.42		1.24	
Ratio of lines of credit secured by company shares (%)	1.91		2.38	
Concentration of credit risk by industry (top 3)	Industry	Ratio (%)	Industry	Ratio (%)
	Individuals	52.97	Individuals	64.55
	Manufacturing	19.51	Manufacturing	13.80
	Wholesaling and retailing	8.45	Wholesaling and retailing	5.38

ii As of December 31, 2006 and 2005, the unused contractual amount of financial instruments with off-balance-sheet credit risk was as follows:

	2006	2005
Unused lines of credit	$ 82,946,164	111,309,801
Credit commitment on credit cards	$ 49,622,768	49,273,318
Other guarantees	$ 9,534,682	10,065,427
Unused L/C balance	$ 4,895,414	2,835,353

(c) Liquidity risk

Liquidity risks include market and capital risks. Market risk is the risk that market prices will encounter obvious changes. Capital risk is the risk that a responsibility cannot be fulfilled because of being unable to convert assets into cash or acquire enough cash. The Bank's risk management approach starts with managing the daily payment queue and forecasting cash flows. It then covers tactical liquidity risk management dealing with access to unsecured funding sources. The Bank's cash flows are monitored by the treasury department on a daily basis and ensure the Bank's access to liquidity.

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To control risk effectively, support and respect from management are essential in addition to the factors mentioned above. Under the full support of management, the risk management system of the Bank has been established. It has resulted in improving management efficiency, and the result is gradually becoming more evident.

The Bank controls the transaction risks of the financial instruments by adopting the credit approval policy, position limitation, stop loss point setting, and a management control process. In addition, the Bank maintains adequate current assets, and utilizes money market and foreign exchange market instruments to support its future cash flow requirements.

As of December 31, 2006, the liquidity reserve ratio was 20%; the bank has enough operating capital to fulfill all contractual obligations. Thus, there is no significant liquidity risk.

The Bank implements a duration assessment with assets and liabilities sorted by applicable method to evaluate the Bank's liquidity, which was shown as a structural analysis of dues date as follows:

expressed in million of New Taiwan dollars

	December 31, 2006						
	Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	1 year to 3 years	Over 3 years	Total
Cash and cash equivalents	28,825	8,300	21,610	1,000	-	-	59,735
Placement to other bank	3,542	-	-	-	-	-	3,542
Financial assets at fair value through profit or loss	11,710	-	-	-	-	-	11,710
Bills and bonds purchased under agreements to resell	611	-	-	-	-	-	611
Margin loans (including non-performing loans)	10,860	8,981	17,633	13,689	37,654	140,953	229,770
Available-for-sale financial assets	-	-	981	301	3,291	12,095	16,668
Held-to-maturity financial assets	-	-	-	-	-	326	326
Other financial assets	-	-	-	-	161	1,596	1,757
Total assets	55,548	17,281	40,224	14,990	41,106	154,970	324,119
Deposits by Central Bank and other banks	11,012	3,336	3,788	7,492	700	-	26,328
Financial liabilities at fair value through profit or loss	-	-	-	-	2,080	-	2,080
Bills and bonds sold under agreements to repurchase	11,929	211	-	-	-	-	12,140
Deposits	38,152	19,353	46,645	96,958	66,308	1	267,417
Financial debentures	-	-	-	-	2,366	9,800	12,166
Other liabilities	-	-	-	-	-	501	501
Total liabilities	61,093	22,900	50,433	104,450	71,454	10,302	320,632
Spreads	(5,545)	(5,619)	(10,209)	(89,460)	(30,348)	144,668	3,487

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(d) Cash flow risk arising from interest rate change and fair value risk arising from interest rate change

The analysis of ratios of interest-rate-sensitive currency held by the Bank as of December 31, 2006, was follows:

expressed in million of New Taiwan dollars

	2006					
Items	**Day 1 to day 90**	**Day 91 to day 180**	**Day 180 to 1 year**	**1 year to 3 years**	**Over 3 years**	**Total**
Assets						
Cash and cash equivalents	$ 24,915	28,856	1,000	-	-	54,771
Financial assets at fair value through profit or loss	6,470	629	353	210	1,123	8,785
Bills and bonds purchased under agreements to resell	611	-	-	-	-	611
Margin loans (excluding non-performing loans)	129,429	7,673	2,995	31,233	56,609	227,939
Available-for-sale financial assets	833	448	201	3,091	12,095	16,668
Held-to-maturity financial assets	-	-	-	-	326	326
Other financial assets	-	-	-	161	1,596	1,757
Liabilities						
Deposits by Central Bank and other banks	23,328	-	3,000	-	-	26,328
Financial liabilities at fair value through profit or loss	-	-	-	2,080	-	2,080
Bills and bonds sold under agreements to repurchase	12,140	-	-	-	-	12,140
Deposits	121,313	106,564	34,299	2,726	1	264,903
Financial debentures	-	-	-	2,366	9,800	12,166
Other liabilities	-	-	-	-	501	501

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Notes to Financial Statements

Information regarding effective interest rates for financial instruments (not including financial instruments at fair value through profit or loss) issued by or held by the Bank as of December 31, 2006, was as follows:

Items	**New Taiwan dollars**	**US dollars**
Available-for-sale financial assets:		
Government bonds	0.93%~2.42%	-
Corporate bonds	0.00%~4.32%	5.35%
Financial debentures	-	2.90%~3.50%
Asset-backed beneficiary certificates	-	5.50%
Hold-to-maturity financial assets		
Financial debentures	-	7.78%~8.00%
Bond investment in non-active markets		
Financial debentures	-	0.40%~8.00%
Redeemable certificates of time deposit	-	5.50%
Loans and advances to customers		
Short-term loans	3.35%	5.63%
Short-term secured loans	3.39%	5.81%
Medium-term loans	4.60%	6.26%
Medium-term secured loans	4.58%	5.90%
Long-term loans	2.43%	2.51%
Long-term secured loans	3.08%	5.70%
Subordinate financial debentures	0.80%～3.50%	-
Deposits		
Demand deposits	0.54%	1.88%
Time deposits	1.63%～1.74%	4.56%
Time deposits transferred from Post Office	2.15%	-
Demand savings deposits	0.41%～9.49%	-
Time savings deposits	1.83%～1.99%	-

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(e) Operational risk

Operational risk can be defined as the risk of monetary losses resulting from inadequate or failed internal processes, people, and systems or from external events. The Bank implements monitoring systems for operational risk exposures and losses for major business lines. Risk management policies and procedures for controlling or mitigating operational risk are in place and enforced through regular internal auditing.

(f) Legal risk

Legal risk arises from the possibility that an entity may not be able to follow regulations issued by the government and may not be able to enforce a contract against another party. Legal risk arises from possible risk of loss due to an unenforceable contract or an "ultra vires" act of a counterparty. Legal risk involves the potential illegality of the contract, as well as the possibility that the other party entered into the contract without proper authority. The legal affairs department of the Bank is responsible for providing professional legal consulting and review services for internal regulations and all trading contracts, and making sure that the Bank follows the financial regulations and operational regulations.

5. Related-party Transactions

(1) Name and relationship of related party

Name of related party	Relationship
Chong Yang Investment Co., Ltd. (Chong Yang Investment)	Investor of the Bank's parent company by equity method
Kuang Hwa Investment Co., Ltd. (Kuang Hwa Investment)	Investor of the Bank's parent company by equity method
Yu Hwa Development Co., Ltd. (Yu Hwa Development)	Investor of the Bank's parent company by equity method
Fuhwa Financial Holding Co., Ltd. (Fuhwa Financial Holding)	Parent company of the Bank
Fuhwa Securities Co., Ltd. (Fuhwa Securities)	Affiliated company controlled by the same company as the Bank
Fuhwa Securities Finance Co., Ltd. (Fuhwa Securities Finance)	Affiliated company controlled by the same company as the Bank
Fuhwa Securities Investment Trust Co., Ltd. (Fuhwa Securities Investment Trust)	Affiliated company controlled by the same company as the Bank
Fuhwa Asset Management Co., Ltd. (Fuhwa Asset Management)	Affiliated company controlled by the same company as the Bank
Fuhwa Capital Management Co., Ltd. (Fuhwa Capital Management)	Affiliated company controlled by the same company as the Bank
Fuhwa Life Insurance Agent Company (Fuhwa Life Insurance Agent)	Investee controlled by the Bank
Fuhwa Leasing Co., Ltd. (Fuhwa Leasing)	Investee controlled by the Bank

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Notes to Financial Statements

Name of related party	Relationship
Fuhwa Property Insurance Agent Company (Fuhwa Property Insurance Agent)	Investee controlled by the Bank
Fuhwa Cultural & Educational Foundation (Fuhwa Foundation)	The Bank's president is the foundation's president
Yuanta Core Pacific Securities Co., Ltd. (Yuanta Securities)	From June 30, 2005, a second-degree relative of the president of such company is vice president of the Bank
Yuanta First Global Investment Trust Co., Ltd. (Yuanta Investment Trust)	From June 30, 2005, a second-degree relative of the president of such company is vice president of the Bank
Others (each related party's deposits and loans are not over 1% of total deposits and loans)	The Bank's affiliated companies and directors, supervisors and managers, and their relatives

(2) Significant transactions with related parties

a. Deposits

	2006		
Name	**Ending balance**	**Percentage of deposits (%)**	**Interest rate (%)**
Deposits by each related party not over 1% of total deposits	$ 5,704,738	2.13	0.00~13.00

	2005		
Name	**Ending balance**	**Percentage of deposits (%)**	**Interest rate (%)**
Deposits by each related party not over 1% of total deposits	$ 6,882,596	2.67	0.00~13.00

Apart from an interest rate limit on staff demand savings deposits of 13%, during 2006 and 2005, the interest rate limit on other related parties' demand savings deposits was 0.00%~5.18%. The interest rates and other terms provided to the above related parties were the same as the terms offered to the general public.

During 2006 and 2005, interest expenses on the above deposits were $150,851 and $163,268, respectively.

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Notes to Financial Statements

b. Loans

2006			
Name	**Ending balance**	**Percentage of loans (%)**	**Interest rate (%)**
Loans to each related party not over 1% of total loans	$ 495,374	0.22	1.50~5.00

2005			
Name	**Ending balance**	**Percentage of loans (%)**	**Interest rate (%)**
Loans to each related party not over 1% of total loans	$ 1,510,623	0.65	1.30~5.82

Loans to related parties are under the same terms as those to other customers, except for interest rates on loans to affiliated companies, ranging from 1.50% to 5.00% and 1.30% to 4.60%, and on loans to bank staff, ranging from 1.99% to 3.95% and 1.95% to 5.82% in the years 2006 and 2005, respectively.

During years 2006 and 2005, interest income resulting from the above loans was $13,107 and $29,611, respectively.

c. Fee and commission revenue

As of and for the years ended December 31, 2006 and 2005, details of fee and commission revenue and related receivables were as follows:

	2006	
	Fee and commission revenue	**Accounts receivable**
Fuhwa Securities Investment Trust	$ 5,572	473
Fuhwa Life Insurance Agent	72,623	2,372
Fuhwa Property Insurance Agent	3,343	1,981
	$ 81,538	4,826

	2005	
	Fee and commission revenue	**Accounts receivable**
Fuhwa Securities Investment Trust	$ 6,635	411
Fuhwa Life Insurance Agent	121,832	3,960
	$ 128,467	4,371

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The above-mentioned revenue mainly came from commissions from sales of mutual funds and life insurance policies.

d. Fee and commission expenses

For the years ended December 31, 2006 and 2005, details of fee and commission expenses were as follows:

Name	2006	2005
Fuhwa Securities	$ 437	9,482
Fuhwa Capital Management	791	3,083
	$ 1,228	12,565

The above expenses mainly resulted from structured note fees and certifying expenses.

e. Rental expenses

For the years ended December 31, 2006 and 2005, details of rental expenses were as follows:

Name	Usages	2006	2005
Fuhwa Securities	Office premises	$ 129,356	114,503
Yuanta Securities	Office premises	4,081	-
Fuhwa Asset Management	Office premises	12,812	12,991
Fuhwa Securities Finance	Office premises	9,819	8,874
		$ 156,068	136,368

As of December 31,, 2006 and 2005, the above transactions resulted in rent payable to Fuhwa Securities amounting to $10,251 and $8,337, respectively.

f. Donation

The Bank donated to Fuhwa Foundation in years 2006 and 2005, were both $5,000, respectively.

g. Property transactions

(a) As of end for the years ended December 31, 2006 and 2005, the details of the Bank's investments in open-end funds were as follows:

	2006		
	Investment in 2006	Ending balance	Gain (loss) on disposal
Funds managed by Fuhwa Securities Investment Trust	$ -	581,085	(8,187)
Funds managed by Yuanta Investment Trust	800,000	800,000	-
	$ 800,000	1,381,085	(8,187)

(Continued)

Fuhwa Commercial Bank

Notes to Financial Statements

	2005		
	Investment in 2005	**Ending balance**	**Gain on disposal**
Funds managed by Fuhwa Securities Investment Trust	$ 105,991	956,272	441
Funds managed by Yuanta Investment Trust	630,000	-	789
	$ 735,991	956,272	1,230

(b) For the years ended December 31, 2006 and 2005, the details of the Bank's engaging in purchase-without-recourse transactions with affiliates in the open market were as follows:

		2006	
	Type	**Purchase price**	**Selling price**
Fuhwa Securities	Bond	$ 2,363,629	2,358,622
Yuanta Securities	Bond	6,470,871	5,558,738
		$ 8,834,500	7,917,360

		2005	
	Type	**Purchase price**	**Selling price**
Fuhwa Securities	Bond	$ 1,821,480	2,854,719
Funds managed by Fuhwa Securities Investment Trust	Bond	49,217	-
Yuanta Securities	Bond	4,691,215	4,398,544
		$ 6,561,912	7,253,263

(c) The Bank entered into contracts with Fuhwa Asset Management to sell non-performing loans at a price of $775,795 in 2003. As of December 31, 2006 and 2005, proceeds retained from the abovementioned transaction amounted to $775,795 and $555,795, respectively, and the remaining part amounted to $0 and $220,000, respectively.

Furthermore, the Bank entered into three contracts with Fuhwa Asset Management to sell non-performing loans in the amount of $1,019,837. As of December 31, 2006, all proceeds from the above-mentioned transactions were collected.

(Continued)

Fuhwa Commercial Bank

Notes to Financial Statements

h. Others

(a) For the years ended December 31, 2006 and 2005, details of bond repurchase and resell transactions engaged in with affiliated parties were as follows:

2006

Name		Highest balance	Ending balance	Interest rate (%)	Interest expense (revenue)
Repurchase transactions:					
Fuhwa Securities	$	49,906,705	541,972	1.40~1.65	28,060
Funds managed by Fuhwa Securities Investment Trust		1,050,258	-	1.39~1.61	1,657
Funds managed by Yuanta Investment Trust		1,562,742	649,657	1.38~1.62	3,889
			$ 1,191,629		33,606
Resell transactions:					
Yuanta Securities	$	5,000,000	-	1.55	(1,074)

2005

Name		Highest balance	Ending balance	Interest rate (%)	Interest expense (revenue)
Repurchase transactions:					
Fuhwa Securities	$	3,860,530	-	0.98~1.47	25,405
Funds managed by Fuhwa Securities Investment Trust		700,058	160,010	0.93~1.39	1,108
Funds managed by Yuanta Investment Trust		2,063,896	881,901	0.99~1.40	5,197
			$ 1,041,911		31,710
Resell transactions:					
Fuhwa Securities	$	250,000	-	1.48	(101)

(Continued)

Fuhwa Commercial Bank

Notes to Financial Statements

(b) For the years ended December 31, 2006 and 2005, the details of the Bank's selling of subordinate financial debentures to related parties were as follows:

		2006			
Related party		**Highest balance**	**Ending balance**	**Interest rate (%)**	**Interest expense**
First issuance in 2002					
Fuhwa Securities Finance	$	966,000	**966,000**	0.80~1.66	**10,999**
Second issuance in 2006－first series					
Yuanta Securities	$	1,100,000	**1,100,000**	2.5	**753**

		2005			
Related party		**Highest balance**	**Ending balance**	**Interest rate (%)**	**Interest expense**
First issuance in 2002					
Fuhwa Securities Finance	$	966,000	**966,000**	1.66~3.81	**28,299**

As of December 31, 2006 and 2005, the above transactions with Fuhwa Securities Finance resulted in interest payable of $1,222 and $2,548, respectively, recorded as payables. As of December 31, 2006, the above transactions with Yuanta Securities resulted in interest payable of $753, recorded as payables.

(c) For the years ended December 31, 2006 and 2005, the details of the Bank's investing in bonds issued by a related party in the secondary market were as follows:

		2005			
Related party		**Highest balance**	**Ending balance**	**Interest rate (%)**	**Interest income**
Chong Yang Investment	$	185,224	**-**	5.23~5.38	**9,501**

There was no such transaction in 2006.

(Continued)

Fuhwa Commercial Bank

Notes to Financial Statements

(d) Convertible bond asset swaps－fixed income (recorded as financial assets at fair value through profit or loss)

For the years ended December 31, 2006 and 2005, the convertible asset swap transactions with related parties were as follows:

2006

Name	Objective	Period	Notional amount	Interest rate (%)	Interest revenue
Yuanta Securities	Taiflex 1	2004.5.30~ 2006.5.17	$ 60,000	2.10	469
Fuhwa Securities	Test-Serv. 1	2004.4.7~ 2006.4.6	140,000	1.75	461
			$ 200,000		930

2005

Name	Objective	Period	Notional amount	Interest rate (%)	Interest revenue
Yuanta Securities	Pan Jit 1	2004.5.14~ 2005.5.14	$ 28,000	4.00	28
	EDT 1	2003.6.23~ 2005.6.23	93,000	2.00	800
	AL i	2003.5.12~ 2005.6.13	30,000	2.10	281
	Flexium 1	2003.12.1~ 2005.12.1	40,000	2.35	744
	Taiflex 1	2004.5.30~ 2006.5.30	60,000	2.10	1,260
Fuhwa Securities	Test-Serv. 1	2004.4.7~ 2006.4.6	140,000	1.75	2,636
	Chenming 1	2004.11.30~ 2005.5.11	150,000	2.00	1,332
	Chenming 2	2004.11.30~ 2005.5.11	150,000	2.00	1,332
	Zero One Tech	2004.11.1~ 2005.5.24	45,000	2.00	480
			$ 736,000		8,893

(Continued)

Fuhwa Commercial Bank

Notes to Financial Statements

(3) As of December 31, 2006 and 2005, information regarding affiliates acting as borrowers, guarantors, and collateral providers of the Bank which are interested parties in accordance with Articles 32 and 33 of the Banking Law was as follows:

2006

Type	Number of accounts	Amount	Default possibility Normal loan	Default possibility Overdue accounts
Consumer loans	96	$ 23,309	23,309	-
Mortgage loans for employees	92	119,462	119,462	-
Other loans to interested parties	693	3,380,492	3,380,492	-
Loans to others with interested parties acting as guarantors	330	676,410	676,410	-
Secured loans with collateral from interested parties	466	2,968,427	2,968,427	-

2005

Type	Number of accounts	Amount	Default possibility Normal loan	Default possibility Overdue accounts
Consumer loans	134	$ 39,311	39,311	-
Mortgage loans for employees	104	153,450	153,450	-
Other loans to interested parties	806	2,880,608	2,880,608	-
Loans to others with interested parties acting as guarantors	402	808,575	808,575	-
Secured loans with collateral from interested parties	462	2,290,674	2,290,674	-

(Continued)

Fuhwa Commercial Bank

Notes to Financial Statements

6. Pledged Assets

Pledged assets	Pledge for	Book value December 31, 2006	Book value December 31, 2005
Short-term bills, government bonds and corporate bonds (recorded as financial assets at fair value through profit or loss, bills and bonds purchased under agreements to resell, and available-for-sale financial assets)	Securities sold under repurchase agreement	$ 11,683,762	10,729,798
Bonds (recorded as available-for-sale financial assets)	Reserve for trust business	59,544	57,974
	Provisional seizure	176,463	146,322
	Operating deposits of trading bills	60,350	63,043
	Operating deposits of trading bonds	10,774	11,317
		$ 11,990,893	**11,008,454**

(1) The Bank provided the Central Bank of China with government bonds as reserve for its trust custodian business.

(2) For executing provisional seizure of debtors' properties, the Bank provided pledged assets to the court.

(3) Operating deposits of trading bills were deposited in the Central Bank of China for the Bank's securities dealing business.

(4) Operating deposits in the form of trading bonds were deposited in the OTC for the Bank's treasury sales business. Furthermore, reserve for trading losses has been set to conform to securities regulations.

7. Commitments and Contingencies

(1) Significant purchase agreements

As of December 31, 2006 and 2005, the Bank had agreements for purchasing assets amounting to $354,979 and $394,478, respectively. The unpaid amounts of those agreements were $184,779 and $100,361, respectively.

(Continued)

Fuhwa Commercial Bank

Notes to Financial Statements

(2) Operating leases

The Bank has entered into certain operating leases for its branches. As of December 31, 2006, estimated future lease contract commitments were as follows:

Fiscal Year	**Rental Amount**
2007	$ 291,846
2008	233,713
2009	175,587
2010	111,528
2011 and after	20,788
	$ 833,462

(3) Others

	December 31, 2006	**December 31, 2005**
Consignment collection for others	$ 20,643,791	21,665,254
Traveler's checks held on consignment for sale	163,499	165,688
Consignment securities, custodial goods, and other trust assets	48,008,952	35,801,181
Trust assets	56,688,126	48,609,023
	$ 125,504,368	**106,241,146**
Lines of credit provided but not used	**$ 82,946,164**	**111,309,801**
Credit commitment on credit card	**$ 49,622,768**	**49,273,318**
Other guarantees	**$ 9,534,682**	**10,065,427**
Unused L/C balance	**$ 4,895,414**	**2,835,353**
Securities sold under repurchase agreements	**$ 12,148,995**	**10,802,609**
Securities purchased under resell agreements	**$ 611,398**	**59,570**

(Continued)

Fuhwa Commercial Bank

Notes to Financial Statements

(4) In accordance with Article 17 of the Trust Enterprise Law, the disclosures of the trust balance sheet and trust property list are as follows:

Trust Balance Sheet

December 31, 2006

Trust assets		Trust liabilities	
Bank deposits	$ 132,534	Trust capital－pecuniary trust	$ 43,482,982
Short-term investments	44,526,886	Trust capital－securities trust	916,989
Long-term investments	8,216,480	Trust capital－real estate trust	1,170,346
Real estate	2,457,507	Trust capital－pecuniary creditor's right and its collateral right trust (note: including financial asset securitization)	9,667,098
Net assets of Co-Trust Fund	1,354,719	Trust capital－Co-Trust Fund	1,322,096
		Retained earnings	128,615
Total trust assets	**$ 56,688,126**	Total trust liabilities	**$ 56,688,126**

Trust Balance sheet

December 31, 2005

Trust assets		Trust liabilities	
Bank deposits	$ 99,592	Trust capital－pecuniary trust	$ 34,764,691
Short-term investments	35,743,339	Trust capital－securities trust	764,847
Long-term investments	10,602,400	Trust capital－real estate trust	1,410,242
Real estate	1,407,388	Trust capital－financial assets securitization	10,912,939
Net assets of Co-Trust Fund	756,303	Trust capital－Co-Trust Fund	756,303
Total trust assets	**$ 48,609,022**	Total trust liabilities	**$ 48,609,022**

(Continued)

Fuhwa Commercial Bank

Notes to Financial Statements

Trust Income Statement

	For the year ended 2006
Trust revenue:	
Interest revenue	$ 207,800
Rental revenue	47,414
Common stock dividends－cash	25,686
Common stock dividends－stock	10,791
Property transactions gain	105
Investment revenue	3,633
	295,429
Trust expenses:	
Management expenses	8,714
Assignee expenses	25
Duty expenses	55,139
Interest expenses	24,387
Fee and commission	11,437
Audit expense	440
Lawyer expense	3,270
Expense for reserves	3,304
Unrealized loss	79,594
Investment loss	2,377
	188,687
Net income before income tax	106,742
Income tax expense	109
Net income after income tax	**$ 106,633**

(Continued)

Fuhwa Commercial Bank

Notes to Financial Statements

Schedule of investment for trust business

December 31, 2006

Invested items	Book value
Short-term investments:	
Bonds	$ 18,872,264
Common stock	1,452,347
Beneficiary securities	25,556,994
Subtotal	45,881,605
Others:	
Bank deposits	132,534
Long-term investments:	
Creditor's right investment	8,216,480
Real estate:	
Land	2,457,507
	$ 56,688,126

Schedule of investment for trust business

December 31, 2005

Invested items	Book value
Short-term investments:	
Bonds	$ 14,969,280
Common stock	1,226,563
Beneficiary securities	20,303,799
Subtotal	36,499,642
Others:	
Bank deposits	99,592
Long-term investments:	
Creditor's right investment	10,602,400
Real estate:	
Land	1,407,388
	$ 48,609,022

Foreign currency pecuniary trust operated by the Offshore Banking Unit (OBU) as of December 31, 2006, is included in the trust balance sheet and schedule of investment for trust business, which is not operated by the OBU as of December 31, 2005.

(Continued)

Fuhwa Commercial Bank

Notes to Financial Statements

8. Significant Catastrophic Loss: None.

9. Significant Subsequent Events: None.

10. Others

(1) Summary of personnel, depreciation, depletion and amortization expenses

A summary of personnel, costs and depreciation, depletion and amortization expenses for the years ended December 31, 2006 and 2005, is as follows:

Function / Accounts	2006 Cost of goods sold	2006 Operating expense	2006 Total	2005 Cost of goods sold	2005 Operating expense	2005 Total
Personnel costs:						
Salaries	-	2,170,613	2,170,613	-	1,926,849	1,926,849
Labor and health insurance	-	147,532	147,532	-	130,416	130,416
Pension	-	142,208	142,208	-	108,334	108,334
Other employment	-	61,989	61,989	-	55,302	55,302
Depreciation expenses	-	320,736	320,736	-	215,590	215,590
Depletion expenses	-	-	-	-	-	-
Amortization expenses	-	74,784	74,784	-	128,812	128,812

As of December 31, 2006 and 2005, depreciation expenses of idle assets amounted to $8,044 and $0, respectively, which are recorded in other non-interest income account.

(2) Reclassification

For the year ended December 31, 2006, certain entries have been reclassified and presented to conform to the financial statements for the year ended December 31, 2005. The financial statements are not significantly affected by such reclassifications.

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Fuhwa Commercial Bank

Notes to Financial Statements

(3) Net cash equivalents provided by the acquisitions were as follows:

	2006	
	The Tainan 6th Credit Cooperative	**The Tainan 7th Credit Cooperative**
Due from Central Bank	321,364	134,438
Marketable securities	72,680	40,732
Receivables	16,849	8,344
Loans and advances to customers, net	9,823,477	3,305,960
Long-term equity investment under cost method	6,020	2,366
Other financial assets	843,640	8,892
Property and equipment, net	237,424	271,787
Other assets	293,190	35,942
Payables	(52,419)	(29,559)
Deposits and remittances	(13,701,509)	(6,692,292)
Other liabilities	(845,805)	(660)
Subtotal	(2,985,089)	(2,914,050)
Completion of acquisition of goodwill－recorded in the other assets account	670,957	222,356
Net cash equivalents provided by the acquisition	**(2,314,132)**	**(2,691,694)**

(Continued)

Fuhwa Commercial Bank

Notes to Financial Statements

(4) In accordance with SFAS No. 28, the disclosures were as follows:

a. Information on interest-bearing assets and liabilities

	2006 Average amount	2006 Average rate (%)
Assets:		
Cash due from banks	$ 1,284,858	1.02
Due from Central Bank and placement to other banks	36,371,376	1.66
Financial assets at fair value through profit or loss	8,599,655	3.73
Bills and bonds purchased under agreements to resell	521,178	1.46
Margin loans	224,711,997	3.89
Available-for-sale financial assets	15,859,293	1.85
Held-to-maturity financial assets	163,951	2.67
Bond investment in non-active market	2,563,133	6.15
Liabilities:		
Due to banks	11,420,077	3.60
Demand deposits	81,799,546	0.62
Time deposits	145,090,315	2.11
Negotiable certificates of deposit	17,909,695	1.63
Bills and bonds sold under agreements to repurchase	13,086,108	1.44
Appropriated loans fund	194,013	0.96

	2005 Average amount	2005 Average rate (%)
Assets:		
Due from Central Bank and placement to other banks	32,569,686	1.36
Rate-related instruments	23,137,296	3.75
Cash due from banks	1,629,834	1.75
Margin loans	209,250,189	3.79
Liabilities:		
Deposits by other banks	10,468,070	3.12
Demand deposits	67,531,889	0.61
Time deposits	144,236,314	1.67
Negotiable certificates of deposit	14,653,548	1.36
Appropriated loans fund	57,604	2.81

(Continued)

Fuhwa Commercial Bank

Notes to Financial Statements

b. Major foreign currency position, net

Major foreign currency position, net (market risk)	December 31, 2006 Amount in functional currency	December 31, 2006 Amount in New Taiwan dollars	December 31, 2005 Amount in functional currency	December 31, 2005 Amount in New Taiwan dollars
USD	$ 33,011	1,076,017	3,379	111,007
EUR	957	41,097	187	7,258
FRN	583	15,554	13	330
NZD	281	6,468	138	3,088
AUD	83	2,143	270	6,497

c. Profitability

Unit: %

Items		2006	2005
Return on assets (note 1)	Before income tax	(1.74)	0.03
	After income tax	(1.46)	0.02
Return on net equity (note 2)	Before income tax	(34.63)	0.43
	After income tax	(29.16)	0.30
Net income to operating revenue (note 3)		(98.91)	0.82

Note 1: Return on assets = Net income before income taxes / Average assets

Note 2: Return on net equity = Net income before income taxes / Average net equity

Note 3: Net income to operating revenue = Net income before income taxes / Operating revenue

(5) The Bank entered into cross-selling transactions with Fuhwa Financial Holding Co., Ltd. and its other subsidiaries as follows:

a. Business transactions:

Please refer to note 5 - transactions with related parties.

b. Cross-selling activities:

The financial holding company attempted to satisfy customers' needs, increase sales revenues, and decrease costs through the Company's marketing strategy, locations and cross-marketing in order to enjoy the advantages of integration. The Company established Fuhwa Financial Holding Group Companies' Cross-Marketing Management System in accordance with Articles 42 and 43 of the Financial Holding Company Act and Article 7 of the Enforcement Regulations for Financial Holding Company Internal Audit Control System in order to manage cross-sales among subsidiaries and to protect customer rights.

(Continued)

Fuhwa Commercial Bank

Notes to Financial Statements

c. Information interchanges:

According to Article 7 of Fuhwa Financial Holding Group Companies' Cross-Marketing Management System, whenever cross-sales exist between the Company and subsidiaries or between subsidiaries, the following rules should be followed for disclosure and exchanging of information:

(a) relevant government regulations should be followed.

(b) contracts signed by customers who clearly agree to the terms should be obtained.

(c) The Financial Holding Company and subsidiaries' code of conduct should be maintained.

The policy should be the basis for exchanging information among subsidiaries in order to avoid violating customer rights. Except for circumstances specially mentioned in the policy, the interchanging of customer information should not contain credit, investment or insurance information other than the client's basic information.

d. Mutual use of business facilities and premises:

According to Article 25 of Fuhwa Financial Holding Group Companies' Cross-Marketing Management System, contracts regarding legal responsibility and the allocation method for expenses arising from the mutual use of business facilities and cross-sales between the Company's subsidiaries should be formulated and signed.

As of December 31, 2006, there were no significant cross-marketing activities or exchanging of information.

(6) Capital adequacy ratio

	December 31, 2006	**December 31, 2005**
Self-owned capital, net	$ 21,487,834	18,820,259
Risk-based assets	233,430,745	231,159,107
Capital adequacy ratio	9.21	8.14
Tier 1 Risk-based Capital Ratio	5.40	7.53
Tier 2 Risk-based Capital Ratio	4.00	0.82
Tier 3 Risk-based Capital Ratio	-	-
Equity Ratio	4.07	6.06

(7) Duration analysis of assets and liabilities

		Aging for remaining period until expiration					
	Total	**Day 1 to day 30**	**Day 31 to day 90**	**Day 91 to day 180**	**Day 181 to 1 year**	**1 year to 3 years**	**Over 3 years**
Capital provided	$ 322,018,000	47,407,000	13,503,000	35,334,000	13,887,000	37,311,000	174,576,000
Capital used	404,004,000	49,446,000	25,486,000	69,553,000	126,782,000	80,980,000	51,757,000
Spreads	(81,986,000)	(2,039,000)	(11,983,000)	(34,219,000)	(112,895,000)	(43,669,000)	122,819,000

(Continued)

Fuhwa Commercial Bank

Notes to Financial Statements

(expressed in thousands of US dollars)

	Total	Aging for remaining period until expiration					
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	1 year to 3 years	Over 3 years
Capital provided	$ 1,325,517	461,038	252,901	160,975	30,687	297,677	122,239
Capital used	1,292,597	832,748	122,750	87,124	61,822	188,120	33
Spreads	32,920	(371,710)	130,151	73,851	(31,135)	109,557	122,206

(8) Ratio of interest-rate-sensitive assets to liabilities and interest-rate-sensitive spreads to net equity

Item	Day 1 to day 90	Day 91 to day 180	Day 181 to 1 year	1 year to 3 years	Over 3 years	Total
Interest-rate-sensitive assets	$ 149,716,000	32,551,000	3,422,000	30,747,000	67,655,000	284,091,000
Interest-rate-sensitive liabilities	135,450,000	104,738,000	34,518,000	2,726,000	14,802,000	292,234,000
Interest-rate-*sensitive spreads	14,266,000	(72,187,000)	(31,096,000)	28,021,000	52,853,000	(8,143,000)
Interest-rate-sensitive equity, net						13,851,000
Ratio of interest-rate-sensitive assets to liabilities (%)						97.21
Ratio of interest-rate-sensitive spreads to net equity (%)						(58.79)

(expressed in thousands of US dollars)

Item	Day 1 to day 90	Day 91 to day 180	Day 181 to 1 year	1 year to 3 years	Over 3 years	Total
Interest-rate-sensitive assets	$ 334,193	114,081	30,702	114,576	122,587	716,139
Interest-rate-sensitive liabilities	552,927	51,366	61,315	-	-	665,608
Interest-rate-sensitive spreads	(218,734)	62,715	(30,613)	114,576	122,587	50,531
Interest-rate-sensitive equity, net						9,220
Ratio of interest-rate-sensitive assets to liabilities (%)						107.59
Ratio of interest-rate-sensitive spreads to net equity (%)						548.06

11. Other Disclosure Items

(1) Related information on material transaction items:

a. Information regarding stock of long-term equity investment for which the purchase or sale amount for the period exceeded NT$300 million or 10% of the Bank's paid-in capital: none.

b. Information on the acquisition of real estate for which the purchase amount exceeded NT$300 million or 10% of the Bank's paid-in capital: none.

c. Information on the disposal of real estate for which the sale amount exceeded NT$300 million or 10% of the Bank's paid-in capital: none.

d. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT$5 million: none.

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FUHWA COMMERCIAL BANK

Notes to Financial Statements

e. Information regarding receivables from related parties for which the amount exceeded NT$300 million or 10% of the Bank's paid-in capital:

Name of company which accounted for receivables from related party	Name of counter-party	Relationship with the Bank	Ending balance of receivables from related party	Turnover rate	Expected receivables from related party		Collection after December 31, 2006	Allowance for debt
					Amount	Method of management		
The Bank	Fuhwa Financial Holding	Parent company	485,326 (Note)	-	-	-	-	-

Note: Income tax receivable calculated under combined corporate income tax return filing with related parties.

f. Information regarding selling non-performing loans for which the amount exceeded NT$5 billion: none.

g. Information on and categories of securitized commodities which are approved by the Financial Asset Securitization Act or the Real Estate Securitization Act: none.

h. Other material transaction items which were significant to people who use the information in the financial statement: none.

(2) Information on long-terms equity investments:

a. Information on investees' names, locations, etc.:

Name of the investor	Name of the investee	Investee location	Investee's main operations	Original investment amount		Held by investor at year-end			Net income (loss) of investee	Gain (loss) recognized during the period	Remarks
				December 31, 2006	December 31, 2005	Shares (thousand)	Ratio	Book value			
The Bank	Fuhwa Leasing	5F., No. 4, Sec. 1, Jhongsiao W. Rd., Taipei, Taiwan	Real estate and property selling and leasing	197,000	197,000	19,700	98.56%	113,514	9,508	9,371	Subsidiary
	Fuhwa Property Insurance Agent	3F-1 No. 40, Sec. 2, Dunhwa S. Rd., Taipei City, Taiwan (R.O.C.)	Property insurance agency	2,880	2,880	(Note 1)	80.00%	5,756	2,406	1,888	Subsidiary
	Fuhwa Life Insurance Agent	〃	Life insurance agency	3,000	2,000	300	99.99%	41,285	34,443	33,745	Subsidiary
				$ 202,880	201,880			160,555	46,357	45,004	

Note 1: Limited company with no shares.

b. Lending to other parties: not applicable to Fuhwa Leasing, for which this is one of its registered operating activities. Other investees: none.

c. Guarantees and endorsements for other parties: none.

d. Information regarding securities held as of December 31, 2006: none.

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FUHWA COMMERCIAL BANK

Notes to Financial Statements

e. Information regarding securities for which the purchase or sale amount for the period exceeded NT$300 million or 10% of the Bank's paid-in capital: none.

f. Information on the acquisition of real estate for which the purchase amount exceeded NT$300 million or 10% of the Bank's paid-in capital: none.

g. Information on the disposal of the real estate for which the sale amount exceeded NT$300 million or 10% of the Bank's paid-in capital: none.

h. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT$5 million: none.

i. Information regarding receivables from related parties for which the amount exceeded NT$300 million or 10% of the Bank's paid-in capital: none.

j. Information regarding trading in derivative financial instruments: none.

k. Information regarding selling non-performing loans for which the amount exceeded NT$5 billion: none.

l. Information on and categories of securitized commodities which are approved by the Financial Asset Securitization Act or the Real Estate Securitization Act: none.

m. Other material transaction items which were significant to people who use the information in the financial statements: none.

12. Segment Information: not applicable.

Fuhwa Commercial Bank and Subsidiaries

Consolidated Financial Statements

December 31, 2006 and 2005
(With Independent Auditors' Report Thereon)

Address: 1, 2, 3, 7F., No. 4, Sec. 1, Jhongsiao W. Rd., Jhongjheng District, Taipei City 100, Taiwan (R.O.C.)

Tel：(02)2380-1888

Independent Auditors' Report

The Board of Directors
Fuhwa Commercial Bank:

We have audited the accompanying consolidated balance sheets of Fuhwa Commercial Bank and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Republic of China generally accepted auditing standards and the Rules Governing Auditing and Certification of Financial Statements of Financial Institutions by Certified Public Accountants. 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 consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Fuhwa Commercial Bank and its subsidiaries as of December 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Banks, the Business Entity Accounting Act, the Regulation on Business Entity Accounting Handling, and Republic of China generally accepted accounting principles.

As described in note 3 to the consolidated financial statements, Fuhwa Commercial Bank and subsidiaries, starting from January 1, 2006, adopted ROC Statements of Financial Accounting Standards No. 34 (SFAS No. 34) "Financial Instruments: Recognition and Measurement", No. 36 (SFAS 36) "Financial Instruments: Disclosure and Presentation", and the recently revised No. 1 (SFAS No. 1) "Conceptual Framework for Financial Accounting and Preparation of Financial Statements". As a result, net loss before the cumulative effect of changes in accounting principle and basic deficits per share decreased by $127,546 thousand and $0.07, respectively. In accordance with SFAS No. 34, the beginning balance of financial assets and liabilities should be reclassified and re-measured at fair value. For the year ended December 31, 2006, the resulting cumulative effect of changes in accounting principle and the decrease in basic deficits per share were $11,158 thousand and $0.01, respectively.

KPMG

February 9, 2007

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with the 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.

FUHWA COMMERCIAL BANK AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2006 and 2005
(Expressed in thousands of New Taiwan dollars, except for par value)

	2006	2005	Change %
Assets			
Cash and cash equivalents (note 4(1))	$ 5,835,418	6,180,032	(6)
Due from Central Bank and placement to other banks (note 4(2))	57,445,344	29,313,482	96
Financial assets at fair value through profit or loss, net (notes 4(3), 5 and 6)	11,998,139	7,781,535	54
Bills and bonds purchased under agreements to resell (notes 4(5), and 6)	611,200	59,556	926
Accounts receivable, net (notes 4(6), 4(7), 4(14) and 5)	15,059,462	9,849,451	53
Loans and advances to customers (notes 4(7), 5 and 7)	226,180,652	228,842,212	(1)
Available-for-sale financial assets, net (notes 4(3), 4(4) and 6)	16,667,948	17,591,842	(5)
Held-to-maturity financial assets, net	325,960	-	-
Other financial assets, net (notes 4(3) and (8))	2,101,809	2,392,896	(12)
Property and equipment, net (notes 4(9) and 7)	3,094,290	3,071,579	1
Goodwill and intangible assets (notes 3 and 4(10))	1,446,600	1,455,523	(1)
Other assets－net:			
Deferred income tax assets (note 4(14))	1,647,370	720,610	129
Other assets (note 4(9))	1,284,950	2,057,482	(38)
	2,932,320	2,778,092	6
Total assets	**$ 343,699,142**	**309,316,200**	11

	2006	2005	Change %
Liabilities and Stockholders' Equity			
Deposits by Central Bank and other banks	$ 27,166,309	26,439,261	3
Financial liabilities at fair value through profit or loss (notes 4(3) and 4(12))	2,478,259	104,849	2,264
Bills and bonds sold under agreements to repurchase (notes 4(5), 5 and 6)	12,140,286	10,796,321	12
Notes and accounts payable (note 5)	7,543,054	5,926,724	27
Deposits and remittances (notes 4(11) and 5)	267,376,345	242,325,352	10
Financial debentures (notes 4(12) and 5)	12,166,000	4,500,000	170
Accured pension liabilities (note 4(13))	24,909	60,516	(59)
Other financial liabilities	531,143	104,451	409
Other liabilities (note 4(3))	307,611	326,577	(6)
Total liabilities	329,733,916	290,584,051	13
Stockholders' Equity (notes 3, 4(4), 4(14), and 4(15)):			
Share capital:			
Common stock of $10 par value per share; authorized and issued 1,800,000 thousand shares in 2006 and 2005	18,000,000	18,000,000	-
Capital surplus	14,673	14,673	-
Retained earnings:			
Legal reserve	737,705	722,205	2
Unappropriated earnings (accumulated deficits)	(4,765,864)	51,669	(9,324)
	(4,028,159)	773,874	(621)
Other adjustments to stockholders' equity:			
Net loss from unrecognized pension cost	(39,660)	(59,292)	33
Unrealized gain on available-for-sale financial assets	15,273	-	-
	(24,387)	(59,292)	59
Minority interest	3,099	2,894	7
Total stockholders' equity	13,965,226	18,732,149	(25)
Commitments and contingent liabilities (notes 4(14), 5, 7 and 10)			
Total liabilities and stockholders' equity	**$ 343,699,142**	**309,316,200**	11

See accompanying notes to consolidated financial statements.

FUHWA COMMERCIAL BANK AND SUBSIDIARIES

Consolidated Statements of Income

For the years ended December 31, 2006 and 2005
(expressed in thousands of New Taiwan dollars, except for earnings per share)

	2006	2005	Change %
Interest income (notes 4(3) and 5)	$ 10,922,348	10,057,844	9
Less: Interest expense (note 5)	5,048,071	4,137,904	22
Net interest income	5,874,277	5,919,940	(1)
Other non-interest income:			
Fee and commission income, net (note 5)	930,821	1,125,159	(17)
Gain on financial instruments at fair value through profit or loss (notes 4(3) and 5)	91,913	92,739	(1)
Realized loss on available-for-sale financial assets (note 4(4))	(9,610)	(239,179)	96
Foreign exchange loss, net	(23,681)	(71,720)	67
Other non-interest income, net	319,919	467,493	(32)
Asset impairment loss	-	(142,950)	-
Reversal of reserve for guarantee liabilities	78,389	-	-
Other bad debt expenses (note 4(7))	(2,325,878)	(701,426)	(232)
Net revenue	4,936,150	6,450,056	(23)
Bad debt expense for loans and advances to customers (note 4(7))	6,078,190	2,292,224	165
Operating expenses:			
Personnel costs (notes 4(13) and 10)	2,571,974	2,269,854	13
Depreciation and amortization (notes 4(9), 4(10) and 10)	396,863	345,201	15
Other general and administrative expenses (note 5)	1,534,798	1,444,789	6
	4,503,635	4,059,844	11
Income from continuing operations before income tax	(5,645,675)	97,988	(5,862)
Income tax expense (benefit) (note 4(14))	(869,272)	46,420	(1,973)
Income (loss) before cumulative effect of changes in accounting principle (note 3)	(4,776,403)	51,568	(9,362)
Cumulative effect of changes in accounting principle, net of income tax of $10,166 (notes 3 and 4(14))	11,158	-	-
Consolidated net income (loss)	**$ (4,765,245)**	**51,568**	(9,341)
Net income (loss) attributable to:			
Stockholders of the parent company	$ (4,765,864)	51,669	(9,324)
Minority interest	619	(101)	(713)
	$ (4,765,245)	**51,568**	(10,037)

	2006 Before tax	2006 After tax	2005 Before tax	2005 After tax
Basic earnings (deficits) per share (notes 3 and 4(15))				
Net income (loss) before cumulative effect of changes in accounting principle	**$ (3.14)**	(2.66)	**0.04**	0.03
Cumulative effect of changes in accounting principle		0.01		-
Net income (loss)		**$ (2.65)**		**0.03**

See accompanying notes to consolidated financial statements.

FUHWA COMMERCIAL BANK AND SUBSIDIARIES

Statements of Changes in Stockholders' Equity

For the years ended December 31, 2006 and 2005
(expressed in thousands of New Taiwan dollars)

	Common stock	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Unappropriated retained earnings (accumulated deficits)	Net loss from unrecognized pension cost	Unrealized gain on available-for-sale financial assets	Minority interest	Total
Balance at January 1, 2005	$ 14,000,000	14,673	271,527	1,502,258	-	-	-	15,788,458
Issuance of common stock for cash (note 4(15))	3,000,000	-	-	-	-	-	-	3,000,000
Appropriation of retained earnings (note 4(15)):								
Legal reserve	-	-	450,678	(450,678)	-	-	-	-
Bonus to employees	-	-	-	(21,031)	-	-	-	(21,031)
Cash dividends	-	-	-	(30,549)	-	-	-	(30,549)
Retained earnings transferred to common stock	1,000,000	-	-	(1,000,000)	-	-	-	-
Recognition of net loss from unrecognized pension cost	-	-	-	-	(59,292)	-	-	(59,292)
Changes in minority interest	-	-	-	-	-	-	(101)	(101)
Effect of subsidiaries consolidated for the first time	-	-	-	-	-	-	2,995	2,995
Net income for 2005	-	-	-	51,669	-	-	-	51,669
Balance at December 31, 2005	18,000,000	14,673	722,205	51,669	(59,292)	-	2,894	18,732,149
Appropriation of retained earnings (note 4(15)):								
Legal reserve	-	-	15,500	(15,500)	-	-	-	-
Bonus to employees	-	-	-	(723)	-	-	-	(723)
Cash dividends	-	-	-	(35,446)	-	-	-	(35,446)
Reversal of net loss from unrecognized pension cost	-	-	-	-	19,632	-	-	19,632
Recognition of unrealized gain on available-for-sale financial assets (note 4(4))	-	-	-	-	-	15,273	-	15,273
Changes in minority interest	-	-	-	-	-	-	205	205
Net loss for 2006	-	-	-	(4,765,864)	-	-	-	(4,765,864)
Balance at December 31, 2006	**$ 18,000,000**	**14,673**	**737,705**	**(4,765,864)**	**(39,660)**	**15,273**	**3,099**	**13,965,226**

See accompanying notes to consolidated financial statements.

FUHWA COMMERCIAL BANK AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2006 and 2005
(expressed in thousands of New Taiwan dollars)

	2006	2005
Cash flows from operating activities:		
Net income (loss)	$ (4,765,245)	51,568
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Provision for bad debts of loans and advances to customers	8,404,068	2,993,650
Reversal of reserves	(76,777)	(9,933)
Depreciation	322,029	216,329
Amortization	74,834	128,872
Loss on sale of available-for-sale financial assets, net	9,610	239,179
Impairment loss on financial assets carried at cost	-	(20,155)
Gain on disposal of bond investments in non-active markets	(9,612)	6,858
Loss on disposal of property and equipment, net	15,889	10,664
Loss on disposal of other assets	371	246
Loss (gain) on sale of foreclosed assets, net	32,793	(18,641)
Gain on sale of idle assets, net	(6,565)	(13,978)
Impairment loss on idle assets	-	122,795
Loss on disposal of financial assets carried at cost	-	5,000
Depreciation of idle assets	8,044	-
Decrease (increase) in financial assets at fair value through profit or loss	(4,216,604)	570,248
Increase in accounts receivable	(7,535,889)	(2,678,807)
Decrease (increase) in other financial assets	(16,541)	226,615
Decrease (increase) in deferred income tax assets	(926,760)	12,495
Increase (decrease) in financial liabilities at fair value through profit or loss	239,410	(118,030)
Increase in notes and accounts payable	1,616,330	1,130,068
Increase (decrease) in accrued pension liabilities	(16,179)	34,670
Net cash provided by (used in) operating activities	(6,846,794)	2,889,713
Cash flows from investing activities:		
Decrease (increase) in due from Central Bank and placement to other banks	(28,131,862)	4,380,394
Increase in bills and bonds purchased under agreements to resell	(551,644)	(59,556)
Increase in loans and advances to customers	(3,415,587)	(22,459,233)
Acquisition of available-for-sale financial assets	(42,224,880)	(223,316,962)
Proceeds from disposal of available-for-sale financial assets	43,154,437	220,069,773
Acquisition of held-to-maturity financial assets	(325,960)	-
Capital refund from investees under cost method	2,320	1,130
Proceeds from disposal of financial assets carried at cost	-	5,000
Acquisition of bond investments in non-active markets	(1,751,599)	(1,053,580)
Proceeds from disposal of bond investments in non-active markets	2,065,476	1,194,057
Acquisition of property and equipment	(603,453)	(643,434)
Proceeds from disposal of property and equipment	145,075	2,638
Proceeds from disposal of foreclosed assets	203,218	288,705
Proceeds from disposal of idle assets	315,650	271,788
Increase in idle assets	(42,519)	-
Decrease (increase) in other assets	293,378	(64,911)
Net cash provided by acquisitions (note 10)	-	5,005,826
Net cash used in investing activities	(30,867,950)	(16,378,365)
Cash flows from financing activities:		
Increase in deposits by Central Bank and other banks	727,048	1,769,221
Increase (decrease) in bills and bonds sold under agreements to repurchase	1,343,965	(107,539)
Increase in deposits and remittances	25,050,993	10,611,156
Issuance of financial debentures	9,800,000	-
Increase (decrease) in other financial liabilities	426,692	(17,604)
Increase (decrease) in other liabilities	58,015	(168,976)
Cash dividends and bonus to employees	(36,169)	(51,859)
Issuance of common stock for cash	-	3,000,000
Decrease in minority interest	(414)	-
Net cash provided by financing activities	37,370,130	15,034,399
Effects of first-time inclusion of certain subsidiaries in the consolidated financial statements	-	220,953
Net increase (decrease) in cash and cash equivalents	(344,614)	1,766,700
Cash and cash equivalent at beginning of year	6,180,032	4,413,332
Cash and cash equivalent at end of year	**$ 5,835,418**	**6,180,032**
Supplementary disclosure of cash flows:		
Cash payment of interest	**$ 4,661,420**	**3,851,135**
Cash payment of income tax	**$ 117,257**	**143,207**

See accompanying notes to consolidated financial statements.

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2006 and 2005
(expressed in thousands of New Taiwan dollars, unless otherwise specified)

1. Organization

Fuhwa Commercial Bank (Fuhwa Bank) was founded on January 14, 1992, and commenced operations on February 12, 1992. Fuhwa Bank is principally engaged in commercial banking activities allowed by the Banking Law and in business activities authorized by the supervising authority of the central government. In September 2002, the bank was authorized to be renamed Fuhwa Commercial Bank from Asia Pacific Bank.

On August 1, 2002, in accordance with the Financial Holding Company Law, Fuhwa Bank became a subsidiary of Fuhwa Financial Holding Company by share exchange and was de-listed from the stock market at the same time.

Fuhwa Bank's parent company is Fuhwa Financial Holding Co., Ltd. As of December 31, 2006, the number of Fuhwa Bank's employees was 2,888.

Fuhwa Leasing Co., Ltd. (Fuhwa Leasing) was founded on August 10, 1998, in accordance with the Company Law of the Republic of China. Fuhwa Leasing was authorized to be renamed Fuhwa Leasing Co., Ltd. from Asia Pacific Leasing Co., Ltd. in January 2003. Fuhwa Leasing's main business includes installment sales and lease of machinery, transportation vehicles, office equipment, and raw materials, as well as the factoring of accounts receivable. As of December 31, 2006, the number of Fuhwa Leasing's employees was 14.

Fuhwa Life Insurance Agent Company (Fuhwa Life Insurance Agent) was founded on December 25, 2001, in accordance with the Company Law of the Republic of China. Fuhwa Life Insurance Agent was authorized to be renamed Fuhwa Life Insurance Agent Company from Asia Pacific Bank Life Insurance Agent Co. in October 2002. Fuhwa Life Insurance Agent's main business is to provide life insurance brokerage services. As of December 31, 2006, the number of Fuhwa Life Insurance Agent's employees was 34.

Fuhwa Property Insurance Agent Company (Fuhwa Property Insurance Agent) was founded on November 8, 1999, in accordance with the Company Law of the Republic of China. Fuhwa Property Insurance Agent was authorized to be renamed Fuhwa Property Insurance Agent Company from Fu An Property Insurance Agent Company in November 2002. Fuhwa Property Insurance Agent's main business is to provide property insurance brokerage services. As of December 31, 2006, the number of Fuhwa Property Insurance Agent's employees was 4.

2. Summary of Significant Accounting Policies

The consolidated financial statements are presented in the local currency and in Chinese. These consolidated financial statements have been translated into English. The translated information is consistent with the Chinese version consolidated financial statements from which it is derived.

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

The consolidated financial statements are prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Banks, the Business Entity Accounting Act, the Regulation on Business Entity Accounting Handling, and ROC generally accepted accounting principles. The consolidated financial statements are prepared primarily on a historical cost basis except as otherwise specified in the following accounting policies. A summary of significant accounting policies and the measurement basis used in preparing the financial statements is as follows:

(1) Basis of consolidation

Fuhwa Bank prepares its consolidated financial statements in accordance with ROC SFAS No. 7 "Consolidated Financial Statements". The consolidated financial statements include the accounts of Fuhwa Bank, Fuhwa Leasing, Fuhwa Life Insurance Agent and Fuhwa Property Insurance Agent (collectively referred to as the Consolidated Company). Significant intercompany transactions are eliminated in consolidation. Details of subsidiaries included in the Consolidated Company are shown below:

Investing Company	Subsidiary	Main Business	Shareholding Percentage
Fuhwa Bank	Fuhwa Leasing	Leasing	98.56 %
Fuhwa Bank	Fuhwa Life Insurance Agent	Life insurance agency	99.99 %
Fuhwa Bank	Fuhwa Property Insurance Agent	Property insurance agency	80.00 %

The consolidated financial statements include the accounts of the head office and branches of Fuhwa Bank. All intra-office balances and transactions have been eliminated for preparation of the consolidated financial statements.

Fuhwa Bank, for internal management purposes, should maintain separate accounts and prepare separate sets of financial statements for the entrusted funds managed by Fuhwa Bank. All the entrusted assets are booked to a memo account.

(2) Foreign currency transactions

Except for accounts in its Offshore Banking Unit (OBU) that are maintained in US dollars, accounts in all units are maintained in New Taiwan dollars. For those transactions denominated in foreign currencies, assets and liabilities are recorded in their original foreign currencies, and all income and expense accounts denominated in original foreign currencies are translated into New Taiwan dollars at daily closing exchange rates. At the balance sheet date, the consolidated financial statement amounts in all foreign currencies are translated into New Taiwan dollars at exchange rates assigned on that date. Differences from translation are recorded as gains or losses for the current period.

(3) Cash and cash equivalents

The Consolidated Company considers cash and due from banks as cash and cash equivalents.

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

(4) Deposit reserve

Deposit reserve is calculated based on the monthly average balance of the various deposit accounts, by using legal reserve ratios as promulgated by the Central Bank of China (CBC). The deposit reserve－demand account is placed with the CBC and is subject to change only when the monthly reserve requirement is adjusted.

(5) Financial assets and liabilities at fair value through profit or loss

Starting from January 1, 2006, the Consolidated Company accounts for financial instruments in accordance with ROC Statement of Financial Accounting Standards (SFAS) No. 34 "Financial Instruments: Recognition and Measurement". The Consolidated Company recognizes the purchases or sales of stocks, funds, convertible corporate bonds denominated in New Taiwan dollars, and beneficiary certificates using trade-date accounting and of other financial assets using settlement-date accounting. These financial instruments are initially recognized at fair value plus acquisition or issuance cost.

Financial instruments whose changes in fair value are recognized in profit or loss include debt securities, equity shares, and derivative instruments held or issued by the Consolidated Company. These financial instruments can be classified into two subcategories: financial instruments for trading purposes and financial instruments designated at fair value. Financial instruments for trading purposes are those acquired or held principally for the purpose of selling or repurchasing in the near term.

Financial instruments with fair value changes recognized in profit or loss should be measured at fair value. The fair value is the amount at which the financial instruments could be purchased or sold in a current arm's-length transaction between willing parties. A quoted market price in an active market, if available, is the best evidence of fair value. The fair value of listed or OTC stocks is the market closing price of the last transaction day. The market price of open-end funds is the net asset value on the balance sheet date. The fair value of local bonds is represented by the OTC's quoted market price of the last transaction day of the bonds. However, if a quoted market price is not available, fair value should be estimated using the information available in the circumstances or estimated using pricing models. Estimation of fair value is usually based on recent trading prices of such financial instruments and supplemented by related valuation techniques available.

The realized and unrealized gain or loss, including the amortization of discount and premium, on financial instruments at fair value through profit or loss are recognized in the income statement. Interest income (expense) and cash dividends received during the holding period are recorded under the accounts "interest income (expense)" and "gain (loss) on financial instruments at fair value through profit or loss", respectively. Cash dividends, including the dividends declared in the year of investment, are recognized as income on the ex-dividend date or when the board approves the cash dividends. Stock dividends are not recognized as income but treated as increases in the number of shares held.

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

A financial instrument cannot be reclassified into or out of the fair value through profit or loss category after initial recognition. In accordance with explanatory letter Ji-Mi-Zih No. 296 issued in 2006 by the Accounting Research and Development Foundation, after adopting SFAS No. 34 "Financial Instruments: Recognition and Measurement", financial assets held for trading purposes which are provided as collateral for loans or refundable deposits should still be recognized as financial assets held for trading purposes.

The investments held by the Consolidated Company on December 31, 2005, were classified as marketable securities, long-term equity investments, and derivative instruments. Marketable securities including short-term bills, listed stocks, government bonds, financial debentures, corporate bonds, and beneficiary certificates are recorded at cost when acquired and are evaluated by the lower-of-total-cost-or-market-value method on the balance sheet date. The market prices of listed stocks and closed-end funds are determined by the average closing price for the last month of the reporting period. The market prices of open-end funds are the net asset value on the balance sheet date. The market prices of financial debentures and corporate bonds are determined by the value on the nearest trading date. The market prices of government bonds are determined by the last trading price on the OTC at the balance sheet date. When the investments are sold, except for the cost of short-term bills sold being determined by the specific identification method, the cost of other investments sold is determined by the weighted-average-cost method.

The marketable securities as of December 31, 2005, have been reclassified and presented to conform to the financial statements for the year ended December 31, 2006.

(6) Available-for-sale financial assets

Starting from January 1, 2006, the Consolidated Company adopted ROC SFAS No. 34 "Financial Instruments: Recognition and Measurement". The Consolidated Company recognizes the purchases or sales of stocks, funds, convertible corporate bonds denominated in New Taiwan dollars, and beneficiary certificates using trade-date accounting and of other financial assets using settlement-date accounting. These financial instruments are initially recognized at fair value plus acquisition or issuance cost.

Available for sale financial assets are subsequently remeasured at fair value, and the changes therein are recognized in the shareholders' equity adjustment account. Fair value is based on the quoted market price or on the estimated amount if the quoted market price is not available. When there is any indication of impairment in the value of available-for-sale financial assets, an impairment loss should be recognized in the income statement. The impairment losses recognized in the income statement on debt instruments classified as available for sale are reversed through the income statement if the fair value of such debt instruments increases in a subsequent period. When available-for-sale financial assets are sold, cumulative gains or losses previously recognized in equity are recognized in the income statement. Interest income and cash dividends are recorded under "interest income" and "realized gain on available-for-sale financial assets", respectively. Cash dividends are recognized as income on the ex-dividend date or when the board approves the cash dividends. Cash dividends received are deducted from the amount invested in the same year. Stock dividends are not recognized as income but treated as increases in the number of shares held.

The marketable securities as of December 31, 2005, have been reclassified as available-for-sale financial assets and presented to conform to the financial statements for the year ended December 31, 2006.

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

(7) Held-to-maturity financial assets

Starting from January 1, 2006, the Consolidated Company adopted ROC SFAS No. 34 "Financial Instruments: Recognition and Measurement". The Consolidated Company recognizes the purchases or sales of stocks, funds, convertible corporate bonds denominated in New Taiwan dollars, and beneficiary certificates using trade-date accounting and of other financial assets using settlement-date accounting. These financial instruments are initially recognized at fair value. The amount recognized includes acquisition or issuance cost.

Held-to-maturity financial assets are recorded at amortized cost. Amortized cost and interest income or interest expense of held-to-maturity financial assets is evaluated using the effective interest rate. If there is any objective evidence of impairment in the value of held-to-maturity financial assets, an impairment loss is recognized in the income statement. In a subsequent period, if the value of a debt instrument classified as held-to-maturity financial assets increases, and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement. The carrying amount of the held-to-maturity financial assets after the reversal should not exceed the amortized cost of the assets assuming no impairment loss was recognized in prior periods.

(8) Derivative financial instruments

Derivative financial instruments are foreign exchange forward contracts, currency swaps, interest rate swaps, and currency and interest rate swaps and options, which are entered into by the Consolidated Company in foreign exchange, interest rate and capital markets. Derivative financial instruments are for trading purposes except for those accounted for under hedge accounting. Trading purposes include market creation, customer services, trading and other relevant activities.

Derivative financial instruments held for trading purposes are evaluated at fair value. Changes in fair value are recorded as current period income or loss. Fair value is the amount at which the asset could be purchased or sold in a current arm's-length transaction between willing parties. A quoted market price, if available, in an active market is the best evidence of fair value; however, if a quoted market price is not available, fair value should be estimated using the information available in the circumstances or using pricing models. Estimation of fair value is usually based on recent trading prices of similar financial instruments and supplemented by related valuation techniques available.

Derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right of offset exists, and the parties intend to settle the cash flows on a net basis.

An embedded derivative financial instrument is split from the host contract and accounted for as a separate derivative if the embedded derivative financial instrument meets the definition specified in the Statements of Financial Accounting Standards. The host contract, depending on whether or not it is a financial instrument, is recognized according to the related Statements of Financial Accounting Standards.

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

(9) Installment sales

When an installment sale is made by the Consolidated Company, profit, which is the difference between the selling price and the cost, is recognized immediately. If the installment selling price is higher than the normal selling price, the difference is recognized as unrealized interest revenue when a sale is made, and subsequently realized over the installment period using the interest method. The Consolidated Company has set its installment selling prices equal to its normal selling prices. Therefore, the difference between the selling price and the cost is recognized immediately as unrealized interest revenue when a sale is made, and subsequently realized as interest income over the installment period.

(10) Sale and repurchase agreements

Financial instruments sold (purchased) under repurchase (resell) agreements are stated at the acquisition cost. The difference between the sale and the repurchase price is treated as interest income or interest expense and recognized over the life of the agreement.

(11) Loans and advances to customers, and related allowance for doubtful accounts

Credit terms are decided by the term to maturity of loans. The loan period of short-term loans is within one year, the loan period of medium-term loans is one to seven years, and the loan period of long-term loans is more than seven years. Loans with pledged assets are recorded as secured loans.

All loans are recorded initially as the actual amount lent out and reported at their outstanding principal balances net of any provisions for doubtful accounts. An allowance for doubtful accounts is determined by an evaluation of the collectibility of loans, receivables, and advance accounts. Doubtful accounts are written off when the recovery possibility is remote.

Principal or interest overdue over three months is categorized as overdue accounts. Interest overdue over six months was categorized as overdue accounts before June 30, 2005. In addition, when principal or interest has not been paid for over six months, the said principal and interest are transferred to non-performing loans. When this occurs, interest will only be calculated and booked to the memo account.

In accordance with Ruling Tai-Tsai-Rong No. 88733168, Fuhwa Bank should provide 3% of operating revenue as allowance for bad debt to speed up the write-off of the default accounts from July 1, 1999, and for the following four years. In addition, based on interpretation letter Wa-Chung-One-Yi No. 09200114870, the aforementioned ruling is still valid until the overdue accounts ratio is lower than 1%. The aforementioned allowance is recognized as operating expenses－provisions expense and charged to current operations.

(12) Other investments

Holdings of unlisted or non-OTC stocks over which the Consolidated Company does not have significant influence are classified as financial assets stated at cost. Since the fair value cannot be obtained, these financial assets are measured at cost. If there is any objective evidence of impairment in the value of the financial assets stated at cost, an impairment loss is recognized in the income statement. This impairment loss cannot be reversed.

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

Bond investments in a non-active market are those that do not have public quotes in an active market and are recorded at amortized cost. If there is any objective evidence of impairment in the value of the bond investment in a non-active market, an impairment loss is recognized in the income statement. In a subsequent period, if the value of a debt instrument classified as bond investments in a non-active market increases, and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement. The carrying amount of the bond investments in a non-active market after the reversal should not exceed the amortized cost of the assets assuming no impairment loss was recognized in prior periods.

Cash dividends from the aforementioned financial assets are recorded under "other non-interest income, net". Stock dividends are not recognized as income but treated as increases in the number of shares held. In addition, if the fair value is available and reliably measurable, the aforementioned financial assets should be evaluated by using fair value and reclassified as "available-for-sale financial assets".

As of December 31, 2005, the equity investments recorded as long-term investments under the cost method were classified according to the holding purpose and intension of the Consolidated Company. These investments were initially recognized and remeasured at cost. If the impairment in the value of these investments is other than temporary and the recovery of the carrying amount is remote, an impairment loss is charged to current operations.

(13) Property and equipment, and related depreciation

Property and equipment are stated at acquisition cost. Interest expense on the acquisition of assets is capitalized and classified under appropriate categories of property and equipment. Major renewals and betterments of property and equipment are capitalized, while maintenance and repairs are expensed.

Apart from land, depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. In addition, the salvage value is amortized over the estimated remaining useful life of an asset. Gains or losses on the disposal of property and equipment are recorded as non-operating income or losses.

The estimated useful lives of property, plant and equipment are listed as follows:

Buildings	3~55 years
Equipment	3~5 years
Transportation equipment	3~5 years
Leasehold improvements	3~10 years
Other equipment	3~20 years

(14) Leasing

The Consolidated Company accounts for leases in accordance with ROC Statement of Financial Accounting Standard No. 2 "Leases".

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

(15) Intangible assets－goodwill

Goodwill arose in the acquisition of The Credit Cooperative of Douliou, The Credit Cooperative of Taidong, The Tainan Seventh Credit Cooperative, and The Tainan Sixth Credit Cooperative and was recognized as the purchase price less the market value of tangible assets obtained. Starting in 2006, in accordance with the newly revised ROC SFAS No. 1 "Conceptual Framework for Financial Accounting and Preparation of Financial Statements", goodwill shall not be amortized.

(16) Other intangible assets

Computer software is recorded at acquisition cost and is amortized over three years.

(17) Other asset－idle assets

Starting from January 1, 2006, the Consolidated Company adopted ROC SFAS No. 1 "Conceptual Framework for Financial Accounting and Preparation of Financial Statements" whereby, when the property and equipment are not used for operations or any other purposes, the Consolidated Company should transfer the original cost, accumulated depreciation, and accumulated impairment of fixed assets to other assets－idle assets. Idle assets should be depreciated. In accordance with ROC SFAS No. 35 "Impairment of Assets", idle assets should be assessed at each balance sheet date where there is any indication of impairment, and then the Consolidated Company should perform an impairment test.

(18) Other asset－foreclosed assets

Foreclosed assets are stated at their net realizable value. Any difference between the original loans and advances and the net realizable value is recognized as bad debts.

(19) Asset impairment

Effective January 1, 2005, the Consolidated Company adopted ROC SFAS No. 35 "Impairment of Assets". In accordance with ROC SFAS No. 35, the Consolidated Company assesses at each balance sheet date whether there is any indication that an asset other than goodwill may have been impaired. If any such indication exists, the Consolidated Company estimates the recoverable amount of the asset. The Consolidated Company recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount. The Consolidated Company assesses the cash-generating unit of goodwill on an annual basis and recognizes an impairment loss on the excess of carrying value over the recoverable amount.

The Consolidated Company reverses an impairment loss recognized in prior periods for assets other than goodwill if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods. The impairment loss recognized for goodwill cannot be reversed.

(20) Deposits by banks, and deposits and remittances

Deposits are recorded at the contracted principal amount or the expected value on maturity.

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

(21) Financial debentures

The Consolidated Company issued financial debentures at par with a lump-sum payment at maturity, and the interest expenses are computed and recorded at face value multiplied by the stated interest rate every month. The annual fee paid to the Gre Tai (Over-the-Counter) Securities Market (OTC) is recognized as operating expense.

(22) Other liability－reserve for securities trading losses

According to the Rules Governing Securities Firms, 10% of the securities trading gains in excess of losses must be provided as a reserve on a monthly basis, until the accumulated balance of such reserve reaches $200,000. Such reserve can only be used to offset the loss from securities trading.

The aforementioned reserve for trading losses is recognized as other liability－reserve for securities trading losses and charged to other non-interest expense or income.

(23) Other liability－reserve for losses on guarantees

The reserve for losses on guarantees is determined by evaluating the potential losses on guarantees and commitments.

The aforementioned reserve for guarantees is recorded as other liability－reserve for losses on guarantees and charged to non-interest expense or income.

(24) Retirement plan

The original employee retirement plan of Fuhwa Bank was established in 1992 for the benefit of all eligible employees. Effective from May 1, 1997, such plan was modified in order to comply with the Labor Standards Law. Pension payments are computed based on years of service and the average monthly salary prior to retirement.

Fuhwa Bank adopted SFAS No. 18 "Accounting for Pensions". In accordance with the defined benefit pension plan, the measurement date for the completion of the actuarial assessment is the end of each fiscal year. The amount of the accumulated benefit obligation over pension plan assets is recognized as the minimum pension liability on the reporting date. Furthermore, Fuhwa Bank recognizes net pension cost, which includes current service cost, and amortization of net transition asset or obligation, prior service cost, and unrecognized gain (loss) on a pension plan over the average remaining service years on a straight-line basis.

Minimum pension liability usually occurs due to the existence of unrecognized prior service cost and unrecognized transitional net assets or net benefit obligation. If the amount of minimum pension liability does not exceed the sum of unrecognized prior service cost and unrecognized transitional net assets or net benefit obligation, then the difference would be charged to the deferred pension cost account; otherwise, the difference shall be charged to the account net loss not yet recognized as net pension cost. Deferred pension cost is classified as an intangible asset; net loss from unrecognized net pension cost is classified as a reduction of stockholders' equity.

SFAS No. 18 "Accounting for Pensions" was adopted by Fuhwa Leasing, Fuhwa Life Insurance Agent and Fuhwa Property Insurance Agent starting in 2005.

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

On July 1, 2005, the Labor Pension Act (the New System) became effective. Under the New System, the Consolidated Company has an obligation to contribute no less than 6% of monthly paid salary to the pension accounts in the Labor Insurance Bureau individually owned by the existing employees who choose to join the new system and the employees hired after the effective date. The amounts deposited under this defined contribution pension plan are charged to current operations.

(25) Recognition of revenue

Interest revenue and fees and commissions are recognized as income on an accrual basis.

(26) Income tax

Income tax is estimated based on the accounting net income. Deferred income tax is determined based on differences between the financial statements and tax basis of assets and liabilities, using enacted tax rates in effect during the years in which the differences are expected to reverse. The income tax effects due to taxable temporary differences are recognized as deferred income tax liabilities. The income tax effects due to deductible temporary differences, loss carryforwards, and income tax credits are recognized as deferred income tax assets. The realization of deferred income tax assets is evaluated, and a valuation allowance is recognized accordingly.

The 10% surtax on unappropriated earnings is recorded as expense in the year the stockholders approve the distribution of earnings.

In accordance with the Financial Holding Company Act, Article 49, the Consolidated Company has adopted its parent company, Fuhwa Financial Holding, as the taxpayer to file a consolidated corporate income tax return and pay the 10% surtax on undistributed earnings beginning 2003. When the Consolidated Company prepares its financial statements, the Consolidated Company accounts for its income tax in conformity with ROC SFAS No. 22 "Income Taxes". However, the Consolidated Company also adjusts the related income tax balance in a reasonable and systematic way to reflect the differences computed under filing a consolidated corporate income tax return with Fuhwa Financial Holding as the taxpayer. The adjustments resulting from using Fuhwa Financial Holding as the taxpayer to file to a consolidated corporate income tax return are recorded under receivable from (payable to) related parties.

(27) Earnings per share of common stock

Earnings per share are computed as net income divided by the weighted-average number of issued shares of common stock. Treasury stock reduces the issued outstanding shares of common stock. The increase in issuance of a stock dividend from retained earnings or capital surplus or the decrease in issued shares due to capital reduction is adjusted retroactively. Furthermore, if the designated date of record for a stock dividend or capital reduction is proposed before the issuance of the financial statements, the earnings per common share are adjusted retroactively.

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

3. The Reason for and Effect of Accounting Changes

The Consolidated Company adopted ROC SFAS No. 35 "Impairment of Assets" in 2005. As of December 31, 2005, there was no asset which had an indication of impairment. In addition, the Consolidated Company performed an impairment test on goodwill, and no impairment loss needed to be recognized.

Effective January 1, 2006, pursuant to the newly revised ROC SFAS No. 1 "Conceptual Framework for Financial Accounting and Preparation of Financial Statements", goodwill is no longer being amortized. The resulting effect of this change in accounting principle amounted to $145,128. The net loss before the cumulative effect of changes in accounting principle and basic deficit per share decreased by $108,846 and $0.06 (dollars), respectively.

Starting from January 1, 2006, the Consolidated Company accounted for its financial instruments in accordance with ROC SFAS No. 34 "Financial Instruments: Recognition and Measurement" and ROC SFAS No. 36 "Financial Instruments: Disclosure and Presentation". These caused net loss before the the cumulative effect of changes in accounting principle and basic deficits per share to decrease by $18,700 and $0.01 (dollars), respectively.

As a result, for the year ended December 31, 2006, the net loss before the cumulative effect of changes in accounting principle and basic deficits per share decreased by $127,546 and $0.07 (dollars), respectively. In accordance with ROC SFAS No. 34, the beginning balances of financial assets and financial liabilities should be reclassified and re-measured at fair value. For the year ended December 31, 2006, the resulting cumulative effect of changes in accounting principle amounted to $11,158, and basic deficits per share decreased by $0.01 (dollars).

4. Summary of Major Accounts

(1) Cash and Cash Equivalents

As of December 31, 2006 and 2005, the composite banking insurance amounted to $327,500.

(2) Due from Central Bank and Placement to Other Banks

As of December 31, 2006 and 2005, due from Central Bank and placement to other banks were as follows:

	2006	2005
Deposit reserve:		
Checking account	$ 3,847,495	3,980,321
Demand account	7,255,888	6,233,311
	11,103,383	10,213,632
Certificates of deposit	42,800,000	15,950,000
Placement to other banks	3,541,961	3,149,850
Total	**$ 57,445,344**	**29,313,482**

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

(3) Financial Assets and Liabilities at Fair Value through Profit or Loss

As of December 31, 2006 and 2005, financial assets and liabilities at fair value through profit or loss were as follows:

		2006	2005
Trading assets:			
Rate-related instruments	$	5,000,672	3,301,688
Equity securities / equity-linked notes		492,377	571,678
Beneficiary certificates		2,645,999	1,612,426
Derivatives		288,001	117,724
Structural bonds		-	2,178,019
		8,427,049	7,781,535
Financial assets designated at fair value:			
Equity securities / equity-linked notes		968,002	-
Structural bonds		2,603,088	-
		3,571,090	-
Total	**$**	**11,998,139**	**7,781,535**

		2006	2005
Trading liabilities:			
Derivatives	$	398,285	104,849
Financial liabilities designated at fair value:			
Subordinate financial debentures		2,079,974	-
Total	**$**	**2,478,259**	**104,849**

In accordance with SFAS No. 34, some of the hybrid financial instruments held in 2005 were designated as financial assets and liabilities at fair value through profit or loss.

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended December 31, 2006 and 2005, net gain (loss) on financial assets and financial liabilities at fair value through profit or loss were as follows:

		2006	2005
Net gain (loss) on valuation and disposal of trading assets:			
Rate-related instruments	$	(200,717)	6,250
Equity securities / equity-linked notes		176,177	(5,030)
Beneficiary certificates		30,232	(5,779)
Derivatives		166,491	145,013
Structural bonds		-	21,826
		172,183	162,280
Dividend income		6,189	35,308
Interest income		142,187	284,300
Total	$	**320,559**	**481,888**

		2006	2005
Net gain (loss) on valuation and disposal of financial assets designated at fair value:			
Equity securities / equity-linked notes	$	48,686	-
Structural bonds		(32,194)	-
		16,492	-
Interest income		178,486	-
Total	$	**194,978**	-

		2006	2005
Net loss on valuation and disposal of trading liabilities:			
Derivatives	$	**(82,098)**	**(104,849)**

		2006	2005
Net loss on valuation and disposal of financial liabilities designated at fair value:			
Equity securities / equity-linked notes	$	**(20,853)**	-

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

As of December 31, 2005, in accordance with interpretation Ji-Mi-Zih No. 016 issued in 2005 by the Accounting Research and Development Foundation, after adopting ROC Statement of Financial Accounting Standards No. 34 "Financial Instruments: Recognition and Measurement", the Consolidated Company reclassified bills evaluated by the lower-of-total-cost-or-market-value method amounting to $27,326,427 (net of allowance for cost in excess of market value of $51,447) to financial assets at fair value with changes in fair value recognized in profit or loss of $7,663,811, available-for-sale financial assets of $17,591,842, and bond investments in non-active markets of $2,070,774. The amounts of derivatives under other financial assets and other liabilities reclassified to trading assets and liabilities were $117,724 and $104,849, respectively.

(4) Available-for-sale Financial Assets

As of December 31, 2006 and 2005, available-for-sale financial assets were as follows:

	2006		
	Cost after amortization	**Unrealized gain (loss)**	**Fair value**
Rate-related instruments			
Government bonds	$ 7,003,104	(15,530)	6,987,574
Corporate bonds	8,590,045	33,791	8,623,836
Financial debentures	251,345	(57)	251,288
Beneficiary certificates	808,181	(2,931)	805,250
Total	**$ 16,652,675**	**15,273**	**16,667,948**

	2005
	Book value
Rate-related instruments	
Government bonds	$ 9,587,082
Corporate bonds	7,988,810
Beneficiary certificates	15,950
Total	**$ 17,591,842**

As of December 31, 2006 and 2005, the ranges of yield rates of available-for-sale financial assets were 0.00%~5.50% and 0.10%~3.21%, respectively.

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

For the year ended December 31, 2006, movements of unrealized gain on available-for-sale financial assets were as follows:

	Amount
Beginning balance	$ -
Add: effect of first adoption of new SFAS	-
recognized for the year	5,663
Less: realized loss for the year	(9,610)
Ending balance	$ 15,273

(5) Bills and Bonds Purchased under Agreements to Resell; Bills and Bonds Sold under Agreements to Repurchase

As of December 31, 2006 and 2005, bills and bonds purchased (sold) under agreements to resell (repurchase) were as follows:

	2006	
	Period to resell or repurchase	**Interest rate (%)**
Bills and bonds purchased under agreements to resell	2007.1.2~ 2007.1.15	1.63
Bills and bonds sold under agreements to repurchase	2007.1.2~ 2007.3.19	1.42~1.70

	2005	
	Period to resell or repurchase	**Interest rate (%)**
Bills and bonds purchased under agreements to resell	2006.1.6	1.47
Bills and bonds sold under agreements to repurchase	2006.1.2~ 2006.8.23	1.24~1.45

Bills and bonds purchased under agreements to resell and bills and bonds sold under agreements to repurchase are the sale or purchase of a bond coupled with an agreement to resell or repurchase the same or substantially identical bond at a stated price. As of December 31, 2006, such transactions treated as financing transactions were recognized as financial assets at fair value through profit or loss of $4,514,417, bills and bonds purchased under agreements to resell of $530,867, and available-for-sale financial assets of $6,638,478. As of December 31, 2005, the amount of related assets of such financing transactions with agreements to repurchase was $10,729,798.

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Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

(6) Accounts Receivable, Net

As of December 31, 2006 and 2005, accounts receivable, net, were as follows:

		2006	2005
Credit card receivable	$	3,282,384	5,163,804
Affiliate receivable		485,326	418,685
Acceptance receivable		1,141,815	609,966
Tax-refund receivable		8,665	8,665
Interest receivable		1,271,832	1,038,136
Notes receivable		1,095,152	620,038
Underwriting receivable and other receivable		8,264,011	2,292,914
Subtotal		15,549,185	10,152,208
Less: allowance for bad and doubtful accounts		489,723	302,757
	$	**15,059,462**	**9,849,451**

As of December 31, 2006 and 2005, details of credit card receivable classified by card-holders' age were as follows:

		2006	2005
Age 20 to 29	$	513,232	797,100
Age 30 to 44		1,836,270	2,879,675
Age 45 to 64		906,645	1,452,721
Age over 65		26,237	34,308
Total	**$**	**3,282,384**	**5,163,804**

As of December 31, 2006 and 2005, credit card receivables with accrued interest were $2,679,480 and $4,330,711, respectively.

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

(7) Loans and Advances to Customers

As of December 31, 2006 and 2005, loans and advances to customers were as follows:

	2006	2005
Remittance and discounts for exports	$ 714,332	242,887
Short-term loans and overdrafts	22,796,053	25,302,141
Short-term secured loans and overdrafts	14,012,179	15,824,086
Medium-term loans	52,554,792	61,593,737
Medium-term secured loans	39,550,716	32,747,518
Long-term loans	8,922,750	4,377,820
Long-term secured loans	89,002,744	86,446,845
Accounts receivable factoring	385,101	-
Non-performing loans	1,831,089	4,747,316
Subtotal	229,769,756	231,282,350
Less: allowance for bad and doubtful accounts	3,589,104	2,440,138
	$ 226,180,652	**228,842,212**

The Consolidated Company provided allowance for bad debts from loans, advances to customers, and so on, especially for the risk of specific debts which cannot be collected in full. The risk of specific debts is evaluated by the defaults on payments. To strengthen the Consolidated Company's financial structure, enhance the ability to accept risk, and reinforce the quality of assets, the Consolidated Company provided additional allowance for bad debts for expired loans and advances to customers in 2006.

For the years ended December 31, 2006 and 2005, movements of allowance for bad and doubtful accounts were as follows:

	2006		
	Specific provision	**General provision**	**Total**
Beginning balance	$ 2,742,895	-	2,742,895
Add: provision for doubtful accounts	8,404,068	-	8,404,068
recoveries of doubtful accounts	524,544	-	524,544
foreign exchange translation adjustment	230	-	230
Less: write-off	7,592,910	-	7,592,910
Ending balance	**$ 4,078,827**	-	**4,078,827**

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

	2005 Specific provision	2005 General provision	2005 Total
Beginning balance	$ 1,261,263	987,533	2,248,796
Add: provision for doubtful accounts	3,981,183	(987,533)	2,993,650
provision related to acquisition of The Tainan 7th Credit Cooperative	9,458	-	9,458
provision related to acquisition of The Tainan 6th Credit Cooperative	637,280	-	637,280
recoveries of doubtful accounts	392,757	-	392,757
foreign exchange translation adjustment	2,498	-	2,498
Less: write-off	3,541,544	-	3,541,544
Ending balance	**$ 2,742,895**	**-**	**2,742,895**

As of December 31, 2006 and 2005, details of allowance for bad and doubtful accounts were as follows:

	2006	**2005**
Loans and advance (including non-performing loans)	$ 3,589,104	2,440,138
Accounts receivable	489,723	302,757
Total	**$ 4,078,827**	**2,742,895**

For the year ended December 31, 2006, the provisions for bad debt expenses and other bad debt expenses were $6,078,190 and $2,325,878 (including credit card bad debt expenses of $2,189,881), respectively. For the year ended December 31, 2005, the provisions for bad debt expenses and other bad debt expenses were $2,292,224 and $701,426 (including credit card bad debt expenses of $672,707), respectively.

For the years ended December 31, 2006 and 2005, the amounts of allowance for bad debt generated from 3% of operating revenue were $317,991 and $297,540, respectively.

As of December 31, 2006 and 2005, loans and advances not accruing interest were $1,831,089 and $4,747,316, respectively. As of December 31, 2006 and 2005, the amounts of interest receivables that were not accrued from loans and advances were $34,039 and $136,754, respectively.

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

As of December 31, 2006 and 2005, details of loans classified by geographical region were as follows:

	2006	2005
Domestic	$ 218,741,850	219,352,905
Overseas	11,027,906	11,929,445
Total	**$ 229,769,756**	**231,282,350**

As of December 31, 2006 and 2005, details of loans classified by industry were as follows:

	2006	2005
Manufacturing	$ 44,287,205	34,086,412
General commercial	21,002,331	14,940,044
Construction	6,323,033	6,407,878
Private	126,866,309	141,003,155
Others	31,290,878	34,844,861
Total	**$ 229,769,756**	**231,282,350**

As of December 31, 2006 and 2005, asset quality was as follows:

	2006		2005	
Item	**Amount**	**Percentage of total outstanding loans**	**Amount**	**Percentage of total outstanding loans**
Overdue loans: category A	$ 1,872,651	0.82	5,214,041	2.25
Overdue loans: category B	919,895	0.40	555,145	0.24
Total overdue loans	**$ 2,792,546**	**1.22**	**5,769,186**	**2.49**
Reserve for loans	**$ 3,589,104**		**2,440,138**	
Write-off of current allowance for bad debts from overdue loans balance	**$ 7,581,280**		**3,541,544**	

For the year ended December 31, 2006, the non-reportable amounts of overdue loans and receivables after negotiations were $90,358 and $29,381, respectively.

Note 1: The overdue loans (including nonperforming loans) are reported in accordance with the "Regulations on Reserving Allowance for Asset Impairment and Allowance for Bad Debts from Overdue Loans and Nonperforming Loans in Bank".

Note 2: The overdue loans of Category A and Category B should be recorded in accordance with Yin-Ju (1) Ruling No. 0941000251 issued on April 19, 2005.

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

Note 3: Overdue loans ratio=overdue loans / loans balance.

Note 4: Write-off of current allowance for bad debts from overdue loans balance: the cumulative amount of current allowance for bad debts from overdue loans from January 1 of the year to the balance sheet date.

(8) Other Investments

As of December 31, 2006 and 2005, details of other investments were as follows:

	2006 Percentage of ownership	2006 Investment cost	2006 Amount	2005 Percentage of ownership	2005 Investment cost	2005 Amount
Financial assets stated at cost:						
Fubon Securities Financial Co., Ltd.	1.97	$ 74,542	74,542	1.97	74,542	74,542
Grand Bills Finance Co., Ltd.	1.36	64,800	64,800	1.36	64,800	64,800
Taiwan Asset Management Co., Ltd.	0.57	100,000	100,000	0.57	100,000	100,000
Financial Information Service Co., Ltd.	1.15	46,150	46,150	1.15	46,150	46,150
Taipei Forex Inc.	0.40	800	800	0.40	800	800
Ornatube Enterprise Co., Ltd.	0.05	155	155	0.05	155	155
China Daily News Co., Ltd.	0.01	46	46	0.01	46	46
National Federation of Credit Cooperatives R.O.C.	4.30	5,780	5,780	5.65	7,860	7,860
Yang Guang Asset Management Company	1.74	1,043	1,043	-	-	-
National Federation of Credit Cooperatives of Taiwan	-	-	-	2.08	200	200
National Federation of Credit Cooperatives of Tainan City	-	-	-	16.60	40	40
Asia Pacific Broadband Telecom Co., Ltd.	-	-	-	0.06	40,000	40,000
Subtotal		293,316	293,316		334,593	334,593
Less: accumulated impairment－Ornatube Enterprise Co., Ltd.		-	155		-	155
Less: accumulated impairment－Asia Pacific Broadband Telecom Co., Ltd.		-	-		-	20,000
		$ **293,316**	**293,161**		**334,593**	**314,438**

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Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

	2006 Percentage of ownership	2006 Investment cost	2006 Amount	2005 Percentage of ownership	2005 Investment cost	2005 Amount
Bond investments in non-active markets:						
Financial debentures	-	$ 1,594,044	1,594,044	-	2,070,774	2,070,774
Redeemable certificates of deposit	-	162,853	162,853	-	-	-
Total		$ 1,756,897	1,756,897		2,070,774	2,070,774

The financial assets stated at cost (under other financial assets) were accounted for by the cost method since there was no quoted market price and estimates of fair value were not available.

The Consolidated Company exchanged existing debts of Taichung Machinery Works Co., Ltd. for 94,705 shares of its stock in June 2006. Full provision for such debts was made; therefore, the Consolidated Company recorded the number of shares received at zero cost.

In 2006, the National Federation of Credit Cooperatives of Tainan City, the National Federation of Credit Cooperatives of Taiwan, and the National Federation of Credit Cooperatives R.O.C. made refunds of $40, $200 and $2,080, respectively, to Fuhwa Bank.

After completion of the acquisition of The Tainan 7th Credit Cooperative on June 20, 2005, the investment in Taiwan Cooperative Bank Co., Ltd., which was previously held by The Tainan 7th Credit Cooperative, was accounted for as marketable securities by the Consolidated Company. Furthermore, shares in China Daily News Co., Ltd., the National Federation of Credit Cooperatives of Taiwan, the National Federation of Credit Cooperatives of Tainan City, and the National Federation of Credit Cooperatives R.O.C., which were previously held by The Tainan 7th Credit Cooperative, were accounted for by the cost method.

After completion of the acquisition of The Tainan 6th Credit Cooperative on December 23, 2005, shares in the National Federation of Credit Cooperatives of Taiwan, the National Federation of Credit Cooperatives of Tainan City, and the National Federation of Credit Cooperatives R.O.C., which were previously held by The Tainan 6th Credit Cooperative, were accounted for by the cost method.

Furthermore, the National Federation of Credit Cooperatives R.O.C., the National Federation of Credit Cooperatives of Tainan City, and the National Federation of Credit Cooperatives of Taiwan made refunds of $890, $40 and $200, respectively, in 2005.

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Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

(9) Property and Equipment

As of December 31, 2006 and 2005, details of property and equipment were as follows:

	2006	2005
Cost:		
Land	$ 1,495,283	1,592,258
Buildings	521,802	543,208
Equipment	1,030,670	785,045
Transportation equipment	38,339	39,479
Leasehold improvements	522,328	270,631
Other equipment	272,991	272,052
Subtotal	3,881,413	3,502,673
Less: accumulated depreciation	957,323	725,211
	2,924,090	2,777,462
Prepayment for equipment	170,200	294,117
	$ 3,094,290	**3,071,579**

For the years ended December 31, 2006 and 2005, movements of accumulated depreciation were as follows:

	2006	2005
Beginning balance	$ 725,212	765,860
Add: depreciation	322,029	216,329
Less: disposals	83,758	191,290
reclassified to deferred assets	6,152	-
reclassified to idle assets	8	65,688
Ending balance	**$ 957,323**	**725,211**

(10) Intangible Assets－Goodwill

As of December 31, 2006 and 2005, intangible assets－goodwill were as follows:

	2006	2005
Original cost	$ 1,451,273	1,451,273
Less: accumulated amortization	131,738	131,738
accumulated impairment loss	-	-
	$ 1,319,535	**1,319,535**

(Continued)

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For the years ended December 31, 2006 and 2005, movement of goodwill was as follows:

		2006	2005
Beginning balance	$	1,319,535	500,836
Increase		-	893,313
Amortization		-	74,614
Ending balance	$	1,319,535	1,319,535

The Consolidated Company acquired The Tainan 7th Credit Cooperative and The Tainan 6th Credit Cooperative in 2005. According to the accounting treatment of business combinations－purchase method, the costs of acquisitions exceeding the fair value of identifiable assets and liabilities acquired are recognized as goodwill. The goodwill recognized for the abovesaid acquisitions was $222,356 and $670,957, respectively.

(11) Deposits and Remittances

As of December 31, 2006 and 2005, deposits and remittances were as follows:

		2006	2005
Checking deposits	$	2,514,158	2,265,396
Demand deposits		23,182,104	17,710,205
Time deposits		73,906,602	77,817,500
Demand savings deposits		67,195,554	60,511,316
Time savings deposits		100,563,372	83,975,364
Remittances		14,555	45,571
	$	267,376,345	242,325,352

As of December 31, 2006 and 2005, the maturity date for the above time deposits and savings deposits, except for demand savings deposits, was within three years.

In accordance with related regulations, time deposits transferred from the Post Office account have been reclassified from deposits and remittance to deposits of Central Bank and other banks. Certain accounts in the period ended December 31, 2005, have been reclassified to conform to the presentation for the year ended December 31, 2006, for comparative purposes.

(12) Financial Debentures

In order to increase the regulatory capital ratio and raise medium- and long-term operating funds, the board of directors of the Consolidated Company decided to issue subordinate financial debentures on August 22, 2002, December 22, 2005, and September 21, 2006.

The issuances of subordinate financial debentures were approved by the Bureau of Monetary Affairs in Ministry of Finance Ruling Tai-Tsai-Rong No. 0910042863 on September 24, 2002, the Financial Supervisory Commission in Executive Yuan Ruling Jin-Guan-Yin (6) No. 09500034970 on February 15, 2006, and the Financial Supervisory Commission in Executive Yuan Ruling Jin-Guan-Yin (6) No. 09500480850 on November 2, 2006.

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Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

In accordance with the original issuance plan, the Consolidated Company issued the first series of subordinate financial debentures on November 4, 2002, and February 24, 2006. The total amounts issued were $4,500,000 and $5,000,000, respectively, which were also the par value.

The second series of general financial debentures and subordinate financial debentures, both within the quota of $5,000,000, was approved on November 2, 2006. The first issuance of the second series of subordinate financial debentures and the second issuance of the second series of cumulative subordinate financial debentures with no maturity date were made on December 22 and 27, 2006, respectively. The total issued amounts were $1,800,000 and $3,000,000, respectively, which were also the par value.

The details were as follows:

First issuance of subordinate financial debentures in 2002

	Floating interest rate	**Fixed interest rate**
Par value	$ 3,100,000	1,400,000
Stated interest rate	6.15% less Libor (note 1)	3.5%
Period	Five years and three months	Five years and three months
Interest payment date	Payable every half-year	Payable every half-year
Term of principal payment	Repaid on maturity	Repaid on maturity
Issued price	Priced at face value on issuing date	Priced at face value on issuing date

First issuance of subordinate financial debentures in 2006

	Fixed interest rate
Par value	$ 5,000,000
Stated interest rate	2.55%
Period	Five years and six months
Interest payment date	Payable every year
Term of principal payment	Repaid on maturity
Issued price	Priced at face value on issuing date

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

Second issuance of subordinate financial debentures in 2006, first series

	Fixed interest rate
Par value	$ 1,800,000
Stated interest rate	2.50%
Period	Six years
Interest payment date	Payable every year
Term of principal payment	Repaid on maturity (note 2)
Issued price	Priced at face value on issuing date

Second issuance of subordinate financial debentures in 2006, second series

	Fixed interest rate
Par value	$ 3,000,000
Stated interest rate	3.25%, the interest rate will rise to 4.25% if the bank does not call back after five years
Period	No maturity date
Interest payment date	Payable every year
Term of principal payment	(note 3)
Issued price	Priced at face value on issuing date

As of December 31, 2006 and 2005, the details of financial debentures payable were as follows:

	2006	**2005**
Beginning balance	$ 4,500,000	4,500,000
Increase	9,800,000	-
Designated as financial liabilities at fair value through profit or loss	(2,134,000)	-
Ending balance	**$ 12,166,000**	**4,500,000**

As of December 31, 2006, the fair value of subordinate financial debentures recorded as designated financial liabilities at fair value through profit or loss was $2,079,974.

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Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: The stated interest rates are recalculated every half-year according to the average six-month US dollar Libor rate.

Note 2: The redemption right of the issuer: If its post-redemption capital adequacy ratio meets the minimum required consolidated capital adequacy ratio and is approved by the supervising authority, the Consolidated Company may redeem the debentures in whole at par value on the date two years after the issue date or on the same date in every subsequent year until maturity. Purchasers or holders of the debentures cannot raise any objection to this resolution. The Consolidated Company will announce the resolution 15 days prior to redemption date, and the debentures will stop accruing interest on and after the declaration date.

Note 3: The redemption right of the issuer: If its post-redemption capital adequacy ratio meets the minimum required consolidated capital adequacy ratio and is approved by the supervising authority, the Consolidated Company may redeem the debentures in whole or in part at par value plus accrued and unpaid interest on the date five years after the issue date or on the same date in every subsequent year. Purchasers or holders of the debentures cannot raise any objection to this resolution. The Consolidated Company will announce the resolution 15 days prior to redemption date, and the debentures will stop accruing interest on and after the declaration date.

(13) Pension

Fuhwa Bank deposited an amount equal to 6.90% of the monthly gross salary payment in a retirement fund account for the engaged employees in the Central Trust of China in 2006 and 2005. Fuhwa Life Insurance Agency deposited an amount equal to 6% of the monthly gross salary payment in the Central Trust of China from July 2006. Furthermore, the Consolidated Company deposited an amount equal to 6% of the monthly gross salary payment in the Bureau of Labor Insurance in 2006 and the second half of the year 2005. The measurement dates of the actuarial reports were December 31, 2006 and 2005, respectively.

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

As of December 31, 2006 and 2005, the reconciliation of the funded status and accrued pension liabilities was as follows:

		2006	2005
Benefit obligation:			
Vested benefit obligation	$	(61,463)	(44,247)
Non-vested benefit obligation		(445,608)	(406,894)
Accumulated benefit obligation		(507,071)	(451,141)
Additional benefits based on future salaries		(187,544)	(175,289)
Projected benefit obligation		(694,615)	(626,430)
Fair value of plan assets		482,300	390,567
Funded status		(212,315)	(235,863)
Unrecognized net transition obligation		21,799	24,143
Unrecognized prior service cost		(2,934)	(2,943)
Unrecognized loss		224,142	232,566
Additional minimum pension liability		(55,601)	(78,419)
Accrued pension liabilities (recorded as other liabilities)	$	**(24,909)**	**(60,516)**
Vested benefit	$	**79,795**	**57,691**

For the years ended December 31, 2006 and 2005, the components of net pension cost were as follows:

		2006	2005
Service cost	$	53,577	64,235
Interest cost		15,661	13,344
Actual return on plan assets		(11,014)	(9,114)
Amortization		9,503	7,395
Net pension cost	$	**67,727**	**75,860**

Actuarial assumptions for the years 2006 and 2005 were as follows:

	2006	2005
Discount rate	2.50 %	2.50 %
Rate of increase in future compensation	2.00%~5.00%	2.00%~5.00%
Rate of projected return on plan assets	2.50 %	2.50 %

For the years ended December 31, 2006 and 2005, the net pension cost for the defined contribution pension plan was $76,897 and $35,044, respectively.

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Notes to Consolidated Financial Statements

(14) Income Tax

The Consolidated Company is subject to ROC income tax at a maximum rate of 25%. Starting from January 1, 2006, the Consolidated Company adopted the ROC "Income Basic Tax Act" to calculate its basic income tax. The income tax expense (benefit) for the years ended December 31, 2006 and 2005, is summarized below:

	2006	2005
Before cumulative effect of changes in accounting principle:		
Current income tax expense	$ 47,322	33,925
Deferred income tax expense (benefit)	(916,594)	12,495
Effect on changes in accounting principle	(10,166)	-
Income tax expense (benefit)	**$ (879,438)**	**46,420**

The differences between the expected income tax at the statutory income tax rate and the income tax expense (benefit) as reported in the accompanying financial statements for the years ended December 31, 2006 and 2005, were as follows:

	2006	2005
Income tax at statutory rate	$ (1,399,985)	24,497
Permanent differences	(1,266)	50,486
Adjustments for tax effect of separately taxable interest income from short-term bills	(7,719)	(3,218)
Income of OBU exempt from tax	(75,877)	(51,162)
Increase in investment tax credits	(5,149)	(3,520)
Expiration of loss carryforwards	-	453,362
Overestimation of prior year's loss carryforwards	443	4,030
Underestimation of prior year's investment tax credits	(1,120)	(426)
Underestimation of prior years' income tax	15,148	-
Tax-exempt dividend income disallowed for loss carryforwards	54,428	-
Provision for (reversal of) allowance for deferred income tax assets	546,485	(425,121)
Cumulative effect of changes in accounting principle	(10,166)	-
Others	5,340	(2,508)
Income tax expense (benefit)	**$ (879,438)**	**46,420**

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended December 31, 2006 and 2005, the major components of deferred income tax expenses (benefits) were as follows:

	2006	2005
Unrealized exchange gain (loss)	$ 18,784	(76,217)
Increase in allowance for bad debts in excess of tax limitation	(324,905)	(32,547)
Increase in allowance for pension expense in excess of tax limitation	-	(250)
Unrealized gain on fair value of derivative financial instruments	6,978	-
Reversal of (provision for) decline in market price of marketable securities	12,862	(8,620)
Reversal of (provision for) decline in net realizable value of foreclosed assets	(1,826)	5,053
Reversal of (provision for) decline in market price of idle assets	36,934	(30,698)
Increase in investment tax credits	(5,149)	(3,520)
Decrease (increase) in loss carryforwards	(1,260,508)	127,449
Overestimation of prior year's loss carryforwards	443	4,030
Underestimation of prior year's investment tax credits	(1,120)	(426)
Loss carryforwards expired	-	453,362
Tax-exempt dividend income disallowed for loss carryforwards	54,428	-
Provision for (reversal of) allowance for deferred income tax assets	546,485	(425,121)
Cumulative effect of changes in accounting principle	(10,166)	-
Deferred income tax expenses (benefits)	**$ (926,760)**	**12,495**

As of December 31, 2006 and 2005, the deferred income tax assets (liabilities) were as follows:

	2006	2005
Deferred income tax assets	$ 2,541,095	1,060,872
Valuation allowance－deferred income tax assets	(886,747)	(340,262)
Net deferred income tax assets	1,654,348	720,610
Deferred income tax liabilities	(6,978)	-
Deferred income tax assets, net	**$ 1,647,370**	**720,610**

(Continued)

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Notes to Consolidated Financial Statements

As of December 31, 2006 and 2005, the components of deferred income tax assets (liabilities), including temporary differences, loss carryforwards, and tax credits, and the respective income tax effect for each component were as follows:

	2006		2005	
	Amount	**Income tax effect**	**Amount**	**Income tax effect**
Deferred income tax assets (liabilities):				
Allowance for bad debts in excess of tax limitation	$ 1,657,356	414,339	357,735	89,434
Pension reserve	1,000	250	1,000	250
Unrealized exchange loss	92,167	23,042	167,307	41,826
Unrealized loss on decline in market price of marketable securities	-	-	5,447	12,862
Unrealized gain on fair value of derivative financial instruments	(27,911)	(6,978)	-	-
Unrealized loss on decline in net realizable value of foreclosed assets	19,118	4,465	10,557	2,639
Unrealized loss on decline in market price of idle assets	7,153	1,788	154,889	38,722
Loss carryforwards	8,290,490	2,072,622	3,467,939	866,985
Cumulative effect of changes in accounting principle	40,663	10,166	-	-
Investment tax credits	14,423	14,423	8,154	8,154
		$ 2,534,117		**1,060,872**

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

As of December 31, 2006 and 2005, the components of the balance of tax refunds receivable and income tax receivable from affiliated parties (recorded under accounts receivable) were as follows:

	2006	2005
Current income tax	$ 47,322	33,925
Withheld income tax	(84,604)	(113,679)
Prior years' income tax adjustment and additional tax assessed by authorities	(15,080)	2,582
Separate taxation	(18,583)	(12,255)
Prior year's tax refundable	(8,665)	(8,665)
Prior years' income tax receivable from affiliated parties	(403,603)	(315,613)
	$ (483,213)	**(413,705)**

Since 2003, the Consolidated Company has adopted its parent company, Fuhwa Financial Holding Co., Ltd., as the taxpayer to file a consolidated income tax return. As of December 31, 2006 and 2005, the details of receivables and payables resulting from income tax were as follows:

	2006		
	Receivables from affiliated parties (recorded under receivables)	**Payables to affiliated parties (recorded under payables)**	**Due from National Tax Administration (recorded under receivables)**
Before 2003	$ -	-	8,665
2003	200,879	-	-
2004	99,591	-	-
2005	103,133	-	-
2006	81,723	-	(10,778)
	$ 485,326	**-**	**(2,113)**

	2005		
	Receivables from affiliated parties (recorded under receivables)	**Payables to affiliated parties (recorded under payables)**	**Due from National Tax Administration (recorded under receivables)**
Before 2003	$ -	-	8,665
2003	216,022	-	-
2004	99,591	-	-
2005	103,072	(13,645)	-
	$ 418,685	**(13,645)**	**8,665**

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended December 31, 2006 and 2005, reconciliation of current income tax expenses, deferred income tax expenses, deferred income tax assets, and tax refunds receivable (receivables from affiliated parties) calculated in conformity with ROC SFAS No. 22 "Income Taxes" to the balances calculated for consolidated corporate income tax return filing with Fuhwa Financial Holding Co., Ltd. is as follows:

	2006			
	Current income tax expense	**Deferred tax benefit**	**Deferred tax assets**	**Tax refunds receivable (receivables from affiliated parties)**
Amounts calculated under SFAS No. 22	$ 47,322	(916,594)	1,647,370	70,945
Difference adjustment	-	-	-	-
Amounts calculated for consolidated corporate income tax return filing	**$ 47,322**	**(916,594)**	**1,647,370**	**70,945**

	2005			
	Current income tax expense	**Deferred tax expenses**	**Deferred tax assets**	**Tax refunds receivable (receivables from affiliated parties)**
Amounts calculated under SFAS No. 22	$ 33,925	12,495	720,610	89,427
Difference adjustment	-	-	-	-
Amounts calculated for consolidated corporate income tax return filing	**$ 33,925**	**12,495**	**720,610**	**89,427**

In accordance with the ROC Income Tax Act, assessed net losses can be carried forward for five consecutive years to reduce taxable income. As of December 31, 2006, the amount of losses and the year of expiry were as follows:

Year incurred	**Amount**	**Year of expiry**
2002 (assessed)	$ 3,453,543	2007
2006 (estimated)	4,836,947	2011
	$ 8,290,490	

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Notes to Consolidated Financial Statements

Pursuant to the ROC Statute for Upgrading Industries, the Consolidated Company's unused investment tax credits－staff training cost as of December 31, 2006, were as follows:

Year incurred		Amount	Year of expiry
2003	$	1,996	2007
2004		2,638	2008
2005		4,640	2009
2006		5,149	2010
	$	**14,423**	

Fuhwa Bank's income tax returns have been examined by the tax authority for all years through 2003. The income tax returns of Fuhwa Leasing, Fuhwa Life Insurance Agent and Fuhwa Property Insurance Agent have been examined by the tax authority for the years through 2004.

Fuhwa Bank's 10% surtax on unappropriated earnings for the year 1998 has been examined by the tax authority. The ROC tax authority determined that the reversal of year 1997 unrealized exchange gains accounted for in taxable income in 1998 cannot offset unappropriated earnings of 1998. Fuhwa Bank has filed for a recheck of the above tax assessment. Fuhwa Bank has made a tax provision for the abovementioned tax assessment.

Fuhwa Bank's income tax return for 2003 was examined by the Taipei National Tax Administration (TNTA) on December 12, 2006. According to the 2003 income tax return letter issued by the TNTA, the amortization of goodwill and bond investments in the amount of $70,836 was disallowed. The tax effect of the above said adjustment was $17,709. Fuhwa Bank disagreed with the tax assessment made by the TNTA and applied for a recheck. As of December 31, 2006, Fuhwa Bank had not made full provision for this tax assessment.

The information related to the imputation credit account (ICA) as of December 31, 2006 and 2005, was as follows:

		2006	2005
Balance of ICA	$	**34,269**	**24,342**

The imputation tax credit ratio of earnings to be distributed in 2006 for ROC resident shareholders is estimated at 33.33%. The actual imputation tax credit ratio of the first and second earnings distribution in 2005 was 1.45% and 4.13%, respectively.

The unappropriated earnings (accumulated deficits) at December 31, 2006 and 2005, were as follows:

		2006	2005
Prior to 1997	$	-	-
Post 1998		(4,765,864)	51,669
	$	**(4,765,864)**	**51,669**

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Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

(15) Stockholders' Equity

a. Common stock

On February 17, 2005, the board of directors of Fuhwa Bank decided to declare cash dividends of $30,549, or $0.02 per share, and to increase the issued capital by transferring $1,000,000 from unappropriated earnings through the issuance of 100,000 thousand shares of new common stock at $0.71 per share. After the capital increase, the total issued capital amounted to $15,000,000. The decision to increase capital was approved by the Financial Supervisory Commission (FSC) on May 16, 2005, with Ruling Jin Guan Cheng (1) No. 0940115706. The date of the capital increase was designated as July 11, 2005, by the board of directors, and the related registration was also completed.

On April 28, 2005, the board of directors of Fuhwa Bank decided to increase capital by the issuance of 300,000 thousand shares of new common stock for cash. After the capital injection, the total issued capital amounted to $18,000,000. The decision to increase capital was approved by the FSC on June 17, 2005, with Ruling Jin Guan Yin (6) No. 0940013937. The date of the capital increase was designated as July 11, 2005, by the board of directors, and the related registration was also completed.

On February 27, 2006, the board of directors of Fuhwa Bank decided to declare cash dividends of $35,446, or $0.02 per share. The designated date of record for this cash dividend was March 16, 2006.

b. Capital surplus

According to the ROC Company Act, realized capital surplus can be capitalized and transferred to share capital after offsetting accumulated deficit. Capital surplus should not be used for distribution of cash dividends. Realized capital surplus mentioned above includes the proceeds received in excess of the par value of common stock issued and any amounts donated to Fuhwa Bank. The amount of capital surplus capitalized each year may not exceed a certain percentage of Fuhwa Bank's issued share capital. Issuance of new stock from capital surplus from cash subscription in excess of par value of common stock can be made only once per year, and cannot be made in the same year as cash subscription.

As of December 31, 2006 and 2005, the components of capital surplus were as follows:

	2006	**2005**
Treasury stock transactions	**$ 14,673**	**14,673**

c. Legal reserve and appropriated special reserve

After paying all taxes as required, the annual net income will be distributed to appropriate 30% as legal reserve. Fuhwa Bank cannot distribute cash dividends exceeding 15% of total share capital until legal reserve reaches an amount equal to total share capital. In addition, apart from the appropriation of legal reserve from retained earnings, the Bank also appropriated special reserve in accordance with Fuhwa Bank's articles of incorporation or the board of directors resolution.

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Notes to Consolidated Financial Statements

d. Dividend policy and appropriation of earnings

In order to continuously expand its operation and increase earning capacity, and to maintain the capital adequacy ratio, Fuhwa Bank has adopted the following dividend policy: Fuhwa Bank's annual net income, after paying all taxes as required by law, must be applied to offset prior years' losses first; the remainder is then set aside with 30% as legal reserve, and an amount can be appropriated as special reserve or retained earnings. If there is still a remainder, it will be distributed as follows:

(a) 98% as shareholders' dividends and bonuses.

(b) 2% as bonus to employees.

The ratio of cash to stock dividends distributed is determined by the resolution of the board of directors in consideration of the related industry conditions, market perceptions, and Fuhwa Bank's business strategies. During the growing period of Fuhwa Bank, in principle, stock dividends distributed shall not be lower than 80% unless changed by the board of directors as deemed necessary. Cash dividends shall be distributed after the distribution of earnings proposal is approved by the board of directors, while stock dividends are distributed after obtaining authorizing documents from the supervising authority.

On February 27, 2006, and February 17, 2005, the board of directors of Fuhwa Bank passed a resolution on 2005 and 2004 appropriations of earnings, respectively. The proposed distribution of the employee bonuses was as follows:

	2006	2005
Bonus to employees－cash	$ 723	21,031

If the aforementioned employee bonuses were all paid in cash and were charged against earnings for years 2005 and 2004, the earnings per share after tax for the years ended December 31, 2005 and 2004, would be $0.03 and $1.10, respectively. The distribution of earnings was not different from the resolution passed by the board of directors.

As of December 31, 2006, no retained earnings could be distributed due to accumulated deficits.

After Fuhwa Bank became a subsidiary of Fuhwa Financial Holding Co., Ltd., the rights of the shareholders' meeting were exercised by the board of directors.

e. Weighted-average outstanding shares of common stock

As of December 31, 2006 and 2005, the weighted-average outstanding shares of common stock were 1,800,000 thousand shares and 1,650,000 thousand shares, respectively.

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Notes to Consolidated Financial Statements

(16) Disclosure of Financial Instruments

a. Fair value of financial assets

The Consolidated Company's methods and assumptions for estimating the fair value of financial instruments were as follows:

(a) The book value of the financial instruments which have a short maturity period will be considered as their fair value. This assumption is used in evaluating the following accounts: cash and cash equivalents, due from Central Bank and placement to other banks, bills and bonds purchased under resell agreements, receivables, other financial assets (not including financial assets stated at cost and bond investments in non-active markets), deposits by Central Bank and other banks, financial liabilities at fair value through profit or loss, bills and bonds sold under repurchase agreements, payables, subordinate financial debentures (not including financial liabilities designated at fair value), other financial liabilities, and some components of other liabilities.

(b) Fair values of financial instruments are the quoted market price if the instruments are actively traded in the market. If quoted market price is unavailable, the fair value is determined based on certain valuation techniques. The estimates and assumptions of the valuation techniques adopted by the Consolidated Company are identical to those adopted by other market participants. The discount rates the Consolidated Company uses are identical to those return rates of financial instruments with the same conditions, including the credit status of the debtor, the remaining periods of contracted interest based on fixed interest rates, the remaining periods of paying off principal, and currency used.

Among the derivative instruments, options are valuated by the Black-Scholes model; stock options embedded in convertible bonds and currency and interest rate swaps are evaluated by the quote of the Bloomberg system; forward contracts, currency swaps, and interest rate swaps are evaluated by the rates of the Bloomberg system by discounting future cash flows to their present values.

(c) The interest on loans and advances to customers is based on floating rates. Thus, the book value is the fair value.

(d) Other assets－foreclosed assets and idle assets are stated at their net realizable value and are evaluated for accumulated impairment loss on the balance sheet date. Thus, the book value is the fair value.

(e) Most deposits and remittances mature in less than one year; even those which mature in more than one year are mostly based on floating rates. Thus, the book value is the fair value.

(f) Most of the off-balance-sheet financial instruments, such as commitments and guarantees, mature within one year, so the contract amount is the fair value.

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

b. As of December 31, 2006, except where the fair value is based on the quoted market price, the evaluated fair value of the Consolidated Company's financial instruments was as follows:

		2006
Trading assets:		
Rate-related instruments	$	4,300,884
Derivatives		288,001
		4,588,885
Financial assets designated at fair value:		
Equity securities / equity-linked notes		319,786
Structural bonds		2,603,088
		2,922,874
	$	**7,511,759**
Trading liabilities:		
Derivatives	$	398,285
Financial liabilities designated at fair value:		
Subordinate financial debentures		2,079,974
	$	**2,478,259**

c. For the year ended December 31, 2006, the Consolidated Company recognized a loss of $229,419 for financial instruments evaluated by using valuation techniques.

d. Policy for managing financial risk and risk information

To build up a good risk management system and to improve business development, the Consolidated Company established a risk management policy approved by the board of directors which focuses on risks that can be managed to achieve operative goals. The Consolidated Company implemented the system effectively to earn stockholders stable and high-quality profits.

The Consolidated Company follows a risk management policy and strives to quantify, assess, and then manage risks in order to price risks and to obtain the optimal capital allocation.

The risks the Consolidated Company encountered were as follows:

(a) Market risk

Market risk means changes such as in interest rates, exchange rates, and the prices of equity securities and instruments which may result in a loss for the Consolidated Company, either on or off the balance sheet. The Consolidated Company has developed a market risk management standard. Through the market risk management system, the Consolidated Company is able to evaluate and control each part of the market risk.

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Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

As of December 31, 2006, the Consolidated Company held government bonds amounting to $7,687,363 (including financial assets held for trading of $699,789 and available-for-sale financial assets of $6,987,574). Among the government bonds held by the Consolidated Company, bonds with a fixed rate amounted to $7,587,361, and the fair value of fixed-rate government bond investment will be affected by a change in market rate. A 1% increase in market rate will decrease the fair value of fixed-rate government bond investment by $285,423. As of December 31, 2006, the Consolidated Company held corporate bonds amounting to $8,460,856 (including available-for-sale financial assets). The fixed-rate corporate bonds amounted to $7,727,356, and the fair value of fixed-rate corporate bond investment will be affected by a change in market rate. A 1% increase in market rate will decrease the fair value of bond investment by $231,971.

The Consolidated Company engages in foreign currency transactions which give rise to foreign currency assets and liabilities. Therefore, changes in exchange rates will affect the fair value of the net position in foreign currencies. For assets denominated in USD, appreciation of the NTD by 0.1 against the USD will cause a loss of $3,301.

(b) Credit risk

Credit risk is the risk that borrowers and counter-parties will not be able to fulfill contracts. The Consolidated Company has developed a credit risk management standard which is able to evaluate and control possible credit risk resulting from business operations by establishing and implementing a management structure.

Financial instruments issued by or held by the Consolidated Company may cause losses as counter-parties are not able to fulfill contracts. The amount of the Consolidated Company's credit risk is equal to financial instruments which remain positive on the balance sheet date. The Consolidated Company conducts a cautious credit assessment before qualifying loans and guarantees. Loans with collateral amounted to 62.52% of the total amount of loans in 2006. In order to obtain credit lines from the Consolidated Company, borrowers and guarantors are asked to provide collateral such as cash, fixed assets, liquid securities, and other assets. Furthermore, in order to reduce credit risk, the Consolidated Company follows certain credit policies and negotiates credit limits with counter-parties. In addition, the Consolidated Company may sign master netting agreements with the counter-party to reduce credit risk.

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

Concentration of credit risk refers to the significant concentration of credit risks from all financial instruments, whether the risks are from an individual counter-party or group of counter-parties. Group concentration of credit risks exists if a number of counter-parties are engaged in similar activities or activities in the same region, or have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. There is no significant concentration of credit risk from counter-parties of the Consolidated Company's financial instruments. The related information can be found in note 10 to the financial statements and as follows:

i. Lines of credit to interested parties and information on concentration of credit risk

Item	December 31, 2006		December 31, 2005	
Outstanding balance of credit extended to related parties	$ 3,523,263		2,993,369	
Ratio of lines of credit to related parties to total outstanding credits (%)	1.42		1.24	
Percentage of lines of credit secured by company shares (%)	1.91		2.38	
Concentration of credit risk by industry (top 3)	Industry	Ratio (%)	Industry	Ratio (%)
	Individuals	52.97	Individuals	64.55
	Manufacturing	19.51	Manufacturing	13.80
	Wholesaling and retailing	8.45	Wholesaling and retailing	5.38

ii. As of December 31, 2006 and 2005, the unused contractual amount of financial instruments with off-balance-sheet credit risk was as follows:

	2006	2005
Unused lines of credit	$ 82,946,164	111,309,801
Credit commitment on credit cards	$ 49,622,768	49,273,318
Other guarantees	$ 9,534,682	10,065,427
Unused L/C balance	$ 4,895,414	2,835,353

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

(c) Liquidity risk

Liquidity risks include market and capital risks. Market risk is the risk that market prices will encounter obvious changes. Capital risk is the risk that a responsibility cannot be fulfilled because of being unable to convert assets into cash or acquire enough cash. The Consolidated Company's risk management approach starts with managing the daily payment queue and forecasting cash flows. It then covers tactical liquidity risk management dealing with access to unsecured funding sources. The Consolidated Company's cash flows are monitored by the treasury department on a daily basis and ensure the Consolidated Company's access to liquidity.

To control risk effectively, support and respect from management are essential in addition to the factors mentioned above. Under the full support of management, the risk management system of the Consolidated Company has been established. It has resulted in improving management efficiency, and the result is gradually becoming more evident.

The Consolidated Company controls the transaction risks of the financial instruments by adopting a credit approval policy, position limitation, stop loss point setting, and a management control process. In addition, the Consolidated Company maintains adequate current assets, and utilizes money market and foreign exchange market instruments to support its future cash flow requirements.

As of December 31, 2006, the liquidity reserve ratio was 20%; the Consolidated Company has enough operating capital to fulfill all contractual obligations. Thus, there is no significant liquidity risk.

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

The Consolidated Company uses a duration assessment, with assets and liabilities sorted by type, to evaluate the Consolidated Company's liquidity, which is shown as a structural analysis of due dates as follows:

expressed in millions of New Taiwan dollars

	December 31, 2006						
	Day 1 to day 30	**Day 31 to day 90**	**Day 91 to day 180**	**Day 181 to 1 year**	**1 to 3 years**	**Over 3 years**	**Total**
Cash and cash equivalents	28,825	8,300	21,610	1,000	-	-	59,735
Placement to other bank	3,542	-	-	-	-	-	3,542
Financial assets at fair value through profit or loss	11,710	-	-	-	-	-	11,710
Bills and bonds purchased under agreements to resell	611	-	-	-	-	-	611
Margin loans (including non-performing loans)	10,860	8,981	17,633	13,689	37,654	140,953	229,770
Available-for-sale financial assets	-	-	981	301	3,291	12,095	16,668
Held-to-maturity financial assets	-	-	-	-	-	326	326
Other financial assets	-	-	-	-	161	1,596	1,757
Total assets	55,548	17,281	40,224	14,990	41,106	154,970	324,119
Deposits by Central Bank and other banks	11,012	3,336	3,788	7,492	700	-	26,328
Financial liabilities at fair value through profit or loss	-	-	-	-	2,080	-	2,080
Bills and bonds sold under agreements to repurchase	11,929	211	-	-	-	-	12,140
Deposits	38,152	19,353	46,645	96,958	66,308	1	267,417
Financial debentures	-	-	-	-	2,366	9,800	12,166
Other liabilities	-	-	-	-	-	501	501
Total liabilities	61,093	22,900	50,433	104,450	71,454	10,302	320,632
Spreads	(5,545)	(5,619)	(10,209)	(89,460)	(30,348)	144,668	3,487

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

(d) Cash flow risk arising from interest rate change and fair value risk arising from interest rate change

The analysis of ratios of interest-rate-sensitive currency held by the Consolidated Company as of December 31, 2006, was follows:

expressed in millions of New Taiwan dollars

	2006					
Items	**Day 1 to day 90**	**Day 91 to day 180**	**Day 180 to 1 year**	**1 to 3 years**	**Over 3 years**	**Total**
Assets						
Cash and cash equivalents	$ 24,915	28,856	1,000	-	-	54,771
Financial assets at fair value through profit or loss	6,470	629	353	210	1,123	8,785
Bills and bonds purchased under agreements to resell	611	-	-	-	-	611
Margin loans (excluding non-performing loans)	129,429	7,673	2,995	31,233	56,609	227,939
Available-for-sale financial assets	833	448	201	3,091	12,095	16,668
Held-to-maturity financial assets	-	-	-	-	326	326
Other financial assets	-	-	-	161	1,596	1,757
Liabilities						
Deposits by Central Bank and other banks	23,328	-	3,000	-	-	26,328
Financial liabilities at fair value through profit or loss	-	-	-	2,080	-	2,080
Bills and bonds sold under agreements to repurchase	12,140	-	-	-	-	12,140
Deposits	121,313	106,564	34,299	2,726	1	264,903
Financial debentures	-	-	-	2,366	9,800	12,166
Other liabilities	-	-	-	-	501	501

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

Information regarding effective interest rates for financial instruments (not including financial instruments at fair value through profit or loss) issued by or held by the Consolidated Company as of December 31, 2006, was as follows:

Items	New Taiwan dollars	US dollars
Available-for-sale financial assets:		
Government bonds	0.93%~2.42%	-
Corporate bonds	0.00%~4.32%	5.35%
Financial debentures	-	2.90%~3.50%
Asset-backed beneficiary certificates	-	5.50%
Hold-to-maturity financial assets		
Financial debentures	-	7.78%~8.00%
Bond investments in non-active markets		
Financial debentures	-	0.40%~8.00%
Redeemable certificates of time deposits	-	5.50%
Loans and advances to customers		
Short-term loans	3.35%	5.63%
Short-term secured loans	3.39%	5.81%
Medium-term loans	4.60%	6.26%
Medium-term secured loans	4.58%	5.90%
Long-term loans	2.43%	2.51%
Long-term secured loans	3.08%	5.70%
Subordinate financial debentures	0.80%～3.50%	-
Deposits		
Demand deposits	0.54%	1.88%
Time deposits	1.63%～1.74%	4.56%
Time deposits transferred from Post Office	2.15%	-
Demand savings deposits	0.41%～9.49%	-
Time savings deposits	1.83%～1.99%	-

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

(e) Operational risk

Operational risk can be defined as the risk of monetary losses resulting from inadequate or failed internal processes, people, and systems or from external events. The Consolidated Company implements monitoring systems for operational risk exposures and losses for major business lines. Risk management policies and procedures for controlling or mitigating operational risk are in place and enforced through regular internal auditing.

(f) Legal risk

Legal risk arises from the possibility that an entity may not be able to follow regulations issued by the government and may not be able to enforce a contract against another party. Legal risk arises from possible risk of loss due to an unenforceable contract or an "ultra vires" act of a counterparty. Legal risk involves the potential illegality of the contract, as well as the possibility that the other party entered into the contract without proper authority. The legal affairs department of the Consolidated Company is responsible for providing professional legal consulting and review services for internal regulations and all trading contracts, and making sure that the Consolidated Company follows the financial regulations and operational regulations.

5. Related-party Transactions

(1) Name and relationship of related party

Name of related party	Relationship
Chong Yang Investment Co., Ltd. (Chong Yang Investment)	Investor of Fuhwa Bank's parent company by equity method
Kuang Hwa Investment Co., Ltd. (Kuang Hwa Investment)	Investor of Fuhwa Bank's parent company by equity method
Yu Hwa Development Co., Ltd. (Yu Hwa Development)	Investor of Fuhwa Bank's parent company by equity method
Fuhwa Financial Holding Co., Ltd. (Fuhwa Financial Holding)	Parent company of Fuhwa Bank
Fuhwa Securities Co., Ltd. (Fuhwa Securities)	Affiliated company controlled by the same company as Fuhwa Bank
Fuhwa Securities Finance Co., Ltd. (Fuhwa Securities Finance)	Affiliated company controlled by the same company as Fuhwa Bank
Fuhwa Securities Investment Trust Co., Ltd. (Fuhwa Securities Investment Trust)	Affiliated company controlled by the same company as Fuhwa Bank
Fuhwa Asset Management Co., Ltd. (Fuhwa Asset Management)	Affiliated company controlled by the same company as Fuhwa Bank
Fuhwa Capital Management Co., Ltd. (Fuhwa Capital Management)	Affiliated company controlled by the same company as Fuhwa Bank
Fuhwa Life Insurance Agent Company (Fuhwa Life Insurance Agent)	Investee controlled by Fuhwa Bank
Fuhwa Leasing Co., Ltd. (Fuhwa Leasing)	Investee controlled by Fuhwa Bank

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

Name of related party	Relationship
Fuhwa Property Insurance Agent Company (Fuhwa Property Insurance Agent)	Investee controlled by Fuhwa Bank
Fuhwa Cultural & Educational Foundation (Fuhwa Foundation)	Fuhwa Bank's president is the foundation's president
Yuanta Core Pacific Securities Co., Ltd. (Yuanta Securities)	From June 30, 2005, a second-degree relative of the president of such company is vice president of Fuhwa Bank
Yuanta First Global Investment Trust Co., Ltd. (Yuanta Investment Trust)	From June 30, 2005, a second-degree relative of the president of such company is vice president of Fuhwa Bank
Others (each related party's deposits and loans are not over 1% of total deposits and loans)	Fuhwa Bank's affiliated companies and directors, supervisors and managers, and their relatives

(2) Significant transactions with related parties

a. Deposits

	2006		
Name	**Ending balance**	**Percentage of deposits (%)**	**Interest rate (%)**
Deposits by each related party not over 1% of total deposits	$ 5,649,406	2.11	0.00~13.00

	2005		
Name	**Ending balance**	**Percentage of deposits (%)**	**Interest rate (%)**
Deposits by each related party not over 1% of total deposits	$ 6,793,586	2.64	0.00~13.00

Apart from an interest rate limit on staff demand savings deposits of 13%, during 2006 and 2005, the interest rate limit on other related parties' demand savings deposits was 0.00%~5.18%. The interest rates and other terms provided to the above related parties were the same as the terms offered to the general public.

During 2006 and 2005, interest expenses on the above deposits were $150,473 and $162,281, respectively.

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

b. Loans

Name	2006 Ending balance	Percentage of loans (%)	Interest rate (%)
Loans to each related party not over 1% of total loans	$ 495,374	0.22	1.50~5.00

Name	2005 Ending balance	Percentage of loans (%)	Interest rate (%)
Loans to each related party not over 1% of total loans	$ 1,510,623	0.65	1.30~5.82

Loans to related parties are under the same terms as those to other customers, except for interest rates on loans to affiliated companies, ranging from 1.50% to 5.00% and 1.30% to 4.60%, and on loans to bank staff, ranging from 1.99% to 3.95% and 1.95% to 5.82%, in the years 2006 and 2005, respectively.

During years 2006 and 2005, interest income resulting from the above loans was $13,107 and $29,611, respectively.

c. Fee and commission revenue

As of and for the years ended December 31, 2006 and 2005, details of fee and commission revenue and related receivables were as follows:

	2006	
	Fee and commission revenue	Accounts receivable
Fuhwa Securities Investment Trust	$ 5,572	473

	2005	
	Fee and commission revenue	Accounts receivable
Fuhwa Securities Investment Trust	$ 6,635	411

The above-mentioned revenue mainly came from commissions from sales of mutual funds.

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

d. Fee and commission expenses

For the years ended December 31, 2006 and 2005, details of fee and commission expenses were as follows:

Name	2006	2005
Fuhwa Securities	$ 437	9,482
Fuhwa Capital Management	791	3,083
	$ 1,228	**12,565**

The above expenses mainly resulted from structured note fees and certifying expenses.

e. Commission

The Consolidated Company entrusted Fuhwa Securities to sell life insurance policies. During years 2006 and 2005, commission expense resulting from the above transaction was $326 and $2,713, respectively.

f. Rental expenses

For the years ended December 31, 2006 and 2005, details of rental expenses were as follows:

Name	Usages	2006	2005
Fuhwa Securities	Office premises	$ 129,356	114,503
Fuhwa Asset Management	Office premises	12,949	13,048
Fuhwa Securities Finance	Office premises	11,007	9,270
Yuanta Securities	Office premises	4,081	-
		$ 157,393	**136,821**

As of December 31, 2006 and 2005, the above transactions resulted in rent payable to Fuhwa Securities amounting to $10,251 and $8,337, respectively.

g. Donation

The Consolidated Company donated $5,000 to Fuhwa Foundation in each of the years 2006 and 2005.

h. Capital lease

As of December 31, 2006, the Consolidated Company had a capital lease contract with Fuhwa Securities Finance. The lease receivable, recorded as accounts receivable, amounted to $24,984. There was no such transaction in 2005.

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Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

i. Property transactions

(a) As of and for the years ended December 31, 2006 and 2005, the details of the Consolidated Company's investments in open-end funds were as follows:

	2006		
	Investment in 2006	**Ending balance**	**Gain (loss) on disposal**
Funds managed by Fuhwa Securities Investment Trust	$ -	581,085	(8,187)
Funds managed by Yuanta Investment Trust	800,000	800,000	-
	$ 800,000	**1,381,085**	**(8,187)**

	2005		
	Investment in 2005	**Ending balance**	**Gain on disposal**
Funds managed by Fuhwa Securities Investment Trust	$ 105,991	967,423	441
Funds managed by Yuanta Investment Trust	634,800	4,800	789
	$ 740,791	**972,223**	**1,230**

(b) For the years ended December 31, 2006 and 2005, the details of the Consolidated Company's engaging in purchase-without-recourse transactions with affiliates in the open market were as follows:

		2006	
	Type	**Purchase price**	**Selling price**
Fuhwa Securities	Bond	$ 2,363,629	2,358,622
Yuanta Securities	Bond	6,470,871	5,558,738
		$ 8,834,500	**7,917,360**

		2005	
	Type	**Purchase price**	**Selling price**
Fuhwa Securities	Bond	$ 1,821,480	2,854,719
Funds managed by Fuhwa Securities Investment Trust	Bond	49,217	-
Yuanta Securities	Bond	4,691,215	4,398,544
		$ 6,561,912	**7,253,263**

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

(c) The Consolidated Company entered into contracts with Fuhwa Asset Management to sell non-performing loans at a price of $775,795 in 2003. As of December 31, 2006 and 2005, proceeds retained from the abovementioned transaction amounted to $775,795 and $555,795, respectively, and the remainder amounted to $0 and $220,000, respectively.

Furthermore, the Consolidated Company entered into three contracts with Fuhwa Asset Management to sell non-performing loans in the amount of $1,019,837. As of December 31, 2006, all proceeds from the above-mentioned transactions were collected.

j. Others

(a) For the years ended December 31, 2006 and 2005, details of bond repurchase and resell transactions engaged in with affiliated parties were as follows:

2006

Name	**Highest balance**	**Ending balance**	**Interest rate (%)**	**Interest expense (revenue)**
Repurchase transactions:				
Fuhwa Securities	$ 49,906,705	541,972	1.40~1.65	28,060
Funds managed by Fuhwa Securities Investment Trust	1,050,258	-	1.39~1.61	1,657
Funds managed by Yuanta Investment Trust	1,562,742	649,657	1.38~1.62	3,889
		$ 1,191,629		33,606
Resell transactions:				
Yuanta Securities	$ 5,000,000	-	1.55	(1,074)

2005

Name	**Highest balance**	**Ending balance**	**Interest rate (%)**	**Interest expense (revenue)**
Repurchase transactions:				
Fuhwa Securities	$ 3,860,530	-	0.98~1.47	25,405
Funds managed by Fuhwa Securities Investment Trust	700,058	160,010	0.93~1.39	1,108
Funds managed by Yuanta Investment Trust	2,063,896	881,901	0.99~1.40	5,197
		$ 1,041,911		31,710
Resell transactions:				
Fuhwa Securities	$ 250,000	-	1.48	(101)

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

(b) For the years ended December 31, 2006 and 2005, the details of the Consolidated Company's selling of subordinate financial debentures to related parties were as follows:

		2006			
Related party		**Highest balance**	**Ending balance**	**Interest rate (%)**	**Interest expense**
First issuance in 2002					
Fuhwa Securities Finance	$	966,000	**966,000**	0.80~1.66	**10,999**
Second issuance in 2006－first series					
Yuanta Securities	$	1,100,000	**1,100,000**	2.5	**753**

		2005			
Related party		**Highest balance**	**Ending balance**	**Interest rate (%)**	**Interest expense**
First issuance in 2002					
Fuhwa Securities Finance	$	966,000	**966,000**	1.66~3.81	**28,299**

As of December 31, 2006 and 2005, the above transactions with Fuhwa Securities Finance resulted in interest payable of $1,222 and $2,548, respectively, recorded as payables. As of December 31, 2006, the above transactions with Yuanta Securities resulted in interest payable of $753, recorded as payables.

(c) For the years ended December 31, 2006 and 2005, the details of the Consolidated Company's investing in bonds issued by a related party in the secondary market were as follows:

		2005			
Related party		**Highest balance**	**Ending balance**	**Interest rate (%)**	**Interest income**
Chong Yang Investment	$	185,224	-	5.23~5.38	**9,501**

There was no such transaction in 2006.

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

(d) Convertible bond asset swaps—fixed income (recorded as financial assets at fair value through profit or loss)

For the years ended December 31, 2006 and 2005, the convertible asset swap transactions with related parties were as follows:

			2006		
Name	**Objective**	**Period**	**Notional amount**	**Interest rate (%)**	**Interest revenue**
Yuanta Securities	Taiflex 1	2004.5.30~ 2006.5.17	$ 60,000	2.10	469
Fuhwa Securities	Test-Serv. 1	2004.4.7~ 2006.4.6	140,000	1.75	461
			$ 200,000		930

			2005		
Name	**Objective**	**Period**	**Notional amount**	**Interest rate (%)**	**Interest revenue**
Yuanta Securities	Pan Jit 1	2004.5.14~ 2005.5.14	$ 28,000	4.00	28
	EDT 1	2003.6.23~ 2005.6.23	93,000	2.00	800
	AL i	2003.5.12~ 2005.6.13	30,000	2.10	281
	Flexium 1	2003.12.1~ 2005.12.1	40,000	2.35	744
	Taiflex 1	2004.5.30~ 2006.5.30	60,000	2.10	1,260
Fuhwa Securities	Test-Serv. 1	2004.4.7~ 2006.4.6	140,000	1.75	2,636
	Chenming 1	2004.11.30~ 2005.5.11	150,000	2.00	1,332
	Chenming 2	2004.11.30~ 2005.5.11	150,000	2.00	1,332
	Zero One Tech	2004.11.1~ 2005.5.24	45,000	2.00	480
			$ 736,000		8,893

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

(3) As of December 31, 2006 and 2005, information regarding affiliates acting as borrowers, guarantors, and collateral providers of the Consolidated Company which were interested parties in accordance with Articles 32 and 33 of the Banking Law was as follows:

2006

Type	Number of accounts	Amount	Default possibility Normal loan	Default possibility Overdue accounts
Consumer loans	96	$ 23,309	23,309	-
Mortgage loans for employees	92	119,462	119,462	-
Other loans to interested parties	693	3,380,492	3,380,492	-
Loans to others with interested parties acting as guarantors	330	676,410	676,410	-
Secured loans with collateral from interested parties	466	2,968,427	2,968,427	-

2005

Type	Number of accounts	Amount	Default possibility Normal loan	Default possibility Overdue accounts
Consumer loans	134	$ 39,311	39,311	-
Mortgage loans for employees	104	153,450	153,450	-
Other loans to interested parties	806	2,880,608	2,880,608	-
Loans to others with interested parties acting as guarantors	402	808,575	808,575	-
Secured loans with collateral from interested parties	462	2,290,674	2,290,674	-

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

6. Pledged Assets

Pledged assets	Pledge for	Book value December 31, 2006	Book value December 31, 2005
Short-term bills, government bonds and corporate bonds (recorded as financial assets at fair value through profit or loss, bills and bonds purchased under agreements to resell, and available-for-sale financial assets)	Securities sold under repurchase agreements	$ 11,683,762	10,729,798
Bonds (recorded as available-for-sale financial assets)	Reserve for trust business	59,544	57,974
	Provisional seizure	176,463	146,322
	Operating deposits for trading bills	60,350	63,043
	Operating deposits for trading bonds	10,774	11,317
Notes receivable (recorded as accounts receivable)	Deposits by other bank	231,500	143,660
Restricted deposits (recorded as other assets)	Deposits by other bank	80	3,205
Negotiable certificates of deposits (the balance has been eliminated in the consolidated financial statements)	Provisional seizure	500	2,500
		$ 12,222,973	**11,157,819**

(1) The Consolidated Company provided the Central Bank of China with government bonds as reserve for its trust custodian business.

(2) For executing provisional seizure of debtors' properties, the Consolidated Company provided pledged assets to the court.

(3) Operating deposits for trading bills were deposited in the Central Bank of China for the Consolidated Company's bill trading business.

(4) Operating deposits for trading bonds were deposited in the OTC for the Consolidated Company's government bond trading business. Furthermore, reserve for trading losses has been set to conform to securities regulations.

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

7. Commitments and Contingencies

(1) Significant purchase agreements

As of December 31, 2006 and 2005, the Consolidated Company had agreements for purchasing assets amounting to $354,979 and $394,478, respectively. The unpaid amounts of those agreements were $184,779 and $100,361, respectively.

(2) Operating leases

The Consolidated Company has entered into certain operating leases for its branches. As of December 31, 2006, estimated future lease contract commitments were as follows:

Fiscal Year	Rental Amount
2007	$ 292,966
2008	233,713
2009	175,587
2010	111,528
2011 and after	20,788
	$ 834,582

(3) Others

	December 31, 2006	December 31, 2005
Consignment collection for others	$ 20,643,791	21,665,254
Traveller's checks held on consignment for sale	163,499	165,688
Consignment securities, custodial goods, and other trust assets	48,008,952	35,801,181
Trust assets	56,688,126	48,609,023
	$ 125,504,368	**106,241,146**
Lines of credit provided but not used	**$ 82,946,164**	**111,309,801**
Credit commitment on credit card	**$ 49,622,768**	**49,273,318**
Other guarantees	**$ 9,534,682**	**10,065,427**
Unused L/C balance	**$ 4,895,414**	**2,835,353**
Securities sold under repurchase agreements	**$ 12,148,995**	**10,802,609**
Securities purchased under resell agreements	**$ 611,398**	**59,570**

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

(4) In accordance with Article 17 of the Trust Enterprise Law, the disclosures related to the trust balance sheet and trust property list are as follows:

Trust Balance Sheet

December 31, 2006

Trust assets			Trust liabilities		
Bank deposits	$	132,534	Trust capital－pecuniary trust	$	43,482,982
Short-term investments		44,526,886	Trust capital－securities trust		916,989
Long-term investments		8,216,480	Trust capital－real estate trust		1,170,346
Real estate		2,457,507	Trust capital－pecuniary creditor's right and its collateral right trust (note: including financial asset securitization)		9,667,098
Net assets of Co-Trust Fund		1,354,719	Trust capital－Co-Trust Fund		1,322,096
			Retained earnings		128,615
Total trust assets	**$**	**56,688,126**	Total trust liabilities	**$**	**56,688,126**

Trust Balance sheet

December 31, 2005

Trust assets			Trust liabilities		
Bank deposits	$	99,592	Trust capital－pecuniary trust	$	34,764,691
Short-term investments		35,743,339	Trust capital－securities trust		764,847
Long-term investments		10,602,400	Trust capital－real estate trust		1,410,242
Real estate		1,407,388	Trust capital－financial assets securitization		10,912,939
Net assets of Co-Trust Fund		756,303	Trust capital－Co-Trust Fund		756,303
Total trust assets	**$**	**48,609,022**	Total trust liabilities	**$**	**48,609,022**

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

Trust Income Statement

		For the year ended 2006
Trust revenue:		
Interest revenue	$	207,800
Rental revenue		47,414
Common stock dividends－cash		25,686
Common stock dividends－stock		10,791
Property transactions gain		105
Investment revenue		3,633
		295,429
Trust expenses:		
Management expenses		8,714
Assignee expenses		25
Duty expenses		55,139
Interest expenses		24,387
Fee and commission		11,437
Audit expense		440
Lawyer expense		3,270
Expense for reserves		3,304
Unrealized loss		79,594
Investment loss		2,377
		188,687
Net income before income tax		106,742
Income tax expense		109
Net income after income tax	**$**	**106,633**

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

Schedule of investment for trust business

December 31, 2006

Invested items	Book value
Short-term investments:	
Bonds	$ 18,872,264
Common stock	1,452,347
Beneficiary securities	25,556,994
Subtotal	45,881,605
Others:	
Bank deposits	132,534
Long-term investments:	
Creditor's right investment	8,216,480
Real estate:	
Land	2,457,507
	$ 56,688,126

Schedule of investment for trust business

December 31, 2005

Invested items	Book value
Short-term investments:	
Bonds	$ 14,969,280
Common stock	1,226,563
Beneficiary securities	20,303,799
Subtotal	36,499,642
Others:	
Bank deposits	99,592
Long-term investments:	
Creditor's right investment	10,602,400
Real estate:	
Land	1,407,388
	$ 48,609,022

Foreign currency pecuniary trust business engaged in by the Offshore Banking Unit (OBU) as of December 31, 2006, is included in the trust balance sheet and schedule of investment for trust business. The OBU did not engage in foreign currency pecuniary trust business as of December 31, 2005.

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

8. Significant Catastrophic Loss: None.

9. Significant Subsequent Events: None.

10. Others

(1) Summary of personnel costs and depreciation, depletion and amortization expenses

A summary of personnel costs and depreciation, depletion and amortization expenses for the years ended December 31, 2006 and 2005, is as follows:

Function / Account	2006			2005		
	Cost of goods sold	**Operating expense**	**Total**	**Cost of goods sold**	**Operating expense**	**Total**
Personnel costs:						
Salaries	-	2,213,622	2,213,622	-	1,970,522	1,970,522
Labor and health insurance	-	150,635	150,635	-	132,434	132,434
Pension	-	144,624	144,624	-	110,904	110,904
Other employment	-	63,093	63,093	-	55,994	55,994
Depreciation expenses	-	332,029	332,029	-	216,329	216,329
Depletion expenses	-	-	-	-	-	-
Amortization expenses	-	74,834	74,834	-	128,872	128,872

As of December 31, 2006 and 2005, depreciation expenses of idle assets amounted to $8,044 and $0, respectively, which are recorded in other non-interest income account.

(2) Reclassification

For the year ended December 31, 2006, certain entries have been reclassified and presented to conform to the financial statements for the year ended December 31, 2005. The financial statements are not significantly affected by such reclassifications.

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

(3) Net cash equivalents provided by acquisitions were as follows:

	2006	
	The Tainan 6th Credit Cooperative	**The Tainan 7th Credit Cooperative**
Due from Central Bank	321,364	134,438
Marketable securities	72,680	40,732
Receivables	16,849	8,344
Loans and advances to customers, net	9,823,477	3,305,960
Long-term equity investment under cost method	6,020	2,366
Other financial assets	843,640	8,892
Property and equipment, net	237,424	271,787
Other assets	293,190	35,942
Payables	(52,419)	(29,559)
Deposits and remittances	(13,701,509)	(6,692,292)
Other liabilities	(845,805)	(660)
Subtotal	(2,985,089)	(2,914,050)
Goodwill arising in the acquisition－recorded under goodwill and intangible assets	670,957	222,356
Net cash inflow from the acquisition	**(2,314,132)**	**(2,691,694)**

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

(4) In accordance with SFAS No. 28, the disclosures were as follows:

a. Information on interest-bearing assets and liabilities

	2006 Average amount	2006 Average rate (%)
Assets:		
Cash due from banks	$ 1,284,858	1.02
Due from Central Bank and placement to other banks	36,371,376	1.66
Financial assets at fair value through profit or loss	8,599,655	3.73
Bills and bonds purchased under agreements to resell	521,178	1.46
Margin loans	224,711,997	3.89
Available-for-sale financial assets	15,859,293	1.85
Held-to-maturity financial assets	163,951	2.67
Bond investment in non-active market	2,563,133	6.15
Liabilities:		
Due to banks	11,420,077	3.60
Demand deposits	81,799,546	0.62
Time deposits	145,090,315	2.11
Negotiable certificates of deposit	17,909,695	1.63
Bills and bonds sold under agreements to repurchase	13,086,108	1.44
Appropriated loans fund	194,013	0.96

	2005 Average amount	2005 Average rate (%)
Assets:		
Due from Central Bank and placement to other banks	32,569,686	1.36
Rate-related instruments	23,137,296	3.75
Cash due from banks	1,629,834	1.75
Margin loans	209,250,189	3.79
Liabilities:		
Deposits by other banks	10,468,070	3.12
Demand deposits	67,531,889	0.61
Time deposits	144,236,314	1.67
Negotiable certificates of deposit	14,653,548	1.36
Appropriated loans fund	57,604	2.81

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

b. Major foreign currency position, net

Major foreign currency position, net (market risk)	December 31, 2006 Amount in functional currency	December 31, 2006 Amount in New Taiwan dollars	December 31, 2005 Amount in functional currency	December 31, 2005 Amount in New Taiwan dollars
USD	33,011	1,076,017	3,379	111,007
EUR	957	41,097	187	7,258
FRN	583	15,554	13	330
NZD	281	6,468	138	3,088
AUD	83	2,143	270	6,497

c. Profitability

Unit: %

Items		2006	2005
Return on assets (note 1)	Before income tax	(1.74)	0.03
	After income tax	(1.46)	0.02
Return on net equity (note 2)	Before income tax	(34.63)	0.43
	After income tax	(29.16)	0.30
Net income to operating revenue (note 3)		(98.91)	0.82

Note 1: Return on assets = Net income before income taxes / Average assets

Note 2: Return on net equity = Net income before income taxes / Average net equity

Note 3: Net income to operating revenue = Net income before income taxes / Operating revenue

(5) The Consolidated Company entered into cross-selling transactions with Fuhwa Financial Holding Co., Ltd. and its subsidiaries as follows:

a. Business transactions:

Please refer to note 5 - transactions with related parties.

b. Cross-selling activities:

The financial holding company attempted to satisfy customers' needs, increase sales revenues, and decrease costs through the Consolidated Company's marketing strategy, locations and cross-marketing in order to enjoy the advantages of integration. The Consolidated Company established Fuhwa Financial Holding Group Companies' Cross-Marketing Management System in accordance with Articles 42 and 43 of the Financial Holding Company Act and Article 7 of the Enforcement Regulations for Financial Holding Company Internal Audit Control Systems in order to manage cross-sales among subsidiaries and to protect customer rights.

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

c. Information interchanges:

According to Article 7 of Fuhwa Financial Holding Group Companies' Cross-Marketing Management System, whenever cross-sales exist between the Company and subsidiaries or between subsidiaries, the following rules should be followed for disclosure and exchanging of information:

(a) Relevant government regulations should be followed.

(b) Contracts signed by customers who clearly agree to the terms should be obtained.

(c) The Financial Holding Company and subsidiaries' code of conduct should be maintained.

The policy should be the basis for exchanging information among subsidiaries in order to avoid violating customer rights. Except for circumstances specially mentioned in the policy, the exchanging of customer information should not contain credit, investment or insurance information other than the client's basic information.

d. Mutual use of business facilities and premises:

According to Article 25 of Fuhwa Financial Holding Group Companies' Cross-Marketing Management System, contracts regarding legal responsibility and the allocation method for expenses arising from the mutual use of business facilities and cross-sales between the Company's subsidiaries should be formulated and signed.

As of December 31, 2006, there were no significant cross-marketing activities or exchanging of information.

(6) Capital adequacy ratio

	December 31, 2006	December 31, 2005
Self-owned capital, net	$ 21,648,390	18,985,453
Risk-based assets	234,522,090	231,791,749
Capital adequacy ratio	9.23	8.19
Tier 1 Risk-based Capital Ratio	5.38	7.51
Tier 2 Risk-based Capital Ratio	3.98	0.82
Tier 3 Risk-based Capital Ratio	-	-
Equity Ratio	4.06	6.06

(7) Duration analysis of assets and liabilities

	Total	Aging for remaining period until expiration					
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	1 to 3 years	Over 3 years
Capital provided	$ 322,018,000	47,407,000	13,503,000	35,334,000	13,887,000	37,311,000	174,576,000
Capital used	404,004,000	49,446,000	25,486,000	69,553,000	126,782,000	80,980,000	51,757,000
Spread	(81,986,000)	(2,039,000)	(11,983,000)	(34,219,000)	(112,895,000)	(43,669,000)	122,819,000

(Continued)

Fuhwa Commercial Bank and Subsidiaries

Notes to Consolidated Financial Statements

(expressed in thousands of US dollars)

	Total	Aging for remaining period until expiration					
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	1 to 3 years	Over 3 years
Capital provided	$ 1,325,517	461,038	252,901	160,975	30,687	297,677	122,239
Capital used	1,292,597	832,748	122,750	87,124	61,822	188,120	33
Spread	32,920	(371,710)	130,151	73,851	(31,135)	109,557	122,206

(8) Ratio of interest-rate-sensitive assets to liabilities and interest-rate-sensitive spreads to net equity

Item	Day 1 to day 90	Day 91 to day 180	Day 181 to 1 year	1 to 3 years	Over 3 years	Total
Interest-rate-sensitive assets	$ 149,716,000	32,551,000	3,422,000	30,747,000	67,655,000	284,091,000
Interest-rate-sensitive liabilities	135,450,000	104,738,000	34,518,000	2,726,000	14,802,000	292,234,000
Interest-rate-sensitive spread	14,266,000	(72,187,000)	(31,096,000)	28,021,000	52,853,000	(8,143,000)
Interest-rate-sensitive equity, net						13,851,000
Ratio of interest-rate-sensitive assets to liabilities (%)						97.21
Ratio of interest-rate-sensitive spread to net equity (%)						(58.79)

(expressed in thousands of US dollars)

Item	Day 1 to day 90	Day 91 to day 180	Day 181 to 1 year	1 to 3 years	Over 3 years	Total
Interest-rate-sensitive assets	$ 334,193	114,081	30,702	114,576	122,587	716,139
Interest-rate-sensitive liabilities	552,927	51,366	61,315	-	-	665,608
Interest-rate-sensitive spread	(218,734)	62,715	(30,613)	114,576	122,587	50,531
Interest-rate-sensitive equity, net						9,220
Ratio of interest-rate-sensitive assets to liabilities (%)						107.59
Ratio of interest-rate-sensitive spread to net equity (%)						548.06

11. Other Disclosure Items

(1) Related information on material transaction items:

a. Information regarding long-term equity investment for which the purchase or sale amount for the period exceeded NT$300 million or 10% of Fuhwa Bank's paid-in capital: none.

b. Information on the acquisition of real estate for which the purchase amount exceeded NT$300 million or 10% of Fuhwa Bank's paid-in capital: none.

c. Information on the disposal of real estate for which the sale amount exceeded NT$300 million or 10% of Fuhwa Bank's paid-in capital: none.

d. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT$5 million: none.

(Continued)

FUHWA COMMERCIAL BANK AND SUBSIDIARIES

Notes to Consolidated Financial Statements

e. Information regarding receivables from related parties for which the amount exceeded NT$300 million or 10% of Fuhwa Bank's paid-in capital:

Name of company which accounted for receivables from related party	Name of counter-party	Relationship with the Bank	Ending balance of receivables from related party	Turnover rate	Expected receivables from related party		Collection after December 31, 2006	Allowance for debt
					Amount	Method of management		
Fuhwa Bank	Fuhwa Financial Holding	Parent company	485,326 (Note)	-	-	-	-	-

Note: Income tax receivable calculated under combined corporate income tax return filing with related parties.

f. Information regarding selling non-performing loans for which the amount exceeded NT$5 billion: none.

g. Information on and categories of securitized commodities which are approved by the Financial Asset Securitization Act or the Real Estate Securitization Act: none.

h. Other material transaction items which were significant to people who use the information in the financial statements: none.

(2) Information on long-terms equity investments:

a. Information on investees' names, locations, etc.:

Name of the investor	Name of the investee	Investee location	Investee's main operations	Original investment amount		Held by investor at year-end			Net income (loss) of investee	Gain (loss) recognized during the period	Remarks
				December 31, 2006	December 31, 2005	Shares (thousand)	Ratio	Book value			
Fuhwa Bank	Fuhwa Leasing	5F., No. 4, Sec. 1, Jhongsiao W. Rd., Taipei, Taiwan	Real estate and property selling and leasing	197,000	197,000	19,700	98.56%	113,514	9,508	9,371	eliminated in the consolidated statements
	Fuhwa Property Insurance Agent	3F-1 No. 40, Sec. 2, Dunhwa S. Rd., Taipei City, Taiwan (R.O.C.)	Property insurance agency	2,880	2,880	(Note 1)	80.00%	5,756	2,406	1,888	eliminated in the consolidated statements
	Fuhwa Life Insurance Agent	〃	Life insurance agency	3,000	2,000	300	99.99%	41,285	34,443	33,745	eliminated in the consolidated statements
				$ 202,880	201,880			160,555	46,357	45,004	

Note 1: Limited company with no shares.

b. Lending to other parties: not applicable to Fuhwa Leasing, for which this is one of its registered operating activities. Other investees: none.

c. Guarantees and endorsements for other parties: none.

d. Information regarding securities held as of December 31, 2006: none.

(Continued)

FUHWA COMMERCIAL BANK AND SUBSIDIARIES

Notes to Consolidated Financial Statements

e. Information regarding securities for which the purchase or sale amount for the period exceeded NT$300 million or 10% of Fuhwa Bank's paid-in capital: none.

f. Information on the acquisition of real estate for which the purchase amount exceeded NT$300 million or 10% of Fuhwa Bank's paid-in capital: none.

g. Information on the disposal of the real estate for which the sale amount exceeded NT$300 million or 10% of Fuhwa Bank's paid-in capital: none.

h. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT$5 million: none.

i. Information regarding receivables from related parties for which the amount exceeded NT$300 million or 10% of Fuhwa Bank's paid-in capital: none.

j. Information regarding trading in derivative financial instruments: none.

k. Information regarding selling non-performing loans for which the amount exceeded NT$5 billion: none.

l. Information on and categories of securitized commodities which are approved by the Financial Asset Securitization Act or the Real Estate Securitization Act: none.

m. Other material transaction items which were significant to people who use the information in the financial statements: none.

(3) Business relationship and significant transactions between Fuhwa Bank and its subsidiaries:

Year 2006

No. (note 1)	Name of company	Name of counter-party	Relationship (note 2)	Details			
				Account	Amount	Term	Percentage of consolidated revenue or assets
0	Fuhwa Bank	Fuhwa Leasing	1	Deposits and remittances	1,618	No significant difference in terms between transactions with subsidiaries and with third parties	- %
0	Fuhwa Bank	Fuhwa Life Insurance Agent	1	Deposits and remittances	44,724	No significant difference in terms between transactions with subsidiaries and with third parties	0.01 %
0	Fuhwa Bank	Fuhwa Life Insurance Agent	1	Interest expense	311	No significant difference in terms between transactions with subsidiaries and with third parties	0.01 %
0	Fuhwa Bank	Fuhwa Life Insurance Agent	1	Fee and commission income	72,623	From sales of related insurance policies	1.47 %
0	Fuhwa Bank	Fuhwa Property Insurance Agent	1	Deposits and remittances	8,990	No significant difference in terms between transactions with subsidiaries and with third parties	- %
0	Fuhwa Bank	Fuhwa Property Insurance Agent	1	Fee and commission income	3,343	From sales of related insurance policies	0.07 %

(Continued)

FUHWA COMMERCIAL BANK AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1: The No. represents the following:

(1) 0 represents the parent company

(2) 1 represents subsidiaries (starting from 1)

Note 2: Relationship represents the following:

(1) 1 represents the parent company to its subsidiaries

(2) 2 represents subsidiaries to their parent company

(3) 3 represents subsidiaries to subsidiaries

Year 2005 (significant intercompany transactions eliminated in consolidation)

Item	Transactions and related accounts	Amount		Remarks
1	To eliminate the long-term investments under equity method:			Fuhwa Leasing, Fuhwa Life Insurance Agent and Fuhwa Property Insurance Agent
	Common stock	$ 205,480		
	Legal reserve	4,803		
	Investment income under equity method	32,506		
	Operating expenses	670		
	Retained earnings		$ 55,270	
	Minority interest		2,894	
	Long-term investments under equity method		185,194	
	Net loss in minority interest		101	
2	To eliminate revenue, expenses, assets and liabilities:			Fuhwa Bank, Fuhwa Leasing, Fuhwa Life Insurance Agent and Fuhwa Property Insurance Agent
	Deposits and remittances	$ 89,010		
	Interest revenue	987		
	Fee and commission income	122,653		
	Cash and cash equivalents		$ 86,510	
	Interest expense		987	
	Operating expense		122,653	
	Other financial assets		2,500	

12. Segment Information: not applicable.

(Continued)

2006 Annual Report
Fuhwa Bank

Branch Locations

VI. Branch Locations

Head Office & Branches	*Address*	*Telephone*	*Fax*
Headquarter	No.4, Sec. 1, Jhongsiao W. Rd., Jhongjheng District, Taipei City 100,Taiwan	(02) 2380-1888	
Business Department	No.4, Sec. 1, Jhongsiao W. Rd., Jhongjheng District, Taipei City 100,Taiwan	(02) 2380-1799	(02) 2380-1700
Taipei Branch	No.38, Sec. 2, Dunhua S. Rd., Da-an District, Taipei City 106, Taiwan	(02) 2705-7888	(02) 2755-3751
Chingmei Branch	No.3, Jingwun St., Wunshan District, Taipei City 116, Taiwan	(02) 8663-6766	(02) 8663-3139
Nanjing East Road Branch	No.139-8, Sec. 5, Nanjing E. Rd., Songshan District, Taipei City 105, Taiwan	(02) 2756-3777	(02) 2756-3811
Shihlin Branch	No.314, Jhongjheng Rd., Shihlin District, Taipei City 111, Taiwan	(02) 2837-6638	(02) 2835-5886
Chengtung Branch	No.128, Sec. 3, Nanjing E. Rd., Jhongshan District, Taipei City 104, Taiwan	(02) 8772-5788	(02) 8772-5988
Neihu Branch	No.618, Rueiguang Rd., Neihu District, Taipei City 114, Taiwan	(02) 8751-8759	(02) 8751-9858
Yonghe Branch	No.32, Sec. 2, Yonghe Rd., Yonghe City, Taipei County 234, Taiwan	(02) 2232-5558	(02) 2232-5568
Sinyi Branch	No.236-1, Sec. 4, Sinyi Rd., Sinyi District, Taipei City 110, Taiwan	(02)2703-2569	(02)2701-2259
Songjiang Branch	No.109, Songjiang Rd., Jhongshan District, Taipei City 104, Taiwan	(02)2516-8608	(02)2516-1078
Tianmu Branch	No.14, Tianmu W. Rd., Shihlin District, Taipei City 111, Taiwan	(02)2871-2558	(02)2871-1117
Minsheng Branch	No.52-1, Sec. 4, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan	(02)8712-9666	(02)8712-7077
Jhongshan North Branch	No.131、135, Sec. 2, Jhongshan N. Rd., Jhongshan District, Taipei City 104, Taiwan	(02) 2521-7888	(02) 2521-0678

Head Office & Branches	*Address*	*Telephone*	*Fax*
Jhongsiao Branch	No.238, Sec. 5, Jhongsiao E. Rd., Sinyi District, Taipei City 110, Taiwan	(02) 8786-7778	(02) 8786-7758
Sindian Branch	No.252, Sec. 2, Beisin Rd., Sindian City, Taipei County 231, Taiwan	(02) 2912-5799	(02) 2914-1255
Jhonghe Branch	No.1、3, Taihe St., Jhonghe City, Taipei County 235, Taiwan	(02) 2245-6789	(02) 8245-7669
Sanchong Branch	No.111, Sec.3, Chongsin Rd., Sanchong City, Taipei County 241, Taiwan	(02) 2983-2255	(02) 2988-5810
Sinjhang Branch	No.379, Jhongjheng Rd., Sinjhuang City, Taipei County 242, Taiwan	(02) 2206-7799	(02) 2206-9977
Banciao Branch	No.242, Sec. 2, Wunhua Rd., Banciao City, Taipei County 220, Taiwan	(02) 8259-7979	(02) 8259-7676
Lujhou Branch	No.235, Changrong Rd., Lujhou City, Taipei County 247, Taiwan	(02)2281-8958	(02)2281-0266
Nankan Branch	No.309, Jhongjheng Rd., Lujhu Township, Taoyuan County 338, Taiwan	(03) 312-9550	(03) 312-9551
Chungli Branch	No.7, Jhongyang E. Rd., Jhongli City, Taoyuan County 320, Taiwan	(03) 426-6007	(03) 426-6017
Taoyuan Branch	No.429, Jhongshan Rd., Taoyuan City, Taoyuan County 330, Taiwan	(03) 337-2211	(03) 334-2381
Taosing Branch	No.51-2, Fusing Rd., Taoyuan City, Taoyuan County 330, Taiwan	(03) 338-5518	(03) 338-5618
Pingjhen Branch	No.18, Huannan Rd., Pingjhen City, Taoyuan County 324, Taiwan	(03) 494-2690	(03) 494-3064
Linkou Branch	No.236、238, Fusing 1st Rd., Gueishan Township, Taoyuan County 333, Taiwan	(03) 328-8999	(03) 328-8668
Hsinchu Branch	No.276, Minsheng Rd., Hsinchu City 300, Taiwan	(03) 545-6688	(03) 545-6008

Head Office & Branches	***Address***	***Telephone***	***Fax***
Jhubei Branch	No.208, Dong Sec. 1, Guangming 6th Rd., Jhubei City, Hsinchu County 302, Taiwan	(03)658-1212	(03)658-1233
ASIP Branch	No.267, Sec. 1, Guangfu Rd., East District, Hsinchu City 300, Taiwan	(03)666-7888	(03)666-7688
Yilan Branch	No.128, Sec. 3, Jhongshan Rd., Yilan City, Yilan County 260, Taiwan	(03)932-5566	(03)932-2233
Miaoli Branch	No.458, Jhongjheng Rd., Miaoli City, Miaoli County 360, Taiwan	(037) 336-678	(037) 336-718
Taichung Branch	No.66, Mincyuan Rd., Taichung City 400, Taiwan	(04) 2227-1799	(04) 2220-7499
Wunsin Branch	No.337, Sec. 3, Wunsin Rd., Situn District, Taichung City 407, Taiwan	(04) 2297-0068	(04) 2296-5966
Fusing Branch	No.269, Sec. 1, Fusing Rd., South District, Taichung City 402, Taiwan	(04) 2261-6889	(04) 2262-1060
ChongDe Branch	No.46, Sec. 2, Chongde Rd., Beitun District, Taichung City 406, Taiwan	(04) 2232-9961	(04) 2233-1818
Chungkung Branch	No.102-10, Sec. 3, Taichung Port Rd., Situn District, Taichung City 407, Taiwan	(04) 2465-0889	(04) 2465-0989
Shalu Branch	No.535, Jhongshan Rd., Shalu Township, Taichung County 433, Taiwan	(04) 2665-6656	(04) 2663-3852
Fongyuan Branch	No.23, Yuanhuan W. Rd., Fongyuan City, Taichung County 420, Taiwan	(04) 2529-3366	(04) 2529-2065
Caotun Branch	No.146 Sec. 2, Taiping Rd., Caotun Township, Nantou County 542, Taiwan	(049) 232-1661	(049) 232-1800
Dali Branch	No.724, Tucheng Rd., Dali City, Taichung County 412, Taiwan	(04) 2492-2288	(04) 2493-2355
Dajia Branch	No.833, Sec. 1, Jhongshan Rd., Dajia Township, Taichung County 437, Taiwan	(04) 2688-6088	(04) 2688-6366

Head Office & Branches	***Address***	***Telephone***	***Fax***
Changhua Branch	No.898, Sec. 2, Jhongshan Rd., Changhua City, Changhua County 500, Taiwan	(04) 726-7001	(04) 726-6992
Yuanlin Branch	No.283, Sec. 2, Datong Rd., Yuanlin Township, Changhua County 510, Taiwan	(04) 835-6403	(04) 835-2653
Lugang Branch	No.321, Jhongshan Rd., Lugang Township, Changhua County 505, Taiwan	(04) 778-5799	(04) 777-9779
Beidou Branch	No.166, Guangfu Rd., Beidou Township, Changhua County 521, Taiwan	(04) 887-3881	(04) 887-3886
Sihu Branch	No.555, Donghuan Rd., Sihu Township, Changhua County 514, Taiwan	(04) 882-5656	(04) 882-5626
Doushin Branch	No.29, Wunhua Rd., Douliou City, Yunlin County 640, Taiwan	(05) 535-1799	(05) 535-1313
Huwei Branch	No.1, Heping Rd., Huwei Township, Yunlin County 632, Taiwan	(05) 633-9169	(05) 633-9423
Dounan Branch	No.67, Jhongshan Rd., Dounan Township, Yunlin County 630, Taiwan	(05) 597-1138~40	(05) 597-1139
Chiayi Branch	No.185, Jhongsing Rd., Chiayi City 600, Taiwan	(05) 232-7469	(05) 232-6415
Yongkang Branch	No.509, Siaodong Rd., Yongkang City, Tainan County 710, Taiwan	(06) 312-6789	(06) 312-1228
Jiali Branch	No.278, Wunhua Rd., Jiali Township, Tainan County 722, Taiwan	(06) 721-4888	(06) 721-0249
Rende Branch	No.449、451, Jhongshan Rd., Rende Township, Tainan County 717, Taiwan	(06)249-6088	(06)249-6379
Tainan Branch	No.348, Yonghua Rd., West Central District, Tainan City 700, Taiwan	(06)293-8688	(06)293-8699
Fucheng Branch	No.165, Sec. 1, Minsheng Rd., West Central District, Tainan City 700, Taiwan	(06)228-1281	(06)222-2415

Head Office & Branches	*Address*	*Telephone*	*Fax*
Dontainan Branch	No.348, Sec. 2, Dongmen Rd., East District, Tainan City 701, Taiwan	(06)268-7815	(06)267-3371
Anchung Branch	No.67, Sec. 4, Anjhong Rd., Annan District, Tainan City 709, Taiwan	(06)247-4395	(06)247-4348
Hsimen Branch	No.269, Chenggong Rd., West Central District, Tainan City 700, Taiwan	(06)226-8146	(06)226-8148
Kai Yuan Branch	No.461, Shengli Rd., North District, Tainan City 704, Taiwan	(06)238-3125	(06)236-3661
Anhe Branch	No.226, Sec. 1, Anhe Rd., Annan District, Tainan City 709, Taiwan	(06)255-1236~8	(06)256-9941
Kaohsiung Branch	No.38, Minzu 2nd Rd., Sinsing District, Kaohsiung City 800, Taiwan	(07) 222-9688	(07) 225-7728
Boai Branch	No.491, Mingcheng 2nd Rd., Zuoying District, Kaohsiung City 813, Taiwan	(07) 558-6088	(07) 558-3699
Sanmin Branch	No.661, Jiangong Rd., Sanmin District, Kaohsiung City 807, Taiwan	(07) 395-1588	(07) 395-3288
Fongshan Branch	No.280, Wujia 2nd Rd., Fongshan City, Kaohsiung County 830, Taiwan	(07) 715-2700	(07) 715-8500
Gangshan Branch	No.380, Gangshan Rd., Gangshan Township, Kaohsiung County 820, Taiwan	(07) 621-8955	(07) 621-5358
Pingtung Branch	No.25, Gongyuan Rd., Pingtung City, Pingtung County 900, Taiwan	(08) 733-7889	(08) 765-6566
Kinmen Branch	No.188-1, Mincyuan Rd., Jincheng Township, Kinmen County 893, Taiwan	(082)332-566	(082)311-426
Tungshin Branch	No.427, Sec. 1, Jhonghua Rd., Taitung City, Taitung County 950, Taiwan	(089) 324-351	(089) 324-734
Malan Branch	No.560, Gengsheng Rd., Taitung City, Taitung County 950, Taiwan	(089) 326-171	(089) 356-055