

**FUHWA FINANCIAL HOLDING CO., LTD.
AND SUBSIDIARIES**

**Condensed Consolidated Financial Statements
March 31, 2004 and 2003**

(With Accountants' Review Report Thereon)

**Address: 9 Fl., No. 4, Sec. 1, Jhongsiao W. Rd., Taipei City
100, Taiwan (R.O.C.)**

Independent Accountants' Review Report

The Board of Directors
Fuhwa Financial Holding Co., Ltd.:

We have reviewed the accompanying condensed consolidated balance sheets of Fuhwa Financial Holding Co., Ltd. (the Company) and its subsidiaries as of March 31, 2004 and 2003, and the related condensed consolidated statements of income and cash flows for the three months ended March 31, 2004 and 2003. These condensed consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these condensed consolidated financial statements based on our reviews.

Our reviews, which were made in accordance with Republic of China Statement of Auditing Standards No. 36, "The Review of Financial Statements", consist principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to in the first paragraph in order for them to be in conformity with Republic of China generally accepted accounting principles.

Due to the change in subsidiaries comprising the group of companies for which consolidated financial statements as of March 31, 2004, are presented, the Company restated the consolidated financial statements as of March 31, 2003, to give effect to the change for comparative analysis.

April 15, 2004

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 review such financial statements are those generally accepted and applied in the Republic of China.

(Unaudited)

FUHWA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2004 and 2003

(expressed in thousands of New Taiwan dollars)

Assets	March 31, 2004		March 31, 2003		Liabilities and Stockholders' Equity	March 31, 2004		March 31, 2003	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets:					Current liabilities:				
Cash and cash equivalents	\$ 8,102,935	2	10,563,470	11	Short-term debts	\$ 62,862,216	19	43,960,203	18
Due from Central Bank and placement to other banks	32,962,326	10	19,780,784	1	Deposits by Central Bank	10,690	-	7,915	-
Short-term investments	8,076,422	2	4,130,341	2	Deposits by other banks	10,737,911	3	8,899,285	4
Bonds purchased under agreements to resell	1,601,896	1	3,193,427	1	Stock warrant liabilities, net	271,368	-	22,583	-
Call options - nonhedge	61,540	-	2,422	-	Put option liabilities	25,861	-	2,055	-
Futures trading margins	2,516,961	1	1,165,489	-	Payable to customer	2,488,980	1	1,165,489	-
Margin deposits for futures contracts	305,604	-	94,537	-	Derivative financial instruments - liabilities, OTC	172,491	-	542	-
Derivative financial instruments - assets, OTC	138,703	-	-	-	Guarantee deposits received	1,575,015	-	1,439,063	1
Interest receivable	1,261,417	1	1,810,791	1	Short sales proceeds payable	2,021,388	1	1,662,351	1
Margin loans	40,129,198	12	26,561,047	11	Other notes and accounts payable	6,402,558	2	3,716,009	1
Other receivables	6,895,664	2	2,559,451	1	Advance receipts and other current liabilities	219,741	-	517,733	-
Other financial assets - current	1,609,934	-	918,456	-	Total current liabilities	86,788,219	26	61,393,228	25
Deferred income tax assets - current	707,539	-	973,095	-	Deposits and remittances	195,323,189	59	150,835,773	61
Trading securities	36,523,176	11	33,998,019	11	Subordinate financial debentures	3,534,000	1	3,534,000	1
Prepaid expenses	337,220	-	128,084	-		198,857,189	60	154,369,773	62
Total current assets	141,230,535	42	105,879,413	39	Long-term liabilities:				
Loans and advances to customers, net	167,991,582	51	128,637,911	50	Bonds payable	2,900,000	1	-	-
Long-term investments:					Accrued pension liabilities	330,506	-	281,944	-
Long-term equity investments under equity method	2,307,502	1	1,121,610	1	Other long-term liabilities	599,219	-	-	-
Long-term equity investments under cost method	1,703,292	1	1,557,822	1	Long-term liabilities	3,829,725	1	281,944	-
Long-term investments in bonds	1,103,231	-	700,988	2	Other liabilities:				
Prepayments for long-term investments in stocks	-	-	100,000	-	Reserve for guarantee liabilities	78,487	-	41,715	-
Total long-term investments, net	5,114,025	2	3,480,420	4	Reserve for default losses	207,974	-	200,731	-
Property and equipment:					Reserve for trading losses	135,966	-	24,388	-
Cost:					Reserve for bad debt	253,398	-	238,727	-
Land	2,614,213	1	1,769,823	1	Other liabilities	650,166	1	275,490	-
Buildings	1,959,061	1	1,510,513	1	Minority interest	7	-	51	-
Machinery and equipment	583,080	-	510,109	-	Total other liabilities	1,325,998	1	781,102	-
Computer equipment	124,858	-	118,652	-	Total liabilities	290,801,131	88	216,826,047	87
Transportation equipment	83,721	-	81,571	-	Stockholders' equity:				
Other facilities	1,294,890	-	1,369,803	1	Common stock, par value \$10, authorized 5,000,000 thousand shares on March 31, 2004 and 2003, issued 2,894,445 thousand shares and 2,826,829 thousand shares on March 31, 2004 and 2003, respectively	28,944,445	9	28,268,294	11
	6,659,823	2	5,360,471	3	Capital surplus:				
Less: accumulated depreciation	1,482,128	-	1,620,307	1	Capital surplus - additional paid-in capital	7,891,572	3	9,790,017	4
Prepayments for building and equipment	190,357	-	155,833	-	Capital surplus - treasury stock transactions	842,045	-	483,519	-
	5,368,052	2	3,895,997	2		8,733,617	3	10,273,536	4
Intangible assets	734,587	-	468,232	-	Retained earnings:				
Other assets:					Legal reserve	3,323	-	-	-
Operating guarantee deposits	1,045,000	-	995,000	-	Special reserve	29,911	-	-	-
Settlement and clearing funds	471,680	-	439,099	-	Unappropriated retained earnings	3,916,703	1	539,567	-
Nonoperating assets	2,216,723	1	1,333,357	1		3,949,937	1	539,567	-
Refundable deposits	1,510,260	1	1,696,730	1	Equity adjustments:				
Nonperforming loans and overdue receivables	1,490,075	1	2,338,089	2	Cumulative foreign currency translation adjustments	(63,195)	-	(984)	-
Deferred charges	456,072	-	325,727	-	Net loss from unrecognized pension cost	(26,726)	-	(10,240)	-
Deferred pension cost	22,860	-	24,441	-		(89,921)	-	(11,224)	-
Deferred income tax assets - noncurrent	1,333,562	-	1,602,978	1	Treasury stock	(3,298,418)	(1)	(4,771,067)	(2)
Total other assets	8,546,232	3	8,755,421	5	Total stockholders' equity	38,239,660	12	34,299,106	13
Brokering transaction debit balance, net	55,778	-	7,759	-	Commitments and contingent liabilities				
					Total liabilities and stockholders' equity	\$ 329,040,791	100	251,125,153	100
Total assets	\$ 329,040,791	100	251,125,153	100					

(Unaudited)

FUHWHA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Income

For the three months ended March 31, 2004 and 2003
(expressed in thousands of New Taiwan dollars)

	2004		2003	
	Amount	%	Amount	%
Operating revenues:				
Interest revenue	\$ 2,641,467	47	2,191,548	70
Fees and commissions	1,629,197	30	593,641	15
Underwriting commission	9,495	-	7,366	-
Profit from trading securities - dealing	348,820	6	170,956	5
Profit from trading securities - underwriting	56,308	1	-	-
Profit from trading securities - hedge	7,264	-	-	-
Gain on bills trading, net	307,135	5	116,872	4
Investment income under equity method	73,102	1	2,716	2
Gain on issuance of stock warrants	-	-	49,714	2
Gain on futures contracts	87,249	2	20,254	1
Clearing and settlement service income - futures	791	-	15	-
Gain on option transactions	73,577	1	5,463	-
Gain on derivative financial instruments - OTC	87,434	2	158	-
Other operating revenue	288,268	5	67,500	1
	<u>5,610,107</u>	<u>100</u>	<u>3,226,203</u>	<u>100</u>
Operating costs:				
Interest expense	774,635	14	883,302	28
Fees and commission expense	255,550	5	131,476	4
Provisions for bad and doubtful accounts	864,315	15	131,796	4
Loss from trading securities - underwriting	-	-	869	-
Loss from trading securities - hedge	-	-	41,389	1
Loss from devaluation of trading securities	9,427	-	37,850	1
Loss from issuance of stock warrants	32,321	1	-	-
Commission expenses for introducing futures contracts	20,256	-	9,357	-
Loss from futures contracts	29,801	1	31,935	1
Settlement and clearing brokerage commissions	10,233	-	3,218	-
Loss on option transactions	44,064	1	8,556	-
Loss on derivative financial instruments - OTC	76,197	1	-	-
Other operating loss	1,118	-	537	-
	<u>2,117,917</u>	<u>38</u>	<u>1,280,285</u>	<u>39</u>
Gross profit	<u>3,492,190</u>	<u>62</u>	<u>1,945,918</u>	<u>61</u>
Operating expenses	<u>2,283,585</u>	<u>40</u>	<u>1,512,571</u>	<u>46</u>
Operating income	<u>1,208,605</u>	<u>22</u>	<u>433,347</u>	<u>15</u>
Nonoperating revenue and income:				
Interest income from deposits, bonds, and bills	24,712	1	39,864	1
Exchange gains	13,456	-	-	-
Rental income	3,452	-	4,214	-
Investment income	179,205	3	181,337	6
Gain on disposal of property and equipment	173	-	77	-
Other income	136,276	2	71,420	-
	<u>357,274</u>	<u>6</u>	<u>296,912</u>	<u>7</u>
Nonoperating expenses and loss:				
Interest expense	32,039	1	14,695	1
Remittance, processing, and securities expense	5,912	-	-	-
Loss on disposal of property and equipment	12,417	-	9,623	-
Miscellaneous expenses	97,096	2	36,535	1
	<u>147,464</u>	<u>3</u>	<u>60,853</u>	<u>2</u>
Income before income tax	<u>1,418,415</u>	<u>25</u>	<u>669,406</u>	<u>20</u>
Income tax expense (benefit)	<u>(5,643)</u>	<u>-</u>	<u>163,073</u>	<u>5</u>
Consolidated net income	<u>\$ 1,424,058</u>	<u>25</u>	<u>506,333</u>	<u>15</u>
			Before	After
			income tax	income tax
Earnings per share (expressed in New Taiwan dollars)	<u>\$ 0.48</u>	<u>0.56</u>	<u>0.20</u>	<u>0.20</u>
Proforma data - Shares of Fuhwa Financial Holding Co., Ltd. held by its subsidiaries are not deemed as treasury stock:				
			Before	After
			income tax	income tax
Net income	<u>\$ 1,779,614</u>	<u>1,975,740</u>	<u>716,290</u>	<u>716,278</u>
Earnings per share (expressed in New Taiwan dollars)	<u>\$ 0.64</u>	<u>0.71</u>	<u>0.26</u>	<u>0.26</u>

(Unaudited)

FUHWAL FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2004 and 2003
(expressed in thousands of New Taiwan dollars)

	2004	2003
Cash flows from operating activities:		
Net income	\$ 1,424,058	506,333
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	162,798	117,788
Allowance for bad debts	204,000	310,203
Provision for bad debt and doubtful accounts	864,315	131,796
Transfer expense for convertible bonds	(5,294)	-
Amortization of premium on convertible bonds	(9,565)	-
Effect of exchange rate change on convertible bonds	(54,540)	-
Property and equipment transferred to expenses	75	-
Provision for reserve for default losses	2,668	-
Provision for reserve for trading losses	36,443	17,698
(Reversal of) provision for reserve for bad debt	(1,493)	15,855
Loss on (recovery from) devaluation of short-term investments, net	(7,336)	43,593
Loss on devaluation of trading securities, net	9,427	37,850
Gain on investments under equity method	(73,102)	(2,716)
Cash dividends from long-term investments under equity method	7,588	-
Gain on disposal of long-term investments	-	(223,371)
Loss on disposal of property, equipment and nonoperating assets, net	12,243	9,546
Allowance for loss on devaluation of idle assets	32,094	-
Allowance for loss on devaluation of securities foreclosed	27,164	1,593
Loss (gain) on disposal of securities foreclosed	(108)	3,448
Loss on disposal of deferred expense	-	186
Increase in bonds purchased under agreements to resell	(792,199)	(746,341)
Increase in call options - nonhedge	(60,062)	(2,175)
Increase in margin deposits	(532,070)	(17,979)
Increase in futures trading margins	(237,115)	(15,960)
Decrease in derivative financial instruments - assets, OTC	75,006	24
Decrease in interest receivable	86,961	4,557
Decrease (increase) in margin loans	(6,075,314)	3,722,235
Decrease in other receivables	123,175	381,513
Decrease (increase) in other financial assets - current	(407,535)	126,209
Decrease in deferred income tax assets	(771)	(64,325)
Increase in trading securities	(5,843,516)	(437,512)
Increase in prepaid expense	(115,096)	(34,300)
Decrease (increase) in brokering transaction debit balance, net	(38,016)	9,726
Increase (decrease) in stock warrant liabilities, net	125,565	(34,709)
Increase in put option liabilities	20,407	240
Increase in futures contracts	528,446	17,979
Increase (decrease) in derivative financial instruments - liabilities, OTC	(19,795)	542
Decrease in refundable deposits	(857,703)	(2,909,072)
Decrease in margin loans	(932,596)	(3,717,159)
Increase (decrease) in other payables	900,345	(137,944)
Increase in advance receipts and other current liabilities	62,823	427,606
Increase in accrued pension liabilities	11,475	3,863
Net cash used in operating activities	<u>(11,346,150)</u>	<u>(2,453,180)</u>

FUHLWA FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2004 and 2003
(expressed in thousands of New Taiwan dollars)

Cash flows from investing activities:

Decrease (increase) in due from Central Bank and placement to other banks	\$ (9,828,428)	2,722,393
Decrease (increase) in short-term investments held for investing purposes	(2,153,926)	342,158
Increase in loans and advances to customers	(340,154)	(9,572,621)
Decrease (increase) in long-term investments	(240,011)	212,880
Proceeds from disposal of long-term investments	4,352,961	336,488
Acquisition of property, equipment and nonoperating assets	(159,259)	(193,658)
Proceeds from disposal of property, equipment and nonoperating assets	505	818
Purchase of intangible assets	(20,467)	(11,834)
Increase in prepaid operating rights	-	(17,000)
Increase in operating guarantee deposits	(29,781)	(10,000)
Increase in settlement and clearing funds	(8,581)	(27,886)
Proceeds from disposal of securities foreclosed	41,559	55,575
Decrease (increase) in securities foreclosed	(138,681)	34,375
Decrease in refundable deposits	801	12,044
Increase in deferred charges	(42,578)	(3,804)
Net cash used in investing activities	<u>(8,566,040)</u>	<u>(6,120,072)</u>

Cash flows from financing activities:

Increase in short-term debts	11,718,289	790,195
Increase (decrease) in deposits by Central Bank	3,445	(341)
Increase (decrease) in deposits by other banks	(2,733,100)	3,751,621
Increase in deposits and remittances	6,600,235	2,485,459
Increase in long-term liabilities	320	-
Increase in other liabilities	220,029	154,164
Treasury stock transferred to employees	-	226,755
Purchase of treasury stock	-	(120,868)
Net cash provided by financing activities	<u>15,809,218</u>	<u>7,286,985</u>

Effect of exchange rate change on cash and cash equivalents

	<u>(40,550)</u>	<u>(24,509)</u>
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Net decrease in cash and cash equivalents

	(4,143,522)	(1,310,776)
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Cash and cash equivalents at beginning of period

	<u>12,246,457</u>	<u>11,874,246</u>
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Cash and cash equivalents at end of period

	<u>\$ 8,102,935</u>	<u>10,563,470</u>
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Supplemental disclosure of cash flow:

Cash payment of interest	<u>\$ 802,876</u>	<u>913,290</u>
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Cash payment of income tax	<u>\$ 97,614</u>	<u>43,641</u>
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Investing and financing activities not affecting cash flow:

Changes in long-term equity investments due to elimination of subsidiaries' holding of the Company's shares	<u>\$ 1,516,058</u>	<u>36,934</u>
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Decrease in cumulative foreign currency translation adjustments	<u>\$ (44,922)</u>	<u>(2,641)</u>
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Cash paid for acquisition of property, equipment and nonoperating assets:

Increase in acquisition of property, equipment and nonoperating assets	\$ 159,259	189,336
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Decrease in machinery and equipment payable (recorded as other notes and accounts payable)	-	4,322
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Net cash paid	<u>\$ 159,259</u>	<u>193,658</u>
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Cash paid for purchase of treasury stock:

Increase in purchase of treasury stock	\$ -	111,475
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Decrease in payable for purchase of treasury stock (recorded as other notes and accounts payable)	-	9,393
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Net cash paid	<u>\$ -</u>	<u>120,868</u>
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Declaration and payment of bonus to employees:

Declaration of bonus to employees	\$ 32,965	12,197
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Increase in employees' bonuses payable	32,965	12,197
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Net cash paid	<u>\$ 65,930</u>	<u>-</u>
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