

POU CHEN CORPORATION

BALANCE SHEETS

September 30, 2003 AND 2002

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

| ASSETS | 2003 | | 2002 | | LIABILITIES AND STOCKHOLDERS' EQUITY | 2003 | | 2002 | |
|---|----------------------|------------|----------------------|------------|---|----------------------|------------|----------------------|------------|
| | Amount | % | Amount | % | | Amount | % | Amount | % |
| CURRENT ASSETS | | | | | CURRENT LIABILITIES | | | | |
| Cash and cash equivalents | \$ 484,608 | 1 | \$ 874,224 | 3 | Short-term borrowings | \$ 660,000 | 2 | \$ 23,881 | - |
| Short-term investments | 2,961,875 | 7 | 1,701,074 | 5 | Notes payable | 31,952 | - | 36,962 | - |
| Notes receivable | 7,113 | - | 9,289 | - | Notes payable, affiliates | 63,888 | - | 57,557 | - |
| Notes receivable, affiliates | 1,467 | - | - | - | Accounts payable | 696,771 | 2 | 701,518 | 2 |
| Accounts receivable | 67,960 | - | 131,132 | - | Accounts payable, affiliates | 202,017 | - | 215,903 | 1 |
| Accounts receivable, affiliates | 988,174 | 2 | 1,154,209 | 3 | Income tax payable | 94,091 | - | 135,493 | - |
| Other financial assets, current | 387,357 | 1 | 309,579 | 1 | Other payables | 385,771 | 1 | 339,510 | 1 |
| Inventories | 163,740 | 1 | 146,785 | 1 | Current portion of long-term liabilities | 3,390,833 | 8 | 2,197,183 | 6 |
| Deferred income tax assets | 70,950 | - | 72,050 | - | Other current liabilities | <u>101,323</u> | - | <u>12,234</u> | - |
| Other current assets | <u>40,494</u> | - | <u>33,656</u> | - | Total current liabilities | <u>5,626,646</u> | <u>13</u> | <u>3,720,241</u> | <u>10</u> |
| Total current assets | <u>5,173,738</u> | <u>12</u> | <u>4,431,998</u> | <u>13</u> | | | | | |
| LONG-TERM EQUITY INVESTMENTS | | | | | LONG-TERM LIABILITIES | | | | |
| Long-term equity investments under equity method | 32,266,061 | 77 | 26,578,823 | 75 | Bonds payable | 5,000,000 | 12 | 3,373,991 | 10 |
| Long-term equity investments under cost method | <u>950,044</u> | <u>2</u> | <u>985,341</u> | <u>3</u> | Long-term debt | - | - | <u>1,798,336</u> | <u>5</u> |
| Total long-term equity investments | <u>33,216,105</u> | <u>79</u> | <u>27,564,164</u> | <u>78</u> | Total long-term liabilities | <u>5,000,000</u> | <u>12</u> | <u>5,172,327</u> | <u>15</u> |
| OTHER FINANCIAL ASSETS, NONCURRENT | <u>103,863</u> | - | <u>102,068</u> | - | RESERVE FOR LAND VALUE INCREMENT TAX | <u>136,199</u> | - | <u>136,199</u> | - |
| PROPERTY, PLANT AND EQUIPMENT | | | | | OTHER LIABILITIES | | | | |
| Cost | 3,033,079 | 7 | 2,925,170 | 8 | Accrued pension cost | 329,727 | 1 | 164,080 | 1 |
| Revaluation increment | <u>293,249</u> | <u>1</u> | <u>293,249</u> | <u>1</u> | Guarantee deposit received | 1,080 | - | - | - |
| | 3,326,328 | 8 | 3,218,419 | 9 | Others | <u>114,561</u> | - | <u>59,785</u> | - |
| Less accumulated depreciation | (1,136,899) | (3) | (1,024,921) | (3) | Total other liabilities | <u>445,368</u> | <u>1</u> | <u>223,865</u> | <u>1</u> |
| Construction in progress and prepayments on purchase of equipment | <u>978,919</u> | <u>2</u> | <u>562,018</u> | <u>2</u> | Total liabilities | <u>11,208,213</u> | <u>26</u> | <u>9,252,632</u> | <u>26</u> |
| Property, plant and equipment, net | <u>3,168,348</u> | <u>7</u> | <u>2,755,516</u> | <u>8</u> | STOCKHOLDERS' EQUITY | | | | |
| OTHER ASSETS | | | | | Capital stock | 18,847,994 | 45 | 16,325,822 | 46 |
| Leased assets | 392,320 | 1 | 179,405 | 1 | Capital surplus | 2,292,065 | 6 | 2,292,065 | 7 |
| Deferred charges | 91,072 | - | 100,743 | - | Retained earnings | 12,310,078 | 29 | 9,519,363 | 27 |
| Deferred income tax assets | 78,000 | - | 54,307 | - | Provision for decline in market value of long-term equity investments | (1,164,072) | (3) | (1,280,433) | (4) |
| Others | <u>95,013</u> | <u>1</u> | <u>55,855</u> | - | Cumulative translation adjustments | 949,902 | 2 | 1,784,149 | 5 |
| Total other assets | <u>656,405</u> | <u>2</u> | <u>390,310</u> | <u>1</u> | Net loss not recognized as pension cost | (70,402) | - | - | - |
| | | | | | Treasury stock | <u>(2,055,319)</u> | <u>(5)</u> | <u>(2,649,542)</u> | <u>(7)</u> |
| | | | | | Total stockholders' equity | <u>31,110,246</u> | <u>74</u> | <u>25,991,424</u> | <u>74</u> |
| TOTAL | <u>\$ 42,318,459</u> | <u>100</u> | <u>\$ 35,244,056</u> | <u>100</u> | TOTAL | <u>\$ 42,318,459</u> | <u>100</u> | <u>\$ 35,244,056</u> | <u>100</u> |

POU CHEN CORPORATION

STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

| | 2003 | | 2002 | |
|--|------------------|-----------|------------------|-----------|
| | Amount | % | Amount | % |
| GROSS SALES AND REVENUES EARNED | \$ 7,980,196 | 100 | \$ 7,620,332 | 100 |
| LESS SALES RETURNS AND ALLOWANCES | <u>(16,224)</u> | <u>-</u> | <u>(15,092)</u> | <u>-</u> |
| NET SALES AND REVENUES EARNED | 7,963,972 | 100 | 7,605,240 | 100 |
| COST OF GOODS SOLD | <u>5,853,037</u> | <u>73</u> | <u>5,508,831</u> | <u>72</u> |
| GROSS PROFIT BEFORE (UNREALIZED) REALIZED GROSS PROFIT FROM INTER-AFFILIATE TRANSACTIONS | 2,110,935 | 27 | 2,096,409 | 28 |
| (UNREALIZED) REALIZED GROSS PROFIT FROM INTER-AFFILIATE TRANSACTIONS | <u>(1,445)</u> | <u>-</u> | <u>31,533</u> | <u>-</u> |
| GROSS PROFIT | <u>2,109,490</u> | <u>27</u> | <u>2,127,942</u> | <u>28</u> |
| OPERATING EXPENSES | | | | |
| Selling expenses | 211,541 | 3 | 235,953 | 3 |
| General and administrative expenses | 956,913 | 12 | 805,867 | 11 |
| Research and development expenses | <u>646,472</u> | <u>8</u> | <u>606,784</u> | <u>8</u> |
| Total operating expenses | <u>1,814,926</u> | <u>23</u> | <u>1,648,604</u> | <u>22</u> |
| INCOME FROM OPERATIONS | <u>294,564</u> | <u>4</u> | <u>479,338</u> | <u>6</u> |
| NON-OPERATING INCOME | | | | |
| Interest income | 27,407 | - | 22,325 | - |
| Long-term equity investment income | 5,254,372 | 66 | 3,056,029 | 40 |
| Dividend income | 26,242 | - | 8,003 | - |
| Gain on disposal of property, plant and equipment | 1,759 | - | 6,719 | - |
| Foreign exchange gains, net | 43,148 | 1 | - | - |
| Rental income | 22,330 | - | 14,443 | - |
| Recovery from devaluation of short-term investments | 227,980 | 3 | 133,324 | 2 |
| Others | <u>257,735</u> | <u>3</u> | <u>191,547</u> | <u>3</u> |
| Total non-operating income | <u>5,860,973</u> | <u>73</u> | <u>3,432,390</u> | <u>45</u> |

(Continued)

POU CHEN CORPORATION

STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

| | 2003 | | 2002 | |
|---|---------------------|-----------|---------------------|------------|
| | Amount | % | Amount | % |
| NON-OPERATING EXPENSES | | | | |
| Interest expense | \$ 357,232 | 4 | \$ 379,732 | 5 |
| Other investment losses | 902 | - | - | - |
| Loss on disposal of property, plant and equipment | 2,667 | - | 5,666 | - |
| Loss on disposal of investments | 149 | - | 36,783 | - |
| Foreign exchange losses, net | - | - | 55,649 | 1 |
| Others | <u>54,145</u> | <u>1</u> | <u>10,784</u> | <u>-</u> |
| Total non-operating expenses | <u>415,095</u> | <u>5</u> | <u>488,614</u> | <u>6</u> |
| INCOME BEFORE INCOME TAX | 5,740,442 | 72 | 3,423,114 | 45 |
| INCOME TAX EXPENSE | <u>(38,000)</u> | <u>-</u> | <u>(55,000)</u> | <u>(1)</u> |
| NET INCOME | <u>\$ 5,702,442</u> | <u>72</u> | <u>\$ 3,368,114</u> | <u>44</u> |

| | 2003 | | 2002 | |
|---------------------------|-------------------------|------------------------|-------------------------|------------------------|
| | Before Income Tax | After Income Tax | Before Income Tax | After Income Tax |
| EARNINGS PER SHARE | | | | |
| Basic | <u>\$ 3.22</u> | <u>\$ 3.20</u> | <u>\$ 1.94</u> | <u>\$ 1.91</u> |
| Diluted | <u>\$ 3.16</u> | <u>\$ 3.11</u> | <u>\$ -</u> | <u>\$ -</u> |

Pro-forma information, assuming common shares of the Company held by its subsidiaries were not treated as treasury stock:

| | 2003 | | 2002 | |
|---------------------------|---------------------|----------------|---------------------|----------------|
| NET INCOME | <u>\$ 5,702,442</u> | | <u>\$ 3,357,861</u> | |
| EARNINGS PER SHARE | | | | |
| Basic | <u>\$ 3.05</u> | <u>\$ 3.03</u> | <u>\$ 1.84</u> | <u>\$ 1.81</u> |
| Diluted | <u>\$ 3.00</u> | <u>\$ 2.96</u> | <u>\$ -</u> | <u>\$ -</u> |

(Concluded)

POU CHEN CORPORATION

STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

| | 2003 | 2002 |
|--|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 5,702,442 | \$ 3,368,114 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities | | |
| Depreciation and amortization | 158,072 | 163,885 |
| Amortization for the cost of issuing Euro convertible bonds | 9,662 | 7,523 |
| Loss on buying back Euro convertible bonds | 14,623 | - |
| Recovery from devaluation of short-term investment | (227,980) | (133,324) |
| Recovery from doubtful accounts | - | (1,500) |
| Recovery from inventory devaluation | (1,000) | (8,000) |
| Net (gain) loss on disposal of long-term equity investments | (2,784) | 114,800 |
| Loss on liquidation of long-term equity investments | 902 | - |
| Investment income recognized under equity method | (5,254,372) | (3,056,029) |
| Cash dividends received from investees under equity method | 76,675 | 19,503 |
| Unrealized (realized) gross profit from inter-affiliate transactions | 1,445 | (31,533) |
| Net loss (gain) on disposal of property, plant and equipment | 908 | (1,053) |
| Net changes in operating assets and liabilities | | |
| Short-term investments | (1,000,953) | (515,851) |
| Notes receivable | (3,684) | (1,487) |
| Notes receivable, affiliates | (482) | 1,103 |
| Accounts receivable | 4,525 | 51,760 |
| Accounts receivable, affiliates | 328,572 | (48,515) |
| Other financial assets, current | 74,808 | (56,603) |
| Inventories | (43,071) | 17,819 |
| Deferred income tax asset, current | 9,350 | 8,700 |
| Other current assets | (9,023) | (7,315) |
| Long-term receivable | - | 45,227 |
| Deferred income tax asset, noncurrent | (19,800) | (11,387) |
| Income tax prepayment | - | (4,906) |
| Notes payable | 321 | 7,908 |
| Notes payable, affiliates | 1,339 | (11,044) |
| Accounts payable | (1,325) | 174,562 |
| Accounts payable, affiliates | (17,362) | (33,199) |
| Income tax payable | 48,052 | (821) |
| Other payables | 37,163 | (28,754) |
| Other current liabilities | 88,690 | (7,619) |
| Foreign exchange adjustment on Euro Convertible Bonds | (108,060) | (548) |
| Interest compensation payable | 214,628 | 198,385 |
| Reserve for retirement plan | 79,343 | 13,500 |
| | <u>161,624</u> | <u>233,301</u> |
| Net cash provided by operating activities | | |

(Continued)

POU CHEN CORPORATION

STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

| | 2003 | 2002 |
|--|--------------------|-------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Increase in long-term equity investments | \$ (976,404) | \$ (863,564) |
| Proceeds from disposal of long-term equity investments | 164,898 | 421,104 |
| Acquisition of property, plant and equipment | (597,258) | (284,008) |
| Proceeds from disposal of property, plant and equipment | 20,446 | 39,574 |
| Increase in refundable deposits | (5,786) | (805) |
| Increase in deferred charges | <u>(56,213)</u> | <u>(21,888)</u> |
| Net cash used in investing activities | <u>(1,450,317)</u> | <u>(709,587)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase (decrease) in short-term borrowings | 660,000 | (224,667) |
| Decrease in short-term bills | - | (200,000) |
| Issuance of bonds | 5,000,000 | - |
| Redemption of Euro convertible bonds | (152,193) | - |
| Decrease in long-term debt | (3,997,642) | (73,760) |
| Increase in guarantee deposits received | 1,080 | - |
| Transfer of treasury stock to employees | 439,400 | - |
| Cash dividends | (816,291) | - |
| Bonuses to directors and supervisors, as distribution of retained earnings | <u>(113,349)</u> | <u>(155,748)</u> |
| Net cash provided by (used in) financing activities | <u>1,021,005</u> | <u>(654,175)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (267,688) | (1,130,461) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | <u>752,296</u> | <u>2,004,685</u> |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | <u>\$ 484,608</u> | <u>\$ 874,224</u> |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Cash paid during the period | | |
| Interest (excluding interest capitalized) | <u>\$ 329,424</u> | <u>\$ 366,903</u> |
| Income tax | <u>\$ 398</u> | <u>\$ 63,414</u> |

(Continued)

POU CHEN CORPORATION

STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

| | 2003 | 2002 |
|--|---------------------|-----------------------|
| SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES | | |
| Long-term equity investments transfer into short-term investments | <u>\$ 39,709</u> | <u>\$ 539,200</u> |
| Recovery from (provision for) decline in market value of investees' and the Company's long-term equity investments | <u>\$ 73,331</u> | <u>\$ (224,983)</u> |
| Effect of changes in ownership interest in investees | <u>\$ (48,950)</u> | <u>\$ (30,820)</u> |
| Long-term liabilities, current portion | <u>\$ 3,390,833</u> | <u>\$ 2,197,183</u> |
| Translation adjustments on foreign long-term investments | <u>\$ (753,217)</u> | <u>\$ (3,951)</u> |
| Decrease (increase) in common shares held by subsidiaries | <u>\$ 11,741</u> | <u>\$ (2,067,060)</u> |
| Adjustment of retained earnings due to the transferring of treasury stock to employees | <u>\$ (143,082)</u> | <u>\$ -</u> |
| Cash paid during the period for acquisition of property, plant and equipment | | |
| Fair value of property, plant and equipment acquired | \$ 597,853 | \$ 301,490 |
| Add payables for acquisition of property, plant and equipment at beginning of period | 47,482 | 19,379 |
| Less payables for acquisition of property, plant and equipment at end of period | <u>(48,077)</u> | <u>(36,861)</u> |
| Cash paid during the period for acquisition of property, plant and equipment | <u>\$ 597,258</u> | <u>\$ 284,008</u> |

(Concluded)