

POU CHEN CORPORATION

BALANCE SHEETS

September 30, 2005 AND 2004

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

ASSETS	2005		2004		LIABILITIES AND STOCKHOLDERS' EQUITY	2005		2004	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents	\$ 7,013,001	12	\$ 4,951,477	9	Notes payable	\$ 44,526	-	\$ 61,463	-
Short-term investments	1,365,930	2	1,943,984	4	Notes payable to affiliates	50,989	-	64,976	-
Notes receivable	6,001	-	5,824	-	Accounts payable	1,206,117	2	2,396,783	4
Notes receivable from affiliates	3,341	-	3,901	-	Accounts payable to affiliates	246,434	1	283,200	1
Accounts receivable	366,078	1	2,279,959	4	Income tax payable	62,152	-	-	-
Accounts receivable from affiliates	1,663,754	3	1,239,253	2	Other payables	2,582,541	5	2,559,144	4
Other financial assets, current	895,236	2	421,950	1	Current portion of long-term liabilities	13,019,199	23	-	-
Inventories	861,109	2	778,658	1	Deferred income tax liability	2,725	-	-	-
Deferred income tax assets	-	-	65,350	-	Other current liabilities	<u>42,003</u>	-	<u>21,459</u>	-
Other current assets	<u>247,251</u>	-	<u>92,441</u>	-					
Total current assets	<u>12,421,701</u>	<u>22</u>	<u>11,782,797</u>	<u>21</u>	Total current liabilities	<u>17,256,686</u>	<u>31</u>	<u>5,387,025</u>	<u>9</u>
LONG-TERM EQUITY INVESTMENTS					LONG-TERM LIABILITIES				
Long-term equity investments under equity method	37,170,451	66	39,032,482	68	Bonds payable	<u>5,000,000</u>	<u>9</u>	<u>18,633,090</u>	<u>33</u>
Long-term equity investments under cost method	<u>418,760</u>	<u>1</u>	<u>1,016,833</u>	<u>2</u>	RESERVE FOR LAND VALUE INCREMENT TAX	<u>86,547</u>	-	<u>136,199</u>	-
Total long-term equity investments	<u>37,589,211</u>	<u>67</u>	<u>40,049,315</u>	<u>70</u>	OTHER LIABILITIES				
OTHER FINANCIAL ASSETS, NONCURRENT	<u>38,475</u>	-	<u>53,997</u>	-	Accrued pension cost	460,110	1	358,355	1
PROPERTY, PLANT AND EQUIPMENT					Guarantee deposit received	1,000	-	1,000	-
Cost	3,684,305	6	3,516,829	6	Others	<u>54,731</u>	-	<u>59,480</u>	-
Revaluation increment	<u>293,249</u>	<u>1</u>	<u>293,249</u>	<u>1</u>	Total other liabilities	<u>515,841</u>	<u>1</u>	<u>418,835</u>	<u>1</u>
	3,977,554	7	3,810,078	7	Total liabilities	<u>22,859,074</u>	<u>41</u>	<u>24,575,149</u>	<u>43</u>
Less accumulated depreciation	(1,281,600)	(2)	(1,180,942)	(2)	STOCKHOLDERS' EQUITY				
Construction in progress	<u>2,488,117</u>	<u>5</u>	<u>1,769,615</u>	<u>3</u>	Capital stock	23,054,308	41	20,933,623	37
Property, plant and equipment, net	<u>5,184,071</u>	<u>10</u>	<u>4,398,751</u>	<u>8</u>	Capital surplus	2,631,706	5	2,457,728	4
OTHER ASSETS					Retained earnings	11,908,188	21	12,491,469	22
Leased assets	374,415	1	377,633	1	Provision for decline in market value of long-term equity investments	(1,423,106)	(3)	(1,198,342)	(2)
Deferred charges	151,138	-	174,712	-	Cumulative translation adjustments	368,533	1	1,200,492	2
Deferred income tax assets	118,875	-	93,850	-	Treasury stock	<u>(3,459,328)</u>	<u>(6)</u>	<u>(3,459,328)</u>	<u>(6)</u>
Others	<u>61,489</u>	-	<u>69,736</u>	-	Total stockholders' equity	<u>33,080,301</u>	<u>59</u>	<u>32,425,642</u>	<u>57</u>
Total other assets	<u>705,917</u>	<u>1</u>	<u>715,931</u>	<u>1</u>	TOTAL	<u>\$ 55,939,375</u>	<u>100</u>	<u>\$ 57,000,791</u>	<u>100</u>
TOTAL	<u>\$ 55,939,375</u>	<u>100</u>	<u>\$ 57,000,791</u>	<u>100</u>					

POU CHEN CORPORATION

STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

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

(Reviewed, Not Audited)

	2005		2004	
	Amount	%	Amount	%
GROSS SALES AND REVENUES EARNED	\$ 9,752,690	100	\$ 13,399,470	100
LESS SALES RETURNS AND ALLOWANCES	<u>(46,426)</u>	<u>-</u>	<u>(29,446)</u>	<u>-</u>
NET SALES AND REVENUES EARNED	9,706,264	100	13,370,024	100
COST OF GOODS SOLD	<u>7,529,798</u>	<u>78</u>	<u>11,040,186</u>	<u>82</u>
GROSS PROFIT BEFORE UNREALIZED GROSS PROFIT FROM INTER-AFFILIATE TRANSACTIONS	2,176,466	22	2,329,838	18
(UNREALIZED) REALIZED GROSS PROFIT FROM INTER-AFFILIATE TRANSACTIONS	<u>(954)</u>	<u>-</u>	<u>718</u>	<u>-</u>
GROSS PROFIT	<u>2,175,512</u>	<u>22</u>	<u>2,330,556</u>	<u>18</u>
OPERATING EXPENSES				
Selling expenses	205,937	2	204,772	2
General and administrative expenses	908,998	9	975,925	7
Research and development expenses	<u>660,339</u>	<u>7</u>	<u>633,567</u>	<u>5</u>
Total operating expenses	<u>1,775,274</u>	<u>18</u>	<u>1,814,264</u>	<u>14</u>
INCOME FROM OPERATIONS	<u>400,238</u>	<u>4</u>	<u>516,292</u>	<u>4</u>
NON-OPERATING INCOME				
Interest income	52,589	1	88,921	-
Long-term equity investment income	2,866,332	30	3,469,205	26
Dividend income	100,997	1	93,067	1
Gain on disposal of property, plant and equipment	4,226	-	9,450	-
Gain on disposal of investments	267,858	3	-	-
Foreign exchange gains, net	-	-	9,905	-
Rental income	26,534	-	25,725	-
Others	<u>209,624</u>	<u>2</u>	<u>140,860</u>	<u>1</u>
Total non-operating income	<u>3,528,160</u>	<u>37</u>	<u>3,837,133</u>	<u>28</u>

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POU CHEN CORPORATION

STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

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

(Reviewed, Not Audited)

	2005		2004	
	Amount	%	Amount	%
NON-OPERATING EXPENSES				
Interest expense	\$ 290,145	3	\$ 342,380	3
Loss on disposal of property, plant and equipment	20,891	-	1,687	-
Loss on disposal of investments	-	-	318,050	2
Foreign exchange loss, net	431,972	5	-	-
Others	<u>5,484</u>	<u>-</u>	<u>36,007</u>	<u>-</u>
Total non-operating expenses	<u>748,492</u>	<u>8</u>	<u>698,124</u>	<u>5</u>
INCOME BEFORE INCOME TAX	3,179,906	33	3,655,301	27
INCOME TAX BENEFIT	<u>80,290</u>	<u>1</u>	<u>99,800</u>	<u>1</u>
NET INCOME	<u>\$ 3,260,196</u>	<u>34</u>	<u>\$ 3,755,101</u>	<u>28</u>

	2005		2004	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE				
Basic	<u>\$ 1.49</u>	<u>\$ 1.53</u>	<u>\$ 1.69</u>	<u>\$ 1.74</u>
Diluted	<u>\$ 1.28</u>	<u>\$ 1.31</u>	<u>\$ 1.50</u>	<u>\$ 1.54</u>

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

	2005		2004	
NET INCOME	<u>\$ 3,371,139</u>		<u>\$ 3,855,143</u>	
EARNINGS PER SHARE				
Basic	<u>\$ 1.46</u>	<u>\$ 1.49</u>	<u>\$ 1.64</u>	<u>\$ 1.69</u>
Diluted	<u>\$ 1.26</u>	<u>\$ 1.29</u>	<u>\$ 1.47</u>	<u>\$ 1.50</u>

(Concluded)

POU CHEN CORPORATION

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)**

	Capital Surplus					Retained Earnings			Other Adjustments of Stockholders' Equity			Total
	Capital Stock	Additional Paid-in Capital of Common Stock	Additional Paid-in Capital of Bonds Conversion	Transaction On Treasury Stock	Revaluation Increment of Property, Plant and Equipment	Legal Reserve	Special Reserve	Unappropriated Earnings	Provision for Decline in Market Value of Long-Term Equity Investments	Cumulative Translation Adjustments	Treasury Stock	
BALANCE, JANUARY 1, 2005	\$ 20,936,734	\$ 792,119	\$ 1,439,788	\$ 144,154	\$ 84,989	\$ 2,845,193	\$ 59,232	\$ 9,950,045	\$ (1,203,354)	\$ (1,220,643)	\$ (3,459,328)	\$ 30,368,929
Appropriation of earnings												
Legal reserve	-	-	-	-	-	424,633	-	(424,633)	-	-	-	-
Special reserve	-	-	-	-	-	-	2,364,765	(2,364,765)	-	-	-	-
Bonuses to directors and supervisors	-	-	-	-	-	-	-	(43,708)	-	-	-	(43,708)
Bonuses to employees	42,397	-	-	-	-	-	-	(42,397)	-	-	-	-
Stock dividends	2,049,657	-	-	-	-	-	-	(2,049,657)	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	(2,049,658)	-	-	-	(2,049,658)
Effect of changes of ownership interest in investees	-	-	-	-	-	-	-	(21,058)	-	-	-	(21,058)
Cash dividends received by subsidiaries	-	-	-	110,943	-	-	-	-	-	-	-	110,943
Provision for decline in market value of long-term equity investments	-	-	-	-	-	-	-	-	(219,752)	-	-	(219,752)
Execution of employee stock warrants	25,520	10,061	-	-	-	-	-	-	-	-	-	35,581
Translation adjustments on foreign long-term equity investments	-	-	-	-	-	-	-	-	-	1,589,176	-	1,589,176
Adjustments for permanent reduction of land value increment tax	-	-	-	-	49,652	-	-	-	-	-	-	49,652
Net income for nine months ended September 30, 2005	-	-	-	-	-	-	-	3,260,196	-	-	-	3,260,196
BALANCE, SEPTEMBER 30, 2005	<u>\$ 23,054,308</u>	<u>\$ 802,180</u>	<u>\$ 1,439,788</u>	<u>\$ 255,097</u>	<u>\$ 134,641</u>	<u>\$ 3,269,826</u>	<u>\$ 2,423,997</u>	<u>\$ 6,214,365</u>	<u>\$ (1,423,106)</u>	<u>\$ 368,533</u>	<u>\$ (3,459,328)</u>	<u>\$ 33,080,301</u>
BALANCE, JANUARY 1, 2004	\$ 18,847,994	\$ 767,288	\$ 1,439,788	\$ 42,096	\$ 84,989	\$ 2,210,357	\$ -	\$ 10,669,932	\$ (1,198,824)	\$ 1,139,592	\$ (2,055,319)	\$ 31,947,893
Appropriation of earnings												
Legal reserve	-	-	-	-	-	634,836	-	(634,836)	-	-	-	-
Special reserve	-	-	-	-	-	-	59,232	(59,232)	-	-	-	-
Bonuses to directors and supervisors	-	-	-	-	-	-	-	(169,629)	-	-	-	(169,629)
Bonuses to employees	164,540	-	-	-	-	-	-	(164,540)	-	-	-	-
Stock dividends	1,884,799	-	-	-	-	-	-	(1,884,799)	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	(1,884,799)	-	-	-	(1,884,799)
Effect of changes of ownership interest in investees	-	-	-	-	-	-	-	(40,154)	-	-	-	(40,154)
Cash dividends received by subsidiaries	-	-	-	100,042	-	-	-	-	-	-	-	100,042
Adjustments for decline in market value of long-term equity investments	-	-	-	-	-	-	-	-	482	-	-	482
Execution of employee stock warrants	36,290	23,525	-	-	-	-	-	-	-	-	-	59,815
Translation adjustments on foreign long-term equity investments	-	-	-	-	-	-	-	-	-	60,900	-	60,900
Acquisition of treasury stocks	-	-	-	-	-	-	-	-	-	-	(1,404,009)	(1,404,009)
Net income for three months ended September 30, 2004	-	-	-	-	-	-	-	3,755,101	-	-	-	3,755,101
BALANCE, SEPTEMBER 30, 2004	<u>\$ 20,933,623</u>	<u>\$ 790,813</u>	<u>\$ 1,439,788</u>	<u>\$ 142,138</u>	<u>\$ 84,989</u>	<u>\$ 2,845,193</u>	<u>\$ 59,232</u>	<u>\$ 9,587,044</u>	<u>\$ (1,198,342)</u>	<u>\$ 1,200,492</u>	<u>\$ (3,459,328)</u>	<u>\$ 32,425,642</u>

POU CHEN CORPORATION

STATEMENTS OF CASH FLOWS

NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 3,260,196	\$ 3,755,101
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	134,477	149,235
Amortization for the cost of issuing Euro convertible bonds	56,738	57,730
(Gain) loss on redeemed and repurchased Euro convertible bonds	(29,332)	12,722
Provision for doubtful accounts	10,700	2,300
Provision for inventory devaluation	-	4,200
Net loss on disposal of long-term equity investments	12,543	186,791
Investment income recognized under equity method	(2,866,332)	(3,469,205)
Cash dividends received from investees under equity method	3,568,509	-
Unrealized (realized) gross profit from inter-affiliate transactions	954	(718)
Net loss (gain) on disposal of property, plant and equipment	16,665	(7,763)
Net changes in operating assets and liabilities		
Short-term investments	1,455,736	216,772
Notes receivable	4,238	56
Notes receivable from affiliates	43	(1,968)
Accounts receivable	219,605	(2,176,153)
Accounts receivable from affiliates	(312,275)	(168,836)
Other financial assets, current	(258,489)	133,249
Inventories	(376,858)	(647,698)
Deferred income tax asset, current	-	9,550
Other current assets	(129,083)	(49,805)
Deferred income tax asset, noncurrent	(19,150)	(9,500)
Income tax prepayment	-	(5,320)
Notes payable	(17,046)	29,712
Notes payable to affiliates	(39,303)	(9,380)
Accounts payable	348,635	1,705,198
Accounts payable to affiliates	(140,820)	44,791
Income tax payable	62,152	(46,039)
Other payables	16,574	98,333
Deferred income tax liability, current	(126,880)	-
Other current liabilities	30,466	(4,727)
Foreign exchange adjustment on Euro Convertible Bonds	592,057	(3,984)
Interest compensation payable	186,071	209,568
Reserve for retirement plan	77,573	73,041
Net cash provided by operating activities	<u>5,738,364</u>	<u>87,253</u>

(Continued)

POU CHEN CORPORATION

STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2005	2004
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in long-term equity investments	\$ (1,624,035)	\$ (1,949,181)
Proceeds from disposal of long-term equity investments	-	1,287,525
Acquisition of property, plant and equipment	(680,099)	(920,665)
Proceeds from disposal of property, plant and equipment	43,033	25,697
Decrease (increase) in refundable deposits	7,016	(368)
Increase in deferred charges	<u>(59,089)</u>	<u>(49,182)</u>
Net cash used in investing activities	<u>(2,313,174)</u>	<u>(1,606,174)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Redeemed and repurchased overseas convertible bonds	(512,952)	(254,903)
Decrease in guarantee deposits received	-	(20)
Bonuses to directors and supervisors, as distribution of retained earnings	(43,708)	(169,629)
Execution of employee stock warrants	35,581	59,815
Acquisition of treasury stocks	<u>-</u>	<u>(1,404,009)</u>
Net cash used in financing activities	<u>(521,079)</u>	<u>(1,768,746)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,904,111	(3,287,667)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>4,108,890</u>	<u>8,239,144</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 7,013,001</u>	<u>\$ 4,951,477</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period		
Interest (excluding interest capitalized)	<u>\$ 254,322</u>	<u>\$ 306,212</u>
Income tax	<u>\$ 3,588</u>	<u>\$ 5,320</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH OPERATING, INVESTING AND FINANCING ACTIVITIES		
Long-term equity investments transferred to short-term investments	<u>\$ 253,681</u>	<u>\$ -</u>
Short-term investments transferred to long-term equity investments	<u>\$ -</u>	<u>\$ 2,514</u>
(Provision for) recovery from decline in market value of investees' and the Company's long-term equity investments	<u>\$ (219,752)</u>	<u>\$ 482</u>
Effect of changes in ownership interest in investees	<u>\$ (21,058)</u>	<u>\$ (40,154)</u>
Cash dividend received by subsidiaries	<u>\$ 110,943</u>	<u>\$ 100,042</u>
Long-term liabilities, current portion	<u>\$ 13,019,199</u>	<u>\$ -</u>

(Continued)

POU CHEN CORPORATION

STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2005	2004
Translation adjustments on foreign long-term investments	<u>\$ 1,589,176</u>	<u>\$ 60,900</u>
Cash dividends payable	<u>\$ 2,049,658</u>	<u>\$ 1,884,799</u>
Cash paid during the period for acquisition of property, plant and equipment		
Fair value of property, plant and equipment acquired	\$ 761,781	\$ 983,783
Add payables for acquisition of property, plant and equipment at beginning of period	51,500	162,412
Less payables for acquisition of property, plant and equipment at end of period	<u>(133,182)</u>	<u>(225,530)</u>
Cash paid during the period for acquisition of property, plant and equipment	<u>\$ 680,099</u>	<u>\$ 920,665</u>

(Concluded)