

# POU CHEN CORPORATION

## BALANCE SHEETS

March 31, 2006 AND 2005

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

ASSETS	2006		2005		LIABILITIES AND STOCKHOLDERS' EQUITY	2006		2005	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents	\$ 921,663	2	\$ 3,719,948	7	Short-term borrowings	\$ 200,000	-	\$ -	-
Financial assets measured at fair value through profit or loss, current	1,957,416	4	3,771,938	7	Notes payable	63,309	-	68,951	-
Notes receivable	8,779	-	3,695	-	Notes payable to affiliates	35,900	-	66,032	-
Notes receivable from affiliates	15,358	-	-	-	Accounts payable	2,049,323	4	1,139,487	2
Accounts receivable	359,973	1	279,796	1	Accounts payable to affiliates	233,194	1	331,142	1
Accounts receivable from affiliates	2,449,236	4	1,650,742	3	Income tax payable	31,183	-	-	-
Other financial assets, current	702,414	1	343,610	1	Financial liabilities measured at fair value through profit or loss, current	-	-	57,353	-
Inventories	1,230,884	2	560,367	1	Other payables	653,050	1	455,372	1
Other current assets	<u>239,360</u>	-	<u>114,985</u>	-	Current portion of long-term liabilities	3,121,440	6	9,463,500	19
Total current assets	<u>7,885,083</u>	<u>14</u>	<u>10,445,081</u>	<u>20</u>	Deferred income tax liability	-	-	153,645	-
					Other current liabilities	<u>47,437</u>	-	<u>17,264</u>	-
					Total current liabilities	<u>6,434,836</u>	<u>12</u>	<u>11,752,746</u>	<u>23</u>
<b>FUNDS AND LONG-TERM INVESTMENTS</b>					<b>LONG-TERM LIABILITIES</b>				
Long-term investments at equity method	40,089,996	73	35,158,906	68	Bonds payable	5,083,746	9	8,114,479	16
Available-for-sale financial assets, noncurrent	<u>404,505</u>	<u>1</u>	<u>567,164</u>	<u>1</u>	Long-term debt	6,500,000	12	-	-
Total funds and long-term investments	<u>40,494,501</u>	<u>74</u>	<u>35,726,070</u>	<u>69</u>	Derivate financial liabilities held for hedging	<u>249,268</u>	-	-	-
					Total long-term liabilities	<u>11,833,014</u>	<u>21</u>	<u>8,114,479</u>	<u>16</u>
<b>OTHER FINANCIAL ASSETS, NONCURRENT</b>	<u>36,314</u>	-	<u>39,440</u>	-	<b>RESERVE FOR LAND VALUE INCREMENT TAX</b>	<u>86,547</u>	-	<u>86,547</u>	-
					<b>OTHER LIABILITIES</b>				
<b>PROPERTY, PLANT AND EQUIPMENT</b>					Accrued pension cost	494,174	1	408,537	1
Cost	3,472,427	6	3,648,438	7	Advance deposits from customers	1,000	-	1,000	-
Revaluation increment	<u>279,008</u>	<u>1</u>	<u>293,249</u>	<u>1</u>	Others	<u>41,930</u>	-	<u>74,340</u>	-
	3,751,435	7	3,941,687	8	Total other liabilities	<u>537,104</u>	<u>1</u>	<u>483,877</u>	<u>1</u>
Less accumulated depreciation	(1,280,262)	(3)	(1,246,543)	(3)	Total liabilities	<u>18,891,501</u>	<u>34</u>	<u>20,437,649</u>	<u>40</u>
Construction in progress and prepayments on purchase of equipment	<u>3,252,151</u>	<u>6</u>	<u>2,075,493</u>	<u>4</u>	<b>STOCKHOLDERS' EQUITY</b>				
Property, plant and equipment, net	<u>5,723,324</u>	<u>10</u>	<u>4,770,637</u>	<u>9</u>	Capital stock	23,072,078	42	20,948,164	40
					Capital surplus	2,835,236	5	2,515,503	5
<b>OTHER ASSETS</b>	<u>819,919</u>	<u>2</u>	<u>720,914</u>	<u>2</u>	Retained earnings	15,689,850	29	13,905,910	27
					Cumulative translation adjustments	(381,680)	(1)	(1,390,729)	(3)
					Unrealized losses on financial instruments	(1,688,516)	(3)	(1,255,027)	(2)
					Treasury stock	<u>(3,459,328)</u>	<u>(6)</u>	<u>(3,459,328)</u>	<u>(7)</u>
					Total stockholders' equity	<u>36,067,640</u>	<u>66</u>	<u>31,264,493</u>	<u>60</u>
<b>TOTAL</b>	<u>\$ 54,959,141</u>	<u>100</u>	<u>\$ 51,702,142</u>	<u>100</u>	<b>TOTAL</b>	<u>\$ 54,959,141</u>	<u>100</u>	<u>\$ 51,702,142</u>	<u>100</u>

# POU CHEN CORPORATION

## STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31, 2006 AND 2005

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

(Reviewed, Not Audited)

	2006		2005	
	Amount	%	Amount	%
GROSS SALES AND REVENUES EARNED	\$ 4,314,033	101	\$ 3,195,446	100
LESS SALES RETURNS AND ALLOWANCES	<u>(55,827)</u>	<u>(1)</u>	<u>(4,899)</u>	<u>-</u>
NET SALES AND REVENUES EARNED	4,258,206	100	3,190,547	100
COST OF GOODS SOLD	<u>3,601,706</u>	<u>84</u>	<u>2,496,780</u>	<u>78</u>
GROSS PROFIT BEFORE UNREALIZED GROSS PROFIT FROM INTER-AFFILIATE TRANSACTIONS	656,500	16	693,767	22
REALIZED GROSS PROFIT FROM INTER-AFFILIATE TRANSACTIONS	<u>4,541</u>	<u>-</u>	<u>1,288</u>	<u>-</u>
GROSS PROFIT	<u>661,041</u>	<u>16</u>	<u>695,055</u>	<u>22</u>
OPERATING EXPENSES				
Selling expenses	81,786	2	70,528	2
General and administrative expenses	279,269	6	275,588	9
Research and development expenses	<u>239,124</u>	<u>6</u>	<u>214,801</u>	<u>7</u>
Total operating expenses	<u>600,179</u>	<u>14</u>	<u>560,917</u>	<u>18</u>
INCOME FROM OPERATIONS	<u>60,862</u>	<u>2</u>	<u>134,138</u>	<u>4</u>
NON-OPERATING INCOME				
Interest income	160	-	11,472	1
Long-term equity investment income	2,223,064	52	802,069	25
Gain on disposal of property, plant and equipment	547	-	401	-
Gain on disposal of investments	-	-	140,955	5
Foreign exchange gains, net	13,201	-	73,660	2
Rental income	8,669	-	8,920	-
Revaluation gain on financial assets	195,959	5	-	-
Others	<u>33,324</u>	<u>1</u>	<u>106,963</u>	<u>3</u>
Total non-operating income	<u>2,474,924</u>	<u>58</u>	<u>1,144,440</u>	<u>36</u>

(Continued)

# POU CHEN CORPORATION

## STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31, 2006 AND 2005

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

(Reviewed, Not Audited)

	2006		2005	
	Amount	%	Amount	%
<b>NON-OPERATING EXPENSES</b>				
Interest expense	\$ 131,482	3	\$ 96,033	3
Loss on disposal of property, plant and equipment	149	-	79	-
Loss on inventory devaluation and obsolescence	25,000	1	-	-
Revaluation loss on financial liabilities	-	-	57,353	2
Others	<u>1,266</u>	<u>-</u>	<u>3,086</u>	<u>-</u>
Total non-operating expenses	<u>157,897</u>	<u>4</u>	<u>156,551</u>	<u>5</u>
<b>INCOME FROM CONTINUING OPERATIONS, BEFORE INCOME TAX</b>				
	2,377,889	56	1,122,027	35
<b>INCOME TAX EXPENSE</b>				
	<u>(9,500)</u>	<u>-</u>	<u>(17,640)</u>	<u>-</u>
<b>INCOME BEFORE CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES</b>				
	2,368,389	56	1,104,387	35
<b>CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES</b>				
	<u>445,527</u>	<u>10</u>	<u>-</u>	<u>-</u>
<b>NET INCOME</b>				
	<u>\$ 2,813,916</u>	<u>66</u>	<u>\$ 1,104,387</u>	<u>35</u>
	<b>2006</b>		<b>2005</b>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>
<b>BASIC EARNINGS PER SHARE</b>				
Income from continuing operations	\$ 1.11	\$ 1.11	\$ 0.53	\$ 0.52
Cumulative effect of changes in accounting principles	<u>0.21</u>	<u>0.21</u>	<u>-</u>	<u>-</u>
	<u>\$ 1.32</u>	<u>\$ 1.32</u>	<u>\$ 0.53</u>	<u>\$ 0.52</u>
<b>DILUTED EARNINGS PER SHARE</b>				
Income from continuing operations	\$ 1.09	\$ 1.09	\$ 0.46	\$ 0.45
Cumulative effect of changes in accounting principles	<u>0.21</u>	<u>0.21</u>	<u>-</u>	<u>-</u>
	<u>\$ 1.30</u>	<u>\$ 1.30</u>	<u>\$ 0.46</u>	<u>\$ 0.45</u>

(Continued)

# POU CHEN CORPORATION

## STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31, 2006 AND 2005

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

(Reviewed, Not Audited)

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

	2006		2005	
NET INCOME	<u>\$ 2,813,916</u>		<u>\$ 1,104,387</u>	
	2006		2005	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
BASIC EARNINGS PER SHARE				
Income from continuing operations	\$ 1.05	\$ 1.05	\$ 0.50	\$ 0.49
Cumulative effect of changes in accounting principles	<u>0.20</u>	<u>0.20</u>	<u>-</u>	<u>-</u>
	<u>\$ 1.25</u>	<u>\$ 1.25</u>	<u>\$ 0.50</u>	<u>\$ 0.49</u>
DILUTED EARNINGS PER SHARE				
Income from continuing operations	\$ 1.04	\$ 1.04	\$ 0.44	\$ 0.43
Cumulative effect of changes in accounting principles	<u>0.19</u>	<u>0.19</u>	<u>-</u>	<u>-</u>
	<u>\$ 1.23</u>	<u>\$ 1.23</u>	<u>\$ 0.44</u>	<u>\$ 0.43</u>

(Concluded)

**POU CHEN CORPORATION**

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
THREE MONTHS ENDED MARCH 31, 2006 AND 2005  
(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	Treasury Stock	Revaluation Increment on Property, Plant and Equipment	Long-Term Equity Investments	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Unrealized Losses on Financial Instruments		Treasury Stock
BALANCE, JANUARY 1, 2006	\$ 23,057,928	\$ 802,904	\$ 1,439,788	\$ 255,097	\$ 134,641	\$ 14,192	\$ 3,269,826	\$ 2,423,997	\$ 7,182,111	\$ 35,494	\$ (1,470,331)	\$ (3,459,328)	\$ 33,686,319
Adjustments from first adoption of new and amended Financial Accounting Standards	-	-	-	-	-	-	-	-	-	-	(180,742)	-	(180,742)
Effect of changes of ownership interest in investees	-	-	-	-	-	185,784	-	-	-	-	-	-	185,784
Translation adjustments on foreign long-term equity investments	-	-	-	-	-	-	-	-	-	(417,174)	-	-	(417,174)
Provision for decline in market value of available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(19,525)	-	(19,525)
Provision for unrealized loss on cash flow hedge financial liability	-	-	-	-	-	-	-	-	-	-	(17,918)	-	(17,918)
Execution of employee stock warrants	14,150	2,830	-	-	-	-	-	-	-	-	-	-	16,980
Net income for three months ended March 31, 2006	-	-	-	-	-	-	-	-	2,813,916	-	-	-	2,813,916
<b>BALANCE, MARCH 31, 2006</b>	<b>\$ 23,072,078</b>	<b>\$ 805,734</b>	<b>\$ 1,439,788</b>	<b>\$ 255,097</b>	<b>\$ 134,641</b>	<b>\$ 199,976</b>	<b>\$ 3,269,826</b>	<b>\$ 2,423,997</b>	<b>\$ 9,996,027</b>	<b>\$ (381,680)</b>	<b>\$ (1,688,516)</b>	<b>\$ (3,459,328)</b>	<b>\$ 36,067,640</b>
BALANCE, JANUARY 1, 2005	\$ 20,936,734	\$ 792,119	\$ 1,439,788	\$ 144,154	\$ 84,989	\$ -	\$ 2,845,193	\$ 59,232	\$ 9,950,045	\$ (1,220,643)	\$ (1,203,354)	\$ (3,459,328)	\$ 30,368,929
Effect of changes of ownership interest in investees	-	-	-	-	-	-	-	-	(52,947)	-	-	-	(52,947)
Translation adjustments on foreign long-term equity investments	-	-	-	-	-	-	-	-	-	(170,086)	-	-	(170,086)
Provision for decline in market value of available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(51,673)	-	(51,673)
Adjustments for permanent reduction of land value increment tax	-	-	-	-	49,652	-	-	-	-	-	-	-	49,652
Execution of employee stock warrants	11,430	4,801	-	-	-	-	-	-	-	-	-	-	16,231
Net income for three months ended March 31, 2005	-	-	-	-	-	-	-	-	1,104,387	-	-	-	1,104,387
<b>BALANCE, MARCH 31, 2005</b>	<b>\$ 20,948,164</b>	<b>\$ 796,920</b>	<b>\$ 1,439,788</b>	<b>\$ 144,154</b>	<b>\$ 134,641</b>	<b>\$ -</b>	<b>\$ 2,845,193</b>	<b>\$ 59,232</b>	<b>\$ 11,001,485</b>	<b>\$ (1,390,729)</b>	<b>\$ (1,255,027)</b>	<b>\$ (3,459,328)</b>	<b>\$ 31,264,493</b>

# POU CHEN CORPORATION

## STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2006 AND 2005 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 2,813,916	\$ 1,104,387
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Cumulative effect of changes in accounting principles	(445,527)	-
Depreciation and amortization	57,215	65,072
Recovery from doubtful accounts	(4,100)	-
Provision for inventory devaluation and obsolescence	25,000	-
Gain on redeemed and repurchased Euro convertible bonds	(7,259)	(5,255)
Unrealized gross profit from inter-affiliate transactions	(4,541)	(1,288)
Investment income recognized under equity method	(2,223,064)	(802,069)
Cash dividends received from investees under equity method	-	1,543,565
Net loss on disposal of long-term equity investments	-	12,543
Net gain on disposal of property, plant and equipment	(398)	(322)
Revaluation gain on financial assets	(195,959)	-
Net changes in operating assets and liabilities		
Notes receivable	1,810	6,544
Notes receivable from affiliates	5,543	-
Accounts receivable	(56,133)	316,588
Accounts receivable from affiliates	(466,403)	(245,879)
Other financial assets, current	(171,004)	(23,987)
Inventories	(181,005)	(76,116)
Deferred income tax asset, current	13,800	-
Other current assets	1,866	3,183
Income tax prepayment	2,113	(767)
Deferred income tax asset, noncurrent	(4,300)	(6,400)
Notes payable	15,286	7,380
Notes payable to affiliates	(67,004)	(24,260)
Accounts payable	732,853	282,005
Accounts payable to affiliates	12,423	(56,112)
Other payables	(14,896)	66,317
Deferred income tax liability, current	-	24,040
Other current liabilities	(1,410)	(44,273)
Foreign exchange adjustment on Euro Convertible Bonds	(35,207)	(58,689)
Interest compensation payable	63,770	64,030
Reserve for retirement plan	17,227	26,000
Net cash (used in) provided by operating activities	<u>(115,388)</u>	<u>2,176,237</u>

(Continued)

# POU CHEN CORPORATION

## STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2006 AND 2005 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2006	2005
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in financial assets measured at fair value through profit or loss, current	\$ -	\$ (950,272)
Increase in long-term equity investments	(252,076)	(1,195,911)
Acquisition of property, plant and equipment	(404,993)	(240,177)
Proceeds from disposal of property, plant and equipment	1,246	34,378
(Increase) decrease in refundable deposits	(152)	6,818
Increase in deferred charges	<u>(3,536)</u>	<u>(29,924)</u>
Net cash used in investing activities	<u>(659,511)</u>	<u>(2,375,088)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term borrowings	(1,280,000)	-
Redeemed and repurchased overseas convertible bonds	(60,180)	(206,322)
Increase in long-term borrowings	2,000,000	-
Execution of employee stock warrants	<u>16,980</u>	<u>16,231</u>
Net cash provided by (used in) financing activities	<u>676,800</u>	<u>(190,091)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(98,099)	(388,942)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>1,019,762</u>	<u>4,108,890</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 921,663</u>	<u>\$ 3,719,948</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the period		
Interest (excluding interest capitalized)	<u>\$ 87,502</u>	<u>\$ 64,109</u>
Income tax	<u>\$ -</u>	<u>\$ 767</u>
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH OPERATING, INVESTING AND FINANCING ACTIVITIES</b>		
Adjustments of stockholders' equity from first adoption of new and amended Financial Accounting Standards	<u>\$ (180,742)</u>	<u>\$ -</u>
Unrealized gain (loss) on available-for-sale financial assets	<u>\$ (19,525)</u>	<u>\$ (51,673)</u>
Provision for Unrealized gain (loss) on cash flow hedge financial liabilities	<u>\$ (17,918)</u>	<u>\$ -</u>
Effect of changes in ownership interest in investees	<u>\$ 185,784</u>	<u>\$ (52,947)</u>
Long-term liabilities, current portion	<u>\$ 3,121,440</u>	<u>\$ 9,463,500</u>

(Continued)

# POU CHEN CORPORATION

## STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2006 AND 2005 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

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	2006	2005
Translation adjustments on foreign long-term investments	<u>\$ (417,174)</u>	<u>\$ (170,086)</u>
Stockholders' equity adjustments for revaluation increment on property, plant and equipment	<u>\$ -</u>	<u>\$ 49,652</u>
Cash paid during the period for acquisition of property, plant and equipment		
Fair value of property, plant and equipment acquired	\$ 470,127	\$ 251,956
Add payables for acquisition of property, plant and equipment at beginning of period	177,542	51,500
Less payables for acquisition of property, plant and equipment at end of period	<u>(242,676)</u>	<u>(63,279)</u>
Cash paid during the period for acquisition of property, plant and equipment	<u>\$ 404,993</u>	<u>\$ 240,177</u>

(Concluded)