

# POU CHEN CORPORATION

## BALANCE SHEETS

September 30, 2007 AND 2006

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

ASSETS	2007		2006		LIABILITIES AND STOCKHOLDERS' EQUITY	2007		2006	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents	\$ 2,327,815	4	\$ 4,260,967	7	Short-term borrowings	\$ 3,910,000	6	\$ 4,190,000	7
Financial assets measured at fair value through profit or loss, current	2,758,521	4	1,533,605	2	Notes payable	58,462	-	59,401	-
Notes receivable	7,856	-	7,337	-	Notes payable to affiliates	75,121	-	42,411	-
Notes receivable from affiliates	32,910	-	2,958	-	Accounts payable	1,007,014	1	833,966	2
Accounts receivable	699,948	1	405,599	1	Accounts payable to affiliates	585,579	1	166,815	-
Accounts receivable from affiliates	1,095,235	2	1,595,826	3	Income tax payable	413,494	1	18,569	-
Other financial assets, current	713,770	1	1,110,619	2	Other payables	548,018	1	4,139,324	7
Inventories	228,147	1	149,400	-	Derivative financial liabilities held for hedging, current	91,500	-	-	-
Other current assets	151,776	-	107,150	-	Current portion of long-term liabilities	5,000,000	8	-	-
					Other current liabilities	49,022	-	30,731	-
Total current assets	8,015,978	13	9,173,461	15	Total current liabilities	11,738,210	18	9,481,217	16
<b>FUNDS AND LONG-TERM INVESTMENTS</b>					<b>LONG-TERM LIABILITIES</b>				
Long-term investments at equity method	48,727,880	76	43,567,506	72	Bonds payable	1,631	-	5,085,398	9
Available-for-sale financial assets, noncurrent	-	-	484,693	-	Long-term debt	9,000,000	14	9,000,000	15
Hedging derivative financial asset, noncurrent	45,486	-	-	-	Derivate financial liabilities held for hedging, noncurrent	-	-	212,595	-
Financial assets carried at cost, noncurrent	50,000	-	-	-	Total long-term liabilities	9,001,631	14	14,297,993	24
Total funds and long-term investments	48,823,366	76	44,052,199	72	<b>RESERVE FOR LAND VALUE INCREMENT TAX</b>	86,547	-	86,547	-
<b>PROPERTY, PLANT AND EQUIPMENT</b>					<b>OTHER LIABILITIES</b>				
Cost	5,388,533	9	4,696,962	8	Accrued pension cost	550,512	1	529,865	1
Revaluation increment	279,008	-	279,008	-	Advance deposits from customers	2,382	-	1,000	-
	5,667,541	9	4,975,970	8	Others	30,882	-	343,810	-
Less accumulated depreciation	(1,526,549)	(3)	(1,334,860)	(2)	Total other liabilities	583,776	1	874,675	1
Construction in progress and prepayments on purchase of equipment	2,184	-	388,709	1	Total liabilities	21,410,164	33	24,740,432	41
Property, plant and equipment, net	4,143,176	6	4,029,819	7	<b>STOCKHOLDERS' EQUITY</b>				
<b>OTHER ASSETS</b>	3,244,322	5	3,414,621	6	Capital stock	25,115,600	39	24,380,563	40
					Capital surplus	5,428,342	9	2,835,922	5
					Retained earnings	12,383,333	19	13,204,119	22
					Cumulative translation adjustments	(146,421)	-	374,379	1
					Unrealized losses on financial instruments	56,558	-	(1,540,628)	(3)
					Unrealized revaluation increment	134,641	-	134,641	-
					Treasury stock	(155,375)	-	(3,459,328)	(6)
					Total stockholders' equity	42,816,678	67	35,929,668	59
<b>TOTAL</b>	\$ 64,226,842	100	\$ 60,670,100	100	<b>TOTAL</b>	\$ 64,226,842	100	\$ 60,670,100	100

# POU CHEN CORPORATION

## STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

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

(Reviewed, Not Audited)

	2007		2006	
	Amount	%	Amount	%
GROSS SALES AND REVENUES EARNED	\$ 9,350,440	101	\$ 11,024,629	101
LESS SALES RETURNS AND ALLOWANCES	<u>(50,689)</u>	<u>(1)</u>	<u>(84,253)</u>	<u>(1)</u>
NET SALES AND REVENUES EARNED	9,299,751	100	10,940,376	100
COST OF GOODS SOLD	<u>7,255,095</u>	<u>78</u>	<u>8,993,041</u>	<u>82</u>
GROSS PROFIT BEFORE REALIZED GROSS PROFIT FROM INTER-AFFILIATE TRANSACTIONS	2,044,656	22	1,947,335	18
REALIZED GROSS PROFIT FROM INTER-AFFILIATE TRANSACTIONS	<u>176</u>	<u>-</u>	<u>4,645</u>	<u>-</u>
GROSS PROFIT	<u>2,044,832</u>	<u>22</u>	<u>1,951,980</u>	<u>18</u>
OPERATING EXPENSES				
Selling expenses	176,182	2	213,911	2
General and administrative expenses	1,004,011	11	845,626	8
Research and development expenses	<u>634,695</u>	<u>7</u>	<u>690,165</u>	<u>6</u>
Total operating expenses	<u>1,814,888</u>	<u>20</u>	<u>1,749,702</u>	<u>16</u>
INCOME FROM OPERATIONS	<u>229,944</u>	<u>2</u>	<u>202,278</u>	<u>2</u>
NON-OPERATING INCOME				
Interest income	50,651	1	8,004	-
Long-term equity investment income	3,981,066	43	4,377,183	40
Dividend income	94,646	1	97,590	1
Gain on disposal of property, plant and equipment	1,536	-	3,330	-
Gain on disposal of investments	-	-	5,520	-
Foreign exchange gains, net	-	-	44,651	1
Rental income	141,733	1	78,310	1
Reversal of provision for bad debts	7,500	-	-	-
Reversal of provision for inventory valuation	3,000	-	25,300	-
Revaluation gain on financial assets	-	-	130,094	1
Others	<u>113,970</u>	<u>1</u>	<u>255,512</u>	<u>2</u>
Total non-operating income	<u>4,394,102</u>	<u>47</u>	<u>5,025,494</u>	<u>46</u>

(Continued)

# POU CHEN CORPORATION

## STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

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

(Reviewed, Not Audited)

	2007		2006	
	Amount	%	Amount	%
<b>NON-OPERATING EXPENSES</b>				
Interest expense	\$ 302,692	3	\$ 334,682	3
Loss on disposal of property, plant and equipment	607	-	6,360	-
Loss on disposal of investments	22,579	-	-	-
Foreign exchange loss, net	16,414	-	-	-
Revaluation loss on financial assets	110,713	1	-	-
Others	<u>48,578</u>	<u>1</u>	<u>183,925</u>	<u>2</u>
Total non-operating expenses	<u>501,583</u>	<u>5</u>	<u>524,967</u>	<u>5</u>
<b>INCOME FROM CONTINUING OPERATIONS, BEFORE INCOME TAX</b>	4,122,463	44	4,702,805	43
<b>INCOME TAX (EXPENSE) BENEFIT</b>	<u>(410,900)</u>	<u>(4)</u>	<u>(13,800)</u>	<u>-</u>
<b>INCOME BEFORE CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES</b>	3,711,563	40	4,689,005	43
<b>CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES</b>	<u>-</u>	<u>-</u>	<u>445,527</u>	<u>4</u>
<b>NET INCOME</b>	<u>\$ 3,711,563</u>	<u>40</u>	<u>\$ 5,134,532</u>	<u>47</u>

	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
<b>BASIC EARNINGS PER SHARE</b>				
Income from continuing operations	<u>\$ 1.71</u>	\$ 1.54	<u>\$ 2.02</u>	\$ 2.02
Cumulative effect of changes in accounting principles		<u>-</u>		<u>0.19</u>
		<u>\$ 1.54</u>		<u>\$ 2.21</u>
<b>DILUTED EARNINGS PER SHARE</b>				
Income from continuing operations	<u>\$ 1.68</u>	\$ 1.52	<u>\$ 1.99</u>	\$ 1.98
Cumulative effect of changes in accounting principles		<u>-</u>		<u>0.19</u>
		<u>\$ 1.52</u>		<u>\$ 2.17</u>

(Continued)

# POU CHEN CORPORATION

## STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

(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:

	2007		2006	
NET INCOME	<u>\$ 5,317,778</u>		<u>\$ 5,317,865</u>	
	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
BASIC EARNINGS PER SHARE				
Income from continuing operations	<u>\$ 2.29</u>	\$ 2.13	<u>\$ 1.99</u>	\$ 1.99
Cumulative effect of changes in accounting principles		<u>-</u>		<u>0.18</u>
		<u>\$ 2.13</u>		<u>\$ 2.17</u>
DILUTED EARNINGS PER SHARE				
Income from continuing operations	<u>\$ 2.26</u>	\$ 2.10	<u>\$ 1.96</u>	\$ 1.96
Cumulative effect of changes in accounting principles		<u>-</u>		<u>0.18</u>
		<u>\$ 2.10</u>		<u>\$ 2.14</u>

(Concluded)

**POU CHEN CORPORATION**

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006**

(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	Long-Term Equity Investments	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Unrealized Losses on Financial Instruments	Unrealized Revaluation Increment		Treasury Stock
BALANCE, JANUARY 1, 2007	\$ 24,426,857	\$ 808,054	\$ 1,478,511	\$ 209,267	\$ 31,440	\$ 3,692,621	\$ 1,434,839	\$ 8,714,098	\$ (201,358)	\$ (1,221,891)	\$ 134,641	\$ (2,451,485)	\$ 37,055,594
Appropriation of earnings													
Legal reserve	-	-	-	-	-	577,197	-	(577,197)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	(11,589)	11,589	-	-	-	-	-
Bonuses to directors and supervisors	-	-	-	-	-	-	-	(156,191)	-	-	-	-	(156,191)
Bonuses to employees	151,505	-	-	-	-	-	-	(151,505)	-	-	-	-	-
Stock dividends	486,209	-	-	-	-	-	-	(486,209)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	(4,375,883)	-	-	-	-	(4,375,883)
Convertible bonds transferred to common stock	8,129	-	14,190	-	-	-	-	-	-	-	-	-	22,319
Effect of changes of ownership interest in investees	-	-	-	-	1,338,303	-	-	-	-	-	-	-	1,338,303
Treasury stock transferred to employees	-	-	-	(57,638)	-	-	-	-	-	-	-	396,166	338,528
Cash dividends received by subsidiaries	-	-	-	15,121	-	-	-	-	-	-	-	-	15,121
Adjustments on changes of unrealized loss on cash flow hedge financial liability	-	-	-	-	-	-	-	-	-	121,825	-	-	121,825
Adjustments on changes of unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	237,839	-	-	237,839
Sales of parent company's stock by subsidiary	-	-	-	1,591,094	-	-	-	-	-	918,785	-	1,899,944	4,409,823
Execution of employee stock warrants	42,900	-	-	-	-	-	-	-	-	-	-	-	42,900
Translation adjustments on foreign long-term equity investments	-	-	-	-	-	-	-	-	54,937	-	-	-	54,937
Net income for the nine months ended September 30, 2007	-	-	-	-	-	-	-	3,711,563	-	-	-	-	3,711,563
<b>BALANCE, SEPTEMBER 30, 2007</b>	<b>\$ 25,115,600</b>	<b>\$ 808,054</b>	<b>\$ 1,492,701</b>	<b>\$ 1,757,844</b>	<b>\$ 1,369,743</b>	<b>\$ 4,269,818</b>	<b>\$ 1,423,250</b>	<b>\$ 6,690,265</b>	<b>\$ (146,421)</b>	<b>\$ 56,558</b>	<b>\$ 134,641</b>	<b>\$ (155,375)</b>	<b>\$ 42,816,678</b>
BALANCE, JANUARY 1, 2006	\$ 23,057,928	\$ 802,904	\$ 1,439,788	\$ 255,097	\$ 14,192	\$ 3,269,826	\$ 2,423,997	\$ 7,182,111	\$ 35,494	\$ (1,470,331)	\$ 134,641	\$ (3,459,328)	\$ 33,686,319
Adjustments from first adoption of new and amended Financial Accounting Standards	-	-	-	-	-	-	-	-	-	(180,742)	-	-	(180,742)
Appropriation of earnings													
Legal reserve	-	-	-	-	-	422,795	-	(422,795)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	(989,158)	989,158	-	-	-	-	-
Bonuses to directors and supervisors	-	-	-	-	-	-	-	(143,829)	-	-	-	-	(143,829)
Bonuses to employees	139,514	-	-	-	-	-	-	(139,514)	-	-	-	-	-
Stock dividends	1,130,751	-	-	-	-	-	-	(1,130,751)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	(3,392,253)	-	-	-	-	(3,392,253)
Effect of changes of ownership interest in investees	-	-	-	-	135,458	-	-	-	-	-	-	-	135,458
Cash dividends received by subsidiaries	-	-	-	183,333	-	-	-	-	-	-	-	-	183,333
Adjustments on changes of unrealized loss on cash flow hedge financial liability	-	-	-	-	-	-	-	-	-	18,755	-	-	18,755
Adjustments on changes of unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	91,690	-	-	91,690
Execution of employee stock warrants	52,370	5,150	-	-	-	-	-	-	-	-	-	-	57,520
Translation adjustments on foreign long-term equity investments	-	-	-	-	-	-	-	-	338,885	-	-	-	338,885
Net income for the nine months ended September 30, 2006	-	-	-	-	-	-	-	5,134,532	-	-	-	-	5,134,532
<b>BALANCE, SEPTEMBER 30, 2006</b>	<b>\$ 24,380,563</b>	<b>\$ 808,054</b>	<b>\$ 1,439,788</b>	<b>\$ 438,430</b>	<b>\$ 149,650</b>	<b>\$ 3,692,621</b>	<b>\$ 1,434,839</b>	<b>\$ 8,076,659</b>	<b>\$ 374,379</b>	<b>\$ (1,540,628)</b>	<b>\$ 134,641</b>	<b>\$ (3,459,328)</b>	<b>\$ 35,929,668</b>

# POU CHEN CORPORATION

## STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 3,711,563	\$ 5,134,532
Adjustments to reconcile net income to net cash provided by operating activities		
Cumulative effect of changes in accounting principles	-	(445,527)
Depreciation and amortization	279,395	214,015
Gain on redeeming and repurchasing Euro convertible bonds	-	(152,864)
(Recovery from) provision for doubtful accounts	(7,500)	58,800
Recovery from provision for inventory devaluation and obsolescence	(3,000)	(25,300)
Investment income recognized under equity method	(3,981,066)	(4,377,183)
Cash dividends received from investees under equity method	5,536,330	218,186
Realized gross profit from inter-affiliate transactions	(176)	(4,645)
Net (gain) loss on disposal of property, plant and equipment	(929)	3,030
Revaluation loss (gain) on financial assets	110,713	(130,094)
Net changes in operating assets and liabilities		
Notes receivable	3,198	3,252
Notes receivable from affiliates	(11,254)	17,943
Accounts receivable	(292,045)	(164,659)
Accounts receivable from affiliates	85,666	387,007
Other financial assets, current	87,046	(286,616)
Inventories	(125,269)	950,779
Other current assets	6,141	147,876
Deferred income tax asset, noncurrent	(2,760)	(12,810)
Income tax prepayment	-	2,113
Notes payable	(40,349)	11,378
Notes payable to affiliates	(20,843)	(60,493)
Accounts payable	360,916	(482,504)
Accounts payable to affiliates	377,380	(53,956)
Income tax payable	411,602	(12,614)
Other payables	97,600	65,333
Other current liabilities	(43,351)	(18,115)
Foreign exchange adjustment on Euro Convertible Bonds	153	(10,589)
Interest compensation payable	-	108,261
Reserve for retirement plan	10,871	52,919
Net cash provided by operating activities	<u>6,550,032</u>	<u>1,137,455</u>

(Continued)

# POU CHEN CORPORATION

## STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2007	2006
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase) decrease in financial assets measured at fair value through profit or loss, current	\$ (839,103)	\$ 357,946
Increase in long-term equity investments	(808,598)	(863,511)
Increase in financial assets carried at cost, noncurrent	(50,000)	-
Acquisition of property, plant and equipment	(299,412)	(1,387,772)
Acquisition of rental assets	(145)	-
Proceeds from disposal of property, plant and equipment	2,235	8,825
Decrease in refundable deposits	2,641	7,063
Increase in deferred charges	<u>(31,117)</u>	<u>(39,018)</u>
Net cash used in investing activities	<u>(2,023,499)</u>	<u>(1,916,467)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	620,000	2,710,000
Redeemed and repurchased overseas convertible bonds	-	(3,103,474)
Increase in long-term borrowings	-	4,500,000
Transfer treasury stock to employees	338,528	-
Remuneration to directors and supervisors	(156,191)	(143,829)
Cash dividends	(4,375,883)	-
Execution of employee stock warrants	<u>42,900</u>	<u>57,520</u>
Net cash (used in) provided by financing activities	<u>(3,530,646)</u>	<u>4,020,217</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	995,887	3,241,205
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>1,331,928</u>	<u>1,019,762</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 2,327,815</u>	<u>\$ 4,260,967</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the period		
Interest (excluding interest capitalized)	<u>\$ 275,047</u>	<u>\$ 295,696</u>
Income tax	<u>\$ 4,898</u>	<u>\$ 30,614</u>
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Adjustments of stockholders' equity from first adoption of new and amended Financial Accounting Standards	<u>\$ -</u>	<u>\$ (180,742)</u>
Recovery from unrealized loss on cash flow hedge financial liabilities	<u>\$ 121,825</u>	<u>\$ 18,755</u>
Recovery from unrealized loss on available-for-sale financial assets	<u>\$ 237,839</u>	<u>\$ 91,690</u>

(Continued)

# POU CHEN CORPORATION

## STATEMENTS OF CASH FLOWS

NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	2007	2006
Effect of changes in ownership interest in investees	<u>\$ 1,338,303</u>	<u>\$ 135,458</u>
Cash dividend received by subsidiaries	<u>\$ 15,121</u>	<u>\$ 183,333</u>
Adjustments in stockholders' equity on disposal of investments in the parent company of subsidiaries	<u>\$ 4,409,823</u>	<u>\$ -</u>
Convertible bonds transferred to common stock	<u>\$ 22,319</u>	<u>\$ -</u>
Treasury stock transferred to employees	<u>\$ (57,638)</u>	<u>\$ -</u>
Long-term liabilities, current portion	<u>\$ 5,000,000</u>	<u>\$ -</u>
Translation adjustments on foreign long-term investments	<u>\$ 54,937</u>	<u>\$ 338,885</u>
Dividends payable	<u>\$ -</u>	<u>\$ 3,392,253</u>
Cash paid during the period for acquisition of property, plant and equipment		
Fair value of property, plant and equipment acquired	\$ 220,154	\$ 1,466,699
Add payables for acquisition of property, plant and equipment at beginning of period	132,168	177,542
Less payables for acquisition of property, plant and equipment at end of period	<u>(52,910)</u>	<u>(256,469)</u>
Cash paid during the period for acquisition of property, plant and equipment	<u>\$ 299,412</u>	<u>\$ 1,387,772</u>

(Concluded)