

# **Pou Chen Corporation**

## **2008 Annual General Shareholders' Meeting**

### Meeting Agenda

(English Translation)

*The accompanying meeting agenda has been summarized and translated into English from the original Chinese for the convenience of readers. If there is any discrepancy in the interpretation between the English version and the Chinese version, the Chinese versions prevail.*

June 13, 2008

**Pou Chen Corporation**  
**2008 Annual General Shareholders' Meeting Agenda**  
(English Translation)

Time: 9:30 a.m., June 13, 2008

Place: PCC Chang Hwa Office (PCC Conference Room-3F, No.2, Fu-Kung Road, Fu Hsin, Chang Hwa, Taiwan)

**I Report items**

1. To report the operating result of 2007.
2. Supervisors' 2007 review report.
3. To report the status of guarantee provided by PCC in 2007.
4. To report the status of PCC's assets acquisition or disposal in 2007.
5. To report the status of PCC's indirect investments in Mainland China.
6. To report the amendment of PCC's "Rules Governing the Conduct of the Board of Directors Meetings".
7. To report the repurchase of PCC's treasury shares.

**II Proposed Resolutions**

1. **To accept 2007 Operating Report and Financial Statements. (Proposed by the Board of Directors)**
  - (1) PCC's 2007 Financial Statements, including Balance Sheet, Income Statement, Statement of Changes in Shareholders' Equity, and Cash Flow Statement, were audited by independent auditors, Lu, Chi Chant, and Wu, Ker Chang, of Deloitte & Touche.
  - (2) PCC's 2007 Financial Statements are attached as Appendix I. (Please refer to P.7~P.24)
  - (3) Please accept the above-mentioned Operating Report and Financial Statements.

Resolution:

**2. To approve the proposal for 2007 earnings distribution. (Proposed by the Board of Directors)**

(1) The distribution of 2007 earnings proposed by the Board of Directors was stated as follows:

	Unit: NT\$
Net income of 2007	4,800,249,811
Plus: Un-appropriated earnings of pervious years	2,978,701,841
Plus: Reversal of special reserve	1,313,097,015
2007 earnings available for distribution	9,092,048,667
Appropriation of earnings:	
- Legal reserve	480,024,981
- Bonuses to Directors and Supervisors	168,999,655
- Bonuses to employees (in stock)	273,216,100
- Stock dividends (NT\$1.0 per share)	2,471,098,980
- Cash dividends (NT\$1.0 per share)	2,471,098,987
Un-appropriated earnings	3,227,609,964

\* Note:

1. PCC's Board of Directors proposed to distribute employee stock bonuses NT\$273,216,100 issuing 27,321,610 shares which accounts for 16.97% of 2007 net income if using the average closing price NT\$29.81 per share of Dec. 2007 to calculate the market value of employee stock bonuses.
2. After distribution of employee stock bonuses and the remuneration of Directors and Supervisors, PCC's EPS was recalculated as NT\$1.79.

(2) The above distribution of 2007 earnings is subject to change because of shares buyback, treasury shares conversion or cancellation, CB conversion, employee stock option exercised and converted. Shareholders' Meeting is suggested to authorize the Board of Directors with full power to amend the dividend payout ratio when necessary.

Resolution:

**3. To discuss the amendment of PCC's "Articles of Incorporation". (Proposed by the Board of Directors)**

Article No.	Original	Amendment
6	1. PCC's registered capital was <u>NT\$38 billion</u> , divided into <u>3.8 billion</u> shares.	1. PCC's registered capital is proposed to be <u>NT\$45 billion</u> , divided into <u>4.5 billion</u> shares.

Article No.	Original	Amendment
	2. The amount of employee stock warrants, preferred shares with warrants, and corporate bonds with warrants, included in PCC's registered capital stock, was <u>NT\$2.5 billion.</u>	2. The amount of employee stock warrants, preferred shares with warrants, and corporate bonds with warrants, included in PCC's registered capital stock, is proposed to be <u>NT\$3.0 billion.</u>
Reason: To consider for PCC's operation expansion.		
6-1	<u>(Empty)</u>	<u>To transfer shares to employees at less than the average actual repurchase price or less than the closing price of the employee stock warrants as of the issue date., PCC must have obtained the consent of at least two-thirds of the voting rights present at the most recent shareholders meeting attended by shareholders representing a majority of total issued shares.</u>
Reason: In accordance with the article No.56-1 of "Criteria Governing the Offering and Issuance of Securities by Securities Issuers" and article No.10-1 of "Regulations Governing Share Repurchase by Listed and OTC Companies"		
23-1	PCC pays dividend with consideration for the Company Law of ROC, PCC's Articles of Incorporation, future plans, and financial structure. The distributable earnings may be paid in way of cash dividend, stock dividend, or a combination of cash and stock, and <u>cash dividend shall not be more than 90% of the total distribution in any given fiscal year.</u>	PCC pays dividend with consideration for the Company Law of ROC, PCC's Articles of Incorporation, future plans, and financial structure. The distributable earnings may be paid in way of cash dividend, stock dividend, or a combination of cash and stock, and <u>cash dividend shall not exceed 90% of the total distribution in any given fiscal year.</u>
Reason: In accordance with the Reference No: (96) Jin-Guan-Tsen (1) No. 0960030777 of Financial Supervisory Commission Executive Yuan.		

Resolution:

**4. To discuss the capitalization of 2007 dividends, employee bonus and issuing new shares. (Proposed by the Board of Directors)**

- (1) To support capital expenditure and working capital in the future, it is proposed that PCC's capital stock be increased by capitalizing the stock dividends of NT\$2,471,098,980 and employee stock bonus of NT\$273,216,100 from 2007 retained earnings.
- (2) The total amount of capital stock increase shall be NT\$2,744,315,080, divided 274,431,508 shares, at par value of NT\$10 each share, shall be issued for such capital increase.
- (3) The shareholder's rights and obligations of the new shares are the same as those of the existing shares. After being approved by the authority in charge, the new shares will be distributed on a record date to be determined by the Board of Directors.
- (4) Shareholders' Meeting is suggested to authorize the Board of Directors with full power to amend the capitalization of 2007 dividends, employee bonus and issuing new shares when necessary.
- (5) The above distribution of 2007 earnings is subject to change because of shares buyback, treasury shares conversion or cancellation, CB conversion, employee stock option exercised and converted. Shareholders' Meeting is suggested to authorize the Board of Directors with full power to amend the dividend payout ratio when necessary.

Resolution:

**5. To discuss the amendment of PCC's "Articles of assets acquisition or disposal procedure". (Proposed by the Board of Directors)**

Article No.	Original	Amendment
8	1. For trading of the same security in centralized exchange markets or over-the-counter trading market: <u>if the cumulative transaction amount of which less than NT\$300 million, General Manager is authorized to approve; if the cumulative transaction</u>	1. For trading of the same security in centralized exchange markets or over-the-counter trading market <u>within one year: if the cumulative transaction amount of which less than NT\$1 billion, Finance Department is authorized to handle the matter; if the</u>

Article No.	Original	Amendment
	<p><u>amount of which reaches NT\$300 million, the acquisition or disposal of the security shall be implemented after the Board of directors' approval.</u></p> <p>2. For trading of securities other than centralized exchange markets or over-the-counter trading market: <u>if the transaction amount of which less than NT\$100 million, General Manager is authorized to approve; if the transaction amount of which reaches NT\$100 million, the acquisition or disposal of the security should be implemented after the Board of directors' approval.</u></p>	<p><u>cumulative transaction amount of which less than 10% of PCC's paid-in capital, General Manager is authorized to approve; if the cumulative transaction amount of which reaches 10% of PCC's paid-in capital, the acquisition or disposal of the security should be implemented after approval by the Board of directors.</u></p> <p>2. For trading of securities other than centralized exchange markets or over-the-counter trading market: <u>if the transaction amount of which less than 3% of PCC's paid-in capital, General Manager is authorized to approve; if the transaction amount of which reaches 3% of PCC's paid-in capital, the acquisition or disposal of the security should be implemented after approval by the Board of directors.</u></p>
	Reason: In accordance with PCC's practical operation.	

Resolution:

## APPENDIX I

- PCC 2007 Non-Consolidated Financial Statements P. 7-P.15
- PCC 2007 Consolidated Financial Statements P.16~P.24

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
Pou Chen Corporation

We have audited the accompanying balance sheets of Pou Chen Corporation (the "Company") as of December 31, 2007 and 2006, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As described in Note 3 to the financial statements, effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 34, "Accounting for Financial Instruments" and No. 36, "Disclosure and Presentation of Financial Instruments", and the related amendments to other Statement of Financial Accounting Standards.

We have also audited the consolidated financial statements of the Company and its subsidiaries for the years ended December 31, 2007 and 2006 (not being accompanied herein) on which we have issued our reports with an unqualified opinion and a modified unqualified opinion, respectively, thereon dated February 29, 2008.

February 29, 2008

### Notice to Readers

*The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail. Also, as stated in Note 2 to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.*

# POU CHEN CORPORATION

## BALANCE SHEETS

DECEMBER 31, 2007 AND 2006

(In Thousands of New Taiwan Dollars)

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 (Notes 2 and 4)	\$ 1,068,587	2	\$ 1,331,928	2	Short-term loans (Note 13)	\$ 3,160,000	5	\$ 3,290,000	6
Financial assets at fair value through profit or loss, current (Notes 2 and 5)	3,079,767	5	2,030,131	4	Notes payable	53,017	-	98,811	-
Notes receivable (Notes 2 and 6)	381	-	11,054	-	Notes payable to affiliates (Note 25)	53,616	-	95,964	-
Notes receivable from affiliates (Notes 2, 6 and 25)	26,525	-	21,656	-	Accounts payable	831,652	1	646,098	1
Accounts receivable (Notes 2 and 7)	416,906	-	400,403	1	Accounts payable to affiliates (Note 25)	417,896	1	208,199	1
Accounts receivable from affiliates (Notes 2, 7 and 25)	1,359,283	2	1,180,901	2	Income tax payable (Notes 2 and 22)	418,736	1	1,892	-
Other receivables	441,585	1	513,388	1	Hedging derivative liabilities, current (Notes 2 and 24)	45,962	-	-	-
Inventories (Notes 2 and 8)	134,798	-	99,878	-	Other payables	530,282	1	529,680	1
Other current assets (Notes 2 and 22)	97,181	-	110,720	-	Current portion of long-term liabilities (Note 14)	5,001,622	8	-	-
					Other current liabilities	53,439	-	92,373	-
Total current assets	6,625,013	10	5,700,059	10	Total current liabilities	10,566,222	17	4,963,017	9
<b>FUNDS AND LONG-TERM INVESTMENTS</b>					<b>LONG-TERM LIABILITIES</b>				
Investments accounted for by the equity method (Notes 2 and 9)	49,898,897	78	43,712,006	77	Bonds payable (Notes 2 and 14)	-	-	5,023,794	9
Hedging derivative asset, noncurrent (Notes 2 and 24)	39,812	-	-	-	Long-term debt (Note 15)	9,000,000	14	9,000,000	16
Financial assets carried at cost, noncurrent (Notes 2 and 10)	50,000	-	-	-	Hedging derivative liabilities, noncurrent (Notes 2 and 24)	-	-	167,839	-
Total funds and long-term investments	49,988,709	78	43,712,006	77	Total long-term liabilities	9,000,000	14	14,191,633	25
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 11)</b>					RESERVE FOR LAND VALUE INCREMENT TAX (Note 11)	86,547	-	86,547	-
Cost	5,412,243	9	4,842,150	9	<b>OTHER LIABILITIES</b>				
Revaluation increment	279,008	-	279,008	-	Accrued pension cost (Notes 2 and 16)	554,295	1	539,641	1
	5,691,251	9	5,121,158	9	Guarantee deposits received	2,696	-	2,382	-
Less accumulated depreciation	(1,572,374)	(2)	(1,374,792)	(3)	Others (Notes 2 and 17)	29,169	-	38,026	-
Construction in progress and prepayments for equipment	27,896	-	480,601	1	Total other liabilities	586,160	1	580,049	1
Property, plant and equipment, net	4,146,773	7	4,226,967	7	Total liabilities	20,238,929	32	19,821,246	35
<b>OTHER ASSETS (Notes 2 and 12)</b>					<b>STOCKHOLDERS' EQUITY</b>				
	3,225,499	5	3,237,808	6	Capital stock (Note 18)	25,118,540	39	24,426,857	43
					Capital surplus (Note 2)	5,422,033	8	2,527,272	4
					Retained earnings (Note 19)	13,472,020	21	13,841,558	24
					Cumulative translation adjustments (Note 2)	(157,084)	-	(201,358)	-
					Unrealized losses on financial instruments (Note 2)	(87,710)	-	(1,221,891)	(2)
					Unrealized revaluation increment	134,641	-	134,641	-
					Treasury stock (Notes 2 and 20)	(155,375)	-	(2,451,485)	(4)
					Total stockholders' equity	43,747,065	68	37,055,594	65
<b>TOTAL</b>	<b>\$ 63,985,994</b>	<b>100</b>	<b>\$ 56,876,840</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 63,985,994</b>	<b>100</b>	<b>\$ 56,876,840</b>	<b>100</b>

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche audit report dated February 29, 2008)

# POU CHEN CORPORATION

## STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2007 AND 2006

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

	2007		2006	
	Amount	%	Amount	%
GROSS SALES AND REVENUES EARNED (Notes 2 and 25)	\$ 12,743,679	101	\$ 14,326,886	101
LESS SALES RETURNS AND ALLOWANCES	<u>(70,627)</u>	<u>(1)</u>	<u>(103,342)</u>	<u>(1)</u>
NET SALES AND REVENUES EARNED	12,673,052	100	14,223,544	100
COST OF GOODS SOLD (Note 25)	<u>9,911,390</u>	<u>78</u>	<u>11,581,536</u>	<u>81</u>
GROSS PROFIT BEFORE REALIZED GROSS PROFIT FROM INTER-AFFILIATE TRANSACTIONS	2,761,662	22	2,642,008	19
REALIZED GROSS PROFIT FROM INTER-AFFILIATE TRANSACTIONS	<u>1,584</u>	<u>-</u>	<u>5,604</u>	<u>-</u>
GROSS PROFIT	<u>2,763,246</u>	<u>22</u>	<u>2,647,612</u>	<u>19</u>
OPERATING EXPENSES				
Selling expenses	233,444	2	270,986	2
General and administrative expenses	1,309,104	10	1,254,016	9
Research and development expenses	<u>843,943</u>	<u>7</u>	<u>920,749</u>	<u>6</u>
Total operating expenses	<u>2,386,491</u>	<u>19</u>	<u>2,445,751</u>	<u>17</u>
INCOME FROM OPERATIONS	<u>376,755</u>	<u>3</u>	<u>201,861</u>	<u>2</u>
NON-OPERATING INCOME				
Interest income	59,308	1	11,529	-
Investment income recognized under equity method (Note 9)	5,073,067	40	5,381,711	38
Dividend income	184,376	1	97,590	1
Gain on disposal of property, plant and equipment	2,036	-	4,408	-
Gain on disposal of investments	-	-	5,703	-
Foreign exchange gains, net	-	-	6,166	-
Rental income (Note 25)	187,212	2	139,075	1
Reversal of provision for bad debts	7,500	-	-	-
Reversal of provision for inventory devaluation	-	-	25,300	-
Valuation gain on financial assets (Note 5)	-	-	149,564	1
Others (Note 14)	<u>169,864</u>	<u>1</u>	<u>296,617</u>	<u>2</u>
Total non-operating income	<u>5,683,363</u>	<u>45</u>	<u>6,117,663</u>	<u>43</u>

(Continued)

# POU CHEN CORPORATION

## STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2007 AND 2006

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

	2007		2006	
	Amount	%	Amount	%
<b>NON-OPERATING EXPENSES</b>				
Interest expense	\$ 406,810	3	\$ 428,571	3
Other investment losses	-	-	334,258	2
Loss on disposal of property, plant and equipment	1,427	-	6,561	-
Loss on disposal of investments	20,936	-	-	-
Foreign exchange loss, net	36,425	-	-	-
Provision for loss on inventories	1,000	-	-	-
Valuation loss on financial assets (Note 5)	305,365	3	-	-
Others	64,545	1	219,820	2
Total non-operating expenses	836,508	7	989,210	7
<b>INCOME FROM CONTINUING OPERATIONS</b>				
BEFORE INCOME TAX	5,223,610	41	5,330,314	38
INCOME TAX EXPENSE (Notes 2 and 22)	(423,360)	(3)	(3,870)	-
INCOME BEFORE CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES	4,800,250	38	5,326,444	38
CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES (Note 3)	-	-	445,527	3
NET INCOME	\$ 4,800,250	38	\$ 5,771,971	41
	<b>2007</b>		<b>2006</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 (Notes 2 and 23)</b>				
Income from continuing operations	\$ 2.15	\$ 1.97	\$ 2.29	\$ 2.29
Cumulative effect of changes in accounting principles		-		0.19
		\$ 1.97		\$ 2.48
<b>DILUTED EARNINGS PER SHARE (Notes 2 and 23)</b>				
Income from continuing operations	\$ 2.12	\$ 1.94	\$ 2.26	\$ 2.25
Cumulative effect of changes in accounting principles		-		0.19
		\$ 1.94		\$ 2.44

(Continued)

# POU CHEN CORPORATION

## STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2007 AND 2006

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

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

	<b>2007</b>		<b>2006</b>	
NET INCOME	<u>\$ 6,406,465</u>		<u>\$ 5,955,304</u>	
	<b>2007</b>		<b>2006</b>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>
BASIC EARNINGS PER SHARE (Notes 2 and 23)				
Income from continuing operations	<u>\$ 2.73</u>	\$ 2.56	<u>\$ 2.25</u>	\$ 2.25
Cumulative effect of changes in accounting principles		-		0.18
		<u>\$ 2.56</u>		<u>\$ 2.43</u>
DILUTED EARNINGS PER SHARE (Notes 2 and 23)				
Income from continuing operations	<u>\$ 2.69</u>	\$ 2.52	<u>\$ 2.21</u>	\$ 2.21
Cumulative effect of changes in accounting principles		-		0.18
		<u>\$ 2.52</u>		<u>\$ 2.39</u>

(Concluded)

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche audit report dated February 29, 2008)

# POU CHEN CORPORATION

## STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2007 AND 2006 (In Thousands of New Taiwan Dollars)

	Capital Surplus					Retained Earnings			Other 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, 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 (Note 3)	-	-	-	-	-	-	-	-	-	(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)
Convertible bonds transferred to common stock	21,884	-	38,723	-	-	-	-	-	-	-	-	-	60,607
Effect of changes of ownership interest in investees	-	-	-	-	17,248	-	-	-	-	-	-	-	17,248
Treasury stock transferred to employees	-	-	-	(229,163)	-	-	-	-	-	-	-	1,007,843	778,680
Cash dividends received by subsidiaries	-	-	-	183,333	-	-	-	-	-	-	-	-	183,333
Adjustments on changes of unrealized loss on cash flow hedge financial liability	-	-	-	-	-	-	-	-	-	63,511	-	-	63,511
Adjustments on changes of unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	365,671	-	-	365,671
Execution of employee stock warrants	76,780	5,150	-	-	-	-	-	-	-	-	-	-	81,930
Translation adjustments on foreign long-term equity investments	-	-	-	-	-	-	-	-	(236,852)	-	-	-	(236,852)
Net income for 2006	-	-	-	-	-	-	-	5,771,971	-	-	-	-	5,771,971
BALANCE, DECEMBER 31, 2006	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 (Note 18)	151,505	-	-	-	-	-	-	(151,505)	-	-	-	-	-
Stock dividends (Note 18)	486,209	-	-	-	-	-	-	(486,209)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	(4,375,883)	-	-	-	-	(4,375,883)
Convertible bonds transferred to common stock (Note 14)	8,129	-	14,189	-	-	-	-	-	-	-	-	-	22,318
Effect of changes of ownership interest in investees	-	-	-	-	1,331,995	-	-	-	-	-	-	-	1,331,995
Treasury stock transferred to employees (Note 20)	-	-	-	(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	-	-	-	-	-	-	-	-	-	161,690	-	-	161,690
Adjustments on changes of unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	53,706	-	-	53,706
Sale of parent company's stock by subsidiaries (Note 20)	-	-	-	1,591,094	-	-	-	-	-	918,785	-	1,899,944	4,409,823
Execution of employee stock warrants (Note 18)	45,840	-	-	-	-	-	-	-	-	-	-	-	45,840
Translation adjustments on foreign long-term equity investments	-	-	-	-	-	-	-	-	44,274	-	-	-	44,274
Net income for 2007	-	-	-	-	-	-	-	4,800,250	-	-	-	-	4,800,250
BALANCE, DECEMBER 31, 2007	\$ 25,118,540	\$ 808,054	\$ 1,492,700	\$ 1,757,844	\$ 1,363,435	\$ 4,269,818	\$ 1,423,250	\$ 7,778,952	\$ (157,084)	\$ (87,710)	\$ 134,641	\$ (155,375)	\$ 43,747,065

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche audit report dated February 29, 2008)

# POU CHEN CORPORATION

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2007 AND 2006 (In Thousands of New Taiwan Dollars)

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 4,800,250	\$ 5,771,971
Adjustments to reconcile net income to net cash provided by operating activities		
Cumulative effect of changes in accounting principles	-	(445,527)
Depreciation and amortization	376,066	321,000
Loss (gain) on disposal of investments	20,936	(5,703)
Gain on redeemed and repurchased Euro convertible bonds	-	(152,864)
(Reversal of) provision for bad debts	(7,500)	58,800
Provision for (reversal of) loss on inventory devaluation	1,000	(25,300)
Investment income recognized under equity method	(5,073,067)	(5,381,711)
Cash dividends received from investees under equity method	5,823,758	499,531
Realized gross profit from inter-affiliate transactions	(1,584)	(5,604)
Net (gain) loss on disposal of property, plant and equipment	(609)	2,153
Valuation loss (gain) on financial assets	305,365	(149,564)
Loss on other investments	-	334,258
Net changes in operating assets and liabilities		
Notes receivable	10,673	(465)
Notes receivable from affiliates	(4,869)	(755)
Accounts receivable	(9,003)	(159,463)
Accounts receivable from affiliates	(178,382)	801,932
Other receivables	71,803	29,270
Inventories	(35,920)	1,000,301
Other current assets	75,280	144,306
Deferred income tax asset, noncurrent	(3,610)	(15,060)
Income tax prepayment	-	6,394
Notes payable	(45,794)	50,788
Notes payable to affiliates	(42,348)	(6,940)
Accounts payable	185,554	(670,372)
Accounts payable to affiliates	209,697	(12,572)
Income tax payable	416,844	(29,291)
Other payables	104,151	(27,758)
Other current liabilities	(38,934)	43,527
Foreign exchange adjustment on Euro convertible bonds	145	(11,586)
Interest compensation payable	-	108,261
Reserve for retirement plan	14,654	62,694
Net cash provided by operating activities	<u>6,974,556</u>	<u>2,134,651</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase) decrease in financial assets at fair value through profit or loss, current	(1,375,938)	363,649
Increase in investments accounted for by the equity method	(1,088,718)	(1,350,321)
Increase in financial assets carried at cost, noncurrent	(50,000)	-
Proceeds from disposal of long-term equity investments	-	295,756

(Continued)

# POU CHEN CORPORATION

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2007 AND 2006 (In Thousands of New Taiwan Dollars)

	2007	2006
Acquisitions of property, plant and equipment	\$ (391,050)	\$ (1,616,460)
Proceeds from disposal of property, plant and equipment	2,822	9,885
Decrease in refundable deposits	11,872	7,217
Increase in deferred charges	<u>(69,493)</u>	<u>(64,647)</u>
Net cash used in investing activities	<u>(2,960,505)</u>	<u>(2,354,921)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Decrease) increase in short-term loans	(130,000)	1,810,000
Redeemed and repurchased Euro convertible bonds	-	(3,103,474)
Increase in long-term debt	-	4,500,000
Increase in guarantee deposits received	314	1,382
Transfer of treasury stock to employees	338,528	778,680
Execution of employee stock warrants	45,840	81,930
Cash dividends	(4,375,883)	(3,392,253)
Bonuses to directors and supervisors, as distribution of retained earnings	<u>(156,191)</u>	<u>(143,829)</u>
Net cash (used in) provided by financing activities	<u>(4,277,392)</u>	<u>532,436</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(263,341)	312,166
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,331,928</u>	<u>1,019,762</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,068,587</u>	<u>\$ 1,331,928</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the year		
Interest (excluding interest capitalized)	<u>\$ 403,157</u>	<u>\$ 412,114</u>
Income tax	<u>\$ 6,556</u>	<u>\$ 31,038</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>\$ 161,690</u>	<u>\$ 63,511</u>
Recovery from unrealized loss on available-for-sale financial assets	<u>\$ 53,706</u>	<u>\$ 365,671</u>
Effect of changes in ownership interest in investees	<u>\$ 1,331,995</u>	<u>\$ 17,248</u>
Cash dividend received by subsidiaries	<u>\$ 15,121</u>	<u>\$ 183,333</u>
Current portion of long-term liabilities	<u>\$ 5,001,622</u>	<u>\$ -</u>
Translation adjustments on foreign long-term equity investments	<u>\$ 44,274</u>	<u>\$ (236,852)</u>
Convertible bonds transferred to common stock	<u>\$ 22,318</u>	<u>\$ 60,607</u>
Treasury stock transferred to employees	<u>\$ (57,638)</u>	<u>\$ (229,163)</u>

(Continued)

# POU CHEN CORPORATION

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2007 AND 2006 (In Thousands of New Taiwan Dollars)

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	2007	2006
Adjustments of stockholders' equity from sale of parent company's stock by subsidiaries	<u>\$ 4,409,823</u>	<u>\$ -</u>
<b>CASH PAID DURING THE YEAR FOR ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT</b>		
Fair value of property, plant and equipment acquired	\$ 287,501	\$ 1,571,086
Add payables for acquisitions of property, plant and equipment at beginning of year	132,168	177,542
Less payables for acquisitions of property, plant and equipment at end of year	<u>(28,619)</u>	<u>(132,168)</u>
Cash paid during the year for acquisitions of property, plant and equipment	<u>\$ 391,050</u>	<u>\$ 1,616,460</u>

(Concluded)

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche audit report dated February 29, 2008)

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
Pou Chen Corporation and subsidiaries

We have audited the accompanying consolidated balance sheets of Pou Chen Corporation and subsidiaries (collectively, the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As described in Note 3 to the consolidated financial statements, effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 34, "Accounting for Financial Instruments" and No. 36, "Disclosure and Presentation of Financial Instruments", and the related amendments to other Statement of Financial Accounting Standards.

February 29, 2008

### Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail. Also, as stated in Note 2 to the consolidated financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.*

# POU CHEN CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2007 AND 2006 (In Thousands of New Taiwan Dollars)

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 (Notes 2 and 4)	\$ 22,182,017	11	\$ 14,594,226	9	Short-term loans (Note 15)	\$ 19,261,143	10	\$ 15,433,592	9
Financial assets at fair value through profit or loss, current (Notes 2, 5 and 26)	9,164,993	4	5,826,810	4	Short-term bills payable (Note 16)	777,108	-	1,554,160	1
Notes receivable (Notes 2 and 6)	270,762	-	83,133	-	Notes payable	77,698	-	124,682	-
Accounts receivable (Notes 2 and 7)	27,290,876	14	24,187,905	14	Notes payable to affiliates (Note 27)	53,616	-	95,656	-
Accounts receivable from affiliates (Notes 2, 7 and 27)	1,253,041	1	2,224,619	1	Accounts payable	17,308,849	9	15,164,734	9
Other receivables	4,302,312	2	3,674,758	2	Accounts payable to affiliates (Note 27)	1,118,153	1	947,953	1
Inventories (Notes 2 and 8)	21,157,229	11	19,180,012	12	Income tax payable (Notes 2 and 24)	1,067,438	1	312,263	-
Other current assets	6,499,542	3	3,968,818	2	Financial liabilities at fair value through profit or loss, current (Notes 2, 5 and 26)	779,358	-	26,565	-
Total current assets	92,120,772	46	73,740,281	44	Hedging derivative financial liabilities, current (Notes 2 and 26)	45,962	-	-	-
<b>FUNDS AND LONG-TERM INVESTMENTS</b>					Other payables	10,449,986	5	9,084,593	5
Investments accounted for by the equity method (Notes 2 and 9)	27,828,293	14	23,864,121	14	Current portion of long-term liabilities (Note 17)	14,021,742	7	2,463,335	2
Investments in real estate (Notes 2 and 10)	754,543	-	172,065	-	Other current liabilities	2,148,296	1	1,711,949	1
Available-for-sale financial assets, noncurrent (Notes 2 and 11)	1,052,475	1	1,502,932	1	Total current liabilities	67,109,349	34	46,919,482	28
Hedging derivative assets, noncurrent (Notes 2 and 26)	39,812	-	-	-	<b>LONG-TERM LIABILITIES</b>				
Financial assets carried at cost, noncurrent (Notes 2 and 12)	923,100	-	683,463	1	Bonds payable (Notes 2 and 18)	7,826,754	4	12,863,751	8
Total funds and long-term investments	30,598,223	15	26,222,581	16	Long-term debt (Note 19)	31,475,222	16	30,815,681	18
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 13)</b>					Hedging derivative liabilities, noncurrent (Notes 2 and 26)	-	-	167,839	-
Cost	95,393,246	48	84,116,388	50	Total long-term liabilities	39,301,976	20	43,847,271	26
Revaluation increment	293,323	-	293,323	-	<b>RESERVE FOR LAND VALUE INCREMENT TAX (Note 13)</b>	142,664	-	142,664	-
	95,686,569	48	84,409,711	50	<b>OTHER LIABILITIES</b>				
Less accumulated depreciation	(36,411,221)	(18)	(32,553,624)	(19)	Accrued pension cost (Notes 2 and 20)	575,955	-	562,657	-
Less accumulated impairment	(164,021)	-	(164,021)	-	Guarantee deposits received	19,787	-	5,927	-
Construction in progress and prepayments for equipment	3,065,117	1	3,842,377	2	Total other liabilities	595,742	-	568,584	-
Property, plant and equipment, net	62,176,444	31	55,534,443	33	Total liabilities	107,149,731	54	91,478,001	54
<b>INTANGIBLE ASSETS</b>					<b>STOCKHOLDERS' EQUITY</b>				
Goodwill (Note 2)	7,051,133	4	6,927,994	4	Capital stock (Note 21)	25,118,540	12	24,426,857	15
Deferred pension cost (Notes 2 and 20)	1,970	-	2,626	-	Capital surplus (Note 2)	5,422,033	3	2,527,272	1
Total intangible assets	7,053,103	4	6,930,620	4	Retained earnings (Note 21)	13,472,020	7	13,841,558	8
<b>OTHER ASSETS (Notes 2 and 14)</b>	6,825,901	4	5,840,770	3	Cumulative translation adjustments (Note 2)	(157,084)	-	(201,358)	-
					Unrealized losses on financial instruments (Note 2)	(87,710)	-	(1,221,891)	(1)
					Unrealized revaluation increment	134,641	-	134,641	-
					Treasury stock (Notes 2 and 22)	(155,375)	-	(2,451,485)	(1)
					Minority interest	47,877,647	24	39,735,100	24
					Total stockholders' equity	91,624,712	46	76,790,694	46
<b>TOTAL</b>	\$ 198,774,443	100	\$ 168,268,695	100	<b>TOTAL</b>	\$ 198,774,443	100	\$ 168,268,695	100

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated February 29, 2008)

## POU CHEN CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2007 AND 2006

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

	2007		2006	
	Amount	%	Amount	%
GROSS SALES AND REVENUES EARNED	\$197,212,685	100	\$187,957,902	100
LESS SALES RETURNS AND ALLOWANCES	<u>(503,680)</u>	<u>-</u>	<u>(463,654)</u>	<u>-</u>
NET SALES AND REVENUES EARNED	196,709,005	100	187,494,248	100
COST OF GOODS SOLD	<u>155,031,874</u>	<u>79</u>	<u>151,746,219</u>	<u>81</u>
GROSS PROFIT	<u>41,677,131</u>	<u>21</u>	<u>35,748,029</u>	<u>19</u>
OPERATING EXPENSES				
Selling expenses	8,467,065	4	6,175,519	3
General and administrative expenses	13,241,730	7	12,904,541	7
Research and development expenses	<u>4,936,217</u>	<u>2</u>	<u>4,426,310</u>	<u>2</u>
Total operating expenses	<u>26,645,012</u>	<u>13</u>	<u>23,506,370</u>	<u>12</u>
INCOME FROM OPERATIONS	<u>15,032,119</u>	<u>8</u>	<u>12,241,659</u>	<u>7</u>
NON-OPERATING INCOME				
Interest income	743,496	1	493,622	-
Investment income recognized under equity method (Note 9)	512,755	-	1,695,225	1
Dividend income	576,960	1	375,399	-
Gain on disposal of property, plant and equipment	6,522	-	17,801	-
Gain on disposal of investments	144,939	-	-	-
Rental income	13,856	-	8,772	-
Reversal of provision for bad debts	69,259	-	203,264	-
Valuation gain on financial assets (Note 5)	-	-	534,446	-
Valuation gain on financial liabilities (Note 5)	469,482	-	-	-
Others	<u>559,807</u>	<u>-</u>	<u>748,549</u>	<u>1</u>
Total non-operating income	<u>3,097,076</u>	<u>2</u>	<u>4,077,078</u>	<u>2</u>
NON-OPERATING EXPENSES				
Interest expense	3,199,328	2	2,649,355	2
Loss on other investments (Note 12)	50,319	-	1,071,254	1
Loss on disposal of property, plant and equipment	161,805	-	274,697	-
Loss on disposal of investments	-	-	29,998	-
Foreign exchange loss, net	122,512	-	44,909	-
Provision for loss on inventories	58,744	-	242,638	-
Impairment loss on idle assets	-	-	18,831	-
Valuation loss on financial assets (Note 5)	899,007	1	-	-

(Continued)

# POU CHEN CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2007 AND 2006

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

	2007		2006	
	Amount	%	Amount	%
Valuation loss on financial liabilities (Note 5)	\$ -	-	\$ 26,565	-
Others	<u>388,921</u>	<u>-</u>	<u>407,038</u>	<u>-</u>
Total non-operating expenses	<u>4,880,636</u>	<u>3</u>	<u>4,765,285</u>	<u>3</u>
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX	13,248,559	7	11,553,452	6
INCOME TAX EXPENSE (Notes 2 and 24)	<u>(1,455,197)</u>	<u>(1)</u>	<u>(711,928)</u>	<u>-</u>
INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	11,793,362	6	10,841,524	6
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES (Note 3)	<u>-</u>	<u>-</u>	<u>1,625,271</u>	<u>1</u>
CONSOLIDATED NET INCOME	<u>\$ 11,793,362</u>	<u>6</u>	<u>\$ 12,466,795</u>	<u>7</u>
ATTRIBUTED TO				
Parent Company's stockholders	\$ 4,800,250	2	\$ 5,771,971	3
Minority interest	<u>6,993,112</u>	<u>4</u>	<u>6,694,824</u>	<u>4</u>
	<u>\$ 11,793,362</u>	<u>6</u>	<u>\$ 12,466,795</u>	<u>7</u>
	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
BASIC EARNINGS PER SHARE (Notes 2 and 25)				
Income from continuing operations	<u>\$ 5.44</u>	\$ 4.85	<u>\$ 4.97</u>	\$ 4.66
Cumulative effect of changes in accounting principles		<u>-</u>		<u>0.70</u>
Included income for minority interest		<u>\$ 4.85</u>		<u>\$ 5.36</u>
Attributed to stockholders of the Parent Company		<u>\$ 1.97</u>		<u>\$ 2.48</u>
DILUTED EARNINGS PER SHARE (Notes 2 and 25)				
Income from continuing operations	<u>\$ 5.36</u>	\$ 4.77	<u>\$ 4.89</u>	\$ 4.59
Cumulative effect of changes in accounting principles		<u>-</u>		<u>0.69</u>
Included income for minority interest		<u>\$ 4.77</u>		<u>\$ 5.28</u>
Attributed to stockholders of the Parent Company		<u>\$ 1.94</u>		<u>\$ 2.44</u>

(Continued)

# POU CHEN CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2007 AND 2006

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

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

	<b>2007</b>		<b>2006</b>	
CONSOLIDATED NET INCOME ATTRIBUTED TO STOCKHOLDERS OF THE PARENT COMPANY	<u>\$ 6,406,465</u>		<u>\$ 5,955,304</u>	
	<b>2007</b>		<b>2006</b>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>
BASIC EARNINGS PER SHARE (Notes 2 and 25)				
Income from continuing operations	<u>\$ 5.93</u>	\$ 5.35	<u>\$ 4.78</u>	\$ 4.49
Cumulative effect of changes in accounting principles		<u>-</u>		<u>0.66</u>
Included income for minority interest		<u>\$ 5.35</u>		<u>\$ 5.15</u>
Attributed to stockholders of the Parent Company		<u>\$ 2.56</u>		<u>\$ 2.43</u>
DILUTED EARNINGS PER SHARE (Notes 2 and 25)				
Income from continuing operations	<u>\$ 5.84</u>	\$ 5.27	<u>\$ 4.71</u>	\$ 4.42
Cumulative effect of changes in accounting principles		<u>-</u>		<u>0.65</u>
Included income for minority interest		<u>\$ 5.27</u>		<u>\$ 5.07</u>
Attributed to stockholders of the Parent Company		<u>\$ 2.52</u>		<u>\$ 2.39</u>

(Concluded)

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated February 29, 2008)

# POU CHEN CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2007 AND 2006 (In Thousands of New Taiwan Dollars)

	Capital Stock	Capital Surplus			Retained Earnings			Other Equity				Total		
		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	Minority Interest
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)	\$ 34,959,505	\$ 68,645,824
Adjustments from first adoption of new and amended Financial Accounting Standards (Note 3)	-	-	-	-	-	-	-	-	-	(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)
Convertible bonds transferred to common stock	21,884	-	38,723	-	-	-	-	-	-	-	-	-	-	60,607
Effect of changes of ownership interest in investees	-	-	-	-	17,248	-	-	-	-	-	-	-	-	17,248
Treasury stock transferred to employees	-	-	-	(229,163)	-	-	-	-	-	-	-	1,007,843	-	778,680
Cash dividends received by subsidiaries	-	-	-	183,333	-	-	-	-	-	-	-	-	-	183,333
Adjustments on changes of unrealized loss on cash flow hedge financial liability	-	-	-	-	-	-	-	-	-	63,511	-	-	-	63,511
Adjustments on changes of unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	365,671	-	-	-	365,671
Execution of employee stock warrants	76,780	5,150	-	-	-	-	-	-	-	-	-	-	-	81,930
Translation adjustments on foreign long-term equity investments	-	-	-	-	-	-	-	-	(236,852)	-	-	-	-	(236,852)
Change of minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(1,919,229)	(1,919,229)
Consolidated net income for 2006	-	-	-	-	-	-	-	5,771,971	-	-	-	-	6,694,824	12,466,795
BALANCE, DECEMBER 31, 2006	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)	39,735,100	76,790,694
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 (Note 21)	151,505	-	-	-	-	-	-	(151,505)	-	-	-	-	-	-
Stock dividends (Note 21)	486,209	-	-	-	-	-	-	(486,209)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	(4,375,883)	-	-	-	-	-	(4,375,883)
Convertible bonds transferred to common stock (Note 18)	8,129	-	14,189	-	-	-	-	-	-	-	-	-	-	22,318
Effect of changes of ownership interest in investees	-	-	-	-	1,331,995	-	-	-	-	-	-	-	-	1,331,995
Treasury stock transferred to employees (Note 22)	-	-	-	(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	-	-	-	-	-	-	-	-	-	161,690	-	-	-	161,690
Adjustments on changes of unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	53,706	-	-	-	53,706
Sale of parent company's stock by subsidiaries (Note 22)	-	-	-	1,591,094	-	-	-	-	-	918,785	-	1,899,944	-	4,409,823
Execution of employee stock warrants (Note 21)	45,840	-	-	-	-	-	-	-	-	-	-	-	-	45,840
Translation adjustments on foreign long-term equity investments	-	-	-	-	-	-	-	-	44,274	-	-	-	-	44,274
Change of minority interest	-	-	-	-	-	-	-	-	-	-	-	-	1,149,435	1,149,435
Consolidated net income for 2007	-	-	-	-	-	-	-	4,800,250	-	-	-	-	6,993,112	11,793,362
BALANCE, DECEMBER 31, 2007	\$ 25,118,540	\$ 808,054	\$ 1,492,700	\$ 1,757,844	\$ 1,363,435	\$ 4,269,818	\$ 1,423,250	\$ 7,778,952	\$ (157,084)	\$ (87,710)	\$ 134,641	\$ (155,375)	\$ 47,877,647	\$ 91,624,712

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated February 29, 2008)

## POU CHEN CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2007 AND 2006 (In Thousands of New Taiwan Dollars)

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Consolidated net income	\$ 11,793,362	\$ 12,466,795
Adjustments to reconcile net income to net cash provided by operating activities		
Cumulative effect of changes in accounting principles	-	(1,625,271)
Depreciation and amortization	6,807,185	6,435,606
Gain on redeemed and repurchased Euro convertible bonds	-	(166,855)
Valuation loss (gain) on financial assets	899,007	(534,446)
Valuation (gain) loss on financial liabilities	(469,482)	26,565
Reversal of bad debts	(69,259)	(203,264)
Provision for loss on inventories	58,744	242,638
Investment income recognized under equity method	(512,755)	(1,695,225)
Cash dividends received from investees under equity method	575,154	821,647
Net gain on disposal of investments	(144,939)	(6,391)
(Reversal of) provision for impairment loss	(7,332)	18,831
Net loss on disposal of property, plant and equipment	155,283	256,896
Loss on other investments	50,319	1,071,254
Net changes in operating assets and liabilities		
Notes receivable	(192,221)	(44,255)
Notes receivable from affiliates	4,592	-
Accounts receivable	(3,033,712)	(4,940,170)
Accounts receivable from affiliates	971,577	1,133,256
Other receivables	(627,554)	(726,975)
Inventories	(2,035,961)	(2,071,165)
Other current assets	(2,530,724)	840,419
Prepaid pension cost	(7,006)	(458)
Deferred income tax asset, noncurrent	29,912	156,395
Long-term receivable	(62,462)	(54,872)
Other assets	2,432	1,306
Notes payable	(46,984)	52,652
Notes payable to affiliates	(42,040)	(7,031)
Accounts payable	2,144,114	3,435,380
Accounts payable to affiliates	170,200	(431,030)
Income tax payable	755,175	(20,165)
Other payables	2,647,939	1,403,876
Other current liabilities	436,349	513,362
Foreign exchange adjustment on Euro convertible bonds	27,256	(11,586)
Interest compensation payable	772,660	108,261
Reserve for retirement plan	13,298	39,011
Minority interest	1,149,435	(1,919,229)
Net cash provided by operating activities	<u>19,681,562</u>	<u>14,565,762</u>

(Continued)

# POU CHEN CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2007 AND 2006 (In Thousands of New Taiwan Dollars)

	2007	2006
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase) decrease in financial assets at fair value through profit or loss, current	\$ (4,254,602)	\$ 699,609
Increase in investments accounted for by the equity method	(2,846,372)	(5,880,683)
Decrease (increase) in available-for-sale financial assets, noncurrent	206,182	(110,233)
Increase in financial assets carried at cost, noncurrent	(289,956)	(686,286)
Acquisitions of property, plant and equipment	(14,829,196)	(12,934,521)
Proceeds from disposal of property, plant and equipment	589,557	564,090
(Increase) decrease in investment in real estate	(578,027)	10,163
(Increase) decrease in refundable deposits	(705,008)	209,386
(Increase) decrease in goodwill	(123,139)	17,961
Increase in deferred charges	(376,081)	(296,865)
	<u>(23,206,642)</u>	<u>(18,407,379)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term loans	3,827,551	3,418,812
(Decrease) increase in short-term bills payable	(777,052)	358,818
(Decrease) increase in long-term debt	(983,754)	5,149,830
Increase in guarantee deposits received	13,859	1,018
Redeemed and repurchased Euro convertible bonds	-	(5,902,478)
Issuance of bonds payable	8,606,800	-
Remuneration to directors and supervisors	(156,191)	(143,829)
Payment of cash dividend	(4,360,366)	(3,204,970)
Execution of employee stock warrants	45,840	81,930
Transfer of treasury stock to employees	338,528	778,680
Proceeds from disposal of treasury stock by subsidiary	4,513,700	-
	<u>11,068,915</u>	<u>537,811</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<u>43,956</u>	<u>(202,585)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>7,587,791</u>	<u>(3,506,391)</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>14,594,226</u>	<u>18,100,617</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 22,182,017</u>	<u>\$ 14,594,226</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the year		
Interest (excluding interest capitalized)	\$ 3,363,359	\$ 2,546,043
Income tax	\$ 825,040	\$ 993,389

(Continued)

## POU CHEN CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2007 AND 2006 (In Thousands of New Taiwan Dollars)

	2007	2006
SUPPLEMENTAL DISCLOSURES OF NONCASH OPERATING, INVESTING AND FINANCING ACTIVITIES		
Adjustments of stockholders' equity from first adoption of new and amended Financial Accounting Standards	\$ -	\$ (180,742)
Recovery from unrealized loss on cash flow hedge financial liabilities	\$ 161,690	\$ 63,511
Recovery from unrealized loss on available-for-sale financial assets	\$ 53,706	\$ 365,671
Effect of changes in ownership interest in investees	\$ 1,331,995	\$ 17,248
Translation adjustments on foreign long-term equity investments	\$ 44,274	\$ (236,852)
Current portion of long-term liabilities	\$ 14,021,742	\$ 2,463,335
Convertible bonds transferred to common stock	\$ 22,318	\$ 60,607
Treasury stock transferred to employees	\$ (57,638)	\$ (229,163)
CASH PAID DURING THE YEAR FOR ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT		
Fair value of property, plant and equipment acquired	\$ 14,723,265	\$ 13,174,031
Add payables for acquisitions of property, plant and equipment, beginning of year	425,467	185,957
Less payables for acquisitions of property, plant and equipment, end of year	<u>(319,536)</u>	<u>(425,467)</u>
Cash paid during the year for acquisitions of property, plant and equipment	<u>\$ 14,829,196</u>	<u>\$ 12,934,521</u>
		(Concluded)

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated February 29, 2008)