

# POU CHEN CORPORATION

## BALANCE SHEETS

JUNE 30, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

ASSETS	2010		2009		LIABILITIES AND STOCKHOLDERS' EQUITY	2010		2009	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents	\$ 970,463	1	\$ 793,126	1	Short-term loans	\$ 2,040,000	3	\$ 2,600,000	4
Financial assets at fair value through profit or loss, current	50,595	-	111,726	-	Notes payable	38,677	-	48,286	-
Available-for-sale financial assets, current	2,758,993	4	2,404,472	4	Notes payable to affiliates	69,127	-	37,219	-
Notes receivable	1,754	-	1,181	-	Accounts payable	1,300,356	2	664,340	1
Notes receivable from affiliates	-	-	45,820	-	Accounts payable to affiliates	204,751	-	161,125	-
Accounts receivable	69,012	-	148,067	-	Income tax payable	468,320	1	2,427	-
Accounts receivable from affiliates	1,723,011	2	1,029,700	2	Hedging derivative liabilities, current	15,556	-	41,268	-
Other receivables	291,885	1	349,815	-	Other payables	5,234,359	7	2,035,035	3
Inventories	283,494	1	161,212	-	Current portion of long-term liabilities	-	-	4,500,000	7
Other current assets	65,734	-	70,736	-	Other current liabilities	21,410	-	22,645	-
Total current assets	6,214,941	9	5,115,855	7	Total current liabilities	9,392,556	13	10,112,345	15
<b>FUNDS AND LONG-TERM INVESTMENTS</b>					<b>LONG-TERM LIABILITIES</b>				
Investments accounted for by the equity method	59,086,790	82	55,351,964	82	Long-term debt	10,375,000	15	9,875,000	15
Investments in real estate	187,371	-	-	-	Hedging derivative liabilities, noncurrent	88,262	-	126,017	-
Available-for-sale financial assets, noncurrent	8	-	-	-	Total long-term liabilities	10,463,262	15	10,001,017	15
Financial assets carried at cost, noncurrent	-	-	-	-	<b>RESERVE FOR LAND VALUE INCREMENT TAX</b>	86,547	-	86,547	-
Total funds and long-term investments	59,274,169	82	55,351,964	82	<b>OTHER LIABILITIES</b>				
<b>PROPERTY, PLANT AND EQUIPMENT</b>					Accrued pension cost	662,107	1	589,495	1
Cost	5,408,638	8	5,408,334	9	Guarantee deposits received	2,288	-	2,288	-
Revaluation increment	279,008	-	279,008	-	Others	73,455	-	30,935	-
	5,687,646	8	5,687,342	9	Total other liabilities	737,850	1	622,718	1
Less accumulated depreciation	(2,013,569)	(3)	(1,854,636)	(3)	Total liabilities	20,680,215	29	20,822,627	31
Construction in progress and prepayments for equipment	9	-	3,954	-	<b>STOCKHOLDERS' EQUITY</b>				
Property, plant and equipment, net	3,674,086	5	3,836,660	6	Capital stock	28,431,097	39	27,055,675	40
<b>OTHER ASSETS</b>					Stock dividends to be distributed	559,962	1	1,372,183	2
	3,039,665	4	3,098,847	5	Capital surplus	7,745,290	11	7,075,706	10
					Retained earnings	16,865,850	23	13,329,648	20
					Cumulative translation adjustments	128,441	-	1,268,168	2
					Net loss not recognized as pension cost	(40,706)	-	-	-
					Unrealized losses on financial instruments	(1,060,513)	(1)	(2,413,906)	(3)
					Unrealized revaluation increment	134,641	-	134,641	-
					Treasury stock	(1,241,416)	(2)	(1,241,416)	(2)
					Total stockholders' equity	51,522,646	71	46,580,699	69
<b>TOTAL</b>	<b>\$ 72,202,861</b>	<b>100</b>	<b>\$ 67,403,326</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 72,202,861</b>	<b>100</b>	<b>\$ 67,403,326</b>	<b>100</b>

# POU CHEN CORPORATION

## STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2010 AND 2009

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

	2010		2009	
	Amount	%	Amount	%
GROSS SALES AND REVENUES EARNED	\$ 6,583,467	100	\$ 4,997,510	100
LESS SALES RETURNS AND ALLOWANCES	<u>(5,964)</u>	<u>-</u>	<u>(6,662)</u>	<u>-</u>
NET SALES AND REVENUES EARNED	6,577,503	100	4,990,848	100
COST OF GOODS SOLD	<u>4,991,028</u>	<u>76</u>	<u>3,729,800</u>	<u>75</u>
GROSS PROFIT BEFORE UNREALIZED GROSS PROFIT FROM INTER-AFFILIATE TRANSACTIONS	1,586,475	24	1,261,048	25
UNREALIZED GROSS PROFIT FROM INTER-AFFILIATE TRANSACTIONS	<u>(2,617)</u>	<u>-</u>	<u>(198)</u>	<u>-</u>
GROSS PROFIT	<u>1,583,858</u>	<u>24</u>	<u>1,260,850</u>	<u>25</u>
OPERATING EXPENSES				
Selling expenses	73,220	1	95,754	2
General and administrative expenses	945,948	15	754,405	15
Research and development expenses	<u>401,673</u>	<u>6</u>	<u>428,332</u>	<u>8</u>
Total operating expenses	<u>1,420,841</u>	<u>22</u>	<u>1,278,491</u>	<u>25</u>
INCOME (LOSS) FROM OPERATIONS	<u>163,017</u>	<u>2</u>	<u>(17,641)</u>	<u>-</u>
NON-OPERATING INCOME				
Interest income	110	-	5,244	-
Investment income recognized under equity method	4,227,277	64	2,936,765	59
Gain on disposal of property, plant and equipment	742	-	104	-
Gain on disposal of investments	301,756	5	43	-
Foreign exchange gain, net	6,772	-	-	-
Rental income	82,825	1	85,210	2
Reversal of provision for bad debts	883	-	694	-
Valuation gain on financial assets	595	-	1,727	-
Others	<u>50,185</u>	<u>1</u>	<u>168,676</u>	<u>3</u>
Total non-operating income	<u>4,671,145</u>	<u>71</u>	<u>3,198,463</u>	<u>64</u>

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# POU CHEN CORPORATION

## STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2010 AND 2009

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

	2010		2009	
	Amount	%	Amount	%
NON-OPERATING EXPENSES				
Interest expense	\$ 116,938	2	\$ 174,148	4
Loss on disposal of property, plant and equipment	94	-	121	-
Foreign exchange loss, net	-	-	15,391	-
Others	<u>32,441</u>	<u>-</u>	<u>32,109</u>	<u>1</u>
Total non-operating expenses	<u>149,473</u>	<u>2</u>	<u>221,769</u>	<u>5</u>
INCOME BEFORE INCOME TAX	4,684,689	71	2,959,053	59
INCOME TAX EXPENSE	<u>(492,930)</u>	<u>(7)</u>	<u>(41,932)</u>	<u>(1)</u>
NET INCOME	<u>\$ 4,191,759</u>	<u>64</u>	<u>\$ 2,917,121</u>	<u>58</u>
	2010		2009	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
BASIC EARNINGS PER SHARE	<u>\$ 1.65</u>	<u>\$ 1.47</u>	<u>\$ 1.04</u>	<u>\$ 1.02</u>
DILUTED EARNINGS PER SHARE	<u>\$ 1.63</u>	<u>\$ 1.45</u>	<u>\$ 1.03</u>	<u>\$ 1.02</u>

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# POU CHEN CORPORATION

## STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2010 AND 2009

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

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

	2010		2009	
NET INCOME	<u>\$ 4,191,759</u>		<u>\$ 2,917,121</u>	
	2010		2009	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
BASIC EARNINGS PER SHARE	<u>\$ 1.64</u>	<u>\$ 1.47</u>	<u>\$ 1.04</u>	<u>\$ 1.02</u>
DILUTED EARNINGS PER SHARE	<u>\$ 1.62</u>	<u>\$ 1.45</u>	<u>\$ 1.03</u>	<u>\$ 1.01</u>

(Concluded)

**POU CHEN CORPORATION**

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
SIX MONTHS ENDED JUNE 30, 2010 AND 2009  
(In Thousands of New Taiwan Dollars)**

	Capital Surplus					Retained Earnings				Other Items of Stockholders' Equity				Total	
	Capital Stock	Stock Dividends to be Distributed	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	Net Loss not Recognized as Pension Cost	Unrealized Losses on Financial Instruments	Unrealized Revaluation Increment		Treasury Stock
BALANCE, JANUARY 1, 2010	\$ 28,430,847	\$ -	\$ 812,890	\$ 1,447,492	\$ 1,438,517	\$ 3,754,538	\$ 5,248,562	\$ 2,599,633	\$ 9,585,573	\$ (127,367)	\$ (40,706)	\$ (364,936)	\$ 134,641	\$ (1,241,416)	\$ 51,678,268
Appropriation of earnings															
Legal reserve	-	-	-	-	-	-	702,124	-	(702,124)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	(2,201,265)	2,201,265	-	-	-	-	-	-
Stock dividends	-	559,962	-	-	-	-	-	-	(559,962)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(4,199,715)	-	-	-	-	-	(4,199,715)
Effect of changes of ownership interest in investees	-	-	-	-	-	291,853	-	-	-	-	-	-	-	-	291,853
Adjustments on changes of unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	(190,937)	-	-	(190,937)
Adjustments on changes of investee's unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	(529,494)	-	-	(529,494)
Adjustments on changes of unrealized loss on cash flow hedge financial liability	-	-	-	-	-	-	-	-	-	-	-	24,854	-	-	24,854
Execution of employee stock warrants	250	-	-	-	-	-	-	-	-	-	-	-	-	-	250
Translation adjustments on foreign long-term equity investments	-	-	-	-	-	-	-	-	-	255,808	-	-	-	-	255,808
Net income for the six months ended June 30, 2010	-	-	-	-	-	-	-	-	4,191,759	-	-	-	-	-	4,191,759
<b>BALANCE, JUNE 30, 2010</b>	<b>\$ 28,431,097</b>	<b>\$ 559,962</b>	<b>\$ 812,890</b>	<b>\$ 1,447,492</b>	<b>\$ 1,438,517</b>	<b>\$ 4,046,391</b>	<b>\$ 5,950,686</b>	<b>\$ 398,368</b>	<b>\$ 10,516,796</b>	<b>\$ 128,441</b>	<b>\$ (40,706)</b>	<b>\$ (1,060,513)</b>	<b>\$ 134,641</b>	<b>\$ (1,241,416)</b>	<b>\$ 51,522,646</b>
BALANCE, JANUARY 1, 2009	\$ 27,400,055	\$ -	\$ 793,573	\$ 1,465,950	\$ 1,574,683	\$ 3,410,318	\$ 4,749,843	\$ 110,153	\$ 8,214,800	\$ 1,416,859	\$ -	\$ (4,151,134)	\$ 134,641	\$ (1,499,640)	\$ 43,620,101
Appropriation of earnings															
Legal reserve	-	-	-	-	-	-	498,719	-	(498,719)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	2,489,480	(2,489,480)	-	-	-	-	-	-
Stock dividends	-	1,331,134	-	-	-	-	-	-	(1,331,134)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(1,331,134)	-	-	-	-	-	(1,331,134)
Transfer of employee bonuses to common stock	-	41,049	29,308	-	-	-	-	-	-	-	-	-	-	-	70,357
Effect of changes of ownership interest in investees	-	-	-	-	-	(28,734)	-	-	(1)	-	-	-	-	-	(28,735)
Adjustments on changes of unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	582,634	-	-	582,634
Adjustments on changes of investee's unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	1,132,562	-	-	1,132,562
Adjustments on changes of unrealized loss on cash flow hedge financial liability	-	-	-	-	-	-	-	-	-	-	-	22,032	-	-	22,032
Execution of employee stock warrants	620	-	-	-	-	-	-	-	-	-	-	-	-	-	620
Translation adjustments on foreign long-term equity investments	-	-	-	-	-	-	-	-	-	(148,691)	-	-	-	-	(148,691)
Acquisition of treasury stock - 17,300 thousand shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(256,168)	(256,168)
Retirement of treasury stock - 34,500 thousands shares	(345,000)	-	(9,992)	(18,458)	(140,942)	-	-	-	-	-	-	-	-	514,392	-
Net income for the six months ended June 30, 2009	-	-	-	-	-	-	-	-	2,917,121	-	-	-	-	-	2,917,121
<b>BALANCE, JUNE 30, 2009</b>	<b>\$ 27,055,675</b>	<b>\$ 1,372,183</b>	<b>\$ 812,889</b>	<b>\$ 1,447,492</b>	<b>\$ 1,433,741</b>	<b>\$ 3,381,584</b>	<b>\$ 5,248,562</b>	<b>\$ 2,599,633</b>	<b>\$ 5,481,453</b>	<b>\$ 1,268,168</b>	<b>\$ -</b>	<b>\$ (2,413,906)</b>	<b>\$ 134,641</b>	<b>\$ (1,241,416)</b>	<b>\$ 46,580,699</b>

# POU CHEN CORPORATION

## STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

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	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 4,191,759	\$ 2,917,121
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Depreciation and amortization	160,396	164,586
Reversal of bad debts	(883)	(694)
Investment income recognized under equity method	(4,227,277)	(2,936,765)
Unrealized gross profit from inter-affiliate transactions	2,617	198
Net (gain) loss on disposal of property, plant and equipment	(648)	17
Gain on disposal of investments	(301,756)	(43)
Valuation gain on financial assets	(595)	(1,727)
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss, current	(49,918)	(9,957)
Notes receivable	916	35,846
Notes receivable from affiliates	-	(43,293)
Accounts receivable	32,638	51,390
Accounts receivable from affiliates	(189,537)	42,299
Other receivables	3,310	101,298
Inventories	(108,116)	(12,408)
Deferred income tax asset, current	9,650	12,280
Other current assets	(17,084)	(5,544)
Deferred income tax asset, noncurrent	17,210	29,120
Other assets	(1,977)	-
Notes payable	1,105	12,241
Notes payable to affiliates	10,874	(19,077)
Accounts payable	177,344	16,020
Accounts payable to affiliates	27,172	38,368
Income tax payable	412,532	1,914
Other payables	162,077	54,767
Other current liabilities	(842)	(2,027)
Reserve for retirement plan	<u>16,833</u>	<u>12,248</u>
Net cash provided by operating activities	<u>327,800</u>	<u>458,178</u>

(Continued)

# POU CHEN CORPORATION

## STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	2010	2009
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in investments accounted for by the equity method	\$ (405)	\$ (40)
Proceeds from disposal of investments accounted for by the equity method	4,224,408	-
Acquisitions of property, plant and equipment	(42,645)	(22,112)
Acquisitions of leased equipment	(399)	(152)
Proceeds from disposal of property, plant and equipment	2,015	944
Decrease (increase) in refundable deposits	670	734
Increase in deferred charges	<u>(3,935)</u>	<u>(6,024)</u>
Net cash provided by (used in) investing activities	<u>4,179,709</u>	<u>(26,650)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term loans	(2,401,000)	(960,000)
Decrease in long-term debt	(1,750,000)	(1,625,000)
Execution of employee stock warrants	250	620
Acquisitions of treasury stock	<u>-</u>	<u>(256,168)</u>
Net cash used in by financing activities	<u>(4,150,750)</u>	<u>(2,840,548)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	356,759	(2,409,020)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>613,704</u>	<u>3,202,146</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 970,463</u>	<u>\$ 793,126</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the period		
Interest (excluding interest capitalized)	<u>\$ 124,781</u>	<u>\$ 193,527</u>
Income tax	<u>\$ 55,515</u>	<u>\$ 374</u>

(Continued)

# POU CHEN CORPORATION

## STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

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	2010	2009
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Adjustments on changes of unrealized (loss) gain on available-for-sale financial assets	<u>\$ (720,431)</u>	<u>\$ 1,715,196</u>
Adjustments on changes of unrealized gain on cash flow hedge financial liabilities	<u>\$ 24,854</u>	<u>\$ 22,032</u>
Effect of changes in ownership interest in investees	<u>\$ 291,853</u>	<u>\$ (28,735)</u>
Current portion of long-term liabilities	<u>\$ -</u>	<u>\$ 4,500,000</u>
Translation adjustments on foreign long-term investments	<u>\$ 255,808</u>	<u>\$ (148,691)</u>
Cash dividends payable	<u>\$ 4,199,715</u>	<u>\$ 1,331,134</u>
Retirement of treasury stock	<u>\$ -</u>	<u>\$ 514,392</u>
Transfer of the unappropriated earnings and the bonus to employees to capital stock	<u>\$ 559,962</u>	<u>\$ 1,401,491</u>
Cash paid during the period for acquisitions of property, plant and equipment		
Fair value of property, plant and equipment acquired	\$ 47,395	\$ 21,201
Add payables for acquisitions of property, plant and equipment at beginning of period	5,682	4,906
Less payables for acquisitions of property, plant and equipment at end of period	<u>(10,432)</u>	<u>(3,995)</u>
Cash paid during the period for acquisitions of property, plant and equipment	<u>\$ 42,645</u>	<u>\$ 22,112</u>

(Concluded)