

**POU CHEN CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**September 30, 2010 AND 2009**

**(In Thousands of New Taiwan Dollars)**

**(Not Reviewed by Independent Accountants)**

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	\$ 22,562,939	10	\$ 35,634,004	15	Short-term loans	\$ 19,058,143	9	\$ 26,648,577	11
Financial assets at fair value through profit or loss, current	1,188,957	1	1,074,217	-	Short-term bills payable	1,599,706	1	1,706,269	1
Available-for-sale financial assets, current	9,674,892	4	9,363,956	4	Notes payable	43,389	-	201,865	-
Notes receivable	42,040	-	8,429	-	Notes payable to affiliates	59,620	-	36,886	-
Accounts receivable	27,006,759	12	26,349,484	11	Accounts payable	12,336,200	6	12,226,409	5
Accounts receivable from affiliates	841,424	-	1,385,032	-	Accounts payable to affiliates	1,686,895	1	1,114,369	1
Other receivables	5,222,788	2	6,793,197	3	Income tax payable	1,028,530	-	618,143	-
Inventories					Financial liabilities at fair value through profit or loss, current	674,958	-	524,772	-
Inventories - manufacturing	23,352,270	11	23,186,012	10	Hedging derivative liabilities, current	9,332	-	33,589	-
Inventories - construction	4,023,326	2	3,892,677	2	Other payables	12,689,438	6	12,418,270	5
Other current assets	<u>7,998,001</u>	<u>4</u>	<u>6,745,405</u>	<u>3</u>	Current portion of long-term liabilities	4,238,735	2	28,310,399	12
Total current assets	<u>101,913,396</u>	<u>46</u>	<u>114,432,413</u>	<u>48</u>	Progressive billings in excess of construction in progress	-	-	87,177	-
					Other current liabilities	<u>2,516,400</u>	<u>1</u>	<u>2,024,861</u>	<u>1</u>
					Total current liabilities	<u>55,941,346</u>	<u>26</u>	<u>85,951,586</u>	<u>36</u>
<b>FUNDS AND LONG-TERM INVESTMENTS</b>					<b>LONG-TERM LIABILITIES</b>				
Investments accounted for by the equity method	32,220,051	14	32,639,581	14	Bonds payable	8,253,515	4	-	-
Investments in real estate	186,123	-	186,129	-	Long-term debt	34,431,369	16	34,249,220	15
Financial assets at fair value through profit or loss, noncurrent	1,601,544	1	1,991,011	1	Hedging derivative liability, noncurrent	<u>85,144</u>	<u>-</u>	<u>122,862</u>	<u>-</u>
Available-for-sale financial assets, noncurrent	1,909,774	1	935,954	-	Total long-term liabilities	<u>42,770,028</u>	<u>20</u>	<u>34,372,082</u>	<u>15</u>
Financial assets carried at cost, noncurrent	<u>1,251,652</u>	<u>1</u>	<u>1,544,737</u>	<u>1</u>	<b>RESERVE FOR LAND VALUE INCREMENT TAX</b>	<u>86,547</u>	<u>-</u>	<u>142,664</u>	<u>-</u>
Total funds and long-term investments	<u>37,169,144</u>	<u>17</u>	<u>37,297,412</u>	<u>16</u>	<b>OTHER LIABILITIES</b>				
					Accrued pension cost	670,513	-	617,021	-
<b>PROPERTY, PLANT AND EQUIPMENT</b>					Guarantee deposits received	6,005	-	4,219	-
Cost	100,369,273	47	109,399,904	46	Deferred income tax liabilities, noncurrent	788,471	-	72,427	-
Revaluation increment	<u>293,323</u>	<u>-</u>	<u>293,323</u>	<u>-</u>	Others	<u>66,623</u>	<u>-</u>	<u>23,304</u>	<u>-</u>
	100,662,596	47	109,693,227	46	Total other liabilities	<u>1,531,612</u>	<u>-</u>	<u>716,971</u>	<u>-</u>
Less accumulated depreciation	(43,624,562)	(20)	(45,154,586)	(19)	Total liabilities	<u>100,329,533</u>	<u>46</u>	<u>121,183,303</u>	<u>51</u>
Less accumulated impairment	(99,232)	-	(246,331)	-	<b>STOCKHOLDERS' EQUITY</b>				
Construction in progress and prepayments for equipment	<u>2,838,352</u>	<u>1</u>	<u>4,396,962</u>	<u>2</u>	Capital stock	28,997,559	14	28,427,858	12
Property, plant and equipment, net	<u>59,777,154</u>	<u>28</u>	<u>68,689,272</u>	<u>29</u>	Capital surplus	8,043,813	2	7,107,618	3
					Retained earnings	19,405,913	10	15,721,719	8
<b>INTANGIBLE ASSETS</b>					Cumulative translation adjustments	(1,305,981)	(1)	244,923	-
Goodwill	<u>7,637,582</u>	<u>4</u>	<u>7,032,733</u>	<u>3</u>	Net loss not recognized as pension cost	(40,706)	-	-	-
<b>OTHER ASSETS</b>	<u>11,987,446</u>	<u>5</u>	<u>8,667,433</u>	<u>4</u>	Unrealized losses on financial instruments	663,906	-	305,792	-
					Unrealized revaluation increment	134,641	-	134,641	-
					Treasury stock	(1,241,416)	(1)	(1,241,416)	(1)
					Minority interest	<u>63,497,460</u>	<u>30</u>	<u>64,234,825</u>	<u>27</u>
					Total stockholders' equity	<u>118,155,189</u>	<u>54</u>	<u>114,935,960</u>	<u>49</u>
<b>TOTAL</b>	<u>\$218,484,722</u>	<u>100</u>	<u>\$236,119,263</u>	<u>100</u>	<b>TOTAL</b>	<u>\$218,484,722</u>	<u>100</u>	<u>\$236,119,263</u>	<u>100</u>

# POU CHEN CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

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

(Not Reviewed by Independent Accountants)

	2010		2009	
	Amount	%	Amount	%
GROSS SALES AND REVENUES EARNED	\$146,037,146	100	\$155,574,586	100
LESS SALES RETURNS AND ALLOWANCES	<u>(68,247)</u>	<u>-</u>	<u>(314,528)</u>	<u>-</u>
NET SALES AND REVENUES EARNED	145,968,899	100	155,260,058	100
COST OF GOODS SOLD	<u>107,194,074</u>	<u>73</u>	<u>117,735,685</u>	<u>76</u>
GROSS PROFIT	<u>38,774,825</u>	<u>27</u>	<u>37,524,373</u>	<u>24</u>
OPERATING EXPENSES				
Selling expenses	11,042,829	7	9,621,038	6
General and administrative expenses	12,759,055	9	13,738,479	9
Research and development expenses	<u>3,856,201</u>	<u>3</u>	<u>3,722,995</u>	<u>2</u>
Total operating expenses	<u>27,658,085</u>	<u>19</u>	<u>27,082,512</u>	<u>17</u>
INCOME FROM OPERATIONS	<u>11,116,740</u>	<u>8</u>	<u>10,441,861</u>	<u>7</u>
NON-OPERATING INCOME				
Interest income	256,846	-	344,672	-
Investment income recognized under equity method	2,390,207	2	1,562,912	1
Dividend income	502,130	-	120,454	-
Gain on disposal of property, plant and equipment	122,077	-	13,218	-
Gain on disposal of investments	832,764	1	-	-
Foreign exchange gain, net	216,483	-	58,865	-
Rental income	236,687	-	245,521	-
Reversal of bad debts	6,848	-	25,930	-
Valuation gain on financial assets	221,013	-	-	-
Valuation gain on financial liabilities	-	-	847,724	-
Others	<u>530,621</u>	<u>-</u>	<u>1,587,680</u>	<u>1</u>
Total non-operating income	<u>5,315,676</u>	<u>3</u>	<u>4,806,976</u>	<u>2</u>

(Continued)



# POU CHEN CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

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

(Not Reviewed by Independent Accountants)

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

	2010		2009	
CONSOLIDATED NET INCOME ATTRIBUTED TO STOCKHOLDERS OF THE PARENT COMPANY	<u>\$ 6,746,869</u>		<u>\$ 5,313,968</u>	
	2010		2009	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
BASIC EARNINGS PER SHARE				
Included income attributed to minority interests	<u>\$ 5.01</u>	<u>\$ 4.42</u>	<u>\$ 4.28</u>	<u>\$ 4.05</u>
Attributed to stockholders of the Parent Company		<u>\$ 2.36</u>		<u>\$ 1.86</u>
DILUTED EARNINGS PER SHARE				
Included income attributed to minority interests	<u>\$ 4.92</u>	<u>\$ 4.34</u>	<u>\$ 4.23</u>	<u>\$ 4.00</u>
Attributed to stockholders of the Parent Company		<u>\$ 2.32</u>		<u>\$ 1.84</u>

(Concluded)

# POU CHEN CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009 (In Thousands of New Taiwan Dollars) (Not Reviewed by Independent Accountants)

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Consolidated net income	\$ 12,605,514	\$ 11,553,287
Adjustments to reconcile net income to net cash provided by operating activities		
Valuation (gain) loss on financial assets	(221,013)	135,954
Valuation loss (gain) on financial liabilities	351,978	(847,724)
Depreciation and amortization	5,541,076	6,163,019
Compensation cost of employee stock options	32,607	124,529
Reversal of bad debts	(6,848)	(25,930)
Investment income recognized under equity method	(2,390,207)	(1,562,912)
Cash dividends received from investees under equity method	1,450,403	1,174,845
Net (gain) loss on disposal of investments	(832,764)	91,453
Net loss on disposal of property, plant and equipment	57,032	224,982
Provision for (recovery from) impairment loss	187,435	(3,405)
Net changes in operating assets and liabilities		
Notes receivable	(18,912)	49,323
Accounts receivable	(4,586,211)	1,226,858
Accounts receivable from affiliates	103,755	127,458
Other receivables	1,014,073	(2,186,589)
Inventories	1,195,478	4,250,672
Other current assets	(1,386,203)	1,744,330
Deferred income tax assets, noncurrent	17,058	254,251
Other assets	(762,292)	(12,483)
Notes payable	(1,990)	131,206
Notes payable to affiliates	1,367	(19,410)
Accounts payable	(1,900,470)	(2,022,645)
Accounts payable to affiliates	515,005	193,962
Income tax payable	362,873	97,197
Other payables	(2,343,205)	(1,535,644)
Progressive billings in excess of construction in progress	(56,846)	87,177
Other current liabilities	297,162	454,120
Deferred income tax liabilities, noncurrent	(46,244)	(192,597)
Reserve for retirement plan	4,260	20,768
Minority interest	<u>(1,649,488)</u>	<u>(4,125,983)</u>
Net cash provided by operating activities	<u>7,534,383</u>	<u>15,570,069</u>

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# POU CHEN CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

(Not Reviewed by Independent Accountants)

	2010	2009
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in financial assets at fair value through profit or loss, current	\$ 50,701	\$ (10,987)
Decrease in financial assets at fair value through profit or loss, noncurrent	79,452	-
Increase in investments accounted for by the equity method	(717,336)	(542,671)
Decrease in available-for-sale financial assets, current	82	-
Decrease (increase) in available-for-sale financial assets, noncurrent	63,573	(325,563)
Decrease in financial assets carried at cost, noncurrent	24,130	239,813
Acquisition of leased assets	(399)	(153)
Acquisition of property, plant and equipment	(6,026,628)	(7,595,612)
Proceeds from disposal of property, plant and equipment	396,147	669,434
Increase in investments in real estate	-	(186,129)
Decrease in refundable deposits	219,506	122,676
Decrease in goodwill	-	227,085
Increase in deferred charges	<u>(190,926)</u>	<u>(456,799)</u>
Net cash used in investing activities	<u>(6,101,698)</u>	<u>(7,858,906)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term loans	(6,352,352)	(2,235,315)
(Decrease) increase in short-term bills payable	(179,368)	853,730
Redeemed overseas convertible bonds	(426,555)	(8,458,374)
(Decrease) increase in long-term debt	(18,114,430)	12,558,596
Increase in guarantee deposits received	171	346
Execution of employee stock warrants	6,750	620
Cash dividends	(4,184,390)	(1,326,269)
Acquisitions of treasury stock	<u>-</u>	<u>(256,168)</u>
Net cash (used in) provided by financing activities	<u>(29,250,174)</u>	<u>1,137,166</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	<u>1,992,330</u>	<u>(661,361)</u>
CASH PAID FOR ACQUISITION OF SUBSIDIARIES	<u>(8,496)</u>	<u>(89,511)</u>
CASH RECEIVED FROM DISPOSAL OF SUBSIDIARY	<u>757,130</u>	<u>-</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(25,076,525)	8,097,457
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>47,639,464</u>	<u>27,536,547</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 22,562,939</u>	<u>\$ 35,634,004</u>

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# POU CHEN CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

(Not Reviewed by Independent Accountants)

	2010	2009
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the period		
Interest (excluding interest capitalized)	<u>\$ 1,388,122</u>	<u>\$ 2,276,642</u>
Income tax	<u>\$ 394,160</u>	<u>\$ 465,459</u>
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Unrealized gain on cash flow hedge financial liabilities	<u>\$ 34,196</u>	<u>\$ 32,867</u>
Unrealized gain on available-for-sale financial assets	<u>\$ 399,392</u>	<u>\$ 1,416,454</u>
Unrealized gain on available-for-sale financial assets from investees	<u>\$ 595,254</u>	<u>\$ 3,007,605</u>
Effect of changes in ownership interest in investees	<u>\$ 575,329</u>	<u>\$ (1,599)</u>
Current portion of long-term liabilities	<u>\$ 4,238,735</u>	<u>\$ 28,310,399</u>
Cumulative translation adjustments	<u>\$ (1,178,614)</u>	<u>\$ (1,171,936)</u>
Recognition of adjustments of retained earnings by subsidiaries	<u>\$ -</u>	<u>\$ (1)</u>
Cash dividends received by subsidiaries	<u>\$ 15,047</u>	<u>\$ 4,776</u>
Transfer of the unappropriated earnings and the bonus to employees to capital stock	<u>\$ 559,962</u>	<u>\$ 1,401,492</u>
Cash paid during the period for acquisitions of property, plant and equipment		
Fair value of property, plant and equipment acquired	\$ 6,477,375	\$ 7,728,685
Add payables for acquisitions of property, plant and equipment at beginning of period	183,739	199,051
Less payables for acquisitions of property, plant and equipment at end of period	<u>(634,486)</u>	<u>(332,124)</u>
Cash paid during the period for acquisitions of property, plant and equipment	<u>\$ 6,026,628</u>	<u>\$ 7,595,612</u>

(Concluded)