

POU CHEN CORPORATION

BALANCE SHEETS

September 30, 2004 AND 2003

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

ASSETS	2004		2003		LIABILITIES AND STOCKHOLDERS' EQUITY	2004		2003	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents	\$ 4,951,477	9	\$ 484,608	1	Short-term borrowings	\$ -	-	\$ 660,000	2
Short-term investments	1,943,984	4	2,961,875	7	Notes payable	61,463	-	31,952	-
Notes receivable	5,824	-	7,113	-	Notes payable, affiliates	64,976	-	63,888	-
Notes receivable, affiliates	3,901	-	1,467	-	Accounts payable	2,396,783	4	696,771	2
Accounts receivable	2,279,959	4	67,960	-	Accounts payable, affiliates	283,200	1	202,017	-
Accounts receivable, affiliates	1,239,253	2	988,174	2	Income tax payable	-	-	94,091	-
Other financial assets, current	421,950	1	387,357	1	Other payables	2,559,144	4	385,771	1
Inventories	778,658	1	163,740	1	Current portion of long-term liabilities	-	-	3,390,833	8
Deferred income tax assets	65,350	-	70,950	-	Other current liabilities	<u>21,459</u>	-	<u>101,323</u>	-
Other current assets	<u>92,441</u>	-	<u>40,494</u>	-					
Total current assets	<u>11,782,797</u>	<u>21</u>	<u>5,173,738</u>	<u>12</u>	Total current liabilities	<u>5,387,025</u>	<u>9</u>	<u>5,626,646</u>	<u>13</u>
LONG-TERM EQUITY INVESTMENTS					LONG-TERM LIABILITIES				
Long-term equity investments under equity method	39,032,482	68	32,266,061	77	Bonds payable	<u>18,633,090</u>	<u>33</u>	<u>5,000,000</u>	<u>12</u>
Long-term equity investments under cost method	<u>1,016,833</u>	<u>2</u>	<u>950,044</u>	<u>2</u>					
Total long-term equity investments	<u>40,049,315</u>	<u>70</u>	<u>33,216,105</u>	<u>79</u>	RESERVE FOR LAND VALUE INCREMENT TAX	<u>136,199</u>	-	<u>136,199</u>	-
OTHER FINANCIAL ASSETS, NONCURRENT	<u>53,997</u>	-	<u>103,863</u>	-	OTHER LIABILITIES				
PROPERTY, PLANT AND EQUIPMENT					Accrued pension cost	358,355	1	329,727	1
Cost	3,516,829	6	3,033,079	7	Guarantee deposit received	1,000	-	1,080	-
Revaluation increment	<u>293,249</u>	<u>1</u>	<u>293,249</u>	<u>1</u>	Others	<u>59,480</u>	-	<u>114,561</u>	-
	3,810,078	7	3,326,328	8	Total other liabilities	<u>418,835</u>	<u>1</u>	<u>445,368</u>	<u>1</u>
Less accumulated depreciation	(1,180,942)	(2)	(1,136,899)	(3)	Total liabilities	<u>24,575,149</u>	<u>43</u>	<u>11,208,213</u>	<u>26</u>
Construction in progress and prepayments on purchase of equipment	<u>1,769,615</u>	<u>3</u>	<u>978,919</u>	<u>2</u>	STOCKHOLDERS' EQUITY				
Property, plant and equipment, net	<u>4,398,751</u>	<u>8</u>	<u>3,168,348</u>	<u>7</u>	Capital stock	20,933,623	37	18,847,994	45
OTHER ASSETS					Capital surplus	2,457,728	4	2,334,161	6
Leased assets	377,633	1	392,320	1	Retained earnings	12,491,469	22	12,310,078	29
Deferred charges	174,712	-	91,072	-	Provision for decline in market value of long-term equity investments	(1,198,342)	(2)	(1,206,168)	(3)
Deferred income tax assets	93,850	-	78,000	-	Cumulative translation adjustments	1,200,492	2	949,902	2
Others	<u>69,736</u>	-	<u>95,013</u>	<u>1</u>	Net loss not recognized as pension cost	-	-	(70,402)	-
Total other assets	<u>715,931</u>	<u>1</u>	<u>656,405</u>	<u>2</u>	Treasury stock	<u>(3,459,328)</u>	<u>(6)</u>	<u>(2,055,319)</u>	<u>(5)</u>
TOTAL	<u>\$ 57,000,791</u>	<u>100</u>	<u>\$ 42,318,459</u>	<u>100</u>	Total stockholders' equity	<u>32,425,642</u>	<u>57</u>	<u>31,110,246</u>	<u>74</u>
					TOTAL	<u>\$ 57,000,791</u>	<u>100</u>	<u>\$ 42,318,459</u>	<u>100</u>

POU CHEN CORPORATION

STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003

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

(Reviewed, Not Audited)

	2004		2003	
	Amount	%	Amount	%
GROSS SALES AND REVENUES EARNED	\$ 13,399,470	100	\$ 7,980,196	100
LESS SALES RETURNS AND ALLOWANCES	<u>(29,446)</u>	<u>-</u>	<u>(16,224)</u>	<u>-</u>
NET SALES AND REVENUES EARNED	13,370,024	100	7,963,972	100
COST OF GOODS SOLD	<u>11,040,186</u>	<u>82</u>	<u>5,703,007</u>	<u>72</u>
GROSS PROFIT BEFORE REALIZED GROSS PROFIT FROM INTER-AFFILIATE TRANSACTIONS	2,329,838	18	2,260,965	28
REALIZED (UNREALIZED) GROSS PROFIT FROM INTER-AFFILIATE TRANSACTIONS	<u>718</u>	<u>-</u>	<u>(1,445)</u>	<u>-</u>
GROSS PROFIT	<u>2,330,556</u>	<u>18</u>	<u>2,259,520</u>	<u>28</u>
OPERATING EXPENSES				
Selling expenses	204,772	2	211,541	3
General and administrative expenses	975,925	7	956,913	12
Research and development expenses	<u>633,567</u>	<u>5</u>	<u>646,472</u>	<u>8</u>
Total operating expenses	<u>1,814,264</u>	<u>14</u>	<u>1,814,926</u>	<u>23</u>
INCOME FROM OPERATIONS	<u>516,292</u>	<u>4</u>	<u>444,594</u>	<u>5</u>
NON-OPERATING INCOME				
Interest income	88,921	-	27,407	-
Long-term equity investment income	3,469,205	26	5,254,372	66
Dividend income	93,067	1	26,242	-
Gain on disposal of property, plant and equipment	9,450	-	1,759	-
Foreign exchange gains, net	9,905	-	43,148	1
Rental income	25,725	-	22,330	-
Recovery from devaluation of short-term investments	-	-	227,980	3
Others	<u>140,860</u>	<u>1</u>	<u>107,705</u>	<u>2</u>
Total non-operating income	<u>3,837,133</u>	<u>28</u>	<u>5,710,943</u>	<u>72</u>

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POU CHEN CORPORATION

STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003

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

(Reviewed, Not Audited)

	2004		2003	
	Amount	%	Amount	%
NON-OPERATING EXPENSES				
Interest expense	\$ 342,380	3	\$ 357,232	4
Other investment losses	-	-	902	-
Loss on disposal of property, plant and equipment	1,687	-	2,667	-
Loss on disposal of investments	318,050	2	149	-
Others	<u>36,007</u>	-	<u>54,145</u>	<u>1</u>
Total non-operating expenses	<u>698,124</u>	<u>5</u>	<u>415,095</u>	<u>5</u>
INCOME BEFORE INCOME TAX	3,655,301	27	5,740,442	72
INCOME TAX BENEFIT (EXPENSE)	<u>99,800</u>	<u>1</u>	<u>(38,000)</u>	<u>-</u>
NET INCOME	<u>\$ 3,755,101</u>	<u>28</u>	<u>\$ 5,702,442</u>	<u>72</u>

	2004		2003	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE				
Basic	<u>\$ 1.86</u>	<u>\$ 1.91</u>	<u>\$ 2.90</u>	<u>\$ 2.88</u>
Diluted	<u>\$ 1.73</u>	<u>\$ 1.73</u>	<u>\$ 2.85</u>	<u>\$ 2.83</u>

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

	2004		2003	
NET INCOME	<u>\$ 3,855,143</u>		<u>\$ 5,744,538</u>	
EARNINGS PER SHARE				
Basic	<u>\$ 1.81</u>	<u>\$ 1.86</u>	<u>\$ 2.77</u>	<u>\$ 2.75</u>
Diluted	<u>\$ 1.69</u>	<u>\$ 1.69</u>	<u>\$ 2.72</u>	<u>\$ 2.70</u>

(Concluded)

POU CHEN CORPORATION

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003
(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	Transaction On Treasury Stock	Revaluation Increment of Property, Plant and Equipment	Legal Reserve	Special Reserve	Unappropriated Earnings	Provision for Decline in Market Value of Long-Term Equity Investments	Cumulative Translation Adjustments	Net Loss not Recognized as Pension Cost	Treasury Stock	
BALANCE, JANUARY 1, 2004	\$ 18,847,994	\$ 767,288	\$ 1,439,788	\$ 42,096	\$ 84,989	\$ 2,210,357	\$ -	\$ 10,669,932	\$ (1,198,824)	\$ 1,139,592	\$ -	\$ (2,055,319)	\$ 31,947,893
Appropriation of earnings													
Legal reserve	-	-	-	-	-	634,836	-	(634,836)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	59,232	(59,232)	-	-	-	-	-
Bonuses to directors and supervisors	-	-	-	-	-	-	-	(169,629)	-	-	-	-	(169,629)
Bonuses to employees	164,540	-	-	-	-	-	-	(164,540)	-	-	-	-	-
Stock dividends	1,884,799	-	-	-	-	-	-	(1,884,799)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	(1,884,799)	-	-	-	-	(1,884,799)
Effect of changes of ownership interest in investees	-	-	-	-	-	-	-	(40,154)	-	-	-	-	(40,154)
Cash dividends received by subsidiaries	-	-	-	100,042	-	-	-	-	-	-	-	-	100,042
Recovery from decline in market value of long-term equity investments	-	-	-	-	-	-	-	-	482	-	-	-	482
Execution of employee stock warrants	36,290	23,525	-	-	-	-	-	-	-	-	-	-	59,815
Translation adjustments on foreign long-term equity investments	-	-	-	-	-	-	-	-	-	60,900	-	-	60,900
Acquisition of treasury stocks	-	-	-	-	-	-	-	-	-	-	-	(1,404,009)	(1,404,009)
Net income for nine months ended September 30, 2004	-	-	-	-	-	-	-	3,755,101	-	-	-	-	3,755,101
BALANCE, SEPTEMBER 30, 2004	\$ 20,933,623	\$ 790,813	\$ 1,439,788	\$ 142,138	\$ 84,989	\$ 2,845,193	\$ 59,232	\$ 9,587,044	\$ (1,198,342)	\$ 1,200,492	\$ -	\$ (3,459,328)	\$ 32,425,642
BALANCE, JANUARY 1, 2003	\$ 16,325,822	\$ 767,288	\$ 1,439,788	\$ -	\$ 84,989	\$ 1,790,546	\$ -	\$ 8,460,934	\$ (1,237,403)	\$ 1,703,119	\$ (70,402)	\$ (2,649,542)	\$ 26,615,139
Appropriation of earnings													
Legal reserve	-	-	-	-	-	419,811	-	(419,811)	-	-	-	-	-
Bonuses to directors and supervisors	-	-	-	-	-	-	-	(113,349)	-	-	-	-	(113,349)
Bonuses to employees	73,299	-	-	-	-	-	-	(73,299)	-	-	-	-	-
Stock dividends	2,448,873	-	-	-	-	-	-	(2,448,873)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	(816,291)	-	-	-	-	(816,291)
Effect of changes of ownership interest in investees	-	-	-	-	-	-	-	(48,950)	-	-	-	-	(48,950)
Cash dividends received by subsidiaries	-	-	-	42,096	-	-	-	-	-	-	-	-	42,096
Recovery from decline in market value of long-term equity investments	-	-	-	-	-	-	-	-	31,235	-	-	-	31,235
Translation adjustments on foreign long-term equity investments	-	-	-	-	-	-	-	-	-	(753,217)	-	-	(753,217)
Treasury stock transfer to employees	-	-	-	-	-	-	-	(143,082)	-	-	-	582,482	439,400
Decrease in common shares held by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	11,741	11,741
Net income for three months ended September 30, 2003	-	-	-	-	-	-	-	5,702,442	-	-	-	-	5,702,442
BALANCE, SEPTEMBER 30, 2003	\$ 18,847,994	\$ 767,288	\$ 1,439,788	\$ 42,096	\$ 84,989	\$ 2,210,357	\$ -	\$ 10,099,721	\$ (1,206,168)	\$ 949,902	\$ (70,402)	\$ (2,055,319)	\$ 31,110,246

POU CHEN CORPORATION

STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 3,755,101	\$ 5,702,442
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	149,235	158,072
Amortization for the cost of issuing Euro convertible bonds	57,730	9,662
Loss on buying back Euro convertible bonds	12,722	14,623
Recovery from devaluation of short-term investment	-	(227,980)
Loss on doubtful accounts	2,300	-
Loss on (recovery from) inventory devaluation	4,200	(1,000)
Net loss (gain) on disposal of long-term equity investments	186,791	(2,784)
Loss on liquidation of long-term equity investments	-	902
Investment income recognized under equity method	(3,469,205)	(5,254,372)
Cash dividends received from investees under equity method	-	76,675
(Realized) unrealized gross profit from inter-affiliate transactions	(718)	1,445
Net (gain) loss on disposal of property, plant and equipment	(7,763)	908
Net changes in operating assets and liabilities		
Short-term investments	216,772	(1,000,953)
Notes receivable	56	(3,684)
Notes receivable, affiliates	(1,968)	(482)
Accounts receivable	(2,176,153)	4,525
Accounts receivable, affiliates	(168,836)	328,572
Other financial assets, current	133,249	74,808
Inventories	(647,698)	(43,071)
Deferred income tax asset, current	9,550	9,350
Other current assets	(49,805)	(9,023)
Deferred income tax asset, noncurrent	(9,500)	(19,800)
Income tax prepayment	(5,320)	-
Notes payable	29,712	321
Notes payable, affiliates	(9,380)	1,339
Accounts payable	1,705,198	(1,325)
Accounts payable, affiliates	44,791	(17,362)
Income tax payable	(46,039)	48,052
Other payables	98,333	37,163
Other current liabilities	(4,727)	88,690
Foreign exchange adjustment on Euro Convertible Bonds	(3,984)	(108,060)
Interest compensation payable	209,568	214,628
Reserve for retirement plan	73,041	79,343
Net cash provided by operating activities	<u>87,253</u>	<u>161,624</u>

(Continued)

POU CHEN CORPORATION

STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2004	2003
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in long-term equity investments	\$ (1,949,181)	\$ (976,404)
Proceeds from disposal of long-term equity investments	1,287,525	164,898
Acquisition of property, plant and equipment	(920,665)	(597,258)
Proceeds from disposal of property, plant and equipment	25,697	20,446
Increase in refundable deposits	(368)	(5,786)
Increase in deferred charges	<u>(49,182)</u>	<u>(56,213)</u>
Net cash used in investing activities	<u>(1,606,174)</u>	<u>(1,450,317)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	-	660,000
Issuance of bonds	-	5,000,000
Redemption of Euro convertible bonds	(254,903)	(152,193)
Decrease in long-term debt	-	(3,997,642)
(Decrease) increase in guarantee deposits received	(20)	1,080
Transfer of treasury stock to employees	-	439,400
Cash dividends	-	(816,291)
Bonuses to directors and supervisors, as distribution of retained earnings	(169,629)	(113,349)
Execution of employee stock warrants	59,815	-
Acquisition of treasury stocks	<u>(1,404,009)</u>	<u>-</u>
Net cash (used in) provided by financing activities	<u>(1,768,746)</u>	<u>1,021,005</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,287,667)	(267,688)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>8,239,144</u>	<u>752,296</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 4,951,477</u>	<u>\$ 484,608</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period		
Interest (excluding interest capitalized)	<u>\$ 306,212</u>	<u>\$ 329,424</u>
Income tax	<u>\$ 5,320</u>	<u>\$ 398</u>

(Continued)

POU CHEN CORPORATION

STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2004	2003
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Long-term equity investments transfer into short-term investments	<u>\$ -</u>	<u>\$ 39,709</u>
Short-term investments transfer into long-term equity investments	<u>\$ 2,514</u>	<u>\$ -</u>
Recovery from decline in market value of investees' and the Company's long-term equity investments	<u>\$ 482</u>	<u>\$ 31,235</u>
Effect of changes in ownership interest in investees	<u>\$ (40,154)</u>	<u>\$ (48,950)</u>
Cash dividend received by subsidiaries	<u>\$ 100,042</u>	<u>\$ 42,096</u>
Long-term liabilities, current portion	<u>\$ -</u>	<u>\$ 3,390,833</u>
Translation adjustments on foreign long-term investments	<u>\$ 60,900</u>	<u>\$ (753,217)</u>
Decrease in common shares held by subsidiaries	<u>\$ -</u>	<u>\$ 11,741</u>
Adjustment of retained earnings due to the transferring of treasury stock to employees	<u>\$ -</u>	<u>\$ (143,082)</u>
Cash dividends payable	<u>\$ 1,884,799</u>	<u>\$ -</u>
Cash paid during the period for acquisition of property, plant and equipment		
Fair value of property, plant and equipment acquired	\$ 983,783	\$ 597,853
Add payables for acquisition of property, plant and equipment at beginning of period	162,412	47,482
Less payables for acquisition of property, plant and equipment at end of period	<u>(225,530)</u>	<u>(48,077)</u>
Cash paid during the period for acquisition of property, plant and equipment	<u>\$ 920,665</u>	<u>\$ 597,258</u>

(Concluded)