

# POU CHEN CORPORATION

## BALANCE SHEETS

September 30, 2006 AND 2005

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

ASSETS	2006		2005		LIABILITIES AND STOCKHOLDERS' EQUITY	2006		2005	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents	\$ 4,260,967	7	\$ 7,013,001	12	Short-term borrowings	\$ 4,190,000	7	\$ -	-
Financial assets measured at fair value through profit or loss, current	1,533,605	2	1,365,930	2	Notes payable	59,401	-	44,526	-
Notes receivable	7,337	-	6,001	-	Notes payable to affiliates	42,411	-	50,989	-
Notes receivable from affiliates	2,958	-	3,341	-	Accounts payable	833,966	2	1,206,117	2
Accounts receivable	405,599	1	366,078	1	Accounts payable to affiliates	166,815	-	246,434	1
Accounts receivable from affiliates	1,595,826	3	1,663,754	3	Income tax payable	18,569	-	62,152	-
Other financial assets, current	1,110,619	2	895,236	2	Other payables	4,139,324	7	2,575,961	5
Inventories	149,400	-	861,109	2	Current portion of long-term liabilities	-	-	13,019,199	23
Other current assets	<u>107,150</u>	-	<u>247,251</u>	-	Other current liabilities	<u>30,731</u>	-	<u>44,728</u>	-
Total current assets	<u>9,173,461</u>	<u>15</u>	<u>12,421,701</u>	<u>22</u>	Total current liabilities	<u>9,481,217</u>	<u>16</u>	<u>17,250,106</u>	<u>31</u>
<b>FUNDS AND LONG-TERM INVESTMENTS</b>					<b>LONG-TERM LIABILITIES</b>				
Long-term investments at equity method	43,567,506	72	37,170,451	66	Bonds payable	5,085,398	9	5,000,000	9
Available-for-sale financial assets, noncurrent	<u>484,693</u>	-	<u>418,760</u>	1	Long-term debt	9,000,000	15	-	-
Total funds and long-term investments	<u>44,052,199</u>	<u>72</u>	<u>37,589,211</u>	<u>67</u>	Derivate financial liabilities held for hedging	<u>212,595</u>	-	<u>6,580</u>	-
<b>PROPERTY, PLANT AND EQUIPMENT</b>					Total long-term liabilities	<u>14,297,993</u>	<u>24</u>	<u>5,006,580</u>	<u>9</u>
Cost	4,696,962	8	3,684,305	6	<b>RESERVE FOR LAND VALUE INCREMENT TAX</b>	<u>86,547</u>	-	<u>86,547</u>	-
Revaluation increment	<u>279,008</u>	-	<u>293,249</u>	1	<b>OTHER LIABILITIES</b>				
	4,975,970	8	3,977,554	7	Accrued pension cost	529,865	1	460,110	1
Less accumulated depreciation	(1,334,860)	(2)	(1,281,600)	(2)	Advance deposits from customers	1,000	-	1,000	-
Construction in progress and prepayments on purchase of equipment	<u>388,709</u>	<u>1</u>	<u>2,488,117</u>	<u>4</u>	Others	<u>343,810</u>	-	<u>54,731</u>	-
Property, plant and equipment, net	<u>4,029,819</u>	<u>7</u>	<u>5,184,071</u>	<u>9</u>	Total other liabilities	<u>874,675</u>	<u>1</u>	<u>515,841</u>	<u>1</u>
<b>OTHER ASSETS</b>	<u>3,414,621</u>	<u>6</u>	<u>744,392</u>	<u>2</u>	Total liabilities	<u>24,740,432</u>	<u>41</u>	<u>22,859,074</u>	<u>41</u>
<b>TOTAL</b>	<u>\$ 60,670,100</u>	<u>100</u>	<u>\$ 55,939,375</u>	<u>100</u>	<b>STOCKHOLDERS' EQUITY</b>				
					Capital stock	24,380,563	40	23,054,308	41
					Capital surplus	2,970,563	5	2,631,706	5
					Retained earnings	13,204,119	22	11,908,188	21
					Cumulative translation adjustments	374,379	1	368,533	1
					Unrealized losses on financial instruments	(1,540,628)	(3)	(1,423,106)	(3)
					Treasury stock	<u>(3,459,328)</u>	<u>(6)</u>	<u>(3,459,328)</u>	<u>(6)</u>
					Total stockholders' equity	<u>35,929,668</u>	<u>59</u>	<u>33,080,301</u>	<u>59</u>
					<b>TOTAL</b>	<u>\$ 60,670,100</u>	<u>100</u>	<u>\$ 55,939,375</u>	<u>100</u>

# POU CHEN CORPORATION

## STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

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

(Reviewed, Not Audited)

	2006		2005	
	Amount	%	Amount	%
GROSS SALES AND REVENUES EARNED	\$ 11,024,629	101	\$ 9,752,690	100
LESS SALES RETURNS AND ALLOWANCES	<u>(84,253)</u>	<u>(1)</u>	<u>(46,426)</u>	<u>-</u>
NET SALES AND REVENUES EARNED	10,940,376	100	9,706,264	100
COST OF GOODS SOLD	<u>8,993,041</u>	<u>82</u>	<u>7,529,798</u>	<u>78</u>
GROSS PROFIT BEFORE REALIZED GROSS PROFIT FROM INTER-AFFILIATE TRANSACTIONS	1,947,335	18	2,176,466	22
UNREALIZED GROSS PROFIT FROM INTER-AFFILIATE TRANSACTIONS	-	-	(954)	-
REALIZED GROSS PROFIT FROM INTER-AFFILIATE TRANSACTIONS	<u>4,645</u>	<u>-</u>	<u>-</u>	<u>-</u>
GROSS PROFIT	<u>1,951,980</u>	<u>18</u>	<u>2,175,512</u>	<u>22</u>
OPERATING EXPENSES				
Selling expenses	213,911	2	205,937	2
General and administrative expenses	867,864	8	908,998	9
Research and development expenses	<u>690,165</u>	<u>6</u>	<u>660,339</u>	<u>7</u>
Total operating expenses	<u>1,771,940</u>	<u>16</u>	<u>1,775,274</u>	<u>18</u>
INCOME FROM OPERATIONS	<u>180,040</u>	<u>2</u>	<u>400,238</u>	<u>4</u>
NON-OPERATING INCOME				
Interest income	8,004	-	52,589	1
Long-term equity investment income	4,377,183	40	2,866,332	30
Dividend income	97,590	1	100,997	1
Gain on disposal of property, plant and equipment	3,330	-	4,226	-
Gain on disposal of investments	5,520	-	267,858	3
Foreign exchange gains, net	44,651	1	-	-
Rental income	78,310	1	26,534	-
Reversal of provision for inventory valuation	25,300	-	-	-
Revaluation gain on financial assets	130,094	1	-	-
Others	<u>255,512</u>	<u>2</u>	<u>209,624</u>	<u>2</u>
Total non-operating income	<u>5,025,494</u>	<u>46</u>	<u>3,528,160</u>	<u>37</u>

(Continued)

# POU CHEN CORPORATION

## STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

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

(Reviewed, Not Audited)

	2006		2005	
	Amount	%	Amount	%
<b>NON-OPERATING EXPENSES</b>				
Interest expense	\$ 334,682	3	\$ 290,145	3
Loss on disposal of property, plant and equipment	6,360	-	20,891	-
Foreign exchange loss, net	-	-	431,972	5
Others	<u>161,687</u>	<u>2</u>	<u>5,484</u>	<u>-</u>
Total non-operating expenses	<u>502,729</u>	<u>5</u>	<u>748,492</u>	<u>8</u>
INCOME FROM CONTINUING OPERATIONS, BEFORE INCOME TAX	4,702,805	43	3,179,906	33
INCOME TAX (EXPENSE) BENEFIT	<u>(13,800)</u>	<u>-</u>	<u>80,290</u>	<u>1</u>
INCOME BEFORE CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES	4,689,005	43	3,260,196	34
CUMULATIVE EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES	<u>445,527</u>	<u>4</u>	<u>-</u>	<u>-</u>
NET INCOME	<u>\$ 5,134,532</u>	<u>47</u>	<u>\$ 3,260,196</u>	<u>34</u>
	<b>2006</b>		<b>2005</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</b>				
Income from continuing operations	\$ 2.08	\$ 2.07	\$ 1.41	\$ 1.44
Cumulative effect of changes in accounting principles	<u>0.20</u>	<u>0.20</u>	<u>-</u>	<u>-</u>
	<u>\$ 2.28</u>	<u>\$ 2.27</u>	<u>\$ 1.41</u>	<u>\$ 1.44</u>
<b>DILUTED EARNINGS PER SHARE</b>				
Income from continuing operations	\$ 2.05	\$ 2.04	\$ 1.20	\$ 1.23
Cumulative effect of changes in accounting principles	<u>0.19</u>	<u>0.19</u>	<u>-</u>	<u>-</u>
	<u>\$ 2.24</u>	<u>\$ 2.23</u>	<u>\$ 1.20</u>	<u>\$ 1.23</u>

(Continued)

# POU CHEN CORPORATION

## STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

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

(Reviewed, Not Audited)

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

	<b>2006</b>		<b>2005</b>	
NET INCOME	<u>\$ 5,317,865</u>		<u>\$ 3,371,139</u>	
	<b>2006</b>		<b>2005</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</b>				
Income from continuing operations	\$ 2.04	\$ 2.04	\$ 1.38	\$ 1.41
Cumulative effect of changes in accounting principles	<u>0.19</u>	<u>0.19</u>	<u>-</u>	<u>-</u>
	<u>\$ 2.23</u>	<u>\$ 2.23</u>	<u>\$ 1.38</u>	<u>\$ 1.41</u>
<b>DILUTED EARNINGS PER SHARE</b>				
Income from continuing operations	\$ 2.02	\$ 2.01	\$ 1.19	\$ 1.22
Cumulative effect of changes in accounting principles	<u>0.18</u>	<u>0.18</u>	<u>-</u>	<u>-</u>
	<u>\$ 2.20</u>	<u>\$ 2.19</u>	<u>\$ 1.19</u>	<u>\$ 1.22</u>

(Concluded)

**POU CHEN CORPORATION**

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)**

	Capital Stock	Capital Surplus			Retained Earnings			Other Adjustments of Stockholders' Equity			Treasury Stock	Total	
		Additional Paid-in Capital of Common Stock	Additional Paid-in Capital of Bonds Conversion	Treasury Stock	Revaluation Increment of Property, Plant and Equipment	Long-Term Equity Investments	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments			Unrealized Losses on Financial Instruments
BALANCE, JANUARY 1, 2006	\$ 23,057,928	\$ 802,904	\$ 1,439,788	\$ 255,097	\$ 134,641	\$ 14,192	\$ 3,269,826	\$ 2,423,997	\$ 7,182,111	\$ 35,494	\$ (1,470,331)	\$ (3,459,328)	\$ 33,686,319
Adjustments from first adoption of new and amended Financial Accounting Standards											(180,742)		(180,742)
Appropriation of earnings													
Legal reserve	-	-	-	-	-	-	422,795	-	(422,795)	-	-	-	-
Special reserve	-	-	-	-	-	-	-	(989,158)	989,158	-	-	-	-
Bonuses to directors and supervisors	-	-	-	-	-	-	-	-	(143,829)	-	-	-	(143,829)
Bonuses to employees	139,514	-	-	-	-	-	-	-	(139,514)	-	-	-	-
Stock dividends	1,130,751	-	-	-	-	-	-	-	(1,130,751)	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(3,392,253)	-	-	-	(3,392,253)
Effect of changes of ownership interest in investees	-	-	-	-	-	135,458	-	-	-	-	-	-	135,458
Cash dividends received by subsidiaries	-	-	-	183,333	-	-	-	-	-	-	-	-	183,333
Adjustments on changes of unrealized loss on cash flow hedge financial liability	-	-	-	-	-	-	-	-	-	-	18,755	-	18,755
Adjustments on changes of unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	91,690	-	91,690
Execution of employee stock warrants	52,370	5,150	-	-	-	-	-	-	-	-	-	-	57,520
Translation adjustments on foreign long-term equity investments	-	-	-	-	-	-	-	-	-	338,885	-	-	338,885
Net income for nine months ended September 30, 2006	-	-	-	-	-	-	-	-	5,134,532	-	-	-	5,134,532
BALANCE, SEPTEMBER 30, 2006	\$ 24,380,563	\$ 808,054	\$ 1,439,788	\$ 438,430	\$ 134,641	\$ 149,650	\$ 3,692,621	\$ 1,434,839	\$ 8,076,659	\$ 374,379	\$ (1,540,628)	\$ (3,459,328)	\$ 35,929,668
BALANCE, JANUARY 1, 2005	\$ 20,936,734	\$ 792,119	\$ 1,439,788	\$ 144,154	\$ 84,989	\$ -	\$ 2,845,193	\$ 59,232	\$ 9,950,045	\$ (1,220,643)	\$ (1,203,354)	\$ (3,459,328)	\$ 30,368,929
Appropriation of earnings													
Legal reserve	-	-	-	-	-	-	424,633	-	(424,633)	-	-	-	-
Special reserve	-	-	-	-	-	-	-	2,364,765	(2,364,765)	-	-	-	-
Bonuses to directors and supervisors	-	-	-	-	-	-	-	-	(43,708)	-	-	-	(43,708)
Bonuses to employees	42,397	-	-	-	-	-	-	-	(42,397)	-	-	-	-
Stock dividends	2,049,657	-	-	-	-	-	-	-	(2,049,657)	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(2,049,658)	-	-	-	(2,049,658)
Effect of changes of ownership interest in investees	-	-	-	-	-	-	-	-	(21,058)	-	-	-	(21,058)
Cash dividends received by subsidiaries	-	-	-	110,943	-	-	-	-	-	-	-	-	110,943
Provision for decline in market value of available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(219,752)	-	(219,752)
Execution of employee stock warrants	25,520	10,061	-	-	-	-	-	-	-	-	-	-	35,581
Translation adjustments on foreign long-term equity investments	-	-	-	-	-	-	-	-	-	1,589,176	-	-	1,589,176
Adjustments for permanent reduction of land value increment tax	-	-	-	-	49,652	-	-	-	-	-	-	-	49,652
Net income for three months ended September 30, 2005	-	-	-	-	-	-	-	-	3,260,196	-	-	-	3,260,196
BALANCE, SEPTEMBER 30, 2005	\$ 23,054,308	\$ 802,180	\$ 1,439,788	\$ 255,097	\$ 134,641	\$ -	\$ 3,269,826	\$ 2,423,997	\$ 6,214,365	\$ 368,533	\$ (1,423,106)	\$ (3,459,328)	\$ 33,080,301

# POU CHEN CORPORATION

## STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 5,134,532	\$ 3,260,196
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Cumulative effect of changes in accounting principles	(445,527)	-
Depreciation and amortization	214,015	191,215
Gain on redeemed and repurchased Euro convertible bonds	(152,864)	(29,332)
Provision for doubtful accounts	58,800	10,700
Reversal of provision for inventory devaluation	(25,300)	-
Net loss on disposal of long-term equity investments	-	12,543
Investment income recognized under equity method	(4,377,183)	(2,866,332)
Cash dividends received from investees under equity method	218,186	3,568,509
(Realized) unrealized gross profit from inter-affiliate transactions	(4,645)	954
Net loss on disposal of property, plant and equipment	3,030	16,665
Revaluation gain on financial assets	(130,094)	-
Net changes in operating assets and liabilities		
Notes receivable	3,252	4,238
Notes receivable from affiliates	17,943	43
Accounts receivable	(164,659)	219,605
Accounts receivable from affiliates	387,007	(312,275)
Other financial assets, current	(286,616)	(258,489)
Inventories	950,779	(376,858)
Deferred income tax asset, current	8,610	-
Other current assets	139,266	(129,083)
Deferred income tax asset, noncurrent	(12,810)	(19,150)
Income tax prepayment	2,113	-
Notes payable	11,378	(17,046)
Notes payable to affiliates	(60,493)	(39,303)
Accounts payable	(482,504)	348,635
Accounts payable to affiliates	(53,956)	(140,820)
Income tax payable	(12,614)	62,152
Other payables	65,333	16,574
Other current liabilities	(18,115)	30,466
Deferred income tax liability, current	-	(126,880)
Foreign exchange adjustment on Euro Convertible Bonds	(10,589)	592,057
Interest compensation payable	108,261	186,071
Reserve for retirement plan	52,919	77,573
Net cash provided by operating activities	<u>1,137,455</u>	<u>4,282,628</u>

(Continued)

# POU CHEN CORPORATION

## STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2006	2005
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease in financial assets measured at fair value through profit or loss, current	\$ 357,946	\$ 1,455,736
Increase in long-term equity investments	(863,511)	(1,624,035)
Acquisition of property, plant and equipment	(1,387,772)	(680,099)
Proceeds from disposal of property, plant and equipment	8,825	43,033
Decrease in refundable deposits	7,063	7,016
Increase in deferred charges	<u>(39,018)</u>	<u>(59,089)</u>
Net cash used in investing activities	<u>(1,916,467)</u>	<u>(857,438)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	2,710,000	-
Redeemed and repurchased overseas convertible bonds	(3,103,474)	(512,952)
Increase in long-term borrowings	4,500,000	-
Bonuses to directors and supervisors, as distribution of retained earnings	(143,829)	(43,708)
Execution of employee stock warrants	<u>57,520</u>	<u>35,581</u>
Net cash provided by (used in) financing activities	<u>4,020,217</u>	<u>(521,079)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,241,205	2,904,111
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>1,019,762</u>	<u>4,108,890</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 4,260,967</u>	<u>\$ 7,013,001</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the period		
Interest (excluding interest capitalized)	<u>\$ 295,696</u>	<u>\$ 254,322</u>
Income tax	<u>\$ 30,614</u>	<u>\$ 3,588</u>
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH OPERATING, INVESTING AND FINANCING ACTIVITIES</b>		
Adjustments of stockholders' equity from first adoption of new and amended Financial Accounting Standards	<u>\$ (180,742)</u>	<u>\$ -</u>
Provision for unrealized gain on cash flow hedge financial liabilities	<u>\$ 18,755</u>	<u>\$ -</u>
Unrealized gain (loss) on available-for-sale financial assets	<u>\$ 91,690</u>	<u>\$ (219,752)</u>
Effect of changes in ownership interest in investees	<u>\$ 135,458</u>	<u>\$ (21,058)</u>
Cash dividend received by subsidiaries	<u>\$ 183,333</u>	<u>\$ 110,943</u>
Long-term liabilities, current portion	<u>\$ -</u>	<u>\$ 13,019,199</u>

(Continued)

# POU CHEN CORPORATION

## STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

---

	2006	2005
Translation adjustments on foreign long-term investments	<u>\$ 338,885</u>	<u>\$ 1,589,176</u>
Cash dividends payable	<u>\$ 3,392,253</u>	<u>\$ 2,049,658</u>
Cash paid during the period for acquisition of property, plant and equipment		
Fair value of property, plant and equipment acquired	\$ 1,466,699	\$ 761,781
Add payables for acquisition of property, plant and equipment at beginning of period	177,542	51,500
Less payables for acquisition of property, plant and equipment at end of period	<u>(256,469)</u>	<u>(133,182)</u>
Cash paid during the period for acquisition of property, plant and equipment	<u>\$ 1,387,772</u>	<u>\$ 680,099</u>

(Concluded)