

POU CHEN CORPORATION

BALANCE SHEETS

September 30, 2008 AND 2007

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

ASSETS	2008		2007		LIABILITIES AND STOCKHOLDERS' EQUITY	2008		2007	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents	\$ 1,183,418	2	\$ 2,327,815	4	Short-term borrowings	\$ 3,735,000	6	\$ 3,910,000	6
Financial assets measured at fair value through profit or loss, current	34,400	-	2,758,521	4	Notes payable	48,615	-	58,462	-
Available-for-sale financial assets - current	2,284,247	3	-	-	Notes payable to affiliates	65,873	-	75,121	-
Notes receivable	29,868	-	7,856	-	Accounts payable	869,340	1	1,007,014	1
Notes receivable from affiliates	13,473	-	32,910	-	Accounts payable to affiliates	166,374	-	585,579	1
Accounts receivable	123,103	-	699,948	1	Income tax payable	513	-	413,494	1
Accounts receivable from affiliates	1,257,960	2	1,095,235	2	Other payables	664,496	1	548,018	1
Other receivables	522,861	1	713,770	1	Hedging derivative liabilities, current	-	-	91,500	-
Inventories	284,880	-	228,147	1	Current portion of long-term liabilities	1,626,609	3	5,000,000	8
Other current assets	87,532	-	155,362	-	Other current liabilities	40,355	-	49,022	-
Total current assets	5,821,742	8	8,019,564	13	Total current liabilities	7,217,175	11	11,738,210	18
FUNDS AND LONG-TERM INVESTMENTS					LONG-TERM LIABILITIES				
Investments accounted for by the equity method	54,371,475	81	48,727,880	76	Bonds payable	-	-	1,631	-
Hedging derivative asset, noncurrent	11,699	-	45,486	-	Long-term debt	14,375,000	21	9,000,000	14
Financial assets carried at cost, noncurrent	50,000	-	50,000	-	Total long-term liabilities	14,375,000	21	9,001,631	14
Total funds and long-term investments	54,433,174	81	48,823,366	76	RESERVE FOR LAND VALUE INCREMENT TAX	86,547	-	86,547	-
PROPERTY, PLANT AND EQUIPMENT					OTHER LIABILITIES				
Cost	5,399,010	8	5,388,533	9	Accrued pension cost	571,751	1	550,512	1
Revaluation increment	279,008	-	279,008	-	Guarantee deposits received	2,288	-	2,382	-
	5,678,018	8	5,667,541	9	Others	262,180	-	30,882	-
Less accumulated depreciation	(1,696,416)	(2)	(1,526,549)	(3)	Total other liabilities	836,219	1	583,776	1
Construction in progress and prepayments for equipment	-	-	2,184	-	Total liabilities	22,514,941	33	21,410,164	33
Property, plant and equipment, net	3,981,602	6	4,143,176	6	STOCKHOLDERS' EQUITY				
OTHER ASSETS	3,171,258	5	3,240,736	5	Capital stock	27,899,255	41	25,115,600	39
					Capital surplus	7,445,956	11	5,428,342	9
					Retained earnings	13,194,178	20	12,383,333	19
					Cumulative translation adjustments	387,072	1	(146,421)	-
					Unrealized gains (losses) on financial instruments	(2,926,851)	(4)	56,558	-
					Unrealized revaluation increment	134,641	-	134,641	-
					Treasury stock	(1,241,416)	(2)	(155,375)	-
					Total stockholders' equity	44,892,835	67	42,816,678	67
TOTAL	\$ 67,407,776	100	\$ 64,226,842	100	TOTAL	\$ 67,407,776	100	\$ 64,226,842	100

POU CHEN CORPORATION

STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

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

(Reviewed, Not Audited)

	2008		2007	
	Amount	%	Amount	%
GROSS SALES AND REVENUES EARNED	\$ 8,786,708	100	\$ 9,350,440	101
LESS SALES RETURNS AND ALLOWANCES	<u>(38,148)</u>	<u>-</u>	<u>(50,689)</u>	<u>(1)</u>
NET SALES AND REVENUES EARNED	8,748,560	100	9,299,751	100
COST OF GOODS SOLD	<u>6,657,871</u>	<u>76</u>	<u>7,255,095</u>	<u>78</u>
GROSS PROFIT BEFORE REALIZED GROSS PROFIT FROM INTER-AFFILIATE TRANSACTIONS	2,090,689	24	2,044,656	22
REALIZED GROSS PROFIT FROM INTER-AFFILIATE TRANSACTIONS	<u>275</u>	<u>-</u>	<u>176</u>	<u>-</u>
GROSS PROFIT	<u>2,090,964</u>	<u>24</u>	<u>2,044,832</u>	<u>22</u>
OPERATING EXPENSES				
Selling expenses	169,691	2	176,182	2
General and administrative expenses	1,154,853	13	1,004,011	11
Research and development expenses	<u>647,299</u>	<u>8</u>	<u>634,695</u>	<u>7</u>
Total operating expenses	<u>1,971,843</u>	<u>23</u>	<u>1,814,888</u>	<u>20</u>
INCOME FROM OPERATIONS	<u>119,121</u>	<u>1</u>	<u>229,944</u>	<u>2</u>
NON-OPERATING INCOME				
Interest income	2,665	-	50,651	1
Investment income recognized under equity method	5,180,305	59	3,981,066	43
Dividend income	198,718	2	94,646	1
Gain on disposal of property, plant and equipment	1,592	-	1,536	-
Gain on disposal of investments	350	-	-	-
Rental income	129,343	2	141,733	1
Reversal of bad debts	46	-	7,500	-
Reversal of provision for inventory valuation	-	-	3,000	-
Others	<u>96,556</u>	<u>1</u>	<u>113,970</u>	<u>1</u>
Total non-operating income	<u>5,609,575</u>	<u>64</u>	<u>4,394,102</u>	<u>47</u>

(Continued)

POU CHEN CORPORATION

STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

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

(Reviewed, Not Audited)

	2008		2007	
	Amount	%	Amount	%
NON-OPERATING EXPENSES				
Interest expense	\$ 340,437	4	\$ 302,692	3
Loss on disposal of property, plant and equipment	1,833	-	607	-
Loss on disposal of investments	-	-	22,579	-
Foreign exchange loss, net	143,974	2	16,414	-
Provision for loss on inventory	7,000	-	-	-
Valuation loss on financial assets	16,188	-	110,713	1
Others	49,054	-	48,578	1
Total non-operating expenses	558,486	6	501,583	5
INCOME FROM CONTINUING OPERATIONS, BEFORE INCOME TAX	5,170,210	59	4,122,463	44
INCOME TAX EXPENSE	-	-	(410,900)	(4)
NET INCOME	\$ 5,170,210	59	\$ 3,711,563	40
	2008		2007	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE				
Basic	\$ 1.88	\$ 1.88	\$ 1.54	\$ 1.39
Diluted	\$ 1.86	\$ 1.86	\$ 1.52	\$ 1.37

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

	2008	2007
NET INCOME	\$ 5,178,894	\$ 5,317,778

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POU CHEN CORPORATION

STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

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

(Reviewed, Not Audited)

	2008		2007	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE				
Basic	<u>\$ 1.88</u>	<u>\$ 1.88</u>	<u>\$ 2.06</u>	<u>\$ 1.92</u>
Diluted	<u>\$ 1.86</u>	<u>\$ 1.86</u>	<u>\$ 2.04</u>	<u>\$ 1.89</u>

(Concluded)

POU CHEN CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	Capital Surplus				Retained Earnings			Other Adjustments of Stockholders' Equity					
	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	Total
BALANCE, JANUARY 1, 2008	\$ 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
Appropriation of earnings													
Legal reserve	-	-	-	-	-	480,025	-	(480,025)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	(1,313,097)	(1,313,097)	-	-	-	-	-
Bonuses to directors and supervisors	-	-	-	-	-	-	-	(169,000)	-	-	-	-	(169,000)
Bonuses to employees	273,216	-	-	-	-	-	-	(273,216)	-	-	-	-	-
Stock dividends	2,471,099	-	-	-	-	-	-	(2,471,099)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	(2,471,099)	-	-	-	-	(2,471,099)
Acquisition of treasury stock	-	-	-	-	-	-	-	-	-	-	-	(1,086,041)	(1,086,041)
Effect of changes of ownership interest in investees	-	-	-	-	2,015,239	-	-	-	-	-	-	-	2,015,239
Adjustments of retained earnings by subsidiaries	-	-	-	-	-	-	-	(63,638)	-	-	-	-	(63,638)
Adjustments on changes of unrealized loss on available-for-sale financial assets from subsidiaries	-	-	-	-	-	-	-	-	-	(1,965,667)	-	-	(1,965,667)
Cash dividends received by subsidiaries	-	-	-	8,684	-	-	-	-	-	-	-	-	8,684
Adjustments on changes of unrealized loss on cash flow hedge financial liability	-	-	-	-	-	-	-	-	-	17,849	-	-	17,849
Adjustments on changes of unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	(891,323)	-	-	(891,323)
Execution of employee stock warrants	36,400	-	-	-	-	-	-	-	-	-	-	-	36,400
Translation adjustments on foreign long-term equity investments	-	-	-	-	-	-	-	-	544,156	-	-	-	544,156
Net income for the nine months ended September 30, 2008	-	-	-	-	-	-	-	5,170,210	-	-	-	-	5,170,210
BALANCE, SEPTEMBER 30, 2008	\$ 27,899,255	\$ 808,054	\$ 1,492,700	\$ 1,766,528	\$ 3,378,674	\$ 4,749,843	\$ 110,153	\$ 8,334,182	\$ 387,072	\$ (2,926,851)	\$ 134,641	\$ (1,241,416)	\$ 44,892,835
BALANCE, JANUARY 1, 2007	\$ 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	151,505	-	-	-	-	-	-	(151,505)	-	-	-	-	-
Stock dividends	486,209	-	-	-	-	-	-	(486,209)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	(4,375,883)	-	-	-	-	(4,375,883)
Convertible bonds transferred to common stock	8,129	-	14,189	-	-	-	-	-	-	-	-	-	22,318
Effect of changes of ownership interest in investees	-	-	-	-	1,338,304	-	-	-	-	-	-	-	1,338,304
Treasury stock transferred to employees	-	-	-	(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	-	-	-	-	-	-	-	-	-	121,825	-	-	121,825
Adjustments on changes of unrealized loss on available-for-sale financial assets from subsidiaries	-	-	-	-	-	-	-	-	-	237,839	-	-	237,839
Sales of parent company's stock by subsidiary	-	-	-	1,591,094	-	-	-	-	-	918,785	-	1,899,944	4,409,823
Execution of employee stock warrants	42,900	-	-	-	-	-	-	-	-	-	-	-	42,900
Translation adjustments on foreign long-term equity investments	-	-	-	-	-	-	-	-	54,937	-	-	-	54,937
Net income for the nine months ended September 30, 2007	-	-	-	-	-	-	-	3,711,563	-	-	-	-	3,711,563
BALANCE, SEPTEMBER 30, 2007	\$ 25,115,600	\$ 808,054	\$ 1,492,700	\$ 1,757,844	\$ 1,369,744	\$ 4,269,818	\$ 1,423,250	\$ 6,690,265	\$ (146,421)	\$ 56,558	\$ 134,641	\$ (155,375)	\$ 42,816,678

POU CHEN CORPORATION

STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 5,170,210	\$ 3,711,563
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	290,390	279,395
Reversal of bad debts	(46)	(7,500)
Provision for (reversal of) loss on inventory devaluation	7,000	(3,000)
Investment income recognized under equity method	(5,180,305)	(3,981,066)
Cash dividends received from investees under equity method	237,515	5,536,330
Realized gross profit from inter-affiliate transactions	(275)	(176)
Net loss (gain) on disposal of property, plant and equipment	241	(929)
(Gain) loss on disposal of investments	(350)	22,579
Valuation loss on financial assets	16,188	110,713
Net changes in operating assets and liabilities		
Increase in financial assets at fair value through profit or loss, current	(146,041)	(861,682)
Notes receivable	(29,487)	3,198
Notes receivable from affiliates	13,052	(11,254)
Accounts receivable	293,849	(292,045)
Accounts receivable from affiliates	101,323	85,666
Other receivables	(81,275)	87,046
Inventories	(157,082)	(125,269)
Other current assets	7,931	6,141
Deferred income tax asset, noncurrent	(4,130)	(2,760)
Income tax prepayment	1,547	-
Notes payable	(4,402)	(40,349)
Notes payable to affiliates	12,258	(20,843)
Accounts payable	37,688	360,916
Accounts payable to affiliates	(251,522)	377,380
Income tax payable	(418,223)	411,602
Other payables	156,282	97,600
Other current liabilities	(13,085)	(43,351)
Foreign exchange adjustment on Euro convertible bonds	(11)	153
Reserve for retirement plan	17,456	10,871
Net cash provided by operating activities	<u>76,696</u>	<u>5,710,929</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investments accounted for by the equity method	(679,187)	(808,598)
Increase in financial assets carried at cost	-	(50,000)
Proceeds from capital reduction of long-term equity investments	1,922,115	-
Acquisitions of property, plant and equipment	(72,370)	(299,412)
Acquisitions of leased equipment	(2,195)	(145)
Proceeds from disposal of property, plant and equipment	33,545	2,235
Proceeds from disposal of leased equipment	1,894	-

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POU CHEN CORPORATION

STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
(Increase) decrease in refundable deposits	\$ (74)	\$ 2,641
Increase in deferred charges	<u>(50,445)</u>	<u>(31,117)</u>
Net cash provided by (used in) investing activities	<u>1,153,283</u>	<u>(1,184,396)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	575,000	620,000
Redeemed domestic secured bonds	(5,000,000)	-
Increase in long-term debt	7,000,000	-
Acquisitions of treasury stock	(1,086,041)	-
Transfer of treasury stock to employees	-	338,528
Decrease in guarantee deposits received	(408)	-
Bonuses to directors and supervisors	(169,000)	(156,191)
Cash dividends	(2,471,099)	(4,375,883)
Execution of employee stock warrants	<u>36,400</u>	<u>42,900</u>
Net cash used in financing activities	<u>(1,115,148)</u>	<u>(3,530,646)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	114,831	995,887
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>1,068,587</u>	<u>1,331,928</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 1,183,418</u>	<u>\$ 2,327,815</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period		
Interest (excluding interest capitalized)	<u>\$ 328,553</u>	<u>\$ 275,047</u>
Income tax	<u>\$ 416,676</u>	<u>\$ 4,898</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Unrealized gain on cash flow hedge financial liabilities	<u>\$ 17,849</u>	<u>\$ 121,825</u>
Unrealized (loss) gain on available-for-sale financial assets from subsidiaries	<u>\$ (1,965,667)</u>	<u>\$ 237,839</u>
Effect of changes in ownership interest in investees	<u>\$ 2,015,239</u>	<u>\$ 1,338,304</u>
Unrealized loss on available-for-sale financial assets	<u>\$ (891,323)</u>	<u>\$ -</u>
Adjustments of retained earnings by subsidiaries	<u>\$ (63,638)</u>	<u>\$ -</u>
Cash dividend received by subsidiaries	<u>\$ 8,684</u>	<u>\$ 15,121</u>
Adjustments of stockholders' equity from sale of parent company's stock by subsidiaries	<u>\$ -</u>	<u>\$ 4,409,823</u>
Convertible bonds transferred to common stock	<u>\$ -</u>	<u>\$ 22,318</u>
Treasury stock transferred to employees	<u>\$ -</u>	<u>\$ (57,638)</u>
Current portion of long-term liabilities	<u>\$ 1,626,609</u>	<u>\$ 5,000,000</u>
Translation adjustments on foreign long-term equity investments	<u>\$ 544,156</u>	<u>\$ 54,937</u>

(Continued)

POU CHEN CORPORATION

STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
CASH PAID DURING THE PERIOD FOR ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT		
Fair value of property, plant and equipment acquired	\$ 50,302	\$ 220,154
Add payables for acquisitions of property, plant and equipment at beginning of period	28,619	132,168
Less payables for acquisitions of property, plant and equipment at end of period	<u>(6,551)</u>	<u>(52,910)</u>
Cash paid during the period for acquisitions of property, plant and equipment	<u>\$ 72,370</u>	<u>\$ 299,412</u>

(Concluded)