

**Powerchip Semiconductor Corporation
and Subsidiaries**

**Consolidated Financial Statements for the
Six Months Ended June 30, 2007 and 2006 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Shareholders
Powerchip Semiconductor Corporation

We have reviewed the accompanying consolidated balance sheets of Powerchip Semiconductor Corporation and subsidiaries ("the Group") as of June 30, 2007 and 2006, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the six months then ended. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

Except as discussed in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 36 - "Review of Financial Statements" issued by the Auditing Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

As stated in Note 2 to the consolidated financial statements, we did not review the financial statements of some immaterial subsidiaries as of and for the six months ended June 30, 2007 and 2006, which reflected (a) total assets that were 4.62% (NT\$11,089,467 thousand) and 3.21% (NT\$5,896,628 thousand), respectively, of the consolidated assets; and (b) total liabilities that were 0.17% (NT\$210,987 thousand) and 0.16% (NT\$148,745 thousand), respectively, of the consolidated liabilities. These statements for the six months ended June 30, 2007 and 2006 also reflected the subsidiaries' (a) net sales that were 0.69% (NT\$318,257 thousand) and 0.49% (NT\$163,908 thousand), respectively, of the consolidated net sales; and (b) net incomes that were 22.74% (NT\$844,807 thousand) and 0.31% (NT\$13,101 thousand), respectively, of the consolidated net income. Also, as stated in Note 11 to the consolidated financial statements, we also did not review the financial statements for the six months ended June 30, 2007 and 2006 of equity-method investees. The carrying values of the related investments as of June 30, 2007 and 2006 were NT\$20,773,263 thousand and NT\$4,242,492 thousand, respectively, and the related net investment loss and income of NT\$7,603 thousand and NT\$21,059 thousand, respectively. These investment amounts, as well as related information disclosed in Note 29 to the consolidated financial statements, were based on unreviewed financial statements of the investees for the same reporting periods as those of the Group.

Based on our reviews, except for the effects of such adjustments, if any, as might have been determined to be necessary had the financial statements of subsidiaries and investees referred to in preceding paragraph been reviewed, we are not aware of any material modifications that should be made to the consolidated financial statements referred to in the first paragraph for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

As disclosed in Note 3 to the accompanying consolidated financial statements, effective January 1, 2006, the Group adopted the recently released Statements of Financial Accounting Standards (“Statements”) No. 34 - “Financial Instruments: Recognition and Measurement” and No. 36 - “Financial Instruments: Disclosure and Presentation” and related revisions of previously released Statements.

July 24, 2007

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the accountants’ review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language accountant’ review report and consolidated financial statements shall prevail.

POWERCHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

JUNE 30, 2007 AND 2006

(In Thousands of New Taiwan Dollars, Except Par Value)

(Reviewed, Not Audited)

ASSETS	2007		2006		LIABILITIES AND SHAREHOLDERS' EQUITY	2007		2006	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 1, 2 and 4)	\$ 38,609,919	16	\$ 42,076,589	23	Short-term bank loans (Note 14)	\$ 950,000	-	\$ -	-
Financial assets at fair value through profit or loss - current (Notes 2, 3 and 5)	12,512,975	5	5,383,264	3	Financial liabilities at fair value through profit or loss - current (Notes 2, 3, 5 and 16)	1,574,989	1	1,784,516	1
Available-for-sale financial assets - current (Notes 2, 3 and 6)	990,693	1	760,746	-	Accounts payable (Note 26)	2,177,278	1	1,527,102	1
Held-to-maturity financial assets - current (Notes 2, 9 and 26)	95,000	-	21,000	-	Related parties	6,879,673	3	5,890,676	3
Accounts receivable, net (Notes 2, 7 and 26)					Third parties	116,945	-	164,031	-
Related parties	7,203,287	3	4,664,116	2	Income tax payable (Notes 2 and 22)	4,251,238	2	2,435,619	1
Third parties	2,497,357	1	3,471,423	2	Accrued expenses (Notes 2, 15 and 26)	11,800,243	5	3,329,644	2
Other receivables (Note 26)	568,854	-	315,884	-	Cash dividend and bonus payable (Note 19)	23,351,569	10	20,678,882	11
Inventories, net (Notes 2 and 8)	10,210,331	4	7,967,308	4	Payables on equipment	9,841,200	4	13,722,940	8
Prepaid expenses	239,696	-	409,413	-	Convertible bonds payable (Notes 2, and 16)	9,533,333	4	6,606,667	4
Deferred income tax assets - current (Notes 2 and 22)	3,206,021	2	880,468	1	Current portion of long-term bank loans (Notes 17 and 27)	475,783	-	187,910	-
Restricted deposits (Note 27)	787,545	-	850,436	1	Other current liabilities (Notes 26 and 28)	-	-	-	-
Other current assets (Note 26)	245,633	-	64,602	-					
Total current assets	77,167,311	32	66,865,249	36	Total current liabilities	70,952,251	30	56,327,987	31
LONG-TERM INVESTMENTS					LONG-TERM LIABILITIES, NET OF CURRENT PORTION				
Held-to-maturity financial assets - noncurrent (Notes 2, 9 and 26)	375,000	-	470,000	-	Convertible bonds payable (Notes 2 and 16)	13,435,986	6	9,609,938	5
Financial assets carried at cost - noncurrent (Notes 2, 3 and 10)	1,771,806	1	979,683	1	Long-term bank loans (Notes 17 and 27)	36,661,333	15	26,681,666	15
Equity-method investments (Notes 2, 11 and 26)	20,773,263	9	4,242,492	2	Deferred income (Notes 26 and 28)	150,000	-	-	-
Total long-term investments	22,920,069	10	5,692,175	3	Total long-term liabilities	50,247,319	21	36,291,604	20
PROPERTIES (Notes 1, 2, 12 and 27)					OTHER LIABILITIES				
Cost					Accrued pension costs (Notes 2 and 18)	33,750	-	34,915	-
Buildings	10,135,227	4	7,789,030	4	Guarantee deposits (Note 28)	136,268	-	4,366	-
Machinery and equipment	187,642,714	78	131,550,374	72	Deferred income tax liabilities - noncurrent (Notes 2 and 22)	47,388	-	-	-
Research and development equipment	677,188	1	668,180	-	Total other liabilities	217,406	-	39,281	-
Facility equipment	21,966,870	9	16,403,870	9	Total liabilities	121,416,976	51	92,658,872	51
Transportation equipment	19,371	-	17,706	-	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Notes 2, 19 and 20)				
Office equipment	538,263	-	397,734	-	Capital stock				
Leasehold improvements	1,502	-	2,722	-	Common stock - NTS10 par value				
Miscellaneous equipment	1,424,535	1	929,109	1	Authorized - 9,000,000 thousand shares in 2007 and 7,500,000 thousand shares in 2006				
Accumulated depreciation	222,405,670	93	157,758,725	86	Issued and outstanding - 6,963,047 thousand shares in 2007 and 5,924,826 thousand shares in 2006	69,630,469	29	59,248,264	32
	(95,153,419)	(40)	(68,780,149)	(37)	Stock dividend and bonus for distribution	7,866,828	3	3,329,644	2
Construction in progress and advance payments	127,252,251	53	88,978,576	49	Capital surplus				
	8,485,400	3	17,075,629	9	Additional paid-in capital in excess of par value	20,451,771	8	15,251,387	9
Net properties	135,737,651	56	106,054,205	58	Arising from conversion of bonds	4,281,684	2	4,031,771	2
OTHER ASSETS					Arising from treasury stock	-	-	3,290	-
Assets leased to others, net (Note 2)	28,484	-	151,762	-	Arising from long-term investments	401,972	-	24,105	-
Refundable deposits	61,973	-	32,474	-	Retained earnings				
Deferred charges, net (Notes 1, 2 and 13)	2,961,685	2	2,994,263	2	Appropriation for legal reserve	5,507,310	2	2,774,552	1
Deferred income tax assets - noncurrent (Notes 2 and 22)	-	-	1,168,604	1	Appropriation for special reserve	3,164	-	31,566	-
Spare parts, net	439,349	-	391,607	-	Unappropriated earnings	10,846,418	5	7,179,647	4
Land (Note 27)	296,066	-	-	-	Others				
Others	431,297	-	97,552	-	Unrealized gain (loss) on financial assets (Notes 3, 11, and 25)	550,680	-	358,113	-
Total other assets	4,218,854	2	4,836,262	3	Cumulative translation adjustments	(39,384)	-	(11,321)	-
					Treasury stock (at cost) - 58,058 thousand shares in 2007 and 89,674 thousand shares in 2006 (Note 21)	(1,065,545)	-	(1,663,788)	(1)
TOTAL	\$ 240,043,885	100	\$ 183,447,891	100	Total equity attributable to shareholders of the parent	118,435,367	49	90,557,230	49
					MINORITY INTEREST IN SUBSIDIARIES (Note 2)	191,542	-	231,789	-
					Total shareholders' equity	118,626,909	49	90,789,019	49
					TOTAL	\$ 240,043,885	100	\$ 183,447,891	100

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated July 24, 2007)

POWERCHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2007 AND 2006

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

(Reviewed, Not Audited)

	2007		2006	
	Amount	%	Amount	%
GROSS SALES	\$51,594,913		\$35,030,547	
SALES RETURNS AND ALLOWANCES	<u>5,437,242</u>		<u>1,469,206</u>	
NET SALES (Notes 2 and 26)	46,157,671	100	33,561,341	100
COST OF SALES (Notes 23 and 26)	<u>40,159,422</u>	<u>87</u>	<u>26,900,549</u>	<u>80</u>
GROSS PROFIT BEFORE UNREALIZED INTERCOMPANY GROSS PROFIT	5,998,249	13	6,660,792	20
REALIZED (UNREALIZED) INTERCOMPANY PROFIT (Note 2)	<u>24,924</u>	<u>-</u>	<u>(71,168)</u>	<u>-</u>
GROSS PROFIT	<u>6,023,173</u>	<u>13</u>	<u>6,589,624</u>	<u>20</u>
OPERATING EXPENSES (Notes 23 and 26)				
Selling	126,356	-	193,101	1
General and administrative	2,140,442	5	915,534	3
Research and development	<u>1,119,505</u>	<u>2</u>	<u>1,049,742</u>	<u>3</u>
Total operating expenses	<u>3,386,303</u>	<u>7</u>	<u>2,158,377</u>	<u>7</u>
OPERATING INCOME	<u>2,636,870</u>	<u>6</u>	<u>4,431,247</u>	<u>13</u>
NONOPERATING INCOME AND GAINS				
Valuation gain on financial assets, net (Notes 2 and 5)	2,240,918	5	326,951	1
Valuation gain on financial liabilities, net (Notes 2 and 5)	517,166	1	-	-
Interest (Notes 2 and 25)	446,993	1	272,060	1
Foreign exchange gain, net (Note 2)	79,819	-	-	-
Gain on disposal of financial instruments, net (Notes 2 and 5)	55,398	-	127,737	1
Rebate of ECB/GDR management fee	29,637	-	-	-
Indemnity income	19,601	-	8,101	-
Dividend income (Note 2)	41,919	-	12,831	-
Gain on disposal of properties (Note 2)	1,760	-	32,748	-
Equity in earnings of equity-method investees, net (Notes 2 and 11)	-	-	21,059	-
Others (Note 26)	<u>113,468</u>	<u>1</u>	<u>36,690</u>	<u>-</u>
Total nonoperating income and gains	<u>3,546,679</u>	<u>8</u>	<u>838,177</u>	<u>3</u>

(Continued)

POWERCHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2007 AND 2006

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

(Reviewed, Not Audited)

	2007		2006	
	Amount	%	Amount	%
NONOPERATING EXPENSES AND LOSSES				
Provision for loss on inventories and spare parts (Note 2)	\$ 2,499,971	6	\$ 47,263	-
Interest (Notes 2, 12, 14, 16, 17 and 25)	614,900	2	385,834	1
Equity in losses of equity-method investees, net (Notes 2 and 11)	7,603	-	-	-
Loss on disposal of properties and other assets (Note 2)	116,034	-	2,563	-
Impairment loss on financial assets (Notes 2, 10 and 11)	101,645	-	50,398	-
Valuation loss on financial liabilities, net (Notes 2 and 5)	-	-	196,682	1
Issuance cost of convertible bond allocated to financial liabilities at fair value through profit or loss (Notes 2 and 16)	-	-	27,403	-
Foreign exchange loss, net (Note 2)	-	-	7,671	-
Others	<u>37,368</u>	<u>-</u>	<u>40,832</u>	<u>-</u>
Total nonoperating expenses and losses	<u>3,377,521</u>	<u>8</u>	<u>758,646</u>	<u>2</u>
INCOME BEFORE INCOME TAX	2,806,028	6	4,510,778	14
INCOME TAX BENEFIT (EXPENSE) (Notes 2 and 22)	<u>908,980</u>	<u>2</u>	<u>(392,332)</u>	<u>(1)</u>
INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	3,715,008	8	4,118,446	13
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES (NET OF TAX BENEFIT OF \$10,892 THOUSAND) (Notes 3 and 22)	<u>-</u>	<u>-</u>	<u>82,733</u>	<u>-</u>
NET INCOME	<u>\$ 3,715,008</u>	<u>8</u>	<u>\$ 4,201,179</u>	<u>13</u>
ATTRIBUTABLE TO				
Shareholders of the parent	\$ 3,688,748	8	\$ 4,202,156	13
Minority interest	<u>26,260</u>	<u>-</u>	<u>(977)</u>	<u>-</u>
	<u>\$ 3,715,008</u>	<u>8</u>	<u>\$ 4,201,179</u>	<u>13</u>

(Continued)

POWERCHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2006 AND 2005

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

(Reviewed, Not Audited)

	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
CONSOLIDATED EARNINGS PER SHARE				
(Note 24)				
Basic	<u>\$ 0.40</u>	<u>\$ 0.54</u>	<u>\$ 0.78</u>	<u>\$ 0.72</u>
Diluted	<u>\$ 0.29</u>	<u>\$ 0.41</u>	<u>\$ 0.66</u>	<u>\$ 0.60</u>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated July 24, 2007)

(Concluded)

POWERCHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Per Share Data)
(Reviewed, Not Audited)

	Equity Attributable to Shareholders of the Parent																			Minority Interest in Subsidiaries (Note 2)	Total Shareholders' Equity
	Capital Stock				Capital Surplus (Notes 2 and 19)					Retained Earnings				Others (Notes 2, 3, 11 and 25)							
	Common Stock Issued		Stock Dividends and Bonus for Distribution		Additional Paid-in Capital in Excess of Par Value	From Conversion of Bonds	From Treasury Stock	From Long-term Investments	Total	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Total	Unrealized Gain (loss) on Financial Assets	Cumulative Translation Adjustments	Treasury Stock (Notes 2 and 21)	Total				
Shares (Thousands)	Amount	Shares (Thousands)	Amount																		
BALANCE, JANUARY 1, 2007	6,909,088	\$ 69,090,882	-	\$ -	\$ 20,506,052	\$ 4,068,632	\$ 3,629	\$ 19,307	\$ 24,597,620	\$ 2,774,552	\$ 31,566	\$ 30,312,562	\$ 33,118,680	\$ 705,332	\$ (30,652)	\$ (1,637,064)	\$ 125,844,798	\$ 141,295	\$ 125,986,093		
Appropriation of prior year's earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Legal reserve	-	-	-	-	-	-	-	-	-	2,732,758	-	(2,732,758)	-	-	-	-	-	-	-		
Special reserve	-	-	-	-	-	-	-	-	-	(28,402)	-	28,402	-	-	-	-	-	-	-		
Employees' profit sharing - in cash	-	-	-	-	-	-	-	-	-	-	(1,477,394)	(1,477,394)	-	-	-	-	-	-	(1,477,394)		
Employees' profit sharing - in stock	-	-	98,493	984,929	-	-	-	-	-	-	(984,929)	(984,929)	-	-	-	-	-	-	(984,929)		
Cash dividends - 14.8%	-	-	-	-	-	-	-	-	-	-	(10,322,849)	(10,322,849)	-	-	-	-	-	-	(10,322,849)		
Stock dividends - 9.9%	-	-	688,190	6,881,899	-	-	-	-	-	-	(6,881,899)	(6,881,899)	-	-	-	-	-	-	(6,881,899)		
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	-	(738,697)	(738,697)	-	-	-	-	-	-	(738,697)		
Conversion of bonds into capital stock	22,763	227,627	-	-	-	213,052	-	-	213,052	-	-	-	-	-	-	-	440,679	-	440,679		
Issuance of shares upon exercise of employee stock options	31,196	311,960	-	-	(54,281)	-	-	-	(54,281)	-	-	-	-	-	-	-	257,679	-	257,679		
Sales of treasury stock - 30,481 thousand shares at average of NTS17.30 per share	-	-	-	-	-	-	(3,629)	-	(3,629)	-	-	(40,548)	(40,548)	-	-	571,519	527,342	-	527,342		
Adjustment for changes in shareholders' equities of equity-method investees	-	-	-	-	-	-	-	382,665	382,665	-	-	(4,220)	(4,220)	(124,042)	(8,732)	-	245,671	(10,769)	234,902		
Valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	(30,610)	-	-	(30,610)	634	(29,976)		
Increase in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	34,122	34,122		
Net income in the six months ended June 30, 2007	-	-	-	-	-	-	-	-	-	-	-	3,688,748	3,688,748	-	-	-	3,688,748	26,260	3,715,008		
BALANCE, JUNE 30, 2007	6,963,047	\$ 69,630,460	786,683	\$ 7,866,828	\$ 20,451,771	\$ 4,281,684	\$ -	\$ 401,972	\$ 25,135,427	\$ 5,507,310	\$ 3,164	\$ 10,846,418	\$ 16,356,892	\$ 550,680	\$ (39,384)	\$ (1,065,545)	\$ 118,435,367	\$ 191,542	\$ 118,626,909		
BALANCE, JANUARY 1, 2006	5,590,144	\$ 55,901,444	-	\$ -	\$ 12,727,828	\$ 4,031,771	\$ 3,290	\$ 31,525	\$ 16,794,414	\$ 2,132,816	\$ 252	\$ 10,489,647	\$ 12,622,715	\$ (1,078)	\$ (15,822)	\$ (1,630,647)	\$ 83,671,026	\$ 153,082	\$ 83,824,108		
Effect of accounting changes	-	-	-	-	-	-	-	-	-	-	-	-	-	201,492	2,350	-	203,842	-	203,842		
Appropriation of prior year's earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Legal reserve	-	-	-	-	-	-	-	-	-	641,736	-	(641,736)	-	-	-	-	-	-	-		
Special reserve	-	-	-	-	-	-	-	-	-	(31,314)	-	31,314	-	-	-	-	-	-	-		
Employees' profit sharing - in cash	-	-	-	-	-	-	-	-	-	-	(287,215)	(287,215)	-	-	-	-	-	-	(287,215)		
Employees' profit sharing - in stock	-	-	28,721	287,215	-	-	-	-	-	-	(287,215)	(287,215)	-	-	-	-	-	-	(287,215)		
Cash dividends - 5.2%	-	-	-	-	-	-	-	-	-	-	(3,042,429)	(3,042,429)	-	-	-	-	-	-	(3,042,429)		
Stock dividends - 5.2%	-	-	304,243	3,042,429	-	-	-	-	-	-	(3,042,429)	(3,042,429)	-	-	-	-	-	-	(3,042,429)		
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	-	(172,329)	(172,329)	-	-	-	-	-	-	(172,329)		
Issuance of shares upon exercise of employee stock options	34,682	346,820	-	-	(3,861)	-	-	-	(3,861)	-	-	-	-	-	-	-	342,959	-	342,959		
Issuance of capital stock, June 30, 2006 - NTS18.82 per share (certain portion issued as Global Depository Shares)	300,000	3,000,000	-	-	2,527,420	-	-	-	2,527,420	-	-	-	-	-	-	-	5,527,420	-	5,527,420		
Adjustment for changes in shareholders' equities of equity-method investees	-	-	-	-	-	-	-	(7,420)	(7,420)	-	-	(7,489)	(7,489)	83,840	2,151	(33,141)	37,941	(10,389)	27,552		
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	73,859	-	-	73,859	1,222	75,081		
Effect of changes in consolidated entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	46,424	46,424		
Increase in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	42,427	42,427		
Net income in the six months ended June 30, 2006	-	-	-	-	-	-	-	-	-	-	-	4,202,156	4,202,156	-	-	-	4,202,156	(977)	4,201,179		
BALANCE, JUNE 30, 2006	5,924,926	\$ 59,248,264	332,964	\$ 3,329,644	\$ 15,251,387	\$ 4,031,771	\$ 3,290	\$ 34,105	\$ 19,310,553	\$ 2,774,552	\$ 31,566	\$ 7,179,647	\$ 9,985,765	\$ 358,113	\$ (11,371)	\$ (1,663,788)	\$ 90,557,230	\$ 231,789	\$ 90,789,019		

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated July 24, 2007)

POWERCHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, 2007 AND 2006

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income attributable to shareholders of the parent	\$ 3,688,748	\$ 4,202,156
Net income (loss) attributable to minority interest	26,260	(977)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	14,891,561	9,905,091
Amortization	847,313	817,284
(Realized) unrealized intercompany profit	(24,924)	71,168
Valuation gain on financial assets	(2,240,918)	(326,951)
Valuation (gain) loss on financial liabilities	(517,166)	196,682
Foreign exchange (gain) loss on financial assets	(1,416)	278
(Reversal of allowance) provision for doubtful accounts	(56,315)	38,569
Provision for sales discounts	140,000	-
Provision for loss on inventories and spare parts	2,499,971	47,263
Equity in losses (earnings) of equity-method investees, net	7,603	(21,059)
Impairment loss on financial assets	101,645	50,398
Cash dividends from equity-method investees	29,075	61,002
Cash dividends from financial assets carried at cost	11,987	-
Gain on disposal of investments, net	(132,997)	(145,040)
Loss (gain) on disposal of properties and other assets, net	114,274	(30,185)
Deferred income tax (benefit) expense	(1,103,210)	216,582
Amortization of discount on commercial paper issued	-	1,377
Foreign exchange loss (gain) on convertible bonds payable	56,586	(172,843)
Amortization of discount on convertible bonds payable	167,748	-
Issuance costs of the early redemption of convertible bonds	-	1
Issuance costs of convertible bonds allocated to financial liabilities at fair value through profit or loss	-	27,403
Deferred income	200,000	-
Realized deferred income	(10,000)	-
Net changes in operating assets and liabilities		
Held-for-trading financial assets	(1,085,322)	(979,952)
Notes and accounts receivable	3,136,162	(3,543,821)
Other receivables	116,399	183,751
Inventories	(967,152)	(780,235)
Prepaid expenses	43,089	(67,398)
Other current assets	(240,408)	(49,998)
Held-for-trading financial liabilities	-	63,844
Accounts payable	1,156,900	1,323,662
Income tax payable	(1,517,241)	164,031
Accrued expenses	(345,412)	252,454
Other current liabilities	66,922	(42,615)
Accrued pension costs	654	519
Net cash provided by operating activities	<u>19,060,416</u>	<u>11,462,441</u>

(Continued)

POWERCHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2007 AND 2006 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2007	2006
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
Available-for-sale financial assets	\$ (5,000)	\$ (48,285)
Held-to-maturity financial assets	-	(75,000)
Financial assets carried at cost	(405,027)	(475,979)
Equity-method investments	(3,347,057)	(622,059)
Properties	(31,182,874)	(20,801,660)
Deferred charges	(605,353)	(343,028)
Proceeds of the disposal of:		
Available-for-sale financial assets	43,207	26,561
Held-to-maturity financial assets	-	75,000
Financial assets carried at cost	56,998	8,973
Equity-method investments	350,050	33,499
Properties and deferred charges	2,384	42,462
Decrease in restricted deposits	3,954	361,940
Increase in refundable deposits	(30,298)	(4,240)
Decrease in spare parts	22,576	1,202
Increase in other assets	<u>(419,735)</u>	<u>(48,758)</u>
Net cash used in investing activities	<u>(35,516,175)</u>	<u>(21,869,372)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term bank loans	950,000	(773,534)
Proceeds of:		
Issuance of convertible bonds	-	5,142,381
Long-term bank loans	15,753,000	12,250,000
Issuance of capital stocks	-	5,527,420
Exercise of employee stock options	257,679	342,959
Sales of treasury stock	720,134	-
Repayments of long-term bank loans	(4,043,334)	(5,929,351)
Redemption of convertible bonds	-	(6,522)
Increase in guarantee deposits	131,472	243
Remuneration paid to directors and supervisors	(738,697)	(172,329)
Increase in minority interest in subsidiaries	<u>34,122</u>	<u>42,427</u>
Net cash provided by financing activities	<u>13,064,376</u>	<u>16,423,694</u>
EFFECT OF CHANGE IN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	<u>(891)</u>	<u>760</u>
EFFECT OF FIRST INCLUSION FOR CONSOLIDATION OF CERTAIN SUBSIDIARIES	<u>-</u>	<u>1,870</u>
EFFECT OF CHANGES IN CONSOLIDATED ENTITIES	<u>826,304</u>	<u>-</u>

(Continued)

POWERCHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2007 AND 2006 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2007	2006
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	\$ (2,565,970)	\$ 6,019,393
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>41,175,889</u>	<u>36,057,196</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 38,609,919</u>	<u>\$ 42,076,589</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid (excluding amounts capitalized of \$137,234 thousand in 2007 and \$96,405 thousand in 2006)	<u>\$ 421,804</u>	<u>\$ 383,925</u>
Income tax paid	<u>\$ 1,694,093</u>	<u>\$ 35,983</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Transfer of financial assets carried at cost to available-for-sale financial assets	<u>\$ 72,841</u>	<u>\$ 320,592</u>
Transfer of equity-method investments to financial assets carried at cost	<u>\$ 646,700</u>	<u>\$ -</u>
Reclassification of properties into deferred charges	<u>\$ 122</u>	<u>\$ -</u>
Reclassification of deferred charges into properties	<u>\$ 580</u>	<u>\$ 1,336</u>
Current portion of long-term liabilities	<u>\$ 9,533,333</u>	<u>\$ 6,606,667</u>
Cash dividend payable	<u>\$ 10,322,849</u>	<u>\$ 3,042,429</u>
Employees' cash bonus payable	<u>\$ 1,477,394</u>	<u>\$ 287,215</u>
Conversion of bonds	<u>\$ 440,679</u>	<u>\$ -</u>
Treasury stock - Corporation's stock held by its subsidiaries	<u>\$ -</u>	<u>\$ 33,141</u>
INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH AND NONCASH ITEMS		
Acquisition of properties	\$ (33,083,404)	\$ (27,749,415)
Payable, beginning of period	(21,451,039)	(13,731,127)
Payable, end of period	<u>23,351,569</u>	<u>20,678,882</u>
Cash paid	<u>\$ (31,182,874)</u>	<u>\$ (20,801,660)</u>
Acquisition of equity-method investments	\$ (16,464,073)	\$ (622,059)
Investees' merge	177,600	-
Properties transfer in payment for equity-method investments	12,817,346	-
Deferred charges transfer in payment for equity-method investments	<u>122,070</u>	<u>-</u>
Cash paid	<u>\$ (3,347,057)</u>	<u>\$ (622,059)</u>
Sales of treasury stock	\$ 527,342	\$ -
Advance receipt from disposal of treasury stock, beginning of period (classified under other current liabilities)	(14,008)	-
Advance receipt from disposal of treasury stock, end of period (classified under other current liabilities)	<u>206,800</u>	<u>-</u>
	<u>\$ 720,134</u>	<u>\$ -</u>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated July 24, 2007)

(Concluded)

POWERCHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2007 and 2006

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

(Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

Powerchip Semiconductor Corporation (PSC) was incorporated on December 20, 1994. Its common shares have been traded on the Taiwan GreTai Securities Market (formerly the Over-the-Counter Securities Exchange) since March 23, 1998. PSC also issued Global Depositary Shares (GDS), which are listed on the Luxembourg Stock Exchange, accepted for quotation on the International Order Book of the London Stock Exchange and eligible for trading as private offerings, resale and trading through automated inter-market trading linkages of the NASDAQ Stock Market, Inc.

PSC's business activities mainly include research and development, manufacturing (including on subcontracting), testing, assembling and selling various integrated circuit products.

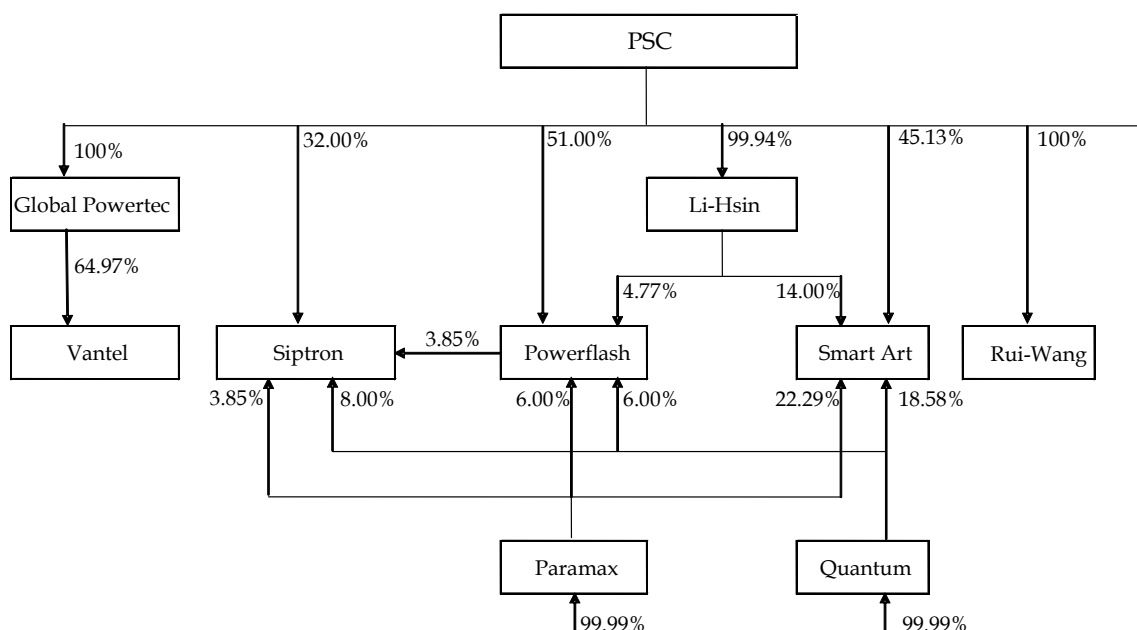
To reorganize its structure and enhance its competitiveness and performance, PSC signed a joint venture agreement with Elpida Memory Inc. to invest Rexchip Electronics Corp. ("Rexchip"). Under Article 28 of the Business Mergers and Acquisitions Law, PSC exchanged its 12-inch fab ("FAB 12C") building and facilities for the newly issued shares of Rexchip. In this share acquisition, with May 10, 2007 as the record date, PSC received one share for every NT\$16.00 in exchanged assets, for a total of 1,000,000 thousand shares. The book values of the exchanged assets were as follows:

Assets

Cash	\$ 3,060,584
Properties	12,817,346
Deferred charges	<u>122,070</u>
	<u>\$ 16,000,000</u>

Subsidiaries of PSC included Quantum Vision Corp. ("Quantum"), Paramax Corp. ("Paramax"), Li-Hsin Investment Corp. ("Li-Hsin"), Smart Art Corp. ("Smart Art"), Siptron Technology Corporation ("Siptron", named PowerFlash Semiconductor Corp. before), Powerflash Technology Corporation ("Powerflash", named Smartic Technology Inc. before), Rui-Wang Investment Corp. ("Rui-Wang"), Zentel Electronics Corp. ("Zentel", because Zentel's president assigned by PSC resigned, PSC no longer had a controlling interest over Zentel beginning in November 2006 and Zentel's revenue and expenses after October 31, 2006 were excluded from the consolidated statements of income for the year ended December 31, 2006), Zentel Japan Corp. ("Zentel-Japan", subsidiary of Zentel), Rexchip Electronics Corp. ("Rexchip"; because PSC subscribed for Rexchip's newly issued shares at a percentage different from its current equity in the investee as well as signed a joint venture agreement with Elpida to establish joint control over Rexchip, PSC's voting right in the board of directors became less than half after the election of Rexchip's directors and supervisors; thus, PSC no longer had a controlling interest over Rexchip from May 25, 2007, and Rexchip's revenue and expenses after May 25, 2007 were excluded from the consolidated statements of income for the six months ended June 30, 2007); Global Powertec Co., Ltd. ("Global Powertec") and Vantel Corp. ("Vantel", subsidiary of Global Powertec).

The following diagram shows the relationship and ownership percentages between PSC and its subsidiaries as of June 30, 2007:



Powerflash, Siptron, Zentel, Zentel-Japan, Rexchip and Vantel are engaged in the research and development, designing, manufacturing and selling various integrated circuit products; Quantum, Paramax, Li-Hsin, Rui-Wang and Global Powertec are engaged in investing activities; while Smart Art is engaged in the selling of art work.

As of June 30, 2007 and 2006, the Group had 7,279 and 5,613 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting and accounting principles generally accepted in the Republic of China (ROC). Under these guidelines and principles, PSC and the subsidiaries should make certain estimates and assumptions on the amounts of allowance for doubtful accounts; allowance for sales discounts, allowance for loss on inventories and spare parts, depreciation of properties, amortization of deferred charges, pension expenses and contingent liabilities. Actual results could differ from these estimates.

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language consolidated financial statements shall prevail.

The Group's significant accounting policies are summarized as follows:

Consolidation

The consolidated financial statements as of and for the six months ended June 30, 2007 and 2006 include the accounts of PSC and all its direct and indirect subsidiaries as well as others investees over which the Group has controlling interests. All significant intercompany balances and transactions have been eliminated in the consolidation.

The consolidated entities as of June 30, 2007 and 2006 were as follows:

<u>Investor</u>	<u>Investee</u>	% of Ownership as of June 30, 2007	% of Ownership as of June 30, 2006	Remark
PSC	Paramax	99.99	99.99	-
	Quantum	99.99	99.99	-
	Li-Hsin	99.94	99.90	-
	Global Powertec	100.00	100.00	-
	Rexchip	50.00	-	Rexchip was established in November, 2006, because PSC subscribed for Rexchip's newly issued shares at a percentage different from its current equity in the investee as well as signed a joint venture agreement with Elpida to establish joint control over Rexchip, PSC's voting right in the board of directors became less than half after the election of Rexchip's directors and supervisors; thus, PSC no longer had a controlling interest over Rexchip from May 25, 2007, and Rexchip's revenue and expenses after May 25, 2007 were excluded from the consolidated statements of income for the six months ended June 30, 2007.
	Rui-Wang	100.00	-	Rui-Wang was established in December, 2006.
	Powerflash	51.00	51.00	-
	Smart Art	45.13	45.66	The Group wholly owned Smart Art, i.e., PSC held 45.13% of Smart Art and Li-Hsin, Quantum and Paramax jointly held 54.87%.
	Zentel	20.02	36.80	The president of Zentel was assigned by PSC. Thus, PSC has control over the operation of Zentel. However, because the president assigned by PSC resigned, PSC no longer had a controlling interest over Zentel beginning in November 2006. As a result, its revenue and expenses after October 31, 2006 were excluded from the consolidated statements of income for the year ended December 31, 2006.

(Continued)

<u>Investor</u>	<u>Investee</u>	<u>% of Ownership as of June 30, 2007</u>	<u>% of Ownership as of June 30, 2006</u>	<u>Remark</u>
	Siptron	32.00	32.00	The president of Siptron was assigned by PSC. Thus, PSC has control over the operation of Siptron.
Zentel	Zentel-Japan	99.96	99.96	Since November, 2006, PSC no longer had a controlling interest over Zentel; thus Zentel-Japan's revenue and expenses after October 31, 2006 were excluded from the consolidated statements of income for the year ended December 31, 2006
Global Powertec	Vantel	64.97	99.88	-

(Concluded)

PSC and the foregoing subsidiaries are hereinafter referred to collectively as the "Group."

Minority interest in subsidiaries is presented under minority interest in subsidiaries in the consolidated financial statements.

Current/Noncurrent Assets and Liabilities

Current assets are cash (unrestricted) and cash equivalents, assets primarily for the purpose of being traded and other assets to be converted to cash, consumed or sold within one year from the balance sheet date. Current liabilities are those to be settled within one year from the balance sheet date and those primarily for the purpose of being traded. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

Cash Equivalents

Bonds purchased under resell agreements and with maturities of three months or less from the date of purchase are classified as cash equivalents. Their carrying amount approximates fair value.

Financial Assets/Liabilities at Fair Value Through Profit or Loss

Financial instruments at fair value through profit or loss have two categories: (1) held for trading and (2) designated on initial recognition as at fair value through profit or loss. When the Group enters into financial instrument agreements, the financial assets or liabilities are recognized; and the financial assets or liabilities are derecognized when the agreements become invalid.

These financial instruments, except derivatives, are initially recognized at fair value plus transaction costs that are directly attributable to the instrument acquisition; others are initially recognized at fair value with transaction cost expenses as incurred. When fair value is subsequently measured, the changes in fair value are recognized as earnings. Cash dividends are recognized as income upon the declaration by an investee's shareholders under a resolution. The differences between the carrying value and the consideration received shall be recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized using trade date accounting.

Derivatives that do not meet the criteria for hedge accounting are treated as financial assets or liabilities held for trading. When the fair value of a derivative is a positive amount, the derivative is treated as a financial asset; when the fair value is a negative amount, the derivative is treated as a financial liability.

The fair values of listed stock and close-end mutual funds are the closing price as of the balance sheet date; open-end mutual funds are based on their net asset value at the balance sheet date. For those instruments without quoted market prices in an active market, the fair value is based on valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions.

Hybrid instruments are designated at fair value through profit or loss.

Available-for-sale Financial Assets

Investments classified as available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributed to investment acquisition. When subsequently measured at fair value, the changes in fair value are reported as a separate component of shareholders' equity. The accumulated gains or losses are recognized when the financial asset is derecognized from the balance sheet. A regular way purchase or sale of financial assets is recognized and derecognized using trade date accounting.

The accounting for fair value and financial asset de-recognition is the same as that for financial instruments at fair value through profit or loss.

Cash dividends are recognized as investment income upon resolution of the shareholders of an investee but are accounted for as reductions of the original investment cost if these dividends are declared on the earnings of the investees attributable to periods before the purchase of the investments. Stock dividends received are recorded as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated on the basis of the new number of shares after the receipt of stock dividends.

If there is objective evidence that a financial asset (equity security) is impaired as of the balance sheet date, a loss is recognized. If the impairment loss decreases, the impairment loss is reversed to the extent of the decrease and recorded as an adjustment to shareholders' equity.

Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided on the basis of the aging of receivables and periodic review of the collectibility of receivables.

Inventories

Inventories are stated at the lower of aggregate costs or market value. Materials and supplies of PSC are recorded at actual cost; finished goods and work in process of PSC are recorded at standard cost and adjusted to the approximate weighted-average cost at the end of each period, and others are recorded at weighted-average cost. Market value is the net realizable value of merchandise, finished goods and work in process and replacement value of raw materials and supplies. Estimated losses on scrap and slow-moving items are recognized and included in the allowance for losses.

Held-to-maturity Financial Assets

Debt securities for which the Group has a positive intent and ability to hold to maturity are categorized as held-to-maturity financial assets and are carried at the amortized cost using the straight-line method. Those financial assets are initially recognized at fair value plus transaction costs that are directly attributed to the acquisition. Gains or losses are recognized at the time of derecognition, impairment or amortization. A regular way purchase or sale of financial assets is recognized and derecognized using trade date accounting.

If there is objective evidence of financial asset impairment, a loss is recognized. If the impairment loss decreases and the decrease is clearly attributable to an event that occurred after the impairment loss was recognized, the previously recognized impairment loss is reversed to the extent of the decrease. However, the increased carrying amount of an asset due to reversal of impairment loss should not exceed the carrying amount that would have been determined (the amortized cost) had no impairment loss been recognized for the asset.

Financial Assets Carried at Cost

Investments without quoted market prices in an active market and whose fair value cannot be reliably measured, such as nonpublicly traded stocks, are carried at their original cost. The accounting treatment for cash and stock dividend arising from financial assets carried at cost is the same as that for available-for-sale financial assets.

If there is objective evidence of financial asset impairment, a loss is recognized. This impairment loss is irreversible.

Equity-method Investments

Stock investments in which the Group exercises significant influence on investees' operating and financial decisions are accounted for by the equity method.

The difference between the investment cost and the Group's equity in the investee's net assets on the acquisition date was previously amortized using the straight-line method over 5 years. However, based on the revised Statement of Financial Accounting Standards No. 5 - "Long-term Investment under Equity Method," effective January 1, 2006, investment premium, representing goodwill based on analysis of the acquisition cost, is no longer required to be amortized. In addition, goodwill should be assessed for impairment annually or whenever an event or circumstances would result in the goodwill reduction. Further, the unamortized differences on investments, acquired before January 1, 2006 are treated in the same way as goodwill.

Stock dividends received are recorded as an increase in the number of shares held on the ex-dividend date and do not affect investment income or the carrying amount of the investment. Cash dividends are accounted for as a reduction of carrying value of the investment.

If an investee is identified as significantly impaired, the carrying amount of the investment in excess of its recoverable amount is recognized as impairment loss. For those investees over which the Group exercises significant influence on their operating and financial decisions, the assessment of impairment is based on carrying value.

If an investee issues additional shares and the Group subscribes for these shares at a percentage different from its current equity in the investee, the resulting difference in the Group's equity in the investee's net assets is recorded as an adjustment to capital surplus as well as to the Equity-method Investments accounts. Any decrease in the Group's equity in the investee's net assets is debited to capital surplus. If capital surplus from long-term investments is not enough for debiting purposes, the debit is made against unappropriated retained earnings. The carrying amount may also be adjusted at the Group's interest in the investee if there are changes in the investee's equity, other than capital stocks and retained earnings.

If the Group's equity in the investee's net income or net loss of an equity-method investee equals to or exceeds the investment carrying value, plus advances to the investee the recognized investment losses, except the Group committee to provide further financial support for the investee or the losses of the investee are temporary, should be limited to the extent that makes the investment carrying value and advances equal to zero.

Gains or losses on sales by the Group to equity-method investees that are not majority owned are deferred in proportion to the Group's equity interest in the investees at period-end.

Gains or losses on sales generated from equity-method investees to the Group are deferred in proportion to the Group's equivalent equity interest in the investees.

Gains or losses from sales among all equity-method investees are deferred in proportion to the product of the Group's equity in one investee multiplied by its equity in the other investee.

All of the above deferred gains and losses are realized upon the sale of the related products to third parties.

Properties and Assets Leased to Others

Properties and assets leased to others are stated at cost less accumulated depreciation. Major additions, renewals, betterments and interest expense incurred during the construction period are capitalized, while maintenance and repairs are expensed currently.

Depreciation is calculated using the straight-line method over service lives which are initially estimated as follows: buildings, 3 to 20 years; machinery and equipment, 2 to 5 years; research and development equipment, 2 to 5 years; facility equipment, 3 to 15 years; transportation equipment, 5 years; office equipment, 3 to 10 years; leasehold improvement, 5 to 10 years; miscellaneous equipment, 2 to 5 years; and assets leased to others, 10 to 20 years. Properties and assets leased to others still in use beyond their initially estimated service lives are further depreciated over the newly estimated service lives.

If significant asset impairment is determined, the carrying amount of an asset in excess of its recoverable amount is recognized as a loss. If the recoverable amount increases, the impairment loss reversal is recognized as a gain. However, the increased carrying amount of an asset due to impairment loss reversal should not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years.

Upon sale or other disposal of properties and assets leased to others, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is credited or charged to current income.

Deferred Charges

Issuance costs of convertible bonds, except those of bonds issued on or after January 1, 2006, are amortized from the issuance date to the expiration date of the redemption period. For those bonds issued on or after January 1, 2006, issuance costs are allocated to all components, under their relative fair value, pursuant to the recently released Statements of Financial Accounting Standard.

Deferred charges are amortized using the straight-line method over the following periods: technical know-how, contract period; computer software system - 2 to 5 years; test-run costs and patents - 5 years; and others - 2 to 5 years.

If significant asset impairment is determined, the carrying amount of an asset in excess of its recoverable amount is recognized as a loss. If the recoverable amount increases, the impairment loss reversal is recognized as a gain. However, the increased carrying amount of an asset due to impairment loss reversal should not exceed the carrying amount that would have been determined (net of amortization) had no impairment loss been recognized for the assets in prior years.

On January 1, 2007, the Group adopted the recently released Statement of Financial Accounting Standards No. 37 - "Intangible Assets" and started to recognize as expenses those research and development expenditures and developments costs that do not meet the criteria for capitalization as these expenses are incurred.

Convertible Bonds

The Group records total proceeds from the issuance of convertible bonds, issued before December 31, 2005, solely as a liability. In addition, the capital stock account is credited with the par value of the Group's common shares into which bonds are converted. The carrying values of the bonds and other assets and liabilities related to those convertible bonds as of the conversion date in excess of the amounts credited to the capital stock account are credited to the capital surplus account. When the bondholder exercises the put option, the difference between the payment and the book value of the bonds and other assets and liabilities related to these convertible bonds is credited or charged to current income.

For convertible bonds issued on or after January 1, 2006, the carrying values of host contract are recorded in total proceeds from the issuance less the (1) fair values of embedded derivatives and (2) issuance costs allocated to bond payable under the initially relative recognized amount. When the fair value of the bonds is subsequently measured at amortized cost using the effective rate method, the related interest expense or redemption gain is recognized as losses or earnings. When the bondholder exercises the conversion option before bond maturity, the adjusted carrying value of the debt components (bonds and embedded derivatives are included) is credited to a capital stock accounts. The carrying value of bonds is accounted for by the interest method until the day before the conversion date, and that of embedded derivatives is the fair value of the day before the conversion date.

Employee Stock Options

Compensatory employee stock option plans that are granted or amended on or after January 1, 2004 must be accounted for in accordance with the interpretations issued by the Accounting Research and Development Foundation of the Republic of China. The Group uses the intrinsic value method to evaluate the compensation cost of employee stock options and charges any compensation cost to expense over the employee vesting period specified in the stock option plans.

Treasury Stock

The reacquisition of issued stock is accounted for by the cost method. Under this method, the reacquisition cost is debited to the treasury stock account. Treasury stock is shown as a deduction to arrive at shareholders' equity. If treasury shares are reissued at a price in excess of the acquisition cost, the excess is credited to paid-in capital from treasury stock. If the treasury shares are reissued at less than acquisition cost, the deficiency is treated first as a reduction of any paid-in capital related to previous reissuances. If the balance in paid-in capital from treasury stock is insufficient to absorb the deficiency, the remainder is recorded as a reduction of retained earnings.

When the treasury shares are retired, the capital stock and paid-in capital based on the existing equity are debited. If the treasury shares are retired at a price lower than its par value and paid-in capital, the deficiency is credited to paid-in capital from treasury stock. If the treasury shares are retired at a price in excess of its par value and paid-in capital, the excess is debited to paid-in capital from treasury stock. If the balance in paid-in capital from treasury stock is insufficient to absorb the deficiency, the remainder is recorded as a reduction of retained earnings.

PSC accounts for its stock held by its subsidiaries as treasury stock. The recorded cost of these treasury shares are based on the carrying value of the investments as shown in the subsidiaries' book as of January 1, 2002, or the date, later than January 1, 2002, when the investees stating to be the subsidiaries.

Revenue Recognition and Allowance for Sales Discounts

Sales are recognized when titles to products are transferred to customers, primarily upon shipment, since the major part of the earnings process is completed and revenue is realized or realizable. The Group does not recognize sales on transactions involving the delivery of materials to subcontractors since the ownership over the materials is not transferred. Allowance for sales discounts is estimated on the basis of any known factors that would affect the allowance and are deducted from sales in the period the products are sold.

Sales are determined using the fair value agreed on by the Group and customer. Since the receivables from sales are collectible within one year and sales transactions are frequent, the fair value of receivables is equivalent to the nominal amount of cash to be received.

Capitalized and Other Expenditures

Expenditures of \$60 thousand or more that will benefit periods of more than two years are capitalized. Other expenditures are recorded as expenses or losses.

Pension Costs

For employees under defined contribution pension plans, pension costs are recorded based on the actual contributions made to employees' individual pension accounts during service periods. For employees under defined benefit pension plans, pension costs are recorded based on actuarial calculations.

Income Tax

The Group applies intra-period and inter-period allocation for its income tax, as follows: (1) a portion of current period income tax expense is allocated to the cumulated effect of changes in accounting principles; and (2) deferred income tax assets and liabilities are recognized for the tax effects of temporary difference, unused tax credits and operating loss carryforwards. Valuation allowance is provided for deferred income tax assets that are not certain to be realized. A deferred income tax asset or liability is classified as current or noncurrent according to the classification of the related asset or liability for financial reporting. But if a deferred income tax asset or liability cannot be related to an asset or liability in the financial statements, it is classified as current or noncurrent on the basis of the expected reversal date of the temporary difference.

Tax credits for certain purchases of machinery, equipment and technology, research and development expenditures, personnel training and investments in important technology-based enterprise are recognized by the flow-through method.

Adjustments of prior years' accrued tax are added to or deducted from the current year's tax expense.

Income taxes (10%) on undistributed earnings generated since January 1, 1998 are recorded as expenses in the year when the shareholders resolve to retain the earnings.

Foreign-currency Transactions

Foreign-currency transactions, except derivative transactions, are recorded in New Taiwan Dollars at the rates of exchange in effect when the transactions occur. Exchange gains or losses derived from foreign-currency transactions or monetary assets and liabilities denominated in foreign currencies are recognized as current income. On the balance sheet date, the balances of nonmonetary assets and liabilities, except those carried at cost be valued at the historical rate of the trade date, are restated at prevailing exchange rates, and the resulting differences are recorded as follows:

- a. Financial instruments at fair value through shareholders' equity - as an adjustment component under shareholders' equity;
- b. Financial instruments at fair value through profit or loss - credits or charges to current income; and
- c. Long-term investments accounted for by the equity method - as cumulative translation adjustments under shareholders' equity.

The spot rates use the middle price of mainly correspondent bank.

Translation of Foreign-currency Financial Statements

ROC SFAS No. 14, "Accounting for Foreign-currency Translation," applies to foreign subsidiaries that use the local currency as their functional currency. The financial statements of foreign subsidiaries are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities - current rate on the balance sheet date; shareholders' equity - historical rates; income and expenses - average rate during the period. The resulting translation adjustments are recorded as a separate component under shareholders' equity.

Reclassification

Certain accounts in the consolidated financial statements as of and for the six months ended June 30, 2006 have been reclassified to be consist with the consolidated financial statements as of and for the six months ended June 30, 2007.

3. ACCOUNTING CHANGES

On January 1, 2006, the Group adopted the recently released SFAS No. 34 - "Financial Instruments: Recognition and Measurement" and SFAS No. 36 - "Financial Instruments: Disclosure and Presentation" and related revisions of other previously released Statements.

- a. Effect of adopting the SFAS Nos. 34 and 36 and related revisions of other previously released Statements

Under the Group's adoption of SFAS Nos. 34 and 36, its financial assets and liabilities, including derivatives, were categorized in accordance with these Statements. In addition, the adjustments made to the carrying amounts of the financial instruments categorized as financial instruments at fair value through profit or loss were included in the cumulative effect of changes in accounting principles. On the other hand, the adjustments made to the carrying amounts of those categorized as available-for-sale financial assets were recognized as adjustments to shareholders' equity.

Furthermore, the adjustments made to the foreign-currency equity instruments, previously accounted for by the cost method and categorized as financial assets carried at cost, were revaluated at the historical rate of the trade date, which resulted in the reversal of cumulative translation adjustments under shareholders' equity.

PSC's effects of adopting the recently released SFAS Nos. 34 and 36 are summarized as follows:

	Recognized as Cumulative Effect of Changes in Accounting Principles (Net of Tax)	Recognized as a Separate Component of Shareholders' Equity (Net of Tax)
Financial assets at fair value through profit or loss - current	\$ 80,803	\$ 1,706
Available-for-sale financial assets - current	-	201,492
Financial assets carried at cost - noncurrent	-	644
Financial liabilities at fair value through profit or loss - current	<u>(47,883)</u>	<u>-</u>
	<u>\$ 32,920</u>	<u>\$ 203,842</u>

The accounting changes resulted in an increase of \$32,920 thousand in PSC's net income, and an increase of NT\$0.01 in PSC's basic and diluted earnings per share (after income tax) for the six months ended June 30, 2006.

Effective January 1, 2006, the Group adopted the recently revised SFAS No. 1 - "Conceptual Framework for Financial Accounting and Preparation of Financial Statements," SFAS No. 5 - "Long-Term Investment under Equity Method" and SFAS No. 25 - "Business Combinations." The amendments of these Statements include the following: (1) goodwill is no longer amortized but it should be assessed for impairment, and (2) investment premiums, representing goodwill based on analysis of the acquisition costs, should be assessed for impairment instead of being amortized. The adoption of these revised Statements had no impact on net income for the six months ended June 30, 2006.

4. CASH AND CASH EQUIVALENTS

	June 30	
	2007	2006
Time deposits	\$ 30,557,387	\$ 20,438,644
Bonds purchased under resell agreements	5,991,424	7,547,797
Demand deposits	1,907,997	13,283,251
Checking accounts	152,896	806,665
Cash on hand	<u>215</u>	<u>232</u>
	<u>\$ 38,609,919</u>	<u>\$ 42,076,589</u>

PSC's overseas bank deposits as of June 30, 2007 and 2006 are summarized as follows:

	June 30	
	2007	2006
Japan - JPY627,548 thousand in 2007; JPY343,144 thousand in 2006	\$ 166,363	\$ 96,938
Luxembourg - US\$2,846 thousand in 2007; US\$2,709 thousand in 2006	93,160	87,774
Singapore - US\$1,077 thousand, JPY83,637 thousand and HK\$225 thousand in 2007; US\$46 thousand, JPY54,640 thousand and HK\$1,249 thousand in 2006	58,370	22,133
Hong Kong - US\$15 thousand and HK\$6,455 thousand in 2007; US\$6 thousand and HK\$22,577 thousand in 2006	<u>27,529</u>	<u>94,346</u>
	<u>\$ 345,422</u>	<u>\$ 301,191</u>

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30	
	2007	2006
Financial assets held for trading	\$ 12,512,975	\$ 5,322,243
Financial assets designated at fair value through profit or loss	<u>-</u>	<u>61,021</u>
	<u>\$ 12,512,975</u>	<u>\$ 5,383,264</u>
Financial liabilities held for trading	<u>\$ 1,574,989</u>	<u>\$ 1,784,516</u>

Financial instruments held for trading as of June 30, 2007 and 2006 are summarized as follows:

	June 30	
	2007	2006
Financial assets		
Domestic listed stocks	\$ 9,617,632	\$ 3,376,628
Foreign listed stocks - US\$401 thousand, HK\$2,329 thousand and JPY2,326,755 thousand in 2007; US\$778 thousand and JPY1,867,800 thousand in 2006	639,739	552,798
Mutual funds	<u>2,255,604</u>	<u>1,392,817</u>
	<u>\$ 12,512,975</u>	<u>\$ 5,322,243</u>
Financial liabilities		
Interest rate swap contracts	\$ 25,485	\$ 101,531
Debt components of convertible bonds (Note 16)		
Conversion option	1,414,815	1,554,322
Put option	<u>134,689</u>	<u>128,663</u>
	<u>\$ 1,574,989</u>	<u>\$ 1,784,516</u>

The Group used forward exchange contracts, cross-currency swap contracts and interest rate swap contracts during the six months ended June 30, 2007 and 2006 to manage exposures related to fluctuations of foreign exchange rate and interest rate. The purpose of such transactions, which did not meet the criteria for hedge accounting prescribed in SFAS No. 34, is to hedge market risks and cash flow risks.

As of June 30, 2007 and 2006, all forward exchange contracts had expired.

As of June 30, 2007, all cross-currency swap contracts had expired, and the Group had no cross-currency swap contracts for the six months ended June 30, 2006.

Outstanding interest rate swap contracts as of June 30, 2007 and 2006 were as follows:

Contract Amount (In Thousands)	Period	Range of Interest Rates Paid	Range of Interest Rates Received
<u>June 30, 2007</u>			
\$ 400,000	May 31, 2004 - March 24, 2009	5.35%-5.37%	1.71%-2.37%
400,000	June 1, 2004 - March 24, 2009	1.85%	1.71%-2.37%
400,000	June 3, 2004 - March 24, 2009	5.35%-5.37%	1.71%-2.37%
400,000	June 16, 2004 - March 24, 2009	4.15%-4.17%	1.71%-2.37%
<u>June 30, 2006</u>			
\$ 600,000	May 31, 2004 - March 24, 2009	1.70%-5.46%	1.46%-1.59%
600,000	June 1, 2004 - March 24, 2009	1.85%	1.46%-1.59%
600,000	June 3, 2004 - March 24, 2009	1.60%-5.46%	1.46%-1.59%
600,000	June 16, 2004 - March 24, 2009	3.32%-4.26%	1.46%-1.59%
200,000	July 2, 2004 - May 20, 2007	1.50%-5.19%	1.45%-1.57%
200,000	July 2, 2004 - May 20, 2007	3.32%-4.14%	1.45%-1.57%
200,000	July 2, 2004 - May 20, 2007	3.32%-4.14%	1.45%-1.57%

Net gains arising from financial assets held for trading were \$2,230,118 thousand and \$451,426 thousand for the six months ended June 30, 2007 and 2006, respectively. Net gains and losses arising from financial liabilities held for trading were \$490,867 thousand and \$213,985 thousand for the six months ended June 30, 2007 and 2006, respectively.

Financial instruments designated at fair value through profit or loss was as follows:

	June 30, 2006
Financial assets	
Credit-linked notes (CLNs)	<u>\$ 61,021</u>

Other CLN information is as follows:

CLN Issuer	Principal Amount (in Thousands)	Interest Rate	Maturity
Yuanta Assets Management Limited	US\$ 400	7.75%-8.81%	December 2006
Credit Suisse First Boston International	US\$ 1,500	6.37%-7.10%	February 2007

Under the CLNs transaction terms, the investment can be transferred before the maturity date only through the exercise of the early redemption right by Yuanta Assets Management limited and Credit Suisse First Boston International. The issuers will settle CLNs at a price equal to the market value of the related obligation as the specific credit event occurred. On the other hand, CLNs will be settled at face value on maturity or at a certain price if the issuers exercise early redemption rights. Net gains on the CLNs, which are financial assets designated at fair value through profit or loss, were \$1,288 thousand and \$1,914 thousand for the six months ended June 30, 2007 and 2006, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
Domestic listed stocks	\$ 556,066	\$ 433,204
Foreign listed stocks - HK\$7,360 thousand and CAD143 thousand in 2007; HK\$41 thousand in 2006	35,279	169
Mutual funds		
Open-end	130,269	79,402
Close-end - NT\$205,200 thousand and HK\$13,906 thousand in 2007; NT\$187,020 thousand and HK\$14,642 thousand in 2006	263,404	247,971
Convertible bonds	<u>5,675</u>	<u>-</u>
	<u>\$ 990,693</u>	<u>\$ 760,746</u>

7. ACCOUNTS RECEIVABLES, NET

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
<u>Related parties</u>		
Accounts receivable	\$ 7,597,615	\$ 4,742,531
Allowance for doubtful accounts	(55,128)	(46,915)
Allowance for sales discounts	<u>(339,200)</u>	<u>(31,500)</u>
	<u>7,203,287</u>	<u>4,664,116</u>
<u>Third parties</u>		
Accounts receivable	2,765,311	3,572,765
Allowance for doubtful accounts	(27,154)	(42,842)
Allowance for sales discounts	<u>(240,800)</u>	<u>(58,500)</u>
	<u>2,497,357</u>	<u>3,471,423</u>
	<u>\$ 9,700,644</u>	<u>\$ 8,135,539</u>

8. INVENTORIES, NET

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
Merchandise	\$ 921,365	\$ 88,812
Finished goods	1,070,290	821,696
Work in process	8,275,085	5,528,951
Materials and supplies	<u>2,748,760</u>	<u>1,742,887</u>
	13,015,500	8,182,346
Allowance for losses	<u>(2,805,169)</u>	<u>(215,038)</u>
	<u>\$ 10,210,331</u>	<u>\$ 7,967,308</u>

9. HELD-TO-MATURITY FINANCIAL ASSETS

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
Veutron Corp. ("Veutron") - issued in 2005 (I)	\$ 145,000	\$ 145,000
Veutron - issued in 2006 (I)	75,000	75,000
MaxEdge Electronics Corp. ("MaxEdge") - issued in 2005 (I)	55,000	45,000
MaxEdge - issued in 2005 (II)	50,000	60,000
MaxEdge - issued in 2005 (III)	50,000	50,000
Veutron - issued in 2002 (II)	49,000	70,000
Veutron - issued in 2003 (II)	<u>46,000</u>	<u>46,000</u>
	470,000	491,000
Current portion	<u>(95,000)</u>	<u>(21,000)</u>
	<u>\$ 375,000</u>	<u>\$ 470,000</u>

Bond investments were as follows:

	Principal Amount	Interest Rate	Maturity
<u>Held as of June 30, 2007</u>			
Veutron - issued in 2005 (I)	\$ 145,000	3.50%	April 2009
Veutron - issued in 2006 (I)	75,000	3.50%	February 2010
MaxEdge - issued in 2005 (I)	55,000	3.25%	August 2008
MaxEdge - issued in 2005 (II)	50,000	3.25%	October 2008
MaxEdge - issued in 2005 (III)	50,000	3.25%	December 2008
Veutron - issued in 2002 (II)	49,000	3.50%	30% of principal repayment in November 2006, and the remaining 70% in November 2007
Veutron - issued in 2003 (II)	46,000	3.25%	May 2008
<u>Matured as of June 30, 2007</u>			
Veutron - issued in 2002 (II)	21,000	3.50%	30% of principal repayment in November 2006, and the remaining 70% in November 2007

The above bond investments were acquired through a private market transaction, with certain restrictions on the transferability of the bonds under the Securities and Exchange Act.

10. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
Domestic unlisted common stocks	\$ 1,359,357	\$ 831,963
Domestic unlisted preferred stocks	10	10
Foreign unlisted common stocks - US\$2,666 thousand, JPY164,151 thousand, HK\$229 thousand and EUR563 thousand in 2007; US\$880 thousand, JPY165,810 thousand and EUR563 thousand in 2006	155,483	94,919
Foreign unlisted preferred stocks - US\$8,002 thousand in 2007; US\$1,533 thousand in 2006	256,956	49,291
Prepayment	-	3,500
	<u>\$ 1,771,806</u>	<u>\$ 979,683</u>

The above investments did not have quoted prices in an active market and their fair value could not be reliably measured. Thus, they were carried at original cost.

The Group revalued the recoverable amount of the investment in unlisted common stocks in the six months ended June 30, 2007 and 2006 and recognized impairment losses on financial assets of \$52,174 thousand and 50,398 thousand, respectively, which were presented under nonoperating expenses and losses - impairment losses on financial assets.

11. EQUITY-METHOD INVESTMENTS

	June 30			
	2007		2006	
	Amount	% of Ownership	Amount	% of Ownership
Rexchip	\$ 15,480,487	50.00	\$ -	-
Lu-Chu Development Corp. (“Lu-Chu”)	902,075	43.01	921,509	43.01
Zhi-Li Investment Corp. (“Zhi-Li”)	799,773	45.00	459,494	47.28
Powerase Tech. Holding Ltd. (“Powerase”)	591,548	29.47	-	-
Novax Technologies, Inc. (“Novax”)	571,685	44.99	609,514	47.41
Artrix International Inc. (“Artrix”)	543,085	44.98	249,120	45.47
Veutron	385,258	26.87	-	-
Luxxon Technology Corp. (“Luxxon”)	247,874	43.20	228,738	38.49
Tekmax Development Corp. (“Tekmax”)	226,602	41.20	161,254	34.47
Synage Technology Corp. (“Synage”)	146,387	45.00	177,545	49.50
Optimicro Corp. (“Optimicro”)	131,640	45.01	206,607	44.61
Zentel	119,511	27.46	-	-
Syntronix Corp. (“Syntronix”)	91,463	21.87	91,930	22.52
Deutron Japan Corp. (“Deutron-Japan”)	86,295	44.54	98,163	47.60
Retronix Technology Corp. (“Retronix”)	86,028	25.72	90,873	45.00
Network Holding Limited (“Network”)	67,128	38.82	867	30.00
Terax Communication Technologies Inc. (“Terax”)	60,260	29.59	-	-
Astel Electronics Inc. (“Astel”)	57,074	45.00	71,582	45.00
AVAC Systems, Inc. (“AVAC”)	55,947	44.26	65,501	40.20
Vivichip Electronics Corp. (“Vivichip”)	36,725	44.99	45,955	46.00
MicroMedia Technology Corp. (“MicroMedia”)	30,086	40.00	-	-
Signia Technologies Co., Ltd. (“Signia”)	17,771	32.30	100,300	32.30
Navisys Technology Corp. (“Navisys”)	17,508	45.00	-	-
LoanSky.Net Corporation (“LoanSky.Net”)	11,966	36.00	15,696	36.00
eBsuccess Solutions Inc. (“eBsuccess”)	9,087	23.75	-	-
Deutron Electronics Corp. (“Deutron”)	-	-	340,244	20.00
Neo Solar Power Corp. (“Neo-Solar”)	-	-	128,881	21.50
Luxchip Technology Corp. (“Luxchip”)	-	-	78,739	39.00
Silicon Optronics, Inc. (“Silicon”)	-	-	55,301	22.14
PowerGate Optical, Inc. (“PowerGate”)	-	-	35,915	20.88
MaxEdge Electronics Corp. (“MaxEdge”)	-	45.03	8,764	47.60
	<u>\$ 20,773,263</u>		<u>\$ 4,242,492</u>	

The difference between the cost of the investment and the Group’s share in investees’ net assets was recognized as goodwill. The change in goodwill for the six months ended June 30, 2007 and 2006 was as follow:

	Six Months Ended June 30	
	2007	2006
Cost		
Beginning balance	\$ 49,471	\$ -
Recognized	-	49,471
Ending balance	<u>49,471</u>	<u>49,471</u>

(Continued)

	Six Months Ended	
	June 30	
	2007	2006
Accumulated impairment loss		
Beginning balance	\$ -	\$ -
Recognized	<u>49,471</u>	<u>-</u>
Ending balance	<u>49,471</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 49,471</u>
		(Concluded)

For the six months ended June 30, 2007 and 2006, the Group revalued the recoverable amount of goodwill and recognized impairment loss of investment in Signia amounting to \$49,471 thousand, which were presented under nonoperating expenses and losses - impairment loss on financial assets.

In the first quarter of 2006, the Group invested in Signia and Retronix, which were accounted for by the equity method.

In the second quarter of 2006, the Group invested in Vivichip, which was accounted for by the equity method.

In the third quarter of 2006, the Group invested in MicroMedia, which was accounted for by the equity method.

In the fourth quarter of 2006, the Group invested in Navysis, eBsuccess and Power ASE, which were accounted for by the equity method.

In the fourth quarter of 2006, the Group acquired 22,800 thousand shares of Veutron through a private market transaction at NT\$9.09 per share. This transaction had certain restrictions on share transferability under the Securities and Exchange Act.

In the fourth quarter of 2006, the Group owned more than 20% of Veutron and Terax, which were recorded as financial assets at fair value through profit or loss - current and financial assets carried at cost - noncurrent, respectively, when SFAS No. 36 was adopted. Thus the Group transferred both investments to equity-method investments at their carrying value as of January 1, 2006

In March 2007, Luxxon merged with Luxchip, with Luxxon as the survivor company.

In the first quarter of 2007, the Group no longer exercised significant influence on Neo-Solar and Silicon. Thus the Group reclassified the related investments from equity-method investments into financial assets carried at cost - noncurrent.

In the second quarter of 2007, the Group no longer exercised significant influence on Deutron and PowerGate. Thus the Group reclassified the related investments from equity-method investments into financial assets carried at cost - noncurrent.

As of June 30, 2007, the Group's equity in the loss of MaxEdge equaled the investment carrying value. The recognized equity in loss was limited since the Group did not guarantee the obligations of MaxEdge. However, the Group revalued the recoverable amount of the investment of MaxEdge bonds; there is no material effect on the consolidated financial statements.

Equity in losses and earnings amounting to \$7,603 thousand and \$21,059 thousand for the six months ended June 30, 2007 and 2006, respectively, were recognized from the equity method investees based on unaudited financial statements.

Adjustments to the equity-method investment account and unrealized gain (loss) on available-for-sale financial assets, which were recognized on the basis of the changes in shareholders' equity of investees, were summarized as follows:

	Six Months Ended	
	June 30	
	2007	2006
Zhi-Li	\$ (43,469)	\$ 38,616
Novax	(18,542)	34,241
Artrix	(10,014)	-
Veutron	(36,809)	-
Synage	-	676
Zentel	(6)	-
Syntronix	(350)	-
Retronix	(1,514)	1,761
eBsuccess	2	-
Deutron	(13,034)	8,546
PowerGate	(306)	-
	<u>\$ (124,042)</u>	<u>\$ 83,840</u>

The market value of the Group's holdings of 22,800 thousand shares of Veutron, an investment which was registered with the Taiwan Securities Exchange Center (TSEC) was \$281,123 thousand as of June 30, 2007.

12. PROPERTIES

Accumulated depreciation on properties consisted of the following:

	June 30	
	2007	2006
Buildings	\$ 2,557,992	\$ 2,060,788
Machinery and equipment	79,375,358	56,328,545
Research and development equipment	335,854	405,561
Facility equipment	11,898,412	9,276,847
Transportation equipment	11,819	9,289
Office equipment	331,276	253,855
Leasehold improvement	332	698
Miscellaneous equipment	642,376	444,566
	<u>\$ 95,153,419</u>	<u>\$ 68,780,149</u>

Total depreciation expenses for the six months ended June 30, 2007 and 2006 were \$14,883,573 thousand and \$9,895,943 thousand, respectively.

Interest capitalization is summarized as follows:

	Six Months Ended	
	June 30	
	2007	2006
Total interest expenses	\$ 752,134	\$ 482,239
Capitalized amount	137,234	96,405
Rates used in capitalizing interests	3.11%-4.17%	3.12%-3.46%

PSC is currently expanding its third factory (“FAB 12M”). The related total estimated and recognized cost as of June 30, 2007 was summarized as follows:

FAB	Total Estimated Cost	Total Recognized Cost
12M	\$ 70,000,000	\$ 54,454,397

The details of properties pledged as collateral are shown in Note 27.

13. DEFERRED CHARGES, NET

	June 30	
	2007	2006
Technical know-how	\$ 2,372,483	\$ 2,305,732
Computer software system	268,333	224,306
Test-run costs	21,920	87,681
Patent	12,500	17,500
Issuance costs of the convertible bonds	2,910	21,597
Others	<u>283,539</u>	<u>337,447</u>
	<u>\$ 2,961,685</u>	<u>\$ 2,994,263</u>

Technical know-how fees are amounts paid by PSC mainly to Elpida Memory Inc. (“Elpida”), Renesas Tech Corp. (“Renesas”) and B Company under several agreements for their transfer to PSC of certain technologies on the manufacture of dynamic random access memory.

14. SHORT-TERM BANK LOANS

	June 30, 2007
Working capital loans- due in September 2007, interest at 2.00%-2.43%	<u>\$ 950,000</u>

15. ACCRUED EXPENSES

Accrued expenses is as follows:

	June 30	
	2007	2006
Royalty	\$ 2,448,298	\$ 308,142
Salary and Bonus	566,516	550,079
Technical know-how	-	565,000
Others	<u>1,236,424</u>	<u>1,012,398</u>
	<u>\$ 4,251,238</u>	<u>\$ 2,435,619</u>

16. CONVERTIBLE BONDS PAYABLE

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
<u>Overseas unsecured bonds</u>		
Issued in 2004 (5) US\$157,850 thousand	\$ 5,167,220	\$ 5,114,182
Issued in 2005 (6) US\$135,600 thousand in 2007; US\$142,250 thousand in 2006	4,438,866	4,608,758
Issued in 2006 (7) US\$121,249 thousand in 2007; US\$111,442 thousand in 2006	<u>3,969,100</u>	<u>3,609,938</u>
	<u>13,575,186</u>	<u>13,332,878</u>
<u>Domestic unsecured bonds</u>		
Issued in 2005 (1) NT\$3,829,900 thousand in 2007; NT\$4,000,000 thousand in 2006	3,829,900	4,000,000
Issued in 2005 (2) NT\$5,872,100 thousand in 2007; NT\$6,000,000 thousand in 2006	<u>5,872,100</u>	<u>6,000,000</u>
	<u>9,702,000</u>	<u>10,000,000</u>
	23,277,186	23,332,878
Current portion	<u>(9,841,200)</u>	<u>(13,722,940)</u>
	<u>\$ 13,435,986</u>	<u>\$ 9,609,938</u>

In June and July 2004, PSC issued five-year unsecured, zero-coupon convertible bonds (“Bonds 2004”), with an aggregate principal of US\$158,050 thousand. Bonds 2004 are listed on the Luxembourg Stock Exchange. They are convertible into PSC’s common shares or GDS at NT\$33.88 per share (at an exchange rate of US\$1.00 to NT\$33.53; conversion price is adjustable and the conversion price is NT\$22.63 per share as of June 30, 2007) between July 17, 2004 and May 18, 2009 and will mature on June 17, 2009. At the holders’ option, Bonds 2004 may also be repurchased on June 17, 2006 at 100% of their principal. Under certain conditions, either the holders of Bonds 2004 or PSC may opt for early bond redemption. As of June 30, 2007, some of the holders of Bonds 2004 exercised their put option, requiring PSC to spend US\$200 thousand for the repurchase of the outstanding bonds.

On February 2, 2005, PSC issued five-year unsecured, zero-coupon convertible bonds (“Bonds 2005A”), with an aggregate principal of US\$160,000 thousand. Bonds 2005A are listed on the Singapore Exchange Securities Trading Limited. They are convertible into PSC’s common shares at NT\$26.62 per share (at an exchange rate of US\$1.00 to NT\$31.863; conversion price is adjustable and the conversion price is NT\$19.09 per share as of June 30, 2007) between March 3, 2005 and January 3, 2010 and will mature on February 2, 2010. At the holders’ option, Bonds 2005A may also be repurchased on February 2, 2007 at 100% of their principal. Under certain conditions, either the holders of Bonds 2005A or PSC may opt for early bond redemption. As of June 30, 2007, holders of Bonds 2005A with principle amount of US\$24,400 thousand had requested to convert these bonds into 38,251 thousand common shares, which had all been issued. Between July 1, 2007 and June 24, 2007, the conversion of Bonds 2005A with principle amounts of US\$100 thousand into 167 thousand common shares has been requested.

In June 2006, PSC issued five-year unsecured, zero-coupon (with 8.66% effective rate) convertible bond (“Bonds 2006”), with aggregate principal of US\$160,000 thousand. Bonds 2006 are listed on the Luxembourg Stock Exchange. They are convertible into PSC’s common shares or GDS at NT\$21.95 per share (at an exchange rate of US\$1.00 to NT\$32.729; conversion price is adjustable and the conversion price is NT\$20.26 per share as of June 30, 2007) between July 30, 2006 and May 31, 2011 and will mature on June 30, 2011 at 106.43% of their principle amount. At the holders’ option, Bonds 2006 may also be repurchased on June 30, 2008 at 102.52% of their principle amount. Under certain conditions, either the holders of Bonds 2006 or PSC may opt for early bond redemption. As of June 30, 2007, holders of Bonds 2006 with principle amount of US\$150 thousand had requested to convert these bonds into 242 thousand common shares, which had all been issued.

Under Statement of Financial Accounting Standards No. 36 - "Financial Instruments: Disclosure and Presentation," PSC separated conversion option and put option from Bonds 2006 and recognized these options as financial liabilities at fair value through profit or loss. The total issuance cost of bonds was allocated to the conversion option, put option and bond payable at the percentages of initially relative recognized amount. The amount allocated to the conversion option and put option was presented under nonoperating expenses and losses. The remainder, which was allocated to bonds payable, was amortized using the effective interest rate method and presented under interest expenses. The recognized amounts are summarized as follows:

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
Face value of Bonds 2006	US\$ 160,000	US\$ 160,000
Debt Components		
- Conversion option	(40,758)	(40,758)
- Put option	<u>(5,757)</u>	<u>(5,757)</u>
Bond payable	113,485	113,485
Issuance cost	<u>(2,043)</u>	<u>(2,043)</u>
Amortized costs on initial recognition of bond payable	111,442	111,442
Conversion		
- Face value	(150)	-
- Elimination	40	-
Interest expense	<u>9,917</u>	<u>-</u>
Amortized costs of bond payable, end of year	<u>US\$ 121,249</u>	<u>US\$ 111,442</u>

In June 2005, PSC issued five-year unsecured, zero-coupon convertible bonds ("Bonds 2005B"), with an aggregate principal of NT\$4,000,000 thousand. Bonds 2005B are listed on the Taiwan GreTai Securities Market. They are convertible into PSC's common shares at NT\$24.02 per share (the conversion price is adjustable and the current conversion price is NT\$19.28 per share as of June 30, 2007) between July 28, 2005 and June 17, 2010 and will mature on June 27, 2010. At the holders' option, Bonds 2005B may also be repurchased on June 28, 2007 at 100% of their principal. Under certain conditions, either the holders of Bonds 2005B or PSC may opt for early bond redemption. As of June 30, 2007, holders of Bonds 2006 with principle amount of NT\$170,100 thousand had requested to convert these bonds into 8,823 thousand common shares, which had all been issued. Between July 1, 2007 and July 24, 2007, the conversion of Bonds 2005B with principle amount of NT\$219,300 thousand into 11,374 thousand common shares has been requested.

In June 2005, PSC issued five-year unsecured, zero-coupon convertible bonds ("Bonds 2005C"), with an aggregate principal of NT\$6,000,000 thousand. Bonds 2005C are listed on the Taiwan GreTai Securities Market. They are convertible into PSC's common shares at NT\$23.50 per share (the conversion price is adjustable and the current conversion price is NT\$18.89 per share as of June 30, 2007) between July 28, 2005 and June 17, 2010 and will mature on June 27, 2010. At the holders' option, Bonds 2005C may also be repurchased on June 28, 2008 at 100% of their principal. Under certain conditions, either the holders of Bonds 2005C or PSC may opt for early bond redemption. As of June 30, 2007, holders of Bonds 2005C with principle amount of NT\$127,900 thousand had requested to convert these bonds into 6,771 thousand common shares, which had all been issued. Between July 1, 2007 and July 24, 2007, the conversion of Bonds 2005C with principle amount of NT\$723,000 thousand into 38,274 thousand common shares has been requested.

17. LONG-TERM BANK LOANS

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
Long-term secured syndicated loans (1)	\$ 2,900,000	4,350,000
Long-term secured syndicated loans (2)	9,375,000	13,125,000
Long-term secured syndicated loans (3)	14,000,000	15,000,000
Long-term secured syndicated loans (4)	19,561,000	-
Medium-to long-term loans	<u>358,666</u>	<u>813,333</u>
	46,194,666	33,288,333
Current portion	<u>(9,533,333)</u>	<u>(6,606,667)</u>
	<u>\$ 36,661,333</u>	<u>\$ 26,681,666</u>

The loans are payable quarterly or semiannually at varying amounts. They will be fully repaid by January 2013. They bear interest rates ranging from 2.40 % to 4.49 % and from 2.57 % to 5.02 % for the six months ended June 30, 2007 and 2006, respectively.

The long-term secured loans were obtained from bank syndicate. The loan agreements require, among others, the maintenance of certain financial ratios based on annual financial statements.

The details of assets pledged as collateral are shown in Note 27.

18. PENSION PLAN

The Labor Pension Act (the "Act") took effect on July 1, 2005. Employees subject to the Labor Standards Law on July 1, 2005 were allowed to choose to be subject to the pension mechanism under this Act or to continue to be subject to the pension mechanism under the Labor Standards Law. For Group employees subject to the Labor Standards Law before July 1, 2005 chose to be subject to the pension mechanism under the Act, their seniority as of their respective enrollment date will not be canceled. Those hired on or after July 1, 2005 automatically become subject to the Act, which provides for a defined contribution plan. Based on the Act, the Group (foreign subsidiaries are excluded) makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages, and these contributions are recognized as pension costs. Thus, the pension costs based on the Act for the six months ended June 30, 2007 and 2006 were \$98,789 thousand and \$75,633 thousand, respectively.

The Group (foreign subsidiaries are excluded) has a defined benefit pension plan under the Labor Standards Law, which provides benefits based on length of service and average salaries and wages for the last six months of employment. The aforementioned entities contributes monthly to a pension fund amounts equal to 2% of salaries and wages. The fund is administered by a pension fund committee and the contributions to the fund are deposited in the Central Trust of China under the committee's name. In addition, the portion of PSC's projected benefit obligation in excess of the plan assets is contributed to the fund in five-year installments.

Pension costs based on actuarial calculation in the six months ended June 30, 2007 and 2006 were \$28,212 thousand and \$25,147 thousand, respectively.

Fund balances were \$277,973 thousand and \$248,271 thousand as of June 30, 2007 and 2006, respectively.

19. SHAREHOLDERS' EQUITY

Under the ROC Company Law, capital surplus (excluding amounts arising from equity-method investments which can not be used in any way) may only be used to offset a deficit or be transferred to capital as a stock dividend. Such transfer as stock dividend is limited to the issue price in excess of the par value of stock issued, and distribution is based on respective equities of shareholders.

PSC's Articles of Incorporation provide that the annual net income, less any deficit, should be appropriated as follows:

- a. 10% as legal reserve;
- b. Special reserve;
- c. Preferred cash dividends and bonus based on the terms of their issuance;
- d. Of the remainder after deducting items a, b and c, 1% to 2% as remuneration of directors and supervisors and 10% as bonus to employees. PSC may issue stock bonus to employees of an affiliated companies if these employees meet the conditions set by its board of directors or by its board's duly authorized designee;
- e. The remainder as bonus to shareholders.

Under the regulations promulgated by the Securities and Futures Bureau (SFB, formerly the Securities and Futures Commission before July 1, 2004), a special reserve equivalent to the debit balance of any account under shareholders' equity section in the balance sheets, other than the deficit and treasury stock, should be made from unappropriated retained earnings. Also, if the market price of PSC's shares held by subsidiaries is lower than their carrying value, PSC should appropriate a special reserve equal to the difference between market price and carrying value. PSC may release a portion of this special reserve when debit balances are partially or fully reversed.

PSC's policy is to declare at least 50% of its available earnings as dividends, of which at most 50% should be in the form of stock.

The ROC Company Law provides that the appropriation for legal capital reserve shall be made until the reserve equals PSC's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends and bonuses for the portion in excess of 50% of the paid-in capital if PSC has no unappropriated earnings and the reserve balance has exceeded 50% of PSC's paid-in capital. Also, when the reserve has reached 50% of PSC's paid-in capital, up to 50% of the reserve may be transferred to capital.

These appropriations and the disposition of the unappropriated retained earnings should be approved by the shareholders in, and given effect to in the financial statements of, the year following the year of earnings generation. Under the Integrated Income Tax System, which took effect on January 1, 1998, resident shareholders (including corporate shareholders) are allowed a tax credit for the income tax paid by PSC on earnings generated since 1998. An imputation credit account (ICA) is maintained by PSC to monitor the balances of the income tax paid and the tax credit allocated to each shareholder. The maximum credit available for allocation to each shareholder cannot exceed the ICA balance on the dividend distribution date.

The appropriations of PSC's earnings for 2006 and 2005 were resolved by PSC's shareholders' meeting on June 15, 2007 and June 9, 2006, respectively. The appropriations and dividend per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividend Per Share</u> <u>(NT\$)</u>	
	<u>For Fiscal</u> <u>Year 2006</u>	<u>For Fiscal</u> <u>Year 2005</u>	<u>For Fiscal</u> <u>Year 2006</u>	<u>For Fiscal</u> <u>Year 2005</u>
Legal reserve	\$ 2,732,758	\$ 641,736	\$ -	\$ -
Special reserve	-	31,314	-	-
Cash dividend	10,322,849	3,042,429	1.48	0.52
Stock dividend	6,881,899	3,042,429	0.99	0.52
Employees' profit sharing - in cash	1,477,394	287,215	-	-
Employees' profit sharing - in stock	984,929	287,215	-	-
Remuneration to directors and supervisors	<u>738,697</u>	<u>172,329</u>	-	-
	<u>\$ 23,138,526</u>	<u>\$ 7,504,667</u>		

The amounts of the above appropriations of earnings for 2006 and 2005 are consistent with the resolutions of the meetings of PSC's Board of Directors held on March 26, 2007 and April 25, 2006, respectively.

The appropriation of stock dividend and stock bonus to employees contributes a total amounts of \$7,866,828 thousand in the form of capital stock. The aforementioned capital increase had been approved by SFB and will take effect on August 12, 2007.

Information on appropriations can be accessed online through the Market Observation Post System of the Taiwan Stock Exchange Corporation.

Under a resolution approved by PSC's shareholders in their meeting on June 15, 2007, PSC's 8-inch fab ("FAB 8A") business will be spun off to incorporate a new company, Maxchip Electronics Corporation ("Maxchip," tentative name). The business to be spun off, with a value estimated at \$7,500,000 thousand, will be exchanged for Maxchip's 500,000 thousand newly issued shares, valued at NT\$15.00 per share. After the spin-off, PSC will own 100% of Maxchip. The record date of the spin-off is tentatively April 1, 2008.

20. EMPLOYEE STOCK OPTION

a. PSC

On May 28, 2001, June 28, 2002 and April 22, 2003, the Securities and Futures Commission approved PSC's employee stock option plans, hereinafter referred to as "2001 Plan," "2002 Plan," and "2003 Plan," respectively. The 2001 Plan, 2002 Plan and 2003 Plan have reserved 150 thousand, 150 thousand and 120 thousand option units, respectively, with each unit representing 1,000 shares of common stock, for a total of 420,000 thousand shares for issuance. These options generally vest over a period of two years, at a certain percentage each year, from two years after the date of grant. They may be exercised within four years from two years after the date of grant. As of June 30, 2007, there were 310,010 options that had been exercised.

Other information on the stock option rights plan of PSC is as follows:

	<u>2003 Plan</u>		<u>2002 Plan</u>		<u>2001 Plan</u>	
	Number of Outstanding Stock Option Rights	Weighted Average Exercise Prices (NT\$/Per Share)	Number of Outstanding Stock Option Rights	Weighted Average Exercise Price (NT\$/Per Share)	Number of Outstanding Stock Option Rights	Weighted Average Exercise Prices (NT\$/Per Share)
Six months ended <u>June 30, 2007</u>						
Beginning balance	58,981	\$ 6.37	43,788	\$ 8.10	10,793	\$13.05
Options exercised	(12,824)	6.23	(12,354)	8.10	(6,018)	12.91
Options canceled	<u>(91)</u>	6.10	<u>(25)</u>	8.10	<u>-</u>	-
Ending balance	<u>46,066</u>	6.41	<u>31,409</u>	8.10	<u>4,775</u>	13.22
Six months ended <u>June 30, 2006</u>						
Beginning balance	80,048	\$ 6.84	81,081	\$ 8.70	32,178	\$13.98
Options exercised	(9,443)	6.75	(13,776)	8.70	(11,463)	13.90
Options canceled	<u>(941)</u>	6.50	<u>(657)</u>	8.70	<u>-</u>	-
Ending balance	<u>69,664</u>	6.86	<u>66,648</u>	8.70	<u>20,715</u>	14.02

The number of shares and exercise prices of outstanding options have been adjusted to reflect the appropriations of dividends, stock bonuses and issuance of capital stock specified under PSC's Plans.

As of June 30, 2007, the outstanding stock options of PSC are as follows:

Exercise Price (NT\$/ Per Share)	<u>Options Outstanding</u>			<u>Options Exercisable</u>		
	Number Outstanding (Per Option)	Weighted Average Remaining Contractual Life (in Years)	Weighted Average Exercise Price (NT\$/Per Share)	Number Exercisable (Per Option)	Weighted Average Exercise Price (NT\$/Per Share)	
\$12.90	4,322	0.08	\$12.90	4,322	\$12.90	
16.30	440	0.74	16.30	440	16.30	
13.70	13	0.87	13.70	13	13.70	
8.10	31,409	1.24	8.10	31,409	8.10	
6.10	44,225	1.82	6.10	44,225	6.10	
11.20	470	2.00	11.20	470	11.20	
13.10	125	2.08	13.10	67	13.10	
10.70	676	2.28	10.70	436	10.70	
10.80	32	2.40	10.80	-	-	
13.20	175	2.52	13.20	5	13.20	
20.30	112	2.73	20.30	68	20.30	
24.80	<u>251</u>	2.80	24.80	<u>188</u>	24.80	
	<u>82,250</u>			<u>81,643</u>		

b. Powerflash

On February 24, 2006 and April 24, 2007, Powerflash's Board of Directors approved its employee stock option plan, hereinafter referred as "2006 Plan" and "2007 Plan", respectively. The 2006 Plan and 2007 Plan have reserved 3,000 and 2,420 options units, respectively, with each unit representing 1,000 shares of common stock, for total of 5,420 thousand share for issuance. These options generally vested over a period of two years, at a certain percentage each year, from two years after the date of grant. They may be exercised with three years from two years after the grant date.

Other information on the stock option rights plan of Powerflash is as follows:

	<u>2007 Plan</u>		<u>2006 Plan</u>	
	Number of Outstanding Stock Option Rights	Weighted Average Exercise Price (NT\$/Per Share)	Number of Outstanding Stock Option Rights	Weighted Average Exercise Price (NT\$/Per Share)
Six months ended <u>June 30, 2007</u>				
Beginning balance	-	\$ -	1,845	\$ 10
Options granted	150	10	235	10
Options canceled	<u>(50)</u>	10	<u>(220)</u>	10
Ending balance	<u>100</u>	10	<u>1,860</u>	10
Six months ended <u>June 30, 2006</u>				
Beginning balance			-	\$ -
Options granted			1,640	10
Options canceled			<u>-</u>	-
Ending balance			<u>1,640</u>	10

As of June 30, 2007, the outstanding stock options of Powerflash is as follows:

Exercise Price (NT\$/Per Share)	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
	Number Outstanding (Per Option)	Weighted Average Remaining Contractual Life (in Years)	Weighted Average Exercise Price (NT\$/Per Share)	Number Exercisable (Per Option)	Weighted Average Exercise Price (NT\$/Per Share)
\$10	<u>1,960</u>	4.13	\$ 10	<u>-</u>	\$ -

c. Zentel

On May 31, 2004 and February 22, 2005, Zentel's Board of Directors approved its employee stock option plans, hereinafter referred to as "2004 Plan" and "2005 Plan", respectively. The 2004 Plan and 2005 Plan have reserved 2,000 and 1,000 option units, respectively, with each option unit representing 1,000 shares of common stock, for a total of 3,000 thousand shares for issuance. These options generally vest over a period of two years, at a certain percentage each year, from two years after the date of grant. They may be exercised within four years from two years after the date of grant.

Other information on the stock option rights plan of Zentel is as follows:

	<u>2004 Plan</u>	
	Number of Outstanding Stock Option Rights	Weighted Average Exercise Price (NT\$/Per Share)
<u>Six months ended June 30, 2006</u>		
Beginning balance	1,462	\$ 12
Options granted	-	-
Options canceled	<u>-</u>	-
Ending balance	<u>1,462</u>	12

PSC, Powerflash and Zentel uses the intrinsic value method to evaluate compensation cost for employee stock options. The compensation cost recognized for the six months ended June 30, 2007 and 2006 was zero since that (1) for PSC, the stock options were granted at an exercise price equal to the closing price of common shares on the measurement dates and (2) for Powerflash and Zentel, the stock options were granted at an exercise price higher than the equity per share of common shares on the measurement dates. Had PSC, Powerflash and Zentel applied the fair value based method (based on the Black-Scholes model) to evaluate compensation cost for the employee stock options granted, the assumptions and pro forma results of PSC, Powerflash and Zentel for the six months ended June 30, 2007 and 2006 is as follows:

	<u>Six Months Ended June 30</u>	
	<u>2007</u>	<u>2006</u>
Assumptions:		
PSC		
Risk-free interest rate	3.00%-3.86%	3.00%-3.86%
Expected life (in years)	6	6
Expected stock price volatility	86.61%-90.10%	86.61%-90.10%
Expected dividend yield	-	-
Fair value per option (NT\$/thousand shares)	<u>\$13,535 - \$26,369</u>	<u>\$13,535 - \$26,369</u>
Powerflash		
Risk-free interest rate	1.95%-2.32%	2.32%
Expected life (in years)	5	5
Expected stock price volatility	28.14%-28.52%	28.23%
Expected dividend yield	-	-
Fair value per option (NT\$/thousand shares)	<u>\$2,846 - \$2,927</u>	<u>\$2,927</u>
Zentel		
Risk-free interest rate		2.37%
Expected life (in years)		6
Expected stock price volatility		5.42%-5.48%
Expected dividend yield		-
Fair value per option (NT\$/thousand shares)		<u>\$ 607</u>
Net income attributable to shareholders of the parent:		
As reported	<u>\$ 3,688,748</u>	<u>\$ 4,202,156</u>
Pro forma	<u>\$ 3,686,845</u>	<u>\$ 4,200,513</u>

(Continued)

	Six Months Ended June 30	
	2007	2006
Consolidated earnings per share - after income tax (EPS, NT\$):		
Basic EPS as reported	<u>\$ 0.54</u>	<u>\$ 0.72</u>
Pro forma basic EPS	<u>\$ 0.54</u>	<u>\$ 0.72</u>
Diluted EPS as reported	<u>\$ 0.41</u>	<u>\$ 0.60</u>
Pro forma diluted EPS	<u>\$ 0.41</u>	<u>\$ 0.60</u>
		(Concluded)

The average number of shares outstanding for EPS calculation was adjusted retroactively for issuance of stock dividends and stock bonuses. The retroactive adjustment caused the pro forma basic and diluted consolidated EPS after income tax for the six months ended June 30, 2006 to decrease from NT\$0.76 to NT\$0.72 and from NT\$0.64 to NT\$0.60, respectively.

21. TREASURY STOCK

(Shares in Thousands)

Purpose of Purchase	Beginning Shares	Increase	Decrease	Ending Shares
<u>Six months ended June 30, 2007</u>				
For subsequent transfer to employees	82,678	-	30,481	52,197
PSC's issued shares held by subsidiaries	<u>5,861</u>	<u>-</u>	<u>-</u>	<u>5,861</u>
	<u>88,539</u>	<u>-</u>	<u>30,481</u>	<u>58,058</u>
<u>Six months ended June 30, 2006</u>				
For subsequent transfer to employees	84,100	-	-	84,100
PSC's issued shares held by subsidiaries	<u>3,992</u>	<u>1,582</u>	<u>-</u>	<u>5,574</u>
	<u>88,092</u>	<u>1,582</u>	<u>-</u>	<u>89,674</u>

As of June 30, 2007 and 2006, PSC's issued shares held by the subsidiaries were as follows:

Company	Shares (Thousands)	Original Carrying Value (in Thousands)	Market Value (in Thousands)	Shares Transferred to Treasury Stock (Thousands)
<u>June 30, 2007</u>				
Li-Hsin	4,200	\$ 95,561	\$ 83,996	4,200
Powerflash	2,451	<u>46,600</u>	<u>49,025</u>	<u>1,661</u>
		<u>\$ 142,161</u>	<u>\$ 133,021</u>	<u>5,861</u>
<u>June 30, 2006</u>				
Li-Hsin	3,992	\$ 95,561	\$ 84,831	3,992
Powerflash	2,330	<u>46,600</u>	<u>49,513</u>	<u>1,582</u>
		<u>\$ 142,161</u>	<u>\$ 134,344</u>	<u>5,574</u>

On January 1, 2002, PSC accounted for its issued shares amounting to \$53,820 thousand and held by Li-Hsin as treasury stock. Started from 2006, Powerflash became one of PSC's subsidiaries. Thus, PSC accounted for its shares held by Powerflash amounting to \$33,079 thousand as treasury stock in accordance with its stock ownership percentage of Powerflash.

For the six months ended June 30, 2007, PSC transferred 3,604 thousand and 26,877 thousand treasury shares to employees at a price of NT\$17.0 and NT\$17.4 per share.

Under the regulation of the Securities and Future Commission, a corporation should acquire no more than 10% of all its issued shares. PSC should not pledge treasury shares and should not exercise shareholders' rights on these shares before their transfer. In addition, the aggregate reacquisition cost should not exceed the combined balance of the retained earnings and certain capital surpluses. However, the subsidiaries holding PSC's issued shares retain shareholders' rights and privileges on these shares, except for the right to vote.

22. INCOME TAX

- a. The Income Basic Tax Act (the Act) took effect on January 1, 2006. The alternative minimum tax (AMT) imposed under the Act is a supplemental tax levied at a rate of 10% which is payable if the income tax payable determined pursuant to the Income Tax Law is below the minimum amount prescribed under the Act. The taxable income for calculating the AMT includes most of the income that is exempted from income tax under various laws and statutes. The Group (foreign subsidiaries are excluded) has considered the impact of the Act in the determination of its tax liabilities.
- b. A reconciliation of income tax currently payable for the six months ended June 30, 2007 and 2006 are as follows:

	Six Months Ended	
	June 30	
	2007	2006
Tax on pretax income at statutory rate (25%)	\$ 851,154	\$ 1,140,178
Tax-exempt income	(106,432)	(119,552)
Temporary and permanent differences	<u>(469,369)</u>	<u>(620,100)</u>
Income tax currently payable	<u>\$ 275,353</u>	<u>\$ 400,526</u>

- c. Income tax benefit (expense) for the six months ended June 30, 2007 and 2006 consisted of:

	Six Months Ended	
	June 30	
	2007	2006
Income tax currently payable	\$ (275,353)	\$ (400,526)
Additional 10% tax on unappropriated earnings	(421,746)	-
Loss carryforwards	-	473
Tax credits	580,154	236,022
Net change in deferred income tax assets and liabilities		
Loss carryforwards	3,290	10,349
Investment tax credits	941,232	1,172,709
Temporary differences	390,784	(572,617)

	Six Months Ended	
	June 30	
	2007	2006
Valuation allowance	\$ (232,096)	\$ (837,915)
Prior year adjustment	(35,789)	(222)
Tax on interest income on short-term bills	(768)	(605)
Others	<u>(40,728)</u>	<u>-</u>
	<u>\$ 908,980</u>	<u>\$ (392,332)</u>
Cumulative effect of changes in accounting principles	<u>\$ -</u>	<u>\$ 10,892</u>

d. Deferred income tax assets and liabilities were as follows:

	June 30	
	2007	2006
Current		
Deferred income tax assets		
Investment tax credits	\$ 1,808,728	\$ 663,560
Temporary differences	1,399,317	226,458
Deferred income tax liabilities		
Temporary differences	<u>(1,729)</u>	<u>(9,286)</u>
	3,206,316	880,732
Valuation allowance	<u>(295)</u>	<u>(264)</u>
	<u>\$ 3,206,021</u>	<u>\$ 880,468</u>
Noncurrent		
Deferred income tax assets		
Investment tax credits	\$ 12,429,216	\$ 12,000,629
Loss carryforwards	569,231	571,244
Temporary differences	334,963	174,003
Deferred income tax liabilities		
Temporary differences	<u>(5,444,361)</u>	<u>(3,931,671)</u>
	7,889,049	8,814,205
Valuation allowance	<u>(7,936,437)</u>	<u>(7,645,601)</u>
	<u>\$ (47,388)</u>	<u>\$ 1,168,604</u>

e. PSC's related information under the Integrated Income Tax System is as follow:

	June 30	
	2007	2006
Shareholders' imputed tax credits	<u>\$ 1,696,668</u>	<u>\$ 62,131</u>

The expected and actual tax creditable ratios for 2006 and 2005 were 5.60% and 0.63%, respectively.

The imputation credits allocated to the shareholders are based on the balance of the imputation credit account (ICA) as of the date of dividend distribution. The expected creditable ratio for 2006 may be adjusted depending on the ICA balance on the date of dividend distribution.

f. The unappropriated retaining earnings of PSC as of June 30, 2007 and 2006 had no unappropriated earnings generated on and before 1997.

g. As of June 30, 2007, the tax credits and loss carryforwards were as follows:

Regulatory Basis of Tax Credits	Items	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Income Tax Law	Loss carryforwards	\$ 496,064	\$ 496,064	2008
		1,719	1,719	2009
		62,061	62,061	2010
		6,948	6,948	2011
		<u>2,439</u>	<u>2,439</u>	2012
		<u>\$ 569,231</u>	<u>\$ 569,231</u>	
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 1,636,681	\$ 1,056,527	2007
		2,762,061	2,762,061	2008
		3,051,107	3,051,107	2009
		2,142,644	2,142,644	2010
		<u>3,664,857</u>	<u>3,664,857</u>	2011
		<u>\$ 13,257,350</u>	<u>\$ 12,677,196</u>	
Statute for Upgrading Industries	Research and development expenditures	\$ 53,111	\$ 53,111	2007
		262,414	262,414	2008
		514,522	514,522	2009
		490,289	490,289	2010
		<u>215,835</u>	<u>215,835</u>	2011
		<u>\$ 1,536,171</u>	<u>\$ 1,536,171</u>	
Statute for Upgrading Industries	Personnel training expenditures	\$ 3,058	\$ 3,058	2007
		2,727	2,727	2008
		4,031	4,031	2009
		4,831	4,831	2010
		<u>3,074</u>	<u>3,074</u>	2011
		<u>\$ 17,721</u>	<u>\$ 17,721</u>	
Statute for Upgrading Industries	Investments in important technology-based enterprises	\$ 5,056	\$ 5,056	2008
		<u>1,800</u>	<u>1,800</u>	2010
		<u>\$ 6,856</u>	<u>\$ 6,856</u>	

h. Income from the following projects of PSC is exempt from income tax:

	<u>Tax-Exemption Period</u>
Statute for Establishment and Administration of Science Parks 2000 expansion of the first manufacturing plant	2004-2007
Statute for Upgrading Industries 1998 expansion of the first manufacturing plant	2004-2008
1999 expansion of the first manufacturing plant	2004-2008
2001 construction of the second manufacturing plant	2004-2008
2002 construction of the second manufacturing plant	2006-2010

- i. Income tax returns of PSC through 2003 had been examined by the tax authorities. However, PSC is contesting the tax authorities' assessment of its 2000 and 2001 returns. PSC believes that any additional assessment will not have a material effect on its financial statements.

23. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSE

	Six Months Ended June 30					
	2007			2006		
	Classified as Cost of Sales	Classified as Operating Expenses	Total	Classified as Cost of Sales	Classified as Operating Expenses	Total
Labor cost						
Salary	\$ 1,710,738	\$ 650,723	\$ 2,361,461	\$ 1,457,984	\$ 539,523	\$ 1,997,507
Labor/health insurance	113,826	37,612	151,438	91,093	29,819	120,912
Pension	89,664	37,337	127,001	70,795	29,985	100,780
Others	128,190	79,142	207,332	88,452	28,075	116,527
	<u>\$ 2,042,418</u>	<u>\$ 804,814</u>	<u>\$ 2,847,232</u>	<u>\$ 1,708,324</u>	<u>\$ 627,402</u>	<u>\$ 2,335,726</u>
Depreciation	<u>\$14,686,973</u>	<u>\$ 196,600</u>	<u>\$14,883,573</u>	<u>\$ 9,741,603</u>	<u>\$ 154,340</u>	<u>\$ 9,895,943</u>
Amortization	<u>\$ 82,296</u>	<u>\$ 760,250</u>	<u>\$ 842,546</u>	<u>\$ 67,403</u>	<u>\$ 724,514</u>	<u>\$ 791,917</u>

24. CONSOLIDATED EARNINGS PER SHARE (EPS)

	Six Months Ended June 30			
	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Consolidated Basic EPS (NT\$)				
Income before cumulative effect of changes in accounting principles attributable to common shareholders of the parent	\$ 0.40	\$ 0.54	\$ 0.78	\$ 0.71
Cumulative effect of changes in accounting principles	-	-	-	0.01
Income attributable for the common shareholders for the parent for the period	<u>\$ 0.40</u>	<u>\$ 0.54</u>	<u>\$ 0.78</u>	<u>\$ 0.72</u>
Consolidated Diluted EPS (NT\$)				
Income before cumulative effect of changes in accounting principles attributable to common shareholders of the parent	\$ 0.29	\$ 0.41	\$ 0.66	\$ 0.59
Cumulative effect of changes in accounting principles	-	-	-	0.01
Income attributable for the common shareholders for the parent for the period	<u>\$ 0.29</u>	<u>\$ 0.41</u>	<u>\$ 0.66</u>	<u>\$ 0.60</u>
The pro-forma adjusted EPS for stock dividends with ex-dividend date after the issuance of the financial statement				
Basic EPS (NT\$)	<u>\$ 0.36</u>	<u>\$ 0.48</u>	<u>\$ 0.70</u>	<u>\$ 0.64</u>
Diluted EPS (NT\$)	<u>\$ 0.27</u>	<u>\$ 0.37</u>	<u>\$ 0.59</u>	<u>\$ 0.54</u>

The numerators and denominators used in calculating consolidated basic and diluted EPS were as follows:

	<u>Amounts (Numerator)</u>		Weighted Average Number of Shares Outstanding (Denominator) (Thousand)	<u>EPS (Dollars)</u>	
	<u>Before Income Tax</u>	<u>After Income Tax</u>		<u>Before Income Tax</u>	<u>After Income Tax</u>
<u>Six months ended June 30, 2007</u>					
Consolidated net income	<u>\$ 2,806,028</u>	<u>\$ 3,715,008</u>			
Consolidated basic EPS					
Income attributable to common shareholders of the parent	\$ 2,739,040	\$ 3,688,748	6,869,431	<u>\$ 0.40</u>	<u>\$ 0.54</u>
Effect of dilutive securities					
Convertible bonds	(329,835)	(371,772)	1,239,091		
Stock options	<u>-</u>	<u>-</u>	<u>62,868</u>		
Consolidated diluted EPS					
Income attributable to common and potential common shareholders of the parent	<u>\$ 2,409,205</u>	<u>\$ 3,316,976</u>	<u>8,171,390</u>	<u>\$ 0.29</u>	<u>\$ 0.41</u>
The pro-forma adjusted EPS for stock dividends with ex-dividend date after the issuance of the financial statements					
Consolidated basic EPS					
Income attributable to common shareholders of the parent	\$ 2,739,040	\$ 3,688,748	7,644,836	<u>\$ 0.36</u>	<u>\$ 0.48</u>
Effect of dilutive securities					
Convertible bonds	(329,835)	(371,772)	1,361,191		
Stock options	<u>-</u>	<u>-</u>	<u>69,063</u>		
Consolidated diluted EPS					
Income attributable to common and potential common shareholders of the parent	<u>\$ 2,409,205</u>	<u>\$ 3,316,976</u>	<u>9,075,090</u>	<u>\$ 0.27</u>	<u>\$ 0.37</u>
<u>Six months ended June 30, 2006</u>					
Consolidated net income	<u>\$ 4,510,778</u>	<u>\$ 4,201,179</u>			
Consolidated basic EPS					
Income attributable to common shareholders of the parent	\$ 4,564,441	\$ 4,202,156	5,863,991	<u>\$ 0.78</u>	<u>\$ 0.72</u>
Effect of dilutive securities					
Convertible bonds	-	-	980,681		
Stock options	<u>-</u>	<u>-</u>	<u>105,048</u>		
Consolidated diluted EPS					
Income attributable to common and potential common shareholders of the parent	<u>\$ 4,564,441</u>	<u>\$ 4,202,156</u>	<u>6,949,720</u>	<u>\$ 0.66</u>	<u>\$ 0.60</u>

(Continued)

	<u>Amounts (Numerator)</u>		<u>Weighted Average Number of Shares Outstanding (Denominator) (Thousand)</u>	<u>EPS (Dollars)</u>	
	<u>Before Income Tax</u>	<u>After Income Tax</u>		<u>Before Income Tax</u>	<u>After Income Tax</u>
The pro-forma adjusted EPS for stock dividends with ex-dividend date after the issuance of the financial statements					
Consolidated basic EPS					
Income attributable to common shareholders of the parent	\$ 4,564,441	\$ 4,202,156	6,540,320	<u>\$ 0.70</u>	<u>\$ 0.64</u>
Effect of dilutive securities					
Convertible bonds	-	-	1,077,318		
Stock options	-	-	<u>115,399</u>		
Consolidated diluted EPS					
Income attributable to common and potential common shareholders of the parent	<u>\$ 4,564,441</u>	<u>\$ 4,202,156</u>	<u>7,733,037</u>	<u>\$ 0.59</u>	<u>\$ 0.54</u>

(Concluded)

The average number of shares outstanding for consolidated EPS calculation was adjusted retroactively for the issuance of stock dividends and stock bonuses. The retroactive adjustment caused the basic and diluted EPS after income tax for the six months ended June 30, 2006 to decrease from NT\$0.76 to NT\$0.72 and from NT\$0.64 to NT\$0.60, respectively.

25. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	<u>June 30</u>			
	<u>2007</u>		<u>2006</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
<u>Assets</u>				
Financial assets at fair value				
through profit or loss - current	\$ 12,512,975	\$ 12,512,975	\$ 5,383,264	\$ 5,383,264
Available-for-sale financial assets - current	990,693	990,693	760,746	760,746
Held-to-maturity financial assets (including current portion)	470,000	470,000	491,000	491,000
Financial assets carried at cost - noncurrent	1,771,806	-	979,683	-
<u>Liabilities</u>				
Financial liabilities at fair value				
through profit or loss - current				
Interest rate swap contracts	25,485	25,485	101,531	101,531

(Continued)

	June 30			
	2007		2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Debt components of convertible bonds				
Conversion option	\$ 1,414,815	\$ 1,414,815	\$ 1,554,322	\$ 1,554,322
Put option	134,689	134,689	128,663	128,663
Convertible bonds payable (including current portion)	23,277,186	24,079,769	23,332,878	24,542,213
Long-term bank loans (including current portion)	46,194,666	46,194,666	33,288,333	33,288,333
				(Concluded)

Effective January 1, 2006, the Group adopted Statement of Financial Accounting Standards No. 34 - "Financial Instruments: Recognition and Measurement." Before this change, certain derivative instruments were not recognized in the financial statements. The effect of this accounting change is disclosed in Note 3.

b. Methods and assumptions used in determining fair values of financial instruments

- 1) Fair values of financial instruments at fair value through profit or loss, available-for-sale and held-to-maturity financial assets are based on their quoted prices in active markets. For those instruments not traded in active markets, their fair values are determined using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions.

In applying discounted cash flow analysis, the Group uses discount rates approximating the prevailing return rates of financial instruments under similar conditions, such as the credit quality of the debtors, the remaining periods over which the contractual interest rates are fixed, the remaining terms to repayment of principals and the currency to be used for payments. Discount rates used to evaluate held-to-maturity financial assets were both 3.25% to 3.50% for the six months ended June 30, 2007 and 2006, respectively.

Fair values of derivatives were determined using valuation techniques incorporating estimates and assumptions consistent with prevailing market conditions.

Fair values of interest rate swap contracts are calculated on the balance sheet date through discounted cash flow analysis, using the U.S. dollar forward rates quoted by Bloomberg.

- 2) Fair value of financial assets carried at cost is based on their original cost. For those assets not traded in active markets, their fair value should take unreasonable cost to verified, thus the fair value can not be measured reliably.
- 3) Fair value of long-term bank loans is estimated using discounted cash flow analysis, based on the Corporation's current incremental borrowing rates for borrowings with similar types (similar maturity dates). The fair value of long-term bank loans with floating interest rates is equivalent to their carrying value. Fair value of convertible bonds payable, issued before January 1, 2006, is based on quoted market prices, remainder is determined using the present value of forecasted cash flows.

The aforementioned financial instruments do not include cash and cash equivalent, accounts receivable, other receivable, restricted deposits, short-term bank loans, accounts payable, cash dividend and bonus payable and payable on equipment for the carrying amounts of these financial instruments approximate their fair value.

- c. Fair values of financial assets and liabilities, based on quoted market prices or valuation techniques, were as follows:

	<u>Quoted Market Prices</u>		<u>Valuation Techniques</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<u>Assets</u>				
Financial assets at fair value through profit or loss - current	\$ 12,512,975	\$ 5,322,243	\$ -	\$ 61,021
Available-for-sale financial assets - current	990,693	760,746	-	-
Held-to-maturity financial assets (including current portion)	-	-	470,000	491,000
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss - current				
Interest rate swap contracts	-	-	25,485	101,531
Debt components of convertible bonds				
Conversion option	-	-	1,414,815	1,554,322
Put option	-	-	134,689	128,663
Convertible bonds payable (including current portion)	20,025,376	20,856,658	4,054,393	3,685,555
Long-term bank loans (including current portion)	-	-	46,194,666	33,288,333

- d. Gain and loss recognized for the changes in fair value of financial instruments using valuation techniques were \$517,166 thousand and \$197,219 thousand for the six months ended June 30, 2007 and 2006, respectively.
- e. As of June 30, 2007 and 2006, financial assets (liabilities) exposed to fair value interest rate risk and cash flow interest rate risk were as follows:

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
Fair value interest rate risk		
Financial assets	\$ 37,806,356	\$ 29,325,431
Financial liabilities	(23,952,671)	(23,434,409)
Cash flow interest rate risk		
Financial assets	1,907,997	13,346,718
Financial liabilities	(46,494,666)	(33,288,333)

- f. As of June 30, 2007 and 2006, interest income (expenses) arising from the financial assets (liabilities), excluding those at fair value through profit and loss, were as follows:

	<u>Six Months Ended</u>	
	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
Total interest income	\$ 446,658	\$ 268,233
Total interest expenses (including capitalized amount)	(752,110)	(482,227)

The Group recognized an unrealized loss and gain of \$30,610 thousand and \$275,351 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets for the six months ended June 30, 2007 and 2006, respectively.

g. Financial risks

- 1) Market risk. The financial instruments held by the Group are exposed to interest rate, foreign exchange rate and price risks.

Interest rates on bond investments, cross-currency swap contracts and interest rate swap contracts were already determined. Thus, interest rate fluctuations would result in changes in fair values of these financial instruments.

Fair values of credit-linked notes (CLNs) denominated in foreign currency are influenced by exchange rate fluctuations.

Fair values of available-for-sale and held for trading security investments are affected by fluctuations of quoted prices.

- 2) Credit risk. The Group will incur a loss if the counter-parties or third-parties breach the contracts, which are affected by such factors as the concentrations of counter parties, components of financial instruments, contract amounts, and the receivables on the contracts. Thus, contracts with positive fair values on the balance sheet date are evaluated for credit risk. As of June 30, 2007 and 2006, credit risks of the financial assets, except those approximate to their carrying values, were as follows:

	June 30			
	2007		2006	
	Carrying Amount	Credit Risk	Carrying Amount	Credit Risk
<u>Financial assets designated at fair value through profit or loss</u>				
CLN	\$ -	-	\$ 61,021	\$ 61,021
<u>Held-to-maturity financial assets</u>				
Corporate bond	<u>470,000</u>	<u>470,000</u>	<u>491,000</u>	<u>491,000</u>
	<u>\$ 470,000</u>	<u>\$ 470,000</u>	<u>\$ 552,021</u>	<u>\$ 552,021</u>

- 3) Liquidity risk. The Group has sufficient operating capital to meet the cash demand upon settlement of financial instruments. Therefore, the cash flow risk is low.

Investments in bonds, CLNs and financial assets carried at cost do not have an active market. Thus, the liquidity risk of these investments is material. On the other hand, held for trading and available-for-sale security investments are expected to be settled rapidly at amounts approximating their fair values in active markets.

All interest rates of interest rate swap contracts are already determined. Thus, the fund-raising and cash flow risks are not material.

- 4) Cash flow interest rate risk. Long-term bank loans mainly bear floating interest rates. Thus, the fluctuations of market interest rates will result in changes in the Group's future cash flows.

26. RELATED PARTY TRANSACTIONS

a. Related parties

<u>Related Party</u>	<u>Relationship with the Group</u>
Powertech Technology Inc. (“Powertech”)	Quantum is its director
Macronix International Co., Ltd. (“Macronix”)	Li-Hsin is its director (since June 29, 2007)
CHIPSHIP Technology Co., Ltd. (“CHIPSHIP”) (Note 1)	PSC is its director (until April 24, 2007)
Silicon	PSC is its director
eMemory Technology Inc. (“eMemory”)	Same chairman with PSC
PowerWorld Capital Management Corp. (“PowerWorld Management”)	Same chairman with PSC
Deutron	Same chairman with PSC
Neo-Solar	Same chairman with PSC
Elpida Memory (Taiwan) Co., Ltd. (“Elpida-Taiwan”)	Director of PSC (since June 9, 2006)
Elpida	Parent company of Elpida-Taiwan, also the it once to be the director of PSC (until June 9, 2006)
Rexchip (Note 2)	Equity-method investee
Zentel (Note 3)	Equity method investee
Tekmax	Equity-method investee
Novax	Equity-method investee
Syntronix	Equity-method investee
Veutron	Equity-method investee
Zhi-Li	Equity-method investee
Artrix	Equity method investee
MicroMedia	Equity-method investee
AVAC	Equity-method investee
Astel	Equity method investee
Optimicro	Equity-method investee
Synage	Equity-method investee
Power ASE Technology Inc. (“Power ASE”)	Indirect equity-method investee
Li-Yuan Investment Corp. (“Li-Yuan”)	Its Chairman is second-degree relative of PSC’s chairman
Shanyu Investment Inc (“Shanyu”)	Li-Yuan is its director
Cotel Technology Inc. (“Cotel”)	Li-Yuan is its director
Amax Capital Inc. (“Amax”)	Li-Yuan is its director
Frank Huang	Chairman of PSC
Others	Related parties with whom the Group has substantial influence but without any material transactions. Please see Note 29.

Note 1: The Company ceased to be the Group’s related parties before June 30, 2007; the transactions made as of and for the six months ended June 30, 2006 are disclosed only for reference.

Note 2: The Company ceased to be the subsidiary of PSC on May 25, 2007; the prior intercompany revenue and expenses have been excluded from the consolidation.

Note 3: The Company ceased to be the subsidiary of PSC in November 2006; the prior intercompany revenue and expenses have been excluded from the consolidation.

b. Related-party transactions:

	Six Months Ended June 30			
	2007		2006	
	Amount	%	Amount	%
<u>For the period</u>				
Net sales				
Elpida	\$ 16,374,528	35	\$ 7,698,513	23
Deutron	10,406,592	23	4,561,976	14
Novax	2,476,374	5	1,956,429	6
Zentel	1,659,798	4	-	-
Elpida-Taiwan	302,611	1	1,741,133	5
Syntronix	114,488	-	357,288	1
Silicon	64,851	-	97,335	-
eMemory	26,676	-	32,903	-
CHIPSHIP	-	-	12,350	-
Others	4,215	-	-	-
	<u>\$ 31,430,133</u>	<u>68</u>	<u>\$ 16,457,927</u>	<u>49</u>
Technical know-how and royalty				
Elpida	\$ 416,696	18	\$ -	-
Zentel	31	-	-	-
eMemory	-	-	11,224	2
	<u>\$ 416,727</u>	<u>18</u>	<u>\$ 11,224</u>	<u>2</u>
Manufacturing expenses - subcontract costs, indirect materials, expensed properties, repairs and maintenance, etc.				
Powertech	\$ 3,383,474	10	\$ 2,483,378	11
Power ASE	1,307,436	4	-	-
Others	5,222	-	644	-
	<u>\$ 4,696,132</u>	<u>14</u>	<u>\$ 2,484,022</u>	<u>11</u>
General and administrative expenses				
Tekmax	\$ 67,772	3	\$ 50,289	5
PowerWorld Management	29,561	2	15,930	2
Others	532	-	2,542	-
	<u>\$ 97,865</u>	<u>5</u>	<u>\$ 68,761</u>	<u>7</u>
Research and development expenses				
Elpida	\$ 189,334	17	\$ 189,334	18
Syntronix	38,738	3	19,300	2
eMemory	9,906	1	9,878	1
Zentel	6,429	1	-	-
Others	230	-	629	-
	<u>\$ 244,637</u>	<u>22</u>	<u>\$ 219,141</u>	<u>21</u>

	Six Months Ended June 30			
	2007		2006	
	Amount	%	Amount	%
Other income				
Neo-Solar	\$ 42,638	32	\$ -	-
Macronix	7,928	6	-	-
Powertech	5,698	4	10,272	23
eMemory	4,313	3	3,459	8
Deutron	4,090	3	-	-
Syntronix	3,046	2	3,183	7
Zhi-Li	1,200	1	-	-
Zentel	1,050	1	-	-
Others	<u>3,852</u>	<u>3</u>	<u>1,018</u>	<u>2</u>
	<u>\$ 73,815</u>	<u>55</u>	<u>\$ 17,932</u>	<u>40</u>
 <u>At end of period</u>				
Accounts receivable, net				
Elpida	\$ 4,235,984	42	\$ 2,102,758	26
Deutron	2,234,452	24	1,513,703	19
Novax	433,898	5	457,851	5
Zentel	249,499	3	-	-
Silicon	22,465	-	12,871	-
Syntronix	21,660	-	45,176	1
eMemory	3,557	-	899	-
Elpida-Taiwan	-	-	530,858	7
Others	<u>1,772</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,203,287</u>	<u>74</u>	<u>\$ 4,664,116</u>	<u>58</u>
Other receivables				
Rexchip	\$ 174,196	31	\$ -	-
Macronix	6,530	1	-	-
Deutron	3,566	1	-	-
Others	<u>1,475</u>	<u>-</u>	<u>628</u>	<u>-</u>
	<u>\$ 185,767</u>	<u>33</u>	<u>\$ 628</u>	<u>-</u>
Payments for others (presented under other current assets)				
Rexchip	\$ 218,055	96	\$ -	-
Others	<u>6,791</u>	<u>3</u>	<u>7</u>	<u>-</u>
	<u>\$ 224,846</u>	<u>99</u>	<u>\$ 7</u>	<u>-</u>
Accounts payable				
Powertech	\$ 1,533,995	17	\$ 1,527,102	21
Power ASE	<u>643,283</u>	<u>7</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,177,278</u>	<u>24</u>	<u>\$ 1,527,102</u>	<u>21</u>

	Six Months Ended June 30			
	2007		2006	
	Amount	%	Amount	%
Accrued expenses				
Elpida	\$ 417,261	10	\$ 565,246	23
Macronix	24,381	1	-	-
PowerWorld Management	11,486	-	7,343	-
Tekmax	7,500	-	7,619	1
Zentel	31	-	-	-
Syntronix	-	-	15,486	1
Others	238	-	2,685	-
	<u>\$ 460,897</u>	<u>11</u>	<u>\$ 598,379</u>	<u>25</u>
Deferred income (including current portion)				
Macronix	<u>\$ 190,000</u>	<u>100</u>	<u>\$ -</u>	<u>-</u>

The Group also purchased (sold) the following long-term investments of stocks and bonds from (to) related parties for the six months ended June 30, 2007 and 2006:

1) Stocks

Related Parties	Investee	Shares		
		Purchased (Sold) (in Thousands)	Costs (Proceeds)	Profit (Loss)
<u>2007</u>				
MicroMedia	Deutron	(500)	\$ (17,500)	\$ 5,644
	Zhi-Li	(800)	\$ (8,000)	\$ 220
Artrix	Deutron	(2,000)	\$ (70,000)	\$ 22,574
	Zhi-Li	(1,000)	\$ (10,000)	\$ (710)
	Novax	(500)	\$ (5,250)	\$ (1,236)
	Deutron-Japan	(150)	\$ (3,626)	\$ (2,462)
	Optimicro	(702)	\$ (4,551)	\$ (126)
Zhi-Li	Deutron	(2,000)	\$ (70,000)	\$ 22,574
	MaxEdge	(330)	\$ (330)	\$ 329
	Chipking Electronic Co., Ltd.	(600)	\$ (6,000)	\$ 1,549
	Artrix	(1,800)	\$ (18,000)	\$ (510)
Novax	Novax	(500)	\$ (5,250)	\$ (1,236)
	Zhi-Li	(1,200)	\$ (12,000)	\$ 279
	Synage	(866)	\$ (5,629)	\$ (225)
Deutron	Artrix	(600)	\$ (6,000)	\$ (174)
	Zhi-Li	(3,258)	\$ (32,580)	\$ (1,336)
	Synage	(500)	\$ (3,250)	\$ (130)
	Novax	(506)	\$ (5,313)	\$ (1,251)
	Cetronix Technology Corp.	(180)	\$ (1,800)	\$ (5)
Shanyu	Artrix	(1,253)	\$ (12,493)	\$ (527)
	Neo-Solar	(900)	\$ (18,000)	\$ 6,463
	Silicon	(80)	\$ (1,200)	\$ (19)
	Chipking Electronic Co., Ltd.	(800)	\$ (8,000)	\$ 2,065
	Navisys	(195)	\$ (1,853)	\$ (78)
	Vivichip	(101)	\$ (906)	\$ (40)

(Continued)

Related Parties	Investee	Shares Purchased (Sold) (in Thousands)	Costs (Proceeds)	Profit (Loss)
Cotel	Artrix	(400)	\$ (4,000)	\$ (112)
AVAC	Artrix	(400)	\$ (4,000)	\$ (112)
Astel	Zhi-Li	656	\$ 7,219	
Optimicro	Zhi-Li	2,200	\$ 24,200	
Tekmax	Optimicro	(129)	\$ (836)	\$ (26)
Amax	Zentel	(300)	\$ (3,600)	\$ (409)
Synage	Zhi-Li	(500)	\$ (5,000)	\$ (355)

2006

Deutron	Syntronix	(600)	\$ (16,800)	\$ 9,430 (Concluded)
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2) Bonds

Related Parties	Investee	Units Purchased (Matured)	Amount	Rate
<u>2006</u>				
Veutron	Veutron Bonds	(15)	\$ (75,000)	3.50%
Veutron	Veutron Bonds	15	\$ 75,000	3.50%

The stocks purchased (sold) to related parties were based on specifically negotiated price.

The products sold to Silicon, Syntronix, eMemory, Elpida and Elpida-Taiwan by the PSC was based on specifically negotiated terms for which there are no comparable terms under other contracts.

PSC sold products to Deutron and Novax at normal commercial prices, with a 2% to 5% agent discount.

The payment terms of the sales made to Elpida-Taiwan was to be paid on the 45th day (30th day before January, 2006) after the month of shipment; the payment terms of the sales made to Zentel was to be paid on the 30th day (45th day before May, 2007) after the month of shipment. Also, the payment term of the sales made to Novax and Deutron were to be paid on the 45th day after the month of shipment.

The research and development expenses paid to Elpida, eMemory, Syntronix and Zentel by PSC were based on specifically negotiated terms.

The technology know-how and royalty paid to Elpida, Zentel and eMemory by PSC were based on specifically negotiated terms.

Other receivables mainly arose from the purchase of materials for Rexchip by PSC, were based on specifically negotiated terms.

Except for the above transactions, which were based on specifically negotiated terms and for which there were no comparable terms under other contracts, all transactions between the Group and other related parties were made at normal commercial prices and terms.

27. PLEDGED OR MORTGAGED ASSETS

The following assets had been pledged or mortgaged as collaterals for long-term bank loans, letters of credit and bonded inventories:

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
Properties, net	\$ 63,261,420	\$ 53,722,220
Land	296,066	-
Restricted deposits	<u>787,545</u>	<u>850,436</u>
	<u>\$ 64,345,031</u>	<u>\$ 54,572,656</u>

28. COMMITMENTS AND CONTINGENCIES

- a. Under a patent license agreement made with Company A in February 1999, PSC should pay royalty for 10 years from January 1, 1998 at an agreed percentage of the selling prices of the licensed products.
- b. Under several license and technology transfer agreements executed or amended with Company B, PSC should pay a certain amount of license fee and royalties at agreed percentages of the selling prices of certain licensed products from June 1998 to March 2008.
- c. In March 2003, PSC entered into a purchase and sale agreement with Company C on products using DRAM technologies in their manufacture. Under the agreement, PSC should reserve a certain percentage of production capacity for Company C.
- d. In August 2003 and March 2005, PSC entered into license and technology transfer agreements with Company C. Under the agreements, PSC should pay Company C, a certain amount of license fee over 5 years after technology is transferred and royalty at an agreed percentage of the selling prices of the licensed products.
- e. In August 2003, PSC entered into license and technology transfer agreements with Companies D and E. Under the agreements, PSC should pay Companies D and E royalty at an agreed percentage of the selling prices of the licensed products over 5 years after the technology transfer.
- f. Under a patent license agreement made with Company F in October 2003, PSC should pay royalty annually for 5 years from 2003.
- g. Under a product design and license agreement on DDR II products with Company G made in December 2003, PSC should pay a certain amount of license fee and royalty at an agreed percentage of the selling prices of the licensed products.
- h. Under a product development and license agreement on DRAM products with Company H made in July 2004, PSC should pay a certain amount of development fee and royalty at an agreed percentage of the selling prices of the licensed products.
- i. Under several product design and license agreements with Company I made in June 2005, PSC should pay a certain amount of license fee and royalty at an agreed percentage of the selling prices of the licensed products and reserve a certain percentage of production capacity for Company I.

- j. Under a non-recurring engineering agreement with Company J made in September 2005, PSC should pay a certain amount of development fee quarterly from September 2005 to September 2007.
- k. Under a technology development and transfer agreement with Company K made in September 2005, PSC should pay a certain amount of development fee over 5 years and royalty at an agreed percentage of the selling prices of the licensed products.
- l. PSC signed an agreement with Micronix for purchasing its 12 inches fab (“FAB 12M”), cleaning room and other related facilities, which has been consummated in the third quarter of 2006. Both parties also agreed, within the site, to jointly develop 90nm and below process technologies for manufacturing NVM Flash Memory products, and a certain percentage of FAB 12M’s capacity will be reserved for Micronix should such technologies been developed, in return, a certain amount of royalty should be paid by Micronix before April 2007.
- m. In February and May 2006, PSC entered into license and technology transfer agreement on flash memory products with Company G. Under the agreement, PSC should pay Company G a certain amount of license fee and royalty at an agreed percentage of the selling prices of the licensed products.
- n. In December 2006, PSC signed a joint venture agreement with Renesas for joint investment in Vantel Corp.(“Vantel”). Renesas and Vantel will develop flash memory products and grant a license to PSC for using related technologies. Also, PSC and Renesas should pay Vantel a development fee.
- o. In January 2007, PSC signed a joint venture agreement with Elpida on obtaining technology transfer and licenses, developing of DRAM process technology and establishing a new company (Rexchip). The capacity of this company will be split between both parties. Under the agreement, PSC will pay a certain amount of license fee to Elpida over five years from January 2007.
- p. In February 2007, PSC signed a subcontracting agreement with Company M. Under the agreement, PSC shall reserve a portion of its production capacity for Company M that have deposit with PSC. As of June 30, 2007, PSC had a total US\$4,000 thousand of guarantee deposits.
- q. In April 2007, PSC signed a service agreements with Rexchip for the 12 inches fab (“FAB 12C”) building and the related facilities be transferred to Rexchip. Both parties also agreed that PSC shall provide some services to Rexchip during the FAB 12C’s constructions, in return, a certain service fee should be paid by Rexchip.
- r. In March 2006, Texas Instruments Corp. (TI) filed in the U.S. District Court of New York a lawsuit against PSC for breach of a certain license agreement. In June 2007, after an investigation, TI demanded under an interlocutory decree that PSC pay a certain amount of royalty based on the license agreement. The result of this litigation could not be determined at this time. Nevertheless, PSC assessed and accrued the indemnification. On the basis of this assessment, PSC determined that this litigation would not have a material effect on its operations and financial condition.
- s. Unused letters of credit of PSC amounted to approximately US\$39,865 thousand as of June 30, 2007.
- t. PSC leases several parcels of land from the Science-Based Industrial Park Administration under renewable operating leases agreements expiring on various dates from March 2015 to December 2025.

As of June 30, 2007, future lease payments were as follows:

Year	Amount
2007 (3 rd to 4 th quarter)	\$ 48,364
2008	96,729
2009	96,729
2010	96,729
2011	96,729
2012	96,729
2013 and thereafter	<u>708,990</u>
	<u>\$ 1,240,999</u>

29. ADDITIONAL DISCLOSURES

Except for the following, the Group has no other significant transactions or any investees and investments in Mainland China, for which disclosure is required by the Securities and Futures Bureau:

- a. Marketable securities held: Table 1 (attached).
- b. Marketable securities acquired and disposed of at costs or prices of at least \$100 million or 20% of the paid-in capital: Table 2 (attached).
- c. Acquisition of individual real estates at costs of at least \$100 million or 20% of the paid-in capital: Table 3 (attached).
- d. Disposal of individual real estates at prices of at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached)
- e. Total purchase from or sale to related parties amounting to at least \$100 million or 20% of the paid-in capital: Table 5 (attached).
- f. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: Table 6 (attached)
- g. Names, locations, and related information of investees on which the Group exercises significant influence: Table 7 (attached).
- h. Derivative financial transactions: Please see Notes 5 and 25.
- i. Intercompany relationships and significant intercompany transactions: Table 8 (attached).
- j. Information of the securities of the parent company held by its subsidiaries: Except as disclosed in Note 21 that Li-Hsin and Powerflash held certain issued shares of PSC for investment purpose, no other subsidiaries hold the securities issued by the parent company.

POWERCHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

JUNE 30, 2007

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2007				Note
				Shares (Thousands/ Units) (Note 6)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Powerchip Semiconductor Corporation	Stock							
	Rexchip Electronics Corp.	Investee	Equity-method investments	1,000,100	\$ 15,480,487	50.00	\$ 15,480,487	
	Quantum Vision Corp.	Subsidiary	Equity-method investments	323,641	4,159,772	99.99	4,165,960	Note 1
	Li-Hsin Investment Corp.	Subsidiary	Equity-method investments	249,850	2,190,304	99.94	2,282,521	Note 1
	Paramax Corp.	Subsidiary	Equity-method investments	160,894	1,457,434	99.99	1,460,070	Note 1
	Rui-Wang Investment Corp.	Subsidiary	Equity-method investments	80,000	799,430	100.00	799,430	Note 1
	Global Powertec Co., Ltd.	Subsidiary	Equity-method investments	1,620	701,131	100.00	701,131	Note 1
	Lu-Chu Development Corp.	Investee	Equity-method investments	63,499	570,063	27.18	570,063	Note 1
	Zhi-Li Investment Inc.	Investee	Equity-method investments	53,277	528,616	29.88	535,859	Note 1
	Smart Art Corp.	Subsidiary	Equity-method investments	46,033	458,695	45.13	458,695	Note 1
	Novax Technologies, Inc.	Investee	Equity-method investments	25,290	311,797	24.54	311,865	Note 1
	Artrix International Inc.	Investee	Equity-method investments	31,268	301,399	25.17	307,081	Note 1
	Veutron Corp.	Investee	Equity-method investments	10,432	137,643	9.60	137,643	Notes 1 and 5
	Powerflash Technology Corporation (named Smartic Technology Inc. before)	Subsidiary	Equity-method investments	15,300	116,720	51.00	147,350	Note 1
	Luxxon Technology Corp.	Investee	Equity-method investments	12,411	115,617	20.15	115,617	Note 1
	Zentel Electronics Corp.	Investee	Equity-method investments	5,048	86,613	20.02	90,470	Note 1
	Optimicro Corp.	Investee	Equity-method investments	14,700	85,975	29.40	85,975	Note 1
	Tekmax Development Corp.	Investee	Equity-method investments	6,132	85,485	15.57	85,727	Note 1
	Syntronix Corp.	Investee	Equity-method investments	6,548	83,015	19.85	83,015	Note 1
	Deutron Japan Corp.	Investee	Equity-method investments	1,910	75,548	38.98	75,548	Note 1
	Synage Technology Corp.	Investee	Equity-method investments	9,984	64,695	19.97	64,695	Note 1
	Astel Electronics Corp.	Investee	Equity-method investments	8,000	50,732	40.00	50,732	Note 1
	Retronix Technology Corp.	Investee	Equity-method investments	5,000	47,797	14.29	47,797	Note 1
	Terax Communication Technologies Inc.	Investee	Equity-method investments	6,090	36,862	17.40	36,862	Note 1
	Siptron Technology Corporation (named PowerFlash Semiconductor Corp. before)	Subsidiary	Equity-method investments	4,160	33,962	32.00	33,962	Note 1
	Vivichip Electronics Corp.	Investee	Equity-method investments	4,000	32,652	40.00	32,652	Note 1
	AVAC Systems, Inc.	Investee	Equity-method investments	4,000	29,465	23.31	29,465	Note 1
	MicroMedia Technology Corp.	Investee	Equity-method investments	3,000	22,125	30.00	23,884	Note 1
	Signia Technologies Co., Ltd.	Investee	Equity-method investments	5,187	15,411	28.01	15,411	Note 1
	MaxEdge Electronics Corp.	Investee	Equity-method investments	1,714	-	13.39	(33,355)	Note 1
	Optimax Technology Corp.	PSC is its director	Available-for-sale financial assets	5,105	97,509	-	97,509	-
	Sino Gold Mining Limited	-	Available-for-sale financial assets	200	30,839	-	30,839	-
Neo Solar Power Corp.	Same chairman with PSC	Financial assets carried at cost	12,674	223,558	13.15	223,558	Note 2	
Besteam Technology Inc.	-	Financial assets carried at cost	6,430	58,454	9.84	58,454	Note 2	
Taiwan Liposome Co., Ltd.	Quantum Vision is its director	Financial assets carried at cost	1,300	49,000	6.70	49,000	Note 2	
Deutron Electronics Corp.	Same chairman with PSC	Financial assets carried at cost	1,980	48,811	1.94	48,811	Note 2	
Silicon Optronics, Inc.	PSC is its director	Financial assets carried at cost	2,076	31,515	11.19	31,515	Note 2	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2007				Note
				Shares (Thousands/Units) (Note 6)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	uPI Semiconductor Corp.	PSC is its director	Financial assets carried at cost	2,000	\$ 30,000	16.00	\$ 30,000	Note 2
	eMemory Technology Inc.	Same chairman with PSC	Financial assets carried at cost	2,852	27,792	7.23	27,792	Note 2
	PowerWorld Fund Inc.	Same chairman with PSC	Financial assets carried at cost	2,882	24,611	9.09	24,611	Note 2
	TwinMOS Technologies Inc.	-	Financial assets carried at cost	2,757	23,109	1.34	23,109	Note 2
	Universal Venture Fund, Inc.	Same chairman with PSC	Financial assets carried at cost	2,191	21,902	4.76	21,902	Note 2
	A-Optronics Technology Inc.	PSC is its director	Financial assets carried at cost	2,232	19,865	6.98	19,865	Note 2
	EUDAR Technology Inc.	-	Financial assets carried at cost	600	15,420	2.20	15,420	Note 2
	Great Taipei Broadband Co., Ltd.	PSC is its director	Financial assets carried at cost	2,500	13,800	1.67	13,800	Note 2
	Apacer Technology Inc.	-	Financial assets carried at cost	1,000	13,531	0.95	13,531	Note 2
	Advanced Chip Engineering Technology Inc.	-	Financial assets carried at cost	1,891	13,237	1.52	13,237	Note 2
	PowerGate Optical, Inc.	Same chairman with PSC	Financial assets carried at cost	1,154	10,089	3.61	10,089	Note 2
	Lightsonic Optoelectronics Inc.	Quantum Vision is its director	Financial assets carried at cost	1,700	8,789	1.83	8,789	Note 2
	Abico Shi-pro Co., Ltd.	PSC is its director	Financial assets carried at cost	484	4,831	6.84	4,831	Note 2
	Phitech Corp.	-	Financial assets carried at cost	305	1,552	1.27	1,552	Note 2
	DRAMeXchange Tech. Inc.	-	Financial assets carried at cost	113	1,131	3.59	1,131	Note 2
	Asia Pacific Broadband Telecommunications Co., Ltd.	-	Financial assets carried at cost	12,000	-	0.18	-	Note 2
	Miluku Entertainment Corp.	Quantum Vision is its director	Financial assets carried at cost	220	-	1.80	-	Note 2
	Jade Pacific Corp.	-	Financial assets carried at cost	8	-	1.35	-	Note 2
	Ta Shee Golf & Country Club	-	Financial assets carried at cost	1	10	-	10	Note 2
	Magellan Systems Japan Inc.	-	Financial assets carried at cost	1	31,517	15.73	31,517	Note 2
	Venglobal Capital Fund L.P.	-	Financial assets carried at cost	-	16,590	5.18	16,590	Note 2
	Powerchip Japan Corporation	-	Financial assets carried at cost	1	11,870	6.18	11,870	Note 2
	China High Speed Transmission Equipment Group Co. Ltd.	-	Financial assets carried at cost	30	898	-	898	Note 2
	KWG Property Holdings Limited.	-	Financial assets carried at cost	2	62	-	62	Note 2
	e-Phocus, Inc.	-	Financial assets carried at cost	700	-	8.46	-	Note 2
	SemiLEDs Corp. Series C - preferred shares	-	Financial assets carried at cost	6,102	116,172	18.00	116,172	Note 2
	ZMOS Technology Inc., Series B-preferred shares	-	Financial assets carried at cost	3,000	98,220	9.02	98,220	Note 2
	Aptic Semiconductor, Inc., Series A-preferred shares	-	Financial assets carried at cost	1,522	11,533	10.10	11,533	Note 2
	e-Phocus, Inc., Series A-preferred shares	-	Financial assets carried at cost	333	11,460	33.33	11,460	Note 2
	e-Phocus, Inc., Series B-preferred shares	-	Financial assets carried at cost	667	10,030	33.33	10,030	Note 2
	Billions of Operations Per Second, Inc., Series A - preferred shares	-	Financial assets carried at cost	833	-	1.41	-	Note 2
	Billions of Operations Per Second, Inc., Series D - preferred shares	-	Financial assets carried at cost	658	-	1.12	-	Note 2
	Globalgate.com, Inc., Series A - preferred shares	-	Financial assets carried at cost	500	-	0.93	-	Note 2
	Macronix International Co., Ltd	Li-Hsin is its director	Financial assets at fair value through profit or loss	170,841	2,656,583	-	2,656,583	-
	Wafer Works Corp.	PSC is its director	Financial assets at fair value through profit or loss	9,526	1,333,629	-	1,333,629	-
	Elan Microelectronics Corp.	-	Financial assets at fair value through profit or loss	18,993	1,230,746	-	1,230,746	-
	Shinkong Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss	22,773	871,060	-	871,060	-
	Hua Nan Financial Holdings Co., Ltd.	-	Financial assets at fair value through profit or loss	19,001	437,979	-	437,979	-
	Advanced Semiconductor Engineering, Inc.	-	Financial assets at fair value through profit or loss	7,285	326,004	-	326,004	-
	ProMos Technologies Inc.	-	Financial assets at fair value through profit or loss	18,001	248,409	-	248,409	-
	Wintek Corporation	-	Financial assets at fair value through profit or loss	3,576	126,933	-	126,933	-
	Chang Hwa Commercial Bank, Ltd.	-	Financial assets at fair value through profit or loss	4,500	93,600	-	93,600	-

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2007				Note
				Shares (Thousands/Units) (Note 6)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Depo Auto Parts Ind. Co., Ltd.	-	Financial assets at fair value through profit or loss	675	\$ 77,634	-	\$ 77,634	-
	Fullerton Technology Co., Ltd.	Quantum Vision is its director	Financial assets at fair value through profit or loss	3,000	75,000	-	75,000	-
	Taiwan Semiconductor Manufacturing Company Limited	-	Financial assets at fair value through profit or loss	1,005	71,254	-	71,254	-
	Silicon Integrated System Corp.	-	Financial assets at fair value through profit or loss	3,135	57,685	-	57,685	-
	Taiwan Cooperative Bank	-	Financial assets at fair value through profit or loss	2,000	47,700	-	47,700	-
	AboCom Systems, Inc.	-	Financial assets at fair value through profit or loss	1,359	32,820	-	32,820	-
	Tung Ho Steel Enterprise Corp.	-	Financial assets at fair value through profit or loss	200	7,700	-	7,700	-
	Nanya Technology Corp.	-	Financial assets at fair value through profit or loss	200	5,990	-	5,990	-
	NewSoft Technology Corp.	Quantum Vision is its director	Financial assets at fair value through profit or loss	180	2,160	-	2,160	-
	Elpida Memory Inc.	-	Financial assets at fair value through profit or loss	429	616,823	-	616,823	-
	Hutchison Whampoa Limited	-	Financial assets at fair value through profit or loss	30	9,761	-	9,761	-
	Silicon Storage Technology Inc.	-	Financial assets at fair value through profit or loss	68	8,259	-	8,259	-
	<u>Bonds</u>							
	Veutron Corp. - issued in 2005 (I)	Investee	Held-to-maturity financial assets	16	80,000	-	80,000	Note 2
	MaxEdge Electronics Corp. - issued in 2005 (I)	Investee	Held-to-maturity financial assets	30	30,000	-	30,000	Note 2
	MaxEdge Electronics Corp. - issued in 2005 (II)	Investee	Held-to-maturity financial assets	30	30,000	-	30,000	Note 2
	Veutron Corp. - issued in 2006 (I)	Investee	Held-to-maturity financial assets	5	25,000	-	25,000	Note 2
	MaxEdge Electronics Corp. - issued in 2005 (III)	Investee	Held-to-maturity financial assets	20	20,000	-	20,000	Note 2
	Veutron Corp. - issued in 2002 (II)	Investee	Held-to-maturity financial assets	3	14,000	-	14,000	Note 2
	<u>Equity</u>							
	Polaris Global ABS Fund - A	-	Financial assets at fair value through profit or loss	8,002	79,331	-	79,331	-
	Fuh-Hwa Omni Fund	-	Financial assets at fair value through profit or loss	5,000	62,150	-	62,150	-
	Fuh-Hwa Heirloom No. 2 Balance Fund	-	Financial assets at fair value through profit or loss	639	9,977	-	9,977	-
	Shinkong Number One Real Estate Investment	-	Financial assets at fair value through profit or loss	20,000	214,000	-	214,000	-
	Fuh Hwa Asia Pacific Balance Fund	-	Available-for-sale financial assets	3,536	39,603	-	39,603	-
	UPAMC Fully Wealth Fund 1	-	Available-for-sale financial assets	2,998	30,551	-	30,551	-
	SKIT Strategy Balanced Fund 2	-	Available-for-sale financial assets	3,000	30,223	-	30,223	-
	SKIT ECB Balanced Fund	-	Available-for-sale financial assets	3,000	29,892	-	29,892	-
	Fubon No. 2 REITs	-	Available-for-sale financial assets	18,000	205,200	-	205,200	-
	Champion Real Estate Investment Trust	-	Available-for-sale financial assets	2,258	42,385	-	42,385	-
Li-Hsin	<u>Stock</u>							
Investment Corp.	MaxEdge Electronics Corp.	Investee	Equity-method investments	1,715	-	13.40	(33,380)	Note 2
	Synage Technology Corp.	Investee	Equity-method investments	9,101	58,961	18.20	58,961	Note 2
	Novax Technologies, Inc.	Investee	Equity-method investments	5,380	66,338	5.22	66,338	Note 2
	Luxxon Technology Corp.	Investee	Equity-method investments	2,413	22,493	3.92	22,493	Note 2
	Tekmax Development Corp.	Investee	Equity-method investments	2,982	41,680	7.57	41,680	Note 2
	Powerflash Technology Corporation.	Investee	Equity-method investments	1,430	13,782	4.77	13,782	Note 2
	Artrix International Inc.	Investee	Equity-method investments	6,565	64,417	5.28	64,417	Note 2
	Optimicro Corp.	Investee	Equity-method investments	2,118	12,399	4.24	12,399	Note 2
	Lu-Chu Development Corp.	Investee	Equity-method investments	24,337	218,545	10.42	218,545	Note 2
	Smart Art Corp.	Investee	Equity-method investments	14,284	142,294	14.00	142,294	Note 2
	LoanSky.Net Corp.	Investee	Equity-method investments	400	2,659	8.00	2,659	Note 2
	Deutron Japan Corp.	Investee	Equity-method investments	191	7,519	3.89	7,519	Note 2
	Veutron Corp.	Investee	Equity-method investments	4,700	61,939	4.32	61,939	Notes 2 and 5

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2007				Note
				Shares (Thousands/Units) (Note 6)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Navisys Technology Corp.	Investee	Equity-method investments	400	\$ 3,459	8.89	\$ 3,459	Note 2
	Explore Technology Electronics Inc.	-	Financial assets carried at cost	500	-	4.17	-	Note 2
	Gatetech Technology Inc.	-	Financial assets carried at cost	187	2,964	0.31	2,964	Note 2
	Aero Vision Avionics, Inc.	Same chairman with Li-Hsin	Financial assets carried at cost	1,000	6,960	1.85	6,960	Note 2
	Giga Solution Tech. Co., Ltd.	-	Financial assets carried at cost	630	4,387	0.75	4,387	Note 2
	PowerWorld Fund Inc.	Same chairman with Li-Hsin	Financial assets carried at cost	443	3,784	1.40	3,784	Note 2
	Eon Silicon Solution Inc.	-	Financial assets carried at cost	195	4,515	0.34	4,515	Note 2
	Ili Technology Corp.	Quantum Vision is its supervisor	Financial assets carried at cost	500	7,500	2.13	7,500	Note 2
	Neo Solar Power Corp.	Same chairman with Li-Hsin	Financial assets carried at cost	1,477	33,194	1.53	33,194	Note 2
	Deutron Electronics Corp.	Same chairman with Li-Hsin	Financial assets carried at cost	656	15,015	0.64	15,015	Note 2
	Getsilicon net, Inc.	-	Financial assets carried at cost	400	-	2.20	-	Note 2
	Powerchip Japan Corp.	-	Financial assets carried at cost	1	1,729	0.90	1,729	Note 2
	Umax System GmbH	-	Financial assets carried at cost	-	9,353	6.00	9,353	Note 2
	Asia Global Venture Capital Co., Ltd.	-	Financial assets carried at cost	950	31,412	9.50	31,412	Note 2
	<u>Bonds</u>							
	Veutron Corp. - issued in 2002 (II)	Investee	Held-to-maturity financial assets	3	10,500	-	10,500	Note 2
	Veutron Corp. - issued in 2003 (II)	Investee	Held-to-maturity financial assets	3	6,000	-	6,000	Note 2
	Veutron Corp. - issued in 2005 (I)	Investee	Held-to-maturity financial assets	4	20,000	-	20,000	Note 2
	Veutron Corp. - issued in 2006 (I)	Investee	Held-to-maturity financial assets	3	15,000	-	15,000	Note 2
	MaxEdge Electronics Corp. - issued in 2005 (I)	Investee	Held-to-maturity financial assets	10	10,000	-	10,000	Note 2
	MaxEdge Electronics Corp. - issued in 2005 (III)	Investee	Held-to-maturity financial assets	15	15,000	-	15,000	Note 2
	<u>Stock</u>							
	NewSoft Technology Corp.	Quantum Vision is its director	Financial assets at fair value through profit or loss	1,126	13,514	-	13,514	-
	Fullerton Technology Co., Ltd.	Quantum Vision is its director	Financial assets at fair value through profit or loss	1,045	26,128	-	26,128	-
	Macronix International Co., Ltd.	Li-Hsin is its director	Financial assets at fair value through profit or loss	6,377	99,156	-	99,156	-
	ProMos Technologies Inc.	-	Financial assets at fair value through profit or loss	5,070	69,966	-	69,966	-
	Elan Microelectronics Corp.	-	Financial assets at fair value through profit or loss	5,050	327,240	-	327,240	-
	Optimax Technology Corp.	PSC is its director	Available-for-sale financial assets	60	1,146	-	1,146	-
	Powerchip Semiconductor Corp.	Parent company	Available-for-sale financial assets	4,200	83,996	-	83,996	-
	AIPTEK International Inc.	-	Available-for-sale financial assets	1,000	16,400	-	16,400	-
	Pacgen Biopharmaceuticals Corp.	-	Available-for-sale financial assets	143	2,300	-	2,300	-
	<u>Equity</u>							
	Cathay Bond Fund	-	Financial assets at fair value through profit or loss	15,445	201,248	-	201,248	-
	Polaris De-Bo Fund	-	Financial assets at fair value through profit or loss	9,020	100,700	-	100,700	-
	Hua Nan Kirin Bond Fund	-	Financial assets at fair value through profit or loss	9,029	100,721	-	100,721	-
	Paradigm Pion Fund	-	Financial assets at fair value through profit or loss	4,212	45,378	-	45,378	-
	ShingKong Chi-Shin Bond Fund	-	Financial assets at fair value through profit or loss	6,978	100,659	-	100,659	-
	Champion Real Estate Investment Trust	-	Available-for-sale financial assets	396	7,405	-	7,405	-
Quantum Vision Corp.	<u>Stock</u>							
	MaxEdge Electronics Corp.	Investee	Equity-method investments	1,425	-	11.13	(27,725)	Note 2
	Syntronix Corp.	Investee	Equity-method investments	665	8,448	2.02	8,448	Note 2
	Zentel Electronics Corp.	Investee	Equity-method investments	1,675	30,006	6.65	30,006	Note 2
	Synage Technology Corp.	Investee	Equity-method investments	1,836	11,889	3.67	11,889	Note 2
	Novax Technologies, Inc.	Investee	Equity-method investments	11,555	142,462	11.21	142,462	Note 2

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2007				Note
				Shares (Thousands/Units) (Note 6)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Luxxon Technology Corp.	Investee	Equity-method investments	7,877	\$ 73,387	12.79	\$ 73,387	Note 2
	AVAC Systems Inc.	Investee	Equity-method investments	2,501	18,430	14.58	18,430	Note 2
	MicroMedia Technology Corp.	Investee	Equity-method investments	1,000	7,961	10.00	7,961	Note 2
	Tekmax Development Corp.	Investee	Equity-method investments	6,004	83,910	15.24	83,910	Note 2
	Siptron Technology Corporation	Investee	Equity-method investments	1,040	8,490	8.00	8,490	Note 2
	Poweflash Technology Corporation	Investee	Equity-method investments	1,800	17,335	6.00	17,335	Note 2
	Artrix International Inc.	Investee	Equity-method investments	11,091	108,948	8.93	108,948	Note 2
	Optimicro Corp.	Investee	Equity-method investments	3,859	22,576	7.72	22,576	Note 2
	Lu-Chu Development Corp.	Investee	Equity-method investments	7,327	65,857	3.14	65,857	Note 2
	Stel Electronics Corp.	Investee	Equity-method investments	1,000	6,342	5.00	6,342	Note 2
	Smart Art Corp.	Investee	Equity-method investments	18,950	188,844	18.58	188,844	Note 2
	LoanSky.Net Corp.	Investee	Equity-method investments	1,000	6,648	20.00	6,648	Note 2
	Retronix Technology Corp.	Investee	Equity-method investments	1,000	9,566	2.86	9,566	Note 2
	Network Holdings Limited	Investee	Equity-method investments	1,135	35,666	20.64	35,666	Note 2
	Signia Technologies Co., Ltd.	Investee	Equity-method investments	795	2,360	4.29	2,360	Note 2
	Vivichip Electronics Corp.	Investee	Equity-method investments	100	816	1.00	816	Note 2
	Zhi-Li Investment Corp.	Investee	Equity-method investments	7,838	78,908	4.40	78,908	Note 2
	Veutron Corp.	Investee	Equity-method investments	3,767	49,753	3.47	49,753	Notes 2 and 5
	Terax Communication Technologies Inc.	Investee	Equity-method investments	3,134	18,961	8.95	18,961	Note 2
	Navisys Technology Corp.	Investee	Equity-method investments	805	6,960	17.89	6,960	Note 2
	eBsuccess Solutions Inc.	Investee	Equity-method investments	1,000	4,783	12.50	4,783	Note 2
	PowerGate Optical, Inc.	Same chairman with Quantum Vision	Financial assets carried at cost	2,339	20,458	7.32	20,458	Note 2
	Powervision Technologies, Inc.	Quantum Vision is its director	Financial assets carried at cost	520	-	11.87	-	Note 2
	Besteam Technology Inc.	-	Financial assets carried at cost	3,388	24,187	5.19	24,187	Note 2
	eMemory Technology Inc.	Same chairman with Quantum Vision	Financial assets carried at cost	988	-	2.58	-	Note 2
	Great Taipei Broadband Co., Ltd.	PSC is its director	Financial assets carried at cost	1,500	8,280	1.00	8,280	Note 2
	Aero Vision Avionics, Inc.	Same chairman with Quantum Vision	Financial assets carried at cost	1,840	13,500	3.41	13,500	Note 2
	Universal Venture Fund, Inc.	Same chairman with Quantum Vision	Financial assets carried at cost	1,793	11,728	3.90	11,728	Note 2
	SAMHOP Electronics Corp.	-	Financial assets carried at cost	720	9,432	3.00	9,432	Note 2
	Impac Technology Co., Ltd.	-	Financial assets carried at cost	200	2,106	0.53	2,106	Note 2
	Lightsonic Optoelectronics Inc.	Quantum Vision is its director	Financial assets carried at cost	1,500	7,755	1.62	7,755	Note 2
	Ili Technology Corp.	Quantum Vision is its supervisor	Financial assets carried at cost	1,000	15,000	4.26	15,000	Note 2
	Silicon Optronics, Inc.	PSC is its director	Financial assets carried at cost	759	11,535	4.09	11,535	Note 2
	Deutron Electronics Corp.	Same chairman with Quantum Vision	Financial assets carried at cost	9,676	296,568	9.47	296,568	Note 2
	Neo Solar Power Corp.	Same chairman with Quantum Vision	Financial assets carried at cost	2,528	60,941	2.62	60,941	Note 2
	Billions of Operations Per Second, Inc.	-	Financial assets carried at cost	200	-	0.33	-	Note 2
	Nobex Corp.	-	Financial assets carried at cost	50	-	-	-	Note 2
	Magna Chip.	-	Financial assets carried at cost	1	-	-	-	Note 2
	MAXXAN Corp.	-	Financial assets carried at cost	403	-	0.25	-	Note 2
	e-Phocus, Inc. Series B - preferred shares	-	Financial assets carried at cost	133	2,865	4.44	2,865	Note 2
	Umax System GmbH	-	Financial assets carried at cost	-	10,912	7.00	10,912	Note 2
	Miluku Entertainment Corp.	Quantum Vision is its director	Financial assets carried at cost	219	-	1.80	-	Note 2

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2007				Note
				Shares (Thousands/Units) (Note 6)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Taiwan Liposome Co., Ltd.	Quantum Vision is its director	Financial assets carried at cost	500	\$ 18,000	1.99	\$ 18,000	Note 2
	PowerWorld Fund Inc.	Same chairman with Quantum Vision	Financial assets carried at cost	792	6,767	2.50	6,767	Note 2
	TVbean Holding Ltd.	-	Financial assets carried at cost	300	4,500	1.60	4,500	Note 2
	A-Optronics Technology Inc.	PSC is its director	Financial assets carried at cost	3,195	28,436	9.98	28,436	Note 2
	Eon Silicon Solution Inc.	-	Financial assets carried at cost	170	3,936	0.85	3,936	Note 2
	Phoenix Silicon International Corporation	-	Financial assets carried at cost	218	2,399	1.09	2,399	Note 2
	Aptic Semiconductor Inc. . Series A - preferred shares	-	Financial assets carried at cost	870	6,676	12.66	6,676	Note 2
	Asia Global Venture Capital Co., Ltd.	-	Financial assets carried at cost	950	31,412	9.50	31,412	Note 2
	<u>Bonds</u>							
	Veutron Corp. - issued in 2002 (II)	Investee	Held-to-maturity financial assets	5	17,500	-	17,500	Note 2
	Veutron Corp. - issued in 2003 (II)	Investee	Held-to-maturity financial assets	13	26,000	-	26,000	Note 2
	Veutron Corp. - issued in 2005 (I)	Investee	Held-to-maturity financial assets	4	20,000	-	20,000	Note 2
	Veutron Corp. - issued in 2006 (I)	Investee	Held-to-maturity financial assets	5	25,000	-	25,000	Note 2
	MaxEdge Electronics Corp. - issued in 2005 (I)	Investee	Held-to-maturity financial assets	10	10,000	-	10,000	Note 2
	MaxEdge Electronics Corp. - issued in 2005 (II)	Investee	Held-to-maturity financial assets	20	20,000	-	20,000	Note 2
	MaxEdge Electronics Corp. - issued in 2005 (III)	Investee	Held-to-maturity financial assets	10	10,000	-	10,000	Note 2
	<u>Stocks</u>							
	NewSoft Technology Corp.	Quantum Vision is its director	Financial assets at fair value through profit or loss	629	7,550	-	7,550	-
	Silicon Storage Technology Inc.	-	Financial assets at fair value through profit or loss	40	4,896	-	4,896	-
	Fullerton Technology Co., Ltd.	Quantum Vision is its director	Financial assets at fair value through profit or loss	3,060	76,502	-	76,502	-
	Macronix International Co., Ltd.	Li-Hsin is its director	Financial assets at fair value through profit or loss	12,494	194,275	-	194,275	-
	Hua Nan Financial Holdings Co., Ltd.	-	Financial assets at fair value through profit or loss	1,000	23,050	-	23,050	-
	Wafer Works Corp.	Quantum Vision is its supervisor	Financial assets at fair value through profit or loss	3,362	470,693	-	470,693	-
	ProMos Technologies Inc.	-	Financial assets at fair value through profit or loss	5,180	71,484	-	71,484	-
	Elan Microelectronics Corp.	-	Financial assets at fair value through profit or loss	5,000	324,000	-	324,000	-
	Optimax Technology Corp.	PSC is its director	Available-for-sale financial assets	150	2,861	-	2,861	-
	Powertech Technology Inc.	Quantum Vision is its director	Available-for-sale financial assets	3,193	437,386	-	437,386	-
	Pacgen Biopharmaceuticals Corp.	-	Available-for-sale financial assets	133	2,140	-	2,140	-
	Bond of Rich Development Co., Ltd.	-	Available-for-sale financial assets	50	5,675	-	5,675	-
	<u>Equity</u>							
	Taishin Lucky Investment Trust Fund	-	Financial assets at fair value through profit or loss	8,796	90,885	-	90,885	-
	PCA Well Pool Fund	-	Financial assets at fair value through profit or loss	7,988	100,765	-	100,765	-
	Cathay Bond Fund	-	Financial assets at fair value through profit or loss	5,409	70,474	-	70,474	-
	ShingKong Chi-Shin Bond Fund	-	Financial assets at fair value through profit or loss	3,189	45,998	-	45,998	-
	Champion Real Estate Investment Trust	-	Available-for-sale financial assets	450	8,414	-	8,414	-
Paramax Corp.	<u>Stock</u>							
	MaxEdge Electronics Corp.	Investee	Equity-method investments	910	-	7.11	-	Note 2
	Synage Technology Corp.	Investee	Equity-method investments	1,581	10,237	3.16	10,237	Note 2
	Novax Technologies, Inc.	Investee	Equity-method investments	4,145	51,088	4.02	51,088	Note 2
	Luxxon Technology Corp.	Investee	Equity-method investments	3,167	29,492	5.14	29,492	Note 2
	AVAC Systems Inc.	Investee	Equity-method investments	1,093	8,052	6.37	8,052	Note 2
	Tekmax Development Corp.	Investee	Equity-method investments	1,111	15,527	2.82	15,527	Note 2

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2007				Note
				Shares (Thousands/Units) (Note 6)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Siptron Technology Corporation	Investee	Equity-method investments	500	\$ 4,086	3.85	\$ 4,086	Note 1
	Powerflash Technology Corporation	Investee	Equity-method investments	1,800	17,335	6.00	17,335	Note 1
	Artrix International Inc.	Investee	Equity-method investments	4,601	45,141	3.70	45,141	Note 2
	Optimicro Corp.	Investee	Equity-method investments	1,824	10,674	3.65	10,674	Note 2
	Lu-Chu Development Corp.	Investee	Equity-method investments	5,294	47,610	2.27	47,610	Note 2
	Smart Art Corp.	Investee	Equity-method investments	22,733	226,552	22.29	226,552	Note 1
	LoanSky.Net Corp.	Investee	Equity-method investments	400	2,659	8.00	2,659	Note 2
	Deutron Japan Corp.	Investee	Equity-method investments	82	3,228	1.67	3,228	Note 2
	Zhi-Li Investment Corp.	Investee	Equity-method investments	11,609	116,748	6.51	116,748	Note 2
	Retronix Technology Corp.	Investee	Equity-method investments	1,000	9,566	2.86	9,566	Note 2
	Veutron Corp.	Investee	Equity-method investments	8,705	114,846	8.01	114,846	Notes 2 and 5
	Terax Communication Technologies Inc.	Investee	Equity-method investments	1,132	6,864	3.24	6,864	Note 2
	Navisys Technology Corp.	Investee	Equity-method investments	820	7,088	18.22	7,088	Note 2
	eBsuccess Solutions Inc.	Investee	Equity-method investments	900	4,304	11.25	4,304	Note 2
	PowerGate Optical, Inc.	Same chairman with PSC	Financial assets carried at cost	953	8,328	2.98	8,328	Note 2
	Powervision Technologies, Inc.	Quantum Vision is its director	Financial assets carried at cost	260	-	5.94	-	Note 2
	Besteam Technology Inc.	-	Financial assets carried at cost	261	3,120	0.40	3,120	Note 2
	Aero Vision Avionics, Inc.	Same chairman with PSC	Financial assets carried at cost	1,290	8,978	2.39	8,978	Note 2
	SAMHOP Electronics Corp.	-	Financial assets carried at cost	440	7,040	1.83	7,040	Note 2
	Lightsonic Optoelectronics Inc.	Quantum Vision is its director	Financial assets carried at cost	1,000	5,170	1.08	5,170	Note 2
	PowerWorld Fund Inc.	Same chairman with PSC	Financial assets carried at cost	1,441	12,305	4.55	12,305	Note 2
	Universal Venture Fund, Inc.	Same chairman with PSC	Financial assets carried at cost	808	5,282	1.76	5,282	Note 2
	Eon Silicon Solution Inc.	-	Financial assets carried at cost	185	4,283	0.32	4,283	Note 2
	Ili Technology Corp.	Quantum Vision is its supervisor	Financial assets carried at cost	1,000	15,000	4.26	15,000	Note 2
	Powerchip Japan Corporation	-	Financial assets carried at cost	1	1,728	0.90	1,728	Note 2
	Softronix Corporation	Paramax Corp. is its director	Financial assets carried at cost	900	9,000	15.00	9,000	Note 2
	Tvbean Holding Ltd.	-	Financial assets carried at cost	200	3,500	1.06	3,500	Note 2
	Taiwan Liposome Co., Ltd.	Quantum Vision is its director	Financial assets carried at cost	200	8,000	0.80	8,000	Note 2
	Silicon Optronics, Inc.	Paramax Corp. is its supervisor	Financial assets carried at cost	611	9,266	3.39	9,266	Note 2
	<u>Bonds</u>							
	Veutron Corp. - issued in 2002 (II)	Investee	Held-to-maturity financial assets	2	7,000	-	7,000	Note 2
	Veutron Corp. - issued in 2003 (II)	Investee	Held-to-maturity financial assets	7	14,000	-	14,000	Note 2
	Veutron Corp. - issued in 2005 (I)	Investee	Held-to-maturity financial assets	4	20,000	-	20,000	Note 2
	Veutron Corp. - issued in 2006 (I)	Investee	Held-to-maturity financial assets	2	10,000	-	10,000	Note 2
	MaxEdge Electronics Corp. - issued in 2005 (I)	Investee	Held-to-maturity financial assets	5	5,000	-	5,000	Note 2
	MaxEdge Electronics Corp. - issued in 2005 (III)	Investee	Held-to-maturity financial assets	5	5,000	-	5,000	Note 2
	<u>Stock</u>							
	Macronix International Co., Ltd.	Li-Hsin is its director	Financial assets at fair value through profit or loss	6,482	100,788	-	100,788	-
	ProMos Technologies Inc.	-	Financial assets at fair value through profit or loss	5,000	69,000	-	69,000	-
	Optimax Technology Corp.	PSC is its director	Available-for-sale financial assets	40	764	-	764	-
	<u>Equity</u>							
	Hua Nan Kirin Bond Fund	-	Financial assets at fair value through profit or loss	7,199	80,313	-	80,313	-
	ShingKong Chi-Shin Bond Fund	-	Financial assets at fair value through profit or loss	3,478	50,175	-	50,175	-
	Paradigm Pion Fund	-	Financial assets at fair value through profit or loss	4,658	50,185	-	50,185	-
	HSBC Taiwan Dragon	-	Financial assets at fair value through profit or loss	3,231	50,182	-	50,182	-

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2007				Note
				Shares (Thousands/Units) (Note 6)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Powerflash Technology Corp.	<u>Stock</u>							
	Retronix Technology Corp.	Investee	Equity-method investments	2,000	\$ 19,099	5.71	\$ 19,099	Note 2
	Zhi-Li Investment Corp.	Investee	Equity-method investments	4,530	45,552	2.54	45,552	Note 2
	Artrix International Inc.	Investee	Equity-method investments	2,356	23,180	1.90	23,180	Note 2
	Siptron Technology Corp.	Investee	Equity-method investments	500	4,086	3.85	4,086	Note 2
	Veutron Corp.	Investee	Equity-method investments	600	7,886	0.55	7,886	Notes 2 and 5
	Luxxon Technology Corp.	Investee	Equity-method investments	738	6,885	1.20	6,885	Note 2
	Deutron Electronics Corp.	Powerflash is its director	Financial assets carried at cost	660	15,100	0.65	15,100	Note 2
	Powerchip Semiconductor Corp.	Parent Company	Available-for-sale financial assets	2,451	49,025	-	49,025	-
	ProMos Technologies Inc.	-	Financial assets at fair value through profit or loss	3,000	41,400	-	41,400	-
	<u>Equity</u>							
	Capital Income Fund	-	Financial assets at fair value through profit or loss	457	6,850	-	6,850	-
Smart Art Corp.	<u>Stock</u>							
	Veutron Corp.	Investee	Equity-method investments	1,000	13,191	0.92	13,191	Notes 2 and 5
	<u>Equity</u>							
	Fuhwa Bond Fund	-	Financial assets at fair value through profit or loss	1,495	20,078	-	20,078	-
	President James Bond Fund	-	Financial assets at fair value through profit or loss	3,225	50,112	-	50,112	-
Siptron Technology Corporation	<u>Stock</u>							
	Zhi-Li Investment Inc.	Investee	Equity-method investments	2,970	29,949	1.67	29,949	Note 2
	Zentel Electronics Corp.	Investee	Equity-method investments	200	2,892	0.79	2,892	Note 2
	Vivichip Electronics Corp.	Investee	Equity-method investments	399	3,257	3.99	3,257	Note 2
	Network Holdings Limited	Investee	Equity-method investments	1,000	31,462	18.18	31,462	Note 2
	<u>Bond</u>							
	Veutron Corp. - issued in 2005 (I)	Li-Hsin is its director	Held-to-maturity financial assets	1	5,000	-	5,000	Note 2
Rui-Wang Investment Corp.	<u>Equity</u>							
	Fuhwa Bond Fund	-	Financial assets at fair value through profit or loss	11,257	151,188	-	151,188	-
	Polaris De-Li Fund	-	Financial assets at fair value through profit or loss	6,639	100,675	-	100,675	-
	Polaris De-Bo Fund	-	Financial assets at fair value through profit or loss	9,028	100,790	-	100,790	-
	ING Taiwan Bond Fund	-	Financial assets at fair value through profit or loss	6,638	100,781	-	100,781	-
	Cathay Bond Fund	-	Financial assets at fair value through profit or loss	8,676	100,740	-	100,740	-
	President James Bond Fund	-	Financial assets at fair value through profit or loss	6,484	100,764	-	100,764	-
	Fubon Chi-Hsiang Fund	-	Financial assets at fair value through profit or loss	3,434	50,329	-	50,329	-
AIG Domestic Bond Fund	-	Financial assets at fair value through profit or loss	1,569	20,157	-	20,157	-	
Global Powertec Co., Ltd.	<u>Stock</u>							
	Vantel Corp.	Investee	Equity-method investments	5	103,858	64.97	103,858	Note 2
	Powerase Tech. Holding Ltd.	Investee	Equity-method investments	14,000	591,548	29.47	591,548	Note 2

(Continued)

Note 1: The net asset value is based on unreviewed financial data as of June 30, 2007.

Note 2: The market value is based on carrying value as of June 30, 2007.

Note 3: As of June 30, 2007, the above marketable securities had not been pledged or mortgaged, except for those placed in the centralized securities depository enterprise due to application for the first time for the investee companies' stocks to be listed or traded on the stock exchange market.

Note 4: Under the Securities and Exchange Act, the bond investments were acquired through private market transactions with certain restrictions on the transferability of the bonds.

Note 5: Under the Securities and Exchange Act, certain portion of Veutron's stock investments was acquired partially through private market transactions with certain restrictions on the transferability of the stock.

Note 6: In thousands, except for bond investments which are units.

(Concluded)

POWERCHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SIX MONTHS ENDED JUNE 30, 2007

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares (Thousands)	Amount	Shares (Thousands)	Amount	Shares (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares (Thousands)	Amount
Powerchip Semiconductor Corporation	<u>Stock</u> Rexchip Electronics Corp.	Equity-method investments	-	-	100	\$ 767	1,000,000	\$ 160,000,000	-	\$ -	\$ -	\$ -	\$ 1,000,100	\$ 15,480,487
	Paramax Corp.	Equity-method investments	-	-	132,894	1,225,940	28,000	280,000	-	-	-	-	160,894	1,457,434
	Smart Art Corp.	Equity-method investments	-	-	35,157	352,784	10,896	108,963	-	-	-	-	46,033	458,695
	Deutron Electronics Corp.	Financial assets carried at cost	-	-	6,997	229,968	-	-	5,497	191,825	128,105	63,720	1,980	48,811
	Neo Solar Power Corp.	Financial assets carried at cost	-	-	9,600	96,710	3,074	115,187	-	-	-	-	12,674	223,558
	Macronix International Co., Ltd.	Financial assets at fair value through profit or loss	-	-	151,333	2,133,800	24,834	329,881	5,326	84,848	52,088	32,760	170,841	2,656,583
	Elan Microelectronics Corp.	Financial assets at fair value through profit or loss	-	-	-	-	18,993	512,980	-	-	-	-	18,993	1,230,746
	Hua Nan Financial Holdings Co., Ltd.	Financial assets at fair value through profit or loss	-	-	14,291	345,134	4,710	118,184	-	-	-	-	19,001	437,979
	Taiwan Semiconductor Manufacturing Company Limited	Financial assets at fair value through profit or loss	-	-	-	-	1,505	100,388	500	34,004	33,854	150	1,005	71,254
						(Note 4)							(Note 2)	
Li-Hsin	<u>Stock</u> Elan Microelectronics Corp.	Financial assets at fair value through profit or loss	-	-	-	-	5,050	145,814	-	-	-	-	5,050	327,240
	<u>Equity</u> Cathay Bond Fund	Financial assets at fair value through profit or loss	-	-	-	-	15,445	200,000	-	-	-	-	15,445	201,248
	Polaris De-Bo Fund	Financial assets at fair value through profit or loss	-	-	-	-	9,020	100,000	-	-	-	-	9,020	100,700
	Hua Nan Kirin Bond Fund	Financial assets at fair value through profit or loss	-	-	-	-	9,029	100,000	-	-	-	-	9,029	100,721
	Paradigm Pion Fund	Financial assets at fair value through profit or loss	-	-	-	-	9,344	100,000	5,132	55,000	54,929	71	4,212	45,378
	ShingKong Chi-Shin Bond Fund	Financial assets at fair value through profit or loss	-	-	-	-	6,978	100,000	-	-	-	-	6,978	100,659
														(Note 2)
Quantum	<u>Stock</u> Elan Microelectronics Corp.	Financial assets at fair value through profit or loss	-	-	-	-	5,000	135,710	-	-	-	-	5,000	324,000
	<u>Equity</u> Taishin Lucky Investment Trust Fund	Financial assets at fair value through profit or loss	-	-	19,502	200,016	-	-	10,706	110,000	109,798	202	8,796	90,885
	Hua Nan Kirin Bond Fund	Financial assets at fair value through profit or loss	-	-	9,034	100,008	-	-	9,034	100,376	100,000	376	-	-
	ShingKong Chi-Shin Bond Fund	Financial assets at fair value through profit or loss	-	-	13,964	200,015	-	-	10,776	155,000	154,328	672	3,189	45,998
													(Note 2)	
Smart Art	<u>Equity</u> Fuhwa Bond Fund	Financial assets at fair value through profit or loss	-	-	14,312	190,786	3,731	50,000	16,548	221,189	219,968	1,221	1,495	20,078
													(Note 2)	

Note 1: The ending balance included the recognition of the investment income by the equity method and the adjustment for changes in investee's equity.

Note 2: The ending balance included the valuation gain (loss) on financial assets.

Note 3: As of June 30, 2007, the Group no longer exercised significant influence on the investee. Thus, the Group transferred the equity-method investment to financial assets carried at cost - noncurrent.

Note 4: Stock dividend received from the distribution of retained earnings and capital surplus.

POWERCHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATES AT COSTS OF AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 SIX MONTHS ENDED JUNE 30, 2007
 (In Thousands of New Taiwan Dollars)

Company Name	Property	Transaction Date	Transaction Amount	Payment Status	Counter-party	Nature of Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
Powerchip Semiconductor Corporation	Buildings	January 16, 2007 - April 11, 2007	\$ 2,145,257	\$ 3,281,161	Toko Steel Structure Corp.	-	-	-	-	\$ -	-	Fab. 12C	-
Li-Hsin	Land	August 31, 2006	148,033	112,520	Yen Huei-Chong, etc.	-	-	-	-	-	According to the Contracts	Investment	-
Paramax	Land	August 31, 2006	148,033	112,520	Yen Huei-Chong, etc.	-	-	-	-	-	According to the Contracts	Investment	-

POWERCHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

DISPOSAL OF INDIVIDUAL REAL ESTATES AT PRICES OF AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 SIX MONTHS ENDED JUNE 30, 2007
 (In Thousands of New Taiwan Dollars)

Company Name	Property	Transaction Date	Transaction Amount	Payment Status	Counter-party	Nature of Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
Powerchip Semiconductor Corporation	Buildings	May 10, 2007	\$ 4,983,699	Note	Rexchip Electronics Corp.	Equity-method investments	-	-	-	\$ -	According to the actual carrying value	Fab. 12C	Please see Note 1

Note: PSC exchanged its building and facilities for the newly issued shares of Rexchip.

POWERCHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SIX MONTHS ENDED JUNE 30, 2007

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Note/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Powerchip Semiconductor Corporation	Elpida Memory Inc.	Parent of Elpida-Taiwan	Sale	\$ 16,368,108	35	Note 2	\$ -	-	\$ 4,061,007	42	
	Deutron Electronics Corp.	Same chairman	Sale	10,406,592	23	Note 3	-	-	2,368,507	24	
	Novax Technologies, Inc.	Investee	Sale	2,476,374	5	Note 3	-	-	459,890	5	
	Zentel Electronics Corp.	Investee	Sale	1,659,798	4	Note 2	-	-	264,429	3	
	Elpida Memory (Taiwan) Co., Ltd.	Director of the Corporation	Sale	302,611	1	Note 3	-	-	-	-	
	Syntronix Corp.	Investee	Sale	114,488	-	Note 2	-	-	21,660	-	
	Powertech Technology Inc.	Quantum Vision is its director	Note 1	3,383,474	10	Note 4	-	-	(1,533,995)	(17)	
	Power ASE Technology Inc.	Indirect equity-method investee	Note 1	1,307,436	4	Note 4	-	-	(643,283)	(7)	

Note 1: Subcontract fees.

Note 2: Mainly received on the 30th day after the month of the shipment is made.

Note 3: Mainly received on the 45th day after the month of the shipment is made.

Note 4: Mainly paid on the 60th day after the month of the shipment is made.

POWERCHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
JUNE 30, 2007

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Doubtful Accounts and Sales Discount
					Amount	Action Taken		
Powerchip Semiconductor Corporation	Elpida Memory Inc.	Parent of Elpida-Taiwan	\$ 4,235,984	7.32	\$ -	-	\$ 2,072,679	\$ 51,883
	Deutron Electronics Corp.	Same chairman	2,234,452	9.85	-	-	639,356	260,112
	Novax Technologies, Inc.	Investee	433,898	10.76	-	-	143,925	50,432
	Zentel Electronics Corp.	Investee	249,498	7.67	-	-	279,149	28,970

Note: Netting values of allowance for doubtful accounts and sales discount.

TABLE 7

POWERCHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
SIX MONTHS ENDED JUNE 30, 2007

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2007			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note	
				June 30, 2007	Dec. 31, 2006	Shares (Thousands)	% of Ownership	Carrying Value				
Powerchip Semiconductor Corporation	Rexchip Electronics Corp.	Taichung, Taiwan	Electronic component manufacturing	\$ 16,001,000	\$ 1,000	1,000,100	50.00	\$ 15,480,487	\$ (1,041,393)	\$ (934,953)		
	Quantum Vision Corp.	Taipei, Taiwan	Investment	2,971,900	2,971,900	323,641	99.99	4,159,772	483,795	481,215		
	Li-Hsin Investment Corp.	Taipei, Taiwan	Investment	2,498,500	2,498,500	249,850	99.94	2,190,304	181,818	174,426		
	Paramax Corp.	Taipei, Taiwan	Investment	1,608,940	1,328,940	160,894	99.99	1,457,434	(22,027)	(22,342)		
	Rui-Wang Investment Corp.	Taipei, Taiwan	Investment	800,000	800,000	80,000	100.00	799,430	(814)	(814)		
	Global Powertec Co., Ltd.	British Virgin Islands	Investment	531,236	531,236	1,620	100.00	701,131	217,386	217,386		
	Lu-Chu Development Corp.	Taipei, Taiwan	Transaction of real estate	634,990	634,990	63,499	27.18	570,063	(17,733)	(4,820)		
	Zhi-Li Investment Corp.	Taipei, Taiwan	Investment	474,420	455,352	53,277	29.88	528,616	(66,571)	(30,129)		
	Smart Art Corp.	Taipei, Taiwan	Transaction of artistry	460,330	351,367	46,033	45.13	458,695	(5,597)	(2,480)		
	Novax Technologies, Inc.	Taipei, Taiwan	Electronic components manufacturing	287,476	287,476	25,290	24.54	311,797	(5,920)	(4,272)		
	Artrix International Inc.	Taipei, Taiwan	Investment	289,476	224,289	31,268	25.17	301,399	(27,473)	(13,714)		
	Veutron Corp.	Taipei, Taiwan	Optical component manufacturing	94,855	94,855	10,432	9.60	137,643	62,823	6,031		
	Powerflash Technology Corporation	Taipei, Taiwan	Design of electronic products	160,500	160,500	15,300	51.00	116,720	(5,804)	(8,587)		
	Luxxon Technology Corp.	Taoyuan, Taiwan	Electronic components manufacturing	245,331	207,331	12,411	20.15	115,617	(42,038)	(8,565)		
	Zentel Electronics Corp.	Hsin-Chu, Taiwan	Design of electronic related products	50,480	53,000	5,048	20.02	86,613	131,027	32,125		
	Optimicro Corp.	Taipei, Taiwan	Optical components manufacturing	147,000	147,000	14,700	29.40	85,975	(41,690)	(12,257)		
	Tekmax Development Corp.	Taipei, Taiwan	Investment	58,640	58,640	6,132	15.57	85,485	88,588	13,028		
	Syntronix Corp.	Hsin-Chu, Taiwan	Design of electronic related products	71,664	71,664	6,548	19.85	83,015	6,379	(2,906)		
	Deutron Japan Corp.	Japan	Electronic components manufacturing	90,020	90,020	1,910	38.98	75,548	(68)	(27)		
	Synage Technology Corp.	Taipei, Taiwan	Electronic components manufacturing	100,208	100,208	9,984	19.97	64,695	(13,300)	(2,656)		
	Astel Electronics Corp.	Taipei, Taiwan	Electronic components manufacturing	80,000	80,000	8,000	40.00	50,732	(16,829)	(6,732)		
	Retronix Technology Corp.	Taipei, Taiwan	Design and transaction of software	50,000	50,000	5,000	14.29	47,797	(4,905)	(832)		
	Terax Communication Technologies Inc.	Hsin-Chu, Taiwan	Design and transaction of software	88,344	88,344	6,090	17.40	36,862	(59,353)	(10,327)		
	Siptron Technology Corporation	Taipei, Taiwan	Design of electronic products	41,600	41,600	4,160	32.00	33,962	(3,952)	(1,264)		
	Vivichip Electronics Corp.	Taipei, Taiwan	Electronic component manufacturing	40,000	40,000	4,000	40.00	32,652	(12,098)	(4,839)		
	AVAC Systems, Inc.	Taipei, Taiwan	Digital camera manufacturing	44,000	44,000	4,000	23.31	29,465	(4,904)	(1,143)		
	MicroMedia Technology Corp.	Taipei, Taiwan	Electronic component manufacturing	30,000	30,000	3,000	30.00	22,125	(16,196)	(6,618)		
	Signia Technologies Co., Ltd.	Taipei, Taiwan	Design of electronic related products	98,626	98,626	5,187	28.01	15,411	(30,689)	(8,597)		
	MaxEdge Electronics Corp.	Taoyuan, Taiwan	PCB manufacturing	449,874	449,874	1,714	13.39	-	(11,586)	-		
	Li-Hsin Investment Corp.	MaxEdge Electronics Corp.	Taoyuan, Taiwan	PCB manufacturing	516,040	516,369	1,715	13.40	-	(11,586)	-	
		Synage Technology Corp.	Taipei, Taiwan	Electronic component manufacturing	113,625	122,477	9,101	18.20	58,961	(13,300)	(2,421)	
		Novax Technologies, Inc.	Taipei, Taiwan	Electronic component manufacturing	58,512	58,512	5,380	5.22	66,338	(5,920)	(1,282)	
Luxxon Technology Corp.		Taoyuan, Taiwan	Electronic component manufacturing	31,079	13,079	2,413	3.92	22,493	(42,038)	(1,577)		
Tekmax Development Corp.		Taipei, Taiwan	Investment	34,208	34,208	2,982	7.57	41,680	88,588	6,150		
Powerflash Technology Corporation		Taipei, Taiwan	Design of electronic products	15,500	15,500	1,430	4.77	13,782	(5,804)	(277)		
Artrix International Inc.		Taipei, Taiwan	Investment	60,777	48,045	6,565	5.28	64,417	(27,473)	(1,699)		
Optimicro Corp.		Taipei, Taiwan	Optical component manufacturing	21,177	21,177	2,118	4.24	12,399	(41,690)	(1,768)		
Lu-Chu Development Corp.		Taipei, Taiwan	Transaction of real estate	243,371	243,371	24,337	10.42	218,545	(17,733)	(1,848)		
Smart Art Corp.		Taipei, Taiwan	Transaction of artistry	142,839	114,500	14,284	14.00	142,294	(5,597)	(795)		
LoanSky.Net Corp.		Taipei, Taiwan	Design of electronic products	4,000	4,000	400	8.00	2,659	(5,999)	(480)		
Deutron Japan Corp.		Japan	Electronic component manufacturing	9,067	9,067	191	3.89	7,519	(68)	(3)		
Veutron Corp.		Taipei, Taiwan	Optical component manufacturing	42,723	42,723	4,700	4.32	61,939	62,823	2,714		
Navisys Technology Corp.	Taipei, Taiwan	Electronic component manufacturing	4,000	4,000	400	8.89	3,459	(1,123)	(490)			
Quantum Vision Corp.	MaxEdge Electronics Corp.	Taoyuan, Taiwan	PCB manufacturing	250,170	250,170	1,425	11.13	-	(11,586)	-		
	Syntronix Corp.	Hsin-Chu, Taiwan	Design of electronic products	7,380	7,380	665	2.02	8,448	6,379	(289)		
	Zentel Electronics Corp.	Hsin-Chu, Taiwan	Design of electronic products	15,915	17,411	1,675	6.65	30,006	131,027	7,984		
	Synage Technology Corp.	Taipei, Taiwan	Electronic component manufacturing	17,250	17,250	1,836	3.67	11,889	(13,300)	(488)		
	Novax Technologies, Inc.	Taipei, Taiwan	Electronic component manufacturing	117,713	132,206	11,555	11.21	142,462	(5,920)	(2,016)		
Luxxon Technology Corp.	Taoyuan, Taiwan	Electronic component manufacturing	134,699	96,699	7,877	12.79	73,387	(42,038)	(5,194)			

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2007			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				June 30, 2007	Dec. 31, 2006	Shares (Thousands)	% of Ownership	Carrying Value			
	AVAC Systems, Inc.	Taipei, Taiwan	Digital camera manufacturing	\$ 26,966	\$ 26,966	2,501	14.58	\$ 18,430	\$ (4,904)	\$ (715)	
	Tekmax Development Corp.	Taipei, Taiwan	Investment	63,279	63,279	6,004	15.24	83,910	88,588	12,334	
	Siptron Technology Corporation	Taipei, Taiwan	Design of electronic products	10,107	10,107	1,040	8.00	8,490	(3,952)	(316)	
	Powerflash Technology Corporation	Taipei, Taiwan	Design of electronic products	19,800	19,800	1,800	6.00	17,335	(5,804)	(348)	
	Artrix International Inc.	Taipei, Taiwan	Investment	101,252	95,804	11,091	8.93	108,948	(27,473)	(2,537)	
	Optimicro Corp.	Taipei, Taiwan	Optical component manufacturing	39,039	39,873	3,859	7.72	22,576	(41,690)	(3,194)	
	Lu-Chu Development Corp.	Taipei, Taiwan	Transaction of real estate	73,268	73,268	7,327	3.14	65,857	(17,733)	(557)	
	Astel Electronics Corp.	Taipei, Taiwan	Electronic component manufacturing	10,000	10,000	1,000	5.00	6,342	(16,829)	(841)	
	Smart Art Corp.	Taipei, Taiwan	Transaction of artistry	189,498	151,902	18,950	18.58	188,844	(5,597)	(1,055)	
	LoanSky.Net Corp.	Taipei, Taiwan	Design of electronic products	10,000	10,000	1,000	20.00	6,648	(5,999)	(1,200)	
	Retronix Technology Corp.	Taipei, Taiwan	Design and transaction of software	10,000	10,000	1,000	2.86	9,566	(4,905)	(167)	
	Network Holdings Limited	Samoa	Investment	37,175	37,175	1,135	20.64	35,666	1,196	248	
	Signia Technologies Co., Ltd.	Taipei, Taiwan	Design of electronic products	7,949	7,949	795	4.29	2,360	(30,689)	(1,317)	
	Vivichip Electronics Corp.	Taipei, Taiwan	Electronic component manufacturing	1,000	1,000	100	1.00	816	(12,098)	(121)	
	Zhi-Li Investment Corp.	Taipei, Taiwan	Investment	70,698	56,200	7,838	4.40	78,908	(66,571)	(870)	
	MicroMedia Technology Corp.	Taipei, Taiwan	Electronic component manufacturing	10,000	10,000	1,000	10.00	7,961	(16,196)	(1,619)	
	Veutron Corp.	Taipei, Taiwan	Optical component manufacturing	38,816	38,816	3,767	3.47	49,753	62,823	2,180	
	Terax Communication Technologies Inc.	Hsin-Chu, Taiwan	Design and transaction of software	65,651	65,651	3,134	8.95	18,961	(59,353)	(5,312)	
	Navisys Technology Corp.	Taipei, Taiwan	Electronic component manufacturing	8,153	10,000	805	17.89	6,960	(5,517)	(986)	
	eBsuccess Solutions Inc.	Taipei, Taiwan	Design and transaction of software	11,000	11,000	1,000	12.50	4,783	(3,998)	(1,184)	
Paramax Corp.	MaxEdge Electronics Corp.	Taoyuan, Taiwan	PCB manufacturing	103,894	103,894	910	7.11	-	(11,586)	-	
	Synage Technology Corp.	Taipei, Taiwan	Electronic component manufacturing	18,151	18,151	1,581	3.16	10,237	(13,300)	(420)	
	Novax Technologies, Inc.	Taipei, Taiwan	Electronic component manufacturing	44,505	44,505	4,145	4.02	51,088	(5,920)	(945)	
	Luxxon Technology Corp.	Taoyuan, Taiwan	Electronic component manufacturing	72,788	72,788	3,167	5.14	29,492	(42,038)	(2,233)	
	AVAC Systems, Inc.	Taipei, Taiwan	Digital camera manufacturing	11,593	11,593	1,093	6.37	8,052	(4,904)	(312)	
	Tekmax Development Corp.	Taipei, Taiwan	Investment	14,000	14,000	1,111	2.82	15,527	88,588	2,266	
	Siptron Technology Corporation	Taipei, Taiwan	Design of electronic products	5,000	5,000	500	3.85	4,086	(3,952)	(152)	
	Powerflash Technology Corporation	Taipei, Taiwan	Design of electronic products	19,800	19,800	1,800	6.00	17,335	(5,804)	(348)	
	Artrix International Inc.	Taipei, Taiwan	Investment	41,743	42,456	4,601	3.70	45,141	(27,473)	(1,027)	
	Optimicro Corp.	Taipei, Taiwan	Optical component manufacturing	21,308	21,308	1,824	3.65	10,674	(41,690)	(1,522)	
	Lu-Chu Development Corp.	Taipei, Taiwan	Transaction of real estate	52,936	52,936	5,294	2.27	47,610	(17,733)	(403)	
	Smart Art Corp.	Taipei, Taiwan	Transaction of artistry	227,333	182,231	22,733	22.29	226,552	(5,597)	(1,266)	
	LoanSky.Net Corp.	Taipei, Taiwan	Design of electronic products	4,000	4,000	400	8.00	2,659	(5,999)	(480)	
	Deutron Japan Corp.	Japan	Electronic component manufacturing	7,405	11,031	82	1.67	3,228	(68)	(2)	
	Zhi-Li Investment Corp.	Taipei, Taiwan	Investment	103,527	102,470	11,609	6.51	116,748	(66,571)	(3,047)	
	Retronix Technology Corp.	Taipei, Taiwan	Design and transaction of software	10,000	10,000	1,000	2.86	9,566	(4,905)	(167)	
	Veutron Corp.	Taipei, Taiwan	Optical component manufacturing	75,053	75,053	8,705	8.01	114,846	62,823	5,032	
	Terax Communication Technologies Inc.	Hsin-Chu, Taiwan	Design and transaction of software	16,868	16,868	1,132	3.24	6,864	(59,353)	(1,923)	
	Navisys Technology Corp.	Taipei, Taiwan	Electronic component manufacturing	8,200	8,200	820	18.22	7,089	(5,517)	(1,005)	
	eBsuccess Solutions Inc.	Taipei, Taiwan	Design and transaction of software	9,900	9,900	900	11.25	4,304	(3,998)	(463)	
Powerflash Technology Corporation	Retronix Technology Corp.	Taipei, Taiwan	Design and transaction of software	20,000	20,000	2,000	5.71	19,099	(4,905)	(82)	
	Zhi-Li Investment Corp.	Taipei, Taiwan	Investment	40,648	38,193	4,530	2.54	45,552	(66,571)	(2,544)	
	Artrix International Inc.	Taipei, Taiwan	Investment	21,816	14,874	2,356	1.90	23,180	(27,473)	(244)	
	Siptron Technology Corporation	Taipei, Taiwan	Design of electronic products	5,750	5,750	500	3.85	4,086	(3,952)	(152)	
	Veutron Corp.	Taipei, Taiwan	Optical component manufacturing	5,454	5,454	600	0.55	7,886	62,823	346	
	Luxxon Technology Corp.	Taoyuan, Taiwan	Electronic component manufacturing	14,400	14,400	738	1.20	6,885	(42,038)	(474)	
Smart Art Corp.	Veutron Corp.	Taipei, Taiwan	Optical component manufacturing	9,090	9,090	1,000	0.92	13,191	62,823	578	
Siptron Technology Corporation	Zhi-Li Investment Corp.	Taipei, Taiwan	Investment	26,648	26,648	2,970	1.67	29,949	(66,571)	(1,901)	
	Zentel Electronics Corp.	Hsin-Chu, Taiwan	Design of electronic products	1,800	2,880	200	0.79	2,892	131,027	258	
	Vivichip Electronics Corp.	Taipei, Taiwan	Electronic component manufacturing	3,990	5,000	399	3.99	3,257	(12,098)	(483)	
	Network Holdings Limited	Samoa	Investment	32,845	32,845	1,000	18.18	31,462	1,196	471	
Global Powertec Co., Ltd.	Vantel Corp.	Japan	Design of electronic products	66,215	66,215	5	64.97	103,858	104,000	73,836	
	Powerase Tech. Holding Ltd.	Cayman Islands	Investment	455,980	455,980	14,000	29.47	591,548	490,077	144,444	

(Concluded)

POWERCHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

A. FOR THE SIX MONTHS ENDED JUNE 30, 2007

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			Percentage of Consolidated Total Gross Sales or Total Assets
				Financial Statements Items	Amount	Terms	
0	PSC	Siptron	1	Net sales	\$ 7,677	Note 2	0.02%
			1	Accounts receivable, net	4,001	Note 2	-
		Powerflash	2	Research and development expenses	25,851	Note 3	0.06%
			2	Accrued expenses	5,728	Note 3	-
		Vantel	2	Research and development expenses	296,306	Note 3	0.64%

B. FOR THE SIX MONTHS ENDED JUNE 30, 2006

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			Percentage of Consolidated Total Gross Sales or Total Assets
				Financial Statements Items	Amount	Terms	
0	PSC	Siptron	1	Net sales	\$ 7,471	Note 2	0.02%
			1	Accounts receivable, net	5,680	Note 2	-
		Zentel	1	Net sales	143,194	Note 2	0.43%
			1	Accounts receivable, net	97,963	Note 2	0.05%
			2	Cost of sales - royalty	12,071	Note 3	0.04%
			2	Accrued expenses	12,071	Note 3	0.01%
		2	Research and development expenses	6,429	Note 3	0.02%	

Note 1: No. 1 represents the transaction from parent company to subsidiary.
No. 2 represents the transaction from subsidiary to parent company.

Note 2: The terms of the transaction were made at normal commercial prices and term.

Note 3: The terms were based on specifically negotiated terms and for which there were no comparable terms under other contracts.