

# **Powerchip Semiconductor Corporation**

**Financial Statements for the  
Three Months Ended March 31, 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 balance sheets of Powerchip Semiconductor Corporation as of March 31, 2007 and 2006, and the related statements of income and cash flows for the three months then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report on these 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 financial statements taken as a whole. Accordingly, we do not express such an opinion.

As stated in Note 11 to the financial statements, we did not review the financial statements for the three months ended March 31, 2007 and 2006 of equity-method investees. The carrying values of those investments as of March 31, 2007 and 2006 were NT\$12,307,926 thousand and NT\$6,262,691 thousand, respectively, and the related net investment incomes and losses for the three months ended March 31, 2007 and 2006 were NT\$261,146 thousand and NT\$37,518 thousand, respectively. These investment amounts, as well as related information disclosed in Note 28 to the financial statements, were based on unreviewed financial statements of the investees for the same reporting periods as those of the Corporation.

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 investees referred to in the preceding paragraph been reviewed, we are not aware of any material modifications that should be made to the financial statements of Powerchip Semiconductor Corporation referred to in the first paragraph for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As disclosed in Note 3 to the accompanying financial statements, effective January 1, 2006, the Corporation 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.

April 24, 2007

Notice to Readers

*The accompanying financial statements are intended only to present the 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 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 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 accountants’ review report and financial statements shall prevail.*

## POWERCHIP SEMICONDUCTOR CORPORATION

### BALANCE SHEETS

MARCH 31, 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	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 43,132,352	19	\$ 32,993,079	21	Financial liabilities at fair value through profit or loss - current (Notes 2, 3, 5 and 15)	\$ 1,557,653	-	\$ 73,194	-
Financial assets at fair value through profit or loss - current (Notes 2, 3 and 5)	7,266,829	3	3,671,170	2	Accounts payable (Note 25)				
Available-for-sale financial assets - current (Notes 2, 3 and 6)	514,209	-	184,817	-	Related parties	1,770,204	1	1,220,913	1
Held-to-maturity financial assets - current (Notes 2, 9 and 25)	14,000	-	6,000	-	Third parties	6,873,143	3	5,603,967	3
Accounts receivable, net (Notes 2, 7, 25 and 26)					Income tax payable (Notes 2 and 21)	2,106,624	1	-	-
Related parties	7,423,486	3	3,261,696	2	Accrued expenses (Notes 2, 14 and 25)	4,584,331	2	2,177,746	2
Third parties	2,917,149	2	2,819,673	2	Payables for equipment	22,700,206	10	12,639,139	8
Other receivables	598,572	-	229,165	-	Convertible bonds payable (Notes 2 and 15)	3,970,000	2	9,747,738	6
Inventories, net (Notes 2 and 8)	11,298,530	5	7,883,603	5	Current portion of long-term bank loans (Notes 16 and 26)	9,506,667	4	7,606,667	5
Prepaid expenses	226,171	-	201,784	-	Other current liabilities (Note 27)	223,657	-	122,007	-
Deferred income tax assets - current (Notes 2 and 21)	2,211,131	1	885,922	1	Total current liabilities	53,292,485	23	39,191,371	25
Restricted deposits (Note 26)	787,576	-	1,353,617	1					
Other current assets	9,395	-	50,689	-	<b>LONG-TERM LIABILITIES, NET OF CURRENT PORTION</b>				
Total current assets	76,399,400	33	53,541,215	34	Convertible bonds payable (Notes 2 and 15)	19,585,999	9	10,000,000	6
					Long-term bank loans (Notes 16 and 26)	24,101,666	10	23,482,969	15
<b>LONG-TERM INVESTMENTS</b>					Deferred income (Note 27)	160,000	-	-	-
Held-to-maturity financial assets - noncurrent (Notes 2, 9 and 25)	185,000	-	199,000	-	Total long-term liabilities	43,847,665	19	33,482,969	21
Financial assets carried at cost - noncurrent (Notes 2, 3 and 10)	894,145	1	720,338	1					
Equity-method investments (Notes 2, 11 and 25)	12,307,926	5	6,262,691	4	<b>OTHER LIABILITIES</b>				
Total long-term investments	13,387,071	6	7,182,029	5	Accrued pension costs (Notes 2 and 17)	30,227	-	33,658	-
					Guarantee deposits (Note 27)	137,306	-	4,799	-
<b>PROPERTIES (Notes 2, 12 and 26)</b>					Deferred income tax liabilities - noncurrent (Notes 2 and 21)	292,423	-	-	-
Cost					Total other liabilities	459,956	-	38,457	-
Buildings	10,052,804	5	7,789,030	5	Total liabilities	97,600,106	42	72,712,797	46
Machinery and equipment	176,897,729	76	121,236,921	77					
Research and development equipment	636,501	-	634,419	-	<b>SHAREHOLDERS' EQUITY (Notes 2, 18 and 19)</b>				
Facility equipment	21,426,857	9	16,232,941	10	Capital stock, \$10 par value				
Transportation equipment	18,509	-	16,845	-	Authorized - 9,000,000 thousand shares in 2007 and 7,500,000 thousand shares in 2006				
Office equipment	499,529	-	379,634	-	Issued and outstanding - 6,935,566 thousand shares in 2007 and 5,613,958 thousand shares in 2006	69,355,661	30	56,139,584	35
Miscellaneous equipment	1,396,239	1	910,628	1	Capital surplus				
Accumulated depreciation	(87,992,562)	(38)	(63,718,942)	(40)	Additional paid-in capital in excess of par value	20,486,532	9	12,743,897	8
Construction in progress and advance payments	15,021,245	6	8,621,152	5	Arising from conversion of bonds	4,177,852	2	4,031,771	3
Net properties	137,956,851	59	92,102,628	58	Arising from treasury stock	-	-	3,290	-
					Arising from long-term investments	22,518	-	28,312	-
<b>OTHER ASSETS</b>					Retained earnings				
Assets leased to others, net (Note 2)	138,033	-	156,336	-	Appropriation for legal reserve	2,774,552	1	2,132,816	2
Refundable deposits	43,914	-	25,269	-	Appropriation for special reserve	31,566	-	252	-
Deferred charges, net (Notes 2 and 13)	3,368,067	2	3,209,531	2	Unappropriated earnings	37,805,298	16	11,503,080	7
Deferred income tax assets - noncurrent (Notes 2 and 21)	-	-	1,346,440	1	Others				
Spare parts, net	473,525	-	403,647	-	Unrealized gain on financial assets (Notes 3, 11 and 24)	646,733	-	372,631	-
Others	45,338	-	23,425	-	Cumulative translation adjustments	(23,074)	-	(14,122)	-
Total other assets	4,068,877	2	5,164,648	3	Treasury stock (at cost) - 58,058 thousand shares in 2007 and 89,674 thousand shares in 2006 (Note 20)	(1,065,545)	-	(1,663,788)	(1)
					Total shareholders' equity	134,212,093	58	85,277,723	54
<b>TOTAL</b>	<b>\$231,812,199</b>	<b>100</b>	<b>\$157,990,520</b>	<b>100</b>	<b>TOTAL</b>	<b>\$231,812,199</b>	<b>100</b>	<b>\$157,990,520</b>	<b>100</b>

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

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

# POWERCHIP SEMICONDUCTOR CORPORATION

## STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31, 2007 AND 2006

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

(Reviewed, Not Audited)

	2007		2006	
	Amount	%	Amount	%
GROSS SALES	\$31,994,290		\$15,213,174	
SALES RETURNS AND ALLOWANCES	<u>3,089,431</u>		<u>434,385</u>	
NET SALES (Notes 2 and 25)	28,904,859	100	14,778,789	100
COST OF SALES (Notes 22 and 25)	<u>19,956,348</u>	<u>69</u>	<u>12,743,051</u>	<u>86</u>
GROSS PROFIT BEFORE UNREALIZED INTERCOMPANY GROSS PROFIT	8,948,511	31	2,035,738	14
UNREALIZED INTERCOMPANY PROFIT (Note 2)	<u>11,413</u>	<u>-</u>	<u>426</u>	<u>-</u>
GROSS PROFIT	<u>8,937,098</u>	<u>31</u>	<u>2,035,312</u>	<u>14</u>
OPERATING EXPENSES (Notes 22 and 25)				
Selling	94,021	1	91,155	1
General and administrative	668,300	2	331,232	2
Research and development	<u>841,091</u>	<u>3</u>	<u>492,228</u>	<u>3</u>
Total operating expenses	<u>1,603,412</u>	<u>6</u>	<u>914,615</u>	<u>6</u>
OPERATING INCOME	<u>7,333,686</u>	<u>25</u>	<u>1,120,697</u>	<u>8</u>
NONOPERATING INCOME AND GAINS				
Valuation gain on financial liabilities, net (Notes 2 and 5)	534,989	2	-	-
Equity in earnings of equity-method investees, net (Notes 2 and 11)	261,146	1	-	-
Valuation gain on financial assets, net (Notes 2 and 5)	188,590	1	11,434	-
Interest (Notes 2 and 24)	186,374	1	133,861	1
Foreign exchange gain, net (Notes 2)	107,108	-	16,745	-
Rebate of ECB/GDR management fee	29,637	-	-	-
Indemnity income	18,836	-	2,166	-
Gain on disposal of properties (Note 2)	879	-	31,864	-
Gain on disposal of financial instruments, net (Notes 2 and 5)	-	-	18,102	-
Others	<u>55,703</u>	<u>-</u>	<u>12,484</u>	<u>-</u>
Total nonoperating income and gains	<u>1,383,262</u>	<u>5</u>	<u>226,656</u>	<u>1</u>

(Continued)

# POWERCHIP SEMICONDUCTOR CORPORATION

## STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31, 2007 AND 2006

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

(Reviewed, Not Audited)

	2007		2006	
	Amount	%	Amount	%
<b>NONOPERATING EXPENSES AND LOSSES</b>				
Interest (Notes 2, 12, 15 and 24)	\$ 297,579	1	\$ 209,825	2
Provision for loss on inventories and spare parts (Note 2)	146,739	1	14,779	-
Impairment loss on financial assets (Notes 2, 10 and 11)	64,332	-	46,198	-
Loss on disposal of financial instruments, net (Notes 2 and 5)	53,792	-	-	-
Loss on disposal of properties (Note 2)	340	-	1,066	-
Equity in losses of equity-method investees, net (Notes 2 and 11)	-	-	37,518	-
Valuation loss on financial liabilities, net (Notes 2 and 5)	-	-	7,756	-
Others	<u>17,846</u>	<u>-</u>	<u>23,630</u>	<u>-</u>
Total nonoperating expenses and losses	<u>580,628</u>	<u>2</u>	<u>340,772</u>	<u>2</u>
INCOME BEFORE INCOME TAX	8,136,320	28	1,006,581	7
INCOME TAX EXPENSE (Notes 2 and 21)	<u>(603,035)</u>	<u>(2)</u>	<u>(26,068)</u>	<u>-</u>
INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	7,533,285	26	980,513	7
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES (NET OF TAX BENEFIT OF \$16,388 THOUSAND) (Notes 3 and 20)	<u>-</u>	<u>-</u>	<u>32,920</u>	<u>-</u>
NET INCOME	<u>\$ 7,533,285</u>	<u>26</u>	<u>\$ 1,013,433</u>	<u>7</u>
	<b>2007</b>		<b>2006</b>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 1.19</u>	<u>\$ 1.10</u>	<u>\$ 0.17</u>	<u>\$ 0.17</u>
Diluted	<u>\$ 0.94</u>	<u>\$ 0.87</u>	<u>\$ 0.15</u>	<u>\$ 0.15</u>

(Continued)

# POWERCHIP SEMICONDUCTOR CORPORATION

## STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31, 2006 AND 2005

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

(Reviewed, Not Audited)

The pro forma net income and earnings per share after income tax on the assumption that the shares of the Corporation held by its subsidiaries as an investment are not treated as treasury stock are shown as follows:

	<u>2007</u>		<u>2006</u>	
NET INCOME	<u>\$7,533,285</u>		<u>\$1,013,433</u>	
	<u>2007</u>		<u>2006</u>	
	<u>Before Income Tax</u>	<u>After Income Tax</u>	<u>Before Income Tax</u>	<u>After Income Tax</u>
EARNINGS PER SHARE				
Basic	<u>\$ 1.19</u>	<u>\$ 1.10</u>	<u>\$ 0.17</u>	<u>\$ 0.17</u>
Diluted	<u>\$ 0.94</u>	<u>\$ 0.87</u>	<u>\$ 0.15</u>	<u>\$ 0.15</u>

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

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

(Concluded)

# POWERCHIP SEMICONDUCTOR CORPORATION

## STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2007 AND 2006 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 7,533,285	\$ 1,013,433
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	7,229,044	4,797,097
Amortization	425,804	410,804
Unrealized intercompany profit	11,413	426
Valuation gain on financial assets	(188,590)	(11,434)
Valuation (gain) loss on financial liabilities	(534,989)	7,756
Foreign exchange (gain) loss on financial assets	(1,416)	1,248
(Reversal of allowance) provision for doubtful accounts	(11,277)	19,238
Provision for sales discounts	632,481	-
Provision for loss on inventories and spare parts	146,739	14,779
Equity in (earnings) losses of equity-method investees, net	(261,146)	37,518
Impairment losses on financial assets	64,332	46,198
Gain on disposal of investments, net	(14,081)	(25,365)
Gain on disposal of properties, net	(539)	(30,798)
Deferred income tax expense	130,598	9,075
Amortization of discount on commercial paper issued	-	827
Foreign exchange loss (gain) on convertible bonds payable	203,751	(117,117)
Amortization of discount on convertible bonds payable	82,999	-
Deferred income	200,000	-
Net changes in operating assets and liabilities		
Held-for-trading financial assets	(885,620)	(634,393)
Accounts receivable	1,956,744	(1,436,784)
Other receivables	77,192	265,050
Inventories	(251,821)	(698,054)
Prepaid expenses	51,312	48,510
Other current assets	(4,652)	(39,405)
Held-for-trading financial liabilities	-	63,844
Accounts payable	755,321	783,271
Income tax payable	472,438	-
Accrued expenses	(13,072)	(30,603)
Other current liabilities	(12,931)	(27,490)
Accrued pension costs	(1,908)	262
Net cash provided by operating activities	<u>17,791,411</u>	<u>4,467,893</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of:		
Held-to-maturity financial assets	-	(25,000)
Equity-method investments	(376,702)	(597,498)

(Continued)

# POWERCHIP SEMICONDUCTOR CORPORATION

## STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2007 AND 2006 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2007	2006
Financial assets carried at cost	\$ (224,811)	\$ (182,164)
Properties	(13,589,166)	(9,799,056)
Deferred charges	(484,047)	(112,987)
Proceeds of disposal of:		
Available-for-sale financial assets	6,289	1,948
Held-to-maturity financial assets	-	25,000
Equity-method investments	19,079	33,499
Financial assets carried at cost	17,946	8,973
Properties	900	40,602
Decrease (increase) in restricted deposits	3,923	(141,241)
Increase in spare parts	(7,435)	(9,911)
Increase in other assets	(2,714)	(4,795)
Increase in refundable deposits	<u>(13,190)</u>	<u>(162)</u>
Net cash used in investing activities	<u>(14,649,928)</u>	<u>(10,762,792)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term bank loans	-	(773,534)
Proceeds of:		
Long-term bank loans	-	5,000,000
Exercise of employee stock options	130,640	254,208
Sales of treasury stock	513,333	-
Repayments of long-term bank loans	(876,667)	(877,498)
Increase in guarantee deposits	<u>132,290</u>	<u>146</u>
Net cash (used in) provided by financing activities	<u>(100,404)</u>	<u>3,603,322</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	3,041,079	(2,691,577)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>40,091,273</u>	<u>35,684,656</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$43,132,352</u>	<u>\$32,993,079</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid (excluding amounts capitalized of \$52,468 thousand in 2007 and \$20,954 thousand in 2006)	<u>\$ 219,506</u>	<u>\$ 199,940</u>
Income tax paid	<u>\$ 14,007</u>	<u>\$ 14,100</u>

(Continued)

# POWERCHIP SEMICONDUCTOR CORPORATION

## STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2007 AND 2006 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

---

	2007	2006
NONCASH INVESTING AND FINANCING ACTIVITIES		
Transfer of financial assets carried at cost to available-for-sale financial assets	\$ <u>37,872</u>	\$ <u>1,804</u>
Transfer of equity-method investments to financial assets carried at cost	\$ <u>168,215</u>	\$ <u>-</u>
Current portion of long-term liabilities	\$ <u>9,506,667</u>	\$ <u>7,606,667</u>
Conversion of bonds	\$ <u>223,839</u>	\$ <u>-</u>
Transfer of treasury stock to employees	\$ <u>14,008</u>	\$ <u>-</u>
Reclassification of deferred charges into properties	\$ <u>-</u>	\$ <u>78</u>
Treasury stock - Corporation's stock held by its subsidiaries	\$ <u>-</u>	\$ <u>33,141</u>
CASH PAID FOR ACQUISITION OF PROPERTIES		
Total acquisition	\$ 14,837,323	\$ 8,707,068
Payable, beginning of period	21,452,049	13,731,127
Payable, end of period	<u>(22,700,206)</u>	<u>(12,639,139)</u>
	<u>\$13,589,166</u>	<u>\$ 9,799,056</u>

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

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

(Concluded)

# POWERCHIP SEMICONDUCTOR CORPORATION

## NOTES TO FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2007 AND 2006

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

(Reviewed, Not Audited)

---

### 1. ORGANIZATION AND OPERATION

Powerchip Semiconductor Corporation (the "Corporation") 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. The Corporation 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.

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

As of March 31, 2007 and 2006, the Corporation had 6,818 and 5,111 employees, respectively.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basic of Presentation

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China (ROC). Under these guidelines and principles, the Corporation 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, and pension expenses. Actual results could differ from these estimates.

For the convenience of readers, the accompanying 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 financial statements shall prevail.

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

#### Current/Noncurrent Assets and Liabilities

Current assets are unrestricted cash 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

Commercial paper and bonds purchased under resell agreements, acquired 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 Corporation 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 received, including the amount received in the same year that the related investments are acquired, are recognized as income. 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 are recorded at actual cost; finished goods and work in process are recorded at standard cost and adjusted to the approximate weighted-average cost at the end of each period. Market value is the net realizable value of 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 Corporation 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 Corporation exercises significant influence on investees' operating and financial decisions are accounted for by the equity method, except for the financial statements as of and for the periods ended March 31 and September 30, in which the Corporation accounts for its investment income or loss when it holds a controlling interest in the investees.

The difference between the investment cost and the Corporation'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 Corporation 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 Corporation subscribes for these shares at a percentage different from its current equity in the investee, the resulting difference in the Corporation'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 Corporation'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 Corporation's interest in the investee if there are changes in the investee's equity, other than capital stocks and retained earnings.

If the Corporation'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 Corporation 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 Corporation to equity-method investees that are not majority owned are deferred in proportion to the Corporation's equity interest in the investees at year-end. However, the entire amounts of the gains or losses on the Corporation's sales to subsidiaries are deferred.

Gains or losses on sales generated from equity-method investees to the Corporation are deferred in proportion to the Corporation'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 Corporation'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 5 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 Corporation 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 Corporation 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 Corporation'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 Corporation 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.

The Corporation 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 Corporation 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 Corporation 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 that will benefit periods in the future 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 Corporation 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.

### **Reclassification**

Certain accounts in the financial statements as of and for the three months ended March 31, 2006 have been reclassified to be consist with the financial statements as of and for the three months ended March 31, 2007.

## **3. ACCOUNTING CHANGES**

On January 1, 2006, the Corporation 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 Corporation'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.

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

	<b>Recognized as Cumulative Effect of Changes in Accounting Principles (Net of Tax)</b>	<b>Recognized as a Separate Component of Shareholders' Equity (Net of Tax)</b>
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 net income, and an increase of NT\$0.01 in basic and diluted earnings per share (after income tax) for the three months ended March 31, 2006.

Effective January 1, 2006, the Corporation 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 three months ended March 31, 2006.

#### 4. CASH AND CASH EQUIVALENTS

	<u>March 31</u>	
	<u>2007</u>	<u>2006</u>
Time deposits	\$ 30,049,731	\$ 24,560,610
Bonds purchased under resell agreements	11,117,471	6,926,351
Demand deposits	1,524,246	1,497,579
Checking accounts	440,804	8,439
Cash on hand	<u>100</u>	<u>100</u>
	<u>\$ 43,132,352</u>	<u>\$ 32,993,079</u>

Overseas bank deposits as of March 31, 2007 and 2006 are summarized as follows:

	<u>March 31</u>	
	<u>2007</u>	<u>2006</u>
Japan - JPY627,506 thousand in 2007; JPY248,994 thousand in 2006	\$ 175,827	\$ 68,822
Hong Kong - US\$9 thousand and HK\$27,766 in 2007; US\$1 thousand and HK\$8,900 thousand in 2006	117,742	37,214
Luxembourg - US\$2,774 thousand in 2007; US\$2,652 thousand in 2006	91,804	86,074
Singapore - US\$1,070 thousand, JPY\$83,637 thousand and HK\$3 thousand in 2007; US\$22 thousand and JPY35,625 thousand in 2006	<u>58,847</u>	<u>10,546</u>
	<u>\$ 444,220</u>	<u>\$ 202,656</u>

## 5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>March 31</u>	
	<u>2007</u>	<u>2006</u>
Financial assets held-for-trading	\$ 7,266,829	\$ 3,567,294
Financial assets designated at fair value through profit or loss	<u>-</u>	<u>103,876</u>
	<u>\$ 7,266,829</u>	<u>\$ 3,671,170</u>

	<u>March 31</u>	
	<u>2007</u>	<u>2006</u>
Financial liabilities held-for-trading	<u>\$ 1,557,653</u>	<u>\$ 73,194</u>

Financial instruments held for trading as of March 31, 2007 and 2006 are summarized as follows:

	<u>March 31</u>	
	<u>2007</u>	<u>2006</u>
Financial assets		
Domestic listed stocks	\$ 6,311,987	\$ 2,358,672
Foreign listed stocks - US\$333 thousand, JPY1,958,245 thousand and HK\$2,255 thousand in 2007; US\$296 thousand and JPY1,957,360 thousand in 2006	569,271	550,631
Mutual funds	<u>385,571</u>	<u>657,991</u>
	<u>\$ 7,266,829</u>	<u>\$ 3,567,294</u>
Financial liabilities		
Interest rate swap contracts	\$ 30,426	\$ 73,194
Debt components of convertible bonds (Note 15)		
Conversion option	1,391,356	-
Put option	<u>135,871</u>	<u>-</u>
	<u>\$ 1,557,653</u>	<u>\$ 73,194</u>

The Corporation used forward exchange contracts, cross-currency swap contracts and interest rate swap contracts during the three months ended March 31, 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 March 31, 2007 and 2006, all forward exchange contracts had expired.

As of March 31, 2007, all cross-currency swap contracts had expired, and the Corporation had no cross-currency swap contracts for the three months ended March 31, 2006.

Outstanding interest rate swap contracts as of March 31, 2007 and 2006 were as follows:

<b>Contract Amount (In Thousands)</b>	<b>Period</b>	<b>Range of Interest Rates Paid</b>	<b>Range of Interest Rates Received</b>
<u>March 31, 2007</u>			
\$ 400,000	May 31, 2004 - March 24, 2009	5.35%-5.37%	1.71%-1.78%
400,000	June 1, 2004 - March 24, 2009	1.85%	1.71%-1.78%
400,000	June 3, 2004 - March 24, 2009	5.35%-5.37%	1.71%-1.78%
400,000	June 16, 2004 - March 24, 2009	4.15%-4.17%	1.71%-1.78%
100,000	July 2, 2004 - May 20, 2007	5.36%-5.38%	1.71%-1.77%
100,000	July 2, 2004 - May 20, 2007	4.31%-4.33%	1.71%-1.77%
100,000	July 2, 2004 - May 20, 2007	4.31%-4.33%	1.71%-1.77%

March 31, 2006

\$ 600,000	May 31, 2004 - March 24, 2009	1.70%	1.46%-1.52%
600,000	June 1, 2004 - March 24, 2009	1.85%	1.46%-1.52%
600,000	June 3, 2004 - March 24, 2009	1.60%	1.46%-1.52%
600,000	June 16, 2004 - March 24, 2009	3.32%-3.75%	1.46%-1.52%
300,000	July 2, 2004 - May 20, 2007	1.50%-4.77%	1.45%-1.51%
300,000	July 2, 2004 - May 20, 2007	3.32%-3.72%	1.45%-1.51%
300,000	July 2, 2004 - May 20, 2007	3.32%-3.72%	1.45%-1.51%

Net gains arising from financial assets held for trading were \$116,007 thousand and \$17,373 thousand for the three months ended March 31, 2007 and 2006, respectively. Net gains and losses arising from financial liabilities held for trading were \$520,266 thousand and \$15,019 thousand for the three months ended March 31, 2007 and 2006, respectively.

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

	<b>March 31, 2006</b>
Financial assets	
Credit-linked notes (CLNs)	<u>\$ 103,876</u>

Other CLNs information is as follows:

<b>CLNs Issuer</b>	<b>Principal Amount (in Thousands)</b>	<b>Interest Rate</b>	<b>Maturity</b>
Yuanta Assets Management Limited	US\$1,700	8.18%-8.33%	December 2006
Credit Suisse First Boston International	US\$1,500	6.33%	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, was \$1,288 thousand and \$621 thousand for the three months ended March 31, 2007 and 2006, respectively.

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	<u>March 31</u>	
	<u>2007</u>	<u>2006</u>
Domestic listed stocks	\$ 80,407	\$ 184,298
Foreign listed stocks- HK\$7,960 thousand in 2007; HK\$124 thousand in 2006	33,671	519
Mutual funds		
Open-end	129,123	-
Close-end - NT\$228,600 thousand and HK\$10,026 thousand	<u>271,008</u>	<u>-</u>
	<u>\$ 514,209</u>	<u>\$ 184,817</u>

## 7. ACCOUNTS RECEIVABLE

	<u>March 31</u>	
	<u>2007</u>	<u>2006</u>
<u>Related parties</u>		
Accounts receivable	\$ 7,930,644	\$ 3,326,849
Allowance for doubtful accounts	(78,978)	(33,653)
Allowance for sales discounts	<u>(428,180)</u>	<u>(31,500)</u>
	<u>7,423,486</u>	<u>3,261,696</u>
<u>Third parties</u>		
Accounts receivable	3,609,792	2,914,946
Allowance for doubtful accounts	(48,342)	(36,773)
Allowance for sales discounts	<u>(644,301)</u>	<u>(58,500)</u>
	<u>2,917,149</u>	<u>2,819,673</u>
	<u>\$ 10,340,635</u>	<u>\$ 6,081,369</u>

## 8. INVENTORIES

	<u>March 31</u>	
	<u>2007</u>	<u>2006</u>
Finished goods	\$ 887,510	\$ 1,310,915
Work in process	8,337,034	5,376,782
Materials and supplies	<u>2,529,180</u>	<u>1,377,812</u>
	11,753,724	8,065,509
Allowance for losses	<u>(455,194)</u>	<u>(181,906)</u>
	<u>\$ 11,298,530</u>	<u>\$ 7,883,603</u>

## 9. HELD-TO-MATURITY FINANCIAL ASSETS

	<u>March 31</u>	
	<u>2007</u>	<u>2006</u>
Veutron Corp. ("Ventron") - issued in 2005 (I)	\$ 80,000	\$ 80,000
MaxEdge Electronics Corp. ("MaxEdge") - issued in 2005 (I)	30,000	30,000
MaxEdge - issued in 2005 (II)	30,000	30,000
Veutron - issued in 2006 (I)	25,000	25,000
MaxEdge - issued in 2005 (III)	20,000	20,000
Veutron - issued in 2002 (II)	<u>14,000</u>	<u>20,000</u>
	199,000	205,000
Current portion	<u>(14,000)</u>	<u>(6,000)</u>
	<u>\$ 185,000</u>	<u>\$ 199,000</u>

Bond investments were as follows:

	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Maturity</b>
<u>Held as of March 31, 2007</u>			
Veutron - issued in 2005 (I)	\$ 80,000	3.50%	April 2009
MaxEdge - issued in 2005 (I)	30,000	3.25%	August 2008
MaxEdge - issued in 2005 (II)	30,000	3.25%	October 2008
Veutron - issued in 2006 (I)	25,000	3.50%	February 2010
MaxEdge - issued in 2005 (III)	20,000	3.25%	December 2008
Veutron - issued in 2002 (II)	14,000	3.50%	30% of principal repayment in November 2006, and the remaining 70% in November 2007
<u>Matured as of March 31, 2007</u>			
Veutron - issued in 2002 (II)	6,000	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>March 31</u>	
	<u>2007</u>	<u>2006</u>
Domestic unlisted common stocks	\$ 593,783	\$ 462,991
Domestic unlisted preferred stocks	10	-
Foreign unlisted common stocks - US\$660 thousand and JPY153,670 thousand in 2007; US\$880 thousand and JPY21,670 thousand in 2006	64,470	34,007
Foreign unlisted preferred stocks - US\$7,252 thousand in 2007; US\$1,333 thousand in 2006	235,882	42,980
Prepayment	<u>-</u>	<u>180,360</u>
	<u>\$ 894,145</u>	<u>\$ 720,338</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.

For the three months ended March 31, 2007 and 2006, the Corporation revalued the recoverable amount of the investment of domestic unlisted common stocks and recognized impairment loss of financial assets amounting to \$14,861 thousand and \$46,198 thousand, respectively, which were presented under nonoperating expenses and losses - impairment loss on financial assets.

## 11. EQUITY-METHOD INVESTMENTS

	March 31			
	2007		2006	
	Amount	% of Owner- ship	Amount	% of Owner- Ship
Quantum Vision Corp. ("Quantum")	\$ 3,842,458	99.99	\$ 2,013,088	99.99
Li-Hsin Investment Corp. ("Li-Hsin")	2,062,174	99.94	812,320	99.89
Paramax Corp. ("Paramax")	1,487,346	99.99	657,560	99.99
Rui-Wang Investment Corp. ("Rui-Wang")	799,560	100.00	-	-
Zhi-Li Investment Inc. ("Zhi-Li")	599,238	32.31	295,445	37.08
Lu-Chu Development Corp. ("Lu-Chu")	574,883	27.18	584,037	27.18
Global Powertec Co., Ltd. ("Global Powertec")	564,616	100.00	-	-
Smart Art Corp. ("Smart Art")	351,408	43.92	119,992	48.00
Novax Technologies, Inc. ("Novax")	336,901	24.66	280,511	24.66
Artrix International Inc. ("Artrix")	282,298	25.17	125,279	25.52
Deutron Electronics Corp. ("Deutron")	229,968	9.44	153,345	9.78
Veutron	144,763	9.60	-	-
Powerflash Technology Corporation ("Powerflash", named Smartic Technology Inc. before)	124,610	51.00	121,084	51.00
Luxxon Technology Corp. ("Luxxon")	124,088	20.15	134,089	20.73
Optimicro Corp. ("Optimicro")	98,232	29.40	141,279	29.40
Syntronix Corp. ("Syntronix")	86,366	19.91	77,666	20.97
Deutron Japan Corp. ("Deutron-Japan")	78,140	38.98	79,635	38.98
Tekmax Development Corp. ("Tekmax")	77,040	15.65	72,107	15.77
Synage Technology Corp. ("Synage")	67,351	19.97	76,547	20.17
Astel Electronics Corp. ("Astel")	57,464	40.00	78,151	40.00
Zentel Electronics Corp. ("Zentel")	55,002	20.03	69,493	36.80
Retronix Technology Corp. ("Retronix")	48,758	14.29	50,000	25.00
Terax Communication Technologies Inc. ("Terax")	47,189	17.40	-	-
Vivichip Electronics Corp. ("Vivichip")	37,491	40.00	-	-
Siptron Technology Corporation ("Siptron", named PowerFlash Semiconductor Corp. before)	35,316	32.00	30,291	32.00
AVAC Systems, Inc. ("AVAC")	30,608	23.31	41,128	23.31
MicroMedia Technology Corp. ("MicroMedia")	28,743	30.00	-	-
Signia Technologies Co., Ltd. ("Signia")	24,007	28.01	60,258	20.71
PowerGate Optical, Inc. ("PowerGate")	11,561	5.26	10,303	9.35
Rexchip Electronics Corp. ("Rexchip")	347	100.00	-	-
MaxEdge	-	13.39	16,718	13.39
Neo Solar Power Corp. ("Neo-Solar")	-	-	95,247	16.00
Luxchip Technology Corp. ("Luxchip")	-	-	37,966	19.00
Silicon Optronics, Inc. ("Silicon")	-	-	29,152	12.14
	<u>\$ 12,307,926</u>		<u>\$ 6,262,691</u>	

The difference between the cost of the investment and the Corporation's share in investees' net assets was recognized as goodwill. The change in goodwill for the three months ended March 31, 2007 and 2006 was as follow:

	<b>Three Months Ended</b>	
	<b>March 31</b>	
	<b>2007</b>	<b>2006</b>
Cost		
Beginning balance	\$ 49,471	\$ -
Recognized	<u>-</u>	<u>49,471</u>
Ending balance	<u>49,471</u>	<u>49,471</u>
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>

For the three months ended March 31, 2007 and 2006, the Corporation 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 Corporation invested in Signia and Retronix, which were accounted for by the equity method.

In the second quarter of 2006, the Corporation invested in Vivichip and Global Powertec, which were accounted for by the equity method.

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

In the fourth quarter of 2006, the Corporation invested in Rui-Wang and Rexchip, which were accounted for by the equity method.

In the fourth quarter of 2006, the Corporation acquired 10,000 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 Corporation and its subsidiaries owned more than 20% of Veutron and Terax, which were recorded as financial assets at fair value through profit or loss - current (listed under short-term investments in 2005) and financial assets carried at cost - noncurrent (listed under cost method investment in 2005), respectively, when SFAS No. 36 was adopted. Thus the Corporation 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. As the result of the merge, the Corporation owned 20% of Luxxon; thus, this investment was accounted for by the equity method.

In the first quarter of 2007, the Corporation and its subsidiaries no longer exercise significant influence on Neo-Solar and Silicon. Thus the Corporation transferred both investments from equity-method investments to financial assets carried at cost - noncurrent.

As of March 31, 2007, the Corporation's equity in the loss of MaxEdge equaled the investment carrying value. The recognized equity in loss was limited since the Corporation did not guarantee the obligations of MaxEdge. However, the Corporation's investment in MaxEdge bonds has been guaranteed entirely, thus, the bond investment will not have a material effect on the Corporation's financial statements.

As of March 31, 2007 and 2006, the Corporation and its subsidiaries owned more than 20% of the following investees' outstanding shares. Thus, the investments were accounted for by the equity method. The combined holding percentages are summarized as follows:

	<b>March 31</b>	
	<b>2007</b>	<b>2006</b>
Deutron	20%	20%
Veutron	27%	(Note 2)
Syntronix	22%	(Note 1)
Tekmax	41%	35%
Synage	48%	(Note 1)
Retronix	26%	(Note 1)
Terax	30%	(Note 2)
PowerGate	20%	27%
MaxEdge	48%	48%
Neo-Solar	(Note 3)	22%
Luxchip	(Note 4)	39%
Silicon	(Note 3)	22%

Note 1: As of March 31, 2006, the Corporation alone owned more than 20% of the investees' outstanding shares, thus, the combined holding percentages were not separately disclosed.

Note 2: In the first quarter of 2006, Veutron was listed under financial assets at fair value through profit and loss - current; Terax was listed under financial assets carried at cost - noncurrent.

Note 3: As of March 31, 2007, the investees were listed under financial assets carried at cost - noncurrent.

Note 4: In March of 2007, Luxchip were eliminated because of the merging.

Investment income (losses) which were recognized bases on unreviewed financial statements, are summarized as follows:

	<b>Three Months Ended</b>	
	<b>March 31</b>	
	<b>2007</b>	<b>2006</b>
Quantum	\$ 171,496	\$ (10,468)
Li-Hsin	41,730	(22,782)
Paramax	(18,276)	(586)
Rui-Wang	(684)	-
Global Powertec	71,671	-
Smart art	(1,377)	3
Powerflash	(2,612)	(1,081)
Siptron	(381)	(272)
Rexchip	(421)	-
Zentel	<u>-</u>	<u>(2,332)</u>
	<u>\$ 261,146</u>	<u>\$ (37,518)</u>

The Corporation had controlling interests only in the above investees. Thus, the Corporation did not account for investment income or loss of the other equity-method investees for the period.

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

	<b>Three Months Ended March 31</b>	
	<b>2007</b>	<b>2006</b>
Quantum	\$ (31,630)	\$ 268,811
Li-Hsin	2,156	2,691
Paramax	<u>(290)</u>	<u>1,620</u>
	<u>\$ (29,764)</u>	<u>\$ 273,122</u>

The market value of the Corporation's holdings of 432 thousand shares of Veutron, an investment which was registered with the Taiwan Securities Exchange Center (TSEC), was \$9,760 thousand as of March 31, 2007.

## 12. PROPERTIES

The changes in properties for the three months ended March 31, 2007 and 2006 were as follow:

	<b>Three Months Ended March 31, 2007</b>				
	<b>Beginning Balance</b>	<b>Change in the Period</b>			
		<b>Acquisition/ Depreciation</b>	<b>Disposal</b>	<b>Transfer</b>	
Cost					
Buildings	\$ 10,048,454	\$ -	\$ -	\$ 4,350	\$ 10,052,804
Machinery and equipment	168,046,584	-	6,777	8,857,922	176,897,729
Research and development equipment	784,780	-	243	(148,036)	636,501
Facility equipment	20,889,861	-	54	537,050	21,426,857
Transportation equipment	18,509	-	-	-	18,509
Office equipment	492,052	-	128	7,605	499,529
Miscellaneous equipment	<u>1,366,915</u>	<u>-</u>	<u>82</u>	<u>29,406</u>	<u>1,396,239</u>
	<u>201,647,155</u>	<u>\$ -</u>	<u>7,284</u>	<u>9,288,297</u>	<u>210,928,168</u>
Accumulated depreciation					
Buildings	2,303,277	\$ 127,008	-	-	2,430,285
Machinery and equipment	66,654,998	6,321,533	6,641	174,658	73,144,548
Research and development equipment	478,685	17,478	27	(174,959)	321,177
Facility equipment	10,501,335	685,330	54	-	11,186,611
Transportation equipment	9,945	598	-	-	10,543
Office equipment	291,364	19,630	119	-	310,875
Miscellaneous equipment	<u>535,414</u>	<u>52,890</u>	<u>82</u>	<u>301</u>	<u>588,523</u>
	<u>80,775,018</u>	<u>\$ 7,224,467</u>	<u>6,923</u>	<u>-</u>	<u>87,992,562</u>
Construction in progress and advance payments	<u>9,472,219</u>	<u>\$ 14,837,323</u>	<u>-</u>	<u>(9,288,297)</u>	<u>15,021,245</u>
	<u>\$ 130,344,356</u>		<u>\$ 361</u>	<u>\$ -</u>	<u>\$ 137,956,851</u>

(Note 1)

	<b>Three Months Ended March 31, 2006</b>				<b>Ending Balance</b>
	<b>Beginning Balance</b>	<b>Change in the Period</b>			
		<b>Acquisition/ Depreciation</b>	<b>Disposal</b>	<b>Transfer</b>	
Cost					
Buildings	\$ 7,789,030	\$ -	\$ -	\$ -	\$ 7,789,030
Machinery and equipment	116,442,752	-	184,961	4,979,130	121,236,921
Research and development equipment	572,606	-	-	61,813	634,419
Facility equipment	16,097,801	-	-	135,140	16,232,941
Transportation equipment	15,762	-	672	1,755	16,845
Office equipment	373,176	-	-	6,458	379,634
Miscellaneous equipment	909,777	-	182	1,033	910,628
	<u>142,200,904</u>	<u>\$ -</u>	<u>185,815</u>	<u>5,185,329</u>	<u>147,200,418</u>
Accumulated depreciation					
Buildings	1,873,038	\$ 94,019	-	-	1,967,057
Machinery and equipment	48,003,451	4,146,647	175,171	(56,197)	51,918,730
Research and development equipment	310,049	19,257	-	56,186	385,492
Facility equipment	8,312,267	481,292	-	-	8,793,559
Transportation equipment	8,408	513	659	-	8,262
Office equipment	217,313	17,316	-	-	234,629
Miscellaneous equipment	377,915	33,479	181	-	411,213
	<u>59,102,441</u>	<u>\$ 4,792,523</u>	<u>176,011</u>	<u>(11)</u>	<u>63,718,942</u>
Construction in progress and advance payments	5,099,346	<u>\$ 8,707,068</u>	-	(5,185,262)	8,621,152
	<u>\$ 88,197,809</u>		<u>\$ 9,804</u>	<u>\$ 78</u>	<u>\$ 92,102,628</u>
			(Note 1)	(Note 2)	

Note1: Carrying value of property disposed of.

Note2: Netting amount of reclassification of deferred charges into properties.

Total depreciation expenses for the three months ended March 31, 2007 and 2006 were \$7,224,467 thousand and \$4,792,523 thousand, respectively.

Interest capitalization is summarized as follows:

	<b>Three Months Ended March 31</b>	
	<b>2007</b>	<b>2006</b>
Total interest expenses	\$ 350,047	\$ 230,779
Capitalized amount	52,468	20,954
Rates used in capitalizing interests	3.13%-3.16%	3.31%-3.46%

The Corporation is currently expanding its fourth factory ("FAB 12M"). The related total estimated and recognized cost as of March 31, 2007 was summarized as follows:

	<b>Total Estimated Cost</b>	<b>Total Recognized Cost</b>
<b>FAB</b>		
12M	\$ 70,000,000	\$ 44,568,585

On April 17, 2007, the Board of Directors approved the Corporation to dispose its currently expanding factory ("FAB 12C"), pursuant to Article No. 28 of the Business Merges and Acquisition Law, in exchange for newly issued shares of a wholly-owned subsidiary, Rexchip. The transaction details are shown in Note 27.

The details of properties pledged as collateral are shown in Note 26.

### 13. DEFERRED CHARGES, NET

The change in deferred charges for the three months ended March 31, 2007 and 2006 were as follow:

	<b>Three Months Ended March 31, 2007</b>				
	<b>Beginning Balance</b>	<b>Acquisition</b>	<b>Amortization</b>	<b>Elimination (Note 1)</b>	<b>Ending Balance</b>
Technical know-how	\$ 2,563,238	\$ 459,510	\$ 347,096	\$ -	\$ 2,675,652
Computer software system	255,446	19,874	33,643	-	241,677
Test-run costs	54,801	-	16,440	-	38,361
Patent	15,000	-	1,250	-	13,750
Issuance costs of the convertible bonds	7,812	-	3,315	91	4,406
Others	413,618	4,663	24,060	-	394,221
	<u>\$ 3,309,915</u>	<u>\$ 484,047</u>	<u>\$ 425,804</u>	<u>\$ 91</u>	<u>\$ 3,368,067</u>

  

	<b>Three Months Ended March 31, 2006</b>				
	<b>Beginning Balance</b>	<b>Acquisition</b>	<b>Amortization</b>	<b>Elimination (Note 2)</b>	<b>Ending Balance</b>
Technical know-how	\$ 2,932,661	\$ 93,174	\$ 342,016	\$ -	\$ 2,683,819
Computer software system	171,903	13,980	20,722	(78)	165,083
Test-run costs	120,562	-	16,441	-	104,121
Patent	20,000	-	1,250	-	18,750
Issuance costs of the convertible bonds	46,965	-	13,175	-	33,790
Others	215,335	5,833	17,200	-	203,968
	<u>\$ 3,507,426</u>	<u>\$ 112,987</u>	<u>\$ 410,804</u>	<u>\$ (78)</u>	<u>\$ 3,209,531</u>

Note 1: Elimination the issuance costs of the convertible bonds under the percentage of the conversion, which were presented under capital surplus.

Note 2: The net amount of reclassification of deferred charges into properties.

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

### 14. ACCRUED EXPENSES

Accrued expenses is as follows:

	<b>March 31</b>	
	<b>2007</b>	<b>2006</b>
Royalty	\$ 1,896,711	\$ 413,954
Bonus	666,353	351,572
Technical know-how	280,200	589,155
Others	<u>1,741,067</u>	<u>823,065</u>
	<u>\$ 4,584,331</u>	<u>\$ 2,177,746</u>

## 15. CONVERTIBLE BONDS PAYABLE

	<u>March 31</u>	
	<u>2007</u>	<u>2006</u>
<u>Overseas unsecured bonds</u>		
Issued in 2004 (5) US\$157,850 thousand in 2007; US\$158,050 thousand in 2006	\$ 5,223,099	\$ 5,130,303
Issued in 2005 (6) US\$135,850 thousand in 2007; US\$142,250 thousand in 2006	4,495,141	4,617,435
Issued in 2006 (7) US\$118,717 thousand	<u>3,928,859</u>	<u>-</u>
	<u>13,647,099</u>	<u>9,747,738</u>
<u>Domestic unsecured bonds</u>		
Issued in 2005 (1) NT\$3,970,000 thousand in 2007; NT\$4,000,000 thousand in 2006	3,970,000	4,000,000
Issued in 2005 (2) NT\$5,938,900 thousand in 2007; NT\$6,000,000 thousand in 2006	<u>5,938,900</u>	<u>6,000,000</u>
	<u>9,908,900</u>	<u>10,000,000</u>
	23,555,999	19,747,738
Current portion	<u>(3,970,000)</u>	<u>(9,747,738)</u>
	<u>\$ 19,585,999</u>	<u>\$ 10,000,000</u>

In June and July 2004, the Corporation 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 the Corporation’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 March 31, 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 the Corporation may opt for early bond redemption. As of March 31, 2007, some of the holders of Bonds 2004 exercised their put option, requiring the Corporation to spend US\$200 thousand for the repurchase of the outstanding bonds.

On February 2, 2005, the Corporation 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 the Corporation’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 March 31, 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 the Corporation may opt for early bond redemption. As of March 31, 2007, holders of Bonds 2005A with principle amount of US\$24,150 thousand had requested to convert these bonds into 37,834 thousand common shares, which had all been issued. Between April 1, 2007 and April 24, 2007, the conversion of Bonds 2005A with principle amounts of US\$250 thousand into 417 thousand common shares has been requested.

In June 2006, the Corporation 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 the Corporation’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 March 31, 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 the Corporation may opt for early bond redemption. As of March 31, 2007, holders of Bonds 2006 with principle amount of US\$100 thousand had requested to convert these bonds into 162 thousand common shares, which had all been issued. Between April 1, 2007 and April 24, 2007, the conversion of Bonds 2006 with principle amount of US\$50 thousand into 81 thousand common shares has been requested.

Under Statement of Financial Accounting Standards No. 36 - “Financial Instruments: Disclosure and Presentation”, the Corporation separated conversion option and put option from Bonds 2006 and recognized these options as financial liabilities at fair value through profit or loss. The recognized amounts are summarized as follows:

	<b>March 31, 2007</b>
Face value of Bonds 2006	US\$ 160,000
Debt Components	
- Conversion option	(40,758)
- Put option	<u>(5,757)</u>
Bond payable	113,485
Issuance cost	<u>(2,043)</u>
Amortized costs on initial recognition of bond payable	111,442
Conversion	
- Face value	(100)
- Elimination	27
Interest expense	<u>7,348</u>
Amortized costs of bond payable, end of year	<u>US\$ 118,717</u>

In June 2005, the Corporation 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 the Corporation’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 March 31, 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 the Corporation may opt for early bond redemption. As of March 31, 2007, holders of Bonds 2006 with principle amount of NT\$30,000 thousand had requested to convert these bonds into 1,556 thousand common shares, which had all been issued.

In June 2005, the Corporation 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 the Corporation’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 March 31, 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 the Corporation may opt for early bond redemption. As of March 31, 2007, holders of Bonds 2005C with principle amount of NT\$61,100 thousand had requested to convert these bonds into 3,235 thousand common shares, which had all been issued.

## 16. LONG-TERM BANK LOANS

	<u>March 31</u>	
	<u>2007</u>	<u>2006</u>
Long-term secured syndicated loans (1)	\$ -	\$ 2,625,000
Long-term secured syndicated loans (2)	2,900,000	4,350,000
Long-term secured syndicated loans (3)	11,250,000	15,000,000
Long-term secured syndicated loans (4)	15,000,000	8,000,000
Long-term secured syndicated loans (5)	4,000,000	-
Medium-to long-term loans (including commercial paper issued)	<u>458,333</u>	<u>1,115,000</u>
	33,608,333	31,090,000
Current portion	(9,506,667)	(7,606,667)
Unamortized discount of commercial paper issued	<u>-</u>	<u>(364)</u>
	<u>\$ 24,101,666</u>	<u>\$ 23,482,969</u>

The loans are payable quarterly or semiannually at varying amounts. They will be fully repaid by October 2011. They bear interest rates ranging from 2.75 % to 4.35 % and from 2.62 % to 4.95 % for the three months ended March 31, 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 26.

## 17. 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 Corporation 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 Corporation 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 three months ended March 31, 2007 and 2006 were \$48,873 thousand and \$35,109 thousand, respectively.

The Corporation 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 Corporation 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 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 three months ended March 31, 2007 and 2006 were \$14,092 thousand and \$11,831 thousand, respectively.

Fund balances were \$270,373 thousand and \$236,066 thousand as of March 31, 2007 and 2006, respectively.

## 18. 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.

The Corporation'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, 3% as remuneration of directors and supervisors and 10% as bonus to employees;
- 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 the Corporation's shares held by subsidiaries is lower than their carrying value, the Corporation should appropriate a special reserve equal to the difference between market price and carrying value. The Corporation may release a portion of this special reserve when debit balances are partially or fully reversed.

The Corporation'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 the Corporation'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 the Corporation has no unappropriated earnings and the reserve balance has exceeded 50% of the Corporation's paid-in capital. Also, when the reserve has reached 50% of the Corporation'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 the Corporation on earnings generated since 1998. An imputation credit account (ICA) is maintained by the Corporation 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 earnings for 2006 and 2005 were resolved by the Board of Director on March 26, 2007 and the shareholders' meeting on June 9, 2006, respectively. The appropriations and dividend per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividend Per Share (NT\$)</u>	
	<u>For Fiscal Year 2006</u>	<u>For Fiscal Year 2005</u>	<u>For Fiscal Year 2006</u>	<u>For Fiscal Year 2005</u>
Legal reserve	\$ 2,732,758	\$ 641,736	\$ -	\$ -
Special reserve	-	31,314	-	-
Cash dividend	10,322,849	3,042,429	1.50	0.52
Stock dividend	6,881,899	3,042,429	1.00	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>		

As of April 24, 2007, the shareholders' meeting has not resolved the appropriation of the 2006 earnings. Information on appropriations can be accessed online through the Market Observation Post System of the Taiwan Stock Exchange Corporation.

On March 26, 2007, the Board of Directors resolved to raise the Corporation's capital to \$100,000,000 thousand. This resolution will be submitted to the shareholders in their meeting on June 15, 2007.

## 19. EMPLOYEE STOCK OPTION

On May 28, 2001, June 28, 2002 and April 22, 2003, the Securities and Futures Commission approved the Corporation'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 March 31, 2007, there were 293,830 options that had been exercised.

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

	<u>2003 Plan</u>		<u>2002 Plan</u>		<u>2001 Plan</u>	
	<u>Number of Outstanding Stock Option Rights</u>	<u>Weighted Average Exercise Prices (NT\$/Per Share)</u>	<u>Number of Outstanding Stock Option Rights</u>	<u>Weighted Average Exercise Price (NT\$/Per Share)</u>	<u>Number of Outstanding Stock Option Rights</u>	<u>Weighted Average Exercise Prices (NT\$/Per Share)</u>
Three months ended <u>March 31, 2007</u>						
Beginning balance	58,981	\$ 6.37	43,788	\$ 8.10	10,793	\$13.05
Options exercised	(3,319)	6.60	(8,802)	8.10	(2,895)	12.93
Options canceled	<u>(66)</u>	6.10	<u>(25)</u>	8.10	-	-
Ending balance	<u>55,596</u>	6.35	<u>34,961</u>	8.10	<u>7,898</u>	13.09

	<u>2003 Plan</u>		<u>2002 Plan</u>		<u>2001 Plan</u>	
	<b>Number of Outstanding Stock Option Rights</b>	<b>Weighted-average Exercise Prices (NT\$/Per Share)</b>	<b>Number of Outstanding Stock Option Rights</b>	<b>Weighted-average Exercise Price (NT\$/Per Share)</b>	<b>Number of Outstanding Stock Option Rights</b>	<b>Weighted-average Exercise Prices (NT\$/Per Share)</b>
Three months ended <u>March 31, 2006</u>						
Beginning balance	80,048	\$ 6.84	81,081	\$ 8.70	32,178	\$13.98
Options exercised	(2,171)	7.42	(12,069)	8.70	(9,574)	13.90
Options canceled	<u>(760)</u>	6.50	<u>(514)</u>	8.70	<u>-</u>	-
Ending balance	<u>77,117</u>	6.83	<u>68,498</u>	8.70	<u>22,604</u>	14.01

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 the Plans.

As of March 31, 2007, the outstanding stock options are as follows:

<b>Exercise Price (NT\$/Per Share)</b>	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
	<b>Number Outstanding (Per Option)</b>	<b>Weighted Average Remaining Contractual Life (in Years)</b>	<b>Weighted Average Exercise Price (NT\$/Per Share)</b>	<b>Number Exercisable (Per Option)</b>	<b>Weighted Average Exercise Price (NT\$/Per Share)</b>
\$12.90	7,445	0.33	\$12.90	7,445	\$12.90
16.30	440	0.99	16.30	440	16.30
13.70	13	1.12	13.70	13	13.70
8.10	34,961	1.49	8.10	34,961	8.10
6.10	53,755	2.07	6.10	23,727	6.10
11.20	470	2.25	11.20	148	11.20
13.10	125	2.33	13.10	67	13.10
10.70	676	2.53	10.70	437	10.70
10.80	32	2.65	10.80	-	10.80
13.20	175	2.77	13.20	5	13.20
20.30	112	2.98	20.30	68	20.30
24.80	<u>251</u>	3.05	24.80	<u>125</u>	24.80
	<u>98,455</u>			<u>67,436</u>	

The Corporation uses the intrinsic value method to evaluate the compensation cost of employee stock options. The compensation cost recognized for the three months ended March 31, 2007 and 2006 was zero since the stock options were granted at an exercise price equal to the closing price of the Corporation's common shares on the measurement dates. Had the Corporation applied the fair value based method to evaluate the compensation cost, the assumptions and pro forma results of the Corporation for the three months ended March 31, 2007 and 2006 would have been as follows:

Method:	Black-Scholes model	
Assumptions:		
Risk-free interest rate		3.00%-3.86%
Expected life (in years)		6
Expected stock price volatility		86.61%-90.10%
Expected dividend yield		-
Fair value per option (NT\$/thousand shares)		<u>\$13,535-\$26,369</u>
	<b>Three Months Ended</b>	
	<b>March 31</b>	
	<b>2007</b>	<b>2006</b>
Net income:		
Net income as reported	<u>\$ 7,533,285</u>	<u>\$ 1,013,433</u>
Pro forma net income	<u>\$ 7,532,950</u>	<u>\$ 1,012,611</u>
Earnings per share(EPS, NT\$):		
Basic EPS as reported	<u>\$1.10</u>	<u>\$0.17</u>
Pro forma basic EPS	<u>\$1.10</u>	<u>\$0.17</u>
Diluted EPS as reported	<u>\$0.87</u>	<u>\$0.15</u>
Pro forma diluted EPS	<u>\$0.87</u>	<u>\$0.15</u>

The average number of shares outstanding for EPS calculation was adjusted retroactively for the issuance of stock dividend and stock bonuses. The retroactive adjustment caused the pro forma basic and diluted EPS after income tax for the three months ended March 31, 2006 to decrease from NT\$0.18 to NT\$0.17 and from NT\$0.15 to NT\$0.15, respectively.

## 20. TREASURY STOCK

	(Shares in Thousands)			
Purpose of Purchase	Beginning Shares	Increase	Decrease	Ending Shares
<u>Three months ended March 31, 2007</u>				
For subsequent transfer to employees	82,678	-	30,481	52,197
Parent'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>Three months ended March 31, 2006</u>				
For subsequent transfer to employees	84,100	-	-	84,100
Parent'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 March 31, 2007 and 2006, the Corporation'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>March 31, 2007</u>				
Li-Hsin	4,200	\$ 95,561	\$ 83,156	4,200
Powerflash	2,451	<u>46,600</u>	<u>48,535</u>	<u>1,661</u>
		<u>\$ 142,161</u>	<u>\$ 131,691</u>	<u>5,861</u>
<u>March 31, 2006</u>				
Li-Hsin	3,992	\$ 95,561	\$ 75,849	3,992
Powerflash	2,330	<u>46,600</u>	<u>44,270</u>	<u>1,582</u>
		<u>\$ 142,161</u>	<u>\$ 120,119</u>	<u>5,574</u>

On January 1, 2002, the Corporation 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 the Corporation's subsidiaries. Thus, the Corporation 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 three months ended March 31, 2007, the Corporation 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. The corporation 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 the Corporation's issued shares retain shareholders' rights and privileges on these shares, except that, starting on June 24, 2005, under the revised Company Law, the subsidiaries holding the Corporation's shares no longer have the right to vote.

## 21. 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 Corporation has considered the impact of the Act in the determination of its tax liabilities.

- b. A reconciliation of income tax currently payable for the three months ended March 31, 2007 and 2006 are as follows:

	<b>Three Months Ended March 31</b>	
	<b>2007</b>	<b>2006</b>
Tax on pretax income at statutory rate (25%)	\$ 2,034,080	\$ 251,645
Tax-exempt income	(456,576)	-
Temporary and permanent differences	<u>(396,286)</u>	<u>(342,879)</u>
Income tax currently payable	<u>\$ 1,181,218</u>	<u>\$ (91,234)</u>

- c. Income tax expense for the three months ended March 31, 2007 and 2006 consisted of:

	<b>Three Months Ended March 31</b>	
	<b>2007</b>	<b>2006</b>
Income tax currently payable	\$ (1,181,218)	\$ -
Tax credits	708,781	-
Net change in deferred income tax assets and liabilities		
Loss carryforwards	-	91,234
Investment tax credits	150,580	407,878
Temporary differences	(157,209)	(350,076)
Valuation allowance	(123,969)	(174,499)
Tax on interest income on short-term bills	<u>-</u>	<u>(605)</u>
	<u>\$ (603,035)</u>	<u>\$ (26,068)</u>
Cumulative effect of changes in accounting principles	<u>\$ -</u>	<u>\$ 16,388</u>

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

	<b>March 31</b>	
	<b>2007</b>	<b>2006</b>
<b>Current</b>		
Deferred income tax assets		
Investment tax credits	\$ 1,680,102	\$ 700,480
Temporary differences	531,485	186,132
Deferred income tax liabilities		
Temporary differences	<u>(456)</u>	<u>(690)</u>
	<u>\$ 2,211,131</u>	<u>\$ 885,922</u>
<b>Noncurrent</b>		
Deferred income tax assets		
Investment tax credits	\$ 11,764,025	\$ 11,172,730
Loss carryforwards	412,661	503,895
Temporary differences	283,662	180,986
Deferred income tax liabilities		
Temporary differences	<u>(5,074,906)</u>	<u>(3,684,326)</u>
	7,385,442	8,173,285
Valuation allowance	<u>(7,677,865)</u>	<u>(6,826,845)</u>
	<u>\$ (292,423)</u>	<u>\$ 1,346,440</u>

e. The related information under the Integrated Income Tax System is as follows:

	<b>March 31</b>	
	<b>2007</b>	<b>2006</b>
Shareholders' imputed tax credits	\$ <u>25,680</u>	\$ <u>40,828</u>

The expected and actual tax creditable ratios for 2006 and 2005 were 0.08% 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 as of March 31, 2007 and 2006 had no unappropriated earnings generated on and before 1997.

g. As of March 31, 2007, the tax credits and loss carryforwards were as follows:

<b>Regulatory Basis of Tax Credits</b>	<b>Items</b>	<b>Total Creditable Amounts</b>	<b>Remaining Creditable Amounts</b>	<b>Expiry Year</b>
Income Tax Law	Loss carryforwards	\$ <u>412,661</u>	\$ <u>412,661</u>	2008
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 1,692,276	\$ 983,495	2007
		2,762,061	2,762,061	2008
		3,042,576	3,042,576	2009
		3,556,636	3,556,636	2010
		<u>1,648,567</u>	<u>1,648,567</u>	2011
		<u>\$ 12,702,116</u>	<u>\$ 11,993,335</u>	
Statute for Upgrading Industries	Research and development expenditures	\$ 53,111	\$ 53,111	2007
		261,993	261,993	2008
		511,778	511,778	2009
		484,932	484,932	2010
		<u>118,185</u>	<u>118,185</u>	2011
		<u>\$ 1,429,999</u>	<u>\$ 1,429,999</u>	
Statute for Upgrading Industries	Personnel training expenditures	\$ 3,058	\$ 3,058	2007
		2,727	2,727	2008
		4,031	4,031	2009
		4,140	4,140	2010
		<u>1,781</u>	<u>1,781</u>	2011
		<u>\$ 15,737</u>	<u>\$ 15,737</u>	
Statute for Upgrading Industries	Investments in important technology-based enterprises	\$ <u>5,056</u>	\$ <u>5,056</u>	2008

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

## 22. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSE

	<u>Three Months Ended March 31</u>					
	<u>2007</u>			<u>2006</u>		
	<u>Classified as Cost of Sales</u>	<u>Classified as Operating Expenses</u>	<u>Total</u>	<u>Classified as Cost of Sales</u>	<u>Classified as Operating Expenses</u>	<u>Total</u>
Labor cost						
Salary	\$ 1,111,681	\$ 413,006	\$ 1,524,687	\$ 776,940	\$ 223,504	\$ 1,000,444
Labor/health insurance	56,258	19,103	75,361	45,701	11,114	56,815
Pension	44,326	18,639	62,965	35,763	11,177	46,940
Others	67,998	17,813	85,811	42,351	7,835	50,186
	<u>\$ 1,280,263</u>	<u>\$ 468,561</u>	<u>\$ 1,748,824</u>	<u>\$ 900,755</u>	<u>\$ 253,630</u>	<u>\$ 1,154,385</u>
Depreciation	<u>\$ 7,128,458</u>	<u>\$ 96,009</u>	<u>\$ 7,224,467</u>	<u>\$ 4,717,291</u>	<u>\$ 75,232</u>	<u>\$ 4,792,523</u>
Amortization	<u>\$ 40,909</u>	<u>\$ 381,580</u>	<u>\$ 422,489</u>	<u>\$ 34,914</u>	<u>\$ 362,715</u>	<u>\$ 397,629</u>

## 23. EARNINGS PER SHARE (EPS)

	<u>Three Months Ended March 31</u>			
	<u>2007</u>		<u>2006</u>	
	<u>Before Income Tax</u>	<u>After Income Tax</u>	<u>Before Income Tax</u>	<u>After Income Tax</u>
Basic EPS (NT\$)				
Income before cumulative effect of changes in accounting principles	\$ 1.19	\$ 1.10	\$ 0.17	\$ 0.17
Cumulative effect of changes in accounting principles	-	-	-	-
Income for the period	<u>\$ 1.19</u>	<u>\$ 1.10</u>	<u>\$ 0.17</u>	<u>\$ 0.17</u>
Diluted EPS (NT\$)				
Income before cumulative effect of change in accounting principles	\$ 0.94	\$ 0.87	\$ 0.15	\$ 0.14
Cumulative effect of changes in accounting principles	-	-	-	0.01
Income for the period	<u>\$ 0.94</u>	<u>\$ 0.87</u>	<u>\$ 0.15</u>	<u>\$ 0.15</u>

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

	<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>
<u>Three months ended March 31, 2007</u>					
Net income	<u>\$ 8,136,320</u>	<u>\$ 7,533,285</u>			
Basic EPS					
Income of common shareholders	\$ 8,136,320	\$ 7,533,285	6,853,743	<u>\$ 1.19</u>	<u>\$ 1.10</u>
Effect of dilutive securities					
Convertible bonds	(437,348)	(458,097)	1,241,154		
Stock options	<u>-</u>	<u>-</u>	<u>67,486</u>		
Diluted EPS					
Income of common and potential common shareholders	<u>\$ 7,698,972</u>	<u>\$ 7,075,188</u>	<u>8,162,383</u>	<u>\$ 0.94</u>	<u>\$ 0.87</u>
<u>Three months ended March 31, 2006</u>					
Net income	<u>\$ 1,006,581</u>	<u>\$ 1,013,433</u>			
Basic EPS					
Income of common shareholders	\$ 1,006,581	\$ 1,013,433	5,831,654	<u>\$ 0.17</u>	<u>\$ 0.17</u>
Effect of dilutive securities					
Convertible bonds	-	-	980,975		
Stock options	<u>-</u>	<u>-</u>	<u>106,758</u>		
Diluted EPS					
Income of common and potential common shareholders	<u>\$ 1,006,581</u>	<u>\$ 1,013,433</u>	<u>6,919,387</u>	<u>\$ 0.15</u>	<u>\$ 0.15</u>

The average number of shares outstanding for 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 three months ended March 31, 2006 to decrease from NT\$0.18 to NT\$0.17 and from NT\$0.15 to NT\$0.15, respectively.

## 24. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	March 31			
	2007		2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Nonderivative instruments</u>				
Assets				
Financial assets at fair value				
through profit or loss - current	\$ 7,266,829	\$ 7,266,829	\$ 3,671,170	\$ 3,671,170
Available-for-sale financial assets				
- current	514,209	514,209	184,817	184,817
Held-to-maturity financial assets				
(including current portion)	199,000	199,000	205,000	205,000
Financial assets carried at cost -				
Noncurrent	894,145	-	720,338	-
Liabilities				
Convertible bonds payable				
(including current portion)	23,555,999	24,461,792	19,747,738	20,389,112
Long-term bank loans (including				
current portion)	33,608,333	33,608,333	31,089,636	31,089,636
<u>Derivative instruments</u>				
Liabilities				
Interest rate swap contracts	30,426	30,426	73,194	73,194
Debt components of convertible				
bonds				
Conversion option	1,391,356	1,391,356	-	-
Put option	135,871	135,871	-	-

Effective January 1, 2006, the Corporation 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 Corporation 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 three months ended March 31, 2007 and 2006, respectively.

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

- 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, accounts 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:

	Quoted Market Prices		Valuation Techniques	
	March 31		March 31	
	2007	2006	2007	2006
<u>Nonderivative instruments</u>				
Assets				
Financial assets at fair value				
through profit or loss - current	\$ 7,266,829	\$ 3,567,294	\$ -	\$ 103,876
Available-for-sale financial assets				
- current	514,209	184,817	-	-
Held-to-maturity financial assets				
(including current portion)	-	-	199,000	205,000
Liabilities				
Convertible bonds payable				
(including current portion)	20,349,469	20,389,112	4,112,323	-
Long-term bank loans (including				
current portion)	-	-	33,608,333	31,089,636
<u>Derivative instruments</u>				
Liabilities				
Interest rate swap contracts	-	-	30,426	73,194
Debt components of convertible				
bonds				
Conversion option	-	-	1,391,356	-
Put option	-	-	135,871	-

- d. Gain and loss recognized for the changes in fair value of financial instruments using valuation techniques were \$534,989 thousand and \$7,752 thousand for the three months ended March 31, 2007 and 2006, respectively.

- e. As of March 31, 2007 and 2006, financial assets (liabilities) exposed to fair value interest rate risk and cash flow interest rate risk were as follows:

	<b>March 31</b>	
	<b>2007</b>	<b>2006</b>
Fair value interest rate risk		
Financial assets	\$ 42,153,777	\$ 33,034,642
Financial liabilities	(23,586,425 )	(20,070,568 )
Cash flow interest rate risk		
Financial assets	1,524,246	1,612,391
Financial liabilities	(33,608,333 )	(30,840,000 )

- f. As of March 31, 2007 and 2006, interest income (expenses) arising from the financial assets (liabilities), excluding those at fair value through profit and loss, were as follows:

	<b>Three Months Ended</b>	
	<b>March 31</b>	
	<b>2007</b>	<b>2006</b>
Total interest income	\$ 186,039	\$ 131,996
Total interest expenses (including capitalized amount)	(350,035 )	(230,768 )

The Corporation recognized an unrealized loss and gain of \$28,836 thousand and \$99,510 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets for the three months ended March 31, 2007 and 2006, respectively.

- g. Financial risks

- 1) Market risk. The financial instruments held by the Corporation 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 Corporation 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 March 31, 2007 and 2006, credit risks of the financial assets, except those approximate to their carrying values, were as follows:

	<b>March 31</b>			
	<b>2007</b>		<b>2006</b>	
	<b>Carrying Amount</b>	<b>Credit Risk</b>	<b>Carrying Amount</b>	<b>Credit Risk</b>
<u>Financial assets designated at fair value through profit or loss</u>				
CLN	\$ -	-	\$ 103,876	\$ 103,876
<u>Held-to-maturity financial assets</u>				
Corporate bond	<u>199,000</u>	<u>199,000</u>	<u>205,000</u>	<u>205,000</u>
	<u>\$ 199,000</u>	<u>\$ 199,000</u>	<u>\$ 308,876</u>	<u>\$ 308,876</u>

- 3) Liquidity risk. The Corporation 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 Corporation's future cash flows.

## 25. RELATED PARTY TRANSACTIONS

- a. Related parties

<u>Related Party</u>	<u>Relationship with the Corporation</u>
Powertech Technology Inc. ("Powertech")	Quantum, a subsidiary of the Corporation, is its director
eMemory Technology Inc. ("eMemory")	Same chairman
PowerWorld Capital Management Corp. ("PowerWorld Management")	Same chairman
Elpida Memory (Taiwan) Co., Ltd. ("Elpida-Taiwan")	Director (since June 9, 2006)
Elpida	Parent company of Elpida-Taiwan, also it once to be the director of the Corporation (until June 9, 2006)
Powerflash	Subsidiary
Vantel Corp. ("Vantel")	Indirect investee under Corporation's substantial control

(Continued)

<u>Related Party</u>	<u>Relationship with the Corporation</u>
Zentel	Equity method investee
Tekmax	Equity method investee
Novax	Equity method investee
Deutron	Equity method investee
Syntronix	Equity method investee
Veutron	Equity method investee
Silicon	Corporation is its director
Power ASE Technology Inc. ("Power ASE")	Indirect equity-method investee
Others	Related parties with which the Corporation had no material transactions. Please see Note 28.

b. Related-party transactions:

	<u>Three Months Ended March 31</u>			
	<u>2007</u>		<u>2006</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>For the period</u>				
Net sales				
Elpida	\$ 10,101,668	35	\$ 2,642,262	18
Deutron	6,943,462	24	1,713,511	12
Novax	1,789,118	6	1,109,477	8
Zentel	828,676	3	28,550	-
Elpida-Taiwan	302,611	1	1,014,250	7
Syntronix	60,085	-	168,885	1
Silicon	22,329	-	47,930	-
eMemory	14,537	-	15,073	-
Others	4,877	-	1,869	-
	<u>\$ 20,067,363</u>	<u>69</u>	<u>\$ 6,741,807</u>	<u>46</u>
Technical know-how and royalty				
Elpida	\$ 282,249	17	\$ -	-
eMemory	-	-	9,594	3
Zentel	32	-	7,245	2
	<u>\$ 282,281</u>	<u>17</u>	<u>\$ 16,839</u>	<u>5</u>
Manufacturing expenses - subcontract costs, indirect materials, expensed properties, repairs and maintenance, etc.				
Powertech	\$ 1,504,613	9	\$ 1,124,028	10
Power ASE	510,372	3	-	-
Others	4,775	-	389	-
	<u>\$ 2,019,760</u>	<u>12</u>	<u>\$ 1,124,417</u>	<u>10</u>

	<b>Three Months Ended March 31</b>			
	<b>2007</b>		<b>2006</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
General and administrative expenses				
PowerWorld Management	\$ 14,122	2	\$ 7,680	2
Tekmax	7,830	1	8,573	3
Others	<u>401</u>	<u>-</u>	<u>2,193</u>	<u>1</u>
	<u>\$ 22,353</u>	<u>3</u>	<u>\$ 18,446</u>	<u>6</u>
Research and development expenses				
Vantel	\$ 190,746	23	\$ -	-
Elpida	94,667	11	94,667	19
Syntronix	19,612	2	6,027	1
Powerflash	8,296	1	-	-
eMemory	4,719	1	5,816	1
Zentel	3,215	-	3,215	1
Others	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 321,258</u>	<u>38</u>	<u>\$ 109,725</u>	<u>22</u>
Other income				
Powertech	\$ 5,333	7	\$ -	-
eMemory	2,044	3	1,652	11
Syntronix	1,531	2	1,514	11
Others	<u>1,465</u>	<u>2</u>	<u>1,218</u>	<u>8</u>
	<u>\$ 10,373</u>	<u>14</u>	<u>\$ 4,384</u>	<u>30</u>
<u>At end of period</u>				
Accounts receivable, net				
Elpida	\$ 3,199,546	31	\$ 1,085,451	18
Deutron	2,507,084	24	1,016,078	17
Novax	858,712	9	641,187	11
Zentel	544,214	5	19,825	-
Elpida-Taiwan	283,180	3	391,574	6
Syntronix	13,289	-	74,685	1
eMemory	7,732	-	12,510	-
Silicon	6,087	-	18,515	-
Others	<u>3,642</u>	<u>-</u>	<u>1,871</u>	<u>-</u>
	<u>\$ 7,423,486</u>	<u>72</u>	<u>\$ 3,261,696</u>	<u>53</u>
Accounts payable				
Powertech	\$ 1,232,277	15	\$ 1,220,913	18
Power ASE	<u>537,927</u>	<u>6</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,770,204</u>	<u>21</u>	<u>\$ 1,220,913</u>	<u>18</u>

	<b>Three Months Ended March 31</b>			
	<b>2007</b>		<b>2006</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Accrued expenses				
Elpida	\$ 567,779	12	\$ 552,800	25
PowerWorld Management	10,670	-	6,695	-
eMemory	1,026	-	22,690	1
Zentel	31	-	14,386	1
Syntronix	31	-	12,605	1
Others	<u>11,532</u>	<u>-</u>	<u>7,709</u>	<u>-</u>
	<u>\$ 591,069</u>	<u>12</u>	<u>\$ 616,885</u>	<u>28</u>

The Corporation also purchased (sold) the following long-term investments of stocks and bonds from (to) related parties for the three months ended March 31, 2006:

1) Stocks

<b>Related Parties</b>	<b>Investee</b>	<b>Shares Sold (in Thousands)</b>	<b>Proceeds</b>	<b>Profit</b>
<u>2006</u>				
Deutron	Syntronix	600	\$ <u>16,800</u>	\$ <u>9,454</u>

2) Bonds

<b>Related Parties</b>	<b>Investee</b>	<b>Units Purchased (Matured)</b>	<b>Amount</b>	<b>Rate</b>
<u>2006</u>				
Veutron	Veutron Bonds	(5)	\$ <u>(25,000)</u>	3.50%
Veutron	Veutron Bonds	5	\$ <u>25,000</u>	3.50%

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

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

The payment terms of the sales made to Elpida-Taiwan and Zentel were to be paid on the 45th day (30th day before January and July, 2006, respectively) 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 Vantel, Elpida, eMemory, Syntronix, and Powerflash by the Corporation were based on specifically negotiated terms.

The technology know-how and royalty paid to Elpida and Zentel by the Corporation 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 Corporation and other related parties were made at normal commercial prices and terms.

## 26. PLEDGED OR MORTGAGED ASSETS

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

	<u>March 31</u>	
	<u>2007</u>	<u>2006</u>
Properties, net	\$ 68,467,169	\$ 46,932,730
Restricted deposit	787,576	1,353,617
Accounts receivable	<u>-</u>	<u>433,782</u>
	<u>\$ 69,254,745</u>	<u>\$ 48,720,129</u>

## 27. COMMITMENTS AND CONTINGENCIES

- a. Under a patent license agreement made with Company A in February 1999, the Corporation 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, the Corporation 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, the Corporation entered into a purchase and sale agreement with Company C on products using DRAM technologies in their manufacture. Under the agreement, the Corporation should reserve a certain percentage of production capacity for Company C.
- d. In August 2003 and March 2005, the Corporation entered into license and technology transfer agreements with Company C. Under the agreements, the Corporation 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, the Corporation entered into license and technology transfer agreements with Companies D and E. Under the agreements, the Corporation 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, the Corporation 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, the Corporation 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, the Corporation 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, the Corporation 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, the Corporation 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, the Corporation 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. Under a non-recurring engineering agreement with Company L made in January 2006, the Corporation should pay development fee over 3 years.
- m. Under a non-recurring engineering agreement with Company M made in April 2006, the Corporation should pay development fee over 1 year.
- n. The Corporation signed an agreement with Micronix (“MXIC”) 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 MXIC should such technologies been developed, in return, a certain amount of royalty should be paid by MXIC before April 2007.
- o. In February and May 2006, the Corporation entered into license and technology transfer agreement on flash memory products with Company G. Under the agreement, the Corporation should pay Company G a certain amount of license fee and royalty at an agreed percentage of the selling prices of the licensed products.
- p. In December 2006, the Corporation 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 the Corporation for using related technologies. Also, the Corporation and Renesas should pay Vantel a development fee.
- q. In January 2007, the Corporation signed a joint venture agreement with Elpida on obtaining technology transfer and licenses, developing of DRAM process technology and establishing a new company that will obtain Corporation’s 12 inches fab (“FAB 12C”). The capacity of this company will be split between both parties. Under the agreement, the Corporation will pay a certain amount of license fee to Elpida over five years from January 2007.
- r. In February 2007, the Corporation signed a subcontracting agreement with Company N. Under the agreement, the Corporation shall reserve a portion of its production capacity for Company N that have deposit with the Corporation. As of March 31, 2007, the Corporation had a total US\$4,000 thousand of guarantee deposits.
- s. In order to implement the re-organization and professional division, enhance competitiveness and performance, on April 17, 2007, the Board of Directors resolved to propose to dispose the 12C Fab building and relevant facilities in exchange for newly issued shares of our 100% held subsidiary, Rexchip Electronics Corp. (“Rexchip”), pursuant to Article 28 of the Business Mergers and Acquisitions Law. The tentative record date of the acquisition is expected to be on May 10, 2007.
- t. In April 2007, the Corporation 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 the Corporation shall provide some services to Rexchip during the FAB 12C’s constructions, in return, a certain service fee should be paid by Rexchip.
- u. Unused letters of credit amounted to approximately EUR437 thousand, US\$47,847 thousand and JPY37,900 thousand as of March 31, 2007.

- v. The Corporation 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 March 31, 2007, future lease payments were as follows:

<b>Year</b>	<b>Amount</b>
2007 (2 <sup>nd</sup> to 4 <sup>th</sup> quarter)	\$ 72,547
2008	96,729
2009	96,729
2010	96,729
2011	96,729
2012	96,729
2013 and thereafter	<u>708,990</u>
	<u>\$ 1,265,182</u>

## 28. ADDITIONAL DISCLOSURES

Except for the following, the Corporation had no other significant transactions, 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)
- d. Total purchase from or sale to related parties amounting to at least \$100 million or 20% of the paid-in capital: Table 3 (attached)
- d. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: Table 4 (attached)
- e. Names, locations, and related information of investees on which the Corporation exercises significant influence: Table 5 (attached)
- f. Derivative financial transactions: Please see Notes 5 and 24.

TABLE 1

## POWERCHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

MARCH 31, 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	March 31, 2007				Note
				Shares (Thousands/ Units) (Note 6)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Powerchip Semiconductor Corporation	<u>Stock</u> Quantum Vision Corp.	Subsidiary	Equity-method investments	299,890	\$ 3,842,458	99.99	\$ 3,851,163	Note 1
	Li-Hsin Investment Corp.	Subsidiary	Equity-method investments	249,850	2,062,174	99.94	2,146,244	Note 1
	Paramax Corp.	Subsidiary	Equity-method investments	160,894	1,487,346	99.99	1,491,650	Note 1
	Rui-Wang Investment Corp.	Subsidiary	Equity-method investments	80,000	799,560	100.00	799,560	Note 1
	Zhi-Li Investment Corp.	Investee	Equity-method investments	48,462	599,238	32.31	599,238	Note 2
	Lu-Chu Development Corp.	Investee	Equity-method investments	63,499	574,883	27.18	574,883	Note 2
	Global Powertec Co., Ltd.	Subsidiary	Equity-method investments	1,620	564,616	100.00	564,616	Note 1
	Smart Art Corp.	Subsidiary	Equity-method investments	35,137	351,408	43.92	351,408	Note 1
	Novax Technologies, Inc.	Investee	Equity-method investments	24,658	336,901	24.66	336,901	Note 2
	Artrix International Inc.	Investee	Equity-method investments	25,172	282,298	25.17	282,298	Note 2
	Deutron Electronics Corp.	Investee	Equity-method investments	6,997	229,968	9.44	229,968	Note 2
	Veutron Corp.	Investee	Equity-method investments	10,432	144,763	9.60	144,763	Notes 2 and 5
	Powerflash Technology Corporation (named Smartic Technology Inc. before)	Subsidiary	Equity-method investments	15,300	124,610	51.00	149,363	Note 1
	Luxxon Technology Corp.	Investee	Equity-method investments	12,411	124,088	20.15	124,088	Note 2
	Optimicro Corp.	Investee	Equity-method investments	14,700	98,232	29.40	98,232	Note 2
	Syntronix Corp.	Investee	Equity-method investments	6,548	86,366	19.91	86,366	Note 2
	Deutron Japan Corp.	Investee	Equity-method investments	1,910	78,140	38.98	78,140	Note 2
	Tekmax Development Corp.	Investee	Equity-method investments	5,851	77,040	15.65	77,040	Note 2
	Synage Technology Corp.	Investee	Equity-method investments	9,984	67,351	19.97	67,351	Note 2
	Astel Electronics Corp.	Investee	Equity-method investments	8,000	57,464	40.00	57,464	Note 2
	Zentel Electronics Corp.	Investee	Equity-method investments	5,048	55,002	20.03	55,002	Note 2
	Retronix Technology Corp.	Investee	Equity-method investments	5,000	48,758	14.29	48,758	Note 2
	Terax Communication Technology Inc.	Investee	Equity-method investments	6,090	47,189	17.40	47,189	Note 2
	Vivichip Electronics Corp.	Investee	Equity-method investments	4,000	37,491	40.00	37,491	Note 2
	Siptron Technology Corporation (named PowerFlash Semiconductor Corp. before)	Subsidiary	Equity-method investments	4,160	35,316	32.00	35,316	Note 1
	AVAC Systems, Inc.	Investee	Equity-method investments	4,000	30,608	23.31	30,608	Note 2
	MicroMedia Technology Corp.	Investee	Equity-method investments	3,000	28,743	30.00	28,743	Note 2
	Signia Technologies Co., Ltd.	Investee	Equity-method investments	5,187	24,007	28.01	24,007	Note 2
	PowerGate Optical, Inc.	Investee	Equity-method investments	1,775	11,561	5.26	11,561	Note 2
	Rexchip Electronics Corp.	Subsidiary	Equity-method investments	100	347	100.00	347	Note 1
	MaxEdge Electronics Corp.	Investee	Equity-method investments	1,714	-	13.39	-	Note 2
	Optimax Technology Corp.	Corporation is its director	Available-for-sale financial assets	5,105	80,407	-	80,407	-
	Sino Gold Mining Limited	-	Available-for-sale financial assets	200	33,671	-	33,671	-
	Neo Solar Power Corp.	Same chairman	Financial assets carried at cost	12,674	211,898	13.15	211,898	Note 2
	Silicon Optronics, Inc.	Corporation is its director	Financial assets carried at cost	2,076	31,505	11.53	31,505	Note 2
	Besteam Technology Inc.	-	Financial assets carried at cost	6,430	58,453	9.84	58,453	Note 2

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2007				Note
				Shares (Thousands/Units) (Note 6)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	PowerWorld Fund Inc.	Same chairman	Financial assets carried at cost	2,882	\$ 42,563	9.09	\$ 42,563	Note 2
	uPI Semiconductor Corp.	Corporation is its director	Financial assets carried at cost	2,000	30,000	16.00	30,000	Note 2
	eMemory Technology Inc.	Same chairman	Financial assets carried at cost	2,852	27,792	7.23	27,792	Note 2
	TwinMOS Technologies Inc.	-	Financial assets carried at cost	2,757	23,110	1.34	23,110	Note 2
	Universal Venture Fund, Inc.	Same chairman	Financial assets carried at cost	2,191	21,902	4.76	21,902	Note 2
	A-Optronics Technology Inc.	Same chairman	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.	Corporation is its director	Financial assets carried at cost	2,500	13,800	1.67	13,800	Note 2
	Advanced Chip Engineering Technology Inc.	-	Financial assets carried at cost	1,891	13,237	1.52	13,237	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.	Corporation is its director	Financial assets carried at cost	484	4,831	6.84	4,831	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
	CHIPSHIP Technology Co., Ltd.	Corporation is its director	Financial assets carried at cost	934	4,819	10.61	4,819	Note 2
	DRAMeXchange Tech. Inc.	-	Financial assets carried at cost	330	1,715	3.59	1,715	Note 2
	Phitech Corp.	-	Financial assets carried at cost	305	1,552	1.27	1,552	Note 2
	Jade Pacific Corp.	-	Financial assets carried at cost	8	-	1.35	-	Note 2
	Asia Pacific Broadband Telecommunications Co., Ltd.	-	Financial assets carried at cost	12,000	-	0.18	-	Note 2
	Apacer Technology Inc.	-	Financial assets carried at cost	1,000	13,531	0.95	13,531	Note 2
	Miluku Entertainment Corp.	Quantum Vision is its director	Financial assets carried at cost	220	-	1.80	-	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	16.90	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
	Venglobal International Fund	-	Financial assets carried at cost	1	4,494	2.83	4,494	Note 2
	e-Phocus, Inc.	-	Financial assets carried at cost	700	-	8.52	-	Note 2
	Semileds Corp. Series C - preferred shares	-	Financial assets carried at cost	6,102	116,172	18.00	116,172	Note 2
	e-Phocus, Inc., Series B-preferred shares	-	Financial assets carried at cost	667	10,030	33.33	10,030	Note 2
	e-Phocus, Inc., Series A-preferred shares	-	Financial assets carried at cost	333	11,460	33.33	11,460	Note 2
	ZMOS Technology Inc., Series B-preferred shares	-	Financial assets carried at cost	3,000	98,220	9.02	98,220	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	-	Financial assets at fair value through profit and loss	176,167	2,413,493	-	2,413,493	-
	Shinkong Financial Holding Co., Ltd.	-	Financial assets at fair value through profit and loss	22,773	668,382	-	668,382	-
	Wafer Works Corp.	Corporation is its director	Financial assets at fair value through profit and loss	9,526	1,028,800	-	1,028,800	-
	Hua Nan Financial Holdings Co., Ltd.	-	Financial assets at fair value through profit and loss	15,741	390,384	-	390,384	-
	ProMos Technologies Inc.	-	Financial assets at fair value through profit and loss	18,001	231,308	-	231,308	-
	Taiwan Semiconductor Manufacturing Company Limited	-	Financial assets at fair value through profit and loss	1,000	67,900	-	67,900	-
	Advanced Semiconductor Engineering, Inc.	-	Financial assets at fair value through profit and loss	7,285	285,936	-	285,936	-
	Chang Hwa Commercial Bank, Ltd.	-	Financial assets at fair value through profit and loss	2,357	47,022	-	47,022	-
	Wintek Corporation	-	Financial assets at fair value through profit and loss	3,576	100,653	-	100,653	-
	Depo Auto Parts Ind. Co., Ltd.	-	Financial assets at fair value through profit and loss	675	69,533	-	69,533	-

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2007				Note
				Shares (Thousands/Units) (Note 6)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Silicon Integrated System Corp.	-	Financial assets at fair value through profit and loss	3,135	\$ 57,999	-	\$ 57,999	-
	Fuhwa Financial Holding Co., Ltd.	-	Financial assets at fair value through profit and loss	1,325	21,200	-	21,200	-
	Fullerton Technology Co., Ltd.	Quantum Vision is its director	Financial assets at fair value through profit and loss	3,000	66,600	-	66,600	-
	Yaego Corporation	-	Financial assets at fair value through profit and loss	1,500	20,250	-	20,250	-
	Elan Microelectronics Corp.	-	Financial assets at fair value through profit and loss	18,993	737,878	-	737,878	-
	Yang Ming Marine Transport Corp.	-	Financial assets at fair value through profit and loss	1,000	22,800	-	22,800	-
	China Development Financial Holding Corp.	-	Financial assets at fair value through profit and loss	1,100	16,225	-	16,225	-
	NewSoft Technology Corp.	Same chairman	Financial assets at fair value through profit and loss	180	2,043	-	2,043	-
	Hutchison Whampoa Limited	-	Financial assets at fair value through profit and loss	30	9,536	-	9,536	-
	AboCom Systems, Inc.	-	Financial assets at fair value through profit and loss	1,359	38,052	-	38,052	-
	Hon Hai Precision Ind. Co., Ltd.	-	Financial assets at fair value through profit and loss	115	25,530	-	25,530	-
	Elpida Memory Inc.	-	Financial assets at fair value through profit and loss	429	548,700	-	548,700	-
	Silicon Storage Technology Inc.	-	Financial assets at fair value through profit and loss	68	11,034	-	11,034	-
	<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 and loss	8,002	81,844	-	81,844	-
	Fuh-Hwa Omni Fund	-	Financial assets at fair value through profit and loss	5,000	55,350	-	55,350	-
	Fuh-Hwa Heirloom No. 2 Balance Fund	-	Financial assets at fair value through profit and loss	639	9,377	-	9,377	-
	Shinkong Number One Real Estate Investment	-	Financial assets at fair value through profit and loss	20,000	239,000	-	239,000	-
	Fuh Hwa Asia Pacific Balance Fund	-	Available-for-sale financial assets	3,536	37,482	-	37,482	-
	Cathay Wealthy One Fund	-	Available-for-sale financial assets	3,000	30,597	-	30,597	-
	UPAMC Fully Wealth Fund 1	-	Available-for-sale financial assets	2,998	30,514	-	30,514	-
	SKIT Strategy Balanced Fund 2	-	Available-for-sale financial assets	3,000	30,530	-	30,530	-
	Fubon No.2 REITs	-	Available-for-sale financial assets	18,000	228,600	-	228,600	-
	Champion Real Estate Investment Trust	-	Available-for-sale financial assets	2,258	42,408	-	42,408	-
Li-Hsin	<u>Stock</u>							
Investment Corp.	MaxEdge Electronics Corp.	Investee	Equity-method investments	2,045	-	15.97	-	Note 2
	Synage Technology Corp.	Investee	Equity-method investments	10,467	70,589	20.93	70,589	Note 2
	Novax Technologies, Inc.	Investee	Equity-method investments	5,246	71,725	5.25	71,725	Note 2
	Luxxon Technology Corp.	Investee	Equity-method investments	2,413	24,110	3.92	24,110	Note 2
	Tekmax Development Corp.	Investee	Equity-method investments	2,846	37,579	7.61	37,579	Note 2
	Powerflash Technology Corporation.	Investee	Equity-method investments	1,430	13,970	4.77	13,970	Note 2
	Artrix International Inc.	Investee	Equity-method investments	5,285	59,592	5.28	59,592	Note 2
	Optimicro Corp.	Investee	Equity-method investments	2,118	14,167	4.24	14,167	Note 2
	Lu-Chu Development Corp.	Investee	Equity-method investments	24,337	220,393	10.42	220,393	Note 2
	Smart Art Corp.	Investee	Equity-method investments	11,450	114,496	14.31	114,496	Note 1
	LoanSky.Net Corp.	Investee	Equity-method investments	400	3,139	8.00	3,139	Note 2
	Chipking Electronic Co., Ltd.	Investee	Equity-method investments	600	6,600	12.00	6,600	Note 2

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2007				Note
				Shares (Thousands/Units) (Note 6)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Deutron Japan Corp.	Investee	Equity-method investments	191	\$ 7,741	3.89	\$ 7,741	Note 2
	Veutron Corp.	Investee	Equity-method investments	4,700	65,143	4.32	65,143	Notes 2 and 5
	Navisys Technology Corp.	Investee	Equity-method investments	400	3,949	8.89	3,949	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	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	Financial assets carried at cost	443	6,544	1.40	6,544	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	Financial assets carried at cost	1,477	32,609	1.53	32,609	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
	<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.	Same chairman	Financial assets at fair value through profit and loss	1,126	12,782	-	12,782	-
	Fullerton Technology Co., Ltd.	Quantum Vision is its director	Financial assets at fair value through profit and loss	1,045	23,201	-	23,201	-
	Yang Ming Marine Transport Corp.	-	Financial assets at fair value through profit and loss	100	2,280	-	2,280	-
	Macronix International Co., Ltd.	-	Financial assets at fair value through profit and loss	7,005	95,962	-	95,962	-
	ProMos Technologies Inc.	-	Financial assets at fair value through profit and loss	5,070	65,150	-	65,150	-
	Bank of Overseas Chinese	-	Financial assets at fair value through profit and loss	200	2,260	-	2,260	-
	Elan Microelectronics Corp.	-	Financial assets at fair value through profit and loss	5,050	196,193	-	196,193	-
	Optimax Technology Corp.	Parent company is its director	Available-for-sale financial assets	60	945	-	945	-
	Powerchip Semiconductor Corp.	Parent company	Available-for-sale financial assets	4,200	83,156	-	83,156	-
	AIPTEK International Inc.	-	Available-for-sale financial assets	1,000	11,200	-	11,200	-
	Pacgen Biopharmaceuticals Corp.	-	Available-for-sale financial assets	143	2,573	-	2,573	-
	<u>Equity</u>							
	Polaris De-Li Fund	-	Financial assets at fair value through profit and loss	3,347	50,587	-	50,587	-
	Sheng Hua 5599 Bond Fund	-	Financial assets at fair value through profit and loss	3,156	35,509	-	35,509	-
	Cathay Bond Fund	-	Financial assets at fair value through profit and loss	15,445	200,553	-	200,553	-
	Polaris De-Bo Fund	-	Financial assets at fair value through profit and loss	9,020	100,305	-	100,305	-
	Hua Nan Kirin Bond Fund	-	Financial assets at fair value through profit and loss	9,029	100,317	-	100,317	-
	Paradigm Pion Fund	-	Financial assets at fair value through profit and loss	4,212	45,205	-	45,205	-
	ShingKong Chi-Shin Bond Fund	-	Financial assets at fair value through profit and loss	6,978	100,297	-	100,297	-
	Champion Real Estate Investment Trust	-	Available-for-sale financial assets	396	7,393	-	7,393	-

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2007				Note
				Shares (Thousands/ Units) (Note 6)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Quantum Vision Corp.	Stock							
	MaxEdge Electronics Corp.	Investee	Equity-method investments	1,425	\$ -	11.13	\$ -	Note 2
	Deutron Electronics Corp.	Investee	Equity-method investments	7,330	255,408	9.89	255,408	Note 2
	Syntronix Corp.	Investee	Equity-method investments	665	8,765	2.02	8,765	Note 2
	Zentel Electronics Corp.	Investee	Equity-method investments	1,675	22,112	6.65	22,112	Note 2
	Synage Technology Corp.	Investee	Equity-method investments	1,836	12,378	3.67	12,378	Note 2
	Novax Technologies, Inc.	Investee	Equity-method investments	12,735	173,915	12.73	173,915	Note 2
	Luxxon Technology Corp.	Investee	Equity-method investments	7,877	78,667	12.79	78,667	Note 2
	AVAC Systems Inc.	Investee	Equity-method investments	2,501	19,145	14.58	19,145	Note 2
	PowerGate Optical, Inc.	Investee	Equity-method investments	3,598	23,430	10.66	23,430	Note 2
	Tekmax Development Corp.	Investee	Equity-method investments	5,729	75,702	15.33	75,702	Note 2
	Siptron Technology Corporation	Investee	Equity-method investments	1,040	8,829	8.00	8,829	Note 1
	Poweflash Technology Corporation	Investee	Equity-method investments	1,800	17,572	6.00	17,572	Note 1
	Artrix International Inc.	Investee	Equity-method investments	10,538	118,401	10.54	118,401	Note 2
	Optimicro Corp.	Investee	Equity-method investments	3,987	26,629	7.97	26,629	Note 2
	Lu-Chu Development Corp.	Investee	Equity-method investments	7,327	66,414	3.14	66,414	Note 2
	Astel Electronics Corp.	Investee	Equity-method investments	1,000	7,183	5.00	7,183	Note 2
	Smart Art Corp.	Investee	Equity-method investments	15,190	151,941	18.99	151,941	Note 1
	LoanSky.Net Corp.	Investee	Equity-method investments	1,000	7,847	20.00	7,847	Note 2
	Retronix Technology Corp.	Investee	Equity-method investments	1,000	9,752	2.86	9,752	Note 2
	Network Holdings Limited	Investee	Equity-method investments	1,135	35,131	20.64	35,131	Note 2
	Signia Technologies Co., Ltd.	Investee	Equity-method investments	795	3,677	4.29	3,677	Note 2
	Vivichip Electronics Corp.	Investee	Equity-method investments	100	937	1.00	937	Note 2
	Zhi-Li Investment Corp.	Investee	Equity-method investments	7,180	86,566	4.79	86,566	Note 2
	MicroMedia Technology Corp.	Investee	Equity-method investments	1,000	9,581	10.00	9,581	Note 2
	Veutron Corp.	Investee	Equity-method investments	3,767	52,326	3.47	52,326	Notes 2 and 5
	Terax Communication Technologies Inc.	Investee	Equity-method investments	3,134	24,273	8.95	24,273	Note 2
	Navisys Technology Corp.	Investee	Equity-method investments	1,000	9,871	22.22	9,871	Note 2
	eBsuccess Solutions Inc.	Investee	Equity-method investments	1,000	11,000	12.50	11,000	Note 2
	Chipking Electronic Co., Ltd.	Investee	Equity-method investments	800	8,000	16.00	8,000	Note 2
	Silicon Optronics, Inc.	Parent company is its director	Financial assets carried at cost	759	11,530	4.22	11,530	Note 2
	Neo Solar Power Corp.	Same chairman	Financial assets carried at cost	2,528	59,980	2.62	59,980	Note 2
	Powervision Technologies, Inc.	Quantum Vision is its director	Financial assets carried at cost	520	3,858	11.87	3,858	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	Financial assets carried at cost	988	-	2.50	-	Note 2
	Great Taipei Broadband Co., Ltd.	Parent company is its director	Financial assets carried at cost	1,500	8,280	1.00	8,280	Note 2
	Aero Vision Avionics, Inc.	Same chairman	Financial assets carried at cost	1,840	13,500	3.41	13,500	Note 2
	Universal Venture Fund, Inc.	Same chairman	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	10,301	1.62	10,301	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
	Cetronix Technology Corp.	Same chairman	Financial assets carried at cost	80	800	8.00	800	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

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2007				Note
				Shares (Thousands/ Units) (Note 6)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	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
	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	Financial assets carried at cost	792	11,704	2.50	11,704	Note 2
	TVbean Holding Ltd.	-	Financial assets carried at cost	300	4,500	1.60	4,500	Note 2
	A-Optronics Technology Inc.	Same chairmen	Financial assets carried at cost	3,195	28,436	9.98	28,436	Note 2
	Eon Silicon Solution Inc.	-	Financial assets carried at cost	195	4,515	0.98	4,515	Note 2
	Phoenix Silicon International Corporation	-	Financial assets carried at cost	218	2,399	1.09	2,399	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.	Same chairman	Financial assets at fair value through profit and loss	473	5,371	-	5,371	-
	Silicon Storage Technology Inc.	-	Financial assets at fair value through profit and loss	40	6,517	-	6,517	-
	Fullerton Technology Co., Ltd.	Quantum Vision is its director	Financial assets at fair value through profit and loss	3,060	67,934	-	67,934	-
	Yang Ming Marine Transport Corp.	-	Financial assets at fair value through profit and loss	100	2,280	-	2,280	-
	Macronix International Co., Ltd.	-	Financial assets at fair value through profit and loss	13,161	180,300	-	180,300	-
	Hua Nan Financial Holdings Co., Ltd.	-	Financial assets at fair value through profit and loss	1,000	24,800	-	24,800	-
	Wafer Works Corp.	Quantum Vision is its supervisor	Financial assets at fair value through profit and loss	3,362	363,106	-	363,106	-
	ProMos Technologies Inc.	-	Financial assets at fair value through profit and loss	5,180	66,563	-	66,563	-
	Bank of Overseas Chinese	-	Financial assets at fair value through profit and loss	200	2,260	-	2,260	-
	Elan Microelectronics Corp.	-	Financial assets at fair value through profit and loss	5,000	194,250	-	194,250	-
	Optimax Technology Corp.	Parent company is its director	Available-for-sale financial assets	150	2,359	-	2,359	-
	Powertech Technology Inc.	Quantum Vision is its director	Available-for-sale financial assets	3,193	408,652	-	408,652	-
	Pacgen Biopharmaceuticals Corp.	-	Available-for-sale financial assets	133	2,394	-	2,394	-
	Bond of Rich Development Co.,Ltd.	-	Available-for-sale financial assets	50	5,925	-	5,925	-
	<u>Equity</u>							
	PCA Bond Fund	-	Financial assets at fair value through profit and loss	6,436	100,366	-	100,366	-
	Taishin Lucky Investment Trust Fund	-	Financial assets at fair value through profit and loss	8,796	90,532	-	90,532	-
	Cathay Bond Fund	-	Financial assets at fair value through profit and loss	5,409	70,230	-	70,230	-
	TIM High Yield Bond Fund	-	Financial assets at fair value through profit and loss	2,416	30,112	-	30,112	-
	Hua Nan Kirin Bond Fund	-	Financial assets at fair value through profit and loss	4,529	50,318	-	50,318	-
	ShingKong Chi-Shin Bond Fund	-	Financial assets at fair value through profit and loss	13,964	200,705	-	200,705	-
	Champion Real Estate Investment Trust	-	Available-for-sale financial assets	450	8,402	-	8,402	-
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	10,657	3.16	10,657	Note 2

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2007				Note
				Shares (Thousands/Units) (Note 6)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Novax Technologies, Inc.	Investee	Equity-method investments	4,042	\$ 55,194	4.04	\$ 55,194	Note 2
	Luxxon Technology Corp.	Investee	Equity-method investments	3,167	31,679	5.14	31,679	Note 2
	AVAC Systems Inc.	Investee	Equity-method investments	1,093	8,364	6.37	8,364	Note 2
	PowerGate Optical, Inc.	Investee	Equity-method investments	1,467	9,539	4.34	9,539	Note 2
	Tekmax Development Corp.	Investee	Equity-method investments	1,060	14,024	2.84	14,024	Note 2
	Siptron Technology Corporation	Investee	Equity-method investments	500	4,249	3.85	4,249	Note 1
	Powerflash Technology Corporation	Investee	Equity-method investments	1,800	17,572	6.00	17,572	Note 1
	Artrix International Inc.	Investee	Equity-method investments	4,670	52,519	4.67	52,519	Note 2
	Optimicro Corp.	Investee	Equity-method investments	1,824	12,195	3.65	12,195	Note 2
	Lu-Chu Development Corp.	Investee	Equity-method investments	5,294	48,013	2.27	48,013	Note 2
	Smart Art Corp.	Investee	Equity-method investments	18,223	182,265	22.78	182,265	Note 1
	LoanSky.Net Corp.	Investee	Equity-method investments	400	3,139	8.00	3,139	Note 2
	Deutron Japan Corp.	Investee	Equity-method investments	232	9,413	4.73	9,413	Note 2
	Zhi-Li Investment Corp.	Investee	Equity-method investments	10,906	134,939	7.27	134,939	Note 2
	Retronix Technology Corp.	Investee	Equity-method investments	1,000	9,752	2.86	9,752	Note 2
	Veutron Corp.	Investee	Equity-method investments	8,705	120,787	8.01	120,787	Notes 2 and 5
	Terax Communication Technologies Inc.	Investee	Equity-method investments	1,132	8,787	3.24	8,787	Note 2
	Navisys Technology Corp.	Investee	Equity-method investments	820	8,094	18.22	8,094	Note 2
	eBSuccess Solutions Inc.	Investee	Equity-method investments	900	9,900	11.25	9,900	Note 2
	Silicon Optronics, Inc.	Paramax Corp. is its supervisor	Financial assets carried at cost	611	9,263	3.39	9,263	Note 2
	Powervision Technologies, Inc.	Quantum Vision is its director	Financial assets carried at cost	260	1,929	5.94	1,929	Note 2
	Besteam Technology Inc.	-	Financial assets carried at cost	261	3,120	0.40	3,120	Note 2
	Aero Vision Avionics, Inc.	Parent company and investee have same chairman	Financial assets carried at cost	1,290	8,978	2.39	8,978	Note 2
	Universal Venture Fund, Inc.	Parent company and investee have same chairman	Financial assets carried at cost	808	5,282	1.76	5,282	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	6,867	1.08	6,867	Note 2
	PowerWorld Fund Inc.	Parent company and investee have same chairman	Financial assets carried at cost	540	5,555	1.70	5,555	Note 2
	Eon Silicon Solution Inc.	-	Financial assets carried at cost	209	4,839	0.37	4,839	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
	Cetronix Technology Corp.	Parent company and investee have same chairman	Financial assets carried at cost	100	1,000	10.00	1,000	Note 2
	Tvbean Holding Ltd.	-	Financial assets carried at cost	200	3,500	1.06	3,500	Note 2
	Softronix Corporation	Parent company and investee have same chairman	Financial assets carried at cost	900	9,000	15.00	9,000	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
	<b>Bonds</b>							
	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

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2007				Note
				Shares (Thousands/Units) (Note 6)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Powerflash Technology Corp.	<u>Stock</u> Macronix International Co., Ltd.	-	Financial assets at fair value through profit and loss	7,005	\$ 95,962	-	\$ 95,962	-
	ProMos Technologies Inc.	-	Financial assets at fair value through profit and loss	5,000	64,250	-	64,250	-
	Optimax Technology Corp.	Parent company is its director	Available-for-sale financial assets	40	630	-	630	-
	<u>Equity</u> Fuhwa Bond Fund	-	Financial assets at fair value through profit and loss	3,039	40,656	-	40,656	-
	<u>Stock</u> Optimax Technology Corp.	Investee	Equity-method investments	702	4,678	1.40	4,678	Note 2
	Retronix Technology Corp.	Investee	Equity-method investments	2,000	19,503	5.71	19,503	Note 2
	Zhi-Li Investment Corp.	Investee	Equity-method investments	4,065	50,324	2.71	50,324	Note 2
	Artrix International Inc.	Investee	Equity-method investments	1,636	18,363	1.64	18,363	Note 2
	Siptron Technology Corp.	Investee	Equity-method investments	500	4,249	3.85	4,249	Note 1
	Luxxon Technology Corp.	Investee	Equity-method investments	1,800	7,359	1.80	7,359	Note 2
	Veutron Corp.	Investee	Equity-method investments	600	8,294	0.55	8,294	Notes 2 and 5
	Powerchip Semiconductor Corp.	Parent Company	Available-for-sale financial assets	2,451	48,535	-	48,535	-
	Macronix International Co., Ltd.	-	Financial assets at fair value through profit and loss	800	10,960	-	10,960	-
	ProMos Technologies Inc.	-	Financial assets at fair value through profit and loss	3,000	38,550	-	38,550	-
Smart Art Corp.	<u>Equity</u> PCA Bond Fund	-	Financial assets at fair value through profit and loss	1,457	22,714	-	22,714	-
	Capital Income Fund	-	Financial assets at fair value through profit and loss	457	6,824	-	6,824	-
	<u>Stock</u> Veutron Corp.	Investee	Equity-method investments	1,000	13,873	0.92	13,873	Notes 2 and 5
	<u>Equity</u> Fuhwa Bond Fund	-	Financial assets at fair value through profit and loss	6,068	81,174	-	81,174	-
Siptron Technology Corporation	<u>Stock</u> Artrix International Inc.	Investee	Equity-method investments	1,160	13,021	1.17	13,021	Note 2
	Zhi-Li Investment Inc.	Investee	Equity-method investments	2,665	33,315	1.90	33,315	Note 2
	Zentel Electronics Corp.	Investee	Equity-method investments	200	2,642	0.80	2,642	Note 2
	Vivichip Electronics Corp.	Investee	Equity-method investments	500	4,686	5.00	4,686	Note 2
	Network Holdings Limited	Investee	Equity-method investments	1,000	30,992	18.87	30,992	Note 2
	Macronix International Co., Ltd.	-	Financial assets at fair value through profit and loss	800	10,960	-	10,960	-
Rui-Wang Investment Corp.	<u>Bond</u> Veutron Corp. - issued in 2005 (I)	Parent company and investee have same chairman	Held-to-maturity financial assets	1	5,000	-	5,000	Note 2
	<u>Stock</u> Bank of Overseas Chinese	-	Financial assets at fair value through profit and loss	200	2,260	-	2,260	-

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2007				Note
				Shares (Thousands/Units) (Note 6)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	<u>Equity</u>							
	Fuhwa Bond Fund	-	Financial assets at fair value through profit and loss	11,257	\$ 150,599	-	\$ 150,599	-
	Jih Sun Bond Fund	-	Financial assets at fair value through profit and loss	3,666	50,180	-	50,180	-
	Polaris De-Li Fund	-	Financial assets at fair value through profit and loss	6,639	100,331	-	100,331	-
	Polaris De-Bo Fund	-	Financial assets at fair value through profit and loss	9,028	100,395	-	100,395	-
	ING Taiwan Bond Fund	-	Financial assets at fair value through profit and loss	6,638	100,401	-	100,401	-
	Cathay Bond Fund	-	Financial assets at fair value through profit and loss	8,676	100,370	-	100,370	-
	President James Bond Fund	-	Financial assets at fair value through profit and loss	6,484	100,385	-	100,385	-
	Fubon Chi-Hsiang Fund	-	Financial assets at fair value through profit and loss	3,434	50,148	-	50,148	-
	AIG Domestic Bond Fund	-	Financial assets at fair value through profit and loss	3,127	40,011	-	40,011	-
Global Powertec Co., Ltd.	<u>Stock</u>							
	Vantel Corp.	Investee	Equity-method investments	5	99,225	64.97	99,225	Note 1
	Powerase Tech. Holding Ltd.	Investee	Equity-method investments	14,000	459,599	29.47	459,599	Note 2

Note 1: The net asset value is based on unreviewed financial data as of March 31, 2007.

Note 2: The market value is based on carrying value as of March 31, 2007.

Note 3: As of March 31, 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  
THREE MONTHS ENDED MARCH 31, 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> Paramax Corp.	Equity-method investments	-	-	132,894	\$ 1,225,940	28,000	\$ 280,000	-	\$ -	\$ -	\$ -	\$ 160,894	\$ 1,487,346 (Note 1)
	Macronix International Co., Ltd.	Financial assets at fair value through profit and loss	-	-	151,333	2,133,800	24,834	329,881	-	-	-	-	176,167	2,413,493 (Note 2)
	Elan Microelectronics Corp.	Financial assets at fair value through profit and loss	-	-	-	-	18,993	512,980	-	-	-	-	18,993	737,878 (Note 2)
	Taiwan Semiconductor Manufacturing Company Limited	Financial assets at fair value through profit and loss	-	-	-	-	1,500	100,388	500	34,004	33,854	150	1,000	67,900 (Note 2)
Li-Hsin	<u>Stock</u> Elan Microelectronics Corp.	Financial assets at fair value through profit and loss	-	-	-	-	5,050	145,814	-	-	-	-	5,050	196,193 (Note 2)
	<u>Equity</u> Cathay Bond Fund	Financial assets at fair value through profit and loss	-	-	-	-	15,445	20,000	-	-	-	-	15,445	200,553 (Note 2)
	Polaris De-Bo Fund	Financial assets at fair value through profit and loss	-	-	-	-	9,020	100,000	-	-	-	-	9,020	100,305 (Note 2)
	Hua Nan Kirin Bond Fund	Financial assets at fair value through profit and loss	-	-	-	-	9,029	100,000	-	-	-	-	9,029	100,317 (Note 2)
	Paradigm Pion Fund	Financial assets at fair value through profit and loss	-	-	-	-	9,344	100,000	5,132	55,000	54,929	71	4,212	45,205 (Note 2)
	ShingKong Chi-Shin Bond Fund	Financial assets at fair value through profit and loss	-	-	-	-	6,978	100,000	-	-	-	-	6,978	100,297 (Note 2)
Quantum	<u>Stock</u> Elan Microelectronics Corp.	Financial assets at fair value through profit and loss	-	-	-	-	5,000	135,710	-	-	-	-	5,000	194,250 (Note 2)
	<u>Equity</u> Taishin Lucky Investment Trust Fund	Financial assets at fair value through profit and loss	-	-	19,502	200,016	-	-	10,706	110,000	109,798	202	8,796	90,532 (Note 2)
Smart Art	<u>Equity</u> Fuhwa Bond Fund	Financial assets at fair value through profit and loss	-	-	14,312	190,786	-	-	8,244	110,000	109,453	547	6,068	81,174 (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.

**POWERCHIP SEMICONDUCTOR CORPORATION**

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
THREE MONTHS ENDED MARCH 31, 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	Sales	\$ 10,101,668	35	Note 2	\$ -	-	\$ 3,199,546	31	
	Deutron Electronics Corp.	Investee	Sales	6,943,462	24	Note 3	-	-	2,507,084	24	
	Novax Technologies, Inc.	Investee	Sales	1,789,118	6	Note 3	-	-	858,712	9	
	Zentel Electronics Corp.	Investee	Sales	828,676	3	Note 3	-	-	544,214	5	
	Elpida Memory (Taiwan) Co., Ltd.	Director of the Corporation	Sales	302,611	1	Note 3	-	-	283,180	3	
	Powertech Technology Inc.	Indirect equity-method investee	Note 1	1,504,613	9	Note 4	-	-	(1,232,277)	(15)	
	Power ASE Technology Inc.	Quantum Vision is its director	Note 1	510,372	3	Note 4	-	-	(537,927)	(6)	

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  
MARCH 31, 2007**

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

Company Name	Related Party	Nature of Relationship	Ending Balance (Note 1)	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	\$3,199,546	10.21	\$ -	-	\$ -	\$ 218,208
	Deutron Electronics Corp.	Investee	2,507,084	12.35	-	-	559,944	171,713
	Zentel Electronics Corp.	Investee	858,712	10.64	-	-	268,591	58,732
	Novax Technologies, Inc.	Investee	544,214	5.71	-	-	273,703	37,184
	Elpida Memory (Taiwan) Co., Ltd.	Director of the Corporation	283,180	8.55	-	-	-	19,431

Note 1: Netting values of allowance for doubtful accounts and sales discount.

## POWERCHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
THREE MONTHS ENDED MARCH 31, 2007  
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2007			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note	
				Mar. 31, 2007	Dec. 31, 2006	Shares (Thousands)	% of Ownership	Carrying Value				
Powerchip Semiconductor Corporation	Quantum Vision Corp.	Taipei, Taiwan	Investment	\$ 2,971,900	\$ 2,971,900	299,890	99.99	\$ 3,842,458	\$ 168,392	\$ 171,496		
	Li-Hsin Investment Corp.	Taipei, Taiwan	Investment	2,498,500	2,498,500	249,850	99.94	2,062,174	41,755	41,730		
	Paramax Corp.	Taipei, Taiwan	Investment	1,608,940	1,328,940	160,894	99.99	1,487,346	(16,263)	(18,276)		
	Rui-Wang Investment Corp.	Taipei, Taiwan	Investment	800,000	800,000	80,000	100.00	799,560	(684)	(684)		
	Zhi-Li Investment Corp.	Taipei, Taiwan	Investment	484,625	455,352	48,462	32.31	599,238	-	-	Note	
	Lu-Chu Development Corp.	Taipei, Taiwan	Transaction of real estate	634,990	634,990	63,499	27.18	574,883	-	-	Note	
	Global Powertec Co., Ltd.	British Virgin Islands	Investment	531,236	531,236	1,620	100.00	564,616	71,671	71,671		
	Smart Art Corp.	Taipei, Taiwan	Transaction of artistry	351,367	351,367	35,137	43.92	351,408	(3,134)	(1,377)		
	Novax Technologies, Inc.	Taipei, Taiwan	Electronic components manufacturing	287,476	287,476	24,658	24.66	336,901	-	-	Note	
	Artrix International Inc.	Taipei, Taiwan	Investment	251,718	224,289	25,172	25.17	282,298	-	-	Note	
	Deutron Electronics Corp.	Taipei, Taiwan	Electronic components manufacturing	21,300	21,300	6,997	9.44	229,968	-	-	Note	
	Veutron Corp.	Taipei, Taiwan	Optical component manufacturing	94,855	94,855	10,432	9.60	144,763	-	-	Note	
	Powerflash Technology Corporation	Taipei, Taiwan	Design of electronic products	160,500	160,500	15,300	51.00	124,610	(5,122)	(2,612)		
	Luxxon Technology Corp.	Taoyuan, Taiwan	Electronic components manufacturing	245,331	207,331	12,411	20.15	124,088	-	-	Note	
	Optimicro Corp.	Taipei, Taiwan	Optical components manufacturing	147,000	147,000	14,700	29.40	98,232	-	-	Note	
	Syntronix Corp.	Hsin-Chu, Taiwan	Design of electronic related products	71,664	71,664	6,548	19.91	86,366	-	-	Note	
	Deutron Japan Corp.	Japan	Electronic components manufacturing	90,020	90,020	1,910	38.98	78,140	-	-	Note	
	Tekmax Development Corp.	Taipei, Taiwan	Investment	58,640	58,640	5,851	15.65	77,040	-	-	Note	
	Synage Technology Corp.	Taipei, Taiwan	Electronic components manufacturing	101,212	101,212	9,984	19.97	67,351	-	-	Note	
	Astel Electronics Corp.	Taipei, Taiwan	Electronic components manufacturing	80,000	80,000	8,000	40.00	57,464	-	-	Note	
	Zentel Electronics Corp.	Hsin-Chu, Taiwan	Design of electronic related products	50,480	53,000	5,048	20.03	55,002	-	-	Note	
	Retronix Technology Corp.	Taipei, Taiwan	Design and transaction of software	50,000	50,000	5,000	14.29	48,758	-	-	Note	
	Terax Communication Technologies Inc.	Hsin-Chu, Taiwan	Design and transaction of software	88,344	88,344	6,090	17.40	47,189	-	-	Note	
	Vivichip Electronics Corp.	Taipei, Taiwan	Electronic component manufacturing	40,000	40,000	4,000	40.00	37,491	-	-	Note	
	Siptron Technology Corporation	Taipei, Taiwan	Design of electronic products	41,600	41,600	4,160	32.00	35,316	(1,192)	(381)		
	AVAC Systems, Inc.	Hsin-Chu, Taiwan	Digital camera manufacturing	44,000	44,000	4,000	23.31	30,608	-	-	Note	
	MicroMedia Technology Corp.	Taipei, Taiwan	Electronic component manufacturing	30,000	30,000	3,000	30.00	28,743	-	-	Note	
	Signia Technologies Co., Ltd.	Taipei, Taiwan	Design of electronic related products	98,626	98,626	5,187	28.01	24,007	-	-	Note	
	PowerGate Optical, Inc.	Hsin-Chu, Taiwan	Optical components manufacturing	23,575	23,575	1,775	5.26	11,561	-	-	Note	
	Rexchip Electronics Corp.	Taichung, Taiwan	Electronic component manufacturing	1,000	1,000	100	100.00	347	(421)	(421)		
	MaxEdge Electronics Corp.	Taoyuan, Taiwan	PCB manufacturing	449,874	449,874	1,714	13.39	-	-	-	Note	
	Li-Hsin Investment Corp.	MaxEdge Electronics Corp.	Taoyuan, Taiwan	PCB manufacturing	516,369	516,369	2,045	15.97	-	-	-	Note
		Synage Technology Corp.	Taipei, Taiwan	Electronic component manufacturing	122,477	122,477	10,467	20.93	70,589	-	-	Note
Novax Technologies, Inc.		Taipei, Taiwan	Electronic component manufacturing	57,987	57,987	5,246	5.25	71,725	-	-	Note	
Luxxon Technology Corp.		Taoyuan, Taiwan	Electronic component manufacturing	31,079	13,079	2,413	3.92	24,110	-	-	Note	
Tekmax Development Corp.		Taipei, Taiwan	Investment	34,208	34,208	2,846	7.61	37,579	-	-	Note	
Powerflash Technology Corporation		Taipei, Taiwan	Design of electronic products	15,500	15,500	1,430	4.77	13,970	(5,122)	(244)		
Artrix International Inc.		Taipei, Taiwan	Investment	52,850	48,045	5,285	5.28	59,592	-	-	Note	
Optimicro Corp.		Taipei, Taiwan	Optical component manufacturing	21,177	21,177	2,118	4.24	14,167	-	-	Note	
Lu-Chu Development Corp.		Taipei, Taiwan	Transaction of real estate	243,371	243,371	24,337	10.42	220,393	-	-	Note	
Smart Art Corp.		Taipei, Taiwan	Transaction of artistry	114,500	114,500	11,450	14.31	114,496	(3,134)	(449)		
LoanSky.Net Corp.		Taipei, Taiwan	Design of electronic products	4,000	4,000	400	8.00	3,139	-	-	Note	
Deutron Japan Corp.		Japan	Electronic component manufacturing	9,067	9,067	191	3.89	7,741	-	-	Note	
Veutron Corp.		Hsin-Chu, Taiwan	Optical component manufacturing	42,723	42,723	4,700	4.32	65,143	-	-	Note	
Navisys Technology Corp.		Taipei, Taiwan	Electronic component manufacturing	4,000	4,000	400	8.89	3,949	-	-	Note	
Chipking Electronic Co., Ltd.		Taipei, Taiwan	Electronic component manufacturing	6,600	-	600	12.00	6,600	-	-	Note	

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2007			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Mar. 31, 2007	Dec. 31, 2006	Shares (Thousands)	% of Ownership	Carrying Value			
Quantum Vision Corp.	MaxEdge Electronics Corp.	Taoyuan, Taiwan	PCB manufacturing	\$ 250,170	\$ 250,170	1,425	11.13	\$ -	\$ -	\$ -	Note
	Deutron Electronics Corp.	Taipei, Taiwan	Electronic component manufacturing	22,800	22,800	7,330	9.89	255,408	-	-	Note
	Syntronix Corp.	Hsin-Chu, Taiwan	Design of electronic products	7,380	7,380	665	2.02	8,765	-	-	Note
	Zentel Electronics Corp.	Hsin-Chu, Taiwan	Design of electronic products	15,915	17,411	1,675	6.65	22,112	-	-	Note
	Synage Technology Corp.	Taipei, Taiwan	Electronic component manufacturing	17,250	17,250	1,836	3.67	12,378	-	-	Note
	Novax Technologies, Inc.	Taipei, Taiwan	Electronic component manufacturing	132,206	132,206	12,735	12.73	173,915	-	-	Note
	Luxxon Technology Corp.	Taoyuan, Taiwan	Electronic component manufacturing	134,699	96,699	7,877	12.79	78,667	-	-	Note
	AVAC Systems, Inc.	Hsin-Chu, Taiwan	Digital camera manufacturing	26,966	26,966	2,501	14.58	19,145	-	-	Note
	PowerGate Optical, Inc.	Hsin-Chu, Taiwan	Optical component manufacturing	43,284	43,284	3,598	10.66	23,430	-	-	Note
	Tekmax Development Corp.	Taipei, Taiwan	Investment	63,279	63,279	5,729	15.33	75,702	-	-	Note
	Siptron Technology Corporation	Taipei, Taiwan	Design of electronic products	10,107	10,107	1,040	8.00	8,829	(1,192)	(95)	
	Powerflash Technology Corporation	Taipei, Taiwan	Design of electronic products	19,800	19,800	1,800	6.00	17,572	(5,122)	(307)	
	Artrix International Inc.	Taipei, Taiwan	Investment	105,384	95,804	10,538	10.54	118,401	-	-	Note
	Optimicro Corp.	Taipei, Taiwan	Optical component manufacturing	39,873	39,873	3,987	7.97	26,629	-	-	Note
	Lu-Chu Development Corp.	Taipei, Taiwan	Transaction of real estate	73,268	73,268	7,327	3.14	66,414	-	-	Note
	Astel Electronics Corp.	Taipei, Taiwan	Electronic component manufacturing	10,000	10,000	1,000	5.00	7,183	-	-	Note
	Smart Art Corp.	Taipei, Taiwan	Transaction of artistry	151,902	151,902	15,190	18.99	151,941	(3,134)	(594)	Note
	LoanSky.Net Corp.	Taipei, Taiwan	Design of electronic products	10,000	10,000	1,000	20.00	7,847	-	-	Note
	Retronix Technology Corp.	Taipei, Taiwan	Design and transaction of software	10,000	10,000	1,000	2.86	9,752	-	-	Note
	Network Holdings Limited	Samoa	Investment	37,175	37,175	1,135	20.64	35,131	-	-	Note
	Signia Technologies Co., Ltd.	Taipei, Taiwan	Design of electronic products	7,949	7,949	795	4.29	3,677	-	-	Note
	Vivichip Electronics Corp.	Taipei, Taiwan	Electronic component manufacturing	1,000	1,000	100	1.00	937	-	-	Note
	Zhi-Li Investment Corp.	Taipei, Taiwan	Investment	72,453	56,200	7,180	4.79	86,566	-	-	Note
	MicroMedia Technology Corp.	Taipei, Taiwan	Electronic component manufacturing	10,000	10,000	1,000	10.00	9,581	-	-	Note
	Veutron Corp.	Taipei, Taiwan	Optical component manufacturing	38,816	38,816	3,767	3.47	52,326	-	-	Note
	Terax Communication Technologies Inc.	Hsin-Chu, Taiwan	Design and transaction of software	65,651	65,651	3,134	8.95	24,273	-	-	Note
	Navisys Technology Corp.	Taipei, Taiwan	Electronic component manufacturing	10,000	10,000	1,000	22.22	9,871	-	-	Note
	eBsuccess Solutions Inc.	Taipei, Taiwan	Design and transaction of software	11,000	11,000	1,000	12.50	11,000	-	-	Note
	Chipking Electronic Co., Ltd.	Taipei, Taiwan	Electronic component manufacturing	8,000	-	800	16.00	8,000	-	-	Note
	Paramax Corp.	MaxEdge Electronics Corp.	Taoyuan, Taiwan	PCB manufacturing	103,894	103,894	910	7.11	-	-	-
Synage Technology Corp.		Taipei, Taiwan	Electronic component manufacturing	18,151	18,151	1,581	3.16	10,657	-	-	Note
Novax Technologies, Inc.		Taipei, Taiwan	Electronic component manufacturing	44,101	44,101	4,042	4.04	55,194	-	-	Note
Luxxon Technology Corp.		Taoyuan, Taiwan	Electronic component manufacturing	72,788	72,788	3,167	5.14	31,679	-	-	Note
AVAC Systems, Inc.		Hsin-Chu, Taiwan	Digital camera manufacturing	11,593	11,593	1,093	6.37	8,364	-	-	Note
PowerGate Optical, Inc.		Hsin-Chu, Taiwan	Optical component manufacturing	18,661	18,661	1,467	4.34	9,539	-	-	Note
Tekmax Development Corp.		Taipei, Taiwan	Investment	14,000	14,000	1,060	2.84	14,024	-	-	Note
Siptron Technology Corporation		Taipei, Taiwan	Design of electronic products	5,000	5,000	500	3.85	4,249	(1,192)	(46)	
Powerflash Technology Corporation		Taipei, Taiwan	Design of electronic products	19,800	19,800	1,800	6.00	17,572	(5,122)	(307)	
Artrix International Inc.		Taipei, Taiwan	Investment	46,702	42,456	4,670	4.67	52,519	-	-	Note
Optimicro Corp.		Taipei, Taiwan	Optical component manufacturing	21,308	21,308	1,824	3.65	12,195	-	-	Note
Lu-Chu Development Corp.		Taipei, Taiwan	Transaction of real estate	52,936	52,936	5,294	2.27	48,013	-	-	Note
Smart Art Corp.		Taipei, Taiwan	Transaction of artistry	182,231	182,231	18,223	22.78	182,265	(3,134)	(714)	
LoanSky.Net Corp.		Taipei, Taiwan	Design of electronic products	4,000	4,000	400	8.00	3,139	-	-	Note
Deutron Japan Corp.		Japan	Electronic component manufacturing	11,031	11,031	232	4.73	9,413	-	-	Note
Zhi-Li Investment Corp.		Taipei, Taiwan	Investment	109,058	102,470	10,906	7.27	134,939	-	-	Note
Retronix Technology Corp.		Taipei, Taiwan	Design and transaction of software	10,000	10,000	1,000	2.86	9,752	-	-	Note
Veutron Corp.		Hsin-Chu, Taiwan	Optical component manufacturing	75,053	75,053	8,705	8.01	120,787	-	-	Note
Terax Communication Technologies Inc.		Hsin-Chu, Taiwan	Design and transaction of software	16,868	16,868	1,132	3.24	8,787	-	-	Note
Navisys Technology Corp.		Taipei, Taiwan	Electronic component manufacturing	8,200	8,200	820	18.22	8,094	-	-	Note
eBsuccess Solutions Inc.	Taipei, Taiwan	Design and transaction of software	9,900	9,900	900	11.25	9,900	-	-	Note	
Powerflash Technology Corporation	Optimicro Corp.	Taipei, Taiwan	Optical component manufacturing	7,023	7,023	702	1.40	4,678	-	-	Note
	Retronix Technology Corp.	Taipei, Taiwan	Design and transaction of software	20,000	20,000	2,000	10.00	19,503	-	-	Note
	Zhi-Li Investment Corp.	Taipei, Taiwan	Investment	40,648	38,193	4,065	2.71	50,324	-	-	Note
	Artrix International Inc.	Taipei, Taiwan	Investment	16,362	14,874	1,636	1.64	18,363	-	-	Note
	Siptron Technology Corporation	Taipei, Taiwan	Design of electronic products	5,750	5,750	500	3.85	4,249	(1,192)	(46)	
	Luxxon Technology Corp.	Taoyuan, Taiwan	Electronic component manufacturing	14,400	14,400	1,800	1.80	7,359	-	-	Note
	Veutron Corp.	Taipei, Taiwan	Optical component manufacturing	5,454	5,454	600	0.55	8,294	-	-	Note

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2007			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Mar. 31, 2007	Dec. 31, 2006	Shares (Thousands)	% of Ownership	Carrying Value			
Smart Art Corp.	Veutron Corp.	Taipei, Taiwan	Optical component manufacturing	\$ 9,090	\$ 9,090	1,000	0.92	\$ 13,873	\$ -	\$ -	Note
Siptron Technology Corporation	Artrix International Inc.	Taipei, Taiwan	Investment	11,601	10,547	1,160	1.17	13,021	-	-	Note
	Zhi-Li Investment Corp.	Taipei, Taiwan	Investment	26,648	26,648	2,665	1.90	33,315	-	-	Note
	Zentel Electronics Corp.	Hsin-Chu, Taiwan	Design of electronic products	1,800	2,880	200	0.80	2,642	-	-	Note
	Vivichip Electronics Corp. Network Holdings Limited	Taipei, Taiwan Samoa	Electronic component manufacturing Investment	5,000 32,845	5,000 32,845	500 1,000	5.00 18.87	4,686 30,992	- -	- -	Note Note
Global Powertec Co., Ltd.	Vantel Corp.	Japan	Design of electronic products	66,215	66,215	5	64.97	99,225	110,315	71,672	Note
	Powerase Tech. Holding Ltd.	The Cayman Island	Investment	455,980	455,980	14,000	29.47	459,599	-	-	

Note: Not holding a controlling interest in the investee companies, the Corporation does not account for its investment income or loss for the period.

(Concluded)