

Powerchip Semiconductor Corporation

**Financial Statements for the
Nine Months Ended September 30, 2007 and 2006 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Shareholders
Powerchip Semiconductor Corporation

We have reviewed the accompanying balance sheets of Powerchip Semiconductor Corporation as of September 30, 2007 and 2006, and the related statements of income and cash flows for the nine 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 review.

Except as discussed in the following paragraph, we conducted our review 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 nine months ended September 30, 2007 and 2006 of equity-method investees. The carrying values of those investments as of September 30, 2007 and 2006 was NT\$34,458,755 thousand and NT\$8,652,702 thousand, respectively, and the related net investment incomes for the nine months ended September 30, 2007 and 2006 was NT\$220,069 thousand and NT\$102,487 thousand, respectively. These investment amounts, as well as related information disclosed in Note 29 to the financial statements, were based on the investees' unreviewed financial statements for the same reporting periods as those of the Corporation.

Based on our review, 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 stated in Note 3 to the accompanying financial statements, effective January 1, 2006, the Corporation adopted the recently released Statements of Financial Accounting Standards (“SFASs”) No. 34, “Accounting for Financial Instruments” and No. 36, “Disclosure and Presentation of Financial Instruments” and related revisions of previously released SFASs.

October 16, 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

SEPTEMBER 30, 2007 AND 2006

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

(Reviewed, Not Audited)

ASSETS	2007		2006		LIABILITIES AND SHAREHOLDERS' EQUITY	2007		2006	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 1, 2 and 4)	\$ 24,680,730	10	\$ 27,306,679	14	Short-term bank loans (Note 14)	\$ 4,480,000	2	\$ -	-
Financial assets at fair value through profit or loss - current (Notes 2, 3 and 5)	8,261,434	4	5,122,674	3	Financial liabilities at fair value through profit or loss - current (Notes 2, 3, 5 and 16)	1,404,272	-	2,067,260	1
Available-for-sale financial assets - current (Notes 2, 3 and 6)	359,910	-	464,662	-	Accounts payable (Note 26)	2,892,269	1	1,061,195	-
Held-to-maturity financial assets - current (Notes 2, 9 and 26)	44,000	-	6,000	-	Related parties	5,819,154	3	7,216,592	4
Accounts receivable, net (Notes 2, 7 and 26)					Third parties	-	-	809,356	-
Related parties	4,757,816	2	6,736,980	4	Income tax payable (Notes 2 and 22)	4,026,542	2	3,308,273	2
Third parties	1,861,739	1	4,601,199	2	Accrued expenses (Notes 2, 15 and 26)	21,002,285	9	23,181,114	12
Other receivables (Note 26)	732,784	-	662,723	-	Payables on equipment	9,184,701	4	8,708,190	5
Inventories, net (Notes 2 and 8)	8,324,750	4	9,734,414	5	Current portion of convertible bonds payable (Notes 2 and 16)	9,800,000	4	7,606,667	4
Prepaid expenses	143,727	-	209,355	-	Current portion of long-term debts (Notes 17 and 27)	756,000	-	-	-
Deferred income tax assets - current (Notes 2 and 22)	1,874,793	1	367,822	-	Other unearned revenue (Note 26)	537,725	-	290,075	-
Restricted deposits (Note 27)	770,602	-	836,007	1	Other current liabilities (Notes 26 and 28)	-	-	-	-
Other current assets (Note 26)	182,098	-	50,255	-					
Total current assets	51,994,383	22	56,098,770	29	Total current liabilities	59,902,948	25	54,248,722	28
INVESTMENTS					LONG-TERM LIABILITIES, NET OF CURRENT PORTION				
Held-to-maturity financial assets - noncurrent (Notes 2, 9 and 26)	155,000	-	199,000	-	Convertible bonds payable (Notes 2 and 16)	13,167,943	6	14,993,627	8
Financial assets carried at cost - noncurrent (Notes 2, 3 and 10)	1,160,322	-	551,026	-	Long-term bank loans (Notes 17 and 27)	44,436,000	19	24,805,000	13
Equity-method investments (Notes 2, 11 and 26)	34,458,755	15	8,652,702	5	Deferred revenue-noncurrent (Notes 26 and 28)	140,000	-	-	-
Total investments	35,774,077	15	9,402,728	5	Total long-term liabilities	57,743,943	25	39,798,627	21
PROPERTIES (Notes 1, 2, 12 and 27)					OTHER LIABILITIES				
Cost					Accrued pension cost (Notes 2 and 18)	15,004	-	34,209	-
Buildings	10,133,394	5	10,006,894	5	Guarantee deposits (Note 28)	135,830	-	4,974	-
Machinery and equipment	200,665,985	85	154,665,052	80	Total other liabilities	150,834	-	39,183	-
Research and development equipment	700,957	-	774,022	-	Total liabilities	117,797,725	50	94,086,532	49
Facility equipment	23,112,824	10	20,453,095	11	SHAREHOLDERS' EQUITY (Notes 2, 19 and 20)				
Transportation equipment	15,290	-	17,475	-	Common stock at par value of NT\$10 each				
Office equipment	537,412	-	417,069	-	Authorized - 10,000,000 thousand shares in 2007 and 9,000,000 thousand shares in 2006				
Miscellaneous equipment	1,467,021	1	1,243,256	1	Issued - 7,816,712 thousand shares in 2007 and 6,279,281 thousand shares in 2006	78,167,123	33	62,792,808	33
Accumulated depreciation	(102,946,514)	(44)	(74,220,008)	(38)	Capital surplus				
Construction-in-progress and prepayments for equipment	8,584,270	3	9,479,938	5	Additional paid-in capital	20,409,546	9	15,217,924	8
Net properties	142,270,639	60	122,836,793	64	Conversion of bonds	4,728,111	2	4,031,771	2
OTHER ASSETS					Treasury stock transactions	6,208	-	5,388	-
Assets leased to others, net (Note 2)	27,405	-	147,188	-	Long-term investments	405,986	-	24,399	-
Refundable deposits	52,737	-	30,484	-	Retained earnings				
Deferred charges, net (Notes 1, 2, and 13)	2,671,113	1	2,706,279	1	Legal reserve	5,507,310	2	2,774,552	1
Deferred income tax assets - noncurrent (Notes 2 and 22)	2,503,000	1	919,930	1	Special reserve	3,164	-	31,566	-
Spare parts, net	379,143	1	461,615	-	Unappropriated earnings	8,912,046	4	14,971,112	8
Others	52,892	-	34,429	-	Other equity				
Total other assets	5,686,290	3	4,299,925	2	Unrealized gain (loss) on financial assets (Notes 3 and 11)	589,428	-	366,019	-
TOTAL	\$ 235,725,389	100	\$ 192,638,216	100	Cumulative translation adjustments	(45,422)	-	(8,429)	-
					Treasury stock (at cost) - 42,109 thousand shares in 2007 and 89,518 thousand shares in 2006 (Note 21)	(755,836)	-	(1,655,426)	(1)
					Total shareholders' equity	117,927,664	50	98,551,684	51
					TOTAL	\$ 235,725,389	100	\$ 192,638,216	100

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

(With Deloitte & Touche review report dated October 16, 2007)

POWERCHIP SEMICONDUCTOR CORPORATION

STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

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

(Reviewed, Not Audited)

	2007		2006	
	Amount	%	Amount	%
GROSS SALES	\$71,216,098		\$61,219,528	
SALES RETURNS AND ALLOWANCES	<u>7,128,848</u>		<u>2,119,742</u>	
NET SALES (Notes 2 and 26)	64,087,250	100	59,099,786	100
COST OF SALES (Notes 23 and 26)	<u>60,352,725</u>	<u>94</u>	<u>41,619,762</u>	<u>71</u>
GROSS PROFIT BEFORE REALIZED (UNREALIZED) INTERCOMPANY GROSS PROFIT	3,734,525	6	17,480,024	29
REALIZED (UNREALIZED) INTERCOMPANY PROFIT (Note 2)	<u>19,545</u>	<u>-</u>	<u>(149,675)</u>	<u>-</u>
GROSS PROFIT	<u>3,754,070</u>	<u>6</u>	<u>17,330,349</u>	<u>29</u>
OPERATING EXPENSES (Notes 23 and 26)				
Selling	180,999	-	360,304	1
General and administrative	1,634,516	3	1,498,019	2
Research and development	<u>1,987,215</u>	<u>3</u>	<u>1,862,502</u>	<u>3</u>
Total operating expenses	<u>3,802,730</u>	<u>6</u>	<u>3,720,825</u>	<u>6</u>
OPERATING (LOSS) INCOME	<u>(48,660)</u>	<u>-</u>	<u>13,609,524</u>	<u>23</u>
NON-OPERATING INCOME AND GAINS				
Valuation gain on financial assets, net (Notes 2 and 5)	2,677,926	4	658,229	1
Interest income (Notes 2 and 25)	608,905	1	428,176	1
Valuation gain on financial liabilities, net (Notes 2 and 5)	600,524	1	-	-
Equity in earnings of equity-method investees, net (Notes 2 and 11)	220,069	1	102,487	-
Dividend income (Note 2)	173,510	-	104,638	-
Exchange gain, net (Note 2)	153,915	-	43,910	-
Gain on disposal of investments, net (Notes 2 and 5)	145,693	-	19,879	-
Income from scrapped wafers sales (Note 26)	62,920	-	14,288	-
Rebate of ECB/GDR management fee	29,637	-	4,300	-
Indemnity income	23,667	-	22,133	-

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POWERCHIP SEMICONDUCTOR CORPORATION

STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

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

(Reviewed, Not Audited)

	2007		2006	
	Amount	%	Amount	%
Gain on disposal of properties (Note 2)	\$ 18,371	-	\$ 91,276	-
Others (Note 26)	<u>93,318</u>	<u>-</u>	<u>46,373</u>	<u>-</u>
Total non-operating income and gains	<u>4,808,455</u>	<u>7</u>	<u>1,535,689</u>	<u>2</u>
NON-OPERATING EXPENSES AND LOSSES				
Provision for loss on inventories and spare parts (Note 2)	3,749,448	6	81,151	-
Interest expense (Notes 2, 12, 14, 16, 17 and 25)	1,112,442	2	635,300	1
Loss on purchase contracts (Notes 2 and 28)	146,024	-	-	-
Loss on disposal of properties and other assets (Note 2)	137,079	-	2,559	-
Impairment loss (Notes 2, 10 and 11)	86,027	-	88,521	-
Valuation loss on financial liabilities, net (Notes 2 and 5)	-	-	517,041	1
Issuance cost of convertible bond allocated to financial liabilities at fair value through profit or loss (Notes 2 and 16)	-	-	27,403	-
Others	<u>34,672</u>	<u>-</u>	<u>52,560</u>	<u>-</u>
Total non-operating expenses and losses	<u>5,265,692</u>	<u>8</u>	<u>1,404,535</u>	<u>2</u>
(LOSS) INCOME BEFORE INCOME TAX	(505,897)	(1)	13,740,678	23
INCOME TAX BENEFIT (EXPENSE) (Notes 2 and 22)	<u>2,291,930</u>	<u>4</u>	<u>(1,780,034)</u>	<u>(3)</u>
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	1,786,033	3	11,960,644	20
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES (NET OF TAX BENEFIT OF \$16,388 THOUSAND) (Notes 3 and 22)	<u>-</u>	<u>-</u>	<u>32,920</u>	<u>-</u>
NET INCOME	<u>\$ 1,786,033</u>	<u>3</u>	<u>\$ 11,993,564</u>	<u>20</u>

(Continued)

POWERCHIP SEMICONDUCTOR CORPORATION

STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

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

(Reviewed, Not Audited)

	<u>2007</u>		<u>2006</u>	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
(LOSS) EARNINGS PER SHARE (Note 24)				
Basic	\$ (0.07)	\$ 0.23	\$ 2.06	\$ 1.80
Diluted	\$ (0.11)	\$ 0.13	\$ 1.75	\$ 1.53

Pro forma information (after income tax) assuming the Corporation's shares held by its subsidiaries were accounted for as an investment instead of treasury stock is as follows:

	<u>2007</u>		<u>2006</u>	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
NET INCOME		\$1,792,240		\$11,996,465
(LOSS) EARNINGS PER SHARE				
Basic	\$ (0.07)	\$ 0.23	\$ 2.06	\$ 1.80
Diluted	\$ (0.11)	\$ 0.13	\$ 1.75	\$ 1.53

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

(With Deloitte & Touche review report dated October 16, 2007)

(Concluded)

POWERCHIP SEMICONDUCTOR CORPORATION

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

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,786,033	\$ 11,993,564
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	22,977,520	15,644,798
Amortization	1,101,691	1,227,632
(Realized) unrealized intercompany profit	(19,545)	149,675
Valuation gains on financial assets	(1,409,167)	(543,455)
Valuation (gain) loss on financial liabilities	(687,883)	479,425
Foreign exchange gains on financial assets	(1,416)	(1,043)
(Reversal of allowance) allowance for doubtful accounts	(71,660)	74,984
Allowance for sales discounts	250,000	250,000
Allowance for loss on inventories and spare parts	3,749,448	81,151
Loss on purchase contracts	146,024	-
Equity in earnings of equity-method investees, net	(220,069)	(102,487)
Impairment loss	86,027	88,521
Cash dividends from equity-method investees	18,410	34,233
Cash dividends from financial assets carried at cost	34,306	-
Gain on disposal of investments, net	(145,693)	(19,879)
Loss (gain) on disposal of properties and other assets, net	118,708	(88,717)
Deferred income tax (benefit) expense	(2,328,487)	953,685
Amortization of discount on commercial paper issued	-	1,377
Foreign exchange (gain) loss on convertible bonds payable	(8,716)	116,799
Amortization of discount on convertible bonds payable	254,091	79,297
Issuance costs of the early redemption of convertible bonds	-	1
Issuance costs of convertible bonds allocated to financial liabilities at fair value through profit or loss	-	27,403
Deferred revenue	200,000	-
Realized deferred revenue	(20,000)	-
Net changes in operating assets and liabilities		
Held-for-trading financial assets	(640,802)	(1,557,528)
Accounts receivable	6,120,688	(6,999,340)
Other receivables	(57,020)	(168,508)
Inventories	(873,152)	(2,611,482)
Prepaid expenses	133,756	40,939
Other current assets	(177,355)	(38,971)
Held-for-trading financial liabilities	-	63,845
Accounts payable	823,397	2,236,178
Income tax payable	(1,634,186)	809,356
Accrued expenses	(570,861)	1,099,924
Other current liabilities	186,071	(8,671)
Other unearned revenue	756,000	-
Accrued pension costs	(17,131)	813
Net cash provided by operating activities	<u>29,859,027</u>	<u>23,313,519</u>

(Continued)

POWERCHIP SEMICONDUCTOR CORPORATION

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

	2007	2006
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of:		
Available-for-sale financial assets	\$ -	\$ (60,000)
Held-to-maturity financial assets	-	(25,000)
Financial assets carried at cost	(518,808)	(351,685)
Equity-method investments	(9,572,443)	(2,816,851)
Properties	(48,331,864)	(40,831,705)
Deferred charges	(586,415)	(428,772)
Proceeds of the disposal of:		
Available-for-sale financial assets	206,496	4,820
Held-to-maturity financial assets	-	25,000
Financial assets carried at cost	42,513	8,973
Equity-method investments	289,667	33,499
Properties and deferred charges	167,141	102,635
Decrease in restricted deposits	20,897	376,369
Increase in refundable deposits	(22,013)	(5,377)
Decrease (increase) in spare parts	79,349	(71,634)
Increase in other assets	(18,998)	(15,799)
	<u>(58,244,478)</u>	<u>(44,055,527)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term bank loans	4,480,000	(773,534)
Proceeds of:		
Issuance of convertible bonds	-	5,142,381
Long-term bank loans	25,536,000	12,250,000
Issuance of capital stock	-	5,527,420
Exercise of employee stock options	400,497	524,396
Sales of treasury stock	751,537	7,559
Redemption of convertible bonds	-	(6,522)
Repayments of long-term bank loans	(5,785,000)	(6,806,017)
Increase in guarantee deposits	130,814	321
Cash bonus to employees	(1,477,394)	(287,215)
Cash dividend paid for common stock	(10,322,849)	(3,042,429)
Remuneration paid to directors and supervisors	(738,697)	(172,329)
	<u>12,974,908</u>	<u>12,364,031</u>
Net cash provided by financing activities		
NET DECREASE IN CASH AND CASH EQUIVALENTS	(15,410,543)	(8,377,977)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>40,091,273</u>	<u>35,684,656</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 24,680,730</u>	<u>\$ 27,306,679</u>

(Continued)

POWERCHIP SEMICONDUCTOR CORPORATION

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

	2007	2006
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid (excluding amounts capitalized of \$219,741 thousand in 2007 and \$190,019 thousand in 2006)	<u>\$ 785,102</u>	<u>\$ 595,955</u>
Income tax paid	<u>\$ 1,662,356</u>	<u>\$ 39,742</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Transfer of financial assets carried at cost to available-for-sale financial assets	<u>\$ 74,090</u>	<u>\$ 298,313</u>
Transfer of equity-method investments to financial assets carried at cost	<u>\$ 245,986</u>	<u>\$ -</u>
Reclassification of properties into deferred charges	<u>\$ 122</u>	<u>\$ 200</u>
Reclassification of deferred charges into properties	<u>\$ 830</u>	<u>\$ 2,486</u>
Current portion of long-term liabilities	<u>\$ 9,800,000</u>	<u>\$ 7,606,667</u>
Conversion of bonds	<u>\$ 1,385,904</u>	<u>\$ -</u>
Treasury stock - Corporation's stock held by its subsidiaries	<u>\$ 7,244</u>	<u>\$ 33,141</u>
Reclassification of treasury stock to equity-method investments	<u>\$ 33,079</u>	<u>\$ -</u>
INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH AND NONCASH ITEMS		
Acquisition of properties	\$(47,882,100)	\$(50,281,692)
Payable, beginning of period	(21,452,049)	(13,731,127)
Payable, end of period	<u>21,002,285</u>	<u>23,181,114</u>
Cash paid	<u>\$(48,331,864)</u>	<u>\$(40,831,705)</u>
Acquisition of equity-method investments	\$(22,726,327)	\$ (2,816,851)
Merger of investees	214,468	-
Properties transfer in payment for equity-method investments	12,817,346	-
Deferred charges transfer in payment for equity-method investments	<u>122,070</u>	<u>-</u>
Cash paid	<u>\$ (9,572,443)</u>	<u>\$ (2,816,851)</u>
Sales of treasury stock	\$ 765,545	\$ 7,559
Advance receipt from disposal of treasury stock, beginning of period (classified under other current liabilities)	<u>(14,008)</u>	<u>-</u>
Cash received	<u>\$ 751,537</u>	<u>\$ 7,559</u>

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

(With Deloitte & Touche review report dated October 16, 2007)

(Concluded)

POWERCHIP SEMICONDUCTOR CORPORATION

NOTES TO FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

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

(Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

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 Depository 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 subcontracting), testing, assembling and selling various integrated circuit products.

As of September 30, 2007 and 2006, the Corporation had 5,952 and 5,945 employees, respectively.

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

Assets

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

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, Business Accounting Law, Guidelines Governing Business Accounting, 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, pension expenses, loss on purchase contracts and contingent liabilities. 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 ROC. 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 cash (unrestricted) and cash equivalents, assets primarily for the purpose of being traded and other assets to be converted to cash, consumed or sold within one year from the balance sheet date. Current liabilities are those to be settled within one year from the balance sheet date and those primarily for the purpose of being traded. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

Cash Equivalents

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

Financial Assets/Liabilities at Fair Value Through Profit or Loss

Financial instruments at fair value through profit or loss have two categories: (1) held for trading and (2) designated on initial recognition as at fair value through profit or loss. When the 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 are recognized as income upon declaration by an investee's shareholders under a resolution. The differences between the carrying value and the consideration received shall be recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized using trade date accounting.

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

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

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

Available-for-sale Financial Assets

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

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

Cash dividends are recognized as investment income upon resolution of the shareholders of an investee but are accounted for as reductions of the original investment cost if these dividends are declared on the earnings of the investees attributable to periods before the purchase of the investments. Stock dividends received are recorded as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated on the basis of the new number of shares after receipt of the 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 Standard ("SFAS") 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. For those investees over which the Corporation holds a controlling interest, the assessment of impairment is based on an estimation of the value in use of the cash-generating units of the consolidated investees.

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 period-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 SFAS 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 ROC. 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 reissue. 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. Cash dividends received by subsidiaries from the Corporation are recorded under capital surplus - treasury stock transactions.

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

Pension Costs

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

Income Tax

The 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 nine months ended September 30, 2006 have been reclassified to be consist with the financial statements as of and for the nine months ended September 30, 2007.

3. ACCOUNTING CHANGES

On January 1, 2006, the Corporation adopted the recently released SFAS No. 34, "Accounting for Financial Instruments" and SFAS No. 36, "Disclosure and Presentation of Financial Instruments" and related revisions of previously released Statements.

Under the Corporation's adoption of SFASs No. 34 and No. 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:

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

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

4. CASH AND CASH EQUIVALENTS

	<u>September 30</u>	
	2007	2006
Time deposits	\$ 19,292,625	\$ 24,241,485
Demand deposits	3,226,995	952,020
Bonds purchased under resell agreements	1,935,967	1,842,860
Checking accounts	225,043	270,214
Cash on hand	<u>100</u>	<u>100</u>
	<u>\$ 24,680,730</u>	<u>\$ 27,306,679</u>

Overseas bank deposits as of September 30, 2007 and 2006 are summarized as follows:

	<u>September 30</u>	
	2007	2006
Japan - JPY628,120 thousand in 2007 and JPY627,701 thousand in 2006	\$ 178,260	\$ 176,133
Hong Kong - US\$24 thousand and HK\$31,381 thousand in 2007; US\$7 thousand and HK\$2,772 thousand in 2006	132,278	12,014
Singapore - US\$1,086 thousand, JPY83,637 thousand and HK\$8,992 thousand in 2007; US\$73 thousand, JPY54,640 thousand and HK\$1,255 thousand in 2006	96,809	23,091
Luxembourg - US\$2,846 thousand in 2007; US\$2,709 thousand in 2006	<u>92,719</u>	<u>89,667</u>
	<u>\$ 500,066</u>	<u>\$ 300,905</u>

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>September 30</u>	
	2007	2006
Financial assets held for trading	\$ 8,261,434	\$ 5,073,583
Financial assets designated as at fair value through profit or loss	<u>-</u>	<u>49,091</u>
	<u>\$ 8,261,434</u>	<u>\$ 5,122,674</u>

	<u>September 30</u>	
	2007	2006
Financial liabilities held for trading	<u>\$ 1,404,272</u>	<u>\$ 2,067,260</u>

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

	<u>September 30</u>	
	2007	2006
Financial assets		
Domestic listed stocks	\$ 7,470,710	\$ 4,052,907
Foreign listed stocks - US\$218 thousand and JPY1,808,270 thousand in 2007; US\$279 thousand and JPY2,320,660 thousand in 2006	520,283	660,400
Mutual funds	262,156	357,362
Forward exchange contracts	6,190	2,914
Interest rate swap contracts	<u>2,095</u>	<u>-</u>
	<u>\$ 8,261,434</u>	<u>\$ 5,073,583</u>
Financial liabilities		
Forward exchange contracts	\$ 122,305	\$ 45,503
Interest rate swap contracts	8,528	59,284
Debt components of convertible bonds (Note 16)		
Conversion option	1,146,366	1,851,317
Put option	<u>127,073</u>	<u>111,156</u>
	<u>\$ 1,404,272</u>	<u>\$ 2,067,260</u>

The Corporation used forward exchange contracts, cross-currency swap contracts and interest rate swap contracts during the nine months ended September 30, 2007 and 2006 to manage exposures related to fluctuations of foreign exchange rate and interest rate. The purpose of such transactions, which did not meet the criteria for hedge accounting prescribed in SFAS No. 34, is to minimize risks due to changes in fair value or cash flows.

As of September 30, 2007, all cross-currency swap contracts had expired, and the Corporation had no cross-currency swap contracts for the nine months ended September 30, 2006.

Outstanding forward exchange contracts as of September 30, 2007 and 2006 were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>September 30, 2007</u>			
Buy	NT\$/JPY	October 26, 2007 - December 24, 2007	NT\$3,553,814/JPY12,300,000
Buy	US\$/JPY	November 13, 2006 - December 19, 2007	US\$34,163/JPY3,900,000
Buy	NT\$/US\$	October 25, 2007 - December 24, 2007	NT\$6,145,804/US\$187,535
<u>September 30, 2006</u>			
Buy	NT\$/JPY	November 7, 2006 - December 21, 2006	NT\$5,676,990/JPY20,000,000

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

Contract Amount (In Thousands)	Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
<u>September 30, 2007</u>			
\$ 300,000	May 31, 2004 - March 24, 2009	5.20%-5.37%	1.71%-2.37%
300,000	June 1, 2004 - March 24, 2009	1.85%	1.71%-2.37%
300,000	June 3, 2004 - March 24, 2009	5.21%-5.37%	1.71%-2.37%
300,000	June 16, 2004 - March 24, 2009	4.01%-4.17%	1.71%-2.37%
500,000	September 17, 2007 - July 31, 2012	3.04%	2.67%
<u>September 30, 2006</u>			
\$ 500,000	May 31, 2004 - March 24, 2009	1.70%-5.46%	1.46%-1.66%
500,000	June 1, 2004 - March 24, 2009	1.85%	1.46%-1.66%
500,000	June 3, 2004 - March 24, 2009	1.60%-5.46%	1.46%-1.66%
500,000	June 16, 2004 - March 24, 2009	3.32%-4.26%	1.46%-1.66%
200,000	July 2, 2004 - May 20, 2007	1.50%-5.40%	1.45%-1.64%
200,000	July 2, 2004 - May 20, 2007	3.32%-4.35%	1.45%-1.64%
200,000	July 2, 2004 - May 20, 2007	3.32%-4.35%	1.45%-1.64%

Net gains arising from financial assets held for trading were \$2,677,339 thousand and \$658,785 thousand for the nine months ended September 30, 2007 and 2006, respectively. Net gains and losses arising from financial liabilities held for trading were \$600,524 thousand and \$517,041 thousand for the nine months ended September 30, 2007 and 2006, respectively.

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

	September 30, 2006
Financial assets designated as at profit or loss	
Credit-linked note (CLN)	\$ <u>49,091</u>

Other CLN information is as follows:

CLN Issuer	Principal Amount (in Thousands)	Interest Rate	Maturity
Credit Suisse First Boston International	US\$ 1,500	6.37%-7.42%	February 2007

Under the CLN 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 CLN at a price equal to the market value of the related obligation as the specific credit event occurred. On the other hand, CLN will be settled at face value on maturity or at a certain price if the issuers exercise early redemption rights. Net gains on the CLN, which are financial assets designated as at fair value through profit or loss, were \$1,288 thousand and \$4,217 thousand for the six months ended September 30, 2007 and 2006, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	September 30	
	2007	2006
Domestic listed stocks	\$ 3	\$ 113,080
Foreign listed stocks - HK\$77 thousand in 2007; HK\$238 thousand in 2006	322	1,011
Mutual funds		
Open-end	136,377	111,370
Close-end - NT\$181,390 thousand and HK\$9,980 thousand in 2007; NT\$190,440 thousand and HK\$11,473 thousand in 2006	<u>223,208</u>	<u>239,201</u>
	<u>\$ 359,910</u>	<u>\$ 464,662</u>

7. ACCOUNTS RECEIVABLES, NET

	September 30	
	2007	2006
<u>Related parties</u>		
Accounts receivable	\$ 5,219,984	\$ 6,920,830
Allowance for doubtful accounts	(52,768)	(64,850)
Allowance for sales discounts	<u>(409,400)</u>	<u>(119,000)</u>
	<u>4,757,816</u>	<u>6,736,980</u>
		(Continued)

	<u>September 30</u>	
	<u>2007</u>	<u>2006</u>
<u>Third parties</u>		
Accounts receivable	\$ 2,156,508	\$ 4,883,521
Allowance for doubtful accounts	(14,169)	(61,322)
Allowance for sales discounts	<u>(280,600)</u>	<u>(221,000)</u>
	<u>1,861,739</u>	<u>4,601,199</u>
	<u>\$ 6,619,555</u>	<u>\$ 11,338,179</u> (Concluded)

8. INVENTORIES, NET

	<u>September 30</u>	
	<u>2007</u>	<u>2006</u>
Finished goods	\$ 1,348,654	\$ 770,439
Work in process	8,683,927	6,711,792
Materials and supplies	2,342,474	2,495,803
	12,375,055	9,978,034
Allowance for losses	<u>(4,050,305)</u>	<u>(243,620)</u>
	<u>\$ 8,324,750</u>	<u>\$ 9,734,414</u>

9. HELD-TO-MATURITY FINANCIAL ASSETS

	<u>September 30</u>	
	<u>2007</u>	<u>2006</u>
Veutron Corp. ("Veutron") - 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>(44,000)</u>	<u>(6,000)</u>
	<u>\$ 155,000</u>	<u>\$ 199,000</u>

Bond investments were as follows:

	Principal Amount	Interest Rate	Maturity
<u>Held as of September 30, 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 September 30, 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>September 30</u>	
	<u>2007</u>	<u>2006</u>
Domestic unlisted common stocks	\$ 852,921	\$ 436,843
Domestic unlisted preferred stocks	10	10
Foreign unlisted common stocks - US\$513 thousand and JPY153,670 thousand in 2007; US\$880 thousand and JPY153,670 thousand in 2006	59,976	71,193
Foreign unlisted preferred stocks - US\$7,602 thousand in 2007; US\$1,333 thousand in 2006	<u>247,415</u>	<u>42,980</u>
	<u>\$ 1,160,322</u>	<u>\$ 551,026</u>

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

The Corporation revalued the recoverable amount of the investment in unlisted common stocks for the nine months ended September 30, 2007 and 2006 and recognized impairment losses on financial assets of \$36,556 thousand and \$88,521 thousand, respectively, which were presented under nonoperating expenses and losses - impairment loss.

11. EQUITY-METHOD INVESTMENTS

	September 30			
	2007		2006	
	Amount	% of Owner- ship	Amount	% of Owner- ship
Rexchip Electronics Corp. (“Rexchip”)	\$ 20,480,487	46.67	\$ -	-
Quantum Vision Corp. (“Quantum”)	4,553,986	99.99	2,437,116	99.99
Li-Hsin Investment Corp. (“Li-Hsin”)	2,266,507	99.94	1,286,242	99.92
Paramax Corp. (“Paramax”)	1,442,815	99.99	1,156,499	99.99
Rui-Wang Investment Corp. (“Rui-Wang”)	1,089,979	100.00	-	-
Global Powertec Co., Ltd. (“Global Powertec”)	1,076,082	100.00	522,023	100.00
Lu-Chu Development Corp. (“Lu-Chu”)	606,756	27.02	582,344	27.18
Smart Art Corp. (“Smart Aart”)	571,412	44.16	310,826	44.48
Zhi-Li Investment Inc. (“Zhi-Li”)	554,616	29.68	392,434	33.27
Artrix International Inc. (“Artrix”)	351,739	25.17	190,858	25.52
Novax Technologies, Inc. (“Novax”)	311,797	24.54	317,008	24.66
Veutron	137,643	9.60	-	-
Luxxon Technology Corp. (“Luxxon”)	115,617	20.15	123,194	20.73
Powerflash Technology Corporation (“Powerflash”)	100,115	27.50	120,957	51.00
Synage Technology Corp. (“Synage”)	94,537	21.01	72,345	20.17
Optimicro Corp. (“Optimicro”)	85,975	29.40	136,149	29.40
Tekmax Development Corp. (“Tekmax”)	85,485	15.57	73,081	15.65
Zentel Electronics Corp. (“Zentel”)	85,099	19.38	79,152	36.80
Syntronix Corp. (“Syntronix”)	79,801	19.46	82,001	20.25
Deutron Japan Corp. (“Deutron-Japan”)	75,548	38.98	80,495	38.98
Astel Electronics Corp. (“Astel”)	50,732	40.00	63,629	40.00
Retronix Technology Corp. (“Retronix”)	47,797	14.29	50,485	25.00
Siptron Technology Corporation (“Siptron”)	37,620	32.00	33,191	32.00
Terax Communication Technologies Inc. (“Terax”)	36,862	17.40	-	-
Network Holdings Limited (“Network Holdings”)	33,110	9.09	-	-
Vivichip Electronics Corp. (“Vivichip”)	32,652	40.00	39,961	40.00
MicroMedia Technology Corp. (“MicroMedia”)	22,125	30.00	30,000	30.00
Signia Technologies Co., Ltd. (“Signia”)	15,411	28.01	93,549	28.01
MaxEdge	-	13.39	2,751	13.39
Deutron Electronics Corp. (“Deutron”)	-	-	165,545	9.44
Neo Solar Power Corp. (“Neo-Solar”)	-	-	95,912	16.00
Luxchip Technology Corp. (“Luxchip”)	-	-	38,360	19.00
AVAC Systems, Inc. (“AVAC”)	-	-	37,981	23.31
Silicon Optronics, Inc. (“Silicon”)	-	-	29,291	11.53
PowerGate Optical, Inc. (“PowerGate”)	-	-	<u>9,323</u>	5.42
	<u>34,442,305</u>		<u>8,652,702</u>	
Prepayment for long-term investments	16,450		-	
	<u>\$ 34,458,755</u>		<u>\$ 8,652,702</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 nine months ended September 30, 2007 and 2006 was as follow:

	Nine Months Ended	
	September 30	
	2007	2006
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 nine months ended September 30, 2007, the Corporation revalued the recoverable amount of goodwill and recognized impairment loss of investment in Signia amounting to \$49,471 thousand, which was presented under nonoperating expenses and losses - impairment loss.

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 third quarter of 2007, the Corporation invested in Network Holdings, which was 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 and financial assets carried at cost - noncurrent, 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 merger, 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 exercised significant influence on Neo-Solar and Silicon. Thus the Corporation reclassified the related investments from equity-method investments into financial assets carried at cost - noncurrent.

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

In September 2007, AVAC merged with Synage, with Synage as the survivor company. As the result of the merger, the Corporation owned 20% of Synage; thus, this investment was accounted for by the equity method.

As of June 30, 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.

On September 27, 2007, the merger between Terax and Signia was approved by Terax and Signia's shareholders, respectively, in the shareholders' meetings. On October 30, 2007, the tentative date of the merger, Signia and Terax will exchange common shares at 1.1217:1 ratio, with "1" referring to Terax, the survivor company.

As of September 30, 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:

	<u>September 30</u>	
	<u>2007</u>	<u>2006</u>
Veutron	26%	(Note 2)
Tekmax	41%	38%
Zentel	24%	(Note 1)
Syntronix	21%	(Note 1)
Retronix	20%	(Note 1)
Terax	30%	(Note 2)
Network Holdings	39%	(Note 5)
MaxEdge	45%	48%
Deutron	(Note 3)	20%
Neo-Solar	(Note 3)	22%
Luxchip	(Note 4)	39%
Silicon	(Note 3)	21%
PowerGate	(Note 3)	21%

Note 1: As of September 30, 2006, the Corporation alone owned more than 20% of the investee's outstanding shares, thus, the combined holding percentage was not separately disclosed.

Note 2: As of September 30, 2006, Veutron was listed under financial assets at fair value through profit or loss - current, and Terax was listed under financial assets carried at cost - noncurrent.

Note 3: As of September 30, 2007, the investee was listed under financial assets carried at cost - noncurrent.

Note 4: In March 2007, Luxchip ceased to be an investee because it merged with Luxxon, a Corporation investee, as mentioned above.

Note 5: In the third quarter of 2007, the Corporation invested in Network Holdings.

Equity in earnings (losses) which were recognized bases on unreviewed financial statements, are summarized as follows:

	Nine Months Ended	
	September 30	
	2007	2006
Rexchip	\$ (934,953)	\$ -
Quantum	826,101	113,373
Li-Hsin	238,419	(28,839)
Paramax	(39,681)	3,274
Rui-Wang	(264)	-
Global Powertec	198,041	(12,810)
Lu-Chu	(4,820)	(1,693)
Smart Art	(3,557)	(551)
Zhi-Li	(30,129)	(2,604)
Artrix	(13,714)	14,212
Novax	(4,272)	21,154
Veutron	6,031	-
Luxxon	(8,565)	(10,895)
Power flash	(13,257)	(3,964)
Optimicro	(12,257)	(5,130)
Tekmax	13,028	4,806
Zentel	32,125	6,925
Syntronix	(2,906)	6,110
Deutron -Japan	(27)	120
Astel	(6,732)	(14,523)
Retronix	(832)	(473)
Siptron	7,681	2,220
Terax	(10,327)	-
Vivichip	(4,839)	(1)
MicroMedia	(6,618)	-
Signia	(8,597)	(3,560)
MaxEdge	-	(14,321)
Deutron	9,023	38,106
Neo-Solar	3,573	665
Synage	(2,656)	(4,878)
Luxchip	(786)	394
AVAC	(1,143)	(3,147)
Silicon	10	2,021
PowerGate	(3,031)	(3,504)
	<u>\$ 220,069</u>	<u>\$ 102,487</u>

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

	Nine Months Ended	
	September 30	
	2007	2006
Quantum	\$ 24,663	\$ 275,385
Li-Hsin	1,322	40
Paramax	(20,593)	9,307
Smart Art	(557)	-
Zhi-Li	(29,214)	30,218
Artrix	(5,203)	-
Novax	(9,783)	17,809
Veutron	(13,151)	-
Powerflash	166	2,125
Zentel	(6)	218
Syntronix	(317)	-
Retronix	(807)	977
Siptron	(468)	405
Synage	-	676
Deutron	(9,831)	3,648
PowerGate	(60)	-
	<u>\$ (63,839)</u>	<u>\$ 340,808</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 \$11,423 thousand as of September 30, 2007.

12. PROPERTIES

Accumulated depreciation on properties consisted of the following:

	September 30	
	2007	2006
Buildings	\$ 2,685,568	\$ 2,175,906
Machinery and equipment	86,224,067	60,976,099
Research and development equipment	354,191	454,521
Facility equipment	12,627,230	9,845,510
Transportation equipment	10,069	9,348
Office equipment	348,664	271,326
Miscellaneous equipment	696,725	487,298
	<u>\$ 102,946,514</u>	<u>\$ 74,220,008</u>

Total depreciation expenses for the nine months ended September 30, 2007 and 2006 was \$22,968,453 thousand and \$15,631,076 thousand, respectively. The details of properties pledged as collateral are shown in Note 27.

Interest capitalization is summarized as follows:

	Nine Months Ended September 30	
	2007	2006
Total interest expenses	\$ 1,332,183	\$ 825,319
Capitalized amount	219,741	190,019
Rates used in capitalizing interests	3.11%-4.17%	3.12%-3.46%

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

FAB	Total Estimated Cost	Total Recognized Cost
12M	<u>\$ 70,000,000</u>	<u>\$ 62,319,309</u>

13. DEFERRED CHARGES, NET

	September 30	
	2007	2006
Technical know-how	\$ 2,147,838	\$ 2,028,371
Computer software system	180,798	232,398
Patent	11,250	16,250
Test-run costs	5,480	71,241
Issuance costs of the convertible bonds	1,851	14,731
Others	<u>323,896</u>	<u>343,288</u>
	<u>\$ 2,671,113</u>	<u>\$ 2,706,279</u>

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

14. SHORT-TERM BANK LOANS

	September 30, 2007
Working capital loans- due in December 2007, interest at 2.32%-2.50%	<u>\$ 4,480,000</u>

15. ACCRUED EXPENSES

	<u>September 30</u>	
	2007	2006
Royalty	\$ 2,225,708	\$ 443,942
Salary and Bonus	481,902	766,648
Utilities	159,789	194,168
Technical know-how	-	645,380
Others	<u>1,159,143</u>	<u>1,258,135</u>
	<u>\$ 4,026,542</u>	<u>\$ 3,308,273</u>

16. CONVERTIBLE BONDS PAYABLE

	<u>September 30</u>	
	2007	2006
<u>Overseas unsecured bonds</u>		
Issued in 2004 (5) US\$157,850 thousand	\$ 5,142,753	\$ 5,224,519
Issued in 2005 (6) US\$135,500 thousand in 2007; US\$142,250 thousand in 2006	4,414,590	4,708,191
Issued in 2006 (7) US\$123,875 thousand in 2007; US\$113,855 thousand in 2006	<u>4,035,601</u>	<u>3,769,107</u>
	<u>13,592,944</u>	<u>13,701,817</u>
<u>Domestic unsecured bonds</u>		
Issued in 2005 (1) NT\$3,610,600 thousand in 2007; NT\$4,000,000 thousand in 2006	3,610,600	4,000,000
Issued in 2005 (2) NT\$5,149,100 thousand in 2007; NT\$6,000,000 thousand in 2006	<u>5,149,100</u>	<u>6,000,000</u>
	<u>8,759,700</u>	<u>10,000,000</u>
	22,352,644	23,701,817
Current portion	<u>(9,184,701)</u>	<u>(8,708,190)</u>
	<u>\$ 13,167,943</u>	<u>\$ 14,993,627</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\$20.17 per share as of September 30, 2007) between July 17, 2004 and May 18, 2009 and will mature on June 17, 2009. At the holders’ option, Bonds 2004 may also be repurchased on June 17, 2006 at 100% of their principal. Under certain conditions, either the holders of Bonds 2004 or the Corporation may opt for early bond redemption. As of September 30, 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\$15.87 per share as of September 30, 2007) between March 3, 2005 and January 3, 2010 and will mature on February 2, 2010. At the holders’ option, Bonds 2005A may also be repurchased on February 2, 2007 at 100% of their principal. Under certain conditions, either the holders of Bonds 2005A or the Corporation may opt for early bond redemption. As of September 30, 2007, holders of Bonds 2005A with principle amount of US\$24,500 thousand had requested to convert these bonds into 38,418 thousand common shares, which had all been issued.

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\$16.85 per share as of September 30, 2007) between July 30, 2006 and May 31, 2011 and will mature on June 30, 2011 at 106.43% of their principle amount. At the holders’ option, Bonds 2006 may also be repurchased on June 30, 2008 at 102.52% of their principle amount. Under certain conditions, either the holders of Bonds 2006 or the Corporation may opt for early bond redemption. As of September 30, 2007, holders of Bonds 2006 with principle amount of US\$150 thousand had requested to convert these bonds into 242 thousand common shares, which had all been issued.

Under SFAS No. 36, “Disclosure and Presentation of Financial Instruments,” 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 total issuance cost of bonds was allocated to the conversion option, put option and bond payable at the percentages of initially relative recognized amount. The amount allocated to the conversion option and put option was presented under nonoperating expenses and losses. The remainder, which was allocated to bonds payable, was amortized using the effective interest rate method and presented under interest expenses. The recognized amounts are summarized as follows:

	September 30	
	2007	2006
Face value of Bonds 2006	US\$ 160,000	US\$ 160,000
Debt Components		
- Conversion option	(40,758)	(40,758)
- Put option	<u>(5,757)</u>	<u>(5,757)</u>
Bond payable	113,485	113,485
Issuance cost	<u>(2,043)</u>	<u>(2,043)</u>
Amortized costs on initial recognition of bond payable	111,442	111,442
Conversion		
- Face value	(150)	-
- Elimination	40	-
Interest expense	<u>12,543</u>	<u>2,413</u>
Amortized costs of bond payable, end of year	<u>US\$ 123,875</u>	<u>US\$ 113,855</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\$17.10 per share as of September 30, 2007) between July 28, 2005 and June 17, 2010 and will mature on June 27, 2010. At the holders’ option, Bonds 2005B may also be repurchased on June 28, 2007 at 100% of their principal. Under certain conditions, either the holders of Bonds 2005B or the Corporation may opt for early bond redemption. As of September 30, 2007, holders of Bonds 2006 with principle amount of NT\$389,400 thousand had requested to convert these bonds into 20,197 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\$16.73 per share as of September 30, 2007) between July 28, 2005 and June 17, 2010 and will mature on June 27, 2010. At the holders’ option, Bonds 2005C may also be repurchased on June 28, 2008 at 100% of their principal. Under certain conditions, either the holders of Bonds 2005C or the Corporation may opt for early bond redemption. As of September 30, 2007, holders of Bonds 2005C with principle amount of NT\$850,900 thousand had requested to convert these bonds into 45,045 thousand common shares, which had all been issued. Between October 1, 2007 and October 16, 2007, the conversion of Bonds 2005C with principle amount of NT\$2,100 thousand into 126 thousand common shares has been requested.

17. LONG-TERM BANK LOANS

	<u>September 30</u>	
	<u>2007</u>	<u>2006</u>
Long-term secured syndicated loans (1)	\$ 2,175,000	\$ 3,625,000
Long-term secured syndicated loans (2)	9,375,000	13,125,000
Long-term secured syndicated loans (3)	13,000,000	15,000,000
Long-term secured syndicated loans (4)	29,536,000	-
Medium-to long-term loans	<u>150,000</u>	<u>661,667</u>
	54,236,000	32,411,667
Current portion	<u>(9,800,000)</u>	<u>(7,606,667)</u>
	<u>\$ 44,436,000</u>	<u>\$ 24,805,000</u>

The loans are payable quarterly or semiannually at varying amounts. They will be fully repaid by January 2013. They bear interest rates ranging from 2.70% to 4.59% and from 2.57% to 5.02% for the nine months ended September 30, 2007 and 2006, respectively.

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

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

18. PENSION PLAN

The Labor Pension Act (the “Act”) took effect on July 1, 2005. Employees subject to the Labor Standards Law on July 1, 2005 were allowed to choose to be subject to the pension mechanism under this Act or to continue to be subject to the pension mechanism under the Labor Standards Law. For 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 nine months ended September 30, 2007 and 2006 were \$143,801 thousand and \$117,983 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 Bank of Taiwan (previously known as Central Trust of China, which merged with Bank of Taiwan on July 1, 2007, the survivor company) under the committee's name. In addition, the portion of projected benefit obligation in excess of the plan assets is contributed to the fund by monthly installment of five years.

Pension costs based on actuarial calculation for the nine months ended September 30, 2007 and 2006 were \$42,275 thousand and \$35,494 thousand, respectively.

Fund balances were \$290,823 thousand and \$253,235 thousand as of September 30, 2007 and 2006, respectively.

19. SHAREHOLDERS' EQUITY

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

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, 1% to 2% as remuneration of directors and supervisors and 10% as bonus to employees. The Corporation may issue stock bonus to employees of an affiliated companies if these employees meet the conditions set by the board of directors or by the board's duly authorized designee;
- e. The remainder as bonus to shareholders.

Under the regulations promulgated by the Securities and Futures Bureau (SFB, formerly the Securities and Futures Commission before July 1, 2004), a special reserve equivalent to the debit balance of any account under shareholders' equity section in the balance sheets, other than the deficit and treasury stock, should be made from unappropriated retained earnings. Also, if the market price of 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 shareholders' meeting on June 15, 2007 and June 9, 2006, respectively. The appropriations and dividend per share were as follows:

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

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

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

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

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

For the nine months ended September 30, 2007 and 2006, movements of unrealized gain or loss on financial instruments were as follows:

	Available- for-sale Financial Assets	Equity- method Investments	Total
<u>Nine months ended September 30, 2007</u>			
Balance, beginning of period	\$ 67,672	\$ 637,660	\$ 705,332
Recognized in shareholders' equity	<u>(52,065)</u>	<u>(63,839)</u>	<u>(115,904)</u>
Balance, end of period	<u>\$ 15,607</u>	<u>\$ 573,821</u>	<u>\$ 589,428</u>
<u>Nine months ended September 30, 2006</u>			
Balance, beginning of period	\$ -	\$ -	\$ -
Recognized in shareholders' equity	<u>25,211</u>	<u>340,808</u>	<u>366,019</u>
Balance, end of period	<u>\$ 25,211</u>	<u>\$ 340,808</u>	<u>\$ 366,019</u>

For the nine months ended September 30, 2007 and 2006, movements of translation adjustments were as follows:

	Exchange Differences Arising from the Translation of the Financial Statements of Foreign Operations
<u>Nine months ended September 30, 2007</u>	
Balance, beginning of period	\$ (30,652)
Recognized in shareholders' equity	<u>(14,770)</u>
Balance, end of period	<u>\$ (45,422)</u>
<u>Nine months ended September 30, 2006</u>	
Balance, beginning of period	\$ (15,822)
Recognized in shareholders' equity	<u>7,393</u>
Balance, end of period	<u>\$ (8,429)</u>

20. 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 September 30, 2007, there were 328,237 options that had been exercised.

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

	<u>2003 Plan</u>		<u>2002 Plan</u>		<u>2001 Plan</u>	
	Number of Outstanding Stock Option Rights	Weighted- average Exercise Prices (NT\$/ Per Share)	Number of Outstanding Stock Option Rights	Weighted- average Exercise Price (NT\$/ Per Share)	Number of Outstanding Stock Option Rights	Weighted- average Exercise Prices (NT\$/ Per Share)
Nine months ended <u>September 30, 2007</u>						
Balance, beginning of period	58,981	\$ 6.37	43,788	\$ 8.10	10,793	\$ 13.05
Options granted	3,681	5.48	2,562	6.90	-	-
Options exercised	(21,791)	6.07	(17,658)	7.91	(9,974)	12.90
Options canceled	<u>(110)</u>	6.04	<u>(41)</u>	7.63	<u>(210)</u>	12.90
Balance, end of period	<u>40,761</u>	5.49	<u>28,651</u>	6.90	<u>609</u>	12.94
Nine months ended <u>September 30, 2006</u>						
Balance, beginning of period	80,048	\$ 6.84	81,081	\$ 8.70	32,178	\$ 13.98
Options granted	2,755	6.47	2,630	8.10	-	-
Options exercised	(17,521)	6.68	(23,508)	8.48	(15,143)	13.74
Options canceled	<u>(1,566)</u>	8.14	<u>(1,011)</u>	8.57	<u>-</u>	-
Balance, end of period	<u>63,716</u>	6.39	<u>59,192</u>	8.10	<u>17,035</u>	13.03

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 September 30, 2007, the outstanding stock options was as follows:

Exercise Price (NT\$/Per Share)	Options Outstanding			Options Exercisable	
	Number Outstanding (Per Option)	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price (NT\$/ Per Share)	Number Exercisable (Per Option)	Weighted Average Exercise Price (NT\$/ Per Share)
\$ 10.90	156	0.23	\$ 10.90	156	\$ 10.90
13.70	440	0.49	13.70	440	13.70
11.60	13	0.62	11.60	13	11.60
6.90	28,651	0.99	6.90	28,651	6.90
5.20	38,997	1.58	5.20	38,997	5.20
9.50	400	1.75	9.50	400	9.50
9.10	775	2.04	9.10	484	9.10
11.10	191	2.27	11.10	17	11.10
17.10	123	2.48	17.10	76	17.10
20.80	<u>275</u>	2.56	20.80	<u>206</u>	20.80
	<u>70,021</u>			<u>69,440</u>	

The Corporation uses the intrinsic value method to evaluate the compensation cost of employee stock options. The compensation cost recognized for the nine months ended September 30, 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 nine months ended September 30, 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) \$13,535 - \$26,369

	Nine Months Ended September 30	
	2007	2006
Net income:		
Net income as reported	<u>\$ 1,786,033</u>	<u>\$ 11,993,564</u>
Pro forma net income	<u>\$ 1,785,029</u>	<u>\$ 11,991,099</u>
Earnings per share(EPS, NT\$):		
Basic EPS as reported	<u>\$ 0.23</u>	<u>\$ 1.80</u>
Pro forma basic EPS	<u>\$ 0.23</u>	<u>\$ 1.80</u>
Diluted EPS as reported	<u>\$ 0.13</u>	<u>\$ 1.53</u>
Pro forma diluted EPS	<u>\$ 0.13</u>	<u>\$ 1.53</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 nine months ended September 30, 2006 to decrease from NT\$2.01 to NT\$1.80 and from NT\$1.70 to NT\$1.53, respectively.

21. TREASURY STOCK

(Shares in Thousands)

Purpose of Purchase	Number of Shares, Beginning of Period	Addition During the Period	Reduction During the Period	Number of Shares, End of Period
<u>Nine months ended September 30, 2007</u>				
For transfer to employees	82,678	-	45,621	37,057
Corporation's shares held by its subsidiaries	<u>5,861</u>	<u>852</u>	<u>1,661</u>	<u>5,052</u>
	<u>88,539</u>	<u>852</u>	<u>47,282</u>	<u>42,109</u>
<u>Nine months ended September 30, 2006</u>				
For transfer to employees	84,100	-	446	83,654
Corporation's shares held by its subsidiaries	<u>3,992</u>	<u>1,872</u>	<u>-</u>	<u>5,864</u>
	<u>88,092</u>	<u>1,872</u>	<u>446</u>	<u>89,518</u>

As of September 30, 2007 and 2006, the Corporation's shares held by its subsidiaries were as follows:

Subsidiary	Shares (in Thousands)	Original Carrying Value (in Thousands)	Market Value (in Thousands)	Shares Transferred to Treasury Stock (in Thousands)
<u>September 30, 2007</u>				
Li-Hsin	4,614	\$ 95,561	\$ 73,126	4,614
Siptron	1,000	<u>16,521</u>	<u>15,850</u>	<u>438</u>
		<u>\$ 112,082</u>	<u>\$ 88,976</u>	<u>5,052</u>
<u>September 30, 2006</u>				
Li-Hsin	4,200	\$ 95,561	\$ 88,826	4,200
Powerflash	2,451	<u>46,600</u>	<u>51,844</u>	<u>1,664</u>
		<u>\$ 142,161</u>	<u>\$ 140,670</u>	<u>5,864</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. In August, 2007, the Corporation lost control over Powerflash and the treasury stock was reversed accordingly. In the third quarter of 2007, Siptron invested in the Corporation. The shares held by Siptron amounting to \$7,244 thousand were accounted for by the Corporation as treasury stocks in accordance with its stock ownership percentage in Siptron.

For the nine months ended September 30, 2007, the Corporation transferred 9,518 thousand, 32,984 thousand and 2,059 thousand treasury shares to employees at a price of \$17.0, \$17.4 and \$15.6 per share, respectively. 1,060 thousand treasury shares were retired on August 24, 2007.

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 for the right to vote.

22. INCOME TAX

- a. The Income Basic Tax Act (the Act) took effect on January 1, 2006. The alternative minimum tax (AMT) imposed under the Act is a supplemental tax levied at a rate of 10% which is payable if the income tax payable determined pursuant to the Income Tax Law is below the minimum amount prescribed under the Act. The taxable income for calculating the AMT includes most of the income that is exempted from income tax under various laws and statutes. The Corporation has considered the impact of the Act in the determination of its tax liabilities.
- b. For the year ended September 30, 2007, the Corporation did not have current income tax payable. A reconciliation of income tax currently payable for the nine months ended September 30, 2006 are as follow:

	Nine Months Ended September 30, 2006
Tax on pretax income at statutory rate (25%)	\$ 3,435,169
Tax-exempt income	(606,668)
Temporary and permanent differences	<u>(812,047)</u>
Income tax currently payable	<u>\$ 2,016,454</u>

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

	Nine Months Ended September 30	
	2007	2006
Income tax currently payable	\$ -	\$ (2,016,454)
Additional 10% tax on unappropriated earnings	(421,746)	-
Tax credits	421,746	1,207,098
Net change in deferred income tax assets and liabilities		
Loss carryforwards	778,289	-
Investment tax credits	1,568,501	1,324,248
Temporary differences	515,257	(738,198)
Valuation allowance	(524,059)	(1,556,123)
Prior year adjustment	(45,290)	-
Tax on interest income on short-term bills	<u>(768)</u>	<u>(605)</u>
	<u>\$ 2,291,930</u>	<u>\$ (1,780,034)</u>
Cumulative effect of changes in accounting principles	<u>\$ -</u>	<u>\$ 16,388</u>

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

	<u>September 30</u>	
	<u>2007</u>	<u>2006</u>
Current		
Deferred income tax assets		
Investment tax credits	\$ 1,261,603	\$ -
Temporary differences	1,875,833	369,105
Deferred income tax liabilities		
Temporary differences	<u>(1,040)</u>	<u>(1,283)</u>
	3,136,396	367,822
Valuation allowance	<u>(1,261,603)</u>	<u>-</u>
	<u>\$ 1,874,793</u>	<u>\$ 367,822</u>
Noncurrent		
Deferred income tax assets		
Investment tax credits	\$ 13,590,944	\$ 12,789,580
Loss carryforwards	1,190,950	412,661
Temporary differences	347,467	180,269
Deferred income tax liabilities		
Temporary differences	<u>(5,810,009)</u>	<u>(4,254,111)</u>
	9,319,352	9,128,399
Valuation allowance	<u>(6,816,352)</u>	<u>(8,208,469)</u>
	<u>\$ 2,503,000</u>	<u>\$ 919,930</u>

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

	<u>September 30</u>	
	<u>2007</u>	<u>2006</u>
Imputation credit account	<u>\$ 410,199</u>	<u>\$ 67,190</u>

The actual tax creditable ratios for 2006 and 2005 were 5.63% and 0.63%, respectively.

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

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

Laws and Statutes	Tax Credit Source	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Income Tax Law	Loss carryforwards	\$ 412,661	\$ 412,661	2008
		<u>778,289</u>	<u>778,289</u>	2012
		<u>\$ 1,190,950</u>	<u>\$ 1,190,950</u>	

Laws and Statutes	Tax Credit Source	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 1,627,180	\$ 1,205,434	2007
		2,762,061	2,762,061	2008
		3,049,428	3,049,428	2009
		2,114,888	2,114,888	2010
		<u>4,321,173</u>	<u>4,321,173</u>	2011
		<u>\$ 13,874,730</u>	<u>\$ 13,452,984</u>	
Statute for Upgrading Industries	Research and development expenditures	\$ 53,111	\$ 53,111	2007
		25,395	25,395	2008
		511,778	511,778	2009
		490,289	490,289	2010
		<u>294,038</u>	<u>294,038</u>	2011
		<u>\$ 1,374,611</u>	<u>\$ 1,374,611</u>	
Statute for Upgrading Industries	Personnel training expenditures	\$ 3,058	\$ 3,058	2007
		2,043	2,043	2008
		4,031	4,031	2009
		4,831	4,831	2010
		<u>4,133</u>	<u>4,133</u>	2011
		<u>\$ 18,096</u>	<u>\$ 18,096</u>	
Statute for Upgrading Industries	Investments in important technology - based enterprise	\$ 5,056	\$ 5,056	2008
		<u>1,800</u>	<u>1,800</u>	2011
		<u>\$ 6,856</u>	<u>\$ 6,856</u>	

h. Income from the following projects were 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 2004 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.

23. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSE

	Nine Months Ended September 30					
	2007			2006		
	Classified as Cost of Sales	Classified as Operating Expenses	Total	Classified as Cost of Sales	Classified as Operating Expenses	Total
Labor cost						
Salary	\$ 2,467,682	\$ 864,570	\$ 3,332,252	\$ 2,399,546	\$ 830,896	\$ 3,230,442
Labor/health insurance	170,329	50,047	220,376	144,729	43,929	188,658
Pension	135,145	50,931	186,076	111,660	41,817	153,477
Others	181,690	42,220	223,910	140,566	33,902	174,468
	<u>\$ 2,954,846</u>	<u>\$ 1,007,768</u>	<u>\$ 3,962,614</u>	<u>\$ 2,796,501</u>	<u>\$ 950,544</u>	<u>\$ 3,747,045</u>
Depreciation	<u>\$22,675,219</u>	<u>\$ 293,234</u>	<u>\$22,968,453</u>	<u>\$15,392,253</u>	<u>\$ 238,823</u>	<u>\$15,631,076</u>
Amortization	<u>\$ 125,693</u>	<u>\$ 970,531</u>	<u>\$ 1,096,224</u>	<u>\$ 101,296</u>	<u>\$ 1,094,104</u>	<u>\$ 1,195,400</u>

24. (LOSSES) EARNINGS PER SHARE (L/EPS)

	Nine Months Ended September 30			
	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Basic L/EPS (NT\$)				
(Loss) income before cumulative effect of changes in accounting principles	\$ (0.07)	\$ 0.23	\$ 2.06	\$ 1.79
Cumulative effect of changes in accounting principles	-	-	-	0.01
(Loss) income for the period	<u>\$ (0.07)</u>	<u>\$ 0.23</u>	<u>\$ 2.06</u>	<u>\$ 1.80</u>
Diluted L/EPS (NT\$)				
(Loss) income before cumulative effect of change in accounting principles	\$ (0.11)	\$ 0.13	\$ 1.75	\$ 1.52
Cumulative effect of changes in accounting principles	-	-	-	0.01
(Loss) income for the period	<u>\$ (0.11)</u>	<u>\$ 0.13</u>	<u>\$ 1.75</u>	<u>\$ 1.53</u>

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

	<u>Amounts (Numerator)</u>		<u>Weighted- average Number of Shares (Denominator) (Thousand)</u>	<u>L/EPS (Dollars)</u>	
	<u>Before Income Tax</u>	<u>After Income Tax</u>		<u>Before Income Tax</u>	<u>After Income Tax</u>
Nine months ended <u>September 30, 2007</u>					
Net (loss) income	\$ <u>(505,897)</u>	\$ <u>1,786,033</u>			
Basic L/EPS					
(Loss) income of common shareholders	\$ (505,897)	\$ 1,786,033	7,681,432	\$ <u>(0.07)</u>	\$ <u>0.23</u>
Effect of dilutive securities					
Convertible bonds	(519,557)	(583,080)	1,411,554		
Stock options	<u>-</u>	<u>-</u>	<u>62,023</u>		
Diluted L/EPS					
(Loss) income of common and potential common shareholders	\$ <u>(1,025,454)</u>	\$ <u>1,202,953</u>	<u>9,155,009</u>	\$ <u>(0.11)</u>	\$ <u>0.13</u>
Nine months ended <u>September 30, 2006</u>					
Net income	\$ <u>13,740,678</u>	\$ <u>11,993,564</u>			
Basic EPS					
Income of common shareholders	\$ 13,740,678	\$ 11,993,564	6,654,802	\$ <u>2.06</u>	\$ <u>1.80</u>
Effect of dilutive securities					
Convertible bonds	-	-	1,094,474		
Stock options	<u>-</u>	<u>-</u>	<u>110,782</u>		
Diluted EPS					
Income of common and potential common shareholders	\$ <u>13,740,678</u>	\$ <u>11,993,564</u>	<u>7,860,058</u>	\$ <u>1.75</u>	\$ <u>1.53</u>

(Concluded)

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 nine months ended September 30, 2006 to decrease from \$2.01 to \$1.80 and from \$1.70 to \$1.53, respectively.

25. FINANCIAL INSTRUMENTS

- a. Fair values of financial instruments were as follows:

	September 30			
	2007		2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Financial assets at fair value				
through profit or loss - current	\$ 8,261,434	\$ 8,261,434	\$ 5,122,674	\$ 5,122,674
Available-for-sale financial				
assets - current	359,910	359,910	464,662	464,662
Held-to-maturity financial assets				
(including current portion)	199,000	199,000	205,000	205,000
Financial assets carried at cost -				
noncurrent	1,160,322	-	551,026	-
Liabilities				
Financial liabilities at fair value				
through profit or loss - current	1,404,272	1,404,272	2,067,260	2,067,260
Convertible bonds payable				
(including current portion)	22,352,644	22,573,180	23,701,817	25,991,144
Long-term bank loans (including				
current portion)	54,236,000	54,236,000	32,411,667	32,411,667

Effective January 1, 2006, the Corporation adopted SFAS No. 34, "Accounting for Financial Instruments" 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 nine months ended September 30, 2007 and 2006.

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

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

- 2) Fair value of financial assets carried at cost is based on their original cost. For those assets not traded in active markets, their fair value should take unreasonable cost to verified, thus the fair value can not be measured reliably.

- 3) Fair value of long-term bank loans is estimated using discounted cash flow analysis, based on the Corporation's current incremental borrowing rates for borrowings with similar types (similar maturity dates). The fair value of long-term bank loans with floating interest rates is equivalent to their carrying value. Fair value of convertible bonds payable, issued before January 1, 2006, is based on quoted market prices, remainder is determined using the present value of forecasted cash flows.

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

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

	<u>Quoted Market Prices</u>		<u>Valuation Techniques</u>	
	<u>September 30</u>		<u>September 30</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Assets				
Financial assets at fair value				
through profit or loss - current	\$ 8,253,149	\$ 5,070,669	\$ 8,285	\$ 52,005
Available-for-sale financial assets				
- current	359,910	464,662	-	-
Held-to-maturity financial assets (including current portion)	-	-	199,000	205,000
Liabilities				
Financial liabilities at fair value				
through profit or loss-current	-	-	1,404,272	2,067,260
Convertible bonds payable (including current portion)	18,326,231	22,032,359	4,246,949	3,958,785
Long-term bank loans (including current portion)	-	-	54,236,000	32,411,667

- d. Gain and loss recognized for the changes in fair value of financial instruments using valuation techniques were \$604,950 thousand and \$514,013 thousand for the nine months ended September 30, 2007 and 2006, respectively.
- e. As of September 30, 2007 and 2006, financial assets (liabilities) exposed to fair value interest rate risk and cash flow interest rate risk were as follows:

	<u>September 30</u>	
	<u>2007</u>	<u>2006</u>
Fair value interest rate risk		
Financial assets	\$ 22,200,289	\$ 27,122,906
Financial liabilities	(24,241,172)	(23,761,101)
Cash flow interest rate risk		
Financial assets	3,226,995	1,003,557
Financial liabilities	(56,836,000)	(32,411,667)

- f. As of September 30, 2007 and 2006, interest income (expense) associated with financial assets (liabilities) other than those at fair value through profit and loss were as follows:

	Nine Months Ended	
	September 30	
	2007	2006
Total interest income	\$ 601,012	\$ 423,240
Total interest expenses (including capitalized amount)	(1,332,148)	(825,286)

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) and forward exchange contracts 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 September 30, 2007 and 2006, credit risks of the financial assets, except those approximate to their carrying values, were as follows:

	September 30			
	2007		2006	
	Carrying Amount	Credit Risk	Carrying Amount	Credit Risk
<u>Financial assets designated at fair value through profit or loss</u>				
CLN	\$ -	\$ -	\$ 49,091	\$ 49,091
<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>\$ 254,091</u>	<u>\$ 254,091</u>

The counter-parties to the foregoing financial instruments are reputable business organizations. Management does not expect the Corporation's exposure to default by those parties to be material.

- 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.

As of September 30, 2007, the Corporation's future cash demand for outstanding forward exchange contracts was as follows:

Term	(In Thousands)	
	Inflow	Outflow
Within one year	JPY 12,300,000	NT\$ 3,553,814
	JPY 3,900,000	US\$ 34,163
	US\$ 187,535	NT\$ 6,145,804

The exchange rate for forward exchange contracts is fixed. Thus, there is no material cash flow risk.

- 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.

26 RELATED PARTY TRANSACTIONS

- a. Related parties:

Related Party	Relationship with the Corporation
Powertech Technology Inc. ("Powertech")	Quantum, a subsidiary of the Corporation, is its director
Macronix International Co., Ltd. ("Macronix") (Note 1)	Li-Hsin, a subsidiary of the Corporation, is its director (since June 29, 2007)
CHIPSHIP Technology Co., Ltd. ("CHIPSHIP") (Note 2)	Corporation is its director (until April 24, 2007)
Silicon	Corporation is its director
uPI Semiconductor Corp. ("uPI")	Corporation is its director
Wafer Works Corp. ("Wafer")	Corporation is its director
eMemory Technology Inc. ("eMemory")	Same chairman
PowerWorld Capital Management Corp. ("PowerWorld Management")	Same chairman
Deutron	Same chairman
Neo-Solar	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)
Quantum	Subsidiary
Li-Hsin	Subsidiary

(Continued)

<u>Related Party</u>	<u>Relationship with the Corporation</u>
Vantel Corp. ("Vantel")	Indirect investee under Corporation's substantial control
Rexchip	Equity method investee
Zentel	Equity method investee
Tekmax	Equity method investee
Novax	Equity method investee
Syntronix	Equity method investee
Veutron	Equity method investee
Powerflash	Equity method investee
Zhi-Li	Equity method investee
Artrix	Equity method investee
MicroMedia	Equity method investee
Power ASE Technology Inc. ("Power ASE")	Indirect equity-method investee
Others	Related parties with which the Corporation had no material transactions. Please see Note 29.

(Concluded)

Note 1: The Company was not the Corporation's related parties for the nine months ended September 30, 2006; the amounts disclosed as of and for the nine months ended September 30, 2006 are for reference only.

Note 2: The Company ceased to be the Corporation's related parties before September 30, 2007; the amounts disclosed as of and for the nine months ended September 30, 2007 are for reference only.

b. Related-party transactions:

	<u>Nine Months Ended September 30</u>			
	<u>2007</u>		<u>2006</u>	
<u>For the period</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Net sales				
Elpida	\$ 23,630,548	37	\$ 15,073,090	26
Deutron	13,905,286	22	9,203,915	16
Novax	3,161,846	5	3,316,082	6
Zentel	2,468,003	4	776,012	1
Syntronix	307,599	1	536,426	1
Elpida-Taiwan	302,611	-	2,066,611	3
Silicon	145,874	-	123,840	-
eMemory	31,598	-	41,373	-
uPI	17,416	-	104	-
Veutron	-	-	64,206	-
CHIPSHIP	-	-	41,346	-
Others	9,364	-	7,708	-
	<u>\$ 43,980,145</u>	<u>69</u>	<u>\$ 31,250,713</u>	<u>53</u>
Purchase				
Rexchip	<u>\$ 67,108</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>

	Nine Months Ended September 30			
	2007		2006	
	Amount	%	Amount	%
Acquisition of properties				
Macronix	\$ -	-	\$ 4,770,000	10
Others	-	-	7,070	-
	<u>\$ -</u>	<u>-</u>	<u>\$ 4,777,070</u>	<u>10</u>
Proceeds of the disposal of properties				
Rexchip	\$ 138,979	83	\$ -	-
Others	900	1	-	-
	<u>\$ 139,879</u>	<u>84</u>	<u>\$ -</u>	<u>-</u>
Technical know-how and royalty				
Elpida	\$ 560,174	19	\$ 104,858	11
Zentel	31	-	12,887	1
eMemory	-	-	9,683	1
Others	1	-	-	-
	<u>\$ 560,206</u>	<u>19</u>	<u>\$ 127,428</u>	<u>13</u>
Manufacturing expenses - subcontract costs, indirect materials, expensed properties, repairs and maintenance, etc.				
Powertech	\$ 5,670,680	11	\$ 3,645,466	10
Power ASE	2,220,431	5	-	-
Elpida	6,014	-	7,597	-
Others	7	-	-	-
	<u>\$ 7,897,132</u>	<u>16</u>	<u>\$ 3,653,063</u>	<u>10</u>
General and administrative expenses				
PowerWorld Management	\$ 47,922	3	\$ 25,022	2
Tekmax	25,315	2	28,938	2
Others	736	-	2,516	-
	<u>\$ 73,973</u>	<u>5</u>	<u>\$ 56,476</u>	<u>4</u>
Research and development expenses				
Vantel	\$ 340,817	17	\$ -	-
Elpida	284,001	14	284,001	15
Syntronix	55,881	3	29,328	2
Powerflash	38,923	2	19,773	1
Zentel	21,123	1	9,644	1
eMemory	15,120	1	14,239	1
Others	230	-	3,642	-
	<u>\$ 756,095</u>	<u>38</u>	<u>\$ 360,627</u>	<u>20</u>
Income from scraped wafers sales				
Neo-Solar	\$ 55,469	80	\$ -	-

	Nine Months Ended September 30			
	2007		2006	
	Amount	%	Amount	%
Other income				
Macronix	\$ 27,928	32	\$ -	-
eMemory	6,865	8	5,780	10
Powertech	5,853	7	6,007	11
Syntronix	4,969	6	5,332	9
Quantum	2,500	3	-	-
Zentel	2,188	3	1,542	3
Silicon	1,373	2	1,291	2
Powerflash	1,218	1	135	-
Wafer	1,213	1	-	-
Zhi-Li	1,200	1	-	-
Power ASE	1,170	1	-	-
Others	1,715	2	1,237	2
	<u>\$ 58,192</u>	<u>67</u>	<u>\$ 21,324</u>	<u>37</u>
<u>At end of period</u>				
Accounts receivable, net				
Deutron	\$ 2,126,264	32	\$ 2,203,580	20
Elpida	1,955,129	30	3,154,190	28
Novax	346,224	5	667,178	6
Zentel	192,183	3	396,406	4
Syntronix	95,009	1	44,026	-
Silicon	37,955	1	12,922	-
Elpida-Taiwan	-	-	257,134	2
Others	5,052	-	1,544	-
	<u>\$ 4,757,816</u>	<u>72</u>	<u>\$ 6,736,980</u>	<u>60</u>
Other receivables				
Rexchip	\$ 248,083	34	\$ -	-
Macronix	9,298	1	-	-
Others	1,831	-	-	-
	<u>\$ 259,212</u>	<u>35</u>	<u>\$ -</u>	<u>-</u>
Payments for others (presented under other current assets)				
Rexchip	\$ 164,880	97	\$ -	-
Others	3,448	2	-	-
	<u>\$ 168,328</u>	<u>99</u>	<u>\$ -</u>	<u>-</u>
Accounts payable				
Powertech	\$ 1,976,032	22	\$ 1,061,195	13
Power ASE	849,105	10	-	-
Rexchip	67,132	1	-	-
	<u>\$ 2,892,269</u>	<u>33</u>	<u>\$ 1,061,195</u>	<u>13</u>

	Nine Months Ended September 30			
	2007		2006	
	Amount	%	Amount	%
Accrued expenses				
Elpida	\$ 143,678	3	\$ 666,058	20
Macronix	31,891	1	3,150	-
PowerWorld Management	30,608	1	16,857	1
Rexchip	26,967	1	-	-
Powerflash	11,479	-	-	-
Tekmax	8,301	-	7,868	-
Others	159	-	4,059	-
	<u>\$ 253,083</u>	<u>6</u>	<u>\$ 697,992</u>	<u>21</u>
Other unearned revenue				
Rexchip	<u>\$ 756,000</u>	<u>100</u>	<u>\$ -</u>	<u>-</u>
Deferred income (including current portion)				
Macronix	<u>\$ 180,000</u>	<u>100</u>	<u>\$ -</u>	<u>-</u>

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

1) Stocks

Related Parties	Investee	Shares Sold (in Thousands)	Proceeds	Profit
<u>2007</u>				
Li-Hsin	Deutron	497	<u>\$ 17,402</u>	<u>\$ 7,284</u>
Powerflash	Deutron	500	<u>\$ 17,500</u>	<u>\$ 5,644</u>
Zhi-Li	Deutron	2,000	<u>\$ 70,000</u>	<u>\$ 22,574</u>
Artrix	Deutron	2,000	<u>\$ 70,000</u>	<u>\$ 22,574</u>
MicroMedia	Deutron	500	<u>\$ 17,500</u>	<u>\$ 5,644</u>
Zhi-Li	Powerflash	2,000	<u>\$ 20,000</u>	<u>\$ 2,017</u>
Artrix	Powerflash	2,300	<u>\$ 23,000</u>	<u>\$ 2,320</u>
Deutron	Zhi-Li	1,600	<u>\$ 16,000</u>	<u>\$ 372</u>
Novax	Zhi-Li	1,200	<u>\$ 12,000</u>	<u>\$ 279</u>
MicroMedia	Zhi-Li	800	<u>\$ 8,000</u>	<u>\$ 220</u>
<u>2006</u>				
Deutron	Syntronix	600	<u>\$ 16,800</u>	<u>\$ 9,430</u>

2) Bonds

Related Parties	Investee	Units Purchased (Matured)	Amount	Rate
<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 Elpida, Syntronix, Elpida-Taiwan, Silicon, eMemory and uPI by the Corporation was based on specifically negotiated terms for which there were no comparable terms under other contracts.

The products purchased from Rexchip by the Corporation was based on specifically negotiated terms for which there were no comparable terms under other contracts.

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

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

The proceeds from the disposal of properties were based on specifically negotiated terms for which there were no comparable terms under other contracts.

The technology know-how and royalty paid to Elpida, Zentel and eMemory by the Corporation were based on specifically negotiated terms for which there were no comparable terms under other contracts.

The research and development expenses paid to Vantel, Elpida, Syntronix, Powerflash, Zentel and eMemory by the Corporation were based on specifically negotiated terms for which there were no comparable terms under other contracts.

The income from scraped wafers sales sold to Neo-Solar by the Corporation was based on specifically negotiated terms for which there were no comparable terms under other contracts.

Other receivables mainly arose from the purchase of materials for Rexchip and proceeds from the disposal of properties by the Corporation, were based on specifically negotiated terms for which there were no comparable terms under other contracts.

Other unearned revenue, mainly arose from the professional service income received from Rexchip, was based on specifically negotiated terms for which there were no comparable terms under other contracts.

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.

27. 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>September 30</u>	
	<u>2007</u>	<u>2006</u>
Properties, net	\$ 74,115,960	\$ 50,610,215
Restricted deposits	<u>770,602</u>	<u>836,007</u>
	<u>\$ 74,886,562</u>	<u>\$ 51,446,222</u>

28. COMMITMENTS AND CONTINGENCIES

In addition to those disclosed in other notes, significant commitments and contingencies of the Corporation as of September 30, 2007 were as follows:

- 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 and 2007, the Corporation should pay a certain amount of development fee quarterly over 3 years.
- 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. The Corporation signed an agreement with Micronix for purchasing its 12 inches fab ("FAB 12M"), cleaning room and other related facilities, which has been consummated in the third quarter of 2006. Both parties also agreed, within the site, to jointly develop 90nm and below process technologies for manufacturing NVM Flash Memory products, and a certain percentage of FAB 12M's capacity will be reserved for Micronix should such technologies been developed, in return, a certain amount of royalty should be paid by Micronix before April 2007.
- n. 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.
- o. In December 2006, the Corporation signed a joint venture agreement with Company G for joint investment in Vantel Corp. ("Vantel"). Company G and Vantel will develop flash memory products and grant a license to the Corporation for using related technologies. Also, the Corporation and Company G should pay Vantel a development fee.
- p. In January 2007, the Corporation signed an agreement on the joint venture and the development of DRAM technology with Company C. The Corporation and Company C transfer technology and licenses, develop DRAM technology cooperatively, and establish a new joint venture ("Rexchip"). The Corporation and Company C can use the production capacity of Rexchip under certain price. For the nine months ended September 30, 2007, the loss on purchasing contracts under this agreement was \$146,024 thousand. Under the agreement, the Corporation should pay a certain amount of license fee over five years.
- q. In February 2007, the Corporation signed a subcontracting agreement with Company M. Under the agreement, the Corporation shall reserve a portion of its production capacity for Company M which has made a deposit with the Corporation. As of September 30, 2007, US\$4,000 thousand of guarantee deposits had been received by the Corporation.
- r. 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.
- s. In March 2006, Texas Instruments Corp. ("TI") filed with the U.S. District Court of New York a lawsuit against the Corporation for breach of a certain license agreement. In June 2007, after an investigation, TI demanded under an interlocutory decree that the Corporation pay a certain amount of royalty based on the license agreement. The result of this litigation could not be determined at this time. Nevertheless, the Corporation assessed and accrued the indemnification. On the basis of this assessment, the Corporation determined that this litigation would not have a material effect on its operations and financial condition.
- t. Unused letters of credit amounted to approximately US\$29,400 thousand as of September 30, 2007.
- u. 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 September 30, 2007, future lease payments were as follows:

Year	Amount
2007 (4 th quarter)	\$ 23,523
2008	94,090
2009	94,090
2010	94,090
2011	94,090
2012	94,090
2013 and thereafter	<u>674,696</u>
	<u>\$ 1,168,669</u>

29. 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. Endorsements/guarantees provided: Table 1 (attached)
- b. Marketable securities held: Table 2 (attached)
- c. Marketable securities acquired and disposed of at costs or prices of at least \$100 million or 20% of the paid-in capital: Table 3 (attached)
- d. Acquisition of individual real estates at costs of at least \$100 million or 20% of the paid-in capital: Table 4 (attached)
- e. Disposal of individual real estates at prices of at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)
- f. Total purchase from or sale to related parties amounting to at least \$100 million or 20% of the paid-in capital: Table 6 (attached)
- g. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: Table 7 (attached)
- h. Names, locations, and related information of investees on which the Corporation exercises significant influence: Table 8 (attached)
- i. Derivative financial transactions: Please see Notes 5 and 25.

POWERCHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED

NINE MONTHS ENDED SEPTEMBER 30, 2007

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

Financing Company	Counter-party		Limits on Endorsement/ Guarantee Amount Provided to Each Counter-party (Note 2)	Maximum Balance for the Period (Note 3)	Ending Balance	Amount of Endorsement/Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/Guarantee Amount Allowable (Note 2)
	Name	Nature of Relationship						
Powerchip Semiconductor Corporation	Rexchip Electronics Corp.	Note 1	\$35,378,299	\$19,500,000	\$19,500,000	\$ -	17	\$58,963,832

Note 1: Investee which the investors endorsed/guaranteed at a percentage of ownership for joint investment.

Note 2: In accordance with the "Rules of Guarantees by the Corporation", the ceiling for total guaranteed amount was 50% of the Corporation's net asset value, and the limit of guaranteed amount for a single party was 30% of the Corporation's net asset value.

Note 3: Limit to 50% of the amount of the long-term secured loans agreement signed by Rexchip Electronics Corp. As of September 30, 2007, the long-term secured loan has not been drawn down by Rexchip Electronics Corp.

POWERCHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2007

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

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2007				Note
				Shares (Thousands/ Units) (Note 6)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Powerchip Semiconductor Corporation	Stock							
	Rexchip Electronics Corp.	Investee	Equity-method investments	1,312,600	\$ 20,480,487	46.67	\$ 20,480,487	Note 2
	Quantum Vision Corp.	Subsidiary	Equity-method investments	323,641	4,553,986	99.99	4,558,501	Note 1
	Li-Hsin Investment Corp.	Subsidiary	Equity-method investments	249,850	2,266,507	99.94	2,345,523	Note 1
	Paramax Corp.	Subsidiary	Equity-method investments	160,894	1,442,815	99.99	1,443,120	Note 1
	Rui-Wang Investment Corp.	Subsidiary	Equity-method investments	109,000	1,089,979	100.00	1,089,979	Note 1
	Global Powertec Co., Ltd.	Subsidiary	Equity-method investments	2,820	1,076,082	100.00	1,076,082	Note 1
	Lu-Chu Development Corp.	Investee	Equity-method investments	67,168	606,756	27.02	606,756	Note 2
	Smart Art Corp.	Subsidiary	Equity-method investments	57,406	571,412	44.16	571,412	Note 1
	Zhi-Li Investment Inc.	Investee	Equity-method investments	55,878	554,616	29.68	554,616	Note 2
	Artrix International Inc.	Investee	Equity-method investments	36,302	351,739	25.17	351,739	Note 2
	Novax Technologies, Inc.	Investee	Equity-method investments	25,290	311,797	24.54	311,797	Note 2
	Veutron Corp.	Investee	Equity-method investments	10,432	137,643	9.60	137,643	Notes 2 and 5
	Luxxon Technology Corp.	Investee	Equity-method investments	12,411	115,617	20.15	115,617	Note 2
	Powerflash Technology Corporation (named Smartic Technology Inc. before)	Investee	Equity-method investments	11,000	100,115	27.50	100,115	Note 2
	Synage Technology Corp.	Investee	Equity-method investments	9,815	94,537	21.01	94,537	Note 2
	Optimicro Corp.	Investee	Equity-method investments	14,700	85,975	29.40	85,975	Note 2
	Tekmax Development Corp.	Investee	Equity-method investments	6,132	85,485	15.57	85,485	Note 2
	Zentel Electronics Corp.	Investee	Equity-method investments	6,058	85,099	19.38	85,099	Note 2
	Syntronix Corp.	Investee	Equity-method investments	7,030	79,801	19.46	79,801	Note 2
	Deutron Japan Corp.	Investee	Equity-method investments	1,910	75,548	38.98	75,548	Note 2
	Astel Electronics Corp.	Investee	Equity-method investments	8,000	50,732	40.00	50,732	Note 2
	Retronix Technology Corp.	Investee	Equity-method investments	5,000	47,797	14.29	47,797	Note 2
	Siptron Technology Corporation (named PowerFlash Semiconductor Corp. before)	Subsidiary	Equity-method investments	4,160	37,620	32.00	42,692	Note 1
	Terax Communication Technologies Inc.	Investee	Equity-method investments	6,090	36,862	17.40	36,862	Note 2
	Network Holding Limited	Investee	Equity-method investments	1,000	33,110	9.09	33,110	Note 2
	Vivichip Electronics Corp.	Investee	Equity-method investments	4,000	32,652	40.00	32,652	Note 2
	MicroMedia Technology Corp.	Investee	Equity-method investments	3,000	22,125	30.00	22,125	Note 2
	Signia Technologies Co., Ltd.	Investee	Equity-method investments	5,187	15,411	28.01	15,411	Note 2
	MaxEdge Electronics Corp.	Investee	Equity-method investments	1,714	-	13.39	-	Note 2
	Optimax Technology Corp.	-	Available-for-sale financial assets	1	3	-	3	-
	Sino-Ocean Land Holdings Limited.	-	Available-for-sale financial assets	7	322	-	322	-
	Neo Solar Power Corp.	Same chairman	Financial assets carried at cost	12,674	223,558	13.15	223,558	Note 2
	Besteam Technology Inc.	-	Financial assets carried at cost	6,430	58,454	9.84	58,454	Note 2
	Taiwan Liposome Co., Ltd.	Quantum Vision is its director	Financial assets carried at cost	1,300	49,000	6.70	49,000	Note 2
	Deutron Electronics Corp.	Same chairman	Financial assets carried at cost	1,980	48,811	1.94	48,811	Note 2

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2007				Note
				Shares (Thousands/Units) (Note 6)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Silicon Optronics, Inc.	Corporation is its director	Financial assets carried at cost	2,380	\$ 30,019	10.91	\$ 30,019	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	3,150	27,792	6.94	27,792	Note 2
	PowerWorld Fund Inc.	Same chairman	Financial assets carried at cost	2,336	19,156	9.09	19,156	Note 2
	TwinMOS Technologies Inc.	-	Financial assets carried at cost	2,757	23,109	1.34	23,109	Note 2
	Universal Venture Fund, Inc.	Corporation is its director	Financial assets carried at cost	1,501	13,315	4.76	13,315	Note 2
	A-Optronics Technology Inc.	Corporation is its director	Financial assets carried at cost	2,232	19,865	6.98	19,865	Note 2
	EUDAR Technology Inc.	-	Financial assets carried at cost	600	15,420	2.20	15,420	Note 2
	Great Taipei Broadband Co., Ltd.	Corporation is its director	Financial assets carried at cost	2,500	13,800	1.67	13,800	Note 2
	Apacer Technology Inc.	-	Financial assets carried at cost	20,291	240,992	18.52	240,992	Note 2
	Advanced Chip Engineering Technology Inc.	-	Financial assets carried at cost	1,891	13,237	0.84	13,237	Note 2
	PowerGate Optical, Inc.	Same chairman	Financial assets carried at cost	1,154	10,089	3.61	10,089	Note 2
	Lightsonic Optoelectronics Inc.	Quantum Vision is its director	Financial assets carried at cost	1,700	8,789	1.83	8,789	Note 2
	Abico Shi-pro Co., Ltd.	Corporation is its director	Financial assets carried at cost	484	4,831	6.84	4,831	Note 2
	Phitech Corp.	-	Financial assets carried at cost	305	1,552	1.27	1,552	Note 2
	DRAMeXchange Tech. Inc.	-	Financial assets carried at cost	113	1,132	3.59	1,132	Note 2
	Asia Pacific Broadband Telecommunications Co., Ltd.	-	Financial assets carried at cost	12,000	-	0.18	-	Note 2
	Miluku Entertainment Corp.	Quantum Vision is its director	Financial assets carried at cost	220	-	1.80	-	Note 2
	Jade Pacific Corp.	-	Financial assets carried at cost	8	-	1.35	-	Note 2
	Ta Shee Golf & Country Club	-	Financial assets carried at cost	1	10	-	10	Note 2
	Magellan Systems Japan Inc.	-	Financial assets carried at cost	1	31,517	15.73	31,517	Note 2
	Venglobal Capital Fund L.P.	-	Financial assets carried at cost	-	16,590	5.18	16,590	Note 2
	Powerchip Japan Corporation	-	Financial assets carried at cost	1	11,870	6.18	11,870	Note 2
	e-Phocus, Inc.	-	Financial assets carried at cost	700	-	8.46	-	Note 2
	SemilLEDs Corp. Series C - preferred shares	-	Financial assets carried at cost	6,102	116,172	18.00	116,172	Note 2
	ZMOS Technology Inc., Series B-preferred shares	-	Financial assets carried at cost	3,000	98,220	9.02	98,220	Note 2
	Aptic Semiconductor, Inc., Series A-preferred shares	-	Financial assets carried at cost	1,522	11,533	10.10	11,533	Note 2
	e-Phocus, Inc., Series A-preferred shares	-	Financial assets carried at cost	333	11,460	33.33	11,460	Note 2
	e-Phocus, Inc., Series B-preferred shares	-	Financial assets carried at cost	667	10,030	33.33	10,030	Note 2
	Billions of Operations Per Second, Inc., Series A - preferred shares	-	Financial assets carried at cost	833	-	1.41	-	Note 2
	Billions of Operations Per Second, Inc., Series D - preferred shares	-	Financial assets carried at cost	658	-	1.12	-	Note 2
	Globalgate.com, Inc., Series A - preferred shares	-	Financial assets carried at cost	500	-	0.93	-	Note 2
	Macronix International Co., Ltd	Li-Hsin is its director	Financial assets at fair value through profit or loss	19,801	415,819	-	415,819	-
	Wafer Works Corp.	Corporation is its director	Financial assets at fair value through profit or loss	9,813	2,109,816	-	2,109,816	-
	Elan Microelectronics Corp.	-	Financial assets at fair value through profit or loss	16,011	1,186,415	-	1,186,415	-
	Shinkong Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss	35,787	1,111,196	-	1,111,196	-
	Hua Nan Financial Holdings Co., Ltd.	-	Financial assets at fair value through profit or loss	19,001	442,730	-	442,730	-
	Advanced Semiconductor Engineering, Inc.	-	Financial assets at fair value through profit or loss	10,601	384,292	-	384,292	-
	Wintek Corporation	-	Financial assets at fair value through profit or loss	3,576	158,398	-	158,398	-
	Chang Hwa Commercial Bank, Ltd.	-	Financial assets at fair value through profit or loss	4,938	107,648	-	107,648	-
	Depo Auto Parts Ind. Co., Ltd.	-	Financial assets at fair value through profit or loss	675	84,722	-	84,722	-
	Fullerton Technology Co., Ltd.	Quantum Vision is its director	Financial assets at fair value through profit or loss	3,078	82,644	-	82,644	-

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2007				Note
				Shares (Thousands/Units) (Note 6)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Taiwan Semiconductor Manufacturing Company Limited	-	Financial assets at fair value through profit or loss	2,600	\$ 164,580	-	\$ 164,580	-
	Silicon Integrated System Corp.	-	Financial assets at fair value through profit or loss	3,135	50,475	-	50,475	-
	Taiwan Cooperative Bank	-	Financial assets at fair value through profit or loss	2,650	63,335	-	63,335	-
	AboCom Systems, Inc.	-	Financial assets at fair value through profit or loss	1,909	43,812	-	43,812	-
	Tung Ho Steel Enterprise Corp.	-	Financial assets at fair value through profit or loss	3,000	169,200	-	169,200	-
	Nanya Technology Corp.	-	Financial assets at fair value through profit or loss	2,060	45,318	-	45,318	-
	NewSoft Technology Corp.	Quantum Vision is its director	Financial assets at fair value through profit or loss	180	1,780	-	1,780	-
	Hon Hai Precision Ind. Co., Ltd.	-	Financial assets at fair value through profit or loss	204	50,388	-	50,388	-
	Panram International Corp.	-	Financial assets at fair value through profit or loss	735	23,436	-	23,436	-
	DynaPack International Technology Corp.	-	Financial assets at fair value through profit or loss	980	94,578	-	94,578	-
	Tatung Corp.	-	Financial assets at fair value through profit or loss	800	13,760	-	13,760	-
	Hann Star Display Corp.	-	Financial assets at fair value through profit or loss	5,700	53,181	-	53,181	-
	First Financial Holding Co., Ltd.	-	Financial assets at fair value through profit or loss	1,020	23,970	-	23,970	-
	Gem Tek Technology Co., Ltd	-	Financial assets at fair value through profit or loss	839	70,166	-	70,166	-
	Asustek Computer Inc.	-	Financial assets at fair value through profit or loss	1,927	190,420	-	190,420	-
	TYn TEK Corp.	-	Financial assets at fair value through profit or loss	1,840	85,185	-	85,185	-
	Wan Hai Lines Ltd.	-	Financial assets at fair value through profit or loss	500	12,400	-	12,400	-
	CMC Magnetics Corp.	-	Financial assets at fair value through profit or loss	2,000	29,700	-	29,700	-
	Optimum Care International Tech. Inc.	-	Financial assets at fair value through profit or loss	1,050	19,740	-	19,740	-
	High Tech Computer Corp.	-	Financial assets at fair value through profit or loss	151	72,631	-	72,631	-
	Walsin Technology Corp.	-	Financial assets at fair value through profit or loss	500	17,500	-	17,500	-
	Chungghwa Telecom Co., Ltd.	-	Financial assets at fair value through profit or loss	300	18,300	-	18,300	-
	Media Tek Inc.	-	Financial assets at fair value through profit or loss	55	32,780	-	32,780	-
	China Steel Corp.	-	Financial assets at fair value through profit or loss	300	14,445	-	14,445	-
	Ta Chen Stainless Pipe Company Ltd.	-	Financial assets at fair value through profit or loss	500	25,950	-	25,950	-
	Elpida Memory Inc.	Subsidiary of Taiwan Elpida	Financial assets at fair value through profit or loss	429	513,187	-	513,187	-
	Silicon Storage Technology Inc.	-	Financial assets at fair value through profit or loss	68	7,096	-	7,096	-
	Bonds							
	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
	Equity							
	Fuh-Hwa Omni Fund	-	Financial assets at fair value through profit or loss	5,000	71,500	-	71,500	-
	Fuh-Hwa Heirloom No. 2 Balance Fund	-	Financial assets at fair value through profit or loss	639	10,836	-	10,836	-
	Shinkong Number One Real Estate Investment	-	Financial assets at fair value through profit or loss	17,804	179,820	-	179,820	-
	Fuh Hwa Asia Pacific Balance Fund	-	Available-for-sale financial assets	3,536	44,660	-	44,660	-
	UPAMC Fully Wealth Fund 1	-	Available-for-sale financial assets	2,998	31,486	-	31,486	-
	SKIT Strategy Balanced Fund 2	-	Available-for-sale financial assets	3,000	29,741	-	29,741	-
	SKIT ECB Balanced Fund	-	Available-for-sale financial assets	3,000	30,490	-	30,490	-
	Fubon No. 2 REITs	-	Available-for-sale financial assets	17,000	181,390	-	181,390	-
	Champion Real Estate Investment Trust	-	Available-for-sale financial assets	2,258	41,818	-	41,818	-

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2007				Note	
				Shares (Thousands/Units) (Note 6)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value		
Li-Hsin Investment Corp.	<u>Stock</u>								
	MaxEdge Electronics Corp.	Investee	Equity-method investments	1,715	\$ -	13.40	\$ -	Note 2	
	Synage Technology Corp.	Investee	Equity-method investments	6,139	58,961	13.14	58,961	Note 2	
	Novax Technologies, Inc.	Investee	Equity-method investments	5,380	66,338	5.22	66,338	Note 2	
	Luxxon Technology Corp.	Investee	Equity-method investments	2,413	22,493	3.92	22,493	Note 2	
	Tekmax Development Corp.	Investee	Equity-method investments	2,982	41,680	7.57	41,680	Note 2	
	Powerflash Technology Corporation.	Investee	Equity-method investments	830	7,683	2.77	7,683	Note 2	
	Artrix International Inc.	Investee	Equity-method investments	7,621	74,977	5.28	74,977	Note 2	
	Optimicro Corp.	Investee	Equity-method investments	2,118	12,399	4.24	12,399	Note 2	
	Lu-Chu Development Corp.	Investee	Equity-method investments	25,743	232,608	10.35	232,608	Note 2	
	Smart Art Corp.	Investee	Equity-method investments	17,813	177,272	13.70	177,272	Note 1	
	LoanSky.Net Corp.	Investee	Equity-method investments	400	2,659	8.00	2,659	Note 2	
	Deutron Japan Corp.	Investee	Equity-method investments	191	7,519	3.89	7,519	Note 2	
	Veutron Corp.	Investee	Equity-method investments	4,700	61,939	4.32	61,939	Notes 2 and 5	
	Navisys Technology Corp.	Investee	Equity-method investments	400	3,459	8.89	3,459	Note 2	
	Rexchip Electronics Corp.	Investee	Equity-method investments	15,625	250,000	0.56	250,000	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	
	SemiLEDs Corp.	-	Financial assets carried at cost	1,500	32,312	3.53	32,312	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	600	4,178	0.71	4,178	Note 2	
	PowerWorld Fund Inc.	Same chairman	Financial assets carried at cost	359	2,945	1.40	2,945	Note 2	
	Neo Solar Power Corp.	Same chairman	Financial assets carried at cost	1,077	24,204	1.12	24,204	Note 2	
	Deutron Electronics Corp.	Quantum Vision is its director	Financial assets carried at cost	656	15,015	0.64	15,015	Note 2	
	Getsilicon net, Inc.	-	Financial assets carried at cost	400	-	2.20	-	Note 2	
	Powerchip Japan Corp.	-	Financial assets carried at cost	1	1,729	0.90	1,729	Note 2	
	Umax System GmbH	-	Financial assets carried at cost	-	9,353	6.00	9,353	Note 2	
	Asia Global Venture Capital Co., Ltd.	-	Financial assets carried at cost	950	31,412	9.50	31,412	Note 2	
		<u>Bonds</u>							
		Veutron Corp. - issued in 2002 (II)	Investee	Held-to-maturity financial assets	3	10,500	-	10,500	Note 2
		Veutron Corp. - issued in 2003 (II)	Investee	Held-to-maturity financial assets	3	6,000	-	6,000	Note 2
		Veutron Corp. - issued in 2005 (I)	Investee	Held-to-maturity financial assets	4	20,000	-	20,000	Note 2
		Veutron Corp. - issued in 2006 (I)	Investee	Held-to-maturity financial assets	3	15,000	-	15,000	Note 2
		MaxEdge Electronics Corp. - issued in 2005 (I)	Investee	Held-to-maturity financial assets	10	10,000	-	10,000	Note 2
		MaxEdge Electronics Corp. - issued in 2005 (III)	Investee	Held-to-maturity financial assets	15	15,000	-	15,000	Note 2
		<u>Stock</u>							
	NewSoft Technology Corp.	Quantum Vision is its director	Financial assets at fair value through profit or loss	2,324	22,986	-	22,986	-	
	Fullerton Technology Co., Ltd.	Quantum Vision is its director	Financial assets at fair value through profit or loss	1,072	28,791	-	28,791	-	
	Macronix International Co., Ltd.	Li-Hsin is its director	Financial assets at fair value through profit or loss	6,489	136,261	-	136,261	-	
	Elan Microelectronics Corp.	-	Financial assets at fair value through profit or loss	5,050	374,205	-	374,205	-	
	MediaTek Inc.	-	Financial assets at fair value through profit or loss	20	11,920	-	11,920	-	
	High Tech Computer Corp.	-	Financial assets at fair value through profit or loss	20	9,620	-	9,620	-	
	Powerchip Semiconductor Corp.	Parent company	Available-for-sale financial assets	4,614	73,126	-	73,126	-	
	AIPTEK International Inc.	-	Available-for-sale financial assets	1,000	21,000	-	21,000	-	
	Pacgen Biopharmaceuticals Corp.	-	Available-for-sale financial assets	143	1,405	-	1,405	-	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2007				Note
				Shares (Thousands/Units) (Note 6)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	<u>Equity</u>							
	Cathay Bond Fund	-	Financial assets at fair value through profit or loss	13,911	\$ 181,961	-	\$ 181,961	-
	Polaris De-Bo Fund	-	Financial assets at fair value through profit or loss	9,020	101,173	-	101,173	-
	Paradigm Pion Fund	-	Financial assets at fair value through profit or loss	1,435	15,513	-	15,513	-
	Champion Real Estate Investment Trust	-	Available-for-sale financial assets	396	7,259	-	7,259	-
Quantum Vision Corp.	<u>Stock</u>							
	MaxEdge Electronics Corp.	Investee	Equity-method investments	1,425	-	11.13	-	Note 2
	Syntronix Corp.	Investee	Equity-method investments	714	8,122	1.98	8,122	Note 2
	Zentel Electronics Corp.	Investee	Equity-method investments	1,530	24,343	4.91	24,343	Note 2
	Synage Technology Corp.	Investee	Equity-method investments	3,165	30,319	6.77	30,319	Note 2
	Novax Technologies, Inc.	Investee	Equity-method investments	11,555	142,462	11.21	142,462	Note 2
	Luxxon Technology Corp.	Investee	Equity-method investments	7,877	73,387	12.79	73,387	Note 2
	MicroMedia Technology Corp.	Investee	Equity-method investments	1,000	7,961	10.00	7,961	Note 2
	Tekmax Development Corp.	Investee	Equity-method investments	6,004	83,910	15.24	83,910	Note 2
	Siptron Technology Corporation	Investee	Equity-method investments	1,040	10,673	8.00	10,673	Note 1
	Poweflash Technology Corporation	Investee	Equity-method investments	1,400	13,258	4.67	13,258	Note 2
	Artrix International Inc.	Investee	Equity-method investments	12,877	126,808	8.93	126,808	Note 2
	Optimicro Corp.	Investee	Equity-method investments	3,859	22,576	7.72	22,576	Note 2
	Lu-Chu Development Corp.	Investee	Equity-method investments	8,950	82,091	3.60	82,091	Note 2
	Astel Electronics Corp.	Investee	Equity-method investments	1,000	6,342	5.00	6,342	Note 2
	Smart Art Corp.	Investee	Equity-method investments	26,432	263,062	20.33	263,062	Note 1
	LoanSky.Net Corp.	Investee	Equity-method investments	1,000	6,648	20.00	6,648	Note 2
	Retronix Technology Corp.	Investee	Equity-method investments	1,000	9,566	2.86	9,566	Note 2
	Network Holdings Limited	Investee	Equity-method investments	2,135	68,755	19.41	68,755	Note 2
	Signia Technologies Co., Ltd.	Investee	Equity-method investments	795	2,360	4.29	2,360	Note 2
	Vivichip Electronics Corp.	Investee	Equity-method investments	100	816	1.00	816	Note 2
	Zhi-Li Investment Corp.	Investee	Equity-method investments	8,438	84,908	4.48	84,908	Note 2
	Veutron Corp.	Investee	Equity-method investments	3,767	49,753	3.47	49,753	Notes 2 and 5
	Terax Communication Technologies Inc.	Investee	Equity-method investments	3,134	18,961	8.95	18,961	Note 2
	Navisys Technology Corp.	Investee	Equity-method investments	805	6,960	17.89	6,960	Note 2
	eBsuccess Solutions Inc.	Investee	Equity-method investments	1,000	4,783	12.50	4,783	Note 2
	Rexchip Electronics Corp.	Investee	Equity-method investments	15,625	250,000	0.56	250,000	Note 2
	PowerGate Optical, Inc.	Same chairman	Financial assets carried at cost	2,339	20,458	7.32	20,458	Note 2
	Besteam Technology Inc.	-	Financial assets carried at cost	3,388	24,187	5.19	24,187	Note 2
	eMemory Technology Inc.	Parent company is its director	Financial assets carried at cost	1,091	-	2.43	-	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	1,104	13,500	3.41	13,500	Note 2
	Universal Venture Fund, Inc.	Quantum Vision is its director	Financial assets carried at cost	1,229	6,637	3.90	6,637	Note 2
	SAMHOP Electronics Corp.	-	Financial assets carried at cost	720	9,432	3.00	9,432	Note 2
	Impac Technology Co., Ltd.	-	Financial assets carried at cost	200	2,106	0.53	2,106	Note 2
	Lightsonic Optoelectronics Inc.	Quantum Vision is its director	Financial assets carried at cost	1,500	7,755	1.62	7,755	Note 2
	Ili Technology Corp.	Quantum Vision is its supervisor	Financial assets carried at cost	1,000	15,000	4.26	15,000	Note 2
	Silicon Optronics, Inc.	Parent company is its director	Financial assets carried at cost	870	10,988	4.02	10,988	Note 2
	Deutron Electronics Corp.	Quantum Vision is its director	Financial assets carried at cost	9,676	261,382	9.47	261,382	Note 2
	Neo Solar Power Corp.	Same chairman	Financial assets carried at cost	1,828	44,064	1.90	44,064	Note 2
	Billions of Operations Per Second, Inc.	-	Financial assets carried at cost	200	-	0.33	-	Note 2

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2007				Note
				Shares (Thousands/Units) (Note 6)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Nobex Corp.	-	Financial assets carried at cost	50	\$ -	-	\$ -	Note 2
	Magna Chip.	-	Financial assets carried at cost	1,168	-	-	-	Note 2
	MAXXAN Corp.	-	Financial assets carried at cost	403	-	0.25	-	Note 2
	e-Phocus, Inc. Series B - preferred shares	-	Financial assets carried at cost	133	2,865	4.44	2,865	Note 2
	Umax System GmbH	-	Financial assets carried at cost	-	10,912	7.00	10,912	Note 2
	Miluku Entertainment Corp.	Quantum Vision is its director	Financial assets carried at cost	219	-	1.80	-	Note 2
	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	642	5,267	2.50	5,267	Note 2
	TVbean Holding Ltd.	-	Financial assets carried at cost	300	4,500	1.60	4,500	Note 2
	A-Optronics Technology Inc.	Parent company is its director	Financial assets carried at cost	3,195	28,436	9.98	28,436	Note 2
	DRAMeXchange Tech. Inc.	-	Financial assets carried at cost	157	1,568	1.96	1,568	Note 2
	Apacer Technology Inc.	-	Financial assets carried at cost	309	8,662	0.28	8,662	Note 2
	SemiLEDs Corp.	-	Financial assets carried at cost	1,600	34,429	3.77	34,429	Note 2
	Phoenix Silicon International Corporation	-	Financial assets carried at cost	218	2,399	1.09	2,399	Note 2
	Aptic Semiconductor Inc. Series A - preferred shares	-	Financial assets carried at cost	870	6,676	12.66	6,676	Note 2
	Asia Global Venture Capital Co., Ltd.	-	Financial assets carried at cost	950	31,412	9.50	31,412	Note 2
	<u>Bonds</u>							
	Veutron Corp. - issued in 2002 (II)	Investee	Held-to-maturity financial assets	5	17,500	-	17,500	Note 2
	Veutron Corp. - issued in 2003 (II)	Investee	Held-to-maturity financial assets	13	26,000	-	26,000	Note 2
	Veutron Corp. - issued in 2005 (I)	Investee	Held-to-maturity financial assets	4	20,000	-	20,000	Note 2
	Veutron Corp. - issued in 2006 (I)	Investee	Held-to-maturity financial assets	5	25,000	-	25,000	Note 2
	MaxEdge Electronics Corp. - issued in 2005 (I)	Investee	Held-to-maturity financial assets	10	10,000	-	10,000	Note 2
	MaxEdge Electronics Corp. - issued in 2005 (II)	Investee	Held-to-maturity financial assets	20	20,000	-	20,000	Note 2
	MaxEdge Electronics Corp. - issued in 2005 (III)	Investee	Held-to-maturity financial assets	10	10,000	-	10,000	Note 2
	<u>Stocks</u>							
	NewSoft Technology Corp.	Quantum Vision is its director	Financial assets at fair value through profit or loss	1,873	18,526	-	18,526	-
	Silicon Storage Technology Inc.	-	Financial assets at fair value through profit or loss	40	4,196	-	4,196	-
	Fullerton Technology Co., Ltd.	Quantum Vision is its director	Financial assets at fair value through profit or loss	3,140	84,300	-	84,300	-
	Hua Nan Financial Holdings Co., Ltd.	-	Financial assets at fair value through profit or loss	1,000	23,300	-	23,300	-
	Wafer Works Corp.	Quantum Vision is its supervisor	Financial assets at fair value through profit or loss	3,463	744,641	-	744,641	-
	United Microelectronics Corp.	-	Financial assets at fair value through profit or loss	2,500	46,875	-	46,875	-
	Media Tek Inc.	-	Financial assets at fair value through profit or loss	30	17,880	-	17,880	-
	High Tech Computer Corp.	-	Financial assets at fair value through profit or loss	30	14,430	-	14,430	-
	Elan Microelectronics Corp.	-	Financial assets at fair value through profit or loss	3,670	271,947	-	271,947	-
	Powertech Technology Inc.	Quantum Vision is its director	Available-for-sale financial assets	3,671	480,965	-	480,965	-
	Pacgen Biopharmaceuticals Corp.	-	Available-for-sale financial assets	133	1,307	-	1,307	-
	Bond of Rich Development Co., Ltd.	-	Available-for-sale financial assets	50	5,475	-	5,475	-
	<u>Equity</u>							
	PCA Well Pool Fund	-	Financial assets at fair value through profit or loss	7,988	101,213	-	101,213	-
	ShingKong Chi-Shin Bond Fund	-	Financial assets at fair value through profit or loss	3,189	46,180	-	46,180	-
	Capital Income Fund	-	Financial assets at fair value through profit or loss	3,998	60,234	-	60,234	-
	Hua Nan Yung Chong Phoenix Bond Fund	-	Financial assets at fair value through profit or loss	3,297	50,138	-	50,138	-
	President James Bond Fund	-	Financial assets at fair value through profit or loss	3,213	50,139	-	50,139	-
	Champion Real Estate Investment Trust	-	Available-for-sale financial assets	450	8,249	-	8,249	-

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2007				Note
				Shares (Thousands/Units) (Note 6)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Paramax Corp.	<u>Stock</u>							
	MaxEdge Electronics Corp.	Investee	Equity-method investments	910	\$ -	7.11	\$ -	Note 2
	Synage Technology Corp.	Investee	Equity-method investments	1,908	18,289	3.82	18,289	Note 2
	Novax Technologies, Inc.	Investee	Equity-method investments	4,145	51,088	4.02	51,088	Note 2
	Luxxon Technology Corp.	Investee	Equity-method investments	3,167	29,492	5.14	29,492	Note 2
	Tekmax Development Corp.	Investee	Equity-method investments	1,111	15,527	2.82	15,527	Note 2
	Siptron Technology Corporation	Investee	Equity-method investments	500	5,136	3.85	5,136	Note 1
	Powerflash Technology Corporation	Investee	Equity-method investments	600	5,771	2.00	5,771	Note 2
	Artrix International Inc.	Investee	Equity-method investments	5,341	52,541	3.70	52,541	Note 2
	Optimicro Corp.	Investee	Equity-method investments	1,824	10,674	3.65	10,674	Note 2
	Lu-Chu Development Corp.	Investee	Equity-method investments	6,780	62,669	2.73	62,669	Note 2
	Smart Art Corp.	Investee	Equity-method investments	28,350	282,213	21.81	282,213	Note 1
	LoanSky.Net Corp.	Investee	Equity-method investments	400	2,659	8.00	2,659	Note 2
	Deutron Japan Corp.	Investee	Equity-method investments	82	3,228	1.67	3,228	Note 2
	Zhi-Li Investment Corp.	Investee	Equity-method investments	12,209	122,748	6.48	122,748	Note 2
	Retronix Technology Corp.	Investee	Equity-method investments	1,000	9,566	2.86	9,566	Note 2
	Veutron Corp.	Investee	Equity-method investments	8,705	114,846	8.01	114,846	Notes 2 and 5
	Terax Communication Technologies Inc.	Investee	Equity-method investments	1,132	6,864	3.24	6,864	Note 2
	Navisys Technology Corp.	Investee	Equity-method investments	820	7,088	18.22	7,088	Note 2
	eBsuccess Solutions Inc.	Investee	Equity-method investments	900	4,304	11.25	4,304	Note 2
	PowerGate Optical, Inc.	Parent company and investee have same chairman	Financial assets carried at cost	953	8,328	2.98	8,328	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
	SAMHOP Electronics Corp.	-	Financial assets carried at cost	440	7,040	1.83	7,040	Note 2
	Lightsonic Optoelectronics Inc.	Quantum Vision is its director	Financial assets carried at cost	1,000	5,170	1.08	5,170	Note 2
	PowerWorld Fund Inc.	Parent company and investee have same chairman	Financial assets carried at cost	1,168	9,578	4.55	9,578	Note 2
	Universal Venture Fund, Inc.	Parent company and investee have same chairman	Financial assets carried at cost	554	2,989	1.76	2,989	Note 2
	Ili Technology Corp.	Quantum Vision is its supervisor	Financial assets carried at cost	1,000	15,000	4.26	15,000	Note 2
	Powerchip Japan Corporation	-	Financial assets carried at cost	1	1,728	0.90	1,728	Note 2
	Softronix Corporation	Paramax Corp. is its director	Financial assets carried at cost	900	9,000	15.00	9,000	Note 2
	Tvbean Holding Ltd.	-	Financial assets carried at cost	200	3,500	1.06	3,500	Note 2
	Taiwan Liposome Co., Ltd.	Quantum Vision is its director	Financial assets carried at cost	200	8,000	0.80	8,000	Note 2
	Silicon Optronics, Inc.	Paramax Corp. is its supervisor	Financial assets carried at cost	700	8,826	3.99	8,826	Note 2
	<u>Bonds</u>							
	Veutron Corp. - issued in 2002 (II)	Investee	Held-to-maturity financial assets	2	7,000	-	7,000	Note 2
	Veutron Corp. - issued in 2003 (II)	Investee	Held-to-maturity financial assets	7	14,000	-	14,000	Note 2
	Veutron Corp. - issued in 2005 (I)	Investee	Held-to-maturity financial assets	4	20,000	-	20,000	Note 2
	Veutron Corp. - issued in 2006 (I)	Investee	Held-to-maturity financial assets	2	10,000	-	10,000	Note 2
	MaxEdge Electronics Corp. - issued in 2005 (I)	Investee	Held-to-maturity financial assets	5	5,000	-	5,000	Note 2
	MaxEdge Electronics Corp. - issued in 2005 (III)	Investee	Held-to-maturity financial assets	5	5,000	-	5,000	Note 2
	<u>Stock</u>							
	United Microelectronics Corp.	-	Financial assets at fair value through profit or loss	2,500	46,875	-	46,875	-

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2007				Note
				Shares (Thousands/Units) (Note 6)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Smart Art Corp.	<u>Equity</u> Hua Nan Kirin Bond Fund	-	Financial assets at fair value through profit or loss	7,199	\$ 80,644	-	\$ 80,644	-
	ShingKong Chi-Shin Bond Fund	-	Financial assets at fair value through profit or loss	3,478	50,373	-	50,373	-
	HSBC Taiwan Dragon	-	Financial assets at fair value through profit or loss	3,231	50,388	-	50,388	-
	Capital Income Fund	-	Financial assets at fair value through profit or loss	5,990	90,249	-	90,249	-
	<u>Stock</u> Veutron Corp.	Investee	Equity-method investments	1,000	13,191	0.92	13,191	Notes 2 and 5
	<u>Equity</u> Fuhwa Bond Fund	-	Financial assets at fair value through profit or loss	751	10,125	-	10,125	-
	President James Bond Fund	-	Financial assets at fair value through profit or loss	1,942	30,309	-	30,309	-
	Taishin Lucky Investment Trust Fund	-	Financial assets at fair value through profit or loss	7,252	75,260	-	75,260	-
	Hua Nan Yung Chong Phoenix Bond Fund	-	Financial assets at fair value through profit or loss	3,297	50,145	-	50,145	-
	Siptron Technology Corporation	<u>Stock</u> Zhi-Li Investment Inc.	Investee	Equity-method investments	3,230	32,549	1.67	32,549
Artrix International Inc.		Investee	Equity-method investments	700	7,000	0.49	7,000	Note 2
Vivichip Electronics Corp.		Investee	Equity-method investments	399	3,257	3.99	3,257	Note 2
Network Holdings Limited		Investee	Equity-method investments	1,100	34,771	18.18	34,771	Note 2
Powerchip Semiconductor Corporation		Parent company	Available-for-sale financial assets	1,000	15,850	-	15,850	-
<u>Bond</u> Veutron Corp. - issued in 2005 (I)		Li-Hsin is its director	Held-to-maturity financial assets	1	5,000	-	5,000	Note 2
Rui-Wang Investment Corp.	<u>Equity</u> AIG Domestic Bond Fund	-	Financial assets at fair value through profit or loss	1,946	25,096	-	25,096	-
	<u>Stock</u> Rexchip Electronics Corp.	Investee	Equity-method investments	62,500	1,000,000	2.22	1,000,000	Note 2
	<u>Equity</u> AIG Domestic Bond Fund	-	Financial assets at fair value through profit or loss	1,414	18,237	-	18,237	-
Global Powertec Co., Ltd.	<u>Stock</u> Vantel Corp.	Investee	Equity-method investments	5	90,683	64.97	90,683	Note 2
	Powerase Tech. Holding Ltd.	Investee	Equity-method investments	14,000	588,747	29.47	588,747	Note 2

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

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

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

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

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

Note 6: Prepayments for long-term investments of the Corporation, Quantum, Paramax and Global Powertec are excluded.

Note 7: In thousands, except for bond investments which are units.

(Concluded)

TABLE 3

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
 NINE MONTHS ENDED SEPTEMBER 30, 2007
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares (Thousands)	Amount	Shares (Thousands)	Amount	Shares (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares (Thousands)	Amount
Powerchip Semiconductor Corporation	<u>Stock</u> Rexchip Electronics Corp.	Equity-method investments	-	-	100	\$ 767	1,312,500	\$ 21,000,000	-	\$ -	\$ -	\$ -	\$ 1,312,600	\$ 20,480,487 (Note 1)
	Paramax Corp.	Equity-method investments	-	-	132,894	1,225,940	28,000	280,000	-	-	-	-	160,894	1,442,815 (Note 1)
	Rui-Wang Investment Corp.	Equity-method investments	-	-	80,000	800,244	29,000	290,000	-	-	-	-	109,000	1,089,979 (Note 1)
	Smart Art Corp.	Equity-method investments	-	-	35,137	352,784	22,269	222,692	-	-	-	-	57,406	571,412 (Note 1)
	Artrix International Inc.	Equity-method investments	-	-	22,429	254,870	13,873 (Note 4)	115,527	-	-	-	-	36,302	351,739 (Note 1)
	Global Powertec Co., Ltd.	Equity-method investments	-	-	1,620	482,128	1,200	396,320	-	-	-	-	2,820	1,076,082 (Note 1)
	Deutron Electronics Corp.	Financial assets carried at cost	-	-	6,997	229,968	480 (Note 4)	-	5,497	191,825	128,105	63,720	1,980	48,811 (Notes 1 and 3)
	Neo Solar Power Corp.	Financial assets carried at cost	-	-	9,600	96,710	3,074	115,187	-	-	-	-	12,674	223,558 (Notes 1 and 3)
	Apacer Technology Inc.	Financial assets carried at cost	-	-	-	-	20,591 (Note 4)	270,661	300	34,576	29,669	4,907	20,291	240,992
	Macronix International Co., Ltd.	Financial assets at fair value through profit or loss	-	-	151,333	2,133,800	25,611 (Note 4)	329,881	157,143	2,723,820	1,532,848	1,190,972	19,801	415,819 (Note 2)
	Elan Microelectronics Corp.	Financial assets at fair value through profit or loss	-	-	-	-	18,993	512,980	2,982	215,386	80,544	134,842	16,011	1,186,415 (Note 2)
	Shinkong Financial Holding Co., Ltd.	Financial assets at fair value through profit or loss	-	-	22,773	799,326	13,014 (Note 4)	434,021	-	-	-	-	35,787	1,111,196 (Note 2)
	Hua Nan Financial Holdings Co., Ltd.	Financial assets at fair value through profit or loss	-	-	14,291	345,134	4,710	118,184	-	-	-	-	19,001	442,730 (Note 2)
	Advanced Semiconductor Engineering, Inc.	Financial assets at fair value through profit or loss	-	-	5,485	202,945	5,116 (Note 4)	159,261	-	-	-	-	10,601	384,292 (Note 2)
	Chang Hwa Commercial Bank, Ltd.	Financial assets at fair value through profit or loss	-	-	5,400	122,850	4,843	104,488	5,305	117,936	115,255	2,681	4,938	107,648 (Note 2)
	Taiwan Semiconductor Manufacturing Company Limited	Financial assets at fair value through profit or loss	-	-	-	-	4,105 (Note 4)	267,342	1,505	105,954	100,388	5,566	2,600	164,580 (Note 2)
	Tung Ho Steel Enterprise Corp.	Financial assets at fair value through profit or loss	-	-	-	-	3,000	131,078	-	-	-	-	3,000	169,200 (Note 2)
	Asustek Computer Inc.	Financial assets at fair value through profit or loss	-	-	-	-	1,927 (Note 4)	178,842	-	-	-	-	1,927	190,420 (Note 2)
	ProMos Technologies Inc.	Financial assets at fair value through profit or loss	-	-	18,001	255,609	-	-	18,001	204,332	260,232	(55,900)	-	-
	Li-Hsin	<u>Stock</u> Rexchip Electronics Corp.	Equity-method investments	-	-	-	-	15,625	250,000	-	-	-	-	15,625
Elan Microelectronics Corp.		Financial assets at fair value through profit or loss	-	-	-	-	5,050	145,814	-	-	-	-	5,050	374,205 (Note 2)
<u>Equity</u> Cathay Bond Fund		Financial assets at fair value through profit or loss	-	-	-	-	15,445	200,000	1,534	20,000	19,857	143	13,911	181,961 (Note 2)
Polaris De-Bo Fund		Financial assets at fair value through profit or loss	-	-	-	-	9,020	100,000	-	-	-	-	9,020	101,173 (Note 2)
Hua Nan Kirin Bond Fund		Financial assets at fair value through profit or loss	-	-	-	-	9,029	100,000	9,029	101,128	100,000	1,128	-	-
Paradigm Pion Fund		Financial assets at fair value through profit or loss	-	-	-	-	9,344	100,000	7,909	87,000	86,648	352	1,435	15,513 (Note 2)
ShingKong Chi-Shin Bond Fund		Financial assets at fair value through profit or loss	-	-	-	-	6,978	100,000	6,978	101,047	100,000	1,047	-	-

(Continued)

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
Quantum	<u>Stock</u> Rexchip Electronics Corp.	Equity-method investments	-	-	-	\$ -	15,625	\$ 250,000	-	\$ -	\$ -	\$ -	15,625	\$ 250,000
	Smart Art Corp.	Equity-method investments	-	-	15,190	152,536	11,241	112,413	-	-	-	-	26,432	(Note 1) 263,062 (Note 1)
	Macronix International Co., Ltd.	Financial assets at fair value through profit or loss	-	-	13,161	185,564	-	-	13,161	200,292	100,723	99,569	-	-
	Elan Microelectronics Corp.	Financial assets at fair value through profit or loss	-	-	-	-	5,000	135,710	1,330	91,415	36,096	55,319	3,670	271,947 (Note 2)
	<u>Equity</u> Taishin Lucky Investment Trust Fund	Financial assets at fair value through profit or loss	-	-	19,502	200,016	-	-	19,502	201,271	200,000	1,271	-	-
	PCA Bond Fund	Financial assets at fair value through profit or loss	-	-	6,436	100,008	-	-	6,436	100,000	100,000	-	-	-
	PCA Well Pool Fund	Financial assets at fair value through profit or loss	-	-	-	-	7,988	100,000	-	-	-	-	7,988	101,213 (Note 2)
	Hua Nan Kirin Bond Fund	Financial assets at fair value through profit or loss	-	-	9,034	100,008	-	-	9,034	100,376	100,000	376	-	-
	ShingKong Chi-Shin Bond Fund	Financial assets at fair value through profit or loss	-	-	13,964	200,015	-	-	10,775	155,000	154,328	672	3,189	46,180 (Note 2)
	Paramax	<u>Stock</u> Smart Art Corp.	Equity-method investments	-	-	18,223	182,979	10,127	101,267	-	-	-	-	28,350
Smart Art	<u>Equity</u> Fuhwa Bond Fund	Financial assets at fair value through profit or loss	-	-	14,312	190,786	3,731	50,000	17,292	231,190	229,943	1,247	751	10,125 (Note 2)
	President James Bond Fund	Financial assets at fair value through profit or loss	-	-	-	-	6,438	100,000	4,496	70,000	69,817	183	1,942	30,309 (Note 2)
	Taishin Lucky Investment Trust Fund	Financial assets at fair value through profit or loss	-	-	-	-	9,664	100,000	2,412	25,000	24,962	38	7,252	75,260 (Note 2)
Rui-Wang	<u>Stock</u> Rexchip Electronics Corp.	Equity-method investments	-	-	-	-	62,500	1,000,000	-	-	-	-	62,500	1,000,000 (Note 1)
	<u>Equity</u> Fuhwa Bond Fund	Financial assets at fair value through profit or loss	-	-	11,257	150,059	-	-	11,257	151,834	150,000	1,834	-	-
	Jih Sun Bond Fund	Financial assets at fair value through profit or loss	-	-	3,666	50,016	5,084	70,000	8,750	120,418	120,000	418	-	-
	Polaris De-Li Fund	Financial assets at fair value through profit or loss	-	-	6,639	100,031	-	-	6,639	101,119	100,000	1,119	-	-
	Polaris De-Bo Fund	Financial assets at fair value through profit or loss	-	-	9,028	100,035	-	-	9,028	101,254	100,000	1,254	-	-
	ING Taiwan Bond Fund	Financial assets at fair value through profit or loss	-	-	6,638	100,035	-	-	6,638	101,184	100,000	1,184	-	-
	Cathay Bond Fund	Financial assets at fair value through profit or loss	-	-	8,676	100,032	-	-	8,676	101,142	100,000	1,142	-	-
	President James Bond Fund	Financial assets at fair value through profit or loss	-	-	6,484	100,034	4,491	70,000	10,975	171,279	170,000	1,279	-	-

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

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

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

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

(Concluded)

POWERCHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATES AT COSTS OF AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL

NINE MONTHS ENDED SEPTEMBER 30, 2007

(In Thousands of New Taiwan Dollars)

Company Name	Property	Transaction Date	Transaction Amount	Payment Status	Counter-party	Nature of Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
Powerchip Semiconductor Corporation	Buildings	January 16, 2007 - April 11, 2007	\$ 2,145,257	\$ 3,473,438	Toko Steel Structure Corp.	-	-	-	-	\$ -	-	Fab. 12C	-
Li-Hsin	Land	August 31, 2006	148,033	148,033	Yen Huei-Chong, etc.	-	-	-	-	-	According to the contracts	Investment	-
Paramax	Land	August 31, 2006	148,033	148,033	Yen Huei-Chong, etc.	-	-	-	-	-	According to the contracts	Investment	-

POWERCHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

DISPOSAL OF INDIVIDUAL REAL ESTATES AT PRICES OF AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL

NINE MONTHS ENDED SEPTEMBER 30, 2007

(In Thousands of New Taiwan Dollars)

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

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

POWERCHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

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

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

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Note/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Powerchip Semiconductor Corporation	Elpida Memory Inc.	Parent of Elpida-Taiwan	Sale	\$ 23,630,548	37	Note 2	\$ -	-	\$ 1,955,129	30	
	Deutron Electronics Corp.	Same chairman	Sale	13,905,286	22	Note 3	-	-	2,126,264	32	
	Novax Technologies, Inc.	Investee	Sale	3,161,846	5	Note 3	-	-	346,224	5	
	Zentel Electronics Corp.	Investee	Sale	2,468,003	4	Note 2	-	-	192,183	3	
	Syntronix Corp.	Investee	Sale	307,599	1	Note 2	-	-	95,009	1	
	Elpida Memory (Taiwan) Co., Ltd.	Director of the Corporation	Sale	302,611	-	Note 3	-	-	-	-	
	Silicon	Corporation is its director	Sale	145,874	-	Note 2	-	-	37,955	1	
	Powertech Technology Inc.	Quantum Vision is its director	Note 1	5,670,680	11	Note 4	-	-	(1,976,032)	(22)	
	Power ASE Technology Inc.	Indirect equity-method investee	Note 1	2,220,431	5	Note 4	-	-	(849,105)	(10)	

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
SEPTEMBER 30, 2007

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

Company Name	Related Party	Nature of Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Doubtful Accounts and Sales Discount
					Amount	Action Taken		
Powerchip Semiconductor Corporation	Deutron Electronics Corp.	Same chairman	\$ 2,126,264	9.01	\$ -	-	\$ 360,259	\$ 287,716
	Elpida Memory Inc.	Parent of Elpida-Taiwan	1,955,129	9.45	-	-	-	90,720
	Novax Technologies, Inc.	Investee	346,224	10.12	-	-	178,003	47,050
	Zentel Electronics Corp.	Investee	192,183	8.14	-	-	-	26,177

Note: 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
 NINE MONTHS ENDED SEPTEMBER 30, 2007
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2007			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note	
				September 30, 2007	Dec. 31, 2006	Shares (Thousands)	% of Ownership	Carrying Value				
Powerchip Semiconductor Corporation	Rexchip Electronics Corp.	Taichung, Taiwan	Electronic component manufacturing	\$ 21,001,000	\$ 1,000	1,312,600	46.67	\$ 20,480,487	\$ (1,041,393)	\$ (934,953)	Note	
	Quantum Vision Corp.	Taipei, Taiwan	Investment	2,971,900	2,971,900	323,641	99.99	4,553,986	828,716	826,101		
	Li-Hsin Investment Corp.	Taipei, Taiwan	Investment	2,498,500	2,498,500	249,850	99.94	2,266,507	252,062	238,419		
	Paramax Corp.	Taipei, Taiwan	Investment	1,608,940	1,328,940	160,894	99.99	1,442,815	(39,368)	(39,681)		
	Rui-Wang Investment Corp.	Taipei, Taiwan	Investment	1,090,000	800,000	109,000	100.00	1,089,979	(265)	(264)		
	Global Powertec Co., Ltd.	British Virgin Islands	Investment	927,556	531,236	2,820	100.00	1,076,082	198,041	198,041		
	Lu-Chu Development Corp.	Taipei, Taiwan	Transaction of real estate	671,683	634,990	67,168	27.02	606,756	(17,733)	(4,820)	Note	
	Smart Art Corp.	Taipei, Taiwan	Transaction of artistry	574,059	351,367	57,406	44.16	571,412	(8,023)	(3,557)		
	Zhi-Li Investment Corp.	Taipei, Taiwan	Investment	500,420	455,352	55,878	29.68	554,616	(66,571)	(30,129)	Note	
	Artrix International Inc.	Taipei, Taiwan	Investment	339,816	224,289	36,302	25.17	351,739	(27,473)	(13,714)	Note	
	Novax Technologies, Inc.	Taipei, Taiwan	Electronic components manufacturing	292,571	287,476	25,290	24.54	311,797	(5,920)	(4,272)	Note	
	Veutron Corp.	Taipei, Taiwan	Optical component manufacturing	94,855	94,855	10,432	9.60	137,643	62,823	6,031	Note	
	Luxxon Technology Corp.	Taoyuan, Taiwan	Electronic components manufacturing	245,331	207,331	12,411	20.15	115,617	(42,038)	(8,565)	Note	
	Powerflash Technology Corporation	Taipei, Taiwan	Design of electronic products	117,500	160,500	11,000	27.50	100,115	(18,640)	(13,257)	Note	
	Synage Technology Corp.	Taipei, Taiwan	Investment	144,208	-	9,815	21.01	94,537	(13,300)	-	Note	
	Optimicro Corp.	Taipei, Taiwan	Optical components manufacturing	147,000	147,000	14,700	29.40	85,975	(41,690)	(12,257)	Note	
	Tekmax Development Corp.	Taipei, Taiwan	Investment	58,640	58,640	6,132	15.57	85,485	88,588	13,028	Note	
	Zentel Electronics Corp.	Hsin-Chu, Taiwan	Design of electronic related products	50,480	53,000	6,058	19.38	85,099	131,027	32,125	Note	
	Syntronix Corp.	Hsin-Chu, Taiwan	Design of electronic related products	71,664	71,664	7,030	19.46	79,801	6,379	(2,906)	Note	
	Deutron Japan Corp.	Japan	Electronic components manufacturing	90,020	90,020	1,910	38.98	75,548	(68)	(27)	Note	
	Astel Electronics Corp.	Taipei, Taiwan	Electronic components manufacturing	80,000	80,000	8,000	40.00	50,732	(16,829)	(6,732)	Note	
	Retronix Technology Corp.	Taipei, Taiwan	Design and transaction of software	50,000	50,000	5,000	14.29	47,797	(4,905)	(832)	Note	
	Siptron Technology Corporation	Taipei, Taiwan	Design of electronic products	41,600	41,600	4,160	32.00	37,620	24,001	7,681		
	Terax Communication Technologies Inc.	Hsin-Chu, Taiwan	Design and transaction of software	88,344	88,344	6,090	17.40	36,862	(59,353)	(10,327)	Note	
	Network Holdings Limited	Samoa	Investment	33,110	-	1,000	9.09	33,110	1,196	-	Note	
Vivichip Electronics Corp.	Taipei, Taiwan	Electronic component manufacturing	40,000	40,000	4,000	40.00	32,652	(12,098)	(4,839)	Note		
MicroMedia Technology Corp.	Hsin-Chu, Taiwan	Electronic component manufacturing	30,000	30,000	3,000	30.00	22,125	(16,196)	(6,618)	Note		
Signia Technologies Co., Ltd.	Taipei, Taiwan	Design of electronic related products	98,626	98,626	5,187	28.01	15,411	(30,689)	(8,597)	Note		
MaxEdge Electronics Corp.	Taoyuan, Taiwan	PCB manufacturing	449,874	449,874	1,714	13.39	-	(11,586)	-	Note		
Li-Hsin Investment Corp.	MaxEdge Electronics Corp.	Taoyuan, Taiwan	PCB manufacturing	433,028	516,369	1,715	13.40	-	(11,586)	-	Note	
	Synage Technology Corp.	Taipei, Taiwan	Investment	106,493	-	6,139	13.14	58,961	(13,300)	(2,421)	Note	
	Novax Technologies, Inc.	Taipei, Taiwan	Electronic component manufacturing	58,512	58,512	5,380	5.22	66,338	(5,920)	(1,282)	Note	
	Luxxon Technology Corp.	Taoyuan, Taiwan	Electronic component manufacturing	31,079	13,079	2,413	3.92	22,493	(42,038)	(1,577)	Note	
	Tekmax Development Corp.	Taipei, Taiwan	Investment	34,208	34,208	2,982	7.57	41,680	88,588	6,150	Note	
	Powerflash Technology Corporation	Taipei, Taiwan	Design of electronic products	8,996	15,500	830	2.77	7,683	(18,640)	(717)	Note	
	Artrix International Inc.	Taipei, Taiwan	Investment	71,337	48,045	7,621	5.28	74,977	(27,473)	(1,699)	Note	
	Optimicro Corp.	Taipei, Taiwan	Optical component manufacturing	21,177	21,177	2,118	4.24	12,399	(41,690)	(1,768)	Note	
	Lu-Chu Development Corp.	Taipei, Taiwan	Transaction of real estate	257,434	243,371	25,743	10.35	232,608	(17,733)	(1,848)	Note	
	Smart Art Corp.	Taipei, Taiwan	Transaction of artistry	178,129	114,500	17,813	13.70	177,272	(8,023)	(1,128)	Note	
	LoanSky.Net Corp.	Taipei, Taiwan	Design of electronic products	4,000	4,000	400	8.00	2,659	(5,999)	(480)	Note	
	Deutron Japan Corp.	Japan	Electronic component manufacturing	9,067	9,067	191	3.89	7,519	(68)	(3)	Note	
	Veutron Corp.	Taipei, Taiwan	Optical component manufacturing	42,723	42,723	4,700	4.32	61,939	62,823	2,714	Note	
	Navisys Technology Corp.	Taipei, Taiwan	Electronic component manufacturing	4,000	4,000	400	8.89	3,459	(1,123)	(490)	Note	
	Rexchip Electronics Corp.	Taichung, Taiwan	Electronic component manufacturing	250,000	-	15,625	0.56	250,000	(1,041,393)	-	Note	
	Quantum Vision Corp.	MaxEdge Electronics Corp.	Taoyuan, Taiwan	PCB manufacturing	250,170	250,170	1,425	11.13	-	(11,586)	-	Note
		Syntronix Corp.	Hsin-Chu, Taiwan	Design of electronic products	7,380	7,380	714	1.98	8,122	6,379	(289)	Note
Zentel Electronics Corp.		Hsin-Chu, Taiwan	Design of electronic products	12,333	17,411	1,530	4.91	24,343	131,027	7,984	Note	
Synage Technology Corp.		Taipei, Taiwan	Investment	44,216	-	3,165	6.77	30,319	(13,300)	(488)	Note	
Novax Technologies, Inc.		Taipei, Taiwan	Electronic component manufacturing	118,088	132,206	11,555	11.21	142,462	(5,920)	(2,016)	Note	

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Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2007			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				September 30, 2007	Dec. 31, 2006	Shares (Thousands)	% of Ownership	Carrying Value			
	Luxxon Technology Corp.	Taoyuan, Taiwan	Electronic component manufacturing	\$ 134,699	\$ 96,699	7,877	12.79	\$ 73,387	\$ (42,038)	\$ (5,194)	Note
	MicroMedia Technology Corp.	Hsin-Chu, Taiwan	Electronic component manufacturing	10,000	10,000	1,000	10.00	7,961	(16,196)	(1,619)	Note
	Tekmax Development Corp.	Taipei, Taiwan	Investment	63,279	63,279	6,004	15.24	83,910	88,588	12,334	Note
	Siptron Technology Corporation	Taipei, Taiwan	Design of electronic products	10,107	10,107	1,040	8.00	10,673	(3,952)	1,920	
	Powerflash Technology Corporation	Taipei, Taiwan	Design of electronic products	15,400	19,800	1,400	4.67	13,258	(18,640)	(901)	Note
	Artrix International Inc.	Taipei, Taiwan	Investment	120,536	95,804	12,877	8.93	126,808	(27,473)	(2,537)	Note
	Optimicro Corp.	Taipei, Taiwan	Optical component manufacturing	38,586	39,873	3,859	7.72	22,576	(41,690)	(3,194)	Note
	Lu-Chu Development Corp.	Taipei, Taiwan	Transaction of real estate	89,501	73,268	8,950	3.60	82,091	(17,733)	(557)	Note
	Astel Electronics Corp.	Taipei, Taiwan	Electronic component manufacturing	10,000	10,000	1,000	5.00	6,342	(16,829)	(841)	Note
	Smart Art Corp.	Taipei, Taiwan	Transaction of artistry	264,315	151,902	26,432	20.33	263,062	(8,023)	(1,542)	
	LoanSky.Net Corp.	Taipei, Taiwan	Design of electronic products	10,000	10,000	1,000	20.00	6,648	(5,999)	(1,200)	Note
	Retronix Technology Corp.	Taipei, Taiwan	Design and transaction of software	10,000	10,000	1,000	2.86	9,566	(4,905)	(167)	Note
	Network Holdings Limited	Samoa	Investment	70,265	37,175	2,135	19.41	68,755	1,196	248	Note
	Signia Technologies Co., Ltd.	Taipei, Taiwan	Design of electronic products	7,949	7,949	795	4.29	2,360	(30,689)	(1,317)	Note
	Vivichip Electronics Corp.	Taipei, Taiwan	Electronic component manufacturing	1,000	1,000	100	1.00	816	(12,098)	(121)	Note
	Zhi-Li Investment Corp.	Taipei, Taiwan	Investment	77,894	56,200	8,438	4.48	84,908	(66,571)	(870)	Note
	Veutron Corp.	Taipei, Taiwan	Optical component manufacturing	38,816	38,816	3,767	3.47	49,753	62,823	2,180	Note
	Terax Communication Technologies Inc.	Hsin-Chu, Taiwan	Design and transaction of software	65,651	65,651	3,134	8.95	18,961	(59,353)	(5,312)	Note
	Navisys Technology Corp.	Taipei, Taiwan	Electronic component manufacturing	8,050	10,000	805	17.89	6,960	(5,517)	(986)	Note
	eBsuccess Solutions Inc.	Taipei, Taiwan	Design and transaction of software	11,000	11,000	1,000	12.50	4,783	(3,998)	(1,184)	Note
	Rexchip Electronics Corp.	Taichung, Taiwan	Electronic component manufacturing	250,000	-	15,625	0.56	250,000	-	-	Note
Paramax Corp.	MaxEdge Electronics Corp.	Taoyuan, Taiwan	PCB manufacturing	103,894	103,894	910	7.11	-	(11,586)	-	Note
	Synage Technology Corp.	Taipei, Taiwan	Investment	29,744	-	1,908	3.82	18,289	(13,300)	(420)	Note
	Novax Technologies, Inc.	Taipei, Taiwan	Electronic component manufacturing	44,505	44,505	4,145	4.08	51,088	(5,920)	(945)	Note
	Luxxon Technology Corp.	Taoyuan, Taiwan	Electronic component manufacturing	72,788	72,788	3,167	5.14	29,492	(42,038)	(2,233)	Note
	Tekmax Development Corp.	Taipei, Taiwan	Investment	14,000	14,000	1,111	2.82	15,527	88,588	2,266	Note
	Siptron Technology Corporation	Taipei, Taiwan	Design of electronic products	5,000	5,000	500	3.85	5,136	24,001	924	
	Powerflash Technology Corporation	Taipei, Taiwan	Design of electronic products	6,600	19,800	600	2.00	5,771	(18,640)	(300)	Note
	Artrix International Inc.	Taipei, Taiwan	Investment	49,998	42,456	5,341	3.70	52,541	(27,473)	(1,027)	Note
	Optimicro Corp.	Taipei, Taiwan	Optical component manufacturing	21,308	21,308	1,824	3.65	10,674	(41,690)	(1,522)	Note
	Lu-Chu Development Corp.	Taipei, Taiwan	Transaction of real estate	67,995	52,936	6,780	2.73	62,669	(17,733)	(403)	Note
	Smart Art Corp.	Taipei, Taiwan	Transaction of artistry	283,498	182,231	28,350	21.81	282,213	(8,023)	(1,796)	
	LoanSky.Net Corp.	Taipei, Taiwan	Design of electronic products	4,000	4,000	400	8.00	2,659	(5,999)	(480)	Note
	Deutron Japan Corp.	Japan	Electronic component manufacturing	3,895	11,031	82	1.67	3,228	(68)	(2)	Note
	Zhi-Li Investment Corp.	Taipei, Taiwan	Investment	111,054	102,470	12,209	6.48	122,748	(66,571)	(3,047)	Note
	Retronix Technology Corp.	Taipei, Taiwan	Design and transaction of software	10,000	10,000	1,000	2.86	9,566	(4,905)	(167)	Note
	Veutron Corp.	Taipei, Taiwan	Optical component manufacturing	75,053	75,053	8,705	8.01	114,846	62,823	5,032	Note
	Terax Communication Technologies Inc.	Hsin-Chu, Taiwan	Design and transaction of software	16,868	16,868	1,132	3.24	6,864	(59,353)	(1,923)	Note
	Navisys Technology Corp.	Taipei, Taiwan	Electronic component manufacturing	8,200	8,200	820	18.22	7,088	(5,517)	(1,005)	Note
	eBsuccess Solutions Inc.	Taipei, Taiwan	Design and transaction of software	9,900	9,900	900	11.25	4,304	(3,998)	(463)	Note
Smart Art Corp.	Veutron Corp.	Taipei, Taiwan	Optical component manufacturing	9,090	9,090	1,000	0.92	13,191	62,823	578	Note
Siptron Technology Corporation	Zhi-Li Investment Corp.	Taipei, Taiwan	Investment	29,248	26,648	3,230	1.72	32,549	(66,571)	(1,901)	Note
	Artrix International Inc.	Taipei, Taiwan	Investment	7,000	10,547	700	0.49	7,000	(27,473)	-	Note
	Vivichip Electronics Corp.	Taipei, Taiwan	Electronic component manufacturing	3,990	5,000	399	3.99	3,257	(12,098)	(483)	Note
	Network Holdings Limited	Samoa	Investment	36,154	32,845	1,100	10.00	34,771	1,196	471	Note
Global Powertec Co., Ltd.	Vantel Corp.	Japan	Design of electronic products	66,215	66,215	5	64.97	90,683	93,953	54,567	
	Powerase Tech. Holding Ltd.	Cayman Islands	Investment	455,980	455,980	14,000	29.47	588,747	490,077	144,444	Note
Rui-Wang Investment Corp.	Rexchip Electronics Corp.	Taichung, Taiwan	Electronic component manufacturing	1,000,000	-	62,500	2.22	1,000,000	(1,041,393)	-	Note

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)