

SILICONWARE PRECISION INDUSTRIES CO., LTD.

FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

June 30, 2007 AND 2006

These English financial statements and report of independent accountants were translated from the financial statements and report of independent accountants originally prepared in Chinese.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
Siliconware Precision Industries Co., Ltd.

We have audited the accompanying non-consolidated balance sheets of Siliconware Precision Industries Co., Ltd. as of June 30, 2007 and 2006, and the related non-consolidated statements of income, of changes in stockholders' equity and of cash flows for the six month periods then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as explained in the following paragraph, we conducted our audits in accordance with the "Rules Governing Examination of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 8, the investment income (loss) recognized for certain investee companies accounted for under the equity method at June 30, 2007 and 2006, and the information disclosed in Note 28 in relation to the investee companies were based on the unaudited financial statements of the investee companies for the same periods. As of June 30, 2007 and 2006, the investment amounts of \$3,833,511 thousand and \$7,632,363 thousand, respectively, and the related investment income of \$402,567 thousand and \$464,268 thousand, respectively, for the six month periods ended June 30, 2007 and 2006, respectively, were recognized for these investee companies.

In our opinion, except for the effects on the financial statements as of and for the six-month periods ended June 30, 2007 and 2006 of such adjustments, if any, as might have been determined to be necessary had the financial statements of the investee companies accounted for under the equity method as described in the preceding paragraph been audited by independent accountants, the accompanying non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of Siliconware Precision Industries Co., Ltd. as of June 30, 2007 and 2006, and the results of its non-consolidated operations and its non-consolidated cash flows for the six-month periods then ended, in conformity with the "Rules Governing the Preparation of Financial Reports by Securities Issuers", "Business Entity Accounting Law", "Regulation on Business Entity Accounting Handling" and accounting principles generally accepted in the Republic of China.

As described in Note 3, commencing from January 1, 2006, the Company adopted amended Statement of Financial Accounting Standards No. 34, "Accounting for Financial Instruments", and No. 36, "Disclosure and Presentation of Financial Instruments".

Siliconware Precision Industries Co., Ltd. has prepared the consolidated financial statements for the six-month periods ended June 30, 2007 and 2006. We have also reviewed and issued a qualified review report on the consolidated balance sheets of Siliconware Precision Industries Co., Ltd. and its subsidiaries as of June 30, 2007 and 2006, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the six-month periods then ended.

Taichung, Taiwan
Republic of China

August 3, 2007

The accompanying non-consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying non-consolidated financial statements and report of the independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

SILICONWARE PRECISION INDUSTRIES CO., LTD.
NON-CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	June 30,	
	2007	2006
ASSETS		
Current Assets		
Cash (Note 4)	\$ 22,490,743	\$ 13,122,206
Notes receivable, net	100,801	222,455
Accounts receivable, net (Notes 5 and 22)	9,644,798	7,994,222
Other financial assets, current (Notes 22 and 23)	1,012,872	1,123,845
Inventories (Note 6)	2,880,839	2,982,550
Deferred tax assets, current (Note 19)	1,111,099	820,480
Other current assets - other	546,914	549,050
	<u>37,788,066</u>	<u>26,814,808</u>
Long-term Investments		
Available for sale financial assets (Notes 7 and 27)	11,179,489	8,181,516
Financial assets carried at cost	-	3,891
Long-term investment under equity method (Note 8)	3,833,511	7,632,363
	<u>15,013,000</u>	<u>15,817,770</u>
Property, Plant and Equipment (Notes 9)		
Cost:		
Land	2,892,083	2,128,476
Buildings	7,678,161	7,234,472
Machinery and equipment	47,300,143	41,714,592
Utility equipment	606,486	572,818
Furniture and fixtures	710,364	596,691
Other equipment	1,921,637	1,723,810
	<u>61,108,874</u>	<u>53,970,859</u>
Less: Accumulated depreciation	(30,018,331)	(25,184,110)
Construction in progress and prepayments for equipment	2,871,304	1,826,801
	<u>33,961,847</u>	<u>30,613,550</u>
Other Assets		
Refundable deposits	9,381	6,880
Deferred charges	722,207	706,624
Deferred income tax asset, noncurrent (Note 19)	887,712	1,602,241
Other assets - other (Note 10)	116,011	272,317
	<u>1,735,311</u>	<u>2,588,062</u>
<u>TOTAL ASSETS</u>	<u><u>\$ 88,498,224</u></u>	<u><u>\$ 75,834,190</u></u>

(Continued)

SILICONWARE PRECISION INDUSTRIES CO., LTD.
NON-CONSOLIDATED BALANCE SHEETS (CONTINUED)
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	June 30,	
	2007	2006
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Notes payable	\$ -	\$ 879
Accounts payable (Note 22)	5,474,259	4,492,097
Income tax payable (Note 19)	646,735	395,881
Accrued expenses (Note 22)	1,754,135	1,537,729
Other payables (Notes 11 and 22)	13,134,212	6,433,622
Current portion of long-term loans (Notes 12 and 13)	108,636	1,994,126
Other current liabilities	351,514	357,175
	<u>21,469,491</u>	<u>15,211,509</u>
Long-term Liabilities		
Bonds payable (Notes 12 and 27)	-	5,918,271
Long-term loans (Notes 13 and 27)	2,984,690	1,666,660
	<u>2,984,690</u>	<u>7,584,931</u>
Other Liabilities (Note 14)	209,057	347,150
Total Liabilities	<u>24,663,238</u>	<u>23,143,590</u>
Stockholders' Equity (Notes 1 and 15)		
Capital stock	29,739,667	25,062,567
Stock dividends to be distributed	938,761	2,677,943
Capital reserve (Note 16)		
Additional paid-in capital	14,380,675	10,031,890
Premium arising from merger	1,951,563	1,951,563
Other	249,183	92,404
Retained earnings (Note 17)		
Legal reserve	3,340,131	2,003,494
Special reserve	-	50,029
Unappropriated earnings	7,934,977	6,363,731
Unrealized gain on available for sale financial assets	6,066,178	5,352,861
Cumulative translation adjustments	29,822	(65,230)
Net loss not recognized as pension cost	(1,787)	(1,787)
Treasury stock (Note 18)	(794,184)	(828,865)
Total Stockholders' Equity	<u>63,834,986</u>	<u>52,690,600</u>
Commitments and Contingencies (Note 24)		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 88,498,224</u>	<u>\$ 75,834,190</u>

The accompanying notes are an integral part of these non-consolidated financial statements.
See report of independent accountants dated August 3, 2007.

SILICONWARE PRECISION INDUSTRIES CO., LTD.
NON-CONSOLIDATED STATEMENTS OF INCOME
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT EARNINGS PER SHARE DATA)

	For the six months ended June 30,			
	2007		2006	
Operating Revenues				
Sales (Note 22)	\$	29,142,926	\$	27,214,484
Sales allowances	(	158,584)	(	134,644)
Net operating revenues		28,984,342		27,079,840
Cost of Goods Sold (Note 22)	(	20,537,938)	(	19,959,840)
Gross Profit		<u>8,446,404</u>		<u>7,120,000</u>
Operating Expenses (Notes 22)				
Selling expenses	(	396,097)	(	368,988)
General and administrative expenses	(	544,117)	(	488,678)
Research and development expenses	(	663,162)	(	514,878)
	(	<u>1,603,376)</u>	(	<u>1,372,544)</u>
Operating Income and Gain		<u>6,843,028</u>		<u>5,747,456</u>
Non-operating Income and Gain				
Interest income (Note 27)		152,634		177,183
Investment income recognized under the equity method (Note 8)		402,567		464,268
Gain on disposal of investment (Note 8)		793,350		-
Others (Note 22)		610,912		382,502
		<u>1,959,463</u>		<u>1,023,953</u>
Non-operating Expenses and Losses				
Interest expenses (Note 27)	(	31,172)	(	73,722)
Others (Note 22)	(	69,740)	(	68,262)
	(	<u>100,912)</u>	(	<u>141,984)</u>
Income from Continuing Operations Before Income Tax		8,701,579		6,629,425
Income Tax Expense (Note 19)	(	1,038,617)	(	313,253)
Net Income	\$	<u>7,662,962</u>	\$	<u>6,316,172</u>
		<u>Before tax</u>	<u>After tax</u>	<u>Before tax</u>
Basic Earnings Per Share (in dollars) (Note 20)				
Net income	\$	<u>3.00</u>	\$	<u>2.64</u>
Net income	\$	<u>2.97</u>	\$	<u>2.62</u>
Diluted Earnings Per Share (in dollars) (Note 20)				
Net income	\$	<u>2.97</u>	\$	<u>2.62</u>
Net income	\$	<u>2.97</u>	\$	<u>2.29</u>
Net income	\$	<u>2.97</u>	\$	<u>2.19</u>
Pro forma information as if the stock of the Company held by subsidiaries was not treated as treasury stock:				
Net income	\$	<u>8,821,177</u>	\$	<u>7,782,561</u>
Basic Earnings Per Share (in dollars)	\$	<u>3.00</u>	\$	<u>2.65</u>
Diluted Earnings Per Share (in dollars)	\$	<u>2.98</u>	\$	<u>2.63</u>
	\$	<u>2.98</u>	\$	<u>2.26</u>
	\$	<u>2.98</u>	\$	<u>2.17</u>

The accompanying notes are an integral part of these non-consolidated financial statements.
See report of independent accountants dated August 3, 2007.

SILICONWARE PRECISION INDUSTRIES CO., LTD.
NON-CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Stock		Retained Earnings			Unrealized Gain(Loss)	Cumulative	Net Loss Not	Treasury	Total	
	Capital Stock	Dividends To Be Distributed	Capital Reserve	Legal Reserve	Special Reserve	Unappropriated Earnings	On Available-for-sale Financial Assets	Translation Adjustments			Recognized Pension Cost
Balance at January 1, 2006	\$ 23,289,193	\$ -	\$ 8,853,379	\$ 1,179,104	\$ 141,053	\$ 8,241,034	(\$ 737)	(\$ 47,463)	(\$ 1,828)	(\$ 828,728)	\$ 40,825,007
Appropriation for legal reserve	-	-	-	824,390	-	(824,390)	-	-	-	-	-
Appropriation for special reserve	-	-	-	-	(91,024)	91,024	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	(149,324)	-	-	-	-	(149,324)
Employees' cash bonus	-	-	-	-	-	(463,284)	-	-	-	-	(463,284)
Employees' stock bonus	-	267,794	-	-	-	(267,794)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(4,169,558)	-	-	-	-	(4,169,558)
Appropriation for stock dividends to be distributed	-	2,410,149	-	-	-	(2,410,149)	-	-	-	-	-
Conversion of Euro convertible bonds	1,676,410	-	3,197,554	-	-	-	-	-	-	-	4,873,964
Employee stock option exercised	96,964	-	18,458	-	-	-	-	-	-	-	115,422
Long-term investment adjustment for investee company's additional paid-in capital	-	-	6,466	-	-	-	-	-	-	-	6,466
Long-term investment adjustment for investee company's cumulative translation adjustment	-	-	-	-	-	-	-	(17,767)	-	-	(17,767)
Unrealized gain on available for sale securities	-	-	-	-	-	-	5,353,598	-	-	-	5,353,598
Long-term investment adjustment for investee company's treasury stock variances	-	-	-	-	-	-	-	-	-	(137)	(137)
Long-term investment adjustment for investee company's unrecognized pension cost	-	-	-	-	-	-	-	-	41	-	41
Net income	-	-	-	-	-	6,316,172	-	-	-	-	6,316,172
Balance at June 30, 2006	<u>\$ 25,062,567</u>	<u>\$ 2,677,943</u>	<u>\$ 12,075,857</u>	<u>\$ 2,003,494</u>	<u>\$ 50,029</u>	<u>\$ 6,363,731</u>	<u>\$ 5,352,861</u>	<u>(\$ 65,230)</u>	<u>(\$ 1,787)</u>	<u>(\$ 828,865)</u>	<u>\$ 52,690,600</u>

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SILICONWARE PRECISION INDUSTRIES CO., LTD.
NON-CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)
FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Capital Stock	Stock	Capital Reserve	Retained Earnings			Unrealized Gain On Available-for-sale Financial Assets	Cumulative Translation Adjustments	Net Loss Not Recognized Pension Cost	Treasury Stock	Total
		To Dividends Be Distributed		Legal Reserve	Special Reserve	Unappropriated Earnings					
Balance at January 1, 2007	\$ 28,877,574	\$ -	\$ 14,645,653	\$ 2,003,494	\$ 50,029	\$ 13,413,928	\$ 4,765,148	(\$ 22,276)	(\$ 1,787)	(\$ 795,550)	\$ 62,936,213
Appropriation for legal reserve	-	-	-	1,336,637	-	(1,336,637)	-	-	-	-	-
Appropriation for special reserve	-	-	-	-	(50,029)	50,029	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	(120,797)	-	-	-	-	(120,797)
Employees' cash bonus	-	-	-	-	-	(821,415)	-	-	-	-	(821,415)
Employees' stock bonus	-	352,035	-	-	-	(352,035)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(9,974,332)	-	-	-	-	(9,974,332)
Appropriation for stock dividends to be distributed	-	586,726	-	-	-	(586,726)	-	-	-	-	-
Conversion of Euro convertible bonds	773,868	-	1,853,831	-	-	-	-	-	-	-	2,627,699
Employee stock option exercised	88,225	-	(7,016)	-	-	-	-	-	-	-	81,209
Long-term investment adjustment for investee company's additional paid-in capital	-	-	88,953	-	-	-	-	-	-	-	88,953
Long-term investment adjustment for investee company's cumulative translation adjustment	-	-	-	-	-	-	-	52,098	-	-	52,098
Unrealized gain on available for sale securities	-	-	-	-	-	-	1,301,030	-	-	-	1,301,030
Long-term investment adjustment for investee company's treasury stock variances	-	-	-	-	-	-	-	-	-	1,366	1,366
Net income	-	-	-	-	-	7,662,962	-	-	-	-	7,662,962
Balance at June 30, 2007	\$ 29,739,667	\$ 938,761	\$ 16,581,421	\$ 3,340,131	\$ -	\$ 7,934,977	\$ 6,066,178	\$ 29,822	(\$ 1,787)	(\$ 794,184)	\$ 63,834,986

The accompanying notes are an integral part of these non-consolidate financial statements.
See report of independent accountants dated August 3, 2007.

SILICONWARE PRECISION INDUSTRIES CO., LTD.
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	For the six months ended June 30,	
	2007	2006
Cash flows from operating activities		
Net income	\$ 7,662,962	\$ 6,316,172
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,534,979	3,203,940
Amortization	275,620	276,471
Bad debts expense	20,218	(1,951)
(Reversal of) provision for sales allowance	(34,184)	32,352
Recovery of loss on obsolescence and decline in market value of inventories	-	(4,500)
Gain on disposal of investment	(793,350)	-
Long-term investment income under the equity method	(402,567)	(464,268)
Investment loss	3,891	-
Loss (gain) on disposal of property, plant and equipment	13,071	(27,772)
Provision for loss on idle assets	15,304	17,240
Amortization of discount on long-term notes	31,137	-
Compensation interest on bonds payable	36	29,658
Foreign currency exchange loss (gain) on bonds payable	34,367	(166,214)
(Increase) decrease in assets:		
Notes receivable	(59,690)	(65,556)
Accounts receivable	(772,509)	1,344,027
Other financial assets, current	(330,642)	(149,899)
Inventories	(115,513)	(214,137)
Deferred income tax assets	367,104	46,180
Other current assets	(76,861)	(24,409)
Increase (decrease) in liabilities:		
Notes payable	-	(4,614)
Accounts payable	1,506,186	(538,931)
Income tax payable	(300,647)	242,865
Accrued expenses	(279,434)	(41,954)
Other payables	171,719	(290,312)
Other current liabilities	(48,556)	47,312
Net cash provided by operating activities	<u>10,422,641</u>	<u>9,561,700</u>

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SILICONWARE PRECISION INDUSTRIES CO., LTD.
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>For the six months ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Cash flows from investing activities		
(Payment for) refund of security deposits	(\$ 16,895)	\$ 9,200
Purchase of long-term investment under equity method	-	(487,050)
Purchase of available for sale financial assets	(2,523,529)	-
Proceeds from disposal of long-term investment	6,289,854	-
Acquisition of property, plant and equipment	(4,895,830)	(5,221,657)
Proceeds from disposal of property, plant and equipment	340,581	119,850
Payment for deferred charges	(317,099)	(209,212)
(Payment for) receipt of refundable deposits	(1,167)	261
Net cash used in investing activities	<u>(1,124,085)</u>	<u>(5,788,608)</u>
Cash flows from financing activities		
Proceeds form long-term loans	5,965,080	-
Repayment of long-term loans	(6,000,000)	(1,500,000)
(Repayment) receipt of deposit-in	(67,325)	313,582
Redemption of bonds payable	(18,913)	-
Proceeds from the exercise of employee stock option	81,209	115,422
Remuneration to directors and supervisors	(120,798)	(149,324)
Net cash used in financing activities	<u>(160,747)</u>	<u>(1,220,320)</u>
Net increase in cash	9,137,809	2,552,772
Cash at the beginning of the period	13,352,934	10,569,434
Cash at the end of the period	<u>\$ 22,490,743</u>	<u>\$ 13,122,206</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ 31,172</u>	<u>\$ 75,529</u>
Cash paid for income tax	<u>\$ 972,160</u>	<u>\$ 24,209</u>
Supplemental disclosures of partial cash paid for investing activities:		
Acquisition of property, plant and equipment	\$ 5,484,035	\$ 4,903,733
Add : Payable at the beginning of the period	1,127,306	1,565,412
Less : Payable at the end of the period	(1,715,511)	(1,247,488)
Cash paid	<u>\$ 4,895,830</u>	<u>\$ 5,221,657</u>
Non-cash financing activities:		
Employees' cash bonuses and stockholders' cash dividends	\$ 10,795,747	\$ 4,632,842
Less: Payable for employees' cash bonus and stockholders' cash dividends	(10,795,747)	(4,632,842)
Cash paid	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these non-consolidated financial statements.
See report of independent accountants dated August 3, 2007

SILICONWARE PRECISION INDUSTRIES CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT EARNINGS AND PAR VALUE PER SHARE)

1. HISTORY AND ORGANIZATION

Siliconware Precision Industries Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the Company Law of the Republic of China (ROC) in May 1984 and was listed on the Taiwan Stock Exchange in April 1993. As of June 30, 2007, issued common stock was \$29,739,667. The Company is mainly engaged in the assembly, testing and turnkey services of integrated circuits. As of June 30, 2007, the Company has 13,723 employees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial Statements are prepared in conformity with the “Rules Governing the Preparation of Financial Reports by Securities Issuers”, “Business Entity Accounting Law”, “Regulation on Business Entity Accounting Heading” and generally accepted accounting principles in the Republic of China. Significant accounting policies are summarized as follows:

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingencies at the date of the financial statements and the reported amounts of revenues, costs of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Foreign Currency Transactions

The Company maintains its accounts in New Taiwan dollars. Transactions denominated in foreign currencies are translated into New Taiwan dollars at the exchange rates prevailing on the transaction dates. Receivables, other monetary assets and liabilities denominated in foreign currencies are translated into New Taiwan dollars at the exchange rates prevailing at the balance sheet date. Exchange gains or losses arising from the aforementioned translations are recognized in the current year's results.

Classification of current and non-current assets/liabilities

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (1) Assets arising from operating activities that are expected to be realized or consumed, or are intended to be sold within the normal operation cycle;
 - (2) Assets held mainly for trading purposes;

- (3) Assets that are expected to be realized within twelve months from the balance sheet date;
- (4) Cash or cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities.

- (1) Liabilities arising from operating activities that are expected to be paid off within the normal operating cycle;
- (2) Liabilities arising mainly from trading activities;
- (3) Liabilities that are to be paid off within twelve months from the balance sheet date;
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

Accounts Receivable

Accounts receivable expected to be collected over one year are recorded at present value by using predetermined interest rate whereas those expected to be collected within one year are not reported at present value due to the fact that the difference between the maturity value and the fair value discounted by implicit interest rate is immaterial and the frequency of transactions is high.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is estimated based on the evaluation of collectibility and aging analysis of notes receivables, accounts receivable and other receivables.

Allowance for Sales Discounts

The allowance for sales discounts is provided based on the estimated allowance to be incurred and is recorded as deduction of accounts receivable.

Inventories

Inventories are recorded at cost when acquired under a perpetual inventory system and are stated at the lower of aggregate cost, determined by the weighted-average method, or market value at the balance sheet date. The market values of raw materials and supplies are determined on the basis of replacement cost, while market values of finished goods and work in process are determined on the basis of net realizable value. The allowance for loss on obsolescence and decline in market value is provided based on management's analysis on inventory aging and obsolescence, when necessary.

Available-for-sale financial assets

Investments in equity securities are recorded at the transaction date, rather than settlement date. Available-for-sale securities are measured at fair value at balance sheet date with changes in fair value recorded as adjustments to the shareholders' equity. The accumulated adjustments of

unrealized gain or loss are realized in earnings in the period when the financial assets are disposed. Fair values of listed securities are measured at their closing price at balance sheet date. The Company recognizes impairment loss whenever there is objective evidence of impairment. Such impairment loss shall not be reversed when the fair value of the asset subsequently increases.

Financial assets carried at cost

Equity securities measured at fair value along with transaction costs are recorded at the transaction date. Equity securities without quoted market values are recorded at cost. The Company recognizes impairment loss whenever there is objective evidence of impairment. Such impairment loss shall not be reversed when the fair value of the asset subsequently increases.

Long-term Investments accounted for under the equity method

- A. Long-term equity investments in which the Company owns at least 20% of the voting rights of the investee companies are accounted for under the equity method, unless the Company cannot exercise significant influence over the investee company. The excess of the acquisition cost over the investee's fair value of the identifiable net assets acquired is capitalized as goodwill and tested for impairment annually. No prior period adjustment is required for the amortization in previous years. Long-term equity investments in which the Company holds more than 50% of the voting stocks or has controlling interests over the investee companies are included in the annual and semi-annual consolidated financial statements.
- B. Unrealized gains and losses from transactions between the Company and investee companies accounted for under the equity method are deferred. Profit (loss) from sales of depreciable assets between the investee and the Company is amortized to income over the assets' economic service lives. Unrealized gain from other types of intercompany transactions is reported as deferred credits classified as current or non-current liabilities.
- C. When the Company's proportional interest in an equity investee changes after the equity investee issues new shares, the effect of change in the Company's holding ratio on long-term investment is adjusted to capital reserve. If capital reserve account is insufficient, the effect is then charged to retained earnings.
- D. The Company's proportionate share of the foreign investee's cumulative translation adjustments related to the translation of the foreign investee's financial statements into New Taiwan dollars is recognized as "Cumulative Translation Adjustments" in the stockholders' equity.

Property, Plant and Equipment

- A. Property, plant and equipment are stated at historical cost. Interest incurred relating to the construction of property, plant and equipment is capitalized and depreciated accordingly.

- B. Depreciation is provided on the straight-line method over the assets' estimated economic service lives, plus an additional year as the salvage value. Salvage values of fixed assets which are still in use after reaching their estimated economic service lives are depreciated over their new estimated remaining service lives. The service lives of fixed assets are 3 to 25 years, except for buildings, which are 35 to 55 years.
- C. Maintenance and repairs are expensed as incurred. Significant renewals and improvements are capitalized and depreciated accordingly. When fixed assets are disposed, their original cost and accumulated depreciation are removed from the corresponding accounts, with gain or loss recorded as non-operating income or loss.
- D. Idled assets are stated at the lower of book value or net realizable value and are reclassified to other assets. Differences between book value and net realizable value are reported as losses in current earnings.

Deferred Charges

The costs of computer software system purchased externally and tooling costs are recognized as deferred charges and amortized on the straight-line basis over the useful lives of 2 to 5 years. Convertible bond issuance costs are amortized over the period of the bonds.

Bonds Payable

According to Interpretation letter ref. (95) 078, "Compound Financial Instrument with Multiple Embedded Derivatives Issue", issued by R.O.C. Accounting Research and Development Foundation (ARDF), the Company's accounting policies for its convertible bonds issued on or prior to December 31, 2005 are as follows:

- A. The excess of the stated redemption price over the par value is recognized as interest expense and compensation interest payable using the effective interest method during the period from the issuance date to the last day of the redemption period.
- B. When a bondholder exercises his/her conversion rights, the book value of bonds is credited to common stock at an amount equal to the par value of the stock and the excess to capital reserve; no gain or loss is recognized on bond conversion.
- C. The related issuance costs of convertible bonds are recorded as deferred charges and amortized over the lives of the bonds.
- D. For convertible bonds with redemption options, the right of redemption becomes invalid if the bondholder fails to exercise his/her redemption right upon expiration. The balance of the compensation interest payable is amortized over the period from the date following the expiration date to the maturity date using the effective interest method. However, if the fair value of common stocks, which would have been converted on the expiration date of the redemption right, is higher than the redemption price, compensation interest should be reclassified from the liability to additional paid-in capital.
- E. The convertible bonds with redemption options are classified as current or non-current liabilities based on the date of redemption.

Pension Cost

From July 1, 2005, the employees of the Company have to choose their individual pension accounts funded under either a defined benefit plan or a defined contribution plan. Under a defined benefit plan, the net pension cost is computed based on an actuarial valuation. The unrecognized net asset or net obligation at transition is amortized over 15 years on a straight-line basis. Under a defined contribution plan, the Company shall make monthly contribution to employees' individual pension accounts. These contributions are recorded as pension costs in the current period.

Income Tax

- A. In accordance with ROC SFAS No. 22, "Accounting for Income Taxes", the income tax effect resulting from temporary differences and investment tax credits is recorded as income tax assets or liabilities using the asset and liability method. Deferred tax assets or liabilities are further classified into current or noncurrent and carried at net balance. Valuation allowance on deferred tax assets is provided to the extent that it is more likely than not that the tax benefit will not be realized.
- B. The Company adopted ROC SFAS No. 12, "Accounting for Investment Tax Credits", in determining the investment tax credits. The investment tax credits relating to the acquisition cost of qualifying equipment or technology, qualifying research and development expenditure, qualifying personnel training expenditure and qualifying investments in significant technology companies are recognized as income tax adjustments in the period the tax credits arise.
- C. Over or under provisions of prior years' income tax liabilities are included in the current period's income tax expense.
- D. The Taiwan imputation tax system requires that any undistributed earnings be subject to an additional 10% corporate income tax, which is recognized as tax expense at the time when the stockholders resolve the distribution of retained earnings.
- E. Pursuant to the ROC Alternative Minimum Tax Act effective on January 1, 2006, the Company is required to calculate Alternative Minimum Tax (AMT), a supplemental 10% tax on taxable income including most income that is exempted from regular income tax under various legislations, in addition to the regular tax. If the amount of alternative minimum tax is greater than that of the regular tax, the excess amount shall be reported as current tax expense.

Revenue Recognition

Revenues are recognized when services are provided based on transaction terms and when collectibility is reasonably assured.

Research and Development

Research and development costs are expensed as incurred.

Employee Stock Option Plan

According to Interpretation letter ref. (92) 072, "Accounting for Employee Stock Option

Plans", issued by ARDF, the Company adopts intrinsic value method for the recording of compensation expenses.

Treasury Stock

- A. The Company records treasury stock purchases under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock and as a reduction of shareholders' equity.
- B. Upon subsequent disposal of the treasury stock, the excess of the proceeds from disposal over the book value, determined by the weighted-average method, is credited to capital reserve. However, if the book value of the treasury stock exceeds the proceeds from disposal, the excess is first charged against capital reserve arising from treasury stock and the remainder, if any, is charged against retained earnings.
- C. Stock of the Company held by the subsidiaries is treated as treasury stock. Subsidiaries' gain on disposal of the Company's stock and the cash dividend income received from the Company are recorded as additional paid-in capital – treasury stock.

Earnings per Share

- A. Basic earnings per share is calculated by dividing net income by the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated by taking into consideration additional common shares that would have been outstanding if the equivalent diluted shares had been issued.
- B. The Company's dilutive potential common shares are employee stock options and convertible bonds. In computing the dilutive effects of the employee stock options and convertible bonds, the Company applies the treasury stock method and if-converted method, respectively.

Impairment Loss of Non-financial Assets

- A. The Company recognizes impairment loss whenever event occurs or evidence indicates the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is measured as the higher of net selling price or value in use. Net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction between knowledgeable, willing parties, after deducting any direct incremental disposal costs. The value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life.
- B. An impairment loss recognized in prior years is reversed if the impairment loss caused by a specific external event of an exceptional nature is not expected to recur. However, the restored amount is limited to the amount of impairment loss previously recognized. Impairment loss for goodwill cannot be reversed.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

- A. Effective January 1, 2006, the Company adopted the amended SFAS No. 1, "Conceptual Framework for Financial Accounting and Preparation of Financial Statements", SFAS No.

5, “Accounting for Long-term Equity Investment”, SFAS No. 7, “Consolidated Financial Statements”, SFAS No. 25, “Business Combinations - Accounting Treatment under Purchase Method”, and SFAS No. 35, “Accounting for Assets Impairment” which discontinued amortization of goodwill. This change of accounting principle had no effect on the financial statements.

B. Effective January 1, 2006, the Company adopted the newly released SFAS No. 34, “Accounting for Financial Instruments” and No. 36, “Disclosure and Presentation of Financial Instruments”. As a result of the adoption of those SFAS, total assets and total shareholders’ equity increased by \$8,912,555 as of June 30, 2006 with no material impact on net income and earnings per share for the six months ended June 30, 2006.

4. CASH

	June 30,	
	2007	2006
Cash on hand	\$ 1,789	\$ 1,596
Savings accounts and checking accounts	1,551,979	700,653
Time deposits	20,936,975	12,419,957
	<u>\$ 22,490,743</u>	<u>\$ 13,122,206</u>

As of June 30, 2007 and 2006, the interest rates for time deposits ranged from 1.33 % to 2.3 % and from 1.25 % to 5.14 %, respectively.

5. ACCOUNTS RECEIVABLE, NET

	June 30,	
	2007	2006
Accounts receivable	\$ 9,710,211	\$ 8,104,082
Less :		
Allowance for sales discounts	(21,291)	(99,532)
Allowance for doubtful accounts	(44,122)	(10,328)
	<u>\$ 9,644,798</u>	<u>\$ 7,994,222</u>

6. INVENTORIES

	June 30,	
	2007	2006
Raw materials and supplies	\$ 2,548,545	\$ 2,706,674
Work in process	315,636	254,853
Finished goods	61,504	65,869
	2,925,685	3,027,396
Less : Allowance for loss on obsolescence and decline in market value of inventory	(44,846)	(44,846)
	<u>\$ 2,880,839</u>	<u>\$ 2,982,550</u>

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS – NON-CURRENT

	June 30,	
	2007	2006
Cost of listed securities	\$ 5,546,372	\$ 3,022,121
Valuation adjustment	5,633,117	5,159,395
	<u>\$ 11,179,489</u>	<u>\$ 8,181,516</u>

8. LONG-TERM INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

A. Details of long-term investments in stocks are summarized as follows:

<u>Investee company</u>	June 30,			
	2007		2006	
	Amount	Percentage of ownership	Amount	Percentage of ownership
Equity method :				
Siliconware Investment Company Ltd.	\$ 1,509,394	100.00%	\$ 1,177,634	100.00%
Double Win Enterprise Co., Ltd.	84,450	24.14%	84,450	24.14%
ChipMOS Technologies Inc.	-	-	4,186,586	28.75%
SPIL (B.V.I.) Holding Limited	2,324,117	100.00%	2,268,143	100.00%
	3,917,961		7,716,813	
Less : Accumulated impairment loss	(84,450)		(84,450)	
	<u>\$ 3,833,511</u>		<u>\$ 7,632,363</u>	

B. For the six months ended June 30, 2007 and 2006, the Company recognized investment income of \$402,567 and \$464,268, respectively, for all investees accounted for under the equity method, based on investees' unaudited financial statements for the same periods by weighted-average percentage of stock ownership.

C. On March 27, 2007, the Company disposed its common stock ownership in ChipMOS Technologies Inc. for US\$191,147 thousands and recorded an investment income of \$246,552 for the period from January 1, 2007 to March 27, 2007, based on the investee's unreviewed financial statements as of and for the three-month period ended March 31, 2007. The Company recognized gain on disposal of investment of \$793,350. Also, the Company acquired common stock ownership in ChipMOS Technologies (Bermuda) Ltd., the parent company of ChipMOS Technologies Inc., through private stock offering for US\$76,459 thousand and reported the investment as available for sale financial asset - noncurrent.

- D. Due to the merger of Sigurd, one of the Company's investees originally accounted for under the equity method, with the other company on June 12, 2006, the Company's percentage of ownership has been reduced to below 20% and the Company is unable to exercise significant influence on Sigurd. The Company reclassified the investment in Sigurd as available-for-sale financial asset – non-current and recorded unrealized gain on available-for-sale financial asset of \$123,950 for the six months ended June 30, 2006.
- E. For the six months ended June 30, 2007 and 2006, the Company prepared the consolidated financial statements, which consolidated its 100% owned subsidiaries, Siliconware Investment Company Ltd. and SPIL (B.V.I) Holding Limited.

9. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2007		
	Cost	Accumulated depreciation	Book value
Land	\$ 2,892,083	\$ -	\$ 2,892,083
Buildings	7,678,161	(2,276,325)	5,401,836
Machinery and equipment	47,300,143	(25,941,038)	21,359,105
Utility equipment	606,486	(375,655)	230,831
Furniture and fixtures	710,364	(368,400)	341,964
Other equipment	1,921,637	(1,056,913)	864,724
Construction in progress and prepayments for equipment	2,871,304	-	2,871,304
	<u>\$ 63,980,178</u>	<u>(\$ 30,018,331)</u>	<u>\$ 33,961,847</u>
	June 30, 2006		
	Cost	Accumulated depreciation	Book value
Land	\$ 2,128,476	\$ -	\$ 2,128,476
Buildings	7,234,472	(1,887,623)	5,346,849
Machinery and equipment	41,714,592	(21,765,137)	19,949,455
Utility equipment	572,818	(355,149)	217,669
Furniture and fixtures	596,691	(306,357)	290,334
Other equipment	1,723,810	(869,844)	853,966
Construction in progress and prepayments for equipment	1,826,801	-	-
	<u>\$ 55,797,660</u>	<u>(\$ 25,184,110)</u>	<u>\$ 30,613,550</u>

10. OTHER ASSETS – OTHER

	June 30,	
	2007	2006
Land	\$ -	\$ 108,087
Others	116,011	164,230
	<u>\$ 116,011</u>	<u>\$ 272,317</u>

The title of the land aforementioned was transferred to the Company on April 19, 2007.

11. OTHER PAYABLES

	June 30,	
	2007	2006
Cash dividends and employees' bonuses	\$ 10,795,854	\$ 4,632,842
Payables for equipment	1,715,511	1,247,488
Other payables	622,847	553,292
	<u>\$ 13,134,212</u>	<u>\$ 6,433,622</u>

12. BONDS PAYABLE

	June 30,	
	2007	2006
Euro convertible bonds payable	\$ 108,636	\$ 6,237,284
Add : Compensation interest payable	-	41,773
	108,636	6,279,057
Less : Current portion of long-term bonds payable	(108,636)	(360,786)
	<u>\$ -</u>	<u>\$ 5,918,271</u>

A. On January 28, 2002, the Company issued five-year (from January 28, 2002 to January 28, 2007) zero coupon Euro convertible bonds amounting to US\$200,000 (in thousands) listed on the Luxembourg Stock Exchange. As of June 30, 2007, all of the convertible bonds issued in 2002 have been converted into common stocks, redeemed, or retired after repurchased from the market.

B. On February 5, 2004, the Company issued five-year (from February 5, 2004 to February 5, 2009) zero coupon Euro convertible bonds amounting to US\$200,000 (in thousands) listed on the Luxembourg Stock Exchange. Major terms of the issue are as follows:

(1) The Company may redeem the bonds at any time on or after February 5, 2006 and prior to January 29, 2009 at their principal amount, if (i) the market price of the shares of the Company for 20 out of 30 consecutive trading days is at least 120% of the conversion price or (ii) at least 90% in principal amount of the bonds has already been redeemed, repurchased and cancelled or converted.

(2) Redemption at the option of the bondholders:

The Company will, at the option of the bondholders, redeem such bonds on February 5, 2008 at the principal amount.

(3) Conversion period:

At any time between March 17, 2004 and January 29, 2009.

(4) Conversion price and adjustment:

The conversion price was established on the issuance date at NT\$47.035 (in dollars) per share. The conversion price will be subject to adjustment for bonus issues, right issues, distributions of cash and stock dividends and other dilutions. As of June 30, 2007, the conversion price was NT\$34.42 (in dollars) per share.

(5) As of June 30, 2007, the convertible bonds with the principal amount of US\$196,699 (in thousands) have been converted into 188,902 thousand shares of the Company's common stock, which resulted in an increase of capital reserve of \$4,546,408. Also, as of June 30, 2007, the Company did not repurchase any of the bonds from the open market.

C. According to Interpretation letter ref. (95) 078, "Compound Financial Instrument with Multiple Embedded Derivatives Issue", issued by ARDF, the Company decides not to bifurcate the embedded derivatives from their host contracts issued on or prior to December 31, 2005.

13. LONG-TERM LOANS

Nature of loans	Repayment period	June 30,	
		2007	2006
Credit loans	Repayable in 3 semi-annual installments from July 2006	\$ -	\$ 3,300,000
Commercial paper	Repayable in 4 semi-annual installments from November 2009	3,000,000	-
		3,000,000	3,300,000
Less : Current portion of long-term loans		-	(1,633,340)
Discount on commercial paper		(15,310)	-
		<u>\$ 2,984,690</u>	<u>\$ 1,666,660</u>
Interest rates		<u>2.093%</u>	<u>2.10%~2.19%</u>

The loan agreements require, among other things, the maintenance of certain specific financial ratios and consent obtained from the majority banks on certain covenants.

14. PENSION PLAN AND NET PENSION COST

A. In accordance with the Labor Standards Act, the Company has a funded defined benefit pension plan covering all eligible employees prior to the enforcement of the Labor Pension Act ("the Act"), effective on July 1, 2005 and employees choosing to continue to be

subject to the pension mechanism under the Labor Standards Law after the enforcement of the Act. Under the funding policy of the plan, the Company contributes monthly an amount equal to 2% (5% before July 2005) of the employees' monthly salaries and wages to the pension fund deposited with the Bank of Taiwan, the custodian. Pension benefits are generally based on service years (two units earned per year for the first 15 years of service and one unit earned for each additional year of service with a maximum of 45 units). One unit represents six-month average wages and salaries before retirement of the employees. Under this pension plan, net pension costs amounting to \$27,383 and \$28,202 were recognized for the six months ended June 30, 2007 and 2006, respectively. Also, as of June 30, 2007 and 2006, the Company deposited \$1,011,169 and \$935,048, respectively, in the pension account with Bank of Taiwan.

- B. In accordance with the Labor Pension Act, effective July 1, 2005, the Company has a defined contribution pension plan covering employees (excluding foreign employees) who chose to be subject to the pension mechanism under this Act. The Company makes monthly contributions to the employees' individual pension accounts on a basis no less than 6% of each employee's monthly salary or wage. The principal and accrued dividends from an employee's personal pension account are claimed monthly or in full at one time. Under this pension plan, net pension costs amounting to \$131,191 and \$119,421 were recognized for the six months ended June 30, 2007 and 2006, respectively.

15. CAPITAL STOCK

- A. As of June 30, 2007, the authorized capital of the Company was \$31,500,000, represented by 3,150,000,000 common shares with par value of NT\$10 (in dollars) per share. As of June 30, 2007, issued common stock was \$29,739,667, represented by 2,973,966,700 shares. The revision of authorized capital to \$36,000,000 in articles of incorporation was resolved by the shareholders on June 13, 2007 and approved by the Ministry of Economic Affairs on June 26, 2007.
- B. On June 13, 2007, the stockholders of the Company resolved to capitalize the unappropriated earnings of \$586,726 and the employee bonus of \$352,035 by issuing 93,876 thousand new shares which increased the amount of issued common stock to \$30,678,428. On June 26, 2007, the Financial Supervisory Commission, Executive Yuan has approved registration for the capitalization. Also, the Board of Directors determined August 4, 2007 as the record date.
- C. The Company issued \$1,500,000 American Depositary Shares ("ADSs"), represented by 30,000,000 units of ADSs, in June 2000. Each ADS represents five shares of common stock of the Company with an offering price of US\$8.49 per ADS. As of June 30, 2007, the outstanding ADSs amounted to 121,269,374 units. Major terms and conditions of the ADSs are summarized as follows:

(1) Voting Rights:

ADS holders will have no rights to vote directly in shareholders' meetings with respect

to the Deposited Shares. The Depository shall provide voting instruction to the Chairman of the Company and vote on behalf of the Deposited shares evidenced by ADSs. If the Depository receives voting instructions from holders of at least 51% of the outstanding ADSs to vote in the same direction on a resolution, the Depository will vote in the manner as instructed.

(2) Distribution of Dividends:

ADS holders are deemed to have the same rights as holders of common shares with respect to the distribution of dividends.

D. In July 2002, the Board of Directors of the Company resolved to issue up to 40,000 units of employee stock option. Each unit of employee stock option is entitled to subscribe 1,000 shares of the Company's common stock. The Company has to issue additional 40,000,000 shares of common stock if all of the employee stock options are exercised. The exercise price of the employee stock option is subject to adjustment for distribution of cash dividend or changes in capital stock in accordance with certain formula. The granted employee stock options will expire in five years and will be graded vested after two years of service in accordance with the employee stock option plan.

(1) For the six months ended June 30, 2007 and 2006, details of the employee stock option granted, exercised and canceled and exercise price of the employee stock option are as follows:

	For the six months ended June 30,			
	2007		2006	
	Number of options	Weighted average exercise price (in dollars)	Number of options	Weighted average exercise price (in dollars)
Outstanding option at the beginning of the period	12,631	\$9.25	26,348	\$11.95
Number of option exercised	(8,822)	9.20	(9,696)	11.90
Number of option forfeited	(25)	9.32	(318)	11.91
Outstanding option at the end of the period	<u>3,784</u>	9.36	<u>16,334</u>	11.98
Vested option at the end of the period	<u>3,784</u>	9.36	<u>4,383</u>	11.91
Authorized option available for future grant at the end of the period	<u>-</u>		<u>-</u>	

- (2) As of June 30, 2007, the details of the outstanding employee stock option are as follows:

<u>Outstanding employee stock option</u>			<u>Options Vested</u>		
<u>Exercise price</u>	<u>Units</u>	<u>Weighted average</u>	<u>Weighted</u>	<u>Unit</u>	<u>Weighted</u>
<u>(in dollars)</u>	<u>of option</u>	<u>remaining</u>	<u>average</u>	<u>of option</u>	<u>average</u>
<u>\$9.2~\$9.7</u>	<u>3,784</u>	<u>contractual life</u>	<u>exercise price</u>	<u>exercise price</u>	<u>exercise price</u>
		<u>0.71 Year</u>	<u>(in dollars)</u>		<u>(in dollars)</u>
			<u>\$ 9.36</u>	<u>3,784</u>	<u>\$ 9.36</u>

16. CAPITAL RESERVE

- A. According to the Company Law of the ROC, the capital reserve arising from paid-in capital in excess of par on the issuance of stocks, from merger, from the conversion of convertible bonds and from donation shall be exclusively used to cover accumulated deficits or transferred to capital. Other capital reserve shall be exclusively used to cover accumulated deficits. The amount of capital reserve used to increase capital is limited to 10% of the common stock each year when the Company has no accumulated deficits. The capital reserve can only be used to cover accumulated deficits when the legal reserve is insufficient to cover the deficits.
- B. According to the Company Law of the ROC, the capital reserve is allowed to be transferred to capital one year after the registration of capitalization is approved.

17. RETAINED EARNINGS

- A. According to the Company's Articles of Incorporation, current year's earnings before tax, if any, shall be distributed in the following order:
- (1) Pay all taxes and duties;
 - (2) Offset prior years' operating losses, if any;
 - (3) Set aside 10% of the remaining amount after deducting (1) and (2) as legal reserve;
 - (4) Set aside no more than 1% of the remaining amount after deducting items (1), (2), and (3) as directors' and supervisors' remunerations.
 - (5) After items (1), (2), (3), and (4) were deducted, 10% of the remaining amount may be allocated as employee bonus and 90% as stockholders' dividend. The distributed amount is subject to the resolution adopted by the Board of Directors and approved at the stockholders' meeting.
- B. The Company currently maintains modified business growth. The Company will adopt surplus dividend payout policy according to its operation plans, business development, capital expenditure, and capital demand. Among the total dividends distributed, at least

50% of which is distributed as cash dividend and the rest is stock dividend. The appropriation of the profit is subject to the resolution adopted by the Board and approval by the shareholders.

- C. Legal reserve can only be used to offset deficits or increase capital. The legal reserve can be used to increase capital when and only when the reserve balance exceeds 50% of the capital stock, and the amount capitalized should be limited to 50% of the legal reserve.
- D. In accordance with the ROC Securities and Future Bureau (SFB) regulation, in addition to legal reserve and prior to distribution of earnings, the Company should set aside a special reserve in an amount equal to the net change in the reduction of prior year's stockholders' equity, resulting from adjustments such as cumulative foreign currency translation adjustment and unrealized loss on available-for-sale financial assets. Such special reserve is not available for dividend distribution. In the subsequent year(s), if the year-end balances of the cumulative foreign currency translation adjustment and unrealized losses on available-for-sale financial assets no longer result in a net reduction in the stockholders' equity, the special reserve previously set aside will then be available for distribution.
- E. The Taiwan imputation tax system requires that any undistributed current earnings of a company derived on or after January 1, 1998 be subject to an additional 10% corporate income tax if the earnings are not distributed in the following year. As of June 30, 2007, the undistributed earnings derived on or after January 1, 1998 was \$ 7,934,977.
- F. As of June 30, 2007, the balance of stockholders' imputation tax credit account of the Company was \$995,423. The rate of stockholders' imputation tax credit to undistributed earnings accumulated in 1998 and thereafter was approximately 12.54%. However, the rate is subject to changes based on the balance of stockholders' imputation tax credit account, the undistributed earnings, and other tax credit amount in accordance with the ROC tax law at the dividend allocation date.
- G. On June 13, 2007, the stockholders of the Company resolved to distribute stock dividends of \$586,726 and cash dividends of \$9,974,332, respectively. The total amount of dividends per share, including stock dividends of \$0.2 (in dollars) per share and cash dividends of \$3.4 (in dollars) per share, was \$3.6 (in dollars).
- H. The Company set August 4, 2007 as its record date. The actual amount of dividends per share, including stock dividends of \$0.2 (in dollars) per share and cash dividends of \$3.35 (in dollars) per share, was \$3.55 (in dollars) due to the conversion of its Euro convertible bonds.
- I. On June 12, 2006, the stockholders of the Company resolved to distribute stock dividends of \$2,410,149 and cash dividends of \$4,169,558, respectively. The total amount of dividends per share, including stock dividends of \$0.96 (in dollars) per share and cash dividends of \$1.66 (in dollars) per share, was \$2.62 (in dollars).

18. TREASURY STOCK

As of June 30, 2007, Siliconware Investment Company Ltd., the subsidiary of the Company, holds 35,176 thousand shares of the Company's stock, with book value of \$22.58 (in dollars) per share. None of treasury stock held by the subsidiary was sold for the six months ended June 30, 2007. The closing price of the Company's stock was \$69.8 (in dollars) per share on June 30, 2007.

19. INCOME TAX

	For the six months ended June 30,	
	2007	2006
Income tax expense calculated at the statutory tax rate	\$ 2,175,385	\$ 1,657,346
Permanent differences	(881,111)	(725,367)
Investment tax credits	(290,433)	(607,871)
Changes in allowance for deferred tax assets	2,606	(40,753)
Under provision from prior year	9,725	29,898
10% additional tax on unappropriated earnings	22,445	-
Income tax expense	1,038,617	313,253
Adjustment:		
Net changes of deferred tax assets	(367,104)	(46,180)
(Increase) decrease in income tax payable	(9,725)	129,522
Prepaid and withholding taxes	(15,053)	(17,319)
Income tax payable	<u>\$ 646,735</u>	<u>\$ 379,276</u>
Income tax payable carried over from prior year	<u>\$ -</u>	<u>\$ 16,605</u>

A. For the six months ended June 30, 2007 and 2006, significant portion of the permanent differences are derived from the income tax exemption of capital gain resulted from the security transactions, long-term investment income accounted for under the equity method, and the revenue from assembly of certain integrated circuit products exempted from income tax.

B. As of June 30, 2007 and 2006, deferred tax assets and liabilities are as follows:

	June 30,	
	2007	2006
Deferred tax assets - current	\$ 1,114,523	\$ 822,355
Deferred tax liabilities - current	(3,424)	-
	1,111,099	822,355
Allowance for deferred tax assets	-	(1,875)
	<u>\$ 1,111,099</u>	<u>\$ 820,480</u>
Deferred tax assets - noncurrent	\$ 1,168,246	\$ 1,998,486
Deferred tax liabilities - noncurrent	(153,232)	(208,713)
	1,015,014	1,789,773
Allowance for deferred tax assets	(127,302)	(187,532)
	<u>\$ 887,712</u>	<u>\$ 1,602,241</u>

C. The details of deferred tax assets and liabilities as of June 30, 2007 and 2006 were as follows:

	<u>June 30, 2007</u>		<u>June 30, 2006</u>	
	<u>Amount</u>	<u>Tax Effect</u>	<u>Amount</u>	<u>Tax Effect</u>
Current:				
Temporary differences:				
Unrealized loss on obsolescence and decline in market value of inventories	\$ 56,801	\$ 14,200	\$ 47,294	\$ 11,824
Compensation interest on bonds payable	-	-	41,773	10,443
Unrealized sales allowance	21,291	5,323	99,532	24,883
Unrealized foreign currency exchange (gain) loss	(10,453)	(2,613)	19,841	4,960
Allowance for doubtful accounts	(3,244)	(811)	10,328	2,582
Investment tax credits		<u>1,095,000</u>		<u>767,663</u>
		1,111,099		822,355
Allowance for deferred tax assets		-		(1,875)
		<u>\$ 1,111,099</u>		<u>\$ 820,480</u>
Noncurrent :				
Temporary differences:				
Unrealized loss on long-term investments	\$ -	\$ -	\$ 400,015	\$ 100,004
Depreciation expense	(611,872)	(152,968)	(660,210)	(165,053)
Unrealized foreign currency exchange gain arising from bonds payable	(1,056)	(264)	(174,638)	(43,660)
Unrealized loss on idle assets	274,627	68,657	288,784	72,196
Investment tax credits		<u>1,099,589</u>		<u>1,826,286</u>
		1,015,014		1,789,773
Allowance for deferred tax assets		(127,302)		(187,532)
		<u>\$ 887,712</u>		<u>\$ 1,602,241</u>

Valuation allowance for deferred tax assets relates primarily to unrealized loss in long-term investments and allowance for investment tax credits.

D. The Company's income tax returns have been assessed and approved by the Tax Authority through 2004.

E. As of June 30, 2007, the Company's unused portion of investment tax credits, under the "Statute for Upgrading Industries", were as follows:

Nature of Investment Tax Credits	Deductible Amount	Unused Amount	Expiration Years
Acquisition costs of qualifying machinery and equipment	\$ 2,068,992	\$ 1,558,080	2008 to 2011
Qualifying research and development expenditure	<u>787,384</u>	<u>636,509</u>	2008 to 2011
	<u>\$ 2,856,376</u>	<u>\$ 2,194,589</u>	

F. The Company has met the requirement of Statute for Upgrading Industries and is exempted from income tax for revenues arising from the assembly and testing of certain integrated circuit products for a five-year period from January 2004 and from January 2006, respectively. The 5-years income tax exemption will expire in December 2008 and 2010, respectively. Also, in order to entitle to 5-year income tax exemption, the Company filed registration of capitalization plan in 2005 for its expansion of assembly and testing of integrated circuited business to the Industrial Development Bureau of Ministry of Economic Affairs and has received the approval in 2006.

20. EARNINGS PER SHARE

(1) Earnings per share

	For the six months ended June 30, 2007				
	Income		Weighted average outstanding common stock (in thousands)	Earnings per share	
	Before tax	After tax		Before tax	After tax
Basic earnings per share	\$ 8,701,579	\$ 7,662,962	2,903,127	\$ 3.00	\$ 2.64
Dilutive effect of employee stock option	-	-	4,820		
Dilutive effect of 3rd Euro convertible bonds	50,527	50,556	36,956		
Diluted earnings per share	<u>\$ 8,752,106</u>	<u>\$ 7,713,518</u>	<u>2,944,903</u>	<u>\$ 2.97</u>	<u>\$ 2.62</u>

	For the six months ended June 30, 2006				
	Income		Weighted average outstanding common stock (in thousands)	Earnings per share	
	Before tax	After tax		Before tax	After tax
Basic earnings per share	\$ 6,629,425	\$ 6,316,172	2,671,718	\$ 2.48	\$ 2.36
Dilutive effect of employee stock option	-	-	14,857		
Dilutive effect of 3rd Euro convertible bonds	(78,066)	(42,050)	173,797		
Diluted earnings per share	<u>\$ 6,551,359</u>	<u>\$ 6,274,122</u>	<u>2,860,372</u>	<u>\$ 2.29</u>	<u>\$ 2.19</u>

The basic and diluted earnings per share for the six months ended June 30, 2006 were retroactively adjusted for stock dividends and employees' stock bonus distributed in 2006.

(2) Pro forma earnings per share as if the stock dividends and employee stock bonus approved by the shareholders on June 13, 2007 were considered in the calculation of retroactively adjusted 2007 and 2006 outstanding shares of common stock.

	For the six months ended June 30, 2007				
	Income		Weighted average outstanding common stock (in thousands)	Earnings per share	
	Before tax	After tax		Before tax	After tax
Basic earnings per share	\$ 8,701,579	\$ 7,662,962	2,996,449	\$ 2.90	\$ 2.56
Dilutive effect of employee stock option	-	-	4,975		
Dilutive effect of 3rd Euro convertible bonds	50,527	50,556	38,139		
Diluted earnings per share	<u>\$ 8,752,106</u>	<u>\$ 7,713,518</u>	<u>3,039,563</u>	<u>\$ 2.88</u>	<u>\$ 2.54</u>
	For the six months ended June 30, 2006				
	Income		Weighted average outstanding common stock (in thousands)	Earnings per share	
	Before tax	After tax		Before tax	After tax
Basic earnings per share	\$ 6,629,425	\$ 6,316,172	2,757,635	\$ 2.40	\$ 2.29
Dilutive effect of employee stock option	-	-	15,332		
Dilutive effect of 3rd Euro convertible bonds	(78,066)	(42,050)	179,359		
Diluted earnings per share	<u>\$ 6,551,359</u>	<u>\$ 6,274,122</u>	<u>2,952,326</u>	<u>\$ 2.22</u>	<u>\$ 2.13</u>

The basic and diluted earnings per share for the six months ended June 30, 2007 and 2006 were retroactively adjusted for distribution of stock dividends and employees' stock bonus resolved by the shareholders on June 13, 2007.

21. PERSONNEL COSTS, DEPRECIATION AND AMORTIZATION

	For the six months ended June 30, 2007		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel Costs			
Payroll	\$ 2,464,777	\$ 492,833	\$ 2,957,610
Labor and health insurance	209,639	37,885	247,524
Pension expense	129,136	29,438	158,574
Other	266,120	51,514	317,634
	<u>\$ 3,069,672</u>	<u>\$ 611,670</u>	<u>\$ 3,681,342</u>
Depreciation	<u>\$ 3,411,723</u>	<u>\$ 123,256</u>	<u>\$ 3,534,979</u>
Amortization	<u>\$ 194,423</u>	<u>\$ 72,897</u>	<u>\$ 267,320</u>

	For the six months ended June 30, 2006		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel Costs			
Payroll	\$ 2,493,556	\$ 472,378	\$ 2,965,934
Labor and health insurance	205,007	34,102	239,109
Pension expense	121,609	26,014	147,623
Other	295,433	48,444	343,877
	<u>\$ 3,115,605</u>	<u>\$ 580,938</u>	<u>\$ 3,696,543</u>
Depreciation	<u>\$ 3,128,366</u>	<u>\$ 75,574</u>	<u>\$ 3,203,940</u>
Amortization	<u>\$ 184,624</u>	<u>\$ 82,613</u>	<u>\$ 267,237</u>

22. RELATED PARTY TRANSACTIONS

A. Name and Relationship with Related Parties:

<u>Name of Related Parties</u>	<u>Relationship with the Company</u>
Sigurd Microelectronics Corporation	The Company holds directorship
Phoenix Precision Technology Corporation	The Company holds directorship
King Yuan Electronics Co., Ltd.	The Company holds directorship (Note 1)
Siliconware Investment Company Ltd.	Subsidiary of the Company
SPIL (B.V.I.) Holding Limited	Subsidiary of the Company
SPIL (Cayman) Holding Limited	Indirect subsidiary of the Company
Siliconware USA, Inc.	Indirect subsidiary of the Company
Siliconware Technology (Suzhou) Limited	Indirect subsidiary of the Company
ChipMOS Technologies Inc.	Investee company accounted for under the equity method (Note 2)
Hai-Feng Foundation	Same chairman of the board of the directors
Pei-Sheng Foundation	Same chairman of the board of the directors

Note 1: The Company resigned its position as a director on August 3, 2006. The named company ceased to be a related party of the Company.

Note 2: The Company disposed all of its ownership on March 27, 2007. The named company ceased to be a related party of the Company.

B. Significant Transactions with Related Parties:

(1) Sales

	For the six months ended June 30,			
	2007		2006	
	Amount	% of net sales	Amount	% of net sales
Sigurd Microelectronics Corporation	\$ 44,917	-	\$ 1,647	-

The sales prices and payment terms provided to related party were generally comparable to those provided to non-related parties. The average collection period is approximately three months from the date of sales.

(2) Purchases

	For the six months ended June 30,			
	2007		2006	
	Amount	% of net purchase	Amount	% of net purchase
Phoenix Precision Technology Corporation	\$ 1,141,038	10	\$ 1,868,313	16

The purchase prices and payment term provided by the related party were generally comparable to those provided by non-related parties. The average payment period is approximately three months from the date of purchase.

(3) Accounts Receivable

	June 30, 2007		June 30, 2006	
	Amount	% of accounts receivables	Amount	% of accounts receivables
	Sigurd Microelectronics Corporation	\$ 43,959	-	\$ 1,645

(4) Accounts Payable

	June 30, 2007		June 30, 2006	
	Amount	% of accounts payable	Amount	% of accounts payable
	Phoenix Precision Technology Corporation	\$ 589,652	11	\$ 584,274	13

(5) Commission Expense / Accrued Expense

	For the six months ended June 30,			
	2007		2006	
	Commission expense	Accrued expense	Commission expense	Accrued expense
Siliconware USA, Inc.	<u>\$ 235,658</u>	<u>\$ 42,410</u>	<u>\$ 272,494</u>	<u>\$ 45,852</u>

The Company paid commission, based on the agreement, to Siliconware USA, Inc. for communicating and maintaining relationships with companies headquartered in the North America.

(6) Other Expenses / Other Payables (Accrued Expense)

	June 30, 2007		June 30, 2006	
	Other expenses	Other payables (Accrued expense)	Other expenses	Other payables (Accrued expense)
Others	<u>\$ 12,521</u>	<u>\$ 7,061</u>	<u>\$ 30,275</u>	<u>\$ 20,546</u>

The leasing terms are generally comparable to those provided in an arm's-length transaction. The average payment period is one month and no significant differences exist between the above leasing contract and others prevailing in the market

(7) Other Income / Other Receivables

	June 30, 2007		June 30, 2006	
	Other income	Other receivables	Other income	Other receivables
Others	<u>\$ 4,863</u>	<u>\$ 3,077</u>	<u>\$ 206</u>	<u>\$ 6</u>

The leasing terms are generally comparable to those provided in an arm's-length transaction. The average collection period is one month and no significant differences exist between the above leasing contract and others prevailing in the market.

(8) Property Transaction

	Name of the properties	For the six months ended June 30, 2007		
		Transaction amount	Book value	Loss on disposal of property, plant and equipment
Pei-Sheng Foundation	Land	\$ 132,391	\$ 159,740	(\$ 27,349)
	Buildings	49,336	54,610	(5,274)
		<u>\$ 181,727</u>	<u>\$ 214,350</u>	<u>(\$ 32,623)</u>

For the six months ended June 30, 2006 : None.

(9) Other Transaction

On March 27, 2007, the Company sold its common stock ownership of 42,696 shares (in thousands) back to ChipMOS Technologies Inc. for \$1,053,704 and recognized gain on disposal of investment of \$132,886.

23. ASSETS PLEDGED AS COLLATERALS

As of June 30, 2007 and 2006, the following assets have been pledged as collaterals against certain obligations of the Company:

Assets	June 30,		Subject of collaterals
	2007	2006	
Time deposits (shown in other financial assets, current)	\$ 223,600	\$ 206,705	Guarantees for custom duties and income tax liabilities

24. COMMITMENTS AND CONTINGENCIES

- A. As of June 30, 2007, the Company's issued but unused letters of credit for imported machinery and equipment was approximate \$348,841.
- B. For its future expansion, the Company entered into several contracts with a total payment of \$2,055,581, of which a total amount of \$599,522 has not been paid as of June 30, 2007.
- C. The Company entered into seven contracts with six foreign companies for the use of certain technologies and patents related to packaging system of integrated circuit products. The Company agreed to pay royalty fees based on the total number of certain products sold. Six contracts are valid through December 2007, January 2010, December 2010, January 2012, March 2012, and November 2014, respectively. The other one contract is valid through when all patents included in the contract expire and until both parties agree to terminate the contract.
- D. On March 1, 2006, we were informed of a civil lawsuit brought by Tessera Inc., or Tessera, in the United States District Court for the Northern District of California against us, our subsidiary, Siliconware USA, Inc., several other world-wide subcontractor companies and their subsidiaries. Tessera alleges that we infringed patents owned by Tessera and/or breached technology license agreements between us and Tessera by providing some of our packaging services. All parties in the lawsuit stipulated a stay of this action in its entirety, pending a final determination of investigation by the International Trade Commission with regard to an action that is directed against other parties, including some codefendants in the litigation in the Northern District of California. Pursuant to the stipulation, the court stayed the litigation on May 24, 2007. Currently, we are unable to assess the potential liabilities arising out of this claim due to the fact that information provided with regard to the infringement scope is insufficient. We filed a request for reexamination with the U.S. Patent and Trademark Office, or the PTO, of five patents being asserted by Tessera in the lawsuit. The PTO has granted the reexamination for all patents.

25. SIGNIFICANT DISASTER LOSS

None.

26. SIGNIFICANT SUBSEQUENT EVENT

- A. On July 2, 2007, the ROC Investment Commission, Ministry of Economic Affairs approved the application for an additional investment of US\$30,000 (in thousands) in Siliconware Technology (Suzhou) Limited.
- B. Subsequent to the balance sheet date of June 30, 2007, the Company expected to dispose its investment in King Yuan Electronics Co., Ltd., reported as available for sale financial asset – noncurrent. The Company has followed the internal process required for the acquisition and disposal of assets. As of August 3, 2007, the Company has disposed 10,800 shares of common stocks in King Yuan Electronics Co., Ltd. and recognized gain on disposal of investment of \$182,828.

27. OTHERS

A. Fair Values of Financial Instruments:

	June 30, 2007			June 30, 2006		
	Book Value	Fair Value		Book Value	Fair Value	
		Quotation in an active market	Estimated using a valuation		Quotation in an active market	Estimated using a valuation
<u>Non-derivative financial instruments</u>						
<u>Financial Assets</u>						
Financial assets with book value equal to fair value	\$ 33,258,595	\$ -	\$ 33,258,595	\$ 22,469,608	\$ -	\$ 22,469,608
Available-for-sale financial assets						
- noncurrent	11,179,489	11,179,489	-	8,181,516	8,181,516	-
Financial assets carried at cost - noncurrent	-	-	-	3,891	-	-
	<u>\$ 44,438,084</u>	<u>\$ 11,179,489</u>	<u>\$ 33,258,595</u>	<u>\$ 30,655,015</u>	<u>\$ 8,181,516</u>	<u>\$ 22,469,608</u>
<u>Financial Liabilities</u>						
Financial liabilities with book value equal to fair value	\$ 21,475,833	\$ -	\$ 21,475,833	\$ 15,109,480	\$ -	\$ 15,109,480
Bonds payable (including current portion)	108,636	220,667	-	6,279,057	7,042,167	-
Long-term loans	2,984,690	-	2,987,123	1,666,660	-	1,666,660
	<u>\$ 24,569,159</u>	<u>\$ 220,667</u>	<u>\$ 24,462,956</u>	<u>\$ 23,055,197</u>	<u>\$ 7,042,167</u>	<u>\$ 16,776,140</u>

Methods and assumptions used to estimate the fair values of financial instruments are as follows:

- Financial assets and liabilities with book value equal to fair value are cash, notes receivable, accounts receivable, other financial assets - current, refundable deposits, notes payable, accounts payable, income tax payable, accrued expenses, other payables, current portion of long-term debts, other current liabilities and other liabilities because of their short maturities.
- Available-for-sale financial assets – non-current are recorded at quoted market prices as their fair values due to the availability of the quoted price in an active market.
- Financial assets carried at cost are recorded at costs due to the lack of quoted market prices derived from the active market and the reasonable measurement for the fair value.

- iv. The fair value of bonds payable and current portion of bonds payable is based on its quoted market price.
 - v. The fair value of long-term loans is estimated by the discounted future cash flows. The discount rate, 2.2285%, is based on the interest rate of the similar long-term loan, which the Company would have acquired.
- B. Financial assets and liabilities with the risk of interest rate fluctuation:
As of June 30, 2007 and 2006, the Company's financial assets with fair value risk of interest rate fluctuation were \$21,160,575 and \$12,626,662, respectively, and financial liabilities with fair value risk of interest rate fluctuation were \$3,093,326 and \$6,279,057, respectively. As of June 30, 2007 and 2006, the Company's financial liabilities with cash flow risk of interest rate fluctuation were nil and \$3,300,000, respectively.
- C. Financial assets and liabilities whose changes in fair value are not recognized in earnings:
The Company's interest income from financial assets whose changes in fair value were not recognized in earnings were \$152,634 and \$177,183, respectively, for the six months ended June 30, 2007 and 2006. The Company's interest expense from financial liabilities whose changes in fair value were not recognized in earnings were \$31,172 and \$73,722, respectively, for the six months ended June 30, 2007 and 2006. Available-for-sale financial assets are measured at fair value at balance sheet date. Changes in fair value recorded as the adjustment of the shareholders' equity for the six months ended June 30, 2007 and 2006 were \$5,633,117 and \$5,159,395, respectively.
- D. Financial risk control:
The Company has implemented appropriate risk management and control processes to identify, measure, and control the risks associated with the market, credit, liquidity, and cash flows.
- E. Financial risk information:
- 1. Financial assets: investments in equity instruments

	June 30,	
	2007	2006
Available-for-sale financial assets	\$ 11,179,489	\$ 8,181,516
Financial assets carried at cost	-	3,891
	<u>\$ 11,179,489</u>	<u>\$ 8,185,407</u>

(1) Market risk:

The Company's investments in equity instruments are exposed to the market price risk. However, the Company performs risk management controls to minimize the potential loss to an acceptable level. The Company believes that the probability of significant market risk is low.

(2) Credit risk:

The Company's investments in available-for-sale financial assets are through creditable financial institutions. The expected credit exposure to such financial institutions is low. For equity investments carried at cost, the Company has evaluated

counter parties' credit condition each time when the Company entered the investment transaction. Thus the credit risk is low.

(3) Liquidity risk:

The Company's available-for-sale financial assets are traded in active markets, which can be sold at the prices not significantly different from their market value. The Company is exposed to a greater liquidity risk for equity instruments measured at cost due to the fact that no active market exists for these instruments.

(4) Cash flow risk of interest rate:

The Company's investments in equity financial assets are non-interest related, so the cash flows from equity instruments are independent of changes in market interest rate.

2. Financial liabilities: debt instruments

	June 30,	
	2007	2006
Bonds payable	\$ 108,636	\$ 6,279,057
Long-term loans	<u>2,984,690</u>	<u>3,300,000</u>
	<u>\$ 3,093,326</u>	<u>\$ 9,579,057</u>

(1) Market risk:

Debt instruments include zero-coupon convertible bonds embedded with call and put options, fixed interest rate bearing bond, short-term loans and long-term loans. The fair value changes of our USD denominated convertible bonds are affected by the stock price. However, the Company can minimize the market price risk by exercising the call option and reduce the foreign exchange rate exposure by maintaining equivalent amounts of assets denominated in USD. The Company's long-term loans are not exposed to fair value risks because the borrowings were issued at variable rates.

(2) Credit risk:

Debt instruments issued by the Company do not have significant credit risk.

(3) Liquidity risk:

The Company maintains sufficient working capital to meet its cash requirements. The Company believes that there is no significant liquidity risk.

(4) Cash flow risk of interest rate:

The Company's zero-coupon bonds, fixed interest rate bearing bonds, and fixed interest rate borrowings are not exposed to cash flow interest rate risk. The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. However, the Company believes that the cash flow interest rate risk will not be significant.

28. SPECIAL DISCLOSURE ITEMS

A. Significant Transaction Information

(1) Loans to third parties attributed to financial activities:

For the six months ended June 30, 2007: None.

(2) Endorsement and guarantee provided to third parties:

For the six months ended June 30, 2007: None.

(3) The ending balances of securities are summarized as follows:

As of June 30, 2007:

Investor	Type of securities	Name of securities	The relationship of the issuers with the Company	General ledger accounts	Number of shares (in thousands)	Book value	Percentage of ownership	Market value per share (in dollars)
Siliconware Precision Industries Co., Ltd.	Stock	Siliconware Investment Company Ltd.	Investee accounted for under the equity method	Long-term investments accounted for under the equity method	177,000	\$ 1,509,394	100.00%	\$ 22.40 (Note 1)
Siliconware Precision Industries Co., Ltd.	Stock	Double Win Enterprise Co., Ltd.	Investee accounted for under the equity method	Long-term investments accounted for under the equity method	6,760	-	24.14%	-
Siliconware Precision Industries Co., Ltd.	Stock	SPIL (B.V.I.) Holding Limited	Investee accounted for under the equity method	Long-term investments accounted for under the equity method	77,800	2,324,117	100.00%	29.87 (Note 1)
Siliconware Precision Industries Co., Ltd.	Stock	Phoenix Precision Technology Corporation	The Company holds directorship	Available-for-sale financial assets	109,854	4,701,740	16.37%	42.80
Siliconware Precision Industries Co., Ltd.	Stock	King Yuan Electronics Co., Ltd.	-	Available-for-sale financial assets	85,698	2,408,105	7.85%	28.10
Siliconware Precision Industries Co., Ltd.	Stock	Siguard Microelectronics Corp.	The Company holds directorship	Available-for-sale financial assets	46,236	1,197,515	15.87%	25.90
Siliconware Precision Industries Co., Ltd.	Stock	ChipMOS Technologies (Bermuda) Ltd.	-	Available-for-sale financial assets	12,175	2,872,129	14.68%	235.90 (Note 2)

Note 1: The market value is not available. Therefore, the net equity per share calculated from the unaudited financial statements as of June 30, 2007 was used.

Note 2: The closing price of US\$7.19 (in dollars) per share on June 30, 2007 was used. (Exchange rate US\$1 : NT\$32.81)

(4) Securities for which total buying or selling exceeds the lower of NT\$100,000 or 20 percent of the capital stock:

For the six months ended June 30, 2007:

Investor	Name of the security	General ledger accounts	Name of the counter party	The relationship of the issuers with the Company	Beginning balance		Addition		Disposal			Ending balance		
					Number of shares/unit (in thousands)	Amount	Number of shares/unit (in thousands)	Amount	Number of shares/unit (in thousands)	Sale price	Book value	Gain (loss) from disposal (Note 3)	Number of shares/unit (in thousands)	Amount (Note 2)
Siliconware Precision Industries Co., Ltd.	ChipMOS Technologies Inc. stock	Long-term investment accounted for under equity method	ChipMOS Technologies (Bermuda) Ltd.	The parent company of investee accounted for under the equity method	254,863	\$4,998,596	-	\$ -	212,167	\$5,236,150	\$4,342,870	\$660,464	-	\$ -
Siliconware Precision Industries Co., Ltd.	ChipMOS Technologies (Bermuda) Ltd. stock	Available-for-sale financial assets	ChipMOS Technologies Inc.	Investee accounted for under the equity method	-	-	-	-	42,696	1,053,704	873,791	132,886	-	-
Siliconware Precision Industries Co., Ltd.	ChipMOS Technologies (Bermuda) Ltd. stock	Available-for-sale financial assets	(note1)	-	-	-	12,175	2,523,529	-	-	-	-	12,175	2,872,129

Note 1: The Company subscribed the shares through private stock offering.

Note 2: The ending balance includes the unrealized gain on available-for-sale financial assets.

Note 3: The amount doesn't include unrealized gain on disposal.

(5) Acquisition of real estate with an amount exceeding the lower of NT\$100,000 or 20 percent of the capital stock:
For the six months ended June 30, 2007:

Name of the properties	Date of transaction	Transaction amount	Status of payment	Counter party	Relation-ship with the Company	Related party as counter party		Date of the original transaction	Amount	The bases or reference used in deciding the price	Purpose and status of the acquisition	Other commitment
						Original owner which sold the property to the counter party	The relationship of the original owner with the Company					
Land	August 2006	\$ 809,021	\$ 809,021	Jou Mu Textile Corporation, and etc.	-	-	-	-	-	As specified in contract	For operating use	-
Building	November 2006	432,000	388,800	Johnny Ko (c) & Leeming Mis	-	-	-	-	-	As specified in contract	For operating use	Payment made according to construction progress
Building improvements	November 2006	223,800	134,280	Chung-Rui Construction Corporation Ltd.	-	-	-	-	-	As specified in contract	For operating use	Payment made according to construction progress
Building	April 2007	178,000	-	Jun-Biau Construction Corporation Ltd.	-	-	-	-	-	As specified in contract	For operating use	Payment made according to construction progress

(6) Disposal of real estate with an amount exceeding the lower of NT\$100,000 or 20 percent of the capital stock:
For the six months ended June 30, 2007:

Name of the properties	Date of transaction	Date of acquisition	Book Value	Transaction amount	Status of collection	Loss on disposal of property, plant and equipment	Counter party	Relation-ship with the Company	The bases or reference used in deciding the price	Purpose and status of the disposal	Other commitment
Land and building	January 2007	May 1998	\$ 214,350	\$ 181,727	Fully collected	(\$32,623)	Pei-Sheng Foundation	Same chairman of the board of the directors	Valuation report	Disposal	-

(7) Related party transactions with purchases and sales amounts exceeding the lower of NT\$100,000 or 20 percent of the capital stock:

For the six months ended June 30, 2007:

Purchase / sales company	Name of the counter parties	Relationship with the counter parties	Description of the transaction		Percentage of net purchases / sales	Credit terms	Description of and reasons for difference in transaction terms compared to non-related party transactions		Notes or accounts receivable / payable		
			Purchases / sales	Amount			Unit price	Credit terms	Amount	Percentage of notes or accounts receivable / payable	
Siliconware Precision Industries Co., Ltd.	Phoenix Precision Technology Corporation	The Company holds directorship	Purchase	\$1,141,038	10%	Three months	\$ -	\$ -	Accounts payable	\$589,652	11%

(8) Receivables from related parties exceeding the lower of NT\$100,000 or 20 percent of the capital stock:

As of June 30, 2007: None.

(9) Transaction of derivative financial instruments:

For the six months ended June 30, 2007: None.

B. Related Information on Investee Companies

(1) Basic information on investee companies:

For the six months ended June 30, 2007:

Investor	Name of Investee	Location	Main activities	Original investments		The Company / majority owned subsidiary owns			Current period		Note
				Current period ending balance	Prior period ending balance	Shares (in thousands)	Ownership Percentage	Book value	Net income (loss) of investee	Income (loss) recognized by the Company	
Siliconware Precision Industries Co., Ltd.	Siliconware Investment Company Ltd.	Taipei	Investment activities	\$1,770,000	\$1,770,000	177,000	100.00%	\$1,509,394	\$250,873	\$131,274	(Notes 1, 2 and 7)
Siliconware Precision Industries Co., Ltd.	Double Win Enterprise Co., Ltd.	Ping-chen City, Taoyuan	SMT process and hand insert	152,100	152,100	6,760	24.14%	-	-	-	(Note 1)
Siliconware Precision Industries Co., Ltd.	ChipMOS Technologies Inc.	Science-based Industrial Park, Hsin-Chu	Testing and assembly of integrated circuits	-	2,332,768	-	-	-	-	246,552	(Notes 1 and 6)
Siliconware Precision Industries Co., Ltd.	SPIL (B.V.I.) Holding Limited	British Virgin Islands	Investment activities	2,620,869	2,620,869	77,800	100.00%	2,324,117	24,741	24,741	(Notes 1 and 2)
SPIL (B.V.I.) Holding Limited	Siliconware USA, Inc.	San Jose, CA, USA	Communications and relationship maintenance with companies headquartered in North America	68,464	68,464	1,250	100.00%	104,237	14,441	14,441	(Note 3)
SPIL (B.V.I.) Holding Limited	SPIL (Cayman) Holding Limited	Cayman Islands, British West India	Investment activities	1,644,625	1,644,625	50,100	100.00%	1,060,649	(14,507)	(14,507)	(Note 3)
SPIL (Cayman) Holding Limited	Siliconware Technology (Suzhou) Limited	Suzhou Jiangsu, China	Manufacturing and processing of module assembly, flash memory card and related products	1,641,380	1,641,380	(Note 5)	100.00%	1,257,017	(14,210)	(14,210)	(Note 4)

Note 1: The Company's investee accounted for under the equity method.

Note 2: The Company's 100% owned subsidiary.

Note 3: An investee accounted for under the equity method of SPIL (B.V.I.) Holding Limited, a 100% owned subsidiary of the Company.

Note 4: An investee accounted for under the equity method of SPIL (Cayman) Holding Limited, a 100% owned subsidiary of SPIL (B.V.I.) Holding Limited.

Note 5: The contributed capital was US\$50,000 thousand dollars.

Note 6: The Company has disposed its ownership in 2007.

Note 7: The Company has eliminated the investment income recognized by its subsidiary to which cash dividend was distributed.

(2) The ending balance of securities held by investee companies:

As of June 30, 2007:

Investor	Type of securities	Name of securities	The relationship of the issuers with the Company	General ledger accounts	Number of shares (in thousands)	Book value (Note 2)	Percentage of ownership	Market value per share (in dollars)
Siliconware Investment Company Ltd.	Stock	Siliconware Precision Industries Co., Ltd.	The Company	Available-for-sale financial assets (non-current)	35,176	\$2,455,288	1.18%	\$69.80
Siliconware Investment Company Ltd.	Stock	Hsieh Yong Capital Co., Ltd.	—	Financial assets carried at cost	50,000	500,000	7.58%	-
Siliconware Investment Company Ltd.	Stock	Phoenix Precision Technology Corporation	The Company holds directorship	Available-for-sale financial assets (non-current)	5,593	239,363	0.83%	42.80
Siliconware Investment Company Ltd.	—	Mega Mission Limited Partnership	—	Financial assets carried at cost	(Note 4)	195,523	4.00%	-
Siliconware Investment Company Ltd.	—	Others (Note 1)	—	Financial assets carried at cost	-	122,229	-	-
SPIL (B.V.I.) Holding Limited	Stock	Siliconware USA, Inc.	Indirect subsidiary of the Company	Long-term investments accounted for under the equity method	1,250	104,237	100.00%	83.39 (Note 2)
SPIL (B.V.I.) Holding Limited	Stock	SPIL (Cayman) Holding Limited	Indirect subsidiary of the Company	Long-term investments accounted for under the equity method	50,100	1,060,649	100.00%	21.17 (Note 2)
SPIL (Cayman) Holding Limited	Stock	Siliconware Technology (Suzhou) Limited	Indirect subsidiary of the Company	Long-term investments accounted for under the equity method	(Note 3)	1,257,017	100.00%	-

(1) Combined amount for individual security less than \$100,000.

(2) The market value is not available. Therefore, the net equity per share as of June 30, 2007 was used.

(3) The contributed capital was US\$50,000 thousand dollars.

(4) The contributed capital was US\$6,000 thousand dollars.

(3) Securities for which total buying or selling amount exceed the lower of NT\$100,000 or 20 percent of the capital stock:

For the six months ended June 30, 2007:

Investor	Name of the security	General ledger accounts	Name of the counter party	The relationship of the issuers with the Company	Beginning balance		Addition		Disposal			Ending balance		
					Number of shares/unit (in thousands)	Amount	Number of shares/unit (in thousands)	Amount	Number of shares/unit (in thousands)	Sale price	Book value	Gain (loss) from disposal	Number of shares/unit (in thousands)	Amount
Siliconware Precision Industries Co., Ltd.	ITE Tech. Inc.	Available for sale financial asset	-	-	1,204	\$ 44,582	-	\$ -	1,204	\$ 106,659	\$ 9,295	\$ 97,364	-	\$ -

(4) Acquisition of real estate with an amount exceeding the lower of NT\$100,000 or 20 percent of the capital stock:

For the six months ended June 30, 2007:

Investor	Name of the properties	Date of transaction	Transaction amount	Status of payment	Relation-ship with the Counter party Company	Related party as counter party			Amount	The bases or reference used in deciding the price	Purpose and status of the acquisition	Other commitment
						Original owner which sold the property to the counter party	The relationship of the original owner with the Company	Date of the original transaction				
Siliconware Technology (Suzhou) Limited	Building	July 2006	\$135,363 (RMB 32,500)	\$128,232 (RMB 29,755)	Nantong Yingxiong Construction Corporation Ltd.	-	-	-	\$ -	As specified in contract	For operating use	Payment made according to construction progress

Note: Amounts in RMB are presented in thousands.

C. Information of investment in Mainland China:

(1) Information of investment in Mainland China:

Name of investee in Mainland China	Main activities of investee	Capital	Investment method	Accumulated remittance as of December 31, 2006	Remitted or (collected) this period	Accumulated remittance as of June 30, 2007	Ownership held by the Company (Direct and indirect)
Siliconware Technology (Suzhou) Limited	Manufacturing and processing of module assembly, flash memory card and related products	\$ 1,640,500 (USD 50,000) (Note 2 and 3)	(Note 1)	\$ 1,640,500 (USD 50,000) (Note 2 and 3)	-	\$ 1,640,500 (USD 50,000) (Note 2 and 3)	100%
Investment income (loss) recognized by the Company during the period	Ending balance of investment	The investment income (loss) remitted back as of June 30, 2007	Accumulated remittance from Taiwan to Mainland China	balance approved by Investment Commissions, Ministry of Economic Affairs	investment in Mainland China according to Investment Commissions, Ministry of Economic		
(\$14,210) (Note 2)	\$1,257,017 (Note 2)	-	\$ 1,640,500 (USD 50,000) (Note 3)	\$ 1,640,500 (USD 50,000) (Note 3)	\$14,266,997		

Note 1: The Company set up a subsidiary in Cayman Island to invest in Mainland China.

Note 2: Transactions denominated in foreign currencies are translated into New Taiwan dollars at the exchange rate prevailing on the balance sheet date.

Note 3: The amount in USD is presented in thousands.

(2) Material transactions occurred directly between the Company and its Mainland China investee companies and material transactions occurred indirectly between the Company and its Mainland China investee companies via enterprises in other areas: None.

29. SEGMENT INFORMATION:

Not applicable