Vanguard International Semiconductor Corporation

Financial Statements for the Three Months Ended March 31, 2008 and 2007 and Independent Accountants' Review Report

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and the Shareholders
Vanguard International Semiconductor Corporation

We have reviewed the accompanying balance sheets of Vanguard International Semiconductor Corporation (the "Corporation") as of March 31, 2008 and 2007, and the related statements of income and cash flows for the three months then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report on these financial statements based on our reviews.

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

Based on our reviews, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

In March 2007, the ARDF issued an interpretation that requires companies to recognize as compensation expenses bonuses paid to employees, directors and supervisors beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. The adoption of this interpretation resulted in a decrease of NT$129,642 thousand in net income and a decrease in after income tax basic earnings per share of NT$0.08 for the three months ended March 31, 2008.

We have also reviewed the consolidated financial statements of Vanguard International Semiconductor Corporation and subsidiaries as of the three months March 31, 2008 and have issued an unqualified opinion with an explanatory paragraph in our report dated April 9, 2008.

April 9, 2008

Notice to Readers

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

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION

BALANCE SHEETS
MARCH 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Par Value)
(Reviewed, Not Audited)

	2008		2007	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 5,668,676	20	$ 11,271,312	44
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	18,637	-	4,486	-
Financial assets held to maturity - current (Notes 2 and 6)	596,990	2	847,076	3
Derivative financial assets for hedging - current (Notes 2 and 7)	81,007	-	-	-
Bond portfolios with no active market - current (Notes 2 and 8)	-	-	108,435	-
Receivables from related parties (Note 23)	505,680	2	492,330	2
Notes and accounts receivable	2,129,734	8	1,779,558	7
Allowance for doubtful accounts (Note 2)	(44,217)	-	(36,988)	-
Allowance for sales returns and discounts (Note 2)	(119,502)	(1)	(109,245)	-
Inventories, net (Notes 2 and 9)	2,235,175	8	1,425,875	6
Prepaid expenses and other current assets	203,715	1	141,354	-
Deferred income tax assets - current (Notes 2 and 21)	130,718	-	680,567	3
Total current assets	11,406,613	40	16,604,760	65
INVESTMENTS				
Long-term stock investments accounted for by the equity method (Notes 2 and 10)	521,394	2	1,004,116	4
Available-for-sale financial assets - noncurrent (Notes 2 and 11)	531,432	2	1,048,062	4
Financial assets carried at cost - noncurrent (Notes 2 and 12)	40,968	-	40,968	-
Total investments	1,093,794	4	2,093,146	8
PROPERTIES (Notes 2 and 13)				
Cost				
Buildings	11,529,778	41	8,534,567	33
Machinery and equipment	43,872,662	157	36,652,959	144
Other equipment	307,011	1	285,788	1
Total cost	55,709,451	199	45,473,314	178
Accumulated depreciation	(42,812,582)	(153)	(41,089,697)	(161)
Prepayments and construction in progress	1,323,297	5	2,076,653	8
Net properties	14,220,166	51	6,460,270	25
OTHER ASSETS				
Assets leased to others, net (Notes 2 and 14)	1,234,644	5	-	-
Deferred charges, net (Notes 2 and 15)	89,444	-	97,973	1
Deferred income tax assets - noncurrent (Notes 2 and 21)	-	-	242,015	1
Refundable deposits	5,458	-	3,167	-
Total other assets	1,329,546	5	343,155	2
TOTAL	$ 28,050,119	100	$ 25,501,331	100

	2008		2007	
LIABILITIES AND SHAREHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 2 and 5)	$ 964	-	$ 25,953	-
Derivative financial liabilities for hedging - current (Notes 2 and 7)	7,415	-	-	-
Payables to related parties (Note 23)	137,469	-	180,748	1
Notes and accounts payable	995,839	4	686,918	3
Income tax payable (Notes 2 and 21)	216,961	1	127,721	-
Payables to contractors and equipment suppliers	643,892	2	398,200	1
Current portion of long-term bank loans (Note 17)	-	-	28,000	-
Accrued expenses and other current liabilities (Notes 16, 20 and 23)	1,508,521	5	971,083	4
Total current liabilities	3,511,061	12	2,418,623	9
OTHER LIABILITIES				
Accrued pension costs (Notes 2 and 20)	466,068	2	460,328	2
Guarantee deposits	46,089	-	1,296	-
Total other liabilities	512,157	2	461,624	2
Total liabilities	4,023,218	14	2,880,247	11
SHAREHOLDERS' EQUITY (Notes 2 and 18)				
Capital stock, NT$10.00 par value;				
Authorized - 3,300,000 thousand shares				
Issued and outstanding - 1,701,049 thousand shares in 2008 and 1,662,208 thousand shares in 2007	17,010,486	61	16,622,077	65
Capital surplus				
Employee stock options	518,396	2	440,959	2
Long-term stock investments	68,179	-	20,494	-
Total capital surplus	586,575	2	461,453	2
Retained earnings				
Legal reserve	1,048,460	4	746,591	3
Special reserve	40,560	-	35,186	-
Unappropriated earnings	5,292,293	19	4,128,884	16
Total retained earnings	6,381,313	23	4,910,661	19
Other				
Cumulative translation adjustments	(62,264)	-	(27,845)	-
Unrealized gains on financial instruments (Note 26)	110,791	-	654,738	3
Total others	48,527	-	626,893	3
Total shareholders' equity	24,026,901	86	22,621,084	89
TOTAL	$ 28,050,119	100	$ 25,501,331	100

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

(With Deloitte & Touche review report dated April 9, 2008)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION

STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2008		2007	
	Amount	**%**	**Amount**	**%**
GROSS SALES (Notes 2, 7, 23 and 26)	$ 4,533,446		$ 3,596,075	
SALES RETURNS AND DISCOUNTS (Note 2)	(7,439)		(35,675)	
NET SALES	4,526,007	100	3,560,400	100
COST OF SALES (Notes 22 and 23)	3,245,332	72	2,255,014	63
GROSS PROFIT	1,280,675	28	1,305,386	37
OPERATING EXPENSES (Notes 22 and 23)				
General and administrative	176,807	4	113,845	3
Marketing	46,722	1	60,776	2
Research and development	194,984	4	103,298	3
Total operating expenses	418,513	9	277,919	8
OPERATING INCOME	862,162	19	1,027,467	29
NONOPERATING INCOME AND GAINS				
Valuation gains on financial instruments (Notes 2, 5 and 26)	110,981	2	-	-
Interest	33,342	1	49,874	1
Rental (Note 14)	28,579	1	-	-
Gain on disposal of properties (Note 2)	4,438	-	707	-
Foreign exchange gain, net (Note 2)	-	-	28,511	1
Investment gain recognized by the equity method (Notes 2 and 10)	-	-	4,050	-
Gain on sales of investments (Note 2)	-	-	3,446	-
Other (Note 23)	13,928	-	9,455	-
Total nonoperating income and gains	191,268	4	96,043	2
NONOPERATING EXPENSES AND LOSSES				
Foreign exchange loss, net (Notes 2 and 7)	100,194	2	-	-
Investment loss recognized by equity method (Notes 2 and 10)	10,305	-	-	-
Valuation loss on financial instruments (Notes 2, 5 and 26)	-	-	40,692	1

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VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION

STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2008		2007	
	Amount	**%**	**Amount**	**%**
Assets leased to others (Note 14)	$ 22,974	1	$ -	-
Loss on disposal of properties (Note 2)	12	-	-	-
Other	4,949	-	1,714	-
Total nonoperating expenses and losses	138,434	3	42,406	1
INCOME BEFORE INCOME TAX	914,996	20	1,081,104	30
INCOME TAX (Notes 2 and 21)	(148,952)	(3)	(184,910)	(5)
NET INCOME	$ 766,044	17	$ 896,194	25

	2008		2007	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 19)				
Basic	$ 0.54	$ 0.45	$ 0.64	$ 0.53
Diluted	$ 0.54	$ 0.45	$ 0.64	$ 0.53

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

(With Deloitte & Touche review report dated April 9, 2008) (Concluded)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION

STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 766,044	$ 896,194
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	778,131	596,798
Investment loss (gain) recognized by the equity method	10,305	(4,050)
Deferred income tax assets	28,404	158,748
Gain on disposal of properties, net	(4,426)	(707)
Accrued pension cost	1,125	-
Gain on sales of investments	-	(3,446)
Amortized discounts for bonds	(2,506)	-
Provision (reversal of) allowance for doubtful accounts	3,725	(620)
(Reversal of) provision allowance for sales returns and discount	(7,361)	21,065
Net changes in operating assets and liabilities		
Receivables from related parties	394,899	254,753
Notes and accounts receivable	(199,452)	47,007
Inventories	(734,586)	(174,776)
Prepaid expenses and other current assets	122,884	14,418
Financial assets held for trading	(12,046)	4,829
Payables to related parties	(17,453)	31,189
Notes and accounts payable	295,447	11,031
Income tax payable	120,548	26,161
Accrued expenses and other current liabilities	108,952	(160,500)
Derivative financial Instruments for hedging	(91,811)	-
Financial liabilities held for trading	144	19,823
Net cash provided by operating activities	1,560,967	1,737,917
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of held-to-maturity financial assets	-	(847,076)
Proceeds of held-to-maturity financial assets	97,680	-
Decrease in bond portfolios with no active market	72,734	14,024
Proceeds of the disposal of available-for-sale financial assets	-	161,346
Acquisition of properties	(2,635,929)	(1,891,019)
Proceeds of the disposal of properties	4,439	707
Increase in deferred charges	(6,039)	(155)
Increase in refundable deposits	(1,357)	(122)
Net cash used in investing activities	(2,468,472)	(2,562,295)

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VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION

STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2008	2007
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in long-term bank loans	$ -	$ (18,000)
Increase in guarantee deposits	29,181	32
Proceeds of the exercise of employee stock options	8,835	218,745
Net cash provided by financing activities	38,016	200,777
NET DECREASE IN CASH AND CASH EQUIVALENTS	(869,489)	(623,601)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	6,538,165	11,894,913
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 5,668,676	$ 11,271,312
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid (excluding capitalized amounts of $110 thousand for the three months ended March 31, 2007)	$ -	$ 12
NONCASH FINANCING ACTIVITIES		
Current portion of long-term bank loans	$ -	$ 28,000
Reclassification of properties into assets leased to others	$ 1,257,618	$ -
CASH PAID FOR ACQUISITION OF PROPERTIES		
Total acquisitions	$ 2,333,494	$ 1,989,566
Decrease (increase) in payables to contractors and equipment suppliers	302,435	(98,547)
	$ 2,635,929	$ 1,891,019

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

(With Deloitte & Touche review report dated April 9, 2008) (Concluded)

1. ORGANIZATION AND OPERATIONS

Vanguard International Semiconductor Corporation (the "Corporation") was established on December 5, 1994 as a venture among the Ministry of Economic Affairs (MOEA), Taiwan Semiconductor Manufacturing Company Ltd. (TSMC), USI Corporation and several other private investors. The MOEA's contributed capital was assets of and technology developed from the Submicron Experiment Project.

The Corporation's shares have been traded over the counter on the Republic of China (ROC) GreTai Securities Market since March 25, 1998.

The Corporation researches, designs, develops, manufactures, packages, tests and sells memory integrated circuits (ICs), large-scale integrated ICs (LSIs), very large-scale integrated ICs (VLSIs) and related parts.

As of March 31, 2008 and 2007, the Corporation had 3,761 and 2,085 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers、Business Accounting Law、Regulations Business Accounting and accounting principles generally accepted in the Republic of China (ROC). Under these guidelines, law and principles, the Corporation should make certain estimates and assumptions that could affect the amounts of allowance for doubtful accounts, allowance for sales returns and discounts, decline in market value of inventories, depreciation of properties, depreciation of assets leased to others, amortization of deferred charges, pension expenses, income tax expenses and compensation expenses bonuses paid to employees, directors and supervisors. Actual results could differ from these estimates.

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

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

Current/Noncurrent Assets and Liabilities

Current assets are unrestricted cash and cash equivalents and assets primarily for the purpose of being traded and other assets to be consumed within 12 months from the balance sheet date. Current liabilities are liabilities primarily for the purpose of being traded and those to be settled within 12 months from the balance sheet date. All other assets and liabilities are classified as noncurrent.

Cash Equivalents

Government bonds acquired under agreements for resell less than three months from the date of purchase are classified as cash equivalents. Their carrying amount approximates fair value.

Financial Instruments at Fair Value through Profit or Loss

Financial instruments at fair value through profit or loss include financial assets or financial liabilities for trading. When the Corporation enters into financial instrument contracts, the financial assets or financial liabilities are recognized in the balance sheet. On contract expiry, settlement or cancellation, the financial assets and liabilities are de-recognized.

These financial instruments, except derivatives, are initially recognized at fair value plus costs that are directly attributable to instrument acquisition; these transaction cost are expensed as these are incurred. When fair value subsequently measured, the changes in fair value are recognized as earnings. Cash dividends received are recognized as income. A regular purchase or sale of financial assets is recognized and de-recognized using trade date accounting.

Derivatives not used for hedging are reclassified as financial assets or liabilities held for trading. If the fair value of the derivative is a positive number, the derivative is listed as a financial asset; otherwise, the derivative is listed as a financial liability.

The fair value of derivatives with no active market is estimated using valuation techniques.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially recognized at fair value plus costs that are directly attributable to asset acquisition. When the assets are remeasured at fair value, the changes in fair value are recognized as an adjustment to shareholders' equity. The accumulated gains or losses will be recognized when the financial asset is de-recognized from the balance sheet. A regular purchase or sale of financial assets is recognized and de-recognized using trade date accounting.

The accounting treatment for financial assets is recognized and derecognized arising from Available-for-sale financial assets is the same as that for which arising from financial instruments at fair value through profit or loss.

The fair values of listed stock are their closing price as of the balance sheet date.

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

If there is objective evidence of impairment loss on equity securities on the balance sheet date, the impairment loss should be recognized. If the impairment loss decreases, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to shareholders' equity.

Financial Assets Held To Maturity

Held-to-maturity financial assets are carried at amortized cost using the effective interest method. Held-to-maturity financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. Profit or loss is recognized when the financial assets are derecognized, impaired, or amortized. A regular purchase or sale of financial assets is recognized and de-recognized from the balance sheet using trade date accounting.

If there is objective evidence of asset impairment loss on the balance sheet date, the impairment loss should be recognized. If the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss should be reversed. This reversal should not result in the carrying amount of the financial asset exceeding the amortized cost that would have been determined had the impairment loss not been recognized.

Derivative Financial Instruments for Hedging

Derivative financial instruments for hedging are stated at fair value. At period-end, the balances of derivative financial instruments are restated at fair value, and the resulting differences are recorded as follows depending on the hedging purpose:

a. To offset changes in the fair value of a hedged item - as credits or charges to current income;

b. To offset changes in the cash flows of a hedged item - as unrealized gain on financial instruments under shareholders' equity.

Hedge Accounting

Hedge accounting recognizes the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item, as follows:

a. Fair value hedge:

   The gain or loss from changes in the fair value of a derivative hedging instrument or from the changes in carrying values of a nonderivative hedging instrument is recognized as profit or loss. Gain or loss on the hedged item will be recognized as an adjustment to the carrying amount of the hedged item.

b. Cash flow hedge:

   1) The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly under shareholders' equity, and the ineffective portion of the gain or loss on the hedging instrument is recognized as profit or loss.

   2) If a hedge of a forecast transaction results in the recognition of a financial asset or a financial liability, the related gains or losses that were recognized directly under equity is reclassified as profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

   3) If a hedge of a forecast transaction results in the recognition of a nonfinancial asset or if a nonfinancial liability becomes a firm commitment for which fair value hedge accounting is applied, then the Corporation reclassifies the related gains and losses that were recognized directly under equity into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

However, if the Corporation expects that all or a portion of a loss recognized directly under equity will not be recovered in one or more future periods, it shall reclassify into profit or loss the amount that is not expected to be recovered.

A portion of the Corporation's revenue from the sales and denominated in foreign currencies are cash flow hedged. The corporation uses cash flow hedge to manage risks on exchange rate fluctuation and changes of time value for those expected sales. The fair value hedge is hedging for the risk of the changes of the net value of the assets.

Bond Portfolios with No Active Market

Bond portfolios with fixed or determinable receivables that are not quoted in an active market are carried at amortized cost using the effective interest method. These bond portfolios are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Profit or loss is recognized at the time of derecognition, impairment or amortization. A regular way purchase or sale of financial assets is recognized and derecognized using trade date accounting.

If there is objective evidence that an impairment loss has been incurred on the balance sheet date, the impairment loss should be recognized. If the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss should be reversed. This reversal should not result in the carrying amount of the financial asset exceeding the amortized cost that would have been determined had the impairment loss not been recognized.

Allowance for Doubtful Accounts

Allowance for doubtful receivables is provided on the basis of the aging and review of the collectability of receivables.

Inventories

Inventories are stated at the lower of standard cost (adjusted to approximate weighted average cost) or market value. Inventories are recorded at standard cost and adjusted to the approximate weighted-average cost at the end of each period. Market value represents net realizable value for finished goods and work in process and replacement value for raw materials, supplies and spare parts. Estimated losses on slow-moving items are recognized and included in the allowance for losses.

Long-term Stock Investments Accounted for by the Equity Method

Investments in shares of stock of companies in which the Corporation exercises significant influence on their operating and financial decisions are accounted for by the equity method. If the Corporation subscribes for an investee's newly issued shares at a percentage different from its current ownership percentage, the Corporation will record the resulting change in the carrying amount of the investment as an adjustment to long-term investments, with the corresponding amount credited or debited to capital surplus. If capital surplus is not enough for debiting purposes, the difference is debited to unappropriated retained earnings. The carrying amount may also be adjusted at the Corporation's proportionate interest in the investee if there are changes in the investee's equity, other than capital stocks and retained earnings.

On the balance sheet date, the Corporation evaluates investments for any impairment. An impairment loss is recognized and charged to current income if the investment carrying amount as of the balance sheet date exceeds the expected recoverable amount. Investments in which the Corporation has significant influence over investees are tested for impairment separately at their carrying amounts.

Profits from upstream transactions with an equity-method investee are eliminated in proportion to the Corporation's percentage of ownership in the investee. All of the above deferred gains and losses are realized upon the sale of the related products to third parties.

Financial Assets Carried at Cost

Investments in securities such as non-publicly traded stocks and emerging stocks with no quoted market prices in an active market and with fair values that cannot be reliably measured are stated at original cost. When these investments are subsequently measured at fair value, they are reclassified into available-for-sale financial assets. If there is objective evidence that a financial asset is impaired, a loss is recognized. No recording of a subsequent recovery of fair value is allowed.

The accounting treatment for cash dividends and stock dividends arising from financial assets carried at cost is the same as that for cash and stock dividends arising from available-for-sale financial assets.

Properties and Assets Leased to Others

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

On the balance sheet date, the Corporation evaluates properties for any impairment. If impairment is identified, the Corporation should evaluate the recoverable amount of the assets. An impairment loss should be recognized for any carrying amount in excess of the expected recoverable amount, and this loss should be charged to current income. An impairment loss recognized in prior years can be reversed only if there is a change in the estimates used to determine recoverable amount since the last impairment loss was recognized. However, the loss reversal is only to the extent that the increased carrying amount of an asset would not exceed the carrying amount (net of depreciation) had no impairment loss been recognized in prior years.

Depreciation is calculated using the straight-line method over the following periods: buildings - 5 to 20 years; machinery and equipment and other equipment - 3 to 5 years; assets leased to others - 10 to 20 years.

Properties still in use at the end of their initially estimated service lives are further depreciated over their newly estimated service lives. Upon sale or other disposal of properties, the related cost and accumulated depreciation are removed from the corresponding accounts, and any gain or loss is credited or charged to nonoperating gain or loss.

Deferred Charges

Expenditures arising from research activities and those related to development activities that do not meet the criteria for capitalization are charged to expense when incurred.

Deferred charges are amortized on the straight-line method over the following periods: software design costs - 3 to 5 years.

On the balance sheet date, the Corporation evaluates deferred charges for any impairment. If impairment is identified, the Corporation should evaluate the recoverable amount of the deferred charges. An impairment loss should be recognized for any carrying amount in excess of the expected recoverable amount, and this loss should be charged to current income. An impairment loss recognized in prior years can be reversed only if there is a change in the estimates used to determine recoverable amount since the last impairment loss was recognized. However, the loss reversal is only to the extent that the increased carrying amount of an deferred charge would not exceed the carrying amount (net of amortization) had no impairment loss been recognized in prior years.

Employee Stock Options

Employee stock options granted between January 1, 2004 and December 31, 2007 were accounted for under the interpretations issued by the Accounting Research and Development Foundation ("ARDF"). The Corporation adopted the intrinsic value method, under which compensation cost was recognized on a straight-line basis over the vesting period. Employee stock option plans that were granted or modified after December 31, 2007 are accounted for using fair value method in accordance with Statement of Financial Accounting Standards No. 39, "Accounting for Share-based Payment", under which compensation cost was recognized on a straight-line basis over the vesting period.

Sales and Allowance for Sales Returns and Discounts

Sales are recognized when titles to products and evident risks of ownership are transferred to customers, primarily upon shipment, since the major part of the earnings process is completed and revenue is realized or realizable. Allowances and related provisions for sales returns and discounts are provided on the basis of the Corporation's historical experience. These provisions are deducted from gross sales and related costs are deducted, from cost of sales.

Sales are determined at fair value, taking into account sales discounts agreed to by the Corporation and customers. Since the receivables from sales are collectible within one year and sales transactions are frequent, the fair value of receivables is equivalent to the nominal amount of cash to be received.

Capitalized and Other Expenditures

Expenditures that will result in benefit periods of over one year are recognized as assets; others are recognized as expenses or losses.

Pension Costs

Under the defined contribution pension plan, pension costs are recorded on the basis of the Corporation's required contributions to employees' individual pension accounts. Under the defined benefit pension plan, pension costs are recorded on the basis of actuarial calculations.

Income Tax

The Corporation applies inter-period allocations for its income tax, that is deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused tax credits and operating loss carryforwards. Valuation allowance is provided for deferred income tax assets that are not certain to be realized. A deferred tax asset or liability should be classified as current or noncurrent according to the classification of the related asset or liability, but if a deferred asset or liability cannot be related to an asset or liability in the financial statements, it should be classified as current or noncurrent depending on the expected realization date of the temporary difference.

Tax credit for the purchase of machinery, equipment and technology; research and development expenditures; personnel training; and investments in important technology-based enterprise are recognized using the current method.

Adjustments to prior years' tax are added to or deducted from the income tax expense in the year those adjustments are determined.

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

Foreign-currency Transactions

Foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses resulting from the application of prevailing exchange rates when cash is converted to New Taiwan dollars or when assets and liabilities denominated in foreign currencies are settled, are recognized as current income. At the end of each period, monetary assets and liabilities denominated in foreign currencies are revalued at the prevailing exchange rates, with the resulting gains or losses recognized as current income.

On the balance sheet date, the balances of nonmonetary assets and liabilities, except those carried at cost be and which continue to be valued at the historical rate of the trade date, are restated at prevailing exchange rates, and the resulting differences are recorded as follows:

a. Financial instruments at fair value through shareholders' equity - as adjustment components under shareholders' equity;

b. Financial instruments at fair value through profit or loss - as credits or charges to current income.

If an equity-method investee's functional currency is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Corporation. These adjustments are accumulated and reported as a separate component of shareholders' equity.

The exchange rates used for foreign-currency transaction recording, settlement or translation are mainly based on the rates obtained through the Reuter's quotation system.

3. ACCOUNTING CHANGES

a. SFAS No. 37, "Accounting for Intangible Assets"

   On January 1, 2007, the Corporation adopted the newly released SFAS No. 37, "Accounting for Intangible Assets" and reassessed the useful lives of and the amortization method for its recognized intangible assets as of the same date. This accounting change did not have a material effect on the Corporation's financial statements as of and for the three months ended March 31, 2007.

b. Interpretation 96-052, "Accounting for Bonuses to Employees, Directors and Supervisors"

   In March 2007, the ARDF issued an interpretation that requires companies to recognize as compensation expenses bonuses paid to employees, directors and supervisors beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. The adoption of this interpretation resulted in a decrease of NT$129,642 thousand in net income and a decrease in after income tax basic earnings per share of NT$0.08 for the three months ended March 31, 2008.

c. SFAS No. 39, "Accounting for Share-based Payment"

   On January 1, 2008, the Corporation adopted the newly released SFAS No. 39, "Accounting for Share-based Payment". This accounting change did not have a material effect on the Corporation's financial statements as of and for the three months ended March 31, 2008.

4. CASH AND CASH EQUIVALENTS

	March 31 2008	March 31 2007
Bank deposits	$ 5,469,270	$ 11,002,812
Government bonds acquired under resale agreements	199,406	268,500
	$ 5,668,676	$ 11,271,312

5. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments for trading consisted of the following:

	March 31 2008	March 31 2007
Financial assets for trading		
Forward exchange contracts	$ 18,637	$ 4,342
Cross-currency interest rate swap contracts	-	144
	$ 18,637	$ 4,486
Financial liabilities for trading		
Forward exchange contracts	$ 964	$ -
Cross-currency interest rate swap contracts	-	25,953
	$ 964,	$ 25,953

The Corporation entered into derivative transactions in the three months ended March 31, 2008 and 2007 to manage exposures related to exchange rate and interest rate fluctuations.

a. Outstanding forward exchange contracts as of March 31, 2008 and 2007

Contract	Currency	Contract Expiry Date	Contract Amount (in Thousands)
March 31, 2008			
Sell forward exchange contracts	US$ to NT$	2008.04.18-2008.06.18	US$ 11,000
Sell forward exchange contracts	US$ to JPY	2008.04.09-2008.05.21	US$ 4,200
Sell forward exchange contracts	EUR to US$	2008.04.09-2008.04.10	EUR 100
Buy forward exchange contracts	NT$ to JPY	2008.04.09	JPY 60,000
Buy forward exchange contracts	US$ to EUR	2008.04.09	EUR 100
Buy forward exchange contracts	NT$ to US$	2008.04.11	US$ 2,000
March 31, 2007			
Buy forward exchange contracts	US$ to EUR	2007.04.03	EUR 2,600
Sell forward exchange contracts	US$ to JPY	2007.04.16	US$ 1,500
Sell forward exchange contracts	US$ to NT$	2007.04.02-2007.07.02	US$ 52,700

b. Outstanding cross-currency interest rate swap contracts as of March 31, 2007

Contract Amount (in Thousands)	Contract Expiry Date	Range of Interest Rate Paid	Range of Interest Rate Received
March 31, 2007			
US$67,000	2007.04.02-2007.07.03	1.830%-5.390%	1.690%-5.300%

The net gain on financial instrument for trading were $38,661 thousand in the three months ended March 31, 2008. The net loss on financial instrument for trading were $21,467 thousand in the three months ended March 31, 2007.

6. FINANCIAL ASSETS HELD TO MATURITY - CURRENT

	March 31 2008	March 31 2007
Bond - Greatwall	$ 298,537	$ -
Bond - Formosa Petrochemical Co.	198,670	-
Bond - 7-Eleven, Inc.	99,783	-
Structured time deposits	-	847,076
	$ 596,990	$ 847,076

a. On August 24, 2007, the Corporation bought 5-year corporate bonds issued by Company Creatwall with an effective interest rate of 2.58%, at par value of NT$300,000 thousand. The maturity will be August 21, 2008.

b. On November 7, 2007, the Corporation bought 5-year corporate bonds issued by Formosa Petrochemical Co. with an effective rate of 2.66%, NT$200,000 thousand. The maturity will be July 2, 2008.

c. On August 15, 2007, the Corporation bought 5-year corporate bonds issued by Company 7-Eleven, Inc. with an effective interest rate of 2.50%, at value of NT$100,000 thousand . The maturity will be June 13, 2008.

d.

	Principal Amount	Interest Rate	Maturity Date
March 31, 2007			
Fixed rate callable deposits			
Structured time deposits	$ 847,076	1.95%-2.10%	April 2007-June 2007

As of March 31, 2007, principal amount was US$25,700 thousand.

7. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

Derivative financial instruments for hedging (reference to Note 26) consisted of the following:

	March 31, 2008
Derivative financial assets for hedging	
Current	
Forward exchange contracts	$ 81,007
Derivative financial liabilities for hedging	
Current	
Forward exchange contracts	$ 7,415

Risks control and hedging policy:

The Corporation's operations and business activities are exposed to the risks of changes in fair value and exchange rate fluctuation. The Corporation uses cash flow hedge to manage risks on exchange rate fluctuation and changes of time value for those expected sales transaction. To manage the risks on exchange rate fluctuations of foreign currency-denominated assets or liabilities, the Corporation uses forward exchange contracts as fair value hedge.

In the three months ended March 31, 2008, the Corporation used forward exchange contracts to hedge risks on exchange rate fluctuations of sales and accounts receivable. The outstanding forward contracts as of March 31, 2008 were as follows:

	Currency	Maturity Date	Contract Amount (in Thousands)
March 31, 2008			
Sell forward exchange contracts	US$ to NT$	2008.04.17-2008.06.18	US$92,000

The realized net loss on derivative financial instruments used for cash flow hedging in the three months ended March 31, 2008 was $3,755 thousand, which was deducted from sales. The realized net gain on derivative financial instruments used for fair value hedging in the three months ended March 31, 2008 was $34,518 thousand, which was added from foreign exchange loss, net.

8. BOND PORTFOLIOS WITH NO ACTIVE MARKET - CURRENT

	March 31, 2007
Chinatrust Bank - residential mortgage-backed securities	$ 108,435

9. INVENTORIES, NET

	March 31	
	2008	2007
Finished goods	$ 75,141	$ 28,134
Work in process	1,412,936	866,465
Raw materials	252,484	291,881
Supplies and spare parts	525,963	310,542
	2,266,524	1,497,022
Allowance for inventory losses	(31,349)	(71,147)
	$ 2,235,175	$ 1,425,875

10. LONG-TERM STOCK INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	March 31			
	2008		2007	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Unlisted stocks				
VIS Associates Inc.	$ 420,548	100	$ 936,443	100
CMSC, Inc.	100,846	25	67,673	33
	$ 521,394		$ 1,004,116	

In their meeting on December 4, 2007, the board of directors of VIS Associates Inc. (VIS Associates) approved a decrease in VIS Associates' capital from US$21,070 thousand to US$6,000 thousand. And then partial return the capital of VIS Associates Inc. of US$15,070 thousand.

The investment gains (losses) of the investees were as follows:

	Three Months Ended March 31			
	2008		2007	
	Loss of Each Company	The Investment Loss Recognized by the Corporation	Income of Each Company	The Investment Income Recognized by the Corporation
VIS Associates Inc.	$ (7,196)	$ (7,196)	$ 3,690	$ 3,690
CMSC, Inc.	(13,095)	(3,109)	1,079	360
		$ (10,305)		$ 4,050

The investment net assets of the investees were as follows:

	March 31	
	2008	2007
Total assets of the investees	$ 1,181,487	$ 1,257,574
Total liabilities of the investees	356,619	118,152
Total net assets of the investees	$ 824,868	$ 1,139,422
Total net assets at the Corporation's proportionate interest in the investee	$ 521,394	$ 1,004,116

The carrying value of the equity-method investments and the related investment losses were based on the investees' reviewed financial statements of the same reporting periods as those of the Corporation.

According to regulation No. 0960064020 issued by Financial Supervisory Commission, Executive Yuan, the consolidated financial statements as of and for the three months ended March 31, 2008 had included all subsidiaries.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS - NONCURRENT

	March 31	
	2008	2007
Listed stocks - Walton Advanced Engineering, Inc.	$ 434,794	$ 847,311
Listed stocks - International Semiconductor Technology Ltd.	96,638	200,751
	$ 531,432	$ 1,048,062

12. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	March 31	
	2008	2007
Unlisted stocks		
United Industrial Gases Co., Ltd.	$ 38,716	$ 38,716
Megica Corporation	2,252	2,252
	$ 40,968	$ 40,968

The unlisted stocks had no quoted market prices. Thus, these investments were carried at cost.

13. PROPERTIES

	Three Months Ended March 31, 2008				
	Buildings	Machinery and Equipment	Other Equipment	Prepayments and Construction in Progress	Total
Cost					
Beginning	$ 8,613,941	$ 38,090,201	$ 227,081	$ 9,063,230	$ 55,994,453
Acquired	4,173,455	5,819,817	80,155	(7,739,933)	2,333,494
Reclassified	(1,257,618)	-	-	-	(1,257,618)
Disposal	-	(37,356)	(225)	-	(37,581)
Ending	$ 11,529,778	$ 43,872,662	$ 307,011	$ 1,323,297	$ 57,032,748

	Three Months Ended March 31, 2008			
	Buildings	Machinery and Equipment	Other Equipment	Total
Accumulated depreciation				
Beginning	$ 7,426,666	$ 34,530,804	$ 153,402	$ 42,110,872
Depreciation	118,187	610,431	10,660	739,278
Disposal	-	(37,356)	(212)	(37,568)
Ending	$ 7,544,853	$ 35,103,879	$ 163,850	$ 42,812,582

	Three Months Ended March 31, 2007				
	Buildings	Machinery and Equipment	Other Equipment	Prepayments and Construction in Progress	Total
Cost					
Beginning	$ 8,451,657	$ 36,471,521	$ 283,590	$ 424,284	$ 45,631,052
Acquired	82,910	248,939	5,348	1,652,369	1,989,566
Disposal	-	(67,501)	(3,150)	-	(70,651)
Ending	$ 8,534,567	$ 36,652,959	$ 285,788	$ 2,076,653	$ 47,549,967

	Three Months Ended March 31, 2007			
	Buildings	Machinery and Equipment	Other Equipment	Total
Accumulated depreciation				
Beginning	$ 7,042,692	$ 33,334,907	$ 201,701	$ 40,579,300
Depreciation	160,783	413,997	6,268	581,048
Disposal	-	(67,501)	(3,150)	(70,651)
Ending	$ 7,203,475	$ 33,681,403	$ 204,819	$ 41,089,697

Interest capitalized amounts consisted of the following:

	Three Months Ended March 31, 2007
Interest expense before interest capitalization	$ 110
Interest capitalized	110
Interest rates used to calculate the amounts capitalized	1.45%

14. ASSETS LEASED TO OTHERS, NET

	Three Months Ended March 31, 2008
Buildings	
Cost	
Beginning	$ -
Reclassified	1,257,618
Ending	1,257,618
Accumulated depreciation	
Beginning	-
Depreciation	22,974
Ending	22,974
Net balance	$ 1,234,644

The Corporation lease the part of the plant that acquired from Winbond from January 1, 2008 to December 31, 2009. Annual rentals aggregate $114,316 thousand.

15. DEFERRED CHARGES, NET

	Three Months Ended March 31	
	2008	2007
Computer design costs		
Cost		
Beginning	$ 725,817	$ 682,348
Acquired	6,039	155
Disposal	-	(630)
Ending	731,856	681,873
Accumulated amortization		
Beginning	626,533	568,780
Amortization	15,879	15,750
Disposal	-	(630)
Ending	642,412	583,900
Net balance	$ 89,444	$ 97,973

16. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	Three Months Ended March 31 2008	Three Months Ended March 31 2007
Royalty	$ 482,829	$ 481,442
Bonus	189,100	95,048
Others	836,592	394,593
	$ 1,508,521	$ 971,083

	Royalty	Bonus
January 1, 2008	$ 481,668	$ 271,062
Add: Reversal of payables to related parties	95,286	-
Accrued	100,833	180,148
Less: Payable	(103,034)	(262,110)
Classification as payables to related parties	(91,924)	-
March 31, 2008	$ 482,829	$ 189,100
January 1, 2007	$ 488,604	$ 218,130
Add: Reversal of payables to related parties	86,612	-
Accrued	93,198	95,048
Less: Payable	(100,668)	(218,130)
Classification as payables to related parties	(86,304)	-
March 31, 2007	$ 481,442	$ 95,048

17. LONG-TERM BANK LOANS

	March 31, 2007
Bank loans	
Repayable in quarterly installments through July 2007; interest: 1.22%-1.45% in 2007	$ 28,000
Current portion	(28,000)
	$ -

18. SHAREHOLDERS' EQUITY

Under the Company Law, the Corporation's capital surplus can only be used to offset a deficit. In addition, capital surplus generated from the issue price in excess of the par value of capital stock may be transferred to capital as stock dividends. However, the capital surplus from long-term stock investments accounted for by the equity method is restricted from use for any purpose.

The Corporation's Articles of Incorporation provide that the following should be appropriated from the annual net income after deducting any deficit and 10% legal reserve:

a. 1% as remuneration to directors and supervisors;
b. At least 1% as bonus to employees;
c. Special reserve; and

d. Final balance, appropriation to be decided at the shareholders' meeting.

All profits may be distributed after taking into consideration financial, business and operational factors. Dividends are in cash and/or in the form of stock. Since the Corporation's operation is at the steady growth stage, the cash dividend paid (in any given year) should be at least 10% of the dividends of the current year's appropriation. If there is no profit for distribution, or the profit is far less than the profit actually distributed by the Corporation in the previous year or other reasons so require, all or part of the capital surplus may be transferred to capital in accordance with relevant laws or regulations or the requirements of the authorities in charge.

For the three months ended March 31, 2008, the bonus to employees and bonus to directors and supervisors, representing 15% and 1% of net income, respectively, were accrued based on past experiences, corporation policy and related law and decree. Material differences between such estimated amounts and the amounts proposed by the Board of Directors subsequently are retroactively adjusted for in the current year. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate.

Under regulations promulgated by the Securities and Futures Bureau (SFB), a special reserve equivalent to the debit balance of any account shown in the shareholders' equity section of the balance sheets should be made from unappropriated retained earnings. The special reserve may be reversed and appropriated to the extent of the balance reversed.

Legal reserve should be appropriated until the reserve equals the Corporation's paid-in capital. When the reserve exceeds 50% of the Corporation's paid-in capital, the excess may be used to offset a deficit or be distributed as dividends and bonuses if the Corporation has no unappropriated earnings. The Company Law also prescribes that, when the reserve has reached 50% of the Corporation's paid-in capital, up to 50% of the reserve may be transferred to capital.

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

On January 8, 2003, the Corporation issued 600,000 thousand shares of new capital stock at a discounted price of NT$7.00 per share.

The appropriation of earnings for 2007 and 2006 were approved in the shareholders' meetings held on February 26, 2008 and June 13, 2007, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividend Per Share (NT$)**	
	2007	**2006**	**2007**	**2006**
Legal reserve	$ 432,107	$ 301,869	$ -	$ -
(Reversal of) provision special reserve	(40,560)	5,374	-	-
Stock dividends	34,010	165,050	0.02	0.10
Cash dividends	2,890,824	2,310,705	1.70	1.40
Bonus to employees - in stock	186,670	130,408	-	-
Bonus to employees - in cash	124,447	86,938	-	-
Remuneration to directors and supervisors	38,890	27,168	-	-
	$ 3,666,388	$ 3,027,512		

Besides, the capital surplus transferred to common stock $51,015 thousand was approved in the Board of Directors' meeting on February 26, 2008.

The appropriation of stock bonuses to employees and stock dividends resulted in the issuance of additional shares amounting to $220,680 thousand and capital surplus transferred to common stock $51,015 thousand; thus, paid-in capital increased to $17,282,180 thousand. However, the actual stock dividends per share will be subject to adjustment if the number of outstanding common shares changes in connection with the exercise of employee stock options. The Board of Directors is authorized to determine adjustments in stock dividends per share and propose related appropriations. These proposed appropriations will be submitted to the shareholders for approval in their meeting on June 13, 2008. Information on appropriations can be accessed online through the Market Observation Post System on the Web site of the Taiwan Stock Exchange Corporation.

Unrealized Gain or Loss on Financial Instruments

For the three months ended March 31, 2007 and 2008, movements of unrealized gain or loss on financial instruments were as follows:

	Available-for-sale Financial Assets	Equity-method Investments	Gain (Loss) on Cash Flow Hedge	Total
Three months ended March 31, 2008				
Balance, beginning of period	$ 143,844	$ 5,282	$ (5,709)	$ 143,417
Recognized in shareholders' equity	(33,343)	(3,486)	448	(36,381)
Transferred to profit or loss	-	-	3,755	3,755
Balance, end of period	$ 110,501	$ 1,796	$ (1,506)	$ 110,791
Three months ended March 31, 2007				
Balance, beginning of period	$ 624,914	$ 18,355	$ -	$ 643,269
Recognized in shareholders' equity	5,556	9,252	-	14,808
Transferred to profit or loss	(3,339)	-	-	(3,339)
Balance, end of period	$ 627,131	$ 27,607	$ -	$ 654,738

Translation Adjustment

For the three months ended March 31, 2008 and 2007, movements of translation adjustments were as follows:

	Foreign Currency Exchange Valuation Difference
Three months ended March 31, 2008	
Balance, beginning of period	$ (41,879)
Recognized in shareholders' equity	(20,385)
Balance, end of period	$ (62,264)

(Continued)

	Foreign Currency Exchange Valuation Difference
Three months ended March 31, 2007	
Balance, beginning of period	$ (40,560)
Recognized in shareholders' equity	12,715
Balance, end of period	$ (27,845)

Employee Stock Option Plans

On February 20, 2001, June 21, 2002 and September 18, 2003, the Corporation received approvals from the Securities and Futures Commission (the former name of the SFB) of its adoption of Employee Stock Option Plans (hereafter referred as the "2001 Plan", "2002 Plan", and "2003 Plan"). The 2001 Plan consisted of 16,000 thousand units. Together, the 2002 Plan and 2003 Plan consisted of 140,000 thousand units. These options generally vest at a certain percentage from two years after the date of grant and may be exercised within eight years from two years after the date of grant. Other information on the stock option rights plan is as follows:

	2003 Plan		2002 Plan		2001 Plan	
	Number of Outstanding Stock Option Rights (in Thousands)	Weighted-average Exercise Price (NT$)	Number of Outstanding Stock Option Rights (in Thousands)	Weighted-average Exercise Price (NT$)	Number of Outstanding Stock Option Rights (in Thousands)	Weighted-average Exercise Price (NT$)
2008						
Beginning balance	33,883	$ 19.48	9,875	$ 14.20	3,750	$ 18.40
Options exercised	(142)	18.82	(115)	14.20	(71)	15.28
Options canceled	(102)	20.60	-	-	-	-
Ending balance	33,639	19.48	9,760	14.20	3,679	18.47
2007						
Beginning balance	50,958	$ 20.74	17,428	$ 15.10	5,246	$ 19.55
Options exercised	(6,706)	20.92	(5,071)	15.10	(873)	19.06
Options canceled	(2,053)	20.77	(314)	15.10	(64)	19.33
Ending balance	42,199	20.71	12,043	15.10	4,309	19.65

The number of outstanding option rights and exercise prices had been adjusted to reflect the offset of deficit by capital reduction and the appropriations of dividends based on the employee stock option plans.

The outstanding stock options as of March 31, 2008 were as follows:

	Options Outstanding			Options Exercisable	
Exercise Price (NT$)	**Number Outstanding (in Thousands)**	**Expected Remaining Contractual Life (in Years)**	**Weighted-average Exercise Price (NT$)**	**Number Exercisable (in Thousands)**	**Weighted-average Exercise Price (NT$)**
2003 plan					
$15.5-$20.6	33,639	5.67-6.47	$19.48	27,683	$19.48
2002 plan					
$14.2	9,760	4.48	14.20	9,760	14.20
2001 plan					
$14.8-$19.9	3,679	3.15-3.85	18.47	3,679	18.47

No employee stock options were granted in the first quarter of 2008 and 2007. The Corporation used the intrinsic value method to evaluate the compensation cost of employee stock options granted in the second and third quarters of 2004. The compensation cost recognized was zero since the above stock option was granted at an exercise price equal to the closing price of the Corporation's common shares on the measurement dates. Had the Corporation applied the fair value method to evaluate compensation cost of employee stock options granted, the pro forma results of the Corporation would have been as follows:

Method:	Black-Scholes model
Assumptions:	
Risk-free interest rate	2.63%-3.00%
Expected life (in years)	10 years
Expected stock price volatility	70.40%-70.46%
Expected dividend yield	-
Fair value per option (NT$)	$8.07-$10.00

	Three Months Ended March 31	
	2008	**2007**
Net income:		
Net income as reported	$ 766,044	$ 896,194
Pro forma net income	$ 760,924	$ 895,944
Earnings per share (EPS) (NT$):		
Basic EPS as reported	$0.45	$0.53
Pro forma basic EPS	$0.45	$0.53
Diluted EPS as reported	$0.45	$0.53
Pro forma diluted EPS	$0.45	$0.53

The average number of shares outstanding for pro forma EPS calculation was adjusted retroactively for appropriations of dividends. The retroactive adjustment caused the basic and diluted earnings per share after income tax for the three months ended March 31, 2007 to decrease from $0.54 to $0.53.

19. EARNINGS PER SHARE

The numerator and denominators used in calculating basic and diluted earnings per share were as follows:

	Amounts (Numerator)		Shares	EPS (NT$)	
	Before Income Tax	After Income Tax	(Denominator) (Thousands)	Before Income Tax	After Income Tax
Three months ended March 31, 2008					
Net income	$ 914,996	$ 766,044			
Basic EPS					
Income of common shareholders	$ 914,996	$ 766,044	1,700,724	$ 0.54	$ 0.45
Effect of dilutive securities					
Employee stock option rights	-	-	6,241		
Diluted EPS					
Income of common and potential common shareholders	$ 914,996	$ 766,044	1,706,965	$ 0.54	$ 0.45
Three months ended March 31, 2007					
Net income	$ 1,081,104	$ 896,194			
Basic EPS					
Income of common shareholders	$ 1,081,104	$ 896,194	1,684,610	$ 0.64	$ 0.53
Effect of dilutive securities					
Employee stock option rights	-	-	14,187		
Diluted EPS					
Income of common and potential common shareholders	$ 1,081,104	$ 896,194	1,698,797	$ 0.64	$ 0.53

The average number of shares outstanding for EPS calculation was adjusted retroactively for appropriations of dividends. The retroactive adjustment caused the basic and diluted earnings per share after income tax for the three months ended March 31, 2007 to decrease from NT$0.54 to NT$0.53.

20. PENSION PLAN

The Labor Pension Act ("LPA") took effect on July 1, 2005. Employees subject to the Labor Standards Law (the "LSL") before July 1, 2005 were allowed to choose to continue being subject to the LSL or to be subject to the LPA, with their service years as of July 1, 2005 retained. Those hired as regular employees on or after July 1, 2005 automatically become subject to the LPA.

The pension plan under the LPA is a defined contribution plan. Based on the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. The pension costs were NT$28,716 thousand and NT$16,578 thousand for the three months ended March 31, 2008 and 2007.

Based on the defined benefit plan under the LSL, pension benefits are calculated on the basis of the length of service and average monthly salaries and wages of the six months before retirement. The Corporation contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is deposited in Bank of Taiwan (on July 1, 2007, Taiwan Bank merged with the Central Trust of China, with Taiwan Bank as the survivor bank) in the committee's name. The Corporation recognized pension costs of NT$5,181 thousand and NT$4,090 thousand for the three months ended March 31, 2008 and 2007.

The changes in the pension fund and accrued pension cost under the defined benefit plan are summarized as follows:

	Three Months Ended March 31	
	2008	2007
Pension fund		
Balance, beginning of period	$ 243,277	$ 224,484
Contributions	3,980	4,173
Interest	8,154	5,502
Balance, end of period	$ 255,411	$ 234,159
Accrued pension cost		
Balance, beginning of period	$ 464,943	$ 460,328
Add: Accrued expenses and other current liabilities, beginning of period	1,310	1,406
Provisions	5,181	4,090
Contributions	(3,980)	(4,173)
Deducted: Accrued expenses and other current liabilities, end of period	(1,386)	(1,323)
Balance, end of period	$ 466,068	$ 460,328

21. INCOME TAX EXPENSE

a. The Statute for Alternative Minimum Tax took effect on January 1, 2006. Under this statute, the Corporation should pay annually at least the minimum income tax calculated in accordance with the stature. This requirement has already been taken into consideration in the evaluation of whether the unused deferred tax assets could be realized.

b. A reconciliation of income tax expense on income before income tax at the statutory rate and current income tax expense before income tax credits is shown below:

	Three Months Ended March 31	
	2008	2007
Income tax expense based on income before income tax at statutory rate (25%)	$ 228,749	$ 270,276
Permanent differences	2,233	1,676
Temporary differences	(13,416)	(12,043)
Current income tax expense before income tax credits	$ 217,566	$ 259,909

	Three Months Ended March 31 2008	2007
c. Income tax expenses were as follows:		
Current income tax expense before income tax credits	$ 217,566	$ 259,909
Operating loss carryforwards	(57,752)	(194,006)
Investment tax credits	(39,266)	(39,741)
Net change in deferred income tax assets for the periods		
Investment tax credits	3,256	15,498
Operating loss carryforwards	57,752	194,007
Temporary differences	12,759	12,041
Valuation allowance	(45,363)	(62,798)
Income tax expense	$ 148,952	$ 184,910
d. Movement of Income tax payable on balance sheet were as follows:		
Balance, beginning of period	$ 96,413	$ 101,559
Current income tax payment	120,548	26,162
Balance, end of period	$ 216,961	$ 127,721
e. Deferred income tax assets (liabilities) were as follows:		
Current		
Investment tax credits	$ 299,778	$ 181,656
Operating loss carryforwards	173,268	775,203
Loss on inventory valuation and obsolescence	27,609	17,787
Other	46,885	53,207
	547,540	1,027,853
Valuation allowance	(416,822)	(347,286)
	$ 130,718	$ 680,567
Noncurrent		
Investment tax credits	$ 447,639	$ 631,812
Operating loss carryforwards	-	214,597
Investment gain recognized by the equity method, net	(27,256)	(22,048)
Accrued pension costs	116,517	115,082
Depreciation and amortization	282,164	378,190
	819,064	1,317,633
Valuation allowance	(819,064)	(1,075,618)
	$ -	$ 242,015

The effective tax rate for deferred income taxes as of March 31, 2008 and 2007 was 25%.

f. The balances of the imputation credit account as of March 31, 2008 and 2007 were $10,246 thousand and $462 thousand, respectively.

The expected and actual creditable ratios for distributing the earnings of 2007 and 2006 were 0.23% and 3.79%, respectively.

The imputation credit allocated to each shareholder is based on balance in the ICA on the date of dividend distribution; thus, the expected creditable ratio for the 2007 earnings may be adjusted according to the actual ICA balance on the dividend distribution date.

g. The unappropriated retained earnings as of March 31, 2008 and 2007 had no unappropriated earning generated before January 1, 1998.

h. As of March 31, 2008, the tax credits and loss carryforwards were as follows:

Regulatory Basis of Tax Credits	Items	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Income Tax Law	Operating loss carryforwards	$ 231,020	$ 173,268	2008
Statute for Upgrading Industries	Purchase of machinery and equipment	$ 238,596	$ 199,330	2008
		37,752	37,752	2009
		40,513	40,513	2010
		57,255	57,255	2011
		$ 374,116	$ 334,850	
Statute for Upgrading Industries	Research and development expenditures	$ 78,539	$ 78,539	2008
		206,697	206,697	2009
		67,681	67,681	2010
		29,822	29,822	2011
		7,821	7,821	2012
		$ 390,560	$ 390,560	
Statute for Upgrading Industries	Personnel training expenditures	$ 1,759	$ 1,759	2008
		1,613	1,613	2009
		1,292	1,292	2010
		2,221	2,221	2011
		148	148	2012
		$ 7,033	$ 7,033	
Statute for Upgrading Industries	Investments in important technology - based enterprise	$ 6,428	$ 6,428	2010
		8,546	8,546	2011
		$ 14,974	$ 14,974	

Income tax returns through 2004 had been examined and cleared by the tax authorities.

22. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSE

	2008			2007		
	Classified as Cost of Sales	Classified as Operating Expenses	Total	Classified as Cost of Sales	Classified as Operating Expenses	Total
Labor cost						
Salary	$ 718,760	$ 153,441	$ 872,201	$ 343,198	$ 88,465	$ 431,663
Labor/health insurance	33,989	7,256	41,245	19,176	5,913	25,089
Pension	27,934	5,963	33,897	15,797	4,871	20,668
Others	21,808	4,598	26,406	14,926	4,885	19,811
	$ 802,491	$ 171,258	$ 973,749	$ 393,097	$ 104,134	$ 497,231
Depreciation	$ 726,828	$ 12,450	$ 739,278	$ 570,941	$ 10,107	$ 581,048
Amortization	$ 5,860	$ 10,019	$ 15,879	$ 3,998	$ 11,752	$ 15,750

23. RELATED-PARTY TRANSACTIONS

The Corporation's related parties were as follows:

a. VIS Micro Inc. (VIS Micro): Indirect subsidiary.

b. Taiwan Semiconductor Manufacturing Company Ltd. (TSMC): A major shareholder of the Corporation.

c. Walton Advanced Engineering, Inc. (WAE): The Corporation is its director.

d. CMSC, Inc. (CMSC): Equity-method investee of the Corporation.

e. Goyatek Technology Inc. (Goya): An indirect subsidiary of the Corporation is its director.

f. TSMC-Shanghai: It's parent company is a major shareholder of the Corporation.

g. VIS Singapore Pte. Ltd. (VISS): Indirect subsidiary.

h. Global Unichip Corporation (GUC): Related party in substance.

i. INNO-TECH Co. Ltd. (INNO): Indirect subsidiary.

j. Others - related parties over which the Corporation has substantial influence but without any transactions (Note 27).

The transactions with the related parties, in addition to those disclosed in other notes, are summarized as follows:

	2008		2007	
	Amount	%	Amount	%
For the period				
Sales				
TSMC	$ 793,536	18	$ 690,302	19
Goya	68,851	2	46,687	1
GUC	5,082	-	8,794	-
CMSC	834	-	4,933	-
INNO	323	-	-	-
	$ 868,626	20	$ 750,716	20
Purchases				
TSMC	$ -	-	$ 3,631	-
Manufacturing expenses				
TSMC	$ 129,130	4	$ 127,153	7
Marketing expenses				
VIS Micro	$ 9,442	20	$ 11,547	19
Research and development expenses				
VISS	$ 9,551	5	$ 8,637	8
TSMC	960	-	-	-
	$ 10,511	5	$ 8,637	8
For the period				
Nonoperating income and gains				
TSMC	$ 2,363	13	$ 1,169	14
TSMC - Shanghai	-	-	425	5
Goya	-	-	39	-
	$ 2,363	13	$ 1,633	19
At end of period				
Receivables				
TSMC	$ 484,032	96	$ 438,808	89
Goya	17,991	4	40,784	8
GUC	3,102	-	8,837	2
CMSC	380	-	3,450	1
INNO	160	-	-	-
TSMC - Shanghai	15	-	451	-
	$ 505,680	100	$ 492,330	100

	2008		2007	
	Amount	%	Amount	%
Payables				
TSMC	$ 130,090	95	$ 169,990	94
VIS Micro	3,923	3	6,360	4
VISS	3,362	2	3,497	2
GUC	94	-	461	-
Goya	-	-	440	-
	$ 137,469	100	$ 180,748	100
Temporary credits (accrued expenses and other current liabilities)				
TSMC	$ 48	-	$ -	-
Guarantee deposits				
Goya	$ 15,500	34	$ -	-

VIS Micro provides marketing services for the Corporation. The Corporation pays actual expenses incurred for these services plus a 5% markup.

VISS provides research services for the Corporation. The Corporation pays actual expenses incurred for these services plus a 5% markup.

The terms of sales and purchase transactions to related parties were not significantly different from those for third parties. However, for other related-party transactions; license fees, marketing expense and research and development expenses, there were no similar transactions in the market; thus, transaction terms were based on related contracts.

Goya's guarantee deposits was occurred from sales.

24. SIGNIFICANT LONG-TERM OPERATING LEASES

The Corporation leases the sites of its manufacturing plant and parking lot from the Hsinchu Science-Based Industrial Park Administration and a certain individual under renewable operating lease agreements expiring on various dates from April 2010, April 2015, June 2015 and December 2027. Annual rentals aggregate $79,244 thousand.

Future minimum annual rentals under the leases are as follows:

Year	Amount
2008 the last three quarters	$ 59,433
2009	79,244
2010	70,231
2011	65,949
2012	65,949
2013-2027	798,357
	$ 1,139,163

25. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The significant commitments of the Corporation as of March 31, 2008 were as follows:

a. The Corporation revised its existing license agreement with Texas Instruments Incorporated. Original duration was from January 1, 1997 to December 31, 2006. The revised termination date is December 31, 2009. Both parties authorized the other party to use their patents in manufacturing and selling semiconductor products; and waive all claims based on patent infringement toward the other party, including their subsidiaries.

b. The Corporation entered into a license and technology transfer agreement, effective January 1, 2004, with Taiwan Semiconductor Manufacturing Company Ltd. (TSMC), and agreed to pay TSMC a license fee at a specific percentage of net sales of certain products.

c. Under a license agreement made with ARM Physical IP, Inc. (ARM), the Corporation should pay royalty from December 22, 2004 to December 31, 2009 when using ARM's patent to manufacture and sell products.

d. Under a patent license agreement made with SST International Limited (SST), the Corporation should pay royalty for seven years from April 7, 2005 when using SST's patent to manufacture and sell products.

e. Under a patent license agreement made with eMemory Technology Inc. (eMemory), the Corporation should pay royalty for five years from January 4, 2005 when using eMemory's patent to manufacture and sell products.

f. Under a patent license agreement made with Advanced Analogic Technologies Inc. (AATI), the Corporation should pay royalty for three years from March 27, 2006 when using AATI's patent to manufacture and sell products.

g. Under a Wafer Production agreement made with Winbond, the Corporation should offer wafer production service to Winbond from January 1, 2008 to December 31, 2011.

h. As of March 31, 2008, unused letters of credit aggregated about US$2,675 thousand and JPY508,429 thousand.

26. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	March 31			
	2008		2007	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
<u>Nonderivative financial instruments</u>				
Assets				
Cash and cash equivalents	$ 5,668,676	$ 5,668,676	$ 11,271,312	$ 11,271,312
Financial assets held to maturity - current	596,990	596,990	847,076	847,076
Bond portfolios with no active market - current	-	-	108,435	108,469
Receivables from related parties	505,680	505,680	492,330	492,330

(Continued)

	March 31			
	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Notes and accounts receivable	$ 2,129,734	$ 2,129,734	$ 1,779,558	$ 1,779,558
Available-for-sale financial assets - noncurrent	531,432	531,432	1,048,062	1,048,062
Financial assets carried at cost - noncurrent	40,968	-	40,968	-
Liabilities				
Payables to related parties	137,469	137,469	180,748	180,748
Notes and accounts payable	995,839	995,839	686,918	686,918
Payables to contractors and equipment suppliers	643,892	643,892	398,200	398,200
Long-term bank loans (including current portion)	-	-	28,000	28,000
<u>Derivative financial instruments</u>				
Assets				
Forward exchange contracts	18,637	18,637	4,342	4,342
Cross-currency interest rate swap contracts	-	-	144	144
Derivative financial assets for hedging - current				
Forward exchange contracts	81,007	81,007	-	-
Liabilities				
Forward exchange contracts	964	964	-	-
Cross-currency interest rate swap contracts	-	-	25,953	25,953
Derivative financial liabilities for hedging - current				
Forward exchange contracts	7,415	7,415	-	-

(Concluded)

b. Methods and assumptions used to determine the fair values of financial instruments

1) For short-term financial instruments, carrying values approximate fair values because of their short maturities. These instruments are cash and cash equivalents, receivables from related parties, notes and accounts receivable, payables to related parties, notes and accounts payable and payables to contractors and equipment suppliers.

2) Fair values of available-for-sale financial assets and held-to-maturity financial assets are based on their quoted market prices. If market of the derivative financial instruments and held-to-maturity financial assets is not active, the Corporation establishes fair value by using a valuation technique, which (i) incorporates all factors that market participants would consider in setting a price and (ii) is consistent with accepted economic methodologies for pricing financial instruments. Fair values of forward exchange contacts and cross-currency interest rate swap contracts are determined using valuation techniques based on forward rates for each contract. The Reuter's quotation system is mainly used as reference for the forward rates.

3) Fair value of bond portfolios with no active market is based on the contract resale price.

4) Financial assets carried at cost are investments in unquoted shares, which have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.

5) Fair value of long-term bank loans is based on their book value because these loans are at floating rates.

c. The fair values of the Corporation's financial instruments with fair values that were based on published price quotations in the market and to which valuation techniques were applied were as follows:

	Published Price		Estimated Price	
	March 31, 2008	**March 31, 2007**	**March 31, 2008**	**March 31, 2007**
Nonderivative financial instruments				
Assets				
Cash and cash equivalents	$ 5,668,676	$ 11,271,312	$ -	$ -
Financial assets held to maturity - current	-	-	596,990	847,076
Bond portfolios with no active market - current	-	-	-	108,469
Receivables from related parties	-	-	505,680	492,330
Notes and accounts receivable	-	-	2,129,734	1,779,558
Available-for-sale financial assets - noncurrent	531,432	1,048,062	-	-
Liabilities				
Payables to related parties	-	-	137,469	180,748
Notes and accounts payable	-	-	995,839	686,918
Payables to contractors and equipment suppliers	-	-	643,892	398,200
Long-term bank loans (include current portion)	-	-	-	28,000
Derivative financial instruments				
Assets				
Forward exchange contracts	-	-	18,637	4,342
Cross-currency interest rate swap contracts	-	-	-	144
Derivative financial assets for hedging - current				
Forward exchange contracts	-	-	81,007	-
Derivative financial instruments				
Liabilities				
Forward exchange contracts	-	-	964	-
Cross-currency interest rate swap contracts	-	-	-	25,953
Derivative financial liabilities for hedging - current				
Forward exchange contracts	-	-	7,415	-

d. Net gain and loss recognized for the changes in fair value of derivatives estimated using valuation techniques were $110,981 thousand and $40,692 thousand for the three months ended March 31, 2008 and 2007.

e. As of March 31, 2008 and 2007, financial assets exposed to fair value interest rate risk amounted to $5,719,290 thousand and $9,957,170 thousand, respectively; financial assets exposed to cash flow interest rate risk amounted to $546,376 thousand and $1,314,142 thousand, respectively; and financial liabilities exposed to cash flow interest rate risk amounted to $0 thousand and $28,000 thousand, respectively.

f. Interest revenues on financial instruments other than the financial assets at fair value through profit or loss in the three months ended March 31, 2008 and 2007 were $33,342 thousand and $49,874 thousand, respectively; interest expenses resulting from the financial instruments other than the financial assets at fair value through profit or loss in the three months ended March 31, 2008 and 2007 were $0 thousand and $110 thousand, respectively.

g. Financial risk

1) Market risk. The derivative financial instruments are exposed to exchange rate fluctuations. If the U.S. dollar appreciates by US$0.01, the fair value would decrease by $47 thousand.

2) Credit risk. Credit risk represents the loss that would be incurred by the Corporation if the counter-parties or third-parties breach the contracts and also refers to concentrations of credit risk; factors; principal amount; and receivables on the financial instruments. Contracts with positive fair values on the balance sheet date are evaluated for credit risk. As of March 31, 2008 and 2007, financial assets exposed to credit risk amounted to $99,644 thousand and $4,486 thousand, respectively. Other financial instruments hold by the Corporation that maximum credit risk are same with book value.

3) Liquidity and cash requirement: The Corporation has sufficient operating capital to meet cash needed to settle derivative contracts. In addition, the Corporation's investments in debt instruments and stock classified as available-for-sale financial assets are traded in active markets and can be disposed of quickly at close to their fair values; and the Corporation's residential mortgage-backed securities with embedded put options have option exercise prices that approximate the amortized costs of the securities on the exercise dates and can be sold quickly. However, some equity instruments for which there is no active market are expected to have material liquidity risk. As of March 31, 2008, the Corporation's future cash demand for the outstanding forward exchange contracts and cross-currency interest rate swap contracts was as follows:

Term	**Inflow (in Thousands)**		**Outflow (in Thousands)**	
Within one year	NT$	3,214,034	US$	103,000
	US$	2,000	NT$	60,174
	EUR	100	US$	152
	JPY	438,498	US$	4,200
	JPY	60,000	NT$	18,053
	US$	154	EUR	100

The exchange rates for forward exchange contracts and cross-currency interest rate swap contracts are fixed. Thus, the cash flow risks are not material.

h. 1) Fair value hedges:

The Corporation determined that the exchange rate risks on future cash flow changes on the principal receivable on accounts receivable as of March 31, 2008 were significant; thus, it entered into forward exchange contracts to hedge these exposures.

Hedged Item	Hedging Financial Instrument	Fair Value as of March 31, 2008
Foreign currency accounts receivable	Forward exchange contracts	$72,320

2) Cash flow hedges:

The Corporation determined that the exchange rate risk on future cash flow changes of the foreign currency denominated sales and purchase of machinery and equipment as of March 31, 2008 were significant; thus, it entered into forward exchange contracts to hedge these exposures.

Hedged Item	Hedging Financial Instrument	Fair Value as of March 31, 2008	Expected Timing for Future Cash Demand	Expected Timing for the Recognition of Gains or Losses from Hedge
Sales	Forward exchange contracts	$1,272	February 2008-April 2008	February 2008-April 2008

Item	March 31, 2008
Recognized unrealized loss in shareholders' equity	$ 448
Recognized as sales	3,755
Adjustment to shareholders' equity	$ 4,203

27. ADDITIONAL DISCLOSURES

Following are the additional disclosure required by the Securities and Futures Bureau for the Corporation and its affiliates:

a. Financing provided: None.

b. Endorsement/guarantee provided: None.

c. Marketable securities held: Table 1 (attached)

d. Marketable securities acquired and disposed of at costs or prices of at least NT$100 million or 20% of the paid-in capital: None.

e. Acquisition of individual real estates at costs of at least $100 million or 20% of the paid-in capital: None.

f. Disposal of individual real estates at costs of at least $100 million or 20% of the paid-in capital: None.

g. Total purchase from or sale to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 2 (attached)

h. Receivable from related parties amounting to at least $100 million or 20% of the paid-in capital: Table 3 (attached)

i. Names, locations, and related information of investees on which the Corporation exercises significant influence: Table 4 (attached)

j. Information about derivatives of investees: None.

k. Information on investment in Mainland China: None.

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
MARCH 31, 2008
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Security Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2008				Note
				Shares/Units (Thousands)	Carrying Value (US$ in Thousands)	% of Ownership	Market Value or Net Asset Value (US$ in Thousands)	
Vanguard International Semiconductor Corporation	Bond							
	Bond - 7-Eleven, Inc.	-	Financial assets held to maturity - current	-	$ 99,783	-	$ 99,778	Note 4
	Bond - Greartwall	-	Financial assets held to maturity - current	-	298,537	-	298,486	Note 4
	Bond - Formosa Petrochemical Co.	-	Financial assets held to maturity - current	-	198,670	-	196,555	Note 4
	Stock							
	International Semiconductor Technology Ltd.	Investee	Available-for-sale financial assets - noncurrent	7,293	96,638	2	96,638	Note 1
	Walton Advanced Engineering, Inc.	Investee	Available-for-sale financial assets - noncurrent	34,507	434,794	7	434,794	Note 1
	VIS Associates Inc.	Subsidiary	Long-term stock investments accounted for by the equity method	6,000	420,548	100	420,548	Note 2
	CMSC, Inc.	Equity-method investee	Long-term stock investments accounted for by the equity method	9,902	100,846	25	100,846	Note 2
	United Industrial Gases Co., Ltd.	Investee	Financial assets carried at cost - noncurrent	3,357	38,716	2	62,582	Note 3
	Megica Corporation	Investee	Financial assets carried at cost - noncurrent	205	2,252	2	1,739	Note 3
VIS Associates Inc.	Stock							
	Advanced Analogic Technologies, Inc.	-	Available-for-sale financial assets - current	18	US$ 103	-	US$ 103	Note 1
	VIS Investment Holding, Inc.	Subsidiary of VIS Associates Inc.	Long-term stock investments accounted for by the equity method	63	US$ 759	100	US$ 759	Note 2
	VIS Singapore Pte Ltd.	Subsidiary of VIS Associates Inc.	Long-term stock investments accounted for by the equity method	1,000	US$ 678	100	US$ 678	Note 5
	Specialty TechFarm, Inc.	Subsidiary of VIS Associates Inc.	Long-term stock investments accounted for by the equity method	10,000	US$ 7,059	100	US$ 7,059	Note 2
	Equity							
	Silicon Valley Equity Fund II	-	Financial assets carried at cost - noncurrent	-	US$ 2,460	14	US$ 2,460	Note 3

(Continued)

Holding Company Name	Marketable Security Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2008				Note
				Shares/Units (Thousands)	Carrying Value (US$ in Thousands)	% of Ownership	Market Value or Net Asset Value (US$ in Thousands)	
VIS Investment Holding, Inc.	Stock							
	VIS Micro, Inc.	Subsidiary of VIS Investment Holding, Inc.	Long-term stock investments accounted for by the equity method	200	US$ 553	100	US$ 553	Note 2
Specialty TechFarm, Inc.	Stock							
	LayerWalker Technology, Inc.	Equity-method investee	Long-term stock investments accounted for by the equity method	4,103	US$ 814	27	US$ 814	Note 5
	SkyTraq Technology, Inc.	Equity-method investee	Long-term stock investments accounted for by the equity method	4,688	US$ 961	28	US$ 961	Note 5
	Inno-Tech Co., Ltd.	Equity-method investee	Long-term stock investments accounted for by the equity method	5,000	US$ 1,669	40	US$ 1,669	Note 5
	Linear Artwork, Inc.	Equity-method investee	Long-term stock investments accounted for by the equity method	2,188	US$ 393	28	US$ 393	Note 5
	Goyatek Technology Inc.	Investee	Financial assets carried at cost - noncurrent	5,000	US$ 443	16	US$ 443	Note 3
	Uniband Electronic Corp.	Investee	Financial assets carried at cost - noncurrent	2,400	US$ 986	6	US$ 986	Note 3

Note 1: The market value was based on stock value as of March 31, 2008.

Note 2: The net asset value was based on reviewed financial statements as of March 31, 2008.

Note 3: The market value was based on the book value as of March 31, 2008.

Note 4: The bond value was based on current yield as of March 31, 2008.

Note 5: The net asset value was based on unreviewed financial statements as of March 31, 2008.

Note 6: As of March 31, 2008, the above marketable securities had not been pledged or mortgaged.

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
THREE MONTHS ENDED MARCH 31, 2008
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Vanguard International Semiconductor Corporation	Taiwan Semiconductor Manufacturing Company Ltd.	Major shareholder	Sale	$793,536	(18%)	Note	-	-	$484,032	18%	-

Note: Mainly paid on the 45th day after the month of the shipment date.

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION

RECEIVABLE FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
MARCH 31, 2008
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Vanguard International Semiconductor Corporation	Taiwan Semiconductor Manufacturing Company Ltd.	Major shareholder	$484,032	4.81	$ -	-	$ -	$ -

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE CORPORATION EXERCISES SIGNIFICANT INFLUENCE
THREE MONTHS ENDED MARCH 31, 2008
(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2008			Net Loss of the Investee	Investment Loss	Note
				March 31, 2008	December 31, 2007	Shares (Thousands)	% of Ownership	Carrying Value			
Vanguard International Semiconductor Corporation	VIS Associates Inc.	British Virgin Islands	Investment	$ 195,492	$ 195,492	6,000	100	$ 420,548	$ (7,196)	$ (7,196)	Subsidiary
	CMSC, Inc.	Hsin-Chu City, Taiwan	Integrated circuit design services and related businesses	112,650	112,650	9,902	25	100,846	(13,095)	(3,109)	Equity-method investee