SILICONWARE PRECISION INDUSTRIES CO., LTD.

AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2006 AND 2005

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 consolidated balance sheets of Siliconware Precision Industries Co., Ltd. and its subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the years 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. As discussed in Note 9, we did not audit the financial statements of ChipMOS Technologies Inc., an investee accounted for under the equity method. Those statements were audited by other auditors whose reports thereon have been furnished to us. Our opinion, insofar as it relates to the investment in ChipMOS Technologies Inc., and related investment income were based on the investee's financial statements audited by other independent accountants. Long-term investments amounted to $4,998,596 thousand and $3,924,937 thousand as of December 31, 2006 and 2005 were based on the investee's financial statements as of December 31, 2006 and 2005, respectively. The investment income of $1,124,990 thousand for the year ended December 31, 2006, was based on the investee's financial statements for the year ended December 31, 2006. The investment income of $1,100,044 thousand for the year ended December 31, 2005, was based on the investee's financial statements for the years ended December 31, 2005 and 2004.

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 rules and 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 and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Siliconware Precision Industries Co., Ltd. and its subsidiaries as of December 31, 2006 and 2005, and the results of their consolidated operations and their consolidated cash flows for the years 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 discussed in Note 3, commencing from January 1, 2005, the Company adopted Statement of Financial Accounting Standards No. 35, “Accounting for Asset Impairment” and amended Statement of Financial Accounting Standards No. 5, “Accounting for Long-term Equity Investment”, under which the Company ceased to delay in recognition of investment income of investees accounted for under the equity method until the subsequent year, and recognized investment income from all investees accounted for under the equity method based on investees’ audited financial statements for the same period. 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”.

March 21, 2007

The accompanying 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 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, AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	December 31,	
	2006	2005
ASSETS		
Current Assets		
Cash (Note 4)	$ 14,731,488	$ 12,340,833
Notes receivable, net	41,111	156,899
Accounts receivable, net (Notes 5 and 24)	9,182,701	9,516,426
Other financial assets, current (Note 25)	677,241	823,295
Inventories (Note 6)	2,838,810	2,805,287
Deferred tax assets, current (Note 21)	726,822	759,226
Other current assets-other	504,996	540,185
	28,703,169	26,942,151
Long-term Investments		
Available for sale financial assets (Note 7)	7,883,601	2,379,209
Financial assets carried at cost (Note 8)	824,942	168,331
Long-term investments under the equity method (Note 9)	4,998,596	4,653,136
	13,707,139	7,200,676
Property, Plant and Equipment (Note 10)		
Cost:		
Land	2,940,997	2,128,476
Buildings	7,922,133	7,158,668
Machinery and equipment	45,294,231	39,596,050
Utility equipment	845,050	785,110
Furniture and fixtures	663,820	638,432
Other equipment	1,876,598	1,562,453
	59,542,829	51,869,189
Less:Accumulated depreciation	(27,537,920)	(23,894,328)
Construction in progress and prepayments for equipment	1,844,789	2,277,389
	33,849,698	30,252,250
Other Assets		
Refundable deposits	11,122	10,112
Deferred charges	690,805	804,700
Deferred income tax asset, noncurrent (Note 21)	1,644,254	1,709,675
Other assets - other (Note 11)	385,191	255,649
	2,731,372	2,780,136
TOTAL ASSETS	$ 78,991,378	$ 67,175,213

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

	December 31, 2006	December 31, 2005
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term loans	$ 427,206	$ 93,768
Notes payable	-	5,493
Accounts payable (Note 24)	4,116,616	5,124,110
Income tax payable (Note 21)	947,382	153,016
Accrued expenses (Note 24)	2,223,225	1,657,575
Other payables (Notes 12 and 24)	1,829,129	2,532,728
Current portion of long-term loans (Notes 13 and 14)	18,687	1,790,895
Other current liabilities	400,285	109,860
	9,962,530	11,467,445
Long-term Liabilities		
Bonds payable (Notes 13 and 29)	2,708,145	11,310,300
Long-term loans (Notes 14 and 29)	3,092,609	3,333,300
	5,800,754	14,643,600
Other Liabilities (Note 15)	291,881	239,161
Total Liabilities	16,055,165	26,350,206
Stockholders' Equity (Notes 1 and 16)		
Capital stock	28,877,574	23,289,193
Capital reserve (Note 17)		
Additional paid-in capital	12,526,844	6,863,226
Premium arising from merger	1,951,563	1,951,563
Other	167,246	38,590
Retained earnings (Note 18)		
Legal reserve	2,003,494	1,179,104
Special reserve	50,029	141,053
Unappropriated earnings	13,413,928	8,241,034
Unrealized gain (loss) on available for sale financial assets	4,765,148	(737)
Cumulative translation adjustments	(22,276)	(47,463)
Net loss not recognized as pension cost	(1,787)	(1,828)
Treasury stock (Note 19)	(795,550)	(828,728)
Total Stockholders' Equity	62,936,213	40,825,007
Commitments and Contingencies (Note 26)		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 78,991,378	$ 67,175,213

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 21, 2007.

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

	For the years ended December 31,	
	2006	2005
Operating Revenues		
Sales (Note 24)	$ 57,404,035	$ 43,723,997
Sales allowances	(278,115)	(236,120)
Net operating revenues	57,125,920	43,487,877
Cost of Goods Sold (Note 24)	(41,893,872)	(33,959,940)
Gross Profit	15,232,048	9,527,937
Operating Expenses (Notes 23 and 24)		
Selling expenses	(717,065)	(565,765)
General and administrative expenses	(1,078,217)	(855,917)
Research and development expenses	(1,194,178)	(857,730)
	(2,989,460)	(2,279,412)
Operating Income	12,242,588	7,248,525
Non-operating Income and Gain		
Interest income (Note 29)	396,461	304,237
Investment income recognized under the equity method (Note 9)	1,153,630	447,950
Others (Note 24)	703,427	548,813
	2,253,518	1,301,000
Non-operating Expenses and Losses		
Interest expenses (Note 29)	(130,443)	(241,578)
Impairment loss (Notes 3 and 20)	(27,013)	(202,650)
Others (Note 24)	(61,007)	(496,386)
	(218,463)	(940,614)
Income from Continuing Operations Before Income Tax	14,277,643	7,608,911
Income Tax Expense (Note 21)	(948,574)	(15,517)
Income from Continuing Operations	13,329,069	7,593,394
Cumulative Effects of Changes in Accounting Principles (Note 3)	-	650,508
Net Income	$ 13,329,069	$ 8,243,902

	2006 Before tax	2006 After tax	2005 Before tax	2005 After tax
Basic Earnings Per Share (in dollars) (Note 22)				
Income from continuing operations	$ 5.26	$ 4.91	$ 3.02	$ 3.02
Cumulative effects of changes in accounting principles	-	-	0.26	0.26
Net income	$ 5.26	$ 4.91	$ 3.28	$ 3.28
Diluted Earnings Per Share (in dollars) (Note 22)				
Income from continuing operations	$ 4.93	$ 4.61	$ 2.86	$ 2.85
Cumulative effects of changes in accounting principles	-	-	0.22	0.22
Net income	$ 4.93	$ 4.61	$ 3.08	$ 3.07

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 21, 2007.

SILICONWARE PRECISION INDUSTRIES CO., LTD, AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

			Retained Earnings							
	Capital Stock	Capital Reserve	Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized Loss on Available for Sale Financial Assets	Cumulative Translation Adjustments	Net Loss Not Recognized As Pension Cost	Treasury Stock	Total
Balance at January 1, 2005	$ 21,050,731	$ 8,305,832	$ 750,886	$ -	$ 4,320,831	$ -	($ 141,053)	$ -	($ 794,184)	$ 33,493,043
Appropriation for legal reserve	-	-	428,218	-	(428,218)	-	-	-	-	-
Appropriation for special reserve	-	-	-	141,053	(141,053)	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	(74,258)	-	-	-	-	(74,258)
Employees' cash bonus	-	-	-	-	(175,927)	-	-	-	-	(175,927)
Employees' stock bonus	187,655	-	-	-	(187,655)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,583,342)	-	-	-	-	(1,583,342)
Stock dividends	1,688,898	-	-	-	(1,688,898)	-	-	-	-	-
Unrealized loss on available for sale financial assets	-	-	-	-	-	(737)	-	-	-	(737)
Conversion of Euro convertible bonds	269,342	494,719	-	-	-	-	-	-	-	764,061
Employee stock option exercised	92,567	28,890	-	-	-	-	-	-	-	121,457
Long-term investment adjustment for investee company's additional paid-in capital	-	1,696	-	-	(41,705)	-	-	-	-	(40,009)
Long-term investment adjustment for investee company's cumulative translation adjustment	-	-	-	-	(2,643)	-	93,590	-	-	90,947
Long-term investment adjustment for investee company's unrecognized pension cost	-	-	-	-	-	-	-	(1,828)	-	(1,828)
Long-term investment adjustment for investee company's treasury stock variances	-	-	-	-	-	-	-	-	(34,544)	(34,544)
Cash dividends from treasury stock held by subsidiaries	-	22,242	-	-	-	-	-	-	-	22,242
Net income	-	-	-	-	8,243,902	-	-	-	-	8,243,902
Balance at December 31, 2005	$ 23,289,193	$ 8,853,379	$ 1,179,104	$ 141,053	$ 8,241,034	($ 737)	($ 47,463)	($ 1,828)	($ 828,728)	$ 40,825,007

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SILICONWARE PRECISION INDUSTRIES CO., LTD, AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

			Retained Earnings							
	Capital Stock	Capital Reserve	Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized Gain (Loss) on Available for Sale Financial Assets	Cumulative Translation Adjustments	Net Loss Not Recognized As Pension Cost	Treasury Stock	Total
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)
Stock dividends	2,410,149	-	-	-	(2,410,149)	-	-	-	-	-
Unrealized gain on available for sale financial assets	-	-	-	-	-	4,765,885	-	-	-	4,765,885
Conversion of Euro convertible bonds	2,778,697	5,692,509	-	-	-	-	-	-	-	8,471,206
Employee stock option exercised	131,741	15,729	-	-	-	-	-	-	-	147,470
Long-term investment adjustment for investee company's additional paid-in capital	-	30,645	-	-	37,300	-	-	-	-	67,945
Long-term investment adjustment for investee company's cumulative translation adjustment	-	-	-	-	-	-	25,187	-	-	25,187
Long-term investment adjustment for investee company's unrecognized pension cost	-	-	-	-	-	-	-	41	-	41
Long-term investment adjustment for investee company's treasury stock variances	-	-	-	-	-	-	-	-	33,178	33,178
Cash dividends from treasury stock held by subsidiaries	-	53,391	-	-	-	-	-	-	-	53,391
Net income	-	-	-	-	13,329,069	-	-	-	-	13,329,069
Balance at December 31, 2006	$ 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

The accompanying notes are an integral part of these consolidated financial statements

See report of independent accountants dated March 21, 2007.

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

	For the years ended December 31, 2006	2005
Cash flows from operating activities		
Net income	$ 13,329,069	$ 8,243,902
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	6,752,711	6,053,840
Amortization	541,718	518,024
Bad debt expense	11,982	2,911
Reversal of reserve for sales allowance	(11,705)	(25,457)
Gain on disposal of investments	(82,908)	(37,173)
Provision for (recovery of) loss on obsolescence and decline in market value of inventory	(2,329)	5,603
Long-term investment income under the equity method	(1,153,630)	(1,098,458)
Cash dividends received from long-term investment under the equity method	175,742	198,805
Impairment Loss	27,013	202,650
Gain on disposal of property, plant and equipment	(45,268)	(26,792)
Provision for loss on idle assets	27,672	68,766
Amortization of discount on long-term notes	6,537	1,712
Compensation interest on bonds payable	30,810	137,367
Foreign currency exchange (gain) loss on bonds payable	(113,157)	408,777
(Increase) decrease in assets:		
Notes receivable	115,788	(84,816)
Accounts receivable	336,037	(3,767,018)
Other financial assets, current	131,029	(435,260)
Inventories	(30,214)	(831,822)
Deferred income tax assets	97,824	(159,586)
Other current assets	41,987	(20,433)
Increase (decrease) in liabilities:		
Notes payable	(5,493)	4,509
Accounts payable	(1,009,711)	3,020,326
Income tax payable	794,366	116,664
Accrued expenses	561,278	593,046
Other payables	(368,631)	61,747
Other current liabilities	94,763	60,690
Other liabilities	-	193
Accrued pension liabilities	(3,268)	1,900
Net cash provided by operating activities	20,250,012	13,214,617

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

	For the years ended December 31, 2006	2005
Cash flows from investing activities		
Purchase of financial assets at fair value through profit or loss, current	$ -	($ 4,774,000)
Proceeds from disposal of financial assets at fair value through profit or loss, current	-	6,730,250
Refund of security deposits	9,200	34,295
Purchase of financial assets carried at cost	(695,523)	-
Purchase of long-term investments under equity method	-	(6,334)
Proceeds from capital reduction of equity investee	7,683	-
Proceeds from disposal of long-term investments	91,386	303,477
Acquisition of property, plant and equipment	(11,038,964)	(8,244,928)
Proceeds from disposal of property, plant and equipment	268,735	58,090
Payment for deferred charges	(468,465)	(502,050)
Payment for refundable deposits	(1,191)	(1,151)
Refund of refundable deposits	-	5,394
Net cash used in investing activities	(11,827,139)	(6,396,957)
Cash flows from financing activities		
Proceeds from short-term loans	331,107	93,768
Proceeds from long-term loans	3,086,072	-
Repayment of long-term loans	(5,132,256)	(3,216,965)
Redemption of bonds payable	-	(800,000)
Proceeds from deposit-in	256,495	200,990
Repayment of deposit-in	(42)	(1,045)
Proceeds from the exercise of employee stock option	147,470	121,457
Remuneration to directors and supervisors	(149,324)	(74,258)
Payment for stockholders' dividends and employees' bonuses	(4,579,452)	(1,759,232)
Net cash used in financing activities	(6,039,930)	(5,435,285)
Effect on foreign currency exchange	7,712	36,065
Net increase in cash	2,390,655	1,418,440
Cash at the beginning of the year	12,340,833	10,922,393
Cash at the end of the year	$ 14,731,488	$ 12,340,833
Supplemental disclosures of cash flow information:		
Cash paid for interest (excluding capitalized interest)	$ 134,525	$ 162,849
Cash paid for income tax	$ 51,222	$ 14,978
Supplemental disclosures of partial cash paid for investing activities:		
Acquisition of property, plant and equipment	$ 10,703,697	$ 9,200,968
Add : Payable at the beginning of the year	1,662,379	706,339
Less : Payable at the end of the year	(1,327,112)	(1,662,379)
Cash paid	$ 11,038,964	$ 8,244,928

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 21, 2007.

SILICONWARE PRECISION INDUSTRIES CO., LTD, AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT EARNINGS AND PAR VALUE PER SHARE)

1. HISTORY AND ORGANIZATION

(1) 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 December 31, 2006, issued common stock was $28,877,574. The Company is mainly engaged in the assembly, testing and turnkey services of integrated circuits. As of December 31, 2006, the Company and its subsidiaries have 14,300 employees.

(2) Consolidated subsidiaries

Name of investor	Name of subsidiaries	Main operating activities	% of ownership held by the Company as of December 31, 2006	2005
The Company	Siliconware Investment Company Ltd.	Investment activities	100%	100%
The Company	SPIL (B.V.I.) Holding Limited	Investment activities	100%	100%
SPIL (B.V.I.) Holding Limited	Siliconware USA, Inc.	Providing promotion and marketing services	100%	100%
SPIL (B.V.I.) Holding Limited	SPIL (Cayman) Holding Limited	Investment activities	100%	100%
SPIL (Cayman) Holding Limited	Siliconware Technology (Suzhou) Limited	Manufacturing of compact camera module, liquid crystal display module,DRAM modules, flash memory cards, transistor and other electronic components.	100%	100%

(3) Non-consolidated subsidiaries

None.

(4) Adjustments for subsidiaries with different accounting periods

Not applicable

(5) Extraordinary risks from foreign subsidiaries

Not applicable

(6) Material limitations for capital transfer from the subsidiaries to the parent company

Not applicable

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated 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 Handling” and generally accepted accounting principles in the Republic of China. Significant accounting policies are summarized as follows:

Consolidation

Effective January 1, 2005, the Company adopted the amended Statement of Accounting Standards No. 7, “Consolidated Financial Statements”, which requires an entity to consolidate all of the subsidiaries which it owns, directly or indirectly, more than 50% of the voting rights and which it owns, directly or indirectly, less than 50% of the voting rights but has effective control. Retrospective adoption is not required. Significant inter-company transactions and balances between the Company and its subsidiaries are eliminated.

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.

Translation of Foreign Currency Transactions on Subsidiaries’ Financial Statements

The financial statements of foreign subsidiaries are translated into New Taiwan dollars using the spot rate as of each financial statement date for asset and liability accounts, average exchange rate for profit and loss accounts, spot rate for dividend and historical exchange rates for equity accounts. The cumulative translation effects for subsidiaries using functional currencies other than the New Taiwan dollar are included in the cumulative translation adjustment in stockholders’ equity.

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.

Financial Assets at Fair Value through Profit or Loss

Investments in equity securities are recorded at the transaction date, rather than settlement date. Financial assets at fair value through profit or loss are measured at their market values at balance sheet date with gain or loss recognized in the current year's results. The market value of open-end funds is determined by the net asset value at the balance sheet date. (Accounting treatment before December 31, 2005 is discussed in Note 3)

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 collectability 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 Securities

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 evidence of impairment. Impairment loss recognized previously for equity securities is not restored. Accounting treatment before December 31, 2005 is discussed in Note 3.

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 evidence of impairment. Such impairment loss shall not be reversed when the fair value of the asset subsequently increases. Accounting treatment before December 31, 2005 is discussed in Note 3.

Long-term Investments Accounted for under 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 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 15 years, except for buildings, which are 20 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 10 years. Convertible bond issuance costs are amortized over the period of the bonds.

Land Use Right

The rental cost for Siliconware Technology（Suzhou）Limited to lease the land from the local government is recognized as land use right and amortized on the straight-line method over the contract period of 50 to 70 years.

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 of 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.
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 can make mutually exclusive choices of either a defined benefit plan funded in conformity with the Labor Standards Act or a defined contribution plan funded in conformity with the Labor Pension Act. Under 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 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 machinery and 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 expense at the time the stockholders resolve to retain the earnings.

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. Stocks of the Company held by the subsidiaries are treated as treasury stock. Subsidiaries' gain on disposal of the Company's stocks 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

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 that 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, 2005, the Company adopted Statement of Financial Accounting Standards No. 35, “Accounting for Assets Impairment” in the Republic of China. As a result of the adoption of SFAS No. 35, total assets and shareholders’ equity decreased by $163,650 as of December 31, 2005 and net income decreased by$163,650 for the year ended December 31, 2005. As a result of recognition of impairment loss, basic earnings per share decreased by $0.07 for the year ended December 31, 2005.

B. Effective January 1, 2005, the Company ceased to delay in recognizing investment income (loss) from certain equity-method investees in accordance with the amended Statement of Financial Accounting Standards No. 5, “Accounting for Long-term Equity Investment” in the Republic of China. The cumulative effect attributable to this change in accounting principle for the year ended December 31, 2005 was $650,508, which was based on the investees’ financial statements for the year ended December 31, 2004.

C. 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 as of and for the year ended December 31, 2006.

D. 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”. The Company has properly reclassified certain accounts on December 31, 2005 based on its holding purpose and abilities in accordance with such standard and the "Rules Governing the Preparation of Financial Reports by Securities Issuers". Accounting policies through December 31, 2005 are summarized as follows:

(1) Short-term investments

Short-term investments are recorded at cost when acquired and are stated at the lower of aggregate cost or market value at the balance sheet date. The market values of listed stocks and close-end mutual funds are determined by the average closing price of the last month of the accounting period. The market value of open-end funds is determined by the net asset value at the balance sheet date. The excess of aggregate cost over market value is recorded as a loss in the current year.

(2) Long-term investments in equity securities – under the cost method

Long-term equity investments in which the Company owns less than 20% of the voting rights and has no significant influence over the investee companies are accounted for (a) at cost, if the investee company is not listed or (b) at the lower of cost or market value, if the investee company is listed. Valuation allowance for the unrealized loss under this method is shown in the stockholders' equity. When it becomes evident that there has been a permanent impairment in value and the chance of recovery is minimal, loss is recognized in the current year. However, if there is evidence that the Company has significant influence over the investee company, the investment is accounted for under the equity method.

(3) As a result of the adoption of SFAS No. 34 and No. 36, total assets and total shareholders' equity increased by $9,277,206 as of December 31, 2006 with no material impact on net income and earnings per share for the year ended December 31, 2006.

4. CASH

	December 31,	
	2006	2005
Cash on hand	$ 1,967	$ 1,809
Savings accounts and checking accounts	900,744	3,074,661
Time deposits	13,828,777	9,264,363
	$ 14,731,488	$ 12,340,833

As of December 31, 2006 and 2005, the interest rates for time deposits ranged from 1.16% to 5.34% and from 0.85% to 4.36%, respectively.

5. ACCOUNTS RECEIVABLE, NET

	December 31,	
	2006	2005
Accounts receivable	$ 9,262,446	$ 9,595,886
Less :		
Allowance for sales discounts	(55,475)	(67,180)
Allowance for doubtful accounts	(24,270)	(12,280)
	$ 9,182,701	$ 9,516,426

6. INVENTORIES

	December 31, 2006	December 31, 2005
Raw materials and supplies	$ 2,495,977	$ 2,418,288
Work in process	305,710	336,923
Finished goods	84,910	100,769
	2,886,597	2,855,980
Less : Allowance for loss on obsolescence and decline in market value of inventory	(47,787)	(50,693)
	$ 2,838,810	$ 2,805,287

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

	December 31, 2006	December 31, 2005
Cost of listed securities	$ 3,118,283	$ 2,379,209
Valuation adjustment	4,765,318	-
	$ 7,883,601	$ 2,379,209

8. FINANCIAL ASSETS CARRIED AT COST - NON-CURRENT

	December 31, 2006	December 31, 2005
Unlisted securities	$ 824,942	$ 168,331

There are no reliable quoted prices for unlisted securities, and therefore these investments are carried at cost.

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

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

	December 31,			
	2006		2005	
Investee company	Amount	Percentage of ownership	Amount	Percentage of ownership
Equity method :				
ChipMOS Technologies Inc.	$ 4,998,596	28.76%	$ 3,924,937	28.75%
Sigurd Microelectronics Corp.	-	-	728,199	24.03%
Double Win Enterprise Co., Ltd.	84,450	24.14%	84,450	24.14%
	5,083,046		4,737,586	
Less : Accumulated impairment loss	(84,450)		(84,450)	
	$ 4,998,596		$ 4,653,136	

B. The recognition of investment income (loss) for ChipMOS Technologies Inc. (“ChipMOS”) and Double Win Enterprise Co., Ltd. (“Double Win”), investees accounted for under the equity method, were delayed until the subsequent year before 2005. Therefore, the Company recognized investment income of $650,508 for the year ended December 31, 2005, based on ChipMOS’s and Double Win’s audited financial statements for the year ended December 31, 2004.

C. At March 1, 2005, Universal Communication Technology Inc. (“Universal”) merged with Sigurd Microelectronics Corp. (“Sigurd”). Universal was dissolved as a result of this transaction and the Company obtained 6,595 thousand shares of Sigurd’s common shares. For the year ended December 31, 2005, the investment loss of $9,775 was recognized based on Universal’s unaudited financial statements for two months ended February 28, 2005.

D. For the years ended December 31, 2006 and 2005, the Company recognized investment income of $1,153,630 and $485,503, respectively, for all investees accounted for under the equity method based on investees’ audited financial statements for the years ended December 31, 2006 and 2005, by weighted-average percentage of stock ownership.

E. 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 is not able to exercise significant influence on Sigurd and its percentage of ownership has been reduced to below 20%. 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.

10. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2006		
	Cost	Accumulated depreciation	Book value
Land	$ 2,940,997	$ -	$2,940,997
Buildings	7,922,133	(2,139,091)	5,783,042
Machinery and equipment	45,294,231	(23,649,108)	21,645,123
Utility equipment	845,050	(413,059)	431,991
Furniture and fixtures	663,820	(363,940)	299,880
Other equipment	1,876,598	(972,722)	903,876
Construction in progress and prepayments for equipment	1,844,789	-	1,844,789
	$61,387,618	($ 27,537,920)	$ 33,849,698

	December 31, 2005		
	Cost	Accumulated depreciation	Book value
Land	$ 2,128,476	$ -	$2,128,476
Buildings	7,158,668	(1,735,422)	5,423,246
Machinery and equipment	39,596,050	(20,639,321)	18,956,729
Utility equipment	785,110	(362,988)	422,122
Furniture and fixtures	638,432	(338,418)	300,014
Other equipment	1,562,453	(818,179)	744,274
Construction in progress and prepayments for equipment	2,277,389	-	2,277,389
	$54,146,578	($ 23,894,328)	$ 30,252,250

For the years ended December 31, 2006 and 2005, total interest expenses amounted to $131,404 and $261,252, respectively, of which $961 and $19,674 was capitalized as property, plant and equipment. The interest rates used to calculate the capitalized interest were 6.156% and 1.22 %, respectively.

11. OTHER ASSETS－OTHER

	December 31,	
	2006	2005
Land	$ 108,087	$ 108,087
Others	277,104	147,562
	$ 385,191	$ 255,649

The Company designated one of its officers to purchase the parcel of land, Da-Pu-Chu No. 123-2, and registered the title of the land under the officer’s personal name. As of December 31, 2006, the land purchase has been completed and payments been made in full. The Company has entered into a trust contract with the designated officer, which provides the Company with land use right for nil consideration. The trust contract prohibits the title owner from transferring the land and/or land use right under any circumstances.

12. OTHER PAYABLES

	December 31,	
	2006	2005
Payables for equipment	$ 1,326,811	$ 1,662,380
Accrued value-added tax payable	-	232,307
Other payables	502,318	638,041
	$ 1,829,129	$ 2,532,728

The accrued value-added tax payable due to certain revenues previously applied zero percent of value-added tax was deemed taxable by the Tax Authority. The case has been closed, and the full amount has been paid.

13. BONDS PAYABLE

	December 31,	
	2006	2005
Euro convertible bonds payable	$ 2,724,455	$ 10,819,494
Add : Compensation interest payable	2,377	490,806
	2,726,832	11,310,300
Less : Current portion of long-term bonds payable	(18,687)	-
	$ 2,708,145	$ 11,310,300

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. Major terms of the issue are as follows:

(1) The Company may redeem the bonds at any time on or after July 29, 2004 and prior to December 29, 2006 at their principal amount together with accrued interest, if (i) the market price of the shares of the Company for 20 out of 30 consecutive trading days is at least 130% 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 July 28, 2004 at 105.9185% of its principal amount, or on January 28, 2007 at 111.837% of its principal amount.

(3) Conversion period:

At any time between April 16, 2002 and December 29, 2006.

(4) Conversion price and adjustment:

The conversion price was established on the issuance date at NT$32.9 (in dollars) per share. The conversion price is subject to adjustment for bonus issues, right issues, distributions of cash and stock dividends and other dilutions. As of December 31, 2006, the conversion price was NT$24.01 (in dollars) per share.

(5) As of December 31, 2006, the convertible bonds with the principal amount of US$158,515 (in thousands) has been converted into 202,691 thousand shares, which resulted in an increase of capital reserve of $3,707,790. Also, as of December 31, 2006, the Company repurchased and cancelled the bonds with the principal amount of US$40,985 (in thousands) from the open market.

(6) The principal amount of the unconverted bonds aforementioned of US$500 (in thousands) was redeemed on January 28, 2007.

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 December 31, 2006, the conversion price was NT$34.42 (in dollars) per share.

(5) As of December 31, 2006, the convertible bonds with the principal amount of US$116,979 (in thousands) have been converted into 111,515 thousand shares of the Company’s common stock, which resulted in an increase of capital reserve of $2,692,576. Also, as

of December 31, 2006, 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 contacts issued on or prior to December 31, 2005.

14. LONG-TERM LOANS

		December 31,	
Nature of loans	Repayment period	2006	2005
Credit loans	Repayable in 3 semi-annual installments from July 2006	$ -	$ 4,800,000
Credit loans	Repayable in July 2006	-	324,195
Commerical paper	Repayable in 4 semi-annual installments from November 2009	3,000,000	-
Secured loans	Repayable in August 2011	104,135	-
		3,104,135	5,124,195
Less : Current portion of long-term loans		-	(1,790,895)
Discount on commercial paper		(11,526)	-
		$ 3,092,609	$ 3,333,300
Interest rates		2.093%~6.156%	2.06%~5.18%

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

15. 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 Central Trust of China, 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.

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 $245,742 and $101,629 was recognized for the years ended December 31, 2006 and 2005, respectively.

C. SUI has established a defined contribution pension plan covering substantially all employees. The plan provides for up to 15% of voluntary salary reduction contributions by eligible participants as well as discretionary matching contributions from SUI to its employees' individual pension accounts. The contribution from SUI is recorded as pension costs in the current period.

D. Siliconware Technology （Suzhou）Limited has a funded defined contribution plan covering certain employees who are qualified as permanent residents of Suzhou. According to the retirement plan, Siliconware Technology（Suzhou）Limited contributes monthly an amount equal to certain percentage of employees' monthly salaries and wages to the Bureau of Social Insurance and recognizes as pension expense.

E. The following tables set forth the actuarial assumptions, funded status and amounts recognized for the Company's defined benefit pension plan:

(1) Assumptions used in actuarial calculations as of December 31, 2006 and 2005:

	2006	2005
Discount rate	3.25%	3.00%
Long-term rate of compensation increase	2.00%	2.00%
Expected rate of return on plan assets	3.25%	3.00%
Vested benefit	($ 40,207)	($ 19,968)
Vested benefit obligation	($ 39,145)	($ 19,444)
Accumulated benefit obligation	($ 974,226)	($ 903,265)

(2) Changes in benefit obligation during the years ended December 31, 2006 and 2005:

	2006	2005
Projected benefit obligation at the beginning of the year	($ 1,193,899)	($ 1,041,495)
Service cost	(37,095)	(85,852)
Interest cost	(38,802)	(32,987)
Loss on projected benefit obligation	(80,790)	(46,193)
Benefit paid	3,677	12,628
Projected benefit obligation at the end of the year	($ 1,346,909)	($ 1,193,899)

(3) Changes in plan assets during the years ended December 31, 2006 and 2005:

	2006	2005
Fair value of plan assets at the beginning of the year	$ 905,531	$ 808,825
Actual return on plan assets	23,270	12,298
Employer contributions	56,125	97,036
Benefits paid	(3,677)	(12,628)
Fair value of plan assets at the end of the year	$ 981,249	$ 905,531

(4) Funded status at December 31, 2006 and 2005:

	2006	2005
Fair value of plan assets	$ 981,249	$ 905,531
Projected benefit obligation	(1,346,909)	(1,193,899)
Funded status	(365,660)	(288,368)
Unrecognized transition assets	(3,651)	(4,564)
Unrecognized net actuarial loss	339,675	260,133
Accured pension liabilities	($ 29,636)	($ 32,799)

(5) Components of net periodic pension cost for the years ended December 31, 2006 and 2005:

	2006	2005
Service cost	$ 37,095	$ 85,852
Interest cost	38,802	32,987
Expected return on plan assets	(29,430)	(25,150)
Amortization of unrecognized net transition assets	(913)	(913)
Amortization of unrecognized loss	7,408	6,160
Net periodic pension cost	$ 52,962	$ 98,936

16. CAPITAL STOCK

A. As of December 31, 2006, 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 December 31, 2006, issued common stock was $28,877,574, represented by 2,887,757,400 shares.

B. On June 12, 2006, the stockholders of the Company resolved to capitalize the unappropriated earnings of $2,410,149 and the employee bonus of $267,794 by issuing 267,794 thousand new shares. Registration for the capitalization has been completed.

C. The Company issued $1,500,000 thousand 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 December 31, 2006, the outstanding ADSs amounted to 102,369,388 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 Depositary shall provide voting instruction to the Chairman of the Company and vote on behalf of the Deposited shares evidenced by ADSs. If the Depositary receives voting instructions from holders of at least 51% of the outstanding ADSs to vote in the same direction on a resolution, the Depositary 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 employee stock option. 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 years ended December 31, 2006 and 2005, details of the employee stock option granted, exercised and canceled and exercise price of the employee stock option are as follows:

	For the years ended December 31,			
	2006		2005	
	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 year	26,348	$11.95	35,828	$13.76
Number of option exercised	(13,174)	11.23	(9,257)	13.12
Number of option forfeited	(543)	11.07	(223)	15.10
Outstanding option at the end of the year	12,631	9.25	26,348	11.95
Vested option at the end of the year	2,113	9.27	1,425	11.97
Authorized option available for future grant at the end of the year	-		-	

(2) As of December 31, 2006, the details of the outstanding employee stock option are as follows:

Outstanding employee stock option				Options Vested	
Exercise price (in dollars)	Units of option	Weighted average remaining contractual life	Weighted average exercise price (in dollars)	Unit of option	Weighted average exercise price (in dollars)
$9.2~$9.7	12,631	1.14 Years	$ 9.25	2,113	$ 9.27

17. 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.

18. 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, cash dividend payout ratio is 0% ~ 50% and the rest is stock dividend. However, the Company reserves the right to adjust the payout ratios of cash dividends and stock dividends in correspondence to the actual economic environment, business operation, and cash holding position. The new payout policy will be implemented after resolved by the board and approved by shareholders.

C. As of March 21, 2006, the board of directors of the Company has not resolved the distribution of the year 2006 earnings. Therefore, any information in relation to the year 2006 earnings will be posted to the website of the Taiwan Stock Exchanges after the board's resolution and the shareholders' approval is obtained.

D. 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.

E. In accordance with the ROC 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.

F. 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 December 31, 2006, the undistributed earnings derived on or after January 1, 1998 was $ 13,413,928.

G. As of December 31, 2006, the balance of stockholders' imputation tax credit account of the Company was $37,339. The rate of stockholders' imputation tax credit to undistributed earnings is approximately 0.28%. However, the actual stockholders' imputation rate is subject to change since the actual stockholders' tax credit rate is based on the rate on the dividend allocation day. In 2006, the stockholders' imputation rate on the distributed earnings is 1.08%.

H. 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).

I. On June 13, 2005, the stockholders of the Company resolved to distribute stock dividends of $1,688,898 and cash dividends of $1,583,342, respectively. The total amount of dividends per share, including stock dividends of $0.8 (in dollars) per share and cash dividends of $0.75 (in dollars) per share, was $1.55 (in dollars).

J. The Company's earnings distribution of 2005 for employee bonuses and directors' and supervisors' remunerations were as follow:

	The amount of the actual earnings distributions approved by the shareholders in 2006	
(a) The amount of the retained earnings distributed		
1.Employees' cash bonuses	$	463,284
2.Employees' stock bonuses		
(i) Shares (in thousands of shares)		26,780
(ii) Amounts	$	267,794
(iii)As a percentage of outstanding common shares		1.17%
3.Directors' and supervisors' remunerations	$	149,324
(b) Informations regarding earnings per common share (in dollars)		
1.Original earnings per common share (note 1)	$	3.59
2.Adjusted earnings per common share (note 2)	$	3.21

Note 1: Not retroactively adjusted by the common shares issued on capitalization of earnings in 2006.

Note 2: Adjusted earnings per share = (Net income-Employees' bonus-Remunerations to directors and supervisors)/Weighted average oustanding common shares for 2006.

19. TREASURY STOCK

As of December 31, 2006, 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 the treasury stock held by the subsidiary was sold in 2006. The closing price of the Company's stock was $51.2 (in dollars) per share on December 31, 2006.

20. IMPAIRMENT OF ASSETS

Effective January 1, 2005, the Company adopted ROC Statement of Financial Accounting Standards No. 35, "Accounting for Impairment of Assets". For the years ended December 31, 2006 and 2005, the Company recognized asset impairment losses of $27,013 and $163,650 respectively, as follows:

	Impairment loss on long-term investment	
	For the years ended December 31,	
	2006	2005
Recorded in income statement	$ 27,013	$ 163,650
Recorded in equity	$ -	$ -

A. For the year ended December 31, 2006, Siliconware Investment Company Ltd. and SPIL (B.V.I) Holding Limited, subsidiaries of the Company, recognized impairment loss in the amount of $27,013.

B. Impairment loss of $79,200 was recognized for the year ended December 31, 2005 for long-term investment in Universal, which was triggered by the merger with Sigurd and the investment's carrying amount exceeded the recoverable amount.

C. Impairment loss of $84,450 was recognized for the year ended December 31, 2005 for long-term investment in Double Win. The management believed the impairment loss was triggered by the downturn of the overall market and industry where Double Win operated, as well as the fact that Double Win withdrew from public trading in 2005.

21. <u>INCOME TAX</u>

	For the years ended December 31,	
	2006	2005
Income tax expense calculated at the statutory tax rate	$ 3,613,846	$ 2,083,671
Permanent differences	(1,518,940)	(780,039)
Investment tax credits	(1,147,432)	(834,025)
Tax on interest income separately taxed	-	1,006
Prior year's under provision	29,898	112,570
Changes in allowance for deferred tax assets	(28,798)	(579,627)
Income tax expense for current year	948,574	3,556
Additional 10% tax on undistributed earnings	-	11,961
Income tax expense	948,574	15,517
Adjustment:		
Net changes of deferred tax assets	(102,987)	272,156
Decrease (increase) in income tax payable	127,778	(112,570)
Tax on interest income separately taxed	-	(1,006)
Prepaid and withholding tax	(49,487)	(25,176)
Subsidiary's tax payable (refund receivable)	6,899	(12,510)
Income tax payable	$ 930,777	$ 136,411
Income tax payable carried over from prior year	$ 16,605	$ 16,605

A. For the years ended December 31, 2006 and 2005, 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 December 31, 2006 and 2005, deferred tax assets and liabilities are as follows:

	December 31,	
Allowance for deferred tax assets		
Deferred tax assets, current	$ 726,963	$ 759,226
Allowance for deferred tax assets - current	(141)	-
	$ 726,822	$ 759,226
Deferred tax assets, noncurrent	$ 1,991,506	$ 2,232,063
Deferred tax liabilities, noncurrent	(172,909)	(219,101)
	1,818,597	2,012,962
Allowance for deferred tax assets - non-current	(174,343)	(303,287)
	$ 1,644,254	$ 1,709,675

C. The details of deferred tax assets and liabilities as of December 31, 2006 and 2005 were as follows:

	December 31, 2006		December 31, 2005	
	Amount	Tax Effect	Amount	Tax Effect
Current:				
Temporary differences:				
Unrealized loss on obsolescence and decline in market value of inventories	$ 56,715	$ 14,179	$ 55,803	$ 13,951
Compensation interest on bonds payable	2,377	594	-	-
Unrealized sales allowance	55,475	13,868	67,180	16,795
Unrealized foreign exchange (gain) loss	(7,370)	(1,842)	155,641	38,910
Allowance for doubtful accounts	23,904	5,976	12,280	3,070
Others	8,752	2,188	-	-
Investment tax credits		692,000		686,500
		726,963		759,226
Allowance for deferred tax assets		(141)		-
		$ 726,822		$ 759,226
Noncurrent :				
Temporary differences:				
Unrealized loss on long-term investments	$ 78,303	$ 19,576	$ 667,009	$ 166,753
Depreciation expense	(639,742)	(159,936)	(669,724)	(167,431)
Unrealized foreign currency exchange gain arising from bonds payable	(51,892)	(12,973)	(206,678)	(51,670)
Compensation interest on bonds payable	-	-	490,806	122,702
Unrealized loss on idle assets	259,203	64,801	322,543	80,636
Others	11,895	2,974	-	-
Loss carryforwards	120,850	30,212	25,513	6,378
Investment tax credits		1,873,943		1,855,594
		1,818,597		2,012,962
Allowance for deferred tax assets		(174,343)		(303,287)
		$ 1,644,254		$ 1,709,675

Valuation allowance for deferred tax assets relates primarily to unrealized loss on 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 2003.

E. The income tax returns of Siliconware Investment Company Limited have been assessed and approved by the Tax Authority through 2004.

F. According to the Income Tax Law of the Peoples Republic of China for enterprises with Foreign Investment and Foreign Enterprises , Siliconware Technology（Suzhou）Limited is entitled to two years’ exemption from income taxes followed by three years of a 50% tax reduction , i.e., the tax rate of 7.5%, commencing from the first cumulative profit-making year net of losses carried forward. In addition, any foreign investor of an enterprise with foreign investment which reinvests its share of profit obtained from the enterprise directly into that enterprise by increasing its registered capital, or uses the profit as capital investment to establish other enterprises with foreign investment to operate for a period of not less than five years shall, upon approval by the tax authorities of an application filed by the investor, be refunded 40% of the income tax already paid in relation to the reinvested amount.

G. As of December 31, 2006, the Company’s unused portion of investment tax credits, under the “Statue for Upgrading Industries”, were as follows:

Nature of Investment Tax Credits	Deductible Amount	Unused Amount	Expiration Years
Acquisition costs of qualifying machinery and equipment	$ 2,752,167	$ 1,924,947	2008 to 2010
Qualifying research and development expenditu	755,763	622,646	2008 to 2010
Qualifying investments in significant	22,175	18,350	2008
technology companies	$ 3,530,105	$ 2,565,943	

H. 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. The 5-years income tax exemption will expire in December 2008 and 2010, respectively. Also, in order to get 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.

22. EARNINGS PER SHARE

	For the year ended December 31, 2006				
	Income		Weighted average outstanding common stock	Earnings per share	
	Before tax	After tax	(in thousands)	Before tax	After tax
				(in dollars)	
Basic EPS:					
Net income	$14,277,643	$13,329,069	2,716,477	$ 5.26	$ 4.91
Dilutive effect of					
- Employee stock option	-	-	12,650		
- 3rd Euro convertible bonds	22,562	33,421	168,743		
Diluted EPS	$14,300,205	$13,362,490	2,897,870	$ 4.93	$ 4.61

	For the year ended December 31, 2005				
	Income		Weighted average outstanding common stock	Earnings per share	
	Before tax	After tax	(in thousands)	Before tax	After tax
				(in dollars)	
Basic EPS:					
Income from continuing operations	$ 7,608,911	$ 7,593,394		$ 3.02	$ 3.02
Cumulative effects of changes in accounting principles	650,508	650,508		0.26	0.26
Net income	8,259,419	8,243,902	2,516,506	$ 3.28	$ 3.28
Dilutive effect of					
- Employee stock option	-	-	20,271		
- 2nd Euro convertible bonds	396,552	424,053	206,027		
- 3rd Euro convertible bonds	368,262	349,696	189,068		
Diluted EPS	$ 9,024,233	$ 9,017,651	2,931,872	$ 3.08	$ 3.07

The basic and diluted earnings per share for the years ended December 31, 2006 and 2005 were retroactively adjusted for 2005 stock dividends and employees' stock bonus distributed in 2006.

23. PERSONNEL COSTS, DEPRECIATION AND AMORTIZATION

	For the year ended December 31, 2006		
	Operating cost	Operating expense	Total
Personnel Cost			
Payroll	$ 5,280,258	$ 1,337,313	$ 6,617,571
Labor and health insurance	414,906	104,812	519,718
Pension expense	245,299	60,541	305,840
Other	597,393	102,805	700,198
	$ 6,537,856	$ 1,605,471	$ 8,143,328
Depreciation	$ 6,579,537	$ 173,174	$ 6,752,711
Amortization	$ 358,635	$ 167,361	$ 525,996

	For the year ended December 31, 2005		
	Operating cost	Operating expense	Total
Personnel Cost			
Payroll	$ 4,097,484	$ 1,145,219	$ 5,242,703
Labor and health insurance	289,956	80,644	370,600
Pension expense	160,601	46,144	206,745
Other	493,121	72,690	565,811
	$ 5,041,162	$ 1,344,697	$ 6,385,859
Depreciation	$ 5,896,261	$ 157,579	$ 6,053,840
Amortization	$ 342,091	$ 141,039	$ 483,130

24. RELATED PARTY TRANSACTIONS

A. Name and Relationship with Related Parties:

Name of Related Parties	Relationship with the Company
ChipMOS Technologies Inc.	Investee company accounted for under the equity method
Sigurd Microelectronics Corporation	The Company holds directorship
Phoenix Precision Technology Corporation	The Company holds directorship
Hai-Feng Fundation	Same chairman of the board of the directiors

B. Significant Transactions with Related Parties:

(1) Sales

	For the years ended December 31,			
	2006		2005	
	Amount	% of net sales	Amount	% of net sales
Sigurd Microelectronics Corporation	$ 5,217	-	$ 31,218	-

The selling prices and collection terms offered to the related parties were generally comparable to those offered to non-related parties. The collection period is approximately three months from the date of sale.

(2) Purchases

	For the years ended December 31,			
	2006		2005	
	Amount	% of net purchase	Amount	% of net purchase
Phoenix Precision Technology	$ 3,100,909	13	$ 3,600,039	18
Others	83	-	-	-
	$ 3,100,992	13	$ 3,600,039	18

The purchase prices and payment terms provided by the related parties 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

	December 31, 2006		December 31, 2005	
	Amount	% of accounts receivable	Amount	% of accounts receivable
Sigurd Microelectronics Corporation	$ -	-	$ 9,695	-

(4) Accounts Payable

	December 31, 2006		December 31, 2005	
	Amount	% of accounts payable	Amount	% of accounts payable
Phoenix Precision Technology Corporation	$ 345,745	8	$ 694,261	14

(5) Other Expenses / Other Payables

	December 31, 2006		December 31, 2005	
	Other Expenses	Other Payables	Other Expenses	Other Payables
Others	$ 12,153	$ 4,807	$ 11,505	$ 7,741

(6) Other Income/ Other Receivables

	December 31, 2006		December 31, 2005	
	Other Income	Other Receivables	Other Income	Other Receivables
Others	$ 12,614	$ 11,288	$ 2,021	$ 79

25. ASSETS PLEDGED AS COLLATERALS

As of December 31, 2006 and 2005, the following assets have been pledged as collaterals against certain obligations of the Company and its subsidiaries:

	December 31,		
Assets	2006	2005	Subject of collaterals
Buildings	$ 284,633	$ -	Long-term loans
Land use rights	38,465	-	Long-term loans
Machinery and other equipment	-	92,208	Long-term loans
Time deposits (shown as other financial assets, current)	206,705	215,905	Guarantees for custom duties and income tax liabilities
	$ 529,803	$ 308,113	

26. COMMITMENTS AND CONTINGENCIES

A. As of December 31, 2006, the Company's issued but unused letters of credit for imported machinery and equipment were approximate $392,396.

B. For its future expansion, the Company entered into several contracts with a total purchasing price of $1,748,822, of which a total amount of $723,113 has not been paid as of December 31, 2006.

C. The Company entered into contracts with five 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. Four contracts are valid through December 2007, November 2009, December 2010 and January 2011, respectively. For the other two contracts, one is valid through when all patents included in the contract expire; the other is valid until both parties agree to terminate the contract.

D. On March 1, 2006, the Company was informed of a civil lawsuit brought by Tessera Inc., a U.S. corporation, against the Company and its subsidiary, Siliconware USA, Inc. in the United States. The Company has authorized a U.S. law firm for the litigation support and been in process of gathering evidence. Currently, the Company is unable to assess the potential liabilities arising out of this claim due to the fact that insufficient information provided in the scope of the infringement of patent rights caused by its services is specified in the bill of complaint. As such, no losses or expenses are recognized with respect to the lawsuit.

27. SIGNIFICANT DISASTER LOSS

None

28. SIGNIFICANT SUBSEQUENT EVENT

1. On December 21, 3006, the board of the Company resolved to sell its Taipei office with an amount of $185,009 suggested by China Credit Information Service, Ltd. The passage of title was completed on February 26, 2007 with a disposal loss of $32,276.
2. On February 13, 2007, the board of the Company resolved to sell its common stock ownership in ChipMOS Technologies Inc. for US$191,147 thousands and acquire the common stock ownership in ChipMOS Technologies (Bermuda) Ltd., the parent company of ChipMOS Technologies Inc., through private stock offering for US$76,459 thousands. As of March 21, the passage of title was not completed. Therefore, the gain (loss) on disposal of investment cannot be reasonably estimated.

29. OTHER

A. Financial Statement Reclassification

Certain accounts stated in the December 31, 2005 financial statements have been reclassified to conform to the presentation of December 31, 2006 financial statements.

B. Fair Values of Financial Instruments:

	December 30, 2006			December 31, 2005		
		Fair Value			Fair Value	
Non-derivative financial instruments	Book Value	Quotation in an active market	Estimated using a valuation	Book Value	Quotation in an active market	Estimated using a valuation
Financial Assets						
Financial assets with book value equal to fair value	$ 24,643,663	$ -	$24,643,663	$ 22,847,565	$ -	$ 22,847,565
Available-for-sale financial assets - noncurrent	7,883,601	7,883,601	-	2,379,209	11,669,769	-
Financial assets carried at cost - noncurrent	824,942	-	-	168,331	-	-
	$ 33,352,206	$ 7,883,601	$24,643,663	$ 25,395,105	$11,669,769	$ 22,847,565
Financial Liabilities						
Financial liabilities with book value equal to fair value	$ 9,449,061	$ -	$ 9,449,061	$ 11,675,727	$ -	$ 11,675,727
Bonds payable (including current portion)	2,726,832	4,122,897	-	11,310,300	15,528,396	-
Long-term loans	3,092,609	-	3,127,992	3,333,300	-	3,333,300
	$ 15,268,502	$ 4,122,897	$12,577,053	$ 26,319,327	$15,528,396	$ 15,009,027

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

i、 Financial assets and liabilities with book value proxies to fair value are cash, notes receivable, accounts receivable, other current financial assets, 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.

ii、 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.

iii、 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 long-term loans with fixed interest rates is estimated by the discounted future cash flows. The discount rate, 1.875%, is based on the interest rate of the similar long-term loan, which the Company would have acquired. The fair value of long-term loans with floating interest rates is based on book values.

v、 The fair value of bonds payable and current portion of bonds payable is based on its quoted market price.

C. Financial assets and liabilities with the risk of interest rate fluctuation:

As of December 31, 2006, the Company’s financial assets and liabilities with fair value risk of interest rate fluctuation were $14,535,482 and $5,715,306, respectively. The financial liabilities with cash flow risk of interest rate fluctuation were $104,135.

D. Financial assets and liabilities whose changes in fair value are not recognized in earnings:

The Company’s interest income and interest expense from financial assets and liabilities whose changes in fair value were not recognized in earnings were $396,461 and $130,443, respectively, for the year ended December 31, 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 in 2006 were $4,765,318.

E. 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.

F. Financial risk information:

1. Financial Assets: investments in equity instruments

	December 31, 2006	
Available-for-sale financial assets	$	7,883,601
Financial assets carried at cost		824,942
	$	8,708,543

(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 change on market interest rates.

2. Financial liabilities: debt instruments

	December 31, 2006
Bonds payable	$ 2,726,832
Long-term loans	3,092,609
	$ 5,819,441

(1) Market risk:

Debt instruments include zero-coupon convertible bonds embedded with call and put options, fixed interest-bearing bonds, and long-term loans. The fair value changes of our USD denominated convertible bonds are affected by the stock price. However, we 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. Our 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. We believe that there is no significant liquidity risk.

(4) Cash flow risk of interest rate:

Our zero-coupon bonds, fixed interest rate bearing bonds, and fixed interest rate borrowings are not exposed to cash flow interest rate risk. Our floating interesting rate borrowings which effective interest rate moves together with the market interest rate exposed the Company to the future cash flow risk. However, we believe there is no significant cash flow risk.

G. Eliminated transactions between parent company and subsidiaries

Transactions	Name of the counter party and amount: Siliconware Precision Industries Co., Ltd	Siliconware Investment Company Ltd.	SPIL (B.V.I.) Holding Limited	Siliconware USA Inc.
For the year ended December 31, 2006				
Eliminate long-term investment and stockholders'equity	($ 5,321,470)	$ 3,073,571	$ 2,247,899	$ -
Eliminate subsidiary's long-term investment on parent company	1,801,014	(1,801,014)	-	-
Eliminate (prepaid expense) and unearned revenue	(4,865)	-	-	4,865
Eliminate commission expense and revenue	(478,608)	-	-	478,608
For the year ended December 31, 2005				
Eliminate long-term investment and stockholders'equity	($ 3,548,866)	$ 1,754,547	$ 1,794,319	$ -
Eliminate subsidiary's long-term investment on parent company	794,184	(794,184)	-	-
Eliminate accrued expense and accounts receivable	63,003	-	-	(63,003)
Eliminate commission expense and revenue	(417,418)	-	-	417,418

30. SPECIAL DISCLOSURE ITEMS

A. Significant Transaction Information

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

For the year ended December 31, 2006: None.

(2) Endorsement and guarantee provided to third parties:

For the year ended December 31, 2006: None.

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

As of December 31, 2006:

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	$ 1,272,557	100.00%	$ 17.36	(Notes 1, 3)
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%	8.23	(Note 2)
Siliconware Precision Industries Co., Ltd.	Stock	ChipMOS Technologies Inc.	Investee accounted for under the equity method	Long-term investments accounted for under the equity method	254,863	4,998,596	28.76%	19.95	(Note 1)
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	2,247,899	100.00%	28.89	(Notes 1, 3)
Siliconware Precision Industries Co., Ltd.	Stock	Phoenix Precision Technology Corporation	The Company holds directorship	Available-for-sale financial assets	109,854	4,284,295	16.41%	39.00	
Siliconware Precision Industries Co., Ltd.	Stock	King Yuan Electronics Co., Ltd.	-	Available-for-sale financial assets	85,698	2,330,977	7.86%	27.20	
Siliconware Precision Industries Co., Ltd.	Stock	Siguard Microelectronics Corp.	The Company holds directorship	Available-for-sale financial assets	46,236	1,005,635	17.91%	21.75	
Siliconware Precision Industries Co., Ltd.	Stock	NPL	-	Financial assets carried at cost	130	3,891	-	-	

Note 1: The market value is not available. Therefore, the net equity per share as of December 31, 2006 was used.

Note 2: The market value is not available. Therefore, the net equity per share as of December 31, 2005 was used.

Note 3: Eliminated under consolidation.

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

For the year ended December 31, 2006:

					Beginning balance		Addition		Disposal				Ending balance	
Investor	Name of the security	General ledger accounts	Name of the counter party	The relationship of the issuers with the Company	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 (Note 1)
Siliconware Precision Industries Co., Ltd.	SPIL (B.V.I.) Holding Limited stock	Long-term investment accounted for under equity method	—	—	62,800	$1,794,319	15,000	$487,050	—	—	—	—	77,800	$2,247,899

Note 1: The ending balance includes the investment gain and loss under the equity method.

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

For the year ended December 31, 2006:

						Related party as counter party						
Name of the properties	Date of transaction	Transaction amount	Status of payment	Counter party	Relation-ship with the Company	Original owner which sold the property to the counter party	The relationship of the original owner with the Company	Date of the original transaction	Amount	The bases or reference used in deciding the price	Purpose and status of the acquisition	Other commitment
Building	Nobember 2005	$ 169,000	$ 169,000	Sheng-Hui Construction Corporation Ltd.	-	-	-	-	$ -	As specified in contract	For operating use	Payment made according to construction progress
Building	December 2005	348,800	125,000	Chung-Rui Construction Corporation Ltd.	-	-	-	-	-	As specified in contract	For operating use	Payment made according to construction progress
Building	February 2006	180,000	180,000	CNet Construction Corporation Ltd.	-	-	-	-	-	As specified in contract	For operating use	-
Land	August 2006	809,021	807,834	Jou Mu Textile Corporation, and etc.	-	-	-	-	-	As specified in contract	For operating use	-
Building	November 2006	432,000	90,720	Johnny Ko (c) & Leeming Mis	-	-	-	-	-	As specified in contract	For operating use	Payment made according to construction progress
Building	November 2006	223,800	-	Chung-Rui 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 year ended December 31, 2006: None.

(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 year ended December 31, 2006:

			Description of the transaction				Description of and reasons for difference in transaction terms compared to non-related party transactions		Notes or accounts receivable / payable	
Purchase / sales company	Name of the counter parties	Relationship with the counter parties	Purchases / sales	Amount	Percentage of net purchases / sales	Credit terms	Unit price	Credit terms	Amount	Percentage of notes or accounts receivable / payable
Precision Industries Co., Ltd.	Phoenix Precision Technology Corporation	The Company holds directorship	Purchase	$ 3,100,909	13%	Three months	$ -	-	Accounts payable $345,745	8%

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

As of December 31, 2006: None.

(9) Transaction of derivative financial instruments:

For the year ended December 31, 2006: None.

B. Related Information on Investee Companies

(1) Basic information on investee companies:

For the year ended December 31, 2006:

Investor	Name of Investee	Location	Main activities	Original investments: Current period ending balance	Original investments: Prior period ending balance	The Company / majority owned subsidiary owns: Shares (in thousands)	The Company / majority owned subsidiary owns: Ownership Percentage	The Company / majority owned subsidiary owns: Book value	Current period: Net income (loss) of investee	Current period: Income (loss) recognized by the Company	Note
Siliconware Precision Industries Co., Ltd.	Siliconware Investment Company Ltd.	Taipei	Investment activities	$1,770,000	$1,770,000	177,000	100.00%	$1,272,557	$144,941	$91,550	(Notes 1, 2, 6)
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	2,332,768	254,863	28.76%	4,998,596	4,138,270	1,124,990	(Note 1)
Siliconware Precision Industries Co., Ltd.	Sigurd Microelectronics Corp.	Chu-tung, Hsin-Chu	Testing and assembly of integrated circuits	459,274	459,274	-	-	-	-	28,640	(Note 7)
Siliconware Precision Industries Co., Ltd.	SPIL (B.V.I.) Holding Limited	British Virgin Islands	Investment activities	2,620,869	2,133,819	77,800	100.00%	2,247,899	(58,980)	(58,980)	(Notes 1, 2, 6)
SPIL (B.V.I.) Holding Limited	Siliconware USA, Inc.	San Jose, CA, USA	Providing promotion and marketing services	68,464	68,464	1,250	100.00%	89,072	23,744	23,744	(Notes 3, 6)
SPIL (B.V.I.) Holding Limited	SPIL (Cayman) Holding Limited	Cayman Islands, British West India	Investment activities	1,644,625	1,157,575	50,100	100.00%	1,229,451	(117,552)	(117,552)	(Notes 3, 6)
SPIL (Cayman) Holding Limited	Siliconware Technology (Suzhou) Limited	Suzhou Jiangsu, China	Manufacturing of compact camera module, liquid crystal display module,DRAM modules, flash memory cards, transistor and other electronic components.	1,641,380	1,154,330	(Note 5)	100.00%	1,228,638	(116,740)	(116,740)	(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: Eliminated under consolidation.

Note 7: The Company's long-term investments accounted for under the equity method was reclassified as available-for-sale financial assets (non-current) for the year ended December 31, 2006.

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

As of December 31, 2006:

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 dollar)	
Siliconware Investment Company Ltd.	Stock	Siliconware Precision Industries Co., Ltd.	The Company	Available-for-sale financial assets (non-current)	35,176	$1,801,014	1.22%	$51.20	
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	218,111	0.84%	39.00	
Siliconware Investment Company Ltd.	—	Mega Mission Limited Partnership	—	Financial assets carried at cost	(Note 4)	195,523	4.00%	-	
Siliconware Investment Company Ltd.	Stock	Others (Note 1)	—	Available-for-sale financial assets (non-current) and financial assets carried at costs	-	170,111	-	-	
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	89,072	100.00%	71.26	(Notes 2, 5)
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	1,229,451	100.00%	24.54	(Notes 2, 5)
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)	1,228,638	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 December 31, 2006 was used.

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

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

(5) Eliminated under consolidation.

(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 year ended December 31, 2006:

Investor	Name of the security	General ledger accounts	Name of the counter party	The relationship of the issuers with the Company	Beginning balance: Number of shares (in thousands)	Beginning balance: Amount	Addition: Number of shares (in thousands)	Addition: Amount	Disposal: Number of shares (in thousands)	Disposal: Sale price	Disposal: Book value	Disposal: Gain (loss) from disposal	Ending balance: Number of shares (in thousands)	Ending balance: Amount	
Siliconware Investment Company Ltd.	Hsieh Yong Capital Co., Ltd.	Financial assets carried at costs	N/A	N/A	-	$ -	50,000	$500,000	-	-	-	-	50,000	$ 500,000	
Siliconware Investment Company Ltd.	Mega Mission Limited Partnership	Financial assets carried at costs	N/A	N/A	-	-	(Note 5)	195,523	-	-	-	-	(Note 5)	195,523	
SPIL (B.V.I.) Holding Limited	SPIL (Cayman) Holding Limited	Long-term investment accounted for under the equity method	Cash capitalization	-	35,100	826,252	15,000	486,300	-	-	-	-	50,100	1,229,451	(Notes 4, 6)
SPIL (Cayman) Holding Limited	Siliconware Technology (Suzhou) Limited	Long-term investment accounted for under the equity method	Cash capitalization	-	(Note 1)	824,617	(Note 2)	487,050	-	-	-	-	(Note 3)	1,228,638	(Notes 4, 6)

Note 1: The contributed capital was US$35,000 thousand dollars.

Note 2: The contributed capital was US$15,000 thousand dollars.

Note 3: The contributed capital was US$50,000 thousand dollars.

Note 4: The ending balance includes the investment gain and loss under the equity method.

Note 5: The contributed capital was US$6,000 thousand dollars.

Note 6: Eliminated under consolidation.

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

For the year ended December 31, 2006:

							Related party as counter party						
Investor	Name of the properties	Date of transaction	Transaction amount	Status of payment	Counter party	Relationship with the Company	Original owner which sold the property to the counter party	The relationship of the original owner with the Company	Date of the original transaction	Amount	The bases or reference used in deciding the price	Purpose and status of the acquisition	Other commitment
Siliconware Technology (Suzhou) Limited	Building	July 2006	$ 135,363	$ 104,771	Nantong Yingxiong Construction Corporation Ltd.	N/A	-	-	-	$ -	As specified in contract	For operating use	Payment made according to construction progress

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 31,2005	Remitted or (collected) this period	Accumulated remittance as of December 30, 2006	Ownership held by the Company (Direct and indirect)
Siliconware Technology (Suzhou) Limited	Manufacturing of compact camera module, liquid crystal display module,DRAM modules, flash memory cards, transistor and other electronic components.	$1,620,500 (Note 2)	(Note 1)	$1,134,350 (Note 2)	$486,150 (Note 2)	$ 1,620,500 (Note 2)	100%

Investment income (loss) recognized by the Company during the period	Ending balance of investment	investment income (loss) remitted back as of December	Accumulated remittance from Taiwan to Mainland China	investment balance approved by Investment Commissions	investment in Mainland China according to Investment Commissions,
($ 116,740) (Note 3)	$1,228,638 (Note 2)	-	$1,620,500	$1,620,500	$14,087,242

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: Eliminated under consolidation.

(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.

D. The business relationships and the significant transactions as well as amounts between the parent company and the subsidiary.

				RELATED PARTY TRANSACTIONS			
No.	Name of Related Parties	Name of the Company Transactions	Relationship with Related Parties	Account	Amount	Term	% of consolidated revenues or total assets
0	Siliconware Precision Industries Co., Ltd.	Siliconware USA, Inc.	Indirect owned subsidiary	Operating expense	$ 478,608	as specified in contract	0.84%

30. SEGMENT INFORMATION

A. Operation in Different Industries:

The Company principally operates in one industry. The Company's operation involves assembly, testing and turnkey services of integrated circuits.

B. Operations in Different Geographic Areas:

The Company has no significant foreign operations. Therefore, ROC FAS No. 20, "Segmental Information Disclosure" is not applicable.

C. Export Sales:

Geographic areas	2006	2005
U.S. and Canada	$ 34,045,256	$ 24,349,085
Others	2,580,518	2,603,610
	$ 36,625,774	$ 26,952,695

D. Major Customers:

Revenues from individual customer that represents over 10% of net revenues of the Company for the years ended December 31, 2006 and 2005 are set forth below:

	2006		2005	
Customers	Amount	% of net sale	Amount	% of net sale
Customer A	$ 5,733,910	10	$ 4,762,838	11
Customer B	4,540,738	8	4,125,562	10
	$10,274,648	18	$ 8,888,400	21