

UNITED MICROELECTRONICS CORP
Form 6-K
June 06, 2008

1934 Act Registration No. 1-15128

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934**

Dated June 6, 2008

United Microelectronics Corporation

(Translation of Registrant's Name into English)

No. 3 Li Hsin Road II

Science Park

Hsinchu, Taiwan, R.O.C.

(Address of Principal Executive Office)

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(Indicate by check mark whether the registrant files or will file annual reports under cover of form 20-F or Form 40-F.)

Form 20-F Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes No

(If Yes is marked, indicated below the file number assigned to the registrant in connection with Rule 12g3-2(b): Not applicable)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

United Microelectronics Corporation

Date: 6/6/2008

By /s/ Chitung Liu
Chitung Liu
Chief Financial Officer

Exhibit

| Exhibit | Description |
|----------------|---|
| 99.1 | United Microelectronics Corporation Financial Statements With Report of Independent Accountants for the Three-Month Periods Ended March 31, 2008 And 2007 |

Exhibit 99.1

United Microelectronics Corporation Financial Statements With Report of Independent Accountants for the Three-Month Periods Ended March 31, 2008 And 2007

UNITED MICROELECTRONICS CORPORATION
FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE THREE-MONTH PERIODS ENDED
MARCH 31, 2008 AND 2007

Address: No. 3 Li-Hsin Road II, Hsinchu Science Park, Hsinchu City, Taiwan, R.O.C.

Telephone: 886-3-578-2258

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

English Translation of a Report Originally Issued in Chinese

To United Microelectronics Corporation

We have reviewed the accompanying balance sheets of United Microelectronics Corporation (the Company) as of March 31, 2008 and 2007, and the related statements of income and cash flows for the three-month periods ended March 31, 2008 and 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to issue the review report based on our reviews. As described in Note 4(8) to the financial statements, certain long-term investments were accounted for under the equity method based on financial statements as of March 31, 2008 and 2007 of the investees, which were reviewed by other auditors. Our review insofar as it relates to the investment (loss) income amounting to NT\$(45) million and NT\$227 million for the three-month periods ended March 31, 2008 and 2007, respectively, and the related long-term investment balances of NT\$4,255 million and NT\$5,435 million as of March 31, 2008 and 2007, respectively, is based solely on the reports of the other auditors.

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

Based on our reviews and the reports of the other auditors, we are not aware of any material modifications or adjustments that should have been made to the financial statements referred to above in order for them to be in conformity with requirements of the Business Entity Accounting Act and Regulation on Business Entity Accounting Handling with respect to financial accounting standard, Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the Republic of China.

As described in Note 3 to the financial statements, effective January 1, 2008, the Company adopted Accounting Research and Development Foundation Interpretation No. 96-052, and recognized share-based employee bonuses and remunerations to directors and supervisors as expenses rather than as a distribution of retained earnings.

April 21, 2008

Taipei, Taiwan

Republic of China

Notice to Readers

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

English Translation of Financial Statements Originally Issued in Chinese

UNITED MICROELECTRONICS CORPORATION

UNAUDITED BALANCE SHEETS

March 31, 2008 and 2007

(Expressed in Thousands of New Taiwan Dollars)

| <u>Assets</u> | Notes | As of March 31, | |
|--|----------------|--------------------|--------------------|
| | | 2008 | 2007 |
| Current assets | | | |
| Cash and cash equivalents | 2, 4(1) | \$ 29,634,661 | \$ 80,988,902 |
| Financial assets at fair value through profit or loss, current | 2, 4(2) | 4,295,527 | 7,553,964 |
| Held-to-maturity financial assets, current | 2, 4(3) | | 200,000 |
| Notes receivable | 2 | 20,241 | 36,249 |
| Accounts receivable, net | 2, 4(4) | 4,171,579 | 6,701,411 |
| Accounts receivable - related parties, net | 2, 5 | 8,584,934 | 6,113,205 |
| Other receivables | 2 | 357,993 | 798,635 |
| Inventories, net | 2, 4(5) | 11,087,667 | 9,957,197 |
| Prepaid expenses | | 664,452 | 990,721 |
| Deferred income tax assets, current | 2, 4(21) | 1,241,035 | 2,088,459 |
| Total current assets | | 60,058,089 | 115,428,743 |
| Funds and investments | | | |
| Available-for-sale financial assets, noncurrent | 2, 4(6), 4(11) | 33,295,218 | 43,359,493 |
| Financial assets measured at cost, noncurrent | 2, 4(7) | 2,294,595 | 2,322,636 |
| Long-term investments accounted for under the equity method | 2, 4(8) | 36,264,213 | 38,935,939 |
| Prepayment for long-term investments | | | 163,809 |
| Total funds and investments | | 71,854,026 | 84,781,877 |
| Property, plant and equipment | | | |
| | 2, 4(9), 7 | | |
| Land | | 1,132,576 | 1,132,576 |
| Buildings | | 17,219,348 | 16,319,736 |
| Machinery and equipment | | 424,527,935 | 400,298,576 |
| Transportation equipment | | 72,809 | 74,387 |
| Furniture and fixtures | | 2,911,264 | 2,469,833 |
| Total cost | | 445,863,932 | 420,295,108 |
| Less : Accumulated depreciation | | (336,151,564) | (302,676,687) |
| Add : Construction in progress and prepayments | | 10,209,261 | 28,330,350 |
| Property, plant and equipment, net | | 119,921,629 | 145,948,771 |
| Intangible assets | | | |
| Goodwill | 2 | 3,745,122 | 3,745,122 |
| Total intangible assets | | 3,745,122 | 3,745,122 |
| Other assets | | | |
| Deferred charges | 2 | 1,304,861 | 1,545,583 |

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| | | | |
|---|-----------------------|-----------------------|-----------------------|
| Deferred income tax assets, noncurrent | 2, 4(21) | 3,404,467 | 3,772,985 |
| Other assets - others | 2, 4(10), 6 | 1,890,408 | 2,023,140 |
| Total other assets | | 6,599,736 | 7,341,708 |
| Total assets | | \$ 262,178,602 | \$ 357,246,221 |
| Liabilities and Stockholders Equity | | | |
| Current liabilities | | | |
| Short-term loans | 4(12) | \$ 456,600 | \$ |
| Financial liabilities at fair value through profit or loss, current | 2, 3, 4(13) | 170,638 | 1,003,561 |
| Accounts payable | | 4,498,952 | 4,653,399 |
| Income tax payable | 2 | 1,144,791 | 2,096,472 |
| Accrued expenses | | 6,995,801 | 6,336,628 |
| Payable on equipment | | 2,858,960 | 8,912,224 |
| Current portion of long-term liabilities | 2, 4(14) | 10,499,910 | 17,833,831 |
| Other current liabilities | 2, 3, 4(19) | 297,140 | 971,865 |
| Total current liabilities | | 26,922,792 | 41,807,980 |
| Long-term liabilities | | | |
| Bonds payable | 2, 4(14) | 7,495,575 | 17,993,317 |
| Total long-term liabilities | | 7,495,575 | 17,993,317 |
| Other liabilities | | | |
| Accrued pension liabilities | 2, 4(15) | 3,188,878 | 3,107,671 |
| Deposits-in | | 13,380 | 14,568 |
| Other liabilities - others | 2 | 396,744 | 490,283 |
| Total other liabilities | | 3,599,002 | 3,612,522 |
| Total liabilities | | 38,017,369 | 63,413,819 |
| Capital | | | |
| Common stock | 2, 4(16), 4(17) | 132,144,949 | 191,442,517 |
| Additional Paid-in Capital | | | |
| Premiums | 2, 4(16) | 59,435,560 | 61,138,863 |
| Treasury stock transactions | | 274 | 8,938 |
| Change in equities of long-term investments | | 6,714,826 | 6,632,428 |
| Retained earnings | | | |
| Legal reserve | 4(16), 4(19) | 18,476,942 | 16,699,508 |
| Special reserve | | 824,922 | 322,150 |
| Unappropriate earnings | | 12,555,055 | 19,233,025 |
| Adjustment items in stockholders equity | | | |
| Cumulative translation adjustment | 2, 4(6) | (4,527,769) | 234,304 |
| Unrealized gain or loss on financial assets | | 13,539,721 | 27,515,333 |
| Treasury stock | 2, 4(8), 4(16), 4(18) | (15,003,247) | (29,394,664) |
| Total stockholders equity | | 224,161,233 | 293,832,402 |
| Total liabilities and stockholders equity | | \$ 262,178,602 | \$ 357,246,221 |

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

English Translation of Financial Statements Originally Issued in Chinese

UNITED MICROELECTRONICS CORPORATION

UNAUDITED STATEMENTS OF INCOME

For the three-month periods ended March 31, 2008 and 2007

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

| | Notes | For the three-month period ended March 31, | |
|--|-------------|--|---------------|
| | | 2008 | 2007 |
| Operating revenues | 2, 5 | | |
| Sales revenues | | \$ 23,810,766 | \$ 22,439,100 |
| Less : Sales returns and discounts | | (507,820) | (64,514) |
| Net sales | | 23,302,946 | 22,374,586 |
| Other operating revenues | | 699,965 | 650,645 |
| Net operating revenues | | 24,002,911 | 23,025,231 |
| Operating costs | 2, 3, 4(20) | | |
| Cost of goods sold | | (20,134,261) | (18,940,565) |
| Other operating costs | | (311,281) | (428,372) |
| Operating costs | | (20,445,542) | (19,368,937) |
| Gross profit | | 3,557,369 | 3,656,294 |
| Unrealized intercompany profit | 2 | (66,858) | (85,883) |
| Realized intercompany profit | 2 | 85,543 | 105,892 |
| Gross profit-net | | 3,576,054 | 3,676,303 |
| Operating expenses | 2, 3, 4(20) | | |
| Sales and marketing expenses | | (716,099) | (650,389) |
| General and administrative expenses | | (635,420) | (677,850) |
| Research and development expenses | 2 | (2,034,234) | (2,329,555) |
| Subtotal | | (3,385,753) | (3,657,794) |
| Operating income | | 190,301 | 18,509 |
| Non-operating income | | | |
| Interest revenue | | 149,094 | 352,170 |
| Investment gain accounted for under the equity method, net | 2, 4(8) | | 696,546 |
| Gain on disposal of property, plant and equipment | 2 | 5,842 | 12,197 |
| Gain on disposal of investments | 2 | 652,192 | 1,624,124 |
| Exchange gain, net | 2 | | 16,543 |
| Gain on recovery of market value of inventories | 2 | 51,104 | |
| Gain on valuation of financial assets | 2 | 51,019 | |
| Gain on valuation of financial liabilities | 2, 4(13) | 140,943 | |
| Other income | | 135,236 | 152,723 |
| Subtotal | | 1,185,430 | 2,854,303 |

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Non-operating expenses

| | | | |
|---|----------|--------------------|--------------------|
| Interest expense | 2, 4(9) | (32,966) | (92,258) |
| Investment loss accounted for under the equity method, net | 2, 4(8) | (319,298) | |
| Loss on disposal of property, plant and equipment | 2 | (1,700) | |
| Loss on exchange | 2 | (718,088) | |
| Loss on decline in market value and obsolescence of inventories | 2 | | (398,673) |
| Financial expenses | | (15,115) | (17,390) |
| Impairment loss | 2, 4(11) | (10,014) | |
| Loss on valuation of financial assets | 2 | | (587,623) |
| Loss on valuation of financial liabilities | 2 | | (25,373) |
| Other losses | | (17,828) | (14,169) |
| Subtotal | | (1,115,009) | (1,135,486) |

Income from continuing operations before income tax

| | | | |
|---------------------------|----------|----------|-----------|
| | | 260,722 | 1,737,326 |
| Income tax expense | 2, 4(21) | (54,894) | (278,636) |

| | | | |
|-------------------|--|------------|--------------|
| Net income | | \$ 205,828 | \$ 1,458,690 |
|-------------------|--|------------|--------------|

| | | Pre-tax | Post-tax | Pre-tax | Post-tax |
|--|----------|----------------|-----------------|----------------|-----------------|
| Earnings per share-basic (NTD) | 2, 4(22) | | | | |
| Net income | | \$ 0.02 | \$ 0.02 | \$ 0.10 | \$ 0.08 |
| Earnings per share-diluted (NTD) | 2, 4(22) | | | | |
| Net income | | \$ 0.01 | \$ 0.01 | \$ 0.10 | \$ 0.08 |
| Pro forma information on earnings as if subsidiaries investment in the Company is not treated as treasury stock | 2, 4(22) | | | | |
| Net income | | \$ 205,828 | | \$ 1,458,690 | |
| Earnings per share-basic (NTD) | | \$ 0.02 | | \$ 0.08 | |
| Earnings per share-diluted (NTD) | | \$ 0.01 | | \$ 0.08 | |

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

English Translation of Financial Statements Originally Issued in Chinese

UNITED MICROELECTRONICS CORPORATION

UNAUDITED STATEMENTS OF CASH FLOWS

For the three-month periods ended March 31, 2008 and 2007

(Expressed in Thousands of New Taiwan Dollars)

| | For the three-month period ended March 31, | |
|---|---|------------------|
| | 2008 | 2007 |
| Cash flows from operating activities: | | |
| Net income | \$ 205,828 | \$ 1,458,690 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 9,227,891 | 8,868,624 |
| Amortization | 377,462 | 335,061 |
| Bad debt expenses (reversal) | 1,367 | (1,378) |
| Loss (gain) on decline (recovery) in market value and obsolescence of inventories | (51,104) | 398,673 |
| Cash dividends received under the equity method | 134,924 | 353,592 |
| Investment (gain) loss accounted for under the equity method | 319,298 | (696,546) |
| Loss on valuation of financial assets and liabilities | (191,962) | 612,996 |
| Impairment loss | 10,014 | |
| Gain on disposal of investments | (652,192) | (1,624,124) |
| Gain on disposal of property, plant and equipment | (4,142) | (12,197) |
| Exchange gain on financial assets and liabilities | (24,705) | (132) |
| Exchange (gain) loss on long-term liabilities | (177,917) | 255,248 |
| Amortization of bond discounts | 6,205 | 22,842 |
| Amortization of deferred income | (37,870) | (36,764) |
| Changes in assets and liabilities: | | |
| Financial assets and liabilities at fair value through profit or loss, current | 537,878 | 442,313 |
| Notes and accounts receivable | 680,892 | (446,926) |
| Other receivables | 50,235 | (88,279) |
| Inventories | 105,414 | (206,049) |
| Prepaid expenses | (190,440) | (346,966) |
| Deferred income tax assets | (146,494) | 200,578 |
| Accounts payable | (215,059) | 620,054 |
| Accrued expenses | (467,827) | 249,150 |
| Other current liabilities | (57,175) | 16,938 |
| Capacity deposits | (4,447) | (652,400) |
| Accrued pension liabilities | 19,078 | 20,896 |
| Net cash provided by operating activities | 9,455,152 | 9,743,894 |
| Cash flows from investing activities: | | |
| Acquisition of available-for-sale financial assets | | (152,347) |
| Proceeds from disposal of available-for-sale financial assets | 669,304 | 473,747 |
| Acquisition of financial assets measured at cost | | (37,310) |
| Proceeds from disposal of financial assets measured at cost | | 400 |
| Acquisition of long-term investments accounted for under the equity method | (12,973) | (296,800) |
| Proceeds from disposal of long-term investments accounted for under the equity method | 378 | 155,846 |
| Proceeds from disposal of held-to-maturity financial assets | | 776,000 |
| Prepayment for long-term investments | | (163,809) |
| Acquisition of property, plant and equipment | (5,685,140) | (12,520,849) |
| Proceeds from disposal of property, plant and equipment | 5,315 | 7,099 |
| Increase in deferred charges | (340,164) | (488,652) |
| Decrease in other assets - others | 1,258 | 374 |

| | | |
|--|-------------|--------------|
| Net cash used in investing activities | (5,362,022) | (12,246,301) |
|--|-------------|--------------|

English Translation of Financial Statements Originally Issued in Chinese

UNITED MICROELECTRONICS CORPORATION

UNAUDITED STATEMENTS OF CASH FLOWS

For the three-month periods ended March 31, 2008 and 2007

(Expressed in Thousands of New Taiwan Dollars)

| | For the three-month period ended March 31, | |
|--|--|----------------------|
| | 2008 | 2007 |
| (continued) | | |
| Cash flows from financing activities: | | |
| Increase in short-term loans, net | \$ 455,640 | \$ |
| Redemption of bonds | (12,216,623) | |
| Exercise of employee stock options | | 187,493 |
| Increase in deposits-in, net | (1,726) | 117 |
| Net cash provided by (used in) financing activities | (11,762,709) | 187,610 |
| Effect of exchange rate changes on cash and cash equivalents | (148,389) | (91,103) |
| Decrease in cash and cash equivalents | (7,817,968) | (2,405,900) |
| Cash and cash equivalents at beginning of period | 37,452,629 | 83,394,802 |
| Cash and cash equivalents at end of period | \$ 29,634,661 | \$ 80,988,902 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for interest | \$ | \$ |
| Cash paid (refunded) for income tax | \$ (55,732) | \$ 29,128 |
| Investing activities partially paid by cash: | | |
| Acquisition of property, plant and equipment | \$ 2,527,706 | \$ 11,331,306 |
| Add: Payable at beginning of period | 6,016,394 | 10,101,767 |
| Less: Payable at end of period | (2,858,960) | (8,912,224) |
| Cash paid for acquisition of property, plant and equipment | \$ 5,685,140 | \$ 12,520,849 |
| Investing and financing activities not affecting cash flows: | | |
| Principal amount of exchangeable bonds exchanged by bondholders | \$ | \$ 190,415 |
| Book value of available-for-sale financial assets delivered for exchange | | (51,878) |
| Elimination of related balance sheet accounts | | 20,921 |
| Recognition of gain on disposal of investments | \$ | \$ 159,458 |

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

UNITED MICROELECTRONICS CORPORATION

NOTES TO UNAUDITED FINANCIAL STATEMENTS

March 31, 2008 and 2007

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. HISTORY AND ORGANIZATION

United Microelectronics Corporation (the Company) was incorporated in May 1980 and commenced operations in April 1982. The Company is a full service semiconductor wafer foundry, and provides a variety of services to satisfy customer needs. These services include intellectual property, embedded IC design, design verification, mask tooling, wafer fabrication, and testing. The Company's common shares were publicly listed on the Taiwan Stock Exchange (TSE) in July 1985 and its American Depositary Shares (ADSs) were listed on the New York Stock Exchange (NYSE) in September 2000.

The numbers of employees as of March 31, 2008 and 2007 were 13,571 and 13,415, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in conformity with requirements of the Business Entity Accounting Act and Regulation on Business Entity Accounting Handling with respect to financial accounting standard, Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China (R.O.C.).

Summary of significant accounting policies is as follows:

Use of Estimates

The preparation of the Company's financial statements in conformity with generally accepted accounting principles requires management to make reasonable estimates and assumptions that will affect the amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. The actual results may differ from those estimates.

Foreign Currency Transactions

Transactions denominated in foreign currencies are remeasured into the local functional currencies and recorded based on the exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are remeasured into the local functional currencies at the exchange rates prevailing at the balance sheet date, with the related exchange gains or losses included in the statements of income. Translation gains or losses from investments in foreign entities are recognized as cumulative translation adjustment in stockholders equity.

Non-monetary assets and liabilities denominated in foreign currencies that are reported at fair value with changes in fair value charged to the statements of income, are remeasured at the exchange rate at the balance sheet date, with related exchange gains or losses recorded in the statements of income. Non-monetary assets and liabilities denominated in foreign currencies that are reported at fair value with changes in fair value charged to stockholders' equity, are remeasured at the exchange rate at the balance sheet date, with related exchange gains or losses recorded as cumulative translation adjustment in stockholders' equity. Non-monetary assets and liabilities denominated in foreign currencies and reported at cost are remeasured at historical exchange rates.

Translation of Foreign Currency Financial Statements

The financial statements of the Company's Singapore branch (the Branch) are translated into New Taiwan Dollars using the spot rates at the balance sheet date for asset and liability accounts and average exchange rates for profit and loss accounts. The cumulative translation effects from the Branch using functional currencies other than New Taiwan Dollars are included in the cumulative translation adjustment in stockholders' equity.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and with maturity dates that do not present significant risks on changes in value resulting from changes in interest rates, including commercial paper with original maturities of three months or less.

Financial Assets and Financial Liabilities

In accordance with ROC Statement of Financial Accounting Standard (SFAS) No. 34, "Financial Instruments: Recognition and Measurement" and the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers", financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity financial assets, financial assets measured at cost, or available-for-sale financial assets. Financial liabilities are recorded at fair value through profit or loss.

The Company accounts for purchase or sale of financial instruments as of the trade date, which is the date the Company commits to purchase or sell the asset or liability. Financial assets and financial liabilities are initially recognized at fair value plus acquisition or issuance costs.

a. Financial assets and financial liabilities at fair value through profit or loss

Financial instruments held for short-term sale or repurchase purposes and derivative financial instruments not qualified for hedge accounting are classified as financial assets or liabilities at fair value through profit or loss.

This category of financial instruments is measured at fair value and changes in fair value are recognized in the statements of income. Stock of listed companies, convertible bonds, and closed-end funds are measured at closing prices as of the balance sheet date. Open-end funds are measured at the unit price of the net assets as of the balance sheet date. The fair value of derivative financial instruments is determined by using valuation techniques commonly used by market participants in the industry.

b. Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity financial assets if the Company has both the positive intention and ability to hold the financial assets to maturity. Investments intended to be held to maturity are measured at amortized cost.

The Company recognizes an impairment loss if objective evidence of impairment loss exists. However, the impairment loss may be reversed if the value of asset recovers subsequently and the Company concludes the recovery is related to improvements in events or factors that originally caused the impairment loss. The new cost basis as a result of the reversal cannot exceed the amortized cost prior to the impairment.

c. Financial assets measured at cost

Unlisted stock, funds, and other securities without reliable market prices are measured at cost. When objective evidence of impairment exists, the Company recognizes an impairment loss, which cannot be reversed in subsequent periods.

d. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial instruments not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables. Subsequent measurement is calculated at fair value. Investments in listed companies are measured at closing prices as of the balance sheet date. Any gain or loss arising from the change in fair value, excluding impairment loss and exchange gain or loss arising from monetary financial assets denominated in foreign currencies, is recognized as an adjustment to stockholders equity until such investment is reclassified or disposed of, upon which the cumulative gain or loss previously charged to stockholders equity will be recorded in the statement of income.

The Company recognizes an impairment loss when objective evidence of impairment exists. Any reduction in the impairment loss of equity investments in subsequent periods will be recognized as an adjustment to stockholders equity. The impairment loss of a debt security may be reversed and recognized in the current period's statement of income if the security recovers and the Company concludes the recovery is related to improvements in the factors or events that originally caused the impairment.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is provided based on management's judgment of the collectibility and aging analysis of accounts and other receivables.

Inventories

Inventories are accounted for on a perpetual basis. Raw materials are recorded at actual purchase costs, while the work in process and finished goods are recorded at standard costs and subsequently adjusted to actual costs using the weighted-average method at the end of each month. Inventories are stated individually by category at the lower of aggregate cost or market value as of the balance sheet date. The market values of raw materials and supplies are determined on the basis of replacement cost while the market values of work in process and finished goods are determined by net realizable values. An allowance for loss on decline in market value or obsolescence is provided, when necessary.

Long-term Investments Accounted for Under the Equity Method

Long-term investments are recorded at acquisition cost. Investments acquired by contribution of technological know-how are credited to deferred credits among affiliates, which will be amortized over a period of 5 years.

Investments in which the Company has ownership of at least 20% or exercises significant influence on operating decisions are accounted for under the equity method. Prior to January 1, 2006, the difference of the acquisition cost and the underlying equity in the investee's net assets as of acquisition date was amortized over 5 years; however, effective January 1, 2006, goodwill arising from new acquisitions is analyzed and accounted for under the ROC SFAS No. 25, Business Combination Accounting Treatment under Purchase Method, where goodwill is not subject to amortization.

The change in the Company's proportionate share in the net assets of an investee resulting from its acquisition of additional stock issued by the investee at a rate not proportionate to its existing equity ownership is charged to the additional paid-in capital and long-term investments accounts.

Unrealized intercompany gains and losses arising from sales from the Company to equity method investees are eliminated in proportion to the Company's ownership percentage at end of period until realized through transactions with third parties. Intercompany gains and losses arising from transactions between the Company and majority-owned (above 50%) subsidiaries are eliminated entirely until realized through transactions with third parties.

Unrealized intercompany gains and losses due to sales from equity method investees to the Company are eliminated in proportion to the Company's weighted-average ownership percentage of the investee until realized through transactions with third parties.

Unrealized intercompany gains and losses arising from transactions between two equity method investees are eliminated in proportion to the Company's multiplied weighted-average ownership percentage with the investees until realized through transactions with third parties. Those intercompany gains and losses arising from transactions between two majority-owned subsidiaries are eliminated in proportion to the Company's weighted-average ownership percentage in the subsidiary that incurred the gain or loss.

If the recoverable amount of investees accounted for under the equity method is less than its carrying amount, the difference is to be recognized as impairment loss in the current period.

The total value of an investment and related receivables cannot be negative. If, after the investment loss is recognized, the net book value of the investment is less than zero, the investment is reclassified to other liabilities on the balance sheet.

The Company ceases to use the equity method upon a loss of ability to exercise significant influence over an investee. In accordance with ROC SFAS No. 34, *Financial Instrument: Recognition and Measurement*, the carrying value of the investment upon the loss of significant influence remains as the carrying value of the investment. Any amount of the investee's additional paid-in capital and other adjustment items under stockholders' equity recorded in the stockholders' equity of the Company are eliminated in proportion to the amount of the investment sold and recorded as gain or loss on disposal of investments. Cash dividends received during the year of change would be applied as a reduction of the carrying amount of the investment. Dividends received in subsequent years are recorded in accordance with ROC SFAS No. 32, *Accounting for Revenue Recognition*.

Gain or loss on disposal of long-term investments is based on the difference between selling price and book value of investments sold. Any amount of the investee's additional paid-in capital and other adjustment items under stockholders' equity recorded in the stockholders' equity of the Company are eliminated in proportion to the amount of the investment sold and recorded as gain or loss on disposal of investments.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Interest incurred on loans used to finance the construction of property, plant and equipment is capitalized and depreciated accordingly. Maintenance and repairs are charged to expense as incurred. Significant renewals and improvements are treated as capital expenditures and are depreciated over their estimated useful lives. Upon disposal of property, plant and equipment, the original cost and accumulated depreciation are written off and the related gain or loss is classified as non-operating income or expense. Idle assets are classified as other assets at the lower of net book or net realizable value, with the difference charged to non-operating expenses.

Depreciation is recognized on a straight-line basis using the estimated economic life of the assets. The estimated economic life of the property, plant and equipment is as follows: buildings 20 to 55 years; machinery and equipment 5 years; transportation equipment 5 years and furniture and fixtures 5 years.

Intangible Assets

Effective January 1, 2006, goodwill generated from business combinations is no longer subject to amortization.

An impairment loss will be recognized when the decreases in fair value of intangible assets are other than temporary. The book value after recognizing the impairment loss is recorded as the new cost.

Deferred Charges

Deferred charges are stated at cost and amortized on a straight-line basis as follows: intellectual property license fees - the shorter of contract term or estimated economic life of the related technology; and software - 3 years.

Prior to December 31, 2005, the issuance costs of convertible and exchangeable bonds were classified as deferred charges and amortized over the life of the bonds. Effective January 1, 2006, the unamortized amounts as of December 31, 2005 were reclassified as a bond discount and recorded as a deduction to bonds payable. The amounts are amortized using the effective interest method over the remaining life of the bonds. If the difference between the straight-line method and the effective interest method is immaterial, the amortization of the bond discount may be amortized using the straight-line method and recorded as interest expenses.

Convertible and Exchangeable Bonds

The excess of the stated redemption price over par value is accrued as interest payable and expensed over the redemption period using the effective interest method.

When convertible bondholders exercise their conversion rights, the book value of the bonds is credited to common stock at an amount equal to the par value of the common stock with the excess credited to additional paid-in capital. No gain or loss is recognized upon bond conversion.

When exchangeable bondholders exercise their right to exchange their bonds for reference shares, the book value of the bonds is offset against the book value of the investments in reference shares and the related stockholders' equity accounts, with the difference recognized as a gain or loss on disposal of investments.

In accordance with ROC SFAS No. 34, Financial Instruments: Recognition and Measurement, effective as of January 1, 2006, since the economic and risk characteristics of the embedded derivative instrument and the host contract are not clearly and closely related, derivative financial instruments embedded in exchangeable bonds shall be bifurcated and accounted as financial liabilities at fair value through profit or loss.

Pension Plan

All regular employees are entitled to a defined benefit pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the Bank of Taiwan and hence, not associated with the Company. Therefore, fund assets are not to be included in the Company's financial statements. Pension benefits for employees of the Branch are provided in accordance with the local regulations.

The Labor Pension Act of the R.O.C. (the Act), which adopts a defined contribution plan, became effective on July 1, 2005. Employees subject to for the Labor Standards Law, a defined benefit plan, were allowed to choose to either elect the pension calculation under the Act or continue to be subject to the pension calculation under the Labor Standards Law. Those employees that elected to be subject to the Act will have their seniority achieved under the Labor Standards Law retained upon election of the Act, and the Company will make monthly contributions of no less than 6% of these employees' monthly wages to the employees' individual pension accounts.

The accounting for the Company's pension liability is computed in accordance with ROC SFAS No. 18. Net pension costs of the defined benefit plan are recorded based on an independent actuarial valuation. Pension cost components such as service cost, interest cost, expected return on plan assets, the amortization of net obligation at transition, pension gain or loss, and prior service cost, are all taken into consideration. The Company recognizes expenses from the defined contribution pension plan in the period in which the contribution becomes due.

Employee Stock Option Plan

The Company used the intrinsic value method to recognize compensation cost for its employee stock options issued between January 1, 2004 and December 31, 2007, in accordance with Accounting Research and Development Foundation interpretation Nos. 92-070~072. For options granted on or after January 1, 2008, the Company recognizes compensation cost using the fair value method in accordance with ROC SFAS No. 39 Accounting for Share-Based Payment.

Share-Based Employee Bonuses and Remunerations Paid to Directors and Supervisors

In accordance with Accounting Research and Development Foundation interpretation No. 96-052 effective January 1, 2008, share-based employee bonuses and remunerations paid to directors and supervisors are charged to expense at fair value and are no longer accounted for as a reduction of retained earnings.

Treasury Stock

In accordance with ROC SFAS No. 30, Accounting for Treasury Stock, treasury stock held by the Company is accounted for under the cost method. The cost of treasury stock is shown as a deduction to stockholders' equity, while any gain or loss from selling treasury stock is treated as an adjustment to additional paid-in capital. Prior to December 31, 2007, treasury stock transferred to employees was accounted as treasury stock transaction and no compensation expense is recorded. The Company's stock held by its subsidiaries is also treated as treasury stock. Cash dividends received by subsidiaries from the Company are recorded as additional paid-in capital - treasury stock transactions.

Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, the product or service has been delivered, the seller's price to the buyer is fixed or determinable and collectability is reasonably assured. Most of the Company's sales transactions have shipping terms of Free on Board (FOB) or Free Carrier (FCA) shipment in which title and the risk of loss or damage is transferred to the customer upon delivery of the product to a carrier approved by the customer.

Allowance for sales returns and discounts are estimated based on history of customer complaints, historical experiences, management judgment and any other known factors that might significantly affect collectability. Such allowances are recorded in the same period in which sales are made.

Research and Development Expenditures

Research and development expenditures are charged to expenses as incurred.

Capital Expenditure versus Operating Expenditure

Expenditures are capitalized when it is probable that the Company will receive future economic benefits associated with the expenditures.

Income Tax

The Company adopted ROC SFAS No. 22, Accounting for Income Taxes, for inter-period and intra-period income tax allocation. The provision for income taxes includes deferred income tax assets and liabilities that are a result of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, loss carry-forward and investment tax credits. A valuation allowance on deferred income tax assets is provided to the extent that it is more likely than not that the tax benefits will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred tax asset or liability does not relate to an asset or liability in the financial statements, its classification is based on the expected reversal date of the temporary difference.

According to the ROC SFAS No. 12, *Accounting for Income Tax Credits*, the Company recognizes the tax benefit from the purchase of equipment and technology, research and development expenditure, employee training, and certain equity investment by the flow-through method.

Income tax (10%) on unappropriated earnings is recorded as expense in the year when the shareholders have resolved that the earnings shall be retained.

The Income Basic Tax Act of the R.O.C. (the IBTA) became effective on January 1, 2006. Set up by the Executive Yuan, the IBTA is a supplemental 10% tax that is payable if the income tax payable determined by the ROC Income Tax Act is below the minimum amount as prescribed by the IBTA. The IBTA is calculated based on taxable income as defined by the IBTA, which includes most income that is exempted from income tax under various legislations. The impact of the IBTA has been considered in the Company's income tax for the current reporting period.

Earnings per Share

Earnings per share is computed according to ROC SFAS No. 24, *Earnings Per Share*. Basic earnings per share is computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the current reporting period. Diluted earnings per share is computed by taking basic earnings per share into consideration plus additional common shares that would have been outstanding if the dilutive share equivalents had been issued. Net income (loss) is also adjusted for interest and other income or expenses derived from any underlying dilutive share equivalents. The weighted-average of outstanding shares is adjusted retroactively for stock dividends and bonus share issues.

Asset Impairment

Pursuant to ROC SFAS No. 35, the Company assesses indicators of impairment for all its assets (except for goodwill) within the scope of the standard at each balance sheet date. If impairment is indicated, the Company compares the asset's carrying amount with the recoverable amount of the assets or the cash-generating unit (CGU) associated with the asset and writes down the carrying amount to the recoverable amount where applicable. The recoverable amount is defined as the higher of fair value less the costs to sell, and the values in use. For previously recognized losses, the Company assesses at the balance sheet date if any indication that the impairment loss no longer exists or may have diminished. If there is any such indication, the Company recalculates the recoverable amount of the asset, and if the recoverable amount has increased as a result of the increase in the estimated service potential of the assets, the Company reverses the impairment loss so that the resulting carrying amount of the asset does not exceed the amount (net of amortization or depreciation) that would otherwise result had no impairment loss been recognized for the assets in prior years.

In addition, a goodwill-allocated CGU or group of CGUs is tested for impairment each year, regardless of whether impairment is indicated. If an impairment test reveals that the carrying amount, including goodwill, of CGU or group of CGUs is greater than its recoverable amount, it results in an impairment loss. The loss is first recorded against the CGU's goodwill, with any remaining loss allocated to other assets on a pro rata basis proportionate to their carrying amounts. The write-down of goodwill cannot be reversed in subsequent periods under any circumstances.

Impairment losses and reversals are classified as non-operating expenses and income, respectively.

3. ACCOUNTING CHANGE

Employee Stock Options

Effective January 1, 2008, the Company adopted ROC SFAS No. 39, Accounting for Share-Based Payment to account for share-based payments. This change in accounting principles had no effect net income or earnings per share for the three-month period ended March 31, 2008.

Share-Based Employee Bonuses and Remunerations Paid to Directors and Supervisors

Effective January 1, 2008, the Company adopted Accounting Research and Development Foundation interpretation No. 96-052 to account for share-based employee bonuses and remunerations paid to directors and supervisors. The adoption resulted in an unfavorable effect to net income in the amount of NT\$54 million, thereby reducing earnings per share by NT\$0.004 for the three-month period ended March 31, 2008.

4. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) CASH AND CASH EQUIVALENTS

| | As of March 31, | |
|-------------------------------|----------------------|----------------------|
| | 2008 | 2007 |
| Cash: | | |
| Cash on hand | \$ 1,882 | \$ 1,953 |
| Checking and savings accounts | 1,523,317 | 1,740,435 |
| Time deposits | 24,060,978 | 75,224,676 |
| Subtotal | 25,586,177 | 76,967,064 |
| | | |
| Cash equivalents: | 4,048,484 | 4,021,838 |
| Total | \$ 29,634,661 | \$ 80,988,902 |

(2) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, CURRENT

| Held for trading | As of March 31, | |
|-------------------------|------------------------|---------------------|
| | 2008 | 2007 |
| Listed stocks | \$ 4,180,169 | \$ 7,190,853 |
| Convertible bonds | | 363,111 |
| Forward contract | 115,358 | |
| Total | \$ 4,295,527 | \$ 7,553,964 |

During the three-month periods ended March 31, 2008 and 2007, net gain (loss) of financial assets at fair value through profit or loss, current, were a net gain of NT\$76 million and a net loss of NT\$578 million, respectively.

(3) HELD-TO-MATURITY FINANCIAL ASSETS

| | As of March 31, | |
|--|------------------------|-------------|
| | 2008 | 2007 |
| Credit-linked deposits and repackage bonds | \$ | \$ 200,000 |

(4) ACCOUNTS RECEIVABLE, NET

| | As of March 31, | |
|---|------------------------|---------------------|
| | 2008 | 2007 |
| Accounts receivable | \$ 4,612,321 | \$ 7,016,629 |
| Less: Allowance for sales returns and discounts | (440,127) | (315,218) |
| Less: Allowance for doubtful accounts | (615) | |
| Net | \$ 4,171,579 | \$ 6,701,411 |

(5) INVENTORIES, NET

| | As of March 31, | |
|---|------------------------|---------------------|
| | 2008 | 2007 |
| Raw materials | \$ 1,125,722 | \$ 1,069,920 |
| Supplies and spare parts | 2,034,110 | 1,768,392 |
| Work in process | 7,862,830 | 7,293,416 |
| Finished goods | 846,216 | 1,080,850 |
| Total | 11,868,878 | 11,212,578 |
| Less : Allowance for loss on decline in market value and obsolescence | (781,211) | (1,255,381) |
| Net | \$ 11,087,667 | \$ 9,957,197 |

Inventories were not pledged.

(6) AVAILABLE-FOR-SALE FINANCIAL ASSETS, NONCURRENT

| | As of March 31, | |
|--------------|----------------------|----------------------|
| | 2008 | 2007 |
| Common stock | \$ 33,166,576 | \$ 43,359,493 |
| Fund | 128,642 | |
| Total | \$ 33,295,218 | \$ 43,359,493 |

During the three-month periods ended March 31, 2008 and 2007, the total unrecognized gain adjustments to stockholders' equity due to changes in fair value of available-for-sale assets were NT\$5,905 million and NT\$2,049 million, respectively.

The Company recognized gains of NT\$ 645 million and NT\$1,080 million due to the disposal of available-for-sale assets during the three-month periods ending March 31, 2008 and 2007, respectively.

As of March 1, 2007, HIGHLINK (an equity method investee) and EPITECH TECHNOLOGY CORP. (EPITECH) (accounted for as an available-for-sale financial asset, noncurrent) merged into EPISTAR CORP. and were continued as EPISTAR CORP. (classified as a noncurrent available-for-sale financial asset after the merger). During the transaction, 5.5 shares of the HIGHLINK and 3.08 shares of the EPITECH were exchanged for 1 share of EPISTAR CORP. Among which, 5 million shares of HIGHLINK were acquired through private placement in February 2006 and the exchange of these shares are restricted by Article 43 paragraph 8 of the Securities and Exchange Law.

(7) FINANCIAL ASSETS MEASURED AT COST, NONCURRENT

| | As of March 31, | |
|-----------------|---------------------|---------------------|
| | 2008 | 2007 |
| Common stock | \$ 1,494,192 | \$ 1,495,556 |
| Preferred stock | 467,645 | 385,080 |
| Funds | 332,758 | 442,000 |
| Total | \$ 2,294,595 | \$ 2,322,636 |

(8) LONG-TERM INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

a. Details of long-term investments accounted for under the equity method are as follows :

| Investee Company | As of March 31, | | | |
|---|-----------------|--|----------------|--|
| | 2008 Amount | Percentage of Ownership or Voting Rights | 2007 Amount | Percentage of Ownership or Voting Rights |
| <u>Listed companies</u> | | | | |
| UMC JAPAN | \$ 6,534,364 | 50.09 | \$ 6,010,932 | 50.09 |
| HOLTEK SEMICONDUCTOR INC. (HOLTEK) (Note A) | | | 884,521 | 23.24 |
| ITE TECH. INC. (Note B) | | | 359,780 | 21.62 |
| Subtotal | 6,534,364 | | 7,255,233 | |
| <u>Unlisted companies</u> | | | | |
| UMC GROUP (USA) | 1,194,150 | 100.00 | 977,029 | 100.00 |
| UNITED MICROELECTRONICS (EUROPE) B.V. | 294,625 | 100.00 | 289,562 | 100.00 |
| UMC CAPITAL CORP. UNITED MICROELECTRONICS CORP. (SAMOA) | 3,672,974 | 100.00 | 3,682,961 | 100.00 |
| UMCI LTD. | 11,481 | 100.00 | 7,034 | 100.00 |
| TLC CAPITAL CO., LTD. | 137 | 100.00 | 94 | 100.00 |
| FORTUNE VENTURE CAPITAL CORP. (Note C) | 7,282,994 | 100.00 | 7,727,434 | 100.00 |
| UNITED MICRODISPLAY OPTRONICS CORP. (UMO) | 9,131,035 | 99.99 | 10,330,744 | 99.99 |
| PACIFIC VENTURE CAPITAL CO., LTD. (PACIFIC) (Note D) | 108,001 | 85.24 | 126,674 | 81.76 |
| MTIC HOLDINGS PTE LTD | 127,379 | 49.99 | 127,379 | 49.99 |
| MEGA MISSION LIMITED PARTENRSHIP | 79,954 | 49.94 | 82,153 | 49.94 |
| UNITECH CAPITAL INC. | 1,950,952 | 45.00 | 2,355,815 | 45.00 |
| HSUN CHIEH INVESTMENT CO., LTD. (HSUN CHIEH) | 799,226 | 42.00 | 1,026,305 | 42.00 |
| NEXPOWER TECHNOLOGY CORP. | 3,659,311 | 36.49 | 4,550,816 | 36.49 |
| UNIMICRON HOLDING LIMITED | 770,726 | 34.55 | 296,941 | 37.10 |
| XGI TECHNOLOGY INC. (Note E) | 595,793 | 33.78 | | |
| AMIC TECHNOLOGY CORP. (Note E) | 19,461 | 16.40 | 47,000 | 16.48 |
| | 31,650 | 11.18 | 52,765 | 11.84 |
| Subtotal | 29,729,849 | | 31,680,706 | |
| Total | \$ 36,264,213 | | \$ 38,935,939 | |

Note A : As the Company did not have significant influence after decreasing its percentage of ownership in HOLTEK in September 2007, the investee was classified as available-for-sale financial asset.

Note B : As the Company did not have significant influence after decreasing its percentage of ownership in ITE TECH in August 2007, the investee was classified as available-for-sale financial asset.

Note C : As of March 31, 2008 and 2007, the cost of the investment was NT\$9,251 million and NT\$10,503 million, respectively. After deducting the Company's stock held by the subsidiary (treated as treasury stock by the Company) of NT\$120 million and NT\$172 million, the residual book values totalled NT\$9,131 million and NT\$10,331 million as of March 31, 2008 and 2007, respectively.

Note D : On June 27, 2006, PACIFIC set July 3, 2006 as its liquidation date through a decision at its shareholders meeting. The liquidation has not been completed as of March 31, 2008.

Note E : The equity method was applied for investees, in which the total ownership held by the Company and its subsidiaries is over 20%.

b. Total gain (loss) of investments accounted for under the equity method were a loss of NT\$319 million and a gain of NT\$697 million for the three-month periods ended March 31, 2008 and 2007, respectively. Investment income amounting to NT\$45 million and NT\$227 million for the three-month periods ended March 31, 2008 and 2007, respectively, and the related long-term investment balances of NT\$4,255 million and NT\$5,435 million as of March 31, 2008 and 2007, respectively, were determined based on the investees' financial statements audited by other auditors.

c. The long-term investments were not pledged.

(9) PROPERTY, PLANT AND EQUIPMENT

| | Cost | As of March 31, 2008 | |
|--|-----------------------|--------------------------|-----------------------|
| | | Accumulated Depreciation | Book Value |
| Land | \$ 1,132,576 | \$ | \$ 1,132,576 |
| Buildings | 17,219,348 | (6,327,836) | 10,891,512 |
| Machinery and equipment | 424,527,935 | (327,601,304) | 96,926,631 |
| Transportation equipment | 72,809 | (62,037) | 10,772 |
| Furniture and fixtures | 2,911,264 | (2,160,387) | 750,877 |
| Construction in progress and prepayments | 10,209,261 | | 10,209,261 |
| Total | \$ 456,073,193 | \$ (336,151,564) | \$ 119,921,629 |

| | Cost | As of March 31, 2007 | |
|--|-----------------------|--------------------------|-----------------------|
| | | Accumulated Depreciation | Book Value |
| Land | \$ 1,132,576 | \$ | \$ 1,132,576 |
| Buildings | 16,319,736 | (5,584,923) | 10,734,813 |
| Machinery and equipment | 400,298,576 | (295,139,002) | 105,159,574 |
| Transportation equipment | 74,387 | (55,909) | 18,478 |
| Furniture and fixtures | 2,469,833 | (1,896,853) | 572,980 |
| Construction in progress and prepayments | 28,330,350 | | 28,330,350 |
| Total | \$ 448,625,458 | \$ (302,676,687) | \$ 145,948,771 |

- a. Total interest expense before capitalization amounted to NT\$46 million and NT\$92 million for the three-month periods ended March 31, 2008 and 2007.

Details of capitalized interest are as follows:

| | As of March 31, | |
|-------------------------------------|------------------|-----------|
| | 2008 | 2007 |
| Machinery and equipment | \$ 10,279 | \$ |
| Other property, plant and equipment | 3,018 | |
| Total interest capitalized | \$ 13,297 | \$ |
| Interest rates applied | 0.68%~0.91% | |

- b. Property, plant and equipment were not pledged.

(10) OTHER ASSETS OTHERS

| | As of March 31, | |
|---------------|---------------------|---------------------|
| | 2008 | 2007 |
| Leased assets | \$ 1,191,301 | \$ 1,321,594 |
| Deposits-out | 639,804 | 642,428 |
| Others | 59,303 | 59,118 |
| Total | \$ 1,890,408 | \$ 2,023,140 |

Please refer to Note 6 for deposits-out pledged as collateral.

(11) IMPAIRMENT LOSS

| | As of March 31, | |
|---|-----------------|------|
| | 2008 | 2007 |
| Available for sale financial assets, noncurrent | \$ 10,014 | \$ |

(12) SHORT-TERM LOANS

| | As of March 31, | |
|----------------------|-----------------|------|
| | 2008 | 2007 |
| Unsecured bank loans | \$ 456,600 | \$ |
| Interest rates | 2.98%~2.99% | |

The Company's unused short-term lines of credits amounted to NT\$10,386 million and NT\$8,697 million as of March 31, 2008 and 2007, respectively.

(13) FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS, CURRENT

| | As of March 31, | |
|--|-----------------|--------------|
| | 2008 | 2007 |
| Interest rate swaps | \$ 170,638 | \$ 627,002 |
| Derivatives embedded in exchangeable bonds | | 376,559 |
| Total | \$ 170,638 | \$ 1,003,561 |

During the three-month periods ended March 31, 2008 and 2007, net gain (loss) from financial liabilities at fair value through profit or loss, current were a net gain of NT\$141 million and a net loss of NT\$36 million, respectively.

(14) BONDS PAYABLE

| | As of March 31, | |
|----------------------------------|-----------------|---------------|
| | 2008 | 2007 |
| Unsecured domestic bonds payable | \$ 18,000,000 | \$ 20,250,000 |
| Convertible bonds payable | | 12,639,596 |
| Exchangeable bonds payable | | 2,988,565 |
| Less: discounts on bonds payable | (4,515) | (51,013) |
| Total | 17,995,485 | 35,827,148 |
| Less: Current portion | (10,499,910) | (17,833,831) |
| Net | \$ 7,495,575 | \$ 17,993,317 |

- a. During the period from April 16 to April 27, 2001, the Company issued five-year and seven-year unsecured bonds totaling NT\$15,000 million, each with a face value of NT\$7,500 million. The interest is paid annually with stated interest rates of 5.1195% through 5.1850% and 5.2170% through 5.2850%, respectively. The five-year bonds and seven-year bonds are repaid starting from April 2004 to April 2006 and April 2006 to April 2008, respectively, both in three yearly installments at the rates of 30%, 30% and 40%. On April 27, 2006, the five-year bonds were fully repaid.
- b. On May 10, 2002, the Company issued zero coupon exchangeable bonds listed on the Euro MTF Market of the Luxembourg stock Exchange (LSE). The terms and conditions of the bonds are as follows:
- (a) Issue Amount: US\$235 million
- (b) Period: May 10, 2002 ~ May 10, 2007
- (c) Redemption
- i. The Company may redeem the bonds, in whole or in part, after three months of the issuance and prior to the maturity date, at their principal amount if the closing price of the AU Optronics Corp. (AUO) common shares on the TSE, translated into US dollars at the prevailing exchange rate, for a period of 20 consecutive trading days, the last of which occurs not more than 10 days prior to the date upon which notice of such redemption is published, is at least 120% of the exchange price then in effect translated into US dollars at the rate of NTD34.645=USD 1.00.
- ii. The Company may redeem the bonds, in whole, but not in part, if at least 90% in principal amount of the bonds has already been exchanged, redeemed or purchased and cancelled.
- iii. The Company may redeem all, but not part, of the bonds, at any time, in the event of certain changes in the R.O.C.'s tax rules which would require the Company to gross up for payments of principal, or to gross up for payments of interest or premium.
- iv. The Company will, at the option of the bondholders, redeem such bonds on February 10, 2005 at its principal amount.
- (d) Terms of Exchange
- i. Underlying securities: ADSs or common shares of AUO.

- ii. Exchange Period: The bonds are exchangeable at any time on or after June 19, 2002 and prior to April 10, 2007, into AUO common shares or AUO ADSs; provided, however, that if the exercise date falls within 5 business days from the beginning of, and during, any closed period, the right of the exchanging holder of the bonds to vote with respect to the shares it receives will be subject to certain restrictions.

- iii. Exchange Price and Adjustment: The exchange price is NTD44.3 per share, determined on the basis of a fixed exchange rate of NTD34.645=USD1.00. The exchange price will be subject to adjustments upon the occurrence of certain events set out in the indenture.

(e) Exchange of the Bonds

As of March 31, 2007, certain bondholders exercised their rights to exchange their bonds with the total principal amount of US\$145 million into AUO shares. Gains arising from the exercise of exchange rights during the three-month period ended March 31, 2007 amounted NT\$159 million and were recognized as gains on disposal of investment.

(f) Redemption at maturity date

At the maturity date of May 10, 2007, the Company redeemed all of the remaining bonds outstanding in the principal amount of US\$0.3 million.

- c. During the period from May 21 to June 24, 2003, the Company issued five-year and seven-year unsecured bonds totaling NT\$15,000 million, each with a face value of NT\$7,500 million. The interest is paid annually with stated interest rates of 4.0% minus USD 12-Month LIBOR and 4.3% minus USD 12-Month LIBOR, respectively. Stated interest rates are reset annually based on the prevailing USD 12-Month LIBOR. The five-year bonds and seven-year bonds are repayable in 2008 and 2010, respectively, upon the maturity of the bonds.

- d. On October 5, 2005, the Company issued zero coupon convertible bonds on the LSE. The terms and conditions of the bonds are as follows:
 - (a) Issue Amount: US\$381.4 million

 - (b) Period: October 5, 2005 ~ February 15, 2008 (Maturity date)

(c) Redemption:

- i On or at any time after April 5, 2007, if the closing price of the ADSs listed on the NYSE has been at least 130% of either the conversion price or the last adjusted conversion price, for 20 out of 30 consecutive ADS trading days, the Company may redeem all, but not some only, of the bonds.
- ii If at least 90% in principal amount of the bonds have already been redeemed, repurchased, cancelled or converted, the Company may redeem all, but not some only, of the bonds.
- iii. In the event that the Company's ADSs or shares have officially cease to be listed or admitted for trading on the NYSE or the TSE, as the case may be, each bondholder shall have the right, at such bondholder's option, to require the Company to repurchase all, but not in part, of such bondholder's bonds at their principal amount.
- iv. In the event of certain changes in taxation in the R.O.C. resulting in the Company becoming required to pay additional amounts, the Company may redeem all, but not part, of the bonds at their principal amount; bondholders may elect not to have their bonds redeemed by the Company in such event, in which case the bondholders shall not be entitled to receive payments of such additional amounts.
- v. If a significant change of control occurs with respect to the Company, each bondholder shall have the right at such bondholder's option, to require the Company to repurchase all, but not in part, of such bondholder's bonds at their principal amount.
- vi. The Company will pay the principal amount of the bonds at its maturity date, February 15, 2008.

(d) Conversion:

- i Conversion Period: Except for the closed period, the bonds may be converted into the Company's ADSs on or after November 4, 2005 and on or prior to February 5, 2008.
- ii Conversion Price and Adjustment: The conversion price is US\$4.253 per ADS. The applicable conversion price will be subject to adjustments upon the occurrence of certain events set out in the indenture.

(e) Redemption at maturity date

At the maturity date of February 15, 2008, the Company had redeemed the bonds at 100%.

- e. Repayments of the above-mentioned bonds in the future years are as follows:

| Bonds repayable in | Amount |
|---|-------------------|
| 2008 (2 nd quarter and thereafter) | \$ 10,500,000 |
| 2009 | |
| 2010 | 7,500,000 |
| Total | \$ 18,000,000 |

(15) PENSION PLAN

- a. The Labor Pension Act of the R.O.C. (the Act), which adopts a defined contribution plan, became effective on July 1, 2005. Employees subject to the Labor Standards Law, a defined benefit plan, were offered the options to choose to either elect the pension calculation under the Act or continue to be subject to the pension calculation under the Labor Standards Law. Those employees that elected to be subject to the Act will have their seniority achieved under the Labor Standards Law retained upon election of the Act, and the Company will make monthly contributions of no less than 6% of these employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions based on each individual employee's salary or wage to employees' pension accounts beginning July 1, 2005, and totaled NT\$102 million and NT\$96 million as of March 31, 2008 and 2007, respectively. Pension benefits for employees of the Branch are provided in accordance with the local regulations, and the Company made contributions of NT\$28 million and NT\$31 million as of March 31, 2008 and 2007, respectively.
- b. The defined benefit plan under the Labor Standards Law is disbursed based on the units of service years and the average salary in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the fifteenth year. The total units shall not exceed 45 units. In accordance to the plan, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of an administered pension fund committee. Pension costs amounting to NT\$44 million and NT\$47 million were recognized for the three-month periods ended March 31, 2008 and 2007, respectively. The corresponding liability balances of the pension fund were NT\$1,332 million and NT\$1,232 million as of March 31, 2008 and 2007, respectively.

(16) CAPITAL STOCK

- a. The Company had 26,000 million common shares authorized to be issued, and 19,144 million shares were issued as of March 31, 2007, each at a par value of NT\$10.
- b. The Company had issued a total of 315 million ADSs, which were traded on the NYSE as of March 31, 2007. The total number of common shares of the Company represented by all issued ADSs was 1,576 million shares as of March 31, 2007. One ADS represents five common shares.
- c. Among the employee stock options issued by the Company on October 7, 2002, January 3, 2003 and October 13, 2004, 12 million shares were exercised during the three-month periods ended March 31, 2007. The issuance process through the authority was completed.
- d. As resolved during the shareholders' meeting on June 11, 2007, the Company carried out a capital reduction of NT\$57,394 million, which represented approximately 5,739 million shares or 30% of its outstanding shares, for the purpose of increasing shareholders' return on equity and reducing idle funds. The capital reduction is comprised of NT\$53,911 million of cash distribution, and the proportionate cancellation of 348 million shares of treasury stock. The effective date of capital reduction was August 7, 2007 and the transaction was submitted and approved by the competent authority.
- e. On July 17, 2007, the Company cancelled 192 million shares of treasury stock, which were repurchased during the period from May 10, 2004 to May 21, 2004 for the purpose of transferring to employees.
- f. The Company sold 32 million and 65 million shares of treasury stock acquired from the periods of September 30 to November 29, 2005 and May 23 to July 13, 2006, respectively, to employees in December 2007. An additional 97 million shares were added to the total amount of shares outstanding.
- g. The Company had 26,000 million common shares authorized to be issued, and 13,214 million shares were issued as of March 31, 2008, each at a par value of NT\$10.
- h. The Company had issued a total of 1,098 million ADSs, which were traded on the NYSE as of March 31, 2008. The total number of common shares of the Company represented by all issued ADSs was 220 million shares as of March 31, 2008. One ADS represents five common shares.

(17) EMPLOYEE STOCK OPTIONS

On September 11, 2002, October 8, 2003, September 30, 2004, December 22, 2005, and October 9, 2007, the Company was authorized by the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan, to issue employee stock options with a total number of 1 billion, 150 million, 150 million, 350 million, and 500 million units, respectively. Each unit entitles an optionee to subscribe to 1 share of the Company's common stock. Settlement upon the exercise of the options will be made through the issuance of new shares by the Company. The exercise price of the options was set at the closing price of the Company's common stock on the date of grant. The contractual life is 6 years and an optionee may exercise the options in accordance with certain schedules as prescribed by the plan starting 2 years from the date of grant. Detailed information relevant to the employee stock options is disclosed as follows:

| Date of grant | Total number of options granted (in thousands) | Total number of options outstanding (in thousands) | Exercisable number of options (Note) | Exercise price (NTD) (Note) |
|----------------------|---|---|---|------------------------------------|
| October 7, 2002 | 939,000 | 397,997 | 277,470 | \$ 22.52 |
| January 3, 2003 | 61,000 | 41,191 | 28,717 | \$ 25.39 |
| November 26, 2003 | 57,330 | 42,257 | 29,460 | \$ 35.43 |
| March 23, 2004 | 33,330 | 19,120 | 13,330 | \$ 32.85 |
| July 1, 2004 | 56,590 | 40,343 | 28,126 | \$ 29.69 |
| October 13, 2004 | 20,200 | 9,901 | 6,902 | \$ 25.53 |
| April 29, 2005 | 23,460 | 12,738 | 8,881 | \$ 23.52 |
| August 16, 2005 | 54,350 | 35,314 | 24,619 | \$ 30.98 |
| September 29, 2005 | 51,990 | 42,043 | 29,311 | \$ 28.27 |
| January 4, 2006 | 39,290 | 22,157 | 15,447 | \$ 24.36 |
| May 22, 2006 | 42,058 | 31,642 | 22,060 | \$ 26.48 |
| August 24, 2006 | 28,140 | 20,540 | 14,320 | \$ 25.32 |
| December 13, 2007 | 500,000 | 491,578 | 491,578 | \$ 18.95 |
| Total | 1,906,738 | 1,206,821 | 990,221 | |

Note: The employee stock options granted prior to August 7, 2007, effective date of capital reduction, are adjusted in accordance with capital reduction rate. Each option unit entitles an optionee to subscribe for about 0.7 share of the Company's common stock. The exercise price of the options is also adjusted according to capital reduction rate. Each stock option unit granted after August 7, 2007 remains to be subscribed for 1 share of the Company's common stock.

A summary of the equity-settled share-based payment transactions, and related information for the three-month periods ended March 31, 2008 and 2007 is as follows:

(1)

| | For the three-month period ended March 31, 2008 | | Weighted-average Exercise Price per share (NTD) | For the three-month period ended March 31, 2007 | | Weighted-average Exercise Price per share (NTD) |
|--|---|---|---|---|---|---|
| | Options (in thousands) | Shares available to option holders (in thousands) | | Options (in thousands) | Shares available to option holders (in thousands) | |
| Outstanding at beginning of period | 1,287,407 | 1,048,832 | \$ 22.14 | 913,958 | 637,180 | \$ 24.95 |
| Granted | | | \$ | | | \$ |
| Exercised | | | \$ | (11,918) | (8,309) | \$ 22.56 |
| Forfeited | (80,586) | (58,611) | \$ 22.40 | (8,094) | (5,642) | \$ 28.24 |
| Outstanding at end of period | 1,206,821 | 990,221 | \$ 22.13 | 893,946 | 623,229 | \$ 24.95 |
| Exercisable at end of period | 590,097 | 411,396 | \$ 24.46 | 654,015 | 455,958 | \$ 23.91 |
| Weighted-average fair value of options granted during the period | \$ | | | \$ | | |

(2) The information of the equity-settled share-based payment transactions as of March 31, 2008, is as follows:

| Authorization Date | Range of Exercise Price | Outstanding Stock Options | | | | Exercisable Stock Options | | | |
|--------------------|-------------------------|---------------------------|---|---|---|---------------------------|---|---|--|
| | | Options (in thousands) | Shares available to option holders (in thousands) | Weighted-average Expected Remaining Years | Weighted-average Exercise Price per share (NTD) | Options (in thousands) | Shares available to option holders (in thousands) | Weighted-average Exercise Price per share (NTD) | |
| 2002.09.11 | \$22.52~\$25.39 | 439,188 | 306,187 | 0.54 | \$ 22.79 | 438,944 | 306,017 | \$ 22.79 | |
| 2003.10.08 | \$29.69~\$35.43 | 101,720 | 70,916 | 1.95 | \$ 32.67 | 91,492 | 63,785 | \$ 32.98 | |
| 2004.09.30 | \$23.52~\$30.98 | 99,996 | 69,713 | 3.30 | \$ 28.35 | 49,694 | 34,645 | \$ 28.41 | |
| 2005.12.22 | \$24.36~\$26.48 | 74,339 | 51,827 | 4.10 | \$ 25.53 | 9,967 | 6,949 | \$ 24.36 | |
| 2007.10.09 | \$18.95 | 491,578 | 491,578 | 5.70 | \$ 18.95 | | | \$ | |
| | | 1,206,821 | 990,221 | 3.58 | \$ 22.13 | 590,097 | 411,396 | \$ 24.46 | |

The Company used the intrinsic value method to recognize compensation costs for its employee stock options issued between January 1, 2004 and December 31, 2007. Compensation costs for the three-month periods ended March 31, 2008 and 2007 were NT\$0.

The Company granted options prior to adopting ROC SFAS No. 39 Accounting for Share-Based Payment. The pro forma information using the fair value method on net income and earnings per share is as follows:

| | For the three-month period ended March 31, 2008 | |
|--------------------------------|---|----------------------------|
| | Basic earnings per share | Diluted earnings per share |
| Net Income | \$ 205,828 | \$ 75,918 |
| Earnings per share (NTD) | \$ 0.02 | \$ 0.01 |
| Pro forma net loss | \$ (21,451) | \$ (151,361) |
| Pro forma loss per share (NTD) | \$ (0.002) | \$ (0.01) |

| | For the three-month period ended March 31, 2007 | |
|------------------------------------|---|----------------------------|
| | Basic earnings per share | Diluted earnings per share |
| Net Income | \$ 1,458,690 | \$ 1,458,690 |
| Earnings per share (NTD) | \$ 0.08 | \$ 0.08 |
| Pro forma net income | \$ 1,343,408 | \$ 1,343,408 |
| Pro forma earnings per share (NTD) | \$ 0.08 | \$ 0.08 |

The fair value of the options granted was estimated at the date of grant using the Black-Scholes options pricing model with the following weighted-average assumptions for the three-month period ended March 31, 2008 and 2007 is as follows:

| | For the three-month period ended March 31, | |
|--|--|---------------|
| | 2008 | 2007 |
| Expected dividend yields | 1.37%~1.71% | 1.37%~1.64% |
| Volatility factors of the expected market price | 36.29%~49.10% | 39.68%~49.10% |
| Risk-free interest rate | 1.85%~2.85% | 1.85%~2.85% |
| Weighted-average expected life of the options (year) | 4~5 | 4~5 |

(18) TREASURY STOCK

- a. The Company bought back its own shares from the open market during the three-month periods ended March 31, 2008 and 2007. Details of the treasury stock transactions are as follows:

For the three-month period ended March 31, 2008

(In thousands of shares)

| Purpose | As of January 1, 2008 | Increase | Decrease | As of March 31, 2008 |
|---|--------------------------|----------|----------|-------------------------|
| For transfer to employees | 355,716 | | | 355,716 |
| For conversion of the convertible bonds into shares | 348,583 | | | 348,583 |
| Total shares | 704,299 | | | 704,299 |

For the three-month period ended March 31, 2007

(In thousands of shares)

| Purpose | As of January 1, 2007 | Increase | Decrease | As of March 31, 2007 |
|---|--------------------------|----------|----------|-------------------------|
| For transfer to employees | 842,067 | | | 842,067 |
| For conversion of the convertible bonds into shares | 500,000 | | | 500,000 |
| Total shares | 1,342,067 | | | 1,342,067 |

b. According to the Securities and Exchange Law of the R.O.C., the total shares of treasury stock shall not exceed 10% of the Company's issued stock, and the total purchase amount shall not exceed the sum of the retained earnings, additional paid-in capital premiums, and realized additional paid-in capital. As such, the maximum number of shares of treasury stock that the Company could hold as of March 31, 2008 and 2007, was 1,321 million and 1,914 million, while the ceiling amount was NT\$79,465 million and NT\$81,776 million, respectively.

c. In compliance with Securities and Exchange Law of the R.O.C., treasury stock should not be pledged, nor should it be entitled to voting rights or receiving dividends. Stock held by subsidiaries is treated as treasury stock. These subsidiaries have the same rights as other stockholders excluding joining the proceeds from new issues. Starting June 22, 2005, stocks held by subsidiaries no longer have voting rights according to the revised Companies Act.

d. As of March 31, 2008, the Company's subsidiary, FORTUNE VENTURE CAPITAL CORP., held 15 million shares of the Company's stock, with a book value of NT\$18.70 per share. The closing price on March 31, 2008 was NT\$18.70.

As of March 31, 2007, the Company's subsidiary, FORTUNE VENTURE CAPITAL CORP., held 22 million shares of the Company's stock, with a book value of NT\$19.10 per share. The closing price on March 31, 2007 was NT\$19.10.

(19) RETAINED EARNINGS AND DIVIDEND POLICIES

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;
- c. Set aside 10% of the remaining amount after deducting items (a) and (b) as a legal reserve;
- d. Set aside 0.1% of the remaining amount after deducting items (a), (b), and (c) as directors' and supervisors' remuneration; and
- e. After deducting items (a), (b), and (c) above from the current year's earnings, no less than 5% of the remaining amount together with the prior years' unappropriated earnings is to be allocated as employees' bonus, which will be settled through issuance of new shares of the Company, or cash. Employees of the Company's subsidiaries, meeting certain requirements determined by the board of directors, are also eligible for the employees' bonus.
- f. The distribution of the remaining portion, if any, will be recommended by the board of directors and resolved in the shareholders' meeting.

The policy for dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the benefit of shareholders, share bonus equilibrium, and long-term financial planning. The board of directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company's Articles of Incorporation further provide that no more than 80% of the dividends to shareholders, if any, must be paid in the form of stock dividends. Accordingly, at least 20% of the dividends must be paid in the form of cash.

During the three-month periods ended March 31, 2008, the amounts of the employee bonuses and remunerations to directors and supervisors were estimated at NT\$84 million and NT\$1 million, respectively. The board of directors estimated the amount by taking consideration of the Company's Articles of Incorporation, government regulations and industrial average. Estimated amount of employee bonuses and remunerations to directors and supervisors were charged to current income. If the board modified the estimates significantly in the subsequent periods during the year, the company will recognize the change as an adjustment to current income. Moreover, if the amounts were modified by the shareholders' meeting of the following year, the adjustment will be regarded as a change of accounting estimate and will be reflected in the statement of income in the following year.

The appropriation of 2007 retained earnings has not yet been approved by the shareholders' meeting as of the reporting date. Information on the board of directors' recommendations and shareholders' approval can be obtained from the Market Observation Post System on the Taiwan Stock Exchange website.

The distribution of retained earnings for the year 2007 was recommended by the board of directors on March 17, 2008, and the distribution of retained earnings for the year 2006 was approved at the shareholders meeting held on June 11, 2007. The details of distribution are as follows:

| | 2007 (as recommended by the board of directors) | 2006 (as approved by the shareholders meeting) |
|---|---|--|
| Cash Dividend | NT\$ 0.75 per share | NT\$ 0.70 per share |
| Stock Dividend | 0.08 per share | |
| Employee bonuses Cash Dividend (NTD thousands) | 286,541 | 2,324,120 |
| Employee bonuses Stock Dividend (NTD thousands) | 1,146,166 | |
| Directors and Supervisors remunerations (NTD thousands) | 11,939 | 15,494 |

Pursuant to Article 41 of the Securities and Exchange Law of the R.O.C., a special reserve is set aside from the current net income and prior unappropriated earnings with an amount equal to the amount of items that are accounted for as deductions to stockholders equity, such as unrealized loss on long-term investment and cumulative translation adjustments. When the deductions to stockholders equity are reversed, the set-aside special reserve can be distributed.

(20) OPERATING COSTS AND EXPENSES

The Company's personnel, depreciation, and amortization expenses are summarized as follows:

| | For the three-month period ended March 31, | | | | | |
|----------------------------|--|--------------------|--------------|-----------------|--------------------|--------------|
| | 2008 | | | 2007 | | |
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Personnel expenses | | | | | | |
| Salary | \$ 2,139,051 | \$ 683,673 | \$ 2,822,724 | \$ 2,316,212 | \$ 710,336 | \$ 3,026,548 |
| Labor and health insurance | 114,709 | 34,923 | 149,632 | 110,472 | 32,251 | 142,723 |
| Pension | 131,793 | 42,386 | 174,179 | 133,323 | 40,611 | 173,934 |
| Other personnel expenses | 40,637 | 18,623 | 59,260 | 23,641 | 9,967 | 33,608 |
| Depreciation | 8,694,670 | 519,547 | 9,214,217 | 8,365,398 | 489,566 | 8,854,964 |
| Amortization | 9,387 | 368,075 | 377,462 | 21,932 | 313,129 | 335,061 |

(21) INCOME TAX

- a. Reconciliation between the income tax expense and the income tax calculated on pre-tax financial statement income based on the statutory tax rate is as follows:

| | For the three-month period ended March 31, | |
|--|--|-------------------|
| | 2008 | 2007 |
| Income tax on pre-tax income at statutory tax rate | \$ 65,180 | \$ 434,331 |
| Permanent and temporary differences | (190,350) | (498,630) |
| Change in investment tax credit | 271,066 | 3,172,498 |
| Change in valuation allowance | (91,485) | (2,907,621) |
| Income basic tax | 483 | 77,800 |
| Income tax on interest revenue separately taxed | | 258 |
| Income tax expense | \$ 54,894 | \$ 278,636 |

- b. Significant components of deferred income tax assets and liabilities are as follows:

| | As of March 31, | | | |
|---|-----------------|---------------------|--------------|---------------------|
| | 2008 | | 2007 | |
| | Amount | Tax effect | Amount | Tax effect |
| Deferred income tax assets | | | | |
| Investment tax credit | | \$ 12,998,801 | | \$ 11,692,460 |
| Loss carry-forward | 41,208 | 10,302 | \$ 3,815,034 | 953,758 |
| Pension | 3,182,339 | 795,585 | 3,103,952 | 775,988 |
| Allowance on sales returns and discounts | 899,513 | 224,878 | 491,085 | 122,771 |
| Allowance for loss on obsolescence of inventories | 607,412 | 151,853 | 637,754 | 159,439 |
| Unrealized exchange loss | 642,900 | 160,725 | 76,803 | 19,201 |
| Others | 976,122 | 244,031 | 759,188 | 189,797 |
| Total deferred income tax assets | | 14,586,175 | | 13,913,414 |
| Valuation allowance | | (8,486,141) | | (6,203,492) |
| Net deferred income tax assets | | 6,100,034 | | 7,709,922 |
| Deferred income tax liabilities | | | | |
| Depreciation | (4,997,061) | (1,249,266) | (5,336,716) | (1,334,179) |
| Others | (821,065) | (205,266) | (2,057,198) | (514,299) |
| Total deferred income tax liabilities | | (1,454,532) | | (1,848,478) |
| Total net deferred income tax assets | | \$ 4,645,502 | | \$ 5,861,444 |
| Deferred income tax assets current | | 7,412,715 | | \$ 3,478,307 |
| Deferred income tax liabilities current | | (205,266) | | (205,498) |
| Valuation allowance | | (5,966,414) | | (1,184,350) |
| Net | | 1,241,035 | | 2,088,459 |

| | As of March 31, | | | |
|--|-----------------|--------------|--------|--------------|
| | 2008 | | 2007 | |
| | Amount | Tax effect | Amount | Tax effect |
| Deferred income tax assets noncurrent | | 7,173,460 | | 10,435,107 |
| Deferred income tax liabilities noncurrent | | (1,249,266) | | (1,642,980) |
| Valuation allowance | | (2,519,727) | | (5,019,142) |
| Net | | 3,404,467 | | 3,772,985 |
| Total net deferred income tax assets | | \$ 4,645,502 | | \$ 5,861,444 |

- c. The Company's income tax returns for all fiscal years up to 2005 have been assessed and approved by the R.O.C. Tax Authority.
- d. The Company was granted several four or five-year income tax exemption periods with respect to income derived from the expansion of operations. The starting date of the exemption period attributable to the expansion in 2002 and 2003 had not yet been decided. The income tax exemption for other periods will expire on December 31, 2012.
- e. The Company earns investment tax credits for the amount invested in production equipment, research and development, and employee training.

As of March 31, 2008, the Company's unused investment tax credits were as follows:

| Expiration Year | Investment tax credits earned | Balance of unused investment tax credits |
|-----------------|-------------------------------|--|
| 2008 | \$ 6,362,394 | \$ 6,227,287 |
| 2009 | 2,474,541 | 2,474,541 |
| 2010 | 2,189,731 | 2,189,731 |
| 2011 | 1,776,865 | 1,776,865 |
| 2012 | 330,377 | 330,377 |
| Total | \$ 13,133,908 | \$ 12,998,801 |

- f. Under the rules of the Income Tax Law of the R.O.C., a company with its tax return certified by a certified public accountant can carry forward its net losses as tax credits for the next 5 years. As of March 31, 2008, the Company's unutilized tax credits arising from the accumulated losses of an entity previously merged were as follows:

| Expiration Year | Accumulated losses | Unutilized accumulated losses |
|--|--------------------|-------------------------------|
| 2008 (tax credits transferred in from merger with SiSMC) | 2,283 | 2,283 |
| 2009 (tax credits transferred in from merger with SiSMC) | 38,925 | 38,925 |
| Total | \$ 41,208 | \$ 41,208 |

- g. The balance of the Company's imputation credit accounts as of March 31, 2008 and 2007 were NT\$413 million and NT\$95 million, respectively. The expected creditable ratio for 2007 and the actual creditable ratio for 2006 was 2.18% and 8.64%, respectively.
- h. The Company's earnings generated in the year ended December 31, 1997 and prior years have been fully appropriated.

(22) EARNINGS PER SHARE

- a. There were zero coupon convertible bonds and employee stock options outstanding during the three-month period ended March 31, 2007. Therefore, in consideration of such complex structure, the calculated basic and diluted earnings per share for the three-month periods ended March 31, 2008 and 2007, are disclosed as follows:

| | For the three-month period ended March 31, 2008 | | Shares expressed in thousands | Earnings per share (NTD) | |
|---|---|--------------|-------------------------------------|--------------------------------|------------|
| | Amount Income before income tax | Net income | | Income before income tax | Net income |
| Earning per share-basic (NTD) | | | | | |
| Income available to common stock shareholders | \$ 260,722 | \$ 205,828 | 12,494,810 | \$ 0.02 | \$ 0.02 |
| Effect of dilutive equivalent shares | | | | | |
| Employee stock options | \$ (173,214) | \$ (129,910) | 226,658 | | |
| Earning per share-diluted: | | | | | |
| Income available to common stock shareholders | \$ 87,508 | \$ 75,918 | 12,721,468 | \$ 0.01 | \$ 0.01 |

The employee stock options were not dilutive when calculating the diluted earning per share for the three-month period ended March 31, 2008; therefore, they were not included in the diluted earning per share calculation.

| | For the three-month period ended March 31, 2007 | | | | |
|--|---|--------------|--|--------------------------------|---------------|
| | Amount | | Shares expressed in thousands | Earnings per share (NTD) | |
| | Income before income tax | Net income | | Income before income tax | Net income |
| Earning per share-basic (NTD) | | | | | |
| Income available to common stock shareholders | \$ 1,737,326 | \$ 1,458,690 | 17,775,611 | \$ 0.10 | \$ 0.08 |
| Effect of dilutive equivalent shares | | | | | |
| Employee stock options | \$ | \$ | 128,465 | | |
| Earning per share-diluted: | | | | | |
| Income available to common stock shareholders | \$ 1,737,326 | \$ 1,458,690 | 17,904,076 | \$ 0.10 | \$ 0.08 |

The convertible bonds payable issued in October 5, 2005 were antidilutive when calculating the diluted earning per share for the three-month period ended March 31, 2007; therefore, they were not included in the diluted earning per share calculation.

- b. The following pro forma information presents the Company's earnings if subsidiaries' investment in the Company was not treated as treasury stock:

| <i>(shares expressed in thousands)</i> | For the three-month period ended March 31, 2008 | |
|--|--|------------|
| | Basic | Diluted |
| Net income | \$ 205,858 | \$ 75,918 |
| Weighted-average of shares outstanding: | | |
| Beginning balance | | |
| Weighted-average shares of exercising employee stock options | 12,510,196 | 12,510,196 |
| Dilutive shares of employee stock options accounted for under treasury stock method | | 226,658 |
| Ending balance | 12,510,196 | 12,736,854 |
| Earnings per share (NTD) | \$ 0.02 | \$ 0.01 |

| <i>(shares expressed in thousands)</i> | For the three-month period ended | |
|---|----------------------------------|--------------|
| | March 31, 2007 | |
| | Basic | Diluted |
| Net income | \$ 1,458,690 | \$ 1,458,690 |
| Weighted-average of shares outstanding: | | |
| Beginning balance | 17,789,126 | 17,789,126 |
| Weighted-average shares of exercising employee stock options | 8,555 | 8,555 |
| Dilutive shares of employee stock options accounted for under treasury stock method | | 128,465 |
| Ending balance | 17,797,681 | 17,926,146 |
| Earnings per share (NTD) | \$ 0.08 | \$ 0.08 |

5. RELATED PARTY TRANSACTIONS

(1) Name and Relationship of Related Parties

| Name of related parties | Relationship with the Company |
|--|-------------------------------|
| UMC GROUP (USA) (UMC-USA) | Equity Investee |
| UNITED MICROELECTRONICS (EUROPE) B.V. (UME BV) | Equity Investee |
| UMC CAPITAL CORP. | Equity Investee |
| UNITED MICROELECTRONICS CORP. (SAMOA) | Equity Investee |
| UMCI LTD. | Equity Investee |
| UMC JAPAN (UMCJ) | Equity Investee |
| UNITECH CAPITAL INC. | Equity Investee |
| MEGA MISSION LIMITED PARTNERSHIP | Equity Investee |
| MTIC HOLDINGS PTE. LTD. | Equity Investee |
| UNIMICRON HOLDING LIMITED | Equity Investee |
| FORTUNE VENTURE CAPITAL CORP. | Equity Investee |
| HSUN CHIEH INVESTMENT CO., LTD. | Equity Investee |
| UNITED MICRODISPLAY OPTRONICS CORP. | Equity Investee |
| AMIC TECHNOLOGY CORP. (AMIC) | Equity Investee |
| PACIFIC VENTURE CAPITAL CO., LTD. | Equity Investee |
| XGI TECHNOLOGY INC. | Equity Investee |
| TLC CAPITAL CO., LTD. | Equity Investee |
| NEXPOWER TECHNOLOGY CORP. | Equity Investee |
| SILICON INTEGRATED SYSTEMS CORP. | The Company's director |
| UNITRUTH INVESTMENT CORP. | Subsidiary's equity investee |
| UWAVE TECHNOLOGY CORP. | Subsidiary's equity investee |
| UCA TECHNOLOGY INC. | Subsidiary's equity investee |

| Name of related parties | Relationship with the Company |
|-------------------------|-------------------------------|
| SMEDIA TECHNOLOGY CORP. | Subsidiary s equity investee |
| CRYSTAL MEDIA INC. | Subsidiary s equity investee |
| MOBILE DEVICES INC. | Subsidiary s equity investee |

(2) Significant Related Party Transactions

a. Operating revenues

| | For the three-month period ended March 31, 2008 | | 2007 | |
|---------|--|------------|---------------|------------|
| | Amount | Percentage | Amount | Percentage |
| UMC-USA | \$ 14,099,240 | 59 | \$ 10,574,481 | 46 |
| UME BV | 2,739,063 | 11 | 1,469,226 | 6 |
| Others | 979,542 | 4 | 980,090 | 4 |
| Total | \$ 17,817,845 | 74 | \$ 13,023,797 | 56 |

The sales price to the above related parties was determined through mutual agreement based on the market conditions. The collection period for overseas sales to related parties was net 60 days, while the terms for domestic sales were month-end 45~60 days. The collection period for third party overseas sales was net 30~60 days, while the terms for third party domestic sales were month-end 30~60 days.

b. Notes receivable

| | As of March 31, 2008 | | 2007 | |
|------|-------------------------|------------|----------|------------|
| | Amount | Percentage | Amount | Percentage |
| AMIC | \$ | | \$ 1,830 | 5 |

c. Accounts receivable, net

| | As of March 31, 2008 | | 2007 | |
|--|-------------------------|------------|--------------|------------|
| | Amount | Percentage | Amount | Percentage |
| UMC-USA | \$ 6,772,020 | 49 | \$ 4,537,604 | 34 |
| UME BV | 1,788,979 | 13 | 1,107,322 | 8 |
| Others | 658,177 | 5 | 697,427 | 5 |
| Total | 9,219,176 | 67 | 6,342,353 | 47 |
| Less : Allowance for sales returns and discounts | (631,238) | | (228,530) | |
| Less : Allowance for doubtful accounts | (3,004) | | (618) | |
| Net | \$ 8,584,934 | | \$ 6,113,205 | |

6. ASSETS PLEDGED AS COLLATERAL

As of March 31, 2008

| | Amount | Party to which asset(s) was pledged | Purpose of pledge |
|----------------|------------|--|-------------------|
| Deposit-out | \$ 619,619 | Customs | Customs duty |
| (Time deposit) | | | guarantee |

As of March 31, 2007

| | Amount | Party to which asset(s) was pledged | Purpose of pledge |
|----------------|------------|--|-------------------|
| Deposit-out | \$ 620,996 | Customs | Customs duty |
| (Time deposit) | | | guarantee |

7. COMMITMENTS AND CONTINGENT LIABILITIES

- (1) The Company has entered into several patent license agreements and development contracts of intellectual property for a total contract amount of approximately NT\$8.5 billion. Royalties and development fees payable in future years are NT\$3.5 billion as of March 31, 2008.
- (2) The Company signed several construction contracts for the expansion of its factory space. As of March 31, 2008, these construction contracts have amounted to approximately NT\$3 billion and the unpaid portion of the contracts, which was not accrued, was approximately NT\$1 billion.
- (3) The Company entered into several operating lease contracts for land and office. These renewable operating leases will expire in various years through 2032 and are renewable. Future minimum lease payments under those leases are as follows:

| For the year ended December 31, | Amount |
|---|---------------------|
| 2008 (2 nd quarter and thereafter) | \$ 160,464 |
| 2009 | 214,025 |
| 2010 | 214,417 |
| 2011 | 214,824 |
| 2012 | 215,248 |
| 2013 and thereafter | 1,819,870 |
| Total | \$ 2,838,848 |

- (4) On February 15, 2005, the Hsinchu District Prosecutor's Office conducted a search of the Company's facilities. On February 18, 2005, the Company's former Chairman Mr. Robert H.C. Tsao, released a public statement, explaining that its assistance to Hejian Technology Corp. (Hejian) did not involve any investment or technology transfer.

Furthermore, from the very beginning there was a verbal indication that, at the proper time, the Company would be compensated appropriately for its assistance, and circumstances permitting, at some time in the future, it will push through the merger between two companies. However, no promise was made by the Company and no written agreement was made and executed. Upon the Company's request to materialize the said verbal indication by compensating in the form of either cash or equity, the Chairman of the holding company of Hejian offered 15% of the approximately 700 million outstanding shares of the holding company of Hejian in return for the Company's past assistance and for continued assistance in the future.

Immediately after the Company had received such offer, it filed an application with the Investment Commission of the Ministry of Economic Affairs on March 18, 2005 (Ref. No. 94-Lian-Tung-Tzu-0222), for their executive guidance for the successful transfer of said shares to the Company. The shareholders meeting dated June 13, 2005 resolved that to the extent permitted by law the Company shall try to get the 15% of the outstanding shares offered by the holding company of Hejian as an asset of the Company. The holding company of Hejian offered 106 million shares of its outstanding common shares in return for the Company's assistance. The holding company of Hejian has put all such shares in escrow. The Company was informed of such escrow on August 4, 2006. The subscription price per share of the holding company of Hejian in the last offering was US\$1.1. Therefore, the total market value of the said shares is worth more than US\$110 million. However, the Company may not acquire the ownership of nor exercise the rights of the said shares with any potential stock dividend or cash dividend distributed in the future until the ROC laws and regulations allow the Company to acquire and exercise. In the event that any stock dividend or cash dividend is distributed, the Company's stake in the holding company of Hejian will accumulate accordingly.

In April 2005, the Company's former Chairman Mr. Robert H.C. Tsao was personally fined with in the aggregate amount of NT\$3 million by the Financial Supervisory Commission, Executive Yuan, R.O.C. (ROC FSC) for failure to disclose material information relating to Hejian in accordance with applicable rules. As a result of the imposition of the fines by the ROC FSC, the Company was also fined in the amount of NT\$30,000 by Taiwan Stock Exchange (TSE) for the alleged non-compliance with the disclosure rules in relation to the material information. The Company and its former Chairman Mr. Robert H.C. Tsao have filed for administrative appeal and reconsideration with the Executive Yuan, R.O.C. and TSE, respectively. Mr. Robert H.C. Tsao's administrative appeal was dismissed by the Execution Yuan, R.O.C. on February 21, 2006 and the ROC FSC transferred the case against Mr. Robert H.C. Tsao to the Administrative Enforcement Agency for enforcement of the fine. Mr. Robert H.C. Tsao has filed an administrative action against the ROC FSC with Taipei High Administrative Court on April 14, 2006. On December 27, 2007, the Administrative High Court revoked the decision and ruled in favor of Mr. Tsao.

For the Company's assistance to Hejian Technology Corp., the Company's former Chairman Mr. Robert H.C. Tsao, former Vice Chairman Mr. John Hsuan, and Mr. Duen-Chian Cheng, the General Manager of Fortune Venture Capital Corp., which is 99.99% owned by the Company, were indicted for violating the Business Entity Accounting Act and breach of trust under the Criminal Law by Hsinchu District Court's Prosecutor's Office on January 9, 2006. Mr. Robert H.C. Tsao and Mr. John Hsuan had officially resigned from their positions of the Company's Chairman, Vice Chairman and directors prior to the announcement of the prosecution; for this reason, at the time of the prosecution, Mr. Robert H.C. Tsao and Mr. John Hsuan no longer served as the Company's directors and had not executed their duties as the Company's Chairman and Vice Chairman.

In the future, if a guilty judgment is pronounced by the court, such consequences would be Mr. Robert H.C. Tsao, Mr. John Hsuan and Mr. Duen-Chian Cheng's personal concerns only; the Company would not be subject to indictment regarding this case. Mr. Robert H.C. Tsao, Mr. John Hsuan and Mr. Duen-Chian Cheng were pronounced innocent of the charge by Hsinchu District Court on October 26, 2007. On November 15, 2007, Taiwan's Hsinchu District Court Prosecutor's Office filed an appeal, which is currently under trial.

On February 15, 2006, the Company was fined in the amount of NT\$5 million for unauthorized investment activities in Mainland China, implicating violation of Article 35 of the Act Governing Relations Between Peoples of the Taiwan Area and the Mainland Area by the R.O.C. Ministry of Economic Affairs (MOEA). However, as the Company believes it was illegally and improperly fined, the Company had filed an administrative appeal against MOEA to the Executive Yuan on March 16, 2006. On October 19, 2006, Executive Yuan denied the administrative appeal filed by the Company. The Company had filed an administrative litigation case against MOEA on December 8, 2006. Taipei High Administrative Court announced and reversed MOEA's administrative sanction on July 19, 2007. MOEA filed an appeal against the Company on August 10, 2007.

8. SIGNIFICANT DISASTER LOSS

None.

9. SIGNIFICANT SUBSEQUENT EVENT

None.

10. OTHERS

- (1) Certain comparative amounts have been reclassified to conform to the current year's presentation.

(2) Financial risk management objectives and policies

The Company's principal financial instruments, other than derivatives, is comprised of cash and cash equivalents, common stock, preferred stock, convertible bonds, open-end funds, bank loans, and bonds payable. The main purpose of these financial instruments is to manage financing for the Company's operations. The Company also holds various other financial assets and liabilities such as accounts receivable and accounts payable, which arise directly from its operations.

The Company also enters into derivative transactions, including credit-link deposits, interest rate swaps and forward currency contracts. The purpose of these derivative transactions is to mitigate interest rate risk and foreign currency exchange risks arising from the Company's operations and financing activities.

The main risks arising from the Company's financial instruments include cash flow interest rate risk, foreign currency risk, commodity price risk, credit risk, and liquidity risk.

Cash flow interest rate risk

The Company utilizes interest rate swap agreements to avoid its cash flow interest rate risk on the counter-floating rate of its unsecured domestic bonds issued during the period from May 21 to June 24, 2003. The terms of the interest rate swap agreements are the same as those of the domestic bonds, which are five and seven years. The floating rate is reset annually.

Foreign currency risk

The Company has foreign currency risk arising from purchases or sales. The Company utilizes spot or forward contracts to avoid foreign currency risk. The notional amounts of the foreign currency contracts are the same as the amount of the hedged items. In principal, the Company does not carry out any forward contracts for uncertain commitments.

Commodity price risk

The Company's exposure to commodity price risk is minimal.

Credit risk

The Company trades only with established and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis, which consequently minimizes the Company's exposure to bad debts.

With respect to credit risk arising from the other financial assets of the Company, which is comprised of cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, the Company's exposure to credit risk arising from the default of counter-parties is limited to the carrying amount of these instruments.

Although the Company trades only with established third parties, it will request collateral to be provided by third parties with less favorable financial positions.

Liquidity risk

The Company's objective is to maintain a balance of funding continuity and flexibility through the use of financial instruments such as cash and cash equivalents, bank loans and bonds.

(3) Information of financial instruments

a. Fair value of financial instruments

| Financial Assets | As of March 31, | | | |
|--|-----------------|---------------|---------------|---------------|
| | 2008 | | 2007 | |
| | Book Value | Fair Value | Book Value | Fair Value |
| <u>Non-derivative</u> | | | | |
| Cash and cash equivalents | \$ 29,634,661 | \$ 29,634,661 | \$ 80,988,902 | \$ 80,988,902 |
| Financial assets at fair value through profit or loss, current | 4,180,169 | 4,180,169 | 7,553,964 | 7,553,964 |
| Held-to-maturity financial assets, current | | | 200,000 | 200,000 |
| Notes and accounts receivable | 13,134,747 | 13,134,747 | 13,649,500 | 13,649,500 |
| Available-for-sale financial assets, noncurrent | 33,295,218 | 33,295,218 | 43,359,493 | 43,359,493 |
| Financial assets measured at cost, noncurrent | 2,294,595 | | 2,322,636 | |
| Long-term investments accounted for under the equity method | 36,264,213 | 31,109,765 | 38,935,939 | 39,857,068 |
| Prepayment for long-term investments | | | 163,809 | |
| Deposits-out | 639,804 | 639,804 | 642,428 | 642,428 |
| <u>Derivative</u> | | | | |
| Forward contract | \$ 115,358 | \$ 115,358 | \$ | \$ |

| Financial Liability | As of March 31, | | | |
|--|-----------------|------------|---------------|---------------|
| | 2008 | | 2007 | |
| | Book Value | Fair Value | Book Value | Fair Value |
| <u>Non-derivative</u> | | | | |
| Short-term loans | \$ 456,600 | \$ 456,600 | \$ | \$ |
| Payables | 15,498,504 | 15,498,504 | \$ 21,998,723 | \$ 21,998,723 |
| Capacity deposits (current portion) | | | 249,785 | 249,785 |
| Bonds payable (current portion included) | 17,995,485 | 17,503,005 | 35,827,148 | 36,084,559 |
| <u>Derivative</u> | | | | |
| Interest rate swaps | \$ 170,638 | \$ 170,638 | \$ 627,002 | \$ 627,002 |
| Derivatives embedded in exchangeable bonds | | | 376,559 | 376,559 |

- b. The methods and assumptions used to measure the fair value of financial instruments are as follows:
- i. The book values of short-term financial instruments approximate their fair value due to their short maturities. Short-term financial instruments include cash and cash equivalents, notes receivable, accounts receivable, current portion of capacity deposits, and payables.
 - ii. The fair value of financial assets at fair value through profit or loss and available-for-sale financial assets are based on the quoted market prices. If there are restrictions on the sale or transfer of an available-for-sale financial asset, the fair value of the asset will be determined based on similar but unrestricted financial assets quoted market price with appropriate discounts for the restrictions.
 - iii. The fair value of held-to-maturity financial assets and long-term investments accounted for under equity method are based on the quoted market prices. If market prices are unavailable, the Company estimates the fair value based on the book values.
 - iv. The fair value of financial assets measured at cost and prepayment for long-term investments are unable to be estimated since there is no active market in trading those unlisted investments.
 - v. The fair value of deposits-out is based on their book value since the deposit periods are principally within one year and renewed upon maturity.

- vi. The fair value of bonds payable is determined by the market price.
- vii. The fair value of derivative financial instruments is based on the amount the Company expects to receive (positive) or to pay (negative) assuming that the contracts are settled in advance at the balance sheet date.
- c. The fair value of the Company's financial instruments is determined by the quoted prices in active markets, or if the market for a financial instrument is not active, the Company establishes fair value by using a valuation technique:

| Non-derivative Financial Instruments | Active Market Quotation | | Valuation Technique | |
|--|-------------------------|--------------|---------------------|------------|
| | 2008.03.31 | 2007.03.31 | 2008.03.31 | 2007.03.31 |
| Financial assets | | | | |
| Financial assets at fair value through profit or loss, current | | | | |
| | \$ 4,180,169 | \$ 7,553,964 | \$ | \$ |
| Available-for-sale financial assets, noncurrent | | | | |
| | 32,863,763 | 43,359,493 | 431,455 | |
| Long-term investments accounted for under the equity method | | | | |
| | 1,057,757 | 7,718,032 | 30,052,008 | 32,139,036 |
| Financial liabilities | | | | |
| Short-term loans | | | | |
| | | | 456,600 | |
| Bonds payable (current portion included) | | | | |
| | 17,503,005 | 36,084,559 | | |
| Derivative Financial Instruments | | | | |
| Financial assets | | | | |
| Forward contract | | | | |
| | \$ | \$ | \$ 115,358 | \$ |
| Financial liabilities | | | | |
| Interest rate swaps | | | | |
| | | | 170,638 | 627,002 |
| Derivatives embedded in exchangeable bonds | | | | |
| | | | | 376,559 |

- d. The Company recognized gains and losses in NT\$813 million and NT\$36 million from financial liabilities at fair value through profit or loss for the three-month periods ended March 31, 2008 and 2007, respectively.

- e. The Company's financial liabilities with cash flow interest rate risk exposure were NT\$171 million and NT\$627 million as of March 31, 2008 and 2007, respectively.
- f. During the three-month periods ended March 31, 2008 and 2007, total interest revenues for financial assets or liabilities that are not at fair value through profit or loss were NT\$149 million and NT\$352 million, respectively, while interest expenses for the three-month periods ended March 31, 2008 and 2007 were NT\$46 million and NT\$92 million, respectively.

(4) During the three-month period ended March 31, 2008, the Company held credit-linked deposits and repackage bonds that were recorded as held-to-maturity financial assets for the earning of interest income. The details are disclosed as follows:

- a. Principal amount in original currency

As of March 31, 2008

The Company did not hold any credit-linked deposits or repackage bonds as of March 31, 2008.

As of March 31, 2007

| Credit-linked deposits and repackage bonds referenced to | Amount | Due Date |
|--|-----------------|------------|
| ADVANCED SEMICONDUCTOR ENGINEERING INC. European Convertible Bonds and Loans | NTD 200 million | 2007.09.25 |

- b. Credit risk

The counterparties of the above investments are major international financial institutions. The repayment in full of these investments is subject to the non-occurrence of one or more credit events, which are referenced to the entities' fulfillment of their own obligations as well as repayment of their corporate bonds. Upon the occurrence of one or more of such credit events, the Company and its subsidiary, UMC JAPAN, may receive less than the full amount of these investments or nothing. The Company and its subsidiary, UMC JAPAN, have selected reference entities with high credit ratings to minimize the credit risk.

- c. Liquidity risk

Early withdrawal is not allowed for the above investments unless called by the issuer. However, the anticipated liquidity risk is low since most of the investments will either have matured within two years, or are relatively liquid in the secondary market.

- d. Market risk

There is no market risk for the above investments except for the fluctuations in the exchange rates of US Dollars and Japanese Yen to NT Dollars at the balance sheet date and the settlement date.

(5) The Company entered into interest rate swap and forward contracts for hedging the interest rate risk arising from the counter-floating rate of its domestic bonds and for hedging the exchange rate risk arising from the net assets or liabilities denominated in foreign currency. The company entered into these derivative financial instruments in connection with its hedging strategy to reduce the market risk of the hedged items and these financial instruments were not held for trading purpose. The relevant information on the derivative financial instruments entered into by the Company is as follows:

- a. The Company utilized interest rate swap agreements to hedge its interest rate risks on the counter-floating rate of its unsecured domestic bonds issued during the period from May 21 to June 24, 2003. The terms of the interest rate swap agreements are the same as those of the domestic bonds, which are five and seven years. The floating rate is reset annually. The details of interest rate swap agreements are summarized as follows:

As of March 31, 2008 and 2007, the Company had the following interest rate swap agreements in effect:

| Notional Amount | Contract Period | Interest Rate Received | Interest Rate Paid |
|-------------------|-------------------------------|------------------------|--------------------|
| NT\$7,500 million | May 21, 2003 to June 24, 2008 | 4.0% minus USD | 1.52% |
| | | 12-Month LIBOR | |
| NT\$7,500 million | May 21, 2003 to June 24, 2010 | 4.3% minus USD | 1.48% |
| | | 12-Month LIBOR | |

- b. The details of forward contracts entered into by the Company are summarized as follows:
Mar 31, 2008

| Type | Notional Amount | Contract Period |
|-------------------|-----------------------|-----------------------------|
| Forward contracts | Sell US\$ 348 million | Feb 21, 2008 to May 6, 2008 |

The Company did not hold any forward contracts as of Mar 31, 2007.

- c. Transaction risk

- (a) Credit risk

There is no significant credit risk exposure with respect to the above transactions as the counter-parties are reputable financial institutions with good global standing.

(b) Liquidity and cash flow risk

The cash flow requirements on the interest rate swap agreements are limited to the net interest payables or receivables arising from the differences in the swap rates. The cash flow requirements on forward contracts are limited to the net difference between the forward and spot rates at the settlement date. Therefore, no significant cash flow risk is anticipated since the working capital is sufficient to meet the cash flow requirements.

(c) Market risk

Interest rate swap agreements and forward contracts are intended for hedging purposes. Gains or losses arising from the fluctuations in interest rates and exchange rates are likely to be offset against the gains or losses from the hedged items. As a result, no significant exposure to market risk is anticipated.

d. The presentation of derivative financial instruments on the financial statements

As of March 31, 2008 and 2007, the Company's interest rate swap agreements were classified as current liabilities amounting to NT\$171 million and NT\$627 million, respectively. The related valuation gain of NT\$148 million and loss of NT\$772 million was recorded under non-operating revenue and loss for the three-month period ended March 31, 2008 and 2007, respectively.

As of March 31, 2008, the forward contracts that were classified as current liabilities amounted to the NT\$115 million and the related valuation gain of NT\$665 million was recorded under non-operating revenue for the three-month period ended March 31, 2008.

11. ADDITIONAL DISCLOSURES

(1) The following are additional disclosures for the Company and its affiliates as required by the ROC Securities and Futures Bureau:

- a. Financing provided to others for the three-month period ended March 31, 2008: please refer to Attachment 1.
- b. Endorsement/Guarantee provided to others for the three-month period ended March 31, 2008: please refer to Attachment 2.
- c. Securities held as of March 31, 2008: please refer to Attachment 3.
- d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$100 million or 20 percent of the capital stock for the three-month period ended March 31, 2008: please refer to Attachment 4.

- e. Acquisition of individual real estate with amount exceeding the lower of NT\$100 million or 20 percent of the capital stock for the three-month period ended March 31, 2008: please refer to Attachment 5.
- f. Disposal of individual real estate with amount exceeding the lower of NT\$100 million or 20 percent of the capital stock for the three-month period ended March 31, 2008: please refer to Attachment 6.
- g. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the three-month period ended March 31, 2008: please refer to Attachment 7.
- h. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock as of March 31, 2008: please refer to Attachment 8.
- i. Names, locations and related information of investees as of March 31, 2008: please refer to Attachment 9.
- j. Financial instruments and derivative transactions: please refer to Note 10.

(2) Investment in Mainland China

- a. Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, percentage of ownership, investment income (loss), book value of investments, cumulated inward remittance of earnings and limits on investment in Mainland China: please refer to Attachment 10.
- b. Directly or indirectly significant transactions through third regions with the investees in Mainland China, including price, payment terms, unrealized gain or loss, and other events with significant effects on the operating results and financial condition: None

ATTACHMENT 1 (Financing provided to others for the three-month period ended March 31, 2008)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

| Lender | Counter-party | Financial statement account | Maximum balance for the period | Ending balance | Interest rate | Nature of financing | Amount of sales to (purchases from) counter-party | Reason for financing | Allowance for doubtful accounts | Collateral Item | Value | Limit of financing amount for individual counter-party | Limit of financing amount |
|--------|---------------|-----------------------------|--------------------------------|----------------|---------------|---------------------|---|----------------------|---------------------------------|-----------------|-------|--|---------------------------|
|--------|---------------|-----------------------------|--------------------------------|----------------|---------------|---------------------|---|----------------------|---------------------------------|-----------------|-------|--|---------------------------|

ATTACHMENT 2 (Endorsement/Guarantee provided to others for the three-month period ended March 31, 2008)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

| Guarantor/Guarantor | Receiving party | Relationship | Limit of guarantee/endorsement amount for receiving party | Maximum balance for the period | Ending balance | Amount of collateral guarantee/endorsement | Percentage of accumulated guarantee amount to net assets value from the latest financial statement | Limit of guarantee/endorsement amount |
|---------------------|-----------------|--------------|--|-----------------------------------|----------------|---|--|---|
|---------------------|-----------------|--------------|--|-----------------------------------|----------------|---|--|---|

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ATTACHMENT 3 (Securities held as of March 31, 2008)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

UNITED MICROELECTRONICS CORPORATION

| Type of securities | Name of securities | Relationship | Financial statement account | March 31, 2008 | | | | |
|--------------------|---|------------------|--|--|--------------|-----------------------------|--------------------------------|---------------------------------|
| | | | | Units (thousand)/bonds/shares (thousand) | Book value | Percentage of ownership (%) | Market value/ Net assets value | Shares as collateral (thousand) |
| Stock | PROMOS TECHNOLOGIES INC. | - | Financial assets at fair value through profit or loss, current | 471,400 | \$ 3,502,502 | 7.03 | \$ 3,502,502 | None |
| Stock | ACTION ELECTRONICS CO., LTD. | - | Financial assets at fair value through profit or loss, current | 16,270 | 204,187 | 4.59 | 204,187 | None |
| Stock | MICRONAS SEMICONDUCTOR HOLDING AG | - | Financial assets at fair value through profit or loss, current | 280 | 82,101 | 0.94 | 82,101 | None |
| Stock | CHINA DEVELOPMENT FINANCIAL HOLDING CORP. | - | Financial assets at fair value through profit or loss, current | 22,344 | 312,820 | 0.20 | 312,820 | None |
| Stock | YANG MING MARINE TRANSPORT CORP. | - | Financial assets at fair value through profit or loss, current | 3,280 | 78,559 | 0.14 | 78,559 | None |
| Stock | UMC GROUP (USA) | Investee company | Long-term investments accounted for under the equity method | 16,438 | 1,194,150 | 100.00 | 1,194,150 | None |
| Stock | UNITED MICROELECTRONICS (EUROPE) B.V. | Investee company | Long-term investments accounted for under the equity method | 9 | 294,625 | 100.00 | 287,010 | None |
| Stock | UMC CAPITAL CORP. | Investee company | Long-term investments accounted for under the equity method | 124,000 | 3,672,974 | 100.00 | 3,672,974 | None |
| Stock | UNITED MICROELECTRONICS CORP. (SAMOA) | Investee company | Long-term investments accounted for under the equity method | 680 | 11,481 | 100.00 | 11,481 | None |
| Stock | UMCI LTD. | Investee company | Long-term investments accounted for under the equity method | 880,006 | 137 | 100.00 | 137 | None |
| Stock | TLC CAPITAL CO., LTD. | Investee company | Long-term investments accounted for under the equity method | 628,800 | 7,282,994 | 100.00 | 7,282,994 | None |
| Stock | FORTUNE VENTURE CAPITAL CORP. | Investee company | Long-term investments accounted for under the equity method | 499,994 | 9,131,035 | 99.99 | 9,566,618 | None |
| Stock | UNITED MICRODISPLAY OPTRONICS CORP. | Investee company | Long-term investments accounted for under | 84,093 | 108,001 | 85.24 | 108,001 | None |

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| | | | | | | | | |
|-------|-----------------------------------|------------------|--|--------|-----------|-------|-----------|------|
| Stock | UMC JAPAN | Investee company | the equity method Long-term investments accounted for under the equity method | 496 | 6,534,364 | 50.09 | 1,057,757 | None |
| Stock | PACIFIC VENTURE CAPITAL CO., LTD. | Investee company | Long-term investments accounted for under the equity method | 30,000 | 127,379 | 49.99 | 132,913 | None |
| Stock | MTIC HOLDINGS PTE LTD. | Investee company | Long-term investments accounted for under the equity method | 4,000 | 79,954 | 49.94 | 79,954 | None |
| Fund | MEGA MISSION LIMITED PARTNERSHIP | Investee company | Long-term investments accounted for under the equity method | | 1,950,952 | 45.00 | 1,950,952 | None |
| Stock | UNITECH CAPITAL INC. | Investee company | Long-term investments accounted for under the equity method | 21,000 | 799,226 | 42.00 | 799,226 | None |
| Stock | HSUN CHIEH INVESTMENT CO., LTD. | Investee company | Long-term investments accounted for under the equity method | 33,624 | 3,659,311 | 36.49 | 3,517,004 | None |

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ATTACHMENT 3 (Securities held as of March 31, 2008)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

UNITED MICROELECTRONICS CORPORATION

| Type of securities | Name of securities | Relationship | Financial statement account | March 31, 2008 | | | | |
|--------------------|--------------------------------------|------------------------|---|-------------------------------|------------|-----------------------------|--------------------------------|---------------------------------|
| | | | | Units (thousand)/bonds/shares | Book value | Percentage of ownership (%) | Market value/ Net assets value | Shares as collateral (thousand) |
| Stock | NEXPOWER TECHNOLOGY CORP. | Investee company | Long-term investments accounted for under the equity method | 44,912 | \$ 770,726 | 34.55 | \$ 774,649 | None |
| Stock | UNIMICRON HOLDING LIMITED | Investee company | Long-term investments accounted for under the equity method | 20,000 | 595,793 | 33.78 | 598,177 | None |
| Stock | XGI TECHNOLOGY INC. | Investee company | Long-term investments accounted for under the equity method | 5,868 | 19,461 | 16.40 | 19,461 | None |
| Stock | AMIC TECHNOLOGY CORP. | Investee company | Long-term investments accounted for under the equity method | 15,550 | 31,650 | 11.18 | 56,307 | None |
| Stock | ITE TECH. INC. | - | Available-for-sale financial assets, noncurrent | 22,279 | 2,076,437 | 19.73 | 2,076,437 | None |
| Stock | UNIMICRON TECHNOLOGY CORP. | - | Available-for-sale financial assets, noncurrent | 206,414 | 8,669,383 | 19.53 | 8,669,383 | None |
| Stock | HOLTEK SEMICONDUCTOR INC. | - | Available-for-sale financial assets, noncurrent | 41,086 | 1,881,750 | 18.85 | 1,881,750 | None |
| Stock | UNITED FU SHEN CHEN TECHNOLOGY CORP. | - | Available-for-sale financial assets, noncurrent | 18,460 | 134,759 | 16.60 | 134,759 | None |
| Stock | FARADAY TECHNOLOGY CORP. | - | Available-for-sale financial assets, noncurrent | 56,714 | 3,675,092 | 16.46 | 3,675,092 | None |
| Stock | SILICON INTEGRATED SYSTEMS CORP. | The Company's director | Available-for-sale financial assets, noncurrent | 228,956 | 2,197,976 | 16.24 | 2,197,976 | None |
| Stock | NOVATEK MICROELECTRONICS CORP. | - | Available-for-sale financial assets, noncurrent | 61,274 | 6,801,400 | 11.32 | 6,801,400 | None |
| Stock | C-COM CORP. | - | Available-for-sale financial assets, noncurrent | 1,838 | 31,247 | 4.37 | 31,247 | None |
| Stock | SPRINGSOFT, INC. | - | Available-for-sale financial assets, noncurrent | 8,572 | 339,030 | 4.16 | 339,030 | None |
| Stock | CHIPBOND TECHNOLOGY CORP. | - | Available-for-sale financial assets, noncurrent | 12,584 | 403,935 | 4.05 | 403,935 | None |
| Stock | EPISTAR CORP. | - | Available-for-sale financial assets, noncurrent | 21,005 | 1,778,008 | 3.39 | 1,778,008 | None |
| Stock | | - | | 38,505 | 604,532 | 3.17 | 604,532 | None |

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| | | | | | | | | |
|-------|------------------------------------|---|---|--------|-----------|------|-----------|------|
| | KING YUAN ELECTRONICS CO., LTD. | | Available-for-sale financial assets, noncurrent | | | | | |
| Stock | BILLIONTON SYSTEMS INC. | - | Available-for-sale financial assets, noncurrent | 2,048 | 14,662 | 2.63 | 14,662 | None |
| Stock | TOPOINT TECHNOLOGY CO., LTD. | - | Available-for-sale financial assets, noncurrent | 929 | 56,590 | 0.97 | 56,590 | None |
| Stock | MEGA FINANCIAL HOLDING COMPANY | - | Available-for-sale financial assets, noncurrent | 95,577 | 2,279,507 | 0.86 | 2,279,507 | None |
| Stock | MEDIATEK INC. | - | Available-for-sale financial assets, noncurrent | 5,004 | 2,001,609 | 0.48 | 2,001,609 | None |

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ATTACHMENT 3 (Securities held as of March 31, 2008)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

UNITED MICROELECTRONICS CORPORATION

| Type of securities | Name of securities | Relationship | Financial statement account | March 31, 2008 | | | | |
|-----------------------|--------------------------------------|--------------|---|--|------------|-----------------------------|--------------------------------|---------------------------------|
| | | | | Units (thousand)/bonds/shares (thousand) | Book value | Percentage of ownership (%) | Market value/ Net assets value | Shares as collateral (thousand) |
| Stock | HON HAI PRECISION INDUSTRY CO., LTD. | - | Available-for-sale financial assets, noncurrent | 1,268 | \$ 220,659 | 0.02 | \$ 220,659 | None |
| Fund | VIETNAM INFRASTRUCTURE LTD. | - | Available-for-sale financial assets, noncurrent | 5,000 | 128,642 | | 128,642 | None |
| Stock | PIXTECH, INC. | - | Financial assets measured at cost, noncurrent | 9,883 | | 17.63 | Note | None |
| Stock | UNITED INDUSTRIAL GASES CO., LTD. | - | Financial assets measured at cost, noncurrent | 13,185 | 146,250 | 7.66 | Note | None |
| Stock | INDUSTRIAL BANK OF TAIWAN CORP. | - | Financial assets measured at cost, noncurrent | 118,303 | 1,139,196 | 4.95 | Note | None |
| Stock | SUBTRON TECHNOLOGY CO., LTD. | - | Financial assets measured at cost, noncurrent | 13,774 | 208,746 | 4.29 | Note | None |
| Stock | TECO NANOTECH CO. LTD. | - | Financial assets measured at cost, noncurrent | 9,001 | | 3.73 | Note | None |
| Stock | SINO SWEARINGEN AIRCRAFT CORP. | - | Financial assets measured at cost, noncurrent | 1,124 | | 1.50 | Note | None |
| Stock | TAIWAN AEROSPACE CORP. | - | Financial assets measured at cost, noncurrent | 234 | | 0.17 | Note | None |
| Fund | PACIFIC TECHNOLOGY PARTNERS, L.P. | - | Financial assets measured at cost, noncurrent | | 188,179 | | N/A | None |
| Fund | PACIFIC UNITED TECHNOLOGY, L.P. | - | Financial assets measured at cost, noncurrent | | 144,579 | | N/A | None |
| Stock-Preferred stock | TAIWAN HIGH SPEED RAIL CORP. | - | Financial assets measured at cost, noncurrent | 30,000 | 300,000 | | N/A | None |
| Stock-Preferred stock | MTIC HOLDINGS PTE LTD. | - | Financial assets measured at cost, noncurrent | 4,000 | 85,080 | | N/A | None |
| Stock-Preferred stock | TONBU, INC. | - | Financial assets measured at cost, noncurrent | 938 | | | N/A | None |
| Stock-Preferred stock | AETAS TECHNOLOGY INC. | - | Financial assets measured at cost, noncurrent | 781 | 82,565 | | N/A | None |

ATTACHMENT 3 (Securities held as of March 31, 2008)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

FORTUNE VENTURE CAPITAL CORP.

| Type of securities | Name of securities | Relationship | Financial statement account | March 31, 2008 | | | | |
|-----------------------|----------------------------|-----------------------------|---|-------------------------------|--------------|-----------------------------|-------------------------------|---------------------------------|
| | | | | Units (thousand)/bonds/shares | Book value | Percentage of ownership (%) | Market value/Net assets value | Shares as collateral (thousand) |
| Stock | UNITRUTH INVESTMENT CORP. | Investee company | Long-term investments accounted for under the equity method | 80,000 | \$ 1,002,384 | 100.00 | \$ 1,002,384 | None |
| Stock | UWAVE TECHNOLOGY CORP. | Investee company | Long-term investments accounted for under the equity method | 10,186 | | 44.29 | | None |
| Stock | ANOTO TAIWAN CORP. | Investee company | Long-term investments accounted for under the equity method | 3,920 | 21,958 | 39.20 | 21,958 | None |
| Stock-Preferred stock | AEOVOE INTERNATIONAL LTD. | Investee company | Long-term investments accounted for under the equity method | 3,155 | 12,870 | 38.62 | 12,870 | None |
| Stock | WALTOP INTERNATIONAL CORP. | Investee company | Long-term investments accounted for under the equity method | 6,000 | 118,927 | 26.09 | 67,915 | None |
| Stock | CRYSTAL MEDIA INC. | Investee company | Long-term investments accounted for under the equity method | 4,493 | 32,110 | 24.29 | 32,110 | None |
| Stock | ALLIANCE OPTOTEK CORP. | Investee company | Long-term investments accounted for under the equity method | 5,789 | 52,601 | 20.24 | 45,164 | None |
| Stock | SMEDIA TECHNOLOGY CORP. | Investee company | Long-term investments accounted for under the equity method | 9,045 | 37,977 | 18.99 | 36,412 | None |
| Stock | HIGH POWER LIGHTING CORP. | Investee company | Long-term investments accounted for under the equity method | 4,525 | 34,572 | 18.10 | 25,340 | None |
| Stock | MOBILE DEVICES INC. | Investee company | Long-term investments accounted for under the equity method | 6,853 | 39,396 | 17.23 | 35,763 | None |
| Stock | AMIC TECHNOLOGY CORP. | Investee of UMC and Fortune | Long-term investments accounted for under the equity method | 20,528 | 74,131 | 14.72 | 74,131 | None |
| Stock | XGI TECHNOLOGY INC. | Investee of UMC and | Long-term investments | 4,208 | 10,137 | 11.79 | 13,892 | None |

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| | | Fortune | accounted for under the equity method | | | | | |
|-------|-------------------------------------|---------------------|---|--------|-----------|-------|-----------|------|
| Stock | DAVICOM SEMICONDUCTOR, INC. | - | Available-for-sale financial assets, noncurrent | 12,217 | 763,564 | 15.37 | 763,564 | None |
| Stock | PIXART IMAGING INC. | - | Available-for-sale financial assets, noncurrent | 14,188 | 3,164,011 | 12.12 | 3,164,011 | None |
| Stock | TOPOINT TECHNOLOGY CO., LTD. | - | Available-for-sale financial assets, noncurrent | 1,691 | 102,985 | 1.77 | 102,985 | None |
| Stock | EPISTAR CORP. | - | Available-for-sale financial assets, noncurrent | 4,731 | 402,608 | 0.77 | 402,608 | None |
| Stock | POWERTECH INDUSTRIAL CO., LTD. | - | Available-for-sale financial assets, noncurrent | 595 | 27,801 | 0.56 | 27,801 | None |
| Stock | C SUN MFG LTD. | - | Available-for-sale financial assets, noncurrent | 238 | 4,338 | 0.18 | 4,338 | None |
| Stock | UNITED MICROELECTRONICS CORP. | Investor company | Available-for-sale financial assets, noncurrent | 15,386 | 287,725 | 0.12 | 287,725 | None |

ATTACHMENT 3 (Securities held as of March 31, 2008)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

FORTUNE VENTURE CAPITAL CORP.

| Type of securities | Name of securities | Relationship | Financial statement account | March 31, 2008 | | | | |
|--------------------|--|--------------|---|--|------------|-----------------------------|--------------------------------|---------------------------------|
| | | | | Units (thousand)/bonds/shares (thousand) | Book value | Percentage of ownership (%) | Market value/ Net assets value | Shares as collateral (thousand) |
| Stock | ASROCK INC. | - | Available-for-sale financial assets, noncurrent | 49 | \$ 6,639 | 0.05 | \$ 6,639 | None |
| Convertible bonds | HARVATEK CORP. | - | Financial assets at fair value through profit or loss, noncurrent | 142 | 14,839 | | 14,839 | None |
| Stock | CLIENTRON CORP. (formerly BCOM ELECTRONICS INC.) | - | Financial assets measured at cost, noncurrent | 17,675 | 176,797 | 19.64 | Note | None |
| Stock | STAR SEMICONDUCTOR CORP. | - | Financial assets measured at cost, noncurrent | 3,837 | 35,174 | 18.47 | Note | None |
| Stock | KUN YUAN TECHNOLOGY CO., LTD. | - | Financial assets measured at cost, noncurrent | 9,409 | 94,095 | 16.22 | Note | None |
| Stock | USBEST TECHNOLOGY INC. | - | Financial assets measured at cost, noncurrent | 7,347 | 95,303 | 15.63 | Note | None |
| Stock | AWISE FIBER TECH.CO.,LTD. | - | Financial assets measured at cost, noncurrent | 1,200 | 15,192 | 11.42 | Note | None |
| Stock | CION TECHNOLOGY CORP. | - | Financial assets measured at cost, noncurrent | 2,268 | 10,583 | 11.08 | Note | None |
| Stock | VASTVIEW TECHNOLOGY INC. | - | Financial assets measured at cost, noncurrent | 3,864 | 11,458 | 11.04 | Note | None |
| Stock | UWIZ TECHNOLOGY CO., LTD. | - | Financial assets measured at cost, noncurrent | 4,530 | 50,553 | 10.79 | Note | None |
| Stock | GOLDEN TECHNOLOGY VENTURE CAPITAL INVESTMENT CORP. | - | Financial assets measured at cost, noncurrent | 4,234 | 41,216 | 10.67 | Note | None |
| Stock | AMOD TECHNOLOGY CO., LTD. | - | Financial assets measured at cost, noncurrent | 1,060 | 10,421 | 10.60 | Note | None |
| Stock | EXOJET TECHNOLOGY CORP. | - | Financial assets measured at cost, noncurrent | 2,300 | 23,000 | 10.57 | Note | None |
| Stock | EVERGLORY RESOURCE TECHNOLOGY CO., LTD. | - | Financial assets measured at cost, noncurrent | 2,500 | 21,875 | 10.23 | Note | None |
| Stock | CHIP ADVANCED TECHNOLOGY INC. | - | Financial assets measured at cost, | 3,140 | 22,886 | 10.18 | Note | None |

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| | | | | | | | | |
|-------|--|---|---|--------|---------|-------|------|------|
| Stock | NCTU SPRING I TECHNOLOGY VENTURE CAPITAL INVESTMENT CORP. | - | noncurrent Financial assets measured at cost, noncurrent | 4,284 | 27,160 | 10.06 | Note | None |
| Stock | ADVANCE MATERIALS CORP. | - | Financial assets measured at cost, noncurrent | 11,452 | 109,898 | 9.94 | Note | None |
| Stock | LIGHTUNING TECH. INC. | - | Financial assets measured at cost, noncurrent | 2,660 | 16,663 | 9.93 | Note | None |
| Stock | YAYATECH CO., LTD. | - | Financial assets measured at cost, noncurrent | 1,396 | 42,180 | 9.77 | Note | None |

ATTACHMENT 3 (Securities held as of March 31, 2008)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

FORTUNE VENTURE CAPITAL CORP.

| Type of securities | Name of securities | Relationship | Financial statement account | March 31, 2008 | | | | |
|--------------------|--|--------------|---|--|------------|-----------------------------|--------------------------------|---------------------------------|
| | | | | Units (thousand)/bonds/shares (thousand) | Book value | Percentage of ownership (%) | Market value/ Net assets value | Shares as collateral (thousand) |
| Stock | CHANG-YU TECHNOLOGY CO., LTD. | - | Financial assets measured at cost, noncurrent | 2,153 | \$ 54,325 | 9.43 | Note | None |
| Stock | COTECH, INC. | - | Financial assets measured at cost, noncurrent | 750 | 30,289 | 9.38 | Note | None |
| Stock | ALLEN PRECISION INDUSTRIES CO., LTD. | - | Financial assets measured at cost, noncurrent | 3,000 | 38,400 | 9.32 | Note | None |
| Stock | EXCELLENCE OPTOELECTRONICS INC. | - | Financial assets measured at cost, noncurrent | 8,529 | 85,291 | 9.09 | Note | None |
| Stock | BCOM ELECTRONICS INC. | - | Financial assets measured at cost, noncurrent | 3,600 | 43,200 | 9.00 | Note | None |
| Stock | HITOP COMMUNICATIONS CORP. | - | Financial assets measured at cost, noncurrent | 752 | 15,673 | 8.08 | Note | None |
| Stock | ANDES TECHNOLOGY CORP. | - | Financial assets measured at cost, noncurrent | 5,000 | 62,500 | 7.94 | Note | None |
| Stock | CHINGIS TECHNOLOGY CORP. | - | Financial assets measured at cost, noncurrent | 4,198 | 37,156 | 7.82 | Note | None |
| Stock | SHIN-ETSU HANDOTAI TAIWAN CO., LTD. | - | Financial assets measured at cost, noncurrent | 10,500 | 105,000 | 7.00 | Note | None |
| Stock | ACTI CORP. | - | Financial assets measured at cost, noncurrent | 1,700 | 17,306 | 6.85 | Note | None |
| Stock | RISELINK VENTURE CAPITAL CORP. | - | Financial assets measured at cost, noncurrent | 8,000 | 76,640 | 6.67 | Note | None |
| Stock | NCTU SPRING VENTURE CAPITAL CO., LTD. | - | Financial assets measured at cost, noncurrent | 2,000 | 7,000 | 6.28 | Note | None |
| Stock | COSMOS TECHNOLOGY VENTURE CAPITAL INVESTMENT CORP. | - | Financial assets measured at cost, noncurrent | 1,490 | 6,605 | 5.03 | Note | None |
| Stock | PARAWIN VENTURE CAPITAL CORP. | - | Financial assets measured at cost, noncurrent | 5,000 | 41,900 | 5.00 | Note | None |
| Stock | EUTECH MICROELECTRONICS INC. | - | Financial assets measured at cost, noncurrent | 1,700 | 59,500 | 4.95 | Note | None |
| Stock | LUMITEK CORP. | - | | 1,750 | 32,000 | 4.86 | Note | None |

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| | | | | | | | | |
|-------|-------------------------------|---|---|-------|--------|------|------|------|
| Stock | EE SOLUTIONS, INC. | - | Financial assets measured at cost, noncurrent | 1,391 | 22,178 | 4.80 | Note | None |
| Stock | JMICRON TECHNOLOGY CORP. | - | Financial assets measured at cost, noncurrent | 1,837 | 30,060 | 4.67 | Note | None |
| Stock | GIGA SOLUTION TECH. CO., LTD. | - | Financial assets measured at cost, noncurrent | 4,245 | 26,742 | 4.56 | Note | None |

ATTACHMENT 3 (Securities held as of March 31, 2008)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

FORTUNE VENTURE CAPITAL CORP.

| Type of securities | Name of securities | Relationship | Financial statement account | March 31, 2008 | | | | |
|--------------------|---|--------------|---|--|------------|-----------------------------|--------------------------------|---------------------------------|
| | | | | Units (thousand)/bonds/shares (thousand) | Book value | Percentage of ownership (%) | Market value/ Net assets value | Shares as collateral (thousand) |
| Stock | TRENDCHIP TECHNOLOGIES CORP. | - | Financial assets measured at cost, noncurrent | 1,220 | \$ 14,736 | 4.09 | Note | None |
| Stock | IBT VENTURE CORP. | - | Financial assets measured at cost, noncurrent | 4,569 | 45,685 | 3.81 | Note | None |
| Stock | SIMPAL ELECTRONICS CO., LTD. | - | Financial assets measured at cost, noncurrent | 6,009 | 70,179 | 3.62 | Note | None |
| Stock | BEYOND INNOVATION TECHNOLOGY CO., LTD. | - | Financial assets measured at cost, noncurrent | 1,183 | 14,165 | 3.50 | Note | None |
| Stock | SUBTRON TECHNOLOGY CO., LTD. | - | Financial assets measured at cost, noncurrent | 11,143 | 131,806 | 3.47 | Note | None |
| Stock | UNIDISPLAY INC. | - | Financial assets measured at cost, noncurrent | 3,000 | 30,000 | 3.33 | Note | None |
| Stock | ANIMATION TECHNOLOGIES INC. | - | Financial assets measured at cost, noncurrent | 1,480 | 9,472 | 3.16 | Note | None |
| Stock | SUPERALLOY INDUSTRIAL CO., LTD. | - | Financial assets measured at cost, noncurrent | 5,400 | 225,000 | 3.06 | Note | None |
| Stock | MEMOCOM CORP. | - | Financial assets measured at cost, noncurrent | 1,225 | 8,195 | 3.02 | Note | None |
| Stock | SHENG-HUA VENTURE CAPITAL CORP. | - | Financial assets measured at cost, noncurrent | 750 | 4,950 | 2.50 | Note | None |
| Stock | HIGH POWER OPTOELECTRONICS, INC. | - | Financial assets measured at cost, noncurrent | 1,500 | 15,000 | 1.81 | Note | None |
| Stock | TAIMIDE TECHNOLOGY INC. | - | Financial assets measured at cost, noncurrent | 1,500 | 16,095 | 1.70 | Note | None |
| Stock | INPAQ TECHNOLOGY CO., LTD. | - | Financial assets measured at cost, noncurrent | 1,500 | 72,975 | 1.58 | Note | None |
| Stock | RALINK TECHNOLOGY CORP. | - | Financial assets measured at cost, noncurrent | 1,378 | 14,710 | 1.39 | Note | None |
| Fund | CRYSTAL INTERNET VENTURE FUND II(BVI), L.P. | - | Financial assets measured at cost, noncurrent | | 9,124 | 1.09 | N/A | None |
| Stock | | - | | 4,610 | 41,490 | 1.02 | Note | None |

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| | | | | | | | | |
|-----------------------|---|---|---|-------|--------|------|------|------|
| | FIRST INTERNATIONAL TELECOM CORP. | | Financial assets measured at cost, noncurrent | | | | | |
| Stock | ADVANCED CHIP ENGINEERING TECHNOLOGY INC. | - | Financial assets measured at cost, noncurrent | 2,290 | 24,419 | 1.02 | Note | None |
| Stock | PRINTECH INTERNATIONAL INC. | - | Financial assets measured at cost, noncurrent | 162 | 737 | 0.91 | Note | None |
| Stock | ASIA PACIFIC MICROSYSTEMS, INC. | - | Financial assets measured at cost, noncurrent | 1,162 | 9,739 | 0.66 | Note | None |
| Stock | WAVEPLUS TECHNOLOGY CO., LTD. | - | Financial assets measured at cost, noncurrent | 4 | | 0.40 | Note | None |
| Fund | IGLOBE PARTNERS FUND, L.P. | - | Financial assets measured at cost, noncurrent | | 37,351 | | N/A | None |
| Stock-Preferred stock | AURORA SYSTEMS, INC. | - | Financial assets measured at cost, noncurrent | 5,133 | 59,317 | | N/A | None |
| Stock-Preferred stock | ALPHA & OMEGA SEMICONDUCTOR LTD. | - | Financial assets measured at cost, noncurrent | 1,500 | 46,313 | | N/A | None |

ATTACHMENT 3 (Securities held as of March 31, 2008)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

TLC CAPITAL CO., LTD.

| Type of securities | Name of securities | Relationship | Financial statement account | March 31, 2008 | | | | |
|--------------------|--|------------------|---|--|------------|-----------------------------|--------------------------------|---------------------------------|
| | | | | Units (thousand)/bonds/shares (thousand) | Book value | Percentage of ownership (%) | Market value/ Net assets value | Shares as collateral (thousand) |
| Fund | FGIT GLOBAL REALTY & INFRASTRUCTURE FUND | - | Financial assets at fair value through profit or loss, current | 500 | \$ 3,960 | | \$ 3,960 | None |
| Convertible bonds | CAREER TECHNOLOGY (MFG.) CO., LTD. | - | Financial assets at fair value through profit or loss, noncurrent | 70 | 6,720 | | 6,720 | None |
| Convertible bonds | HARVATEK CORP. | - | Financial assets at fair value through profit or loss, noncurrent | 261 | 27,275 | | 27,275 | None |
| Stock | YUNG LI INVESTMENTS, INC. | Investee company | Long-term investments accounted for under the equity method | 0.28 | 269,293 | 45.16 | 269,293 | None |
| Fund | CTC CAPITAL PARTNERS I, L.P. | Investee company | Long-term investments accounted for under the equity method | | 136,930 | 32.11 | 136,930 | None |
| Stock | SMEDIA TECHNOLOGY CORP. | Investee company | Long-term investments accounted for under the equity method | 7,084 | 99,574 | 14.87 | 28,520 | None |
| Stock | RECHI PRECISION CO., LTD. | - | Available-for-sale financial assets, noncurrent | 20,768 | 300,103 | 5.70 | 300,103 | None |
| Stock | TOPOINT TECHNOLOGY CO., LTD. | - | Available-for-sale financial assets, noncurrent | 4,632 | 282,100 | 4.85 | 282,100 | None |
| Stock | SERCOMM CORP. | - | Available-for-sale financial assets, noncurrent | 6,423 | 202,309 | 4.11 | 202,309 | None |
| Stock | SIMPLO TECHNOLOGY CO., LTD. | - | Available-for-sale financial assets, noncurrent | 5,500 | 814,000 | 2.96 | 814,000 | None |
| Stock | POWERTECH INDUSTRIAL CO., LTD. | - | Available-for-sale financial assets, noncurrent | 1,843 | 86,072 | 1.75 | 86,072 | None |
| Stock | EPISTAR CORP. | - | Available-for-sale financial assets, noncurrent | 10,256 | 872,709 | 1.67 | 872,709 | None |
| Stock | MITAC TECHNOLOGY CORP. | - | Available-for-sale financial assets, noncurrent | 6,000 | 146,400 | 1.13 | 146,400 | None |
| Stock | DARFON ELECTRONICS CORP. | - | Available-for-sale financial assets, noncurrent | 2,900 | 218,660 | 1.05 | 218,660 | None |
| Stock | CORETRONIC CORP. | - | Available-for-sale financial assets, noncurrent | 6,127 | 219,969 | 0.88 | 219,969 | None |

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| | | | | | | | | |
|-------|---------------------------------|---|---|-------|--------|------|--------|------|
| Stock | AVERMEDIA TECHNOLOGIES, INC. | - | Available-for-sale financial assets, noncurrent | 1,600 | 84,800 | 0.80 | 84,800 | None |
|-------|---------------------------------|---|---|-------|--------|------|--------|------|

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ATTACHMENT 3 (Securities held as of March 31, 2008)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

TLC CAPITAL CO., LTD.

| | | | | | | | | | March 31, 2008 | | |
|-----------------------|---------------------------------------|--------------|---|--------------------------|------------|-----------------------------|--------------------------------|---------------------------------|----------------|--|--|
| Type of securities | Name of securities | Relationship | Financial statement account | Units (thousand)/ | | Percentage of ownership (%) | Market value/ Net assets value | Shares as collateral (thousand) | | | |
| | | | | bonds/ shares (thousand) | Book value | | | | | | |
| Stock | KING YUAN ELECTRONICS CO., LTD. | - | Available-for-sale financial assets, noncurrent | 9,000 | \$ 141,300 | 0.74 | \$ 141,300 | None | | | |
| Stock | HORIZON SECURITIES CO., LTD. | - | Available-for-sale financial assets, noncurrent | 2,841 | 51,138 | 0.66 | 51,138 | None | | | |
| Stock | INPAQ TECHNOLOGY CO., LTD. | - | Available-for-sale financial assets, noncurrent | 529 | 24,798 | 0.56 | 24,798 | None | | | |
| Stock | TRIDENT MICROSYSTEMS, INC. | - | Available-for-sale financial assets, noncurrent | 250 | 39,063 | 0.42 | 39,063 | None | | | |
| Stock | CYNTEC CO., LTD. | - | Available-for-sale financial assets, noncurrent | 763 | 27,697 | 0.42 | 27,697 | None | | | |
| Stock | HUNG SHENG CONSTRUCTION LTD. | - | Available-for-sale financial assets, noncurrent | 2,071 | 67,929 | 0.37 | 67,929 | None | | | |
| Stock | TATUNG CO. | - | Available-for-sale financial assets, noncurrent | 11,622 | 227,791 | 0.26 | 227,791 | None | | | |
| Stock | ASROCK INC. | - | Available-for-sale financial assets, noncurrent | 202 | 27,371 | 0.20 | 27,371 | None | | | |
| Stock | YULON MOTOR CO., LTD. | - | Available-for-sale financial assets, noncurrent | 560 | 24,747 | 0.04 | 24,747 | None | | | |
| Stock | SHIN KONG FINANCIAL HOLDING CO., LTD. | - | Available-for-sale financial assets, noncurrent | 1,146 | 26,137 | 0.02 | 26,137 | None | | | |
| Stock | CATHAY FINANCIAL HOLDING CO., LTD. | - | Available-for-sale financial assets, noncurrent | 750 | 58,125 | 0.01 | 58,125 | None | | | |
| Stock | UNIDISPLAY INC. | - | Financial assets measured at cost, noncurrent | 10,000 | 100,000 | 11.11 | Note | None | | | |
| Stock-Preferred stock | TOUCH MEDIA INTERNATIONAL HOLDINGS | - | Financial assets measured at cost, noncurrent | 4,126 | 160,355 | | Note | None | | | |
| Stock | SUPERALLOY INDUSTRIAL CO., LTD. | - | Financial assets measured at cost, noncurrent | 11,502 | 479,250 | 6.51 | Note | None | | | |
| Stock | ASIA PACIFIC MICROSYSTEMS, INC. | - | Financial assets measured at cost, noncurrent | 10,000 | 100,000 | 5.67 | Note | None | | | |
| Stock | | - | | 2,500 | 121,625 | 2.63 | Note | None | | | |

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| | | | | | | | | | |
|-------|----------------------------------|---|---|-------|--------|------|------|------|--|
| | INPAQ TECHNOLOGY CO., LTD. | | Financial assets measured at cost, noncurrent | | | | | | |
| Stock | CANDO CORP. | - | Financial assets measured at cost, noncurrent | 3,000 | 30,000 | 0.43 | Note | None | |
| Stock | RALINK TECHNOLOGY CORP. | - | Financial assets measured at cost, noncurrent | 74 | 7,980 | 0.07 | Note | None | |

Note : The net assets values for unlisted investees classified as Financial assets measured at cost, noncurrent were not available as of March 31, 2008.

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ATTACHMENT 3 (Securities held as of March 31, 2008)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

UNITRUTH INVESTMENT CORP.

| Type of securities | Name of securities | Relationship | Financial statement account | March 31, 2008 | | | | |
|--------------------|---------------------------------|-----------------------------|---|--|------------|-----------------------------|--------------------------------|---------------------------------|
| | | | | Units (thousand)/bonds/shares (thousand) | Book value | Percentage of ownership (%) | Market value/ Net assets value | Shares as collateral (thousand) |
| Stock | SMEDIA TECHNOLOGY CORP. | Investee company | Long-term investments accounted for under the equity method | 5,241 | \$ 27,966 | 11.00 | \$ 21,098 | None |
| Stock | WALTOP INTERNATIONAL CORP. | Investee company | Long-term investments accounted for under the equity method | 2,000 | 39,642 | 8.70 | 22,638 | None |
| Stock | CRYSTAL MEDIA INC. | Investee company | Long-term investments accounted for under the equity method | 1,587 | 11,341 | 8.58 | 11,341 | None |
| Stock | ALLIANCE OPTOTEK CORP. | Investee company | Long-term investments accounted for under the equity method | 2,150 | 19,538 | 7.52 | 16,775 | None |
| Stock | HIGH POWER LIGHTING CORP. | Investee company | Long-term investments accounted for under the equity method | 1,225 | 9,359 | 4.90 | 6,860 | None |
| Stock | UWAVE TECHNOLOGY CORP. | Investee company | Long-term investments accounted for under the equity method | 1,000 | | 4.35 | | None |
| Stock | MOBILE DEVICES INC. | Investee company | Long-term investments accounted for under the equity method | 1,700 | 8,872 | 4.28 | 8,872 | None |
| Stock | XGI TECHNOLOGY INC. | Investee of UMC and Fortune | Long-term investments accounted for under the equity method | 1,179 | 3,893 | 3.30 | 3,893 | None |
| Stock | TOPOINT TECHNOLOGY CO., LTD. | - | Available-for-sale financial assets, noncurrent | 929 | 56,590 | 0.97 | 56,590 | None |
| Stock | POWERTECH INDUSTRIAL CO., LTD. | - | Available-for-sale financial assets, noncurrent | 695 | 32,434 | 0.66 | 32,434 | None |
| Stock | ASROCK INC. | - | Available-for-sale financial assets, noncurrent | 49 | 6,640 | 0.05 | 6,640 | None |
| Stock | AMOD TECHNOLOGY CO., LTD. | - | Financial assets measured at cost, noncurrent | 930 | 7,920 | 9.30 | Note | None |
| Stock | COTECH, INC. | - | Financial assets measured at cost, noncurrent | 738 | 29,804 | 9.23 | Note | None |
| Stock | AWISE FIBER TECH.CO.,LTD. | - | Financial assets measured at cost, noncurrent | 860 | 10,888 | 8.18 | Note | None |
| Stock | UWIZ TECHNOLOGY CO., LTD. | - | Financial assets measured at cost, noncurrent | 3,410 | 39,593 | 8.12 | Note | None |
| Stock | YAYATECH CO., LTD. | - | Financial assets measured at cost, noncurrent | 988 | 40,415 | 6.92 | Note | None |
| Stock | EXCELLENCE OPTOELECTRONICS INC. | - | Financial assets measured at cost, noncurrent | 6,374 | 63,739 | 6.80 | Note | None |
| Stock | | - | | 2,010 | 25,850 | 5.74 | Note | None |

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| | | | | | | | | | |
|-------|---|---|---|-------|--------|------|------|------|--|
| | VASTVIEW TECHNOLOGY INC. | | Financial assets measured at cost, noncurrent | | | | | | |
| Stock | LIGHTNING TECH. INC. | - | Financial assets measured at cost, noncurrent | 1,504 | 18,542 | 5.61 | Note | None | |
| Stock | ADVANCE MATERIALS CORP. | - | Financial assets measured at cost, noncurrent | 5,806 | 62,427 | 5.04 | Note | None | |
| Stock | EVERGLORY RESOURCE TECHNOLOGY CO., LTD. | - | Financial assets measured at cost, noncurrent | 1,200 | 10,500 | 4.91 | Note | None | |
| Stock | EE SOLUTIONS, INC. | - | Financial assets measured at cost, noncurrent | 1,391 | 14,755 | 4.80 | Note | None | |
| Stock | CHINGIS TECHNOLOGY CORP. | - | Financial assets measured at cost, noncurrent | 2,518 | 31,218 | 4.69 | Note | None | |

ATTACHMENT 3 (Securities held as of March 31, 2008)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

UNITRUTH INVESTMENT CORP.

| Type of securities | Name of securities | Relationship | Financial statement account | March 31, 2008 | | | | |
|--------------------|---------------------------------|--------------|---|--|------------|-----------------------------|--------------------------------|---------------------------------|
| | | | | Units (thousand)/bonds/shares (thousand) | Book value | Percentage of ownership (%) | Market value/ Net assets value | Shares as collateral (thousand) |
| Stock | CHIP ADVANCED TECHNOLOGY INC. | - | Financial assets measured at cost, noncurrent | 1,386 | \$ 3,059 | 4.49 | Note | None |
| Stock | EXOJET TECHNOLOGY CORP. | - | Financial assets measured at cost, noncurrent | 850 | 8,500 | 3.91 | Note | None |
| Stock | TRENDCHIP TECHNOLOGIES CORP. | - | Financial assets measured at cost, noncurrent | 1,138 | 13,747 | 3.81 | Note | None |
| Stock | BCOM ELECTRONICS INC. | - | Financial assets measured at cost, noncurrent | 1,495 | 17,941 | 3.74 | Note | None |
| Stock | ACTI CORP. | - | Financial assets measured at cost, noncurrent | 740 | 11,100 | 2.98 | Note | None |
| Stock | UNIDISPLAY INC. | - | Financial assets measured at cost, noncurrent | 2,000 | 20,000 | 2.22 | Note | None |
| Stock | LUMITEK CORP. | - | Financial assets measured at cost, noncurrent | 750 | 13,714 | 2.08 | Note | None |
| Stock | MEMOCOM CORP. | - | Financial assets measured at cost, noncurrent | 695 | 4,650 | 1.72 | Note | None |
| Stock | USBEST TECHNOLOGY INC. | - | Financial assets measured at cost, noncurrent | 660 | 7,145 | 1.40 | Note | None |
| Stock | CHANG-YU TECHNOLOGY CO., LTD. | - | Financial assets measured at cost, noncurrent | 315 | 7,950 | 1.38 | Note | None |
| Stock | RALINK TECHNOLOGY CORP. | - | Financial assets measured at cost, noncurrent | 1,365 | 14,570 | 1.38 | Note | None |
| Stock | GIGA SOLUTION TECH. CO., LTD. | - | Financial assets measured at cost, noncurrent | 1,222 | 7,698 | 1.31 | Note | None |
| Stock | STAR SEMICONDUCTOR CORP. | - | Financial assets measured at cost, noncurrent | 260 | 2,193 | 1.25 | Note | None |
| Stock | JMICRON TECHNOLOGY CORP. | - | Financial assets measured at cost, noncurrent | 385 | 2,310 | 0.98 | Note | None |
| Stock | SUPERALLOY INDUSTRIAL CO., LTD. | - | Financial assets measured at cost, noncurrent | 1,728 | 72,000 | 0.98 | Note | None |
| Stock | | - | | 162 | 737 | 0.91 | Note | None |

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| | | | | | | | | |
|--------------------------|---|---|---|-------|--------|------|------|------|
| | PRINTECH INTERNATIONAL INC. | | Financial assets measured at cost, noncurrent | | | | | |
| Stock | HIGH POWER OPTOELECTRONICS, INC. | - | Financial assets measured at cost, noncurrent | 500 | 5,000 | 0.60 | Note | None |
| Stock | ASIA PACIFIC MICROSYSTEMS, INC. | - | Financial assets measured at cost, noncurrent | 604 | 5,064 | 0.34 | Note | None |
| Stock-Preferred stock | ALLEN PRECISION INDUSTRIES CO., LTD. | - | Financial assets measured at cost, noncurrent | 2,000 | 20,000 | | N/A | None |

ATTACHMENT 3 (Securities held as of March 31, 2008)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

UNITED MICRODISPLAY OPTRONICS CORP.

| Type of securities | Name of securities | Relationship | Financial statement account | March 31, 2008 | | | | |
|--------------------|--------------------|------------------|---|--|------------|-----------------------------|--------------------------------|---------------------------------|
| | | | | Units (thousand)/bonds/shares (thousand) | Book value | Percentage of ownership (%) | Market value/ Net assets value | Shares as collateral (thousand) |
| Stock | UMO(HK) LIMITED | Investee company | Long-term investments accounted for under the equity method | 15,600 | \$ 3,087 | 100.00 | \$ 3,087 | None |

UMC CAPITAL CORP.

| Type of securities | Name of securities | Relationship | Financial statement account | March 31, 2008 | | | | |
|----------------------------|-----------------------------------|------------------|---|--|------------|-----------------------------|--------------------------------|---------------------------------|
| | | | | Units (thousand)/bonds/shares (thousand) | Book value | Percentage of ownership (%) | Market value/ Net assets value | Shares as collateral (thousand) |
| Stock | UMC CAPITAL (USA) | Investee company | Long-term investments accounted for under the equity method | 200 | USD 372 | 100.00 | USD 372 | None |
| Stock | ECP VITA LTD. | Investee company | Long-term investments accounted for under the equity method | 1,000 | USD 2,311 | 100.00 | USD 2,311 | None |
| Stock-Preferred stock | ACHIEVE MADE INTERNATIONAL LTD. | Investee company | Long-term investments accounted for under the equity method | 508 | USD 728 | 43.29 | USD 195 | None |
| Fund | UC FUND II | Investee company | Long-term investments accounted for under the equity method | 5,000 | USD 4,241 | 35.45 | USD 4,241 | None |
| Fund | TRANSLINK CAPITAL PARTNERS I L.P. | Investee company | Long-term investments accounted for under the equity method | | USD 1,760 | 18.05 | USD 1,760 | None |
| Stock | INTELLON CORP. | - | Available-for-sale financial assets, noncurrent | 1,233 | USD 5,981 | 4.12 | USD 5,981 | None |
| Stock | RUBICON TECHNOLOGY, INC. | - | Available-for-sale financial assets, noncurrent | 275 | USD 7,970 | 1.43 | USD 7,970 | None |
| American Depositary Shares | SPREADTRUM COMMUNICATIONS, INC. | - | Available-for-sale financial assets, noncurrent | 236 | USD 2,049 | 0.57 | USD 2,049 | None |
| American Depositary Shares | CHUNGHWA TELECOM CO., LTD. | - | Available-for-sale financial assets, noncurrent | 75 | USD 1,951 | 0.01 | USD 1,951 | None |
| Stock | PATENTOP, LTD. | - | Financial assets measured at cost, noncurrent | 720 | | 18.00 | Note | None |
| Stock | CIPHERMAX, INC. | - | Financial assets measured at cost, noncurrent | 95 | USD 1,281 | | Note | None |

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| | | | | | | | |
|-----------------------|-----------------------------|---|---|--------|-----------|------|------|
| Stock-Preferred stock | AICENT, INC. | - | Financial assets measured at cost, noncurrent | 2,000 | USD 1,000 | N/A | None |
| Stock | SILICON 7, INC. | - | Financial assets measured at cost, noncurrent | 1,866 | | Note | None |
| Stock-Preferred stock | GCT SEMICONDUCTOR, INC. | - | Financial assets measured at cost, noncurrent | 1,571 | USD 1,000 | N/A | None |
| Stock-Preferred stock | FORTEMEDIA, INC. | - | Financial assets measured at cost, noncurrent | 10,233 | USD 4,322 | N/A | None |
| Stock | MAGNACHIP SEMICONDUCTOR LLC | - | Financial assets measured at cost, noncurrent | 31 | USD 1,094 | Note | None |

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ATTACHMENT 3 (Securities held as of March 31, 2008)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

UMC CAPITAL CORP.

| | | March 31, 2008 | | | | | | |
|-----------------------|----------------------------------|----------------|---|--|------------|-----------------------------|-------------------------------|---------------------------------|
| Type of securities | Name of securities | Relationship | Financial statement account | Units (thousand)/bonds/shares (thousand) | Book value | Percentage of ownership (%) | Market value/Net assets value | Shares as collateral (thousand) |
| Stock-Preferred stock | MAXLINEAR, INC. | - | Financial assets measured at cost, noncurrent | 2,070 | USD 4,052 | | N/A | None |
| Stock-Preferred stock | SMART VANGUARD LTD. | - | Financial assets measured at cost, noncurrent | 5,750 | USD 6,500 | | N/A | None |
| Stock-Preferred stock | WISAIR, INC. | - | Financial assets measured at cost, noncurrent | 153 | USD 1,596 | | N/A | None |
| Stock-Preferred stock | AMALFI SEMICONDUCTOR, INC. | - | Financial assets measured at cost, noncurrent | 1,471 | USD 1,500 | | N/A | None |
| Stock-Preferred stock | DIBCOM, INC. | - | Financial assets measured at cost, noncurrent | 10 | USD 1,186 | | N/A | None |
| Convertible bonds | DIBCOM, INC. | - | Financial assets measured at cost, noncurrent | 3 | USD 506 | | N/A | None |
| Stock-Preferred stock | EAST VISION TECHNOLOGY LTD. | - | Financial assets measured at cost, noncurrent | 2,770 | USD 4,820 | | N/A | None |
| Stock-Preferred stock | ALPHA & OMEGA SEMICONDUCTOR LTD. | - | Financial assets measured at cost, noncurrent | 650 | USD 1,462 | | N/A | None |
| Stock-Preferred stock | AURORA SYSTEMS, INC. | - | Financial assets measured at cost, noncurrent | 550 | USD 242 | | N/A | None |
| Stock-Preferred stock | VERIPRECISE TECHNOLOGY, INC. | - | Financial assets measured at cost, noncurrent | 4,000 | USD 4,000 | | N/A | None |
| Stock-Preferred stock | PACTRUST COMMUNICATION, INC. | - | Financial assets measured at cost, noncurrent | 4,850 | USD 4,850 | | N/A | None |
| Stock-Preferred stock | LUMINUS DEVICES, INC. | - | Financial assets measured at cost, noncurrent | 477 | USD 3,000 | | N/A | None |
| Stock-Preferred stock | REALLUSION (CAYMAN) HOLDING INC. | - | Financial assets measured at cost, noncurrent | 1,800 | USD 555 | | N/A | None |
| Stock-Preferred stock | FORCE10 NETWORKS, INC. | - | Financial assets measured at cost, noncurrent | 4,373 | USD 4,500 | | N/A | None |
| Stock-Preferred stock | QSECURE, INC. | - | Financial assets measured at cost, noncurrent | 14,355 | USD 3,558 | | N/A | None |
| | | - | | 5,099 | USD 2,000 | | N/A | None |

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| | | | | | | | | |
|-----------------------|------------------------------------|---|---|-----------|-------|--|-----|------|
| Stock-Preferred stock | VISAGE MOBILE INC. | | Financial assets measured at cost, noncurrent | | | | | |
| Fund | VENGLOBAL CAPITAL FUND III, L.P. | - | Financial assets measured at cost, noncurrent | USD | 712 | | N/A | None |
| Fund | DEXON DYNAMIC INVESTMENT FUND VIII | - | Financial assets measured at cost, noncurrent | 9 USD | 9,000 | | N/A | None |
| Stock-Preferred stock | PARADE TECHNOLOGIES, LTD. | - | Financial assets measured at cost, noncurrent | 3,125 USD | 1,459 | | N/A | None |

ATTACHMENT 3 (Securities held as of March 31, 2008)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

UMC CAPITAL CORP.

| Type of securities | Name of securities | Relationship | Financial statement account | March 31, 2008 | | Percentage of ownership (%) | Market value/Net assets value | Shares as collateral (thousand) |
|-----------------------|-----------------------------------|--------------|---|-------------------------------|------------|-----------------------------|-------------------------------|---------------------------------|
| | | | | Units (thousand)/bonds/shares | Book value | | | |
| Stock-Preferred stock | SIFOTONICS TECHNOLOGIES CO., LTD. | - | Financial assets measured at cost, noncurrent | 1,000 | USD 500 | | N/A | None |
| Stock | KOTURA, INC. | - | Financial assets measured at cost, noncurrent | 0.59 | | | Note | None |
| Stock-Preferred stock | ZYLOGIC SEMICONDUCTOR CORP. | - | Financial assets measured at cost, noncurrent | 750 | | | N/A | None |

Note : The net assets values for unlisted investees classified as Financial assets measured at cost, noncurrent were not available as of March 31, 2008.

ATTACHMENT 4 (Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$100 million or 20 percent of the capital stock for the three-month period ended March 31, 2008)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

UNITED MICROELECTRONICS CORPORATION

| Name of the securities | Financial statement account | Counter-party | Relationship | Beginning balance | | Addition | | Disposal | | Gain (Loss) from disposal | Ending balance |
|------------------------|-----------------------------|---------------|--------------|--|----------------|--|-------------------|--|-----------------|---------------------------|----------------|
| | | | | Units (thousand)/bonds/shares (thousand) | Amount (Note1) | Units (thousand)/bonds/shares (thousand) | Amount (thousand) | Units (thousand)/bonds/shares (thousand) | Amount (Note 2) | | |
| MEDIATEK INC. | Available-for-sale | Open market | | 6,552 | \$ 2,758,402 | | \$ 1,548 | \$ 632,334 | \$ 15,249 | \$ 616,100 | 5,004 |

(Note3)

Note 1: The amounts of beginning and ending balances of financial assets at fair value through profit or loss and available for sale are recorded at the prevailing market prices.

Note 2: The disposal cost represents historical cost.

Note 3: Gain from disposal includes a percentage of sale securities write-off capital exchange 985 thousand dollars.

ATTACHMENT 4 (Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$100 million or 20 percent of the capital stock for the three-month period ended March 31, 2008)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

TLC CAPITAL CO., LTD.

| Name of the securities | Financial statement account | Counter-party | Relationship | Beginning balance | | Addition | | Disposal | | Gain (Loss) from disposal | Ending Units (thousand) bonds/shares | |
|--|---|------------------------------------|--------------|---|----------------|---|---------|---|---------------------|---------------------------|--------------------------------------|------|
| | | | | Units (thousand)/ bonds/shares (thousand) | Amount (Note1) | Units (thousand)/ bonds/shares (thousand) | Amount | Units (thousand)/ bonds/shares (thousand) | Amount Cost (Note2) | | | |
| TATUNG CO. | Available-for-sale financial assets, noncurrent | Open market | | 26,152 | \$ 411,894 | | \$ | 14,530 | \$ 253,397 | \$ 178,832 | \$ 74,565 | 11,6 |
| red TOUCH MEDIA INTERNATIONAL HOLDINGS | Financial assets measured at cost, noncurrent | TOUCH MEDIA INTERNATIONAL HOLDINGS | | | | 4,126 | 160,355 | | | | | 4,1 |

Note 1: The amounts of beginning and ending balances of financial assets at fair value through profit or loss and available for sale are recorded at the prevailing market prices.

Note 2: The disposal cost represents historical cost.

ATTACHMENT 5 (Acquisition of individual real estate with amount exceeding the lower of NT\$100 million or 20 percent of the capital stock for the three-month period ended March 31, 2008)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

UNITED MICROELECTRONICS CORPORATION

| Name of properties | Transaction date | Transaction amount | Payment status | Counter-party | Relationship | Where counter-party is a related party, details of prior transactions | | Date of transaction | Transaction amount | Price reference | Date of acquisition and status of utilization | Other commitments |
|--------------------|------------------|--------------------|----------------|---------------|--------------|---|---|---------------------|--------------------|-----------------|---|-------------------|
| | | | | | | Former holder of property | Relationship between former holder and acquirer of property | | | | | |
| None | | | | | | | | | | | | |

ATTACHMENT 6 (Disposal of individual real estate with amount exceeding the lower of NT\$100 million or 20 percent of the capital stock for the three-month period ended March 31, 2008)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

UNITED MICROELECTRONICS CORPORATION

| Names of properties | Transaction date | Date of original acquisition | Book value | Transaction amount | Status of proceeds collection | Gain (Loss) from disposal | Counter-party | Relationship | Reason of disposal | Price reference | Other commitments |
|---------------------|------------------|------------------------------|------------|--------------------|-------------------------------|---------------------------|---------------|--------------|--------------------|-----------------|-------------------|
| None | | | | | | | | | | | |

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ATTACHMENT 7 (Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of capital stock for the three-month period ended March 31, 2008)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

UNITED MICROELECTRONICS CORPORATION

| Related party | Relationship | Purchases (Sales) | Amount | Transactions Percentage of total purchases (sales) (%) | Term | Details of non-arm's length transaction | | Notes and accounts receivable (payable) | | Note |
|---|---------------------------|----------------------|---------------|--|-------------------|---|------|--|--|------|
| | | | | | | Unit price | Term | Balance | Percentage of total receivables (%) | |
| UMC GROUP (USA) | Investee company | Sales | \$ 14,099,240 | 59 | Net 60 Days | N/A | N/A | \$ 6,772,020 | 49 | |
| UNITED MICROELECTRONICS (EUROPE) B.V. | Investee company | Sales | 2,739,063 | 11 | Net 60 Days | N/A | N/A | 1,788,979 | 13 | |
| SILICON INTEGRATED SYSTEMS CORP. | The Company's director | Sales | 499,627 | 2 | Month-end 45 Days | N/A | N/A | 379,872 | 3 | |
| UMC JAPAN | Investee company | Sales | 441,389 | 2 | Net 60 Days | N/A | N/A | 254,554 | 2 | |

UNITED MICROELECTRONICS (EUROPE) B.V.

| Related party | Relationship | Purchases (Sales) | Amount (thousand) | Transactions Percentage of total purchases (sales) (%) | Term | Details of non-arm's length transaction | | Notes and accounts receivable (payable) | | Note |
|---|------------------|----------------------|----------------------|--|-------------|---|------|--|--|------|
| | | | | | | Unit price | Term | Balance (thousand) | Percentage of total receivables (%) | |
| UNITED MICROELECTRONICS CORPORATION | Investor company | Purchases | USD 86,419 | 100 | Net 60 Days | N/A | N/A | USD 58,963 | 100 | |

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ATTACHMENT 7 (Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of capital stock for the three-month period ended March 31, 2008)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

UMC GROUP (USA)

| Related party | Relationship | Purchases (Sales) | Amount (thousand) | Transactions Percentage of total purchases (sales) (%) | Term | Details of non-arm's length transaction | | Notes and accounts receivable (payable) | | Note |
|---|------------------|----------------------|----------------------|--|-------------|---|------|--|--|------|
| | | | | | | Unit price | Term | Balance (thousand) | Percentage of total receivables (%) | |
| UNITED MICROELECTRONICS CORPORATION | Investor company | Purchases | USD 445,120 | 100 | Net 60 Days | N/A | N/A | USD 223,206 | 100 | |

UMC JAPAN

| Related party | Relationship | Purchases (Sales) | Amount (thousand) | Transactions Percentage of total purchases (sales) (%) | Term | Details of non-arm's length transaction | | Notes and accounts receivable (payable) | | Note |
|---|---------------------|----------------------|----------------------|--|-------------------|---|------|--|--|------|
| | | | | | | Unit price | Term | Balance (thousand) | Percentage of total receivables (%) | |
| UNITED MICROELECTRONICS CORPORATION | Investor company | Purchases | JPY 1,447,156 | 61 | Net 60 Days | N/A | N/A | JPY 839,123 | 26 | |
| AMIC TECHNOLOGY CORP. | Investee of UMC | Sales | JPY 528,319 | 11 | Month-end 45 Days | N/A | N/A | JPY 334,627 | 6 | |

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ATTACHMENT 8 (Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of March 31, 2008)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

UNITED MICROELECTRONICS CORPORATION

| Related party | Relationship | Notes receivable | Ending balance | | | Turnover rate (times) | Overdue receivables | | Amount received in subsequent period | Allowance for doubtful accounts |
|---------------------------------------|------------------------|------------------|---------------------|-------------------|--------------|-----------------------|---------------------|-------------------|--------------------------------------|---------------------------------|
| | | | Accounts receivable | Other receivables | Total | | Amount | Collection status | | |
| UMC GROUP (USA) | Investee company | \$ | \$ 6,772,020 | \$ 59 | \$ 6,772,079 | 9.03 | \$ | | \$ 2,434,988 | \$ |
| UNITED MICROELECTRONICS (EUROPE) B.V. | Investee company | | 1,788,979 | | 1,788,979 | 6.11 | 119,117 | Credit Collecting | 611,734 | |
| SILICON INTEGRATED SYSTEMS CORP. | The Company's director | | 379,872 | 421 | 380,293 | 5.18 | 3,930 | Credit Collecting | | |
| UMC JAPAN | Investee company | | 254,554 | 104 | 254,658 | 5.79 | 437 | Credit Collecting | 16,819 | 3,004 |

UMC JAPAN

| Related party | Relationship | Notes receivable (thousand) | Ending balance | | | Turnover rate (times) | Overdue receivables | | Amount received in subsequent period | Allowance for doubtful accounts |
|-----------------------|-----------------|-----------------------------|-------------------|-------------------|------------------|-----------------------|---------------------|-------------------|--------------------------------------|---------------------------------|
| | | | Amount (thousand) | Other receivables | Total (thousand) | | Amount | Collection status | | |
| AMIC TECHNOLOGY CORP. | Investee of UMC | \$ JPY | 334,627 | \$ JPY | 334,627 | 7.41 | \$ | | \$ | \$ |

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ATTACHMENT 9 (Endorsement/Guarantee provided to others for the three-month period ended March 31, 2008)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

UNITED MICROELECTRONICS CORPORATION

| Investee company | Address | Main businesses and products | Initial Investment (Note 1) | | | Investment as of March 31, 2008 | | | Net income (loss) of investee company | Investment income (loss) recognized | Notes | |
|---------------------------------------|------------------------------|--|-----------------------------|-------------------|-----------------------------|---------------------------------|------------|--------|---------------------------------------|-------------------------------------|-----------|------|
| | | | Ending balance | Beginning balance | Number of shares (thousand) | Percentage of ownership (%) | Book value | | | | | |
| UMC GROUP (USA) | Sunnyvale, California, USA | IC Sales | USD | 16,438 | USD | 16,438 | 16,438 | 100.00 | \$ 1,194,150 | \$ 94,090 | \$ 94,090 | |
| UNITED MICROELECTRONICS (EUROPE) B.V. | The Netherlands | IC Sales | USD | 5,421 | USD | 5,421 | 9 | 100.00 | 294,625 | 13,515 | 13,515 | |
| UMC CAPITAL CORP. | Grand Cayman, Cayman Islands | Investment holding | USD | 124,000 | USD | 124,000 | 124,000 | 100.00 | 3,672,974 | 43,380 | 43,380 | |
| UNITED MICROELECTRONICS CORP. (SAMOA) | Apia, Samoa | Investment holding | USD | 1,400 | USD | 1,000 | 680 | 100.00 | 11,481 | (2,276) | (2,276) | |
| UMCI LTD. | Singapore | Sales and manufacturing of integrated circuits | USD | 839,880 | USD | 839,880 | 880,006 | 100.00 | 137 | 5 | 5 | |
| UMC CAPITAL CO., LTD. | Taipei, Taiwan | Consulting and planning for investment in new business | | 6,000,000 | | 6,000,000 | 628,800 | 100.00 | 7,282,994 | 37,819 | 36,749 | |
| ORTUNE VENTURE CAPITAL CORP. | Taipei, Taiwan | Consulting and planning for investment in new business | | 4,999,940 | | 4,999,940 | 499,994 | 99.99 | 9,131,035 | (47,637) | (47,637) | |
| UNITED MICRODISPLAY ELECTRONICS CORP. | Hsinchu Science Park, Taiwan | Sales and manufacturing of LCOS | | 1,205,876 | | 1,205,876 | 84,093 | 85.24 | 108,001 | (49,889) | (49,080) | |
| UMC JAPAN | Chiba, Japan | Sales and manufacturing of integrated circuits | JPY | 20,994,400 | JPY | 20,994,400 | 496 | 50.09 | 6,534,364 | (223,787) | (112,092) | |
| PACIFIC VENTURE CAPITAL CO., LTD. | Taipei, Taiwan | Consulting and planning for investment in new business | | 150,000 | | 150,000 | 30,000 | 49.99 | 127,379 | 1,212 | | Note |
| UMC HOLDINGS PTE LTD. | Singapore | Investment holding | SGD | 4,000 | SGD | 4,000 | 4,000 | 49.94 | 79,954 | (508) | (254) | |
| UMC NITECH CAPITAL INC. | British Virgin Islands | Investment holding | USD | 21,000 | USD | 21,000 | 21,000 | 42.00 | 799,226 | (22,266) | (9,352) | |
| SUN CHIEH INVESTMENT CO., LTD. | Taipei, Taiwan | Investment holding | | 336,241 | | 336,241 | 33,624 | 36.49 | 3,659,311 | (24,317) | (8,174) | |
| UMC EXPOWER TECHNOLOGY CORP. | Hsinchu, Taiwan | Sales and manufacturing of solar power batteries | | 760,745 | | 760,745 | 44,912 | 34.55 | 770,726 | (40,356) | (13,942) | |
| UMC MICRON HOLDING LIMITED | Apia, Samoa | Investment holding | USD | 20,000 | USD | 20,000 | 20,000 | 33.78 | 595,793 | (108,431) | (36,632) | Note |
| | Hsinchu, Taiwan | | | 248,795 | | 248,795 | 5,868 | 16.40 | 19,461 | (29,082) | (4,777) | |

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| | | | | | | | | | | | |
|----------------------------------|------------------------------|--|-----|---------|-----|---------|--------|-------|-----------|-----------|----------------|
| GI TECHNOLOGY INC. | | Cartography chip design and production | | | | | | | | | |
| MIC TECHNOLOGY CORP. | Hsinchu Science Park, Taiwan | IC design, production and sales | | 133,009 | | 133,104 | 15,550 | 11.18 | 31,650 | (49,093) | (5,490) |
| MEGA MISSION LIMITED PARTNERSHIP | Cayman Islands | Investment holding | USD | 67,500 | USD | 67,500 | | 45.00 | 1,950,952 | (482,958) | (217,331) Note |

Note 1: Initial investment amounts denominated in foreign currencies are expressed in thousands.

Note 2: On July 3, 2006, PACIFIC VENTURE CAPITAL CO., LTD. began the liquidation process. The Company had ceased to recognize investment income of PACIFIC VENTURE CAPITAL CO., LTD. thereafter.

Note 3: Previously recorded as a prepaid long-term investment in prior periods.

Note 4: No shares since it belongs to partnership fund organization.

ATTACHMENT 9 (Names, locations and related information of investee companies as of March 31, 2008)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

FORTUNE VENTURE CAPITAL CORP.

| Investee company | Address | Main businesses and products | Initial Investment (Note 1) | | | | March 31, 2008 | | | Net income (loss) of investee company | Investment income (loss) recognized | Note |
|----------------------------------|---------------------------------------|---|-----------------------------|----------------------|-----------------------------------|-----------------------------------|----------------|----------|----------|---|--|------|
| | | | Ending balance | Beginning balance | Number of shares (thousand) | Percentage of ownership (%) | Book value | | | | | |
| UNITRUTH INVESTMENT CORP. | Taipei, Taiwan | Investment holding | \$ 800,000 | \$ 800,000 | 80,000 | 100.00 | \$ 1,002,384 | \$ (863) | \$ (863) | | | |
| UWAVE TECHNOLOGY CORP. | Hsinchu, Taiwan | RF IC Design | 85,471 | 85,471 | 10,186 | 44.29 | | | | Note 2 | | |
| ANOTO TAIWAN CORP. | Taoyuan County, Taiwan | Tablet transmission systems and chip-set | 39,200 | 39,200 | 3,920 | 39.20 | 21,958 | (6,831) | (2,678) | | | |
| AEVOE INTERNATIONAL LTD. | Samoa | Design of VOIP Telephone | USD 1,213 | USD 1,213 | 3,155 | 38.62 | 12,870 | (2,940) | (1,227) | | | |
| WALTOP INTERNATIONAL CORP. | Hsinchu, Taiwan | Tablet PC module, Pen LCD Monitor/module | 90,000 | 90,000 | 6,000 | 26.09 | 118,927 | 2,777 | 736 | | | |
| CRYSTAL MEDIA INC. | Hsinchu, Taiwan | Design of VOIP network phones | 50,629 | 50,629 | 4,493 | 24.29 | 32,110 | (9,091) | (2,208) | | | |
| ALLIANCE OPTOTEK CORP. | Hsinchu County, Taiwan | Design and manufacturing of LED | 74,235 | 74,235 | 5,789 | 20.24 | 52,601 | (15,732) | (3,184) | | | |
| SMEDIA TECHNOLOGY CORP. | Hsinchu, Taiwan | Multimedia co-processor | 93,478 | 93,478 | 9,045 | 18.99 | 37,977 | (20,065) | (3,811) | | | |
| HIGH POWER LIGHTING CORP. | Taipei County, Taiwan | High brightness LED package and Lighting module R&D and manufacture | 54,300 | 54,300 | 4,525 | 18.10 | 34,572 | (9,296) | (1,682) | | | |
| MOBILE DEVICES INC. | Hsinchu County, Taiwan | PHS &GSM/PHS dual mode B/B Chip | 89,414 | 89,414 | 6,853 | 17.23 | 39,396 | 5,595 | 964 | | | |
| AMIC TECHNOLOGY CORP. | Hsinchu Science Park, Taiwan | IC design, production and sales | 215,269 | 215,542 | 20,528 | 14.72 | 74,131 | (49,093) | (7,233) | | | |
| XGI TECHNOLOGY INC. | Hsinchu, Taiwan | Design and manufacturing of cartography chip | 270,483 | 270,483 | 4,208 | 11.79 | 10,137 | (29,082) | (2,917) | | | |

Note 1: Initial investment amounts denominated in foreign currencies are expressed in thousands.

Note 2: On June 29, 2007, UWAVE TECHNOLOGY CORP. (UWAVE) reached the decision of liquidation at its shareholders meeting. The Company had ceased to recognize investment income of UWAVE thereafter.

ATTACHMENT 9 (Names, locations and related information of investee companies as of March 31, 2008)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

TLC CAPITAL CO., LTD.

| Investee company | Address | Main businesses and products | Initial Investment (Note 1) | | Investment as of March 31, 2008 | | | Net income (loss) of investee company | Investment income (loss) recognized | Note |
|------------------------------------|--------------------|------------------------------------|-----------------------------|----------------------|-----------------------------------|-----------------------------------|---------------|---|--|--------|
| | | | Ending balance | Beginning balance | Number of shares (thousand) | Percentage of ownership (%) | Book value | | | |
| YUNG LI INVESTMENTS, INC. | Taipei, Taiwan | Investment holding | \$ 280,000 | \$ 280,000 | 0.28 | 45.16 | \$ 269,293 | \$ (3,404) | \$ (1,537) | |
| CTC CAPITAL PARTNERS I, L.P. | Cayman Islands | Investment holding | USD 4,500 | USD 4,500 | | 32.11 | 136,930 | 3,607 | 1,158 | Note 2 |
| SMEDIA TECHNOLOGY CORP. | Hsinchu, Taiwan | Multimedia co-processor | 106,266 | 106,266 | 7,084 | 14.87 | 99,574 | (20,065) | (2,985) | |

Note 1: Initial investment amounts denominated in foreign currencies are expressed in thousands.

Note 2: No shares since it belongs to partnership fund organization.

UNITRUTH INVESTMENT CORP.

| Investee company | Address | Main businesses and products | Initial Investment | | Investment as of March 31, 2008 | | | Net income (loss) of investee company | Investment income (loss) recognized | Note |
|----------------------------------|------------------------------|---|--------------------|----------------------|-----------------------------------|-----------------------------------|---------------|---|--|--------|
| | | | Ending balance | Beginning balance | Number of shares (thousand) | Percentage of ownership (%) | Book value | | | |
| SMEDIA TECHNOLOGY CORP. | Hsinchu, Taiwan | Multimedia co-processor | \$ 77,477 | \$ 77,477 | 5,241 | 11.00 | \$ 27,966 | \$ (20,065) | \$ (2,208) | |
| WALTOP INTERNATIONAL CORP. | Hsinchu, Taiwan | Tablet PC module, Pen LCD Monitor/module | 30,000 | 30,000 | 2,000 | 8.70 | 39,642 | 2,777 | 245 | |
| CRYSTAL MEDIA INC. | Hsinchu, Taiwan | Design of VOIP network phones | 16,493 | 16,493 | 1,587 | 8.58 | 11,341 | (9,091) | (780) | |
| ALLIANCE OPTOTEK CORP. | Hsinchu County, Taiwan | Design and manufacturing of LED | 27,573 | 27,573 | 2,150 | 7.52 | 19,538 | (15,732) | (1,183) | |
| HIGH POWER LIGHTING CORP. | Taipei County, Taiwan | High brightness LED package and Lighting module R&D and manufacture | 14,700 | 14,700 | 1,225 | 4.90 | 9,359 | (9,296) | (455) | |
| UWAVE TECHNOLOGY CORP. | Hsinchu, Taiwan | RF IC Design | 6,950 | 6,950 | 1,000 | 4.35 | | | | Note 1 |
| MOBILE DEVICES INC. | Hsinchu County, Taiwan | PHS & GSM/PHS dual mode B/B Chip | 20,463 | 20,463 | 1,700 | 4.28 | 8,872 | 5,595 | 239 | |
| | | | 26,400 | 26,400 | 1,179 | 3.30 | 3,893 | (29,082) | (961) | |

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| | | |
|---------------------------|--------------------|--|
| XGI TECHNOLOGY INC. | Hsinchu, Taiwan | Design and manufacturing of cartography chip |
|---------------------------|--------------------|--|

Note 1: On June 29,2007, UWAVE TECHNOLOGY CORP. (UWAVE) reached the decision of liquidation at it s shareholders meeting. The Company had ceased to recognize investment income of UWAVE thereafter.

ATTACHMENT 9 (Names, locations and related information of investee companies as of March 31, 2008)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

UNITED MICRODISPLAY OPTRONICS CORP.

| Investee company | Address | Main businesses and products | Initial Investment (Note 1) | | Investment as of March 31, 2008 | | | Net income (loss) of investee company | Investment income (loss) recognized | Note |
|------------------|----------|------------------------------|-----------------------------|-------------------|---------------------------------|-----------------------------|------------|---------------------------------------|-------------------------------------|------|
| | | | Ending balance | Beginning balance | Number of shares (thousand) | Percentage of ownership (%) | Book value | | | |
| UMO (HK) LIMITED | Hongkong | Investment holding | USD 100 | USD 100 | 15,600 | 100.00 | \$ 3,087 | \$ 27 | \$ 27 | |

Note 1: Initial investment amounts denominated in foreign currencies are expressed in thousands.

UMC CAPITAL CORP.

| Investee company | Address | Main businesses and products | Initial Investment | | Investment as of March 31, 2008 | | | Net income (loss) of investee company | Investment income (loss) recognized | Note |
|-----------------------------------|----------------------------|------------------------------|--------------------|-------------------|---------------------------------|-----------------------------|------------|---------------------------------------|-------------------------------------|--------|
| | | | Ending balance | Beginning balance | Number of shares (thousand) | Percentage of ownership (%) | Book value | | | |
| UMC CAPITAL (USA) | Sunnyvale, California, USA | Investment holding | USD 200 | USD 200 | 200 | 100.00 | USD 372 | USD 14 | USD 14 | |
| ECP VITA LTD. | British Virgin Islands | Insurance | USD 1,000 | USD 1,000 | 1,000 | 100.00 | USD 2,311 | USD 198 | USD 198 | |
| ACHIEVE MADE INTERNATIONAL LTD. | British Virgin Islands | Internet Content Provider | USD 1,000 | USD 1,000 | 508 | 43.29 | USD 728 | USD (122) | USD (53) | |
| UC FUND II | British Virgin Islands | Investment holding | USD 3,850 | USD 3,850 | 5,000 | 35.45 | USD 4,241 | USD 45 | USD 16 | |
| TRANSLINK CAPITAL PARTNERS I L.P. | California, USA | Investment holding | USD 1,950 | USD 1,560 | | 18.05 | USD 1,760 | USD (346) | USD (58) | Note 2 |

Note 1: The amounts denominated in foreign currencies are expressed in thousands.

Note 2: No shares since it belongs to partnership fund organization.

ATTACHMENT 10 (Investment in Mainland China as of March 31, 2008)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

| Investee company | Main Businesses and Products | Total Amount of Paid-in Capital (Note 1) | Method of Investment | Accumulated Outflow of Investment from Taiwan as of January 1, 2008 (Note 1) | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of March 31, 2008 (Note 1) | Percentage of Ownership | Equity in the Earnings (Note 4) | Accumula Inward Remittan of Carrying Value as of March 31, 2008 (Note 3) | Earning as of March 31, 2008 (Note 4) |
|---|--|---|-------------------------|---|---------------------|--------|---|----------------------------|---------------------------------------|--|--|
| | | | | | Outflow | Inflow | | | | | |
| UNIMICRON TECHNOLOGY (SUZHOU) CORP. | PCB production | RMB 450,636 | (Note 2) | USD20,000 (Note 3) | \$ | \$ | USD 20,000 | 33.78% | | USD 19,746 | \$ |
| CHU DONG MULTIMEDIA TECHNOLOGY (SHANGHAI) CO., LTD. | Development & technical design of multimedia | (Note 5) | (Note 5) | | (Note 5) | | (Note 5) | | | | |
| JIAOYUE SOFTWARE (SHANGHAI) CO., LTD. | Development & design of computer software | (Note 5) | (Note 5) | | (Note 5) | | (Note 5) | | | | |
| TOUCH TECHNOLOGY DEVELOPMENT (SHANGHAI) CO., LTD. | Development & technical design of multimedia | (Note 5) | (Note 5) | | (Note 5) | | (Note 5) | | | | |
| RE BO CULTURE BROADCASTING LTD.(BEIJING) | TV program producing, Advertisement, Added value service | (Note 6) | (Note 6) | | (Note 6) | | (Note 6) | | | | |

| Accumulated Investment in Mainland China as of March 31, 2008 (Note 5, 6) | Investment Amounts Authorized by Investment Commission, MOF Limit | |
|--|--|---------------|
| | (Note 1) | on Investment |
| USD 20,000 | USD \$ 25,122 | \$ 46,332,247 |

Note 1: Initial investment amounts denominated in foreign currencies are expressed in thousands.

Note 2: The Company invests in UNIMICRON HOLDING LIMITED (Samoa), which has investments in Mainland China.

Note 3: The Company initially accounted for its investment in UNIMICRON HOLDING LIMITED (Samoa) as a prepaid long-term investment. In January 2008 UNIMICRON HOLDING LIMITED (Samoa) completed its increase in the capital, and the Company now accounts it under the equity method. However, outflow of investment capital from Taiwan to UNIMICRON TECHNOLOGY (SUZHOU) CORP. was as of the end of 2007.

Note 4: Investment loss is recognized at investee company's report reviewed by accountant during the same period.

Note 5: TLC Capital Co., Ltd. (TLC) indirectly invests in Mainland China via holding preferred shares issued by Touch Media International Holdings (Cayman) (Touch Media).

Due to TLC only holds preferred shares and do not have significant influence on Touch Media, the detail information of investments that Touch Media made in Mainland China were not available on a timely basis. As of March 31, 2008, TLC had wired USD 5,000 thousand to Touch Media for the stated investment.

Note 6: TLC Capital Co., Ltd. (TLC) indirectly invests in Mainland China via investing in Zebra Media Inc. (Cayman) (Zebra) by its investee company, CTC Capital Partners I, L.P. (Cayman) (CTC).
Due to CTC only holds preferred shares and do not have significant influence on Zebra, the detail information of investments that Zebra made in Mainland China were not available on a timely basis. As of March 31, 2008, CTC had wired USD 122 thousand to Zebra for the stated investment.

UNITED MICROELECTRONICS CORPORATION
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE THREE-MONTH PERIOD ENDED
MARCH 31, 2008

Address: No. 3 Li-Hsin Road II, Hsinchu Science Park, Hsinchu City, Taiwan, R.O.C.

Telephone: 886-3-578-2258

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

English Translation of a Report Originally Issued in Chinese

To United Microelectronics Corporation

We have reviewed the accompanying consolidated balance sheet of United Microelectronics Corporation and subsidiaries (the Company) as of March 31, 2008, and the related statement of income and cash flows for the three-month period ended March 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to issue the review report based on our review. As described in Note 3(8) to the consolidated financial statements, certain long-term investments were accounted for under the equity method based on financial statements as of March 31, 2008 of the investees, which were reviewed by the other auditors. Our review insofar as it relates to the investment loss amounted to NT\$45 million for the three-month period ended March 31, 2008, and the related long-term investment balance of NT\$4,255 million as of March 31, 2008, is based solely on the reports of the other auditors.

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

Based on our review and the reports of the other auditors, we are not aware of any material modifications or adjustments that should have been made to the consolidated financial statements referred to above in order for them to be in conformity with requirements of the Business Entity Accounting Act and Regulation on Business Entity Accounting Handling with respect to financial accounting standards, Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the order VI-0960064020 issued by Financial Supervisory Commission, Executive Yuan, and accounting principles generally accepted in the Republic of China.

As described in Note 2 to the consolidated financial statements, effective January 1, 2008, the Company adopted Accounting Research and Development Foundation Interpretation No. 96-052, and recognized share-based employee bonuses and remunerations to directors and supervisors as expenses rather than as a distribution of retained earnings.

April 21, 2008

Taipei, Taiwan

Republic of China

Notice to Readers

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

UNITED MICROELECTRONICS CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEET

March 31, 2008

(Expressed in Thousands of New Taiwan Dollars)

| | Notes | As of March 31, 2008 |
|---|-------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 3(1) | \$ 41,097,714 |
| Financial assets at fair value through profit or loss, current | 3(2) | 4,299,487 |
| Notes receivable | | 20,241 |
| Accounts receivable, net | 3(3) | 13,109,505 |
| Accounts receivable - related parties, net | 4 | 437,945 |
| Other receivables | | 468,212 |
| Inventories, net | 3(4) | 11,564,132 |
| Prepaid expenses | | 860,397 |
| Deferred income tax assets, current | | 1,280,454 |
| Total current assets | | 73,138,087 |
| Funds and investments | | |
| Financial assets at fair value through profit or loss, noncurrent | 3(5) | 48,834 |
| Available-for-sale financial assets, noncurrent | 3(6), 3(11) | 42,227,377 |
| Financial assets measured at cost, noncurrent | 3(7), 3(11) | 8,349,605 |
| Long-term investments accounted for under the equity method | 3(8) | 9,282,436 |
| Total funds and investments | | 59,908,252 |
| Property, plant and equipment | | |
| | 3(9), 6 | |
| Land | | 2,087,561 |
| Buildings | | 22,783,227 |
| Machinery and equipment | | 444,398,648 |
| Transportation equipment | | 84,531 |
| Furniture and fixtures | | 3,467,511 |
| Leasehold improvements | | 40,088 |
| Total cost | | 472,861,566 |
| Less : Accumulated depreciation | | (355,516,829) |
| Add : Construction in progress and prepayments | | 10,213,997 |
| Property, plant and equipment, net | | 127,558,734 |
| Intangible assets | | |
| Goodwill | | 3,498,687 |
| Other intangible assets | | 305 |
| Total intangible assets | | 3,498,992 |
| Other assets | | |

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| | | |
|---|--------------|----------------|
| Deferred charges | | 1,357,180 |
| Deferred income tax assets, noncurrent | | 3,432,964 |
| Other assets - others | 3(10), 5 | 2,129,278 |
| Total other assets | | 6,919,422 |
| Total assets | | \$ 271,023,487 |
| Liabilities and Stockholders Equity | | |
| Current liabilities | | |
| Short-term loans | 3(12) | \$ 743,883 |
| Financial liabilities at fair value through profit or loss, current | 3(13) | 170,638 |
| Accounts payable | | 5,229,501 |
| Income tax payable | | 1,348,366 |
| Accrued expenses | | 7,463,530 |
| Payable on equipment | | 2,868,930 |
| Current portion of long-term liabilities | 3(14) | 10,499,910 |
| Other current liabilities | 1, 2, 3(18) | 598,500 |
| Total current liabilities | | 28,923,258 |
| Long-term liabilities | | |
| Bonds payable | 3(14) | 7,495,575 |
| Total long-term liabilities | | 7,495,575 |
| Other liabilities | | |
| Accrued pension liabilities | | 3,185,757 |
| Deposits-in | | 12,556 |
| Deferred income tax liabilities, noncurrent | | 13,696 |
| Other liabilities - others | | 446,889 |
| Total other liabilities | | 3,658,898 |
| Total liabilities | | 40,077,731 |
| Capital | | |
| | 3(15), 3(16) | |
| Common stock | | 132,144,949 |
| Additional paid in capital | | |
| Premiums | | 59,435,560 |
| Treasury stock transactions | | 274 |
| Change in equities of long-term investments | | 6,714,826 |
| Retained earnings | | |
| | 3(18) | |
| Legal reserve | | 18,476,942 |
| Special reserve | | 824,922 |
| Unappropriated earnings | | 12,555,055 |
| Adjustment items to stockholders equity | | |
| | 3(6) | |
| Cumulative translation adjustment | | (4,527,769) |
| Unrealized gain or loss on financial instruments | | 13,539,721 |
| Treasury stock | 3(17) | (15,003,247) |
| Total stockholders equity of parent company | | 224,161,233 |
| Minority interests | | 6,784,523 |
| Total stockholders equity | | 230,945,756 |
| Total liabilities and stockholders equity | | \$ 271,023,487 |

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

UNITED MICROELECTRONICS CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENT OF INCOME

For the three-month period ended March 31, 2008

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

| | Notes | For the three-month period ended March 31, 2008 |
|---|-------|---|
| Operating revenues | 4 | |
| Sales revenues | | \$ 25,134,132 |
| Less : Sales returns and discounts | | (512,641) |
| Net Sales | | 24,621,491 |
| Other operating revenues | | 518,667 |
| Net operating revenues | | 25,140,158 |
| Operating costs | 1, 2 | |
| Cost of goods sold | | (21,035,019) |
| Other operating costs | | (314,150) |
| Operating costs | | (21,349,169) |
| Gross profit | | 3,790,989 |
| Unrealized intercompany profit | | (66,858) |
| Realized intercompany profit | | 85,543 |
| Gross profit-net | | 3,809,674 |
| Operating expenses | 1, 2 | |
| Sales and marketing expenses | | (905,361) |
| General and administrative expenses | | (869,610) |
| Research and development expenses | | (2,065,785) |
| Subtotal | | (3,840,756) |
| Operating income | | (31,082) |
| Non-operating income | | |
| Interest revenue | | 183,888 |
| Gain on disposal of property, plant and equipment | | 5,842 |
| Gain on disposal of investments | | 854,773 |
| Gain on recovery of market value of inventories | | 1,056 |
| Gain on valuation of financial assets | | 51,665 |
| Gain on valuation of financial liabilities | 3(13) | 140,943 |
| Other income | | 177,307 |
| Subtotal | | 1,415,474 |

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| | | |
|--|-------------|-------------------|
| Non-operating expenses | | |
| Interest expense | 3(9), 3(12) | (36,758) |
| Investment loss accounted for under the equity method, net | 3(8) | (331,721) |
| Loss on disposal of property, plant and equipment | | (2,640) |
| Exchange loss, net | | (730,338) |
| Financial expenses | | (15,521) |
| Impairment loss | 3(11) | (44,944) |
| Other losses | | (36,595) |
| Subtotal | | (1,198,517) |
| Income from continuing operations before income tax | | 185,875 |
| Income tax expense | | (92,551) |
| Net income | | \$ 93,324 |
| Attributable to: | | |
| Shareholders of the parent | | \$ 205,828 |
| Minority interests | | (112,504) |
| Net income | | \$ 93,324 |

| | | Pre-tax | Post-tax |
|---|-------|----------------|-----------------|
| Earnings per share-basic (NTD) | 3(19) | | |
| Net income attributable to shareholders of the parent | | \$ 0.03 | \$ 0.02 |
| Earnings per share-diluted (NTD) | 3(19) | | |
| Net income attributable to shareholders of the parent | | \$ 0.01 | \$ 0.01 |

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

UNITED MICROELECTRONICS CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three-month period ended March 31, 2008

(Expressed in Thousands of New Taiwan Dollars)

| | For the three-month period ended March 31, 2008 |
|---|--|
| Cash flows from operating activities: | |
| Net income attributable to shareholders of the parent | \$ 205,828 |
| Net loss attributable to minority interests | (112,504) |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Depreciation | 9,514,057 |
| Amortization | 383,903 |
| Bad debt expenses | 1,367 |
| Gain on recovery in market value and obsolescence of inventories | (1,056) |
| Cash dividends received under the equity method | 134,924 |
| Investment loss accounted for under the equity method | 331,721 |
| Gain on valuation of financial assets and liabilities | (192,608) |
| Impairment loss | 44,944 |
| Gain on disposal of investments | (854,773) |
| Gain on disposal of property, plant and equipment | (3,202) |
| Amortization of bond discounts | 6,205 |
| Exchange gain on financial assets and liabilities | (60,765) |
| Exchange gain on long-term liabilities | (177,917) |
| Amortization of deferred income | (37,870) |
| Changes in assets and liabilities: | |
| Financial assets and liabilities at fair value through profit or loss | 537,878 |
| Notes and accounts receivable | 1,311,521 |
| Other receivables | 38,947 |
| Inventories | 141,668 |
| Prepaid expenses | (207,513) |
| Deferred income tax assets | (183,291) |
| Accounts payable | 14,341 |
| Income tax payable | 55,107 |
| Accrued expenses | (438,654) |
| Other current liabilities | (42,240) |
| Accrued pension liabilities | 14,604 |
| Capacity deposits | (4,447) |
| Other liabilities - others | (8,389) |
| Net cash provided by operating activities | 10,411,786 |
| Cash flows from investing activities: | |
| Acquisition of available-for-sale financial assets | (148,015) |
| Proceeds from disposal of available-for-sale financial assets | 1,254,145 |
| Acquisition of financial assets measured at cost | (275,520) |
| Proceeds from disposal of financial assets measured at cost | 63,030 |
| Acquisition of long-term investments accounted for under the equity method | (11,833) |
| Proceeds from disposal of long-term investments accounted for under the equity method | 535 |
| Proceeds from capital reduction and liquidation of investments | 57,666 |

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| | |
|---|-------------|
| Acquisition of property, plant and equipment | (5,741,629) |
| Proceeds from disposal of property, plant and equipment | 5,315 |
| Increase in deferred charges | (342,092) |
| Decrease in other assets - others | 8,449 |
| Net cash used in investing activities | (5,129,949) |

English Translation of Consolidated Financial Statements Originally Issued in Chinese

UNITED MICROELECTRONICS CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three-month period ended March 31, 2008

(Expressed in Thousands of New Taiwan Dollars)

(continued)

| | For the three-month period ended March 31, 2008 |
|--|--|
| Cash flows from financing activities: | |
| Increase in short-term loans | \$ 403,550 |
| Redemption of bonds | (12,216,623) |
| Decrease in deposits-in | (1,817) |
| Net cash used in financing activities | (11,814,890) |
| Effect of exchange rate changes on cash and cash equivalents | (47,380) |
| Decrease in cash and cash equivalents | (6,580,433) |
| Cash and cash equivalents at beginning of period | 47,678,147 |
| Cash and cash equivalents at end of period | \$ 41,097,714 |
| Supplemental disclosures of cash flow information: | |
| Cash paid for interest | \$ 4,116 |
| Cash refunded for income tax | \$ (27,466) |
| Investing activities partially paid by cash: | |
| Acquisition of property, plant and equipment | \$ 2,574,285 |
| Add: Payable at beginning of period | 6,036,274 |
| Less: Payable at end of period | (2,868,930) |
| Cash paid for acquiring property, plant and equipment | \$ 5,741,629 |

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

UNITED MICROELECTRONICS CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2008

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

United Microelectronics Corporation and the consolidated entities (the Company) has prepared the notes in conformity with the order VI-0960064020 issued by Financial Supervisory Commission, Executive Yuan as of November 15, 2007, which simplifies the disclosure requirement. According to this order, the Company is only required to disclose the differences of accounting policies between the latest audited consolidated financial statements and the current ones and to disclose the consolidated entities. The following items can be exempt from disclosures:

- i. History and organization;
- ii. Income tax;
- iii. Pension plan;
- iv. Summary of operation cost and expenses including salary, depreciation, depletion, and amortization; and
- v. Attachments pertaining to significant transactions, investments, and investments in Mainland China.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements were prepared in conformity with requirements of the Business Entity Accounting Act and Regulation on Business Entity Accounting Handling with respect to financial accounting standards, the order VI-0960064020 issued by Financial Supervisory Commission under the Executive Yuan, Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China (R.O.C.).

Significant accounting policies adopted in preparing the accompanying consolidated financial statements are those adopted in preparing the annual consolidated financial statements of 2007, except those stated below:

(1) General Description of the Reporting Entities

a. Principles of Consolidation

Investees in which United Microelectronics Corporation (UMC), directly or indirectly, holds more than 50% of voting rights or de facto control with less than 50% of voting rights, are consolidated into UMC's financial statements.

Transactions between consolidated entities are eliminated in the consolidated financial statements. Prior to January 1, 2006, the difference between the acquisition cost and the net equity of a subsidiary as of the acquisition date was amortized over 5 years; however effective January 1, 2006, goodwill arising from new acquisitions is analyzed and accounted for under the ROC Statement of Financial Accounting Standard (SFAS) No. 25, Business Combination Accounting Treatment under Purchase Method, and goodwill is not subject to amortization.

b. The consolidated entities are as follows:
As of March 31, 2008

| Investor | Subsidiary | Business nature | Percentage of ownership (%) |
|----------------------|--|---|------------------------------------|
| UMC | UMC GROUP (USA) | IC Sales | 100.00 |
| UMC | UNITED MICROELECTRONICS (EUROPE) B.V. | IC Sales | 100.00 |
| UMC | UMC CAPITAL CORP. | Investment holding | 100.00 |
| UMC | UNITED MICROELECTRONICS CORP. (SAMOA) | Investment holding | 100.00 |
| UMC | TLC CAPITAL CO., LTD. | Consulting and planning for investment in new business | 100.00 |
| UMC | UMCI LTD. | Sales and manufacturing of integrated circuits | 100.00 |
| UMC | FORTUNE VENTURE CAPITAL CORP. (FORTUNE) | Consulting and planning for investment in new business | 99.99 |
| UMC | UNITED MICRODISPLAY OPTRONICS CORP. (UMO) | Sales and manufacturing of LCOS | 85.24 |
| UMC | UMC JAPAN | Sales and manufacturing of integrated circuits | 50.09 |
| FORTUNE | UNITRUTH INVESTMENT CORP. (UNITRUTH) | Investment holding | 100.00 |
| UMC CAPITAL CORP. | UMC CAPITAL (USA) | Investment holding | 100.00 |
| UMC CAPITAL CORP. | ECP VITA LTD. | Insurance | 100.00 |
| UMO | UMO (HK) LIMITED | Investment holding | 100.00 |

(2) Employee Stock Option Plan

The Company used the intrinsic value method to recognize compensation cost for its employee stock options issued between January 1, 2004 and December 31, 2007, in accordance with Accounting Research and Development Foundation interpretations No. 92-070 through 072. For stock options granted on or after January 1, 2008, the Company recognizes compensation cost using the fair value method in accordance with ROC SFAS No. 39 Accounting for Share-Based Payment.

(3) Share-Based Employee Bonuses and Remunerations Paid to Directors and Supervisors

In accordance with Accounting Research and Development Foundation interpretation No. 96-052 effective January 1, 2008, share-based employee bonuses and remunerations paid to directors and supervisors are accounted for as expenses and charged to current income at fair value

rather than as a reduction of retained earnings.

2. ACCOUNTING CHANGES

(1) Employee Stock Options

Effective January 1, 2008, the Company adopted ROC SFAS No. 39, Accounting for Share-Based Payment to account for share-based payments. This change in accounting principles had no effect on consolidated net income or on consolidated earnings per share for the three-month period ended March 31, 2008.

(2) Share-Based Employee Bonuses and Remunerations Paid to Directors and Supervisors

Effective January 1, 2008, the Company adopted Accounting Research and Development Foundation interpretation No. 96-052 to account for share-based employee bonuses and remunerations paid to directors and supervisors. The adoption resulted in an unfavorable effect on consolidated net income in the amount of NT\$54 million, thereby reducing consolidated earnings per share by NT\$0.004 for the three-month period ended March 31, 2008.

3. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) CASH AND CASH EQUIVALENTS

| | As of March 31, 2008 |
|-------------------------------|-------------------------|
| Cash: | |
| Cash on hand | \$ 2,957 |
| Checking and savings accounts | 6,710,429 |
| Time deposits | 28,568,639 |
| Subtotal | 35,282,025 |
| Cash equivalents: | 5,815,689 |
| Total | \$ 41,097,714 |

(2) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, CURRENT

| | As of March 31, 2008 |
|-------------------------|-------------------------|
| <u>Held for trading</u> | |
| Listed stocks | \$ 4,180,169 |
| Open-end fund | 3,960 |
| Forward contract | 115,358 |
| Total | \$ 4,299,487 |

During the three-month period ended March 31, 2008, net gain of financial assets at fair value through profit or loss, current, was NT\$75 million.

(3) ACCOUNTS RECEIVABLE, NET

| | As of March 31, 2008 |
|---|-------------------------|
| Accounts receivable | \$ 14,183,217 |
| Less: Allowance for sales returns and discounts | (1,070,093) |
| Less: Allowance for doubtful accounts | (3,619) |
| Net | \$ 13,109,505 |

(4) INVENTORIES, NET

| | As of March 31, 2008 |
|---|-------------------------|
| Raw materials | \$ 1,158,136 |
| Supplies and spare parts | 2,253,646 |
| Work in process | 8,088,168 |
| Finished goods | 905,326 |
| Total | 12,405,276 |
| Less : Allowance for loss on decline in market value and obsolescence | (841,144) |
| Net | \$ 11,564,132 |

Inventories were not pledged.

(5) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, NONCURRENT

| | As of March 31, 2008 |
|-------------------|-------------------------|
| Convertible bonds | \$ 48,834 |

During the three-month period ended March 31, 2008, net gain of financial assets at fair value through profit or loss, noncurrent, was NT\$1 million.

(6) AVAILABLE-FOR-SALE FINANCIAL ASSETS, NONCURRENT

| | As of March 31, 2008 |
|---------------------|-------------------------|
| Common stock | \$ 41,977,360 |
| Depository receipts | 121,375 |
| Funds | 128,642 |
| Total | \$ 42,227,377 |

During the three-month period ended March 31, 2008, the total unrealized loss adjustment to consolidated stockholders' equity due to changes in fair value of available-for-sale assets was NT\$7,504 million. The Company recognized a net gain of NT\$821 million due to the disposal of available-for-sale assets during the three-month period ended March 31, 2008. Among the available-for-sale assets, five million shares of EPITECH TECHNOLOGY CORP. (EPITECH) were acquired on March 1, 2007 through the exchange of HIGHLINK TECHNOLOGY CORP. (HIGHLINK) shares, which were previously obtained by the Company through private placement since February 2006. On March 1, 2007, HIGHLINK was merged into EPISTAR CORP. The Company's holding of EPISTAR CORP. is classified as available-for-sale. Additionally, the Company acquired 5.5 million shares of Simplo Technology Co., LTD were acquired through private placement in July 2006. The exchanges of these shares listed above are restricted by the provisions in Article 43 paragraph 8 of the Securities and Exchange Law.

(7) FINANCIAL ASSETS MEASURED AT COST, NONCURRENT

| | As of March 31, 2008 |
|------------------|-------------------------|
| Common stock | \$ 5,323,702 |
| Preferred stock | 2,336,647 |
| Convertible bond | 15,352 |
| Funds | 673,904 |
| Total | \$ 8,349,605 |

The Company acquired 0.074 million shares of Ralink Technology Corp. through private placement in July 2007, 4 million shares of INPAQ Technology Co., LTD through private placement in November 2007, and 4.6 million shares of First International Telecom Corp. through private placement in March 2008. The exchanges of these shares listed above are restricted by the provision in Article 43 paragraph 8 of the Securities and Exchange Law.

(8) LONG-TERM INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

a. Details of long-term investments accounted for under the equity method are as follows:

| Investee Company | As of March 31, 2008 | |
|--|----------------------|---|
| | Amount | Percentage of Ownership or Voting Rights |
| <u>Unlisted companies</u> | | |
| PACIFIC VENTURE CAPITAL CO., LTD. (PACIFIC) (Note A) | \$ 127,379 | 49.99 |
| MTIC HOLDING PTE LTD. | 79,954 | 49.94 |
| UWAVE TECHNOLOGY CORP. (UWAVE) (Note B) | | 48.64 |
| YUNG LI INVESTMENTS, INC. | 269,293 | 45.16 |
| MEGA MISSION LIMITED PARTENRSHIP | 1,950,952 | 45.00 |
| SMEDIA TECHNOLOGY CORP. | 165,517 | 44.86 |

| Investee Company | As of March 31, 2008 | |
|--|----------------------|---|
| | Amount | Percentage of Ownership or Voting Rights |
| ACHIEVE MADE INTERNATIONAL LTD. | 22,085 | 43.29 |
| UNITECH CAPITAL INC. | 799,226 | 42.00 |
| ANOTO TAIWAN CORP. | 21,958 | 39.20 |
| AEVOE INTERNATIONAL LTD. | 12,870 | 38.62 |
| HSUN CHIEH INVESTMENT CO., LTD. | 3,659,311 | 36.49 |
| UC FUND II | 128,667 | 35.45 |
| WALTOP INTERNATIONAL CORP. | 158,569 | 34.79 |
| NEXPOWER TECHNOLOGY CORP. | 770,726 | 34.55 |
| UNIMICRON HOLDING LIMITED | 595,793 | 33.78 |
| CRYSTAL MEDIA INC. | 43,451 | 32.87 |
| CTC CAPITAL PARTNERS I, L.P. | 136,930 | 32.11 |
| XGI TECHNOLOGY INC. | 33,491 | 31.49 |
| ALLIANCE OPTOTEK CORP. | 72,139 | 27.76 |
| AMIC TECHNOLOGY CORP. | 88,536 | 25.90 |
| HIGH POWER LIGHTING CORP. | 43,931 | 23.00 |
| MOBILE DEVICES INC. | 48,268 | 21.51 |
| TRANSLINK CAPITAL PARTNERS I L.P. (TRANSLINK)(Note C) | 53,390 | 18.05 |
| Total | \$ 9,282,436 | |

Note A : On June 27, 2006, PACIFIC set July 3, 2006 as its liquidation date through a decision at its shareholders meeting. The liquidation has not been completed as of March 31, 2008.

Note B : On June 29, 2007, UWAVE reached the decision to liquidate the company at its shareholders meeting. The liquidation has not been completed as of March 31, 2008.

Note C : According to the partnership contract, the Company has significant influence over TRANSLINK, and it is accounted for under the equity method.

b. Total loss arising from investments accounted for under the equity method, based on the reviewed financial statements of the investees, was NT\$ 332 million for the three-month period ended March 31, 2008. Investment loss amounted to NT\$45 million for the three-month period ended March 31, 2008, and the related long-term investment balance of NT\$4,255 million as of March 31, 2008, was determined based on the investees financial statements reviewed by the other auditors.

c. The long-term equity investments were not pledged.

(9) PROPERTY, PLANT AND EQUIPMENT

| | As of March 31, 2008 | | |
|--|----------------------|-----------------------------|----------------|
| | Cost | Accumulated Depreciation | Book Value |
| Land | \$ 2,087,561 | \$ | \$ 2,087,561 |
| Buildings | 22,783,227 | (8,368,608) | 14,414,619 |
| Machinery and equipment | 444,398,648 | (344,407,903) | 99,990,745 |
| Transportation equipment | 84,531 | (66,684) | 17,847 |
| Furniture and fixtures | 3,467,511 | (2,635,177) | 832,334 |
| Leasehold improvement | 40,088 | (38,457) | 1,631 |
| Construction in progress and prepayments | 10,213,997 | | 10,213,997 |
| Total | \$ 483,075,563 | \$ (355,516,829) | \$ 127,558,734 |

a. Total interest expense before capitalization amounted to NT\$50 million for the three-month period ended March 31, 2008. Details of capitalized interest are as follows:

| | For the three-month period ended March 31, 2008 |
|-------------------------------------|---|
| Machinery and equipment | \$ 10,279 |
| Other property, plant and equipment | 3,018 |
| Total interest capitalized | \$ 13,297 |
| Interest rates applied | 0.68%~0.91% |

b. Property, plant and equipment were not pledged.

(10) OTHER ASSETS - OTHERS

| | As of March 31, 2008 |
|---------------|-------------------------|
| Leased assets | \$ 1,191,301 |
| Deposits-out | 745,254 |
| Others | 192,723 |
| Total | \$ 2,129,278 |

Please refer to Note 5 for deposits-out pledged as collateral.

(11) IMPAIRMENT

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| | For the three-month period ended March 31, 2008 |
|---|--|
| Available for sale financial assets, noncurrent | \$ 23,655 |
| Financial assets measured at cost, noncurrent | 21,289 |
| Total | \$ 44,944 |

(12) SHORT-TERM LOANS

| | As of March 31, 2008 |
|----------------------|-------------------------|
| Unsecured bank loans | \$ 743,883 |
| Interest rates | 2.88%~3.51% |

The Company's unused short-term lines of credits amounted to NT\$14,137 million as of March 31, 2008.

(13) FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS, CURRENT

| | As of March 31, 2008 |
|---------------------|-------------------------|
| Interest rate swaps | \$ 170,638 |

During the three-month period ended March 31, 2008, net gain arising from financial liabilities at fair value through profit or loss, current was NT\$141 million.

(14) BONDS PAYABLE

| | As of March 31, 2008 |
|---|-------------------------|
| Domestic unsecured bonds: | |
| Issued in April 2001 and due on April 2008, 5.2170% ~ 5.2850% interest payable annually | \$ 3,000,000 |
| Issued in May ~ June 2003 and due on May ~ June 2008, 4.0% minus USD 12-Month LIBOR interest payable annually | 7,500,000 |
| Issued in May ~ June 2003 and due on May ~ June 2010, 4.3% minus USD 12-Month LIBOR interest payable annually | 7,500,000 |
| Discounts on convertible bonds | (4,515) |
| Subtotal | 17,995,485 |
| Less: Current portion | (10,499,910) |
| Net | \$ 7,495,575 |

- a. During the period from April 16 to April 27, 2001, the Company issued five-year and seven-year unsecured bonds totaling NT\$15,000 million, each with a face value of NT\$7,500 million. The interest is paid annually with stated interest rates of 5.1195% through 5.1850% and 5.2170% through 5.2850%, respectively. The five-year bonds and seven-year bonds are repaid starting from April 2004 to April 2006 and April 2006 to April 2008, respectively, both in three yearly installments at the rates of 30%, 30% and 40%. On April 27, 2006, the five-year bonds were fully redeemed.

- b. During the period from May 21 to June 24, 2003, the Company issued five-year and seven-year unsecured bonds totaling NT\$15,000 million, each with a face value of NT\$7,500 million. The interest is paid annually with stated interest rates of 4.0% minus USD 12-Month LIBOR and 4.3% minus USD 12-Month LIBOR, respectively. Stated interest rates are reset annually based on the prevailing USD 12-Month LIBOR. The five-year bonds and seven-year bonds are repayable in 2008 and 2010, respectively, upon the maturity of the bonds.
- c. On October 5, 2005, the Company issued zero coupon convertible bonds on the Luxembourg Stock Exchange. The terms and conditions of the bonds are as follows:
- (a) Issue Amount: US\$381.4 million
- (b) Period: October 5, 2005 ~ February 15, 2008 (Maturity date)
- (c) Redemption:
- i. On or at any time after April 5, 2007, if the closing price of the ADSs listed on the NYSE has been at least 130% of either the conversion price or the last adjusted conversion price, for 20 out of 30 consecutive ADS trading days, the Company may redeem all, but not some only, of the bonds.
- ii. If at least 90% in principal amount of the bonds have already been redeemed, repurchased, cancelled or converted, the Company may redeem all, but not some only, of the bonds.
- iii. In the event that the Company's ADSs or shares have officially ceased to be listed or admitted for trading on the NYSE or the TSE, as the case may be, each bondholder shall have the right, at such bondholder's option, to require the Company to repurchase all, but not in part, of such bondholder's bonds at their principal amount.
- iv. In the event of certain changes in taxation in the R.O.C. resulting in the Company becoming required to pay additional amounts, the Company may redeem all, but not part, of the bonds at their principal amount; bondholders may elect not to have their bonds redeemed by the Company in such event, in which case the bondholders shall not be entitled to receive payments of such additional amounts.
- v. If a significant change of control occurs with respect to the Company, each bondholder shall have the right at such bondholder's option, to require the Company to repurchase all, but not in part, of such bondholder's bonds at their principal amount.
- vi. The Company will pay the principal amount of the bonds at its maturity date, February 15, 2008.

(d) Conversion:

- i Conversion Period: Except for the closed period, the bonds may be converted into the Company's ADSs on or after November 4, 2005 and on or prior to February 5, 2008.
- ii Conversion Price and Adjustment: The conversion price is US\$4.253 per ADS. The applicable conversion price will be subject to adjustments upon the occurrence of certain events set out in the indenture.

(e) Redemption at maturity date

At the maturity date of February 15, 2008, the Company had redeemed the bonds at 100%.

- d. Repayments of the above-mentioned bonds in the future years are as follows:

| Bonds repayable in | Amount |
|--|---------------|
| 2008(2 nd quarter and thereafter) | \$ 10,500,000 |
| 2009 | |
| 2010 | 7,500,000 |
| Total | \$ 18,000,000 |

(15) CAPITAL STOCK

- a. The Company had 26,000 million common shares authorized to be issued, and 13,214 million shares were issued as of March 31, 2008, each at a par value of NT\$10.
- b. The Company had issued a total of 1,098 million ADSs, which were traded on the NYSE as of March 31, 2008. The total number of common shares of the Company represented by all issued ADSs was 220 million shares as of March 31, 2008. One ADS represents five common shares.

(16) EMPLOYEE STOCK OPTIONS

On September 11, 2002, October 8, 2003, September 30, 2004, December 22, 2005, and October 9, 2007, the Company was approved by the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan, to issue employee stock options with a total number of 1 billion, 150 million, 150 million, 350 million, and 500 million units, respectively. Each unit entitles an optionee to subscribe to 1 share of the Company's common stock. Settlement upon the exercise of the options will be made through the issuance of new shares by the Company. The exercise price of the options was set at the closing price of the Company's common stock on the grant date. The contractual life is 6 years and an optionee may exercise the options in accordance with certain schedules as prescribed by the plan starting 2 years from the grant date. Detailed information relevant to the employee stock options is disclosed as follows:

| Date of grant | Total number of options granted (in thousands) | Total number of options outstanding (in thousands) | Exercisable number of options (Note) | Exercise price (NTD) (Note) |
|--------------------|--|--|--------------------------------------|-----------------------------|
| October 7, 2002 | 939,000 | 397,997 | 277,470 | \$ 22.52 |
| January 3, 2003 | 61,000 | 41,191 | 28,717 | \$ 25.39 |
| November 26, 2003 | 57,330 | 42,257 | 29,460 | \$ 35.43 |
| March 23, 2004 | 33,330 | 19,120 | 13,330 | \$ 32.85 |
| July 1, 2004 | 56,590 | 40,343 | 28,126 | \$ 29.69 |
| October 13, 2004 | 20,200 | 9,901 | 6,902 | \$ 25.53 |
| April 29, 2005 | 23,460 | 12,738 | 8,881 | \$ 23.52 |
| August 16, 2005 | 54,350 | 35,314 | 24,619 | \$ 30.98 |
| September 29, 2005 | 51,990 | 42,043 | 29,311 | \$ 28.27 |
| January 4, 2006 | 39,290 | 22,157 | 15,447 | \$ 24.36 |
| May 22, 2006 | 42,058 | 31,642 | 22,060 | \$ 26.48 |
| August 24, 2006 | 28,140 | 20,540 | 14,320 | \$ 25.32 |
| December 13, 2007 | 500,000 | 491,578 | 491,578 | \$ 18.95 |
| Total | 1,906,738 | 1,206,821 | 990,221 | |

Note: The employee stock options granted prior to August 7, 2007, effective date of capital reduction, are adjusted in accordance with capital reduction rate. Each option unit entitles an optionee to subscribe for about 0.7 share of the Company's common stock. The exercise price of the options is also adjusted according to capital reduction rate. Each stock option unit granted after August 7, 2007 remains to be subscribed for 1 share of the Company's common stock.

A summary of the equity-settled share-based payment transactions, and related information for the three-month period ended March 31, 2008 is as follows:

(1)

| | For the three-month period ended March 31, 2008 | | Weighted-average Exercise Price per share (NTD) |
|--|---|---|---|
| | Option (in thousands) | Shares available to option holders (in thousands) | |
| Outstanding at beginning of period | 1,287,407 | 1,048,832 | \$ 22.14 |
| Granted | | | \$ |
| Exercised | | | \$ |
| Forfeited | (80,586) | (58,611) | \$ 22.40 |
| Outstanding at end of period | 1,206,821 | 990,221 | \$ 22.13 |
| Exercisable at end of period | 590,097 | 411,396 | \$ 24.46 |
| Weighted-average fair value of options granted during the period | \$ | | |

(2) The information of the equity-settled share-based payment transactions as of March 31, 2008, is as follows:

| Authorization Date | Range of Exercise Price | Option (in thousands) | Outstanding Stock Options | | | Exercisable Stock Options | | |
|--------------------|-------------------------|-----------------------|---|---|---------------------------------------|---|---------------------------------------|----------|
| | | | Shares available to option holders (in thousands) | Weighted-average Expected Remaining Years | Weighted-average Exercise Price (NTD) | Shares available to option holders (in thousands) | Weighted-average Exercise Price (NTD) | |
| 2002.09.11 | \$22.52~\$25.39 | 439,188 | 306,187 | 0.54 | \$ 22.79 | 438,944 | 306,017 | \$ 22.79 |
| 2003.10.08 | \$29.69~\$35.43 | 101,720 | 70,916 | 1.95 | \$ 32.67 | 91,492 | 63,785 | \$ 32.98 |
| 2004.09.30 | \$23.52~\$30.98 | 99,996 | 69,713 | 3.30 | \$ 28.35 | 49,694 | 34,645 | \$ 28.41 |
| 2005.12.22 | \$24.36~\$26.48 | 74,339 | 51,827 | 4.10 | \$ 25.53 | 9,967 | 6,949 | \$ 24.36 |
| 2007.10.09 | \$18.95 | 491,578 | 491,578 | 5.70 | \$ 18.95 | | | \$ |
| | | 1,206,821 | 990,221 | 3.58 | \$ 22.13 | 590,097 | 411,396 | \$ 24.46 |

The Company used the intrinsic value method to recognize compensation costs for its employee stock options issued between January 1, 2004 and December 31, 2007. Effective January 1, 2008, the Company adopted ROC SFAS No. 39 Accounting for Share-Based Payment, which requires stock options to be recognized as compensation costs at fair value. Compensation costs for the three-month period ended March 31, 2008 was NT\$0.

The pro forma net income and earnings per share resulted from the adoption of using the fair value method on the options granted before the effective date of ROC SFAS No. 39 Accounting for Share-Based Payment are as follows:

| | For the three-month period ended March 31, 2008 | |
|------------------------------------|---|----------------------------|
| | Basic earnings per share | Diluted earnings per share |
| Net Income | \$ 205,828 | \$ 75,918 |
| Earnings per share (NTD) | \$ 0.02 | \$ 0.01 |
| Pro forma net income | \$ (36,441) | \$ (166,351) |
| Pro forma earnings per share (NTD) | \$ (0.003) | \$ (0.01) |

The fair value of the options granted was estimated at the grant date using the Black-Scholes options pricing model with the following weighted-average assumptions for the three-month period ended March 31, 2008.

| | For the three-month period ended March 31, 2008 |
|--|---|
| Expected dividend yields | 1.37%~1.71% |
| Volatility factors of the expected market price | 36.29%~49.10% |
| Risk-free interest rate | 1.85%~2.85% |
| Weighted-average expected life of the options (year) | 4~5 |

(17) TREASURY STOCK

- a. The Company bought back its own shares from the open market during the three-month period ended March 31, 2008. Details of the treasury stock transactions are as follows:

For the three-month period ended March 31, 2008

(In thousands of shares)

| Purpose | As of January 1, 2008 | Increase | Decrease | As of March 31, 2008 |
|---|--------------------------|----------|----------|-------------------------|
| For transfer to employees | 355,716 | | | 355,716 |
| For conversion of the convertible bonds into shares | 348,583 | | | 348,583 |
| Total shares | 704,299 | | | 704,299 |

- b. According to the Securities and Exchange Law of the R.O.C., the total shares of treasury stock shall not exceed 10% of UMC's issued stocks, and the total purchase amount shall not exceed the sum of the retained earnings, additional paid-in capital premiums, and realized additional paid-in capital. As such, the maximum number of shares of treasury stock that UMC could hold as of March 31, 2008, was 1,321 million shares, while the ceiling amount was NT\$79,465 million.
- c. In compliance with Securities and Exchange Law of the R.O.C., treasury stock should not be pledged, nor should it be entitled to voting rights or receiving dividends. Stock held by subsidiaries is treated as treasury stock. These subsidiaries have the same rights as other stockholders except for subscription to new stock issuance. Starting June 22, 2005, stocks held by subsidiaries no longer have voting rights according to the revised Companies Act.
- d. As of March 31, 2008, UMC's subsidiary, FORTUNE VENTURE CAPITAL CORP., held 15 million shares of UMC's stock, with a book value of NT\$ 18.70 per share. The closing price on March 31, 2008 was NT\$18.70.

(18) RETAINED EARNINGS AND DIVIDEND POLICIES

According to UMC's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order :

- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;
- c. Set aside 10% of the remaining amount after deducting items (a) and (b) as a legal reserve;
- d. Set aside 0.1% of the remaining amount after deducting items (a), (b), and (c) as directors' and supervisors' remuneration; and

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- e. After deducting items (a), (b), and (c) above from the current year's earnings, no less than 5% of the remaining amount together with the prior years' unappropriated earnings is to be allocated as employees' bonus, which will be settled through issuance of new shares of UMC, or cash. Employees of UMC's subsidiaries, meeting certain requirements determined by the board of directors, are also eligible for the employees' bonus.

- f. The distribution of the remaining portion, if any, will be recommended by the board of directors and resolved in the shareholders meeting.

The policy for dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the benefit of shareholders, share bonus equilibrium, and long-term financial planning. The board of directors shall make the distribution proposal annually and present it at the shareholders meeting. The Company's Articles of Incorporation further provide that no more than 80% of the dividends to shareholders, if any, must be paid in the form of stock dividends. Accordingly, at least 20% of the dividends must be paid in the form of cash.

During the three-month period ended March 31, 2008, the amounts of the employee bonuses and remunerations to directors and supervisors were estimated at NT\$84 million and NT\$1 million, respectively. The board of directors estimated the amount by taking into consideration the Company's Articles of Incorporation, government regulations and industrial average. Estimated employee bonuses and remunerations to directors and supervisors were charged to current income. If the board modifies the estimates significantly in the subsequent periods during the year, the Company will recognize the change as an adjustment to current income in the period the modification is made. Moreover, if the amounts were modified by the shareholders meeting of the following year, the adjustment will be regarded as a change of accounting estimate and will be reflected in the consolidated statement of income in the following year.

The appropriation of 2007 retained earnings has not yet been approved by the shareholders meeting as of the reporting date. Information on the board of directors' recommendations and shareholders' approval can be obtained from the Market Observation Post System on the Taiwan Stock Exchange website.

The distribution of retained earnings for the year 2007 was recommended by the board of directors on March 17, 2008. Details of the distribution are as follows:

| | 2007 |
|---|---|
| | (as recommended by the board of directors) |
| Cash Dividend | \$ 0.75 per share |
| Stock Dividend | 0.08 per share |
| Employees' bonuses Cash Dividend (NTD thousands) | 286,541 |
| Employees' bonuses Stock Dividend (NTD thousands) | 1,146,166 |
| Directors' and Supervisors' remunerations (NTD thousands) | 11,939 |

Pursuant to Article 41 of the Securities and Exchange Law of the R.O.C., a special reserve is set aside from the current net income and prior unappropriated earnings with an amount equal to the amount of items that are accounted for as deductions to stockholders' equity, such as unrealized loss on long-term investment and cumulative translation adjustments. When the deductions to stockholders' equity are reversed, the set-aside special reserve can be distributed.

(19) EARNINGS PER SHARE

- a. The Company had both zero coupon convertible bonds and employee stock options outstanding during the three-month period ended March 31, 2008. Therefore, in consideration of such complex structure, the calculated basic and diluted earnings per share for the three-month period ended March 31, 2008, are disclosed as follows:

| | For the three-month period ended March 31, 2008 | | | Earnings per share (NTD) | |
|---|---|--------------|-------------------------------|--------------------------|------------|
| | Amount | | Shares expressed in thousands | Income before | |
| | Income before income tax | Net income | | income tax | Net income |
| Earning per share-basic (NTD) | | | | | |
| Income available to common stock shareholders | \$ 315,771 | \$ 205,828 | 12,494,810 | \$ 0.03 | \$ 0.02 |
| Effect of dilutive equivalent shares | | | | | |
| Employee stock options | \$ (173,214) | \$ (129,910) | 226,658 | | |
| Earning per share-diluted: | | | | | |
| Income available to common stock shareholders | \$ 142,557 | \$ 75,918 | 12,721,468 | \$ 0.01 | \$ 0.01 |

The employee stock options were not dilutive when calculating the diluted earning per share for the three-month period ended March 31, 2008; therefore, they were not included in the diluted earning per share calculation.

4. RELATED PARTY TRANSACTIONS

(1) Name and Relationship of Related Parties

| Name of related parties | Relationship with the Company |
|--|-------------------------------|
| UNITECH CAPITAL INC. | Equity Investee |
| MEGA MISSION LIMITED PARTNERSHIP | Equity Investee |
| MTIC HOLDINGS PTE. LTD. | Equity Investee |
| UNIMICRON HOLDING LIMITED | Equity Investee |
| HSUN CHIEH INVESTMENT CO., LTD. | Equity Investee |
| AMIC TECHNOLOGY CORP. | Equity Investee |
| PACIFIC VENTURE CAPITAL CO., LTD. | Equity Investee |
| XGI TECHNOLOGY INC. | Equity Investee |
| NEXPOWER TECHNOLOGY CORP. | Equity Investee |
| SILICON INTEGRATED SYSTEMS CORP. (SILICON) | The Company's director |
| UWAVE TECHNOLOGY CORP. | Subsidiary's equity investee |
| UCA TECHNOLOGY INC. (Liquidation finished on March 17, 2008) | Subsidiary's equity investee |
| SMEDIA TECHNOLOGY CORP. | Subsidiary's equity investee |
| CRYSTAL MEDIA INC. | Subsidiary's equity investee |
| MOBILE DEVICES INC. | Subsidiary's equity investee |

(2) Significant Related Party Transactions

a. Operating revenues

| | For the three-month period ended March 31, 2008 | |
|--------------|--|------------|
| | Amount | Percentage |
| SILICON | \$ 499,627 | 2 |
| Others | 195,257 | 1 |
| Total | \$ 694,884 | 3 |

The sales price to the above related parties was determined through mutual agreement based on the market conditions. The collection period for overseas sales to related parties was net 60 days, while the terms for domestic sales were month-end 45-60 days. The collection period for third party overseas sales was net 30-60 days, while the terms for third party domestic sales were month-end 30-60 days.

b. Accounts receivable

| | As of March 31, 2008 | |
|---|----------------------|------------|
| | Amount | Percentage |
| SILICON | \$ 379,872 | 2 |
| Others | 123,968 | 1 |
| Total | 503,840 | 3 |
| Less: Allowance for sales returns and discounts | (65,895) | |
| Net | \$ 437,945 | 3 |

5. ASSETS PLEDGED AS COLLATERAL

As of March 31, 2008

| | Amount | Party to which asset(s) was pledged | Purpose of pledge |
|-------------------------------|------------|--|---------------------------|
| Deposit-out (Time deposit) | \$ 620,213 | Customs | Customs duty guarantee |

6. COMMITMENTS AND CONTINGENT LIABILITIES

- (1) The Company has entered into several patent license agreements and development contracts of intellectual property for a total contract amount of approximately NT\$8.5 billion. Royalties and development fees payable in future years are NT\$3.5 billion as of March 31, 2008.
- (2) The Company signed several construction contracts for the expansion of its factory space. As of March 31, 2008, these construction contracts have amounted to approximately NT\$3 billion and the unpaid portion of the contracts was approximately NT\$1 billion.
- (3) The Company entered into several operating lease contracts for land and office. These renewable operating leases will expire in various years through 2032 and are renewable. Future minimum lease payments under those leases are as follows:

| For the year ended December 31, | Amount |
|---|---------------------|
| 2008 (2 nd quarter and thereafter) | \$ 222,210 |
| 2009 | 275,791 |
| 2010 | 261,720 |
| 2011 | 253,713 |
| 2012 | 243,441 |
| 2013 and thereafter | 1,911,960 |
| Total | \$ 3,168,835 |

- (4) On February 15, 2005, the Hsinchu District Prosecutor's Office conducted a search of the Company's facilities. On February 18, 2005, the Company's former Chairman Mr. Robert H.C. Tsao, released a public statement, explaining that its assistance to Hejian Technology Corp. (Hejian) did not involve any investment or technology transfer.

Furthermore, from the very beginning there was a verbal indication that, at the proper time, the Company would be compensated appropriately for its assistance, and circumstances permitting, at some time in the future, it will push through the merger between two companies. However, no promise was made by the Company and no written agreement was made and executed. Upon the Company's request to materialize the said verbal indication by compensating in the form of either cash or equity, the Chairman of the holding company of Hejian offered 15% of the approximately 700 million outstanding shares of the holding company of Hejian in return for the Company's past assistance and for continued assistance in the future.

Immediately after the Company had received such offer, it filed an application with the Investment Commission of the Ministry of Economic Affairs on March 18, 2005 (Ref. No. 94-Lian-Tung-Tzu-0222), for their executive guidance for the successful transfer of said shares to the Company. The shareholders meeting dated June 13, 2005 resolved that to the extent permitted by law the Company shall try to get the 15% of the outstanding shares offered by the holding company of Hejian as an asset of the Company. The holding company of Hejian offered 106 million shares of its outstanding common shares in return for the Company's assistance. The holding company of Hejian has put all such shares in escrow. The Company was informed of such escrow on August 4, 2006. The subscription price per share of the holding company of Hejian in the last offering was US\$1.1. Therefore, the total market value of the said shares is worth more than US\$110 million. However, the Company may not acquire the ownership of nor exercise the rights of the said shares with any potential stock dividend or cash dividend distributed in the future until the ROC laws and regulations allow the Company to acquire and exercise. In the event that any stock dividend or cash dividend is distributed, the Company's stake in the holding company of Hejian will accumulate accordingly.

In April 2005, the Company's former Chairman Mr. Robert H.C. Tsao was personally fined with in the aggregate amount of NT\$3 million by the Financial Supervisory Commission, Executive Yuan, R.O.C. (ROC FSC) for failure to disclose material information relating to Hejian in accordance with applicable rules. As a result of the imposition of the fines by the ROC FSC, the Company was also fined in the amount of NT\$30,000 by Taiwan Stock Exchange (TSE) for the alleged non-compliance with the disclosure rules in relation to the material information. The Company and its former Chairman Mr. Robert H.C. Tsao have filed for administrative appeal and reconsideration with the Executive Yuan, R.O.C. and TSE, respectively. Mr. Robert H.C. Tsao's administrative appeal was dismissed by the Execution Yuan, R.O.C. on February 21, 2006 and the ROC FSC transferred the case against Mr. Robert H.C. Tsao to the Administrative Enforcement Agency for enforcement of the fine. Mr. Robert H.C. Tsao has filed an administrative action against the ROC FSC with Taipei High Administrative Court on April 14, 2006. On December 27, 2007, the Administrative High Court revoked the decision and ruled in favor of Mr. Tsao.

For the Company's assistance to Hejian Technology Corp., the Company's former Chairman Mr. Robert H.C. Tsao, former Vice Chairman Mr. John Hsuan, and Mr. Duen-Chian Cheng, the General Manager of Fortune Venture Capital Corp., which is 99.99% owned by the Company, were indicted for violating the Business Entity Accounting Act and breach of trust under the Criminal Law by Hsinchu District Court's Prosecutor's Office on January 9, 2006. Mr. Robert H.C. Tsao and Mr. John Hsuan had officially resigned from their positions of the Company's Chairman, Vice Chairman and directors prior to the announcement of the prosecution; for this reason, at the time of the prosecution, Mr. Robert H.C. Tsao and Mr. John Hsuan no longer served as the Company's directors and had not executed their duties as the Company's Chairman and Vice Chairman.

In the future, if a guilty judgment is pronounced by the court, such consequences would be Mr. Robert H.C. Tsao, Mr. John Hsuan and Mr. Duen-Chian Cheng's personal concerns only; the Company would not be subject to indictment regarding this case. Mr. Robert H.C. Tsao, Mr. John Hsuan and Mr. Duen-Chian Cheng were pronounced innocent of the charge by Hsinchu District Court on October 26, 2007. On November 15, 2007, Taiwan's Hsinchu District Court Prosecutor's Office filed an appeal, which is currently under trial.

On February 15, 2006, the Company was fined in the amount of NT\$5 million for unauthorized investment activities in Mainland China, implicating violation of Article 35 of the Act Governing Relations Between Peoples of the Taiwan Area and the Mainland Area by the R.O.C. Ministry of Economic Affairs (MOEA). However, as the Company believes it was illegally and improperly fined, the Company had filed an administrative appeal against MOEA to the Executive Yuan on March 16, 2006. On October 19, 2006, Executive Yuan denied the administrative appeal filed by the Company. The Company had filed an administrative litigation case against MOEA on December 8, 2006. Taipei High Administrative Court announced and reversed MOEA's administrative sanction on July 19, 2007. MOEA filed an appeal against the Company on August 10, 2007.

7. SIGNIFICANT DISASTER LOSS

None.

8. SIGNIFICANT SUBSEQUENT EVENT

None.

9. OTHERS

(1) Financial risk management objectives and policies

The Company's principal financial instruments, other than derivatives, is comprised of cash and cash equivalents, common stock, preferred stock, convertible bonds, open-end funds, short-term loans, and bonds payable. The main purpose of these financial instruments is to manage financing for the Company's operations. The Company also holds various other financial assets and liabilities such as accounts receivable and accounts payable, which arise directly from its operations.

The Company also enters into derivative transactions, including interest rate swaps and forward currency contracts. The purpose of these derivative transactions is to mitigate interest rate risk and foreign currency exchange risks arising from the Company's operations and financing activities.

The main risks arising from the Company's financial instruments include cash flow interest rate risk, foreign currency risk, commodity price risk, credit risk, and liquidity risk.

Cash flow interest rate risk

The Company utilizes interest rate swap agreements to avoid its cash flow interest rate risk on the counter-floating rate of its unsecured domestic bonds issued during the period from May 21 to June 24, 2003. The terms of the interest rate swap agreements are the same as those of the domestic bonds, which are five and seven years. The floating rate is reset annually.

Foreign currency risk

The Company has foreign currency risk arising from purchases or sales. The Company utilizes spot or forward contracts to avoid foreign currency risk. The notional amounts of the foreign currency contracts are the same as the amount of the hedged items. In principal, the Company does not carry out any forward contracts for uncertain commitments.

Commodity price risk

The Company's exposure to commodity price risk is minimal.

Credit risk

The Company trades only with established and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis, which consequently minimizes the Company's exposure to bad debts.

With respect to credit risk arising from the other financial assets of the Company, which is comprised of cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, the Company's exposure to credit risk arising from the default of counter-parties is limited to the carrying amount of these instruments.

Although the Company trades only with established third parties, it will request collateral to be provided by third parties with less favorable financial positions.

Liquidity risk

The Company's objective is to maintain a balance of funding continuity and flexibility through the use of financial instruments such as cash and cash equivalents, short-term loans and bonds.

(2) Information of financial instruments

a. Fair value of financial instruments

| Financial Assets | As of March 31, 2008 | |
|---|----------------------|---------------|
| | Book Value | Fair Value |
| <u>Non-derivative</u> | | |
| Cash and cash equivalents | \$ 41,097,714 | \$ 41,097,714 |
| Financial assets at fair value through profit or loss, current | 4,184,129 | 4,184,129 |
| Notes and accounts receivable | 14,035,903 | 14,035,903 |
| Financial assets at fair value through profit or loss, noncurrent | 48,834 | 48,834 |
| Available-for-sale financial assets, noncurrent | 42,227,377 | 42,227,377 |
| Financial assets measured at cost, noncurrent | 8,349,605 | |
| Long-term investments accounted for under the equity method | 9,282,436 | 8,991,133 |
| Deposits-out | 745,254 | 745,254 |
| <u>Derivative</u> | | |
| Forward contract | \$ 115,358 | \$ 115,358 |
| Financial Liability | | |
| <u>Non-derivative</u> | | |
| Short-term loans | \$ 743,883 | \$ 743,883 |
| Payables | 16,910,327 | 16,910,327 |
| Bonds payable (current portion included) | 17,995,485 | 17,503,005 |
| <u>Derivative</u> | | |
| Interest rate swaps | \$ 170,638 | \$ 170,638 |

b. The methods and assumptions used to measure the fair value of financial instruments are as follows:

- i. The book values of short-term financial instruments approximate their fair value due to their short maturities. Short-term financial instruments include cash and cash equivalents, notes receivable, accounts receivable, current portion of capacity deposits, and payables.
- ii. The fair value of financial assets at fair value through profit or loss and available-for-sale financial assets are based on the quoted market prices. If there are restrictions on the sale or transfer of an available-for-sale financial asset, the fair value of the asset will be determined based on similar but unrestricted financial assets quoted market price with appropriate discounts for the restrictions.

- iii. The fair value of long-term investments accounted for under equity method is based on the quoted market prices. If market prices are unavailable, the Company estimates the fair value based on the book values.
 - iv. The fair value of financial assets measured at cost is unable to be estimated since there is no active market in trading those unlisted investments.
 - v. The fair value of deposits-out is based on their book value since the deposit periods are principally within one year and renewed upon maturity.
 - vi. The fair value of bonds payable is determined by the market price.
 - vii. The fair value of derivative financial instruments is based on the amount the Company expects to receive (positive) or to pay (negative) assuming that the contracts are settled in advance at the balance sheet date.
- c. The fair value of the Company's financial instruments is determined by the quoted prices in active markets, or if the market for a financial instrument is not active, the Company establishes fair value by using a valuation technique:

| | As of March 31, 2008 | |
|---|-------------------------------|------------------------|
| | Active Market Quotation | Valuation Technique |
| <u>Non-derivative Financial Instruments</u> | | |
| Financial assets | | |
| Financial assets at fair value through profit or loss, current | \$ 4,184,129 | \$ |
| Financial assets at fair value through profit or loss, noncurrent | 48,834 | |
| Available-for-sale financial assets, noncurrent | 40,981,922 | 1,245,455 |
| Long-term investments accounted for under the equity method | | 8,991,133 |
| Financial liabilities | | |
| Short-term loans | | 743,883 |
| Bonds payable (current portion included) | 17,503,005 | |
| <u>Derivative Financial Instruments</u> | | |
| Financial assets | | |
| Forward contract | \$ | \$ 115,358 |
| Financial liabilities | | |
| Interest rate swaps | | 170,638 |

- d. The Company recognized a net gain of NT\$813 million from financial liabilities at fair value through profit or loss for the three-month period ended March 31, 2008.
- e. The Company's financial liabilities with cash flow interest rate risk exposure was NT\$171 million as of March 31, 2008.
- f. During the three-month period ended March 31, 2008, total interest revenues for financial assets or liabilities that are not at fair value through profit or loss was NT\$184 million, while interest expense for the three-month period ended March 31, 2008 was NT\$50 million.

(3) The Company entered into interest rate swap and forward contracts for hedging the interest rate risk arising from the counter-floating rate of its domestic bonds and for hedging the exchange rate risk arising from the net assets or liabilities denominated in foreign currency. The Company entered into these derivative financial instruments in connection with its hedging strategy to reduce the market risk of the hedged items and these financial instruments were not held for trading purpose. The relevant information on the derivative financial instruments entered into by the Company is as follows:

- a. The Company utilized interest rate swap agreements to hedge its interest rate risks on the counter-floating rate of its unsecured domestic bonds issued during the period from May 21 to June 24, 2003. The terms of the interest rate swap agreements are the same as those of the domestic bonds, which are five and seven years. The floating rate is reset annually. The details of interest rate swap agreements are summarized as follows:

As of March 31, 2008, the Company had the following interest rate swap agreements in effect:

| Notional Amount | Contract Period | Interest Rate Received | Interest Rate Paid |
|-------------------|-------------------------------|----------------------------------|--------------------|
| NT\$7,500 million | May 21, 2003 to June 24, 2008 | 4.0% minus USD 12-Month LIBOR | 1.52% |
| NT\$7,500 million | May 21, 2003 to June 24, 2010 | 4.3% minus USD 12-Month LIBOR | 1.48% |

- b. The details of forward contracts entered into by the Company are summarized as follows:

As of March 31, 2008

| Type | Notional Amount | Contract Period |
|-------------------|----------------------|-----------------------------|
| Forward contracts | Sell US\$348 million | Feb 21, 2008 to May 6, 2008 |

c. Transaction risk

(a) Credit risk

There is no significant credit risk exposure with respect to the above transactions as the counter-parties are reputable financial institutions with good global standing.

(b) Liquidity and cash flow risk

The cash flow requirements on the interest rate swap agreements are limited to the net interest payables or receivables arising from the differences in the swap rates. The cash flow requirements on forward contracts are limited to the net difference between the forward and spot rates at the settlement date. Therefore, no significant cash flow risk is anticipated since the working capital is sufficient to meet the cash flow requirements.

(c) Market risk

Interest rate swap agreements and forward contracts are intended for hedging purposes. Gains or losses arising from the fluctuations in interest rates and exchange rates are likely to be offset against the gains or losses from the hedged items. As a result, no significant exposure to market risk is anticipated.

d. Presentation of derivative financial instruments on the financial statements

As of March 31, 2008, the Company's interest rate swap agreements were classified as current liabilities amounted to NT\$171 million. The related valuation gain of NT\$148 million was recorded under non-operating revenue for the three-month period ended March 31, 2008.

As of March 31, 2008, the forward contracts that were classified as current assets amounted to the NT\$115 million and the related valuation gain of NT\$665 million was recorded under non-operating revenue for the three-month period ended March 31, 2008.

(6) Significant intercompany transactions among consolidated entities for the three-month period ended March 31, 2008 are disclosed in Attachment 1.

(7) Details of subsidiaries that hold UMC's stock are as follows:

As of March 31, 2008

| Subsidiary | No. of Shares (in thousands) | Amount | Purpose |
|-------------------------------|---------------------------------|------------|----------------------|
| FORTUNE VENTURE CAPITAL CORP. | 15,386 | \$ 287,725 | Long-term investment |

ATTACHMENT 1 (Significant intercompany transactions between consolidated entities)

(Amount in thousand; Currency denomination in NTD unless otherwise specified)

For the three-month period ended March 31, 2008

| No. (Note 1) | Related Party | Counterparty | Relationship with the Company (Note 2) | Account | Transactions | | Percentage of consolidated operating revenues or consolidated total assets (Note 4) |
|-----------------|-------------------------------------|---------------------------------------|---|---------------------|---------------|-------------------|---|
| | | | | | Amount | Terms (Note 3) | |
| 0 | UNITED MICROELECTRONICS CORPORATION | UMC GROUP (USA) | 1 | Sales | \$ 14,099,240 | Net 60 days | 56% |
| 0 | UNITED MICROELECTRONICS CORPORATION | UMC GROUP (USA) | 1 | Accounts receivable | 6,772,020 | | 2% |
| 0 | UNITED MICROELECTRONICS CORPORATION | UNITED MICROELECTRONICS (EUROPE) B.V. | 1 | Sales | 2,739,063 | Net 60 days | 11% |
| 0 | UNITED MICROELECTRONICS CORPORATION | UNITED MICROELECTRONICS (EUROPE) B.V. | 1 | Accounts receivable | 1,788,979 | | 1% |
| 0 | UNITED MICROELECTRONICS CORPORATION | UMC JAPAN | 1 | Sales | 441,389 | Net 60 days | 2% |
| 0 | UNITED MICROELECTRONICS CORPORATION | UMC JAPAN | 1 | Accounts receivable | 254,554 | | |

Note 1: UMC and its subsidiaries are coded as follows:

1. UMC is coded 0 .
2. The subsidiaries are coded consecutively beginning from 1 in the order presented in the table above.

Note 2: Transactions are categorized as follows:

1. The holding company to subsidiary.
2. Subsidiary to holding company.
3. Subsidiary to subsidiary.

Note 3: The sales price to the above related parties was determined through mutual agreement based on the market conditions.

Note 4: The percentage with respect to the consolidated asset/liability for transactions of balance sheet items are based on each item's balance at period-end.

For profit or loss items, cumulative balances are used as basis.