

**UNITED MICROELECTRONICS CORPORATION  
FINANCIAL STATEMENTS  
WITH REPORT OF INDEPENDENT AUDITORS  
FOR THE YEARS ENDED  
DECEMBER 31, 2005 AND 2004**

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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.

## REPORT OF INDEPENDENT AUDITORS

### English Translation of a Report Originally Issued in Chinese

To the Board of Directors and Shareholders of  
United Microelectronics Corporation

We have audited the accompanying balance sheets of United Microelectronics Corporation as of December 31, 2005 and 2004, and the related statements of income, changes in stockholders' equity and cash flows for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. As described in Note 4(7) to the financial statements, certain long-term investments were accounted for under the equity method based on the 2005 and 2004 financial statements of the investees, which were audited by other auditors. Our opinion insofar as it relates to the investment income amounting to NT\$821 million and NT\$631 million for the years ended December 31, 2005 and 2004, respectively, and the related long-term investment balances of NT\$5,898 million and NT\$5,380 million as of December 31, 2005 and 2004, respectively, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of United Microelectronics Corporation as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years ended December 31, 2005 and 2004, in conformity with the "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 from January 1, 2005, United Microelectronics Corporation has adopted the R.O.C. Statement of Financial Accounting Standards No.35 "Accounting for Asset Impairment" to account for the impairment of its assets.

We have also audited the consolidated financial statements of United Microelectronics Corporation as of and for the years ended December 31, 2005 and 2004, and have expressed an unqualified opinion with explanatory paragraph on such financial statements.

February 17, 2006  
Taipei, Taiwan  
Republic of China

#### **Notice to Readers**

The accompanying 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 audit 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  
 BALANCE SHEETS  
 December 31, 2005 and 2004  
 (Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of December 31,		Liabilities and Stockholders' Equity	Notes	As of December 31,	
		2005	2004			2005	2004
<b>Current assets</b>				<b>Current liabilities</b>			
Cash and cash equivalents	2, 4(1)	\$ 96,596,623	\$ 83,347,329	Short-term loans	4(11)	\$ -	\$ 1,904,400
Marketable securities, net	2, 4(2)	4,883,121	3,058,579	Accounts payable		4,100,708	3,642,421
Notes receivable	4(3)	193	1,771	Accounts payable - related parties	5	-	800,805
Notes receivable - related parties	5	62,136	39,034	Income tax payable	2	60,389	60,389
Accounts receivable, net	2, 4(4)	4,774,618	3,208,457	Accrued expenses		7,596,727	8,185,618
Accounts receivable - related parties, net	2, 5	7,522,953	7,446,462	Payable on equipment		5,277,863	4,704,299
Other receivables	2, 5	708,552	506,195	Other payables	10	95,668	-
Other financial assets, current	2, 4(5), 10	-	453,845	Current portion of long-term interest-bearing liabilities	2, 4(12), 6	10,250,000	2,820,003
Inventories, net	2, 4(6)	9,963,253	8,543,462	Other current liabilities	7	922,607	1,159,096
Prepaid expenses		421,787	244,230	<b>Total current liabilities</b>		<b>28,303,962</b>	<b>23,277,031</b>
Deferred income tax assets, current	2, 4(19)	3,334,510	3,524,289				
<b>Total current assets</b>		<b>128,267,746</b>	<b>110,373,653</b>	<b>Long-term interest-bearing liabilities</b>			
				Bonds payable	2, 4(12)	36,009,055	33,607,029
<b>Funds and long-term investments</b>	2, 4(7), 4(10)			<b>Total long-term interest-bearing liabilities</b>		<b>36,009,055</b>	<b>33,607,029</b>
Long-term investments accounted for under the equity method		27,311,723	64,251,399				
Long-term investments accounted for under the cost method		7,778,751	7,316,603	<b>Other liabilities</b>			
<b>Total funds and long-term investments</b>		<b>35,090,474</b>	<b>71,568,002</b>	Accrued pension liabilities	2, 4(13)	3,003,778	2,690,511
				Deposits-in		20,827	21,891
<b>Other financial assets, noncurrent</b>	2, 4(5), 10	977,856	1,303,644	Deferred credits - intercompany profits	2	9,806	3,584,275
				Other liabilities - others		590,256	-
<b>Property, plant and equipment</b>	2, 4(8), 5, 6, 7			<b>Total other liabilities</b>		<b>3,624,667</b>	<b>6,296,677</b>
Land		1,132,576	1,132,576				
Buildings		16,287,803	13,133,658	<b>Total liabilities</b>		<b>67,937,684</b>	<b>63,180,737</b>
Machinery and equipment		366,982,250	301,773,287				
Transportation equipment		88,413	79,610	<b>Capital</b>	2, 4(14), 4(15), 4(21)		
Furniture and fixtures		2,199,773	1,976,487	Common stock		197,947,033	177,919,819
Leased assets		-	47,783	Capital collected in advance		36,600	4,040
Total cost		386,690,815	318,143,401	<b>Capital reserve</b>	2, 4(14), 4(15), 4(21)		
Less : Accumulated depreciation		(252,474,004)	(202,373,050)	Premiums		64,600,076	64,126,182
Add : Construction in progress and prepayments		15,592,805	21,584,900	Change in equities of long-term investments		20,781,523	20,807,013
<b>Property, plant and equipment, net</b>		<b>149,809,616</b>	<b>137,355,251</b>	<b>Retained earnings</b>	4(17)		
				Legal reserve		15,996,839	12,812,501
<b>Intangible assets</b>				Special reserve		1,744,171	90,871
Goodwill	2, 4(21)	3,745,122	1,214,956	Unappropriated earnings		8,831,782	29,498,329
Technological know-how	2	359,556	-	<b>Adjusting items in stockholders' equity</b>	2		
<b>Total intangible assets</b>		<b>4,104,678</b>	<b>1,214,956</b>	Unrealized loss on long-term investments		(9,527,362)	(9,871,086)
				Cumulative translation adjustment		(241,153)	(1,319,452)
<b>Other assets</b>				<b>Treasury stock</b>	2, 4(16)	(41,885,956)	(27,685,463)
Deferred charges	2	1,963,950	1,860,419	<b>Total stockholders' equity</b>		<b>258,283,553</b>	<b>266,382,754</b>
Deferred income tax assets, noncurrent	2, 4(19)	4,001,394	3,811,615				
Other assets - others	2, 4(9), 4(10)	2,005,523	2,075,951				
<b>Total other assets</b>		<b>7,970,867</b>	<b>7,747,985</b>				
<b>Total assets</b>		<b>\$ 326,221,237</b>	<b>\$ 329,563,491</b>	<b>Total liabilities and stockholders' equity</b>		<b>\$ 326,221,237</b>	<b>\$ 329,563,491</b>

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

English Translation of Financial Statements Originally Issued in Chinese  
**UNITED MICROELECTRONICS CORPORATION**  
**STATEMENTS OF INCOME**  
For the years ended December 31, 2005 and 2004  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share )

	Notes	For the year ended December 31,	
		2005	2004
<b>Operating revenues</b>	2, 5		
Sales revenues		\$ 90,780,340	\$ 115,165,087
Less : Sales returns and discounts		(1,840,345)	(1,170,521)
Net sales		88,939,995	113,994,566
Other operating revenues		1,835,444	3,317,274
<b>Net operating revenues</b>		<u>90,775,439</u>	<u>117,311,840</u>
<b>Operating costs</b>	4(18)		
Cost of goods sold	5	(78,836,403)	(79,249,792)
Other operating costs		(777,750)	(2,193,389)
<b>Operating costs</b>		<u>(79,614,153)</u>	<u>(81,443,181)</u>
<b>Gross profit</b>		11,161,286	35,868,659
Unrealized intercompany profit	2	(120,153)	(154,417)
Realized intercompany profit	2	154,417	106,702
<b>Gross profit-net</b>		<u>11,195,550</u>	<u>35,820,944</u>
<b>Operating expenses</b>	4(18), 5		
Sales and marketing expenses		(2,280,674)	(2,197,181)
General and administrative expenses		(3,225,165)	(2,644,595)
Research and development expenses		(8,358,430)	(6,524,176)
Subtotal		<u>(13,864,269)</u>	<u>(11,365,952)</u>
<b>Operating (loss) income</b>		<u>(2,668,719)</u>	<u>24,454,992</u>
<b>Non-operating income</b>			
Interest revenue		945,610	871,598
Dividend income		922,562	1,041,415
Gain on disposal of property, plant and equipment	2	62,884	137,267
Gain on sales of investments	2, 4(12)	10,096,375	12,513,933
Exchange gain, net	2,10	252,303	-
Gain on recovery of market value of inventory	2	919,884	-
Other income		671,924	331,238
Subtotal		<u>13,871,542</u>	<u>14,895,451</u>
<b>Non-operating expenses</b>			
Interest expense	4(8)	(918,173)	(1,179,145)
Investment loss accounted for under the equity method, net	2, 3, 4(7), 4(10)	(2,677,263)	(2,509,287)
Other investment loss	2	-	(84,968)
Loss on disposal of property, plant and equipment	2	(81,544)	(224,049)
Exchange loss, net	2, 10	-	(1,081,949)
Loss on decline in market value and obsolescence of inventories	2	-	(844,906)
Financial expenses		(258,110)	(371,751)
Impairment loss	2, 3, 4(10)	(160,191)	-
Other losses	2, 4(12)	(80,012)	(1,177,098)
Subtotal		<u>(4,175,293)</u>	<u>(7,473,153)</u>
<b>Income before income tax</b>		7,027,530	31,877,290
<b>Income tax expense</b>	2, 4(19)	(838)	(33,909)
<b>Net income</b>		<u>\$ 7,026,692</u>	<u>\$ 31,843,381</u>
<b>Earnings per share-basic (NTD)</b>	2, 4(20)		
Income before income tax		\$ 0.38	\$ 1.70
Net income		<u>\$ 0.38</u>	<u>\$ 1.70</u>
<b>Earnings per share-diluted (NTD)</b>	2, 4(20)		
Income before income tax		\$ 0.38	\$ 1.68
Net income		<u>\$ 0.38</u>	<u>\$ 1.67</u>
<b>Pro forma information on earnings as if subsidiaries' investment in the Company is not treated as treasury stock</b>	2, 4(20)		
Net income		\$ 7,026,692	\$ 31,843,381
Earnings per share-basic (NTD)		\$ 0.36	\$ 1.64
Earnings per share-diluted (NTD)		<u>\$ 0.36</u>	<u>\$ 1.62</u>

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

English Translation of Financial Statements Originally Issued in Chinese  
 UNITED MICROELECTRONICS CORPORATION  
 STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
 For the years ended December 31, 2005 and 2004  
 (Expressed in Thousands of New Taiwan Dollars)

	Notes	Capital			Retained Earnings			Unrealized Loss on Long-term Investments	Cumulative Translation Adjustment	Treasury Stock	Total
		Common Stock	Capital Collected in Advance	Capital Reserve	Legal Reserve	Special Reserve	Unappropriated Earnings				
Balance as of January 1, 2004	4(14)	\$ 161,407,435	\$ -	\$ 80,074,184	\$ 11,410,475	\$ 1,346,994	\$ 14,036,822	\$ (9,537,237)	\$ 913,877	\$ (27,410,626)	\$ 232,241,924
Appropriation of 2003 retained earnings	4(17)										
Legal reserve		-	-	-	1,402,026	-	(1,402,026)	-	-	-	-
Special reserve		-	-	-	-	(1,256,123)	1,256,123	-	-	-	-
Stock dividends		12,224,284	-	-	-	-	(12,224,284)	-	-	-	-
Directors' and supervisors' remuneration		-	-	-	-	-	(12,618)	-	-	-	(12,618)
Employees' bonus		1,111,273	-	-	-	-	(1,111,273)	-	-	-	-
Transfer of capital reserve to common stock	4(17)	661,298	-	(661,298)	-	-	-	-	-	-	-
Stock issued for merger	2, 4(21)	3,571,429	-	6,100,571	-	-	-	-	-	-	9,672,000
Purchase of treasury stock	2, 4(16)	-	-	-	-	-	-	-	-	(5,198,020)	(5,198,020)
Cancellation of treasury stock	2, 4(16)	(1,497,280)	-	(538,107)	-	-	(2,887,796)	-	-	4,923,183	-
Net income in 2004		-	-	-	-	-	31,843,381	-	-	-	31,843,381
Adjustment of capital reserve accounted for under the equity method	2	-	-	(385,128)	-	-	-	-	-	-	(385,128)
Changes in unrealized loss on long-term investments of investees	2	-	-	-	-	-	-	(333,849)	-	-	(333,849)
Exercise of employee stock options	2, 4(15)	441,380	4,040	342,973	-	-	-	-	-	-	788,393
Changes in cumulative translation adjustment	2	-	-	-	-	-	-	-	(2,233,329)	-	(2,233,329)
Balance as of December 31, 2004	4(14)	177,919,819	4,040	84,933,195	12,812,501	90,871	29,498,329	(9,871,086)	(1,319,452)	(27,685,463)	266,382,754
Appropriation of 2004 retained earnings	4(17)										
Legal reserve		-	-	-	3,184,338	-	(3,184,338)	-	-	-	-
Special reserve		-	-	-	-	1,653,300	(1,653,300)	-	-	-	-
Cash dividends		-	-	-	-	-	(1,758,736)	-	-	-	(1,758,736)
Stock dividends		17,587,364	-	-	-	-	(17,587,364)	-	-	-	-
Directors' and supervisors' remuneration		-	-	-	-	-	(27,006)	-	-	-	(27,006)
Employees' bonus		1,972,855	-	-	-	-	(1,972,855)	-	-	-	-
Purchase of treasury stock	2, 4(16)	-	-	-	-	-	-	-	-	(16,378,692)	(16,378,692)
Cancellation of treasury stock	2, 4(16)	(491,140)	-	(177,419)	-	-	(1,509,640)	-	-	2,178,199	-
Net income in 2005		-	-	-	-	-	7,026,692	-	-	-	7,026,692
Adjustment of capital reserve accounted for under the equity method	2	-	-	(28,491)	-	-	-	-	-	-	(28,491)
Changes in unrealized loss on long-term investments of investees	2	-	-	-	-	-	-	343,724	-	-	343,724
Exercise of employee stock options	2, 4(15)	954,095	36,600	654,314	-	-	-	-	-	-	1,645,009
Common stock transferred from capital collected in advance	2	4,040	(4,040)	-	-	-	-	-	-	-	-
Changes in cumulative translation adjustment	2	-	-	-	-	-	-	-	1,078,299	-	1,078,299
Balance as of December 31, 2005		<u>\$ 197,947,033</u>	<u>\$ 36,600</u>	<u>\$ 85,381,599</u>	<u>\$ 15,996,839</u>	<u>\$ 1,744,171</u>	<u>\$ 8,831,782</u>	<u>\$ (9,527,362)</u>	<u>\$ (241,153)</u>	<u>\$ (41,885,956)</u>	<u>\$ 258,283,553</u>

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

English Translation of Financial Statements Originally Issued in Chinese  
 UNITED MICROELECTRONICS CORPORATION  
 STATEMENTS OF CASH FLOWS  
 For the years ended December 31, 2005 and 2004  
 (Expressed in Thousands of New Taiwan Dollars)

	For the year ended December 31,	
	2005	2004
Cash flows from operating activities:		
Net income	\$ 7,026,692	\$ 31,843,381
Adjustments to reconcile net income to net cash provided by (used in)		
operating activities:		
Depreciation	46,129,225	38,595,954
Amortization	2,387,679	1,181,379
Bad debt expenses (reversal)	(151,042)	107,404
Loss (gain) on decline (recovery) in market value and obsolescence of inventories	(919,884)	844,906
Cash dividends received under the equity method	724,510	439,514
Investment loss accounted for under the equity method	2,677,263	2,509,287
Other investment loss	-	84,968
Write-off of deferred charges	-	269,325
Transfer of property, plant and equipment to losses and expenses	9,370	2,059
Impairment loss	160,191	-
Gain on sales of investments	(10,096,375)	(12,513,933)
Loss on disposal of property, plant and equipment	18,660	86,782
Exchange loss (gain) on long-term liabilities	65,827	(295,100)
Amortization of bond premiums	-	(10,050)
Loss on reacquisition of bonds	-	59
Amortization of deferred income	(89,762)	-
Changes in assets and liabilities:		
Notes receivable and accounts receivable	(658,907)	3,129,517
Other receivables	(128,727)	32,434
Inventories	104,968	(1,326,015)
Prepaid expenses	(108,025)	488,734
Other financial assets	169,799	54,374
Accounts payable	(1,087,713)	(17,577)
Income tax payable	-	10,696
Accrued expenses	(547,542)	3,198,386
Other current liabilities	(57,471)	134,847
Compensation interest payable	-	(126,111)
Capacity deposits	(193,249)	(143,127)
Accrued pension liabilities	313,267	432,879
Other liabilities - others	263,017	-
Net cash provided by operating activities	<u>46,011,771</u>	<u>69,014,972</u>
Cash flows from investing activities:		
Increase in marketable securities, net	(1,764,839)	(1,418,762)
Cash proceeds from merger	943,862	70,383
Decrease in other financial assets, net	705,468	1,503,980
Acquisition of long-term investments	(7,055,801)	(11,427,179)
Proceeds from sales of long-term investments	11,152,735	6,028,428
Proceeds from capital reduction settlement and liquidation of long-term investments	13,346,789	-
Acquisition of property, plant and equipment	(18,586,587)	(48,503,388)
Proceeds from disposal of property, plant and equipment	129,468	283,803
Increase in deferred charges	(1,356,305)	(978,741)
Decrease (increase) in other assets - others	(161,341)	1,065,478
Increase in other receivables	(5,137,760)	-
Net cash used in investing activities	<u>(7,784,311)</u>	<u>(53,375,998)</u>

## UNITED MICROELECTRONICS CORPORATION

## STATEMENTS OF CASH FLOWS

For the years ended December 31, 2005 and 2004

(Expressed in Thousands of New Taiwan Dollars)

	For the year ended December 31,	
	2005	2004
(continued)		
Cash flows from financing activities:		
Increase (decrease) in short-term loans, net	\$ (1,904,400)	\$ 1,504,400
Repayment of long-term loans	(16,153,714)	(5,866,537)
Redemption of bonds	(2,820,004)	(16,336,941)
Reacquisition of bonds	-	(41,392)
Issuance of bonds	12,478,603	-
Remuneration paid to directors and supervisors	(27,006)	(12,618)
Increase (decrease) in deposits-in, net	(1,254)	5,513
Cash dividends	(1,758,736)	-
Purchase of treasury stock	(16,378,692)	(5,198,020)
Exercise of employee stock options	1,642,008	788,393
Net cash used in financing activities	<u>(24,923,195)</u>	<u>(25,157,202)</u>
Currency exchange	(54,971)	-
Net increase (decrease) in cash and cash equivalents	13,249,294	(9,518,228)
Cash and cash equivalents at beginning of year	83,347,329	92,865,557
Cash and cash equivalents at end of year	<u>\$ 96,596,623</u>	<u>\$ 83,347,329</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ 1,334,219</u>	<u>\$ 1,877,234</u>
Cash paid for (received from) income tax return	<u>\$ (163,469)</u>	<u>\$ 67,683</u>
Investing activities partially paid by cash:		
Acquisition of property, plant and equipment	\$ 17,586,514	\$ 49,065,072
Add: Payable at beginning of year	4,704,299	4,057,940
Payable transferred in from the Branch	1,573,637	84,675
Less: Payable at end of year	(5,277,863)	(4,704,299)
Cash paid for acquiring property, plant and equipment	<u>\$ 18,586,587</u>	<u>\$ 48,503,388</u>
Investing and financing activities not affecting cash flows:		
Principal amount of exchangeable bonds exchanged by bondholders	\$ -	\$ 11,614,141
Book value of reference shares delivered for exchange	-	(3,898,638)
Elimination of related balance sheet accounts	-	90,983
Recognition of gain on sales of investments	<u>\$ -</u>	<u>\$ 7,806,486</u>

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

UNITED MICROELECTRONICS CORPORATION  
NOTES TO FINANCIAL STATEMENTS

December 31, 2005 and 2004

(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 individual 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.

Based on the resolution of the board of directors' meeting on February 26, 2004, the effective date of the merger with SiS Microelectronics Corp. (SiSMC) was July 1, 2004. The Company was the surviving company, and SiSMC was the dissolved company. The merger was approved by the relevant government authorities. All the assets, liabilities, rights, and obligations of SiSMC have been fully incorporated into the Company since July 1, 2004.

Based on the resolution of the board of directors' meeting on August 26, 2004, UMCi had transferred its businesses, operations, and assets to its newly incorporated Singapore branch (the Branch) since April 1, 2005.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in conformity with the "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 financial statements in conformity with generally accepted accounting principles requires management to make 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 translated into New Taiwan Dollars at the exchange rates prevailing at the transaction dates. Receivables, other monetary assets, and liabilities denominated in foreign currencies are translated into New Taiwan Dollars at the exchange rates prevailing at the balance sheet date. Exchange gains or losses are included in the current year's results. However, exchange gains or losses from investments in foreign entities are recognized as a cumulative translation adjustment in stockholders' equity.

### Translation of Foreign Currency Financial Statements

The financial statements of the Branch are translated into New Taiwan Dollars using the spot rates as of each financial statement 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.

### Marketable Securities

Marketable securities are recorded at cost at acquisition and are stated at the lower of aggregate cost or market value at the balance sheet date. Cash dividends are recognized as dividend income at the point of receipt. Costs of money market funds and short-term notes are identified specifically while other marketable securities are determined on the weighted-average method. The market values of listed debts, equity securities and closed-end funds are determined by the average closing price during the last month of the fiscal year. The market value for open-end funds is determined by the net asset value at the balance sheet date. The amount by which the aggregate cost exceeds the market value is reported as a loss in the current year. In subsequent periods, recoveries of the market value are recognized as a gain to the extent that the market value does not exceed the original aggregate cost of the investment.

### Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided based on management's judgment and on the evaluation of 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 adjusted to actual costs using the weighted-average method at the end of each month. Inventories are stated at the lower of aggregate cost or market value at the balance sheet date. The market values of raw materials and supplies are determined on the basis of replacement cost while the work in process and finished goods are determined by net realizable values. An allowance for loss on decline in market value and obsolescence is provided, when necessary.

### Long-term Investments

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 to income over a period of 5 years.

Investments of less than 20% of the outstanding voting rights in listed investees, where significant influence on operating decisions of the investees does not reside with the Company, are accounted for by the lower of aggregate cost or market value method. The unrealized loss resulting from the decline in market value of investments that are held for the purpose of long-term investment is deducted from the stockholders' equity. The market value is determined by the average closing price during the last month of the fiscal year. Investments of less than 20% of the outstanding voting rights in unlisted investees are accounted for under the cost method. Impairment losses for the investees will be recognized if an other than temporary impairment is evident and the book value after recognizing the losses shall be treated as the new cost basis of such investment.

Investment income or loss from investments in both listed and unlisted investees is accounted for under the equity method provided that the Company owns at least 20% of the outstanding voting rights of the investees or has significant influence on operating decisions of the investees. The difference of the acquisition cost and the underlying equity in the investee's net assets is amortized over 5 years.

The change in the Company's proportionate share in the net assets of its investee resulting from its subscription to additional shares of stock, issued by such investee, at a rate not proportionate to its existing equity ownership in such investee, is charged to the capital reserve and long-term investments account.

Unrealized intercompany gains and losses arising from downstream transactions with investees accounted for under the equity method are eliminated in proportion to the Company's ownership percentage while those from transactions with majority-owned (above 50%) subsidiaries are eliminated entirely.

Unrealized intercompany gains and losses arising from upstream transactions with investees accounted for under the equity method are eliminated in proportion to the Company's ownership percentage. Unrealized intercompany gains and losses arising from transactions between investees accounted for under the equity method are eliminated in proportion to the multiplication of the Company's ownership percentages; while those arising from transactions between majority-owned subsidiaries are eliminated in proportion to the Company's ownership percentage in the subsidiary incurred with a 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.

Investees in which the Company, directly or indirectly, holds more than 50% of voting rights or controls more than half of the members of board of directors, by whom the investee is controlled, are consolidated into the Company's financial statement in accordance with the R.O.C. SFAS No.7.

#### 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 expenditure and are depreciated accordingly. When property, plant and equipment are disposed, their original cost and accumulated depreciation are to be written off and the related gain or loss is classified as non-operating income or expenses. Idle assets are transferred to other assets according to the lower of net book or net realizable value, with the difference charged to non-operating expenses. The corresponding depreciation expenses provided are also classified as non-operating expenses.

Depreciation is provided on a straight-line basis using the estimated economic life of the assets less salvage value, if any. When the estimated economic life expires, property, plant and equipment which are still in use, are depreciated over the newly estimated remaining useful life using the salvage value. 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; furniture and fixtures – 5 years; leased assets – the lease period or estimated economic life, whichever is shorter.

#### Intangible Assets

Goodwill arising from the merger is amortized using the straight-line method over 15 years. As a result of the reorganization of UMCi Ltd., goodwill arising from the reorganization is amortized over 5 years. Technological know-how is stated at cost and amortized over its estimated economic life using the straight-line method.

The Company assesses whether there is any indication of impairment other than temporary. If any such indication exists, the recoverable amount is estimated and impairment loss is recognized accordingly. 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: bonds issuance costs - over the life of the bonds, patent license fees—the term of contract or estimated economic life of the related technology, and software—3 years.

The Company assesses whether there is any indication of impairment other than temporary. If any such indication exists, the recoverable amount is estimated and impairment loss is recognized accordingly. The book value after recognizing the impairment loss is recorded as the new cost.

#### Convertible and Exchangeable Bonds

The issuance costs of convertible and exchangeable bonds are classified as deferred charges and amortized over the life of the bonds.

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

When convertible bondholders exercise their conversion rights, the book value of bonds is credited to common stock at an amount equal to the par value of the common stock and the excess is credited to the capital reserve; no gain or loss is recognized on bond conversion.

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

#### Pension Plan

All regular employees are entitled to a defined benefit pension plan that is managed by an independently administered pension fund committee within the Company. The fund is deposited under the committee's name in the Central Trust of China and hence, not associated with the Company. Therefore the fund shall not 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 R.O.C. (the Act), which adopts a defined contribution plan, became effective on July 1, 2005. In accordance with the Act, employees may choose to elect either the Act, by retaining their seniority before the enforcement of the Act, or the pension mechanism of the Labor Standards Law. For employees who elect the Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts.

The accounting for pension is computed in accordance with the R.O.C. SFAS No.18. For the defined benefit pension, the net pension cost is calculated based on an actuarial valuation, and 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. For the defined contribution pension, the Company recognizes the pension amount as expense in the period in which the contribution becomes due.

#### Employee Stock Option Plan

The Company applies the intrinsic value method to recognize the difference between the market price of the stock and the exercise price of its employee stock option as compensation cost. Starting January 1, 2004, the Company also discloses pro forma net income and earnings per share under the fair value method for only these options granted since January 1, 2004.

#### Treasury Stock

The Company adopted the R.O.C. SFAS No. 30, which requires that treasury stock held by the Company to be accounted for under the cost method. Cost of treasury stock is shown as a deduction to stockholders' equity, while gain or loss from selling treasury stock is treated as an adjustment to the capital reserve. The Company's stock held by its subsidiaries is also treated as treasury stock in the Company's account.

#### Revenue Recognition

The main sales term of the Company is Free on Board (FOB) or Free Carrier (FCA). Revenue is recognized when ownership and liability for risk of loss or damage to the products have been transferred to customers, usually upon shipment. Sales returns and discounts taking into consideration customer complaints and past experiences are accrued in the same year of sales.

#### Capital Expenditure versus Operating Expenditure

Expenditure shall be capitalized when it is probable that future economic benefits associated with the expenditure will flow to the Company and the expenditure amount exceeds a predetermined level. Otherwise it is charged as expense when incurred.

### Income Tax

The Company adopted the R.O.C. SFAS No. 22 “Accounting for Income Taxes” for inter-period and intra-period income tax allocation. Provision for income tax includes deferred income tax resulting from temporary differences, loss carry-forward and investment tax credits. Deferred income tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements using enacted tax rates and laws that will be in effect when the difference is expected to reverse. 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.

According to the R.O.C. SFAS No. 12, the Company recognized 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.

### Earnings per Share

Earnings per share is computed according to the R.O.C. SFAS No. 24. Basic earnings per share is computed by dividing net income (loss) by weighted-average number of shares outstanding during the year. 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. The net income (loss) would also be adjusted for the interest and other income or expenses derived from any underlying dilutive share equivalents. The weighted-average outstanding shares are adjusted retroactively for stock dividends and bonus share issues.

### Derivative Financial Instruments

The interest rate swap agreements entered into for hedging purposes are accounted for on a net accrual basis in accordance with the contractual interest rate as an adjustment to the interest income or expense of the hedged items.

Foreign exchange forward contracts are held to hedge the exchange rate risk arising from net assets or liabilities denominated in foreign currency. These forward contracts are translated and recorded using the spot rate at the inception of the contracts, and the discount or premium of the forward contracts is amortized over their lifespan. The difference between the spot rate at the inception of a forward contract and the spot rate at the balance sheet date is reflected in the statement of income. The receivables and payables of the foreign exchange forward contracts are offset and the resulting balances are recorded as either assets or liabilities. Exchange gains or losses from the settlement of forward contracts are included in the current period’s earnings.

### Merger

The Company merged with SiSMC and recognized the sum of the difference between the acquisition costs, which are the market price of equity stocks issued and other related costs, and the fair value of the identifiable net assets acquired as goodwill in compliance with the R.O.C. SFAS No. 25 “Enterprise Mergers – Accounting of Purchase Method”. The fair value of identifiable net assets and goodwill deducted from the par value of the equity stocks issued and other related costs are recognized as capital reserve.

### Asset Impairment

Pursuant to the R.O.C. 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 carrying amount with the recoverable amount of the assets or the cash-generating unit (CGU) 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, whether there is any indication that the impairment loss may no longer exist or may have diminished. If there is any such indication, the Company recalculates the recoverable amount of the asset. If the recoverable amount increases as a result of the increase in the estimated service potential of the assets, the Company reverses the impairment loss such that the resulting carrying amount of the asset shall 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, there is an impairment loss. In allocating impairment losses, the portion of goodwill allocated is to be written down first. After goodwill has been written off, the remaining impairment loss, if any, is to be shared among other assets pro rata to their carrying amount.

The write-down in goodwill cannot be reversed under any circumstance in the subsequent periods.

Impairment loss (reversal) is classified as non-operating losses (income).

### 3. ACCOUNTING CHANGE

The Company had adopted the R.O.C. SFAS No. 35, “Accounting for Asset Impairment” to account for the impairment of its assets for its financial statements started on and after January 1, 2005. No retroactive adjustment is required under the standard. Such a change in accounting principles resulted in a NT\$483 million decrease on the Company’s net income, and a decrease of NT\$0.03 on earnings per share and total assets had decreased by NT\$483 million as of December 31, 2005.

#### 4. CONTENTS OF SIGNIFICANT ACCOUNTS

##### (1) CASH AND CASH EQUIVALENTS

	As of December 31,	
	2005	2004
Cash :		
Cash on hand	\$1,697	\$1,401
Checking and savings accounts	5,196,055	420,333
Time deposits	83,180,150	75,011,070
Subtotal	88,377,902	75,432,804
Cash equivalents :		
Government bonds acquired under repurchase agreements	8,218,721	7,914,525
Total	\$96,596,623	\$83,347,329

##### (2) MARKETABLE SECURITIES, NET

	As of December 31,	
	2005	2004
Convertible bonds	\$1,218,688	\$1,756,248
Listed equity securities	3,664,433	1,302,331
Total	\$4,883,121	\$3,058,579

##### (3) NOTES RECEIVABLE

	As of December 31,	
	2005	2004
Notes receivable	\$193	\$1,771

##### (4) ACCOUNTS RECEIVABLE, NET

	As of December 31,	
	2005	2004
Accounts receivable	\$4,950,122	\$3,605,964
Less : Allowance for sales returns and discounts	(121,930)	(314,087)
Less : Allowance for doubtful accounts	(53,574)	(83,420)
Net	\$4,774,618	\$3,208,457

##### (5) OTHER FINANCIAL ASSETS, CURRENT

	As of December 31,	
	2005	2004
Credit-linked deposits and repackage bonds	\$977,856	\$1,683,324
Interest rate swaps	-	35,532
Forward contracts	-	38,633
Total	977,856	1,757,489
Less: Non-current portion	(977,856)	(1,303,644)
Net	\$-	\$453,845

Please refer to Note 10 for disclosures on risks of other financial assets.

(6) INVENTORIES, NET

	As of December 31,	
	2005	2004
Raw materials	\$266,949	\$202,272
Supplies and spare parts	1,708,187	1,922,374
Work in process	7,561,310	6,216,769
Finished goods	995,654	1,395,450
Total	10,532,100	9,736,865
Less : Allowance for loss on decline in market value and obsolescence	(568,847)	(1,193,403)
Net	<u>\$9,963,253</u>	<u>\$8,543,462</u>

a. The insurance coverage for inventories was sufficient as of December 31, 2005 and 2004, respectively.

b. Inventories were not pledged.

(7) LONG-TERM INVESTMENTS

a. Details of long-term investments are as follows :

(Equity securities refer to common shares unless otherwise stated)

Investee Company	As of December 31,			
	2005		2004	
	Amount	Percentage of Ownership or Voting Rights	Amount	Percentage of Ownership or Voting Rights
<u>Investments accounted for under the equity method :</u>				
UMC Group (USA)	\$753,519	100.00	\$720,500	100.00
United Microelectronics (Europe) B.V.	279,834	100.00	284,568	100.00
UMC Capital Corp.	2,051,350	100.00	1,310,493	100.00
United Microelectronics Corp. (Samoa)	14,179	100.00	5,854	100.00
UMCi Ltd. (Note A)	9,484	100.00	26,582,778	100.00
TLC Capital Co., Ltd.	2,991,258	100.00	-	-
Fortune Venture Capital Corp. (Note B)	4,200,105	99.99	2,354,878	99.99
Hsun Chieh Investment Co., Ltd. (Hsun Chieh) (Note C)	(3,169,837)	99.97	10,296,356	99.97
United Microdisplay Optronics Corp.	318,151	86.72	441,618	83.48
Pacific Venture Capital Co., Ltd.	296,218	49.99	304,810	49.99
UMC Japan	6,341,144	48.95	8,842,456	47.42
Toppan Photomasks Taiwan Ltd. (formerly DuPont Photomasks Taiwan Ltd.)	1,063,671	45.35	1,058,515	45.35

Investee Company	As of December 31,			
	2005		2004	
	Amount	Percentage of Ownership or Voting Rights	Amount	Percentage of Ownership or Voting Rights
<u>Investments accounted for under the equity method :</u>				
Unitech Capital Inc.	\$638,946	42.00	\$730,930	42.00
Holtek Semiconductor Inc.	818,681	24.81	731,442	25.23
ITE Tech. Inc.	329,704	22.66	281,313	22.23
Unimicron Technology Corp.	4,015,626	20.43	3,465,809	21.43
Faraday Technology Corp. (Note D)	864,928	18.50	794,298	18.38
Silicon Integrated Systems Corp. (Note D)	3,921,878	16.59	4,226,303	16.16
XGI Technology Inc. (Note E)	82,807	16.53	-	-
Thintek Optronics Corp. (Note E)	20,136	14.26	-	-
AMIC Technology Corp. (Note E)	60,520	11.86	79,395	11.83
Novatek Microelectronics Corp. (Note D)	1,409,421	11.74	1,615,328	18.30
United Foundry Service, Inc. (Note F)	-	-	103,881	100.00
United Fu Shen Chen Technology Corp. (formerly Applied Component Technology Corp.) (Note G)	-	-	19,874	16.44
Subtotal	<u>27,311,723</u>		<u>64,251,399</u>	
<u>Investments accounted for under the cost method or the lower of cost or market value method :</u>				
United Fu Shen Chen Technology Corp. (formerly Applied Component Technology Corp.) (Note G)	40,000	16.60	-	-
United Industrial Gases Co., Ltd.	146,250	7.95	146,250	8.11
Epitech Technology Corp. (Note H)	497,294	7.53	-	-
MediaTek Inc.	613,447	6.24	969,048	10.06
Industrial Bank of Taiwan Corp.	1,139,196	4.95	1,139,196	4.95
Subtron Technology Co., Ltd.	172,800	4.92	172,800	4.93
Chipbond Technology Corp. (Note I)	235,893	4.48	-	-
Billionton Systems Inc.	30,948	2.67	30,948	2.77
AU Optronics Corp. (Note J)	959,082	1.33	959,082	1.44
Mega Financial Holding Company	3,108,656	0.84	3,108,656	0.84
Premier Image Technology Corp.	27,964	0.60	27,964	0.59
Pacific Technology Partners, L.P. (Note K)	343,321	-	336,099	-
Pacific United Technology, L.P. (Note K)	163,900	-	126,560	-
Taiwan High Speed Rail Corp. (Note L)	300,000	-	300,000	-
Subtotal	<u>7,778,751</u>		<u>7,316,603</u>	
Total	<u>\$35,090,474</u>		<u>\$71,568,002</u>	

- Note A : During 2004, the Company acquired an additional 24.95% of interest in UMCi Ltd., totaling 227,938 thousand shares amounting to NT\$10,762 million. Based on the resolution of the board of directors' meeting on August 26, 2004, UMCi had transferred its businesses, operations, and assets to the Branch since April 1, 2005.
- Note B : The cost is recorded as NT\$4,372 million and NT\$2,527 million as of December 31, 2005 and 2004, respectively. After deducting the subsidiary's holding of the Company's stock (treated as treasury stock) of NT\$172 million in both years, the residual book values totalled NT\$4,200 million and NT\$2,355 million as of December 31, 2005 and 2004, respectively.
- Note C : The cost is recorded as NT\$16,968 million and NT\$30,434 million as of December 31, 2005 and 2004, respectively. After deducting the subsidiary's holding of the Company's stock (treated as treasury stock) of NT\$20,137 million in both years, the residual of book values totalled NT\$(3,170) million and NT\$10,296 million as of December 31, 2005 and 2004, respectively.
- Note D : The equity method was applied for investees in, which the Company held the highest percentage of the outstanding voting rights and had significant influences on operating decisions.
- Note E : The equity method was applied for investees, in which the total ownership held by the Company and its subsidiaries is over 20%.
- Note F : United Foundry Service, Inc. was liquidated in April 2005. All businesses, operations, and assets of the company were transferred to UMC Group (USA).
- Note G : In the third quarter of 2004 the Company recognized a permanent loss of NT\$85 million as the decline in market value was deemed irrecoverable. Since January 1, 2005, the Company was no longer a majority stockholder of United Fu Shen Chen Technology Corp. Thus the cost method was appropriately applied instead of the equity method.
- Note H : As of August 1, 2005, the Company's former investee, "Epitech Technology Corp." (accounted for under the cost method) merged into South Epitaxy Co., Ltd. and was retained as Epitech Technology Corp. One share of the former investee, "Epitech Technology Corp." was exchanged for 1.36 shares of Epitech Technology Corp. As the Company held less than 20% voting rights and had no significant influences, the cost method was applied.
- Note I : As of September 1, 2005 the Company's former investee, Aptos (Taiwan) Corp. (accounted for under the equity method), merged into Chipbond Technology Corp. Three shares of Aptos (Taiwan) Corp. were exchanged for 1 share of Chipbond Technology Corp. As the Company held less than 20% voting rights and had no significant influences, the cost method was applied.
- Note J : As of December 2005 and 2004, the Company held 77,625 thousand and 71,215 thousand AU Optronics Corp. shares; among the shares held by the Company, 73,566 thousand and 66,109 thousand shares were utilized as reference shares for the Company's zero coupon exchangeable bonds, for year 2005 and 2004, respectively.

Note K : The amount represented the investment in limited partnership without voting rights. As the Company was not able to exercise significant influences, the investments were accounted for under the cost method.

Note L : The amount represented investment of 30 million in preferred shares. As the Company did not possess voting rights or significant influence, the cost method was applied.

- b. Total loss arising from investments accounted for under the equity method, which were based on the audited financial statements of the investees, were NT\$2,677 million and NT\$2,509 million for the years ended December 31, 2005 and 2004, respectively. Among which, investment income amounting to NT\$821 million and NT\$631 million from the respective long-term investment balances of NT\$5,898 million and NT\$5,380 million as of December 31, 2005 and 2004, respectively, were determined based on the investees' financial statements audited by other auditors.
- c. The long-term investments were not pledged.
- d. Effective from January 1, 2005, the Company has adopted the revised R.O.C. Statement of Financial Accounting Standards No.7 "Consolidation of Financial Statements", to account for equity investments above 50%, directly or indirectly, or for investment holdings of less than 50% but has significant influence on the operation of the investees, in the consolidation report for the year ended December 31, 2005. The consolidated subsidiaries are as follows: UMC Group (USA), United Microelectronics (Europe) B.V., UMC Capital Corp., United Microelectronics Corp. (Samoa), United Foundry Service, Inc. (the liquidation process was completed in April 2005), TLC Capital Co., Ltd., UMCi Ltd., Fortune Venture Capital Corp., Hsun Chieh Investment Co., Ltd., United Microdisplay Optronics Corp., Thintek Optronics Corp., UMC Japan, Silicon Integrated Systems Corp. (ceased to possess control on June 27, 2005), XGI Technology Inc. (ceased to possess control on June 27, 2005), Unitruth Investment Corp. (investee 100% owned by Fortune Venture Capital Corp.), UMC Capital (USA) (investee 100% owned by UMC Capital Corp.), ECP VITA Ltd. (investee 100% owned by UMC Capital Corp.), Silicon Integrated Systems Corp. – Hong Kong (ceased to possess control on June 27, 2005), Silicon Integrated Systems Corp. – USA (ceased to possess control on June 27, 2005), Investar CPU Venture Capital Fund, Inc. LDC (liquidation process was completed during the first quarter of 2005), XGi Technology Inc. (Cayman) (ceased to possess control on June 27, 2005), and XGI Technology Inc. (USA) (ceased to possess control on June 27, 2005).

e. In year 2004, the total assets and operating revenues of each following subsidiary including Fortune Venture Capital Corp., Unitruth Investment Corp. (100% owned subsidiary of Hsun Chieh), UMC Capital Corp., United Microelectronics Corp. (Samoa), and United Foundry Service, Inc. are each less than 10% of the total non-consolidated assets and operating revenues of the Company. The total combined assets or operating revenues for the above mentioned subsidiaries account for less than 30% of the Company's total non-consolidated assets or revenues. Therefore, the above mentioned subsidiaries are not included in the consolidated financial statements.

(8) PROPERTY, PLANT AND EQUIPMENT

	As of December 31, 2005		
	Cost	Accumulated	
		Depreciation	Book Value
Land	\$1,132,576	\$-	\$1,132,576
Buildings	16,287,803	(4,668,161)	11,619,642
Machinery and equipment	366,982,250	(246,233,155)	120,749,095
Transportation equipment	88,413	(62,501)	25,912
Furniture and fixtures	2,199,773	(1,510,187)	689,586
Construction in progress and prepayments	15,592,805	-	15,592,805
Total	<u>\$402,283,620</u>	<u>\$(252,474,004)</u>	<u>\$149,809,616</u>

	As of December 31, 2004		
	Cost	Accumulated	
		Depreciation	Book Value
Land	\$1,132,576	\$-	\$1,132,576
Buildings	13,133,658	(3,849,418)	9,284,240
Machinery and equipment	301,773,287	(197,186,064)	104,587,223
Transportation equipment	79,610	(52,336)	27,274
Furniture and fixtures	1,976,487	(1,237,449)	739,038
Leased assets	47,783	(47,783)	-
Construction in progress and prepayments	21,584,900	-	21,584,900
Total	<u>\$339,728,301</u>	<u>\$(202,373,050)</u>	<u>\$137,355,251</u>

a. Total interest expense before capitalization amounted to NT\$1,133 million and NT\$1,402 million for the years ended December 31, 2005 and 2004, respectively.

Details of capitalized interest are as follows :

	For the year ended December 31,	
	2005	2004
Machinery and equipment	\$210,689	\$218,554
Other property, plant and equipment	4,397	3,926
Total interest capitalized	<u>\$215,086</u>	<u>\$222,480</u>
Interest rates applied	<u>2.86%~4.20%</u>	<u>2.30%~3.38%</u>

b. The insurance coverage for property, plant and equipment was sufficient as of December 31, 2005 and 2004, respectively.

c. Please refer to Note 6 for property, plant and equipment pledged as collateral.

(9) OTHER ASSETS-OTHERS

	As of December 31,	
	2005	2004
Leased assets	\$1,366,695	\$1,382,090
Deposits-out	579,710	571,701
Others	59,118	122,160
Total	<u>\$2,005,523</u>	<u>\$2,075,951</u>

(a) The insurance coverage for leased assets was sufficient as of December 31, 2005 and 2004, respectively.

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

(10) ASSET IMPAIRMENT

Pursuant to the R.O.C. SFAS No. 35, "Accounting for Asset Impairment", which became effective on January 1, 2005, the Company had recognized impairment loss of NT\$482.6 million for the year ended December 31, 2005. Details of impairment losses are as follows :

	For the year ended December 31, 2005
Investment loss accounted for under the equity method :	
Impairment recognized in proportion to percentage of ownership in equity investees	\$322,408
Impairment loss :	
Long-term investments accounted for under the equity method	100,191
Other assets	60,000
Subtotal	<u>160,191</u>
Total	<u>\$482,599</u>

(11) SHORT-TERM LOANS

	As of December 31,	
	2005	2004
Unsecured bank loans	\$-	\$1,904,400
Interest rates	-	2.52%~2.77%

Please refer to Note 6, in connection with the short-term loans.

The Company's unused short-term lines of credits amounted to NT\$8,026 million and NT\$6,487 million as of December 31, 2005 and 2004, respectively.

(12) BONDS PAYABLE

	As of December 31,	
	2005	2004
Secured domestic bonds payable	\$-	\$570,003
Unsecured domestic bonds payable	30,500,000	32,750,000
Convertible bonds payable	12,540,432	-
Exchangeable bonds payable	3,218,623	3,107,029
Total	46,259,055	36,427,032
Less: Current portion	(10,250,000)	(2,820,003)
Net	\$36,009,055	\$33,607,029

- a. On April 27, 2000, the Company issued five-year secured bonds amounting to NT\$3,990 million. The interest was paid semi-annually with a stated interest rate of 5.6%. The bonds were repayable in installments every six months from April 27, 2002 to April 27, 2005. On April 27, 2005, the bonds were fully repaid.
- b. 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 repayable 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%.
- c. During the period from October 2 to October 15, 2001, the Company issued three-year and five-year unsecured bonds totaling NT\$10,000 million, each with a face value of NT\$5,000 million. The interest is paid annually with stated interest rates of 3.3912% through 3.420% and 3.4896% through 3.520%, respectively. The three-year bonds were repaid at 100% of its principal amount during the period from October 2 to October 15, 2004. The five-year bonds will be repayable in October 2006, upon the maturity of the bonds.

d. On December 12, 2001, the Company issued zero coupon convertible redeemable bonds amounting to US\$302.4 million on the Luxembourg Stock Exchange (LSE). The terms and conditions of the bonds are as follows:

(a) Final Redemption

Unless previously redeemed, repurchased, cancelled or converted, the bonds can be redeemed at 101.675% of their principal amount on March 1, 2004.

(b) Redemption at the Option of the Company

The Company may redeem all, but not some only, of the bonds subject to giving no less than 30 nor more than 60 days' advance notice at the early redemption amount, provided that:

- i. On or at any time after June 13, 2003, 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 ending at any time within the period of 5 ADS trading days prior to the redemption notice, or
- ii. At any time prior to maturity, at least 90% in principal amount of the bonds have already been redeemed, repurchased, cancelled or converted.

(c) Conversion Period

- i. In respect of the common shares, on or after January 22, 2002 and on or prior to February 20, 2004, or
- ii. In respect of the ADSs, on or after the later of January 22, 2002 and the date on which the shelf registration statement covering the resale of certain ADSs issuable upon conversion of the bonds has been declared effective by the U.S. Securities and Exchange Commission, on or prior to February 20, 2004.

(d) Conversion Price

- i. In respect of the common shares, will be NT\$66.67 per share, and
- ii. In respect of the ADSs, will be US\$9.673 per ADS.

The applicable conversion price will be subject to adjustments upon the occurrence of certain events set out in the indenture.

(e) Reacquisition of the Bonds

As of the maturity date, the Company had reacquired a total amount of US\$63 million of the bonds from the open market. The corresponding loss on the reacquisition amounting to NT\$0.06 million for the year ended December 31, 2004, was recognized as other losses.

(f) Redemption of the Bonds

On February 27, 2004, the remaining balance of bonds was redeemed.

- e. On May 10, 2002, the Company issued LSE listed zero coupon exchangeable bonds. 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 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: ADS or Common Share of AU Optronics Corp.
    - 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 NTD46.10 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 December 31, 2005 and 2004, certain bondholders have exercised their rights to exchange their bonds with the total principal amounts of US\$137 million and US\$137 million into AUO shares. The corresponding gain on the exchange amounting to NT\$0 and NT\$3,457 million for the year ended December 31, 2005 and 2004, respectively, was recognized as a gain on sales of investments.

- f. 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.
- g. On July 15, 2003, the Company issued its second LSE listed zero coupon exchangeable bonds exchangeable for common shares of AUO with an aggregate principal amount of US\$205.8 million. The issue price was set at 103.0% of the principal amount. The terms and conditions of the bonds are as follows:

(a) Final Redemption

Unless previously redeemed, exchanged or purchased and cancelled, the bonds must be redeemed at their principal amount in US Dollars on July 15, 2008.

(b) Redemption at the Option of the Company

The Company may redeem the bonds, in whole or in part, in principal amount thereof, on or after January 15, 2004 and on or prior to July 15, 2005, at their principal amount plus a certain premium (the "Early Redemption Amount") and thereafter until July 15, 2008 at their principal amount, if the closing price of the 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 125% of the exchange price then in effect translated into US Dollars at the rate of NT\$34.390 to US\$1.00.

The Company may also 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.

(c) Redemption at the Option of Bondholders

The Company will, at the option of any bondholder, redeem such bonds starting on July 15, 2005 at their principal amount.

(d) Tax Redemption

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.

(e) Terms of Exchange

Subject to prior permitted redemption and as otherwise provided in the offering, the bonds are exchangeable at any time on or after August 14, 2003 and prior to June 30, 2008, into AUO shares at an exchange price of NT\$36.387 per share, determined on the basis of a fixed exchange rate of NT\$34.39 to US\$1.00; 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.

The exchange price will be subject to adjustments upon the occurrence of certain events set out in the indenture.

(f) Exchange of the Bonds

As of December 31, 2004, all bondholders have exercised their rights to exchange their bonds into AUO shares. The corresponding gain on the exchange amounting to NT\$4,349 million for the year ended December 31, 2004 was recognized as a gain on sales of investments.

h. On October 5, 2005, the Company issued zero coupon convertible bonds on the EuroMTF Market of Luxembourg Stock Exchange (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 New York Stock Exchange or the Taiwan Stock Exchange, 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 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\$3.814 per ADS. The applicable conversion price will be subject to adjustments upon the occurrence of certain events set out in the indenture.

(e) Reacquisition of the Bonds:

As of December 31, 2005, the Company did not reacquire any of the bonds from the open market.

i. Repayments of the above bonds in the future years are as follows:

(assuming the convertible bonds and exchangeable bonds are both paid off upon maturity)

<u>Bonds repayable in</u>	<u>Amount</u>
2006	\$10,250,000
2007	5,468,623
2008	23,040,432
2009	-
2010 and thereafter	7,500,000
Total	<u><u>\$46,259,055</u></u>

(13) PENSION FUND

a. The Labor Pension Act of R.O.C. (the Act), which adopts a defined contribution plan, became effective on July 1, 2005. Employees may choose to elect either the Act, by retaining their seniority before the enforcement of the Act, or the pension mechanism of the Labor Standards Law. According to the Act, the rate of contribution by any employer to an employee's pension account per month shall not be less than 6% of each employee's monthly salary or wage. The Company has made monthly contributions based on each individual employee's salary or wage to employees' pension accounts since July 1, 2005, and amounting to NT\$170 million as of December 31, 2005. Pension benefits for employees of the Branch are provided in accordance with the local regulations, and the company has contributed the amount of NT\$50 million as of December 31, 2005.

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 entitled for the first 15 years of services while one unit per year is entitled 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 Central Trust of China managed independently by an administered pension fund committee. The unrecognized net asset or obligation at transition based on actuarial valuation is amortized on a straight-line basis over 15 years.

b. Change in benefit obligation during the year:

	For the year ended December 31,	
	2005	2004
Projected benefit obligation at beginning of year	\$(3,790,299)	\$(3,205,466)
Service cost	(302,509)	(410,619)
Interest cost	(132,660)	(112,191)
Benefits paid	10,883	15,053
Gain (loss) on projected benefit obligation	72,276	(77,076)
Projected benefit obligation at end of year	<u>\$(4,142,309)</u>	<u>\$(3,790,299)</u>

c. Change in pension assets during the year:

	For the year ended December 31,	
	2005	2004
Fair value of plan assets at beginning of year	\$959,325	\$845,006
Actual return on plan assets	14,632	21,964
Contributions from employer	114,587	103,705
Benefits paid	(10,883)	(15,053)
Transferred in from merger with SiSMC	-	3,703
Fair value of plan assets at end of year	<u>\$1,077,661</u>	<u>\$959,325</u>

d. The funding status of the pension plan is as follows:

	As of December 31,	
	2005	2004
Benefit obligation		
Vested benefit obligation	\$(39,069)	\$(14,551)
Non-vested benefit obligation	(1,671,097)	(1,363,332)
Accumulated benefit obligation	(1,710,166)	(1,377,883)
Effect from projected salary increase	(2,432,143)	(2,412,416)
Projected benefit obligation	(4,142,309)	(3,790,299)
Fair value of plan assets	1,077,661	959,325
Funded status	(3,064,648)	(2,830,974)
Unrecognized net transitional benefit obligation	140,837	169,004
Unrecognized gain	(79,967)	(28,541)
Accrued pension liabilities recognized in the balance sheet	\$(3,003,778)	\$(2,690,511)

e. The components of the net periodic pension cost are as follows:

	For the year ended December 31,	
	2005	2004
Service cost	\$302,509	\$410,619
Interest cost	132,660	112,191
Expected return on plan assets	(35,482)	(23,238)
Amortization of unrecognized transitional net benefit obligation	28,167	28,167
Transferred from SiSMC in the merger	-	8,844
Net periodic pension cost	\$427,854	\$536,583

The actuarial assumptions underlying are as follows:

	For the year ended December 31,	
	2005	2004
Discount rate	3.00%	3.50%
Rate of salary increase	4.50%	5.00%
Expected return on plan assets	3.00%	3.50%

#### (14) CAPITAL STOCK

a. Based on the resolution of the board of directors' meeting on February 26, 2004, the Company merged with SiSMC on July 1, 2004, the effective date, through the issuance of 357,143 thousand new shares at a par value of \$10 each. 2.24 shares of SiSMC were exchanged to 1 share of the Company, the surviving company.

- b. As recommended by the board of directors and amended by the shareholders' meeting on June 1, 2004, the Company issued 1,399,685 thousand new shares from the capitalization of retained earnings that amounted to NT\$13,336 million and capital reserve that amounted to NT\$661 million, of which NT\$12,224 million were stock dividends and NT\$1,111 million were employees' bonus.
- c. On July 22, 2004, the Company cancelled 149,728 thousand shares of treasury stock, which were bought back during the period from August 1 to September 28, 2001 and the period from August 14 to September 25, 2002 for conversion of the convertible bonds.
- d. The employee stock option issued by the Company on October 7, 2002 became exercisable in 2004; 44,138 thousand shares were exercised during 2004. The effective date of issuance of new shares was December 28, 2004.
- e. As of December 31, 2004, 22,000,000 thousand common shares were authorized to be issued and 17,791,982 thousand common shares were issued, each at a par value of NT\$10.
- f. On April 26, 2005, the Company cancelled 49,114 thousand shares of treasury stocks, which were bought back during the period from February 20 to April 19, 2002 for transfer to employees.
- g. As recommended by the board of directors and amended by the shareholders' meeting on June 13, 2005, the Company issued 1,956,022 thousand new shares from capitalization of retained earnings that amounted to NT\$19,560 million, of which NT\$17,587 million were stock dividends and NT\$1,973 million were employees' bonus.
- h. Among the employee stock options issued by the Company on October 7, 2002 and January 3, 2003, 95,814 thousand shares were exercised during 2005. The effective dates of capitalization were March 15, September 28 and December 26, 2005.
- i. As of December 31, 2005, 26,000,000 thousand common shares were authorized to be issued and 19,794,703 thousand common shares were issued, each at a par value of NT\$10. The exercise of employee stock options of 28,845 thousand common shares were issued on December 26, 2005, and registration was completed on January 16, 2006.
- j. The Company has issued a total of 276,820 thousand ADSs which were traded on the NYSE as of December 31, 2005. The total number of common shares represented by all issued ADSs is 1,384,102 thousand shares (one ADS represents five common shares).

(15) EMPLOYEE STOCK OPTIONS

On September 11, 2002, October 8, 2003, September 30, 2004, and December 22, 2005, the Company was authorized by the Financial Supervisory Commission, Executive Yuan - Securities and Futures Bureau, to issue Employee Stock Options with a total number of 1 billion, 150 million, 150 million, and 350 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 grant period for the options 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:

<u>Date of grant</u>	<u>Total number of options granted (in thousands)</u>	<u>Total number of options outstanding (in thousands)</u>	<u>Exercise price (NTD)</u>
October 7, 2002	939,000	665,338	\$15.9
January 3, 2003	61,000	49,222	\$17.9
November 26, 2003	57,330	47,960	\$25.0
March 23, 2004	33,330	25,570	\$23.2
July 1, 2004	56,590	47,530	\$20.9
October 13, 2004	20,200	16,350	\$18.0
April 29, 2005	23,460	20,110	\$16.6
August 16, 2005	54,350	51,850	\$21.9
September 29, 2005	51,990	51,390	\$20.0

- a. A summary of the Company's stock option plans, and related information for the years ended December 31, 2005 and 2004 are as follows:

	<u>For the year ended December 31,</u>			
	<u>2005</u>		<u>2004</u>	
	<u>Option (in thousands)</u>	<u>Weighted-average Exercise Price (NTD)</u>	<u>Option (in thousands)</u>	<u>Weighted-average Exercise Price (NTD)</u>
Outstanding at beginning of year	973,858	\$17.0	980,664	\$16.5
Granted	129,800	\$20.2	110,120	\$21.1
Exercised	(95,814)	\$15.9	(44,138)	\$15.9
Forfeited	(32,524)	\$18.8	(72,788)	\$17.3
Outstanding at end of year	<u>975,320</u>	\$17.5	<u>973,858</u>	\$17.0
Exercisable at end of year	<u>528,373</u>		<u>368,896</u>	
Weighted-average fair value of options granted during the year (NTD)	\$6.5		\$3.8	

- b. The information of the Company's outstanding stock options as of December 31, 2005 is as follows:

Authorization Date	Range of Exercise Price	Outstanding Stock Options			Exercisable Stock Options	
		Option	Weighted-average	Weighted-average	Option	Exercise Price
			Expected	Exercise Price		
		(in thousands)	Remaining Years	(NTD)	(in thousands)	(NTD)
2002.09.11	\$15.9~\$17.9	714,560	1.2	\$16.0	504,393	\$16.0
2003.10.08	\$20.9~\$25.0	121,060	2.6	\$23.0	23,980	\$25.0
2004.09.30	\$16.6~\$21.9	139,700	3.9	\$20.0	-	-
		<u>975,320</u>	1.7	\$17.5	<u>528,373</u>	\$16.4

- c. The Company has used the intrinsic value method to recognize compensation costs for its employee stock options issued since January 1, 2004. The compensation cost for the year ended December 31, 2005 and 2004 are both NT\$0. Pro forma information using the fair value method on net income and earnings per share is as follows:

	For the year ended December 31, 2005	
	Basic earnings per share	Diluted earnings per share
Net Income	\$7,026,692	\$7,026,692
Earnings per share (NTD)	\$0.38	\$0.38
Pro forma net income	\$6,782,033	\$6,782,033
Pro forma earnings per share (NTD)	\$0.37	\$0.36

  

	For the year ended December 31, 2004 (retroactively adjusted)	
	Basic earnings per share	Diluted earnings per share
Net Income	\$31,843,381	\$31,873,101
Earnings per share (NTD)	\$1.70	\$1.67
Pro forma net income	\$31,761,407	\$31,791,127
Pro forma earnings per share (NTD)	\$1.69	\$1.67

The fair value of the options granted after January 1, 2004, was estimated at the date of grant using the Black-Scholes options pricing model with the following weighted-average assumptions for the year ended December 31, 2005 and 2004: expected dividend yields of 1.64% and 11.40%; volatility factors of the expected market price of the Company's common stock of 41.48% and 48.64%; risk-free interest rate of 1.92% and 2.78%; and a weighted-average expected life of the options of 4.4 years, respectively.

(16) TREASURY STOCK

- a. The Company bought back its own shares from the open market during the years ended December 31, 2005 and 2004. Details of the treasury stock transactions are as follows :

For the year ended December 31, 2005

*(In thousands of shares)*

Purpose	As of			As of
	January 1, 2005	Increase	Decrease	December 31, 2005
For transfer to employees	241,181	250,000	49,114	442,067
For conversion of the convertible bonds into shares	-	500,000	-	500,000
Total shares	241,181	750,000	49,114	942,067

For the year ended December 31, 2004

*(In thousands of shares)*

Purpose	As of			As of
	January 1, 2004	Increase	Decrease	December 31, 2004
For transfer to employees	49,114	192,067	-	241,181
For conversion of the convertible bonds into shares	149,728	-	149,728	-
Total shares	198,842	192,067	149,728	241,181

- b. The eighth buyback plan of 500,000 thousand shares of treasury stock was originally intended for the purpose of transferring to employees. However, as a result of the board of directors meeting held on September 9, 2005, the shares were approved for the use of conversion of convertible bonds into shares instead. The relevant government authorities had approved the buyback plan.
- c. 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; total purchase amount shall not exceed the sum of the retained earnings, capital reserve-premiums, and realized capital reserve. As such, the maximum number of treasury stock that the Company could hold as of December 31, 2005 and 2004 was 1,979,470 thousand shares and 1,779,198 thousand shares while the ceiling of the amount was NT\$90,851 million and NT\$89,425 million, respectively. As of December 31, 2005 and 2004, the Company held 942,067 thousand shares and 241,181 thousand shares of treasury stock, which amounted to NT\$21,577 million and NT\$7,376 million, respectively.
- d. Treasury stock shall not be pledged, nor does it entitle voting rights or receive dividends, in compliance with the Securities and Exchange Law of the R.O.C.

- e. As of December 31, 2005, the Company's subsidiaries, Hsun Chieh Investment Co., Ltd. and Fortune Venture Capital Corp., held 599,696 thousand shares and 21,847 thousand shares of the Company's stock, with a book value of NT\$18.98 and NT\$7.87 per share, respectively. The average closing price during December 2005 was NT\$18.98.

As of December 31, 2004, the Company's subsidiaries, Hsun Chieh Investment Co., Ltd. and Fortune Venture Capital Corp., held 543,732 thousand shares and 19,808 thousand shares of the Company's stock, with a book value of NT\$20.08 and NT\$8.68 per share, respectively. The average closing price during December 2004 was NT\$20.08.

#### (17) 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 approved through the shareholders' meeting.

The Company is currently in its growth stage; 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.

The appropriation of 2005 retained earnings has not yet been recommended by the board of directors as of the date of the Report of Independent Auditors. Information on the board of directors' recommendations and shareholders' approval can be obtained from the "Market Observation Post System" on the website of the TSE.

The appropriation of 2004 retained earnings was approved by the board of directors on March 17, 2005. Through unanimous decision at the shareholders' meeting, held on June 13, 2005, NT\$0.10 of cash dividend per share is to be distributed.

Details of the 2004 employee bonus settlement and directors' and supervisors' remuneration are as follows:

	For the year ended December 31, 2004		
	As approved by the shareholders' meeting	As recommended by the board of directors	Differences
1. Settlement of employees' bonus by issuance of new shares			
a. Number of shares (in thousands)	197,286	197,286	-
b. Amount	\$1,972,855	\$1,972,855	-
c. Percentage on total number of outstanding shares at year end (%)	1.12	1.12	-
2. Remuneration paid to directors and supervisors	\$27,006	\$27,006	-
3. Effect on earnings per share before retroactive adjustments			
a. Basic and diluted earnings per share (NTD)	\$1.89/1.86	\$1.89/1.86	-
b. Pro forma basic and diluted earnings per share taking into consideration employees' bonus and directors' and supervisors' remuneration (NTD)	\$1.77/1.75	\$1.77/1.75	-

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 for items that are accounted for as deductions to stockholders' equity such as unrealized loss on long-term investments and cumulative translation adjustments. However, there are the following exceptions for the Company's investees' unrealized loss on long-term investments arising from the merger, which was recognized by the Company in proportion to the Company's ownership percentage:

- a. According to the explanatory letter No. 101801 of the Securities and Futures Commission (SFC), if the Company recognizes the investees' capital reserve—excess from the merger in proportion to the ownership percentage—then the special reserve is exempted for the amount originated from the acquisition of the long-term investments.
- b. However, if the Company and its investees transfer a portion of the capital reserve to increase capital, a special reserve equal to the amount of the transfer shall be provided according to the explanatory letter No.101801-1 of the SFC.

- c. In accordance with the explanatory letter No.170010 of the SFC applicable to listed companies, when the market value of the Company's stock held by its subsidiaries at year-end is lower than the book value, a special reserve shall be provided for in the Company's accounts in proportion to its ownership percentage.

For the 2004 appropriations approved by the shareholders' meeting on June 13, 2005, unrealized loss on long-term investments exempted from the provision of special reserve pursuant to the above regulations amounted to NT\$18,667 million.

(18) OPERATING COSTS AND EXPENSES

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

	For the year ended December 31,					
	2005			2004		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Personnel expenses						
Salary	\$6,252,412	\$2,180,082	\$8,432,494	\$6,804,389	\$2,148,418	\$8,952,807
Labor and health insurance	410,228	113,429	523,657	382,323	100,524	482,847
Pension	488,932	159,427	648,359	387,675	148,908	536,583
Other personnel expenses	67,096	27,928	95,024	72,600	40,032	112,632
Depreciation	44,221,133	1,888,140	46,109,273	36,691,504	1,892,675	38,584,179
Amortization	176,459	2,119,210	2,295,669	74,603	1,051,031	1,125,634

The numbers of employees as of December 31, 2005 and 2004 were 12,068 and 10,642, respectively.

(19) 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 year ended December 31,	
	2005	2004
Income tax on pre-tax income at statutory tax rate	\$2,466,936	\$7,969,313
Permanent differences	(2,523,713)	(5,044,599)
Change in investment tax credit	6,942,626	(6,356,507)
Change in valuation allowance	(6,885,849)	3,461,178
Income tax on interest revenue separately taxed	838	4,524
Income tax expense	\$838	\$33,909

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

	As of December 31,			
	2005		2004	
	Amount	Tax effect	Amount	Tax effect
Deferred income tax assets				
Investment tax credit		\$13,609,045		\$22,150,454
Loss carry-forward	\$14,671,930	3,667,982	\$16,861,498	4,215,375
Pension	3,001,282	750,321	2,564,784	641,196
Allowance on sales returns and discounts	779,688	194,922	1,074,859	268,715
Allowance for loss on obsolescence of inventories	252,855	63,214	1,193,403	298,351
Others	571,066	142,766	163,666	40,916
Total deferred income tax assets		18,428,250		27,615,007
Valuation allowance		(8,675,361)		(15,561,210)
Net deferred income tax assets		9,752,889		12,053,797
Deferred income tax liabilities				
Unrealized exchange gain	-	-	(998,937)	(249,734)
Depreciation	(9,667,939)	(2,416,985)	(17,872,634)	(4,468,159)
Total deferred income tax liabilities		(2,416,985)		(4,717,893)
Total net deferred income tax assets		\$7,335,904		\$7,335,904
Deferred income tax assets - current		\$6,354,040		\$9,660,216
Deferred income tax liabilities - current		-		(249,734)
Valuation allowance		(3,019,530)		(5,886,193)
Net		3,334,510		3,524,289
Deferred income tax assets - noncurrent		12,074,210		17,954,791
Deferred income tax liabilities - noncurrent		(2,416,985)		(4,468,159)
Valuation allowance		(5,655,831)		(9,675,017)
Net		4,001,394		3,811,615
Total net deferred income tax assets		\$7,335,904		\$7,335,904

c. The Company's income tax returns for all the fiscal years up to 2002 have been assessed and approved by the Tax Authority.

d. Pursuant to the "Statute for the Establishment and Administration of Science Park of R.O.C.", the Company was granted several four-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 2001 had not yet been decided. The income tax exemption for other periods will expire on December 31, 2010.

- e. The Company earns investment tax credits for the amount invested in production equipment, research and development, and employee training.

As of December 31, 2005, the Company's unused investment tax credit was as follows:

Expiration Year	Investment tax credits earned	Balance of unused investment tax credits
2005	\$3,175,299	\$226,777
2006	3,656,565	3,041,093
2007	1,996,790	1,996,790
2008	3,166,290	3,166,290
2009	5,178,095	5,178,095
Total	<u>\$17,173,039</u>	<u>\$13,609,045</u>

- f. Under the rules of the Income Tax Law of the R.O.C., net loss can be carried forward for 5 years. As of December 31, 2005, the unutilized accumulated loss was as follows:

Expiration Year	Accumulated loss	Unutilized accumulated loss
2006	\$10,856,896	\$10,856,896
2007	3,773,826	3,773,826
2008 (Transferred in from merger with SiSMC)	2,283	2,283
2009 (Transferred in from merger with SiSMC)	38,925	38,925
Total	<u>\$14,671,930</u>	<u>\$14,671,930</u>

- g. The balance of the Company's imputation credit accounts as of December 31, 2005 and 2004 were NT\$29 million and NT\$0.4 million, respectively. The creditable ratio for 2004 and 2003 was 0.35% and 0.69%, respectively.

- h. As of December 31, 2005 and 2004, the Company's earnings generated from December 31, 1997 and prior years, have been appropriated.

(20) EARNINGS PER SHARE

a. The Company held zero coupon convertible bonds and employee stock options during 2005, and thus has a complex capital structure. The calculation of basic and diluted earnings per share, for the years ended December 31, 2005 and 2004, was disclosed as follows:

<i>(shares expressed in thousands)</i>	<u>For the year ended December 31,</u>	
	<u>2005</u>	<u>2004</u> <u>(retroactively</u> <u>adjusted)</u>
Income before income tax	\$7,027,530	\$31,877,290
Effect of dilution:		
Employee stock options	\$-	\$-
Convertible bonds	\$-	\$39,626
Adjusted income before income tax assuming dilution	<u>\$7,027,530</u>	<u>\$31,916,916</u>
Net income after income tax	\$7,026,692	\$31,843,381
Effect of dilution:		
Employee stock options	\$-	\$-
Convertible bonds	\$-	\$29,720
Adjusted net income assuming dilution	<u>\$7,026,692</u>	<u>\$31,873,101</u>
Weighted-average of shares outstanding	18,410,922	18,753,969
Effect of dilution:		
Employee stock options	159,601	274,141
Convertible bonds	120,548	25,026
Adjusted weighted average of shares outstanding assuming dilution	<u>18,691,071</u>	<u>19,053,136</u>
Earnings per share-basic (NTD)		
Income before income tax	<u>\$0.38</u>	<u>\$1.70</u>
Net income	<u>\$0.38</u>	<u>\$1.70</u>
Earnings per share-diluted (NTD)		
Income before income tax	<u>\$0.38</u>	<u>\$1.68</u>
Net income	<u>\$0.38</u>	<u>\$1.67</u>

- b. Pro forma information on earnings as if subsidiaries' investment in the Company is not treated as treasury stock is set out as follows:

	For the year ended December 31, 2005	
	Basic	Diluted
Net income	\$7,026,692	\$7,026,692
Weighted average of shares outstanding:		
Beginning balance	17,550,801	17,550,801
Stock dividends and employees' bonus at 11.4% in 2005	2,009,072	2,009,072
Purchase of 750,000 thousand shares of treasury stock in 2005	(349,945)	(349,945)
Exercise of 95,814 thousand units of employees' stock options	43,762	43,762
Dilutive shares of employee stock options accounted for under treasury stock method	-	159,601
Dilutive shares issued assuming conversion of bonds	-	120,548
Ending balance	19,253,690	19,533,839
Earnings per share		
Net income (NTD)	\$0.36	\$0.36
<i>(shares expressed in thousands)</i>		
	For the year ended December 31, 2004 (retroactively adjusted)	
	Basic	Diluted
Net income	\$31,843,381	\$31,873,101
Weighted average of shares outstanding:		
Beginning balance	15,941,901	15,941,901
Stock dividends and employees' bonus at 8.7% in 2004	1,385,341	1,385,341
Stock dividends and employees' bonus at 11.4% in 2005	1,983,481	1,983,481
Purchase of 192,067 thousand shares of treasury stock in 2004	(147,348)	(147,348)
Issuance of 357,143 thousand shares of stocks from merger with SiSMC	217,489	217,489
Exercise of 44,138 thousand units of employees' stock options	5,166	5,166
Dilutive shares of employee stock options accounted for under treasury stock method	-	274,141
Dilutive shares issued assuming conversion of bonds	-	25,026
Ending balance	19,386,030	19,685,197
Earnings per share		
Net income (NTD)	\$1.64	\$1.62

(21) MERGER

In order to integrate resources, reduce operating costs, enlarge business scales, and improve its financial structure, profitability and global competitiveness, based on the resolution of the board of directors' meeting on February 26, 2004, the Company merged with SiSMC, the dissolved company, on July 1, 2004. The merger was approved by the relevant government authorities. All the assets, liabilities, rights, and obligations of SiSMC have been fully incorporated into the Company since July 1, 2004. The accounting treatment regarding the merger is in compliance with the R.O.C. SFAS No. 25 "Enterprise Mergers – Accounting of Purchase Method."

Relevant information required by R.O.C. SFAS No. 25 is disclosed as follows:

a. Information of the dissolved company:

SiSMC was split from Silicon Integrated Systems Corp. on December 15, 2003. It was mainly engaged in manufacturing of integrated circuits and components of semiconductors.

b. Effective date, percentage of acquisition and accounting treatment:

Based on the agreement and the resolution of the board of directors' meeting, the effective date of the merger was July 1, 2004. All the stocks of the dissolved company were exchanged by the surviving company's newly issued shares, and the merger was accounted for under the purchase method.

c. The period of combining the dissolved company's operating result:

The operating result for the period from July 1, 2004 to December 31, 2004 of the dissolved company was integrated into the operating result of the Company.

d. Acquisition costs and the types, quantities, and amounts of securities issued for the merger:

According to the agreement, 357,143 thousand common shares, amounting to NT\$3,571 million, were newly issued by the Company for the merger. The newly issued shares were allocated to the dissolved company's shareholders in proportion to their ownership. 2.24 common shares were exchanged for 1 new share. Since SiSMC was not a public company, there is no market value. Thus, the acquisition cost was determined based on the appraisal made by China Property Appraising Center Co., Ltd.

e. Amortization method and useful lives for goodwill or deferred credit:

The difference between the acquisition cost and the fair value of identifiable net assets was recognized as goodwill, which was to be amortized under the straight-line method for 15 years according to the Article 35 of Enterprise Mergers and Acquisitions Law of the R.O.C.

f. Contingent price, warrants, or commitments and accounting treatments in the merger contracts:

None.

g. Decisions of disposal of significant assets from the merger:

None.

h. Pro forma information on operating results:

The operating result for the period from July 1, 2004 to December 31, 2004 of the dissolved company was consolidated into the financial statements of the Company.

The pro forma operating results from January 1, 2004 to June 30, 2004 of SiSMC are included in the following pro forma information. The pro forma information on the operating results stated below is based on the assumption that the Company merged with SiSMC on January 1, 2004.

<i>(Shares expressed in thousands)</i>	For the year ended December 31, 2004
Net operating revenues	\$119,567,347
Net income	\$30,669,982
Weighted-average of shares outstanding	18,969,094
Earnings per share-basic (NTD)	\$1.62

## 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 Foundry Service, Inc. (liquidated in April 2005)	Equity investee
United Microelectronics (Europe) B.V. (UME BV)	Equity investee
UMC Capital Corp.	Equity investee
United Microelectronics Corp. (Samoa)	Equity investee
Fortune Venture Capital Corp. (Fortune )	Equity investee
Hsun Chieh Investment Co., Ltd. (Hsun Chieh)	Equity investee
UMCi Ltd. (UMCi)	Equity investee
United Microdisplay Optronics Corp.	Equity investee
UMC Japan (UMCJ)	Equity investee

Name of related parties	Relationship with the Company
Toppan Photomasks Taiwan Ltd. (formerly DuPont Photomasks Taiwan Ltd.) (Toppan)	Equity investee
Holtek Semiconductor Inc. (Holtek)	Equity investee
Unitech Capital Inc.	Equity investee
ITE Tech. Inc.	Equity investee
Unimicron Technology Corp.	Equity investee
Novatek Microelectronics Corp.	Equity investee
Faraday Technology Corp. (Faraday)	Equity investee
Silicon Integrated Systems Corp.	Equity investee
AMIC Technology Corp.	Equity investee
Pacific Venture Capital Co., Ltd.	Equity investee
Aptos (Taiwan) Corp. (Aptos) (merged into Chipbond Technology Corp. on September 1, 2005)	Equity investee
Thintek Optronics Corp.	Equity investee
XGI Technology Inc.	Equity investee
TLC Capital Co., Ltd.	Equity investee
Chiao Tung Bank Co., Ltd. (Chiao Tung) (ceded the supervisory role on May 30, 2005)	The Company's supervisor
Davicom Semiconductor, Inc.	Subsidiary's equity investee
Unitruth Investment Corp. (Unitruth)	Subsidiary's equity investee
Uwave Technology Corp. (formerly United Radiotek Inc.)	Subsidiary's equity investee
UCA Technology, Inc.	Subsidiary's equity investee
Afa Technologies, Inc.	Subsidiary's equity investee
Star Semiconductor Corp.	Subsidiary's equity investee
Aevoe Inc.	Subsidiary's equity investee
USBEST Technology Inc.	Subsidiary's equity investee
Smedia Technology Corp.	Subsidiary's equity investee
U-Media Communications, Inc.	Subsidiary's equity investee
Chip Advanced Technology Inc.	Subsidiary's equity investee
Crystal Media Inc.	Subsidiary's equity investee
ULi Electronics Inc.	Subsidiary's equity investee
HARVATEK Corp.	Subsidiary's equity investee
Mobile Devices Inc.	Subsidiary's equity investee

(2) Significant Related Party Transactions

a. Operating revenues

	For the year ended December 31,			
	2005		2004	
	Amount	Percentage	Amount	Percentage
UMC-USA	\$43,226,036	48	\$53,751,976	46
UME BV	6,839,285	7	19,685,139	17
Others	14,837,519	16	11,179,096	9
Total	<u>\$64,902,840</u>	<u>71</u>	<u>\$84,616,211</u>	<u>72</u>

The sales price to the above related parties was determined through mutual agreement based on the market conditions. The collection period for related parties, overseas sales was net 30~60 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. Purchases

	For the year ended December 31,			
	2005		2004	
	Amount	Percentage	Amount	Percentage
UMCi	<u>\$1,244,347</u>	<u>5</u>	<u>\$2,987,721</u>	<u>11</u>

The purchases from the above related parties were dealt with in the ordinary course of business similar to those from third-party suppliers. The payment terms for purchases were 60 days for the related parties and net 30~90 days for the third-party suppliers.

c. Notes receivable

	As of December 31,			
	2005		2004	
	Amount	Percentage	Amount	Percentage
Holtek	<u>\$62,136</u>	<u>100</u>	<u>\$39,034</u>	<u>96</u>

d. Accounts receivable, net

	As of December 31,			
	2005		2004	
	Amount	Percentage	Amount	Percentage
UMC-USA	\$4,559,933	35	\$4,389,514	36
UME BV	545,166	4	1,875,964	16
Others	3,219,539	24	2,139,712	18
Total	<u>8,324,638</u>	<u>63</u>	<u>8,405,190</u>	<u>70</u>
Less : Allowance for sales returns and discounts	(690,292)		(760,772)	
Less : Allowance for doubtful accounts	(111,393)		(197,956)	
Net	<u>\$7,522,953</u>		<u>\$7,446,462</u>	

e. Accounts payable

	As of December 31,			
	2005		2004	
	Amount	Percentage	Amount	Percentage
UMCi	\$-	-	\$800,805	18

f. Financial activities

Other receivables – related parties

	For the year ended December 31, 2005				
	Maximum balance		Ending	Interest	Interest
	Amount	Month	balance	rate	revenue
UMCi	\$5,137,760	2005.03	\$-	2.74%-3.05%	\$7,669

Loans

	For the year ended December 31, 2004				
	Maximum balance		Ending	Interest	Interest
	Amount	Month	balance	rate	expense
Chiao Tung	\$282,547	2004.01	\$-	1.83%~2.53%	\$2,453

g. Acquisitions of assets

	For the year ended December 31, 2005	
	Item	Amount
Fortune	Purchase of Aptos (Taiwan) Corp. Stock	\$140,231
Fortune	Purchase of “Epitech Technology Corp.” stock	185,840
Hsun Chieh	Purchase of “Epitech Technology Corp.” stock	97,658
Unitruth	Purchase of “Epitech Technology Corp.” stock	16,495
Total		\$440,224

	For the year ended December 31, 2004	
	Item	Amount
UMCJ	Purchase UMCi stock	\$3,947,580
UMCi	Purchase UMCi equipment	165,703
Total		\$4,113,283

In 2004, the Company acquired 90,000 thousand shares of UMCi from UMCJ amounting to approximately NT\$3,948 million. The purchase price of US\$1.3 per share was based on UMCi's net asset value, considerations of future industry competition and operating strategies. The Company has complied with "Regulations Governing the Acquisition or Disposition of Assets by Public Companies" to obtain fairness opinions from a security expert and a Certified Public Accountant to evaluate the reasonableness of the purchase price. Gains arising from the upstream transaction amounting to NT\$475 million were recognized by UMCJ, and the Company eliminated NT\$254 million in proportion to its ownership percentage while recognizing the investment gain or loss of UMC Japan.

h. As of December 31, 2005, the ending balance of endorsement provided to UMC Japan totaled NT\$2,932 million.

i. Other transactions

The Company has made several other transactions, including service charges, joint development expenses of intellectual property, and commissions etc., with related parties totaling approximately NT\$721 million and NT\$940 million for the years ended December 31, 2005 and 2004, respectively.

The Company has purchased approximately NT\$476 million and NT\$442 million of masks from Toppan during the years ended December 31, 2005 and 2004, respectively.

As of December 31, 2005, the joint development contracts of intellectual property entered into with related parties have amounted to approximately NT\$2,550 million, and a total amount of NT\$1,550 million has been paid. As of December 31, 2004, the joint development contracts of intellectual property entered into with related parties have amounted to approximately NT\$2,203 million, and a total amount of NT\$1,157 million has been paid.

As of December 31, 2005 and 2004, other receivables arising from the usage of facilities and rental revenue from related parties are NT\$22 million and NT\$23 million, respectively.

6. ASSETS PLEDGED AS COLLATERAL

As of December 31, 2005

	<u>Amount</u>	<u>Financial institution that assets were pledged to</u>	<u>Purpose of pledge</u>
Deposits-out (Time deposit)	\$520,730	Customs	Customs duty guarantee

As of December 31, 2004

	<u>Amount</u>	<u>Financial institution that assets were pledged to</u>	<u>Purpose of pledge</u>
Machinery and equipment	\$2,907,092	The International Commercial Bank of China	Bonds payable
Deposits-out (Time deposit)	523,627	Customs	Customs duty guarantee
Total	<u><u>\$3,430,719</u></u>		

## 7. COMMITMENTS AND CONTINGENT LIABILITIES

(1) The Company has entered into several patent license agreements and joint development contracts of intellectual property for a total contract amount of approximately NT20 billion. Royalties and joint development fees for the future years are set out as follows:

<u>For the year ended December 31,</u>	<u>Amount</u>
2006	\$4,945,944
2007	1,761,223
2008	468,302
2009	257,945
2010	95,151
Total	<u><u>\$7,528,565</u></u>

(2) The Company signed several construction contracts for the expansion of its factory space. As of December 31, 2005, these construction contracts have amounted to approximately NT\$590 million and the unpaid portion of the contracts was approximately NT\$480 million.

(3) The Company entered into several operating lease contracts for land. These operating leases expire in various years through 2032 and are renewable. Future minimum lease payments under those leases are as follows:

<u>For the year ended December 31,</u>	<u>Amount</u>
2006	\$198,360
2007	184,549
2008	182,051
2009	182,391
2010	182,740
2011 and thereafter	1,899,443
Total	<u><u>\$2,829,534</u></u>

- (4) Oak Technology, Inc. (Oak) and UMC entered into a settlement agreement on July 31, 1997 concerning a complaint filed with the United States International Trade Commission (ITC) by Oak against UMC and others, alleging unfair trade practices based on alleged patent infringement regarding certain CD-ROM controllers (the first Oak ITC case). On October 27, 1997, Oak filed a civil action in a California federal district court, alleging claims for breach of the settlement agreement and fraudulent misrepresentation. In connection with its breach of contract and other claims, Oak seeks damages in excess of US\$750 million. UMC denied the material allegations of the Complaint, and asserted counterclaims against Oak for breach of contract, intentional interference with economic advantage and rescission and restitution based on fraudulent concealment and/or mistake. UMC also asserted declaratory judgment claims for invalidity and unenforceability of the relevant Oak patent. On May 2, 2001, the United States Court of Appeals for the Federal Circuit upheld findings by the ITC that there had been no patent infringement and no unfair trade practice arising out of a second ITC case filed by Oak against UMC and others. Based on the Federal Circuit's opinion and on a covenant not to sue filed by Oak, UMC's declaratory judgment patent counterclaims were dismissed from the district court case. In November 2002, UMC filed motions for summary judgment on each of Oak Technology's claims against UMC. In that same period, Oak Technology filed motions seeking summary judgment on UMC's claims for fraudulent concealment and intentional interference with economic advantage, and on various defenses asserted by UMC. In May 2005, the Court issued the following orders: (i) granting UMC's motion for summary judgment on Oak Technology's claim for breach of the settlement agreement; (ii) granting in part and denying in part UMC's motion for summary judgment on Oak Technology's claim for breach of the implied covenant of good faith and fair dealing; (iii) denying a motion by UMC for summary judgment on Oak Technology's fraud claim based on alleged patent invalidity under 35 U.S.C. § 112; (iv) granting Oak Technology's motion for summary judgment on UMC's fraudulent concealment claims; and (v) granting a motion by Oak Technology for summary judgment on certain of UMC's defenses. On February 9, 2006, the parties entered a settlement agreement in which UMC, Oak and Zoran (the successor to Oak) fully and finally released one another from any and all claims and liabilities arising out of the facts alleged in the district court case. The terms of settlement are confidential, and, except for the obligation to keep the terms confidential, impose no obligation on UMC.
- (5) The Company entered into several wafer-processing contracts with its customers. According to the contracts, the Company shall guarantee processing capacity, while these customers make deposits to the Company.

- (6) The Company has entered into contracts for the purchase of materials and masks with certain vendors. These contracts oblige the Company to purchase specified amounts or quantities of materials and masks. Should the Company fail to fulfill the conditions set out in the contracts, the differences between the actual purchase and the required minimum will be reconciled between the Company and its vendors.
- (7) 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 Hejian had 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. Notwithstanding the foregoing, no written agreement was made and executed at that time. Upon the Company's request to materialize the verbal indication of Hejian by compensating in the form of either cash or equity, the Chairman of the holding company of Hejian offered 15% of the outstanding shares of the holding company of Hejian in return for the Company's past assistance and for continued assistance in the future.

The holding company has already issued a total of 700 million shares and the subscription price per share in the last offering is US\$1.1. Therefore, the total market value of the holding company is estimated at over US\$700 million, with 15% of this figure being worth more than US\$110 million. Immediately after the Company had received the 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. Furthermore, the representative of Hejian is putting the shares in escrow to protect the Company's interests. In the event Hejian distributes any stock dividend or cash dividend, the Company's stake in 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. (R.O.C. SFC) 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 R.O.C. 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 R.O.C. SFC and TSE, respectively. As of December 31, 2005, the result of such reconsideration and administrative appeal has not been finalized.

## 8. SIGNIFICANT DISASTER LOSS

None.

## 9. SIGNIFICANT SUBSEQUENT EVENT

- (1) 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 on charges of breaking the Business Accounting Law and giving rise to 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 public prosecution; for this reason, at the time of public 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. Any future consequences of the public prosecution would be Mr. Robert H.C. Tsao and Mr. John Hsuan and Mr. Duen-Chian Cheng's personal concerns; the Company would not be subject to the indictment regarding to such case.

On February 15, 2006, the Company was fined in the amount of NT\$5 million on the grounds of unauthorized investment activities in Mainland China, implicating the 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. However, as the Company believes it was unreasonably fined, will file an administrative appeal pursuant to relevant laws.

- (2) On January 27, 2006, the Company had sold 58,500 thousand shares of Hsun Chieh Investment Co., Ltd. resulting in the shareholding percentage dropping from 99.97% to 36.49%. For that reason, Hsun Chieh Investments Co., Ltd. was no longer a subsidiary of the Company and thus any shares of the Company held by Hsun Chieh Investments Co., Ltd. shall be reclassified from treasury stock to long-term investments in the Company's books, of which NT\$10,881 million was recorded in effect under long-term investments and stockholders' equity, respectively.
- (3) The board of directors' meeting held on February 15, 2006, has approved a purchase plan of 1 billion treasury stocks from the TSE for the purpose of maintaining the interest of the Company's creditability and its shareholders, starting February 16, 2006 till April 15, 2006.

## 10. OTHERS

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

(2) Financial instruments

Non-derivative Financial Instruments	As of December 31,			
	2005		2004	
	Book Value	Fair Value	Book Value	Fair Value
<b>Financial assets</b>				
Cash and cash equivalents	\$96,596,623	\$96,596,623	\$83,347,329	\$83,347,329
Marketable securities	4,883,121	5,338,752	3,058,579	3,091,258
Notes and accounts receivables	13,068,452	13,068,452	11,201,919	11,201,919
Long-term investments	35,090,474	82,558,617	71,568,002	100,933,635
Deposits-out	579,710	579,710	571,701	571,701
<b>Liabilities</b>				
Short-term loans	-	-	1,904,400	1,904,400
Payables	17,035,721	17,035,721	17,393,532	17,393,532
Capacity deposits (current portion)	657,600	657,600	850,849	850,849
Bonds payable (current portion included)	46,259,055	47,028,153	36,427,032	37,433,884
<b>Derivative Financial Instruments</b>				
Credit-linked deposits and repackage bonds – Trading purpose	\$977,856	\$987,068	\$1,683,324	\$1,683,324
Interest rate swaps – Non-trading purpose	(95,634)	(730,191)	35,532	(416,149)
Forward contracts – Non-trading purpose	-	-	38,633	38,633

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

- a. The book values of short-term financial instruments approximate to fair values due to their short maturities. Short-term financial instruments include cash and cash equivalents, notes receivable, accounts receivable, short-term loans, current portion of capacity deposits, and payables.
- b. If the fair values of credit-linked deposits and repackage bonds are not available, the book values at the balance sheet date are used as the fair value. The majority of investment portfolios of the credit-linked deposits and repackage bonds are in the form of corporate bonds with maturity of two years or less.

- c. The fair values of marketable securities and long-term investments are based on the quoted market value. If the market values of marketable securities and long-term investments are unavailable, the Company will assess all other available information to determine the fair values.
- d. The fair values of deposits-out are based on the book values since the collecting dates cannot be ascertained.
- e. The fair values of bonds payable are determined by the market value. The book values of long-term loans approximate the fair values as the loans bearing floating rates.
- f. The fair values of derivative financial instruments are based on the amount the Company expects to receive (positive) or to pay (negative) assuming that the contracts are settled early at the balance sheet date.
- (3) The Company and its subsidiary, UMCJ, held credit-linked deposits and repackage bonds for the earning of interest income. Details are disclosed as follows:
- a. Principal amount in original currency

As of December 31, 2005

The Company

<u>Credit-linked deposits and repackage bonds referenced to</u>	<u>Amount</u>	<u>Due Date</u>
Siliconwave Precision Industries Co., Ltd. European Convertible Bonds and Loans	NTD 400 million	2007.02.05
Siliconwave Precision Industries Co., Ltd. European Convertible Bonds and Loans	NTD 200 million	2007.02.05
UMC Japan European Convertible Bonds	JPY 640 million	2007.03.28
Advanced Semiconductor Engineering Inc. European Convertible Bonds and Loans	NTD 200 million	2007.09.25

UMC Japan

<u>Credit-linked deposits and repackage bonds referenced to</u>	<u>Amount</u>	<u>Due Date</u>
UMC Japan European Convertible Bonds	JPY 500 million	2007.03.29

As of December 31, 2004

The Company

<u>Credit-linked deposits and repackage bonds referenced to</u>		<u>Amount</u>	<u>Due Date</u>
Siliconware Precision Industries Co., Ltd. European Convertible Bonds and Loans	NTD	400 million	2007.02.05
Siliconware Precision Industries Co., Ltd. European Convertible Bonds and Loans	NTD	200 million	2007.02.05
Ching Feng Home Fashions Co., Ltd. European Convertible Bonds	USD	2 million	2005.12.19
Hannstar Display Corp. European Convertible Bonds	USD	5 million	2005.10.19
UMC Japan European Convertible Bonds	JPY	640 million	2007.03.28
UMC Japan European Convertible Bonds	JPY	600 million	2007.11.29
UMC Japan European Convertible Bonds	JPY	400 million	2007.11.29
Cathay Financial Holding Co., Ltd. European Convertible Bonds	USD	3 million	2005.05.23
Cathay Financial Holding Co., Ltd. European Convertible Bonds	USD	2 million	2005.05.23
Advanced Semiconductor Engineering Inc. European Convertible Bonds and Loans	NTD	200 million	2007.09.25

UMC Japan

<u>Credit-linked deposits and repackage bonds referenced to</u>		<u>Amount</u>	<u>Due Date</u>
UMC Japan European Convertible Bonds	JPY	1,000 million	2007.11.29
UMC Japan European Convertible Bonds	JPY	2,000 million	2007.11.28
UMC Japan European Convertible Bonds	JPY	1,100 million	2007.03.29

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 nil or less than full amount of these investments. 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 be 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.

(4) The Company entered into interest rate swaps and forward contracts, and its subsidiary, UMC Japan, entered into forward contracts for hedging the interest rate risks arising from the counter-floating rate of domestic bonds and for hedging the exchange rate risks arising from the net assets or liabilities denominated in foreign currency. The hedging strategy was developed with the objective to reduce the market risk, and not for trading purpose. The relevant information on the derivative financial instruments entered into by the Company and its subsidiary, UMC Japan, is as follows:

a. The Company utilized interest rate swap agreements to hedge its interest rate risks on its counter-floating rate domestic bonds issued from May 21 to June 24, 2003. The periods 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 December 31, 2005 and 2004, the Company had the following interest rate swap agreements in effect:

<u>Notional Amount</u>	<u>Contract Period</u>	<u>Interest Rate Received</u>	<u>Interest Rate Paid</u>
NT\$7,500 million	May 20, 2003 to May 20, 2008	4.0% minus USD 12-Month LIBOR	1.52%
NT\$7,500 million	May 20, 2003 to May 20, 2010	4.3% minus USD 12-Month LIBOR	1.48%

b. The details of forward contracts entered into by the Company and its subsidiary, UMC Japan, are summarized as follows:

As of December 31, 2004

The Company

<u>Type</u>	<u>Notional Amount</u>	<u>Contract Period</u>
Forward contracts	Sell USD 77 million	December 23, 2004 to January 20, 2005

UMC Japan

<u>Type</u>	<u>Notional Amount</u>	<u>Contract Period</u>
Forward contracts	Sell USD 10 million	December 30, 2004 to January 4, 2005

c. Transaction risk

(a) Credit risk

There is no significant credit risk exposure with respect to the above transactions because the counterparties 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 financial statements

The net receivables or payables resulting from interest rate swap and forward contracts were recorded under current assets or current liabilities.

The Company

As of December 31, 2005 and 2004, the balances of current liabilities and current assets arising from interest rate swap were NT\$96 million and NT\$36 million, respectively.

As of December 31, 2004, the balance of current assets arising from forward contracts was NT\$39 million and related exchange losses of NT\$415 million and NT\$260 million were recorded under non-operating expenses for the year ended December 31, 2005 and 2004, respectively.

UMC Japan

As of December 31, 2004, the balance of current liabilities arising from forward contracts was JPY 0.35 million and related exchange gain and losses of JPY 25 million and JPY 163 million were recorded under non-operating incomes and non-operating expenses for the year ended December 31, 2005 and 2004, respectively.

11. ADDITIONAL DISCLOSURES

(1) The following are additional disclosures for the Company and its affiliates pursuant to SFB requirements:

a. Financing provided to others for the year ended December 31, 2005: Please refer to Attachment 1.

- b. Endorsement/Guarantee provided to others for the year ended December 31, 2005: Please refer to Attachment 2.
- c. Securities held as of December 31, 2005: 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 year ended December 31, 2005: 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 year ended December 31, 2005: 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 year ended December 31, 2005: 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 year ended December 31, 2005: 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 December 31, 2005: Please refer to Attachment 8.
- i. Names, locations and related information of investees as of December 31, 2005: Please refer to Attachment 9.
- j. Financial instruments and derivative transactions; please refer to Note 10.

(2) Investment in Mainland China  
None.

## 12. SEGMENT INFORMATION

(1) Operations in different industries

The Company operates principally in one industry, and the major business is operating as a full service semiconductor foundry.

(2) Operations in different geographic areas

The Company has no foreign operations.

(3) Export sales

Area	For the year ended December 31,	
	2005	2004
North America	\$43,765,379	\$53,003,397
Europe	6,740,391	19,656,702
Asia, excluding Taiwan	5,695,477	10,160,909
Total export sales	<u>\$56,201,247</u>	<u>\$82,821,008</u>

(4) Major customers

Individual customers accounting for at least 10% of net sales for the years ended

December 31, 2005 and 2004 are as follows:

Customers	For the year ended December 31,			
	2005		2004	
	Sales amount	Percentage	Sales amount	Percentage
Customer A	\$43,226,036	48	\$53,751,976	46
Customer B	6,839,285	7	19,685,139	17
Total	<u>\$50,065,321</u>	<u>55</u>	<u>\$73,437,115</u>	<u>63</u>

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

No.	Lender	Counterparty	Financial statement account	Maximum balance for the period	Ending balance	Interest rate	Nature of financing	Amount of sales to (purchases from) counterparty	Reason for financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counterparty	Limit of total financing amount
											Item	Value		
0	UMC	UMCi Ltd.	Other receivables	\$5,137,760	\$-	2.74%~3.05%	Note	None	Operating capital	N/A	N/A	N/A	N/A	N/A
1	UMC Group (USA)	Former Employees	Receivable from employees' loans	USD 691	USD 691	7%	Note	None	Employee loan	-	Securities	Lower	N/A	N/A

Note : Need for short-term financing.

ATTACHMENT-2 (Endorsement/Guarantee provided to others for the year ended December 31, 2005)

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

No.	Endorsor/Guarantor	Receiving party	Relationship (Note 3)	Limit of guarantee/endorsement amount for receiving party (Note 2)	Maximum balance for the period	Ending balance	Amount of collateral guarantee/endorsement	Ratio of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/endorsement amount (Note 1)
0	UMC	UMC Japan	3	\$7,650,819	JPY 10,400,000	\$2,931,760	-	1.13%	\$79,063,435

Note 1: Limit of total guarantee/endorsement amount equals 40% of UMC's capital stock.

Note 2: Limit of guarantee/endorsement amount for receiving party shall not exceed the lower of 10% of UMC's capital stock or receiving party's capital stock.

Note 3: No. 3 represents an investee company, which the Company and its subsidiaries holds over 50% of the investee's total common shares.

## ATTACHMENT-3 (Securities held as of December 31, 2005)

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

**United Microelectronics Corporation**

				December 31, 2005				
Type of securities	Name of securities	Relationship	Financial statement account	Units(thousand)/	Book value	Percentage of ownership(%)	Market value/ Net assets value	Shares as collateral (thousand)
				bonds/ shares (thousand)				
Convertible bonds	King Yuan Electronics Co., Ltd.	-	Short-term investment	800	\$271,600	-	\$293,787	None
Convertible bonds	Siliconware Precision Industries	-	Short-term investment	8,000	270,120	-	286,471	None
Convertible bonds	Quanta Storage Inc.	-	Short-term investment	4,500	152,778	-	142,456	None
Convertible bonds	EDOM Technology Co., Ltd.	-	Short-term investment	60	201,990	-	194,222	None
Convertible bonds	Action Electronics Co., Ltd.	-	Short-term investment	10,000	322,200	-	378,412	None
Stock	King Yuan Electronics Co., Ltd.	-	Short-term investment	23,040	356,781	-	702,706	None
Stock	SpringSoft, Inc.	-	Short-term investment	9,006	415,728	-	492,637	None
Stock	SerComm Corp.	Subsidiary's equity investee	Short-term investment	151	3,093	-	3,823	None
Stock	Yang Ming Marine Transport Corp.	-	Short-term investment	3,254	128,057	-	67,982	None
Stock	L&K Engineering Co., Ltd.	-	Short-term investment	1,472	98,925	-	92,375	None
Stock	Rechi Precision Co., Ltd.	-	Short-term investment	12,412	232,369	-	314,086	None
Stock	Micronas Semiconductor Holding AG	-	Short-term investment	280	398,672	-	292,532	None
Stock	Samson Holding Ltd.	-	Short-term investment	37,872	456,571	-	535,086	None
Stock	Siliconware Precision Industries	-	Short-term investment	3,700	164,962	-	151,522	None
Stock-Preferred stock	Chinatrust Financial Holding Company	-	Short-term investment	4,810	207,482	-	206,157	None
Stock-Preferred stock	Taiwan Cement Corp.	-	Short-term investment	44,530	1,201,793	-	1,184,498	None
Stock	UMC Group (USA)	Investee company	Long-term investment	16,438	753,519	100.00	753,519	None
Stock	United Microelectronics (Europe) B.V.	Investee company	Long-term investment	9	279,834	100.00	272,220	None
Stock	UMC Capital Corp.	Investee company	Long-term investment	74,000	2,051,350	100.00	2,051,350	None
Stock	United Microelectronics Corp. (Samoa)	Investee company	Long-term investment	1,000	14,179	100.00	14,179	None
Stock	UMCi Ltd.	Investee company	Long-term investment	880,006	9,484	100.00	9,484	None
Stock	TLC Capital Co., Ltd.	Investee company	Long-term investment	300,000	2,991,258	100.00	2,991,258	None
Stock	Fortune Venture Capital Corp.	Investee company	Long-term investment	499,994	4,200,105	99.99	4,538,982	None
Stock	Hsun Chieh Investment Co., Ltd.	Investee company	Long-term investment	92,124	(3,169,837)	99.97	7,773,886	None
Stock	United Microdisplay Optronics Corp.	Investee company	Long-term investment	60,701	318,151	86.72	318,151	None
Stock	Pacific Venture Capital Co., Ltd.	Investee company	Long-term investment	30,000	296,218	49.99	296,218	None
Stock	UMC Japan	Investee company	Long-term investment	484	6,341,144	48.95	4,856,126	None
Stock	Toppan Photomasks Taiwan Ltd. (formerly DuPont Photomasks Taiwan Ltd.)	Investee company	Long-term investment	106,621	1,063,671	45.35	1,063,671	None

## ATTACHMENT-3 (Securities held as of December 31, 2005)

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

**United Microelectronics Corporation**

				December 31, 2005				
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	Unitech Capital Inc.	Investee company	Long-term investment	21,000	\$638,946	42.00	\$638,946	None
Stock	Holtek Semiconductor Inc.	Investee company	Long-term investment	51,428	818,681	24.81	2,423,624	None
Stock	ITE Tech. Inc.	Investee company	Long-term investment	24,229	329,704	22.66	659,814	None
Stock	Unimicron Technology Corp.	Investee company	Long-term investment	196,472	4,015,626	20.43	6,811,697	None
Stock	Faraday Technology Corp.	Investee company	Long-term investment	51,973	864,928	18.50	2,988,725	None
Stock	Silicon Integrated Systems Corp.	Investee company	Long-term investment	219,092	3,921,878	16.59	5,177,582	None
Stock	XGI Technology Inc.	Investee company	Long-term investment	24,879	82,807	16.53	82,807	None
Stock	Thintek Optronics Corp.	Investee company	Long-term investment	3,565	20,136	14.26	6,103	None
Stock	AMIC Technology Corp.	Investee company	Long-term investment	16,200	60,520	11.86	86,207	None
Stock	Novatek Microelectronics Corp.	Investee company	Long-term investment	54,125	1,409,421	11.74	9,730,056	None
Stock	United Fu Shen Chen Technology Corp. (formerly Applied Component Technology Corp.)	-	Long-term investment	18,460	40,000	16.60	117,318	None
Stock	United Industrial Gases Co., Ltd.	-	Long-term investment	13,185	146,250	7.95	Note	None
Stock	Epitech Technology Co., Ltd. (formerly known as South Epitaxy Co., Ltd., merged "Epitech Technology Corp.")	-	Long-term investment	23,729	497,294	7.53	715,965	None
Stock	MediaTek Inc.	-	Long-term investment	53,916	613,447	6.24	19,405,005	None
Stock	Industrial Bank of Taiwan Corp.	-	Long-term investment	118,303	1,139,196	4.95	Note	None
Stock	Subtron Technology Co., Ltd.	-	Long-term investment	11,520	172,800	4.92	Note	None
Stock	Chipbond Technology Corp. (Merged Aptos (Taiwan) Corp.)	-	Long-term investment	11,807	235,893	4.48	626,616	None
Stock	Billionton Systems Inc.	-	Long-term investment	2,008	30,948	2.67	32,442	None
Stock	AU Optronics Corp.	-	Long-term investment	77,625	959,082	1.33	3,615,905	None
Stock	Mega Financial Holding Company	-	Long-term investment	95,577	3,108,656	0.84	2,071,627	None
Stock	Premier Image Technology Corp.	-	Long-term investment	3,497	27,964	0.60	151,874	None
Fund	Pacific Technology Partners, L.P.	-	Long-term investment	-	343,321	-	N/A	None
Fund	Pacific United Technology, L.P.	-	Long-term investment	-	163,900	-	N/A	None
Stock-Preferred stock	Taiwan High Speed Rail Corp.	-	Long-term investment	30,000	300,000	-	N/A	None

## ATTACHMENT-3 (Securities held as of December 31, 2005)

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

**Hsun Chieh Investment Co., Ltd.**

				December 31, 2005				
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	HARVATEK Corp.	Investee company	Long-term investment	21,635	\$346,020	16.50	\$740,259	None
Stock	SerComm Corp.	Investee company	Long-term investment	11,841	192,308	9.78	300,494	None
Stock	ULi Electronics Inc.	Investee company	Long-term investment	7,909	157,507	9.33	96,808	None
Stock	UMC Japan	Investee of UMC and Hsun Chieh	Long-term investment	45	614,574	4.54	449,958	None
Stock	Unimicron Technology Corp.	Investee of UMC and Hsun Chieh	Long-term investment	17,537	354,630	1.83	608,001	None
Stock	Novatek Microelectronics Corp.	Investee of UMC and Hsun Chieh	Long-term investment	3,688	129,319	0.80	662,915	None
Stock	Animation Technologies Inc.	-	Long-term investment	1,980	29,700	4.23	Note	None
Stock	Coretronic Corp.	-	Long-term investment	21,793	276,192	4.19	1,005,042	None
Stock	Skardin Industrial Corp.	-	Long-term investment	1,592	82,158	3.09	Note	None
Stock	United Microelectronics Corporation	Investor Company	Long-term investment	599,696	29,592,654	3.04	11,379,238	440,000
Stock	Chipbond Technology Corp. (Merged Aptos (Taiwan) Corp.)	-	Long-term investment	5,388	60,534	2.67	285,968	None
Stock	BroadWeb Corp.	-	Long-term investment	500	8,000	2.22	Note	None
Stock	PixArt Imaging Inc.	-	Long-term investment	1,315	16,107	1.70	Note	None
Stock	Epitech Technology Co., Ltd. (formerly known as South Epitaxy Co., Ltd., merged "Epitech Technology Corp.")	-	Long-term investment	4,604	58,474	1.46	138,904	None
Stock	Largan Precision, Co., Ltd.	-	Long-term investment	711	36,242	0.62	355,456	None
Stock	Aimtron Technology, Inc.	-	Long-term investment	241	9,000	0.61	7,622	None
Stock	C-Com Corp.	-	Long-term investment	675	5,958	0.59	2,233	None
Stock	Averlogic Technologies, Inc.	-	Long-term investment	24	647	0.09	309	None
Stock	UltraChip, Inc.	-	Long-term investment	31	522	0.05	Note	None
Stock-Preferred stock	ForteMedia, Inc.	-	Long-term investment	1,250	1,226	-	N/A	None
Stock-Preferred stock	Formerica International Holding, Inc.	-	Long-term investment	2,000	30,898	-	N/A	None

## ATTACHMENT-3 (Securities held as of December 31, 2005)

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

**Fortune Venture Capital Corporation**

				December 31, 2005				
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	Unitruth Investment Corp.	Investee company	Long-term investment	40,000	\$366,683	100.00	\$366,683	None
Stock	Uwave Technology Corp. (formerly United Radiotek Inc.)	Investee company	Long-term investment	10,187	68,654	44.29	64,005	None
Stock	NexPower Technology Corp.	Investee company	Long-term investment	800	7,982	40.00	7,982	None
Stock	Aevoe Inc.	Investee company	Long-term investment	1,500	6,674	39.47	6,702	None
Stock	UCA Technology Inc.	Investee company	Long-term investment	6,285	31,381	39.28	21,998	None
Stock	Smedia Technology Corp.	Investee company	Long-term investment	8,734	50,207	29.61	50,207	None
Stock	Star Semiconductor Corp.	Investee company	Long-term investment	6,592	26,764	27.96	21,287	None
Stock	USBest Technology Inc.	Investee company	Long-term investment	4,746	58,195	27.92	55,902	None
Stock	Afa Technology, Inc.	Investee company	Long-term investment	5,888	34,657	26.04	20,605	None
Stock	Crystal Media Inc.	Investee company	Long-term investment	2,265	9,461	25.39	9,461	None
Stock	Davicom Semiconductor, Inc.	Investee company	Long-term investment	13,798	145,649	21.56	145,649	None
Stock	Mobile Devices Inc.	Investee company	Long-term investment	5,000	39,365	21.02	36,759	None
Stock	U-Media Communications, Inc.	Investee company	Long-term investment	5,000	29,219	21.01	29,219	None
Stock	AMIC Technology Corp.	Investee of UMC and Fortune	Long-term investment	23,405	125,490	17.09	124,206	None
Stock	ULi Electronics Inc.	Investee company	Long-term investment	12,655	252,307	14.91	153,412	None
Stock	Chip Advanced Technology Inc.	Investee company	Long-term investment	2,594	22,622	14.28	15,194	None
Stock	XGI Technology Inc.	Investee of UMC and Fortune	Long-term investment	17,844	51,029	11.85	59,392	None
Stock	Cion Technology Corp.	-	Long-term investment	2,268	21,600	17.05	Note	None
Stock	Bcom Electronics Inc.	-	Long-term investment	17,365	173,653	16.42	Note	None
Stock	HiTop Communications Corp.	-	Long-term investment	4,340	60,849	16.07	Note	None
Stock	PixArt Imaging Inc.	-	Long-term investment	12,294	207,004	15.91	Note	None
Stock	VastView Technology Inc.	-	Long-term investment	3,487	11,891	15.50	Note	None
Stock	LighTuning Tech. Inc.	-	Long-term investment	1,900	7,543	15.08	Note	None
Stock	Advance Materials Corp.	-	Long-term investment	10,994	113,017	11.57	Note	None
Stock	Golden Technology Venture Capital Investment Corp.	-	Long-term investment	5,600	54,880	10.67	Note	None
Stock	AMOD Technology Co., Ltd.	-	Long-term investment	530	5,121	10.60	Note	None
Stock	Everglory Resource Technology Co., Ltd.	-	Long-term investment	2,500	21,875	10.23	Note	None
Stock	NCTU Spring I Technology Venture Capital Investment Corp.	-	Long-term investment	4,284	27,161	10.06	Note	None

## ATTACHMENT-3 (Securities held as of December 31, 2005)

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

**Fortune Venture Capital Corporation**

				December 31, 2005				
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	JMicron Technology Corp.	-	Long-term investment	2,660	\$47,880	9.50	Note	None
Stock	Chingis Technology Corp.	-	Long-term investment	3,651	37,156	8.14	Note	None
Stock	Andes Technology Corp.	-	Long-term investment	5,000	62,500	7.94	Note	None
Stock	Shin-Etsu Handotai Taiwan Co., Ltd.	-	Long-term investment	10,500	105,000	7.00	Note	None
Stock	ACTi Corp.	-	Long-term investment	1,700	17,306	6.85	Note	None
Stock	NCTU Spring Venture Capital Co., Ltd.	-	Long-term investment	2,000	13,600	6.28	Note	None
Stock	Riselink Venture Capital Corp.	-	Long-term investment	8,000	76,640	6.20	Note	None
Stock	SIMpal Electronics Co., Ltd.	-	Long-term investment	6,009	70,179	5.67	Note	None
Stock	Cosmos Technology Venture Capital Investment Corp.	-	Long-term investment	2,600	24,544	5.03	Note	None
Stock	Parawin Venture Capital Corp.	-	Long-term investment	5,000	41,900	5.00	Note	None
Stock	Integrand Technologies, Inc.	-	Long-term investment	120	34,413	4.95	Note	None
Stock	MemoCom Corp.	-	Long-term investment	2,450	16,390	4.90	Note	None
Stock	Beyond Innovation Technology Co., Ltd.	-	Long-term investment	1,045	14,165	4.86	Note	None
Stock	EE Solutions, Inc.	-	Long-term investment	1,300	22,178	4.85	Note	None
Stock	Trendchip Technologies Corp.	-	Long-term investment	1,975	12,425	4.84	Note	None
Stock	Giga Solution Tech. Co., Ltd.	-	Long-term investment	6,000	35,220	4.74	Note	None
Stock	Aimtron Technology, Inc.	-	Long-term investment	1,668	58,777	4.21	52,742	None
Stock	ProSys Technology Integration, Inc.	-	Long-term investment	372	4,224	4.13	Note	None
Stock	Fortune Semiconductor Corp.	-	Long-term investment	1,356	24,931	4.04	Note	None
Stock	ChipSence Corp.	-	Long-term investment	2,500	11,325	4.00	Note	None
Stock	Waveplus Technology Co., Ltd.	-	Long-term investment	1,200	-	4.00	Note	None
Stock	Printech International Inc.	-	Long-term investment	900	4,095	3.98	Note	None
Stock	Subtron Technology Co., Ltd.	-	Long-term investment	9,317	102,459	3.98	Note	None
Stock	IBT Venture Co.	-	Long-term investment	7,614	76,142	3.81	Note	None
Stock	Averlogic Technologies, Inc.	-	Long-term investment	1,051	17,628	3.80	13,519	None
Stock	Advanced Chip Engineering Technology Inc.	-	Long-term investment	4,160	24,419	3.56	Note	None
Fund	iGlobe Partners Fund, L.P.	-	Long-term investment	-	39,051	3.45	N/A	None
Stock	Incomm Technologies Co., Ltd.	-	Long-term investment	1,000	3,100	3.33	Note	None
Stock	ZyDAS Technology Corp.	-	Long-term investment	1,000	7,250	3.33	Note	None
Stock	Animation Technologies Inc.	-	Long-term investment	1,500	22,500	3.21	Note	None

## ATTACHMENT-3 (Securities held as of December 31, 2005)

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

**Fortune Venture Capital Corporation**

				December 31, 2005				
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	Sheng-Hua Venture Capital Corp.	-	Long-term investment	5,000	\$47,450	2.50	Note	None
Stock	RDC Semiconductor Co., Ltd.	-	Long-term investment	1,017	24,436	2.41	17,620	None
Stock	Holux Technology Inc.	-	Long-term investment	500	22,697	2.17	Note	None
Stock	Ralink Technology Corp.	-	Long-term investment	1,250	18,213	2.08	Note	None
Stock	Chipbond Technology Corp. (Merged Aptos (Taiwan) Corp.)	-	Long-term investment	3,813	41,657	1.89	202,385	None
Stock	Taimide Tech., Inc.	-	Long-term investment	1,500	16,095	1.83	Note	None
Stock	Rechi Precision Co., Ltd.	-	Long-term investment	5,000	93,633	1.81	126,525	None
Stock	Epitech Technology Co., Ltd. (formerly known as South Epitaxy Co., Ltd., merged "Epitech Technology Corp.")	-	Long-term investment	4,361	43,614	1.39	131,583	None
Stock	SiRF Technology Holdings, Inc.	-	Long-term investment	181	24,652	1.34	174,436	None
Fund	Crystal Internet Venture Fund II	-	Long-term investment	-	38,855	0.99	N/A	None
Stock	Arcadia Design Systems(Taiwan), Inc.	-	Long-term investment	162	1,620	0.83	Note	None
Stock	AverMedia Technologies Inc.	-	Long-term investment	1,210	30,902	0.79	51,337	None
Stock	United Microelectronics Corporation	Investor Company	Long-term investment	21,847	171,857	0.12	414,535	None
Stock	Trident Microsystems Inc.	-	Long-term investment	255	71,775	0.48	159,423	None
Stock-Preferred stock	Aurora Systems, Inc.	-	Long-term investment	5,133	59,317	-	N/A	None
Stock-Preferred stock	Alpha & Omega Semiconductor, Ltd.	-	Long-term investment	1,500	46,313	-	N/A	None
Convertible bonds	Alpha Networks Inc.	-	Prepaid Investment	300	30,000	-	N/A	None

**TLC Capital Co., Ltd.**

				December 31, 2005				
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	Highlink Technology Corp.	Investee company	Long-term investment	22,192	\$208,833	22.18	\$208,833	None
Stock	SerComm Corp.	Investee company	Long-term investment	2,867	75,499	2.37	72,756	None
Stock	Rechi Precision Co., Ltd.	-	Long-term investment	16,664	409,721	6.05	421,683	None
Stock	Toppoint Technology Co., Ltd.	-	Long-term investment	2,263	127,329	4.10	121,317	None
Stock	Horizon Securities Co., Ltd. (formerly Fortune Securities Co., Ltd.)	-	Long-term investment	16,858	105,588	3.92	107,876	None

## ATTACHMENT-3 (Securities held as of December 31, 2005)

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

**Unitruth Investment Corp.**

				December 31, 2005				
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	Crystal Media Inc.	Investee company	Long-term investment	800	\$3,342	8.97	\$3,342	None
Stock	Smedia Technology Corp.	Investee company	Long-term investment	2,570	21,641	8.71	14,772	None
Stock	Chip Advanced Technology Inc.	Investee company	Long-term investment	1,386	8,118	7.63	8,118	None
Stock	UCA Technology Inc.	Investee company	Long-term investment	1,000	3,500	6.25	3,500	None
Stock	USBest Technology Inc.	Investee company	Long-term investment	1,000	11,778	5.88	11,778	None
Stock	Star Semiconductor Corp.	Investee company	Long-term investment	1,300	4,198	5.51	4,198	None
Stock	Mobile Devices Inc.	Investee company	Long-term investment	1,250	9,190	5.26	9,190	None
Stock	U-Media Communications, Inc.	Investee company	Long-term investment	1,250	7,305	5.25	7,305	None
Stock	Afa Technology, Inc.	Investee company	Long-term investment	1,000	3,500	4.42	3,500	None
Stock	Uwave Technology Corp. (formerly United Radiotek Inc.)	Investee company	Long-term investment	1,000	6,283	4.35	6,283	None
Stock	XGI Technology Inc.	Investee of UMC and Unitruth	Long-term investment	5,000	16,641	3.32	16,641	None
Stock	ULi Electronics Inc.	Investee company	Long-term investment	2,149	42,389	2.53	26,054	None
Stock	AMOD Technology Co., Ltd.	-	Long-term investment	460	3,220	9.20	Note	None
Stock	Everglory Resource Technology Co., Ltd.	-	Long-term investment	1,200	10,500	4.91	Note	None
Stock	Chingis Technology Corp.	-	Long-term investment	2,189	31,218	4.88	Note	None
Stock	EE Solutions, Inc.	-	Long-term investment	1,300	14,755	4.85	Note	None
Stock	JMicron Technology Corp.	-	Long-term investment	1,340	8,844	4.79	Note	None
Stock	LighTuning Tech. Inc.	-	Long-term investment	600	2,382	4.76	Note	None
Stock	VastView Technology Inc.	-	Long-term investment	1,000	3,410	4.44	Note	None
Stock	Trendchip Technologies Corp.	-	Long-term investment	1,800	11,322	4.41	Note	None
Stock	ACTi Corp.	-	Long-term investment	740	11,100	4.32	Note	None
Stock	Advance Materials Corp.	-	Long-term investment	4,000	41,120	4.21	Note	None
Stock	MemoCom Corp.	-	Long-term investment	2,005	13,416	4.01	Note	None
Stock	Printech International Inc.	-	Long-term investment	900	4,095	3.98	Note	None
Stock	Fortune Semiconductor Corp.	-	Long-term investment	1,226	17,747	3.66	Note	None
Stock	InComm Technologies Co., Ltd.	-	Long-term investment	800	2,480	2.67	Note	None
Stock	Giga Solution Tech. Co., Ltd.	-	Long-term investment	2,750	16,142	2.17	Note	None
Stock	ChipSence Corp.	-	Long-term investment	1,300	5,889	2.08	Note	None
Stock	Ralink Technology Corp.	-	Long-term investment	1,000	14,570	1.67	Note	None

## ATTACHMENT-3 (Securities held as of December 31, 2005)

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

**UMC Capital Corporation**

				December 31, 2005					
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	UMC Capital (USA)	Investee company	Long-term investment	200	USD 296	100.00	USD 296	None	
Stock	ECP VITA Ltd.	Investee company	Long-term investment	1,000	USD 1,264	100.00	USD 1,264	None	
Stock	Patentop, Ltd.	Investee company	Long-term investment	720	USD 38	18.00	USD 38	None	
Stock	Parade Technologies, Ltd.	Investee company	Long-term investment	3,125	USD 2,500	24.63	USD 1,597	None	
Fund	UC FUND II	Investee company	Long-term investment	5,000	USD 4,064	35.45	USD 4,064	None	
Stock-Preferred stock	MaXXan Systems, Inc.	-	Long-term investment	2,317	USD 1,237	-	N/A	None	
Stock-Preferred stock	Aicent, Inc.	-	Long-term investment	2,000	USD 1,000	-	N/A	None	
Stock-Preferred stock	Spreadtrum Communications, Inc.	-	Long-term investment	1,581	USD 1,250	-	N/A	None	
Stock-Preferred stock	Silicon 7, Inc.	-	Long-term investment	1,203	USD 4,000	-	N/A	None	
Stock-Preferred stock	Magnachip Semiconductor LLC	-	Long-term investment	31	USD 1,094	-	N/A	None	
Stock-Preferred stock	GCT Semiconductor, Inc.	-	Long-term investment	1,571	USD 1,000	-	N/A	None	
Stock-Preferred stock	Intellon Corp.	-	Long-term investment	4,576	USD 3,500	-	N/A	None	
Stock-Preferred stock	ForteMedia, Inc.	-	Long-term investment	8,066	USD 2,553	-	N/A	None	
Stock-Preferred stock	Zylogic Semiconductor Corp.	-	Long-term investment	750	USD 500	-	N/A	None	
Stock-Preferred stock	Berkana Wireless Inc.	-	Long-term investment	1,244	USD 2,000	-	N/A	None	
Stock-Preferred stock	Maxlinear, Inc.	-	Long-term investment	1,474	USD 2,580	-	N/A	None	
Stock-Preferred stock	Smart Vanguard Ltd.	-	Long-term investment	5,750	USD 6,500	-	N/A	None	
Stock-Preferred stock	Wisair, Inc.	-	Long-term investment	108	USD 1,000	-	N/A	None	
Stock-Preferred stock	Amalfi Semiconductor, Inc.	-	Long-term investment	1,471	USD 1,500	-	N/A	None	
Stock-Preferred stock	Praesagus, Inc.	-	Long-term investment	500	USD 1,500	-	N/A	None	
Stock-Preferred stock	Dibcom, Inc.	-	Long-term investment	10	USD 1,186	-	N/A	None	
Stock-Preferred stock	East Vision Technology Ltd.	-	Long-term investment	2,770	USD 4,820	-	N/A	None	
Stock-Preferred stock	Alpha & Omega Semiconductor, Ltd.	-	Long-term investment	1,500	USD 3,375	-	N/A	None	
Stock-Preferred stock	Aurora Systems, Inc.	-	Long-term investment	550	USD 242	-	N/A	None	
Stock-Preferred stock	VeriPrecise Technology, Inc.	-	Long-term investment	2,250	USD 2,250	-	N/A	None	
Stock-Preferred stock	Pactrust Communication, Inc	-	Long-term investment	2,850	USD 2,850	-	N/A	None	
Fund	Taiwan Asia Pacific Venture Fund	-	Long-term investment	66	USD 159	-	N/A	None	
Fund	VenGlobal Capital Fund III, L.P.	-	Long-term investment	1,000	USD 712	-	N/A	None	

ATTACHMENT-3 (Securities held as of December 31, 2005)

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

**United Microdisplay Optronics Corp.**

				December 31, 2005				
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	Thintek Optronics Corp.	Investee of UMC and UMO	Long-term investment	9,999	\$17,116	40.00	\$17,116	None

Note : The net assets values for unlisted investees accounted for under the cost method were not available as of December 31, 2005.

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 year ended December 31, 2005)

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

**United Microelectronics Corporation**

Type of securities	Name of the securities	Financial statement account	Counterparty	Relationship	Beginning balance		Addition		Disposal			Gain (Loss) from disposal	Ending balance	
					Units(thousand)/bonds/shares(thousand)	Amount	Units(thousand)/bonds/shares(thousand)	Amount	Units(thousand)/bonds/shares(thousand)	Amount	Cost		Units(thousand)/bonds/shares(thousand)	Amount
Stock	Rechi Precision Co., Ltd.	Short-term investment	Open market	-	-	\$-	12,412	\$232,369	-	\$-	\$-	\$-	12,412	\$232,369
Stock	Samson Holding Ltd.	Short-term investment	Open market	-	-	-	49,620	598,201	11,748	174,963	141,630	33,333	37,872	456,571
Stock	Siliconware Precision Industries	Short-term investment	Open market	-	-	-	3,700	164,962	-	-	-	-	3,700	164,962
Stock-Preferred stock	Chinatrust Financial Holding Company	Short-term investment	Open market	-	-	-	4,810	207,482	-	-	-	-	4,810	207,482
Stock-Preferred stock	Taiwan Cement Corp.	Short-term investment	Open market	-	-	-	44,530	1,201,793	-	-	-	-	44,530	1,201,793
Fund	The IIT Increment Fund	Short-term investment	Open market	-	-	-	16,718	250,000	16,718	250,234	250,000	234	-	-
Convertible bonds	Mega Financial Holding Company	Short-term investment	Open market	-	5,000	166,650	-	-	5,000	158,752	166,650	(7,898)	-	-
Convertible bonds	International Semiconductor Technology Ltd.	Short-term investment	Open market	-	4,000	135,800	-	-	4,000	139,917	135,800	4,117	-	-
Stock	Fortune Venture Capital Corp.	Long-term investment	Capitalization from cash	-	299,994	2,354,878	200,000	2,000,000	-	-	-	-	499,994	4,200,105 (Note 1)
Stock	Novatek Microelectronics Corp.	Long-term investment	Open market	-	72,775	1,615,328	-	-	25,113	3,354,361	642,487	2,676,218 (Note 2)	54,125 (Note 3)	1,409,421 (Note 4)
Stock	Aptos (Taiwan) Corp.	Long-term investment	Fortune Venture Capital Corp.	Subsidiary	-	-	16,100	140,231	-	-	-	-	-	-
Stock	TLC Capital Co., Ltd.	Long-term investment	Capitalization from cash	Subsidiary	-	-	300,000	3,000,000	-	-	-	-	300,000 (Note 5)	2,991,258 (Note 6)
Stock	United Microdisplay Optronics Corp.	Long-term investment	Capitalization from cash	-	104,345	441,618	18,963	189,625	-	-	-	-	60,701 (Note 7)	318,151 (Note 8)

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 year ended December 31, 2005)

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

**United Microelectronics Corporation**

Type of securities	Name of the securities	Financial statement account	Counterparty	Relationship	Beginning balance		Addition		Disposal			Gain (Loss) from disposal	Ending balance	
					Units(thousand)/bonds/shares(thousand)	Amount	Units(thousand)/bonds/shares(thousand)	Amount	Units(thousand)/bonds/shares(thousand)	Amount	Cost		Units(thousand)/bonds/shares(thousand)	Amount
Stock	XGI Technology Inc.	Long-term investment	Capitalization from cash	-	-	\$-	24,879	\$248,795	-	\$-	\$-	\$-	24,879	\$82,807
Stock	UMC Capital Corp.	Long-term investment	Capitalization from cash	Subsidiary	55,000	1,310,493	19,000	634,612	-	-	-	-	74,000	2,051,350
Stock	MediaTek Inc.	Long-term investment	Open market	-	77,428	969,048	-	-	28,750	7,604,590	355,601	7,226,015	53,916	613,447
Stock	Chipbond Technology Corp.	Long-term investment	Open market	-	-	-	6,115	174,735	-	-	-	-	11,807	235,893
Stock	"Epitech Technology Corp."	Long-term investment	(Note 13)	(Note 13)	-	-	9,091	299,993	-	-	-	-	-	-
Stock	Epitech Technology Corp.	Long-term investment	Open market	-	-	-	8,877	197,301	-	-	-	-	23,729	497,294

Note 1: The ending balance includes long-term investment loss of NT\$(134,368) thousand, long-term investment capital reserve adjustments of NT\$(22,492) thousand, unrealized loss on long-term investment of NT\$(352) thousand, and cumulative translation adjustment of NT\$2,439 thousand.

Note 2: The gain on disposal of investment includes adjustments to reserved capital of NT\$(35,656) thousand written off in proportion to the shares disposed.

Note 3: The ending balance includes stock dividends of 6,463 thousand shares.

Note 4: The ending balance includes long-term investment gain of NT\$708,618 thousand, long-term investment capital reserve adjustments of NT\$(15,627) thousand, cumulative translation adjustments of NT\$2,126 thousand, and cash dividends of NT\$(258,537) thousand.

Note 5: Aptos (Taiwan) Corp. merged into Chipbond Technology Corp. since September 1, 2005. The ending balance includes stock exchanged from Aptos (Taiwan) Corp. 5,367 thousand shares and stock dividends 325 thousand shares.

Note 6: Aptos (Taiwan) Corp. merged into Chipbond Technology Corp. since September 1, 2005. The ending balance includes long-term equity investment loss of NT\$(79,073) thousand. The remaining balance of NT\$61,158 thousand transferred into Chipbond Technology Corp.

Note 7: The ending balance includes the 60% of capital reduction, thus a decrease of 62,607 thousand shares.

Note 8: The ending balance includes long-term investment loss of NT\$(180,600) thousand, long-term investment capital reserve adjustments of NT\$2,508 thousand, and written off deferred credit of NT\$(135,000) thousand.

Note 9: The ending balance includes long-term investment loss of NT\$(67,066) thousand, long-term investment capital reserve adjustments of NT\$1,030 thousand, cumulative translation adjustments of NT\$239 thousand, and impairment loss of NT\$(100,191) thousand.

Note 10: The ending balance includes long-term investment gain of NT\$69,502 thousand and cumulative translation adjustments of NT\$36,743 thousand.

Note 11: The gain on disposal of investment includes adjustments to reserved capital of NT\$(22,974) thousand written off in proportion to the shares disposed.

Note 12: The ending balance includes stock dividends of 5,238 thousand shares.

Note 13: The counter parties include the following subsidiaries: Hsun Chieh Investment Co., Ltd., Fortune Venture Capital Corp., and Unitruth Investment Corp.

Note 14: Epitech Technology Corp. formerly known as South Epitaxy Co., Ltd, merged the Company's former investee "Epitech Technology Corp." on August 1, 2005. The ending balance includes stock exchanged from the merger of 14,354 thousand shares and stock dividends of 498 thousand shares.

Note 15: "Epitech Technology Corp." merged into South Epitaxy Co., Ltd. on August 1, 2005. The ending balance includes residual book value of NT\$299,993 thousand transferred to the newly registered company, Epitech Technology Corp.

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 year ended December 31, 2005)

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

**Hsun Chieh Investment Co., Ltd.**

Type of securities	Name of the securities	Financial statement account	Counterparty	Relationship	Beginning balance		Addition		Disposal			Gain (Loss) from disposal	Ending balance	
					Units(thousand)/bonds/ shares(thousand)	Amount	Units(thousand)/bonds/ shares(thousand)	Amount	Units(thousand)/bonds/ shares(thousand)	Amount	Cost		Units(thousand)/bonds/ shares(thousand)	Amount
Stock	ULi Electronics Inc.	Long-term investment	Jusung Engineering Ltd.	-	2,100	\$44,940	5,742	\$122,211	11	\$257	\$220	\$37	7,909 (Note 2)	\$157,507 (Note 3)
Stock	Aptos (Taiwan) Corp.	Long-term investment	Fortune Venture Capital Corp.	(Note 1)	-	-	16,165	140,794	-	-	-	-	-	- (Note 4)
Stock	XGI Technology Inc.	Long-term investment	Capitalization from cash \ Fortune Venture Capital Corp.	-	-	-	24,963	299,554	12,482	65,902	45,502	20,400	- (Note 5)	- (Note 6)
Stock	Unimicron Technology Corp.	Long-term investment	Open market	-	97,180	1,814,626	-	-	84,555	2,068,891	1,670,540	398,351	17,537 (Note 7)	354,630 (Note 8)
Stock	Faraday Technology Corp.	Long-term investment	Open market	-	14,265	1,146,473	-	-	15,279	935,309	1,171,564	(236,255)	- (Note 9)	- (Note 10)
Stock	Mega Financial Holding Company	Long-term investment	Open market	-	59,539	1,882,974	-	-	59,539	1,277,769	1,882,974	(605,205)	-	-
Stock	Unitruth Investment Corp.	Long-term investment	Fortune Venture Capital Corp.	(Note 1)	10,000	100,115	-	-	10,000	100,000	95,660	4,340	- (Note 11)	- (Note 11)
Stock	Advance Materials Corp.	Long-term investment	Fortune Venture Capital Corp. \ Unitruth Investment Corp.	(Note 1)	14,994	152,321	-	-	14,994	154,137	176,255	(22,118)	- (Note 12)	- (Note 12)
Stock	Giga Solution Tech. Co., Ltd.	Long-term investment	Fortune Venture Capital Corp. \ Unitruth Investment Corp.	(Note 1)	8,750	105,000	-	-	8,750	51,363	105,000	(53,637)	-	-
Fund	UC FUND II	Long-term investment	UMC Capital Corp.	(Note 1)	5,000	150,079	-	-	5,000	129,129	124,734	4,395	-	- (Note 13)

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 year ended December 31, 2005)

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

**Hsun Chieh Investment Co., Ltd.**

Type of securities	Name of the securities	Financial statement account	Counterparty	Relationship	Beginning balance		Addition		Disposal			Gain (Loss) from disposal	Ending balance	
					Units(thousand)/bonds/shares(thousand)	Amount	Units(thousand)/bonds/shares(thousand)	Amount	Units(thousand)/bonds/shares(thousand)	Amount	Cost		Units(thousand)/bonds/shares(thousand)	Amount
Stock-Preferred stock	ForteMedia, Inc.	Long-term investment	UMC Capital Corp.	(Note 1)	5,694	\$108,456	-	\$-	5,694	\$25,973	\$108,456	\$(82,483)	-	\$-
Stock-Preferred stock	Alpha & Omega Semiconductor, Ltd.	Long-term investment	UMC Capital Corp.	(Note 1)	1,500	46,883	-	-	1,500	113,198	46,883	66,315	-	-
Stock	Premier Image Technology Corp.	Short-term investment	Open market	-	2,094	112,925	-	-	2,094	89,461	112,925	(23,464)	-	-
Stock	Trident Microsystems, Inc.	Short-term investment	Open market	-	-	-	130	64,261	130	142,445	64,261	78,184	-	-

Note 1: Investee of United Microelectronics Corporation (accounted for under the equity method).

Note 2: The ending balance includes stock dividends of 78 thousand shares.

Note 3: The ending balance includes long-term investment loss of NT\$(3,470) thousand, cumulative translation adjustments of NT\$(79) thousand, long-term investment capital reserve adjustments of NT\$(385) thousand, and cash dividends of NT\$(5,490) thousand.

Note 4: Aptos (Taiwan) Corp. merged into Chipbond Technology Corp. since September 1, 2005.

Note 5: The ending balance includes the 50% of capital reduction, thus a decrease of 12,481 thousand shares.

Note 6: The ending balance includes long-term investment loss of NT\$(57,353) thousand and capital reduction of NT\$(149,777) thousand.

Note 7: The ending balance includes stock dividends of 4,912 thousand shares.

Note 8: The ending balance includes long-term investment gain of NT\$212,608 thousand, cumulative translation adjustments of NT\$38,793 thousand, long-term investment capital reserve adjustments of NT\$(521) thousand, unrealized loss on long-term investment thousand, and cash dividends of NT\$(49,119) thousand.

Note 9: The ending balance includes stock dividends of 1,014 thousand shares.

Note 10: The ending balance includes long-term investment gain of NT\$10,180 thousand, cumulative translation adjustments of NT\$1,471 thousand, long-term investment capital reserve adjustments of NT\$48,380 thousand, and cash dividends of NT\$(34,940) thousand.

Note 11: The ending balance includes long-term investment loss of NT\$(4,455) thousand.

Note 12: The ending balance includes long-term investment capital reserve adjustments of NT\$23,870 thousand and cumulative translation adjustments of NT\$64 thousand.

Note 13: The ending balance includes long-term investment loss of NT\$(20,803) thousand and cumulative translation adjustments of NT\$(4,542) thousand.

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 year ended December 31, 2005)

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

**Fortune Venture Capital Corp.**

Type of securities	Name of the securities	Financial statement account	Counterparty	Relationship	Beginning balance		Addition		Disposal			Gain (Loss) from disposal	Ending balance	
					Units(thousand)/bonds/shares(thousand)	Amount	Units(thousand)/bonds/shares(thousand)	Amount	Units(thousand)/bonds/shares(thousand)	Amount	Cost		Units(thousand)/bonds/shares(thousand)	Amount
Stock	Aptos (Taiwan) Corp.	Long-term investment	(Note 1)	(Note 1)	43,705	\$384,636	-	\$-	32,265	\$281,025	\$265,437	\$52,881	-	\$-
Stock	ULi Electronics Inc.	Long-term investment	(Note 4)	-	-	-	12,530	263,862	-	-	-	-	12,655	252,307
Stock	Unitruth Investment Corp.	Long-term investment	(Note 7)	(Note 7)	-	-	40,000	400,000	-	-	-	-	40,000	366,683
Stock	Bcom Electronics Inc.	Long-term investment	Capitalization from cash	-	-	-	17,365	173,653	-	-	-	-	17,365	173,653
Stock	SiRF Technology Holdings, Inc.	Long-term investment	Capitalization from cash	-	611	83,346	-	-	430	207,461	58,694	148,767	181	24,652
Stock	"Epitech Technology Corp."	Long-term investment	United Microelectronics Corporation	Investor Company	8,394	132,539	-	-	5,632	185,282	88,925	96,357	-	-
Stock	Advance Materials Corp.	Long-term investment	Hsun Chieh Investment Co., Ltd.	(Note 10)	-	-	10,994	113,017	-	-	-	-	10,994	113,017

Note 1: Counter parties include subsidiary, Hsun Chieh Investmnet Co., Ltd., and investor company, United Microelectronics Corporation.

Note 2: The gain on disposal of investment includes changes in capital reserved gain of \$37,293 thousand.

Note 3: Aptos (Taiwan) Corp. was merged into Chipbond Technology Corp. since September 1, 2005.

Note 4: Counter parties include, Cathay Holdings Investment Corp., and other six companies.

Note 5: The ending balance includes stock dividends of 125 thousand shares.

Note 6: The ending balance includes long-term investment loss of NT\$(960) thousand, capital reserve adjustments of NT\$(2,074) thousand due to disproportionate changes in shareholding, cumulative translation adjustments of NT\$250 thousand, and cash dividen NT\$(8,771) thousand.

Note 7: Counter parties include open market, Hsun Chieh Investmnet Co., Ltd.(investee of United Microelectronics Company (accounted for under the equity method)).

Note 8: "Epitech Technology Corp." merged by Epitech Technology Corp. (formerly known as South Epitaxy Co., Ltd.) on August 1, 2005.

Note 9: The ending balance includes long-term investment loss of NT\$(38,705) thousand, capital reserve adjustments of NT\$5,686 thousand due to disproportionate changes in shareholding, retained earning adjustments of NT\$(352) thousand, and cumulative tran adjustments of NT\$54 thousand.

Note 10: Hsun Chieh Investmnet Co., Ltd. is the investee of United Microelectronics Corporation.

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 year ended December 31, 2005)

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

**TLC Capital Co., Ltd.**

Type of securities	Name of the securities	Financial statement account	Counterparty	Relationship	Beginning balance		Addition		Disposal			Gain (Loss) from disposal	Ending balance	
					Units(thousand)/bonds/shares(thousand)	Amount	Units(thousand)/bonds/shares(thousand)	Amount	Units(thousand)/bonds/shares(thousand)	Amount	Cost		Units(thousand)/bonds/shares(thousand)	Amount
Stock	Highlink Technology Corp.	Long-term investment	Open market	-	-	\$-	22,192	\$221,920	-	\$-	\$-	\$-	22,192	\$208,833 (Note 1)
Stock	Horizon Securities Co., Ltd. (formerly Fortune Securities Co., Ltd.)	Long-term investment	Open market	-	-	-	16,858	105,588	-	-	-	-	16,858	105,588
Stock	Rechi Precision Co., Ltd.	Long-term investment	Open market	-	-	-	16,664	409,721	-	-	-	-	16,664	409,721
Stock	Topoint Technology Co., Ltd.	Long-term investment	Open market	-	-	-	2,263	127,329	-	-	-	-	2,263	127,329

Note 1: The ending balance includes long-term investment loss of NT\$13,087 thousand.

**UMC Capital Corp.**

Type of securities	Name of the securities	Financial statement account	Counterparty	Relationship	Beginning balance		Addition		Disposal			Gain (Loss) from disposal	Ending balance	
					Units(thousand)/bonds/shares(thousand)	Amount	Units(thousand)/bonds/shares(thousand)	Amount	Units(thousand)/bonds/shares(thousand)	Amount	Cost		Units(thousand)/bonds/shares(thousand)	Amount
Fund	UC FUND II	Long-term investment	Hsun Chieh Investment Co., Ltd.	(Note 1)	-	\$-	5,000	USD 3,850	-	\$-	\$-	\$-	5,000	USD 4,064 (Note 2)
Convertible bonds	Alpha & Omega Semiconductor, Ltd.	Long-term investment	Hsun Chieh Investment Co., Ltd.	(Note 1)	-	-	1,500	USD 3,375	-	-	-	-	1,500	USD 3,375
Stock	East Vision Technology Ltd.	Long-term investment	Capitalization from cash	-	-	-	2,770	USD 4,820	-	-	-	-	2,770	USD 4,820
Stock	WISChip International Ltd.	Long-term investment	Micronas	-	1,733	USD 3,354	-	-	1,733	USD 5,398	USD 3,354	USD 2,044	-	-

Note 1: Hsun Chieh Investmnet Co., Ltd. is the investee of United Microelectronics Corporation.

Note 2: The ending balance includes long-term investment gain of US\$214 thousand.

ATTACHMENT-5 (Acquisition of individual real estate with amount exceeding the lower of NTS\$100 million or 20 percent of the capital stock for the year ended December 31, 2005)

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

**United Microelectronics Corporation**

<u>Prior transaction details for related counterparty</u>												
Name of properties	Transaction date	Transaction amount	Payment status	Counterparty	Relationship	Prior owner who sold the property to the counterparty	Relationship of the prior owner with the acquirer	Date of prior transaction	Prior transaction amount	Price reference	Date of acquisition and status of utilization	Other commitments
Guest House Tainan	2005.12.07	\$306,590	Paid	Yi Shih Construction Co., Ltd.	Third Party	N/A	N/A	N/A	N/A	Cost	2005.12.07/in use	None

**UMC Japan**

<u>Prior transaction details for related counterparty</u>												
Name of properties	Transaction date	Transaction amount	Payment status	Counterparty	Relationship	Prior owner who sold the property to the counterparty	Relationship of the prior owner with the acquirer	Date of prior transaction	Prior transaction amount	Price reference	Date of acquisition and status of utilization	Other commitments
Land	2005.10.06	JPY 687,870	Paid	Yamagishi Kazuo, etc.	Third Party	N/A	N/A	N/A	N/A	Cost	2005.10.06/in use	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 year ended December 31, 2005)

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

**United Microelectronics Corporation**

<u>Names of properties</u>	<u>Transaction date</u>	<u>Date of original acquisition</u>	<u>Book value</u>	<u>Transaction amount</u>	<u>Collecting status</u>	<u>Gain (Loss) from disposal</u>	<u>Counterparty</u>	<u>Relationship</u>	<u>Reason of disposal</u>	<u>Price reference</u>	<u>Other commitments</u>
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None

ATTACHMENT-7 ( Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2005)

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

**United Microelectronics Corporation**

Related party	Relationship	Transactions				Transaction details for non-arm's length transaction		Notes & accounts receivable (payable)		
		Purchases (Sales)	Amount (thousand)	Percentage of total purchases (sales) (%)	Term	Unit price	Term	Balance	Percentage of total receivables (%)	Note
UMC Group (USA)	Investee company	Sales	\$43,226,036	47.62	Net 60 Days	N/A	N/A	\$4,559,933	34.19	
United Microelectronics (Europe) B.V.	Investee company	Sales	6,839,285	7.53	Net 60 Days	N/A	N/A	545,166	4.09	
Novatek Microelectronics Corp.	Investee company	Sales	6,134,926	6.76	Month-end 45 Days	N/A	N/A	1,104,850	8.28	
Silicon Integrated Systems Corp.	Investee company	Sales	3,785,316	4.17	Month-end 45 Days	N/A	N/A	1,235,010	9.26	
Faraday Technology Corp.	Investee company	Sales	1,768,864	1.95	Month-end 45 Days	N/A	N/A	192,917	1.45	
UMC Japan	Investee company	Sales	1,107,573	1.22	Net 60 Days	N/A	N/A	333,157	2.50	
Holtek Semiconductor Inc.	Investee company	Sales	655,919	0.72	Month-end 60 Days	N/A	N/A	118,070	0.89	
ULi Electronics Inc.	Subsidiary's equity investee	Sales	468,585	0.52	Month-end 60 Days	N/A	N/A	145,470	1.09	
ITE Tech. Inc.	Investee company	Sales	285,161	0.31	Month-end 45 Days	N/A	N/A	53,208	0.40	
AMIC Technology Corp.	Investee company	Sales	185,633	0.20	Month-end 45 Days	N/A	N/A	-	-	
USBest Technology Inc.	Subsidiary's equity investee	Sales	152,024	0.17	Month-end 45 Days	N/A	N/A	43,662	0.33	
UMCi Ltd.	Investee company	Purchases	1,244,347	5.43	Net 60 Days	N/A	N/A	-	-	

ATTACHMENT-7 ( Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2005)

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

**UMC Group (USA)**

Related party	Relationship	Transactions				Transaction details for non-arm's length transaction		Notes & accounts receivable (payable)		
		Purchases (Sales)	Amount (thousand)	Percentage of total purchases (sales) (%)	Term	Unit price	Term	Balance (thousand)	Percentage of total receivables (%)	Note
United Microelectronics Corporation	Investor company	Purchases	USD 1,330,232	100.00	Net 60 Days	N/A	N/A	USD 139,116	100.00	

**UMCi Ltd.**

Related party	Relationship	Transactions				Transaction details for non-arm's length transaction		Notes & accounts receivable (payable)		
		Purchases (Sales)	Amount (thousand)	Percentage of total purchases (sales) (%)	Term	Unit price	Term	Balance	Percentage of total receivables (%)	Note
United Microelectronics Corporation	Investor company	Sales	USD 42,475	99.56	Net 60 Days	N/A	N/A	\$-	-	

**United Microelectronics (Europe) B. V.**

Related party	Relationship	Transactions				Transaction details for non-arm's length transaction		Notes & accounts receivable (payable)		
		Purchases (Sales)	Amount (thousand)	Percentage of total purchases (sales) (%)	Term	Unit price	Term	Balance (thousand)	Percentage of total receivables (%)	Note
United Microelectronics Corporation	Investor company	Purchases	USD 213,627	100.00	Net 60 Days	N/A	N/A	USD 16,631	100.00	

**UMC Japan**

Related party	Relationship	Transactions				Transaction details for non-arm's length transaction		Notes & accounts receivable (payable)		
		Purchases (Sales)	Amount (thousand)	Percentage of total purchases (sales) (%)	Term	Unit price	Term	Balance (thousand)	Percentage of total receivables (%)	Note
United Microelectronics Corporation	Investor company	Purchases	JPY 3,795,661	35.50	Net 60 Days	N/A	N/A	JPY 1,204,697	21.28	

ATTACHMENT-8 (Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock as of December 31, 2005)

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

**United Microelectronics Corporation**

Related party	Relationship	Ending balance				Turnover rate (times)	Overdue receivables		Amount received in subsequent period	Allowance for doubtful accounts
		Notes receivable	Accounts receivable	Other receivables	Total		Amount	Collecting status		
UMC Group (USA)	Investee company	\$-	\$4,559,933	\$247	\$4,560,180	9.66	\$-	-	\$4,560,180	\$64,617
Silicon Integrated Systems Corp.	Investee company	-	1,235,010	525	1,235,535	3.95	115,577	Credit Collecting	1,060,806	13,759
Novatek Microelectronics Corp.	Investee company	-	1,104,850	24	1,104,874	6.68	-	-	1,104,874	11,286
United Microelectronics (Europe) B.V.	Investee company	-	545,166	-	545,166	5.65	-	-	545,166	22,176
UMC Japan	Investee company	-	333,157	1,224	334,380	5.23	4,220	Credit Collecting	330,320	5,854
Faraday Technology Corp.	Investee company	-	192,917	388	193,305	6.26	1,763	Credit Collecting	110,060	2,005
ULi Electronics Inc.	Subsidiary's equity Investee	-	145,470	-	145,470	4.02	-	-	63,476	1,485
Holtek Semiconductor Inc.	Investee company	62,136	55,934	-	118,070	7.01	-	-	118,070	561

ATTACHMENT-9 (Names, locations and related information of investee companies as of December 31, 2005)  
(Amount in thousand; Currency denomination in NTD unless otherwise specified)

**United Microelectronics Corporation**

Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2005			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 Group (USA)	Sunnyvale, California, USA	IC Sales	USD 16,438	USD 16,438	16,438	100.00	\$753,519	\$4,662	\$4,662	
United Microelectronics (Europe) B.V.	The Netherlands	IC Sales	USD 5,421	USD 5,421	9	100.00	279,834	(13,102)	(18,813)	
UMC Capital Corp.	Cayman, Cayman Islands	Investment holding	USD 74,000	USD 55,000	74,000	100.00	2,051,350	69,502	69,502	
United Microelectronics Corp. (Samoa)	Apia, Samoa	Investment holding	USD 1,000	USD 700	1,000	100.00	14,179	(1,688)	(1,688)	
UMCi Ltd.	Singapore	Sales and manufacturing of integrated circuits (Note)	USD 839,880	USD 839,880	880,006	100.00	9,484	(4,523,114)	(1,297,233)	Note
TLC Capital Co., Ltd.	Taipei, Taiwan	Consulting and planning for investment in new business	3,000,000	-	300,000	100.00	2,991,258	(8,742)	(8,742)	
Fortune Venture Capital Corp.	Taipei, Taiwan	Consulting and planning for investment in new business	4,999,940	2,999,940	499,994	99.99	4,200,105	15,425	(134,368)	
Hsun Chieh Investment Co., Ltd.	Taipei, Taiwan	Investment holding	921,241	14,172,940	92,124	99.97	(3,169,837)	(1,006,811)	(574,465)	
United Microdisplay Optronics Corp.	Hsinchu Science Park	Sales and manufacturing of LCOS	1,008,078	818,453	60,701	86.72	318,151	(374,125)	(158,100)	
Pacific Venture Capital Co., Ltd.	Taipei, Taiwan	Consulting and planning for investment in new business	300,000	300,000	30,000	49.99	296,218	(30,482)	(15,177)	
UMC Japan	Chiba, Japan	Sales and manufacturing of integrated circuits	JPY 20,537,634	JPY 20,537,634	484	48.95	6,341,144	(3,601,744)	(1,768,795)	
Toppan Photomasks Taiwan Ltd. (formerly DuPont Photomasks Taiwan Ltd.)	Hsinchu Science Park	Manufacturing of photomasks	773,795	773,795	106,621	45.35	1,063,671	11,537	5,156	
Unitech Capital Inc.	British Virgin Islands	Investment holding	USD 21,000	USD 21,000	21,000	42.00	638,946	(115,628)	(48,563)	

## ATTACHMENT-9 (Names, locations and related information of investee companies as of December 31, 2005)

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

**United Microelectronics Corporation**

Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2005			Net income (loss) of investee company	Investment income (loss) recognized	Note
			Ending balance	Beginning balance	Number of shares (thousand)	Percentage of ownership (%)	Book value			
Holtek Semiconductor Inc.	Hsinchu Science Park	IC design and production	\$357,628	\$357,628	51,428	24.81	\$818,681	\$917,226	\$206,968	
ITE Tech. Inc.	Hsinchu Science Park	Sales and manufacturing of integrated circuits	186,898	186,898	24,229	22.66	329,704	241,004	54,710	
Unimicron Technology Corp.	Taoyuan, Taiwan	PCB production	2,592,013	2,592,013	196,472	20.43	4,015,626	3,030,495	626,281	
Faraday Technology Corp.	Hsinchu Science Park	ASIC design and production	81,032	81,032	51,973	18.50	864,928	1,441,116	249,552	
Silicon Integrated Systems Corp.	Hsinchu Science Park	Sales and manufacturing of integrated circuits	5,684,865	5,684,865	219,092	16.59	3,921,878	955,005	(376,421)	
XGI Technology Inc.	Hsinchu, Taiwan	Cartography chip design and production	248,795	-	24,879	16.53	82,807	(813,358)	(67,066)	
Thintek Optronics Corp.	Hsinchu, Taiwan	LCOS design, production and sales	35,650	-	3,565	14.26	20,136	(114,451)	(15,514)	
AMIC Technology Corp.	Hsinchu Science Park	IC design, production and sales	135,000	135,000	16,200	11.86	60,520	(242,850)	(21,142)	
Novatek Microelectronics Corp.	Hsinchu Science Park	Sales and manufacturing of integrated circuits	75,729	115,567	54,125	11.74	1,409,421	5,621,951	708,618	

Note: Based on the resolution of the board of directors meeting on August 26, 2004, the businesses, operations and assets of UMCi Ltd. were transferred to the Branch from April 1, 2005.

**Hsun Chieh Investment Co., Ltd.**

Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2005			Net income (loss) of investee company	Investment income (loss) recognized	Note
			Ending balance	Beginning balance	Number of shares (thousand)	Percentage of ownership (%)	Book value			
HARVATEK Corp.	Hsinchu, Taiwan	Semiconductor chip testing and manufacturing	\$148,449	\$215,624	21,635	16.50	\$346,020	\$158,107	\$74,044	
SerComm Corp.	Miao-Li County, Taiwan	Sales and manufacturing of electronic parts	158,593	158,593	11,841	9.78	192,308	326,014	35,785	
ULi Electronics Inc.	Taipei, Taiwan	Chip design	167,151	48,300	7,909	9.33	157,507	104,147	(3,470)	
UMC Japan	Chiba, Japan	Sales and manufacturing of integrated circuits	240,665	240,665	45	4.54	614,574	(3,601,744)	(153,603)	

## ATTACHMENT-9 (Names, locations and related information of investee companies as of December 31, 2005)

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

**Hsun Chieh Investment Co., Ltd.**

Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2005			Net income (loss) of investee company	Investment income (loss) recognized	Note
			Ending balance	Beginning balance	Number of shares (thousand)	Percentage of ownership (%)	Book value			
Unimicron Technology Corp.	Taoyuan, Taiwan	PCB production	\$168,587	\$1,070,213	17,537	1.83	\$354,630	\$3,030,495	\$212,608	
Novatek Microelectronics Corp.	Hsinchu Science Park	Sales and manufacturing of integrated circuits	102,102	137,566	3,688	0.80	129,319	5,621,951	27,839	

**Fortune Venture Capital Corp.**

Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2005			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	\$400,000	\$-	40,000	100.00	\$366,683	\$(39,044)	\$(38,705)	
Uwave Technology Corp. (formerly United Radiotek Inc.)	Hsinchu, Taiwan	RF IC Design	85,471	-	10,187	44.29	68,654	(99,590)	(16,187)	
NexPower Technology Corp.	Hsinchu, Taiwan	Sales and manufacturing of solar power batteries	8,000	-	800	40.00	7,982	(46)	(19)	
Aevoe Inc.	Taipei, Taiwan	Design of VOIP Telephone	15,000	15,000	1,500	39.47	6,674	(14,967)	(9,117)	
UCA Technology Inc.	Taipei County, Taiwan	Design of MP3 player chip	49,311	-	6,285	39.28	31,381	(61,176)	(17,897)	
Smedia Technology Corp.	Hsinchu, Taiwan	Multimedia association processor	90,240	45,720	8,734	29.61	50,207	(119,615)	(41,902)	
Star Semiconductor Corp.	Hsinchu, Taiwan	IC design, production and sales	44,129	17,381	6,592	27.96	26,764	(71,809)	(17,933)	
USBEST Technology Inc.	Hsinchu, Taiwan	Design, manufacturing and sales of IC	54,208	17,188	4,746	27.92	58,195	50,558	7,989	
Afa Technology, Inc.	Taipei County, Taiwan	IC design	53,340	26,250	5,888	26.04	34,657	(95,198)	(18,749)	
Crystal Media Inc.	Hsinchu, Taiwan	Design of VOIP network phones	17,206	9,500	2,265	25.39	9,461	(36,467)	(7,949)	
Davicom Semiconductor, Inc.	Hsinchu Science Park	Design of communication IC	134,251	117,308	13,798	21.56	145,649	15,767	3,196	
Mobile Devices Inc.	Hsinchu County, Taiwan	PHS & GSM/PHS dual mode B/B Chip	50,000	-	5,000	21.02	39,365	(59,437)	(10,635)	

## ATTACHMENT-9 (Names, locations and related information of investee companies as of December 31, 2005)

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

**Fortune Venture Capital Corp.**

Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2005			Net income (loss) of investee company	Investment income (loss) recognized	Note
			Ending balance	Beginning balance	Number of shares (thousand)	Percentage of ownership (%)	Book value			
U-Media Communications, Inc.	Hsinchu, Taiwan	WLAN, Broadband, Digital Home ODM	\$45,750	\$12,000	5,000	21.01	\$29,219	\$(80,871)	\$(17,116)	
AMIC Technology Corp.	Hsinchu Science Park	IC design, production and sales	291,621	252,826	23,405	17.09	125,490	(242,850)	(46,807)	
ULi Electronics Inc.	Taipei, Taiwan	Chip design	263,862	-	12,655	14.91	252,307	104,147	(960)	
Chip Advanced Technology Inc.	Hsinchu, Taiwan	Design of ADC chip	32,128	-	2,594	14.28	22,622	(68,220)	(10,521)	
XGI Technology Inc.	Hsinchu, Taiwan	Design and manufacturing of cartography chip	270,483	230,981	17,844	11.85	51,029	(813,358)	(71,629)	

**TLC Capital Co., Ltd.**

Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2005			Net income (loss) of investee company	Investment income (loss) recognized	Note
			Ending balance	Beginning balance	Number of shares (thousand)	Percentage of ownership (%)	Book value			
Highlink Technology Corp.	Miao-Li County, Taiwan	Sales and manufacturing of electronic parts	\$221,920	\$-	22,192	22.18	\$208,833	\$(340,985)	\$(13,087)	
SerComm Corp.	Miao-Li County, Taiwan	Sales and manufacturing of electronic parts	75,499	-	2,867	2.37	75,499	326,014	-	

**Unitruth Investment Corp.**

Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2005			Net income (loss) of investee company	Investment income (loss) recognized	Note
			Ending balance	Beginning balance	Number of shares (thousand)	Percentage of ownership (%)	Book value			
Crystal Media Inc.	Hsinchu, Taiwan	Design of VOIP network phones	\$4,688	\$-	800	8.97	\$3,342	\$(36,467)	\$(1,346)	
Smedia Technology Corp.	Hsinchu, Taiwan	Multimedia coprocessor	24,057	-	2,570	8.71	21,641	(119,615)	(2,417)	
Chip Advanced Technology Inc.	Hsinchu, Taiwan	Design of ADC chip	8,732	-	1,386	7.63	8,118	(68,220)	(3,921)	
UCA Technology Inc.	Taipei County, Taiwan	Design of MP3 player chip	5,390	-	1,000	6.25	3,500	(61,176)	(1,885)	

## ATTACHMENT-9 (Names, locations and related information of investee companies as of December 31, 2005)

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

**Unitruth Investment Corp.**

Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2005			Net income (loss) of investee company	Investment income (loss) recognized	Note
			Ending balance	Beginning balance	Number of shares (thousand)	Percentage of ownership (%)	Book value			
USBest Technology Inc.	Hsinchu, Taiwan	Design, manufacturing and sales of IC	\$8,760	\$-	1,000	5.88	\$11,778	\$50,558	\$1,972	
Star Semiconductor Corp. Mobile Devices Inc.	Hsinchu, Taiwan Hsinchu County, Taiwan	IC design, production and sales PHS & GSM/PHS dual mode B/B chip	6,617 11,463	-	1,300 1,250	5.51 5.26	4,198 9,190	(71,809) (59,437)	(2,419) (2,273)	
U-Media Communications, Inc.	Hsinchu, Taiwan	WLAN, Broadband, Digital Home ODM	13,800	6,000	1,250	5.25	7,305	(80,871)	(4,341)	
Afa Technology, Inc.	Taipei County, Taiwan	IC design	5,600	-	1,000	4.42	3,500	(95,198)	(2,100)	
Uwave Technology Corp. (formerly United Radiotek Inc.)	Hsinchu, Taiwan	RF IC Design	6,950	-	1,000	4.35	6,283	(99,590)	(1,715)	
XGI Technology Inc.	Hsinchu, Taiwan	Design and manufacturing of cartography chip	26,400	-	5,000	3.32	16,641	(813,358)	(9,994)	
ULi Electronics Inc.	Taipei, Taiwan	Chip design	43,119	-	2,149	2.53	42,389	104,147	(418)	

**UMC Capital Corporation**

Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2005			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 296	USD (1)	USD (1)	
ECP VITA Ltd.	BVI	Insurance	USD 1,000	-	1,000	100.00	USD 1,264	USD 264	USD 264	
Patentop, Ltd.	BVI	Patent	USD 36	-	720	18.00	USD 38	USD (135)	USD 2	
UC FUND II	BVI	Investment holding	USD 3,850	-	5,000	35.45	USD 4,064	USD 206	USD 214	
Parade Technologies, Ltd.	USA	IC design	USD 2,500	-	3,125	24.63	USD 2,500	USD (125)	-	

ATTACHMENT-9 (Names, locations and related information of investee companies as of December 31, 2005)

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

**United Microdisplay Optronics Corp.**

Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2005			Net income (loss) of investee company	Investment income (loss) recognized	Note
			Ending balance	Beginning balance	Number of shares (thousand)	Percentage of ownership (%)	Book value			
Thintek Optronics Corp.	Hsinchu, Taiwan	LCOS design, manufacturing and sales	\$99,990	\$99,990	9,999	40	\$17,116	\$(114,451)	\$(48,484)	