Vanguard International Semiconductor Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2009 and 2008 and Independent Auditors' Report

REPRESENTATION LETTER

The entities included in the combined financial statements of Vanguard International Semiconductor Corporation as of and for the year ended December 31, 2009, which were prepared in conformity with the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, are the same as those included in the consolidated financial statements prepared in conformity with the revised R.O.C. Statement of Financial Accounting Standards No. 7, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Thus, Vanguard International Semiconductor Corporation and Subsidiaries did not prepare a separate set of combined financial statements.

Very truly yours,

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION

By

CHING-CHU CHANG
Chairman

January 15, 2010

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Vanguard International Semiconductor Corporation

We have audited the accompanying consolidated balance sheets of Vanguard International Semiconductor Corporation and subsidiaries (the "Group') as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Vanguard International Semiconductor Corporation and subsidiaries as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, 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 disclosed in Note 3 to the consolidated financial statements, on January 1, 2009, the Corporation adopted the newly revised SFAS No. 10, "Accounting for Inventories". And in March 2007, the ARDF issued an interpretation that requires companies to recognize as compensation expenses for bonuses paid to employees, directors and supervisors effective January 1, 2008. These bonuses were previously recorded as appropriations from earnings.

January 15, 2010

<u>*Notice to Readers*</u>

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

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Par Value)

	2009		2008	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 6,901,472	31	$ 4,273,424	18
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	74,379	-	30,014	-
Available-for-sale financial assets - current (Notes 2 and 6)	209,285	1	1,819	-
Held-to-maturity financial assets - current (Notes 2 and 7)	-	-	149,845	1
Derivative financial assets for hedging (Notes 2 and 8)	3,254	-	840	-
Receivables from related parties (Note 23)	525,152	2	316,270	1
Notes and accounts receivable	1,340,827	6	1,090,112	5
Allowance for doubtful receivables (Note 2)	(27,333)	-	(25,396)	-
Allowance for sales returns and discounts (Note 2)	(54,665)	-	(47,232)	-
Inventories (Notes 2 and 9)	1,133,719	5	1,810,786	8
Other receivables from related parties (Note 23)	11,714	-	6,333	-
Pledged time deposits (Notes 4 and 24)	165,300	1	-	-
Prepaid expenses and other current assets (Note 23)	97,899	1	219,123	1
Deferred income tax assets - current (Notes 2 and 21)	50,734	-	70,603	-
Total current assets	10,431,737	47	7,896,541	34
INVESTMENTS				
Long-term stock investments accounted for by the equity method (Notes 2 and 10)	172,585	1	213,609	1
Available-for-sale financial assets - noncurrent (Notes 2 and 6)	105,755	-	181,724	1
Financial assets carried at cost - noncurrent (Notes 2 and 11)	59,314	-	85,197	-
Total investments	337,654	1	480,530	2
PROPERTIES (Notes 2 and 12)				
Cost				
Buildings	12,093,261	54	11,935,877	52
Machinery and equipment	46,315,281	207	46,212,274	199
Other equipment	336,142	2	351,761	2
Total cost	58,744,684	263	58,499,912	253
Accumulated depreciation	(48,544,063)	(217)	(45,274,997)	(195)
Prepayments and construction in progress	65,418	-	323,613	1
Net properties	10,266,039	46	13,548,528	59
OTHER ASSETS				
Assets leased to others, net (Notes 2 and 13)	1,073,824	5	1,165,721	5
Idle Assets (Notes 2 and 14)	60,000	-	-	-
Deferred charges, net (Notes 2 and 15)	45,141	-	76,764	-
Deferred income tax assets - noncurrent (Notes 2 and 21)	118,037	1	136	-
Refundable deposits	5,227	-	5,761	-
Total other assets	1,302,229	6	1,248,382	5
TOTAL	$ 22,337,659	100	$ 23,173,981	100

	2009		2008	
LIABILITIES AND SHAREHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 2 and 5)	$ 1,219	-	$ 10,114	-
Derivative financial liabilities for hedging (Notes 2 and 8)	338	-	954	-
Payables to related parties (Note 23)	22	-	-	-
Notes and accounts payable	582,540	3	399,901	2
Income tax payables (Notes 2 and 21)	20,089	-	1,527	-
Other payables to related parties (Note 23)	83,352	-	43,036	-
Payables to contractors and equipment suppliers	126,162	-	377,173	2
Accrued expenses and other current liabilities (Notes 16 and 17)	1,022,495	5	1,567,699	7
Total current liabilities	1,836,217	8	2,400,404	11
OTHER LIABILITIES				
Accrued pension costs (Notes 2 and 20)	475,180	2	468,272	2
Guarantee deposits (Note 23)	29,700	-	45,205	-
Total other liabilities	504,880	2	513,477	2
Total liabilities	2,341,097	10	2,913,881	13
SHAREHOLDERS' EQUITY (Notes 2, 17 and 18)				
Capital stock, NT$10.00 par value;				
Authorized - 3,300,000 thousand shares				
Issued and outstanding -1,677,884 thousand shares in 2009 and 1,695,486 thousand shares in 2008	16,778,839	75	16,954,860	73
Capital surplus				
Employee stock options	464,525	2	463,496	2
Treasury stock transactions	32,355	-	-	-
Long-term stock investments	69,130	1	68,890	-
Total capital surplus	566,010	3	532,386	2
Retained earnings				
Legal reserve	1,584,763	7	1,480,568	6
Special reserve	277,083	1	-	-
Unappropriated earnings	753,984	4	1,717,015	8
Total retained earnings	2,615,830	12	3,197,583	14
Others				
Cumulative translation adjustments	(44,060)	-	(38,251)	-
Unrealized gain (loss) on financial instruments	79,943	-	(238,833)	(1)
Treasury stock (at cost) - 18,000 thousand shares	-	-	(147,645)	(1)
Total others	35,883	-	(424,729)	(2)
Total shareholders' equity	19,996,562	90	20,260,100	87
TOTAL	$ 22,337,659	100	$ 23,173,981	100

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

(With Deloitte & Touche audit report dated January 15, 2010)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2009		2008	
	Amount	**%**	**Amount**	**%**
GROSS SALES (Notes 2, 8, 23 and 27)	$ 12,678,530		$ 16,137,686	
SALES RETURNS AND DISCOUNTS (Note 2)	(90,481)		(17,439)	
NET SALES	12,588,049	100	16,120,247	100
COST OF SALES (Notes 9, 22 and 23)	11,344,702	90	13,516,103	84
GROSS PROFIT	1,243,347	10	2,604,144	16
OPERATING EXPENSES (Notes 22 and 23)				
Marketing	78,747	1	95,187	1
General and administrative	548,800	4	692,654	4
Research and development	668,974	5	791,512	5
Total operating expenses	1,296,521	10	1,579,353	10
OPERATING (LOSS) INCOME	(53,174)	-	1,024,791	6
NONOPERATING INCOME AND GAINS				
Gain on disposal of investments (Note 2)	116,801	1	-	-
Valuation gain on financial instruments, net (Notes 2, 5 and 27)	95,579	1	-	-
Rental (Note 13)	88,783	1	112,597	1
Interest	39,486	-	121,175	1
Dividends (Note 2)	9,205	-	20,086	-
Gain on disposal of properties (Note 2)	292	-	8,487	-
Foreign exchange gain, net (Note 2)	-	-	50,568	-
Others (Note 23)	136,062	1	56,282	-
Total nonoperating income and gains	486,208	4	369,195	2
NONOPERATING EXPENSES AND LOSSES				
Impairment loss (Notes 2, 11 and 14)	111,177	1	26,790	-
Expenses of assets leased to others (Note 13)	91,897	1	91,897	1
Foreign exchange loss, net (Note 2)	67,346	1	-	-
Investment loss recognized by the equity method, net (Notes 2 and 10)	40,251	-	37,480	-
Loss on disposal of properties and deferred charges (Note 2)	6,353	-	337	-

(Continued)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2009		2008	
	Amount	**%**	**Amount**	**%**
Valuation loss on financial instruments, net (Notes 2, 5 and 27)	$ -	-	$ 12,130	-
Others	23,511	-	87,972	-
Total nonoperating expenses and losses	340,535	3	256,606	1
INCOME BEFORE INCOME TAX	92,499	1	1,137,380	7
INCOME TAX EXPENSE (Notes 2 and 21)	3,258	-	95,427	1
CONSOLIDATED NET INCOME	$ 89,241	1	$ 1,041,953	6

	2009		2008	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
CONSOLIDATED EARNINGS PER SHARE (Note 19)				
Basic	$ 0.06	$ 0.05	$ 0.66	$ 0.61
Diluted	$ 0.05	$ 0.05	$ 0.65	$ 0.60

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

(With Deloitte & Touche audit report dated January 15, 2010) (Concluded)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	Capital Stock Issued and Outstanding		Capital Surplus (Notes 2, 17 and 18)			Retained Earnings (Note 17)			Others			
	Shares (Thousands)	Amount	Employee Stock Options	Treasury Stock Transaction	Long term Stock Investments	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments (Note 2)	Unrealized Gain (Loss) on Financial Instruments (Notes 2 and 17)	Treasury Stock (Notes 2 and 18)	Total Shareholders' Equity
BALANCE, JANUARY 1, 2008	1,700,485	$ 17,004,847	$ 515,200	$ -	$ 66,173	$ 1,048,460	$ 40,560	$ 4,526,249	$ (41,879)	$ 143,417	$ -	$ 23,303,027
Issuance of shares upon exercise of employee stock options	1,190	11,899	8,428	-	-	-	-	-	-	-	-	20,327
Appropriation of prior year's earnings												
Legal reserve	-	-	-	-	-	432,108	-	(432,108)	-	-	-	-
Reversal of special reserve	-	-	-	-	-	-	(40,560)	40,560	-	-	-	-
Stock dividends - 0.3 % (from capital surplus)	5,101	51,014	(51,014)	-	-	-	-	-	-	-	-	-
Stock dividends - 0.2 % (from unappropriated earnings)	3,401	34,010	-	-	-	-	-	(34,010)	-	-	-	-
Cash dividends - 17 %	-	-	-	-	-	-	-	(2,890,824)	-	-	-	(2,890,824)
Bonus to employees - stock	18,667	186,670	-	-	-	-	-	(186,670)	-	-	-	-
Bonus to employees - cash	-	-	-	-	-	-	-	(124,447)	-	-	-	(124,447)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(38,889)	-	-	-	(38,889)
Consolidated net income in 2008	-	-	-	-	-	-	-	1,041,953	-	-	-	1,041,953
Adjustment due to changes in ownership interests in investee	-	-	-	-	2,717	-	-	-	-	-	-	2,717
Valuation gain on derivative financial instruments for hedging	-	-	-	-	-	-	-	-	-	5,709	-	5,709
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	(387,959)	-	(387,959)
Translation adjustments on long-term stock investments	-	-	-	-	-	-	-	-	3,628	-	-	3,628
Acquisition of treasury stocks	-	-	-	-	-	-	-	-	-	-	(675,142)	(675,142)
Retirement of treasury stocks - 33,358 thousand shares	(33,358)	(333,580)	(9,118)	-	-	-	-	(184,799)	-	-	527,497	-
BALANCE, DECEMBER 31, 2008	1,695,486	16,954,860	463,496	-	68,890	1,480,568	-	1,717,015	(38,251)	(238,833)	(147,645)	20,260,100
Issuance of shares upon exercise of employee stock options	398	3,979	1,029	-	-	-	-	-	-	-	-	5,008
Appropriation of prior year's earnings (Note 3)												
Legal reserve	-	-	-	-	-	104,195	-	(104,195)	-	-	-	-
Special reserve	-	-	-	-	-	-	277,083	(277,083)	-	-	-	-
Cash dividends - 0.4%	-	-	-	-	-	-	-	(670,994)	-	-	-	(670,994)
Consolidated net income in 2009	-	-	-	-	-	-	-	89,241	-	-	-	89,241
Adjustment due to changes in ownership interests in investee	-	-	-	-	240	-	-	-	-	-	-	240
Valuation gain on derivative financial instruments for hedging	-	-	-	-	-	-	-	-	-	681	-	681
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	318,095	-	318,095
Translation adjustments on long-term investments	-	-	-	-	-	-	-	-	(5,809)	-	-	(5,809)
Retirement of treasury stocks - 18,000 thousand shares	(18,000)	(180,000)	-	32,355	-	-	-	-	-	-	147,645	-
BALANCE, DECEMBER 31, 2009	1,677,884	$ 16,778,839	$ 464,525	$ 32,355	$ 69,130	$ 1,584,763	$ 277,083	$ 753,984	$ (44,060)	$ 79,943	$ -	$ 19,996,562

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

(With Deloitte & Touche audit report dated January 15, 2010)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	$ 89,241	$ 1,041,953
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	3,555,040	3,358,605
Investment loss recognized by the equity method, net	40,251	37,480
Dividends received from equity-method investees	-	1,077
Gain on disposal of investments	(116,801)	-
Impairment loss	111,177	26,790
Deferred income tax assets	(98,032)	89,239
Loss (gain) on disposal of properties and deferred charges, net	6,061	(8,150)
Accrued pension cost	6,908	3,329
Amortization of discounts on bonds	(155)	(5,570)
Provision (reversal) for doubtful receivables	1,937	(15,096)
Provision (reversal) for allowance for sales returns and discounts	7,433	(79,631)
Net changes in operating assets and liabilities		
Financial assets for trading	(4,198)	(23,423)
Financial assets designated as at fair value through profit or loss	(40,167)	-
Receivables from related parties	(208,882)	571,929
Notes and accounts receivable	(250,715)	840,170
Inventories	677,067	(310,197)
Other receivables from related parties	(5,381)	6,047
Prepaid expenses and other current assets	121,224	114,115
Financial liabilities for trading	(8,895)	9,294
Derivative financial assets for hedging	(2,349)	(16,599)
Payables to related parties	22	-
Notes and accounts payable	182,639	(300,491)
Income tax payable	18,562	(95,560)
Other payables to related parties	40,316	(102,796)
Accrued expenses and other current liabilities	(545,204)	160,521
Net cash provided by operating activities	3,577,099	5,303,036
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of held-to-maturity financial assets	-	(1,130,884)
Proceeds of the disposal of held-to-maturity financial assets	150,000	1,678,773
Proceeds of the disposal of bond portfolios with no active market	-	72,734
Acquisition of available-for-sale financial assets	(31,757)	-
Proceeds of the disposal of available-for-sale financial assets	298,469	-
Increase in pledged time deposits	(165,300)	-
Proceeds from the disposal of financial assets carried at cost	49,319	-
Return of capital of financial assets carried at cost	-	53,247
Increase in long-term stock investments accounted for by the equity method	-	(40,055)

(Continued)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	2009	2008
Acquisition of properties	$ (556,397)	$ (4,696,159)
Proceeds of the disposal of properties	292	8,561
Increase in deferred charges	(8,354)	(34,177)
Decrease (increase) in refundable deposits	534	(1,451)
Net cash used in investing activities	(263,194)	(4,089,411)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in guarantee deposits	(15,505)	28,297
Cash dividends paid for common stock	(670,994)	(2,890,824)
Cash bonus paid to employees	-	(124,447)
Remuneration to directors and supervisors	-	(38,889)
Proceeds of the exercise of employee stock options	5,008	20,327
Acquisition of treasury stock	-	(675,142)
Net cash used in financing activities	(681,491)	(3,680,678)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,632,414	(2,467,053)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,273,424	6,736,725
EFFECT OF EXCHANGE RATE CHANGES	(4,366)	3,752
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 6,901,472	$ 4,273,424
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Income tax paid	$ 72,274	$ 101,628
NONCASH INVESTING ACTIVITIES		
Reclassification from properties to idle assets	$ 158,346	$ -
Reclassification from properties to assets leased to others	$ -	$ 1,257,618
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Total acquisitions	$ 305,386	$ 4,127,005
Decrease in payables to contractors and equipment suppliers	251,011	569,154
	$ 556,397	$ 4,696,159

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

(With Deloitte & Touche audit report dated January 15, 2010) (Concluded)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

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

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

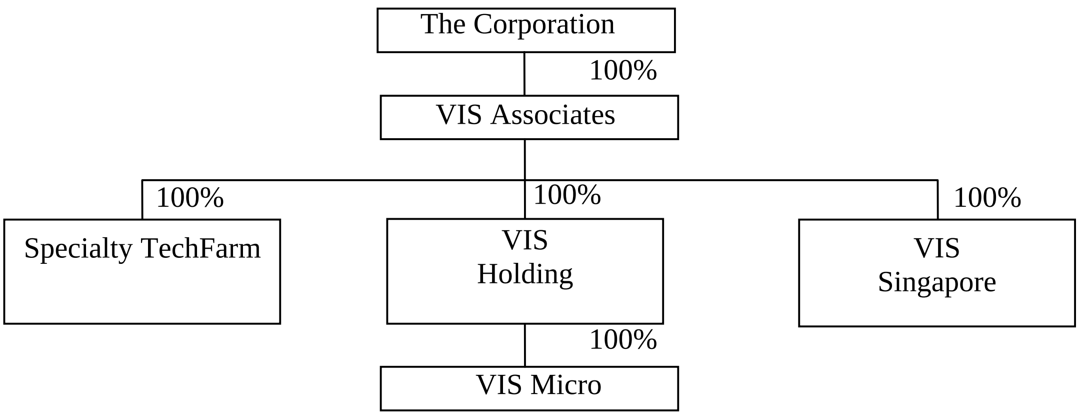
The Corporation researches, designs, manufactures, packages, tests and sells memory integrated circuits (ICs), large-scale integrated ICs (LSIs), very large-scale integrated ICs (VLSIs) and related parts.

The Corporation has one direct wholly owned subsidiary: Vanguard Associates Inc. ("VIS Associates"). VIS Associates has three direct wholly owned subsidiaries: Specialty TechFarm, Inc. ("Specialty TechFarm"), VIS Investment Holding, Inc. ("VIS Holding") and VIS Singapore Pte. Ltd. ("VIS Singapore"). VIS Holding has one direct wholly owned subsidiary: VIS Micro, Inc. ("VIS Micro").

VIS Associates., Specialty TechFarm and VIS Holding engage in investments. VIS Singapore engages in special integrated circuit modelling and special production process design service. VIS Micro engages in marketing service.

On November 2, 2009, the board of VIS Singapore directors resolved to liquidate VIS Singapore effective November 23, 2009. As of the date of the auditor's report, the liquidation is still in process.

The following diagram shows the relationship and ownership percentages between the Corporation and its consolidated subsidiaries (collectively, the "Group") as of December 31, 2009:



As of December 31, 2009 and 2008, the Corporation and subsidiaries had 3,236 and 3,713 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been 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 (ROC). Under these guidelines and principles, the Corporation and subsidiaries should make certain estimates and assumptions that could affect the amounts of allowance for doubtful accounts, allowance for sales returns and discounts, decline in market value of inventories, depreciation of properties and assets leased to others, amortization of deferred charges, pension expenses, impairment loss, income tax expenses and compensation expenses for bonuses paid to employees, directors and supervisors. Actual results could differ from these estimates.

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

Significant accounting policies are summarized as follows:

Consolidation

The accounts of all of the Corporation’s direct and indirect subsidiaries are consolidated. All significant intercompany balances and transactions have been eliminated upon consolidation.

The consolidated financial statements as of and for the years ended December 31, 2009 and 2008, include the accounts of the Corporation, VIS Associates, Specialty TechFarm, VIS Singapore, VIS Holding and VIS Micro.

Current/Noncurrent Assets and Liabilities

Current assets include unrestricted cash and cash equivalents and assets held primarily for trading purpose or to be realized, sold or consumed within one year from the balance sheet date. All other assets such as properties, assets leased to others, idle assets and deferred charges are classified as non-current assets. Current liabilities are obligations incurred for trading purpose or to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent.

Cash Equivalents

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

Financial Instruments at Fair Value through Profit or Loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss (“FVTPL”) include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. When the Corporation enters into financial instrument contracts, the financial assets or financial liabilities are recognized in the balance sheet. On contract expiry, settlement or cancellation, the financial assets and liabilities are de-recognized.

These financial instruments, except derivatives, are initially recognized at fair value. Transaction cost directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. At each balance sheet date subsequent to initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss of the period. All regular way purchase or sale of financial assets are recognized and de-recognized on a trade date basis.

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

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: financial instruments without quoted prices in an active market - at values determined using valuation techniques.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially measured at fair value plus costs that are directly attributable to the acquisition. At each balance sheet date subsequent to initial recognition, available-for-sale financial asset are remeasured at fair value, with changes in fair value recognized in equity until the financial assets are disposed of, at which time, the cumulative gain or loss previous recognized in equity is included in profit or loss for the period. All regular way purchase or sale of financial assets are recognized and derecognized on a trade date basis.

The recognition, derecognition of available-for-sale financial assets are similar to those of financial assets at FVTPL.

The fair values of listed stock are their closing prices as of the balance sheet date; those of open-end funds are based on their net asset values as of the balance sheet date.

Cash dividends are recognized on the ex-dividend date as investment income, except for dividends distributed from the pre-acquisition profit, which are treated as a reduction of investment cost. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. Any subsequent decrease in impairment loss for an equity instrument classified as available-for-sale is recognized directly in equity.

Held-to-maturity Financial Assets

Held-to-maturity financial assets are initially recognized at fair value or at amortized cost using the effective interest method plus transaction cost that are directly attributable to asset acquisition. Profit or loss is recognized when the financial assets are derecognized, impaired, or amortized. A regular purchase or sale of financial assets is accounted for using a trade date basis.

An impairment loss is recognized if there is objective evidence that the investment is impaired. The impairment loss is reversed if an increase in the investment’s recoverable amount is due to an event which occurred after the impairment loss was recognized; however the adjusted carrying amount of the investment may not exceed the carrying amount that would have been determined had no the impairment loss been recognized for the investment in prior years.

Derivative Financial Instruments for Hedging

Derivative financial instruments that qualify as effective hedging instruments are measured at fair value, with subsequent changes in fair value recognized either in profit or loss, or in shareholders' equity, depending on the nature of the hedging relationship.

Hedge Accounting

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

a. Fair value hedge:

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

b. Cash flow hedge:

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

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

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

   4) However, if the Corporation expects that all or a portion of a loss recognized directly under equity will not be recovered in the future the amount that is not expected to be recovered is reclassified into profit or loss.

The Corporation enters into hedging transactions to hedge risks of expected sales transactions and market risks. The Corporation uses cash flow hedge to manage risks on exchange rate fluctuation and changes of time value for an expected sales transaction. The fair value hedge is hedging for the risk of the changes of the net value of the assets.

Allowance for Doubtful Receivables

Allowance for doubtful receivables is provided on the basis of the aging and review of the collectability of receivables. The Group assesses the probability of collections of accounts receivable by examining the aging analysis of the outstanding receivables.

Inventories

Inventories consist of raw materials, supplies and spare parts, finished goods and work-in-process. Before January 1, 2009, inventories were stated at the lower of aggregate cost or market value. Market value means replacement cost for raw materials and supplies and net realizable value for finished goods and work in process. As stated in note 3, effective January 1, 2009, inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made item by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and necessary selling costs. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date.

Long-term Stock Investments Accounted for by the Equity Method

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

On the balance sheet date, the Group evaluates investments for any impairment. An impairment loss is recognized and charged to current income if the investment carrying amount as of the balance sheet date exceeds the expected recoverable amount. For long-term investments for which the Group has significant influence but with no control over investees are tested for impairment separately at their carrying amounts, the carrying value (including goodwill) of such investment is compared with its own recoverable amount for the purpose of impairment testing. Investments with controlling interests shall be tested for impairment by each cash generating unit determined on overall financial basis.

Financial Assets Carried at Cost

Investments in securities with no quoted prices in an active market and with fair values that cannot be reliably measured, such as non-publicly traded stocks and stocks traded in the Emerging Stock Market are measured at their original cost. When these investments are subsequently measured at fair value, they are reclassified into available-for-sale financial assets. The accounting treatment for cash dividends and stock dividends arising from financial assets carried at cost is the same as that for cash and stock dividends arising from available-for-sale financial assets. An impairment loss is recognized when there is objective evidence that an asset is impaired. A reversal of this impairment loss is disallowed.

Properties, Assets Leased to Others and Idle assets

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

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

Depreciation is calculated using the straight-line method over the following periods: buildings - 5 to 20 years; machinery and equipment and other equipment - 3 to 7 years; assets leased to others - 10 to 20 years; idle assets - 5 years.

Properties still in use beyond their original estimated useful lives are further depreciated over their newly estimated useful lives. Upon sale or other disposal of properties, the related cost, accumulated depreciation are derecognized from the balance sheet, and any gain or loss on disposal of the asset is included in nonoperating gains or losses in the period of disposal.

When properties are determined to be idle or useless, they are transferred to idle assets at the lower of the net realizable value or carrying amount. Depreciation on the idle assets is provided continuously, and the idle assets are tested for impairment on a periodic basis.

Deferred Charges

Expenditures arising from research activities are recognized as an expense when incurred. Expenditures related to development activities are capitalized and amortized on a straight-line basis if the recognition criteria have been met; otherwise, the development expenditures are charged to expense when incurred.

Deferred charges, specifically, the software design costs, are amortized on the straight-line method over 3 to 5 years.

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

Employee Stock Options

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

Sales and Allowance for Sales Returns and Discounts

Sales are recognized when the Group has transferred to the buyer the significant risk and rewards of ownership of the goods, primarily upon shipment, because the earning process has been completed and economic benefits associated with the transaction have been realized or are realizable. The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership. Allowances and related provisions for sales returns and discounts are recorded in the period the related revenue is recognized on the basis of the Group’s historical experience. These provisions are deducted from gross sales and related costs are deducted, as they are incurred, from cost of sales.

Sales are measured at fair value of the consideration received or receivable and represents amounts agreed between the Group and customer for goods sold in the normal course of business, net of sales discounts and volume rebates. For trade receivables due within one year from the balance sheet date, as the nominal value of the consideration to be received approximates its fair value and transactions are frequent, fair value of the consideration is not determined by discounting all future receipts using an imputed rate of interest.

Capitalized and Other Expenditures

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

Pension Costs

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

VIS Singapore and VIS Micro have defined contribution pension plans. Based on these plans, required monthly contributions to employees' individual pension accounts are charged to current cost.

Treasury Stock

Treasury stock is stated at cost and shown as a deduction in shareholders' equity. When the Corporation retires treasury stock, the treasury stock account is reduced and the common stock as well as the capital surplus - additional paid-in capital are reversed on a pro rata basis. When the book value of the treasury stock exceeds the sum of the par value and additional paid-in capital, the difference is charged to capital surplus - treasury stock transactions and to retained earnings for any remaining amount.

Income Tax

The Group applies inter-period allocations for its income tax, that is deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused tax credits and operating loss carryforwards. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of the related asset or liability, however, if a deferred income tax asset or liability does not related to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the length of time before it is realized or settled.

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

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

Income taxes (10%) (excluding earnings from foreign consolidated subsidiaries) on undistributed earnings are recorded as expense in the year when the shareholders resolve to retain the earnings.

Foreign-currency Transactions

Non-derivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign currency assets and liabilities are recognized in profit or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued at the prevailing exchange rates, with the exchange differences recognized in profit or loss.

At the balance sheet date, the balance of foreign-currency nonmonetary assets (such as equity instrument) and liabilities - except those carried at cost which are valued at the historical rate of the trade date - are measured at fair value are revalued using prevailing exchange rates, with the exchange differences treated as follows:

a. Recognized in shareholders' equity if the changes in fair value are recognized in shareholders' equity;

b. Recognized in profit or loss if the changes in fair value is recognized in profit or loss.

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

The exchange rates used for foreign-currency transaction recording, settlement or translation are mainly based on the closing rates obtained through the Reuter's quotation system at 4 p.m.

The financial statements of foreign operations are translated into New Taiwan dollars at the following exchange rates:

a. Assets and liabilities - at exchange rates prevailing on the balance sheet date;

b. Shareholders' equity - at historical exchange rates;

c. Dividends - at the exchange rate prevailing on the dividend declaration date; and

d. Income and expenses - at average exchange rates for the year.

Exchange differences arising from the translation of the financial statements of foreign operations are recognized as a separate component of shareholders' equity. Such exchange differences are recognized in profit or loss in the year in which the foreign operations are disposed of.

Reclassifications

Certain accounts in the consolidated financial statements as of and for the year ended December 31, 2008 have been reclassified to be consistent with the consolidated financial statements as of and for the year ended December 31, 2009.

3. ACCOUNTING CHANGES

a. Interpretation 2007-052, "Accounting for Bonuses to Employees, Directors and Supervisors"

   In March 2007, the ARDF issued an interpretation that requires companies to recognize as compensation expenses bonuses paid to employees, directors and supervisors effective January 1, 2008. These bonuses were previously recorded as appropriations from earnings. The adoption of this interpretation resulted in a decrease of NT$149,429 thousand in consolidated net income and a decrease in after income tax consolidated basic earnings per share of NT$0.09 for the year ended December 31, 2008.

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

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

c. SFAS No. 10, "Accounting for Inventories"

On January 1, 2009, the Group adopted the newly revised SFAS No. 10, "Accounting for Inventories". The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value item-by-item except when the grouping of similar or related items is appropriate; (2) unallocated overheads are recognized as expenses in the period in which they are incurred; and (3) abnormal costs, write-downs of inventories and any reversal of write-downs are recorded as cost of goods sold for the period. The adoption resulted in a decrease in consolidated net income and consolidated basic earnings per share (after income tax) of NT$462,364 thousand and NT$0.28, respectively, for the year ended December 31, 2009.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2009	**2008**
Bank deposits	$ 6,891,683	$ 4,273,424
Government bonds acquired under resale agreements	175,089	-
	7,066,772	4,273,424
Pledged time deposit	(165,300)	-
	$ 6,901,472	$ 4,273,424

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

	December 31	
	2009	**2008**
Financial assets at FVTPL		
Financial assets held for trading	$ 34,212	$ 30,014
Financial assets designated as at FVTPL	40,167	-
	$ 74,379	$ 30,014
Financial liabilities at FVTPL		
Financial liabilities held for trading	$ 1,219	$ 10,114

Financial instruments for trading consisted of the following:

	December 31	
	2009	**2008**
Financial assets for trading		
Forward exchange contracts	$ 14,666	$ 28,201
Currency-swap contracts	19,546	1,813
	$ 34,212	$ 30,014
Financial liabilities for trading		
Forward exchange contracts	$ 1,219	$ 8,820
Currency-swap contracts	-	1,294
	$ 1,219	$ 10,114

The Corporation entered into derivative transactions in the years ended December 31, 2009 and 2008 to manage exposures related to exchange rate and interest rate fluctuations. The financial risk management objective of the Corporation is to minimize risks due to changes in fair value or cash flows.

a. Outstanding forward exchange contracts as of December 31, 2009 and 2008 were as follows:

Contract	Currency	Contract Expiry Date	Contract Amount (In Thousands)
December 31, 2009			
Buy forward exchange contracts	NT$ to US$	2010.01.05-2010.03.08	US$ 19,000
Sell forward exchange contracts	US$ to JPY	2010.01.13-2010.02.09	US$ 2,500
Sell forward exchange contracts	US$ to NT$	2010.01.04-2010.03.24	US$ 44,000
December 31, 2008			
Buy forward exchange contracts	NT$ to US$	2009.01.05-2009.03.03	US$ 11,000
Sell forward exchange contracts	US$ to JPY	2009.01.21	US$ 1,500
Sell forward exchange contracts	US$ to NT$	2009.01.02-2009.03.03	US$ 68,000

b. Outstanding currency-swap contracts as of December 31, 2009 and 2008 were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2009			
Sell forward exchange contracts	US$ to NT$	2010.01.05-2010.03.19	US$ 75,500
December 31, 2008			
Sell forward exchange contracts	NT$ to US$	2009.01.05-2009.01.20	US$ 5,600
Sell forward exchange contracts	US$ to JPY	2009.01.05	US$ 950

The net gains and losses on financial instruments for trading were NT$93,716 thousand and NT$12,970 thousand, respectively, for the year ended December 31, 2009 and 2008.

Financial instruments designated as at FVTPL were as follows:

	December 31, 2009
Financial assets designated as at FVTPL	
Credit Linked Notes	$ 40,167

Net gains on financial assets designated as at FVTPL for the year ended December 31, 2009 was NT$178 thousand.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	December 31	
	2009	2008
Listed stocks - Walton Advanced Engineering, Inc.	$ 175,464	$ 153,425
Listed stocks - International Semiconductor Technology Ltd.	105,755	28,299
Listed stocks - Advanced Analogic Technologies, Inc. (US$ 72 thousand in 2009 and US$55 thousand in 2008)	2,314	1,819
Fund - PIMCO GIS TOTAL RETURN BOND FD CLA (US$984 thousand in 2009)	31,507	-
	315,040	183,543
Less: Financial assets classified as noncurrent assets	(105,755)	(181,724)
	$ 209,285	$ 1,819

7. HELD-TO-MATURITY FINANCIAL ASSETS - CURRENT

	December 31, 2008
Bond -Taiwan Power Co.	$ 149,845

On October 28, 2008, the Corporation bought 5-year corporate bonds issued by Taiwan Power Co. with an effective interest rate of 2.30%, at par value of NT$150,000 thousand. The maturity was July 5, 2009.

8. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

Derivative financial instruments for hedging (reference to Note 27) consisted of the following:

	December 31	
	2009	2008
Derivative financial assets for hedging		
Current		
Forward exchange contracts	$ 3,254	$ 840
Derivative financial liabilities for hedging		
Current		
Forward exchange contracts	$ 338	$ 954

Risks control and hedging policy:

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

For the years ended December 31, 2009 and 2008, the Corporation used forward exchange contracts to hedge risks on exchange rate fluctuations of expected sales and foreign-currency denominated accounts receivable. The outstanding forward contracts in the year ended December 31, 2009 and 2008 were as follows:

	Currency	**Maturity Date**	**Contract Amount (In Thousands)**
December 31, 2009			
Sell forward exchange contracts	US$ to NT$	2010.01.20-2010.03.17	US$ 14,000
December 31, 2008			
Sell forward exchange contracts	US$ to NT$	2009.01.16-2009.01.20	US$ 6,000

The realized net loss on derivative financial instruments used for cash flow hedging for the year ended December 31, 2009 and 2008 were NT$7,153 thousand and NT$15,577 thousand, respectively, which were recognized in sales. The net gain on derivative financial instruments used for fair value hedging were NT$17,068 thousand and NT$30,417 thousand, respectively, for the year ended December 31, 2009 and 2008 which were recognized in nonoperating income.

9. INVENTORIES

	December 31	
	2009	**2008**
Finished goods	$ 1,671	$ 25,753
Work in process	782,213	1,034,467
Raw materials	79,247	308,302
Supplies and spare parts	270,588	442,264
	$ 1,133,719	$ 1,810,786

Allowance for inventory losses was NT$303,057 thousand and NT$76,885 thousand on December 31, 2009 and 2008, respectively.

The cost of inventories recognized as cost of goods sold during the years ended December 31, 2009 and 2008 was NT$11,344,702 thousand and NT$13,516,103 thousand, which included write-downs of inventory NT$274,726 thousand, unallocated overheads NT$243,695 thousand and abnormal costs NT$4,162 thousand for the year ended December 31, 2009; and write-downs of inventory NT$109,063 thousand for the year ended December 31, 2008.

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

	December 31			
	2009		2008	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Unlisted stocks				
CMSC, Inc.	$ 84,434	25	$ 95,175	25
Linear Atrwork, Inc.	26,086	27	31,470	27
Inno-Tech Co., Ltd.	24,664	40	38,484	40
SkyTraq Technology, Inc.	22,666	28	27,917	28
LayerWalker Technology, Inc.	14,735	27	20,563	27
	$ 172,585		$ 213,609	

The investment losses recognized under the equity method were as follows:

	Year Ended December 31	
	2009	2008
Inno-Tech Co., Ltd.	$ (13,828)	$ (12,705)
CMSC, Inc.	(10,720)	(8,879)
LayerWalker Technology, Inc.	(5,540)	(7,264)
Linear Atrwork, Inc.	(5,152)	(5,078)
SkyTraq Technology, Inc.	(5,011)	(3,554)
	$ (40,251)	$ (37,480)

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

11. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	December 31	
	2009	2008
Unlisted stocks		
United Industrial Gases Co., Ltd.	$ 38,716	$ 38,716
Goyatek Technology Inc.	14,188	14,556
Uniband Electronic Corp.	6,410	6,576
Silicon Valley Equity Fund II	-	23,097
Megica Corporation	-	2,252
	$ 59,314	$ 85,197

The unlisted stocks had no quoted market prices in an active market and of which fair value cannot be reliably measured, were carried at cost.

For the year ended December 31, 2009, the Group revalued the recoverable amount of the Silicon Valley Equity Fund II, and the Group recognized impairment loss of financial assets amounting to NT$12,831 thousand, which was presented under nonoperating expenses and losses.

The amounts of the appropriations from Silicon Valley Equity Fund II were US$873 thousand and US$818 thousand on May 14 and November 18, 2008, respectively, was deducted from the cost of financial asset carried at cost - noncurrent.

For the year ended December 31, 2008, the Group revalued the recoverable amount of the Uniband Electronic Corp and Silicon Valley Equity Fund II, and the Group recognized impairment loss of financial assets amounting to NT$26,790 thousand, which were presented under nonoperating expenses and losses.

12. PROPERTIES

	Year Ended December 31, 2009				
	Buildings	**Machinery and Equipment**	**Other Equipment**	**Prepayments and Construction in Progress**	**Total**
Cost					
Beginning	$ 11,935,877	$ 46,212,274	$ 351,761	$ 323,613	$ 58,823,525
Acquired (deductions)	159,638	397,878	6,065	(258,195)	305,386
Reclassified	-	(263,910)	-	-	(263,910)
Disposal	(2,254)	(30,961)	(21,568)	-	(54,783)
Cumulative translation adjustments	-	-	(116)	-	(116)
Ending	$ 12,093,261	$ 46,315,281	$ 336,142	$ 65,418	$ 58,810,102

	Year Ended December 31, 2009			
	Buildings	**Machinery and Equipment**	**Other Equipment**	**Total**
Accumulated depreciation				
Beginning	$ 7,892,953	$ 37,165,227	$ 216,817	$ 45,274,997
Depreciation	491,281	2,883,813	48,455	3,423,549
Reclassified	-	(105,564)	-	(105,564)
Disposal	(2,254)	(25,055)	(21,499)	(48,808)
Cumulative translation adjustments	-	-	(111)	(111)
Ending	$ 8,381,980	$ 39,918,421	$ 243,662	$ 48,544,063

Cost	Year Ended December 31, 2008 Buildings	Machinery and Equipment	Other Equipment	Prepayments and Construction in Progress	Total
Beginning	$ 8,613,941	$ 38,090,201	$ 246,215	$ 9,063,230	$ 56,013,587
Acquired (deductions)	4,583,728	8,176,520	106,374	(8,739,617)	4,127,005
Reclassified	(1,257,618)	-	-	-	(1,257,618)
Disposal	(4,174)	(54,447)	(1,216)	-	(59,837)
Cumulative translation adjustments	-	-	388	-	388
Ending	$ 11,935,877	$ 46,212,274	$ 351,761	$ 323,613	$ 58,823,525

Accumulated depreciation	Year Ended December 31, 2008 Buildings	Machinery and Equipment	Other Equipment	Total
Beginning	$ 7,426,666	$ 34,530,804	$ 171,439	$ 42,128,909
Depreciation	470,438	2,688,570	46,184	3,205,192
Disposal	(4,151)	(54,147)	(1,128)	(59,426)
Cumulative translation adjustments	-	-	322	322
Ending	$ 7,892,953	$ 37,165,227	$ 216,817	$ 45,274,997

13. ASSETS LEASED TO OTHERS, NET

	Year Ended December 31 2009	2008
Buildings		
Cost		
Beginning	$ 1,257,618	$ -
Reclassified	-	1,257,618
Ending	1,257,618	1,257,618
Accumulated depreciation		
Beginning	91,897	-
Depreciation	91,897	91,897
Ending	183,794	91,897
Net balance	$ 1,073,824	$ 1,165,721

The Corporation leased several floors of the plant that acquired from Winbond to Winbond. Lease terms starts from January 1, 2008 to March 31, 2010. The future quarter's rental aggregates NT$13,858 thousand.

14. IDLE ASSETS

Idle assets are equipment not used in operation.
For the year ended December 31, 2009, the Corporation transferred equipment with cost NT$263,910 thousand and accumulated depreciation of NT$105,564 thousand to idle assets, and revalued the realizable value of the equipment according to industrial technology, market, economic, legal environment and recognized impairment loss of NT$98,346 thousand, which was presented under nonoperating expenses and losses.

15. DEFERRED CHARGES, NET

Software design costs:

	Year Ended December 31	
	2009	**2008**
Cost		
Beginning	$ 770,123	$ 735,871
Acquired	8,354	34,177
Disposal	(76,753)	(96)
Cumulative translation adjustments	(30)	171
Ending	701,694	770,123
Accumulated amortization		
Beginning	693,359	631,780
Amortization	39,594	61,516
Disposal	(76,375)	(96)
Cumulative translation adjustments	(25)	159
Ending	656,553	693,359
Net balance	$ 45,141	$ 76,764

16. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	December 31	
	2009	**2008**
Bonus	$ 274,782	$ 290,979
Royalty	4,048	486,962
Others	743,665	789,758
	$ 1,022,495	$ 1,567,699

	Royalty	Bonus
January 1, 2009	$ 486,962	$ 290,979
Add: Reversal of other payables to related parties	36,732	-
(Reversal) accrued	(188,479)	325,310
Reduce: Payable	(280,842)	(341,507)
Classification as other payables to related parties	(50,325)	-
December 31, 2009	$ 4,048	$ 274,782
January 1, 2008	$ 481,668	$ 271,062
Add: Reversal of other payables to related parties	95,286	-
Accrued	317,269	473,235
Reduce: Payable	(370,529)	(453,318)
Classification as other payables to related parties	(36,732)	-
December 31, 2008	$ 486,962	$ 290,979

17. SHAREHOLDERS' EQUITY

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

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

a. Special reserve;
b. Not more than 1% as remuneration to directors and supervisors;
c. At least 1% as bonus to employees; and
d. Final balance, appropriation to be decided at the shareholders' meeting.

The bonus to employees and the remuneration to directors and supervisors, which represent 15% of net income and 1% of net income (net of the bonus to employees, remuneration to directors and supervisors) and legal reserve, were estimated based on past experiences, corporation policy and related law and decree in 2009, and represent 15% and 1% of net income (net of the bonus to employees, remuneration to directors and supervisors) and legal reserve, which were estimated based on past experiences, corporation policy and related law and decree in 2008. Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day preceding the shareholders' meeting. The bonus to employees were NT$13,386 thousand and NT$140,662 thousand; and the remuneration to directors and supervisors were NT$3,574 thousand and NT$9,378 thousand for the years ended December 31, 2009 and 2008, respectively.

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

Under regulations promulgated by the Securities and Futures Bureau ("SFB", the formal name of FSC), an amount equal to the debit balance of any account shown in the shareholders' equity section of the balance sheets should be transferred from unappropriated retained earnings to special reserve. The special reserve may be reversed and appropriated to the extent of the decrease in the net debit balance.

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

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

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

The appropriation of earnings for 2008 and 2007 were approved in the shareholders' meetings held on June 10, 2009 and June 13, 2008, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividend Per Share (NT$)**	
	2008	**2007**	**2008**	**2007**
Legal reserve	$ 104,195	$ 432,108	$ -	$ -
Provision (reversal) of special reserve	277,083	(40,560)	-	-
Stock dividends	-	34,010	-	0.02
Cash dividends	670,994	2,890,824	0.40	1.70
Bonus to employees - in stock	-	186,670	-	-
Bonus to employees - in cash	-	124,447	-	-
Remuneration to directors and supervisors	-	38,889	-	-
	$ 1,052,272	$ 3,666,388		

The shareholders' meetings on June 10, 2009 also approved the bonus to employees NT$140,662 thousand and the remuneration to directors and supervisors NT$9,378 thousand by cash. The approved amounts of the bonus to employees and the remuneration to directors and supervisors were consistent with the accrual amounts reflected in the financial statements for the year ended December 31, 2008.

The appropriation of earnings for 2008 and 2007 were consistent with the amounts approved by the Board of Directors' meetings held on February 20, 2009 and February 26, 2008, respectively.

The information about the appropriations of bonuses to employees, directors and supervisors is available at the Market Observation Post System website.

Unrealized Gain or Loss on Financial Instruments

For the years ended December 31, 2009 and 2008, movements of unrealized gain or loss on financial instruments were as follows:

	Available-for-sale Financial Assets	Gain (Loss) on Cash Flow Hedge	Total
Year ended December 31, 2009			
Balance, beginning of the year	$ (238,833)	$ -	$ (238,833)
Recognized in shareholders' equity	375,162	(6,472)	368,690
Transferred to profit or loss	(57,067)	7,153	(49,914)
Balance, end of year	$ 79,262	$ 681	$ 79,943
Year ended December 31, 2008			
Balance, beginning of the year	$ 149,126	$ (5,709)	$ 143,417
Recognized in shareholders' equity	(387,959)	(9,868)	(397,827)
Transferred to profit or loss	-	15,577	15,577
Balance, end of year	$ (238,833)	$ -	$ (238,833)

Translation Adjustment

For the years ended December 31, 2009 and 2008, movements of translation adjustments were as follows:

	Foreign Currency Exchange Valuation Difference
Year ended December 31, 2009	
Balance, beginning of the year	$ (38,251)
Recognized in shareholders' equity	(5,809)
Balance, end of the year	$ (44,060)
Year ended December 31, 2008	
Balance, beginning of the year	$ (41,879)
Recognized in shareholders' equity	3,628
Balance, end of the year	$ (38,251)

Employee Stock Option Plans

On February 20, 2001, June 21, 2002 and September 18, 2003, the Corporation received approvals from the Financial Supervisory Commission (the former name is SFB) of its adoption of Employee Stock Option Plans (hereinafter referred to as the "2001 Plan", "2002 Plan", and "2003 Plan"). The 2001 Plan consisted of 16,000 thousand units. Together, the 2002 Plan and 2003 Plan consisted of 140,000 thousand units. These options generally vest at a certain percentage from two years after the date of grant and the options granted are valid for 10 years. Other information on the stock option rights plan is as follows:

	2003 Plan		2002 Plan		2001 Plan	
	Number of Outstanding Stock Option Rights (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Outstanding Stock Option Rights (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Outstanding Stock Option Rights (In Thousands)	Weighted-average Exercise Price (NT$)
2009						
Beginning balance	32,836	$17.62	9,557	$12.80	3,611	$16.70
Options exercised	-	-	(462)	12.40	(21)	13.00
Options canceled	(1,218)	17.14	(384)	12.40	(161)	16.51
Ending balance	31,618	17.12	8,711	12.40	3,429	16.23
2008						
Beginning balance	33,883	19.48	9,875	14.20	3,750	18.40
Options exercised	(518)	17.81	(311)	12.80	(122)	15.17
Options canceled	(529)	18.12	(7)	12.80	(17)	17.75
Ending balance	32,836	17.62	9,557	12.80	3,611	16.70

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

The outstanding stock options as of December 31, 2009 was as follows:

	Options Outstanding			Options Exercisable	
Exercise Price (NT$)	Number Outstanding (In Thousands)	Expected Remaining Contractual Life (In Years)	Weighted-average Exercise Price (NT$)	Number Exercisable (In Thousands)	Weighted-average Exercise Price (NT$)
2003 plan					
$13.6-$18.1	31,618	3.91-4.72	$17.12	31,618	$17.12
2002 plan					
$12.4	8,711	2.73	12.40	8,711	12.40
2001 plan					
$13.0-$17.5	3,429	1.4-2.1	16.23	3,429	16.23

The Corporation used the intrinsic value method to evaluate compensation cost for employee stock options granted in the second and third quarters of 2004. The compensation cost recognized was zero since the above stock option was granted at an exercise price equal to the closing price of the Corporation's common shares on the measurement dates. Had the Corporation applied the fair value method to evaluate compensation cost of employee stock options granted, pro forma results of the Corporation would have been as follows:

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

	2009	2008
Consolidated net income:		
Net income as reported	$ 89,241	$ 1,041,953
Pro forma net income	$ 89,241	$ 1,032,603
Consolidated earnings per share (EPS) (NT$):		
Basic EPS as reported	$0.05	$0.61
Pro forma basic EPS	$0.05	$0.60
Diluted EPS as reported	$0.05	$0.60
Pro forma diluted EPS	$0.05	$0.59

The average number of shares outstanding for pro forma consolidated EPS calculation was adjusted retroactively for appropriations of dividends. However, the adjustment caused no dilutive effect for December 31, 2008 consolidated earnings per share.

18. TREASURY STOCK

(Shares in Thousands)

Purpose of Treasury Stock	Number of Shares, Beginning of Year	Addition During the Year	Reduction During the Year	Number of Shares, End of Year
Year ended December 31, 2009				
To maintain the Corporation's credibility and shareholders' interest	18,000	-	18,000	-
Year ended December 31, 2008				
To maintain the Corporation's credibility and shareholders' interest	-	51,358	33,358	18,000

The Corporation held a meeting of the Board of Directors and approved a share buyback plan to repurchase the Corporation's common shares up to 50,000 thousand shares from the GreTai Securities Market during the period from May 19, 2008 to July 18, 2008 with buyback prices in the range from NT$16 to NT$34. As of July 18, 2008, the Corporation had repurchased 16,358 thousand common shares. All the treasury shares repurchased were retired on September 19, 2008.

The Corporation held a meeting of the Board of Directors and approved a share buyback plan to repurchase the Corporation's common shares up to 17,000 thousand shares from the GreTai Securities Market during the period from September 22, 2008 to November 21, 2008 with buyback prices in the range from NT$8 to NT$13. As of October 22, 2008, the Corporation had repurchased 17,000 thousand common shares. All the treasury shares repurchased were retired on November 14, 2008.

The Corporation held a meeting of the Board of Directors and approved a share buyback plan to repurchase the Corporation's common shares up to 30,000 thousand shares from the GreTai Securities Market during the period from October 28, 2008 to December 27, 2008 with buyback prices in the range from NT$8 to NT$13. As of December 27, 2008, the Corporation had repurchased 18,000 thousand common shares. All the treasury shares repurchased were retired on March 12, 2009.

Under the Securities and Exchange Act, the Corporation shall neither pledge treasury stock nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

19. CONSOLIDATED EARNINGS PER SHARE

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

	Amounts (Numerator)		Shares	EPS (NT$)	
	Before Income Tax	After Income Tax	(Denominator) (Thousands)	Before Income Tax	After Income Tax
Year ended December 31, 2009					
Consolidated net income	$ 92,499	$ 89,241			
Basic consolidated EPS					
Consolidated net income of common shareholders of the parent	$ 92,499	$ 89,241	1,677,580	$ 0.06	$ 0.05
Effect of dilutive securities					
Bonus to employees	-	-	5,746		
Diluted consolidated EPS					
Consolidated net income of common and potential common shareholders of the parent	$ 92,499	$ 89,241	1,683,326	$ 0.05	$ 0.05
Year ended December 31, 2008					
Consolidated net income	$ 1,137,380	$ 1,041,953			
Basic consolidated EPS					
Consolidated net income of common shareholders of the parent	$ 1,137,380	$ 1,041,953	1,713,844	$ 0.66	$ 0.61
Effect of dilutive securities					
Employee stock option	-	-	2,387		
Bonus to employees	-	-	20,249		
Diluted consolidated EPS					
Consolidated net income of common and potential common shareholders of the parent	$ 1,137,380	$ 1,041,953	1,736,480	$ 0.65	$ 0.60

The Corporation presumes that the bonus to employees will be settled in shares and the resulting potential shares will be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of bonus by the closing price of the shares on the balance sheet date. The dilutive effect of the shares should be considered until the shareholders resolve the number of shares to be distributed to employees in their meeting in the following year. There was no dilutive effect in the calculation of diluted earnings per share for the year ended December 31, 2009 for the employee stock option plans.

The weighted average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of stock dividends and employee stock bonuses distributed out of earnings for the year ended December 31, 2008. However, the adjustment caused no dilutive effect.

20. PENSION PLAN

The pension plan under the Labor Pension Act (the "LPA") is a defined contribution plan. Based on the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Such pension costs were NT$105,820 thousand and NT$121,634 thousand for the years ended December 31, 2009 and 2008, respectively.

Based on the defined benefit plan under the Labor Standards Law (the "LSL"), pension benefits are calculated on the basis of the length of service and average monthly salaries and wages of the six months before retirement. The Corporation contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is deposited in Bank of Taiwan in the committee's name. The Corporation recognized pension costs of NT$21,790 thousand and NT$20,024 thousand for the years ended December 31, 2009 and 2008, respectively.

Furthermore, VIS Singapore and VIS Micro are required by local regulations to make monthly contributions at certain percentages of the basic salary of their employees. Pursuant to the aforementioned Act and local regulations, the recognized pension costs are NT$1,854 thousand and NT$1,559 thousand for the years ended December 31, 2009 and 2008, respectively.

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

a. Components of pension cost

	Year Ended December 31	
	2009	**2008**
Service cost	$ 13,536	$ 12,492
Interest cost	15,622	17,178
Projected return on plan assets	(6,147)	(7,663)
Amortization of unrecognized net transition assets and net gain	(1,079)	(2,029)
	$ 21,932	$ 19,978

b. Reconciliation of the funded status of the plan and accrued pension cost

	December 31	
	2009	2008
Benefit obligation		
Vested benefit obligation	$ 12,381	$ -
Non-vested benefit obligation	399,646	444,943
Accumulated benefit obligation	412,027	444,943
Additional benefits based on future salaries	291,937	338,177
Projected benefit obligation	703,964	783,120
Fair value of plan assets	(273,925)	(265,551)
Funded status	430,039	517,569
Unrecognized prior service cost	15,774	16,512
Unrecognized net transition assets	4,442	4,783
Unrecognized net gain (loss)	24,925	(70,592)
Additional liability	-	-
Accrued pension cost	$ 475,180	$ 468,272
Vested benefit	$ -	$ -

	Year Ended December 31	
	2009	2008
c. Actuarial assumptions		
Discount rates used in determining present values	2.25%	2.00%
Future salary increase rate	3.00%	3.00%
Expected rate of return plan on assets	1.50%	2.25%
d. Contributions to the pension fund	$ 15,024	$ 16,649
e. Payments from the fund	$ 8,426	$ 8,418

21. INCOME TAX EXPENSE

a. Income tax expense consists of:

	Year Ended December 31	
	2009	2008
Current income tax expense before income tax credits		
Domestic	$ 20,943	$ 4,616
Overseas	1,842	1,221
	22,785	5,837
Net change in deferred income tax assets		
Investment tax credits	(135,570)	54,075
Operating loss carryforwards	(168,245)	230,948
Temporary differences	3,396	44,688
Valuation allowance	202,387	(240,472)
Adjustments for prior years' tax	78,585	492
Others	(80)	(141)
Income tax expense	$ 3,258	$ 95,427

On January 21, 2009, the president of the Republic of China approved the amendment of Article 39 of the Income Tax Law, which extends the operating losses carryforward period from five years to ten years.

b. Deferred income tax assets (liabilities) were as follows:

	December 31	
	2009	**2008**
Current		
Investment tax credits	$ 116,189	$ 227,437
Loss on inventory valuation and obsolescence	99,308	41,899
Other	20,225	21,430
	235,722	290,766
Valuation allowance	(184,988)	(220,163)
	$ 50,734	$ 70,603
Noncurrent		
Investment tax credits	$ 715,979	$ 469,161
Operating loss carryforwards	198,273	30,028
Depreciation and amortization	171,952	233,559
Accrued pension cost	118,795	117,068
Other	(213)	(493)
	1,204,786	849,323
Valuation allowance	(1,086,749)	(849,187)
	$ 118,037	$ 136

c. The balances of the imputation credit account as of December 31, 2009 and 2008 were NT$43,308 thousand and NT$25,679 thousand, respectively.

The expected and actual creditable ratios for distributing the earnings of 2009 and 2008 were 5.74% and 6.52%, respectively.

The imputation credit allocated to each shareholder is based on the balance in the ICA on the date of dividend distribution; thus the expected creditable ratio for the 2009 earnings may be adjusted according to the actual ICA balance dividend distribution date.

d. The unappropriated retained earnings as of December 31, 2009 and 2008 did not contain the unappropriated earnings generated on and before January 1, 1998.

e. As of December 31, 2009, the tax credits and operating loss carryforwards were as follows:

The Corporation

Regulatory Basis of Tax Credits	Items	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Income Tax Law	Operating loss carryforwards	$ 156,460	$ 156,460	2013
Statute for Upgrading Industries	Purchase of machinery and equipment	$ 37,752	$ -	2009
		40,513	40,513	2010
		102,867	102,867	2011
		78,189	78,189	2012
		1,993	1,993	2013
		$ 261,314	$ 223,562	
Statute for Upgrading Industries	Research and development expenditures	$ 188,700	$ -	2009
		67,681	67,681	2010
		132,980	132,980	2011
		245,194	245,194	2012
		141,835	141,835	2013
		$ 776,390	$ 587,690	
Statute for Upgrading Industries	Personnel training expenditures	$ 985	$ -	2009
		1,567	1,567	2010
		2,606	2,606	2011
		1,296	1,296	2012
		473	473	2013
		$ 6,927	$ 5,942	
Statute for Upgrading Industries	Investments in important technology - based enterprise	$ 6,428	$ 6,428	2010
		8,546	8,546	2011
		$ 14,974	$ 14,974	

As of December 31, 2009, the operating loss carryforwards of VIS Holding were as follows:

Expiry Year	Remaining Creditable Amount
2020	$ 41,101
2021	463
2027	249
	$ 41,813

Income tax returns of the Corporation through 2007 had been examined and cleared by the tax authorities.

22. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSE

	2009			2008		
	Classified as Cost of Sales	**Classified as Operating Expenses**	**Total**	**Classified as Cost of Sales**	**Classified as Operating Expenses**	**Total**
Labor cost						
Salary	$ 1,881,910	$ 461,613	$ 2,343,523	$ 2,416,179	$ 517,467	$ 2,933,646
Labor/health insurance	134,505	34,683	169,188	144,024	33,987	178,011
Pension	103,063	26,401	129,464	116,683	26,534	143,217
Others	53,969	16,791	70,760	81,638	19,976	101,614
	$ 2,173,447	$ 539,488	$ 2,712,935	$ 2,758,524	$ 597,964	$ 3,356,488
Depreciation	$ 3,360,218	$ 63,331	$ 3,423,549	$ 3,148,253	$ 56,939	$ 3,205,192
Amortization	$ 18,396	$ 21,198	$ 39,594	$ 26,245	$ 35,271	$ 61,516

23. RELATED-PARTY TRANSACTIONS

a. The Group's related parties were as follows:

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

2) International Semiconductor Technology Ltd. (IST): The Corporation is its director.

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

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

5) TSMC-China: It's parent company is a major shareholder of the Corporation. (Note)

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

7) INNO-TECH Co. Ltd. (INNO): An equity method investee of one of the Corporation's Indirect subsidiary.

8) CPSI Management Inc.: Specialty TechFarm and CPSI Management Inc. have the same chairman.

9) Others - related parties over which the Corporation has substantial influence but without any transactions (Note 28).

Note: TSMC-Shanghai renamed as TSMC-China in 2009.

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

	2009		2008	
	Amount	**%**	**Amount**	**%**
For the year				
Sales				
TSMC	$ 3,221,952	26	$ 3,187,795	20
Goya	60,907	-	148,197	1
GUC	17,602	-	51,099	-
CMSC	5,873	-	4,704	-
INNO	1,110	-	2,051	-
IST	-	-	402	-
	$ 3,307,444	26	$ 3,394,248	21
Purchase				
TSMC	$ 5,754	-	$ -	-
TSMC-China	32	-	-	-
	$ 5,786	-	$ -	-
Manufacturing expenses				
TSMC	$ 413,050	4	$ 360,188	3
Marketing expenses				
TSMC	$ 1,001	1	$ 5,247	6
General and administrative expenses				
CPSI Management Inc.	$ 4,548	1	$ 7,280	1
Research and development expenses				
TSMC	$ 16,573	2	$ 16,419	2
Nonoperating income and gains				
TSMC	$ 24,074	19	$ 11,275	17
Goya	44	-	-	-
CMSC	33	-	-	-
	$ 24,151	19	$ 11,275	17
At end of year				
Receivables				
TSMC	$ 517,346	99	$ 311,158	99
Goya	4,063	1	4,219	1
GUC	3,147	-	400	-
CMSC	436	-	-	-
INNO	160	-	493	-
	$ 525,152	100	$ 316,270	100

	2009		2008	
	Amount	%	Amount	%
Other receivables				
TSMC	$ 11,714	100	$ 6,333	100
Prepaid expenses and other current assets				
CPSI Management Inc.	$ 801	1	$ 822	-
Payables				
TSMC	$ 22	100	$ -	-
Other payables				
TSMC	$ 83,320	99	$ 42,777	99
GUC	32	1	259	1
	$ 83,352	100	$ 43,036	100
Guarantee deposits				
Goya	$ 6,000	20	$ 15,500	34

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

Goya's guarantee deposits were primarily for sales.

c. The Corporations' compensation of directors, supervisors and management personnel:

	Year Ended December 31	
	2009	2008
Salaries	$ 28,682	$ 29,147
Incentives and special compensation	2,289	4,822
Agency costs	2,193	2,556
Bonus	3,959	15,034
	$ 37,123	$ 51,559

Total compensation expense for the year ended December 31, 2009 includes estimated bonuses to employees, directors and supervisors of the Corporation that relate to 2009 but will be paid in the following year. The actual amount will be finalized and approved upon the resolution of the shareholders' meeting in 2010. The compensation of directors, supervisors and management personnel for the year ended December 31, 2008 included the bonuses appropriated from earnings for 2008 which had been approved by shareholders in their annual meeting held in 2009.

24. PLEDGED ASSETS

The time deposits of NT$165,300 thousand had been pledged as collateral for the guarantee of customs duty and lease of the manufacturing plant from the Hsinchu Science-Based Industrial Park Administration on December 31, 2009.

25. SIGNIFICANT LONG-TERM OPERATING LEASES

The Corporation leases the sites of its manufacturing plant and parking lot from the Hsinchu Science-Based Industrial Park Administration and a certain individual under renewable operating lease agreements expiring on various dates from April 2010, April 2015, June 2015, December 2027 and December 2028. Annual rentals aggregate NT$82,813 thousand. The rental pay to Hsinchu Science-Based Industrial Park Administration could be adjusted according to the lease contract, and the lease is renewable upon its expiration.

Future minimum annual rentals under the leases are as follows:

Year	Amount
2010	$ 77,731
2011	73,449
2012	73,449
2013	73,449
2014	73,449
2015-2028	771,459
	$ 1,142,986

26. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The significant commitments and contingencies of the Corporation as of December 31, 2009 were as follows:

a. The Corporation revised its existing license agreement with Texas Instruments Incorporated. The revised termination date is December 31, 2009.

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

c. Under a license agreement made with ARM Limited (ARM), the Corporation should pay royalty from December 22, 2004 for five years when using ARM’s patent to manufacture and sell products. This agreement is automatically renewed for successive period of one year.

d. Under a Wafer Production agreement made with Winbond, the Corporation should offer wafer production service to Winbond for four years.

e. As of December 31, 2009, unused letters of credit aggregated about JPY380,400 thousand.

27. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	December 31			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Nonderivative financial instruments				
Assets				
Cash and cash equivalents	$ 6,901,472	$ 6,901,472	$ 4,273,424	$ 4,273,424
Available-for-sale financial assets - current	209,285	209,285	1,819	1,819
Financial assets held to maturity - current	-	-	149,845	148,271
Receivables from related parties	525,152	525,152	316,270	316,270
Notes and accounts receivable	1,340,827	1,340,827	1,090,112	1,090,112
Pledged time deposit	165,300	165,300	-	-
Available-for-sale financial assets - noncurrent	105,755	105,755	181,724	181,724
Financial assets carried at cost - noncurrent	59,314	-	85,197	-
Liabilities				
Payables to related parties	22	22	-	-
Notes and accounts payable	582,540	582,540	399,901	399,901
Payables to contractors and equipment suppliers	126,162	126,162	377,173	377,173
Derivative financial instruments				
Assets				
Forward exchange contracts	14,666	14,666	28,201	28,201
Currency-swap contracts	19,546	19,546	1,813	1,813
Financial assets designated as at FVTPL				
Credit linked notes	40,167	40,167	-	-
Derivative financial assets for hedging - current				
Forward exchange contracts	3,254	3,254	840	840
Liabilities				
Forward exchange contracts	1,219	1,219	8,820	8,820
Currency-swap contracts	-	-	1,294	1,294
Derivative financial liabilities for hedging - current				
Forward exchange contracts	338	338	954	954

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

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

2) Fair values of available-for-sale financial assets and held-to-maturity financial assets are based on their quoted market prices in an active market.

3) For those instruments such as derivative financial instruments with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.

Fair values of forward exchange contacts and currency-swap contracts are determined using valuation techniques based on forward rates for each contract. The Reuter's quotation system is mainly used as reference for the forward rates.

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

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

	Published Price		**Estimated Price**	
	December 31		**December 31**	
	2009	**2008**	**2009**	**2008**
Nonderivative financial instruments				
Assets				
Cash and cash equivalents	$ 6,901,472	$ 4,273,424	$ -	$ -
Available-for-sale financial assets - current	209,285	1,819	-	-
Financial assets held to maturity - current	-	148,271	-	-
Receivables from related parties	-	-	525,152	316,270
Notes and accounts receivable	-	-	1,340,827	1,090,112
Pledged time deposit	165,300	-	-	-
Available-for-sale financial assets - noncurrent	105,755	181,724	-	-
Liabilities				
Payables to related parties	-	-	22	-
Notes and accounts payable	-	-	582,540	399,901
Payables to contractors and equipment suppliers	-	-	126,162	377,173
Derivative financial instruments				
Assets				
Forward exchange contracts	-	-	14,666	28,201
Currency-swap contracts	-	-	19,546	1,813
Financial assets designated as at FVTPL				
Credit linked notes	-	-	40,167	-
Derivative financial assets for hedging - current				
Forward exchange contracts	-	-	3,254	840
Liabilities				
Forward exchange contracts	-	-	1,219	8,820
Currency-swap contracts	-	-	-	1,294
Derivative financial liabilities for hedging - current				
Forward exchange contracts	-	-	338	954

d. Net gain and loss recognized for the changes in fair value of derivatives estimated using valuation techniques were NT$95,569 thousand and NT$12,130 thousand for the years ended December 31, 2009 and 2008.

e. As of December 31, 2009 and 2008, financial assets exposed to fair value interest rate risk amounted to NT$4,629,895 thousand and NT$3,821,958 thousand, respectively; financial assets exposed to cash flow interest rate risk amounted to NT$2,436,877 thousand and NT$601,311 thousand, respectively.

f. Interest revenues on financial instruments other than the financial assets or liabilities at fair value through profit or loss in the years ended December 31, 2009 and 2008 were NT$39,486 thousand and NT$121,175 thousand, respectively.

g. Financial risk

1) Market risk. The derivative financial instruments are exposed to exchange rate fluctuations. If the U.S. dollar appreciates by US$0.01, the fair value would decrease by NT$1,162 thousand.

2) Credit risk. Credit risk represents the loss that would be incurred by the Group if the counter-parties or third-parties breach the contracts and also refers to concentrations of credit risk; factors; principal amount; and receivables on the financial instruments. Derivative contracts with positive fair values on the balance sheet date are evaluated for credit risk. As of December 31, 2009 and 2008, financial assets exposed to credit risk amounted to NT$77,633 thousand and NT$30,854 thousand, respectively. The maximum credit risks of other financial instruments hold by the Corporation are their book values.

3) Liquidity and cash requirement: The Corporation has sufficient operating capital to meet cash needed to settle derivative contracts. In addition, the Corporation's investments in debt instruments and stock classified as available-for-sale financial assets are traded in active markets and can be disposed of quickly at close to their fair values. However, some equity instruments for which there is no active market are expected to have material liquidity risk. The Corporation's investment in stocks (recorded under available-for-sale financial assets) has quoted market prices in an active market and can be sold quickly at fair value.

As of December 31, 2009, future cash demand for the outstanding forward exchange contracts and cross currency interest rate swap contracts was as follows:

Term	**Inflow (In Thousands)**	**Outflow (In Thousands)**
Within one year	NT$ 4,309,134	US$ 133,500
	JPY 226,330	US$ 2,500
	US$ 19,000	NT$ 604,908

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

h. 1) Fair value hedges:

The Corporation determined that the exchange rate risks on future cash flow changes on the receivable on VIS's accounts receivable as of December 31, 2009 were significant; thus, it entered into forward exchange contracts to hedge these exposures.

Hedged Item	**Hedging Financial Instrument**	**Fair Value as of December 31**	
		2009	**2008**
Foreign currency accounts receivable	Forward exchange contracts	$ 2,235	$ (114)

2) Cash flow hedges:

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

Hedged Item	Hedging Financial Instrument	Fair Value as of December 31, 2008	Expected Timing for Future Cash Demand	Expected Timing for the Recognition of Gains or Losses from Hedge
December 31, 2009				
Sales	Forward exchange contracts	$681	2010.01-2010.03	2010.01-2010.03

28. ADDITIONAL DISCLOSURES

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

a. Financing provided: None.

b. Endorsement/guarantee provided: None.

c. Marketable securities held: Table 1 (attached)

d. Marketable securities acquired and disposed of at costs or prices of at least NT$100 million or 20% of the paid-in capital: Table 2 (attached)

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

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

g. Total purchase from or sale to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 3 (attached)

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 4 (attached)

i. Names, locations, and related information of investees on which the Corporation exercises significant influence: Table 5 (attached)

j. Information about derivatives of investees: None.

k. Information on investment in Mainland China: None.

l. Intercompany relationships and significant intercompany transactions: Table 6 (attached).

All significant intercompany balances and transactions have been eliminated upon consolidation.

29. SEGMENT INFORMATION

a. Industry information: The Corporation and subsidiaries operate in one industry. The major business is operating as an IC foundry service provider.

b. Geographic information: The Corporation has no significant foreign operations. Therefore, the disclosure of geographic information is not applicable to the Corporation.

c. Export sales: The export sales in 2009 and 2008 were smaller than 10% of net sales.

d. Sales to customers representing at least 10% of total sales:

	Year Ended December 31			
	2009		2008	
Customer	**Amount**	**% of Total**	**Amount**	**% of Total**
A	$ 3,221,952	25	$ 3,187,795	20
B	2,326,143	18	2,228,841	14
C	1,969,096	16	3,268,884	20
D	1,933,204	15	3,714,659	23

TABLE 1

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Security Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2009				Note
				Shares/Units (Thousands)	Carrying Value (US$ in Thousands)	% of Ownership	Market Value or Net Asset Value (US$ in Thousands)	
Vanguard International	Bond							
	Credit linked notes - Uni-President Enterprises Corp.	-	Financial assets at fair value through profit or loss - current	-	$ 30,113	-	$ 30,113	Note 4
	Credit linked notes - Hon Hai Precision Industry Co., Ltd.	-	Financial assets at fair value through profit or loss - current	-	10,054	-	10,054	Note 4
	Stock							
	Walton Advanced Engineering, Inc.	Investee	Available-for-sale financial assets - current	10,444	175,464	2	175,464	Note 1
	International Semiconductor Technology Ltd.	Investee	Available-for-sale financial assets - noncurrent	7,293	105,755	2	105,755	Note 1
	VIS Associates Inc.	Subsidiary	Long-term stock investments accounted for by the equity method	6	307,752	100	307,752	Note 2
	CMSC, Inc.	Equity-method investee	Long-term stock investments accounted for by the equity method	9,902	84,434	25	84,434	Note 2
	United Industrial Gases Co., Ltd.	Investee	Financial assets carried at cost - noncurrent	3,357	38,716	2	38,716	Note 3
VIS Associates Inc.	Fund							
	PIMCO GIS TOTAL RETURN BOND FD CL A (USD)	-	Available-for-sale financial assets - current	86	US$ 984	-	US$ 984	Note 1
	Stock							
	Advanced Analogic Technologies, Inc.	Investee	Available-for-sale financial assets - current	18	US$ 72	-	US$ 72	Note 1
	VIS Investment Holding, Inc.	Subsidiary of VIS Associates Inc.	Long-term stock investments accounted for by the equity method	63	US$ 1,030	100	US$ 1,030	Note 2
	VIS Singapore Pte. Ltd.	Subsidiary of VIS Associates Inc.	Long-term stock investments accounted for by the equity method	1,000	US$ 507	100	US$ 507	Note 2
	Specialty TechFarm, Inc.	Subsidiary of VIS Associates Inc.	Long-term stock investments accounted for by the equity method	10,000	US$ 4,235	100	US$ 4,235	Note 2
VIS Investment Holding, Inc.	Stock							
	VIS Micro, Inc.	Subsidiary of VIS Investment Holding, Inc.	Long-term stock investments accounted for by the equity method	200	US$ 745	100	US$ 745	Note 2
Specialty TechFarm, Inc.	Stock							
	LayerWalker Technology, Inc.	Equity-method investee	Long-term stock investments accounted for using the equity method	4,103	US$ 460	27	US$ 460	Note 2

(Continued)

Holding Company Name	Marketable Security Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2009				Note
				Shares/Units (Thousands)	Carrying Value (US$ in Thousands)	% of Ownership	Market Value or Net Asset Value (US$ in Thousands)	
	SkyTraq Technology, Inc.	Equity-method investee	Long-term stock investments accounted for using the equity method	4,688	US$ 708	28	US$ 708	Note 2
	Inno-Tech Co., Ltd.	Equity-method investee	Long-term stock investments accounted for using the equity method	5,000	US$ 770	40	US$ 770	Note 2
	Linear Artwork, Inc.	Equity-method investee	Long-term stock investments accounted for using the equity method	4,375	US$ 814	27	US$ 814	Note 2
	Goyatek Technology Inc.	Investee	Financial assets carried at cost - noncurrent	2,231	US$ 443	13	US$ 443	Note 3
	Uniband Electronic Corp.	Investee	Financial assets carried at cost - noncurrent	960	US$ 200	5	US$ 200	Note 3

Note 1: The market value was based on stock closing price as of December 31, 2009.

Note 2: The net asset value was based on audited financial statements as of December 31, 2009.

Note 3: The market value was based on the book value as of December 31, 2009.

Note 4: The fair values were based on valuation techniques.

Note 5: As of December 31, 2009, all the securities were not pledged or restricted.

(Concluded)

TABLE 2

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Marketable Security Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Balance, Beginning of Period		Acquisition		Disposal				Other	Balance, End of Period	
					Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal		Shares/Units (Thousands)	Amount
Vanguard International Semiconductor Corporation	<u>Bond</u> Bond - Taiwan power Co.	Held-to-maturity financial assets - current	-	-	-	$ 149,845 (Note 1)	-	$ -	-	$ 150,000	$ 150,000	$ -	$ 155 (Note 2)	-	$ -
	<u>Stock</u> Walton Advanced Engineering, Inc.	Available-for-sale financial assets - current	-	-	37,512	153,425	-	-	27,068	298,469	218,320	80,149	-	10,444	175,464 (Note 3)

Note 1: Including amortization of discount on bonds.

Note 2: Interest income.

Note 3: Including unrealized gains (losses) on financial instruments.

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Vanguard International Semiconductor Corporation	Taiwan Semiconductor Manufacturing Company Ltd.	Major shareholder	Sale	$ 3,221,952	(25.60%)	Note	$ -	-	$ 517,346	27.73%	-

Note: Net 45 days after monthly closing.

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Vanguard International Semiconductor Corporation	Taiwan Semiconductor Manufacturing Company Ltd.	Major shareholder	$517,346	7.78	$ -	-	$ -	$ -

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE CORPORATION EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2009			Net Loss of the Investee	Investment Loss	Note
				December 31, 2009	December 31, 2008	Shares (Thousands)	% of Ownership	Carrying Value			
Vanguard International Semiconductor Corporation	VIS Associates Inc.	British Virgin Islands	Investment	$ 195,492	$ 195,492	6	100	$ 307,752	$ (82,116)	$ (82,116)	Subsidiary
	CMSC, Inc.	Hsin-chu City, Taiwan	Integrated circuit design services and related businesses	112,650	112,650	9,902	25	84,434	(42,978)	(10,720)	Equity-method investee

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
YEARS ENDED DECEMBER 31, 2009 and 2008
(In Thousands of New Taiwan Dollars)

2009

No.	Company Name	Company Name	Nature of Relationship	Intercompany Transactions			
				Financial Statement Item	Amount	Terms (Note)	Percentage of Consolidated Total Gross Sales or Total Assets
0	Vanguard International Semiconductor Corporation	VIS Singapore Pte. Ltd.	Indirect subsidiary	Research and development expenses	$ 24,599	-	0.2
				General and administrative expenses	38	-	-
				Acquisitions of property, plant and equipment	1,803	-	-
1	VIS Associates Inc.	VIS Micro, Inc.	Indirect subsidiary	General and administrative expenses	39,689	-	0.3

2008

No.	Company Name	Company Name	Nature of Relationship	Intercompany Transactions			
				Financial Statement Item	Amount	Terms (Note)	Percentage of Consolidated Total Gross Sales or Total Assets
0	Vanguard International Semiconductor Corporation	VIS Micro, Inc.	Indirect subsidiary	Marketing expenses	$ 36,491	-	0.2
				Payables to related parties	2,471	-	-
		VIS Singapore Pte. Ltd.	Indirect subsidiary	Research and development expenses	32,927	-	0.2
				Payables to related parties	2,396	-	-

Note: For intercompany transactions, the terms were based on related agreements.