Vanguard International Semiconductor Corporation and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2008 and Independent Accountants' Review Report

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and the Shareholders
Vanguard International Semiconductor Corporation

We have reviewed the accompanying consolidated balance sheets of Vanguard International Semiconductor Corporation and subsidiaries (the "Group") as of September 30, 2008, and the related consolidated statements of income and cash flows for the nine months then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

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

In March 2007, the ARDF issued an interpretation that requires companies to recognize as compensation expenses bonuses paid to employees, directors and supervisors beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings.

As disclosed in Note 2 to the accompanying consolidated financial statements, the Group adopted the recently released regulation No. 0960064020 issued by Financial Supervisory Commission, Executive Yuan, single period presentation is allowed for the consolidated financial statement upon the first-time adoption of the regulation.

October 7, 2008

Notice to Readers

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

For the convenience of readers, the accountants' review 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' review report and consolidated financial statements shall prevail.

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2008
(In Thousands of New Taiwan Dollars, Except Par Value)
(Reviewed, Not Audited)

ASSETS	Amount	%
CURRENT ASSETS		
Cash and cash equivalents (Notes 2 and 4)	$ 3,570,727	14
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	15,360	-
Available-for-sale financial assets - current (Notes 2 and 6)	2,739	-
Financial assets held to maturity (Notes 2 and 7)	285,791	1
Derivative financial assets for hedging - current (Notes 2 and 8)	514	-
Receivables from related parties (Note 22)	705,776	3
Notes and accounts receivable	2,246,777	9
Allowance for doubtful receivables (Note 2)	(46,925)	-
Allowance for sales returns and discounts (Note 2)	(61,679)	-
Inventories, net (Notes 2 and 9)	2,118,951	8
Prepaid expenses and other current assets (Note 22)	147,283	1
Deferred income tax assets - current (Notes 2 and 20)	500	-
Total current assets	8,985,814	36
INVESTMENTS		
Long-term stock investments accounted for by the equity method (Notes 2 and 10)	200,478	1
Available-for-sale financial assets - noncurrent (Notes 2 and 6)	265,885	1
Financial assets carried at cost - noncurrent (Notes 2 and 11)	137,852	-
Total investments	604,215	2
PROPERTIES (Notes 2, 12 and 13)		
Cost		
Buildings	11,851,821	47
Machinery and equipment	45,382,034	181
Other equipment	345,028	2
Total cost	57,578,883	230
Accumulated depreciation	(44,420,338)	(177)
Prepayments and construction in progress	993,126	4
Net properties	14,151,671	57
OTHER ASSETS		
Assets leased to others, net (Notes 2 and 13)	1,188,695	5
Deferred charges, net (Notes 2 and 14)	72,329	-
Deferred income tax assets - noncurrent (Notes 2 and 20)	50,109	-
Refundable deposits	5,620	-
Total other assets	1,316,753	5
TOTAL	$ 25,058,453	100

LIABILITIES AND SHAREHOLDERS' EQUITY	Amount	%
CURRENT LIABILITIES		
Financial liabilities at fair value through profit or loss - current (Notes 2 and 5)	40,725	-
Derivative financial liabilities for hedging (Notes 2 and 8)	34,138	-
Payables to related parties (Note 22)	85,698	-
Notes and accounts payable	913,114	4
Income tax payables (Notes 2 and 20)	92,192	-
Payables to contractors and equipment suppliers	492,124	2
Accrued expenses and other current liabilities (Note 15)	1,702,792	7
Total current liabilities	3,360,783	13
OTHER LIABILITIES		
Accrued pension costs (Notes 2 and 19)	468,318	2
Guarantee deposits (Note 22)	46,360	-
Total other liabilities	514,678	2
Total liabilities	3,875,461	15
SHAREHOLDERS' EQUITY (Notes 2, 16 and 17)		
Capital stock, NT$10.00 par value;		
Authorized - 3,300,000 thousand shares		
Issued and outstanding - 1,712,486 thousand shares	17,124,860	69
Capital surplus		
Employee stock options	468,143	2
Long-term stock investments	68,334	-
Total capital surplus	536,477	2
Retained earnings		
Legal reserve	1,480,568	6
Unappropriated earnings	2,249,277	9
Total retained earnings	3,729,845	15
Others		
Unrealized gains on financial instruments (Note 25)	(153,486)	(1)
Cumulative translation adjustments	(45,008)	-
Treasury stock (at cost) - 859 thousand shares	(9,696)	-
Total others	(208,190)	(1)
Total shareholders' equity	21,182,992	85
TOTAL	$ 25,058,453	100

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

(With Deloitte & Touche review report dated October 7, 2008)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2008
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	Amount	%
GROSS SALES (Notes 2, 8, 22 and 25)	$13,451,063	
SALES RETURNS AND DISCOUNTS (Note 2)	(7,439)	
NET SALES	13,443,624	100
COST OF SALES (Notes 21 and 22)	10,583,426	79
GROSS PROFIT	2,860,198	21
OPERATING EXPENSES (Notes 21 and 22)		
General and administrative	560,854	4
Marketing	96,511	1
Research and development	605,169	4
Total operating expenses	1,262,534	9
OPERATING INCOME	1,597,664	12
NONOPERATING INCOME AND GAINS		
Interest	99,758	1
Rental (Note 13)	85,737	1
Foreign exchange gain, net (Note 2)	52,658	-
Dividends(Note 2)	20,086	-
Gain on disposal of properties (Note 2)	7,888	-
Other (Note 22)	38,690	-
Total nonoperating income and gains	304,817	2
NONOPERATING EXPENSES AND LOSSES		
Assets leased to others cost (Note 13)	68,923	1
Investment loss recognized by the equity method, net (Notes 2 and 10)	26,358	-
Valuation loss on financial instruments (Notes 2, 5 and 25)	22,846	-
Loss on disposal of properties (Note 2)	338	-
Other	14,897	-
Total nonoperating expenses and losses	133,362	1
INCOME BEFORE INCOME TAX	1,769,119	13
INCOME TAX EXPENSE (Notes 2 and 20)	201,472	1
CONSOLIDATED NET INCOME	$ 1,567,647	12

(Continued)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2008
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	Before Income Tax	After Income Tax
CONSOLIDATED EARNINGS PER SHARE (Note 18)		
Basic	$ 1.03	$ 0.91
Diluted	$ 1.01	$ 0.90

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

(With Deloitte & Touche review report dated October 7, 2008) (Concluded)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2008
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

CASH FLOWS FROM OPERATING ACTIVITIES	
Consolidated net income	$ 1,567,647
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	2,466,675
Investment loss recognized by the equity method, net	26,358
Cash dividends from long-term stock investments accounted for by the equity method	1,062
Deferred income tax assets	109,369
Gain on disposal of properties, net	(7,550)
Accrual of pension cost	3,375
Amortized discounts for bonds	(5,516)
Provision for doubtful receivables	6,433
Reversal of allowance for sales returns and discounts	(65,184)
Net changes in operating assets and liabilities	
Financial assets for trading	(8,769)
Receivables from related parties	194,803
Notes and accounts receivable	(316,495)
Inventories	(618,362)
Prepaid expenses and other current assets	185,955
Derivative financial Instruments for hedging	17,145
Financial liabilities for trading	39,905
Payables to related parties	(60,134)
Notes and accounts payable	212,722
Income tax payable	(4,895)
Accrued expenses and other current liabilities	295,614
Net cash provided by operating activities	4,040,158
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of held-to-maturity financial assets	(783,123)
Proceeds of the disposal of held-to-maturity financial assets	1,195,012
Decrease in bond portfolios with no active market	72,734
Increase in long-term stock investments accounted for by the equity method	(17,384)
Acquisition of properties	(4,329,284)
Return of capital of financial assets carried at cost	27,099
Proceeds of disposal of properties	7,961
Increase in deferred charges	(15,938)
Increase in refundable deposits	(1,310)
Net cash used in investing activities	(3,844,233)

(Continued)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2008
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

CASH FLOWS FROM FINANCING ACTIVITIES	
Increase in guarantee deposits	$ 29,452
Cash dividends paid for common stock	(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	20,326
Acquisitions of treasury stock	(355,977)
Net cash used in financing activities	(3,360,359)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,164,434)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	6,736,725
EFFECT OF EXCHANGE RATE CHANGES	(1,564)
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 3,570,727
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Income tax paid	$ 96,974
NONCASH INVESTING ACTIVITIES	
Reclassification of properties into assets leased to others	$ 1,257,618
CASH PAID FOR ACQUISITION OF PROPERTIES	
Total acquisitions	$ 3,875,081
Decrease in payables to contractors and equipment suppliers	454,203
	$ 4,329,284

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

(With Deloitte & Touche review report dated October 7, 2008) (Concluded)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2008
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

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.

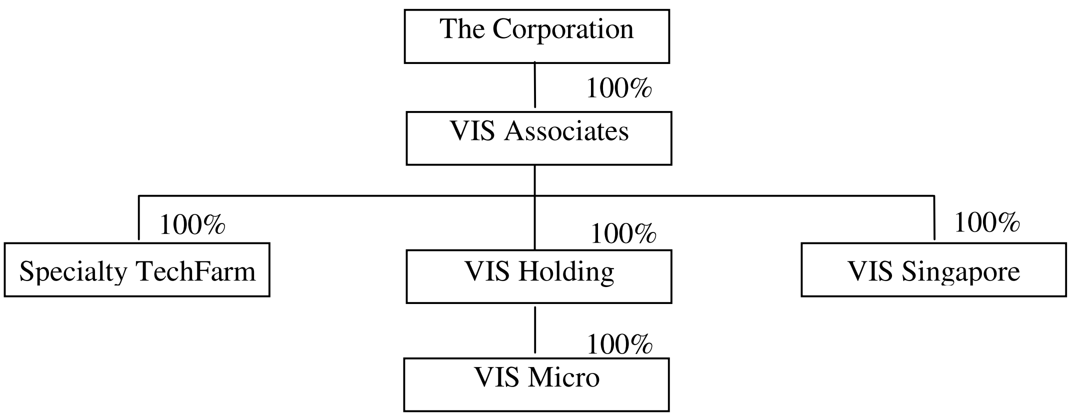
The Corporation researches, designs, manufactures, packages, tests and sells memory integrated circuits (ICs), large-scale integrated ICs (LSIs), very large-scale integrated ICs (VLSIs) and related parts.

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 modeling and special production process design service. VIS-Micro engages in marketing service.

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

The following diagram shows the relationship and ownership percentages between the Corporation and its consolidated subsidiaries (collectively, the “Group”) as of September 30, 2008:



VIS Singapore did not meet the significant subsidiaries definition according to regulation No. 0930105373 issued by Financial Supervisory Commission, Executive Yuan (the "FSC"); thus, the financial statement of VIS Singapore have not been reviewed. The Corporation believes that, had VIS Singapore's financial statements been reviewed, any adjustments arising would have had no material effect on the Company's financial statements.

As of September 30, 2008, the Corporation and subsidiaries had 3,755 employees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers, regulation No. 0960064020 of FSC issued on November 15, 2007 and accounting principles generally accepted in the Republic of China (ROC). Under these guidelines and principles, the Group should make certain estimates and assumptions that could affect the amounts of allowance for doubtful accounts, allowance for sales returns and discounts, decline in market value of inventories, depreciation of properties, depreciation of assets leased to others, amortization of deferred charges, pension expenses, income tax expenses and compensation expenses for bonuses paid to employees, directors and supervisors. Actual results could differ from these estimates.

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

According to the recently released regulation No. 0960064020 issued by Financial Supervisory Commission, Executive Yuan, effective January 1, 2008, the corporation shall release its consolidated financial statement as of and for the nine months ended September 30, 2008. Single period representation is allowed upon the first-time adoption of such regulation.

The 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 nine months ended September 30, 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 12 months from the balance sheet date. All other assets such as property, plant, assets leased to others, and deferred charges are classified as non-current assets. Current liabilities are obligations incurred for trading purpose or to be settled within 12 months from the balance sheet date. All other assets and liabilities are classified as noncurrent.

Cash Equivalents

Government bonds acquired under agreements for resell less than three months from the date of purchase are classified as cash equivalents. Their carrying amounts approximate their fair values.

Financial Instruments at Fair Value through Profit or Loss

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

These financial instruments, except derivatives, are initially recognized at fair value. 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. Cash dividends received subsequently (including those received in the year of investment) are recognized as income for the period. 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. If the fair value of the derivative is a positive number, the derivative is listed as a financial asset; otherwise, the derivative is listed as a financial liability.

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

Available-for-sale Financial Assets

Available-for-sale financial assets are initially 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.

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.

Financial Assets Held-to-maturity

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 the acquisition. Profit or loss is recognized when the financial assets are derecognized, impaired, or amortized. All regular way 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.

Bond Portfolios with No Active Market

Bond portfolios with fixed or determinable payments and with no quoted prices in an active market are carried at amortized cost using the effective interest method. These bond portfolios are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Profit or loss is recognized at the time of derecognition, impairment or amortization. All regular way purchase or sale of financial assets are 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.

Allowance for Doubtful Receivables

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

Inventories

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

Long-term Stock Investments Accounted for by the Equity Method

Investments in shares of stock of companies in which the 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 Corporation's proportionate interest in the investee if there are changes in the investee's equity, other than capital stocks and retained earnings.

On the balance sheet date, the 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.

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 and Assets Leased to Others

Properties (fix 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. Borrowing costs directly attributable to the acquisition or construction of property, plant and equipment are capitalized as part of the cost of those assets.

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.

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 and 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.

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, 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 Corporation 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. Allowances and related provisions for sales returns and discounts are recorded in the period the related revenue is recognized on the basis of the Corporation'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 Corporation 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

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.

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.

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

a. 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.

3. ACCOUNTING CHANGES

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

   In March 2007, the ARDF issued an interpretation that requires companies to recognize as compensation expenses bonuses paid to employees, directors and supervisors beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. The adoption of this interpretation resulted in a decrease of NT$214,180 thousand in net income and a decrease in after income tax basic earnings per share of NT$0.12 for the nine months ended September 30, 2008.

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

   On January 1, 2008, the Corporation adopted the newly released SFAS No. 39, "Accounting for Share-based Payment". This accounting change did not have a material effect on the Corporation's financial statements as of and for the nine months ended September 30, 2008.

4. CASH AND CASH EQUIVALENTS

	September 30, 2008
Bank deposits	$ 3,331,214
Government bonds acquired under resale agreements	239,513
	$ 3,570,727

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

Financial instruments for trading consisted of the following:

	September 30, 2008
Financial assets for trading	
Forward exchange contracts	$ 14,672
Currency-swap contracts	688
	$ 15,360
Financial liabilities for trading	
Forward exchange contracts	$ 40,725

The Corporation entered into derivative transactions in the nine months ended September 30, 2008 to manage exposures related to exchange 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 September 30, 2008 was as follows:

Contract	Currency	Contract Expiry Date	Contract Amount (in Thousands)
September 30, 2008			
Buy forward exchange contracts	NT$ to US$	2008.11.10-2008.11.17	US$ 2,000
Sell forward exchange contracts	US$ to JPY	2008.10.08-2008.11.19	US$ 7,000
Sell forward exchange contracts	US$ to NT$	2008.10.15-2008.12.02	US$ 46,000

b. Outstanding Currency-swap contracts as of September 30, 2008 was as follows:

Currency	Contract Expiry Date	Contract Amount (in Thousands)
September 30, 2008		
US$ to JPY	2008.12.03	US$950

The net gain on financial instrument for trading was $11,034 thousand in the nine months ended September 30, 2008.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	September 30, 2008
Listed stocks - Walton Advanced Engineering, Inc. (WAE)	$ 221,322
Listed stocks - International Semiconductor Technology Ltd.	44,563
Listed stocks - Advanced Analogic Technologies, Inc. (US$85 thousand)	2,739
	268,624
Less: Financial assets classified as noncurrent assets	(265,885)
	$ 2,739

7. HELD-TO-MATURITY FINANCIAL ASSETS - CURRENT

	Principal Amount	Interest Rate	Maturity Date
September 30, 2008			
Fixed rate callable deposits			
Structured time deposits	$ 285,791	3.00%-4.30%	October 2008

As of September 30, 2008, principal amount was US$8,944 thousand.

8. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

Derivative financial instruments for hedging (reference to Note 25) consisted of the following:

	September 30, 2008
Derivative financial assets for hedging	
Current	
Forward exchange contracts	$ 514
Derivative financial liabilities for hedging	
Current	
Forward exchange contracts	$ 34,138

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. The corporation 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 for the above hedging purposes.

For the nine months ended September 30, 2008, the Corporation used forward exchange contracts to hedge risks on exchange rate fluctuations of expected sales transactions and foreign-currency denominated accounts receivables. The outstanding forward contracts as of September 30, 2008 was as follows:

September 30, 2008	Currency	Maturity Date	Contract Amount (in Thousands)
Sell forward exchange contracts	US$ to NT$	2008.10.17-2008.12.16	US$25,000

The loss on derivative financial instruments used for cash flow hedging was $15,007 thousand for the nine months ended September 30, 2008, which are recorded as a reduction of gross sales.

The gain on derivative financial instruments used for fair value hedging was $67,620 thousand, for the nine months ended September 30, 2008 which is recognized in nonoperating income and expenses.

9. INVENTORIES, NET

	September 30, 2008
Finished goods	$ 72,862
Work in process	1,208,490
Raw materials	315,679
Supplies and spare parts	544,271
	2,141,302
Allowance for inventory losses	(22,351)
	$ 2,118,951

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

	September 30, 2008	
	Carrying Value	% of Owner-ship
Unlisted stocks		
CMSC, Inc.	$ 97,519	25
Inno-Tech Co., Ltd.	42,192	40
SkyTraq Technology, Inc.	28,378	28
LayerWalker Technology, Inc.	22,410	27
Linear Atrwork, Inc.	9,979	28
	$ 200,478	

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

	Nine Months Ended September 30, 2008
	The Investment Loss Recognized by the Group
CMSC, Inc.	$ (6,437)
Inno-Tech Co., Ltd.	(9,290)
SkyTraq Technology, Inc.	(3,004)
LayerWalker Technology, Inc.	(4,666)
Linear Atrwork, Inc.	(2,961)
	$ (26,358)

The investment net assets of the investees were as follows:

	September 30, 2008
Total assets of the investees	$ 1,055,299
Total liabilities of the investees	338,575
Total net assets of the investees	$ 716,724
Total net assets at the Group's proportionate interest in the investee	$ 200,478

The carrying value of the equity-method investments and the related investment net loss were based on the investees' unreviewed financial statements, except of CMSC, Inc., of the same reporting periods as those of the Group. The Corporation believes that, had those investee's financial statements been reviewed, any adjustments arising would have had no material effect on the Corporation's financial statements.

11. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	September 30, 2008
Unlisted stocks	
Silicon Valley Equity Fund II	$ 50,980
United Industrial Gases Co., Ltd.	38,716
Uniband Electronic Corp.	31,671
Goyatek Technology Inc.	14,233
Megica Corporation	2,252
	$ 137,852

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.

12. PROPERTIES

	Nine Months Ended September 30, 2008				
	Buildings	Machinery and Equipment	Other Equipment	Prepayments and Construction in Progress	Total
Cost					
Beginning	$ 8,613,941	$ 38,090,201	$ 246,215	$ 9,063,230	$ 56,013,587
Acquired	4,499,672	7,345,535	99,978	(8,070,104)	3,875,081
Reclassification	(1,257,618)	-	-	-	(1,257,618)
Disposal	(4,174)	(53,702)	(1,146)	-	(59,022)
Cumulative translation adjustments	-	-	(19)	-	(19)
Ending	$ 11,851,821	$ 45,382,034	$ 345,028	$ 993,126	$ 58,572,009

	Nine Months Ended September 30, 2008			
	Buildings	Machinery and Equipment	Other Equipment	Total
Accumulated depreciation				
Beginning	$ 7,426,666	$ 34,530,804	$ 171,439	$ 42,128,909
Depreciation	350,124	1,965,992	33,949	2,350,065
Disposal	(4,151)	(53,403)	(1,057)	(58,611)
Cumulative translation adjustments	-	-	(25)	(25)
Ending	$ 7,772,639	$ 36,443,393	$ 204,306	$ 44,420,338

13. ASSETS LEASED TO OTHERS, NET

	Nine Months Ended September 30, 2008
Buildings	
Cost	
Beginning	$ -
Reclassified	1,257,618
Ending	1,257,618
Accumulated depreciation	
Beginning	-
Depreciation	68,923
Ending	68,923
Net balance	$ 1,188,695

The Corporation leased several floors of the plant that acquired from Winbond to Winbond. Lease terms starts from January 1, 2008 to December 31, 2009. Annual rentals aggregate $114,316 thousand.

14. DEFERRED CHARGES, NET

Software design costs

	Nine Months Ended September 30, 2008
Cost	
Beginning	$ 735,871
Acquired	15,938
Disposal	(96)
Cumulative translation adjustments	(8)
Ending	751,705
Accumulated amortization	
Beginning	631,780
Amortization	47,687
Disposal	(96)
Cumulative translation adjustments	5
Ending	679,376
Net balance	$ 72,329

15. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	September 30, 2008
Royalty	$ 488,916
Bonus	256,221
Others	957,655
	$ 1,702,792

	Royalty	Bonus
January 1, 2008	$ 481,668	$ 271,062
Add: Reversal of payables to related parties	95,286	-
Accrued	267,820	436,981
Reduce: Payable	(288,967)	(451,822)
Classification as payables to related parties	(66,891)	-
September 30, 2008	$ 488,916	$ 256,221

16. SHAREHOLDERS' EQUITY

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

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

a. 1% as remuneration to directors and supervisors;

b. At least 1% as bonus to employees;

c. Special reserve; and

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

All profits may be distributed after taking into consideration 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.

For the nine months ended September 30, 2008, the bonus to employees and bonus to directors and supervisors, representing 15% and 1% of net income (net of bonus to employees and remuneration to directors and supervisors), respectively, were accrued based on past experiences, corporation policy and related law and decree. Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are retroactively adjusted for in the current year. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. 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.

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 2007 was approved in the shareholders' meetings held on June 13, 2008. The appropriations and dividends per share were as follows:

	Appropriation of Earnings 2007	Dividend Per Share (NT$) 2007
Legal reserve	$ 432,108	$ -
Reversal of Special reserve	(40,560)	-
Stock dividends	34,010	0.02
Cash dividends	2,890,824	1.70
Bonus to employees - in stock	186,670	-
Bonus to employees - in cash	124,447	-
Remuneration to directors and supervisors	38,889	-
	$ 3,666,388	

The amounts of the appropriations of earnings for 2007 was consistent with the resolutions of the meetings of the Board of Directors held on February 26, 2008.

The appropriation of stock bonuses to employees and stock dividends resulted in the issuance of additional shares amounting to $220,680 thousand and capital surplus transferred to common stock $51,014 thousand. These appropriations have been approved by the FSC and will taken effect on July 29, 2008. As of September 30, 2008, the Corporation's paid-in capital amounted to $17,124,860 thousand, after the capital increasings, option exercising, and treasure stock retiring activities during the period.

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 nine months ended September 30, 2008, movements of unrealized gain or loss on financial instruments were as follows:

Nine months ended September 30, 2008	Available-for-sale Financial Assets	Gain (Loss) on Cash Flow Hedge	Total
Balance, beginning of period	$ 149,126	$ (5,709)	$ 143,417
Recognized in shareholders' equity	(302,846)	(9,064)	(311,910)
Transferred to profit or loss	-	15,007	15,007
Balance, end of period	$ (153,720)	$ 234	$ (153,486)

Translation adjustment

For the nine months ended September 30, 2008, movements of translation adjustment were as follows:

Nine months ended September 30, 2008	Foreign Currency Exchange Valuation Difference
Balance, beginning of period	$ (41,879)
Recognized in shareholders' equity	(3,129)
Balance, end of period	$ (45,008)

Employee Stock Option Plans

On February 20, 2001, June 21, 2002 and September 18, 2003, the Corporation received approvals from the SFB of its adoption of Employee Stock Option Plans (hereinafter referred to as the "2001 Plan", "2002 Plan", and "2003 Plan"). The 2001, 2002, and 2003 Plan consisted of 16,000, 70,000 and 70,000 thousand units, respectively. 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. Information about employee stock options was as follows:

	2003 Plan		2002 Plan		2001 Plan	
Nine months ended September 30, 2008	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$)
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 cancelled	(145)	17.80	-	-	(5)	-
Ending balance	33,220	17.62	9,564	12.80	3,623	16.70

The number of outstanding stock 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 September 30, 2008 were as follows:

	Options Outstanding			Options Exercisable	
Range of 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					
$14.0-$18.6	33,220	5.15-5.95	$ 17.62	33,220	$ 17.62
2002 plan					
$12.8	9,564	3.98	12.80	9,564	12.80
2001 plan					
$13.4-$18.0	3,623	2.64-3.34	16.70	3,623	16.70

No employee stock options were granted in the nine months ended September 30, 2008 and 2007. 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

	Nine Months Ended September 30, 2008
Consolidated net income:	
Consolidated net income as reported	$ 1,567,647
Pro forma consolidated net income	$ 1,558,297
Consolidated earnings per share (EPS) (NT$):	
Basic Consolidated EPS as reported	$0.91
Pro forma basic consolidated EPS	$0.90
Diluted consolidated EPS as reported	$0.90
Pro forma diluted consolidated EPS	$0.89

17. TREASURY STOCK

(Shares in Thousands)

Purpose of Treasury Stock	Number of Shares, Beginning of Period	Addition During the Period	Reduction During the Period	Number of Shares, End of Period
Nine months ended September 30, 2008				
To maintain the Company's credibility and shareholders' interest	-	17,217	16,358	859

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 stock 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.

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.

18. CONSOLIDATED EARNINGS PER SHARE

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

	Amounts (Numerator)		Shares	Consolidated EPS (NT$)	
	Before Income Tax	After Income Tax	(Denominator) (Thousands)	Before Income Tax	After Income Tax
Nine months ended September 30, 2008					
Consolidated net income	$ 1,769,119	$ 1,567,647			
Basic Consolidated EPS					
Consolidated net income of common shareholders	$ 1,769,119	$ 1,567,647	1,722,182	$ 1.03	$ 0.91
Effect of dilutive securities					
Employee stock option	-	-	4,857		
Bonus to employees	-	-	19,405		
Diluted Consolidated EPS					
Consolidated net income of common and potential common shareholders	$ 1,767,119	$ 1,567,647	1,746,444	$ 1.01	$ 0.90

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 consolidated 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 of the balance sheet date. The dilutive effect of the shares needs to be considered until the shareholders resolve the number of shares to be distributed to employees in their meeting in the following year.

19. 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$92,214 thousand for the nine months ended September 30, 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$15,945 thousand for the nine months ended September 30, 2008.

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 cost of NT$1,209 thousand for the nine months ended September 30, 2008.

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

	Nine Months Ended September 30, 2008
Pension fund	
Balance, beginning of period	$ 243,277
Contributions	12,474
Interest	8,154
Balance, end of period	$ 263,905
Accrued pension liabilities	
Balance, beginning of period	$ 464,943
Add: Recorded under accrued expenses and other current liabilities, beginning of period	1,310
Provisions	15,945
Contributions	(12,474)
Deducted: Recorded under accrued expenses and other current liabilities, end of period	(1,406)
Balance, end of period	$ 468,318

20. INCOME TAX EXPENSE

a. A reconciliation of income tax expense based on income before income tax at the statutory rate and current income tax expense before income tax credits was shown below:

	Nine Months Ended September 30, 2008
Income tax expense based on income before income tax at statutory rate	$ 442,338
Additional 10% on the unappropriated earnings	64,931
Permanent differences	2,764
Temporary differences	(61,786)
Current income tax expense before income tax credits	$ 448,247

b. Income tax expense were as follows:

Current income tax expense before income tax credits	$ 448,247
Operating loss carryforwards	(183,431)
Investment tax credits	(173,100)
Net change in deferred income tax assets	
Investment tax credits	(23,369)
Operating loss carryforwards	170,512
Temporary differences	72,474
Adjustment for prior years' tax	244
Adjustment in valuation allowance	(110,248)
Others	143
Income tax expense	$ 201,472

c. Movement of Income tax payable on balance sheet was as follows:

Beginning	$ 97,087
Current income tax payable	91,716
Current income tax paid	(96,974)
Adjustment for prior years' tax	244
Others	119
Ending	$ 92,192

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

	September 30, 2008
Current	
Investment tax credits	$ 142,657
Operating loss carryforwards	61,144
Loss on inventory valuation and obsolescence	27,082
Other	18,101
	248,984
Valuation allowance	(248,484)
	$ 500

(Continued)

	September 30, 2008
Noncurrent	
Investment tax credits	$ 631,385
Operating loss carryforwards	29,320
Depreciation and amortization	246,915
Investment gain recognized by the equity method, net	(22,954)
Accrued pension cost	117,079
Other	(548)
	1,001,197
Valuation allowance	(951,088)
	$ 50,109

(Concluded)

e. The imputation credit account (ICA) balances as of September 30, 2008 was $26,768 thousand.

The actual creditable ratio for distributing the earnings of 2007 was 2.87 %.

f. The unappropriated retained earnings as of September 30, 2008 did not contain the unappropriated earnings generated on and before January 1, 1998.

g. As of September 30, 2008, 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	$ 244,575	$ 61,144	2008
Statute for Upgrading Industries	Purchase of machinery and equipment	$ 238,596	$ 65,496	2008
		37,752	37,752	2009
		40,513	40,513	2010
		102,665	102,665	2011
		9,962	9,962	2012
		$ 429,488	$ 256,388	
	Research and development expenditures	$ 76,385	$ 76,385	2008
		188,700	188,700	2009
		67,681	67,681	2010
		132,980	132,980	2011
		29,655	29,655	2012
		$ 495,401	$ 495,401	

(Continued)

Regulatory Basis of Tax Credits	Items	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
	Personnel training expenditures	$ 776	$ 776	2008
		985	985	2009
		1,567	1,567	2010
		2,606	2,606	2011
		1,345	1,345	2012
		$ 7,279	$ 7,279	
Statute for Upgrading Industries	Investments in important technology - based enterprise	$ 6,428	$ 6,428	2010
		8,546	8,546	2011
		$ 14,974	$ 14,974	

(Concluded)

As of September 30, 2008, the operating loss carryforwards of VIS Holding were as follows:

Expiry Year	Remaining Creditable Amount
2020	$ 28,842
2021	309
2027	169
	$ 29,320

Income tax returns of the Corporation through 2006 had been examined and cleared by the tax authorities.

21. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSE

	Nine months ended, September 30, 2008		
	Classified as Cost of Sales	Classified as Operating Expenses	Total
Labor cost			
Salary	$ 1,976,233	$ 430,188	$ 2,406,421
Labor/health insurance	108,117	25,325	133,442
Pension	89,168	20,200	109,368
Others	64,672	16,053	80,725
	$ 2,238,190	$ 491,766	$ 2,729,956
Depreciation	$ 2,309,152	$ 40,913	$ 2,350,065
Amortization	$ 19,648	$ 28,039	$ 47,687

22. RELATED-PARTY TRANSACTIONS

The Group's related parties were as follows:

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

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

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

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

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

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

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

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

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

j. Others - related parties over which the Corporation has substantial influence but without any transactions (Note 26).

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

	2008	
	Amount	**%**
For the period		
Sales		
TSMC	$ 2,606,465	19
Goya	139,595	1
GUC	45,577	-
CMSC	4,222	-
INNO	1,555	-
	$ 2,797,414	20
Manufacturing expenses		
TSMC	$ 317,173	3
General and administrative expenses		
CPSI Management Inc.	$ 5,819	1
Marketing expenses		
TSMC	$ 4,548	5
Research and development expenses		
TSMC	$ 13,770	2

	2008 Amount	%
Nonoperating income and gains		
TSMC	$ 8,552	22
At end of period		
Receivables		
TSMC	$ 668,215	95
GUC	20,072	3
Goya	16,451	2
CMSC	558	-
INNO	480	-
	$ 705,776	100
Prepaid expenses and other current assets		
CPSI Management Inc.	$ 602	-
Payables		
TSMC	$ 85,698	100
Guarantee deposits		
Goya	$ 15,500	33

The terms of sales transactions with related parties were not significantly different from those for third parties. However, for certain related-party transactions; license fee, general and administrative expenses, marketing 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 primary for sales.

23. SIGNIFICANT LONG-TERM OPERATING LEASES

The Corporation leases the sites of its manufacturing plant and parking lot from the Hsinchu Science-Based Industrial Park Administration and a certain individual under renewable operating lease agreements expiring on various dates from April 2010, April 2015, June 2015 and December 2027. Annual rentals aggregate $79,244 thousand. The rental paid 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
2008 (4th quarter)	$ 19,811
2009	79,244
2010	70,231
2011	65,949
2012	65,949
2013 to 2027	798,357
	$ 1,099,541

24. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The significant commitments and contingencies of the Group as of September 30, 2008 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 license fee at a specific percentage of net sales of certain products.

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

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

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

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

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

h. In May 2008, LSI-AGERE (LSI) filed a lawsuit in the International Trade Centre (ITC) for patent infringement against the Corporation and another 23 companies. The litigation is still under investigation process, so the indemnification of this litigation could not be determined at this time. On the basis of this assessment, the Corporation determined that this litigation would not have a material effect on its operations and financial condition.

i. As of September 30, 2008, unused letters of credit aggregated about US$911 thousand and JPY519,428 thousand.

25. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	September 30, 2008	
	Carrying Amount	**Fair Value**
Nonderivative financial instruments		
Assets		
Cash and cash equivalents	$ 3,570,727	$ 3,570,727
Financial assets held to maturity - current	285,791	285,791
Receivables from related parties	705,776	705,776
Notes and accounts receivable	2,246,777	2,246,777

(Continued)

	September 30, 2008	
	Carrying Amount	Fair Value
Available-for-sale financial assets	$ 268,624	$ 268,624
Financial assets carried at cost - noncurrent	137,852	137,852
Liabilities		
Payables to related parties	85,698	85,698
Notes and accounts payable	913,114	913,114
Payables to contractors and equipment suppliers	492,124	492,124
Derivative financial instruments		
Assets		
Forward exchange contracts	14,672	14,672
Currency-swap contracts	688	688
Derivative financial assets for hedging - current		
Forward exchange contracts	514	514
Derivative financial instruments		
Liabilities		
Forward exchange contracts	40,725	40,725
Derivative financial liabilities for hedging - current		
Forward exchange contracts	34,138	34,138

(Concluded)

b. Methods and assumptions used to estimate 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, 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. For those instruments such as derivative financial instruments and held-to-maturity financial assets 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, currency-swap contracts and held-to-maturity financial assets 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.

   Fair value of structured deposit is calculated based on discounted future cash flows.

3) 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:

	September 30, 2008	
	Published Price	**Estimated Price**
Nonderivative financial instruments		
Assets		
Cash and cash equivalents	$ 3,570,727	$ -
Financial assets held to maturity - current	-	285,791
Receivables from related parties	-	705,776
Notes and accounts receivable	-	2,246,777
Available-for-sale financial assets	268,624	-
Liabilities		
Payables to related parties	-	85,698
Notes and accounts payable	-	913,114
Payables to contractors and equipment suppliers	-	492,124
Derivative financial instruments		
Assets		
Forward exchange contracts	-	14,672
Currency-swap contracts	-	688
Derivative financial assets for hedging - current		
Forward exchange contracts	-	514
Liabilities		
Forward exchange contracts	-	40,725
Derivative financial liabilities for hedging - current		
Forward exchange contracts	-	34,138

d. Net loss recognized for the changes in fair value of derivatives estimated using valuation techniques was $ 22,846 thousand for the nine months ended September 30, 2008.

e. As of September 30, 2008, financial assets exposed to fair value interest rate risk amounted to $3,024,667 thousand; financial assets exposed to cash flow interest rate risk amounted to $546,060 thousand.

f. Interest revenues on financial instruments other than the financial assets or liabilities at fair value through profit or loss in the nine months ended September 30, 2008 was $99,758 thousand.

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 $ 454 thousand.

2) Credit risk: Credit risk represents the loss that would be incurred by the Corporation and subsidiaries 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 September 30, 2008, such credit risk amounted to $15,874 thousand. The maximum credit risks of other financial instruments hold by the Corporation and subsidiaries are their book values.

3) Liquidity and cash requirement: The Group has sufficient operating capital to meet cash needed to settle derivative contracts. In addition, the Corporation's residential mortgage-backed securities contains an embedded put options the Corporation can sell this security quickly at a price approximates its amortized cost on the exercise date. However, some equity instruments and structure time deposit 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 September 30, 2008, the Corporation's future cash demand for the outstanding forward exchange contracts and currency swap contracts was as follows

Term	**Inflow (in Thousands)**	**Outflow (in Thousands)**
Within one year	NT$ 2,206,881	US$ 71,000
	JPY 860,755	US$ 7,950
	US$ 2,000	NT$ 63,112

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 September 30, 2008 were significant; thus, it entered into forward exchange contracts to hedge these exposures.

Hedged Item	**Hedging Financial Instrument**	**Fair Value as of September 30, 2008**
Foreign currency accounts receivable	Forward exchange contracts	($33,880)

2) Cash flow hedges:

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

Hedged Item	**Hedging Financial Instrument**	**Fair Value as of September 30, 2008**	**Expected Timing for Future Cash Demand**	**Expected Timing for the Recognition of Gains or Losses from Hedge**
September 30, 2008				
Sales	Forward exchange contracts	$256	October 2008- December 2008	October 2008- December 2008

Item	**Nine Months Ended September 30, 2008**
Unrealized losses recognized in shareholders' equity	$ (9,064)
Transferred to sales	15,007
Adjustment to shareholders' equity	$ 5,943

26. 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 estates at costs of at least $100 million or 20% of the paid-in capital: None.

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

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

h. Receivable from related parties amounting to at least $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).

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2008
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Security Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2008				Note
				Shares/Units (Thousands)	Carrying Value (US$ in Thousands)	% of Ownership	Market Value or Net Asset Value (US$ in Thousands)	
Vanguard International Semiconductor Corporation	Residential mortgage-backed securities							
	Structured time deposits	-	Held-to-maturity financial assets - current	-	$ 285,791	-	$ 285,791	Note 1
	Stock							
	International Semiconductor Technology Ltd.	Investee	Available-for-sale financial assets - noncurrent	7,293	44,563	2	44,563	Note 2
	Walton Advanced Engineering, Inc.	Investee	Available-for-sale financial assets - noncurrent	37,512	221,322	7	221,322	Note 2
	VIS Associates Inc.	Subsidiary	Long-term stock investments accounted for by the equity method	6,000	423,607	100	423,607	Note 3
	CMSC, Inc.	Equity-method investee	Long-term stock investments accounted for by the equity method	9,902	97,519	25	97,519	Note 3
	United Industrial Gases Co., Ltd.	Investee	Financial assets carried at cost - noncurrent	3,357	38,716	2	38,716	Note 4
	Megica Corporation	Investee	Financial assets carried at cost - noncurrent	205	2,252	2	2,252	Note 4
VIS Associates Inc.	Stock							
	Advanced Analogic Technologies, Inc.	Investee	Available-for-sale financial assets - current	18	US$ 85	-	US$ 85	Note 2
	VIS Investment Holding, Inc.	Subsidiary of VIS Associates Inc.	Long-term stock investments accounted for by the equity method	63	US$ 785	100	US$ 785	Note 3
	VIS Singapore Pte Ltd.	Subsidiary of VIS Associates Inc.	Long-term stock investments accounted for by the equity method	1,000	US$ 696	100	US$ 696	Note 5
	Specialty TechFarm, Inc.	Subsidiary of VIS Associates Inc.	Long-term stock investments accounted for by the equity method	10,000	US$ 6,347	100	US$ 6,347	Note 3
	Equity							
	Silicon Valley Equity Fund II	-	Financial assets carried at cost - noncurrent	-	US$ 1,587	14	US$ 1,587	Note 4
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$ 582	100	US$ 582	Note 3

(Continued)

Holding Company Name	Marketable Security Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2008				Note
				Shares/Units (Thousands)	Carrying Value (US$ in Thousands)	% of Ownership	Market Value or Net Asset Value (US$ in Thousands)	
Specialty TechFarm, Inc.	Stock							
	LayerWalker Technology, Inc.	Equity-method investee	Long-term stock investments accounted for by the equity method	4,103	US$ 697	27	US$ 697	Note 5
	SkyTraq Technology, Inc.	Equity-method investee	Long-term stock investments accounted for by the equity method	4,688	US$ 883	28	US$ 883	Note 5
	Inno-Tech Co., Ltd.	Equity-method investee	Long-term stock investments accounted for by the equity method	5,000	US$ 1,313	40	US$ 1,313	Note 5
	Linear Artwork, Inc.	Equity-method investee	Long-term stock investments accounted for by the equity method	2,188	US$ 311	28	US$ 311	Note 5
	Goyatek Technology Inc.	Investee	Financial assets carried at cost - noncurrent	5,000	US$ 443	16	US$ 443	Note 4
	Uniband Electronic Corp.	Investee	Financial assets carried at cost - noncurrent	2,400	US$ 986	6	US$ 986	Note 4

Note 1: The market value was based on the put option price.

Note 2: The market value was based on stock closing price as of September 30, 2008.

Note 3: The net asset value was based on reviewed financial statements for the same period.

Note 4: The market value was based on the book value as of September 30, 2008.

Note 5: The net asset value was based on unreviewed financial statements for the same period.

Note 6: As of September 30, 2008, the above marketable securities had not been pledged or mortgaged.

(Concluded)

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
NINE MONTHS ENDED SEPTEMBER 30, 2008
(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 (US$ in Thousands)	Shares/Units (Thousands)	Amount (US$ in Thousands)	Carrying Value (US$ in Thousands)	Gain (Loss) on Disposal (US$ in Thousands)		Shares/Units (Thousands)	Amount
Vanguard International Semiconductor Corporation	Residential mortgage-backed securities														
	Structured time deposits	Held-to-maturity financial assets - current	-	-	-	$ 97,680	-	$ 783,123	-	$ -	$ 595,012	$ -	$ -	-	$ 285,791
	Bond														
	Bond - 7-Eleven, Inc.	Held-to-maturity financial assets - current	-	-	-	99,515 (Note1)	-	-	-	100,000	100,000	-	485 (Note2)	-	-
	Bond - Greartwall	Held-to-maturity financial assets - current	-	-	-	297,606 (Note1)	-	-	-	300,000	300,000	-	2,394 (Note2)	-	-
	Bond - Formosa Petrochemical Co.	Held-to-maturity financial assets - current	-	-	-	197,363 (Note1)	-	-	-	200,000	200,000	-	2,637 (Note2)	-	-

Note 1: Including amortization of discount on bonds.

Note 2: Interest income.

TABLE 3

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
NINE MONTHS ENDED SEPTEMBER 30, 2008
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Vanguard International Semiconductor Corporation	Taiwan Semiconductor Manufacturing Company Ltd.	Major shareholder	Sale	$ 2,606,465	(19.38%)	Note 1	$ -	-	$668,215	22.63%	-
	Goyatek Technology Inc.	An indirect subsidiary of the Corporation is its director	Sale	139,595	(1.04%)	Note 2	-	-	16,451	0.56%	-

Note 1: Mainly paid on the 45th day after the month of the shipment date.

Note 2: Mainly paid on the 30th day after the month of the shipment date.

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SEPTEMBER 30, 2008
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Vanguard International Semiconductor Corporation	Taiwan Semiconductor Manufacturing Company Ltd.	Major shareholder	$668,215	4.63	$ -	-	$ -	$ -

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE CORPORATION EXERCISES SIGNIFICANT INFLUENCE
NINE MONTHS ENDED SEPTEMBER 30, 2008
(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2008			Net Loss of the Investee	Investment Loss	Note
				September 30, 2008	December 31, 2007	Shares (Thousands)	% of Ownership	Carrying Value			
Vanguard International Semiconductor Corporation	VIS Associates Inc.	British Virgin Islands	Investment	$ 195,492	$ 195,492	6,000	100	$ 423,607	$ (21,077)	$ (21,077)	Subsidiary
	CMSC, Inc.	Hsin-chu City, Taiwan	Integrated circuit design services and related businesses	112,650	112,650	9,902	25	97,519	(26,436)	(6,437)	Equity-method investee

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
NINE MONTHS ENDED SEPTEMBER 30, 2008
(In Thousands of New Taiwan Dollars)

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	$ 28,655	-	0.2%
				Payables to related parties	3,083	-	-
		VIS Singapore Pte Ltd.	Indirect subsidiary	Research and development expenses	25,157	-	0.2%
				Payables to related parties	2,383	-	-

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