Vanguard International Semiconductor Corporation and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2013 and 2012 and Independent Accountants' Review Report

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Stockholders
Vanguard International Semiconductor Corporation

We have reviewed the accompanying consolidated balance sheets of Vanguard International Semiconductor Corporation (the "Corporation") and its subsidiaries (collectively referred to as the "Group") as of March 31, 2013, December 31, 2012, March 31, 2012 and January 1, 2012 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

We conducted our reviews in accordance with Statement of Auditing Standards No. 36 "Engagements to Review Financial Statements" issued by the Auditing Standards 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 of 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, International Financial Reporting Standards 1, "First-time Adoption of International Financial Reporting Standards", and International Financial Reporting 34, "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

May 2, 2013

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

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance/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 applied in the Republic of China.

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars, Except Par Value)
(Reviewed, Not Audited)

	March 31, 2013		December 31, 2012		March 31, 2012		January 1, 2012	
ASSETS	Amount	%	Amount	%	Amount	%	Amount	%
CURRENT ASSETS								
Cash and cash equivalents (Notes 4 and 6)	$ 12,077,418	46	$ 11,090,275	45	$ 8,000,386	36	$ 8,200,855	36
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	2,879	-	22,050	-	46,816	-	2,852	-
Available-for-sale financial assets - current (Notes 4 and 8)	131,159	-	126,835	1	64,392	-	6,670	-
Derivative financial assets for hedging - current (Notes 4 and 9)	23	-	86	-	34	-	243	-
Notes and accounts receivable, net (Notes 4, 5 and 11)	2,219,679	9	2,240,214	9	1,662,243	8	1,412,163	6
Receivables from related parties (Notes 5 and 29)	548,585	2	364,354	1	523,479	2	945,775	4
Other receivables (Note 4)	61,094	-	63,013	-	49,564	-	54,338	-
Other receivables from related parties (Notes 4 and 29)	1,729	-	10,408	-	11,688	-	56,094	-
Inventories (Notes 4 and 12)	1,965,831	8	1,852,572	7	1,407,780	7	1,230,585	6
Prepaid expenses	116,504	-	123,914	1	96,476	1	86,284	1
Other current assets (Notes 4 and 16)	176,042	1	82,891	-	42,934	-	33,723	-
Total current assets	17,300,943	66	15,976,612	64	11,905,792	54	12,029,582	53
NON-CURRENT ASSETS								
Financial assets at fair value through profit or loss - noncurrent (Notes 4 and 7)	148,897	1	40,146	-	-	-	-	-
Available-for-sale financial assets - noncurrent (Notes 4 and 8)	8,052	-	6,840	-	161,718	1	124,331	-
Financial assets carried at cost - noncurrent (Notes 4 and 10)	53,573	-	53,160	-	53,404	-	53,782	-
Investment accounted for using equity method (Notes 4 and 13)	105,810	-	110,033	1	120,959	-	125,912	-
Property, plant and equipment (Notes 4, 14, 26 and 29)	8,028,633	31	8,219,842	33	9,483,528	43	10,195,089	45
Intangible assets (Notes 4 and 15)	6,503	-	6,660	-	7,726	-	9,811	-
Deferred tax assets (Notes 4, 5 and 23)	153,139	1	182,447	1	162,161	1	136,118	1
Refundable deposits	5,175	-	5,162	-	5,165	-	5,168	-
Other noncurrent assets (Notes 4, 16 and 30)	283,300	1	181,300	1	181,300	1	181,300	1
Total non-current assets	8,793,082	34	8,805,590	36	10,175,961	46	10,831,511	47
TOTAL	$ 26,094,025	100	$ 24,782,202	100	$ 22,081,753	100	$ 22,861,093	100

LIABILITIES AND EQUITY	March 31, 2013		December 31, 2012		March 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%	Amount	%
CURRENT LIABILITIES								
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	44,619	-	418	-	2,748	-	9,711	-
Derivative financial liabilities for hedging - current (Notes 4 and 9)	3,345	-	74	-	1,464	-	7,488	-
Notes and accounts payable (Notes 4 and 29)	899,499	4	737,519	3	681,767	3	433,992	2
Payables to contractors and equipment suppliers (Note 4)	270,608	1	373,714	2	191,491	1	230,227	1
Other payables - related parties (Notes 4 and 29)	117,623	1	127,454	1	97,375	1	86,603	-
Current income tax liabilities (Notes 4 and 23)	314,969	1	254,952	1	91,554	-	89,311	1
Provisions - current (Notes 4, 5 and 18)	52,785	-	55,731	-	47,493	-	42,386	-
Other current liabilities (Notes 4, 17 and 29)	1,105,929	4	1,328,350	5	850,895	4	1,061,239	5
Total current liabilities	2,809,377	11	2,878,212	12	1,964,787	9	1,960,957	9
NON-CURRENT LIABILITIES								
Deferred tax liabilities (Notes 4 and 23)	26,484	-	-	-	-	-	-	-
Accrued pension cost (Notes 4 and 19)	546,736	2	546,554	2	510,161	2	510,018	2
Guarantee deposits (Note 29)	25,891	-	25,545	-	10,992	-	8,962	-
Total non-current liabilities	599,111	2	572,099	2	521,153	2	518,980	2
Total liabilities	3,408,488	13	3,450,311	14	2,485,940	11	2,479,937	11
Accrued profit sharing to employees and bonus to directors and supervisors (Note 20)	499,182	2	364,694	1	143,359	1	139,217	1
EQUITY (Notes 4 and 20)								
Capital stock								
Common stock	16,317,686	63	16,284,830	66	16,192,462	73	16,191,160	71
Capital surplus	638,739	2	594,675	2	466,983	2	459,885	2
Retained earnings								
Legal reserve	1,877,144	7	1,877,144	8	1,788,926	8	1,788,926	8
Special reserve	105,057	1	105,057	-	-	-	-	-
Unappropriated earnings	3,972,849	15	3,092,261	13	1,984,196	9	1,960,188	8
Total retained earnings	5,955,050	23	5,074,462	21	3,773,122	17	3,749,114	16
Other equity	(60,561)	-	(68,993)	-	(73,850)	-	(105,044)	(1)
Treasury stock	(664,559)	(3)	(917,777)	(4)	(906,263)	(4)	(53,176)	-
Total equity	22,186,355	85	20,967,197	85	19,452,454	88	20,241,939	88
TOTAL	$ 26,094,025	100	$ 24,782,202	100	$ 22,081,753	100	$ 22,861,093	100

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	Three Months Ended March 31			
	2013		2012	
	Amount	%	Amount	%
NET REVENUE (Notes 4, 5, 21 and 29)	$ 4,786,292	100	$ 3,154,167	100
COST OF REVENUE (Notes 4, 12, 22 and 29)	3,356,714	70	2,828,469	89
GROSS PROFIT	1,429,578	30	325,698	11
OPERATING EXPENSES (Notes 22 and 29)				
Marketing	56,647	1	43,776	2
General and administrative	174,186	4	129,642	4
Research and development	242,172	5	200,954	6
Total operating expenses	473,005	10	374,372	12
OPERATING INCOME (LOSS)	956,573	20	(48,674)	(1)
NONOPERATING INCOME AND EXPENSES				
Other income (Notes 4, 22 and 29)	44,237	1	41,424	1
Other gains and losses (Notes 4 and 22)	537	-	1,728	-
Share of losses of associates and joint ventures (Notes 4 and 13)	(4,635)	-	(4,311)	-
Total nonoperating income and expenses	40,139	1	38,841	1
INCOME (LOSS) BEFORE INCOME TAX	996,712	21	(9,833)	-
INCOME TAX EXPENSE (BENEFIT) (Notes 4 and 23)	116,124	2	(33,841)	(1)
NET INCOME	880,588	19	24,008	1
OTHER COMPREHENSIVE INCOME (Notes 13 and 20)				
Exchange differences on translating foreign operations	6,311	-	(6,144)	-
Unrealized gain on available-for-sale financial assets	2,254	-	37,369	1
Cash flow hedges	(116)	-	-	-
Share of other comprehensive loss of associates and joint ventures	(17)	-	(31)	-
Total other comprehensive income	8,432	-	31,194	1
TOTAL COMPREHENSIVE INCOME	$ 889,020	19	$ 55,202	2

(Continued)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	Three Months Ended March 31			
	2013		2012	
	Amount	**%**	**Amount**	**%**
NET INCOME ATTRIBUTABLE TO				
Owner of the Corporation	$ 880,588	18	$ 24,008	1
Non-controlling interests	-	-	-	-
	$ 880,588	18	$ 24,008	1
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Owner of the Corporation	$ 889,020	19	$ 55,202	2
Non-controlling interests	-	-	-	-
	$ 889,020	19	$ 55,202	2
EARNINGS PER SHARE (Note 24)				
Basic	$ 0.57		$ 0.02	
Diluted	$ 0.56		$ 0.02	

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

			Retained Earnings			Other Equity				
	Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized (Loss) Gain from Available-for-sale Financial Assets	Cash flow hedges	Treasury Stock	Total Equity
BALANCE, JANUARY 1, 2012	$ 16,191,160	$ 459,885	$ 1,788,926	$ -	$ 1,960,188	$ (60,717)	$ (44,327)	$ -	$ (53,176)	$ 20,241,939
Changes in capital surplus from investment in associates and joint venture accounted for using equity method	-	143	-	-	-	-	-	-	-	143
Net income for the three months ended March 31, 2012	-	-	-	-	24,008	-	-	-	-	24,008
Other comprehensive income for the three months ended March 31, 2012	-	-	-	-	-	(6,175)	37,369	-	-	31,194
Total comprehensive income for the three months ended March 31, 2012	-	-	-	-	24,008	(6,175)	37,369	-	-	55,202
Share-based payment transaction	1,302	6,955	-	-	-	-	-	-	-	8,257
Acquisition of treasury stock	-	-	-	-	-	-	-	-	(853,087)	(853,087)
BALANCE, MARCH 31, 2012	$ 16,192,462	$ 466,983	$ 1,788,926	$ -	$ 1,984,196	$ (66,892)	$ (6,958)	$ -	$ (906,263)	$ 19,452,454
BALANCE, JANUARY 1, 2013	$ 16,284,830	$ 594,675	$ 1,877,144	$ 105,057	$ 3,092,261	$ (70,682)	$ 1,689	$ -	$ (917,777)	$ 20,967,197
Changes in capital surplus from investment in associates and joint venture accounted for using equity method	-	126	-	-	-	-	-	-	-	126
Net income for the three months ended March 31, 2013	-	-	-	-	880,588	-	-	-	-	880,588
Other comprehensive income for the three months ended March 31, 2013	-	-	-	-	-	6,294	2,254	(116)	-	8,432
Total comprehensive income for the three months ended March 31, 2013	-	-	-	-	880,588	6,294	2,254	(116)	-	889,020
Share-based payment transaction	32,856	43,938	-	-	-	-	-	-	253,218	330,012
BALANCE, MARCH 31, 2013	$ 16,317,686	$ 638,739	$ 1,877,144	$ 105,057	$ 3,972,849	$ (64,388)	$ 3,943	$ (116)	$ (664,559)	$ 22,186,355

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Three Months Ended March 31	
	2013	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	$ 996,712	$ (9,833)
Adjustments for:		
Depreciation	608,431	882,325
Amortization	1,204	2,085
Interest income	(29,417)	(22,224)
Dividend income	(353)	(74)
Share-based payment	27,091	6,760
Share of losses of associates and joint ventures	4,635	4,311
Net loss (gain) of foreign currency exchange	318	(2,396)
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets held for trading	19,171	(43,964)
Decrease in derivative financial assets for hedging	63	209
Decrease (increase) in accounts receivable	20,535	(250,080)
(Increase) decrease in accounts receivable from related parties	(184,231)	422,296
Decrease in other receivables	1,919	4,774
Decrease in other receivables from related parties	8,679	44,406
Increase in inventories	(113,259)	(177,195)
Decrease (increase) in prepayments	7,544	(10,238)
Increase in other current assets	(2,503)	(9,344)
Increase (decrease) in financial liabilities held for trading	44,201	(6,963)
Increase (decrease) in derivative financial liabilities for hedging	3,155	(6,024)
Increase in accounts payable	161,980	247,775
(Decrease) increase in other payable to related parties	(9,831)	10,772
(Decrease) increase in provisions	(2,946)	5,107
Decrease in other current liabilities	(222,421)	(217,960)
Increase in accrued pension cost	182	143
Increase in accrued profit sharing to employees and bonus to directors and supervisors	134,489	4,142
Cash generated from operating activities	1,475,348	878,810
Interest received	28,769	22,354
Income tax (paid) received	(387)	10,048
Net cash provided by operating activities	1,503,730	911,212
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in financial assets designated as fair value through profit or loss	(108,751)	-
Acquisition of available-for-sale financial assets	-	(57,739)
Acquisition of property, plant and equipment	(520,643)	(207,064)
(Increase) decrease in refundable deposits	(13)	3

(Continued)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Three Months Ended March 31	
	2013	2012
Acquisition of intangible assets	$ (1,047)	$ -
Increase in other financial assets	(192,000)	-
Dividends received	353	74
Net cash used in investing activities	(822,101)	(264,726)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in guarantee deposits	346	2,030
Proceeds from exercise of employee stock options	49,801	1,497
Acquisition of treasury stock	-	(845,471)
Treasury stock transferred to employees	253,120	-
Net cash provided by (used in) financing activities	303,267	(841,944)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	2,247	(5,011)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	987,143	(200,469)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	11,090,275	8,200,855
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 12,077,418	$ 8,000,386

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

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION

Vanguard International Semiconductor Corporation (the "Corporation") was incorporated in Hsinchu Science-based industrial Park in December 1994 and commenced business in January 1995. The Corporation engages mainly in the manufacturing, selling, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and the manufacturing of masks.

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

The functional currency of the Corporation is New Taiwan dollars. The consolidated financial statements are presented in New Taiwan dollars since the Company's stocks are listed on the Republic of China (ROC) GreTai Securities Market.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the Board of Directors and issued on 2 May 2013.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

The Corporation and its entire controlled subsidiaries (the "Group") have not applied the following IFRSs that have been issued by the International Accounting Standard Board ("IASB").

As of the date that the consolidated financial statements were approved and issued by the Board of Directors, the new and revised Standards, Amendments and Interpretations have not been effected by the Financial Supervisory Commission ("FSC") are as follows:

New, Revised or Amended Standards and Interpretations		Effective Date Issued by IASB (Note)
Endorsed by the FSC but the effective dates have not yet been determined by the FSC		
Amendments to IFRSs	Improvements to IFRSs 2009 - Amendment to IAS 39	January 1, 2009 or January 1, 2010
IFRS 9 (2009)	Financial Instruments	January 1, 2015
Amendment to IAS 39	Embedded Derivatives	Effective in fiscal year beginning on or after June 30, 2009

(Continued)

New, Revised or Amended Standards and Interpretations		Effective Date Issued by IASB (Note)
Not yet endorsed by the FSC		
Amendments to IFRSs	Improvements to IFRSs 2010 - Amendment to IAS 39	July 1, 2010 or January 1, 2011
Amendments to IFRSs	Annual Improvements to IFRSs 2009 - 2011 Cycle	January 1, 2013
Amendments to IFRS 1	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	July 1, 2010
Amendments to IFRS 1	Government Loans	January 1, 2013
Amendments to IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	July 1, 2011
Amendment to IFRS 7	Disclosures-offsetting Financial Assets and Financial Liabilities	January 1, 2013
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date and Transition Disclosure	January 1, 2015
Amendment to IFRS 7	Disclosures - Transfers of Financial Assets	July 1, 2011
Amendment to IFRS 9	Financial Instruments	January 1, 2015
Amendment to IFRS 10	Consolidated Financial Statements	January 1, 2013
Amendment to IFRS 11	Joint Arrangements	January 1, 2013
Amendment to IFRS 12	Disclosure of Interests in Other Entities	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated financial Statements, Joint Arrangements, and Disclosure of Interests in Other Entities: Transition Guidance	January 1, 2013
Amendments to IFRS 10, IFRS 12 and IFRS 27	Investment Entities	January 1, 2014
Amendment to IFRS 13	Fair Value Measurement	January 1, 2013
Amendment to IAS 1	Presentation of Items of Other Comprehensive Income	July 1, 2012
Amendment to IAS 12	Deferred Tax: Recovery of Underlying Assets	January 1, 2012
Amendment to IAS 19	Employee Benefits	January 1, 2013
Amendment to IAS 27	Separate Financial Statements	January 1, 2013
Amendment to IAS 28	Investments in Associates and Joint Ventures	January 1, 2013
Amendment to IAS 32	Offsetting of Financial Assets and Financial Liabilities	January 1, 2014
Amendment to IFRIC 20	Stripping Costs in the Production Phase of A Surface Mine	January 1, 2013

(Concluded)

Note: Unless otherwise noted, the above new and revised Standards, Amendments and Interpretations are effective after fiscal year beginning on or after the respective effective dates.

Except for the following, the initial adoption of the above new and revised Standards, Amendments and Interpretations will not have a significant effect on the Group’s accounting policies.

a. Initial application of IFRS 9 Financial Instruments

With regards to financial assets, IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortized cost or fair value. Specifically, financial assets that are held within a business model by the Group whose objective is to collect the contractual cash flows which are solely for payments of principal and interest on the principal outstanding, such assets are measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the balance sheet date.

As for financial liabilities, the main changes are with regard to the classification and measurement of financial liabilities designated as at fair value through profit or loss. IFRS 9 requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income. Unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are presented in profit or loss.

b. Since the FSC has not yet announced the effective date for the above new and revised Standards, Amendments and Interpretations, the Corporation cannot evaluate the impact on its financial position and financial performance as a result of the initial adoption.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

On May 14, 2009, the FSC announced the "Framework for the Adoption of IFRSs by the Companies in the ROC." In this framework, starting 2013, companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their consolidated financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, and the Interpretations approved by the FSC.

The consolidated financial statements of the Company and its entirely controlled subsidiaries are the first IFRS interim financial statements for part of the period covered by its first annual financial statements, the consolidated financial statements for 2013. The date of transition to IFRSs was January 1, 2012. As for IFRS conversion impacts on the consolidated financial statements, please refer to Note 35.

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 34 "Interim Financial Reporting" endorsed by the FSC. The consolidated financial statements do not present full disclosures required for a complete set of IFRS annual consolidated financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The opening consolidated balance sheet at the date of transition was prepared in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards". According to IFRS 1, the Corporation is required to apply each effective IFRS retroactively in its opening balance sheet at the date of transition to IFRSs; except for optional exemptions and mandatory exceptions to such retrospective application provided under IFRS 1. The main optional exceptions the Corporation adopted are described in Note 35.

c. Classification of current and non-current assets and liabilities

Current assets include cash and cash equivalents and those assets held primarily for trading purposes or to be realized within twelve months after the reporting period, unless the asset is to be used for an exchange or to settle a liability, or otherwise remains restricted, at more than twelve months after the reporting period. Property, plant and equipment, intangible assets, other than assets classified as current are classified as non-current. Current liabilities are obligations incurred for trading purposes or to be settled within twelve months after the reporting period and liabilities that do not have an unconditional right to defer settlement for at least twelve months after the reporting period. Liabilities that are not classified as current are classified as non-current. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

d. Basis of consolidation

1) Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (its subsidiaries). Control is achieved when the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Corporation.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

2) Subsidiary included in consolidated financial statements

The detail information of the subsidiaries at the end of reporting period were as follows:

			Percentage of Ownership			
Investor	**Investee**	**Main Business**	**March 31, 2013**	**December 31, 2012**	**March 31, 2012**	**January 1, 2012**
Vanguard International Semiconductor Corporation	VIS Associates Inc.	Investments	100%	100%	100%	100%
VIS Associates Inc.	Specialty Techfarm, Inc.	Investments	100%	100%	100%	100%
VIS Associates Inc.	VIS Investment Holding, Inc.	Investments	100%	100%	100%	100%
VIS Investment Holding, Inc.	VIS Micro, Inc.	Marketing service	100%	100%	100%	100%

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. Functional currency is the currency of the primary economic environment in which the entity operates. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

Exchange differences arising on the translation of non-monetary assets (such as equity instruments) or liabilities measured at fair value are taken into profit or loss for the period at the rates prevailing at the end of reporting period except for a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

f. Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

g. Inventories

Inventories consist of raw materials, supplies and spare parts, finished goods and work-in-process. 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.

h. Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognized the changes in the share of equity of associates.

When the Group subscribes for additional new shares of the associate, at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

The requirements of IAS 39 “Financial Instruments: Recognition and Measurement” are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group’s investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 “Impairment of Assets” as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 “Impairment of Assets” to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

i. Property, plant, and equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one year. Property, plant and equipment are carried at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

j Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially carried at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis which is in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life.

2) Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;

b) The intention to complete the intangible asset and use or sell it

c) The ability to use or sell the intangible asset;

d) How the intangible asset will generate probable future economic benefits;

e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

f) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, it is measured at cost less accumulated amortization and accumulated impairment loss.

3) Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

k. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

l. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

1) Measurement category

Financial assets are classified into the following specified categories: Financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The categories of financial assets held by the Group are financial assets at fair value through profit or loss ("FVTPL"), available-for-sale financial assets and loans and receivables.

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

i. Financial asset is classified as held for trading if:

i) It has been acquired principally for the purpose of selling it in the near term; or

ii) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

iii) It is a derivative that is not designated and effective as a hedging instrument.

ii. A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition:

i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

ii) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

In addition, if a contract contains one or more embedded derivatives, the entire combined contract (asset or liability) can be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item. Fair value is determined in the manner described in Note 28.

b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

Listed stocks and open-end funds held by the Group that are traded in an active market are classified as available-for-sale financial assets and are stated at fair value at the end of each reporting period. Fair value is determined in the manner described in Note 28.

Dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss that previously recognized in other comprehensive income is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period and are recognized in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in profit or loss or other comprehensive income on financial assets.

c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including cash and cash equivalent, accounts receivable, other receivables, and other financial assets) are measured at amortized cost using the effective interest method, less any impairment.

2) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include: Significant financial difficulty of the debtor; or it is becoming probable that the debtor will enter bankruptcy or financial reorganization.; or a default or delinquency in interest or principal payments; or extension of the maturity date; or significant financial difficulty of the final issuer or debtor; or active market for that financial asset has disappeared because of the issuer's financial difficulties or other reasons.

Accounts receivable that are assessed as not impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of accounts receivable could include the Group's past experience in the collection of payments, an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

a) Significant financial difficulty of the issuer or counterparty; or

b) Breach of contract, such as a default or delinquency in interest or principal payments; or

c) It becoming probable that the borrower will enter bankruptcy or financial re-organization; or

d) The disappearance of an active market for that financial asset because of financial difficulties.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of unrealized gain or loss from available-for-sale financial assets. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

3) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Equity instruments

Equity instruments issued by a group entity are classified as equity in accordance with the substance of the contractual arrangements and the definition of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

1) Subsequent measurement

   Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method (please refer to the stated above for the definition of effective interest method):

   Financial liabilities at FVTPL

   Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

   a) A financial liability is classified as held for trading if:

      i. It has been acquired principally for the purpose of repurchasing it in the near term; or

      ii. On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

      iii. It is a derivative that is not designated and effective as a hedging instrument.

   b) A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

      i. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

      ii. The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

   In addition, if a contract contains one or more embedded derivatives, the entire combined contract (asset or liability) can be designated as at FVTPL.

   Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the "other gains and losses" line item. Fair value is determined in the manner described in Note 28.

2) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including forward exchange contracts and currency-swap contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL.

m. Hedge accounting

The Group designates certain hedging instruments, which include derivatives in respect of foreign currency risk, as both fair value hedges and cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting the exposure of changes in fair values or cash flows of the hedged item attributable to the hedged risk. Note 28 sets out details of the fair values of the derivative instruments used for hedging purposes.

1) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued prospectively when the Group revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting.

2) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the "other gains and losses" line item.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are transferred and are included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued prospectively when the Group revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When the forecast transaction is ultimately recognized in profit or loss, the associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss or are included in the initial measurement of the cost of the non-financial asset or non-financial liability. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

n. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provisions is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

o. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale provided the seller can reliably estimate future returns and recognizes a liability for returns based on previous experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

Sales of goods are recognized when goods are delivered and title has passed.

2) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

p. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset. Contingent rents arising under operating leases are recognized as expense in the period in which they are incurred.

2) The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rents arising under operating leases are recognized as an expense in the period in which they are incurred.

q. Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses on the defined benefit obligation are recognized immediately in other comprehensive income. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the consolidated balance sheets represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognized past service cost plus the present value of available refunds and reductions in future contributions to the plan.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

r. Share-based payment arrangements

Employee stock options granted to employee

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in capital surplus - employee stock options. The fair value determined at the grant date of the employee stock options is recognized as an expense in full at the grate date when the stock options granted are vested immediately.

The Group elected to take the optional exemption under IFRS 1 for the share-based payment transactions granted and vested before the date of transition to IFRSs. Please refer to the description in Note 35 b.

s. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Interim period income taxes are assessed on an annual basis. Interim period income tax expense is calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the condensed consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, net operating loss carryforwards or unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reassessed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

t. Treasury stocks

Repurchase of the Group’s own equity instruments (treasury stocks) is recognized and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

a. Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations stated in note below, that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

<u>Revenue recognition</u>

The Group recognizes revenue when the conditions described in Note 4 are satisfied. The Group also records a provision for estimated future returns and other allowances in the same period the related revenue is recorded. Provision for estimated sales returns and other allowances is generally made and adjusted at a specific percentage based on historical experience and any known factors that would significantly affect the allowance, and our management periodically reviews the adequacy of the percentage used.

As of March 31, 2013, December 31, 2012, March 31, 2012 and January 1, 2012, the Group recognized provisions for estimated sales returns and other allowances of $52,785 thousand, $55,731 thousand, $47,493 thousand and $42,386 thousand, respectively.

b. Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1) Income taxes

As of March 31, 2013, December 31, 2012, March 31, 2012, and January 1, 2012, the carrying amount of the deferred tax assets in relation to unused tax losses were $87,528 thousand, $106,625 thousand, $107,594 thousand and $108,297 thousand, respectively. As of March 31, 2013, December 31, 2012, March 31, 2012, and January 1, 2012, no deferred tax asset has been recognized on the tax losses of $24,684 thousand, $23,981 thousand, $106,930 thousand and $107,616 thousand, respectively, due to the unpredictability of future profit streams. The realization of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such reversal takes place.

2) Estimated impairment of accounts receivables

When there is objective evidence of impairment loss, the Group considers the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As of March 31, 2013, December 31, 2012, March 31, 2012, and January 1, 2012, the carrying amount of accounts receivables was $2,768,264 thousand, $2,604,568 thousand, $2,185,722 thousand and $2,357,938 thousand, respectively (after deducting allowance of $2,399 thousand, $2,399 thousand, $9,113 thousand and $9,113 thousand, respectively).

6. CASH AND CASH EQUIVALENTS

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Bank check and demand deposits	$ 500,975	$ 261,203	$ 356,927	$ 311,436
Cash equivalents				
Bonds acquired under resale agreements	112,000	830,009	127,000	202,053
Bank time deposits	11,464,443	9,999,063	7,516,459	7,687,366
	$ 12,077,418	$ 11,090,275	$ 8,000,386	$ 8,200,855

The market rate intervals of cash and cash equivalents at the end of the reporting period were as follows:

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Bank deposits	0%-2.8%	0%-1.34%	0%-1.34%	0%-1.34%
Bonds acquired under resale agreements	0.72%-0.75%	0.72%-0.75%	0.65%-0.7%	0.62%-0.65%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Financial assets designated as at FVTPL				
Interest rate linked structured dollar investment notes (a)	$ 148,897	$ -	$ -	$ -
Credit linked notes (a)	-	40,146	20,080	-
Convertible bond	-	-	22,587	-
	148,897	40,146	42,667	-
Financial assets held for trading				
Derivative financial assets (not designated as hedge accounting)				
Forward exchange contracts (b)	822	391	2,561	2,500
Currency-swap contracts (c)	2,057	21,659	1,588	352
	2,879	22,050	4,149	2,852
Financial assets at FVTPL	$ 151,776	$ 62,196	$ 46,816	$ 2,852
Current	$ 2,879	$ 22,050	$ 46,816	$ 2,852
Non-current	148,897	40,146	-	-
	$ 151,776	$ 62,196	$ 46,816	$ 2,852
Financial liabilities held for trading				
Derivative financial liabilities (not designated as hedge accounting)				
Forward exchange contracts (b)	$ 1,126	$ 139	$ 532	$ 1,693
Currency-swap contracts (c)	43,493	279	2,216	8,018
	$ 44,619	$ 418	$ 2,748	$ 9,711
Current	$ 44,619	$ 418	$ 2,748	$ 9,711

a. The Group entered into structured investment contracts with a bank in 2013 and 2012. The structured investment contracts include an embedded derivative instrument which are not closely related to the host contracts. The Group designated the entire contract as financial asset at FVTPL on initial recognition.

b. At the end of the reporting period, outstanding forward exchange contracts that did not meet the criteria of hedge accounting were as follows:

	Currency	Maturity	Contract Amount (In Thousands)
March 31, 2013			
Sell forward exchange contracts	US$ to NT$	2013.04.08-2013.05.06	US$ 6,000
Buy forward exchange contracts	NT$ to US$	2013.04.30	US$ 3,000
December 31, 2012			
Sell forward exchange contracts	US$ to JPY	2013.01.23	US$ 1,000
Buy forward exchange contracts	NT$ to US$	2013.02.19-2013.02.27	US$ 3,000
March 31, 2012			
Sell forward exchange contracts	US$ to NT$	2012.04.05-2012.04.30	US$ 2,400
Sell forward exchange contracts	US$ to JPY	2012.04.03-2012.04.18	US$ 1,300
buy forward exchange contracts	NT$ to US$	2012.05.21-2012.05.24	US$ 2,000
January 1, 2012			
Sell forward exchange contracts	US$ to EUR	2012.01.05	EUR 400
Sell forward exchange contracts	US$ to JPY	2012.01.18	US$ 1,000
Sell forward exchange contracts	US$ to NT$	2012.01.03-2012.03.07	US$ 15,000

c. At the end of the reporting period, outstanding currency-swap contracts that did not meet the criteria of hedge accounting were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
March 31, 2013			
Sell forward exchange contracts	US$ to NT$	2013.04.08-2013.06.28	US$ 116,500
Sell forward exchange contracts	US$ to JPY	2013.04.10-2013.04.24	US$ 2,100
Buy forward exchange contracts	NT$ to US$	2013.04.08	US$ 1,000
December 31, 2012			
Sell forward exchange contracts	US$ to NT$	2013.01.10-2013.04.24	US$ 141,400
March 31, 2012			
Sell forward exchange contracts	US$ to NT$	2012.04.10-2012.05.24	US$ 63,500
January 1, 2012			
Sell forward exchange contracts	US$ to NT$	2012.01.12-2012.03.22	US$ 66,000

The Group entered into foreign exchange forward contracts during the three months ended March 31, 2013 and 2012 to manage exposures due to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for by using hedge accounting.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Listed stocks	$ 14,166	$ 12,676	$ 168,575	$ 131,001
Funds	125,045	120,999	57,535	-
	$ 139,211	$ 133,675	$ 226,110	$ 131,001
Current	$ 131,159	$ 126,835	$ 64,392	$ 6,670
Non-current	8,052	6,840	161,718	124,331
	$ 139,211	$ 133,675	$ 226,110	$ 131,001

9. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	March 31, 2013		December 31, 2012		March 31, 2012		January 1, 2012	
	Fair Value Hedge	Cash Flow Hedge	Fair Value Hedge	Cash Flow Hedge	Fair Value Hedge	Cash Flow Hedge	Fair Value Hedge	Cash Flow Hedge
Derivative financial assets for hedging								
Forward exchange contracts	$ -	$ -	$ -	$ -	$ -	$ -	$ 108	$ -
Currency-swap contracts	23	-	86	-	34	-	135	-
	$ 23	$ -	$ 86	$ -	$ 34	$ -	$ 243	$ -
Derivative financial liabilities for hedging								
Forward exchange contracts	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Currency-swap contracts	3,229	116	74	-	1,464	-	7,488	-
	$ 3,229	$ 116	$ 74	$ -	$ 1,464	$ -	$ 7,488	$ -

a. Fair value hedge

The Group used forward exchange contracts and currency-swap contracts to hedge risks on exchange rate fluctuations of expected sales and foreign-currency denominated accounts receivable. The forward exchange contracts and currency-swap contracts had the same terms, the management believed the forward exchange contracts and currency-swap contracts were highly effective hedge instruments. The outstanding currency-swap contracts at the end of the reporting period were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
March 31, 2013			
Sell forward exchange contracts	US$ to NT$	2013.04.19-2013.05.17	US$ 11,000

(Continued)

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2012			
Sell forward exchange contracts	US$ to NT$	2013.02.19	US$ 2,000
March 31, 2012			
Sell forward exchange contracts	US$ to NT$	2012.04.18-2012.05.17	US$ 9,000
January 1, 2012			
Sell forward exchange contracts	US$ to NT$	2012.01.18-2012.02.17	US$ 15,000

(Concluded)

The outstanding forward exchange contracts at the end of the reporting period was as follow:

	Currency	Maturity Date	Contract Amount (In Thousands)
January 1, 2012			
Sell forward exchange contracts	US$ to NT$	2012.02.17	US$ 4,000

b. Cash flow hedge

The Group used cash flow hedge to manage risks on exchange rate fluctuation and changes in time value of money for those expected sales transactions.

The terms of the currency-swap contracts had been negotiated to match the terms of the respective designated hedged items.

The outstanding currency-swap contracts at the end of the reporting period were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
March 31, 2013			
Sell forward exchange contracts	US$ to NT$	2012.06.19	US$ 1,000

10. FINANCIAL ASSETS CARRIED AT COST

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Unlisted stocks	$ 53,573	$ 53,160	$ 53,404	$ 53,782
Non-current	$ 53,573	$ 53,160	$ 53,404	$ 53,782

(Continued)

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
The classification of financial assets				
Available-for-sale financial asserts	$ 53,573	$ 53,160	$ 53,404	$ 53,782

(Concluded)

The management believed that the aforementioned unlisted equity investments held by the Group, whose fair value cannot be reliably measured due to the range of reasonable fair value estimates was significant and the probabilities of the various estimates cannot be reasonably assessed; therefore they were measured at cost less impairment at the end of reporting period.

11. NOTES AND ACCOUNTS RECEIVABLE, NET

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Notes and accounts receivable	$ 2,222,078	$ 2,242,613	$ 1,671,356	$ 1,421,276
Allowance for doubtful accounts	(2,399)	(2,399)	(9,113)	(9,113)
Notes and accounts receivable, net	$ 2,219,679	$ 2,240,214	$ 1,662,243	$ 1,412,163

The average credit period on sales of goods is 30 to 45 days after the end of the month. No interest is charged on notes and accounts receivables. In determining the recoverability of a trade receivable, the Group considered any changes in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowance for doubtful accounts is based on estimated irrecoverable amounts determined by reference to past default experience of the counterparts and an analysis of their current financial position.

Before accepting any new customer, the Group reviews the customers' credit limit and assesses other possible risk based on the Group's internal regulation.

The customers' balances accounted for more than 5% of the total balance of accounts receivable at the end of the reporting period were as follows:

Customer Name	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
A	$ 810,787	$ 950,850	$ 669,054	$ 627,757
B	454,583	433,278	388,222	354,280
C (Note)	146,469	-	-	-

Note: The customer's balance accounted for less than 5% of the total balance of accounts receivable as of December 31, 2012, March 31, 2012 and January 1, 2012

Except for the above described, there were no other customers who represented more than 5% of the total balance of trade receivables.

For the accounts receivable balance (see below the account aging analysis) that were past due at the end of the reporting period, the Group had not recognized an allowance for doubtful accounts for $6,871 thousand, $17,785 thousand, $24,325 thousand and $4,535 thousand as of March 31, 2013, December 31, 2012, March 31, 2012 and January 1, 2012, respectively since there had not been a significant change in the credit quality of its customers and the amounts were still considered recoverable.

The age of receivables that were past due but not impaired were as follow:

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Less than 60 days	$ 6,871	$ 12,558	$ 24,325	$ 4,535
61-90 days	-	5,227	-	-
	$ 6,871	$ 17,785	$ 24,325	$ 4,535

The above analysis was based on the past due dates.

Movement of the allowance for doubtful accounts were as follows:

	Three Months Ended March 31	
	2013	2012
Balance, beginning of period	$ 2,399	$ 9,113
Add: Provision	-	-
Balance, end of period	$ 2,399	$ 9,113

The individually accounts receivables included in the allowance for doubtful accounts for which the customers had been in cash flow difficulty were amounted to $2,399 thousand, $2,399 thousand, $9,113 thousand and $9,113 thousand as of March 31, 2013, December 31, 2012, March 31, 2012 and January 1, 2012, respectively. The impairment recognized represents the carrying amount of these accounts receivables. The Group did not hold any collateral over these accounts receivables.

12. INVENTORIES

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Finished goods	$ 354,218	$ 194,330	$ 68,388	$ 51,110
Work in process	1,148,416	1,270,394	932,543	801,333
Raw materials	285,903	192,374	221,283	171,867
Supplies and spare parts	177,294	195,474	185,566	206,275
	$ 1,965,831	$ 1,852,572	$ 1,407,780	$ 1,230,585

Allowance for inventory losses were $52,341 thousand, $94,527 thousand, $62,982 thousand, and $136,530 thousand as of March 31, 2013, December 31, 2012, March 31, 2012, and January 1, 2012, respectively.

The cost of inventories recognized as cost of revenue for the three months ended March 31, 2013 and 2012 was $3,334,389 thousand and $2,805,978 thousand, respectively. The reverse for inventory write-downs in the amount of $27,579 thousand was reversed in the cost of revenue for the three months ended March 31, 2013. The cost of revenue for the three months ended March 31, 2012 included reversal of write-down of inventory in the amount of $58,814 thousand and $157,137 thousand on unallocated overhead.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Investments in associates	$ 105,810	$ 110,033	$ 120,959	$ 125,912

a. Investments in associates

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Unlisted stocks				
CMSC, Inc.	$ 59,431	$ 59,291	$ 67,558	$ 69,932
SkyTraq Technology, Inc.	37,983	38,644	32,642	29,569
INNO-TECH Co., Ltd.	6,294	8,428	8,030	11,737
Linear Atrwork, Inc.	2,102	3,670	10,366	11,614
LayerWalker Technology, Inc.	-	-	2,363	3,060
	$ 105,810	$ 110,033	$ 120,959	$ 125,912

At the end of the reporting period, the proportion of ownership and voting rights in associates held by the Group were as follows:

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
CMSC, Inc.	25%	25%	25%	25%
SkyTraq Technology, Inc.	26%	26%	26%	26%
INNO-TECH Co., Ltd.	26%	26%	37%	37%
Linear Atrwork, Inc.	27%	27%	27%	27%
LayerWalketr Technology, Inc.	-	-	27%	27%

Financial information of the Group's associates was summarized as follow:

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Total assets	$ 608,394	$ 564,541	$ 641,510	$ 643,688
Total liabilities	$ 188,654	$ 128,665	$ 175,003	$ 162,201

	Three Months Ended March 31	
	2013	2012
Revenue	$ 142,833	$ 132,525
Net loss for the period	$ (15,433)	$ (9,266)
Other comprehensive income	$ (4,251)	$ 1,991

The investments accounted for using the equity method and the share of net income or loss and other comprehensive income from investments were accounted for based on the unreviewed financial statements. The Group's management considered the use of unreviewed financial statements did not have material impact on its consolidated financial statements.

14. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Carrying value				
Buildings	$ 3,453,623	$ 3,590,435	$ 3,964,030	$ 4,073,206
Machinery and equipment	3,790,505	3,403,437	5,139,937	5,551,614
Other equipment	19,219	22,083	37,640	45,063
Advance payments and construction in progress	765,286	1,203,887	341,921	525,206
	$ 8,028,633	$ 8,219,842	$ 9,483,528	$ 10,195,089

	Three Months Ended March 31, 2013				
	Buildings	Machinery and Equipment	Other Equipment	Advance Payments and Construction in Progress	Total
Cost					
Balance, beginning of period	$ 13,848,397	$ 51,185,889	$ 356,228	$ 1,203,887	$ 66,594,401
Additions	10,482	845,024	314	(438,601)	417,219
Disposal	-	-	(342)	-	(342)
Translation adjustments	-	-	45	-	45
Balance, end of period	$ 13,858,879	$ 52,030,913	$ 356,245	$ 765,286	$ 67,011,323

	Buildings	Machinery and Equipment	Other Equipment	Total
Accumulated depreciation				
Balance, beginning of period	$ 10,257,962	$ 47,598,931	$ 334,145	$ 58,191,038
Depreciation	147,294	457,956	3,181	608,431
Disposal	-	-	(342)	(342)
Translation adjustments	-	-	42	42
Balance, end of period	$ 10,405,256	$ 48,056,887	$ 337,026	$ 58,799,169
Accumulated impairment				
Balance, beginning and end of period	$ -	$ 183,521	$ -	$ 183,521

	Three Months Ended March 31, 2012				
	Buildings	Machinery and Equipment	Other Equipment	Advance Payments and Construction in Progress	Total
Cost					
Balance, beginning of period	$ 13,744,501	$ 50,657,487	$ 351,289	$ 525,206	$ 65,278,483
Additions	36,947	317,104	-	(183,285)	170,766
Disposal	-	-	(323)	-	(323)
Translation adjustments	-	-	(43)	-	(43)
Balance, end of period	$ 13,781,448	$ 50,974,591	$ 350,923	$ 341,921	$ 65,448,883

	Buildings	Machinery and Equipment	Other Equipment	Total
Accumulated depreciation				
Balance, beginning of period	$ 9,671,295	$ 44,922,352	$ 306,226	$ 54,899,873
Depreciation	146,123	728,781	7,421	882,325
Disposal	-	-	(323)	(323)
Translation adjustments	-	-	(41)	(41)
Balance, end of period	$ 9,817,418	$ 45,651,133	$ 313,283	$ 55,781,834
Accumulated impairment				
Balance, beginning and end of period	$ -	$ 183,521	$ -	$ 183,521

The following useful lives are used in the calculation of depreciation under straight-line:

Buildings	5 to 20 years
Machinery and equipment	3 to 5 years
Other equipment	3 to 7 years

The significant part of the Group's buildings includes main plants, mechanical and electrical power equipment and clean rooms, and the related depreciation is calculated using the estimated useful lives of 20 years, 5 to 10 years and 10 years, respectively.

15. INTANGIBLE ASSETS

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Carrying value				
Computer software	$ 6,503	$ 6,660	$ 7,726	$ 9,811

	Three Months Ended March 31	
	2013	2012
Computer software		
Cost		
Balance, beginning of period	$ 717,295	$ 714,272
Additions	1,047	-
Balance, end of period	718,342	714,272
Accumulated amortization		
Balance, beginning of period	710,635	704,461
Additions	1,204	2,085
Balance, end of period	711,839	706,546
	$ 6,503	$ 7,726

The intangible assets are amortized on a straight-line basis at the following useful lives:

Computer software	3 to 5 years

16. OTHER ASSETS

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Pledged time deposit	$ 283,300	$ 181,300	$ 181,300	$ 181,300
Other financial assets	90,000	-	-	-
Tax receivables	77,961	75,481	37,393	28,109
Others	8,081	7,410	5,541	5,614
	$ 459,342	$ 264,191	$ 224,234	$ 215,023
Current	$ 176,042	$ 82,891	$ 42,934	$ 33,723
Non-current	283,300	181,300	181,300	181,300
	$ 459,342	$ 264,191	$ 224,234	$ 215,023

17. OTHER CURRENT LIABILITIES

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Other payables				
Bonus	$ 159,925	$ 362,161	$ 115,134	$ 319,530
Maintenance	98,307	85,004	41,860	46,419
Royalties	12,435	14,890	7,988	7,560
Others	750,347	779,893	622,966	636,247
	1,021,014	1,241,948	787,948	1,009,756
Other liabilities				
Others (note)	84,915	86,402	62,947	51,483
	$ 1,105,929	$ 1,328,350	$ 850,895	$ 1,061,239

Note: Other liabilities - others primarily were advances receipts from customers.

18. PROVISIONS

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Sales returns and allowances	$ 52,785	$ 55,731	$ 47,493	$ 42,386
Current	$ 52,785	$ 55,731	$ 47,493	$ 42,386

	Sales Returns and Allowances
Three months ended March 31, 2013	
Balance, beginning of period	$ 55,731
Provisions recognized	23,739
Amount utilized	(26,685)
Balance, end of period	$ 52,785
Three months ended March 31, 2012	
Balance, beginning of period	$ 42,386
Provisions recognized	24,000
Amount utilized	(18,893)
Balance, end of period	$ 47,493

The provision of sales returns and allowance was estimated based on historical experience, management's judgments and any other known factors that would affect the returns and allowances. The provision was recognized as a reduction of revenue in the periods of the related products sold.

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Based on the LPA, the Company makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages. Besides, VIS Micro is 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 $35,307 thousand and $30,158 thousand in the consolidated statement of comprehensive income for the three months ended March 31, 2013 and 2012, respectively.

b. Defined benefit plans

The Corporation adopted the defined benefit plan under the Labor Standard Law (the “LSL”), pension benefits are calculated on the basis of an employee’s length of service and average monthly salaries for the six-month period prior to 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. Pension contributions are deposited in the committee’s name in Bank of Taiwan.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at December 31, 2012. The present value of the defined benefit obligation and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. The pension cost for the three months ended March 31, 2013 and 2012 were determined in the proportion to the pension cost included in the actuarial report on December 31, 2012 and January 1, 2012, respectively.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Measurement Date	
	December 31, 2012	**January 1, 2012**
Discount rates	1.75%	1.75%
The expected rate of return on plan assets	2.00%	2.00%
Expected rate of salary increase	3.00%	3.00%

The pension cost for the three months ended March 31, 2013 and 2012 were included in the following line items:

	Three Months Ended March 31	
	2013	**2012**
Cost of revenue	$ 3,111	$ 3,011
Marketing expense	$ 143	$ 141
General and administrative expenses	$ 351	$ 415
Research and development expenses	$ 317	$ 290

The amounts included in the consolidated balance sheets in respect of the obligation under the defined benefit plans were as follows:

	December 31, 2012	**January 1, 2012**
Present value of funded defined benefit obligation	$ 853,700	$ 804,286
Fair value of plan assets	(320,706)	(308,566)
	532,994	495,720
Unrecognized prior service cost	13,560	14,298
Accrued pension cost	$ 546,554	$ 510,018

The major categories of plan assets as a percentage of the fair value of the total plan assets were as follows:

	December 31, 2012	**January 1, 2012**
Cash	25%	24%
Equity instruments	38%	41%
Debt instruments	37%	35%
	100%	100%

The overall expected rate of return on plan assets was based on the historical return trends and analysts' predictions of the market for the asset over the life of the related obligation, with reference to the performance of the Labor Pension Fund operated by Labor Pension Fund Supervision Committee, and the consideration of the effect that the minimum return should not be less than the average interest rate on a two-year time deposit offered by local banks.

	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	$ 853,700	$ 804,286
Fair value of plan assets	$ 320,706	$ 308,566
Experience adjustments on plan assets	$ 3,261	$ -
Experience adjustments on plan liabilities	$ 9,080	$ -

The Group expects to make a contribution of $15,339 thousand to the defined benefit plans within one year from March 31, 2013.

20. EQUITY

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Capital stock				
Common stock	$ 16,317,686	$ 16,284,830	$ 16,192,462	$ 16,191,160
Capital surplus	638,739	594,675	466,983	459,885
Retained earning	5,955,050	5,074,462	3,773,122	3,749,114
Other equity	(60,561)	(68,993)	(73,850)	(105,044)
Treasury stock	(664,559)	(917,777)	(906,263)	(53,176)
	$ 22,186,355	$ 20,967,197	$ 19,452,454	$ 20,241,939

a. Capital stock

1) Common stock

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Authorizes shares (in thousands)	3,300,000	3,300,000	3,300,000	3,300,000
Authorized capital	$ 33,000,000	$ 33,000,000	$ 33,000,000	$ 33,000,000
Issued and fully paid shares (in thousands)	1,631,769	1,628,483	1,619,246	1,619,116
Issued shares	$ 16,317,686	$ 16,284,830	$ 16,192,462	$ 16,191,160
Additional paid-in capital	508,156	491,211	460,080	459,885
	$ 16,825,842	$ 16,776,041	$ 16,652,542	$ 16,651,045

The par value of outstanding common stock is NT$10 per share. Every common stock carries one vote per share and a right to dividends.

The authorized shares include 300,000 thousand shares reserved for the exercise of employee stock options.

A reconciliation of the outstanding shares was as follows:

	Number of Shares (In Thousands)	Capital stock	Additional Paid-in Capital
Balance, January 1, 2012	1,619,116	$ 16,191,160	$ 459,885
Exercise of employee stock options	130	1,302	195
Balance, March 31, 2012	1,619,246	$ 16,192,462	$ 460,080
Balance, January 1, 2013	1,628,483	$ 16,284,830	$ 491,211
Exercise of employee stock options	3,286	32,856	16,945
Balance, March 31, 2013	1,631,769	$ 16,317,686	$ 508,156

On January 8, 2003, the Corporation issued 600,000 thousand shares of new capital stock at a discounted price of NT$7 per share.

b. Capital Surplus

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Additional paid-in capital	$ 508,156	$ 491,211	$ 460,080	$ 459,885
Arising from employee stock options	73,958	96,877	6,760	-
From share of changes in equities of associates and joint ventures	6,713	6,587	143	-
Treasury stock transaction	49,388	-	-	-
Others	524	-	-	-
	$ 638,739	$ 594,675	$ 466,983	$ 459,885

A reconciliation of the carrying amount for the three months ended 2013 and 2012, for each category of capital surplus was as follows:

	Additional Paid-in Capital	Employee Stock Options	Share of Changes in Equities of Associates and Joint Ventures
Balance, January 1, 2012	$ 459,885	$ -	$ -
Exercise of employee stock options	195	-	-
Share-based payment transaction	-	6,760	-
From share of changes in equities of associates and joint venture	-	-	143
Balance, March 31, 2012	$ 460,080	$ 6,760	$ 143

	Additional Paid-in Capital	Employee Stock Options	Share of Changes in Equities of Associates and Joint Ventures	Treasury Stock Transaction	Others
Balance, January 1, 2013	$ 491,211	$ 96,877	$ 6,587	$ -	$ -
Exercise of employee stock options	16,945	-	-	-	-
Share-based payment transaction	-	27,091	-	-	-
Treasury stock transferred to employees	-	(50,010)	-	49,388	-
From share of changes in equities of associates and joint venture	-	-	126	-	-
Expired stock options	-	-	-	-	524
Balance, March 31, 2013	$ 508,156	$ 73,958	$ 6,713	$ 49,388	$ 524

The capital surplus from shares issued in excess of par may be used to offset a deficit; in addition, when the Group has no deficit, such capital surplus may be appropriated as cash dividends or stock dividends, which are limited to a certain percentage of the Corporation's paid-in capital.

The capital surplus arising from long-term investments and employee stock options may not be used for any purpose.

c. Retained earnings and dividend policy

	Three Months Ended March 31	
	2013	2012
Balance, beginning of period	$ 5,074,462	$ 3,749,114
Net income attributable to owners of the Group	880,588	24,008
Balance, end of period	$ 5,955,050	$ 3,773,122

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:

1) Special reserve;
2) Not more than 1% as remuneration to directors and supervisors;
3) At least 1% as bonus to employees; and
4) Final balance, appropriation to be resolved at the shareholders' meeting.

The bonus to employees and the remuneration to directors and supervisors, which representing 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. 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. Based on the aforementioned estimation method the bonus to employees were $132,088 thousand and $3,614 thousand, and the remuneration to directors and supervisors were $2,400 thousand and $528 thousand for the three months ended March 31, 2013 and 2012, 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 Rule No. 100116 and Rule No. 0950000507 issued by the FSC, an amount equal to the net debit balance of other shareholders' equity accounts (including the exchange differences on translating foreign operations, unrealized gain or loss on financial instruments, gain or loss from changes in fair value of hedging instruments in cash flow hedge) shall be appropriated from retained earnings to a special reserve before any appropriation of earnings generated before January 1, 2012. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

Under Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", on the first-time adoption of IFRSs, a company should appropriate to a special reserve of an amount that was the same as these of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the company's use of exemptions under IFRS 1. However, at the date of transitions to IFRSs, if the increase in retained earnings that resulted from all IFRSs adjustments is not enough for this appropriation, only the increase in retained earnings that resulted from all IFRSs adjustments will be appropriated to special reserve. The special reserve appropriated as above may be reversed to retained earnings in proportion because of the usage, disposal or reclassification of the related assets and thereafter distributed. The special reserve appropriated on the first-time adoption of IFRSs may be used to offset deficits in subsequent period. No appropriation of earnings shall be made until any shortage of the aforementioned special reserve is appropriated in subsequent period if the company has earnings and the reason needs to appropriate a special reserve is not eliminated.

The appropriation of earnings to legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. The legal reserve may be used to offset a deficit or be distributed as dividends in cash or stocks for the portion in excess of e 25% of the paid-in capital if the Corporation incurs no loss.

Effective on January 1, 1998, the R.O.C. resident shareholders are allowed a tax credit for their proportionate share of the income tax paid by the Corporation on earnings generated since January 1, 1998.

The appropriations of earnings for 2012 and 2011 proposed and approved in the Board of Directors' meeting and shareholders' meetings on February 1, 2013 and June 12, 2012, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividend Per Share (NT$)**	
	2012	**2011**	**2012**	**2011**
Legal reserve	$ 232,981	$ 88,218	$ -	$ -
(Reserve) provision of special reserve	(36,109)	105,057	-	-
Cash dividends	1,552,323	968,395	1.00	0.60
	$ 1,749,195	$ 1,161,670		

The bonus to employees and the remuneration to directors and supervisors for 2012 and 2011 proposed and approved in the Board of Directors' meeting and shareholders' meetings on February 1, 2013 and June 12, 2012, respectively, were as follows:

	Years Ended December 31			
	2012		**2011**	
	Cash	**Stock**	**Cash**	**Stock**
Bonus to employees	$ 349,471	$ -	$ 132,328	$ -
Remuneration to directors and supervisors	14,824	-	6,889	-

The appropriations of earnings for 2012 were proposed according to the Company's financial statements prepared in accordance with the pre-amended Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the R.O.C., however, the balance sheet as of December 31, 2012 after being retrospectively adjusted in conformity with the amended Guidelines Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, was also taken into consideration while the determination of the appropriation of earnings which are to be resolved in the shareholders' meeting to be held on June 18, 2013.

	2012		**2011**	
	Bonus to Employees	**Remuneration to Directors and Supervisors**	**Bonus to Employees**	**Remuneration to Directors and Supervisors**
Amounts approved in board meeting or to be resolved in shareholders' meeting	$ 349,471	$ 14,824	$ 132,328	$ 6,889
Amounts recognized in respective financial statements	349,471	15,223	132,328	6,889
Difference amount	$ -	$ (399)	$ -	$ -

There were no differences between the approved amounts of the bonus to employees and the remuneration to directors and supervisors and the accrual amounts recognized in the financial statements for the year ended December 31, 2011.

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

d. Special reserve appropriated on the first-time adoption of IFRSs

The Corporation's special reserve appropriated on the first-time adoption of IFRSs were as follows:

	March 31, 2013	**December 31, 2012**	**March 31, 2012**	**January 1, 2012**
Special reserve	$ -	$ -	$ -	$ -

The Group has no unrealized revaluation surplus on the first-time adoption of IFRSs and there was no special reserve appropriated as a result of the Corporation's use of exemptions under IFRS 1.

e. Other equity

1) Exchange differences on translating foreign operations

	Three Months Ended March 31	
	2013	2012
Balance, beginning of period	$ (70,682)	$ (60,717)
Exchange differences on translating foreign operations	6,311	(6,144)
Share of exchange differences of associates accounted for using equity method	(17)	(31)
Balance, end of period	$ (64,388)	$ (66,892)

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. New Taiwan dollars) were recognized directly in other comprehensive income under the heading of exchange differences on translating foreign operations. Gains and losses on hedging instruments that were designated as hedging instruments for hedges of net investments in foreign operations were included in the exchange differences on translating foreign operations. Exchange differences previously accumulated in the exchange differences on translating foreign operations are reclassified to profit or loss on the disposal of the foreign operation.

2) Unrealized gains or losses on available for sale financial assets

	Three Months Ended March 31	
	2013	2012
Balance, beginning of period	$ 1,689	$ (44,327)
Unrealized gains or losses on available for sale financial assets	2,254	37,369
Balance, end of period	$ 3,943	$ (6,958)

Unrealized gains or losses from available-for-sale financial assets represent the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognized in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

3) Cash flow hedge

	Three Months Ended March 31	
	2013	2012
Balance, beginning of period	$ -	$ -
Gain/(loss) arising on changes in fair value of hedging instruments entered into for cash flow hedges		
Forward exchange contracts	(116)	-
Balance, end of period	$ (116)	$ -

The cash flow hedge represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognized and accumulated under the heading of cash flow hedge will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item.

f. 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
Three months ended March 31, 2013				
For transfer to employees	76,160	-	22,030	54,130
Three months ended March 31, 2012				
For transfer to employees	5,124	70,153	-	75,277

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 76,160 thousand shares from the GreTai Securities Market during the period from December 16, 2011 to February 15, 2012 with buyback prices in the range from NT$8 to NT$15. The Corporation had repurchased 44,525 thousand shares.

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 31,635 thousand shares from the GreTai Securities Market during the period from February 20, 2012 to April 19, 2012 with buyback prices in the range from NT$10 to NT$16. The Corporation had repurchased 31,635 thousand common shares.

Under the Securities and Exchange Act of the R.O.C., the Corporation shall neither pledge its treasury stock nor exercise rights to receive dividends and to vote.

Treasury stock granted on March 1, 2012 using the binomial option pricing model to determine the fair value, the valuation assumptions were as follows:

Stock price on grant date (NT$)	$12.70
Exercise price (NT$)	11.49
Expected volatility	30.12%-31.53%
Expected life	2 years
Risk-free interest rate	0.8012%

Treasury stock granted on April 25, 2012 using the binomial option pricing model to determine the fair value, the valuation assumptions were as follows:

Stock price on grant date (NT$)	$13.35
Exercise price (NT$)	12.83
Expected volatility	29.46%-29.72%
Expected life	2 years
Risk-free interest rate	0.8442%

Expected volatility was based on the historical stock price volatility over the past 2 years. The yield of two-year government bond was used as the risk-free interest rate.

Compensation cost recognized were $27,091 thousand and $6,760 thousand for the three months ended March 31, 2013 and 2012, respectively.

21. REVENUE

Revenue of the Group for the three months ended March 31, 2013 and 2012 were analyzed as follow:

	Three Months Ended March 31	
	2013	2012
Revenue from the sale of goods	$ 4,723,427	$ 3,091,811
Other revenue	49,539	58,508
Rental revenue from rental assets	13,326	3,848
	$ 4,786,292	$ 3,154,167

The Corporation designated certain foreign sales as hedged items to hedge the risk of cash flow. The portion of the gain or loss on the hedging instrument amounting $739 thousand and $3,121 thousand that was determined to be an effective hedge were reclassified to sales of goods for the three months ended March 31, 2013 and 2012, respectively.

22. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

	Three Months Ended March 31	
	2013	2012
Interest income		
Bank deposits	$ 29,417	$ 22,224
Dividends	353	74
Others	14,467	19,126
	$ 44,237	$ 41,424

b. Other gains and losses

	Three Months Ended March 31	
	2013	2012
Net (loss) gain arising on financial assets designated as at FVTPL	$ (86,131)	$ 63,235
Net foreign exchange gains (losses)	86,670	(61,507)
Other losses	(2)	-
	$ 537	$ 1,728

c. Depreciation and amortization

	Three Months Ended March 31	
	2013	2012
Property, plant and equipment	$ 608,431	$ 882,325
Intangible assets	1,204	2,085
	$ 609,635	$ 884,410

(Continued)

	Three Months Ended March 31	
	2013	**2012**
Classification of deprecation - by function		
Cost of revenue	$ 592,720	$ 858,856
Operating expenses	15,711	23,469
	$ 608,431	$ 882,325
Classification of amortization - by function		
Cost of revenue	$ 555	$ 678
Operating expenses	649	1,407
	$ 1,204	$ 2,085

(Concluded)

d. Employee benefits expense

	Three Months Ended March 31	
	2013	**2012**
Post-employment benefits (see Note 19)		
Defined contribution plans	$ 35,307	$ 30,158
Defined benefit plans	3,922	3,857
	39,229	34,015
Share-based payments		
Equity-settled share-based payments	27,091	6,760
Other employee benefits	1,113,024	815,870
Total employee benefits expense	$ 1,179,344	$ 856,645
Employee benefits expense summarized by function		
Cost of revenue	$ 915,047	$ 679,146
Operating expenses	264,297	177,499
	$ 1,179,344	$ 856,645

23. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of income tax expenses (benefit) were as follows:

	Three Months Ended March 31	
	2013	**2012**
Current tax		
In respect of the current period	$ 60,273	$ 2,360
In respect of prior years	(2)	(10,125)
Others	63	(33)
	60,334	(7,798)
Deferred income tax		
In respect of the current period	55,790	(26,043)
Income tax expenses recognized in profit or loss	$ 116,124	$ (33,841)

b. Integrated income tax

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Balance of the Imputation Credits Accounts	$ 56,929	$ 56,929	$ 41,109	$ 51,234

The expected and actual creditable ratios for distributing the earnings of 2012 and 2011 were 1.84% and 7.44%, respectively.

The imputation credit allocated to each shareholder is based on balance in the ICA on the date of dividend distribution; thus, the expected creditable ratio for the 2012 earnings may be adjusted according to the actual ICA balance on dividend distribution date.

The unappropriated retained earnings as of March 31, 2013 and 2012 did not contain the unappropriated earnings generated on and before January 1, 1998.

c. Income tax exemption with respect to the issuance of shares

The Corporation was granted a five-year income tax exemption period with respect to the issuance of shares from the appropriation for year 2015. The income tax exemption period is from January 1, 2012 to December 31, 2016.

d. Income tax assessments

Income tax returns through 2010 had been examined and cleared by the tax authorities.

24. EARNINGS PER SHARE

Unit: NT$ Per Share

	Three Months Ended March 31	
	2013	2012
Basic earnings per share	$ 0.57	$ 0.02
Diluted earnings per share	$ 0.56	$ 0.02

The earnings and weighted average number of common shares used in the computation of earnings per share were as follows:

	Three Months Ended March 31	
	2013	2012
Earnings used in computation of basic earnings per share	$ 880,588	$ 24,008
Effect of dilutive potential common stocks:		
Employee stock options	-	-
Bonus to employees	-	-
Earnings used in the computation of diluted earnings per share	$ 880,588	$ 24,008

(Continued)

	Three Months Ended March 31	
	2013	2012
Weighted average number of common stocks in computation of basic earnings per share	$ 1,556,674	1,576,084
Effect of dilutive potential common shares:		
Employee stock options	3,000	436
Bonus to employees	18,091	11,204
Weighted average number of common stocks used in the computation of diluted earnings per share	$ 1,577,765	1,587,724

(Concluded)

If the Corporation may settle the bonuses paid to employees by cash or shares, the Corporation presumed that the entire amount of the bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the shares had a dilutive effect. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

25. SHARE-BASED PAYMENT

On February 20, 2001, June 21, 2002 and September 18, 2003, the SFB approved the Corporation‘s 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.

	2003 Plan	
	Number of Outstanding Stock Option Rights (In Thousands)	Weighted-average Exercise Price (NT$)
Three months ended March 31, 2013		
Beginning balance	17,923	$15.25
Options exercised	(5,568)	15.16
Options canceled	(1)	16.10
Ending balance	12,354	15.29

	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$)
Three months ended March 31, 2012						
Beginning balance	27,978	$15.90	6,900	$11.50	182	$15.60
Options exercised	-	-	(221)	11.50	-	-
Options canceled	(160)	15.60	-	-	(182)	15.60
Ending balance	27,818	15.91	6,679	11.50	-	-

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

Information about outstanding stock options as of March 31, 2013 was 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					
$12.10-$16.10	12,354	0.66-1.47	$15.29	12,354	$15.29

26. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

The Group 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 March 2013, April 2015, June 2015, December 2027 and December 2029. The rental pay to Hsinchu Science-Based Industrial Park Administration can be adjusted according to the lease contract, and the lease is renewable upon expiration.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Not later than 1 year	$ 76,669	$ 77,029	$ 78,109	$ 78,109
Later than 1 year and not later than 5 years	263,466	267,254	278,612	282,760
Later than 5 years	621,284	636,664	682,807	698,187
	$ 961,419	$ 980,947	$ 1,039,528	$ 1,059,056

The lease payments recognized as expenses were as follows:

	Three Months Ended March 31	
	2013	**2012**
Minimum lease payment	$ 19,527	$ 19,527

b. The Group as lessor

The Group leased certain plant and offices to TSMC Solid State Lighting Ltd with lease terms of 5 years.

The future minimum lease payments of non-cancellable operating lease were as follows:

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Not later than 1 year	$ 23,256	$ 23,256	$ -	$ -
Later than 1 year and not later than 5 years	74,613	80,427	-	-
	$ 97,869	$ 103,683	$ -	$ -

27. CAPITAL MANAGEMENT

The Group manages its capital to ensure its ability to continue as going concerns while maximizing the return to stakeholders. The Group's overall strategy has no significant variations.

The capital structure of the Group consists of net debt (loans offset by cash and cash equivalents) and equity (i.e. capital stock, capital reserves, retained earnings and other equity)

The Group is not subject to any externally imposed capital requirements.

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Financial instruments not carried at fair value

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values or their fair values cannot be reliably measured.

	March 31, 2013		March 31, 2012	
	Book Value	Fair Value	Book Value	Fair Value
Financial assets				
Other current asserts				
Structured deposit	$ 90,000	$ 90,056	$ -	$ -

2) Fair value measurements recognized in the consolidated balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

March 31, 2013

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 151,799	$ -	$ 151,799
Available-for-sale financial assets				
Domestic listed stocks - equity instruments	$ 14,166	$ -	$ -	$ 14,166
Funds	125,045	-	-	125,045
	$ 139,211	$ -	$ -	$ 139,211
Financial liabilities at FVTPL				
Other derivative instruments	$ -	$ 47,964	$ -	$ 47,964

December 31, 2012

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 62,282	$ -	$ 62,282
Available-for-sale financial assets				
Domestic listed stocks - equity instruments	$ 12,676	$ -	$ -	$ 12,676
Funds	120,999	-	-	120,999
	$ 133,675	$ -	$ -	$ 133,675
Financial liabilities at FVTPL				
Other derivative instruments	$ -	$ 492	$ -	$ 492

March 31, 2012

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ 22,587	$ 24,263	$ -	$ 46,850
Available-for-sale financial assets				
Domestic listed stocks - equity instruments	$ 168,575	$ -	$ -	$ 168,575
Funds	57,535	-	-	57,535
	$ 226,110	$ -	$ -	$ 226,110
Financial liabilities at FVTPL				
Other derivative instruments	$ -	$ 4,212	$ -	$ 4,212

January 1, 2012

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 3,095	$ -	$ 3,095
Available-for-sale financial assets				
Domestic listed stocks - equity instruments	$ 131,001	$ -	$ -	$ 131,001
Financial liabilities at FVTPL				
Other derivative instruments	$ -	$ 17,199	$ -	$ 17,199

There were no transfers between Level 1 and 2 for the three months ended March 31, 2013 and 2012, respectively.

3) Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices (includes listed stocks and funds).

b) 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 would use in their estimates of fair values.

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.

b. Categories of financial instruments

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Financial assets				
Fair value through profit or loss (FVTPL)				
Held for trading	$ 2,879	$ 22,050	$ 4,149	$ 2,852
Designated as at FVTPL	148,897	40,146	42,667	-
Derivative instruments in designated hedge accounting relationships	23	86	34	243
Loans and receivables (Note 1)	15,281,805	13,949,564	10,428,660	10,850,525
Available-for-sale financial assets (Note 2)	192,784	186,835	279,514	184,783

(Continued)

	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Financial liabilities				
Fair value through profit or loss (FVTPL)				
Held for trading	$ 44,619	$ 418	$ 2,748	$ 9,711
Derivative instruments in designated hedge accounting relationships	3,345	74	1,464	7,488
Amortized cost (Note 3)	1,745,382	1,764,586	1,336,872	1,182,029

(Concluded)

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, other financial assets, notes and accounts receivables, and other receivables.

Note 2: The balances included the carrying amount of available-for-sale financial assets measured at cost

Note 3: The balances included financial liabilities measured at amortized cost, which comprise accounts payables and other payables.

c. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, accounts receivable, accounts payables. The Group's Corporate Finance function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Finance function reports quarterly to the Group's Board of Directors and Audit Committee for monitoring risks and policies implemented to mitigate risk exposures.

1) Market risk

The Group's activities are exposed to the financial risks primarily arising from the changes in foreign currency exchange rates (see (1) below) and interest rates (see (2) below). The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including:

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Group’s operating activities are partially denominated in foreign currencies and apply natural hedge. The purpose of the Group’s management of the foreign currency risk is to hedge the risk instead of making a profit.

The strategy of foreign currency risk management is to review the net position exposed to foreign currency risk and manage the risk of the net position. The Group selects the instruments to hedge currency exposure by considering the hedge cost and hedge period. The Group currently utilizes derivative financial instruments, primarily buy/sell forward exchange contracts, to hedge its currency exposure.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period were as follows.

	March 31, 2013	**December 31, 2012**	**March 31, 2012**	**January 1, 2012**
Assets				
USD	$ 135,810	$ 131,842	$ 98,598	$ 113,747
EUR	212	106	304	677
JPY	101,848	34,355	97,970	123,159
SGD	5	5	12	12
RMB	6,208	-	-	-
Liabilities				
USD	22,296	21,792	15,696	7,380
EUR	319	193	316	934
JPY	179,324	231,694	150,231	186,634

The Group required all its group entities to use forward exchange contracts to eliminate currency exposure. It is the Group’s policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness.

As net investments in foreign operations are for strategic purposes, they are not hedged by the Group.

The carrying amounts of the Group's derivatives exposed to foreign currency risk at the end of the reporting period were as follows.

	March 31, 2013	**December 31, 2012**	**March 31, 2012**	**January 1, 2012**
Assets				
USD	$ 5,097	$ 762	$ 142	$ 102
Liabilities				
USD	1,606	17	143	568

Sensitivity analysis

The Group is mainly exposed to the currency of USD and JPY.

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and the forward exchange contracts designated as cash flow hedges, and adjusts the translations accordingly at the end of the reporting period for a 5% change in foreign currency rates. The sensitivity analysis included cash and cash equivalents, accounts receivables, other receivables, accounts payables, and other payables within the Group. A positive number below indicates an increase in pre-tax profit where the New Taiwan dollars strengthen 5% against the relevant currency. For a 5% weakening of New Taiwan dollars against the relevant currency, there would be a comparable impact on pre-tax profit and the balances below would be negative.

	Currency USD Impact		**Currency JPY Impact**	
	Three Months Ended March 31		**Three Months Ended March 31**	
	2013	**2012**	**2013**	**2012**
Profit or loss	$ (184,141)	$ (137,523)	$ (1,257)	$ (952)

b) Interest rate risk

The Group's financial assets are exposed to interest rate risk both at fixed and floating interest rates.

The carrying amount of the Group's financial assets with exposure to interest rates at the end of the reporting period were as follows.

	March 31, 2013	**December 31, 2012**	**March 31, 2012**	**January 1, 2012**
Fair value interest rate risk				
Financial assets	$10,023,830	$ 9,214,635	$ 6,010,075	$ 6,260,322
Cash flow interest rate risk				
Financial assets	2,575,785	2,097,086	2,191,691	2,121,833

Sensitivity analysis

The sensitivity analyses below are determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate assets, the analysis is prepared assuming the amount of the asset outstanding at the end of the reporting period is outstanding for the whole year.

If the market interest rate increases/decrease by 0.1%, the pre-tax profit of the Group for the three months ended on March 31, 2013 and 2012 will increases/decrease $2,576 thousand and $2,192 thousand, respectively.

c) Other price risk

The Group is exposed to equity price risk arising from its investments in listed equity securities. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments. The Group's equity price risk is mainly concentrated on equity instruments operating in electronic industry sector quoted in the Taiwan Stock Exchange and GreTai Securities Market.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, the other comprehensive income for the three months ended March 31, 2013 and 2012 would increase/decrease by $708 thousand and $8,429 thousand, respectively, as a result of the changes in fair value of available-for-sale financial investment.

2) Credit risk

Credit risk refers to the risk that a counterpart will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group may have a financial loss due to the default on obligation from counterparts, the maximum exposure to credit risk is the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

In order to mitigate credit risk, the Group has made the management of credit policy to ensure that appropriate action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts, in this regard, the Group considers the credit risk is significantly reduced.

The credit risk on operating funds and derivatives is limited as the counterparts is creditworthy banks with good credit.

The Group has considerate accounts receivable outstanding with its customers spread across diverse industries and geographical areas. The balances are monitored on an ongoing basis by evaluating the customer's financial condition.

Except for customer A, B, and D, the Group did not have significant credit risk exposure to any single counterpart or any group of counterparts having similar characteristics. Related parties are defined as counterparts as having similar characteristics. Besides customer A, B, and D, no concentration of credit risk related to other customers that exceed 10% of total gross accounts receivables at any time during the period. Customer A, B and D are creditworthy counterparts, therefore, the Group believes the concentration of credit risk is insignificant for the remaining accounts receivable.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining adequate reserves of cash and cash equivalents to fund the Group's operations and mitigate the effects of fluctuations in cash flows.

a) Liquidity and interest risk rate tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

March 31, 2013

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 682,710	$ 786,741	$ 275,931	$ 1,745,382

December 31, 2012

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 916,295	$ 671,194	$ 177,097	$ 1,764,586

March 31, 2012

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 575,910	$ 624,378	$ 136,584	$ 1,336,872

January 1, 2012

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 588,504	$ 459,643	$ 133,882	$ 1,182,029

The following tables detail the Group's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted net inflows and outflows on those derivatives that require gross settlement.

March 31, 2013

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	Total
Gross settled				
Forward exchange contracts				
Inflows	$ 1,669,269	$ 2,364,914	$ -	$ -
Outflows	118,615	-	-	-
	1,787,884	2,364,914	-	-
Interest rate linked structured dollar investment notes				
Outflows	-	-	-	149,345
	$ 1,787,884	$ 2,364,914	$ -	$ 149,345

December 31, 2012

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year
Gross settled			
Forward exchange contracts			
Inflows	$ 1,753,706	$ 1,955,608	$ 493,411
Outflows	-	86,723	-
	1,753,706	2,042,331	493,411
Credit linked notes			
Outflows	-	40,000	-
	$ 1,753,706	$ 2,082,331	$ 493,411

March 31, 2012

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year
Gross settled			
Forward exchange contracts			
Inflows	$ 1,886,546	$ 1,001,369	$ -
Outflows	-	59,065	-
	1,886,546	1,060,434	-
Convertible Bond			
Outflows	-	-	22,571
Credit linked notes			
Outflows	-	-	20,000
	$ 1,886,546	$ 1,060,434	$ 42,571

January 1, 2012

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year
Gross settled			
Forward exchange contracts			
Inflows	$ 1,193,210	$ 1,868,537	$ -
Outflows	-	-	-
	$ 1,193,210	$ 1,868,537	$ -

29. TRANSACTIONS WITH RELATED PARTIES

Intercompany balances and transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties were disclosed below.

a. Operating transactions

	Revenue from Sales of Goods		Purchases	
	Three Months Ended March 31		Three Months Ended March 31	
	2013	2012	2013	2012
Investors that have significant influence over the Group	$ 1,434,809	$ 702,350	$ -	$ 81
Associates	$ 4,829	$ 2,690	$ -	$ -
Key management personnel	$ 6,901	$ 3,899	$ -	$ -
Substantial related parties	$ 1,786	$ 13,955	$ -	$ -

	Manufacturing Expenses		Research and Development Expenses	
	Three Months Ended March 31		Three Months Ended March 31	
	2013	2012	2013	2012
Investors that have significant influence over the Group	$ 139,509	$ 117,820	$ 82	$ 302

	Rental Revenue		Nonoperating Income and Gains	
	Three Months Ended March 31		Three Months Ended March 31	
	2013	2012	2013	2012
Substantial related parties	$ 6,388	$ 342	$ -	$ -
Investors that have significant influence over the Group	-	-	6,081	7,673
	$ 6,388	$ 342	$ 6,081	$ 7,673

	Purchase of Property, Plant and Equipment	
	Three Months Ended March 31	
	2013	2012
Substantial related parties	$ 11,325	$ -

The following balances were outstanding at the end of the reporting period:

	Receivables from Related Parties			
	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Investors that have significant influence over the Group	$ 538,265	$ 358,209	$ 507,570	$ 931,843
Key management personnel	6,041	3,424	3,807	9,247
Associates	2,903	2,619	1,938	944
Substantial related parties	1,376	102	10,164	3,741
	$ 548,585	$ 364,354	$ 523,479	$ 945,775

	Other Receivables from Related Parties			
	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Investors that have significant influence over the Group	$ 1,714	$ 6,581	$ 11,688	$ 56,094
Substantial related parties	15	3,827	-	-
	$ 1,729	$ 10,408	$ 11,688	$ 56,094

	Payables to Related Parties			
	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Investors that have significant influence over the Group	$ -	$ -	$ 81	$ -

	Other Payables to Related Parties			
	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Investors that have significant influence over the Group	$ 117,504	$ 121,638	$ 97,345	$ 86,603
Substantial related parties	119	5,816	30	-
	$ 117,623	$ 127,454	$ 97,375	$ 86,603

	Rental in Advance (Presented Under Other Current Liabilities)			
	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Substantial related parties	$ -	$ -	$ 216	$ -

	Guarantee Deposits			
	March 31, 2013	December 31, 2012	March 31, 2012	January 1, 2012
Substantial related parties	$ 5,814	$ 5,814	$ -	$ -

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

The Group leased certain plant and offices to related parties. The lease terms and prices were determined in accordance with mutual agreements. Related parties paid the rental in advance.

The Group purchased equipment from related party. The terms were based on related contracts.

Guarantee deposits of related parties were primary for lease.

b. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the three months ended March 31, 2013 and 2012 were as follows:

	Three Months Ended March 31	
	2013	2012
Short-term employee benefits	$ 34,047	$ 17,676
Share-based payments	1,765	355
	$ 35,812	$ 18,031

The remuneration of directors and key executives was determined by the Compensation Committee in accordance with the individual performance and the market trends.

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets 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:

	March 31	
	2013	2012
Pledged time deposits (presented under other non-current assets)	$ 283,300	$ 181,300

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The significant commitments of the Group as of March 31, 2013 were as follows:

a. The Corporation entered into a “Manufacturing, License, and Technology Transfer Agreement” with Taiwan Semiconductor Manufacturing Company Ltd. beginning January 1, 2004 to pay fees according to the net sales of certain products and reserve a portion of its production capacity.

b. As of March 31, 2013, the unused letters of credit aggregated were about US$330 thousand.

32. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

	March 31, 2013		March 31, 2012	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
Financial assets				
Monetary items				
USD	$ 135,662	29.869	$ 98,500	29.529
EUR	212	38.824	304	39.7
JPY	101,848	0.3245	97,970	0.3645
SGD	5	24.11	12	23.53
RMB	6,208	4.765	-	-
Non-monetary items				
USD	9,283	29.869	2,090	29.529
Investment accounted for using equity method				
USD	1,553	29.869	1,843	29.529
Financial liabilities				
Monetary items				
USD	22,147	29.869	15,598	29.529
EUR	319	38.824	316	39.7
JPY	179,324	0.3245	150,231	0.3645
Non-monetary items				
USD	1,606	29.869	143	29.529
Financial assets				
Monetary items				
USD	131,695	29.038	113,644	30.288
EUR	106	38.65	677	39.58
JPY	34,355	0.3444	123,159	0.3948
SGD	5	23.77	12	23.33
Non-monetary items				
USD	4,929	29.038	102	30.288
Investment accounted for using equity method				
USD	1,777	29.038	1,883	30.288
Financial liabilities				
Monetary items				
USD	21,645	29.038	7,278	30.288
EUR	193	38.65	934	39.58
JPY	231,694	0.3444	186,634	0.3948
Non-monetary items				
USD	17	29.038	568	30.288

33. SEPARATELY DISCLOSED ITEMS

Information on significant transactions and information on investees:

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)

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

34. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the Group's chief operating decision maker reviews operating results and financial information on a per plant basis. It focuses on the operating result of each of the plants operated under Vanguard International Semiconductor Corporation and its subsidiaries. Accordingly, each of the plants constitutes an operating segment of the Group. As each plant shares similar economic characteristics, produces similar products by using similar production process and all of products produced are distributed and sold to the same level of customers through a central sales function, the Group's segments are aggregated into a single reportable segment.

The revenues, operating results and financial information on a plant by plant basis presented to the chief operating decision maker are consistent with the information in the consolidated financial statement. The segment revenues and operating results for the three months ended March 31, 2013 and 2012 can be referred to in the consolidated income statements for the three months ended March 31, 2013 and 2012. The segment assets as of March 31, 2013, December 31, 2012, March 31, 2012, and January 1, 2012 can be referred to the consolidated balance sheets as of March 31, 2013, December 31, 2012, March 31, 2012, and January 1, 2012.

35. FIRST-TIME ADOPTION OF IFRSS

a. Basis of the preparation for financial information under IFRSs

The Group's consolidated financial statements for the three months ended March 31, 2013 were the first IFRS interim financial statements. As to the basis of preparation, the Group not only follows the significant accounting policies stated in Note 4 but also applies the requirements under IFRS 1 "First-time Adoption of IFRS".

b. Effects of transition to IFRSs

After transition to IFRSs, the effect on the Group's consolidated balance sheets and consolidated statements of comprehensive income is stated as follows:

1) Reconciliation of consolidated balance sheet as of January 1, 2012

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Current assets						
Cash and cash equivalents	$ 8,200,855	$ -	$ -	$ 8,200,855	Cash and cash equivalents	
Financial assets at fair value through profit or loss - current	2,852	-	-	2,852	Financial assets at fair value through profit or loss - current	
Available-for-sale financial assets - current	6,670	-	-	6,670	Available-for-sale financial assets - current	
Derivative financial assets for hedging - current	243	-	-	243	Derivative financial assets - for hedging - current	
Receivables from related parties	945,775	-	-	945,775	Receivables from related parties	
Notes and accounts receivable, net	1,369,777	-	42,386	1,412,163	Notes and accounts receivable, net	7) a)
Inventories	1,230,585	-	-	1,230,585	Inventories	
Other receivables from related parties	56,094	-	-	56,094	Other receivables from related parties	
Deferred income tax assets - current	135,437	-	(135,437)	-	-	7) b)
Prepaid expenses and other current assets	174,345	-	-	174,345	Other current asset	
Total current assets	12,122,633	-	(93,051)	12,029,582	Total current assets	
Investments						
Investments accounted for using equity method	127,008	(1,096)	-	125,912	Investments accounted for using equity method	7) f)
Available-for-sale financial assets - non-current	124,331	-	-	124,331	Available-for-sale financial assets - non-current	
Financial assets carried at cost - non-current	53,782	-	-	53,782	Financial assets carried at cost - non-current	
Total investments	305,121	(1,096)	-	304,025		
Net property, plant and equipment	9,404,061	-	791,028	10,195,089	Property, plant and equipment	7) c)
Other assets						
Assets leased to other, net	745,313	-	(745,313)	-	-	7) c)
Idle assets, net	45,715	-	(45,715)	-	-	7) c)
Intangible assets, net	9,811	-	-	9,811	Intangible assets, net	
Deferred income tax assets - non-current	681	-	135,437	136,118	Deferred tax assets	7) b)
Refundable deposits	5,168	-	-	5,168	Refundable deposits	
Pledged time deposits	181,300	-	-	181,300	Other non-current financial assets	
Total other assets	987,988	-	(655,591)	332,397		
Total	$ 22,819,803	$ (1,096)	$ 42,386	$ 22,861,093	Total	
Current liabilities						
Financial liabilities at fair value through profit or loss - current	$ 9,711	$ -	$ -	$ 9,711	Financial liabilities at fair value through profit or loss - current	
Derivative financial liabilities for hedging - current	7,488	-	-	7,488	Derivative financial liabilities for hedging - current	

(Continued)

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Notes and accounts payable	$ 433,992	$ -	$ -	$ 433,992	Notes and accounts payable	
Income tax payable	89,311	-	-	89,311	Current income tax liabilities	
Other payables to related parties	86,603	-	-	86,603	Other payables to related parties	
Accrued profit sharing to employees and bonus to directors and supervisors	139,217	-	-	139,217	Accrued profit sharing to employees and bonus to directors and supervisors	
Payables to contractors and equipment suppliers	230,227	-	-	230,227	Payables to contractors and equipment suppliers	
Accrued expenses and other current liabilities	1,061,239	-	-	1,061,239	Other current liabilities	
-	-	-	42,386	42,386	Provisions - current	7) a)
Total current liabilities	2,057,788	-	42,386	2,100,174	Total current liabilities	
Other liabilities						
Accrued pension cost	483,876	26,142	-	510,018	Accrued pension cost	7) d)
Guarantee deposits	8,962	-	-	8,962	Guarantee deposits	
Total other liabilities	492,838	26,142	-	518,980		
Total liabilities	2,550,626	26,142	42,386	2,619,154	Total liabilities	
Capital stock	16,191,160	-	-	16,191,160	Capital stock	
Capital surplus	528,717	(68,832)	-	459,885	Capital surplus	7) e)
Retained earnings	3,707,532	41,582	-	3,749,114	Retained earnings	
Others						
Cumulative translation adjustments	(60,729)	12	-	(60,717)	Exchange differences on translating foreign operations	7) f)
Unrealized loss on financial instruments	(44,327)	-	-	(44,327)	Unrealized loss from available-for-sales financial assets	
Treasury stock	(53,176)	-	-	(53,176)	Treasury stock	
	(158,232)	12	-	(158,220)		
Total shareholders' equity	20,269,177	(27,238)	-	20,241,939	Total equity	
Total	$ 22,819,803	$ (1,096)	$ 42,386	$ 22,861,093	Total	

(Concluded)

2) Reconciliation of consolidated balance sheet as of March 31, 2012

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Current assets						
Cash and cash equivalents	$ 8,000,386	$ -	$ -	$ 8,000,386	Cash and cash equivalents	
Financial assets at fair value through profit or loss - current	46,816	-	-	46,816	Financial assets at fair value through profit or loss - current	
Available-for-sale financial assets - current	64,392	-	-	64,392	Available-for-sale financial assets - current	
Derivate financial assets for hedging - current	34	-	-	34	Derivate financial assets for hedging - current	
Receivables from related parties	523,479	-	-	523,479	Receivables from related parties	
Notes and accounts receivable, net	1,614,750	-	47,493	1,662,243	Notes and accounts receivable, net	
Inventories	1,407,780	-	-	1,407,780	Inventories	
Other receivables from related parties	11,688	-	-	11,688	Other receivables from related parties	
Deferred income tax assets - current	161,497	-	(161,497)	-	-	7) b)
Prepaid expenses and other current assets	188,974	-	-	188,974	Other current assets	
Total current assets	12,019,796	-	(114,004)	11,905,792	Total current assets	
Investments						
Investments accounted for using equity method	122,031	(1,072)	-	120,959	Investments accounted for using equity method	7) f)
Available-for-sale financial assets - non-current	161,718	-	-	161,718	Available-for-sale financial assets - non-current	
Financial assets carried at cost - non-current	53,404	-	-	53,404	Financial assets carried at cost - non-current	
Total investments	337,153	(1,072)	-	336,081		

(Continued)

R.O.C. GAAP Item	R.O.C. GAAP Amount	Effect of Transition to IFRSs: Recognition and Measurement Difference	Effect of Transition to IFRSs: Presentation Difference	IFRSs Amount	IFRSs Item	Note
Net property, plant and equipment	$ 8,722,169	$ -	$ 761,359	$ 9,483,528	Property, plant and equipment	7) c)
Other assets						
Assets leased to others	727,073	-	(727,073)	-	-	7) c)
Idle assets	34,286	-	(34,286)	-	-	7) c)
Intangible assets	7,726	-	-	7,726	Intangible assets	
Deferred tax assets - non-current	664	-	161,497	162,161	Deferred tax assets - non-current	7) b)
Refundable deposits	5,165	-	-	5,165	Refundable deposits	
Pledged time deposits	181,300	-	-	181,300	Other non-current assets	
Total other assets	956,214	-	(599,862)	356,352		
Total	$ 22,035,332	$ (1,072)	$ 47,493	$ 22,081,753	Total	
Current liabilities						
Financial liabilities at fair value through profit or loss - current	$ 2,748	$ -	$ -	$ 2,748	Financial liabilities at fair value through profit or loss - current	
Derivative financial liabilities for hedging - current	1,464	-	-	1,464	Derivative financial liabilities for hedging - current	
Notes and accounts payable	681,767	-	-	681,767	Notes and accounts payable	
Income tax payable	91,554	-	-	91,554	Current income tax liabilities	
Other payables to related parties	97,375	-	-	97,375	Other payables to related parties	
Accrued profit sharing to employees and bonus to directors and supervisors	143,359	-	-	143,359	Accrued profit sharing to employees and bonus to directors	
Payables to contractors and equipment suppliers	191,491	-	-	191,491	Payables to contractors and equipment suppliers	
Accrued expenses and other current liabilities	850,895	-	-	850,895	Other current liabilities	7) a)
-	-	-	47,493	47,493	Provisions - current	7) a)
Total current liabilities	2,060,653	-	47,493	2,108,146	Total current liabilities	
Other liabilities						
Accrued pension cost	483,934	26,227	-	510,161	Accrued pension cost	7) d)
Guarantee deposits	10,992	-	-	10,992	Guarantee deposits	
Total other liabilities	494,926	26,227	-	521,153		
Total liabilities	2,555,579	26,227	47,493	2,629,299	Total liabilities	
Capital stock	16,192,462	-	-	16,192,462	Capital stock	
Capital surplus	535,815	(68,832)	-	466,983	Capital surplus	7) e)
Retained earnings					Retained earnings	
Legal reserve	1,788,926	-	-	1,788,926	Legal reserve	
Unappropriated earnings	1,942,702	41,494	-	1,984,196	Unappropriated earnings	
	3,731,628	41,494	-	3,773,122		
Others						
Cumulative translation adjustments	(66,931)	39	-	(66,892)	Exchange differences on translating foreign operations translation reserve	7) f)
Unrealized loss on financial instruments	(6,958)	-	-	(6,958)	Unrealized loss from available-for-sale financial assets	
Treasury stock	(906,263)	-	-	(906,263)	Treasury stock	
	(980,152)	39	-	(980,113)		
Total shareholders' equity	19,479,753	(27,299)	-	19,452,454	Total equity	
Total	$ 22,035,332	$ (1,072)	$ 47,493	$ 22,081,753	Total	

(Concluded)

3) Reconciliation of consolidated balance sheet as of December 31, 2012

R.O.C. GAAP Item	R.O.C. GAAP Amount	Effect of Transition to IFRSs: Recognition and Measurement Difference	Effect of Transition to IFRSs: Presentation Difference	IFRSs Amount	IFRSs Item	Note
Current assets						
Cash and cash equivalents	$ 11,090,275	$ -	$ -	$ 11,090,275	Cash and cash equivalents	
Financial assets at fair value through profit or loss - current	22,050	-	-	22,050	Financial assets at fair value through profit or loss - current	
Available-for-sale financial assets - current	126,835	-	-	126,835	Available-for-sale financial assets - current	
Derivate financial assets for hedging - current	86	-	-	86	Derivate financial assets for hedging - current	
Receivables from related parties	364,354	-	-	364,354	Receivables from related parties	
Notes and accounts receivable, net	2,184,483	-	55,731	2,240,214	Notes and accounts receivable, net	7) a)
Inventories	1,852,572	-	-	1,852,572	Inventories	
Other receivables from related parties	10,408	-	-	10,408	Other receivables from related parties	
Prepaid expenses and other current assets	269,818	-	-	269,818	Other current assets	
Deferred income tax assets - current	181,794	-	(181,794)	-	-	7) b)
Total current assets	16,102,675	-	(126,063)	15,976,612	Total current assets	
Investments						
Investments accounted for using equity method	110,962	(929)	-	110,033	Investments accounted for using equity method	7) f)
Financial assets at fair value through profit or loss - non-current	40,146	-	-	40,146	Financial assets at fair value through profit or loss - non-current	
Available-for-sales financial assets - non-current	6,840	-	-	6,840	Available-for-sales financial assets - non-current	
Financial assets carried at cost - non-current	53,160	-	-	53,160	Financial assets carried at cost - non-current	
Total investments	211,108	(929)	-	210,179		
Net property, plant and equipment	7,547,491	-	672,351	8,219,842	Property, plant and equipment	7) c)
Other assets						
Assets leased to others	672,351	-	(672,351)	-	-	7) c)
Intangible assets	6,660	-	-	6,660	Intangible assets	
Deferred income tax assets - non-current	653	-	181,794	182,447	Deferred tax assets - non-current	7) b)
Refundable deposits	5,162	-	-	5,162	Refundable deposits	
Pledged time deposits	181,300	-	-	181,300	Other non-current financial assets	
Total other assets	866,126	-	(490,557)	375,569		
Total	$ 24,727,400	$ (929)	$ 55,731	$ 24,782,202	Total	
Current liabilities						
Financial liabilities at fair value through profit or loss - current	$ 418	$ -	$ -	$ 418	Financial liabilities at fair value through profit or loss - current	
Derivative financial liabilities for hedging - current	74	-	-	74	Derivative financial liabilities for hedging - current	
Notes and accounts payable	737,519	-	-	737,519	Notes and accounts payable	
Income tax payable	254,952	-	-	254,952	current income tax liabilities	
Accrued profit sharing to employees and bonus to directors and supervisors	364,694	-	-	364,694	Accrued profit sharing to employees and bonus to directors	
Payables to contractors and equipment suppliers	373,714	-	-	373,714	Payables to contractors and equipment suppliers	
Other payables to related parties	127,454	-	-	127,454	Other payables to related parties	
Accrued expenses and other current liabilities	1,328,350	-	-	1,328,350	Other current liabilities	
-	-	-	55,731	55,731	Provisions - current	7) a)
Total current liabilities	3,187,175	-	55,731	3,242,906	Total current liabilities	
Other liabilities						
Accrued pension cost	484,122	62,432	-	546,554	Accrued pension cost	7) d)
Guarantee deposits	25,545	-	-	25,545	Guarantee deposits	
Total other liabilities	509,667	62,432	-	572,099		
Total liabilities	3,696,842	62,432	55,731	3,815,005	Total liabilities	

(Continued)

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Capital stock	$ 16,284,830	$ -	$ -	$ 16,284,830	Capital stock	
Capital surplus	663,507	(68,832)	-	594,675	Capital surplus	7) e)
Retained earnings	5,068,946	5,516	-	5,074,462	Retained earnings	
Others						
Cumulative translation adjustments	(70,637)	(45)	-	(70,682)	Exchange differences on translating foreign operations	7) f)
Unrealized gain on financial instruments	1,689	-	-	1,689	Unrealized gain from available-for-sales financial assets	
Treasury stock	(917,777)	-	-	(917,777)	Treasury stock	
	(986,725)	(45)	-	(986,770)		
Total shareholders' equity	21,030,558	(63,361)	-	20,967,197	Total equity	
Total	$ 24,727,400	$ (929)	$ 55,731	$ 24,782,202	Total	

(Concluded)

4) Reconciliation of consolidated statement of comprehensive income for the three months ended March 31, 2012

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Net sales	$ 3,150,319	$ -	$ 3,848	$ 3,154,167	Net revenue	7) g)
Cost of sales	2,794,550	-	33,919	2,828,469	Costs of revenue	7) g)
Gross profit	355,769	-	(30,071)	325,698	Gross profit	
Operating expenses						
Marketing	43,776	-	-	43,776	Marketing	
General and administrative	129,557	85	-	129,642	General and administrative	7) d), g)
Research and development	200,954	-	-	200,954	Research and development	
Total operating expenses	374,287	85	-	374,372		
Operating loss	(18,518)	(85)	(30,071)	(48,674)	Operating loss	
Non-operating income and gains						
Valuation gains on financial instrument	63,235	-	-	63,235	Other gains and losses	
Interest	22,224	-	-	22,224	Other income	
Rental	3,848	-	(3,848)	-	Other income	7) g)
Dividend income	74	-	-	74	Other income	
Others	19,126	-	-	19,126	Other income	7) g)
	108,507	-	(3,848)	104,659		
Non-operating expenses and losses						
Foreign exchange loss, net	61,507	-	-	61,507	Other gains and losses	
Expense of assets leased to other	18,240	-	(18,240)	-	General and administrative expenses	7) g)
Investments loss recognized by the equity method	4,308	3	-	4,311	Share of loss of associates and joint ventures	7) f)
Others	15,679	-	(15,679)	-	Other gains and losses	7) g)
	99,734	3	(33,919)	65,818		
Loss before income tax	(9,745)	(88)	-	(9,833)	Loss before income tax	7) d), f)
Income tax benefit	33,841	-	-	33,841	Income tax benefit	
Consolidated net income	$ 24,096	$ (88)	$ -	24,008	Net income	
				(6,144)	Exchange differences on translating foreign operations	
				37,369	Unrealized gain on available-for-sale financial assets	
				(31)	Share of other comprehensive income of associates and joint ventures	
				$ 55,202	Total comprehensive income for the period	

5) Reconciliation of consolidated statement of comprehensive income for the year ended December 31, 2012

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Net sales	$ 17,162,545	$ -	$ 27,455	$ 17,190,000	Net revenue	7) g)
Cost of sales	13,074,005	-	137,806	13,211,811	Costs of revenue	7) g)
Gross profit	4,088,540	-	(110,351)	3,978,189	Gross profit	
Operating expenses						
Marketing	204,848	-	-	204,848	Marketing	
General and administrative	652,404	341	-	652,745	General and administrative	7) d), g)
Research and development	851,722	-	-	851,722	Research and development	
Total operating expenses	1,708,974	341	-	1,709,315		
Operating income	2,379,566	(341)	(110,351)	2,268,874	Operating income	
Non-operating income and gains						
Valuation gains on financial instrument	124,213	-	-	124,213	Other gains and losses	
Interest	94,037	-	-	94,037	Other income	
Gain on disposal of investments	70,853	-	-	70,853	Other gains and losses	
Rental	24,297	-	(24,297)	-	Other income	7) g)
Dividend income	19,636	-	-	19,636	Other income	
Gain on disposal of properties	17,761	-	-	17,761	Other income	
Others	81,116	-	(3,158)	77,958	Other income	7) g)
	431,913	-	(27,455)	404,458		
Non-operating expenses and losses						
Foreign exchange loss, net	110,062	-	-	110,062	Foreign exchange loss, net	
Expense of assets leased to other	72,962	-	(72,962)	-	Cost of revenue	7) g)
Investments loss recognized by the equity method	21,667	(224)	-	21,443	Share of loss of associates and joint venture	7) f)
Others	64,918	-	(64,844)	74	Other gains and losses	7) g)
	269,609	(224)	(137,806)	131,579		
Income before income tax	2,541,870	(117)	-	2,541,753	Income before income tax	7) d), f)
Income tax expense	212,061	-	-	212,061	Income tax expense	
Consolidated net income	$ 2,329,809	$ (117)	$ -	2,329,692	Net income	
				(9,916)	Exchange differences on translating foreign operations	
				(35,949)	Actuarial loss from defined benefit pension	
				46,016	Unrealized gain on available-for-sale financial assets	
				(49)	Share of loss of associates and joint ventures	
				$ 2,329,794	Total comprehensive income for the year	

6) Exemptions from IFRS 1

IFRS 1 establishes the procedures for the Group's first consolidated financial statements prepared in accordance with IFRSs. According to IFRS 1, the Group is required to determine the accounting policies under IFRSs and retrospectively apply those accounting policies in its opening balance sheet at the date of transition to IFRSs, January 1, 2012, except for optional exemptions and mandatory exceptions to such retrospective application provided under IFRS 1. The major optional exemptions the Group adopted were summarized as follows:

Share-based payment transactions

The Group elected to take the optional exemption from applying IFRS 2, "Share-based Payment," retrospectively for the shared-based payment transactions granted and vested before January 1, 2012.

Employee benefits

The Group elected to recognize all cumulative actuarial gains and losses in retained earnings as of January 1, 2012.

7) Explanations of significant reconciling items in the transition to IFRSs

Material differences between the accounting policies under R.O.C GAAP and the accounting policies adopted under IFRSs were as follows:

a) Allowance for sales returns and others

Under R.O.C. GAAP, provisions for estimated sales returns and others are recognized as a reduction in revenue in the period the related revenue is recognized based on historical experience. Allowance for sales returns and others is recorded as a deduction in accounts receivable. Under IFRSs, allowance for sales returns and others is a present obligation with uncertain timing brought about by past events, it is reclassified as provisions under current liabilities.

As of December 31, 2012, March 31, 2012 and January 1, 2012, the amounts reclassified from allowance for sales returns and others to provisions were $55,731 thousand, $47,493 thousand and $42,386 thousand, respectively.

b) Classifications of deferred income tax asset/liability and valuation allowance

Under R.O.C. GAAP, a deferred tax asset or liability is classified as current or non-current in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, it is classified as either current or non-current based on the expected length of time before it is realized or settled. Under IFRSs, a deferred tax asset or liability is classified as non-current asset or liability.

In addition, under R.O.C. GAAP, valuation allowances is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. Under IFRSs, deferred tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits and valuation allowance account is not used.

As of December 31, 2012, March 31, 2012 and January 1, 2012, the amounts reclassified from deferred income tax assets to non-current assets were $181,794 thousand, $161,497 thousand and $135,437 thousand, respectively.

c) The classification of leased assets and idle assets

Under R.O.C. GAAP, leased assets and idle assets are classified under other assets. Under IFRSs, leased assets and idle assets are classified as property, plant and equipment according to their nature. Leased assets are mainly several floors of the plant leased to companies located in Hsinchu Science-Based Industrial Park. In accordance with the relevant IFRSs guidance, the floors of the plant leased to companies located in Hsinchu Science-Based Industrial Park is not considered investment properties since they cannot be sold separately nor leased out separately under a finance lease.

As of December 31, 2012, March 31, 2012 and January 1, 2012, the amounts reclassified from leased assets and idle assets to property, plant and equipment were $672,351 thousand, $761,359 thousand and $791,028 thousand, respectively.

d) Employee benefits

The Group had previously used actuarial valuation to determine its defined benefit obligation and recognized the related pension cost and retirement benefit obligation in conformity with R.O.C. GAAP. Under IFRSs, the Group should use actuarial valuation for defined benefit obligation in accordance with IAS No. 19, "Employees' Benefits."

At the transition date, the Group performed the actuarial valuation under IAS No. 19, "Employee Benefits," and recognized the valuation difference directly to retained earnings under the requirement of IFRS 1. As of December 31, 2012, March 31, 2012 and January 1, 2012, accrued pension cost was adjusted for an increase of $62,432 thousand, $26,227 thousand and $26,142 thousand, respectively. Pension cost for the three months ended March 31, 2012 was also adjusted for an increase of $85 thousand. Pension cost for the year ended December 31, 2012 was adjusted for an increase of $341 thousand and other comprehensive income for the year ended December 31, 2012 was adjusted for a decrease of $35,949 thousand.

e) Capital surplus from long-term investments

Under R.O.C. GAAP, when the Group subscribes for its investee's newly issued shares at a percentage different from its percentage of ownership in the investee, the Group records the change in its equity in the investee's net assets as an adjustment to investments, with a corresponding amount credited or charged to capital surplus. Under IFRSs, any gain or loss arising as a result of an investor not taking up its ownership interest over an associate should be recognized in profit or loss. Under the ARDF's Interpretations, an increase in translation adjustment that results in capital reduction (i.e. reduction exceeds the original translation adjustment) should be credited to capital surplus from long-term investments. Upon adoption of IFRSs, such capital surplus from long-term investments will be adjusted to retained earnings since it is not under the Company Law, the MOEA regulations and IFRSs.

As of December 31, 2012, March 31, 2012 and January 1, 2012, capital surplus from long-term investments each were adjusted for a decrease of $68,832 thousand, respectively.

f) Investments accounted for using the equity method

The Group has evaluated significant differences between current accounting policies and IFRSs for the Company's associates and joint ventures accounted for using the equity method. The significant difference is mainly due to the adjustment to employee benefits and capital surplus from long-term investments.

As of December 31, 2012, March 31, 2012 and January 1, 2012, as a result of the differences mentioned above, investment accounted for using the equity method was adjusted for a decrease of $929 thousand and $1,027 thousand and $1,096 thousand, respectively; cumulative translation adjustments was adjusted for a decrease of $45 thousand, an increase of $39 thousand and $12 thousand, respectively. In addition, equity in earnings of equity method investees was adjusted for an increase of $3 thousand for the three months ended March 31, 2012; equity in losses of equity method investees was adjusted for a decrease of $224 thousand for the year ended December 31, 2012

g) The reclassification of line items in the consolidated statement of comprehensive income

In accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers before its amendment due to the adoption of IFRSs, income from operations in the consolidated income statement only includes net revenue, cost of revenue and operating expenses. Under IFRSs, based on the nature of operating transactions, rental revenue is reclassified under net revenue, depreciation of rental assets and idle assets, and impairment loss of property, plant and equipment, are reclassified under other operating gains and losses, which are reflected in income from operations.

8) Explanations of significant reconciling items in the transition to consolidated statement of cash flows of IFRSs

According to R.O.C. GAAP, using indirect method, interest paid and received and dividends received are classified as operating activities while dividends paid are classified as financing activities. Additional disclosure is required for interest expenses. However, under IAS 7" Statement of Cash Flow", cash flows from interest and dividends received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period as operating, investing or financing activities. Therefore, interests and dividends received by the Group of $22,354 thousand and $74 thousand, respectively, for the three months ended March 31, 2012 were presented separately at the date of transition to IFRSs.

Except for the above, there are no other significant differences between R.O.C. GAAP and IFRSs in the consolidated statement of cash flows.

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
MARCH 31, 2013
(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	March 31, 2013 Shares/Units (Thousands)	Carrying Value (US$ in Thousands)	% of Ownership	Market Value or Net Asset Value (US$ in Thousands)	Note
Vanguard International Semiconductor Corporation	Financial instruments							
	Interest rate linked structured dollar investment notes	-	Financial assets at fair value through profit or loss - non-current	-	$ 148,897	-	$ 148,897	Note 6
	Stock							
	Champion Microelectronic Corp.	Investee	Financial assets at fair value though profit or loss - non-current	240	8,052	1	8,052	Note 1
	Walton Advanced Engineering, Inc.	Investee	Financial assets at fair value though profit or loss - current	695	6,114	-	6,114	Note 1
	VIS Associates Inc.	Subsidiary	Investments accounted for using equity method	6	270,272	100	270,272	Note 3
	CMSC, Inc.	Investee accounted for using equity method	Investments accounted for using equity method	9,902	59,431	25	59,431	Note 5
	United Industrial Gases Co., Ltd.	Investee	Financial assets carried at cost - non-current	3,860	38,716	2	38,716	Note 4
VIS Associates Inc.	Funds							
	Templeton Gobal Bond Fund Class A	-	Available-for-sale financial assets - current	97	US$ 2,079	-	US$ 2,079	Note 2
	PIMCO GIS TOTAL RETURN BOND FUND CL A	-	Available-for-sale financial assets - current	81	US$ 2,107	-	US$ 2,107	Note 2
	Stock							
	VIS Investment Holding, Inc.	Subsidiary of VIS Associates Inc.	Equity-method investee	63	US$ 1,145	100	US$ 1,145	Note 3
	Specialty TechFarm, Inc.	Subsidiary of VIS Associates Inc.	Equity-method investee	10,000	US$ 2,585	100	US$ 2,585	Note 3
VIS Investment Holding, Inc.	Stock							
	VIS Micro, Inc.	Subsidiary of VIS Associates Inc.	Equity-method investee	200	US$ 903	100	US$ 903	Note 3
Specialty TechFarm, Inc.	Stock							
	SkyTraq Technology, Inc.	Investee accounted for using equity method	Investments accounted for using equity method	4,688	US$ 1,272	26	US$ 1,272	Note 5
	INNO-TECH Co., Ltd.	Investee accounted for using equity method	Investments accounted for using equity method	2,584	US$ 211	26	US$ 211	Note 5
	Linear Artwork, Inc.	Investee accounted for using equity method	Investments accounted for using equity method	4,375	US$ 70	27	US$ 70	Note 5
	Goyatek Technology Inc.	Investee	Financial assets carried at cost - non-current	1,785	US$ 297	13	US$ 297	Note 4
	Uniband Electronic Corp.	Investee	Financial assets carried at cost - non-current	960	US$ 200	4	US$ 200	Note 4

Note 1: The market value was based on stock closing price as of March 31, 2013.

Note 2: The market value was based on fund's net asset value as of March 31, 2013.

Note 3: The net asset value was based on reviewed financial statements as of March 31, 2013.

Note 4: The market value was based on the book value as of March 31, 2013.

Note 5: The net asset value was based on unreviewed financial statement as of March 31, 2013.

Note 6: The fair value was based on valuation techniques.

Note 7: As of March 31, 2013, all the securities were not pledged or restricted.

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
FOR THE THREE MONTHS ENDED MARCH 31, 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares (Thousands)	Amount	Shares (Thousands)	Amount	Shares (Thousand)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares (Thousands)	Amount
Vanguard International Semiconductor Corporation	Financial instruments Interest rate linked structured dollar investment notes	Financial assets at fair value through profit or loss - non-current	-	-	-	$ -	-	$ 149,345	-	$ -	$ -	$ -	-	$ 148,897

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2013
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Detail				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/Sales	Amount	% to Total	Payment Term	Unit Price	Payment Term	Ending Balance	% to Total	
Vanguard International Semiconductor Corporation	Taiwan Semiconductor Manufacturing Company Ltd.	Major shareholder	Sale	$ 1,434,809	30	Note	$ -	-	$ 538,265	19	-

Note: Net 30 days after monthly closing.

TABLE 4

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
MARCH 31, 2013
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Vanguard International Semiconductor Corporation	Taiwan Semiconductor Manufacturing Company Ltd.	Major shareholder	$ 538,265	12.80	$ -	-	$ -	$ -

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE THREE MONTHS ENDED MARCH 31, 2013
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2013			Net Gain (Loss) of the Investee	Investment Gain (Loss) Recognized	Note
				March 31, 2013	December 31, 2012	Shares (In Thousands)	Percentage of Ownership	March 31, 2013			
Vanguard International Semiconductor Corporation	VIS Associates Inc.	British Virgin Islands	Investments	$ 195,492	$ 195,492	6	100	$ 270,272	$ (3,798)	$ (3,798)	Subsidiary
	CMSC, Inc.	Hsin-chu City, Taiwan	Integrated circuit design services and related businesses	112,650	112,650	9,902	25	59,431	235	59	Investment accounted for using equity method

TABLE 6

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2013
(In Thousands of New Taiwan Dollars)

For the three months ended March 31, 2013

No.	Company Name	Company Name	Nature of Relationship	Intercompany Transactions			
				Financial Statement Item	Amount	Terms (Note)	Percentage of Consolidated Net Revenue or Total Assets
0	Vanguard International Semiconductor Corporation	VIS Micro, Inc.	Indirect subsidiary	Marketing service expenses	$ 9,775	-	0.2%
				Other payables to related parties	4,433	-	-

For the three months ended March 31, 2012

No.	Company Name	Company Name	Nature of Relationship	Intercompany Transactions			
				Financial Statement Item	Amount	Terms (Note)	Percentage of Consolidated Net Revenue or Total Assets
0	Vanguard International Semiconductor Corporation	VIS Micro, Inc.	Indirect subsidiary	Marketing service expenses	$ 7,903	-	0.2%
				Other payables to related parties	2,881	-	-

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