

**Vanguard International Semiconductor
Corporation and Subsidiaries**

**Consolidated Financial Statements for the
Nine Months Ended September 30, 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 September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012 and the related consolidated statements of comprehensive income for the three months ended September 30, 2013 and 2012 and for the nine months ended September 30, 2013 and 2012, as well as the consolidated statement of changes in equity and cash flows for the nine months ended September 30, 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.

November 1, 2013

Notice to Readers

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)
(Reviewed, Not Audited)

ASSETS	September 30, 2013		December 31, 2012		September 30, 2012		January 1, 2012		LIABILITIES AND EQUITY	September 30, 2013		December 31, 2012		September 30, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%	Amount	%
CURRENT ASSETS									CURRENT LIABILITIES								
Cash and cash equivalents (Note 6)	\$ 13,909,653	51	\$ 11,090,275	45	\$ 9,820,757	42	\$ 8,200,855	36	Financial liabilities at fair value through profit or loss - current (Note 7)	\$ 1,581	-	\$ 418	-	\$ 1,703	-	\$ 9,711	-
Financial assets at fair value through profit or loss - current (Note 7)	164,759	1	22,050	-	68,690	-	2,852	-	Derivative financial liabilities for hedging - current (Note 9)	3,985	-	74	-	1,146	-	7,488	-
Available-for-sale financial assets - current (Note 8)	-	-	126,835	1	126,079	-	6,670	-	Notes and accounts payable (Note 29)	777,686	3	737,519	3	814,642	4	433,992	2
Derivative financial assets for hedging - current (Note 9)	10,564	-	86	-	12,618	-	243	-	Payables to contractors and equipment suppliers	91,260	-	373,714	2	41,666	-	230,227	1
Notes and accounts receivable, net (Note 11)	2,354,081	9	2,240,214	9	2,274,254	10	1,412,163	6	Accrued profit sharing to employees and bonus to directors and supervisors (Note 20)	493,460	2	364,694	1	253,651	1	139,217	1
Receivables from related parties (Note 29)	699,948	3	364,354	1	394,044	2	945,775	4	Other payables to related parties (Note 29)	130,093	1	127,454	1	102,344	1	86,603	-
Other receivables	53,863	-	63,013	-	61,445	-	54,338	-	Current income tax liabilities (Note 23)	209,531	1	254,952	1	180,808	1	89,311	-
Other receivables from related parties (Note 29)	5,792	-	10,408	-	13,581	-	56,094	-	Provisions - current (Note 18)	76,774	-	55,731	-	49,254	-	42,386	-
Inventories (Note 12)	1,730,959	6	1,852,572	7	1,799,521	8	1,230,585	6	Other current liabilities (Notes 17 and 29)	1,385,610	5	1,328,350	5	1,232,249	5	1,061,239	5
Prepaid expenses	107,396	1	123,914	1	133,484	1	86,284	1	Total current liabilities	3,169,980	12	3,242,906	13	2,677,463	12	2,100,174	9
Other current assets (Note 16)	362,431	1	82,891	-	87,721	-	33,723	-	NON-CURRENT LIABILITIES								
Total current assets	19,399,446	72	15,976,612	64	14,792,194	63	12,029,582	53	Deferred tax liabilities (Note 23)	77,297	-	-	-	-	-	-	-
NON-CURRENT ASSETS									Accrued pension cost (Note 19)	547,099	2	546,554	2	510,448	2	510,018	2
Financial assets at fair value through profit or loss - noncurrent (Note 7)	171,771	1	40,146	-	40,176	-	-	-	Guarantee deposits (Note 29)	30,974	-	25,545	-	23,329	-	8,962	-
Available-for-sale financial assets - noncurrent (Note 8)	18,173	-	6,840	-	195,722	1	124,331	-	Total non-current liabilities	655,370	2	572,099	2	533,777	2	518,980	2
Financial assets carried at cost - noncurrent (Note 10)	53,425	-	53,160	-	53,295	-	53,782	-	Total liabilities	3,825,350	14	3,815,005	15	3,211,240	14	2,619,154	11
Investment accounted for using equity method (Note 13)	98,088	-	110,033	1	122,559	1	125,912	-	EQUITY (Note 20)								
Property, plant and equipment (Notes 14, 26 and 29)	7,043,551	26	8,219,842	33	7,842,673	33	10,195,089	45	Capital stock								
Intangible assets (Note 15)	5,216	-	6,660	-	4,943	-	9,811	-	Common stock	16,360,332	60	16,284,830	66	16,236,376	69	16,191,160	71
Deferred tax assets (Note 23)	23,720	-	182,447	1	165,398	1	136,118	1	Capital surplus	701,489	3	594,675	2	539,074	2	459,885	2
Refundable deposits	5,173	-	5,162	-	5,164	-	5,168	-	Retained earnings								
Other noncurrent assets (Notes 16 and 30)	283,300	1	181,300	1	181,300	1	181,300	1	Legal reserve	2,110,125	8	1,877,144	8	1,877,144	8	1,788,926	8
Total non-current assets	7,702,417	28	8,805,590	36	8,611,230	37	10,831,511	47	Special reserve	68,948	-	105,057	-	105,057	1	-	-
TOTAL	\$ 27,101,863	100	\$ 24,782,202	100	\$ 23,403,424	100	\$ 22,861,093	100	Unappropriated earnings	4,584,802	17	3,092,261	13	2,389,518	10	1,960,188	8
									Total retained earnings	6,763,875	25	5,074,462	21	4,371,719	19	3,749,114	16
									Other equity	(62,193)	-	(68,993)	-	(37,208)	-	(105,044)	-
									Treasury stock	(486,990)	(2)	(917,777)	(4)	(917,777)	(4)	(53,176)	-
									Total equity	23,276,513	86	20,967,197	85	20,192,184	86	20,241,939	89
									TOTAL	\$ 27,101,863	100	\$ 24,782,202	100	\$ 23,403,424	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)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2013		2012		2013		2012	
	Amount	%	Amount	%	Amount	%	Amount	%
NET REVENUE (Notes 21 and 29)	\$ 5,590,342	100	\$ 4,714,436	100	\$ 15,732,657	100	\$ 12,425,120	100
COST OF REVENUE (Notes 12, 22 and 29)	<u>3,705,412</u>	<u>66</u>	<u>3,441,669</u>	<u>73</u>	<u>10,675,273</u>	<u>68</u>	<u>9,595,581</u>	<u>77</u>
GROSS PROFIT	<u>1,884,930</u>	<u>34</u>	<u>1,272,767</u>	<u>27</u>	<u>5,057,384</u>	<u>32</u>	<u>2,829,539</u>	<u>23</u>
OPERATING EXPENSES (Notes 22 and 29)								
Marketing	64,684	1	54,176	1	178,789	1	152,114	1
General and administrative	180,146	3	167,311	4	549,150	3	466,176	4
Research and development	<u>265,136</u>	<u>5</u>	<u>210,541</u>	<u>4</u>	<u>736,550</u>	<u>5</u>	<u>618,400</u>	<u>5</u>
Total operating expenses	<u>509,966</u>	<u>9</u>	<u>432,028</u>	<u>9</u>	<u>1,464,489</u>	<u>9</u>	<u>1,236,690</u>	<u>10</u>
OPERATING INCOME	<u>1,374,964</u>	<u>25</u>	<u>840,739</u>	<u>18</u>	<u>3,592,895</u>	<u>23</u>	<u>1,592,849</u>	<u>13</u>
NONOPERATING INCOME AND EXPENSES								
Other income (Notes 22 and 29)	50,975	1	54,093	1	165,493	1	147,290	1
Other gains and losses (Note 22)	6,726	-	2,022	-	7,528	-	6,271	-
Share of losses of associates and joint ventures (Note 13)	<u>(3,636)</u>	<u>-</u>	<u>(4,445)</u>	<u>-</u>	<u>(15,479)</u>	<u>-</u>	<u>(9,751)</u>	<u>-</u>
Total nonoperating income and expenses	<u>54,065</u>	<u>1</u>	<u>51,670</u>	<u>1</u>	<u>157,542</u>	<u>1</u>	<u>143,810</u>	<u>1</u>
INCOME BEFORE INCOME TAX	1,429,029	26	892,409	19	3,750,437	24	1,736,659	14
INCOME TAX EXPENSE (Note 23)	<u>202,731</u>	<u>4</u>	<u>97,478</u>	<u>2</u>	<u>508,701</u>	<u>3</u>	<u>145,659</u>	<u>1</u>
NET INCOME	<u>1,226,298</u>	<u>22</u>	<u>794,931</u>	<u>17</u>	<u>3,241,736</u>	<u>21</u>	<u>1,591,000</u>	<u>13</u>
OTHER COMPREHENSIVE INCOME (Notes 13 and 20)								
Exchange differences on translating foreign operations	(3,066)	-	(4,388)	-	3,958	-	(7,170)	-
Unrealized gain on available-for-sale financial assets	475	-	32,150	-	2,952	-	75,044	-
Cash flow hedges	(36)	-	(24)	-	(81)	-	(24)	-
Share of other comprehensive income (loss) of associates and joint ventures	<u>-</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>(29)</u>	<u>-</u>	<u>(14)</u>	<u>-</u>
Total other comprehensive (loss) income	<u>(2,627)</u>	<u>-</u>	<u>27,741</u>	<u>-</u>	<u>6,800</u>	<u>-</u>	<u>67,836</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 1,223,671</u>	<u>22</u>	<u>\$ 822,672</u>	<u>17</u>	<u>\$ 3,248,536</u>	<u>21</u>	<u>\$ 1,658,836</u>	<u>13</u>
NET INCOME ATTRIBUTABLE TO								
Owner of the Corporation	\$ 1,226,298	22	\$ 794,931	17	\$ 3,241,736	21	\$ 1,591,000	13
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,226,298</u>	<u>22</u>	<u>\$ 794,931</u>	<u>17</u>	<u>\$ 3,241,736</u>	<u>21</u>	<u>\$ 1,591,000</u>	<u>13</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO								
Owner of the Corporation	\$ 1,223,671	22	\$ 822,672	17	\$ 3,248,536	21	\$ 1,658,836	13
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,223,671</u>	<u>22</u>	<u>\$ 822,672</u>	<u>17</u>	<u>\$ 3,248,536</u>	<u>21</u>	<u>\$ 1,658,836</u>	<u>13</u>
EARNINGS PER SHARE (Note 24)								
Basic	<u>\$ 0.77</u>		<u>\$ 0.51</u>		<u>\$ 2.05</u>		<u>\$ 1.02</u>	
Diluted	<u>\$ 0.76</u>		<u>\$ 0.51</u>		<u>\$ 2.02</u>		<u>\$ 1.01</u>	

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

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

	Capital Stock	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Other Equity			Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized (Loss) Gain on Available-for-sale Financial Assets	Cash flow hedges	Treasury Stock	
BALANCE, JANUARY 1, 2012	\$ 16,191,160	\$ 459,885	\$ 1,788,926	\$ -	\$ 1,960,188	\$ (60,717)	\$ (44,327)	\$ -	\$ (53,176)	\$ 20,241,939
Appropriation of prior year's earnings										
Legal reserve	-	-	88,218	-	(88,218)	-	-	-	-	-
Special reserve	-	-	-	105,057	(105,057)	-	-	-	-	-
Cash dividends - 6%	-	-	-	-	(968,395)	-	-	-	-	(968,395)
Changes in capital surplus from investment in associates and joint venture accounted for using equity method	-	6,585	-	-	-	-	-	-	-	6,585
Net income for the nine months ended September 30, 2012	-	-	-	-	1,591,000	-	-	-	-	1,591,000
Other comprehensive income for the nine months ended September 30, 2012	-	-	-	-	-	(7,184)	75,044	(24)	-	67,836
Total comprehensive income for the nine months ended September 30, 2012	-	-	-	-	1,591,000	(7,184)	75,044	(24)	-	1,658,836
Share-based payment transaction	45,216	72,604	-	-	-	-	-	-	-	117,820
Acquisition of treasury stock	-	-	-	-	-	-	-	-	(864,601)	(864,601)
BALANCE, SEPTEMBER 30, 2012	<u>\$ 16,236,376</u>	<u>\$ 539,074</u>	<u>\$ 1,877,144</u>	<u>\$ 105,057</u>	<u>\$ 2,389,518</u>	<u>\$ (67,901)</u>	<u>\$ 30,717</u>	<u>\$ (24)</u>	<u>\$ (917,777)</u>	<u>\$ 20,192,184</u>
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
Appropriation of prior year's earnings										
Legal reserve	-	-	232,981	-	(232,981)	-	-	-	-	-
Special reserve	-	-	-	(36,109)	36,109	-	-	-	-	-
Cash dividends - 10%	-	-	-	-	(1,552,323)	-	-	-	-	(1,552,323)
Changes in capital surplus from investment in associates and joint venture accounted for using equity method	-	4,900	-	-	-	-	-	-	-	4,900
Net income for the nine months ended September 30, 2013	-	-	-	-	3,241,736	-	-	-	-	3,241,736
Other comprehensive income for the nine months ended September 30, 2013	-	-	-	-	-	3,929	2,952	(81)	-	6,800
Total comprehensive income for the nine months ended September 30, 2013	-	-	-	-	3,241,736	3,929	2,952	(81)	-	3,248,536
Share-based payment transaction	75,502	101,914	-	-	-	-	-	-	430,787	608,203
BALANCE, SEPTEMBER 30, 2013	<u>\$ 16,360,332</u>	<u>\$ 701,489</u>	<u>\$ 2,110,125</u>	<u>\$ 68,948</u>	<u>\$ 4,584,802</u>	<u>\$ (66,753)</u>	<u>\$ 4,641</u>	<u>\$ (81)</u>	<u>\$ (486,990)</u>	<u>\$ 23,276,513</u>

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)

	Nine Months Ended September 30	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,750,437	\$ 1,736,659
Adjustments for:		
Depreciation	1,751,315	2,612,169
Amortization	3,240	4,868
Net loss (gain) arising from changes in fair value of financial assets and liabilities designated as at fair value through profit or loss	1,170	(421)
Interest income	(98,432)	(67,470)
Dividend income	(13,497)	(19,260)
Share-based payment	60,408	65,618
Gain on disposal of property, plant and equipment	(63)	(1,934)
Share of losses of associates and joint ventures	15,479	9,751
Gain on disposal of investments	(4,924)	-
Net loss (gain) on foreign currency exchange	1,031	(2,886)
Changes in operating assets and liabilities:		
Increase in financial assets held for trading	(12,887)	(46,739)
Increase in derivative financial assets for hedging	(10,478)	(12,375)
Increase in accounts receivable	(113,867)	(862,091)
(Increase) decrease in accounts receivable from related parties	(335,594)	551,731
Decrease (increase) in other receivables	9,150	(7,107)
Decrease in other receivables from related parties	4,616	42,513
Decrease (increase) in inventories	121,613	(568,936)
Decrease (increase) in prepayments	16,838	(47,463)
Increase in other current assets	(9,842)	(53,402)
Increase (decrease) in financial liabilities held for trading	1,163	(8,008)
Increase (decrease) in derivative financial liabilities for hedging	3,830	(6,366)
Increase in accounts payable	40,167	380,650
Increase in other payable to related parties	2,639	15,741
Increase in provisions	21,043	6,868
Increase in other current liabilities	49,693	189,497
Increase in accrued pension cost	545	430
Increase in accrued profit sharing to employees and bonus to directors and supervisors	<u>128,766</u>	<u>114,434</u>
Cash generated from operations	5,383,559	4,026,471
Interest received	97,441	66,867
Income tax paid	<u>(317,034)</u>	<u>(83,232)</u>
Net cash provided by operating activities	<u>5,163,966</u>	<u>4,010,106</u>

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VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

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

	Nine Months Ended September 30	
	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets designated as fair value through profit or loss	\$ (295,445)	\$ (234,198)
Proceeds from disposal of financial assets designated as fair value through profit or loss	40,000	175,345
Acquisition of available-for-sale financial assets	(1,720)	(115,756)
Proceeds from disposal of available-for-sale financial assets	128,790	-
Proceeds from liquidation of investment accounted for using equity method	1,526	-
Acquisition of property, plant and equipment	(857,044)	(447,038)
Proceed from disposal of property, plant and equipment	63	3,600
(Increase) decrease in refundable deposits	(11)	4
Acquisition of intangible assets	(1,796)	-
Increase in other financial assets	(371,781)	-
Dividends received	<u>13,497</u>	<u>19,260</u>
Net cash used in investing activities	<u>(1,343,921)</u>	<u>(598,783)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in guarantee deposits	5,429	14,367
Cash dividends	(1,552,323)	(968,395)
Proceeds from exercise of employee stock options	115,797	52,201
Acquisition of treasury stock	-	(883,088)
Treasury stock transferred to employees	<u>430,641</u>	<u>-</u>
Net cash used in financing activities	<u>(1,000,456)</u>	<u>(1,784,915)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(211)</u>	<u>(6,506)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,819,378	1,619,902
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>11,090,275</u>	<u>8,200,855</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 13,909,653</u>	<u>\$ 9,820,757</u>

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

(Concluded)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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 consolidated financial statements are presented in the Corporation's functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the Board of Directors and issued on November 1, 2013.

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

- a. New, amended and revised standards and interpretations in issue but not yet effective

The Corporation and its subsidiaries (the "Group") have not applied the following International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) issued by the IASB. As of the date that the consolidated financial statements were authorized for issue, the Financial Supervisory Commission (the "FSC") has not announced the effective dates for the following new, amended and revised standards and interpretations.

<u>New, Revised or Amended Standards and Interpretations</u>		<u>Effective Date Issued by IASB (Note)</u>
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

(Continued)

New, Revised or Amended Standards and Interpretations		Effective Date Issued by IASB (Note)
Amendment to IAS 39	Embedded Derivatives	Effective in fiscal year beginning on or after June 30, 2009
<u>Not yet endorsed by the FSC</u>		
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 IFRS 9 (2010)	Disclosures - Transfers of Financial Assets Financial Instruments	July 1, 2011 January 1, 2015
IFRS 10	Consolidated Financial Statements	January 1, 2013
IFRS 11	Joint Arrangements	January 1, 2013
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 IAS 27	Investment Entities	January 1, 2014
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 IAS 36	Recoverable Amount Disclosures for Non-Financial Assets	January 1, 2014
Amendment to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014
IFRIC 20	Stripping Costs in the Production Phase of A Surface Mine	January 1, 2013
IFRIC 21	Levies	January 1, 2014

(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.

- b. Significant impending changes in accounting policy resulted from new, amended and revised standards and interpretations in issue but not yet effective

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.

1) IFRS 9, "Financial Instruments"

With regards to financial assets, 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 whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally 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. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

2) New and revised standards on consolidation, joint arrangement, and associates and disclosure

a) IFRS 10, "Consolidated Financial Statements"

IFRS 10 replaces IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation - Special Purpose Entities". The Group considers its ability of control over other entities for consolidation. The Group has control over an investee if and only if it has a) power over the investee; b) exposure, or rights, to variable returns from its involvement with the investee and c) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

b) IFRS 12, "Disclosure of Interests in Other Entities"

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

3) IFRS 13, "Fair Value Measurement"

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

4) Amendments to IAS 1, "Presentation of Items of Other Comprehensive Income"

The amendments to IAS 1 change the grouping of items presented in other comprehensive income as (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is also required to be allocated on the same basis. There is no such requirement before adopting the amendments.

5) Revision to IAS 19, “Employee Benefits”

The amendments require the Group to recognize changes in defined benefit obligations and in the fair value of plan assets when they occur, to eliminate the “corridor approach” permitted under the previous version of IAS 19 and to accelerate the recognition of past service costs. The revision requires all actuarial gains and losses to be recognized immediately through other comprehensive income in order to reflect the full value of the plan deficit or surplus of the net pension asset or liability. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

6) Amendments to IAS 36, “Recoverable Amount Disclosures for Non-Financial Assets”

In issuing IFRS 13 “Fair Value Measurement”, the IASB made some consequential amendments to the disclosure requirements in IAS 36 “Impairment of Assets”, introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that the disclosure of such recoverable amount is required during the period when an impairment loss has been recognized or reversed. If the recoverable amount of impaired assets is based on fair value less costs of disposal, the Group is required to disclose the discount rate used.

7) IFRIC 21, “Levies”

IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. It addresses the accounting for a liability whose timing and amount is certain and the accounting for a provision whose timing or amount is not certain. The Group accrues related liability when the transaction or activity that triggers the payment of the levy occurs. Therefore, if the obligating event occurs over a period of time (such as generation of revenue over a period of time), the liability is recognized progressively. If an obligation to pay a levy is triggered upon reaching a minimum threshold (such as a minimum amount of revenue or sales generated), the liability is recognized when that minimum threshold is reached.

- c. Material impact on consolidated financial statements resulted from new and revised Standards, Amendments and Interpretations in issue but not yet effective

As of the date that the consolidated financial statements were authorized for issue, the Group continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the above standards, amendments and interpretations. The related impact will be disclosed when the Group completes the evaluation.

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 date of transition to IFRSs was January 1, 2012. Please refer to Note 35 for the impact of IFRSs conversion on the consolidated financial statements.

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 same basis as the consolidated financial statements as of March 31, 2013. Please refer to the Note 4 to the consolidated financial statements as of March 31, 2013 for details.

1) Subsidiary included in consolidated financial statements

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

Investor	Investee	Main Business	Percentage of Ownership			
			September 30, 2013	December 31, 2012	September 30, 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%

c. Other significant accounting policies

The same accounting policies have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the three months ended March 31, 2013. Please refer to Note 4 to the consolidated financial statements as of March 31, 2013 for the details of summary of significant accounting policy.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty have been followed in the consolidated financial statements as were applied in the preparation of the consolidated financial statements for the three months ended March 31, 2013. For the related information, please refer to Note 5 to the consolidated financial statements for the three months ended March 31, 2013.

6. CASH AND CASH EQUIVALENTS

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Deposits in bank	\$ 13,803,619	\$ 10,260,266	\$ 9,696,200	\$ 7,998,802
Cash equivalents				
Bonds acquired under resale agreements	<u>106,034</u>	<u>830,009</u>	<u>124,557</u>	<u>202,053</u>
	<u>\$ 13,909,653</u>	<u>\$ 11,090,275</u>	<u>\$ 9,820,757</u>	<u>\$ 8,200,855</u>

Deposits in bank, for the purpose of meeting short-term cash commitments, consisted of highly liquid time deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Bank deposits	0%~3.25%	0%-1.34%	0%~1.36%	0%-1.34%
Bonds acquired under resale agreements	0.67%	0.72%-0.75%	0.71%~0.72%	0.62%-0.65%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
<u>Financial assets designated as at FVTPL</u>				
Interest rate linked structured dollar investment notes (a)	\$ 146,640	\$ -	\$ -	\$ -
Credit linked notes (a)	68,003	40,146	55,287	-
Exchangeable bonds(b)	85,414	-	-	-
Convertible bonds	<u>1,536</u>	<u>-</u>	<u>3,988</u>	<u>-</u>
	<u>301,593</u>	<u>40,146</u>	<u>59,275</u>	<u>-</u>
<u>Financial assets held for trading</u>				
Derivative financial assets (not designated as hedging instruments)				
Forward exchange contracts (c)	13,273	391	9,156	2,500
Currency-swap contracts (d)	<u>21,664</u>	<u>21,659</u>	<u>40,435</u>	<u>352</u>
	<u>34,937</u>	<u>22,050</u>	<u>49,591</u>	<u>2,852</u>
Financial assets at FVTPL	<u>\$ 336,530</u>	<u>\$ 62,196</u>	<u>\$ 108,866</u>	<u>\$ 2,852</u>
Current	\$ 164,759	\$ 22,050	\$ 68,690	\$ 2,852
Non-current	<u>171,771</u>	<u>40,146</u>	<u>40,176</u>	<u>-</u>
	<u>\$ 336,530</u>	<u>\$ 62,196</u>	<u>\$ 108,866</u>	<u>\$ 2,852</u>
<u>Financial liabilities held for trading</u>				
Derivative financial liabilities (not designated as hedging instruments)				
Forward exchange contracts (c)	\$ 1,299	\$ 139	\$ 1,584	\$ 1,693
Currency-swap contracts (d)	<u>282</u>	<u>279</u>	<u>119</u>	<u>8,018</u>
	<u>\$ 1,581</u>	<u>\$ 418</u>	<u>\$ 1,703</u>	<u>\$ 9,711</u>
Current	<u>\$ 1,581</u>	<u>\$ 418</u>	<u>\$ 1,703</u>	<u>\$ 9,711</u>

- a. The Group entered into structured investment contracts with banks in 2013 and 2012. The structured investment contracts include an embedded derivative instrument which is not closely related to the host contracts. The Group designated the entire contract as financial asset at FVTPL on initial recognition.
- b. The payables for the purchase of exchangeable bonds amounted to 7,567 thousands as of September 30, 2013.
- c. At the end of the reporting period, outstanding forward exchange contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>September 30, 2013</u>			
Sell forward exchange contracts	US\$ to NT\$	2013.10.03-2013.11.06	US\$ 30,000
Sell forward exchange contracts	US\$ to JPY	2013.10.23	US\$ 1,000
Buy forward exchange contracts	NT\$ to US\$	2013.10.31-2013.12.04	US\$ 9,000
Sell forward exchange contracts	US\$ to EUR	2013.10.09	EUR 200
<u>December 31, 2012</u>			
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
<u>September 30, 2012</u>			
Sell forward exchange contracts	US\$ to NT\$	2012.10.04-2012.11.07	US\$ 23,000
Sell forward exchange contracts	US\$ to JPY	2012.10.03-2012.10.17	US\$ 700
Buy forward exchange contracts	NT\$ to US\$	2012.11.28-2012.12.18	US\$ 4,000
<u>January 1, 2012</u>			
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

- d. At the end of the reporting period, outstanding currency-swap contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>September 30, 2013</u>			
Sell forward exchange contracts	US\$ to NT\$	2013.10.03-2013.12.04	US\$ 101,000
<u>December 31, 2012</u>			
Sell forward exchange contracts	US\$ to NT\$	2013.01.10-2013.04.24	US\$ 141,400 (Continued)

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>September 30, 2012</u>			
Sell forward exchange contracts	US\$ to NT\$	2012.10.04-2013.01.10	US\$ 113,500
<u>January 1, 2012</u>			
Sell forward exchange contracts	US\$ to NT\$	2012.01.12-2012.03.22	US\$ 66,000 (Concluded)

The Group entered into foreign exchange forward contracts and currency-swap contracts during the nine months ended September 30, 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

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Listed stocks	\$ 18,173	\$ 12,676	\$ 202,149	\$ 131,001
Funds	<u>-</u>	<u>120,999</u>	<u>119,652</u>	<u>-</u>
	<u>\$ 18,173</u>	<u>\$ 133,675</u>	<u>\$ 321,801</u>	<u>\$ 131,001</u>
Current	\$ -	\$ 126,835	\$ 126,079	\$ 6,670
Non-current	<u>18,173</u>	<u>6,840</u>	<u>195,722</u>	<u>124,331</u>
	<u>\$ 18,173</u>	<u>\$ 133,675</u>	<u>\$ 321,801</u>	<u>\$ 131,001</u>

9. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	September 30, 2013		December 31, 2012		September 30, 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
<u>Derivative financial assets for hedging</u>								
Forward exchange contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 108	\$ -
Currency-swap contracts	<u>10,564</u>	<u>-</u>	<u>86</u>	<u>-</u>	<u>12,618</u>	<u>-</u>	<u>135</u>	<u>-</u>
	<u>\$ 10,564</u>	<u>\$ -</u>	<u>\$ 86</u>	<u>\$ -</u>	<u>\$ 12,618</u>	<u>\$ -</u>	<u>\$ 243</u>	<u>\$ -</u>
<u>Derivative financial liabilities for hedging</u>								
Forward exchange contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Currency-swap contracts	<u>2,829</u>	<u>1,156</u>	<u>74</u>	<u>-</u>	<u>1,122</u>	<u>24</u>	<u>7,488</u>	<u>-</u>
	<u>\$ 2,829</u>	<u>\$ 1,156</u>	<u>\$ 74</u>	<u>\$ -</u>	<u>\$ 1,122</u>	<u>\$ 24</u>	<u>\$ 7,488</u>	<u>\$ -</u>

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 as the respective financial assets, the management believed the derivative 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)
<u>September 30, 2013</u>			
Sell forward exchange contracts	US\$ to NT\$	2013.10.17-2013.12.06	US\$ 29,000
<u>December 31, 2012</u>			
Sell forward exchange contracts	US\$ to NT\$	2013.02.19	US\$ 2,000
<u>September 30, 2012</u>			
Sell forward exchange contracts	US\$ to NT\$	2012.10.18-2012.11.19	US\$ 19,000
<u>January 1, 2012</u>			
Sell forward exchange contracts	US\$ to NT\$	2012.01.18-2012.02.17	US\$ 15,000

The outstanding forward exchange contracts at the end of the reporting period were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>January 1, 2012</u>			
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)
<u>September 30, 2013</u>			
Sell forward exchange contracts	US\$ to NT\$	2013.11.19-2013.12.18	US\$ 2,000
<u>September 30, 2012</u>			
Sell forward exchange contracts	US\$ to NT\$	2012.11.30-2012.12.18	US\$ 2,000

10. FINANCIAL ASSETS CARRIED AT COST

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Unlisted stocks	<u>\$ 53,425</u>	<u>\$ 53,160</u>	<u>\$ 53,295</u>	<u>\$ 53,782</u>
Non-current	<u>\$ 53,425</u>	<u>\$ 53,160</u>	<u>\$ 53,295</u>	<u>\$ 53,782</u>
The classification of financial assets				
Available-for-sale financial assets	<u>\$ 53,425</u>	<u>\$ 53,160</u>	<u>\$ 53,295</u>	<u>\$ 53,782</u>

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

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Notes and accounts receivable	\$ 2,356,480	\$ 2,242,613	\$ 2,283,367	\$ 1,421,276
Allowance for doubtful accounts	<u>(2,399)</u>	<u>(2,399)</u>	<u>(9,113)</u>	<u>(9,113)</u>
Notes and accounts receivable, net	<u>\$ 2,354,081</u>	<u>\$ 2,240,214</u>	<u>\$ 2,274,254</u>	<u>\$ 1,412,163</u>

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.

For the accounts receivable balance that were past due at the end of the reporting period, the Group had not recognized an allowance for doubtful accounts since there had not been a significant change in the credit quality of its customers and the amounts were still considered recoverable.

The aging analyses of accounts receivable that were past due but not impaired were as follows:

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Less than 60 days	\$ 6,674	\$ 12,558	\$ 31,495	\$ 4,535
61-90 days	-	5,227	402	-
91-120 days	<u>232</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,906</u>	<u>\$ 17,785</u>	<u>\$ 31,897</u>	<u>\$ 4,535</u>

The above analyses were based on the past due dates.

Movements of the allowance for doubtful accounts were as follows:

	<u>Nine Months Ended September 30</u>	
	2013	2012
Balance, beginning of period	\$ 2,399	\$ 9,113
Add: Provision	<u>-</u>	<u>-</u>
Balance, end of period	<u>\$ 2,399</u>	<u>\$ 9,113</u>

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 September 30, 2013, December 31, 2012, September 30, 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

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Finished goods	\$ 153,199	\$ 194,330	\$ 212,279	\$ 51,110
Work in process	1,147,085	1,270,394	1,213,911	801,333
Raw materials	233,060	192,374	192,396	171,867
Supplies and spare parts	<u>197,615</u>	<u>195,474</u>	<u>180,935</u>	<u>206,275</u>
	<u>\$ 1,730,959</u>	<u>\$ 1,852,572</u>	<u>\$ 1,799,521</u>	<u>\$ 1,230,585</u>
	<u>Three Months Ended September 30</u>		<u>Nine Months Ended September 30</u>	
	2013	2012	2013	2012
Provision (reversal) of inventory valuation losses	<u>\$ 23,710</u>	<u>\$ 39,434</u>	<u>\$ 10,908</u>	<u>\$ (5,685)</u>

The cost of revenue for the nine months ended September 30, 2013 and 2012 included the gain recognized from the improvement of the circumstances that caused the net realizable value of inventory to be lower than its cost.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Investments in associates	<u>\$ 98,088</u>	<u>\$ 110,033</u>	<u>\$ 122,559</u>	<u>\$ 125,912</u>

Investments in associates

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Unlisted stocks				
CMSC, Inc.	\$ 57,992	\$ 59,291	\$ 64,099	\$ 69,932
SkyTraq Technology, Inc.	31,798	38,644	40,426	29,569
INNO-TECH Co., Ltd.	8,298	8,428	10,080	11,737
Linear Artwork, Inc.	-	3,670	7,954	11,614
LayerWalker Technology, Inc.	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,060</u>
	<u>\$ 98,088</u>	<u>\$ 110,033</u>	<u>\$ 122,559</u>	<u>\$ 125,912</u>

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

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
CMSC, Inc.	25%	25%	25%	25%
SkyTraq Technology, Inc.	26%	26%	26%	26%
INNO-TECH Co., Ltd.	20%	26%	26%	37%
Linear Artwork, Inc.	-	27%	27%	27%
LayerWalker Technology, Inc.	-	-	27%	27%

Linear Artwork, Inc. had been liquidated and the Group received the return of the capital in cash which amounted to 1,526 thousands in September, 2013.

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

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
<u>Carrying value</u>				
Buildings	\$ 3,245,371	\$ 3,590,435	\$ 3,726,138	\$ 4,073,206
Machinery and equipment	3,717,069	3,403,437	4,060,920	5,551,614
Other equipment	19,773	22,083	26,974	45,063
Advance payments and construction in progress	<u>61,338</u>	<u>1,203,887</u>	<u>28,641</u>	<u>525,206</u>
	<u>\$ 7,043,551</u>	<u>\$ 8,219,842</u>	<u>\$ 7,842,673</u>	<u>\$ 10,195,089</u>

Nine Months Ended September 30, 2013

	Buildings	Machinery and Equipment	Other Equipment	Advance Payments and Construction in Progress	Total
<u>Cost</u>					
Balance, beginning of period	\$ 13,848,397	\$ 51,185,889	\$ 356,228	\$ 1,203,887	\$ 66,594,401
Additions	102,094	1,609,169	6,308	(1,142,549)	575,022
Disposal	-	(350)	(2,291)	-	(2,641)
Translation adjustments	<u>-</u>	<u>-</u>	<u>28</u>	<u>-</u>	<u>28</u>
Balance, end of period	<u>\$ 13,950,491</u>	<u>\$ 52,794,708</u>	<u>\$ 360,273</u>	<u>\$ 61,338</u>	<u>\$ 67,166,810</u>

	Buildings	Machinery and Equipment	Other Equipment	Total
<u>Accumulated depreciation</u>				
Balance, beginning of period	\$ 10,257,962	\$ 47,598,931	\$ 334,145	\$ 58,191,038
Depreciation	447,158	1,295,537	8,620	1,751,315
Disposal	-	(350)	(2,291)	(2,641)
Translation adjustments	<u>-</u>	<u>-</u>	<u>26</u>	<u>26</u>
Balance, end of period	<u>\$ 10,705,120</u>	<u>\$ 48,894,118</u>	<u>\$ 340,500</u>	<u>\$ 59,939,738</u>

Accumulated impairment

Balance, beginning and end of period	<u>\$ -</u>	<u>\$ 183,521</u>	<u>\$ -</u>	<u>\$ 183,521</u>
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Nine Months Ended September 30, 2012

	Buildings	Machinery and Equipment	Other Equipment	Advance Payments and Construction in Progress	Total
<u>Cost</u>					
Balance, beginning of period	\$ 13,744,501	\$ 50,657,487	\$ 351,289	\$ 525,206	\$ 65,278,483
Additions	94,943	659,421	3,623	(496,565)	261,422
Disposal	(2,894)	(1,440)	(699)	-	(5,033)
Translation adjustments	-	-	(55)	-	(55)
Balance, end of period	<u>\$ 13,836,550</u>	<u>\$ 51,315,468</u>	<u>\$ 354,158</u>	<u>\$ 28,641</u>	<u>\$ 65,534,817</u>

	Buildings	Machinery and Equipment	Other Equipment	Total
<u>Accumulated depreciation</u>				
Balance, beginning of period	\$ 9,671,295	\$ 44,922,352	\$ 306,226	\$ 54,899,873
Depreciation	440,345	2,150,115	21,709	2,612,169
Disposal	(1,228)	(1,440)	(699)	(3,367)
Translation adjustments	-	-	(52)	(52)
Balance, end of period	<u>\$ 10,110,412</u>	<u>\$ 47,071,027</u>	<u>\$ 327,184</u>	<u>\$ 57,508,623</u>

Accumulated impairment

Balance, beginning and end of period	<u>\$ -</u>	<u>\$ 183,521</u>	<u>\$ -</u>	<u>\$ 183,521</u>
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The following useful lives are used in the calculation of depreciation under straight-line:

Buildings	
Main plants	20 years
Mechanical and electrical power equipment	5 to 10 years
Clean rooms	10 years
Machinery and equipment	3 to 5 years
Other equipment	3 to 7 years

15. INTANGIBLE ASSETS

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
<u>Carrying value</u>				
Computer software	<u>\$ 5,216</u>	<u>\$ 6,660</u>	<u>\$ 4,943</u>	<u>\$ 9,811</u>

	<u>Nine Months Ended September 30</u>	
	2013	2012
<u>Computer software</u>		
Cost		
Balance, beginning of period	\$ 717,295	\$ 714,272
Additions	<u>1,796</u>	<u>-</u>
Balance, end of period	<u>719,091</u>	<u>714,272</u>
Accumulated amortization		
Balance, beginning of period	710,635	704,461
Additions	<u>3,240</u>	<u>4,868</u>
Balance, end of period	<u>713,875</u>	<u>709,329</u>
	<u>\$ 5,216</u>	<u>\$ 4,943</u>

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

Computer software 3 to 5 years

16. OTHER ASSETS

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Pledged time deposit	\$ 283,300	\$ 181,300	\$ 181,300	\$ 181,300
Other financial assets	268,713	-	-	-
Tax receivables	85,503	75,481	81,254	28,109
Others	<u>8,215</u>	<u>7,410</u>	<u>6,467</u>	<u>5,614</u>
	<u>\$ 645,731</u>	<u>\$ 264,191</u>	<u>\$ 269,021</u>	<u>\$ 215,023</u>
Current	\$ 362,431	\$ 82,891	\$ 87,721	\$ 33,723
Non-current	<u>283,300</u>	<u>181,300</u>	<u>181,300</u>	<u>181,300</u>
	<u>\$ 645,731</u>	<u>\$ 264,191</u>	<u>\$ 269,021</u>	<u>\$ 215,023</u>

17. OTHER CURRENT LIABILITIES

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
<u>Other payables</u>				
Bonus	\$ 413,276	\$ 362,161	\$ 380,849	\$ 319,530
Utilities	122,283	92,690	109,886	78,831
Maintenance	70,376	85,004	65,752	46,419
Royalties	19,216	14,890	14,356	7,560
Others	<u>673,700</u>	<u>687,203</u>	<u>572,070</u>	<u>557,416</u>
	1,298,851	1,241,948	1,142,913	1,009,756
<u>Other liabilities</u>				
Others (Note)	<u>86,759</u>	<u>86,402</u>	<u>89,336</u>	<u>51,483</u>
	<u>\$ 1,385,610</u>	<u>\$ 1,328,350</u>	<u>\$ 1,232,249</u>	<u>\$ 1,061,239</u>

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

18. PROVISIONS

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Sales returns and allowances	<u>\$ 76,774</u>	<u>\$ 55,731</u>	<u>\$ 49,254</u>	<u>\$ 42,386</u>
Current	<u>\$ 76,774</u>	<u>\$ 55,731</u>	<u>\$ 49,254</u>	<u>\$ 42,386</u>
				Sales Returns and Allowances
<u>Nine months ended September 30, 2013</u>				
Balance, beginning of period				\$ 55,731
Provisions recognized				74,655
Amount utilized				<u>(53,612)</u>
Balance, end of period				<u>\$ 76,774</u>
<u>Nine months ended September 30, 2012</u>				
Balance, beginning of period				\$ 42,386
Provisions recognized				62,666
Amount utilized				<u>(55,798)</u>
Balance, end of period				<u>\$ 49,254</u>

The provision of sales returns and allowances 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 \$36,619 thousand and \$34,601 thousand in the consolidated statement of comprehensive income for the three months ended September 30, 2013 and 2012, respectively; and of \$108,749 thousand and \$95,286 thousand in the consolidated statement of comprehensive income for the nine months ended September 30, 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.

For defined benefit plans, employee benefit expenses were calculated using the actuarially determined pension cost discount rate as of December 31, 2012 and January 1, 2012, and recognized in their respective periods. For more details of defined benefit plans, please refer to Note 19 to the consolidated financial statements for the three months ended March 31, 2013.

The pension costs of the defined benefit plans were included in the following line items:

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Cost of revenue	<u>\$ 3,063</u>	<u>\$ 3,037</u>	<u>\$ 9,252</u>	<u>\$ 9,064</u>
Marketing expenses	<u>\$ 136</u>	<u>\$ 136</u>	<u>\$ 416</u>	<u>\$ 415</u>
General and administrative expenses	<u>\$ 335</u>	<u>\$ 401</u>	<u>\$ 1,022</u>	<u>\$ 1,233</u>
Research and development expenses	<u>\$ 309</u>	<u>\$ 303</u>	<u>\$ 935</u>	<u>\$ 898</u>

20. EQUITY

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Capital stock				
Common stock	\$ 16,360,332	\$ 16,284,830	\$ 16,236,376	\$ 16,191,160
Capital surplus	701,489	594,675	539,074	459,885
Retained earning	6,763,875	5,074,462	4,371,719	3,749,114
Other equity	(62,193)	(68,993)	(37,208)	(105,044)
Treasury stock	<u>(486,990)</u>	<u>(917,777)</u>	<u>(917,777)</u>	<u>(53,176)</u>
	<u>\$ 23,276,513</u>	<u>\$ 20,967,197</u>	<u>\$ 20,192,184</u>	<u>\$ 20,241,939</u>

a. Capital stock

Common stock

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Authorizes shares (in thousands)	<u>3,300,000</u>	<u>3,300,000</u>	<u>3,300,000</u>	<u>3,300,000</u>
Authorized capital	<u>\$ 33,000,000</u>	<u>\$ 33,000,000</u>	<u>\$ 33,000,000</u>	<u>\$ 33,000,000</u>
Issued and fully paid shares (in thousands)	<u>1,636,033</u>	<u>1,628,483</u>	<u>1,623,638</u>	<u>1,619,116</u>

(Continued)

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Issued shares	\$ 16,360,332	\$ 16,284,830	\$ 16,236,376	\$ 16,191,160
Additional paid-in capital	<u>531,507</u>	<u>491,211</u>	<u>466,871</u>	<u>459,885</u>
	<u>\$ 16,891,839</u>	<u>\$ 16,776,041</u>	<u>\$ 16,703,247</u>	<u>\$ 16,651,045</u> (Concluded)

Changes in capital stock of the Corporation are mainly due to the exercise of employee stock option.

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.

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

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Additional paid-in capital	\$ 531,507	\$ 491,211	\$ 466,871	\$ 459,885
Arising from employee stock options	81,049	96,877	65,618	-
From share of changes in equities of associates and joint ventures	11,487	6,587	6,585	-
Treasury stock transaction	75,278	-	-	-
Others	<u>2,168</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 701,489</u>	<u>\$ 594,675</u>	<u>\$ 539,074</u>	<u>\$ 459,885</u>

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 investment accounted for using equity method and employee stock options may not be used for any purpose.

c. Retained earnings and dividend policy

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 \$486,260 thousand and \$238,653 thousand, and the remuneration to directors and supervisors were \$7,200 thousand and \$14,998 thousand for the nine months ended September 30, 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 certain shareholders' equity accounts shall be transferred from unappropriated 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 of the decrease in the net debit balance.

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/or reserve a special reserve.

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 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 were approved in the shareholders' meetings on June 18, 2013 and June 12, 2012, respectively. The appropriations and dividends per share were as follows:

	Appropriations of Earnings		Dividends Per Share	
	2012	2011	(NT\$)	
			2012	2011
Legal reserve	\$ 232,981	\$ 88,218	\$ -	\$ -
(Reversal) provision of special reserve	(36,109)	105,057	-	-
Cash dividends	<u>1,552,323</u>	<u>968,395</u>	1.00	0.60
	<u>\$ 1,749,195</u>	<u>\$ 1,161,670</u>		

The bonuses to employees and the remunerations to directors and supervisors for 2012 and 2011 approved in the shareholders' meetings on June 18, 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 appropriation of earnings for 2012 was proposed according to the Corporation's financial statements for the year ended December 31, 2012, which were prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the R.O.C, and by reference to the balance sheet for the year ended December 31, 2012, which was prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers (revised) and International Financial Reporting Standards.

	2012		2011	
	Bonus to Employees	Remuneration to Directors and Supervisors	Bonus to Employees	Remuneration to Directors and Supervisors
Amounts approved in shareholders' meeting	\$ 349,471	\$ 14,824	\$ 132,328	\$ 6,889
Amounts recognized in respective financial statements	<u>349,471</u>	<u>15,223</u>	<u>132,328</u>	<u>6,889</u>
Difference amount	<u>\$ -</u>	<u>\$ (399)</u>	<u>\$ -</u>	<u>\$ -</u>

The difference between the approved amounts of the bonus to employees and remuneration to directors and supervisors and accrual amounts recognized in the financial statements for the year ended December 31, 2012, had no material impact and had been adjusted in profit and loss for the nine months ended September 30, 2013. 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 was as follows:

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Special reserve	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	<u>Nine Months Ended September 30</u>	
	2013	2012
Balance, beginning of period	\$ (70,682)	\$ (60,717)
Exchange differences on translating foreign operations	3,958	(7,170)
Share of exchange differences of associates accounted for using equity method	<u>(29)</u>	<u>(14)</u>
Balance, end of period	<u>\$ (66,753)</u>	<u>\$ (67,901)</u>

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

	<u>Nine Months Ended September 30</u>	
	2013	2012
Balance, beginning of period	\$ 1,689	\$ (44,327)
Unrealized gains or losses on available-for-sale financial assets	<u>2,952</u>	<u>75,044</u>
Balance, end of period	<u>\$ 4,641</u>	<u>\$ 30,717</u>

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

3) Cash flow hedge

	<u>Nine Months Ended September 30</u>	
	2013	2012
Balance, beginning of period	\$ -	\$ -
Loss arising from changes in fair value of hedging instruments in cash flow hedges		
Currency-swap contracts	<u>(81)</u>	<u>(24)</u>
Balance, end of period	<u>\$ (81)</u>	<u>\$ (24)</u>

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
Nine months ended <u>September 30, 2013</u>				
For transfer to employees	<u>76,160</u>	<u>-</u>	<u>35,866</u>	<u>40,294</u>
Nine months ended <u>September 30, 2012</u>				
For transfer to employees	<u>5,124</u>	<u>71,036</u>	<u>-</u>	<u>76,160</u>

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 stocks were granted on March 1, 2012, and determined the fair value by using the binomial option pricing model. 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 stocks were granted on April 25, 2012, and determined the fair value by using the binomial option pricing model. 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%

Treasury stocks were granted on August 2, 2013, and determined the fair value by using the binomial option pricing model. The valuation assumptions were as follows:

Stock price on grant date (NT\$)	\$31
Exercise price (NT\$)	12.83
Expected volatility	42.85%
Expected life	1 year
Risk-free interest rate	0.6952%

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 costs recognized were \$18,931 thousand and \$31,259 thousand for the three months ended September 30, 2013 and 2012, respectively.

Compensation costs recognized were \$60,408 thousand and \$65,618 thousand for the nine months ended September 30, 2013 and 2012, respectively.

21. REVENUE

Revenues of the Group for the three and nine months ended September 30, 2013 and 2012 were analyzed as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Revenue from the sales of goods	\$ 5,540,450	\$ 4,630,261	\$ 15,564,273	\$ 12,228,023
Other revenue	36,544	76,794	128,272	181,536
Rental revenue from rental assets	<u>13,348</u>	<u>7,381</u>	<u>40,112</u>	<u>15,561</u>
	<u>\$ 5,590,342</u>	<u>\$ 4,714,436</u>	<u>\$ 15,732,657</u>	<u>\$ 12,425,120</u>

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 to \$4,712 thousand and \$3,194 thousand that were determined to be an effective hedge were reclassified to sales of goods for the three months ended September 30, 2013 and 2012, respectively. The portion of the gain or loss on the hedging instrument amounting \$8,077 thousand and \$7,285 thousand that were determined to be an effective hedge were reclassified to sales of goods for the nine months ended September 30, 2013 and 2012, respectively.

22. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Interest income	\$ 35,513	\$ 23,352	\$ 98,432	\$ 67,470
Bank deposits	454	8,825	13,497	19,260
Dividends	<u>15,008</u>	<u>21,916</u>	<u>53,564</u>	<u>60,560</u>
Others				
	<u>\$ 50,975</u>	<u>\$ 54,093</u>	<u>\$ 165,493</u>	<u>\$ 147,290</u>

b. Other gains and losses

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Net gains (losses) on financial assets designated as at FVTPL	\$ 56,794	\$ 80,545	\$ (41,582)	\$ 102,144
Net foreign exchange (losses) gains	(55,053)	(78,482)	44,129	(97,764)
Gain on disposal of investment	4,924	-	4,924	-
Gain on disposal of property, plant and equipment	63	-	63	1,934
Other losses	<u>(2)</u>	<u>(41)</u>	<u>(6)</u>	<u>(43)</u>
	<u>\$ 6,726</u>	<u>\$ 2,022</u>	<u>\$ 7,528</u>	<u>\$ 6,271</u>

c. Depreciation and amortization

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Property, plant and equipment	\$ 554,937	\$ 855,094	\$ 1,751,315	\$ 2,612,169
Intangible assets	<u>911</u>	<u>1,383</u>	<u>3,240</u>	<u>4,868</u>
	<u>\$ 555,848</u>	<u>\$ 856,477</u>	<u>\$ 1,754,555</u>	<u>\$ 2,617,037</u>
Classification of deprecation - by function				
Cost of revenue	\$ 540,684	\$ 833,147	\$ 1,706,583	\$ 2,543,613
Operating expenses	<u>14,253</u>	<u>21,947</u>	<u>44,732</u>	<u>68,556</u>
	<u>\$ 554,937</u>	<u>\$ 855,094</u>	<u>\$ 1,751,315</u>	<u>\$ 2,612,169</u>
Classification of amortization - by function				
Cost of revenue	\$ 179	\$ 678	\$ 1,159	\$ 2,035
Operating expenses	<u>732</u>	<u>705</u>	<u>2,081</u>	<u>2,833</u>
	<u>\$ 911</u>	<u>\$ 1,383</u>	<u>\$ 3,240</u>	<u>\$ 4,868</u>

d. Employee benefits expense

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Post-employment benefits (see Note 19)				
Defined contribution plans	\$ 36,619	\$ 34,601	\$ 108,749	\$ 95,286
Defined benefit plans	<u>3,843</u>	<u>3,877</u>	<u>11,625</u>	<u>11,610</u>
	40,462	38,478	120,374	106,896

(Continued)

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Share-based payments (see Note 20)				
Equity-settled share-based payments	\$ 18,931	\$ 31,259	\$ 60,408	\$ 65,618
Other employee benefits	<u>1,278,742</u>	<u>1,020,372</u>	<u>3,524,320</u>	<u>2,824,746</u>
Total employee benefits expense	<u>\$ 1,338,135</u>	<u>\$ 1,090,109</u>	<u>\$ 3,705,102</u>	<u>\$ 2,997,260</u>
Employee benefits expense summarized by function				
Cost of revenue	\$ 1,038,519	\$ 842,729	\$ 2,854,560	\$ 2,322,225
Operating expenses	<u>299,616</u>	<u>247,380</u>	<u>850,542</u>	<u>675,035</u>
	<u>\$ 1,338,135</u>	<u>\$ 1,090,109</u>	<u>\$ 3,705,102</u>	<u>\$ 2,997,260</u>

(Concluded)

23. INCOME TAX

a. Income tax recognized in profit or loss

The major components of income tax expenses were as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Current income tax				
In respect of the current period	\$ 119,405	\$ 89,906	\$ 271,285	\$ 181,307
In respect of prior years	-	-	1,359	(6,318)
Others	<u>(37)</u>	<u>(34)</u>	<u>34</u>	<u>(50)</u>
	119,368	89,872	272,678	174,939
Deferred income tax				
In respect of the current period	<u>83,363</u>	<u>7,606</u>	<u>236,023</u>	<u>(29,280)</u>
Income tax expenses recognized in profit or loss	<u>\$ 202,731</u>	<u>\$ 97,478</u>	<u>\$ 508,701</u>	<u>\$ 145,659</u>

Reconciliation between accounting profit and income tax expenses is as follows:

	Nine Months Ended September 30	
	2013	2012
Income before income tax	<u>\$ 3,750,437</u>	<u>\$ 1,736,659</u>
Income tax expense calculated at the statutory rate	\$ 639,553	\$ 296,208
Tax effect of adjusting items:		
Nondeductible expenses in determining taxable income	2,888	2,689
Tax-exempt income	(97,087)	(30,327)
Additional income tax on unappropriated earnings	58,061	-
The origination and reversal of temporary differences	(37,750)	39,054
Effect of tax on investment credits	(58,323)	(155,631)
Effect of tax on loss carryforward	(34)	-
Adjustments for prior years' tax	1,359	(6,284)
Others	<u>34</u>	<u>(50)</u>
Income tax expense recognized in profit or loss	<u>\$ 508,701</u>	<u>\$ 145,659</u>

b. Integrated income tax

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Balance of the Imputation Credit Account - the Corporation	<u>\$ 140,890</u>	<u>\$ 56,929</u>	<u>\$ 57,425</u>	<u>\$ 51,234</u>

The expected and actual creditable ratios for distributing the earnings of 2012 and 2011 were 10.50% and 7.44%, respectively.

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident shareholders of the Company was calculated based on the creditable ratio as of the date of dividend distribution.

Under the rule No. 10204562810 issued by the Ministry of Finance, when calculating the creditable ratio in the year of first-time adoption of IFRSs, the Company should include the net increase/decrease to retained earnings from the effect of transition to IFRSs in the accumulated unappropriated earnings.

The unappropriated retained earnings as of September 30, 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 September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Basic earnings per share	\$ 0.77	\$ 0.51	\$ 2.05	\$ 1.02
Diluted earnings per share	\$ 0.76	\$ 0.51	\$ 2.02	\$ 1.01

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
<u>Earnings</u>				
Earnings used in the computation of basic earnings per share	\$ 1,226,298	\$ 794,931	\$ 3,241,736	\$ 1,591,000
Effect of dilutive potential common stocks:				
Employee stock options	-	-	-	-
Bonus to employees	-	-	-	-
Earnings used in the computation of diluted earnings per share	\$ 1,226,298	\$ 794,931	\$ 3,241,736	\$ 1,591,000
<u>Shares</u>				
Weighted average number of common stocks used in the computation of basic earnings per share	1,595,516	1,544,931	1,580,023	1,554,842
Effect of dilutive potential common shares:				
Employee stock options	1,734	339	2,325	495
Bonus to employees	15,510	13,637	21,650	19,104
Weighted average number of common stocks used in the computation of diluted earnings per share	1,612,760	1,558,907	1,603,998	1,574,441

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.

	<u>2003 Plan</u>	
	Number of Outstanding Stock Option Rights (In Thousands)	Weighted- average Exercise Price (NT\$)
Nine months ended <u>September 30, 2013</u>		
Beginning balance	17,923	\$15.25
Options exercised	(12,794)	15.34
Options canceled	<u>(16)</u>	15.73
Ending balance	<u>5,113</u>	14.56

	<u>2003 Plan</u>		<u>2002 Plan</u>		<u>2001 Plan</u>	
	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\$)
Nine months ended <u>September 30, 2012</u>						
Beginning balance	27,978	\$15.90	6,900	\$11.50	182	\$15.60
Options exercised	(857)	14.78	(6,789)	11.14	-	-
Options canceled	<u>(885)</u>	15.63	<u>(111)</u>	11.00	<u>(182)</u>	15.60
Ending balance	<u>26,236</u>	15.18	<u>-</u>	-	<u>-</u>	-

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 September 30, 2013 was as follows:

	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
	Number of Outstanding Options (In Thousands)	Expected Remaining Contractual Life (In Years)	Weighted- average Exercise Price (NT\$)	Number of Exercisable Options (In Thousands)	Weighted- average Exercise Price (NT\$)
<u>2003 plan</u>					
\$11.80 - \$15.70	<u>5,113</u>	0.16-0.96	\$14.56	<u>5,113</u>	\$14.56

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 April 2015, June 2015, March 2016, 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:

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Not later than 1 year	\$ 79,373	\$ 77,029	\$ 77,389	\$ 78,109
Later than 1 year and not later than 5 years	261,839	267,254	271,039	282,760
Later than 5 years	<u>598,450</u>	<u>636,664</u>	<u>652,046</u>	<u>698,187</u>
	<u>\$ 939,662</u>	<u>\$ 980,947</u>	<u>\$ 1,000,474</u>	<u>\$ 1,059,056</u>

The lease payments recognized as expenses were as follows:

	Nine Months Ended September 30 2013	2012
Minimum lease payments	<u>\$ 59,397</u>	<u>\$ 58,581</u>

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 receipts of non-cancellable operating lease were as follows:

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Not later than 1 year	\$ 23,271	\$ 23,256	\$ 20,349	\$ -
Later than 1 year and not later than 5 years	<u>63,025</u>	<u>80,427</u>	<u>86,241</u>	<u>-</u>
	<u>\$ 86,296</u>	<u>\$ 103,683</u>	<u>\$ 106,590</u>	<u>\$ -</u>

27. CAPITAL MANAGEMENT

The objectives, policies, process of capital risk management and the capital structures of the Group in these consolidated financial statements were applied as the same as in the preparation of the consolidated financial statements for the three months ended March 31, 2013. Please refer to Note 27 to the consolidated financial statements as of March 31, 2013 for details.

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.

	<u>September 30, 2013</u>		<u>December 31, 2012</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
<u>Financial assets</u>				
Other current assets				
Structured time deposit	\$ 268,713	\$ 268,915	\$ -	\$ -

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:

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

September 30, 2013

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments	<u>\$ 86,950</u>	<u>\$ 260,144</u>	<u>\$ -</u>	<u>\$ 347,094</u>
Available-for-sale financial assets				
Domestic listed stocks - equity instruments	<u>\$ 18,173</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,173</u>
Financial liabilities at FVTPL				
Other derivative financial instruments	<u>\$ -</u>	<u>\$ 5,566</u>	<u>\$ -</u>	<u>\$ 5,566</u>

December 31, 2012

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

September 30, 2012

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments	<u>\$ 3,988</u>	<u>\$ 117,496</u>	<u>\$ -</u>	<u>\$ 121,484</u>
Available-for-sale financial assets				
Domestic listed stocks - equity instruments	\$ 202,149	\$ -	\$ -	\$ 202,149
Funds	<u>119,652</u>	<u>-</u>	<u>-</u>	<u>119,652</u>
	<u>\$ 321,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 321,801</u>
Financial liabilities at FVTPL				
Other derivative financial instruments	<u>\$ -</u>	<u>\$ 2,849</u>	<u>\$ -</u>	<u>\$ 2,849</u>

January 1, 2012

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

There were no transfers between Level 1 and 2 for the nine months ended September 30, 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 contracts 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

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
<u>Financial assets</u>				
Fair value through profit or loss (FVTPL)				
Held for trading	\$ 34,937	\$ 22,050	\$ 49,591	\$ 2,852
Designated as at FVTPL	301,593	40,146	59,275	-
Derivative instruments in designated hedge accounting relationships	10,564	86	12,618	243
Loans and receivables (Note 1)	17,575,350	13,949,564	12,745,381	10,850,525
Available-for-sale financial assets (Note 2)	71,598	186,835	375,096	184,783
<u>Financial liabilities</u>				
Fair value through profit or loss (FVTPL)				
Held for trading	1,581	418	1,703	9,711
Derivative instruments in designated hedge accounting relationships	3,985	74	1,146	7,488
Amortized cost (Note 3)	1,482,189	1,764,586	1,385,760	1,182,029

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, and 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 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.

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.

	<u>Impact of USD Items</u>		<u>Impact of JPY Items</u>	
	<u>Nine Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30</u>		<u>September 30</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Profit or loss	\$ (216,907)	\$ (223,903)	\$ (1,480)	\$ (1,124)

b) Interest rate risk

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

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

	<u>September 30,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>	<u>September 30,</u> <u>2012</u>	<u>January 1,</u> <u>2012</u>
Fair value interest rate risk				
Financial assets	\$ 11,916,862	\$ 9,214,635	\$ 7,404,540	\$ 6,260,322
Cash flow interest rate risk				
Financial assets	2,759,447	2,097,086	2,652,805	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/decreases by 0.1%, the pre-tax profit of the Group for the nine months ended on September 30, 2013 and 2012 will increase/decrease \$2,759 thousand and \$2,653 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 nine months ended September 30, 2013 and 2012 would increase/decrease by \$909 thousand and \$ 10,107 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 are creditworthy banks with good credit.

The Group has considerable 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.

The Group's credit concentration risk was related to the five largest customers. Besides the five largest customers, no credit concentration risk related to other customers that exceed 10% of total gross accounts receivables at any time during the period. The five largest customers 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.

September 30, 2013

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	<u>\$ 659,895</u>	<u>\$ 683,055</u>	<u>\$ 139,239</u>	<u>\$ 1,482,189</u>

December 31, 2012

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

September 30, 2012

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	Total
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	<u>\$ 640,318</u>	<u>\$ 613,465</u>	<u>\$ 131,977</u>	<u>\$ 1,385,760</u>

January 1, 2012

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

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.

September 30, 2013

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	More Than 1 Year
<u>Gross settled</u>				
Forward exchange contracts				
Inflows	\$ 3,113,503	\$ 1,755,369	\$ -	\$ -
Outflows	<u>88,599</u>	<u>178,725</u>	<u>-</u>	<u>-</u>
	3,202,102	1,934,094	-	-
Interest rate linked structured dollar investment notes				
Outflows	-	-	-	147,855
Credit linked notes				
Outflows	-	-	42,800	25,000
Convertible Bonds				
Outflows	-	-	85,425	-
Exchangeable Bonds				
Outflows	<u>-</u>	<u>-</u>	<u>1,537</u>	<u>-</u>
	<u>\$ 3,202,102</u>	<u>\$ 1,934,094</u>	<u>\$ 129,762</u>	<u>\$ 172,855</u>

December 31, 2012

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

September 30, 2012

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year
<u>Gross settled</u>			
Forward exchange contracts			
Inflows	\$ 2,611,746	\$ 1,968,860	\$ 117,180
Outflows	<u>-</u>	<u>118,824</u>	<u>-</u>
	2,611,746	2,087,684	117,180
Convertible Bonds			
Outflows	-	3,983	-
Credit linked notes			
Outflows	<u>-</u>	<u>15,000</u>	<u>40,176</u>
	<u>\$ 2,611,746</u>	<u>\$ 2,106,667</u>	<u>\$ 157,356</u>

January 1, 2012

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

29. TRANSACTIONS WITH RELATED PARTIES

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

a. Operating transactions

	<u>Revenue from Sales of Goods</u>				<u>Purchases</u>			
	<u>Three Months Ended</u>		<u>Nine Months Ended</u>		<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30</u>	<u>September 30</u>	<u>September 30</u>	<u>September 30</u>	<u>September 30</u>	<u>September 30</u>	<u>September 30</u>	<u>September 30</u>
	2013	2012	2013	2012	2013	2012	2013	2012
Investors that have significant influence over the Group	\$ 1,846,488	\$ 1,316,767	\$ 4,836,808	\$ 3,222,553	\$ -	\$ 43	\$ -	\$ 124
Associates	<u>\$ 4,059</u>	<u>\$ 5,397</u>	<u>\$ 10,320</u>	<u>\$ 9,212</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Key management personnel	<u>\$ 6,846</u>	<u>\$ 11,482</u>	<u>\$ 18,905</u>	<u>\$ 21,774</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Substantial related parties	<u>\$ 5,786</u>	<u>\$ 15,277</u>	<u>\$ 10,197</u>	<u>\$ 42,669</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Manufacturing Expenses</u>				<u>Research and Development Expenses</u>			
	<u>Three Months Ended</u>		<u>Nine Months Ended</u>		<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30</u>	<u>September 30</u>	<u>September 30</u>	<u>September 30</u>	<u>September 30</u>	<u>September 30</u>	<u>September 30</u>	<u>September 30</u>
	2013	2012	2013	2012	2013	2012	2013	2012
Investors that have significant influence over the Group	\$ 149,799	\$ 115,245	\$ 436,631	\$ 355,146	\$ 1,019	\$ 1,677	\$ 1,324	\$ 6,761
Associates	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 748</u>	<u>\$ -</u>	<u>\$ 748</u>	<u>\$ -</u>

	Rental Revenue				Nonoperating Income and Gains			
	Three Months Ended		Nine Months Ended		Three Months Ended		Nine Months Ended	
	September 30		September 30		September 30		September 30	
	2013	2012	2013	2012	2013	2012	2013	2012
Substantial related parties	\$ 6,391	\$ 3,469	\$ 19,175	\$ 4,751	\$ -	\$ -	\$ -	\$ -
Investors that have significant influence over the Group	-	-	-	-	6,173	10,581	25,728	27,714
Key management personnel	-	-	-	-	-	-	-	6
	<u>\$ 6,391</u>	<u>\$ 3,469</u>	<u>\$ 19,175</u>	<u>\$ 4,751</u>	<u>\$ 6,173</u>	<u>\$ 10,581</u>	<u>\$ 25,728</u>	<u>\$ 27,720</u>

Purchase of Property, Plant and Equipment

Nine Months Ended September 30

	2013	2012
Substantial related parties	<u>\$ 11,325</u>	<u>\$ -</u>

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

Receivables from Related Parties

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Investors that have significant influence over the Group	\$ 687,861	\$ 358,209	\$ 370,874	\$ 931,843
Key management personnel	3,159	3,424	9,303	9,247
Associates	3,662	2,619	3,592	944
Substantial related parties	<u>5,266</u>	<u>102</u>	<u>10,275</u>	<u>3,741</u>
	<u>\$ 699,948</u>	<u>\$ 364,354</u>	<u>\$ 394,044</u>	<u>\$ 945,775</u>

Other Receivables from Related Parties

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Investors that have significant influence over the Group	\$ 4,113	\$ 6,581	\$ 11,678	\$ 56,094
Substantial related parties	<u>1,679</u>	<u>3,827</u>	<u>1,903</u>	<u>-</u>
	<u>\$ 5,792</u>	<u>\$ 10,408</u>	<u>\$ 13,581</u>	<u>\$ 56,094</u>

Payables to Related Parties

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Investors that have significant influence over the Group	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44</u>	<u>\$ -</u>

Other Payables to Related Parties

	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Investors that have significant influence over the Group	\$ 130,093	\$ 121,638	\$ 102,344	\$ 86,603
Substantial related parties	<u>-</u>	<u>5,816</u>	<u>-</u>	<u>-</u>
	<u>\$ 130,093</u>	<u>\$ 127,454</u>	<u>\$ 102,344</u>	<u>\$ 86,603</u>

	Guarantee Deposits			
	September 30, 2013	December 31, 2012	September 30, 2012	January 1, 2012
Substantial related parties	<u>\$ 5,814</u>	<u>\$ 5,814</u>	<u>\$ 5,814</u>	<u>\$ -</u>

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 for lease.

b. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the nine months ended September 30, 2013 and 2012 were as follows:

	Nine Months Ended September 30	
	2013	2012
Short-term employee benefits	\$ 127,677	\$ 61,206
Share-based payments	<u>3,505</u>	<u>4,017</u>
	<u>\$ 131,182</u>	<u>\$ 65,223</u>

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:

	September 30	
	2013	2012
Pledged time deposits (presented under other non-current assets)	<u>\$ 283,300</u>	<u>\$ 181,300</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The significant commitments of the Group as of September 30, 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 September 30, 2013, the unused letters of credit aggregated were about JPY\$3,680 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:

	<u>September 30, 2013</u>		<u>September 30, 2012</u>	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
<u>Financial assets</u>				
Monetary items				
USD	\$ 165,763	29.571	\$ 152,108	29.31
EUR	31	40.098	306	38.54
JPY	48,656	0.3064	76,473	0.3829
SGD	5	23.56	5	23.94
RMB	27,625	4.833	-	-
Non-monetary items				
USD	6,539	29.571	6,204	29.31
<u>Financial liabilities</u>				
Monetary items				
USD	16,127	29.571	17,234	29.31
EUR	148	40.098	247	38.54
JPY	145,254	0.3064	135,181	0.3829
Non-monetary items				
USD	188	29.571	97	29.31
	<u>December 31, 2012</u>		<u>January 1, 2012</u>	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
<u>Financial assets</u>				
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
<u>Financial liabilities</u>				
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 nine months ended September 30, 2013 and 2012 can be referred to in the consolidated income statements for the nine months ended September 30, 2013 and 2012. The segment assets as of September 30, 2013, December 31, 2012, September 30, 2012, and January 1, 2012 can be referred to the consolidated balance sheets as of September 30, 2013, December 31, 2012, September 30, 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 nine months ended September 30, 2013 not only follows the significant accounting policies stated in Note 4 but also applies the requirements under IFRS 1 "First-time Adoption of IFRS" as the basis for the preparation.

b. Effects of transition to IFRSs

Except for the following additional information for the effect of transition to IFRSs on the Group's consolidated balance sheets and consolidated statements of comprehensive income, please refer to Note 35 to the consolidated financial statements for the three months ended March 31, 2013 for details.

1) Reconciliation of consolidated balance sheet as of September 30, 2012

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		Note
		Item	Amount	Recognition and Measurement Difference	Presentation Difference	
Current assets						
Cash and cash equivalents	\$ 9,820,757	\$ -	\$ -	\$ 9,820,757	Cash and cash equivalents	
Financial assets at fair value through profit or loss - current	68,690	-	-	68,690	Financial assets at fair value through profit or loss - current	
Available-for-sale financial assets - current	126,079	-	-	126,079	Available-for-sale financial assets - current	
Derivate financial assets for hedging - current	12,618	-	-	12,618	Derivate financial assets for hedging - current	
Receivables from related parties	394,044	-	-	394,044	Receivables from related parties	
Notes and accounts receivable, net	2,225,000	-	49,254	2,274,254	Notes and accounts receivable, net	5) a)
Inventories	1,799,521	-	-	1,799,521	Inventories	
Other receivables from related parties	13,581	-	-	13,581	Other receivables from related parties	
Deferred income tax assets - current	164,739	-	(164,739)	-	-	5) b)
Prepaid expenses and other current assets	282,650	-	-	282,650	Other current assets	
Total current assets	14,907,679	-	(115,485)	14,792,194	Total current assets	
Investments						
Investments accounted for using equity method	123,488	(929)	-	122,559	Investments accounted for using equity method	5) f)
Financial assets at fair value through profit or loss - noncurrent	40,176	-	-	40,176	Financial assets at fair value through profit or loss - noncurrent	
Available-for-sale financial assets - noncurrent	195,722	-	-	195,722	Available-for-sale financial assets - noncurrent	
Financial assets carried at cost - noncurrent	53,295	-	-	53,295	Financial assets carried at cost - noncurrent	
Total investments	412,681	(929)	-	411,752	-	
Net property, plant and equipment	7,140,651	-	702,022	7,842,673	Property, plant and equipment	5) c)
Other assets						
Assets leased to others ,net	690,592	-	(690,592)	-	-	5) c)
Idle assets ,net	11,430	-	(11,430)	-	-	5) c)
Intangible assets, net	4,943	-	-	4,943	Intangible assets ,net	
Deferred income tax assets - noncurrent	659	-	164,739	165,398	Deferred tax assets	5) b)
Refundable deposits	5,164	-	-	5,164	Refundable deposits	
Pledged time deposits	181,300	-	-	181,300	Other non - current assets	
Total other assets	894,088	-	(537,283)	356,805	-	
Total	\$ 23,355,099	\$ (929)	\$ 49,254	\$ 23,403,424	Total	

(Continued)

R.O.C. GAAP		Effect of Transition to IFRSs			IFRSs		Note
		Item	Amount	Measurement Difference			
Current liabilities							
Financial liabilities at fair value through profit or loss - current	\$ 1,703	\$ -	\$ -	\$ 1,703	Financial liabilities at fair value through profit or loss - current		
Derivate financial liabilities for hedging - current	1,146	-	-	1,146	Derivate financial liabilities for hedging - current		
Notes and accounts payable	814,642	-	-	814,642	Notes and accounts payable		
Income tax payable	180,808	-	-	180,808	Current income tax liabilities		
Other payables to related parties	102,344	-	-	102,344	Other payables to related parties		
Accrued profit sharing to employees and bonus to directors and supervisors	253,651	-	-	253,651	Accrued profit sharing to employees and bonus to directors and supervisors		
Payables to contractors and equipment suppliers	41,666	-	-	41,666	Payables to contractors and equipment suppliers		
Accrued expenses and other current liabilities	1,232,249	-	-	1,232,249	Other current liabilities		
-	-	-	49,254	49,254	Provisions - current		5) a)
Total current liabilities	<u>2,628,209</u>	<u>-</u>	<u>49,254</u>	<u>2,677,463</u>	Total current liabilities		
Other liabilities							
Accrued pension cost	484,050	26,398	-	510,448	Accrued pension cost		5) d)
Guarantee deposits	<u>23,329</u>	<u>-</u>	<u>-</u>	<u>23,329</u>	Guarantee deposits		
Total other liabilities	<u>507,379</u>	<u>26,398</u>	<u>-</u>	<u>533,777</u>	Total non-current liabilities		
Total liabilities	<u>3,135,588</u>	<u>26,398</u>	<u>49,254</u>	<u>3,211,240</u>	Total liabilities		
Capital stock							
Capital stock	<u>16,236,376</u>	<u>-</u>	<u>-</u>	<u>16,236,376</u>	Capital stock		
Capital surplus	<u>607,906</u>	<u>(68,832)</u>	<u>-</u>	<u>539,074</u>	Capital surplus		5) e)
Retained earnings	<u>4,330,155</u>	<u>41,564</u>	<u>-</u>	<u>4,371,719</u>	Retained earnings		
Others							
Cumulative translation adjustments	(67,842)	(59)	-	(67,901)	Exchange differences on translating foreign operations		5) f)
Unrealized gain on financial instruments	30,693	-	-	30,693	Unrealized gain on available-for-sales financial assets		
Treasury stock	<u>(917,777)</u>	<u>-</u>	<u>-</u>	<u>(917,777)</u>	Treasury stock		
Total other equity	<u>(954,926)</u>	<u>(59)</u>	<u>-</u>	<u>(954,985)</u>	Total other equity		
Total shareholders' equity	<u>20,219,511</u>	<u>(27,327)</u>	<u>-</u>	<u>20,192,184</u>	Total equity		
Total	<u>\$ 23,355,099</u>	<u>\$ (929)</u>	<u>\$ 49,254</u>	<u>\$ 23,403,424</u>	Total		

(Concluded)

2) Reconciliation of consolidated statement of comprehensive income for the nine months ended September 30, 2012

R.O.C. GAAP		Effect of Transition to IFRSs			IFRSs		Note
		Item	Amount	Measurement Difference			
Net sales	\$ 12,409,559	\$ -	\$ 15,561	\$ 12,425,120	Net revenue		5) g)
Cost of sales	<u>9,491,787</u>	<u>-</u>	<u>103,794</u>	<u>9,595,581</u>	Cost of revenue		5) g)
Gross profit	<u>2,917,772</u>	<u>-</u>	<u>(88,233)</u>	<u>2,829,539</u>	Gross profit		
Operating expenses							
Marketing	152,114	-	-	152,114	Marketing		
General and administrative	465,920	256	-	466,176	General and administrative		5) d)
Research and development	<u>618,400</u>	<u>-</u>	<u>-</u>	<u>618,400</u>	Research and development		
Total operating expenses	<u>1,236,434</u>	<u>256</u>	<u>-</u>	<u>1,236,690</u>	Total operating expenses		
Operating income	<u>1,681,338</u>	<u>(256)</u>	<u>(88,233)</u>	<u>1,592,849</u>	Operating income		
Non-operating income and gains							
Valuation gains on financial instrument	102,144	-	-	102,144	Other gains and losses		
Interest	67,470	-	-	67,470	Other income		
Dividend income	19,260	-	-	19,260	Other income		
Rental	15,561	-	(15,561)	-	-		5) g)
Gain on disposal of properties	1,934	-	-	1,934	Other gains and losses		
Others	<u>60,560</u>	<u>-</u>	<u>-</u>	<u>60,560</u>	Other income		
	<u>266,929</u>	<u>-</u>	<u>(15,561)</u>	<u>251,368</u>			

(Continued)

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		Note
		Item	Amount	Measurement Difference	Presentation Difference	
Non-operating expenses and losses						
Foreign exchange loss, net	\$ 97,764	\$ -	\$ -	\$ 97,764	Other gains and losses	
Expense of assets leased to other	54,721	-	(54,721)	-	-	5) g)
Investments losses recognized by the equity method	9,989	(238)	-	9,751	Share of losses of associates and joint ventures	5) f)
Others	49,116	-	(49,073)	43	Other gains and losses	5) g)
	<u>211,590</u>	<u>(238)</u>	<u>(103,794)</u>	<u>107,558</u>		
Income before income tax	1,736,677	(18)	-	1,736,659	Income before income tax	5) d), f)
Income tax expense	145,659	-	-	145,659	Income tax expense	
Consolidated net income	<u>\$ 1,591,018</u>	<u>\$ (18)</u>	<u>\$ -</u>	1,591,000	Net income	
				(7,170)	Exchange differences on translating foreign operations	
				75,044	Unrealized gain on available-for-sale financial assets	
				(24)	Cash flow hedges	
				(14)	Share of other comprehensive income and loss of associates and joint ventures	
				<u>\$ 1,658,836</u>	Total comprehensive income for the period	

(Concluded)

3) Reconciliation of consolidated statement of comprehensive income for the three months ended September 30, 2012

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		Note
		Item	Amount	Measurement Difference	Presentation Difference	
Net sales	\$ 4,707,055	\$ -	\$ 7,381	\$ 4,714,436	Net revenue	5) g)
Cost of sales	3,406,489	-	35,180	3,441,669	Costs of revenue	5) g)
Gross profit	1,300,566	-	(27,799)	1,272,767	Gross profit	
Operating expenses						
Marketing	54,176	-	-	54,176	Marketing	
General and administrative	167,226	85	-	167,311	General and administrative	5) d)
Research and development	210,541	-	-	210,541	Research and development	
Total operating expenses	431,943	85	-	432,028	Total operating expenses	
Operating income	868,623	(85)	(27,799)	840,739	Operating income	
Non-operating income and gains						
Valuation gains on financial instrument	80,545	-	-	80,545	Other gains and losses	
Interest	23,352	-	-	23,352	Other income	
Rental	7,381	-	(7,381)	-	-	5) g)
Dividend income	8,825	-	-	8,825	Other income	
Others	21,916	-	-	21,916	Other income	
	<u>142,019</u>	<u>-</u>	<u>(7,381)</u>	<u>134,638</u>		
Non-operating expenses and losses						
Foreign exchange loss, net	78,482	-	-	78,482	Other gains and losses	
Expense of assets leased to other	18,240	-	(18,240)	-	-	5) g)
Investments losses recognized by the equity method	4,548	(103)	-	4,445	Share of losses of associates and joint venture	5) f)
Others	16,981	-	(16,940)	41	Other gains and losses	5) g)
	<u>118,251</u>	<u>(103)</u>	<u>(35,180)</u>	<u>82,968</u>		
Income before income tax	892,391	18	-	892,409	Income before income tax	5) d), f)
Income tax expense	97,478	-	-	97,478	Income tax expense	
Consolidated net income	<u>\$ 794,913</u>	<u>\$ 18</u>	<u>\$ -</u>	794,931	Net income	

(Continued)

R.O.C. GAAP		Effect of Transition to IFRSs			IFRSs		Note
		Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	
					\$ (4,388)	Exchange differences on translating foreign operations	
					32,150	Unrealized gain on available-for-sale financial assets	
					(24)	Cash flow hedges	
					3	Share of other comprehensive income and loss of associates and joint ventures	
					<u>\$ 822,672</u>	Total comprehensive income for the period	

(Concluded)

4) Exemptions from IFRS 1

The exemptions adopted by the Group on January 1, 2012 were the same as those indicated in the consolidated financial statements as of March 31, 2013. Please refer to Note 35 to the consolidated financial statements as of March 31, 2013 for detail information.

5) 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 September 30, 2012, the amounts reclassified from allowance for sales returns and others to provisions were \$49,254 thousand.

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 September 30, 2012, the amounts reclassified from deferred income tax assets to non-current assets were \$164,739 thousand.

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 September 30, 2012, the amounts reclassified from leased assets and idle assets to property, plant and equipment were \$702,022 thousand.

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 September 30, 2012, accrued pension cost was adjusted for an increase of \$26,398 thousand. Pension cost for the nine months ended September 30, 2012 was also adjusted for an increase of \$256 thousand. Pension cost for the three months ended September 30, 2012 was adjusted for an increase of \$85 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 September 30, 2012, capital surplus from long-term investments each were adjusted for a decrease of \$68,832 thousand.

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 September 30, 2012, as a result of the differences mentioned above, investment accounted for using the equity method was adjusted for a decrease of \$929 thousand; cumulative translation adjustments was adjusted for a decrease of \$59 thousand. In addition, equity in losses of equity method investees was adjusted for a decrease of \$238 thousand for the nine months ended September 30, 2012; equity in losses of equity method investees was adjusted for a decrease of \$103 thousand for the three months ended September 30, 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.

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 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	September 30, 2013				Note
				Shares/Units (Thousands)	Carrying Value (US\$ in Thousands)	% of Ownership	Market Value or Net Asset Value (US\$ in Thousands)	
Vanguard International Semiconductor Corporation	<u>Financial instruments</u>							
	Interest rate linked structured dollar investment notes	-	Financial assets at fair value through profit or loss - non-current	-	\$ 146,640	-	\$ 146,640	Note 5
	Farglory credit linked structured investment notes	-	Financial assets at fair value through profit or loss - current	-	42,872	-	42,872	Note 5
	Globe Union credit linked structured investment notes	-	Financial assets at fair value through profit or loss - non-current	-	25,131	-	25,131	Note 5
	Megabank Exchange Bond	-	Financial assets at fair value through profit or loss - current	-	85,414	-	85,414	Note 1
	Gigastorage Convertible Bond	-	Financial assets at fair value through profit or loss - current	-	1,536	-	1,536	Note 1
	<u>Stock</u>							
	Champion Microelectronic Corp.	Investee	Financial assets at fair value through profit or loss - non-current	301	18,173	1	18,173	Note 1
	VIS Associates Inc.	Subsidiary	Investments accounted for using equity method	6	262,237	100	262,237	Note 2
	CMSC, Inc.	Investee accounted for using equity method	Investments accounted for using equity method	9,902	57,992	25	57,992	Note 4
United Industrial Gases Co., Ltd.	Investee	Financial assets carried at cost - non-current	4,246	38,716	2	38,716	Note 3	
VIS Associates Inc.	<u>Stock</u>							
	VIS Investment Holding, Inc.	Subsidiary of VIS Associates Inc.	Investments accounted for using equity method	63	US\$ 1,194	100	US\$ 1,194	Note 2
	Specialty TechFarm, Inc.	Subsidiary of VIS Associates Inc.	Investments accounted for using equity method	10,000	US\$ 2,436	100	US\$ 2,436	Note 2
VIS Investment Holding, Inc.	<u>Stock</u>							
	VIS Micro, Inc.	Subsidiary of VIS Investment Holding Inc.	Investments accounted for using equity method	200	US\$ 956	100	US\$ 956	Note 2
Specialty TechFarm, Inc.	<u>Stock</u>							
	SkyTraq Technology, Inc.	Investee accounted for using equity method	Investments accounted for using equity method	4,688	US\$ 1,075	26	US\$ 1,075	Note 4
	INNO-TECH Co., Ltd.	Investee accounted for using equity method	Investments accounted for using equity method	2,584	US\$ 281	20	US\$ 281	Note 4
	Goyatek Technology Inc.	Investee	Financial assets carried at cost - non-current	1,785	US\$ 297	13	US\$ 297	Note 3
	Uniband Electronic Corp.	Investee	Financial assets carried at cost - non-current	960	US\$ 200	4	US\$ 200	Note 3

Note 1: The market value was based on stock closing price as of September 30, 2013.

Note 2: The net asset value was based on reviewed financial statements as of September 30, 2013.

Note 3: The market value was based on the book value as of September 30, 2013.

Note 4: The net asset value was based on unreviewed financial statement as of September 30, 2013.

Note 5: The fair value was based on valuation techniques.

Note 6: As of September 30, 2013, all of the securities were not pledged or restricted.

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 NINE MONTHS ENDED SEPTEMBER 30, 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	-	-	-	\$ -	-	\$ 148,250	-	\$ -	\$ -	\$ -	-	\$ 146,640

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 NINE MONTHS ENDED SEPTEMBER 30, 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	% of Total	Payment Term	Unit Price	Payment Term	Ending Balance	% of Total	
Vanguard International Semiconductor Corporation	Taiwan Semiconductor Manufacturing Company Ltd.	Major shareholder	Sale	\$ 4,836,808	31	Note	\$ -	-	\$ 687,861	23	-

Note: Net 30 days after monthly closing.

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

SEPTEMBER 30, 2013

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

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	\$ 687,861	12.33	\$ -	-	\$ -	\$ -

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2013			Net Gain (Loss) of the Investee (Foreign Currencies in Thousands)	Investment Gain (Loss) Recognized (Foreign Currencies in Thousands)	Note
				September 30, 2013 (Foreign Currencies in Thousands)	December 31, 2012 (Foreign Currencies in Thousands)	Shares (In Thousands)	Percentage of Ownership	Carrying Value (Foreign Currencies in Thousands)			
Vanguard International Semiconductor Corporation	VIS Associates Inc. CMSC, Inc.	British Virgin Islands Hsinchu City, Taiwan	Investments Integrated circuit design services and related businesses	\$ 195,492 112,650	\$ 195,492 112,650	6 9,902	100 25	\$ 262,237 57,992	\$ (8,644) (6,196)	\$ (8,644) (1,545)	Subsidiary Investment accounted for using equity method
VIS Associates Inc.	VIS Investment Holding, Inc	Delaware, USA	Investments	184,819 (US\$ 6,250)	184,819 (US\$ 6,250)	63	100	35,294 (US\$ 1,194)	575 (US\$ 19)	575 (US\$ 19)	Subsidiary
	Specialty TechFarm, Inc.	British Virgin Islands	Investments	295,710 (US\$ 10,000)	295,710 (US\$ 10,000)	10,000	100	72,045 (US\$ 2,436)	(14,067) (US\$ (473))	(14,067) (US\$ (473))	Subsidiary
VIS Investment Holding, Inc	VIS Micro, Inc.	Santa Clara CA, USA	Marketing services	5,914 (US\$ 200)	5,914 (US\$ 200)	200	100	28,257 (US\$ 956)	817 (US\$ 27)	817 (US\$ 27)	Subsidiary
Specialty TechFarm, Inc.	SkyTraq Technology, Inc.	British Virgin Islands	Integrated circuit design services and related businesses	44,357 (US\$ 1,500)	44,357 (US\$ 1,500)	4,688	26	31,798 (US\$ 1,075)	(27,587) (US\$ (928))	(7,071) (US\$ (238))	Investment accounted for using equity method
	INNO-TECH Co., Ltd.	Taipei City, Taiwan	Integrated circuit design services and related businesses	56,688 (US\$ 1,917)	56,688 (US\$ 1,917)	2,584	20	8,298 (US\$ 281)	(17,447) (US\$ (587))	(4,720) (US\$ (159))	Investment accounted for using equity method

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013
(In Thousands of New Taiwan Dollars)**

For the nine months ended September 30, 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	\$ 33,782	-	0.21%
				Other payables to related parties	8,103	-	0.03%

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