Vanguard International Semiconductor Corporation and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2014 and 2013 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, 2014 and 2013 and the related consolidated statements of comprehensive income for the three months ended September 30, 2014 and 2013 and for the nine months ended September 30, 2014 and 2013, as well as the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2014 and 2013. These consolidated financial statements are the responsibility of the Corporation'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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

October 30, 2014

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

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance 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)

	September 30, 2014 Reviewed		December 31, 2013 Audited		September 30, 2013 Reviewed	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 16,222,691	51	$ 16,041,723	56	$ 13,909,653	51
Financial assets at fair value through profit or loss - current (Notes 7 and 28)	442,390	1	196,498	1	164,759	1
Derivative financial assets for hedging - current (Notes 9 and 28)	13	-	-	-	10,564	-
Notes and accounts receivable, net (Note 11)	2,980,177	9	2,299,089	8	2,354,081	9
Receivables from related parties (Note 29)	589,209	2	727,356	3	699,948	3
Other receivables	70,906	-	59,159	-	53,863	-
Other receivables from related parties (Note 29)	5,802	-	21,264	-	5,792	-
Inventories (Note 12)	2,352,010	8	1,670,944	6	1,730,959	6
Prepaid expenses	71,875	-	104,371	-	107,396	1
Other current assets (Notes 16 and 28)	469,486	2	435,793	1	362,431	1
Total current assets	23,204,559	73	21,556,197	75	19,399,446	72
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - noncurrent (Notes 7 and 28)	-	-	148,455	1	171,771	1
Available-for-sale financial assets - noncurrent (Notes 8 and 28)	157,442	1	24,913	-	18,173	-
Financial assets carried at cost - noncurrent (Note 10)	77,872	-	77,538	-	53,425	-
Investment accounted for using equity method (Note 13)	87,625	-	94,613	-	98,088	-
Property, plant and equipment (Notes 14 and 29)	7,704,400	25	6,639,474	23	7,043,551	26
Intangible assets (Note 15)	32,078	-	17,011	-	5,216	-
Deferred tax assets (Notes 4 and 23)	3,763	-	4,168	-	23,720	-
Refundable deposits	5,262	-	4,290	-	5,173	-
Other noncurrent assets (Notes 16 and 30)	303,342	1	283,300	1	283,300	1
Total non-current assets	8,371,784	27	7,293,762	25	7,702,417	28
TOTAL ASSETS	$ 31,576,343	100	$ 28,849,959	100	$ 27,101,863	100

	September 30, 2014 Reviewed		December 31, 2013 Audited		September 30, 2013 Reviewed	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES						
Financial liabilities at fair value through profit or loss - current (Notes 7 and 28)	$ 67,524	-	$ 21,499	-	$ 1,581	-
Derivative financial liabilities for hedging - current (Notes 9 and 28)	18,469	-	12,324	-	3,985	-
Notes and accounts payable	1,276,058	4	824,849	3	777,686	3
Payables to contractors and equipment suppliers	159,854	1	112,293	1	91,260	-
Accrued profit sharing to employees and bonus to directors (Note 20)	605,736	2	665,248	2	493,460	2
Other payables - related parties (Note 29)	99,526	-	105,675	1	130,093	1
Current income tax liabilities (Notes 4 and 23)	614,789	2	331,980	1	209,531	1
Provisions - current (Note 18)	99,135	-	101,104	-	76,774	-
Other current liabilities (Note 17)	1,782,943	6	1,522,893	5	1,385,610	5
Total current liabilities	4,724,034	15	3,697,865	13	3,169,980	12
NON-CURRENT LIABILITIES						
Deferred income tax liabilities (Notes 4 and 23)	98,995	-	103,275	-	77,297	-
Accrued pension cost (Notes 4 and 19)	594,155	2	587,881	2	547,099	2
Guarantee deposits (Note 29)	29,704	-	31,178	-	30,974	-
Total non-current liabilities	722,854	2	722,334	2	655,370	2
Total liabilities	5,446,888	17	4,420,199	15	3,825,350	14
EQUITY (Note 20)						
Capital stock						
Common stock	16,389,823	52	16,365,859	57	16,360,332	60
Capital surplus	830,225	3	733,578	3	701,489	3
Retained earnings						
Legal reserve	2,547,224	8	2,110,125	7	2,110,125	8
Special reserve	53,700	-	68,948	-	68,948	-
Unappropriated earnings	6,387,003	20	5,691,940	20	4,584,802	17
Total retained earnings	8,987,927	28	7,871,013	27	6,763,875	25
Other equity	(65,885)	-	(53,700)	-	(62,193)	-
Treasury stock	(12,635)	-	(486,990)	(2)	(486,990)	(2)
Total equity	26,129,455	83	24,429,760	85	23,276,513	86
TOTAL LIABILITIES AND EQUITY	$ 31,576,343	100	$ 28,849,959	100	$ 27,101,863	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			
	2014		2013		2014		2013	
	Amount	%	Amount	%	Amount	%	Amount	%
NET REVENUE (Notes 21 and 29)	$ 6,184,772	100	$ 5,590,342	100	$ 17,513,448	100	$ 15,732,657	100
COST OF REVENUE (Notes 12, 19, 20, 22 and 29)	4,076,207	66	3,705,412	66	11,147,208	64	10,675,273	68
GROSS PROFIT	2,108,565	34	1,884,930	34	6,366,240	36	5,057,384	32
OPERATING EXPENSES (Notes 19, 20, 22 and 29)								
Marketing	60,844	1	52,422	1	189,765	1	145,195	1
General and administrative	256,353	4	192,408	3	710,603	4	582,744	4
Research and development	301,762	5	265,136	5	858,505	5	736,550	4
Total operating expenses	618,959	10	509,966	9	1,758,873	10	1,464,489	9
OPERATING INCOME	1,489,606	24	1,374,964	25	4,607,367	26	3,592,895	23
NONOPERATING INCOME AND EXPENSES								
Other income (Notes 22 and 29)	64,425	1	50,975	1	212,682	1	165,493	1
Other gains and losses (Note 22)	25,279	-	6,726	-	(13,069)	-	7,528	-
Share of losses of associates and joint ventures (Note 13)	(2,419)	-	(3,636)	-	(11,108)	-	(15,479)	-
Total nonoperating income and expenses	87,285	1	54,065	1	188,505	1	157,542	1
INCOME BEFORE INCOME TAX	1,576,891	25	1,429,029	26	4,795,872	27	3,750,437	24
INCOME TAX EXPENSE (Notes 4 and 23)	(252,423)	(4)	(202,731)	(4)	(805,633)	(4)	(508,701)	(3)
NET INCOME	1,324,468	21	1,226,298	22	3,990,239	23	3,241,736	21
OTHER COMPREHENSIVE (LOSS) INCOME (Notes 13 and 20)								
Exchange differences on translation of foreign operations	5,056	-	(3,066)	-	5,674	-	3,958	-
Unrealized (losses) gains on available-for-sale financial assets	(10,052)	-	475	-	(17,471)	-	2,952	-
Cash flow hedges	(387)	-	(36)	-	(387)	-	(81)	-
Share of other comprehensive loss of associates and joint ventures	(9)	-	-	-	(1)	-	(29)	-
Total other comprehensive (loss) income	(5,392)	-	(2,627)	-	(12,185)	-	6,800	-
TOTAL COMPREHENSIVE INCOME	$ 1,319,076	21	$ 1,223,671	22	$ 3,978,054	23	$ 3,248,536	21
NET INCOME ATTRIBUTABLE TO								
Owner of the Corporation	$ 1,324,468	21	$ 1,226,298	22	$ 3,990,239	23	$ 3,241,736	21
Noncontrolling interests	-	-	-	-	-	-	-	-
	$ 1,324,468	21	$ 1,226,298	22	$ 3,990,239	23	$ 3,241,736	21
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO								
Owner of the Corporation	$ 1,319,076	21	$ 1,223,671	22	$ 3,978,054	23	$ 3,248,536	21
Noncontrolling interests	-	-	-	-	-	-	-	-
	$ 1,319,076	21	$ 1,223,671	22	$ 3,978,054	23	$ 3,248,536	21
EARNINGS PER SHARE (Note 24)								
Basic	$ 0.81		$ 0.77		$ 2.46		$ 2.05	
Diluted	$ 0.80		$ 0.76		$ 2.43		$ 2.02	

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

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

			Retained Earnings			Other Equity				
	Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized (Losses) Gains on Available-for-sale Financial Assets	Cash Flow Hedges	Treasury Stock	Total Equity
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)	-	-	-	-	-
Cash dividends - 10%	-	-	-	-	(1,552,323)	-	-	-	-	(1,552,323)
Reversal of special reserve	-	-	-	(36,109)	36,109	-	-	-	-	-
Changes in capital surplus from investment in associates and joint ventures 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 (loss) 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	$ 16,360,332	$ 701,489	$ 2,110,125	$ 68,948	$ 4,584,802	$ (66,753)	$ 4,641	$ (81)	$ (486,990)	$ 23,276,513
BALANCE, JANUARY 1, 2014	$ 16,365,859	$ 733,578	$ 2,110,125	$ 68,948	$ 5,691,940	$ (65,081)	$ 11,381	$ -	$ (486,990)	$ 24,429,760
Appropriation of prior year's earnings										
Legal reserve	-	-	437,099	-	(437,099)	-	-	-	-	-
Cash dividends - 18%	-	-	-	-	(2,873,325)	-	-	-	-	(2,873,325)
Reversal of special reserve	-	-	-	(15,248)	15,248	-	-	-	-	-
Changes in capital surplus from investment in associates and joint ventures accounted for using equity method	-	3,696	-	-	-	-	-	-	-	3,696
Net income for the nine months ended September 30, 2014	-	-	-	-	3,990,239	-	-	-	-	3,990,239
Other comprehensive income (loss) for the nine months ended September 30, 2014	-	-	-	-	-	5,673	(17,471)	(387)	-	(12,185)
Total comprehensive income for the nine months ended September 30, 2014	-	-	-	-	3,990,239	5,673	(17,471)	(387)	-	3,978,054
Share-based payment transaction	23,964	92,951	-	-	-	-	-	-	474,355	591,270
BALANCE, SEPTEMBER 30, 2014	$ 16,389,823	$ 830,225	$ 2,547,224	$ 53,700	$ 6,387,003	$ (59,408)	$ (6,090)	$ (387)	$ (12,635)	$ 26,129,455

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	
	2014	**2013**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 4,795,872	$ 3,750,437
Adjustments for:		
Depreciation	1,521,169	1,751,315
Amortization	5,830	3,240
Net (gain) loss arising from changes in fair value of financial assets and liabilities at fair value through profit or loss	(4,140)	1,170
Interest income	(144,862)	(98,432)
Dividend income	(19,860)	(13,497)
Share-based payment	80,865	60,408
Loss (gain) on disposal of property, plant and equipment	1,010	(63)
Share of losses of associates and joint ventures	11,108	15,479
Gain on disposal of investments	(728)	(4,924)
Net (gain) loss on foreign currency exchange	(10,418)	1,031
Changes in operating assets and liabilities:		
Financial assets held for trading	(195,040)	(12,887)
Derivative financial assets for hedging	(13)	(10,478)
Notes and accounts receivable	(681,088)	(113,867)
Accounts receivable from related parties	138,147	(335,594)
Other receivables	(11,747)	9,150
Other receivables from related parties	15,462	4,616
Inventories	(681,066)	121,613
Prepayments	32,807	16,838
Other current assets	(118,481)	(9,842)
Financial liabilities held for trading	46,025	1,163
Derivative financial liabilities for hedging	5,758	3,830
Notes and accounts payable	451,209	40,167
Other payable to related parties	(6,149)	2,639
Provisions	(1,969)	21,043
Other current liabilities	259,849	49,693
Accrued pension cost	6,274	545
Accrued profit sharing to employees and bonus to directors	(59,512)	128,766
Cash generated from operations	5,436,312	5,383,559
Interest received	145,558	97,441
Income tax paid	(525,484)	(317,034)
Net cash provided by operating activities	5,056,386	5,163,966

(Continued)

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	
	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of financial assets designated as fair value through profit or loss	$ (168,703)	$ (295,445)
Proceeds from disposal of financial assets designated as fair value through profit or loss	274,725	40,000
Acquisitions of available-for-sale financial assets	(150,000)	(1,720)
Proceeds from disposal of available-for-sale financial assets	-	128,790
Proceeds from liquidation of investment accounted for using equity method	-	1,526
Acquisitions of property, plant and equipment	(2,536,378)	(857,044)
Proceeds from disposal of property, plant and equipment	330	63
Increase in refundable deposits	(972)	(11)
Acquisitions of intangible assets	(20,897)	(1,796)
Increase in other financial assets	-	(371,781)
Decrease in other financial assets	67,652	-
Dividends received	19,860	13,497
Net cash used in investing activities	(2,514,383)	(1,343,921)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in guarantee deposits	-	5,429
Decrease in guarantee deposits	(1,474)	-
Cash dividends	(2,873,325)	(1,552,323)
Proceeds from exercise of employee stock options	34,747	115,797
Treasury stock transferred to employees	474,197	430,641
Net cash used in financing activities	(2,365,855)	(1,000,456)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	4,820	(211)
NET INCREASE IN CASH AND CASH EQUIVALENTS	180,968	2,819,378
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	16,041,723	11,090,275
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 16,222,691	$ 13,909,653

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, 2014 AND 2013
(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 30 October, 2014.

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

a. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) in issue but not yet effective

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC in 2014, stipulated that the Group should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") endorsed by the Financial Supervisory Commission (FSC) and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

New, Amended and Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 "Embedded Derivatives"	Effective for annual periods ended on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010

(Continued)

New, Amended and Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note)
Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011
Amendment to IFRS 1 "Government Loans"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Transfer of Financial Assets"	July 1, 2011
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 Other Comprehensive Income"	July 1, 2012
Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets"	January 1, 2012
IAS 19 (Revised 2011) "Employee Benefits"	January 1, 2013
IAS 27 (Revised 2011) "Separate Financial Statements"	January 1, 2013
IAS 28 (Revised 2011) "Investments in Associates and Joint Ventures"	January 1, 2013
Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities"	January 1, 2014
IFRIC 20 "Stripping Costs in Production Phase of a Surface Mine"	January 1, 2013

(Concluded)

Note: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after the respective effective dates.

Except for the following, the initial application of the above 2013 IFRSs version and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers has not had any material impact on the Group's accounting policies:

1) 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 whether it has control over other entities for consolidation. The Group has control over an investee if and only if it has i) power over the investee; ii) exposure or rights to variable returns from its involvement with the investee and iii) 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.

2) 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 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.

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015.

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

The amendment to IAS 1 requires items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

The Group will apply the above amendments in presenting the consolidated statement of comprehensive income, starting from the year 2015. Items not expected to be reclassified to profit or loss are the actuarial gain (loss) arising from defined benefit plans and share of the actuarial gain (loss) arising from defined benefit plans of associates/joint ventures accounted for using the equity method. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gain (loss) on available-for-sale financial assets, cash flow hedges, and share of the other comprehensive income (except the share of the actuarial gain (loss) arising from defined benefit plans) of associates/joint ventures accounted for using the equity method.

5) Revision to IAS 19 "Employee Benefits"

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under current IAS 19 and accelerate the recognition of past service costs. The revision requires the Corporation to recognize the actuarial gains and losses immediately through other comprehensive income in order to reflect the full value of the plan deficit or surplus for the recognized net pension asset or liability. Furthermore, the interest cost and expected return on plan assets used in current 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.

The anticipated impact on retrospective application is set out below:

Impact on assets, liabilities and equity	**Carrying Amount**	**IAS 19 Adjustments**	**Adjusted Carrying Amount**
September 30, 2014			
Accrued pension cost	$ 594,155	$ (14,466)	$ 579,689
Total liabilities	$ 594,155	$ (14,466)	$ 579,689
Unappropriated earnings	$ 6,387,003	$ 14,466	$ 6,401,469
Total equity	$ 6,387,003	$ 14,466	$ 6,401,469

(Continued)

	Carrying Amount	IAS 19 Adjustments	Adjusted Carrying Amount
January, 1, 2014			
Accrued pension cost	$ 587,881	$ (12,822)	$ 575,059
Total liabilities	$ 587,881	$ (12,822)	$ 575,059
Unappropriated earnings	$ 5,691,940	$ 12,822	$ 5,704,762
Total equity	$ 5,691,940	$ 12,822	$ 5,704,762
Impact on total comprehensive income			
For the Three Months Ended September 30			
Cost of revenue	$ 4,076,207	$ (459)	$ 4,075,748
Operating expense	618,959	(89)	618,870
Total comprehensive income for the period	$ 4,695,166	$ (548)	$ 4,694,618
For the Nine Months Ended September 30			
Cost of revenue	$ 11,147,208	$ (1,340)	$ 11,145,868
Operating expense	1,758,873	(304)	1,758,569
Total comprehensive income for the period	$ 12,906,081	$ (1,644)	$ 12,904,437

(Concluded)

Except for the above impacts, as of the date the consolidated financial statements were reported for issue, the Group continuingly assesses other possible impacts that the application of the 2013 IFRSs version and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group's financial position and operating result, and will disclose the other impacts when the assessment is completed.

b. New IFRSs in issue but not yet endorsed by FSC

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were reported for issue, the FSC has not announced their effective dates.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 4)
IFRS 9 "Financial Instruments"	January 1, 2018

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	January 1, 2016 (Note 3)
Amendment to IFRS 11 " Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2017
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Impairment of Assets: 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 21 "Levies"	January 1, 2014

(Concluded)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendments are prospectively applicable to transactions occurring in annual periods beginning on or after January 1, 2016.

Note 4: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs has not had any material impact on the Group's accounting policies, except for the following:

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows：

a) If they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

b) If they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment continuously. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments is derecognized or reclassified, the cumulative gains or losses previously recognized in other comprehensive income shall be reclassified from equity to profit or loss.

Except for above, all other financial assets are measured at fair value through profit or loss. 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. No subsequent impairment assessment is required, and the cumulative gains or losses previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not have a significant financing component.

For purchased or originated credit-impaired financial assets, the Group calculates the credit-adjusted effective interest rate by taking into account the expected credit losses at initial recognition. Subsequently, any changes in expected losses are recognized as a loss allowance.

Recognition and measurement of financial liabilities

For financial liabilities, the main changes in the classification and measurement relate to the subsequent measurement of financial liabilities designated as at fair value through profit or loss. The amount of changes in the fair value of such financial liability attributable to changes in the credit risk of that liability is presented in other comprehensive income and not subsequently reclassified to profit or loss. The remaining amount of change in the fair value of that liability is presented in profit or loss. If the above accounting treatment would create or enlarge an accounting mismatch, the Group presents all gains or losses on that liability in profit or loss.

Hedge accounting

The main change in hedge accounting is the amendment to the application requirements for hedge accounting, and it let the financial statements better reflect the entity's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risk eligible for hedge accounting of non-financial items; (2) changing the way hedging derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

2) Amendment to IAS 19: Amendment in 2013

The amended IAS 19 states that if contributions from employees or third parties are not linked to service, these contributions affect the remeasurement of the net defined benefit liability (asset). If the contributions are linked solely to service, the employees' service rendered in that period in which they are paid, these contributions may be recognized as a reduction of service cost in the same period. If the contributions depend on the number of years of service, an entity is required to attribute these contributions to service periods as a reduction of service cost.

3) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

In issuing IFRS 13 "Fair Value Measurement", the IASB made consequential amendment 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 such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Group is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured by using a present value technique.

4) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 2 "Share-based Payment", IFRS 3 "Business Combinations" and IFRS 8 "Operating Segments" were amended in this annual improvement.

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics". The amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segments' assets are regularly provided to the chief operating decision-maker.

IFRS 13 was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

5) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards including IFRS 3, IFRS 13 and IAS 40 "Investment Property" were amended in this annual improvement.

6) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations from January 1, 2017.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 is effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

7) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulated that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when an entity sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the entity’s share of the gain or loss is eliminated. Also, when an entity loses control of a subsidiary that does not contain a business but retains significant influence or joint control in an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the entity’s share of the gain or loss is eliminated.

8) Annual Improvements to IFRSs: 2012-2014 Cycle

Several standards including IFRS 5 “Non-current assets held for sale and discontinued operations”, IFRS 7, IAS 19 and IAS 34 were amended in this annual improvement.

Except for the above impact, as of the date the consolidated financial statements were reported for issue, the Group continuingly assesses the possible impact that the application of other standards and interpretations will have on the Group’s financial position and operating result, and will disclose the relevant impact when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” endorsed by the FSC. Disclosure information included in the consolidated financial statements is less than those required in a complete set of annual financial statements.

b. Basis of consolidation

Subsidiaries included in consolidated financial statements

Investor	Investee	Main Business	Percentage of Ownership September 30, 2014	Percentage of Ownership December 31, 2013	Percentage of Ownership September 30, 2013	Remark
Vanguard International Semiconductor Corporation	VIS Associates Inc.	Investments	100%	100%	100%	a)
VIS Associates Inc.	Specialty TechFarm, Inc.	Investments	100%	100%	100%	a)
VIS Associates Inc.	VIS Investment Holding, Inc.	Investments	100%	100%	100%	a)
VIS Investment Holding, Inc.	VIS Micro, Inc.	Marketing service	100%	100%	100%	a)

Remark:

a) The company is a non-significant subsidiary, and its financial statements have been reviewed.

c. Other significant accounting policies

Except for the following, the accounting policies followed in these consolidated financial statements were the same as those applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2013.

1) Retirement benefit costs

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

2) Taxation

Income tax expense is the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by multiplying pre-tax income for the interim reporting period by the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The critical accounting judgments and key sources of estimation and uncertainty followed in these consolidated financial statements were the same as those applied in the preparation of the consolidated financial statements for the year ended December 31, 2013.

6. CASH AND CASH EQUIVALENTS

	September 30, 2014	December 31, 2013	September 30, 2013
Deposits in bank	$ 16,196,691	$ 15,739,695	$ 13,803,619
Cash equivalents			
Bonds acquired under resale agreements	26,000	302,028	106,034
	$ 16,222,691	$ 16,041,723	$ 13,909,653

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

	September 30, 2014	December 31, 2013	September 30, 2013
Bank deposits	0%-3.40%	0%-3.40%	0%-3.25%
Bonds acquired under resale agreements	0.62%	0.60%-0.64%	0.67%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2014	December 31, 2013	September 30, 2013
Financial assets designated as at FVTPL			
Interest rate linked structured dollar investment notes (a)	$ 152,243	$ 148,455	$ 146,640
Credit linked notes (a)	68,044	80,019	68,003
Exchangeable bonds (b)	-	94,753	85,414
Convertible bonds (c)	18,025	16,766	1,536
	238,312	339,993	301,593
Financial assets held for trading			
Derivative financial assets (not designated as hedging instruments)			
Forward exchange contracts (d)	-	1,782	13,273
Currency-swap contracts (e)	-	3,178	21,664
Non-derivative financial assets			
Funds	204,078	-	-
	204,078	4,960	34,937
	$ 442,390	$ 344,953	$ 336,530
Current	$ 442,390	$ 196,498	$ 164,759
Non-current	-	148,455	171,771
	$ 442,390	$ 344,953	$ 336,530
Financial liabilities held for trading			
Derivative financial liabilities (not designated as hedging instruments)			
Forward exchange contracts (d)	$ 8,333	$ 1,535	$ 1,299
Currency-swap contracts (e)	59,191	19,964	282
	$ 67,524	$ 21,499	$ 1,581
Current	$ 67,524	$ 21,499	$ 1,581

a. The Group entered into structured investment contracts with a bank in 2014 and 2013. 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. The payables for the purchase of convertible bonds amounted to $201 thousands as of September 30, 2014.

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

	Currency	Maturity Date	Contract Amount (In Thousands)
September 30, 2014			
Sell forward exchange contracts	US$ to NT$	2014.10.06-2015.01.06	US$ 15,000
Sell forward exchange contracts	US$ to JPY	2014.10.01-2014.10.15	US$ 2,000
December 31, 2013			
Sell forward exchange contracts	US$ to NT$	2014.01.03-2014.03.31	US$ 32,000
Buy forward exchange contracts	NT$ to US$	2014.01.03-2014.02.05	US$ 4,000
September 30, 2013			
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

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

	Currency	Maturity Date	Contract Amount (In Thousands)
September 30, 2014			
Sell forward exchange contracts	US$ to NT$	2014.10.09-2014.11.24	US$ 119,000
December 31, 2013			
Sell forward exchange contracts	US$ to NT$	2014.01.09-2014.03.19	US$ 98,500
Buy forward exchange contracts	NT$ to US$	2014.01.13-2014.01.22	US$ 6,000
September 30, 2013			
Sell forward exchange contracts	US$ to NT$	2013.10.03-2013.12.04	US$ 101,000

The Group entered into foreign exchange forward contracts during the nine months ended September 30, 2014 and 2013 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, 2014	December 31, 2013	September 30, 2013
Listed stocks	$ 157,442	$ 24,913	$ 18,173
Non-current	$ 157,442	$ 24,913	$ 18,173

9. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	September 30, 2014		December 31, 2013		September 30, 2013	
	Fair Value Hedge	Cash Flow Hedge	Fair Value Hedge	Cash Flow Hedge	Fair Value Hedge	Cash Flow Hedge
Derivative financial assets for hedging						
Currency-swap contracts	$ 13	$ -	$ -	$ -	$ 10,564	$ -
Derivative financial liabilities for hedging						
Currency-swap contracts	$ 18,082	$ 387	$ 12,324	$ -	$ 2,829	$ 1,156

a. Fair value hedge

The Group used forward exchange contracts and currency-swap contracts to hedge risks on exchange rate fluctuations of foreign-currency denominated accounts receivable. The forward exchange contracts and currency-swap contracts had the same terms as the respective financial assets; the management therefore 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)
September 30, 2014			
Sell forward exchange contracts	US$ to NT$	2014.10.09-2014.12.09	US$ 31,000
December 31, 2013			
Sell forward exchange contracts	US$ to NT$	2014.01.07-2014.02.19	US$ 33,000
September 30, 2013			
Sell forward exchange contracts	US$ to NT$	2013.10.17-2013.12.06	US$ 29,000

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 sale 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)
September 30, 2014			
Sell forward exchange contracts	US$ to NT$	2014.11.28-2015.01.09	US$ 8,000
September 30, 2013			
Sell forward exchange contracts	US$ to NT$	2013.11.19-2013.12.18	US$ 2,000

10. FINANCIAL ASSETS CARRIED AT COST

	September 30, 2014	December 31, 2013	September 30, 2013
Unlisted stocks	$ 77,872	$ 77,538	$ 53,425
Non-current	$ 77,872	$ 77,538	$ 53,425
The classification of financial assets			
Available-for-sale financial assets	$ 77,872	$ 77,538	$ 53,425

The management believed that the fair value of the aforementioned unlisted equity investments held by the Group 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, the unlisted stocks were measured at cost less impairment at the end of the reporting period.

11. NOTES AND ACCOUNTS RECEIVABLE, NET

	September 30, 2014	December 31, 2013	September 30, 2013
Notes and accounts receivable	$ 2,982,164	$ 2,301,488	$ 2,356,480
Allowance for doubtful accounts	(1,987)	(2,399)	(2,399)
Notes and accounts receivable, net	$ 2,980,177	$ 2,299,089	$ 2,354,081

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, 2014	December 31, 2013	September 30, 2013
Less than 60 days	$ 16,725	$ 16,576	$ 6,674
61-90 days	9	8,756	-
More than 90 days	179	-	232
	$ 16,913	$ 25,332	$ 6,906

The above analyses were based on the past due dates.

Movements of the allowance for doubtful accounts were as follows:

	Nine Months Ended September 30	
	2014	2013
Balance, beginning of period	$ 2,399	$ 2,399
Less: Amounts written off as uncollectible	(412)	-
Balance, end of period	$ 1,987	$ 2,399

The individually accounts receivables included in the allowance for doubtful accounts for which the customers had been in cash flow difficulty were amounted to $1,987 thousand, $2,399 thousand and $2,399 thousand as of September 30, 2014, December 31, 2013 and September 30, 2013, 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, 2014	December 31, 2013	September 30, 2013
Finished goods	$ 300,540	$ 103,477	$ 153,199
Work in process	1,405,947	1,106,269	1,147,085
Raw materials	282,569	270,122	233,060
Supplies and spare parts	362,954	191,076	197,615
	$ 2,352,010	$ 1,670,944	$ 1,730,959

The write-down of inventories included in the cost of revenue was as below:

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Provision of inventory valuation losses	$ 80,893	$ 23,710	$ 104,428	$ 10,908

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates

	September 30, 2014	December 31, 2013	September 30, 2013
Unlisted stocks			
CMSC, Inc.	$ 49,153	$ 55,527	$ 57,992
SkyTraq Technology, Inc.	30,586	31,918	31,798
INNO-TECH Co., Ltd.	7,886	7,168	8,298
	$ 87,625	$ 94,613	$ 98,088

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, 2014	December 31, 2013	September 30, 2013
CMSC, Inc.	25%	25%	25%
SkyTraq Technology, Inc.	26%	26%	26%
INNO-TECH Co., Ltd.	16%	20%	20%

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

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

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and Equipment	Other Equipment	Advance Payments and Construction in Progress	Total
Cost					
Balance, January 1, 2013	$ 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	-	-	28	-	28
Balance, September 30, 2013	$ 13,950,491	$ 52,794,708	$ 360,273	$ 61,338	$ 67,166,810

(Continued)

	Buildings	Machinery and Equipment	Other Equipment	Advance Payments and Construction in Progress	Total
Accumulated depreciation					
Balance, January 1, 2013	$ 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	-	-	26	-	26
Balance, September 30, 2013	$ 10,705,120	$ 48,894,118	$ 340,500	$ -	$ 59,939,738
Accumulated impairment					
Balance, January 1, 2013 and September 30, 2013	$ -	$ 183,521	$ -	$ -	$ 183,521
Carrying amounts, September 30, 2013	$ 3,245,371	$ 3,717,069	$ 19,773	$ 61,338	$ 7,043,551
Cost					
Balance, January 1, 2014	$ 13,979,826	$ 52,815,803	$ 372,209	$ 115,274	$ 67,283,112
Additions	604,233	1,573,312	13,443	396,439	2,587,427
Disposal	-	(5,984)	(202)	-	(6,186)
Translation adjustments	-	-	44	-	44
Balance, September 30, 2014	$ 14,584,059	$ 54,383,131	$ 385,494	$ 511,713	$ 69,864,397
Accumulated depreciation					
Balance, January 1, 2014	$ 10,856,026	$ 49,261,418	$ 342,673	$ -	$ 60,460,117
Depreciation	461,594	1,051,862	7,713	-	1,521,169
Disposal	-	(4,674)	(172)	-	(4,846)
Translation adjustments	-	-	36	-	36
Balance, September 30, 2014	$ 11,317,620	$ 50,308,606	$ 350,250	$ -	$ 61,976,476
Accumulated impairment					
Balance, January 1, 2014 and September 30, 2014	$ -	$ 183,521	$ -	$ -	$ 183,521
Carrying amounts, September 30, 2014	$ 3,266,439	$ 3,891,004	$ 35,244	$ 511,713	$ 7,704,400

(Concluded)

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

	Nine Months Ended September 30	
	2014	2013
Computer software		
Cost		
Balance, January, 1	$ 731,644	$ 717,295
Additions	20,897	1,796
Balance, September, 30	752,541	719,091
Accumulated amortization		
Balance, January, 1	714,633	710,635
Additions	5,830	3,240
Balance, September, 30	720,463	713,875
	$ 32,078	$ 5,216

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, 2014	December 31, 2013	September 30, 2013
Pledged time deposits	$ 303,342	$ 283,300	$ 283,300
Other financial assets	274,685	358,800	268,713
Tax receivables	183,760	65,662	85,503
Others	11,041	11,331	8,215
	$ 772,828	$ 719,093	$ 645,731
Current	$ 469,486	$ 435,793	$ 362,431
Non-current	303,342	283,300	283,300
	$ 772,828	$ 719,093	$ 645,731

17. OTHER CURRENT LIABILITIES

	September 30, 2014	December 31, 2013	September 30, 2013
Other payables			
Bonus	$ 627,547	$ 491,480	$ 413,276
Utilities	187,804	112,836	122,283
Maintenance	69,380	61,281	70,376
Royalties	16,768	16,711	19,216
Others	784,362	754,420	673,700
	1,685,861	1,436,728	1,298,851

(Continued)

	September 30, 2014	December 31, 2013	September 30, 2013
Other liabilities			
Others (Note)	$ 97,082	$ 86,165	$ 86,759
	$ 1,782,943	$ 1,522,893	$ 1,385,610

(Concluded)

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

18. PROVISIONS

	September 30, 2014	December 31, 2013	September 30, 2013
Sales returns and allowances	$ 99,135	$ 101,104	$ 76,774
Current	$ 99,135	$ 101,104	$ 76,774

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

For defined benefit plans, employee benefit expenses were calculated by using the actuarially determined pension cost discount rate as of December 31, 2013 and 2012. For the related information, please refer to Note 19 to the consolidated financial statements for the year ended December 31, 2013.

Employee benefit expenses were recognized in the following line items in their respective period：

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Cost of revenue	$ 4,325	$ 3,063	$ 12,617	$ 9,252
Marketing expenses	113	136	397	416
General and administrative expenses	380	335	1,316	1,022
Research and development expenses	340	309	1,147	935
	$ 5,158	$ 3,843	$ 15,477	$ 11,625

In addition, according to the "Pension Plan of Senior Management", the Corporation recognized the pension cost in the amount of $321 thousand for the three months ended September 30, 2014. The Corporation recognized the pension cost in the amount of $1,851 thousand for the nine months ended September 30, 2014.

20. EQUITY

a. Capital stock

Common stock

	September 30, 2014	December 31, 2013	September 30, 2013
Authorized shares (in thousands)	3,300,000	3,300,000	3,300,000
Authorized capital	$ 33,000,000	$ 33,000,000	$ 33,000,000
Issued and fully paid shares (in thousands)	1,638,982	1,636,586	1,636,033
Issued capital	$ 16,389,823	$ 16,365,859	$ 16,360,332
Additional paid-in capital	544,884	534,101	531,507
	$ 16,934,707	$ 16,899,960	$ 16,891,839

The changes of the Group's capital stock mainly arose from the exercise of employee stock options.

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

b. Capital Surplus

	September 30, 2014	December 31, 2013	September 30, 2013
Additional paid-in capital	$ 544,884	$ 534,101	$ 531,507
Arising from employee stock options	-	109,867	81,049
From share of changes in equities of associates and joint ventures	15,244	11,548	11,487
Treasury stock transaction	260,810	75,278	75,278
Others	9,287	2,784	2,168
	$ 830,225	$ 733,578	$ 701,489

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 Group'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 the applicable income taxes, any deficit and 10% legal reserve:

1) Special reserve;

2) Not more than 1% as remuneration to directors;

3) At least 1% as bonus to employees; and

4) Final balance, appropriation in accordance with the resolutions of shareholders' meetings.

The bonus to employees and the remuneration to directors were estimated based on past experiences, corporation policy and related law and decree, which were respectively 15% of net income and 1% of net income (net of the bonus to employees, remuneration to directors, legal reserve and special reserve), respectively. Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are adjusted 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 bonuses are resolved to be distributed to employees in the form of common shares, 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 on the day preceding the shareholders' meeting. Based on the aforementioned estimation method, the bonuses to employees were $598,536 thousand and $486,260 thousand, and the remuneration to directors were $7,200 thousand and $7,200 thousand for the nine months ended September 30, 2014 and 2013, respectively.

All profits may be distributed after taking into consideration to 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 for distribution in accordance with relevant laws or regulations of the authorities in charge.

The Corporation appropriates or reverses a special reserve in accordance with Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive entitled "Questions and Answers about Special Reserves Appropriated Following the Adoption of IFRSs". Distributions can be made out of any subsequent reversal of the debit to other equity items.

The appropriation of earnings to legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. Legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident shareholders, other shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Corporation.

The appropriations of earnings for 2013 and 2012 were approved in the shareholders' meeting on June 12, 2014 and June 18, 2013, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividend Per Share (NT$)	
	2013	**2012**	**2013**	**2012**
Legal reserve	$ 437,099	$ 232,981	$ -	$ -
Reversal of special reserve	(15,248)	(36,109)	-	-
Cash dividends	2,873,325	1,552,323	1.80	1.00
	$ 3,295,176	$ 1,749,195		

	Years Ended December 31			
	2013		**2012**	
	Cash	**Stock**	**Cash**	**Stock**
Bonus to employees	$ 655,648	$ -	$ 349,471	$ -
Remuneration to directors	9,600	-	14,824	-

The bonus to employees and the remuneration to directors for 2013 and 2012 approved in the shareholders' meeting on June 12, 2014 and June 18, 2013, respectively, were as follows:

	2013		2012	
	Bonus to Employees	**Remuneration to Directors**	**Bonus to Employees**	**Remuneration to Directors**
Amounts resolved in shareholders' meeting	$ 655,648	$ 9,600	$ 349,471	$ 14,824
Amounts recognized in respective financial statements	655,648	9,600	349,471	15,223

The difference had been adjusted in profit and loss for the year ended December 31, 2013.

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

d. Other equity

1) Exchange differences on translating foreign operations

	Nine Months Ended September 30	
	2014	**2013**
Balance, beginning of period	$ (65,081)	$ (70,682)
Exchange differences on translation of foreign operations	5,674	3,958
Share of exchange differences of associates accounted for using equity method	(1)	(29)
Balance, end of period	$ (59,408)	$ (66,753)

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

	Nine Months Ended September 30	
	2014	**2013**
Balance, beginning of period	$ 11,381	$ 1,689
Unrealized (losses) gains on available-for-sale financial assets	(17,471)	2,952
Balance, end of period	$ (6,090)	$ 4,641

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 hedges

	Nine Months Ended September 30	
	2014	2013
Balance, beginning of period	$ -	$ -
Losses arising from changes in fair value of hedging instruments for cash flow hedges		
Currency-swap contracts	(387)	(81)
Balance, end of period	$ (387)	$ (81)

The cash flow hedges represent the cumulative gains or losses arising from changes in fair value of the hedging instruments entered into as cash flow hedges. The cumulative gains or losses will be reclassified to profit or loss only when the hedge transaction affects the profit or loss, or used for adjusting the recognition of 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 September 30, 2013				
For transfer to employees	76,160	-	(35,866)	40,294
Nine months ended September 30, 2014				
For transfer to employees	40,294	-	(39,309)	985

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 vote.

Treasury stocks were granted on March 1, 2012, and determined their 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 their 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 their 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%

Treasury stocks were granted on November 1, 2013, and determined their fair value by using the binomial option pricing model. The valuation assumptions were as follows:

Stock price on grant date (NT$)	$32.35
Exercise price (NT$)	12.83
Expected volatility	43.26%
Expected life	0.4822 year
Risk-free interest rate	0.641%

Treasury stocks were granted on May 30, 2014, and determined their fair value by using the binomial option pricing model. The valuation assumptions were as follows:

Stock price on grant date (NT$)	$46.50
Exercise price (NT$)	11.49-12.83
Expected volatility	45.90%
Expected life	0.2027 year
Risk-free interest rate	0.5329%

Expected volatility was based on the historical stock price volatility over the same period as the expected life of each treasury stocks at the date of grant. The yield of two-year government bond was used as the risk-free interest rate.

Compensation costs recognized were $19,957 thousand and $18,931 thousand for the three months ended September 30, 2014 and 2013, respectively.

Compensation costs recognized were $80,865 thousand and $60,408 thousand for the nine months ended September 30, 2014 and 2013, respectively.

21. REVENUE

Revenues of the Group were analyzed as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Revenue from the sales of goods	$ 6,125,344	$ 5,540,450	$ 17,338,375	$ 15,564,273
Other revenue	42,990	36,544	131,856	128,272
Rental revenue from rental assets	16,438	13,348	43,217	40,112
	$ 6,184,772	$ 5,590,342	$ 17,513,448	$ 15,732,657

The Group designated certain foreign sales as hedged items to hedge the risk of cash flow. The portion of the loss on the hedging instrument amounting to $1,548 thousand and $4,712 thousand that were determined to be an effective hedge were reclassified to sales of goods for the three months ended September 30, 2014 and 2013, respectively. The portion of the loss on the hedging instrument amounting to $12,763 thousand and $8,077 thousand that were determined to be an effective hedge were reclassified to sales of goods for the nine months ended September 30, 2014 and 2013, respectively.

22. OTHER ITEMS IN THE STATEMENTS OF COMPREHENSIVE INCOME

a. Other income

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Interest income				
Bank deposits	$ 47,194	$ 35,513	$ 144,862	$ 98,432
Dividends	753	454	19,860	13,497
Others	16,478	15,008	47,960	53,564
	$ 64,425	$ 50,975	$ 212,682	$ 165,493

b. Other gains and losses

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Net (losses) gains on financial assets designated as at FVTPL	$ (97,857)	$ 56,794	$ (96,289)	$ (41,582)
Net foreign exchange gains (losses)	123,420	(55,053)	83,558	44,129
Gains on disposal of investment	728	4,924	728	4,924
(Losses) gains on disposal of property, plant and equipment	(1,010)	63	(1,010)	63
Other losses	(2)	(2)	(56)	(6)
	$ 25,279	$ 6,726	$ (13,069)	$ 7,528

c. Depreciation and amortization

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Property, plant and equipment	$ 538,245	$ 554,937	$ 1,521,169	$ 1,751,315
Intangible assets	2,860	911	5,830	3,240
	$ 541,105	$ 555,848	$ 1,526,999	$ 1,754,555
Classification of deprecation - by function				
Cost of revenue	$ 523,148	$ 540,684	$ 1,476,780	$ 1,706,583
Operating expenses	15,097	14,253	44,389	44,732
	$ 538,245	$ 554,937	$ 1,521,169	$ 1,751,315
Classification of amortization - by function				
Cost of revenue	$ 1,556	$ 179	$ 2,239	$ 1,159
Operating expenses	1,304	732	3,591	2,081
	$ 2,860	$ 911	$ 5,830	$ 3,240

d. Employee benefits expenses

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Post-employment benefits (see Note 19)				
Defined contribution plans	$ 46,046	$ 36,619	$ 123,659	$ 108,749
Defined benefit plans	5,479	3,843	17,328	11,625
	51,525	40,462	140,987	120,374
Share-based payments (see Note 20)				
Equity-settled share-based payments	19,957	18,931	80,865	60,408
Other employee benefits	1,457,410	1,278,742	4,022,781	3,524,320
Total employee benefits expenses	$ 1,528,892	$ 1,338,135	$ 4,244,633	$ 3,705,102
Employee benefits expenses summarized by function				
Cost of revenue	$ 1,196,883	$ 1,038,519	$ 3,267,174	$ 2,854,560
Operating expenses	332,009	299,616	977,459	850,542
	$ 1,528,892	$ 1,338,135	$ 4,244,633	$ 3,705,102

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	
	2014	2013	2014	2013
Current tax				
In respect of the current period	$ 249,190	$ 119,405	$ 802,485	$ 271,285
In respect of prior years	1	-	6,948	1,359
Others	72	(37)	75	34
	249,263	119,368	809,508	272,678
Deferred income tax				
In respect of the current period	3,160	83,363	(3,875)	236,023
Income tax expenses recognized in profit or loss	$ 252,423	$ 202,731	$ 805,633	$ 508,701

A reconciliation of income before tax and income tax expense recognized in profit or loss was as follow:

	Nine Months Ended September 30	
	2014	2013
Income before income tax	$ 4,795,872	$ 3,750,437
Income tax expense calculated at the statutory rate	$ 816,333	$ 639,553
Additional (deductible) items in determining taxable income	4,743	2,888
Tax-exempt income	(127,776)	(97,087)
Additional income tax on unappropriated earnings	107,581	58,061
The origination and reversal of temporary differences	7,354	(37,750)
Effect of tax on investment credits	(8,334)	(58,323)
Effect of tax on loss carryforward	(1,291)	(34)
Adjustments for prior years' tax	6,948	1,359
Others	75	34
Income tax expenses recognized in profit or loss	$ 805,633	$ 508,701

On April 9, 2014, the Ministry of Finance promulgated the amendments to the Assessment Rules Governing Income Tax Returns of Profit-Seeking Enterprises, the Tax Ruling No. 10304540780, and the amendments apply to the filing of income tax returns for 2013 onwards. The applications of such amendments were not expected to have significant effect on current and deferred tax.

b. Integrated income tax

	September 30, 2014	December 31, 2013	September 30, 2013
Balance of the Imputation Credit Account - the Corporation	$ 210,458	$ 214,533	$ 140,890

The actual creditable ratios for distribution of earnings of 2013 and 2012 were 8.78% and 10.50%, respectively.

According to legal interpretation No. 10204562810 announced by the Taxation Administration of the Ministry of Finance, when calculating the creditable ratio in the year of first-time adoption of IFRSs, the cumulative retained earnings include the net increase or net decrease in retained earnings arising from first-time adoption of IFRSs.

The unappropriated retained earnings as of December 31, 2013 and 2012 did not contain the unappropriated earnings generated 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 of earnings for year 2005. The income tax exemption period is from January 1, 2012 to December 31, 2016.

d. Income tax assessments

Income tax returns through 2011 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	
	2014	**2013**	**2014**	**2013**
Basic earnings per share	$ 0.81	$ 0.77	$ 2.46	$ 2.05
Diluted earnings per share	$ 0.80	$ 0.76	$ 2.43	$ 2.02

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

Earnings

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	**2013**	**2014**	**2013**
Earnings used in the computation of basic earnings per share	$ 1,324,468	$ 1,226,298	$ 3,990,239	$ 3,241,736
Effect of dilutive potential common stocks:				
Employee stock options	-	-	-	-
Bonus to employees	-	-	-	-
Earnings used in the computation of diluted earnings per share	$ 1,324,468	$ 1,226,298	$ 3,990,239	$ 3,241,736

Shares

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Weighted average number of common stocks used in the computation of basic earnings per share	1,636,256	1,595,516	1,621,289	1,580,023
Effect of dilutive potential common shares:				
Employee stock options	-	1,734	260	2,325
Bonus to employees	13,984	15,510	22,632	21,650
Weighted average number of common stocks used in the computation of diluted earnings per share	1,650,240	1,612,760	1,644,181	1,603,998

If the Corporation may settle the bonuses paid to employees by cash or shares, the Corporation presumes 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 when the shares had a dilutive effect. Such dilutive effect of the potential shares will be 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 September 18, 2003, the Securities and Futures Bureau approved the Corporation's Employee Stock Option Plan (hereinafter referred to as the 2003 Plan). The 2003 Plan consisted of 70,000 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.

Information about stock options was as follow:

	Nine Months Ended September 30, 2014		Nine Months Ended September 30, 2013	
	Number of Outstanding Stock Option Rights (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Outstanding Stock Option Rights (In Thousands)	Weighted-average Exercise Price (NT$)
Beginning balance	4,062	$ 14.50	17,923	$ 15.25
Options exercised	(4,062)	14.50	(12,794)	15.34
Options canceled	-	-	(16)	15.73
Ending balance	-	-	5,113	14.56

26. OPERATING LEASE ARRANGEMENTS

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 are as follows:

	September 30, 2014	December 31, 2013	September 30, 2013
Not later than 1 year	$ 73,959	$ 79,373	$ 79,373
Later than 1 year and not later than 5 years	250,227	257,583	261,839
Later than 5 years	536,103	582,863	598,450
	$ 860,289	$ 919,819	$ 939,662

The lease payments recognized as expenses were as follows:

	Nine Months Ended September 30	
	2014	2013
Minimum lease payment	$ 59,530	$ 59,397

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 year ended December 31, 2013. Please refer to Note 27 to the consolidated financial statements for the year ended December 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.

	September 30, 2014		December 31, 2013		September 30, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Other current assets						
Structured time deposits	$ 274,685	$ 275,518	$ 358,800	$ 359,218	$ 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:

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

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

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

September 30, 2014

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments	$ 18,025	$ 220,300	$ -	$ 238,325
Funds	204,078	-	-	204,078
	$ 222,103	$ 220,300	$ -	$ 442,403
Available-for-sale financial assets				
Domestic listed stocks - equity instruments	$ 29,342	$ 128,100	$ -	$ 157,442
Financial liabilities at FVTPL				
Derivative financial instruments	$ -	$ 85,993	$ -	$ 85,993

December 31, 2013

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments	$ 111,519	$ 233,434	$ -	$ 344,953
Available-for-sale financial assets				
Domestic listed stocks - equity instruments	$ 24,913	$ -	$ -	$ 24,913
Financial liabilities at FVTPL				
Derivative financial instruments	$ -	$ 33,823	$ -	$ 33,823

September 30, 2013

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

There were no transfers between Level 1 and 2 for the nine months ended September 30, 2014 and 2013, 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 (including listed stocks, funds and convertible (exchangeable) bonds).

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

Fair values of forward exchange contacts and currency-swap contracts are determined by 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, 2014	December 31, 2013	September 30, 2013
Financial assets			
Fair value through profit or loss (FVTPL)			
Held for trading	$ 204,078	$ 4,960	$ 34,937
Designated as at FVTPL	238,312	339,993	301,593
Derivative instruments designated as hedge accounting relationships	13	-	10,564
Loans and receivables (Note 1)	20,446,812	19,790,691	17,575,350
Available-for-sale financial assets (Note 2)	235,314	102,451	71,598

(Continued)

	September 30, 2014	December 31, 2013	September 30, 2013
Financial liabilities			
Fair value through profit or loss (FVTPL)			
Held for trading	$ 67,524	$ 21,499	$ 1,581
Derivative instruments designated as hedge accounting relationships	18,469	12,324	3,985
Measured at amortized cost (Note 3)	2,094,019	1,597,261	1,482,189

(Concluded)

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

Note 2: The balances included the carrying amounts 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. Objectives and policies of financial risk management

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 foreign 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 derivative and non-derivative financial instruments, and the investment of excess liquidity. The compliance with policies and the control of exposure limits are continually reviewed by the internal auditors. 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 their independent monitorship to risks and policy implementation.

1) Market risk

The Group's activities are exposed to the financial risks primarily arising from the changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other prices (see (c) below). The Group enters into a variety of derivative financial instruments including forward exchange and currency-swap contracts to manage its exposure to foreign currency risk.

There has been no change in the Group's exposure to market risks and 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 uses 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 items for maximizing the hedge effectiveness.

Investing in foreign operations is for strategic purposes; it is not hedged by the Group.

Sensitivity analysis

The Group is mainly exposed to the exchange rate fluctuation of USD.

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 (including cash and cash equivalents, accounts receivables, other receivables, accounts payables, and other payables) and the hedge contracts, for which their translation at period end is adjusted for a 5% change in foreign currency rates. The following table indicates the influences which the New Taiwan dollars strengthen 5% against USD dollars.

	Impact on USD Items	
	Nine Months Ended September 30	
	2014	**2013**
Gains	$ 21,400	$ 6,845

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:

	September 30, 2014	**December 31, 2013**	**September 30, 2013**
Fair value interest rate risk			
Financial assets	$ 14,557,463	$ 13,496,631	$ 11,916,862
Cash flow interest rate risk			
Financial assets	2,463,542	3,415,665	2,759,447

Sensitivity analysis

The sensitivity analyses below are determined based on the Group's exposure to interest rates for 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% and all other variables remain constant, the pre-tax profit of the Group for the nine months ended on September 30, 2014 and 2013 will increases/decreases $1,848 thousand and $2,070 thousand, respectively, resulting from the exposure of the net assets with floating rate.

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 of electronic industry 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, 2014 and 2013 would increase/decrease by $7,872 thousand and $909 thousand, respectively, as a result of the changes in fair value of available-for-sale financial investments.

2) Credit risk

Credit risk refers to the risk that a counterpart will default on its contractual obligations and result in financial loss to the Group. As of the end of the reporting period, the Group may have a financial loss due to the default on obligation from counterparts, and 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 policy of credit management to ensure that appropriate action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each receivable 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.

The Group's accounts receivable outstanding arose from trading with its customers spreading 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, credit concentration risks related to other customers do not 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.

The following tables detail 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, 2014

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 1,123,407	$ 968,744	$ 1,868	$ 2,094,019

December 31, 2013

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 757,174	$ 727,340	$ 112,747	$ 1,597,261

September 30, 2013

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

The following tables detail the Group's liquidity analyses for its derivative financial instruments. The tables were based on the undiscounted net inflows and outflows from those derivatives with gross settlement.

September 30, 2014

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1+Years
Gross settled				
Forward exchange contracts				
Inflows	$ 3,293,494	$ 1,831,309	$ 121,468	$ -
Interest rate linked structured dollar investment notes				
Inflows	-	-	152,350	-
Credit linked notes				
Inflows	40,000	-	27,800	-
Convertible Bonds				
Inflows	-	-	18,011	-
	$ 3,333,494	$ 1,831,309	$ 319,629	$ -

December 31, 2013

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1+Years
Gross settled				
Forward exchange contracts				
Inflows	$ 2,229,548	$ 2,611,434	$ -	$ -
Outflows	236,024	59,520	-	-
	2,465,572	2,670,954	-	-
Interest rate linked structured dollar investment notes				
Inflows	-	-	-	149,000
Credit linked notes				
Inflows	-	42,800	37,000	-
Convertible Bonds				
Inflows	-	13,223	3,477	-
Exchangeable Bonds				
Inflows	94,404	-	-	-
	$ 2,559,976	$ 2,726,977	$ 40,477	$ 149,000

September 30, 2013

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

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 on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties were disclosed below.

a. Operating transactions

	Revenue from Sales of Goods			
	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Investors that have significant influence over the Group	$ 1,854,943	$ 1,846,488	$ 5,568,014	$ 4,836,808
Associates	$ 8,182	$ 4,059	$ 17,904	$ 10,320
Key management personnel	$ 12,445	$ 6,846	$ 29,436	$ 18,905
Substantial related parties	$ 3,745	$ 5,786	$ 33,503	$ 10,197

	Manufacturing Expenses				Research and Development Expenses			
	Three Months Ended September 30		Nine Months Ended September 30		Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013	2014	2013	2014	2013
Investors that have significant influence over the Group	$ 110,955	$ 149,799	$ 350,944	$ 436,631	$ 75	$ 1,019	$ 451	$ 1,324
Associates	$ -	$ -	$ -	$ -	$ -	$ 748	$ -	$ 748

	Rental Revenue				Nonoperating Income and Gains			
	Three Months Ended September 30		Nine Months Ended September 30		Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013	2014	2013	2014	2013
Substantial related parties	$ 6,391	$ 6,391	$ 19,175	$ 19,175	$ -	$ -	$ -	$ -
Investors that have significant influence over the Group	-	-	-	-	3,021	6,173	14,603	25,728
Key management personnel	-	-	-	-	170	-	247	-
	$ 6,391	$ 6,391	$ 19,175	$ 19,175	$ 3,191	$ 6,173	$ 14,850	$ 25,728

	Purchase of Property, Plant and Equipment			
	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Substantial related parties	$ -	$ -	$ -	$ 11,325

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

	Receivables from Related Parties		
	September 30, 2014	December 31, 2013	September 30, 2013
Investors that have significant influence over the Group	$ 573,046	$ 718,378	$ 687,861
Key management personnel	7,669	4,958	3,159
Associates	6,414	2,123	3,662
Substantial related parties	2,080	1,897	5,266
	$ 589,209	$ 727,356	$ 699,948

	Other Receivables from Related Parties		
	September 30, 2014	December 31, 2013	September 30, 2013
Investors that have significant influence over the Group	$ 1,309	$ 13,209	$ 4,113
Key management personnel	1,099	-	-
Substantial related parties	3,394	8,055	1,679
	$ 5,802	$ 21,264	$ 5,792

	Other Payables to Related Parties		
	September 30, 2014	December 31, 2013	September 30, 2013
Investors that have significant influence over the Group	$ 99,494	$ 105,675	$ 130,093
Substantial related parties	32	-	-
	$ 99,526	$ 105,675	$ 130,093

	Guarantee Deposits		
	September 30, 2014	December 31, 2013	September 30, 2013
Substantial related parties	$ 5,814	$ 5,814	$ 5,814

The terms of sales transactions with related parties were not significantly different from those of sales to third parties. However, for other related-party transactions, license fees, 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, 2014 and 2013 were as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Short-term employee benefits	$ 76,167	$ 54,463	$ 155,591	$ 127,677
Share-based payments	-	779	13,806	3,505
Post-employment benefits	321	-	1,851	-
	$ 76,488	$ 55,242	$ 171,248	$ 131,182

The remuneration of directors and other key management personnel were 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, 2014	December 31, 2013	September 30, 2013
Pledged time deposits (presented under other non-current assets)	$ 303,342	$ 283,300	$ 283,300

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The significant commitments of the Group as of September 30, 2014 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, 2014, the unused letters of credit aggregated were US$24 thousand and JPY 96,000 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:

	September 30, 2014		September 30, 2013	
	Foreign Currencies	**Exchange Rate**	**Foreign Currencies**	**Exchange Rate**
Financial assets				
Monetary items				
USD	$ 189,329	30.47	$ 165,763	29.571
EUR	62	38.74	31	40.098
JPY	28,730	0.2793	48,656	0.3064
SGD	5	23.95	5	23.56
RMB	153,086	4.939	27,625	4.833
Non-monetary items				
USD	5,000	30.47	6,539	29.571
Financial liabilities				
Monetary items				
USD	28,376	30.47	16,127	29.571
EUR	790	38.74	148	40.098
JPY	329,210	0.2793	145,254	0.3064
Non-monetary items				
USD	2,822	30.47	188	29.571

	December 31, 2013	
	Foreign Currencies	**Exchange Rate**
Financial assets		
Monetary items		
USD	$ 154,913	29.80
EUR	228	41.18
JPY	74,695	0.2865
SGD	5	23.55
RMB	89,076	4.919
Non-monetary items		
USD	5,166	29.80

(Continued)

	December 31, 2013	
	Foreign Currencies	**Exchange Rate**
Financial liabilities		
Monetary items		
USD	$ 17,506	29.80
EUR	365	41.18
JPY	175,655	0.2865
Non-monetary items		
USD	1,135	29.80

(Concluded)

33. SEPARATELY DISCLOSED ITEMS

Information on significant transactions and information on investees:

a. Loans provided to other parties: None.

b. Endorsement/guarantee provided: None.

c. Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled entities): Table 1 (attached)

d. Purchases or sales of the same marketable securities amounting to at least NT$300 million or 20% of the paid-in capital: None.

e. Acquisition of individual real estate at costs of at least $300 million or 20% of the paid-in capital: Table 2 (attached)

f. Disposal of individual real estate at prices of at least $300 million or 20% of the paid-in capital: None.

g. Purchase or sale with 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. Derivative transactions: Notes 7 and 9.

j. Intercompany relationships and significant intercompany transactions: Table 5 (attached)

k. Information on investees: Table 6 (attached)

l. Information on investment in Mainland China: None.

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, 2014 and 2013 can be referred to the consolidated income statements for the nine months ended September 30, 2014 and 2013. The segment assets as of September 30, 2014, December 31, 2013 and September 30, 2013 can be referred to the consolidated balance sheets as of September 30, 2014, December 31, 2013 and September 30, 2013.

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Security Type and Name (Note1)	Relationship with the Securities Issuer	Financial Statement Account	September 30, 2014				Note
				Shares/Units (Thousands)	Carrying Value (US$ in Thousands)	% of Ownership	Market Value or Net Asset Value (US$ in Thousands)	
Vanguard International Semiconductor Corporation	Financial instruments							
	Interest rate linked structured dollar investment notes	-	Financial assets at fair value through profit or loss - current	-	$ 152,243	-	$ 152,243	Note 4
	Farglory credit linked structured investment notes	-	Financial assets at fair value through profit or loss - current	-	27,841	-	27,841	Note 4
	Global Union credit linked structured investment notes	-	Financial assets at fair value through profit or loss - current	-	40,203	-	40,203	Note 4
	Yuanta RMB Money Market Funds	-	Financial assets at fair value through profit or loss - current	19,821	204,078	-	204,078	Note 5
	Kingcan Convertible Bonds	-	Financial assets at fair value through profit or loss - current	-	18,025	-	18,025	Note 2
	Stock							
	Champion Microelectronic Corp.	Investee	Available-for-sale financial assets - non-current	319	29,342	1%	29,342	Note 2
	Advanced Microelectronic Products Inc.	Investee	Available-for-sale financial assets - non-current	30,000	128,100	16%	128,100	Note 4
	United Industrial Gases Co., Ltd.	Investee	Financial assets carried at cost - non-current	4,246	38,716	2%	38,716	Note 3
	Image Match Design Inc.	Investee	Financial assets carried at cost - non-current	2,400	24,000	16%	24,000	Note 3
Specialty TechFarm, Inc.	Stock							
	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: Marketable securities mentioned in the table include stocks, bonds, beneficiary certificate and the derivative securities from aforementioned items.

Note 2: The market value was based on stock closing price as of September 30, 2014.

Note 3: The market value was based on the book value as of September 30, 2014.

Note 4: The fair value was based on valuation techniques.

Note 5: The funds value was based on the net asset value as of September 30, 2014.

Note 6: As of September 30, 2014, all the securities were not pledged or restricted.

Note 7: With respect to the information of subsidiaries, associates and joint ventures, please see TABLE 6.

TABLE 2

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer if Counterparty is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Vanguard International Semiconductor Corporation	The buildings are located at No. 168, Changrong Rd., Luzhu City, Taoyuan County, Taiwan and No. 336, Sec. 1, Nankan Rd., Luzhu City, Taoyuan County, Taiwan	March 14, 2014	$ 400,000	The transaction was completed on July 1, 2014. The cost was paid in compliance with the contract.	Nanya Technology Corporation	-	-	-	-	$ -	The transfer price was made according to the appraisal result of the professional appraisal agent, cost and future production benefit. It was resolved by the audit committee and the board of directors of Vanguard International Semiconductor Corporation on March 14, 2014.	For the business growth of Vanguard International Semiconductor Corporation	-

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, 2014
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Detail				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/Sales	Amount	% to Total	Payment Term	Unit Price	Payment Term	Ending Balance	% to Total	
Vanguard International Semiconductor Corporation	Taiwan Semiconductor Manufacturing Company Ltd.	Major shareholder	Sales	$ 5,568,014	32%	Note	$ -	-	$ 573,046	16%	-

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, 2014
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Vanguard International Semiconductor Corporation	Taiwan Semiconductor Manufacturing Company Ltd.	Major shareholder	$ 573,046	11.50	$ -	-	$ -	$ -

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014
(In Thousands of New Taiwan Dollars)

No.	Company Name	Counterparty	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 expenses	$ 46,531	-	0.27%
				Other payables - related parties	8,484	-	0.03%

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

TABLE 6

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount: September 30, 2014 (Foreign Currencies in Thousands)	Investment Amount: December 31, 2013 (Foreign Currencies in Thousands)	Balance as of September 30, 2014: Shares (In Thousands)	Balance as of September 30, 2014: Percentage of Ownership	Balance as of September 30, 2014: Carrying Value (Foreign Currencies in Thousands)	Net Gain (Loss) of the Investee (Foreign Currencies in Thousands)	Investment Gain (Loss) Recognized (Foreign Currencies in Thousands)	Note
Vanguard International Semiconductor Corporation	VIS Associates Inc.	British Virgin Islands	Investments	$ 195,492	$ 195,492	6	100	$ 281,516	$ (3,206)	$ (3,206)	Subsidiary
	CMSC, Inc.	Hsinchu City, Taiwan	Integrated circuit design services and related businesses	112,650	112,650	9,902	25	49,153	(25,900)	(6,460)	Investment accounted for using equity method
VIS Associates Inc.	VIS Investment Holding, Inc.	Delaware, USA	Investments	190,438 (US$ 6,250)	190,438 (US$ 6,250)	63	100	47,888 (US$ 1,572)	585 (US$ 19)	585 (US$ 19)	Subsidiary
	Specialty TechFarm, Inc.	British Virgin Islands	Investments	304,700 (US$ 10,000)	304,700 (US$ 10,000)	10,000	100	71,298 (US$ 2,340)	(4,752) (US$ (158))	(4,752) (US$ (158))	Subsidiary
VIS Investment Holding, Inc.	VIS Micro, Inc.	Santa Clara CA, USA	Marketing services	6,094 (US$ 200)	6,094 (US$ 200)	200	100	40,179 (US$ 1,319)	852 (US$ 28)	852 (US$ 28)	Subsidiary
Specialty TechFarm, Inc.	SkyTraq Technology, Inc.	British Virgin Islands	Integrated circuit design services and related businesses	45,705 (US$ 1,500)	45,705 (US$ 1,500)	4,688	26	30,586 (US$ 1,004)	(7,068) (US$ (235))	(1,812) (US$ (60))	Investment accounted for using equity method
	INNO-TECH Co., Ltd.	Taipei City, Taiwan	Integrated circuit design services and related businesses	58,411 (US$ 1,917)	58,411 (US$ 1,917)	2,584	16	7,886 (US$ 259)	(16,071) (US$ (534))	(2,836) (US$ (94))	Investment accounted for using equity method