TSE 2344

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We Deliver

Winbond Electronics Corp.
Printed on March 31,2010

For related information, please visit:

1.Taiwan Stock Exchange Market Observation Post System:http://newmops.twse.com.tw
2.Winbond Website:http://www.winbond.com

Winbond Electronics Corp.
2009 Annual Report

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6. Overseas Securities Listing Exchange and Information

Global Depositary Receipts GDR) Listing Exchange :Luxembourg Stock Exchange
Website: http://www.bourse.lu

7. Company Website： http://www.winbond.com

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Letter to Shareholders

Dear Shareholders,

Year 2009 was a dramatic year for the memory industry. In the first half of the year amid the battering of the global financial storm, the market had all but disappeared and struggled with depressed prices. The news of layoff, plant shutdown, production cut and business closure emerged from time to time. In the second half of the year, market demands rose as the global economy rebounded. The product prices picked up significantly, and supply suddenly lagged behind demand. With a sound financial structure and strong employee support, Winbond was able to grasp the opportunity of economic turnaround and reported consolidated revenue of NT$26,695 million for the whole year, up 4.1% from 2008. However despite of a profitable fourth quarter, we still recorded a net loss of NT$8,587 million or NT$2.36 per share in 2009.

Winbond finished two important tasks in 2009 amid a vastly challenging industrial environment. One was independently achieving the volume production of 65 nm DRAM, applying the process to the production of specialty DRAM and mobile RAM and attaining ideal yield. The other task was successfully applying the 90 nm NOR flash process to volume production at our 12-inch fab. Starting in 2010, the capacity of our 12-inch fab will gradually replace the 130 nm capacity at 8-inch fab. In the next three years, we expect our NOR flash memory business to grow rapidly on the strength of cost and capacity. With another business to support the 12-in fab capacity, we will be in a better position to balance the risk of economic volatility. Our 12-inch fab in Taichung Science Park outputs 35,000 wafers a month. This is our assurance of stable supply to our clients.

The force that drove global economic recovery in the latter half of 2009 came from emerging economies, i.e. the so-called four BRIC (Brazil, Russia, India and China) and the Next Eleven. Those emerging economies are characterized by abundant natural resources, a large population and huge markets. What they need are simple, pragmatic and energy-saving electronic products. Winbond's product lineup and business model happen to match the needs of such rapidly growing markets.

Our specialty DRAM, mobile memory and NOR flash products reported impressive growth and breakthrough in 2009 in computer peripherals, consumer electronics and handheld mobile device markets. We have also acquired GDDR product and technology licensing from Qimonda AG of Germany in August, 2009. Our GDDR product has been delivered to customers for certification at the end of 2009 with satisfactory result and is scheduled to commence volume production in the first half of 2010.

After weathering the hardship in 2009 and anticipating a better economic environment in 2010, Winbond will continue to focus on the specialty memory markets. Armed with the advantage of IDM business model coupled with a diversity of product mix, we will strengthen our core competence to attain better performance and create more satisfactory operating results.

Lastly, on behalf of the management of Winbond, I like to thank the longstanding support and encouragement of our shareholders.

Chairman and CEO Arthur Chiao

Company Overview

1. Company profile

1.1 Company history

Winbond Electronics Corp. is a memory IC maker, also a world leading supplier of specialty memory and non-volatile memory products. From product design, research and development, wafer fabrication to worldwide marketing of brandname ID, Winbond endeavors to provide its global clientele the best custom-made memory IC solutions.

The Company was established in September 1987 and listed on Taiwan Stock Exchange in 1995. The Company headquarters is located in Central Taiwan Science Park.

Winbond has three core business groups - DRAM Product, Flash Memory, and Memory IC Manufacturing. Our superior R&D capabilities coupled with our own fab and the advantage of technological autonomy allow us to meet the diverse demands of customers.

Our DRAM Product business specializes in the design of high-speed and low-power memory and offers a whole series of mobile RAM and specialty DRAM products. On the strength of good quality, our products are used by many leading makers of mobile phone, HDD, DVD, networking and MCP at home and abroad. We offer both foundry services for graphics DRAM (GDDR) and sell GDDR products under our own brand name to vie for opportunities in desktop, notebook and game console markets.

In the aspect of NOR flash products, we focus on “low to medium density” markets by offering a full portfolio of low to medium density parallel flash and serial flash. With our own 12-inch fab, we are able to produce energy-saving, small size and low cost products. Aside from a high market share in PC and ODD markets, our NOR flash products are also used extensively in LCD TV, STB and DVD markets.

We offer innovative products and continue to upgrade our process capability. We have built a flexible production system to maximize the synergy of product mixes and bring the competitive advantage of having our own brand products into full play. Currently our 12-inch fab outputs 35,000 wafers a month with 90 to 65 nm as the mainstream processes. We also continue to develop the next-generation DRAM process technologies.

To provide clienteles around the world prompt services, we have set up bases in the USA, Japan, and Hong Kong and is actively developing distributor networks in different countries to broaden and deepen our sales network. In the aspect of quality, we implement rigorous process control and quality control, and strengthens yield analysis, supply chain management and customer satisfaction. The long-standing efforts in quality assurance have earned the Company good reputation and resulted in the accreditation of IECQ, ISO9001, ISO14001, and QS9000.

In the future, Winbond will continue to provide customer-oriented services and concentrate our resources in markets in which the Company has a competitive edge. At the same time, under the guidance of work culture of “accountability, innovation and synergy”, Winbond will make use of advanced semiconductor design and production technologies coupled with the collective creativity and wisdom of employees to strive towards excellence.

1.2 Major business development in the past year

Under the impact of the global financial storm and supply-demand imbalance in the semiconductor industry, Winbond’s strategic partner Qimonda AG filed for insolvency protection with the German court in January 2009. To mitigate the loss brought about by this development, Winbond took legal action to file claim against Qimonda AG to protect the interests of shareholders. On the other hand, we actively sought to build our own sales channels to sell commodity DRAM originally shipped to Qimonda AG on our own. For our outsourced specialty memory and flash memory products, we sped up the transition to in-house production at our own 12-inch fab.

Winbond entered a license and sale and purchase agreement regarding Graphics Double Data Rate (GDDR) DRAM, an addendum to the knowhow transfer and license agreement, and a settlement agreement for insolvency proceedings with Qimonda AG in August 2009. Under the agreements, Winbond acquires licenses under patents, know how and software from Qimonda AG to design, develop, manufacture and sell graphics DRAM products; and the parties agree to extend the licensing scope under the existing license agreement; Qimonda AG agrees to forsake its claims against Winbond available under the Qimonda AG insolvency proceedings, and Winbond agrees to withdraw from the Qimonda AG insolvency proceedings. Winbond then made an official announcement of the business strategy of replacing GDDR with commodity DRAM. The addition of GDDR products in product lines will further strengthen Winbond’s design capability and expand the market scale for specialty DRAM products.

Winbond also signed a Memorandum of Understanding (MOU) for DRAM foundry services with Elpida, Japan’s leading global supplier of DRAM in November 2009, marking the first step of a business partnership the two companies intend to pursue further in the future. The MOU pertains to Winbond supplying GDDR3 and GDDR5 graphics DRAMs for Elpida. Under the agreement, Winbond will provide graphics DRAM foundry service for Elpida based on its existing technology, and will import Elpida’s next-generation DRAM process technology to produce its own specialty DRAM products. It will help speed up the move to reduce the weight of commodity DRAM in sales.

1.3 Investment in affiliates in the past year and up to the date of report

(1) In 2009 and 2010 up to the date of report, Winbond increased investment in Landmark Group Holding Ltd. (“Landmark”) by US$2,960,000. Landmark was established in British Virgin Island in July 2005. It is a wholly-owned subsidiary of Winbond with investment as its principal business. As of March 31, 2010, Landmark Group Holdings Ltd. has a paid-in capital of USD 37.52 million. Winbond owns 100% of its 37,522,000 shares outstanding.

(2) In 2009 and 2010 up to the date of report, Winbond increased investment in Winbond Int'l Corporation ("WIC") by US$11,050,000. WIC was established in British Virgin Island in August 1995. It is a wholly-owned subsidiary of Winbond and its principal business is investment. As of March 31, 2010, WIC has a paid-in capital of USD 88.15 million. Winbond owns 100% of its 88,150,000 shares outstanding.

(3) In 2009 and 2010 up to the date of report, Winbond decreased investment in Newfound Asian Corporation ("NAC") by US$700,000. NAC was established in British Virgin Island in March 1997. It is a wholly-owned subsidiary of Winbond with investment as its principal business. As of March 31, 2010, NAC has a paid-in capital of USD 6.56 million. Winbond owns 100% of its 6,555,000 shares outstanding.

(4) In coordination with the planned application of subsidiary Nuvoton Technology Corp ("Nuvoton") for stock listing, Winbond has disposed 55,980,000 shares of Nuvoton stocks in 2009 and 2010 up to the date of this report. Nuvoton was established in April 2008 and engages mainly in the research, design, development, manufacture and sales of logic IC, and production, testing and foundry service with a 6-inch fab. As of March 31, 2010, Nuvoton has a paid-in capital of NT$2,000,700,000. Winbond owns 146,686,360 shares of Nuvoton stock, accounting for 73% of total shares outstanding.

1.4 Milestones

Date	Milestone
2010/03	Winbond passed the BSI PAS2050 carbon footprint verification and received the carbon emission label from TEEMA.
2010/03	The first 1.8V 32M serial flash entered the validation stage.
2010/03	Winbond's serial flash made a successfully entry into the ultra-low cost handset market.
2010/02	Winbond shipped one billionth serial flash memory.
2010/02	The test run of 65 nm 256M cellular RAM was successfully validated.
2009/12	Winbond's 70 nm 1Gb GDDR3 started volume production.
2009/11	The test run of Winbond's own designed 65 nm 256M low power DDR SDRAM was successfully validated.
2009/11	Winbond received the 2009 Outstanding Employer for the Defense Industry Reserve Duty System.
2009/11	Winbond entered partnership with Elpida of Japan on DRAM manufacture.

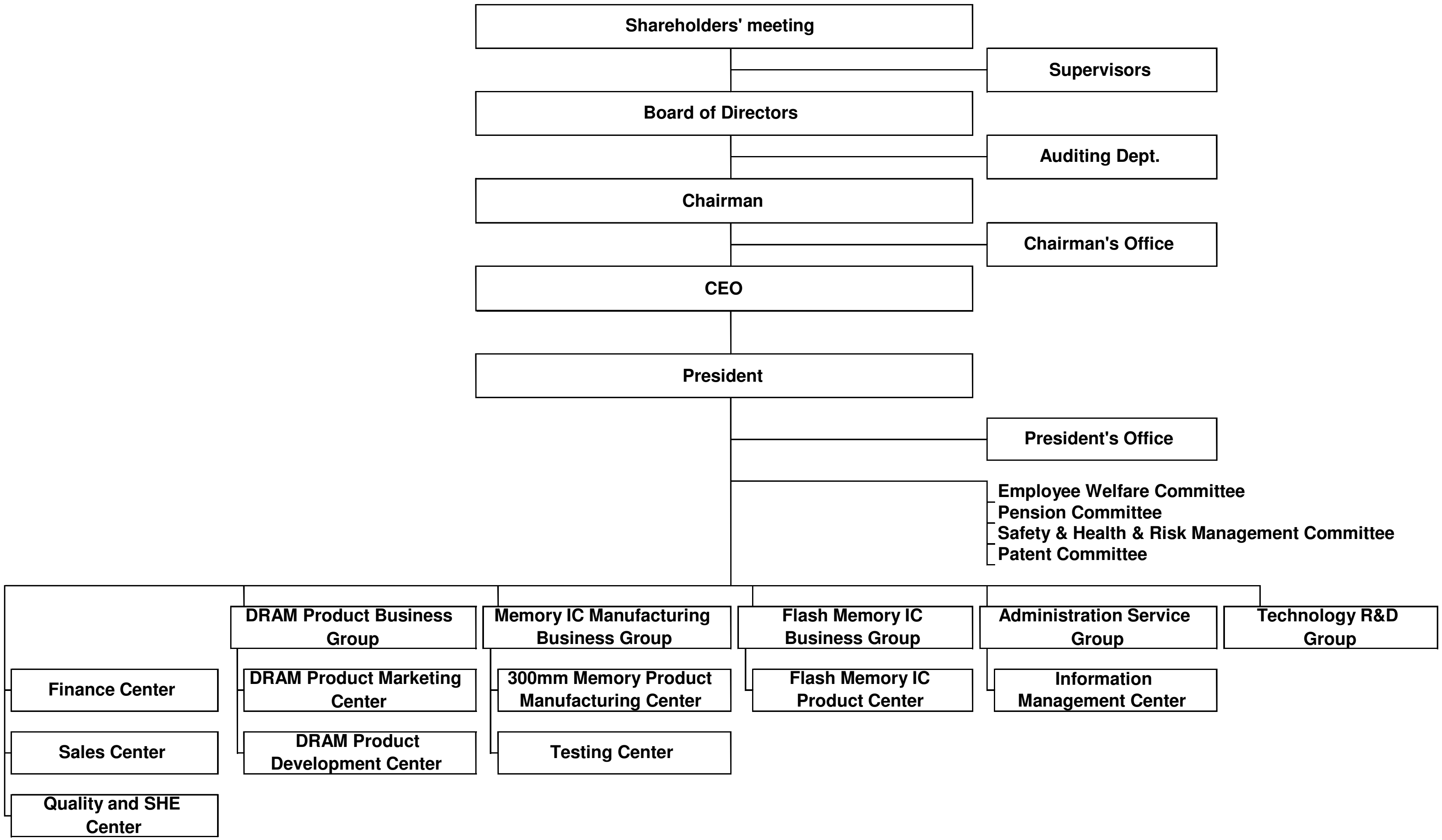
2009/09	Winbond’s fab in Central Taiwan Science Park received the 2009 Outstanding Energy Conservation Award from the Bureau of Energy, Ministry of Economic Affairs.
2009/09	The test run of Winbond’s own designed 65nm 128M DDR2 was successfully validated.
2009/08	Winbond entered a graphics DRAM product transfer and technology licensing agreement with Qimonda AG of Germany.
2009/07	Winbond signed a three-year NT$3.7 billion syndicated loan agreement with 9 banks in Taiwan.
2009/02	Winbond succeeded in the mass production of the first 16Mb serial flash with 90nm process technology at a 12-inch wafer fab in the industry.

For more information on the milestones of the Company, please visit Winbond website as shown on the cover page.

2. Corporate governance report

2.1 Organizational structure and major business units

2.1.1 Organizational structure



2.2 Profile of directors, supervisors and management

2.2.1 Directors and supervisors

March 31, 2010

Title	Name	Date the second degree elected	Term	Date first elected	Shares held when elected		Shares currently held		Shares held by spouse and minor children		Shares held in the name of others		Education/work experience	Other positions	Other officer, director or supervisor who is the spouse or a relative within Title Name Date the second degree		
					Shares	% (Note3)	Shares	% (Note4)	Shares	% (Note4)	Shares	% (Note4)			Title	Name	Relationship
Chairman	Arthur Yu-Cheng Chiao	2008.04.30	3 years	1987.09.04	47,984,955	1.27%	53,184,955	1.45%	12,115,978	0.33%	-	-	• Master in Electrical Engineering and Researcher of Management College of Washington Univ. • Chairman of Walsin Lihwa Corp.	Note9	Director representative Director and Chief Administrative Officer Supervisor	Ting-Piao Chiao Yung Chin Chiao Yu-Chi	Father Spouse Brother
Executive Director	Ching-Chu Chang	2008.04.30	3 years	1993.03.25	10,067,591	0.27%	10,067,591	0.28%	53,058	0.00%	-	-	• Ph.D. in Electrical Engineering, Princeton Univ. •Master in Business Management of Graduate School of Stanford Univ. • General Director of Electronic Research and Service Organization of the International Technology Research Institute • Vice Chairman of Winbond Electronics Corp. • Chairman of Vanguard International Semiconductor Corp (incumbent)	Note10	None	None	None
Executive Director	Robert I.S. Hsu	2008.04.30	3 years	2002.05.17	2,023,524	0.05%	1,735,524	0.05%	99,038	0.00%	-	-	• Ph.D. in Electrical Engineering, University of Southern California • President of Winbond Electronics Corp.	Note11	None	None	None
Director	Matthew Feng-Chiang Miau	2008.04.30	3 years	Note5	100,000	0.00%	100,000	0.00%	-	-	-	-	• Master in Business Administration of California Univ. at Santa Clara. • Chairman of MiTAC International Corp. (incumbent)	Note12	None	None	None
Director	Ting-Piao Chiao (Representative of Walsin Lihwa Corp.)	2008.04.30	3 years	Representative: Note 6 Institutional investor: 1987.09.04	658,091,531	17.36%	858,091,531	23.47%	32,114,000	0.88%	-	-	• Honorary Chairman of Walsin Lihwa Corp. (incumbent)	Note13	Chairman and CEO Direct and Chief Administration Executive Supervisor	Arthur Yu-Cheng Chiao Yung Chin Chiao Yu-Chi	Son Daughter-in-law Son
Director	Lu-Pao Hsu	2008.04.30	3 years	2000.03.01	8,000	0.00%	8,000	0.00%	3,316	0.00%	-	-	• Master in Physics, National Cheng Kung Univ. • Researcher of High-Level Management Course of Harvard Business School • Associate Professor of National Chiao Tung Univ. • Administrative Vice-Executive of Koninklijke Philips Electronics N.V., • Managing Director of Walsin Lihwa Corp.	Note14	None	None	None
Director	Yung Chin	2008.04.30	3 years	1996.04.09	10,450,537	0.28%	10,450,537	0.29%	54,850,396	1.50%	-	-	• Master in Applied Mathematics, Washington Univ. • Chief Auditor of Walsin Lihwa Corp. • Vice President of Winbond Electronics Corp.	Note15	Chairman and CEO Director representative Supervisor	ArthurYu-Cheng Chiao Ting-Piao Chiao Chiao Yu-Chi	Spouse Father-in-law Brother-in-law
Director	Tung-Yi Chan	2009.06.19	Note2	2009.06.19	100,000	0.00%	100,000	0.00%	-	-	-	-	• Ph.D. in Electrical Engineering, U.C. Berkeley, Master in Management Science, Stanford University •BCD Semiconductor CEO • President of Winbond Electronics Corp. (incumbent)	Note16	None	None	None

Title	Name	Date the second degree elected	Term	Date first elected	Shares held when elected		Shares currently held		Shares held by spouse and minor children		Shares held in the name of others		Education/work experience	Other positions	Other officer, director or supervisor who is the spouse or a relative within Title Name Date the second degree		
					Shares	% (Note3)	Shares	% (Note4)	Shares	% (Note4)	Shares	% (Note4)			Title	Name	Relationship
Supervisor	Yu-Chi Chiao	2008.04.30	3 years	Note7	22,859,166	0.60%	22,859,166	0.63%	4,661,776	0.13%	-	-	• Master in Public Administration, San Francisco State University • President of Walsin Lihwa Corp. • Chairman of HannStar Color Co. (incumbent)	Note17	Chairman and CEO Director representative Direct and Chief Administration Executive	Arthur Yu-Cheng Chiao Ting-Piao Chiao Yung Chin	Brother Father Sister-in-law
Supervisor	Wang-Tsai Lin	2008.04.30	3 years	Note8	-	-	-	-	-	-	-	-	• Special Assistant to Chairman of Walsin Lihwa Corp. (incumbent)	Note18	None	None	None
Supervisor	Hui-Ming Cheng	2008.04.30	3 years	2005.06.10	250,000	0.01%	250,000	0.01%	-	-	-	-	• Master in Business Administration, Kelley School of Business at Indiana University • Master in Science in Chemical Engineering, University of California, Los Angeles • Chief Financial Officer of Taiwan Mobile • Chief Financial Officer of Fubon Financial Holdings Co., Limited. • Chief Financial Officer of HTC Corporation (incumbent)	Note19	None	None	None

Note 1: The Company reelected all directors and supervisors on April 30, 2008. Corporate director Walsin Lihwa reassigned its representative to have Mr. Ting-Piao Chiao replace Mr. Keh-Shew Lu; corporate director China Development Industrial Bank, director Kuang-Yi Chiu, institutional supervisor Walsin Lihwa and supervisor Benny Hu were not re-elected. Mr. Yu-Chi Chiao and Mr. Wang-Tsai Lin are elected supervisor.

Note 2: The Company reelected a director on June 19, 2009. The new director Mr. Tung-Yi Chan will hold office from June 19, 2009 to April 29, 2011.

Note 3: The date “when elected” was April 30, 2008; “Percentage” under “Shares held when elected” was based on then issued and outstanding shares of 3,790,661,193 shares.
The date “when elected” was June 19, 2009; “Percentage” under “Shares held when elected” was based on then issued and outstanding shares of 3,656,497,193 shares.

Note 4: “Percentage” under “Shares currently held” was based on then issued and outstanding common shares of 3,656,497,193 shares as of March 31, 2010.

Note 5: Mr. Matthew Feng-Chiang Miau has been a director of Winbond since May 6, 2003. He also served as a director from March 25, 1993 to Feb. 21, 1994 and from Mar. 30, 1994 to Jan. 29, 2003.

Note 6: Mr. Ting-Piao Chiao was a Director of Winbond from Apr.25, 1989 to Dec.31, 1991 and has been an executive director since Mar.25, 1993.

Note 7: Supervisor Mr. Yu-Chi Chiao has been a supervisor of Winbond from April 9, 1996 to February 28, 2000, and from April 30, 2008 until now.

Note 8: Mr. Wang-Tsai Lin has been a Supervisor of Winbond from September 4, 1987 to March 25, 1993, and from June 10, 2005 until now.

Note 9: Mr. Arthur Yu-Cheng Chiao serves concurrently as the CEO of Winbond, Chairman of Capella Microsystems (Taiwan) and Ta Cherng Investment, Vice Chairman of Walsin Lihwa Corp., Director of Walsin Technology Corp., Director of Walsin Technology Corp,., United Industrial Gases Co. Ltd, HannStar Color Co. Ltd., and Jin Cherng Construction Corp., and the Supervisor of HannStar Display Co., Ltd. and MiTac International Corp. For information on his concurrent position in the affiliates of Winbond Electronics, please refer to page 132-133 of this report.

Note 10: Mr. Ching-Chu Chang retired from the Company on June 1, 2009 and was discharged from his positions as Vice Chairman and Deputy CEO of the Company on the same day. Mr. Ching-Chu Chang serves concurrently as the supervisor of Fine Art Technology Co., Ltd., and the Supervisor of Z-Com, Inc.

Note 11: For information on his concurrent position in the affiliates of Winbond Electronics, please refer to page 132-133 of this report.

Note 12: Mr. Matthew Feng-Chiang Miau serves concurrently as Chairman of Lien Hwa Industrial Corporation, MiTac International Corp., MiTac INC, Synnex Technology International Corporation, Union Venture Capital Corp. and Union Technology Corp. Vice Chairman of MiTAC, and Director of MiTac Communication, Ares International Corp., MiTac Technology Corp., BOC Lienhwa Industrial Gases Corp.

Note 13: Mr. Ting-Piao Chiao serves concurrently as Chainman of Goldin Investment Co., and HannStar Board Corp.; Director of Chin Cherng Construction Co., Ltd. and HannStar Color Co., Ltd.

Note 14: Mr. Lu-Pao Hsu serves concurrently as Independent Director of Diodes Incorporated; Director of Vanguard International Semiconductor. For information on his concurrent position in the affiliates of Winbond Electronics, please refer to page 132-133 of this report.

Note 15: Ms. Yung Chin serves concurrently as the Chief Administrative Officer of Winbond and the Director of Ching An Investment Ltd. and supervisor of Yo Hsiang Investment Ltd. For information on his concurrent position in the affiliates of Winbond Electronics, please refer to page 132-133 of this report.

Note 16: Mr. Tung-Yi Chan serves concurrently as a director of Walton Advanced Engineering, Inc. For information on his concurrent position in the affiliates of Winbond Electronics, please refer to page 132-133 of this report.

Note 17: Mr. Yu-Chi Chiao serves concurrently as Chairman of HannStar Color Co. Ltd., Hannspree Co., Ltd., HANNspree Co., Ltd., Spree Enterprise Co., Ltd., Hannstar Display (Nanjing) and Hannstar Display (Shanghai); director of Walton Advanced Engineering, Inc., HannStar Board Corporation, Walsin Lihwa Corp., and Wintek Corp.; and supervisor of Walton Chaintech Corporation.

Note 18: Mr. Wang-Tsai Lin serves concurrently as Director of Walsin Lihwa Corp., Goldin Investment Co., Han Hsin Venture Capital Corp., Concord Venture Capital Group, eASPNet Taiwan Inc., Chong Tai Technology Development Corp, and Joint Success Enterprises Limited; Supervisor of Walsin Technology Co., Ltd., Walsin Info-Electric Inc., and Jin Cherng Construction Corp.

Note 19: Mr. Hui-Ming Chen serves concurrently as Director of Walsin Lihwa Corp., HTC Investment Corp., and HTC Malaysia SDN. BHD; Supervisor of Ming Wen Investment Co., Ltd., CETECOM Global Certification Ltd., and Green Garden Investment Corp., and Independent Director of Wistron Co., Ltd.

Note 20: Directors and supervisors who are representative of institutional shareholder and the major shareholders of institutional shareholders

March 31, 2010

Name of institutional shareholder	Major shareholders of institutional shareholder
Walsin Lihwa Corporation	Goldman Sachs International Investment Account under the trust of HSBC (4.22%), Ta Cherng Investment Co., Ltd. (2.98%), Bureau of Labor Insurance (2.58%), Yu-Hui Chiao (2.35%), Yu-Chi Chiao (2.16%), Yu-Heng Chiao (1.95%), Pai-Yung Hong (1.59%), Walsin Lihwa Employee Welfare Committee (1.56%), Yu-Lun Chiao (1.50%), Ching An Investment (1.39%)

Note 21: Major shareholders in Note 20 who are institutional investor and their major shareholders

March 31, 2010

Name of institutional shareholder	Major shareholders of institutional shareholder
Ta Cherng Investment	Walsin Lihwa (15.89%), Arthur Yu-Cheng Chiao (12.17%), Yu-Lun Chiao(12.17%), Yu-Heng Chiao (12.17%), Yu-Chi Chiao (12.17%), Yu Shiang Investment (10.89%), Win Investment Corp.(9.62%), Walsin Technology Co., Ltd. (7.23%), Jin Cherng Construction Corp (2.61%), and HannStar Color Co., Ltd.(2.40%).
Ching An Investment	Yu-Heng Chiao (22.22%), Yu-Chi Chiao (22.22%), Arthur Yu-Cheng Chiao (21.56%)、 Yu-Lun Chaio (21.56%), Pai-Yung Hong (5.55%), Yu-Hui Chiao (4.44%), Yu Shiang Investment (1.11%), Yung Chin (0.67%), Shu-Juan Lee 0.67%

2.2.2 Profile of President, Vice Presidents, Assistant Vice Presidents, and Department Directors

March 31, 2010

Title	Name	Date appointed	Shares held		Shares held by spouse and children		Shares held in the name of others		Education/work experience	Other positions	Manager who is the spouse or a relative within Title Name Date appointed the second degree		
			Shares	% (Note2)	Shares	% (Note2)	Shares	% (Note2)			Title	Name	Relationship
CEO	Arthur Yu-Cheng Chiao	2005.08.01	53,184,955	1.45%	12,115,978	0.33%	-	-	• Master in Electrical Engineering and Researcher of Management College of Washington Univ. • Chairman of Walsin Lihwa Corp.	Note 5	None	None	None
Deputy CEO	Ching-Chu Chang (Note 3)	2009.02.09	10,067,591	0.28%	53,058	0.00%	-	-	• Ph.D. in Electrical Engineering, Princeton Univ. • Master in Business Management,_ Graduate School of Stanford Univ. • General Director of Electronic Research and Service Organization of the International Technology Research Institut • Vice Chairman of Winbond Electronics Corp. • Chairman of Vanguard International Semiconductor Corp (incumbent)	Note 6	None	None	None
President	Tung-Yi Chan	2009.02.09	100,000	0.00%	-	-	-	-	• PhD. in Electrical Engineering, U.C. Berkeley • Master of Management Science, Stanford University •BCD Semiconductor CEO • President of Winbond Electronics Corp. (incumbent)	Note 7	None	None	None
Executive Vice President	Wilson Wen	2008.05.02	609	0.00%	-	-	-	-	• BS in Electronic Physics, National Chiao Tung Univ. • CEO of Hannstar Display Corporation	Note 8	None	None	None
Vice President	James Wen	2004.03.16	-	-	-	-	-	-	• MBA, Wharton School in University of Pennsylvania • President of Cathay Securities Investment Trust Co., Ltd.	Walton Chaintech Corporation (supervisor representative of Win Investment) Global Investment Holding. (Director representative of Win Investment) Vita Genomics Inc. (Director representative of Winbond Electronics) Director of Wharton Culture and Education Foundation Note 8	None	None	None
Vice President	Yuan-Mou Su	2005.02.01	1,299,859	0.04%	-	-	-	-	• MSEE, University of Southern California	Note 8	None	None	None
Vice President	Chen-Hsi Lin	2005.02.01	1,000	0.00%	-	-	-	-	• Ph.D. Applied Physics, Harvard University, USA • Deputy Divisional Director of Corporate Marketing and Central R&D, UMC	None	None	None	None
Vice President	Ruey-Way Lin	2005.02.01	628,411	0.02%	400	0.00%	-	-	• Ph.D. of Materials Science and Engineering of Cornell University	None	None	None	None
Vice President	Pei-Ming Chen	2005.10.01	263,361	0.01%	-	-	-	-	• MS of E.E., University of Detroit, USA	Marketing Executive of Mobile Magic Design Corp. Note 8	None	None	None

Title	Name	Date appointed	Shares held		Shares held by spouse and children		Shares held in the name of others		Education/work experience	Other positions	Manager who is the spouse or a relative within Title Name Date appointed the second degree		
			Shares	% (Note2)	Shares	% (Note2)	Shares	% (Note2)			Title	Name	Relationship
Vice President	Cheng- Kung Lin	2006.11.01	1,005,281	0.03%	161,539	0.00%	-	-	• MS in Engineering Technology of National Taiwan University of Science and Technology • Assistant Manager of Walsin Lihwa Corp.	None	None	None	None
Business Executive	Eungjoon Park	2008.08.04	-	-	-	-	-	-	• Master in Electrical Engineering, U.C. Berkeley • Executive Vice President of Winbond Electronics Corp.. America • Executive Vice President of NexFlash Technologies Inc. • Vice President of Azalea Microelectronics Corp. • Division Director of ISSI/NexFlash • Division Director of ICT Inc. _ • Senior engineer, AMD	Note 8	None	None	None
Assistant Vice President	Hong- Hsiang Tsai (Note 4)	2003.01.16	1,083,261	0.03%	-	-	-	-	• PhD .in Electronic Engineering, National Chiao-Tung University • Director of DRAM and NVM Technology Development, Division, Winbond Electronics Corp.. • Director of DRAM/SRAM Technology Development Division, Vanguard International Semiconductor Corp. • Director of DRAM/SRAM Submicron Technology Division, ERSO, ITRI	None	None	None	None
Assistant Vice President	Shi-Yuan Wang	2005.08.01	525,656	0.01%	220,427	0.01%	-	-	• MS in Electric Engineering, National Tsing Hwa University • Engineer at ERSO of ITRI	R&D Deputy Executive of Mobile Magic Design Corp.	None	None	None
Assistant Vice President	Hsing-Hua Wang	2006.05.16	-	-	-	-	-	-	• Ph.D. in Material Science, Cornell University • Plant Manager of HoTai Co. Ltd. • Deputy Director of R&D Department, United Microelectronics. • Senior research of Hewlett-Packard.	None	None	None	None
Assistant Vice President & Financial Officer	Jessica Huang	2006.07.12	253,949	0.01%	253	0.00%	-	-	•MBA, Indiana University •Controller of Winbond Electronics Corp. •Vice President of Citibank	Supervisor of Search Marketing Co., Ltd. Supervisor of Harbinger Venture III Capital Corp Note 8	None	None	None

Title	Name	Date appointed	Shares held		Shares held by spouse and children		Shares held in the name of others		Education/work experience	Other positions	Manager who is the spouse or a relative within Title Name Date appointed the second degree		
			Shares	% (Note2)	Shares	% (Note2)	Shares	% (Note2)			Title	Name	Relationship
Assistant Vice President	Wen-Gui Hsu	2006.11.01	-	-	-	-	-	-	•Master in Computer Science, University of California •CIM Consultant of Hewlett-Packard. •Manager of Automation Department, Hannstar Display Corp. •CIM Solution Architect of Compaq. •CIM Senior Engineer of Mosel Vitelic. •CIM Senior Engineer of Digital Equipment Corp.	None	None	None	None
Assistant Vice President	Yi-Dar Chang	2007.10.01	1,390,074	0.04%	13,978	0.00%	-	-	•EMBA, National Tsing Hua University. •Equipment Engineer of Electronics and Opto-electronics Research Laboratories, ITRI	None	None	None	None
Assistant Vice President	Chih-Lung Chou	2008.07.01	40	0.00%	-	-	-	-	•Bachelor in Control Engineering, National Chiao Tung University. •Director of Memory Testing Division of Winbond Electronics Corp. •Director of Flash Memory and Testing Engineering Division, Winbond Electronics Corp. •Assistant Manager of United Microelectronics Corp. •Manager of Mosel Vitelic	None	None	None	None
Accounting Officer	Wen-Ying Liang	2008.08.18	20,000	0.00%	-	-	-	-	•Master in Management, Fu-Jen Catholic University. •Manager of Finance and Accounting Department, Winbond Electronics Corp.	None	None	None	None

Note 1: Management is defined the same as the interpretation provided in the Ministry of Finance letter Tai-Cai-Zheng-San-Zi- 0920001301, including president, vice president, assistant vice president, financial officer and chief accounting officer.
Note 2: "Percentage" under "Shares held" was based on then issued and outstanding common shares of 3,656,497,193 shares as of March 31, 2010.
Note 3: The information on Deputy CEO Ching-Chu Chang is as of the date on which his management position in the Company was terminated (i.e. May 31, 2009).
Note 4: The information on assistant VP Hong- Hsiang Tsai is as of the date on which his management position in the Company was terminated (i.e. August 31, 2009).
Note 5: Refer to Note 9 under Profile of Directors and Supervisors (1).
Note 6: Refer to Note 10 under Profile of Directors and Supervisors (1).
Note 7: Refer to Note 16 under Profile of Directors and Supervisors (1).
Note 8: For information on his concurrent position in the affiliates of Winbond Electronics, please refer to page 132-133 of this report.

2.2.3. Remunerations to directors, supervisors, president, and vice presidents in recent years

(1) Director's remuneration

December 31, 2009

Unit: NT$1,000; 1,000 shares

Title	Name	Director's remuneration								Ratio of total (A), (B), (C), and (D) to after-tax income (Note 9) (%)		Pay received as an employee								Ratio of total (A), (B), (C), (D), (E), (F) and (G) to after-tax income (Note 9) (%)		Shares subscribable under employee stock options (H) (Note 7)		Remuneration received from Investees other than subsidiaries (Note 10)
		Remuneration (A) (Note 1)		Pension (B) (Note 2)		Profit sharing (C) (Note 3)		Business expense (D) (Note 4)				Salary, bonus and special allowance (E) (Note 5)		Pension (F) (Note 2)		Profit sharing & bonus (G) (Note 6)								
		Winbond	All companies in consolidated statements (Note 8)	Winbond	All companies in consolidated statements (Note 8)	Winbond	All companies in consolidated statements (Note 8)	Winbond	All companies in consolidated statements (Note 8)	Winbond	All companies in consolidated statements (Note 8)	Winbond	All companies in consolidated statements (Note 8)	Winbond	All companies in consolidated statements (Note 8)	Winbond		All companies in consolidated statements (Note 8)		Winbond	All companies in consolidated statements (Note 8)	Winbond	All companies in consolidated statements (Note 8)	
																Cash bonus	Stock bonus	Cash bonus	Stock bonus					
Chairman	Arthur Yu-Cheng Chiao	-	-	-	-	-	-	240	240	-	-	4,717	4,717	-	-	-	-	-	-	-0.06	-0.06	580	580	Yes
Executive Director	Ching-ChuChang	-	-	-	-	-	-	240	240	-	-	3,012	3,012	16,065	16,065	-	-	-	-	-0.22	-0.22	520	520	Yes
Executive Director	Robert I.S. Hsu	-	-	-	-	-	-	240	240	-	-	-	6,680	-	-	-	-	61	244	-	-0.08	-	-	None
Director	Matthew Feng-Chiang Miau	-	-	-	-	-	-	120	120	-	-	-	-	-	-	-	-	-	-	-	-	-	-	None
Director	Walsin Lihwa Corp. Representative: Ting-Piao Chiao	-	-	-	-	-	-	120	120	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes
Director	Lu-Pao Hsu	-	-	-	-	-	-	120	120	-	-	-	-	-	-	-	-	-	-	-	-	-	-	None
Director	Yung Chin	-	-	-	-	-	-	120	120	-	-	2,124	4,883	31	89	-	-	-	-	-0.03	-0.06	270	270	None
Director	Tung-Yi Chan	-	-	-	-	-	136	64	64	-	-	4,679	4,679	39	39	-	-	-	-	-0.06	-0.06	400	400	Yes

Note 1: Remuneration to the director in the past year (including salary, additional pay, severance pay, bonuses and rewards).

Note 2: Pension includes:

a. Amount equal to 6% of the monthly salary paid into an account at the Bureau of Labor Insurance pursuant to the new pension system under the Labor Pension Act.

b. Amount equal to 2% of the monthly salary deposited into an account at Bank of Taiwan under the name of the Company's Pension Supervision Committee pursuant to the old pension system under the Labor Standards Act.

c. Amount actually paid to the director in the year of retirement.

Note 3: The amount is the proposed remuneration to directors according to the 2009 earnings distribution that has been approved by the Board of Directors but has not been submitted to the shareholders' meeting.

Note 4: This is business expense of directors in the past year (including transportation allowance, special allowance, stipends, dormitory, and car).

Note 5: All pays to the director who is also employee of the Company (including the position of president, vice president, other managerial officer and staff), including salary, additional pay, severance pay, bonuses, rewards, transportation allowance, special allowance, stipends, dormitory, and car.

Note 6: For directors also working as an employee in 2009 (including the position of president, vice president, other managerial officer and staff), the amount of the proposed profit sharing and bonus according to the 2009 earnings distribution that has been approved by the Board of Directors but has not been submitted to the shareholders' meeting.

Note 7: Shares subscribable under employee stock option plan by the director also working as an employee (including the position of president, vice president, other managerial officer and staff) as of the date of report (excluding shares already exercised).

Note 8: The total pay to the director from all companies in the consolidated statements (including the Company).

Note 9: A percentage of the Company's 2009 after-tax income (loss).

Note 10: a. This field shows whether the director receives remuneration from investees other than subsidiaries of the Company or not.

b. The remuneration means pay, remuneration, employee bonus and business expense received by the director serving as a director, supervisor or manager of an investee of the Company other than subsidiaries.

(2) Remuneration to supervisors

December 31, 2009
Unit: NT$1,000

Title	Name	Supervisor's Remuneration						Ratio of total (A), (B), and, (C) to after-tax income (%) (Note 5)		Remuneration received from investees other than subsidiaries (Note 6)
		Remuneration (A) (Note1)		Profit sharing (B) (Note2)		Business expense (C) (Note 3)				
		Winbond	All companies in consolidated statements (Note 4)	Winbond	All companies in consolidated statements (Note 4)	Winbond	All companies in consolidated statements (Note 4)	Winbond	All companies in consolidated statements (Note 4)	
Supervisor	Chiao Yu-Chi	-	-	-	-	120	120	-	-	Yes
Supervisor	Wang-Tsai Lin	-	-	-	-	120	120	-	-	Yes
Supervisor	Hui-Ming Cheng	-	-	-	-	120	120	-	-	None

Note 1: Remuneration to supervisors in the past year (including salary, additional pay, severance pay, bonuses and rewards).
Note 2: The amount is the proposed remuneration to supervisors according to the 2009 earnings distribution that has been approved by the Board of Directors but has not been submitted to the shareholders' meeting.
Note 3: This is business expense of supervisors in the past year (including transportation allowance, special allowance, stipends, dormitory, and car).
Note 4: The total pay to directors from all companies in the consolidated statements (including the Company).
Note 5: A percentage of the Company's 2009 after-tax income (loss).
Note 6: a. This field shows whether the supervisor receives remuneration from investees other than subsidiaries of the Company or not.
b. The remuneration means pay, remuneration, employee bonus and business expense received by the supervisor serving as a director, supervisor or manager of an investee of the Company other than subsidiaries.

(3) Remunerations to president and vice president

December 31, 2009
Unit: NT$1,000; 1,000 shares

Title	Name	Salary (A) (Note 1)		Pension (B) (Note2)		Bonus and special allowance (C) (Note 3)		Employee bonus (D) (Note 4)				Ratio of total (A), (B), (C), and (D) to after-tax income (%) (Note 7)		Shares subscribable under employee stock options (Note 5)		Remuneration received from investees other than subsidiaries (Note 8)
		Winbond	All companies in consolidated statements (Note 6)	Winbond	All companies in consolidated statements (Note 6)	Winbond	All companies in consolidated statements (Note 6)	Winbond		All companies in consolidated statements (Note 6)		Winbond	All companies in consolidated statements (Note 6)	Winbond	All companies in consolidated statements (Note 6)	
								Cash bonus	Stock bonus	Cash bonus	Stock bonus					
CEO	Arthur Yu-Cheng Chiao	32,290	37,956	16,212	16,397	6,107	6,107	-	-	-	-	-0.63%	-0.70%	3,910	3,910	Yes
Deputy CEO	Ching-Chu Chang (Note 9)															
President	Tung-Yi Chan (Note 10)															
Executive Vice President	Wilson Wen															
Vice President	James Wen															
Vice President	Yuan-Mou Su															
Vice President	Chen-Hsi Lin															
Vice President	Ruey-Way Lin															
Vice President	Pei-Ming Chen															
Vice President	Cheng- Kung Lin															

Note 1: Salary, additional pay, pension and severance pay received by the president or vice president in the past year.
Note 2: Pension includes:
a. Amount equal to 6% of the monthly salary paid into an account at the Bureau of Labor Insurance pursuant to the new pension system under the Labor Pension Act.
b. Amount equal to 2% of the monthly salary deposited into an account at Bank of Taiwan under the name of the Company's Pension Supervision Committee pursuant to the old pension system under the Labor Standards Act.
c. Amount actually paid to the president and vice president in the year of retirement.
Note 3: Bonus, reward, transportation allowance, special allowance, stipends, dormitory, car and other pays received by the president or vice president in the past year.
Note 4: The amount is the proposed remuneration to the president or vice president according to the 2009 earnings distribution that has been approved by the Board of Directors but has not been submitted to the shareholders' meeting.
Note 5: Shares subscribable under employee stock option plan by the president or vice president as of the date of report (excluding shares already exercised).
Note 6: The total pay to the president or vice president from all companies in the consolidated statements (including the Company)..
Note 7: A percentage of the Company's 2009 after-tax income (loss).
Note 8: a. This field shows whether the president or vice president receives remuneration from investees other than subsidiaries of the Company or not.
b. The remuneration means pay, remuneration, employee bonus and business expense received by the president or vice president serving as a director, supervisor or manager of an investee of the Company other than subsidiaries.
Note 9: Retired from the Company on June 1, 2009.
Note 10: Departed from the Company on Feburaury 9, 2009.

(4) Analysis of remunerations to directors, supervisors, president and vice presidents as a percentage of earnings in the last two years and description of the policy, standards and packages of remunerations, procedure for making such decision and relation to business performance:

1. Analysis of remunerations to directors, supervisors, president and vice presidents as a percentage of earnings in the last two years

Title	Total remuneration as a percentage of earnings (%)			
	2008		2009	
	Winbond	All companies in consolidated statements	Winbond	All companies in consolidated statements
Director	-0.28%	-0.40%	-0.37%	-0.49%
Supervisor	-	-	-	-
President and Vice President	-0.61%	-0.75%	-0.63%	-0.70%

2. Remunerations to directors and supervisors were made in accordance with the Articles of Incorporation.

3. Pays to CEO, Deputy CEO, President and Vice Presidents were made in accordance with the internal payroll system and the result of performance review. Their retirements are handled in accordance with the internal rules for the retirement of managers

3. Capital and shareholding

3.1 Major shareholders

(1) Names, shares and percentage of shareholding of shareholders with more than 5% of Company's equity:

March 31, 2009

Shareholding / Name of major shareholder	Shares held	Percentage
Walsin Lihwa Corporation	858,091,531	23.47%

3.2 Market price, net value, earnings, dividends per share and related information (2008-2009)

Unit: NT$

Item\Year			2008	2009	March 31, 2010
Market price per share	High		9.79	9.78	9.99
	Low		1.94	2.81	6.67
	Average		6.35	5.63	8.62
Net value per share	Basic		10.49	9.28	9.28(Note 5)
	Diluted		(Note 4)	(Note 4)	N/A.
Earnings per share	Weighted average shares (1,000 shares)		3,674,286	3,647,945	3,647,945(Note 5)
	Earnings per share		(2.00)	(2.36)	(2.36) (Note 5)
Dividends per share	Cash dividend		(Note 4)	(Note 4)	N/A.
	Stock dividend	Retained earnings	(Note 4)	(Note 4)	N/A.
		Capital surplus	(Note 4)	(Note 4)	N/A.
	Accumulated unpaid dividend		(Note 4)	(Note 4)	N/A.
Return analysis	Price-Earnings ratio (Note 1)		N/A.	N/A.	N/A.
	Price-Dividend ratio (Note 2)		(Note 4)	(Note 4)	N/A.
	Cash dividend yield (Note 3)		(Note 4)	(Note 4)	N/A.

Note 1: Price-Earnings ratio＝Year's average per share closing price / earnings per share.

Note 2: Price-Dividend ratio＝Year's average per share closing price / cash dividend per share.

Note 3: Cash dividend yield＝Cash dividend per share / year's average per share closing price

Note 4: The Company posted losses in 2008 and 2009, so there was no earnings distribution for the years.

Note 5: Net value per share and earnings per share are calculated based on CPA-audited financial statements dated December 31,2009.

3.3 Dividend policy and execution

(1) Dividend policy

Our dividend policy is made in accordance with the Company Act and the Articles of Incorporation of Winbond Electronics Corp. in consideration of factors including capital, financial structure, operating status, earnings, industry characteristics and cycle. The dividends shall be distributed in a prudent manner where appropriate retained earnings, stock dividend or cash dividend, or both are taken into consideration so as to ensure sustained development of the Company. The Company is in growing and expanding stage in an industry that requires intensive capital, technologies, and labors. Factoring in these industry characteristics, the dividend policy is highly dependent upon the future needs of capital expenditures and working capital. Thus any dividend distribution plan will give priority to cash dividend, whereas stock dividend can also be considered. Nevertheless, stock dividend to be distributed shall not be more than 50% of total dividends. The current dividend policy for retained earnings and dividends with respect to their conditions, timing, amount and type would be adjusted from time to time in accordance with economic and industrial fluctuations, and in particular, in view of the Company's future development needs and profitability.

(2) Dividend distribution to be proposed to the shareholders' meeting: The Company does not plan to distribute dividends for fiscal year 2009.

3.4 Effect of the proposed stock dividends (to be adopted by the Shareholders' Meeting) on the operating performance and earnings per share:

Not applicable for the Company does not plan to distribute earnings for fiscal year 2009

3.5 Employee bonus and remuneration to directors and supervisors

(1) Information on employee bonus and remuneration to directors and supervisors provided in Company's Articles of Incorporation

Under the Company Act and Winbond's Articles of Incorporation, the Company shall, after covering prior years' losses and paying all taxes and dues, set aside 10% of its surplus profit as statutory reserve until such reserve equals the paid-in capital. The Company shall also set aside special reserve as required by laws or the competent authority. The remainder surplus may be retained for business needs or otherwise distributed by the following principle:

1. 2% as remuneration to directors and supervisors;
2. 11% as bonus to employees; and
3. the remainder thereafter as dividends to stockholders. A portion or all of the amount thereof may first be set aside as special reserve for general purpose.

(2) Information on planned employee bonus as approved by the Board of Directors

Not applicable for the Company posts loss in 2009 and does not plan to distribute earnings for the year.

(3) Information on distribution of previous year's earnings as employee bonus and remuneration to directors and supervisors

Not applicable for the Company posted loss in 2008 and did not distribute employee bonus or remuneration to directors and supervisors for the year.

3.6 Stock buybacks: None

4. Issuance of corporate bonds: None

5. Issuance of preferred shares: None

6. Issuance of global depositary receipts (GDR)

March 31, 2010

Date of issue		February 5, 1999	
Place of issue and trading		Luxemburg	
Total amount		US$333,502,000	
Offer price per unit		February 5, 1999 – initial issue US$11.45	November 18, 1999 – additional issue US$16.70
Total units issued		30,336,980	
		February 5, 1999 – initial issue	14,600,000
		November 18, 1999 – additional issue	9,960,000
		July 7, 2000 – additional issue for the distribution of stock dividends	2,108,252
		June 1, 2001 additional issue for the distribution of stock dividends	3,668,728
Source of underlying security		Issuance of new shares for cash capital increase	
Underlying security		10 common shares of Winbond	
Rights and obligations of GDR holder		Dividends, interests distribution and relevant taxes of the underlying shares represented by the GDRs shall be governed by the laws of the Republic of China, the Depositary Agreement and the Custodial Agreement.	
Trustee		None	
Depository bank		Bank of New York Mellon Corp	
Custodial bank		Mega International Commercial Bank	
Balance outstanding (units)		934,316	
Fees incurred in issuance and the outstanding period of the GDRs		Borne by Winbond Electronics Corp.	
Important notice of Depository Agreement and Custodial agreement		The deposit, redemption and delivery of the underlying shares represented by the GDRs and the re-issuance of the GDRs shall be governed by the laws of the Republic of China, Depositary Agreement and the Custodial Agreement.	
Market price per unit (US$)	2009	High	3.05
		Low	0.87
		Average	1.684
	2010 up to March 31	High	3.01
		Low	2.15
		Average	2.572

7. Exercise of Employee Stock Option Plan (ESOP)

7.1 Employee stock options outstanding and impact on the stockholders' equity

March 31, 2010

Tranche of ESOP	Tranche 5
Date of approval by competent authorities	September 5, 2008
Date of grant	First issue of Tranche 5 - October 29, 2008 Second issue of Tranche 5 - February 9, 2009 Third issue of Tranche 5 - April 29, 2009 Fourth issue of Tranche 5 - August 5, 2009
Units granted	Tranche 5 First Issue - 45,764,000 Tranche 5 Second Issue - 614,000 Tranche 5 Third Issue - 77,000 Tranche 5 Fourth Issue – 894,000
Units granted to total shares issued and outstanding（%）(Note)	1.29%
Duration	Tranche 5 First Issue -October 28, 2013 Tranche 5 Second Issue - February 8, 2014 Tranche 5 Third Issue - April 28, 2014 Tranche 5 Fourth Issue - August 4, 2014
Exercise	Issue new shares
Vesting schedule and quota (%)	Tranche 5 First Issue - October 29, 2010:50% ; October 29, 2011:100% Tranche 5 Second Issue - February 9, 2011:50% ; February 9, 2012:100% Tranche 5 Third Issue - April 29, 2011:50% ; April 29, 2012:100% Tranche 5 Fourth Issue – August 5, 2011:50% ; August 5, 2012:100%
Units exercised (shares)	0
Amount exercised (NT$)	0
Units unexercised (shares)	Tranche 5 First Issue -45,764,000 Tranche 5 Second Issue - 614,000 Tranche 5 Third Issue – 77,000 Tranche 5 Fourth Issue – 894,000
Exercise price for unexercised units (NTD)	Tranche 5 First Issue - $3.02 Tranche 5 Second Issue - $3.19 Tranche 5 Third Issue - $5.57 Tranche 5 Fourth Issue- $6.46
Units unexercised to total outstanding shares (%) (Note)	1.29%
Impact on shareholders	Give employees the incentive to stay on and build employee loyalty to work towards the best interest of the Company and shareholders

Note: "Total shares issued and outstanding" are based on 3,656,497,193 common shares of the Company issued as of March 31, 2010

Business Overview

1. Business activities

1.1 Business Scope

1.1.1. Major business activities

Research, development, design, production, sales of integrated circuits and related products, as well as after-sale services

1.1.2. Core products

Winbond carries DRAM and NOR Flash.

1.1.3. 2009 revenue breakdown by product

Unit: NT$1,000

Product	Sales revenue	%
DRAM	15,901,987	81.41
Non-DRAM memory products	3,398,045	17.40
Others	232,680	1.19
Total	19,532,712	100.00

1.1.4. Product Lines Analysis

(1) DRAM

The Company’s DRAM products include:

- Mobile RAM
- Specialty DRAM
- Graphics DRAM
- Commodity DRAM

Mobile RAM includes pseudo SRAM and low-power DRAM (SDR/DDR) for applications in mobile handset, other light, thin, small, and low-power consumption handheld devices (PDA and GPS), as well as consumer electronics products (e.g. MP3 players and PMPs).

The main applications of specialty DRAM include PC peripheral equipment (e.g. hard disk drives (HDD) and printers), network and communication products (e.g. set top boxes, DSL modems, router switches, etc.), and consumer electronics products (e.g. DSC cameras, LCD TVs, and DVD players). The specifications of specialty DRAM include 16Mb~256Mb SDR/DDR SDRAM, 128Mb~1Gb DDR2 SDRAM, and KGD(Known Good Die).

Graphics DRAM is chiefly used in conjunction with graphics chips, and can satisfy the high speed and performance needs of these chips when performing large amounts of image processing. Graphics DRAM is used in products including VGA graphics cards, notebook computers, and game consoles, etc. As high-resolution audiovisual and 3D image application products grow increasingly popular, graphics DRAM is expected to gradually be applied in multimedia appliances such as Full HD TV (1080p), blue-ray DVD, and high-definition set-top boxes, etc. This company's current products: Specifications include 1Gb DDR2, DDR3, GDDR3, and GDDR5.

Commodity DRAM are mainstream memory products widely used in the market. Currently the mainstream product is 1Gb DDR2 and 1Gb DDR3.

(2) NOR Flash

Winbond NOR Flash (with programming code) includes primarily parallel and serial flash of low to medium density (under 128 Mb). Their main applications include personal computers and peripheral products, ODD, wireless network, DSL modems, DVD players, set-top boxes, and TV. Winbond's NOR flash products enjoy particularly high market shares in motherboards and ODD.

1.1.5. New products and services under development

Products	Description
Low, medium, and high density Specialty DRAM	Used in consumer electronics products, PC peripheral products, network communications products, and auto electronics products
Low, medium, and high density, low power Pseudo SRAM	Application in mobile handsets and other portable devices
Low, medium, and high density, low power Mobile DRAM	Application in portable electronics products such as mobile handsets, PDAs, MP3 players, and PMPs
High density, high speed Graphics DRAM	Applied in mid-/high-end PC/NB, game consoles
High speed, medium-/low-density, 1.8V low-voltage Serial Flash memory and medium-/high-density Parallel Flash memory	Application in hansets and consumer electronics products such as desktop and notebook computers, ODD, PC peripherals, broadband wireless communication products, recordable DVD players, set top boxes, digital TV

1.2. Industry overview

1.2.1 Industry's current trend and future outlooks

1.2.1.1 DRAM

(1) Current trend and future outlooks for the commodity DRAM industry

• Industry overview

After the DRAM industry remained in a depressed state for two years (2007-2008), according to DRAM exchange information, spot prices for commodity DRAM 1Gb DDR2 have climbed from US$0.98 at the beginning of 2009 to US$2.29 at the end of the year. Most DRAM manufacturers have enjoyed a net inward cash flow at these prices, and this state of has reduced cash flow risk. In 2009, price per Bit fell at an annual rate of 23%, which was far less than the drop of 53% in 2008. This reduced price drop mainly reflects the changing supply situation.

Due to the global financial crisis, global PC shipment volume encountered negative growth during the period of 4Q08-2Q09, and then led to a falling demand for DRAM. As supply exceeded demand, DRAM prices fell to below the cash cost level. In order to reduce net cash outflow from operating activities, DRAM manufacturers accelerated the phase-out of their 8" fab and reduced the output of their 12" fab. Under the difficult situation, the German DRAM manufacturer Qimonda AG was forced to file insolvency and declare bankruptcy in the first quarter of 2009 due to cash flow problems, and global DRAM output in 2009 consequently experienced negative growth of 27%. As the result, the situation of supply exceeding demand greatly improved, and DRAM prices began soaring upward starting in the third quarter of 2009, enabling most manufacturers to obtain prices above cost. According to WSTS statistics, the global DRAM market experienced negative growth of 6.7% in 2009; the global DRAM market shrank by US$1.6 billion to US$22.4 billion during the year.

Prices hinge on supply and demand. With regard to demand, the global financial crisis caused a downturn in economic activity, and global PC shipment volume consequently encountered negative growth of 7% and 3% during the first and second quarters. As governments' economic stimulus plans gradually took effect during the third quarter of 2009, the global economy began displaying a significant revival. Many corporate customers began boosting their IT expenditures, and ordinary consumers also grew more willing to spend in light of the stabilizing employment market. These trends increased demand for PCs. The significant rebound in terminal market demand caused global PC shipment volume to grow at annualized rates of 2% and 15% respectively during the third and fourth quarters of 2009. The recovery of demand during the second half of the year made up for negative growth during the first half, and caused global PC shipment volume to grow at an annual rate of 2.3% in 2009. This growth rate was far higher than the 7%-10% negative growth predicted by most research organizations at the start of 2009.

• Future outlook

Looking ahead to the future, the industry will enjoy good prospects as the economic cycle continues to swing up. However, economic uncertainty and risk will cloud the industry's revival. Most DRAM manufacturers are optimistically looking forward to a better economy, and plan to engage in mass production using the 5X/4Xnm to increase output and cut costs without building new facilities. A healthy balance between supply and demand in the DRAM market should prevail in 2010.

(2) Current trend and future outlooks for the specialty DRAM industry

• Demand Perspective:

In 2010, consumer confidence and corporate confidence will strengthen in parallel with the gradually improving world economy. Consumer electronics products, network communications products, PC peripheral equipment, and autos will enjoy excellent annual growth rates. In the consumer electronics market, as the prices of blue-ray DVDs fall to consumers' sweet spot, demand will surge, and the product life cycle will enter the rapid growth stage. In addition, LCD TVs will replace CRT TVs at an accelerating rate. In 2010, LCD TVs will achieve a TV market penetration of over 75%. Due to the amazing 3D effects in the movie "Avatar," sales of 3D LCD TVs are expected to grow rapidly in the high-end market. Mainstream DSC devices will mainly be ten megapixel or above. STB will continue enjoy growth. Among PC peripherals, new HDD standards will emerge. People's endless demand for sensory-attributes such as resolution, color, speed/bandwidth, and 3D will stimulate the upgrading and evolution of hardware and software, which will increase the memory usage of hardware systems and drive the forward development of standard interfaces. In 2010, niche memory sales will benefit from increasing demand in the end market and growing system memory use. The Bit demand growth rate may surpass the 32% compound annual growth rate of past years.

• Supply Perspective:

In 2009, major international DRAM manufacturers will continue to shutter 8" fabs producing chiefly niche memory and flash memory. Due to the rising prices of commodity DRAM, gross profit margins have risen to the double digits, prompting major international DRAM manufacturers to reduce production of niche memory at their 12" fabs. As supply grows lags and demand rises, supply will be unable to meet demand; as a consequence, it is expected that niche memory will enjoy good prospects in 2010.

(3) Current trend and future outlooks for the mobile RAM industry

• Demand Perspective:

According to IDC statistics, global cell phone shipment volume fell by a 5.2% annualized rate to 1.13 billion units in 2009. As the economy gradually recovered, global cell phone shipment volume rebounded to the double digits (11.3%) in the fourth quarter of 2009. Looking at different market segments, global shipment volume of smart cell phones surged by 15.1% to 174 million units in 2009, and the annualized growth rate hit 39% in the fourth quarter. Smart cell phones are the fastest-growing market segment. The rapidly-growing smart cell phone and multifunctional cell phone segments will increasingly stimulate demand for mobile DRAM. Apart from cell phones, other light, thin, short, and compact portfolio electronics products requiring long battery life (such as e-book readers, DSCs, and GPS devices, etc.) will employ mobile DRAM in order to extend standby and use time.

Due to widespread demand for such features and functions as multimedia applications, camera pixels, wireless Internet access, speed/bandwidth, satellite navigation, games, and mobile TV, etc., cell phones are gradually becoming integration platforms for 3C products (the iPhone is a good example of this trend). The increasing number of applications is driving the further upgrading of cell phone hardware and software (including OS and chipset), which will increase the amount of on-board mobile memory in cell phone systems. Standard interfaces will also continue to evolve. In 2010, mobile DRAM will benefit from growing cell phone demand and increasing amount of on-board memory. Even more applications will gradually surface, which will dramatically increase Bit demand.

• Supply Perspective:

Although mobile memory is similar to ASIC products, due to the number of new domestic and foreign competitors entering this market (mobile DRAM and pseudo), the market may gradually shift from a past "oligopoly" to a more competitive market. However, in view of the great increase in demand expected in 2010, Bit supply and Bit demand should remain roughly equal throughout the year.

(4) Current state of the graphics DRAM industry and future outlook

• Demand Perspective:

Graphics memory (GDDR3, GDDR5) is mainly used in game consoles and mid-/high-end PCs/NBs. In 2009, the game consoles market had a size of roughly 50 million units, while PCs/NBs accounted for approximately 9%-10% (around 30 million units) of graphics memory use. In the case of game consoles, in 2009 Microsoft introduced a concept fourth-generation device controlled by gestures and body movements (no handheld controller); this device allows gamers to immerse themselves fully in games. In addition, in another new trend, game console manufacturers are also developing fourth-generation game players with 3D effects. Gamers demand for better response time and bandwidth will ensure that the standard graphics memory interface will continue to evolve. In the PC/NB market, global PC shipment volume is projected to grow by 15% in 2010, and demand for graphics memory in PC/NB applications will also grow significantly.

• Supply Perspective:

The manufacture of graphics memory has a high technological threshold, and barriers to entry are also high. Since there are only three main competitors, an oligopoly more-or-less exists in this market. In 2008, the three leading graphics memory manufacturers were Samsung, Qimonda AG, and Hynix. After Qimonda AG declared bankruptcy during the first quarter of 2009, Hynix made a vigorous effort to capture market share, and Elpida also sought to expand its market. The situation in the industry and price risk will hinge on the competitive behavior of these three manufacturers and the rate at which they adopt advanced processes.

1.2.1.2 NOR Flash

Winbond makes two types of NOR flash, parallel and serial. According to international research organizations performing surveys on flash memory markets, Serial Flash (SF) is drawing ever more attention from consumer electronics products, which include PCs, hard disks, DVD players, CD/DVD players, wireless broadband products, DSL modems, digital TVs, set-top boxes, ultra-low-cost handsets, among others. As such, SF has a lot of growth potential when applied to the aforementioned types of products.

Computers nowadays have many multi-media and audio/video types of applications built in, which make PCs more like home entertainment centers rather than the average computers of yesteryear. Upgrading PCs' specs has become an unstoppable trend, and will help further open up the emerging markets, stimulating the demand from them. Serial flash is also used in computer peripherals, like hard disks, DVD drives/recorders, printers, and LCD minitors. New communication networking products like wireless broadband, DSL, and cable modems are also accelerating the pace of upgrade within the networking equipment industry, doubling the size of internal flash memory every so often. New consumer electronics products like HDTV, DVD players, and set-top boxes are further adding to the demand for flash memory, even as the new generation of ultra-low-cost handsets begins to adopt the use of serial flash. Looking ahead to the future, due to pin count and need to cut cost, it can be anticipated that serial flash will have even more applications.

1.2.2. Relationship between up-, mid-, and down-stream suppliers in the industry's supply chain

From a perspective based on the industry's supply chain, the upstream portion consists mainly of raw material suppliers, who start with silicon wafers. The wafers are subjected to a series of manufacturing steps, including such early stage processes as lithography, rapid hi-temperature process, chemical vapor deposition, ion implantation, etching, chemical machinery polishing and grinding, and process control and monitoring, as well later stage processes such as packaging and testing. Because the types of applications are diverse, the types of down-stream customers are likewise varied but consist mainly of suppliers of PCs and peripherals, printers, hard disks, LCD displays.

1.2.3. Product trends and competitions

1.2.3.1 DRAM

With regard to mobile DRAM, Samsung, Hynix, and Elpida will variously introduce 1-2Gb 4Xnm process technology products during the second half of 2010. Furthermore, Micron Technology and Nan Ya also plan to introduce 1-2Gb 50nm process technology products during the first half of 2010. As a result, competition in the mobile DRAM market will grow even more intense.

In the field of specialty DRAM, this company introduced 65nm-generation products starting at the end of 2009, and accelerated the shift from 90nm products to 65nm products prior to the end of 2009, while cutting costs and hiking ASP. Optimization of our product lineup will further boost the profitability of specialty memory.

1.2.3.2 NOR Flash

The markets targeted by Winbond are based on the low to medium density NOR flash. For low to medium density serial flash (less than 128 MB) products, Winbond offers a complete product lineup. Moreover, starting in the second half of 2009, Winbond has also introduced flash products made with advanced 90 nm manufacturing technology, and has produced and shipped such products in large quantities. As a result, this company has become the world's second largest serial flash vendor. In the motherboard and notebook computer markets, Winbond's flash product market shares have surpassed the 40% mark. For product applications related to optical disk drives, this company's global serial flash market share has exceeded one-half. Manufacturers are currently converting to and adopting advanced process technology at an increasing rate, and are also developing low-voltage technology. It is expected that large quantities of low-voltage serial flash will appear on the market in 2010. Through these and other similar endeavors Winbond has continuously sought to improve performance and optimize product competitiveness for its customers.

Winbond continues to expand its market share by exploiting new markets and seeking out new customers. Serial flash unit shipment volume grew by 150% in 2009. Winbond is also taking the additional step to develop a new product called SpiROM, a large quantity of which has already been delivered to our customers.

1.3 Research and Development of Technology

1.3.1. R&D expenditures

Unit: NT$1,000

Item	2009	As of March 31,2010
R&D Expenses	1,528,193	484,215

1.3.2. Successfully developed technologies and products

1.3.2.1 Product development

R&D Achievements	Future R&D Plan
• Medium to high density cellular RAM with low power consumption running 1.8V. • High density mobile DRAM with low power consumption running 1.8 V. • 65nm specialty DRAM. • Medium to high density parallel flash and 1 Mb – 128 Mb serial flash providing complete product lineup.	• Using designs and technologies with even lower cost, continue R&D in medium and high density cellular RAM, mobile DRAM, and specialty DRAM. • Use more advanced manufacturing technologies for more cost competitive advantages; lower voltage and greater customization for more diversified applications; R&D into various specialty hi-speed flash products

1.3.2.2 Development of manufacturing process

Beginning in 2010, this company will accelerate the technology migrations from the 110nm/90nm/80nm/70nm specialty DRAM, mobile DRAM, and graphics DRAM to the more advanced 65nm process. NOR flash will be completely transferred to our 12" fab for mass production using 90nm process technology. We are also expediting the development of new 58nm technology.

1.4. Business plan - long-term and short-term

We are positioned as a professional specialty memory design, production, and sales company. In the short-term, we will continue to develop specialty memory sales and expand our product lineup in order to achieve stability profitability. As far as production is concerned, this company is actively adopting advanced production processes and improving yield rate in order to reduce production costs. We currently use the 90nm process for 100% of our specialty DRAM and mobile RAM production, and plan to gradually begin using the 65nm process in 2010. As for NOR flash, we will complete upgrading to the 90nm process in 2010. We maintain good collaborative relationships with major domestic and foreign HDD, TV, networking, STB, and MCP vendors, and our specialty DRAM and mobile DRAM have earned excellent reputations among our customers. With regard to NOR flash products, we are focusing on the low-/medium-capacity market, and our products have captured large market shares, or enjoy excellent growth opportunities, in the PC, PC peripheral market (such as HDD, ODD, and networking), and consumer electronics markets (TV, STB, and DVD, etc.). In addition, production of our newly-established graphics DRAM product line will be expanded in 2010, and we will embark on a vigorous market expansion campaign. As for our long-term strategies, we will continue to strengthen our relationships with allied firms and engage in close collaboration. We will maintain a diversified product lineup and flexibility adjust our production capacity in view of market demand. In the long term, we will continue to expand our share of high-quality, long certification period, high entry barrier product markets, and strive to achieve leadership for key products.

2. Market, production and sales

2.1 Market analysis

2.1.1. Revenue breakdown by region

Unit: NT$1,000

Region	2009	
	Sales	(%)
Asia	17,093,418	87.79%
Europe	1,648,490	8.47%
Americas	727,835	3.74%
Total	19,469,743	100.00%

2.1.2 Market share,market supply and demand, and growth potential

2.1.2.1 DRAM

(1)Specialty DRAM

In 2009, this company had an approximately 19% share of the specialty DRAM memory market, and had a market share of as high as 20%-30% in certain key applications markets. Apart from continuing to strengthen our market status, in the future we will seek to significantly increase our shares of the LCM, LCD TV, printer, and DSC applications markets. With continued growth of applications end demand, market share and higher prices will be our main sources of earnings growth.

(2)Low-Power DRAM

As sales of smart cell phones and various portable electronics products rise rapidly, increased system memory use will quickly stimulate demand for low-power DRAM. We will therefore accelerate development of many types of low-power DRAM in order to boost our market share. The development of new products and adoption of low-power DRAM will be our leading sources of earnings growth.

(3)Pseudo

As smart cell phone penetration continues to increase, the fact that these cell phones mostly employ low-power DRAM will cause demand for pseudo to soften. But as some vendors leave the market, we will have an opportunity increase our market share from the current 12%. Our increased market share will be the greatest driver of our pseudo earnings growth.

2.1.2.2 NOR Flash

The shakeup of the industry has set in motion a trend of advanced processes and capacity toward higher density. At the same time, each new system is using more Mb of memory, which is causing growing shortages in the supply of low-/middle-density serial flash. Because serial flash can also cut pin count and cost, applications of serial flash are growing, and it is expected that tight supply conditions will continue. After many years of market development and hard work, Winbond has become the market's leading vendors of low-/middle-density flash memory. Winbond's serial flash unit shipment volume increased by 150% in 2009 relative to 2008, and reached a level of 450Mu. Cumulative shipment volume has surpassed one billion chips. Winbond Flash Memory is sweeping the program code storage market with astonishing speed. According to March 2010 Web Feet research statistics, Winbond's share of the global NOR flash market by shipment volume was approximately 9% in 2009, giving it a global rank of fourth; Winbond's market share by sales revenue was 3%, giving it a rank of sixth.

2.1.3. Competitive advantage

2.1.3.1 DRAM

(1)Competitive advantages

We plan to maintain close collaborative relationships with world-class systems manufacturers and major EMS, ODM, and MCP producers. In line with customer demand, we will use advanced process technology in conjunction with our global R&D team to accelerate the development of highly-competitive specialty DRAM, pseudo, and low-power DRAM. We closely monitor industry trends and maintain close ties with customers. Our highly efficient R&D and engineering team, strategic planning ability, and execution comprise our chief competitive advantages.

(2)Favorable and unfavorable factors affecting our development

Favorable factors:

- Since the industry will expand capacity only to a limited degree, most supply growth will come from migrations of advanced processes; there will be a healthy balance between supply and demand in the short term.
- Healthy supply and demand will ensure that prices rebound to a level where DRAM manufacturers can obtain reasonable profits and enjoy net cash inflow.
- Because specialty DRAM will be squeezed out by commodity DRAM capacity, the supply side will come under pressure, and prices will rise.

- As the global economy gradually recovers, 3C product demand and new applications will grow rapidly.

Unfavorable factors:

- DRAM manufacturers are vigorously migrating to new processes, and supply is quickly increasing.
- Because the cost of DRAM as a percentage of PC BOM cost is gradually increasing, PC OEMs may try to cut costs by reducing density of on-board memory.
- Commodity DRAM price risk will increase.
- IC design companies will quickly enter the pseudo market. Taiwan's DRAM manufacturers are producing low-power DRAM with technology transferred from major international manufacturers, and are actively entering this market.

(3) Response measures:

- Prudent expansion of capacity, maximization of cash flow, and reduction of financial leverage in response to economic conditions and industry uncertainty.
- Continued migration of advanced process technology to develop pseudo products; enhancement of cost advantage compared with competitors; continued occupation of cost leader position.
- Acceleration of customer adoption of low-power DRAM and mass production.

2.1.3.2 NOR Flash

(1)Competitive advantages.

We are currently mainly targeting the low-/medium-density NOR flash market, and currently offer a complete serial flash product series (1Mb-128Mb). We have adopted 90nm process technology since 2009, and have achieved mass production. We are also vigorously developing next-generation 58nm process technology. We will continue to develop the NOR flash market and collaboration with world-class manufacturers in HD, ODD, PC, and ULC applications areas. We are compliant with the newest PC BIOS standards.

(2)Favorable and unfavorable factors affecting our development vision

Favorable factors:

- We have shipped more than one billion serial flash chips, and expect to shift our entire product line to our 12" fab in 2010. We have a strong reputation for quality and low cost among our customers.
- We offer a complete NOR flash memory product line, including 3V high speed Quad I/O serial flash, 1.8V low-voltage medium-/low-density serial flash, and 3V high speed high density parallel flash.

- We are one of the leading NOR flash vendors in the HD market, and enjoy market shares of over one-half in the PC and ODD markets. We have successfully entered into ultra-low price cell phone applications market.
- We are working together with the world's leading chip vendors to determine standard specifications for the next generation of serial flash.
- Our 12" wafer fab enables us to respond swiftly to changes in market demand.
- We simultaneously offer NOR flash and DRAM product lines, providing customers with the convenient of one-stop shopping.

Unfavorable factors:

- Competitors are expanding their capacity, and cutting prices to capture market share.
- Our PF product line is still incomplete.

(3)Response measures:

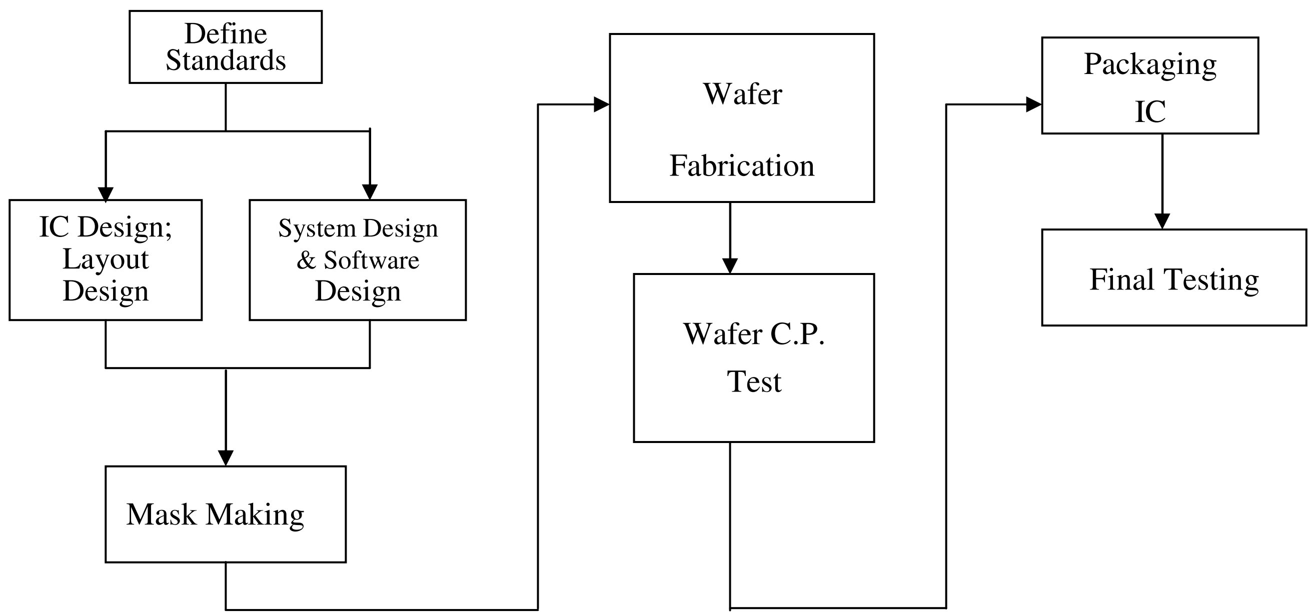
- We will expedite development of the next-generation 58nm process, and thereby continue to increase our competitive advantage.
- We will adjust our product lineup in order to develop the high profit margin, high density NOR flash market.
- We will strive to expand our shares of the cell phone, network communications, set-top box, and auto markets.
- We will form alliances with world-leading flash companies and design teams, enables us to provide even more advanced products and technical services.

2.2. Important applications of core products and manufacturing process

2.2.1. Important application of core products

Product	Descriptions
DRAM • High density GDDR3/GDDR5 DRAM • High and Medium density SDR/DDR DRAM • Pseudo SRAM, Low-Power DRAM • High density DDR2/DDR3 DRAM	 • Used in electronic products with graphics and image processing functions. • Used in consumer electronics products • Used in mobile handset products • Used in PC products, consumer electronics products, and electronic products with graphics and image processing functions.
NOR Flash • Medium and low density flash memory product	 • Used in PC and consumer electronics products

2.2.2 Product Manufacturing Process



2.3 Supply of raw materials

Our principal raw materials include silicon wafers, chemicals, photo-resistor, special gases, and target. The Company purchases these materials from domestic and foreign suppliers located in U.S., Japan, Germany, Korea, Malaysia and Taiwan. The Company maintains substitute suppliers for each raw material to ensure the balance in supply, price stability, quantity and quality. For other outsourcing needs such as backend testing and packaging, the Company works with at least five qualified suppliers with considerable engineering capability, service quality and flexibility in product line adjustment.

2.4. Names of suppliers who accounted for more than 10% of the purchase by the Company in the last two years, and the amount of purchase to total purchase

Unit: NT$1,000

Item	Name	Relationship with issuer	2009		2008	
			Amount	Percentage of total purchase %	Amount	Percentage of total purchase %
1	Supplier Z023	None	1,910,048	40	3,702,771	46
2	Supplier Z015	None	287,011	6	877,356	11
	Others		2,525,806	54	3,462,180	43
	Net purchase		4,722,865	100	8,042,307	100

Reasons for changes:
Supplier Z023: The process has been switched from 130nm to 90nm. Thus less work was outsourced to this supplier.
Supplier Z015: To ensure stable supply and acquire more bargaining power over the purchase price, the Company sought other sources of supply. Purchase from this one supplier was thus reduced.

2.5. Names of customers who accounted for more than 10% of the sales in the last two years, and the amount of sales to total sales

Unit: NT$1,000

Item	Name	Relationship with issuer	2009		2008	
			Amount	Percentage of net sales %	Amount	Percentage of net sales %
1	Winbond Electronics (H.K.) Ltd.	Subsidiary	2,671,457	14	779,680	3
2	Customer H	None	404,981	2	6,319,114	29
3	Nuvoton electronics Technology (H.K.) Ltd.	Subsidiary	-	-	2,106,944	10
	Others		16,456,274	84	12,622,273	58
	Net sales		19,532,712	100	21,828,011	100

Reasons for changes:

Winbond Electronics (H.K.) Ltd.: Winbond Electronics (H.K.) was established in June 2008. Thus sales to the company increased in 2009 as compared to 2008.

Customer H: The company filed for bankruptcy reorganization in early 2009.

Nuvoton Electronics Technology (H.K.) Ltd.: The Company split off its logic IC business with the establishment of Nuvoton Technology Corp. in July 2008. Nuvoton Electronics (H.K.) started to make purchase from Nuvoton Technology Corp. in July 2008.

2.6 Production quantity and value in the last two years

Unit: NT$1,000

Year	2009			2008		
Core product\Output	Quantity (Note)		Value	Quantity (Note)		Value
	Wafer	Die		Wafer	Die	
DRAM	17.9	705,301	17,582,617	310.06	469,651	19,042,972
Non-DRAM Memory	-	452,899	2,572,132	-	335,814	2,543,992
Other IC	-	1,200	94,324	64.67	321,445	2,184,986
Others	-	-	-	-	-	14,466
Total	17.9	1,159,400	20,249,073	374.73	1,126,910	23,786,416

Note: wafer is measured in 1,000 pieces; die is measured in 1,000 pieces.

Unit: 1,000 pcs

Core product\Year	2009	2008
	Capacity	Capacity
6-inch wafer (Note1)	-	300
12-inch wafer	331	378
Total	331	678

Note 1: The 6” fab has been transferred to Nuvoton Technology in July 2008.

2.7 Sales volume/revenue in the last two years

Year	2009						2008					
Core product \Sales	Domestic Sale			Export			Domestic Sale			Export		
	Quantity (Note)		Value	Quantity (Note)		Value	Quantity (Note)		Value	Quantity (Note)		Value
	Wafer	Die		Wafer	Die		Wafer	Die		Wafer	Die	
DRAM	7.01	216,500	5,385,842	24.20	494,975	10,516,145	1.94	112,682	1,365,597	293.64	329,784	13,207,186
Non-DRAM Memory	-	125,231	721,398	-	345,737	2,676,647	-	89,721	911,477	-	199,468	1,975,802
Other IC	-	23	1,600	-	1,200	168,111	64.03	84,085	1,373,230	0.77	232,646	2,577,844
Others	-	-	5,411	-	-	57,558	-	-	301,371	-	-	115,504
Total	7.01	341,754	6,114,251	24.20	841,912	13,418,461	65.97	286,488	3,951,675	294.41	761,898	17,876,336

Note: wafer is measured in 1,000 pieces; die is measured in 1,000 pieces.

3. Employees

Year		2008	2009	2010 up to March 31
Number of employees	Technicians (Engineers)	1,147	1,067	1,071
	Administration and sales staff	406	363	365
	Assistant to technicians	462	302	301
	Total	2,015	1,732	1,737
Average age		32.9	33.31	34.26
Average years of service		5.67	5.89	5.94
Education background (%)	Ph.D.	1.19	1.27	1.27
	Master	28.98	32.39	32.12
	University/College	54.29	56.12	56.76
	High school	14.89	10.16	9.79
	Below high school	0.65	0.06	0.06

4. Spending on environmental protections

4.1 There were no financial loss (including indemnities) or fines against the Company for polluting the environment in the past year and up to the date of report.

4.2 Working environment and safety measures

Abiding by the spirit of ISO 14001 environmental management systems, Winbond is committed to providing and maintaining a working environment commensurate with governmental laws and industrial practices. Winbond endeavors to comply with advanced international environmental protection standards and eliminate any foreseeable environmental risks through continuous improvements.

As a citizen of the global village and guided by the belief in environment-oriented design, Winbond is dedicated to the development of green products and the applications of energy-saving and low-pollution electronic products to achieve the goal of sustainable development.

Through preventative actions like process optimization, we continuously improve manufacturing process by reducing consumption of electricity, water and materials per unit output and minimizing the emission/discharge of major pollutants. We acquire all necessary permits as required by law and personnel have been charged to manage the environmental matters. During the fab construction stage, the treatments of waste water, gases and solid waste have been incorporated into the recycling systems to curtail the attrition of resources and generation of pollutants.

Our persistent efforts in environment protection have gained recognition and awards from the Environmental Protection Administration and Ministry of Economic Affairs, including Outstanding Environmental Protection Award, National Industrial Waste Reduction Excellence Award, and Green House Gases Voluntary Reduction Award. Our Creation Road Site has also been conferred an Environment Honorary Award from the Environmental Protection Administration for receiving the Corporate Environmental Protection Award three years consecutively.

Winbond also incorporates OHSAS 18000 in safety, health and environmental management and integrates those tasks into a SHE management system to enhance the efficiency and performance of total environmental management.

Looking into the future, holding onto the spirit of sustainable development and responding to the increasingly heightened awareness to environmental protection, Winbond will continue to allocate appropriate outlay on environmental protection and adopt innovative technology to boost the efficiency of pollution control and treatment facilities as we endeavor to minimize possible impact on the environment brought about by production activities.

5. Employees- employer relations

5.1 Employee welfare, education and training, retirement system and implementation

5.1.1. Employee welfare

The Company has organized the “Employee Welfare Committee”, “Pension Fund Supervisory Committee”, “Labor Safety and Hygiene Committee”. The communication channel between employees and management is open through the company e-newsletter, labor-management meeting, and the proposition system.

5.1.2. Employee training and education

The Company has created a diverse learning environment for the employees in accordance with the internal “Education and Training Procedure” to achieve the goal of “Respect Each Individual While Cultivating Professional Skills.” The employee learning channels include:

(1) Training programs: Programs on professional skills, quality control, work safety, management and common knowledge are planned each year according to needs. Courses are offered according to the designed programs for employees to take part. In 2009, the company held 1,302 hours of training courses for 6,207 persons/times.

(2) E-environment: The Company offers different online training programs through the company training website. Employees can learn without the constraints of time and space. All class materials are available online.

(3) Life-time learning: To encourage all employees to develop and grow continuously, the Company recommends employees to enroll in master and doctoral programs offered by accredited universities in the country and abroad in accordance with the internal "On-the-Job Continuing Education Rules" with company subsidy. Grants are also given to employees taking part in different training programs organized by outside institutions for them to enrich themselves with work-related knowledge and skills or develop their language proficiency.

5.1.3. Retirement plan

The Company has drafted a retirement plan in accordance with the Labor Standards Law and formed a Pension Fund Supervision Committee to oversee the appropriation of fund reserve and take charge of the review of retirement applications.

5.2 Licensing of personnel involved in the transparency of financial information

Certified internal auditor: Two persons in Internal Audit Dept.

5.3 Labor-management agreement and practices for protecting employee benefits

1. The Company has drawn up the Labor-Management Meeting Procedure and holds such meetings periodically to consult and discuss employee-related issues. Related departments are assigned to deal with the issues resolved in the meeting within a specific period of time.

2. To provide the employees with a legal, reasonable and fair work environment, the Company has drafted the Internal Complaint Procedure to safeguard the rights and interests of the employees and assist them in the complaint of illegal or unreasonable treatments.

5.4 Losses due to labor disputes in most recent year and up to the date of report: None.

5.5 Estimated losses from employees- employer dispute and response measures

The Company holds regular employees- employer meetings to promote exchange of views and reach consensus on issues that may arise. Since the Company's inception, there have been no material disputes between employees and employer .

5.6 Employee code of conduct

The company has comprehensive rules in place for employee code of conduct in relation to work ethics, protection of intellectual property rights/trade secrets and order at workplace as elaborated follows:

5.6.1. Work ethics

(1) Work rules: A specific section is dedicated to service guidelines and the general guideline for the prevention of sexual harassment.

(2) Rules for the prevention of sexual harassment at workplace: The rules are instituted in accordance with applicable regulations that make explicit declaration of the Company against sexual harassment at workplace and relevant measures on its prevention, correction and punishment of the offenders.

(3) Employment contract: The contract has a clause on loyalty and honest execution of duties.

5.6.2. Protection of intellectual property rights and confidentiality of business secrets

(1) Work rules: A specific section is dedicated to the general rules for confidentiality of business secrets.

(2) Employment contract: The contract has clauses on confidentiality, ownership of documents, confidential information, intellectual or industrial property rights, and non-competition.

5.6.3. Order at workplace

(1) Authority and responsibility: The “Guidelines for Hierarchy of Responsibilities” defines the authority and responsibility of employees at all levels and provides the guidelines in the performance of duties.

(2) Job functions of all departments: Proper divisions of labor and job descriptions of all functions are well defined.

(3) Restriction on recruiting relatives: The Company has instituted the “Instructions for Avoiding the Recruitment of Relatives” whereby employees at certain positions should excuse themselves from hiring when their relatives are involved to keep management efficiency and effectiveness from undue influence of kinship relationship between employees.

(4) Attendance management

A. The “Leave Rules” specify the principle for taking leave and related rules.

B. “Rules for Domestic Business Trip” and “Rules for Overseas Business Trip” specify the procedure for making application before taking business trips to facilitate management and activate the agency mechanism; proper travel subsidy is provided for personnel on business trip to help them accomplish their missions.

C. “Overtime Rules” specify the principle and rules for taking overtime.

D. “Rules for Day Off in the Event of Natural Disaster and Emergency” specify the standards for day off in the event of (or after) a natural disaster or emergency accident.

(5) Performance management

A. “Rules for Performance Management and Review” aims at understanding the strength and weakness of respective employees and helping them develop their capabilities through the achievement of their own goals; employees are also evaluated against the performance of their peers at work to determine individual contribution to the organization.

B. “Performance Supervision Operating Rules” aim at upgrading the overall productivity of the company through the supervision of employee performance.

(6) Reward and punishment

The “Reward and Punishment Rules” provide reward and punishment for outstanding performers and rule offenders in the company so as to boost and maintain work morale and to uphold order at the workplace.

(7) Human resources development

A. The “On-the-Job Continuing Education Rules” are established to create proper channels for continuing education to train talents needed by the long-term operation of the company.

B. “Rules for Applying to Participate in Academic Organizations”: Employees can broaden their knowledge and experience and keep abreast of the latest information in respective professional fields through participation in academic organizations.

(8) Communication channels

A. The “Labor-Management Meeting Rules” aim at building the corporate consensus of “Sharing Glory and Shame” and encouraging concerted efforts in for business development and employee welfare; establishing proper channels for communications between employees and management to avoid dispute; and promoting harmonious labor-management relation to enhance productivity.

B. “Rules for Filing Complaints” provide the channel for all employees to express their opinions and file complaints so as to uphold the rights and privileges of the employees and promote communication within the Company.

C. “Proposition Rules” aim at helping the Company to make continuous improvement through the collective wisdom and creativity of employees, and rewarding propositions that help the overall operation of the Company so as to encourage employees to contribute their wisdom and experience.

6. Material contracts

Nature of contract	Contracting parties	Term of contract	Content	Restriction clauses
Technical cooperation	Infineon Technologies AG of Germany	2004.08~2009.08	Licensing of 90nm DRAM technology and reserving specific capacity (Note 1, Note 2)	None
Syndicated loan	23 banks in the consortium, including Bank of Taiwan and First Bank	2005.01~2010.06	NT$8 billion syndicated loan for the 12-inch fab	None
Syndicated loan	22 banks in the consortium, including Bank of Taiwan and Chinatrust Commercial Bank	2005.10~2010.12	NT$15 billion syndicated loan for the 12-inch fab	None
Technical cooperation	Qimonda AG of Germany	2006.08~2011.06	Licensing of 80nm DRAM technology and reserving specific capacity (Note 2)	None
Technical cooperation	Qimonda AG of Germany	2007.06~2014.12	Licensing of 75nm and 58nm DRAM technology and reserving specific capacity (Note 2)	None
Syndicated loan	8 banks in the consortium, including Chinatrust Commercial Bank	2007.09~2011.12	NT$5 billion syndicated loan for working capital	None
Foundry service	Vanguard International Semiconductor	2008.01~2011.12	Winbond obtains long-term foundry service from Vanguard International Semiconductor	None
Technical cooperation	Qimonda AG of Germany	2008.04~2015.12	Licensing of 65nm DRAM technology and reserving specific capacity (Note 2)	None
Syndicated loan	11 banks in the consortium, including Chinatrust Commercial Bank	2008.06~2013.06	NT$7.7 billion syndicated loan for the 12-inch fab	None
Syndicated loan	9 banks in the consortium, including Bank of Taiwan.	2009.07~2012.07	NT$3.7 billion syndicated loan for working capital	None
Technical cooperation	Qimonda AG of Germany	2009.08~2015.12	Licensing of graphics DRAM product and technology and expanded licensing for 90-65nm process technology	None
Asset purchase	Qimonda AG of Germany	2009.09	Purchase of equipment for production of graphics DRAM	None

Note 1: Infineon Technologies (Germany) transferred this contract to the independent split-off Qimonda AG (Germany) in 2006.
Note 2: Winbond and Qimonda AG entered an agreement in August 2009 to terminate the prior agreement on reserving specific capacity.

Financial Overview

1. Condensed balance sheets, statements of income, names of auditors, and audit opinions

1.1 Condensed balance sheets

Unit: NT$1,000

Item\Year		Financial information: FY2005 - FY2009				
		2005	2006	2007	2008	2009
Current assets		18,973,656	21,454,743	33,331,620	14,711,865	12,833,810
Funds and long-term investments		8,690,605	10,099,057	11,278,403	6,067,232	4,932,326
Fixed assets		45,154,792	54,126,654	45,263,397	48,574,062	42,048,999
Intangible assets		3,378,676	2,682,506	1,209,645	565,545	1,530,973
Other assets		4,573,208	4,033,199	3,977,653	3,457,755	3,816,552
Total Assets		80,770,937	92,396,159	95,060,718	73,376,459	65,162,660
Current iabilities	Basic	13,085,887	9,435,358	27,282,150	15,702,411	15,854,667
	Diluted	13,085,887	10,805,918	27,282,150	15,702,411	15,854,667
Long-term liabilities		11,907,731	25,116,341	16,000,000	19,033,333	15,116,660
Other liabilities		575,248	904,819	923,097	386,406	337,296
Total liabilities	Basic	25,568,866	35,456,518	44,205,247	35,122,150	31,308,623
	Diluted	25,568,866	36,827,078	44,205,247	35,122,150	31,308,623
Paid-in capital		41,555,982	38,705,002	37,906,612	37,273,812	36,564,972
Capital surplus		20,227,523	17,935,969	17,864,197	13,007,928	13,181,004
Retained earnings (Accumulated loss)	Basic	(2,227,023)	2,364,370	(4,818,337)	(7,364,903)	(15,977,842)
	Diluted	(2,227,023)	993,810	(4,818,337)	(7,364,903)	(15,977,842)
Unrealized gain (loss) on financial products		(2,210,409)	(625,014)	212,215	(4,559,530)	(254,377)
Cumulative translation adjustments		485,024	473,379	473,190	519,091	446,667
Total shareholders' equity	Basic	55,202,071	56,939,641	50,855,471	38,254,309	33,854,037
	Diluted	55,202,071	55,569,081	50,855,471	38,254,309	33,854,037

Note 1: The 2009 financial data have been approved by the Board of Directors on March 8, 2010, but have not yet been submitted to the shareholders' meeting.

Note 2: The financial information for FY 2005 to FY 2009 was audited and certified by accountants.

1.2 Condensed statements of income

Unit: NT$1,000

Item\Year	Financial information: FY2005 - FY2009				
	2005	2006	2007	2008	2009
Sales revenue	27,815,070	34,488,386	32,104,435	21,828,011	19,532,712
Gross profit (loss)	4,881,968	9,837,475	1,988,737	(2,486,609)	(2,947,940)
Operating income (loss)	(2,195,178)	3,863,347	(3,703,041)	(6,435,130)	(5,994,677)
Non-operating income and gain	1,606,687	1,007,772	1,269,708	1,383,733	130,917
Non-operating expense and loss	846,580	2,510,830	3,378,814	2,313,506	2,749,179
Continuing operations Income (loss) before tax	(1,435,071)	2,360,289	(5,812,147)	(7,364,903)	(8,612,939)
Cumulative effect of changes in accounting principles	-	4,081	-	-	-
Net income (loss)	(1,435,071)	2,364,370	(5,812,147)	(7,364,903)	(8,612,939)
Earnings per share (NT$)	(0.35)	0.62	(1.57)	(2.00)	(2.36)

Note 1: The 2009 financial data have been approved by the Board of Directors on March 8, 2010, but have not yet been submitted to the shareholders' meeting.

Note 2: The financial information for FY 2005 to FY 2009 was audited and certified by accountants.

Note 3: The Statements of Financial Accounting Standard No. 10 – Inventories begins to apply on January 1, 2009. Some 2008 accounts are reclassified to facilitate comparative analysis.

1.3 Names of auditors and audit opinions

Year	CPA	Audit opinion
2005	Kenny Hong and H. B. Yu	Unqualified opinion
2006	C. C. Lu and W. C. Lin	Modified unqualified opinion (Note 1)
2007	C. C. Lu and W. C. Lin	Unqualified opinion
2008	C. C. Lu and M. Y. Chiu	Unqualified opinion
2009	C. C. Lu and M. Y. Chiu	Modified unqualified opinion (Note 2)

Note 1: The CPA issued a modified unqualified opinion in their audit report for the Company's 2006 financial statements because the Company adopts the newly published Statements of Financial Accounting Standard No. 34 Accounting Treatment of Financial Products, No. 36 Presentation and Disclosure of Financial Products, and other relevant statements starting January 1, 2006.

Note 2: The CPA issued a modified unqualified opinion in their 2009 audit report because the Company begins to adopt the newly revised Statements of Financial Accounting Standard No. 10 – Inventories on January 1, 2009 and the financial statements of some investee companies accounted for by equity method were audited by other CPA.

2. Financial analysis (2005 - 2009)

Item＼Year			Financial analysis: FY2005 - FY2009				
			2005	2006	2007	2008	2009
Financial structure	Debt-to-assets ratio (%)		31.66	38.37	46.50	47.86	48.04
	Long-term fund to fixed assets ratio (%)		148.62	151.60	147.70	117.93	116.46
Solvency	Current ratio (%)		144.99	227.39	122.17	93.69	80.94
	Quick ratio (%)		113.38	160.25	101.18	64.94	48.78
	Times interest earned		-	8.70	-	-	-
Operating ability	Receivables turnover ratio (times)		7.99	6.17	5.86	7.54	8.58
	Average days of collection		46	59	62	48	43
	Inventory turnover ratio (times)		4.92	4.92	5.40	5.44	5.37
	Payables turnover ratio (times)		8.75	8.09	9.47	9.35	7.60
	Average days of sales		74	74	68	67	68
	Fixed assets turnover ratio (times)		0.81	0.69	0.65	0.46	0.43
	Total assets turnover ratio (times)		0.38	0.40	0.34	0.25	0.28
Profitability	Return on assets (%)		(1.88)	3.00	(5.52)	(8.02)	(11.72)
	Return on shareholder's equity (%)		(2.49)	4.22	(10.78)	(16.52)	(23.88)
	% to paid-in capital (%)	Operating income	(5.28)	9.98	(9.77)	(17.26)	(16.39)
		Income before tax (%)	(3.45)	6.10	(15.33)	(19.75)	(23.55)
	Net profit margin (%)		(5.16)	6.86	(18.10)	(33.74)	(44.09)
	Earnings per share (NT$)		(0.35)	0.62	(1.57)	(2.00)	(2.36)
Cash flows	Cash flow ratio (%)		74.13	97.47	39.98	17.38	29.09
	Cash flow adequacy ratio (%)		102.82	86.07	80.98	60.27	48.93
	Cash reinvestment ratio (%)		6.94	5.64	9.21	3.15	5.73
Leverage	Operating leverage		(4.96)	4.51	(3.19)	(0.74)	(0.96)
	Financial leverage		0.96	1.08	0.81	0.88	0.90

Reasons for change of financial ratio exceeding 20% in 2009:
1. Decreases in quick ratio were mainly due to repayment of long-term debts that led to a decrease in cash.
2. Decreases in return on assets, return on shareholders' equity, and net profit margin in 2009 were mainly due to an increase in net loss after-tax.
3. Increases in cash flow ratio were mainly due to an increase in cash inflow from operating activities.
4. Increases in cash reinvestment ratio were mainly due to an increase in cash inflow from operating activities, and the sell of equipment that led to a decrease in gross fixed assets.
5. Decreases in operating leverage were mainly due to a decrease in sales revenue.

Note 1: Financial data from 2005 to 2009 have been audited by certified public accountant.

Note 2: Computation formulas used in financial analysis:

1. Financial structure
   (1) Debt-to-asset ratio = total liabilities / total assets.
   (2) Long-term fund to fixed assets ratio＝(net shareholders' equity + long-term debt) / net fixed assets.
2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets – inventory – prepaid expense) / current liabilities.
   (3) Time interest earned = net income before income tax and interest expense / current interest expense.
3. Operating ability
   (1) Receivable (including accounts receivable and business-related notes receivable) turnover ratio = net operating revenue / average balance of receivable of the period (including accounts receivable and business-related notes receivable).
   (2) Average days of collection ＝365 / receivables turnover ratio.
   (3) Inventory turnover ratio＝cost of goods sold / average amount of inventory.
   (4) Payable (including accounts payable and business-related notes payable) turnover ratio = cost of goods sold / average balance of payable of the period (including accounts payable and business-related notes payable).
   (5) Average days of sales ＝365 / inventory turnover ratio.
   (6) Fixed assets turnover ratio＝net sales / net average fixed assets.
   (7) Fixed assets turnover ratio＝net sales / total average fixed assets.
4. Profitability
   (1) Return on assets ＝ [net income + interest expense (1-tax rate)] / average total assets.
   (2) Return on shareholder's equity＝ net income / net average shareholders' equity.
   (3) Net profit margin＝ net income / net sales.
   (4) Earnings per share＝(net income – dividend to preferred stock) / weighted average of shares issued.
5. Cash flows
   (1) Cash flow ratio = new cash flows from operating activities / current liabilities.
   (2) Cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividend) in the past five years.
   (3) Cash reinvestment ratio = (net cash flows from operating activities –cash dividend) / (gross fixed assets + long-term investment + other assets + working capital).
6. Leverage :
   (1) Operating leverage＝(net operating income － variable operating cost and expenses) / operating income.
   (2) Financial leverage＝operating income / (operating income － interest expense)

3. 2009 financial statements

Winbond Electronics Corporation

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Winbond Electronics Corporation

We have audited the accompanying balance sheets of Winbond Electronics Corporation (the "Company") as of December 31, 2009 and 2008, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. Certain long-term investments were accounted for under the equity method based on financial statements as of and for the year ended December 31, 2009 of the investees, which were audited by other auditors. Our opinion, insofar as it relates to such investments, is based solely on the reports of other auditors. The investments in such investees amounted to NT$49,935 thousand which constituted 0.08% of total assets as of December 31, 2009; investment income amounted to NT$6,417 thousand which constituted - 0.07% of loss before income tax for the year then ended.

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

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the financial statements, effective January 1, 2009, the Company adopted the newly revised Statement of Financial Accounting Standards No. 10, "Accounting for Inventories".

We have also audited the consolidated balance sheets of Winbond Electronics Corporation and its subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended (not presented herewith), and have expressed in our report thereon an unqualified opinion with explanatory paragraphs and an unqualified opinion, respectively, dated February 25, 2010.

February 25, 2010

Notice to Readers

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

For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail. Also, as stated in Note 2 to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

WINBOND ELECTRONICS CORPORATION

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

	2009		2008	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 2,859,313	5	$ 5,661,938	8
Financial assets at fair value through profit or loss, current (Notes 2 and 5)	17,252	-	16,025	-
Available-for-sale financial assets, current (Notes 2 and 8)	2,004,572	3	1,912,619	3
Notes receivable, net (Notes 2 and 6)	5,186	-	7,679	-
Accounts receivable, net (Notes 2 and 6)	2,177,114	3	1,507,911	2
Accounts receivable from related parties, net (Notes 6 and 23)	438,410	1	413,108	-
Other financial assets, current	90,385	-	91,383	-
Inventories (Notes 2 and 7)	4,515,594	7	3,857,540	5
Deferred income tax assets, current (Notes 2 and 21)	141,000	-	586,000	1
Other current assets	584,984	1	657,662	1
Total current assets	12,833,810	20	14,711,865	20
FUND AND INVESTMENTS				
Available-for-sale financial assets, noncurrent (Notes 2 and 8)	-	-	353,645	1
Financial assets carried at cost, noncurrent (Notes 2 and 9)	71,887	-	268,889	-
Long-term equity investments at equity method (Notes 2 and 10)	4,860,439	8	5,444,698	7
Total fund and investments	4,932,326	8	6,067,232	8
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 11)				
Cost				
Land	799,147	1	828,802	1
Buildings	15,274,748	23	14,458,294	19
Machinery and equipment	54,105,673	83	59,246,672	81
Other equipment	2,406,353	4	2,294,010	3
Total cost	72,585,921	111	76,827,778	104
Accumulated depreciation	(31,172,164)	(48)	(28,813,897)	(39)
Construction in progress and prepayments on purchase of equipment	635,242	1	560,181	1
Property, plant and equipment, net	42,048,999	64	48,574,062	66
INTANGIBLE ASSETS (Notes 2 and 12)	1,530,973	2	565,545	1
OTHER ASSETS				
Refundable deposits	102,636	-	133,153	-
Deferred income tax assets, noncurrent (Notes 2 and 21)	3,601,000	6	3,156,000	5
Others	112,916	-	168,602	-
Total other assets	3,816,552	6	3,457,755	5
TOTAL	$ 65,162,660	100	$ 73,376,459	100

	2009		2008	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term bank borrowings (Note 13)	$ 1,325,169	2	$ 2,613,926	4
Commercial paper payable (Note 14)	-	-	297,154	-
Notes payable	1,261,044	2	431,114	1
Accounts payable	2,694,142	4	1,525,618	2
Payable on equipment	1,527,732	2	2,085,767	3
Accrued expenses and other payables	1,411,731	2	1,018,811	1
Current portion of long-term liabilities (Note 16)	7,616,673	12	7,666,667	10
Other current liabilities	18,176	-	63,354	-
Total current liabilities	15,854,667	24	15,702,411	21
LONG-TERM LIABILITIES				
Long-term debt (Note 16)	15,116,660	23	19,033,333	26
OTHER LIABILITIES				
Accrued pension liabilities (Notes 2 and 17)	122,846	-	165,472	-
Reserve for product guarantee (Note 2)	47,985	-	49,200	-
Other liabilities - others	166,465	1	171,734	1
Total other liabilities	337,296	1	386,406	1
Total liabilities	31,308,623	48	35,122,150	48
STOCKHOLDERS' EQUITY				
Common stock (Note 18)	36,564,972	56	37,273,812	51
Capital surplus				
Paid-in capital in excess of par - common stock	10,786,697	16	10,995,806	15
Treasury stock transaction	1,971,862	3	1,544,992	2
Adjustment on long-term equity investments under equity method	36,439	-	95,943	-
Stock option (Notes 2 and 19)	17,181	-	2,362	-
Others (Note 15)	368,825	1	368,825	-
Retained earnings				
Accumulated deficit	(15,977,842)	(24)	(7,364,903)	(10)
Other equity				
Cumulative translation adjustments (Note 2)	446,667	1	519,091	1
Unrealized loss on financial instruments (Note 2)	(254,377)	(1)	(4,559,530)	(6)
Treasury stock (Notes 2 and 18)	(106,387)	-	(622,089)	(1)
Total stockholders' equity	33,854,037	52	38,254,309	52
TOTAL	$ 65,162,660	100	$ 73,376,459	100

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

WINBOND ELECTRONICS CORPORATION

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

	2009		2008	
	Amount	**%**	**Amount**	**%**
NET SALES	$ 19,532,712	100	$ 21,828,011	100
COST OF SALES (Note 7)	22,494,628	115	24,314,222	111
REALIZED (UNREALIZED) INTERCOMPANY PROFIT	13,976	-	(398)	-
GROSS LOSS	(2,947,940)	(15)	(2,486,609)	(11)
OPERATING EXPENSES				
Selling expenses	1,059,143	6	1,010,343	5
General and administrative expenses	459,401	2	679,880	3
Research and development expenses	1,528,193	8	2,258,298	10
Total operating expenses	3,046,737	16	3,948,521	18
LOSS FROM OPERATIONS	(5,994,677)	(31)	(6,435,130)	(29)
NON-OPERATING INCOME AND GAINS				
Interest income	14,623	-	169,055	1
Investment income	6	-	340,235	1
Gain on sale of property, plant and equipment (Notes 2 and 11)	11,755	-	346,718	2
Gain on disposal of investments (Note 10)	-	-	184,493	1
Foreign exchange gain, net (Note 2)	-	-	116,177	-
Gain on valuation of financial instruments (Note 5)	25,413	-	72,187	-
Others (Note 10)	79,120	1	154,868	1
Total non-operating income and gains	130,917	1	1,383,733	6
NON-OPERATING EXPENSES AND LOSSES				
Interest expense	654,956	4	808,372	4
Investment loss recognized under equity method (Note 10)	436,186	2	1,103,689	5
Other investment losses	-	-	71,865	-
Loss on disposal of property, plant and equipment (Note 2)	49,643	-	36,525	-
Loss on disposal of investments	1,535,474	8	-	-
Foreign exchange loss	16,320	-	-	-
Others (Note 15)	56,600	-	293,055	2
Total non-operating expenses and losses	2,749,179	14	2,313,506	11

(Continued)

WINBOND ELECTRONICS CORPORATION

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

	2009		2008	
	Amount	**%**	**Amount**	**%**
LOSS BEFORE INCOME TAX	$ (8,612,939)	(44)	$ (7,364,903)	(34)
CREDIT FOR INCOME TAX (Notes 2 and 21)	-	-	-	-
NET LOSS	$ (8,612,939)	(44)	$ (7,364,903)	(34)

	2009		2008	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
LOSS PER SHARE (Notes 2 and 22)				
Basic loss per share	$ (2.36)	$ (2.36)	$ (2.00)	$ (2.00)

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

WINBOND ELECTRONICS CORPORATION

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

		Capital Surplus					Retained Earnings			Other Equity			
	Common Stock	Paid-in Capital in Excess of Par - Common Stock	Treasury Stock Transaction	Adjustments on Long-Term Equity Investments under Equity Method	Stock Option	Others	Legal Reserve	Special Reserve	Accumulated Deficit	Cumulative Translation Adjustments	Unrealized Loss on Financial Instruments	Treasury Stock	Total
BALANCE, JANUARY 1, 2008	$ 37,906,612	$ 16,000,820	$ 1,366,638	$ 127,914	$ 368,825	$ -	$ 236,437	$ 151,358	$ (5,206,132)	$ 473,190	$ 212,215	$ (782,406)	$ 50,855,471
Offsetting accumulated deficit	-	(4,818,337)	-	-	-	-	(236,437)	(151,358)	5,206,132	-	-	-	-
Net loss for 2008	-	-	-	-	-	-	-	-	(7,364,903)	-	-	-	(7,364,903)
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	45,901	-	-	45,901
Changes in unrealized loss on financial instruments	-	-	-	-	-	-	-	-	-	-	(4,771,745)	-	(4,771,745)
Capital surplus from investee under equity method	-	-	-	(1,565)	-	-	-	-	-	-	-	-	(1,565)
Adjustment to capital surplus due to disposal of investments	-	-	-	(30,406)	-	-	-	-	-	-	-	-	(30,406)
Adjustment to capital surplus of conversion option due to the redemption of bonds payable	-	-	-	-	(368,825)	368,825	-	-	-	-	-	-	-
Increase in treasury stock	-	-	-	-	-	-	-	-	-	-	-	(480,806)	(480,806)
Cancellation of treasury stock	(632,800)	(186,677)	178,354	-	-	-	-	-	-	-	-	641,123	-
Compensation cost of employee stock options	-	-	-	-	2,362	-	-	-	-	-	-	-	2,362
BALANCE, DECEMBER 31, 2008	37,273,812	10,995,806	1,544,992	95,943	2,362	368,825	-	-	(7,364,903)	519,091	(4,559,530)	(622,089)	38,254,309
Net loss for 2009	-	-	-	-	-	-	-	-	(8,612,939)	-	-	-	(8,612,939)
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	(72,424)	-	-	(72,424)
Changes in unrealized loss on financial instruments	-	-	-	-	-	-	-	-	-	-	4,305,153	-	4,305,153
Adjustment to capital surplus due to disposal of investments	-	-	-	(59,504)	-	-	-	-	-	-	-	-	(59,504)
Subsidiary dispose treasury stock (Note 18)	-	-	(19,243)	-	-	-	-	-	-	-	-	43,866	24,623
Cancellation of treasury stock	(708,840)	(209,109)	446,113	-	-	-	-	-	-	-	-	471,836	-
Compensation cost of employee stock options	-	-	-	-	14,819	-	-	-	-	-	-	-	14,819
BALANCE, DECEMBER 31, 2009	$ 36,564,972	$ 10,786,697	$ 1,971,862	$ 36,439	$ 17,181	$ 368,825	$ -	$ -	$(15,977,842)	$ 446,667	$ (254,377)	$ (106,387)	$ 33,854,037

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

WINBOND ELECTRONICS CORPORATION

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

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (8,612,939)	$ (7,364,903)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	9,896,149	8,410,726
Amortization	344,683	731,228
Loss on bad debt	665,034	551,000
(Recovery from) loss on decline in market value and obsolescence and abandonment of inventories	(1,171,197)	414,217
Loss (gain) on disposal of investments, net	1,535,474	(184,493)
Investment loss recognized under equity method, net	436,186	1,103,689
Impairment losses on financial assets carried at cost	-	71,865
Net losses (gains) on disposal of property, plant and equipment	37,888	(310,100)
Recovery from obsolescence of spare parts	(85)	(37)
Gain on valuation of put option of convertible bonds	-	(67,088)
Amortization of discount on bonds payable and reserve for redemption of bonds	-	65,522
Loss on redemption of bonds	-	271,835
Foreign exchange adjustment on bonds payable	-	(203,527)
Compensation cost of employee stock options	13,950	2,247
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss, current	(1,227)	420,269
Notes receivable	3,493	7,689
Accounts receivable	(1,335,237)	823,049
Accounts receivable from related parties	(39,560)	536,016
Other financial assets, current	998	15,277
Inventories	513,143	(303,151)
Other current assets	72,678	(38,976)
Other assets	51,067	72,405
Notes payable	829,930	(598,272)
Accounts payable	1,168,524	(683,630)
Accrued expenses and other payables	392,921	(734,397)
Other current liabilities	(45,178)	9,702
Other liabilities	(144,031)	(288,704)
Net cash provided by operating activities	4,612,664	2,729,458
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property, plant and equipment	(4,215,898)	(14,088,560)
Acquisition of long-term investments under equity method	(389,532)	(676,569)
Acquisition of available-for-sale financial assets	-	(654,018)
Proceeds from return of capital by long-term investment under equity method	591,115	583,630
Proceeds from return of capital by financial assets carried at cost	31,024	20,000
Proceeds from disposal of long-term investments under equity method	873,372	-

(Continued)

WINBOND ELECTRONICS CORPORATION

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

	2009	2008
Proceeds from disposal of available-for-sale financial assets	$ 2,034,249	$ 720,376
Proceeds from disposal of financial assets carried at cost	252,515	-
Proceeds from disposal of property, plant and equipment	248,972	588,138
Payments for intangible assets	(1,288,528)	(200,193)
Cash transferred to spun-off Logic IC business	-	(234,813)
Net cash used in investing activities	(1,862,711)	(13,942,009)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term bank borrowings	(1,288,757)	2,613,926
(Decrease) increase in commercial paper payable	(297,154)	297,154
(Decrease) increase in long-term debt	(3,966,667)	3,033,333
Redemption of convertible bonds	-	(3,685,500)
Increase in treasury stock	-	(480,806)
Net cash (used in) provided by financing activities	(5,552,578)	1,778,107
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,802,625)	(9,434,444)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,661,938	15,096,382
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,859,313	$ 5,661,938
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest during the year	$ 708,667	$ 924,072
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	$ 7,616,673	$ 7,666,667
Cumulative translation adjustments	$ (72,424)	$ 45,901
Unrealized gain (loss) on financial instruments	$ 4,305,153	$ (4,771,745)
Adjustment to capital surplus due to disposal of investments	$ (59,504)	$ (30,406)
Capital surplus from investee under equity method	$ -	$ (1,565)
Cancellation of treasury stock	$ 471,836	$ 641,123
Equity-method investments reclassified into available-for-sale financial assets due to the merger	$ -	$ 584,090
ITEMS AFFECTED BY SPIN-OFF OF LOGIC IC BUSINESS		
Noncash assets transferred to spun-off Logic IC business	$ -	$ 2,852,582
Liabilities transferred to spun-off Logic IC business	-	(363,485)
Acquired net equity in Logic IC business	-	(2,723,910)
Cash transferred to spun-off Logic IC business	$ -	$ (234,813)

(Continued)

WINBOND ELECTRONICS CORPORATION

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

	2009	2008
CASH PAYMENT FOR ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT		
Net increase in acquisition of property, plant and equipment	$ 3,657,863	$ 12,506,189
Add payable for property, plant and equipment, beginning of year	2,085,767	3,668,138
Less payable for property, plant and equipment, end of year	(1,527,732)	(2,085,767)
Cash payment for acquisitions of property, plant and equipment	$ 4,215,898	$ 14,088,560

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

1. ORGANIZATION AND OPERATIONS

Winbond Electronics Corporation (the "Company") was incorporated in the Republic of China ("ROC") on September 29, 1987 and is engaged in the design, development, manufacture and marketing of Very Large Scale Integration ("VLSI") integrated circuits ("ICs") used in a variety of microelectronic applications. In addition to its own products, the Company offers a foundry service for other Taiwanese and foreign IC producers and designers. A public offering of the Company's common stocks was made on October 18, 1995, and the stocks are traded on the Taiwan Stock Exchange.

For the specialization and division of labors and the reinforcement of core competitive ability, the plan to spin-off the Logic IC business has been approved in the Company's regular stockholders' meeting on April 30, 2008. The logic IC business was spun-off into Nuvoton Technology Corporation which is a subsidiary of the Company. It assumed all the existing assets and liabilities of the Logic IC business on July 1, 2008. (See Note 10)

There are 1,732 and 2,015 employees in the Company as of December 31, 2009 and 2008, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements were prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the ROC. In preparing financial statements in conformity with these guidelines and principles, the Company is required to make some estimates and assumptions that could affect the amounts of allowance for doubtful accounts, allowance for inventory devaluation, property depreciation, pension liabilities and product guarantee, etc. Actual results may differ from these estimates.

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail. However, the accompanying financial statements do not include English translation of the additional footnote disclosures that are not required under generally accepted accounting principles but are required by the Securities and Futures Bureau for their oversight purposes.

The significant accounting principles are summarized as follows:

Current/Noncurrent Assets and Liabilities

Current assets include cash and cash equivalents, and those assets held primarily for trading purposes or to be realized, sold or consumed within one year from the balance sheet date. All other assets such as property, plant and equipment and intangible assets are classified as noncurrent. Current liabilities are obligations incurred for trading purposes or to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent.

Cash and Cash Equivalents

Cash includes unrestricted cash on hand and cash in bank. Government bonds under repurchase agreements and notes acquired with maturities of less than three months from the date of purchase are classified as cash equivalents. The carrying amount approximates fair value.

Financial Instrument at Fair Value through Profit or Loss

Financial instruments at fair value through profit or loss include financial assets and financial liabilities held for trading purpose. Upon initial recognition, they are recognized at the fair values plus transaction costs. After initial recognition, they are measured at fair values and the changes in the fair values are recognized as the profits or losses. Cash dividends received are recorded as dividends revenue, including the dividends received in the year of acquisition. When the financial instruments are disposed of, the difference between carrying amount and the price received or paid is recognized as the profit or loss. All purchases and sales of financial assets are recorded on the trade date basis.

Derivatives that are not subject to measurement under hedge accounting are classified as financial assets or financial liabilities at fair value through profit or loss. The positive fair values of derivatives are recognized as financial assets; negative fair values are recognized as financial liabilities.

The fair value of open-end mutual fund is the published fair value per unit at the balance sheet date. Marketable securities are stated at the closing price at the balance sheet date.

Allowance for Doubtful Accounts

Allowance for doubtful accounts is determined by the Company's management based on the evaluation of the probability of collection of notes and accounts receivable. The Company determines the amount of allowance for doubtful accounts by examining the aging analysis of outstanding accounts receivable and current trends in the credit quality of its customers as well as its internal credit policies.

Revenue Recognition

Sales are recognized when titles of products and risks of ownership are transferred to customers.

Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process. Before January 1, 2009, inventories were stated at the lower of cost or market value. Any write-down was made on an item by item basis. Market value meant replacement cost for raw materials and supplies and net realizable value for finished goods and work in process. As stated in Note 3, effective January 1, 2009, inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made item by item. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. After initial recognition, they are measured at fair value and the changes in fair value of available-for-sale financial assets are recorded as an adjustment of stockholders' equity. When the financial assets are disposed of, the related accumulated fair value changes are taken out of stockholders' equity and recognized in the profit and loss. All purchases and sales of available-for-sale financial assets are recorded on the trade date basis.

Stock dividends are recorded as an increase in the number of shares and do not affect investment income or the carrying amount of the investment.

The fair value of open-end mutual fund is the published fair value per unit at the balance sheet date. Marketable securities are stated at the closing price at the balance sheet date.

If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment loss decreases, for equity securities, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to stockholders' equity; for debt securities, the amount of the decrease is recognized in earnings, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

Financial Assets Carried at Cost

Equity instruments, including unlisted stocks, are measured by the original cost since their fair value can't be reliably measured. Accounting policies for dividends received are similar to those in available-for-sale financial assets.

An impairment loss is recognized if there is objective evidence of impairment and subsequent reversal of such impairment loss is not allowed.

Long-term Equity Investments Accounted for Using Equity Method

Investments in corporations in which the Company's ownership interest is over 20% or the Company exercises influence on the operating and financial policy decision are accounted for by the equity method.

When equity investments are made, the excess of the purchase cost over the fair value of net assets representing goodwill will not be amortized, but will be tested for impairment periodically, or more frequently, if events or changes in circumstances indicate that such carrying value may not be recoverable.

When the Company subscribes for additional investee shares at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment in the investee will differ from the amount of the Company's share of the investee's net equity. The Company records such difference as an adjustment to long-term investments with the corresponding amount charged or credited to capital surplus. If the balance of the capital surplus account relating to a long-term equity investment is not sufficient to absorb such an adjustment, any excess is charged against retained earnings.

If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. For those investees over which the Company exercises significant influence on their operating and financial decision, the assessment of impairment is based on carrying value. For those investees over which the Company has control, the assessment of impairment is based on cash-generating units of the consolidated company as a whole.

Long-term equity investments accounted for using equity method in which the investee is acquired by another company and the Company had lost its ability to exercise significant influence over the investee are reclassified into available-for-sale financial assets and stated at fair value. The difference between the fair value of available-for-sale financial assets and the carrying value of long-term equity investments accounted for using equity method is recognized in the profit and loss.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Expenditures that would increase the value or extend the useful lives of property, plant and equipment are capitalized.

Interest is capitalized during the construction period of property, plant and equipment until a qualifying asset is substantially completed and ready for its intended use.

Depreciation is provided on the straight-line method over the following estimated useful lives of the related assets, plus one additional year for salvage:

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

When an indication of significant impairment is determined, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in the future period, the subsequent reversal of the impairment loss would be recognized as a gain. However, the increased carrying amount of an asset due to reversal of an impairment loss should not exceed the carrying amount that would have been determined (net of depreciation), had no impairment loss been recognized for the assets in prior years.

Upon sale or disposal of property, plant and equipment, the related cost and accumulated depreciation are removed from the accounts and any related gain or loss is included in non-operating income or non-operating expenses.

Intangible Assets

Intangible assets are stated at acquisition cost less accumulated amortization and included in assets. Such assets are amortized over three to five years from the commencement of production using the straight-line method. If the assets' future benefits are impaired, the excess of carrying amount will be recognized in current loss to present the fair value of the assets.

Bonds Payable

a. Convertible bonds issued before January 1, 2006

   The convertible bonds are issued at par value, and the issuing costs are amortized using the straight-line method over the period from the date of issuance to the date of maturity. If the put option expires without exercise, the reserve for redemption of convertible bonds is amortized as a deduction of interest expense over a period starting from the next day of expiration date of put option to the maturity date of the bonds using the effective interest rate method.

b. Convertible bonds issued after January 1, 2006

   1) Initial recognition and measurement

      In accordance with Statement of Financial Accounting Standards No. 36, "Financial Instruments: Disclosure and Measurement," embedded derivatives, such as conversion option and put option with economic characteristics and risks that are not closely related to the economic characteristics and risks of the host contract are separated from the host contract. Conversion option, giving bondholders contractual right to receive a fixed number of the Company's share for a fixed stated principal amount of the bonds, is initially recognized as "capital surplus - stock option." Put option is initially recognized as "financial liabilities at fair value through profit or loss." When fair value is subsequently measured, the changes in fair value are recognized in current income. The carrying value of host contract is measured at amortized cost using the straight line method; the related interest expense or redemption gain or loss is recognized as current income.

2) Conversion and put option

When the bondholders exercise the conversion option, the Company shall adjust the carrying value of "financial liabilities at fair value through profit or loss" to fair value and "bonds payable" to amortized cost by the straight line method. The aforesaid carrying value of the bonds and put option is credited to capital stock accounts as well as "capital surplus - stock option."

If the bondholders can exercise put option within one near year after the balance sheet date, bonds payable and the embedded non-equity derivatives shall be classified as current liabilities. However, when the put option expires, unexercised bonds payable and the embedded non-equity derivatives shall be reclassified to noncurrent liabilities.

If the put option expires without exercise, the carrying amount of the put option is reclassified to capital surplus if the strike price is below the Company's share price on the expiration date of the put option; otherwise, the put option shall be credited or charged to current income.

Reserve for Product Guarantee

For potential product risk, the Company accrues reserve for product guarantee based on the commitment to specific customers.

Benefit Pension Plan

For employees under defined contribution plans, pension costs are recorded based on the actual contributions made to employee's personal pension accounts. For employees under defined benefit pension plans, pension costs are recorded based on actuarial calculations.

Transaction in Foreign Currencies and Translation of Foreign Currency Financial Statements

Foreign currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange gains or losses derived from foreign currency transactions or monetary assets and liabilities denominated in foreign currencies are recognized in current income. At the balance sheet date, assets and liabilities denominated in foreign currencies are revalued at the prevailing exchange rates with the resulting gains or losses recognized in current income or loss.

Foreign non-currency assets and liabilities (e.g., equity instrument) which are measured at fair value shall be revalued at the balance sheet date exchange rates. The related translation adjustment on available-for-sale financial assets is included in stockholders' equity; and the translation adjustment on financial instrument at fair value through profit or loss is recorded in current year's profit or loss. Financial assets carried at cost are measured at historical rate on the transaction dates.

Long-term equity investments denominated in foreign currencies are restated at the balance sheet date exchange rates. The related translation adjustments are reported as an adjustment of stockholders' equity.

The aforesaid balance sheet date exchange rates are based on the middle prices of the major transaction banks.

Income Tax

The Company uses an inter-period tax allocation method for income tax. Deferred income tax assets and liabilities are recognized for the tax effect of temporary differences, operating loss carryforwards and investment tax credits. Valuation allowances are provided when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense or benefit is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Income tax credits, such as for purchase of machinery, research and development expenses and training expenses, are recognized as deduction of current income tax expense.

Income tax on unappropriated earnings at a rate of 10% is expensed in the year of stockholder approval which is the year subsequent to the year the earnings are generated.

Loss Per Share

Basic loss per share is calculated by dividing net loss applicable to common stock by the weighted average number of shares outstanding.

Stock-based Compensation

Employee stock options granted between January 1, 2004 and December 31, 2007 were accounted for under the interpretations issued by the Accounting Research and Development Foundation ("ARDF"). Under the interpretations, the Company adopted the intrinsic value method. Employee stock options granted on or after January 1, 2008 are accounted for under SFAS No. 39, "Accounting for Share-based Payment." Under SFAS No. 39, the Company adopted the fair value method.

Treasury Stock

The cost of shares purchased or fair value of shares donated by outside parties is charged to the treasury stock account.

Upon reissuance, the discrepancy between the cost of the treasury shares and the price received is reflected in stockholders' equity accounts.

The Company's stock held by subsidiaries is also treated as treasury stock.

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2008 have been reclassified to conform to the presentation of the financial statements as of and for the year ended December 31, 2009.

3. CHANGES IN ACCOUNTING PRINCIPLES

Accounting for Inventories

On January 1, 2009, the Company adopted the newly revised SFAS No. 10, "Accounting for Inventories". The adoption resulted in an increase of $91,057 thousand in net loss and an increase of $0.02 in after income tax basic loss per share for the year ended December 31, 2009. For comparison purposes, the Company also reclassified nonoperating losses of $414,217 thousand to cost of sales for the year ended December 31, 2008.

Accounting for Bonuses to Employees, Directors and Supervisors

In March 2007, the Accounting Research and Development Foundation ("ARDF") issued Interpretation 2007-052 that requires companies to recognize as compensation expenses bonuses paid to employees, directors and supervisors beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. The adoption of this interpretation didn't result in material effect on the financial statements for the year ended December 31, 2008.

Accounting for Share-based Payments

On January 1, 2008, the Company adopted the newly released SFAS No. 39, "Accounting for Share-based Payment" to account for employee stock options. Thus, the Company recognized the compensation cost of employee stock options of $2,247 thousand for the year ended December 31, 2008.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2009	**2008**
Cash on hand	$ 230	$ 230
Checking account	48,704	2,330
Demand deposit	125,625	289,332
Time deposit	2,297,835	4,774,646
Short-term bills	386,919	595,400
	$ 2,859,313	$ 5,661,938

Time deposits in the amounts of $74,389 thousand and $94,232 thousand as of December 31, 2009 and 2008, respectively, were pledged to secure purchase orders of materials and customs tariff obligations and are included in refundable deposits.

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2009	**2008**
Forward exchange contracts	$ 17,252	$ 16,025

For the years ended December 31, 2009 and 2008, the Company's strategy for forward exchange contracts is to hedge its exposures to fluctuations of foreign exchange rate. The Company's financial risk management objective is to hedge most of the market price risk and cash flows risk.

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

	Currencies	**Contract Expiration Date**	**Contract Amount (In Thousands)**
December 31, 2009			
Sell forward exchange contracts	USD to NTD	2010.01.07-2010.03.04	US$38,000/NT$1,226,424
Sell forward exchange contracts	USD to JPY	2010.02.11-2010.02.25	US$5,000/JPY452,170

December 31, 2008	Currencies	Contract Expiration Date	Contract Amount (In Thousands)
Sell forward exchange contracts	USD to JPY	2009.01.08	US$2,000/JPY195,360
Buy forward exchange contracts	JPY to NTD	2009.01.22	JPY400,000/NT$136,000
Sell forward exchange contracts	USD to EUR	2009.01.15	US$2,000/EUR1,389
Sell forward exchange contracts	USD to NTD	2009.01.05-2009.02.05	US$23,000/NT$756,590

The transactions of financial instruments at fair value through profit or loss resulted in a net gain of $25,413 thousand and $72,187 thousand for the years ended December 31, 2009 and 2008, respectively.

6. NOTES AND ACCOUNTS RECEIVABLE

	December 31 2009	December 31 2008
Notes receivable	$ 5,186	$ 8,679
Less allowance for doubtful notes	-	(1,000)
	$ 5,186	$ 7,679
Accounts receivable	$ 2,457,114	$ 2,128,911
Less allowance for doubtful accounts	(280,000)	(621,000)
	$ 2,177,114	$ 1,507,911
Accounts receivable from related parties (Note 23)	$ 438,410	$ 413,108

7. INVENTORIES

	December 31 2009	December 31 2008
Finished goods	$ 870,177	$ 1,262,483
Work-in-process	3,506,310	2,453,074
Raw materials and supplies	125,780	141,974
Inventories in transit	13,327	9
	$ 4,515,594	$ 3,857,540

As of December 31, 2009 and 2008, the allowance for inventory devaluation was $465,893 thousand and $1,671,943 thousand, respectively.

Recovery gain and write-down of inventories to net realizable value in the amount of $1,171,197 thousand and $414,217 thousand, respectively, were included in the cost of sales for the years ended December 31, 2009 and 2008.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31			
	2009		2008	
	Amount	Ownership Percentage	Amount	Ownership Percentage
Listed stocks				
Walton Advanced Engineering Inc.	$ 930,434	11	$ 281,404	14
Hannstar Display Corporation	847,894	2	1,131,442	5
Walsin Technology Corporation	226,244	2	72,241	2
Walsin Lihwa Corporation	-	-	428,755	2
Novatek Microelectronics Corporation	-	-	166,364	1
Powertech Technology Inc.	$ -	-	$ 87,382	-
Asustek Computer Inc.	-	-	73,585	-
Etron Technology Inc.	-	-	25,091	1
	2,004,572		2,266,264	
Less current portion	(2,004,572)		(1,912,619)	
	$ -		$ 353,645	

9. FINANCIAL ASSETS CARRIED AT COST

	December 31			
	2009		2008	
	Amount	Ownership Percentage	Amount	Ownership Percentage
Vita Genomic, Inc.	$ 58,634	3	$ 58,634	3
United Industrial Gases Co., Ltd.	-	-	154,867	8
Others	13,253	-	55,388	-
	$ 71,887		$ 268,889	

The Company's financial assets carried at cost do not have a quoted market price in an active market, and the fair value cannot be reliably measured. Impairment loss is evaluated periodically.

10. LONG-TERM EQUITY INVESTMENTS AT EQUITY METHOD

	December 31				
	2009			2008	
	Original Investment Cost	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Nuvoton Technology Corporation ("NTC")	$ 1,589,581	$ 1,851,362	75	$ 2,666,201	100
Winbond Int'l Corporation ("WIC")	2,729,616	1,564,705	100	1,568,548	100
Win Investment Corporation ("Win")	790,118	1,216,883	100	1,029,603	100
Landmark Group Holdings Ltd. ("Landmark")	1,206,576	187,988	100	146,156	100
Mobile Magic Design Corporation ("MMD")	50,000	39,499	100	34,188	100
Newfound Asian Corp. ("NAC")	208,960	1	100	1	100
Winbond Electronics (H.K.) Limited ("WEHK")	1,948	1	100	1	100
	$ 6,576,799	$ 4,860,439		$ 5,444,698	

Equity in gains (losses) of equity method investees was summarized as follows:

	Years Ended December 31	
	2009	**2008**
NTC	$ 400,865	$ (69,178)
WIC	(367,876)	(226,779)
Win	(122,767)	(71,327)
Landmark	(335,505)	(149,667)
MMD	4,487	2,928
NAC	(353)	(103,633)
WEHK	(15,037)	(13,732)
Marketplace Management Ltd. ("MML")	-	(50,319)
Pigeon Creek Holding Co., Ltd. ("PCH")	-	(173)
Nuvoton Investment Holding Ltd. ("NIH")	-	(366,087)
Nuvoton Electronics Technology (H.K.) Limited ("NTHK")	-	(14,258)
Cheertek Incorporation ("Cheertek")	-	(41,464)
	$ (436,186)	$ (1,103,689)

The investment income (loss) for the years ended December 31, 2009 and 2008 was based on the investees' financial statements audited by the auditors for the same except the financial statements of Nyquest Technology Co., Ltd. which is investee of NTC and CFP Technology Corp. which is investee of Win. Nyquest Technology Co., Ltd. and CFP Technology Corp. were audited by other auditors for the year ended December 31, 2009.

Adjustments to the long-term equity investments account and unrealized valuation loss on financial assets, which were recognized on the basis of the shareholders' equity of investees, are amounted to $144,121 thousand and $860,098 thousand as of December 31, 2009 and 2008.

For the specialization and division of labors and the reinforcement of core competitive ability, the Company spun off its Logic IC business and related assets and liabilities which amounted to $2,723,910 thousand into Nuvoton Technology Corporation ("NTC"), a subsidiary of the Company set up in April 2008, and then acquired 249,900 thousand shares of NTC's newly issued shares on July 1, 2008 according to Enterprise Mergers and Acquisitions Law of the ROC. Furthermore, the Company reorganized the structure of the whole group and transferred its Logic IC subsidiaries including NTHK, PCH, MML and NIH to NTC on July 1, 2008 to complete the spin-off project.

In June and November 2009, the Company sold 13,000 thousand shares and 40,000 thousand shares of NTC at $12 dollars and $18 dollars per share, respectively. The gain on this disposal was $243,408 thousand. Since partial disposal was made with subsidiary, the unrealized profit was eliminated (Please refer to note 23) and the other realized profit was recorded as a deduction of "non-operating expenses and losses-loss on disposal of investments" for the year ended December 31, 2009. Furthermore, in September 2009, NTC carried out a capital reduction through cash distribution, which represented approximately 24% of its outstanding shares. The Company reduced 56,880 thousand shares of NTC. As of December 31, 2009, the Company's investments in NTC were 149,666,360 shares with a 75% ownership interest.

Cheertek Incorporation ("Cheertek") was merged with Novatek Microelectronics Corporation ("Novatek") on June 30, 2008, with Cheertek as the terminated entity. Thus, 24,833,774 common shares of Cheertek owned by the Company were converted into 6,622,339 common shares of Novatek, equivalent to 1% ownership interest in Novatek, according to the exchange ratio. The Company recognized a gain on this transaction of $355,637 thousand, which was recorded in non-operating income and gains - gain on disposal of investments for the year ended December 31, 2008.

As of June 30, 2008, the unrealized gain on sale of the intangible assets of LCD Driver IC department to Cheertek in 2006, which amounted to $90,926 thousand, was recognized as non-operating income and gains - others for the year ended December 31, 2008 since Cheertek was terminated.

11. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation of property, plant and equipment consisted of the following:

	December 31	
	2009	2008
Buildings and improvements	$ 3,324,724	$ 2,198,758
Machinery and equipment	26,540,077	25,690,211
Others	1,307,363	924,928
	$ 31,172,164	$ 28,813,897

Capitalized interest for the year ended December 31, 2009 and 2008 amounted to $34,987 thousand and $189,293 thousand, respectively. The interest rates of interest capitalized were 1.55%-1.81% and 3.33%-3.43%, respectively.

As of December 31, 2009, the carrying value of $33,762,768 thousand of 12-inch Fab manufacturing facilities was pledged to secure long-term debt. Please refer to Note 16.

In March 2007, the Company entered into an asset transfer agreement with Vanguard International Semiconductor Corporation ("VIS") to sell the 8-inch Fab (located in Li-Shin Rd.) facilities and manufacturing equipment for the price of $7,848 million. The closing date was on January 1, 2008. Net profit on this transaction amounted to $451 million, with lease-back profit of $135 million deferred and will be recognized in the future lease period, and the remainder of $316 million was recognized as gain on sale of property, plant and equipment for the year ended December 31, 2008.

12. INTANGIBLE ASSET

	December 31	
	2009	2008
Deferred technical assets, net	$ 1,530,973	$ 565,545

In connection with certain technical transfer agreements, the Company made technical transfer fee payments. Such deferred assets are amortized over three to five years from the commencement of production using the straight-line method and tested for impairment periodically.

13. SHORT-TERM BANK BORROWINGS

	2009		2008	
	Interest Rate %	Amount	Interest Rate %	Amount
Materials procurement loans	0.91-2.63	$ 273,169	1.32-4.24	$ 1,198,926
Bank lines of credit	1.61-2.42	1,052,000	1.93-3.84	1,415,000
		$ 1,325,169		$ 2,613,926

14. COMMERCIAL PAPER PAYABLE

	2009		2008
	Interest Rate %	Amount	Amount
Commercial paper payable	-	$ -	$ 300,000
Discount on commercial paper payable		-	(2,846)
		$ -	$ 297,154

15. BONDS PAYABLE

Overseas Convertible Bonds (III)

a. Date of issuance: May 24, 2006
b. Par value: US$1 thousand
c. Location of issuance: Issued overseas and listed on the Singapore Exchange Limited
d. Price of issuance: 100%
e. Total amount: US$120,000 thousand
f. Interest rate: 0%
g. Date of maturity: May 24, 2011
h. Provision of conversion option:
The bonds are convertible into the Company's common shares at predetermined conversion price (at an exchange rate of US$1.00 to NT$31.49).
i. Conversion period: From June 23, 2006 to May 9, 2011
j. Conversion price: $13.69 dollars per share at the issuing date
k. Provision of request to redeem the bonds:

1) Redemption at maturity
Unless previously redeemed or converted or purchased and cancelled, the Company will redeem the Bonds at 100 percent of their principal amount in U.S. dollars on the Maturity Date.
2) Redemption at the option of the Company
The Company may redeem the Bonds (i) in whole or in part at any time on or after May 24, 2008 and prior to May 24, 2011, if the Closing Price of the Common Shares on the TSE translated into U.S. dollars at the Prevailing Rate for any 20 Trading Days out of a period of 30 consecutive Trading Days, is at least 125% of the Conversion Price then in effect translated into U.S. dollars at the rate of NT$31.49=US$1.00; or (ii) in whole but not in part at any time prior to May 24, 2011, if at least 90% in principal amount of the Notes has already been redeemed, converted or purchased and cancelled.
3) Redemption at the option of holders of the bonds
The Company will, at the option of the holder of any Bond, redeem all or some of that holder's Bonds on May 24, 2008, at 100 per cent of their principal amount in U.S. dollars.

l. According to SFAS No. 36, the Company has bifurcated the bonds into liability component and equity component. The bondholders had executed the redemption of the option on May 24, 2008. Thus, the Company had redeemed all the bonds and wrote-off the unamortized discount on bonds of $607,572 thousand and the put option of convertible bonds of $335,692 thousand. The loss on the redemption of $271,835 thousand was recorded as non-operating expenses and losses - others. Additionally, the capital surplus of conversion option, which amounted to $368,825 thousand was adjusted to capital surplus - others.

16. LONG-TERM DEBT

	December 31			
	2009			2008
	Period	Interest Rate %	Amount	Amount
Loan collateralized by 12-inch Fab equipment in Central Taiwan Science Park	2005.06.23-2010.06.23	1.66-2.23	$ 1,333,333	$ 4,000,000
Loan collateralized by 12-inch Fab and equipment in Central Taiwan Science Park	2005.12.29-2010.12.29	1.56-2.30	5,000,000	10,000,000
Chinatrust Commercial Bank syndication agreement (I)	2007.12.28-2011.12.28	3.43-3.91	5,000,000	5,000,000
Chinatrust Commercial Bank syndication agreement (II)	2008.06.27-2013.06.27	2.41-3.14	7,700,000	7,700,000
Bank of Taiwan syndication agreement	2009.07.27-2012.07.27	3.42	3,700,000	-
			22,733,333	26,700,000
Less current portion of long-term debt			(7,616,673)	(7,666,667)
			$ 15,116,660	$ 19,033,333

Loan Collateralized by 12-inch Fab Equipment in Central Taiwan Science Park

a. On January 24, 2005, the Company entered into a syndication agreement, amounting to $8 billion, with a group of financial institutions to procure equipment for 12-inch Fab.
b. The principal will be repaid every six months from December 23, 2007 until maturity.
c. Please refer to Note 11 for collateral on bank borrowing.

Loan Collateralized by 12-inch Fab and Equipment in Central Taiwan Science Park

a. On October 24, 2005, the Company entered into a syndication agreement, amounting to $15 billion, with a group of financial institutions to build plant factory and procure equipments for 12-inch Fab.
b. The principal will be repaid every six months from June 29, 2008 until maturity.
c. Please refer to Note 11 for collateral on bank borrowing.

Chinatrust Commercial Bank Syndication Agreement (I)

a. In September 2007, the Company entered into a syndication agreement, amounting to $5 billion, with a group of financial institutions to finance the working capital.
b. The principal will be repaid every six months from June 28, 2011 until maturity.
c. Please refer to Note 11 for collateral on bank borrowing.

Chinatrust Commercial Bank Syndication Agreement (II)

a. On June 4, 2008, the Company entered into a syndication agreement, amounting to $7.7 billion, with a group of financial institutions to procure equipment for 12-inch Fab.
b. The principal will be repaid every six months from December 27, 2010 until maturity.
c. Please refer to Note 11 for collateral on bank borrowing.

Bank of Taiwan Syndication Agreement

a. On July 15, 2009, the Company entered into a syndication agreement, amounting to $3.7 billion, with a group of financial institutions to fund the long-term loan payments and finance the working capital.
b. The principal will be repaid every three months from October 27, 2011 until maturity.
c. Please refer to Note 11 for collateral on bank borrowing and Note 23 for the joint guarantor.

The Company is required to maintain certain financial covenants, including current ratio, debt ratio and tangible net equity, on June 30 and December 31 during the tenors of the loans. Additionally, the principal and interest coverage ratio should be also maintained on December 31 during the tenors of the loans except for Bank of Taiwan syndication agreement which should be maintained on June 30 and December 31. The computations of financial ratios mentioned above are done based on the audited consolidated financial statements except that the semiannual financial ratios under the covenants of the loan collateralized by 12-inch fab equipment in Central Taiwan Science Park are calculated based on the audited semiannual financial statements. Although the tangible net equity, current ratio and the principal and interest coverage ratio on December 31, 2009 did not meet the requirements except Bank of Taiwan syndication agreement, the Company had obtained the waivers from the majority of banks in February 2010.

17. PENSION PLAN

The Company has defined contribution plan based on the “Labor Pension Act.” According to the Act, the Company has made monthly contributions equal to 6% of each employee’s monthly salaries to employee’s individual pension accounts. Such pension costs were $62,000 thousand and $94,387 thousand for the years ended December 31, 2009 and 2008, respectively.

The Company has a defined benefit pension plan covering all eligible employees. Based on the Labor Standards Law of the Republic of China, the Company’s policy is to fund the plan at 2% of employees’ salaries and wages. The fund is administered by a Pension Fund Administration Committee and is deposited in the Bank of Taiwan in the committee’s name.

Pension information on the defined benefit plan was summarized as follows:

a. The components of net pension cost:

	Years Ended December 31	
	2009	**2008**
Service cost	$ 20,462	$ 39,839
Interest cost	19,743	42,618
Expected return on plan assets	(12,488)	(26,085)
Amortization, net	6,037	8,569
Curtailment gain	(47,027)	(121,469)
Net pension gain	$ (13,273)	$ (56,528)

Curtailment gain was recorded as deduction of salary expense.

b. The assumptions used in determining the actuarial present value of the projected benefit obligation were as follows:

	December 31	
	2009	**2008**
Discount rate	2.25%	2.25%
Expected long-term rate of return on plan assets	1.50%	2.50%
Rate of increase in compensation	3.00%	3.00%-4.00%

c. Reconciliation of funded status of the plan and accrued pension liabilities was summarized as follows:

	December 31	
	2009	**2008**
Benefit obligation		
Vested benefit obligation	$ 183,623	$ 4,015
Accumulated benefit obligation	510,879	551,858
Projected benefit obligation	726,958	968,033
Funded status		
Projected benefit obligation	(726,958)	(968,033)
Fair value of plan assets	490,603	591,763
Funded status	(236,355)	(376,270)
Unrecognized net transition obligation	12,301	14,968
Unrecognized net gain	101,208	195,830
Accrued pension liabilities	$ (122,846)	$ (165,472)

18. STOCKHOLDERS' EQUITY

Common Stock

	December 31	
	2009	**2008**
Authorized capital		
Shares (in thousand shares)	6,700,000	6,700,000
Par value (in dollars)	$ 10	$ 10
Capital	$ 67,000,000	$ 67,000,000
Outstanding capital		
Shares (in thousand shares)	3,656,497	3,727,381
Par value (in dollars)	$ 10	$ 10
Capital	$ 36,564,972	$ 37,273,812

As of December 31, 2008, the balance of the Company's capital account amounted to $37,273,812 thousand, divided into 3,727,381,193 shares at par $10.00 dollars per share.

In February 2009, the Company reduced its capital by cancellation of its treasury stocks of 70,884,000 shares. As of December 31, 2009, the balance of the Company's capital account amounted to $36,564,972 thousand, divided into 3,656,497,193 shares at par $10.00 dollars per share. Walsin Lihwa is a major stockholder of the Company and held approximately 23% ownership interest in the Company as of December 31, 2009.

According to the Company Law of the ROC and the Company's Articles of Incorporation, the Company's annual net income (after income tax) should first be appropriated in the following order:

a. Offset any accumulated deficit;
b. Appropriate 10% of the remainder thereafter as a legal reserve until such reserve equals to the amount of common stock; and
c. Appropriate necessary special reserve as regulated by laws or domestic authorities.

Unappropriated earnings could be retained for operating needs, if necessary. The priority and the percentage of distribution as stipulated by the Company's Articles of Incorporation are as follows:

a. 2% as remuneration to directors and supervisors;
b. 11% as bonuses to employees;
c. The remainder, thereafter, as dividends and bonuses to stockholders.

The total amount of dividends and bonuses could be appropriated, in part or in whole, as general special reserve and then, be distributed.

The aforesaid bonuses to employees include the employees of subsidiaries meeting the conditions set by the board of Directors or, by the Company's chairman duly authorized by the board of directors.

On April 30, 2008, the Company's regular stockholders' meeting approved to offset deficits by legal reserve, special reserve, and additional paid-in capital amounted to $236,437 thousand, $151,358 thousand, and $4,818,337 thousand, respectively.

Treasury Stock

Treasury stock transactions for the year ended December 31, 2009 were summarized as follows:

Purpose of Purchase	Treasury Stock Held as of January 1, 2009	Increase During the Year	Decrease During the Year	Treasury Stock Held as of December 31, 2009
For transferring to the employees	33,884,000	-	33,884,000	-
To maintain the Company's credibility and shareholders' interest	37,000,000	-	37,000,000	-
Common shares held by subsidiaries	10,618,364	-	3,100,000	7,518,364
	81,502,364	-	73,984,000	7,518,364

Treasury stock transactions for the year ended December 31, 2008 were summarized as follows:

Purpose of Purchase	Treasury Stock Held as of January 1, 2008	Increase During the Year	Decrease During the Year	Treasury Stock Held as of December 31, 2008
For transferring to the employees	57,164,000	-	23,280,000	33,884,000
To maintain the Company's credibility and shareholders' interest	-	77,000,000	40,000,000	37,000,000
Common shares held by subsidiaries	10,618,364	-	-	10,618,364
	67,782,364	77,000,000	63,280,000	81,502,364

Securities and Exchange Law Article 28.2 stipulates that the number of treasury stock held by the Company shall not exceed 10% of the outstanding shares and the amount shall be no more than the total of retained earnings and realized capital surplus, such as additional paid-in capital.

As of December 31, 2008, the Company's subsidiary - Baystar Holding Ltd. (BHL) held 10,618,364 shares of the Company's common stock. In May 2009, BHL sold 3,100,000 shares of the Company's common stock resulting in a loss of $19,243 thousand, which was recorded as a deduction of "Capital Surplus - treasury stock transaction." As of December 31, 2009, BHL held 7,518,364 shares of the Company's common stock which amounted to $106,387 thousand. The shares held by BHL were treated as treasury stocks.

Under the Securities and Exchange Act, the Company shall neither pledge treasury stock nor exercise shareholders' rights on these shares, such as rights to dividends and to vote. The Company's stock held by subsidiaries is treated as treasury stock, and the holders are entitled to the rights of shareholders, except for the right to participate in the Company's share issuance for cash and vote in shareholders' meeting.

19. EMPLOYEE STOCK WARRANTS

In 2002, 2003, 2008 and 2009, the Board of Directors of the Company resolved to issue employee stock warrants within the quantity of 270,111 thousand, 4,034 thousand, 45,764 thousand, and 1,585 thousand units. Each individual employee stock warrant is granted the right to purchase the Company's new issued one common share. The warrants were granted to qualified employees of the Company and its subsidiaries. The warrants granted are valid for 5 or 6 years and exercisable at certain percentages after the second anniversary year from the grant date. The warrants were granted at an exercise price equal to the closing price of the Company's common shares listed on the Taiwan Stock Exchange on the grant date. For any subsequent changes in the Company's paid-in capital, the exercise price and the number of options are adjusted accordingly.

Employee stock warrants were summarized as follows:

	Years Ended December 31			
	2009		2008	
Employee Stock Warrants	Number of Options (In Thousand)	Weighted Average Exercise Price (NT$)	Number of Options (In Thousand)	Weighted Average Exercise Price (NT$)
Outstanding balance, beginning of year	45,719	$ 3.02	9,378	$ 21.79
Warrants granted	1,585	5.15	45,764	3.02
Warrants exercised	-	-	-	-
Warrants cancelled	-	-	-	-
Warrants expired	(3,917)	3.02	(9,423)	21.70
Outstanding balance, end of year	43,387	3.10	45,719	3.02
Warrants exercisable, end of year	-	-	-	-

Information about outstanding warrants were as follows:

December 31			
2009		2008	
Range of Exercise Price (NT$)	Weighted Average Remaining Contractual Life (Years)	Range of Exercise Price (NT$)	Weighted Average Remaining Contractual Life (Years)
$3.02-$6.46	3.85	$3.02	4.83

The Company used the fair value method to evaluate the option using Black-Scholes model, the assumptions and proforma result for the years ended December 31, 2009 and 2008 were as follow:

Grant-date share price (NT$)	$3.02-$6.46
Exercise price (NT$)	$3.02-$6.46
Expected volatility	52.03%-74.48%
Expected life (years)	3.75
Expected dividend yield	0%
Risk-free interest rate	0.94%-1.95%

Compensation cost recognized under the fair value method were $13,950 thousand and $2,247 thousand for the years ended December 31, 2009 and 2008, respectively.

20. PERSONNEL EXPENSE, DEPRECIATION, AND AMORTIZATION

	Year Ended December 31, 2009			
	Classified as Cost of Sales	Classified as Operation Expenses	Classified as Non-operation Expenses and Losses	Total
Personnel expense				
Salary	$ 940,043	$ 596,547	$ -	$ 1,536,590
Insurance	66,877	34,596	-	101,473
Pension	59,367	36,387	-	95,754
Others	8,583	4,132	-	12,715
	$ 1,074,870	$ 671,662	$ -	$ 1,746,532
Depreciation	$ 9,789,103	$ 107,046	$ -	$ 9,896,149
Amortization	$ -	$ 323,100	$ 21,583	$ 344,683

	Year Ended December 31, 2008			
	Classified as Cost of Sales	Classified as Operation Expenses	Classified as Non-operation Expenses and Losses	Total
Personnel expense				
Salary	$ 1,510,841	$ 1,008,695	$ -	$ 2,519,536
Insurance	95,453	49,827	-	145,280
Pension	94,331	64,815	-	159,146
Others	13,340	6,695	-	20,035
	$ 1,713,965	$ 1,130,032	$ -	$ 2,843,997
Depreciation	$ 8,213,510	$ 197,216	$ -	$ 8,410,726
Amortization	$ -	$ 712,766	$ 18,462	$ 731,228

21. INCOME TAX

Components of income tax credit (expense) were summarized as follows:

	Years Ended December 31	
	2009	2008
Current income tax credit	$ 1,684,000	$ 1,730,000
Deferred income tax assets and valuation allowance adjustment	(1,684,000)	(1,730,000)
Provision for income tax	$ -	$ -

Components of deferred income tax assets were as follows:

	Years Ended December 31	
	2009	2008
Deferred income tax assets		
Net operating loss carryforwards	$ 5,196,000	$ 4,339,000
Investment tax credits	4,723,000	7,439,000
Allowance for inventory devaluation losses	93,000	418,000
Allowance for doubtful accounts	50,000	149,000
Deferred technical assets	32,000	137,000
Unrealized exchange loss	1,000	20,000
Unrealized investment loss	10,000	13,000
Unrealized reserve for product guarantee	10,000	12,000
Deferred income	-	8,000
Unrealized profit on intercompany sales	-	3,000
Deferred income tax assets	10,115,000	12,538,000
Less valuation allowance	(6,370,000)	(8,792,000)
	3,745,000	3,746,000
Deferred income tax liabilities		
Unrealized gain on financial instruments	(3,000)	(4,000)
Deferred income tax assets, net	3,742,000	3,742,000
Deferred income tax assets, current (under other current assets)	(141,000)	(586,000)
Deferred income tax assets, noncurrent (under other assets)	$ 3,601,000	$ 3,156,000

In May 2009, the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 25% to 20%, effective 2010. The Company recalculated its deferred tax assets and liabilities in accordance with the amended Article.

Reconciliation of income tax credit and operating loss carryforwards was as follows:

	Years Ended December 31	
	2009	**2008**
Income tax credit at statutory rate	$ 2,153,000	$ 1,841,000
Increase (decrease) in tax resulting from		
Unrealized investment loss	(97,000)	(293,000)
Tax-exempt (loss) income on disposal of domestic investments	(384,000)	46,000
Dividend income	-	85,000
Others	12,000	51,000
Current income tax credit	1,684,000	1,730,000
Provision for deferred tax assets	516,000	(282,000)
Operating loss carryforwards	$ 2,200,000	$ 1,448,000

The Company's investment tax credits and operating loss carryforwards as of December 31, 2009 were as follows:

Expiry Year	**Investment Tax Credits**	**Operating Loss Carryforwards**
2010	$ 1,840,000	$ -
2011	1,037,000	-
2012	1,248,000	-
2013	598,000	821,000
2014-2018	-	4,375,000
	$ 4,723,000	$ 5,196,000

The information of the integrated income tax were as follows:

	December 31	
	2009	**2008**
Balance of Imputation Credit Account	$ 89,416	$ 88,089
Undistributed earnings for the years of 1997 and before	$ -	$ -
Undistributed deficit for the years of 1998 and thereafter	$ (15,977,842)	$ (7,364,903)

The Company's income tax returns through 2007 have been examined and approved by the tax authority.

As of December 31, 2009, the Company has tax refund receivable under other assets - others amounted to $22,162 thousand which occurred in 2009 and years prior to 2009.

22. LOSS PER SHARE

	Years Ended December 31			
	2009		2008	
	Before Tax	After Tax	Before Tax	After Tax
Basic loss per share (NT$)	$ (2.36)	$ (2.36)	$ (2.00)	$ (2.00)

Calculation of loss per share was summarized as follows:

	Year Ended December 31, 2009				
	Amount			Loss Per Share (NT$)	
	Before Tax	After Tax	Shares (In Thousands)	Before Tax	After Tax
Basic loss per share					
Net loss attributed to common shareholders	$ (8,612,939)	$ (8,612,939)	3,647,945	$ (2.36)	$ (2.36)

	Year Ended December 31, 2008				
	Amount			Loss Per Share (NT$)	
	Before Tax	After Tax	Shares (In Thousands)	Before Tax	After Tax
Basic loss per share					
Net loss attributed to common shareholders	$(7,364,903)	$(7,364,903)	3,674,286	$ (2.00)	$ (2.00)

23. RELATED PARTY TRANSACTIONS

The names and relationships of related parties are as follows:

Related Party	Relationship with the Company
Walsin Lihwa Corporation (“Walsin”)	Walsin’s chairman is one of the immediate family members of the Company’s chairman and Walsin holds a 23% ownership in the Company as of December 31, 2009
Winbond Electronics (H.K.) Limited (“WEHK”)	The Company holds a 100% ownership interest directly
Mobile Magic Design Corporation (“MMD”)	The Company holds a 100% ownership interest directly
Cheertek Incorporation (“Cheertek”)	The Company holds a 24% ownership interest directly and 1% ownership interest indirectly (merged by Novatek Microelectronics Corporation and terminated on June 30, 2008)
Winbond Electronics Corporation America (“WECA”)	The Company holds a 100% ownership interest indirectly
Winbond Electronics Corporation Japan (“WECJ”)	The Company holds a 100% ownership interest indirectly
Winbond Int’l Corporation (“WIC”)	The Company holds a 100% ownership interest directly
Win Investment Corporation (“WIN”)	The Company holds a 100% ownership interest directly

Related Party	Relationship with the Company
Nuvoton Technology Corporation ("NTC")	The Company holds a 75% ownership interest directly and 2% ownership interest indirectly
Nuvoton Electronics Technology (H.K.) Limited ("NTHK")	NTC's subsidiary
Hannstar Display Corporation ("Hannstar Display")	Hannstar Display's chairman is one of the immediate family members of the Company's chairman
Prosperity Dielectrics Co. Ltd. ("Prosperity Dielectrics")	Prosperity Dielectrics's chairman is one of the immediate family members of the Company's chairman
Walton Advanced Engineering Inc. ("Walton")	Walton's chairman is one of the immediate family members of the Company's chairman. The Company is a director of Walton.
Walsin Technology Corporation ("WTC")	WTC's chairman is one of the immediate family members of the Company's chairman. The Company is a supervisor of WTC.
Walton Chaintech Corp. ("Walton Chaintech")	Related party in substance
Robert Hsu	The Company's managing director

Major transactions with related parties were summarized below:

Sales

	Years Ended December 31	
	2009	2008
WEHK	$ 2,671,457	$ 779,680
Walton Chaintech	1,102,860	-
WECJ	1,046,610	1,413,176
WECA	476,109	357,957
NTHK	-	2,106,944
Others	75,298	22,892
	$ 5,372,334	$ 4,680,649

Purchase

	Years Ended December 31	
	2009	2008
NTC	$ 123,019	$ 93,876

Manufacturing Expenses

	Years Ended December 31	
	2009	2008
Walton	$ 1,416,702	$ 808,179
MMD	9,959	3,251
	$ 1,426,661	$ 811,430

Selling Expenses

	Years Ended December 31	
	2009	2008
WECJ	$ 32,419	$ 25,383

General and Administrative Expenses

	Years Ended December 31	
	2009	2008
Walsin	$ 7,631	$ 8,700
Others	-	9
	$ 7,631	$ 8,709

Research and Development Expenses

	Years Ended December 31	
	2009	2008
MMD	$ 128,431	$ 87,114
NTC	2,750	4,068
	$ 131,181	$ 91,182

Service Revenue (Recorded as "Non-operating Income and Gains - Others")

	Years Ended December 31	
	2009	2008
NTC	$ 799	$ 694
Cheertek	-	436
Others	396	396
	$ 1,195	$ 1,526

Notes and Accounts Receivable

	December 31	
	2009	2008
WEHK	$ 281,782	$ 173,781
Walton Chaintech	98,881	-
NTC	33,162	246
WECJ	13,304	140,353
WECA	11,217	98,615
Others	64	113
	$ 438,410	$ 413,108

Other Financial Assets, Current and Other Current Assets

	December 31	
	2009	2008
NTC	$ 5,949	$ 20,205

Notes and Accounts Payable

	December 31	
	2009	2008
Walton	$ 752,723	$ 106,138
Walsin	2,496	-
NTC	-	14,187
	$ 755,219	$ 120,325

Other Payables and Other Current Liabilities

	December 31	
	2009	2008
MMD	$ 59,210	$ 28,966
WECA	15,491	6,568
WECJ	7,708	3,600
Walton	2,567	39,567
NTC	139	5,156
NTHK	-	3,562
Others	1,237	1,351
	$ 86,352	$ 88,770

Deposits Received

	December 31	
	2009	2008
Hannstar Display	$ 1,695	$ 1,695
WTC	1,695	1,695
Others	1,705	1,695
	$ 5,095	$ 5,085

The related party transactions were conducted under normal terms.

Financing

Financing from related-party was summarized as follows:

	Year Ended December 31, 2009			
	Maximum Balance	Ending Balance	Interest Rate %	Interest Expense
WECA	$ 450,380	$ -	2.82-3.02	$ 4,865

Stock Transactions

The Company's sale of investment to related parties in 2009 was summarized as follows:

Related Party	Securities Name	Shares	Selling Price	Disposal Income
Win	United Industrial Gases Co., Ltd.	13,426,351	$ 233,587	$ 78,720
Win	NTC	5,000,000	89,730	28,651
Walton	NTC	2,000,000	35,892	11,630
Prosperity Dielectrics	NTC	1,000,000	17,946	5,730
Robert Hsu	NTC	450,000	5,384	417
			$ 382,539	$ 125,148

a. The above selling price were determined in accordance with the investee's net value.
b. The Company deferred the gain on disposal of investment to Win amount of $108,303 thousand, and recorded as "other liabilities-other" as of December 31, 2009.

Property Transactions

The Company's sale of property to related parties in 2009 was summarized as follows:

Related Party	Sales Items	Selling Price	Carrying Value	Disposal Income (Loss)
Walton	Machinery and equipment	$ 74,452	$ 81,887	$ (7,435)
NTC	Machinery and equipment	120	-	120
		$ 74,572	$ 81,887	$ (7,315)

The Company's sale of property to related parties in 2008 was summarized as follows:

Related Party	Sales Items	Selling Price	Carrying Value	Disposal Income
Cheertek	Machinery and equipment	$ 3,257	$ 2,847	$ 410

Guarantee

a. Please refer to Note 25.
b. As of December 31, 2009, the chairman of the Company is a joint guarantor of the long-term debt - Bank of Taiwan syndication agreement. Please refer to Note 16.

Compensation information of directors, supervisors, and management personnel

	Years Ended December 31	
	2009	2008
Salary	$ 50,210	$ 39,002
Bonus and special compensation	8,178	12,705
	$ 58,388	$ 51,707

24. PLEDGED AND COLLATERALIZED ASSET

Please refer to Note 4, Note 11 and Note 16.

25. COMMITMENTS AND CONTINGENCIES

Letters of Credit

Amounts available under unused letters of credit as of December 31, 2009 were approximately US$15,026 thousand, JPY692,480 thousand and EUR569 thousand.

Guarantee

As of December 31, 2009, the Company guaranteed $300,000 thousand and $50,602 thousand for its related parties, Win and NTC, respectively.

Agreements

In August 2009, the Company entered into an agreement with a non-related party to obtain license rights on certain patents, know-how and software to design, manufacture and sell graphic DRAM products and expand the licensing scope under the existing license agreement for 65-90nm technology.

26. DISCLOSURES FOR FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

Carrying value and fair value of financial instruments were summarized as follows:

	December 31			
	2009		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Nonderivative financial instruments				
Assets				
Available-for-sale financial assets, current and noncurrent	$ 2,004,572	$ 2,004,572	$ 2,266,264	$ 2,266,264
Liabilities				
Long-term debt (including current portion)	22,733,333	22,733,333	26,700,000	26,700,000
Derivative financial instruments				
Financial assets at fair value through profit or loss, current				
Forward exchange contracts	17,252	17,252	16,025	16,025

Methods and assumptions used in determining fair value of financial instruments were summarized as follows:

a. The fair value of cash and cash equivalents, notes and accounts receivable, other financial assets, refundable deposits, short-term bank borrowings, commercial paper payable, notes and accounts payable, and other payables, approximates their carrying value due to the short-term maturities of these financial instruments.
b. The fair value of financial instruments at fair value through profit or loss and available-for-sale financial assets is quoted by market price. The fair value of forward exchange contracts is measured, according to its specific contract's settlement rate, by the middle exchange rate and the discount rate quoted by Reuters. The fair value of foreign exchange option contracts is measured, according to its specific contract's settlement rate, by the discount rate and volatility quoted by underwriting bank.
c. The Company's financial assets carried at cost do not have a quoted market price in an active market, and the fair value cannot be reliably measured.
d. The fair values of long-term debt are estimated by discounted cash flow analysis, based on the Company's current rates for long- term borrowings with similar types. As of December 31, 2009 and 2008, the discount rates used in determining the fair values were 2.98% and 3.08%, respectively.

The fair value of financial instruments that used the quoted market price in active market or other method of valuation is summarized as follows:

	December 31, 2009		
	Quoted Market Price in Active Market	**Other Method of Valuation**	**Total**
Assets			
Financial assets at fair value through profit or loss, current	$ -	$ 17,252	$ 17,252
Available-for-sale financial assets, current	2,004,572	-	2,004,572

	December 31, 2008		
	Quoted Market Price in Active Market	**Other Method of Valuation**	**Total**
Assets			
Financial assets at fair value through profit or loss, current	$ -	$ 16,025	$ 16,025
Available-for-sale financial assets, current	1,912,619	-	1,912,619
Available-for-sale financial assets, noncurrent	353,645	-	353,645

Valuation gains (losses) arising from changes in fair value of financial instruments determined using valuation techniques were $1,227 thousand and ($65,852) thousand for the years ended December 31, 2009 and 2008, respectively.

As of December 31, 2009, financial assets and liabilities exposure to cash flow risk that resulted from interest rate changes amounted to $194,389 thousand and $17,913,333 thousand, respectively. Financial assets and liabilities exposure to fair value risk that resulted from interest rate changes amounted to $2,564,754 thousand and $6,145,169 thousand, respectively, as of December 31, 2009.

Adjustment of stockholders' equity due to the fair value changes of available-for-sale financial assets amounted to $110,256 thousand as of December 31, 2009.

Financial Risk Information

a. Market risk

All the derivative financial instruments the Company entered into are forward exchange contracts in order to hedge changes in fair value of foreign-currency assets and liabilities. The fair value of forward exchange contracts will fluctuate because of changes in foreign exchange rates.

b. Credit risk

The Company is exposed to the credit risk that counter-parties or third-parties may breach the contracts. The risk results from the concentrations of credit risk, elements, contract price, and accounts receivable. The Company requested its major transaction parties to provide collaterals or other rights to reduce such risk.

c. Liquidity risk

The Company has sufficient operating capital to meet the cash demand for the contracts. Thus, the fund-raising and cash flow risks are not material.

d. Cash flow risk on change of interest rate

The Company's long-term debt is with floating interest rate. Effective rate and future cash flow of the Company will fluctuate as a result of changes in market interest rate. If the market interest rate increases by 1%, the cash outflow will increase by $179,133 thousand per year.

27. FOREIGN SALES AND MAJOR CUSTOMERS

	Years Ended December 31	
	2009	**2008**
Asia	$ 10,984,578	$ 9,896,027
Europe	1,648,490	7,478,067
America	727,835	384,648
Others	-	2,090
	$ 13,360,903	$ 17,760,832
Percentage to total net sales	68%	81%

The major customers that accounted for 10% or more of the Company's sales were as follows:

	Years Ended December 31	
	2009	**2008**
WEHK	$ 2,671,457	$ 779,680
Customer H	404,981	6,319,114
NTHK	-	2,106,944
	$ 3,076,438	$ 9,205,738
Percentage to total net sales	16%	42%

4. 2009 consolidated financial statements

Winbond Electronics Corporation and Subsidiaries

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Winbond Electronics Corporation and Subsidiaries

We have audited the accompanying consolidated balance sheets of Winbond Electronics Corporation and subsidiaries (the "Company") as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. Certain long-term investments were accounted for under the equity method based on financial statements as of and for the year ended December 31, 2009 of the investees, which were audited by other auditors. Our opinion, insofar as it relates to such investments, is based solely on the reports of other auditors. The investments in such investees amounted to NT$60,873 thousand which constituted 0.09% of the consolidated total assets as of December 31, 2009; investment income amounted to NT$6,734 thousand which constituted -0.08% of the consolidated loss before income tax for the year then ended.

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

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the financial statements, effective January 1, 2009, the Company adopted the newly revised Statement of Financial Accounting Standards No. 10, “Accounting for Inventories”.

February 25, 2010

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

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

For the convenience of readers, the auditors’ report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors’ report and consolidated financial statements shall prevail. Also, as stated in Note 2 to the consolidated financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

ASSETS	2009 Amount	%	2008 Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 4,747,425	7	$ 7,773,597	10
Financial assets at fair value through profit or loss, current (Notes 2 and 5)	25,566	-	19,852	-
Available-for-sale financial assets, current (Notes 2 and 8)	2,220,818	3	2,142,112	3
Notes receivable, net (Notes 2 and 6)	5,186	-	12,213	-
Accounts receivable, net (Notes 2 and 6)	3,420,849	5	2,523,857	3
Accounts receivable from related parties, net (Notes 6 and 24)	137,698	-	2,227	-
Other financial assets, current	128,137	-	118,078	-
Inventories (Notes 2 and 7)	5,138,017	8	4,679,973	6
Noncurrent assets classified as held for sale	-	-	255,178	1
Deferred income tax assets, current (Notes 2 and 22)	213,475	1	690,226	1
Other current assets	714,979	1	815,095	1
Total current assets	16,752,150	25	19,032,408	25
FUND AND INVESTMENTS				
Available-for-sale financial assets, noncurrent (Notes 2 and 8)	44,375	-	635,236	1
Financial assets carried at cost, noncurrent (Notes 2 and 9)	1,443,653	2	1,571,047	2
Long-term equity investments at equity method (Notes 2 and 10)	60,873	-	17,868	-
Total fund and investments	1,548,901	2	2,224,151	3
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 11)				
Cost				
Land	877,705	1	831,287	1
Buildings	19,088,463	29	18,096,615	24
Machinery and equipment	66,211,050	98	71,530,881	95
Other equipment	2,787,345	4	2,703,193	3
Total cost	88,964,563	132	93,161,976	123
Accumulated depreciation	(46,551,934)	(69)	(44,117,469)	(58)
Construction in progress and prepayments on purchase of equipment	636,103	1	560,181	1
Property, plant and equipment, net	43,048,732	64	49,604,688	66
INTANGIBLE ASSETS (Notes 2 and 12)	1,626,395	2	661,065	1
OTHER ASSETS				
Refundable deposits	176,759	1	194,190	-
Deferred income tax assets, noncurrent (Notes 2 and 22)	4,153,542	6	3,683,727	5
Others	130,593	-	209,684	-
Total other assets	4,460,894	7	4,087,601	5
TOTAL	$ 67,437,072	100	$ 75,609,913	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2009 Amount	%	2008 Amount	%
CURRENT LIABILITIES				
Short-term bank borrowings (Note 13)	$ 1,475,169	2	$ 3,518,126	5
Commercial paper payable (Note 14)	-	-	297,154	-
Notes payable	1,261,044	2	431,114	1
Accounts payable	3,404,260	5	1,951,538	2
Payable on equipment	1,549,772	3	2,114,175	3
Accrued expenses and other payables	2,130,701	3	1,666,661	2
Current portion of long-term liabilities (Note 16)	7,616,673	11	7,666,667	10
Other current liabilities	31,769	-	90,999	-
Total current liabilities	17,469,388	26	17,736,434	23
LONG-TERM LIABILITIES				
Long-term debt (Note 16)	15,116,660	22	19,033,333	25
OTHER LIABILITIES				
Accrued pension liabilities (Notes 2 and 17)	305,309	1	329,927	1
Reserve for product guarantee (Note 2)	47,985	-	49,200	-
Other liabilities - others	82,074	-	206,710	-
Total other liabilities	435,368	1	585,837	1
Total liabilities	33,021,416	49	37,355,604	49
EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT				
Common stock (Note 18)	36,564,972	54	37,273,812	49
Capital surplus				
Paid-in capital in excess of par - common stock	10,786,697	16	10,995,806	15
Treasury stock transaction	1,971,862	3	1,544,992	2
Adjustment on long-term equity investments under equity method	36,439	-	95,943	-
Stock option (Notes 2 and 3)	17,181	-	2,362	-
Others (Note 15)	368,825	1	368,825	1
Retained earnings				
Accumulated deficit	(15,977,842)	(24)	(7,364,903)	(10)
Other equity				
Cumulative translation adjustments (Note 2)	446,667	1	519,091	1
Unrealized loss on financial instruments (Note 2)	(254,377)	(1)	(4,559,530)	(6)
Treasury stock (Notes 2 and 18)	(106,387)	-	(622,089)	(1)
Equity attributable to stockholders of the parent	33,854,037	50	38,254,309	51
MINORITY INTEREST	561,619	1	-	-
Total stockholders' equity	34,415,656	51	38,254,309	51
TOTAL	$ 67,437,072	100	$ 75,609,913	100

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

	2009		2008	
	Amount	**%**	**Amount**	**%**
NET SALES	$ 26,695,369	100	$ 25,645,153	100
COST OF SALES (Note 7)	26,698,627	100	26,470,992	103
UNREALIZED INTERCOMPANY PROFIT	(521)	-	(19)	-
GROSS LOSS	(3,779)	-	(825,858)	(3)
OPERATING EXPENSES				
Selling expenses	1,758,377	6	1,700,134	7
General and administrative expenses	1,022,497	4	1,177,320	5
Research and development expenses	3,201,607	12	3,641,366	14
Total operating expenses	5,982,481	22	6,518,820	26
LOSS FROM OPERATIONS	(5,986,260)	(22)	(7,344,678)	(29)
NON-OPERATING INCOME AND GAINS				
Interest income	23,447	-	192,716	1
Investment income recognized under equity method (Note 10)	6,734	-	-	-
Investment income	64,444	-	383,963	1
Gain on disposal of property, plant and equipment (Notes 2 and 11)	36,376	-	375,284	1
Gain on disposal of investments (Note 10)	-	-	139,229	1
Foreign exchange gain, net (Note 2)	-	-	183,126	1
Gain on valuation of financial instruments (Note 5)	41,644	-	62,563	-
Others (Note 10)	137,600	1	162,675	1
Total non-operating income and gains	310,245	1	1,499,556	6
NON-OPERATING EXPENSES AND LOSSES				
Interest expense	662,228	3	815,337	3
Investment loss recognized under equity method (Note 10)	-	-	46,205	-
Other investment loss	57,400	-	227,233	1
Loss on disposal of property, plant and equipment (Note 2)	75,162	-	46,490	-
Loss on disposal of investments	1,970,882	8	-	-
Foreign exchange loss, net	26,036	-	-	-
Others (Note 15)	58,596	-	313,379	2
Total non-operating expenses and losses	2,850,304	11	1,448,644	6

(Continued)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

	2009		2008	
	Amount	**%**	**Amount**	**%**
LOSS BEFORE INCOME TAX	$ (8,526,319)	(32)	$ (7,293,766)	(29)
INCOME TAX EXPENSE (Notes 2 and 22)	(60,732)	-	(92,945)	-
NET LOSS BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	(8,587,051)	(32)	(7,386,711)	(29)
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES (Note 3)	-	-	18,246	-
NET LOSS	$ (8,587,051)	(32)	$ (7,368,465)	(29)
ATTRIBUTED TO				
Stockholders of the parent	$ (8,612,939)	(32)	$ (7,364,903)	(29)
Minority interest	25,888	-	(3,562)	-
	$ (8,587,051)	(32)	$ (7,368,465)	(29)

	2009		2008	
	Before Income Tax and Minority Interest	**After Income Tax and Attributed to Stockholders of the Parent**	**Before Income Tax and Minority Interest**	**After Income Tax and Attributed to Stockholders of the Parent**
LOSS PER SHARE (Notes 2 and 23)				
Basic loss per share	$ (2.34)	$ (2.36)	$ (1.99)	$ (2.00)

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

		Capital Surplus					Retained Earnings			Other Equity				
	Common Stock	Paid-in Capital in Excess of Par - Common Stock	Treasury Stock Transaction	Adjustments on Long-term Equity Investments under Equity Method	Stock Option	Others	Legal Reserve	Special Reserve	Accumulated Deficit	Cumulative Translation Adjustments	Unrealized Loss on Financial Instruments	Treasury Stock	Minority Interests	Total
BALANCE, JANUARY 1, 2008	$ 37,906,612	$ 16,000,820	$ 1,366,638	$ 127,914	$ 368,825	$ -	$ 236,437	$ 151,358	$ (5,206,132)	$ 473,190	$ 212,215	$ (782,406)	$ 15,721	$ 50,871,192
Offsetting accumulated deficit	-	(4,818,337)	-	-	-	-	(236,437)	(151,358)	5,206,132	-	-	-	-	-
Net loss for 2008	-	-	-	-	-	-	-	-	(7,364,903)	-	-	-	(3,562)	(7,368,465)
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	45,901	-	-	-	45,901
Changes in unrealized loss on financial instruments	-	-	-	-	-	-	-	-	-	-	(4,771,745)	-	-	(4,771,745)
Capital surplus from investee under equity method	-	-	-	(1,565)	-	-	-	-	-	-	-	-	-	(1,565)
Adjustment to capital surplus due to disposal of investments	-	-	-	(30,406)	-	-	-	-	-	-	-	-	-	(30,406)
Adjustment to capital surplus of conversion option due to the redemption of bonds payable	-	-	-	-	(368,825)	368,825	-	-	-	-	-	-	-	-
Increase in treasury stock	-	-	-	-	-	-	-	-	-	-	-	(480,806)	-	(480,806)
Cancellation of treasury stock	(632,800)	(186,677)	178,354	-	-	-	-	-	-	-	-	641,123	-	-
Compensation cost of employee stock options	-	-	-	-	2,362	-	-	-	-	-	-	-	-	2,362
Changes in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	(12,159)	(12,159)
BALANCE, DECEMBER 31, 2008	37,273,812	10,995,806	1,544,992	95,943	2,362	368,825	-	-	(7,364,903)	519,091	(4,559,530)	(622,089)	-	38,254,309
Net loss for 2009	-	-	-	-	-	-	-	-	(8,612,939)	-	-	-	25,888	(8,587,051)
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	(72,424)	-	-	-	(72,424)
Changes in unrealized gain on financial instruments	-	-	-	-	-	-	-	-	-	-	4,305,153	-	-	4,305,153
Adjustment to capital surplus due to disposal of investments	-	-	-	(59,504)	-	-	-	-	-	-	-	-	-	(59,504)
Subsidiary dispose treasury stock (Note 18)	-	-	(19,243)	-	-	-	-	-	-	-	-	43,866	-	24,623
Cancellation of treasury stock	(708,840)	(209,109)	446,113	-	-	-	-	-	-	-	-	471,836	-	-
Compensation cost of employee stock options	-	-	-	-	14,819	-	-	-	-	-	-	-	-	14,819
Changes in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	535,731	535,731
BALANCE, DECEMBER 31, 2009	$ 36,564,972	$ 10,786,697	$ 1,971,862	$ 36,439	$ 17,181	$ 368,825	$ -	$ -	$ (15,977,842)	$ 446,667	$ (254,377)	$ (106,387)	$ 561,619	$ 34,415,656

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (8,587,051)	$ (7,368,465)
Cumulative effect of changes in accounting principles	-	(18,246)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	10,122,312	8,562,681
Amortization	421,294	757,094
Loss on bad debt	667,155	552,851
(Recovery from) loss on decline in market value and obsolescence and abandonment of inventories	(1,274,332)	497,544
Compensation cost of employee stock options	14,819	2,362
Loss (gain) on disposal of investments	1,970,882	(139,229)
Investment (income) loss recognized under equity method	(6,734)	46,205
Impairment loss on financial assets carried at cost	57,400	227,233
Net loss (gain) on disposal of property, plant and equipment	38,786	(327,797)
Recovery from obsolescence of spare parts	(16,884)	(427)
Gain on valuation of put option of convertible bonds	-	(67,088)
Amortization of discount on bonds payable and reserve for redemption of bonds	-	65,522
Loss on redemption of bonds	-	271,835
Foreign exchange adjustment on bonds payable	-	(203,527)
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss, current	(5,713)	423,347
Notes receivable	8,026	3,296
Accounts receivable	(1,565,146)	601,490
Accounts receivable from related parties	(135,471)	3,484
Other financial assets, current	(10,059)	5,409
Inventories	816,288	(54,880)
Other current assets	100,116	(121,032)
Deferred income tax assets	6,936	1,585
Other assets	74,533	(40,681)
Notes payable	829,930	(598,278)
Accounts payable	1,455,842	(263,449)
Accrued expenses and other payables	474,254	(534,636)
Other current liabilities	(59,230)	11,712
Other liabilities	(148,772)	(257,891)
Net cash provided by operating activities	5,249,181	2,038,024
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(4,275,826)	(14,196,714)
Acquisition of long-term investments under equity method	(27,370)	-
Acquisition of available-for-sale financial assets	(149,525)	(1,124,250)
Acquisition of financial assets carried at cost	(13,696)	(3,842)
Proceeds from disposal of long-term investments under equity method	347	-

(Continued)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

	2009	2008
Proceeds from disposal of available-for-sale financial assets	$ 2,703,945	$ 954,285
Proceeds from disposal of financial assets carried at cost	27,358	12,936
Proceeds from return of capital by financial assets carried at cost	40,583	38,940
Proceeds from disposal of property, plant and equipment	365,235	620,581
Payments for intangible assets	(1,375,219)	(225,421)
Net cash used in investing activities	(2,704,168)	(13,923,485)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term bank borrowings	(2,042,957)	3,516,376
(Decrease) increase commercial paper payable	(297,154)	297,154
(Decrease) increase in long-term debt	(3,966,667)	3,033,333
Redemption of convertible bonds	-	(3,685,500)
Transfer of (increase in) treasury stock	24,623	(480,806)
Increase in minority interest	750,258	9,178
Net cash (used in) provided by financing activities	(5,531,897)	2,689,735
FOREIGN EXCHANGE ADJUSTMENT	(39,288)	12,925
EFFECT OF SUBSIDIARIES CHANGES	-	(45,696)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,026,172)	(9,228,497)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,773,597	17,002,094
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,747,425	$ 7,773,597
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest during the year	$ 716,441	$ 930,326
Cash paid for income tax during the year	$ 84,269	$ 33,321
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	$ 7,616,673	$ 7,666,667
Cumulative translation adjustments	$ (72,424)	$ 45,901
Unrealized gain (loss) on financial instruments	$ 4,305,153	$ (4,771,745)
Adjustment to capital surplus due to disposal of investment	$ (59,504)	$ (30,406)
Capital surplus from investee under equity method	$ -	$ (1,565)
Equity-method investments reclassified into available-for-sale financial assets due to the merger	$ -	$ 607,200
Property, plant and equipment reclassified to noncurrent assets classified as held for sale	$ -	$ 255,178
Cancellation of treasury stock	$ 471,836	$ 641,123

(Continued)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

	2009	2008
CASH PAYMENT FOR ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT		
Net increase in acquisition of property, plant and equipment	$ 3,711,423	$ 12,645,255
Add payable for property, plant and equipment, beginning of year	2,114,175	3,665,634
Less payable for property, plant and equipment, end of year	(1,549,772)	(2,114,175)
Cash payment for acquisitions of property, plant and equipment	$ 4,275,826	$ 14,196,714

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

1. ORGANIZATION AND OPERATIONS

Winbond Electronics Corporation ("Winbond") was incorporated in the Republic of China (the "ROC") on September 29, 1987 and is engaged in the design, development, manufacture and marketing of Very Large Scale Integration ("VLSI") integrated circuits ("ICs") used in a variety of microelectronic applications. In addition to its own products, Winbond offers a foundry service for other Taiwanese and foreign IC producers and designers. A public offering of Winbond's common stocks was made on October 18, 1995, and the stocks are traded on the Taiwan Stock Exchange.

For the specialization and division of labors and the reinforcement of core competitive ability, the plan to spin-off Winbond's Logic IC business has been approved in Winbond's regular stockholders' meeting on April 30, 2008. Winbond spun off its Logic IC business into Nuvoton Technology Corporation ("NTC"), a subsidiary of Winbond, on July 1, 2008. Furthermore, Winbond reorganized the structure of the whole group and transferred its Logic IC subsidiaries including Nuvoton Electronics Technology (H.K.) Limited ("NTHK"), Pigeon Creek Holding Co., Ltd. ("PCH"), Marketplace Management Ltd. ("MML") and Nuvoton Investments Holding Ltd. ("NIH") to NTC on July 1, 2008 to complete the spin-off project.

There are 3,309 and 3,681 employees in Winbond and its subsidiaries (the "Company") as of December 31, 2009 and 2008, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements were prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the ROC. In preparing consolidated financial statements in conformity with these guidelines and principles, the Company is required to make some estimates and assumptions that could affect the amounts of allowance for doubtful accounts, allowance for inventory devaluation, property depreciation, pension liabilities and product guarantee. Actual results could differ from these estimates.

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese- language financial statements shall prevail. However, the accompanying consolidated financial statements do not include English translation of the additional footnote disclosures that are not required under generally accepted accounting principles but are required by the Securities and Futures Bureau for their oversight purposes.

The significant accounting principles are summarized as follows:

Principles of Consolidation

Winbond's investees in which ownership interest is over 50% or with control ability are included in the consolidated financial statements. All significant intercompany balances and transactions have been eliminated upon consolidation. The consolidated entities (collectively, the "Company") are summarized as follows:

Name	Capital (In Thousands)		Basis for Consolidation
Winbond	NT$	36,564,972	Parent company
Winbond Int'l Corporation ("WIC")	US$	86,540	Winbond holds 100% ownership interest
Winbond Electronics Corp. America ("WECA")	US$	58,917	WIC holds 100% ownership interest
Newfound Asian Corp. ("NAC")	US$	6,555	Winbond holds 100% ownership interest
Baystar Holdings Ltd. ("BHL")	US$	22,590	NAC holds 100% ownership interest
Win Investment Corporation ("Win")	NT$	1,800,000	Winbond holds 100% ownership interest
Peaceful River Corp. ("PRC")	US$	12,610	Win holds 100% ownership interest
Landmark Group Holdings Ltd. ("Landmark")	US$	36,950	Winbond holds 100% ownership interest
Winbond Electronics Corp. Japan ("WECJ")	JPY	148,500	Landmark holds 100% ownership interest
Winbond Electronics (HK) Limited ("WEHK")	HK$	500	Winbond holds 100% ownership interest
Mobile Magic Design Corporation ("MMD")	NT$	50,000	Winbond holds 100% ownership interest
Nuvoton Technology Corporation ("NTC")	NT$	2,000,700	Winbond holds 75% ownership interest directly and 2% ownership interest indirectly
Pigeon Creek Holding Co., Ltd. ("PCH")	US$	3,850	Winbond held 100% ownership interest before July 1, 2008 and spun off into NTC on July 1, 2008.
Nuvoton Technology Corp. America ("NTCA")	US$	6,050	PCH holds 100% ownership interest
Marketplace Management Ltd. ("MML")	US$	4,735	Winbond held 100% ownership interest before July 1, 2008 and spun off into NTC on July 1, 2008.
Goldbond LLC ("GLLC")	US$	40,720	MML holds 100% ownership interest
Nuvoton Electronics Technology (Shanghai) Limited ("NTSH")	RMB	16,555	GLLC holds 100% ownership interest
Winbond Electronics (Nanjing) Ltd. ("WENJ")	RMB	4,046	GLLC holds 100% ownership interest
Nuvoton Investment Holding Ltd. ("NIH")	US$	29,378	Winbond held 100% ownership interest before July 1, 2008 and spun off into NTC on July 1, 2008.
Nuvoton Technology Israel Ltd. ("NTIL")	US$	227	NIH holds 100% ownership interest
Nuvoton Electronics Technology (H.K.) Limited ("NTHK")	US$	13,769	Winbond held 100% ownership interest before July 1, 2008 and spun off into NTC on July 1, 2008.
Nuvoton Electronics Technology ("Shenzhen") Limited ("NTSZ")	RMB	46,434	NTHK holds 100% ownership interest

Subsidiaries previously consolidated but not consolidated in 2009 were summarized as follows:

Investor	Investee	Principal Activities	Ownership Interest	Remarks
Win	CFP Technology Corp. ("CFP")	Design and sale of IC	47%	Win disposed some shares of CFP and resigned as director in August 2008. Thus, Win ceased to control CFP.
CFP	Jaztek Technology Co., Ltd. (BVI) ("Jaztek BVI")	Investments	100%	Ditto
CFP	Jaztek Technology Co., Ltd. (HK) ("Jaztek HK")	Sale of IC	100%	Ditto
CFP	Wealthland Enterprise Co., Ltd. ("Wealthland")	Investments	100%	Ditto
Jaztek BVI	Jaztek Technology Co., Ltd. (Shenzhen)	Technical consultation of application software development and IC products.	100%	Ditto
Wealthland	CFP (Wuhan) Technology Ltd. ("CFP Wuhan")	Technical consultation of application software development and IC products.	100%	CFP Wuhan was liquidated in 2008.

Current/Noncurrent Assets and Liabilities

Current assets include cash and cash equivalents, and those assets held primarily for trading purposes or to be realized, sold or consumed within one year from the balance sheet date. All other assets such as property, plant and equipment and intangible assets are classified as noncurrent. Current liabilities are obligations incurred for trading purposes or to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent.

Cash and Cash Equivalents

Cash includes unrestricted cash on hand and cash in bank. Government bonds under repurchase agreements and notes acquired with maturities of less than three months from the date of purchase are classified as cash equivalents. The carrying amount approximates fair value.

Financial Instrument at Fair Value through Profit or Loss

Financial instruments at fair value through profit or loss include financial assets and financial liabilities held for trading purpose or upon initial recognition designated by the entity as at fair value through profit or loss. Upon initial recognition, they are recognized at the fair values plus transaction costs. After initial recognition, they are measured at fair values and the changes in the fair values are recognized as the profits or losses. Cash dividends received are recorded as dividends revenue, including the dividends received in the year of acquisition. When the financial instruments are disposed of, the difference between carrying amount and the price received or paid is recognized as the profit or loss. All purchases and sales of investments are recorded on the trade date basis.

Derivatives that are not subject to measurement under hedge accounting are classified as financial assets or financial liabilities at fair value through profit or loss. The positive fair values of derivatives are recognized as financial assets; negative fair values are recognized as financial liabilities.

The fair value of open-end mutual fund is the published fair value per unit at the balance sheet date. Marketable securities are stated at the closing price at the balance sheet date.

Allowance for Doubtful Accounts

Allowance for doubtful accounts is determined by the Company's management based on the evaluation of the probability of collection of notes and accounts receivable. The Company determines the amount of allowance for doubtful accounts by examining the aging analysis of outstanding accounts receivable and current trends in the credit quality of its customers as well as its internal credit policies.

Revenue Recognition

Sales are recognized when titles of products and risks of ownership are transferred to customers.

Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process. Before January 1, 2009, inventories were stated at the lower of cost or market value. Any write-down was made on an item by item basis. Market value meant replacement cost for raw materials and supplies and net realizable value for finished goods and work in process. As stated in Note 3, effective January 1, 2009, inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made item by item. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. After initial recognition, they are measured at fair value and the changes in fair value of available-for-sale financial assets are recorded as an adjustment of stockholders' equity. When the financial assets are disposed of, the related accumulated fair value changes are taken out of stockholders' equity and recognized in the profit and loss. All purchases and sales of available-for-sale financial assets are recorded on the trade date basis.

Stock dividends are recorded as an increase in the number of shares and do not affect investment income or the carrying amount of the investment.

The fair value of open-end mutual fund is the published fair value per unit at the balance sheet date. Marketable securities are stated at the closing price at the balance sheet date.

If there is objective evidence which indicates that the financial assets are impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment loss decreases, for equity securities, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to stockholders' equity; for debt securities, the amount of the decrease is recognized in earnings, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

Financial Assets Carried at Cost

Equity instruments, including unlisted stocks, are measured by the original cost since their fair value can't be reliably measured. Accounting policies for dividends received are similar to those in available-for-sale financial assets.

An impairment loss is recognized if there is objective evidence of impairment and subsequent reversal of such impairment loss is not allowed.

Long-term Equity Investments Accounted for Using Equity Method

Investments in corporations in which the Company's ownership interest is over 20% or the Company exercises influence on the operating and financial policy decision are accounted for by the equity method.

When equity investments are made, the excess of the purchase cost over the fair value of net assets representing goodwill will not be amortized, but will be tested for impairment periodically, or more frequently, if events or changes in circumstances indicate that such carrying value may not be recoverable.

When the Company subscribes for additional investee shares at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment in the investee will differ from the amount of the Company's share of the investee's net equity. The Company records such difference as an adjustment to long-term investments with the corresponding amount charged or credited to capital surplus. If the balance of the capital surplus account relating to a long-term equity investment is not sufficient to absorb such an adjustment, any excess is charged against retained earnings.

If there is objective evidence which indicates that the financial assets are impaired, a loss is recognized. For those investees over which the Company exercises significant influence on their operating and financial decision, the assessment of impairment is based on carrying value.

Long-term equity investments accounted for using equity method in which the investee is acquired by another company and the Company had lost its ability to exercise significant influence over the investee are reclassified into available-for-sale financial assets and stated at fair value. The difference between the fair value of available-for-sale financial assets and the carrying value of long-term equity investments accounted for using equity method is recognized in the profit and loss.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Expenditures that would increase the value or extend the useful lives of property, plant and equipment are capitalized.

Interest is capitalized during the construction period of property, plant and equipment until a qualifying asset is substantially completed and ready for its intended use.

Depreciation is provided on the straight-line method over the following estimated useful lives of the related assets, plus one additional year for salvage:

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

When an indication of significant impairment is determined, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in the future period, the subsequent reversal of the impairment loss would be recognized as a gain. However, the increased carrying amount of an asset due to reversal of an impairment loss should not exceed the carrying amount that would have been determined (net of depreciation), had no impairment loss been recognized for the assets in prior years.

Upon sale or disposal of property, plant and equipment, the related cost and accumulated depreciation are removed from the accounts and any related gain or loss is included in non-operating income or non-operating expenses.

Intangible Assets

Intangible assets are stated at acquisition cost less accumulated amortization and included in assets. Such assets are amortized over three to five years from the commencement of production using the straight-line method. If the assets' future benefits are impaired, the excess of carrying amount will be recognized in current loss to present the fair value of the assets.

Bonds Payable

a. Convertible bonds issued before January 1, 2006

   The convertible bonds are issued at par value, and the issuing costs are amortized using the straight-line method over the period from the date of issuance to the date of maturity. If the put option expires without exercise, the reserve for redemption of convertible bonds is amortized as a deduction of interest expense over a period starting from the next day of expiration date of put option to the maturity date of the bonds using the effective interest rate method.

b. Convertible bonds issued after January 1, 2006

   <u>Initial recognition and measurement</u>

   In accordance with Statement of Financial Accounting Standards No. 36, "Financial Instruments: Disclosure and Measurement," embedded derivatives, such as conversion option and put option with economic characteristics and risks that are not closely related to the economic characteristics and risks of the host contract are separated from the host contract. Conversion option, giving bondholders contractual right to receive a fixed number of Winbond's common share for a fixed stated principal amount of the bonds, is initially recognized as "capital surplus - stock option." Put option is initially recognized as "financial liabilities at fair value through profit or loss." When fair value is subsequently measured, the changes in fair value are recognized in current income. The carrying value of host contract is measured at amortized cost using the straight line method; the related interest expense or redemption gain or loss is recognized as current income.

   <u>Conversion and put option</u>

   When the bondholders exercise the conversion option, Winbond shall adjust the carrying value of "financial liabilities at fair value through profit or loss" to fair value and "bonds payable" to amortized cost by the straight line method. The aforesaid carrying value of the bonds and put option is credited to capital stock accounts as well as "capital surplus - stock option."

   If the bondholders can exercise put option within one near year after the balance sheet date, bonds payable and the embedded non-equity derivatives shall be classified as current liabilities. However, when the put option expires, unexercised bonds payable and the embedded non-equity derivatives shall be reclassified to noncurrent liabilities.

   If the put option expires without exercise, the carrying amount of the put option is reclassified to capital surplus if the strike price is below Winbond's share price on the expiration date of the put option; otherwise, the put option shall be credited or charged to current income.

Reserve for Product Guarantee

For potential product risk, the Company accrues reserve for product guarantee based on the commitment to specific customers.

Benefit Pension Plan

For employees under defined contribution plans, pension costs are recorded based on the actual contributions made to employee's personal pension accounts. For employees under defined benefit pension plans, pension costs are recorded based on actuarial calculations.

Transaction in Foreign Currencies and Translation of Foreign Currency Financial Statements

Foreign currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange gains or losses derived from foreign currency transactions or monetary assets and liabilities denominated in foreign currencies are recognized in current income. At the balance sheet date, assets and liabilities denominated in foreign currencies are revalued at the prevailing exchange rates with the resulting gains or losses recognized in current income or loss.

Foreign non-currency assets and liabilities (e.g., equity instrument) which are measured at fair value shall be revalued at the balance sheet date exchange rates. The related translation adjustment on available-for-sale financial assets is included in stockholders' equity; and the translation adjustment on financial instrument at fair value through profit or loss is recorded in current year's profit or loss. Financial assets carried at cost are measured at historical rate on the transaction dates.

The aforesaid balance sheet date exchange rates are based on the middle prices of the major transaction banks.

Income Tax

The Company uses an inter-period tax allocation method for income tax. Deferred income tax assets and liabilities are recognized for the tax effect of temporary differences, operating loss carryforwards and investment tax credits. Valuation allowances are provided when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense or benefit is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Income tax credits, such as for purchase of machinery, research and development expenses and training expenses, are recognized as deduction of current income tax expense.

Income tax on unappropriated earnings at a rate of 10% is expensed in the year of stockholder approval which is the year subsequent to the year the earnings are generated.

Loss per Share

Basic loss per share is calculated by dividing net loss applicable to common stock by the weighted average number of shares outstanding.

Stock-based Compensation

Employee stock options granted between January 1, 2004 and December 31, 2007 were accounted for under the interpretations issued by the Accounting Research and Development Foundation ("ARDF"). Under the interpretations, the Company adopted the intrinsic value method. Employee stock options granted on or after January 1, 2008 are accounted for under SFAS No. 39, "Accounting for Share-based Payment." Under SFAS No. 39, the Company adopted the fair value method.

Treasury Stock

The cost of shares purchased or fair value of shares donated by outside parties is charged to the treasury stock account.

Upon reissuance, the discrepancy between the cost of the treasury shares and the price received is reflected in stockholders' equity accounts.

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2008 have been reclassified to conform to the presentation of the financial statements as of and for the year ended December 31, 2009.

3. CHANGES IN ACCOUNTING PRINCIPLES

Accounting for Inventories

On January 1, 2009, the Company adopted the newly revised SFAS No. 10, "Accounting for Inventories". The adoption resulted in an increase of $91,057 thousand in net loss and an increase of $0.02 in after income tax basic loss per share for the year ended December 31, 2009. For comparison purposes, the Company also reclassified nonoperating losses of $497,544 thousand to cost of sales for the year ended December 31, 2008.

Accounting for Bonuses to Employees, Directors and Supervisors

In March 2007, the ARDF issued Interpretation 2007-052 that requires companies to recognize as compensation expenses bonuses paid to employees, directors and supervisors beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. The adoption of this interpretation didn't result in material effect on the financial statements for the year ended December 31, 2008.

Accounting for Share-based Payments

On January 1, 2008, the Company adopted the newly released SFAS No. 39, "Accounting for Share-based Payment." WECA measured the fair value of the outstanding liabilities arising from share-based payment transactions existing at January 1, 2008 and recognized the difference between the fair value and the carrying amount of the outstanding liabilities at January 1, 2008 of $18,246 thousand as cumulative effect of change in accounting principle. In addition, Winbond issued employee stock warrants in 2008 and recognized the compensation cost of $2,362 thousand for the year ended December 31, 2008.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2009	2008
Cash on hand	$ 670	$ 653
Cash in bank	1,571,370	1,510,234
Time deposit	2,692,466	5,447,310
Short-term bills	482,919	815,400
	$ 4,747,425	$ 7,773,597

Time deposits in the amounts of $135,858 thousand and $134,322 thousand as of December 31, 2009 and 2008, respectively, were pledged to secure land lease agreement, purchase orders of materials, customs tariff obligations and sales deposits and are included in refundable deposits.

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2009	2008
Financial assets at fair value through profit or loss, current		
Listed stocks	$ 3,631	$ 2,264
Forward exchange contracts	21,935	17,588
	$ 25,566	$ 19,852

For the years ended December 31, 2009 and 2008, the Company's strategy for forward exchange contracts is to hedge its exposures to fluctuations of foreign exchange rate. The Company's financial risk management objective is to hedge most of market price risk and cash flows risk.

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

	Currencies	Contract Expiration Date	Contract Amount (In Thousands)
December 31, 2009			
Sell forward exchange contracts	USD to NTD	2010.01.07-2010.03.04	US$56,000/NT$1,807,551
Sell forward exchange contracts	USD to JPY	2010.02.11-2010.02.25	US$5,000/JPY452,170
December 31, 2008			
Sell forward exchange contracts	USD to JPY	2009.01.08	US$2,000/JPY195,360
Buy forward exchange contracts	JPY to NTD	2009.01.22	JPY400,000/NT$136,000
Sell forward exchange contracts	USD to EUR	2009.01.15	US$2,000/EUR1,389
Sell forward exchange contracts	USD to NTD	2009.01.05-2009.02.06	US$32,000/NT$1,053,859

The transactions of financial instruments at fair value through profit or loss resulted in a net gain of $41,644 thousand and $62,563 thousand for the years ended December 31, 2009 and 2008, respectively.

6. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2009	2008
Notes receivable	$ 5,186	$ 13,213
Less allowance for doubtful notes	-	(1,000)
	$ 5,186	$ 12,213
Accounts receivable	$ 3,727,225	$ 3,169,113
Less allowance for doubtful accounts	(306,376)	(645,256)
	$ 3,420,849	$ 2,523,857
Accounts receivable from related parties (Note 24)	$ 137,698	$ 2,227

7. INVENTORIES

	December 31	
	2009	2008
Finished goods	$ 1,040,158	$ 1,484,382
Work-in-process	3,917,886	3,012,460
Raw materials and supplies	163,079	169,921
Inventories in transit	16,894	13,210
	$ 5,138,017	$ 4,679,973

As of December 31, 2009 and 2008, the allowance for inventory devaluation was $711,075 thousand and $2,080,927 thousand, respectively.

Recovery gain and write-down of inventories to net realizable value in the amount of $1,274,332 thousand and $497,544 thousand, respectively, were included in the cost of sales for the years ended December 31, 2009 and 2008.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31			
	2009		2008	
	Amount	Ownership Percentage	Amount	Ownership Percentage
Listed stocks				
Walton Advanced Engineering Inc.	$ 930,434	11	$ 281,404	14
Hannstar Display Corporation	847,894	2	1,180,162	5
Walsin Technology Corporation	226,244	2	72,241	2
Walsin Lihwa Corporation	197,175	1	635,455	3
Emerging Memory & Logic Solutions Inc.	44,375	7	38,762	16
Walton Chaintech Corp.	19,071	1	-	-
Novatek Microelectronics Corporation	-	-	166,364	1
Acer Incorporated	-	-	149,108	-
Powertech Technology Inc.	-	-	87,382	-
Asustek Computer Corporation	-	-	73,585	-
Integrated Silicon Solution Inc.	-	-	36,129	-
Etron Technology Inc.	-	-	25,091	1
Formosa Chemicals & Fibre Corporation	-	-	16,600	-
Yuanta Financial Holding Co., Ltd.	-	-	14,700	-
Cathay Financial Holdings Co., Ltd.	-	-	365	-
	2,265,193		2,777,348	
Less current portion	(2,220,818)		(2,142,112)	
	$ 44,375		$ 635,236	

9. FINANCIAL ASSETS CARRIED AT COST

	December 31			
	2009		2008	
	Amount	Ownership Percentage	Amount	Ownership Percentage
LTIP Trust Fund	$ 435,064	-	$ 446,080	-
Dachien Investing Co.	199,870	10	199,870	10
United Industrial Gases Co., Ltd.	154,867	8	154,867	8
Vita Genomics, Inc.	140,432	8	144,776	8
Strategic Value Fund II	71,271	24	123,662	24
Walsin Color Corporation	121,197	9	121,197	9
Others	320,952	-	380,595	-
	$ 1,443,653		$ 1,571,047	

The Company's financial assets carried at cost do not have a quoted market price in an active market, and the fair value cannot be reliably measured. Impairment loss is evaluated periodically.

10. LONG-TERM EQUITY INVESTMENTS AT EQUITY METHOD

	December 31				
	2009			2008	
	Original Investment Cost	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Nyquest Technology Co., Ltd. ("Nyquest")	$ 36,606	$ 41,819	40	$ -	-
CFP Technology Corporation ("CFP")	20,000	19,054	47	17,868	47
	$ 56,606	$ 60,873		$ 17,868	

Equity in gains (losses) of equity method investee was summarized as follows:

	Years Ended December 31	
	2009	2008
Nyquest	$ 5,237	$ -
CFP	1,497	(3,100)
Cheertek Incorporation("Cheertek")	-	(43,105)
	$ 6,734	$ (46,205)

The investment income for the year ended December 31, 2009 was based on the investees' financial statements audited by other auditors.

Cheertek was merged into Novatek Microelectronics Corporation ("Novatek") on June 30, 2008. Thus, 25,816,357 common shares of Cheertek owned by the Company were converted into 6,884,361 common shares of Novatek, equivalent to 1% ownership interest in Novatek, according to the exchange ratio. The Company recognized a gain on this transaction of $371,084 thousand, which was recorded in non-operating income and gains - gain on disposal of investments for the year ended December 31, 2008.

As of June 30, 2008, the unrealized gain on Winbond's sale of the intangible assets of LCD Driver IC department to Cheertek in 2006, which amounted to $90,926 thousand was recognized as non-operating income and gains - others for the year ended December 31, 2008 since Cheertek was terminated.

CFP was incorporated in 2000 and is engaged in the design and sale of IC. Win subscribed for 13,800,000 shares of CFP at $10 per share in April 2005. CFP reduced its capital to offset deficits in June 2008 and increased its capital by $500 thousand and $3,457 thousand in June 2008 and August 2008, respectively. Win renounced its right to subscribe for additional shares and sold 763,078 shares of CFP at $9.5 dollars per share to third parties in August 2008. Additionally, Win resigned as director in August 2008. Win's ownership interest in CFP was less than 50% and could not cast vote in the board of directors; it ceased control of CFP. As of December 31, 2009, the capital of CFP was $43,000 thousand and the Company had a 47% ownership interest in CFP, an equity-method investee.

Nyquest was incorporated in 2006 and mainly engaged in the manufacture and sale of computer related products. The Company previously accounted the investments in Nyquest at cost. Nyquest reduced its capital to offset accumulated deficit in January 2009. Additionally, Nyquest issuance of shares for cash, and the Company subscribed 2,700,000 shares at $10 per share in March 2009. As of December 31, 2009, the Company had a 40% ownership interest in Nyquest, an equity-method investee.

11. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation of property, plant and equipment consisted of the following:

	December 31	
	2009	**2008**
Buildings	$ 6,760,260	$ 5,494,678
Machinery and equipment	38,246,054	37,467,926
Other equipment	1,545,620	1,154,865
	$ 46,551,934	$ 44,117,469

Capitalized interest for the years ended December 31, 2009 and 2008 amounted to $34,987 thousand and $189,293 thousand, respectively. The interest rates of interest capitalized were 1.55%-1.81% and 3.33%-3.43%, respectively.

As of December 31, 2009, the carrying value of $33,762,768 thousand of 12-inch Fab manufacturing facilities was pledged to secure long-term debt. Please refer to Note 16.

In March 2007, Winbond entered into an asset transfer agreement with Vanguard International Semiconductor Corporation ("VIS") to sell the 8-inch Fab (located in Li-Shin Rd.) facilities and manufacturing equipment for the price of $7,848 million. The closing date was on January 1, 2008. Net profit on this transaction amounted to $451 million, with lease-back profit of $135 million deferred and will be recognized in the future lease period, and the remainder of $316 million was recognized as gain on sale of property, plant and equipment for the year ended December 31, 2008.

12. INTANGIBLE ASSET

	December 31 2009	December 31 2008
Deferred technical assets, net	$ 1,625,287	$ 659,167
Others	1,108	1,898
	$ 1,626,395	$ 661,065

In connection with certain technical transfer agreements, the Company made technical transfer fee payments. Such deferred assets are amortized over three to five years from the commencement of production using the straight-line method and tested for impairment periodically.

13. SHORT-TERM BANK BORROWINGS

	December 31			
	2009		2008	
	Interest Rate %	Amount	Interest Rate %	Amount
Materials procurement loans	0.91-2.63	$ 273,169	1.32-4.24	$ 1,198,926
Bank lines of credit	1.61-2.52	1,202,000	1.93-3.84	2,319,200
		$ 1,475,169		$ 3,518,126

14. COMMERCIAL PAPER PAYABLE

	2009		2008
	Interest Rate %	Amount	Amount
Commercial paper payable	-	$ -	$ 300,000
Discount on commercial paper payable		-	(2,846)
		$ -	$ 297,154

15. BONDS PAYABLE

Overseas Convertible Bonds (III)

a. Date of issuance: May 24, 2006
b. Par value: US$1 thousand
c. Location of issuance: Issued overseas and listed on the Singapore Exchange Limited
d. Price of issuance: 100%
e. Total amount: US$120,000 thousand
f.Interest rate: 0%
g. Date of maturity: May 24, 2011
h. Provision of conversion option:

The bonds are convertible into Winbond's common shares at predetermined conversion price (at an exchange rate of US$1.00 to NT$31.49).

i. Conversion period: From June 23, 2006 to May 9, 2011
j. Conversion price: $13.69 dollars per share at the issuing date.
k. Provision of request to redeem the bonds:

1) Redemption at maturity

Unless previously redeemed or converted or purchased and cancelled, Winbond will redeem the Bonds at 100 percent of their principal amount in US dollars on the Maturity Date.

2) Redemption at the option of Winbond

Winbond may redeem the Bonds (1) in whole or in part at any time on or after May 24, 2008 and prior to May 24, 2011, if the Closing Price of the Common Shares on the TSE translated into U.S. dollars at the Prevailing Rate for any 20 Trading Days out of a period of 30 consecutive Trading Days, is at least 125% of the Conversion Price then in effect translated into U.S. dollars at the rate of NT$31.49=U.S.$1.00; or (2) in whole but not in part at any time prior to May 24, 2011, if at least 90% in principal amount of the Notes has already been redeemed, converted or purchased and cancelled.

3) Redemption at the option of bondholders

Winbond will, at the option of the holder of any Bond, redeem all or some of that holder's Bonds on May 24, 2008, at 100 per cent of their principal amount in US dollars.

l. According to SFAS No. 36, Winbond has bifurcated the bonds into liability component and equity component. The bondholders had executed the redemption of the option on May 24, 2008. Thus, Winbond had redeemed all the bonds and wrote-off the unamortized discount on bonds of $607,527 thousand and the put option of convertible bonds was recorded as liabilities of $335,692 thousand. The loss on the redemption of $271,835 thousand was recorded as non-operating expenses and losses - others. Additionally, the capital surplus of conversion option, which amounted to $368,825 thousand was adjusted to capital surplus - others.

16. LONG-TERM DEBT

	December 31			
	2009			2008
	Period	Interest Rate %	Amount	Amount
Loan collateralized by 12-inch Fab equipment in Central Taiwan Science Park	2005.06.23-2010.06.23	1.66-2.23	$ 1,333,333	$ 4,000,000
Loan collateralized by 12-inch Fab and equipment in Central Taiwan Science Park	2005.12.29-2010.12.29	1.56-2.30	5,000,000	10,000,000
Chinatrust Commercial Bank syndication agreement (I)	2007.12.28-2011.12.28	3.43-3.91	5,000,000	5,000,000
Chinatrust Commercial Bank syndication agreement (II)	2008.06.27-2013.06.27	2.41-3.14	7,700,000	7,700,000
Bank of Taiwan syndication agreement	2009.07.27-2012.07.27	3.42%	3,700,000	-
			22,733,333	26,700,000
Less current portion of long-term debt			(7,616,673)	(7,666,667)
			$ 15,116,660	$ 19,033,333

Loan Collateralized by 12-inch Fab Equipment in Central Taiwan Science Park

a. On January 24, 2005, Winbond entered into a syndication agreement, amounting to $8 billion, with a group of financial institutions to procure equipment for 12-inch Fab.
b. The principal will be paid every six months from December 23, 2007 until maturity.
c. Please refer to Note 11 for collateral on bank borrowing.

Loan Collateralized by 12-inch Fab and Equipment in Central Taiwan Science Park

a. On October 24, 2005, Winbond entered into a syndication agreement, amounting to $15 billion, with a group of financial institutions to build plant factory and procure equipments for 12-inch Fab.
b. The principal will be paid every six months from June 29, 2008 until maturity.
c. Please refer to Note 11 for collateral on bank borrowing.

Chinatrust Commercial Bank Syndication Agreement (I)

a. In September 2007, Winbond entered into a syndication agreement, amounting to $5 billion, with a group of financial institutions to finance the working capital.
b. The principal will be repaid every six months from June 28, 2011 until maturity.
c. Please refer to Note 11 for collateral on bank borrowing.

Chinatrust Commercial Bank Syndication Agreement (II)

a. On June 4, 2008, Winbond entered into a syndication agreement, amounting to $7.7 billion, with a group of financial institutions to procure equipment for 12-inch Fab.
b. The principal will be repaid every six months from December 27, 2010 until maturity.
c. Please refer to Note 11 for collateral on bank borrowing.

Bank of Taiwan Syndication Agreement

a. On July 15, 2009, Winbond entered into a syndication agreement, amounting to $3.7 billion, with a group of financial institutions to fund the long-term loan payments and finance the working capital.
b. The principal will be repaid every three months from October 27, 2011 until maturity.
c. Please refer to Note 11 for collateral on bank borrowing and Note 24 for the joint guarantor.

Winbond is required to maintain certain financial covenants, including current ratio, debt ratio and tangible net equity, on June 30 and December 31 during the tenors of the loans. Additionally, the principal and interest coverage ratio should be also maintained on December 31 during the tenors of the loans except for Bank of Taiwan syndication agreement which should be maintained on June 30 and December 31. The computations of financial ratios mentioned above are done based on the audited consolidated financial statements except that the semiannual financial ratios under the covenants of the loan collateralized by 12-inch fab equipment in Central Taiwan Science Park are calculated based on the audited semiannual financial statements. Although the tangible net equity, current ratio and the principal and interest coverage ratio on December 31, 2009 did not meet the requirements except Bank of Taiwan syndication agreement, Winbond had obtained the waivers from the majority of banks in February 2010.

17. PENSION PLAN

The Company have defined contribution plan based on the “Labor Pension Act.” According to the Act, the Company have made monthly contributions equal to 6% of each employee’s monthly salaries to employee’s individual pension accounts. Such pension costs were $103,931 thousand and $118,566 thousand for the years ended December 31, 2009 and 2008, respectively.

The Company have defined benefit pension plan covering all eligible employees. Based on the Labor Standards Law of the Republic of China, the Company's policy is to fund the plan at 2% of employees' salaries and wages. The fund is administered by a Pension Fund Administration Committee and is deposited in the Bank of Taiwan in the committee's name.

Pension information on the defined benefit plan was summarized as follows:

a. The components of net pension cost:

	Years Ended December 31	
	2009	**2008**
Service cost	$ 40,218	$ 50,241
Interest cost	38,611	55,103
Expected return on plan assets	(26,317)	(34,702)
Amortization, net	11,679	11,390
Curtailment gain	(47,027)	(121,469)
Net pension cost (gain)	$ 17,164	$ (39,437)

Curtailment gain was recorded as deduction of salary expense.

b. The assumptions used in determining the actuarial present value of the projected benefit obligation were as follows:

	December 31	
	2009	**2008**
Discount rate	2.25%	2.25%
Expected long-term rate of return on plan assets	1.50%	2.50%
Rate of increase in compensation	1%-3%	3%-4%

c. Reconciliation of funded status of the plan and accrued pension liabilities were summarized as follows:

	December 31	
	2009	**2008**
Benefit obligation		
Vested benefit obligation	$ 341,177	$ 9,710
Accumulated benefit obligation	1,078,679	1,029,652
Projected benefit obligation	1,449,422	1,826,023
Funded status		
Projected benefit obligation	(1,449,422)	(1,826,023)
Fair value of plan assets	991,522	1,157,729
Funded status	(457,900)	(668,294)
Unrecognized net transition obligation	111,035	119,344
Unrecognized net gain	41,556	219,023
Accrued pension liabilities	$ (305,309)	$ (329,927)

18. STOCKHOLDERS' EQUITY

Winbond's Common Stock

	December 31	
	2009	**2008**
Authorized capital		
Shares (in thousand shares)	6,700,000	6,700,000
Par value (in dollars)	$10	$10
Capital	$ 67,000,000	$ 67,000,000
Outstanding capital		
Shares (in thousand shares)	3,656,497	3,727,381
Par value (in dollars)	$10	$10
Capital	$ 36,564,972	$ 37,273,812

As of December 31, 2008, the balance of Winbond's capital account amounted to $37,273,812 thousand, divided into 3,727,381,193 shares at par $10.00 dollars per share.

In February 2009, Winbond reduced its capital by cancellation of its treasury stocks of 70,884,000 shares. As of December 31, 2009, the balance of Winbond's capital account amounted to $36,564,972 thousand, divided into 3,656,497,193 shares at par $10.00 dollars per share. Walsin Lihwa is a major stockholder of Winbond and held approximately 23% ownership interest in Winbond as of December 31, 2009.

Treasury Stock

Treasury stock transactions for the year ended December 31, 2009 were summarized as follows:

Purpose of Purchase	Treasury Stock Held as of January 1, 2009	Increase During the Year	Decrease During the Year	Treasury Stock Held as of December 31, 2009
For transferring to the employees	33,884,000	-	33,884,000	-
To maintain Winbond's credibility and shareholders' interest	37,000,000	-	37,000,000	-
Common shares held by subsidiaries	10,618,364	-	3,100,000	7,518,364
	81,502,364	-	73,984,000	7,518,364

Treasury stock transactions for the year ended December 31, 2008 were summarized as follows:

Purpose of Purchase	Treasury Stock Held as of January 1, 2008	Increase During the Year	Decrease During the Year	Treasury Stock Held as of December 31, 2008
For transferring to the employees	57,164,000	-	23,280,000	33,884,000
To maintain Winbond's credibility and shareholders' interest	-	77,000,000	40,000,000	37,000,000
Common shares held by subsidiaries	10,618,364	-	-	10,618,364
	67,782,364	77,000,000	63,280,000	81,502,364

Securities and Exchange Law Article 28.2 stipulates that the number of treasury stock held by Winbond shall not exceed 10% of the outstanding shares and the amount shall be no more than the total of retained earnings and realized capital surplus, such as additional paid-in capital.

As of December 31, 2008, Winbond's subsidiary - Baystar Holdings Ltd. (BHL) held 10,618,364 shares of Winbond's common stock. In May 2009, BHL sold 3,100,000 shares of Winbond's common stock resulting in a loss of $19,243 thousand, which was recorded as a deduction of "Capital surplus - treasury stock transaction." As of December 31, 2009, BHL held 7,518,364 shares of Winbond's common stock which amounted to $106,387 thousand. The shares held by BHL were treated as treasury stocks.

Under the Securities and Exchange Act, Winbond shall neither pledge treasury stock nor exercise shareholders' rights on these shares, such as rights to dividends and to vote. Winbond's stock held by subsidiaries is treated as treasury stock, and the holders are entitled to the rights of shareholders, except for the right to participate in Winbond's share issuance for cash and vote in shareholders' meeting.

19. EMPLOYEE STOCK WARRANTS

In 2002, 2003, 2008 and 2009, the Board of Directors of Winbond resolved to issue employee stock warrants within the quantity of 270,111 thousand, 4,034 thousand, 45,764 thousand and 1,585 thousand units. Each individual employee stock warrant is granted the right to purchase Winbond's new issued one common share. The warrants were granted to qualified employees of Winbond and its subsidiaries. The warrants granted are valid for 5 or 6 years and exercisable at certain percentages after the second anniversary year from the grant date. The warrants were granted at an exercise price equal to the closing price of Winbond's common shares listed on the Taiwan Stock Exchange on the grant date. For any subsequent changes in Winbond's paid-in capital, the exercise price and the number of options are adjusted accordingly.

Employee stock warrants were summarized as follows:

	Years Ended December 31			
	2009		2008	
Employee Stock Warrants	**Number of Options (In Thousand)**	**Weighted Average Exercise Price (NT$)**	**Number of Options (In Thousand)**	**Weighted Average Exercise Price (NT$)**
Outstanding balance, beginning of year	45,719	$ 3.02	9,378	$21.79
Warrants granted	1,585	5.15	45,764	3.02
Warrants exercised	-	-	-	-
Warrants cancelled	-	-	-	-
Warrants expired	(3,917)	3.02	(9,423)	21.70
Outstanding balance, end of year	43,387	3.10	45,719	3.02
Warrants exercisable, end of year	-	-	-	-

Information about outstanding warrants was as follows:

December 31			
2009		2008	
Range of Exercise Price (NT$)	Weighted Average Remaining Contractual Life (Years)	Range of Exercise Price (NT$)	Weighted Average Remaining Contractual Life (Years)
$3.02-$6.46	3.85	$3.02	4.83

Winbond used the fair value method to evaluated the option using Black-Scholes model, the assumptions and proforma result for the years ended December 31, 2009 and 2008 were as follows:

Grant-date share price (NT$)	$3.02-$6.46
Exercise price (NT$)	$3.02-$6.46
Expected volatility	52.03%-74.48%
Expected life (years)	3.75
Expected dividend yield	0%
Risk-free interest rate	0.94%-1.95%

Compensation cost recognized under the fair value method were $14,819 thousand and $2,362 thousand for the years ended December 31, 2009 and 2008, respectively.

20. EARNINGS DISTRIBUTION AND DIVIDEND POLICY

According to the Company Law of the ROC and Winbond's Articles of Incorporation, Winbond's annual net income (after income tax) should first be appropriated in the following order:

a. Offset any accumulated deficit;
b. Appropriate 10% of the remainder thereafter as a legal reserve until such reserve equals to the amount of common stock; and
c. Appropriate necessary special reserve as regulated by laws or domestic authorities.

Unappropriated earnings could be retained for operating needs, if necessary. The priority and the percentage of distribution as stipulated by Winbond's Articles of Incorporation are as follows:

a. 2% as bonus to directors and supervisors;
b. 11% as bonus to employees;
c. The remainder, thereafter, as dividends and bonuses to stockholders.

The total amount of stockholders' dividends and bonuses could be appropriated, in part or in whole, as general special reserve and then, be distributed.

The aforesaid bonuses to employees include the employees of subsidiaries meeting the conditions set by the board of Directors or, by Winbond's chairman duly authorized by the board of directors.

Winbond had been approved in used $236,437 thousand of Legal reserve, $151,358 thousand of special reserve and $4,818,337 thousand of capital surplus to offset deficit in the stockholders' meetings on April 30, 2008.

According to the Company Law of the ROC and Win's Articles of Incorporation, Win's annual net income (after income tax) should first be appropriated in the following order:

a. Offset any accumulated deficit;
b. Appropriate 10% of the remainder thereafter as a legal reserve.

Win's unappropriated earnings could be retained for operating needs, if necessary. The priority and percentage of distribution in accordance with Win's Articles of Incorporation are as follows:

a. Bonuses to employees no less than 0.01%;
b. The remainder thereafter as dividends to stockholders.

In 2007, Win did not appropriate bonuses to employees, directors and supervisors due to accumulated deficit. In 2008, Win did not appropriate bonuses due to net loss.

MMD's annual net income (after income tax) should first be appropriated in the following order:

a. Offset any accumulated deficit;
b. Appropriate 10% of the remainder thereafter as a legal reserve.

MMD's unappropriated earnings could be retained for operating needs, if necessary. The priority and the percentage of distribution as stipulated by MMD's Articles of Incorporation are as follows:

a. 5-15% as bonuses to employees;
b. 2% as remuneration to directors and supervisors;
c. The remainder thereafter as dividends and bonuses to stockholders.

The total amount of stockholders' dividends and bonus could be appropriated, in part or in whole, as general special reserve and then, be distributed.

In 2007 and 2008, MMD did not appropriate bonuses to employees, directors and supervisors due to accumulated deficit.

According to the Company Law of the ROC and the NTC's Articles of Incorporation, NTC's annual net income (after income tax) should first be appropriated in the following order:

a. Offset any accumulated deficit;
b. Appropriate 10% of the remainder thereafter as a legal reserve until such reserve equals to the amount of common stock; and
c. Appropriate necessary special reserve as regulated by laws or domestic authorities.

Unappropriated earnings could be retained for operating needs, if necessary. The priority and the percentage of distribution as stipulated by NTC's Articles of Incorporation are as follows:

a. 2% as remuneration to directors and supervisors;
b. 10-15% as bonuses to employees;
c. The remainder, thereafter, as dividends and bonuses to stockholders.

The total amount of dividends and bonuses could be appropriated, in part or in whole, as general special reserve and then, be distributed.

The aforesaid bonuses to employees include the employees of subsidiaries meeting the conditions set by the board of Directors or, by NTC's chairman duly authorized by the board of directors.

NTC had estimated its bonuses to employees and directors and supervisors for 2009 amount to $61,557 thousand which was calculated at about 16% of net income after tax of NTC. Material difference between such estimated amount and the amount proposed by the Board of Directors in the following year is adjusted for in the current year. If the actual amount subsequently resolved by the stockholders differs from the proposed amount, the difference is recorded in the year of stockholders' resolution as a change in accounting estimate.

NTC had been approved the use of $68,978 thousand of capital surplus to offset deficit in the board of directors meeting on June 10, 2009.

21. PERSONNEL EXPENSE, DEPRECIATION, AND AMORTIZATION

	Year Ended December 31, 2009			
	Classified as Cost of Sales	Classified as Operation Expenses	Classified as Non-operation Expenses and Losses	Total
Personnel expense				
Salary	$ 1,521,471	$ 2,298,535	$ -	$ 3,820,006
Insurance	105,320	119,013	-	224,333
Pension	90,341	154,472	-	244,813
Others	13,327	46,708	-	60,035
	$ 1,730,459	$ 2,618,728	$ -	$ 4,349,187
Depreciation	$ 9,923,880	$ 195,541	$ 2,891	$ 10,122,312
Amortization	$ -	$ 399,711	$ 21,583	$ 421,294

	Year Ended December 31, 2008			
	Classified as Cost of Sales	Classified as Operation Expenses	Classified as Non-operation Expenses and Losses	Total
Personnel expense				
Salary	$ 1,839,489	$ 2,519,270	$ -	$ 4,358,759
Insurance	116,112	119,730	-	235,842
Pension	111,733	198,392	-	310,125
Others	16,309	58,738	-	75,047
	$ 2,083,643	$ 2,896,130	$ -	$ 4,979,773
Depreciation	$ 8,279,384	$ 281,170	$ 2,127	$ 8,562,681
Amortization	$ -	$ 738,383	$ 18,711	$ 757,094

22. INCOME TAX

Components of income tax credit (expense) were summarized as follows:

	Years Ended December 31	
	2009	2008
Current income tax credit	$ 1,524,610	$ 1,745,443
Deferred income tax assets and valuation allowance adjustment	(1,588,134)	(1,771,572)
Additional income tax under the Alter native Minimum Tax Act	-	(64,000)
Others	2,792	(2,816)
Provision for income tax	$ (60,732)	$ (92,945)

Components of deferred income tax assets were as follows:

	Years Ended December 31	
	2009	2008
Deferred tax assets		
Deferred technical assets	$ 32,000	$ 137,000
Allowance for inventory devaluation losses	161,000	520,000
Net operating loss carryforwards	5,755,310	4,944,665
Investment tax credits	6,453,881	9,614,539
Other temporary differences	355,279	464,139
Deferred income tax assets	12,757,470	15,680,343
Less valuation allowance	(8,387,453)	(11,302,390)
	4,370,017	4,377,953
Deferred income tax liabilities		
Unrealized gain on financial instruments	(3,000)	(4,000)
Deferred income tax assets, net	4,367,017	4,373,953
Deferred income tax assets, noncurrent	(4,153,542)	(3,683,727)
Deferred income tax assets, current	$ 213,475	$ 690,226

In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 25% to 20%, effective 2010. Winbond, MMD, Win and NTC recalculated their deferred tax assets and liabilities in accordance with the amended Article.

Reconciliation of current income tax credit and income tax credit at statutory rate were as follows:

	Years Ended December 31	
	2009	2008
Income tax credit at statutory rate	$ 2,017,522	$ 1,866,084
Increase (decrease) in tax credit resulting from		
Tax-exempt income on disposal of domestic investments	(415,463)	34,684
Unrealized investment losses	(94,721)	(307,527)
Dividend income	9,386	94,482
Others	7,886	57,720
Current income tax credit	$ 1,524,610	$ 1,745,443

Winbond and NTC's investment tax credits and operating loss carryforwards as of December 31, 2009 were as follows:

Expiry Year	Investment Tax Credit	Operating Loss Carryforwards
2010	$ 2,287,000	$ -
2011	1,471,000	-
2012	1,535,000	-
2013	795,000	821,000
2014-2018	-	4,375,000
	$ 6,088,000	$ 5,196,000

At December 31, 2009, WECA has operating loss carryforwards of US$16,833 thousand, which will expire in 2025.

The information of the integrated income tax system of Winbond was as follows:

	December 31	
	2009	2008
Balance of Imputation Credit Account	$ 89,416	$ 88,089
Undistributed earnings for the years of 1997 and before	$ -	$ -
Accumulated deficit for the years of 1998 and thereafter	$ (15,977,842)	$ (7,364,903)

Winbond's income tax returns through 2007 have been examined and approved by the tax authority.

As of December 31, 2009, Winbond has tax refund receivable under other assets - others amounted to $22,162 thousand which occurred in 2009 and years prior to 2009.

23. LOSS PER SHARE

	Years Ended December 31			
	2009		2008	
	Before Income Tax and Minority Interest	After Income Tax and Attributed to Stockholders of the Parent	Before Income Tax and Minority Interest	After Income Tax and Attributed to Stockholders of the Parent
Basic loss per share (NT$)				
Loss from operations of continued segments	$ (2.34)	$ (2.36)	$ (1.99)	$ (2.00)
Cumulative effect of changes in accounting principles	-	-	-	-
Net loss	$ (2.34)	$ (2.36)	$ (1.99)	$ (2.00)

Calculation of loss per share was disclosed as follows:

	Year Ended December 31, 2009				
	Amount			Loss Per Share (NT$)	
	Before Income Tax and Minority Interest	After Income Tax and Attributed to Stockholders of the Parent	Shares (In Thousands)	Before Income Tax and Minority Interest	After Income Tax and Attributed to Stockholders of the Parent
Basic loss per share					
Net loss attributed to common shareholders	$ (8,526,319)	$ (8,612,939)	3,647,945	$ (2.34)	$ (2.36)

	Year Ended December 31, 2008				
	Amount			Loss Per Share (NT$)	
	Before Income Tax and Minority Interest	After Income Tax and Attributed to Stockholders of the Parent	Shares (In Thousands)	Before Income Tax and Minority Interest	After Income Tax and Attributed to Stockholders of the Parent
Basic loss per share					
Net loss attributed to common shareholders	$ (7,293,766)	$ (7,364,903)	3,674,286	$ (1.99)	$ (2.00)

24. RELATED PARTY TRANSACTIONS

The names and relationships of related parties are as follows:

Related Party	Relationship with the Company
Walsin Lihwa Corporation ("Walsin")	Walsin's chairman is one of the immediate family members of Winbond's chairman and Walsin holds a 23% ownership of Winbond as of December 31, 2009
Cheertek Incorporation ("Cheertek")	The Company holds a 25% ownership interest (merged by Novatek Microelectronics Corporation and terminated on June 30, 2008)

(Continued)

Related Party	Relationship with the Company
Walton Advanced Engineering Inc. ("Walton ")	Walton's chairman is one of the immediate family members of Winbond's chairman. Winbond is one of the Walton's directors
Walsin Technology Corporation ("WTC")	WTC's chairman is one of the immediate family members of Winbond's chairman. Winbond is a supervisor of WTC
Hannstar Display Corporation ("Hannstar Display")	Hannstar Display's chairman is one of the immediate family members of Winbond's chairman
Prosperity Dielectrics Co. Ltd. ("Prosperity Dielectrics")	Prosperity Dielectrics's chairman is one of the immediate family member of the Company's chairman

Related Party	Relationship with the Company
Int'l Concord Investment Co. ("Int'l Concord")	Int'l Concord's chairman is one of the immediate family members of the Company's chairman (in the process of liquidation since February 2009)
Robert Hsu	The Winbond's managing director
Nyquest Technology Co., Ltd ("Nyquest")	An equity-method investee
Walton Chaintech Corp. ("Walton Chaintech")	Related party in substance
CFP Technology Corporation ("CFP")	A 70% owned subsidiary before August 2008 and a 47% owned equity-method investee after August 2008. Win is one of CFP's directors.

(Concluded)

Major transactions with related parties were summarized below:

Sales

	Years Ended December 31	
	2009	2008
Walton Chaintech	$ 1,102,860	$ -
Nyquest	131,428	-
Others	23,056	14,048
	$ 1,257,344	$ 14,048

Purchase

	Years Ended December 31	
	2009	2008
Nyquest	$ 3,822	$ -

Processing Costs

	Years Ended December 31	
	2009	2008
Walton	$ 1,416,702	$ 808,179

General and Administrative Expenses

	Years Ended December 31	
	2009	2008
Walsin	$ 7,631	$ 8,700

Research and Development Expenses

	Years Ended December 31	
	2009	2008
Nyquest	$ 98	$ -

Service Revenues

	Years Ended December 31	
	2009	2008
Cheertek	$ -	$ 436

Notes and Accounts Receivable

	December 31	
	2009	2008
Walton Chaintech	$ 98,881	$ -
Nyquest	33,814	-
Others	5,003	2,227
	$ 137,698	$ 2,227

Notes and Accounts Payable

	December 31	
	2009	2008
Walton	$ 752,722	$ 106,138
Others	5,681	-
	$ 758,403	$ 106,138

Other Payables and Other Current Liabilities

	December 31	
	2009	2008
Walton	$ 2,567	$ 39,567
Others	1,269	1,351
	$ 3,836	$ 40,918

Guarantee Deposits Received

	December 31	
	2009	2008
Hannstar Display	$ 1,695	$ 1,695
WTC	1,695	1,695
Others	1,705	1,695
	$ 5,095	$ 5,085

The related-party transaction was conducted under normal terms.

Stock Transactions

a. Winbond's sale of investment to related parties in 2009 was summarized as follows:

Related Party	Securities Name	Shares	Selling Price	Disposal Income
Walton	NTC	2,000,000	$ 35,892	$ 11,630
Prosperity Dielectrics	NTC	1,000,000	17,946	5,730
Robert Hsu	NTC	450,000	5,384	417
			$ 59,222	$ 17,777

The above selling price were determined in accordance with the investee's net value.

b. The Company's acquisition of investment from related parties in 2009 was summarized as follows:

Related Party	Securities Name	Shares	Amount
Int'l Concord	Concord II Venture Capital Corp.	1,758,627	$ 12,785
Int'l Concord	Parawin Venture Capital Corp.	95,749	479
Int'l Concord	Concord III Venture Capital Co., Ltd.	123,577	433
			$ 13,697

Property Transactions

Winbond's sale of property to related party in 2009 was summarized as follows:

Related Party	Sales Items	Selling Price	Carrying Value	Disposal Loss
Walton	Machinery and equipment	$ 74,452	$ 81,887	$ 7,435

Winbond's sale of property to related party in 2008 was summarized as follows:

Related Party	Sales Items	Selling Price	Carrying Value	Disposal Income
Cheertek	Machinery and equipment	$ 3,257	$ 2,847	$ 410

Guarantee

As of December 31, 2009, the chairman of Winbond is a joint guarantor of the long-term debt - Bank of Taiwan syndication agreement. Please refer to Note 16.

Compensation Information of Directors, Supervisors, and Management Personnel

	Years Ended December 31	
	2009	2008
Salary	$ 140,528	$ 134,898
Bonus and special compensation	27,914	28,140
	$ 168,442	$ 163,038

The compensation information mentioned above included salary, duty allowance and retirement pension that the Company paid to directors, supervisors and management personnel.

25. PLEDGED AND COLLATERALIZED ASSET

Please refer to Note 4, Note 11 and Note 16.

26. COMMITMENTS AND CONTINGENCIES

Letters of Credit

The Company's available amounts under unused letters of credit as of December 31, 2009 were approximately US$15,026 thousand, JPY692,480 thousand and EUR569 thousand.

Guarantee

As of December 31, 2009, Winbond guaranteed $300,000 thousand and $50,602 thousand for its subsidiary, Win and NTC, respectively.

Agreements

In August 2009, Winbond entered into an agreement with a non-related party to obtain license rights on certain patents, know-how and software to design, manufacture and sell graphic DRAM products and expand the licensing scope under the existing license agreement for 65-90nm technology.

27. DISCLOSURES FOR FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

Carrying value and fair value of financial instruments were summarized as follows:

	December 31			
	2009		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Nonderivative financial instruments				
Assets				
Financial assets at fair value through profit or loss, current	$ 3,631	$ 3,631	$ 2,264	$ 2,264
Available-for-sale financial assets, current and noncurrent	2,265,193	2,265,193	2,777,348	2,777,348
Liabilities				
Long-term debt (including current portion)	22,733,333	22,733,333	26,700,000	26,700,000
Derivative financial instruments				
Financial assets at fair value through profit or loss				
Forward exchange contracts	21,935	21,935	17,588	17,588

Methods and assumptions used in determining fair values of financial instruments were summarized as follows:

a. The fair value of cash and cash equivalents, notes and accounts receivable, other financial assets, refundable deposits, short-term bank borrowings, commercial paper payable, notes and accounts payable, and other payables, approximates their carrying value due to the short-term maturities of these financial instruments.

b. The fair values of financial instruments at fair value through profit or loss and available-for-sale financial assets are quoted by market price. The fair value of forward exchange contracts is measured, according to its specific contract's settlement rate, by the middle exchange rate and the discount rate quoted by Reuters. The fair value of foreign exchange option contracts is measured, according to its specific contract's settlement rate, by the discount rate and volatility quoted by underwriting bank.

c. The Company's financial assets carried at cost do not have a quoted market price in an active market, and the fair value cannot be reliably measured.

d. The fair values of long-term debt are estimated by discounted cash flow analysis, based on the Company's current rates for long- term borrowings with similar types. As of December 31, 2009 and 2008, the discount rate used in determining the fair values is 2.98% and 3.08%, respectively.

The fair value of financial instruments that used the quoted market price in active market or other method of valuation is summarized as follows:

	December 31,2009		
	Quoted Market Price in Active Market	Other Method of Valuation	Total
Assets			
Financial assets at fair value through profit or loss, current	$ 3,631	$ 21,935	$ 25,566
Available-for-sale financial assets, current	2,220,818	-	2,220,818
Available-for-sale financial assets, noncurrent	44,375	-	44,375

	December 31,2008		
	Quoted Market Price in Active Market	Other Method of Valuation	Total
Assets			
Financial assets at fair value through profit or loss, current	$ 2,264	$ 17,588	$ 19,852
Available-for-sale financial assets, current	2,142,112	-	2,142,112
Available-for-sale financial assets, noncurrent	635,236	-	635,236

Valuation gains (losses) arising from changes in fair value of financial instruments determined using valuation techniques were $4,346 thousand and $(64,288) thousand for the years ended December 31, 2009 and 2008, respectively.

As of December 31, 2009, financial assets and liabilities exposure to cash flow risk that resulted from interest rate changes amounted to $539,711 thousand and $17,913,333 thousand, respectively. Financial assets and liabilities exposure to fair value risk that resulted from interest rate changes amounted to $2,771,532 thousand and $6,295,169 thousand, respectively.

Adjustment of stockholders' equity due to the fair value changes of available-for-sale financial assets amounted to $254,377 thousand as of December 31, 2009.

Financial Risk Information

a. Market risk

   All the derivative financial instruments the Company entered into are forward exchange contracts in order to hedge changes in fair value of foreign-currency assets and liabilities. The fair value of forward exchange contracts will fluctuate because of changes in foreign exchange rates.

b. Credit risk

   The Company is exposed to the credit risk that counter-parties or third-parties may breach the contracts. The risk results from the concentrations of credit risk, elements, contract price, and accounts receivable. The Company requested its major transaction parties to provide collaterals or other rights to reduce such risk.

c. Liquidity risk

The Company has sufficient operating capital to meet the cash demand for the contracts. Thus, the fund-raising and cash flow risks are not material.

d. Cash flow risk on interest rate

The Company's long-term debt is with floating interest rate. Effective rate and future cash flow of the Company will fluctuate as a result of changes in market interest rate. If the market interest rate increases by 1%, the cash outflow will increase by $179,133 thousand per year.

28. FOREIGN SALES AND MAJOR CUSTOMERS

	Years Ended December 31	
	2009	**2008**
Asia	$ 14,825,071	$ 11,831,648
Europe	1,791,627	7,625,878
America	1,143,768	658,387
Others	185,749	59,405
	$ 17,946,215	$ 20,175,318
Percentage to total net sales	67%	79%

The major customers that accounted for 10% or more of the Company's sales were as follows:

	Years Ended December 31			
	2009		**2008**	
	Amount	**Percentage to Net Sales**	**Amount**	**Percentage to Net Sales**
Customer H	$ 404,981	2	$ 6,319,114	25

5. Financial difficulties and corporate events encountered by the Company and affiliates in the past year and up to the date of report that have material impact on the financial status of the Company: None.

Financial Status, Operating Performance and Risk Evaluation

1. Analysis of financial status

Unit: NT$1,000

Item\Year	2009	2008	Amount	Change (%)
Current assets	12,833,810	14,711,865	(1,878,055)	(13)
Funds and long-term investments	4,932,326	6,067,232	(1,134,906)	(19)
Fixed assets	42,048,999	48,574,062	(6,525,063)	(13)
Intangible assets	1,530,973	565,545	965,428	171
Other assets	3,816,552	3,457,755	358,797	10
Total assets	65,162,660	73,376,459	(8,213,799)	(11)
Current liabilities	15,854,667	15,702,411	152,256	1
Long-term liabilities	15,116,660	19,033,333	(3,916,673)	(21)
Other liabilities	337,296	386,406	(49,110)	(13)
Total liabilities	31,308,623	35,122,150	(3,813,527)	(11)
Paid-in capital	36,564,972	37,273,812	(708,840)	(2)
Capital surplus	13,181,004	13,007,928	173,076	1
Retained earnings	(15,977,842)	(7,364,903)	(8,612,939)	(117)
Equity adjustment	85,903	(4,662,528)	4,748,431	102
Total shareholders' equity	33,854,037	38,254,309	(4,400,272)	(12)

Reasons for changes exceeding 20%:

1. Increase in intangible assets was mainly due to the acquisition of technology assets in 2009.
2. Decrease in long-term liabilities was mainly due to repayment of loans in 2009.
3. Decrease in retained earnings was mainly due to the fact that 2009 incurred after-tax loss.
4. Increase in equity adjustment was mainly due to reversal of unrealized valuation loss due to disposal of financial assets and rebound of stock prices in 2009.

2 Analysis of operating performance

Unit: NT$1,000

Item\Year	2009	2008	Amount	Change (%)
Net sales	19,532,712	21,828,01	(2,295,299)	(11)
Operating cost	22,494,628	24,314,222	(1,819,594)	(7)
Add (less): Realized (unrealized) gross profit on sales	13,976	(398)	14,374	3,612
Gross profit (loss)	(2,947,940)	(2,486,609)	(461,331)	19
Operating expenses	3,046,737	3,948,521	(901,784)	(23)
Operating income (loss)	(5,994,677)	(6,435,130)	440,453	7
Non-operating income and gain	130,917	1,383,733	(1,252,816)	(91)
Non-operating expense and loss	2,749,179	2,313,506	435,673	19
Pre-tax net income (loss) from continuing operations	(8,612,939)	(7,364,903)	(1,248,036)	(17)
Income tax benefit	-	-	-	-
Net income (loss)	(8,612,939)	(7,364,903)	(1,248,036)	(17)

Reasons for changes exceeding 20%:

1. Increase in realized (unrealized) gross profit on sales was mainly due to the transfer of deferred profit from sales to related parties to realized profit in 2009.
2. Decrease in operating expenses was mainly due the spin-off of logic business in July 2008 that helped cut down the expenses.
3. Decrease in non-operating income and gain was mainly due to the fact that the Company reported dividend income and gain from disposal of 8-inch fab in 2008.

Sales forecast for the coming year and main reasons for the forecast of growth in sales:

Based on current market performance, future market demands and the Company's capacity, we project that the outputs of 12-inch wafer (equivalent) could reach 420,000 units.

3 Cash flow analysis

Unit: NT$1m

Cash balance, beginning	Cash inflow from operating activities	Cash outflow due to investing and financing activities	Cash surplus (deficit)	Remedial measures for cash deficit	
				Investment plan	Financial plan
5,662	4,612	(7,415)	2,859	-	-

1. Analysis on the cash flow changes of the current year:
(1) Operating activities: Operating activities produced a net cash inflow of NT$4.6 billion.
(2) Investing activities: Net cash outflow of NT$1.9 billion was mainly attributed to the purchase of production equipment for the 12 inch fab at CTSP and the disposal of financial assets.
(3) Financing activities: Net cash outflow of NT$5.5 billion primarily resulted from repayment of long- and short-term borrowing.
2. Remedial action for cash deficit and liquidity analysis: N/A.
3. Cash flow analysis for the coming year (note):
Cash flow from operating activities in the coming year is projected to be NT$9.1 billion, and cash outflow is projected to be NT$7.4 billion for primarily capital expense and debts repayment.

Note: Unaudited figures.

4 Effect of major capital spending on financial position and business operation

4.1 Utilization of fund on major capital spending and sources of funds

Unit: NT$1m

Project	Actual or expected source of funds	Actual or estimated completion date	Total funding need	Actual or expected status of spending				
				2007	2008	2009	2010	2011
Expansion of 12-inch fab capacity	Bank loan, capitalization of retained earnings or operating profit	2011	24,355	1,060	12,330	3,805	7,014	146

4.2 Anticipated benefit

Expanded capacity, accelerated upgrade of process technology, and sustained market share.

5. Industry-specific key performance indicator

Winbond owns one 12-inch fab which reported an average in-line yield of 97.27% in 2009.

6. Investment policy in the past year, profit/loss analysis, improvement plan, and investment plan for the coming year

6.1 Investment policy: The Company invests primarily in fields that are related to Company's core business in the hope to enhance business performance.

6.2 Investment profit or loss in recent years: The Company recognized about NT$400 million loss from investment in subsidiaries for 2009. This is because most of the Company's investments are cost centers that engage in R&D. In the future, the Company will strengthen product R&D and business development to maximize the benefits of its investments.

6.3 Investment plan for the next year: The Company will formulate investment plan in view of the R&D spending needs of the invested enterprises.

7. Risk management and evaluation

7.1 Impact of interest rate and exchange rate fluctuation, and inflation on company profit and response measures

7.1.1. Interest rate fluctuation

The Company currently has long-term debts that are subject to floating and fixed interest rates to circumvent some risk of interest rate fluctuation. The Company constantly keeps in touch with how change of interest rate would affect future cash flows associated with long-term debts and will take response actions in view of actual needs.

7.1.2. Exchange rate fluctuation

The products of Winbond are mainly exported overseas. As sales are made in US dollars, Winbond constantly records net inflow of USD and disposes USD based on the exchange rate at the time of book entry. As such, Winbond has been able to keep exchange gain/loss resulting from the disposal of USD within a controllable range and intends to continue this policy in the hope to minimize the impact of exchange rate fluctuation on company profit. Winbond also anticipates the needs for foreign currency payments associated with plant expansion and will undertake necessary hedge transactions, such as forward exchange and forward option to lessen the impact of exchange rate variations on company profit.

7.1.3. Inflation

Inflation has not been apparent in 2009, and its effect on the profit picture of the company is minimal.

7.2 Policies of engaging in high-risk, high-leverage investments, lending to others, providing endorsement and guarantee, and derivatives transactions, profit/loss analysis, and future response measures

7.2.1. The Company does not engage in any high risk or high leveraged investment activities. The Company's policy concerning derivatives transactions embraces the goal of economic hedge to reduce the risk associated with change of fair value of the Company's physical assets and liabilities. Under this principle, derivatives transactions engaged in by the Company are all made corresponding to the positions the Company actually holds. Any profit or loss incurred during the period of derivatives transactions is mainly due to the time gap between the recognition of disposed positions and the recognition of profit or loss on derivatives transactions, and the actual

profit or loss thereof is not significant. Except for the above, the Company does not engage in any other high-risk derivatives transactions. The policy of hedging over the actual positions will be carried on.

7.2.2. The Company does not provide loans to others.

7.2.3. The Company only provides guarantees for the bank loans of 100%-owned subsidiaries obtained for operational purposes. The amount of endorsements and guarantees currently provided only represents a minimum percentage of the Company's net value and has little impact on the Company. The policies of providing endorsements and guarantees by the Company will be carried on in accordance with its Rules for Endorsements and Guarantees.

7.3 Future R&D projects and estimated R&D expenditure

R&D project/product
Low, medium to high density (>= 64Mb) specialty DRAM
Low, medium to high density (>= 64Mb) low-power pseudo SRAM
Medium to high density (>= 128Mb) low power SDRAM
High speed, high to medium density parallel/ medium to low density low-voltage flash memory

R&D expenditures for 2010 are projected at NT$2 billion.

7.4 Major changes in government policies and laws at home and broad and the impact on Company finance and business

The Company finance and business are not affected by major changes in government policies and laws at home and abroad in 2009.

7.5 Impact of recent technological and market changes on the Company's finance and business, and response measures

Winbond rolled out 65nm low-voltage, low-power 64Mb, 128Mb, 256Mb Pseudo and 256Mb mobile DRAM in 2009. Those products will be shipped to major clients in 2010. Winbond will continue to develop high-density mobile RAM using advanced process to help customers reduce costs further while improving our own profit margin and grabbing higher market share. The market share of our Pseudo SRAM continued to rise in 2009 and the launch of new 65nm products is expected to help maintain Winbond's leadership position and expand market share further. Besides pseudo products, we also plan to develop medium, high density low-power mobile DRAM, targeting the handset market, and in addition, light, thin, short and small handheld devices market.

We have begun the pilot run of 65nm Specialty at the end of 2009 and plan volumne shipment in 2010. We will continue to implement market segmentation strategy and adjustment of product mix to boost the profit margin and profitability of our specialty DRAM.

Winbond’s NOR flash memory has been a consistent market leader, and Winbond focuses on using advanced process technology to develop “low to medium density” flash memory. The successful launch of SPI flash into various application markets has helped secure Winbond’s leading position in the motherboard market and pushed the flash memory into applications beyond the motherboard market, such as notebook, computer peripherals, network communication, disk drive, LCD TV/monitor, ultra low cost handsets and other consumer electronics. It also helps secure Winbond’s position as one of the leaders in low to medium density flash.

In recent years, the prices of notebook computers have dropped to a level acceptable to consumers. The worldwide shipment of Netbook is expected to reach 30 million units in 2010. The shipment growth of 3D notebook is also strong with the potential of creating another star product and new demands. The shipment of notebook overall continues to outpace desktops and is expected to reach 190 million units in 2010. The introduction of Windows 7 has not only set off a wave of PC hardware upgrade, it also turns LCD as a simple display monitor into a home multimedia center. Driven by consumer interest in thin LED TV and 3D TV, the shipment of LCD TV is expected reach 170 million units in 2010. In addition, serial flash is now used in ultra low cost handsets. These changes bring new business opportunity for Winbond as consumers and businesses expand the memory density of their computers.

In response to the evolvement and demands of desktop/notebook computer, network communication and consumer electronic products, and in the continuing efforts to enhance the competitiveness of our products, Winbond will roll out complete series of 90nm flash in 2010. We will also endeavor in developing the high profit margin KGD market to enhance our competitive edge. All these efforts aim at maintaining the competitiveness and profitability of our products.

7.6 Impact of corporate image change on risk management and response measures

Winbond believes in honesty and integrity in business practice. We emphasize honest dealing with customers and rigorously demand self-discipline and compliance with internal rules from employees. We are committed to information disclosure and financial transparency, and utilize all kinds of communication channels to help shareholders, institutional investors and the general public know more about Winbond and win their recognition and support for our management philosophy and directions. In addition, we have departments set up to take charge of public relations, management-employee relations, investor relations, internal audit, risk management and risk management. Those departments work closely with related business units to integrate the resources and strength throughout the Company and make preparations to prevent and control all kinds of latent risks.

7.7 Expected benefits and potential risks of merger and acquisition

The Company does not any merger and acquisition plan in the last year and up to the date of report.

7.8 Expected benefits and potential risks of capacity expansion

We plan to increase the output of our 12-inch fab to 35,000 wafers a month by the first half of 2010. Our move to expand capacity aims to introduce advanced process technology and effectively lower production costs. In 2009, we have successfully completed the process transfer to 65 nm with monthly output of 8,000 wafers. Currently, we will focus on expanding the 65nm output and applying the 65nm process to specialty DRAM and graphics DRAM. In light of the high market volatility of the memory industry, we will watch closely the market movement and supply-demand situation. We will take a prudent approach to capacity expansion, and opt for a diversity of product mixes to keep our production plans flexible. We will also adopt advanced process to optimize the cost structure in the efforts to minimize the risk associated with market volatility. Financially, we will plan our future expansion and the necessary capital expenditure and funds in a prudent manner. We will also adjust the operational plans when needed to address the risk associated with heavy debt. In light of the rebound of DRAM industry in 2009, we believe we will have sufficient profit and cash flow to meet the additional investment needs and repayment obligations. Our technical team consists of wafer fabrication experts and IC design experts with dozens of years of experience in related fields, and we would import advanced processes from abroad. While our existing 65nm knowhow will carry us into 2012, we will continue to maintain good rapport with foreign technology leaders and collaborate with them in the development of next-generation advanced technology to help keep our product and technology risks to the minimum.

7.9 Risk associated with supplier or client concentration and response measures

The advantage of making purchase from one supplier is the bargaining power of volume purchase. But such practice runs into the risk of inadequate or untimely supply when the supplier has production accident, or financial or quality problem. The Company has at least two major suppliers for all major materials, and is hence free of the concern over supplier concentration.

The advantage of selling to a few large clients is the ability to concentrate resources on serving the carefully selected clients and institute better risk control. Such practice is relatively free of risk given continuing control and upkeep of customer service quality.

7.10 Impact and risk associated with large transfer of equity or replacement of equity ownership by Company director, supervisor or major shareholder holding more than 10% interest

The Company was free of the situation described above in the past year and up to the date of report.

7.11 Impact and risk associated with change of management

The Company did not have change of management in the past year and up to the date of report.

7.12 Material litigious or non-litigious events

7.12.1. Concluded or pending litigious, non-litigious or administrative litigation event as of the date of report:

The Company and its U.S. subsidiary are accused of violating the U.S. antitrust law on price-fixing involving Winbond's DRAM products sold in the U.S. and are named as co-defendants in a class action suit (including class action suit with the state attorney generals and the indirect purchasers) in the U.S. federal court. Currently only the class action suit with the state attorney generals and the indirect purchases has been filed, and the suit has reached settlement, pending the court's approval. The aforementioned lawsuit will not have any material impact on the finance or business of the Company.

7.12.2. The outcome of concluded or pending litigious, non-litigious, or administrative litigation events involving the director, supervisor, president, de facto responsible person, major shareholders holding more than 10% interest, or subsidiary of the Company up to the date of report that might have material impact on stockholders' equity or Company stock price:

(1) With respect to pending litigious events as of the date of report, Winbond Chairman Arthur Chiao has made a reply to the Company as follows:

A. I am involved in only one pending lawsuit as of the date of your company's annual report.

B. Description of the lawsuit:

(A) Facts, amount of claim, lawsuit start date, main parties concerned:

The Securities and Futures Investor Protection Center ("SFIPC") filed a lawsuit with Taiwan Taipei District Court on April 27, 2005 over misrepresentation of the financial statements of Pacific Electric Wire & Cable Co., Ltd. ("Pacific Electric"). The lawsuit names myself and others (including other directors, supervisors and accounting firm) as co-defendants on grounds that I acted as a director of Pacific Electric between 1999 and 2001 and SFIPC requests compensation for damages from the co-defendants (Case No.: Taiwan Taipei District Court (referred to as "Taipei District Court" hereunder) 94-Jing-Zi-#22).

When SFIPC first initiated the action on April 27, 2005, it sought compensation in the amount of NT$7,910,422,313 from 277 defendants. SFIPC later added Fubon Life Insurance and Hsing Yo Investment to the list of defendants on June 21, 2005 that brought the number of defendants to 279. SFIPC subsequently made several expansions and reductions of claim due to increase in the number of people who appoint SFIPC as their representative in the class action suit and settlement reached with several defendants. Thus the court has been in the stage of procedural examination for a long time. So far, SFIPC has reached settlement with 248 defendants involving total settlement amount of NT$196,100,000. The court started the trial phase in 2009.

(B) Current status:

This case is currently in the first stance proceedings in Taipei District Court.

(C) My and my attorney's views and action plan on the case:

The case is still in first instance proceedings and oral argument before the court has not started. Thus my appointed attorney and I are not in the position to assess the results of the trial.

(D) Possible maximum loss and possible amount of indemnification received from the case:

Based on the settlement information provided by SFIPC, the amount of settlement reached between SFIPC and individual director or supervisor of Pacific Electric ranges between NT$12,330,000 and NT$26,000,000. Thus even if I am later found to be liable for damages as a director of Pacific Electric at one time, my liability should not be too far off the amounts of settlement described above.

C. I am not financially strapped or losing my good credit standing as of the date of this reply.

An evaluation of the aforementioned lawsuit by the Company concludes that because the lawsuit is a personal affair of the chairman and does not involve the Company's finance or business, it is not expected to have any material impact on the interests of the Company's shareholders or stock price.

(2) With respect to pending litigious events as of the date of report, Winbond Director Yung Chin has made a reply to the Company as follows:

A. I am involved in only one pending lawsuit as of the date of your company's annual report.

B. Description of the lawsuit:

(A) Facts, amount of claim, lawsuit start date, main parties concerned:

The Securities and Futures Investor Protection Center ("SFIPC") filed a lawsuit with Taiwan Taipei District Court on April 27, 2005 over misrepresentation of the financial statements of Pacific Electric Wire & Cable Co., Ltd. ("Pacific Electric"). The lawsuit names myself and others (including other directors, supervisors and accounting firm) as co-defendants on grounds that I acted as a director of Pacific Electric from 1999 to September 24, 2001 and SFIPC requests compensation for damages from the co-defendants (Case No.: Taiwan Taipei District Court (referred to as "Taipei District Court" hereunder) 94-Jing-Zi-#22).

When SFIPC first initiated the action on April 27, 2005, it sought compensation in the amount of NT$7,910,422,313 from 277 defendants. SFIPC later added Fubon Life Insurance and Hsing Yo Investment to the list of defendants on June 21, 2005 that brought the number of defendants to 279. SFIPC subsequently made several expansions and reductions of claim due to increase in the number of people who appoint SFIPC as their representative in the class action suit and settlement reached with several defendants. Thus the court has been in the stage of procedural examination for a long time. So far, SFIPC has reached settlement with 248 defendants involving total settlement amount of NT$196,100,000. The court started the trial phase in 2009.

(B) Current status:

This case is currently in the first stance proceedings in Taipei District Court.

(C) My and my attorney's views and action plan on the case:

The case is still in first instance proceedings and oral argument before the court has not started. Thus my appointed attorney and I are not in the position to assess the results of the trial.

(D) Possible maximum loss and possible amount of indemnification received from the case:

Based on the settlement information provided by SFIPC, the amount of settlement reached between SFIPC and individual director or supervisor of Pacific Electric ranges between NT$12,330,000 and NT$26,000,000. Thus even if I am later found to be liable for damages for I was once a director of Pacific Electric, my liability should not be too far off the amounts of settlement described above.

C. I am not financially strapped or losing my good credit standing as of the date of this reply.

An evaluation of the aforementioned lawsuit by the Company concludes that because the lawsuit is a personal affair of the chairman and does not involve the Company's finance or business, it is not expected to have any material impact on the interests of the Company's shareholders or stock price.

7.13 Risk management organization

The risk management operation of the Company is spread out among individual functions. We have established internal management rules and operating procedure, and developed comprehensive programs and flow processes with regard to hedging, loss prevention and risk management. The management watches closely changes in the macroeconomic environment that might affect company business and operation, and has assigned personnel to plan and respond to all kinds of contingencies to bring uncertainties in business operation to the minimum.

7.14 Other material risks and response measures: None.

8. Other material events: None.

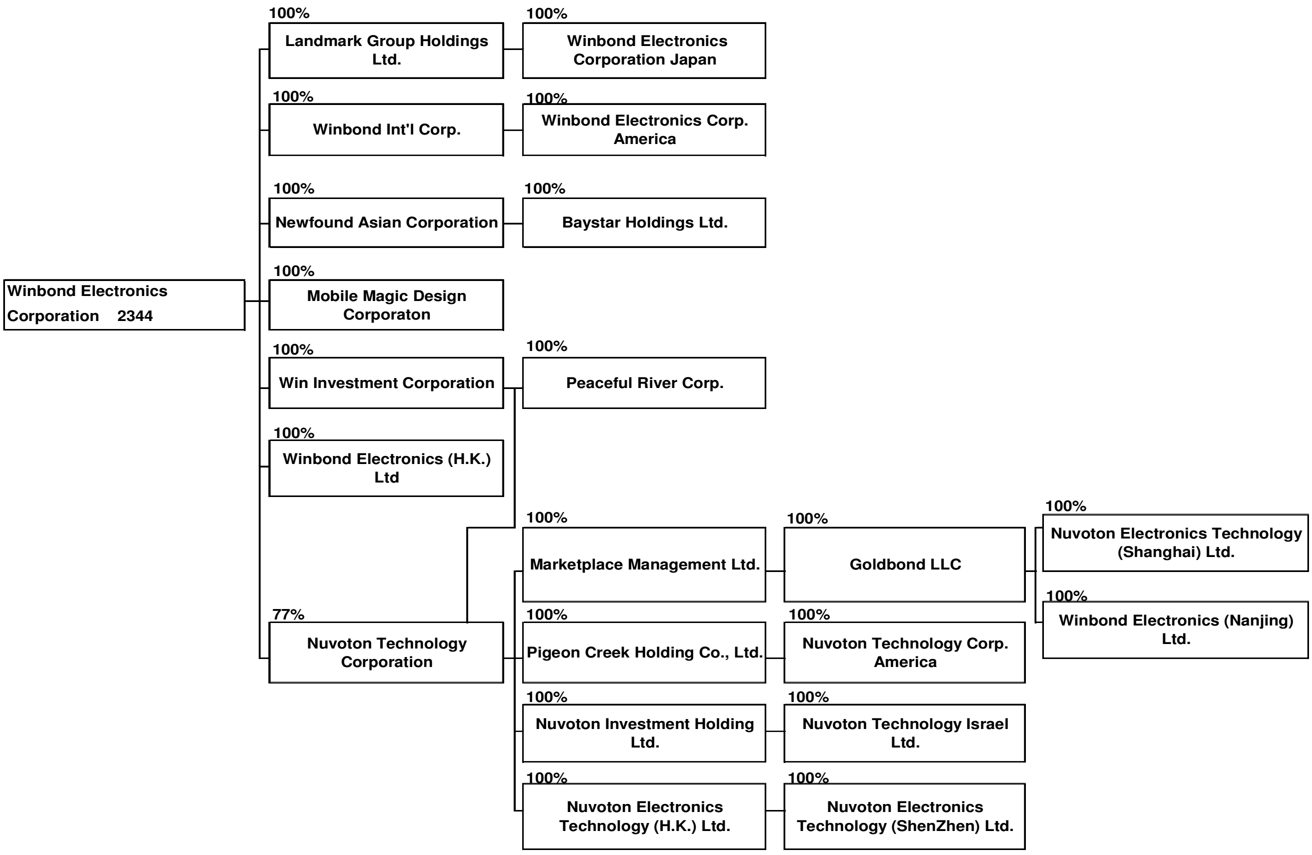
Important Notice

1. Profiles on affiliates and subsidiaries

1.1 Consolidated business report

1.1.1 Corporate affiliation chart

December 31, 2009



1.1.2 Profile of individual subsidiary

Dec. 31, 2009; Unit: NT$1,000

Name of enterprise	Date of establishment	Address	Paid-in capital	Principal business or core products
Landmark Group Holdings Ltd.	2005.07.25	Palm Grove House, P. O. Box 438, Road Town, Tortola, British Virgin Islands	US$36,950	Investments
Winbond Electronics Corporation Japan	2001.01.05	No. 2 Ueno-Bld.,7-18 , 3 chome, Shinyokohama Kohoku-ku, Yokohama-shi, 222-0033, Japan	JPY 148,500	Research, development and sales of semiconductor parts and components, and after-sale service
Winbond Electronics Corporation America	1998.07.01	32 Loockerman Square, suite L-100, Dover, Kent 19904, Delaware	US$58,917	Design, sales and service of semiconductor parts and components
Newfound Asian Corporation	1997.03.12	Flemming House, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	US$6,555	Investments
Baystar Holdings Ltd.	1998.08.18	Flemming House, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	US$22,590	Investments
Peaceful River Corporation	1997.03.12	Flemming House, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	US$12,610	Investments
Marketplace Management Limited	2000.07.28	P. O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	US$4,735	Investments
Goldbond LLC	2000.09.22	1912 Capitol Ave, Cheyenne, WY 82001	US$40,720	Investments
Pigeon Creek Holding Co., Ltd.	1997.03.12	Flemming House, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	US$3,850	Investments
Nuvoton Technology Corporation America	2008.05.01	2711 Centerville Road, Suite 400, Wilmington, DE 19808, Delaware	US$6,050	Design, sales and service of semiconductor parts and components
Nuvoton Investment Holding Ltd.	2005.03.21	3rd Floor, Omar Hodge Building, Wickhams Cay I,PO Box 362, Road Town, Tortola, British Virgin Islands	US$29,378	Investments
Nuvoton Technology Israel Ltd.	2005.03.22	8 Hasadnaot Street, Herzlia B,46130 Israel	-	Design, sales and service of semiconductor parts and components
Winbond International Corporation	1995.08.28	Flemming House, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	US$86,540	Investments
Winbond Electronics (HK) Ltd.	2008.06.13	Unit 9-11, 22F, JOS Tower Millennium City 2, No 378 Kwun Tong Road, Kowloon, Hong Kong	US$64	Sales and service of semiconductor parts and components
Mobile Magic Design Corporation	2003.07.25	2F, No. 40, Industrial East 4th Road, Hsinchu Science-Based Industrial Park	NT$50,000	Research, development, design, manufacturing and sales of Pseudo RAM and Low-Power SDRAM
Win Investment Corp.	1997.07.29	5F, No. 192, Ching Yeh 1st Road, Zhong Shan District, Taipei	NT$1,800,000	Investments
Nuvoton Technology Corp	2008.04.09	No. 4, Yan Hsing 3rd Road, Hsinchu Science-Based Industrial Park	NT$2,000,700	Research, design, development, manufacturing and sales of logic IC, 6” fab production, testing, and OEM
Nuvoton Electronics Technology (Shanghai) Ltd.	2001.03.30	27F, No. 2299, Yen An W. Road, Shanghai	US$2,000	Revision, testing and technology consultation service on IC, system and related software
Winbond Technology (Nanjing) Co., Ltd.	2005.09.21	Suite 413-40, Gao Xing Technology Industrial Development Zone Office Building, Nanjing	US$500	Computer software services (except for IC design)
Nuvoton Electronics Technology (H.K.) Ltd.	1989.04.04	Unit 9-11, 22F, Millennium City 2, No 378 Kwun Tong Road, Kowloon, Hong Kong	US$13,769	Post-delivery service of semiconductor parts and components
Nuvoton Electronics Technology (Shenzhen) Ltd.	2007.02.16	1502,15F, New World Business Center at 6009 Yi Tian Road, Futian District, Shenzhen City	US$6,000	Computer software services (except for IC design), computer and peripheral equipment, and wholesale of software

1.1.3 Profiles on shareholders deemed to have dominant-subordinate relations： None

1.1.4 Profiles of directors, supervisors and presidents of affiliates and subsidiaries

Dec. 31, 2009; Unit: shares

Name of enterprise	Title	Name or Representative	Shares held	
			Shares	%
Landmark Group Holdings Ltd.	Director	Winbond Electronics Corp. Representative - Arthur Yu-Cheng Chiao		
	Director	Winbond Electronics Corp. Representative - Ching-Chu Chang	36,950,000	100%
	Director	Winbond Electronics Corp. Representative - Robert I.S. Hsu		
Winbond Electronics Corporation Japan	Director	Landmark Group Holdings Ltd. Representative - Tung-Yi Chan		
	Director	Landmark Group Holdings Ltd. Representative - Robert I.S. Hsu		
	Director	Landmark Group Holdings Ltd. Representative - Tatsuo Okamoto	2,970	100%
	Director	Landmark Group Holdings Ltd. Representative - James Wen		
	Supervisor	Landmark Group Holdings Ltd. Representative - Yung Chin		
	President	Tatsuo Okamoto	0	0%
Winbond International Corporation	Director	Winbond Electronics Corp. Representative - Arthur Yu-Cheng Chiao		
	Director	Winbond Electronics Corp. Representative - Tung-Yi Chan	86,540,000	100%
	Director	Winbond Electronics Corp. Representative - Robert I.S. Hsu		
Winbond Electronics Corporation America	Chairman	Winbond International Corporation Representative - Kuang-Yi Chiu		
	Director	Winbond International Corporation Representative - Arthur Yu-Cheng Chiao		
	Director	Winbond International Corporation Representative - Tung-Yi Chan		
	Director	Winbond International Corporation Representative - Yung Chin	3,076	100%
	Director	Winbond International Corporation Representative - Yuan-Mou Su		
	Director	Winbond International Corporation Representative - Pei-Ming Chen		
	Director	Winbond International Corporation Representative - James Wen		
	President	Eungjoon Park	0	0%
Newfound Asian Corporation	Director	Winbond Electronics Corp. Representative - Arthur Yu-Cheng Chiao		
	Director	Winbond Electronics Corp. Representative - Tung-Yi Chan	6,555,000	100%
	Director	Winbond Electronics Corp. Representative - Yung Chin		
Baystar Holdings Ltd.	Director	Newfound Asian Corporation Representative - Arthur Yu-Cheng Chiao		
	Director	Newfound Asian Corporation Representative - Tung-Yi Chan	22,590,000	100%
	Director	Newfound Asian Corporation Representative - Robert I.S. Hsu		
Win Investment Corp.	Chairman	Winbond Electronics Corp. Representative - Arthur Yu-Cheng Chiao		
	Director	Winbond Electronics Corp. Representative - Tung-Yi Chan		
	Director	Winbond Electronics Corp. Representative - Yung Chin	180,000,000	100%
	Supervisor	Winbond Electronics Corp. Representative - Robert I.S. Hsu		
	President	Yung Chin	0	0%
Peaceful River Corporation	Director	Win Investment Corp. Representative - Arthur Yu-Cheng Chiao		
	Director	Win Investment Corp. Representative - Tung-Yi Chan	12,610,000	100%
	Director	Win Investment Corp. Representative - Yung Chin		
Winbond Electronics (HK) Ltd	Chairman	Winbond Electronics Corp. Representative - Yung Chin		
	Director	Winbond Electronics Corp. Representative - Pei-Ming Chen	500,000	100%
	Director	Winbond Electronics Corp. Representative - James Wen		
	Director	Winbond Electronics Corp. Representative – Jessica C. Huang		
	President	Pei-Ming Chen	0	0%
Mobile Magic Design Corporation	Chairman	Winbond Electronics Corp. Representative - Wilson Wen		
	Director	Winbond Electronics Corp. Representative - Tung-Yi Chan	5,000,000	100%
	Director	Winbond Electronics Corp. Representative - James Wen		
	Supervisor	Winbond Electronics Corp. Representative - Jessica C. Huang		
	President	Yuan-Mow Su	0	0%
Nuvoton Technology Corp	Chairman	Winbond Electronics Corp. Representative - Arthur Yu-Cheng Chiao		
	Director	Winbond Electronics Corp. Representative - Robert I.S. Hsu		
	Director	Winbond Electronics Corp. Representative - Yung Chin	149,666,360	75%
	Director	Winbond Electronics Corp. Representative - Keh-Shew Lu		
	Director	Winbond Electronics Corp. Representative - Lu-Pao Hsu		
	Director	Winbond Electronics Corp. Representative - Yu Hong Chi	2,000,000	1%
	Supervisor	Tung-Yi Chan	0	0%
	President	Robert I.S. Hsu	360,126	0%
Marketplace Management Limited	Director	Nuvoton Technology Corp Representative - Arthur Yu-Cheng Chiao		
	Director	Nuvoton Technology Corp Representative - Robert I.S. Hsu	4,735,289	100%
	Director	Nuvoton Technology Corp Representative - Tung-Yi Chan		

Name of enterprise	Title	Name or Representative	Shares held	
			Shares	%
Goldbond LLC	Manager (Note 1) Manager (Note 1) Manager (Note 1)	Marketplace Management Limited Representative -Arthur Yu-Cheng Chiao Marketplace Management Limited Representative - Jessica C. Huang Marketplace Management Limited Representative - Hsiang-Yun Fan	(Note2)	100%
Nuvoton Electronics Technology (Shanghai) Ltd.	Chairman Director Director Supervisor	Goldbond LLC Representative - Robert Hsu Goldbond LLC Representative - Stephen R. M. Huang Goldbond LLC Representative - Hsiang-Yun Fan Goldbond LLC Representative - Yung Chin	(Note3)	100%
	President	Ting-Ping Liu	(Note3)	-
Winbond Technology (Nanjing) Co., Ltd.	Chairman Director Director	Goldbond LLC Representative - Stephen R. M. Huang Goldbond LLC Representative - Robert Hsu Goldbond LLC Representative - James Wen	(Note4)	100%
	President	Ting-Ping Liu	(Note4)	-
Pigeon Creek Holding Co., Ltd.	Director Director Director	Nuvoton Technology Corp Representative - Arthur Yu-Cheng Chiao Nuvoton Technology Corp Representative - Tung-Yi Chan Nuvoton Technology Corp Representative - Robert I.S. Hsu	3,850,000	100%
Nuvoton Technology Corporation America	Chairman Director Director Director Director	Pigeon Creek Holding Co., Ltd. Representative - Wen Chu Pigeon Creek Holding Co., Ltd. Representative - Robert I.S. Hsu Pigeon Creek Holding Co., Ltd. Representative - Stephen R. M. Huang Pigeon Creek Holding Co., Ltd. Representative - Por-Yuan Hwang Pigeon Creek Holding Co., Ltd. Representative - Hsiang-Yun Fan	60,500	100%
	President	Saleel Awsare	0	0%
Nuvoton Electronics Technology Corp. (H.K.) Ltd.	Chairman Director Director	Nuvoton Technology Corp Representative - Robert I.S. Hsu Nuvoton Technology Corp Representative - Yung Chin Nuvoton Technology Corp Representative - Hsiang-Yun Fan	107,400,000	100%
	President	Bosco Chi-Sing Law	0	0%
Nuvoton Electronics Technology (Shenzhen) Ltd	Chairman Director Director Supervisor	Nuvoton Electronics Tech. (H.K.) Ltd. Representative - Stephen R. M. Huang Nuvoton Electronics Tech. (H.K.) Ltd. Representative - Robert I.S. Hsu Nuvoton Electronics Tech. (H.K.) Ltd. Representative - Hsiang-Yun Fan Nuvoton Electronics Tech. (H.K.) Ltd. Representative - His-Yung Lin	(Note5)	100%
	President	Bosco Chi-Sing Law	(Note5	-
Nuvoton Investment Holding Ltd.	Director Director Director	Nuvoton Technology Corp Representative - Arthur Yu-Cheng Chiao Nuvoton Technology Corp Representative - Robert I.S. Hsu Nuvoton Technology Corp Representative – James Wen	29,378,232	100%
Nuvoton Technology Israel Ltd.	Chairman Director Director Director Director	Nuvoton Investment Holding Ltd. representative - Por-Yuan Hwang Nuvoton Investment Holding Ltd. representative - Ching-Chu Chang Nuvoton Investment Holding Ltd. representative - Robert Hsu Nuvoton Investment Holding Ltd. representative - James Wen Nuvoton Investment Holding Ltd. representative - Jonathan Levy	1,000	100%
	President	Jonathan Levy	0	0%

Note 1: Goldbond LLC adopts the manager system.
Note 2: Goldbond LLC is not share issuing limited liability companies.
Note 3: Nuvoton Electronics Technology (Shanghai) Ltd. is not share issuing limited liability companies.
Note 4: Winbond Technology (Nanjing) Co., Ltd., is not share issuing limited liability companies.
Note 5: Nuvoton Electronics Technology (Shenzhen) Ltd. is not share issuing limited liability companies.

1.1.5 Business overview of affiliates and subsidiaries

Dec. 31, 2009, Unit: NT$1,000

Name of enterprise	Capital	Total Assets	Total liabilities	Book Value	Revenue	Operating Profit (loss)	Net Profit (loss)	Net earnings (loss) per share (NTD)
Landmark Group Holdings Ltd.	1,182,031	202,773	14,785	187,988	14,531	(335,505)	(335,505)	(9.08)
Winbond Electronics Corporation Japan	51,559	200,796	50,512	150,284	1,261,726	2,201	(13,326)	(4,486.90)
Winbond Electronics Corporation America	1,884,761	1,298,959	39,520	1,259,439	968,346	24,160	(59,251)	(19,318.76)
Newfound Asian Corporation	209,694	65,296	67	65,229	0	(5,933)	(5,933)	(0.91)
Peaceful River Corporation	403,394	218,464	12,961	205,503	29,155	(28,478)	(28,478)	(2.26)
Baystar Holdings Ltd.	722,654	74,148	67	74,081	19	(20,478)	(20,478)	(0.91)
Marketplace Management Limited	151,482	101,038	580	100,458	0	(30,682)	(30,682)	(6.48)
Goldbond LLC	1,302,633	100,826	2,358	98,468	44,257	(30,130)	(30,130)	(Note 1)
Nuvoton Investment Holding Ltd.	939,810	231,061	96,233	134,828	30,507	(526,727)	(526,727)	(17.93)
Nuvoton Technology Israel Ltd.	7	278,849	58,410	220,439	556,798	24,789	26,623	26,622.91
Pigeon Creek Holding Co., Ltd.	123,162	98,452	57,620	40,832	17,931	(278,529)	(278,529)	(72.35)
Nuvoton Technology Corporation America	193,540	134,564	37,581	96,983	575,997	13,816	17,931	296.38
Winbond International Corporation	2,768,415	1,703,121	138,416	1,564,705	0	(367,876)	(367,876)	(4.25)
Winbond Electronics (HK) Ltd.	2,051	285,017	311,458	(26,441)	2,711,404	(14,821)	(15,037)	(30.07)
Mobile Magic Design Corporation	50,000	63,905	24,406	39,499	138,390	4,430	4,487	0.90
Win Investment Corp.	1,800,000	1,365,407	150,398	1,215,009	39,080	(124,638)	(124,642)	(0.69)
Nuvoton Technology Corp	2,000,700	4,096,183	1,621,422	2,474,761	6,950,593	1,297,820	427,479	1.74
Nuvoton Electronics Technology (Shanghai) Ltd.	63,980	103,031	29,064	73,967	69,223	142	1,213	(Note 1)
Winbond Technologies (Nanjing) Ltd.	15,995	1,423	3,280	(1,857)	0	(50)	(51)	(Note 1)
Nuvoton Electronics Technology Corp. (H.K.) Ltd.	440,478	622,197	201,849	420,348	2,708,115	(43,020)	(33,438)	(0.31)
Nuvoton Electronics Technology (Shenzhen) Ltd.	191,940	206,251	2,353	203,898	34,718	(11,984)	7,920	(Note 1)

Note 1: Goldbond LLC, Nuvoton Electronics Technology (Shanghai) Ltd. Winbond Technology (Nanjing) Co., Ltd., and Nuvoton Electronics Technology (Shenzhen) Ltd. are not share issuing limited liability companies

Note 2: Exchange rates of items of “total assets and total liabilities”: 1 USD= 31.99 NTD；1JPY= 0.3472 NTD；1RMB= 4.6857 NTD

Note 3: Exchange rates of items of “profit and loss”：1 USD=33.04 NTD；1 JPY= 0.3535 NTD；1 RMB = 4.8367NTD