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

Notice to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to 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	2009 %	2008 Amount	2008 %
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	2009 %	2008 Amount	2008 %
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

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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 Amount	2009 %	2008 Amount	2008 %
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 Before Income Tax and Minority Interest	2009 After Income Tax and Attributed to Stockholders of the Parent	2008 Before Income Tax and Minority Interest	2008 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	-

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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

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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	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:

Employee Stock Warrants	Years Ended December 31			
	2009		2008	
	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
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