

VIA Technologies, Inc.

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
VIA Technologies, Inc.

We have audited the accompanying balance sheets of VIA Technologies, Inc. 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 (all expressed in New Taiwan dollars). 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.

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 provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VIA Technologies, Inc. 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 discussed in Note 3 to the financial statements, the Company adopted on January 1, 2009 the newly revised Statement of Financial Accounting Standards No. 10, "Accounting for Inventories".

We have also audited the consolidated financial statements of VIA Technologies, Inc. and its subsidiaries as of and for the years ended December 31, 2009 and 2008, and our report dated March 26, 2010 has expressed an unqualified opinion with an explanatory paragraph and an unqualified opinion, respectively, on those statements.

March 26, 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.

VIA TECHNOLOGIES, INC.

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

ASSETS	2009		2008		LIABILITIES AND STOCKHOLDERS' EQUITY	2009		2008	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 1,740,357	18	\$ 2,221,579	20	Financial liabilities at fair value through profit or loss, current (Notes 2 and 5)	-	-	\$ 1,124	-
Financial assets at fair value through profit or loss, current (Notes 2 and 5)	1,807,991	19	1,472,075	13	Notes payable	266	-	64,802	1
Available-for-sale financial assets, current (Notes 2 and 6)	43,367	1	34,512	-	Accounts payable	1,008,005	10	750,092	7
Notes receivable, net (Notes 2 and 7)	19,225	-	3,709	-	Notes and accounts payable to related parties (Note 27)	74,135	1	70,582	1
Accounts receivable, net (Notes 2 and 7)	297,101	3	313,949	3	Income tax payable (Notes 2 and 25)	231,188	2	450,629	4
Notes and accounts receivable from related parties, net (Notes 2, 8 and 27)	176,504	2	237,620	2	Accrued expenses (Notes 17, 27 and 29)	636,970	7	451,769	4
Other receivables (Notes 2, 9 and 27)	102,401	1	736,655	6	Current portion of long-term liabilities (Note 19)	1,100,000	11	1,175,000	10
Inventories (Notes 2, 3 and 10)	912,609	9	1,031,487	9	Other current liabilities (Note 18)	<u>265,755</u>	<u>3</u>	<u>291,449</u>	<u>2</u>
Deferred income tax asset, current (Notes 2 and 25)	308,130	3	345,982	3					
Other current assets (Note 11)	<u>38,829</u>	<u>-</u>	<u>58,030</u>	<u>1</u>	Total current liabilities	<u>3,316,319</u>	<u>34</u>	<u>3,255,447</u>	<u>29</u>
Total current assets	<u>5,446,514</u>	<u>56</u>	<u>6,455,598</u>	<u>57</u>	LONG-TERM LIABILITIES				
LONG-TERM INVESTMENTS					Long-term bank loans (Note 20)	<u>500,000</u>	<u>5</u>	<u>1,400,000</u>	<u>12</u>
Financial assets carried at cost (Notes 2, 6 and 12)	79,372	1	76,321	1	OTHER LIABILITIES (Notes 2, 13, 21 and 27)	<u>175,704</u>	<u>2</u>	<u>851,206</u>	<u>7</u>
Long-term investments under equity method (Notes 2, 13 and 27)	<u>1,831,132</u>	<u>19</u>	<u>2,233,415</u>	<u>19</u>	Total liabilities	<u>3,992,023</u>	<u>41</u>	<u>5,506,653</u>	<u>48</u>
Total long-term investments	<u>1,910,504</u>	<u>20</u>	<u>2,309,736</u>	<u>20</u>	STOCKHOLDERS' EQUITY				
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 14 and 27)					Common stock (Note 22)	6,866,069	71	12,915,172	114
Land	859,336	9	983,643	9	Capital surplus				
Buildings and improvements	518,861	5	618,079	5	Additional paid-in capital	989,400	10	-	-
Machinery and equipment	65,933	1	82,387	1	Long-term equity investments (Note 13)	257,170	3	240,113	2
Computer equipment	80,028	1	109,402	1	Retained earnings (Note 22)				
Instrument equipment	251,855	2	354,239	3	Accumulated deficit	(2,993,844)	(31)	(7,909,297)	(70)
Transportation equipment	2,987	-	-	-	Cumulative translation adjustments (Note 2)	616,671	6	626,006	6
Furniture and fixtures	2,872	-	5,349	-	Unrealized gains (losses) on financial instruments (Notes 2, 6 and 13)	<u>16,785</u>	<u>-</u>	<u>(1,272)</u>	<u>-</u>
Leasehold improvements	<u>10,189</u>	<u>-</u>	<u>11,097</u>	<u>-</u>	Total stockholders' equity	<u>5,752,251</u>	<u>59</u>	<u>5,870,722</u>	<u>52</u>
	1,792,061	18	2,164,196	19					
Less accumulated depreciation	(476,118)	(5)	(555,510)	(5)					
Prepayments for business facilities	<u>-</u>	<u>-</u>	<u>18,000</u>	<u>-</u>					
Property, plant and equipment, net	<u>1,315,943</u>	<u>13</u>	<u>1,626,686</u>	<u>14</u>					
INTANGIBLE ASSETS (Notes 2 and 15)									
Patents	<u>22,971</u>	<u>-</u>	<u>39,625</u>	<u>1</u>					
OTHER ASSETS									
Leased-out assets (Notes 2, 16 and 27)	416,034	4	195,793	2					
Refundable deposits	6,255	-	8,438	-					
Deferred bonds issuance costs (Note 2)	-	-	748	-					
Deferred charges (Notes 2 and 15)	96,559	1	155,407	1					
Deferred income tax assets, noncurrent (Notes 2 and 25)	<u>529,494</u>	<u>6</u>	<u>585,344</u>	<u>5</u>					
Total other assets	<u>1,048,342</u>	<u>11</u>	<u>945,730</u>	<u>8</u>					
TOTAL	<u>\$ 9,744,274</u>	<u>100</u>	<u>\$ 11,377,375</u>	<u>100</u>	TOTAL	<u>\$ 9,744,274</u>	<u>100</u>	<u>\$ 11,377,375</u>	<u>100</u>

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

VIA TECHNOLOGIES, INC.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2009		2008	
	Amount	%	Amount	%
OPERATING REVENUES (Note 2)				
Sales	\$ 5,246,916	107	\$ 8,345,416	105
Less sales returns	(9,881)	-	(56,628)	(1)
Less sales allowance	(347,909)	(7)	(367,771)	(4)
Net sales (Note 27)	4,889,126	100	7,921,017	100
Other operating revenues (Note 27)	3,455	-	5,915	-
Total operating revenues	4,892,581	100	7,926,932	100
COST OF OPERATING REVENUES (Notes 2, 3, 24 and 27)	2,976,247	61	5,708,258	72
GROSS PROFIT	1,916,334	39	2,218,674	28
UNREALIZED PROFIT FROM INTERCOMPANY TRANSACTIONS (Notes 2 and 18)	(3,817)	-	(4,752)	-
REALIZED PROFIT FROM INTERCOMPANY TRANSACTIONS	4,752	-	24,677	-
REALIZED GROSS PROFIT	1,917,269	39	2,238,599	28
OPERATING EXPENSES (Notes 24 and 27)				
General and administrative expenses	1,062,093	22	1,181,576	15
Research and development expenses	1,344,385	27	1,639,638	21
Total operating expenses	2,406,478	49	2,821,214	36
LOSS FROM OPERATIONS	(489,209)	(10)	(582,615)	(8)
NON-OPERATING INCOME				
Interest income (Note 27)	4,341	-	62,691	1
Dividend income	119,430	2	114,257	1
Gain on disposal of property, plant and equipment (Note 27)	4,048	-	65,339	1
Gain on sale of investments, net (Notes 5, 6 and 13)	514	-	1,427	-
Foreign currency exchange gain, net (Note 2)	31,244	1	44,605	1
Rental income (Note 27)	24,453	-	13,250	-
Valuation gain on financial assets, net (Notes 2 and 5)	335,090	7	-	-
Others (Note 27)	136,972	3	243,702	3
Total non-operating income	656,092	13	545,271	7

(Continued)

VIA TECHNOLOGIES, INC.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2009		2008	
	Amount	%	Amount	%
NON-OPERATING EXPENSES				
Interest expense	\$ 43,888	1	\$ 63,709	1
Investment loss under equity method (Notes 2 and 13)	2,813,653	57	3,136,320	39
Loss on disposal of property, plant and equipment	-	-	51	-
Impairment loss (Notes 2, 12 and 15)	30,316	1	59,546	1
Valuation loss on financial assets, net (Notes 2 and 5)	-	-	584,639	7
Valuation loss on financial liabilities, net (Notes 2 and 5)	-	-	1,124	-
Others	<u>16,888</u>	<u>-</u>	<u>63,114</u>	<u>1</u>
Total non-operating expenses	<u>2,904,745</u>	<u>59</u>	<u>3,908,503</u>	<u>49</u>
LOSS BEFORE INCOME TAX	(2,737,862)	(56)	(3,945,847)	(50)
INCOME TAX EXPENSE (Notes 2 and 25)	<u>(95,788)</u>	<u>(2)</u>	<u>(70,235)</u>	<u>(1)</u>
NET LOSS	<u>\$ (2,833,650)</u>	<u>(58)</u>	<u>\$ (4,016,082)</u>	<u>(51)</u>
	2009		2008	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
BASIC LOSS PER SHARE (Note 26)	<u>\$ (5.16)</u>	<u>\$ (5.34)</u>	<u>\$ (7.64)</u>	<u>\$ (7.77)</u>

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

(Concluded)

VIA TECHNOLOGIES, INC.

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

	Capital Stock	Capital Surplus		Retained Earnings Accumulated Deficit	Cumulative Translation Adjustments	Unrealized (Losses) Gains on Financial Instruments	Treasury Stock	Total
		Additional Paid-in Capital	Long-term Equity Investments					
BALANCE, JANUARY 1, 2008	\$ 13,092,369	\$ 2,845,335	\$ 219,026	\$ (5,274,506)	\$ 554,542	\$ 48,506	\$ (1,641,241)	\$ 9,844,031
Additional Paid-in capital transfer to make up for accumulated deficit	-	(2,845,335)	-	2,845,335	-	-	-	-
Retirement of treasury stock - 17,720,000 shares	(177,197)	-	-	(1,464,044)	-	-	1,641,241	-
Effect of changes of ownership interest under equity method investees and unrealized losses on financial instruments under equity method	-	-	21,087	-	-	(54,213)	-	(33,126)
Unrealized gains on financial instruments	-	-	-	-	-	4,435	-	4,435
Translation adjustments on long-term investments	-	-	-	-	71,464	-	-	71,464
Net loss for 2008	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,016,082)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,016,082)</u>
BALANCE, DECEMBER 31, 2008	12,915,172	-	240,113	(7,909,297)	626,006	(1,272)	-	5,870,722
Capital reduction to eliminate accumulated deficit	(7,749,103)	-	-	7,749,103	-	-	-	-
Issuance of common stock for cash	1,700,000	986,000	-	-	-	-	-	2,686,000
Effect of changes of ownership interest under equity method investees	-	-	17,057	-	-	-	-	17,057
Compensation recognized for employee stock option	-	3,400	-	-	-	-	-	3,400
Unrealized gains on financial instruments	-	-	-	-	-	18,057	-	18,057
Translation adjustments on long-term investments	-	-	-	-	(9,335)	-	-	(9,335)
Net loss for 2009	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,833,650)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,833,650)</u>
BALANCE, DECEMBER 31, 2009	<u>\$ 6,866,069</u>	<u>\$ 989,400</u>	<u>\$ 257,170</u>	<u>\$ (2,993,844)</u>	<u>\$ 616,671</u>	<u>\$ 16,785</u>	<u>\$ -</u>	<u>\$ 5,752,251</u>

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

VIA TECHNOLOGIES, INC.

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	\$ (2,833,650)	\$ (4,016,082)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation (including depreciation of leased-out assets) and amortization	232,583	347,932
Investment loss recognized under equity-method	2,813,653	3,136,320
Cash dividends received from equity method investee	7,889	-
Loss on disposal of property, plant and equipment	-	51
Gain on disposal of property, plant and equipment	(4,048)	(65,339)
Compensation cost of employee stock options	3,400	-
Impairment loss	30,316	59,546
Gain on sale of investments	(36)	(1,427)
Amortization of bond issuance costs	748	1,311
Accrued pension cost	(21,276)	(88,379)
Deferred income tax assets	93,702	70,310
Net changes in operating assets and liabilities		
Financial assets held for trading	(335,916)	586,120
Financial liabilities held for trading	(1,124)	1,124
Notes receivable, net	(15,516)	(1,123)
Accounts receivable, net	16,848	(14,418)
Notes and accounts receivable from related parties, net	61,116	(39,911)
Other receivables	(55,746)	189,274
Inventories	118,878	1,571,592
Other current assets	19,201	81,462
Notes payable	(64,536)	64,776
Accounts payable	257,913	(1,222,531)
Notes and accounts payable to related parties	3,553	14,887
Income tax payable	(219,441)	(413,974)
Accrued expenses	185,201	(348,312)
Other current liabilities	<u>34,759</u>	<u>(107,470)</u>
Net cash provided by (used in) operating activities	<u>328,471</u>	<u>(194,261)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in financial assets at fair value through profit or loss	(60,000)	(230,000)
Proceeds from sale of financial assets designated as at fair value through profit or loss	60,035	271,256
Payment for available-for-sale financial assets	-	(1,116,000)
Proceeds from sale of available-for-sale financial assets	2,444	1,116,931
Decrease (increase) in other receivables from related parties, net	690,000	(90,100)
Payment for long-term investments	(3,335,868)	(2,619,937)
Proceeds from sale of long-term investments	-	5,201
Acquisition of property, plant and equipment	(30,974)	(82,349)

(Continued)

VIA TECHNOLOGIES, INC.

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

	2009	2008
Proceeds from disposal of property, plant and equipment, intangible assets and deferred charges	\$ 10,840	\$ 218,817
Decrease in refundable deposits	2,183	3,805
Increase in deferred charges	(128,855)	(178,725)
Proceeds from capital reduction	270,200	-
Cash and cash equivalents from dissolved company	<u>-</u>	<u>11,169</u>
Net cash used in investing activities	<u>(2,519,995)</u>	<u>(2,689,932)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in long-term bank loans	200,000	900,000
Redemption of bonds	(1,175,000)	(362,500)
Issuance of common stock for cash	2,686,000	-
(Increase) decrease in guarantee deposits received	<u>(698)</u>	<u>484</u>
Net cash provided by financing activities	<u>1,710,302</u>	<u>537,984</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(481,222)	(2,346,209)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,221,579</u>	<u>4,567,788</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,740,357</u>	<u>\$ 2,221,579</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash paid during the year		
Income tax	\$ <u>57,400</u>	\$ <u>420,752</u>
Interest	\$ <u>222,423</u>	\$ <u>66,382</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	\$ <u>1,100,000</u>	\$ <u>1,175,000</u>
Transfer of deferred credits to gain on disposal of property, plant and equipment	\$ <u>(603)</u>	\$ <u>18,989</u>
Transfer of long-term investment under equity method to other liabilities	\$ <u>(654,131)</u>	\$ <u>(45,825)</u>
Capital reduction to eliminate accumulated deficit	\$ <u>7,749,103</u>	\$ <u>-</u>
Transfer of property, plant and equipment to lease-out assets	\$ <u>223,006</u>	\$ <u>-</u>
Transfer of available-for-sale financial assets of financial assets carried at cot	\$ <u>6,759</u>	\$ <u>-</u>
PURCHASE OF PROPERTY, PLANT AND EQUIPMENT		
Increase in property, plant and equipment	\$ 31,824	\$ 62,527
(Increase) decrease in payable due to acquisition of property, plant and equipment	<u>(850)</u>	<u>19,822</u>
Cash payment	<u>\$ 30,974</u>	<u>\$ 82,349</u>

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VIA TECHNOLOGIES, INC.

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

	2009	2008
PURCHASE OF DEFERRED CHARGES		
Increase in deferred charges	\$ 67,552	\$ 98,262
Decrease in payable for deferred charges	<u>61,303</u>	<u>80,463</u>
Cash payment	<u>\$ 128,855</u>	<u>\$ 178,725</u>

The summary of assets and liabilities from the dissolved company - VIA-Cyrix Technologies Inc.:

	2008
Cash and cash equivalents	\$ 6,269
Financial assets at fair value through profit or loss - current	43,774
Available-for-sale financial assets - current	27,606
Other receivables	20,960
Other current assets	1,924
Financial assets carried at cost	16,678
Investments accounted for by the equity method	41,361
Accrued expense	(466)
Other current liabilities	(9,785)
Other liabilities	(150,093)

The summary of assets and liabilities from the dissolved company - Way-Hao International Corp.:

	2008
Cash and cash equivalents	\$ 4,900
Other receivables	70,000
Other current assets	813
Financial assets carried at cost	32,955
Investments accounted for by the equity method	5,929
Accrued expense	(1,037)
Other current liabilities	(862)
Other liabilities	(168,331)

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

(Concluded)

VIA TECHNOLOGIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

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

1. ORGANIZATION AND OPERATIONS

VIA Technologies, Inc. (the “Company”) was incorporated in September 1992 under the Company Law of the Republic of China to engage in the programming, designing, manufacturing and selling of semiconductors and PC chipsets. In March 1999, the Company’s common stock was officially listed on the Taiwan Stock Exchange.

There are 959 and 1,097 employees in the Company at December 31, 2009 and 2008 respectively.

In order to integrate the group and enhance operating efficiency, the board of directors of the Company proposed on October 31, 2008 to merge its subsidiaries, VIA-Cyrix Technologies Inc. and Way-Hao International Corp. The effective merger date was November 30, 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared 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 (“ROC”). In preparing financial statements in conformity with these guidelines and principles, the Company is required to make certain estimates and assumptions that could affect the amounts of allowance for doubtful accounts, allowance for inventory devaluation, property depreciation, pension cost and accrued litigation loss. Actual results could differ from these estimates.

For readers’ convenience, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the 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 (SFB, formerly the “Securities and Futures Commission” before July 1, 2004) for their oversight purposes.

The Company’s significant accounting policies 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 Equivalents

Cash equivalents, consisting of commercial paper, bank acceptances and repurchase agreements collateralized by bonds, are highly liquid financial instruments with maturities of three months or less when acquired and with carrying amounts that approximate their fair values.

Financial Assets and Liabilities at Fair Value through Profit or Loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss (“FVTPL”) include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. The Company recognizes a financial asset or a financial liability on its balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognized when the Company has lost control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments at FVTPL are initially measured at fair value with transaction costs recognized as expense for the year. After the initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value at the balance sheet date, with changes in fair value recognized as current gains or losses. Cash dividends received are recognized as income for the year. On the derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received or receivable or consideration paid or payable is recognized as gain or loss.

A derivative that does not meet the criteria for hedge accounting is classified as a financial asset or a financial liability held for trading. If the fair value of the derivative is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: Publicly traded stocks - at closing prices; open-end mutual funds - at net asset values; bonds - at prices quoted by the Taiwan GreTai Securities Market; and financial assets and financial liabilities without quoted prices in an active market - at values determined using valuation techniques.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are remeasured at fair value, with changes in fair value recognized in equity until the financial assets are disposed of, at which time, the cumulative gain or loss previously recognized in equity is included in profit or loss for the year. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

The recognition, derecognition and the fair value bases of available-for-sale financial assets are the same with those of financial assets at FVTPL.

Cash dividends are recognized on the ex-dividend date, except for dividends distributed from the pre-acquisition profit, which are treated as a reduction of investment cost. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share. The difference between the initial cost of a debt instrument and its maturity amount is amortized using the effective interest method, with the amortized interest recognized in profit or loss.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. Any subsequent decrease in impairment loss for an equity instrument classified as available-for-sale is recognized directly in equity. If the fair value of a debt instrument classified as available-for-sale subsequently increases as a result of an event which occurred after the impairment loss was recognized, the decrease in impairment loss is reversed to profit.

Revenue Recognition, Trade Receivables and Allowance for Doubtful Accounts

Revenue from sales of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, primarily upon shipment, because the earnings process has been completed and the economic benefits associated with the transaction have been realized or are realizable. Allowances for sales returns and others are generally recorded in the year the related revenue is recognized on the basis of past experience, management's judgment, and relevant factors.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts agreed between the Company and the customers for goods sold in the normal course of business, net of sales discounts and volume rebates. For trade receivables due within one year from the balance sheet date, as the nominal value of the consideration to be received approximates its fair value and transactions are frequent, fair value of the consideration is not determined by discounting all future receipts using an imputed rate of interest.

An allowance for doubtful accounts is provided on the basis of a review of the collectibility of accounts receivable. The Company assesses the probability of collections of accounts receivable by examining the aging analysis of the outstanding receivables and assessing the value of the collateral provided by 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 a category by category basis. Market value meant replacement cost. 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, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Cost is determined using the moving-average method.

Financial Assets Carried at Cost

Investments in equity instruments with no quoted prices in an active market and with fair values that cannot be reliably measured, such as non-publicly traded stocks and stocks traded in the Emerging Stock Market, are measured at their original cost. The accounting treatment for dividends on financial assets carried at cost is the same with that for dividends on available-for-sale financial assets. An impairment loss is recognized when there is objective evidence that the asset is impaired. A reversal of this impairment loss is disallowed.

Investments Accounted for by the Equity Method

Investments in which the Company holds 20 percent or more of the investees' voting shares or exercises significant influence over the investees' operating and financial policy decisions are accounted for by the equity method.

Prior to January 1, 2006, the difference between the acquisition cost and the Company's proportionate share in the investee's equity was amortized by the straight-line method over five years. Effective January 1, 2006, pursuant to the revised Statement of Financial Accounting Standard ("SFAS") No. 5, "Long-term Investments Accounted for by Equity Method", the acquisition cost is analyzed, and the acquisition cost in excess of the Company's share of the fair value of the identifiable net assets acquired is recognized as goodwill. Such goodwill is not amortized. The excess of the Company's share of the fair value of the net identifiable assets acquired over the cost of acquisition is used to reduce the fair value of each of the noncurrent assets acquired (except for financial assets other than investments accounted for by the equity method, noncurrent assets held for sale, deferred income tax assets, prepaid pension or other postretirement benefit) in proportion to the respective fair values of the noncurrent assets, with any excess recognized as

an extraordinary gain. Effective January 1, 2006, the accounting treatment for the unamortized investment premium arising on acquisitions before January 1, 2006 is the same as that for goodwill and the premium is no longer being amortized. For any investment discount arising on acquisitions before January 1, 2006, the unamortized amount continues to be amortized over the remaining year.

Profits from downstream transactions with an equity-method investee are eliminated in proportion to the Company's percentage of ownership in the investee; however, if the Company has control over the investee, all the profits are eliminated. Profits from upstream transactions with an equity-method investee are eliminated in proportion to the Company's percentage of ownership in the investee.

When the Company subscribes for its investee's newly issued shares at a percentage different from its percentage of ownership in the investee, the Company records the change in its equity in the investee's net assets as an adjustment to investments, with a corresponding amount credited or charged to capital surplus. When the adjustment should be debited to capital surplus, but the capital surplus arising from long-term investments is insufficient, the shortage is debited to retained earnings.

When the Company's share in losses of an investee over which the Company has significant influence equals its investment in that investee plus any advances made to the investee, the Company discontinues applying the equity method. The Company continues to recognize its share in losses of the investee if (a) the Company commits to provide further financial support to the investee or (b) the losses of the investee are considered to be temporary and sufficient evidence shows imminent return to profitability.

When the Company's share in losses of an investee over which the Company has control exceeds its investment in the investee, unless the other shareholders of the investee have assumed legal or constructive obligations and have demonstrated the ability to make payments on behalf of the investee, the Company has to bear all of the losses in excess of the capital contributed by shareholders of the investee. If the investee subsequently reports profits, such profits are first attributed to the Company to the extent of the excess losses previously borne by the Company.

Mergers

The Company's acquisition was accounted for in accordance with SFAS No. 25, "Business Combinations - Accounting Treatment under the Purchase Method," and measured at the fair value of the business acquired. The net assets and net liabilities of the acquired entity were accounted for in the balance sheet as an increase in additional paid-in capital from merger (credit) and as a decrease in retained earnings (debit), respectively.

Property, Plant and Equipment and Leased-out Assets

Property, plant and equipment are stated at cost less accumulated depreciation. Interest incurred in connection with the purchase or construction of property, plant and equipment is capitalized. Major renewals and betterments are capitalized, while maintenance and repairs are expensed in the period incurred. Upon sale or disposal of property, plant and equipment, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is credited to or charged against income.

Depreciation is provided on a straight-line basis over the estimated service lives of the assets as prescribed in the tax regulations, plus one additional year for salvage value.

Fixed assets rented out, the related costs and accumulated depreciation, are classified as other assets - leased-out assets.

The related cost (including revaluation increment), accumulated depreciation, accumulated impairment losses and any unrealized revaluation increment of an item of property, plant and equipment are derecognized from the balance sheet upon its disposal. Any gain or loss on disposal of the asset is included in nonoperating gains or losses in the year of disposal.

Intangible Assets

Intangible assets acquired are initially recorded at cost and are amortized on a straight-line basis over their estimated useful lives.

Effective January 1, 2007, the Company adopted the newly released SFAS No. 37, "Accounting for Intangible Assets". Expenditure on research activities is recognized as an expense when incurred. An internally-generated intangible asset arising from development activities is capitalized and then amortized on a straight-line basis over estimated useful lives if the recognition criteria for intangible assets have been met; otherwise, the development expenditure is recognized as an expense when incurred.

Deferred Charges

Deferred charges which consist of telephone installation charges, computer software installations and deferred authorization charges are amortized on a straight-line basis over three to five years or authorization period.

Impairment of Assets

If the recoverable amount of an asset (mainly property, plant and equipment, intangible assets, and investments accounted for by the equity method) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is charged to earnings unless the asset is carried at a revalued amount, in which case the impairment loss is treated as a deduction to the unrealized revaluation increment.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in earnings, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as an increase in the unrealized revaluation increment.

For the purpose of impairment testing, goodwill is allocated to each of the relevant cash-generating units ("CGU(s)") that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually or whenever there is an indication that the CGU may be impaired. If the recoverable amount of the CGU becomes less than its carrying amount, the impairment is allocated to first reduce the carrying amount of the goodwill allocated to the CGU and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU. A reversal of an impairment loss on goodwill is disallowed.

Pension Cost

Pension cost under a defined benefit plan is determined by actuarial valuations. Contributions made under a defined contribution plan are recognized as pension cost during the year in which employees render services.

Curtailment or settlement gains or losses of the defined benefit plan are recognized as part of the net periodic pension cost for the year.

Stock-based Compensation

Employee stock options granted on or after January 1, 2008 are accounted for under SFAS No. 39, "Accounting for Share-based Payment." Under the statement, the value of the stock options granted, which is equal to the best available estimate of the number of stock options expected to vest multiplied by the grant-date fair value, is expensed on a straight-line basis over the vesting period, with a corresponding adjustment to capital surplus - employee stock options. The estimate is revised if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

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”). The Company adopted the intrinsic value method, under which compensation cost was recognized on a straight-line basis over the vesting period.

Treasury Stock

The Company adopted the provisions of SFAS No. 30, “Accounting for Treasury Stock” to account for the Company’s reacquisition of its outstanding shares. Under the provisions of SFAS No. 30, the cost of shares purchased or fair value of shares donated by outside parties is charged to the treasury stock account. If numerous acquisitions of blocks of treasury shares are made at different prices, the average costing method is used to identify the cost of the treasury shares at the date of reissuance.

Upon reissuance, the discrepancy between the cost of the treasury shares and the price received is reflected in stockholders’ equity accounts. If the treasury shares are reissued to settle stock warrants, the price received is the sum of the issuance price and the exercise price of the stock warrants.

Income Tax

The Company applies intra-year and inter-year allocations for its income tax, whereby (1) a portion of income tax expense is allocated to the cumulative effect of changes in accounting principles; and (2) deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforward and unused tax credits. Valuation allowance is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

Tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures are recognized using the flow-through method.

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

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

Foreign Currencies

The financial statements of foreign operations are translated into New Taiwan dollars at the following exchange rates:

- a. Assets and liabilities - at exchange rates prevailing on the balance sheet date;
- b. Stockholders’ equity - at historical exchange rates;
- c. Dividends - at the exchange rate prevailing on the dividend declaration date; and
- d. Income and expenses - at average exchange rates for the year.

Exchange differences arising from the translation of the financial statements of foreign operations are recognized as a separate component of stockholders’ equity. Such exchange differences are recognized in profit or loss in the year in which the foreign operations are disposed of.

Non-derivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

At the balance sheet date, foreign-currency nonmonetary assets (such as equity instruments) and liabilities that are measured at fair value are revalued using prevailing exchange rates, with the exchange differences treated as follows:

- a. Recognized in stockholders' equity if the changes in fair value are recognized in stockholders' equity;
- b. Recognized in profit and loss if the changes in fair value is recognized in profit or loss.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at trade dates.

If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Company. Such adjustments are accumulated and reported as a separate component of stockholders' equity.

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. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Accounting for Inventories

On January 1, 2009, the Company adopted the newly revised SFAS No. 10, "Accounting for Inventories". The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value item-by-item except when the grouping of similar or related items is appropriate; (2) unallocated overheads are recognized as expenses in the period in which they are incurred; and (3) abnormal costs, write-downs of inventories and any reversal of write-downs are recorded as cost of goods sold for the period. The adoption resulted in an increase of \$28,541 thousand in net loss and a decrease of \$0.05 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 \$638,629 thousand to cost of goods sold 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 the interpretation did not have significant impact for the year ended December 31, 2008.

Accounting for Employee Stock Options

On January 1, 2008, the Company adopted the newly released SFAS No. 39, "Accounting for Share-based Payment" to account for employee stock options. The adoption of SFAS No. 39 did not have significant impact for the year ended December 31, 2008.

4. CASH AND CASH EQUIVALENTS

	2009	2008
Cash on hand	\$ 375	\$ 375
Checking accounts	1,719	682
Demand deposits	689,832	323,547
Time deposits	1,048,431	1,611,983
Cash equivalents - repurchase agreement collateralized by bonds	<u>-</u>	<u>284,992</u>
	<u>\$ 1,740,357</u>	<u>\$ 2,221,579</u>

At December 31, 2009 and 2008, interest rates on time deposits ranged from 0.10% to 0.67% and 0.90% to 2.41%, respectively. At December 31, 2008, interest rates on cash equivalents ranged from 0.51% to 0.58%.

5. FINANCIAL INSTRUMENTS AT FVTPL

	2009	2008
<u>Financial assets at FVTPL</u>		
Financial assets held for trading - marketable equity securities	\$ 1,806,832	\$ 1,472,075
Derivatives - financial assets - forward exchange contracts	<u>1,159</u>	<u>-</u>
	<u>\$ 1,807,991</u>	<u>\$ 1,472,075</u>
<u>Financial liabilities at FVTPL</u>		
Derivatives - financial liabilities - forward exchange contracts	<u>\$ -</u>	<u>\$ 1,124</u>

The Company increased domestic quoted stocks by \$826 thousand in 2009. The Company held derivative financial instruments in 2009 and 2008 for trading purpose and earned profit from foreign exchange fluctuation. (Please refer to Note 31 for more information on Derivatives financial assets and liabilities.)

Outstanding forward contracts as of December 31, 2009 and 2008:

	2009			
	Buy/Sell	Currency	Expiry Date	Contract Amount
Forward exchange contracts	Sell	USD/TWD	2010.01.04-99.02.12	US\$ 19,500
Forward exchange contracts	Buy	USD/TWD	2010.01.04-99.02.12	US\$ 17,000
	2008			
	Buy/Sell	Currency	Expiry Date	Contract Amount
Forward exchange contracts	Sell	USD/TWD	2009.01.05-2009.01.21	US\$ 12,050

Net gain from derivative financial instruments for the years ended December 31, 2009 and 2008 amounted to \$19,712 thousand and \$21,038 thousand, and was recognized in exchange gain or loss, net and gain on disposal of investments. Net gain and (loss) on valuation of derivative financial instruments for the years ended December 31, 2009 and 2008 amounted to \$335,090 thousand and \$(585,763) thousand, and were recognized as valuation gain (loss) on financial assets and as valuation loss on financial liabilities.

Net gain from financial instruments designated as at FVTPL for the years ended December 31, 2009 and 2008 amounted to \$35 thousand and \$1,104 thousand, and was recognized as gain on disposal of investments.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2009	2008
Domestic quoted stocks	\$ 50,126	\$ 31,947
Less: Reclassified to financial assets carried at cost	(6,759)	-
Mutual funds	<u>-</u>	<u>2,565</u>
	<u>\$ 43,367</u>	<u>\$ 34,512</u>

Net gain on sale of available-for-sale financial assets for the years ended December 31, 2009 and 2008 amounted to \$1 thousand and \$911 thousand, respectively, and was recognized as gain on sale of investment, net.

Unrealized gains on valuation of financial instruments for the years ended December 31, 2009 and 2008 amounted to \$18,057 thousand and \$4,435 thousand, respectively, and were recognized as unrealized gains on financial instruments in stockholders' equity.

7. ACCOUNTS RECEIVABLE

	2009	2008
Notes receivable	\$ 19,225	\$ 3,709
Accounts receivable	390,406	430,518
Less allowance for doubtful accounts	(20,491)	(11,068)
Less allowance for sales returns and discounts	<u>(72,814)</u>	<u>(105,501)</u>
Accounts receivable, net	<u>\$ 316,326</u>	<u>\$ 317,658</u>

Counter Parties	Amounts of Receivables Sold	Amounts Collected	Advances Received at Year End	Interest Rates (%)	Credit Line
Taishin Bank	\$ 33,148 (US\$ 100)	\$ 33,148 (US\$ 100)	\$ -	-	\$ 95,970 (US\$3,000)

The Company entered a factoring contract with Taishin Bank and the credit line amounted to US\$3,000 thousand. Pursuant to the factoring contract, losses from credit risk shall be borne by the bank.

8. NOTES AND ACCOUNTS RECEIVABLE FROM RELATED PARTIES

	2009	2008
Accounts receivable	\$ 214,342	\$ 310,921
Less allowance for doubtful accounts	(1,678)	(8,671)
Less allowance for sales returns and discounts	<u>(36,160)</u>	<u>(64,630)</u>
Notes and accounts receivable from related parties, net	<u>\$ 176,504</u>	<u>\$ 237,620</u>

9. OTHER RECEIVABLES

	2009	2008
Value-added tax refunds receivable	\$ 13,755	\$ 11,585
Income tax refunds receivable	7,907	22,042
Interests receivable	304	1,770
Other receivables from related parties - others	79,279	700,597
Others	<u>1,156</u>	<u>661</u>
	<u>\$ 102,401</u>	<u>\$ 736,655</u>

Other receivables from related parties are described in Note 27.

10. INVENTORIES

	2009	2008
Resale merchandise	\$ -	\$ 1,013
Finished goods	254,754	299,555
Work-in-process	368,689	489,506
Raw materials	<u>289,166</u>	<u>241,413</u>
	<u>\$ 912,609</u>	<u>\$ 1,031,487</u>

As of December 31, 2009 and 2008, the allowance for inventory devaluation was \$1,364,075 thousand and \$1,405,920 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2009 and 2008 included \$12,520 thousand and \$631,771 thousand, respectively, loss on write-downs of inventories, and \$140 thousand and \$(6,858) thousand, respectively, gain (loss) on physical inventory.

11. OTHER CURRENT ASSETS

	2009	2008
Prepaid expenses	\$ 37,095	\$ 52,321
Excess business tax paid	-	28
Temporary debits	<u>1,734</u>	<u>5,681</u>
	<u>\$ 38,829</u>	<u>\$ 58,030</u>

On December 31, 2009 and 2008, prepaid expenses were primarily prepayments for advertisement expense, software cost and insurance premiums.

12. FINANCIAL ASSETS CARRIED AT COST

Financial assets carried at cost as of December 31, 2009 and 2008 were as follows:

	2009	2008
Non-publicly traded stocks - domestic	\$ 39,323	\$ 32,564
Non-publicly traded stocks - international	<u>40,049</u>	<u>43,757</u>
	<u>\$ 79,372</u>	<u>\$ 76,321</u>

The above investments are measured at cost because of lack of active market and reliable fair value. On December 31, 2009 and 2008, due to the deficit of the investees, the Company recognized impairment loss of \$3,708 thousand and \$59,546, respectively.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD AND PREPAID LONG-TERM INVESTMENT

	2009			2008	
	Original Cost	Carrying Value	Ownership %	Carrying Value	Ownership %
Publicly traded stock					
Vate Technology Co., Ltd.	\$ 493,031	\$ 598,253	66.28	\$ 539,424	66.28
Non-publicly traded stock					
Viatch Co., Ltd.	3,611,279	46,162	100.00	145,110	100.00
Viabase Co., Ltd.	7,727,938	876,576	100.00	1,024,435	100.00
VIA Technologies GmbH	1,433	9,969	100.00	8,759	100.00
Linkage Technology Co., Ltd.	-	-	-	88,694	100.00
Tungbase Technologies Ltd.	115,200	(136,509)	100.00	21,318	100.00
VIA Communications, Inc.	10,000	10,373	100.00	10,366	100.00
VIA Labs, Inc.	200,000	153,924	100.00	195,108	100.00
Wonder Media Technologies, Inc.	200,000	18,595	100.00	191,855	100.00
VIA Optical Solution, Inc.	900,001	108,477	100.00	(790,640)	89.68
iDOT Computer Inc.	55,000	-	45.83	-	45.83
Powernews Multimedia Co., Ltd.	76,000	6,130	24.36	5,649	24.36
VIA Embedded, Inc.	<u>2,600</u>	<u>2,673</u>	100.00	<u>2,697</u>	100.00
	<u>\$ 13,392,482</u>	<u>1,694,623</u>		<u>1,442,775</u>	
Transfer of long-term investments to other liabilities		<u>136,509</u>		<u>790,640</u>	
		<u>\$ 1,831,132</u>		<u>\$ 2,233,415</u>	

In order to integrate the group and enhance operating efficiency, the board of directors of the Company proposed on October 31, 2008 to merge VIA-Cyrix Technologies Inc. and Way-Hao International Corp. The effective merger date was November 30, 2008, and the Company was the surviving company. The Company took all of the rights and liabilities belonging to VIA-Cyrix Technologies Inc. and Way-Hao International Corp.

Due to operational concerns, the board of directors of the Company proposed on March 2, 2009 to merge Viabase Co., Ltd. and Linkage Technology Co., Ltd. The effective merger date was March 31, 2009, and Viabase Co., Ltd. was the surviving company. Viabase Co., Ltd. took all of the rights and liabilities belonging to Linkage Technology Co., Ltd.

In 2008, the Company invested a total of \$2,619,937 thousand in Viabase Co., Ltd., Viatch Co., Ltd., VIA Labs Inc., Wonder Media Technologies Inc., and VIA Embedded, Inc. In addition, due to the merger of

Way-Hao International Corp. and VIA-Cyrix Technologies, Inc., the carrying value of \$(271,134) thousand in Powernews Multimedia Co., Ltd., VIA Embedded, Inc., Tungbase Technologies Ltd., and VIA Optical Solution, Inc., was transferred to the Company.

In 2009, the Company invested a total of \$3,335,868 thousand in Viabase Co., Ltd., Viatech Co., Ltd. and VIA Optical Solution, Inc. In addition, Tungbase Technologies Ltd., VIA Optical Solution, Inc., Viabase Co., Ltd. and Viatech Co., Ltd. had decreased its capital and refunded \$270,200 thousand to the Company and decreased its capital to make up for the accumulated deficit of \$1,749,998 thousand, \$1,108,656 thousand and \$445,558 thousand, respectively. The Company's ownership percentage thus increased to 100.00% in VIA Optical Solution, Inc. as of December 31, 2009.

In 2008, due to the changes in capital surplus and unrealized valuation gain on available-for-sale financial assets of Viabase Co., Ltd. and VIA-Cyrix Technologies, Inc., the Company proportionately increased its capital surplus by \$21,087 thousand, and decreased unrealized gains on financial instruments by \$54,213 thousand.

In 2009, due to the changes in capital surplus of Viabase Co., Ltd., the Company proportionately increased its capital surplus by \$17,057 thousand.

In April 2008, the Company sold all of its investment in VIA Telecom Inc. to VIA Telecom Co., Ltd. for \$5,201 thousand, and recognized \$588 thousand as loss on sale of such long-term investment (see Note 27).

For the years ended December 31, 2009 and 2008, the amounts of publicly traded stocks were \$1,337,456 thousand and \$483,171 thousand based on the closing price at December 31, 2009 and 2008, respectively. In addition, those companies declared and paid cash dividends of \$11,902 thousand, of this amount \$7,889 thousand was paid to the Company proportionately.

In accordance with SFAS No. 7 and the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers", the Company prepared consolidated financial statements which included all subsidiaries of the Company.

Except for VIA Technologies GmbH, VIA Embedded, Inc. and VIA Communications, Inc., the financial statements of equity method investees were audited by independent auditors. In addition, the equities of Tungbase Technologies Ltd., iDOT Computer Inc., and VIA Optional Solution, Inc. were negative on December 31, 2009, 2009 and 2008, and 2008, respectively. The Company recognized investment losses proportionately and recorded such losses as other liabilities due to continuous financial support to the investees, except for iDOT Computer Inc. Equity in net losses amounted to \$2,813,653 thousand and \$3,136,320 thousand in 2009 and 2008, respectively which consisted of the following:

	2009	2008
Viatech Co., Ltd.	\$ (1,064,124)	\$ (1,158,140)
Viabase Co., Ltd.	(1,704,478)	(1,745,268)
VIA Technologies GmbH	1,234	1,159
Linkage Technology Co., Ltd.	-	627
Tungbase Technologies Ltd.	101,860	37,714
VIA-Cyrix Technologies, Inc.	-	(326,697)
Way-Hao International Corp.	-	(88)
VIA Labs Inc.	(41,184)	(4,892)
WonderMedia Technologies, Inc.	(173,260)	(8,145)
VIA Optical Solution, Inc.	(883)	(9,720)
Vate Technology, Co., Ltd.	66,718	76,320
VIA Communications, Inc.	7	100
VIA Telecom, Inc.	-	584
Powernews Multimedia Co., Ltd.	481	(280)
VIA Embedded, Inc.	(24)	406

	2009	2008
iDOT Computer Inc.	<u>-</u>	<u>-</u>
	<u>\$ (2,813,653)</u>	<u>\$ (3,136,320)</u>

14. PROPERTY, PLANT AND EQUIPMENT

	2009			2008
	Cost	Accumulated Depreciation	Carrying Value	Carrying Value
Land	\$ 859,336	\$ -	\$ 859,336	\$ 983,643
Buildings and improvements	518,861	(121,828)	397,033	479,931
Machinery and equipment	65,933	(47,612)	18,321	31,555
Computer equipment	80,028	(58,842)	21,186	33,789
Instrument equipment	251,855	(237,347)	14,508	73,317
Transportation equipment	2,987	-	2,987	-
Furniture and fixtures	2,872	(2,355)	517	1,049
Leasehold improvements	10,189	(8,134)	2,055	5,402
Prepayments for business facilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,000</u>
	<u>\$ 1,792,061</u>	<u>\$ (476,118)</u>	<u>\$ 1,315,943</u>	<u>\$ 1,626,686</u>

The Company rented out parts of its land, buildings and improvements to other companies and the carrying value of the related assets had been transferred to leased-out assets (see Note 16).

The Company had no interest capitalization as of December 31, 2009 and 2008.

15. INTANGIBLE ASSETS

	2009			2008
	Cost	Accumulated Amortization	Carrying Value	Carrying Value
Patents	<u>\$ 91,835</u>	<u>\$ 68,864</u>	<u>\$ 22,971</u>	<u>\$ 39,625</u>

	2009			2008
	Cost	Accumulated Amortization	Accumulated Impairment Losses	Carrying Value
Deferred charges	<u>\$ 353,349</u>	<u>\$ 230,182</u>	<u>\$ 26,608</u>	<u>\$ 96,559</u>

Due to the sales was worse than expected, the recoverable amount of the deferred charges was estimated to be less than its carrying amount. In accordance with SFAS No. 35, "Impairment of Assets", an impairment loss of \$26,608 thousand has been recognized as of December 31, 2009.

16. LEASED-OUT ASSETS

	2009	2008
	Cost	Carrying Value

Land	\$ 282,454	\$ -	\$ 282,454	\$ 132,708
Buildings and improvements	<u>155,570</u>	<u>(21,990)</u>	<u>133,580</u>	<u>63,085</u>
	<u>\$ 438,024</u>	<u>\$ (21,990)</u>	<u>\$ 416,034</u>	<u>\$ 195,793</u>

The above land and buildings and improvements were rented out to the related parties, Xander International Corp., Chander Electronics Corp., High Tech Computer Corp. and Vate Technology Co., Ltd. and Wondermedia Technologies, Inc. However, the leasing contracts with Xander International Corp. were terminated in 2008.

17. ACCRUED EXPENSES

	2009	2008
Salaries & bonuses	\$ 208,716	\$ 197,588
Marketing subsidies	147,359	-
Advertisement	90,654	71,703
Product development	50,483	-
Professional fees	34,479	39,272
Research and development	19,103	17,803
Royalties (Notes 27 and 29)	17,101	19,151
Insurance	10,524	8,425
Commission	10,074	8,199
Pension	9,155	10,845
Interest	554	14,066
Others	<u>38,768</u>	<u>64,717</u>
	<u>\$ 636,970</u>	<u>\$ 451,769</u>

18. OTHER CURRENT LIABILITIES

	2009	2008
Compensation of directors and supervisors	\$ 72,400	\$ 72,400
Temporary receipts	33,483	17,688
Advance receipts	26,887	17,945
Bonus to employees	9,581	9,581
Receipts under custody	8,550	19,245
Deferred credits - profit from intercompany transactions	3,817	4,752
Payable - machinery and equipment	1,311	461
Other payables	<u>109,726</u>	<u>149,377</u>
	<u>\$ 265,755</u>	<u>\$ 291,449</u>

Other payables were primarily for purchase of deferred charges and for sales discounts payable.

Deferred credits - profit from intercompany transactions - were the unrealized profit from intercompany transactions between the Company and its subsidiaries.

19. CORPORATE BONDS PAYABLE

	2009	2008
On July 27, 2004 the Company issued secured corporate bonds of \$1,900,000 thousand. The interest rates ranged from 2.40% to 2.50% and the bonds will mature on July 27, 2009. The payments of principal can be separated into two parts. First part, principal payments due on third, fourth and fifth years to pay 25%, 25% and 50%, respectively, and second part, principal payment due on maturity. Interest is paid every half year.	\$ -	\$ 1,175,000
Less current portion of convertible bonds	<u>-</u>	<u>(1,175,000)</u>
	<u>\$ -</u>	<u>\$ -</u>

20. LONG-TERM LIABILITIES

	Contracts	2009	2008
Chinatrust Commercial Bank and China Development Industrial Bank are leading banks, with two participating banks - Syndicated loan \$3,000,000 thousand	Credit line: \$3,000,000 thousand Amount: \$1,100,000 thousand Period: May 15, 2007 - September 10, 2012 Interest: 0.9389% Payment: The unliquidated loans had to be fully repaid on their maturity dates, and it may be used on a revolving basis.	\$ 1,100,000	\$ 900,000
Taiwan Cooperative Bank Unsecured loan	Amount: \$500,000 thousand Period: August 13, 2007 - August 13, 2012 Payment: Six-month installment starting February 13, 2010 from first to fifth payments \$80,000 thousand each, sixth pay \$100,000 thousand. This loan had been fully repaid in December 2009, before the maturity date.	-	500,000
Ta Chong Bank Ltd. Unsecured loan	Credit line: \$1,000,000 thousand Amount: \$500,000 thousand Period: August 24, 2009 - August 24, 2012 Interest: 1.0000% Payment: The unliquidated loans had to be fully repaid on their maturity dates, and it may be used on a revolving basis.	500,000	-
		<u>1,600,000</u>	<u>1,400,000</u>
Less current portion of long-term liabilities		<u>(1,100,000)</u>	<u>-</u>
		<u>\$ 500,000</u>	<u>\$ 1,400,000</u>

In 2007, the Company signed a syndicated credit contract for \$3,000,000 thousand. The primary contents are the following:

For the purpose of paying loans and convertible bonds to financial organizations, and raising operating working capital, the Company appointed Chinatrust Commercial Bank and China Development Industrial Bank, to organize a syndicated credit team. The Company had applied to the team for \$3,000,000 thousand as a loan line. The loan period is from May 15, 2007 to September 10, 2012. Up to December 31, 2009, the Company had borrowed \$1,100,000 thousand at the interest rate 0.9389% and paid interest expenses by the 10th of each month. In addition, the loan had to be fully repaid on the maturity date, and it may be used on a revolving basis.

After revising this long-term loan contract two times, the latest restrictions are the following:

The Company should maintain the following financial ratio and restrictions at the duration of the contract. The ratio should be calculated on the basis of the consolidated annual financial statements that had been audited or the consolidated semi-annual financial statements that had been reviewed.

- Current Ratio: Current assets divided by current liabilities; not less than 100%
- Liability Ratio: Total liabilities divided by net tangible assets; not higher than 100% at the end of 2009.
- Net Tangible Assets: Not less than \$7,000,000 thousand at the end of 2009; not less than \$8,000,000 thousand in 2010, and not less than \$10,000,000 thousand in 2011.

In order to meet the restrictions of the original syndicated credit contract and revised long-term loan contracts, the Company promised to complete capital raising procedure by December 31, 2009.

When the Company violates the foregoing restrictions and financial ratios, the administration bank will host a conference to decide whether that is a breach of the contract. If the banks decided that there was a breach of the contract, all of the debts become due and the Company should liquidate all the debts upon receiving the notification from the administration bank.

On December 30, 2009, the Company got the waiver letter from the syndicated credit team. The waiver lifted two conditions - net tangible assets should not be less than \$7,000,000 thousand at the end of 2009, and the Company should complete capital raising procedure by December 31, 2009. However, the Company's liability ratio in its consolidated financial statements did not meet the foregoing restrictions. As a result, the Company transferred the syndicated loan mentioned above to current liabilities for conservatism.

On December 31, 2009, the details of the syndicated credit of \$1,100,000 thousand consisted of the following:

	Amount
Chinatrust Commercial Bank	\$ 366,670
China Development Industrial Bank	366,670
Taishin International Bank	183,330
Land Bank of Taiwan	<u>183,330</u>
	<u>\$ 1,100,000</u>

In 2009, the Company signed a credit contract with Ta Chong Bank Ltd. The primary contents are the following:

The net income should be positive for two successive seasons, and the net cash provided by operating activities should be positive, then the Company, Viabase Co., Ltd. and Viatech Co., Ltd. can use the credit, which amounts to more than \$500,000 thousand.

The Company should maintain the following financial ratio and restrictions at the duration of the contract. The ratio should be calculated on the basis of the consolidated annual financial statements that had been audited or the consolidated semi-annual financial statements that had been reviewed.

- Current Ratio: Current assets divided by current liabilities; not less than 100%
- Liability Ratio: Total liabilities divided by net tangible assets; not higher than 120%.

21. EMPLOYEE PENSION PLAN

The pension plan under the Labor Pension Act (LPA) is a defined contribution plan. Based on the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Such pension costs were \$37,459 thousand and \$49,687 thousand for the years ended December 31, 2009 and 2008, respectively.

Based on the defined benefit plan under the Labor Standards Law (LSL), pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is deposited in the Bank of Taiwan (the Central Trust of China merged with the Bank of Taiwan in 2007, with the Bank of Taiwan as the survivor entity) in the committee's name. The Company recognized pension costs of \$11,554 thousand and \$75,133 thousand for the years ended December 31, 2009 and 2008, respectively.

Information about the defined benefit plan was as follows:

a. Components of net periodic pension cost

	Years Ended December 31	
	2009	2008
Service cost	\$ 8,147	\$ 11,801
Interest cost on projected benefit obligation	6,034	8,569
Amortization on unrecognized net obligation	(10)	(10)
Expected return on plan assets	(5,656)	(5,184)
Amortization	(411)	-
Curtailment gain	<u>(19,658)</u>	<u>(90,309)</u>
Net periodic pension cost	<u>\$ (11,554)</u>	<u>\$ (75,133)</u>

b. Reconciliation of funded status of the plan and accrued pension cost

	December 31	
	2009	2008
Benefit obligation		
Vested benefit obligation	\$ -	\$ -
Nonvested benefits	<u>(129,345)</u>	<u>(115,479)</u>
Accumulated benefit obligation	(129,345)	(115,479)
Additional benefits based on future salaries	<u>(84,303)</u>	<u>(103,929)</u>
Projected benefit obligation	(213,648)	(219,408)
Fair value of plan assets	<u>211,055</u>	<u>199,980</u>
Funded status	(2,593)	(19,428)
Prior unrecognized net assets not yet recognized in net periodic pension cost	(72)	(87)
Unrecognized gain of pension, net	<u>(27,392)</u>	<u>(31,818)</u>
Accrued pension cost	<u>\$ (30,057)</u>	<u>\$ (51,333)</u>
Vested benefit	<u>\$ -</u>	<u>\$ -</u>

c. Actuarial assumptions

	December 31	
	2009	2008
Discount rate used in determining present values	2.00%	2.75%
Future salary increase rate	2.75%	3.75%
Expected rate of return on plan assets	2.00%	2.75%

	Years Ended December 31	
	2009	2008
d. Contributions to the fund	<u>\$ 9,722</u>	<u>\$ 13,246</u>
e. Payments from the fund	<u>\$ -</u>	<u>\$ -</u>

22. STOCKHOLDERS' EQUITY

Capital Stock

The Company's outstanding common stock at January 1, 2008 amounted to \$13,092,369 thousand divided into 1,309,237 thousand shares with a par value of \$10 each.

The Company canceled treasury stock of \$2,637 thousand and \$174,560 thousand to decrease capital stock in May and November 2008, respectively. As a result, the Company's outstanding capital stock at December 31, 2008 was \$12,915,172 thousand, divided into 1,291,517 thousand common stocks with a par value of \$10 each.

For the purpose of improving financial structure and raising operating working capital, the Company decreased its share capital to make up for a deficit of \$7,749,103 thousand and issued common shares of \$1,700,000 thousand. As a result, the Company's outstanding capital stock at December 31, 2009 was \$6,866,069 thousand, divided into 686,607 thousand common stocks with a par value of \$10 each.

In order to boost working capital level, reduce interest expenses, as well as enhance self-owned capital ratio and strengthen overall financial structure, the Board of Directors approved, on June 19, 2009, a capital-increase proposal via cash injection by private placement offers of no more than 300,000 thousand ordinary Company shares; the shares are temporarily priced between \$9 and \$12 and will be offered in various rounds within 1 year from the date of shareholders' meeting decision.

The Company was approved by SFB to issue employee stock options in accordance with Securities and Exchange Law Article 28.3 within the quantity of 200 thousand in 2001, 20,000 thousand in 2003, 8,000 thousand and 25,000 thousand option units in 2004, with each unit representing 100 shares, one share, one share and one share of common stock, respectively. The Company will issue new common stock for employee stock option exercised by granted employees. For the year ended December 31, 2008, a total of 73,000 thousand option units had been issued to employees, the Company transferred retained earnings and capital surplus to capital stock during 2004 and 2003, and decreased its share capital to make up for the accumulated deficit and issued during 2009. Option units became 40,809 thousand after considering the effect of that transfer. The option holders can exercise the right up to 50% of the granted option units no earlier than two years from the granted date. After three years from the granted date the holders can exercise the right up to 75% of the granted option units. After four years from the granted date, the option holders are eligible to exercise all the option units owned. The option holders should exercise the right within seven years. Other information on stock option rights plan is as follows:

	Year Ended December 31, 2009	
	Number of Outstanding Stock Option Right (Thousand)	Weighted-Average Exercise Price (\$/Per Share)
Beginning balance	40,776	\$ 65.93
Option granted	-	
Option exercised	-	
Option cancelled	-	
Option expired	<u>(11,896)</u>	
Ending balance	<u>28,880</u>	63.99
Option exercisable, end of year	<u>28,880</u>	

As of December 31, 2009 the information about the outstanding stock options is as follows:

Exercise Price	Number Outstanding (Thousand)	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price (Per Share)	Number Exercisable (Per Share)	Weighted Average Exercise Price (Per Share)
\$89.31	11,159	0.06	\$89.31	11,159	\$89.31
53.76	4,430	0.53	53.76	4,430	53.76
46.14	<u>13,291</u>	1.63	46.14	13,291	46.14
	<u>28,880</u>				

The Company uses the intrinsic value method to evaluate compensation cost for employee stock options granted on or after January 1, 2004. The compensation cost recognized for the year ended December 31, 2005 was zero since the stock options were granted at an exercise price equal to the closing price of the Company's common shares on the measurement dates. Had the Company applied the fair value based method to evaluate compensation cost for employee stock options granted, the assumptions and pro forma results of the Company for the year ended December 31, 2009 would have been as follows:

Method	Black-scholes Model
Assumptions	
Risk free interest rate	1.98%-2.28%
Expected life (in years)	6 years
Expected stock price volatility	42.95%-48.25%
Expected dividend yield	5%
Net income	
Net loss as reported	\$(2,833,650)
Pro forma net loss	\$(2,838,938)
Earnings per share (EPS)	
Basic EPS as reported	\$(5.34)
Pro forma basic EPS	\$(5.35)

Capital Surplus

Under the Company Law, capital surplus can only be used to offset a deficit. However, the capital surplus from share issued in excess of par (additional paid-in capital from issuance of common shares, conversion of bonds and treasury stock transactions) and donations may be capitalized, which however is limited to a certain percentage of the Company's paid-in capital and once a year. Also, the capital surplus from long-term investment may not be used for any purpose.

In November 2009, the Company issued 170,000 thousand common shares at \$15.80 per share, and the difference of \$986,000 thousand between selling price and par value was recognized to the capital surplus from issuance of common stock. In addition, based on the fair value method, the compensation cost of \$3,400 was recognized accordingly for the share issuance for cash, with a corresponding adjustment to capital surplus - employee stock options. This capital surplus - employee stock options was reclassified as the capital surplus from issuance of common stock when share issuance for cash was completed and registered.

Appropriation of Retained Earnings

According to the Company Law and the Company's Articles of Incorporation, 10% of the Company's annual earnings, after paying tax and offsetting deficit, if any, shall be appropriated as legal reserve until such reserve equals the amount of common stock. The remaining balance shall be appropriated no more than 1% as directors' remuneration and no less than 5% as bonuses to employees. The appropriation of retained earnings should be proposed by the board of directors and approved by the stockholders.

The Company engages in the programming, designing, manufacturing and selling of semiconductor and PC chipset and is in the development stage of industry cycle. Under the consideration of whole environment around the Company and the characteristics of industry development, and the intention of pursuing the long-term interests of stockholders, maintaining the operating efficiency, and meeting its capital expenditure budget and the financial goals, the Company would prefer to distribute unappropriated earnings by cash dividends rather than by stock dividends. The sum of stock dividends will not exceed 50% of total dividends.

Bonus to employees and remuneration to directors are estimated on the basis of past appropriation experience, not below 5% and 1% respectively, of the estimated appropriations from prior year's earnings. Because the Company has accumulated deficit, no bonus to employees and the remuneration to directors were recognized for 2009 and 2008.

At the date of the accompanying independent auditors' report, the appropriation of the 2009 earnings (loss) had not been proposed by the Board of Directors. Information on earnings appropriation can be accessed online through the Market Observation Post System on the website of TSE.

The stockholders resolved the transfer of capital surplus to make up for 2008 accumulated deficit in the stockholders' meeting of the Company on June 19, 2009. The Company had reduced its capital by 60 percent, amounting to \$7,749,103 thousand. Information on earnings appropriation can be accessed online through the Market Observation Post System on the website of TSE.

23. TREASURY STOCK

As of December 31, 2008, the Company's common stocks held by VIA-Cyrix Technologies, Inc. and Way-Hao International Corp. totaled to 17,456 thousand shares with book value of 1,633,176 thousand. On November 30, 2008, the foregoing subsidiaries were merged to the Company, and the treasury stocks were canceled according to the resolution of the Board of Directors.

On September 15, 2003, March 25, 2004, June 7, 2004 and September 21, 2004 the board of directors authorized the repurchase of 7,991 thousand shares, 8,336 thousand shares, 7,879 thousand shares and 12,651 thousand shares to transfer to employees, at a price ranging from \$33.60 to \$75.70 per share, \$25.20 to \$63.20 per share, \$21.49 to \$47.99 per share and \$13.30 to \$33.73 per share, during the period from September 16 to November 15, 2003, March 26 to May 25, 2004, June 8 to August 7, 2004 and September 22 to November 21, 2004, respectively. In addition, when the market price was lower than the minimum repurchase price, the Company allowed the repurchasing of common stock to continue.

In accordance with the Securities and Exchange Law, the common stock that a public company repurchased should not exceed 10% of its total outstanding shares. Additionally, the amount that a public company spent for common stock repurchase should not exceed its retained earnings plus additional paid-in capital and realized capital surplus. At December 31, 2009, the Company has repurchased 36,857 thousand shares at \$1,127,143 thousand, which meets the regulations of the Securities and Exchange Law. In addition, the Company transferred treasury stock through various tranches to employees totaling 12,387 thousand shares at \$229,712 thousand and canceled treasury stock of 7,991 thousand, 16,215 thousand and 264 thousand shares in September 2006, 2007 and May 2008, respectively. As a result, there is no treasury stock as of December 31, 2009.

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.

24. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

Expenses \ Year	2009			2008		
	Cost of Revenues	Operating Expenses	Total	Cost of Revenues	Operating Expenses	Total
Personnel expense	\$ 44,424	\$ 1,016,915	\$ 1,061,339	\$ 59,826	\$ 1,261,055	\$ 1,320,881
Salary	38,405	911,830	950,235	54,697	1,177,574	1,232,271
Insurance	3,121	57,268	60,389	3,803	70,642	74,445
Pension cost	1,352	24,553	25,905	(993)	(24,453)	(25,446)
Others	1,546	23,264	24,810	2,319	37,292	39,611
Depreciation	5,171	108,202	113,373	6,082	145,659	151,741
Amortization	382	116,063	116,445	99	194,613	194,712

25. INCOME TAX

Income tax payable at December 31, 2009 and 2008 was computed as follows:

	2009	2008
Loss before income tax	\$ (2,737,862)	\$ (3,945,847)
Add (less)		
Investment losses under equity-method	2,813,653	3,136,320
Provision for inventory devaluation	(41,845)	(648,100)
Unrealized sales allowance	108,974	188,810
Dividends income	(119,430)	(114,257)
Unrealized sales allowance, beginning of year	(188,810)	(313,800)
Realized loss on long-term investments	(2,553,526)	-
Valuation (gain) loss of financial instruments	(335,090)	585,763
Others	<u>137,536</u>	<u>(53,654)</u>
Estimated taxable income	<u>(2,916,400)</u>	<u>(1,164,765)</u>
Estimated income tax provision (×25%-10)	-	-
Alternative minimum tax	-	-
Unappropriated earnings additional 10% income tax	<u>-</u>	<u>-</u>
Current income tax expense	-	-
Less prepaid and withheld income tax	<u>(896)</u>	<u>(6,853)</u>
Income tax refunds receivable	<u>\$ (896)</u>	<u>\$ (6,853)</u>

At December 31 2009 and 2008, income tax payable was the provision accrued for income tax return in 2001 and 2000 (see Note 28).

In January 2009, the Legislative Yuan passed the amendment of Article 39 of the Income Tax Law, which extends the operating losses carryforward period from five years to ten years. 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. The Company recalculated its deferred tax assets and liabilities in accordance with the amended Article and recorded the resulting difference as a deferred income tax benefit or expense.

The tax effects of deductible temporary differences and tax credit carryforwards that gave rise to deferred tax assets as of December 31, 2009 and 2008 consisted of the following:

	2009	2008
Deferred tax asset		
Unrealized provision for inventory devaluation	\$ 272,815	\$ 351,480
Unrealized sales allowance	21,795	47,202
Unrealized pension cost	6,011	12,833
Unrealized impairment loss	17,972	14,887
Loss carryforward	2,590,345	2,516,996
Investment tax credits	1,848,600	1,971,586
Others	<u>8,756</u>	<u>17,881</u>
Total deferred income tax assets	4,766,294	4,932,865
Less allowance for deferred income tax assets	<u>(3,928,670)</u>	<u>(4,001,539)</u>
Deferred income tax assets, net	837,624	931,326
Deferred income tax assets, current	<u>(308,130)</u>	<u>(345,982)</u>
Deferred income tax assets, noncurrent	<u>\$ 529,494</u>	<u>\$ 585,344</u>

The income tax expense for the years ended December 31, 2009 and 2008 consists of the following:

	2009	2008
Current income tax expense	\$ -	\$ -
Decrease in deferred income tax assets	93,702	70,310
Under (over) estimation of prior year's income tax	<u>2,086</u>	<u>(75)</u>
Income tax expense	<u>\$ 95,788</u>	<u>\$ 70,235</u>

As of December 31, 2009, profits attributable to the following expansion and construction projects were exempted from income tax for five-year period.

<u>Expansion Year</u>	<u>Expansion/Construction Project</u>	<u>Tax-exemption Year</u>
2002	Business of advanced integrated circuit design	January 1, 2007 to December 31, 2011

The amounts of investment tax credit and loss carryforward as of December 31, 2009 were as follows:

Expiration Year	Investment Tax Credits	Loss Carryforward
2010	\$ 513,227	\$ -
2011	617,218	-
2012	418,984	-
2013	299,171	2,779,111
2015	-	1,483,162
2016	-	2,927,905
2017	-	1,713,040
2018	-	1,132,105
2019	<u>-</u>	<u>2,916,400</u>
	<u>\$ 1,848,600</u>	<u>\$ 12,951,723</u>

The details of investment tax credit were as follows:

Expiry Year	Tax Credit Item	Total Creditable Amount	Remaining Creditable Amount	Laws and Statutes
2010	Research and development	\$ 511,545	\$ 511,545	Statute for Upgrading Industries
	Personnel training	1,682	1,682	Statute for Upgrading Industries
2011	Research and development	611,435	611,435	Statute for Upgrading Industries
	Personnel training	1,878	1,878	Statute for Upgrading Industries
	Investment in equity stock	3,905	3,905	Statute for Upgrading Industries
2012	Research and development	417,439	417,439	Statute for Upgrading Industries
	Personnel training	1,545	1,545	Statute for Upgrading Industries

(Continued)

Expiry Year	Tax Credit Item	Total Creditable Amount	Remaining Creditable Amount	Laws and Statutes
2013	Research and development	\$ 298,950	\$ 298,950	Statute for Upgrading Industries
	Personnel training	221	221	Statute for Upgrading Industries
		<u>\$ 1,848,600</u>		
				(Concluded)

The income tax returns for the years through 2007 have been examined and approved by the tax authority. In addition, the tax authorities had examined the income tax returns of the Company in 2000, and adjusted the amounts of tax-exempt income. The Company believed it was not reasonable and requested the tax authorities to reexamine. The Company still disagreed with the decision on the reexamination rendered by the tax collection authorities and has filed an administrative appeal (see Note 28)

The related information for the integrated income tax system as of December 31, 2009 and 2008 is disclosed as follows:

	2009	2008
Balance of imputation credit account	\$ 1,094,118	\$ 849,997
Unappropriated earnings attributed to years before 1998	-	-
Unappropriated earnings attributed to 1998 and years after	(2,993,844)	(7,907,297)
Expected creditable ratio	-	-

26. EARNINGS PER SHARE ("EPS")

The numerators and denominators used in calculating earnings per share (EPS) were as follows:

	Amount (Numerator)			Earnings Per Share (Dollars)	
	Before Income Tax	After Income Tax	Shares (Denominator) (In Thousands)	Before Income Tax	After Income Tax
<u>For the year ended December 31, 2009</u>					
Basic EPS					
Loss for the year attributable to common stockholders	<u>\$ (2,737,862)</u>	<u>\$ (2,833,650)</u>	<u>530,774</u>	<u>\$ (5.16)</u>	<u>\$ (5.34)</u>
<u>For the year ended December 31, 2008</u>					
Basic EPS					
Loss for the year attributable to common stockholders	<u>\$ (3,945,847)</u>	<u>\$ (4,016,082)</u>	<u>516607</u>	<u>\$ (7.64)</u>	<u>\$ (7.77)</u>

The Company decreased its capital of \$7,749,103 to make up for the accumulated deficit. This decrease in capital was completed and registered on July 21, 2009. The EPS calculation has been retroactively adjusted for the year ended December 31, 2008.

In addition, because of net loss in 2009 and 2008, the employee stock options have no dilution effect to the earnings per share and, therefore, only disclosed the Basic EPS.

27. SIGNIFICANT RELATED PARTY TRANSACTIONS

The names and relationships of related parties are as follows:

Related Party	Relationship with the Company
Viabase Co., Ltd.	A subsidiary of the Company
Viatech Co., Ltd.	A subsidiary of the Company
VIA Technologies GmbH	A subsidiary of the Company
Linkage Technology Co., Ltd.	A subsidiary of the Company
VIA-Cyrux Technologies, Inc.	A subsidiary of the Company
Way-Hao International Corp.	A subsidiary of the Company
VIA Optical Solution Inc.	A subsidiary of the Company
Vate Technology Co., Ltd.	A subsidiary of the Company
VIA Communication, Inc.	A subsidiary of the Company
VIA Labs, Inc.	A subsidiary of the Company
Wondermedia Technologies, Inc.	A subsidiary of the Company
Tungbase Technologies Ltd.	A subsidiary of the Company
VIA Technologies, Inc. (USA)	An indirect subsidiary of the Company
VIA-Cyrux, Inc.	An indirect subsidiary of the Company
Centaur Technology, Inc.	An indirect subsidiary of the Company
VIA Technologies (HK) Inc. Ltd.	An indirect subsidiary of the Company
VIA Technologies (China) Ltd.	An indirect subsidiary of the Company
VIA Embedded, Inc.	An indirect subsidiary of the Company
VIA Technologies Japan K.K.	An indirect subsidiary of the Company
VIA Communication, Inc. (USA)	An indirect subsidiary of the Company
S3 Graphics Co., Ltd.	An investee under the equity method of Viabase Co., Ltd.
S3 Graphics, Inc.	An investee under the equity method of S3 Graphics Co., Ltd.
VIA Telecom Co., Ltd.	An investee under the equity method of Viabase Co., Ltd.
VIA Telecom, Inc.	An investee under the equity method of VIA Telecom Co., Ltd.
First International Company, Inc. ("FIC Inc.")	Chairman of the Board of Directors is one of the immediate family members of the Company's Chairman of the Board of Directors
High Tech Computer Corp.	Chairman of the board of directors is the Company's chairman of the Board of directors.
Chander Electronics Corp.	Chairman of the board of directors is the Company's chairman of the Board of directors.
iDOT Computers, Inc.	Chairman of the board of directors is the Company's chairman of the Board of directors.
Xander International Corp.	Chairman of the board of directors is the Company's president.
Xander International (HK) Corp.	The director is the Company's chairman of the board of directors

Linkage Technology Co., Ltd. was merged into Viabase Co., Ltd. on March 30, 2009.

VIA-Cyrux Technologies Inc. and Way-Hao International Corp. were merged into the Company on November 30, 2008.

Major transactions with related parties are summarized below:

Sales

Related Party	Years Ended December 31			
	2009		2008	
	Amount	% of Total Net Sales	Amount	% of Total Net Sales
Chander Electronics Corp.	\$ 452,310	9	\$ 602,153	8
VIA Technologies, Inc. (USA)	387,771	8	564,124	7
iDOT Computers, Inc.	173,920	4	159,150	2
FIC Inc.	37,011	1	196,748	2
WonderMedia Technologies, Inc.	16,208	-	5,165	-
Xander International (HK) Corp.	1,528	-	1,625	-
Others	<u>1,554</u>	<u>-</u>	<u>1,689</u>	<u>-</u>
	<u>\$ 1,070,302</u>	<u>22</u>	<u>\$ 1,530,654</u>	<u>19</u>

Selling prices to related parties are similar with other regular sales except for some kinds of merchandise that have no comparison and VIA Technologies, Inc. (USA) and Chander Electronics Corp. whose prices are less than normal. Terms of payment for both related and unrelated parties are similar and about one to two months, except for iDOT Computer, Inc. and VIA Technologies, Inc. which adopted the offset of credits and debits of property.

Other Operating Revenue

Related Party	Years Ended December 31			
	2009		2008	
	Amount	% of Total Other Operating Revenue	Amount	% of Total Other Operating Revenue
Vate Technology Co., Ltd.	\$ 3,370	98	\$ 5,270	89
VIA Optical Solution Inc.	-	-	40	1
Others	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,372</u>	<u>98</u>	<u>\$ 5,310</u>	<u>90</u>

The Company and VIA Optical Solution, Inc. have entered into a technical support and supervision agreement of chipset products effective in September 2002. The technical support revenue accounted for based on the agreement was recognized as other operating revenue.

The Company and Vate Technology Co., Ltd. have entered into a technical support and supervision agreement in March 2008. The first payment was recognized as other operating revenue.

Leasing - Lessor

Related Party	Years Ended December 31			
	2009		2008	
	Amount	% of Total Rental Income	Amount	% of Total Rental Income
High Tech Computer Corp.	\$ 6,148	25	\$ 3,528	27
Chander Electronics Corp.	5,472	23	5,472	41
Wondermedia Technologies, Inc.	5,433	22	-	-
VIA Labs, Inc.	1,011	4	-	-
Xander International Corp.	802	3	1,939	15
iDOT Computers, Inc.	170	1	877	7
Others	<u>1,246</u>	<u>5</u>	<u>729</u>	<u>5</u>
	<u>\$ 20,282</u>	<u>83</u>	<u>\$ 12,545</u>	<u>95</u>

The Company rented out part of its land and building and improvements to the related parties. Rental prices were determined based on the prevailing rates in the surrounding area.

Other Income

Related Party	Years Ended December 31			
	2009		2008	
	Amount	% of Total Other Income	Amount	% of Total Other Income
Wondermedia Technologies, Inc.	\$ 54,265	40	\$ -	-
S3 Graphics Co., Ltd.	12,261	9	8,206	3
VIA Telecom Co., Ltd.	11,419	8	39,845	16
VIA Technologies, Inc.(USA)	7,755	6	2,963	1
Others	<u>3,855</u>	<u>3</u>	<u>212</u>	<u>-</u>
	<u>\$ 89,555</u>	<u>66</u>	<u>\$ 51,226</u>	<u>20</u>

The Company, Wondermedia Technologies, Inc., and VIA Telecom Co., Ltd., have entered into a management support and supervision agreement. The support revenue accounted for based on the agreement was recognized as other income, others were miscellaneous revenue and sample revenue.

Purchases

Related Party	Years Ended December 31			
	2009		2008	
	Amount	% of Total Net Purchases	Amount	% of Total Net Purchases
S3 Graphics Co., Ltd.	\$ 50,689	3	\$ 41,449	2
Wondermedia Technologies, Inc.	8,753	1	-	-
Chander Electronics Corp.	838	-	2,585	-
Others	<u>354</u>	<u>-</u>	<u>1,169</u>	<u>-</u>
	<u>\$ 60,634</u>	<u>4</u>	<u>\$ 45,203</u>	<u>2</u>

Terms of payment for both related and unrelated parties are similar.

Technical Support and Supervision Agreement

a. VIA Technologies, Inc. (USA)

The Company and VIA Technologies, Inc. (USA) have entered into a technical support and supervision agreement for chipset products effective on April 1, 1998, under which the Company and VIA Technologies, Inc. (USA) will jointly develop certain chipset products.

The Company and VIA Technologies Inc. (USA) amended the above technical support and supervision agreement for chipset products on April 1, 2003. The major provisions of the amendment are as follows:

Technical Service Fees: Under this agreement the Company shall pay VIA Technologies, Inc. (USA) the technical service fees based on the set of chipset sold. The Company will pay US\$0.5 for the first 40,000,000 sets sold and US\$0.3 for every chipset sold thereafter. All the service fees shall be due and payable yearly within 60 to 90 days. The amount of the service fee to be paid shall be limited to US\$11,000 per annum.

Term: This agreement became effective on April 1, 2003 and shall be terminated on March 31, 2008.

The technical service fees the Company shall pay to VIA Technologies, Inc. (USA) were \$46,788 thousand in 2008. As of December 31, 2008, all of the service fees were repaid.

Patent Agreement

b. S3 Graphics Co., Ltd.

The Company and S3 Graphics Co., Ltd. have entered into a patent agreement for graphics chipset products effective on May 1, 2003. The major provisions of the agreement are as follows:

Royalty fees: Under this agreement the Company shall pay the amount computed from quantity of products sold of the Company within 60 days following the end of each calendar quarter.

Term: This agreement became effective on May 1, 2003 and shall be terminated on April 30, 2009. However, it shall be automatically renewed for another calendar year unless terminated by 30 days prior written notice.

The royalty fees the Company shall pay to S3 Graphics Co., Ltd. were zero and \$7,014 thousand in 2009 and 2008, respectively. As of December 31, 2009 and 2008, \$2,789 thousand and \$3,348 thousand are still unpaid, respectively.

Packaging and Testing Expenses

Related Party	Years Ended December 31			
	2009		2008	
	Amount	% of Total Testing Expenses	Amount	% of Total Testing Expenses
Vate Technology Co., Ltd.	<u>\$ 231,245</u>	<u>23</u>	<u>\$ 230,727</u>	<u>15</u>

Research and Development Expenses

Related Party	Years Ended December 31			
	2009		2008	
	Amount	% of Total Research and Development Expenses	Amount	% of Total Research and Development Expenses
Vate Technology Co., Ltd.	\$ 12,240	1	\$ 19,556	1
VIA Technologies, Inc.(USA)	1,160	-	1,105	-
Xander International Corp.	335	-	191	-
VIA Technologies (HK) Inc., Ltd.	-	-	742	-
Others	<u>300</u>	<u>-</u>	<u>533</u>	<u>-</u>
	<u>\$ 14,035</u>	<u>1</u>	<u>\$ 22,127</u>	<u>1</u>

Marketing Expenses

Related Party	Years Ended December 31			
	2009		2008	
	Amount	% of Total Marketing Expenses	Amount	% of Total Marketing Expenses
iDOT Computer, Inc.	<u>\$ 40,840</u>	<u>20</u>	<u>\$ -</u>	<u>-</u>

Receivables/Payables

Related Party	December 31			
	2009		2008	
	Amount	% of Total Account Total	Amount	% of Total Account Total
Notes and accounts receivable from related parties				
iDOT Computer Inc.	\$ 77,028	12	\$ 103,693	14
Chander Electronics Corp.	92,471	15	84,580	12
VIA Technologies, Inc. (USA)	44,771	7	75,120	10
FIC Inc.	72	-	24,021	3
Xander International (HK) Corp.	-	-	14,872	2
WonderMedia Technologies, Inc.	-	-	5,423	1
VIA Embedded, Inc.	-	-	2,326	-
Others	<u>-</u>	<u>-</u>	<u>886</u>	<u>-</u>
	<u>\$ 214,342</u>	<u>34</u>	<u>\$ 310,921</u>	<u>42</u>

Related Party	December 31			
	2009		2008	
	Amount	% of Total Account Total	Amount	% of Total Account Total
Notes and accounts payable to related parties				
Vate Technology Inc.	\$ 50,174	5	\$ 58,588	7
S3 Graphics Co., Ltd.	23,604	2	11,994	1
Others	<u>357</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 74,135</u>	<u>7</u>	<u>\$ 70,582</u>	<u>8</u>
Accrued expenses				
Vate Technology Co., Ltd.	\$ 3,536	1	\$ 7,310	2
S3 Graphics Co, Ltd.	2,789	-	3,348	1
Xander International Corp.	1,727	-	-	-
S3 Graphics, Inc.	3,079	1	3,046	1
VIA Technologies (HK) Inc.	292	-	311	-
VIA Technologies Inc.	62	-	725	-
Others	<u>704</u>	<u>-</u>	<u>1,655</u>	<u>-</u>
	<u>\$ 12,189</u>	<u>2</u>	<u>\$ 16,395</u>	<u>4</u>
Other receivables				
VIA Optical Solution Inc.	\$ -	-	\$ 690,549	94
VIA Telecom Co., Ltd.	-	-	7,956	1
Wonder Media Technologies, Inc.	58,226	57		
VIA Labs, Inc.	5,749	6		
VIA Telecom, Inc.	2,601	2	43	-
High Tech Computer Corp.	3,376	3	-	-
Via Technologies, Inc.	6,365	6	-	-
Others	<u>2,962</u>	<u>3</u>	<u>2,049</u>	<u>-</u>
	<u>\$ 79,279</u>	<u>77</u>	<u>\$ 700,597</u>	<u>95</u>

Other receivables from VIA Optical Solution Inc. on December 31, 2008 were mainly financing. Others are expenses on behalf of related parties, technical service fees, rental income and others, etc.

Related Party	December 31			
	2009		2008	
	Amount	% of Total Guarantee Deposits Received	Amount	% of Total Guarantee Deposits Received
Guarantee deposits received				
High Tech Computer Corp.	\$ 1,193	43	\$ 1,193	35
Chander Electronics Corp.	1,050	38	1,050	30
Others	<u>257</u>	<u>10</u>	<u>45</u>	<u>1</u>
	<u>\$ 2,500</u>	<u>91</u>	<u>\$ 2,288</u>	<u>66</u>

Related Party	December 31			
	2009		2008	
	Amount	% of Total Advance Receipts	Amount	% of Total Advance Receipts
Sales revenue received in advance				
S3 Graphics Inc.	\$ -	-	\$ 564	3
Vate Technology Co., Ltd.	-	-	97	1
Others	<u>-</u>	<u>-</u>	<u>56</u>	<u>-</u>
	<u>\$ -</u>	<u>-</u>	<u>\$ 717</u>	<u>4</u>

Property Transactions

The Company sold partial land and building to Xander International Corp. in June 2008 which amounted to \$154,154 thousand and recognized \$24,038 thousand as gain on disposal of assets.

The Company sold computer equipment, unamortized expenses, and patent rights to VIA Telecom, Inc., Vate Technology Co., Ltd. and VIA Telecom Co., Ltd., respectively, in 2008 which amounted to \$17,906 thousand, \$609 thousand and \$16,538 thousand, respectively, and recognized \$10,743 thousand, \$609 thousand, and \$5,400 thousand as gain on disposal of assets. The above-mentioned transactions were by nature downstream transactions with subsidiaries under equity method. The Company therefore booked unrealized gains of \$10,743 thousand, \$609 thousand, and \$2,609 thousand, respectively in accordance with shares held in each subsidiary. The Company will only recognize profit when the subsidiaries begin to amortize the purchased assets in the future. Additionally, the Company sold all of its shares in VIA Telecom, Inc. to VIA Telecom Co., Ltd. in April 2008, which amounted to \$5,201 thousand, and recognized \$588 thousand as loss on sale of investment, whereby unrealized profit decreased by \$5,222 thousand. For the year ended December 31, 2009, the unrealized gain on disposal of assets amounted to \$1,785 thousand, \$270 thousand and \$870 thousand, respectively.

The Company acquired certain office spaces from VIA Optical Solution Inc. in December, 2008 which amounted to \$35,652 thousand. As of December 31, 2008, the transfer of asset ownership has not yet been completed. Payment of \$18,000 thousand out of the total transaction consideration has been made to the seller, and is listed under the prepayment account. The company has completed the transfer registration of the office stated above by June 2009.

The Company sold computer and machinery equipment to Wondermedia Technologies, Inc., and VIA Labs, Inc. in 2009, which amounted to \$10,000 thousand and \$647 thousand, respectively, and recognized \$4,098 thousand and \$361 as gain on disposal of assets. The above-mentioned transactions were by nature downstream transactions with subsidiaries under equity method. The Company therefore booked unrealized gains of \$4,098 thousand and \$361 thousand, respectively in accordance with shares held in each subsidiary. The Company will only recognize profit when the subsidiaries begin to amortize the purchased assets in the future. For the year ended December 31, 2009, the unrealized gain on disposal of assets amounted to \$3,181 thousand and \$280 thousand, respectively.

Financing

		2009			
	Account	Maximum Balance	Ending Balance	Range of Interest rate	Interest Income
VIA Optical Solution, Inc.	Other receivable	<u>\$ 690,000</u>	<u>\$ -</u>	0.51-3.00	<u>\$ 419</u>
		2008			
	Account	Maximum Balance	Ending Balance	Range of Interest rate	Interest Income
VIA Optical Solution, Inc.	Other receivable	<u>\$ 690,000</u>	<u>\$ 690,000</u>	0.51-3.00	<u>\$ 12,175</u>

Guarantees

As of December 31, 2009 and 2008, the Company had guaranteed the borrowings of its subsidiaries, as follows:

	2009	2008
Wonder Media Technologies, Inc.	\$ 9,312	\$ -
VIA Labs, Inc.	<u>20</u>	<u>-</u>
	<u>\$ 9,332</u>	<u>\$ -</u>

Compensation of directors, supervisors and management personnel:

	2009	2008
Salaries and incentives	\$ 33,370	\$ 48,726
Special compensation	212	108

The Company's disclosure of the compensation of directors, supervisors and management personnel for the years ended December 31, 2008 and 2009 was in compliance with Order VI-0970053275 issued by the Financial Supervisory Commission under the Executive Yuan.

28. COMMITMENTS AND CONTINGENCIES

As of December 31, 2009, the amounts of customs duties confirmed by banks for importing goods were \$8,000 thousand.

The tax authorities had examined the income tax returns for 2000 of the Company, and adjusted the amounts of tax-exempt income. The Company believed it was not reasonable and requested the tax authorities to reexamine. According to the decisions of these reexaminations on April 9, 2008, the Company should recognize the supplementary tax that amounted to \$444,001 thousand. The Company disagreed with these decisions on the reexamination rendered by the tax authorities and had filed administrative appeals in May, but the appeals were rejected by the Ministry of Finance in August. The Company had initiated administrative litigations to high administrative court in October. At balance sheet date, the litigation for income tax return of the Company for 2000 was still in progress. The Company had estimated and recognized the probable amount of supplementary tax as current tax expense for conservatism.

29. SIGNIFICANT CONTRACTS

Contractor	Item	Contract Period	Description
Intel	Patent agreement	From April 8, 2003, remains in force	<p>a. CPU and chipsets patent agreement.</p> <p>b. The Company shall pay the fee according to the agreement signed between two parties.</p>

30. DISCLOSURES FOR FINANCIAL INSTRUMENTS

	December 31			
	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Non-derivative financial instruments</u>				
Assets				
Cash and cash equivalents	\$ 1,740,357	\$ 1,740,357	\$ 2,221,579	\$ 2,221,579
Financial assets at fair value through profit or loss	1,806,832	1,806,832	1,472,075	1,472,075
Available-for-sale financial assets current	43,367	43,367	34,512	34,512
Notes and accounts receivable, net	492,830	492,830	555,278	555,278
Other financial assets, current	80,739	80,739	703,028	703,028
Financial assets carried at cost	79,372	79,372	76,321	76,321
Long-term investments under equity method	1,831,132	2,570,335	2,233,415	2,177,162
Other financial assets, noncurrent	6,255	6,200	8,438	8,328
Liabilities				
Notes and accounts payable	1,082,406	1,082,406	885,476	885,476
Accrued expenses	636,970	636,970	451,769	451,769
Other financial assets, current	201,568	201,568	251,064	251,064
Long-term loans (include current portion)	1,600,000	1,600,000	1,400,000	1,400,000
Corporate bonds payable	-	-	1,175,000	1,175,000
Other financial liabilities	2,752	2,728	3,450	3,404
<u>Derivative financial instruments</u>				
Assets				
Forward exchange contract	1,159	1,159	-	-
Liabilities				
Forward exchange contract	-	-	1,124	1,124

- The carrying amount approximated the fair value because of the short maturities of such instruments, including cash and cash equivalents, notes and accounts receivable, notes and accounts receivable from related parties, other current financial assets, notes and accounts payable, notes and accounts payable due to related parties, accrued expenses, and other current financial liabilities.
- The fair values of financial instruments at fair value through profit or loss and available-for-sale financial assets are based on quoted market prices in an active market, and their fair values can be reliably measured. If the securities do not have market prices, fair value is measured on the basis of financial or other information. The Company uses estimates and assumptions that are consistent with information that market participants would use in setting a price for these instruments.
- Financial assets carried at cost and long-term investments under equity method are unlisted securities. Their fair value can not be estimated because they do not have active market.

- d. The fair value of other financial assets and liabilities are based on the discounted value of the future cash flows expected to be received. The discount rate is based on the average interest rate of time deposits in banks.
- e. The fair value of long-term loans, including current portion, and corporate bonds payable are estimated based on rates that the Company obtained which are comparable to rates offered by the banks to other borrowers for long-term debts with same terms and maturities.

There was no loss or gain recognized in 2009 and 2008 on the fair value changes of derivatives estimated using valuation techniques.

As of December 31, 2009 and 2008, financial assets exposed to cash flow interest rate risk amounted to \$1,048,431 thousand and \$1,896,975 thousand, respectively, and financial liabilities exposed to cash flow interest rate risk amounted to zero and \$1,175,000 thousand, respectively. Financial liabilities exposed to fair value interest risk amounted to \$1,600,000 thousand and \$1,400,000 thousand, respectively.

The Company's interest income from financial assets and liabilities not categorized as at fair value through profit or loss amounted to \$4,341 thousand and \$62,691 thousand, respectively, and interest expense amounted to \$43,888 thousand and \$63,709 thousand respectively. The Company recognized unrealized gain of \$18,057 thousand and \$4,435 thousand in stockholders' equity for the changes in fair value of available-for-sale financial assets for the years ended December 31, 2009 and 2008, respectively.

Financial Risks

a. Market risk

The Company's foreign exchange instruments are for trading purpose. Thus, such instruments are measured at balance sheet date using the market rate. As the market interest rate increases by 1%, the market price of financial assets would decrease by \$10,381 thousand. The gain or loss from forward contracts held at December 31, 2009 was calculated according to the quoted market price at balance sheet date. Market risk is low.

The Company engages in forward contract. When the exchange rate of NT dollar against the U.S. dollar increases by one dollar, the fair value of outstanding forward contracts would decrease by \$2,500 thousand.

b. Credit risk

Credit risk represents the potential loss that would be incurred by the Company if the counter-parties or third-parties breached contracts. The counter-parties or third-parties to the foregoing financial instruments are reputable financial institutions and business organizations. Management believes its exposure to default by those parties is low.

c. Liquidity risk

The Company has sufficient working capital to settle derivative contract. The Company engages in forward contract in fixed-exchange-rate and cash flows are not expected to fluctuate significantly due to changes in market exchange rates.

d. Cash flow interest rate risk

The Company is exposed to cash flow interest rate risk on its long-term bank loan with variable interest rate. As the market rate increases 1%, the Company expects to have \$16,000 thousand cash outflow within 1 year.

31. SEGMENT INFORMATION

Industry Segment

Manufacturing and sales of PC chipset and semiconductor accounted for over 90% of the Company's total revenues; therefore, the disclosure for industry segment is not applicable.

Foreign Operations

Currently, the Company does not have any foreign operations.

Export Sales

Export sales for the years ended December 31, 2009 and 2008 were as follows:

Areas	2009	2008
Hong Kong	\$ 1,608,413	\$ 2,462,515
Singapore	590,435	1,267,706
USA	397,759	565,680
Europe	308,093	694,233
Japan	38,410	101,200
Others	<u>210,235</u>	<u>174,183</u>
	<u>\$ 3,153,345</u>	<u>\$ 5,265,517</u>

Dominant Customers Information

Sales to major customers for the years ended December 31, 2009 and 2008 were as follows:

Customer	2009		2008	
	Amount	% of Total Sales	Amount	% of Total Sales
A	\$ 569,858	12	\$ 206,757	2
B	<u>543,685</u>	<u>11</u>	<u>1,161,384</u>	<u>15</u>
	<u>\$ 1,113,543</u>	<u>23</u>	<u>\$ 1,368,141</u>	<u>17</u>