IMPORTANT NOTICE

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THE FOLLOWING PRELIMINARY OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view this preliminary offering memorandum or make an investment decision with respect to the securities, investors must not be a U.S. person (within the meaning of Regulation S under the Securities Act). This offering memorandum is being sent at your request and by accepting the e-mail and accessing this offering memorandum, you shall be deemed to have represented to us that you are not a U.S. person, the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the U.S. and that you consent to delivery of such offering memorandum by electronic transmission.

You are reminded that this preliminary offering memorandum has been delivered to you on the basis that you are a person into whose possession this preliminary offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this preliminary offering memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriter or any affiliate of the underwriter is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriter or such affiliate on behalf of the Issuer in such jurisdiction.

This preliminary offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither J.P. Morgan Securities Ltd. nor Nomura International (Hong Kong) Limited (the "**Initial Purchasers**") nor any person who controls the Initial Purchasers nor any director, officer, employee or agent of the Initial Purchasers or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

OFFERING MEMORANDUM **CONFIDENTIAL**

TPK Holding Co., Ltd.

(incorporated in the Cayman Islands as an exempted company with limited liability)

US$400,000,000
Zero Coupon Convertible Bonds due 2014
Issue Price: 100.0%

We are offering US$400,000,000 aggregate principal amount of Zero Coupon Convertible Bonds due 2014 (the "Bonds"). The Bonds will mature on April 20, 2014 at 100% of their principal amount. The Bonds will not bear any interest. The Bonds will be convertible into our common shares, par value NT$10.00 per share (the "Shares" or the "Common Shares"), during the period from and including May 31, 2011 to and including April 10, 2014 at a conversion price which will initially be NT$1,071.84 per Share (subject to adjustment as set out in "Description of the Bonds—Conversion — Adjustment to the Conversion Price") with a fixed exchange rate of NT$29.065 = US$1.00 applicable on conversion of the Bonds. The Shares are listed on the Taiwan Stock Exchange (the "TWSE") and are subject to certain restrictions on trading imposed by the rules and regulations of the TWSE. See "Risk Factors — Risk Relating to Ownership of the Bonds and Our Shares." On April 13, 2011, the closing price of the Shares on the TWSE was NT$812.

At any time, we may redeem the Bonds then outstanding at a redemption price equal to 100% of the outstanding principal amount thereof, in whole but not in part, if the principal amount of the Bonds that have been redeemed, repurchased and canceled, converted is more than 90% of the aggregate principal amount originally issued. We may also redeem the Bonds then outstanding, in whole but not in part, at a redemption price equal to 100% of the outstanding principal amount thereof, if, as a result of certain changes in the laws or regulations of the Cayman Islands or the Republic of China (the "ROC") occurring on or after April 20, 2011, we become obligated to pay Additional Amounts (as defined herein).

You may require us to redeem the Bonds, in whole or in part in integral multiples of US$100,000, at a redemption price equal to 100% of the outstanding principal amount thereof if the Shares cease to be listed or admitted to trading on the TWSE or if there is a Change of Control (as defined herein).

We have received approval in-principle for the listing of the Bonds on Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained in this offering memorandum. Admission of the Bonds to the Official List of the SGX-ST is not to be taken as an indication of the merits of our company or the Bonds. Prior to this offering, there has been no market anywhere for the Bonds, or any market outside the ROC for the Shares.

INVESTING IN THE BONDS INVOLVES RISKS THAT ARE DESCRIBED IN "RISK FACTORS" BEGINNING ON PAGE 9 OF THIS OFFERING MEMORANDUM.

Neither the Bonds, nor the Shares, have been or will be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws, and are being offered and sold outside the United States to non-U.S. persons in accordance with Regulation S under the U.S. Securities Act, and outside the ROC. The Bonds are sold subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act and the applicable securities laws of any state or other jurisdiction pursuant to registration thereunder or exemption from registration. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. For a description of restrictions on transfers of the Bonds, see "Transfer Restrictions" and "Plan of Distribution."

The Bonds will be represented by one or more global certificates (each a "Global Bond") and will be fully issued in registered form, which will be registered in the name of a nominee of and shall be deposited with a common depositary for, Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream"). Beneficial interests in the Bonds will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. Except as described herein, individual definitive certificates for the Bonds will not be issued in exchange for interests in the Bonds. The Initial Purchasers expect to deliver the Bonds to purchasers on or about April 20, 2011.

Joint Global Coordinators and Joint Bookrunners

J.P.Morgan NOMURA

This offering memorandum is dated April 13, 2011

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You should rely only on the information contained in this offering memorandum. Neither we, nor the joint bookrunners, have authorized anyone to provide you with different information. Neither we, nor the joint bookrunners, are making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front cover of this offering memorandum. Our business, financial condition, results of operations and prospects may have changed since that date.

Having made all reasonable inquiries, we confirm that this offering memorandum contains all information with respect to our company and our subsidiaries and affiliates described in this offering memorandum, the Bonds and Shares that is material in the context of the issue of the Bonds, and that the information in this offering memorandum is true and accurate in all material respects, and is not misleading in any material respect, and that the opinions and intentions expressed in this offering memorandum are honestly held and that they have been reached after considering all relevant circumstances and are based on reasonable assumptions.

The Bonds are offered in reliance upon certain exemptions from the registration requirements under the U.S. Securities Act for an offer and sale of securities that does not involve a public offering in the United States. This offering memorandum is personal to you and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Bonds. In making a purchase of the Bonds, you will be deemed to have made the acknowledgments, representations and agreements provided in the section of this offering memorandum entitled "Transfer Restrictions."

In making an investment decision regarding the Bonds, you must rely on your own examination of our company and the terms of this offering, including the merits and risks involved. The contents of this offering memorandum are not to be considered as legal, business, financial or tax advice. You should consult your own counsel, accountants and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Bonds.

The laws of some jurisdictions may restrict the distribution of this offering memorandum and the offer and sale of the Bonds or the Shares. To purchase the Bonds, you must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or resell the Bonds or possess this offering memorandum. You must also obtain any consent, approval or permission required for your purchase, offer or sale of the Bonds under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchase, offer or resale. None of our company, the joint bookrunners and our and their respective representatives is making any representation to you or any person regarding the legality of any investment in the Bonds or the Shares, by you or any person under applicable legal investment or similar laws or regulations. This offering memorandum does not constitute an offer to sell to you or any person, or a solicitation of an offer from you or any person to buy any of the Bonds or the Shares, in any jurisdiction where it is unlawful to make such an offer or solicitation.

Some of the market data included in this offering memorandum is based on independent industry publications or other publicly available information. Although we believe that these independent sources are reliable, we have not independently verified the accuracy or completeness of this information.

Unless otherwise indicated, all financial information, descriptions and other information in this offering memorandum regarding our financial condition and results of operations as of and for the years ended December 31, 2008, 2009 and 2010 are presented on a consolidated basis. Our consolidated financial statements as of and for the years ended December 31, 2008, 2009 and 2010 have been audited. All our financial statements have been prepared in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers," other applicable ROC laws and regulations, and generally accepted accounting principles in the ROC, collectively referred to as "ROC GAAP" in this offering memorandum. ROC GAAP differs in many significant respects from generally accepted accounting principles in certain other countries.

No representation or warranty, express or implied, is made by the Trustee, the Registrar, Paying Agent, Conversion Agent or Transfer Agent or any of their affiliates or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering memorandum is, or should be relied upon as a promise or representation, whether as to the past of the future. None of the Trustee, the Registrar, Paying Agent, Conversion Agent or Transfer Agent have independently verified any of the information contained in this offering memorandum and assume no responsibility for its accuracy or completeness. By accepting delivery of this offering memorandum, you acknowledge that you have not relied on the Trustee, the Registrar, Paying Agent, Conversion Agent or Transfer Agent or any of their affiliates in connection with your investigation of the accuracy of the information in this offering memorandum or your investment decision.

ENFORCEABILITY OF CIVIL LIABILITIES

We are incorporated in the Cayman Islands. Substantially all of our directors and executive officers, and certain of the experts named in this offering memorandum are residents of the ROC, and a significant portion of the assets of our company and these persons are located in the People's Republic of China, or the PRC, and the ROC. As a result, it may not be possible for you to effect service of process upon our company or these persons outside of the ROC or the PRC, or to enforce against any of their judgments obtained in courts outside of the ROC or the PRC.

The laws of Cayman Islands do not clearly indicate whether a final civil judgment obtained from Taiwan courts, or an ROC Court Judgment, can be enforced in the Cayman Islands. Nevertheless, where the following requirements are met, the Grand Court of the Cayman Islands will recognize and enforce an ROC Court Judgment without any re-examination of the merits at common law if: (1) the judgment at issue is final and conclusive; (2) the ROC court rendering the judgment was competent under the conflict of law rules of the Cayman Islands; (3) the judgment (i) clearly sets out the obligation of the debtor to pay for a liquidated sum in accordance with the decree and does not involve any obligation of paying any penalty, tax, fine or other similar financial obligations, or (ii) grants a non-money relief to a particular person (under certain circumstances); and (4) the judgment obtained does not contravene the fairness and justice or public policy of the Cayman Islands, and the recognition and enforcement of the judgment is not contrary to the fairness and justice or public policy of the Cayman Islands. Where the Grand Court of the Cayman Islands does not recognize an ROC Court Judgment, such judgment will remain unenforceable in the Cayman Islands even if an investor has obtained a final judgment in the ROC. Investors should be cognizant of risks pertaining to the purchase of securities issued by a foreign issuer.

Ogier, our counsel as to Cayman Islands law, has advised us that there is uncertainty as to whether the courts of the Cayman Islands would, respectively, (1) recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States, or (2) entertain original actions brought in the Cayman Islands against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States. Ogier has further advised us that the uncertainty with regard to Cayman Islands law relates to whether a judgment obtained from the United States courts under civil liability provisions of the securities laws will be determined by the courts of the Cayman Islands as penal or punitive in nature. If such a determination is made, the courts of the Cayman Islands will not recognize or enforce the judgment against a Cayman Islands company. Because the courts of the Cayman Islands have yet to rule on whether such judgments are penal or punitive in nature, it is uncertain whether they would be enforceable in the Cayman Islands. Ogier has further advised us that a final and conclusive judgment in the federal or state courts of the United States under which a sum of money is payable, other than a sum payable in respect of taxes, fines, penalties or similar charges, may be subject to enforcement proceedings as a debt in the courts of the Cayman Islands under common law.

Lee and Li, Attorneys-at-Law, our special ROC counsel has advised us that any final judgment obtained against us in any court other than the courts of the ROC in respect of any legal suit or proceeding arising out of or relating to the Bonds, or the Shares, will be enforced by the courts of the ROC without further review of the merits only if the court of the ROC in which enforcement is sought is satisfied with the following:

- the court rendering the judgment has jurisdiction over the subject matter according to the laws of the ROC;
- the judgment and the court procedures resulting in the judgment are not contrary to the public order or good morals of the ROC;

- if the judgment was rendered by default by the court rendering the judgment, (i) we were duly served within a reasonable period of time within the jurisdiction of such court in accordance with the laws and regulations of such jurisdiction, or (ii) process was served on us with judicial assistance of the ROC; and

- judgments of the courts of the ROC are recognized in the jurisdiction of the court rendering the judgment on a reciprocal basis.

A party seeking to enforce a foreign judgment in the ROC would, except under limited circumstances, be required to obtain foreign exchange approval from the Central Bank of the Republic of China (Taiwan) for the remittance out of the ROC of any amounts recovered in respect of the judgment denominated in a currency other than NT Dollars.

Further, Leaven Attorneys-at-Law, our PRC counsel advises us that the recognition and enforcement of foreign judgments are governed by the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between the PRC and the country where the judgment is made or on reciprocity between jurisdictions, provided that the foreign judgments do not violate the basic principles of laws of the PRC or its sovereignty, security or social and public interest.

CERTAIN DEFINED TERMS, CONVERSIONS AND CURRENCY OF PRESENTATION

Except where the context otherwise requires, all references in this offering memorandum to “we”, “us” or “our company” are to TPK Holding Co., Ltd. itself, or to TPK Holding Co., Ltd. and its subsidiaries and affiliates, as the context required. All references to “Taiwan” or the “ROC” are to Taiwan and other areas under the effective control of the Republic of China. All references to the “ROC Government” are references to the government of the Republic of China. All references to “ROC GAAP” and “US GAAP” are to accounting principles generally accepted in the ROC and the United States, respectively. All references to the “PRC” are to the People’s Republic of China.

As the Shares are listed on the TWSE, our financial statements are required to be presented in New Taiwan Dollars, the lawful currency of the ROC. All references to “United States Dollars,” “US Dollars” and “US$” are to United States dollars, and references to “New Taiwan Dollars,” “NT Dollars” and “NT$” are to New Taiwan dollars. Therefore, our financial statements presented herein are translated from US Dollars into NT Dollars at the exchange rate on the balance sheet date, except for the amount issued common stock with the par value of NT$10 which shall be translated at the historical exchange rate as required by the ROC regulations. The exchange rates from US Dollars to NT Dollars as of December 31, 2008, 2009 and 2010 were NT$32.80 = US$1.00, NT$32.03 = US$1.00, and NT$29.13 = US$1.00. The average of spot rates for buying and selling published by Bank of Taiwan on April 13, 2011 was NT$29.02 = US$1.00. No representation is made that the NT$ or US$ amounts referred to in this offering memorandum could have been or could be converted into US$ or NT$, as the case may be, at any particular rate, the above rates or at all.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this offering memorandum. Our forward-looking statements contain information regarding, among other things, our financial condition, future expansion plans and business strategy. We have based these forward-looking statements on our current expectations and projections about future events. Although we believe that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

- the intensely competitive industries in which we operate;
- industry risks;
- general economic, political and social conditions and developments in Taiwan, the PRC and other jurisdictions in which we operate our business;
- our ability to meet financial and other covenants provided under our loan agreements;
- market acceptance of our products;
- risks associated with the introduction of new products;
- legal proceedings; and
- other risks identified in the "Risk Factors" section of this offering memorandum.

The words "believe," "expect," "anticipate," "estimate," "project," "intend," "plan," "seek" and similar words identify forward-looking statements. In addition, all statements other than statements of historical fact included in this offering memorandum are forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we can give no assurance that such expectations will prove correct. We undertake no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of the foregoing and the risks, uncertainties and assumptions in "Risk Factors" and elsewhere in this offering memorandum, the forward-looking events in this offering memorandum are not guarantees of future performance and might not occur and our actual results could differ materially from those anticipated in those forward-looking statements.

SUMMARY

The following is only a summary and it may not contain all the information you should consider before deciding to invest in the Bonds. You should read this entire offering memorandum carefully, including the "Risk Factors" section and the financial statements and related notes.

Overview

We are the leading provider of glass-based projected capacitive, or P-Cap, touch solutions. We believe our competitive strengths result from our technological leadership, vertically integrated production capabilities, high standard of operating discipline, and economies of scale. Having maximized these competitive strengths, we have solidified our first-mover advantage and forged long-term collaborative relationships with most of our major customers, many of them are leading mobile and consumer electronics devices innovators in the world. We are in the forefront of the technology revolution whereby touch technologies, in particular, P-Cap, are increasingly integrated into mobile and consumer electronics devices, such as smart phones and tablets. Our P-Cap touch solutions offer feather-like, intuitive and multi-touch enabled user experiences, which are the key features that are increasingly desired by end-users. As P-Cap touch modules are expected to increase from US$3.2 billion in 2010 to US$5.6 billion in 2012, according to DisplaySearch, we believe we are well positioned to capitalize on the increasing demand for touch solutions and in particular, demand for glass-based P-Cap touch solutions.

Since our inception, we have devoted our resources to design, develop, and market glass-based P-Cap touch solutions. Our undivided focus on the glass-based P-Cap touch technology has enabled us to formulate our technology roadmap and make strategic and operational decisions based solely on our customer requirements. We believe that our focused efforts have enabled us to establish our leadership in the glass-based P-Cap touch solutions, and achieve industry-leading yield rate and manufacturing efficiency. Due primarily to our comprehensive understanding of the touch manufacturing process and in-house equipment-building capability, we are able to make accurate and timely capital investment decisions to expand our capacity. We will continue to dedicate our resources to further advancing P-Cap touch solutions, such as manufacturing process improvement, production technology enhancement, new product structure and alternative raw materials, with the aim to stay ahead of technology roadmap and widen our product offerings.

Our vertically integrated production capabilities have enabled us to provide our customers with comprehensive and efficient product solutions. Leveraging on our ability to provide total solutions, we are able to meet our customers' specific demand while reducing the time-to-market of their products. Our customers are also benefitted from the economies of scale of our large-scale and centrally located manufacturing facilities, which provide highly efficient and cost-effective solutions to our customers. Our monthly module lamination capacity for glass-based touch modules increased from 1.8 million units of 3.5-inch modules as of December 2007 to 8.0 million units of 3.5-inch modules and 2.0 million units of 10-inch modules as of December 2010. We plan to expand our monthly module lamination capacity for glass-based touch modules to 14.0 million units of 3.5-inch modules and 6.0 million units of 10-inch modules by the end of June 2011.

We have enjoyed rapid growth in recent years. Our net operating revenue increased from NT$12,942.3 million in 2008 to NT$59,598.8 million (US$2,046.0 million) in 2010, representing a compound annual growth rate, or CAGR, of 114.6%. Our consolidated net income attributable to shareholders of the parent company increased from NT$388.5 million in 2008 to NT$4,741.6 million (US$162.8 million) in 2010, representing a CAGR of 249.4%.

Our Shares have been listed on the TWSE since October 2010 under the stock code "3673." On April 13, 2011, the closing price per Share on the TWSE was NT$812 per Share and our market capitalization was NT$181,942.8 million (US$6,259.9 million).

Competitive Strengths

We believe our leading position in the glass-based P-Cap touch solution market is to a large extent attributable to the following strengths:

- Pure Play Touch Solutions Provider;
- Vertical Integration to Provide Total Solutions;
- Proprietary and Efficient Production Process;
- Close Collaboration with Industry Leaders; and
- Experienced Management Team with Proven Technology and Operational Record.

Strategy

We plan to implement the following principal strategies to further strengthen our leading position in the touch solutions industry:

- Enhance Partnerships with Existing Major Customers while Diversifying Customer Base;
- Strengthen our Vertical Integration;
- Expand our Addressable Markets; and
- Optimize Our Cost Structure.

Recent Development

As announced on the Market Observation Post System, our consolidated net operating revenues for January, February and March 2011 was NT$6.9 billion, NT$8.1 billion and NT$10.3 billion, respectively. The consolidated financial data for January, February and March 2011 has not been audited nor reviewed by our auditor and is subject to adjustments based upon, among other things, completion of applicable reporting processes. Actual results could differ materially from the financial data provided above.

The Offering

The following summary contains basic information about the Bonds and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the Bonds, please refer to the section entitled "Description of the Bonds" in this Offering Memorandum.

Issuer	TPK Holding Co., Ltd.
Offering	US$400,000,000 aggregate principal amount of Zero Coupon Convertible Bonds due 2014, to non-U.S. persons outside the United States (in reliance on Regulation S under the U.S. Securities Act) and the ROC in offshore transactions.
Interest	The Bonds will not bear any interest.
Lock-up	We and several shareholders holding an aggregate of 42.0% of our total issued and outstanding share capital as of December 31, 2010, have agreed that, subject to certain exceptions, for a period of 90 days after the date of this offering memorandum, we and those shareholders will not, without the Initial Purchasers' prior written consent, offer, sell, contract to sell or otherwise dispose of any of our securities that are substantially similar to the Bonds or Shares, including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, Shares or any such substantially similar securities. See "Plan of Distribution."
Issue Date	April 20, 2011
Maturity Date and Final Redemption .	Unless previously redeemed, repurchased and canceled, or converted, the Bonds will mature on April 20, 2014 at a redemption price equal to 100% of the outstanding principal amount thereof.
Issue Price.	100% of the principal amount of the Bonds.
Ranking	The Bonds will be our direct, unconditional, unsubordinated and unsecured (but subject to a negative pledge, as described in "Negative Pledge" below) obligations, and will rank *pari passu* among themselves and with all of our other direct, unconditional, unsubordinated and unsecured obligations.
Conversion	Subject to certain conditions, each holder of the Bonds (a "Holder") will have the right during the Conversion Period (as defined herein) to convert its Bonds (or any portion thereof being US$100,000 in principal amount or an integral multiple thereof) into Common Shares at anytime from May 31, 2011 to April 10, 2014 (or if the Bonds are called for redemption prior to the Maturity Date, on the date seven days prior to the redemption date), *provided, however*, that the Conversion Right during any Closed Period (as defined herein) shall be suspended and the Conversion Period shall not include any such Closed Period. See "Description of the Bonds — Conversion" and "Risk Factors — Risks Relating to Ownership of Bonds and Our Shares — There are limitations on your ability to exercise conversion rights."

	Subject to changes to ROC laws and regulations, we shall as soon as practicable but in no event more than five Trading Days (as defined herein) from the Conversion Date (as defined herein) issue Common Shares to the converting Holders.
Conversion Price	The conversion price will initially be NT$1,071.84 per share with a fixed exchange rate applicable on conversion of Bonds of NT$29.065 = US$1.00. The conversion price will be subject to adjustments for, among other things, subdivision or consolidation of shares, right issues, distributions, stock dividends, and other dilutive events. See "Description of the Bonds."
Redemption at the Option of the Company	We may redeem the Bonds, in whole but not in part, at any time, on not less than 30 nor more than 60 days' notice, if more than 90% in principal amount of the Bonds originally issued has been redeemed, repurchased and canceled, or converted, at a redemption price equal to 100% of the outstanding principal amount thereof.
Additional Amounts	Payment of principal on the Bonds will be made without withholding for or on account of certain taxes of the Cayman Islands, the ROC or such other jurisdiction in which we are then organized or resident for tax purposes to the extent set forth under "Description of the Bonds — Additional Amounts."
Tax Redemption	If, as a result of certain changes relating to the tax laws in the Cayman Islands, the ROC or such other jurisdiction in which we are then organized or resident for tax purposes, we become obligated to pay Additional Amounts, the Bonds may be redeemed at our option, in whole but not in part, at a redemption price equal to 100% of the outstanding principal amount thereof; *provided* that such right cannot be exercised earlier than 45 days prior to the first date on which we would be obligated to make an Additional Amounts payment with respect to all or substantially all of the outstanding Bonds. Bondholders may elect not to have their bonds redeemed but with no entitlement to any Additional Amounts or reimbursement of additional tax. See "Description of the Bonds — Redemption for Taxation Reasons."
Redemption in the Event of Change of Control	Unless the Bonds have been previously redeemed, repurchased and canceled, or converted, each Holder shall have the right, at such Holder's option, to require us to redeem all (or any portion of the principal amount thereof which is US$100,000 or any integral multiple thereof) of such Holder's Bonds at a redemption price equal to 100% of the outstanding principal amount thereof upon the occurrence of a Change of Control, as defined herein. See "Description of the Bonds — Redemption of the Bonds in the Event of Change of Control."

Redemption in the Event of Delisting	Unless the Bonds have been previously redeemed, repurchased and canceled, or converted, in the event that the Shares cease to be listed or admitted to trading on the TWSE, each Holder shall have the right, at such Holder's option, to require us to redeem all (or any portion of the principal amount thereof which is US$100,000 or any integral multiple thereof) of such Holder's Bonds on the 20th Business Day after the Paying Agent mails to each Holder a notice regarding such delisting at a redemption price equal to 100% of the outstanding principal amount thereof. See "Description of the Bonds — Redemption of the Bonds in the Event of Delisting."
Negative Pledge	Subject to certain exceptions, we will not, and will procure that none of our Principal Subsidiaries (as defined herein) will, create or permit to subsist any Lien (as defined herein) to secure for the benefit of the holders of any International Investment Securities (as defined herein) any sum owing in respect thereof or any guarantee or indemnity thereof without making effective provision to secure the Bonds (a) equally and ratably with such International Investment Securities with a similar Lien or (b) with such other security as shall be approved by registered holders of the Bonds holding a majority of the outstanding Bonds. See "Description of the Bonds — Certain Covenants — Negative Pledge."
Form and Denomination	The Bonds will be issuable only in book-entry form and only in denominations of US$100,000 or any integral multiple thereof. The Bonds will be represented by the Global Bond. On the closing date of the Offering, we will deliver the Global Bond to Citibank Europe plc as common depositary. If (i) at any time the Common Depositary advises the Company in writing that it is unwilling or unable to continue as a depository for the Global Bond and a successor depository is not appointed by the Company within 90 days, (ii) either Euroclear or Clearstream or any alternative clearing system on behalf of which the Bonds evidenced by the Global Bond may be held is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so, or (iii) an event of default has occurred and is continuing with respect to the Bonds and the Trustee notifies the Company in writing that any of the Bonds have become immediately due and payable pursuant to the Indenture, the Company shall issue individual certificated bonds in registered form in exchange for the Global Bond in any authorized denominations and in an aggregate principal amount equal to the principal amount of the Global Bond.
Settlement	The Bonds have been accepted for clearance through Euroclear and Clearstream on a book-entry system. Settlement of the Bonds may take place through Euroclear and Clearstream in accordance with the settlement procedures applicable to debt securities in the Euromarket.
Governing Law	The laws of the State of New York.
Trustee	Citicorp International Limited

Listings	We have received approval in-principle for the listing of the Bonds on the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of US$200,000 for so long as the Bonds are listed on SGX-ST. We have undertaken to list the Shares issued upon the conversion of the Bonds on the TWSE. The Shares will not be listed on the SGX-ST.
Trading Market for Our Shares	The only trading market for the Shares is the TWSE. Our Shares have been listed on the TWSE since October 2010 under the stock code "3673."
Use of Proceeds	The net proceeds from this offering will be approximately US$397.3 million, representing gross proceeds of US$400.0 million, deducting underwriting discounts and concession and other offering expenses of US$2.7 million. We will use the net proceeds of this offering to fund, through capital increases in and shareholder loans to TPK Glass Solutions (Xiamen) Inc. and Ray-Star Technology (Xiamen) Inc., the expansion of production facilities for cover glass and touch sensors and acquisition of relevant machinery and equipment.
Transfer Restrictions	This offering is being made pursuant to Regulation S under the U.S. Securities Act. The Bonds and the Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state in the United States or other jurisdiction. The Bonds may only be offered, sold or delivered outside the United States (as defined in Regulation S under the U.S. Securities Act) to persons other than U.S. persons in offshore transactions in reliance on Regulation S, and outside the ROC, in each case in accordance with any other applicable law.

Summary Financial Information

The selected financial information has been derived from our audited consolidated financial statements as of and for the years ended December 31, 2008, 2009 and 2010 included elsewhere in this offering memorandum. These financial statements have been audited by Deloitte & Touche, independent certified accountants. Our consolidated financial statements are presented in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the ROC, which differs in many significant respects from generally accepted accounting principles in certain other countries, such as US GAAP. You should read the following selected financial information together with our financial statements included elsewhere in this offering memorandum.

	Year ended December 31,			
	2008	2009	2010	
	NT$	NT$	NT$	US$
	(in millions, except per share information)			
Statement of income data				
Net operating revenue	12,942.3	18,708.8	59,598.8	2,046.0
Cost of goods sold	(11,187.7)	(14,472.9)	49,581.8	1,702.1
Gross profit	1,754.6	4,235.9	10,017.0	343.9
Operating expenses	(1,262.4)	(1,623.6)	3,784.6	129.9
Operating income	492.2	2,612.3	6,232.4	214.0
Non-operating income and gains	119.8	58.3	107.9	3.7
Non-operating expenses and losses	(218.2)	(106.4)	(407.0)	(14.0)
Income before income tax	393.8	2,564.2	5,933.3	203.7
Income tax expenses	(5.3)	(254.2)	(1,185.4)	(40.7)
Consolidated net income	388.5	2,310.0	4,747.9	163.0
Attributable to:				
Minority interests	—	(7.0)	6.3	0.2
Shareholders of the parent company	388.5	2,317.0	4,741.6	162.8
Fully diluted earnings per share of the parent	2.06	11.82	23.03	0.79

	As of December 31,			
	2008	2009	2010	
	NT$	NT$	NT$	US$
	(in millions)			
Balance sheet data				
Cash	527.9	1,670.9	5,564.0	191.0
Accounts and notes receivable, net	720.0	835.0	11,998.9	411.9
Inventories	1,022.4	971.3	3,055.9	104.9
Total current assets	**2,543.3**	**4,269.4**	**22,287.0**	**765.1**
Total property, plant and equipment	5,302.4	5,959.2	17,972.8	617.0
Total assets	**8,566.2**	**10,989.7**	**41,929.3**	**1,439.4**
Short-term loans (including current portion of long-term loans)	2,057.5	1,649.9	3,656.5	125.5
Accounts and notes payable	2,197.9	2,203.5	13,926.5	478.0
Total current liabilities	**5,311.6**	**5,042.4**	**23,441.1**	**804.7**
Long-term loans (net of current portion)	—	594.9	3,604.5	123.7
Total liabilities	**5,324.0**	**5,669.9**	**27,136.4**	**931.6**
Total shareholders' equity	**3,242.2**	**5,319.8**	**14,792.9**	**507.8**

	Year ended December 31,			
	2008	2009	2010	
	NT$	NT$	NT$	US$
	(in millions)			
Cash flow data				
Net cash provided by operating activities	2,123.6	3,097.6	5,940.8	203.9
Net cash used in investing activities	(1,751.5)	(2,025.7)	(11,652.5)	(400.0)
Net cash provided by (used in) financing activities	(263.1)	88.2	9,668.4	331.9
Cash increase from acquisition of a subsidiary	—	—	9.4	0.3
Effect of exchange rate changes	(132.5)	(17.1)	(73.0)	2.7
Net increase (decrease) in cash	(23.5)	1,143.0	3,893.1	138.8
Cash at beginning of year	551.4	527.9	1,670.9	52.2
Cash at the end of year	527.9	1,670.9	5,564.0	191.0
Capital expenditure[1]	1,809.2	1,409.2	10,711.2	367.7
Depreciation and amortization	499.4	699.6	1,059.4	36.4

(1) This refers to the amount of cash used in connection with the acquisition of property, plant and equipment.

	As of December 31,			
	2008	2009	2010	
	NT$	NT$	NT$	US$
	(in millions, except percentages)			
Other financial data				
Gross margin[1]	13.6%	22.6%	16.8%	16.8%
Operating margin[2]	3.8%	14.0%	10.5%	10.5%
Net margin[3]	3.0%	12.3%	8.0%	8.0%
Adjusted EBITDA[4][6]	991.6	3,311.9	7,291.8	250.4
Adjusted EBITDA margin[5][6]	7.7%	17.7%	12.2%	12.2%

(1) Gross margin represents gross profit divided by net operating revenue.

(2) Operating margin is calculated by dividing operating income by net operating revenue.

(3) Net margin is calculated by dividing net income after taxation by net operating revenue.

(4) Adjusted EBITDA is defined as operating income, plus depreciation and amortization.

(5) Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by net operating revenue.

(6) We have presented Adjusted EBITDA because we consider it an important supplemental measure of our operating performance and believe it is frequently used by analysts, investors and other interested parties in the evaluation of companies in our industry. Our management uses Adjusted EBITDA as an additional measurement tool for purposes of business decision-making, including developing budgets, managing expenditures and evaluating potential acquisitions or divestitures. Other companies in our industry may calculate Adjusted EBITDA differently than we do. Adjusted EBITDA is not a measure of operating performance under ROC GAAP and should not be considered as a substitute for, or superior to, operating income prepared in accordance with ROC GAAP. Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under ROC GAAP. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

RISK FACTORS

Investing in the Bonds involves risks, and you should carefully consider the risks described below before making an investment decision. In addition, you should also carefully consider all of the information contained in this offering memorandum, including our financial statements and related notes. You should note that we are governed in the Cayman Islands, the ROC and the PRC by a legal and regulatory environment that in some material respects may be different from that prevailing in other countries.

Risks Relating to Our Business

We are highly dependent on the mobile device and other portable device industries which are competitive and face price decline and other competitive pressures over the life cycles of their products.

We operate in the fast-growing mobile device and other portable device industries. In 2008, 2009 and 2010, sales related to mobile devices accounted for 92.4%, 91.0% and 96.5%, respectively, of our net operating revenue. Starting from 2010, we have also focused on providing touch solutions for tablets. Accordingly, we are vulnerable to product life cycle, as well as changes in the global demand and inventory adjustment for mobile devices and other portable devices. If the global mobile device and other portable device markets grow more slowly than expected, our business, results of operations and financial condition would be adversely affected.

The mobile device and other portable device industries are characterized by rapidly changing technology, including enhancements in hardware functionality and performance, and user preferences, evolving industry standards and the frequent introduction of new products and enhancements. As a result, the prices of our products tend to decline over the product life cycle, reflecting product obsolescence, decreased costs of input components, decreased demand, increased competition as more manufacturers are able to produce similar products in large quantities and improvement in production yield rate, which places downward pressure on prices.

As the markets for our products are very competitive, we have continued to experience pressure on our prices and margins. Rapid technological advances and aggressive pricing strategies by our competitors may continue to increase competition. In order to remain competitive, we must continue to improve our materials supply chain, foster productional self-sufficiency, reduce design time, upgrade technology and manufacturing process and introduce new products to the market in a timely manner. To mitigate the effects of price declines in our existing products and to sustain margins, we constantly seek to improve production efficiency by vertical integration, reducing input component costs and lowering operating costs. Our ability to do so depends on factors both within and outside of our control and may be constrained by the distinct characteristics and production requirements of individual products. There can be no assurance that we will be able to continue to improve production efficiency and maintain reasonable margins for all of our existing products, or that we will be able to successfully introduce new products that are able to command higher margins.

Some of our competitors may have superior financial, marketing, manufacturing, research and development and technological resources, greater brand name recognition and larger customer bases than us. There can be no assurance that we will be able to compete successfully with such competitors. Our failure to compete successfully or future declines in product prices and margins could have a material adverse effect on our business, financial condition, results of operations and future prospects.

Our expansion into the tablets industry entails certain risks.

A tablet produced by one of our key customers has recently gained market popularity, and a portion of our net operating revenue in 2010 was related to this product. The tablets industry, however, is a newly emerging industry which is characterized by rapidly changing technology and user preferences, constantly evolving industry standards and frequent introduction of new products and enhancements. Moreover, the industry is marked by significant and rapid changes in the technology standards and product specifications required by touch modules manufacturers. As a result, there is no guarantee that tablets, and in particular, tablets produced by our customers, will continue to maintain or increase in market popularity. Moreover, if the demand for such devices increases, it is likely that competition will increase substantially as new entrants enter the market to capitalize on the expected growth in demand. A number of consumer electronics companies have begun to introduce tablets in the near- to medium-term. These new entrants may manufacture products utilizing different or more advanced technologies which may achieve greater market acceptance than the technologies provided by us. There can be no assurance that our current customers will continue to maintain their market shares.

We rely heavily on certain key customers in the mobile device and other portable device industries for our revenues and our results of operations may be adversely affected by a reduction of business from our key customers.

We rely heavily on a small group of customers for a very substantial portion of our net operating revenue. In 2008, 2009 and 2010, sales to our largest customer accounted for 49%, 46% and 73% of our net operating revenue, respectively. In aggregate, sales to our two largest customers accounted for 82%, 66% and 83% of our net operating revenue in 2008, 2009 and 2010, respectively.

There is no assurance that we will retain the business of our existing key customers or the desired level of business from them. Many of our existing key customers' products are characterized by rapidly evolving technology that requires different design specifications each time a new product is introduced or an existing product is enhanced. The loss of or reduction in any key customer's business as a result of our inability to meet the design specifications of such key customer, its exclusion from a key product introduction cycle or any other reason would materially and adversely affect our results of operations. Moreover, as our customers introduce new products, it may materially reduce the number of shipments of older product modules. Also, we would have difficulty in securing comparable levels of business from other customers to offset any loss of revenue from the loss of any of our key customers.

Our profitability also depends on the performance and business of our key customers. Accordingly, risks that could seriously harm our key customers could harm us as well, including:

- loss of market share for our key customers' products;
- recession in our key customers' markets;
- failure of their products to gain widespread commercial acceptance; and
- our key customers' inability to manage their operations efficiently and effectively.

The launching and market acceptance of particular mobile devices or other portable devices of individual key customers could have a significant impact on our product and customer mix, resulting in significant volatility in the demand for our products and our results of operations. It is also possible that this key customer's market shares with respect to its most popular mobile and portable devices may decline as its competitors introduce new products, which could adversely affect our results of operations, particularly if we are unable to sell our products to such competitors. Furthermore, sales of our key customers' products are subject to seasonal fluctuation.

Although we are in the process of diversifying our customer base, we expect that we will continue to depend on a relatively limited number of customers for a significant portion of our net operating revenue. The loss of one or more of our key customers or any reduction or delay in their orders could have a material adverse effect on our results of operations, financial condition and future prospects.

Our concentration on touch solutions may not be successful.

We have dedicated all our resources and research and development efforts to the design, development and provision of integrated touch solutions based on glass-based P-Cap touch technology. This concentration entails certain risks. In particular, we have incurred significant capital and research and development expenditures in developing glass-based P-Cap touch technology and production capabilities, and we intend to invest considerable additional expenditure to expanding our capacity for touch modules as well as major components including touch sensors and cover glass. There can be no assurance that enough demand will continue to be generated for the solution and products we offer to recoup the costs incurred in association with developing these products, facilities and technologies.

Moreover, as the demand for touch solution and products increases, it is likely that new entrants will enter the market to capitalize on the expected growth in demand. This increase in competitors could result in more intense price competition and potential oversupply of touch modules and displays. Furthermore, our existing customers may accredit additional suppliers, which could reduce the proportion of their business that they direct to us. Meanwhile, such competitors may offer touch solutions and products that achieve greater market acceptance than the touch modules and displays we provide. We may also have difficulty in adapting our production processes if there are alternative technologies and products that achieve market popularity.

There is a risk that new entrants or manufacturers that have previously focused on technologies such as TFT-LCD panels will begin offering touch solutions and products more quickly than we expect, which could result in more intense price competition and potential oversupply of touch modules and displays of the type that we produce or might produce in the future.

Our results of operations depend on our ability to keep pace with product innovations and technological changes; if we cannot respond rapidly and effectively to technological changes, introduce new products on a timely basis or if our new products do not gain market acceptance, our profitability will suffer.

Our products have short life cycles due to frequent product introductions, rapidly changing technology and evolving industry standards. In addition, the life cycles of new products have shortened over time, reducing the time during which manufacturers can benefit from the higher prices typically associated with the early phases of a product life cycle. Our success will depend in part on our ability to keep pace with technological developments and evolving industry standards as well as our ability to respond to evolving customer requirements by evolving our current products and developing and introducing new products. In addition, new or alternative technologies including film-based P-Cap touch technology or in- or on-cell touch technologies may also take away our existing customers or increase the difficulty for us to broaden our customer base. If glass-based P-Cap touch technology is outperformed or proven less cost-efficient than the new or alternative technologies, our business, results of operations and financial condition will be materially and adversely affected.

There can be no assurance that we will be able to continue to develop new products through our research and development efforts, or that we will be able to keep pace with technological changes in our market or that new products we introduce will gain market acceptance. Technological advances may lead to rapid declines in prices and sales volumes for products made with older technologies, which may cause our products to become less competitive in the marketplace or even obsolete. As a result, we may be required to make significant expenditures to acquire and develop new technologies and equipment. Failure to anticipate or respond rapidly to technological advances or to adapt our products appropriately because of our lack of financial or technical resources, or the failure to gain market acceptance of any new products we introduce, would have a material adverse effect on our business, competitive position, results of operations and financial condition.

Our profit margins may decrease in future periods as a result of the prevailing market price of touch modules and displays and the change of our product mix.

While the rapid growth in demand for touch modules and displays is expected to continue, the prevailing market prices of touch modules and displays, however, may decrease as the relevant technologies mature. In addition, as manufacturers of touch modules and displays expand their production capacities, the supply of touch modules and displays may increase significantly in the near future, therefore further reducing the prevailing market prices of touch modules and displays. The reduction in the prevailing market prices of touch modules and displays will have a negative impact on our profit margins.

Our product mix has affected, and is expected to continue to affect the average selling price of our products and our gross margin. We offer touch modules as well as touch displays, which consist of our touch module and a display panel sourced from external suppliers. As a result, our touch modules typically have a lower average selling price but yield a higher gross margin. Sales of touch modules constituted a majority of our total net operating revenue in each of 2008, 2009 and 2010. If the sales of touch displays as a percentage of our net operating revenue increase in the future, the shift would have negative impact on our gross margins, because sales of our touch modules generally yield higher margins than sales of our touch displays.

Our business may be adversely restrained by exclusivity restrictions with our customers.

We may from time to time enter into supply and other agreements which contain restrictive covenants in relation to the exclusivity of certain of our products and technologies. These restrictive covenants typically prohibit us from conducting certain actions in the course of our operations, including the application of certain technologies for products of other customers and the selling or distributing of certain products to other customers. These exclusivity restrictions may limit our ability to offer certain products and technologies to our other customers, which in turn may adversely affect our business and competitiveness. Any failure to comply with such restrictive covenants will constitute a breach of contract and give rise to claims which may adversely affect our business, results of operations and financial condition. In addition, there can be no assurance that we will not enter into similar exclusivity arrangements with other customers in the future in relation to our other products and technologies.

If our customers place lower than expected orders, our business may be adversely affected.

As is customary in our industry, we do not obtain firm and long-term volume purchase commitments from our customers. Although we have entered into sales agreements with our key customers which normally include general terms of sale, specification requirements and pricing policy, such agreements generally do not specify a minimum purchase volume. The precise terms for each shipment, such as pricing, product specifications and quantities, are normally confirmed at the time each order is placed. Accordingly, we face the risk that our customers might place lower than expected orders, if at all, or cancel existing orders. Although the customers might be contractually obliged to purchase products on specific terms from us for particular orders, we may be unable to or, for other business reasons, choose not to enforce our contractual rights if the customers terminate their orders. Cancellations, reductions or instructions to delay production by a significant customer could materially and adversely affect our results of operations by reducing our sales volume, as well as by possibly causing a delay in the customers' repayment of our expenditures for inventory and resulting in lower utilization of our manufacturing facilities, all of which may result in us realizing lower gross margins. Furthermore, any real or perceived technical problems, defects or redesign of our customers' products may have an immediate negative impact on the shipment of such products, which in turn may result in a decrease in our overall monthly shipment. Consequently, our monthly results of operations may be adversely affected and subject to fluctuations.

In addition, we make major decisions, including expanding production capacity and determining the levels of business that we will seek and accept, production schedules, component procurement commitments, number of personnel and other resource requirements, based on estimations of customer requirements. The short-term nature of our customers' commitments and the rapid changes in demand for their products reduce our ability to accurately estimate future customer requirements. This makes it difficult to schedule production and limits our ability to maximize the utilization of our production capacity.

Increases in costs for or shortage of supply of our raw materials and components could decrease our profitability.

The costs of raw materials and components constitute the majority of our cost of sales. The major raw materials and components used in the production of our touch modules include glass substrate, cover glass and flexible printed circuits, or FPCs. We currently source our principal raw materials and components from a number of third-party suppliers. We source our glass substrate from Asahi Glass Co., a flat glass manufacturer based in Japan, and other glass manufacturers. The major suppliers for our cover glass are Fuji Crystal Manufactory Limited and Shenzhen Lens Technology Co., Ltd., formerly known as Wingyan Craystal Co., Ltd. We also outsource some of the touch sensors used to produce touch module from certain external suppliers. The FPCs used in our production are sourced from various leading FPC suppliers. While the prices of the major raw materials and components used in our production process have been relatively stable during the past several years, there can be no assurance that a significant increase in the price of our raw materials or components will not occur. Increases in the costs of our raw materials and components would increase our cost of sales and we may not be able to pass on all or any of such increased costs to our customers. This may result in decreases in our gross margin and adversely affect our profitability.

In line with industry practice , we do not have long-term supply contracts with our suppliers. A shortage of any key raw materials or components could limit the number of units we are able to produce, and is likely to increase the costs of our products, thereby depressing the margins for our products to the extent that we are not able to pass on the increased costs to the customers. Due primarily to production capacity limitation, we have, from time to time, experienced shortage in the supply of cover glass. Although we have not experienced any significant shortage in supply of other raw materials and components, nor do we have significant concentration or reliance on a single supplier, there can be no assurance that a significant shortage will not take place in the future. Further, although we produce a number of components in-house, there can be no assurance that we will be able to continue to do so in a cost-effective manner.

Our operations and those of our customers and suppliers are vulnerable to natural disasters and other events beyond our control, the occurrence of which may have an adverse effect on the supply chain of our customers and suppliers and on our facilities, personnel and results of operations.

Our operations and those of our customers and suppliers are vulnerable to natural disasters including earthquakes, tsunami, typhoons, droughts, floods, power losses and similar events. We cannot guarantee that such future events will not cause material damage to our, our customers' or suppliers' facilities or property, including work in progress, or cause significant business interruptions. Although we maintain property and business interruption insurance for such risks, there is no guarantee that future damages or business loss from earthquakes will be covered by such insurance, that we will be able to collect from our insurance carriers, should we choose to claim under our insurance policies, or that such coverage will be sufficient.

In March 2011, Japan was struck by a 9.0-magnitude earthquake. Although the earthquake together with the resulting tsunami and radiation leak at the Fukushima nuclear power plant have not had an immediate direct impact on our operations, we cannot assure you that these events will not have any subsequent adverse effect on our industry. In particular, the extent of existing and potential future radiation release from the Fukushima nuclear power plant is still in flux and coupled with potential aftershocks from the earthquake, may result in future additional adverse effects on our operations and those of our customers and suppliers. Additionally, our supply chain may be adversely affected as the production facilities and operations of our suppliers (or their suppliers in turn) who are located in Japan may have been affected by these events. Disruptions or delays in our supply chain may result in shortages of components that we utilize in manufacturing our products, which may in turn affect our ability to successfully perform manufacturing services. Any failure on our part to provide our services to customers may have an adverse effect on our financial condition and results of operations. Similarly, our customers (and their customers in turn) with facilities and operations located in Japan may have been affected by these events and the disruption of their operations may result in reduced demand for our components, and we can make no assurances that our results of operation will not be adversely affected.

If we are unable to manage our growth effectively, our business could be adversely affected.

We have experienced, and are expected to continue to experience, growth in the scope and complexity of our operations and in the number of our employees. In particular, we are in the process of establishing additional production facilities in Xiamen, PRC. The growth of our business has placed and will continue to place a strain on our management, personnel, systems and resources. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities, execute our business plan or respond to competitive pressures. Moreover, if our allocation of resources does not correspond with future demand for particular products, we could miss market opportunities, and our business, results of operations and financial condition could be materially and adversely affected. There can be no assurance that we will be able to manage our growth effectively in the future.

If we fail to expand our production capacity and output, we may lose market share.

Our future success depends on our ability to increase our production capacity and output in line with the expected growth in demands for touch modules and displays. If we are unable to do so, we may be unable to meet customer needs and market demand, benefit from economies of scale to decrease our costs, apply capital efficiently, maintain our competitive position and improve our profitability. Our ability to increase our production capacity and output is subject to significant risks and uncertainties, including:

- the need to raise additional funds to purchase additional production equipment or to build additional factories, which we may be unable to obtain on commercially viable terms, if at all;
- failure or inability to acquire necessary land use rights at suitable locations;
- failure to recruit quality workforce at a reasonable cost;
- cost overruns and delays as a result of a number of factors, many of which are beyond our control, such as problems with equipment delivery;
- delays or denial of required approvals by relevant government authorities;
- failure to obtain production inputs in sufficient quantities or at acceptable cost; and

- failure to execute our expansion plans effectively, including insufficient managerial capacity or failure to obtain adequate resources, such as land or buildings that are suitable for our manufacturing facilities.

As we expand our production capacity, our choice of locations for new factories or decision to expand existing factories may become less advantageous to our business, economically or otherwise, due to changes in the market conditions, local government policies or other factors that may be beyond our control. We may need to halt the construction or to delay the commencement of production and may be unable to recover any costs that we may have already spent. At times, we may also need to relocate one or more of our factories to other locations, which will increase our operational costs and cause interruption to our production.

If we fail to manufacture our products within the acceptable range of quality and at the optimal production yields, our reputation may suffer and our results of operation and financial condition may be adversely affected.

The manufacturing process for our touch modules is complex and involves a number of precise steps. Defective production can result from a number of factors, including:

- the level of contaminants in the manufacturing environment;
- equipment malfunction;
- process adjustments made to manufacture new products;
- use of substandard raw materials or component parts;
- interruption in the availability of utilities;
- inability of existing equipment to manufacture new products to certain specification;
- deficiencies in quality control;
- inadequate sample testing; and
- human error.

From time to time, we have experienced, and may in the future experience, lower than anticipated production yields as a result of the above factors, particularly in connection with the expansion or reorientation of our capacity, a change in the manufacturing processes or the development of a new product. In general, the yield on new products will be lower than average as we develop the necessary expertise and experience to produce those products. If we fail to maintain high quality production standards, our reputation may suffer and our customers may cancel their orders or return our products for reproduction, which will materially and adversely affect our results of operations and financial condition.

If we fail to implement our vertical integration plan, our results of operation and financial condition may be adversely affected.

We are in the process of constructing additional manufacturing facilities for cover glass touch sensors and lamination in Xiamen, PRC. Through such upstream integration, we aim to strengthen our cost structure and quality control and mitigate the adverse effects of potential supply shortage. In response to the rapid-changing nature of the industry, we may, from time to time, in strategic acquisitions or make investments in joint ventures and establish and maintain strategic relationships with third parties. However, we cannot assure you that any strategic acquisition or integration will be successful. Neither can we assure you that the expected synergy from any such strategic acquisition or integration can be realized, or that we will be able to capitalize on such synergy. These investments require a large amount of capital expenditure, and our operations and financial condition may be materially and adversely affected if such integration fails.

We may have capital requirements in connection with our business strategy and there is no assurance that we will be able to obtain the financing necessary to fund substantial capital expenditures.

Our business and the nature of the industry in which we operate may require us to make substantial capital expenditures in the future leading to a higher level of fixed costs. In particular, we are expanding our production capacity in certain of our existing production facilities to cater to our expected increase in demand for our touch module products. These capital expenditures will be spent in advance of any additional sales to be generated by new or upgraded production facilities as a result of these expenditures. Given the fixed cost nature of our business, we may in the future incur operating losses if our net operating revenue does not adequately recover our capital expenditures.

In connection with our business strategy, we have spent NT$10.7 billion (US$367.7 million) on capital expenditure in 2010, primarily for purchasing touch module production equipment and upgrading our production facilities for the manufacturing of touch modules. We expect to make capital expenditures of NT$20 billion to NT$30 billion in 2011. We anticipate funding our capital expenditures with proceeds from existing cash balances and credit lines, cash inflow from operations, together with the expected proceeds of this offering and existing and future bank borrowing. However, in the event of adverse market conditions in the future or changes in our growth plan, manufacturing process, product technologies, prices of machinery and equipment or interest rates, our actual expenditures may exceed our planned expenditures and we may not have sufficient sources of liquidity to effect our current operational plan and would need to secure additional financing from external sources. There can be no assurance that external sources of liquidity will be available to fund our ongoing operations or our product development. The failure to obtain financing would hinder our ability to make continued investments in product development, which could materially and adversely affect our business, results of operations and financial condition.

Our success depends on our ability to maintain and attract key and qualified personnel.

Our success will depend in part on our ability to attract and retain highly qualified management, engineers and technical personnel. The process of hiring employees with the combination of skills and characters required to implement our strategy can be extremely competitive and time-consuming. Our strategy and development have been managed by the chairman of our board of directors, Michael Chiang since we commenced operation. Our success may depend to a significant extent on, among other factors, our stable management led by Michael Chiang. There can be no assurance that we will be able to retain the members of our management team or other key personnel or replace such personnel in the event of their departure. The loss of the services of key personnel, or the inability to attract additional qualified personnel, could have a material adverse effect on our financial condition, results of operations and future prospects.

Principal shareholders' interests may differ from those of other shareholders.

As at December 31, 2010, Michael Chiang, together with his wife, Winnie Peng, directly and indirectly, controlled an aggregate of approximately 25.9% of our issued share capital, while Balda AG controlled approximately 16.1% of our issued share capital. In addition, Michael Chiang is the chairman of our board of directors and Winnie Peng is a member of our board of directors, and Balda AG has also appointed a member of our board of directors. Mr. Chiang and his wife and Balda AG have, and are expected to continue to have, significant influence in voting relating to certain decisions and transactions at the board of directors, including those involving an actual or potential change of control. The interests of Mr. Chiang and his wife and Balda AG may differ from the interests of other shareholders.

If we violate environmental regulations, we may be required to pay significant fines, our operations may be delayed or interrupted and our business could suffer.

We are subject to environmental regulations relating to our manufacturing processes, including the use, storage, discharge and disposal of chemical by-products of, and water used in, our production processes. A failure, or a claim that we have failed, to comply with these environmental regulations could result in the assessment of damages or imposition of significant fines, delays in production and capacity expansion and negative publicity, all of which could harm our business. New regulations could also require us to acquire costly equipment or to incur other significant expenses. In addition, any failure to control the use of, or adequately restrict the discharge of, hazardous substances could subject us to future liabilities that may have a material adverse effect on our business, results of operations and financial condition.

Two of our PRC subsidiaries, TPK Touch Solutions (Xiamen) Inc. and Ray-Star Technology (Xiamen) Inc. are required to obtain, prior to the commencement of production, the clearance of anti-pollution facilities by the environmental protection authorities and relevant waste water and pollution discharge permits. These two subsidiaries have commenced production and expect to obtain such clearance and permits in the third quarter of 2011. As advised by Leaven, Attorneys-at-Law, our special PRC counsel, there is no legal impediment in obtaining such approvals or permits. However, there can be no assurance that we will be able to obtain such approvals and permits. Any failure to timely obtain such approvals or permits may result in us being reprimanded by the relevant governmental authorities, which may result in a monetary fine in an amount no more than RMB10,000 if we have no illegal gains, subject to the discretion of governmental authorities. If we are deemed to have materially violated the regulation regarding the discharge of pollutants, the governmental authorities may order us to rectify the situation of noncompliance within a time limit. If more stringent regulations are adopted in the future, the related compliance costs could be substantial. Any failure by us to timely obtain the relevant approval or permit, or to control the use of or to adequately restrict the discharge of hazardous substances could subject us to potentially significant monetary damages and fines or suspensions in our business operations, and harm our brand and reputation.

Any outbreak of severe communicable diseases may materially affect our operations and business.

Several places in the world, including Mexico and the US, have recently experiencing outbreak of influenza A (H1N1), a communicable disease that is potentially lethal. Influenza A (H1N1), together with other contagious diseases such as severe acute respiratory syndrome or avian flu, may potentially result in a quarantine of infected employees and related persons and, if uncontrolled, may affect our operations at one or more of our facilities. We cannot at this time predict the impact that a current or any future outbreak could have on our business, results of operations and financial condition.

The loss, shutdown or suspension of operations at any of our production facilities may have an adverse effect on our business, results of operations and financial condition.

Our production facilities are subject to operational risks, such as industrial accidents, which could cause personal injury or loss of human life, the breakdown or failure of equipment, power supplies or processes, performance below expected levels of output or efficiency, obsolescence, labor disputes, natural disasters and the need to comply with relevant regulatory and requirements. From time to time, we need to carry out planned shutdowns of our various plants for routine maintenance, statutory inspections and testing and may need to shut down various plants for capacity expansions and equipment upgrades. In addition, due to the nature of our business, and despite compliance with requisite safety requirements and standards, our production process is still subject to operational risks, including discharges or releases of hazardous substances, exposure to particulates and the operation of mobile equipment and manufacturing machinery. These operational risks may cause personal injury or loss of human life and could result in the imposition of civil and criminal penalties. The occurrence of any of these events could have a material adverse effect on the productivity and profitability of a particular production facility and on our business, results of operations and financial condition. Although we have taken precautions to minimize the risk of any significant operational problems at our production facilities, there can be no assurance that our business, results of operations and financial condition may not be adversely affected by disruptions caused by operational hazards at our production facilities. Moreover, our production processes are complex, require advanced and costly equipments and are continuously being modified and updated. As a result of manufacturing process updates and difficulties in the manufacturing process, from time to time, we may experience production difficulties that could cause shutdowns, delivery delays and quality control problems.

Our failure to protect our intellectual property rights may undermine our competitive position, and litigation to protect our intellectual property rights or defend against third-party allegations of infringement may be costly.

As of December 31, 2010, we held 98 patents, including 10 patents in Taiwan, 28 patents in the PRC and 60 patents in the other foreign countries. Among which, we held 36 invention patents and 62 utility model patents. In addition, we had 192 pending patent applications worldwide. We rely primarily on patent, trademark, trade secret, copyright law and other contractual restrictions to protect our intellectual property. Nevertheless, these afford only limited protection and the actions we take to protect our intellectual property rights may not be adequate. Third parties may infringe or misappropriate our proprietary technologies or other intellectual property rights, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Policing unauthorized use of proprietary technology can be difficult and expensive. Also, litigation may be necessary to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of the proprietary rights of others. We cannot assure you that the outcome of such potential litigation will be in our favor. Such litigation may be costly and may divert management attention and other resources away from our business. An adverse determination in any such litigation will impair our intellectual property rights and may harm our business, prospects and reputation. In addition, we have no insurance coverage against litigation costs and would have to bear all costs arising from such litigation to the extent that we are unable to recover them from other parties. The occurrence of any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Implementation of PRC intellectual property laws has historically been lacking, primarily because of ambiguities in the PRC laws and difficulties in enforcement. Accordingly, intellectual property rights and confidentiality protections in the PRC may not be as effective as in the United States or other countries.

We may be involved in intellectual property disputes which, if determined adversely to us, could cause us to pay significant damage awards and interrupt our business and operations.

Our success will depend in part on our ability to protect our proprietary right and to operate without infringing on the proprietary right of third parties. There can be no assurance that any of our or our subsidiaries' current or future patent applications will result in issued patents, that the scope of the claims in any patents currently held by or will be issued to that we will prevent competitors from introducing competitive product or any patent currently held by or will be issued to that we would be enforceable if challenged.

We have no means of knowing what patent applications have been filed in the United States or elsewhere in the world until they are published, as such information is not available until such time. In addition, there is a possibility that touch modules and other products designed and manufactured by us may inadvertently incorporate aspects of existing design patents. We may also use or develop components or technologies which infringe on patents or other intellectual property rights owned by our competitors or other third parties. If any third party were to make valid intellectual property infringement claims against us or our customers, we could be required to:

- discontinue using disputed components, technologies or product incorporating those components or featuring those technologies in certain regions;

- pay substantial monetary damages;

- seek to develop or license non-infringing component or technologies, which may not be feasible; or

- seek to acquire licenses to the component or technologies, which may not be available on commercially reasonable terms, if at all.

This could restrict us from making, using, selling or exporting some of our products, which could in turn materially and adversely affect our business, result of operations, and financial conditions.

The technology industry frequently features disputes over intellectual property. We may in the future be required to defend our intellectual property rights against infringement, duplication, discovery and misappropriation by third parties or to defend ourselves against third party claims of infringement. See "Our Business — Intellectual Property and Licenses."

Foreign exchange fluctuations may adversely affect our earnings and margins.

As the Shares are listed on the TWSE, our financial statements are required to be presented in NT Dollars, the lawful currency of the ROC. Therefore, our financial statements presented herein are translated from US Dollars into NT Dollars at the exchange rate on the balance sheet date, except for the amount issued common stock with the par value of NT$10 which shall be translated at the historical exchange rate as required by the ROC regulations.

Most of our sales are denominated in US Dollars, while the majority of our raw materials and component costs are paid for primarily in US Dollars and Renminbi with a substantial portion of our labor cost in Renminbi. In 2010, 88.4% and 10.1% of our raw materials and component costs were paid in US Dollars and Reminbi, respectively. In 2009, 85.0% and 13.7% of our raw materials and component costs were paid in US Dollars and Renminbi, respectively. Accordingly, our operations are exposed to fluctuations among US Dollar, Renminbi and NT Dollar exchange rates and, to a lesser extent, exchange rates between other currencies.

The value of the Renminbi is subject to changes in the PRC government's policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. Effective from July 21, 2005, the Renminbi is no longer pegged solely to the US Dollars. Instead, it is pegged against a basket of currencies, determined by the People's Bank of China, or PBOC, against which its value can rise or fall by as much as 0.3% each day. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed range in relation to a basket of specified foreign currencies. Since then, the PRC government has made, and may in the future make, further adjustments to the exchange rate system. On June 19, 2010, the PRC government announced its intention to further relax its currency policy, and the Renminbi slightly appreciated against US Dollars. We cannot assure you that the Renminbi will not experience significant appreciation against US Dollars again. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in a further and more significant appreciation of the Renminbi against US Dollars. Fluctuations in exchange rates may adversely affect the value, translated or converted into US Dollars, of our net assets, earnings or any declared dividends.

In addition, under the current foreign exchange regime in the PRC, there can be no guarantee that sufficient foreign currency will be available at a given exchange rate to satisfy the demands of a particular enterprise in full. There can also be no assurance that shortages in the availability of foreign currency will not restrict our ability to obtain sufficient foreign currency to satisfy our foreign currency needs.

The impact of future exchange rate fluctuations among these currencies on our results of operations and financial condition cannot be accurately predicted, and there can be no assurance that our attempt to mitigate the adverse effects of exchange rate fluctuations will be successful or that such exchange rate fluctuations will not in the future have a material adverse effect on our results of operations, financial condition and prospects.

Our insurance coverage may not adequately protect us against certain operating and other hazards which may have an adverse effect on our business.

We believe that the coverage from our insurance policies for our production facilities is in line with industry norms, adequate for our present operations and includes adequate coverage for risks relating to fires, business interruptions and public liability. However, there can be no assurance that any claim under the insurance policies maintained will be timely honored in full or at all. To the extent that we suffer loss or damage that is not covered by insurance or exceeds our insurance coverage, our business, results of operations and financial condition may be materially and adversely affected. There can also be no assurance that insurance will continue to be available to provide reasonable, or any, coverage on reasonable commercial terms.

Restrictive covenants in loan agreements could limit our subsidiaries' ability to distribute dividends.

Certain of our subsidiaries are subject to restrictive covenants contained in certain bank credit facilities, to which they are a party. Such covenants include provisions restricting our subsidiaries' ability to distribute dividends to us before the repayment of the relevant loans. As we rely on dividends distributed to us from our operating subsidiaries, such restriction may materially and adversely affect our results of operations and financial condition.

RISKS RELATING TO THE ROC

The value of the Shares may be adversely affected by the volatility of the ROC securities market.

The ROC securities market is smaller and more volatile than the securities markets in the United States and in certain European and other countries. The TWSE has experienced substantial fluctuations in the prices and volumes of sales of listed securities and there are currently limits on the range of daily price movements on the TWSE. In 2010, the TWSE Weighted Index reached a low of 7,071.67 on June 9, 2010 and peaked at 8,972.50 on December 31, 2010. The daily closing values of the Shares which are listed on the TWSE, ranged from NT$473 per share to NT$740 per share since the listing of the Shares on October 29, 2010 until the end of 2010. On April 13, 2011, the TWSE Weighted Index closed at 8,780.20 and the daily closing value of the Shares was NT$812 per Share. The TWSE has experienced problems such as market manipulation, insider trading and payment defaults. The recurrence of these or similar problems and restrictions on price movements could adversely affect the market price and liquidity of the securities listed on the TWSE, including the Shares.

In response to major past declines and volatility in the securities markets in Taiwan, and in line with similar activities by other countries in Asia, the ROC government formed the National Stabilization Fund in 2000, which has purchased, and may from time to time purchase, shares listed on the TWSE to support these securities markets in Taiwan. In addition, other funds associated with the ROC government have in the past purchased, and may from time to time purchase, shares listed on the TWSE or other securities markets in Taiwan. In the future, market activity by government entities, or the perception that such activity is taking place, may take place or has ceased, may cause fluctuations in the market prices and liquidity of the Shares.

We are subject to risks associated with the political status and international relations of the ROC.

A small portion of our assets and operations are located in Taiwan, and the Shares are listed on the TWSE. Accordingly, our business, results of operations and financial condition and the market price of the Shares may be affected by changes in the ROC governmental policies, law, taxation, inflation, interest rates, social instability and other political, economic, diplomatic or social developments in or affecting the ROC which are outside our control. Taiwan has a unique international political status. Both the governments of the PRC and the ROC assert sovereignty over Taiwan. The ROC asserts that the ROC and the PRC are equal political entities which should enter into "state to state" relations while the PRC claims that it is the sole government in China and that Taiwan is part of China. Although significant economic and cultural relations have been established in the past decade between Taiwan and the PRC, the PRC has refused to renounce the possibility that it may use force to gain control over Taiwan if Taiwan declared independence or if a foreign power interfered in Taiwan's domestic affairs. Relations between the PRC and the ROC have at times been strained. Strained relations could result in future military actions or economic sanctions or other disruptive activities undertaken by either government. Past tensions between the PRC and the ROC have from time to time adversely affected the value of securities listed on the TWSE, including the price of the Shares. In recent years, there have been indications of improved relations between the PRC and the ROC due to increased dialogue between the PRC and the ROC, among other factors, which is expected to have a positive effect on the property market and the economy in general in the ROC. However, there is no assurance that any improvement in relations between the PRC and the ROC will materialize, or that relations between the PRC and the ROC will not deteriorate further. Tension between the ROC and the PRC and other factors affecting political or economic conditions in the ROC could have a material adverse effect on our results of operations and financial condition, as well as the market price and liquidity of the Shares.

Further, if relations between the ROC and the PRC worsen, it could also have a material adverse effect on the ROC's economy, the availability of the PRC as an export market for our products and our ability to manage and operate our production facilities in the PRC and to implement future plans for the expansion of our existing PRC production facilities or the establishment of new production facilities in the PRC. There can be no assurance that the present tensions will not worsen, which could have a significant adverse impact on our financial condition, results of operations and future prospects.

The imposition of foreign exchange restrictions may have an adverse effect on foreign investors' abilities to acquire ROC securities, including the Shares, or to repatriate the interest, dividends or sale proceeds from those securities.

The ROC government may impose foreign exchange restrictions in certain emergency situations, including situations where there are sudden fluctuations in interest rates or exchange rates, where the ROC government experiences extreme difficulty in stabilizing the balance of payments or where there are substantial disturbances in the financial and capital markets in Taiwan. These restrictions may require foreign investors to obtain the ROC government's approval before acquiring ROC securities, repatriating the interest or dividends from those securities or repatriating the proceeds from the sale of those securities. There can be no assurance that these restrictions, if imposed, will not adversely affect, among other things, the secondary market price of the Bonds.

Financial reporting and accounting standards in the ROC differ from those in certain other countries.

We are subject to financial reporting requirements in Taiwan that differ in significant respects from those applicable to companies in certain other countries, including the United States. In addition, our financial statements are prepared in accordance with ROC GAAP, which differ in certain significant respects from generally accepted accounting principles in certain other countries, such as US GAAP. Potential investors should consult their own professional advisers for an understanding of such differences and how they might affect the financial information contained herein.

Our adoption of International Financial Reporting Standards, or IFRS, effective January 1, 2013, as required by the Financial Supervisory Commission, Executive Yuan, ROC, or the FSC, may adversely affect our financial statements thereafter.

According to the announcement of the FSC on May 14, 2009, we are required to adopt IFRS for the preparation of our financial statements effective January 1, 2013 and to restate our financial statements for each of the comparative corresponding periods for the year ending December 31, 2012 with the adjusted opening IFRS balances as of January 1, 2012. As ROC GAAP differ in certain significant respects from IFRS and the adoption of IFRS requires the retrospective application of the most recent standards to the financial statements of prior years, subject to certain exemptions and exceptions, the impact from the retrospective adjustments may adversely affect our retained earnings as of January 1, 2012 and our financial statements thereafter.

RISKS RELATING TO THE PRC

We are subject to the political and economic environments in the PRC.

Currently, most of our production facilities are located in the PRC and we may make further investments in the PRC in the future. Accordingly, our results of operations, financial condition and future prospects are subject, to a significant degree, to the political and economic environments and legal developments in the PRC. There can be no assurance that our investments in the PRC and our production operations in the PRC will not be adversely affected if relations between the PRC and the ROC are further strained.

Prior to 1978, the PRC had adopted a central economic planning system. All production and economic activities in the country were governed by the economic goals set out in the five-year plans and annual plans adopted by central authorities. Since 1978, the PRC government has permitted foreign investment and implemented economic reforms, gradually changing from a planned economy towards a market-oriented economy. However, many of the reforms and economic policies adopted or to be adopted by the PRC government are unprecedented or experimental in nature and may have unforeseen results, which may have an adverse effect on enterprises with substantial business in the PRC, including us.

The PRC government has broad discretion and authority to regulate the technology industry in the PRC and the government has implemented policies from time to time to regulate economic expansion in the PRC. Although in recent years the PRC government has implemented measures emphasizing the use of market forces for economic reform, it continues to play a significant role in regulating industrial development. It also exercises significant control over PRC's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While the PRC's economy has experienced significant growth in the past 30 years, growth has been uneven, both geographically and among various sectors in the economy. The PRC government has implemented various measures to encourage economic growth and guided the allocation of resources. Some of these measures benefit the overall economy of the PRC, but may have a negative effect on us. For example, our business, results of operations and financial condition may be adversely affected by governmental control over capital investments or changes in tax regulations.

Uncertainties in the PRC legal system could adversely affect our business and result of operations.

Since 1979, many new laws and regulations covering general economic matters have been promulgated in the PRC. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, interpretations of laws, regulations and rules are not always uniform and enforcement involves uncertainties. Despite the development of the legal system, the PRC's system of laws is not yet complete. Even where laws and regulations exist in the PRC, there may be laws and regulations at the national level or local level, which are peculiar to the PRC and not commonly seen in developed countries and may impose additional procedural or compliance requirements on those subject to such laws and regulations (in certain cases, including us). Furthermore, the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedural Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedural Law based either on treaties between the PRC and the country where the judgment is made or on reciprocity between jurisdictions.

Therefore, in the case a foreign judgment is rendered by a foreign court where the country and the PRC do not have any treaties or other agreements that provide for the reciprocal recognition and enforcement of foreign judgments, such a judgment may not be enforced by a PRC court. The relative inexperience of the PRC's judiciary in many cases creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of laws and regulations of the PRC may be subject to government policies reflecting domestic political changes.

Our activities in the PRC will be subject to administrative review and approval by various national and local agencies of the PRC government. Due to the changes occurring in the legal and regulatory structure of the PRC, we may not be able to secure the required governmental approval for our activities. In addition, local government authorities may adopt their own policies and practices. Failure to obtain the requisite governmental approval or to comply with the local government's policies or practices for any of our activities could adversely affect our business and operating results.

We cannot predict the effects of future developments of the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, the pre-emption of local regulations by national laws or the overturn of local governments' decisions by the central government. These uncertainties may limit the legal protections available to us. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of our resources and management's attention.

Availability of credit and fluctuations in the interest rates of bank borrowings and other loans may affect our business expansion or financial performance.

Due to the economic stimulus plan implemented by the PRC government and the global economic crisis, the one-year RMB benchmark loan rate was reduced several times in 2008. On October 20, 2010, this interest rate was increased by 0.25%, which will increase our interest expenditure and have a material and adverse effect on our financial performance. In addition, the PRC government has recently adopted a number of measures in its monetary policy, including increasing the reserve ratio of commercial banks, which may have the effect of restricting money supply and the availability of credit. If these measures result in PRC banks reducing their volumes of commercial loans, our access to financing to fund our working capital may be adversely affected.

Changes in the favorable taxation treatment to our PRC subsidiaries may adversely affect our profitability.

Our PRC subsidiaries are subject to the Enterprise Income Tax, or EIT, on the taxable income as reported in the PRC statutory accounts adjusted in accordance with relevant PRC income tax laws. Because of the location in the economic and technology development zones to which preferential tax rates apply, under the PRC Law of Enterprise Income Tax for Enterprises with Foreign Investment and Foreign Enterprises, or FIE Income Tax Law, the applicable EIT rates for one of our PRC subsidiaries, TPK Touch Solutions (Xiamen) Inc., which was established prior to 2008, is 15%. Furthermore, starting from 2007, TPK Touch Solutions (Xiamen) Inc. was entitled to full exemption from EIT for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years.

However, on March 16, 2007, the National People's Congress of the PRC passed the Enterprise Income Tax Law, or EIT Law, which replaced the FIE Income Tax Law, and adopted an uniform income tax rate of 25% for most domestic enterprises and foreign investment enterprises. The EIT Law became effective on January 1, 2008. The EIT Law provides a five-year transition period from its effective date for enterprises established before the promulgation date of the EIT Law and which were entitled to preferential tax rates and treatments under the then effective tax laws or regulations. During the transition period, those foreign invested enterprises eligible for tax exemption or reduction shall be subject to the gradually increased income tax rate and after this transition period they shall generally be subject to uniform income tax rate of 25%.

Profits from our PRC operating subsidiaries available for distribution are determined under PRC GAAP.

We derive a portion of our profits from the operating subsidiary companies established in the PRC. The profit available for distribution are therefore dependent on, to a significant extent, the profit available for distribution by the PRC subsidiaries to us which is determined in accordance with generally accepted accounting principles and financial regulations in the PRC, or PRC GAAP. In addition, under the relevant PRC financial regulations, profit available for distribution is determined after offset its losses in previous years and set aside a legal capital reserve at 10% of the profits left over.

Dividends we receive from our PRC subsidiaries may be subject to PRC withholding tax.

The EIT Law provides that a maximum income tax rate of 20% may be applicable to dividends payable to non-PRC investors that are "non-resident enterprises," to the extent such dividends are derived from sources within the PRC, and the State Council has reduced such rate to 10% through the implementation of the EIT Law. Under the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion, or the Double Taxation Arrangement, which became effective on January 1, 2007, dividends from our PRC subsidiaries paid to our Hong Kong subsidiary will be subject to a withholding tax at a rate of 5%, subject to the confirmation of the in-charge local tax authorities. Thus, dividends paid to our Hong Kong subsidiary by our PRC subsidiaries may, subject to the confirmation of the in-charge local tax authorities, be lowered to 5% income tax if the Hong Kong subsidiary is considered as a "real operating business other than only holding function and is beneficial owner of such dividend" under the EIT Law.

Labor laws in the PRC may adversely affect our results of operations.

On June 29, 2007, the PRC government promulgated a new labor law, namely the Labor Contract Law of the PRC, or the New Labor Contract Law, which became effective on January 1, 2008. The Implementation Rules of the New Labor Contract Law were subsequently promulgated and became effective on September 18,

2008. The PRC government also promulgated the Law on Mediation and Arbitration of Labor Disputes on December 29, 2007, which came into effect on May 1, 2008. The New Labor Contract Law imposes stricter requirements in terms of signing labor contracts, paying remuneration, stipulating probation and penalties and dissolving labor contracts. It also requires the terms of employment contracts to be placed in writing within one month of the commencement of an employment relationship, which may make hiring temporary workers more difficult. These newly enacted labor laws and regulations impose greater liabilities on employers and may significantly increase the costs to an employer if it decides to reduce its workforce. In the event we decide to significantly change or decrease the workforce of our PRC subsidiaries, the New Labor Contract Law could adversely affect our ability to enact such changes in a manner that is most advantageous to the business of our PRC subsidiaries or in a timely and cost-effective manner, which may materially and adversely affect our results of operations and financial condition.

If we are unable to offset increased labor costs, our business could be materially and adversely affected and there can be no assurance that we will not experience strikes by our labor force in the future.

Currently, a substantial majority of our total workforce is employed in the PRC. The average wages paid for manufacturing labor in the PRC have increased recently and may continue to increase. If we are unable to offset the increase in our labor costs or pass along these increased labor costs to customers, our business, results of operations and financial condition could be materially and adversely affected.

Recently, factories in the PRC have been experiencing an increase in strikes and workplace stoppages by their labor force. Although we have not experienced such strikes or stoppages to date, there can be no assurance that we will not experience such strikes or stoppages by our labor force in the future, which could adversely affect our operations.

Our production facilities in the PRC are subject to risks of power shortages.

Many cities and provinces in the PRC have suffered serious power shortages since the second quarter of 2004. Many of the regional grids do not have sufficient power generating capacity to fully satisfy the increased demand for electricity driven by continual economic growth and persistent hot weather. Many local governments in the PRC have a history of requiring local factories to temporarily shut down their operations or reduce their daily operational hours in order to reduce local power consumption levels. Although our operations in the PRC have not been affected by such administrative measures, there is no assurance that our PRC operations will not be affected by those administrative measures in the future, thereby causing material production disruption and delay in delivery schedule. In such event, our business, results of operations and financial conditions could be materially and adversely affected.

Risks Relating to Ownership of the Bonds and Our Shares

There are limitations on the Bondholders' ability to exercise conversion rights.

The Bondholders will not be able to exercise conversion rights during any Closed Period (as defined in — Description of the Bonds). Under the current ROC law, regulations and policy, PRC persons are not permitted to convert the Bonds or to register as our shareholders unless it is a qualified domestic institutional investor, or a QDII.

Shares or any securities that are substantially similar to the Shares including, but not limited to any securities that may be convertible into, or exchangeable for, the Shares that are eligible for future sale by us or our current shareholders may adversely affect the value of your investment.

The market prices of the Bonds and the Shares could decline as a result of sales of a large number of our shares or any securities that are substantially similar to the Shares including, but not limited to any securities that may be convertible into, or exchangeable for, the Shares after this offering or the perception that such sales could occur. A number of our shareholders who in aggregate held directly 42.0% of the Shares as of December 31, 2010, have agreed for a period of 90 days after April 13, 2011, subject to certain exceptions, not to sell or otherwise dispose of our shares without the prior written consent of the joint bookrunners. See "Plan of Distribution." Except for such restrictions, there is no restriction on our ability to issue, sell or otherwise dispose of and these shareholders' ability to sell or otherwise dispose of, the Shares, and we cannot assure you that we will not issue, sell or otherwise dispose of, or that any of these shareholders will not sell or otherwise dispose of, the Shares. If our shareholders sell a large number of the Shares after this offering, the market price of the Bonds and the Shares could be depressed and the value of your investment could substantially decrease. The market prices of the Shares and the Bonds could also decline if substantial amounts of the Shares or securities convertible or exchangeable into the Shares are sold after the closing of this offering, or if there is a perception that these sales could occur.

A liquid market for the Bonds may not develop, and the market for the Shares may not be liquid.

Prior to this offering, there has been no market for the Bonds. We have received approval in-principle for the listing of the Bonds, but not the Shares, on the SGX-ST. An active trading market for the Bonds might not develop.

The Bonds have not been registered under the securities laws of the United States or elsewhere and cannot be publicly offered, sold, pledged or otherwise transferred in any jurisdiction where such registration may be required. The Bonds may not be publicly offered or sold, directly or indirectly, in the ROC. Furthermore, there has been no trading market for the Shares outside the ROC, and the only trading market for the Shares is the TWSE.

Holders of the Bonds will bear the risk of fluctuations in the price of the Shares.

The market price of the Bonds at any time will be affected by fluctuations in the price of the Shares. It is impossible to predict how the price of the Shares will change. Trading prices of the Shares will be influenced by, among other things, our results of operations and political, economic, financial and other factors that affect capital markets generally. Any decline in the price of the Shares would adversely affect the market price of the Bonds.

Fluctuations in the exchange rate between the NT Dollar and the US Dollar may have a material adverse effect on the value of the Bonds in US Dollar terms.

Although the principal amount of the Bonds is denominated in US Dollars, the Shares are listed on the TWSE, which quotes and trades the Shares in NT Dollars. As a result, fluctuations in the exchange rate between the NT Dollar and the US Dollar will affect, among other things, the market price of the Bonds and the US Dollar equivalent of the Shares received upon conversion of the Bonds.

Holders of the Bonds will have no rights as shareholders until they acquire the Shares upon conversion of the Bonds.

Unless and until the holders of the Bonds acquire the Shares upon conversion of the Bonds, the holders of the Bonds will have no rights as shareholders, including any voting rights or rights to receive any dividends or other distributions with respect to the Shares. Subject to the indenture and other applicable ROC laws, holders of the Bonds who acquire the Shares upon the exercise of their Conversion Rights will be entitled to exercise the rights of shareholders only as to actions for which the applicable record date occurs after the Conversion Date.

Holders of the Bonds are subject to government-imposed requirements of appointing a tax guarantor and local agent in the ROC.

When a non-ROC person converts the Bonds or registers as our shareholder, such non-ROC person will be required under the current ROC law and regulations to appoint an agent, or a tax guarantor, in the ROC for filing tax returns and making tax payments. A tax guarantor must meet certain qualifications set by the Ministry of Finance of the ROC and, upon appointment, becomes a guarantor of your ROC tax obligations. We cannot assure that such non-ROC person will be able to appoint and obtain approval for a tax guarantor in a timely manner, if at all.

In addition, under current ROC law, if a non-ROC person is an overseas Chinese or foreign national or entity having not been registered with the TWSE, when exercising the conversion right, such non-ROC person will be required to first register with the TWSE and then appoint a local agent to, among other things, open a general securities trading account with a local securities brokerage firm to hold or trade the common shares, remit funds and exercise shareholders' rights. Under existing ROC laws and regulations, without satisfying these requirements, a non-ROC person will not be able to hold or to sell or otherwise transfer our shares on the TWSE or otherwise.

In addition, under the current ROC law, a non-ROC person is required to appoint a local bank to act as custodian for handling confirmation and settlement of trades, safekeeping of securities and cash proceeds, and reporting and declaration of information.

Our public shareholders may have more difficulty in protecting their interests than they would as a shareholder of a corporation of other jurisdictions.

Our corporate affairs are governed by our memorandum and articles of association governing Cayman Islands companies. The rights of our shareholders to bring shareholders' suits against our board of directors under Cayman Islands laws are much more limited than those of the shareholders of corporations of some other jurisdictions. Therefore, our public shareholders may have more difficulty in protecting their interests in connection with actions taken by our management, members of our board of directors or controlling shareholders than they would as shareholders of corporations of other jurisdictions.

USE OF PROCEEDS

The net proceeds from this offering will be approximately US$397.3 million, representing gross proceeds of US$400.0 million, deducting underwriting discounts and concession and other offering expenses of US$2.7 million. We will use the net proceeds of this offering to fund, through capital increases in and shareholder loans to TPK Glass Solutions (Xiamen) Inc. and Ray-Star Technology (Xiamen) Inc., the expansion of production facilities for cover glass and touch sensors and acquisition of relevant machinery and equipment.

MARKET PRICE INFORMATION

The Shares have been listed on the TWSE since October 2010.

The table below shows, for the periods indicated, the high and low closing prices and the average daily volume of trading activity on the TWSE for the Shares and the highest and lowest of the daily closing values of the Taiwan Stock Exchange Weighted Index.

	Closing price per Share[1]		Average daily Trading volume[2]	Closing of the Taiwan Stock Exchange Weighted Index	
	High	Low		High	Low
	(NT$)	(NT$)	(in thousands of shares)		
2010					
October (since our listing on October 29, 2010)	505	505	9,659,750	8,287.09	8,287.09
November	664	473	2,488,705	8,240.65	8,450.63
December	740	650	1,679,017	8,520.11	8,972.50
2011					
January	719	648	1,305,850	8,782.72	9,145.45
February	818	699	2,642,780	8,528.94	9,111.46
March	837	719	1,584,385	8,784.40	8,234.78
April (through April 13)	836	797	991,152	8,901.72	8,705.13

(1) As reported.

(2) As adjusted retroactively for cash and stock dividends, right issues and stock splits, but excluding new shares offered in IPO

Source: Bloomberg.

The TWSE has experienced substantial fluctuations in the prices of listed securities and there are currently limits on the range of daily price movements. See "Risk Factors — Risks Relating to the ROC — The value of TWSE may be adversely affected by the volatility of the ROC securities market" and "Appendix A — The Securities Markets of the ROC — The Taiwan Stock Exchange."

DIVIDENDS AND DIVIDEND POLICY

Pursuant to our Amended and Restated Memorandum and Articles of Association, our board of directors may, subject to the approval of the shareholders by an ordinary resolution adopted at a shareholders' meeting, declare and distribute dividends. In addition, subject to our Amended and Restated Memorandum and Articles of Association and the Companies Law of the Cayman Islands, we may distribute profits in accordance with a proposal prepared by our directors and resolved by our shareholders. When appropriating the profits, we will first offset our losses from previous years and set aside a legal capital reserve at 10% of the remaining profits, until the accumulated legal capital reserve equals our total capital; then we will set aside a special capital reserve in accordance with the applicable public company rules or as requested by the authorities in charge; and we then may set aside between 1% to 1.5% of the remaining amount as bonus to directors and between 5% to 10% of the remaining amount as bonus to our employees.

The 2010 shareholders' meeting was held on April 13, 2010, and our shareholders adopted a resolution to distribute US$47.1 million in the form of cash and US$2.9 million (equivalent to 9 million new shares) in the form of shares. At the same shareholders' meeting, a resolution was adopted to issue 7,067,522 new shares to employees as stock bonus.

EXCHANGE RATES

Fluctuations in the exchange rate between NT Dollars and US Dollars will affect the US Dollar equivalent of the NT Dollar price of the Shares on the TWSE and, as a result, will likely affect the market price of the Bonds. Such fluctuations will also affect the conversion of NT Dollars proceeds you will receive from any sale of Shares represented by Bonds.

The following table sets forth the average, high, low and period-end average spot rates for buying and selling published by Bank of Taiwan between NT Dollars and US Dollars (in NT Dollars per US Dollar) for the periods indicated:

	NT Dollars per US Dollar			
	Average	**High**	**Low**	**Period-End**
2010 (March through December)	31.42	32.46	29.13	29.13
March	31.86	32.04	31.72	31.80
April	31.49	31.77	31.33	31.38
May	31.87	32.30	31.43	32.05
June	32.21	32.46	31.80	32.15
July	32.14	32.25	32.01	32.01
August	31.91	32.05	31.73	32.05
September	31.73	32.04	31.26	31.26
October	30.84	31.15	30.66	30.67
November	30.33	30.50	30.05	30.49
December	29.88	30.44	29.13	29.13
2011				
January	29.10	29.36	29.01	29.04
February	29.32	29.77	28.78	29.74
March	29.50	29.65	29.36	29.40
April (through April 13)	29.04	29.28	28.94	29.02

Source: Bank of Taiwan

CAPITALIZATION

The following table sets forth under ROC GAAP our audited consolidated capitalization as of December 31, 2010. There has been no material change in our capitalization since December 31, 2010.

The following table should be read in conjunction with our financial statements and the notes thereto included elsewhere herein.

	As of December 31, 2010			
	Audited		Pro forma, as adjusted for this offering	
	(consolidated)			
	NT$	US$	NT$	US$
	(in millions)			
Short-term loans (including current portion of long-term debt)	3,656.5	125.5	3,656.5	125.5
Long-term loans				
Long-term loans, net of current portion	3,604.5	123.7	3,604.5	123.7
Convertible bond payable	—	—	11,573.3	397.3
Shareholders' equity				
Common shares	2,240.7	69.7	2,240.7	69.7
Capital surplus	6,473.2	222.2	6,473.2	222.2
Retained earnings	5,667.8	194.6	5,667.8	194.6
Cumulative translation adjustment	417.4	21.5	417.4	21.5
Net loss not recognized as pension cost	(6.1)	(0.2)	(6.1)	(0.2)
Total shareholders' equity of parent company	**14,793.0**	**507.8**	**14,793.0**	**507.8**
Total capitalization	**22,054.0**	**757.0**	**33,627.3**	**1,154.3**

Note:

(1) Translations of amounts from U.S. Dollars into NT Dollars has been made at the rate prevailing on December 31, 2010 of NT$29.13 = US$1.

(2) As of December 31, 2010, TPKH issued common shares was NT$2,240.7 million divided into 224.1 million Shares with par value NT$10 each.

(3) Total capitalization is short-term loans, long-term loans plus total shareholders' equity of parent company.

(4) Convertible bond payable of NT$11,573.3 million (US$397.3 million) includes the Bonds of NT$11,652.0 million (US$400.0 million) after deducting issuance cost of approximately NT$78.7 million (US$2.7 million) related to this offering. In addition, the fair value of the exchange option related to the Bonds has not been determined at this time.

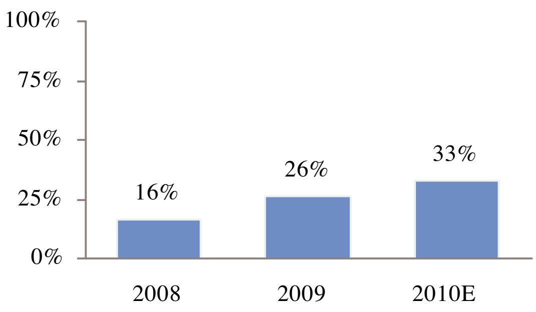
The Touch Revolution

We believe that the rapid proliferation of touch interfaces is revolutionizing the way that users interact with electronics devices. Consumer receptivity to touch interfaces is evidenced by the popularity and widespread demand for touch-enabled devices. As users become increasingly accustomed to the intuitive interaction and convenience offered by touch interfaces, the feature is becoming an important attraction for consumer purchasing decisions. Touch interface is proliferating across an increasing number of consumer devices, including mobile phones, tablets, all-in-one PCs, personal navigation devices (PNDs) and portable media players (MP3 players and video players), or PMPs, among others. Developers for touch screen devices are afforded much greater flexibility than traditional devices in which user controls are limited to a keypad or mouse/touchpad. We believe that as developers increasingly create applications that take advantage of touch features, consumers will enjoy meaningful benefits, and touch will become a "must-have" feature in electronics devices.

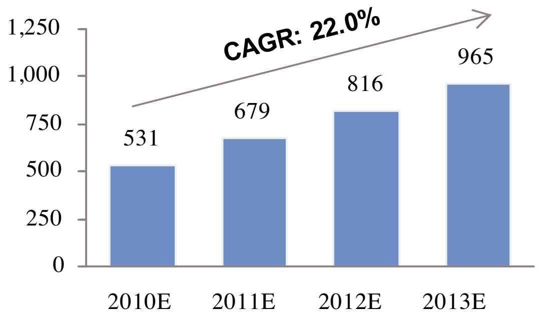
Applications for Touch

We believe that the convenience and intuitive nature of touch interface make it a natural choice for a large and diverse number of potential applications. According to DisplaySearch estimates, mobile phones represent the largest application for touch modules, accounting for 66% of touch module shipments in 2010. While touch is becoming an increasingly common feature of mobile phones, there remains significant room for further growth and according to DisplaySearch, touch penetration of mobile phone shipments increased from 16% in 2008 to 26% in 2009 and 33% in 2010. Touch mobile phone shipments are estimated to grow at a CAGR of 22% from 2010-2013, from 531 million units in 2010 to 965 million units in 2013.

Touch Penetration of Mobile Phones (%)



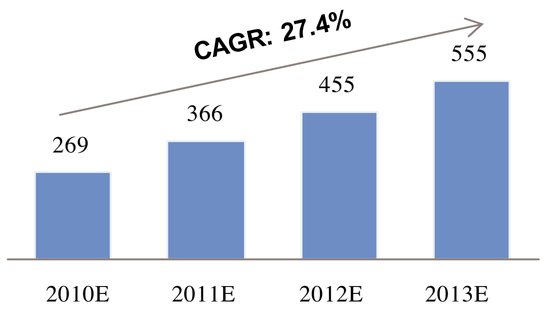
Touch Module Phone Global Shipments (millions)



Source: DisplaySearch, July 2010

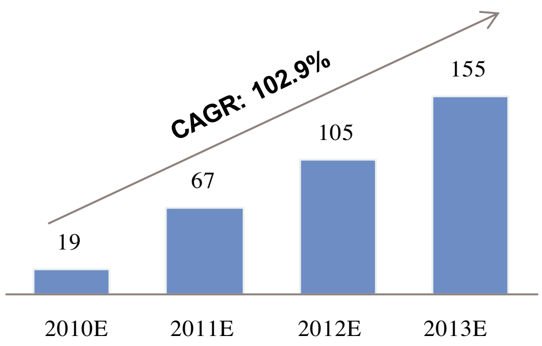
Debuted in 2007, Apple's iPhone revolutionized the industry and introduced a new category of mobile device by applying a touch interface with feather-like, intuitive and multi-touch-enabled user experiences. iPhone's market success set the new industry norm and consumer expectation for human-machine interface. Building upon iPhone's success, the introduction of the iPad pioneered the tablet industry and continues to dominate the market. As iPhone and iPad have become increasingly popular globally, other consumer device leaders are releasing and promoting their own competing mobile products to capture the fast growth in this segment. Gartner[(1)] forecasts a 27.4% CAGR in sales of premium communication devices[(2)] from 2010-2013, increasing from 269 million units in 2010 to 555 million units in 2013. Furthermore, Gartner[(3)] forecasts a 102.9% CAGR in media tablet production from 2010-2013, increasing from 19 million units in 2010 to 155 million units in 2013.

Premium Communication Device[(2)] Sales (millions)



Source: Gartner[(1)]

Media Tablet Production (millions)



Source: Gartner[(3)]

(1) Based on Gartner, Inc.'s "*Forecast: Mobile Devices, Worldwide, 2008-2015, 1Q11 Update*" report authored by Carolina Milanesi, Annette Zimmermann, Roberta Cozza, Hugues J. De La Vergne, Anshul Gupta, CK Lu, Tuong Huy Nguyen, and Atsuro Sato and published on March 17, 2011, with the premium communication device sales chart created by the Company. The Gartner Report described herein, (the "Gartner Report") represents data, research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. ("Gartner"), and are not representations of fact. Each Gartner Report speaks as of its original publication date (and not as of the date of this offering memorandum) and the opinions expressed in the Gartner Report are subject to change without notice.

(2) Gartner defines a Premium Communication Device as a device that offers a rich communication experience beyond voice such as integrated email, social networking support and VoIP.

(3) Based on Gartner's "*Market Trends: Worldwide, EMS/ODM Production of Media Tablets, 2011*" report authored by Jamie Wang and Ben Lee and published on March 23, 2011, with the media tablet production chart created by us.

In addition to mobile phones and media tablets, there are a diverse and growing number of other applications of touch technology. Other devices featuring small to medium size touch screens include PMPs, PNDs, portable gaming devices and digital cameras. Devices featuring large size touch screens include all-in-one PCs, laptop monitors, desktop monitors, point of sale systems, point of information systems, kiosks and others.

Comparison of Touch Technologies

While there are many touch technologies, projected capacitive, or P-Cap, and resistive are the most commonly adopted, and according to DisplaySearch, accounted for an aggregate of 98% of touch module shipments in 2010. Resistive touch has historically been the most common touch technology, primarily due to their lower cost relative to P-Cap and the ease in manufacturing process. However P-Cap's advanced features are making it increasingly common as the preferred choice for mid- to high-end small to medium sized touch consumer electronics.

Resistive touch screens include two layers of ITO coated substrates separated by an air gap and micro dot spacers. When the upper ITO substrate is pressed by a finger or stylus, the two ITO substrates are connected, and the electrical current goes through the point of contact. The controller IC detects and calculates the touch position.

P-Cap touch sensors feature electrodes etched into the substrate in long strips to form patterned electrodes, which are covered by a cover glass surface. As the finger approaches the surface, the controller can quickly detect the change of capacitance and determine the touch location.

Key advantages of P-Cap touch relative to resistive touch include the following:

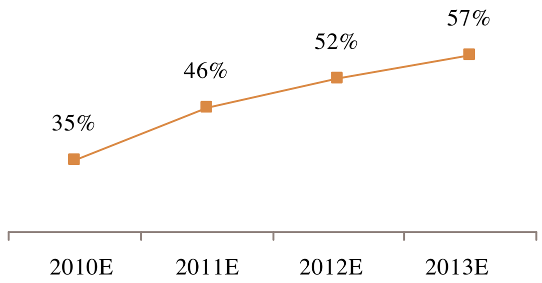
- Multi-touch capability. P-Cap touch is able to accurately detect multiple touch signals simultaneously, greatly increasing the potential range of user controls;

- Higher sensitivity. Unlike resistive touch modules, P-Cap touch modules can be activated without significant pressure and enable the user to exercise more effortless and accurate control; and

- Greater durability. Protection by cover glass and the ability of users to activate P-Cap touch modules with light touch can prevent scratches and reduce wear and tear, ultimately extending the product life.

According to DisplaySearch, multi-touch modules are expected to increase from 35% of 2010 total touch module shipments to 57% in 2013.

Multi-touch % of Touch Module Shipments (%)



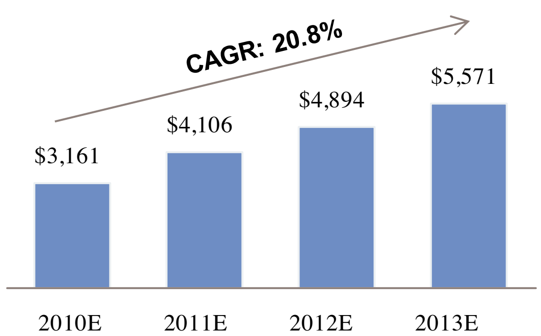
Source: DisplaySearch, July 2010

P-Cap touch screens come in many variations which can be based on either glass or film substrates. Glass-based P-Cap generally offers superior performance and making it the best suited technology for high-end devices. The key advantages of glass-based P-Cap are its greater sensitivity, higher optical transparency, greater image clarity and better durability. Meanwhile, film-based P-Cap solutions are generally lighter with lower cost. We believe that glass-based solutions will remain the technology of choice for the high-end market, while film-based solutions will maintain a meaningful market position in mid-end devices.

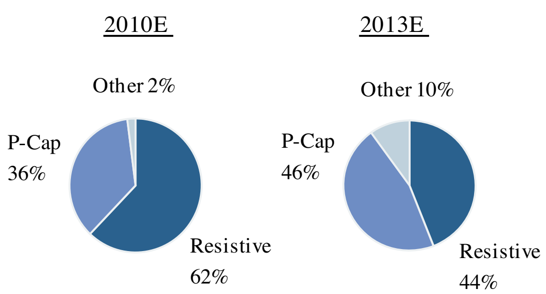
Growth in Demand for P-Cap Touch Modules

Due to P-Cap's technology advantages, greater consumer awareness and increasing availability in production capacity, DisplaySearch forecasts the P-Cap market to grow faster than the overall touch module market, expanding from US$3.2 billion in 2010 to US$5.6 billion in 2013, representing a CAGR of 20.8%. As such, P-Cap touch modules are expected to represent an increasing share of the overall touch module market, growing from 36% in 2010 to 46% in 2013, according to DisplaySearch.

P-Cap Touch Module Market Size (US$ millions)



Touch Module Shipment by Technology (%)



Source: DisplaySearch, July 2010

OUR BUSINESS

Overview

We are the leading provider of glass-based P-Cap touch solutions. We believe our competitive strengths result from our technological leadership, vertically integrated production capabilities, high standard of operating discipline, and economies of scale. Having maximized these competitive strengths, we have solidified our first-mover advantage and forged long-term collaborative relationships with most of our major customers, many of them are leading mobile and consumer electronics devices innovators in the world. We are in the forefront of the technology revolution whereby touch technologies, in particular, P-Cap, are increasingly integrated into mobile and consumer electronics devices, such as smart phones and tablets. Our P-Cap touch solutions offer feather-like, intuitive and multi-touch enabled user experiences, which are the key features that are increasingly desired by end-users. As P-Cap touch modules are expected to increase from US$3.2 billion in 2010 to US$5.6 billion in 2012, according to DisplaySearch, we believe we are well positioned to capitalize on the increasing demand for touch solutions and in particular, demand for glass-based P-Cap touch solutions.

Since our inception, we have exclusively devoted our resources to design, develop and market glass-based P-Cap touch solutions. Our undivided focus on the glass-based P-Cap touch technology has enabled us to formulate our technology roadmap and make strategic and operational decisions based solely on our customer requirements. We believe that our focused efforts have enabled us to establish our leadership in the glass-based P-Cap touch solutions, and achieve industry-leading yield rate and manufacturing efficiency. Due primarily to our comprehensive understanding of the touch manufacturing process and in-house equipment-building capability, we are able to make accurate and timely capital investment decisions to expand our capacity. We will continue to dedicate our resources to further advancing P-Cap touch solutions, such as manufacturing process improvement, production technology enhancement, new product structure and alternative raw materials, with the aim to stay ahead of technology roadmap and widen our product offerings.

Our vertically integrated production capabilities have enabled us to provide our customers with comprehensive and efficient product solutions. Leveraging on our ability to provide total solutions, we are able to meet our customers' specific demand while reducing the time-to-market of their products. Our customers are also benefitted from the economies of scale of our large-scale and centrally located manufacturing facilities, which provide highly efficient and cost-effective solutions to our customers. Our monthly module lamination capacity for glass-based touch modules increased from 1.8 million units of 3.5-inch modules as of December 2007 to 8.0 million units of 3.5-inch modules and 2.0 million units of 10-inch modules as of December 2010. We plan to expand our monthly module lamination capacity for glass-based touch modules to 14.0 million units of 3.5-inch modules and 6.0 million units of 10-inch modules by the end of June 2011.

We have enjoyed rapid growth in recent years. Our net operating revenue increased from NT$12,942.3 million in 2008 to NT$59,598.8 million (US$2,046.0 million) in 2010, representing a compound annual growth rate, or CAGR, of 114.6%. Our consolidated net income attributable to shareholders of the parent company increased from NT$388.5 million in 2008 to NT$4,741.6 million (US$162.8 million) in 2010, representing a CAGR of 249.4%.

Our Shares have been listed on the TWSE since October 2010 under the stock code "3673." On April 13, 2011, the closing price per Share on the TWSE was NT$812 per Share and our market capitalization was NT$181,942.8 million (US$6,259.9 million).

Our Competitive Strengths

We believe our leading position in the glass-based P-Cap touch solutions market is to a large extent attributable to the following strengths:

Pure Play Touch Solutions Provider

We invented fully transparent glass-based P-Cap touch technology and are in the forefront of the technology revolution whereby touch technologies, in particular, P-Cap, are increasingly integrated into mobile and consumer electronics devices, such as smart phones and tablets. Since our inception in 2005, we have dedicated our resources research and development efforts and capital expenditure plans on glass-based P-Cap touch solutions. Our undivided focus on the glass-based P-Cap touch technology has enabled us to formulate our technology roadmap and make strategic and operational decisions based solely on our commitment to this technology and our customer requirements. We believe that our focused efforts have enabled us to establish our leadership in the glass-based P-Cap touch solutions, and achieve industry-leading yield rate and manufacturing efficiency. As a result, we increased our net operating revenues from NT$12,942.3 million in 2008 to NT$59,598.8 million (US$2,046.0 million) in 2010, representing a CAGR of 114.6%. Leveraging our technology leadership and large-scale manufacturing capacity, we are well-positioned to continue to capitalize on the rapidly growing demand for such touch solutions.

Vertical Integration to Provide Total Solutions

Our vertically integrated manufacturing platform offers a full range of services, including initial product design, cover glass and sensor manufacturing, and touch module/display lamination. Our thorough understanding of and accumulated experience in these services allow us to seamlessly integrate these services and provide our customers customized total solutions. We believe our vertical integration allows us to extract value associated with each service offering hence maximizing our profitability. Our vertical integration also allows us to achieve production efficiency, thus reducing time-to-market, which is essential as the life cycles for consumer electronics products continue to shorten. In addition, our vertically integrated manufacturing platform centrally located in a production facility in Xiamen, PRC, enhances our ability to control production costs and ensure product quality.

Proprietary and Efficient Production Process

Our ability to design proprietary and efficient processes and maintain a high standard of manufacturing discipline is key to our success. We have applied our extensive knowledge and experience in manufacturing processes to customize our production equipment and processes. Our proprietary and efficient production processes, advanced technology know-how and stringent process management have enabled us to produce high-quality touch modules in a large scale at yield rates among the best in our industry. For example, our ability to design and manufacture lamination equipment in-house has differentiated ourselves from our competitors and created an entry barrier. In addition, we have devoted significant efforts to improving production process control by the implementation of sophisticated proprietary IT systems. We conduct real-time process monitoring and error tracking, allowing us to instantly react to any production related issues.

Close Collaboration with Industry Leaders

We have built long-term and strategic customer relationships by delivering innovative and high-quality touch solutions. Our customer base is comprised of leading companies known for product innovation with proven track records of product success. These customers require strategic relationships with touch solution providers who can synchronize product roadmaps with them to quickly develop highly customized solutions.

As an integral part of our customers' product development processes, we are able to jointly develop innovative and industry-defining products and maintain our first mover advantages. Further, our collaboration with our customers from the initial product design phase reinforces our customer relationships and fosters high entry barriers.

Experienced Management Team with Proven Technology and Operational Record

We have an experienced management team that has successfully led our operations and increased our capacity, revenues and profits through rapid organic growth. We believe our management team has extensive knowledge of our industry, and are passionate and dedicated to our business and visionary about technology innovation. Many members of our senior management have been involved in the development of touch technology for more than ten years. We believe that our management has successfully guided our rapid expansion while enhancing our core competence, allowing us to become the leading provider of P-Cap touch solution. In particular, Michael Chiang, our founder and the chairman of our board of directors, has over 25 years of experience in the consumer electronics industry. In addition, Tom Sun, our director and president, possess strong industry experience and expertise accumulated through his more than 20 years of experience with Motorola.

Business Strategy

We plan to continue to implement the following strategies to further strengthen our leading position in the touch solutions industry:

Enhance Partnerships with Existing Major Customers while Diversifying Customer Base

Our key customers are primarily industry leaders in mobile and consumer electronics devices. We intend to enhance our relationships with our existing major customers by continuing to strategically collaborate on critical research, design and new product development. In addition, we plan to further diversify our customer base by offering innovative and customized touch solutions to new customers. Furthermore, we plan to further continue developing new applications for our touch solutions to expand into new end-markets and further drive the proliferation of touch technology. We intend to increase investments in research and development to continue developing advanced solutions that allow our customers to differentiate their products, proliferate touch solutions into new applications and significantly reduce their time-to-market and overall product costs. We intend to expand our product suite to include touch modules ranging from 3.5 inch to 32 inch.

Strengthen Our Vertical Integration

We aim to enhance our core competence and expand our profit margin by further strengthening our vertical integration. Vertical integration allows us to secure a reliable supply of quality raw materials and components at competitive costs, and reduce our reliance on external suppliers. We plan to increase the percentage of touch sensors and cover glass produced in-house by establishing additional production facilities. Meanwhile, we may engage in selective strategic acquisition focusing on targets that can strengthen our vertical integration and supplement our organic growth. As we further strengthen our vertical integration, we believe we would further improve our profitability by extracting value associated with each service offering more effectively. We would also be able to further improve our production efficiency and reduce time-to-market.

Expand Our Addressable Market

Currently, despite its various desirable features, glass-based P-Cap touch solution is primarily applied in premium mobile devices and other portable devices as a result of limited production capacity and the associated higher production cost. By expanding our production capacity, we aim to grow our addressable markets beyond current scale and thereby capitalize on the fast growing demand for our solutions. In addition, economies of scale from a larger production capacity lower our production cost. We are in the process of constructing additional module lamination facilities. By the end of the second quarter of 2011, we plan to reach a monthly module lamination capacity of 14 million units of 3.5-inch modules and 6 million units of 10-inch modules for glass-based P-Cap touch modules, and 3 million units of 3.5-inch modules for film-based P-Cap touch modules.

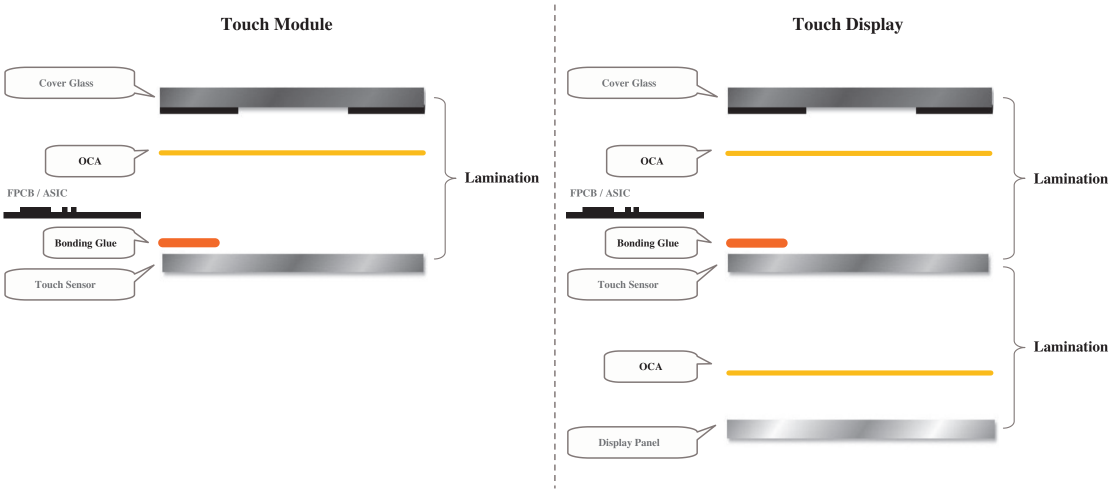
Optimize Our Cost Structure

We control our overall manufacturing costs through the use of our proprietary and efficient equipment and manufacturing processes, as well as the establishment of operations in relatively low cost locations in the PRC. In addition, we will continue to seek ways to improve our manufacturing processes, enhance production technology, develop new product structure, explore substitute raw materials, increase automation and maximize the benefits of economies of scale. Furthermore, as our production cost decreases, we believe we will be in a better position to expand our addressable markets beyond the premium mobile devices and other portable devices market.

Products and Services

We are the inventor of fully transparent glass-based P-Cap touch technology. We offer our customers P-Cap touch solutions, including glass-based P-Cap touch modules and touch displays and since 2010, we also offer film-based P-Cap touch solutions. We design, develop and produce our touch solutions using our proprietary production process know-how . Our touch module consists of a touch sensor made of indium tin oxide, or ITO glass, and cover glass that protects the touch sensor. Our touch display consists of display panel laminated to touch module.

The graphics below illustrate the structure of our major products:



Note: OCA stands for optical clear adhesive, FPCB stands for flexible printed circuit board, and ASIC stands for application specific integrated circuit.

A touch display integrates completely into one unit the input function through the touch module and the output function through the display panel. As a result, the touch display equips portable electronics devices with better optical performance in terms of transparency and clarity, and also minimize refraction, as the air-gap between touch module and display panel is replaced with OCA. Our touch solutions are widely applied in portable electronic devices including smartphones, tablets, electronic book readers, portable media players and portable navigation devices.

Our touch solutions are based on P-Cap technology. Our P-Cap touch sensor is made of glass substrate coated with ITO, in which the plates are overlapped in a grid pattern. A P-Cap touch sensor does not need to be directly touched, allowing a cover glass to be applied on top of the touch sensor to increase durability. Moreover, a P-Cap touch sensor can support multi-touch and has higher sensitivity than a resistive touch sensor. Glass-based touch sensors in particular have greater sensitivity, transmission capacity and transparency than the film-based touch sensors.

In addition to the design, development, manufacturing and sale of glass-based P-Cap touch modules, we also offer ITO glass and provide our customers with lamination services as part of our vertically integrated one-stop solutions. Our lamination services include the lamination of touch sensor, cover glass, touch module and display panel. Lamination is a complex technical process, in which proprietary know-how is essential, and a key factor affecting production yield rate. We have leveraged our P-Cap production expertise to develop proprietary lamination equipment in-house, which enables us to customize highly specialized and efficient lamination processes. Our proprietary lamination technologies and equipment as well as our expertise in process management, we are able to consistently maintain high yield rates, thereby reducing our costs and the product manufacturing lead time.

The table below sets forth the breakdown of our net operating revenue by product, each expressed as a percentage of our net operating revenue, for the periods indicated.

	Year Ended December 31,						
	2008		2009		2010		
	NT$	%	NT$	%	NT$	US$	%
	(in millions, except percentages)						
Glass-based touch module[(1)]	12,517.0	96.7	18,333.9	98.0	56,324.2	1,933.6	94.5
Film-based touch module	—	—	—	—	2,164.7	74.3	3.6
ITO glass	160.5	1.2	145.2	0.8	524.9	18.0	0.9
Others	264.8	2.1	229.7	1.2	585.0	20.1	1.0
Total	12,942.3	100.0	18,708.8	100.0	59,598.8	2,046.0	100.0

(1) Includes sales of touch modules and touch displays.

The table below sets forth the average realized unit sales prices for our products, by principal product categories, for the periods indicated.

	Year Ended December 31,			
	2008	2009	2010	
	NT$	NT$	NT$	US$
	(in thousands)			
Glass-based touch module[(1)]	574.3	476.1	872.2	29.9
Film-based touch module	—	—	470.8	16.2
ITO glass	279.5	286.1	283.4	9.7

(1) Includes sales of touch modules and touch displays.

Production Process

The production of P-Cap touch modules includes ITO deposition and patterning, metal trace and insulation processes. We vertically integrated our touch module production in order to enhance the quality of our products and manage our costs effectively. We carry out all production processes and manufacture a portion of key components in-house. We also utilize proprietary technologies and/or self-designed equipment in the essential stage of touch modules production. For example, for the production of touch sensors, we employ our proprietary ITO sputtering technology and photo etching technology. We also employ proprietary glass cutting, FPC bonding and lamination technology for the production of our touch modules. Our self-designed lamination equipment and our proprietary know-how for the lamination process enable us to achieve an industry-leading yield rate and reduce costs.

Raw Materials and Components

The major raw materials and components used in the production of our touch modules include glass substrate, cover glass and FPCs. We source our raw materials and components from a number of third-party suppliers. We source our glass substrate from Asahi Glass Co., a flat glass manufacturer based in Japan, as well as other glass manufacturers. The major suppliers for our cover glass are Fuji Crystal Manufactory Limited and Shenzhen Lens Technology Co., Ltd., formerly known as Wingyan Crystal Co., Ltd. We also source touch sensors used in some of our touch modules from certain external suppliers. The FPCs used in our production are principally sourced from various leading FPC suppliers. Due primarily to production capacity limitation, we have, from time to time, experienced shortage in the supply of cover glass. We have not experienced any significant shortage in the supply of any other major raw materials or components used in our production. In line with the industry practice, we do not have long-term supply contracts with our suppliers, but typically provide them with annual estimates and monthly rolling forecasts.

We are in the process of expanding our in-house production capacity for key components, such as touch sensors and cover glass, allowing us to further optimize our cost structure and ensure sufficient of quality components.

Sales and Marketing

We sell and market our products through our in-house sales team located in North America, Taiwan, China, Japan and Korea. As of December 31, 2010, our sales team comprised of 157 members.

A substantial portion of our products are custom designed to meet our customers' requirements and specifications. Our product development team works closely with our customers from the initial design stage to the mass production stage. This process usually takes approximately three to nine months, depending on the specifications of the product, the qualification processes of individual customers and the availability of certain raw materials and components. We believe that our vertical integration has improved our development and production efficiency and reduced the lead time from design to mass-production of a specific product, which is essential for us to sustain our competitive advantages as the life cycles for electronic products continue to shorten.

The following table sets out a breakdown of our net operating revenue by geographical region for the periods indicated:

	Year ended December 31,						
	2008		2009		2010		
	NT$	%	NT$	%	NT$	US$	%
	(in millions, except percentages)						
North America	6,654.5	51.4	11,694.6	62.5	45,273.8	1,554.2	76.0
Asia	6,241.7	48.2	7,014.2	37.5	14,325.0	491.8	24.0
Others	46.1	0.4	—	—	—	—	—
Net operating revenue	12,942.3	100.0	18,708.8	100.0	59,598.8	2,046.0	100.0

Historically, sales of our products to two major customers account for a substantial portion of our net operating revenue. In 2008, 2009 and 2010, sales to our largest customer accounted for 49%, 46% and 73% of our net operating revenue, respectively. In aggregate, our two largest customers accounted for 82%, 66% and 83% of our net operating revenue in 2008, 2009 and 2010, respectively. Our key customers include internationally renowned mobile devices and consumer electronics companies. We do not enter into sales contracts that specify minimum purchase amounts and fixed prices for a fixed term, but our key customers would provide us annual estimates and monthly or quarterly rolling forecasts. The purchase amounts, pricing terms and delivery terms depend on the actual purchase order.

Production Facilities

Our principal production facilities for touch modules, touch sensors, cover glass and thin-film touch modules are located in Xiamen, PRC where we are in the process of establishing additional production facilities for touch modules and glass processing. The following table sets forth the location, gross floor area and principal function or products of our production facilities:

	Location	Gross Floor Area	Principal function or products
		(square meters)	
TPK Touch Solutions (Xiamen) Inc.	Xiamen	132,560	Glass-based touch modules
Optera Technology (Xiamen) Co. Ltd.	Xiamen	16,000	ITO glass
TPK Lens Solution Inc.	Xiamen	16,000	Cover glass
TPK Touch Systems (Xiamen) Inc.	Xiamen	56,000	Systems and film-based touch modules
Ray-Star Optical Solutions (Xiamen) Inc.	Xiamen	35,200	Optical glass
Ray-Star Technology (Xiamen) Inc..	Xiamen	302,088(1)	Glass-based touch modules and glass processing
TPK Glass Solutions (Xiamen) Inc.	Xiamen	370,000(2)	Cover glass

(1) Phases 3 and 4 are under construction and expected to be completed by the end of 2011.

(2) Phases 1 and 2 are under construction and expected to be completed by the end of June and December, 2011, respectively.

The following table sets forth the production capacity and utilization rate of the production facilities for our principal products in 2008, 2009 and 2010:

	2008			2009			2010		
	Production Capacity	Production Volume	Utilization Rate	Production Capacity	Production Volume	Utilization Rate	Production Capacity	Production Volume	Utilization Rate
	(Thousand units)		(%)	(Thousand units)		(%)	(Thousand units)		(%)
Glass-based touch module	27,455	22,180	80.8	45,475	38,360	84.4	74,715	64,778	86.7
Film-based touch module	—	—	—	—	—	—	6,328	4,763	75.3
ITO glass	1,632	1,207	74.0	1,632	1,010	61.9	2,143	1,892	88.3

Upon completion of our expansion plan by the end of second quarter of 2011, we expect our monthly module lamination capacity of 3.5-inch module and 10-inch module to reach 14.0 million units and 6.0 million units, respectively.

Research and Development

We place significant emphasis on research and development of new products, technologies and designs. In 2008, 2009 and 2010, we recorded research and development expenses of NT$538.6 million, NT$638.7 million and NT$1,574.3 million (US$54.0 million), respectively, which accounted for 4.2%, 3.4% and 2.6% of our net operating revenue for the respective years. Currently, our research and development team consist of 995 dedicated staff, among which 81 has a master or doctorate degree in the related fields.

We have focused our research and development efforts on technological innovation in connection with P-Cap touch sensors as well as improving the efficiency of the production of P-Cap touch sensor. We have developed, launched and successfully incorporated a number of innovative products or production processes, including:

- Glass-based P-Cap touch sensor;
- Laser glass cutting technology for chemical strengthened glass;
- Double-sided FPC bonding process;
- Mobile devices cover glass production process; and
- Full lamination with OCA for P-Cap touch module and display panel.

We believe our research and development projects and initiatives will enable us to further improve our efficiency and drive future product innovation, including:

- Full strength touch-on-lens technology, which enables us to produce glass-based P-Cap touch modules that are thinner and lighter with better clarity, sensitivity and energy consumption at a lower cost;
- Different production technology for large-sized touch modules with better cost structure;
- Alternative materials and components; and
- In-house coding firmware capabilities for controllers to optimize ITO pattern design and offer faster time-to-market and better services.

Quality Assurance

We believe that the strict quality assurance procedures we implemented have been an important factor in our success. Quality assurance procedures are implemented throughout the production process, and products are subject to a number of inspections and control tests. Our output quality assurance system helps to ensure that all final products pass visual inspection and functional testing before being packaged and sold. We work closely with our costumers to ensure the quality of our products, and quarterly evaluation is conducted to identify and address areas to be improved in our quality assurance systems.

Our quality assurance procedures include quality assurance of raw materials and components, which includes careful selection of reputable suppliers globally, sourcing critical components from leading manufacturers, quarterly evaluation of our major suppliers and inspection of raw materials and components upon their arrival at our factories. Raw materials that fail our inspection are returned to the suppliers. For certain key components, we also station our quality control staff to our suppliers' sites.

We have received ISO 9001:2000 certification for our quality assurance. More importantly, we have received quality assurance certification from each of our key customers who we believe have imposed a higher and stricter standard than the industry practice.

Competition

The touch solutions industry has significant barrier to entry. We compete primarily with Taiwanese producers of touch modules, including Chimei Innolux Corporation and Wintek Corporation.

The competitive factors include price, quality, lead time, service, technical support, the ability to offer total solutions and the size and reach of the sales and marketing network. We believe that our strong technology and production capabilities in relation to touch solutions afford us competitive advantages relative to our competitors. See also " — Competitive Strengths."

Employees

We had 34,453 employees as of December 31, 2010, including 14,699 employees from service dispatching company. The following table sets forth the number of our employees in each of our areas of operations and as a percentage of our total workforce as of December 31, 2010:

	As of December 31, 2010	
	Employees	**Percentage (%)**
Management and administrative	275	0.8
Sales and marketing	157	0.5
Research and development	995	2.9
Operations and quality control	6,066	17.6
Manufacturing and assembly	12,261	35.6
Others — employees from service dispatching company	14,699	42.6
Total	34,453	100%

Our success depends on a significant extent upon our ability to attract, retain and motivate qualified personnel, and our personnel are selected through a rigorous process. We recruit graduates from colleges and universities. We also recruit employees through various other channels, including postings on job recruitment websites and human resource agents. From time to time, we employ senior technical and managerial personnel through executive search firms.

As of December 31, 2010, 10.1% of our employees held college or higher degrees. A number of our employees have overseas education and industry experience. We provide continuous in-house and on-site training to our employees.

We are required to make contribution to employee pension plans in the USA, the PRC and the ROC. In particular PRC subsidiaries are required under the PRC law to make contributions to our employee benefit plans including pension, work-related injury benefits, maternity insurance and medical and unemployment insurance. Our contributions are made based on specified percentages of the salaries, bonuses and certain allowances of our employees. In 2008, 2009 and 2010 we incurred expenses in connection with such employee benefits required by applicable regulations in the amount of NT$68.3 million, NT$83.2 million and NT$139.2 million (US$4.8 million), respectively.

As of December 31, 2010, we have granted employee stock option for an aggregate of 8,756,000 Shares. In addition, our employee stock option plan for the issuance of up to 10,000,000 shares has been approved by the ROC government authority. We have not granted any option under such plan as of the date of this offering memorandum.

Our employees are not covered by any collective bargaining agreement. In 2008, 2009 and 2010, we did not experience any major disputes with our employees and we believe that we maintain good working relationships with our employees.

Legal Proceedings

We have not been involved in, and we are not aware of, any material litigation or other proceedings the outcome of which might, individually or taken as a whole, affect our results of operations and financial condition.

Intellectual Property and Licenses

As of December 31, 2010, we held 98 patents, including 10 patents in Taiwan, 28 patents in the PRC and 60 patents in the other foreign countries. Among which, we held 36 invention patents and 62 utility model patents. In addition, we had 192 pending patent applications worldwide.

With respect to, among other things, proprietary know-hows that are not patentable and processes for which patents are difficult to enforce, we rely on trade secret protection and confidentiality agreements to safeguard our interests. Many elements of the production process of our touch modules involve proprietary know-how, technology or data that are not covered by patents or patent applications, including our proprietary technologies and designs in touch module manufacturing and glass processing equipment, technical processes, algorithms and procedures. We have taken security measures to protect these elements.

All of our research and development personnel have entered into confidentiality and proprietary information agreements with us. These agreements address intellectual property protection issues and require our employees to assign to us all of the inventions, designs and technologies they develop during their employment with us. We also require our customers and business partners to enter into confidentiality agreements before we disclose any sensitive aspects of our touch modules, technologies or business plans.

We maintain 29 trademark registrations, including 17 in Taiwan and 12 in the PRC. As our brand name is becoming more recognized in the touch modules market, we are working to increase, maintain and enforce our rights in our trademark portfolio, the protection of which is important to our reputation and branding.

Environmental, Health and Safety Issues

Acidic emissions and wastewater are by-products of the production processes for our products and these pollutants are treated in accordance with all applicable environmental laws and regulations. We believe that our operations are in compliance in all material respects with applicable environmental laws and regulations. We have received ISO14001 certification for environment management.

Two of our PRC subsidiaries, TPK Touch Solutions (Xiamen) Inc. and Ray-Star Technology (Xiamen) Inc. are required to obtain, prior to the commencement of production, the clearance of anti-pollution facilities by the environmental protection authorities and relevant waste water and pollution discharge permits. These two subsidiaries have commenced production and expect to obtain such clearance and permits in the third quarter of 2011. See "Risk Factors — If we violate environmental regulations, we may be required to pay significant fines, our operations may be delayed or interrupted and our business could suffer."

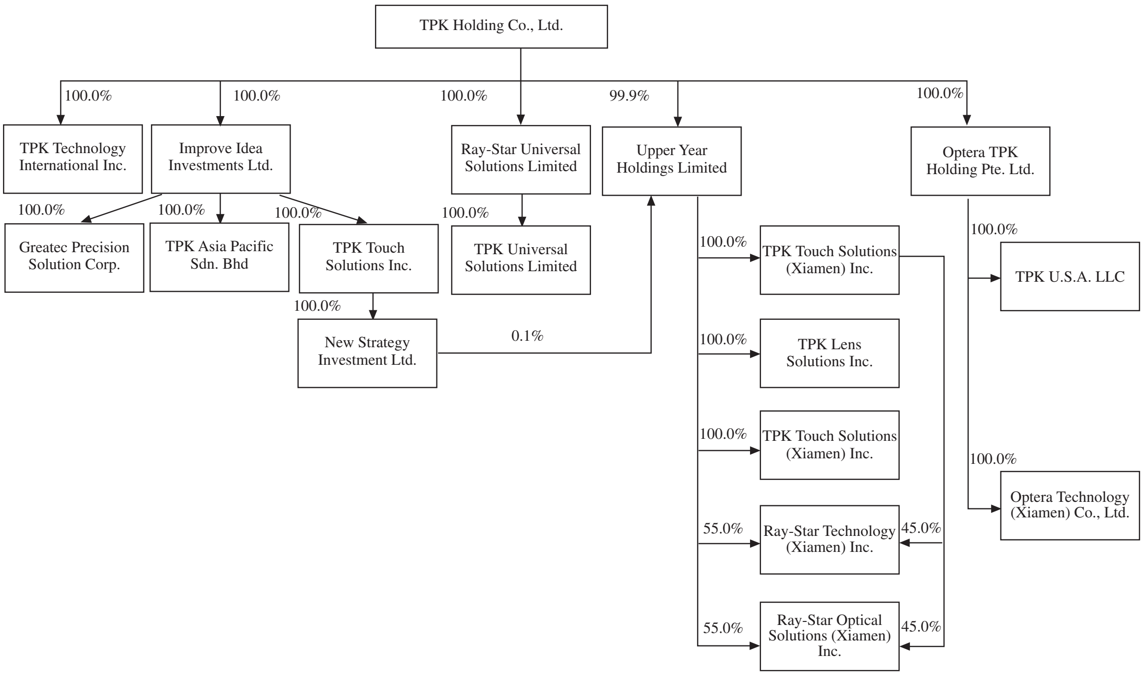
Our health and safety standards and our implementations of such are reviewed on an ongoing basis. Our operations are also subject to periodic inspections by the government.

Insurance

We have insurance policies covering risks of typhoon, flooding, damage to buildings and machinery due to earthquakes or explosions, land and sea delivery and business interruption which we consider adequate and in line with industry norms. We also have in place a directors' and officers' insurance policy.

Subsidiaries and Affiliates

We have established subsidiaries to carry out different operations, including research and development and the manufacture of certain key components. The diagram below illustrates our corporate structure as of December 31, 2010:



The following table sets forth certain information as of December 31, 2010, regarding our subsidiaries and affiliates in which we hold a significant equity interest (all issued shares in these subsidiaries and affiliates are fully paid and non-assessable):

Name and registered address	Book value of our investments as of December 31, 2010	Percentage of common shares owned by us as of December 31, 2010[1]	Main business
	(in NT$ thousands)	%	
Optera TPK Holding Pte. Ltd. (Singapore)[2]	2,037,061	100.00	Holding company
Improve Idea Investments Ltd. (Samoa)[2]	1,281,077	100.00	Holding company
Upper Year Holdings Limited (Samoa)[2]	12,166,996	100.00	Holding company and international trade
TPK Technology International Inc. (Samoa)[2]	291,174	100.00	International trade

Name and registered address	Book value of our investments as of December 31, 2010	Percentage of common shares owned by us as of December 31, 2010[1]	Main business
	(in NT$ thousands)	%	
TPK Touch Solutions Inc. (Taiwan)[2]	1,287,157	100.00	Research, development and sales
TPK Touch Solutions (Xiamen) Inc. (PRC)[2]	9,376,579	100.00	Touch module research, development, manufacturing and sales
TPK Lens Solutions Inc. (PRC)[2]	823,353	100.00	Optical glass manufacturing and sales
TPK Touch Systems (Xiamen) Inc. (PRC)[2]	680,383	100.00	Touch display and system research, manufacturing and sales
Optera Technology (Xiamen) Co., Ltd. (PRC)[2]	1,478,080	100.00	ITO glass research, development and sales
Ray-Star Optical Solutions (Xiamen) Inc. (PRC)[2]	472,436	100.00	Optical glass research, development and sales
Ray-Star Technology (Xiamen) Inc. (PRC)[2]	1,776,093	100.00	ITO glass research, development and sales
TPK U.S.A. LLC[2]	14,905	100.00	International trade
New Strategy Investment Ltd. (Samoa) [2]	5,826	100.00	Holding company
Greatec Precision Solution Corp. (Taiwan)[2]	44,200	100.00	Machinery producing and sales
Ray-Star Universal Solutions Limited (Hong Kong)[2][3]	640,860	100.00	Holding company and international trade
TPK Asia Pacific Sdn. Bhd. (Malaysia) [2][4]	—	100.00	Holding company
TPK Universal Solutions Limited (Hong Kong)[2][5]	—	100.00	Holding company and international trade

(1) Including common shares held directly by us and indirectly through our subsidiaries. See footnote 2 to our financial statements.

(2) Subsidiaries whose results of operation and financial position have been consolidated in to our results of operation and financial conditions.

(3) Registered on December 17, 2010.

(4) Registered on December 3, 2010. Capital not received as of December 31, 2010.

(5) Registered on December 23, 2010. Capital not received as of December 31, 2010.

In February 2011, we established TPK Glass Solutions (Xiamen) Inc. at Xiamen, PRC, as our wholly-owned subsidiary for the production of cover glass.

Directors

Our board of directors has ultimate responsibility for the management of our business and affairs. Our memorandum and articles of association provide for a nine-member board of directors. The following tables contain certain information about each of our directors and senior executive officers. Each of our directors and senior executive officers listed below can be reached at our representative office located at No. 13-18, Section 6, Min Quan East Road, Taipei, Taiwan, ROC.

Name	Position	Since
Michael Chiang	Chairman	October 20, 2006
Max Fang	Director	January 8, 2010
Winnie Peng(1)	Director	November 21, 2005(5)
Frank Lin(2)	Director	January 8, 2010
Tom Sun(3)	Director, President	January 8, 2010
Alan Chen(4)	Director	February 25, 2011(6)
Simon Lin	Independent Director	January 8, 2010
Jonathan Chang	Independent Director	January 8, 2010
C.H. Tong	Independent Director	January 8, 2010

(1) Representative of Max Gain Management Limited.

(2) Representative of Capable Way Investments Limited.

(3) Representative of High Focus Holdings Limited.

(4) Representative of Balda Investments Singapore Pte. Ltd.

(5) Resigned on October 20, 2006 and reelected on January 8, 2010.

(6) Replacing Michael Sienkiewicz, who was appointed by Balda Investments Singapore Pte. Ltd on January 8, 2010.

Michael Chiang, aged 58, is the chairman of our board of directors and our founder. Prior to founding our company, Mr. Chiang was the chairman of TVM Corp. and the president of Taiwan Video & Monitor Corp. He received a bachelor's degree in business administration from Fu Jen Catholic University in 1975. Mr. Chiang is the husband of Winnie Peng.

Max Fang, aged 59, is a member of our board of directors. He was first appointed to our board in January 2010. Mr. Fang founded Maxima Capital Management in May 2002. From 1990 to 2001, Mr. Fang served as the region director and Asia Pacific supply chain manager at Dell Computer, and was the first employee in Taiwan who pioneered, established and managed Dell's Asia Pacific Supply Chain Management. Mr. Fang has over 20 years of experience in logistics management and procurement. Mr. Fang received his bachelor's degree in management science from National Chiao Tung University in 1975 and joined the EMBA program of National Cheng Chi University in 1998.

Winnie Peng is a member of our board of directors. Prior to joining our company, Ms. Peng was a supervisor of Taiwan Video & Monitor Corp from 2007 to 2010. She has a bachelor's degree in accounting from Shih Chien University in 1973. Ms. Peng is the wife of Michael Chiang.

Frank Lin, aged 59, is a member of our board of directors. He is also the managing partner of PKF Taiwan, Certified Public Accountants & Advisers. From 1990 to 1998, he was the deputy managing partner of Grant Thornton. Mr. Lin received a master's degree in accounting from National Cheng Chi University in 1978 and a bachelor's degree in accounting from National Chung Hsing University, now known as National Taipei University, in 1976 .

Tom Sun, aged 59, is a member of our board of directors and our president. Mr. Sun joined our company in 2007 and was first appointed to our board in January 2010. Prior to joining our company, Mr. Sun was the chief representative of Motorola China Region from 2005 to 2007. He has accumulated rich experience in customer management, quality management, human resources development, consultancy and asset management during his 20 years of experience in the United States, Taiwan and the PRC. From 1986 to 2005, he served several positions in Motorola, including sector director of Motorola Communications Sector in USA from 1986 to 1993, corporate VP of logistic operations at Motorola Asia from 1993 to 1997, as well as president and chairman of Motorola Taiwan Region from 1997 to 2005. Before joining Motorola, Mr. Sun had worked at St. Paul Company and Zenith Electronics for eight years. Mr. Sun graduated with a master's degree in Industrial Engineering from the Illinois State University in 1978 and a bachelor's degree in industrial engineering from the Feng Chia University in Taiwan in 1974.

Alan Chen, aged 49, is a member of our board of directors. He has also been a member of the supervisory Board of Balda AG since 2010. Mr. Chen has also been the president of Touch Video Monitor Corp. since 2007 and TVM Corp. since 2010. He received a bachelor's degree of science in electrical engineering from Tatung University in 1984.

Simon Lin, aged 59, is an independent director of our company. He is the chairman and the chief executive officer of Wistron Co. Mr. Lin also serves as the chairman for AOpen Inc., Wistron NeWeb, and Wistron Information and Technology Services Co. Prior to the formation of Wistron, Mr. Lin was the president of Acer, Inc. He received a bachelor's degree in engineering from the National Chiao Tung University in 1975.

Jonathan Chang, aged 54, is an independent director of our company. Mr. Chang is currently an associate professor at the Department of Communications Management at Shih Hsin University. He has a MBA degree in finance and advanced professional certificate in accounting from St. John University.

C.H. Tong, aged 75, is an independent director our company. Mr. Tong is also the chairman of Ability Investment Co., Ltd. He received a bachelor's degree in mechanical engineering from the Waseda University in 1965.

Senior Management

The following table contains certain information about each of our senior executive officers.

Name	Position	Position held since
Michael Chiang	Chairman	October 20, 2006
Tom Sun	Director, President	January 8, 2007
Eric Chang	Senior Vice President	January 1, 2004
Ann Wu	Senior Vice President	November 21, 2005
Ted Tsai	Vice President	November 6, 2006
C.M. Hu	Vice President	December 1, 2004
David Lai	Vice President	November 15, 2004
Sammy Liu	Vice President	January 2, 2006
Freddie Liu	Vice President	September 1, 2009
Jimmy Chen	Vice President	August 31, 2009
T.Y. Lee	Vice President	June 22, 2009
Jonson Hsieh	Vice President	August 1, 2008
C.Y. Chang	Vice President	November 1, 2009
Akira Nakanishi	Vice President	March 1, 2009
Claude Hsu	Vice President	June 1, 2010
Sam Huang	Vice President	December 1, 2010

Eric Chang, aged 45, is our senior vice president since January 1, 2004. He has also been the director of Greatec Precision Solution Corp. since 2009. He received a master's degree in mechanical engineering from China University of Science and Technology in 2010.

Ann Wu, aged 49, is our senior vice president. Ms. Wu received a bachelor's degree in accounting from Tunghai University in 1985.

Ted Tsai, aged 45, has served as our vice president since 2006. Mr. Tsai received a bachelor's degree in mechanical engineering from Feng Chia University in 1990.

C.M. Hu, aged 52, has served as our vice president since 2004. Dr. Hu was the vice president of Ever Skill Co. before joining us. He received a Ph.D. degree in chemical engineering from Tatung University in 1989.

David Lai, aged 55, has served as our vice president since 2004. Prior to joining our company, Mr. Lai served as factory chief of LiteOn Technology Co. in Czech Republic and factory chief of Foxconn Group in Houston, TX.

Sammy Liu, aged 44, has served as our vice president since 2006. Mr. Liu was an associate vice president of Amkor Technology before joining us.

Freddie Liu, aged 47, has served as our vice president since 2009. Mr. Liu was the vice president in finance of ASE Group from 1997 to 2009. Before that, Mr. Liu served as the vice president of Citibank. He received a master's degree in business administration from the University of Michigan in 1990.

Jimmy Chen, aged 43, has served as our vice president since 2009. Mr. Chen is also a vice president of Cheng Uei Precision Industry Co., Ltd. He has a master's degree in industrial engineering from State University New York in Buffalo in 1997.

T.Y. Lee, aged 54, has served as our vice president since 2009. Mr. Lee was the general manager of the greater China area of Waffer Technology Corp. from 2006 to 2009. He was the vice president of LiteOn Technology Co. from 2003 to 2006. He received a bachelor's degree from National Taipei University of Technology in 1980.

Jonson Hsieh, aged 44, has served as our vice president since 2008. Mr. Hsieh was a manager of Dupont, Inc. and Dell, Inc. He received a bachelor's degree in electronic engineering from National Sun Yat-sen University in 1992.

C.Y. Chang, aged 51, has served as our vice president since 2009. He received a bachelor's degree in mechanical engineering from National Taiwan University of Technology in 1986.

Akira Nakanishi, aged 64, has served as our vice president since 2009. Mr. Nakanishi was the general manager of Kyoten Corp. and Nakanishi Corp. He received a bachelor's degree in accounting in Osaka College of Foreign Trade in 1965.

Claude Hsu, aged 54, has served as our vice president since 2010. Mr. Hsu served as the chief operation officer of Balda Solutions (Beijing) Ltd. in 2006. He was the assistant vice president of LiteOn Technology Corp. in 2000. He received a bachelor's degree in mechanical engineering from Chung Yuan Christian University in 1988.

Sam Huang, aged 45, has served as our vice president since 2010. Mr. Huang was the vice president of HannStar Display Corporation from 1998 to 2010. He received a master's degree in mechanical engineering from Chung Yuan Christian University in 1990.

Share Ownership, Related Party Transactions and Compensation

As of December 31, 2010, our directors (including the corporate shareholders for whom certain of our directors are representatives), together with members of their immediate families, owned of record approximately 94.7 million Shares, or 42.3% of the total issued share capital as of that date, and owned no options with respect to the shares. See "Our Principal Shareholders."

The aggregate remuneration paid and benefits in kind granted by us or any of our subsidiaries to our directors and executive officers in these capacities as a group for 2010 was NT$139.8 million (US$4.8 million). There are no outstanding loans granted by us or any of our subsidiaries to any of the members of the board or executive officers, and there are no outstanding guarantees provided by us or any of our subsidiaries for the benefit of any of our directors or executive officers.

None of our directors who are not representatives of our controlling shareholders, or executive officers have or have had interests in transactions which are or were unusual in their nature or conditions or significant in relation to our business or any of our subsidiaries and which were effected by us during the current or immediately preceding fiscal year or were effected during an earlier year and remain in any respect outstanding or unperformed.

OUR PRINCIPAL SHAREHOLDERS

The names of our principal shareholders of record and their share ownership as of December 31, 2010, the most recent record date, are as follows:

Name	Numbers of Shares held	Percentage of total issued shares
1. Balda Investments Singapore Pte. Ltd.[(1)]	35,998,365	16.1%
2. Max Gain Management Limited[(2)]	18,536,928	8.3%
3. Capable Way Investments Limited[(3)]	17,006,220	7.6%
4. Appollo Forum Limited[(4)]	14,580,594	6.5%
5. Michael Chiang	12,707,573	5.7%
6. Wealth Faith Enterprise Inc[(5)]	12,484,206	5.6%

(1) Wholly-owned by Balda AG, a public company in German.

(2) Wholly-owned by Champ Great International Corporation.

(3) Wholly-owned by Digitalking Technology Limited, an entity owned by Winnie Peng, the spouse of Michael Chiang.

(4) Wholly owned by MPF Wealth Management Limited, an entity owned by HSBC International Trustee Limited.

(5) Wholly-owned by Loyal Best Int'l Group Inc., and entity owned by Bhooshan Sowumber.

As of December 31, 2010, our directors and executive officers, together with members of their immediate families, owned of record 99.3 million Shares, or approximately 44.3% of our total issued shares. As of December 31, 2010, our directors and executive officers held outstanding options in respect of 3,136,000 shares.

CHANGES IN ISSUED SHARE CAPITAL

According to our Amended and Restated Memorandum and Articles of Association, we have only one class of capital stock, common shares with a par value of NT$10 per share. Currently, our Amended and Restated Memorandum and Articles of Association provide that our authorized share capital is NT$3,000,000,000, divided into 300,000,000 shares. There are no Shares issuable upon exercise of options within 60 days of the date of the offering memorandum. All issued shares are in registered form.

The following table sets forth the changes in our issued share capital as at the dates indicated:

Date	Description	Number of shares issued	Number of total issued shares after issue
November 2005	Issuance of common shares for cash	250,000,000	250,000,000
August 2006	Issuance of common shares for cash	58,261,400	308,261,400
February 2010	(1) Authorized share capital increased from US$50,000,000 to NT$3,000,000,000; (2) Converted issued shares of 308,261,400 (with par value of US$0.10 each) to 100,000,000 (with par value of NT$10.0 each) shares; and (3) Capitalization of capital reserve of 80,000,000 Shares	180,000,000	180,000,000
July 2010	(1) Issuance of 9,000,000 Shares as dividend; and (2) Issuance of 7,067,522 Shares as bonus to employees.	16,067,522	196,067,522
October 2010	Issuance of Shares for cash	28,000,000	224,067,522

TRANSACTIONS WITH RELATED PARTIES

From time to time we have engaged in a variety of transactions with our affiliates. Our policy on transactions with affiliates is that they must be conducted on terms that are substantially the same as those for comparable transactions with non-affiliates on an arm's-length basis. Set forth below is a summary of our transaction with related parties for the periods indicated.

Sales and Purchases of Goods

In 2008, 2009 and 2010, we purchased raw materials and components from our related parties in the aggregate amount of NT$14.0 million, NT$23.7 million and NT$224.3 million (US$7.7 million), respectively.

In 2008, 2009 and 2010, we sold our products to our related parties in the aggregate amount of NT$47.0 million, NT$39.2 million and NT$957.5 million (US$32.9 million), respectively.

Leases

In 2008, 2009 and 2010, rental disbursement paid to our related parties that was accounted as overhead amounted to an aggregate of nil, NT$3.2 million and NT$86.4 million (US$3.0 million), respectively.

In 2008, 2009 and 2010, rental disbursement paid to our related parties that was accounted as operating expenses amounted to an aggregate of nil, NT$6.9 million and NT$58.4 million (US$2.0 million), respectively.

Sales and Purchases of Property, Plant and Equipment

In 2008, 2009 and 2010, we purchased property, plant and equipment from our related parties in the aggregate amount of nil, NT$0.6 million and NT$5.0 million (US$0.2 million), respectively.

In 2008, 2009 and 2010, we sold fixed assets to our related parties in the aggregate amount of NT$12.4 million, NT$0.9 million and nil, respectively.

Accounts Receivable and Payable

In 2008, 2009 and 2010, accounts receivable due from our related parties but accounted for under accounts receivable amounted to NT$1.9 million, NT$5.7 million and NT$164.2 million (US$5.6 million), respectively.

In 2008, 2009 and 2010, accounts payable due to our related parties but accounted for under accounts payable amounted to NT$6.9 million, NT$0.5 million and NT$37.3 million (US$1.3 million), respectively.

Deposit of Cash

In 2008, 2009 and 2010, we deposited cash for our related parties in the aggregate amount of nil, NT$61.4 million and NT$81.5 million (US$2.8 million), respectively. The cash was used as deposit for lease of factory and manufacturing facilities for our related parties.

Amounts due to Related Parties

As of December 31, 2008, 2009 and 2010, amounts due to our related parties amounted to an aggregate of NT$164.0 million, nil and nil, respectively, and incurred interests expense of NT$6.8 million, NT$0.6 million and nil. The interest rates for these borrowing ranged from 0% to 7.4%.

Guarantee

As of December 31, 2008, 2009 and 2010, our related parties provided guarantee for our short-term and long-term loan of NT$813.0 million, NT$535.0 million and NT$4,084.9 million (US$140.2 million), respectively.

DESCRIPTION OF THE BONDS

The Bonds are to be issued under an indenture, to be dated as of April 20, 2011 (the "Indenture"); between TPK Holding Co., Ltd. (the "Issuer" or the "Company") and Citicorp International Limited, in its capacity as trustee (the "Trustee"). The following summary of certain provisions of the Bonds and the Indenture does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the provisions of the Bonds and Indenture, including the definitions of certain terms therein. Whenever particular Sections or defined terms of the Indenture not otherwise defined herein are referred to, such Sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available for inspection by any Holder on or after the Closing Date (as defined below) at the office of the Trustee.

General

Except in certain limited circumstances, Bonds will only be issued in book-entry form.

The Bonds will be issued on or about April 20, 2011 (the date on which the Bonds are issued under the Indenture being referred to herein as the "Closing Date") as direct, unconditional, unsecured and unsubordinated obligations of the Issuer, limited, in aggregate principal amount to US$400,000,000 and will be redeemed on April 20, 2014 (the "Maturity Date") unless earlier redeemed, repurchased and canceled, or converted pursuant to the terms thereof and of the Indenture.

The Bonds will not bear interest.

Each Bond will be convertible, subject to compliance with certain conditions and procedures (see "— Conversion — Procedures; Conversion Notice; Taxes and Duties" below), at the Holder's election on any Business Day during the period (the "Conversion Period") commencing May 31, 2011 (the 41st day following the Closing Date) and ending at the close of business on April 10, 2014 (the 10th day prior to the Maturity Date) in the location of the applicable Paying Agent (as defined below) or if the Bonds are called for redemption prior to the Maturity Date, on the date seven days prior to the redemption date. The Conversion Period shall not include any Closed Period (as defined below).

The principal of and other amounts on the Bonds will be payable in U.S. Dollars by the Issuer pursuant to the Indenture, and the Bonds may be presented for registration of transfer or conversion, at the office or agency of the Issuer maintained for such purpose (the "Paying Agent") located in Dublin, Ireland.

The Issuer reserves the right, subject to the provisions of the Indenture, at any time to vary or terminate the appointment of any Paying Agent and to appoint further or other Paying Agents, *provided* that the Issuer will at all times maintain a Paying Agent having offices in Dublin, Ireland or London, England. Notice of any such termination or appointment and of any changes in the specified offices of the Paying Agents will be given promptly by the Issuer to the Holders (and other applicable parties) in accordance with the notice provisions of the Indenture as described below under "— Notices."

The Bonds will be issued only in fully registered form, without interest coupons, in denominations of US$100,000 and any integral multiple thereof. See "— Book Entry; Delivery and Form" below. No service charge will be payable for any registration of transfer of the Bonds, for the conversion thereof or for the charges of the Paying Agents in connection therewith, but the Issuer may require payment by a Holder of a sum sufficient to cover any transfer or stamp tax or other similar governmental charge payable in connection therewith.

The Issuer and its Affiliates may at any time, subject to applicable law, purchase the Bonds in the open market or otherwise at any price. The Bonds which are purchased (including the purchase by the Issuer and/or its Affiliates in the open market), redeemed, or converted will be canceled and will not be re-issued.

Book Entry; Delivery and Form

The Bonds will only be represented by a permanent global bond in fully registered book-entry form without interest coupons (the "Global Bond") and will be deposited with a common depositary (the "Common Depositary") for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream") and registered in the name of a nominee of the Common Depositary. If (i) at any time the Common Depositary advises the Company in writing that it is unwilling or unable to continue as a depository for the Global Bond and a successor depository is not appointed by the Company within 90 days, (ii) either

Euroclear or Clearstream or any alternative clearing system on behalf of which the Bonds evidenced by the Global Bond may be held is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so, or (iii) an event of default has occurred and is continuing with respect to the Bonds and the Trustee notifies the Company in writing that any of the Bonds have become immediately due and payable pursuant to the Indenture and the Trustee has received a written request from more than 25% in aggregate principal amount of Bonds outstanding to issue individual certificated bonds, the Company shall issue individual certificated bonds in registered form in exchange for the Global Bond in any authorized denominations and in an aggregate principal amount equal to the principal amount of the Global Bond. The Bonds will have minimum denominations of US$100,000 and any integral multiple of US$100,000 in excess thereof.

The Bonds are not issuable in bearer form.

Transfers of interests in the Bonds evidenced by the Global Bond will be effected in accordance with the rules of the relevant clearing systems. In addition, transfers of the Bonds and Common Shares are subject to certain restrictions. See "Transfer Restrictions of the Bonds".

Ranking

The Bonds will (i) be direct, unconditional, unsubordinated and unsecured obligations of the Issuer, (ii) rank *pari passu* without any preference or priority among themselves and with all other direct, unconditional, unsecured and unsubordinated Debt (as defined below) of the Issuer now or hereafter outstanding except as may be required by mandatory provision of law, and (iii) be senior in right of payment to all Debt of the Issuer that is expressed to be subordinated in right of payment to the Bonds.

The Bonds will be effectively subordinated to all secured obligations but subject to the negative pledge as described in "— Negative Pledge", of the Issuer with respect to claims against the assets securing such obligations ("Secured Debt"). As of March 31, 2011, the Issuer had no outstanding Secured Debt.

Sinking Fund

The Bonds will not be entitled to the benefit of a sinking fund.

Transfer of Certificated Bonds and Delivery of New Certificated Bonds

In the event Certificated Bonds are issued, the following provisions will apply:

(i) Transfer of Certificated Bonds

A Certificated Bond may be transferred upon the surrender at the specified office of any Paying Agent of the Certificated Bonds to be transferred, together with the form of transfer endorsed thereon (the "Form of Transfer") duly completed and executed and any other evidence that such Paying Agent may reasonably require. In the case of a transfer of only part of a holding of Certificated Bonds, a new Certificated Bond shall be issued to the transferee in respect of the part transferred and a further new Certificated Bond in respect of the balance of the holding not transferred shall be issued to the transferor. The Form of Transfer will be available at the specified office of the Paying Agent.

(ii) Delivery of New Certificated Bonds

Each new Certificated Bond shall be available for delivery upon receipt by the Paying Agent at its specified office of the relevant Certificated Bond and the Form of Transfer. Delivery of the new Certificated Bonds shall be made at the specified office of such Paying Agent to whom the relevant Certificated Bond and the Form of Transfer shall have been surrendered or delivered or, at the option of the Holder making such delivery or surrender as aforesaid and as specified in the relevant Form of Transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificated Bond to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the relevant Paying Agent the costs of such other method of delivery and/or such insurance as it may specify.

(iii) Formalities Free from Charge

Transfers of the Certificated Bonds will be effected without charge by or on behalf of the Issuer or any Paying Agent, but only upon confirmation of payment (or the giving of such indemnity as such Paying Agent may require in respect) of any tax or other governmental charges which may be imposed in relation thereto.

(iv) Restricted Transfer Periods

No Bondholder may require the transfer of a Certificated Bond to be registered (i) during the period of 15 days ending on (and including) a Redemption Date, (ii) after such Bond has been selected by the Issuer or the Bondholder for redemption, pursuant to the terms of the Indenture or (iii) after such Bondholder has exercised its Conversion Right.

Additional Amounts

All payments of the principal of and other amounts on the Bonds and all deliveries of Common Shares (as defined below) made on conversion of the Bonds are to be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or other governmental charges ("Taxes") imposed, levied, collected, withheld or assessed by or within the Cayman Islands, the ROC or any other jurisdiction in which the Issuer is organized or resident for tax purposes or from which any payment on the Bonds is made (or any political subdivision or Taxing Authority (as defined below) thereof or therein), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Issuer will pay such additional amounts on the Bonds (all such additional amounts being referred to herein as "Additional Amounts") as will result in receipt by the Holder of each Bond of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable for or on account of:

(i) any Taxes that would not have been imposed but for:

(A) the existence of any present or former connection between the Holder of such Bond and the Cayman Islands, the ROC or any other jurisdiction in which the Issuer is organized or resident for tax purposes, other than merely holding such Bond, including such Holder being or having been a national, domiciliary or resident of or treated as a resident thereof or being or having been present or engaged in a trade or business therein or having had a permanent establishment therein;

(B) the presentation of such Bond (if presentation is required) more than 30 days after the later of the date on which the payment of the principal of and other amounts on such Bond became due and payable pursuant to the terms thereof or the date that such payment was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Bond for payment on any date within such 30 day period; or

(C) the presentation of such Bond for payment in the Cayman Islands or in the ROC, unless such Bond could not have been presented for payment elsewhere;

(ii) any estate, inheritance, gift, sale, transfer, stamp, personal property or similar tax, assessment or other governmental charge; or

(iii) any combination of Taxes referred to in the preceding clauses (i) and (ii),

The Issuer will not pay Additional Amounts if the registered Holder of the Bond is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that the beneficiary, partner or settler with respect to such fiduciary, partnership or person, or the beneficial owner of that payment, would not have been entitled to the Additional Amounts if it had been the registered Holder of the Bonds.

Whenever there is mentioned, in any context, (i) the payment of principal of and other amounts on any Bond, or (ii) the delivery of Common Shares or cash payments (if any) on conversion of any Bond, such mention shall be deemed to include the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable with respect thereto.

Redemption for Taxation Reasons

The Bonds may be redeemed, in whole but not in part (subject to the provision of the paragraph below), at the option of the Issuer, at any time, upon giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and upon written notice to the Trustee, at a redemption price equal to 100% of the outstanding principal amount thereof on the Redemption Date (as defined below), if the Issuer determines and certifies to the Trustee in an officer's certificate immediately prior to the giving of such notice that, as a result of any change in, or amendment to the laws (including any regulations or rulings promulgated thereunder) of the Cayman Islands, the ROC or such other jurisdiction in which the Issuer is then organized or resident for tax purposes (or any political subdivision or Taxing Authority thereof or therein), affecting taxation, or any change in official position regarding the application, interpretation or administration of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction), which change, amendment, application, interpretation or administration is proposed and becomes effective on or after the Closing Date (or, in the case of any jurisdiction other than the Cayman Islands and the ROC, the date on which the Issuer first becomes organized or resident for tax purposes in such other jurisdiction) with respect to any payment due or to become due on the Bonds, the Issuer is required to pay Additional Amounts in connection therewith and such requirement to pay Additional Amounts cannot be avoided by the taking of reasonable measures by the Issuer; *provided* that such right cannot be exercised earlier than 45 days prior to the first date on which the Issuer would be obligated to make an Additional Amounts payment with respect to all or substantially all of the outstanding Bonds were a payment then due. Prior to the giving of any such notice of redemption, the Issuer is required to deliver to the Trustee (i) an officer's certificate stating that such change or amendment has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Issuer taking reasonable measures and (ii) an opinion of counsel or written advice of a qualified tax expert that the circumstances referred to in the preceding sentence exist as a result of such change, amendment, application, interpretation or administration.

Notwithstanding the foregoing, if the Issuer has given a redemption notice for taxation reasons in accordance with the paragraph above, each Holder of the Bonds will have the right to elect, and the redemption notice will state that each Holder will have the right to elect, that all or a portion of its Bonds should not be redeemed. Upon the exercise of such right by the holder, the provisions set forth in "— Additional Amounts" will not apply to any payment in respect of such Bonds that is due after the relevant Redemption Date, and such payment will be made subject to the deduction of any Cayman Islands or ROC tax (or tax of such other jurisdiction in which the Issuer is then organized or resident for tax purposes) required to be withheld or deducted. To exercise such right the holder must give notice to the Issuer in the manner set out in the Indenture no later than 15 days prior to the relevant Redemption Date.

Redemption at the Option of the Issuer

The Issuer may redeem the Bonds, in whole but not in part, at any time, on not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% of the outstanding principal amount thereof on the Redemption Date if more than 90% in principal amount of the Bonds originally issued has been redeemed, repurchased and canceled, or converted; *provided* that the applicable Redemption Date does not fall within a Closed Period.

Notice of any such redemption will be given by the Issuer to the Holders (and other applicable parties) in accordance with the notice provisions of the Indenture as described below under "— Notices".

Redemption at Maturity

Unless the Bonds have been previously redeemed, repurchased and canceled, or converted, the Issuer will redeem the Bonds on the Maturity Date at a redemption price equal to 100% of the outstanding principal amount thereof. The Bonds may be redeemed prior to the Maturity Date only as described herein.

Redemption of the Bonds in the Event of Delisting

In the event that the Common Shares cease to be listed or admitted to trading on the TWSE (a "Delisting") each Holder shall have the right (the "Delisting Put Right"), at such Holder's option to require the Issuer to redeem all (or any portion of the principal amount thereof which is US$100,000 or any integral multiple thereof) of such Holder's Bonds on the 20th Business Day after the Paying Agent mails to each Holder such notice regarding the Delisting referred to under "— Redemption Procedures" below (the "Delisting Put Date") at a redemption price equal to 100% of the outstanding principal amount thereof on the Delisting Put Date (the "Delisting Put Price").

Redemption of the Bonds in the Event of Change of Control

If a Change of Control (as defined below) occurs with respect to the Issuer, each Holder shall have the right (the "Change of Control Put Right"), at such Holder's option, to require the Issuer to redeem all (or any portion of the principal amount thereof which is US$100,000 or any integral multiple thereof) of such Holder's Bonds on the date set by the Issuer for such redemption (the "Change of Control Put Date"), which shall be not less than 30 nor more than 60 days following the date on which the Issuer notifies the Trustee and the Paying Agent in writing of the Change of Control, at a redemption price equal to 100% of the outstanding principal amount thereof on the Change of Control Put Date (the "Change of Control Put Price").

Redemption Procedures

Not more than ten days promptly after becoming aware of a redemption event, the Issuer will provide sufficient information to the Trustee and the Paying Agent in sufficient time to permit the Trustee and the Paying Agent to mail to each Holder a notice regarding such redemption event, which notice shall state, as appropriate:

(A) other than the Maturity Date, the relevant Redemption Date;

(B) in the case of a Delisting, the date of such Delisting and, briefly, the events causing such Delisting;

(C) in the case of a Change of Control, the date of such Change of Control and, briefly, the events causing such Change of Control;

(D) in the case of other redemption events, the events causing such redemption;

(E) the date by which the Holder Redemption Notice (as defined below) must be given;

(F) the Delisting Put Price or the Change of Control Put Price, as the case may be, and the method by which such amount will be paid;

(G) the names and addresses of all Paying Agents;

(H) briefly, the Conversion Right (as defined below) of the Holders of the Bonds and the then current Conversion Price;

(I) the procedures that Holders must follow and the requirements that Holders must satisfy in order to exercise their redemption rights and Conversion Right; and

(J) that a Holder Redemption Notice, once validly given, may not be withdrawn.

To exercise its right to require the Issuer to redeem its Bonds, the Holder must deliver a written irrevocable notice of the exercise of such right (a "Holder Redemption Notice") to any Paying Agent on any Business Day prior to the close of business at the location of such Paying Agent on such day and which day is not less than ten (10) Business Days prior to the Redemption Date.

Payment of the relevant redemption price for a Certificated Bond is conditioned upon delivery of such Bond (together with necessary endorsements) to any Paying Agent. Payment of the relevant redemption price for any Bond will be made on the Redemption Date or, if such Bond is a Certificated Bond and has not been so delivered on or prior to the Redemption Date, at the time of delivery of such Bond. If the Paying Agent holds, in accordance with the terms of the Indenture, cash sufficient to pay the relevant redemption price of such Bond on the Redemption Date, then, immediately after such Redemption Date, such Bond will cease to be outstanding, whether or not such Bond is delivered to a Paying Agent, and all other rights of the Holder shall terminate (other than the right to receive the relevant redemption price).

Certain Definitions

Set forth below is a summary of certain of the defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for the full definition of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

"*Affiliate*" means, with respect to any Person (the "Specified Person"), (i) any Person other than the Specified Person directly or indirectly controlling, controlled by or under direct or indirect common control with, the Specified Person or (ii) any Person who is a director or executive officer (A) of the Specified Person, (B) of any Subsidiary of such Specified Person or (C) of any Person described in clause (i) above. For purposes of this definition, the term "control" when used with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

"*Agent*" means any registrar, paying agent, conversion agent and transfer agent.

"*Business Day*" means any day except a Saturday, Sunday or other day on which commercial banks in Taipei, Hong Kong, London, England and the City of New York (or, if applicable, in the city where the relevant Paying Agent is located) are authorized by law to close or are otherwise not open for business.

"*Capital Stock*" means, with respect to any Person, any and all shares, ownership interests, participation or other equivalents (however designated), including all common stock and all preferred stock, of such Person.

"*Certificated Bonds*" means the individual certificated Bonds executed and delivered by the Issuer and authenticated by or to the order of the Trustee, which may be delivered in exchange for the Global Bond in certain circumstances.

"*Change of Control*" means when:

(1) any Person or Persons (as defined below) acting together acquires Control of the Issuer if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Issuer on the Closing Date; or

(2) the Issuer consolidates with or merges into or sells or transfers all or substantially all of the Issuer's assets to any other Person, unless the consolidation, merger, sale or transfer will not result in the other Person or Persons acquiring Control over the Issuer or the successor entity.

"*Closing Price*" means for any Trading Day (a) with respect to the Common Shares, the closing sales price of the Common Shares on the TWSE on such day or, if no reported sales take place on such day, the average of the reported closing bid and offered prices, in either case as reported by the TWSE for such day as furnished by a leading independent securities firm in Taiwan selected from time to time by the Issuer and notified to the Paying Agent for this purpose, and (b) with respect to Capital Stock of the Issuer (other than Common Shares), the closing bid price for such Capital Stock (other than Common Shares) on the Selected Exchange (as defined under "*Trading Day*" below).

"*Common Shares*" means shares of the common stock of the Issuer, par value NT$10.0 per share.

"*Control*" means (i) the right to appoint and/or remove all or the majority of the members of the Issuer's Board of Directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; or (ii) the acquisition or control of more than 50% of the voting rights of the issued share capital of the Company.

"*Conversion Price*" means the price at which the Shares will be issued upon conversion, which will initially be NT$1,071.84 per Common Share, subject to adjustment in the manner provided in "— Conversion — Adjustments to the Conversion Price" below.

"*Debt*" means, with respect to any Person at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person as lessee which are capitalized in accordance with the generally accepted accounting principles applicable to such Person, (v) all Debt secured by a Lien on any asset of such Person, whether or not such Debt is otherwise an obligation of such Person, (vi) all obligations of such Person to purchase securities or other property that arise out of or in connection with the sale of the same or substantially similar securities or property, (vii) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument and (viii) all Debt of others guaranteed by such Person.

"*Default*" means any condition or event which, with the giving of notice or lapse of time or both, would become an Event of Default (as defined in the Indenture).

"*FSC*" means the Financial Supervisory Commission of the ROC.

"*Holder*", "*holder*" and "*Bondholder*" in relation to a Bond means the person in whose name a Bond is registered in the Bond register.

"*Lien*" means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such property or asset, including, without limitation, the right of a vendor, lessor or similar party under any conditional sales agreement, capital lease or other title retention agreement relating to such property or asset, and any other right of or arrangement with any creditor to have its claims satisfied out of any property or assets, or the proceeds therefrom prior to any general creditor of the owner thereof.

"*Market Value*" means (i) in the case of Common Shares, the average of the Closing Prices of the Common Shares for the most recent 30 Trading Days, (ii) in the case of Capital Stock (other than Common Shares) which is listed on the Selected Exchange, the average of the Closing Prices of such Capital Stock (other than Common Shares) for the most recent 30 Trading Days and (iii) in the case the market value cannot be determined pursuant to the procedures above, the market value determined by an opinion of an independent, internationally recognized investment banking firm selected by the Issuer at the expense of the Issuer.

"*Person*" means any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organization, trust, state or agency of a state (in each ease whether or not being a separate legal entity), limited liability company, government or political subdivision or agency or instrumentality thereof, or any other entity or organization, provided that in the context of a Change in Control, a Person does not include the Issuer's Board of Directors or any other governing board and does not include the Issuer's wholly-owned direct or indirect subsidiaries.

"*Principal Subsidiary*" means, with respect to any Person, any Subsidiary (i) whose net sales, as shown by the latest audited financial statements (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary, constitute at least 10% of the consolidated net sales of such Person and its consolidated Subsidiaries as shown by the latest audited consolidated financial statements of such Person or (ii) whose gross assets, as shown by the latest audited financial statements (consolidated in case of a Subsidiary which itself has Subsidiaries) of such Subsidiary constitute at least 10% of the gross assets of such Person and its consolidated Subsidiaries as shown by the latest audited consolidated financial statements of such Person.

"*Redemption Date*" means, with respect to any Bond, (i) the date fixed for redemption of such Bond pursuant to a notice of redemption given by the Issuer in accordance with the provisions of the Indenture or (ii) the Maturity Date of such Bond if such Bond has not been redeemed, repurchased and canceled, or converted in accordance with its terms prior to the Maturity Date.

"*Securities Act*" means the United States Securities Act of 1933, as amended.

"*Subsidiary*" means, with respect to any Person, any entity which is controlled or of which more than 50% of its Capital Stock is owned directly or indirectly by such Person,

"*Taxing Authority*" means any government or political subdivision or any authority or agency thereof, having the legal power and authority to levy a mandatorily payable charge, assessment or tax.

"*Trading Day*" means (a) with respect to the Common Shares, a day when the TWSE is open for business, *provided*, *however*, if no transaction price or closing bid and offered prices are reported by the TWSE in respect of the Common Shares for one or more Trading Days, such day or days will be disregarded in any relevant calculation and will be deemed not to have existed when ascertaining any period of consecutive Trading Days and (b) with respect to Capital Stock of the Issuer (other than Common Shares), a day on which any securities exchange or quotation system selected by the Issuer (the "Selected Exchange") on which shares of such Capital Stock (other than Common Shares) are quoted or traded is open for trading or quotation; *provided*, *however*, if no bid price is reported by the Selected Exchange in respect of such Capital Stock (other than Common Shares) for one or more Trading Days, such day or days will be disregarded in any relevant calculation and will be deemed not to have existed when ascertaining any period of consecutive Trading Days.

"*TWSE*" means Taiwan Stock Exchange Corporation.

Certain Covenants

Negative Pledge

So long as any Bond remains outstanding, the Issuer shall not, and shall procure that none of its Principal Subsidiaries will, create or permit to subsist any Lien on any of its or, as the case may be, such Principal Subsidiary's, property, assets or revenues, present or future, to secure for the benefit of the holders of any International Investment Securities (as defined below) (i) payment or any sum owing in respect of any such International Investment Securities, (ii) any payment under any guarantee of any such International Investment Securities or (iii) any payment under any indemnity or other like obligation relating to any such International Investment Securities, unless contemporaneously therewith effective provision is made to secure the Bonds (a) equally and ratably with such International Investment Securities with a similar Lien on the same property, assets or revenues securing such International Investment Securities for so long as such International Investment Securities are secured by such Lien or (b) with such other security as shall be approved by registered holders holding not less than 50% of the principal amount of the outstanding Bonds.

As used herein, "International Investment Securities" means bonds, debentures, notes or other similar investment securities of the Issuer or any other person evidencing indebtedness with a maturity of not less than one year from the issue date thereof, or any guarantees thereof, which (i) either (A) are by their terms payable, or confer a right to receive payment, in any currency other than NT Dollars or (B) are denominated in NT Dollars and more than 50% of the aggregate principal amount thereof is initially distributed outside the ROC by or with the consent of the Issuer and (ii) are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded, in each case primarily, on a stock exchange or over-the-counter or other securities market outside the ROC.

Consolidation, Amalgamation or Merger

The Issuer shall not consolidate with, merge or amalgamate into or transfer or convey all or substantially all of its properties and assets to, any Person (the consummation of any such event, a "Merger"), unless:

(i) the corporation formed by such Merger or the Person that acquired such properties and assets shall expressly assume, by an indenture supplemental to the Indenture, all obligations of the Issuer under the Indenture and the performance of every covenant and agreement applicable to it contained therein;

(ii) immediately after giving effect to any such Merger, no Default or Event of Default shall have occurred or be continuing or would result therefrom;

(iii) the Issuer at least 20 Business Days prior to the Merger has delivered to the Trustee an officer's certificate stating that such Merger complies with the provisions of the Indenture relating to this matter and that all conditions precedent therein provided for or relating to such Merger have been complied with;

(iv) the corporation formed by such Merger, or the Person that acquired such properties and assets, shall expressly agree to (A) indemnify each holder of a Bond against any tax, assessment or governmental charge payable by withholding or deduction thereafter imposed on such holder solely as a consequence of such Merger with respect to the payment of principal of and other amounts on the Bonds and (B) if organized under the laws of a jurisdiction other than the Cayman Islands, to deliver a substitute undertaking to the Trustee to pay any additional amounts as may be necessary in order that the net amounts received by the holders of the Bonds, after any withholding or deduction of any such tax, assessment or other governmental charge shall equal the respective amounts of principal and Additional Amounts, which would have been receivable in respect of the Bonds in the absence of such Merger. No successor corporation or other Person shall have the right to redeem the Bonds unless the Issuer would have been entitled to redeem the Bonds pursuant to the Indenture in the absence of the Merger; and

(v) the Issuer shall as soon as practicable on or prior to the Merger, deliver to the Trustee an opinion satisfactory to the Trustee of counsel(s) of recognized standing as to the legality and validity of the Merger.

In the event of any such Merger, the provisions described under "— Additional Amounts" and "— Redemption for Taxation Reasons" above will be applicable to the corporation formed by such Merger or the Person acquiring such properties and assets as appropriate.

Conversion

Conversion Right

Each Holder will have the right (the "Conversion Right") during the Conversion Period to convert its Bonds (being US$100,000 in principal amount or an integral multiple thereof), at the option of such converting Holder, upon delivery of an irrevocable notice (the "Conversion Notice") at the office of any Paying Agent, on any Business Day prior to the close of business at the location of the Paying Agent to which such Conversion Notice is delivered, into Common Shares; *provided*, *however*, that the Conversion Right during any Closed Period (as defined below) shall be suspended and the Conversion Period shall not include any such Closed Period. "Closed Period" means (i) the 60-day period immediately prior to the date of any of the Company's ordinary shareholders' meetings; (ii) the 30-day period immediately prior to the date of any of the Company's extraordinary shareholders' meetings; (iii) the period from the fifteenth Trading Day prior to the fifth day before the record date for the determination of the shareholders entitled to the receipt of dividends, subscription of new Common Shares due to capital increase or other benefits and bonuses to such record date; (iv) and the period from the record date for the determination of the shareholders participating in any capital reduction to the first Trading Day immediately prior to the date on which the Common Shares resume trading after such capital reduction; and (v) such other periods during which the Company may be required to close its stock transfer books under Cayman Islands and/or ROC laws and regulations applicable from time to time. The Issuer shall procure that Holders (and other applicable parties) are given at least seven days' but not more than 60 days' prior notice of any Closed Period in accordance with the provisions of the Indenture.

The number of Common Shares to be issued upon conversion will be determined by dividing the aggregate principal amount of all the Bonds to be converted by such Holder (translated into NT Dollars at the fixed rate of NT$29.065 = US$1.00 (the "Exchange Rate")) by the Conversion Price in effect on the Conversion Date (as defined below). Fractions of Common Shares will not be issued on conversion, and the Issuer will pay in US Dollars for any fraction of a Common Share not issued as aforesaid, net of remittance fees, rounding to one US Dollar with US$0.50 being rounded upwards.

The Conversion Price shall at all times be subject to Antidilution Adjustment (as defined below).

Restrictions on Shareholdings by PRC Persons

Under current ROC laws, regulations and policy, a PRC person is not permitted to convert the Bonds and to register as shareholders of the Issuer unless it is a qualified domestic institutional investor ("QDII"), *provided that the total shareholding of the QDIIs with respect to the Issuer cannot exceed 30%. In addition, there are restrictions on the amount remitted to Taiwan for investments by QDIIs, separately and jointly. Accordingly, the qualification criteria for a PRC person to make investment and the investment threshold imposed by the FSC and the TWSE might cause a Bondholder who is a PRC person to be unable to convert and hold the Common Shares issuable upon conversion of the Bonds. Under current ROC laws, "PRC person" means an individual holding a passport issued by the PRC, a resident of any area of China under the effective control or jurisdiction of the PRC (but not including a special administrative region of the PRC such as Hong Kong and Macau, if so excluded by applicable laws of the ROC), any agency or instrumentality of the PRC and any corporation, partnership or other entity organized under the laws of any such area or controlled by, or directly or indirectly having more than 30% of its capital owned by, or beneficially owned by any such person, resident, agency or instrumentality.*

ROC Procedures for Foreign Nationals Holding Common Shares

Under the existing ROC law, a non-ROC converting Holder, before exercising the Conversion Right, is required to register with the TWSE for making investments in the ROC securities market. Such non-ROC converting Holder is also required to appoint a local agent in Taiwan which meets the qualifications that are set from time to time by the FSC to open a securities trading account with a local brokerage firm and a bank account to remit funds, pay taxes, exercise shareholders' rights and perform such other functions as may be designated by such Holder. In addition, such non-ROC converting Holder must also appoint a custodian bank in Taiwan to hold the securities and any cash proceeds for safekeeping, to make confirmation and settlement of trades and to report all relevant information. Furthermore, such non-ROC converting Holder is required to appoint an agent, referred to as a Tax Guarantor, in Taiwan which meets the qualifications that are set from time to time by the Ministry of Finance of the ROC for filing tax returns and making tax payments on their behalf. Without meeting such requirements, such non-ROC converting Holder would not be able to hold or sell or otherwise transfer Common Shares into which the Bonds may be converted on the TWSE or otherwise.

Delivery of Common Shares upon Conversion

Upon a converting Holder exercising its Conversion Right, the Issuer shall as promptly as practicable issue Common Shares upon conversion of Bonds in accordance with the Cayman Islands and ROC law.

The Issuer's delivery to the Bondholder of the number of Common Shares into which the Bonds are convertible will be deemed to satisfy the Issuer's obligation to pay the principal amount of such Bonds.

See "Risk Factors — Risks Relating to Ownership of the Bonds and our Shares — A liquid market for the Bonds may not develop, and the market for the Shares may not be liquid."

Procedures; Conversion Notice; Taxes and Duties

In order to effect a conversion, each Holder must complete, execute and deliver at such Holder's expense during the Conversion Period to the office of any Paying Agent, a Conversion Notice, in the form then obtainable from the office of any Paying Agent, together, in the case of Certificated Bonds, with the certificate representing the Bonds to be converted, and any certificates and other documents as may be required under applicable law and any expenses or other payments required to be paid by the Holder pursuant to the terms of the Indenture. The Conversion Notice shall contain, *inter alia*, an appointment of a local agent by such converting Holder and the name and address of such local agent.

A Conversion Notice once so delivered may not be withdrawn without the consent in writing of the Issuer. Holders who deposit a Conversion Notice during a Closed Period will not be permitted to convert their Bonds until the first Business Day which is a Trading Day following the last day of that Closed Period which (if all other conditions to conversion have been fulfilled) will be the Conversion Date for such Bonds. Such Holders will not be registered as holders until the Conversion Date. The price at which such Bonds will be converted will be the Conversion Price in effect on the Conversion Date.

As conditions precedent to conversion, the Holder must confirm to the applicable Paying Agent that all stamp, issue, registration and similar taxes and duties (if any) arising on conversion in the country in which the Bond is deposited for conversion, or payable in any jurisdiction consequent upon the issue and delivery of Common Shares or any other property or cash upon conversion to or to the order of a person other than the converting Bondholder have been paid to the relevant authority. Except as aforesaid, the Issuer will pay the expenses arising in the Cayman Islands and the ROC on the issue of Common Shares on conversion of Bonds and all charges of the Paying Agents in connection therewith as provided in the Indenture. The date on which any Bond and the Conversion Notice (in duplicate) relating thereto, together with any certificates and other documents as may be required under applicable law, are deposited with a Paying Agent and the payments, if any, required to be paid by the Bondholder are made is hereinafter referred to as the "Deposit Date". The "Conversion Date" applicable to a Bond shall mean the next Business Day following the Deposit Date (or the first Business Day following the last day of a Closed Period if the related Conversion Notice was deposited during such Closed Period), where such conversion day must be a Trading Day and must fall within the Conversion Period. The Holder must therefore satisfy all such conditions on or before the Business Day prior to the end of the Conversion Period.

Conversion Notices shall be deposited at the office of any Paying Agent on any Business Day prior to the close of business at the location of the Paying Agent to which such Conversion Notice is delivered. Upon receipt of such Conversion Notices, the Paying Agent shall have not more than one full Business Day to process and transmit such Conversion Notices to the Issuer.

With effect from the opening of business in the ROC on the Conversion Date, the Issuer will deem the person designated in the Conversion Notice as the person in whose name the Common Shares to be issued upon such conversion are to be registered as the holder of record of the number of Common Shares (disregarding any retroactive adjustment of the Conversion Price referred to below prior to the time such retroactive adjustment shall have become effective), and at such time the rights of such converting Holder as a Holder with respect to the Bonds deposited for conversion shall cease.

On the Conversion Date, the Issuer will register the converting Holder (or its designee) in the Issuer's register of shareholders as the owner of the number of Common Shares to be issued upon conversion of such Bonds and, subject to any applicable limitations then imposed by Cayman Islands and/or ROC laws and regulations, according to the request made in the relevant Conversion Notice, procure that, as soon as practicable, and in any event within five Trading Days from the Conversion Date (subject to changes to Cayman Islands and/or ROC laws and regulations), there be delivered to the local agent appointed by the converting Holder through book-entry system of Taiwan Depository & Clearing Corporation ("TDCC") or through physical delivery of a certificate or certificates for the relevant Common Shares, registered in the name specified for that purpose in the relevant Conversion Notice, together with any other property or cash required to be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the delivery thereof.

Adjustments to the Conversion Price

Antidilution. The Conversion Price will be subject to adjustment ("Antidilution Adjustment") in the circumstances described below:

(i) If the Issuer shall issue Common Shares as a dividend in Common Shares or make a distribution of Common Shares which is treated as a capitalization issue for accounting purposes (including but not limited to capitalization of retained earnings or capital reserves), then the Conversion Price in effect on the record date for the determination of the shareholders entitled to receive such dividend and/or distribution shall be adjusted in accordance with the following formula:

NCP = OCP x [N / (N + n)]

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Common Shares outstanding at the time of issuance of such dividend and/or distribution (or at the close of business in Taipei on such record date, as the case may be).

n = the number of Common Shares to be distributed to the shareholders as a dividend and/or distribution.

(ii) If the Issuer shall (a) subdivide its outstanding Common Shares, (b) combine its outstanding Common Shares into a smaller number of Common Shares, or (c) re-classify any of its Common Shares into other securities of the Issuer, then the Conversion Price shall be appropriately adjusted so that the holder of any Bond, in respect of the Conversion Date which occurs after the coming into effect of the adjustment described in this subsection (ii), shall be entitled to receive the number of Common Shares and/or other securities of the Issuer which it would have held or have been entitled to receive after the happening of any of the events described above had such Bond been converted immediately prior to the happening of such event (or, if the Issuer has fixed a prior record date for the determination of the shareholders entitled to receive any such securities issued upon any such subdivision, combination or reclassification, immediately prior to such record date), but without prejudice to the effect of any other adjustment to the Conversion Price made with effect from the date of the happening of such event (or such record date) or any time thereafter.

(iii) If the Issuer shall issue Common Shares as employee stock bonuses, then the Conversion Price in effect on the record date shall be adjusted in accordance with the following formula:

NCP = OCP x [(N + v) / (N + n)]

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N = the number of Common Shares outstanding at the close of business in the ROC on the date the Issuer fixes the said issuance.

n = the number of Common Shares to be issued in connection with such issuance.

v = the number of Common Shares which the aggregate consideration receivable by the Issuer would purchase at the Market Value specified therein.

Such adjustment shall, immediately upon the approval of the shareholders' meeting for the employee stock bonuses, become effective retroactively to immediately after the record date.

(iv) If the Issuer shall grant, issue or offer to the holders of Common Shares rights entitling them to subscribe for or purchase Common Shares, which expression shall include those Common Shares which are required to be offered to employees and persons other than shareholders in connection with such grant, issue or offer, at a consideration per Common Share receivable by the issuer which is fixed:

(a) on or prior to the record date mentioned below and is less than the Market Value per Common Share on such record date; or

(b) after the record date mentioned below and is less than the Market Value per Common Share on the date the Issuer fixes the said consideration,

then the Conversion Price in effect (in the case of (a) above) on the record date for the determination of the shareholders entitled to receive such rights or (in the case of (b) above) on the date the Issuer fixes the said consideration shall be adjusted in accordance with the following formula:

NCP = OCP x [(N + v) / (N + n)]

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N = the number of Common Shares outstanding at the close of business in the ROC (in the case of (a) above) on such record date or (in the case of (b) above) on the date the Issuer fixes the said consideration.

n = the number of Common Shares to be issued in connection with such rights issue at the said consideration.

v = the number of Common Shares which the aggregate consideration receivable by the Issuer would purchase at such Market Value specified in (a) or, as the case may be, (b) above.

Such adjustment shall become effective immediately after the latest date for the submission of applications of such Common Shares by shareholders entitled to the same pursuant to such rights or (if later) immediately after the Company fixes the said consideration but retroactively to immediately after the record date mentioned above.

If, in connection with a grant, issue or offer to the holders of Common Shares of rights entitling them to subscribe for or purchase Common Shares, any Common Shares which are not subscribed for or purchased by the persons entitled thereto are purchased by other persons after the latest date for the submission of applications for such Common Shares, an adjustment shall be made to the Conversion Price in accordance with the above provisions which shall become effective immediately after the date the Company receives the consideration in full, from such other persons but retroactively to immediately after the record date mentioned above.

If, in connection with a grant, issue or offer to the holders of Common Shares of rights entitling them to subscribe for or purchase Common Shares, any such Common Shares which are not subscribed for or purchased by such other persons as referred to above or by the persons entitled thereto (or persons to whom shareholders have transferred such rights) who have submitted applications for such Common Shares as referred to above are offered to and/or subscribed by others, no further adjustment shall be made to the Conversion Price by reason of such offer and/or subscription.

(v) If the Issuer shall grant, issue or offer to the holders of Common Shares warrants entitling them to subscribe for or purchase Common Shares at a consideration per Common Share receivable by the Issuer which is fixed:

(a) on or prior to the record date for the determination of the shareholders entitled to receive such warrants and is less than the Market Value per Common Share at such record date; or

(b) after the record date mentioned above and is less than the Market Value per Common Share on the date the Issuer fixes the said consideration,

then the Conversion Price in effect (in a case within (a) above) on the record date for the determination of the shareholders entitled to receive such warrants or (in a case within (b) above) on the date the Issuer fixes the said consideration shall be adjusted in accordance with the following formula:

$$NCP = OCP \times [(N + v) / (N + n)]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N = the number of Common Shares outstanding at the close of business in the ROC (in the case of (a) above) on such record date or (in the case of (b) above) on the date the Issuer fixes the said consideration.

n = the number of Common Shares initially to be issued upon exercise of such warrants at the said consideration where no applications by shareholders entitled to such warrants are required. Where applications by shareholders entitled to such warrants are required, n equals the number of such Common Shares that equals (A) the number of warrants which underwriters have agreed to underwrite as referred to below or, as the case may be, and (B) the number of warrants for which applications are received from shareholders as referred to below except to the extent already adjusted for under (A).

v = the number of Common Shares which the aggregate consideration receivable by the Issuer would purchase at such Market Value per Common Share specified in (a) or, as the case may be, (b) above.

Such adjustment shall become effective, where applications by shareholders entitled to the same are required as aforesaid, immediately after the latest date for the submission of such applications or (if later) immediately after the Company fixes the said consideration but retroactively to immediately after the record date mentioned above.

If, in connection with a grant, issue or offer to the holders of Common Shares warrants entitling them to subscribe for or purchase Common Shares, any warrants which are not subscribed for or purchased by the persons entitled thereto are purchased by other persons after the latest date for the submission of applications for such warrants, an adjustment shall be made to the Conversion Price in accordance with the above provisions which shall become effective immediately after the date the Company receives the consideration in full, from such other persons but retroactively to immediately after the record date mentioned above.

If, in connection with a grant, issue or offer to the holders of Common Shares warrants entitling them to subscribe for or purchase Common Shares, any such warrants which are not subscribed for or purchased by such other persons as referred to above or by the persons entitled thereto (or persons to whom shareholders have transferred such rights) who have submitted applications for such warrants as referred to above are offered to and/or subscribed by others, no further adjustment shall be made to the Conversion Price by reason of such offer and/or subscription.

(vi) If the Issuer or any Subsidiary of the Issuer shall distribute to the holders of Common Shares, any shares of Capital Stock of the Issuer other than Common Shares, evidences of its indebtedness or other assets (other than cash distributions described below) of the Issuer, or rights or warrants to subscribe for or purchase any Capital Stock of the Issuer (other than Common Shares), then the Conversion Price in effect on the record date for the determination of shareholders entitled to receive such distribution shall be adjusted in accordance with the following formula:

$$NCP = OCP \times [(M - fmv) / M]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

M = the Market Value per Common Share on the record date for the determination of shareholders entitled to receive such distribution.

fmv = the fair market value (as determined by an independent financial institution selected by the Issuer, at the expense of the Issuer and promptly notified in writing to the Trustee) of the portion of Capital Stock other than Common Shares, evidences of indebtedness or other assets so distributed applicable to one Common Share less any consideration payable for the same by the relevant Shareholder.

(vii) In case the issuer shall, by dividend or otherwise, distribute to all holders of Common Shares cash then, in such case, the Conversion Price shall be adjusted (with such adjustment to be effective on the record date for the determination of the shareholders entitled to receive such distribution) in accordance with the following formula;

$$NCP = OCP \times [(M - C) / M]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

M	=	the Market Value per Common Share on such record date.
C	=	the amount of cash so distributed applicable to one Common Share.

If such dividend or distribution is not so paid or made, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such dividend or distribution had not been approved.

(viii) If the Issuer shall reduce its share capital other than by means of canceling any Common Shares or repurchasing any Common Shares and for the purposes of holding such Common Shares in treasury, then the Conversion Price in effect on the record date for the determination of the shareholders participating in such capital reduction shall be adjusted in accordance with the following formula:

NCP = OCP x (N / n)

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N	=	the number of Common Shares outstanding immediately prior to such capital reduction.
n	=	the number of Common Shares outstanding immediately after such capital reduction.

For the avoidance of doubt, no adjustment to the Conversion Price under this subsection will be required if the Company cancels any Common Shares or redeems any Common Shares for the purposes of holding such Common Shares in treasury.

Such adjustment shall become effective immediately on the record date for the determination of the shareholders participating in such capital reduction.

(ix) In case a tender or exchange offer made by the Issuer or any Subsidiary of the Issuer for all or any portion of the Common Shares shall expire and such tender or exchange offer shall involve the payment by the Issuer or such Subsidiary of consideration per Common Share having a Fair Market Value (as determined by an independent financial institution selected by the Company, at the expense of the Company and promptly notified in writing to the Trustee) at the last time (the "Expiration Date") tenders or exchanges could have been made pursuant to such tender or exchange offer (as it shall have been amended) that exceeds the Market Value per Common Share, as of the Expiration Date, the Conversion Price shall be adjusted in accordance with the following formula:

NCP = OCP x [(N x M) / (a + [(N - n) x M])]

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N	=	the number of Common Shares outstanding (including any tendered or exchanged Common Shares) on the Expiration Date.
M	=	Market Value per Common Share as of the Expiration Date.
a	=	the Fair Market Value of the aggregate consideration payable to the holders of Common Shares based on the acceptance (up to a maximum specified in the terms of the tender or exchange offer) of all Common Shares validly tendered or exchanged and not withdrawn as of the Expiration Date (the Common Shares deemed so accepted up to any such maximum, being referred to as the "Purchased Shares").

n = the number of Purchased Shares.

such reduction to become retroactively effective immediately prior to the opening of business on the day following the Expiration Date.

If the Issuer is obligated to purchase Common Shares pursuant to any such tender or exchange offer, but the Issuer is permanently prevented by applicable law from effecting any such purchase or all such purchases are rescinded, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such tender or exchange offer had not been made.

(x) In case the Issuer issues Common Shares (other than Common Shares based on any of the circumstances described in subsections (i), (ii) and (iii)) or the Issuer or any Subsidiary of the Issuer shall issue any securities initially convertible into or exchangeable for Common Shares at a price per Common Share less than the Market Value per Common Share determined as of the date on which the Board of Directors or shareholders' meeting of the Issuer or such Subsidiary, if applicable, approves such issuance, the Conversion Price in effect immediately prior to the date of issue of such Common Shares or convertible or exchangeable securities shall be adjusted and become effective in accordance with the following formula:

$$NCP = OCP \times [(N + v) / (N + n)]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N = the number of Common Shares outstanding on the date of issuance of such Common Shares or initially convertible or exchangeable securities, immediately prior to such issuance.

n = the number of Common Shares issued or issuable upon conversion or exchange of such initially convertible or exchangeable securities.

v = the number of Common Shares which the aggregate consideration issue price of the total amount of Common Shares would purchase at Market Value; in the case of convertible or exchangeable securities, the number of Common Shares which the conversion price or exchange price of the newly issued securities multiply by n would purchase at Market Value; *provided that* if the new Common Shares are issued by the Issuer to exchange for the total outstanding shares of an entity to be consolidated with, merged or amalgamated into the Issuer, such "aggregate consideration issue price of the total amount of Common Shares" shall mean the aggregate amount of the net worth per common share on the latest reviewed or audited financial statement of such entity multiplied by "n" and further multiplied by the applicable share swap ratio under such consolidation, merger or amalgamation.

If the conversion or exchange right of any such convertible or exchangeable securities expires prior to exercise, the Conversion Price shall be readjusted to reflect the actual securities converted or exchanged.

(xi) In case of a Merger of the Issuer, each Bond then outstanding shall, without the consent of any Bondholders, become convertible only into the kind and amount of securities, cash and other property receivable upon such Merger by a holder of the number of Common Shares, into which such Bonds could have been converted immediately prior to such Merger. The corporation formed by such Merger or the Person that acquired such properties and assets shall enter into a supplemental indenture with the Trustee to provide for the continuation of the Conversion Rights to continue after such Merger and such supplemental indenture shall provide for adjustments to the

Conversion Price which shall be as nearly equivalent as practicable to the adjustments provided in the Indenture provided that where there has been a Change of Control pursuant to such a Merger, a Holder may exercise its Change of Control Put Right as set forth in "— Redemption of Bonds in the Event of Change of Control".

If any event or circumstance analogous to the events and circumstances described in subsections (i) through (x) occur, the Conversion Price shall be adjusted as set forth in the analogous subsection in the Indenture.

Provisions Applicable to All Conversions and Adjustments of Conversion Price

No adjustment of the Conversion Price will be required to be made until cumulative adjustments, required to be made in the circumstances set forth above, amount to 1.0% or more of the Conversion Price as last adjusted. However, any adjustment, required to be made in the circumstances set forth above, which is not made because of failure to meet the 1.0% threshold, will be carried forward. Except as otherwise described below, the Conversion Price may at any time be reduced by the Issuer.

The Issuer will not take any action which would reduce the Conversion Price per Common Share below the par value of the Common Shares (currently NT$10 per share), unless, under applicable law then in effect, the Bonds could be converted at such reduced Conversion Price into legally issued, fully-paid and non-assessable Common Shares.

All calculations relating to conversion, including adjustments of the Conversion Price, will be made to the lower 0.001 of a share of securities or other property or nearest cent, as the case may be.

Whenever the Conversion Price is adjusted, the Issuer will promptly file with the Paying Agent an officer's certificate setting forth the date on which such adjustment became effective, the Conversion Price after such adjustment and prior to such adjustment and setting forth a brief statement of the facts requiring such adjustment. Promptly after receipt of such certificate, the Paying Agent will prepare a notice of such adjustment of the Conversion Price setting forth the adjusted Conversion Price, the Conversion Price prior to such adjustment, a brief statement of the facts requiring such adjustment and the date on which such adjustment became effective and shall give such notice of such adjustment of the Conversion Price to each Holder of a Bond.

Neither the Trustee nor the Agents shall be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price or any calculation (or verification thereof) in connection with the Conversion Price and will not be responsible to Holders for any loss arising from any failure by them to do so. All adjustments to the Conversion Price shall be determined by the Issuer, and neither the Trustee nor the Agents shall be responsible for verifying such determinations.

Events of Default; Notice and Waiver

The Indenture provides that, if an Event of Default as defined therein shall have occurred and be continuing, either the Trustee (provided that it has been indemnified and/or secured to its satisfaction) or the Holders of not less than 25% in aggregate principal and other amounts in respect of the Bonds then outstanding may declare the principal amount to be immediately due and payable. In the case of certain events of bankruptcy or insolvency, the principal amount shall automatically become and be immediately due and payable. Under certain circumstances, the Holders of a majority in aggregate principal amount of the outstanding Bonds may rescind any such acceleration with respect to the Bonds and its consequences.

Under the Indenture, Events of Default include:

(i) default in payment of the principal of any Bond, as and when the same becomes due and payable, and continuance of such default for five Business Days;

(ii) default in the payment of Additional Amounts upon any Bond as and when the same becomes due and payable, and continuance of such default for five Business Days;

(iii) failure by the Issuer to deliver the Common Shares as and when such Common Shares are required to be delivered following conversion of a Bond, and continuance of such default for five Trading Days;

(iv) failure on the part of the Issuer duly to observe or perform any of the covenants or agreements provided in the Bonds or the Indenture (other than those referred to in clauses (i), (ii) or (iii) above) which failure cannot be remedied or, if such failure can be remedied, is not remedied within 30 days after the date on which written notice thereof requiring the Issuer to remedy the same shall have been given to the Issuer by the Trustee or the Holders or at least 25% in aggregate principal amount of the Bonds then outstanding;

(v) there shall have been entered against the Issuer or any of its Principal Subsidiaries a final judgment, decree or order by a court of competent jurisdiction for the payment of money in excess of US$10 million with respect to the Issuer or any of its Principal Subsidiaries (or its equivalent in any other currency or currencies) and 30 days shall have passed since the entry of the order without it being bonded, satisfied, discharged or stayed;

(vi) (A) the Issuer or any of its Principal Subsidiaries shall fail to make any payment with respect to present or future Debt (other than the Bonds) in an aggregate principal amount in excess of US$10 million with respect to the Issuer or any of its Principal Subsidiaries (or its equivalent in any other currency or currencies) when and as the same shall become due and payable, if such failure shall continue for more than the period of grace, if any, originally applicable thereto or (B) the Issuer or any of its Subsidiaries shall fail to perform or observe any covenant or agreement to be performed or observed by the Issuer or any of its Principal Subsidiaries contained in any agreement or instrument evidencing Debt (other than the Bonds) in an aggregate principal amount in excess of US$10 million with respect to the Issuer or any of its Principal Subsidiaries (or its equivalent in any other currency or currencies) and such failure results in the acceleration of the maturity of any amount owing thereunder;

(vii) a decree or order by a court having jurisdiction shall have been entered under any applicable bankruptcy, insolvency, reorganization or other similar law (A) adjudging the Issuer or any of its Principal Subsidiaries as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization of the Issuer or any of its Principal Subsidiaries or (B) appointing a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Issuer or any of its Principal Subsidiaries or of its property or (C) ordering the winding up or liquidation of the affairs of the Issuer or any of its Principal Subsidiaries and in any such case such decree or order shall have continued undischarged and unstayed for a period of 60 days; or

(vii) the Issuer or any of its Principal Subsidiaries shall voluntarily commence proceedings to be adjudicated a bankrupt or insolvent, or shall consent to the filing of a bankruptcy or insolvency proceeding against it, or shall file a petition or answer or consent seeking reorganization under any applicable bankruptcy, insolvency, reorganization or other similar law or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or its property, or shall make an assignment for the benefit of creditors.

If an event of Default shall have occurred and be continuing, interest shall accrue on the overdue sum at the rate of 5.00% per annum from the due date and ending on the date on which payment is made to the holders of the Bonds in respect thereof (both dates inclusive). Such default interest shall accrue on the basis of the actual number of days elapsed and a 360-day year consisting of 12 months of 30 days each.

The Trustee shall, within 30 days after the occurrence of any Default, mail to all Holders of the Bonds notice of all Defaults of which the Trustee shall have received written notice, unless such Defaults shall have been cured or waived and the Trustee shall have been notified so in writing before the giving of such notice.

The Holders of a majority in aggregate principal amount of the outstanding Bonds may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee; *provided* that such direction shall not be in conflict with any law or the Indenture and subject to certain other limitations. The Trustee may refuse to perform any duty, exercise any right or power, extend or risk its own funds or otherwise incur any financial liability, unless it receives indemnity and/or security satisfactory to it against any loss, liability or expense. No Holder of a Bond will have the right to pursue any remedy with respect to the Indenture or the Bonds, unless:

(i) such Holder shall have previously given the Trustee written notice of a continuing Event of Default;

(ii) the Holders of at least 25% in aggregate principal amount of the outstanding Bonds shall have made a written request to the Trustee to pursue such remedy;

(iii) such Holder or Holders shall have offered to the Trustee security and/or indemnity against any loss, liability or expense satisfactory to it;

(iv) the Trustee shall have failed to comply with the request within 60 days after receipt of such notice, request and offer of security or indemnity; and

(v) the Holders of a majority in aggregate principal amount of the outstanding Bonds shall not have given the Trustee a direction inconsistent with such request within 60 days after receipt of such request.

The right of any Holder (i) to receive payment of the principal of the Bonds, Additional Amounts, the Delisting Put Price upon exercise of the Delisting Put Right or the Change of Control Put Price upon exercise of the Change of Control Put Right, or to receive Common Shares on or after any Redemption Date, Purchase Date or Conversion Date, as the case may be, (ii) to convert its Bonds or (iii) to bring suit for the enforcement of any such right, shall not be materially impaired or materially adversely affected without such Holder's consent.

The Holders of a majority in aggregate principal amount of Bonds at the time outstanding may waive any existing Default and its consequences, except (i) any default in any payment on the Bonds, (ii) any default with respect to the Conversion Rights of Holders of the Bonds or (iii) any default with respect to certain covenants or provisions in the Indenture which may not be modified without the consent of the Holder of each Bond as described in "— Meeting of Bondholders; Modification and Waiver" below. When a Default is waived, it is deemed cured and shall cease to exist, but no such waiver shall extend to any subsequent or other Default or impair any consequent right.

The Issuer will be required to furnish to the Trustee annually, and at any time at the request of the Trustee, a statement concerning the performance and observance of its obligations under the Bonds or the Indenture. In addition, the Issuer is required to file promptly with the Trustee written notice of the occurrence of any Default or Event of Default.

Prescription

Claims in respect of payment of principal of or other amounts on the Bonds will be prescribed unless made within a period of six years from the relevant date of payment in respect thereof.

Meeting of Bondholders; Modification and Waiver

The Indenture contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including the approval of certain amendments or modifications of the Bonds or the provisions of the Indenture upon either the written consent of the Holders of a majority in principal amount of the outstanding Bonds or the approval at a meeting of the Holders duly called by persons entitled to vote a majority in principal amount of the outstanding Bonds. The quorum at any such meeting shall be two or more persons entitled to vote a majority in principal amount of the outstanding Bonds.

Modifications and amendments of the Indenture or the Bonds may be made by the Issuer and the Trustee with the written consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Bonds; *provided* that no such modification or amendment may, without the consent of the Holders of 75% of aggregate principal amount of outstanding Bonds:

(i) change the Maturity Date of the principal of any Bond;

(ii) reduce the principal amount of or other amounts on any Bond or increase the then current Conversion Price (except as required by the antidilution provisions of the Indenture);

(iii) change the place or currency of payment of principal of or other amounts on any Bond or the method of calculating any such payment;

(iv) impair the right to institute suit for the enforcement of any payment on or after the Maturity Date (or, in the case of a redemption, on or after the Redemption Date) of any Bond;

(v) alter the obligations of the Issuer under "— Certain Covenants — Negative Pledge", "— Certain Covenants — Consolidation, Amalgamation or Merger" or "— Additional Amounts" above;

(vi) materially adversely affect the Conversion Right, Delisting Put Right or Change of Control Put Right;

(vii) modify the obligations of the Issuer to maintain an office or agency in Dublin, Ireland or London, England;

(viii) reduce the above-stated percentage of outstanding Bonds the consent of whose Holders is necessary to modify or amend the Indenture;

(ix) reduce the percentage or aggregate principal amount of outstanding Bonds the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver or certain Defaults;

(x) modify any of the percentage voting and quorum provisions described under "— Meeting of Bondholders; Modification and Waiver"; or

(xi) release the Issuer from any obligation under the Indenture other than in accordance with the provisions of the Indenture, or amend or modify any provision relating to such release in a manner that materially adversely affects the rights of the Holders.

Neither the Issuer nor any of its Subsidiaries will, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise to any Holder of any Bonds for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Bonds, unless such consideration is offered to be paid or agreed to be paid to all Holders of the Bonds that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or amendment.

Without the consent of any Holder of Bonds, the Issuer together with the Trustee may amend the Indenture to:

(i) cure any ambiguity, defect, manifest errors or inconsistency in the Indenture or the Bonds;

(ii) provide for the assumption of the Issuer's obligations under the Bonds and the Indenture by the surviving Person in a Merger effected in accordance with the provisions of the Indenture described under "— Certain Covenants — Consolidation, Amalgamation or Merger" above;

(iii) make any other change that does not materially adversely affect the rights of any Holder of Bonds;

(iv) make any change necessary to comply with applicable Cayman Islands and ROC laws and regulations; or

(v) add to the covenants or obligations of the Issuer under the Indenture or decrease the Conversion Price at the discretion of the Issuer or surrender any right, power or option conferred by the Indenture on the Issuer.

Notices

Whenever the Indenture provides for notice to be given to Holders, such notice will be validly given (except as otherwise expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder entitled thereto, at such Holder's address as it appears on the Bond register. Any such notice shall be deemed to have been given on the seventh day after being so mailed, and shall be irrevocable unless waived by the Holders receiving such notice. Notwithstanding the foregoing, so long as the Bonds are represented by the Global Bond and the Global Bond is held on behalf of Euroclear and Clearstream, notice to Holders may be given by delivery of the relevant notice to Euroclear and Clearstream or their successor clearing systems for communication by them to entitled accountholders in substitution for notification as required by the foregoing sentence.

Concerning the Trustee

The Indenture provides that, prior to the occurrence of an Event of Default, the Trustee will not be liable except for the performance of such duties as are specifically set forth in such Indenture. If an Event of Default has occurred and is continuing, the Trustee will be obligated to use the same degree of care and skill as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

Disclosure Obligations

The Indenture provides that the Issuer may have certain disclosure obligations and reporting obligations under ROC law:

(i) the person to be registered as a shareholder of the Company is a "related party" of the Company under Statements of Financial Accounting Standard No. 6 of the ROC and such person beneficially owns Common Shares converted from the Bonds; or

(ii) the person to be registered as a shareholder owns Common Shares issued upon conversion of the Bonds and the Common Shares so issued on conversion exceed 10%, of the total number of Common Shares expected to be issued upon conversion of the Bonds based on the conversion price at the time of issue of the Bonds.

Due to these obligations, if so instructed by the Issuer, the Paying Agent may ask the converting Holders to disclose the name of the person to be registered as the shareholder and to provide proof of identity and genuineness of any signature and other documents before it will convert the Bonds. The conversion of Bonds may be delayed until the Paying Agent receives the requested information and satisfactory evidence of the compliance with all laws and regulations by the Holders. The information the Holder is required to provide may include the name and nationality of the person to be registered as a shareholder of the Company and the total number of Common Shares such person is converting or has converted in the past.

Governing Law and Jurisdiction

The Indenture and the Bonds are governed by, and shall be construed in accordance with, the laws of the State of New York. In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Bonds, the Company has in the Indenture irrevocably submitted to the jurisdiction of the New York State and United States Federal courts sitting in the Borough of Manhattan, The City of New York. The Company has appointed Law Debenture, now at 400 Madison Avenue, New York, New York 10017, as its agent for service of process.

Bondholders should note that exercise of a Conversion Right is subject not only to the provisions of the Indenture but also to the applicable Cayman Islands and ROC law.

THE GLOBAL BOND

Global Bond

The Global Bond will be deposited with, and registered in the nominee name of, a common depositary for Euroclear and Clearstream, and Euroclear and Clearstream will credit their respective accountholders with the respective amounts of individual interests represented by the Global Bond. Such accounts will initially be designated by or on behalf of the joint bookrunners. Ownership of beneficial interests in the Global Bond will be limited to persons who have accounts with Euroclear or Clearstream or persons who hold interests through such accountholders. Ownership of beneficial interests in the Global Bond will be shown on, and the transfer of that ownership will be effected only through, records maintained by Euroclear and Clearstream (with respect to interests of their respective accountholders) and the records of such accountholders (with respect to interests of persons other than such accountholders).

Payments in respect of the Global Bond will be made to the common depositary or its nominee as the registered owner. Neither we nor the trustee will have any responsibility or liability for the accuracy of any of the records relating to, or payments made on account of, ownership interests in the Global Bond or for any notice permitted or required to be given to holders of the Bonds or any consent given or actions taken by such registered holder of the Bonds. We expect that the common depositary, upon receipt of any payment in respect of the Global Bond, will immediately credit Euroclear and Clearstream with payments in amounts proportionate to their respective interests in the principal amount of the Global Bond shown as shown on its records.

Transfers between accountholders in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

The laws of certain jurisdictions require that certain purchasers of securities take physical delivery of such securities in definitive form. Accordingly, the ability of beneficial owners to own, transfer or pledge beneficial interests in the Global Bond may be limited by such laws.

Conversion of Bonds through participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Euroclear and Clearstream each holds securities for participating organizations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Individual Definitive Bonds

If (i) either Euroclear or Clearstream or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or (ii) an event of default under the Bonds or the indenture has occurred and is continuing, we will issue individual definitive Bonds in registered form in exchange for the Global Bond. Upon receipt of such notice from Euroclear, Clearstream or the trustee, as the case may be, we will make arrangements for the exchange of interests in the Global Bond for individual definitive Bonds and cause them to be executed and delivered to the registrar in sufficient quantities and authenticated by the trustee for delivery to holders. Persons exchanging interests in the Global Bond for individual definitive Bonds will be required to provide to the trustee, through the relevant clearing system, written instructions and other information required by us and the registrar to complete, execute and deliver such individual definitive Bonds and individual definitive Bonds delivered in exchange for interests in the Global Bond or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

DESCRIPTION OF OUR SHARE CAPITAL

We are a Cayman Islands exempted company with limited liability and our affairs are governed by our memorandum and articles of association, and the Companies Law (2010 Revision) of the Cayman Islands, which is referred to as the Companies Law below. As of the date of this offering memorandum, our authorized share capital is NT$3,000,000,000 divided into 300,000,000 shares of a par value of NT$10.00 each. As of the date of this offering memorandum, there are 224,067,522 shares issued and outstanding. All of our shares issued and outstanding prior to the completion of the Offering are and will be fully paid, and all of our shares to be issued in the Offering will be issued as fully paid. The following are summaries of material provisions of our amended and restated memorandum and articles of association, and the Companies Law insofar as they relate to the material terms of our shares.

Shares

General

Subject to the Companies Law, the memorandum and articles of association and to any resolution of the Members to the contrary, and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, the Board of Directors shall have the power to issue any of our unissued shares on such terms and conditions as it may determine and any shares or class of shares (including the issue or grant of options, warrants and other rights, renounceable or otherwise in respect of shares) may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital, or otherwise as we may by resolution of the Members prescribe.

Dividends

The holders of our shares are entitled to such dividends as may be declared by our board of directors subject to the Companies Law and to the articles of association.

Voting Rights

Every Member who is present in person or by proxy shall have one vote for each share of which it is a holder. An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of votes attached to the shares cast in a general meeting, while a special resolution requires the affirmative vote of not less than two-thirds of votes cast in a general meeting. A supermajority resolution requires the affirmative vote of two-thirds or more of all issued and outstanding shares of our company, or by at least two-thirds of the shareholders present who represent a majority of all issued and outstanding shares of our company. A Special Resolution will be required for matters such as a change of name or making amendments to our memorandum and articles of association and a supermajority resolution will be required for matters such as the removal or any director of our company.

Our board of directors may determine that the voting power of a Member at a general meeting may be exercised by way of a written ballot or by way of electronic transmission; provided, however, that if a general meeting is to be held outside of Taiwan, we shall provide the Members with a method for exercising their voting power by means of a written ballot or electronic transmission.

Transfer of Shares

Subject to the requirements of applicable laws of the Cayman Islands, transfers of uncertificated shares which are traded on the TWSE may be effected by any method of transferring or dealing in securities introduced by the TWSE or operated in accordance with the applicable public company rules as appropriate.

In accordance with the applicable public company rules, we shall issue our shares in scripless form and our shares shall be traded on the TWSE during the period of listing.

Liquidation

On the winding up of our company, assets available for distribution among the holders of shares will be distributed among the holders of the shares on a pro rata basis. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders proportionately.

Purchase of Shares

Subject to the provisions of the Companies Law, our memorandum and articles of association and the laws of the ROC, we may purchase our own shares on such terms and by such method as our board of directors may from time to time decide subject to obtaining a resolution of shareholders.

Variations of Rights of Shares

If at any time, our share capital is divided into different classes of shares, the rights attaching to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied or abrogated with the sanction of a Special Resolution passed at a general meeting of the holders of the shares of that class. Notwithstanding the foregoing, if any modification or alteration to the articles of association is prejudicial to the preferential rights of any class of shares, such modification or alteration shall be adopted by a Special Resolution and shall also be adopted by a Special Resolution passed at a separate meeting of Members of that class of shares.

General Meetings of Shareholders

Our board of directors may convene the general meetings whenever they think fit. For so long as our shares are listed on the TWSE, general meetings shall also be convened on the written requisition of any shareholder or shareholders entitled to attend and vote at general meetings holding at least 3% of the paid up voting share capital of the Company for a period of one year or a longer time deposited at the registered office of the Company or the office of the institution handling our shares specifying the objects of the meeting and the reason therefore signed by such shareholder(s), and if our board of directors does not within 15 days from the date of the deposit of the requisition dispatch the notice of such general meeting, and for so long as the shares are listed on the TWSE, such shareholder(s) may convene the general meeting in the same manner, as nearly as possible, as that in which general meetings may be convened by the directors.

At least 30 days' notice of an annual general meeting, and at least 15 days' notice of an extraordinary general meeting shall be given to each shareholder entitled to attend and vote at such meeting.

Save as otherwise provided by our articles of association, the holders of shares being more than an aggregate of one-half of all shares in issue present in person or by proxy and entitled to vote shall constitute a quorum for any general meeting.

Election and Removal of Directors

Our board of directors consists of nine persons, including independent directors, each of whom shall be appointed to a term of office of three years. We may from time to time by an ordinary resolution increase or reduce the number of Directors subject to the above number limitation provided that the requirements by relevant laws and regulations (including but not limited to any listing requirements) are met.

Unless otherwise permitted under the laws of the ROC, there shall be at least 3 independent directors and, to the extent required by the laws of the ROC, at least one of them shall be domiciled in the ROC.

If the number of independent directors is less than 3 persons, or, the number of Directors is less than 5 persons, we shall hold an election of independent directors or directors (as the case may be) at the next following general meeting. If all of the independent directors have resigned or are removed or vacated, or the number of our board of directors equals to one third of the total number of Directors elected, our board of directors shall hold, within 60 days, an extraordinary general meeting to elect succeeding Independent Directors or Directors (as the case may be) to fill the vacancies.

We may at a general meeting elect any person to be a director pursuant to a cumulative voting mechanism, where the number of votes exercisable by any shareholder shall be the same as the product of the number of shares held by such shareholder and the number of directors to be elected and the total number of such votes cast by any shareholder may be consolidated for election of one director candidate or may be split for election amongst multiple director candidates, as specified by the shareholder pursuant to the poll vote ballot. The top director candidates in the number equal to the number of the directors to be elected, to whom the votes cast represent a prevailing number of votes relative to the other director candidates, shall be deemed as elected.

The shareholders of the Company may from time to time by supermajority resolution remove any director from office.

Proceedings of Board of Directors

Our articles of association provide that, subject to the provisions of the Companies Law, the articles of association, applicable public company rules and any resolutions made in a general meeting, our business is to be managed and conducted by our board of directors. The quorum necessary for the transaction of the business of the directors shall be more than one-half of the directors, unless otherwise fixed by the directors.

Our articles of association provide that the directors may exercise all powers of the Company to raise or borrow money, to mortgage or charge its undertaking and property, to issue debentures, debenture stock and other securities whenever money is borrowed or as security for any debt, liability or obligation of our Company or of any third party.

Inspection of Books and Records

The board of directors shall keep at the office of our Shareholders' Service Agent copies of our amended and restated memorandum and articles of association, minutes of every meeting of the Members, financial statements, register of members and the counterfoil of corporate bonds issued by us. Any Member may request, by submitting evidentiary document(s) to show his/her interests involved and indicating the scope of interested matters, an access to inspect and to make copies of our amended and restated memorandum and articles of association and accounting books and records.

Changes in Capital

We may from time to time by ordinary resolution increase the authorized share capital of the Company by such amount as we think expedient.

We may by a Special Resolution reduce our share capital in any manner authorized by law.

TAXATION

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the Government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not a party to any double tax treaties. There are no exchange control regulations or currency restrictions in the Cayman Islands.

ROC Taxation

The following is a summary of current ROC tax laws that may be relevant to a holder of the Bonds or the Shares who is either a Non-ROC Resident Individual or Non-ROC Resident Entity, each a "Non-ROC Holder." As used in the preceding sentence, a "Non-ROC Resident Individual" is a non-ROC citizen who is not physically present in the ROC for 183 days or more within a calendar year and a "Non-ROC Resident Entity" is a corporation or a non-corporate body established outside the ROC which does not have a fixed place of business or business agent in the ROC. The summary does not purport to be a comprehensive description of all of the tax consequences that may be relevant to a decision to purchase/own the Bonds and/or the Shares and is based on tax laws of the ROC in effect on the date of this offering memorandum, which are subject to change. **You should consult your own advisors concerning the tax consequences of an investment in the Bonds or the Shares.**

Bonds

Premium and Possible Interest Payment. Payments of premium or interest, if any, on the Bonds to a Non-ROC Holder are not subject to any ROC taxes.

Sale. The sale of the Bonds is not subject to any ROC taxes.

Conversion. Gains on conversion of the Bonds into the Shares will not be subject to any ROC taxes. Nonetheless, in any event, we have agreed to pay additional amounts in respect with such tax on conversion, if any. See "Description of the Bonds." There is no ROC stamp, issue or registration tax imposed on the issuance of the Shares upon conversion of the Bonds.

Shares

Dividends. Dividends, whether in cash or stock, declared by us out of retained earnings and distributed to a Non-ROC Holder in respect of the Shares are not subject to any ROC taxes.

Sale. Securities transaction tax is payable by the seller at the rate of 0.3% of the transaction price upon a sale of the Shares. The broker will withhold such 0.3% securities transaction tax from the sales proceeds and pay the withholding tax to the national treasury accordingly. Under the current ROC law, capital gains on transactions in shares are exempt from income tax. This exemption applies to capital gains derived from the sale of the Shares.

Subscription Rights

Distributions of statutory subscription rights for the Shares are not subject to any ROC taxes. Proceeds derived from sales of statutory subscription rights evidenced by securities are currently exempted from income tax but are subject to securities transaction tax, currently at the rate of 0.3% of the gross amount received. Proceeds derived from sales of statutory subscription rights that are not evidenced by securities may be subject to capital gains tax at the rate of 20% of the gains realized for a Non-ROC Holder.

Inheritance Tax and Gift Tax

Our shares are not deemed as property located in the ROC; hence the ROC inheritance and gift tax law does not apply to the Shares for Non-ROC Resident Individual.

Tax Treaties

At present, the ROC has entered into income tax treaties with Singapore, Australia, Indonesia, New Zealand, South Africa, Gambia, the Netherlands, Swaziland, Malaysia, Macedonia, Vietnam, the United Kingdom, Senegal, Sweden, Belgium, Denmark, France, Hungary, Israel and Paraguay.

TRANSFER RESTRICTIONS

Because of the following restrictions, we encourage you to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Bonds or the Shares.

This offering is being made pursuant to Regulation S under the U.S. Securities Act. The Bonds and the Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state in the United States or other jurisdiction. The Bonds may only be offered, sold or delivered outside the United States (as defined in Regulation S under the U.S. Securities Act) to persons other than U.S. persons in offshore transactions in reliance on Regulation S, and outside the ROC, in each case in accordance with any other applicable law.

Except in certain limited circumstances, interests in the Bonds may only be held through owning beneficial interests in the Global Bond. Interests in the Global Bond will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their respective direct and indirect participants. See "The Global Bond." Each owner of Bonds, by its acceptance of the Bonds, will be deemed to have acknowledged and represented to and agreed with our company and the joint bookrunners as follows (terms used that are defined in Regulation S are used as so defined):

(1) The Bonds and the Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States or other jurisdiction and are subject to significant restrictions on transfer.

(2) Each owner is a person other than a U.S. person purchasing Bonds outside the United States in an offshore transaction meeting the requirements of Regulation S.

(3) Such owner will not offer, sell, pledge or otherwise transfer any Bonds and the Shares, except as permitted by the applicable legend set forth in paragraph (4) below.

(4) The Bonds will bear a legend to the following effect, unless we determine otherwise in compliance with applicable law, and that it will observe the restrictions contained therein:

The Bonds ("Bonds") and the common shares issuable upon conversion of the Bonds, have not been and are not expected to be, registered under the United States securities act of 1933, as amended.

Each purchaser of Bonds that may wish to resell any Bonds pursuant to Regulations S is advised that we have received approval in-principle for the listing of the Bonds on the SGX-ST. The SGX-ST is a "designated offshore securities market" (within the meaning of Regulation S) and accordingly, a resale transaction could be effected in, on or through the facilities of such exchange in reliance upon the safe harbor provided by Rule 904 of Regulation S, subject to compliance with the conditions of Rule 904.

PLAN OF DISTRIBUTION

J.P. Morgan Securities Ltd. and Nomura International (Hong Kong) Limited, each trading as J.P. Morgan Securities Ltd. and Nomura International (Hong Kong) Limited are the joint bookrunners of this offering. Subject to the terms and conditions stated in the purchase agreement, dated as of April 13, 2011, entered into between our company and the managers, each manager has agreed to purchase, and we have agreed to sell to that manager, the principal amount of Bonds set forth opposite the manager's name,

Manager	Principal amount of Bonds
J.P. Morgan Securities Ltd.	US$200,000,000
Nomura International (Hong Kong) Limited	US$200,000,000
Total	US$400,000,000

The purchase agreement provides that the obligations of the managers to purchase the Bonds included in this offering are subject to certain conditions, including receipt of certain legal opinions. The managers are obligated to purchase all the Bonds if they purchase any of the Bonds.

The managers have agreed to purchase the Bonds at the offering price set forth on the cover page of this offering memorandum, and we have agreed to pay the managers a combined underwriting commission of 0.4% of the principal amount of the Bonds purchased. We have been advised that the managers propose to resell the Bonds at the offering price set forth on the cover page of this offering memorandum outside the United States to non-U.S. persons in reliance on Regulation S.

The Bonds and the shares have not been, and will not be, registered under the U.S. Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. See "Transfer Restrictions."

Accordingly, in connection with sales outside the United States, each manager has agreed that, except as permitted by the purchase agreement and as set forth in the "Transfer Restrictions", it will not offer or sell the Bonds within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S), and it will have sent to each dealer to which it sells Bonds a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the later of the commencement of this offering and the latest closing date of this offering, an offer or sale of the Bonds within the United States by a dealer that is not participating in this offering may violate the registration requirements of the U.S. Securities Act.

For a period of 90 days after the date of this offering memorandum, without the prior written consent of J.P. Morgan Securities Ltd. and Nomura International (Hong Kong) Limited, we and certain shareholders holding an aggregate of 42.0% of our total issued and outstanding share capital as of December 31, 2010, will not (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, or file with the SEC a registration statement under the Securities Act relating to, any Shares or any securities convertible into or exercisable or exchangeable for Shares, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Shares or any such other securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise, other than the Bonds to be sold hereunder. Notwithstanding the foregoing, we may (A) issue employee bonus shares and stock dividends consistent with past practice, (B) implement stock splits and employee stock option plans or employee share purchase plans, (C) issue common stock issuable upon the conversion of securities or the exercise of warrants outstanding as of the date of this offering memorandum and as described in this offering memorandum, (D) make any application or filing with any applicable regulatory authority for issuance and offering of new common shares approved by the shareholders prior to the date of this offering memorandum, and (E) announce and/or issue dividends of shares of our common stock following the public announcement of our results of operations for the fiscal year-ended December 31, 2010.

The Bonds may not be offered or sold directly or indirectly in the ROC, or to, or for the account or benefit of, any ROC person.

Under applicable ROC laws and regulations, we and the managers are prohibited from offering and selling the Bonds to our "related parties" as defined in the ROC Statement of Financial Accounting Standards No. 6 and further specified in Section 36 of the ROC Securities Association Rules Governing Underwriting and Resale of Securities by Securities Firms. Therefore, each subscriber or purchaser of the Bonds described in this offering memorandum will be deemed to have acknowledged and represented to us and the managers that it is not: (a) a business entity that is invested by us using equity method in our accounting reporting, (b) a business entity that invests in our company and uses equity method in its accounting reporting; (c) a company whose chairman of the board or president is the same as that of our company or is the spouse or relative within two degrees of kinship thereof, (d) a foundation with one-third of its total paid-in funds donated by us, (e) our director, president, vice-president, assistant vice president, and other department head under the immediate supervision by our president, (f) a spouse of our director or president, (g) a relative within two degrees of kinship of our directors or president, (h) a director or employee of any member of the underwriting syndicate, or a spouse or relative within two degrees of kinship thereto, and (i) a person subscribing for the Bonds on behalf of or for the benefit of any person set forth in items (a) to (h) above. For the purposes of the above item (i), a person shall be deemed to subscribe for the Bonds on behalf of or for the benefit of a "related party" if: (i) the purchase price for the Bonds is directly or indirectly funded by such related party; (ii) the related party is entitled to manage, employ or dispose of the Bonds held under the name of such party; or (iii) the related party shares all or part of the gains, interests or losses on the Bonds held under the name of such person.

Each manager has represented and agreed that (1) it has not offered or sold and, prior to the expiry of the period of six months from the closing date, will not offer or sell any Bond to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended); (2) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000, or FSMA, with respect to anything done by it in relation to the Bonds in, from or otherwise involving, the United Kingdom; and (3) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of such Bonds in circumstances in which section 21(1) of the FSMA does not apply to us.

Each manager has severally represented and agreed that:

(1) it has not offered or sold and will not offer or sell the Bonds in Hong Kong, by means of any document other than:

    (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or

    (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(2) it has not issued or had in its possession for the purpose of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be assessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds that are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each manager has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase nor will it offer or sell the Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, nor has it circulated or distributed nor will it circulate or distribute this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Bonds and/or Shares may not be circulated or distributed, nor may any Bonds and/or Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law; or

(iv) as specified in Section 276(7) of the SFA.

Each manager has agreed that, as part of the distribution of the Bonds, it has not offered or sold, and will not offer or sell, any Bond directly or indirectly in the ROC.

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) (the "Financial Instruments and Exchange Law"). Each manager represented and agreed that it has not offered or sold and will not offer or sell any Bonds, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the regulation requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and other applicable laws, regulations and ministerial guidelines of Japan.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by this offering memorandum to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of Goldman Sachs International for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require us or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Bonds to the public" in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

The Bonds will constitute new classes of securities with no established trading market. We have received approval in-principle for the listing of the Bonds on the SGX-ST. However, we cannot assure you that the prices at which the Bonds will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Bonds will develop and continue after this offering. The managers have advised us that they currently intend to make a market in the Bonds. However, they are not obligated to do so and any market-making activities with respect to the Bonds may be discontinued at any time without notice. In addition, such market-making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Securities and Exchange Act. Accordingly, we cannot assure you as to the liquidity of, or trading market for, the Bonds.

This offering memorandum does not constitute a public offer of the Bonds, whether by way of sale or subscription, in the PRC. Other than to qualified domestic institutional investors in the PRC, the Bonds are not being offered and may not be offered or sold, directly or indirectly, in the PRC to or for the benefit of, legal or natural persons of the PRC. According to the laws and regulatory requirements of the PRC, with the exception of qualified domestic institutional investors in the PRC, the Bonds may, subject to the laws and regulations of the relevant jurisdictions, only be offered or sold to non-PRC natural or legal persons in any country other than the PRC.

We have agreed to indemnify the managers against certain liabilities, including liabilities under the U.S. Securities Act, or to contribute to payments the managers may be required to make because of any of those liabilities.

Certain of the managers and their respective affiliates may from time to time engage in transactions with, and perform services for, us and our affiliates in the ordinary course of business, and have also engaged, or may in the future engage, in commercial banking and investment banking transactions with us or our affiliates, for which they have received, and may in the future receive, customary compensation.

Affiliates of any of the managers may purchase Bonds for their own account, subject to the terms described in this offering memorandum.

GENERAL INFORMATION

We are incorporated in the Cayman Islands as an exempted company with limited liability on November 21, 2005. Our registered office is located at P.O. Box 309, Ugland House, Grand Cayman KY 1-1104, Cayman Islands. According to paragraph 3 of our Amended and Restated Memorandum and Articles of Association, the scope of our business is unrestricted.

The offering of the Bonds was authorized and approved by our board of directors at meetings held on March 8, 2011. All consents, approvals, authorizations or other orders required under the prevailing laws of the Cayman Islands have been given or obtained for the offer, issue and sale of the Bonds.

The Bonds have been accepted for clearance through the facilities of Euroclear and Clearstream. The Bonds have been designated with Common Code number 061155112 and ISIN number XS0611551127.

Trades for the Bonds on the SGX-ST will be cleared through Clearstream and Euroclear in accordance with their respective rules and operating procedures.

If individual definitive Bonds are exchanged for the Global Bond, and as long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption. In addition, we will announce the exchange of individual definitive Bonds for the Global Bond through the SGX-ST. The announcement will include all material information on the delivery of individual definitive Bonds, including details of the paying agent in Singapore. The Bonds will be traded on the SGX-ST in a minimum board lot size of US$200,000 for so long as the Bonds are listed on SGX-ST.

As long as any of the Bonds remain outstanding, copies of our most recent annual audited consolidated and unconsolidated financial statements, both of which we publish annually, and our most recent interim unconsolidated financial statements, which we publish quarterly for each of the first three quarters of each fiscal year, will be delivered to and be obtainable from the offices of the conversion agents and the transfer agents specified on the back cover of this offering memorandum. We are required to publish on the TWSE's Website material developments of our company, including matters relating to dividend distributions, annual general shareholders' meetings and capital increases. The TWSE's Website does not constitute part of this offering memorandum.

Holders of the Bonds do not have any participating rights in any tender offer for our Shares.

LEGAL MATTERS

Certain legal matters with respect to the Bonds will be passed upon for us by Ogier as to Cayman Islands law, Lee and Li, Attorneys-at-Law as to ROC law and Leaven, Attorneys-at-Law as to PRC law, and for the Initial Purchasers by Simpson Thacher & Bartlett LLP as to U.S. federal and New York law.

ACCOUNTANTS

Our audited consolidated financial statements, as of December 31, 2008, 2009 and 2010 and included in this offering memorandum have been audited by Deloitte & Touche, independent certified public accountants, to the extent and for the periods indicated in their report thereon.

INDEX TO FINANCIAL STATEMENTS

Audited Consolidated Financial Statements as of December 31, 2008, 2009 and 2010

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
TPK Holding Co., Ltd.

We have audited the accompanying consolidated balance sheets of TPK Holding Co., Ltd. and its subsidiaries (collectively, the "Company") as of December 31, 2008, 2009 and 2010, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TPK Holding Co., Ltd. and its subsidiaries as of December 31, 2008, 2009 and 2010, and the consolidated results of their operations and their consolidated cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 18, 2011

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

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

For the convenience of readers, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail.

TPK HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2008, 2009 AND 2010
(In Thousands, Except Par Value)

	2008	2009	2010	
	NT$	NT$	NT$	US$
ASSETS				
CURRENT ASSETS (Note 2)				
Cash (Note 4)	$ 527,855	$ 1,670,865	$ 5,563,959	$ 191,004
Financial assets at fair value through profit or loss - current (Notes 2 and 20)	33,902	—	—	—
Note receivable (Note 2)	630	—	—	—
Accounts receivable, net (Notes 2, 5 and 18)	719,362	835,049	11,998,886	411,908
Inventories, net (Notes 2, 3 and 6)	1,022,428	971,250	3,055,873	104,905
Deferred income tax assets - current (Notes 2 and 15)	10,732	19,841	—	—
Restricted assets - current (Note 10)	—	524,496	13,480	463
Other current assets (Notes 2 and 15)	228,342	247,923	1,654,775	56,806
Total current assets	2,543,251	4,269,424	22,286,973	765,086
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 7 and 18)				
Cost				
Buildings	1,261,354	1,225,724	1,681,129	57,712
Machinery and equipment	3,670,562	4,307,085	10,154,586	348,595
Transportation and others	664,273	934,066	2,726,052	93,583
Total cost	5,596,189	6,466,875	14,561,767	499,890
Less: Accumulated depreciation	(492,807)	(1,055,964)	(1,993,033)	(68,419)
Less: Accumulated impairment	(3,461)	—	—	—
Construction in progress and prepayments for equipment	202,506	548,264	5,404,036	185,514
Total property, plant and equipment	5,302,427	5,959,175	17,972,770	616,985
INTANGIBLE ASSETS, NET (Notes 2 and 8)	542,748	517,110	1,290,850	44,314
OTHER ASSETS				
Assets leased to others, net (Notes 2 and 9)	12,095	12,492	—	—
Refundable deposits (Note 18)	9,130	78,051	303,457	10,417
Deferred income tax assets - noncurrent (Notes 2 and 15)	151,558	134,557	67,182	2,306
Others	5,020	18,893	8,096	278
Total other assets	177,803	243,993	378,735	13,001
TOTAL	$8,566,229	$10,989,702	$41,929,328	$1,439,386

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

	2008	2009	2010	
	NT$	NT$	NT$	US$
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES (Note 2)				
Short-term loans (Note 10)	$1,845,501	$ 1,649,933	$ 3,408,924	$ 117,024
Current portion of long-term loans (Note 11)	211,991	—	247,605	8,500
Financial liabilities at fair value through profit or loss - current (Notes 2 and 20)	30,650	—	—	—
Notes payable	268	697	2,491	86
Accounts payable (Note 18)	2,197,625	2,202,821	13,924,032	477,996
Income tax payable (Notes 2 and 15)	1,452	63,526	431,306	14,806
Accrued expenses (Note 13)	380,812	630,360	2,194,103	75,321
Payables on construction and equipment	478,438	455,459	2,686,705	92,232
Accrued liability on purchase commitment (Note 6)	—	—	150,466	5,165
Deferred income tax liabilities - current (Notes 2 and 15)	—	—	310,435	10,657
Other payables - related parties (Notes 2 and 18)	164,000	—	—	—
Other current liabilities	817	39,561	85,079	2,920
Total current liabilities	5,311,554	5,042,357	23,441,146	804,707
LONG-TERM LIABILITIES				
Long-term loans (Note 11)	—	594,900	3,604,535	123,740
OTHER LIABILITIES				
Accrued pension liabilities (Notes 2 and 12)	11,198	10,723	16,506	567
Guarantee deposits received	384	21,888	74,183	2,547
Others	887	—	—	—
Total other liabilities	12,469	32,611	90,689	3,114
Total liabilities	5,324,023	5,669,868	27,136,370	931,561
SHAREHOLDERS' EQUITY (Notes 2, 13 and 14)				
Shareholders' equity of parent company				
Common shares - US$0.1 par value in 2008 and 2009, NT$10 par value in 2010				
Authorized: 500,000 thousand shares in 2008 and 2009, 300,000 thousand shares in 2010				
Issued: 308,261 thousand shares in 2008 and 2009, 224,068 thousand shares in 2010	1,011,097	987,361	2,240,675	69,710
Capital surplus				
Additional paid-in capital	1,465,827	1,431,416	6,293,780	216,058
Employee stock options	—	—	179,467	6,161
Total capital surplus	1,465,827	1,431,416	6,473,247	222,219
Retained earnings				
Legal reserve	—	—	210,722	7,234
Unappropriated earnings	506,770	2,619,701	5,457,028	187,333
Total retained earnings	506,770	2,619,701	5,667,750	194,567
Other items of shareholders' equity				
Cumulative translation adjustments	258,512	263,937	417,403	21,539
Net loss not recognized as pension cost	—	—	(6,117)	(210)
Total other items of shareholders' equity	258,512	263,937	411,286	21,329
Total shareholders' equity of parent company	3,242,206	5,302,415	14,792,958	507,825
Minority interest	—	17,419	—	—
Total shareholders' equity	3,242,206	5,319,834	14,792,958	507,825
TOTAL	$8,566,229	$10,989,702	$41,929,328	$1,439,386

Note: The foreign exchange rate between the foreign currency and New Taiwan dollars shall be based on the exchange rate as of the date of the balance sheet for each year. However, for shares with the par value of NT$10 per share, the share capital should be the total number of shares multiplied by NT$10 (fixed at the historical exchange rate). The exchange rates from U.S. dollars to New Taiwan dollars as of December 31, 2008, 2009 and 2010 were transferred in US$1=NT$32.80, US$1=NT$32.03 and US$1=NT$29.13, respectively.

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

TPK HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010
(In Thousands, Except Earnings Per Share)

	2008	2009	2010	
	NT$	NT$	NT$	US$
OPERATING REVENUE (Note 2)	$12,946,642	$18,718,393	$59,647,515	$2,047,632
SALES RETURNS AND ALLOWANCES (Note 2)	(4,297)	(9,642)	(48,762)	(1,674)
NET OPERATING REVENUE (Notes 18 and 20)	12,942,345	18,708,751	59,598,753	2,045,958
COST OF GOODS SOLD (Notes 2, 3, 6, 12, 14, 16 and 18)	11,187,783	14,472,878	49,581,726	1,702,084
GROSS PROFIT	1,754,562	4,235,873	10,017,027	343,874
OPERATING EXPENSES (Notes 2, 12, 13, 14, 16 and 18)				
Marketing	107,334	118,005	373,029	12,806
General administrative	616,454	866,894	1,837,262	63,071
Research and development	538,570	638,713	1,574,291	54,044
Total operating expenses	1,262,358	1,623,612	3,784,582	129,921
OPERATING INCOME	492,204	2,612,261	6,232,445	213,953
NONOPERATING INCOME AND GAINS				
Interest income (Note 20)	5,186	3,045	16,044	551
Exchange gain, net (Note 2)	56,931	849	—	—
Other income (Note 2)	57,715	54,391	91,839	3,152
Total nonoperating income and gains	119,832	58,285	107,883	3,703
NONOPERATING EXPENSES AND LOSSES				
Interest expenses (Notes 18 and 20)	135,217	68,850	87,412	3,001
Exchange loss, net (Note 2)	—	—	155,051	5,323
Other loss (Notes 2 and 20)	83,033	37,541	164,541	5,648
Total nonoperating expenses and losses	218,250	106,391	407,004	13,972
INCOME BEFORE INCOME TAX	393,786	2,564,155	5,933,324	203,684
INCOME TAX EXPENSE (Notes 2 and 15)	5,289	254,142	1,185,445	40,695
CONSOLIDATED NET INCOME	$ 388,497	$ 2,310,013	$ 4,747,879	$ 162,989
ATTRIBUTABLE TO:				
Shareholders of the parent company	$ 388,497	$ 2,317,007	$ 4,741,555	$ 162,772
Minority interests	—	(6,994)	6,324	217
	$ 388,497	$ 2,310,013	$ 4,747,879	$ 162,989

	2008		2009		2010			
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax	Before Income Tax		After Income Tax	
	NT$	NT$	NT$	NT$	NT$	US$	NT$	US$
EARNINGS PER SHARE (Note 17)								
Basic earnings per share	$ 2.08	$ 2.06	$ 13.60	$ 12.26	$ 29.78	$ 1.02	$ 23.83	$ 0.82
Diluted earnings per share	$ 2.08	$ 2.06	$ 13.11	$ 11.82	$ 28.78	$ 0.99	$ 23.03	$ 0.79

Note: The foreign exchange rate between the foreign currency and New Taiwan dollars shall be based on the exchange rate as of the date of the balance sheet for each year. However, for shares with the par value of NT$10 per share, the share capital should be the total number of shares multiplied by NT$10 (fixed at the historical exchange rate). The exchange rates from U.S. dollars to New Taiwan dollars as of December 31, 2008, 2009 and 2010 were transferred in US$1=NT$32.80, US$1=NT$32.03 and US$1=NT$29.13, respectively.

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

TPK HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010
(In Thousands, Except Per Share Amount)

	Common Shares Issued - US$0.1 Par Value in 2008 and 2009, NT$10 Par Value in 2010 (Notes 13 and 14)			Retained Earnings						
	Shares (In Thousands)	Amount	Capital Surplus (Notes 2, 13 and 14)	Legal Reserve (Note 13)	Unappropriated Earning (Note 13)	Cumulative Translation Adjustments (Note 2)	Net Loss Not Recognized as Pension Cost (Note 2)	Total Shareholders' Equity of Parent Company	Minority Interest	Total Shareholders' Equity
BALANCE, JANUARY 1, 2008	308,261	$1,001,695	$1,452,197	$ —	$ 117,174	$ 113,823	$ —	$ 2,684,889	$ —	$ 2,684,889
Consolidated net income for the year ended December 31, 2008	—	—	—	—	388,497	—	—	388,497	—	388,497
Change in translation adjustments on long-term equity investments	—	—	—	—	—	143,616	—	143,616	—	143,616
Effect of exchange rate changes	—	9,402	13,630	—	1,099	1,073	—	25,204	—	25,204
BALANCE, DECEMBER 31, 2008	308,261	1,011,097	1,465,827	—	506,770	258,512	—	3,242,206	—	3,242,206
Appropriation of 2008 earnings										
Cash dividend	—	—	—	—	(192,180)	—	—	(192,180)	—	(192,180)
Consolidated net income for the year ended December 31, 2009	—	—	—	—	2,317,007	—	—	2,317,007	(6,994)	2,310,013
Change in translation adjustments on long-term equity investments	—	—	—	—	—	11,493	—	11,493	—	11,493
Change in minority interest	—	—	—	—	—	—	—	—	24,413	24,413
Effect of exchange rate changes	—	(23,736)	(34,411)	—	(11,896)	(6,068)	—	(76,111)	—	(76,111)
BALANCE, DECEMBER 31, 2009	308,261	987,361	1,431,416	—	2,619,701	263,937	—	5,302,415	17,419	5,319,834
Appropriations of 2009 earnings										
Legal reserve	—	—	—	210,722	(210,722)	—	—	—	—	—
Cash dividend	—	—	—	—	(1,373,246)	—	—	(1,373,246)	—	(1,373,246)
Stock dividend	9,000	83,070	—	—	(83,070)	—	—	—	—	—
Conversion of par value from U.S. dollar to New Taiwan dollar	(208,261)	—	—	—	—	—	—	—	—	—
Issuance of common stock from capital surplus	80,000	718,372	(718,372)	—	—	—	—	—	—	—
Issuance of common stock for bonus to employees	7,068	65,233	124,112	—	—	—	—	189,345	—	189,345
Consolidated net income for the year ended December 31, 2010	—	—	—	—	4,741,555	—	—	4,741,555	6,324	4,747,879
Change in translation adjustments on long-term equity investments	—	—	—	—	—	387,385	—	387,385	—	387,385
Compensation recognized for employee stock options	—	—	179,467	—	—	—	—	179,467	—	179,467
Issuance of common stock for cash	28,000	266,011	5,586,225	—	—	—	—	5,852,236	—	5,852,236
Change in minority interest	—	—	—	—	—	—	—	—	(22,167)	(22,167)
Change in net loss not recognized as pension cost	—	—	—	—	—	—	(6,117)	(6,117)	—	(6,117)
Effect of exchange rate changes	—	120,628	(129,601)	—	(237,190)	(233,919)	—	(480,082)	(1,576)	(481,658)
BALANCE, DECEMBER 31, 2010	224,068	$2,240,675	$6,473,247	$210,722	$ 5,457,028	$ 417,403	$ (6,117)	$14,792,958	$ —	$14,792,958
BALANCE, DECEMBER 31, 2010 (In U.S. Dollars)	224,068	$ 69,710	$ 222,219	$ 7,234	$ 187,333	$ 21,539	$ (210)	$ 507,825	$ —	$ 507,825

Note: The foreign exchange rate between the foreign currency and New Taiwan dollars shall be based on the exchange rate as of the date of the balance sheet for each year. However, for shares with the par value of NT$10 per share, the share capital should be the total number of shares multiplied by NT$10 (i.e., fixed at the historical exchange rate). The exchange rates from U.S. dollars to New Taiwan dollars as of December 31, 2008, 2009 and 2010 were transferred in US$1=NT$32.80, US$1=NT$32.03 and US$1=NT$29.13, respectively.

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

TPK HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010
(In Thousands)

	2008	2009	2010	
	NT$	NT$	NT$	US$
CASH FLOWS FROM OPERATING ACTIVITIES				
Consolidated net income	$ 388,497	$ 2,310,013	$ 4,747,879	$ 162,989
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	499,364	699,575	1,059,359	36,367
Provision for doubtful accounts	—	9,127	20,684	710
Loss on purchase commitment	—	—	149,260	5,124
Provision for loss on inventories	58,008	5,677	466,138	16,002
Recognized (reversal of) impairment losses	3,461	(3,380)	155,878	5,351
Gain on disposal of property, plant and equipment	3,555	(939)	(289)	(10)
Loss on disposal of intangible assets	40	—	—	—
Compensation cost for employee	—	—	179,467	6,161
Valuation loss on financial assets	(3,252)	3,176	—	—
Deferred income tax	3,471	4,082	386,457	13,267
Increase (decrease) in accrued pension liabilities	(2,141)	(213)	638	22
Net changes in operating assets and liabilities				
Notes and accounts receivable	1,060,377	(141,087)	(11,150,449)	(382,782)
Inventories	(404,632)	(19,960)	(2,620,154)	(89,947)
Other current assets	(2,784)	(24,942)	(1,464,349)	(50,270)
Notes and accounts payable	503,899	57,222	11,897,384	408,424
Accrued expenses and income tax payable	109,621	320,596	2,180,389	74,850
Other payables	(30,340)	(160,150)	—	—
Other current liabilities	(63,575)	38,763	(67,487)	(2,317)
Net cash provided by operating activities	2,123,569	3,097,560	5,940,805	203,941
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	(1,809,221)	(1,409,152)	(10,711,172)	(367,702)
Acquisition of intangible assets	(114,409)	(55,323)	(261,810)	(8,988)
Proceeds from disposal of property, plant, equipment and intangible asset	178,498	46,446	5,445	187
Decrease (increase) in restricted assets	—	(524,496)	463,534	15,913
Increase in refundable deposits	(1,362)	(69,135)	(232,295)	(7,974)
Increase in other assets	(5,020)	(13,992)	(6,495)	(223)
Cash paid for acquisition of subsidiary	—	—	(909,672)	(31,228)
Net cash used in investing activities	(1,751,514)	(2,025,652)	(11,652,465)	(400,015)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (decrease) in short-term loans	219,626	(152,244)	1,900,601	65,245
Proceeds from long-term loans	379,814	594,639	3,392,486	116,460
Repayment of long-term loans	(862,914)	(207,118)	(135,788)	(4,661)
Decrease in other liabilities	420	(866)	—	—
Increase in guarantee deposits received	—	21,513	54,277	1,863
Increase (decrease) in minority interest	—	24,413	(22,167)	(761)
Issuance of common stock for cash	—	—	5,852,236	200,900
Cash dividends paid	—	(192,180)	(1,373,246)	(47,142)
Net cash provided by (used in) financing activities	(263,054)	88,157	9,668,399	331,904
CASH INCREASE FROM ACQUISITION OF A SUBSIDIARY	—	—	9,380	322
EFFECT OF EXCHANGE RATE CHANGES	(132,543)	(17,055)	(73,025)	2,687

	2008	2009	2010	
	NT$	**NT$**	**NT$**	**US$**
NET INCREASE (DECREASE) IN CASH	$ (23,542)	$1,143,010	$ 3,893,094	$ 138,839
CASH AT THE BEGINNING OF YEAR	551,397	527,855	1,670,865	52,165
CASH AT THE END OF YEAR	$ 527,855	$1,670,865	$ 5,563,959	$ 191,004
NON-CASH INVESTING AND FINANCING ACTIVITIES				
Reclassification of leased assets and other assets to property, plant and equipment	$ —	$ —	$ 25,882	$ 890
Fixed assets transferred to idle assets	$ —	$ —	$ 155,878	$ 5,351
Issuance of common stock for bonus to employees	$ —	$ —	$ 189,345	$ 6,500
Current portion of long-term loans	$ —	$ —	$ 247,605	$ 8,500
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS				
Acquisition of property, plant and equipment	$1,969,746	$1,397,405	$12,880,793	$ 442,183
Decrease (increase) in payables on construction and equipment	(160,525)	11,747	(2,169,621)	(74,481)
Cash paid for acquisition of property, plant and equipment	$1,809,221	$1,409,152	$10,711,172	$ 367,702
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid for interest	$ 119,658	$ 79,182	$ 82,780	$ 2,842
Cash paid for income tax	$ 2,003	$ 182,999	$ 373,258	$ 12,814

The Company acquired 50% equity interest and certain assets of Optera TPK Holding Pte. Ltd. (the Company held the other 50% equity interest before the acquisition) from Magna International Inc. on March 12, 2010. The acquisition consideration and the fair values of acquired net assets were summarized as follows:

	NT$	US$
Current assets	$ 118,032	$ 4,052
Property, plant and equipment, net	440,358	15,117
Goodwill	285,620	9,805
Other intangible assets	348,691	11,970
Other assets	2,963	102
Current liabilities	(146,004)	(5,102)
Long-term loans	(23,468)	(806)
Acquisition consideration	1,026,192	35,228
Less: Other payable	(116,520)	(4,000)
Cash paid for acquisition	$ 909,672	$ 31,228

Note: The foreign exchange rate between the foreign currency and New Taiwan dollars shall be based on the exchange rate as of the date of the balance sheet for each year. However, for shares with the par value of NT$10 per share, the share capital should be the total number of shares multiplied by NT$10 (fixed at the historical exchange rate). The exchange rates from U.S. dollars to New Taiwan dollars as of December 31, 2008, 2009 and 2010 were transferred in US$1=NT$32.80, US$1=NT$32.03 and US$1=NT$29.13, respectively.

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

1. ORGANIZATION AND OPERATIONS

TPK Holding Co., Ltd. ("TPKH") was incorporated as a limited company under the provision of the Company Law of the Cayman Islands on November 21, 2005.

TPKH and its subsidiaries (collectively, the "Company") are mainly engaged in the business of developing, manufacturing and selling touch modules, touch display and ITO glass related products.

TPKH's shares have been listed on the Taiwan Stock Exchange since October 29, 2010.

As of December 31, 2008, 2009 and 2010, the Company had 7,737, 8,907 and 34,453 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China (ROC). Under these guidelines and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, allowance for loss on inventories, depreciation of property, plant and equipment, amortization of intangible assets, pension cost, bonuses to employees and directors, valuation allowance for deferred income tax assets, impairment loss and fair values of net assets accounted for by the business combination-purchase method, etc. Actual results may differ from these estimates.

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail.

Significant accounting policies are summarized as follows:

Principles of Consolidation

The Company's consolidated financial statements not only include subsidiaries but also include other investees over which the Company has controlling interests. All significant intercompany balances and transactions are eliminated upon consolidation.

The financial statements of TPKH are prepared in its functional currency at U.S. dollars and other subsidiaries' financial statements are prepared in their respective functional currency. For the purpose of preparing the consolidated financial statements, the financial statements of foreign subsidiaries are translated into U.S. dollars at the following exchange rates: assets and liabilities- spot rates at the balance sheet date; shareholders' equity - historical rates; income and expenses - average rates for the year. The resulting translation adjustments are recorded as a separate component under shareholders' equity.

As TPKH's shares are listed on the Taiwan Stock Exchange, the consolidated financial statements are required to be presented in New Taiwan dollars. Therefore, the consolidated financial statements presented herein are translated from U.S. dollars into New Taiwan dollars at the exchange rate on the balance sheet date, except for the amount of issued common stock with the par value of NT$10 which shall be translated at the historical exchange rate as required by the ROC regulations. The exchange rates from U.S. dollars to New Taiwan dollars as of December 31, 2008, 2009 and 2010 were US$1=NT$32.80, US$1=NT$32.03, and US$1=NT$29.13, respectively. Exchange difference arising from the translations of foreign currencies are recognized as effect of exchange rate under shareholders' equity.

Prior to March 12, 2010, TPKH had a 50% equity interest in a joint venture of Optera TPK Holding Pte. Ltd. (“OTH”). The Company applied proportionate consolidation to account for OTH where TPKH recognized its share of assets, liabilities, income, and expenses in its financial statements. On March 12, 2010, TPKH acquired the other 50% equity interest of OTH and as a result, consolidated financial statements include all the accounts of OTH (see Note 22).

			Percentage of Ownership			
			December 31			
Name of Investor	Name of Investee	Main Businesses	2008	2009	2010	Remark
TPKH	TPK Technology International Inc. (TTI)	International trade	100.0%	100.0%	100.0%	
〃	Improve Idea Investments Ltd. (Improve)	Holding company	100.0%	100.0%	100.0%	
〃	Optera TPK Holding Pte. Ltd. (OTH)	Holding company	50.0%	50.0%	100.0%	a.
〃	Upper Year Holdings Limited (UYH)	Holding company and international trade	97.0%	99.7%	99.9%	b.
〃	Ray-Star Universal Solutions Limited (RUSL)	Holding company and international trade	—	—	100.0%	h.
Improve	TPK Touch Solutions Inc. (TPKT)	Research, development and sales	100.0%	100.0%	100.0%	
〃	Greatec Precision Solution Corp. (GPSC)	Machinery producing and sales	—	51.0%	100.0%	c.
〃	TPK Asia Pacific Sdn. Bhd. (TPKA)	Holding company	—	—	100.0%	i.
UYH	TPK Touch Solutions (Xiamen) Inc. (TPKC)	Touch modules research, development, manufacturing and sales	100.0%	100.0%	100.0%	
〃	TPK Lens Solutions Inc. (TPKL)	Optical glass manufacturing and sales	100.0%	100.0%	100.0%	
〃	TPK Touch Systems (Xiamen) Inc. (TPKS)	Touch display and system research, manufacturing and sales	100.0%	100.0%	100.0%	
〃	Ray-Star Optical Solutions (Xiamen) Inc. (RSO)	Optical glass manufacturing and sales	—	—	55.0%	e.
〃	Ray-Star Technology (Xiamen) Inc. (RST)	ITO glass research, development and sales	—	—	55.0%	f.
OTH	Optera Technology (Xiamen) Co., Ltd. (OTX)	ITO glass research, development and sales	100.0%	100.0%	100.0%	
〃	TPK U.S.A. LLC (TPK USA)	International trade	—	—	100.0%	g.
RUSL	TPK Universal Solutions Limited (TPK HK)	Holding company and international trade	—	—	100.0%	i.
TPKT	TPK Advanced Solutions Corp. (TAS)	Research and development	100.0%	100.0%	—	d.
〃	New Strategy Investment Ltd. (NSI)	Holding company	100.0%	100.0%	100.0%	
NSI	Upper Year Holdings Limited (UYH)	Holding company and international trade	3.0%	0.3%	0.1%	b.
TPKC	Ray-Star Optical Solutions (Xiamen) Inc. (RSO)	Optical glass manufacturing and sales	—	—	45.0%	e.
〃	Ray-Star Technology (Xiamen) Inc. (RST)	ITO glass research, development and sales	—	—	45.0%	f.

a. TPKH acquired the other 50% equity interest to own all the shares of OTH in March 2010 (see Note 22).

b. In 2009 and 2010, TPKH continually invested cash and converted its receivables from UYH into investments in UYH, respectively; therefore, TPKH increased its equity interest in UYH to 99.9%. NSI decreased its investment in UYH to 0.1% in 2010.

c. In February 2009, Improve invested NT$25,500 thousand in GPSC to acquire 2,550 thousand shares (51% equity interest). In September 2010, Improve invested NT$24,500 thousand to acquire GPSC’s remaining 2,450 thousand shares. Therefore, Improve increased its equity interest in GPSC to 100%.

d. On December 1, 2009, TAS (including its assets, liabilities, and business), a 100% owned subsidiary of TPKT, was merged into TPKT.

e. In April 2010, UYH and TPKC jointly set up and invested US$11,750 thousand in RSO and acquired 55% and 45% equity interest of RSO, respectively.

f. In April 2010, OTH and TPKC jointly set up and invested US$20,000 thousand in RST and acquired 55% and 45% equity interest of RST, respectively. In July 2010, OTH disposed its equity interest in RST for US$11,000 to UYH.

g. In April 2010, OTH set up and invested US$1,000 thousand in TPK USA.

h. In December 2010, TPKH set up and invested US$22,000 thousand in RUSL.

i. In December 2010, Improve and RUSL individually set up TPKA and TPK HK, respectively. As of December 31, 2010, TPKA and TPK HK have been registered but have not received the capital yet.

Current and Noncurrent Assets and Liabilities

Current assets include cash 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.

Financial Assets and Liabilities at Fair Value through Profit or Loss - Forward Foreign Exchange Contracts

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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. At each balance sheet date subsequent to initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

The Company engages in forward foreign exchange contracts, which are derivatives. 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: Financial assets and financial liabilities without quoted prices in an active market - at values determined using valuation techniques.

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 collectability of accounts receivable. The Company assesses the probability of collections of accounts receivable by examining the aging analysis of the outstanding receivables.

Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made on an item by item basis, 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. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date.

Property, Plant, Equipment and Assets Leased to Others

Property, plant, equipment and assets leased to others are stated at cost less accumulated depreciation. Borrowing costs directly attributable to the acquisition or construction of property, plant, equipment and assets leased to others are capitalized as part of the cost of those assets. Major additions and improvements to property, plant, equipment and assets leased to others are capitalized, while costs of repairs and maintenance are expensed currently.

Depreciation is provided on a straight-line basis over estimated useful lives as follows:

Building	20 years
Machinery and equipment	4-10 years
Transportation and others	2-6 years

The related cost, accumulated depreciation and accumulated impairment losses of an item of property, plant, equipment and assets leased to others 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.

Property, plant, equipment and assets leased to others still in use beyond their original estimated useful lives are further depreciated over their new estimated useful lives.

Intangible Assets

Intangible assets acquired are initially recorded at cost and are amortized on a straight-line basis over their estimated useful lives. Land use right is amortized over 50 years, technical know-how is amortized over 7 years, computer software and patents are amortized over 2-5 years. Goodwill arising from business combinations is not amortized and instead is tested for impairment annually.

Expenditure for 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 2 years if the recognition criteria for intangible asset is met; otherwise, the development expenditure is recognized as an expense when incurred.

Idle Assets

Idled fixed assets are reclassified as other assets at the lower of their net realizable value or book value. The related cost and accumulated depreciation are derecognized from the balance sheet upon transfer of the asset. The difference between carrying value and net realizable value is recognized as loss. Idled assets are depreciated on a straight-line basis.

Impairment of Assets

If the recoverable amount of an asset (mainly property, plant and equipment, intangible assets, assets leased to others and idle assets) 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. If the recoverable amount increases in a subsequent period, the amount previously recognized as impairment would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of depreciation, as if no impairment loss had been recognized.

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 on the pro rata basis of the carrying amount of each asset in the CGU. A reversal of an impairment loss on goodwill is disallowed.

Stock-based Compensation

Employee stock options granted on or after January 1, 2010 are accounted for under Rule No. 0990006370 issued by the Financial Supervisory Commission ("FSC") on March 15, 2010. Under the FSC's rule, 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.

According to related government regulations, when issuing common stock for cash, certain amount of shares should be reserved for subscription by employees. The Company uses the fair value of the equity instrument at grant date to evaluate the fair value of services the employees provided. The compensation cost is recorded as salary expense with a corresponding adjustment to capital surplus - employee stock options.

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.

Income Tax

The Company applies inter-year allocations for its income tax, whereby 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 in Taiwan, an additional tax at 10% of unappropriated earnings of Taiwan subsidiaries is provided for as income tax in the year the shareholders approve to retain the earnings.

Foreign Currency Transactions

Non-derivative foreign-currency transactions are recorded in functional currency 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.

Reclassifications

Certain accounts in the consolidated financial statements as of and for the years ended December 31, 2008 and 2009 have been reclassified to conform to the presentation of the financial statements as of and for the year ended December 31, 2010.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Accounting for Inventories

On January 1, 2008, the Company early adopted the newly revised SFAS No. 10, "Accounting for Inventories" in the ROC. 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 had no material effect on the Company's consolidated financial statement as of and for the year ended December 31, 2008.

Accounting for Bonuses to Employees and Directors

In March 2007, the Accounting Research and Development Foundation (the "ARDF") of the ROC issued Interpretation 2007-052 that requires companies to recognize as compensation expenses bonuses paid to employees, directors and supervisors beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. The adoption of this interpretation had no material effect on the Company's consolidated financial statement as of and for the year ended December 31, 2008.

4. CASH

	December 31			
	2008	2009	2010	
	NT$	NT$	NT$	US$
Petty cash	$ 419	$ 720	$ 1,555	$ 53
Checking accounts and demand deposits	466,296	1,372,266	5,562,404	190,951
Time deposits	61,140	297,879	—	—
	$ 527,855	$ 1,670,865	$ 5,563,959	$ 191,004

The 2008 and 2009 time deposits matured in December 2009 and January 2010, with interest rates of 0.1% to 2.17% and 0.15%, respectively.

5. ACCOUNTS RECEIVABLE

	December 31			
	2008	2009	2010	
	NT$	NT$	NT$	US$
Accounts receivable	$ 719,362	$ 843,744	$12,006,702	$ 412,176
Less: Allowance for doubtful accounts	—	(8,695)	(7,816)	(268)
	$ 719,362	$ 835,049	$11,998,886	$ 411,908

Movements of the allowance for doubtful accounts were as follows:

	December 31							
	2008		2009		2010			
	Accounts Receivable	Other Receivable	Accounts Receivable	Other Receivable	Accounts Receivable		Other Receivable	
	NT$	NT$	NT$	NT$	NT$	US$	NT$	US$
Balance, beginning of year	$ —	$ —	$ —	$ —	$ 8,695	$ 271	$ —	$ —
Add (deduct): Provision (reversal of provision) for doubtful accounts	—	—	9,127	—	(505)	(17)	21,189	727
Translation adjustment	—	—	(432)	—	(374)	14	—	—
Balance, end of year	$ —	$ —	$ 8,695	$ —	$ 7,816	$ 268	$ 21,189	$ 727

Factored accounts receivable were as follows:

Counter-parties	Currency	Receivables Sold	Amounts Collected	Advances Received at Year-end	Interest Rates on Advances Received (%)
Year ended December 31, 2008					
China Merchants Bank	NT$	$ 4,900,186	$ 4,165,553	$ 734,633	Libor+1.8%
Year ended December 31, 2009					
China Merchants Bank	NT$	$ 8,437,201	$ 7,971,595	$ 1,200,239	Libor+1.8%
Year ended December 31, 2010					
China Merchants Bank	NT$	$ 24,515,402	$ 24,412,385	$ 1,303,256	Libor+
		(US$841,586)	(US$838,050)	(US$40,470)	0.8%-1.3%

Pursuant to the factoring contracts, losses from sales returns and discounts shall be borne by TPKC, while losses from credit risk shall be borne by the bank. The credit lines of above contracts as of December 31, 2008, 2009 and 2010 were NT$2,296,000 thousand, NT$2,242,100 thousand and NT$5,826,000 thousand (approximately US$200,000 thousand), respectively. The credit lines may be used on a revolving basis.

6. INVENTORIES

	December 31			
	2008	2009	2010	
	NT$	NT$	NT$	US$
Finished goods	$ 390,432	$ 302,705	$ 914,526	$ 31,395
Work in process	—	113,413	49,965	1,715
Raw materials	631,996	555,132	2,091,370	71,794
Goods in transit	—	—	12	1
	$ 1,022,428	$ 971,250	$ 3,055,873	$ 104,905

As of December 31, 2008, 2009 and 2010, the allowance for inventory devaluation was NT$58,505 thousand, NT$45,315 thousand and NT$519,376 thousand (approximately US$17,830 thousand), respectively.

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2008, 2009 and 2010 were NT$11,187,783 thousand, NT$14,472,878 thousand and NT$49,581,726 thousand (approximately US$1,702,084 thousand). The accounts listed below were included in cost of goods sold for the years ended December 31, 2008, 2009 and 2010.

	December 31			
	2008	2009	2010	
	NT$	NT$	NT$	US$
Provision for loss on inventories	$ 28,435	$ 378	$ 462,162	$ 15,866
Loss on purchase commitment	—	—	149,260	5,124
Loss on inventory scrap	29,573	5,299	3,976	136
Loss on physical inventory	669	145	443	15
	$ 58,677	$ 5,822	$ 615,841	$ 21,141

Due to client's alteration of product design, certain raw materials were no longer usable. Based on the purchase contracts, the Company recorded an estimate loss in the amount of NT$149,260 thousand (approximately US$5,124 thousand) which was included in cost of goods sold for the year ended December 31, 2010. As of December 31, 2010, the Company recorded accrued liability on purchase commitment in the amount of NT$150,466 thousand (approximately US$5,165 thousand).

7. PROPERTY, PLANT AND EQUIPMENT

(Amount in Thousands of New Taiwan Dollars)

	Year Ended December 31, 2009				
	Buildings	Machinery and Equipment	Transportation and Others	Construction in Progress and Prepayments for Equipment	Total
Cost					
Balance, beginning of year	$ 1,261,354	$ 3,670,562	$ 664,273	$ 202,506	$ 5,798,695
Additions	—	—	220,586	1,176,819	1,397,405
Disposals	(8,287)	(22,761)	(24,106)	—	(55,154)
Reclassification	1,134	740,715	85,632	(827,481)	—
Translation adjustment	(28,477)	(81,431)	(12,319)	(3,580)	(125,807)
Balance, end of year	1,225,724	4,307,085	934,066	548,264	7,015,139
Accumulated depreciation					
Balance, beginning of year	83,934	268,009	140,864	—	492,807
Depreciation expense	56,290	384,373	149,924	—	590,587
Disposals	(315)	(6,061)	(3,271)	—	(9,647)
Reclassification	(789)	1,089	(300)	—	—
Translation adjustment	(1,864)	(5,384)	(10,535)	—	(17,783)
Balance, end of year	137,256	642,026	276,682	—	1,055,964
Accumulated impairment loss					
Balance, beginning of year	—	3,461	—	—	3,461
Reversal of impairment loss	—	(3,380)	—	—	(3,380)
Translation adjustment	—	(81)	—	—	(81)
Balance, end of year	—	—	—	—	—
Net book value, end of year	$ 1,088,468	$ 3,665,059	$ 657,384	$ 548,264	$ 5,959,175

(Amount in Thousands of New Taiwan Dollars)

	Year Ended December 31, 2010				
	Buildings	**Machinery and Equipment**	**Transportation and Others**	**Construction in Progress and Prepayments for Equipment**	**Total**
Cost					
Balance, beginning of year	$ 1,225,724	$ 4,307,085	$ 934,066	$ 548,264	$ 7,015,139
Additions	—	1,553	2,873	12,876,367	12,880,793
Recognized on acquisition of subsidiary	—	237,875	62,162	215,963	516,000
Disposals	(1,227)	(4,101)	(19,868)	—	(25,196)
Reclassification	528,318	5,750,293	1,767,979	(8,223,712)	(177,122)
Translation adjustment	(71,686)	(138,119)	(21,160)	(12,846)	(243,811)
Balance, end of year	1,681,129	10,154,586	2,726,052	5,404,036	19,965,803
Accumulated depreciation					
Balance, beginning of year	137,256	642,026	276,682	—	1,055,964
Depreciation expense	52,863	616,185	300,031	—	969,079
Recognized on acquisition of subsidiary	—	47,482	28,160	—	75,642
Disposals	(134)	(3,118)	(16,815)	—	(20,067)
Reclassification	4,591	(46,335)	(5,382)	—	(47,126)
Translation adjustment	(7,347)	(24,797)	(8,315)	—	(40,459)
Balance, end of year	187,229	1,231,443	574,361	—	1,993,033
Net book value, end of year	$ 1,493,900	$ 8,923,143	$ 2,151,691	$ 5,404,036	$17,972,770

(Concluded)

(Amount in Thousands of U.S. Dollars)

	Year Ended December 31, 2010				
	Buildings	**Machinery and Equipment**	**Transportation and Others**	**Construction in Progress and Prepayments for Equipment**	**Total**
Cost					
Balance, beginning of year	$ 38,268	$ 134,470	$ 29,163	$ 17,117	$ 219,018
Additions	—	53	99	442,031	442,183
Recognized on acquisition of subsidiary	—	8,166	2,133	7,414	17,713
Disposals	(42)	(141)	(682)	—	(865)
Reclassification	18,091	197,402	60,738	(282,311)	(6,080)
Translation adjustment	1,395	8,645	2,132	1,263	13,435
Balance, end of year	57,712	348,595	93,583	185,514	685,404
Accumulated depreciation					
Balance, beginning of year	4,285	20,044	8,639	—	32,968
Depreciation expense	1,815	21,153	10,299	—	33,267
Recognized on acquisition of subsidiary	—	1,630	966	—	2,596
Disposals	(5)	(107)	(577)	—	(689)
Reclassification	150	(1,591)	(178)	—	(1,619)
Translation adjustment	182	1,145	569	—	1,896
Balance, end of year	6,427	42,274	19,718	—	68,419
Net book value, end of year	$ 51,285	$ 306,321	$ 73,865	$ 185,514	$ 616,985

As of December, 31, 2008, 2009 and 2010, constructions in process were mainly comprised of manufacturing plants and clean rooms under construction in process, and machinery and equipment under installation process.

For the year ended December 31, 2010, the Company recognized an impairment loss of NT$155,878 thousand (approximately US$5,351 thousand), due to the alteration of production process. As a result, the equipment for use in the production could no longer be used. Such equipment was transferred to idle assets which are included in other assets - others.

8. INTANGIBLE ASSETS

(Amount in Thousands of New Taiwan Dollars)

	Year Ended December 31, 2009						
	Goodwill	Technical Know-how	Land Use Right	Computer Software	Patent	Other	Total
Cost							
Balance, beginning of year	$ 372,674	$ —	$ 66,518	$ 60,341	$ 41	$ 170,121	$ 669,695
Additions	—	—	—	25,348	23,966	6,009	55,323
Disposals	—	—	—	—	—	(872)	(872)
Reclassification	—	—	—	1,144	—	(1,144)	—
Translation adjustment	(8,868)	—	(1,500)	(358)	56	(3,479)	(14,149)
Balance, end of year	363,806	—	65,018	86,475	24,063	170,635	709,997
Accumulated amortization							
Balance, beginning of year	—	—	4,989	12,313	—	109,645	126,947
Amortization	—	—	1,300	12,294	1,205	54,303	69,102
Disposals	—	—	—	—	—	(872)	(872)
Translation adjustment	—	—	(112)	150	—	(2,328)	(2,290)
Balance, end of year	—	—	6,177	24,757	1,205	160,748	192,887
Net book value, end of year	$ 363,806	$ —	$ 58,841	$ 61,718	$ 22,858	$ 9,887	$ 517,110

(Amount in Thousands of New Taiwan Dollars)

	Year Ended December 31, 2010						
	Goodwill	Technical Know-how	Land Use Right	Computer Software	Patent	Other	Total
Cost							
Balance, beginning of year	$ 363,806	$ —	$ 65,018	$ 86,475	$ 24,063	$ 170,635	$ 709,997
Additions	204	—	228,779	33,005	26	—	262,014
Recognized on acquisition of subsidiary	285,620	253,693	—	4,481	69,134	23,624	636,552
Disposals	—	—	—	(28)	—	(158,887)	(158,915)
Translation adjustment	(32,939)	—	3,001	(777)	(2,177)	(10,749)	(43,641)
Balance, end of year	616,691	253,693	296,798	123,156	91,046	24,623	1,406,007
Accumulated amortization							
Balance, beginning of year	—	—	6,177	24,757	1,205	160,748	192,887
Amortization	—	30,202	5,033	19,141	4,380	30,045	88,801
Recognized on acquisition of subsidiary	—	—	—	2,237	4	—	2,241
Disposals	—	—	—	(1)	—	(158,887)	(158,888)
Translation adjustment	—	—	(268)	729	(109)	(10,236)	(9,884)
Balance, end of year	—	30,202	10,942	46,863	5,480	21,670	115,157
Net book value, end of year	$ 616,691	$ 223,491	$ 285,856	$ 76,293	$ 85,566	$ 2,953	$ 1,290,850

(Amount in Thousands of U.S. Dollars)

	Year Ended December 31, 2010						
	Goodwill	Technical Know-how	Land Use Right	Computer Software	Patent	Other	Total
Cost							
Balance, beginning of year	$ 11,358	$ —	$ 2,030	$ 2,700	$ 751	$ 5,328	$ 22,167
Additions	7	—	7,854	1,133	1	—	8,995
Recognized on acquisition of subsidiary	9,805	8,709	—	154	2,374	810	21,852
Disposals	—	—	—	(1)	—	(5,455)	(5,456)
Translation adjustment	—	—	305	241	(1)	164	709
Balance, end of year	21,170	8,709	10,189	4,227	3,125	847	48,267
Accumulated amortization							
Balance, beginning of year	—	—	193	773	38	5,018	6,022
Amortization	—	1,037	173	657	150	1,032	3,049
Recognized on acquisition of subsidiary	—	—	—	77	—	—	77
Disposals	—	—	—	—	—	(5,455)	(5,455)
Translation adjustment	—	—	10	102	1	147	260
Balance, end of year	—	1,037	376	1,609	189	742	3,953
Net book value, end of year	$ 21,170	$ 7,672	$ 9,813	$ 2,618	$ 2,936	$ 105	$ 44,314

As of December 31, 2008, 2009 and 2010, the Company assessed the recoverability of the goodwill and determined that there was no impairment loss.

9. ASSETS LEASED TO OTHERS (AS OF DECEMBER 31, 2010: NONE)

	December 31	
	2008	2009
	NT$	NT$
Cost - buildings	$ 13,571	$ 14,894
Less: Accumulated depreciation - buildings	(1,476)	(2,402)
	$ 12,095	$ 12,492

The Company acquired the other 50% equity interest to own all shares of OTH in March 2010. As a result, the assets that were originally leased to OTH and were accounted for using proportionate consolidation were reclassified into property, plant and equipment in March 2010.

10. SHORT-TERM LOANS

	December 31			
	2008	2009	2010	
	NT$	NT$	NT$	US$
Bank loans	$ 1,845,501	$ 1,649,933	$ 3,408,924	$ 117,024

Interest rates of bank loans ranged from 3.82% to 8.23%, from 1.60% to 5.42% and from 0.90% to 5.56% as of December 31, 2008, 2009 and 2010, respectively.

The short-term loans were guaranteed by the related parties as of December 31, 2008, 2009 and 2010 (see Note 18). Deposits of NT$524,496 thousand and NT$13,462 thousand (approximately US$462 thousand), (included in restricted assets - current) were provided as collateral for the short-term loans as of December 31, 2009 and 2010, respectively.

11. LONG-TERM LOANS

	December 31			
	2008	2009	2010	
	NT$	NT$	NT$	US$
Long-term bank loans	$ 211,991	$ 594,900	$ 3,852,140	$ 132,240
Less: Current portion	(211,991)	—	(247,605)	(8,500)
	$ —	$ 594,900	$ 3,604,535	$ 123,740

Interest rates for the long-term loans ranged from 4.90% to 6.80%, 1.43% to 5.40% and 1.09% to 5.60%, as of December 31, 2008, 2009 and 2010, respectively.

The long-term loans were guaranteed by the related parties as of December 31, 2008, 2009 and 2010 (see Note 18).

12. PENSION PLANS

The pension plan under the Labor Pension Act in Taiwan (the "LPA") is a defined contribution plan. Based on the LPA, TPKT, TAS and GPSC make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. For the subsidiaries in the ROC, such pension costs were NT$9,669 thousand, NT$9,838 thousand and NT$15,508 thousand (approximately US$532 thousand) for the years ended December 31, 2008, 2009 and 2010, respectively.

Based on the defined benefit plan under the Labor Standards Law of ROC, pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. TPKT 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 in the committee's name. TPKT recognized pension costs of NT$681 thousand, NT$282 thousand and NT$561 thousand (approximately US$19 thousand) for the years ended December 31, 2008, 2009 and 2010, respectively.

The employees of the subsidiaries in the People's Republic of China (PRC) are members of state-managed retirement benefit plans operated by the PRC government, which are defined contribution plans. The Company's PRC subsidiaries are required to contribute an amount equal to a specified percentage of their payroll costs to the pension fund. For the subsidiaries in PRC, such pension costs were NT$12,295 thousand, NT$21,488 thousand and NT$48,768 thousand (approximately US$1,674 thousand) for the years ended December 31, 2008, 2009 and 2010, respectively.

The employee contribution plan of the Company's subsidiary in the U.S. followed the local regulations, which requires the U.S. subsidiary to contribute to an employee retirement management plan. For the year ended December 31, 2010, such pension cost was NT$362 thousand (approximately US$13 thousand) (for the years ended December 31, 2008 and 2009: None).

Information about the defined benefit plan of TPKT was as follows:

a. Components of net periodic pension cost

	Year Ended December 31			
	2008	2009	2010	
	NT$	NT$	NT$	US$
Interest cost	$ 366	$ 405	$ 537	$ 18
Projected return on plan assets	(23)	(123)	(128)	(4)
Amortization	(59)	—	152	5
Net periodic pension cost	$ 284	$ 282	$ 561	$ 19

b. Reconciliation of funded status of the plan and accrued pension liabilities as of December 31, 2008, 2009 and 2010

	Year Ended December 31			
	2008	2009	2010	
	NT$	NT$	NT$	US$
Benefit obligation				
Vested benefit obligation	$ —	$ 1,479	$ 1,498	$ 52
Non-vested benefit obligation	9,235	11,166	20,266	696
Accumulated benefit obligation	9,235	12,645	21,764	748
Additional benefit based on future salaries	4,269	6,910	12,673	435
Projected benefit obligation	13,504	19,555	34,437	1,183
Fair value of plan assets	(3,509)	(4,293)	(5,258)	(181)
Funded status	9,995	15,262	29,179	1,002
Unrecognized net loss	1,203	(4,539)	(12,673)	(435)
Accrued pension cost	$ 11,198	$ 10,723	$ 16,506	$ 567
Vested benefit	$ —	$ 1,486	$ 1,500	$ 51

c. Actuarial assumptions as of December 31, 2008, 2009 and 2010

	Year Ended December 31		
	2008	2009	2010
Discount rate used in determining present values	3.00%	2.75%	2.25%
Future salary increase rate	3.00%	2.75%	2.25%
Expected rate of return on plan assets	3.00%	3.00%	3.00%

	Year Ended December 31			
	2008	2009	2010	
	NT$	NT$	NT$	US$
d. Contributions to the fund	$ 2,698	$ 758	$ 895	$ 31
e. Payments from the fund	$ —	$ —	$ —	$ —

13. SHAREHOLDERS' EQUITY

Under the Article of TPKH, the capital surplus from share issued in excess of par value (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 TPKH's paid-in capital.

TPKH held the general meeting of shareholders on January 8, 2010. Several resolutions such as the adoption of new Memorandum and Articles of Association of TPKH (the "Articles") were approved in the meeting.

Effective on February 25, 2010, the authorized capital of TPKH has been revised from US$50,000 thousand (divided into 500,000 thousand shares with par value of US$0.10 each) to NT$3,000,000 thousand (divided into 300,000 thousand shares with par value of NT$10.00 each). For the purpose of redenominating, the issued capital of US$30,826 thousand was translated into NT$1,000,000 thousand at the exchange rate of US$1=NT$32.44. Furthermore, TPKH capitalized a portion of its share premium amounting to NT$800,000 thousand into 80,000 thousand shares to be issued pro rata to the shareholders of TPKH. Upon the redenominating of issued share capital and the capitalization of share premium above, the authorized capital of TPKH was NT$3,000,000 thousand (divided into 300,000 thousand shares with par value of NT$10.00 each), and issued capital was NT$1,800,000 thousand (divided into 180,000 thousand shares with par value of NT$10.00 each).

Prior to January 8, 2010, the Articles provided that, when appropriating earnings for each fiscal year, TPKH should set aside the following items accordingly:

a. Subject to the Articles, the Directors may from time to time declare and distribute dividends (including dividends declared during the interim periods) out of the funds of TPKH lawfully available;

b. The Directors may, before declaring and distributing any dividends, set aside amounts as they consider appropriate based on the Company's operation needs as a reserve to be used in the business of TPKH;

c. No dividend shall be made unless TPKH has incurred profits, realized or unrealized, or has share premium or any other laws or regulations permit such transaction.

According to the newly amended Articles approved on April 13, 2010, TPKH may distribute profits in accordance with a proposal for distribution of profits prepared by the directors and resolved by the shareholders. When appropriating the profits, TPKH shall first offset its losses in previous years and set aside a legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve has equaled the total capital of TPKH; then set aside special capital reserve in accordance with the Applicable Public Company Rules or as requested by the authorities in charge; and then may set aside between 1% to 1.5% of the balance as bonus to directors and between 5% to 10% of the balance as bonus to employees of TPKH.

On October, 4, 2010, the board of directors amended additional guidelines for cash dividend distribution in which the total amount of cash dividend distributed could not be lower than 10% of the total dividend distributed and the maximum is 100%.

The appropriations of earnings for 2009 had been approved in the shareholders' meeting on April 13, 2010, and the appropriations of earnings for 2008 had been approved in the meeting of board of directors on February 13, 2009. The appropriations and dividends per share were as follows:

	Appropriation of Earnings (In Thousands of U.S. Dollars)		Dividends Per Share (U.S. Dollars)	
	For Year 2008	**For Year 2009**	**For Year 2008**	**For Year 2009**
Legal capital reserve	$ —	$ 7,234	$ —	$ —
Cash dividends	6,000	47,142	0.0195	0.2619
Stock dividends	—	2,852	—	0.0158

In the shareholders' meeting on April 13, 2010, the shareholders approved 28,000 thousand new shares issuance in an initial public offering and listing on the Taiwan Stock Exchange, and agreed to waive any pre-emptive right to subscribe to TPKH's issuance of shares through such initial public offering and listing except 4,200 thousand shares (representing 15%) for employee stock options. The Chairman was authorized to negotiate with the underwriters and determine the final offer price, the final term and condition of new shares issuance on behalf of TPKH. This proposal was approved by the Financial Supervisory Commission (FSC) under the Executive Yuan of the ROC in letter No. 0990051313 issued on September 28, 2010.

The reserved employee stock options were accounted for under Interpretations 2007-267 issued by the Accounting Research and Development Foundation (ARDF) of the ROC. The Black-Scholes pricing model was used to estimate the fair value of equity instruments. For the year ended December 31, 2010, compensation cost of NT$36,130 thousand (approximately US$1,240 thousand) (included in salary expense) was recognized, with a corresponding adjustment to capital surplus - employee stock options.

The bonus to employees and the remuneration to directors and supervisors for 2009 approved in the shareholders' meeting on April 13, 2010 were as follows (for year 2008: None):

	Year Ended December 31, 2009 (In Thousands of U.S. Dollars)	
	Cash	**Stock**
Bonus to employees	$ —	$ 6,500
Remuneration to directors and supervisors	660	—

There was no difference between the approved amounts of the bonus to employees and the remuneration to directors and the accrual amounts reflected in the financial statements for the year ended December 31, 2009.

Under the meeting of the board of directors, TPKH determined the ex-dividend date as July 1, 2010. On July 29, 2010 TPKH registered with the Cayman government the stock dividends and issuance of common stock for employee bonus as appropriations of earnings for 2009.

7,068 thousand shares of stock bonus to employee for 2009 were determined based on the employee bonus of US$6,500 thousand divided by US$0.9197, the equity per share of the most recently audited financial report.

For the years ended December 31, 2009 and 2010, the estimated bonus to employees was NT$208,195 thousand and NT$213,377 thousand (approximately US$7,325 thousand), and remuneration to directors was NT$21,140 thousand and NT$42,675 thousand (approximately US$1,465 thousand), respectively, which was recorded as accrued expenses. For the years ended December 31, 2009 and 2010, the estimated bonus to employees represented approximately 10% and 5%, respectively, and remuneration to directors represented approximately 1% of net income after setting aside a legal capital reserve, respectively. Material differences between such estimated amounts and the amounts proposed by the board of directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined based on the amount of the share bonus divided by the closing price (after considering the effect of cash and stock dividends) of the day immediately preceding the shareholders' meeting. However, before initial public offering, the number of shares is determined by using the equity per share of the most recently audited financial report.

Information on the bonus to employees and remuneration to directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

14. EMPLOYEE STOCK OPTION PLANS

On May 1, 2010, 9,000 options were granted to qualified employees of the Company. Each option entitles the holder to subscribe for one thousand common shares of TPKH when exercisable. The options granted are valid for 10 years and exercisable at certain percentages after the second anniversary year from the grant date. Under SFAS No. 39, "Accounting for Share-based Payment" of the ROC, employee stock options granted are valued at the fair value. For any subsequent changes (issuance of common stock as stock dividend, capital surplus or capital reduction other than retirement of treasury stock) in TPKH's paid-in capital, the exercise price is adjusted accordingly.

Information about employee stock options was as follows (as of December 31, 2008 and 2009: None):

	Year Ended December 31, 2010		
	Number of Options	Weighted-average Exercise Price (In Dollars)	
		NT$	US$
Options granted	9,000	$ 164	$ 5.63
Options forfeited	(244)	143	4.91
Balance, end of year	8,756	143	4.91
Options exercisable, end of year	—		
Weighted-average fair value of options granted (in New Taiwan dollars)	$ 77		

Information about outstanding options as of December 31, 2010 was as follows: (As of December 31, 2008 and 2009: None)

December 31, 2010		
Range of Exercise Price (In Dollars)		
NT$	US$	Weighted-average Remaining Contractual Life (Years)
$143	$4.91	9.33

Options granted in 2010 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	(Unit: Dollars)
Market value per share — grant date	NT$155 (approximately US$5.32)
Exercise price	NT$164 (approximately US$5.63)
Expected volatility	51.65%-52.01%
Expected life	6-7 years
Expected dividend yield	—
Risk-free interest rate	1.44%-1.51%

Expected volatility is based on the historical stock price volatility of similar industries.

Compensation cost of employee stock options was NT$143,337 thousand (approximately US$4,921 thousand) for the year ended December 31, 2010 (for the year ended December 31, 2008 and 2009: None).

For the year ended December 31, 2010, forfeiture of stock options granted during the year ended December 31, 2010 due to termination of employment was 2.71%. As of December 31, 2010, the estimated percentages of forfeiture due to termination of employment over the remaining vesting period were 2%-5%.

On December 21, 2010, for the second time, the board of directors approved 10,000 options to be granted to qualified employees of the Company. Each option entitled the holder to subscribe for one thousand common shares of TPKH when exercisable. The options granted were valid for 10 years and exercisable at certain percentages after the second anniversary year from the grant date. This proposal was approved in letter No. 0990072201 issued by the FSC on December 30, 2010. As of February 18, 2011, the employee stock option has not been issued.

15. INCOME TAXES

TPKH is not subject to income or other taxes in the Cayman Islands and its subsidiaries are subject to taxes of jurisdiction where they are located.

A reconciliation of income tax expense based on income before income tax at statutory rates and current income tax payable was as follows:

	Year Ended December 31			
	2008	2009	2010	
	NT$	NT$	NT$	US$
Income tax expense of entities in the consolidated financial statements at the statutory rates	$ 16,313	$ 255,732	$ 737,436	$ 25,315
Tax effect on adjusting items:				
Permanent differences	(3,894)	8,255	(42,990)	(1,476)
Temporary differences	3,953	(24,923)	111,917	3,842
Current income tax expense	16,372	239,064	806,363	27,681
Loss carryforwards	(13,467)	—	(1,111)	(38)
Investment tax credits	(1,453)	—	(15,618)	(536)
Tax refund receivable from merger	—	(1,446)	—	—
Withholding tax	(17)	(175,566)	(358,332)	(12,301)
Income tax payable	$ 1,435	$ 62,052	$ 431,302	$ 14,806
Income tax payable	$ 1,452	$ 63,526	$ 431,306	$ 14,806
Tax refund receivable (included in other current assets)	(17)	(1,474)	(4)	—
Income tax refundable	$ 1,435	$ 62,052	$ 431,302	$ 14,806

(Concluded)

Income tax expense consisted of the following:

	Year Ended December 31			
	2008	2009	2010	
	NT$	NT$	NT$	US$
Current income tax expense	$ 16,372	$ 239,064	$ 806,363	$ 27,681
Loss carryforwards	(13,467)	—	(1,111)	(38)
Investment tax credits	(1,453)	—	(15,618)	(536)
Adjustments for prior years' tax	1,653	2,535	(4,311)	(148)
Unused tax credits in PRC	—	6,015	—	—
Deferred income tax	2,184	4,082	403,644	13,857
Others	—	—	15,677	538
Exchange differences	—	2,446	(19,199)	(659)
Income tax expense	$ 5,289	$ 254,142	$ 1,185,445	$ 40,695

For the subsidiaries in the ROC during the years ended December 31, 2008, 2009 and 2010, the Legislative Yuan of the ROC passed the following amendments to tax laws:

a. In January 2009, the Legislative Yuan passed the amendment of Article 39 of the Income Tax Law, which extends the operating loss carryforward period from 5 years to 10 years.

b. In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 25% to 20%, effective from January 1, 2010

c. Under Article 10 of the Statute for Industrial Innovation (SII) passed by the Legislative Yuan in April 2010, a profit-seeking enterprise may deduct up to 15% of its research and development expenditures from its income tax payable for the fiscal year in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that fiscal year. This incentive took effect from January 1, 2010 and is effective till December 31, 2019.

d. In May 2010, the Legislative Yuan passed amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 20% to 17%, effective from January 1, 2010.

Deferred income tax assets (liabilities) were as follows:

	Year Ended December 31			
	2008	2009	2010	
	NT$	NT$	NT$	US$
Current				
Investment tax credits	$ 21,779	$ 24,048	$ 28,074	$ 964
Bonus to employees	—	18,237	9,805	337
Loss carryforwards	—	—	31,889	1,095
Unrealized allowance for loss on inventories	—	1,071	65,044	2,233
Unrealized exchange losses	—	77	10,233	351
Others	23	456	64,783	2,223
	21,802	43,889	209,828	7,203
Less: Valuation allowance	(8,988)	(24,048)	(9,500)	(326)
Deferred income tax assets - current	12,814	19,841	200,328	6,877
Deferred income tax liabilities - current				
Unrealized exchanged gains	(2,082)	—	—	—
Equity in earnings of investee	—	—	(510,763)	(17,534)
Deferred income tax assets (liabilities) - current	$ 10,732	$ 19,841	$ (310,435)	$ (10,657)
Noncurrent				
Investment tax credits	$ 103,106	$ 94,511	$ 65,415	$ 2,246
Loss carryforwards	45,652	37,516	—	—
Others	2,800	2,530	1,767	60
Deferred income tax assets- noncurrent	$ 151,558	$ 134,557	$ 67,182	$ 2,306

The tax rates for calculating deferred taxes were as follows:

	December 31		
	2008	2009	2010
TPKT, TAS and GPSC	25%	20%	17%
TPKC, TPKL, TPKS, OTX, RSO and RST	—	Approximately 11%	Approximately 12%

Pursuant to the tax legislation applicable to foreign-invested enterprises in the PRC, TPKH's subsidiaries in the PRC were entitled to an exemption from PRC income tax for two years starting from their first profit-making year after utilizing all loss carryforward and thereafter, a 50% relief from PRC income tax for the next three years. The first profit-making year of TPKC and OTX was 2007.

The PRC government published the Enterprise Income Tax Law in March 2007, and the Implementation Rules of the Enterprise Income Tax Law and the Notice No. 39 (2007) of the State Council (collectively, the "New Tax Law") in December 2007.

Foreign-invested enterprise in the PRC that have unused tax benefits as of the start of the implementation of the New Tax Law on January 1, 2008 are allowed to continue to use their remaining tax benefits. However, under the New Tax Law, all new enterprises regardless of the profit level will start their first tax exemption year from 2008. Accordingly, TPKL and TPKS started their tax-exemption benefit from 2008. Furthermore, the tax rate of TPKH's subsidiaries in the PRC gradually rises to the newly enacted tax rate of 25% in a five-year transition period.

As of December 31, 2010, investment tax credits of TPKT were comprised of:

Laws and Statutes	Tax Credit Source	Total Creditable Amount		Remaining Creditable Amount		Expiry Year
		NT$	US$	NT$	US$	
Statute for Upgrading Industries	Purchase of machinery and equipment	$ 103	$ 4	$ 103	$ 4	2012
	Research and	28,074	964	28,074	964	2011
	development	26,666	915	26,666	915	2012
	expenditures	38,646	1,327	38,646	1,327	2013
		$ 93,489	$ 3,210	$ 93,489	$ 3,210	

Loss carryforwards of TPKT as of December 31, 2010 were comprised of:

Unused Amount NT$	Unused Amount US$	Expiry Year
$ 32,019	$ 1,099	2014
84,227	2,891	2015
61,893	2,125	2016
9,442	324	2017
$ 187,581	$ 6,439	

As of December 31, 2008, 2009 and 2010, the balance of the imputation credits which could be allocated to TPKT's shareholders amounted to NT$553 thousand, NT$3,726 thousand and NT$3,726 thousand (approximately US$128 thousand), respectively.

According to the Income Tax Law of the ROC, when TPKT distributes earnings to non-ROC resident shareholders, TPKT should calculate tax credit for use of non-ROC resident shareholders based on the 10% tax on undistributed earnings. The non-ROC resident shareholders could use the tax credit to settle their tax payable on the dividend they received.

The income tax returns of TPKT through 2007 have been assessed by the tax authorities.

16. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Year Ended December 31			
	2008	2009	2010	
	NT$	NT$	NT$	US$
Personnel				
Salary	$ 944,733	$ 1,601,110	$ 3,093,897	$ 106,210
Pension	22,645	31,608	65,199	2,238
Insurance	45,623	51,611	74,019	2,541
Others	103,617	126,727	1,456,154	49,988
	$ 1,116,618	$ 1,811,056	$ 4,689,269	$ 160,977
Depreciation	$ 358,572	$ 590,587	$ 969,079	$ 33,267
Amortization	$ 140,792	$ 108,988	$ 90,280	$ 3,100

17. EARNINGS PER SHARE ("EPS")

The numerators and denominators used in calculating basic EPS were as follows:

	Amounts (Numerator)				Shares (Denominator) (In Thousands)	EPS			
	Before Income Tax		After Income Tax			Before Income Tax		After Income Tax	
	NT$	US$	NT$	US$		NT$	US$	NT$	US$
Year ended December 31, 2008									
Income for the year	$ 393,786		$ 388,497						
Basic EPS and diluted EPS									
Income for the year attributable to common shareholders plus effect of potential dilutive common stock	$ 393,786		$ 388,497		189,000	$ 2.08		$ 2.06	
Year ended December 31, 2009									
Income for the year	$2,564,155		$2,310,013						
Basic EPS									
Income for the year attributable to common shareholders	$2,571,149		$2,317,007		189,000	$ 13.60		$ 12.26	
Effect of dilutive potential common stock									
Bonus to employees	—		—		7,068				
Diluted EPS									
Income for the year attributable to common shareholders plus effect of potential dilutive common stock	$2,571,149		$2,317,007		196,068	$ 13.11		$ 11.82	
Year ended December 31, 2010									
Income for the year	$5,933,324	$ 203,684	$4,747,879	$ 162,989					
Basic EPS									
Income for the year attributable to common shareholders	$5,926,072	$ 203,435	$4,741,555	$ 162,772	199,003	$ 29.78	$ 1.02	$ 23.83	$ 0.82
Effect of dilutive potential common stock									
Employee stock option	—	—	—	—	4,623				
Bonus to employees	—	—	—	—	2,293				
Diluted EPS									
Income for the year attributable to common shareholders plus effect of potential dilutive common stock	$5,926,072	$ 203,435	$4,741,555	$ 162,772	205,919	$ 28.78	$ 0.99	$ 23.03	$ 0.79

The Accounting Research and Development Foundation (ARDF) issued Interpretations 2007-052 that require companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses. These bonuses were previously recorded as appropriations from earnings. If the company may settle the bonus to employees by cash or shares, the company should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price (before initial public offering, by the net equity per share on the basis of the most recently audited financial report) of the shares at the balance sheet date. Such dilutive effect of the potential shares should be included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The weighted average number of shares outstanding for EPS calculation has been retroactively adjusted for the redenominating of issued share capital and the capitalization of share premium (see Note 13), which had been approved in the meeting of shareholders on January 8, 2010. As a result of this adjustment, the basic EPS after income tax for the year ended December 31, 2008 decreased from NT$2.16 to NT$2.06. Furthermore, the basic and diluted EPS after income tax for the year ended December 31, 2009 also decreased from NT$12.87 to NT$12.26 and from NT$12.39 to NT$11.82, respectively.

18. RELATED PARTY TRANSACTIONS

a. Related parties and their relationships with the Company

Related Party	Relationship with the Company
Balda AG	Related party in substance
Balda Solution (Suzhou) Ltd.	Related party in substance
Balda Solution (Beijing) Ltd.	Related party in substance
Touch Video Monitor Corp.	Related party in substance
Touch Video Monitor (Xiamen) Corp.	Related party in substance
Taiwan Video & Monitor Corp.	Related party in substance
Vision Optical Technologies (Xiamen) Inc.	Related party in substance
BTO Technologies (Xiamen) Ltd.	Related party in substance
TVM Global Corp.	Related party in substance
Smart Peak International Limited	Related party in substance
Magna Gain Management (Hong Kong) Limited	Related party in substance
Max Gain Management Limited	Related party in substance
ACE Advance Enterprises Ltd.	Related party in substance
Pan Shi (Xiamen) Real Estate Development Inc.	Related party in substance
Jiang Chao Rui	Chairman
Peng Yun Ling	Spouse of chairman

b. Significant transactions with related parties:

Related Party	2008 Amount	2008 % to Total	2009 Amount	2009 % to Total	2010 Amount		2010 % to Total
	NT$		NT$		NT$	US$	
1) Purchases							
Balda Solution (Beijing) Ltd.	$ —	—	$ —	—	$201,768	$ 6,926	—
Smart Peak International Limited	—	—	—	—	20,955	719	—
Balda Solution (Suzhou) Ltd.	4,006	—	13,612	—	1,452	50	—
Touch Video Monitor Corp.	9,995	—	10,073	—	81	3	—
Others	18	—	17	—	33	1	—
	$ 14,019	—	$ 23,702	—	$224,289	$ 7,699	—
2) Net sales							
Balda Solution (Beijing) Ltd.	$ —	—	$ —	—	$859,066	$ 29,491	1
Touch Video Monitor (Xiamen) Corp.	45,712	—	37,815	—	48,496	1,665	—
Balda Solution (Suzhou) Ltd.	1,284	—	—	—	40,017	1,374	—
Smart Peak International Limited	—	—	—	—	9,817	337	—
Others	—	—	1,360	—	73	3	—
	$ 46,996	—	$ 39,175	—	$957,469	$ 32,870	1
3) Rental disbursement (overhead)							
BTO Technologies (Xiamen) Ltd.	$ —	—	$ 3,182	—	$ 58,490	$ 2,008	52
Vision Optical Technologies (Xiamen) Inc.	—	—	—	—	27,884	957	25
	$ —	—	$ 3,182	—	$ 86,374	$ 2,965	77
4) Rental disbursement (operating expense)							
BTO Technologies (Xiamen) Ltd.	$ —	—	$ 6,894	—	$ 26,843	$ 921	22
Touch Video Monitor Corp.	—	—	—	—	17,957	616	15
Vision Optical Technologies (Xiamen) Inc.	—	—	—	—	13,125	451	11
Pan Shi (Xiamen) Real Estate Development Inc.	—	—	—	—	487	17	—
	$ —	—	$ 6,894	—	$ 58,412	$ 2,005	48

Related Party	2008 Amount	2008 % to Total	2009 Amount	2009 % to Total	2010 Amount		2010 % to Total
	NT$		NT$		NT$	US$	
5) Acquisition of property, plant and equipment							
Touch Video Monitor (Xiamen) Corp.	$ —	—	$ 433	—	$ 3,583	$ 123	—
BTO Technologies (Xiamen) Ltd.	—	—	144	—	1,340	46	—
Touch Video Monitor Corp.	—	—	—	—	45	2	—
	$ —	—	$ 577	—	$ 4,968	$ 171	—
6) Proceeds from disposal of property, plant and equipment							
Touch Video Monitor (Xiamen) Corp.	$ 6,452	4	$ —	—	$ —	$ —	—
Balda Solution (Suzhou) Ltd.	5,949	3	—	—	—	—	—
BTO Technologies (Xiamen) Ltd.	—	—	929	2	—	—	—
	$ 12,401	7	$ 929	2	$ —	$ —	—
7) Accounts receivable							
Balda Solution (Beijing) Ltd.	$ —	—	$ —	—	$157,227	$ 5,397	1
Touch Video Monitor (Xiamen) Corp.	1,817	—	5,051	1	6,732	231	—
Others	34	—	618	—	256	9	—
	$ 1,851	—	$ 5,669	1	$164,215	$ 5,637	1
8) Accounts payable							
Balda Solution (Beijing) Ltd.	$ —	—	$ —	—	$ 24,387	$ 837	—
Smart Peak International Limited	—	—	9	—	12,918	443	—
Balda Solution (Suzhou) Ltd.	4,010	—	—	—	—	—	—
Touch Video Monitor Corp.	2,916	—	—	—	—	—	—
Others	—	—	525	—	—	—	—
	$ 6,926	—	$ 534	—	$ 37,305	$ 1,280	—
9) Refundable deposits							
BTO Technologies (Xiamen) Ltd.	$ —	—	$ 36,662	47	$ 39,329	$ 1,350	13
Vision Optical Technologies (Xiamen) Inc.	—	—	24,689	32	34,494	1,184	11
Taiwan Video & Monitor Corp.	—	—	—	—	7,674	263	3
	$ —	—	$ 61,351	79	$ 81,497	$ 2,797	27

Terms of purchases from related parties were similar to those from third parties.

The selling prices and collection terms for products sold to related parties were similar to those for products sold to third parties.

OTX and TPKC leased their manufacturing facilities from BTO Technologies (Xiamen) Inc. The lease terms and prices were determined in accordance with mutual agreements. The rental expense was paid monthly and classified under overhead and operating expenses.

TPKS leased its office from Vision Optical Technologies (Xiamen) Inc. The lease terms and payments were determined in accordance with mutual agreements. The rental expense was paid monthly and classified under overhead and operating expenses.

TPKT leased its office from Taiwan Video & Monitor Corp. The lease terms and payments were determined in accordance with mutual agreements. The rental expense was paid monthly and classified under operating expenses.

TPKS and TPKC individually leased their employee dormitories from Pan Shi (Xiamen) Real Estate Development Inc. The lease terms and payments were determined in accordance with mutual agreements. The rental expense was paid monthly and classified under operating expenses.

Refundable deposits were made for leasing the manufacturing facilities and offices from related parties for the period 2009 to 2015.

10) Financing from related parties (for year ended December 31, 2010: None)

	Year Ended December 31, 2008			
	Maximum Balance	Ending Balance	Interest Expense	Interest Rate
	NT$	NT$	NT$	NT$
Max Gain Management Limited	$ 295,201	$ 164,000	$ 2,552	5%-6%
Touch Video Monitor (Xiamen) Corp.	182,342	—	4,241	7.4%
Balda AG	147,600	—	—	—
ACE Advance Enterprises Ltd.	32,800	—	—	—
Magan International (Hong Kong) Limited	13,940	—	—	—
	$ 671,883	$ 164,000	$ 6,793	

	Year Ended December 31, 2009			
	Maximum Balance	Ending Balance	Interest Expense	Interest Rate
	NT$	NT$	NT$	NT$
Max Gain Management Limited	$ 160,150	$ —	$ 585	5%-6%

11) Guarantees

As of December 31, 2008, 2009 and 2010, guarantees for long-term and short-term loans provided by related parties were as follows:

Year Ended December 31, 2008

Beneficiary Company	Ending Balance	Guarantor
	NT$	
TPKC	$250,371	Touch Video Monitor (Xiamen) Corp.
TPKC	211,991	Touch Video Monitor (Xiamen) Corp., Jiang Chao Rui, and Peng Yun Ling
TPKC	206,675	Touch Video Monitor (Xiamen) Corp.
TPKC	143,973	Touch Video Monitor (Xiamen) Corp., Jiang Chao Rui, and Peng Yun Ling
TPKL	38,393	TPKC
OTX	23,996	TPKC

Year Ended December 31, 2009

Beneficiary Company	Ending Balance	Guarantor
	NT$	
TPKH	$341,120	TPKT and Jiang Chao Rui
TPKH	193,922	Jiang Chao Rui
TPKL	83,629	TPKC
TPKL	70,363	TPKC
OTX	2,345	TPKC

Year Ended December 31, 2010

Beneficiary Company	Ending Balance		Guarantor
	NT$	US$	
TPKH	$4,019,940	$138,000	Jiang Chao Rui
TPKT	65,000	2,231	Jiang Chao Rui

c. Compensation of directors, supervisors and management personnel:

	Year Ended December 31			
	2008	2009	2010	
	NT$	NT$	NT$	US$
Salaries	$ 53,226	$ 70,637	$ 69,890	$ 2,399
Bonus	—	46,464	9,886	339
Incentive and others	8,900	14,425	60,051	2,061
	$ 62,126	$ 131,526	$ 139,827	$ 4,799

The bonus to directors and management personnel for the year ended December 31, 2010 included the estimated bonus to employees and remuneration to directors, which will be paid in 2011. The actual amount will be determined based on the resolution of the shareholders' meeting in 2011.

19. COMMITMENTS AND CONTINGENCIES

The expiration dates of leases of manufacturing facilities, office facilities and transportation equipment are in 2011 and thereafter. As of December 31, 2010, the future rentals were as follows:

Year	NT$	US$
2011	$ 254,978	$ 8,753
2012	322,474	11,070
2013	317,630	10,904
2014	246,109	8,449
2015 and thereafter	41,329	1,407
	$ 1,182,520	$ 40,583

20. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments

	2008		2009		2010			
Non-derivatives	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount		Fair Value	
	NT$	NT$	NT$	NT$	NT$	US$	NT$	US$
Assets								
Cash	$ 527,855	$ 527,855	$1,670,865	$1,670,865	$ 5,563,959	$191,004	$ 5,563,959	$191,004
Note and accounts receivable	719,992	719,992	835,049	835,049	11,998,886	411,908	11,998,886	411,908
Restricted assets	—	—	524,496	524,496	13,480	463	13,480	463
Refundable deposits	9,130	9,130	78,051	78,051	303,457	10,417	303,457	10,417
Liabilities								
Short-term loans	1,845,501	1,845,501	1,649,933	1,649,933	3,408,924	117,024	3,408,924	117,024
Current portion of long-term loans	211,991	211,991	—	—	247,605	8,500	247,605	8,500
Note and accounts payable	2,197,893	2,197,893	2,203,518	2,203,518	13,926,523	478,082	13,926,523	478,082
Accrued expenses	380,812	380,812	630,360	630,360	2,194,103	75,321	2,194,103	75,321
Payable on construction and equipment	478,438	478,438	455,459	455,459	2,686,705	92,232	2,686,705	92,232
Other payables - related parties	164,000	164,000	—	—	—	—	—	—
Long-term loans	—	—	594,900	594,900	3,604,535	123,740	3,604,535	123,740
Guarantee deposits received	384	384	21,888	21,888	74,183	2,547	74,183	2,547
Derivatives								
Assets								
Financial assets at fair value through profit or loss-current	33,902	33,902	—	—	—	—	—	—
Liabilities								
Financial liabilities at fair value through profit or loss-current	30,650	30,650	—	—	—	—	—	—

b. Methods and assumptions used to estimate the fair values of financial instruments were as follows:

1) The carrying amounts of the following short-term financial instruments approximate their fair values because of their short maturities: Cash, receivables, restricted assets, short-term loans, notes payable, accounts payable, accrued expenses and payable on construction and equipment.

2) The fair value of financial instruments at fair value through profit or loss was estimated using valuation techniques.

3) The long-term loans (including current portion of long-term loans) have floating interest rates; thus, the fair values were equivalent to the carrying amounts.

4) Refundable deposits and guarantee deposits received do not have specific due dates; thus, the fair values were equipment to the carrying values.

5) Some financial assets and liabilities and non-financial assets and liabilities do not have to disclose their fair value; thus, the values mentioned above did not represent the total value of the Company.

c. As of December 31, 2008, 2009 and 2010, financial assets exposed to fair value interest rate risk amounted to NT$61,140 thousand and NT$822,375 thousand and zero, respectively, financial liabilities exposed to fair value interest rate risk amounted to zero, zero and NT$125,357 thousand (approximately US$4,303 thousand), respectively; financial assets exposed to cash flow interest rate risk amounted to NT$464,495 thousand, NT$1,370,755 thousand and NT$5,567,462 thousand (approximately US$191,125 thousand), respectively; and financial liabilities exposed to cash flow interest rate risk amounted to NT$2,057,492 thousand, NT$2,244,833 thousand and NT$7,135,707 thousand (approximately US$244,961 thousand), respectively.

d. Recognized gains (losses) arising from changes in fair value of the financial assets and liabilities held for trading were generated by forward exchange contracts. For the years ended December 31, 2008 and 2009, net losses from forward exchange contracts were NT$13,085 thousand and NT$1,650 thousand, respectively (for the year ended December 31, 2010: None).

The Company entered into forward exchange contracts to manage exposures due to exchange rate and interest rate fluctuations. The financial risk management objective of the Company is to minimize risks due to changes in fair value or cash flows from exchange rate fluctuations.

The fair values of forward exchange contracts of the Company were determined by using valuation techniques.

Outstanding forward exchange contracts as of December 31, 2008 were as follows (December 31, 2009 and 2010: None):

	Currency	Duration	Contract Amount (In Thousands)	Fair Value (In Thousands)
December 31, 2008				
Non-delivery forward	Sell RMB/Buy USD	2008.07.16-2009.07.21	RMB96,890/US$15,000	$ 33,902
Currency swap	Sell USD/Buy RMB (forward)	2008.07.16-2009.07.17	US$15,000/RMB102,306	(30,650)

e. For the years ended December 31, 2008, 2009 and 2010, the interest income and expense associated with financial assets and liabilities other than those at FVTPL were NT$5,186 thousand, NT$3,045 thousand and NT$16,044 thousand (approximately US$551 thousand) of total interest income, and NT$135,217 thousand, NT$68,850 thousand and NT$87,412 thousand (approximately US$3,001 thousand) of total interest expense, respectively.

f. Financial risks

1) Market risk

The financial asset exposed to fair value interest rate risk and cash flow interest rate risk resulting from interest rate fluctuation of the Company is bank deposit with interest rate fluctuations. Thus, the effect is not considered significant.

The Company has set up relevant risk control policies to reduce the risk of financial liabilities exposed to cash flow interest rate risk.

2) Credit risk

Credit risk is the possible loss due to counter-parties' default on contracts. The value exposed to credit risk is the outstanding balance of the account. In order to reduce the credit risk of financial assets, the Company chooses to deal with counter-parties with good credit and by performing a series of control procedures for derivative transactions.

3) Liquidity and cash flow risk

The Company's operating capitals are deemed sufficient to meet the cash flow demand; therefore, liquidity and cash flow risks are not considered to be significant.

21. SEGMENT FINANCIAL INFORMATION

a. Industry financial information

The Company is a vertically integrated touch and display solutions provider specialized in touch and lens modules for total integrated solutions. The integrated solutions account for more than 90% of Company's operating revenue, net income and indentified assets. Therefore, the disclosure of industry financial information is not applicable to the Company.

b. Geographic information

The Company's operation outside of Asia is less than 10% of the total sales and total assets. Therefore, the disclosure of geographic information is not applicable to the Company.

c. Export sales

	Year Ended December 31			
Area	**2008**	**2009**	**2010**	
	NT$	**NT$**	**NT$**	**US$**
North America	$ 6,654,551	$11,694,580	$45,273,779	$ 1,554,198
Asia	6,241,713	7,014,171	14,324,974	491,760
Europe	46,081	—	—	—
	$12,942,345	$18,708,751	$59,598,753	$ 2,045,958

d. Major customers representing at least 10% of net sales

	Year Ended December 31						
	2008		**2009**		**2010**		
Customer	**Amount**	**%**	**Amount**	**%**	**Amount**		**%**
	NT$		**NT$**		**NT$**	**US$**	
Customer A	$6,337,431	49	$8,515,272	46	$43,362,884	$1,488,599	73
Customer B	4,247,533	33	3,806,958	20	6,217,981	213,456	10
Customer C	—	—	2,857,685	15	1,710,650	58,725	3

22. BUSINESS COMBINATION

TPKH and Magna International Inc. Group (Magna) owned the joint venture of Optera TPK Holding Pte. Ltd. ("OTH") and each held 50% equity interest of OTH. OTH owned 100% of equity interest of OTX, which is engaged in ITO glass research, development, manufacturing and sales activities. TPKH acquired the other 50% equity interest of OTH and certain assets of Magna (the "Purchased Assets") on March 12, 2010 for US$35,000 thousand of which US$31,000 thousand was paid in cash and the other US$4,000 thousand paid in standby letter of credit with the term of one year. As of December 31, 2010, the standby letter of credit had been settled.

The acquisition was accounted for under the Statement of Financial Accounting Standards (SFAS) No. 25, "Business Combinations - Accounting Treatment under Purchase Method," summarized as follows:

	Amount	
	NT$	**US$**
Acquisition costs	$ 1,026,192	$ 35,228
Less: Fair value of Purchased Assets	(740,572)	(25,423)
Goodwill	$ 285,620	$ 9,805

The consolidated income for the year ended December 31, 2010 included the operating result of the subsidiary acquired in March 2010. The pro forma operating results of the Company for the years ended December 31, 2008, 2009 and 2010, assuming the Company acquired 50% equity interest of OTH at the beginning of 2008 were as follows:

	Year Ended December 31			
	2008	2009	2010	
	NT$	NT$	NT$	US$
Net sales	$13,334,055	$19,222,869	$59,677,978	$ 2,048,678
Income before extraordinary income	$ 428,553	$ 2,433,048	$ 4,755,603	$ 163,254
Net income attributable to shareholders of parent company - before tax	$ 433,843	$ 2,707,600	$ 5,943,124	$ 204,021
Net income attributable to shareholders of parent company - after tax	$ 428,553	$ 2,440,043	$ 4,761,927	$ 163,472

	Year Ended December 31							
	2008		2009		2010			
	Before Tax	After Tax	Before Tax	After Tax	Before Tax		After Tax	
	NT$	NT$	NT$	NT$	NT$	US$	NT$	US$
Earnings per share								
Basic earnings per share	$ 2.30	$ 2.27	$ 14.33	$ 12.91	$ 29.86	$ 1.03	$ 23.90	$ 0.82
Diluted earnings per share	2.30	2.27	13.81	12.44	28.86	0.99	23.09	0.79

23. SUBSEQUENT EVENTS

Due to the demand of business operation, promotion and integration, on November 19 and December 17, 2010, the board of directors approved several resolutions as follows:

a. Improve disposed of its 100 % equity interest in TPKT and GPSC, for US$26,546 thousand and NT$69,747 thousand to TPKA and TPKT, respectively. The re-organization had been completed on January 27, 2011.

b. On January 28, 2011, RUSL and Jan Ann Co., Ltd. (Cayman) jointly set up and invested US$3,500 thousand in TPK Specialty Materials Limited (TPKM HK). They obtained 51% and 49% equity interest of TPKM HK, respectively.

c. On January 26, 2011, OTH and TPK HK individually invested US$10,700 thousand and US$19,500 thousand in OTX; therefore, OTH equity interest of OTX decreased to 71.43%, and TPK HK increased to 28.57%.

d. On January 21, 2011, TPKA set up and invested NT$378,000 thousand in Che Tung Co., Ltd.

e. TPK HK set up a Taiwan branch and injected NT$14,000 thousand capital for operation.

f. On February 14, 2011, TPK HK set up and invested US$60,000 thousand in a 100% owned subsidiary in Xiamen named TPK Glass Solutions (Xiamen) Inc.

24. OTHERS

Significant financial assets and liabilities denominated in currencies other than U.S. dollars were as follow:

(Amount in Thousands)

	December 31								
	2008			2009			2010		
	Foreign Currencies	Exchange Rate	U.S. Dollars	Foreign Currencies	Exchange Rate	U.S. Dollars	Foreign Currencies	Exchange Rate	U.S. Dollars
Financial assets									
Monetary items									
RMB	$ 56,232	6.8346	$ 8,227	$248,286	6.8282	$36,362	$ 254,594	6.6227	$ 38,443
NTD	40,241	32.8000	1,227	65,905	32.0300	2,058	60,937	29.1300	2,092
JPY	—	—	—	740	92.4387	8	14,631	85.7795	171
KRW	—	—	—	35,472	1,160.5072	31	54,350	1,159.9694	47
EUR	9	0.7109	12	9	0.6945	13	3	0.7803	4
HKD	—	—	—	1,476	7.7630	190	—	—	—
AUD	62	1.4456	43	—	—	—	—	—	—
Financial liabilities									
Monetary items									
RMB	194,832	6.8346	28,507	213,626	6.8282	31,286	1,256,556	6.6227	189,735
NTD	38,836	32.8000	1,184	105,953	32.0300	3,308	514,898	29.1300	17,676
JPY	1	0.7109	2	70,101	92.4387	758	1,482,399	85.7795	17,282

25. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau of the ROC for the Company and its investees:

a. Financings provided: Table 1 (attached)

b. Endorsements/guarantees provided: Table 2 (attached)

c. Marketable securities held: Table 3 (attached)

d. Marketable securities acquired or disposed of at costs or prices of at least NT$100 million or 20% of the paid-in capital: Table 4 (attached)

e. Acquisition of individual real estate at costs of at least NT$100 million or 20% of the paid-in capital: (None)

f. Disposal of individual real estate at prices of at least NT$100 million or 20% of the paid-in capital: (None)

g. Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: Table 5 (attached)

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 6 (attached)

i. Names, locations, and related information of investees over which the Company exercises significant influence: Table 7 (attached)

j. Derivative transactions of investees over which the Company has a controlling interest: (Note 20)

k. Investments in Mainland China

   1) Name of the investees in Mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in Mainland China: Table 8 (attached)

   2) Significant direct or indirect transactions with the investees, the amount and the percentage of related account payable/receivable ending balance, gain and loss on disposal of assets, prices and terms of payment, unrealized gain or loss: Tables 5 and 6 (attached)

   3) Endorsements, guarantees or collateral directly or indirectly provided to the investees: Table 2 (attached)

   4) Financings directly or indirectly provided to the investees: Table 1 (attached)

   5) Other transactions that significantly impacted current year’s profit or loss or financial position: None

l. Intercompany relationship and significant intercompany transactions: Table 9 (attached)

TABLE 1

TPK HOLDING CO., LTD. AND SUBSIDIARIES

FINANCINGS PROVIDED
YEAR ENDED DECEMBER 31, 2010
(Amounts in Thousands)

No.	Financing Company	Counter-party	Financial Statement Account	Maximum Balance for the Year	Ending Balance	Interest Rate	Type of Financing (Note 1)	Transaction Amount	Reason for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company (Note 2)	Financing Company's Financing Amount Limit (Note 3)
											Item	Value		
0	TPKH	TPKT	Loan to related party	US$3,000 (approximately NT$87,390)	US$3,000 (approximately NT$87,390)	1.6000%	2	$ —	Operating capital	$ —	—	$ —	US$152,348 (approximately NT$4,437,887)	US$203,130 (approximately NT$5,917,183)
		RST	Loan to related party - long-term	US$20,000 (approximately NT$582,600)	US$20,000 (approximately NT$582,600)	1.4425%	2	—	Operating capital	—	—	—	US$152,348 (approximately NT$4,437,887)	US$203,130 (approximately NT$5,917,183)
		RSO	Loan to related party - long-term	US$20,000 (approximately NT$582,600)	US$20,000 (approximately NT$582,600)	1.2572%	2	—	Operating capital	—	—	—	US$152,348 (approximately NT$4,437,887)	US$203,130 (approximately NT$5,917,183)
		TPKC	Loan to related party	US$85,000 (approximately NT$2,476,050)	US$35,000 (approximately NT$1,019,550)	1.2422%	2	—	Operating capital	—	—	—	US$152,348 (approximately NT$4,437,887)	US$203,130 (approximately NT$5,917,130)
		TPKL	Loan to related party - long-term	US$5,000 (approximately NT$145,650)	US$5,000 (approximately NT$145,650)	1.2562%	2	—	Operating capital	—	—	—	US$152,348 (approximately NT$4,437,887)	US$203,130 (approximately NT$5,917,183)
		Improve	Loan to related party - long-term	US$20,500 (approximately NT$597,165)	US$20,500 (approximately NT$597,165)	1.2569%	2	—	Operating capital	—	—	—	US$152,348 (approximately NT$4,437,887)	US$203,130 (approximately NT$5,917,183)

Note 1: Types of financing were as follows:

1. Business and trade
2. Short-term financing

Note 2: Received short-term financing from TPKH, and individual financing from TPKH is not more than 30% of TPKH's net asset value.

Note 3: Received short-term financing from TPKH, and total accumulated amount of financing to others is not more than 40% of TPKH's net asset value.

TABLE 2

TPK HOLDING CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
YEAR ENDED DECEMBER 31, 2010
(Amounts in Thousands)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Year	Ending Balance	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (Note 1)	Maximum Endorsement/ Guarantee Amount Allowable (Note 2)
		Name	Nature of Relationship						
0	TPKC	OTX	Trade company	US$126,956 (approximately NT$3,698,240)	US$5,285 (approximately NT$153,948)	$ —	$ —	—	US$253,913 (approximately NT$7,396,479)

Note 1: The net asset value was calculated based on audited financial statement as of December 31, 2010.

Note 2: For TPKC, total amount of endorsement/guarantee provided, and limits on single guaranteed party's endorsement/guarantee amount cannot exceed 50% and 25% of TPKH's net asset value, respectively. The maximum collateral/guarantee amount allowable was calculated based on the net asset value as of December 31, 2010.

TABLE 3

TPK HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2010
(Amounts in Thousands)

Holding Company	Marketable Securities Type and Issuer/Name	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2010 Shares/Units	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value	Note
TPKH	Improve	Subsidiary	Investments accounted for using equity method	15,800,000	US$43,978 (approximately NT$1,281,077)	100.00	US$43,978 (approximately NT$1,281,077)	Notes 2 and 3
	UYH	Subsidiary	Investments accounted for using equity method	196,050,000	US$417,479 (approximately NT$12,161,170)	99.90	US$417,479 (approximately NT$12,161,170)	Notes 2 and 3
	TTI	Subsidiary	Investments accounted for using equity method	500,000	US$9,996 (approximately NT$291,174)	100.00	US$9,996 (approximately NT$291,174)	Notes 2 and 3
	OTH	Subsidiary	Investments accounted for using equity method	29,375	US$69,930 (approximately NT$2,037,061)	100.00	US$69,930 (approximately (NT$2,037,061)	Notes 2 and 3
	RUSL	Subsidiary	Investments accounted for using equity method	22,000,000	US$22,000 (approximately NT$640,860)	100.00	US$22,000 (approximately NT$640,860)	Notes 2 and 3
Improve	TPKT	Subsidiary	Investments accounted for using equity method	24,000,000	US$44,187 (approximately NT$1,287,157)	100.00	US$44,187 (approximately NT$1,287,157)	Notes 2 and 3
	GPSC	Subsidiary	Investments accounted for using equity method	5,000,000	US$1,517 (approximately NT$44,200)	100.00	US$1,517 (approximately NT$44,200)	Notes 2 and 3
UYH	TPKC	Subsidiary	Investments accounted for using equity method	(Note 1)	US$321,887 (approximately NT$9,376,579)	100.00	US$321,887 (approximately NT$9,376,579)	Notes 2 and 3
	TPKL	Subsidiary	Investments accounted for using equity method	(Note 1)	US$28,265 (approximately NT$823,353)	100.00	US$28,265 (approximately NT$823,353)	Notes 2 and 3

Holding Company	Marketable Securities Type and Issuer/Name	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2010 Shares/Units	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value	Note
	TPKS	Subsidiary	Investments accounted for using equity method	(Note 1)	US$23,357 (approximately NT$680,383)	100.00	US$23,357 (approximately NT$680,383)	Notes 2 and 3
	ROS	Subsidiary	Investments accounted for using equity method	(Note 1)	US$9,128 (approximately NT$265,898)	55.00	US$9,128 (approximately NT$265,898)	Notes 2 and 3
	RST	Subsidiary	Investments accounted for using equity method	(Note 1)	US$45,994 (approximately NT$1,339,801)	55.00	US$45,994 (approximately NT$1,339,801)	Notes 2 and 3
OTH	OTX	Subsidiary	Investments accounted for using equity method	(Note 1)	US$50,741 (approximately NT$1,478,080)	100.00	US$50,741 (approximately NT$1,478,080)	Notes 2 and 3
	TRKU	Subsidiary	Investments accounted for using equity method	(Note 1)	US$512 (approximately NT$14,905)	100.00	US$512 (approximately NT$14,905)	Notes 2 and 3
TPKC	RSO	Investment accounted for using equity method	Investments accounted for using equity method	(Note 1)	US$7,090 (approximately NT$206,538)	45.00	US$7,090 (approximately NT$206,538)	Notes 2 and 3
	RST	Investment accounted for using equity method	Investments accounted for using equity method	(Note 1)	US$14,977 (approximately NT$436,292)	45.00	US$14,977 (approximately NT$436,292)	Notes 2 and 3
TPKT	NSI	Subsidiary	Investments accounted for using equity method	200,000	US$200 (approximately NT$5,826)	100.00	US$200 (approximately NT$5,826)	Notes 2 and 3
NSI	UYH	Related party that directly or indirectly held more than 20% of security issuer's shares. Therefore, need to adopt equity method	Investments accounted for using equity method	200,000	US$200 (approximately NT$5,826)	0.10	US$200 (approximately NT$5,826)	Notes 2 and 3

Note 1: No shares since it is limited liability company.
Note 2: The marketable securities were not used as collateral.
Note 3: All intercompany balances and transactions are eliminated upon consolidation.

(Concluded)

TABLE 4

TPK HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2010
(Amounts in Thousands)

					Beginning Balance		Acquisition		Disposal				Ending Balance	
Holding Company	Marketable Securities Type and Issuer/Name	Financial Statement Account	Counter-party	Nature of Relationship	Shares/Units	Amount (Notes 1 and 3)	Shares/Units	Amount (Note 3)	Shares/Units	Amount (Note 3)	Carrying Amount (Notes 1 and 3)	Gain (Loss) on Disposal (Note 3)	Shares/Units	Amount (Notes 1 and 3)
	Common stock													
TPKH	UYH	Investments accounted for using equity method	—	Subsidiary	74,550,000	US$146,983 (approximately NT$4,281,619)	121,500,000	US$121,500 (approximately NT$3,539,295)	—	$—	$—	$—	196,050,000	US$417,479 (approximately NT$12,161,170)
	OTH	Investments accounted for using equity method	—	Subsidiary	5,000	US$11,829 (approximately NT$344,569)	24,375	US$46,853 (approximately NT$1,364,828)	—	—	—	—	29,375	US$69,930 (approximately NT$2,037,061)
	RSUL	Investments accounted for using equity method	—	Subsidiary	—	—	22,000,000	US$22,000 (approximately NT$640,860)	—	—	—	—	22,000,000	US$22,000 (approximately NT$640,860)
UYH	TPKC	Investments accounted for using equity method	—	Subsidiary	(Note 2)	US$123,489 (approximately NT$3,597,234)	(Note 2)	US$49,000 (approximately NT$1,427,370)	—	—	—	—	(Note 2)	US$321,887 (approximately NT$9,376,579)
	TPKL	Investments accounted for using equity method	—	Subsidiary	(Note 2)	US$13,157 (approximately NT$383,259)	(Note 2)	US$5,000 (approximately NT$145,650)	—	—	—	—	(Note 2)	US$28,265 (approximately NT$823,353)
	TPKS	Investments accounted for using equity method	—	Subsidiary	(Note 2)	US$7,310 (approximately NT$212,948)	(Note 2)	US$11,000 (approximately NT$320,430)	—	—	—	—	(Note 2)	US$23,357 (approximately NT$680,383)
	RSO	Investments accounted for using equity method	—	Subsidiary	—	—	(Note 2)	US$8,250 (approximately NT$240,323)	—	—	—	—	(Note 2)	US$9,128 (approximately NT$265,898)
	RST	Investments accounted for using equity method	—	Subsidiary	—	—	(Note 2)	US$44,000 (approximately NT$1,281,720)	—	—	—	—	(Note 2)	US$45,994 (approximately NT$1,339,801)

Holding Company	Marketable Securities Type and Issuer/Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount (Notes 1 and 3)	Shares/Units	Amount (Note 3)	Shares/Units	Amount (Note 3)	Carrying Amount (Notes 1 and 3)	Gain (Loss) on Disposal (Note 3)	Shares/Units	Amount (Notes 1 and 3)
OTH	OTX	Investments accounted for using equity method	—	Subsidiary	(Note 2)	US$11,829 (approximately NT$344,567)	(Note 2)	US$10,700 (approximately NT$311,691)	—	—	—	—	(Note 2)	US$50,741 (approximately NT$1,478,080)
	RST	Investments accounted for using equity method		Subsidiary	—	—	(Note 2)	US$11,000 (approximately NT$320,430)	(Note 2)	US$11,000 (approximately NT$320,430)	US$10,693 (approximately NT$311,499)	US$307 (approximately NT$8,931)	—	—
TPKC	RSO	Investments accounted for using equity method	—	Investments accounted for using equity method	—	—	(Note 2)	US$6,750 (approximately NT$196,628)	—	—	—	—	(Note 2)	US$7,090 (approximately NT$206,538)
	RST	Investments accounted for using equity method	—	Investments accounted for using equity method	—	—	(Note 2)	US$13,500 (approximately NT$393,255)	—	—	—	—	(Note 2)	US$14,977 (approximately NT$436,292)

Note 1: Carrying value included acquisition cost, change in translation adjustments on long-term equity investment and investment income (loss) accounted for using equity method.

Note 2: No shares since it is limited liability company.

Note 3: The exchange rate from U.S. dollars to N.T. dollars as of December 31, 2010 was US$1=NT$29.13.

TABLE 5

TPK HOLDING CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2010
(Amounts in Thousands)

			Transaction Detail				Non-arm's Length Transaction		Notes/Accounts Payable or Receivable		
Company Name	Related Party	Nature of Relationship	Purchases/ Sales	Amount	% to Total	Payment Term	Unit Price (Note)	Payment Term (Note)	Ending Balance	% to Total	Note
TPKT	TPKC	The same ultimate parent company	Purchase	US$38,301 (approximately NT$1,115,716)	24.23	45 days after monthly closing	—	—	US$11,685 (approximately NT$340,384)	16.10	
	TPKS	The same ultimate parent company	Purchase	US$108,956 (approximately NT$3,173,879)	68.93	45 days after monthly closing	—	—	US$60,180 (approximately NT$1,753,032)	82.94	
	TPKC	The same ultimate parent company	Sales	US$2,001 (approximately NT$58,298)	0.97	45 days after monthly closing	—	—	US$11,965 (approximately NT$348,541)	14.12	
	TPKS	The same ultimate parent company	Sales	US$7,501 (approximately NT$218,500)	3.63	45 days after monthly closing	—	—	US$2,051 (approximately NT$59,745)	2.42	
	Balda Solution (Beijing) Ltd.	Related party in substance	Sales	US$28,237 (approximately NT$822,530)	13.66	60 days after invoice date	—	—	US$4,219 (approximately NT$122,900)	4.98	
TPKC	TPKT	The same ultimate parent company	Purchase	US$2,001 (approximately NT$58,298)	0.13	45 days after monthly closing	—	—	US$11,965 (approximately NT$348,541)	2.93	
	TPKL	The same ultimate parent company	Purchase	US$57,098 (approximately NT$1,663,273)	3.73	45 days after monthly closing	—	—	US$16,336 (approximately NT$475,861)	3.99	
	RST	Investment accounted for using equity method	Purchase	US$18,748 (approximately NT$546,136)	1.23	45 days after monthly closing	—	—	US$11,746 (approximately NT$342,149)	2.87	
	OTX	The same ultimate parent company	Purchase	US$28,844 (approximately NT$840,230)	1.89	45 days after monthly closing	—	—	US$4,938 (approximately NT$143,854)	1.21	

Company Name	Related Party	Nature of Relationship	Transaction Detail				Non-arm's Length Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount	% to Total	Payment Term	Unit Price (Note)	Payment Term (Note)	Ending Balance	% to Total	
	TPKT	The same ultimate parent company	Sales	US$38,301 (approximately NT$1,115,716)	0.07	45 days after monthly closing	—	—	US$11,685 (approximately NT$340,384)	3.50	
	TPKL	The same ultimate parent company	Sales	US$25,800 (approximately NT$751,542)	0.05	45 days after monthly closing	—	—	US$8,317 (approximately NT$242,280)	2.49	
	TTI	The same ultimate parent company	Sales	US$33,644 (approximately NT$980,048)	0.06	45 days after monthly closing	—	—	US$842 (approximately NT$24,518)	0.25	
TPKL	TPKC	The same ultimate parent company	Purchase	US$25,800 (approximately NT$751,542)	64.51	45 days after monthly closing	—	—	US$8,317 (approximately NT$242,280)	58.50	
	TPKC	The same ultimate parent company	Sales	US$57,098 (approximately NT$1,663,273)	82.28	45 days after monthly closing	—	—	US$16,336 (approximately NT$475,861)	69.88	
	TPKS	The same ultimate parent company	Sales	US$11,696 (approximately NT$340,709)	16.85	45 days after monthly closing	—	—	US$6,061 (approximately NT$176,569)	25.93	
TPKS	TPKT	The same ultimate parent company	Purchase	US$7,501 (approximately NT$218,500)	5.50	45 days after monthly closing	—	—	US$2,051 (approximately NT$59,745)	2.37	
	TPKL	The same ultimate parent company	Purchase	US$11,696 (approximately NT$340,709)	8.58	45 days after monthly closing	—	—	US$6,061 (approximately NT$176,569)	7.01	
	RSO	The same ultimate parent company	Purchase	US$12,973 (approximately NT$377,909)	9.52	45 days after monthly closing	—	—	US$10,376 (approximately NT$302,260)	12.00	
	RST	The same ultimate parent company	Purchase	US$8,342 (approximately NT$242,996)	6.12	45 days after monthly closing	—	—	US$7,981 (approximately NT$232,489)	9.23	

Company Name	Related Party	Nature of Relationship	Transaction Detail				Non-arm's Length Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount	% to Total	Payment Term	Unit Price (Note)	Payment Term (Note)	Ending Balance	% to Total	
	Balda Solution (Beijing) Ltd.	Related party in substance	Purchase	US$6,559 (approximately NT$191,053)	4.75	60 days after invoice date	—	—	US$525 (approximately NT$15,292)	0.61	
	TPKT	The same ultimate parent company	Sales	US$108,956 (approximately NT$3,173,879)	71.06	45 days after monthly closing	—	—	US$60,180 (approximately NT$1,753,032)	85.18	
RSO	TPKS	The same ultimate parent company	Sales	US$12,973 (approximately NT$377,909)	77.65	45 days after monthly closing	—	—	US$10,376 (approximately NT$302,260)	78.85	
RST	TPKC	Investment accounted for using equity method	Sales	US$18,748 (approximately NT$546,136)	67.57	45 days after monthly closing	—	—	US$11,746 (approximately NT$342,149)	59.28	
	TPKS	The same ultimate parent company	Sales	US$8,342 (approximately NT$242,996)	30.06	45 days after monthly closing	—	—	US$7,981 (approximately NT$232,489)	40.28	
TTI	TPKC	The same ultimate parent company	Purchase	US$33,644 (approximately NT$980,048)	99.30	45 days after monthly closing	—	—	US$842 (approximately NT$24,518)	100.00	
OTX	TPKC	The same ultimate parent company	Sales	US$31,012 (approximately NT$903,374)	63.56	45 days after monthly closing	—	—	US$4,938 (approximately NT$143,854)	50.50	

Note: Terms of purchase from or sale to related parties were similar to those from third parties.

(Concluded)

TABLE 6

TPK HOLDING CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2010
(Amounts in Thousands)

Company Name	Related Party	Nature of Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amount Received in Subsequent Year (Note)	Allowance for Bad Debt
					Amount (Note)	Action Taken		
TPKT	TPKC	The same ultimate parent company	US$11,965 (approximately NT$348,541)	5.56	US$6,890 (approximately NT$200,693)	Enhance collecting	US$11,742 (approximately NT$342,048)	$—
	Balda Solution (Beijing) Ltd.	Related party in substance	US$4,219 (approximately NT$122,900)	16.06	US$2,541 (approximately NT$74,023)	Enhance collecting	US$2,540 (approximately NT$73,997)	—
TPKC	TPKT	The same ultimate parent company	US$11,685 (approximately NT$340,384)	7.87	—	—	US$8,106 (approximately NT$236,131)	—
	TPKL	The same ultimate parent company	US$8,317 (approximately NT$242,280)	5.03	—	—	US$3,221 (approximately NT$93,836)	—
TPKL	TPKC	The same ultimate parent company	US$16,337 (approximately NT$475,887)	5.70	—	—	US$8,352 (approximately NT$243,295)	—
	TPKS	The same ultimate parent company	US$6,160 (approximately NT$179,449)	5.06	—	—	US$3,431 (approximately NT$99,959)	—
TPKS	TPKT	The same ultimate parent company	US$60,180 (approximately NT$1,753,032)	3.55	—	—	US$29,150 (approximately NT$849,146)	—
RSO	TPKS	The same ultimate parent company	US$10,376 (approximately NT$302,260)	10.00	—	—	US$4,122 (approximately NT$120,074)	—
RST	TPKC	Investment accounted for using equity method	US$11,746 (approximately NT$342,149)	12.77	—	—	US$12,078 (approximately NT$351,834)	—

Company Name	Related Party	Nature of Relationship	Ending Balance (Note)	Turnover Rate	Overdue		Amount Received in Subsequent Year (Note)	Allowance for Bad Debt
					Amount (Note)	Action Taken		
	TPKS	The same ultimate parent company	US$7,981 (approximately NT$232,489)	8.36	—	—	—	—
OTX	TPKC	The same ultimate parent company	US$4,938 (approximately NT$143,854)	10.31	—	—	US$4,367 (approximately NT$127,221)	—
GPSC	TPKC	The same ultimate parent company	US$5,502 (approximately NT$160,259)	7.32	—	—	US$3,242 (approximately NT$94,436)	—

Note: The exchange rate from U.S. dollars to New Taiwan dollars as of December 31, 2010 was US$1=NT$29.13.

TABLE 7

TPK HOLDING CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
DECEMBER 31, 2010
(Amounts in Thousands)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount: December 31, 2010 (Note 1)	Investment Amount: December 31, 2009 (Note 1)	Balance as of December 31, 2010: Shares	Balance as of December 31, 2010: Percentage of Ownership	Balance as of December 31, 2010: Carrying Amount (Note 1)	Net Income (Loss) of the Investee (Note 1)	Investment Income (Loss) Recognized (Note 1)	Note
TPKH	Improve	Samoa	Holding company	US$15,800 (approximately NT$460,254)	US$15,000 (approximately NT$436,950)	15,800,000	100.00	US$43,978 (approximately NT$1,281,077)	US$8,295 (approximately NT$241,620)	US$8,295 (approximately NT$241,620)	
	UYH	Samoa	Holding company and international trade	US$196,050 (approximately NT$5,710,937)	US$74,550 (approximately NT$2,171,642)	196,050,000	99.90	US$417,419 (approximately NT$12,161,170)	US$140,156 (approximately NT$4,082,756)	US$140,156 (approximately NT$4,082,756)	
	TTI	Samoa	International trade	US$500 (approximately NT$14,565)	US$500 (approximately NT$14,565)	500,000	100.00	US$9,996 (approximately NT$291,174)	US$8,130 (approximately NT$236,821)	US$8,130 (approximately NT$236,821)	
	OTH	Singapore	Holding company	US$50,853 (approximately NT$1,481,348) (Note 3)	US$4,000 (approximately NT$116,520)	29,375	100.00	US$69,930 (approximately NT$2,037,061)	US$11,753 (approximately NT$342,353)	US$10,611 (approximately NT$309,106)	
	RUSL	Hong Kong	Holding company and international trade	US$22,000 (approximately NT$640,860)	—	22,000,000	100.00	US$22,000 (approximately NT$640,860)	—	—	
Improve	TPKT	R.O.C.	Research, development and sales	US$14,161 (approximately NT$412,522)	US$14,161 (approximately NT$412,522)	24,000,000	100.00	US$44,187 (approximately NT$1,287,157)	US$9,859 (approximately NT$287,203)	US$9,859 (approximately NT$287,203)	
	GPSC	R.O.C.	Machinery producing and sales	US$1,537 (approximately NT$44,780)	US$771 (approximately NT$22,448)	5,000,000	100.00	US$1,517 (approximately NT$44,200)	US$308 (approximately NT$8,975)	US$91 (approximately NT$2,650)	
UYH	TPKC	Fujian Province, People's Republic of China	Touch modules research, development, manufacturing and sales	US$105,000 (approximately NT$3,058,650)	US$56,000 (approximately NT$1,631,280)	(Note 2)	100.00	US$321,887 (approximately NT$9,376,579)	US$141,663 (approximately NT$4,126,650)	US$141,663 (approximately NT$4,126,650)	

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2010			Net Income (Loss) of the Investee (Note 1)	Investment Income (Loss) Recognized (Note 1)	Note
				December 31, 2010 (Note 1)	December 31, 2009 (Note 1)	Shares	Percentage of Ownership	Carrying Amount (Note 1)			
	TPKL	Fujian Province, People's Republic of China	Optical glass manufacturing and sales	US$17,000 (approximately NT$495,210)	US$12,000 (approximately NT$349,560)	(Note 2)	100.00	US$28,265 (approximately NT$823,353)	US$9,325 (approximately NT$271,624)	US$9,325 (approximately NT$271,624)	
	TPKS	Fujian Province, People's Republic of China	Touch display and system research, manufacturing and sales	US$20,000 (approximately NT$582,600)	US$9,000 (approximately NT$262,170)	(Note 2)	100.00	US$23,357 (approximately NT$680,383)	US$4,260 (approximately NT$124,083)	US$4,260 (approximately NT$124,083)	
	RSO	Fujian Province, People's Republic of China	Optical glass manufacturing and sales	US$8,250 (approximately NT$240,323)	—	(Note 2)	55.00	US$9,128 (approximately NT$265,898)	US$797 (approximately NT$23,227)	US$657 (approximately NT$19,141)	
	RST	Fujian Province, People's Republic of China	ITO glass sales research, development, manufacturing and sales	US$44,000 (approximately NT$1,281,720)	—	(Note 2)	55.00	US$45,994 (approximately NT$1,339,801)	US$2,408 (approximately NT$70,137)	US$1,732 (approximately NT$50,453)	
OTH	OTX	Fujian Province, People's Republic of China	ITO glass sales research, development, manufacturing and sales	US$25,000 (approximately NT$728,250)	US$8,000 (approximately NT$233,040)	(Note 2)	100.00	US$50,741 (approximately NT$1,478,080)	US$15,568 (approximately NT$453,495)	US$15,568 (approximately NT$453,495)	Note 3
	TPKU	U.S.A.	International trade	US$1,800 (approximately NT$52,434)	—	(Note 2)	100.00	US$512 (approximately NT$14,905)	US$(1,288) (approximately NT$— 37,529)	US$(1,288) (approximately NT$— 37,529)	
	RST	Fujian Province, People's Republic of China	ITO glass sales research, development, manufacturing and sales	—	—	(Note 2)	—	—	US$2,408 (approximately NT$70,137)	US$(336) (approximately NT$— 9,777)	
TPKC	RSO	Fujian Province, People's Republic of China	Optical glass manufacturing and sales	US$6,750 (approximately NT$196,628)	—	(Note 2)	45.00	US$7,090 (approximately NT$206,538)	US$797 (approximately NT$23,227)	US$140 (approximately NT$4,086)	

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2010			Net Income (Loss) of the Investee (Note 1)	Investment Income (Loss) Recognized (Note 1)	Note
				December 31, 2010 (Note 1)	December 31, 2009 (Note 1)	Shares	Percentage of Ownership	Carrying Amount (Note 1)			
	RST	Fujian Province, People's Republic of China	ITO glass sales research, development, manufacturing and sales	US$13,500 (approximately NT$393,255)	—	(Note 2)	45.00	US$14,977 (approximately NT$436,292)	US$2,408 (approximately NT$70,137)	US$1,011 (approximately NT$29,461)	
TPKT	NSI	Samoa	Holding company	US$200 (approximately NT$5,826)	US$200 (approximately NT$5,826)	200,000	100.00	US$200 (approximately NT$5,826)	—	—	
NSI	UYH	Samoa	Holding company and international trade	US$200 (approximately NT$5,826)	US$200 (approximately NT$5,826)	200,000	0.10	US$200 (approximately NT$5,826)	—	—	

Note 1: The exchange rate from U.S. dollars to New Taiwan dollars as of December 31, 2010 was US$1=NT$29.13.

Note 2: No shares since it is limited liability company.

Note 3: The acquisition cost included the effect of US$4,000 thousand (approximately NT$116,520 thousand) which was generated when TPKH acquired 50% equity interests of OTH on March 12, 2010.

TABLE 8

TPK HOLDING CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2010
(Amounts in Thousands)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2010	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2010	Percentage of Ownership	Investment Income (Loss) Recognized (Note 1)	Carrying Amount as of December 31, 2010 (Note 1)	Accumulated Inward Remittance of Earnings as of December 31, 2010 (Note 1)
					Outflow	Inflow					
UYH											
TPKC	Touch modules research, development, manufacturing and sales	US$105,000 (approximately NT$3,058,650)	Direct investment	$—	$—	$—	$—	100%	US$141,663 (approximately NT$4,126,650)	US$321,887 (approximately NT$9,376,579)	US$4,537 (approximately NT$132,163)
TPKL	Optical glass manufacturing and sales	US$17,000 (approximately NT$495,210)	Direct investment	—	—	—	—	100%	US$9,325 (approximately NT$271,624)	US$28,265 (approximately NT$823,353)	—
TPKS	Touch display and system research, manufacturing and sales	US$20,000 (approximately NT$582,600)	Direct investment	—	—	—	—	100%	US$4,260 (approximately NT$124,083)	US$23,357 (approximately NT$680,383)	—
RSO	Optical glass manufacturing and sales	US$15,000 (approximately NT$436,950)	Direct investment	—	—	—	—	55%	US$657 (approximately NT$19,141)	US$9,128 (approximately NT$265,898)	—
RST	ITO glass sales research, development, manufacturing and sales	US$57,500 (approximately NT$1,674,975)	Direct investment	—	—	—	—	55%	US$1,732 (approximately NT$50,453)	US$45,994 (approximately NT$1,339,801)	—

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2010	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2010	Percentage of Ownership	Investment Income (Loss) Recognized (Note 1)	Carrying Amount as of December 31, 2010 (Note 1)	Accumulated Inward Remittance of Earnings as of December 31, 2010 (Note 1)
					Outflow	Inflow					
OTH											
OTX	ITO sales research, development, manufacturing and sales	US$25,000 (approximately NT$728,250)	Direct investment	—	—	—	—	100%	US$15,568 (approximately NT$453,495) (Note 3)	US$50,741 (approximately NT$1,478,080)	US$4,020 (approximately NT$117,103)
RST	ITO glass sales research, development, manufacturing and sales	US$57,500 (approximately NT$1,674,975)	Direct investment	—	—	—	—	55%	US$(336) (approximately NT$9,777)	—	—
TPKC											
RSO	Optical glass manufacturing and sales	US$15,000 (approximately NT$436,950)	Direct investment	—	—	—	—	45%	US$140 (approximately NT$4,086)	US$7,090 (approximately NT$206,538)	—
RST	ITO glass sales research, development, manufacturing and sales	US$57,500 (approximately NT$1,674,975)	Direct investment	—	—	—	—	45%	US$1,011 (approximately NT$29,461)	US$14,977 (approximately NT$436,292)	—

Accumulated Investment in Mainland China as of December 31, 2010	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on Investment
US$200 (approximately NT$5,826)	US$200 (approximately NT$5,826)	US$20,513 (Note 4) (approximately NT$597,537)

Note 1: Calculated based on historical cost.

Note 2: The exchange rate from U.S. dollars to New Taiwan dollars as of December 31, 2010 was US$1=NT$29.13.

Note 3: The acquisition cost included the effect of US$4,000 thousand (NT$116,520 thousand) which was generated when TPKH acquired 50% equity interests of OTH on March 12, 2010.

Note 4: Calculated based on 60 % of net asset value of TPKT as of December 31, 2010.

(Concluded)

TABLE 9

TPK HOLDING CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
YEAR ENDED DECEMBER 31, 2008
(Amounts in Thousands of New Taiwan Dollars)

				Intercompany Transactions			
No. (Note 1)	Company Name (Note 2)	Counter Party (Note 2)	Nature of Relationship (Note 3)	Financial Statements Item	Amount	Terms (Note 4)	Percentage of Consolidated Total Gross Sales or Total Assets (Note 5)
0	TPKH	UYH	1	Interest income	$ 83,037	—	0.64%
		Improve	1	Other receivable - related party	88,150	—	1.03%
		UYH	1	Other receivable - related party	2,074,634	—	24.22%
		TTI	1	Other receivable - related party	393,600	—	4.59%
		TPKT	1	Other receivable - related party	262,400	—	3.06%
1	Improve	TPKH	2	Short-term loans	88,150	—	1.03%
2	UYH	TPKH	2	Interest expense	83,037	—	0.64%
		TPKH	2	Short-term loans	2,074,634	—	24.22%
3	TTI	TPKH	2	Short-term loans	393,600	—	4.59%
		TPKC	3	Purchases	1,495,709	—	11.56%
		TPKC	3	Accounts payable	668,580	—	7.80%
4	TPKT	TPKC	3	Short-term loans	262,400	—	3.06%
		TPKC	3	Operating revenue	335,776	—	2.59%
		TPKC	3	Other receivable - related party	16,707	—	0.20%
		OTX	3	Operating revenue	17,785	—	0.14%
		OTX	3	Other receivable - related party	27,514	—	0.32%
		TPKS	3	Sales	69,733	—	0.54%
		TPKS	3	Accounts receivable	9,635	—	0.11%
		TPKC	3	Purchases	90,909	—	0.70%
		TPKC	3	Accrued expenses	18,367	—	0.21%
		TPKS	3	Purchases	133,014	—	1.03%
		TPKS	3	Accounts payable	13,317	—	0.16%

No. (Note 1)	Company Name (Note 2)	Counter Party (Note 2)	Nature of Relationship (Note 3)	Intercompany Transactions: Financial Statements Item	Amount	Terms (Note 4)	Percentage of Consolidated Total Gross Sales or Total Assets (Note 5)
5	TPKC	TPKS	3	Other receivable - related party	$ 33,611	—	0.39%
		TPKT	3	Commission	335,776	—	2.59%
		TPKT	3	Accrued expenses	16,707	—	0.20%
		TTI	3	Sales	1,495,709	—	11.56%
		TTI	3	Accounts receivable	668,580	—	7.80%
		TPKT	3	Sales	90,909	—	0.70%
		TPKT	3	Other receivable - related party	18,367	—	0.21%
		TPKL	3	Accounts receivable	60,377	—	0.70%
		TPKL	3	Loan to related party - long-term	158,371	—	1.85%
		TPKS	3	Accounts receivable	37,522	—	0.44%
		TPKL	3	Purchases	218,224	—	1.69%
		TPKL	3	Accounts payable	13,893	—	0.16%
		TPKL	3	Accounts payable	149,475	—	1.74%
		OTX	3	Purchases	207,001	—	1.60%
		OTX	3	Accounts payable	53,825	—	0.63%
6	TPKL	TPKC	3	Accounts payable	60,377	—	0.70%
		TPKC	3	Long-term loans	158,371	—	1.85%
		TPKC	3	Sales	218,224	—	1.69%
		TPKC	3	Accounts receivable	163,368	—	1.91%
		OTX	3	Sales	18,353	—	0.14%
7	TPKS	TPKC	3	Short-term loans	33,611	—	0.39%
		TPKT	3	Purchases	69,733	—	0.54%
		TPKT	3	Accounts payable	9,635	—	0.11%
		TPKC	3	Accounts payable	37,522	—	0.44%
		TPKT	3	Sales	133,014	—	1.03%
		TPKT	3	Accounts receivable	13,317	—	0.16%

				Intercompany Transactions			
No. (Note 1)	Company Name (Note 2)	Counter Party (Note 2)	Nature of Relationship (Note 3)	Financial Statements Item	Amount	Terms (Note 4)	Percentage of Consolidated Total Gross Sales or Total Assets (Note 5)
8	OTX	TPKT	3	Royalty expense	$ 9,595	—	0.07%
		TPKT	3	Service charges	8,190	—	0.06%
		TPKT	3	Accrued expenses	27,514	—	0.32%
		TPKC	3	Sales	207,001	—	1.60%
		TPKC	3	Accounts receivable	53,825	—	0.63%
		TPKL	3	Purchases	18,353	—	0.14%

Note 1: No. 0 represents parent company; other numbers represent subsidiaries.

Note 2: The company name and counter party are listed in Note 2 to the financial statements.

Note 3: No. 1 represents the transactions from parent company to subsidiary.
No. 2 represents the transactions from subsidiary to parent company.
No. 3 represents the transactions between subsidiaries.

Note 4: The sales prices and payment terms of intercompany sales and purchases were not significantly different from those with third parties. For other intercompany transactions, prices and terms are determined in accordance with mutual agreements.

Note 5: Other transactions less than 0.1% of total assets and sales were not disclosed.

(Concluded)

TABLE 10

TPK HOLDING CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
YEAR ENDED DECEMBER 31, 2009
(Amounts in Thousands of New Taiwan Dollars)

				Intercompany Transactions			
No. (Note 1)	Company Name (Note 2)	Counter Party (Note 2)	Nature of Relationship (Note 3)	Financial Statements Item	Amount	Terms (Note 4)	Percentage of Consolidated Total Gross Sales or Total Assets (Note 5)
1	TPKT	TPKC	3	Operating revenue	$ 498,838	—	2.67%
		TPKS	3	Purchases	157,273	—	0.84%
		TPKS	3	Accounts payable	36,545	—	0.33%
		OTX	3	Operating revenue	21,985	—	0.12%
		TPKS	3	Accounts receivable	14,635	—	0.13%
2	TPKC	TTI	3	Sales	1,856,462	—	9.92%
		TPKL	3	Purchases	731,780	—	3.91%
		TPKT	3	Service charges	424,874	—	2.27%
		OTX	3	Purchases	352,871	—	1.89%
		TPKL	3	Sales	176,447	—	0.94%
		TPKL	3	Accounts payable	116,704	—	1.06%
		TPKT	3	Royalty expense	73,964	—	0.40%
		TPKL	3	Accounts receivable	61,925	—	0.56%
		OTX	3	Accounts payable	33,510	—	0.31%
		TTI	3	Accounts receivable	15,846	—	0.14%
		TPKL	3	Payables on construction and equipment	1,825	—	0.02%
3	TPKL	TPKC	3	Sales	731,780	—	3.91%
		TPKC	3	Purchases	176,447	—	0.94%
		TPKC	3	Accounts receivable	118,529	—	1.08%
		TPKC	3	Accounts payable	61,925	—	0.56%
4	TPKS	TPKT	3	Sales	157,273	—	0.84%
		TPKT	3	Accounts receivable	36,545	—	0.33%
		TPKT	3	Accounts payable	14,635	—	0.13%

				Intercompany Transactions			
No. (Note 1)	Company Name (Note 2)	Counter Party (Note 2)	Nature of Relationship (Note 3)	Financial Statements Item	Amount	Terms (Note 4)	Percentage of Consolidated Total Gross Sales or Total Assets (Note 5)
5	OTX	TPKC	3	Sales	352,871	—	1.89%
		TPKC	3	Accounts receivable	33,510	—	0.31%
		TPKT	3	Royalty expense	12,596	—	0.07%
		TPKT	3	Service charges	9,389	—	0.05%
6	GPSC	TPKC	3	Sales	98,588	—	0.53%
		TPKC	3	Cost of goods sold	98,588	—	0.53%
7	TTI	TPKC	3	Purchases	1,856,462	—	9.92%
		TPKC	3	Accounts payable	15,846	—	0.14%

Note 1: No. 0 represents parent company; other numbers represent subsidiaries.

Note 2: The company name and counter party are listed in Note 2 to the financial statements.

Note 3: No. 1 represents the transactions from parent company to subsidiary.
No. 2 represents the transactions from subsidiary to parent company.
No. 3 represents the transactions between subsidiaries.

Note 4: The sales prices and payment terms of intercompany sales and purchases were not significantly different from those with third parties. For other intercompany transactions, prices and terms are determined in accordance with mutual agreements.

Note 5: Other transactions less than 0.1% of total assets and sales were not disclosed.

(Concluded)

TABLE 11

TPK HOLDING CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
YEAR ENDED DECEMBER 31, 2010
(Amounts in Thousands)

				Intercompany Transactions				
No. (Note 1)	Company Name (Note 2)	Counter Party (Note 2)	Nature of Relationship (Note 3)	Financial Statements Item	Amount (U.S. Dollars)	Amount (Approximately New Taiwan Dollars)	Terms (Note 4)	Percentage of Consolidated Total Gross Sales or Total Assets (Note 5)
0	TPKH	Improve	1	Loan to related party - long-term	$ 20,500	$ 597,165	—	1.42%
		RSO	1	Loan to related party - long-term	20,000	582,600	—	1.39%
		RST	1	Loan to related party - long-term	20,000	582,600	—	1.39%
		TPKC	1	Loan to related party	35,000	1,019,550	—	2.43%
		TPKL	1	Loan to related party - long-term	5,000	145,650	—	0.35%
		TPKT	1	Loan to related party	3,000	87,390	—	0.21%
1	Improve	TPKH	2	Long-term loans	20,500	597,165	—	1.42%
2	TTI	TPKC	3	Purchases	33,644	980,048	—	1.64%
3	TPKT	GPSC	3	Other receivable - related party	4,102	119,482	—	0.28%
		OTX	3	Operating revenue	2,166	63,091	—	0.11%
		TPKC	3	Other receivable - related party	11,748	342,228	—	0.82%
		TPKC	3	Purchases	38,301	1,115,716	—	1.87%
		TPKC	3	Account payable	11,685	340,384	—	0.81%
		TPKC	3	Operating revenue	34,839	1,014,866	—	1.70%
		TPKH	2	Short-term loans	3,000	87,390	—	0.21%
		TPKS	3	Purchases	108,956	3,173,879	—	5.33%
		TPKS	3	Sales	7,501	218,500	—	0.37%
		TPKS	3	Accounts payable	60,180	1,753,032	—	4.18%
		TPKS	3	Accounts receivable	2,056	59,901	—	0.14%
4	GPSC	TPKC	3	Accounts receivable	5,502	160,259	—	0.38%
		TPKT	3	Accrued expenses	3,946	114,959	—	0.27%

No. (Note 1)	Company Name (Note 2)	Counter Party (Note 2)	Nature of Relationship (Note 3)	Intercompany Transactions: Financial Statements Item	Amount (U.S. Dollars)	Amount (Approximately New Taiwan Dollars)	Terms (Note 4)	Percentage of Consolidated Total Gross Sales or Total Assets (Note 5)
5	TPKC	GPSC	3	Payables on construction and equipment	$ 5,502	$ 160,259	—	0.38%
		OTX	3	Purchases	28,844	840,230	—	1.41%
		OTX	3	Accounts payable	4,938	143,854	—	0.34%
		RSO	3	Purchases	2,160	62,928	—	0.11%
		RSO	3	Accounts payable	1,580	46,018	—	0.11%
		RST	3	Purchases	18,748	546,136	—	0.92%
		RST	3	Accounts payable	11,746	342,149	—	0.82%
		TPKH	2	Short-term loans	35,000	1,019,550	—	2.43%
		TPKL	3	Purchases	57,098	1,663,273	—	2.79%
		TPKL	3	Sales	25,800	751,542	—	1.26%
		TPKL	3	Accounts payable	16,336	475,861	—	1.13%
		TPKL	3	Accounts receivable	8,318	242,298	—	0.58%
5	TPKC	TPKS	3	Accounts receivable	1,803	52,527	—	0.13%
		TPKT	3	Service charges	27,156	791,062	—	1.33%
		TPKT	3	Sales	38,301	1,115,716	—	1.87%
		TPKT	3	Accrued expenses	11,748	342,228	—	0.82%
		TPKT	3	Accounts receivable	11,685	340,384	—	0.81%
		TPKT	3	Royalty expense	7,683	223,804	—	0.38%
		TTI	3	Sales	33,644	980,048	—	1.64%
6	TPKL	TPKC	3	Purchases	25,800	751,542	—	1.26%
		TPKC	3	Sales	57,098	1,663,273	—	2.79%
		TPKC	3	Accounts payable	8,317	242,280	—	0.58%
		TPKC	3	Accounts receivable	16,337	475,887	—	1.13%
		TPKH	2	Long-term loans	5,000	145,650	—	0.35%
		TPKS	3	Sales	11,696	340,709	—	0.57%
		TPKS	3	Accounts receivable	6,160	179,449	—	0.43%
7	TPKS	RSO	3	Purchases	12,973	377,909	—	0.63%
		RSO	3	Accounts payable	10,376	302,260	—	0.72%
		RST	3	Purchases	8,342	242,996	—	0.41%
		RST	3	Accounts payable	7,981	232,489	—	0.55%
		TPKL	3	Purchases	11,696	340,709	—	0.57%
		TPKL	3	Accounts payable	6,061	176,569	—	0.42%
		TPKT	3	Purchases	7,501	218,500	—	0.37%
		TPKT	3	Sales	108,956	3,173,879	—	5.33%
		TPKT	3	Accounts payable	2,051	59,745	—	0.14%
		TPKT	3	Accounts receivable	60,180	1,753,032	—	4.18%

No. (Note 1)	Company Name (Note 2)	Counter Party (Note 2)	Nature of Relationship (Note 3)	Intercompany Transactions: Financial Statements Item	Amount (U.S. Dollars)	Amount (Approximately New Taiwan Dollars)	Terms (Note 4)	Percentage of Consolidated Total Gross Sales or Total Assets (Note 5)
8	OTX	TPKC	3	Sales	$28,844	$840,230	—	1.41%
		TPKC	3	Accounts receivable	4,938	143,854	—	0.34%
		TPKU	3	Sales	2,672	77,826	—	0.13%
		TPKU	3	Accounts receivable	1,787	52,061	—	0.12%
9	RSO	TPKC	3	Sales	2,160	62,928	—	0.11%
		TPKC	3	Accounts receivable	1,580	46,018	—	0.11%
		TPKH	2	Long-term loan	20,000	582,600	—	1.39%
		TPKS	3	Sales	12,973	377,909	—	0.63%
		TPKS	3	Accounts receivable	10,376	302,260	—	0.72%
10	RST	TPKC	3	Sales	18,748	546,136	—	0.92%
		TPKC	3	Accounts receivable	11,746	342,149	—	0.82%
		TPKH	2	Long-term loan	20,000	582,600	—	1.39%
		TPKS	3	Sales	8,342	242,996	—	0.41%
		TPKS	3	Accounts receivable	7,981	232,489	—	0.55%
11	TPKU	OTX	3	Purchases	2,672	77,826	—	0.13%
		OTX	3	Accounts payable	1,787	52,061	—	0.12%

Note 1: No. 0 represents parent company; other numbers represent subsidiaries.

Note 2: The company name and counter party are listed in Note 2 to the financial statements.

Note 3: No. 1 represents the transactions from parent company to subsidiary.
No. 2 represents the transactions from subsidiary to parent company.
No. 3 represents the transactions between subsidiaries.

Note 4: The sales prices and payment terms of intercompany sales and purchases were not significantly different from those with third parties. For other intercompany transactions, prices and terms are determined in accordance with mutual agreements.

Note 5: Other transactions less than 0.1% of total assets and sales were not disclosed.

(Concluded)

APPENDIX A — THE SECURITIES MARKET OF THE ROC

The information presented in this section has been extracted from publicly available documents that have not been prepared or independently verified by us, the Initial Purchasers or any of our respective affiliates or advisors in connection with this Offering.

In September 1960, the ROC government established the ROC Securities and Exchange Commission to supervise and control all aspects of the existing domestic securities market and the TWSE began to take shape soon thereafter. In the 1970's and the early 1980's, the ROC government implemented a number of steps designed to upgrade the quality and importance of the ROC securities markets, such as encouraging listing on the TWSE and establishing an over-the-counter securities exchange. In the mid-1980's, the ROC government began to revise its laws and regulations in a manner designed to facilitate the gradual internationalization of the ROC securities markets. In 1997, the ROC Securities and Exchange Commission was renamed the ROC Securities and Futures Commission. Effective July 1, 2004, the ROC Securities and Futures Commission has been renamed the ROC Securities and Futures Bureau of the FSC, and its supervisory authority has been transferred from the Ministry of Finance to the Financial Supervisory Commission, Executive Yuan.

The Taiwan Stock Exchange

In 1961, the ROC Securities and Futures Bureau established the TWSE to provide a marketplace for securities trading. The TWSE is a corporation owned by government-controlled and private banks and enterprises. The TWSE is independent of the entities transacting business through it, each of which pays to the TWSE a user's fee. Subject to limited exceptions, all transactions in listed securities by brokers, traders and integrated securities firms must be made through the TWSE.

The TWSE commenced operations in 1962. During the early 1980s, the ROC Securities and Futures Bureau actively encouraged new listings on the TWSE and the number of listed companies has grown from 119 in 1983 to 758 as of December 31, 2010. As of December 31, 2010, the market capitalization of companies listed on the TWSE was approximately NT$23.8 trillion.

Historically, ROC companies have listed only shares and bonds on the TWSE. However, the ROC Securities and Futures Bureau has encouraged companies to list other types of securities. In 1988, the Ministry of Finance permitted the issuance of ROC's first exchangeable bonds. Since 1989, there have been offerings of domestic convertible bonds and convertible preferred shares. In addition, beneficiary units evidencing beneficiary interests in closed-end investment funds and bonds issued by super-national financial institutions are also listed on the TWSE or traded on the GreTai Securities Market (which is discussed below). The ROC Securities and Futures Bureau also has promulgated regulations which permit foreign issuers to list certain securities on the TWSE.

The TWSE considers the following factors when evaluating a company for listing:

- the number and distribution of shareholders, including the diversification of such shareholders;
- length of time in business;
- amount of paid-in capital; and
- profitability.

However, special listing criteria apply to technology companies and key businesses that are engaged in the national economic development.

The following table shows for the periods indicated information relating to the Taiwan Stock Exchange Weighted Index.

Period	No. of Listed Companies at Period End	Stock Trading Values	Index High	Index Low	Index at Period End
		(in NT$ billions)			
1996	375	12,907.6	6,982.81	4,690.22	6,933.94
1997	404	37,241.2	10,116.84	6,820.35	8,187.27
1998	437	29,619.0	9,277.09	6,251.38	6,418.43
1999	462	29,291.0	8,608.91	5,475.00	8,448.84
2000	531	30,526.6	10,202.20	4,614.60	4,739.09
2001	584	18,354.9	6,104.20	3,446.30	5,551.24
2002	638	21,874.0	6,462.30	3,850.04	4,452.45
2003	669	20,333.2	6,142.32	4,139.50	5,890.69
2004	697	23,875.4	7,034.10	5,316.87	6,139.69
2005	691	18,818.9	6,575.53	5,632.97	6,548.34
2006	688	23,900.4	7,823.72	6,257.80	7,823.70
2007	698	33,043.9	9,809.88	7,344.56	8,506.28
2008	718	26,115.4	9,295.20	4,089.93	4,592.22
2009	741	29,680.5	8,188.11	4,242.61	8,188.11
2010	758	28,218.7	8,972.50	7,071.67	8,972.50
2011 (January - March)	761	7,162.6	9,145.35	8,234.78	8,683.30

Source: Taiwan Stock Exchange; World Federation of Stock Exchanges (www.fibv.com) for "Number of Listed Companies at the Period End" information.

The ROC GreTai Securities Market

To complement the TWSE, the GreTai Securities Market was established in September 1982 on the initiative of the ROC Securities and Futures Bureau to encourage the trading of securities of companies that do not qualify for listing on the TWSE. As of December 31, 2010, 564 companies had listed equity securities on the GreTai Securities Market and the total market capitalization of those companies was NT$1,985 billion.

Price Limits, Commissions, Transaction Tax and Other Matters

The TWSE has placed limits on block trading and on the range of daily price movements. According to the TWSE's block trading guidelines, transactions in one class of securities that involve 500 or more trading lots or trading amounts exceeding NT$15 million, and transactions involving five or more different classes of securities and trading amounts exceeding NT$15 million must be registered and executed in accordance with the guidelines. Fluctuations in the price of stock traded on the TWSE are currently subject to a restriction of 7% above and below the previous day closing price (or reference price set by the TWSE if the previous day closing price is not available because of lack of trading activity). However, these restrictions have been modified from time to time by the ROC FSC based on market conditions. The ROC FSC has announced that limitations on price fluctuations may be relaxed with a view to eventually abolish all share price fluctuation controls. Brokerage commission can be set at any rate of the transaction price, provided that any rate exceeding 0.1425% shall be reported to the TWSE and notified to the client in advance. A securities transaction tax, currently levied at 0.3% of the transaction price, is payable by the seller of equity securities. Such securities transaction taxes are withheld at the time of the transaction giving rise to such tax. Sales of shares of companies listed on the TWSE are currently sold in round lots of 1,000 shares. Investors who desire to sell less than 1,000 shares of a listed company occasionally experience delays in effecting such sales.

Regulation and Supervision

The ROC FSC has extensive regulatory authority over public companies. Public companies are generally required to obtain the deemed approval from the ROC FSC for all securities offerings. The ROC FSC has promulgated regulations requiring, unless otherwise exempted, periodic reporting of financial and operating information by all public companies. In addition, the ROC FSC establishes standards for financial reporting and carries out licensing and supervision of participants in the ROC securities market.

The ROC FSC has responsibility for implementing ROC Securities and Exchange Act and for overall administration of governmental policies in the ROC securities market. It has extensive regulatory authority over the offering, issuance and trading of securities. In addition, ROC Securities and Exchange Act specifically empowers the ROC FSC to promulgate necessary rules. ROC Securities and Exchange Act prohibits market manipulation. For example, it permits an issuer to recover short-swing trading profits made through purchases and sales within six months by directors, managerial personnel, supervisors, as well as the spouses, minor children and nominees of these parties, and shareholders (together with their spouses, minor children and nominees) who hold 10% or more of the shares of the issuer. ROC Securities and Exchange Act prohibits trading by "insiders" based on non-public information that materially affects share price movement prior to publication of such information and within 18 hours after publication of such information. "Insiders" include:

- directors, supervisors, managers, as well as the spouses, minor children and nominees of these parties, and shareholders (together with their spouses, minor children and nominees) who hold 10% or more of the issuing company's shares and any individual designated by a governmental or corporate director or supervisor to act on its behalf;

- any person who has learned material, non-public information due to an occupational or controlling relationship with the issuing company;

- any person who has discharged from the status or position in the first and second bullet points for not more than six months; and

- any person who has learned material, non-public information from any of the above.

Sanctions include imprisonment. In addition, damages may be awarded to persons injured by the transaction. ROC Securities and Exchange Act also imposes criminal liability on certified public accountants and lawyers who make false certifications in their examination and audit of an issuer's contracts, reports and other documents related to securities transactions. The ROC FSC regulations require that financial reports of listed companies be audited by accounting firms consisting of at least three certified public accountants and be signed by at least two certified public accountants.

In addition, ROC Securities and Exchange Act provides for civil liability for material misstatements or omissions made by issuers and regulation of tender offers. The ROC FSC does not have criminal or civil enforcement powers under ROC Securities and Exchange Act. Criminal actions may be pursued only by government prosecutors. Civil actions may only be brought by plaintiffs who assert that they have suffered damages. The ROC FSC is empowered to curb abuses and violations of laws and regulations only through administrative measures including:

- issuance of warnings;

- temporary suspension of operation;

- imposition of administrative fines; and

- revocation of licenses.

In addition to providing a market for securities trading, the TWSE reviews applications by ROC issuers to list securities on the TWSE. If issuers of listed securities violate laws and regulations or encounter significant difficulties, the TWSE may, with the approval of the ROC FSC, delist the securities of these issuers.

Transfer Restrictions

Under the ROC Securities and Exchange Act, each director, supervisor, manager, as well as their respective spouses, minor children and nominees, and any shareholder who, together with his or her spouse, minor children or nominees, holds more than 10% of the common shares of a public company (i.e., a major shareholder), must report, on a monthly basis, any change in that person's shareholding to the issuer of the common shares; and each director, supervisor, manager or major shareholder holding such common shares for more than a six-month period may transfer any common shares listed on the TWSE or traded on the GreTai Securities Market and should report to the ROC FSC his or her intent to transfer such common shares at least three days before the intended transfer, unless the number of common shares to be transferred is less than 10,000 common shares.

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TPK Holding Co., Ltd.

US$400,000,000 Zero Coupon Convertible Bonds due 2014

Issue Price: 100.0%

Offering Memorandum
April 13, 2011

J.P.Morgan NOMURA