TPK Holding Co., Ltd.

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

17,600,000 Global Depositary Shares representing 17,600,000 Common Shares, par value NT$10.00 per Share

US$200,000,000 Zero Coupon Convertible Bonds due 2017

(subject to an upsize option in respect of US$50,000,000 in principal amount of Zero Coupon Convertible Bonds due 2017, granted to the Initial Purchasers as described herein)

We are offering (i) 17,600,000 Global Depositary Shares (the "GDSs"), representing 17,600,000 new common shares, par value NT$10.00 per common share, of our company (the "Shares" or "Common Shares"), each GDS represents one Share, and (ii) US$200,000,000 aggregate principal amount of Zero Coupon Convertible Bonds due 2017 (the "Bonds"), through J.P. Morgan Securities plc and Nomura International (Hong Kong) Limited (the "Initial Purchasers"). We have granted the Initial Purchasers an option, exercisable up to and including October 1, 2012, to subscribe for up to an additional US$50,000,000 in principal amount of the Bonds (the "Optional Bonds"). The term "Bonds" shall include, unless the context requires, the Optional Bonds.

Subject to certain restrictions described in this offering memorandum, on or after the Share Listing Date (as defined herein), which is expected to be no later than the fourth business day in the Republic of China (the "ROC") from the closing date of this offering, you may surrender GDSs and withdraw and hold the underlying Shares or request the Depositary to sell or cause to be sold on your behalf the underlying Shares.

The Bonds will mature on October 1, 2017 at 100% of their principal amount. The Bonds will not bear any interest. The Bonds will be convertible into our Common Shares, during the period from and including November 12, 2012 to and including September 21, 2017 at an initial conversion price of NT$452.68 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$29.3320 = US$1.00 applicable on conversion of the Bonds.

At any time on or after October 1, 2015 and prior to the Maturity Date, we may redeem the Bonds, in whole but not in part, at a redemption price equal to 100% of the outstanding principal amount thereof under the circumstances described in this offering memorandum. 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 or 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 tax laws of the Cayman Islands or the ROC occurring after October 1, 2012, 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$250,000, at a redemption price equal to 100% of the outstanding principal amount thereof on October 1, 2015 at your option, or if the Shares cease to be listed or admitted to trading or are suspended from trading for a period equal to or exceeding 30 consecutive Trading Days on the Taiwan Stock Exchange (the "TWSE") or there is a Change of Control (as defined herein).

The Bonds will be our direct, unconditional, unsubordinated, but subject to a negative pledge, as described in "Description of the Bonds — Negative Pledge", and unsecured obligations, and will rank *pari passu* without any preference or priority among themselves and with all of our other direct, unconditional, unsubordinated and unsecured obligations.

The Shares are currently listed under the trading code "3673" on the TWSE in the ROC. The closing sale price per Share on the TWSE on September 25, 2012 was NT$409.5 (equivalent to US$13.96 at the exchange rate of NT$29.332 to US$1.00 based on the Taipei Forex Inc. Taiwan Dollar 11:00 Fixing rate on September 25, 2012).

Application has been made to admit the GDSs, which consist of the Rule 144A GDSs (as defined herein) and Regulation S GDSs (as defined herein), and the Bonds, which consist of the Rule 144A Bonds (as defined herein) and International Bonds (as defined herein), to the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market of the Luxembourg Stock Exchange.

Investing in and holding the GDSs and/or the Bonds involve a high degree of risk. See "Risk Factors" beginning on page 15 for a discussion of certain factors to be considered in connection with an investment in, and the holding of, the GDSs and/or the Bonds. The GDSs and the Bonds are of a specialist nature and should only be bought and traded by investors particularly knowledgeable in investment matters.

The GDSs, the Bonds and the Shares underlying the GDSs and the Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"). Prospective purchasers are hereby notified that sellers of the GDSs may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A under the Securities Act ("Rule 144A"). Outside the United States, the offering is being in reliance on Regulation S under the Securities Act ("Regulation S"). The GDSs and the Bonds are not being directly or indirectly offered in the ROC. See "Transfer Restrictions" and "Plan of Distribution."

Delivery of the GDSs is expected to be made in book-entry form through the facilities of The Depository Trust Company ("DTC") and Euroclear Bank S.A./ N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg"), through their participant accounts on or about October 1, 2012 (the "Closing Date"). Beneficial interests in the Bonds (including the Optional Bonds, if any) will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg and their participants. The Initial Purchasers expect to deliver the Bonds (including the Optional Bonds, if any) to purchasers on or about the Closing Date.

GDS Offering Price: US$13.42 per GDS
Bonds Issue Price: 100%

Joint Global Coordinators and Joint Bookrunners

J.P.Morgan NOMURA

Co-Manager
for the offering of the Bonds

SinoPac Securities

The offering memorandum is dated September 25, 2012

You should rely only on the information contained in this offering memorandum. Neither we nor the Initial Purchasers have authorized anyone to provide you with different information. Neither we nor the Initial Purchasers are making an offer of these securities in any state or jurisdiction where the offer is not permitted. This offering memorandum does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates or an offer to sell or the solicitation of an offer to buy such securities by any person in any circumstances in which such offer or solicitation is unlawful. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date of this offering memorandum. Our business, financial condition, results of operations and prospects may have changed since that date.

NO UNITED STATES FEDERAL, STATE OR FOREIGN SECURITIES COMMISSION OR REGULATORY AUTHORITY HAS RECOMMENDED THE GDSs OR REVIEWED, PASSED ON, DETERMINED OR CONFIRMED THE ACCURACY OR ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

Except as described below, we accept responsibility for the information contained in this offering memorandum. We, having made all reasonable enquiries, confirm that this offering memorandum contains all information with respect to us, our consolidated subsidiaries, the GDSs, the Bonds and the Shares that is material in the context of the issue and offering of the GDSs and the Bonds, that the information contained in this offering memorandum is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this offering memorandum are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, that there are no other facts, the omission of which would, in the context of the issue and offering of the GDSs and the Bonds, make this offering memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respects and that all reasonable enquiries have been made by us to verify the accuracy of such information and that this offering memorandum does not contain an untrue statement of a material fact or omit to state a material fact required to be stated or necessary in order to make the statements, in the light of the circumstances under which they are made, not misleading. The information contained in the section entitled "Appendix 1: The Securities Markets of the ROC" has been extracted from publicly available resources. However, such information has not been verified by us, the Initial Purchasers or any of our or the Initial Purchasers' respective affiliates or advisors in connection with this offering.

The distribution of this offering memorandum and the offering and sale of the GDSs and the Shares represented thereby, or the Bonds and the Shares to be issued upon conversion of the Bonds, in certain jurisdictions may be restricted by law. Persons into whose possession this offering memorandum comes are required by us and the Initial Purchasers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on the offering and sale of the GDSs and the Shares represented thereby and the Bonds and the Shares to be issued upon conversion, and distribution of this offering memorandum, see "Plan of Distribution" and "Transfer Restrictions." This offering memorandum does not constitute an offer of, or an invitation by or on behalf of us or the Initial Purchasers to subscribe for or purchase any of the GDSs and the Shares represented thereby, or the Bonds and the Shares to be issued upon conversion of the Bonds, in any jurisdiction in which such offer or invitation would be unlawful. This offering memorandum may be used only for the purposes for which it has been published.

You are hereby notified that sellers of the GDSs or the Bonds may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

FOR NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

If, at any time, we are neither subject to Section 13 or 15(d) under the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, we will furnish, upon request, to any person in whose name a GDS is registered on the books of the Depositary, any holder of any beneficial interest in any GDS or any prospective purchaser designated by a holder, or any person in whose name a Bond is registered on the register maintained by the registrar, any holder of any beneficial interest in any Bond or any prospective purchaser designated by a holder, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act. Alternatively, a holder may obtain such information at the offices of our Luxembourg intermediary, The Bank of New York Mellon (Luxembourg) S.A., as such information will be provided free of charge to any person in Luxembourg who requests it.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in 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. Our forward-looking statements contain information regarding:

- our future revenue and profitability;
- our business strategies;
- expected growth in consumer demand;
- the expected industry trends;
- our capital expenditure plans; and
- other matters discussed in this offering memorandum regarding matters that are not historical facts,

are only forecasts based on information currently available to us. 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, these forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include, among others:

- 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;
- market acceptance of our products;
- risks associated with the introduction of new products;
- changes in market prices for our products;
- our rate of growth and ability to meet the demands in relation to our growth;
- changes in the availability and prices of raw materials and machinery and equipment we need to manufacture our products;
- our ability to meet financial and other covenants provided under our loan agreements;
- our continued ability to secure funding to meet our liquidity needs and investment objectives;
- legal proceedings; and
- other risks identified in the "Risk Factors" section of this offering memorandum.

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.

ENFORCEABILITY OF FOREIGN JUDGMENTS

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.

Although there is no statutory enforcement in the Cayman Islands of judgments obtained in the federal or state courts of the United States (and the Cayman Islands are not a party to any treaties for the reciprocal enforcement or recognition of such judgments), a judgment obtained in such jurisdiction will be recognized and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment (a) is given by a foreign court of competent jurisdiction, (b) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given, (c) is final, (d) is not in respect of taxes, a fine or a penalty; and (e) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

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 GDSs, 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), or the CBC, 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 CONVENTIONS AND OTHER DATA

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 “IFRS” are to International Financial Reporting Standards as issued by International Accounting Standard Board. All references to the “PRC” are to the People’s Republic of China. All references to “United States dollars,” “US dollars” and

"US$" are to United States dollars, references to "New Taiwan dollars," "NT dollars" and "NT$" are to New Taiwan dollars, and references to "Renminbi" and "RMB" are to Renminbi.

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. 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, 2009, 2010 and 2011 and June 30, 2011 and 2012 were NT$32.03 = US$1.00, NT$29.13 = US$1.00, NT$30.275 = US$1.00, NT$28.725 = US$1.00 and NT$29.88 = US$1.00, respectively. The average of spot rates for buying and selling published by Bank of Taiwan on September 24, 2012 was NT$29.36 = 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.

NON-GAAP FINANCIAL MEASURES

We refer to the terms EBITDA and EBITDA margin (as defined in "Summary — Summary Financial Data") in various places in this offering memorandum. These non-GAAP financial data are supplemental financial measures that are not required by, or presented in accordance with ROC GAAP, US GAAP or IFRS and are therefore referred to as "non-GAAP" financial measures. They are not measurements of our financial performance under ROC GAAP, US GAAP or IFRS and should not be considered as an alternative to profit from operations or any other performance measures derived in accordance with ROC GAAP, US GAAP or IFRS or as an alternative to cash flows from operating activities or as a measure of our liquidity.

Our measurement of these non-GAAP items may not be comparable to those of other companies. See the section titled "Summary — Summary Financial Data" and "Selected Financial Data" for a more thorough discussion of our use of these non-GAAP items in this offering memorandum, including the reasons why we believe this information is useful to management and why they may be useful to investors, and a reconciliation of each non-GAAP items to the most closely comparable financial measure calculated in accordance with ROC GAAP.

TABLE OF CONTENTS

SUMMARY

The following is only a summary and it may not contain all the information you should consider before deciding to invest in the GDSs and/or 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 touch solution provider, offering a full suite of touch solutions tailored to different customer requirements. We believe our market-leading position results from our technological leadership, vertically integrated production capabilities, high standards of operating discipline, and economies of scale. Leveraging these competitive strengths, we further solidify our first-mover advantage and forge long-term collaborative relationships with most of our major customers, many of whom are leading global mobile, personal computers, or PCs, and consumer electronics device innovators. We are at the forefront of the technology revolution whereby touch technologies are increasingly integrated into mobile and consumer electronics devices, such as smartphones, tablet PCs, notebook PCs, ultrabook PCs and electronic book readers. Our core technology lies in projected capacitive, or P-Cap, touch solutions, including glass on glass, or G/G, glass on film, or G/F, and single-glass solution, or SGS, that provide a versatile and intuitive user experience, enabled by multi-touch gesture with feather-light sensitivity, which are key features increasingly desired by end-users. We believe that we are well positioned to benefit from the increasing demand for touch solutions in diverse end markets. According to estimates from DisplaySearch, the P-Cap touch module shipment is expected to increase at a CAGR of 30% from 800 million units in 2011 to 2.3 billion units in 2015.

Since our inception, we have devoted our resources to design, develop and market P-Cap touch solutions. Our undivided focus on 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 leading market position, and achieve industry-leading yield rate and manufacturing efficiency. Due to the closer collaboration with our customers, we believe that we can better forecast demand, along with our comprehensive understanding of the touch manufacturing process and in-house equipment development capabilities, we believe that we can make timely capital investment decisions and implement capacity expansion successfully.

Our vertically integrated production capabilities enable us to efficiently provide comprehensive product solutions to meet our customers' specific demands while reducing the time-to-market of their products. Our customers also benefit from the economies of scale of our large-scale and centralized manufacturing facilities, which enable us to provide highly efficient and cost-effective solutions. We will continue to dedicate our resources to further solidify our leadership, through focusing on manufacturing process improvement, production technology enhancement, new product structure and use of alternative raw materials, with the aim to maintain technology leadership and widen our product offerings.

We have enjoyed rapid growth in recent years. Our net operating revenue increased from NT$18,708.8 million in 2009 to NT$143,371.6 million (US$4,735.6 million) in 2011, representing a compound annual growth rate, or CAGR, of 176.8%. Our consolidated net income attributable to shareholders of the parent company increased from NT$2,317.0 million in 2009 to NT$11,344.3 million (US$374.7 million) in 2011, representing a CAGR of 121.3%. For the six months ended June 30, 2012, our net operating revenue amounted to NT$76,557.5 million (US$2,562.2 million), while our consolidated net income attributable to shareholders of the parent company amounted to NT$5,566.7 million (US$186.3 million).

Our Shares have been listed on the TWSE since October 2010 under the trading code "3673." On September 25, 2012, the closing price per Share on the TWSE was NT$409.5 per Share and our market capitalization was NT$126,681.8 million (US$4,318.9 million).

Competitive Strengths

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

- Leading Pure Play Touch Solutions Provider;
- Industry Leading Vertical Integration Capabilities;
- Technology Leadership with Proprietary Know-how;
- Close Collaboration with Industry Leaders; and
- Experienced Management Team with Proven Track Record.

Our Strategy

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

- Optimize Our Product Offerings Tailored to Different End Market Needs to Create New Touch Applications;
- Diversify Our Customer Base and Continue to Enhance Relationships with Existing Customers;
- Further Strengthen Our Vertical Integration;
- Continue to Drive Technology and Product Innovation; and
- Optimize Our Cost Structure by Continuously Improving Manufacturing Efficiency.

THE OFFERINGS

The offerings described in this offering memorandum consist of an offering of the GDSs and an offering of the Bonds. The closings of the offerings of the GDSs and the Bonds are not contingent upon each other. For a more complete understanding for the GDSs and the Bonds, please refer to sections entitled "Description of the Global Depositary Shares" or "Description of the Bonds". Capitalized terms used herein and not defined have the meaning given to them in the offering memorandum.

GDS Offering

Issuer	TPK Holding Co., Ltd.
The GDS Offering	17,600,000 GDSs representing 17,600,000 new Shares to qualified institutional buyers ("QIBs") in the United States in reliance on Rule 144A under the Securities Act, or the Rule 144A GDSs, and outside the United States in reliance on Regulation S under the Securities Act, or the Regulation S GDSs.
Shares Outstanding Immediately Before the GDS Offering	309,357,167 Shares.
Shares Outstanding Immediately after the GDS Offering	Immediately after this offering, there will be 326,957,167 Shares issued and outstanding.
The GDSs	Each GDS represents one Share. The Rule 144A GDSs will be issued pursuant to a Rule 144A deposit agreement, or the Rule 144A Deposit Agreement, and the Regulation S GDSs will be issued pursuant to a Regulation S deposit agreement, or the Regulation S Deposit Agreement, and together with the Rule 144A Deposit Agreement, the Deposit Agreements.
Offering Price	US$13.42 per GDS.
Form and Issuance Procedure	The Shares will be issued with par value of NT$10.00 per share and in scripless form. No later than the first business day in the ROC following the Closing Date, we will apply to the TWSE for listing of the underlying Shares. It is expected that the TWSE will approve the listing of the Shares no later than the fourth business day in the ROC following the Closing Date (such approval date being the "Share Listing Date") although we cannot assure you that such approval will be obtained by such date (if at all). Immediately upon such listing, the number of Shares will be credited into the Depositary's account with the custodian through the book-entry system maintained by the Taiwan Depository & Clearing Corporation ("TDCC").
Withdrawal of Shares	On or after the Share Listing Date, which is approximately the fourth ROC business day from the Closing Date, subject to the listing approval from TWSE and the relevant provisions of the Deposit

	Agreement, a holder may apply to withdraw the underlying Shares or request Citibank, N.A., as Depositary, to sell or cause to be sold on behalf of such holders of the underlying Shares. The new Shares are settled through the book-entry system. See "Description of the Global Depositary Shares."
Issuance of Additional GDSs	Under current ROC law, no deposits of shares may be made in the depositary receipt facility, and no GDSs may be issued after the closing of the offering against such deposits, without specific approval of the ROC Financial Supervisory Commission, or FSC, except for the offering and the issuance of additional GDSs in connection with (i) dividends on, or free distributions of, shares, (ii) the exercise by holders of existing GDSs of their pre-emptive rights in the event of capital increases for cash, (iii) the issuance of shares to holders of convertible or exchangeable bonds in connection with the exercise of conversion or exchange rights of such bondholders (so long as the terms and conditions of such bonds containing such conversion or exchange features have been approved by the FSC prior to their issuance), (iv) to the extent previously issued GDSs have been canceled and as permitted under the Deposit Agreements, the deposit of shares owned or purchased directly by a person or through the depositary on the TWSE for the deposit in the deposit receipt facility, but such that the total number of GDSs outstanding after an issuance described in this clause does not exceed the number of GDSs issued and previously approved by the FSC in connection with this offering plus any GDSs created under clauses (i), (ii) and (iii) described above, and (v) upon the exchange of Rule 144A GDSs for Regulation S GDSs and vice versa, subject to any adjustment to the number of shares represented by each GDS. See "Description of the Global Depositary Shares".
Voting Rights	The Company intends to amend its Memorandum and Articles of Association to allow split voting in accordance with the applicable ROC public company rules. Prior to the amendment of the Memorandum and Articles of Association, a shareholder's voting rights must, as to all matters brought to a vote of shareholders, be exercised as to all shares held by the shareholder in the same manner, except in the case of an election of directors which may be conducted by means of cumulative voting. By accepting GDSs or any beneficial interest in GDSs, you will be deemed to have authorized and directed the Depositary to appoint the chairman of our board of directors (or his or her designate) for a particular meeting of shareholders as representative (the "Voting Representative") to represent you at our shareholders' meeting and to vote the shares deposited with the Custodian according to the terms of the GDSs. After the amendment of the Memorandum and Articles of Association, the Voting Representative will no longer be appointed, and subject to the applicable Deposit Agreement, if the Depositary

	timely receives voting instructions from a holder of GDSs, it will endeavor to vote the Shares represented by the holder's GDSs in accordance with such voting instructions. If the Depositary receives timely voting instructions from a holder of GDSs which fail to specify the manner in which the Shares represented by the holder's GDSs are to be voted, the Depositary will deem the holder of the GDSs to have instructed the Depositary to vote in favor of the items set forth in such instructions. Shares in respect of which no timely voting instructions have been received timely from GDSs holders and provided that the Depositary received timely notice of the meeting or solicitation of vote from the Company in a timely manner as specified in the applicable Deposit Agreement, such GDSs holders will be deemed to have instructed the Depositary to give a discretionary proxy to a person designated by the Company to vote the ordinary Shares represented by such GDSs. No discretionary proxy will be given with respect to any matter as to which the Company informs the Depositary that the Company does not wish such proxy to be given, and no discretionary proxy will be given with respect to any matter as to which the Company informs the Depositary that (i) there exists substantial opposition, or (ii) the rights of holders of GDSs or the shareholders of the Company will be materially adversely affected. See "Descriptions of the Global Depositary Shares — Voting Rights".
Dividends	Subject to the terms of the Deposit Agreements, holders of GDSs will be entitled to receive dividends, to the same extent as the holders of the Shares, less the fees, costs and expenses payable under the Deposit Agreements and any tax applicable to such dividends. See "Dividends and Dividend Policy."
Exchange Controls	Under existing ROC laws and regulations relating to foreign exchange controls, the Depositary or a holder of GDSs is not required to obtain foreign exchange approval from the CBC, for the conversion into foreign currencies of (i) any net proceeds realized from the sale of any or all of the shares underlying the GDSs, or (ii) the proceeds received from the sale of shares received as stock dividends in respect of such shares and deposited into the depositary receipt facility. However, the Depositary may be required to obtain foreign exchange approval from the CBC on a payment-by-payment basis for conversion from NT dollars into foreign currencies in respect of the sale of subscription rights for the Shares if the proceeds are in excess of US$100,000 per remittance.
Settlement	We have applied to DTC, for acceptance of the GDSs being offered in its book-entry settlement system. The GDSs will be evidenced by a Rule 144A Master GDR and a Regulation S Master GDR, in each case to be registered in the name of DTC or its nominee. Your interests in such book-entry GDSs will be held through financial institutions acting on your behalf as direct and indirect participants in DTC. DTC settlement practices are applicable to the GDSs held in DTC.

	The Rule 144A GDSs and Regulation S GDSs have been accepted for clearance and settlement through Euroclear and Clearstream, Luxembourg, as participants in DTC, in each case on a book-entry basis. Transfers within DTC, Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant system. Cross market transfers between investors who hold or who will hold GDSs through DTC and investors who hold or will hold GDSs through Euroclear or Clearstream, Luxembourg will be effected in DTC through the respective depositaries of Euroclear and Clearstream, Luxembourg.
Delivery of GDRs	Delivery of the GDRs, against payment in same-day funds, is expected on or about October 1, 2012.

Bonds Offering

Issuer	TPK Holding Co., Ltd.
Bonds Offering	US$200,000,000 aggregate principal amount of Zero Coupon Convertible Bonds due 2017, being offered to QIBs in the United States in reliance on Rule 144A under the Securities Act, or the Rule 144A Bonds, and outside the United States in reliance on Regulation S under the Securities Act, or the International Bonds.
Optional Bonds	The Initial Purchasers are entitled at any time, on or before October 1, 2012, to exercise their option in whole or in part, to require the Company to issue up to an additional US$50,000,000 aggregate principal amount of the Bonds.
Interest	The Bonds will not bear any interest.
Issue Date	October 1, 2012.
Maturity Date and Final Redemption	Unless previously redeemed, repurchased and canceled, or converted, the Bonds will mature, and the Issuer will redeem the Bonds, on October 1, 2017 at a redemption price equal to 100% of the unpaid principal amount thereof.
Issue Price	100% of the principal amount of the Bonds.
Ranking	The Bonds will be our direct, unconditional, unsubordinated (but subject to a negative pledge, as described in “Negative Pledge” below) and unsecured obligations, and will rank *pari passu* without any preference or priority 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$250,000 in principal amount or an integral multiple thereof) into Common Shares at anytime from November 12, 2012 to September 21, 2017 (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 the GDS, the Bonds or the Shares — There are limitations on Bondholders' 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) deliver Common Shares in book-entry form to the converting Holders for the purpose of trading the Common Shares on the TWSE.
Conversion Price	The conversion price will initially be NT$452.68 per share with a fixed exchange rate applicable on conversion of Bonds of NT$29.3320 = 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 Issuer	At any time on or after October 1, 2015 and prior to the Maturity Date, the Bonds may be redeemed at the option of us, in whole but not in part, on 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 and the Agents, at a redemption price equal to 100% of the outstanding principal amount thereof, provided that: (l) the Closing Price (translated into U.S. Dollars at the Prevailing Exchange Rate) of the Common Shares for 20 out of 30 consecutive Trading Days, the last of which occurs not more than five days prior to the date on which notice of such redemption is given, is at least 130% of the Conversion Price then in effect on the applicable Trading Day (translated into U.S. Dollars at the Fixed Exchange Rate); and (2) the applicable Redemption Date does not fall within a Closed Period. Notwithstanding the foregoing, 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, provided that the applicable Redemption Date does not fall within a Closed Period.

Additional Amounts	Payment of principal of and other amounts on the Bonds will be made without withholding for or on account of taxes of the Cayman Islands, the ROC or such other jurisdiction in which we are then organized or resident for tax purposes or from which any payment on the Bonds is made (or any political subdivision or authority or agency thereof), 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, subject to certain exceptions, pay such Additional Amounts (as defined herein) on the Bonds so that the net amount received by a Holder of the Bonds is not less than the amount such Holder would have received in the absence of any such withholding or deduction.
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 (or any political subdivision or authority or agency thereof), we become obligated to pay Additional Amounts, the Bonds may be redeemed at the option of us, 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 were a payment then due. Notwithstanding the foregoing, if the outstanding principal amount of the Bonds at the time when the redemption notice is given is greater than 10% of the aggregate principal amount of the Bonds as of the Closing Date, Holders 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 at the Option of the Holder	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, in whole or in part (being US$250,000 in principal amount or any integral multiple thereof), the Bonds held by such Holder, on October 1, 2015 at a redemption price equal to 100% of the outstanding principal amount thereof.
Redemption in the Event of Change in 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, in whole or in part (being US$250,000 in principal amount or any integral multiple thereof), the Bonds held by such Holder 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 Common Shares cease to be listed or admitted to trading or are suspended from trading for a period equal to or exceeding 30 consecutive Trading Days on TWSE, each Holder shall have the right, at such Holder's option, to require us to redeem, in whole or in part (being US$250,000 in principal amount or any integral multiple thereof), the Bonds held by such Holder 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 (1) equally and ratably with such International Investment Securities with a similar Lien or (2) with such other security as shall be approved by a majority of the outstanding registered holders of the 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$250,000 or any higher integral multiple of US$250,000. Bonds offered in reliance on Rule 144A (the "Rule 144A Bonds") will be represented by one Rule 144A global bond (the "Rule 144A Global Bond"). Bonds offered in reliance on Regulation S (the "International Bonds"), will be represented by one international global bond (the "International Global Bond", and together with the Rule 144A Global Bond, the "Global Bonds"). On the closing date of the Offering, we will deliver the Rule 144A Global Bond and the International Global Bond to Citibank Europe plc as common depositary (the "Common Depositary") for Euroclear and Clearstream, Luxembourg. If (1) at any time, the Common Depositary advises the Company in writing that it is at any time unwilling or unable to continue as a depository for the Global Bonds and a successor depository is not appointed by the Company within 90 days, (2) either Euroclear or Clearstream, Luxembourg 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 (3) 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 International Global Bond or Rule 144A Global Bond in any authorized denominations and in an aggregate principal amount equal to the principal amount of the Global Bond. The Bonds will not be issuable in a bearer form.
Miscellaneous	
Lock-ups	We have agreed that, subject to certain exceptions, for a period of 90 days after the date of this offering memorandum, we 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 Shares or the Bonds, 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." In addition, several shareholders holding an aggregate of 25.57% of our total issued and outstanding share capital as of June 30, 2012 have undertaken to the Initial Purchasers not to sell any shares or enter into other transactions with a similar effect and in similar form as above up to 90 days after the date of this offering memorandum.
Use of Proceeds	The net proceeds to be received by us from this offering of the GDSs and the Bonds will be approximately US$431.1 million (without taking into account the issuance of any Optional Bonds). We intend to use the net proceeds of the offering of the GDSs for our subsidiaries to expand plants and acquire machinery and equipment, as well as for the procurement of raw materials overseas. We intend to use the net proceeds of the offering of the Bonds for the procurement of raw materials overseas.
Listing	The Shares are listed on the TWSE under the trading code "3673." See "Market Price Information." We have applied to list the GDSs, which consist of the Rule 144A GDSs and Regulation S GDSs, and the Bonds, which consist of the Rule 144A Bonds and International Bonds, offered on the official list of the Luxembourg Stock Exchange and to trade the GDSs and the Bonds on the Euro MTF Market of the Luxembourg Stock Exchange.
Governing law	Each Deposit Agreement, the Indenture and the Bonds will be governed by, and construed in accordance with, the laws of the State of New York.

Depositary	Citibank, N.A., a national banking association organized and existing under the laws of the United States of America
Custodian	Citibank Taiwan Limited, a limited liability company incorporated in Taiwan and having its principal office in Taipei city
Trustee	Citicorp International Limited
Principal Paying Agent, Conversion Agent, Transfer Agent and Registrar	Citibank, N.A., London Branch
Transfer restrictions	None of the GDSs, the Bonds and the Shares has been registered under the Securities Act, and those securities are subject to restrictions on transfer. See "Transfer Restrictions".

SUMMARY FINANCIAL DATA

The selected financial information has been derived from our audited consolidated financial statements as of and for the years ended December 31, 2009, 2010 and 2011 and as of and for the six months ended June 30, 2011 and 2012 included elsewhere in this offering memorandum. These financial statements have been audited by Deloitte & Touche, independent auditors. Our consolidated financial statements are presented in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and ROC GAAP, which differs in many significant respects from generally accepted accounting principles in certain other countries, such as IFRS. You should read the following selected financial information together with our financial statements included elsewhere in this offering memorandum. Neither these data nor the format in which they are presented should be viewed as comparable to information prepared in accordance with IFRS or generally accepted accounting principles elsewhere. See "Summary of Certain Differences Between ROC GAAP and IFRS."

Consolidated financial information

	Year ended December 31,				Six months ended June 30,		
	2009	2010	2011		2011	2012	
	(in millions, except per share information)						
	NT$	NT$	NT$	US$	NT$	NT$	US$
Statement of income data							
Net operating revenue	18,708.8	59,598.8	143,371.6	4,735.6	57,848.9	76,557.5	2,562.2
Cost of goods sold	(14,472.9)	(49,581.8)	(119,178.9)	(3,936.5)	(46,880.5)	(64,823.7)	(2,169.5)
Gross profit	4,235.9	10,017.0	24,192.7	799.1	10,968.4	11,733.8	392.7
Operating expenses	(1,623.6)	(3,784.6)	(7,868.7)	(259.9)	(3,034.4)	(4,338.4)	(145.2)
Operating income	2,612.3	6,232.4	16,324.0	539.2	7,934.0	7,395.4	247.5
Non-operating income and gains	58.3	107.9	693.1	22.9	406.8	609.4	20.4
Non-operating expenses and losses	(106.4)	(407.0)	(2,636.5)	(87.1)	(453.9)	(783.1)	(26.2)
Income before income tax	2,564.2	5,933.3	14,380.6	475.0	7,886.9	7,221.7	241.7
Income tax expense	(254.2)	(1,185.4)	(3,153.2)	(104.2)	(1,722.4)	(1,666.5)	(55.8)
Consolidated net income	2,310.0	4,747.9	11,227.4	370.8	6,164.5	5,555.2	185.9
Attributable to:							
Minority interests	(7.0)	6.3	(116.9)	(3.9)	(19.9)	(11.5)	(0.4)
Shareholders of the parent company	2,317.0	4,741.6	11,344.3	374.7	6,184.4	5,566.7	186.3
Diluted earnings per share of the parent (after tax)[1]	8.77	17.07	35.81	1.18	19.65	17.51	0.59

	As of December 31,				As of June 30,		
	2009	2010	2011		2011	2012	
			(in millions)				
	NT$	NT$	NT$	US$	NT$	NT$	US$
Balance sheet data							
Cash	1,670.9	5,564.0	10,382.7	342.9	20,486.2	13,961.4	467.3
Accounts receivable, net	835.0	11,998.9	7,853.2	259.4	4,842.0	5,396.2	180.6
Inventories, net	971.3	3,055.9	11,868.5	392.0	7,684.9	8,523.8	285.3
Total current assets	4,269.4	22,287.0	42,412.1	1,400.9	41,244.5	37,717.3	1,262.3
Total property, plant and equipment	5,959.2	17,972.8	43,760.2	1,445.4	30,913.7	45,442.8	1,520.8
Total assets	10,989.7	41,929.3	92,953.4	3,070.3	78,938.7	89,645.7	3,000.2
Short-term loans (including current portion of long-term loans)	1,649.9	3,656.5	5,470.4	180.7	4,169.8	8,153.0	272.9
Accounts and notes payable (including accounts payable—related parties)	2,203.5	13,926.5	26,092.0	861.8	20,467.7	16,411.9	549.3
Total current liabilities	5,042.4	23,441.1	44,314.4	1,463.7	35,836.6	41,200.3	1,378.9
Bonds payable	—	—	10,339.3	341.5	10,421.5	10,300.2	344.7
Total liabilities	5,669.9	27,136.3	63,590.8	2,100.4	56,308.8	59,322.3	1,985.4
Total shareholders' equity	5,319.8	14,793.0	29,362.6	969.9	22,629.9	30,323.4	1,014.8

	Year ended December 31,				Six months ended June 30,		
	2009	2010	2011		2011	2012	
			(in millions)				
	NT$	NT$	NT$	US$	NT$	NT$	US$
Cash flow data							
Net cash provided by operating activities	3,097.6	5,940.8	17,977.5	593.8	12,773.9	11,907.3	398.5
Net cash used in investing activities	(2,025.7)	(11,652.5)	(30,687.2)	(1,013.6)	(15,974.7)	(10,521.6)	(352.1)
Net cash provided by financing activities	88.2	9,668.4	17,819.0	588.5	18,284.2	1,742.9	58.6
Cash increase from acquisition of a subsidiary	—	9.4	90.5	3.0	80.3	513.0	17.2
Effect of exchange rate changes	(17.1)	(73.0)	(381.1)	(19.8)	(241.5)	(62.9)	2.2
Net increase in cash	1,143.0	3,893.1	4,818.7	151.9	14,922.2	3,578.7	124.4
Cash at beginning of year (period)	527.9	1,670.9	5,564.0	191.0	5,564.0	10,382.7	342.9
Cash at the end of year (period)	1,670.9	5,564.0	10,382.7	342.9	20,486.2	13,961.4	467.3
Capital expenditure(2)	1,409.2	10,711.2	23,458.5	774.8	10,920.1	7,046.1	235.8
Depreciation and amortization	699.6	1,059.4	2,877.2	95.0	1,022.6	2,404.3	80.5

(1) The weighted average number of shares outstanding for diluted earnings per share of the parent has been retroactively adjusted for the redenominating of issued capital, capitalization of share premium and stock dividends.

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

	Year ended December 31,				Six Months ended June 30,		
	2009	2010	2011		2011	2012	
	(in millions, except percentages)						
Other financial data							
Gross margin(1)	22.6%	16.8%	16.9%	16.9%	19.0%	15.3%	15.3%
Operating margin(2)	14.0%	10.5%	11.4%	11.4%	13.7%	9.7%	9.7%
Net margin(3)	12.3%	8.0%	7.8%	7.8%	10.7%	7.3%	7.3%
EBITDA(4)(6)	NT$3,311.9	NT$7,291.8	NT$19,201.2	US$ 634.2	NT$8,956.6	NT$9,799.7	US$ 328.0
EBITDA margin(5)(6)	17.7%	12.2%	13.4%	13.4%	15.5%	12.8%	12.8%

(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 consolidated net income by net operating revenue.

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

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

(6) We have presented EBITDA and EBITDA margin because we consider them important supplemental measures of our operating performance and believe they are frequently used by analysts, investors and other interested parties in the evaluation of companies in our industry. Our management uses EBITDA and EBITDA margin as additional measurement tools for purposes of business decision-making, including developing budgets, managing expenditures and evaluating potential acquisitions or divestitures. Other companies in our industry may calculate EBITDA and EBITDA margin differently than we do. EBITDA and EBITDA margin are not measures of operating performance under ROC GAAP and should not be considered as a substitute for, or superior to, operating income or operating margin prepared in accordance with ROC GAAP. EBITDA and EBITDA margin have limitations as analytical tools, and you should not consider them in isolation or as substitutes 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 EBITDA and EBITDA margin, 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 EBITDA and EBITDA margin should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

Recent Developments

As announced on the Market Observation Post System on the TWSE, our consolidated net operating revenues for July and August 2012 was NT$11.32 billion and NT$12.97 billion, respectively. The consolidated financial data for July and August 2012 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.

RISK FACTORS

Investing in the GDSs and/or the Bonds and the related shares issuable upon conversion of the Bonds and the GDSs representing each shares, 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 various industries across mobile devices, notebook PCs, consumer electronics and other portable devices, which are competitive and face price decline and other competitive pressures over the life cycles of their products.

We operate in various industries across mobile devices, notebook PCs, consumer electronics and other portable devices. Historically, our primary focus was the fast-growing mobile device and other portable device industries. In 2009, 2010, 2011 and the six months ended June 30, 2012, sales related to mobile devices, including smartphones, tablet PCs and electronic book readers, among others, accounted for 91.0%, 96.5%, 97.7% and 97.2%, respectively, of our net operating revenue. We also actively participate in the newly emerging tablet PCs segment, and sales related to tablet PCs accounted for nil, nil, 3.5% and 17.4% of our net operating revenue for the respective periods. The industries that we operate in 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. Accordingly, we are vulnerable to product life cycle, as well as changes in the global demand and inventory adjustment for mobile devices, notebook PCs, consumer electronics and other portable devices. 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. Meanwhile, if global demand for mobile devices, notebook PCs, consumer electronics and other portable devices grows slower than expected, our business, results of operations and financial condition would be adversely affected.

Furthermore, as 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, as evidenced by the growing number of consumer electronics companies that have introduced, or plan to introduce, tablet PC as part of their product line-ups. As the markets for our products are very competitive, we have continued to experience pressure on our prices and profitability. 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 production self-sufficiency, reduce design time, upgrade technology and manufacturing processes 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 profitability, we constantly seek to improve production efficiency through vertical integration and reduction of input component costs and 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 profit for all of our existing products, or that we will be able to successfully introduce new products that are able to command higher profitability.

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 we do. 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 profitability could have a material adverse effect on our business, financial condition, results of operations and future prospects.

We rely on a limited number of 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 on a small group of customers for a substantial portion of our net operating revenue. In 2009, 2010, 2011 and the six months ended June 30, 2012, sales to our largest customer accounted for 45.5%, 72.8%, 73.4% and 76.6% of our net operating revenue, respectively. In aggregate, sales to our five largest customers accounted for 90.1%, 91.5%, 88.3% and 85.6% of our net operating revenue in 2009, 2010, 2011 and the six months ended June 30, 2012, 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 or adoption of new or alternative technologies 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, the adoption of new or alternative technologies, our 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, they may materially reduce the number of shipments of older product modules or choose to adopt touch solutions offered by our competitors. Also, we may 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 our individual key customers' products 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 a key customer's market shares with respect to its product 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.

We face risks associated with the diversification of our customer base and expansion into additional end-markets, and if we are unable to effectively manage these risks, they could materially and adversely impact our competitive position and results of operations.

As part of our growth strategy, we plan to diversify our customer base and expand into additional end-markets. To implement this strategy, we must continue to:

- develop new customers;
- co-develop new products tailored into diverse end applications with our customers;
- maintain and/or expand adequate production capacities and manufacturing facilities to meet customer demand;
- maintain our production yield rate as we continue to offer new products;
- maintain a sufficient supply of raw materials and components to support our growth;
- strengthen our research and development efforts;
- control expenses associated with the production of samples for new products; and
- retain and attract qualified employees.

There can be no assurance that we can succeed in meeting all these targets, if at all. If we fail to achieve any or all of these targets, our business and future prospects may be materially and adversely impacted, and our net operating revenues and profitability may decrease.

In addition, while the popularity and application of touch solutions continue to increase across various industries, including mobile phones, tablet PCs, notebook PCs, ultrabooks and other portable devices, there can be no assurance that the new end-applications and/or products will gain widespread commercial acceptance and generate sufficient demand. In particular, there can be no assurance that touch-enabled ultrabooks will gain wide spread acceptance and commercial success. If the new end-applications and/or products cannot gain widespread commercial acceptance and generate sufficient demand, our growth strategy may not be successful, and our business, future prospects, results of operations and financial condition would be adversely affected.

Our concentration on touch solutions may not be successful.

We have dedicated our resources and research and development efforts to the design, development and provision of integrated touch solutions based on P-Cap touch technology, including G/G, G/F and SGS touch solutions. This concentration entails certain risks. In particular, we have incurred significant capital and research and development expenditures in developing P-Cap touch technology and production capabilities, and we intend to invest considerable additional expenditure in expanding our production capacity for our SGS touch solutions. There can be no assurance that future demand for our touch solutions will be sufficient to recoup the costs incurred in association with developing these products, facilities and technologies.

Moreover, as the demand for touch solutions and products increases, it is likely that new entrants, particularly TFT-LCD panel makers, will enter or have already entered the market to capitalize on the expected growth in demand. For example, as the market acceptance of in-cell or on-cell touch technologies increase, we will compete with display panel manufacturers including Sharp and Japan Display Inc. from Japan and LG Display from South Korea. This increase in competitors could result in more intense price competition and potential oversupply of touch products, including touch modules and touch 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 those we provide. We may also have difficulty in adapting our production processes if there are alternative technologies and products that achieve market popularity.

Our business and prospects 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 and our end-customers' 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 in- or on-cell touch technologies may also be adopted by our existing customers in new products or increase the difficulty for us to broaden our customer base. If our P-Cap touch technology, including G/G, G/F and SGS touch solutions, 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 profitability may fluctuate in future periods as a result of the prevailing market price of touch products and the change of our product mix.

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

Our product mix has affected, and is expected to continue to affect the average selling price of our products and our profitability. We offer touch modules as well as touch displays, which consist of a touch module laminated with a display panel sourced from external suppliers. Our touch modules typically have a lower average selling price but yield a higher gross margin. Depending on customer preferences and characteristics of the end applications, sales contribution from touch displays and touch modules may evolve over time, and the shift may impact our profitability.

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

We plan to continue to expand our production capacity for SGS touch solution and lamination at our manufacturing facility 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, engage 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 investment or strategic relationship will be successful. Neither can we assure you that the expected synergies or benefits from any such strategic arrangement or integration can be realized, or that we will be able to capitalize on such synergies or benefits. These investments may require a large amount of capital expenditure, and our operations and financial condition may be materially and adversely affected if such arrangements are not successful.

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 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 decrease our profitability. Furthermore, any real or perceived technical problems, defects or redesigns 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 flexible printed circuit boards, or FPCBs, sensors and display panels. We currently source our principal raw materials and components from a number of third-party suppliers. The raw glass we use in the production process of touch sensors and cover glass from Corning Inc. from the United States and Asahi Glass Co. from Japan, among 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 outsource some of the touch sensors used to produce touch module from certain external suppliers in addition to in-house production or procurement from our affiliates. 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 our profitability to the extent that we are not able to pass on the increased costs to our customers. Due primarily to production capacity limitation, we have, from time to time, experienced shortage in the supply of raw 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.

We currently take advantage of the availability of low-cost skilled labor in PRC to maintain our competitive pricing advantage. Any material increases in their wages may have a material and adverse effect on our business and results of operations.

Currently, a substantial majority of our total workforce is employed in our production facilities in Xiamen, PRC, and the availability of low-cost labor for our manufacturing facilities in PRC is one of our competitive advantages. The PRC economy has grown significantly over the past 20 years, which has resulted in an increased average cost of labor, especially in the coastal cities. The overall economy and the average wage in China are expected to continue growing in both coastal and inland regions, thus continuing to diminish the competitive advantage of locating manufacturing facilities in China. On June 29, 2007, the PRC National People's Congress enacted the Labor Contract Law, which became effective on January 1, 2008. The Labor Contract Law formalizes workers' rights concerning overtime hours, pensions, layoffs, employment contracts and the role of trade unions and provides for specific standards and procedure for the termination of an employment contract. In addition, the Labor Contract Law requires the payment of a statutory severance pay upon the termination of an employment contract in most cases, including in cases of the expiration of a fixed term employment contract. The implementation of the Labor Contract Law may significantly increase our operating expenses, in particular our personnel expenses, as the continued success of our business depends significantly on our ability to attract and retain qualified personnel. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the Labor Contract Law may also limit our ability to effect these changes in a manner that we believe to be cost-effective or desirable, which could have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, we also take advantage of the availability of relatively inexpensive engineers and researchers in China to sustain our research and development activities at a comparatively low cost. We cannot assure you of our continued ability to satisfy our employment requirements of labor and research and development personnel in the future at an acceptable cost. Any shortages in the availability of labor or any material increases in the cost of labor will diminish our competitive advantage and have a material and adverse effect on our business, financial condition and results of operations.

Potential shortage of skilled labor in PRC may have a material and adverse effect on our business and results of operations.

Beginning in 2012, there has been report on shortage of labors in various areas in the PRC. While we have not experienced difficulties in recruiting labors for our production facilities in Xiamen, PRC, there can be no assurance that we will be able to continue to recruit sufficient skilled labors to manufacture our touch solutions. If we fail to recruit sufficient skilled labors, our production capacity will decrease, which in turn will materially and adversely affect our business and results of operations. In addition, we have a monthly turnover rate of approximately 12% of our total workforce in our production facilities at Xiamen, PRC. Even though we did not encounter any material difficulties in filling in these vacancies in the past, we cannot assure you that we will be able to maintain sufficient workforce for our production capacities in our Xiamen facilities or to recruit additional workforce necessary to increase our production capabilities in a timely 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.

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 plan to continue to expand our production capacity for SGS touch solution and lamination at our manufacturing facility 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 to meet the expected growth in demands for touch products. 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 site construction or 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 than we expect, 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 utilization rate may decrease and 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.

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 an expected increase in demand for our touch 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$23,458.5 million (US$774.8 million) on capital expenditure in 2011 and NT$7,046.1 million (US$235.8 million) in the six months ended June 30, 2012, 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 approximately NT$18.0 billion in 2012. 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 borrowings. 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 depends 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 characteristics 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 Chao-Juei Chiang, since we commenced operations. Our success may depend to a significant extent on, among other factors, our stable management led by Mr. 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 June 30, 2012, Michael Chao-Juei Chiang, together with his wife, Ms. Winnie Yun-Ling Peng, directly and indirectly, controlled an aggregate of approximately 25.57% of our issued share capital. In addition, Mr. Chiang is the chairman of our board of directors and Ms. Peng, the representative of Max Gain Management Limited, is a member of our board of directors. Mr. Chiang and his wife 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 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.

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

Several places in the world, including Mexico and the US, have experienced outbreaks 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 equipment 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 June 30, 2012, we held 251 patents, including 72 patents in Taiwan, 96 patents in the PRC and 83 patents in other foreign countries. Among which, we held 84 invention patents and 167 utility model patents. In addition, we had 705 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.

Moreover, substantially all of our production activities take place in the PRC, and 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 to us 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 to be issued to us in the future will prevent competitors from introducing competitive products or that any patent currently held by us or to be issued to us in the future 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 products 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 profitability.

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 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.

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 the six months ended June 30, 2012, 94.9% and 3.7% of our raw materials and component costs were paid in US dollars and Renminbi, respectively. In 2011, 93.6% and 4.2% of our raw materials and component costs were paid in US dollars and Renminbi, respectively. In 2010, 88.4% and 10.1% 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, 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.

Any impairment charges may have a material adverse effect on our net income.

Under ROC GAAP, we are required to evaluate our long-lived assets, intangible assets and investments accounted for by the equity method for impairment whenever triggering events or changes in circumstances indicate that the asset may be impaired and carrying value may not be recoverable. If certain criteria are met, we are required to record an impairment charge. We are also required under ROC GAAP to evaluate goodwill for impairment at least on an annual basis or more frequently whenever triggering events or changes in circumstances indicate that goodwill may be impaired and the carrying value may not be recoverable. Starting from 2013, we are required to adopt IFRS for the preparation of our financial statements. IFRS requires the same impairment test for our long-lived assets, intangible assets and investments accounted for by the equity method.

We currently are not able to estimate the extent or timing of any impairment charge for future years. Any impairment charge required may have a material adverse effect on our net income.

The determination of an impairment charge at any given time is based significantly on our expected results of operations over a number of years subsequent to that time. As a result, an impairment charge is more likely to occur during a period when our operating results are otherwise already depressed. See "Management's Discussion and Analysis on Financial Condition and Results of Operations — Critical Accounting Policies" for a discussion of how we assess if an impairment charge is required and, if so, how the amount is determined.

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 2011, the TWSE Weighted Index reached a low of 6,633.33 on December 19, 2011 and peaked at 9,145.35 on January 28, 2011. In 2012, as of the date of this offering memorandum, the TWSE Weighted Index reached a low of 6,894.66 on June 4, 2012 and peaked at 8,144.04 on March 2, 2012. The daily closing values of the Shares which are listed on the TWSE, ranged from NT$331.5 per share to NT$956 per share in 2011. On September 25, 2012, the TWSE Weighted Index closed at 7,734.13 and the daily closing value of the Shares was NT$409.5 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. See "Appendix A — The Securities Markets of the ROC".

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 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 GDSs or 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 or IFRS. See "Summary of Certain Differences Between ROC GAAP and IFRS." 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 IFRS, effective January 1, 2013, as required by 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 differs 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 environment 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, on the political and economic environment 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 treaty 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 of our PRC subsidiaries may adversely affect our profitability.

Our PRC subsidiaries are subject to the Enterprise Income Tax, or EIT, on 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 four of our PRC subsidiaries, TPK Touch Solutions (Xiamen) Inc., or TPKC, Optera Technology (Xiamen) Co, Ltd., or OTX, TPK Lens Solutions Inc., or TPKL, and TPK Touch Systems (Xiamen) Inc., or TPKS, which were established prior to 2008, is 15%. Furthermore, starting from 2007, TPKC and OTX were 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. We cannot assure you, however, that when we are entitled to the 50% reduction in EIT, such tax benefits will not be repealed or amended by the PRC government.

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 a 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 operating subsidiary companies established in the PRC. The profits 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, which differ in certain significant respects from generally accepted accounting principles in certain other countries, such as US GAAP and IFRS. In addition, under the relevant PRC financial regulations, profit available for distribution is determined after offsetting losses in previous years and setting aside a legal capital reserve equal to 10% of the remaining profits.

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.

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. One of our PRC subsidiaries, TPK Glass Solutions (Xiamen) Inc. has been affected by power shortages this year, and there is no assurance that our other PRC operations will not be affected by such 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 the GDSs, the Bonds or the Shares.

Holders of the GDSs or the Bonds may be subject to the income tax imposed by the ROC when they sell the Shares withdrawn from the GDS program or the Shares delivered upon conversion of the Bonds.

As used in this section, a "Non-ROC Resident Individual" is a foreign national individual who owns the Shares, Bonds, or GDSs and is not physically present in the ROC for 183 days or more during any calendar year, and a "Non-ROC Resident Entity" is a corporation or a non-corporate body that owns the Shares, Bonds, or GDSs and is organized under the laws of a jurisdiction other than the ROC and has no fixed place of business or business agent in the ROC. "Non-ROC Resident Individuals" and "Non-ROC Resident Entities" are jointly referred to as "Non-ROC Holders".

Capital gains realized from the sale or disposal of the Shares (including the Shares withdrawn from the depositary facility or delivered upon conversion of the Bonds) on or before December 31, 2012 are exempt from ROC income tax under Article 4-1 of the ROC Income Tax Act. Starting from January 1, 2013, Non-ROC Resident Individuals will be subject to ROC income tax on capital gains from the sale or disposal of the Shares, while Non-ROC Resident Entities will remain exempt from such taxation. Capital loss incurred therefrom can be deducted from capital gains in calculating the net capital gain and income tax liability, but cannot be carried forward to subsequent years. Capital gains are taxed at a flat rate of 15%. In addition, only 50% of the net capital gains will be subject to income tax if the Non-ROC Resident Individual has held the Shares for one year or longer. As a result, the tax agent of each Non-ROC Resident Individual should pay the income tax payable, if any, and file an income tax return in May 2014 for the capital gains that the Non-ROC Resident Individual generates in year 2013.

Nevertheless, sales or disposal of the GDSs and the Bonds are not regarded as sales of ROC securities and thus any gain generated therefrom by Non-ROC Holders is not subject to ROC income tax.

A liquid market for the GDSs or the Bonds may not develop.

The Initial Purchasers may make a market for the GDSs or the Bonds. However, they are not obligated to do so and may discontinue this market-making activity at any time without notice. There has been no trading market for the Shares outside the ROC and the only trading market for the Shares is the TWSE. Meanwhile, there has been no trading market for the Bonds prior to this Offering. The GDSs and the Bonds are being offered pursuant to Rule 144A and Regulation S and, as a result, you will only be able to resell the GDSs or the Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. We have applied to admit the GDSs and the Bonds being offered on the official list of the Luxembourg Stock Exchange and to trade the GDSs and the Bonds on the Euro MTF Market of the Luxembourg Stock Exchange. Neither the GDSs nor the Bonds may be publicly offered, sold, pledged or otherwise transferred in any jurisdiction where registration may be required. No assurance can be given as to the liquidity or sustainability of the trading market for the GDSs or the Bonds, the ability of holders of GDSs or the Bonds to sell their GDSs or the Bonds, or the price at which holders will be able to sell their GDSs or the Bonds. If a market for the GDSs or the Bonds cannot be sustained, the trading prices of the GDSs or the Bonds could fall. In addition, it is possible that the GDSs and/or the Bonds could trade at prices that may be lower than the initial offering prices.

There are legal restrictions on a PRC investor's withdrawal and sale of deposited share represented by the GDSs.

Under current ROC laws, regulations and policy, a PRC person is not permitted to withdraw GDSs and to register as shareholders of the Company unless it is a qualified domestic institutional investor ("QDII"), provided that the total shareholding of the PRC persons with respect to the Company 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 GDS holder who is a PRC person to be unable to withdraw and hold the Shares. 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.

You will have limited voting rights as a holder of GDSs.

Holders of GDSs may exercise voting rights with respect to the underlying Shares only in accordance with the provisions of the Deposit Agreements. When a shareholders' meeting is convened, you may not receive sufficient advance notice of a shareholders' meeting to permit you to timely withdraw your common shares to allow you to cast your vote with respect to any specific matter. In addition, the Depositary and its agents may not be able to send voting instructions to you or carry out your voting instructions in a timely manner. We plan to make all reasonable efforts to cause the Depositary to extend voting rights to you in a timely manner, but we cannot assure you that you will receive the voting materials in time to ensure that you can instruct the Depositary to vote your GDSs. Subject to the provisions of the Deposit Agreements, prior to the amendment of our Memorandum and Articles of Association, if so instructed by holders of GDSs of at least 51% of the GDSs outstanding at the relevant record date specified by the Depositary, the Depositary will be required to cause the underlying Shares to be voted for or against resolutions at shareholders' meetings in accordance with the instructions the Depositary receives from such GDS holders, subject to certain conditions. In the absence of clear instructions from at least 51% of the holders of GDSs outstanding at the relevant time, the holders of GDSs shall be deemed to have instructed the Depositary to authorize and appoint our chairman (or such person as the chairman of our board of directors may designate) as the voting representative of the Depositary and the holders of GDSs to vote all the underlying Shares represented by the GDSs in any manner such person deems appropriate at his or her discretion, which may not be in the interests of the holders of GDSs.

Furthermore, the Depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, you may not be able to exercise your right to vote and you may lack recourse if your GDSs are not voted as you requested. In addition, in your capacity as a GDS holder, you will not be able to call a shareholder meeting.

You may not be able to participate in rights offerings and may experience dilution of your holdings as a result.

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. If registration is required in any jurisdiction with respect to the offer of rights to holders of GDSs, or the sale by the Depositary, of such rights or the securities or other relevant property to which such rights relate, the Depositary will not effect such offer or sale with respect to the relevant tranche of GDSs, unless we have obtained an exemption from or effected a registration, in accordance with the requirements of such jurisdiction. However, under the Deposit Agreements, we are under no obligation to register such rights, securities or other property. Accordingly, holders of GDSs may be unable to participate in our rights offerings and may experience dilution of their holdings as a result. If the Depositary is unable to sell rights that are not exercised or not distributed or if the sale is not lawful or reasonably practicable, it will allow the rights to lapse, in which case you will receive no value for these rights.

Non-ROC holders of GDSs who withdraw shares will be required to register with TWSE and appoint a local agent and a tax guarantor in the ROC.

Under current ROC law, if a non-ROC person wishes to withdraw and hold underlying Shares from a depositary receipt facility, such non-ROC person will be required to register with TWSE for making investments in the ROC securities market prior to withdrawing shares. In addition, a non-ROC person will be required to appoint an eligible agent in the ROC to open a securities trading account with a local brokerage firm and a bank account, to pay ROC taxes, remit funds, exercise shareholders’ rights and perform such other functions as such person may designate upon withdrawal. In addition, a non-ROC holder of GDSs will be required to appoint a custodian bank in the ROC to hold the securities in safekeeping, make confirmation, settle trades and report all relevant information. Without meeting these requirements, the withdrawing holder would be unable to hold or subsequently sell the Shares withdrawn from the depositary receipt facility on TWSE or otherwise. In addition, these regulations may change from time to time. There can be no assurance that a non-ROC holder of GDSs will be able to register with TWSE and open the requisite accounts in a timely manner or that current ROC law will remain in effect or that future changes in ROC law will not adversely affect your ability to withdraw the Shares from the GDR facilities.

When a non-ROC holder of GDSs withdraws Shares represented by GDSs, that holder will be required to appoint an agent, or a Tax Guarantor, in the ROC for filing tax returns and making tax payments on their behalf. The Tax Guarantor will be required to meet the qualifications set by the ROC Ministry of Finance and will act as the guarantor of such holder’s tax payment obligations. Generally, evidence of the appointment of a Tax Guarantor and the approval of such appointment or tax clearance certification may be required as conditions to such holder’s repatriation of profits. There can be no assurance that non-ROC holders of GDSs will be able to appoint and obtain approval for a Tax Guarantor in a timely manner.

A holder of the GDSs or the Bonds or its designee requesting the withdrawal of the Shares represented by the GDSs or the conversion of the Bonds may be required to provide certain information to us, the Depositary or the Paying Agent, and failure to provide such information may result in a delay of the withdrawal or the conversion.

A holder of the GDSs or the Bonds or its designee requesting the withdrawal of the shares represented by the GDSs or the conversion of the Bonds may be required to provide certain information to us or the Depositary or the Paying Agent (as the case may be), including the name and nationality of the person to be registered as the shareholder, the number of Shares to be acquired by such person and the number of Shares acquired by such person in the past through the date of the withdrawal of the Shares underlying the GDSs or the Conversion Date. Under applicable ROC laws, we are required to report to the FSC if the person to be registered as a shareholder is a "related party" of ours as defined in the ROC Statement of Financial Accounting Standard No. 6 or will hold, immediately following such withdrawal or conversion, more than 10% of the Shares represented by GDSs or 10% of the total number of the outstanding Shares. Failure to provide such information may cause the delay of such withdrawal of the Shares represented by the GDSs or the conversion of the Bonds.

Restrictions on the ability to deposit the Shares into GDS programs may adversely affect the liquidity and sale of our GDS.

Under the current ROC law, no deposits of Shares may be made in the depositary receipt facilities, and no GDSs may be issued after the closing of the offering against such deposits, without the approval of the FSC, except for the offering and the issuance of additional GDSs in connection with (i) stock dividends on, or free distributions of, Shares, (ii) the exercise by holders of existing GDSs of their pre-emptive rights in connection with rights offerings or in the event of a capital increase for cash, (iii) the issuance of shares to holders of convertible or exchangeable bonds in connection with the exercise of conversion or exchange rights of such bondholders (so long as the terms and conditions of such bonds containing such conversion or exchange features have been approved by the FSC prior to their issuance), (iv) to the extent previously issued GDSs have been canceled and as permitted under the Deposit Agreements, the deposit of Shares owned or purchased directly by a person or through the Depositary on the TWSE for deposit in the applicable depositary receipt facility, provided that the total number of GDSs outstanding after an issuance described in clause (iv) does not exceed the number of GDSs issued and previously approved by the FSC (plus any GDSs created under clauses (i), (ii) and (iii) above), or (v) upon exchange of Rule 144A GDSs for Regulation S GDSs and vice versa. As a result of the limitations on the deposit of Shares into our GDS programs, the liquidity of our GDSs may be reduced if a significant number of withdrawal transactions are effected and no additional GDSs are issued against corresponding deposits of the Shares.

Investors may face difficulties in protecting their interests because we are incorporated under Cayman Islands law and Cayman Islands law may provide different remedies to minority shareholders when compared with the laws of other jurisdictions.

Our corporate affairs are governed by our memorandum of association and articles of association adopted by special resolution on May 16, 2012, or the Memorandum and Articles of Association, and by the Companies Law (2011 Revision) of the Cayman Islands, or the Companies Law, and the common law of the Cayman Islands. The laws of Cayman Islands relating to the protection of the interests of minority shareholders (including the rights of our shareholders to bring shareholders' suits against our board of directors under Cayman Islands laws) differ in some respects from those established under statues or judicial precedents in some other jurisdictions. Such differences may mean that the remedies available to our minority Shareholders may be different from those they would have under the laws of other jurisdictions. Therefore, our 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.

Changes in exchange controls that restrict your ability to convert proceeds received from your ownership of GDSs may have an adverse effect on the value of your investment.

The imposition of foreign exchange controls may undermine your ability to convert proceeds received from your ownership of GDSs. Under current ROC law, the Depositary, without obtaining further approval from the CBC or any other governmental authority or agency of the ROC, and a GDS holder, after withdrawing the underlying Shares from the depositary receipt facility and becoming a holder of the Shares, without obtaining further approval from the CBC, may convert NT dollars into other currencies, including US dollars, for the proceeds of the sale of the Shares represented by GDSs or the proceeds of the sale of the Shares received as stock dividends which have been deposited into the depositary receipt facilities.

Nevertheless, the Depositary may be required to obtain foreign exchange approval from the CBC on a payment-by-payment basis for conversion from NT dollars into foreign currencies of the proceeds from the sale of subscription rights for new Shares if the proceeds are in excess of US$100,000 per remittance. Although it is expected that the CBC will grant this approval as a routine matter, we cannot assure you that in the future any approval will be obtained in a timely manner, or at all.

In addition, under the ROC Foreign Exchange Control Law, the Executive Yuan of the ROC government may, without prior notice but subject to subsequent legislative approval, impose foreign exchange controls for certain periods of time in the event of, among other things, a material change in international economic conditions. We cannot assure you that foreign exchange controls or other restrictions will not be introduced in the future.

Future sales of securities by us or our existing shareholders, including pursuant to employee stock bonuses, could dilute the holdings and associated rights with respect to the Shares, and may adversely impact the market price of the GDSs or the Shares.

The market price of the GDSs or the Shares could decline as a result of future sales of a large number of GDSs or Shares or the perception that such sales could occur. If we or the holders of the Shares sell a large number of Shares, the market price for the GDSs or the Shares could be depressed.

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 GDSs, 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 25.57% of the Shares as of June 30, 2012, have agreed for a period of 90 days after the date of this offering memorandum, 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 GDSs, 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.

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 QDII.

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 Cayman Islands and 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 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.

If we pay a cash dividend on our Shares, U.S. investors may be deemed to have received a taxable dividend without the receipt of any cash.

If we pay any cash dividend on our Shares in the future, the conversion rate of the Bonds will be adjusted and U.S. investors in the Bonds may be deemed to have received a taxable dividend subject to U.S. federal income tax without the receipt of any cash. See "Taxation — United States Federal Income Tax Considerations — Bonds — Constructive Distributions."

USE OF PROCEEDS

The net proceeds to be received by us from this offering of the GDSs and the Bonds will be approximately US$431.1 million (without taking into account the issuance of any Optional Bonds). We intend to use the net proceeds of the offering of the GDSs for our subsidiaries to expand plants and acquire machinery and equipment, as well as for the procurement of raw materials overseas. We intend to use the net proceeds of the offering of the Bonds for the procurement of raw materials overseas.

DIVIDENDS AND DIVIDEND POLICY

Pursuant to our 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 and the Companies Law, distribute profits in accordance with a proposal prepared by our directors and resolved by our shareholders. When determining the profits, we begin with the Company's audited annual net profit of the Company in respect of the applicable year and 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 ROC public company rules or as requested by the authorities in charge; and we then may set aside up to 1% of the remaining amount as bonus to directors and up to 10% of the remaining amount as bonus to our employees, which may be distributed under an incentive program approved pursuant to our Memorandum and Articles of Association. Any balance left over may be distributed as Dividends or bonuses in accordance with the Companies Law and the applicable ROC public company rules and taking into consideration financial, business and operational factors. The amount distributed as Dividends shall not be less than 10% of such balance. A portion of the dividends will be paid in cash, and such cash portion shall be no less than 10% of the total amount of such dividends, however, if the total amount of dividends payable per share in a given year would be less than NT$1 dollar, the 10% threshold shall not be applicable. We may, at our sole discretion, pay such dividends, in whole or in part, in the form of cash and/or stock. Subject to the Companies Law and the Memorandum and Articles of Association, the Directors may declare dividends and distributions on Shares in issue and authorize payment of the dividends or distributions out of the funds of the Company lawfully available therefor. No dividend or distribution shall be paid except out of the realized or unrealized profits of the Company, or out of the share premium account or as otherwise permitted by the Companies Law. All dividends shall be declared and paid in proportion to the number of Shares held. The directors may deduct from the dividends payable to any holder all sums of money (if any) then payable by him to us on any account. If any share is issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly. The directors may also, after obtaining an ordinary resolution, declare that any dividend be paid wholly or partly by the distribution of specific assets and in particular of shares, debentures, or securities of any other company. Should any difficulty arise regarding such distribution, the directors may settle the same as they think expedient and fix the value for distribution of such specific assets or any part thereof and determine that cash payments shall be paid on the basis of the value so fixed in order to adjust the rights of all holders. No dividend or distribution shall bear interest against the Company. Any dividend that is not claimed after six months from date of declaration may be moved, subject to discretion of directors, to a separate account in the name of us and the dividend shall remain as a debt due to the shareholder. Any dividend which remains unclaimed after six years from the date of declaration shall be forfeited and returned to us.

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. The 2011 shareholders' annual general meeting was held on June 9, 2011, and our shareholders adopted a resolution to distribute dividend of US$3.9 million (equivalent to approximately 11.2 million new Shares) in the form of Shares. The 2012 shareholders' annual general meeting was held on May 16, 2012, and our shareholders adopted a resolution to distribute dividend of US$159.7 million in the form of cash and US$23.9 million (equivalent to approximately 70.6 million new Shares) in the form of Shares.

Payments of cash dividends and other amounts (including cash distributions) in respect of the GDSs will be made by the Depositary on behalf of persons entitled thereto upon receipt of funds from the Company, subject to our Memorandum and Articles of Association and the laws of the Cayman Islands and the ROC. Payments of dividends in relation to the Regulation S GDSs will be made through Euroclear and Clearstream. Whenever we make a cash distribution for the securities on deposit with the Custodian, we will notify the Depositary and deposit the funds with the Custodian. Whenever we make a free distribution of Shares for the securities on deposit with the

Custodian, we will notify the Depositary and deposit the applicable number of Shares with the Custodian. Upon receipt of notice of such deposit, the Depositary, subject to applicable law, will either distribute to holders new GDSs representing the Shares deposited or modify the GDS-to-Shares ratio, in which case each GDS will represent rights and interests in the additional Shares so deposited. Only whole new GDSs will be distributed. Fractional entitlements will be sold and the proceeds of such sale will be distributed as in the case of a cash distribution.

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$)		(Shares)		
2010					
Fourth Quarter (since our listing on October 29, 2010)	740.0	473.0	3,047,565	8,972.50	8,240.65
2011					
First Quarter	837.0	648.0	2,376,560	9,145.35	8,234.78
Second Quarter	956.0	797.0	2,050,872	9,062.35	8,478.86
Third Quarter	934.0	532.0	3,084,650	8,824.44	6,877.12
Fourth Quarter	612.0	331.5	6,263,441	7,622.01	6,633.33
2012					
January	429.5	353.5	5,904,962	7,517.08	6,952.21
February	493.5	439.5	7,842,070	8,121.44	7,549.21
March	519.0	462.0	5,857,159	8,144.04	7,872.66
April	473.5	354.0	5,834,712	7,862.90	7,480.50
May	445.0	355.5	6,283,915	7,700.95	7,071.63
June	478.0	364.5	6,446,074	7,334.63	6,894.66
July	367.5	322.5	5,450,112	7,422.59	6,970.69
August	400.0	347.0	7,195,893	7,506.81	7,217.51
September (through September 25)	431.0	398.5	6,069,674	7,781.91	7,326.72

(1) As reported.

(2) As adjusted retroactively for cash and stock dividends, rights 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 Shares may be adversely affected by the volatility of the ROC securities market" and "Appendix A — The Securities Markets of the ROC."

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 Shares, the GDSs and the Bonds. Such fluctuations will also affect the conversion of NT dollars proceeds you will receive from any sale of the Shares.

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	28.96	29.28	28.62	28.62
May	28.73	28.95	28.51	28.66
June	28.82	28.98	28.58	28.73
July	28.82	28.93	28.70	28.83
August	28.96	29.04	28.80	29.01
September	29.73	30.58	28.95	30.48
October	30.26	30.68	29.86	29.92
November	30.23	30.44	30.02	30.33
December	30.26	30.38	30.13	30.28
2012				
January	30.04	30.31	29.58	29.58
February	29.54	29.66	29.38	29.38
March	29.52	29.62	29.43	29.51
April	29.47	29.54	29.14	29.14
May	29.49	29.85	29.18	29.85
June	29.92	30.03	29.85	29.88
July	29.98	30.18	29.83	29.99
August	29.96	30.00	29.92	29.93
September (through September 24)	29.58	29.89	29.29	29.36

Source: Bank of Taiwan

CAPITALIZATION

The following table sets forth under ROC GAAP our audited consolidated capitalization as of June 30, 2012. In July 2012, we issued 70,581,269 new Shares as dividends and 123,000 new share as a result of the exercise of employee share options, and our issued share capital increased to NT$3,092,541,670, divided into 309,254,167 Shares with par value of NT$10 each. In August 2012, another 66,000 Shares were issued as a result of the exercise of employee share options, and our issued share capital increased to NT$3,093,201,670, divided into 309,320,167 Shares. In September 2012, another 37,000 Shares were issued as a result of the exercise of employee share options, and our issued share capital increased to NT$3,093,571,670 divided into 309,357,167 Shares. Other than as disclosed herein, there has been no material change in our capitalization since June 30, 2012.

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

	As of June 30, 2012			
	Actual		As Adjusted	
	(in millions)			
	NT$	US$(1)	NT$	US$(1)
Short-term loans (including current portion of long-term loans)	8,153.0	272.9	8,153.0	272.9
Long-term liabilities				
Bonds payable(2)	10,300.2	344.7	16,258.3	544.1
Long-term loans, net of current portion	7,701.6	257.8	7,701.6	257.8
Total long-term liabilities	**18,001.8**	**602.5**	**23,959.9**	**801.9**
Shareholders' equity				
Common shares	2,385.5	74.7	2,561.5	80.6
Stock dividends to be distributed	705.8	23.9	705.8	23.9
Capital surplus	8,521.2	285.2	15,268.2	511.0
Legal reserve	1,822.1	61.0	1,822.1	61.0
Unappropriated earnings	15,151.3	507.1	15,151.3	507.1
Other items	1,516.1	55.5	1,516.1	55.5
Total shareholders' equity of the parent company	**30,102.0**	**1,007.4**	**37,025.0**	**1,239.1**
Total capitalization(3)	**48,103.8**	**1,609.9**	**60,984.9**	**2,041.0**

Notes:

(1) Translation of amounts from US dollars into NT dollars has been made at the rate prevailing on June 30, 2012 of NT$29.88 = US$1.00. However, the sum of the line item" Common shares" is arrived at by multiplying the total number of Shares issued by NT$10, which is the par value of a Share, and then translated at the fixed historical exchange rate as of the date indicated.

(2) Assuming that we do not issue any Optional Bonds, convertible bonds payable of NT$5,958.1 million (US$199.4 million) includes the principal amount of the Bonds of NT$5,976.0 million (US$200.0 million), after deducting issuance cost of approximately NT$17.9 million (US$0.6 million) related to this offering. In addition, the fair value of the convertible option related to the Bonds has not been determined at this time.

(3) Total capitalization is total long-term liabilities plus total shareholders' equity of the parent company.

SELECTED FINANCIAL DATA

The selected financial information has been derived from our audited consolidated financial statements as of and for the years ended December 31, 2009, 2010 and 2011 and as of and for the six months ended June 30, 2011 and 2012 included elsewhere in this offering memorandum. These financial statements have been audited by Deloitte & Touche, independent auditors. Our consolidated financial statements are presented in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and ROC GAAP, which differs in many significant respects from generally accepted accounting principles in certain other countries, such as IFRS. You should read the following selected financial information together with our financial statements included elsewhere in this offering memorandum. Neither these data nor the format in which they are presented should be viewed as comparable to information prepared in accordance with IFRS or generally accepted accounting principles elsewhere. See "Summary of Certain Differences Between ROC GAAP and IFRS."

Consolidated financial information

	Year ended December 31,				Six months ended June 30,		
	2009	2010	2011		2011	2012	
	(in millions, except per share information)						
	NT$	NT$	NT$	US$	NT$	NT$	US$
Statement of income data							
Net operating revenue	18,708.8	59,598.8	143,371.6	4,735.6	57,848.9	76,557.5	2,562.2
Cost of goods sold	(14,472.9)	(49,581.8)	(119,178.9)	(3,936.5)	(46,880.5)	(64,823.7)	(2,169.5)
Gross profit	4,235.9	10,017.0	24,192.7	799.1	10,968.4	11,733.8	392.7
Operating expenses	(1,623.6)	(3,784.6)	(7,868.7)	(259.9)	(3,034.4)	(4,338.4)	(145.2)
Operating income	2,612.3	6,232.4	16,324.0	539.2	7,934.0	7,395.4	247.5
Non-operating income and gains	58.3	107.9	693.1	22.9	406.8	609.4	20.4
Non-operating expenses and losses	(106.4)	(407.0)	(2,636.5)	(87.1)	(453.9)	(783.1)	(26.2)
Income before income tax	2,564.2	5,933.3	14,380.6	475.0	7,886.9	7,221.7	241.7
Income tax expense	(254.2)	(1,185.4)	(3,153.2)	(104.2)	(1,722.4)	(1,666.5)	(55.8)
Consolidated net income	2,310.0	4,747.9	11,227.4	370.8	6,164.5	5,555.2	185.9
Attributable to:							
Minority interests	(7.0)	6.3	(116.9)	(3.9)	(19.9)	(11.5)	(0.4)
Shareholders of the parent company	2,317.0	4,741.6	11,344.3	374.7	6,184.4	5,566.7	186.3
Diluted earnings per share of the parent (after tax)(1)	8.77	17.07	35.81	1.18	19.65	17.51	0.59

	As of December 31,				As of June 30,		
	2009	2010	2011		2011	2012	
			(in millions)				
	NT$	NT$	NT$	US$	NT$	NT$	US$
Balance sheet data							
Cash	1,670.9	5,564.0	10,382.7	342.9	20,486.2	13,961.4	467.3
Accounts receivable, net	835.0	11,998.9	7,853.2	259.4	4,842.0	5,396.2	180.6
Inventories, net	971.3	3,055.9	11,868.5	392.0	7,684.9	8,523.8	285.3
Total current assets	4,269.4	22,287.0	42,412.1	1,400.9	41,244.5	37,717.3	1,262.3
Total property, plant and equipment	5,959.2	17,972.8	43,760.2	1,445.4	30,913.7	45,442.8	1,520.8
Total assets	10,989.7	41,929.3	92,953.4	3,070.3	78,938.7	89,645.7	3,000.2
Short-term loans (including current portion of long-term loans)	1,649.9	3,656.5	5,470.4	180.7	4,169.8	8,153.0	272.9
Accounts and notes payable (including accounts payable—related parties)	2,203.5	13,926.5	26,092.0	861.8	20,467.7	16,411.9	549.3
Total current liabilities	5,042.4	23,441.1	44,314.4	1,463.7	35,836.6	41,200.3	1,378.9
Bonds payable	—	—	10,339.3	341.5	10,421.5	10,300.2	344.7
Total liabilities	5,669.9	27,136.3	63,590.8	2,100.4	56,308.8	59,322.3	1,985.4
Total shareholders' equity	5,319.8	14,793.0	29,362.6	969.9	22,629.9	30,323.4	1,014.8

	Year ended December 31,				Six months ended June 30,		
	2009	2010	2011		2011	2012	
			(in millions)				
	NT$	NT$	NT$	US$	NT$	NT$	US$
Cash flow data							
Net cash provided by operating activities	3,097.6	5,940.8	17,977.5	593.8	12,773.9	11,907.3	398.5
Net cash used in investing activities	(2,025.7)	(11,652.5)	(30,687.2)	(1,013.6)	(15,974.7)	(10,521.6)	(352.1)
Net cash provided by financing activities	88.2	9,668.4	17,819.0	588.5	18,284.2	1,742.9	58.6
Cash increase from acquisition of a subsidiary	—	9.4	90.5	3.0	80.3	513.0	17.2
Effect of exchange rate changes	(17.1)	(73.0)	(381.1)	(19.8)	(241.5)	(62.9)	2.2
Net increase in cash	1,143.0	3,893.1	4,818.7	151.9	14,922.2	3,578.7	124.4
Cash at beginning of year (period)	527.9	1,670.9	5,564.0	191.0	5,564.0	10,382.7	342.9
Cash at the end of year (period)	1,670.9	5,564.0	10,382.7	342.9	20,486.2	13,961.4	467.3
Capital expenditure(2)	1,409.2	10,711.2	23,458.5	774.8	10,920.1	7,046.1	235.8
Depreciation and amortization	699.6	1,059.4	2,877.2	95.0	1,022.6	2,404.3	80.5

(1) The weighted average number of shares outstanding for diluted earnings per share of the parent has been retroactively adjusted for the redenominating of issued capital, capitalization of share premium and stock dividends.

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

	Year ended December 31,				Six Months ended June 30,		
	2009	2010	2011		2011	2012	
	(in millions, except percentages)						
Other financial data							
Gross margin(1)	22.6%	16.8%	16.9%	16.9%	19.0%	15.3%	15.3%
Operating margin(2)	14.0%	10.5%	11.4%	11.4%	13.7%	9.7%	9.7%
Net margin(3)	12.3%	8.0%	7.8%	7.8%	10.7%	7.3%	7.3%
EBITDA(4)(6)	NT$3,311.9	NT$7,291.8	NT$19,201.2	US$634.2	NT$8,956.6	NT$9,799.7	US$328.0
EBITDA margin(5)(6)	17.7%	12.2%	13.4%	13.4%	15.5%	12.8%	12.8%

(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 consolidated net income by net operating revenue.

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

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

(6) We have presented EBITDA and EBITDA margin because we consider them important supplemental measures of our operating performance and believe they are frequently used by analysts, investors and other interested parties in the evaluation of companies in our industry. Our management uses EBITDA and EBITDA margin as additional measurement tools for purposes of business decision-making, including developing budgets, managing expenditures and evaluating potential acquisitions or divestitures. Other companies in our industry may calculate EBITDA and EBITDA margin differently than we do. EBITDA and EBITDA margin are not measures of operating performance under ROC GAAP and should not be considered as a substitute for, or superior to, operating income or operating margin prepared in accordance with ROC GAAP. EBITDA and EBITDA margin have limitations as analytical tools, and you should not consider them in isolation or as substitutes 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 EBITDA and EBITDA margin, 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 EBITDA and EBITDA margin should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our audited consolidated financial statements for the years ended December 31, 2009,2010 and 2011 and six months ended June 30, 2011 and 2012, have been prepared in accordance with ROC GAAP. ROC GAAP and IFRS differ in certain significant respects. See "Summary of Certain Differences Between ROC GAAP and IFRS." We have not quantified or identified the impact of differences between ROC GAAP and IFRS. The following discussion should be read in conjunction with the consolidated financial statements and notes thereto, which appear elsewhere in this offering memorandum. Unless otherwise stated, all financial information below for the years ended December 31, 2009, 2010 and 2011 and six months ended June 30, 2011 and 2012 is presented on a consolidated basis.

Overview

We are the leading touch solution provider, offering a full suite of touch solutions tailored to different customer requirements. We believe our market-leading position results from our technological leadership, vertically integrated production capabilities, high standards of operating discipline, and economies of scale. Leveraging these competitive strengths, we further solidify our first-mover advantage and forge long-term collaborative relationships with most of our major customers, many of whom are leading global mobile, PCs and consumer electronics device innovators. We are at the forefront of the technology revolution whereby touch technologies are increasingly integrated into mobile and consumer electronics devices, such as smartphones, tablet PCs, notebook PCs, ultrabook PCs and electronic book readers. Our core technology lies in P-Cap touch solutions, including G/G, G/F and SGS, that provide a versatile and intuitive user experience, enabled by multi-touch gesture with feather-light sensitivity, which are key features increasingly desired by end-users. We believe that we are well positioned to benefit from the increasing demand for touch solutions in diverse end markets. According to estimates from DisplaySearch, the P-Cap touch module shipment is expected to increase at a CAGR of 30% from 800 million units in 2011 to 2.3 billion units in 2015.

Due to the closer collaboration with our customers, we believe that we can better forecast demand, along with our comprehensive understanding of the touch manufacturing process and in-house equipment development capabilities, we believe that we can make timely capital investment decisions and implement capacity expansion successfully.

Our vertically integrated production capabilities enable us to efficiently provide comprehensive product solutions to meet our customers' specific demands while reducing the time-to-market of their products. Our customers also benefit from the economies of scale of our large-scale and centralized manufacturing facilities, which enable us to provide highly efficient and cost-effective solutions. We will continue to dedicate our resources to further solidify our leadership, through focusing on manufacturing process improvement, production technology enhancement, new product structure and use of alternative raw materials, with the aim to maintain technology leadership and widen our product offerings.

We have enjoyed rapid growth in recent years. Our net operating revenue increased from NT$18,708.8 million in 2009 to NT$143,371.6 million (US$4,735.6 million) in 2011, representing a compound annual growth rate, or CAGR, of 176.8%. Our consolidated net income attributable to shareholders of the parent company increased from NT$2,317.0 million in 2009 to NT$11,344.3 million (US$374.7 million) in 2011, representing a CAGR of 121.3%. For the six months ended June 30, 2012, our net operating revenue amounted to NT$76,557.5 million (US$2,562.2 million), while our consolidated net income attributable to shareholders of the parent company amounted to NT$5,566.7 million (US$186.3 million).

Factors Affecting our Results of Operations

We believe the most significant factors that directly or indirectly affect our financial performance and results of operations include:

- industry demand;
- changes in our average selling price and product mix ;
- life cycle of our and our end-customers' products;
- production yield rate;
- changes in technologies; and
- our vertically integrated production capabilities.

Industry Demand

We principally rely on the continued growth of demand for touch solutions and the overall demand from various industries across mobile device, notebook PCs, consumable electronics and other portable device. Due to P-Cap's technology advantages, greater consumer awareness and increasing availability in production capacity, DisplaySearch forecasts the P-Cap touch module shipment to increase at a CAGR of 30% from 800 million units in 2011 to 2.3 billion units in 2015. While it is expected that the demand for touch solutions will steadily grow in future periods, any future industry downturns will adversely affect orders from our customers and our future revenues. In addition, we rely heavily on the continued growth of our customers that compete in this industry. The ability of our customers to design and market successful products and to maintain or increase their market share will also affect our future revenues.

Changes in Our Average Selling Price and Product Mix

Our net operating revenues in a given period are affected primarily by the sales volume of our products in the period, and to a lesser extent, by fluctuations in the realized average selling prices of our products. The average selling price and profitability varies across our different product lines. Changes in product mix have in the past affected, and are expected to continue to affect, our net operating revenue, realized average selling price and gross margin. We generate operating revenues primarily through sales of our glass-based touch products, including touch modules and touch displays, which consist of a glass-based touch module laminated with a display panel. We also sell film-based touch modules as well as ITO glass. Based on size differences, our touch modules are further divided into large-sized touch modules and small-sized touch modules. Starting in the fourth quarter of 2009, we began to offer large-sized touch modules, which drove significant increase in our net operating revenue and realized average selling price in 2010. Further, beginning in 2010, sales of our full-lamination touch displays have also been increasing, which contributed to further increase in our realized average selling price and a decrease in our gross margin. In general, our large-sized touch modules carry higher average selling price than our small-sized touch modules. Our full-lamination touch displays also carry a higher average selling price and lower profit margin as the increase in selling price results from the pass-through of our costs to procure the display panel. Going forward, we expect the sales of our touch modules to increase in absolute terms. Meanwhile, as we expect the demand for PCs running on Windows 8 operating system and tablet PCs to increase and we plan to offer SGS touch solution, which will be laminated with a display panel and be sold as touch display, we expect the sales of our large-sized touch modules and full-lamination touch displays to increase as a percentage of our net operating revenues.

Life Cycle of Our and Our End-customers' Products

We operate in various industries across mobile device, notebook PCs, consumer electronics and other portable device, which are all 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. 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.

Production Yield Rate

Our ability to continue improving our production yield rate to stay ahead of our competitors is critical in maintaining and expanding our profit margin. A higher production yield rate enables us to optimize our cost structure and expand our profit margin by reducing our expenditure on raw materials and enhancing the economies of scale realized through higher production capacity. We have applied our extensive knowledge and experience in manufacturing processes to customize our production equipments and processes, which have been instrumental in achieving an industry-leading production yield rate. Our proprietary and efficient production processes, advanced technology know-how and stringent process management have enabled us to produce high-quality touch modules in large quantities at yield rates among the best in our industry. We will continue to seek ways to improve our manufacturing processes, enhance production technology, develop new product structures, explore substitute raw materials, increase automation and maximize the benefits of our economies of scale, which we believe are key factors in maintaining and improving our production yield rate. We aim to enhance our production yield rate and expand our production capacity to grow our addressable markets beyond current scale and thereby capitalize on the fast growing demand for our solutions.

Changes in Technologies

Our success depends on our ability to keep pace with technological developments and evolving industry standards. Particularly, we rely on our ability to respond to evolving customer requirements by evolving our current products and developing and introducing new products. We have enjoyed rapid growth in recent years as we were at the forefront of the technology revolution whereby touch technologies, particularly P-Cap technology, including G/G, G/F and SGS touch solutions, are increasingly integrated into mobile and consumer electronics devices, such as smartphones, tablet PCs, notebook PCs, ultrabook PCs and electronic book readers. However, new or alternative technologies including in- or on-cell touch technologies may be adopted by our existing customers or increase the difficulty for us to broaden our customer base. There can be no assurance that we will be able to capitalize on the next round of technological change. If P-Cap touch technology is outperformed or proven less cost-efficient than new or alternative technologies, our competitive position may be negatively impacted. In order to develop new products or adapt to new or alternative technologies, substantial expenditure on research and development as well as the upgrading or procurement of equipment may be required. Furthermore, if we offer new products or migrate to new or alternative technologies, our yield rate may be compromised. All of these factors may result in a decrease in our profitability.

Our Vertically Integrated Production Capabilities

We believe our vertically integrated business model offers us several advantages, particularly in areas of cost reduction, production efficiency, innovation and the provision of bespoke services. Our thorough understanding and accumulated experience enables us to seamlessly integrate these services and provide our customers with tailored end-to-end solutions. We believe our vertical integration allows us to extract value associated with each service offering and maximize our profitability. Vertical integration reduces our production costs by allowing us to secure a reliable supply of quality raw materials and components at competitive costs, and reduce our reliance on external suppliers. Our manufacturing facilities centrally located in Xiamen, PRC, also enhances our ability to control production costs and ensure product quality. Meanwhile, vertical integration 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. As part of our business strategy, we aim to enhance our core competencies and expand our profitability by further strengthening our vertical integration, including increasing our production capability of touch sensors and cover glass, and engaging in selective strategic acquisitions.

Principal Income Statement Components

The principal components of our income statement discussed below include:

Net operating revenue

We generate operating revenues primarily through sales of our touch products, including touch modules and glass-based touch displays. We also sell film-based touch products as well as ITO glass. Our touch modules include large-sized touch modules and small-sized touch modules.

Starting in the fourth quarter of 2009, we began to offer large-sized touch modules for a highly popular tablet PC offered by our customer, the market demand of which has been driving the increase in sales of our large-sized touch modules as a percentage of our net operating revenue. For the six months ended June 30, 2012, sales of our large-sized touch modules as a percentage of our net operating revenue decreased to 32.5% from 46.4% for the same period in 2011 primarily as a result of the product life cycle of our key customers. For a more detailed discussion on our estimation for the future trends in our product mix, see "— Factors Affecting our Results of Operations — Changes in Our Average Selling Price and Product Mix".

In 2010, sales of our touch displays increased significantly as a result of a change in the design specification of our end-customers' products. For a more detailed discussion on our estimation for the future trends in our product mix, see " — Factors Affecting our Results of Operations — Changes in Our Average Selling Price and Product Mix".

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

	Year ended December 31,							Six months ended June 30,				
	2009		2010		2011			2011		2012		
	NT$	%	NT$	%	NT$	US$	%	NT$	%	NT$	US$	%
	(in millions, except percentages)											
North America	11,694.6	62.5	45,273.8	76.0	106,438.3	3,515.7	74.2	41,904.1	72.4	60,159.8	2,013.4	78.6
Asia	7,014.2	37.5	14,325.0	24.0	36,546.2	1,207.1	25.5	15,900.6	27.5	16,031.4	536.5	20.9
Others	—	—	—	—	387.1	12.8	0.3	44.2	0.1	366.3	12.3	0.5
Total	18,708.8	100.0	59,598.8	100.0	143,371.6	4,735.6	100.0	57,848.9	100.0	76,557.5	2,562.2	100.0

We currently sell the majority of our products to direct customers primarily located in North America, including leading mobile and consumer electronics manufacturers. We also sell our products to our direct customers located in Asia. A portion our products are delivered to the downstream electronic manufacturing services companies designated by our customers.

Costs of goods sold

Our cost of goods sold consists principally of:

- cost of raw materials and components;

- direct labor costs;

- depreciation and amortization of property, plant and equipment; and

- others, including utility expenses.

The following table sets forth the major components of our cost of sales and services both in absolute terms and as a percentage of the consolidated net operating revenue for the periods indicated:

	Year ended December 31,							Six months ended June 30,				
	2009		2010		2011			2011		2012		
	NT$	%	NT$	%	NT$	US$	%	NT$	%	NT$	US$	%
	(in millions, except percentages)											
Raw materials	11,902.1	63.6	43,549.1	73.1	104,244.2	3,443.2	72.7	41,127.4	71.1	55,665.2	1,863.0	72.7
Direct labor costs	838.2	4.5	2,819.0	4.7	7,578.9	250.3	5.3	3,006.9	5.2	4,229.5	141.6	5.5
Depreciation and amortization	497.8	2.7	745.6	1.3	1,997.1	66.0	1.4	695.0	1.2	1,785.7	59.8	2.4
Others	1,234.8	6.6	2,468.1	4.1	5,358.7	177.0	3.7	2,051.2	3.5	3,143.3	105.1	4.1
Total cost of goods sold	14,472.9	77.4	49,581.8	83.2	119,178.9	3,936.5	83.1	46,880.5	81.0	64,823.7	2,169.5	84.7

Historically, cost of raw materials and components has accounted for a significant portion of our cost of goods sold. The major raw materials and components used in the production of our touch products include glass substrate, cover glass, FPCBs, sensors and display panels. We source our raw materials and components from a number of third-party suppliers. As we began to sell our large-sized glass-based touch modules and full-lamination touch displays in 2010, and the sales of these products are expected to continue increasing, we expect costs of raw materials and components continue to be a significant part of our cost of goods sold. Depreciation of the equipment used in our production process and utility expenses has also been an important part of our cost of goods sold.

Our cost of goods sold as a percentage of our net operating revenue increased from 77.4% in 2009 to 83.2% in 2010 and decreased to 83.1% in 2011. In the six months ended June 30, 2012, such percentage increased to 84.7% from 81.0% in the same period in 2011. The fluctuation of cost of goods sold as a percentage of our net operating revenue was primarily driven by the change of product mix, our production yield rate and our utilization rate. In 2010, increases in the sales of our full-lamination touch displays as a percentage of our total net operating revenue resulted in an increase in our cost of goods sold as a percentage of our net operating revenue as compared to 2009. In 2011, while the sales of our full-lamination touch displays and large-sized glass-based touch modules continued to increase as a percentage of our total net operating revenue, our production yield rate improved and our cost of goods sold as a percentage of our net operating revenue remained relatively stable. In the six months ended June 30, 2012, our cost of goods sold as a percentage of our net operating revenue increase due to the decrease in the average selling price of our products, which in turn is because our products approached the later stage of their life-cycles.

Gross margin

Gross margin represents gross profit divided by net operating revenue. Our gross margin decreased from 22.6% in 2009 to 16.8% in 2010 and increased to 16.9% in 2011. In the six months ended June 30, 2012, our gross margin decreased to 15.3%. The fluctuation of our gross margin is directly related to the changes in cost of goods sold as a percentage of net operating revenue as discussed above.

Operating expenses

Our operating expenses consist of:

- marketing expenses;
- general administrative expenses; and
- research and development expenses.

Marketing expenses consist primarily of (i) salaries, welfare benefits and employee bonuses for our sales and marketing teams; and (ii) shipping and packaging expenses.

General administrative expenses consist primarily of (i) salaries, welfare benefits and employee bonuses for our administrative, finance and human resources personnel; and (ii) depreciation of equipment and facilities used for administrative purposes.

Research and development expenses primarily consist of (i) costs of materials and tool equipment used in our research and development activities and production of samples; (ii) research and development personnel costs, including employee bonuses for our research and development teams; and (iii) depreciation of equipment and facilities used for research and development purposes.

Operating expenses as a percentage of our net operating revenue have been decreasing in 2009, 2010 and 2011, primarily due to the continued improvement of our economies of scale as our operations have grown. Going forward, as we continue to expand our operations, we expect our operating expenses as a percentage of our net operating revenue to further decrease. In the six months ended June 30, 2012, operating expenses as a percentage of our net operating revenue remained relatively stable.

Taxation and Incentives

We are incorporated in the Cayman Islands, and our principal operating subsidiaries are located in the PRC and Taiwan.

Cayman Islands Taxation

The Cayman Islands currently have no income, corporation or capital gains tax. Payments of dividends in respect of the Shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend to any holder of the Shares.

Taxation in the PRC

Our PRC subsidiaries conduct their businesses in China and are subject to taxation in China. Before the Enterprise Income Tax Law, or the EIT Law, and its implementation rules became effective on January 1, 2008, the income tax rate for certain qualified foreign-invested enterprises which were located in the economic and technology zones in the PRC was 15% and such enterprises were entitled to an exemption from PRC income tax for two years starting from their first profit-making year after utilizing all loss carryforwards and thereafter, a 50% relief from PRC income tax for the next three years.

Under the EIT Law, both domestic and foreign-invested enterprises are subject to a uniform tax rate of 25%. Under the implementation regulations of the EIT Law, foreign-invested enterprises in the PRC that have unused tax benefits as of the start of the implementation of the EIT Law on January 1, 2008 are allowed to continue to use their remaining tax benefits. However, under the EIT Law, all new enterprises regardless of their profit level will start their first tax exemption year from 2008. Accordingly, four of our subsidiaries established prior to 2008, namely TPKC, OTX, TPKL and TPKS that have unused tax benefits are subject to tax rates ranging from approximately 10% to 15% in 2009, 2010, 2011 and 2012, and the tax rates will gradually increase to 25% over a five-year period.

From 2012 onwards, our PRC subsidiaries should be subject to the uniform income tax rate of 25%, except where such subsidiaries had been recognized by the relevant authorities as high-technology enterprises, in which case such subsidiaries will be subject to a preferential tax rate of 15%. Newly established companies incorporated in specified zones and recognized as high-technology enterprises are eligible for two years of tax exemption and an additional 50% tax deduction for the following three years, starting from their first revenue-making year. However, the earliest date a company can apply for the high-technology enterprise status is the second year after incorporation.

Taxation in the ROC

Our subsidiaries in Taiwan were subject to income tax at rates of 25%, 17%, 17% and 17% for 2009, 2010, 2011 and 2012, respectively.

SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements were originally presented in more than one set of Chinese financial reports. For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language consolidated financial statements shall prevail.

The consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and ROC GAAP.

Significant accounting policies are summarized as follows:

Principles of Consolidation

Our consolidated financial statements not only include subsidiaries but also include other investees over which we have controlling interests.

The financial statements of our company are prepared in its functional currency, the U.S. dollars and the financial statements of its subsidiaries 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 period. The resulting translation adjustments are recorded as a separate component under shareholders' equity.

As our Shares are listed on the TWSE, 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 is translated at the historical exchange rate as required by the ROC regulations. Exchange differences arising from the translations of foreign currencies are recognized as effect of exchange rate under shareholders' equity. All significant intercompany balances and transactions are eliminated upon consolidation.

Accounting Estimates

Under above guidelines and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, allowance for loss on inventories, liability on purchase commitment, depreciation of property, plant and equipment, amortization of intangible assets, pension cost, allowance for product warranties, bonuses to employees and directors, valuation allowance for deferred income tax assets, impairment loss, and fair value of acquired net assets under the Business Combinations — Accounting Treatment under Purchase Method. Actual results may differ from these estimates.

Impairment of Accounts Receivable

An allowance for doubtful accounts is provided on the basis of a review of the collectability of accounts receivable. We assess the probability of collections of accounts receivable by examining the aging analysis of the outstanding receivables and assessing the value of the collateral provided by customers.

On January 1, 2011, we adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." One of the main revisions is that impairment of receivables originated by us should be covered by SFAS No. 34. Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

- Significant financial difficulty of the debtor;
- Accounts receivable becoming overdue; or
- It is becoming probable that the debtor will enter bankruptcy or financial re-organization.

Accounts receivable that are assessed as not impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of accounts receivable could include our past experience in the collection of payments, an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

The amount of impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collateral and guarantees, discounted at the original effective interest rate of the receivables.

The carrying amount of accounts receivable is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized as bad debt in profit or loss.

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.

Investments Accounted for by the Equity Method

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

The acquisition cost is allocated to the assets and liabilities assumed on the basis of their fair values at the date of acquisition, and the acquisition cost in excess of the fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not amortized. The fair value of the net identifiable assets acquired in excess of the acquisition cost is used to reduce the fair value of each of the noncurrent assets acquired (except for financial assets other than investments accounted for by the equity method, noncurrent assets held for sale, deferred income tax assets, prepaid pension or other postretirement benefit) in proportion to the respective fair values of the noncurrent assets, with any excess recognized as an extraordinary gain.

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

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

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

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Borrowing costs directly attributable to the acquisition or construction of property, plant and equipment are capitalized as part of the cost of those assets. Major additions and improvements to property, plant and equipment 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	3-24 years
Machinery and equipment	1-17 years
Transportation and others	1-10 years

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

Property, plant and equipment 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 4-10 years, computer software and patents are amortized over 1-10 years. Goodwill recognized on 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 have been met; otherwise, the development expenditure is recognized as an expense when incurred.

Idle Assets

Idle 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. Idle assets are depreciated on a straight-line basis.

Convertible Bonds

For the convertible bonds issued by us, we first determine the carrying amount of the liability component by measuring the fair value of a similar liability that does not have an associated equity component, then determine the carrying amount of the equity component, representing the equity conversion option, by deducting the fair value of the liability component from the fair value of the convertible bonds as a whole. The liability component (excluding embedded derivatives) is measured at amortized cost using the effective interest method, while the embedded non-equity derivatives are measured at fair value. Upon conversion, we use the aggregate carrying amount of the liability and equity components of the bonds at the time of conversion as a basis to record the common shares issued. In the redemption of bonds, gain and losses associated with redemptions of financial liabilities are recognized in profit or loss, whereas redemptions of equity instrument are recognized as changes in equity.

Impairment of Assets

If the recoverable amount of an asset (mainly property, plant and equipment, assets leased to others, intangible assets, idle assets and investments accounted for by the equity method) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is charged to earnings. 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.

For long term equity investments for which we have significant influence but with no control, the carrying amount (including goodwill) of each investment is compared with its own recoverable amount for the purpose of impairment testing.

Revenue Recognition

Revenue from sales of goods is recognized when we have 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. Allowance for sales discount 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 we 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.

Stock-based Compensation

Employee stock options granted on or after January 1, 2010 are accounted for under Rule No. 0990006370 issued by the FSC on March 15, 2010, which superseded Rule No. 0960065898. 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. We use 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

We apply the intra-year and inter-year allocation methods to our income tax, whereby (1) a portion of income tax expense debited or credited directly to shareholders' equity; and (2) deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforward and unused tax credits. Valuation allowance is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

Tax credits for purchases of machinery and equipment, 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. If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into our reporting currency. Such adjustments are accumulated and reported as a separate component of shareholders' equity.

Results of Operations

The following table summarizes our consolidated results of operations as a percentage of net sales for the periods shown.

	Year ended December 31,							Six months ended June 30,				
	2009		2010		2011			2011		2012		
	NT$	%	NT$	%	NT$	US$	%	NT$	%	NT$	US$	%
	(in millions, except percentages)											
Net operating revenue	18,708.8	100.0	59,598.8	100.0	143,371.6	4,735.6	100.0	57,848.9	100.0	76,557.5	2,562.2	100.0
Cost of goods sold	(14,472.9)	(77.4)	(49,581.8)	(83.2)	(119,178.9)	(3,936.5)	(83.1)	(46,880.5)	(81.0)	(64,823.7)	(2,169.5)	(84.7)
Gross profit	4,235.9	22.6	10,017.0	16.8	24,192.7	799.1	16.9	10,968.4	19.0	11,733.8	392.7	15.3
Operating Expenses:												
Marketing expenses	(118.0)	(0.6)	(373.0)	(0.6)	(779.6)	(25.8)	(0.6)	(285.5)	(0.5)	(398.7)	(13.4)	(0.5)
General administrative expenses	(866.9)	(4.6)	(1,837.3)	(3.1)	(3,598.0)	(118.8)	(2.5)	(1,335.8)	(2.3)	(1,903.6)	(63.7)	(2.5)
Research and development expenses	(638.7)	(3.4)	(1,574.3)	(2.6)	(3,491.1)	(115.3)	(2.4)	(1,413.1)	(2.4)	(2,036.1)	(68.1)	(2.7)
Total operating expenses	(1,623.6)	(8.6)	(3,784.6)	(6.3)	(7,868.7)	(259.9)	(5.5)	(3,034.4)	(5.2)	(4,338.4)	(145.2)	(5.7)
Operating income	2,612.3	14.0	6,232.4	10.5	16,324.0	539.2	11.4	7,934.0	13.8	7,395.4	247.5	9.6
Non-operating income and gains	58.3	0.3	107.9	0.2	693.1	22.9	0.5	406.8	0.7	609.4	20.4	0.8
Non-operating expenses and losses	(106.4)	(0.6)	(407.0)	(0.7)	(2,636.5)	(87.1)	(1.9)	(453.9)	(0.8)	(783.1)	(26.2)	(1.0)
Income before income tax	2,564.2	13.7	5,933.3	10.0	14,380.6	475.0	10.0	7,886.9	13.7	7,221.7	241.7	9.4
Income tax expense	(254.2)	(1.4)	(1,185.4)	(2.0)	(3,153.2)	(104.2)	(2.2)	(1,722.4)	(3.0)	(1,666.5)	(55.8)	(2.2)
Consolidated net income	2,310.0	12.3	4,747.9	8.0	11,227.4	370.8	7.8	6,164.5	10.7	5,555.2	185.9	7.2

Six Months Ended June 30, 2012 Compared to Six Months Ended June 30, 2011

Net operating revenue. Our net operating revenue increased by 32.3% from NT$57,848.9 million for the six months ended June 30, 2011 to NT$76,557.5 million (US$2,562.2 million) for the six months ended June 30, 2012. The increase in our net operating revenue was primarily attributable to an increase in the sales volume of our touch products, as the popularity of products incorporating touch products worldwide continued to grow. The increase in our sales volume was partially offset by a decrease in our realized average selling price, as our products approached the later stage of their life-cycles. As a percentage of our net operating revenues, sales of our full-lamination touch displays increased to 54.9% for the six months ended June 30, 2012 from 42.3% for the same period in 2011, while large-sized touch modules decreased to 32.5% for the six months ended June 30, 2012 from 46.4% for the same period in 2011.

Cost of goods sold. Our cost of goods sold increased by 38.3% from NT$46,880.5 million for the six months ended June 30, 2011 to NT$64,823.7 million (US$2,169.5 million) for the six months ended June 30, 2012. The increase in our cost of goods sold was due primarily to increased manufacturing activities as a result of the increase in the volume of our products sold. Our cost of goods sold as a percentage of our net operating revenue increased from 81.0% for the six months ended June 30, 2011 to 84.7% for the same period in 2012. This increase was primarily due to a decrease in our realized average selling price, as our products approached the later stage of their life-cycles. Meanwhile, our labor costs also increased as the overall compensation level in China continued to increase.

Gross profit. As a result of the foregoing, our gross profit increased by 7.0% from NT$10,968.4 million for the six months ended June 30, 2011 to NT$11,733.8 million (US$ 392.7 million) for the same period in 2012, and our gross margin decreased from 19.0% for the six months ended June 30, 2011 to 15.3% for the six months ended June 30, 2012.

Operating expenses. Our total operating expenses increased by 43.0% from NT$3,034.4 million for the six months ended June 30, 2011 to NT$4,338.4 million (US$145.2 million) for the six months ended June 30, 2012. Our operating expenses as a percentage of our net operating revenue increased from 5.2% for the six months ended June 30, 2011 to 5.7% for the six months ended June 30, 2012.

- ***Marketing expenses.*** Marketing expenses increased by 39.6% from NT$285.5 million for the six months ended June 30, 2011 to NT$398.7 million (US$13.4 million) for the six months ended June 30, 2012. This increase was primarily due an increase in export freight costs, which is the result of an increase in our sales volume, as well as an increase in the number of our employees.

- ***General administrative expenses.*** General administrative expenses increased by 42.5% from NT$1,335.8 million for the six months ended June 30, 2011 to NT$1,903.6 million (US$63.7 million) for the six months ended June 30, 2012. This increase was primarily due to an increase in our headcount due to our continued expansion. The increase was also attributable to an increase in depreciation expenses relating to facilities and equipment used for administrative purposes, primarily due to the expansion of our facilities.

- ***Research and development expenses.*** Research and development expenses increased by 44.1% from NT$1,413.1 million for the six months ended June 30, 2011 to NT$2,036.1 million (US$68.1 million) for the six months ended June 30, 2012. This increase was primarily due to an increase in costs for the production of samples, which in turn is due to our introduction of new products and an increase in the number of our customers.

Operating income. As a result of the foregoing, our operating income decreased from NT$7,934.0 million for the six months ended June 30, 2011 to NT$7,395.4 million (US$247.5 million) for the six months ended June 30, 2012, and our operating margin decreased from 13.8% for the six months ended June 30, 2011 to 9.6% for the six months ended June 30, 2012.

Non-operating income and gains. Our non-operating income and gains increased significantly from NT$406.8 million for the six months ended June 30, 2011 to NT$609.4 million (US$20.4 million) for the six months ended June 30, 2012. The increase was primarily attributable to an increase in our interest income.

Non-operating expenses and losses. Our non-operating expenses and losses increased from NT$453.9 million for the six months ended June 30, 2011 to NT$783.1 million (US$26.2 million) for the six months ended June 30, 2012. The increase was primarily attributable to an increase in our investment losses recognized under equity method and our interest expense, partially offset by a decrease in our foreign exchange loss.

Income tax expense. Our income tax expense decreased from NT$1,722.4 million for the six months ended June 30, 2011 to NT$1,666.5 million (US$55.8 million) for the six months ended June 30, 2012. The decrease was primarily attributable to a decrease in our taxable income. Our effective income tax rate increased from 21.8% for the six months ended June 30, 2011 to 23.1% for the six months ended June 30, 2012, primarily due to a change of tax rate for certain of our PRC subsidiaries.

Consolidated net income. As a result of the foregoing, our consolidated net income decreased by 9.9% from NT$6,164.5 million for the six months ended June 30, 2011 to NT$5,555.2 million (US$185.9 million) for the six months ended June 30, 2012, and our net margin decreased from 10.7% for the six months ended June 30, 2011 to 7.2% for the six months ended June 30, 2012.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Net operating revenue. Our net operating revenue increased by 140.6% from NT$59,598.8 million in 2010 to NT$143,371.6 million (US$4,735.6 million) in 2011. The increase in our net operating revenue was primarily attributable to the increase in the sales of glass-based touch products, which resulted from increased demand for electronic products incorporating our glass-based touch solutions, particularly our large-sized touch modules that have a higher average selling price. As a percentage of our net operating revenues, sales of our full-lamination touch displays increased to 51.3% in 2011 from 43.5% in 2010, while large-sized touch modules increased to 37.3% in 2011 from 32.0% in 2010.

Cost of goods sold. Our cost of goods sold increased by 140.4% from NT$49,581.8 million in 2010 to NT $119,178.9 million (US$3,936.5 million) in 2011. The increase in our cost of goods sold was due primarily to increased manufacturing activities as a result of the increase in the volume of our products sold. In 2011, while the sales of our full-lamination touch displays and large-sized glass-based touch modules continued to increase as a percentage of our total net operating revenue, our production yield rate improved and our cost of goods sold as a percentage of our net operating revenue remained relatively stable at 83.2% in 2010 and 83.1% in 2011.

Gross profit. As a result of the foregoing, our gross profit increased by 141.5% from NT$10,017.0 million in 2010 to NT$24,192.7 million (US$799.1 million) in 2011, and our gross margin increased from 16.8% for 2010 to 16.9% in 2011.

Operating expenses. Our total operating expenses increased by 107.9% from NT$3,784.6 million in 2010 to NT$7,868.7 million (US$259.9 million) in 2011. Our operating expenses as a percentage of our net operating revenue decreased from 6.3% in 2010 to 5.5% in 2011.

- ***Marketing expenses.*** Marketing expenses increased by 109.0% from NT$373.0 million in 2010 to NT$779.6 million (US$25.8 million) in 2011. This increase was primarily a result of an increase in export freight costs due to an increase in our sales volume, as well as a substantial increase in the number of our employees.

- ***General administrative expenses.*** General administrative expenses increased by 95.8% from NT$1,837.3 million in 2010 to NT$3,598.0 million (US$118.8 million) in 2011. This increase was primarily due to an increase in our headcount, an increase in our import freight, as well as an increase in depreciation expenses relating to facilities and equipment used for administrative purposes.

- ***Research and development expenses.*** Research and development expenses increased by 121.8% from NT$1,574.3 million in 2010 to NT$3,491.1 million (US$115.3 million) in 2011. This increase was primarily due to an increase in costs of materials and tool equipment used in our research and development activities and production of samples, which is due to the growth of our operations and an increase in the number of our customers. The increase in our research and development expenses was also due to a substantial increase in our headcount.

Operating income. As a result of the foregoing, our operating income increased significantly from NT$6,232.4 million in 2010 to NT$16,324.0 million (US$539.2 million) in 2011, and our operating margin increased from 10.5% in 2010 to 11.4% in 2011.

Non-operating income and gains. Our non-operating income and gains increased by 542.4% from NT$107.9 million in 2010 to NT$693.1 million (US$22.9 million) in 2011. The increase was primarily attributable to a non-recurring governmental grant and an increase in our interest income.

Non-operating expenses and losses. Our non-operating expenses and losses increased by 547.8% from NT$407.0 million in 2010 to NT$2,636.5 million (US$87.1 million) in 2011. The increase was primarily attributable to the investment loss in connection with our acquisition of equity interest in Cando Corporation, or Cando, and an increase in our interest expenses.

Income tax expense. Our income tax expense increased by 166.0% from NT$1,185.4 million in 2010 to NT$3,153.2 million (US$104.2 million) in 2011. The increase was primarily attributable to an increase in our taxable income. Our effective income tax rate increased from 20.0% for 2010 to 21.9% for 2011, because the income tax rate applicable to our PRC subsidiaries gradually increased to 25% for a period of 5 year starting from 2008 under PRC law.

Consolidated net income. As a result of the foregoing, our consolidated net income increased by 136.5% from NT$4,747.9 million in 2010 to NT$11,227.4 million (US$370.8 million) in 2011, and our net margin decreased from 8.0% in 2010 to 7.8% in 2011.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Net operating revenue. Our net operating revenue increased by 218.6% from NT$18,708.8 million in 2009 to NT$59,598.8 million in 2010. The increase in our net operating revenue was primarily attributable to the increase in the sales of glass-based touch products, which resulted from increased demand for electronic products incorporating our glass-based touch solutions, particularly our large-sized touch modules that have a higher average selling price.

Cost of goods sold. Our cost of goods sold increased by 242.6% from NT$14,472.9 million in 2009 to NT$49,581.8 million in 2010. The increase in our cost of goods sold was due primarily to increased manufacturing activities as a result of the increase in the volume of our products sold. Our cost of goods sold as a percentage of our net sales increased from 77.4% in 2009 to 83.2% in 2010. This increase was primarily due to the increase as a percentage of our total sales of our large-sized touch modules, which involve more complex processing technologies.

Gross profit. As a result of the foregoing, our gross profit increased by 136.5% from NT$4,235.9 million in 2009 to NT$10,017.0 million in 2010, and our gross margin decreased from 22.6% for 2009 to 16.8% in 2010.

Operating expenses. Our total operating expenses increased by 133.1% from NT$1,623.6 million in 2009 to NT$3,784.6 million in 2010. Our operating expenses as a percentage of our net operating revenue decreased from 8.6% in 2009 to 6.3% in 2010.

- ***Marketing expenses.*** Marketing expenses increased by 216.1% from NT$118.0 million in 2009 to NT$373.0 million in 2010. This increase was primarily a result of an increase in export freight costs due to an increase in our sales volume, as well as a substantial increase in the number of our employees.

- ***General administrative expenses.*** General administrative expenses increased by 111.9% from NT$866.9 million in 2009 to NT$1,837.3 million in 2010. This increase was primarily due to an increase in our headcount, as well as an increase in depreciation expenses relating to facilities and equipment used for administrative purposes.

- ***Research and development expenses.*** Research and development expenses increased by 146.5% from NT$638.7 million in 2009 to NT$1,574.3 million in 2010. This increase was primarily due to an increase in costs of materials and tool equipment used in our research and development activities and production of samples, which is due to the growth of our operations and an increase in the number of our customers. The increase in our research and development expenses was also due to a substantial increase in our headcount.

Operating income. As a result of the foregoing, our operating income increased by 138.6% from NT$2,612.3 million in 2009 to NT$6,232.4 million in 2010, and our operating margin decreased from 14.0% in 2009 to 10.5% in 2010.

Non-operating income and gains. Our non-operating income and gains increased by 85.1% from NT$58.3 million in 2009 to NT$107.9 million in 2010. The increase was primarily attributable to a substantial increase in our other non-operating income, which comprised primarily of governmental grant and compensation from customers, and an increase in our interest income.

Non-operating expenses and losses. Our non-operating expenses and losses increased by 282.5% from NT$106.4 million in 2009 to NT$407.0 million in 2010. The increase was primarily attributable to the exchange loss we recorded in 2010 as a result of depreciation in US dollars and a substantial increase in our other loss, which comprised primarily of provisions for impairment losses for our idle assets of NT$155.9 million.

Income tax expense. Our income tax expense increased by 366.3% from NT$254.2 million in 2009 to NT$1,185.4 million in 2010. The increase was primarily attributable to an increase in our taxable income. Our effective income tax rate increased from 9.9% for 2009 to 20.0% for 2010, as certain of our profitable subsidiaries in the PRC began to be subject to a 10% withholding tax.

Consolidated net income. As a result of the foregoing, our consolidated net income increased by 105.5% from NT$2,310.0 million in 2009 to NT$4,747.9 million in 2010, and our net margin decreased from 12.3% in 2009 to 8.0% in 2010.

Liquidity and Capital Resources

To date, our principal sources of cash have been cash flow from our operating activities and financing activities. Our primary uses of cash have been to fund capital expenditures related to the expansion of our manufacturing facilities and the acquisition of new equipment and payments of debt or debt-related obligations. We also use an increasing portion of cash for our working capital requirements in connection with increases in inventories and accounts receivable attributable to increases in sales of our products.

The following table sets forth a summary of our consolidated cash flows for the periods indicated:

	Year ended December 31,				As of June 30,		
	2009	2010	2011		2011	2012	
	NT$	NT$	NT$	US$	NT$	NT$	US$
				(in millions)			
Net cash provided by operating activities	3,097.6	5,940.8	17,977.5	593.8	12,773.9	11,907.3	398.5
Net cash used in investing activities	(2,025.7)	(11,652.5)	(30,687.2)	(1,013.6)	(15,974.7)	(10,521.6)	(352.1)
Net cash provided by financing activities	88.2	9,668.4	17,819.0	588.5	18,284.2	1,742.9	58.6
Cash increase from acquisition of a subsidiary	—	9.4	90.5	3.0	80.3	513.0	17.2
Effect of foreign exchange rate changes	(17.1)	(73.0)	(381.1)	(19.8)	(241.5)	(62.9)	2.2
Net increase in cash	1,143.0	3,893.1	4,818.7	151.9	14,922.2	3,578.7	124.4
Cash at the beginning of the year (period)	527.9	1,670.9	5,564.0	191.0	5,564.0	10,382.7	342.9
Cash at the end of the year (period)	1,670.9	5,564.0	10,382.7	342.9	20,486.2	13,961.4	467.3

Operating Activities

Net cash provided by operating activities in the six months ended June 30, 2012 was NT$11,907.3 million (US$398.5 million), which was primarily attributable to our consolidated net income of NT$5,555.2 million (US$185.9 million), adjusted to reflect the depreciation and amortization of NT$2,404.3 million (US$80.5 million), investment loss of NT$284.2 million (US$9.5 million) and change on deferred income tax of NT$285.4 million (US$9.6 million). The amount was partially offset by the decrease in notes and accounts payables of NT$9,669.2 million (US$323.6 million); and then adding back the following items: (i) a decrease in other receivables of NT$5,650.5 million (US$189.1 million); (ii) a decrease in inventories of NT$3,523.1 million (US$117.9 million); and (iii) a decrease in notes and accounts receivables of NT$2,668.1 million (US$89.3 million).

Net cash provided by operating activities in 2011 was NT$17,977.5 million (US$593.8 million), which was primarily attributable to our consolidated net income of NT$11,227.4 million (US$370.8 million), adjusted to reflect the depreciation and amortization of NT$2,877.2 million (US$95.0 million), investment loss of NT$1,661.8 million (US$54.9 million), an increase in provision for loss on inventories of NT$506.6 million (US$16.7 million) and a change on deferred income tax of NT$1,293.7 million (US$42.7 million). The amount was partially offset by the following items: (i) an increase in other receivable of NT$8,591.1 million (US$283.8 million); (ii) an increase in inventories of NT$9,056.5 million (US$299.1 million); and (iii) a decrease in notes and accounts receivable of NT$4,621.8 million (US$152.7 million) and then adding back an increase in notes and accounts payable of NT$11,584.9 million (US$382.7 million).

Net cash provided by operating activities in 2010 was NT$5,940.8 million, which was primarily attributable to our consolidated net income of NT$4,747.9 million, adjusted to reflect the depreciation and amortization of NT$1,059.4 million, an increase in provision for loss on inventories of NT$466.1 million and change on deferred income tax of NT$386.5 million. The amount was partially offset by the following items: (i) an increase in notes and accounts receivable of NT$11,150.4 million; and (ii) an increase in inventories of NT$2,620.2 million; and then adding back an increase in notes and accounts payable of NT$11,897.4 million. The increase in notes and accounts receivable was primarily due to a decrease in the amount of notes and accounts receivables we factored on non-recourse basis.

Net cash provided by operating activities in 2009 was NT$3,097.6 million, which was primarily attributable to our consolidated net income of NT$2,310.0 million, adjusted to reflect the depreciation and amortization of NT$699.6 million. The amount was partially offset by the following items: (i) a decrease in other payables of NT$160.2 million; and (ii) an increase in notes and accounts receivables of NT$141.1 million; and then adding back an increase in accrued expenses and income tax payable of NT$320.6 million.

Investing Activities

Net cash used in investing activities in the six months ended June 30, 2012 was NT$10,521.6 million (US$352.1 million), consisting primarily of payments of NT$7,046.1 million (US$235.8 million) for the acquisition of property, plant and equipment in connection with our facility upgrades and the expansion of our production capacities.

Net cash used in investing activities in 2011 was NT$30,687.2 million (US$1,013.6 million), consisting primarily of payments of NT$23,458.5 million (US$774.8 million) for the purchase of property, plant and equipment in connection with our facility upgrades and the expansion of our production capacities, acquisition of lone term equity investment of NT$5,860.5 million (US$193.6 million), and acquisition of other financial assets of NT$768.8 million (US$25.4 million).

Net cash used in investing activities in 2010 was NT$11,652.5 million, consisting primarily of payments of NT$10,711.2 million for the purchase of property, plant and equipment in connection with our facility upgrades and the expansion of our production capacities, cash paid for acquisition of a subsidiary of NT$909.7 million, and increase in refundable deposits of NT$232.3 million, partially offset by a decrease in restricted assets of NT$463.5 million. The cash paid for acquisition of a subsidiary was due to our acquisition of 50% of the equity interest and certain assets of Optera TPK Holding Pte. Ltd.

Net cash used in investing activities in 2009 was NT$2,025.7 million, consisting primarily of payments of NT$1,409.2 million for the purchase of property, plant and equipment in connection with our facility upgrades and the expansion of our production capacities, and net increase in restricted assets of NT$524.5 million.

Financing Activities

Net cash provided by financing activities in the six months ended June 30, 2012 was NT$1,742.9 million (US$58.6 million), consisting primarily of increase of short term loans of NT$1,473.3 million (US$49.3 million).

Net cash provided by financing activities in 2011 was NT$17,819.0 million (US$588.5 million), consisting primarily of the proceeds from the issuance of convertible bonds of NT$12,035.5 million (US$397.5 million), increase in long-term loans of NT$9,625.6 million (US$317.9 million) and short-term loans of NT$427.6 million (US$14.1 million), partially offset by repayments of long-term loans of NT$3,514.9 million (US$116.1 million) and redemption of convertible bonds of NT$774.1 million (US$25.6 million).

Net cash provided by financing activities in 2010 was NT$9,668.4 million, consisting primarily of the proceeds from the issuance of common stock listed on the TWSE for cash of NT$5,852.2 million, increase in long-term loans of NT$3,392.5 million and short-term loans of NT$1,900.6 million, partially offset by repayments of long-term loans of NT$135.8 million and cash dividends paid in amount of NT$1,373.2 million.

Net cash provided by financing activities in 2009 was NT$88.2 million, consisting primarily of proceeds from long-term loans of NT$594.6 million, partially offset by repayments of short-term loans of NT$152.2 million, repayment of long-term loans of NT$207.1 million and cash dividends paid in the amount of NT$192.2 million.

We use short-term loans as sources of short-term credit for our operations and believe that we currently have sufficient access to such short-term credit sources for our operations. As of June 30, 2012, we had outstanding short-term loans of NT$5,690.0 million (US$190.4 million) and current portion of long-term loans of NT$2,463.0 million (US$82.5 million). The interest rates for such loans ranged from 1.05% to 7.544%. In addition, we are a party to a factoring agreement, pursuant to which we have the rights to sell accounts receivable to the respective banks on a non-recourse basis.

As of June 30, 2012, we had outstanding long-term loans (net of current portion) totaling NT$7,701.6 million (US$257.8 million). The average interest rates for these long-term loans ranged from 1.10% per annum to 7.7315% per annum.

In April 2011, we issued unsecured zero coupon convertible bonds with an aggregate principal amount of US$400 million denominated in US dollars with maturities in 2014. The convertible bonds were issued at 100% of their principal amount and will mature on April 20, 2014. Holders of the convertible bonds have the right under the terms of these bonds to convert the bonds into Shares from May 31, 2011 to April 10, 2014. The bondholders are entitled to a put option in the event of change of control or delisting, while we have a call option for taxation reason or the outstanding principal amount is less than 10% of the principal amount we issued. We intend to satisfy any such payment requirement with cash flow from operations, bank loans and other sources of financing. See note 14 to our interim financial statements included elsewhere in this offering memorandum for more details concerning the convertible bonds described above.

The following table sets forth the payment due date of our long-term loans and bonds payables as of June 30, 2012:

	Payment Due by Period						
	2012	2013	2014	2015	2016	2017	Total
	(NT$ in millions)						
Bonds payable	—	—	10,300.2	—	—	—	10,300.2
Long-term loans, including current portions of long-term loans	948.0	2,934.8	6,256.8	21.9	2.8	0.4	10,164.7
Total	948.0	2,934.8	16,557.0	21.9	2.8	0.4	20,464.9

Capital Expenditure

We have made, and expect to continue to make, substantial capital expenditures in connection with the expansion of its production capacity and. Our aggregate capital expenditures for the six months ended June 30, 2012 amount to NT$7,046.1 million (US$235.8 million), primarily in connection with the purchase of additional equipment for our production facilities and capacity expansion. We expect to make capital expenditures of approximately NT$18.0 billion in 2012. 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.

Commitments and Contingencies

The following table sets forth out contractual obligations under operating leases for our manufacturing facilities, office facilities and transportation equipment for the periods indicated:

	As of June 30, 2012	
	NT$	US$
	(in millions)	
2012	214.6	7.2
2013	397.7	13.3
2014	221.6	7.4
2015	121.2	4.1
2016 and thereafter	117.5	3.9
Total	1,072.6	35.9

As of June 30, 2012, we have signed agreements and committed to purchase machineries in the amount of NT$1,495.5 million (US$50.1 million). We have received a portion of the machineries we purchased, but have not yet examined them.

No Significant Interruptions

There has been no interruption in our business that has a material adverse effect on our financial position and results of operations in the 36 months period prior to the date of this offering memorandum.

OUR INDUSTRY

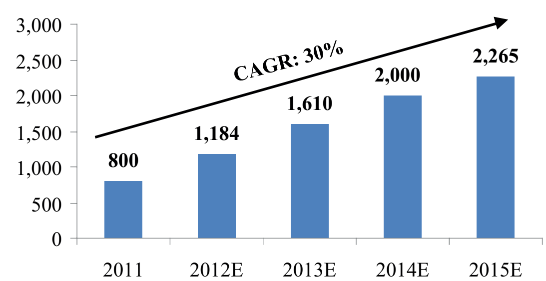
The Touch Revolution

We believe that the rapid proliferation of touch interfaces has revolutionized the way that users interact with electronics devices. Increasing consumer reception of touch interfaces is evidenced by the popularity and widespread demand for touch devices. As users have become increasingly accustomed to the intuitive interaction and convenience offered by touch interfaces, the feature is becoming an important attraction for consumer purchasing decisions. The adoption of touch interface has proliferated across an increasing number of consumer devices, including mobile phones, tablet PCs, All-in-One PCs, notebook PCs, ultrabooks, personal navigation devices, or PNDs, and portable media players, or PMPs, including MP3 players and video players, consumer game consoles, 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 touch solutions continue to offer consumers more convenient ways to operate electronic devices, touch will become a "must-have" feature in consumer electronics.

P-Cap's Market Dominance

Prior to the recent emergence of P-Cap touch technology, including add-on type (including G/G, G/F and SGS structures) and on-cell/in-cell touch solutions, resistive touch technology had historically been the most common touch technology, primarily due to its lower cost and ease of manufacturing. Due to its advanced features such a multi-touch, light-weight, higher sensitivity and greater durability, P-Cap touch technology surpassed resistive touch technology in 2010. According to DisplaySearch, touch modules based on P-Cap touch technology will account for an aggregate of 87% of touch module shipment by 2015. In addition, P-Cap touch module shipment will grow at a CAGR of 30%, from 800 million units in 2011 to 2,265 million units in 2015.

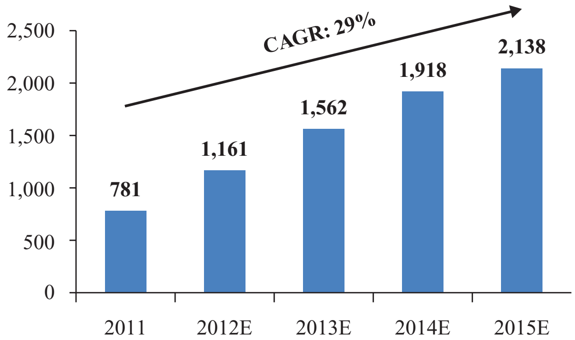
P-Cap Touch Module Shipment (million)



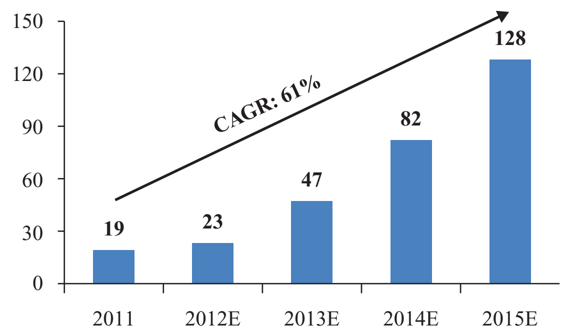
Source: DisplaySearch: 2012 Touch Panel Market Analysis

Given the success of P-Cap touch solutions in applications smaller than 10 inches such as smartphones, touch solution providers have invested resources in the development of touch solutions larger than 10 inches. As such, the technological advance in large form-factor P-Cap touch solutions will greatly accelerate the market demand. Going forward, touch modules that are larger than 10 inches are expected to drive the P-Cap touch module shipment growth. Specifically, Shipment of P-Cap touch modules that are larger than 10 inches expected to grow at a CAGR of 61%, while shipment for P-Cap touch modules that are smaller than 10 inches expected to grow at a CAGR of 29%.

P-Cap Touch Module (smaller than 10 inches) Shipment (million units)



P-Cap Touch Module (larger than 10 inches) Shipment (million units)



Source: DisplaySearch: 2012 Touch Panel Market Analysis

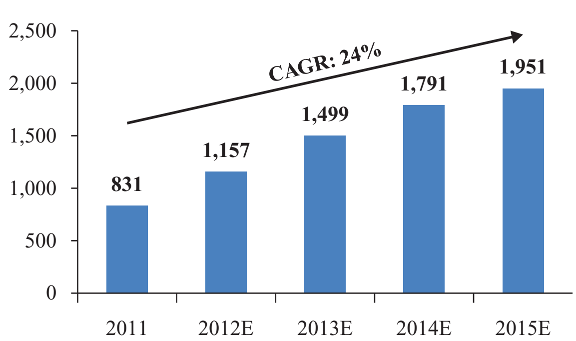
Major Touch Applications with Attractive Growth Prospects

We believe that the rapid growth of the P-Cap touch module market is driven by the following key applications:

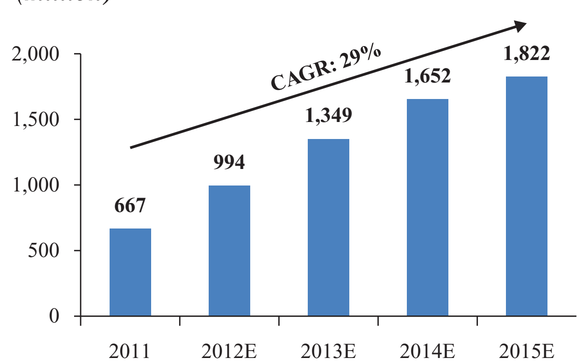
Mobile phones

DisplaySearch estimated that mobile phones represent the largest application for touch modules, accounting for 75% of touch module shipments in 2012. While touch has increasingly become a common feature of mobile phones, there remains a significant potential for further growth. According to DisplaySearch, touch penetration in mobile phones is expected to increase from 49% in 2011 to 88% in 2015, growing from 831 million units in 2011 to 1,951 million units in 2015, representing a CAGR of 24%. Touch module shipment in mobile phones is estimated to grow at a CAGR of 29%, growing from 667 million units in 2011 to $1,822 million units in 2015.

Touch-enabled Mobile Phone Shipment (million)



P-Cap Touch Module Shipment in Mobile Phone (million)

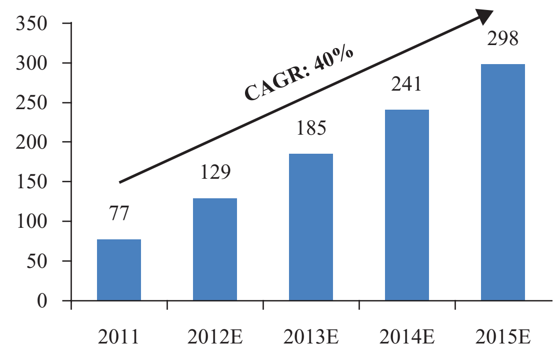


Source: DisplaySearch: 2012 Touch Panel Market Analysis

Tablet PCs

Having built upon iPhone's success, Apple introduced the iPad and accelerated the development of tablet PCs. As tier-one brands such as Amazon, Asus, Barnes & Noble, Google and Microsoft subsequently released their respective tablet PCs models that gained acceptance in the markets, tier-one touch module suppliers are expected to experience significant growth opportunities in this fast-growing segment. According to DisplaySearch, touch module shipment for tablet PCs are expected to increase at a CAGR of 40%, growing from 2011 to 2015 from 77 million units in 2011 to 298 million units in 2015.

P-Cap Touch Module Shipment for Tablet PCs (million units)

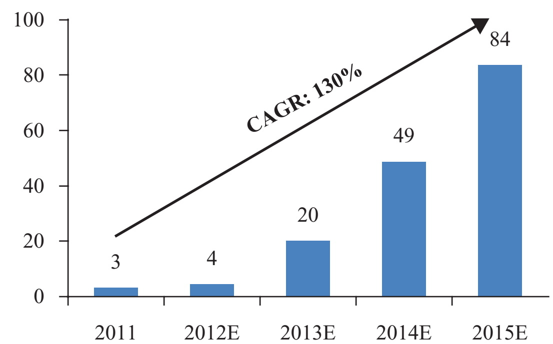


Source: DisplaySearch: 2012 Touch Panel Market Analysis

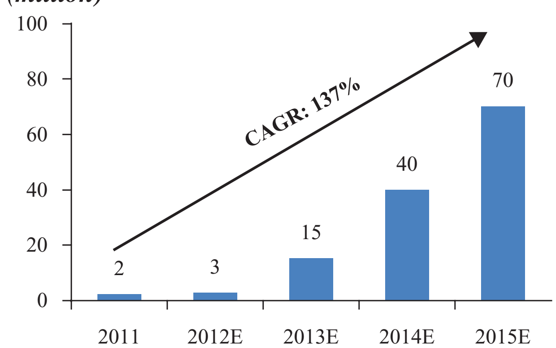
Notebook PCs

The release of Microsoft's Windows 8 operating system will open up the gateway for touch proliferation possibilities on all existing Windows based devices. Notebook PC and ultrabook brands, in particular, have aggressively designed new products with touch interface in order to capture the increased demand on touch functionalities. According to DisplaySearch, touch penetration of notebook PCs will increase from 2% in 2011 to 26% in 2015, and the touch module shipment in Notebook PCs will grow at a CAGR of 130%, from 3 million units in 2011 to 84 million units in 2015.

Touch-enabled Notebook PCs Shipment (million)



P-Cap Touch Module Shipment in Notebook PCs (million)

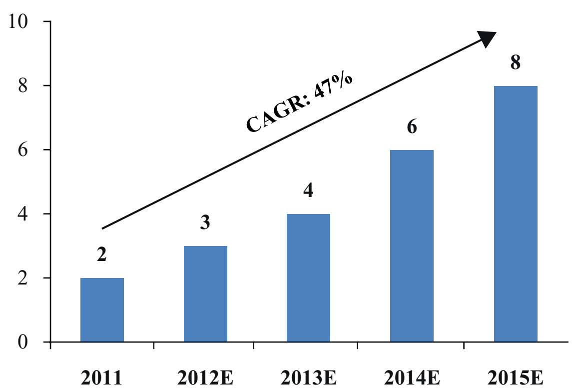


Source: DisplaySearch: 2012 Touch Panel Market Analysis

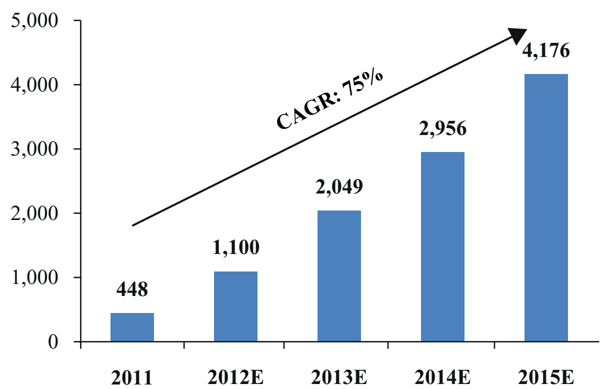
All-in-One PCs

In addition to tablet PCs, all-in-one PC is another Windows-based device where touch functionalities have become increasingly popular. DisplaySearch estimates that all-in-one PCs that incorporate touch functionalities are expected to grow at a CAGR of 47%, from 2 million in 2011 to 8 million in 2015, as touch penetration in all-in-one PCs grows from 12% in 2011 to 38% in 2015. Total P-Cap touch module shipment in All-in-One PCs will grow at a CAGR of 75%, from 0.4 million units in 2011 to 4.2 million units in 2015.

Touch-enabled All-in-One PCs Shipment (million)



P-Cap Touch Module Shipment in All-in-One PCs (thousands)



Source: DisplaySearch: 2012 Touch Panel Market Analysis

Structural Trends in P-Cap Touch Solutions

The current G/G and G/F P-Cap touch structures, defined as “add-on type” by DisplaySearch, have sensor electrodes etched on the glass or film substrate to form patterned electrodes, which are covered by a cover glass. As the finger approaches the surface, the controller can quickly detect the change of capacitance and determine the touch location.

In response to the growing demand for high-end products with lighter and thinner devices, new touch product structures have been developed to eliminate the additional sensor substrate, and integrated it into either cover glass or the display panel. Meanwhile, G/G and G/F touch solutions are expected to continue to be adopted in the mass-market applications, on the back of their ease on manufacturing processes, cost advantages and capacity readiness.

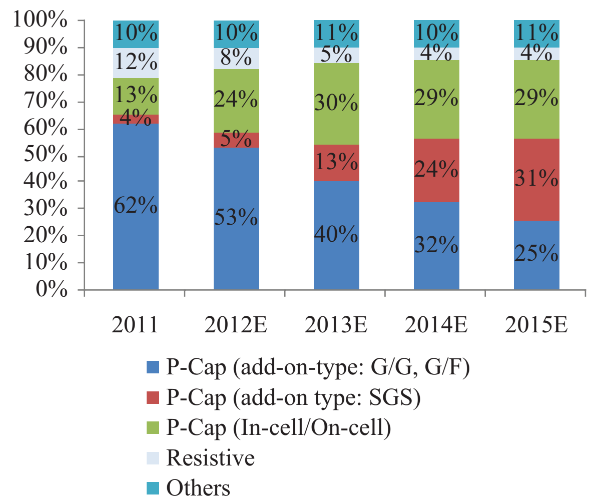
SGS: A variation of the current G/G and G/F structures to achieve lighter and thinner stack-ups. Sensor electrodes are etched on the bottom of cover glass to reduce the overall touch module thickness and weight. SGS includes touch-on-lens (TOL), G1F and One-Glass-Solutions (OGS). Compared with G/G touch module, SGS can achieve higher transmittance, with lighter and thinner design.

On-Cell/In-cell: Sensors are integrated into the panel with color filter. This P-Cap product structure is believed to be more suitable for standardized and large volume production as customized sensors are built into various standardized panel production processes.

SGS to Become the Next Mainstream Technology by 2015

Although the G/G and G/F touch modules still accounted for the majority of the touch module revenues in 2011, SGS touch modules are expected to become the mainstream technology by 2015, according to DisplaySearch, due primarily to its advantage in providing customized solutions for thinner and lighter design.

Touch Module Revenue Share by Technology



Source: DisplaySearch: 2012 Touch Panel Market Analysis

OUR BUSINESS

Overview

We are the leading touch solution provider, offering a full suite of touch solutions tailored to different customer requirements. We believe our market-leading position results from our technological leadership, vertically integrated production capabilities, high standards of operating discipline, and economies of scale. Leveraging these competitive strengths, we further solidify our first-mover advantage and forge long-term collaborative relationships with most of our major customers, many of whom are leading global mobile, PCs and consumer electronics device innovators. We are at the forefront of the technology revolution whereby touch technologies are increasingly integrated into mobile and consumer electronics devices, such as smartphones, tablet PCs, notebook PCs, ultrabook PCs and electronic book readers. Our core technology lies in P-Cap touch solutions, including G/G, G/F and SGS, that provide a versatile and intuitive user experience, enabled by multi-touch gesture with feather-light sensitivity, which are key features increasingly desired by end-users. We believe that we are well positioned to benefit from the increasing demand for touch solutions in diverse end markets. According to estimates from DisplaySearch, the P-Cap touch module shipment is expected to increase at a CAGR of 30% from 800 million units in 2011 to 2.3 billion units in 2015.

Since our inception, we have devoted our resources to design, develop and market P-Cap touch solutions. Our undivided focus on 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 leading market position, and achieve industry-leading yield rate and manufacturing efficiency. Due to the closer collaboration with our customers, we believe that we can better forecast demand, along with our comprehensive understanding of the touch manufacturing process and in-house equipment development capabilities, we believe that we can make timely capital investment decisions and implement capacity expansion successfully.

Our vertically integrated production capabilities enable us to efficiently provide comprehensive product solutions to meet our customers' specific demands while reducing the time-to-market of their products. Our customers also benefit from the economies of scale of our large-scale and centralized manufacturing facilities, which enable us to provide highly efficient and cost-effective solutions. We will continue to dedicate our resources to further solidify our leadership, through focusing on manufacturing process improvement, production technology enhancement, new product structure and use of alternative raw materials, with the aim to maintain technology leadership and widen our product offerings.

We have enjoyed rapid growth in recent years. Our net operating revenue increased from NT$18,708.8 million in 2009 to NT$143,371.6 million (US$4,735.6 million) in 2011, representing a compound annual growth rate, or CAGR, of 176.8%. Our consolidated net income attributable to shareholders of the parent company increased from NT$2,317.0 million in 2009 to NT$11,344.3 million (US$374.7 million) in 2011, representing a CAGR of 121.3%. For the six months ended June 30, 2012, our net operating revenue amounted to NT$76,557.5 million (US$2,562.2 million), while our consolidated net income attributable to shareholders of the parent company amounted to NT$5,566.7 million (US$186.3 million).

Our Shares have been listed on the TWSE since October 2010 under the trading code "3673." On September 25, 2012, the closing price per Share on the TWSE was NT$409.5 per Share and our market capitalization was NT$126,681.8 million (US$4,318.9 million).

Our Competitive Strengths

We believe that our leading position in the touch solutions market is primarily attributable to the following strengths:

Leading Pure Play Touch Solutions Provider

We are the leading touch solutions provider and are at the forefront of the technology revolution whereby touch technologies are increasingly integrated into mobile, PC and consumer electronics devices, such as smartphones, tablet PCs, electronic book readers, and notebook PCs. We invented the fully transparent glass-based P-Cap touch solutions that are currently the most widely adopted touch solution. Leveraging our technology leadership, proprietary equipment and large-scale manufacturing capacity, we believe that we are well-positioned to continue to capitalize on the rapidly growing demand for touch solutions in diverse end markets. Since our inception in 2005, we have focused solely on touch technology and dedicated our resources, research and development efforts, and capital expenditure plans to touch solutions. We make strategic and operational decisions and formulate our technology roadmap aiming at setting industry standard and securing our technology leadership. Our first-mover advantage, economies of scale and leading production yield rate have become our core competence that enables us to continuously deliver outstanding financial results. As a result, we increased our net operating revenues from NT$18,708.8 million in 2009 to NT$143,371.6 million (US$4,735.6 million) in 2011, representing a CAGR of 176.8%. As a leader of touch solutions, we have continued to drive technology innovation and enhance design capabilities to address rapidly changing technology trends and end customer requirements.

Industry Leading Vertical Integration Capabilities

Our vertically integrated manufacturing platform offers a full range of capabilities, including initial product design, cover glass and sensor manufacturing, and touch module/display lamination. Our thorough understanding and extensive experience have enabled us to seamlessly integrate these key technologies and process to provide our customers with tailored end-to-end touch solutions. For example, our ability to design and manufacture lamination equipment in-house has differentiated us from our competitors as our unique capability to continuously improve the lamination process and optimize our integration results. We believe that our vertical integration allows us to capture value associated with each service offering, optimize production efficiency, achieve high yield rates, and minimize costs. Our extensive expertise from design to manufacturing of each core component of our products has allowed us to maximize the efficiency of our manufacturing process. It also enables us to lead the industry in developing new products for commercial production, 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 production facilities in Xiamen, PRC, enhances our ability to control production cost and ensure product quality. We believe that our vertical integration capability serves as a significant competitive advantage, differentiating us from our peers in maximizing our value to our customers.

Technology Leadership with Proprietary Know-how

We take pride in leading the development roadmap of touch technologies and have established the reputation of an innovator in the touch industry. Our technology leadership is evidenced by the ability to provide full range of touch solutions, including G/G, G/F and SGS product structures. In addition, we provide a full range of touch solutions ranging from small to large sizes. We believe that our abilities to innovate, design proprietary and efficient processes and maintain a high standard of manufacturing discipline are keys to our success. To establish our technology differentiation, we have focused our resources on establishing strong research and development capabilities. Our team of approximately 1,700 employees has dedicated the efforts on optimizing product design and process technologies, as well as streamlining our manufacturing process flow. As of June 30, 2012, we possess a portfolio of 251 patents with extensive coverage of invention as well as utility model across Taiwan, the PRC, the US, Japan, Germany and Korea. We have an additional 705 patent applications in process that will further enhance our intellectual property portfolio. We have continuously invested resources into alternative raw materials research to further optimize the cost structure of our products. Unlike many of our competitors, we design and manufacture key production equipment in-house, which allows us to continuously refine and optimize our process technology to enhance our production efficiency and cost structure. Our production process has a high degree of automation, and we have implemented the Six Sigma System since 2009. Our proprietary and efficient production processes, advanced technology know-how and stringent process management have enabled us to achieve high production yield rate with large production volume. In addition, we have devoted significant efforts to improving production process control by the implementation of sophisticated and 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 believe that we have established long-term customer relationships by delivering innovative and high-quality touch solutions since our inception. Our customer base is comprised of leading global companies, many of whom are known for product innovation with proven track record of product successes. Our customers tend to co-develop and work with a small set of suppliers for each component in order to achieve scale benefits, maintain consistent component quality and ensure confidentiality of information related to their products. We have established strategic relationships with these customers to synchronize product roadmaps to develop highly customized solutions in response to specific customer needs in a timely manner. We believe that our joint development efforts have enabled us to define industry standards; this is one of our core competence. We believe we are the primary supplier to most of our industry-leading customers, and the collaboration with our customers from the initial product design phase reinforces our customer relationships, allows for efficient production planning and capacity expansion, and fosters high entry barriers.

Experienced Management Team with Proven Track Record

We have an experienced management team that has successfully led our operations and increased our capacity, revenues and profits through rapid growth. We believe that our management team has extensive knowledge of the touch industry, possesses long-term strategic vision, and is passionate and dedicated to our business. 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 competencies, allowing us to become the leading provider of touch solutions. In particular, Mr. Michael Chao-Juei Chiang, our founder and chairman of our board of directors, has over 25 years of experience in the consumer electronics industry. In addition, Mr. Tom Ta-Min Sun, our director and president, possesses strong industry experience and expertise accumulated through more than 20 years of experience with Motorola.

Our Business Strategies

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

Optimize our Product Offerings Tailored to Different End Market Needs to Create New Touch Applications

Product segmentation and its respective target market often determine the product specifications, including thickness, weight, touch sensitivity, optical performance, durability and cost for electronic devices. Therefore, we plan to optimize our comprehensive product offerings to meet diverse customer needs. We also aim to expand into additional end-product markets and create new touch applications. For example, we have successfully expanded into handheld gaming device market by offering a film-based touch solution with high-end plastic cover to meet the customer's requirement on safety and lightweight. We have also collaborated with global leaders in the PC industry in developing touch structures for notebook and ultrabook PCs, as well as touch solutions for All-in-One PCs. We will continue to broaden our product offerings to capitalize on the anticipated growth in the touch-enabled medium- and large-sized devices driven by the release of Windows 8 and touch proliferation due to increasing consumer preference for touch interface.

Diversify Our Customer Base and Continue to Enhance Relationships with Existing Customers

Our key customers are primarily industry leaders in mobile and consumer electronics devices. We plan to further diversify our customer base by offering innovative touch solutions to new customers in each of the existing major end applications, including smartphones and tablet PCs, and we will further expand our customer base into new applications such as notebook, ultrabook and All-in-One PCs, automobile and other consumer electronics. Tablet PC has been a particularly successful product category where we have established strategic relationships across the industry value chain from system and software developers to downstream well-known brands. With this strategy, we have successfully secured 12 new customers over the past year across diverse end markets, and we aim to continue to focus on customer diversification. We also intend to enhance our relationships with existing major customers by continuing to strategically collaborate on critical research, design and new product development. We will continue to work with our customers from the early design stage to facilitate new product development and shorten the time to market. We believe that maintaining our close collaborative relationships with customers will enable us to stay at the forefront of the industry and to continue to produce cutting-edge products that meet market demand. We expect these relationships to support our strategy of maintaining our industry leading position and to facilitate our offering of new solutions incorporating our touch solutions as well as new or alternative technologies.

Further Strengthen Our Vertical Integration

We aim to enhance our core competencies and expand our profitability by further strengthening our vertical integration. Vertical integration allows us to secure a reliable supply of quality raw materials and components at competitive costs, improve the efficiency of supply chain management and reduce our reliance on external suppliers. While we believe we have established the most vertically integrated manufacturing facility in the industry, we endeavor to continue our efforts to further strengthen our capabilities in each step and critical process in manufacturing touch products. Meanwhile, we may engage in selective strategic acquisitions focusing on targets that can strengthen our vertical integration and supplement our organic growth. For example, as part of our initiative to further enhance our vertical integration, in April 2011, we acquired a 52.94% equity interest in MasTouch Optoelectronics Technologies Co., Ltd., or MasTouch, to leverage on its proprietary manufacturing process for large-sized touch sensors, and in June and July 2011, we acquired a 19.85% equity interest in Cando to secure priority in the supply of touch sensors. As we further strengthen our vertical integration, we believe that 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.

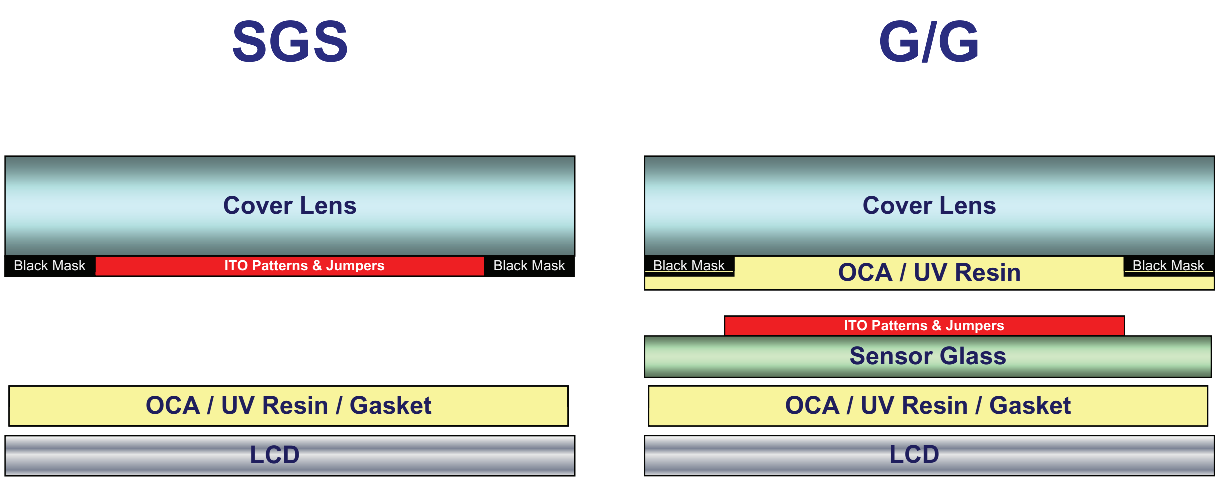
Continue to Drive Technology and Product Innovation

We plan to further invest in research and development to develop advanced touch solutions that allow customers to differentiate their products and penetrate into new applications. As a leader in the touch technology industry, we believe our innovation and execution capabilities have helped the proliferation of touch solution and the evolution of product applications. Our strategy is to continue to develop new touch technology ahead of the industry and in anticipation of customer requirements. For example, we started developing SGS touch solutions to offer smooth touch functions in thinner and lighter form-factors in anticipation of strong demand from our customers more than five years ago. We will continue to dedicate our resource to develop thinner and lighter touch solutions across different sizes and alternative materials, including glass, film and other flexible materials. In addition, we plan to continue to invest in enhancing our design capabilities and further diversify the end-products application of our touch solutions. We will also continue to improve our manufacturing process, enhance production technology and explore alternative raw materials to maintain industry-leading yield rates, particularly for large form factor products.

Products and Services

We are the inventor of fully transparent glass-based P-Cap touch technology. We provide a comprehensive range of touch solutions across different sizes and customized specifications. We offer our customers P-Cap touch solutions with different structures, including G/G, G/F and SGS touch solutions. Our G/G touch solution includes G/G touch module and G/G touch display. Our G/G touch module consists of two layers of glass, the bottom layer being a touch sensor made of a glass substrate with indium tin oxide, or ITO, patterns, and the top layer being the cover glass that protects the touch sensor. Our G/G touch display consists of a display panel laminated to a G/G touch module. Our G/F touch solutions also include G/F touch module and G/F touch display. Our G/F touch module has a similar structure to our G/G touch module, the difference being the touch sensor is made of one on multiple film layers with ITO patterning. Our G/F touch module can also be laminated to a display panel to form a G/F touch display. Our SGS touch solution is available in the form of touch display, which consists of one strengthened ITO glass that serves as the touch sensor as well as the cover glass, which is laminated to a display panel. Based on size differences, our touch modules are further divided into large-sized touch modules (larger than 7 inches) and small-sized touch modules (smaller than 7 inches). We design, develop and produce our touch solutions using our proprietary production process know-how.

The graphics below illustrate the structure of our G/G and SGS touch solutions:



Note: OCA stands for optical clear adhesive.

A touch display completely integrates input and output functions into one unit, with the input function received through the touch module and the output function transmitted through the display panel. As a result, the touch displays equip 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, tablet PCs, electronic book readers, portable media players and navigation devices.

Our touch solutions are based on P-Cap technology. Our glass-based P-Cap touch sensor as used in our G/G touch module 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 touched directly, allowing a cover glass to be applied on top of the touch sensor to enhance durability. Moreover, a P-Cap touch sensor can support multi-touch function and has higher sensitivity than a resistive touch sensor. Glass-based P-Cap touch sensors in particular have greater sensitivity, transmission capacity and transparency while film-based touch sensors are lighter and thinner. Our SGS touch solution also employs a glass substrate coated with ITO with grid pattern; we use strengthened glass substrate so that the ITO glass will serve as the touch sensor as well as the cover glass. The design maintains the sensitivity, transmission capacity and transparency of our G/G touch module with reduced weight and thickness, thereby allowing our customer to produce thinner and lighter products. Meanwhile, we have leveraged our proprietary know-how and devoted substantial efforts to ensure our SGS touch solutions enjoy the same advantage as our G/G touch solutions. Set forth below illustrates the weight and thickness of our SGS touch display and G/G touch display, both in large and small form factors:

	10.1” Touch Display		4.3” Touch Display	
	SGS	G/G	SGS	G/G
Thickness (in mm)	5.15	5.85	2.575	3.250
Cover glass	0.70	0.70	0.700	0.700
OCA	—	0.20	—	0.175
Touch sensor	—	0.50	—	0.500
OCA	0.25	0.25	0.175	0.175
Display panel	4.20	4.20	1.700	1.700
Weight (in gram)	190	240	30	39
Transmittance (%)	92%	90%	92%	90%

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

In general, our large-sized glass-based touch modules carry higher average selling price than our small-sized glass-based touch modules. Our touch displays also carry a higher average selling price due to the pass-through of our costs to procure the display panel. Starting in the fourth quarter of 2009, we began to offer large-sized glass-based touch modules, which drove significant increase in our realized average selling price in 2010. Further, beginning in 2010, sales of our touch displays have also been increasing, which further contributed to an increase in our realized average selling price and profitability despited comparatively lower gross margin.

Production Process

The production of P-Cap touch modules includes ITO deposition and patterning, metal trace and insulation processes. We possess highly vertically integrated touch module production capabilities that ensures the quality of our products and manage our costs effectively. We carry out all production processes and manufacture certain key components in-house. We also utilize proprietary technologies and/or self-designed processing 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, FPCBs, sensors and display panels. We source our raw materials and components from a number of third-party suppliers. The raw glass we use in the production process of touch sensors and cover glass are sourced from Corning Inc. from the United States and Asahi Glass Co. from 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 raw 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.

As part of our vertical integration strategy, we are in the process of expanding our in-house production capacity for key components, such as touch sensors and cover glass, as well as our production capacity for SGS touch solutions. In addition, in April 2011, we acquired a 52.94% equity interest in MasTouch to expand our production capacity for large-sized touch modules. In June and July 2011, we acquired a 19.85% equity interest in Cando to secure priority in the supply of touch sensors.

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 June 30, 2012, our sales team comprised of 214 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,							Six months ended June 30,				
	2009		2010		2011			2011		2012		
	NT$	%	NT$	%	NT$	US$	%	NT$	%	NT$	US$	%
	(in millions, except percentages)											
North America	11,694.6	62.5	45,273.8	76.0	106,438.3	3,515.7	74.2	41,904.1	72.4	60,159.8	2,013.4	78.6
Asia	7,014.2	37.5	14,325.0	24.0	36,546.2	1,207.1	25.5	15,900.6	27.5	16,031.4	536.5	20.9
Others	—	—	—	—	387.1	12.8	0.3	44.2	0.1	366.3	12.3	0.5
Total	18,708.8	100.0	59,598.8	100.0	143,371.6	4,735.6	100.0	57,848.9	100.0	76,557.5	2,562.2	100.0

Historically, sales of our products to major customers account for a substantial portion of our net operating revenue. In 2009, 2010, 2011 and the six months ended June 30, 2012, sales to our largest customer accounted for 45.5%, 72.8%, 73.4% and 76.6% of our net operating revenue, respectively. In aggregate, our five largest customers accounted for 90.1%, 91.5%, 88.3% and 85.6% of our net operating revenue in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively. Our key customers include internationally renowned mobile device 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 typically provide us annual estimates and monthly or quarterly rolling forecasts. The purchase amounts, pricing terms and delivery terms depend on the actual purchase orders.

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. In April 2011, we acquired a 52.94% equity interest in MasTouch and established Ray-Star System Solutions Inc. for the production of large-sized glass-based touch modules. The following table sets forth the location, gross floor area and principal function or products of our production facilities:

	Location	Gross Floor Area (square meters)	Principal function or products
TPK Touch Solutions (Xiamen) Inc.	Xiamen	318,387	Glass-based touch modules
Optera Technology (Xiamen) Co. Ltd.	Xiamen	28,317	ITO glass
TPK Lens Solution Inc	Xiamen	59,200	Cover glass
TPK Touch Systems (Xiamen) Inc.	Xiamen	60,881	Systems and film-based touch modules
Ray-Star Optical Solutions (Xiamen) Inc	Xiamen	41,970	Optical glass
Ray-Star Technology (Xiamen) Inc.	Xiamen	65,448	Glass-based touch modules and glass processing
TPK Glass Solutions (Xiamen) Inc.	Xiamen	281,921	Cover glass
Ray-Star System Solutions (Xiamen) Inc.	Xiamen	29,893	Large-sized glass-based touch modules

Research and Development

We place significant emphasis on research and development of new products, technologies and designs. In 2009, 2010, 2011 and the six months ended June 30, 2012, we recorded research and development expenses of NT$638.7 million, NT$1,574.3 million, NT$3,491.1 million (US$115.3 million) and NT$2,036.1 million (US$68.1 million), respectively, which accounted for 3.4%, 2.6%, 2.4% and 2.7% of our net operating revenue for the respective years and period. Currently, our research and development team consist of 1,698 dedicated staff, among which 109 hold a master or doctorate degree in related field.

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 solutions. We have developed, launched and successfully incorporated a number of innovative products and production processes, including:

- glass-based P-Cap touch sensor;
- high-speed full lamination with LOCA for P-Cap touch module and display;
- automated cover glass production process;

- printing patterning process on glass substrate;
- laser ITO patterning; and
- proprietary SGS production process.

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 customers 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 at 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 barriers to entry. We compete primarily with Taiwanese producers of touch modules, including Chimei Innolux Corporation and Wintek Corporation. Going forward, as the market acceptance of in-cell or on-cell touch technologies increase, we will compete with display panel manufacturers including Sharp and Japan Display Inc. from Japan and LG Display from South Korea.

The competitive factors in our industry 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 "— Our Competitive Strengths."

Employees

We had 8,907, 34,453 and 48,305 employees as of December 31, 2009, 2010 and 2011, including 2,548, 14,699 and 20,248 employees from service dispatching company. As of June 30, 2012, we had 46,074 employees, including 22,364 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 June 30, 2012:

	As of June 30, 2012	
	Employees	Percentage (%)
Management and administrative	474	1.0
Sales and marketing	214	0.5
Research and development	1,698	3.7
Operations and quality control	6,728	14.6
Manufacturing and assembly	14,596	31.7
Others — employees from service dispatching company	22,364	48.5
Total	46,074	100.0

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 June 30, 2012, 11.4% 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 contributions to employee pension plans in the United States, the PRC and the ROC. In addition, in July 2011, we acquired a subsidiary in Japan. Consequently, we are required to make contributions to employee pension plan in Japan as well. 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 2009, 2010, 2011 and the six months ended June 30, 2012, we incurred expenses in connection with such employee benefits required by applicable regulations in the amount of NT$83.2 million, NT$139.2 million, NT$425.9 million (US$14.1 million) and NT$215.4 million (US$7.2 million), respectively.

As of June 30, 2012, we have outstanding employee stock option for an aggregate of 8,029,000 Shares. In addition, our employee stock option plan for the issuance of up to 7,192,000 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 2009, 2010, 2011 and the six months ended June 30, 2012, 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 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.

Mr. Frank Kuan-Chao Lin, our director and the representative of Capable Way Investments Limited, was sued, among other defendants, for invalid withdrawal from the partnership, breach of fiduciary duty and embezzlement. The criminal proceedings for the breach of fiduciary duty and embezzlement have been dismissed, and the civil proceeding is still ongoing. However, as of the date of this offering memorandum, the civil proceeding has not affected our results of operations and financial condition.

Intellectual Property and Licenses

As of June 30, 2012, we held 251 patents, including 72 patents in Taiwan, 96 patents in the PRC and 83 patents in other foreign countries. Among which, we held 84 invention patents and 167 utility model patents. In addition, we had 705 pending patent applications worldwide.

With respect to, among other things, proprietary know-how that is 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.

As of June 30, 2012, we maintained 33 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.

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.

Our Subsidiaries

We maintain shareholdings in our subsidiaries for long-term strategic investment purposes. In addition to our subsidiaries, we held a 19.82% equity interest in Cando as of June 30, 2012. As of the date of the offering memorandum, we had not identified any definite acquisition or equity investment target. The following table sets forth certain information as of June 30, 2012, regarding our subsidiaries 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 June 30, 2012	Percentage of common shares owned by us as of June 30, 2012(1)	Date of Incorporation	Main business
	(in NT$ thousands)	%		
Optera TPK Holding Pte. Ltd. (Singapore) 80 Robinson Road, #02-00, Singapore, 068898	3,109,074	100.0	November 24, 2005	Holding company
Improve Idea Investments Ltd. (Samoa) Offshore Chambers, P.O. Box 217, Apia, Samoa	2,067,725	100.0	January 17, 2006	Holding company
Upper Year Holdings Limited (Samoa) Offshore Chambers, P.O. Box 217, Apia, Samoa	29,824,124	100.0	January 17, 2006	Holding company and international trade
TPK Technology International Inc. (Samoa) Offshore Chambers, P.O. Box 217, Apia, Samoa	635,877	100.0	January 8, 2007	International trade
TPK Touch Solutions Inc. (Taiwan) 6F, No. 13-18, Sec. 6, Min Quan East Road, Taipei, 114, Taiwan	2,153,559	100.0	May 9, 2003	Research, development and sales
TPK Touch Solutions (Xiamen) Inc. (PRC) No. 199 Ban Shang Road, Information & Photoelectricity Park of Xiamen Torch Hi-Tech Industrial Development Zone, Xiamen, Fujian China 361026	22,326,826	100.0	August 26, 2004	Touche modules research, development, manufacturing and sales
TPK Lens Solutions, Inc. (PRC) No. 40 Haijing Middle Road, Amoy Export Processing Zone, Haicang, Xiamen, Fujian, PRC	1,647,195	100.0	May 30, 2006	Optical glass processing and sales; machinery manufacturing, wholesale and retail
TPK Touch Systems (Xiamen) Inc. (PRC) No. 190 Jimei Ave. Jimei District, Xiamen, Fujian, PRC	2,962,312	100.0	June 21, 2006	Touch modules, display and system research, manufacturing and sales
Optera Technology (Xiamen) Co., Ltd. (PRC) No. 195 Ban Shang Road, Information & Photoelectricity Park of Xiamen Torch Hi-Tech Industrial Development Zone, Xiamen Fujian, PRC	3,383,182	100.0	December 23, 2005	ITO glass research, development, manufacturing, processing and sales
Ray-Star Optical Solutions (Xiamen) Inc. (PRC) Technology Building, No. 18, Xiafei Road, Xingyang industrial zone, Haichiang, Xiamen, Fujian, PRC	721,602	100.0	April 15, 2010	Optical glass, processing and sales
Ray-Star Technology (Xiamen) Inc. (PRC) 6F No. 199 Ban Shang Road, Information & Photoelectricity Park of Xiamen Torch Hi-Tech Industrial Development Zone, Xiamen Fujian, PRC	7,693,153	100.0	March 31, 2010	ITO glass processing and sales

Name and registered address	Book value of our investments as of June 30, 2012	Percentage of common shares owned by us as of June 30, 2012[(1)]	Date of Incorporation	Main business
	(in NT$ thousands)	%		
TPK U.S.A. LLC . . . . 160 Greentree Drive, Suite 101, Dover, Delaware 19904	(1,542)	100.0	April 16, 2010	International trade
New Strategy Investment Ltd. (Samoa) . . . . Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	29,581	100.0	January 6, 2005	Holding company
Ray-Star Universal Solutions Limited (Hong Kong) . . . Office No. 43, 2F, Eton Tower, 8 Hysan Avenue, Causeway Bay, Hong Kong	5,403,908	100.0	December 17, 2010	Holding company
TPK Asia Pacific Sdn. Bhd. (Malaysia) . . . . Unit 3(I), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 Labuan, F.T. Labuan, Malaysia	2,002,759	100.0	December 3, 2010	Holding company
TPK Universal Solutions Limited (Hong Kong) . . . . Office No. 43, 2F, Eton Tower, 8 Hysan Avenue, Causeway Bay, Hong Kong	5,333,730	100.0	December 23, 2010	Holding company and international trade
TPK Glass Solutions (Xiamen) Inc. (PRC) . . . . Section D, 7F, Building A, No. 199, Ban Shang Road, Information & Photoelectricity Park of Xiamen Torch Hi-Tech Industrial Development Zone, Xiamen, Fujian, PRC	2,782,689	100.0	February 14, 2011	Optical glass processing and sales
MasTouch Optoelectronics Technologies Co., Ltd (Taiwan) . . . . 7F, No. 445, Sec 2, Zhongbei Rd., Zhongli City, Taoyuan County 320, Taiwan	216,473	50.7	November 25, 2008	Touch modules research, development, manufacturing and sales
Ray-Star System Solutions Limited (Hong Kong) . . . . . 31/F., Chinachem Century Tower, No. 178 Gloucester Road, Wanchai, Hong Kong	42,453	50.7	December 28, 2010	Holding company
Ray-Star System Solutions (Xiamen) Inc. (PRC) . . . . . . Section C, 6F, Building A, No. 199, Ban Shang Road, Information & Photoelectricity Park of Xiamen Torch Hi-Tech Industrial Development Zone, Xiamen, Fujian, PRC	42,321	50.7	February 14, 2011	Touch modules research, development, manufacturing and sales
CIM Corporation (Japan) . . . . 308-1, Nishijima, Okubo-cho, Akashi-shi, Hyogo, Japan	(46,167)	80.0	May 16, 2011	Holding company
Hallys Corporation (Japan) . . . . 811-1, Eigashima, Okubo-cho, Akashi-shi, Hyogo	342,201	67.92	July 31, 2000	Machinery manufacturing, wholesale and retail
TPK Specialty Materials Limited (Samoa) . . . . Offshore Chambers, P.O. Box 217, Apia, Samoa	152,112	51.0	December 4, 2006	Holding company

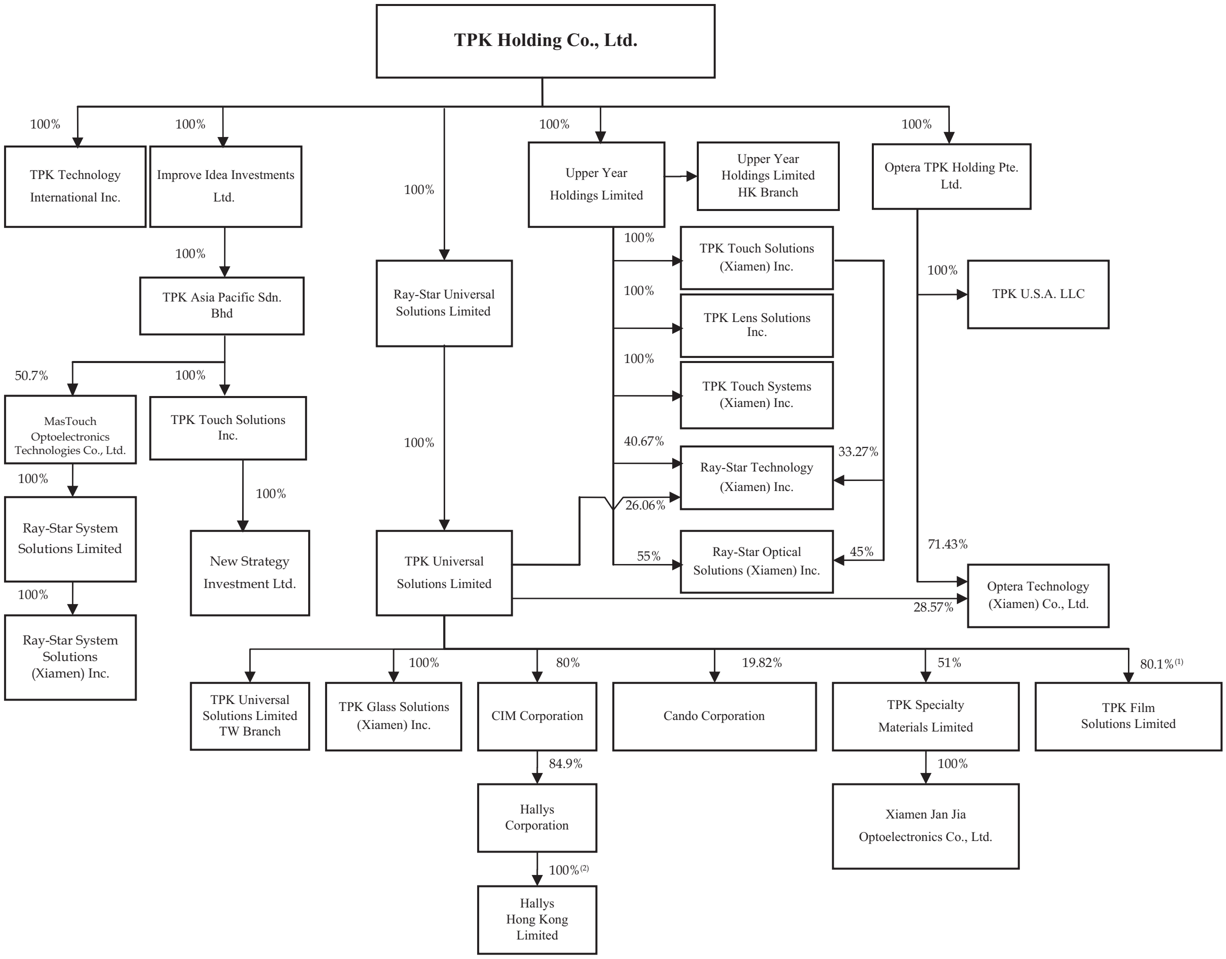
Name and registered address	Book value of our investments as of June 30, 2012	Percentage of common shares owned by us as of June 30, 2012[1]	Date of Incorporation	Main business
	(in NT$ thousands)	%		
Xiamen Jan Jia Optoelectronic Co., Ltd. (PRC) . . . . Central Block, No. 1 Xiangming Road Xiangan Industrial District, Xiamen, Fujian, PRC	121,660	51.0	January 18, 2007	Protective films and optical adhesive manufacturing and sales
TPK Film Solutions Limited (Hong Kong) . . . . Flat B, 6/F, Teda Building, 87 Wing Lok Street, Sheung Wan, Hong Kong[2]	N/A	80.1[2]	June 14, 2012	Holding company
Hallys Hong Kong Limited (Hong Kong) . . . . Flat B, 6/F, Teda Building, 87 Wing Lok Street, Sheung Wan, Hong Kong[3]	N/A	67.92[3]	May 10, 2012	Holding company

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

(2) Registered on June 14, 2012. Capital not received as of June 30, 2012.

(3) Registered on May 10, 2012. Capital not received as of June 30, 2012.

The diagram below illustrates our corporate structure as of June 30, 2012:



(1) Registered on June 14, 2012. Capital not received as of June 30, 2012.
(2) Registered on May 10, 2012. Capital not received as of June 30, 2012.

The following is a brief description of our subsidiaries in which our participating interest represents at least 10% of our share capital and reserve, or the profit of which accounts for at least 10% of our consolidated net income.

TPKC, having its registered office at No.199 Ban Shang Road, Information & Photoelectricity Park of Xiamen Torch Hi-Tech Industrial Development Zone, Xiamen, Fujian, PRC, was established in 2004, and has been our wholly-owned subsidiary since then. It is an operating company engaging in the research, development, manufacturing and sales of touch modules. As of June 30, 2012, TPKC had a paid-in capital of NT$3,137.4 million (US$105.0 million). The book value and value at which we show shares held in our accounts were NT$22,326.8 million (US$747.2 million) as of June 30, 2012. TPKC recorded a profit of NT$4,381.8 million (US$146.6 million) for the six months ended June 30, 2012. In 2011, TPKC did not make any dividend distributions. As of June 30, 2012, TPKC did not have any outstanding borrowing from us. In the six months ended June 30, 2012, we did not provide any guarantee to TPKC.

Ray-Star Technology (Xiamen) Inc., or RST, having its registered office at 6F No. 199 Ban Shang Road, Information & Photoelectricity Park of Xiamen Torch Hi-Tech Industrial Development Zone, Xiamen Fujian, PRC, was established in 2010. It is an operating company engaging in the research and development, manufacturing and sales of ITO glass. As of June 30, 2012, RST had a paid-in capital of NT$3,232.8 million (US$108.2 million). The book value and value at which we show shares held in our accounts were NT$7,693.2 million (US$257.5 million) as of June 30, 2012. RST recorded a profit of NT$1,475.1 million (US$49.4 million) for the six months ended June 30, 2012. In 2011, RST did not make any dividend distributions. As of June 30, 2012, RST did not have any outstanding borrowing from us. In the six months ended June 30, 2012, we did not provide any guarantee to RST.

OTX, having its registered office at No, 195 Ban Shang Road, Information & Photoelectricity Park of Xiamen Torch Hi-Tech Industrial Development Zone, Xiamen Fujian, PRC, was established in 2005. It is an operating company engaging in the research and development, manufacturing and sales of ITO glass. As of June 30, 2012, OTX had a paid-in capital of NT$1,045.8 million (US$35.0 million). The book value and value at which we show shares held in our accounts were NT$3,383.2 million (US$113.2 million) as of June 30, 2012. OTX recorded a profit of NT$572.4 million (US$19.2 million) for the six months ended June 30, 2012. In 2011, OTX did not make any dividend distributions. As of June 30, 2012, OTX did not have any outstanding a borrowing from us. In the six months ended June 30, 2012, we did not provide any guarantee to OTX.

Furthermore, each of our subsidiaries Optera TPK Holding Pte. Ltd., Upper Year Holdings Limited, Ray-Star Universal Solutions Limited and TPK Universal Solutions Limited, which are all holding companies, have a book value that exceeds 10% of our consolidated net assets or have revenues that exceed 10% of our consolidated net income through the holding of other subsidiaries that are operating companies.

As of June 30, 2012 except as disclosed above, none of our subsidiaries have a book value that exceeds 10% of our consolidated net assets or recorded profit that exceeds 10% of our consolidated net income.

OUR MANAGEMENT

Directors

Our board of directors has ultimate responsibility for the management of our business and affairs. Our Memorandum and Articles of Association permits our board of directors to consist of no less than seven persons and no more than 11 persons. We currently have eight 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 Chao-Juei Chiang	Chairman of the Board	October 20, 2006
Max Kuo-Chien Fang	Director	January 8, 2010
Max Gain Management Limited(1)	Director	November 21, 2005(4)
Capable Way Investments Limited(2)	Director	January 8, 2010
High Focus Holdings Limited(3)	Director	January 8, 2010
Simon Hsien-Ming Lin	Independent Director	January 8, 2010
Jonathan Horng-Yan Chang	Independent Director	January 8, 2010
Ching-Hsi Tong	Independent Director	January 8, 2010

(1) Represented by Winnie Yun-Ling Peng.

(2) Represented by Frank Kuan-Chao Lin.

(3) Represented by Tom Ta-Min Sun.

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

Michael Chao-Juei Chiang, aged 59, 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 Kuo-Chien Fang, aged 61, 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 Yun-Ling 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 Kuan-Chao Lin, aged 61, 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 Ta-Min Sun, aged 61, 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.

Simon Hsien-Ming Lin, aged 60, 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 Horng-Yan Chang, aged 55, 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.

Ching-Hsi Tong, aged 77, 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 Chao-Juei Chiang	Chairman	October 20, 2006
Tom Ta-Min Sun	Director, President	January 8, 2007
Micro Ying-Lee Kuo	Chief Operating Officer	April 2, 2011
Eric Heng-Yao Chang	Senior Vice President	January 1, 2004
Ann Wen-Yu Wu	Senior Vice President	November 21, 2005
Ted Tsung-Liang Tsai	Vice President	November 6, 2006
Chun-Min Hu	Vice President	December 1, 2004
David Kuo-Chung Lai	Vice President	November 15, 2004
Sammy Shih-Ming Liu	Vice President	January 2, 2006
Freddie Hsi-Liang Liu	Vice President	September 1, 2009
Jimmy Chih-Ming Chen	Vice President	August 31, 2009
Tien-Yao Lee	Vice President	June 22, 2009
Jonson Chung-Chen Hsieh	Vice President	August 1, 2008
Ching-Yang Chang	Vice President	November 1, 2009
Akira Nakanishi	Vice President	March 1, 2009
Claude Cheng-Liang Hsu	Vice President	June 1, 2010
Sam Kuang-Ta Huang	Vice President	December 1, 2010
Tony Chung-Liang Lin	Vice President	March 2, 2011
Eric Tsair-Po Lin	Vice President	August 29, 2011
Edward I-Chen Chen	Vice President	September 1, 2011
Ji-Li Chung	Vice President	March 16, 2012

Micro Ying-Lee Kuo, aged 55, has served as our vice president since 2011. Mr. Kuo was the general manager of LiteOn Technology Corporation in 2009. He received a bachelor's degree in science from New Mexico State University in 1993.

Eric Heng-Yao Chang, aged 47, 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 Wen-Yu Wu, aged 51, is our senior vice president. Ms. Wu received a bachelor's degree in accounting from Tunghai University in 1985.

Ted Tsung-Liang Tsai, aged 47, has served as our vice president since 2006. Mr. Tsai received a bachelor's degree in mechanical engineering from Feng Chia University in 1990.

Chun-Min Hu, aged 54, 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 Kuo-Chung Lai, aged 57, 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 Shih-Ming Liu, aged 45, has served as our vice president since 2006. Mr. Liu was an associate vice president of Amkor Technology before joining us.

Freddie Hsi-Liang Liu, aged 49, 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 Chih-Ming Chen, aged 45, 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.

Tien-Yao Lee, aged 56, 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 Chung-Chen Hsieh, aged 45, 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.

Ching-Yang Chang, aged 52, 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 66, 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 Cheng-Liang Hsu, aged 55, 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 Kuang-Ta Huang, aged 47, 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.

Tony Chung-Liang Lin, aged 53, has served as our vice president since 2011. He received a bachelor's degree in corporate governance from Takming University of Science and Technology in 1980.

Eric Tsair-Po Lin, aged 54, has served as our vice president since 2011. He received a bachelor's degree in management from National Taiwan University in 1991.

Edward I-Chen Chen, aged 57, has served as our vice president since 2011. He received an MBA degree from University of Missouri, Kansas City, USA in 1991.

Ji-Li Chung, aged 42, has served as our vice president since 2012. He received a Ph.D. degree from Peking University in 2008.

Share Ownership, Related Party Transactions and Compensation

As of June 30, 2012, 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 61.6 million Shares (including employee bonus Share held by a custodian bank), or 25.8% of the total issued share capital as of that date. See "Principal Shareholders." As of June 30, 2012, our directors and executive officers held outstanding options in respect of 2.1 million Shares. 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 2011 was NT$330.1 million (US$11.0 million), of which NT$69.2 million (US$2.3 million) was paid to our directors and NT$260.9 million (US$8.7 million) was paid to our executive officers. 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.

PRINCIPAL SHAREHOLDERS

The names of our principal shareholders of record and their share ownership as of June 30, 2012, the most recent record date, are as follows:

Principal Shareholders	Shares held prior to this Offering	
1. Max Gain Management Limited[1]	19,463,774	8.2%
2. Capable Way Investments Limited[2]	17,856,531	7.5%
3. Balda Investments Singapore Pte. Ltd.[3]	17,798,283	7.5%
4. Michael Chiang	13,442,951	5.6%
5. Appollo Forum Limited	12,940,623	5.4%
6. High Focus Holdings Limited[4]	10,242,961	4.3%

(1) Wholly-owned by Champ Great International Corporation, an entity owned by Michael Chao-Juei Chiang.

(2) Wholly-owned by Digitalking Technology Limited, an entity owned by Winnie Yun-Ling Peng, the spouse of Michael Chao-Juei Chiang.

(3) Wholly-owned indirectly by Balda AG, a public company in Germany. In July 2012, Balda Investments Singapore Pte. Ltd. sold 15,998,365 Shares held by them.

(4) Wholly owned by Champ Great International Corporation, an entity owned by Michael Chao-Juei Chiang.

As of June 30, 2012, our directors and executive officers, together with members of their immediate families, owned of record 64.2 million Shares (including employee bonus Share held by a custodian bank), or approximately 26.9 % of our total issued shares. As of June 30, 2012, our directors and executive officers held outstanding options in respect of 2,122,000 Shares.

CHANGES IN ISSUED SHARE CAPITAL

According to our Memorandum and Articles of Association, we have only one class of capital stock, which September 25 — 309,357,167 is our Common Shares. Currently, our Memorandum and Articles of Association provide that our authorized share capital is NT$6,000,000,000, divided into 600,000,000 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[(1)]; (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$10.00 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
August 2011	(1) Authorized share capital increased from NT$3,000,000,000 to NT$4,000,000,000[(2)]; (2) Issuance of 11,203,376 Shares as dividend	11,203,376	235,270,898
May 2012	(1) Authorized share capital increased from NT$4,000,000,000 to NT$6,000,000,000[(3)]; (2) Exercise of employee share options: issuance of 1,690,000 Shares	1,690,000	236,960,898
June 2012	Exercise of employee share options: issuance of 1,589,000 Shares	1,589,000	238,549,898
July 2012	(1) Issuance of 70,581,269 Shares as dividend; and (2) Exercise of employee share options: issuance of 123,000 Shares	70,704,269	309,254,167
August 2012	Exercise of employee share options: issuance of 66,000 Shares	66,000	309,320,167
September 2012	Exercise of employee share options: issuance of 37,000 Shares	37,000	309,357,167

(1) Our common shares were denominated in US dollars. We repurchased the common shares denominated in US dollars and issued an equivalent amount of common shares in NT dollars.

(2) The increase in authorized share capital was resolved in our shareholders' meeting on June 9, 2011.

(3) The increase in authorized share capital was resolved in our shareholders' meeting on May 16, 2012.

TRANSACTIONS WITH RELATED PARTIES

From time to time we have engaged in a variety of transactions with our affiliates. Our internal 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 2009, 2010, 2011 and the six months ended June 30, 2012, we purchased raw materials and components from our related parties in the aggregate amount of NT$23.7 million, NT$224.3 million, NT$3,390.5 million (US$112.0 million) and NT$1,481.2 million (US$49.6 million), respectively. The significant increase in purchases from related parties in 2011 is primarily due to the purchases from Cando.

In 2009, 2010, 2011 and the six months ended June 30, 2012, we sold our products to our related parties in the aggregate amount of NT$39.2 million, NT$957.5 million, NT$431.1 million (US$14.2 million) and NT$508.1 million (US$17.0 million), respectively.

Leases

In 2009, 2010, 2011 and the six months ended June 30, 2012, rental disbursement paid to our related parties that was accounted as overhead amounted to an aggregate of NT$3.2 million, NT$86.4 million, NT$127.2 million (US$4.2 million) and NT$73.6 million (US$2.5 million), respectively.

In 2009, 2010, 2011 and the six months ended June 30, 2012, rental disbursement paid to our related parties that was accounted as operating expenses amounted to an aggregate of NT$6.9 million, NT$60.4 million, NT$105.1 million (US$3.5 million) and NT$57.5 million (US$1.9 million), respectively.

2009, 2010, 2011 and the six months ended June 30, 2012, rental income from our related parties that was accounted as other income amounted to nil, nil, NT$0.3 million (US$11 thousand) and NT$19.8 million (US$0.7 million).

Sales and Purchases of Property, Plant and Equipment

In 2009, 2010, 2011 and the six months ended June 30, 2012, we purchased property, plant and equipment from our related parties in the aggregate amount of NT$0.6 million, NT$5.0 million, NT$0.9 million (US$30 thousand) and nil, respectively.

In 2009, 2010, 2011 and the six months ended June 30, 2012, we sold fixed assets to our related parties in the aggregate amount of NT$0.9 million, nil, NT$1.1 million (US$35 thousand) and nil, respectively.

Other Income

In the six months ended June 30, 2012, we recorded other income from our related parties in the amount of NT$2.2 million (US$73 thousand).

Warranty Obligation and Repairs Fee

In the six months ended June 30, 2012, our warranty obligation and repairs fee paid to our related parties that was accounted as cost of goods sold amounted to NT$12.2 million (US$0.4 million).

Accounts Receivable and Payable

In 2009, 2010, 2011 and the six months ended June 30, 2012, accounts receivable due from our related parties amounted to NT$5.7 million, NT$164.2 million, NT$107.8 million (US$3.6 million) and NT$247.8 million (US$8.3 million), respectively.

In 2011 and the six months ended June 30, 2012, other receivable due from our related parties amounted to NT$0.5 million (US$17 thousand) and NT$40.0 million (US$1.3 million), respectively.

In 2009, 2010, 2011 and the six months ended June 30, 2012, accounts payable due to our related parties amounted to NT$0.5 million, NT$37.3 million, NT$548.7 million (US$18.1 million) and NT$670.8 million (US$22.5 million), respectively. The significant increase in accounts payable due to our related parties in 2011 is primarily due to the purchases from Cando.

In 2009, 2010, 2011 and the six months ended June 30, 2012, fees payable due to our related parties amounted to nil, nil, NT$61 thousand (US$2 thousand) and NT$49.2 million (US$1.6 million), respectively.

Deposit of Cash

In 2009, 2010, 2011 and the six months ended June 30, 2012, we deposited cash for our related parties in the aggregate amount of NT$61.4 million, NT$82.0 million, NT$88.6 million (US$2.9 million) and NT$66.8 million (US$2.2 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, 2009, 2010, 2011 and the six months ended June 30, 2012, amounts due to our related parties amounted to an aggregate of nil, nil, NT$66.4 million (US$2.2 million) and NT$63.8 million (US$2.1 million), respectively, and incurred interests expense of NT$0.6 million, nil, NT$1.5 million (US$51 thousand) and NT$0.6 million (US$19 thousand). The interest rates for these borrowing ranged from 1.2344% to 2.00 % during the six months ended June 30, 2012.

Guarantee

As of December 31, 2009, 2010, 2011 and the six months ended June 30, 2012, our related parties provided guarantee for our short-term and long-term loans of NT$535.0 million, NT$4,084.9 million, NT$5,029.9 million (US$166.1 million) and NT$3,555.4 million (US$119.0 million), respectively. In addition, we provided joint guarantee with Credit Guarantee Corporation in Hyogo prefecture, Japan for Hallys Corporation’s long-term loan of NT$34.1 million (US$1.1 million).

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. As of the date of this offering memorandum, our authorized share capital is NT$6,000,000,000 divided into 600,000,000 Shares of a par value of NT$10.00 each. As of the date of this offering memorandum, there are 309,357,167 Shares issued and outstanding. All of the Shares issued and outstanding prior to the completion of this offering are and will be fully paid, and all of the Shares to be issued in this offering will be issued as fully paid. The following are summaries of certain provisions of our Memorandum and Articles of Association and the Companies Law and the ROC securities-related regulations insofar as they relate to the terms of the Shares. This summary does not purport to contain all applicable provisions of the Memorandum and Articles of Association and the Companies Law or to contain all applicable qualifications and exceptions.

Shares

General

Subject to the Companies Law, the Memorandum and Articles of Association, the applicable ROC public company rules and to any resolution of our shareholders 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 allot, issue grant options over or otherwise dispose of shares with or without preferred, deferred or other rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise and to such persons, at such times and on such other terms as it thinks proper. The Company shall have power to redeem or purchase any or all of such shares and to sub-divide or consolidate the said shares of any of them and to issue all or partly of its capital whether priority or special privilege or subject to any postponement of rights or to any conditions or restrictions whatsoever and so that unless the conditions of issue shall otherwise expressly provide, every issue of shares whether stated to be ordinary, preference or otherwise, shall be subject to the powers on the part of the Company as provided in the Memorandum and Articles of Association.

Dividends

The holders of the Shares are entitled to such dividends as may be declared by our board of directors subject to the approval by the shareholders, the Companies Law and to our Memorandum and Articles of Association. For further details, see “Dividends and Dividend Policy”.

Voting Rights

Every shareholder of the Company 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 shareholders’ meeting, while a Special Resolution requires the affirmative vote of not less than two-thirds of votes cast in a shareholders’ 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 shareholder of the Company at a shareholders’ meeting may be exercised by way of a written ballot or by way of electronic transmission;

provided, however, that if a shareholders' meeting is to be held outside of Taiwan, we shall provide the shareholders of the Company 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 ROC public company rules as appropriate and which have been approved by the board of directors for such purpose.

In accordance with the applicable ROC public company rules, we shall issue the Shares in scripless form and the 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 are more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst the shareholders in proportion to the number of shares held by them at the commencement of the winding up subject to a deduction from those shares in respect of which there are monies due, of all monies payable to the Company. If our assets as nearly as maybe available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses shall be borne by our shareholders proportion to the number of shares held by them.

Purchase of Shares

Subject to the provisions of the Companies Law, our Memorandum and Articles of Association and the applicable ROC public company rules, we may purchase our own shares on such terms as our board of directors may from time to time decide subject to obtaining an ordinary 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 with the sanction of a Special Resolution passed at a shareholders' 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 shareholders of that class of shares.

Meetings of Shareholders

Our board of directors may convene the shareholders' meetings whenever they think fit. Shareholders' meetings shall also be convened on the written requisition of any shareholder holding at least 3% of the total number of the outstanding shares at the time of requisition and whose shares shall have been held by such shareholder for at least one year. The requisition should be deposited at the registered office of the Company specifying the matters to be discussed at the meeting and the reason therefor 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 shareholders' meeting, such shareholder(s) may convene the shareholders' meeting in accordance with the applicable ROC public company rules.

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 Memorandum and 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 shall constitute a quorum for any shareholders' meeting.

Election and Removal of Directors

Our board of directors shall consist of no less than seven persons and no more than eleven 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. There are currently eight directors.

Unless otherwise permitted under the applicable ROC public company rules, 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 and at least one of them shall have accounting or financial expertise.

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 shareholders' 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.

Subject to the applicable ROC public company rules, we may at a shareholders' 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. A candidate to whom the ballots cast represent a prevailing number of votes shall be deemed as elected. Where more than one director is being elected, the top candidates to whom the votes cast represent a prevailing number of votes relative to the other candidates, shall be deemed as elected.

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

Powers of Board of Directors

Our Memorandum and Articles of Association provide that, subject to the provisions of the Companies Law, the Memorandum and Articles of Association, applicable ROC public company rules and any shareholder resolutions, 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 Memorandum and 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, mortgages, bonds and other securities whether outright or as security for any debt, liability or obligation of our Company or of any third party.

Inspection of Books and Records

No shareholder (other than a director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by the Companies Law or authorized by the board of directors of the Company in a shareholders' meeting.

Changes in Capital

We may from time to time by Special Resolution to 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 accordance with the Companies Law.

Substantial Shareholders and Transfer Restrictions

Under the ROC Securities and Exchange Law, our directors, managers and shareholders holding more than 10% of the Shares are required to report to us, on a monthly basis, any changes in their shareholding in the Company. Unless under limited circumstances, the number of Shares that they may sell or transfer on the TWSE on any given day is limited by ROC laws. In addition, they may only sell or transfer such Shares on the TWSE at least three days after they have filed a notification with the FSC in connection with such sale or transfer, provided that such notification is not required if the number of Shares to be sold or transferred does not exceed 10,000.

Others

We intend, pursuant to applicable ROC requirements, to amend our Memorandum and Articles of Association at our next shareholders' meeting to provide, among others, provisions for a shareholder holding more than one share to cast their votes in respect of the shares in different ways on any resolution in accordance with the applicable ROC public company rules.

DESCRIPTION OF THE GLOBAL DEPOSITARY SHARES

Citibank, N.A., or Citibank, has agreed to act as the Depositary for the Global Depositary Shares, or GDSs. Citibank's depositary offices are located at 388 Greenwich Street, 14th Floor, New York, 10013, USA. Rule 144A and Regulation S Global Depositary Shares are referred to as "Rule 144A GDSs" and "Regulation S GDSs", respectively. In this summary, we intend to use the term "GDSs" to refer to the Rule 144A GDSs and to the Regulation S GDSs. Unless we otherwise state, you should assume that the term "GDSs" encompasses both Rule 144A GDSs and Regulation S GDSs. GDSs are evidenced by Global Depositary Receipt, or GDR, certificates. The GDSs we are selling in the United States are referred to and will be issued as Rule 144A GDSs and the GDSs we are selling outside the United States are referred to and will be issued as Regulation S GDSs. GDSs represent ownership interests in securities that are on deposit with the Depositary.

The Depositary has appointed a Custodian to hold the securities on deposit in safekeeping. In this case, the Custodian is Citibank Taiwan Limited, having its principal office at 9F, No.16 Nan Jing East Road Sec.4, Taipei, Taiwan, Republic of China.

We will appoint Citibank as Depositary pursuant to two separate Deposit Agreements, both to be dated as of the Closing Date, one for the Rule 144A GDSs, or the Rule 144A Deposit Agreement, and one for the Regulation S GDSs, or the Regulation S Deposit Agreement. A copy of the Deposit Agreements and any supplements or amendments thereto may be obtained from the Depositary. This is a summary description of the material terms of the GDSs and of your material rights as an owner of GDSs. Please remember that summaries by their nature lack the precision of the information summarized and that the rights and obligations of an owner of GDSs will be determined by reference to the terms of the applicable Deposit Agreement and not by this summary. We urge you to review the Deposit Agreements in their entirety. Statements printed in italics in this description are provided for your information but may not be contained in the Deposit Agreements.

Each GDS represents the right to receive one Common Share, or evidence of the right to receive one Share, on deposit with the Custodian. A GDS will also represent the right to receive any other property received by the Depositary or the Custodian on behalf of the owner of the GDS but that has not been distributed to the owner of the GDSs because of legal restrictions or practical considerations.

If you become an owner of GDSs, you will become a party to the applicable Deposit Agreement and therefore will be bound to its terms and to the terms of the GDR certificate that evidences your GDSs. The Deposit Agreements and the GDR certificates specify our rights and obligations as well as your rights and obligations as an owner of GDSs and those of the Depositary. As a GDS owner you appoint the Depositary to act on your behalf for the Shares represented by your GDSs, either upon (1) your specific instructions when we call a meeting of shareholders, distribute an elective dividend or make a rights offering, or (2) the specific terms of the applicable Deposit Agreement to receive any dividends we distribute or shares. The Deposit Agreements are governed by New York law. However, our obligations to the holders of Shares will continue to be governed by Cayman Islands and ROC laws, which may be different from the laws in the United States. In addition, we note that Cayman Islands and ROC law and regulations may restrict the deposit and withdrawal of the Shares into or from the depositary receipt facilities.

Under the laws and regulations of the ROC, as currently in effect, after the Initial Deposit (as defined below), without obtaining regulatory approval from the FSC, no shares may be accepted for deposit and no GDSs may be issued under the terms of the Deposit Agreements except in the following circumstances:

1) *upon a stock dividend on, or a free distribution of, shares to existing shareholders;*

2) *upon the exercise by existing shareholders of their pre-emptive rights in connection with capital increases for cash;*

3) the issuance of shares by the Company to holders of bonds in connection with the exercise of conversion or exchange rights of such bondholders (so long as the terms and conditions of such bonds containing such conversion or exchange features have been approved by the FSC prior to their issuance);

4) as permitted under the Deposit Agreements, to the extent previously issued GDSs have been cancelled, the purchase directly by a person or through the Depositary of shares on the TWSE or the delivery by any person of shares held by such person for deposit in the depositary receipt facility; and

5) upon the exchange of Rule 144A GDSs for Regulation S GDSs and vice versa.

provided that the total number of GDSs outstanding after an issuance described in clause (4) does not exceed the number of GDSs issued and previously approved by the FSC in connection with the offering plus any GDSs created under clauses (1), (2) and (3) described above and subject to any adjustment on the number of Shares represented by each GDS.

Under the laws and regulations of the ROC, the Shares deposited under the Deposit Agreements may be withdrawn upon cancellation of the corresponding GDSs pursuant to the respective Deposit Agreement subject to the following conditions:

- *the appointment of an eligible agent in the ROC to open (1) a securities trading account with an ROC brokerage firm with ROC approval and (2) a bank account to pay ROC taxes, remit funds, exercise shareholders' rights and perform such other functions as you may designate upon such withdrawal;*

- *the appointment of a tax guarantor in the ROC; and*

- *the appointment of a custodian bank to hold the securities in safekeeping, make confirmations, settle trades and report relevant information.*

In addition, you will be required to register with the TWSE for making investments in the ROC securities market prior to withdrawing Shares.

Presently, you may hold your GDSs only through a brokerage or safekeeping account. As such, you must rely on the procedures of your broker or bank to assert your rights as a GDS owner. Please consult with your broker or bank to determine what those procedures are. When we refer to "you", we assume the reader owns GDSs and will own GDSs at the relevant time. When we refer to a "holder", we assume the person owns GDSs and such person's agent, which may be a broker, custodian, bank or trust company, is the holder of the applicable GDR certificate.

Distinctions Between Rule 144A GDSs and Regulation S GDSs

The Rule 144A GDSs and the Regulation S GDSs are similar in many ways but are different primarily on account of the requirements of the U.S. securities laws. The Rule 144A GDSs are "restricted securities" under the U.S. securities laws and as such are subject to limitations on their issuance, transfer and cancellation.

The differences between the Rule 144A GDSs and the Regulation S GDSs and the restrictions imposed on the Rule 144A GDSs and the Regulation S GDSs cover primarily the following:

- The persons who may own and trade the GDSs:
  - only "Qualified Institutional Buyers" (as defined in Rule 144A) and persons located outside of the United States other than "U.S. persons" (as defined in Regulation S) may own and trade Rule 144A GDSs; and
  - any person may own and trade Regulation S GDSs offered herein.
- The persons who may create additional GDSs:
  - only persons located outside of the United States other than "U.S. persons" (as defined in Regulation S) may deposit Shares to receive Regulation S GDSs; and
  - only "Qualified Institutional Buyers" (as defined in Rule 144A) and persons located outside of the United States other than "U.S. persons" may deposit Shares to receive Rule 144A GDSs.
  - The persons to whom you may transfer the GDSs, upon sale or otherwise:
  - you may transfer Rule 144A GDSs only to "Qualified Institutional Buyers" (as defined in Rule 144A) or outside of the United States in accordance with Rule 903 and 904 of Regulation S; and
  - you may transfer the Regulation S GDSs offered herein to any person.
- The restrictions on the transfers and withdrawal of the Shares represented by the GDSs.
  - Please refer to "— Legends" below.
  - The eligibility for book-entry transfer.
  - Please refer to "— Clearance, Settlement and Safekeeping" below.

These distinctions and the requirements of the U.S. securities laws may require us and the Depositary to treat the Regulation S GDSs and the Rule 144A GDSs differently at any time in the future. There can be no guarantee that holders of Rule 144A GDSs will receive the same entitlements as holders of Regulation S GDSs and vice versa.

Clearance, Settlement and Safekeeping

Rule 144A GDSs

The Depositary has made arrangements with DTC to act as securities depository for the Rule 144A GDSs. All Rule 144A GDSs issued in this offering will be registered in the name of Cede & Co., DTC's nominee. One Master Rule 144A GDR certificate will represent all Rule 144A GDSs issued to and registered in the name of Cede & Co. Transfers of ownership interests in Rule 144A GDSs are to be accomplished by entries made on the books of DTC and of the participants in DTC acting on behalf of Rule 144A GDS owners. Owners of Rule 144A GDSs will not receive physical certificates evidencing their ownership interests in the Rule 144A GDSs, except in the event that DTC no longer acts as securities depository and a successor securities depository cannot be appointed. *The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Rule 144A GDSs evidenced by the Master Rule 144A GDR certificate to such persons may be limited. Because DTC can only act on behalf of direct participants ("Direct Participants"), who in turn act on behalf of indirect participants ("Indirect Participants"), the ability of a person owning Rule 144A GDSs evidenced by the Master Rule 144A GDR certificate to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take action in respect of such interest, may be affected by the lack of physical individual definitive securities in respect of such interest*.

So long as DTC, or its nominee, is the registered holder of the Master Rule 144A GDR certificate, DTC or such nominee, as the case may be, will be considered the sole holder of the Rule 144A GDSs evidenced thereby for all purposes under the Rule 144A Deposit Agreement and the Rule 144A GDSs.

DTC may discontinue providing its services as securities depository with respect to the Rule 144A GDSs at any time by giving reasonable notice to the Depositary. Under such circumstances, in the event that a successor securities depository cannot be appointed, Rule 144A GDR certificates will be printed and delivered to the applicable Rule 144A GDS owners.

DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that the Direct Participants deposit and facilitates the clearance and settlement of securities transactions among Direct Participants in such securities through electronic computerized book-entry changes in accounts of Direct Participants, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom own DTC, and may include the Managers (and/or their respective affiliates). Indirect access to the DTC system is also available to others that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly, or the Indirect Participants. Transfers of ownership or other interests in DTC are to be accomplished by entries made on the books of Direct Participants or Indirect Participants acting on behalf of beneficial owners of GDSs. In addition, beneficial owners of GDSs in DTC will receive all distributions of dividends, GDSs, shares, rights and other distributions, if any, on the GDSs from the Depositary through Direct Participants and Indirect Participants.

Regulation S GDSs

Arrangements have been made with DTC, Euroclear Bank, S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream Banking Société Anonyme ("Clearstream") to act as the securities depositories for the Regulation S GDSs. All Regulation S GDSs issued in this offering will be registered in the name of Cede & Co., DTC's nominee. One Master Regulation S GDR certificate will represent all Regulation S GDSs issued to and registered in the name of Cede & Co. Transfers of ownership interests in Regulation S GDSs are to be accomplished by entries made on the books of Clearstream and Euroclear as participants in DTC and participants in Clearstream and Euroclear and on the books of DTC and of the participants in DTC, acting on behalf of Regulation S GDS owners. Owners of Regulation S GDSs will not receive physical certificates representing their ownership interests in the Regulation S GDSs, except in the event that use of the DTC book-entry system for the Regulation S GDSs is discontinued. *The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Regulation S GDSs evidenced by the Master Regulation S GDR certificate to such persons may be limited. Because DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person owning Regulation S GDSs evidenced by the Master Regulation S GDR certificate to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take action in respect of such interest, may be affected by the lack of physical individual definitive securities in respect of such interest.*

So long as DTC, or its nominee, is the registered holder of the Master Regulation S GDR certificate, DTC or such nominee, as the case may be, will be considered the sole holder of the Regulation S GDSs evidenced thereby for all purposes under the Regulation S Deposit Agreement and the Regulation S GDSs.

DTC may discontinue providing its services as securities depository with respect to the Regulation S GDSs at any time by giving reasonable notice to the Depositary. Under such circumstances, in the event that a successor securities depository cannot be appointed, Regulation S GDR certificates will be printed and delivered to the applicable Regulation S GDS owners.

If at any time DTC ceases to make its respective book-entry settlement systems available for the Regulation S GDSs, we and the Depositary will attempt to make other arrangements for book-entry settlement. If alternative book-entry settlement arrangements cannot be made, the Depositary will make available Regulation S GDSs in physical certificate form.

Settlement

Settlement for the GDSs will be made by the Initial Purchasers in immediately available funds. So long as the GDSs are evidenced by Master GDR certificates registered in the name of DTC or its nominee, the GDSs will settle in DTC's Same-Day Funds Settlement System and secondary market trading activity in the GDSs will be required by DTC to settle in immediately available funds.

Subject to compliance with the transfer restrictions applicable to the GDSs described below, cross-market transfers between DTC participants, on the one hand, and directly or indirectly through Clearstream or Euroclear account-holders, on the other, will be effected through DTC in accordance with DTC rules on behalf of Clearstream or Euroclear, as the case may be, by its respective depository; however, such cross-market transactions will require delivery of instructions to Clearstream or Euroclear, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Clearstream or Euroclear, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the GDSs, as the case may be, and making or receiving payment in accordance with normal procedures for settlement applicable to DTC. Clearstream and Euroclear account-holders may not deliver instructions directly to the depositories for Clearstream or Euroclear.

Because of time zone differences, the securities of a Clearstream or Euroclear accountholder purchasing an interest in a security from a DTC participant will be credited during the securities settlement processing day (which must be a business day for Clearstream or Euroclear, as the case may be) immediately following the DTC settlement date and such credit of any transactions in interests in such securities settled during such processing day will be reported to the relevant Clearstream or Euroclear account-holder on such day. Cash received by Clearstream or Euroclear as a result of sales of interests in securities by or through a Clearstream or Euroclear account-holder to a DTC participant will be received for value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

DTC will take any action permitted to be taken by an owner of GDSs only at the direction of one or more DTC participants to whose account or accounts with DTC interests in the GDSs evidenced by the Master GDR certificates are credited and only in respect of such portion of the number of GDSs as to which such DTC participant or DTC participants has or have given such direction. Owners of indirect interests in securities evidenced by the Master GDR certificates through DTC participants have no direct rights to enforce such interests while the securities are in global form.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate the transfer of interests in the Master GDR certificates among participants of DTC, Clearstream and Euroclear, *they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time. None of us, the Depositary, the Custodian or any of their agents will have any responsibility for the performance by DTC, Clearstream or Euroclear or their respective participants of their respective obligations under the rules and procedures governing their operations.*

Transfer Restrictions

The GDSs may be resold, pledged or otherwise transferred only in compliance with the U.S. securities laws and are subject to the following restrictions:

Rule 144A GDSs	Regulation S GDSs
The Rule 144A GDSs may be resold, pledged or otherwise transferred only:	The Regulation S GDSs offered herein shall be freely transferable.
(i) outside the United States to a person other than a U.S. person (as defined in Regulation S under the Securities Act) in accordance with Regulation S;	
or	
(ii) to a "Qualified Institutional Buyer" (as defined in Rule 144A) in a transaction meeting the requirements of Rule 144A;	
or	
(iii) pursuant to Rule 144 under the Securities Act, if available;	
or	
(iv) pursuant to an effective registration statement under the Securities Act.	
Restrictions Upon Deposit	
Shares will be accepted for deposit only if delivered by, or on behalf of, a person that is:	Shares will be accepted for deposit only if delivered by, or on behalf of, a person that is:
(a) not us or our affiliate or a person acting on behalf of us or our affiliate, and	(a) not us or our affiliate or a person acting on behalf of us or our affiliate, and
(b) is (i) a "Qualified Institutional Buyer" (as defined in Rule 144A), or (ii) a person located outside the United States.	(b) is a person other than a "U.S. Person" (as defined in Regulation S) and located outside the United States.
Restrictions Upon Withdrawal	
Shares may be withdrawn from the Rule 144A Deposit agreement only by:	Shares may be withdrawn under the Regulation S Deposit Agreement by any person and are freely transferable.
(i) a person other than a "U.S. Person (as defined in Regulation S) located outside of the United States who will be the beneficial owner of the Shares upon withdrawal;	
or	

Rule 144A GDSs	Regulation S GDSs
(ii) a “Qualified Institutional Buyer” (as defined in Rule 144A) who: (x) has sold the Rule 144A GDSs to another “Qualified Institutional Buyer” (as defined in Rule 144A), in a transaction meeting the requirements of Rule 144A, or outside the United States to a person other than a “U.S. person” (as defined in Regulation S) in accordance with Regulation S, or (y) will be the beneficial owner of the Shares and agrees to observe the transfer restrictions applicable to Rule 144A GDSs in respect of the Shares so withdrawn.	

Dividends and Distributions

As a holder, you generally have the right to receive the distributions we make on the securities deposited with the Custodian. Your receipt of these distributions may be limited, however, by practical considerations and legal limitations. Holders will receive such distributions under the terms of the Deposit Agreements in proportion to the number of GDSs held as of a specified record date.

Distributions of Cash

Subject always to the laws and regulations of the ROC and the Cayman Islands, whenever we make a cash distribution for the securities on deposit with the Custodian, we will notify the Depositary and deposit the funds with the Custodian. Upon receipt of such notice and of confirmation of the deposit of the requisite funds, the Depositary will arrange for the funds to be converted into US dollars, if necessary and for the distribution of the US dollars to the holders, subject to the laws and regulations of the ROC.

The conversion into US dollars will take place only if necessary and practicable and if the US dollars are transferable to the United States. The amounts distributed to holders will be net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the Deposit Agreements. The Depositary will apply the same method for distributing the proceeds of the sale of any property (such as undistributed rights) held by the Custodian in respect of securities on deposit.

Distributions of Shares

Subject always to the laws and regulations of the ROC and the Cayman Islands, whenever we make a free distribution of Shares for the securities on deposit with the Custodian, we will notify the Depositary and deposit the applicable number of Shares with the Custodian. Upon receipt of notice of such deposit, the Depositary will either distribute to holders new GDSs representing the Shares deposited or modify the GDS-to-Shares ratio, in which case each GDS you hold will represent rights and interests in the additional Shares so deposited. Only whole new GDSs will be distributed. Fractional entitlements will be sold and the proceeds of such sale will be distributed as in the case of a cash distribution.

The distribution of new GDSs or, to the extent permitted by applicable law, the modification of the GDS-to-Shares ratio upon a distribution of Shares will be made net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the Deposit Agreements. In order to pay such taxes or governmental charges, the Depositary may sell all or a portion of the new Shares so distributed.

No such distribution of new GDSs will be made if it would violate U.S. law, including the U.S. securities laws, or if it is not operationally practicable. If the Depositary does not distribute new GDSs as described above, it will use its best efforts to sell the Shares received and will distribute the proceeds of the sale as in the case of a distribution of cash.

Distributions of Rights

Subject always to the laws and regulations of the ROC and the Cayman Islands, whenever we intend to distribute rights to purchase additional Shares, we will give prior notice to the Depositary and will indicate whether we wish the distribution of rights to be made available to you. In such case, we will assist the Depositary in determining whether it is lawful and reasonably practicable to distribute rights to purchase additional GDSs to holders.

The Depositary, with our assistance, will establish procedures to distribute rights to purchase additional GDSs to holders and to enable such holders to exercise such rights if it is lawful and reasonably practicable to make the rights available to holders of GDSs, and if we provide all of the documentation contemplated in the applicable Deposit Agreement (such as opinions to address the lawfulness of the transaction). You may have to pay fees, expenses, taxes and other governmental charges to subscribe for the new GDSs upon the exercise of your rights. The Depositary is not obligated to establish procedures to facilitate the distribution and exercise by holders of rights to purchase new Shares other than in the form of GDSs.

The Depositary will not distribute the rights to you if:

- We do not timely request that the rights be distributed to you or we request that the rights not be distributed to you; or

- We fail to deliver satisfactory documents to the Depositary; or

- It is not reasonably practicable to distribute the rights.

If registration of the rights or the securities to which such rights relate may be required under the Securities Act or any other applicable law in order for us to offer such rights or such securities to holders and to sell the securities represented by such rights, the Depositary will not distribute rights to holders of GDSs unless and until a registration statement under the Securities Act covering such offering is in effect. We have no obligation under the Deposit Agreements to prepare and file a registration statement for any purpose.

The Depositary will sell the rights that are not exercised or not distributed if such sale is lawful and reasonably practicable. The proceeds of such sale will be distributed to holders as in the case of a cash distribution. If the Depositary is unable to sell the rights, it will allow the rights to lapse.

Elective Distributions

Subject always to the laws and regulations of the ROC and the Cayman Islands, whenever we intend to distribute a dividend payable at the election of shareholders either in cash or in additional Shares, we will give prior notice thereof to the Depositary and will indicate whether we wish the elective distribution to be made available to you. In such case, we will assist the Depositary in determining whether such distribution is lawful and reasonably practicable.

The Depositary will make the election available to you only if it is lawful, reasonably practicable and if we have provided all of the documentation contemplated in the Deposit Agreements. In such case, the Depositary will establish procedures to enable you to elect to receive either cash or additional GDSs, in each case as described in the Deposit Agreements.

If the election is not made available to you, you will receive either cash or additional GDSs, depending on what a shareholder in the ROC would receive upon failing to make an election, as more fully described in the corresponding Deposit Agreement.

Other Distributions

Subject always to the laws and regulations of the ROC and the Cayman Islands, whenever we intend to distribute property other than cash, Shares or rights to purchase additional Shares, we will notify the Depositary in advance and will indicate whether we wish such distribution to be made to you. If so, we will assist the Depositary in determining whether such distribution to holders is lawful and reasonably practicable.

If it is reasonably practicable to distribute such property to you and if we provide all of the documentation contemplated in the Deposit Agreements, the Depositary will distribute the property to the holders in a manner it deems practicable.

The distribution will be made net of fees, expenses, taxes and governmental charges payable by holders under the terms of the Deposit Agreements. In order to pay such taxes and governmental charges, the Depositary may sell all or a portion of the property received.

The Depositary will not distribute the property to you and will sell the property if:

- We do not request that the property be distributed to you or if we ask that the property not be distributed to you; or
- We do not deliver satisfactory documents to the Depositary; or
- The Depositary determines that all or a portion of the distribution to you is not reasonably practicable.

The proceeds of such a sale will be distributed to holders as in the case of a cash distribution. If the Depositary is unable to sell such property, the Depositary may dispose of such property in any way it deems practicable under the circumstances.

Redemption

To the extent permitted by applicable laws, whenever we decide to redeem any of the securities on deposit with the Custodian, we will notify the Depositary. If it is reasonably practicable and if we provide all of the documentation contemplated in the Deposit Agreements, the Depositary will mail notice of the redemption to the holders.

The Custodian will be instructed to surrender the Shares being redeemed against payment of the applicable redemption price. The Depositary will convert the redemption funds received into US dollars upon the terms of the Deposit Agreements and will establish procedures to enable holders to receive the net proceeds from the redemption upon surrender of their GDSs to the Depositary. You may have to pay fees, expenses, taxes and other governmental charges upon the redemption of your GDSs. If less than all GDSs are being redeemed, the GDSs to be retired will be selected by lot or on a pro rata basis, as the Depositary may determine.

Changes Affecting Shares

The Shares held on deposit for your GDSs are subject to change from time to time. For example, there may be a change in nominal or par value, a split-up, cancellation, consolidation or reclassification of such Shares or a recapitalization, reorganization, merger, consolidation or sale of assets.

If any such change were to occur, your GDSs would, to the extent permitted by law, represent the right to receive the property received or exchanged in respect of the Shares held on deposit. The Depositary may in such circumstances deliver new GDR certificates to you or call for the exchange of your existing GDR certificates for new GDR certificates. If the Depositary may not lawfully distribute such property to you, the Depositary may sell such property and distribute the net proceeds to you as in the case of a cash distribution.

Deposits

Subject to limitations set forth in the Deposit Agreements and the GDR certificates, after the Initial Deposit, the Depositary may create GDSs on your behalf if you or your broker deposits Shares with the Custodian. The Depositary will deliver these GDSs to the person you indicate only after you pay any applicable issuance fees and any charges and taxes payable for the transfer of the Shares to the Custodian and you provide the applicable deposit certification. Your ability to deposit Shares and receive GDSs may be limited by U.S., Cayman Islands and ROC legal considerations applicable at the time of deposit.

Under current ROC law, after the Initial Deposit, no deposits of Shares may be made in a depositary receipt facility, and no GDSs may be issued against such deposits, without specific approval of the FSC, except in connection with the offering and the issuance of additional GDSs in connection with (i) dividends on, or free distributions of, Shares, (ii) the exercise by holders of existing GDSs of their pre-emptive rights in the event of capital increases for cash, (iii) the issuance of Shares to holders of convertible or exchangeable bonds in connection with the exercise of conversion or exchange rights of such bondholders (so long as the terms and conditions of such bonds containing such conversion or exchange features have been approved by the FSC prior to their issuance), (iv) as permitted under the Deposit Agreements, to the extent that previously issued GDSs have been canceled, the purchase directly by a person or through the Depository of Shares on the TWSE or the delivery by any person of Shares held by such person for deposit in the depositary receipt facility or (iv) the exchange of Rule 144A GDSs for Regulation S GDSs and vice versa. Provided that the total number of GDSs outstanding after an issuance described in clause (iv) does not exceed the number of GDSs issued and previously approved by the FSC in connection with the offering plus any GDSs created under clauses (i), (ii) and (iii) described above and subject to any adjustment on the number of Shares represented by each GDS.

The Depositary and the Custodian will refuse to accept Shares for deposit whenever they are notified in writing that such deposit would result in any violation of applicable laws, including ownership restrictions under the laws of the ROC. The Depositary will also refuse (i) to accept certain Shares for deposit under the Rule 144A Deposit Agreement if notified in writing that such Shares are listed on a U.S. securities exchange or quoted on a U.S. automated inter-dealer quotation system, unless accompanied by evidence satisfactory to the Depositary that any Shares presented for deposit are eligible for resale pursuant to Rule 144A, or (ii) to issue GDSs representing the new Shares that are separate and distinct from GDSs representing the existing Shares.

The issuance of GDSs may be delayed until the Depositary or the Custodian receives confirmation that all required approvals have been given and that the Shares have been duly transferred to the Custodian. The Depositary will only issue GDSs in whole numbers.

When you make a deposit of Shares, you will be responsible for transferring good and valid title to the Depositary. As such, you will be deemed to represent and warrant that:

- Such Shares are duly authorized, validly issued, fully paid, non-assessable and legally obtained.

- All pre-emptive (and similar) rights, if any, with respect to such Shares have been validly waived or exercised.

- You are duly authorized to deposit such Shares.

- The Shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim, and, in the case of Regulation S GDSs, are not, and the Regulation S GDSs issuable upon such deposit will not be, “restricted securities” (as defined in the Regulation S Deposit Agreement).

- The Shares presented for deposit have not been stripped of any rights or entitlements.

If any of the representations or warranties is incorrect in any way, we and the Depositary may, at your cost and expense, take any and all actions necessary to correct the consequences of the misrepresentations.

When you deposit Shares to receive Rule 144A GDSs, you will be required to provide the Depositary with a deposit certification stating, inter alia, that:

- you acknowledge that the Shares and the Rule 144A GDSs have not been and will not be registered under the Securities Act or with any securities regulatory authority in any state or other jurisdiction in the United States; and

- you are not an “affiliate” of ours and you are not acting on behalf of us or one of our “affiliates”; and

- you certify that you are, or are acting on behalf of, (i) a “Qualified Institutional Buyer” (as defined in Rule 144A), or (ii) a person other than a “U.S. Person” (as defined in Regulation S) and located outside the United States and will acquire the Shares to be deposited outside the United States; and

- you agree, as the owner of the Rule 144A GDSs, to offer, sell, pledge and otherwise transfer the Rule 144A GDSs or the Shares represented by the Rule 144A GDSs in accordance with the applicable U.S. state securities laws and only:

  (a) to a “Qualified Institutional Buyer” (as defined in Rule 144A) in a transaction meeting the requirements of Rule 144A, or

  (b) outside the United States to a person other than a “U.S. person” (as defined in Regulation S) in accordance with Regulation S, or

  (c) in accordance with Rule 144 under the Securities Act, if available, or

  (d) pursuant to an effective registration statement under the Securities Act.

A copy of the form of deposit certification for Rule 144A GDSs is attached to the Rule 144A Deposit Agreement and may be obtained from the Depositary upon request.

When you deposit Shares to receive Regulation S GDSs, you will be required to provide the Depositary with a deposit certificate stating, inter alia, that:

- you acknowledge that the Shares and the Regulation S GDSs have not been and will not be registered under the Securities Act or with any securities regulatory authority in any state or other jurisdiction in the United States; and

- you are not an "affiliate" of ours and you are not acting on behalf of us or one of our "affiliates"; and

- you certify that you are, or are acting on behalf of, (i) a person other than a U.S. Person (as defined in Regulation S) and are located outside the United States and (ii) a person that is not in the business of buying and selling securities, or, if you or such person is in such business, you or such person did not acquire the Shares to be deposited from us or any affiliate in the initial distribution of Regulation S GDSs, Shares and Rule 144A GDSs; and

- you agree, as the owner of the Regulation S GDSs (or the person you are acting on behalf of has confirmed its agreement to you), to offer, sell, pledge and otherwise transfer the Regulation S GDSs or the Shares represented by the Regulation S GDSs in accordance with the applicable U.S. state securities laws and:

  (a) to a "Qualified Institutional Buyer" (as defined in Rule 144A) in a transaction meeting the requirements of Rule 144A in which case you are required to "convert" the Regulation S GDSs into Rule 144A GDSs prior to making delivery to the transferee, or

  (b) outside the United States to a person other than a "U.S. Person" (as defined in Regulation S) in accordance with Regulation S, or

  (c) in accordance with Rule 144 under the Securities Act, if available, or

  (d) pursuant to an effective registration statement under the Securities Act.

A copy of the form of deposit certification for Regulation S GDSs is attached to the Regulation S Deposit Agreement and may be obtained from the Depositary upon request.

Withdrawal of Shares Upon Cancellation of GDSs

On or after the Share Listing Date, which is approximately the fourth ROC business day (as defined herein) from the Closing Date, subject to the relevant provisions of the applicable Deposit Agreement, a holder may apply to withdraw the underlying Shares or request Citibank, N.A., as Depositary, acting pursuant to the Deposit Agreements, to sell or cause to be sold on behalf of such holders of the underlying Shares. The new common Shares are without physical form and settled through the book-entry system. Your ability to withdraw the Shares may be limited by U.S., Cayman Islands and ROC law considerations applicable at the time of withdrawal.

Under current ROC law, if you (other than PRC persons except for QDII) wish to withdraw and hold underlying Shares from a depositary receipt facility, you will be required to appoint an eligible agent in the ROC to open a securities trading account with a local brokerage firm (after receiving an approval from the TWSE) and a bank account (the securities trading account and the bank account collectively, the "Accounts"), to pay ROC taxes, remit funds, exercise shareholders' rights and perform such other functions as you may designate upon such withdrawal. In addition, you will be required to appoint a custodian bank to hold the securities in *safekeeping, make confirmation and settle trades and report all relevant information. Without the opening of such Accounts, the withdrawing owner would be unable to hold or subsequently sell the underlying Shares withdrawn from the depositary receipt facility on the TWSE or otherwise. In addition, you will be required to register with the TWSE for making investments in the ROC securities market prior to withdrawing Shares. These laws may change from time to time. We cannot assure you that current ROC law will remain in effect or that future changes in ROC law will not adversely affect your ability to withdraw the Shares from the applicable GDS facility.*

Holders of GDSs withdrawing Shares represented by GDSs are also required under current ROC law and regulations to appoint an agent in the ROC for filing tax returns and making tax payments. Such agent must meet certain qualifications set by the ROC Ministry of Finance and, upon appointment, becomes a guarantor of such withdrawing owner's ROC tax obligations. Evidence of the appointment of such agent and the approval of such appointment by the ROC tax authorities may be required as conditions to such withdrawing holder's repatriation of the proceeds from the sale of the withdrawn Shares. There can be no assurance that such withdrawing holder will be able to appoint and obtain approval for such agent in a timely manner.

Subject to the withdrawal of deposited property being permitted under ROC and Cayman Islands law and regulations, you may also request that the Shares represented by your GDSs be sold on your behalf. The Depositary may require that you deliver your request for sale in writing. Any sale of the Shares will be conducted according to applicable ROC law through a securities company in the ROC on the TWSE or in another manner as is permitted under applicable ROC law. Any sale will be at your risk and expense. You may also be required to enter into a separate agreement to cover the terms of the sale of the Shares.

Upon receipt of any proceeds from any sale, subject to any restrictions imposed by ROC law and regulations, the Depositary shall convert the proceeds into US dollars and distribute the proceeds to you, net of any fees, expenses, taxes or governmental charges (including, without limitation, any ROC and U.S. taxes) incurred in connection with the sale. *Although sales of GDSs by a non-ROC holder are not currently subject to ROC income tax, capital gains realized from sales of the Shares may be subject to ROC income tax and will be subject to a securities transaction tax in the ROC.*

In order to withdraw or instruct the sale of the Shares represented by your GDSs, you will be required to pay to the Depositary the fees for cancellation of GDSs and any charges and taxes payable upon the transfer of the Shares being withdrawn and you will be required to provide to the Depositary the applicable withdrawal certification. You assume the risk for delivery of all funds and securities upon withdrawal. Once canceled, the GDSs will not have any rights under the corresponding Deposit Agreement.

If you hold a GDR certificate registered in your name, the Depositary may ask you to provide proof of identity and genuineness of any signature and such other documents as the Depositary may deem appropriate before it will cancel your GDSs. The withdrawal of the Shares represented by your GDSs may be delayed until the Depositary receives satisfactory evidence of compliance with all applicable laws and regulations. Please keep in mind that the Depositary will only accept GDSs for cancellation that represent a whole number of securities on deposit.

We have reporting obligations under ROC law in respect of the GDS facilities. In order to enable us to gather the information necessary for these reporting obligations, you will be asked to complete a certification upon withdrawal of Shares from the applicable GDS facility. In this certification you will be asked to disclose, among other information, the name, nationality and address of the beneficial owner of the GDSs presented for cancellation, the number of Shares owned by the beneficial owner and whether certain affiliations exist between the beneficial owner and us. The Depositary will refuse to release the Shares to you until you deliver a completed certification to it.

If the Shares are withdrawn from the depositary facility, such holder will be required to provide information to enable our compliance with our obligations set forth under the laws and regulations of the ROC, including a certification to the Depositary that:

- the holder is or is not a "related person", as such term is defined in the applicable Deposit Agreement, to us;
- the holder will own a certain number of the Shares after cancellation of the GDSs surrendered thereby, as well as a certain number of GDSs representing the Shares after cancellation of the GDSs surrendered thereby;
- the holder, or the person on whose account he acts, is the beneficial owner of the GDSs surrendered to the Depositary thereby;
- the name, address and nationality of the beneficial owner of the GDSs, as included upon presentation of GDSs for cancellation, is true and correct;
- the number of GDSs surrendered and the number of Shares withdrawn, as included upon presentation of GDSs for cancellation, is true and correct;
- if the presenter is a broker-dealer, the owner of the account for which he is acting has confirmed the accuracy of the above representations;
- the holder is or is not a PRC person meeting the qualifications required under the laws of the ROC ("Qualified PRC Persons"), as such term is defined in the applicable laws of the ROC; and
- if the holder is a Qualified PRC person, it has obtained all government approvals required under the laws of the ROC to hold the Shares underlying the GDSs submitted for cancellation and withdrawal and its ownership of Shares will not result in a violation of applicable laws of the ROC.

The deposit agreements may not be modified to impair your right to withdraw the securities represented by your GDSs unless there are:

- temporary delays because (1) the transfer books for the Shares or GDSs are closed, or (2) register of shareholders is closed due to a shareholders' meeting or a payment of dividends;
- obligations to pay fees, taxes and similar charges; and
- restrictions imposed by law or regulation.

When you request the withdrawal of the Shares represented by your Rule 144A GDSs, you will be required to provide the Depositary with a withdrawal certification stating, inter alia, that:

- you acknowledge that the Shares represented by your Rule 144A GDSs have not been and will not be registered under the Securities Act or with any securities regulatory authority in any state or other jurisdiction in the United States; and

- you certify that either:

  (X) you are a "Qualified Institutional Buyer" (as defined in Rule 144A) who is the beneficial owner of the Rule 144A GDSs presented for cancellation, or you are acting on behalf of a Qualified Institutional Buyer who is the beneficial owner of the Rule 144A GDSs presented for cancellation and

    (i) you have, or the person on whose behalf you are acting has, sold or agreed to sell the Rule 144A GDSs or Shares to a person other than a "U.S Person (as defined in Regulation S) in accordance with Regulation S, or

    (ii) you have, or the person on whose behalf you are acting has, sold or agreed to sell the Rule 144A GDSs or Shares to another "Qualified Institutional Buyer" (as defined in Rule 144A) in a transaction meeting the requirements of Rule 144A, or

    (iii) you (or the person on whose behalf you are acting) will be the beneficial owner of the Shares upon withdrawal and you (or the person on whose behalf you are acting) (x) will not deposit the Shares in any depositary receipt facility that is not a "restricted" depositary receipt facility and (y) will sell the Shares only

      (a) to another Qualified Institutional Buyer (as defined in Rule 144A) in a transaction meeting the requirements of Rule 144A, or

      (b) outside the United States to a person other than "U.S. person" (as defined in Regulation S) in accordance with Regulation S, or

      (c) in accordance with Rule 144 (if available), or

      (d) pursuant to an effective registration statement under the Securities Act; or

  (Y) you are a person other than a "U.S. person" (as defined in Regulation S) and are located outside the United States and you acquired or agreed to acquire the Rule 144A GDSs or Shares outside the United States and will be the beneficial owner of the Rule 144A GDSs or Shares upon withdrawal.

Voting Rights

You may instruct the Depositary to exercise the voting rights for the Shares represented by your GDSs only in accordance with the Deposit Agreements as described below. The voting rights of holders of Shares are described in "Description of Our Share Capital — Voting Rights"

The Depositary will mail to you any notice of shareholders' meeting received from us together with information explaining how to instruct the Depositary to exercise the voting rights of the securities represented by GDSs. If we fail to provide in a timely manner the Depositary with an English language translation of our notice of meeting or other materials related to any meeting of owners of Shares, the Depositary will endeavor to cause all the deposited securities represented by GDSs to be present at the applicable meeting, insofar as practicable and permitted under applicable law, but will not cause those securities to be voted.

According to the Company's Memorandum and Articles of Association as in effect as of the date of this offering memorandum, a shareholder's voting rights must, as to all matters brought to a vote of shareholders, be *exercised as to all Shares held by the shareholder in the same manner, except in the case of an election of directors which may be conducted by means of cumulative voting. The Company intends to amend its Memorandum and Articles of Association to allow split voting in accordance with the applicable ROC public company rules.*

Prior to the amendment of the Memorandum and Articles of Association, by accepting GDSs or any beneficial interest in GDSs, you will be deemed to have authorized and directed the Depositary to appoint the chairman of our board of directors (or his or her designate) for a particular meeting of shareholders as representative (the “Voting Representative”) to represent you at our shareholders’ meeting and to vote the Shares deposited with the Custodian according to the terms of the GDSs. If the Depositary receives in a timely manner voting instructions from holders of at least 51.0% of the outstanding GDSs to vote in the same direction regarding one or more resolutions to be considered at the meeting, including the election of directors, the Depositary will notify the Voting Representative, of the instructions and appoint the Voting Representative, as the representative of the Depositary and such holders to attend the meeting and vote all the securities represented by the holders’ GDSs, in accordance with the direction received from holders of at least 51.0% of the outstanding GDSs. If we have provided in a timely manner the Depositary with the materials described in the applicable Deposit Agreement and the Depositary has not timely received instructions from holders of at least 51.0% of the outstanding GDSs to vote in the same direction regarding any resolution to be considered at the meeting, including the election of directors, then you will be deemed to have authorized and directed the Depositary to give a discretionary proxy to the Voting Representative to attend and vote at the meeting all the securities represented by your GDSs in any manner the Voting Representative may wish, which may not be in the interests of GDS holders.

After the amendment of the Memorandum and Articles of Association, the Voting Representative will no longer be appointed. Subject to the applicable Deposit Agreement, if the Depositary timely receives voting instructions from a holder of GDSs, it will endeavor to vote the Shares represented by the holder’s GDSs in accordance with such voting instructions. If the Depositary receives timely voting instructions from a holder of GDSs which fail to specify the manner in which the Shares represented by the holder’s GDSs are to be voted, the Depositary will deem the holder of the GDSs to have instructed the Depositary to vote in favor of the items set forth in such voting instructions. Shares in respect of which no timely voting instructions have been received from GDSs holders and provided that the Depositary received notice of the meeting or solicitation of vote from the Company in a timely manner as specified in the applicable Deposit Agreement, such GDSs holders will be deemed to have instructed the Depositary to give a discretionary proxy to a person designated by the Company to vote the Shares represented by such GDSs. No discretionary proxy will be given with respect to any matter as to which the Company informs the Depositary that the Company does not wish such proxy to be given, and no discretionary proxy will be given with respect to any matter as to which the Company informs the Depositary that (i) there exists substantial opposition, or (ii) the rights of holders of GDSs or the shareholders of the Company will be materially adversely affected.

By accepting and continuing to hold GDSs or any interest therein, a holder will be deemed to have agreed to the voting provisions set forth in the applicable Deposit Agreement, as such provisions may be amended from time to time to comply with applicable Cayman Islands law or ROC law.

Please note that the ability of the Depositary to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. We cannot assure you that you will receive voting materials in time to enable you to return voting instructions to the Depositary in a timely manner.

Fees and Charges

As a GDS holder, you will be required to pay the following service fees to the Depositary:

Service	Fees
Issuance of GDSs	Up to US$0.05 per GDS issued
Cancellation of GDSs	Up to US$0.05 per GDS canceled
Distribution of GDSs pursuant to securities dividends, free securities distributions or exercise of rights	Up to US$0.05 per GDS held
Distribution of cash dividends or other cash distributions	Up to US$0.05 per GDS held
Distribution of securities other than GDSs or rights to purchase additional GDSs	Up to US$0.05 per GDS held
Depositary services fee	US$0.05 per GDS held as of any record date established by the Depositary
Transfer of GDR certificates	US$1.50 per certificate presented for transfer

As a GDS holder you will also be responsible to pay certain fees and expenses incurred by the Depositary and certain taxes and governmental charges such as:

- fees for the transfer and registration of Shares charged by the registrar and transfer agent for the Shares in the ROC upon deposits and withdrawals of Shares;
- expenses incurred for converting foreign currency into US dollars;
- expenses for cable, telex and fax transmissions and for delivery of securities;
- taxes and duties upon the transfer of securities when Shares are deposited or withdrawn from deposit;
- Fees and expenses incurred in connection with the delivery or servicing of Shares on deposit.

We have agreed to pay certain other charges and expenses of the Depositary. Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the Depositary. You will receive prior notice of such changes.

Amendments and Termination

We may agree with the Depositary to modify the Deposit Agreements at any time without your consent. We undertake to give GDS holders 30 days' prior notice of any modifications that would materially prejudice any of their substantial rights under the Deposit Agreements. We will not consider to be materially prejudicial to your substantial rights any modifications or supplements that are reasonably necessary for the (i) GDSs to be registered under the Securities Act, and (ii) GDSs to be settled in electronic book-entry form, in each case without imposing or increasing the fees and charges you are required to pay. In addition, we may not be able to provide you with prior notice of any modifications or supplements that are required to accommodate compliance with applicable provisions of law.

You will be bound by the modifications to the Deposit Agreements if you continue to hold your GDSs after the modifications to the applicable Deposit Agreements become effective. The Deposit Agreements cannot be amended to prevent you from withdrawing the Shares represented by your GDSs (except as permitted by law).

We have the right to direct the Depositary to terminate the Deposit Agreements. Similarly, the Depositary may in certain circumstances on its own initiative terminate the Deposit Agreements. In either case, the Depositary must give notice to the holders at least 30 days before termination.

After termination, the Depositary will continue to collect distributions received (but will not distribute any such property until you request the cancellation of your GDSs) and may sell the securities held on deposit. After the sale, the Depositary will hold the proceeds from such sale and any other funds then held for the holders of GDS in a non-interest bearing account. At that point, the Depositary will have no further obligations to holders other than to account for the funds then held for the holders of GDSs still outstanding (after deduction of applicable fees, taxes and expenses).

Books of the Depositary

The Depositary will maintain GDS holder records at its depositary office. You may inspect such records at such office during regular business hours but solely for the purpose of communicating with other holders in the interest of business matters relating to the GDSs and the Deposit Agreements.

The Depositary will maintain in New York facilities to record and process the issuance, cancellation, combination, split-up and transfer of GDSs. These facilities may be closed from time to time, to the extent not prohibited by law.

Limitations on Obligations and Liabilities

The Deposit Agreements limit our obligations and the Depositary's obligations to you. Please note the following:

We and the Depositary are obligated only to take the actions specifically stated in the Deposit Agreements without negligence or bad faith.

The Depositary disclaims any liability for any failure to carry out voting instructions, for any manner in which a vote is cast or for the effect of any vote, provided it acts in good faith and in accordance with the terms of the Deposit Agreements.

The Depositary disclaims any liability for any failure to determine the lawfulness or practicality of any action, for the content of any document forwarded to you on our behalf or for the accuracy of any translation of such a document, for the investment risks associated with investing in Shares, for the validity or worth of the Shares, for any tax consequences that result from the ownership of GDSs, for the credit-worthiness of any third party, for allowing any rights to lapse under the terms of the Deposit Agreements or for the timeliness of any of our notices or for our failure to give notice.

- We and the Depositary will not be obligated to perform any act that is inconsistent with the terms of the Deposit Agreements.

- We and the Depositary disclaim any liability if we are prevented or forbidden from acting on account of any law or regulation, any provision of our Memorandum and Articles of Association, any provision of any securities on deposit or by reason of any act of God or war or terrorism or other circumstances beyond our control.

- We and the Depositary disclaim any liability by reason of any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreements or in our Memorandum and Articles of Association or in any provisions of securities on deposit.

- We and the Depositary further disclaim any liability for any action or inaction in reliance on the advice or information received from legal counsel, accountants, any person presenting Shares for deposit, any holder of GDSs or authorized representatives thereof, or any other person believed by either of us in good faith to be competent to give such advice or information.

- We and the Depositary also disclaim liability for the inability by a holder to benefit from any distribution, offering, right or other benefit which is made available to holders of Shares but is not, under the terms of the Deposit Agreements, made available to you.

- We and the Depositary may rely without any liability upon any written notice, request or other document believed to be genuine and to have been signed or presented by the proper parties.

- We and the Depositary also disclaim any liability for consequential or punitive damages for any breach of the terms of the applicable Deposit Agreements.

Pre-Release Transactions

To the extent permitted by applicable laws and regulations, the Depositary may, in certain circumstances, issue GDSs before receiving a deposit of Shares or release Shares before receiving GDSs for cancellation. These transactions are commonly referred to as "pre-release transactions". The Deposit Agreements limit the aggregate size of pre-release transactions and impose a number of conditions on such transactions, including the need to receive collateral, the type of collateral required and the representations required from brokers. The Depositary may retain the compensation received from the pre-release transactions.

Taxes

You will be responsible for the taxes and other governmental charges payable on the GDSs and the securities represented by the GDSs. We, the Depositary and the Custodian may deduct from any distribution the taxes and governmental charges payable by holders and may sell any and all property on deposit to pay the taxes and governmental charges payable by holders. You will be liable for any deficiency if the sale proceeds do not cover the taxes that are due.

The Depositary may refuse to issue GDSs, to deliver, transfer, split and combine GDR certificates or to release securities on deposit until all taxes and charges are paid by the applicable holder. The Depositary and the Custodian may take reasonable administrative actions to obtain tax refunds and reduced tax withholding for any distributions on your behalf. However, you may be required to provide to the Depositary and to the Custodian proof of taxpayer status and residence and such other information as the Depositary and the Custodian may require to fulfill legal obligations. You are required to indemnify us, the Depositary and the Custodian for any claims with respect to taxes based on any tax benefit obtained for you.

Foreign Currency Conversion

Subject to ROC law, the Depositary will arrange for the conversion of all foreign currency received into US dollars if such conversion is practicable, and it will distribute the US dollars in accordance with the terms of the Deposit Agreements. You may have to pay fees and expenses incurred in converting foreign currency, such as fees and expenses incurred in complying with currency exchange controls and other governmental requirements.

If the conversion of foreign currency is not practicable or lawful, or if any required approvals are denied or not obtainable at a reasonable cost or within a reasonable period, the Depositary may take the following actions in its discretion:

- convert the foreign currency to the extent practicable and lawful and distribute the US dollars to the holders for whom the conversion and distribution is lawful and practicable;

- distribute the foreign currency to holders for whom the distribution is lawful and practicable; or

- hold the foreign currency (without liability for interest) for the applicable holders.

Legends

The Rule 144A GDRs issued to represent the Rule 144A GDSs offered for sale herein shall contain, and all owners of Rule 144A GDSs shall be bound by the terms of, the following legend:

NEITHER THIS RULE 144A GDR, NOR THE RULE 144A GDSs EVIDENCED HEREBY, NOR THE RULE 144A DEPOSITED SECURITIES REPRESENTED THEREBY HAVE BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR OTHER TRANSFER OF THIS RULE 144A GDR, THE RULE 144A GDSs EVIDENCED HEREBY AND THE RULE 144A DEPOSITED SECURITIES REPRESENTED THEREBY IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. THE HOLDERS AND THE BENEFICIAL OWNERS HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS RULE 144A GDR AND THE RULE 144A GDSs EVIDENCED HEREBY, ACKNOWLEDGE THAT SUCH RULE 144A GDR, THE RULE 144A GDSs EVIDENCED HEREBY AND THE RULE 144A DEPOSITED SECURITIES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND AGREE FOR THE BENEFIT OF THE COMPANY AND THE DEPOSITARY THAT THIS RULE 144A GDR, THE RULE 144A GDSs EVIDENCED HEREBY AND THE RULE 144A DEPOSITED SECURITIES REPRESENTED THEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE LAWS OF THE STATES, TERRITORIES AND POSSESSIONS OF THE UNITED STATES GOVERNING THE OFFER AND SALE OF SECURITIES AND ONLY (1) OUTSIDE THE UNITED STATES TO A PERSON OTHER THAN A U.S. PERSON (AS SUCH TERMS ARE DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, (2) TO A PERSON WHOM THE HOLDER AND THE BENEFICIAL OWNER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT.

THE BENEFICIAL OWNER OF RULE 144A DEPOSITED SECURITIES RECEIVED UPON CANCELLATION OF ANY RULE 144A GDS MAY NOT DEPOSIT OR CAUSE TO BE DEPOSITED SUCH SECURITIES INTO ANY DEPOSITARY RECEIPT FACILITY ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK, OTHER THAN A RULE 144A RESTRICTED DEPOSITARY RECEIPT FACILITY, SO LONG AS SUCH SECURITIES ARE "RESTRICTED SECURITIES" WITHIN THE MEANING OF RULE 144(a)(3) UNDER THE SECURITIES ACT. NO REPRESENTATION CAN BE MADE AS TO THE

AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALE OF THE RULE 144A DEPOSITED SECURITIES OR THE RULE 144A GDSs.

EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THIS RULE 144A GDR OR A BENEFICIAL INTEREST IN THE RULE 144A GDSs EVIDENCED HEREBY, AS THE CASE MAY BE, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

The Regulation S GDRs issued to represent the Regulation S GDSs offered for sale herein shall contain, and all owners of Regulation S GDSs shall be bound by the terms of, the following legend:

NEITHER THIS REGULATION S GDR, NOR THE REGULATION S GDSs EVIDENCED HEREBY, NOR THE REGULATION S DEPOSITED SECURITIES REPRESENTED THEREBY HAVE BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR OTHER TRANSFER OF THIS REGULATION S GDR, THE REGULATION S GDSs EVIDENCED HEREBY AND THE REGULATION S DEPOSITED SECURITIES REPRESENTED THEREBY EACH IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. THE HOLDERS AND THE BENEFICIAL OWNERS HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS REGULATION S GDR AND THE REGULATION S GDSs EVIDENCED HEREBY, ACKNOWLEDGE THAT SUCH REGULATION S GDR, THE REGULATION S GDSs EVIDENCED HEREBY AND THE REGULATION S DEPOSITED SECURITIES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT.

Information Relating To the Depositary

Citibank, N.A. ("Citibank") has been appointed as Depositary pursuant to the Deposit Agreements. Citibank is an indirect wholly owned subsidiary of Citigroup Inc., a Delaware corporation. Citibank is a commercial bank that, along with its subsidiaries and affiliates, offers a wide range of banking and trust services to its customers throughout the United States and the world.

Citibank was originally organized on June 16, 1812, and is now a national banking association organized under the National Bank Act of 1864 of the United States of America. Citibank is primarily regulated by the United States Office of the Comptroller of the Currency. Its principal executive office is at 399 Park Avenue, New York, NY 10043.

Citibank's Consolidated Balance Sheets are set forth in Citigroup's most recent Annual Report (audited balance sheet) and Quarterly Report (unaudited), each on file on Form 10K and Form 10Q, respectively, with the United States Securities and Exchange Commission.

Citibank's Articles of Association and By-laws, each as currently in effect, together with Citigroup's Annual Report on Form 10-K and Quarterly Report on Form 10-Q are available for inspection at the Depositary Receipt office of Citibank, 388 Greenwich Street, New York, New York 10013. A copy of the Depositary's Articles, as amended, together with copies of Citibank's most recent quarterly financial statements and annual report are also available for inspection at the offices of the Luxembourg Intermediary, The Bank of New York Mellon (Luxembourg) S.A., located at Vertigo Building-Polaris, 2-4, rue Eugène Ruppert, L-2453 Luxembourg.

DESCRIPTION OF THE BONDS

The Bonds are to be issued under an indenture, to be dated as of October 1, 2012 (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 description of the terms of the Indenture and the Bonds does not restate the indenture or the Bonds in full. The following description of the Bonds is subject to, and is qualified in its entirety by reference to, the provisions of the Bonds and the Indenture. Copies of the Indenture are available as set forth under "General Information."

General

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

The Bonds will be issued on or about October 1, 2012 (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$200,000,000 and will be redeemed on October 1, 2017 (the "Maturity Date") unless earlier redeemed, repurchased and canceled, or converted pursuant to the terms thereof and of the Indenture. The term "Bonds" shall include, unless the context requires, any additional Bonds issued pursuant the option to increase up to an additional US$50,000,000 of Bonds (the "Optional Bonds").

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 November 12, 2012 and ending at the close of business on September 21, 2017 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 Rule 144A Bonds (as defined below) will be issued only in fully registered form, without interest coupons, in denominations of US$250,000 and any integral multiple thereof. The International Bonds (as defined below) will be issued only in fully registered form, without interest coupons, in denominations of US$250,000 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 by the Issuer (including purchase in the open market), redeemed, or converted will be canceled and will not be re-issued. A Bond does not cease to be outstanding because any Affiliate of the Issuer holds such Bond; *provided, however,* any Bonds owned by any Affiliate of the Issuer or any other obligor upon the Bonds will be deemed not to be outstanding in determining whether the Holders of the requisite principal amount of Bonds have given or concurred in any request, demand, authorization, direction, notice, consent or waiver under the Indenture.

Book Entry; Delivery and Form

Bonds sold in offshore transactions in reliance on Regulation S (the "International Bonds") will be represented by a permanent global certificate in fully registered book-entry form without interest coupons (the "International Global Bond"). Bonds sold within the United States to QIBs in reliance on Rule 144A (the "Rule 144A Bonds") will be represented by a registered global certificate in fully registered book-entry form without interest coupons (the "Rule 144A Global Bond" and together with the International Global Bond, the "Global Bonds"). The Global Bonds 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, Luxembourg") 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 Bonds and a successor depository is not appointed by the Company within 90 days, (ii) either Euroclear or Clearstream, Luxembourg or any alternative clearing system on behalf of which the International Bonds evidenced by the International 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 International Global Bond or Rule 144A Global Bond in any authorized denominations and in an aggregate principal amount equal to the principal amount of the Global Bonds.

The Bonds will have minimum denominations of US$250,000 and any integral multiple of US$250,000 in excess thereof.

The Bonds are not issuable in bearer form.

Transfers of interests in the Bonds evidenced by the Global Bonds 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".

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 June 30, 2012, 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 Holder 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 (as defined below).

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 or receiving payments or enforcing rights thereunder, 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 relevant payment of the principal of or 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.

Subject to certain exceptions, the Issuer will pay any present or future stamp, court or documentary taxes, or any other excise or property taxes, charges or similar levies which arise in any jurisdiction from the issue, initial delivery or registration of the Bonds or any other document or instrument referred to herein, excluding any such taxes, charges or similar levies imposed by any jurisdiction outside of the Cayman Islands and the ROC or any other jurisdiction in which the Issuer is organized or from which any payment on the Bonds is made (or any political subdivision or Taxing Authority thereof or therein) (except those resulting from or required to be paid in connection with, the enforcement of the Bonds or any other such document or instrument following the occurrence of any Event of Default with respect to the Bonds) and excluding those payable upon issue and delivery of Bonds to the order of a person other than a Holder.

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, and if the outstanding principal amount of the Bonds at the time when such redemption notice is given is greater than 10% of the aggregate principal amount of the Bonds as of the Closing Date, 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

At any time on or after October 1, 2015 and prior to the Maturity Date, the Bonds will be redeemable at the option of the Issuer, in whole but not in part, on 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 and the Agents, at a redemption price equal to 100% of the outstanding principal amount thereof; *provided, however*, that no such redemption may be made unless:

(l) the Closing Price (translated into U.S. Dollars at the Prevailing Exchange Rate (as defined below)) of the Common Shares for 20 out of 30 consecutive Trading Days (the "Calculation Period"), the last of which occurs not more than five days prior to the date on which notice of such redemption is given, is at least 130% of the Conversion Price in effect on the Applicable trading Day (translated into U.S. Dollars at the Fixed Exchange Rate); and

(2) the applicable Redemption Date does not fall within a Closed Period (as defined below).

Notwithstanding the foregoing, 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 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".

If there shall occur an event giving rise to a change in the Conversion Price during any Calculation Period, appropriate adjustments for the relevant days, determined by an opinion of an independent, internationally recognized investment bank selected by the Company and notified to the Trustee, shall be made for the purpose of calculating the Closing Price for such days. Notice of any such adjustments in the Conversion Price will be given promptly by the Company to the Trustee and the Paying Agent.

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 at the Option of the Holder

Unless the Bonds have been previously redeemed, repurchased and canceled, or converted, each Holder shall have the right (the "Holder's Put Right"), at such Holder's option, to require the Issuer to redeem, in whole or in part (being US$250,000 in principal amount or any integral multiple thereof), the Bonds held by such Holder, on October 1, 2015 (the "Holder's Put Date") at a redemption price equal to 100% of the outstanding principal amount thereof (the "Holder's Put Price").

Redemption of the Bonds in the Event of Delisting

In the event that the Common Shares cease to be listed or admitted to trading or are suspended from trading for a period equal to or exceeding 30 consecutive Trading Days 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, in whole or in part (being US$250,000 in principal amount or any integral multiple thereof), the Bonds held by such Holder 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 (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, in whole or in part (being US$250,000 in principal amount or any integral multiple thereof), the Bonds held by such Holder 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 the a redemption price equal to 100% of the outstanding principal amount thereof (the "Change of Control Put Price").

Redemption Procedures

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).

Notice of Exercise of the Company's Option to Redeem

In the case of any redemption other than on the Maturity Date, notice of redemption to each Holder shall specify the Redemption Date, the price at which such Bonds will be redeemed and the place or places of payment and that payment will be made upon presentation and surrender of the Bonds to be redeemed. Such notice shall also specify the Conversion Price then in effect and the date on which the right to convert such Bonds will expire.

The Issuer has initially designated Citibank, N.A., London Branch as the office or agency for (i) the presentation and surrender of the Bonds for payment of principal, (ii) the presentation of the Bonds for exchange, conversion, transfer and registration of transfer as provided in the Indenture and (iii) the service of notices and demands to or upon the Issuer in respect of the Bonds or of the Indenture. The Issuer has initially designated Citibank, N.A., London Branch as the Registrar for maintaining the Register.

Notice of Put Rights

Not more than ten days after becoming aware of a Delisting or Change of Control, or not less than 30 days nor more than 60 days prior to the Holder's Put Date, 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 Delisting Put Right, Change of Control Put Right or Holder's Put Right, 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) the date by which the Holder Redemption Notice (as defined below) must be given;

(E) the Holder's Put Price, 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;

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

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

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

(I) 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.

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 Rule 144A Global Bond or International Global Bond in certain circumstances.

"Change of Control" means when:

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

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 (i) 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 (ii) 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$10.00 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$452.68 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 below).

"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 30 Trading Days prior to such date, (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 30 Trading Days prior to such date 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 of 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.

“Prevailing Exchange Rate” means, for each relevant Trading Day, the fixing rate at 11:00 a.m. (Taipei time), expressed as the number of NT Dollars per one U.S. Dollar, as quoted by Taipei Forex Inc.

“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 or the Holder in accordance with the provisions of the Indenture, including the Holder’s Put Date, Delisting Put Date and the Change of Control Put Date 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 (i) 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 (ii) 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 of and Additional Amounts on the Bonds, 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$250,000 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) 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$29.3320 = 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 U.S. Dollars for any fraction of a Common Share not issued as aforesaid, net of remittance fees, rounding to one U.S. 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 PRC persons 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 of and other amounts on such Bonds.

See "Risk Factors — Risks Relating to the GDS, the Bonds or the Shares — A liquid market for the GDS or 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:

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

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:

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

where:

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

N = the number of Common Shares outstanding on the date prior to the date of the shareholders' meeting approving such employee stock bonuses.

n = the number of Common Shares to be distributed to employees as employee stock bonuses.

P = the Closing Price on the date prior to the date of the shareholders' meeting approving such employee stock bonuses, after taking into account the effect of any dividend payment.

M = the Market Value on the record date.

v = (n x P)/M

Notwithstanding the above, no adjustment shall be made if "M" is less than "P". 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.

Subject as provided below, 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.

Subject as provided below, 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 x [(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:

$$NCP = OCP \times [(N \times M) / (a + [(N - n) \times M])]$$

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.

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.

U.S. Tax Effect of Conversion Price Adjustment

In the event of a taxable distribution to holders of Common Shares which results in an adjustment of the Conversion Price (or in which Holders otherwise participate) or in the event that the Conversion Price is decreased at the discretion of the Issuer, Holders may be deemed to have received a distribution subject to United States federal income tax as a dividend. See "Taxation — United States Federal Income Tax Considerations — Bonds — Constructive Distributions."

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$10.00 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 one or more of the following events or conditions (each an "Event of Default") shall occur and be continuing, the Trustee may, and if so requested by the Holders of not less than 25% in aggregate principal amount in respect of the Bonds then outstanding shall (subject in each case to being indemnified and/or secured by Holders to its satisfaction), declare the principal of and other amounts on the Bonds to be immediately due and payable. In the case of certain events of bankruptcy or insolvency, the principal of and other amounts on the Bonds 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 Principal 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

(viii) 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, expend 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 Holder's Put Price upon exercise of the Holder's Put Right, the Delisting Put Price upon exercise of the Delisting Put Right, 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 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 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, Holder's Put Right, Delisting Put Right or Change of Control Put Right;

(vii) change the Holder's Put Date;

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

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

(x) 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;

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

(xii) 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) (i) 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; and (ii) as long as the Bonds are traded on the Euro MTF Market of the Luxembourg Stock Exchange and the rules of that exchange so require, notice shall be published, at our expense, either in a newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange (*www.bourse.lu*). 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, Luxembourg, notice to Holders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg 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 BONDS

Global Bonds

The International Global Bond and the Rule 144A Global Bond will be deposited with, and registered in the nominee name of the Common Depositary, and Euroclear and Clearstream, Luxembourg will credit their respective accountholders with the respective amounts of individual interests represented by the International Global Bond or the Rule 144A Global Bond, as the case may be. Such accounts will initially be designated by or on behalf of the joint bookrunners. Ownership of beneficial interests in the Global Bonds will be limited to persons who have accounts with Euroclear or Clearstream, Luxembourg or persons who hold interests through such accountholders. Ownership of beneficial interests in the Global Bonds will be shown on, and the transfer of that ownership will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg (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 Bonds will be made to the Common Depositary or their respective nominees as the registered owners thereof. 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 Bonds 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 Bonds, will immediately credit Euroclear and Clearstream, Luxembourg with payments in amounts proportionate to their respective interests in the principal amount of the Global Bonds as shown on their respective records.

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 Bonds may be limited by such laws.

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

Euroclear and Clearstream, Luxembourg 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, Luxembourg 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, Luxembourg 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, Luxembourg 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, Luxembourg participant, either directly or indirectly.

Individual Definitive Bonds

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 Bonds and a successor depository is not appointed by the Company within 90 days, (ii) either Euroclear or Clearstream, Luxembourg or any alternative clearing system on behalf of which the International Bonds evidenced by the International 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 International Global Bond or Rule 144A Global Bond in any authorized denominations and in an aggregate principal amount equal to the principal amount of the Global Bonds. Persons exchanging interests in the Global Bonds for Certificated Bonds will be required to provide to the Registrar, through the relevant clearing system, written instructions and other information required by the Issuer and the Registrar to complete, execute, authenticate and deliver such Certificated Bonds.

TAXATION

We are incorporated in the Cayman Islands, and our principal operating subsidiaries are located in the PRC and Taiwan.

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 are not party to any double tax treaties that are applicable to any payments made to or by the Company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

ROC Taxation of Non-Residents

The following is a summary under present law of the principal ROC tax consequences of the ownership and disposition of the Shares, GDSs or Bonds by 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 foreign national individual who owns Shares, GDSs or Bonds and is not physically present in the ROC for 183 days or more during any calendar year and a "Non-ROC Resident Entity" is a corporation or a non-corporate body that owns Shares, GDSs or Bonds and is organized under the laws of a jurisdiction other than the ROC and has no fixed place of business or business agent in the ROC.

You should consult your tax advisors concerning the ROC tax consequences of owning the Shares, GDSs or Bonds and the laws of any relevant taxing jurisdiction to which you are subject.

Dividends on the Shares

According to the ROC Ministry of Finance Ruling No. 9704086730, dated September 23, 2008, dividends (whether in cash or Shares) declared by the Company are not ROC sourced income. Accordingly, for Non-ROC Holders, dividends paid to them are not subject to ROC income tax.

Capital Gains

- Capital gains from the sale or disposal of the Shares

Capital gains realized from the sale/disposal of the Shares on or before December 31, 2012 are exempt from ROC income tax under Article 4-1 of the ROC Income Tax Act.

Starting from January 1, 2013, Non-ROC Resident Entities will remain exempt from income tax on capital gains from sale/disposal of the Shares. However, Non-ROC Resident Individuals will be subject to ROC income tax on capital gains from the sale/disposal of the Shares. Capital loss incurred therefrom can be deducted from capital gains in calculating the net capital gain and income tax liability, but cannot be carried forward to subsequent years. Capital gains are taxed at a flat rate of 15%. In addition, only 50% of the net capital gains will be subject to income tax if the Non-ROC Resident Individual has held the underlying Shares for one year or longer. As a result, the tax agent of each Non-ROC Resident Individual should pay the income tax payable, if any, and file an income tax return in May 2014 for the capital gains that the Non-ROC Resident Individual generates in year 2013.

- Capital gains from the sale or disposal of the GDSs or the Bonds

Sales or disposal of the GDSs or the Bonds are not regarded as sales of ROC securities, and thus any gains generated therefrom by Non-ROC Holders are not subject to ROC income tax.

Securities Transaction Tax

The ROC government imposes a securities transaction tax, or STT, that applies to the sale of the Shares. The STT, which is payable by the seller, is levied on the sale of the Shares at the rate of 0.3% of the gross amount received. A transfer of the GDSs or the Bonds, however, is not subject to this tax, nor would a withdrawal of the Shares from the GDR facility or a conversion of the Bonds.

Estate Tax and Gift Tax

Apart from a number of exclusions, deductions and exemptions, ROC estate tax is payable on any property located in the ROC of a deceased Non-ROC Resident Individual, and ROC gift tax is payable on any property located in the ROC donated by a Non-ROC Resident Individual. Estate tax and gift tax are currently imposed at the rate of 10%. Under ROC estate and gift tax laws, the Shares, the GDSs and Bonds issued by us are deemed properties located outside of the territory of the ROC. Therefore, a Non-ROC Resident Individual who holds the Shares, GDSs or Bonds will not be subject to the ROC estate or gift tax.

For the purposes of ROC estate and gift tax, a Non-ROC Resident Individual means a descendant or donor who does not meet any of the following criteria:

(1) Maintaining a domicile in the ROC within two years immediately prior to the event of death or making the gift.

(2) Residing inside the ROC without maintaining a domicile, but having stayed in the ROC for more than 365 days within two years immediately prior to the event of death or making the gift.

You should review your residential status based on the above mentioned rule.

United States Federal Income Tax Considerations

To ensure compliance with Internal Revenue Service Circular 230, you are hereby notified that any discussion of tax matters set forth in this offering memorandum was written in connection with the promotion or marketing of the transactions or matters addressed herein and was not intended or written to be used, and cannot be used by any prospective investor, for the purpose of avoiding tax-related penalties under U.S. federal, state or local tax law. Each prospective investor should seek advice based on its particular circumstances from an independent tax advisor.

The following summary describes certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Bonds, GDSs and the Shares into which the Bonds may be converted or the GDSs may be exchanged, as of the date hereof. The discussion set forth below is applicable to you if you are a U.S. Holder (as defined below). Except where noted, this summary deals only with a Bond, GDS or Share held as a capital asset (generally, property held for investment) by a U.S. Holder who purchases GDSs or Bonds pursuant to this offering at their initial offering price. As used herein, the term "U.S. Holder" means a holder of a Bond, GDS or Share that is for U.S. federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person.

This summary does not represent a detailed description of the U.S. federal income tax consequences applicable to you if you are subject to special treatment under the U.S. federal income tax laws, including if you are:

- a dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- an insurance company;
- a tax-exempt organization;
- a person holding Bonds, GDSs or Shares as part of a hedging, conversion or other integrated transaction, a constructive sale or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person liable for alternative minimum tax;
- a person who owns or is deemed to own 10% or more of our voting stock;
- a U.S. expatriate;

- a partnership or other pass-through entity for U.S. federal income tax purposes; or
- a person whose "functional currency" is not the U.S. dollar.

The discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and U.S. Treasury regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be replaced, revoked or modified (possibly with retroactive effect) so as to result in U.S. federal income tax consequences different from those discussed below. In addition, this summary is based, in part, upon representations made by the Depositary to us and assumes that the Deposit Agreements, and all other related agreements, will be performed in accordance with their terms.

If a partnership holds Bonds, GDSs or Shares, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding Bonds, GDSs or Shares, you should consult your own tax advisors.

The discussion below does not contain a detailed description of all the U.S. federal income tax consequences to you in light of your particular circumstances and does not address the effects of any state, local or non-U.S. tax laws. **If you are considering the purchase of Bonds or GDSs, you should consult your own tax advisors concerning the particular U.S. federal income tax consequences to you of your acquisition, ownership and disposition of the Bonds, GDSs or Shares, as well as the consequences to you arising under the laws of any other taxing jurisdiction.**

Bonds

No Original Issue Discount

This discussion assumes that the Bonds will not be issued with more than a *de minimis* amount of original issue discount. In such case, because there is no stated interest with respect to the Bonds, you generally will not be required to include any amounts in income in respect of interest on the Bonds.

Sale, Exchange, Redemption, or other Disposition of Bonds

Except as provided below under "— Conversion of Bonds", you will generally recognize capital gain or loss upon the sale, exchange, redemption or other taxable disposition of a Bond equal to the difference between the amount realized upon the sale, exchange, redemption or other taxable disposition and your adjusted tax basis in the Bond. Your adjusted tax basis in a Bond will generally be equal to your cost for that Bond. If you are a non-corporate U.S. Holder, including an individual, who has held the Bond for more than one year, you will be eligible for reduced tax rates under current law. The deductibility of capital losses is subject to limitations. Any such gain or loss that you recognize will generally be treated as U.S. source income or loss for foreign tax credit limitation purposes. Consequently, you may not be able to use the foreign tax credit arising from any ROC tax imposed on the disposition of Bonds unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from foreign sources.

You should note that any ROC securities transaction tax will not be treated as a creditable foreign tax for U.S. federal income tax purposes, although you may be entitled to deduct such taxes, subject to applicable limitations under the Code. You are urged to consult your tax advisors regarding the tax consequences if a foreign withholding tax is imposed on a disposition of Bonds, including the availability of the foreign tax credit under your particular circumstances.

Conversion of Bonds

You will generally not recognize gain or loss on the conversion of your Bonds into Shares except to the extent of cash received in lieu of a fractional Share. The amount of gain or loss you recognize on the receipt of cash in lieu of a fractional Share will be equal to the difference between the amount of cash you receive in respect of the fractional Share and the portion of your adjusted tax basis in the Bonds allocable to the fractional Share. The tax basis of the Shares received upon a conversion of a Bond will equal the adjusted tax basis of the Bond that was converted (excluding the portion of the tax basis allocable to any fractional Share). Your holding period for the Shares will include the period during which you held the Bonds.

Constructive Distributions

The conversion rate of the Bonds will be adjusted in certain circumstances. Under Section 305(c) of the Code, adjustments (or failures to make adjustments) that have the effect of increasing your proportionate interest in our assets or earnings may in some circumstances result in a deemed distribution to you. Adjustments to the conversion rate made pursuant to a bona fide reasonable adjustment formula that has the effect of preventing the dilution of the interests of the holders of the Bonds, however, will generally not be considered to result in a deemed distribution to you. Certain of the possible conversion rate adjustments provided in the Bonds (including, without limitation, adjustments in respect of dividends to holders of our Shares) may not qualify as being pursuant to a bona fide reasonable adjustment formula. If such adjustments are made, you will be deemed to have received a distribution even though you have not received any cash or property as a result of such adjustments. Any deemed distributions will be taxable as a dividend, return of capital, or capital gain in accordance with the earnings and profits rules under the Code.

GDSs and Shares

If you hold GDSs, for U.S. federal income tax purposes, you generally will be treated as the owner of the underlying Shares that are represented by such GDSs. Accordingly, deposits or withdrawals of Shares for GDSs will not be subject to U.S. federal income tax.

Distributions on GDSs or Shares

The gross amount of distributions (including constructive distributions) on the GDSs or Shares (including any amounts withheld to reflect ROC withholding taxes) will be taxable as dividends, to the extent paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Such income (including any withheld taxes) will be includable in your gross income as ordinary income on the day actually or constructively received by you, in the case of the Shares, or by the Depositary, in the case of GDSs. Such dividends will not be eligible for the dividends received deduction allowed to corporations under the Code.

If you are a non-corporate U.S. Holder, including an individual, certain dividends received before January 1, 2013 from a qualified foreign corporation may be subject to reduced rates of taxation if certain conditions are met. We do not believe that any dividends paid by us currently meet these conditions. You should consult your own tax advisors regarding the application of these rules given your particular circumstances.

The amount of any dividend paid in foreign currency will equal the U.S. dollar value of the foreign currency received calculated by reference to the exchange rate in effect on the date the dividend is received by you, in the case of Shares, or by the Depositary, in the case of GDSs, regardless of whether the foreign currency is converted into U.S. dollars. If the foreign currency received as a dividend is converted into U.S. dollars on the date it is received, you generally will not be required to recognize foreign currency gain or loss in respect of the dividend income. If the foreign currency received as a dividend is not converted into U.S. dollars on the date of receipt, you will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any gain or loss realized on a subsequent conversion or other disposition of the foreign currency will be treated as U.S. source ordinary income or loss.

Subject to certain conditions and limitations, ROC withholding taxes on dividends, if any, may be treated as foreign taxes eligible for credit against your U.S. federal income tax liability. For purposes of calculating the foreign tax credit, dividends paid on the GDSs or Shares will be treated as income from sources outside the United States and will generally constitute passive category income. Further, in certain circumstances, if you have held GDSs or Shares for less than a specified minimum period during which you are not protected from risk of loss, or are obligated to make payments related to the dividends, you will not be allowed a foreign tax credit for foreign taxes imposed on dividends paid on GDSs or Shares. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits, it will be treated first as a tax-free return of your tax basis in the GDSs or Shares, and to the extent the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain. However, we do not expect to keep earnings and profits in accordance with U.S. federal income tax principles. Therefore, you should expect that a distribution will generally be treated as a dividend (as discussed above).

Sale, Exchange, Redemption or other Disposition of GDSs or Shares

You will recognize capital gain or loss upon the sale, exchange, redemption or other taxable disposition of GDSs or Shares equal to the difference between the amount realized for the GDSs or Shares and your tax basis in the GDSs or Shares. If you are a non-corporate U.S. Holder, including an individual, who has held the GDSs or Shares for more than one year, you will be eligible for reduced tax rates under current law. The deductibility of capital losses is subject to limitations. Any such gain or loss that you recognize will generally be treated as U.S. source income or loss for foreign tax credit limitation purposes. Consequently, you may not be able to use the foreign tax credit arising from any ROC tax imposed on the disposition of GDSs or Shares unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from foreign sources.

You should note that any ROC securities transaction tax will not be treated as a creditable foreign tax for U.S. federal income tax purposes, although you may be entitled to deduct such taxes, subject to applicable limitations under the Code. You are urged to consult your tax advisors regarding the tax consequences if a foreign withholding tax is imposed on a disposition of GDSs or Shares, including the availability of the foreign tax credit under your particular circumstances.

Passive Foreign Investment Company

We do not believe that we are, for U.S. federal income tax purposes, a passive foreign investment company (a “PFIC”), and we expect to operate in such a manner so as not to become a PFIC. If, however, we are or become a PFIC, you could be subject to additional U.S. federal income taxes on gain recognized with respect to the Bonds, GDSs or Shares and on certain distributions, plus an interest charge on certain taxes treated as having been deferred under the PFIC rules.

Information Reporting and Backup Withholding

In general, information reporting will apply to dividends in respect of the GDSs or Shares and the proceeds from the sale, exchange, redemption or other disposition of the Bonds, GDSs or Shares that are paid to you within the United States (and in certain cases, outside the United States), unless you are an exempt recipient such as a corporation. A backup withholding tax may apply to such payments if you fail to provide a taxpayer identification number or certification of other exempt status or fail to report in full dividend and interest income.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability provided the required information is furnished to the Internal Revenue Service in a timely manner.

TRANSFER RESTRICTIONS

The GDSs, the Bonds and the Shares represented by such GDSs or the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, United States persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The GDSs and the Bonds are not being offered or sold in the United States except through the U.S. selling agents of certain of the Initial Purchasers only to qualified institutional buyers, as defined in Rule 144A, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A.

The GDSs and the Bonds sold outside the United States and the ROC will be offered by the Initial Purchasers to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act.

Except in certain limited circumstances, interests in the GDSs may only be held through owning beneficial interests in the master global depositary receipts, or master GDRs. Such interests in the master GDRs will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream, Luxembourg.

Except in certain limited circumstances, interests in Bonds may only be held through holding interests in Bonds evidenced by one or more Global Bonds. Such interests will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream, Luxembourg.

Any resale or other transfer, or attempted resale or other transfer, made other than in compliance with the restrictions described below will not be recognized by us, the Depositary or the Trustee, as the case may be.

Transfer Restrictions on the Rule 144A GDSs

Each owner of an interest in Rule 144A GDSs, by its acceptance thereof, will be deemed to have acknowledged and represented to and agreed with us, the Depositary and the Initial Purchasers that (terms used herein that are defined in Rule 144A or Regulation S are used as defined therein):

1. the Rule 144A GDSs and the Shares represented thereby have not been and are not expected to be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer;

2. such owner is purchasing the Rule 144A GDSs for:

    - its own account or an account and it is a QIB, or

    - an account with respect to which it exercises sole investment discretion or for transfer to an account as it may lawfully direct the Depositary and that such account is a QIB;

3. such owner is aware that the transferor of such securities is relying on the exemption from registration under the Securities Act provided by Rule 144A for the transfer;

4. such owner will not offer, sell, pledge or otherwise transfer any interest in the Rule 144A GDSs or Shares represented thereby except as permitted by the applicable legend set forth in paragraph (5) below;

5. the Rule 144A GDRs will bear legends to the following effect, unless we and the Depositary determine otherwise in compliance with applicable law, and that such owner will observe the restrictions contained therein:

NEITHER THIS RULE 144A GDR, NOR THE RULE 144A GDSs EVIDENCED HEREBY, NOR THE RULE 144A DEPOSITED SECURITIES REPRESENTED THEREBY HAVE BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR OTHER TRANSFER OF THIS RULE 144A GDR, THE RULE 144A GDSs EVIDENCED HEREBY AND THE RULE 144A DEPOSITED SECURITIES REPRESENTED THEREBY IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. THE HOLDERS AND THE BENEFICIAL OWNERS HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS RULE 144A GDR AND THE RULE 144A GDSs EVIDENCED HEREBY, ACKNOWLEDGE THAT SUCH RULE 144A GDR, THE RULE 144A GDSs EVIDENCED HEREBY AND THE RULE 144A DEPOSITED SECURITIES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND AGREE FOR THE BENEFIT OF THE COMPANY AND THE DEPOSITARY THAT THIS RULE 144A GDR, THE RULE 144A GDSs EVIDENCED HEREBY AND THE RULE 144A DEPOSITED SECURITIES REPRESENTED THEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE LAWS OF THE STATES, TERRITORIES AND POSSESSIONS OF THE UNITED STATES GOVERNING THE OFFER AND SALE OF SECURITIES AND ONLY (1) OUTSIDE THE UNITED STATES TO A PERSON OTHER THAN A U.S. PERSON (AS SUCH TERMS ARE DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, (2) TO A PERSON WHOM THE HOLDER AND THE BENEFICIAL OWNER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT.

THE BENEFICIAL OWNER OF RULE 144A DEPOSITED SECURITIES RECEIVED UPON CANCELLATION OF ANY RULE 144A GDS MAY NOT DEPOSIT OR CAUSE TO BE DEPOSITED SUCH SECURITIES INTO ANY DEPOSITARY RECEIPT FACILITY ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK, OTHER THAN A RULE 144A RESTRICTED DEPOSITARY RECEIPT FACILITY, SO LONG AS SUCH SECURITIES ARE "RESTRICTED SECURITIES" WITHIN THE MEANING OF RULE 144(a)(3) UNDER THE SECURITIES ACT. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALE OF THE RULE 144A DEPOSITED SECURITIES OR THE RULE 144A GDSs.

EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THIS RULE 144A GDR OR A BENEFICIAL INTEREST IN THE RULE 144A GDSs EVIDENCED HEREBY, AS THE CASE MAY BE, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

Transfer Restrictions on the Regulation S GDSs

Each owner of an interest in Regulation S GDSs, by its acceptance thereof, will be deemed to have acknowledged and represented to and agreed with us, the Depositary and the Initial Purchasers that (terms used herein that are defined in Rule 144A or Regulation S are used as defined therein):

1. the Regulation S GDSs and the Shares represented thereby have not been and are not expected to be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer;

2. such owner will not offer, sell, pledge or otherwise transfer any interest in the Regulation S GDSs or Shares represented thereby except as permitted by the applicable legend set forth in paragraph (4) below;

3. the Regulation S GDRs will bear legends to the following effect, unless we and the Depositary determine otherwise in compliance with applicable law, and that such owner will observe the restrictions contained therein:

   NEITHER THIS REGULATION S GDR, NOR THE REGULATION S GDSs EVIDENCED HEREBY, NOR THE REGULATION S DEPOSITED SECURITIES REPRESENTED THEREBY HAVE BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR OTHER TRANSFER OF THIS REGULATION S GDR, THE REGULATION S GDSs EVIDENCED HEREBY AND THE REGULATION S DEPOSITED SECURITIES REPRESENTED THEREBY EACH IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. THE HOLDERS AND THE BENEFICIAL OWNERS HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS REGULATION S GDR AND THE REGULATION S GDSs EVIDENCED HEREBY, ACKNOWLEDGE THAT SUCH REGULATION S GDR, THE REGULATION S GDSs EVIDENCED HEREBY AND THE REGULATION S DEPOSITED SECURITIES REPRESENTED THEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT.

Transfer Restrictions on the Rule 144A Bonds

Each purchaser of Bonds within the United States, pursuant to Rule 144A, by accepting delivery of this offering memorandum and the Bonds, will be deemed to have represented, agreed and acknowledged that:

1. it is:

- it is a QIB, as defined in Rule 144A;

- acquiring such Bonds for its own account or for the account of a QIB, and

- aware, and each beneficial owner of such Bonds has been advised, that the sale of such Bonds to it is being made in reliance on Rule 144A;

2. it understands that such Bonds and the Common Shares to be issued upon conversion of such Bonds or the GDSs representing such Common Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or otherwise transferred except:

- in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB,
- in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, or
- pursuant to an exemption from registration under the U.S. Securities Act provided by Rule 144 thereunder (if available);

in each case in accordance with any applicable securities laws of any State of the United States;

3. it understands that the Rule 144A global bond and any physical certificate evidencing the Rule 144A Bonds constitute "restricted Bonds" under the indenture and, unless otherwise determined by us, will bear a legend to the following effect:

THE ZERO COUPON CONVERTIBLE BONDS DUE 2017 (THE "BONDS") AND THE COMMON SHARES ISSUABLE UPON CONVERSION OF THE BONDS HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. ACCORDINGLY, THE BONDS ARE BEING OFFERED AND SOLD IN THE UNITED STATES ONLY TO QUALIFIED INSTITUTIONAL BUYERS IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF THE BONDS MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. THE BONDS AND THE COMMON SHARES ISSUABLE UPON CONVERSION THEREOF ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED HEREIN AND IN THE INDENTURE UNDER WHICH THE BONDS ARE ISSUED. EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THE BONDS EVIDENCED HEREBY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS;

4. it understands that to exercise its conversion rights it must make the representations, warranties and undertakings, including, among other things, that it is a qualified institutional buyer within the meaning of Rule 144A and with respect to certain restrictions on transfer that may apply to the Common Shares received upon conversion or the GDSs representing such Common Shares, contained in the conversion notice described under "Description of the Bonds — Conversion";

5. it understands that the Bonds offered in reliance on Rule 144A will be represented initially by a Rule 144A Global bond. Before any interest in a Rule 144A Global Bond may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an international global bond, it will be required to deliver a written certificate (in the form provided in the indenture) as to compliance with, among other things, applicable securities laws;

6. if it is acquiring any Bonds for the account of one or more QIBs, it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account; and

7. we, the Trustee, the Initial Purchasers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

Transfer Restrictions on the International Bonds

Every person purchasing Bonds outside the United States and the ROC pursuant to Regulations S, and each purchaser of such Bonds in subsequent resales, by accepting delivery of this offering memorandum and the Bonds will be deemed to have represented, agreed and acknowledged that:

1. it understands that such Bonds and the Common Shares to be issued upon conversion of the Bonds or GDSs representing such Common 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. it is purchasing such Bonds outside the United States in an offshore transaction meeting the requirements of Regulation S;

3. it agrees (or if it is a broker-dealer, its customer has confirmed to it that such customer agrees) that it (or such customer) will not offer, sell, pledge or otherwise transfer such Bonds except as permitted by the applicable legend set forth in paragraph (4) below;

4. it understands that the International Global Bond and any physical certificate evidencing the International 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 ZERO COUPON CONVERTIBLE BONDS DUE 2017 (THE "BONDS") AND THE COMMON SHARES ISSUABLE UPON CONVERSION OF THE BONDS HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE SECURITIES LAWS. EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THE BONDS EVIDENCED HEREBY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS;

5. it understands that the Bonds offered in reliance on Regulation S will be represented initially by an International Global Bond. Before any interest in an International Global Bond may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Bond, it and the transferee will be required to deliver written certificates (in the forms provided in the Indenture) as to, among other things, the transferee's status as a QIB;

6. we, the trustee, the initial purchasers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

PLAN OF DISTRIBUTION

J.P. Morgan Securities plc and Nomura International (Hong Kong) Limited, each trading as J.P. Morgan Securities plc and Nomura International (Hong Kong) Limited are the joint bookrunners of this offering.

Subject to the terms and conditions stated in a GDS purchase agreement, dated as of September 25, 2012, entered into between us and the Initial Purchasers, each Initial Purchaser has agreed to purchase, and we have agreed to sell to that Initial Purchaser, the following respective number of GDSs:

Initial Purchasers	Number of GDSs
J.P. Morgan Securities plc	8,800,000
Nomura International (Hong Kong) Limited	8,800,000
Total	17,600,000

Subject to the terms and conditions stated in a Bonds purchase agreement, dated as of September 25, 2012, entered into between us and the Initial Purchasers, each Initial Purchaser has agreed to purchase, and we have agreed to sell to that Initial Purchaser, the following respective principal amount of Bonds, assuming that we do not issue any Optional Bonds:

Initial Purchasers	Principal Amount
J.P. Morgan Securities plc	US$100,000,000
Nomura International (Hong Kong) Limited	US$100,000,000
Total	US$200,000,000

Each of the respective purchase agreements provides that the obligations of the Initial Purchasers to purchase the GDSs or the Bonds, as applicable, included in this offering are subject to certain conditions, including receipt of certain legal opinions. The Initial Purchasers are obligated to purchase all the GDSs if they purchase any of the GDSs, and to purchase all the Bonds if they purchase any of the Bonds. The Company has granted the Initial Purchasers an option, exercisable up to and including October 1, 2012, to subscribe for up to an additional US$50,000,000 in principal amount of the Bonds.

The purchase price for the GDSs will be the initial offering price set forth on the cover page of this offering memorandum (the "GDS Offering Price"), less an underwriting commission equal to 1.5% of the gross proceeds of the GDS offering. The Initial Purchasers propose to resell the GDSs at the GDS Offering Price within the United States to QIBs (as defined in Rule 144A) in reliance on Rule 144A and outside the United States in reliance on Regulation S. After the GDSs are released for sale, the offering price and other selling terms may from time to time be varied by the Initial Purchasers.

The Initial Purchasers have agreed to purchase the Bonds at 100% of the principal amount of the Bonds, and we have agreed to pay the managers a combined underwriting commission of 0.2% of the principal amount of the Bonds purchased. The Initial Purchasers propose to resell the Bonds at 100% of the principal amount of the Bonds within the United States to QIBs (as defined in Rule 144A) in reliance on Rule 144A and outside the United States in reliance on Regulation S.

The GDSs, the Bonds and the Shares have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions." The GDSs and the Bonds will not be offered or sold directly or indirectly in the ROC, or to, or for the account or benefit of, any ROC person.

We have applied to have the GDSs and the Bonds listed on the Luxembourg Stock Exchange. However, we cannot assure you that the prices at which the GDSs or 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 GDSs or the Bonds will develop and continue after this offering. The Initial Purchasers have advised us that they currently intend to make a market in the GDSs. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the GDSs at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the GDSs. In connection with the offering, the Initial Purchasers may purchase and sell the GDSs in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions, and stabilizing purchases.

- Short sales involve secondary market sales by the Initial Purchasers of a greater number of securities than they are required to purchase in the offering.

- Covering transactions involve purchases of securities in the open market after the distribution has been completed in order to cover short positions.

- Stabilizing transactions involve bids to purchase securities so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the Initial Purchasers for their own accounts, may have the effect of preventing or retarding a decline in the market price of the GDSs. It may also cause the price of the GDSs to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The Initial Purchasers may conduct these transactions in the over-the-counter market or otherwise. If the Initial Purchasers commence any of these transactions, it may discontinue them at any time.

We may repurchase the Bonds (or, to the extent permitted by the relevant law, purchase derivatives related to the Bonds and/or our securities) from time to time, in amounts and at prices we deem appropriate, subject to market conditions and other considerations. Such repurchases and purchases may be executed using open market purchases, privately negotiated agreements or other transactions.

We expect to deliver the GDSs and the Bonds against payment for the GDSs and the Bonds on or about the date specified in the last paragraph of the cover page of this offering memorandum.

For a period of 90 days after the date of this offering memorandum, without the prior written consent of J.P. Morgan Securities plc and Nomura International (Hong Kong) Limited, we and several shareholders holding an aggregate of 25.57% of our total issued and outstanding share capital as of June 30, 2012, 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 the 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 the Shares or such other securities, in cash or otherwise, other than (i) the GDSs and the Bonds to be sold in this offering and (ii) any Shares issued upon the exercise of options granted under existing employee stock option plans. 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, and (D) make any application or filing with any applicable regulatory authority for issuance and offering of new shares approved by the shareholders prior to the date of this offering memorandum.

The Initial Purchasers have performed commercial banking, investment banking and advisory services for us from time to time for which it has received customary fees and reimbursement of expenses. The Initial Purchasers may, from time to time, engage in transactions with and perform services for us in the ordinary course of its business for which it may receive customary fees and reimbursement of expenses. In addition, affiliates of the Initial Purchasers are lenders, and in some cases agents or managers for the lenders, under our credit facility.

Pursuant to each of the purchase agreements, we have agreed to indemnify the Initial Purchasers against certain liabilities, including civil liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make in respect thereof.

Notice to prospective investors in the ROC and restriction on related party subscription under ROC law

Neither the GDSs nor the Bonds may 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 Initial Purchasers are prohibited from offering and selling the GDSs and/or the Bonds to the "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 GDSs and/or the Bonds described in this offering memorandum will be deemed to have acknowledged and represented to us and the Initial Purchasers that he, she or 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 GDSs and/or 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 GDSs and/or the Bonds on behalf of or for the benefit of a "related person" if: (i) the purchase price for the GDSs and/or the Bonds is directly or indirectly funded by such related person; (ii) the related person is entitled to manage, employ or dispose of the GDSs and/or the Bonds held under the name of such person; or (iii) the related person shares all or part of the gains, interests or losses on the GDSs and/or the Bonds held under the name of such person.

Notice to prospective investors in the European Economic Area

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a relevant member state), with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the relevant implementation date), an offer of securities described in this offering memorandum may not be made to the public in that relevant member state prior to the publication of a prospectus in relation to the securities that has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that, with effect from and including the relevant implementation date, an offer of securities may be offered to the public in that relevant member state at any time:

- to any legal entity that is authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000, and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- to fewer than 100 natural or legal persons (other than qualified investors as defined below) subject to obtaining the prior consent of the representatives for any such offer; or
- in any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

Each purchaser of securities described in this offering memorandum located within a relevant member state will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive.

For purposes of this provision, the expression an “offer to the public” 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 securities to be offered so as to enable an investor to decide to purchase or subscribe the securities, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each relevant member state.

The sellers of the securities have not authorized and do not authorize the making of any offer of securities through any financial intermediary on their behalf, other than offers made by the Initial Purchasers with a view to the final placement of the securities as contemplated in this offering memorandum. Accordingly, no purchaser of the securities, other than the Initial Purchasers is authorized to make any further offer of the securities on behalf of the sellers or the Initial Purchasers.

Notice to prospective investors in the United Kingdom

This offering memorandum is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”), or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such person being referred to as a “relevant person”). This offering memorandum and its contents should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

Notice to prospective investors in France

Neither this offering memorandum nor any other offering material relating to the securities described in this offering memorandum has been submitted to the clearance procedures of the Autorité des Marchés Financiers or of the competent authority of another member state of the European Economic Area and notified to the Autorité des Marchés Financiers. The securities have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this offering memorandum nor any other offering material relating to the securities has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France; or
- used in connection with any offer for subscription or sale of the securities to the public in France. Such offers, sales and distributions will be made in France only:
- to qualified investors (investisseurs qualifiés) and/or to a restricted circle of investors (cercle restreint d'investisseurs), in each case investing for their own account, all as defined in, and in accordance with, articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Code monétaire et financier;
- to investment services providers authorized to engage in portfolio management on behalf of third parties; or
- in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French Code monétaire et financier and article 211-2 of the General Regulations (Règlement Général) of the Autorité des Marchés Financiers, does not constitute a public offer (appel public à l'épargne).

The securities may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French Code monétaire et financier.

Notice to prospective investors in United States

The GDSs, the Bonds and the Shares have not been and will not be registered under the Securities Act for offer or sale as part of their distribution and may not be offered or sold in the United States except pursuant to an effective registration statement or in accordance with an applicable exemption from the registration requirements of the Securities Act. Accordingly, the GDSs and the Bonds are being offered and sold by the Initial Purchasers only (1) in the United States to QIBs pursuant to Rule 144A and (2) outside the United States in reliance upon Regulation S under the Securities Act.

The Initial Purchasers have agreed that they will not offer, sell or deliver any GDS or Bonds as part of its distribution at any time within the United States except to persons whom it reasonably believes to be qualified institutional buyers pursuant to Rule 144A, and that it will have sent to each dealer to which it sells the GDSs, the Bonds or the Shares a confirmation or other notice setting forth the restriction on offers and sales of GDSs or the Bonds within the United States.

Notice to prospective investors in Hong Kong

The securities may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong), and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the securities may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to securities which are or 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, Laws of Hong Kong) and any rules made thereunder.

Notice to prospective investors in Japan

The securities offered in this offering memorandum have not been registered under the Securities and Exchange Law of Japan. The securities have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law, and (ii) in compliance with any other applicable requirements of Japanese law.

Notice to prospective investors in Singapore

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 the securities may not be circulated or distributed, nor may the securities 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 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, in each case subject to compliance with conditions set forth in the SFA.

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

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) whose 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

- 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; or

- shares, debentures and units of shares and debentures 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 securities pursuant to an offer made under Section 275 of the SFA except:

    - to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

- where no consideration is or will be given for the transfer; or
- where the transfer is by operation of law. Notice to prospective investors in the United Arab Emirates

This offering memorandum is not intended to constitute an offer, sale or delivery of shares or other securities under the laws of the United Arab Emirates, or the UAE. The GDSs have not been and will not be registered under Federal Law No. 4 of 2000 Concerning the Emirates Securities and Commodities Authority and the Emirates Security and Commodity Exchange, or with the UAE Central Bank, the Dubai Financial Market, the Abu Dhabi Securities Market or with any other UAE exchange.

The offering, the GDSs and interests therein have not been approved or licensed by the UAE Central Bank or any other relevant licensing authorities in the UAE, and do not constitute a public offer of securities in the UAE in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise.

In relation to its use in the UAE, this offering memorandum is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The GDSs may not be offered or sold directly or indirectly to the public in the UAE.

Notice to prospective investors in the PRC

This offering memorandum is not intended to constitute a public offer of the GDSs or the Bonds, whether by way of sale or subscription, in the PRC. Other than to qualified domestic institutional investors in the PRC, the GDSs and 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 GDSs or 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.

SUMMARY OF CERTAIN MATERIAL DIFFERENCES BETWEEN ROC GAAP AND IFRS

Our financial statements are prepared and presented in accordance with ROC GAAP, which differs in certain material respects from IFRS. Certain material differences between ROC GAAP applicable to us and IFRS are summarized below. The summary should not be taken as inclusive of all ROC GAAP/IFRS differences. Additionally, no attempt has been made to quantify all differences or identify all disclosure, presentation or classification differences that would affect the manner in which events and transactions are presented in the financial statements or notes thereto. Further, no attempt has been made to identify future differences between ROC GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate ROC GAAP and IFRS have significant projects ongoing that could affect future comparisons such as this one.

If we were to prepare a complete reconciliation between ROC GAAP and IFRS additional accounting and disclosure differences might have come to our attention.

Subject	ROC GAAP	IFRSs
1. Defined benefit plan	Under ROC GAAP, actuarial gains or losses are accounted for under the corridor approach and amortized according to the average remaining service period of those employees who are still in service through profits or losses. Under ROC GAAP, minimum pension liability is the excess of accumulated benefits obligation over the fair value of pension plan assets at the balance sheet date. If the accrued pension liability recorded on the books is less than the minimum amount, the difference shall be recognized by crediting accrued pension liability.	Under IFRSs, according to IAS 19 "Employee Benefits", the Company elects to recognize actuarial gains or losses immediately in full in the period in which they occur, as other comprehensive income. The subsequent reclassification to profits or losses is disallowed. Under IFRSs, there is no relevant regulations.
2. Deferred tax assets/ liabilities	Under ROC GAAP, 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. Under ROC GAAP, a deferred income tax asset and 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, it is classified as either current or noncurrent based on the expected length of time before it is realized or settled. Under ROC GAAP, the current deferred income liabilities and assets arising from the same taxable entity should be offset against each other and presented as a net amount; and similarly for the noncurrent deferred liabilities and assets.	Under IFRSs, deferred income tax asset is only recognized to the extent that it is probable there will be sufficient taxable profits and the valuation allowance account is no longer used. Under IFRSs, a deferred income tax asset and liability is classified as noncurrent asset or liability. Under IFRSs, an entity shall offset deferred income tax assets and liabilities if the entity has a legally enforceable right to set off current income tax assets against current income tax liabilities, and the deferred income tax assets and liabilities arising from the same taxable entity and realized under the same taxation authority.

Subject	ROC GAAP	IFRSs
3. An investor/parent entity subscribes for additional associates/subsidiaries' newly issued shares at a percentage different from its existing ownership percentage	Under ROC GAAP, when the Company subscribes for its investee's newly issued shares at a percentage different from its percentage of ownership in the investee, the Company records the change in its equity in the investee's net assets as an adjustment to investments, with a corresponding amount charged to capital surplus — investment accounted for by equity method.	Under IFRSs, change in equity in an associate with significant influence retained is deemed as an acquisition or disposal of shares of associate; change in equity in a subsidiary with control retained is deemed as an equity transaction. In addition, based on the frequently asked questions related to the IFRS adoption issued by the Taiwan Stock Exchange, capital surplus items that do not conform to IFRSs or Company Law and relevant rules governed by the Ministry of Economic Affairs should be adjusted on the date of transition.
4. Presentation of prepayment for equipment	Under ROC GAAP, prepayments for equipment are classified as property, plant and equipment.	Under IFRSs, they are classified as prepayment and presented under noncurrent assets.
5. Assets leased to others	Under ROC GAAP, properties for rental purpose are classified as assets leased to others.	Under IFRSs, they should be classified as investment properties if they are for rental purpose, capital appreciation or both.
6. Land use right	Under ROC GAAP, land use right is classified as intangible assets.	Under IFRSs, it should be classified as prepaid rent.
7. Functional currency of foreign operation	Under ROC GAAP, the Company identifies the functional currency by making a comprehensive analysis of all economic indicators.	Under IFRSs, according to IAS 21 "The Effects of Changes in Foreign Exchange Rates", the Company considers the primary economic indicators first in determining its functional currency and then the secondary economic indicators.
8. Provision for warranties	Under ROC GAAP, provision for warranties are classified under accrued expenses.	Under IFRSs, provision for warranties shall be classified under provisions.
9. Net loss of subsidiaries allocated to non-controlling interest	Under ROC GAAP, losses applicable to the minority interest in a consolidated subsidiary may exceed the minority interest in the subsidiary's equity. The excess, and any further losses applicable to the minority interest, are allocated against the majority interest except to the extent that the minority interest has a binding obligation and is able to make an additional investment to cover the losses.	Under IFRSs, the net loss of subsidiaries should be allocated to the non-controlling interest even if the non-controlling interest is debit balance.
10. Explanations to reconciliation of the consolidated statement of comprehensive income	Under ROC GAAP, gain or loss on disposal of property, plant and equipment were recorded as nonoperating income or loss; for impairment loss was also recorded as nonoperating loss.	Under IFRSs, according to the nature of transaction, the Company reclassified gain or loss on disposal of property, plant and equipment to cost of goods sold and operating expenses; reclassified impairment loss on property, plant and equipment to cost of goods sold

11. Presentation currency	Under ROC GAAP, as Company'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 is translated at the historical exchange rate as required by the ROC regulations. Exchange differences arising from the translations of foreign currencies are recognized as effect of exchange rate under shareholders' equity.	Under IFRSs, the consolidated financial statements are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities at exchange rates prevailing on the balance sheet date, shareholders' equity at historical exchange rates, income and expenses at average exchange rates for the period, and exchange differences arising from the translation of the financial statements are recognized as cumulative translation adjustment.
12. Tax on retained earnings	Under ROC GAAP, Companies in the ROC are subject to 10% surtax on profits earned and retained since December 31, 1997. If the retained profits are distributed to the shareholders in the fiscal year following the year of earnings, the surtax could be avoided. If the earnings are not fully distributed to the shareholders, surtax is recorded as income tax expenses in the fiscal year when shareholders' decision on distribution is made.	Under IFRSs, Current and deferred tax assets and liabilities are measured at the tax rate applicable to the undistributed profits. Consequently, tax on undistributed earnings should be accrued during the period the earnings arise and adjusted to the extent of the distributions approved by the shareholders in the following year.

The information set forth above does not in any way attempt to quantify the effects of the aforementioned differences between ROC GAAP and IFRS and the impact of such differences would have on net income or shareholder's equity under IFRS.

LEGAL MATTERS

Certain legal matters with respect to the GDSs will be passed upon for us by Maples and Calder 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 as to U.S. federal and New York law.

INDEPENDENT AUDITORS

The consolidated financial statements (i) as of and for the years ended December 31, 2009, 2010 and 2011, and (ii) as of and for the six months ended June 30, 2011 and 2012 included in this offering memorandum have been audited by Deloitte & Touche, independent auditors, to the extent and for the periods indicated in their report appearing herein. Such reports express an unqualified opinion on the financial statements. Deloitte & Touche are located at 12th Floor, Hung Tai Financial Plaza, No. 156, Section 3, Min Sheng East Road, Taipei, Taiwan. Deloitte & Touche are a member of the Taiwan CPA Association.

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 Memorandum and Articles of Association, the object of which we are established is unrestricted and we shall have full power and authority to carry out any object not prohibited by the Companies Law. As at June 30, 2012, our authorized share capital was NT$6,000,000,000, divided into 600,000,000 Shares with a par value of NT$10 per Share, and our issued share capital was NT$2,385,498,980, divided into 238,549,898 Shares. In July 2012, we issued 70,581,269 new shares as dividends and 123,000 new share as a result of the exercise of employee share options, and our issued share capital increased to NT$3,092,541,670, divided into 309,254,167 shares with par value of NT$10 each. In August 2012, another 66,000 shares were issued as a result of the exercise of employee share options, and our issued share capital increased to NT$3,093,201,670, divided into 309,320,167 Shares. In September 2012, another 37,000 Shares were issued as a result of the exercise of employee share options, and our issued share capital increased to NT$3,093,571,670 divided into 309,357,167 Shares. In April 2011, we issued unsecured zero coupon convertible bonds with an aggregate principal amount of US$400 million denominated in US dollars with maturities in 2014. The convertible bonds were issued at 100% of their principal amount and will mature on April 20, 2014. Holders of the convertible bonds have the right under the terms of these bonds to convert the bonds into shares from May 31, 2011 to April 10, 2014. The bondholders are entitled to a put option in the event of change of control or delisting, while we have a call option for taxation reason or the outstanding principal amount is less than 10% of the principal amount we issued. As of June 30, 2012, we had outstanding convertible bonds in the amount of NT$10,300.2 million (US$344.7 million). We are not a subsidiary of any entity.

The Regulation S GDSs and Rule 144A GDSs have been accepted for clearance and settlement by DTC, Euroclear and Clearstream. Relevant trading information is set forth below.

	ISIN	Common Code	CUSIP	SEDOL
The GDSs:				
Regulation S GDSs	US87264G2012	070009056	87264G201	B4L3D51
Rule 144A GDSs	US87264G1022	070009021	87264G102	B3RZHR4

The International Bonds and Rule 144A Bonds have been accepted for clearance and settlement by Euroclear and Clearstream. Relevant trading information is set forth below.

	ISIN	Common Code	SEDOL
The Bonds:			
International Bonds	XS0832411283	083241128	B89G5Y3
Rule 144A Bonds	XS0832411879	083241187	B8PPSH8

Application has been made to admit the GDSs and the Bonds on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market of the Luxembourg Stock Exchange. As long as the GDSs and the Bonds are listed on the Luxembourg Stock Exchange, The Bank of New York Mellon (Luxembourg) S.A. will serve as intermediary between the Luxembourg Stock Exchange and persons connected with the issuance and listing of the GDSs and the Bonds.

We will apply to the TWSE for the listing of the Shares underlying the Offer GDSs as soon as practicable after the Closing Date. It is expected that the TWSE will approve the listing of the Shares on the fourth Trading

Day in the ROC following the Closing Date, although there is no assurance that such listing approval will be obtained by such date (if at all).

We have obtained all necessary consents, approvals and authorizations in connection with the issue of the shares and the GDSs and the Bonds. The issue of the Shares, the GDSs and the Bonds was authorized by the shareholders at a meeting held on May 16, 2012 and by the resolutions of our board of directors passed on August 27, 2012. Our shareholders waived their pre-emptive rights in respect of the shares to be represented by the GDSs pursuant to a resolution passed at the same shareholders' meeting held on May 16, 2012.

Except as disclosed, there has been no significant change in our financial or trading position since June 30, 2012 or any material adverse change in our financial position or prospects since June 30, 2012.

Except as disclosed at "Our Business — Legal Proceedings", neither we nor any of its subsidiaries is involved in any litigation or arbitration proceedings which may have, or have had during the period recently preceding the date of this offering memorandum, a material adverse effect on our financial position, nor, so far as any of them is aware, are any such proceedings pending or threatened except as may be otherwise disclosed or referred to herein.

In 2011, no public takeovers relating to us have taken place, and we conducted an initial public offering and listed the Shares on the TWSE on October 29, 2010.

No company in which we have a direct or indirect holding of more than 50% of capital or issued shares holds any Shares.

Copies (and certified English translations where the documents are not in English) of the following documents may be inspected, free of charge, at the specified offices of the Depositary and the Luxembourg Intermediary, The Bank of New York Mellon (Luxembourg) S.A. in Luxembourg, so long as the GDSs and the Bonds remain outstanding:

- our Memorandum and Articles of Association;
- the Deposit Agreements relating to the GDSs;
- the purchase agreement relating to the GDSs;
- the Indenture relating to the Bonds;
- the purchase agreement relating to the Bonds;
- this offering memorandum; and
- a copy of our audited semi-annual consolidated financial statements as of and for the years ended December 31, 2009, 2010 and 2011 and our audited semi-annual consolidated financial statements as of and for the six months ended June 30, 2011 and 2012.

In addition, copies of the most recent annual audited consolidated financial statements of the Company and any semi-annual financial statements and first-quarter and second-quarter summary financial information published by the Company will be available for collection free of charge at the specified office of the Depositary and the Luxembourg Intermediary, The Bank of New York Mellon (Luxembourg) S.A. in Luxembourg, so long as the GDSs and the Bonds are listed on the Luxembourg Stock Exchange. The Company publishes both its annual and interim financial statements. For as long as the GDSs and the Bonds are traded on the Euro MTF Market, we will publish all notices to holders of GDSs and the Bonds on the website of the Luxembourg Stock Exchange, which is *www.bourse.lu*.

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Index to financial statements

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, 2009, 2010 and 2011, 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, 2009, 2010 and 2011, 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 29, 2012

<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.

The auditors' report and the accompanying consolidated financial statements were originally presented in more than one set of Chinese financial reports. 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, 2009, 2010 AND 2011
(In Thousands, Except Par Value)

	2009	2010	2011	
	NT$	NT$	NT$	US$
ASSETS				
CURRENT ASSETS (Note 2)				
Cash (Note 4)	$ 1,670,865	$ 5,563,959	$10,382,671	$ 342,945
Accounts receivable, net (Notes 2, 3, 5 and 21)	835,049	11,998,886	7,853,182	259,395
Other receivables (Notes 5 and 21)	174,832	489,504	9,052,493	299,009
Other financial assets - current (Notes 2 and 6)	—	—	768,779	25,393
Inventories, net (Notes 2 and 7)	971,250	3,055,873	11,868,453	392,022
Deferred income tax assets - current (Notes 2 and 18)	19,841	—	—	—
Restricted assets - current (Note 12)	524,496	13,480	8,411	278
Other current assets (Notes 2 and 18)	73,091	1,165,271	2,478,139	81,854
Total current assets	4,269,424	22,286,973	42,412,128	1,400,896
LONG-TERM INVESTMENTS (Notes 2 and 8)				
Investments accounted for by the equity method	—	—	4,119,954	136,084
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 9 and 21)				
Cost				
Buildings	1,225,724	1,681,129	8,448,535	279,060
Machinery and equipment	4,307,085	10,154,586	27,987,639	924,447
Transportation and others	934,066	2,726,052	5,733,600	189,384
Total cost	6,466,875	14,561,767	42,169,774	1,392,891
Less: Accumulated depreciation	(1,055,964)	(1,993,033)	(4,870,508)	(160,876)
Less: Accumulated impairment	—	—	(57)	(2)
Construction in progress and prepayments for equipment	548,264	5,404,036	6,460,997	213,410
Total property, plant and equipment	5,959,175	17,972,770	43,760,206	1,445,423
INTANGIBLE ASSETS, NET (Notes 2 and 10)	517,110	1,290,850	2,194,183	72,475
OTHER ASSETS				
Assets leased to others, net (Notes 2, 9 and 11)	12,492	—	—	—
Refundable deposits (Note 21)	78,051	303,457	316,823	10,465
Deferred income tax assets - noncurrent (Notes 2 and 18)	134,557	67,182	143,863	4,752
Others (Notes 2 and 9)	18,893	8,096	6,216	205
Total other assets	243,993	378,735	466,902	15,422
TOTAL	$10,989,702	$41,929,328	$92,953,373	$3,070,300

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

	2009	2010	2011	
	NT$	NT$	NT$	US$
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES (Note 2)				
Short-term loans (Note 12)	$ 1,649,933	$ 3,408,924	$ 4,075,968	$ 134,631
Notes payable	697	2,491	450	15
Accounts payable	2,202,287	13,886,727	25,542,876	843,695
Accounts payable - related parties (Note 21)	534	37,305	548,704	18,124
Income tax payable (Notes 2 and 18)	63,526	431,306	563,375	18,609
Accrued expenses (Notes 16 and 21)	630,360	2,194,103	4,735,074	156,402
Payables on construction and equipment	455,459	2,686,705	5,627,283	185,872
Accrued liability on purchase commitment (Note 7)	—	150,466	121,961	4,028
Current portion of long-term loans (Note 14)	—	247,605	1,394,406	46,058
Deferred income tax liabilities - current (Notes 2 and 18)	—	310,435	1,663,916	54,960
Other current liabilities	39,561	85,079	40,393	1,334
Total current liabilities	5,042,357	23,441,146	44,314,406	1,463,728
LONG-TERM LIABILITIES				
Bonds payable (Notes 2 and 13)	—	—	10,339,275	341,512
Long-term loans (Notes 8 and 14)	594,900	3,604,535	8,805,866	290,863
Total long-term liabilities	594,900	3,604,535	19,145,141	632,375
OTHER LIABILITIES				
Accrued pension liabilities (Notes 2 and 15)	10,723	16,506	11,455	378
Guarantee deposits received	21,888	74,183	27,314	902
Shareholder accounts (Note 21)	—	—	66,402	2,193
Other liabilities - other	—	—	26,094	862
Total other liabilities	32,611	90,689	131,265	4,335
Total liabilities	5,669,868	27,136,370	63,590,812	2,100,438
SHAREHOLDERS' EQUITY (Notes 2, 8, 13, 15, 16, 17 and 18)				
Shareholders' equity of parent company				
Capital stock				
Common shares: US$0.1 par value in 2009, NT$10 par value in 2010 and 2011				
Authorized: 500,000 thousand shares in 2009, 300,000 thousand shares in 2010, 400,000 thousand shares in 2011				
Issued: 308,261 thousand shares in 2009, 224,068 thousand shares in 2010, 235,271 thousand shares in 2011	987,361	2,240,675	2,352,709	73,616
Capital surplus	1,431,416	6,473,247	8,097,983	267,481
Retained earnings				
Legal reserve	—	210,722	711,798	23,511
Unappropriated earnings	2,619,701	5,457,028	16,404,780	541,859
Total retained earnings	2,619,701	5,667,750	17,116,578	565,370
Other items of shareholders' equity				
Cumulative translation adjustments	263,937	417,403	1,656,819	58,821
Unrealized loss on financial instruments	—	—	(978)	(32)
Net loss not recognized as pension cost	—	(6,117)	(672)	(22)
Total other items of shareholders' equity	263,937	411,286	1,655,169	58,767
Total shareholders' equity of parent company	5,302,415	14,792,958	29,222,439	965,234
Minority interest	17,419	—	140,122	4,628
Total shareholders' equity	5,319,834	14,792,958	29,362,561	969,862
TOTAL	$10,989,702	$41,929,328	$92,953,373	$3,070,300

Note: The foreign exchange rate between the foreign currency and New Taiwan dollars is based on the exchange rate as of the date of the balance sheet for each year. However, the share capital is the total number of shares issued multiplied by NT$10 par value (fixed at the historical exchange rate). The exchange rates from U.S. dollars to New Taiwan dollars as of December 31, 2009, 2010 and 2011 were US$1=NT$32.03, US$1=NT$29.13 and US$1=NT$30.275, 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, 2009, 2010 AND 2011
(In Thousands, Except Earnings Per Share)

	2009	2010	2011	
	NT$	NT$	NT$	US$
OPERATING REVENUE (Note 2)	$18,718,393	$59,647,515	$143,599,458	$4,743,170
SALES RETURNS AND ALLOWANCES	(9,642)	(48,762)	(227,841)	(7,526)
NET OPERATING REVENUE (Notes 21 and 26)	18,708,751	59,598,753	143,371,617	4,735,644
COST OF GOODS SOLD (Notes 2, 7, 15, 16, 17, 19, 21 and 26)	14,472,878	49,581,726	119,178,923	3,936,546
GROSS PROFIT	4,235,873	10,017,027	24,192,694	799,098
OPERATING EXPENSES (Notes 2, 15, 16, 17, 19, 21 and 26)				
Marketing	118,005	373,029	779,578	25,750
General administrative	866,894	1,837,262	3,597,962	118,843
Research and development	638,713	1,574,291	3,491,151	115,314
Total operating expenses	1,623,612	3,784,582	7,868,691	259,907
OPERATING INCOME	2,612,261	6,232,445	16,324,003	539,191
NONOPERATING INCOME AND GAINS				
Interest income (Notes 23 and 26)	3,045	16,044	161,106	5,321
Valuation gain on financial assets (Notes 2 and 23)	—	—	1,626	54
Exchange gain, net (Note 2)	849	—	—	—
Government grant (Note 2)	544	24,327	352,341	11,638
Other income (Notes 2, 13 and 21)	53,847	67,512	177,994	5,879
Total nonoperating income and gains	58,285	107,883	693,067	22,892
NONOPERATING EXPENSES AND LOSSES				
Interest expenses (Notes 9, 23 and 26)	68,850	87,412	428,235	14,145
Loss on disposal of property, plant and equipment (Note 2)	—	—	22,924	757
Exchange loss, net (Note 2)	—	155,051	266,959	8,818
Investment loss recognized under equity method (Notes 2 and 8)	—	—	1,661,795	54,890
Valuation loss on financial liabilities (Notes 2 and 23)	—	—	6,891	228
Other loss (Notes 2 and 19)	37,541	164,541	249,697	8,247
Total nonoperating expenses and losses	106,391	407,004	2,636,501	87,085
INCOME BEFORE INCOME TAX	2,564,155	5,933,324	14,380,569	474,998
INCOME TAX EXPENSE (Notes 2 and 18)	254,142	1,185,445	3,153,190	104,151
CONSOLIDATED NET INCOME	$ 2,310,013	$ 4,747,879	$ 11,227,379	$ 370,847
ATTRIBUTABLE TO:				
Shareholders of the parent company	$ 2,317,007	$ 4,741,555	$ 11,344,312	$ 374,709
Minority interests	(6,994)	6,324	(116,933)	(3,862)
	$ 2,310,013	$ 4,747,879	$ 11,227,379	$ 370,847

	2009		2010		2011			
	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 20)								
Basic earnings per share	$12.96	$11.68	$28.36	$22.69	$61.74	$2.04	$48.22	$1.59
Diluted earnings per share	$12.51	$11.27	$27.45	$21.97	$58.75	$1.94	$46.12	$1.52

Note: The foreign exchange rate between the foreign currency and New Taiwan dollars is based on the exchange rate as of the date of the balance sheet for each year. However, the share capital is the total number of shares issued multiplied by NT$10 par value (fixed at the historical exchange rate). The exchange rates from U.S. dollars to New Taiwan dollars as of December 31, 2009, 2010 and 2011 were US$1=NT$32.03, US$1=NT$29.13 and US$1=NT$30.275, 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, 2009, 2010 AND 2011
(In Thousands, Except Par Value)

	Common Shares Issued - US$0.1 Par Value in 2009 NT$10 Par Value in 2010 and 2011 (Note 16)		Capital Surplus (Notes 2, 8, 13, 16 and 17)	Retained Earnings		Cumulative Translation Adjustments (Notes 2 and 8)	Unrealized Loss on Financial Instruments (Notes 2 and 8)	Net Loss Not Recognized as Pension Cost (Note 2)	Total Shareholders' Equity of Parent Company	Minority Interest	Total Shareholders' Equity
	Shares (In Thousands)	Amount		Legal Reserve (Note 16)	Unappropriated Earnings (Note 16)						
BALANCE, JANUARY 1, 2009	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	90,000	—	—	(90,000)	—	—	—	—	—	—
Conversion of par value from U.S. dollar to New Taiwan dollar	(208,261)	—	—	—	—	—	—	—	—	—	—
Issuance of common stock from capital surplus	80,000	800,000	(800,000)	—	—	—	—	—	—	—	—
Issuance of common stock for bonus to employees	7,068	70,675	134,465	—	—	—	—	—	205,140	—	205,140
Issuance of common stock for cash	28,000	280,000	5,880,000	—	—	—	—	—	6,160,000	—	6,160,000
Consolidated net income for the year ended December 31, 2010	—	—	—	—	4,741,555	—	—	—	4,741,555	6,324	4,747,879
Compensation costs recognized for employee stock options	—	—	179,467	—	—	—	—	—	179,467	—	179,467
Change in net loss not recognized as pension cost	—	—	—	—	—	—	—	(6,117)	(6,117)	—	(6,117)
Change in translation adjustments on long-term equity investments	—	—	—	—	—	387,385	—	—	387,385	—	387,385
Change in minority interest	—	—	—	—	—	—	—	—	—	(22,167)	(22,167)
Effect of exchange rate changes	—	12,639	(352,101)	—	(230,260)	(233,919)	—	—	(803,641)	(1,576)	(805,217)
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
Appropriations of 2010 earnings											
Legal reserve	—	—	—	492,793	(492,793)	—	—	—	—	—	—
Stock dividend	11,203	112,034	—	—	(112,034)	—	—	—	—	—	—
Consolidated net income for the year ended December 31, 2011	—	—	—	—	11,344,312	—	—	—	11,344,312	(116,933)	11,227,379
Compensation costs recognized for employee stock options	—	—	240,566	—	—	—	—	—	240,566	—	240,566
Equity component of convertible bonds	—	—	1,046,485	—	—	—	—	—	1,046,485	—	1,046,485
Gain on redemption of equity component of convertible bonds	—	—	74,317	—	—	—	—	—	74,317	—	74,317
Adjustment brought by changes in percentage of ownership in investees	—	—	8,927	—	—	—	—	—	8,927	(8,656)	271
Change in net loss not recognized as pension cost	—	—	—	—	—	—	—	5,686	5,686	—	5,686
Change in unrealized loss on available-for-sale financial assets	—	—	—	—	—	—	(978)	—	(978)	—	(978)
Change in minority interest	—	—	—	—	—	—	—	—	—	264,211	264,211
Change in translation adjustments on long-term equity investments	—	—	—	—	—	1,128,706	—	—	1,128,706	1,499	1,130,205
Effect of exchange rate changes	—	—	254,441	8,283	208,267	110,710	—	(241)	581,460	1	581,461
BALANCE, DECEMBER 31, 2011	235,271	$2,352,709	$8,097,983	$711,798	$16,404,780	$1,656,819	$(978)	$ (672)	$29,222,439	$ 140,122	$29,362,561
BALANCE, DECEMBER 31, 2011 (IN U.S. DOLLARS)	235,271	$ 73,616	$ 267,481	$ 23,511	$ 541,859	$ 58,821	$ (32)	$ (22)	$ 965,234	$ 4,628	$ 969,862

Note: The foreign exchange rate between the foreign currency and New Taiwan dollars is based on the exchange rate as of the date of the balance sheet for each year. However, the share capital is the total number of shares issued multiplied by NT$10 par value (fixed at the historical exchange rate). The exchange rates from U.S. dollars to New Taiwan dollars as of December 31, 2009, 2010 and 2011 were US$1=NT$32.03, US$1=NT$29.13 and US$1=NT$30.275, 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, 2009, 2010 AND 2011
(In Thousands)

	2009	2010	2011	
	NT$	NT$	NT$	US$
CASH FLOWS FROM OPERATING ACTIVITIES				
Consolidated net income	$ 2,310,013	$ 4,747,879	$ 11,227,379	$ 370,847
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	590,587	969,079	2,734,772	90,331
Amortization	108,988	90,280	142,457	4,705
Provision for doubtful accounts	9,127	20,684	61,652	2,036
Provision for (reversal of) loss on purchase commitment	—	149,260	(42,959)	(1,419)
Provision for loss on inventories	5,677	466,138	506,599	16,733
Investment loss recognized under equity method	—	—	1,661,795	54,890
Recognized (reversal of) impairment losses	(3,380)	155,878	182,488	6,028
Loss (gain) on disposal of property, plant and equipment	(939)	(289)	22,924	757
Loss on disposal of intangible assets	—	—	1,870	63
Amortization of discount on bonds payable	—	—	270,120	8,922
Gain on advance redemption of bonds payable	—	—	(71,464)	(2,360)
Valuation loss on financial assets	3,176	—	—	—
Compensation cost of employee stock options	—	179,467	240,566	7,946
Deferred income tax	4,082	386,457	1,293,659	42,730
Pension	(213)	638	(14)	(1)
Net changes in operating assets and liabilities				
Notes and accounts receivable	(141,087)	(11,150,449)	4,621,786	152,660
Other receivables	(104,110)	(351,690)	(8,591,096)	(283,769)
Inventories	(19,960)	(2,620,154)	(9,056,474)	(299,140)
Other current assets	79,168	(1,112,659)	(1,182,372)	(39,054)
Notes and accounts payable	57,222	11,897,384	11,584,933	382,657
Income tax payable	320,596	373,531	114,847	3,793
Accrued expenses	—	1,806,858	2,422,214	80,007
Other payables	(160,150)	—	—	—
Other current liabilities	38,763	(67,487)	(168,164)	(5,555)
Net cash provided by operating activities	3,097,560	5,940,805	17,977,518	593,807
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of investments accounted for by the equity method	—	—	(5,860,455)	(193,574)
Acquisition of other financial assets	—	—	(768,779)	(25,393)
Acquisition of property, plant and equipment	(1,409,152)	(10,711,172)	(23,458,452)	(774,846)
Acquisition of intangible assets	(55,323)	(261,810)	(593,905)	(19,617)
Proceeds from disposal of property, plant and equipment	46,446	5,419	16,724	554
Proceeds from disposal of intangible assets	—	26	—	—
Decrease (increase) in restricted assets	(524,496)	463,534	5,598	185
Decrease (increase) in refundable deposits	(69,135)	(232,295)	3,297	109
Decrease (increase) in other assets	(13,992)	(6,495)	4,330	143
Cash paid for acquisition of subsidiary	—	(909,672)	(35,600)	(1,176)
Net cash used in investing activities	(2,025,652)	(11,652,465)	(30,687,242)	(1,013,615)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (decrease) in short-term loans	(152,244)	1,900,601	427,605	14,124
Proceeds from long-term loans	594,639	3,392,486	9,625,597	317,939
Repayment of long-term loans	(207,118)	(135,788)	(3,514,935)	(116,100)
Issuance of convertible bonds	—	—	12,035,476	397,539
Redemption of convertible bonds	—	—	(774,056)	(25,568)

(Continued)

TPK HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011
(In Thousands)

	2009	2010	2011	
	NT$	NT$	NT$	US$
Increase (decrease) in other liabilities	$ (866)	$ —	$ 90	$ 3
Increase (decrease) in guarantee deposits received	21,513	54,277	(49,982)	(1,651)
Increase in shareholder accounts	—	—	15,609	516
Increase (decrease) in minority interest	24,413	(22,167)	53,553	1,769
Issuance of common stock for cash	—	5,852,236	—	—
Cash dividends paid	(192,180)	(1,373,246)	—	—
Net cash provided by financing activities	88,157	9,668,399	17,818,957	588,571
CASH INCREASE FROM ACQUISITION OF SUBSIDIARIES	—	9,380	90,525	2,990
EFFECT OF EXCHANGE RATE CHANGES	(17,055)	(73,025)	(381,046)	(19,812)
NET INCREASE IN CASH	1,143,010	3,893,094	4,818,712	151,941
CASH AT THE BEGINNING OF YEAR	527,855	1,670,865	5,563,959	191,004
CASH AT THE END OF YEAR	$1,670,865	$ 5,563,959	$10,382,671	$342,945
NON-CASH INVESTING AND FINANCING ACTIVITIES				
Reclassification of leased assets and other assets to property, plant and equipment	$ —	$ 25,882	$ —	$ —
Reclassification of fixed assets to idle assets	$ —	$ 155,878	$ 183,682	$ 6,068
Issuance of common stock for bonus to employees	$ —	$ 189,345	$ —	$ —
Current portion of long-term loans	$ —	$ 247,605	$ 1,394,406	$ 46,058
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS				
Acquisition of property, plant and equipment	$1,397,405	$12,880,793	$26,260,990	$867,415
Decrease (increase) in payables on construction and equipment	11,747	(2,169,621)	(2,802,538)	(92,569)
Cash paid for acquisition of property, plant and equipment	$1,409,152	$10,711,172	$23,458,452	$774,846
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid for interest	$ 79,182	$ 82,780	$ 143,143	$ 4,983
Cash paid for income tax	$ 182,999	$ 373,258	$ 1,152,964	$ 38,083

On March 12, 2010, 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. 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)	(5,012)
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

(Continued)

(In Thousands)

On April 1, 2011, TPK Asia Pacific Sdn. Bhd., one of the subsidiaries, acquired 52.94% equity interest in MasTouch Optoelectronics Technologies Co., Ltd. (MTOT). The acquisition consideration and the fair values of acquired net assets were summarized as follows:

	NT$	US$
Current assets	$ 304,296	$10,350
Property, plant and equipment, net	76,122	2,589
Goodwill	18,416	626
Other intangible assets	85,921	2,923
Other assets	20,199	687
Current liabilities	(126,954)	(4,318)
Cash paid for acquisition	$ 378,000	$12,857

On July 29, 2011, TPK HK, one of the subsidiaries, acquired 80% equity interest in CIM Corporation (CIM). The acquisition consideration and the fair values of acquired net assets were summarized as follows:

	NT$	US$
Current assets	$ 173,072	$ 5,717
Property, plant and equipment, net	53,352	1,763
Goodwill	64,336	2,125
Other intangible assets	190,369	6,287
Other assets	5,875	194
Current liabilities	(160,704)	(5,308)
Long-term liabilities	(290,700)	(9,602)
Cash paid for acquisition	$ 35,600	$ 1,176

Note: The foreign exchange rate between the foreign currency and New Taiwan dollars is based on the exchange rate as of the date of the balance sheet for each year. However, the share capital is the total number of shares issued multiplied by NT$10 par value (fixed at the historical exchange rate). The exchange rates from U.S. dollars to New Taiwan dollars as of December 31, 2009, 2010 and 2011 were US$1=NT$32.03, US$1=NT$29.13 and US$1=NT$30.275, respectively.

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

TPK HOLDING CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011
(In Thousands, Unless Stated Otherwise)

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, 2009, 2010 and 2011, the Company had 8,907, 34,453 and 48,305 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been 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).

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.

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 is translated at the historical exchange rate as required by the ROC regulations. Exchange differences arising from the translations of foreign currencies are recognized as effect of exchange rate under shareholders' equity. The exchange rates from U.S. dollars to New Taiwan dollars as of December 31, 2009, 2010 and 2011 were US$1=NT$32.03, US$1=NT$29.13, and US$1=NT$30.275, respectively. All significant intercompany balances and transactions are eliminated upon consolidation.

Prior to March 12, 2010, TPKH had a 50% equity interest in the joint venture 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, the consolidated financial statements include all the accounts of OTH (see Note 24).

The consolidated entities were as follows:

Name of Investor	Name of Investee	Main Businesses	Percentage of Ownership December 31 2009	2010	2011	Remark
TPKH	TPK Technology International Inc. (TTI)	International trade	100.00%	100.00%	100.00%	
”	Improve Idea Investments Ltd. (Improve)	Holding company	100.00%	100.00%	100.00%	
”	Optera TPK Holding Pte. Ltd. (OTH)	Holding company	50.00%	100.00%	100.00%	a.
”	Upper Year Holdings Limited (UYH)	Holding company and international trade	99.70%	99.90%	99.90%	b.
”	Ray-Star Universal Solutions Limited (RUSL)	Holding company	—	100.00%	100.00%	g.
Improve	TPK Touch Solutions Inc. (TPKT)	Research, development and sales	100.00%	100.00%	—	i.
”	Greatec Precision Solution Corp. (GPSC)	Machinery manufacturing and sales	51.00%	100.00%	—	c., i.
”	TPK Asia Pacific Sdn. Bhd. (TPKA)	Holding company	—	100.00%	100.00%	h.
TPKA	TPK Touch Solutions Inc. (TPKT)	Research, development and sales	—	—	100.00%	i.
”	Mas Touch Optoelectronics Technologies Co., Ltd. (MTOT)	Touch modules research, development, manufacturing and sales	—	—	50.70%	k.
MTOT	Ray-Star System Solutions Limited (RSSL)	Holding company	—	—	100.00%	n.
RSSL	Ray-Star System Solutions (Xiamen) Inc. (RSS)	Touch modules research, development, manufacturing and sales	—	—	100.00%	n.
UYH	TPK Touch Solutions (Xiamen) Inc. (TPKC)	Touch modules research, development, manufacturing and sales	100.00%	100.00%	100.00%	
”	TPK Lens Solutions Inc. (TPKL)	Optical glass manufacturing and sales; machinery manufacturing and sales	100.00%	100.00%	100.00%	
”	TPK Touch Systems (Xiamen) Inc. (TPKS)	Touch modules, display and system research, manufacturing and sales	100.00%	100.00%	100.00%	
”	Ray-Star Optical Solutions (Xiamen) Inc. (RSO)	Optical glass manufacturing and sales	—	55.0%	55.00%	d.
”	Ray-Star Technology (Xiamen) Inc. (RST)	ITO glass research, development, manufacturing and sales	—	55.0%	40.67%	e.
OTH	Optera Technology (Xiamen) Co., Ltd. (OTX)	ITO glass research, development, manufacturing and sales	100.00%	100.00%	71.43%	j
”	TPK U.S.A. LLC (TPK USA)	International trade	—	100.00%	100.00%	f.
RUSL	TPK Universal Solutions Limited (TPK HK)	Holding company and international trade	—	100.00%	100.00%	h.
TPK HK	Optera Technology (Xiamen) Co., Ltd. (OTX)	ITO glass research, development, manufacturing and sales	—	—	28.57%	j.
”	TPK Glass Solutions (Xiamen) Inc. (TPKG)	Optical glass manufacturing and sales	—	—	100.00%	l.
”	Ray-Star Technology (Xiamen) Inc. (RST)	ITO glass research, development, manufacturing and sales	—	—	26.06%	e.
”	CIM Corporation (CIM)	Holding company	—	—	80.00%	o.
CIM	Hallys Corporation (Hallys)	Machinery manufacturing and sales	—	—	84.90%	p.
TPKT	TPK Advanced Solutions Corp. (TAS)	Research and development	100.00%	—	—	q.
	New Strategy Investment Ltd. (NSI)	Holding company	100.00%	100.00%	100.00%	
”	Greatec Precision Solutions Corp. (GPSC)	Machinery manufacturing and sales	—	—	100.00%	i.
NSI	Upper Year Holdings Limited (UYH)	Holding company and international trade	0.30%	0.10%	0.10%	b.
TPKC	Ray-Star Optical Solutions (Xiamen) Inc. (RSO)	Optical glass manufacturing and sales	—	45.00%	45.00%	d.
”	Ray-Star Technology (Xiamen) Inc. (RST)	ITO glass research, development, manufacturing and sales	—	45.00%	33.27%	e.

a. TPKH acquired the other 50% equity interest to own all the shares of OTH in March 2010 (see Note 24).

b. In 2010, TPKH continually invested its cash in UYH; therefore, TPKH increased its equity interest in UYH to 99.9%. NSI decreased its investment in UYH to 0.1%.

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. 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.

e. 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. In September 2011, TPK HK invested in RST US$40,000 thousand. As of December 31, 2011, TPKC, UYH and TPK HK each held 33.27%, 40.67% and 26.06% equity interest of RST, respectively.

f. In April 2010, OTH set up TPKU. As of December 31, 2011, the capital of TPKU was US$4,800 thousand.

g. In December 2010, TPKH set up RUSL. As of December 31, 2011, the capital of RUSL was US$162,000 thousand.

h. In December 2010, Improve and RUSL individually set up TPKA and TPK HK. As of December 31, 2011, the capital of TPKA and TPK HK was US$47 thousand and US$160,000 thousand, respectively.

i. Improve disposed its 100% equity interest of TPKT and GPSC for US$26,545 thousand and NT$69,747 thousand to TPKA and TPKT, respectively. The restructuring was completed in January 2011.

j. In January 2011, TPK HK invested US$19,500 thousand in OTX; therefore, OTH's equity interest of OTX decreased to 71.43%, and TPK HK increased to 28.57%.

k. In January 2011, TPKA, one of the subsidiaries, set up and invested NT$378,000 thousand in RSL. On April 1, 2011, RSL invested NT$378,000 thousand in MTOT and acquired 52.94% equity interest in MTOT. After the investment, RSL was dissolved. In December 2011, employees of MTOT exercised employee stock options, and thus TPKA decreased its equity interest of MTOT to 50.70%.

l. In February 2011, TPK HK set up and invested in TPKG. As of December 31, 2011, the capital of TPKG was US$100,000 thousand.

m. On January 28, 2011, RUSL and Jan Ann Co., Ltd. (Cayman) (Jan Ann) jointly set up TPK Specialty Materials Limited (TPKM HK) with registered capital of US$3,500 thousand. RUSL and Jan Ann obtained 51% and 49% equity interest of TPKM HK, respectively. However, due to the demand of operating plan, before the capital was injected, this joint investment was terminated in the first quarter of 2011. TPKM HK completed the dissolution with the Hong Kong government in June 2011.

n. In April 2011, MTOT set up and invested US$10,810 thousand in RSSL and RSSL then set up and invested US$10,800 thousand in RSS.

o. In July 2011, TPK HK acquired 80% equity interest in CIM for JPY40,080 thousand. The additional transaction cost was JPY50,814 thousand, and the total acquisition cost was JPY90,894 thousand.

p. In May 2011, CIM acquired 66.80% equity interest in Hallys for JPY296,000 thousand. The additional transaction cost was JPY154 thousand, and the total acquisition cost was JPY296,154 thousand. In August 2011, CIM acquired additional 18.10% equity interest in Hallys for JPY61,220 thousand and increased its equity interest to 84.90%. The additional transaction cost was JPY20 thousand, and the total acquisition cost paid was JPY61,240 thousand.

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

Accounting Estimates

Under above guidelines and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, allowance for loss on inventories, liability on purchase commitment, depreciation of property, plant and equipment, amortization of intangible assets, pension cost, allowance for product warranties, bonuses to employees and directors, valuation allowance for deferred income tax assets, impairment loss, and fair value of acquired net assets under the Business Combinations - Accounting Treatment under Purchase Method. Actual results may differ from these estimates.

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

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.

Held-to-maturity Financial Assets

Held-to-maturity financial assets are carried at amortized cost using the effective interest method. Held-to-maturity financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. Profit or loss is recognized when the financial assets are derecognized, impaired, or amortized. All regular way purchases or sales of financial assets are accounted for using a trade date basis.

An impairment loss is recognized when there is objective evidence that the investment is impaired. The impairment loss is reversed if an increase in the investment's recoverable amount is due to an event which occurred after the impairment loss was recognized; however, the adjusted carrying amount of the investment may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the investment in prior years.

Structured Time Deposit

Structured time deposit is an investment over which the principal and interests are guaranteed by the counterparty. Structured time deposit, classified as other financial assets - current, is initially recorded at cost and carried at amortized cost at the balance sheet date.

Impairment assessment of structured time deposit is the same as the assessment of held-to-maturity financial assets.

Impairment of Accounts Receivable

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 and assessing the value of the collateral provided by customers.

As discussed in Note 3 to the financial statements, on January 1, 2011, the Company adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." One of the main revisions is that impairment of receivables originated by the Company should be covered by SFAS No. 34. Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

- Significant financial difficulty of the debtor;
- Accounts receivable becoming overdue; or
- It is becoming probable that the debtor will enter bankruptcy or financial re-organization.

Accounts receivable that are assessed as not impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of accounts receivable could include the Company's past experience of collecting payments, an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

The amount of impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collateral and guarantees, discounted at the original effective interest rate of the receivables.

The carrying amount of accounts receivable is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized as bad debt in profit or loss.

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.

Investments Accounted for by the Equity Method

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

The acquisition cost is allocated to the assets acquired and liabilities assumed on the basis of their fair values at the date of acquisition, and the acquisition cost in excess of the fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not amortized. The fair value of the net identifiable assets acquired in excess of the acquisition cost is used to reduce the fair value of each of the noncurrent assets acquired (except for financial assets other than investments accounted for by the equity method, noncurrent assets held for sale, deferred income tax assets, prepaid pension or other postretirement benefit) in proportion to the respective fair values of the noncurrent assets, with any excess recognized as an extraordinary gain.

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

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

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

Property, Plant and Equipment and Assets Leased Others

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

Building	3-24 years
Machinery and equipment	1-17 years
Transportation and others	1-10 years

The related cost, accumulated depreciation and accumulated impairment losses of an item of property, plant and 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 4-10 years, computer software and patents are amortized over 1-10 years. Goodwill recognized on 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 have been met; otherwise, the development expenditure is recognized as an expense when incurred.

Idle Assets

Idle 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. Idle assets are depreciated on a straight-line basis.

Convertible Bonds

For the convertible bonds issued by the Company, the Company first determines the carrying amount of the liability component by measuring the fair value of a similar liability that does not have an associated equity component, then determines the carrying amount of the equity component, representing the equity conversion option, by deducting the fair value of the liability component from the fair value of the convertible bonds as a whole. The liability component (excluding embedded derivatives) is measured at amortized cost using the effective interest method, while the embedded non-equity derivatives are measured at fair value. Upon conversion, the Company uses the aggregate carrying amount of the liability and equity components of the bonds at the time of conversion as a basis to record the common shares issued. In the redemption of bonds, gain and losses associated with redemptions of financial liabilities are recognized in profit or loss, whereas redemptions of equity instrument are recognized as changes in equity.

Impairment of Assets

If the recoverable amount of an asset (mainly property, plant and equipment, intangible assets, assets leased to others, idle assets and investments accounted for by the equity method) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is charged to earnings. 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.

For long term equity investments for which the Company has significant influence but with no control, the carrying amount (including goodwill) of each investment is compared with its own recoverable amount for the purpose of impairment testing.

Revenue Recognition

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.

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.

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, which superseded Rule No. 0960065898. 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 the intra-year and inter-year allocation methods to its income tax, whereby (1) a portion of income tax expense debited or credited directly to shareholders' equity; and (2) deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforward and unused tax credits. Valuation allowance is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

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

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

According to the Income Tax Law 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.

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

Government Grant Revenue

The realized part of government grant subsidies is recognized under nonoperating income and gains.

Reclassifications

Certain accounts in the consolidated financial statements as of and for the years ended December 31, 2009 and 2010 have been reclassified to conform to the presentation of the financial statements as of and for the year ended December 31, 2011.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Financial Instruments

On January 1, 2011, the Company adopted the newly revised SFAS No. 34, "Financial Instruments: Recognition and Measurement." The main revision includes loans and receivables originated by the Company are now covered by SFAS No. 34. This accounting change did not have significant impact to the consolidated financial statements for the year ended December 31, 2011.

Operating Segments

On January 1, 2011, the Company adopted the newly issued SFAS No. 41, "Operating Segments." The statement requires that segment information be disclosed based on the information about the components of the Company that management uses to make operating decisions. SFAS No. 41 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Company's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20, "Segment Reporting." For this accounting change, the Company restated the segment information as of and for the years ended December 31, 2009 and 2010 to conform to the disclosures as of and for the year ended December 31, 2011.

4. CASH

	December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$
Petty cash	$ 720	$ 1,555	$ 2,027	$ 67
Checking accounts and demand deposits	1,372,266	5,562,404	10,380,644	342,878
Time deposits	297,879	—	—	—
	$1,670,865	$5,563,959	$10,382,671	$342,945

The 2009 time deposits matured in January 2010, with interest rate of 0.15%.

5. ACCOUNTS RECEIVABLE

	December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$
Accounts receivable	$843,744	$12,006,702	$7,862,425	$259,700
Less: Allowance for doubtful accounts	(8,695)	(7,816)	(9,243)	(305)
	$835,049	$11,998,886	$7,853,182	$259,395

Movements of the allowance for doubtful accounts were as follows:

	Year Ended December 31							
	2009		2010		2011			
	Accounts Receivable	Other Receivables	Accounts Receivable	Other Receivables	Accounts Receivable		Other Receivables	
	NT$	NT$	NT$	NT$	NT$	US$	NT$	US$
Balance, beginning of year	$ —	$—	$8,695	$ —	$7,816	$268	$21,189	$ 727
Add (deduct): Provision (reversal of provision) for doubtful accounts	9,127	—	(505)	21,189	907	30	60,745	2,006
Less: Write-offs	—	—	—	—	(11)	—	—	—
Translation adjustment	(432)	—	(374)	—	531	7	2,268	48
Balance, end of year	$8,695	$—	$7,816	$21,189	$9,243	$305	$84,202	$2,781

Factored accounts receivable were as follows:

Subsidiary	Counterparties	Currencies	Receivables Sold	Amounts Collected	Translation Adjustment	Advances Received at Year-end	Interest Rates on Advances Received (%)	Credit Line
Year ended December 31, 2009								
TPKC	China Merchants Bank	NT$	$ 8,437,201	$ 7,971,595	$ —	$1,200,239	Libor+1.8%	NT$2,242,100 thousand
Year ended December 31, 2010								
TPKC	China Merchants Bank	NT$	$24,515,402	$24,412,385	$124,365	$1,178,891	Libor+0.8%-1.3%	NT$5,826,000 thousand
Year ended December 31, 2011								
TPKC	China Merchants Bank	NT$	$ 1,205,764	$ 2,431,005	$ 46,350	$ —		NT$6,055,000 thousand (approximately US$200,000 thousand)
		US$	$ 39,827	$ 80,297	$ —	$ —	—	
	Standard Chartered Bank	NT$	$36,398,367	$36,034,237	$ —	$ 364,130	2M Libor+0.9%	NT$9,082,500 thousand (approximately US$300,000 thousand)
		US$	$ 1,202,258	$ 1,190,231	$ —	$ 12,027		
TPK HK	Standard Chartered Bank	NT$	$ 8,717,287	$ —	$ —	$8,717,287	2M Libor+0.9%-1.15%	NT$9,082,500 thousand (approximately US$300,000 thousand)
		US$	$ 287,937	$ —	$ —	$ 287,937		
Hallys	Mizuho Trust & Banking Co., Ltd.	NT$	$ 287	$ 287	$ —	$ —	1.175%	—
		US$	$ 9	$ 9	$ —	$ —		
		JPY	$ 735	$ 735	$ —	$ —		
	Mitsubishi UFJ Trust & Banking Corporation	NT$	$ 2,125	$ 2,125	$ —	$ —	1.475%	—
		US$	$ 70	$ 70	$ —	$ —		
		JPY	$ 5,440	$ 5,440	$ —	$ —		

Pursuant to the factoring contracts, losses from sales returns and discounts shall be borne by TPKC, TPK HK and Hallys, while losses from credit risk shall be borne by the bank. The factoring contract with China Merchants Bank expired in April 2011. The above credit line may be used on a revolving basis, except that the factored accounts receivable of Hallys were sold individually and without credit line.

Between TPKC, TPK HK and Standard Chartered Bank, the factored but uncollected accounts receivable were reclassified from accounts receivable to other receivables.

6. OTHER FINANCIAL ASSETS - CURRENT (AS OF DECEMBER 31, 2009 AND 2010: NONE)

	December 31, 2011	
	NT$	US$
Structured time deposits	$768,779	$25,393

TPKC, one of the subsidiaries, invested in structured time deposits with guaranteed principal and interests from Bank of China in year 2011. The deposits expired on January 31, 2012 with 4.7% yield rate.

7. INVENTORIES

	December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$
Finished goods	$302,705	$ 914,526	$ 5,794,560	$191,398
Work in process	113,413	49,965	709,380	23,431
Raw materials	555,132	2,091,370	5,364,513	177,193
Goods in transit	—	12	—	—
	$971,250	$3,055,873	$11,868,453	$392,022

As of December 31, 2009, 2010 and 2011, the allowance for inventory devaluation was NT$45,315 thousand, NT$519,376 thousand and NT$1,069,626 thousand (approximately US$35,330 thousand), respectively.

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2009, 2010 and 2011 were NT$14,472,878 thousand, NT$49,581,726 thousand and NT$119,178,923 thousand (approximately US$3,936,546 thousand). The accounts listed below were included in cost of goods sold for the years ended December 31, 2009, 2010 and 2011.

	Year Ended December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$
Provision for loss on inventories	$ 378	$462,162	$488,771	$16,144
Loss on inventory scrap	5,299	3,976	17,828	589
Loss on physical inventory	145	443	308	10
Provision for (reversal of) loss on purchase commitment	—	149,260	(42,959)	(1,419)
	$5,822	$615,841	$463,948	$15,324

Due to client's alteration of product design, certain raw materials were no longer usable. According to the purchase contracts, the Company recorded an estimated loss in the amount of NT$149,260 thousand which was included in cost of goods sold for the year ended December 31, 2010. As of December 31, 2011, after evaluation of accrued liability on purchase commitment, the Company reversed the loss on purchase commitment in the amount of NT$42,959 thousand (approximately US$1,419 thousand).

8. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD (AS OF DECEMBER 31, 2009 AND 2010: NONE)

	December 31, 2011		
	Carrying Amount		% of Ownership
	NT$	US$	
Emerging market stock Cando Corporation (Cando)	$4,119,954	$136,084	19.83

On June 29, 2011, TPK HK, one of the subsidiaries, acquired 148,607 thousand outstanding common shares of Cando for NT$4,830,566 thousand (approximately US$159,556 thousand). Furthermore, on July 1, 2011, TPK HK acquired 31,450 thousand common shares of Cando for NT$1,029,889 thousand (approximately US$34,018 thousand), and increased its equity interest of Cando to 19.85%. In December 2011, as the employees of Cando exercised employee stock options, the remaining equity interest held by TPK HK decreased to 19.83%. Because the Company can exercise significant influence over Cando, such investment is accounted for by the equity method.

According to the purchase price allocation and appraisal report issued by the external appraiser, movements of the difference between the cost of investment and the Company's share in investees' net assets allocated to depreciable and non-depreciable assets (goodwill) for the year ended December 31, 2011 were as follows:

	Year Ended December 31, 2011			
	Depreciable Assets		Non-depreciable Assets	
	NT$	US$	NT$	US$
Balance, beginning of year	$ —	$ —	$ —	$ —
Addition	2,090,286	69,043	1,941,476	64,128
Reduction	(320,605)	(10,590)	(1,060,993)	(35,045)
Balance, end of year	$1,769,681	$ 58,453	$ 880,483	$ 29,083

The investment loss of NT$600,802 thousand (approximately US$19,845 thousand) for the year ended December 31, 2011, was based on the investee's financial statements audited by auditors for the same year.

During the year ended December 31, 2011, TPK HK, one of the subsidiaries, assessed the recoverable amount of the goodwill of Cando and determined that an impairment loss of NT$1,060,993 thousand (approximately US$35,045 thousand) shall be recognized (under investment loss recognized under equity method). The recoverable amount of Cando was based on value in use, determined using a discount rate of 10.3%.

All of Cando's shares held by TPK HK were provided as the syndicated loan collateral with Citibank Taiwan Limited (see Note 14).

9. 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
Addition as a result of 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
Addition as a result of acquisition of subsidiary	—	47,482	28,160	—	75,642
Disposals	(134)	(3,118)	(16,814)	—	(20,066)
Reclassification	4,591	(46,335)	(5,382)	—	(47,126)
Translation adjustment	(7,347)	(24,797)	(8,316)	—	(40,460)
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

(Amount in Thousands of New Taiwan Dollars)

	Year Ended December 31, 2011				
	Buildings	Machinery and Equipment	Transportation and Others	Construction in Progress and Prepayments for Equipment	Total
Cost					
Balance, beginning of year	$1,681,129	$10,154,586	$2,726,052	$ 5,404,036	$19,965,803
Additions	508	46,203	33,622	26,180,657	26,260,990
Additions as a result of acquisition of subsidiary	11,258	227,011	39,544	1,641	279,454
Disposals	—	(50,027)	(51,008)	—	(101,035)
Reclassification	6,507,398	16,336,939	2,685,565	(25,830,452)	(300,550)
Translation adjustment	248,242	1,272,927	299,825	705,115	2,526,109
Balance, end of year	8,448,535	27,987,639	5,733,600	6,460,997	48,630,771
Accumulated depreciation					
Balance, beginning of year	187,229	1,231,443	574,361	—	1,993,033
Depreciation expense	153,531	1,749,484	830,266	—	2,733,281
Additions as a result of acquisition of subsidiary	4,753	64,926	8,299	—	77,978
Disposals	—	(29,894)	(31,493)	—	(61,387)
Reclassification	—	(114,778)	(2,090)	—	(116,868)
Translation adjustment	20,723	155,205	68,543	—	244,471
Balance, end of year	366,236	3,056,386	1,447,886	—	4,870,508
Accumulated impairment losses					
Additions as a result of acquisition of subsidiary	$ —	$ 57	$ —	$ —	$ 57
Balance, end of year	—	57	—	—	57
Net book value, end of year	$8,082,299	$24,931,196	$4,285,714	$ 6,460,997	$43,760,206

(Amount in Thousands of U.S. Dollars)

	Year Ended December 31, 2011				
	Buildings	**Machinery and Equipment**	**Transportation and Others**	**Construction in Progress and Prepayments for Equipment**	**Total**
Cost					
Balance, beginning of year	$ 57,712	$348,595	$ 93,583	$ 185,514	$ 685,404
Additions	17	1,526	1,111	864,761	867,415
Additions as a result of acquisition of subsidiary	372	7,499	1,306	54	9,231
Disposals	—	(1,653)	(1,684)	—	(3,337)
Reclassification	214,943	539,618	88,705	(853,194)	(9,928)
Translation adjustment	6,016	28,862	6,363	16,275	57,516
Balance, end of year	279,060	924,447	189,384	213,410	1,606,301
Accumulated depreciation					
Balance, beginning of year	6,427	42,274	19,718	—	68,419
Depreciation expense	5,071	57,786	27,425	—	90,282
Additions as a result of acquisition of subsidiary	157	2,145	274	—	2,576
Disposals	—	(987)	(1,039)	—	(2,026)
Reclassification	—	(3,791)	(69)	—	(3,860)
Translation adjustment	442	3,528	1,515	—	5,485
Balance, end of year	12,097	100,955	47,824	—	160,876
Accumulated impairment losses					
Additions as a result of acquisition of subsidiary	—	2	—	—	2
Balance, end of year	—	2	—	—	2
Net book value, end of year	$266,963	$823,490	$141,560	$ 213,410	$1,445,423

Information about capitalized interest was as follows: (For the years ended December 31, 2009 and 2010: None)

	Year Ended December 31, 2011	
	NT$	**US$**
Capitalized interest	$ 75,990	$2,510
Capitalization rates	1.14%-5.89%	

As of December 31, 2009, 2010 and 2011, constructions in progress were mainly comprised of manufacturing plants and clean rooms under construction, and machinery and equipment under installation.

As of December 31, 2011, an equipment for use in the production could no longer be used due to the alteration of production process; such equipment was transferred to idle assets in the amount of NT$353,980 thousand (approximately US$11,692 thousand), and reclassified as other assets - other. For the years ended December 31, 2010 and 2011, the Company assessed and recognized impairment loss of NT$155,878 thousand and NT$182,488 thousand (approximately US$6,028 thousand), respectively.

Furthermore, as a result of the acquisition of MTOT, the Company recognized idle assets which including impairment loss of NT$2,390 thousand (approximately US$79 thousand) had been recognized prior to the acquisition. In July 2011, the Company acquired 80% equity interest of CIM. Impairment loss of NT$57 thousand (approximately US$2 thousand) on equipment had been recognized prior to the acquisition.

10. INTANGIBLE ASSETS

(Amount in Thousands of New Taiwan Dollars)

	Year Ended December 31, 2009						
	Goodwill	Technical Know-how	Land Use Right	Computer Software	Patent	Others	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	Others	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
Additions as a result of 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	17,679	16,746	88,801
Additions as a result of acquisition of subsidiary	—	—	—	2,237	4	—	2,241
Disposals	—	—	—	(1)	—	(158,888)	(158,889)
Translation adjustment	—	—	(268)	729	(612)	(9,732)	(9,883)
Balance, end of year	—	30,202	10,942	46,863	18,276	8,874	115,157
Net book value, end of year	$616,691	$223,491	$285,856	$ 76,293	$72,770	$ 15,749	$1,290,850

(Amount in Thousands of New Taiwan Dollars)

	Year Ended December 31, 2011						
	Goodwill	**Technical Know-how**	**Land Use Right**	**Computer Software**	**Patent**	**Others**	**Total**
Cost							
Balance, beginning of year	$616,691	$253,693	$296,798	$123,156	$91,046	$ 24,623	$1,406,007
Additions	—	49,474	458,553	81,034	—	4,844	593,905
Additions as a result of acquisition of subsidiary	83,301	274,145	14,536	—	—	5,144	377,126
Disposals	—	—	—	(2,369)	—	(12,220)	(14,589)
Reclassification	—	—	—	(153)	—	153	—
Translation adjustment	16,438	25,457	31,517	17,149	3,578	6,863	101,002
Balance, end of year	716,430	602,769	801,404	218,817	94,624	29,407	2,463,451
Accumulated amortization							
Balance, beginning of year	—	30,202	10,942	46,863	18,276	8,874	115,157
Amortization	—	66,214	9,839	33,740	20,514	11,319	141,626
Additions as a result of acquisition of subsidiary	—	4,615	—	5,609	—	1,415	11,639
Disposals	—	—	—	(2,369)	—	(10,350)	(12,719)
Translation adjustment	—	4,221	1,221	32	746	7,345	13,565
Balance, end of year	—	105,252	22,002	83,875	39,536	18,603	269,268
Net book value, end of year	$716,430	$497,517	$779,402	$134,942	$55,088	$ 10,804	$2,194,183

(Amount in Thousands of U.S. Dollars)

	Year Ended December 31, 2011						
	Goodwill	**Technical Know-how**	**Land Use Right**	**Computer Software**	**Patent**	**Others**	**Total**
Cost							
Balance, beginning of year	$21,170	$ 8,709	$10,189	$4,227	$3,125	$ 847	$48,267
Additions	—	1,634	15,146	2,677	—	160	19,617
Additions as a result of acquisition of subsidiary	2,751	9,055	480	—	—	170	12,456
Disposals	—	—	—	(78)	—	(405)	(483)
Reclassification	$ —	$ —	$ —	$ (5)	$ —	$ 5	$ —
Translation adjustment	(257)	512	656	407	—	194	1,512
Balance, end of year	23,664	19,910	26,471	7,228	3,125	971	81,369
Accumulated amortization							
Balance, beginning of year	—	1,037	376	1,609	628	303	3,953
Amortization	—	2,187	325	1,114	677	375	4,678
Additions as a result of acquisition of subsidiary	—	152	—	185	—	47	384
Disposals	—	—	—	(78)	—	(342)	(420)
Translation adjustment	—	100	26	(60)	1	232	299
Balance, end of year	—	3,476	727	2,770	1,306	615	8,894
Net book value, end of year	$23,664	$16,434	$25,744	$4,458	$1,819	$ 356	$72,475

11. ASSETS LEASED TO OTHERS (AS OF DECEMBER 31, 2010 AND 2011: NONE)

	December 31, 2009
	NT$
Cost - buildings	$ 14,894
Less: Accumulated depreciation - buildings	(2,402)
	$12,492

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

12. SHORT-TERM LOANS

	December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$
Bank loans: Interest rate-1.60%-5.42% in 2009; 0. 90%-5.56% in 2010 and 0.95%-7.54% in 2011	$1,649,933	$3,408,924	$4,075,968	$134,631

The short-term loans were partially guaranteed by the related parties as of December 31, 2009, 2010 and 2011 (see Note 21). Deposits of NT$524,496 thousand, NT$13,462 thousand and NT$8,332 thousand (approximately US$275 thousand) (included in restricted assets - current), were provided as collateral for the short-term loans as of December 31, 2009, 2010 and 2011, respectively.

13. BONDS PAYABLE (AS OF DECEMBER 31, 2009 AND 2010: NONE)

In the meeting on March 8, 2011, the board of directors of TPKH approved to issue unsecured zero-coupon overseas convertible bonds with a face value of US$400,000 thousand (approximately NT$12,110,000 thousand) and the effective interest rate of 3.5%. The proceeds will be used for funding a subsidiary to expand production facilities and to acquire machineries and equipment. This proposal was approved by the Financial Supervisory Commission (FSC) under the Executive Yuan of the ROC in letter No. 1000012068 issued on April 11, 2011 and the bonds were listed on the Singapore Stock Exchange on April 21, 2011. According to SFAS No. 36, the Company has bifurcated the bonds into a liability component and an equity component. On April 20, 2011, the Company received the net proceeds of overseas convertible bonds of NT$12,035,476 thousand (approximately US$397,539 thousand) recognized as liability component NT$10,904,141 thousand (approximately US$360,170 thousand) and equity component NT$1,131,335 thousand (approximately US$37,369 thousand).

Bondholders may request the Company to convert the bonds into the Company's common shares at NT$1,020.80 per share (the conversion price was adjusted due to the capital increase through capitalization of retained earnings), at fixed exchange rate of US$1.00 to NT$29.065 between May 31, 2011 and April 10, 2014 (barring the year in which registration of share transfer is suspended). When over 90% of the bonds had been redeemed, bought back or converted, the Company may redeem the remaining bonds at a price calculated by a predetermined formula. Upon maturity (April 20, 2014), the Company should redeem the remaining bonds at their face value.

In November 2011, the Company paid NT$774,056 thousand (approximately US$25,568 thousand) to redeem part of the bonds with a face value of US$30,000 thousand, resulting in an early redemption gain of NT$145,781 thousand (approximately US$4,815 thousand). The Company recognized NT$71,464 thousand (approximately US$2,360 thousand) of the gain as other income and NT$74,317 thousand (approximately US$2,455 thousand) of the gain as capital surplus. After the redemption, the face value of outstanding bonds was NT$11,201,750 thousand (approximately US$370,000 thousand).

14. LONG-TERM LOANS

	December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$
Long-term bank loans: Interest rate-1.43%-5.40% in 2009; 1.09%-5.60% in 2010 and 1.10%-7.32% in 2011	$594,900	$3,852,140	$10,200,272	$336,921
Less: Current portion	—	(247,605)	(1,394,406)	(46,058)
	$594,900	$3,604,535	$ 8,805,866	$290,863

TPKH signed long-term loan agreements with Yuanta Commercial Bank, Ta Chong Bank and Chinatrust Commercial Bank and had the commitment that without approval, shares of TPKH's directly and indirectly held subsidiary - TPKC cannot be pledged or placed as collateral for other obligations. Besides, as promised to Ta Chong Bank, TPKH will maintain ownership of its directly and indirectly held subsidiary - TPKC at 100%.

Subsidiaries - RST, TPKG and RSO signed loan agreements with China Construction Bank and had the commitment that before the repayment of the loan for acquisition of fixed assets, earnings could not be appropriated without the lending bank's approval.

Subsidiary - TPKS signed long-term loan agreement with Bank of China and had the commitment that in the period of credit line, earnings could not be appropriated without the lending bank's approval.

Subsidiary - RSS signed loan agreement with Bank of China and had the commitment that earnings could not be appropriated during the loan period under any of the situations below.

a. When net income equals to zero or is negative; or

b. When net income is insufficient to offset prior year accumulated deficit; or

c. When income before income tax is insufficient to repay principal, interest and expenses due in the fiscal year; or

d. When income before income tax is insufficient to repay principal, interest and expenses due in the next period.

In June 2011, subsidiary - TPK HK signed a three year syndicated loan agreement with credit line of US$200,000 thousand (approximately NT$6,055,000 thousand) with Citibank Taiwan Limited and other thirteen financial institutions. According to the loan agreement, TPK HK provided 180,057 thousand shares of Cando as the loan collateral. As of December 31, 2011, the credit line have been fully utilized.

In addition, the Company and subsidiaries had the commitment that the Company will maintain ownership of its directly and indirectly held subsidiary - TPK HK at 100% and certain financial ratios in the period of the loan agreement.

The long-term loans were guaranteed by the related parties as of December 31, 2009, 2010 and 2011 (see Note 21).

15. PENSION PLANS

The pension plan under the Labor Pension Act of the ROC (the "LPA") is a defined contribution plan. Based on the LPA, TPKT, TAS, GPSC and MTOT 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$9,838 thousand, NT$15,508 thousand and NT$27,193 thousand (approximately US$898 thousand) for the years ended December 31, 2009, 2010 and 2011, respectively.

Based on the defined benefit plan under the Labor Standards Law of the 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$282 thousand, NT$561 thousand and NT$1,549 thousand (approximately US$51 thousand) for the years ended December 31, 2009, 2010 and 2011, 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$21,488 thousand, NT$48,768 thousand and NT$162,327 thousand (approximately US$5,362 thousand) for the years ended December 31, 2009, 2010 and 2011, respectively.

The employee contribution plan of the Company's subsidiary in the U.S. followed the local regulations, which require the U.S. subsidiary to contribute to an employee retirement management plan. For the years ended December 31, 2010 and 2011, such pension costs were NT$362 thousand and NT$1,557 thousand (approximately US$52 thousand), respectively. (For the year ended December 31, 2009: None)

The employee contribution plan of the Company's subsidiaries in Japan followed the local regulations, which require the Japan subsidiaries to contribute to an employee retirement management institution. For the year ended December 31, 2011, such pension costs were NT$236 thousand (approximately US$8 thousand). (For the years ended December 31, 2009 and 2010: None)

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

a. Components of net periodic pension cost

	Year Ended December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$
Interest cost	$ 405	$ 537	$ 775	$25
Projected return on plan assets	(123)	(128)	(129)	(4)
Amortization	—	152	903	30
Net periodic pension cost	$ 282	$ 561	$1,549	$51

b. Reconciliation of funded status of the plan and accrued pension liabilities as of December 31, 2009, 2010 and 2011

	December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$
Benefit obligation				
Vested benefit obligation	$ 1,479	$ 1,498	$ 1,540	$ 51
Non-vested benefit obligation	11,166	20,266	16,143	533
Accumulated benefit obligation	12,645	21,764	17,683	584
Additional benefit based on future salaries	6,910	12,673	9,661	319
Projected benefit obligation	19,555	34,437	27,344	903
Fair value of plan assets	(4,293)	(5,258)	(6,228)	(206)
Funded status	15,262	29,179	21,116	697
Unrecognized net loss	(4,539)	(18,790)	(10,082)	(333)
Addition to liability	—	6,117	421	14
Accrued pension liabilities	$10,723	$ 16,506	$ 11,455	$ 378
Vested benefit	$ 1,486	$ 1,500	$ 1,542	$ 51

c. Actuarial assumptions as of December 31, 2009, 2010 and 2011

	December 31		
	2009	2010	2011
Discount rate used in determining present values	2.75%	2.25%	2.00%
Future salary increase rate	2.75%	2.25%	3.00%
Expected rate of return on plan assets	3.00%	3.00%	2.00%

	Year Ended December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$
d. Contributions to the fund	$758	$895	$904	$30
e. Payments from the fund	$ —	$ —	$ —	$—

16. SHAREHOLDERS' EQUITY

Under the Article of TPKH, the capital surplus from shares issued in excess of par value (additional paid-in capital from issuance of common shares and treasury stock transactions) and donations may be capitalized, which however is limited to a certain percentage of TPKH's paid-in capital, the aforementioned capital surplus also may be distributed in cash. The capital surplus from long-term investments may not be used for any purpose.

Capital surplus comprised of the following:

	December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$
From issuance of common shares	$1,431,416	$6,293,780	$6,541,167	$216,058
From employee stock options	—	179,467	427,087	14,107
From convertible bonds	—	—	1,046,485	34,566
From redemption gain on convertible bonds	—	—	74,317	2,455
From long-term investments	—	—	8,927	295
	$1,431,416	$6,473,247	$8,097,983	$267,481

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 $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 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 remaining profits, until the accumulated legal capital reserve has equaled the total capital of TPKH; then set aside special capital reserve in accordance with the applicable rules for public company 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%.

On June 9, 2011, the general meeting of shareholders approved to amend partial of the TPKH's Articles as follows:

a. Change the authorized capital amount from NT$3,000,000 thousand to NT$4,000,000 thousand.

b. The bonus distributed to directors was changed from between 1% to 1.5% to up to 1 % of the remaining profit.

c. The bonus distributed to employees of TPKH was changed from between 5% to 10% to up to 10 % of the remaining profit.

d. The total amount of the dividend distributed should not be less than 2% of the remaining profit. TPKH will pay a portion of such dividend in cash, which cash portion shall be no less than 10% of the total amount of such dividends, if and only if the reference amount is equivalent to 5% or more of the "paid-in capital" of TPKH, as set out in the audited annual financial statements (inclusive of the cash flow statement) of TPKH for the immediately preceding financial year (the "Relevant Audited Financial Statement"). The reference amount for these purposes shall be calculated by deducting the amount of the "net cash outflow from investing activities" from the amount of the "net cash inflow from operating activities", each as set out in the Relevant Audited Financial statements.

The appropriations of earnings for 2009 and 2010 had been approved in the shareholders' meetings on April 13, 2010 and June 9, 2011, and the appropriation 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)			Dividends Per Share (In Dollars)		
	For Year 2008	For Year 2009	For Year 2010	For Year 2008	For Year 2009	For Year 2010
	US$	US$	US$	US$	US$	NT$
Legal reserve	$ —	$ 7,234	$16,277	$ —	$ —	$ —
Cash dividends	6,000	47,142	—	0.0195	0.2619	—
Stock dividends	—	2,852	3,906	—	0.0158	0.5000

The appropriation of earnings for 2009 was for stock dividends amounting of NT$90,000 thousand (divided into 9,000 thousand shares with par value of NT$10.00 each); the amount in U.S. dollars was US$2,852 thousand with average exchange rate of NT$31.56 to US$1 which was the closing price at Taiwan Bank on the business day immediately preceding the shareholders' meeting.

The appropriation of earnings for 2010 was for stock dividends amounting of NT$112,034 thousand (divided into 11,203 thousand shares with par value of NT$10.00 each); the amount in U.S. dollars was US$3,906 thousand with average exchange rate of NT$28.68 to US$1 which was the closing price at Taiwan Bank on the business day immediately preceding the shareholders' meeting.

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 for 2009 and 2010 approved in the shareholders' meetings on April 13, 2010 and June 9, 2011 were as follows: (For the year ended December 31, 2008: None)

	Year Ended December 31			
	2009		2010	
	Cash	Stock	Cash	Stock
	US$	US$	US$	US$
Bonus to employees	$ —	$6,500	$7,390	$—
Remuneration to directors	660	—	1,465	—

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 years ended December 31, 2009 and 2010.

In their meeting, the board of directors of TPKH determined the ex-dividend dates as July 1, 2010 and August 8, 2011 for 2009 earnings appropriation and 2010 earnings appropriation, respectively. On July 29, 2010, TPKH registered with the Cayman government the appropriations of 2009 earnings for stock dividends and issuance of common stock for employee bonus. The 2010 earnings appropriation was approved by Taiwan Stock Exchange (TWSE) in letter No. 10000272961 issued on August 23, 2011.

Stock bonus to employees of 7,068 thousand shares for 2009 was 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 statements.

For the years ended December 31, 2009, 2010 and 2011, the estimated bonus to employees was NT$208,195 thousand, NT$215,271 thousand and NT$627,585 thousand (approximately US$20,729 thousand), and remuneration to directors was NT$21,140 thousand, NT$42,675 thousand and NT$102,451 thousand (approximately US$3,384 thousand) (recorded as accrued expenses), respectively. For the years ended December 31, 2009, 2010 and 2011, the estimated bonus to employees represented approximately 10.00%, 5.00% and 6.15%, and remuneration to directors represented approximately 1.0%, 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 net equity per share of the most recent audited financial statements.

Information on the bonus to employees and remuneration to directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

TPKH held the board of directors meeting on September 30, 2011, and resolved to increase its capital by issuing common shares for cash in the form of Global Depositary Receipt (GDR). The estimated issuance of new shares would not exceed 20,000 thousand shares. This proposal has been approved by the FSC under the Executive Yuan of the ROC in letter No. 1000050218 issued on October 27, 2011. However, due to the great fluctuation in recent financial market and stock market, TPKH withdrew the approved proposal of issuance of GDR to protect the interests of investors and shareholders. The withdrawal was approved by the FSC in letter No. 1010001922 issued on January 13, 2012.

17. 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 for years 2010 and 2011 was as follows: (For the year ended December 31, 2009: None)

	Year Ended December 31			
	2010		2011	
Employee Stock Options	**Number of Options**	**Weighted-average Exercise Price (NT$)**	**Number of Options**	**Weighted-average Exercise Price (NT$)**
Balance, beginning of year	—	$ —	8,756	$143.0
Options granted	9,000	164.0	—	—
Options forfeited	(244)	143.0	(228)	143.0
Balance, end of year	8,756	143.0	8,528	136.2
Options exercisable, end of year	—		—	
Weighted-average fair value of options granted (in NT dollars)	$ 77		$ —	

Information about outstanding options as of December 31, 2010 and 2011 was as follows: (As of December 31, 2009: None)

December 31			
2010		2011	
Range of Exercise Price (NT$)	**Weighted-average Remaining Contractual Life (Years)**	**Range of Exercise Price (NT$)**	**Weighted-average Remaining Contractual Life (Years)**
$143.0	9.33	$136.2	8.33

Options granted in 2010 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

Market value per share - grant date	NT$155.0
Exercise price	NT$164.0
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 and NT$240,566 thousand (approximately US$7,946 thousand) for the years ended December 31, 2010 and 2011 (for the year ended December 31, 2009: None).

For the years ended December 31, 2010 and 2011 forfeiture of stock options granted during the year ended December 31, 2010 due to termination of employment was 2.71% and 2.53%, respectively. As of December 31, 2010 and 2011, 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 are 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 December 31, 2011, this proposal was annulled because no option was actually granted during the following year after the effective date.

In November 2010, MTOT, one of the subsidiaries, granted 3,000 options to its full time employees. Each option entitles the holder to subscribe for one thousand common shares of MTOT when exercisable. The options granted are valid for 18 months and exercisable at certain percentages after the first anniversary year from the grant date. The options were granted at an exercise price equal to par value of MTOT's common shares on the grant date. For any subsequent changes in MTOT's paid-in capital, the exercise price is adjusted accordingly.

Information about employee stock options was as follows:

	Year Ended December 31, 2011	
	Number of Options	**Weighted- average Exercise Price**
		(NT$)
Balance, beginning for year	3,000	$10.0
Options exercised	(3,000)	10.0
Balance, end of year	—	
Options exercisable, end of year	—	
Weighted-average fair value of options granted (in NT dollars)	$ —	

18. 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. 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			
	2009	2010	2011	
	NT$	NT$	NT$	US$
Income tax expense of entities in the consolidated financial statements at the statutory rates	$ 255,732	$ 737,436	$ 1,921,358	$ 63,464
Tax effect on adjusting items:				
Permanent differences	8,255	(42,990)	(253,904)	(8,387)
Temporary differences	(24,923)	111,917	189,898	6,272
Current income tax expense	239,064	806,363	1,857,352	61,349
Loss carryforwards	—	(1,111)	32,748	1,082
Investment tax credits	—	(15,618)	(26,316)	(869)
Tax refund receivable from merger	(1,446)	—	—	—
Additional 10% income tax on unappropriated earnings	—	—	26,011	859
Income tax prepaid	(175,566)	(358,332)	(1,326,527)	(43,816)
Income tax payable of the year	$ 62,052	$ 431,302	$ 563,268	$ 18,605
Accounted for as income tax payable	$ 63,526	$ 431,306	$ 563,375	$ 18,609
Accounted for as tax refund receivable (included in other current assets)	(1,474)	(4)	(107)	(4)
	$ 62,052	$ 431,302	$ 563,268	$ 18,605

b. Income tax expense consisted of the following:

	Year Ended December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$
Current income tax expense	$239,064	$ 806,363	$1,857,352	$ 61,349
Loss carryforwards	—	(1,111)	29,998	991
Investment tax credits	—	(15,618)	—	—
Adjustments for prior years' tax	2,535	(4,311)	21,618	714
Additional 10% income tax on unappropriated earnings	—	—	26,011	859
Unused tax credits in PRC	6,015	—	73	2
Deferred income tax	4,082	403,644	1,257,103	41,524
Others	—	15,677	(268)	(9)
Exchange differences	2,446	(19,199)	(38,697)	(1,279)
Income tax expense	$254,142	$1,185,445	$3,153,190	$104,151

For the subsidiaries in the ROC during the years ended December 31, 2009, 2010 and 2011, the Legislative Yuan of the ROC passed the following amendments to tax laws:

1) 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.

2) 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.

3) 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.

4) In May 2010, the Legislative Yuan passed amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 20% to 17%, effective from January 1, 2010.

The subsidiaries in the ROC had recalculated deferred income tax assets and liabilities based on this amended article and adjustments are recorded as income tax benefit and expense of the period.

For the years ended December 31, 2009 and 2010, the change of net deferred income tax assets and liabilities of the Company was recognized directly in profit or loss. For the year ended December 31, 2011, the change of net deferred income tax assets and liabilities of the Company was recognized in profit or loss, except NT$2,443 thousand (approximately US$81 thousand) recognized in cumulative translation adjustment of shareholders' equity.

c. Deferred income tax assets (liabilities) were as follows:

	December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$
Current				
Deferred income tax assets				
Investment tax credits	$ 24,048	$ 28,074	$ 28,254	$ 933
Unrealized employee bonus and stock options	18,237	16,486	52,220	1,725
Loss carryforwards	—	31,889	151,176	4,993
Unrealized warranty expense	—	32,152	173,625	5,735
Unrealized allowance for loss on inventories	1,071	65,044	161,267	5,327
Unrealized exchange losses	77	10,233	—	—
Others	456	25,950	23,179	767
	43,889	209,828	589,721	19,480
Less: Valuation allowance	(24,048)	(9,500)	(180,580)	(5,965)
	19,841	200,328	409,141	13,515
Deferred income tax liabilities				
Investment gains accounted for by the equity method	—	(510,763)	(2,071,648)	(68,428)
Unrealized exchange gains	—	—	(1,409)	(47)
Net deferred income tax assets (liabilities)	$ 19,841	$(310,435)	$(1,663,916)	$(54,960)
Noncurrent				
Deferred income tax assets				
Investment tax credits	$ 94,511	$ 65,415	$ 19,758	$ 653
Loss carryforwards	37,516	—	279,420	9,229
Others	2,530	1,767	33,340	1,101
	134,557	67,182	332,518	10,983
Less: Valuation allowance	—	—	(188,655)	(6,231)
Net deferred income tax assets	$134,557	$ 67,182	$ 143,863	$ 4,752

The tax rates for calculating deferred taxes were as follows:

	December 31		
	2009	2010	2011
TPKT, GPSC, TAS, MTOT and TPK HK (Taiwan Branch)	20%	17%	17%
TPKC, TPKL, TPKS, OTX, RSO and RST	Approximately 11%	Approximately 12%	12%-15%
TPKG and RSS	—	—	25%
TPK HK	—	—	5%-10%
RSSL	—	—	10%
TPKA	—	—	12.5%
Improve	—	20%	—
OTH and UYH	—	10%	10%
TPKU	—	—	1.73%-31.74%
CIM and Hallys	—	—	30%

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 in December 2007 (collectively, the "New Tax Law").

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.

d. As of December 31, 2011, investment tax credits of TPKT and MTOT were comprised of:

Subsidiaries	Laws and Statutes	Tax Credit Source	Total Creditable Amount		Remaining Creditable Amount		Expiry Year
			NT$	US$	NT$	US$	
TPKT	Statute for Upgrading Industries	Purchase of machinery and equipment	$ 103	$ 3	$ 103	$ 3	2012
		Research and development expenditures	26,667	881	26,667	881	2012
			19,758	653	19,758	653	2013
MTOT			1,484	49	1,484	49	2013
			$48,012	$1,586	$48,012	$1,586	

Loss carryforwards of TPKT, MTOT, GPSC, TPKU, TPKG, RSS, Hallys and TPKHK (Taiwan Branch) as of December 31, 2011 were comprised of:

Subsidiaries	Year of Loss	Assessment	Unused Amount		Creditable Amount		Expiry Year
			NT$	US$	NT$	US$	
TPKT	2004	Assessed amount	$ 32,019	$ 1,058	$ 5,443	$ 180	2014
	2005	Assessed amount	84,227	2,782	14,319	473	2015
	2006	Assessed amount	61,893	2,044	10,522	348	2016
	2007	Assessed amount	9,442	312	1,605	53	2017
MTOT	2009	Assessed amount	45,090	1,489	7,665	253	2019
	2010	Reported amount	111,463	3,682	18,949	626	2020
	2011	Estimated amount	140,188	4,630	23,832	787	2021
GPSC	2011	Estimated amount	18,384	607	3,125	103	2021
TPKU	2010	Estimated amount	50,060	1,654	14,338	474	2030
	2011	Estimated amount	85,460	2,823	25,896	855	2031
TPKG	2011	Estimated amount	374,443	12,368	93,610	3,092	2016
RSS	2011	Estimated amount	167,422	5,530	41,855	1,383	2016
Hallys	2005	Reported amount	52,366	1,730	15,710	518	2011
	2006	Reported amount	84,124	2,779	25,237	833	2012
	2007	Reported amount	88,612	2,927	26,584	878	2013
	2008	Reported amount	98,842	3,265	29,653	979	2014
	2009	Reported amount	28,835	952	8,651	286	2015
	2010	Reported amount	88,910	2,937	26,673	881	2016
	2010	Reported amount	14,086	465	4,226	140	2017
	2011	Estimated amount	91,379	3,018	27,414	905	2018
TPK HK (Taiwan Branch)	2011	Estimated amount	31,112	1,028	5,289	175	2021
			$1,758,357	$58,080	$430,596	$14,222	

In 2010, Hallys, one of the subsidiaries, changed the fiscal year from year ended November 30 to year ended December 31 (calendar year). Due to the change in fiscal year, loss carryforwards generated in 2010 were divided into two groups, which would expire in 2016 and 2017, respectively.

e. Information about integrated income tax was as follows:

Balance of imputation credits that could be allocated to shareholders of subsidiaries in Taiwan were as follows:

	December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$
TPKT	$3,726	$3,726	$3,353	$111
GPSC	—	2	5,558	184
MTOT	—	—	—	—

For TPKT, the creditable ratio for distribution of earnings of 2010 and 2011 was 1.29% and 0.66% (estimated), respectively. (For the year ended December 31, 2009: None)

For GPSC, the creditable ratio for distribution of earnings of 2011 was 20.48% (estimated). (For the years ended December 31, 2009 and 2010: None)

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.

f. The income tax returns of TPKT, GPSC and MTOT through 2009 have been assessed by the tax authorities, except for TPKT's income tax return of year 2008.

19. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Year Ended December 31, 2009			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Nonoperating Expenses	Total
	NT$	NT$	NT$	NT$
Personnel				
Salary	$ 928,627	$672,483	$—	$1,601,110
Pension	21,488	10,120	—	31,608
Insurance	33,208	18,403	—	51,611
Others	100,271	26,456	—	126,727
	$1,083,594	$727,462	$—	$1,811,056
Depreciation	$ 458,254	$132,333	$—	$ 590,587
Amortization	$ 39,555	$ 69,433	$—	$ 108,988

	Year Ended December 31, 2010			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Nonoperating Expenses	Total
	NT$	NT$	NT$	NT$
Personnel				
Salary	$1,818,334	$1,275,563	$—	$3,093,897
Pension	51,478	13,721	—	65,199
Insurance	33,542	40,477	—	74,019
Others	1,449,821	6,333	—	1,456,154
	$3,353,175	$1,336,094	$—	$4,689,269
Depreciation	$ 743,812	$ 225,267	$—	$ 969,079
Amortization	$ 1,791	$ 88,489	$—	$ 90,280

	Year Ended December 31, 2011			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Nonoperating Expenses	Total
	NT$	NT$	NT$	NT$
Personnel				
Salary	$4,420,194	$2,621,742	$ —	$ 7,041,936
Pension	131,954	60,672	—	192,626
Insurance	154,519	78,770	—	233,289
Others	3,518,512	251,751	—	3,770,263
	$8,225,179	$3,012,935	$ —	$11,238,114
Depreciation	$1,944,489	$ 788,792	$1,491	$ 2,734,772
Amortization	$ 52,580	$ 89,877	$ —	$ 142,457

	Year Ended December 31, 2011			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Nonoperating Expenses	Total
	US$	US$	US$	US$
Personnel				
Salary	$146,001	$86,598	$—	$232,599
Pension	4,367	2,004	—	6,371
Insurance	5,104	2,602	—	7,706
Others	116,210	8,315	—	124,525
	$271,682	$99,519	$—	$371,201
Depreciation	$ 64,228	$26,054	$49	$ 90,331
Amortization	$ 1,737	$ 2,968	$—	$ 4,705

20. EARNINGS PER SHARE ("EPS")

The numerators and denominators used in calculating EPS were as follows:

	Amounts (Numerator)		Shares	EPS	
	Before Income Tax	After Income Tax	(Denominator in Thousands)	Before Income Tax	After Income Tax
	NT$	NT$		NT$	NT$
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	198,450	$12.96	$11.68
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	205,518	$12.51	$11.27
Year ended December 31, 2010					
Income for the year	$ 5,933,324	$ 4,747,879			
Basic EPS					
Income for the year attributable to common shareholders	$ 5,926,072	$ 4,741,555	208,952	$28.36	$22.69
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	$ 4,741,555	215,868	$27.45	$21.97
Year ended December 31, 2011					
Income for the year	$14,380,569	$11,227,379			
Basic EPS					
Income for the year attributable to common shareholders	$14,525,192	$11,344,312	235,271	$61.74	$48.22
Effect of dilutive potential common stock					
Employee stock option	—	—	6,969		
Bonus to employees	—	—	1,694		
Overseas convertible bonds	270,120	270,120	7,915		
Diluted EPS					
Income for the year attributable to common shareholders plus effect of potential dilutive common stock	$14,795,312	$11,614,432	251,849	$58.75	$46.12
Year ended December 31, 2011					
Income for the year	$ 474,998	$ 370,847			
Basic EPS					
Income for the year attributable to common shareholders	$ 479,775	$ 374,709	235,271	$ 2.04	$ 1.59
Effect of dilutive potential common stock					
Employee stock option	—	—	6,969		
Bonus to employees	—	—	1,694		
Overseas convertible bonds	8,922	8,922	7,915		
Diluted EPS					
Income for the year attributable to common shareholders plus effect of potential dilutive common stock	$ 488,697	$ 383,631	251,849	$ 1.94	$ 1.52

The ARDF of the ROC issued Interpretations 2007-052 that requires 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 of the shares at the balance sheet date (before initial offering, by the net equity per share on the basis of most recently audited financial statement). 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 capital, capitalization of share premium and stock dividends (see Note 16). This adjustment caused the basic and diluted EPS after income tax for the years ended December 31, 2009 and 2010 to decrease from NT$12.87 to NT$11.68 and from NT$12.39 to NT$11.27 in year 2009, to decrease from NT$23.83 to NT$22.69 and from NT$23.03 to NT$21.97 in year 2010, respectively.

21. 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
Balda Investment Singapore Pte. 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
Pan Shi (Xiamen) Real Estate Development Inc.	Related party in substance
Cando Corporation (Cando)	Long-term investment accounted for by the equity method
Jiang Chao Rui	Chairman
Hiroshi Aoyama	CIM's general manger
Ryoichi Nishigawa	CIM's Chief Technology Officer
Hiroshi Shibata	CIM's director

b. Significant transactions with related parties:

	Year Ended December 31						
	2009		2010		2011		
Related Party	Amount	% to Total	Amount	% to Total	Amount		% to Total
	NT$		NT$		NT$	US$	
1) Purchases							
Cando	$ —	—	$ —	—	$3,269,092	$107,980	2
Smart Peak International Limited	—	—	20,955	—	63,715	2,105	—
Balda Solution (Beijing) Ltd.	—	—	201,768	—	56,785	1,876	—
Balda Solution (Suzhou) Ltd.	13,612	—	1,452	—	—	—	—
Touch Video Monitor Corp.	10,073	—	81	—	—	—	—
Others	17	—	33	—	952	31	—
	$23,702	—	$224,289	—	$3,390,544	$111,992	2

(Continued)

Related Party	Year Ended December 31						
	2009		2010		2011		
	Amount	% to Total	Amount	% to Total	Amount		% to Total
	NT$		NT$		NT$	US$	
2) Net sales							
Balda Solution (Beijing) Ltd.	$ —	—	$859,066	1	$333,423	$11,013	—
Touch Video Monitor (Xiamen) Corp.	37,815	—	48,496	—	53,047	1,752	—
Cando	—	—	—	—	41,708	1,378	—
Balda Solution (Suzhou) Ltd.	—	—	40,017	—	—	—	—
Others	1,360	—	9,890	—	2,927	96	—
	$39,175	—	$957,469	1	$431,105	$14,239	—
3) Rental disbursement (recorded as overhead)							
BTO Technologies (Xiamen) Ltd.	$ 3,182	—	$ 58,490	52	$ 70,569	$ 2,331	34
Vision Optical Technologies (Xiamen) Inc.	—	—	27,884	25	56,677	1,872	27
	$ 3,182	—	$ 86,374	77	$127,246	$ 4,203	61
4) Rental disbursement (recorded as operating expense)							
BTO Technologies (Xiamen) Ltd.	$ 6,894	—	$ 26,843	22	$ 51,909	$ 1,715	25
Taiwan Video & Monitor Corp.	—	—	17,957	15	32,927	1,088	16
Vision Optical Technologies (Xiamen) Inc.	—	—	13,125	11	18,783	620	9
Others	—	—	2,469	2	1,509	50	1
	$ 6,894	—	$ 60,394	50	$105,128	$ 3,473	51
5) Rental revenue (recorded as nonoperating revenue)							
Balda Investment Singapore Pte. Ltd.	$ —	—	$ —	—	$ 327	$ 11	—
6) Acquisition of property, plant and equipment							
Touch Video Monitor (Xiamen) Corp.	$ 433	—	$ 3,583	—	$ 903	$ 30	—
BTO Technologies (Xiamen) Ltd.	144	—	1,340	—	—	—	—
Touch Video Monitor Corp.	—	—	45	—	—	—	—
	$ 577	—	$ 4,968	—	$ 903	$ 30	—
7) Proceeds from disposal of property, plant and equipment							
BTO Technologies (Xiamen) Ltd.	$ 929	2	$ —	—	$ 1,074	$ 35	—

(Concluded)

In October 2011, TPKC, one of the subsidiaries sold transportation equipment to BTO Technologies (Xiamen) Ltd. for NT$1,074 thousand (approximately US$35 thousand), resulting in a gain on disposal of property, plant and equipment of NT$1 thousand (approximately US$0 thousand).

Related Party	December 31						
	2009		2010		2011		
	Amount	% to Total	Amount	% to Total	Amount		% to Total
	NT$		NT$		NT$	US$	
8) Accounts receivable - related parties (recorded as accounts receivable)							
Balda Solution (Beijing) Ltd.	$ —	—	$157,227	1	$ 55,500	$1,833	1
Cando	—	—	—	—	41,708	1,378	—
Touch Video Monitor (Xiamen) Corp.	5,051	1	6,732	—	8,815	291	—
Others	618	—	256	—	1,748	58	—
	$5,669	1	$164,215	1	$107,771	$3,560	1

(Continued)

Related Party	December 31 2009 Amount	2009 % to Total	2010 Amount	2010 % to Total	2011 Amount		2011 % to Total
9) Other receivables - related parties (recorded as other receivables)							
Jiang Chao Rui	$ —	—	$ —	—	$ 500	$ 17	—
Balda Investment Singapore Ltd.	—	—	—	—	4	—	—
	$ —	—	$ —	—	$ 504	$ 17	—
10) Refundable deposits							
BTO Technologies (Xiamen) Ltd.	$36,662	47	$39,329	13	$ 42,962	$ 1,419	14
Vision Optical Technologies (Xiamen) Inc.	24,689	32	34,494	11	37,681	1,245	12
Taiwan Video & Monitor Corp.	—	—	7,674	3	8,000	264	2
Jiang Chao Rui	—	—	500	—	—	—	—
	$61,351	79	$81,997	27	$ 88,643	$ 2,928	28
11) Accounts payable - related parities							
Cando	$ —	—	$ —	—	$535,147	$17,676	97
Smart Peak International Limited	9	2	12,918	35	10,337	342	2
Balda Solution (Beijing) Ltd.	—	—	24,387	65	3,220	106	1
Others	525	98	—	—	—	—	—
	$ 534	100	$37,305	100	$548,704	$18,124	100
12) Accrued expenses							
Balda Solution (Beijing) Ltd.	$ —	—	$ —	—	$ 56	$ 2	—
Vision Optical Technologies (Xiamen) Inc.	—	—	—	—	5	—	—
	$ —	—	$ —	—	$ 61	$ 2	—

(Concluded)

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) Ltd. 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.

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 the office from Taiwan Video & Monitor Corp. and Jiang Chao Rui. 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 the 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.

13) Financing from related parties (for the year ended December 31, 2010: None)

Related Party	Year Ended December 31, 2009 Maximum Balance	Ending Balance	Interest Expense	Interest Rate
	NT$	NT$	NT$	
Max Gain Management Limited	$160,150	$—	$585	5.00%-6.00%

Related Party	Year Ended December 31, 2011						
	Maximum Balance		Ending Balance		Interest Expense		Interest Rate %
	NT$	US$	NT$	US$	NT$	US$	
Hiroshi Aoyama	$66,402	$2,193	$66,402	$2,193	$1,537	$51	1.34%-2.00%

14) Guarantees

As of December 31, 2009, 2010 and 2011, guarantees for long-term and short-term loans provided by related parties were as follows:

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

December 31, 2010

Beneficiary Company	Ending Balance	Guarantor
	NT$	
TPKH	$4,019,940	Jiang Chao Rui
TPKT	65,000	Jiang Chao Rui

December 31, 2011

Beneficiary Company	Ending Balance		Guarantor
	NT$	US$	
TPKH	$4,844,000	$160,000	Jiang Chao Rui
TPKT	100,000	3,303	Jiang Chao Rui
TPK HK	6,811,875	225,000	TPKH
Hallys	312,480	10,321	TPKH
Hallys	62,496	2,064	Hiroshi Aoyama
Hallys	23,436	774	Hiroshi Aoyama, Ryoichi Nishigawa, Hiroshi Shibata

Hallys' long-term loans amounting to NT$85,932 thousand (approximately NT$2,838 thousand) were jointly guaranteed by the related parties and Credit Guarantee Corporation in Hyogo prefecture, Japan.

c. Compensation of directors, supervisors and management personnel:

	Year Ended December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$
Salaries	$ 70,637	$ 69,890	$ 70,246	$2,320
Bonus	46,464	9,886	50,175	1,658
Incentive and others	14,425	60,051	15,111	499
	$131,526	$139,827	$135,532	$4,477

The bonus to directors and management personnel for the years ended December 31, 2010 and 2011 included the estimated bonus to employees and remuneration to directors, which will be paid in 2011 and 2012, respectively. The actual amount will be determined based on the resolution in the shareholders' meeting in 2011 and 2012, respectively.

22. COMMITMENTS AND CONTINGENCIES

The expiration dates of leases of manufacturing facilities, office facilities and transportation equipment are in 2012 and thereafter. As of December 31, 2011, future rentals were as follows:

Year	NT$	US$
2012	$ 433,631	$14,323
2013	460,143	15,199
2014	381,307	12,595
2015	175,798	5,807
2016 and thereafter	22,076	729
	$1,472,955	$48,653

As of December 31, 2011, the Company signed purchase agreements to purchase machineries in the amount of NT$3,397,808 thousand (approximately US$112,232 thousand). The Company has consummated some of the purchases but not yet examined the machineries.

23. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments

	December 31							
	2009		2010		2011			
Non-derivatives	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount		Fair Value	
	NT$	NT$	NT$	NT$	NT$	US$	NT$	US$
Assets								
Cash	$1,670,865	$1,670,865	$ 5,563,959	$ 5,563,959	$10,382,671	$342,945	$10,382,671	$342,945
Accounts receivable	835,049	835,049	11,998,886	11,998,886	7,853,182	259,395	7,853,182	259,395
Other receivables	174,832	174,832	489,504	489,504	9,052,493	299,009	9,052,493	299,009
Other financial assets - current	—	—	—	—	768,779	25,393	768,779	25,393
Restricted assets - current	524,496	524,496	13,480	13,480	8,411	278	8,411	278
Investments accounted for by the equity method	—	—	—	—	4,119,954	136,084	—	—
Refundable deposits	78,051	78,051	303,457	303,457	316,823	10,465	316,823	10,465
Liabilities								
Short-term loans	1,649,933	1,649,933	3,408,924	3,408,924	4,075,968	134,631	4,075,968	134,631
Current portion of long-term loans	—	—	247,605	247,605	1,394,406	46,058	1,394,406	46,058
Notes payable	697	697	2,491	2,491	450	15	450	15
Accounts payable	2,202,287	2,202,287	13,886,727	13,886,727	25,542,876	843,695	25,542,876	843,695
Accounts payable - related parties	534	534	37,305	37,305	548,704	18,124	548,704	18,124
Accrued expenses	630,360	630,360	2,194,103	2,194,103	4,735,074	156,402	4,735,074	156,402
Payables on construction and equipment	455,459	455,459	2,686,705	2,686,705	5,627,283	185,872	5,627,283	185,872
Accrued liability on purchase commitment	—	—	150,466	150,466	121,961	4,028	121,961	4,028
Bonds payable	—	—	—	—	10,339,275	341,512	10,339,275	341,512
Long-term loans	594,900	594,900	3,604,535	3,604,535	8,805,866	290,863	8,805,866	290,863
Guarantee deposits received	21,888	21,888	74,183	74,183	27,314	902	27,314	902
Shareholders account	—	—	—	—	66,402	2,193	66,402	2,193

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 or the amount of future collections and payments are similar to their carrying amounts: Cash, accounts receivable, other receivables, restricted assets - current, short-term loans, notes payable, accounts payable, accounts payable - related parties, accrued expenses, payables on construction and equipment and accrued liability on purchase commitment.

2) Other financial assets - current are structured time deposits. Because of their short maturities, structured time deposits' fair values were equivalent to the carrying values.

3) Long-term investment accounted for by the equity method is an investment in unquoted shares, which have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, the fair value cannot be reliably measured.

4) Fair value of bonds payable is the estimated discounted present value of future cash flows.

5) Fair values of long-term loans (including current portion of long-term loans) and shareholders account are estimated using the present value of future cash flows discounted at interest rates the Company may obtain for similar loans (e.g. similar maturities). If the difference in the interest rates of the loans and of similar loans is not significant, the fair value is reasonably estimated on the basis of the long-term loans carrying amount.

6) Refundable deposits and guarantee deposits received do not have specific due dates; thus, the fair values were equivalent to the carrying amounts.

7) Some financial assets and liabilities and non-financial assets and liabilities do not have to disclose their fair values; thus, the values mentioned above did not represent the total value of the Company.

c. As of December 31, 2009, 2010 and 2011, financial assets exposed to fair value interest rate risk amounted to NT$822,375 thousand, zero and NT$777,111 thousand (approximately US$25,668 thousand), respectively; financial liabilities exposed to fair value interest rate risk amounted to zero, NT$125,357 thousand and NT$14,210,447 thousand (approximately US$469,379 thousand), respectively; financial assets exposed to cash flow interest rate risk amounted to NT$1,370,755 thousand, NT$5,567,462 thousand and NT$10,311,792 thousand (approximately US$340,605 thousand), respectively; and financial liabilities exposed to cash flow interest rate risk amounted to NT$2,244,833 thousand, NT$7,135,707 thousand and NT$10,471,470 thousand (approximately US$345,878 thousand), respectively.

d. For the years ended December 31, 2009, 2010 and 2011, the interest income associated with financial assets and liabilities other than those at FVTPL amounted to NT$3,045 thousand, NT$16,044 thousand and NT$161,106 thousand (approximately US$5,321 thousand), respectively, and interest expense associated with financial assets and liabilities other than those at FVTPL amounted to NT$68,850 thousand, NT$87,412 thousand and NT$504,225 thousand (approximately US$16,655 thousand), respectively.

e. Gains (losses) from changes in fair value of financial assets and liabilities held for trading were recognized on forward exchange contracts. As of December 31, 2009, 2010 and 2011, there were no outstanding forward exchange contracts. For the years ended December 31, 2009 and 2010 and 2011, net losses from forward exchange contracts were NT$1,650 thousand, zero and NT$5,265 thousand (approximately US$174 thousand), respectively.

The Company entered into forward exchange contracts to manage exposures due to exchange 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.

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 is mainly bank deposit. Thus, the effect is not considered significant.

The Company has set up relevant risk control policies to reduce the risk of financial asset and liabilities exposed to fair value and cash flow interest rate risk.

2) Credit risk

Credit risk is the possible loss due to counterparties' 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 reputable counterparties and by performing a series of control procedures for the related transactions.

3) Liquidity and cash flow risk

The Company's operating capital is deemed sufficient to meet the cash flow demand; therefore, liquidity and cash flow risks are not considered to be significant.

24. BUSINESS COMBINATION

a. On July 29, 2011, TPK HK invested JPY40,080 thousand in CIM and acquired 80% equity interest. The additional transaction cost was JPY50,814 thousand, and the total acquisition cost was JPY90,894 thousand. The acquisition was accounted for under SFAS No. 25, "Business Combinations - Accounting Treatment under Purchase Method." The related information is summarized as follows:

	Amount	
	NT$	**US$**
Acquisition costs	$35,600	$1,176
Add: Fair value of identifiable acquired net assets	9,934	328
Goodwill	$45,534	$1,504

b. In January 2011, TPKA, one of the subsidiaries, set up and invested NT$378,000 thousand in RSL. On April 1, 2011, RSL invested NT$378,000 thousand in MTOT and acquired 52.94% equity interest in MTOT. The acquisition was accounted for under SFAS No. 25, "Business Combinations - Accounting Treatment under Purchase Method." The related information is summarized as follows:

	Amount	
	NT$	**US$**
Acquisition costs	$ 378,000	$ 12,857
Less: Fair value of identifiable acquired net assets	(359,584)	(12,231)
Goodwill	$ 18,416	$ 626

c. TPKH and Magna International Inc. Group (Magna) owned the joint venture named 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, processing 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 was paid in standby letter of credit with the term of one year. The additional transaction cost was US$228 thousand, and the total acquisition cost was US$35,228 thousand. As of December 31, 2010, the standby letter of credit had been settled. The acquisition was accounted for under SFAS No. 25, "Business Combinations - Accounting Treatment under Purchase Method." The related information is summarized as follows:

	Amount	
	NT$	**US$**
Acquisition costs	$1,026,192	$ 35,228
Less: Fair value of identifiable acquired net assets	(740,572)	(25,423)
Goodwill	$ 285,620	$ 9,805

The consolidated income for the years ended December 31, 2011 and 2010 included the operating results of the subsidiaries acquired in March 2010, April 2011 and July 2011. The unreviewed pro forma operating results of the Company for the years ended December 31, 2009, 2010 and 2011, assuming the Company acquired 52.94% equity interest of MTOT, 50% equity interest of OTH and 80% equity interest of CIM at the beginning of 2009 were as follows:

	Unreviewed Pro Forma Operating Results			
	Year Ended December 31			
	2009	2010	2011	
	NT$	NT$	NT$	US$
Net sales	$19,274,070	$59,740,505	$143,384,010	$4,736,053
Income before extraordinary income	2,226,744	4,591,111	11,125,480	367,481
Net income attributable to shareholders of parent company - before income tax	2,488,830	5,776,914	11,298,643	472,292
Net income attributable to shareholders of parent company - after income tax	2,226,744	4,591,110	11,262,293	372,000

	Unreviewed Pro Forma Operating Results							
	Year Ended December 31							
	2009		2010		2011			
	Before Tax	After Tax	Before Tax	After Tax	Before Tax		After Tax	
	NT$	NT$	NT$	NT$	NT$	US$	NT$	US$
Earnings per share (dollars)								
Basic earnings per share	$12.54	$11.22	$27.65	$21.97	$60.78	$2.01	$47.87	$1.58
Diluted earnings per share	$12.11	$10.83	$26.76	$21.27	$57.85	$1.91	$45.79	$1.51

25. SUBSEQUENT EVENTS

On February 29, 2012, the board of directors approved several resolutions as follows:

a. TPKH's articles have been modified as follows:

   1) Where TPKH increases its capital by issuing new shares in cash in ROC, TPKH may reserve 10% to 15% of such new shares for subscription by the employees of TPKH and its subsidiaries. TPKH may prohibit employees from transferring the shares so subscribed within a certain period; such period cannot be longer than two years.

   2) TPKH may issue new shares with restricted rights ("restricted shares") solely to employees of TPKH and its subsidiaries by special resolution approved in the shareholders' meeting.

   3) Originally, the total amount of dividends appropriated shall not be less than 2% of remaining profit; the percentage was adjusted to 10%; TPKH will pay a portion of such dividend in cash, which shall be no less than 10% of the total amount of dividends; however, if the total amount of dividends payable per share in a given year would be less than NT$1 dollar, the 10% threshold shall not be applicable. TPKH may, at its sole discretion, pay such dividends, in whole or in part, in the form of cash and/or stock.

b. In year 2012, TPKH would issue 10,000 units of employee stock options to qualified employees of TPKH and its subsidiaries. Each option entitles the holder to subscribe for one thousand common shares of TPKH when exercisable. The options granted are valid for 7 years and exercisable at certain percentages after the second anniversary year from the grant date.

The aforementioned proposal for issuance of employee stock options was not yet submitted to the FSC for approval.

26. OPERATING SEGMENT FINANCIAL INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Company's reportable segment is touch modules segment under SFAS No. 41. The related information was as follows:

a. Information of reportable segment's gain or loss and assets

	Year Ended December 31, 2009		
	Touch Modules	Others	Total
	NT$	NT$	NT$
Revenue generated from external customers	$18,516,735	$ 192,016	$18,708,751
Intersegment revenue	185,281	1,095,897	1,281,178
Interest income	2,181	864	3,045
Interest expense	63,222	5,628	68,850
Depreciation and amortization	596,727	102,848	699,575
Reportable segment income before income tax	4,142,273	2,863,100	7,005,373
Reportable segment income tax expense	(231,480)	(22,662)	(254,142)
Reportable segment net income	3,910,793	2,840,438	6,751,231
Reportable segment assets	9,945,275	8,162,794	18,108,069
Reportable segment capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term investments	1,279,212	173,516	1,452,728

	Year Ended December 31, 2010		
	Touch Modules	Others	Total
	NT$	NT$	NT$
Revenue generated from external customers	$59,190,069	$ 408,684	$59,598,753
Intersegment revenue	790,957	4,276,820	5,067,777
Interest income	13,197	9,938	23,135
Interest expense	31,934	62,569	94,503
Depreciation and amortization	805,597	253,762	1,059,359
Reportable segment income before income tax	9,787,697	6,371,575	16,159,272
Reportable segment income tax expense	(966,856)	(218,589)	(1,185,445)
Reportable segment net income	8,820,841	6,152,986	14,973,827
Reportable segment assets	35,002,141	30,894,615	65,896,756
Reportable segment capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term investments	8,801,319	4,577,295	13,378,614

	Year Ended December 31, 2011		
	Touch Modules	Others	Total
	NT$	NT$	NT$
Revenue generated from external customers	$142,566,885	$ 804,732	$143,371,617
Intersegment revenue	741,622	17,885,425	18,627,047
Interest income	103,537	136,162	239,699
Interest expense	119,233	387,784	507,017
Depreciation and amortization	1,645,469	1,239,623	2,885,092
Reportable segment income before income tax	24,391,385	15,665,043	40,056,428
Reportable segment income tax expense	(2,820,786)	(332,404)	(3,153,190)
Reportable segment net income	21,570,599	15,332,639	36,903,238
Reportable segment assets	84,118,415	86,339,207	170,457,622
Reportable segment capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term investments	11,833,287	23,160,567	34,993,854

	Year Ended December 31, 2011		
	Touch Modules	Others	Total
	US$	US$	US$
Revenue generated from external customers	$4,709,062	$ 26,582	$4,735,644
Intersegment revenue	24,497	590,765	615,262
Interest income	3,420	4,497	7,917
Interest expense	3,938	12,809	16,747
Depreciation and amortization	54,351	40,946	95,297
Reportable segment income before income tax	805,662	517,424	1,323,086
Reportable segment income tax expense	(93,173)	(10,978)	(104,151)
Reportable segment net income	712,489	506,446	1,218,935
Reportable segment assets	2,778,478	2,851,832	5,630,310
Reportable segment capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term investments	390,860	765,006	1,155,866

b. Reportable segment's gain or loss and other significant items reconciliation

1) Gain or loss reconciliation

Gain or Loss	Year Ended December 31, 2009
	NT$
Reportable segment income before income tax	$ 4,142,273
Reportable segment income tax expense	(231,480)
Reportable segment net income	3,910,793
Other non-reportable segment's gain or loss	2,840,438
Less: Intersegment profit	(4,441,218)
Less: Net loss on minority interest	6,994
Net income attributable to shareholders of the parent company	$ 2,317,007

Gain or Loss	Year Ended December 31, 2010
	NT$
Reportable segment income before income tax	$ 9,787,697
Reportable segment income tax expense	(966,856)
Reportable segment net income	8,820,841
Other non-reportable segment's gain or loss	6,152,986
Less: Intersegment profit	(10,225,948)
Less: Net income on minority interest	(6,324)
Net income attributable to shareholders of the parent company	$ 4,741,555

Gain or Loss	Year Ended December 31, 2011	
	NT$	US$
Reportable segment income before income tax	$ 24,391,385	$ 805,662
Reportable segment income tax expense	(2,820,786)	(93,173)
Reportable segment net income	21,570,599	712,489
Other non-reportable segment's gain or loss	15,332,639	506,446
Less: Intersegment profit	(25,675,859)	(848,088)
Less: Net loss on minority interest	116,933	3,862
Net income attributable to shareholders of the parent company	$ 11,344,312	$ 374,709

2) Other significant items reconciliation

Other Significant Items	Total Amount of Reportable Segment	Total Amount of Other Non-reportable Segment	Reconciliation	Total
	Year Ended December 31, 2009			
	NT$	NT$	NT$	NT$
Interest income	$ 2,181	$ 864	$—	$ 3,045
Interest expense	63,222	5,628	—	68,850
Capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term investments	1,279,212	173,516	—	1,452,728
Depreciation and amortization	596,727	102,848	—	699,575

Other Significant Items	Total Amount of Reportable Segment	Total Amount of Other Non-reportable Segment	Reconciliation	Total
	Year Ended December 31, 2010			
	NT$	NT$	NT$	NT$
Interest income	$ 13,197	$ 9,938	$ (7,091)	$ 16,044
Interest expense	31,934	62,569	(7,091)	87,412
Capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term investments	8,801,319	4,577,295	(236,011)	13,142,603
Depreciation and amortization	805,597	253,762	—	1,059,359

Other Significant Items	Total Amount of Reportable Segment	Total Amount of Other Non-reportable Segment	Reconciliation	Total
	Year Ended December 31, 2011			
	NT$	NT$	NT$	NT$
Interest income	$ 103,537	$ 136,162	$ (78,593)	$ 161,106
Interest expense	119,233	387,784	(78,782)	428,235
Capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term investments	11,833,287	23,160,567	(2,278,504)	32,715,350
Depreciation and amortization	1,645,469	1,239,623	(7,863)	2,877,229

Other Significant Items	Total Amount of Reportable Segment	Total Amount of Other Non-reportable Segment	Reconciliation	Total
	Year Ended December 31, 2011			
	US$	US$	US$	US$
Interest income	$ 3,420	$ 4,497	$ (2,596)	$ 5,321
Interest expense	3,938	12,809	(2,602)	14,145
Capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term investments	390,860	765,006	(75,260)	1,080,606
Depreciation and amortization	54,351	40,946	(261)	95,036

c. Revenue from major products

The reportable segment of the Company comprises of different products, which are not required to make additional disclosure of related product and revenue information.

d. Geographic information

The Company mainly operates in Taiwan, China, United States of America and Japan.

The Company's revenue from external customers and information about its noncurrent assets by geographical location were as follows:

	Revenue from External Customers			
	Year Ended December 31			
Area	2009	2010	2011	
	NT$	NT$	NT$	US$
North America	$11,694,580	$45,273,779	$106,438,277	$3,515,715
Asia	7,014,171	14,324,974	36,546,164	1,207,140
Others	—	—	387,176	12,789
	$18,708,751	$59,598,753	$143,371,617	$4,735,644

	Non-current Assets			
	December 31			
Area	2009	2010	2011	
	NT$	NT$	NT$	US$
North America	$ 391,971	$ 1,313,967	$ 944,568	$ 31,200
Asia	6,193,750	18,261,205	49,452,814	1,633,452
	$6,585,721	$19,575,172	$50,397,382	$1,664,652

Noncurrent assets excluded deferred tax assets.

e. Information about major customers

Revenue from any individual customer exceeding 10% of Company's net sales was as follows:

	Year Ended December 31						
	2009		2010		2011		
Customer	Amount	% to Total	Amount	% to Total	Amount		% to Total
	NT$		NT$		NT$	US$	
Customer A	$8,515,272	46	$43,362,884	73	$105,181,200	$3,474,193	73
Customer B	3,806,958	20	6,217,981	10	10,072,502	332,700	7
Customer C	2,857,685	15	1,710,650	3	183,989	6,077	—

27. OTHERS

Significant financial assets and liabilities denominated in currencies other than U.S. dollars were as follows:

Amount in Thousands

	December 31								
	2009			2010			2011		
	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	$248,286	6.8282	$36,362	$ 254,594	6.6227	$ 38,443	$ 776,326	6.3009	$123,209
NTD	65,905	32.0300	2,058	60,937	29.1300	2,092	193,162	30.2750	6,380
JPY	740	92.4387	8	14,631	85.7795	171	367,711	77.5090	4,744
KRW	35,472	1,160.5072	31	54,350	1,159.9694	47	40,200	1,151.1407	35
EUR	9	0.6945	13	3	0.7803	4	1	0.7727	2
HKD	1,476	7.7630	190	—	—	—	152	7.7688	20
Financial liabilities									
Monetary items									
RMB	213,626	6.8282	31,286	1,256,556	6.6227	189,735	1,839,752	6.3009	291,982
NTD	105,953	32.0300	3,308	514,898	29.1300	17,676	307,666	30.2750	10,162
JPY	70,101	92.4387	758	1,482,399	85.7795	17,282	4,114,539	77.5090	53,085
EUR	—	—	—	3	0.7803	4	40	0.7727	51

28. PRE-DISCLOSURE FOR ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Under Rule No. 0990004943 issued by the FSC on February 2, 2010, the Company is required to provide pre-disclosure information on the adoption of International Financial Reporting Standards (IFRSs) as follows:

a. On May 14, 2009, the FSC announced the "Framework for Adoption of International Financial Reporting Standards by Companies in the ROC." In this framework, starting 2013, companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, and Interpretations as well as related guidance translated by the ARDF and issued by the FSC. To comply with this framework, the Company has set up a project team and made a plan to adopt the IFRSs. Leading the implementation of this plan is Ms. Wen-Yu, Wu, senior vice-president. The main contents of the plan, anticipated schedule and status of execution as of December 31, 2011 were as follows:

Contents of the Plan	Status of Execution
1) Establish a cross-functional taskforce	Completed
2) Set up a work plan for IFRSs adoption	Completed
3) Complete the identification of differences between ROC GAAP and IFRSs	Completed
4) Complete the identification of consolidated entities under IFRSs	Completed
5) Evaluate the effects of optional exemptions granted by IFRS 1 "First-time Adoption of International Financial Reporting Standards"	Completed
6) Evaluate adjustments needed for information systems	Completed
7) Evaluate adjustments needed for internal controls	Completed
8) Select accounting policies based on IFRSs	Completed
9) Select specific optional exemptions to use based on IFRS 1 "First-time Adoption of International Financial Reporting Standards"	Completed
10) Preparation of an opening statement of financial position under IFRSs	Expected to be completed in first quarter of 2012
11) Preparation of the comparative financial statements for 2012 under IFRSs	Expected to be completed in first quarter of 2013
12) Modify related internal control systems (including the financial reporting process and related information systems)	Expected to be completed in fourth quarter of 2012

b. As of December 31, 2011, the material differences between the existing accounting policies and the accounting policies to be adopted under IFRSs were as follows:

Accounting Issues	Description of Differences
Classifications of deferred tax asset/liability and valuation allowance	1) Under ROC GAAP, 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 tax asset or liability does not relate to an asset or liability in the financial statements, it is classified as either current or noncurrent based on the expected length of time before it is realized or settled. Under IFRSs, a deferred tax asset or liability is classified as noncurrent asset or liability. 2) Under ROC GAAP, valuation allowance is provided to the extent, if any, that it is more likely than not that deferred tax assets will not be realized. Under IFRSs, deferred tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits and the valuation allowance account is no longer used.
Idle assets	Under ROC GAAP, idle asset is classified under other assets. Under IFRSs, idle assets are classified as property, plant and equipment according to their nature.
Functional currency	Under ROC GAAP, functional currency is the primary currency with which a foreign entity operates and generates/expends cash. When determining functional currency, the entity would consider different factors comprehensively. Under IFRSs, functional currency is the primary currency of the economic environment in which an entity operates. An entity should consider the primary indicator in determining its functional currency. If the functional currency cannot be decided, an entity should consider other secondary indicators.
Short-term employee benefits	This issue is not addressed in existing ROC GAAP; thus, the Company has not recognized the expected cost of employee benefits in the form of accumulated compensated absences at the end of reporting periods. However, under IFRSs, when the employees render services that increase their entitlement to future compensated absences, an entity should recognize the expected cost of employee benefits at the end of reporting periods.
Pension	1) Under ROC GAAP, it is allowed to recognize actuarial gains and losses using the corridor approach or faster recognition, and the amortization is fully recognized in profit or loss. Under IFRSs, it is allowed to recognize actuarial gains and losses using the corridor approach, faster recognition or to fully recognize actuarial gains and losses in the period of occurrence as other comprehensive income. 2) Under ROC GAAP, minimum pension liability is the excess of the accumulated benefits obligation over fair value of pension plan assets at the balance sheet date. If the accrued pension liability recorded on the books is less than the minimum amount, the difference shall be recognized by crediting accrued pension liability. Under IFRSs, there is no relevant regulation.

The differences listed above might not have significant impact because of the exemption options that the Company would apply under IFRS 1 “First-time Adoption of International Financial Reporting Standards”.

c. The Company's aforementioned assessment is based on the 2010 version of IFRSs translated by the ARDF and the Guidelines Governing the Preparation of Financial Reports by Securities Issuers issued by the FSC on December 22, 2011. However, the assessment result may be impacted by the addition or the amendment of IFRSs issued or proposed by the International Accounting Standards Board and the possible future rules issued by the ROC authorities governing the adoption of IFRSs by companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market.

29. ADDITIONAL DISCLOSURES

The additional disclosures required by the Securities and Futures Bureau of the ROC for the Company and its investees are listed as follows:

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 23)

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, 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) Financing 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, 2011
(Amount in Thousands)

No. (Note 1)	Financing Company	Counterparty	Financial Statements Account	Maximum Balance for the Year (Notes 6 and 7)	Ending Balance (Notes 6 and 7)	Interest Rate	Type of Financing (Note 2)	Transaction Amount	Reason for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company (Notes 3 and 6)	Financing Company's Financing Amount Limit (Notes 4 and 6)
											Item	Value		
0	TPKH	TPKT	Loan to related parties	US$ 3,000 (approximately NT$ 90,825)	$ —	1.6000%	2	$—	Operating capital	$—	—	$—	US$ 386,093 (approximately NT$ 11,688,976)	US$ 482,617 (approximately NT$ 14,611,220)
		TPKC	Loan to related parties	US$ 65,000 (approximately NT$ 1,967,875)	US$ 30,000 (approximately NT$ 908,250)	1.2422%	2	—	Operating capital	—	—	—	US$ 386,093 (approximately NT$ 11,688,976)	US$ 482,617 (approximately NT$ 14,611,220)
		Improve	Loan to related parties	US$ 25,000 (approximately NT$ 756,875)	—	1.2547%	2	—	Operating capital	—	—	—	US$ 386,093 (approximately NT$ 11,688,976)	US$ 482,617 (approximately NT$ 14,611,220)
		RST	Loan to related parties	US$ 60,000 (approximately NT$ 1,816,500)	—	0.4305%-1.4425%	2	—	Operating capital	—	—	—	US$ 386,093 (approximately NT$ 11,688,976)	US$ 482,617 (approximately NT$ 14,611,220)
		RSO	Loan to related parties	US$ 20,000 (approximately NT$ 605,500)	—	1.1950%-1.2572%	2	—	Operating capital	—	—	—	US$ 386,093 (approximately NT$ 11,688,976)	US$ 482,617 (approximately NT$ 14,611,220)
		TPKL	Loan to related parties	US$ 5,000 (approximately NT$ 151,375)	—	1.2055%-1.2562%	2	—	Operating capital	—	—	—	US$ 386,093 (approximately NT$ 11,688,976)	US$ 482,617 (approximately NT$ 14,611,220)
		UYH	Loan to related parties	US$ 270,400 (approximately NT$ 8,186,360)	US$ 250,400 (approximately NT$ 7,580,860)	0.3973%-1.5342%	2	—	Operating capital	—	—	—	US$ 386,093 (approximately NT$ 11,688,976)	US$ 482,617 (approximately NT$ 14,611,220)
		TPKS	Loan to related parties	US$ 15,000 (approximately NT$ 454,125)	US$ 15,000 (approximately NT$ 454,125)	1.1233%-1.3542%	2	—	Operating capital	—	—	—	US$ 386,093 (approximately NT$ 11,688,976)	US$ 482,617 (approximately NT$ 14,611,220)
		TPK HK	Loan to related parties	US$ 55,000 (approximately NT$ 1,665,125)	US$ 55,000 (approximately NT$ 1,665,125)	1.0977%	2	—	Operating capital	—	—	—	US$ 386,093 (approximately NT$ 11,688,976)	US$ 482,617 (approximately NT$ 14,611,220)
		TPKG	Loan to related parties	US$ 35,000 (approximately NT$ 1,059,625)	—	—	2	—	Operating capital	—	—	—	US$ 386,093 (approximately NT$ 11,688,976)	US$ 482,617 (approximately NT$ 14,611,220)

(Continued)

No. (Note 1)	Financing Company	Counterparty	Financial Statements Account	Maximum Balance for the Year (Notes 6 and 7)	Ending Balance (Notes 6 and 7)	Interest Rate	Type of Financing (Note 2)	Transaction Amount	Reason for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company (Notes 3 and 6)	Financing Company's Financing Amount Limit (Notes 4 and 6)
											Item	Value		
1	UYH	RSO	Loan to related parties - long-term	US$ 10,000 (approximately NT$ 302,750)	US$ 10,000 (approximately NT$ 302,750)	1.1270%-1.3367%	2	$—	Operating capital	$—	—	$—	US$ 386,093 (approximately NT$ 11,688,976)	US$ 482,617 (approximately NT$ 14,611,220)
		RST	Loan to related parties - long-term	US$ 75,000 (approximately NT$ 2,270,625)	US$ 55,000 (approximately NT$ 1,665,125)	0.3973%-1.5342%	2	—	Operating capital	—	—	—	US$ 386,093 (approximately NT$ 11,688,976)	US$ 482,617 (approximately NT$ 14,611,220)
		TPKG	Loan to related parties - long-term	US$ 185,400 (approximately NT$ 5,612,985)	US$ 185,400 (approximately NT$ 5,612,985)	0.3973%-1.6261%	2	—	Operating capital	—	—	—	US$ 386,093 (approximately NT$ 11,688,976)	US$ 482,617 (approximately NT$ 14,611,220)
2	MTOT	RSS	Loan to related parties	US$ 2,000 (approximately NT$ 60,550)	US$ 2,000 (approximately NT$ 60,550)	1.7000%	2	—	Operating capital	—	—	—	US$ 386,093 (approximately NT$ 11,688,976)	US$ 482,617 (approximately NT$ 14,611,220)
3	TPKC	RSO	Loan to related parties - long-term	US$ 20,000 (approximately NT$ 605,500)	US$ 20,000 (approximately NT$ 605,500)	2.0000%-5.4900%	2	—	Operating capital	—	—	—	US$ 386,093 (approximately NT$ 11,688,976)	US$ 482,617 (approximately NT$ 14,611,220)
		TPKL	Loan to related parties - long-term	US$ 20,000 (approximately NT$ 605,500)	US$ 20,000 (approximately NT$ 605,500)	—	2	—	Operating capital	—	—	—	US$ 386,093 (approximately NT$ 11,688,976)	US$ 482,617 (approximately NT$ 14,611,220)
		TPKS	Loan to related parties - long-term	US$ 20,000 (approximately NT$ 605,500)	US$ 20,000 (approximately NT$ 605,500)	—	2	—	Operating capital	—	—	—	US$ 386,093 (approximately NT$ 11,688,976)	US$ 482,617 (approximately NT$ 14,611,220)
4	TPK HK	CIM	Loan to related parties	US$ 8,854 (approximately NT$ 268,060)	US$ 8,854 (approximately NT$ 268,060)	1.2344%	2	—	Operating capital	—	—	—	US$ 386,093 (approximately NT$ 11,688,976)	US$ 482,617 (approximately NT$ 14,611,220)

Note 1: No. 0 represents parent company; other number represent subsidiaries.

Note 2: Types of financing were as follows:

1. Business and trade
2. Short-term financing

Note 3: Financial limit for each borrowing company is not more than 40% of TPKH's net asset value.

Note 4: Financing company's financing amount limit is not more than 50% of TPKH's net asset value.

Note 5: The board of directors approved the credit line of loans to another party for US$361,254 thousand (approximately NT$10,936,970 thousand). The loans to other parties disclosed on Table 1 did not exceed the credit lines approved by the board of directors.

Note 6: The exchange rate from U.S. dollars to New Taiwan dollars as of December 31, 2011 was US$1=NT$30.275.

Note 7: Maximum balance and ending balance for the period only indicate credit line of loans to others, not the actual amount of loans.

(Concluded)

TABLE 2

TPK HOLDING CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
YEAR ENDED DECEMBER 31, 2011
(Amount in Thousands)

No. (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Notes 2 and 3)	Maximum Balance for the Period (Notes 3 and 4)	Ending Balance (Notes 3 and 4)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Notes 2 and 3)
		Name	Nature of Relationship						
0	TPKH	TPK HK	Subsidiary that TPKH indirectly held 100% of its equity interest	US$ 241,309 (approximately NT$ 7,305,610)	US$ 225,000 (approximately NT$ 6,811,875)	US$ 225,000 (approximately NT$ 6,811,875)	$—	23.31%	US$ 482,617 (approximately NT$ 14,611,220)
		Hallys	Subsidiary that TPKH indirectly held more than 50% of its equity interest	US$ 241,309 (approximately NT$ 7,305,610)	US$ 10,321 (approximately NT$ 312,480)	US$ 10,321 (approximately NT$ 312,480)	—	1.07%	US$ 482,617 (approximately NT$ 14,611,220)

Note 1: No. 0 represents parent company; other number represent subsidiaries.

Note 2: For TPKH, total amount of endorsement/guarantee provided, and limits on endorsement/guarantee amount provided to each guaranteed party 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, 2011.

Note 3: The exchange rate from U.S. dollars to New Taiwan dollars as of December 31, 2011 was US$1=NT$30.275.

Note 4: Maximum balance and ending balance for the period only indicate limits on endorsement/guarantee amount to others; not the actual amount of loans.

TABLE 3

TPK HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2011
(Amount in Thousands)

				December 31, 2011				
Holding Company	Marketable Securities Type and Issuer/Name	Security Issuer's Relationship with the Holding Company	Financial Statements Account	Shares/ Units	Carrying Amount (Note 4)	Percentage of Ownership	Market Value or Net Asset Value (Note 4)	Note (Notes 2 and 3)
TPKH	Improve	Subsidiary	Investments accounted for by the equity method	28,800,000	US$ 59,358 (approximately NT$ 1,797,052)	100.00	US$ 59,358 (approximately NT$ 1,797,052)	
	UYH	Subsidiary	Investments accounted for by the equity method	196,050,000	US$ 836,464 (approximately NT$ 25,323,961)	99.90	US$ 836,464 (approximately NT$ 25,323,961)	
	TTI	Subsidiary	Investments accounted for by the equity method	500,000	US$ 4,209 (approximately NT$ 127,413)	100.00	US$ 4,209 (approximately NT$ 127,413)	
	OTH	Subsidiary	Investments accounted for by the equity method	31,000	US$ 93,736 (approximately NT$ 2,837,860)	100.00	US$ 93,736 (approximately NT$ 2,837,860)	
	RUSL	Subsidiary	Investments accounted for by the equity method	162,000,000	US$ 152,355 (approximately NT$ 4,612,550)	100.00	US$ 152,355 (approximately NT$ 4,612,550)	
Improve	TPKA	Subsidiary	Investments accounted for by the equity method	148,148	US$ 57,184 (approximately NT$ 1,731,233)	100.00	US$ 57,184 (approximately NT$ 1,731,233)	
UYH	TPKC	Subsidiary	Investments accounted for by the equity method	Note 1	US$ 645,354 (approximately NT$ 19,538,103)	100.00	US$ 645,354 (approximately NT$ 19,538,103)	
	TPKL	Subsidiary	Investments accounted for by the equity method	Note 1	US$ 53,347 (approximately NT$ 1,615,066)	100.00	US$ 53,347 (approximately NT$ 1,615,066)	

(Continued)

				December 31, 2011				
Holding Company	Marketable Securities Type and Issuer/Name	Security Issuer's Relationship with the Holding Company	Financial Statements Account	Shares/ Units	Carrying Amount (Note 4)	Percentage of Ownership	Market Value or Net Asset Value (Note 4)	Note (Notes 2 and 3)
	TPKS	Subsidiary	Investments accounted for by the equity method	Note 1	US$ 90,096 (approximately NT$ 2,727,664)	100.00	US$ 90,096 (approximately NT$ 2,727,664)	
	RSO	Subsidiary	Investments accounted for by the equity method	Note 1	US$ 11,579 (approximately NT$ 350,558)	55.00	US$ 11,579 (approximately NT$ 350,558)	
	RST	Investment accounted for by the equity method	Investments accounted for by the equity method	Note 1	US$ 97,008 (approximately NT$ 2,936,922)	40.67	US$ 97,008 (approximately NT$ 2,936,922)	
OTH	OTX	Subsidiary	Investments accounted for by the equity method	Note 1	US$ 79,850 (approximately NT$ 2,417,448)	71.43	US$ 79,850 (approximately NT$ 2,417,448)	
	TPKU	Subsidiary	Investments accounted for by the equity method	Note 1	US$ 1,027 (approximately NT$ 31,103)	100.00	US$ 1,027 (approximately NT$ 31,103)	
RUSL	TPK HK	Subsidiary	Investments accounted for by the equity method	160,000,000	US$ 142,484 (approximately NT$ 4,313,698)	100.00	US$ 142,848 (approximately NT$ 4,313,698)	
TPK HK	OTX	Investment accounted for by the equity method	Investments accounted for by the equity method	Note 1	US$ 31,143 (approximately NT$ 942,846)	28.57	US$ 31,143 (approximately NT$ 942,846)	
	TPKG	Subsidiary	Investments accounted for by the equity method	Note 1	US$ 90,208 (approximately NT$ 2,731,052)	100.00	US$ 90,208 (approximately NT$ 2,731,052)	
	RST	Investment accounted for by the equity method	Investments accounted for by the equity method	Note 1	US$ 54,543 (approximately NT$ 1,651,291)	26.06	US$ 54,543 (approximately NT$ 1,651,291)	
	CIM	Subsidiary	Investments accounted for by the equity method	40,080	US$ 64 (approximately NT$ 1,943)	80.00	US$(1,687) (approximately NT$ -51,064)	
	Cando	Investment accounted for by the equity method	Investments accounted for by the equity method	180,057,190	US$ 136,084 (approximately NT$ 4,119,954)	19.83	US$ 48,575 (approximately NT$ 1,470,611)	

(Continued)

				December 31, 2011				
Holding Company	Marketable Securities Type and Issuer/Name	Security Issuer's Relationship with the Holding Company	Financial Statements Account	Shares/ Units	Carrying Amount (Note 4)	Percentage of Ownership	Market Value or Net Asset Value (Note 4)	Note (Notes 2 and 3)
TPKA	TPKT	Subsidiary	Investments accounted for by the equity method	24,000,000	US$ 67,793 (approximately NT$ 2,052,447)	100.00	US$ 56,431 (approximately NT$ 1,708,462)	
	MTOT	Subsidiary	Investments accounted for by the equity method	36,000,000	US$ 8,615 (approximately NT$ 260,818)	50.70	US$ 5,551 (approximately NT$ 168,056)	
TPKC	RSO	Investment accounted for using equity method	Investments accounted for by the equity method	Note 1	US$ 9,092 (approximately NT$ 275,259)	45.00	US$ 9,092 (approximately NT$ 275,259)	
	RST	Investment accounted for using equity method	Investments accounted for by the equity method	Note 1	US$ 79,153 (approximately NT$ 2,396,348)	33.27	US$ 79,153 (approximately NT$ 2,396,348)	
TPKT	NSI	Subsidiary	Investments accounted for by the equity method	200,000	US$ 200 (approximately 6,055)	100.00	US$ 200 (approximately NT$ 6,055)	
	GPSC	Subsidiary	Investments accounted for by the equity method	5,000,000	US$ 1,860 (approximately NT$ 56,298)	100.00	US$ 1,853 (approximately NT$ 56,086)	
NSI	UYH	Related parties that directly or indirectly held more than 20% of security issuer's shares. Therefore, need to adopt equity method	Investments accounted for by the equity method	200,000	US$ 200 (approximately NT$ 6,055)	0.10	US$ 200 (approximately NT$ 6,055)	
MTOT	RSSL	Subsidiary	Investments accounted for by the equity method	10,000	US$ 4,816 (approximately NT$ 145,806)	100.00	US$ 4,816 (approximately NT$ 145,806)	
RSSL	RSS	Subsidiary	Investments accounted for by the equity method	Note 1	US$ 4,816 (approximately NT$ 145,803)	100.00	US$ 4,816 (approximately NT$ 145,803)	
CIM	Hallys	Subsidiary	Investments accounted for by the equity method	12,711	US$ 4,611 (approximately NT$ 139,598)	84.90	US$(4,795) (approximately NT$ -145,160)	

Note 1: No shares since it is a limited liability company.

Note 2: Except the shares of Cando used by TPK HK as loan collateral, the rest of marketable securities were not used as collateral.

Note 3: Except for Cando, the rest of intercompany balances and transactions were eliminated upon consolidation.

Note 4: The exchange rate from U.S. dollars to New Taiwan dollars as of December 31, 2011 was US$1=NT$30.275.

(Concluded)

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, 2011
(Amount in Thousands)

					Beginning Balance		Acquisition		Disposal				Ending Balance	
Holding Company	Marketable Securities Type and Issuer/Name	Financial Statements Account	Counterparty	Nature of Relationship	Shares/ Units	Amount (Notes 1 and 4)	Shares/ Units	Amount (Note 4)	Shares/ Units	Amount (Note 4)	Carrying Amount (Notes 1 and 4)	Gain (Loss) on Disposal (Note 4)	Shares/ Units	Amount (Notes 1, 3 and 4)
TPKH	Common stock													
	Improve	Investments accounted for by the equity method	—	—	15,800,000	US$ 43,978 (approximately NT$ 1,331,434)	13,000,000	US$ 13,000 (approximately NT$ 393,575)	—	$—	$—	$—	28,800,000	US$ 59,358 (approximately NT$ 1,797,052)
	RUSL	Investments accounted for by the equity method	—	—	22,000,000	US$ 22,000 (approximately NT$ 666,050)	140,000,000	US$ 140,000 (approximately NT$ 4,238,500)	—	—	—	—	162,000,000	US$ 152,355 (approximately NT$ 4,612,550)
Improve	TPKT	Investments accounted for by the equity method	TPKA	Subsidiary	24,000,000	US$ 44,187 (approximately NT$ 1,337,750)	—	—	24,000,000	US$ 26,547 (approximately NT$ 803,697)	US$ 44,187 (approximately NT$ 1,337,750)	US$(17,640) (approximately NT$ -534,053)	—	—
	TPKA	Investments accounted for by the equity method	—	—	—	—	148,148	US$ 40,000 (approximately NT$ 1,211,000)	—	—	—	—	148,148	US$ 57,184 (approximately NT$ 1,731,233)
UYH	TPKS	Investments accounted for by the equity method	—	—	Note 2	US$ 23,357 (approximately NT$ 707,127)	Note 2	US$ 5,000 (approximately NT$ 151,375)	—	—	—	—	Note 2	US$ 90,096 (approximately NT$ 2,727,664)
RUSL	TPK HK	Investments accounted for by the equity method	—	—	—	—	160,000,000	US$ 160,000 (approximately NT$ 4,844,000)	—	—	—	—	160,000,000	US$ 142,484 (approximately NT$ 4,313,698)
TPK HK	TPKG	Investments accounted for by the equity method	—	—	—	—	Note 2	US$ 140,000 (approximately NT$ 4,238,500)	—	—	—	—	Note 2	US$ 90,208 (approximately NT$ 2,731,052)
	OTX	Investments accounted for by the equity method	—	—	—	—	Note 2	US$ 19,500 (approximately NT$ 590,363)	—	—	—	—	Note 2	US$ 31,143 (approximately NT$ 942,846)

(Continued)

Holding Company	Marketable Securities Type and Issuer/ Name	Financial Statements Account	Counterparty	Nature of Relationship	Beginning Balance Shares/ Units	Beginning Balance Amount (Notes 1 and 4)	Acquisition Shares/ Units	Acquisition Amount (Note 4)	Disposal Shares/ Units	Disposal Amount (Note 4)	Disposal Carrying Amount (Notes 1 and 4)	Disposal Gain (Loss) on Disposal (Note 4)	Ending Balance Shares/ Units	Ending Balance Amount (Notes 1, 3 and 4)
	RST	Investments accounted for by the equity method	—	—	—	—	Note 2	US$ 40,000 (approximately NT$ 1,211,000)	—	—	—	—	Note 2	US$ 54,543 (approximately NT$ 1,651,291)
	Cando	Investments accounted for by the equity method	—	—	—	—	180,057,190	US$ 193,574 (approximately NT$ 5,860,455)	—	—	—	—	180,057,190	US$ 136,084 (approximately NT$ 4,119,954)
TPKA	RSL	Investments accounted for by the equity method	—	—	—	—	37,800,000	US$ 13,043 (approximately NT$ 394,891)	37,800,000	US$ 13,043 (approximately NT$ 394,891)	US$ 13,043 (approximately NT$ 394,891)	—	—	—
	TPKT	Investments accounted for by the equity method	Improve	Parent company	—	—	24,000,000	US$ 26,547 (approximately NT$ 803,697)	—	—	—	—	24,000,000	US$ 67,793 (approximately NT$ 2,052,447)
	MTOT	Investments accounted for by the equity method	—	—	—	—	36,000,000	US$ 13,043 (approximately NT$ 394,891)	—	—	—	—	36,000,000	US$ 8,615 (approximately NT$ 260,818)
MTOT	RSSL	Investments accounted for by the equity method	—	—	—	—	10,000	US$ 10,810 (approximately NT$ 327,273)	—	—	—	—	10,000	US$ 4,816 (approximately NT$ 145,806)
RSSL	RSS	Investments accounted for by the equity method	—	—	—	—	Note 2	US$ 10,800 (approximately NT$ 326,970)	—	—	—	—	Note 2	US$ 4,816 (approximately NT$ 145,803)
CIM	Hallys	Investments accounted for by the equity method	—	—	—	—	12,711	US$ 4,420 (approximately NT$ 133,810)	—	—	—	—	12,711	US$ 4,611 (approximately NT$ 139,598)

Note 1: Carrying value included acquisition cost, change in translation adjustments on long-term equity investment and investment income (loss) accounted for using the equity method.

Note 2: No shares since it is a limited liability company.

Note 3: Except Cando, the rest of intercompany balances and transactions were eliminated upon consolidation.

Note 4: The exchange rate from U.S. dollars to New Taiwan dollars as of December 31, 2011 was US$1=NT$30.275.

(Concluded)

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, 2011
(Amount in Thousands)

			Transaction Detail				Non-arm's Length Transaction		Notes/Accounts Payable or Receivable		
Company Name	Related parties	Nature of Relationship	Purchases/ Sales	Amount (Notes 2 and 3)	% to Total	Payment Term	Unit Price	Payment Term	Ending Balance (Notes 2 and 3)	% to Total	Note
TPKT	TPKC	The same ultimate parent company	Purchase	US$ 185,180 (approximately NT$ 5,606,315)	3.19	45 days after monthly closing	Note 1	Note 1	US$ 10,749 (approximately NT$ 325,434)	1.25	
	TPKS	The same ultimate parent company	Purchase	US$ 177,590 (approximately NT$ 5,376,552)	3.06	45 days after monthly closing	Note 1	Note 1	US$ 37,221 (approximately NT$ 1,126,877)	4.32	
	TPKL	The same ultimate parent company	Purchase	US$ 20,994 (approximately NT$ 635,578)	0.36	45 days after monthly closing	Note 1	Note 1	US$ 1,524 (approximately NT$ 46,124)	0.18	
	TPKC	The same ultimate parent company	Sales	US$ 21,255 (approximately NT$ 643,498)	0.45	45 days after monthly closing	Note 1	Note 1	US$ 100 (approximately NT$ 3,025)	0.04	
	TPKL	The same ultimate parent company	Sales	US$ 21,171 (approximately NT$ 640,954)	0.45	45 days after monthly closing	Note 1	Note 1	US$ 1,199 (approximately NT$ 36,310)	0.46	
	TPKS	The same ultimate parent company	Sales	US$ 11,328 (approximately NT$ 342,950)	0.24	45 days after monthly closing	Note 1	Note 1	US$ 1,376 (approximately NT$ 41,648)	0.53	
TPKC	TPKT	The same ultimate parent company	Purchase	US$ 21,255 (approximately NT$ 643,498)	0.37	45 days after monthly closing	Note 1	Note 1	US$ 100 (approximately NT$ 3,025)	0.01	
	TPKL	The same ultimate parent company	Purchase	US$ 61,006 (approximately NT$ 1,846,968)	1.05	45 days after monthly closing	Note 1	Note 1	US$ 6,331 (approximately NT$ 19,668)	0.73	
	RSO	Investments accounted for by the equity method	Purchase	US$ 29,206 (approximately NT$ 884,201)	0.50	45 days after monthly closing	Note 1	Note 1	US$ 8,640 (approximately NT$ 261,565)	1.00	

(Continued)

			Transaction Detail				Non-arm's Length Transaction		Notes/Accounts Payable or Receivable		
Company Name	Related parties	Nature of Relationship	Purchases/ Sales	Amount (Notes 2 and 3)	% to Total	Payment Term	Unit Price	Payment Term	Ending Balance (Notes 2 and 3)	% to Total	Note
	RST	Investments accounted for by the equity method	Purchase	US$ 228,081 (approximately NT$ 6,905,166)	3.93	45 days after monthly closing	Note 1	Note 1	US$ 50,139 (approximately NT$ 1,517,971)	5.82	
	OTX	The same ultimate parent company	Purchase	US$ 113,808 (approximately NT$ 3,445,536)	1.96	45 days after monthly closing	Note 1	Note 1	US$ 18,363 (approximately NT$ 555,928)	2.13	
	Cando	Investments accounted for by the equity method of a subsidiary that is directly or indirectly held by the ultimate parent company	Purchase	US$ 106,837 (approximately NT$ 3,234,477)	1.84	75 days after monthly closing	Note 1	Note 1	US$ 16,533 (approximately NT$ 500,532)	1.92	
TPKC	TPKT	The same ultimate parent company	Sales	US$ 185,180 (approximately NT$ 5,606,315)	3.91	45 days after monthly closing	Note 1	Note 1	US$ 10,749 (approximately NT$ 325,434)	4.14	
	TPKL	The same ultimate parent company	Sales	US$ 20,735 (approximately NT$ 627,758)	0.44	45 days after monthly closing	Note 1	Note 1	—	—	
	TPK HK	The same ultimate parent company	Sales	US$ 677,721 (approximately NT$ 20,517,990)	14.31	45 days after monthly closing	Note 1	Note 1	US$ 296,552 (approximately NT$ 8,978,125)	114.32	
	TTI	The same ultimate parent company	Sales	US$ 14,055 (approximately NT$ 425,523)	0.30	45 days after monthly closing	Note 1	Note 1	US$ 2,883 (approximately NT$ 87,284)	1.11	
TPKL	TPKT	The same ultimate parent company	Purchase	US$ 21,171 (approximately NT$ 640,954)	0.36	45 days after monthly closing	Note 1	Note 1	US$ 1,199 (approximately NT$ 36,310)	0.14	
	TPKC	The same ultimate parent company	Purchase	US$ 20,735 (approximately NT$ 627,758)	0.36	45 days after monthly closing	Note 1	Note 1	—	—	
	TPKT	The same ultimate parent company	Sales	US$ 20,994 (approximately NT$ 635,578)	0.44	45 days after monthly closing	Note 1	Note 1	US$ 1,524 (approximately NT$ 46,124)	0.59	

(Continued)

			Transaction Detail				Non-arm's Length Transaction		Notes/Accounts Payable or Receivable		
Company Name	Related parties	Nature of Relationship	Purchases/ Sales	Amount (Notes 2 and 3)	% to Total	Payment Term	Unit Price	Payment Term	Ending Balance (Notes 2 and 3)	% to Total	Note
	TPKC	The same ultimate parent company	Sales	US$ 61,006 (approximately NT$ 1,846,968)	1.29	45 days after monthly closing	Note 1	Note 1	US$ 6,331 (approximately NT$ 191,668)	2.44	
	TPKS	The same ultimate parent company	Sales	US$ 43,926 (approximately NT$ 1,329,862)	0.93	45 days after monthly closing	Note 1	Note 1	US$ 10,707 (approximately NT$ 324,143)	4.13	
	TPK HK	The same ultimate parent company	Sales	US$ 16,601 (approximately NT$ 502,610)	0.35	45 days after monthly closing	Note 1	Note 1	US$ 4,323 (approximately NT$ 130,884)	1.67	
TPKS	TPKT	The same ultimate parent company	Purchase	US$ 11,328 (approximately NT$ 342,950)	0.20	45 days after monthly closing	Note 1	Note 1	US$ 1,376 (approximately NT$ 41,648)	0.16	
	TPKL	The same ultimate parent company	Purchase	US$ 43,926 (approximately NT$ 1,329,862)	0.76	45 days after monthly closing	Note 1	Note 1	US$ 10,679 (approximately NT$ 323,319)	1.24	
	RSO	The same ultimate parent company	Purchase	US$ 36,250 (approximately NT$ 1,097,484)	0.62	45 days after monthly closing	Note 1	Note 1	US$ 3,461 (approximately NT$ 104,796)	0.40	
	RST	The same ultimate parent company	Purchase	US$ 23,490 (approximately NT$ 711,162)	0.40	45 days after monthly closing	Note 1	Note 1	US$ 4,302 (approximately NT$ 130,254)	0.50	
	TPKT	The same ultimate parent company	Sales	US$ 177,590 (approximately NT$ 5,376,552)	3.75	45 days after monthly closing	Note 1	Note 1	US$ 37,221 (approximately NT$ 1,126,877)	14.35	
TPKS	UYH	The same ultimate parent company	Sales	US$ 9,574 (approximately NT$ 289,839)	0.20	45 days after monthly closing	Note 1	Note 1	US$ 610 (approximately NT$ 18,480)	0.24	
	TPK HK	The same ultimate parent company	Sales	US$ 304,370 (approximately NT$ 9,214,795)	6.43	45 days after monthly closing	Note 1	Note 1	US$ 80,161 (approximately NT$ 2,426,887)	30.90	
RSO	TPKC	Investments accounted for by the equity method	Sales	US$ 29,206 (approximately NT$ 884,201)	0.62	45 days after monthly closing	Note 1	Note 1	US$ 8,640 (approximately NT$ 261,565)	3.33	

(Continued)

			Transaction Detail				Non-arm's Length Transaction		Notes/Accounts Payable or Receivable		
Company Name	Related parties	Nature of Relationship	Purchases/ Sales	Amount (Notes 2 and 3)	% to Total	Payment Term	Unit Price	Payment Term	Ending Balance (Notes 2 and 3)	% to Total	Note
	TPKS	The same ultimate parent company	Sales	US$ 36,250 (approximately NT$ 1,097,484)	0.77	45 days after monthly closing	Note 1	Note 1	US$ 3,461 (approximately NT$ 104,796)	1.33	
RST	TPKC	Investments accounted for by the equity method	Sales	US$ 228,081 (approximately NT$ 6,905,166)	4.81	45 days after monthly closing	Note 1	Note 1	US$ 50,139 (approximately NT$ 1,517,971)	19.33	
	TPKS	The same ultimate parent company	Sales	US$ 23,490 (approximately NT$ 711,162)	0.50	45 days after monthly closing	Note 1	Note 1	US$ 4,302 (approximately NT$ 130,254)	1.66	
TPKU	OTX	The same ultimate parent company	Purchase	US$ 4,766 (approximately NT$ 144,287)	0.08	45 days after monthly closing	Note 1	Note 1	US$ 1,028 (approximately NT$ 31,108)	0.12	
UYH	Balda Solution (Beijing) Ltd.	Related parties in substance	Sales	US$ 10,859 (approximately NT$ 328,756)	0.23	60 days after invoice date	Note 1	Note 1	US$ 1,670 (approximately NT$ 50,553)	0.64	
	TPKS	The same ultimate parent company	Purchase	US$ 9,574 (approximately NT$ 289,839)	0.16	45 days after monthly closing	Note 1	Note 1	US$ 610 (approximately NT$ 18,480)	0.07	
OTX	TPKC	The same ultimate parent company	Sales	US$ 113,808 (approximately NT$ 3,445,536)	2.40	45 days after monthly closing	Note 1	Note 1	US$ 18,363 (approximately NT$ 555,928)	7.08	
	TPKU	The same ultimate parent company	Sales	US$ 4,766 (approximately NT$ 144,287)	0.10	45 days after monthly closing	Note 1	Note 1	US$ 1,028 (approximately NT$ 31,108)	0.40	
TPK HK	TPKC	The same ultimate parent company	Purchase	US$ 677,721 (approximately NT$ 20,517,990)	11.67	45 days after monthly closing	Note 1	Note 1	US$ 296,552 (approximately NT$ 8,978,125)	34.41	
	TPKL	The same ultimate parent company	Purchase	US$ 16,601 (approximately NT$ 502,610)	0.29	45 days after monthly closing	Note 1	Note 1	US$ 4,323 (approximately NT$ 130,884)	0.50	
	TPKS	The same ultimate parent company	Purchase	US$ 304,370 (approximately NT$ 9,214,795)	5.24	45 days after monthly closing	Note 1	Note 1	US$ 80,161 (approximately NT$ 2,426,887)	9.30	

(Continued)

			Transaction Detail				Non-arm's Length Transaction		Notes/Accounts Payable or Receivable		
Company Name	Related parties	Nature of Relationship	Purchases/ Sales	Amount (Notes 2 and 3)	% to Total	Payment Term	Unit Price	Payment Term	Ending Balance (Notes 2 and 3)	% to Total	Note
TTI	TPKC	The same ultimate parent company	Purchase	US$ 14,055 (approximately NT$ 425,523)	0.24	45 days after monthly closing	Note 1	Note 1	US$ 2,883 (approximately NT$ 87,284)	0.33	
MTOT	RSS	Subsidiary that is held 100% indirectly	Sales	US$ 4,193 (approximately NT$ 126,945)	0.09	45 days after monthly closing	Note 1	Note 1	US$ 1,085 (approximately NT$ 32,863)	0.42	
	RSS	Subsidiary that is held 100% indirectly	Purchase	US$ 5,924 (approximately NT$ 179,355)	0.10	45 days after monthly closing	Note 1	Note 1	US$ 527 (approximately NT$ 15,963)	0.06	
RSS	MTOT	Parent company that indirectly held 100% equity interest	Sales	US$ 5,924 (approximately NT$ 179,355)	0.13	45 days after monthly closing	Note 1	Note 1	US$ 527 (approximately NT$ 15,963)	0.20	
	MTOT	Parent company that indirectly held 100% equity interest	Purchase	US$ 4,193 (approximately NT$ 126,945)	0.07	45 days after monthly closing	Note 1	Note 1	US$ 1,085 (approximately NT$ 32,863)	0.13	

Note1: The sales prices and payment terms of intercompany and related party sales and purchases were not significantly different from those with third parties.

Note2: Except for Cando and Balda Solution (Beijing) not belonging to the consolidated entities, the rest of intercompany balances and transaction were eliminated upon consolidation.

Note3: The exchange rate from U.S. dollars to New Taiwan dollars as of December 31, 2011 was US$1=NT$30.275.

(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, 2011
(Amount in Thousands)

Company Name	Related parties	Nature of Relationship	Ending Balance (Notes 1 and 2)	Turnover Rate	Overdue		Amount Received in Subsequent Year (Note 1)	Allowance for Bad Debt
					Amount (Note 1)	Action Taken		
TPKC	TPKT	The same ultimate parent company	US$ 10,749 (approximately NT$ 325,434)	0.03	$—	—	US$ 10,749 (approximately NT$ 325,434)	$—
	TPK HK	The same ultimate parent company	US$ 296,552 (approximately NT$ 8,978,125)	0.01	US$ 1,265 (approximately NT$ 38,303)	Enhance collection	US$ 279,776 (approximately NT$ 8,470,212)	—
TPKL	TPKC	The same ultimate parent company	US$ 6,331 (approximately NT$ 191,668)	0.01	—	—	US$ 2,540 (approximately NT$ 76,906)	—
	TPKS	The same ultimate parent company	US$ 10,707 (approximately NT$ 324,143)	0.01	—	—	—	—
	TPK HK	The same ultimate parent company	US$ 4,323 (approximately NT$ 130,884)	0.02	—	—	US$ 1,919 (approximately NT$ 58,088)	—
TPKS	TPKT	The same ultimate parent company	US$ 37,221 (approximately NT$ 1,126,877)	0.01	—	—	US$ 37,183 (approximately NT$ 1,125,718)	—
	TPK HK	The same ultimate parent company	US$ 80,161 (approximately NT$ 2,426,887)	0.02	—	—	US$ 69,845 (approximately NT$ 2,114,551)	—
RSO	TPKC	Investments accounted for by the equity method	US$ 8,640 (approximately NT$ 261,565)	0.01	—	—	US$ 4,191 (approximately NT$ 126,882)	—
	TPKS	The same ultimate parent company	US$ 3,461 (approximately NT$ 104,796)	0.01	—	—	US$ 1,904 (approximately NT$ 57,632)	—

(Continued)

Company Name	Related parties	Nature of Relationship	Ending Balance (Notes 1 and 2)	Turnover Rate	Overdue		Amount Received in Subsequent Year (Note 1)	Allowance for Bad Debt
					Amount (Note 1)	Action Taken		
RST	TPKC	Investments accounted for by the equity method	US$ 50,139 (approximately NT$ 1,517,971)	0.01	$—	—	US$ 20,895 (approximately NT$ 632,589)	$—
	TPKS	The same ultimate parent company	US$ 4,302 (approximately NT$ 130,254)	0.01	—	—	US$ 2,331 (approximately NT$ 70,571)	—
OTX	TPKC	The same ultimate parent company	US$ 18,363 (approximately NT$ 555,928)	0.02	—	—	US$ 8,902 (approximately NT$ 269,506)	—

Note1: The exchange rate from U.S. dollars to New Taiwan dollars as of December 31, 2011 was US$1=NT$30.275.

Note2: All intercompany balances and transactions were eliminated upon consolidation.

(Concluded)

TABLE 7

TPK HOLDING CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
DECEMBER 31, 2011
(Amount in Thousands)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount: December 31, 2011 (Note 1)	Investment Amount: December 31, 2010 (Note 1)	Balance as of December 31, 2011: Shares	Balance as of December 31, 2011: Percentage of Ownership	Balance as of December 31, 2011: Carrying Amount (Notes 1 and 3)	Net Income (Loss) of the Investee (Note 1)	Investment Income (Loss) Recognized (Notes 1 and 3)	Note
TPKH	Improve	Samoa	Holding company	US$ 28,800 (approximately NT$ 871,920)	US$ 15,800 (approximately NT$ 478,345)	28,800,000	100.00	US$ 59,358 (approximately NT$ 1,797,052)	US$(13,013) (approximately NT$ -393,969)	US$(13,013) (approximately NT$ -393,969)	
	UYH	Samoa	Holding company and international trade	US$ 196,050 (approximately NT$ 5,935,414)	US$ 196,050 (approximately NT$ 5,935,414)	196,050,000	99.90	US$ 836,464 (approximately NT$ 25,323,961)	US$ 382,943 (approximately NT$ 11,593,599)	US$ 382,943 (approximately NT$ 11,593,599)	
	TTI	Samoa	International trade	US$ 500 (approximately NT$ 15,138)	US$ 500 (approximately NT$ 15,138)	500,000	100.00	US$ 4,209 (approximately NT$ 127,413)	US$ 2,966 (approximately NT$ 89,796)	US$ 2,966 (approximately NT$ 89,796)	
	OTH	Singapore	Holding company	US$ 52,153 (approximately NT$ 1,578,932)	US$ 50,853 (approximately NT$ 1,539,575)	31,000	100.00	US$ 93,736 (approximately NT$ 2,837,860)	US$ 19,773 (approximately NT$ 598,628)	US$ 19,773 (approximately NT$ 598,628)	
	RUSL	Hong Kong	Holding company	US$ 162,000 (approximately NT$ 4,904,550)	US$ 22,000 (approximately NT$ 666,050)	162,000,000	100.00	US$ 152,355 (approximately NT$ 4,612,550)	US$(20,657) (approximately NT$ -625,391)	US$(20,657) (approximately NT$ -625,391)	
Improve	TPKT	Taiwan	Research, development and sales	—	US$ 14,161 (approximately NT$ 428,737)	—	—	—	US$ 8,552 (approximately NT$ 258,912)	—	
	GPSC	Taiwan	Machinery manufacturing, wholesale and retail	—	US$ 1,537 (approximately NT$ 46,533)	—	—	—	US$ 351 (approximately NT$ 10,627)	—	
	TPKA	Malaysia	Holding company	US$ 40,000 (approximately NT$ 1,211,000)	—	148,148	100.00	US$ 57,184 (approximately NT$ 1,731,233)	US$ 1,799 (approximately NT$ 54,465)	US$ 1,799 (approximately NT$ 54,465)	
UYH	TPKC	Fujian Province, People's Republic of China	Touch modules research, development, manufacturing and sales	US$ 105,000 (approximately NT$ 3,178,875)	US$ 105,000 (approximately NT$ 3,178,875)	Note 2	100.00	US$ 645,354 (approximately NT$ 19,538,103)	US$ 295,364 (approximately NT$ 8,942,145)	US$ 295,364 (approximately NT$ 8,942,145)	

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount: December 31, 2011 (Note 1)	Investment Amount: December 31, 2010 (Note 1)	Balance as of December 31, 2011: Shares	Balance as of December 31, 2011: Percentage of Ownership	Balance as of December 31, 2011: Carrying Amount (Notes 1 and 3)	Net Income (Loss) of the Investee (Note 1)	Investment Income (Loss) Recognized (Notes 1 and 3)	Note
	TPKL	Fujian Province, People's Republic of China	Optical glass processing and sales; machinery manufacturing, wholesale and retail	US$ 17,000 (approximately NT$ 514,675)	US$ 17,000 (approximately NT$ 514,675)	Note 2	100.00	US$ 53,347 (approximately NT$ 1,615,066)	US$ 22,833 (approximately NT$ 691,269)	US$ 22,833 (approximately NT$ 691,269)	
	TPKS	Fujian Province, People's Republic of China	Touch modules, touch display and system research, development, manufacturing and sales	US$ 25,000 (approximately NT$ 756,875)	US$ 20,000 (approximately NT$ 605,500)	Note 2	100.00	US$ 90,096 (approximately NT$ 2,727,664)	US$ 58,583 (approximately NT$ 1,773,600)	US$ 58,583 (approximately NT$ 1,773,600)	
	RSO	Fujian Province, People's Republic of China	Optical glass processing and sales	US$ 8,250 (approximately NT$ 249,769)	US$ 8,250 (approximately NT$ 249,769)	Note 2	55.00	US$ 11,579 (approximately NT$ 350,558)	US$ 3,565 (approximately NT$ 107,930)	US$ 1,961 (approximately NT$ 59,361)	
	RST	Fujian Province, People's Republic of China	ITO glass research, development, manufacturing, processing and sales	US$ 44,000 (approximately NT$ 1,332,100)	US$ 44,000 (approximately NT$ 1,332,100)	Note 2	40.67	US$ 97,008 (approximately NT$ 2,936,922)	US$ 100,950 (approximately NT$ 3,056,261)	US$ 47,957 (approximately NT$ 1,242,981)	
OTH	OTX	Fujian Province, People's Republic of China	ITO glass research, development, manufacturing, processing and sales	US$ 25,000 (approximately NT$ 756,875)	US$ 25,000 (approximately NT$ 756,875)	Note 2	71.43	US$ 79,850 (approximately NT$ 2,417,448)	US$ 35,917 (approximately NT$ 1,087,387)	US$ 25,656 (approximately NT$ 776,721)	
	TPKU	U.S.A.	International trade	US$ 4,800 (approximately NT$ 145,320)	US$ 1,800 (approximately NT$ 54,495)	Note 2	100.00	US$ 1,027 (approximately NT$ 31,103)	US$(2,484) (approximately NT$ -75,203)	US$(2,484) (approximately NT$ -75,203)	
RUSL	TPK HK	Hong Kong	Holding company and international trade	US$ 160,000 (approximately NT$ 4,844,000)	—	160,000,000	100.00	US$ 142,484 (approximately NT$ 4,313,698)	US$(20,657) (approximately NT$ -625,391)	US$(20,657) (approximately NT$ -625,391)	

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount: December 31, 2011 (Note 1)	Investment Amount: December 31, 2010 (Note 1)	Balance as of December 31, 2011: Shares	Balance as of December 31, 2011: Percentage of Ownership	Balance as of December 31, 2011: Carrying Amount (Notes 1 and 3)	Net Income (Loss) of the Investee (Note 1)	Investment Income (Loss) Recognized (Notes 1 and 3)	Note
TPK HK	OTX	Fujian Province, People's Republic of China	ITO glass research, development, manufacturing, processing and sales	US$ 19,500 (approximately NT$ 590,363)	—	Note 2	28.57	US$ 31,143 (approximately NT$ 942,846)	US$ 35,917 (approximately NT$ 1,087,387)	US$ 10,261 (approximately NT$ 310,666)	
	TPKG	Fujian Province, People's Republic of China	Optical glass processing and sales	US$ 100,000 (approximately NT$ 3,027,500)	—	Note 2	100.00	US$ 90,208 (approximately NT$ 2,731,052)	US$(12,621) (approximately NT$ -382,101)	US$(12,621) (approximately NT$ -382,101)	
TPK HK	Cando	Taiwan	Color filter research and manufacturing	US$ 193,574 (approximately NT$ 5,860,455)	—	180,057,190	19.83	US$ 244,903 (approximately NT$ 7,414,443)	US$(40,177) (approximately NT$ -1,216,360)	US$(54,890) (approximately NT$ -1,661,795)	
	RST	Fujian Province, People's Republic of China	ITO glass research, development, manufacturing, processing and sales	US$ 40,000 (approximately NT$ 1,211,000)	—	Note 2	26.06	US$ 54,543 (approximately NT$ 1,651,291)	US$ 100,950 (approximately NT$ 3,056,261)	US$ 13,818 (approximately NT$ 796,462)	
	CIM	Japan	Holding company	US$ 890 (approximately NT$ 26,946)	—	40,080	80.00	US$ 64 (approximately NT$ 1,943)	US$(2,108) (approximately NT$ -63,817)	US$(1,109) (approximately NT$ -33,575)	
TPKA	TPKT	Taiwan	Research, development and sales	US$ 26,547 (approximately NT$ 803,697)	—	24,000,000	100.00	US$ 67,793 (approximately NT$ 2,052,447)	US$ 8,552 (approximately NT$ 258,912)	US$ 8,552 (approximately NT$ 258,912)	
	MTOT	Taiwan	Touch modules research, development, manufacturing and sales	US$ 13,043 (approximately NT$ 394,891)	—	36,000,000	50.70	US$ 8,615 (approximately NT$ 260,818)	US$(9,603) (approximately NT$ -290,731)	US$(4,758) (approximately NT$ -144,048)	
TPKC	RSO	Fujian Province, People's Republic of China	Optical glass processing and sales	US$ 6,750 (approximately NT$ 204,356)	US$ 6,750 (approximately NT$ 204,356)	Note 2	45.00	US$ 9,092 (approximately NT$ 275,259)	US$ 3,565 (approximately NT$ 107,930)	US$ 1,604 (approximately NT$ 48,569)	
	RST	Fujian Province, People's Republic of China	ITO glass research, development, manufacturing, processing and sales	US$ 36,000 (approximately NT$ 1,089,900)	US$ 13,500 (approximately NT$ 408,713)	Note 2	33.27	US$ 79,153 (approximately NT$ 2,396,348)	US$ 100,950 (approximately NT$ 3,056,261)	US$ 36,152 (approximately NT$ 1,016,818)	

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2011			Net Income (Loss) of the Investee (Note 1)	Investment Income (Loss) Recognized (Notes 1 and 3)	Note
				December 31, 2011 (Note 1)	December 31, 2010 (Note 1)	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 3)			
TPKT	NSI	Samoa	Holding company	US$ 200 (approximately NT$ 6,055)	US$ 200 (approximately NT$ 6,055)	200,000	100.00	US$ 200 (approximately NT$ 6,055)	—	—	
	GPSC	Taiwan	Machinery manufacturing, wholesale and retail	US$ 2,297 (approximately NT$ 69,533)	—	5,000,000	100.00	US$ 1,860 (approximately NT$ 56,298)	US$ 351 (approximately NT$ 10,627)	US$ 351 (approximately NT$ 10,627)	
NSI	UYH	Samoa	Holding company and international trade	US$ 200 (approximately NT$ 6,055)	US$ 200 (approximately NT$ 6,055)	200,000	0.10	US$ 200 (approximately NT$ 6,055)	US$ 382,068 (approximately NT$ 11,567,109)	—	
MTOT	RSSL	Hong Kong	Holding company	US$ 10,810 (approximately NT$ 327,273)	—	10,000	100.00	US$ 4,816 (approximately NT$ 145,806)	US$(6,207) (approximately NT$ -187,917)	US$(6,207) (approximately NT$ -187,917)	
RSSL	RSS	Fujian Province, People's Republic of China	Touch modules research, development, manufacturing and sales	US$ 10,800 (approximately NT$ 326,970)	—	Note 2	100.00	US$ 4,816 (approximately NT$ 145,803)	US$(6,207) (approximately NT$ -187,917)	US$(6,207) (approximately NT$ -187,917)	
CIM	Hallys	Japan	Machinery manufacturing, wholesale and retail	US$ 4,420 (approximately NT$ 133,810)	—	12,711	84.90	US$ 4,611 (approximately NT$ 139,598)	US$(2,886) (approximately NT$ -87,379)	US$(1,558) (approximately NT$ -47,178)	

Note 1: The exchange rate from U.S. dollars to New Taiwan dollars as of December 31, 2011 was US$1=NT$30.275.

Note 2: No shares since it is a limited liability company.

Note 3: Except for Cando, the rest of intercompany balances and transactions were eliminated upon consolidation.

(Concluded)

TABLE 8

TPK HOLDING CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2011
(Amount in Thousands)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Notes 1 and 2)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2011	Investment Flows (Note 2)		Accumulated Outflow of Investment from Taiwan as of December 31, 2011	Percentage of Ownership (%)	Investment Income (Loss) Recognized (Note 2)	Carrying Amount as of December 31, 2011 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2011 (Notes 1 and 2)
					Outflow	Inflow					
TPKC	Touch modules research, development, manufacturing and sales	US$ 105,000 (approximately NT$ 3,178,875)	Direct investment	$—	$—	$—	$—	100.00	US$ 295,364 (approximately NT$ 8,942,145)	US$ 645,354 (approximately NT$ 19,538,103)	US$ 4,537 (approximately NT$ 137,358)
TPKL	Optical glass processing and sales; machinery manufacturing, wholesale and retail	US$ 17,000 (approximately NT$ 514,675)	Direct investment	—	—	—	—	100.00	US$ 22,833 (approximately NT$ 691,269)	US$ 53,347 (approximately NT$ 1,615,066)	—
TPKS	Touch modules, touch display and system research, development, manufacturing and sales	US$ 25,000 (approximately NT$ 756,875)	Direct investment	—	—	—	—	100.00	US$ 58,583 (approximately NT$ 1,773,600)	US$ 90,096 (approximately NT$ 2,727,664)	—
RSO	Optical glass processing and sales	US$ 15,000 (approximately NT$ 454,125)	Direct investment	—	—	—	—	100.00	US$ 3,565 (approximately NT$ 107,930)	US$ 20,671 (approximately NT$ 625,817)	—
RST	ITO glass research, development, manufacturing, processing and sales	US$ 108,193 (approximately NT$ 3,275,538)	Direct investment	—	—	—	—	100.00	US$ 100,950 (approximately NT$ 3,056,261)	US$ 230,704 (approximately NT$ 6,984,561)	—
OTX	ITO glass research, development, manufacturing, processing and sales	US$ 35,000 (approximately NT$ 1,059,625)	Direct investment	—	—	—	—	100.00	US$ 35,917 (approximately NT$ 1,087,387)	US$ 110,993 (approximately NT$ 3,360,294)	US$ 4,020 (approximately NT$ 121,706)
TPKG	Optical glass processing and sales	US$ 100,000 (approximately NT$ 3,027,500)	Direct investment	—	—	—	—	100.00	US$(12,621) (approximately NT$ -382,101)	US$ 90,208 (approximately NT$ 2,731,052)	—
RSS	Touch modules research, development, manufacturing and sales	US$ 10,800 (approximately NT$ 326,970)	Indirect investment	—	US$ 5,718 (approximately NT$ 173,098)	—	—	50.70	US$(3,286) (approximately NT$ -99,483)	US$ 2,442 (approximately NT$ 73,922)	—

(Continued)

Accumulated Investment in Mainland China as of December 31, 2011 (Note 2)	Investment Amount Authorized by the Investment Commission, MOEA (Note 2)	Upper Limit on Investment (Notes 2 and 3)
US$ 5,918 (approximately NT$ 179,153)	US$ 5,918 (approximately NT$ 179,153)	US$ 37,189 (Note 3) (approximately NT$ 1,125,911)

Note 1: Calculated based on historical cost.

Note 2: The exchange rate from U.S. dollars to New Taiwan dollars as of December 31, 2011 was US$1=NT$30.275.

Note 3: Calculated based on 60% of net asset value of TPKT and MTOT as of December 31, 2011.

(Concluded)

TABLE 9

TPK HOLDING CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
YEAR ENDED DECEMBER 31, 2009
(Amount in Thousands of New Taiwan Dollars)

				Intercompany Transactions			
No. (Note 1)	Company Name (Note 2)	Counterparty (Note 2)	Nature of Relationship (Note 3)	Financial Statements Account	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%
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%

(Continued)

Note 1: No. 0 represents parent company; other numbers represent subsidiaries.

Note 2: The company name and counterparty 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 9

TPK HOLDING CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
YEAR ENDED DECEMBER 31, 2010
(Amount in Thousands of New Taiwan Dollars)

				Intercompany Transactions			
No. (Note 1)	Company Name (Note 2)	Counterparty (Note 2)	Nature of Relationship (Note 3)	Financial Statements Account	Amount	Terms (Note 4)	Percentage of Consolidated Total Gross Sales or Total Assets (Note 5)
0	TPKH	Improve	1	Loan to related party - long-term	$597,165	—	1.42%
		RSO	1	Loan to related party - long-term	582,600	—	1.39%
		RST	1	Loan to related party - long-term	582,600	—	1.39%
		TPKC	1	Loan to related party	1,019,550	—	2.43%
		TPKL	1	Loan to related party - long-term	145,650	—	0.35%
		TPKT	1	Loan to related party	87,390	—	0.21%
1	Improve	TPKH	2	Long-term loans	597,165	—	1.42%
2	TTI	TPKC	3	Purchases	980,048	—	1.64%
3	TPKT	GPSC	3	Other receivables - related party	119,482	—	0.28%
		OTX	3	Operating revenue	63,091	—	0.11%
		TPKC	3	Other receivables - related party	342,228	—	0.82%
		TPKC	3	Purchases	1,115,716	—	1.87%
		TPKC	3	Accounts payable	340,384	—	0.81%
		TPKC	3	Operating revenue	1,014,866	—	1.70%
		TPKH	2	Short-term loans	87,390	—	0.21%
		TPKS	3	Purchases	3,173,879	—	5.33%
		TPKS	3	Sales	218,500	—	0.37%
		TPKS	3	Accounts payable	1,753,032	—	4.18%
		TPKS	3	Accounts receivable	59,901	—	0.14%
4	GPSC	TPKC	3	Accounts receivable	160,259	—	0.38%
		TPKT	3	Accrued expenses	114,959	—	0.27%
5	TPKC	GPSC	3	Payables on construction and equipment	160,259	—	0.38%
		OTX	3	Purchases	840,230	—	1.41%
		OTX	3	Accounts payable	143,854	—	0.34%
		RSO	3	Purchases	62,928	—	0.11%
		RSO	3	Accounts payable	46,018	—	0.11%
		RST	3	Purchases	546,136	—	0.92%
		RST	3	Accounts payable	342,149	—	0.82%
		TPKH	2	Short-term loans	1,019,550	—	2.43%
		TPKL	3	Purchases	1,663,273	—	2.79%

(Continued)

				Intercompany Transactions			
No. (Note 1)	Company Name (Note 2)	Counterparty (Note 2)	Nature of Relationship (Note 3)	Financial Statements Account	Amount	Terms (Note 4)	Percentage of Consolidated Total Gross Sales or Total Assets (Note 5)
		TPKL	3	Sales	$751,542	—	1.26%
		TPKL	3	Accounts payable	475,861	—	1.13%
		TPKL	3	Accounts receivable	242,298	—	0.58%
		TPKS	3	Accounts receivable	52,527	—	0.13%
		TPKT	3	Service charges	791,062	—	1.33%
		TPKT	3	Sales	1,115,716	—	1.87%
		TPKT	3	Accrued expenses	342,228	—	0.82%
		TPKT	3	Accounts receivable	340,384	—	0.81%
		TPKT	3	Royalty expense	223,804	—	0.38%
		TTI	3	Sales	980,048	—	1.64%
6	TPKL	TPKC	3	Purchases	751,542	—	1.26%
		TPKC	3	Sales	1,663,273	—	2.79%
		TPKC	3	Accounts payable	242,280	—	0.58%
		TPKC	3	Accounts receivable	475,887	—	1.13%
		TPKH	2	Long-term loans	145,650	—	0.35%
		TPKS	3	Sales	340,709	—	0.57%
		TPKS	3	Accounts receivable	179,449	—	0.43%
7	TPKS	RSO	3	Purchases	377,909	—	0.63%
		RSO	3	Accounts payable	302,260	—	0.72%
		RST	3	Purchases	242,996	—	0.41%
		RST	3	Accounts payable	232,489	—	0.55%
		TPKL	3	Purchases	340,709	—	0.57%
		TPKL	3	Accounts payable	176,569	—	0.42%
		TPKT	3	Purchases	218,500	—	0.37%
		TPKT	3	Sales	3,173,879	—	5.33%
		TPKT	3	Accounts payable	59,745	—	0.14%
		TPKT	3	Accounts receivable	1,753,032	—	4.18%
8	OTX	TPKC	3	Sales	840,230	—	1.41%
		TPKC	3	Accounts receivable	143,854	—	0.34%
		TPKU	3	Sales	77,826	—	0.13%
		TPKU	3	Accounts receivable	52,061	—	0.12%
9	RSO	TPKC	3	Sales	62,928	—	0.11%
		TPKC	3	Accounts receivable	46,018	—	0.11%
		TPKH	2	Long-term loans	582,600	—	1.39%
		TPKS	3	Sales	377,909	—	0.63%
		TPKS	3	Accounts receivable	302,260	—	0.72%
10	RST	TPKC	3	Sales	546,136	—	0.92%
		TPKC	3	Accounts receivable	342,149	—	0.82%
		TPKH	2	Long-term loans	582,600	—	1.39%
		TPKS	3	Sales	242,996	—	0.41%
		TPKS	3	Accounts receivable	232,489	—	0.55%

(Continued)

				Intercompany Transactions			
No. (Note 1)	Company Name (Note 2)	Counterparty (Note 2)	Nature of Relationship (Note 3)	Financial Statements Account	Amount	Terms (Note 4)	Percentage of Consolidated Total Gross Sales or Total Assets (Note 5)
11	TPKU	OTX	3	Purchases	$77,826	—	0.13%
		OTX	3	Accounts payable	52,061	—	0.12%

Note 1: No. 0 represents parent company; other numbers represent subsidiaries.

Note 2: The company name and counterparty 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 undisclosed.

(Concluded)

TABLE 9

TPK HOLDING CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
YEAR ENDED DECEMBER 31, 2011
(Amount in Thousands)

				Intercompany Transactions				
No. (Note 1)	Company Name (Note 2)	Counterparty (Note 2)	Nature of Relationship (Note 3)	Financial Statements Account	Amount (U.S. Dollars)	Amount (Approximately New Taiwan Dollars) (Note 4)	Terms (Note 5)	Percentage of Consolidated Total Gross Sales or Total Assets (Note 6)
0	TPKH	UYH	1	Loan to related parties	$247,400	$7,490,035	—	8.06%
		TPKS	1	Loan to related parties	10,000	302,750	—	0.33%
		TPK HK	1	Loan to related parties	55,000	1,665,125	—	1.79%
1	UYH	TPKH	2	Short-term loans	247,400	7,490,035	—	8.06%
		RSO	3	Loan to related parties - long-term	7,000	211,925	—	0.23%
		RST	3	Loan to related parties - long-term	55,000	1,665,125	—	1.79%
		TPKG	3	Loan to related parties - long-term	185,400	5,612,985	—	6.04%
2	TPKT	TPKC	3	Accounts payable	10,749	325,434	—	0.35%
		TPKC	3	Other receivables - related parties	5,242	158,704	—	0.17%
		TPKC	3	Receipts in advance	3,012	91,188	—	0.10%
		TPKS	3	Accounts payable	37,221	1,126,877	—	1.21%
		TPKC	3	Purchases	185,180	5,606,315	—	3.90%
		TPKC	3	Sales	21,281	644,288	—	0.45%
		TPKC	3	Operating revenue	16,725	506,336	—	0.35%
		TPKL	3	Purchases	20,994	635,578	—	0.44%
		TPKL	3	Sales	21,171	640,954	—	0.45%
		TPKS	3	Purchases	177,590	5,376,552	—	3.74%
		TPKS	3	Sales	11,328	342,950	—	0.24%
3	TPKC	TPKT	3	Accounts receivable	10,749	325,434	—	0.35%
		TPKT	3	Accrued expense	5,242	158,704	—	0.17%
		TPKT	3	Prepayments for equipment	3,012	91,188	—	0.10%
		TPKL	3	Accounts payable	6,331	191,668	—	0.21%
		RSO	3	Accounts payable	8,640	261,565	—	0.28%
		RSO	3	Loan to related parties - long-term	20,039	606,680	—	0.65%
		RST	3	Accounts payable	50,139	1,517,971	—	1.63%
		RST	3	Other receivables - related parties	3,639	110,175	—	0.12%
		TPK HK	3	Accounts receivable	296,552	8,978,125	—	9.66%
		OTX	3	Accounts payable	18,755	567,820	—	0.61%
		TPKT	3	Purchases	21,255	643,498	—	0.45%
		TPKT	3	Sales	186,255	5,638,856	—	3.93%
		TPKT	3	Royalty expense	16,725	506,336	—	0.35%
		TPKL	3	Purchases	61,006	1,846,968	—	1.29%
		TPKL	3	Sales	20,735	627,758	—	0.44%

(Continued)

No. (Note 1)	Company Name (Note 2)	Counterparty (Note 2)	Nature of Relationship (Note 3)	Intercompany Transactions: Financial Statements Account	Amount (U.S. Dollars)	Amount (Approximately New Taiwan Dollars) (Note 4)	Terms (Note 5)	Percentage of Consolidated Total Gross Sales or Total Assets (Note 6)
	TPKC	RSO	3	Purchases	$29,206	$884,201	—	0.62%
		RST	3	Purchases	228,081	6,905,166	—	4.81%
		TPK HK	3	Sales	677,721	20,517,990	—	14.29%
		TTI	3	Sales	14,055	425,523	—	0.30%
		OTX	3	Purchases	113,808	3,445,536	—	2.40%
4	TPKL	TPKC	3	Accounts receivable	6,331	191,668	—	0.21%
		TPKS	3	Accounts receivable	10,707	324,143	—	0.35%
		TPKG	3	Receipts in advance	10,828	327,810	—	0.35%
		TPK HK	3	Accounts receivable	4,323	130,884	—	0.14%
		CIM	3	Prepayments for equipment	4,389	132,873	—	0.14%
		TPKT	3	Purchases	21,171	640,954	—	0.45%
		TPKT	3	Sales	20,994	635,578	—	0.44%
		TPKC	3	Purchases	20,735	627,758	—	0.44%
		TPKC	3	Sales	61,006	1,846,968	—	1.29%
		TPKS	3	Sales	43,926	1,329,862	—	0.93%
		TPK HK	3	Sales	16,601	502,610	—	0.35%
5	TPKS	TPKH	2	Short-term loans	10,000	302,750	—	0.33%
		TPKT	3	Accounts receivable	37,221	1,126,877	—	1.21%
		TPKL	3	Accounts payable	10,679	323,319	—	0.35%
		RSO	3	Accounts payable	3,461	104,796	—	0.11%
		RST	3	Accounts payable	4,302	130,254	—	0.14%
		TPK HK	3	Accounts receivable	80,161	2,426,887	—	2.61%
		TPKT	3	Purchases	11,328	342,950	—	0.24%
		TPKT	3	Sales	177,824	5,383,637	—	3.75%
		TPKL	3	Purchases	43,926	1,329,862	—	0.93%
		RSO	3	Purchases	36,250	1,097,484	—	0.76%
		RST	3	Purchases	23,490	711,162	—	0.50%
		TPK HK	3	Sales	340,370	9,214,795	—	6.42%
		UYH	3	Sales	9,574	289,839	—	0.20%
6	RSO	UYH	3	Long-term loans	7,000	211,925	—	0.23%
		TPKC	3	Accounts receivable	8,640	261,565	—	0.28%
		TPKC	3	Long-term loans	20,039	606,680	—	0.65%
		TPKS	3	Accounts receivable	3,461	104,796	—	0.11%
		TPKC	3	Sales	29,206	884,201	—	0.62%
		TPKS	3	Sales	36,250	1,097,484	—	0.76%
7	RST	UYH	3	Long-term loans	55,000	1,665,125	—	1.79%
		TPKC	3	Accounts receivable	50,139	1,517,971	—	1.63%
		TPKC	3	Accrued expense	3,639	110,175	—	0.12%
		TPKS	3	Accounts receivable	4,302	130,254	—	0.14%
		TPKC	3	Sales	228,081	6,905,166	—	4.81%
		TPKS	3	Sales	23,490	711,162	—	0.50%

(Continued)

No. (Note 1)	Company Name (Note 2)	Counterparty (Note 2)	Nature of Relationship (Note 3)	Intercompany Transactions: Financial Statements Account	Amount (U.S. Dollars)	Amount (Approximately New Taiwan Dollars) (Note 4)	Terms (Note 5)	Percentage of Consolidated Total Gross Sales or Total Assets (Note 6)
8	TPKU	OTX	3	Purchases	$4,766	$144,287	—	0.10%
9	TPKG	UYH	3	Long-term loans	185,400	5,612,985	—	6.04%
		TPKL	3	Prepayments for equipment	10,828	327,810	—	0.35%
10	TPK HK	TPKH	2	Short-term loans	55,000	1,665,125	—	1.79%
		TPKC	3	Accounts payable	296,552	8,978,124	—	9.66%
		TPKL	3	Accounts payable	4,323	130,884	—	0.14%
		CIM	3	Loan to related parties	8,854	268,060	—	0.29%
		TPKC	3	Purchases	677,721	20,517,990	—	14.29%
		TPKL	3	Purchases	16,601	502,610	—	0.35%
		TPKS	3	Accounts payable	80,161	2,426,887	—	2.61%
		TPKS	3	Purchases	340,370	9,214,795	—	6.42%
11	TTI	TPKC	3	Purchases	14,055	425,523	—	0.30%
12	UYH	TPKS	3	Purchases	9,574	289,839	—	0.20%
13	OTX	TPKC	3	Accounts receivable	18,363	555,928	—	0.60%
		TPKC	3	Sales	113,808	3,445,536	—	2.40%
		TPKU	3	Sales	4,766	144,287	—	0.10%
14	CIM	TPKL	3	Receipts in advance	4,389	132,873	—	0.14%
		TPK HK	3	Short-term loans	8,854	268,060	—	0.29%
15	MTOT	RSS	3	Purchases	5,924	179,355	—	0.12%
16	RSS	MTOT	3	Sales	5,924	179,355	—	0.12%

Note 1: No. 0 represents parent company; other numbers represent subsidiaries.

Note 2: The company name and counterparty 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 exchange rate from U.S. dollars to New Taiwan dollars as of December 31, 2011 was US$1=NT$30.275.

Note 5: 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 6: Other transactions less than 0.1% of total assets and sales were not disclosed.

(Concluded)

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 June 30, 2011 and 2012, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the six months 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 June 30, 2011 and 2012, and the consolidated results of their operations and their consolidated cash flows for the six months 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

August 27, 2012

Notice to Readers

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.

The auditors' report and the accompanying consolidated financial statements were originally presented in more than one set of Chinese financial reports. 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
JUNE 30, 2011 AND 2012
(In Thousands, Except Par Value)

	2011	2012	
	NT$	NT$	US$
ASSETS			
CURRENT ASSETS (Note 2)			
Cash (Note 4)	$20,486,218	$13,961,441	$ 467,250
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	—	2,110	71
Notes receivable	1,108	—	—
Accounts receivable, net (Notes 2, 3, 6 and 22)	4,842,014	5,396,195	180,596
Other receivables (Note 22)	5,958,558	3,283,530	109,891
Tax refund receivable (Notes 2 and 19)	33	24,228	811
Other financial assets - current (Notes 2 and 7)	—	4,152,559	138,975
Inventories, net (Notes 2 and 8)	7,684,927	8,523,790	285,267
Restricted assets - current (Note 13)	12,719	78	3
Other current assets	2,258,909	2,373,386	79,430
Total current assets	41,244,486	37,717,317	1,262,294
LONG-TERM INVESTMENTS (Notes 2 and 9)			
Investments accounted for by the equity method	4,583,254	3,802,938	127,274
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 10 and 22)			
Cost			
Buildings	3,316,969	9,048,579	302,830
Machinery and equipment	15,817,294	30,091,669	1,007,084
Transportation and others	3,824,639	6,266,141	209,710
Total cost	22,958,902	45,406,389	1,519,624
Less: Accumulated depreciation	(3,002,620)	(7,110,013)	(237,952)
Less: Accumulated impairment	—	(54)	(2)
Construction in progress and prepayments for equipment	10,957,452	7,146,470	239,172
Total property, plant and equipment	30,913,734	45,442,792	1,520,842
INTANGIBLE ASSETS, NET (Notes 2 and 11)	1,805,204	2,142,888	71,717
OTHER ASSETS			
Assets leased to others, net (Notes 2 and 12)	—	173,164	5,795
Refundable deposits (Note 22)	292,951	235,614	7,885
Deferred income tax assets - noncurrent (Notes 2 and 19)	63,648	125,811	4,211
Others (Note 2)	35,392	5,208	174
Total other assets	391,991	539,797	18,065
TOTAL	$78,938,669	$89,645,732	$3,000,192

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

	2011	2012	
	NT$	NT$	US$
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES (Note 2)			
Short-term loans (Notes 6 and 13)	$ 3,753,240	$ 5,689,962	$ 190,427
Financial liabilities at fair value through profit or loss - current (Notes 2 and 5)	—	1,318	44
Notes and accounts payable	19,421,989	15,741,033	526,808
Accounts payable - related parties (Note 22)	1,045,756	670,838	22,451
Income tax payable (Notes 2 and 19)	588,574	788,157	26,377
Accrued expenses (Notes 17 and 22)	4,044,940	5,114,199	171,158
Dividends payable (Note 17)	—	5,024,553	168,158
Payables on construction and equipment	5,228,184	3,323,230	111,219
Accrued liability on purchase commitment (Note 8)	192,602	122,859	4,112
Current portion of long-term loans (Note 15)	416,513	2,463,048	82,431
Deferred income tax liabilities - current (Notes 2 and 19)	1,018,563	1,908,367	63,868
Other current liabilities	126,283	352,779	11,807
Total current liabilities	35,836,644	41,200,343	1,378,860
LONG-TERM LIABILITIES			
Bonds payable (Notes 2 and 14)	10,421,522	10,300,154	344,717
Long-term loans (Note 15)	9,917,172	7,701,667	257,753
Total long-term liabilities	20,338,694	18,001,821	602,470
OTHER LIABILITIES			
Accrued pension liabilities (Notes 2 and 16)	16,186	10,943	366
Guarantee deposits received	117,229	25,312	847
Shareholders accounts (Note 22)	—	63,818	2,136
Other liabilities - others	—	20,098	673
Total other liabilities	133,415	120,171	4,022
Total liabilities	56,308,753	59,322,335	1,985,352
SHAREHOLDERS' EQUITY (Notes 2, 9, 14, 16, 17, 18 and 19)			
Shareholders' equity of parent company			
Capital stock			
Common shares: NT$10 par value			
Authorized: 400,000 thousand shares in 2011 and 600,000 thousand shares in 2012			
Issued: 224,068 thousand shares in 2011 and 238,550 thousand shares in 2012	2,240,675	2,385,499	74,731
Stock dividend to be distributed	112,034	705,813	23,950
Total capital stock	2,352,709	3,091,312	98,681
Capital surplus	7,570,786	8,521,164	285,180
Retained earnings			
Legal reserve	675,356	1,822,141	60,982
Unappropriated earnings	10,985,830	15,151,280	507,071
Total retained earnings	11,661,186	16,973,421	568,053
Other items of shareholders' equity			
Cumulative translation adjustments	825,434	1,517,178	55,552
Net loss not recognized as pension cost	(6,032)	(663)	(22)
Unrealized loss on financial instruments	—	(412)	(14)
Total other items of shareholders' equity	819,402	1,516,103	55,516
Total shareholders' equity of parent company	22,404,083	30,102,000	1,007,430
Minority interest	225,833	221,397	7,410
Total shareholders' equity	22,629,916	30,323,397	1,014,840
TOTAL	$78,938,669	$89,645,732	$3,000,192

Note: The foreign exchange rate between the foreign currency and New Taiwan dollars is based on the exchange rate as of the date of the balance sheet for each period. However, the share capital is the total number of shares issued multiplied by NT$10 par value (fixed at the historical exchange rate). The exchange rates from U.S. dollars to New Taiwan dollars as of June 30, 2011 and 2012 were US$1=NT$28.725 and US$1=NT$29.88, respectively.

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

TPK HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2011 AND 2012
(In Thousands, Except Earnings Per Share)

	2011	2012	
	NT$	NT$	US$
OPERATING REVENUE (Note 2)	$57,861,585	$76,587,721	$2,563,177
SALES RETURNS AND ALLOWANCES (Note 2)	(12,676)	(30,230)	(1,012)
NET OPERATING REVENUE (Notes 22 and 27)	57,848,909	76,557,491	2,562,165
COST OF GOODS SOLD (Notes 2, 8, 16, 17, 18, 20 and 22)	46,880,503	64,823,703	2,169,468
GROSS PROFIT	10,968,406	11,733,788	392,697
OPERATING EXPENSES (Notes 2, 16, 17, 18, 20, 22 and 27)			
Marketing	285,525	398,739	13,345
General administrative	1,335,746	1,903,543	63,706
Research and development	1,413,117	2,036,129	68,144
Total operating expenses	3,034,388	4,338,411	145,195
OPERATING INCOME	7,934,018	7,395,377	247,502
NONOPERATING INCOME AND GAINS			
Interest income (Notes 25 and 27)	32,247	246,427	8,247
Valuation gain on financial assets (Notes 2 and 5)	—	3,756	126
Government grant (Note 2)	310,881	238,792	7,992
Other income (Notes 2, 14 and 22)	63,695	120,355	4,028
Total nonoperating income and gains	406,823	609,330	20,393
NONOPERATING EXPENSES AND LOSSES			
Interest expenses (Notes 2, 10, 22, 25 and 27)	158,270	323,502	10,827
Valuation loss on financial liabilities (Notes 2 and 5)	—	28,791	963
Exchange loss, net (Note 2)	290,503	104,838	3,509
Investment loss recognized under equity method (Notes 2 and 9)	—	284,204	9,511
Other expenses (Notes 2, 10 and 20)	5,123	41,716	1,396
Total nonoperating expenses and losses	453,896	783,051	26,206
INCOME BEFORE INCOME TAX (Note 27)	7,886,945	7,221,656	241,689
INCOME TAX EXPENSE (Notes 2, 19 and 27)	1,722,437	1,666,482	55,773
CONSOLIDATED NET INCOME (Note 27)	$ 6,164,508	$ 5,555,174	$ 185,916
ATTRIBUTABLE TO:			
Shareholders of the parent company	$ 6,184,444	$ 5,566,679	$ 186,301
Minority interests	(19,936)	(11,505)	(385)
	$ 6,164,508	$ 5,555,174	$ 185,916

	2011		2012			
	Before Income Tax	After Income Tax	Before Income Tax		After Income Tax	
	NT$	NT$	NT$	US$	NT$	US$
EARNINGS PER SHARE (Note 21)						
Basic earnings per share	$25.96	$20.28	$23.69	$0.79	$18.23	$0.61
Diluted earnings per share	$25.09	$19.65	$22.59	$0.76	$17.51	$0.59

Note: The foreign exchange rate between the foreign currency and New Taiwan dollars is based on the exchange rate as of the date of the balance sheet for each period. However, the share capital is the total number of shares issued multiplied by NT$10 par value (fixed at the historical exchange rate). The exchange rates from U.S. dollars to New Taiwan dollars as of June 30, 2011 and 2012 were US$1=NT$28.725 and US$1=NT$29.88, 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
SIX MONTHS ENDED JUNE 30, 2011 AND 2012
(In Thousands, Except Earnings Per Share)

	Common Shares Issued - NT$10 Par Value (Notes 17 and 18)				Retained Earnings							
	Shares (In Thousands)	Amount	Stock Dividends to Be Issued (Note 17)	Capital Surplus (Notes 2, 14, 17 and 18)	Legal Reserve (Note 17)	Unappropriated Earnings (Note 17)	Cumulative Translation Adjustments (Notes 2 and 9)	Net Loss Not Recognized as Pension Cost (Notes 2 and 16)	Unrealized Loss on Financial Instruments (Notes 2 and 9)	Total Shareholders' Equity of Parent Company	Minority Interest	Total Shareholders' Equity
BALANCE AT JANUARY 1, 2011	224,068	$2,240,675	$ —	$6,473,247	$ 210,722	$ 5,457,028	$ 417,403	$(6,117)	$ —	$14,792,958	$ —	$14,792,958
Appropriations of 2010 earnings												
Legal reserve	—	—	—	—	467,563	(467,563)	—	—	—	—	—	—
Stock dividend	—	—	112,034	—	—	(112,034)	—	—	—	—	—	—
Consolidated net income for the six months ended June 30, 2011	—	—	—	—	—	6,184,444	—	—	—	6,184,444	(19,936)	6,164,508
Compensation costs recognized for employee stock options	—	—	—	114,125	—	—	—	—	—	114,125	—	114,125
Equity component of convertible bonds	—	—	—	1,073,413	—	—	—	—	—	1,073,413	—	1,073,413
Change in minority interest	—	—	—	—	—	—	—	—	—	—	240,847	240,847
Change in translation adjustments on long-term equity investments	—	—	—	—	—	—	444,811	—	—	444,811	4,922	449,733
Effect of exchange rate changes	—	—	—	(89,999)	(2,929)	(76,045)	(36,780)	85	—	(205,668)	—	(205,668)
BALANCE AT JUNE 30, 2011	224,068	$2,240,675	$112,034	$7,570,786	$ 675,356	$10,985,830	$ 825,434	$(6,032)	$ —	$22,404,083	$225,833	$22,629,916
BALANCE AT JANUARY 1, 2012	235,271	$2,352,709	$ —	$8,097,983	$ 711,798	$16,404,780	$1,656,819	$ (672)	$(978)	$29,222,439	$140,122	$29,362,561
Appropriation of 2011 earnings												
Legal reserve	—	—	—	—	1,119,630	(1,119,630)	—	—	—	—	—	—
Cash dividend	—	—	—	—	—	(4,705,418)	—	—	—	(4,705,418)	—	(4,705,418)
Stock dividend	—	—	705,813	—	—	(705,813)	—	—	—	—	—	—
Consolidated net income for the six months ended June 30, 2012	—	—	—	—	—	5,566,679	—	—	—	5,566,679	(11,505)	5,555,174
Change on equity components of convertible bonds due to redemption	—	—	—	(881)	—	—	—	—	—	(881)	—	(881)
Issuance of new shares from exercising employee stock options	3,279	32,790	—	413,810	—	—	—	—	—	446,600	—	446,600
Compensation costs recognized for employee stock options	—	—	—	109,771	—	—	—	—	—	109,771	—	109,771
Change in unrealized gain on available-for-sale financial assets	—	—	—	—	—	—	—	—	553	553	—	553
Change in minority interest	—	—	—	—	—	—	—	—	—	—	93,411	93,411
Change in translation adjustments on long-term equity investments	—	—	—	—	—	—	(97,678)	—	—	(97,678)	1,197	(96,481)
Effect of exchange rate changes	—	—	—	(99,519)	(9,287)	(289,318)	(41,963)	9	13	(440,065)	(1,828)	(441,893)
BALANCE AT JUNE 30, 2012	238,550	$2,385,499	$705,813	$8,521,164	$1,822,141	$15,151,280	$1,517,178	$ (663)	$(412)	$30,102,000	$221,397	$30,323,397
BALANCE AT JUNE 30, 2012 (IN U.S. DOLLARS)	238,550	$ 74,731	$ 23,950	$ 285,180	$ 60,982	$ 507,071	$ 55,552	$ (22)	$ (14)	$ 1,007,430	$ 7,410	$ 1,014,840

Note: The foreign exchange rate between the foreign currency and New Taiwan dollars is based on the exchange rate as of the date of the balance sheet for each period. However, the share capital is the total number of shares issued multiplied by NT$10 par value (fixed at the historical exchange rate). The exchange rates from U.S. dollars to New Taiwan dollars as of June 30, 2011 and 2012 were US$1=NT$28.725 and US$1=NT$29.88, respectively.

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

TPK HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2011 AND 2012
(In Thousands)

	2011	2012	
	NT$	NT$	US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Consolidated net income	$ 6,164,508	$ 5,555,174	$ 185,916
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	968,370	2,311,217	77,350
Amortization	54,277	93,038	3,114
Valuation gain on financial instruments	—	(792)	(27)
Gain on advance redemption of bonds payable	—	(4,024)	(135)
Amortization of discount on bonds payable	75,644	179,372	6,003
Amortization of discount on long term loans	—	5,702	191
Recognized impairment loss	—	35,941	1,203
Investment loss recognized under equity method	—	284,204	9,511
Provision for doubtful accounts	8,659	6,134	205
Provision for loss on purchase commitment	45,649	4,143	139
Recovery of loss on inventories	(12,107)	(152,554)	(5,105)
Loss on disposal of property, plant and equipment	35	795	27
Loss on disposal of intangible assets	—	301	10
Compensation cost of employee stock options	114,125	109,771	3,674
Deferred income tax	742,430	285,386	9,551
Pension	(91)	(363)	(12)
Net changes in operating assets and liabilities			
Notes and accounts receivable	6,983,965	2,668,056	89,292
Other receivables	—	5,650,521	189,107
Inventories	(4,650,933)	3,523,082	117,908
Other current assets	(6,504,519)	84,341	2,823
Notes and accounts payable	6,717,492	(9,669,196)	(323,601)
Income tax payable	163,232	203,289	6,804
Accrued expenses	1,863,403	420,901	14,086
Other current liabilities	39,752	312,846	10,470
Net cash provided by operating activities	12,773,891	11,907,285	398,504
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of other financial assets	—	(3,393,810)	(113,581)
Acquisition of investments accounted for by the equity method	(4,583,254)	—	—
Acquisition of property, plant and equipment	(10,920,093)	(7,046,079)	(235,813)
Acquisition of intangible assets	(461,465)	(43,053)	(1,441)
Proceeds from disposal of property, plant, equipment	1,121	4,186	140
Decrease in restricted assets	573	8,223	275
Decrease in refundable deposits	8,018	77,075	2,580
Decrease (increase) in other assets	(19,551)	2,040	68
Cash paid for acquisition of subsidiary	—	(130,166)	(4,356)
Net cash used in investing activities	(15,974,651)	(10,521,584)	(352,128)

(Continued)

TPK HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2011 AND 2012
(In Thousands)

	2011	2012	
	NT$	NT$	US$
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term loans	293,939	1,473,297	49,307
Proceeds from long-term loans	7,211,371	1,808,521	60,526
Repayment of long-term loans	(684,268)	(1,714,799)	(57,390)
Issuance of convertible bonds	11,419,291	—	—
Redemption of convertible bonds	—	(80,452)	(2,693)
Proceeds from exercise of employee stock options	—	446,600	15,169
Increase (decrease) in guarantee deposits received	43,890	(1,646)	(55)
Cash dividends paid by subsidiary	—	(188,603)	(6,312)
Net cash provided by financing activities	18,284,223	1,742,918	58,552
CASH INCREASE FROM ACQUISITION OF A SUBSIDIARY	80,317	513,064	17,171
EFFECT OF EXCHANGE RATE CHANGES	(241,521)	(62,913)	2,206
NET INCREASE IN CASH	14,922,259	3,578,770	124,305
CASH AT THE BEGINNING OF PERIOD	5,563,959	10,382,671	342,945
CASH AT THE END OF PERIOD	$20,486,218	$13,961,441	$467,250
NON-CASH INVESTING AND FINANCING ACTIVITIES			
Reclassification of property, plant and equipment to assets leased to others	$ —	$ 173,164	$ 5,795
Cash dividends to be distributed	$ —	$ 4,705,418	$159,668
Current portion of long-term loans	$ 416,513	$ 2,463,048	$ 82,431
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS			
Acquisition of property, plant and equipment	$13,481,272	$ 4,806,128	$160,848
Changes in payables on construction and equipment	(2,561,179)	2,239,951	74,965
Cash paid for acquisition of property, plant and equipment	$10,920,093	$ 7,046,079	$235,813
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid for interest	$ 82,301	$ 120,662	$ 4,038
Cash paid for income tax	$ 1,559,205	$ 1,172,947	$ 39,255

(Continued)

(In Thousands)

On April 1, 2011, TPK Asia Pacific Sdn. Bhd., one of the subsidiaries, acquired 52.94% equity interest in MasTouch Optoelectronics Co., Ltd. (MTOT) through equity swap. The acquisition consideration and the fair values of the net assets acquired were summarized as follows:

	NT$	US$
Current assets	$ 304,296	$10,350
Property, plant and equipment, net	76,122	2,589
Goodwill	18,416	626
Other intangible assets	85,921	2,923
Other assets	20,199	687
Current liabilities	(126,954)	(4,318)
Cash paid for acquisition	$ 378,000	$12,857

On April 1, 2012, TPK Universal Solutions Limited, one of the subsidiaries, acquired 51% equity interest in TPK Specialty Materials Limited (JJS). The acquisition consideration and the fair values of the net assets acquired were summarized as follows:

	NT$	US$
Current assets	$ 524,481	$ 17,553
Property, plant and equipment, net	79,161	2,649
Goodwill	33,038	1,106
Other intangible assets	1,707	57
Other assets	568	19
Current liabilities	(508,789)	(17,028)
Cash paid for acquisition	$ 130,166	$ 4,356

Note: The foreign exchange rate between the foreign currency and New Taiwan dollars is based on the exchange rate as of the date of the balance sheet for each period. However, the share capital is the total number of shares issued multiplied by NT$10 par value (fixed at the historical exchange rate). The exchange rates from U.S. dollars to New Taiwan dollars as of June 30, 2011 and 2012 were US$1=NT$28.725 and US$1=NT$29.88, respectively.

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

(Concluded)

TPK HOLDING CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2011 AND 2012
(In Thousands, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

TPK Holding Co., Ltd. (“TPKH”) was incorporated as a limited company under the provisions 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 of 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 June 30, 2011 and 2012, the Company had 44,300 and 46,074 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been 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”).

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.

The financial statements of TPKH are prepared in its functional currency, the U.S. dollars and the financial statements of its subsidiaries 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 period. 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 is translated at the historical exchange rate as required by the ROC regulations. Exchange differences arising from the translations of foreign currencies are recognized as effect of exchange rate under shareholders’ equity. The exchange rates from U.S. dollars to New Taiwan dollars as of June 30, 2011 and 2012 were US$1=NT$28.725 and US$1=NT$29.88, respectively. All significant intercompany balances and transactions are eliminated upon consolidation.

The consolidated entities were as follows:

Name of Investor	Name of Investee	Main Businesses	Percentage of Ownership June 30 2011	2012	Remark
TPKH	TPK Technology International Inc. (TTI)	International trade	100.00%	100.00%	
”	Improve Idea Investments Ltd. (Improve)	Holding company	100.00%	100.00%	
”	Optera TPK Holding Pte. Ltd. (OTH)	Holding company	100.00%	100.00%	
”	Upper Year Holdings Limited (UYH)	Holding company and international trade	99.90%	100.00%	l
”	Ray-Star Universal Solutions Limited (RUSL)	Holding company	100.00%	100.00%	m
Improve	TPK Asia Pacific Sdn. Bhd. (TPKA)	Holding company	100.00%	100.00%	
TPKA	TPK Touch Solutions Inc. (TPKT)	Research, development and sales	100.00%	100.00%	b
”	MasTouch Optoelectronics Technologies Co., Ltd. (MTOT)	Touch modules research, development, manufacturing and sales	52.94%	50.70%	d
MTOT	Ray-Star System Solutions Limited (RSSL)	Holding company	100.00%	100.00%	g
RSSL	Ray-Star System Solutions (Xiamen) Inc. (RSS)	Touch modules research, development, manufacturing and sales	100.00%	100.00%	g
UYH	TPK Touch Solutions (Xiamen) Inc. (TPKC)	Touch modules research, development, manufacturing and sales	100.00%	100.00%	
”	TPK Lens Solutions Inc. (TPKL)	Optical glass manufacturing and sales; machinery manufacturing and sales	100.00%	100.00%	
”	TPK Touch Systems (Xiamen) Inc. (TPKS)	Touch modules, touch display and system research, manufacturing and sales	100.00%	100.00%	
”	Ray-Star Optical Solutions (Xiamen) Inc. (RSO)	Optical glass manufacturing and sales	55.00%	55.00%	
”	Ray-Star Technology (Xiamen) Inc. (RST)	ITO glass research, development, manufacturing, processing and sales	55.00%	40.67%	a
OTH	Optera Technology (Xiamen) Co., Ltd. (OTX)	ITO glass research, development, manufacturing, processing and sales	71.43%	71.43%	c
”	TPK U.S.A. LLC (TPK USA)	International trade	100.00%	100.00%	
RUSL	TPK Universal Solutions Limited (TPK HK)	Holding company and international trade	100.00%	100.00%	m
TPK HK	Optera Technology (Xiamen) Co., Ltd. (OTX)	ITO glass research, development, manufacturing, processing and sales	28.57%	28.57%	c
”	TPK Glass Solutions (Xiamen) Inc. (TPKG)	Optical glass manufacturing and sales	100.00%	100.00%	e
”	Ray-Star Technology (Xiamen) Inc. (RST)	ITO glass research, development, manufacturing, processing and sales	—	26.06%	a
”	CIM Corporation (CIM)	Holding company	—	80.00%	h
”	TPK Specialty Materials Limited (JJS)	Holding company	—	51.00%	j
CIM	Hallys Corporation (Hallys)	Machinery manufacturing and sales	—	84.90%	i
TPKT	New Strategy Investment Ltd. (NSI)	Holding company	100.00%	100.00%	
”	Greatec Precision Solution Corp. (GPSC)	Machinery manufacturing and sales	100.00%	—	b
NSI	Upper Year Holdings Limited (UYH)	Holding company and international trade	0.10%	—	l
TPKC	Ray-Star Optical Solutions (Xiamen) Inc. (RSO)	Optical glass manufacturing and sales	45.00%	45.00%	
”	Ray-Star Technology (Xiamen) Inc. (RST)	ITO glass research, development, manufacturing, processing and sales	45.00%	33.27%	a
JJS	Xiamen Jan Jia Optoelectronics Co., Ltd. (TPKJ)	Protective film and optical adhesive manufacturing and sales	—	100.00%	k

a. In September 2011, TPK HK invested in RST US$40,000 thousand. As of June 30, 2012, TPKC, UYH and TPK HK each held 33.27%, 40.67% and 26.06% equity interest of RST, respectively.

b. Improve disposed its 100% equity interest of TPKT and GPSC for US$26,545 thousand and NT$69,747 thousand to TPKA and TPKT, respectively. The restructuring was completed in January 2011, and GPSC was merged into TPKT in June 2012.

c. In January 2011, TPK HK invested US$19,500 thousand in OTX; therefore, OTH’s equity interest of OTX decreased to 71.43%, and TPK HK increased to 28.57%.

d. In January 2011, TPKA, one of the subsidiaries, set up and invested NT$378,000 thousand in RSL. On April 1, 2011, RSL invested NT$378,000 thousand in MTOT and acquired 52.94% equity interest in MTOT. After the investment, RSL was dissolved. In December 2011, employees of MTOT exercised employee stock options, and thus TPKA decreased its equity interest of MTOT to 50.70%.

e. In February 2011, TPK HK set up TPKG and increased investment in 2011 and 2012. As of June 30, 2012, the capital of TPKG was US$120,000 thousand.

f. On January 28, 2011, RUSL and Jan Ann Co., Ltd. (Cayman) (Jan Ann) jointly set up TPK Specialty Materials Limited (TPKM HK) with registered capital of US$3,500 thousand. RUSL and Jan Ann obtained 51% and 49% equity interest of TPKM HK, respectively. However, due to the demand of operating plan, before the capital was injected, this joint investment was terminated in the first quarter of 2011. TPKM HK completed the dissolution with the Hong Kong government in June 2011.

g. In April 2011, MTOT set up and invested in RSSL and RSSL then set up and invested in RSS. As of June 30, 2012, the capital of RSSL and RSS was US$10,810 thousand and US$10,800 thousand, respectively.

h. In July 2011, TPK HK acquired 80% equity interest in CIM for JPY40,080 thousand. The additional transaction cost was JPY50,814 thousand, and the total acquisition cost was JPY90,894 thousand.

i. In May 2011, CIM acquired 66.80% equity interest in Hallys for JPY296,000 thousand. The additional transaction cost was JPY154 thousand, and the total acquisition cost was JPY296,154 thousand. In August 2011, CIM acquired additional 18.10% equity interest in Hallys for JPY61,220 thousand and increased its equity interest to 84.90%. The additional transaction cost was JPY20 thousand, and the total acquisition cost paid was JPY61,240 thousand.

j. In April 2012, TPK HK acquired 51% equity interest in JJS for US$4,294 thousand. The additional transaction cost was $62 thousand, and the total acquisition cost was US$4,356 thousand.

k. JJS has 100% equity interest of TPKJ, as of June 30, 2012, the capital of TPKJ was US$3,600 thousand.

l. In June 2012, for organization restructuring, NSI disposed its 0.1% equity interest of UYH to TPKH for US$990 thousand.

m. In May 2012, TPKH invested in RUSL US$20,000 thousand, and RUSL then invested in TPK HK. As of June 30, 2012, the capital of RUSL and TPK HK was US$182,000 thousand and US$180,000 thousand, respectively.

Accounting Estimates

Under above guidelines and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, allowance for loss on inventories, liability on purchase commitment, depreciation of property, plant and equipment, amortization of intangible assets, pension cost, allowance for product warranties, bonuses to employees and directors, valuation allowance for deferred income tax assets, impairment loss, and fair value of acquired net assets under the Business Combinations—Accounting Treatment under Purchase Method. Actual results may differ from these estimates.

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

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 and foreign exchange option, 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. Premiums received from short options are recognized as financial liabilities; premiums paid for long options are recognized as financial assets.

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.

Structured Time Deposit

Structured time deposit is an investment over which the principal and interests are guaranteed by the counterparty. Structured time deposit, classified as other financial assets - current, is initially recorded at cost and carried at amortized cost at the balance sheet date.

An impairment loss is recognized when there is objective evidence that the investment is impaired. The impairment loss is reversed if an increase in the investment's recoverable amount is due to an event which occurred after the impairment loss was recognized; however, the adjusted carrying amount of the investment may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the investment in prior years.

Impairment of Accounts Receivable

Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

- Significant financial difficulty of the debtor;
- Accounts receivable becoming overdue; or
- It is becoming probable that the debtor will enter bankruptcy or financial re-organization.

Accounts receivable that are assessed as not impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of accounts receivable could include the Company's past experience in the collection of payments, an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

The amount of impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collateral and guarantees, discounted at the original effective interest rate of the receivables.

The carrying amount of accounts receivable is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized as bad debt in profit or loss.

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.

Investments Accounted for by the Equity Method

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

The acquisition cost is allocated to the assets and liabilities assumed on the basis of their fair values at the date of acquisition, and the acquisition cost in excess of the fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not amortized. The fair value of the net identifiable assets acquired in excess of the acquisition cost is used to reduce the fair value of each of the noncurrent assets acquired (except for financial assets other than investments accounted for by the equity method, noncurrent assets held for sale, deferred income tax assets, prepaid pension or other postretirement benefit) in proportion to the respective fair values of the noncurrent assets, with any excess recognized as an extraordinary gain.

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

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

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

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Borrowing costs directly attributable to the acquisition or construction of property, plant and equipment are capitalized as part of the cost of those assets. Major additions and improvements to property, plant and equipment 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	3-24 years
Machinery and equipment	1-17 years
Transportation and others	1-10 years

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

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

Assets Leased to Others

Assets leased to others are depreciated over 20 years on a straight-line basis.

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 4-10 years, computer software and patents are amortized over 1-10 years. Goodwill recognized on 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 have been met; otherwise, the development expenditure is recognized as an expense when incurred.

Idle Assets

Idle 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. Idle assets are depreciated on a straight-line basis.

Convertible Bonds

For the convertible bonds issued by the Company, the Company first determines the carrying amount of the liability component by measuring the fair value of a similar liability that does not have an associated equity component, then determines the carrying amount of the equity component, representing the equity conversion option, by deducting the fair value of the liability component from the fair value of the convertible bonds as a whole. The liability component (excluding embedded derivatives) is measured at amortized cost using the effective interest method, while the embedded non-equity derivatives are measured at fair value. Upon conversion, the Company uses the aggregate carrying amount of the liability and equity components of the bonds at the time of conversion as a basis to record the common shares issued. In the redemption of bonds, gain and losses associated with redemptions of financial liabilities are recognized in profit or loss, whereas redemptions of equity instrument are recognized as changes in equity.

Impairment of Assets

If the recoverable amount of an asset (mainly property, plant and equipment, assets leased to others, intangible assets, idle assets and investments accounted for by the equity method) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is charged to earnings. 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.

For long term equity investments for which the Company has significant influence but with no control, the carrying amount (including goodwill) of each investment is compared with its own recoverable amount for the purpose of impairment testing.

Revenue Recognition

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. Allowance for sales discount 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.

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, which superseded Rule No. 0960065898. 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 the intra-year and inter-year allocation methods to its income tax, whereby (1) a portion of income tax expense debited or credited directly to shareholders' equity; and (2) deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforward and unused tax credits. Valuation allowance is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

Tax credits for purchases of machinery and equipment, 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.

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

Government Grant Revenue

The realized part of government grant subsidies is recognized under nonoperating income and gains.

Reclassifications

Certain accounts in the consolidated financial statements as of and for the six months ended June 30, 2011 have been reclassified to conform to the presentation of the financial statements as of and for the six months ended June 30, 2012.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Financial Instruments

On January 1, 2011, the Company adopted the newly revised SFAS No. 34, "Financial Instruments: Recognition and Measurement." The main revisions include loans and receivables originated by the Company are now covered by SFAS No. 34. This accounting change did not have significant impact to the consolidated financial statements for the six months ended June 30, 2011.

4. CASH

	June 30		
	2011	2012	
	NT$	NT$	US$
Petty cash	$ 1,861	$ 2,129	$ 71
Checking accounts and demand deposits	15,301,984	11,297,572	378,098
Time deposits	5,182,373	2,661,740	89,081
	$20,486,218	$13,961,441	$467,250

5. FINANCIAL INSTRUMENTS AT FVTPL (AS OF JUNE 30, 2011: NONE)

	June 30, 2012	
	NT$	US$
Financial assets held for trading		
Forward exchange contracts	$2,110	$71
Financial liabilities held for trading		
Forward exchange contracts	$1,318	$44

The Company entered into derivative contracts to manage exposures due to exchange rate fluctuations; however, the derivative contracts do not meet the criteria for hedge accounting. Hence forward exchange contracts and exchange option contracts are classified as a financial asset or a financial liability held for trading. The Company's outstanding forward exchange contract as of June 30, 2012 was as follows: (As of June 30, 2011: None)

	Currency	Maturity Date	Contract Amount (In Thousands)
June 30, 2012			
Forward exchange contracts	Sell USD/Buy NTD	July 25, 2012	US$60,000/NT$1,792,050

Gain or loss on derivative contracts for the six months ended June 30, 2012 was as follows: (For the six months ended June 30, 2011: None)

	Six Months Ended June 30, 2012	
	NT$	US$
Gain on forward exchange contracts	$ 6,819	$ 229
Loss on long exchange option contracts	(3,063)	(103)
Valuation gain on financial assets, net	$ 3,756	$ 126
Loss on forward exchange contracts	$ (7,660)	$(256)
Loss on short exchange option contracts	(21,131)	(707)
Valuation loss on financial liabilities, net	$(28,791)	$(963)

6. ACCOUNTS RECEIVABLE

	June 30		
	2011	2012	
	NT$	NT$	US$
Accounts receivable	$4,858,822	$5,413,140	$181,163
Less: Allowance for doubtful accounts	(16,808)	(16,945)	(567)
	$4,842,014	$5,396,195	$180,596

Movements of the allowance for doubtful accounts were as follows:

	Six Months Ended June 30					
	2011		2012			
	Accounts Receivable	Other Receivables	Accounts Receivable		Other Receivables	
	NT$	NT$	NT$	US$	NT$	US$
Balance, beginning of period	$ 7,816	$21,189	$ 9,243	$305	$61,055	$2,017
Add: Provision for doubtful accounts	8,659	—	6,134	205	—	—
Additions as a result of acquisition of subsidiary	—	—	1,628	55	—	—
Translation adjustment	333	194	(60)	2	(462)	11
Balance, end of period	$16,808	$21,383	$16,945	$567	$60,593	$2,028

Factored accounts receivable were as follows:

Subsidiary	Counterparties	Currencies	Receivables Sold	Amounts Collected	Translation Adjustment	Advances Received at Period-end	Interest Rates on Advances Received (%)	Credit Line
Six months ended June 30, 2011								
TPKC	China Merchants Bank	NT$	$ 1,144,032	$ 2,306,544	$(140,744)	$ —	—	—
	Standard Chartered Bank	NT$	$ 6,566,281	$ 123,179	$ —	$6,443,102	2M Libor+0.90%	NT$8,617,500 thousand (approximately US$300,000 thousand)
Six months ended June 30, 2012								
TPKC	Standard Chartered Bank	NT$	$ —	$ 359,379	$ (4,751)	$ —	—	NT$8,964,000 thousand (approximately US$300,000 thousand)
		US$	$ —	$ 12,027	$ —	$ —		
TPK HK	Standard Chartered Bank	NT$	$48,753,716	$48,544,932	$(113,734)	$8,812,337	2M Libor+1.15%	NT$13,446,000 thousand (approximately US$450,000 thousand)
		US$	$ 1,631,650	$ 1,624,663	$ —	$ 294,924		
Hallys	Mizuho Trust & Banking Co., Ltd.	NT$	$ 339	$ 339	$ —	$ —	—	—
		US$	$ 11	$ 11	$ —	$ —		
		JPY	$ 902	$ 902	$ —	$ —		

Pursuant to the factoring contracts, losses from sales returns and discounts shall be borne by TPKC, TPK HK and Hallys, while losses from credit risk shall be borne by the bank. The factoring contract with China Merchants Bank expired in April 2011. The above credit line may be used on a revolving basis, except that the factored accounts receivable of Hallys were sold individually and without credit line.

Between TPKC, TPK HK and Standard Chartered Bank, the factored but uncollected accounts receivable were reclassified from accounts receivable to other receivables.

Accounts receivable of TPKG, one of the subsidiaries, in the amount of NT$105,266 thousand (approximately US$3,523 thousand) have been pledged to Bank of China as loan collateral (see Note 13).

7. OTHER FINANCIAL ASSETS - CURRENT (AS OF JUNE 30, 2011: NONE)

	June 30, 2012	
	NT$	US$
Structured time deposits	$4,152,559	$138,975

TPKC and RST, two of the subsidiaries, invested in structured time deposits with guaranteed principal and interest from Xiamen International Bank, Bank of China, OCBC Bank and China Construction Bank as of June 30, 2012. The deposits expired between July 3, 2012 and August 16, 2012 with 2.05%-4.90% yield rate.

8. INVENTORIES

	June 30		
	2011	2012	
	NT$	NT$	US$
Finished goods	$3,596,019	$4,475,347	$149,777
Work in process	171,161	178,469	5,973
Raw materials	3,917,747	3,749,612	125,489
Goods in transit	—	120,362	4,028
	$7,684,927	$8,523,790	$285,267

As of June 30, 2011 and 2012, the allowance for inventory devaluation was NT$518,095 thousand and NT$919,718 thousand (approximately US$30,780 thousand), respectively.

The costs of inventories recognized as cost of goods sold for the six months ended June 30, 2011 and 2012 were NT$46,880,503 thousand and NT$64,823,703 thousand (approximately US$2,169,468 thousand). The accounts listed below were included in cost of goods sold for the six months ended June 30, 2011 and 2012.

	Six Months Ended June 30		
	2011	2012	
	NT$	NT$	US$
Recovery of loss on inventories	$(12,107)	$(152,554)	$(5,105)
Provision for loss on purchase commitment	45,649	4,143	139
Loss on physical inventory	1,778	48	2
	$ 35,320	$(148,363)	$(4,964)

Due to client's alteration of product design, certain raw materials were no longer usable. According to the purchase contracts, the Company recorded an estimated loss in the amount of NT$45,649 thousand and NT$4,143 thousand (approximately US$139 thousand) which were included in cost of goods sold for the six months ended June 30, 2011 and 2012, respectively. As of June 30, 2011 and 2012, the estimated accrued liabilities on purchase commitments were NT$192,602 thousand and NT$122,859 thousand (approximately US$4,112 thousand), respectively.

9. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	June 30				
	2011		2012		
	Carrying Amount	% of Ownership	Carrying Amount		% of Ownership
	NT$		NT$	US$	
Emerging market stock Cando Corporation (Cando)	$4,583,254	16.38	$3,802,938	$127,274	19.82

On June 29, 2011, TPK HK, one of the subsidiaries, acquired 148,607 thousand outstanding common shares of Cando for NT$4,767,541 thousand (approximately US$159,556 thousand). Furthermore, on July 1, 2011, TPK HK acquired 31,450 thousand common shares of Cando for NT$1,016,452 thousand (approximately US$34,018 thousand), and increased its equity interest of Cando to 19.85%. In December 2011, March 2012 and May 2012, as the employees of Cando exercised employee stock options, the remaining equity interest held by TPK HK decreased to 19.82%. Because the Company can exercise significant influence over Cando, such investment is accounted for using the equity method.

According to the purchase price allocation and appraisal report issued by the external appraiser, movements of the difference between the cost of investment and the Company's share in investees' net assets allocated to depreciable assets (buildings, machinery and equipment and technical know-how) and non-depreciable assets (goodwill) for the six months ended June 30, 2012 were as follows:

	Six Months Ended June 30, 2012			
	Depreciable Assets		Non-depreciable Assets	
	NT$	US$	NT$	US$
Balance, beginning of period	$1,769,681	$58,453	$880,483	$29,083
Reduction	(135,469)	(4,534)	—	—
Translation adjustment	(23,089)	—	(11,488)	—
Balance, end of period	$1,611,123	$53,919	$868,995	$29,083

TPK HK, one of the subsidiaries, recognized investment loss of NT$284,240 thousand (approximately US$9,511 thousand) on Cando under the equity method for the six months ended June 30, 2012.

During the year ended December 31, 2011, TPK HK, one of the subsidiaries, assessed the recoverable amount of the goodwill of Cando and determined that an impairment loss of NT$1,047,151 thousand (approximately US$35,045 thousand) shall be recorded (under investment loss recognized under equity method). The recoverable amount of Cando was based on value in use, determined using a discount rate of 10.3%.

All of Cando's shares held by TPK HK were provided as the syndicated loan collateral with Citibank Taiwan Limited (see Note 15).

10. PROPERTY, PLANT AND EQUIPMENT

(Amount in Thousands of New Taiwan Dollars)

	Six Months Ended June 30, 2011				
	Buildings	Machinery and Equipment	Transportation and Others	Construction in Progress and Prepayments for Equipment	Total
Cost					
Balance, beginning of period	$1,681,129	$10,154,586	$2,726,052	$ 5,404,036	$19,965,803
Additions	—	2,021	10,259	13,468,992	13,481,272
Additions as a result of acquisition of subsidiary	—	124,645	34,142	1,557	160,344
Disposals	—	(40)	(4,505)	—	(4,545)
Reclassification	1,614,362	5,405,263	1,023,560	(8,043,185)	—
Translation adjustment	21,478	130,819	35,131	126,052	313,480
Balance, end of period	3,316,969	15,817,294	3,824,639	10,957,452	33,916,354
Accumulated depreciation					
Balance, beginning of period	187,229	1,231,443	574,361	—	1,993,033
Depreciation expense	41,142	607,957	318,865	—	967,964
Additions as a result of acquisition of subsidiary	—	13,236	6,621	—	19,857
Disposals	—	(548)	(2,841)	—	(3,389)
Translation adjustment	2,238	14,945	7,972	—	25,155
Balance, end of period	230,609	1,867,033	904,978	—	3,002,620
Net book value, end of period	$3,086,360	$13,950,261	$2,919,661	$10,957,452	$30,913,734

(Amount in Thousands of New Taiwan Dollars)

	Six Months Ended June 30, 2012				
	Buildings	Machinery and Equipment	Transportation and Others	Construction in Progress and Prepayments for Equipment	Total
Cost					
Balance, beginning of period	$8,448,535	$27,987,639	$5,733,600	$ 6,460,997	$48,630,771
Additions	278	17,621	4,808	4,783,421	4,806,128
Additions as a result of acquisition of subsidiary	80,353	93,631	12,594	2,639	189,217
Disposals	(155)	(4,824)	(10,166)	—	(15,145)
Reclassification	665,714	2,480,484	621,051	(3,949,563)	(182,314)
Translation adjustment	(146,146)	(482,882)	(95,746)	(151,024)	(875,798)
Balance, end of period	9,048,579	30,091,669	6,266,141	7,146,470	52,552,859
Accumulated depreciation					
Balance, beginning of period	366,236	3,056,386	1,447,886	—	4,870,508
Depreciation expense	196,845	1,521,516	590,779	—	2,309,140
Additions as a result of acquisition of subsidiary	15,129	13,547	5,325	—	34,001
Disposals	(73)	(2,823)	(7,268)	—	(10,164)
Reclassification	(3,734)	—	—	—	(3,734)
Translation adjustment	(6,003)	(53,063)	(30,672)	—	(89,738)
Balance, end of period	568,400	4,535,563	2,006,050	—	7,110,013
Accumulated impairment losses					
Balance, beginning of period	—	57	—	—	57
Translation adjustment	—	(3)	—	—	(3)
Balance, end of period	—	54	—	—	54
Net book value, end of period	$8,480,179	$25,556,052	$4,260,091	$ 7,146,470	$45,442,792

(Amount in Thousands of U.S. Dollars)

	Six Months Ended June 30, 2012				
	Buildings	Machinery and Equipment	Transportation and Others	Construction in Progress and Prepayments for Equipment	Total
Cost					
Balance, beginning of period	$279,060	$ 924,447	$189,384	$ 213,409	$1,606,300
Additions	9	590	161	160,088	160,848
Additions as a result of acquisition of subsidiary	2,689	3,134	422	88	6,333
Disposals	(5)	(162)	(340)	—	(507)
Reclassification	22,280	83,014	20,785	(132,181)	(6,102)
Translation adjustment	(1,203)	(3,939)	(702)	(2,232)	(8,076)
Balance, end of period	302,830	1,007,084	209,710	239,172	1,758,796
Accumulated depreciation					
Balance, beginning of period	12,097	100,955	47,824	—	160,876
Depreciation expense	6,587	50,922	19,771	—	77,280
Additions as a result of acquisition of subsidiary	506	453	178	—	1,137

(Continued)

	Six Months Ended June 30, 2012				
	Buildings	Machinery and Equipment	Transportation and Others	Construction in Progress and Prepayments for Equipment	Total
Disposals	$ (2)	$ (95)	$ (243)	$ —	$ (340)
Reclassification	(125)	—	—	—	(125)
Translation adjustment	(40)	(443)	(393)	—	(876)
Balance, end of period	19,023	151,792	67,137	—	237,952
Accumulated impairment losses					
Balance, beginning and end of period	—	2	—	—	2
Net book value, end of period	$283,807	$855,290	$142,573	$239,172	$1,520,842

(Concluded)

Information about capitalized interest was as follows: (For the six months ended June 30, 2011: None)

	Six Months Ended June 30, 2012	
	NT$	US$
Capitalized interest	$50,198	$1,680
Capitalization rates	0.79%-4.15%	

As of June 30, 2011 and 2012, constructions in progress were mainly comprised of manufacturing plants and clean rooms under construction, and machinery and equipment under installation.

As of June 30, 2012, the equipment for use in the production could no longer be used due to the alternation of production process; such equipment was transferred to idle assets in the amount of NT$384,062 thousand (approximately US$12,853 thousand), and classified under other assets - other. The Company has been fully recognized impairment losses on idle assets.

11. INTANGIBLE ASSETS

(Amount in Thousands of New Taiwan Dollars)

	Six Months Ended June 30, 2011						
	Goodwill	Technical Know-how	Land Use Right	Computer Software	Patent	Others	Total
Cost							
Balance, beginning of period	$616,691	$253,693	$296,798	$123,156	$91,046	$ 24,623	$1,406,007
Additions	—	—	435,073	26,246	—	146	461,465
Additions as a result of acquisition of subsidiary	18,416	80,384	—	5,093	—	4,828	108,721
Translation adjustment	(3,644)	(1,638)	8,445	1,127	(1,264)	(2,104)	922
Balance, end of period	631,463	332,439	740,316	155,622	89,782	27,493	1,977,115
Accumulated amortization							
Balance, beginning of period	—	30,202	10,942	46,863	5,480	21,670	115,157
Amortization	—	21,825	3,636	13,466	9,731	5,093	53,751
Additions as a result of acquisition of subsidiary	$ —	$ —	$ —	$ 1,847	$ —	$ 1,342	$ 3,189
Reclassification	—	—	—	—	12,618	(12,618)	—
Translation adjustment	—	(420)	139	423	(76)	(252)	(186)
Balance, end of period	—	51,607	14,717	62,599	27,753	15,235	171,911
Net book value, end of period	$631,463	$280,832	$725,599	$ 93,023	$62,029	$ 12,258	$1,805,204

(Amount in Thousands of New Taiwan Dollars)

	Six Months Ended June 30, 2012						
	Goodwill	**Technical Know-how**	**Land Use Right**	**Computer Software**	**Patent**	**Others**	**Total**
Cost							
Balance, beginning of period	$716,430	$602,769	$801,404	$218,817	$94,624	$29,407	$2,463,451
Additions	—	—	—	42,662	391	—	43,053
Additions as a result of acquisition of subsidiary	33,038	—	3,621	330	—	—	36,989
Disposal	—	—	—	(1,965)	—	(79)	(2,044)
Reclassification	—	—	—	(555)	—	—	(555)
Translation adjustment	(9,347)	(15,180)	(13,471)	(1,933)	(1,233)	376	(40,788)
Balance, end of period	740,121	587,589	791,554	257,356	93,782	29,704	2,500,106
Accumulated amortization							
Balance, beginning of period	—	105,252	22,002	83,875	39,536	18,603	269,268
Amortization	—	46,370	7,926	23,422	10,129	5,191	93,038
Additions as a result of acquisition of subsidiary	—	—	441	162	—	—	603
Disposal	—	—	—	(1,664)	—	(79)	(1,743)
Translation adjustment	—	(1,932)	(400)	(839)	(564)	(213)	(3,948)
Balance, end of period	—	149,690	29,969	104,956	49,101	23,502	357,218
Net book value, end of period	$740,121	$437,899	$761,585	$152,400	$44,681	$ 6,202	$2,142,888

(Amount in Thousands of U.S. Dollars)

	Six Months Ended June 30, 2012						
	Goodwill	**Technical Know-how**	**Land Use Right**	**Computer Software**	**Patent**	**Others**	**Total**
Cost							
Balance, beginning of period	$23,664	$19,910	$26,471	$7,228	$3,125	$971	$81,369
Additions	—	—	—	1,428	13	—	1,441
Additions as a result of acquisition of subsidiary	1,106	—	121	11	—	—	1,238
Disposal	—	—	—	(66)	—	(2)	(68)
Reclassification	—	—	—	(19)	—	—	(19)
Translation adjustment	—	(245)	(101)	31	1	25	(289)
Balance, end of period	24,770	19,665	26,491	8,613	3,139	994	83,672
Accumulated amortization							
Balance, beginning of period	$ —	$ 3,476	$ 727	$2,770	$1,306	$615	$ 8,894
Amortization	—	1,552	265	784	339	174	3,114
Additions as a result of acquisition of subsidiary	—	—	15	5	—	—	20
Disposal	—	—	—	(55)	—	(3)	(58)
Translation adjustment	—	(18)	(4)	9	(2)	—	(15)
Balance, end of period	—	5,010	1,003	3,513	1,643	786	11,955
Net book value, end of period	$24,770	$14,655	$25,488	$5,100	$1,496	$208	$71,717

As of June 30, 2011 and 2012, the Company evaluated the recoverable amount of the goodwill and determined that there was no impairment loss on it.

12. ASSETS LEASED TO OTHERS (AS OF JUNE 30, 2011: NONE)

	Six Months Ended June 30, 2012	
	NT$	US$
Cost - buildings		
Balance, beginning of period	$ —	$ —
Reclassification	178,975	5,990
Balance, end of period	178,975	5,990
Accumulated depreciation - buildings		
Balance, beginning of period	—	—
Reclassification	3,734	125
Depreciation	2,077	70
Balance, end of period	5,811	195
Net book value, end of period	$173,164	$5,795

13. SHORT-TERM LOANS

	June 30		
	2011	2012	
	NT$	NT$	US$
Bank loans: Interest rate - 0.85%-6.68% in 2011; 1.05%-7.544% in 2012	$3,753,240	$5,689,962	$190,427

The short-term loans were partially guaranteed by the related parties as of June 30, 2011 and 2012 (see Note 21). Deposits of NT$5,915 thousand (included in restricted assets - current), were provided as collateral for the short-term loans as of June 30, 2011 (as of June 30, 2012: None).

14. BONDS PAYABLE

	June 30		
	2011	2012	
	NT$	NT$	US$
Overseas convertible bonds	$11,490,000	$10,965,960	$367,000
Less: Overseas convertible bonds discount	(1,068,478)	(665,806)	(22,283)
	$10,421,522	$10,300,154	$344,717

In the meeting on March 8, 2011, the board of directors of TPKH approved to issue unsecured zero-coupon overseas convertible bonds with a face value of US$400,000 thousand (approximately NT$11,952,000 thousand) and the effective interest rate of 3.50%. The proceeds will be used for funding a subsidiary to expand production facilities and to acquire machineries and equipment. This proposal was approved by the Financial Supervisory Commission (FSC) under the Executive Yuan of the ROC in letter No. 1000012068 issued on April 11, 2011 and the bonds were listed on the Singapore Stock Exchange on April 21, 2011. According to SFAS No. 36, the Company has bifurcated the bonds into a liability component and an equity component. On April 20, 2011, the Company received the net proceeds of overseas convertible bonds of NT$11,419,291 thousand recognized as liability component NT$10,345,878 thousand and equity component NT$1,073,413 thousand.

Bondholders may request the Company to convert the bonds into the Company's common shares at NT$751.40 per share (the conversion price was adjusted due to the capital increase through capitalization of retained earnings), at fixed exchange rate of US$1.00 to NT$29.065 between May 31, 2011 and April 10, 2014 (barring the year in which registration of share transfer is suspended). When over 90% of the bonds had been redeemed, bought back or converted, the Company may redeem the remaining bonds at a price calculated by a predetermined formula. Upon maturity (April 20, 2014), the Company should redeem the remaining bonds at their face value.

In November 2011, the Company paid NT$763,957 thousand to redeem part of the bonds with a face value of US$30,000 thousand resulting in an early redemption gain of NT$143,826 thousand. The Company recognized NT$70,478 thousand of the gain as other income and NT$73,348 thousand of the gain as capital surplus. In April 2012, the Company paid NT$80,452 thousand (approximately US$2,693 thousand) to redeem part of the bonds with a face value of US$3,000 thousand resulting in an early redemption gain of NT$11,517 thousand (approximately US$385 thousand). The Company recognized NT$4,024 thousand (approximately US$135 thousand) of the gain as other income and NT$7,493 thousand (approximately US$250 thousand) of the gain as capital surplus. As of June 30, 2012, the face value of outstanding bonds was NT$10,965,960 thousand (approximately US$367,000 thousand).

15. LONG-TERM LOANS

	June 30		
	2011	2012	
	NT$	NT$	US$
Long-term bank loans: Interest rate - 0.85%-6.53% in 2011; 1.10%-7.7315% in 2012	$10,333,685	$10,164,715	$340,184
Less: Current portion	(416,513)	(2,463,048)	(82,431)
	$ 9,917,172	$ 7,701,667	$257,753

TPKH signed long-term loan agreements with Yuanta Commercial Bank and had the commitment that without approval, shares of TPKH's directly and indirectly held subsidiary - TPKC cannot be pledged or placed as collateral for other obligations.

Subsidiary - TPKG signed loan agreement with China Construction Bank and had the commitment that before the repayment of the loan for acquisition of fixed assets, earnings could not be appropriated without the lending bank's approval.

Subsidiary - TPKS signed long-term loan agreement with Bank of China and had the commitment that in the period of credit line, earnings would not be appropriated without the lending bank's approval.

Subsidiary - RSS signed loan agreement with Bank of China and had the commitment that earnings could not be appropriated during the loan period under any of situations below.

a. When net income equal to zero or negative; or

b. When net income insufficient to offset prior year accumulated deficit; or

c. When income before income tax insufficient to repay principal, interest and expenses due in the fiscal year; or

d. When income before income tax insufficient to repay principal, interest and expenses due in the next period.

In June 2011, subsidiary - TPK HK signed a three year syndicated loan agreement with credit line of NT$5,976,000 thousand (approximately US$200,000 thousand) with Citibank Taiwan Limited and other thirteen financial institutions. According to the loan agreement, TPK HK provided 180,057 thousand shares of Cando as the loan collateral. The credit line has been fully utilized. According to the loan agreement, TPK HK made early repayment of NT$2,390,400 thousand (approximately US$80,000 thousand). As of June 30, 2012, the loan balance was NT$3,585,600 thousand (approximately US$120,000 thousand).

In addition, the Company and subsidiaries had the commitment that the Company will maintain ownership of its directly and indirectly held subsidiary - TPK HK at 100% and certain financial ratios in the period of the loan agreement.

The long-term loans were guaranteed by the related parties as of June 30, 2011 and 2012 (see Note 22).

16. PENSION PLANS

The pension plan under the Labor Pension Act of the ROC (the "LPA") is a defined contribution plan. Based on the LPA, TPKT, GPSC, MTOT and TPK HK 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$11,856 thousand and NT$14,567 thousand (approximately US$487 thousand) for the six months ended June 30, 2011 and 2012, respectively.

Based on the defined benefit plan under the Labor Standards Law of the 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$138 thousand and NT$142 thousand (approximately US$5 thousand) for the six months ended June 30, 2011 and 2012, 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 pension fund. For the subsidiaries in PRC, such pension costs were NT$51,548 thousand and NT$104,308 thousand (approximately US$3,491 thousand) for the six months ended June 30, 2011 and 2012, 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 six months ended June 30, 2011 and 2012, such pension costs were NT$742 thousand and NT$826 thousand (approximately US$28 thousand), respectively.

The employee contribution plan of the Company's subsidiaries in Japan followed the local regulations, which require the Japan subsidiaries to contribute to an employee retirement management institution. For the six months ended June 30, 2012, such pension cost was NT$298 thousand (approximately US$10 thousand) (For the six months ended June 30, 2011: None).

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

a. Components of pension fund

	Six Months Ended June 30		
	2011	2012	
	NT$	NT$	US$
Balance, beginning of period	$5,258	$6,228	$206
Contribution of the period	384	653	22
Distribution of profit	15	—	—
Translation adjustment	—	—	3
Balance, end of period	$5,657	$6,881	$231

b. Accrued pension liability

	Six Months Ended June 30		
	2011	2012	
	NT$	NT$	US$
Balance, beginning of period	$16,506	$11,455	$378
Pension cost recognized	138	142	5
Contribution of the period	(384)	(653)	(22)
Translation adjustment	(74)	(1)	5
Balance, end of period	$16,186	$10,943	$366

17. SHAREHOLDERS' EQUITY

Under the Article of TPKH, the capital surplus from shares issued in excess of par value (additional paid-in capital from issuance of common shares and treasury stock transactions) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to certain percentage of the Company's paid-in capital and once a year).

The capital surplus from long-term investments, employee stock options and conversion options may not be used for any purpose.

Capital surplus comprised of the following:

	June 30		
	2011	2012	
	NT$	NT$	US$
From issuance of common shares	$6,206,276	$7,105,341	$237,796
From employee stock options	291,097	301,714	10,098
From convertible bonds	1,073,413	1,024,457	34,286
From redemption gain on convertible bonds	—	80,841	2,705
From long-term investments	—	8,811	295
	$7,570,786	$8,521,164	$285,180

On June 9, 2011, the general meeting of shareholders approved to amend part of TPKH's articles as follows:

a. Change the authorized capital amount from NT$3,000,000 thousand to NT$4,000,000 thousand. TPKH may distribute profits in accordance with a proposal for distribution of profits prepared by the directors and resolved by the shareholders. When appropriating profits, TPKH shall first offset its losses in previous years and set aside a legal capital reserve at 10% of the remaining profits, until the accumulated legal capital reserve equals TPKH's paid-in capital.

b. Set aside special capital reserve, if one is required, in accordance with the Applicable Public Company Rules or as requested by the authorities incharge.

c. Bonus distributed to directors and employees of TPKH up to 1% and 10% of the remaining profit, respectively. Any remaining profit may be distributed as dividends (including cash dividends or stock dividends) or bonuses in accordance with the statute and the Applicable Public Company Rules and after taking into consolidation financial, business and operational factors. The total amount of dividend distributed should not be less than 2% of the remaining profit.

d. TPKH will pay a portion of such dividend in cash, which cash portion shall be no less than 10% of the total amount of such dividends, if and only if the reference amount is equivalent to 5% or more of the "paid-in capital" of TPKH, as set out in the audited annual financial statements (inclusive of the cash flow statement) of TPKH for the immediately preceding financial year (the "Relevant Audited Financial Statements"). The reference amount for these purposes shall be calculated by deducting the amount of the "net cash outflow from investing activities" from the amount of the "net cash inflow from operating activities", each as set out in the Relevant Audited Financial Statements.

On March 6, 2012, the special shareholders' meeting approved to amend part of TPKH's articles as follows:

a. Where TPKH increases its capital by issuing new shares in cash within the territory of the ROC, TPKH may reserve 10% to 15% of such new shares for subscription by the employees of TPKH and its subsidiaries. TPKH may prohibit employees from transferring the shares so subscribed within a certain period; such period cannot be longer than two years.

b. TPKH may issue new shares with restricted rights ("restricted shares") solely to employees of TPKH and its subsidiaries by special resolution approved in the shareholders' meeting.

c. Originally, the total amount of dividends appropriated shall not be less than 2% of remaining profit; the percentage was adjusted to 10%; TPKH will pay a portion of such dividend in cash, which shall be no less than 10% of the total amount of dividends; however, if the total amount of dividends payable per share in a given year would be less than NT$1 dollar, the 10% threshold shall not be applicable. TPKH may, at its sole discretion, pay such dividends, in whole or in part, in the form of cash and/or stock.

In addition, on May 16, 2012, the shareholders' meeting approved to amend part of TPKH's articles to change the authorized capital amount from NT$4,000,000 thousand to NT$6,000,000 thousand.

The appropriations of earnings for 2010 and 2011 had been approved in the shareholders' meeting on June 9, 2011 and May 16, 2012. The appropriations and dividends per share were as follows:

	Appropriation of Earnings (In Thousands of U.S. Dollars)		**Dividends Per Share (In NT Dollars)**	
	For Year 2010	**For Year 2011**	**For Year 2010**	**For Year 2011**
Legal reserve	$16,277	$ 37,471	$ —	$ —
Cash dividends	—	159,668	—	19.7251
Stock dividends	3,906	23,950	0.5000	2.9588

The appropriation of earnings for 2010 was for stock dividends amounting of NT$112,034 thousand (divided into 11,203 thousand shares with par value of NT$10.00 each); the amount in U.S. dollars was US$3,906 thousand with average exchange rate of NT$28.68 to US$1 which was the closing price at Bank of Taiwan on the business day immediately preceding the shareholders' meeting.

The appropriation of earnings for 2011 was for stock dividends and cash dividends amounting of NT$705,813 thousand (divided into 70,581 thousand shares with par value of NT$10.00 each) and NT$4,705,418 thousand, respectively; the amounts in U.S. dollars were US$23,950 thousand and US$159,668 thousand with average exchange rate of NT$29.47 to US$1 which was the closing price at Bank of Taiwan on the business day immediately preceding the shareholders' meeting.

The bonus to employees and the remuneration to directors for 2010 and 2011 approved in the shareholders' meeting on June 9, 2011 and May 16, 2012 were as follows:

(In Thousands of U.S. Dollars)

	Six Months Ended June 30			
	2010		2011	
	Cash	Stock	Cash	Stock
Bonus to employees	$7,390	$—	$20,729	$—
Remuneration to directors	1,465	—	2,300	—

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 years ended December 31, 2010. There was no difference between the approved amount of the bonus to employees and the accrual amount reflected in the financial statements for the year ended December 31, 2011. However, the approved amount of the remuneration to directors was decreased from NT$101,114 thousand (approximately US$3,384 thousand) to NT$68,724 thousand (approximately US$2,300 thousand). The difference was mainly due to change in estimate and was adjusted for in profit and loss for the six months ended June 30, 2012.

In their meeting, the board of directors of TPKH determined the ex-dividend dates as August 8, 2011 and July 5, 2012 for 2010 earnings appropriation and 2011 earnings appropriation, respectively, and were approved by the Taiwan Stock Exchange (TWSE).

For the six months ended June 30, 2011 and 2012, the estimated bonus to employees was NT$69,737 thousand and NT$299,171 thousand (approximately US$10,012 thousand), and remuneration to directors was NT$55,382 thousand and NT$49,153 thousand (approximately US$1,645 thousand) (recorded as accrued expenses), respectively. Such estimated amounts were based on past experience and the distribution percentages of the immediately preceding year. 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.

Information on the bonus to employees and remuneration to directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

TPKH held the board of directors meeting on September 30, 2011, and resolved to increase its capital by issuing common shares for cash in the form of Global Depositary Receipt (GDR). The estimated issuance of new shares would not exceed 20,000 thousand shares. This proposal has been approved by the FSC under the Executive Yuan of the ROC in letter No. 1000050218 issued on October 27, 2011. However, due to the great fluctuation in recent financial market and stock market, TPKH withdrew the approved proposal of issuance of GDR to protect the interests of investors and shareholders. The withdrawal was approved by the FSC in letter No. 1010001922 issued on January 13, 2012.

18. EMPLOYEE STOCK OPTION PLANS

On May 1, 2010 and June 4, 2012, 9,000 options and 2,808 options were granted to qualified employees of TPKH, respectively. 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 7 years, respectively, 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 for the six months ended June 30, 2011 and 2012 were as follows:

	Six Months Ended June 30			
	2011		2012	
Employee Stock Options	Number of Options	Weighted-average Exercise Price (NT$)	Number of Options	Weighted-average Exercise Price (NT$)
Balance, beginning of period	8,756	$143.0	8,528	$136.2
Options granted	—	—	2,808	386.0
Options forfeited	(144)	143.0	(28)	136.2
Options exercised	—	—	(3,279)	136.2
Balance, end of period	8,612	136.2	8,029	164.5
Options exercisable, end of period	—	—	977	100.2
Weighted-average fair value of options granted (in NT dollars)	$ —		$ 161.5	

Information about outstanding options as of June 30, 2011 and 2012 were as follows:

June 30					
2011			2012		
Issue Date	Range of Exercise Price (NT$)	Weighted-average Remaining Contractual Life (Years)	Issue Date	Range of Exercise Price (NT$)	Weighted-average Remaining Contractual Life (Years)
May 1, 2010	$136.2	8.83	May 1, 2010	$100.2	7.83
			June 4, 2012	$284.1	6.92

Options granted during the year ended December 31, 2010 and 2012 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

Issue date	May 1, 2010	June 4, 2012
Market value per share - grant date	NT$155	NT$386
Exercise price	NT$164	NT$386
Expected volatility	51.65%-52.01%	47.95%-48.20%
Expected life	6-7 years	4.5-5.5 years
Expected dividend yield	—	—
Risk-free interest rate	1.44%-1.51%	0.98%-1.06%

Expected volatility is based on the historical stock price volatility of similar industries.

Compensation cost of employee stock options was NT$114,125 thousand and NT$109,771 thousand (approximately US$3,674 thousand) for the six months ended June 30, 2011 and 2012, respectively.

For the six months ended June 30, 2011 and 2012 forfeiture of stock options granted during the year ended December 31, 2010 due to termination of employment were 1.60% and 0.31%, respectively. As of June 30, 2011 and 2012, the estimated percentage of forfeiture due to termination of employment over the remaining vesting period were 1%-3% and 2%-3.5%, respectively.

In November 2010, MTOT, one of the subsidiaries, granted 3,000 options to its full time employees. Each option entitles the holder to subscribe for one thousand common shares of MTOT when exercisable. The options granted are valid for 18 months and exercisable at certain percentages after the first anniversary year from the grant date. The options were granted at an exercise price equal to par value of MTOT's common shares on the grant date. For any subsequent changes in MTOT's paid-in capital, the exercise price is adjusted accordingly. All options were exercised in December 2011.

19. 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. A reconciliation of income tax expense based on income before income tax at statutory rates and current income tax payable was as follows:

	Six Months Ended June 30		
	2011	2012	
	NT$	NT$	US$
Income tax expense of entities in the consolidated financial statements at the statutory rates	$ 923,192	$1,071,926	$ 35,874
Tax effect of adjusting items:			
Permanent differences	(89,828)	(105,823)	(3,542)
Temporary differences	97,069	34,663	1,160
Current income tax expense	930,433	1,000,766	33,492
Loss carryforwards	48,377	100,994	3,380
Investment tax credits	(26,011)	(4,739)	(159)
Additional 10% income tax on unappropriated earnings	26,011	258	9
Income tax prepaid	(390,236)	(493,844)	(16,527)
Income tax payable of the period	588,574	603,435	20,195
Increase in income tax payable as a result of acquisition of subsidiary	—	4,598	154
Tax (refund receivable) payable	(33)	155,896	5,217
Income tax payable	$ 588,541	$ 763,929	$ 25,566
Accounted for as income tax payable	$ 588,574	$ 788,157	$ 26,377
Accounted for as tax refund receivable	(33)	(24,228)	(811)
	$ 588,541	$ 763,929	$ 25,566

b. Income tax expense consisted of the following:

	Six Months Ended June 30		
	2011	2012	
	NT$	NT$	US$
Current income tax expense	$ 930,433	$1,000,766	$33,492
Loss carryforwards	48,377	100,994	3,380
Investment tax credits	(26,011)	(4,739)	(159)
Additional 10% income tax on unappropriated earnings	26,011	258	9
Adjustments for prior years' tax	51,392	8,066	270
Foreign tax credits from PRC exceed limit in Taiwan	2,911	—	—
Deferred income tax	701,346	562,233	18,817
Exchange differences	(12,022)	(1,096)	(36)
Income tax expense	$1,722,437	$1,666,482	$55,773

c. Deferred income tax assets (liabilities) were as follows:

	June 30		
	2011	2012	
	NT$	NT$	US$
Current			
Deferred income tax assets			
Unrealized warranty expense	$ 100,634	$ 219,540	$ 7,347
Loss carryforwards	28,832	166,635	5,577
Unrealized employees bonus and stock options	54,654	48,845	1,634
Investment tax credits	3,782	43,273	1,448
Unrealized allowance for loss on inventories	67,208	136,960	4,584
Unrealized exchange losses	1,703	—	—
Others	51,528	24,890	834
	308,341	640,143	21,424
Less: Valuation allowance	(4,628)	(183,151)	(6,130)
	303,713	456,992	15,294
Deferred income tax liabilities			
Investment gains accounted for by the equity method	(1,322,276)	(2,363,951)	(79,115)
Unrealized exchange gains	—	(1,408)	(47)
	(1,322,276)	(2,365,359)	(79,162)
Net deferred income tax liabilities	$(1,018,563)	$(1,908,367)	$(63,868)
Noncurrent			
Deferred income tax assets			
Loss carryforwards	$ 74,991	$ 281,847	$ 9,433
Investment losses accounted for by the equity method	—	37,198	1,245
Investment tax credits	19,675	—	—
Others	1,184	2,488	84
	95,850	321,533	10,762
Less: Valuation allowance	(32,202)	(195,722)	(6,551)
Net deferred income tax assets	$ 63,648	$ 125,811	$ 4,211

The tax rates for calculating deferred taxes were as follows:

	June 30	
	2011	2012
TPKT, GPSC, MTOT and TPK HK (Taiwan Branch)	17%	17%
TPKC, TPKL, TPKS, OTX, RST, RSO, TPKG, RSS and TPKJ	12%-25%	12.5%-15%
UYH (Hong Kong Branch) and TPK HK	10%	5%-16.5%
TPKA	20%	12.5%
OTH and UYH	10%	10%
TPKU	39.28%	1.73-42%
CIM and Hallys	—	30%
JJS	—	10%

For the six months ended June 30, 2011, the change of net deferred income tax assets and liabilities of the Company was recognized directly in profit or loss, except NT$256 thousand recognized in cumulative translation adjustment in shareholders' equity. For the six months ended June 30, 2012, the change of net deferred income tax assets and liabilities of the Company was recognized directly in profit or loss, except NT$412 thousand (approximately US$14 thousand) recognized in cumulative translation adjustment in shareholders' equity.

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 June 2007 and the Implementation Rules of the Enterprise Income Tax Law and the Notice No. 39 (2007) of the State Council in December 2007 (collectively, the "New Tax Law"). 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.

d. As of June 30, 2012, investment tax credits of TPKT and MTOT were comprised of:

Subsidiaries	Laws and Statutes	Tax Credit Source	Total Creditable Amount		Remaining Creditable Amount		Expiry Year
			NT$	US$	NT$	US$	
TPKT	Statute for Upgrading Industries	Purchase of machinery and equipment	$ 103	$ 3	$ 103	$ 3	2012
		Research and development expenditures	26,667	892	21,927	734	2012
			19,758	661	19,759	661	2013
			1,484	50	1,484	50	2013
MTOT			$48,012	$1,606	$43,273	$1,448	

Loss carryforwards of TPKT, MTOT, GPSC, TPKU, TPKG, RSS, Hallys and TPK HK (Taiwan Branch) as of June 30, 2012 were comprised of:

Subsidiaries	Year of Loss	Assessment	Unused Amount		Creditable Amount		Expiry Year
			NT$	US$	NT$	US$	
TPKT	2004	Assessed amount	$ 32,019	$ 1,072	$ 5,443	$ 182	2014
	2005	Assessed amount	84,227	2,819	14,319	479	2015
	2006	Assessed amount	61,893	2,071	10,522	352	2016
	2007	Assessed amount	9,442	316	1,605	54	2017
MTOT	2009	Assessed amount	45,090	1,509	7,665	257	2019
	2010	Assessed amount	111,463	3,730	18,949	634	2020
	2011	Reported amount	140,181	4,691	23,831	798	2021
	2012	Estimated amount	22,304	746	3,792	127	2022
TPKU	2010	Estimated amount	49,407	1,654	14,151	474	2030
	2011	Estimated amount	84,345	2,823	25,559	855	2031
	2012	Estimated amount	32,238	1,079	13,540	453	2032
TPKG	2011	Reported amount	348,085	11,649	52,213	1,747	2016
	2012	Estimated amount	436,414	14,606	65,461	2,191	2017
RSS	2011	Reported amount	160,547	5,373	20,068	672	2016
	2012	Estimated amount	53,027	1,775	6,628	222	2017
Hallys	2006	Reported amount	80,850	2,706	24,255	811	2012
	2007	Reported amount	85,164	2,850	25,549	855	2013
	2008	Reported amount	94,996	3,179	28,499	954	2014
	2009	Reported amount	27,713	927	8,314	278	2015
	2010	Reported amount	85,450	2,860	25,635	858	2016
	2010	Reported amount	13,538	453	4,061	136	2017
	2011	Reported amount	79,059	2,646	23,718	794	2018
TPK HK (Taiwan Branch)	2011	Reported amount	34,062	1,140	5,790	194	2021
	2012	Estimated amount	525,635	17,592	18,915	633	2022
			$2,697,149	$90,266	$448,482	$15,010	

In 2010, Hallys, one of the subsidiaries, changed the fiscal year from year ended November 30 to year ended December 31 (calendar year). Due to the change in fiscal year, loss carryforwards generated in 2010 were divided into two groups, which would expire in 2016 and 2017, respectively.

e. Information about integrated income tax was as follows:

Balances of imputation credits that could be allocated to shareholders of subsidiaries in Taiwan were as follows:

	June 30		
	2011	2012	
	NT$	NT$	US$
TPKT	$3,353	$1,724	$58

For TPKT, the creditable ratios for distribution of earnings of 2010 and 2011 were 1.29% and 0.66%, respectively.

For GPSC, the creditable ratio for distribution of earnings of 2011 was 20.48%. (For the six months ended June 30, 2010: None)

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.

f. The income tax returns of TPKT and GPSC through 2009 have been assessed by the tax authorities, except for TPKT's income tax return of year 2008. The income tax returns of MTOT through 2010 have been assessed by the tax authorities.

20. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Six Months Ended June 30, 2011			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Nonoperating Expenses	Total
	NT$	NT$	NT$	NT$
Personnel				
Salary	$2,033,272	$ 985,217	$ —	$3,018,489
Pension	42,668	21,616	—	64,284
Insurance	$ 68,003	$ 35,123	$ —	$ 103,126
Others	1,317,467	91,535	—	1,409,002
	$3,461,410	$1,133,491	$ —	$4,594,901
Depreciation	$ 672,270	$ 294,875	$1,225	$ 968,370
Amortization	$ 22,714	$ 31,563	$ —	$ 54,277

	Six Months Ended June 30, 2012			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Nonoperating Expenses	Total
	NT$	NT$	NT$	NT$
Personnel				
Salary	$2,154,838	$1,443,961	$ —	$3,598,799
Pension	80,987	39,154	—	120,141
Insurance	54,638	40,613	—	95,251
Others	2,308,977	131,504	—	2,440,481
	$4,599,440	$1,655,232	$ —	$6,254,672
Depreciation	$1,757,304	$ 551,836	$2,077	$2,311,217
Amortization	$ 28,392	$ 64,646	$ —	$ 93,038

	Six Months Ended June 30, 2012			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Nonoperating Expenses	Total
	US$	US$	US$	US$
Personnel				
Salary	$ 72,116	$48,325	$—	$120,441
Pension	2,711	1,310	—	4,021
Insurance	1,829	1,359	—	3,188
Others	77,275	4,401	—	81,676
	$153,931	$55,395	$—	$209,326
Depreciation	$ 58,812	$18,468	$70	$ 77,350
Amortization	$ 950	$ 2,164	$—	$ 3,114

21. EARNINGS PER SHARE ("EPS")

The numerators and denominators used in calculating basic and diluted EPS were as follows:

	Amounts (Numerator)		Shares	EPS (In Dollars)	
	Before Income Tax	After Income Tax	(Denominator) (In Thousands)	Before Income Tax	After Income Tax
	NT$	NT$		NT$	NT$
Six months ended June 30, 2011					
Income for the period	$7,886,945	$6,164,508			
Basic EPS					
Income for the period attributable to common shareholders	$7,915,141	$6,184,444	304,882	$25.96	$20.28
Effect of dilutive potential common stock					
Bonus to employees	—	—	293		
Employee stock option	—	—	7,205		
Overseas convertible bonds	75,644	75,644	6,154		
Diluted EPS					
Income for the period attributable to common shareholders plus effect of potential dilutive common stock	$7,990,785	$6,260,088	318,534	$25.09	$19.65
Six months ended June 30, 2012					
Income for the period	$7,221,656	$5,555,174			
Basic EPS					
Income for the period attributable to common shareholders	$7,233,947	$5,566,679	305,327	$23.69	$18.23
Effect of dilutive potential common stock					
Bonus to employees	—	—	2,031		
Employee stock option	—	—	6,543		
Overseas convertible bonds	179,372	179,372	14,254		
Diluted EPS					
Income for the period attributable to common shareholders plus effect of potential dilutive common stock	$7,413,319	$5,746,051	328,155	$22.59	$17.51

	Amounts (Numerator)		Shares	EPS (In Dollars)	
	Before Income Tax	After Income Tax	(Denominator) (In Thousands)	Before Income Tax	After Income Tax
	US$	US$		US$	US$
Six months ended June 30, 2012					
Income for the period	$241,689	$185,916			
Basic EPS					
Income for the period attributable to common shareholders	$242,100	$186,301	305,327	$0.79	$0.61
Effect of dilutive potential common stock					
Bonus to employees	—	—	2,031		
Employee stock option	—	—	6,543		
Oversea convertible bonds	6,003	6,003	14,254		
Diluted EPS					
Income for the period attributable to common shareholders plus effect of potential dilutive common stock	$248,103	$192,304	328,155	$0.76	$0.59

The ARDF of the ROC issued Interpretations 2007-052 that requires 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 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 stock dividends. This adjustment caused the basic and diluted EPS after income tax for the six months ended June 30, 2011 to decrease from NT$26.29 to NT$20.28 and from NT$25.31 to NT$19.65, respectively.

22. RELATED PARTY TRANSACTIONS

a. Related parties and their relationships with the Company

Related Party	Relationship with the Company
Balda Solution (Beijing) Ltd.	Related party in substance (non-related party from December 1, 2011)
Balda Solution (Suzhou) Ltd.	Related party in substance (non-related party from December 1, 2011)
Balda Investment Singapore Pte. Ltd.	Related party in substance (non-related party from February 29, 2012)
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
Pan Shi (Xiamen) Real Estate Development Inc.	Related party in substance
Cando Corporation (Cando)	Long-term investment accounted for by the equity method
Cando Technology (Suzhou) Co., Ltd.	Subsidiary of Cando
Cando Technology (Xiamen) Co., Ltd.	Subsidiary of Cando
Jiang Chao Rui	Chairman
Hiroshi Aoyama	CIM general manager
Ryoichi Nishigawa	CIM Chief Technology Officer
Hiroyuki Shibata	CIM director

b. Significant transactions with related parties:

Related Party	2011 Amount NT$	2011 % to Total	2012 Amount NT$	2012 Amount US$	2012 % to Total
1) Purchases					
Cando	$2,069,794	4	$1,444,798	$48,353	3
Smart Peak International Limited	28,813	—	25,073	839	—
Cando Technology (Suzhou) Co., Ltd.	—	—	6,852	229	—
Balda Solution (Beijing) Ltd.	33,318	—	—	—	—
Others	903	—	4,435	148	—
	$2,132,828	4	$1,481,158	$49,569	3
2) Net sales					
Cando	$ —	—	$ 447,443	$14,975	1
Touch Video Monitor (Xiamen) Corp.	27,025	—	34,192	1,144	—
Cando Technology (Xiamen) Co., Ltd.	—	—	24,953	835	—
Touch Video Monitor Corp.	—	—	1,232	41	—
Smart Peak International Limited	132	—	257	9	—
Balda Solution (Beijing) Ltd.	207,803	—	—	—	—
	$ 234,960	—	$ 508,077	$17,004	1
3) Rental income (recorded as other income)					
Cando Technology (Xiamen) Co., Ltd.	$ —	—	$ 19,791	$ 662	88
4) Other income					
Cando Technology (Xiamen) Co., Ltd.	$ —	—	$ 2,169	$ 73	2
5) Rental disbursement (recorded as overhead)					
BTO Technologies (Xiamen) Ltd.	$ 40,526	32	$ 43,707	$ 1,463	23
Vision Optical Technologies (Xiamen) Inc.	26,314	21	29,894	1,001	15
	$ 66,840	53	$ 73,601	$ 2,464	38
6) Warranty and repairs fee (recorded as cost of goods sold)					
Cando	$ —	—	$ 12,191	$ 408	—
7) Rental disbursement (recorded as operating expense)					
BTO Technologies (Xiamen) Ltd.	$ 11,869	15	$ 31,559	$ 1,056	23
Taiwan Video & Monitor Corp.	17,901	23	16,755	561	12
Vision Optical Technologies (Xiamen) Inc.	8,316	11	8,921	299	7
Pan Shi (Xiamen) Real Estate Development Inc.	273	—	295	10	—
Jiang Chao Rui	734	1	—	—	—
	$ 39,093	50	$ 57,530	$ 1,926	42
8) Research expense (recorded as research and development expense)					
Cando	$ —	—	$ 9,347	$ 313	1

Six Months Ended June 30

(Continued)

Related Party	June 30 2011 Amount	2011 % to Total	2012 Amount		2012 % to Total
	NT$		NT$	US$	
9) Acquisition of property, plant and equipment					
Touch Video Monitor (Xiamen) Corp.	$ 833	—	$ —	$ —	—
10) Accounts receivable - related parties (recorded as account receivables)					
Cando	$ —	—	$211,922	$ 7,092	4
Cando Technology (Xiamen) Co., Ltd.	—	—	26,491	887	1
Touch Video Monitor (Xiamen) Corp.	9,680	—	8,286	277	—
Balda Solution (Beijing) Ltd.	134,271	3	—	—	—
Others	134	—	1,125	38	—
	$ 144,085	3	$247,824	$ 8,294	5
11) Other receivables - related parties (recorded as other receivables)					
Cando Technology (Xiamen) Co., Ltd.	$ —	—	$ 39,945	$ 1,337	1
Others	—	—	6	—	—
	$ —	—	$ 39,951	$ 1,337	1
12) Refundable deposits					
BTO Technologies (Xiamen) Ltd.	$ 39,688	14	$ 42,241	$ 1,414	18
Vision Optical Technologies (Xiamen) Inc.	34,809	11	16,535	553	7
Taiwan Video & Monitor Corp.	8,000	3	8,000	268	3
Jiang Chao Rui	500	—	—	—	—
	$ 82,997	28	$ 66,776	$ 2,235	28
13) Accounts payable - related parties					
Cando	$1,021,351	98	$649,760	$21,745	97
Smart Peak International Limited	18,182	1	19,443	651	3
Balda Solution (Beijing) Ltd.	5,320	1	—	—	—
Others	903	—	1,635	55	—
	$1,045,756	100	$670,838	$22,451	100
14) Accrued expenses					
Cando	$ 9,270	—	$ 40,551	$ 1,357	1
Cando Technology (Xiamen) Co., Ltd.	—	—	8,577	287	—
Balda Solution (Beijing) Ltd.	434	—	—	—	—
Others	3	—	39	1	—
	$ 9,707	—	$ 49,167	$ 1,645	1

(Concluded)

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) Ltd. 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.

TPKS leased its manufacturing facilities 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 the office from Taiwan Video & Monitor Corp. and Jiang Chao Rui. The lease terms and payments were determined in accordance with mutual agreements. The rental expense was paid monthly and classified under operating expense.

TPKS and TPKC individually leased the 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 expense.

Cando Technology (Xiamen) Co., Ltd. leased manufacturing facilities from TPKC and TPKG. The lease terms and payments were determined in accordance with mutual agreements. The rental revenue was received monthly and classified under other income.

Refundable deposits were made for leasing the manufacturing facilities and offices from related parties for the period 2009 to 2015.

R&D materials purchased by TPKC from Cando were classified under research expenses.

15) Financing from related parties (For the six months ended June 30, 2011: None)

Financing between CIM and related parties was as follows:

	Six Months Ended June 30, 2012						
Related Party	**Maximum Balance**		**Ending Balance**		**Interest Expense**		**Interest Rate**
	NT$	**US$**	**NT$**	**US$**	**NT$**	**US$**	
Hiroshi Aoyama	$63,818	$2,136	$63,818	$2,136	$579	$19	1.2344%-2.00%

16) Guarantees

As of June 30, 2011 and 2012, guarantees for long-term and short-term loans provided by related parties were as follows:

	June 30, 2011	
Beneficiary Company	**Ending Balance**	**Guarantor**
	NT$	
TPKH	$3,421,260	Jiang Chao Rui

	June 30, 2012		
Beneficiary Company	**Ending Balance**		**Guarantor**
	NT$	**US$**	
TPKH	$3,421,260	$114,500	Jiang Chao Rui
TPKT	100,000	3,347	Jiang Chao Rui
TPK HK	4,332,600	145,000	TPKH
Hallys	300,320	10,051	TPKH
Hallys	15,907	533	Hiroshi Aoyama, Ryoichi Nishigawa and Hiroyuki Shibata
Hallys	18,201	609	Hiroshi Aoyama

Hallys's long-term loans in the amount of NT$34,108 thousand (approximately US$1,142 thousand) were jointly guaranteed by the related parties and Credit Guarantee Corporation in Hyogo prefecture, Japan.

23. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

a. The expiration dates of leases of manufacturing facilities, office facilities and transportation equipment are in 2012 and thereafter. As of June 30, 2012, the rentals over five years were as follows:

Year	**NT$**	**US$**
July 2012 to December 2012	$214,596	$ 7,182
2013	397,651	13,309
2014	221,624	7,418
2015	121,191	4,056
2016 and thereafter	117,490	3,933

b. As of June 30, 2012, the Company signed purchase agreements to purchase machineries in the amount of NT$1,495,522 thousand (approximately US$50,051 thousand). The Company has consummated some of the purchases but not yet examined the machineries.

24. SUBSEQUENT EVENTS

a. In the meeting on May 16, 2012, the shareholders proposed and approved to authorize the board of directors to issue new shares up to 30,000 thousand common shares, simultaneously or separately, issue new common shares for cash by capital increase or issue Global Depositary Receipt (GDRs) through the issuance of new common shares by capital increase in one or several tranches.

   In order to meet the funding needs of the Company to purchase materials overseas, expand manufacturing plants and purchase machinery, the board of directors held a meeting on August 27, 2012, and resolved to issue 17,600 thousand to 22,000 thousand new common shares for cash in the form of GDRs. In addition, in order to meet the funding needs of the Company to purchase materials overseas and diversity the funding alternatives, the Company be authorized to issue up to US$250,000 thousand unsecured overseas convertible bonds. The relevant preparation work is in process.

b. For the expansion plans of MTOT, one of the subsidiaries, the shareholders of MTOT resolved to reduce the registered capital by NT$284,000 thousand to offset a deficit on June 22, 2012. The effective date for capital reduction is August 9, 2012. MTOT will issue 33,900 thousand common shares at NT$12 per share for NT$406,800 thousand by cash. The effective date for capital increase is August 10, 2012, and MTOT's paid-in capital will amount to NT$765,000 thousand. TPKA, one of the subsidiaries participated in capital increase by cash with NT$220,412 thousand and increased its equity interest of MTOT from 50.70% to 52.25%.

c. In May 2012, in order to provide after-sales service and equipment parts replacement service, Hallys, one of the subsidiaries, set up Hallys Hong Kong Limited and invested in it US$10 thousand in July 2012.

d. In June 2012, TPK HK, one of the subsidiaries, and Cambrios Technologies Corporation (Cambrios) were developing cooperation strategy and jointly set up TPK Film Solutions Limited. TPK HK and Cambrios acquired 80.1% and 19.9% equity interest of TPK Film Solutions Limited, respectively. In July 2012, TPK HK and Cambrios invested in TPK Film Solutions Limited US$12,015 thousand and US$2,985 thousand, respectively. In August 2012, TPK Film Solutions Limited set up TPK Film Solutions (Xiamen) Inc., however, the capital was not yet injected as of August 27, 2012.

25. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments

	June 30					
	2011		2012			
Non-derivatives	**Carrying Amount**	**Fair Value**	**Carrying Amount**		**Fair Value**	
	NT$	**NT$**	**NT$**	**US$**	**NT$**	**US$**
Assets						
Cash	$20,486,218	$20,486,218	$13,961,441	$467,250	$13,961,441	$467,250
Notes receivable	1,108	1,108	—	—	—	—
Accounts receivable, net	4,842,014	4,842,014	5,396,195	180,596	5,396,195	180,596
Other receivables	5,958,558	5,958,558	3,283,530	109,891	3,283,530	109,891
Other financial assets - current	—	—	4,152,559	138,975	4,152,559	138,975
Restricted assets - current	12,719	12,719	78	3	78	3
Investments accounted for by the equity method	4,583,254	—	3,802,938	127,274	—	—
Refundable deposits	292,951	292,951	235,614	7,885	235,614	7,885
Liabilities						
Short-term loans	3,753,240	3,753,240	5,689,962	190,427	5,689,962	190,427
Notes and accounts payable	19,421,989	19,421,989	15,741,033	526,808	15,741,033	526,808
Accounts payable - related parties	1,045,756	1,045,756	670,838	22,451	670,838	22,451
Dividends payable	—	—	5,024,553	168,158	5,024,553	168,158
Accrued expenses	4,044,940	4,044,940	5,114,199	171,158	5,114,199	171,158
Payable on construction and equipment	5,228,184	5,228,184	3,323,230	111,219	3,323,230	111,219
Accrued liability on purchase commitment	192,602	192,602	122,859	4,112	122,859	4,112
Current portion of long-term loans	416,513	416,513	2,463,048	82,431	2,463,048	82,431
Bonds payable	10,421,522	10,421,522	10,300,154	344,717	10,300,154	344,717
Long-term loans	9,917,172	9,917,172	7,701,667	257,753	7,701,667	257,753
Guarantee deposits received	117,229	117,229	25,312	847	25,312	847
Shareholder accounts	—	—	63,818	2,136	63,818	2,136

Derivatives	June 30					
	2011		2012			
	Carrying Amount	Fair Value	Carrying Amount		Fair Value	
	NT$	NT$	NT$	US$	NT$	US$
Assets						
Financial assets at fair value through profit and loss - current	$—	$—	$2,110	$71	$2,110	$71
Liabilities						
Financial liabilities at fair value through profit and loss - current	—	—	1,318	44	1,318	44

b. Methods and assumptions used to estimate the fair values of financial instruments were as follows:

1) The carrying amounts of the following financial instruments approximate their fair values because of their short maturities or the amount of future collections and payments are similar to their carrying amounts: Cash, notes receivable, accounts receivable - net, other receivables, restricted assets—current, short-term loans, notes and accounts payable, accounts payable - related parties, accrued expenses, dividends payable, payable on construction and equipment, and accrued liability on purchase commitment.

2) Other financial assets - current are structured time deposits. Because of their short maturities, structured time deposits' fair values were equivalent to the carrying amounts.

3) Long-term investment accounted for by the equity method is an investment in unquoted shares, which have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, the fair value cannot be reliably measured.

4) Fair values of financial instruments designated as at fair value through profit or loss are based on their quoted price in an active market. For those instruments with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.

5) Fair value of bonds payable is the estimated discounted present value of future cash flows.

6) Fair value of long-term loans (including current portion of long-term loans) and shareholder accounts are estimated using the present value of future cash flows discounted by the interest rates the Company may obtain for similar loans (e.g., similar maturities). If the difference between these two interest rates is not significant, the fair value is reasonably estimated on the basis of the long-term loans carrying amount.

7) Refundable deposits and guarantee deposits received do not have specific due dates; thus, the fair values were equivalent to the carrying amounts.

Some financial instruments and non-financial instruments do not have to disclose their fair values; thus, the values mentioned above did not represent the total value of the Company.

c. As of June 30, 2012, fair values of financial assets and liabilities determined using valuation techniques were NT$2,110 thousand and NT$1,318 thousand (approximately US$71 thousand and US$44 thousand), respectively. (As of June 30, 2011: None)

d. As of June 30, 2011 and 2012, financial assets exposed to fair value interest rate risk amounted to NT$5,182,373 thousand and NT$6,814,299 thousand (approximately US$228,056 thousand), respectively; financial liabilities exposed to fair value interest rate risk amounted to NT$12,244,651 thousand and NT$16,701,122 thousand (approximately US$558,939 thousand), respectively; financial assets exposed to cash flow interest rate risk amounted to NT$15,309,765 thousand and NT$11,293,181 thousand (approximately US$377,952 thousand), respectively; and financial liabilities exposed to cash flow interest rate risk amounted to NT$12,263,796 thousand and NT$9,517,527 thousand (approximately US$318,525 thousand), respectively.

e. For the six months ended June 30, 2011 and 2012, the interest income associated with financial assets and liabilities other than those at FVTPL amounted to NT$32,247 thousand and NT$246,427 thousand (approximately US$8,247 thousand), respectively, and interest expense (including capitalized interest) associated with financial assets and liabilities other than those at FVTPL amounted to NT$158,270 thousand and NT$373,700 thousand (approximately US$12,507 thousand), respectively.

f. Financial risks

1) Market risk

The financial asset exposed to fair value and cash flow interest rate risk resulting from interest rate fluctuation is mainly bank deposit. 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 fair value and cash flow interest rate risk.

2) Credit risk

Credit risk is the possible loss due to counterparties' 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 reputable counterparties and by performing a series of control procedures for the related transactions.

3) Liquidity and cash flow risk

The Company's operating capital is deemed sufficient to meet the cash flow demand; therefore, liquidity and cash flow risks are not considered to be significant.

26. BUSINESS COMBINATION

a. On April 1, 2012, TPK HK acquired 51% equity interest of JJS for US$4,294 thousand. The additional transaction cost was US$62 thousand and total acquisition cost was US$4,356 thousand. The acquisition was accounted for under SFAS No. 25, "Business Combinations - Accounting Treatment under Purchase Method." The related information is summarized as follows:

	Amount	
	NT$	**US$**
Acquisition cost	$130,166	$ 4,356
Less: Fair value of identifiable acquired net assets	(97,128)	(3,250)
Goodwill	$ 33,038	$ 1,106

b. On July 29, 2011, TPK HK acquired 80% equity interest of CIM for JPY40,080 thousand. The additional transaction cost was JPY50,814 thousand and total acquisition cost was JPY90,894 thousand. The acquisition was accounted for under SFAS No. 25, "Business Combinations - Accounting Treatment under Purchase Method." The related information is summarized as follows:

	Amount	
	NT$	**US$**
Acquisition cost	$35,600	$1,176
Add: Fair value of identifiable acquired net assets	9,934	328
Goodwill	$45,534	$1,504

c. In January 2011, TPKA, one of the subsidiaries, set up and invested NT$378,000 thousand in RSL. On April 1, 2011, RSL invested NT$378,000 thousand in MTOT and acquired 52.94% equity interest in MTOT. The acquisition was accounted for under SFAS No. 25, "Business Combinations - Accounting Treatment under Purchase Method." The related information is summarized as follows:

	Amount	
	NT$	**US$**
Acquisition cost	$ 378,000	$ 12,857
Less: Fair value of identifiable acquired net assets	(359,584)	(12,231)
Goodwill	$ 18,416	$ 626

d. The consolidated income for the six months ended June 30, 2011 and 2012 included the operating result of the subsidiaries acquired in April 2011, July 2011 and April 2012. The unreviewed pro forma operating results of the Company for the six months ended June 30, 2011 and 2012, assuming the Company acquired 51% equity interest of JJS, 80% equity interest of CIM and 52.94% equity interest of MTOT at the beginning of 2011 were as follows:

	Unreviewed Pro Forma Operating Results		
	Six Months Ended June 30		
	2011	2012	
	NT$	NT$	US$
Net sales	$59,247,737	$76,856,217	$2,572,163
Income before extraordinary income	6,219,272	5,543,038	185,510
Net income attributable to shareholders of parent company - before income tax	7,991,631	7,236,075	242,171
Net income attributable to shareholders of parent company - after income tax	6,110,427	5,543,038	185,510

	Unreviewed Pro Forma Operating Results					
	Six Months Ended June 30					
	2011		2012			
	Before Tax	After Tax	Before Tax		After Tax	
	NT$	NT$	NT$	US$	NT$	US$
Earnings per share (dollars)						
Basic earnings per share	$26.21	$20.04	$23.70	$0.79	$18.15	$0.61
Diluted earnings per share	$25.09	$19.18	$22.05	$0.74	$16.89	$0.57

27. OPERATING SEGMENT FINANCIAL INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Company's reportable segment is touch modules segment under SFAS No. 41. The related information was as follows:

a. Information of reportable segment's profit or loss and assets

	Six Months Ended June 30, 2011		
	Touch Modules	Others	Total
	NT$	NT$	NT$
Revenue generated from external customers	$57,632,582	$ 216,327	$ 57,848,909
Intersegment revenue	1,367,792	6,964,263	8,332,055
Interest income	14,553	33,996	48,549
Interest expense	30,555	144,017	174,572
Depreciation and amortization	640,121	388,364	1,028,485
Reportable segment income before income tax	13,066,340	8,194,432	21,260,772
Reportable segment income tax expense	(1,588,137)	(134,300)	(1,722,437)
Reportable segment net income	11,478,203	8,060,132	19,538,335
Reportable segment assets	60,137,991	63,262,139	123,400,130
Reportable segment capital expenditure on acquisition of noncurrent assets	6,969,675	14,205,629	21,175,304

	Six Months Ended June 30, 2012		
	Touch Modules	Others	Total
	NT$	NT$	NT$
Revenue generated from external customers	$74,554,895	$ 2,002,596	$ 76,557,491
Intersegment revenue	353,311	9,020,672	9,373,983
Interest income	260,063	121,613	381,676
Interest expense	159,228	299,523	458,751
Depreciation and amortization	1,222,431	1,181,824	2,404,255
Reportable segment income before income tax	11,390,668	8,196,483	19,587,151
Reportable segment income tax expense	(1,273,903)	(392,579)	(1,666,482)
Reportable segment net income	10,116,765	7,803,904	17,920,669
Reportable segment assets	78,715,624	96,504,363	175,219,987
Reportable segment capital expenditure on acquisition of noncurrent assets	1,852,311	3,623,413	5,475,724

	Six Months Ended June 30, 2012		
	Touch Modules	Others	Total
	US$	US$	US$
Revenue generated from external customers	$2,495,143	$ 67,022	$2,562,165
Intersegment revenue	11,826	318,726	330,552
Interest income	8,703	4,070	12,773
Interest expense	5,329	10,024	15,353
Depreciation and amortization	40,911	39,553	80,464
Reportable segment income before income tax	381,213	274,314	655,527
Reportable segment income tax expense	(42,634)	(13,139)	(55,773)
Reportable segment net income	338,579	261,175	599,754
Reportable segment assets	2,634,391	3,229,731	5,864,122
Reportable segment capital expenditure on acquisition of noncurrent assets	61,991	121,266	183,257

b. Reportable segment's gain or loss and other significant items reconciliation

1) Gain or loss reconciliation

	Six Months Ended June 30		
Gain or Loss	2011	2012	
	NT$	NT$	US$
Reportable segment income before income tax	$ 13,066,340	$ 11,390,668	$ 381,213
Reportable segment income tax expense	(1,588,137)	(1,273,903)	(42,634)
Reportable segment net income	11,478,203	10,116,765	338,579
Other non-reportable segment's gain and loss	8,060,132	7,803,904	261,175
Intersegment profit	(13,373,827)	(12,365,495)	(413,838)
Net loss on minority interest	19,936	11,505	385
Net income attributable to shareholders of the parent company	$ 6,184,444	$ 5,566,679	$ 186,301

2) Other significant items reconciliation

	Six Months Ended June 30, 2011			
Other Significant Items	Total Amount of Reportable Segment	Total Amount of Other Non-reportable Segment	Reconciliation	Total
	NT$	NT$	NT$	NT$
Interest income	$ 14,553	$ 33,996	$ (16,302)	$ 32,247
Interest expense	30,555	144,017	(16,302)	158,270
Capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term investments	6,969,675	14,205,629	(2,649,313)	18,525,991
Depreciation and amortization	640,121	388,364	(5,838)	1,022,647

Other Significant Items	Six Months Ended June 30, 2012			
	Total Amount of Reportable Segment	Total Amount of Other Non-reportable Segment	Reconciliation	Total
	NT$	NT$	NT$	NT$
Interest income	$ 260,063	$ 121,613	$(135,249)	$ 246,427
Interest expense	159,228	299,523	(135,249)	323,502
Capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term investments	1,852,311	3,623,413	(626,543)	4,849,181
Depreciation and amortization	1,222,431	1,181,824	—	2,404,255

Other Significant Items	Six Months Ended June 30, 2012			
	Total Amount of Reportable Segment	Total Amount of Other Non-reportable Segment	Reconciliation	Total
	US$	US$	US$	US$
Interest income	$ 8,703	$ 4,070	$ (4,526)	$ 8,247
Interest expense	5,329	10,024	(4,526)	10,827
Capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term investments	61,991	121,266	(20,968)	162,289
Depreciation and amortization	40,911	39,553	—	80,464

28. OTHERS

The significant foreign-currency financial assets and liabilities other than U.S. dollars were as follows:

(Amount in Thousands)

	June 30					
	2011			2012		
	Foreign Currencies	Exchange Rate	U.S. Dollars	Foreign Currencies	Exchange Rate	U.S. Dollars
Financial assets						
Monetary items						
RMB	$1,243,187	6.4716	$192,099	$ 695,966	6.3249	$110,036
NTD	302,898	28.7250	10,545	563,500	29.8800	18,859
JPY	777	80.3946	10	227,192	79.5951	2,854
KRW	54,350	1,059.9631	51	30,200	1,140.4580	26
EUR	3	0.6900	5	—	—	—
HKD	125	7.7824	16	329	7.7550	42
Financial liabilities						
Monetary items						
RMB	1,242,515	6.4716	191,995	1,219,836	6.3249	192,862
NTD	280,806	28.7250	9,776	218,655	29.8800	7,318
JPY	1,995,986	80.3946	24,827	2,475,618	79.5951	31,103
EUR	27	0.6900	39	—	—	—

29. PRE-DISCLOSURE FOR ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Under Rule No. 0990004943 issued by the FSC on February 2, 2010, the Company's pre-disclosure information on the adoption of International Financial Reporting Standards (IFRSs) for the six months ended June 30, 2012 was as follows:

a. On May 14, 2009, the FSC announced the "Framework for Adoption of International Financial Reporting Standards by Companies in the ROC." In this framework, starting 2013, companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, and Interpretations as well as related guidance translated by the ARDF and issued by the FSC. To comply with this framework, the Company has set up a project team and made a plan to adopt the IFRSs. Leading the implementation of this plan is senior vice president of Finance and Accounting Division. The main contents of the plan, anticipated schedule and status of execution as of June 30, 2012 were as follows:

Contents of the Plan	Status of Execution
1) Establish a cross-functional task force	Completed
2) Sep up a work plan for IFRSs adoption	Completed
3) Complete the identification of differences between ROC GAAP and IFRSs	Completed
4) Complete the identification of consolidated entities under IFRSs	Completed
5) Evaluation of the effects of optional exemptions granted by IFRS 1 "First-time Adoption of International Financial Reporting Standards"	Completed
6) Evaluation of adjustments needed for information systems	Completed
7) Evaluation of adjustments needed for internal controls	Completed
8) Select accounting policies based on IFRSs	Completed
9) Select specific optional exemptions to use based on IFRS 1 "First-time Adoption of International Financial Reporting Standards"	Completed
10) Preparation of an opening statement of financial position under IFRSs	Completed
11) Preparation of the comparative financial statements for 2012 under IFRSs	Expected to be complete in first quarter of 2013
12) Modification of related internal control systems (including the financial reporting process and related information systems)	Expected to be complete in fourth quarter of 2012

b. The material differences between the existing accounting policies and the accounting policies to be adopted under IFRSs were as follows:

1) Reconciliation of consolidated balance sheet items as of January 1, 2012

	ROC GAAP	Effect of the Transition to IFRSs	IFRSs	Note
	NT$	NT$	NT$	
Inventories	$11,868,453	$ (69,530)	$11,798,923	6) g)
Other current assets	2,478,139	(3,168)	2,474,971	6) g)
Property, plant and equipment, net	43,760,206	(5,902,259)	37,857,947	6) d) and 6) g)
Intangible assets, net	2,194,183	(741,873)	1,452,310	6) f) and 6) g)
Deferred income tax assets - noncurrent	143,863	400,963	544,826	6) a), 6) b) and 6) g)
Other noncurrent assets - prepayments for equipment	—	4,098,868	4,098,868	6) d) and 6) g)
Long-term prepaid rent	—	698,845	698,845	6) f) and 6) g)
Other assets - other	6,216	(574)	5,642	6) g)
Accrued expenses	4,735,074	(1,180,605)	3,554,469	6) h)
Short-term provision for warranties	—	1,180,605	1,180,605	6) h)
Deferred income tax liabilities - current	1,663,916	(1,663,916)	—	6) b)
Other current liabilities	40,393	(80)	40,313	6) g)
Accrued pension liabilities	11,455	11,361	22,816	5) and 6) a)
Deferred income tax liabilities - noncurrent	—	2,073,154	2,073,154	6) b)
Capital surplus	8,097,983	96,221	8,194,204	6) c) and 6) k)

(Continued)

	ROC GAAP	Effect of the Transition to IFRSs	IFRSs	Note
	NT$	NT$	NT$	
Legal reserve	711,798	(16,811)	694,987	6) c) and 6) k)
Unappropriated earnings	16,404,780	(354,016)	16,050,764	5), 6) a), 6) c), 6) g) and 6) k)
Cumulative translation adjustments	1,656,819	(1,656,819)	—	5), 6) g) and 6) k)
Net loss not recognized as pension cost	672	(672)	—	5) and 6) a)
Unrealized loss on financial instruments	978	2	980	6) k)
Minority interest	140,122	(8,492)	131,630	6) g)

(Concluded)

	ROC GAAP	Effect of the Transition to IFRSs	IFRSs	Note
	US$	US$	US$	
Inventories	$ 392,022	$ (2,297)	$ 389,725	6) g)
Other current assets	81,854	(105)	81,749	6) g)
Property, plant and equipment, net	1,445,423	(194,955)	1,250,468	6) d) and 6) g)
Intangible assets, net	72,475	(24,505)	47,970	6) f) and 6) g)
Deferred income tax assets - noncurrent	4,752	13,245	17,997	6) a), 6) b) and 6) g)
Other noncurrent assets - prepayments for equipment	—	135,388	135,388	6) d) and 6) g)
Long-term prepaid rent	—	23,084	23,084	6) f) and 6) g)
Other assets - other	205	(19)	186	6) g)
Accrued expenses	156,402	(38,996)	117,406	6) h)
Short-term provision for warranties	—	38,996	38,996	6) h)
Deferred income tax liabilities - current	54,960	(54,960)	—	6) b)
Other current liabilities	1,334	(3)	1,331	6) g)
Accrued pension liabilities	378	375	753	5) and 6) a)
Deferred income tax liabilities - noncurrent	—	68,478	68,478	6) b)
Capital surplus	267,481	(295)	267,186	6) c)
Unappropriated earnings	541,859	(4,680)	537,179	5), 6) a), 6) c) and 6) g)
Cumulative translation adjustments	58,821	(58,821)	—	5) and 6) g)
Net loss not recognized as pension cost	22	(22)	—	5) and 6) a)
Minority interest	4,628	(280)	4,348	6) g)

2) Reconciliation of consolidated balance sheet items as of June 30, 2012

	ROC GAAP	Effect of the Transition to IFRSs	IFRSs	Note
	NT$	NT$	NT$	
Inventories	$ 8,523,790	$ 7,149	$ 8,530,939	6) g)
Other current assets	2,373,386	(2,311)	2,371,075	6) g)
Property, plant and equipment, net	45,442,792	(5,801,076)	39,641,716	6) d) and 6) g)
Investment property	—	173,164	173,164	6) e)
Assets leased to others	173,164	(173,164)	—	6) e)
Intangible assets, net	2,142,888	(763,278)	1,379,610	6) f) and 6) g)
Deferred income tax assets - noncurrent	125,811	456,836	582,647	6) a), 6) b) and 6) g)
Other noncurrent assets - prepayments for equipment	—	4,314,387	4,314,387	6) d) and 6) g)
Long-term prepaid rent	—	724,645	724,645	6) f) and 6) g)
Other assets - other	5,208	224	5,432	6) g)
Accrued expenses	5,114,199	(1,495,266)	3,618,933	6) h)

(Continued)

	ROC GAAP	Effect of the Transition to IFRSs	IFRSs	Note
	NT$	NT$	NT$	
Short-term provision for warranties	—	1,495,266	1,495,266	6) h)
Deferred income tax liabilities - current	1,908,367	(1,908,367)	—	6) b)
Other current liabilities	352,779	(118)	352,661	6) g)
Accrued pension liabilities	10,943	11,290	22,233	5) and 6) a)
Deferred income tax liabilities - noncurrent	—	2,371,914	2,371,914	6) b)
Capital surplus	8,521,164	194,647	8,715,811	6) c) and k)
Legal reserve	1,822,141	(7,524)	1,814,617	6) k)
Unappropriated earnings	15,151,280	140,556	15,291,836	5), 6) a), 6) c), 6) g) and 6) k)
Cumulative translation adjustments	1,517,178	(1,842,934)	(325,756)	5), 6) g) and 6) k)
Net loss not recognized as pension cost	663	(663)	—	5) and 6) a)
Unrealized loss on financial instruments	412	22	434	6) k)
Minority interest	221,397	(23,529)	197,868	6) g) and 6) i)

(Concluded)

	ROC GAAP	Effect of the Transition to IFRSs	IFRSs	Note
	US$	US$	US$	
Inventories	$ 285,267	$ 239	$ 285,506	6) g)
Other current assets	79,430	(77)	79,353	6) g)
Property, plant and equipment, net	1,520,842	(194,145)	1,326,697	6) d) and 6) g)
Investment property	—	5,795	5,795	6) e)
Assets leased to others	5,795	(5,795)	—	6) e)
Intangible assets, net	71,717	(25,545)	46,172	6) f) and 6) g)
Deferred income tax assets - noncurrent	4,211	15,289	19,500	6) a), 6) b) and 6) g)
Other noncurrent assets - prepayments for equipment	—	144,390	144,390	6) d) and 6) g)
Long-term prepaid rent	—	24,252	24,252	6) f) and 6) g)
Other assets - other	174	8	182	6) g)
Accrued expenses	171,158	(50,042)	121,116	6) h)
Short-term provision for warranties	—	50,042	50,042	6) h)
Deferred income tax liabilities - current	63,868	(63,868)	—	6) b)
Other current liabilities	11,807	(4)	11,803	6) g)
Accrued pension liabilities	366	378	744	5) and 6) a)
Deferred income tax liabilities - noncurrent	—	79,382	79,382	6) b)
Capital surplus	285,180	(295)	284,885	6) c)
Unappropriated earnings	507,071	3,868	510,939	5), 6) a), 6) c) and 6) g)
Cumulative translation adjustments	55,552	(54,285)	1,267	5) and 6) g)
Net loss not recognized as pension cost	22	(22)	—	5) and 6) a)
Minority interest	7,410	(787)	6,623	6) g) and 6) i)

3) Reconciliation of consolidated statement of comprehensive income items for the six months ended June 30, 2012

	ROC GAAP	Effect of the Transition to IFRSs	IFRSs	Note
	NT$	NT$	NT$	
Net operating revenue	$76,557,491	$(664,146)	$75,893,345	6) g) and 6) k)
Cost of goods sold	64,823,703	(563,197)	64,260,506	6) g), 6) j) and 6) k)
Operating expenses	4,338,411	(64,666)	4,273,745	6) a), 6) g), 6) j) and 6) k)
Exchange gain, net	—	69,864	69,864	6) g) and 6) k)
Interest income	246,427	(22,352)	224,075	6) g) and 6) k)
Valuation gain on financial assets, net	3,756	(33)	3,723	6) k)
Government grants	238,792	(2,064)	236,728	6) k)
Other income	120,355	(626)	119,729	6) g) and 6) k)
Interest expenses	323,502	(2,852)	320,650	6) g) and 6) k)
Investment loss recognized under the equity method	284,204	(2,457)	281,747	6) i)
Exchange loss, net	104,838	(104,838)	—	6) g) and 6) k)
Valuation loss on financial liabilities, net	28,791	(249)	28,542	6) k)
Other expenses	41,716	(35,233)	6,483	6) g), 6) j) and 6) k)
Income tax expense	1,666,482	(15,485)	1,650,997	6) a), 6) g) and 6) k)
Other comprehensive income				
Differences of translating foreign operations' financial statements	(97,678)	(228,078)	(325,756)	6) g) and 6) k)

	ROC GAAP	Effect of the Transition to IFRSs	IFRSs	Note
	US$	US$	US$	
Net operating revenue	$2,562,165	$ (79)	$2,562,086	6) g)
Cost of goods sold	2,169,468	(95)	2,169,373	6) g) and 6) j)
Operating expenses	145,195	(916)	144,279	6) a), 6) g) and 6) j)
Exchange gain, net	—	2,358	2,358	6) g)
Interest income	8,247	(7)	8,240	6) g)
Other income	4,028	14	4,042	6) g)
Interest expenses	10,827	(2)	10,825	6) g)
Exchange loss, net	3,509	(3,509)	—	6) g)
Other expenses	1,396	(1,178)	218	6) g) and 6) j)
Income tax expense	55,773	(36)	55,737	6) a) and 6) g)
Other comprehensive income				
Differences of translating foreign operations' financial statements	(3,269)	4,536	1,267	6) g)

4) Special reserve recognized on the conversion date

In accordance with the Rule No. 1010012865 issued by the FSC on April 6, 2012, upon the first-time adoption of IFRSs, an entity shall appropriate to the special reserve in the amount of the increase in retained earnings that resulted from applying the IFRS 1 exemptions to reclassify unrealized revaluation increment and cumulative translation differences (gain) to retained earnings. However, if the increase in retained earnings that resulted from all IFRSs adjustments is smaller than the amount of unrealized revaluation increment and cumulative translation differences (gain) reclassified to retained earnings, the special reserve is appropriated to the extent of the increased in retained earnings resulting from all IFRSs adjustments. The special reserve will be reversed in proportion to the usage, disposal or reclassification of the related assets.

The adjustments from IFRSs adoption resulted in the decrease of retained earnings of the Company; therefore, the Company is not required to appropriate any amount to the special reserve.

5) Specific optional exemptions granted by IFRS 1

IFRS 1 “First-time Adoption of International Financial Reporting Standards” provides the guidance for an entity adopting IFRSs for the first time to prepare its consolidated financial statements. In accordance with IFRS 1, the Company should establish accounting policies under IFRSs and fully apply them retrospectively on the opening IFRS statement of financial position at the date of transition to IFRSs (January 1, 2012). However, IFRS 1 provides specific optional exemptions that an entity may elect to use when first adopting IFRSs. Explanations of specific optional exemptions elected by the Company are as follows:

Business Combination

The Company elected not to apply IFRS 3 “Business Combination” retrospectively to transactions that occurred before the date of transition to IFRSs. Thus, the goodwill, related assets, liabilities and non-controlling interests generated from previous business combinations in the opening consolidated statement of financial position as of January 1, 2012 are the same with the amounts stated on December 31, 2011 under ROC GAAP.

This exemption is also available for acquisition of affiliated companies before IFRS adoption.

Share-based Payment Transaction

The Company elected to take the exemption from applying IFRS 2 “Share-based Payment” retrospectively for all shared-based payment transactions that were granted and vested before the date of transition to IFRSs.

Employee Benefits

The Company elected to recognize all unrecognized cumulative actuarial gains or losses related to the employee benefits plan in retained earnings at the date of transition.

Difference of Cumulative Translation Adjustment

The Company elected to reset the cumulative translation differences to zero at the date of transition to IFRSs, and the reversal has been recognized in retained earnings at the date of transition to IFRSs.

The influence of the abovementioned optional exemptions elected by the Company is stated in the following Note 6 – Explanations to the significant reconciliation items in the transition to IFRSs.

6) Explanations to the significant reconciliation items in the transition to IFRSs

The material differences between the existing accounting policies and the accounting policies to be adopted under IFRSs were as follows:

a) Defined benefit plan

Under ROC GAAP, actuarial gains or losses are accounted for under the corridor approach and amortized according to the average remaining service period of those employees who are still in service through profits or losses. Under IAS 19 “Employee Benefits”, the Company elects to recognize actuarial gains or losses immediately in full in the period in which they occur, as other comprehensive income. The subsequent reclassification to profits or losses is disallowed.

Under ROC GAAP, minimum pension liability is the excess of accumulated benefits obligation over the fair value of pension plan assets at the balance sheet date. If the accrued pension liability recorded on the books is less than the minimum amount, the difference shall be recognized by crediting accrued pension liability. Under IFRSs, there is no relevant regulations.

As of January 1, 2012 and June 30, 2012, according to IAS 19 “Employee Benefits” and IFRS 1 “First-time Adoption of International Financial Reporting Standards”, the Company reperformed the actuarial valuation, and the accrued pension liabilities were adjusted for an increase of NT$11,361 thousand and NT$11,290 thousand (approximately US$375 thousand and US$378 thousand), respectively; deferred tax assets were adjusted for an increase of NT$1,931 thousand and NT$1,919 thousand (approximately US$64 thousand for both), respectively; furthermore, net loss not recognized as pension cost was adjusted for a decrease of NT$672 thousand and NT$663 thousand (approximately US$22 thousand for both), respectively. For the six months ended June 30, 2012, the pension cost was adjusted for an increase of NT$77 thousand (approximately US$3 thousand) and the income tax expense was adjusted for a decrease of NT$13 thousand (approximately zero U.S. dollar).

b) Deferred tax assets/liabilities

Under ROC GAAP, 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. Under IFRSs, deferred income tax asset is only recognized to the extent that it is probable there will be sufficient taxable profits and the valuation allowance account is no longer used.

In addition, under ROC GAAP, a deferred income tax asset and 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, it is classified as either current or noncurrent based on the expected length of time before it is realized or settled. Under IFRSs, a deferred income tax asset and liability is classified as noncurrent asset or liability.

Under ROC GAAP, the current deferred income liabilities and assets arising from the same taxable entity should be offset against each other and presented as a net amount; and similarly for the noncurrent deferred liabilities and assets. Under IFRSs, an entity shall offset deferred income tax assets and liabilities if the entity has a legally enforceable right to set off current income tax assets against current income tax liabilities, and the deferred income tax assets and liabilities arising from the same taxable entity and realized under the same taxation authority.

As of January 1, 2012 and June 30, 2012, the Company reclassified current deferred income tax liabilities to noncurrent liabilities in the amounts of NT$1,663,916 thousand and NT$1,908,367 thousand (approximately US$54,960 thousand and US$63,868 thousand), respectively. In addition, the deferred income tax assets and liabilities that were previously offset against each other were reversed in the amount of NT$409,238 thousand and NT$463,547 thousand (approximately US$13,518 thousand and US$15,514 thousand), respectively.

c) An investor/parent entity subscribes for additional associates/subsidiaries’ newly issued shares at a percentage different from its existing ownership percentage

Under ROC GAAP, when the Company subscribes for its investee’s newly issued shares at a percentage different from its percentage of ownership in the investee, the Company records the change in its equity in the investee’s net assets as an adjustment to investments, with a corresponding amount charged to capital surplus - investment accounted for by equity method.

Under IFRSs, change in equity in an associate with significant influence retained is deemed as an acquisition or disposal of shares of associate; change in equity in a subsidiary with control retained is deemed as an equity transaction. In addition, based on the frequently asked questions related to the IFRS adoption issued by the Taiwan Stock Exchange, capital surplus items that do not conform to IFRSs or Company Law and relevant rules governed by the Ministry of Economic Affairs should be adjusted on the date of transition.

However, according to the frequently asked questions related to the IFRS adoption issued by the Taiwan Stock Exchange, if it is impracticable for an entity to apply IFRSs retrospectively, the Company could reclassify capital surplus - investment accounted for by the equity method to retained earnings directly. As of January 1, 2012 and June 30, 2012, the capital surplus - investment accounted for by the equity method was decreased by NT$8,927 thousand and NT$8,811 thousand (both approximately US$295 thousand), respectively.

d) Presentation of prepayment for equipment

Under ROC GAAP, prepayments for equipment are classified as property, plant and equipment. Under IFRSs, they are classified as prepayment and presented under noncurrent assets.

As of January 1, 2012 and June 30, 2012, the Company reclassified prepayments for equipment to other noncurrent assets - prepayments for equipment in the amounts of NT$4,098,868 thousand and NT$4,314,387 thousand (approximately US$135,388 thousand and US$144,390 thousand), respectively.

e) Assets leased to others

Under ROC GAAP, properties for rental purpose are classified as assets leased to others. Under IFRSs, they should be classified as investment properties if they are for rental purpose, capital appreciation or both. As of June 30, 2012, the Company reclassified assets leased to others to investment property in the amount of NT$173,164 thousand (approximately US$5,795 thousand).

f) Land use right

Under ROC GAAP, land use right is classified as intangible assets. Under IFRSs, it should be classified as prepaid rent.

As of January 1, 2012 and June 30, 2012, the Company reclassified land use right to long-term prepaid rent in the amounts of NT$739,124 thousand and NT$761,586 thousand (approximately US$24,414 thousand and US$25,488 thousand), respectively.

g) Functional currency of foreign operation

Under ROC GAAP, the Company identifies the functional currency by making a comprehensive analysis of all economic indicators. Under IFRSs, according to IAS 21 "The Effects of Changes in Foreign Exchange Rates", the Company considers the primary economic indicators first in determining its functional currency and then the secondary economic indicators.

After considering the indicators, the Company changed some of the subsidiaries' functional currency. As of January 1, 2012 and June 30, 2012, due to the change, the total amount of consolidated assets decreased by NT$1,929,897 thousand and NT$1,528,890 thousand (approximately US$63,746 thousand and US$51,167 thousand), respectively; the total consolidated liabilities decreased by NT$80 thousand and NT$118 thousand (approximately US$3 thousand and US$4 thousand), respectively. In addition, for the six months ended June 30, 2012, net operating revenue decreased by NT$2,359 thousand (approximately US$79 thousand), cost of goods sold decreased by NT$39,027 thousand (approximately US$1,306 thousand), operating expenses decreased by NT$28,033 thousand (approximately US$938 thousand), nonoperating income and gains decreased by NT$194 thousand (approximately US$7 thousand), nonoperating expenses and losses decreased by NT$173,808 thousand (approximately US$5,817 thousand) and income tax expenses decreased by NT$1,075 thousand (approximately US$36 thousand).

h) Provision for warranties

Under ROC GAAP, provision for warranties are classified under accrued expenses; however, after adoption of IFRSs, provision for warranties shall be classified under provisions. As of January 1, 2012 and June 30, 2012, the Company reclassified NT$1,180,605 thousand and NT$1,495,266 thousand (approximately US$38,996 thousand and US$50,042 thousand) from accrued expenses to short-term provisions for warranties.

i) Net loss of subsidiaries allocated to non-controlling interest

Under ROC GAAP, losses applicable to the minority interest in a consolidated subsidiary may exceed the minority interest in the subsidiary's equity. The excess, and any further losses applicable to the minority interest, are allocated against the majority interest except to the extent that the minority interest has a binding obligation and is able to make an additional investment to cover the losses. After adoption to IFRSs, the net loss of subsidiaries should be allocated to the non-controlling interest even if the non-controlling interest is debit balance. For the six months ended June 30, 2012, the non-controlling interest continued to share in the net loss from subsidiaries; thus, the parent entity's net profit increased simultaneously by NT$11,983 thousand (approximately US$401 thousand).

j) Explanations to reconciliation of the consolidated statement of comprehensive income

Under IFRSs, according to the nature of transaction, the Company reclassified loss on disposal of property, plant and equipment to cost of goods sold and operating expenses in the total amount of NT$795 thousand (approximately US$27 thousand); reclassified impairment loss on property, plant and equipment to cost of goods sold in the amount of NT$35,941 thousand (approximately US$1,203 thousand).

k) Presentation currency

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 is translated at the historical exchange rate as required by the ROC regulations. Exchange differences arising from the translations of foreign currencies are recognized as effect of exchange rate under shareholders' equity. Under IFRSs, the consolidated financial statements are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities at exchange rates prevailing on the balance sheet date, shareholders' equity at historical exchange rates, income and expenses at average exchange rates for the period, and exchange differences arising from the translation of the financial statements are recognized as cumulative translation adjustment.

c. The aforementioned assessments were based on the 2010 version of IFRSs translated by the ARDF and the Guidelines Governing the Preparation of Financial Reports by Securities Issuers amended and issued by the FSC on December 22, 2011. However, the assessment result may be impacted as authorities may issue new rules governing the adoption of IFRSs, and as other laws and regulations may be amended to comply with the adoption of IFRSs. Actual results may differ from these assessments.

30. ADDITIONAL DISCLOSURES

As of June 30, 2012, additional disclosures required by the Securities and Futures Bureau for the Company and its investees are as follows:

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 5)

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 accounts receivable/payable, 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: None

4) Financing directly or indirectly provided to the investees: Table 1 (attached)

5) Other transactions that significantly impacted current period'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

FINANCING PROVIDED
SIX MONTHS ENDED JUNE 30, 2012
(Amount in Thousands)

No. (Note 1)	Financing Company	Borrower	Financial Statements Account	Maximum Balance for the Period (Notes 5 and 6)	Ending Balance (Notes 5 and 6)	Interest Rate	Type of Financing (Note 2)	Transaction Amount	Reason for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company (Notes 3 and 5)	Financing Company's Financing Amount Limit (Notes 3 and 5)
											Item	Value		
0	TPKH	TPKS	Loan to related parties	US$ 15,000 (approximately NT$ 448,200)	$ —	1.3542%	2	$—	Operating capital	$—	—	$—	US$ 402,972 (approximately NT$ 12,040,800)	US$ 503,715 (approximately NT$ 15,051,000)
		TPKC	Loan to related parties	US$ 30,000 (approximately NT$ 896,400)	US$ 30,000 (approximately NT$ 896,400)	—	2	—	Operating capital	—	—	—	US$ 402,972 (approximately NT$ 12,040,800)	US$ 503,715 (approximately NT$ 15,051,000)
		UYH	Loan to related parties	US$ 397,000 (approximately NT$ 11,862,360)	US$ 247,000 (approximately NT$ 7,380,360)	1.1303%-1.5453%	2	—	Operating capital	—	—	—	US$ 402,972 (approximately NT$ 12,040,800)	US$ 503,715 (approximately NT$ 15,051,000)
		TPK HK	Loan to related parties	US$ 106,000 (approximately NT$ 3,167,280)	US$ 51,000 (approximately NT$ 1,523,880)	1.0977%-1.5369%	2	—	Operating capital	—	—	—	US$ 402,972 (approximately NT$ 12,040,800)	US$ 503,715 (approximately NT$ 15,051,000)
		Hallys	Loan to related parties	US$ 7,000 (approximately NT$ 209,160)	US$ 7,000 (approximately NT$ 209,160)	1.1359%	2	—	Operating capital	—	—	—	US$ 402,972 (approximately NT$ 12,040,800)	US$ 503,715 (approximately NT$ 15,051,000)
1	UYH	RSO	Loan to related parties - long-term	US$ 10,000 (approximately NT$ 298,800)	US$ 10,000 (approximately NT$ 298,800)	1.3228%-1.5409%	2	—	Operating capital	—	—	—	US$ 503,715 (approximately NT$ 15,051,000)	US$ 1,007,430 (approximately NT$ 30,102,000)
		RST	Loan to related parties - long-term	US$ 55,000 (approximately NT$ 1,643,400)	US$ 35,000 (approximately NT$ 1,045,800)	1.5342%-1.6120%	2	—	Operating capital	—	—	—	US$ 503,715 (approximately NT$ 15,051,000)	US$ 1,007,430 (approximately NT$ 30,102,000)
		TPKG	Loan to related parties - long-term	US$ 200,000 (approximately NT$ 5,976,000)	US$ 200,000 (approximately NT$ 5,976,000)	1.3978%-1.6261%	2	—	Operating capital and payment for acquisition of equipment	—	—	—	US$ 503,715 (approximately NT$ 15,051,000)	US$ 1,007,430 (approximately NT$ 30,102,000)

(Continued)

No. (Note 1)	Financing Company	Borrower	Financial Statements Account	Maximum Balance for the Period (Notes 5 and 6)	Ending Balance (Notes 5 and 6)	Interest Rate	Type of Financing (Note 2)	Transaction Amount	Reason for Short-term Financing	Allowance for Bad Debt	Collateral Item	Collateral Value	Financing Limit for Each Borrowing Company (Notes 3 and 5)	Financing Company's Financing Amount Limit (Notes 3 and 5)
2	MTOT	RSS	Loan to related parties	US$ 2,000 (approximately NT$ 59,760)	—	—	2	$	Operating capital	$—	—	$—	US$ 3,539 (approximately NT$ 105,752)	US$ 4,424 (approximately NT$ 132,191)
3	TPKC	RSO	Loan to related parties - long-term	US$ 20,000 (approximately NT$ 597,600)	US$ 20,000 (approximately NT$ 597,600)	2.0000%-5.4900%	2	—	Operating capital	—	—	—	US$ 503,715 (approximately NT$ 15,051,000)	US$ 1,007,430 (approximately NT$ 30,102,000)
		TPKL	Loan to related parties	US$ 20,000 (approximately NT$ 597,600)	US$ 20,000 (approximately NT$ 597,600)	2.5000%	2	—	Operating capital	—	—	—	US$ 503,715 (approximately NT$ 15,051,000)	US$ 1,007,430 (approximately NT$ 30,102,000)
		TPKS	Loan to related parties	US$ 20,000 (approximately NT$ 597,600)	US$ 20,000 (approximately NT$ 597,600)	—	2	—	Operating capital	—	—	—	US$ 503,715 (approximately NT$ 15,051,000)	US$ 1,007,430 (approximately NT$ 30,102,000)
		TPKG	Loan to related parties	US$ 40,000 (approximately NT$ 1,195,200)	US$ 40,000 (approximately NT$ 1,195,200)	2.500%-6.5600%	2	—	Operating capital	—	—	—	US$ 503,715 (approximately NT$ 15,051,000)	US$ 1,007,430 (approximately NT$ 30,102,000)
		RSS	Loan to related parties	US$ 5,000 (approximately NT$ 149,400)	US$ 5,000 (approximately NT$ 149,400)	3.500%-6.5600%	2	—	Operating capital	—	—	—	US$ 298,887 (approximately NT$ 8,930,730)	US$ 373,608 (approximately NT$ 11,163,413)
4	TPK HK	CIM	Loan to related parties	US$ 8,854 (approximately NT$ 264,563)	US$ 8,854 (approximately NT$ 264,563)	1.2344%	2	—	Operating capital	—	—	—	US$ 71,402 (approximately NT$ 2,133,492)	US$ 89,253 (approximately NT$ 2,666,865)
		TPKS	Loan to related parties - long-term	US$ 30,000 (approximately NT$ 896,400)	US$ 30,000 (approximately NT$ 896,400)	—	2	—	Payment for acquisition of equipment	—	—	—	US$ 503,715 (approximately NT$ 15,051,000)	US$ 1,007,430 (approximately NT$ 30,102,000)
		TPKL	Loan to related parties - long-term	US$ 30,000 (approximately NT$ 896,400)	US$ 30,000 (approximately NT$ 896,400)	—	2	—	Payment for acquisition of equipment	—	—	—	US$ 503,715 (approximately NT$ 15,051,000)	US$ 1,007,430 (approximately NT$ 30,102,000)
		TPKG	Loan to related parties - long-term	US$ 40,000 (approximately NT$ 1,195,200)	US$ 40,000 (approximately NT$ 1,195,200)	—	2	—	Payment for acquisition of equipment	—	—	—	US$ 503,715 (approximately NT$ 15,051,000)	US$ 1,007,430 (approximately NT$ 30,102,000)

Note 1: No. 0 represents parent company; other number represent subsidiaries.

Note 2: Types of financing were as follows:

1. Business and trade.
2. Short-term financing.

(Continued)

Note 3: The limits of financing amount were as follows:

1. Received financing from TPKH cannot exceed 50% of TPKH's net assets value and the total short-term financing cannot exceed 40% of TPKH's net assets value.
2. Received financing from financing company cannot exceed 50% of financing company's net assets value and the total short-term financing cannot exceed 40% of financing company's net assets value.
3. The limits of individual financing provided: (1) Intercompany's business and trade financing cannot exceed the business and trade amount. The business and trade amount is the higher of sales amount or purchases amount within one year. (2) Short-term financing cannot exceed 40% of financing company's net assets value.
4. TPKH directly and indirectly holds voting right shares of subsidiaries at 100%: (1) Business and trade: Total financing amount cannot exceed 50% of financing company's net assets value; the amount of individual financing provided is limited to the business and trade amount. The business and trade amount is the higher of sales amount or purchases amount within one year. (2) Short-term financing: Total financing amount cannot exceed 100% of TPKH's net assets value. The amount of individual financing provided cannot exceed 50% of TPKH's net assets value.

Note 4: The board of directors approved the credit line of loans to another party for NT$10,423,763 thousand (approximately US$348,854 thousand). The loans to other parties disclosed on the Table 1 did not exceed the credit lines approved by the board of directors.

Note 5: The exchange rate from U.S. dollars to New Taiwan dollars as of June 30, 2012 was US$1=NT$29.88.

Note 6: Maximum balance and ending balance for the period only indicate credit line of loans to others, not the actual amount of loans.

(Concluded)

TABLE 2

TPK HOLDING CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
SIX MONTHS ENDED JUNE 30, 2012
(Amount in Thousands)

No. (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limit on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Notes 2 and 3)	Maximum Balance for the Period (Notes 3 and 4)	Ending Balance (Notes 3 and 4)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee Amount to Net Equity Per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Notes 2 and 3)
		Name	Nature of Relationship						
0	TPKH	TPK HK	Subsidiary that TPKH held 100% of its equity interest	US$ 251,857 (approximately NT$ 7,525,500)	US$ 225,000 (approximately NT$ 6,723,000)	US$ 145,000 (approximately NT$ 4,332,600)	$—	14.39%	US$ 503,715 (approximately NT$ 15,051,000)
		Hallys	Subsidiary that TPKH indirectly held more than 50% of its equity interest	US$ 251,857 (approximately NT$ 7,525,500)	US$ 10,051 (approximately NT$ 300,320)	US$ 10,051 (approximately NT$ 300,320)	—	1.00%	US$ 503,715 (approximately NT$ 15,051,000)

Note1: No. 0 represents parent company; other number represent subsidiaries.

Note 2: For TPKH, total amount of endorsement/guarantee provided, and limit on endorsement/guarantee amount provide to each guaranteed party cannot exceed than 50% and 25% of TPKH's net assets value, respectively. The maximum collateral/guarantee amount allowable was calculated based on the net assets value as of June 30, 2012.

Note3: The exchange rate from U.S. dollars to New Taiwan dollars as of June 30, 2012 was US$1=NT$29.88.

Note4: Maximum balance and ending balance for the period only indicate limits on endorsement/guarantee amount to others; not the actual amount of loans.

TABLE 3

TPK HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
JUNE 30, 2012
(Amount in Thousands)

				June 30, 2012				
Holding Company	Marketable Securities Type and Issuer/Name	Security Issuer's Relationship With Holding Company	Financial Statements Account	Shares/Units	Carrying Amount (Note 4)	Percentage of Ownership	Market Value or Net Assets Value (Note 4)	Note (Notes 2 and 3)
TPKH	Improve	Subsidiary	Investments accounted for by the equity method	28,800,000	US$ 69,201 (approximately NT$ 2,067,725)	100.00	US$ 69,201 (approximately NT$ 2,067,725)	
	UYH	Subsidiary	Investments accounted for by the equity method	196,250,000	US$ 998,130 (approximately NT$ 29,824,124)	100.00	US$ 998,130 (approximately NT$ 29,824,124)	
	TTI	Subsidiary	Investments accounted for by the equity method	500,000	US$ 21,281 (approximately NT$ 635,877)	100.00	US$ 21,281 (approximately NT$ 635,877)	
	OTH	Subsidiary	Investments accounted for by the equity method	31,000	US$ 104,052 (approximately NT$ 3,109,074)	100.00	US$ 88,632 (approximately NT$ 2,648,317)	
	RUSL	Subsidiary	Investments accounted for by the equity method	182,000,000	US$ 180,854 (approximately NT$ 5,403,908)	100.00	US$ 180,854 (approximately NT$ 5,403,908)	
Improve	TPKA	Subsidiary	Investments accounted for by the equity method	148,148	US$ 67,027 (approximately NT$ 2,002,759)	100.00	US$ 67,027 (approximately NT$ 2,002,759)	
UYH	TPKC	Subsidiary	Investments accounted for by the equity method	Note 1	US$ 747,216 (approximately NT$ 22,326,826)	100.00	US$ 747,216 (approximately NT$ 22,326,826)	
	TPKL	Subsidiary	Investments accounted for by the equity method	Note 1	US$ 55,127 (approximately NT$ 1,647,195)	100.00	US$ 55,127 (approximately NT$ 1,647,195)	
	TPKS	Subsidiary	Investments accounted for by the equity method	Note 1	US$ 99,140 (approximately NT$ 2,962,312)	100.00	US$ 99,140 (approximately NT$ 2,962,312)	

(Continued)

Holding Company	Marketable Securities Type and Issuer/Name	Security Issuer's Relationship With Holding Company	Financial Statements Account	June 30, 2012 Shares/Units	Carrying Amount (Note 4)	Percentage of Ownership	Market Value or Net Assets Value (Note 4)	Note (Notes 2 and 3)
	RSO	Subsidiary	Investments accounted for by the equity method	Note 1	US$ 13,493 (approximately NT$ 403,157)	55.00	US$ 13,493 (approximately NT$ 403,157)	
	RST	Investment accounted for using equity method	Investments accounted for by the equity method	Note 1	US$ 107,893 (approximately NT$ 3,223,850)	40.67	US$ 107,893 (approximately NT$ 3,223,850)	
OTH	OTX	Subsidiary	Investments accounted for by the equity method	Note 1	US$ 81,445 (approximately NT$ 2,433,573)	71.43	US$ 81,445 (approximately NT$ 2,433,573)	
	TPKU	Subsidiary	Investments accounted for by the equity method	Note 1	US$(52) (approximately NT$ -1,542)	100.00	US$(52) (approximately NT$ -1,542)	
RUSL	TPK HK	Subsidiary	Investments accounted for by the equity method	18,000,000	US$ 178,505 (approximately NT$ 5,333,730)	100.00	US$ 178,505 (approximately NT$ 5,333,730)	
TPK HK	OTX	Investment accounted for by the equity method	Investments accounted for by the equity method	Note 1	US$ 31,781 (approximately NT$ 949,609)	28.57	US$ 31,781 (approximately NT$ 949,609)	
	TPKG	Subsidiary	Investments accounted for by the equity method	Note 1	US$ 93,129 (approximately NT$ 2,782,689)	100.00	US$ 93,129 (approximately NT$ 2,782,689)	
	RST	Investment accounted for by the equity method	Investments accounted for by the equity method	Note 1	US$ 61,518 (approximately NT$ 1,838,154)	26.06	US$ 61,518 (approximately NT$ 1,838,154)	
	CIM	Subsidiary	Investments accounted for by the equity method	40,080	US$(1,545) (approximately NT$ -46,167)	80.00	US$(2,906) (approximately NT$ -86,822)	
	JJS	Subsidiary	Investments accounted for by the equity method	1,836,000	US$ 5,091 (approximately NT$ 152,112)	51.00	US$ 3,985 (approximately NT$ 119,074)	
	Cando	Investment accounted for by the equity method	Investments accounted for by the equity method	18,057,190	US$ 127,274 (approximately NT$ 3,802,938)	19.82	US$ 44,272 (approximately NT$ 1,322,820)	

(Continued)

Holding Company	Marketable Securities Type and Issuer/Name	Security Issuer's Relationship With Holding Company	Financial Statements Account	June 30, 2012				Note (Notes 2 and 3)
				Shares/Units	Carrying Amount (Note 4)	Percentage of Ownership	Market Value or Net Assets Value (Note 4)	
TPKA	TPKT	Subsidiary	Investments accounted for by the equity method	24,000,000	US$ 72,074 (approximately NT$ 2,153,559)	100.00	US$ 60,712 (approximately NT$ 1,814,063)	
	MTOT	Subsidiary	Investments accounted for by the equity method	36,000,000	US$ 7,245 (approximately NT$ 216,473)	50.70	US$ 4,486 (approximately NT$ 134,041)	
TPKC	RSO	Investment accounted for by the equity method	Investments accounted for by the equity method	Note 1	US$ 10,657 (approximately NT$ 318,445)	45.00	US$ 10,657 (approximately NT$ 318,445)	
	RST	Investment accounted for by the equity method	Investments accounted for by the equity method	Note 1	US$ 88,057 (approximately NT$ 2,631,149)	33.27	US$ 88,057 (approximately NT$ 2,631,149)	
TPKT	NSI	Subsidiary	Investments accounted for by the equity method	200,000	US$ 990 (approximately NT$ 29,581)	100.00	US$ 990 (approximately NT$ 29,581)	
MTOT	RSSL	Subsidiary	Investments accounted for by the equity method	10,000	US$ 2,802 (approximately NT$ 83,733)	100.00	US$ 2,802 (approximately NT$ 83,733)	
RSSL	RSS	Subsidiary	Investments accounted for by the equity method	Note 1	US$ 2,794 (approximately NT$ 83,473)	100.00	US$ 2,794 (approximately NT$ 83,473)	
CIM	HALLYS	Subsidiary	Investments accounted for by the equity method	12,711	US$ 11,453 (approximately NT$ 342,201)	84.90	US$(6,059) (approximately NT$ -181,050)	
JJS	TPKJ	Subsidiary	Investments accounted for by the equity method	Note 1	US$ 7,984 (approximately NT$ 238,549)	100.00	US$ 7,984 (approximately NT$ 238,549)	

Note 1: No shares since it is a limited liability company.

Note 2: Except the shares of Cando used by TPK HK as loan collateral, the rest of the marketable securities were not used as collateral.

Note 3: Except for Cando, the rest of intercompany balances and transactions were eliminated upon consolidation.

Note 4: The exchange rate from U.S. dollars to New Taiwan dollars as of June 30, 2012 was US$1=NT$29.88.

(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
SIX MONTHS ENDED JUNE 30, 2012
(Amount in Thousands)

					Beginning Balance		Acquisition		Disposal				Ending Balance	
Holding Company	Marketable Securities Type and Issuer/Name	Financial Statements Account	Counter-party	Nature of Relationship	Shares/Units	Amount (Notes 1 and 3)	Shares/ Units	Amount (Note 3)	Shares/ Units	Selling Price	Carrying Amount	Gain (Loss) on Disposal	Shares/Units	Carrying Amount (Notes 1 and 3)
	Common stock													
TPKH	RUSL	Investments accounted for by the equity method	—	—	162,000,000	US$ 152,355 (approximately NT$ 4,552,370)	20,000,000	US$ 20,000 (approximately NT$ 597,600)	—	$—	$—	$—	182,000,000	US$ 180,854 (approximately NT$ 5,403,908)
RUSL	TPK HK	Investments accounted for by the equity method	—	—	160,000,000	US$ 142,484 (approximately NT$ 4,257,417)	20,000,000	US$ 20,000 (approximately NT$ 597,600)	—	—	—	—	180,000,000	US$ 178,505 (approximately NT$ 5,333,730)
TPK HK	TPKG	Investments accounted for by the equity method	—	—	Note 2	US$ 90,208 (approximately NT$ 2,695,420)	Note 2	US$ 20,000 (approximately NT$ 597,600)	—	—	—	—	Note 2	US$ 93,129 (approximately NT$ 2,782,689)
	JJS	Investments accounted for by the equity method	—	—	—	—	1,836,000	US$ 4,356 (approximately NT$ 130,166)	—	—	—	—	1,836,000	US$ 5,091 (approximately NT$ 152,112)

Note 1: Carrying amount included acquisition cost, investment income (loss) accounted for by the equity method and change in translation adjustments on long-term equity investment.

Note 2: No shares since it is a limited liability company.

Note 3: The exchange rate from U.S. dollars to New Taiwan dollars as of June 30, 2012 was US$1=NT$29.88.

(Concluded)

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
SIX MONTHS ENDED JUNE 30, 2012
(Amount in Thousands)

			Transaction Detail				Non-arm's Length Transaction		Notes/Accounts Payable or Receivable		
Company Name	Related Parties	Nature of Relationship	Purchases/ Sales	Amount (Notes 2 and 3)	% to Total	Payment Term	Unit Price	Payment Term	Ending Balance (Notes 2 and 3)	% to Total	Note
TPKT	TPKC	The same ultimate parent company	Purchase	US$ 68,664 (approximately NT$ 2,051,670)	3.20	60 days after monthly closing	Note 1	Note 1	US$ 11,982 (approximately NT$ 358,011)	2.18	
	TPKS	The same ultimate parent company	Purchase	US$ 77,433 (approximately NT$ 2,313,706)	3.61	60 days after monthly closing	Note 1	Note 1	US$ 2,980 (approximately NT$ 89,035)	0.54	
	TPKL	The same ultimate parent company	Sales	US$ 6,457 (approximately NT$ 192,948)	0.25	60 days after monthly closing	Note 1	Note 1	US$ 3,326 (approximately NT$ 99,371)	1.84	
TPKC	TPKL	The same ultimate parent company	Purchase	US$ 16,277 (approximately NT$ 486,368)	0.76	60 days after monthly closing	Note 1	Note 1	US$ 4,098 (approximately NT$ 122,453)	0.75	
	RSO	Investments accounted for by the equity method	Purchase	US$ 28,537 (approximately NT$ 852,673)	1.33	60 days after monthly closing	Note 1	Note 1	US$ 9,907 (approximately NT$ 296,024)	1.80	
	RST	Investments accounted for by the equity method	Purchase	US$ 142,296 (approximately NT$ 4,251,816)	6.63	60 days after monthly closing	Note 1	Note 1	US$ 48,488 (approximately NT$ 1,448,833)	8.83	
	OTX	The same ultimate parent company	Purchase	US$ 58,059 (approximately NT$ 1,734,793)	2.70	60 days after monthly closing	Note 1	Note 1	US$ 17,805 (approximately NT$ 532,026)	3.24	
	TPKJ	The same ultimate parent company	Purchase	US$ 15,263 (approximately NT$ 456,062)	0.71	60 days after monthly closing	Note 1	Note 1	US$ 17,098 (approximately NT$ 510,902)	3.11	
	Cando	Investments accounted for by the equity method of a subsidiary that is directly or indirectly held by the ultimate parent company	Purchase	US$ 43,355 (approximately NT$ 1,295,443)	2.02	75 days after monthly closing	Note 1	Note 1	US$ 18,658 (approximately NT$ 557,503)	3.40	

(Continued)

Company Name	Related Parties	Nature of Relationship	Transaction Detail				Non-arm's Length Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount (Notes 2 and 3)	% to Total	Payment Term	Unit Price	Payment Term	Ending Balance (Notes 2 and 3)	% to Total	
	Cando	Investments accounted for by the equity method of a subsidiary that is directly or indirectly held by the ultimate parent company	Sales	US$ 14,975 (approximately NT$ 447,443)	0.58	75 days after monthly closing	Note 1	Note 1	US$ 7,020 (approximately NT$ 209,761)	3.89	
	TPKT	The same ultimate parent company	Sales	US$ 68,664 (approximately NT$ 2,051,670)	2.68	60 days after monthly closing	Note 1	Note 1	US$ 11,982 (approximately NT$ 358,011)	6.63	
	TPK HK	The same ultimate parent company	Sales	US$ 1,996,644 (approximately NT$ 59,659,712)	77.93	60 days after monthly closing	Note 1	Note 1	US$ 138,369 (approximately NT$ 4,134,454)	76.62	
	TTI	The same ultimate parent company	Sales	US$ 39,718 (approximately NT$ 1,186,783)	1.55	60 days after monthly closing	Note 1	Note 1	US$ 18,528 (approximately NT$ 553,626)	10.26	
TPKL	TPKT	The same ultimate parent company	Purchase	US$ 6,457 (approximately NT$ 192,948)	0.30	60 days after monthly closing	Note 1	Note 1	US$ 3,326 (approximately NT$ 99,371)	0.61	
	TPKC	The same ultimate parent company	Sales	US$ 16,312 (approximately NT$ 487,395)	0.64	60 days after monthly closing	Note 1	Note 1	US$ 4,127 (approximately NT$ 123,328)	2.29	
	TPKS	The same ultimate parent company	Sales	US$ 9,671 (approximately NT$ 288,969)	0.38	60 days after monthly closing	Note 1	Note 1	US$ 3,333 (approximately NT$ 99,597)	1.85	
	TPKG	The same ultimate parent company	Sales	US$ 10,800 (approximately NT$ 322,694)	0.42	60 days after monthly closing	Note 1	Note 1	US$ 58 (approximately NT$ 1,735)	0.03	
	TPK HK	The same ultimate parent company	Sales	US$ 13,971 (approximately NT$ 417,462)	0.55	60 days after monthly closing	Note 1	Note 1	US$ 3,012 (approximately NT$ 89,989)	1.67	
TPKS	TPKL	The same ultimate parent company	Purchase	US$ 9,660 (approximately NT$ 288,655)	0.45	60 days after monthly closing	Note 1	Note 1	US$ 3,324 (approximately NT$ 99,325)	0.61	
	RST	The same ultimate parent company	Purchase	US$ 4,461 (approximately NT$ 133,301)	0.21	60 days after monthly closing	Note 1	Note 1	US$ 1,765 (approximately NT$ 52,733)	0.32	
	TPKT	The same ultimate parent company	Sales	US$ 77,433 (approximately NT$ 2,313,706)	3.02	60 days after monthly closing	Note 1	Note 1	US$ 2,980 (approximately NT$ 89,035)	1.65	

(Continued)

Company Name	Related Parties	Nature of Relationship	Transaction Detail				Non-arm's Length Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount (Notes 2 and 3)	% to Total	Payment Term	Unit Price	Payment Term	Ending Balance (Notes 2 and 3)	% to Total	
	TPK HK	The same ultimate parent company	Sales	US$ 90,994 (approximately NT$ 2,718,912)	3.55	60 days after monthly closing	Note 1	Note 1	US$ 26,028 (approximately NT$ 777,704)	14.41	
RSO	TPKC	Investments accounted for by the equity method	Sales	US$ 28,537 (approximately NT$ 852,673)	1.11	60 days after monthly closing	Note 1	Note 1	US$ 9,907 (approximately NT$ 296,024)	5.49	
RST	TPKG	The same ultimate parent company	Purchase	US$ 14,029 (approximately NT$ 419,188)	0.65	60 days after monthly closing	Note 1	Note 1	US$ 4,881 (approximately NT$ 145,839)	0.89	
	TPKC	Investments accounted for by the equity method	Sales	US$ 142,296 (approximately NT$ 4,251,816)	5.55	60 days after monthly closing	Note 1	Note 1	US$ 48,512 (approximately NT$ 1,449,532)	26.86	
	TPKS	Investments accounted for by the equity method	Sales	US$ 4,461 (approximately NT$ 133,301)	0.17	60 days after monthly closing	Note 1	Note 1	US$ 1,765 (approximately NT$ 52,733)	0.98	
TPKG	RST	The same ultimate parent company	Sales	US$ 14,029 (approximately NT$ 419,188)	0.55	60 days after monthly closing	Note 1	Note 1	US$ 4,881 (approximately NT$ 145,839)	2.70	
	OTX	The same ultimate parent company	Sales	US$ 7,712 (approximately NT$ 230,447)	0.30	60 days after monthly closing	Note 1	Note 1	US$ 3,078 (approximately NT$ 91,976)	1.70	
TTI	TPKC	The same ultimate parent company	Purchase	US$ 39,718 (approximately NT$ 1,186,783)	1.85	60 days after monthly closing	Note 1	Note 1	US$ 18,528 (approximately NT$ 553,626)	3.37	
TPK HK	TPKC	The same ultimate parent company	Purchase	US$ 1,996,644 (approximately NT$ 59,659,712)	93.00	60 days after monthly closing	Note 1	Note 1	US$ 138,369 (approximately NT$ 4,134,454)	25.19	
	TPKL	The same ultimate parent company	Purchase	US$ 13,971 (approximately NT$ 417,462)	0.65	60 days after monthly closing	Note 1	Note 1	US$ 3,012 (approximately NT$ 89,989)	0.55	
	TPKS	The same ultimate parent company	Purchase	US$ 90,994 (approximately NT$ 2,718,912)	4.42	60 days after monthly closing	Note 1	Note 1	US$ 26,028 (approximately NT$ 777,704)	4.74	
OTX	TPKG	The same ultimate parent company	Purchase	US$ 7,712 (approximately NT$ 230,447)	0.36	60 days after monthly closing	Note 1	Note 1	US$ 3,078 (approximately NT$ 91,976)	0.56	

(Continued)

Company Name	Related Parties	Nature of Relationship	Transaction Detail				Non-arm's Length Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount (Notes 2 and 3)	% to Total	Payment Term	Unit Price	Payment Term	Ending Balance (Notes 2 and 3)	% to Total	
	TPKC	The same ultimate parent company	Sales	US$ 58,059 (approximately NT$ 1,734,793)	2.27	60 days after monthly closing	Note 1	Note 1	US$ 19,909 (approximately NT$ 594,887)	11.02	
MTOT	RSS	Subsidiary that is held 100% indirectly	Purchase	US$ 11,786 (approximately NT$ 352,162)	0.55	60 days after monthly closing	Note 1	Note 1	US$ 5,574 (approximately NT$ 166,564)	1.01	
RSS	MTOT	Parent company that indirectly held 100% equity interest	Sales	US$ 11,786 (approximately NT$ 352,162)	0.46	60 days after monthly closing	Note 1	Note 1	US$ 5,574 (approximately NT$ 166,564)	3.09	
TPKJ	TPKC	The same ultimate parent company	Sales	US$ 15,263 (approximately NT$ 456,062)	0.60	60 days after monthly closing	Note 1	Note 1	US$ 17,098 (approximately NT$ 510,902)	9.47	

Note 1: The sales prices and payment terms of intercompany and related party sales and purchases were not significantly different from those with third parties.

Note 2: Except for Cando, the rest of intercompany balances and transactions were eliminated upon consolidation.

Note 3: The exchange rate from U.S. dollars to New Taiwan dollars as of June 30, 2012 was US$1=NT$29.88.

(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
JUNE 30, 2012
(Amount in Thousands)

Company Name	Related Parties	Nature of Relationship	Ending Balance (Notes 1 and 2)	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note 1)	Allowance for Bad Debt
					Amount (Note 1)	Action Taken		
TPKT	TPKC	The same ultimate parent company	US$ 5,120 (approximately NT$ 152,975)	1.52	US$ 369 (approximately NT$ 11,033)	Enhance collection	US$ 4,341 (approximately NT$ 129,696)	$—
TPKC	TPKT	The same ultimate parent company	US$ 11,982 (approximately NT$ 358,011)	12.08	—	—	—	—
	TPK HK	The same ultimate parent company	US$ 138,369 (approximately NT$ 4,134,454)	18.36	—	—	—	—
	TTI	The same ultimate parent company	US$ 18,528 (approximately NT$ 553,626)	7.42	—	—	—	—
	Cando	Investments accounted for by the equity method of a subsidiary that is directly or indirectly held by the ultimate parent company	US$ 7,020 (approximately NT$ 209,761)	3.53	US$ 12 (approximately NT$ 362)	Enhance collection	US$ 4,583 (approximately NT$ 136,932)	—
TPKL	TPKC	The same ultimate parent company	US$ 4,127 (approximately NT$ 123,328)	6.24	—	—	—	—
TPKS	TPK HK	The same ultimate parent company	US$ 26,028 (approximately NT$ 777,704)	3.43	—	—	—	—
RSO	TPKC	Investments accounted for by the equity method	US$ 9,907 (approximately NT$ 296,024)	6.15	—	—	—	—

(Continued)

Company Name	Related Parties	Nature of Relationship	Ending Balance (Notes 1 and 2)	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note 1)	Allowance for Bad Debt
					Amount (Note 1)	Action Taken		
RST	TPKC	Investments accounted for by the equity method	US$ 48,512 (approximately NT$ 1,449,532)	5.77	—	—	—	—
TPKG	RST	The same ultimate parent company	US$ 4,881 (approximately NT$ 145,839)	8.99	—	—	—	—
OTX	TPKC	The same ultimate parent company	US$ 19,909 (approximately NT$ 594,887)	6.07	—	—	—	$—
RSS	MTOT	Investments accounted for by the equity method	US$ 5,574 (approximately NT$ 166,564)	7.73	—	—	—	—
TPKJ	TPKC	The same ultimate parent company	US$ 17,098 (approximately NT$ 510,902)	3.57	—	—	—	—

Note 1: The exchange rate from U.S. dollars to New Taiwan dollars as of June 30, 2012 was US$1=NT$29.88.

Note 2: Except for Cando, the rest of intercompany balances and transactions were eliminated upon consolidation.

(Concluded)

TABLE 7

TPK HOLDING CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
SIX MONTHS ENDED JUNE 30, 2012
(Amount in Thousands)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount: June 30, 2012 (Note 1)	Investment Amount: December 31, 2011 (Note 1)	Balance as of June 30, 2012: Shares	Balance as of June 30, 2012: Percentage of Ownership	Balance as of June 30, 2012: Carrying Amount (Notes 1 and 3)	Net Income (Loss) of the Investee (Note 1)	Investment Income (Loss) Recognized (Notes 1 and 3)	Note
TPKH	Improve	Samoa	Holding company	US$ 28,800 (approximately NT$ 860,544)	US$ 28,800 (approximately NT$ 860,544)	28,800,000	100.00	US$ 69,201 (approximately NT$ 2,067,725)	US$ 2,965 (approximately NT$ 88,596)	US$ 2,965 (approximately NT$ 88,596)	
	UYH	Samoa	Holding company and international trade	US$ 197,040 (approximately NT$ 5,887,555)	US$ 196,050 (approximately NT$ 5,857,974)	196,250,000	100.00	US$ 998,130 (approximately NT$ 29,824,124)	US$ 162,986 (approximately NT$ 4,870,016)	US$ 162,986 (approximately NT$ 4,870,016)	
	TTI	Samoa	International trade	US$ 500 (approximately NT$ 14,940)	US$ 500 (approximately NT$ 14,940)	500,000	100.00	US$ 21,281 (approximately NT$ 635,877)	US$ 17,073 (approximately NT$ 510,127)	US$ 17,073 (approximately NT$ 510,127)	
	OTH	Singapore	Holding company	US$ 52,153 (approximately NT$ 1,558,332)	US$ 52,153 (approximately NT$ 1,558,332)	31,000	100.00	US$ 104,052 (approximately NT$ 3,109,074)	US$ 10,929 (approximately NT$ 326,565)	US$ 10,296 (approximately NT$ 307,634)	
	RUSL	Hong Kong	Holding company	US$ 182,000 (approximately NT$ 5,438,160)	US$ 162,000 (approximately NT$ 4,840,560)	182,000,000	100.00	US$ 180,854 (approximately NT$ 5,403,908)	US$ 2,984 (approximately NT$ 89,167)	US$ 2,984 (approximately NT$ 89,167)	
Improve	TPKA	Malaysia	Holding company	US$ 40,000 (approximately NT$ 1,195,200)	US$ 40,000 (approximately NT$ 1,195,200)	148,148	100.00	US$ 67,027 (approximately NT$ 2,002,759)	US$ 2,965 (approximately NT$ 88,590)	US$ 2,965 (approximately NT$ 88,590)	
UYH	TPKC	Fujian Province, People's Republic of China	Touch modules research, development, manufacturing and sales	US$ 105,000 (approximately NT$ 3,137,400)	US$ 105,000 (approximately NT$ 3,137,400)	Note 2	100.00	US$ 747,216 (approximately NT$ 22,326,826)	US$ 146,647 (approximately NT$ 4,381,814)	US$ 146,647 (approximately NT$ 4,381,814)	
	TPKL	Fujian Province, People's Republic of China	Optical glass processing and sales; machinery manufacturing, wholesale and retail	US$ 17,000 (approximately NT$ 507,960)	US$ 17,000 (approximately NT$ 507,960)	Note 2	100.00	US$ 55,127 (approximately NT$ 1,647,195)	US$ 1,875 (approximately NT$ 56,035)	US$ 1,875 (approximately NT$ 56,035)	
	TPKS	Fujian Province, People's Republic of China	Touch modules, touch display and system research, development, manufacturing and sales	US$ 25,000 (approximately NT$ 747,000)	US$ 25,000 (approximately NT$ 747,000)	Note 2	100.00	US$ 99,140 (approximately NT$ 2,962,312)	US$ 9,253 (approximately NT$ 276,494)	US$ 9,253 (approximately NT$ 276,494)	
	RSO	Fujian Province, People's Republic of China	Optical glass processing and sales	US$ 8,250 (approximately NT$ 246,510)	US$ 8,250 (approximately NT$ 246,510)	Note 2	55.00	US$ 13,493 (approximately NT$ 403,157)	US$ 3,564 (approximately NT$ 106,481)	US$ 1,960 (approximately NT$ 58,565)	
	RST	Fujian Province, People's Republic of China	ITO glass research, development, manufacturing, processing and sales	US$ 44,000 (approximately NT$ 1,314,720)	US$ 44,000 (approximately NT$ 1,314,720)	Note 2	40.67	US$ 107,893 (approximately NT$ 3,223,850)	US$ 49,366 (approximately NT$ 1,475,070)	US$ 20,077 (approximately NT$ 599,911)	
OTH	OTX	Fujian Province, People's Republic of China	ITO glass research, development, manufacturing, processing and sales	US$ 25,000 (approximately NT$ 747,000)	US$ 25,000 (approximately NT$ 747,000)	Note 2	71.43	US$ 81,445 (approximately NT$ 2,433,573)	US$ 19,156 (approximately NT$ 572,382)	US$ 13,683 (approximately NT$ 408,852)	
	TPKU	U.S.A.	International trade	US$ 4,800 (approximately NT$ 143,424)	US$ 4,800 (approximately NT$ 143,424)	Note 2	100.00	US$(52) (approximately NT$ -1,542)	US$(1,079) (approximately NT$ -32,238)	US$(1,079) (approximately NT$ -32,238)	

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount: June 30, 2012 (Note 1)	Investment Amount: December 31, 2011 (Note 1)	Balance as of June 30, 2012: Shares	Balance as of June 30, 2012: Percentage of Ownership	Balance as of June 30, 2012: Carrying Amount (Notes 1 and 3)	Net Income (Loss) of the Investee (Note 1)	Investment Income (Loss) Recognized (Notes 1 and 3)	Note
RUSL	TPK HK	Hong Kong	Holding company and international trade	US$ 180,000 (approximately NT$ 5,378,400)	US$ 160,000 (approximately NT$ 4,780,800)	180,000,000	100.00	US$ 178,505 (approximately NT$ 5,333,730)	US$ 2,993 (approximately NT$ 89,422)	US$ 2,993 (approximately NT$ 89,422)	
TPK HK	OTX	Fujian Province, People's Republic of China	ITO glass research, development, manufacturing, processing and sales	US$ 19,500 (approximately NT$ 582,660)	US$ 19,500 (approximately NT$ 582,660)	Note 2	28.57	US$ 31,781 (approximately NT$ 949,609)	US$ 19,156 (approximately NT$ 572,382)	US$ 5,473 (approximately NT$ 163,530)	
	TPKG	Fujian Province, People's Republic of China	Optical glass processing and sale	US$ 100,000 (approximately NT$ 2,988,000)	US$ 100,000 (approximately NT$ 2,988,000)	Note 2	100.00	US$ 93,129 (approximately NT$ 2,782,689)	US$(16,805) (approximately NT$ -502,133)	(US$ 16,805) (approximately NT$ -502,133)	
	Cando	Taiwan	Color filter research and manufacturing	US$ 193,574 (approximately NT$ 5,783,993)	US$ 193,574 (approximately NT$ 5,783,993)	180,057,190	19.82	US$ 127,274 (approximately NT$ 3,802,938)	US$(24,918) (approximately NT$ -744,559)	US$(9,511) (approximately NT$ -284,204)	
	RST	Fujian Province, People's Republic of China	ITO glass research, development, manufacturing, processing and sales	US$ 40,000 (approximately NT$ 1,195,200)	US$ 40,000 (approximately NT$ 1,195,200)	Note 2	26.06	US$ 61,518 (approximately NT$ 1,838,154)	US$ 49,366 (approximately NT$ 1,475,070)	US$ 12,865 (approximately NT$ 384,403)	
	JJS	Samoa	Holding company	US$ 4,356 (approximately NT$ 130,166)	—	1,836,000	51.00	US$ 5,091 (approximately NT$ 152,112)	US$(316) (approximately NT$ -9,435)	US$ 750 (approximately NT$ 22,412)	
	CIM	Japan	Holding company	US$ 890 (approximately NT$ 26,595)	US$ 890 (approximately NT$ 26,595)	40,080	80.00	US$(1,545) (approximately NT$ -46,167)	US$(1,595) (approximately NT$ -47,671)	US$(1,710) (approximately NT$ -51,100)	
TPKA	TPKT	Taiwan	Research, development and sales	US$ 26,547 (approximately NT$ 793,211)	US$ 26,547 (approximately NT$ 793,211)	24,000,000	100.00	US$ 72,074 (approximately NT$ 2,153,559)	US$ 4,996 (approximately NT$ 149,289)	US$ 4,996 (approximately NT$ 149,289)	
	MTOT	Taiwan	Touch modules research, development, manufacturing and sales	US$ 13,043 (approximately NT$ 389,739)	US$ 13,043 (approximately NT$ 389,739)	36,000,000	50.70	US$ 7,245 (approximately NT$ 216,473)	US$(2,269) (approximately NT$ -67,785)	US$(1,438) (approximately NT$ -42,979)	
TPKC	RSO	Fujian Province, People's Republic of China	Optical glass processing and sales	US$ 6,750 (approximately NT$ 201,690)	US$ 6,750 (approximately NT$ 201,690)	Note 2	45.00	US$ 10,657 (approximately NT$ 318,445)	US$ 3,564 (approximately NT$ 106,481)	US$ 1,604 (approximately NT$ 47,916)	
	RST	Fujian Province, People's Republic of China	ITO glass research, development, manufacturing, processing and sales	US$ 36,000 (approximately NT$ 1,075,680)	US$ 36,000 (approximately NT$ 1,075,680)	Note 2	33.27	US$ 88,057 (approximately NT$ 2,631,149)	US$ 49,366 (approximately NT$ 1,475,070)	US$ 16,424 (approximately NT$ 490,756)	
TPKT	NSI	Samoa	Holding company	US$ 200 (approximately NT$ 5,976)	US$ 200 (approximately NT$ 5,976)	200,000	100.00	US$ 990 (approximately NT$ 29,581)	US$ 790 (approximately NT$ 23,605)	US$ 790 (approximately NT$ 23,605)	
	GPSC	Taiwan	Machinery manufacturing, wholesale and retail	—	US$ 2,297 (approximately NT$ 68,626)	—	—	—	US$ 74 (approximately NT$ 2,214)	US$(745) (approximately NT$ -22,274)	
NSI	UYH	Samoa	Holding company and international trade	—	US$ 200 (approximately NT$ 5,976)	—	—	—	US$ 162,986 (approximately NT$ 4,870,016)	US$ 790 (approximately NT$ 23,605)	
MTOT	RSSL	Hong Kong	Holding company	US$ 10,810 (approximately NT$ 323,003)	US$ 10,810 (approximately NT$ 323,003)	10,000	100.00	US$ 2,802 (approximately NT$ 83,733)	US$(2,022) (approximately NT$ -60,406)	US$(2,022) (approximately NT$ -60,406)	
RSSL	RSS	Fujian Province, People's Republic of China	Touch modules research, development, manufacturing and sales	US$ 10,800 (approximately NT$ 322,704)	US$ 10,800 (approximately NT$ 322,704)	Note 2	100.00	US$ 2,794 (approximately NT$ 83,473)	US$(2,020) (approximately NT$ -60,372)	US$(2,020) (approximately NT$ -60,372)	

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2012			Net Income (Loss) of the Investee (Note 1)	Investment Income (Loss) Recognized (Notes 1 and 3)	Note
				June 30, 2012 (Note 1)	December 31, 2011 (Note 1)	Shares	Percentage of Ownership	Carrying Amount (Notes 1 and 3)			
CIM	HALLYS	Japan	Machinery manufacturing, wholesale and retail	US$ 4,490 (approximately NT$ 134,166)	US$ 4,420 (approximately NT$ 132,064)	12,711	84.90	US$ 11,453 (approximately NT$ 342,201)	US$(560) (approximately NT$ -16,734)	US$(1,143) (approximately NT$ -34,149)	
JJS	TPKJ	Fujian Province, People's Republic of China	Protective film and optical adhesive manufacturing and sales	US$ 3,600 (approximately NT$ 107,568)	US$ 3,600 (approximately NT$ 107,568)	Note 2	100.00	US$ 7,984 (approximately NT$ 238,549)	US$ 1,499 (approximately NT$ 44,781)	US$ 1,499 (approximately NT$ 44,781)	

Note 1: The exchange rate from U.S. dollars to New Taiwan dollars as of June 30, 2012 was US$1=NT$29.88.

Note 2: No shares since it is a limited liability company.

Note 3: Except for Cando, the rest of intercompany balances and transactions were eliminated upon consolidation.

(Concluded)

TABLE 8

TPK HOLDING CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
SIX MONTHS ENDED JUNE 30, 2012
(Amount in Thousands)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Notes 1 and 2)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2012	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2012	Percentage of Ownership (%)	Investment Income (Loss) Recognized (Note 2)	Carrying Amount as of June 30, 2012 (Note 2)	Accumulated Inward Remittance of Earnings as of June 30, 2012 (Notes 1 and 2)
					Outflow	Inflow					
TPKC	Touch modules research, development, manufacturing and sales	US$ 105,000 (approximately NT$ 3,137,400)	Direct investment	$—	$—	$—	$—	100.00	US$ 146,647 (approximately NT$ 4,381,814)	US$ 747,216 (approximately NT$ 22,326,826)	$—
TPKL	Optical glass processing and sales; machinery manufacturing, wholesale and retail	US$ 17,000 (approximately NT$ 507,960)	Direct investment	—	—	—	—	100.00	US$ 1,875 (approximately NT$ 56,035)	US$ 55,127 (approximately NT$ 1,647,195)	—
TPKS	Touch modules, touch display and system research, development, manufacturing and sales	US$ 25,000 (approximately NT$ 747,000	Direct investment	—	—	—	—	100.00	US$ 9,253 (approximately NT$ 276,494)	US$ 99,140 (approximately NT$ 2,962,312)	—
RSO	Optical glass processing and sales	US$ 15,000 (approximately NT$ 448,200)	Direct investment	—	—	—	—	100.00	US$ 3,564 (approximately NT$ 106,481)	US$ 24,150 (approximately NT$ 721,602)	—
RST	ITO glass research, development, manufacturing, processing and sales	US$ 108,193 (approximately NT$ 3,232,802)	Direct investment	—	—	—	—	100.00	US$ 49,366 (approximately NT$ 1,475,070)	US$ 257,468 (approximately NT$ 7,693,153)	—
OTX	ITO glass research, development, manufacturing, processing and sales	US$ 35,000 (approximately NT$ 1,045,800)	Direct investment	—	—	—	—	100.00	US$ 19,156 (approximately NT$ 572,382)	US$ 113,226 (approximately NT$ 3,383,182)	—
RSS	Touch modules research, development, manufacturing and sales	US$ 10,800 (approximately NT$ 322,704)	Indirect investment	—	—	—	—	50.70	US$(1,024) (approximately NT$ -30,609)	US$ 1,417 (approximately NT$ 42,321)	—
TPKG	Optical glass processing and sales	US$ 120,000 (approximately NT$ 3,585,600)	Direct investment	—	—	—	—	100.00	US$(16,805) (approximately NT$ -502,133)	US$ 93,129 (approximately NT$ 2,782,689)	—
TPKJ	Protective film and optical adhesive manufacturing and sales	US$ 3,600 (approximately NT$ 107,568)	Indirect investment	—	—	—	—	51.00	US$ 764 (approximately NT$ 22,838)	US$ 4,072 (approximately NT$ 121,667)	—

(Continued)

Accumulated Investment in Mainland China as of June 30, 2012 (Note 2)	Investment Amount Authorized by the Investment Commission, MOEA (Note 2)	Upper Limit on Investment (Notes 2)
US$5,918 (approximately NT$176,815)	US$5,918 (approximately NT$176,815)	US$41,736 (Note 3) (approximately NT$1,247,066)

Note 1: Calculated based on historical cost.

Note 2: The exchange rate from U.S. dollars to New Taiwan dollars as of June 30, 2012 was US$1=NT$29.88.

Note 3: Calculated based on 60% of TPKT's and MTOT's net assets value as of June 30, 2012.

(Concluded)

TABLE 9

TPK HOLDING CO., LTD. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
SIX MONTHS ENDED JUNE 30, 2011
(Amount in Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name (Note 2)	Counterparty (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)
0	TPKH	RST	1	Loan to related party	$ 861,750	—	1.09%
		TPK HK	1	Loan to related party	1,579,875	—	2.00%
		TPKS	1	Loan to related party	287,250	—	0.36%
		UYH	1	Loan to related party	861,750	—	1.09%
		RSO	1	Loan to related party - long-term	574,500	—	0.73%
		RST	1	Loan to related party - long-term	574,500	—	0.73%
		TPKL	1	Loan to related party - long-term	143,625	—	0.18%
1	UYH	TPKH	2	Loan to related party	861,750	—	1.09%
		RSO	3	Loan to related party - long-term	143,625	—	0.18%
		TPKG	3	Loan to related party - long-term	718,125	—	0.91%
2	TPKT	TPKC	3	Other receivables - related party	80,678	—	0.10%
		GPSC	3	Purchases	85,634	—	0.15%
		TPKC	3	Purchases	2,624,185	—	4.54%
		TPKL	3	Purchases	333,066	—	0.58%
		TPKS	3	Purchases	3,230,381	—	5.58%
		GPSC	3	Sales	85,634	—	0.15%
		TPKC	3	Accounts payable	1,480,547	—	1.88%
		TPKL	3	Accounts payable	264,126	—	0.33%
		TPKS	3	Accounts payable	543,486	—	0.69%
		TPKC	3	Accounts receivable	208,669	—	0.26%
		TPKL	3	Accounts receivable	364,747	—	0.46%
		TPKS	3	Accounts receivable	81,004	—	0.10%
		TPKC	3	Operating revenue	204,778	—	0.35%
3	TPKC	OTX	3	R&D expenses	63,915	—	0.11%
		OTX	3	Purchases	1,333,883	—	2.31%
		RSO	3	Purchases	218,267	—	0.38%
		RST	3	Purchases	2,418,660	—	4.18%
		TPKL	3	Purchases	1,018,179	—	1.76%
		TPK HK	3	Sales	1,247,864	—	2.16%
		TPKL	3	Sales	482,200	—	0.83%
		TPKT	3	Sales	2,624,185	—	4.54%

(Continued)

				Intercompany Transactions			
No. (Note 1)	Company Name (Note 2)	Counterparty (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)
		TTI	3	Sales	$ 67,122	—	0.12%
		OTX	3	Accounts payable	309,372	—	0.39%
		RST	3	Accounts payable	1,114,760	—	1.41%
		TPKL	3	Accounts payable	239,058	—	0.30%
		TPKT	3	Payables on equipment	204,760	—	0.26%
		TPKT	3	Accrued expenses	80,678	—	0.10%
		TPK HK	3	Accounts receivable	183,418	—	0.23%
		TPKL	3	Accounts receivable	115,400	—	0.15%
		TPKT	3	Accounts receivable	1,480,547	—	1.88%
		TPKT	3	Royalty expense	204,778	—	0.35%
4	TPKL	TPKH	2	Long-term loans	143,625	—	0.18%
		TPKC	3	Purchases	482,200	—	0.83%
		TPKC	3	Sales	1,018,179	—	1.76%
		TPKS	3	Sales	619,006	—	1.07%
		TPKT	3	Sales	333,066	—	0.58%
		TPKC	3	Accounts payable	115,360	—	0.15%
		TPKT	3	Accounts payable	364,747	—	0.46%
		TPKC	3	Accounts receivable	289,099	—	0.37%
		TPKS	3	Accounts receivable	312,247	—	0.40%
		TPKT	3	Accounts receivable	264,126	—	0.33%
5	TPKS	TPKH	2	Short-term loans	287,250	—	0.36%
		RSO	3	Purchases	562,301	—	0.97%
		RST	3	Purchases	309,760	—	0.54%
		TPKL	3	Purchases	619,006	—	1.07%
		TPK HK	3	Sales	2,714,788	—	4.69%
		TPKT	3	Sales	3,230,381	—	5.58%
		UYH	3	Sales	186,693	—	0.32%
		RSO	3	Accounts payable	237,310	—	0.30%
		TPKL	3	Accounts payable	312,247	—	0.40%
		TPK HK	3	Accounts receivable	1,599,729	—	2.03%
		TPKT	3	Accounts receivable	543,486	—	0.69%
		UYH	3	Accounts receivable	114,373	—	0.14%
6	RSO	TPKH	2	Long-term loans	574,500	—	0.73%
		UYH	3	Long-term loans	143,625	—	0.18%
		TPKC	3	Sales	218,267	—	0.38%
		TPKS	3	Sales	562,301	—	0.97%
		TPKS	3	Accounts receivable	237,310	—	0.30%

(Continued)

				Intercompany Transactions			
No. (Note 1)	Company Name (Note 2)	Counterparty (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)
7	RST	TPKH	2	Long-term loans	$ 574,500	—	0.73%
		TPKH	2	Short-term loans	861,750	—	1.09%
		TPKC	3	Sales	2,418,660	—	4.18%
		TPKS	3	Sales	309,760	—	0.54%
		TPKC	3	Accounts receivable	1,114,760	—	1.41%
8	TPKU	OTX	3	Purchases	70,319	—	0.12%
9	TPKG	UYH	3	Long-term loans	718,125	—	0.91%
10	TPK HK	TPKH	2	Short-term loans	1,579,875	—	2.00%
		TPKC	3	Purchases	1,247,864	—	2.16%
		TPKS	3	Purchases	2,714,788	—	4.69%
		TPKC	3	Accounts payable	183,418	—	0.23%
		TPKS	3	Accounts payable	1,599,729	—	2.03%
11	TTI	TPKC	3	Purchases	67,122	—	0.12%
12	UYH	TPKS	3	Purchases	186,693	—	0.32%
		TPKS	3	Accounts payable	114,373	—	0.14%
13	OTX	TPKC	3	Sales	1,333,883	—	2.31%
		TPKU	3	Sales	70,319	—	0.12%
		TPKC	3	Accounts receivable	309,372	—	0.39%
		TPKC	3	Operating revenue	63,915	—	0.11%

Note 1: No. 0 represents parent company; other numbers represent subsidiaries.

Note 2: The company name and counterparty 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 9

TPK HOLDING CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
SIX MONTHS ENDED JUNE 30, 2012
(Amount in Thousands)

				Intercompany Transactions				
No. (Note 1)	Company Name (Note 2)	Counterparty (Note 2)	Nature of Relationship (Note 3)	Financial Statements Item	Amount (US$)	Amount (Approximately NT$) (Note 4)	Terms (Note 5)	Percentage of Consolidated Total Gross Sales or Total Assets (Note 6)
0	TPKH	UYH	1	Loan to related party	$ 246,000	$ 7,350,480	—	8.20%
		TPK HK	1	Loan to related party	39,000	1,165,320	—	1.30%
		CIM	1	Loan to related party	6,046	180,653	—	0.20%
1	UYH	TPKC	3	Dividends receivable	43,100	1,287,828	—	1.44%
		RST	3	Dividends receivable	8,805	263,095	—	0.29%
		TPKH	2	Short-term loans	246,000	7,350,480	—	8.20%
		RSO	3	Loan to related party - long-term	10,000	298,800	—	0.33%
		RST	3	Loan to related party - long-term	35,000	1,045,800	—	1.17%
		TPKG	3	Loan to related party - long-term	200,000	5,976,000	—	6.67%
2	TPKA	TPKT	3	Dividends receivable	7,526	224,885	—	0.25%
3	TPKT	TPKC	3	Purchases	68,664	2,051,670	—	2.68%
		TPKL	3	Purchases	2,454	73,311	—	0.10%
		TPKS	3	Purchases	77,433	2,313,706	—	3.02%
		TPKC	3	Operating revenue	9,115	272,354	—	0.36%
		TPKL	3	Sales	6,457	192,948	—	0.25%
		TPKS	3	Sales	2,948	88,073	—	0.12%
		TPKC	3	Accounts receivable	5,120	152,975	—	0.17%
		TPKL	3	Accounts receivable	3,326	99,371	—	0.11%
		TPKC	3	Accounts payable	11,982	358,011	—	0.40%
		TPKS	3	Accounts payable	2,980	89,035	—	0.10%
		TPKA	3	Dividends payable	7,526	224,885	—	0.25%
		TPKC	3	Unearned sales revenue	3,660	109,361	—	0.12%
4	TPKC	TPKL	3	Purchases	16,277	486,368	—	0.64%
		RSO	3	Purchases	28,537	852,673	—	1.11%
		RST	3	Purchases	142,296	4,251,816	—	5.55%
		OTX	3	Purchases	58,059	1,734,793	—	2.27%
		TPKJ	3	Purchases	15,263	456,062	—	0.60%
		TPKT	3	Sales	68,664	2,051,670	—	2.68%
		TPK HK	3	Sales	1,996,643	59,659,712	—	77.93%
		TTI	3	Sales	39,718	1,186,783	—	1.55%
		TPKT	3	Royalty fee	9,115	272,354	—	0.36%
		TPKT	3	Accounts receivable	11,982	358,011	—	0.40%

(Continued)

No. (Note 1)	Company Name (Note 2)	Counterparty (Note 2)	Nature of Relationship (Note 3)	Intercompany Transactions: Financial Statements Item	Amount (US$)	Amount (Approximately NT$) (Note 4)	Terms (Note 5)	Percentage of Consolidated Total Gross Sales or Total Assets (Note 6)
		TPK HK	3	Accounts receivable	$138,369	$4,134,453	—	4.61%
		TTI	3	Accounts receivable	18,528	553,626	—	0.62%
		RST	3	Other receivables - related party	10,277	307,076	—	0.34%
		TPKT	3	Prepayments for equipment	3,660	109,361	—	0.12%
		TPKT	3	Accounts payable	4,641	138,668	—	0.15%
		TPKL	3	Accounts payable	4,098	122,453	—	0.14%
		RSO	3	Accounts payable	9,907	296,024	—	0.33%
		RST	3	Accounts payable	48,488	1,448,833	—	1.62%
		OTX	3	Accounts payable	17,805	532,026	—	0.59%
		TPKJ	3	Accounts payable	17,098	510,902	—	0.57%
		UYH	3	Dividends payable	43,100	1,287,828	—	1.44%
		TPKL	3	Loan to related party	5,000	149,400	—	0.17%
		TPKG	3	Loan to related party	12,889	385,125	—	0.43%
		RSS	3	Loan to related party	4,846	144,795	—	0.16%
		RSO	3	Loan to related party - long-term	20,020	598,193	—	0.67%
5	TPKL	TPKT	3	Purchases	6,457	192,948	—	0.25%
		TPKT	3	Sales	2,454	73,311	—	0.10%
		TPKC	3	Sales	16,312	487,395	—	0.64%
		TPKS	3	Sales	9,671	288,969	—	0.38%
		TPKG	3	Sales	10,800	322,694	—	0.42%
		TPK HK	3	Sales	13,971	417,462	—	0.55%
		TPKC	3	Accounts receivable	4,127	123,328	—	0.14%
		TPKS	3	Accounts receivable	3,333	99,597	—	0.11%
		TPK HK	3	Accounts receivable	3,012	89,989	—	0.10%
		TPKT	3	Accounts payable	3,326	99,371	—	0.11%
		TPKC	3	Short-term loans	5,000	149,400	—	0.17%
6	TPKS	TPKT	3	Purchases	2,763	82,545	—	0.11%
		TPKL	3	Purchases	9,660	288,655	—	0.38%
		RSO	3	Purchases	2,853	85,233	—	0.11%
		RST	3	Purchases	4,461	133,301	—	0.17%
		TPKT	3	Sales	77,433	2,313,706	—	3.02%
		TPK HK	3	Sales	90,994	2,718,912	—	3.55%
		TPKT	3	Accounts receivable	2,980	89,035	—	0.10%
		TPK HK	3	Accounts receivable	26,028	777,704	—	0.86%
		TPKL	3	Accounts payable	3,324	99,325	—	0.11%
7	RSO	TPKC	3	Sales	28,537	852,673	—	1.11%
		TPKS	3	Sales	2,853	85,233	—	0.11%
		TPK HK	3	Sales	2,913	87,050	—	0.11%
		TPKC	3	Accounts receivable	9,907	296,024	—	0.33%
		UYH	3	Long-term loans	10,000	298,800	—	0.33%
		TPKC	3	Long-term loans	20,020	598,193	—	0.67%

(Continued)

No. (Note 1)	Company Name (Note 2)	Counterparty (Note 2)	Nature of Relationship (Note 3)	Intercompany Transactions: Financial Statements Item	Amount (US$)	Amount (Approximately NT$) (Note 4)	Terms (Note 5)	Percentage of Consolidated Total Gross Sales or Total Assets (Note 6)
8	RST	TPKG	3	Purchases	$ 14,029	$ 419,188	—	0.55%
		TPKC	3	Sales	142,296	4,251,816	—	5.55%
		TPKS	3	Sales	4,461	133,301	—	0.17%
		TPKC	3	Accounts receivable	48,512	1,449,532	—	1.62%
		TPKG	3	Accounts payable	4,881	145,839	—	0.16%
		TPKC	3	Accrued expenses	10,277	307,076	—	0.34%
		UYH	3	Dividends payable	8,805	263,095	—	0.29%
		TPK HK	3	Dividends payable	5,642	168,583	—	0.19%
		UYH	3	Long-term loans	35,000	1,045,800	—	1.17%
9	TPKU	OTX	3	Purchases	3,043	90,937	—	0.12%
10	TPKG	RST	3	Sales	14,029	419,188	—	0.55%
		OTX	3	Sales	7,712	230,447	—	0.30%
		RST	3	Accounts receivable	4,881	145,839	—	0.16%
		OTX	3	Accounts receivable	3,078	91,976	—	0.10%
		TPKC	3	Short-term loans	12,889	385,125	—	0.43%
		UYH	3	Long-term loans	200,000	5,976,000	—	6.67%
11	TPK HK	TPKC	3	Purchases	1,996,643	59,659,712	—	77.93%
		TPKL	3	Purchases	13,971	417,462	—	0.55%
		TPKS	3	Purchases	90,994	2,718,912	—	3.55%
		RSO	3	Purchases	2,913	87,050	—	0.11%
		RST	3	Dividends receivable	5,642	168,583	—	0.19%
		OTX	3	Dividends receivable	4,763	142,307	—	0.16%
		TPKC	3	Accounts payable	138,369	4,134,453	—	4.61%
		TPKL	3	Accounts payable	3,012	89,989	—	0.10%
		TPKS	3	Accounts payable	26,028	777,704	—	0.87%
		TPKH	2	Short-term loans	39,000	1,165,320	—	1.30%
12	TTI	TPKC	3	Purchases	39,718	1,186,783	—	1.55%
		TPKC	3	Accounts payable	18,528	553,626	—	0.62%
13	OTX	TPKG	3	Purchases	7,712	230,447	—	0.30%
		TPKC	3	Sales	58,059	1,734,793	—	2.27%
		TPKU	3	Sales	3,043	90,937	—	0.12%
		TPKC	3	Accounts receivable	19,909	594,887	—	0.66%
		TPKG	3	Accounts payable	3,078	91,976	—	0.10%
		TPK HK	3	Dividends payable	4,763	142,307	—	0.16%
		OTH	3	Dividends payable	11,907	355,793	—	0.40%
14	CIM	TPKH	2	Short-term loans	6,046	180,653	—	0.20%
15	MTOT	RSS	3	Purchases	11,786	352,162	—	0.46%
		RSS	3	Accounts payable	5,574	166,564	—	0.19%

(Continued)

No. (Note 1)	Company Name (Note 2)	Counterparty (Note 2)	Nature of Relationship (Note 3)	Intercompany Transactions				
				Financial Statements Item	Amount (US$)	Amount (Approximately NT$) (Note 4)	Terms (Note 5)	Percentage of Consolidated Total Gross Sales or Total Assets (Note 6)
16	RSS	MTOT	3	Sales	$11,786	$352,162	—	0.46%
		MTOT	3	Accounts receivable	5,574	166,564	—	0.19%
		TPKC	3	Short-term loans	4,846	144,795	—	0.16%
17	TPKJ	TPKC	3	Sales	15,263	456,062	—	0.60%
		TPKC	3	Accounts receivable	17,098	510,902	—	0.57%
		JJS	3	Accrued expenses	8,490	253,669	—	0.28%
18	OTH	OTX	3	Dividends receivable	11,907	355,793	—	0.40%
19	JJS	TPKJ	3	Other receivables - related party	8,490	253,669	—	0.28%

Note 1: No. 0 represents parent company; other number represent subsidiaries.

Note 2: The company name and counterparty 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 exchange rate from U.S. dollars to New Taiwan dollars as of June 30, 2012 was US$1=NT$29.88.

Note 5: 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 6: Other transactions less than 0.1% of total assets and sales were not undisclosed.

(Concluded)

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APPENDIX 1

THE SECURITIES MARKET OF THE ROC

The information provided in this section has been extracted from various government and other publicly available publications which have not been prepared or independently verified by us, the Initial Purchasers or any of their affiliates or advisers in connection with the issue of the GDSs. References to the ROC Securities and Futures Bureau in this section include ROC Securities and Futures Bureau, both the ROC Securities and Futures Commission and the ROC Securities and Exchange Commission and its predecessors.

In September 1960, the ROC Government established the ROC Securities and Exchange Commission to supervise and control all aspects of the domestic securities market and the TWSE began to take shape soon thereafter. In the 1970s and the early 1980s, the ROC Government implemented a number of steps designed to upgrade the quality and importance of the ROC securities markets, such as encouraging listings on the TWSE and establishing an over-the-counter market. In the mid-1980s, 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. In 2004, the ROC Securities and Futures Commission was renamed again the ROC Securities and Futures Bureau and its supervisory authority is transferred from the MOF to the FSC.

The TWSE and the ROC GreTai Securities Market

In 1961, the ROC SFB, working together with private interests, established the TWSE to provide a market place for securities trading. The TWSE is a corporation owned by government-controlled entities and private banks and enterprises. The TWSE is independent of entities transacting business through it, each of which pays a user's fee. Subject to limited exceptions, all transactions in listed securities by brokers, traders and integrated securities firms (firms which are permitted to combine the activities of brokerage, trading and underwriting) must be made through the TWSE.

The instruments traded on the TWSE have primarily been limited to common shares and bonds. In 1988, the MOF permitted the issue of the ROC's first exchangeable bonds (such bonds being exchangeable at the option of the bondholders into shares of companies owned by the issuer). 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 debt instruments issued by international financial institutions, such as Asia Development Bank, warrants, exchange traded funds, Taiwanese depositary receipts and shares of foreign companies are also listed on the TWSE.

To complement the TWSE, the GreTai Securities Market, or GTSM, was established in September 1982 on the initiative of the ROC SFB. In early 1988, the ROC SFB promulgated regulations designed to encourage trading of unlisted securities of companies whose securities do not qualify for listing on the TWSE. The type of securities traded on the GTSM is substantially identical to those traded on the TWSE.

As at August 31, 2012, there were 799 companies whose shares were listed on the TWSE and the total market capitalization of the TWSE was approximately NT$20.4 trillion, and there were 622 companies whose shares were traded on the GTSM and the total market capitalization of the GTSM was approximately NT$1.7 trillion.

Listing on the TWSE

For a ROC company to be listed on the TWSE, it must have been in existence for at least three years, have a minimum paid-in capital of NT$600 million upon the application for listing and have at least 1,000 registered shareholders, including not less than 500 registered shareholders who are not (i) directors, supervisors and managerial personnel of the company (including spouses, minor children and nominees of such directors, managerial personnel and supervisors) and (ii) shareholders of the company (each of whom, alone or together with his/her spouse, minor children and/or nominees, holds 10% or more of the company's outstanding shares) and (iii) companies of which the above directors, supervisors, managerial personnel or shareholders hold 50% or more of the shareholding. Such shareholders must together hold in excess of either 20% of the outstanding shares or 10 million shares. The company may not have accumulated deficit for the previous fiscal year and its pre-tax net income and operating income in its own financial statements and the consolidated financial statements prepared in accordance with ROC GAAP must have: (i) been not less than 6% of paid-in capital for each of the previous two fiscal years, or (ii) averaged not less than 6% of paid-in capital for the previous two fiscal years with the profitability of the last fiscal year exceeding that of the preceding fiscal year, or (iii) been not less than 3% of the paid-in capital for each of the previous five fiscal years. However, other special listing criteria are applicable to high-technology companies and businesses engaging in activities relating to national economic development.

Mechanics of trading on the TWSE

In order to reduce market volatility, the TWSE has placed limits on block trading and on the range of daily price movements. A transaction involving buy or sale of single securities with 500 trading lots or more or with trading amounts exceeding NT$15 million or a transaction involving buy or sale of shares issued by five or more companies with the aggregate amount exceeding NT$15 million must be registered and executed pursuant to certain TWSE guidelines. Fluctuations in the price of securities traded on the TWSE are currently subject to a restriction of 7% above and below the previous day's closing price (or reference price set by the TWSE if the previous day's closing price is not available because of lack of trading activity) in the case of equity securities and a restriction of 5% above and below the previous day's closing price (or reference price set by the TWSE if the previous day's closing price is not available because of lack of trading activity) in the case of debt securities. However, these restrictions have been modified from time to time by the FSC based on market conditions. Sales of shares of companies listed on the TWSE are currently sold in round lots of 1,000 shares. Although odd-lot trading may be conducted on the TWSE, delays are occasionally experienced in respect of such trading.

Brokerage commissions for trades on the TWSE can be any rate of the transaction price, provided that if the rate exceeds 0.1425% it must be reported to the TWSE and notified to the client in advance. A securities transaction tax, currently levied at the rate of 0.3% of the transaction price for shares and at the rate of 0.1% of the transaction price for non-governmental bonds, subject to transaction size, is payable by the seller of securities and is withheld at the time of the transaction giving rise to such taxes. However, according to Article 2-1 of the Securities Transaction Tax Act, no securities transaction tax will be imposed on the transfer of corporate bonds and financial debentures for seven years starting from January 1, 2010.

Regulation and Supervision

The FSC is responsible for implementing and administering the Securities and Exchange Law, the principal legislation governing Taiwan's securities market and its participants. It has extensive regulatory authority over the offering, issue and trading of securities. In addition, the Securities and Exchange Law specifically empowers the FSC to promulgate rules under certain circumstances. The FSC has regulatory authority over companies listed on the TWSE, companies whose shares are traded on the GTSM and unlisted public companies. ROC public companies are generally required to obtain an effective registration with the FSC for all securities offerings. The FSC has promulgated regulations requiring, unless otherwise exempted, periodic reporting of financial and operating information by all public companies. In addition, the FSC is responsible for the establishment of standards for financial reporting and carries out licensing and supervision with respect to the other participants in the ROC's securities market.

The number of shares that each of our directors, managers or major shareholders (i.e., a shareholder who, together with his or her spouse, minor children or nominees, holds more than 10% of the shares) can sell or transfer per day on the TWSE is limited by the Securities and Exchange Law of the ROC. Further, they may sell or transfer the shares on the TWSE only after reporting to the FSC at least three days before the transfer, provided that such reporting is not required if the number of shares transferred does not exceed 10,000.

The Securities and Exchange Law of the ROC prohibits market manipulation. It permits a company to recover certain short-swing trading profits made by the directors, managerial personnel and supervisors of such company (including spouses, minor children and nominees of such directors, managerial personnel and supervisors) from the purchases and sales of the company's securities, within six months of such purchases and/or sales. It also permits a company to recover certain short-swing trading profits made by a shareholder of such company (who, together with his/her spouse, minor children and/or nominees, hold 10% or more of the company's outstanding shares) from the purchases and sales of the company's securities, within six months of such purchases and/or sales.

The Securities and Exchange Law of the ROC also prohibits trading by "insiders" based on non-public information that can materially affect the share price of a company prior to publication of such information and within 18 hours after publication of such information. Pursuant to the Securities and Exchange Law of the ROC, the term "insider" is defined to include (i) directors, supervisors and managers of a company (together with their spouses, minor children and nominees), and any individual designated by a governmental or corporate director or supervisor to act on its behalf; (ii) shareholders of the company who, together with their spouses, minor children and nominees, hold 10% or more of the company's outstanding shares; (iii) any person who obtains such information due to an occupational relationship with or controlling influence over the company; (iv) any person discharged from the status or position in (i), (ii) and (iii) above for not more than six months; and (v) any person who obtains such information from any of the above.

Sanctions for market manipulation and insider trading include prison terms. In addition, damages may be awarded to persons injured by such transactions. Notwithstanding the prohibitions and sanctions, there has been recurring press reports of market manipulation and insider trading on the TWSE.

The Securities and Exchange Law 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 related documents.

In addition, the Securities and Exchange Law provides for civil liability for material misstatement or omissions made by issuers and regulation of tender offer. The FSC does not have criminal or civil enforcement powers under the Securities and Exchange Law. Criminal actions may be pursued only by the prosecutor upon the recommendation of the FSC. Under ROC law, civil actions may only be brought by plaintiffs who assert that they have suffered damages. The FSC is directly empowered to curb abuses and violations of applicable laws and regulations only through administrative measures such as the issue 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 SFB, delist the securities of these issuers.

For foreign issuer who lists its shares for trading on the TWSE, such as us, in addition to the above-mentioned regulations and supervision, certain restrictions and provisions of the Securities and Exchange Law shall also be applicable to such foreign companies, including but not limited to the following:

- responsibility for preparation and announcement of financial statements;

- responsibility for preparation and distribution of prospectus;
- reporting obligations of change of shareholding of directors, managers and shareholders who hold more than 10% of the shares of the issuer;
- tender offer;
- private placement of securities; and
- margin trading.

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