



TPK Holding Co., Ltd.

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

20,000,000 Global Depository Shares representing 20,000,000 Ordinary Shares US\$250,000,000 Zero Coupon Convertible Bonds due 2020

We are offering through J.P. Morgan Securities plc, Barclays Bank PLC and The Hongkong and Shanghai Banking Corporation Limited (the “Initial Purchasers”) (i) 20,000,000 Global Depository Shares (the “GDSs”), representing ordinary shares, par value NT\$10.00 per ordinary share, of our company (the “Shares”), each GDS representing one Share and (ii) US\$250,000,000 aggregate principal amount of zero coupon convertible bonds due 2020 (the “Bonds”). The closings of the offerings of the GDSs and the Bonds are not contingent upon each other.

Our Shares are currently listed under the trading code “3673” on the Taiwan Stock Exchange Corporation (“TWSE”). Payment for the GDSs will be in U.S. dollars at a price of US\$6.68 per GDS (equivalent to NT\$209.0 per share, translated at the exchange rate of NT\$31.29 = US\$1.00 based on the Taipei Forex Inc. Taiwan Dollar 11:00 Fixing Rate on March 31, 2015). On March 31, 2015, the closing price for our Shares on the TWSE was NT\$219.0. Subject to certain restrictions described in this offering memorandum and the approval of the TWSE, you may surrender the GDSs offered hereby to withdraw the underlying Shares on or after the fourth business day in the Republic of China (the “ROC”) after the closing day of the GDS offering.

The Bonds will be our direct, unconditional and unsubordinated obligations and will rank *pari passu* without any preference or priority among themselves and with all of our other direct, unconditional, unsecured and unsubordinated obligations, except as otherwise provided herein. The Bonds will mature on April 8, 2020 at 107.76% of their principal amount. The Bonds will not bear any interest.

The Bonds will be convertible into our Shares, during the period from and including May 19, 2015 to and including March 29, 2020, except during any closed periods, at an initial conversion price of NT\$240.37 per share, with a fixed exchange rate of NT\$31.29 = US\$1.00. The Shares issuable upon the conversion of Bonds may not be deposited into our GDR facilities existing under the deposit agreements for the GDSs. The conversion price for the Bonds will be subject to adjustment in certain events.

At any time on or after April 8, 2018, by giving the requisite notice, we may redeem the Bonds, in whole but not in part, at the Early Redemption Amount, if the closing price (translated into U.S. Dollars at the Prevailing Exchange Rate (as defined herein)) of the Shares for 20 out of 30 consecutive Trading Days (as defined herein), the last day 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 quotient of the Early Redemption Amount (as defined herein) divided by the Conversion Ratio (as defined herein). In addition, we may, at our option, redeem the Bonds then outstanding, in whole but not in part, at the Early Redemption Amount if (i) 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 or (ii) we become obligated to pay Additional Amounts (as defined herein) as a result of certain changes in the tax laws of the Cayman Islands or the ROC occurring after April 8, 2015.

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 104.59% of the outstanding principal amount thereof on April 8, 2018 at your option. You may also require us to redeem the Bonds at the Early Redemption Amount, 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 (as defined herein) on the TWSE or there is a Change of Control (as defined herein).

Applications have been made to admit the GDSs and the Bonds to the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF Market.

Investing in and holding the GDSs and/or the Bonds involve a high degree of risk. See “Risk Factors” beginning on page 15

The GDSs and the Shares represented thereby, and the Bonds and the Shares to be issued upon conversion of the Bonds, have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”). The GDSs and the Bonds are being offered and sold outside the United States in reliance on Regulation S under the Securities Act (“Regulation S”) and within the United States to persons reasonably believed to be qualified institutional buyers (“QIBs”) in reliance on Rule 144A under the Securities Act (“Rule 144A”). 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 April 8, 2015. The Bonds will be represented by beneficial interests in one or more global bonds registered in the name of a nominee of Citibank Europe plc, as common depository for Euroclear and Clearstream, Luxembourg. Except as described herein, beneficial interests in the global bonds 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 to purchasers on or about April 8, 2015.

GDS Offering Price: US\$6.68 per GDS
Bonds Issue Price: 100%

Joint Bookrunners

J.P.Morgan



Co-Manager



The offering memorandum is dated March 31, 2015

We are offering through the Initial Purchasers (i) 20,000,000 GDSs, representing 20,000,000 Shares, each GDS represents one Share and (ii) US\$250,000,000 aggregate principal amount of zero coupon convertible bonds due 2020. The closings of the offerings of the GDSs and the Bonds are not contingent upon each other.

The GDS offering consists of (i) private placements in the United States to persons reasonably believed to be QIBs as defined in, and in reliance on, Rule 144A and (ii) private placements outside the United States in reliance on Regulation S. The GDSs offered in reliance on Rule 144A will be issued in the form of Rule 144A GDSs (as defined herein), and the GDSs offered in reliance on Regulation S will be issued in the form of International GDSs (as defined herein). The Bonds are being offered in reliance on Rule 144A will be issued in the form of Rule 144A Bonds (as defined herein), and the Bonds offered in reliance on Regulation S will be issued in the form of International Bonds (as defined herein).

The GDSs offered hereby will be issued pursuant to two deposit agreements. The GDSs include the Rule 144A GDSs and International GDSs (as defined herein) evidenced by global depositary receipts issued pursuant to a Rule 144A deposit agreement (the “Rule 144A Deposit Agreement”) and a Regulation S deposit agreement (the “Regulation S Deposit Agreement”), respectively, each dated as of October 1, 2012, by and among the Company, Citibank, N.A., as depositary (the “Depositary”), and all holders and beneficial owners of the GDSs issued thereunder, and each as supplemented by a letter agreement to be dated on or about April 8, 2015 (the “Letter Agreement”). The Rule 144A Deposit Agreement and the Regulation S Deposit Agreement, as supplemented by the Letter Agreement, are together referred to as the “Deposit Agreements.”

We issued 17,600,000 global depositary shares on October 1, 2012 pursuant to the Deposit Agreements in connection with the initial offer of our global depositary shares and their listing on the Luxembourg Stock Exchange. Subsequent to the closing of the initial offer and listing, we cancelled some of the global depositary shares issued on October 1, 2012 at the request of the holders with a release of the corresponding underlying Shares by the Depositary’s custodian in Taiwan, and we created new global depositary shares at the request of the holders as a result of deposits of the corresponding underlying Shares with the Depositary’s custodian in Taiwan. As a result of these issuance and cancellation transactions, there are currently 4,000 outstanding existing global depositary shares in the GDR facility existing under the Regulation S Deposit Agreement (the “Existing International GDSs”). Currently, there are no outstanding existing global depositary shares previously issued pursuant to the Rule 144A Deposit Agreement. The International GDSs offered hereby will be listed as the same security as the Existing International GDSs on the Luxembourg Stock Exchange and will be fungible with the Existing International GDSs.

Subject to limitations under ROC and U.S. law as described in this offering memorandum, our GDR facilities permit the ongoing issuance of global depositary shares as a result of deposits of Shares by holders and the cancellation of outstanding global depositary shares which results in the release of Shares to holders. As a result, the balance of our outstanding global depositary shares may fluctuate. Any new global depositary shares issued as result of a deposit of Shares are fully fungible with the GDSs outstanding at any given time.

Application has been made to list the Rule 144A GDSs and International GDSs on the Luxembourg Stock Exchange. The offer and sale of the Rule 144A GDSs and International GDSs is not conditional on obtaining a listing of such Rule 144A GDSs or International GDSs on the Luxembourg Stock Exchange or any other exchange. This offering memorandum constitutes a prospectus for the purpose of Luxembourg law dated July 10, 2005 on Prospectuses for Securities, as amended.

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 THE BONDS 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.

NOTICE TO INVESTORS

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 Market 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, the Initial Purchasers, the Trustee (as defined herein) or the Principal Paying Transfer and Conversion Agent (as defined herein) 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 and Regulation S.

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 (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 Depository, 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, Deutsche Bank 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;
- changes in technology and competing or alternative touch solutions adopted by our customers;
- risks associated with expanding into new end-application markets;
- general economic, political and social conditions and developments in Taiwan, the PRC and other jurisdictions in which we operate our business;
- 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. A majority 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 (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 or the Bonds, 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) (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, L&L-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, the following references in this offering memorandum have the following meaning:

- “we,” “us,” “Issuer,” “our Company,” or “the Company” means TPK Holding Co., Ltd., or to TPK Holding Co., Ltd. and its subsidiaries and affiliates, as the context required
- “Taiwan” or the “ROC” means the island of Taiwan and other areas under the effective control of the Republic of China
- “ROC Government” means the government of the Republic of China
- “PRC” means the People’s Republic of China, excluding Hong Kong, Macau and Taiwan
- “IFRS” means the International Financial Reporting Standards as issued by the International Accounting Standard Board
- “Taiwan IFRS” means the International Financial Reporting Standards, International Accounting Standards, interpretations as well as the related guidance endorsed by the ROC Financial Supervisory Commission (“FSC”)

- “United States dollars,” “US dollars” and “US\$” refer to United States dollars
- “New Taiwan dollars,” “NT dollars” and “NT\$” refer to New Taiwan dollars
- “Renminbi” and “RMB” refer to Renminbi
- “small-sized touch devices” refers to touch devices with screen size of 7 inches or smaller
- “medium-sized touch devices” refers to touch devices with screen size of 7 inches or above, but smaller than 11 inches
- “small and medium-sized touch devices” refers to touch devices with screen sizes smaller than 11 inches
- “large-sized touch devices” refers to touch devices with screen size of 11 inches or larger

Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

We have included our audited consolidated financial statements as of and for the years ended December 31, 2012, 2013 and 2014 prepared in accordance with Taiwan IFRS in this offering memorandum. Taiwan IFRS differs in certain respects from IFRS, including, but not limited to, the extent that any new or amended standards or interpretation applicable under IFRS may not be timely endorsed by the FSC. For information relating to the nature and effect of significant differences between Taiwan IFRS and IFRS as they relate to us, see “Summary of Certain Material Differences between Taiwan IFRS and IFRS.”

Unless otherwise noted, all translations from NT dollars to US dollars were made using the exchange rate of NT\$31.60 to US\$1.00 on December 31, 2014 as set forth in the statistical release published by the Federal Reserve Board of the United States (the “Federal Reserve Board”). All amounts translated into US dollars in this offering memorandum are provided solely for your convenience and no representation is made that the NT\$ or US\$ amounts referred to herein could have been or could be converted into NT\$ or US\$, as the case may be, at any particular rate or at all. For illustration purposes, on March 27, 2015, the exchange rate as set forth in the statistical release published by the Federal Reserve Board was NT\$31.19 to US\$1.00. For further information relating to exchange rates, see “Exchange Rates.”

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 IFRS or Taiwan IFRS and are therefore referred to as “non-GAAP” financial measures. They are not measurements of our financial performance under Taiwan IFRS or IFRS and should not be considered as an alternative to profit from operations or any other performance measures derived in accordance with Taiwan IFRS 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 Taiwan IFRS.

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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. With net operating revenue of NT\$129,516.9 million (US\$4,098.6 million) for the year ended December 31, 2014, we believe we are currently the world’s largest pure-play touch solution provider. We believe our market-leading position results from our technological leadership, strong research and development capabilities, high operational standards and flexible production capabilities. 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 believe our technology leadership will enable us to continue to be at the forefront of proliferating touch solutions across various end-applications, including smartphones, tablet PCs, notebook PCs, wearable devices, automotive monitors and other touch-enabled applications. We offer versatile touch solutions across a wide range of product structures and technology categories, including multiple film- and glass-based solutions such as Glass-Film-Film (“G/F/F”), Glass-Film (“G/F”), Glass-on-Glass (“G/G”), One-Glass-Solutions (“OGS”) and Touch-on-Lens (“TOL”) solutions. We believe that we are well-positioned to benefit from the increasing demand for touch solutions in diverse end-application markets.

Since our inception, we have dedicated significant resources to working closely with our customers to jointly establish product and technology roadmaps that define industry standards. We believe that our close collaboration with market leaders enables us to accurately identify and respond to emerging technology trends. We also believe that our continued focus has successfully reinforced our reputation as a reliable, efficient and high-quality touch solution provider, and has positioned us as the preferred partner and supplier for market leaders in the electronics industry.

Our flexible operating platform enables us to efficiently provide comprehensive product solutions across the entire value chain to meet our customers’ requirements 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 by focusing on manufacturing process improvement, production technology enhancement, new solutions and use of alternative raw materials, with the objectives of maintaining technology leadership and tailoring our product offerings to capture the growth markets across various end-application and ecosystems.

For the year ended December 31, 2014, we had net operating revenue of NT\$129,516.9 million (US\$4,098.6 million), gross profit margins of 8.1%, and operating income of NT\$144.9 million (US\$4.6 million) and net profit of NT\$567.0 million (US\$17.9 million). Our EBITDA for the year ended December 31, 2014 was NT\$8,198.0 million (US\$259.4 million) and EBITDA margin was 6.3%.

Our Shares have been listed on the TWSE since October 2010 under the trading code “3673.” On March 31, 2015, the closing price per Share on the TWSE was NT\$219.0 per Share and our market capitalization was NT\$72,573.7 million (US\$2,296.6 million).

Competitive Strengths

We believe our leading position in the touch-enabled electronics market is primarily attributable to the following strengths:

- Technology leadership with innovative solutions in products and manufacturing process;
- Close and collaborative relationships with market leaders;
- Versatile touch solutions provider with high operational flexibility; and
- Strong management team with extensive industry experience.

Our Strategy

Our objective is to further solidify our leading position in the touch-enabled electronics market by implementing the following strategies:

- Focus on our core competence;
- Continuously improving on operational efficiency; and
- Strengthen relationships with key strategic customers and expand into new end-application markets.

THE OFFERINGS

The offerings described in this offering memorandum consist of an offering of the GDSs and the offerings 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 of the GDSs and the Bonds, please refer to sections entitled "Description of the Global Depositary Shares" and "Description of the Bonds." Capitalized terms used herein and not defined have the meaning given to them in this offering memorandum.

Issuer TPK Holding Co., Ltd.

GDS Offering

The GDS Offering 20,000,000 GDSs representing 20,000,000 new Shares are being offered at a price of US\$6.68 per GDS (equivalent to NT\$209.0 per share, translated at the exchange rate of NT\$31.29 = US\$1.00 based on the Taipei Forex Inc. Taiwan Dollar 11:00 Fixing Rate on March 31, 2015) to persons reasonably believed to be QIBs in the United States in reliance on Rule 144A (the "Rule 144A GDSs"), and outside the United States in reliance on Regulation S (the "International GDSs").

Shares Outstanding Immediately

Before the GDS Offering 331,386,759 Shares.

Shares Outstanding Immediately

After the GDS Offering Immediately after this offering, there will be 351,386,759 Shares issued and outstanding.

The GDSs Each GDS represents one Share. The Rule 144A GDSs will be issued pursuant to the Rule 144A Deposit Agreement and the International GDSs will be issued pursuant to the Regulation S Deposit Agreement.

Issue Date April 8, 2015

Offering Price US\$6.68 per GDS.

Use of Proceeds The net proceeds to be received by us from this offering of the GDSs will be approximately US\$131.5 million.

We intend to use the net proceeds of the offering of the GDSs for the procurement of raw materials overseas. See "Use of Proceeds."

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 after April 8, 2015, 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 after April 8, 2015 (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 Citibank Taiwan Limited, as custodian (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 after April 8, 2015, subject to the listing approval from the TWSE and the relevant provisions of the Deposit Agreements, 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 holder of the underlying Shares. The new Shares are settled through the book-entry system. Our GDR facility will be temporarily closed to withdrawals beginning on April 8, 2015 until the Share Listing Date during which holders of GDSs will not be able to cancel their GDSs and withdraw the corresponding underlying Shares from our GDR facility. See “Description of the Global Depositary Shares.”

Issuance of Additional GDSs Under current ROC law, after the deposit of Shares pursuant to this GDS offering, 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 specific approval of the 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 the existing GDSs then outstanding pursuant to the Deposit Agreements 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 which explicitly allow the Shares issued upon conversion of the bonds or being exchanged to be deposited into a depositary receipt facility have been approved by the FSC prior to the bond 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 International GDSs and vice versa, subject to any adjustment to the number of shares represented by each GDS. See “Description of the Global Depositary Shares.”

Holders of the Bonds may not direct that the Shares issuable upon conversion of the Bonds be deposited with the Depositary for issuance of additional GDSs. See “Description of the Global Depositary Shares” and “Description of the Bonds.”

Voting Rights On May 22, 2013, the Company amended its memorandum of association and articles of association to allow split voting in accordance with applicable ROC public company rules. Subject to the applicable Deposit Agreement, if the Depositary timely receives voting instructions from a holder of GDSs, it will endeavor to vote or

cause the Custodian 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.

Provided that the Depositary has received notice allowing it to timely notify the GDS holders of a meeting or solicitation of vote from the Company, and the Depositary has not received valid voting instructions from a GDS holder, such GDSs holder 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 holder’s 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 DTC has accepted the GDSs being offered in its book-entry settlement system. The GDSs will be evidenced by master global depositary receipts (“Master GDRs”) certificates, in each case 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 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 GDSs Delivery of the GDSs, against payment in same-day funds, is expected on or about April 8, 2015.

Bonds Offerings

Bonds Offered US\$250,000,000 aggregate principal amount of zero coupon convertible bonds due 2020.

Interest The Bonds will not bear any interest.

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 April 8, 2020 at a redemption price equal to 107.76% of the unpaid principal amount thereof.

Issue Price 100% of the principal amount of the Bonds.

Issue Date April 8, 2015

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, unsecured and unsubordinated obligations.

Use of Proceeds The net proceeds to be received by us from the offering of the Bonds will be approximately US\$248.6 million. We intend to use the net proceeds of the offering of the Bonds for the procurement of raw materials overseas.

See “Use of Proceeds.”

Conversion Subject to certain conditions, each holder of the Bonds will have the right during the Conversion Period (as defined under “Description of the Bonds”) to convert its Bonds (or any portion thereof being US\$250,000 in principal amount or an integral multiple thereof) into Shares at any time from May 19, 2015 to March 29, 2020 except during any Closed Period (as defined under “Description of the Bonds”).

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.”

Under current ROC law, after the deposit of Shares pursuant to this GDS offering, 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 specific approval of the FSC, except in certain limited circumstances. The offering plans approved by the FSC for the Bonds offerings did not include approval for the Shares issued upon conversion of the Bonds offered hereby to be deposited into a depositary receipt facility. As a result, holders of the Bonds may therefore not direct that the Shares issuable upon conversion of the Bonds be deposited with the Depositary for issuance of additional GDSs. See “Description of the Global Depositary Shares” and “Description of the Bonds.”

A non-ROC person that converts Bonds will be required to appoint an ROC Tax Guarantor responsible for filing tax returns and making tax payments and a local custodian. See “Description of the Bonds — ROC Procedures for Foreign Nationals Holding Shares.”

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 under “Description of the Bonds”) from the Conversion Date (as defined under “Description of the Bonds”) deliver the Shares in book-entry form to the converting holders for the purpose of trading the Shares on the TWSE.

Conversion Price The conversion price will initially be NT\$240.37 per share with a fixed exchange rate applicable on conversion of Bonds of NT\$31.29 = 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.”

Early Redemption Amount The early redemption amount for each US\$250,000 of the Bonds is determined so that it represents for the bondholder a gross yield of

1.50% per annum on a semi-annual basis for the Bonds (the “Early Redemption Amount”).

See “Description of the Bonds.”

Redemption at the Option of the

Issuer At any time on or after April 8, 2018 and prior to the maturity date of the Bonds, we may, at our option, redeem the Bonds, in whole but not in part, at the Early Redemption Amount provided that: (1) the closing price (translated into US dollars at the Prevailing Exchange Rate (as defined under “Description of the Bonds”) of the Shares for 20 out of 30 consecutive Trading Days (as defined under “Description of the Bonds”) 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 quotient of the Early Redemption Amount divided by the Conversion Ratio (as defined under the “Description of the Bonds”); and (2) the applicable Redemption Date (as defined under “Description of the Bonds”) 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 the Early Redemption Amount, provided that the Redemption Date does not fall within a Closed Period.

See “Description of the Bonds — Redemption of the Bonds at the Option of the Issuer.”

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 under “Description of the Bonds”) 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, we may, at our option, redeem the Bonds, in whole but not in part, at the Early Redemption Amount; provided that such right cannot be exercised earlier than 45 days prior to the first date on which we would be obligated to pay Additional Amounts 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 dates of such Bonds offering, holders of the Bonds 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 bondholder shall have the right, at such bondholder’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 bondholder, on April 8, 2018 at a redemption price equal to 104.59% of the outstanding principal amount thereof.

See “Description of the Bonds — Redemption of the Bonds at the Option of the Holder.”

Redemption in the Event of Change in Control

Unless the Bonds have been previously redeemed, repurchased and canceled or converted, each bondholder shall have the right, at such bondholder’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 bondholder at the Early Redemption Amount upon the occurrence of a Change of Control, as defined herein. See “Description of the Bonds — Redemption of the Bonds in the Event of Change of Control.”

Redemption in the Event of Delisting

Unless the Bonds have been previously redeemed, repurchased and canceled or converted, in the event that the Shares cease to be listed or admitted to trading or are suspended from trading for a period equal to or exceeding 30 consecutive Trading Days on the TWSE, each bondholder shall have the right, at such bondholder’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 bondholder on the 20th business day after the Paying Agent (as defined herein) mails to each bondholder a notice regarding such delisting at the Early Redemption Amount. 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 under “Description of the Bonds”) will, create or permit to subsist any Lien (as defined under “Description of the Bonds”) to secure for the benefit of the holders of any International Investment Securities (as defined under “Description of the Bonds”) 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 Bonds sold in offshore transactions in reliance on Regulation S (the “International Bonds”) will be represented by one or more permanent global certificates in fully registered book-entry form (each, an “International Global Bond,” and together, the “International Global Bonds”). Bonds sold within the United States to QIBs in reliance on Rule 144A (the “Rule 144A Bonds”) will be represented by one or more registered global certificates in fully registered book-entry form (each, a “Rule 144A Global Bond,” and together, the “Rule 144A Global Bonds”). The Rule 144A Global Bonds and the International Global Bonds are together referred to as the “Global Bonds.” The Global Bonds will be deposited with Citibank Europe plc as common depositary (the “Common Depositary”) for Euroclear and Clearstream, Luxembourg and registered in the name of a nominee of the Common Depositary.

The Bonds will not be issuable in a bearer form.

Delivery of the Bonds The Initial Purchasers expect to deliver the Bonds to purchasers on or about April 8, 2015.

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 prior written consent from J.P. Morgan Securities plc, Barclays Bank PLC and The Hongkong and Shanghai Banking Corporation Limited, (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, 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 (a) the GDSs and the Bonds to be sold pursuant to this offering memorandum and (b) any Shares issued upon the exercise of options granted under existing employee stock option plans. See “Plan of Distribution.”

In addition, several shareholders holding an aggregate of 23.9% of our total issued and outstanding Shares as of February 28, 2015 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.

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 International GDSs, and the 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. The newly issued Shares represented by the GDSs or issued upon the conversion of the Bonds will be listed and admitted for trading on the TWSE.
Governing law	The Deposit Agreements, the Indenture (as defined under “Description of the Bonds”) and the Bonds will be governed by, and construed in accordance with, the laws of the State of New York.
Depository	Citibank, N.A., a national banking association organized and existing under the laws of the United States of America.
Custodian	Citibank Taiwan Limited, a company limited by shares 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	The GDSs, the Shares represented thereby, the Bonds, and the Shares to be issued upon conversion of the Bonds, have not been registered under the Securities Act, and those securities are subject to restrictions on transfer. See “Transfer Restrictions.”

SUMMARY FINANCIAL DATA

The summary financial information as of and for the years ended December 31, 2012, 2013 and 2014 set forth below are qualified by reference to, and should be read in conjunction with, our consolidated financial statements included elsewhere in this offering memorandum. Our financial statements as of and for the years ended December 31, 2012, 2013 and 2014 are prepared and presented in accordance with Taiwan IFRS.

Taiwan IFRS differs from IFRS in certain respects, including, but not limited to, the extent that any new or amended standards or interpretations applicable under IFRS may not be timely endorsed by the FSC. See “Summary of Certain Material Differences between Taiwan IFRS and IFRS” for more information.

You should also read the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section, which describes a number of factors that have affected our financial results, including demand for our products, the changes in financial reporting standards and the appreciation or depreciation of the NT dollar against the US dollar.

Consolidated Financial Data

	For the Year Ended December 31,			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
	(in millions, except per share data)			
Statement of Comprehensive Income Data:				
Net operating revenue	176,609.6	159,067.4	129,516.9	4,098.6
Operating costs	(146,724.9)	(138,136.9)	(119,035.2)	(3,766.9)
Gross profit	29,884.7	20,930.5	10,481.7	331.7
Operating expenses	(9,586.5)	(10,939.3)	(10,336.8)	(327.1)
Operating income	20,298.2	9,991.2	144.9	4.6
Non-operating income and expenses	(20.3)	(1,087.0)	430.5	13.6
Profit before income taxes	20,277.9	8,904.2	575.4	18.2
Income taxes	(5,361.6)	(1,289.6)	(8.4)	(0.3)
Net profit	<u>14,916.3</u>	<u>7,614.6</u>	<u>567.0</u>	<u>17.9</u>
Attributable to:				
Owners of the Company	14,364.9	7,188.5	277.1	8.7
Non-controlling interests	551.4	426.1	289.9	9.2
Diluted earnings per share of the parent	43.89	21.21	0.84	0.03

	As of December 31,			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
	(in millions)			
Balance Sheet Data:				
Cash and cash equivalents	23,237.9	38,299.4	29,539.6	934.8
Accounts receivable, net	27,968.0	14,818.9	13,809.6	437.0
Inventories, net	14,110.2	8,431.4	7,179.7	227.2
Total current assets	73,432.5	79,537.7	74,647.5	2,362.3
Property, plant and equipment	44,733.4	54,838.9	63,611.2	2,013.0
Total assets	128,987.1	151,201.1	152,722.7	4,833.0
Short-term borrowings and current portion of long-term borrowings	12,521.2	43,278.6	58,417.9	1,848.7
Current portion of bonds payable	—	10,827.5	6,833.6	216.2
Accounts and notes payable (including accounts payable-related parties)	32,368.8	20,475.1	20,540.0	650.0
Total current liabilities	57,945.3	86,998.9	95,305.6	3,016.0
Long-term borrowings, net of current portion	8,388.4	9,458.7	7,927.5	250.9
Bonds payable, net of current portion	16,266.5	6,309.1	—	—
Total liabilities	85,715.1	106,324.2	106,571.3	3,372.5
Total equity	43,272.0	44,876.9	46,151.4	1,460.5

	For the Year Ended December 31,			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
	(in millions, except percentage data)			
Statement of Cash Flow Data:				
Net cash generated from operating activities	16,108.3	18,526.2	14,411.5	456.1
Net cash used in investing activities.	(19,201.0)	(28,210.6)	(21,498.7)	(680.4)
Net cash generated from (used in) financing activities	16,334.6	23,921.1	(4,190.5)	(132.6)
Effect of exchange rate changes	(386.6)	824.8	2,517.9	79.7
Net increase (decrease) in cash and cash equivalents	12,855.3	15,061.5	(8,759.8)	(277.2)
Cash and cash equivalents at the beginning of the year	10,382.6	23,237.9	38,299.4	1,212.0
Cash and cash equivalents at the end of the year	23,237.9	38,299.4	29,539.6	934.8
Capital expenditures ⁽¹⁾	15,530.7	21,017.4	13,918.8	440.5
Depreciation and amortization	4,753.4	6,560.6	8,053.1	254.8
Other Financial Data:				
Gross profit margin (%) ⁽²⁾	16.9	13.2	8.1	8.1
Operating margin (%) ⁽³⁾	11.5	6.3	0.1	0.1
Net margin (%) ⁽⁴⁾	8.4	4.8	0.4	0.4
EBITDA ⁽⁵⁾⁽⁷⁾	25,051.6	16,551.8	8,198.0	259.4
EBITDA margin (%) ⁽⁶⁾⁽⁷⁾	14.2	10.4	6.3	6.3

Notes:

- (1) Capital expenditure refers to the amount of cash used in connection with the acquisition of (i) property, plant and equipment, (ii) prepayments for equipment, (iii) intangible assets and (iv) long-term prepayments for lease.
- (2) Gross profit margin is calculated by dividing gross profit by net operating revenue.
- (3) Operating margin is calculated by dividing operating income by net operating revenue.

- (4) Net margin is calculated by dividing net profit by net operating revenue.
- (5) EBITDA is defined as operating income, plus depreciation and amortization.
- (6) EBITDA margin is calculated by dividing EBITDA by net operating revenue.
- (7) 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 Taiwan IFRS and should not be considered as a substitute for, or superior to, operating income or operating margin prepared in accordance with Taiwan IFRS. 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 Taiwan IFRS. 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 revenue for January and February 2015 was NT\$11,041.2 million and NT\$7,302.3 million, respectively. The consolidated financial data for January and February 2015 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, the Bonds, the Shares represented by the GDSs and the Shares issuable upon conversion of the Bonds, involves risks, and you should carefully consider the risks described below before making an investment decision. In addition, you should also carefully consider all of the information contained in this offering memorandum, including our financial statements and related notes. You should note that we are governed in the Cayman Islands, the ROC and the PRC by a legal and regulatory environment that in some material respects may be different from that prevailing in other countries.

Risks Relating to Our Business

Competition in the touch-enabled electronics industry is intense, and we may be unable to compete effectively.

The touch-enabled electronics industry is intensely competitive, characterized by aggressive price cutting, frequent introduction of new touch solutions, short product life cycles, evolving industry standards, continual improvement in product price/performance characteristics, rapid adoption of technological and product advancements by competitors and price sensitivity on the part of consumers. Our ability to compete successfully depends heavily on our ability to ensure a continued and timely introduction of different touch solutions and technologies in response to changes in market demand, while effectively managing and reducing production costs.

We are a pure-play touch solution provider offering tailored designs using our proprietary technologies and manufacturing know-how. Because we offer touch solutions in end-applications across a wide range of industries such as smartphones, tablet PCs, notebook PCs, wearable devices, automotive monitors, consumer electronics and other portable devices using different touch structures and technology categories, we face a broad range of existing and new competitors ranging from large multinational consumer electronics manufacturers to highly specialized pure-play touch solution providers that focus on a limited number of touch solutions. We develop and design the key manufacturing equipment of our touch solutions in-house using our proprietary technologies. Therefore, we have and will continue to make significant investments in research and development. In contrast, many of our competitors seek to compete primarily through aggressive pricing and very low cost structures for different or alternative designs in order to maintain or gain market share.

We compete in various touch structures and technologies used in various end-application markets based on the following factors, among others:

- ability to accurately identify and respond to emerging technology trends for various end-application and ecosystems, and the ability to respond to the demand for different product features and performance characteristics;
- successfully managing product mix in response to changes in market demand and differences in margin associated with different products;
- product performance, quality and reliability;
- successful and timely development of new and innovative solutions and adopting versatile manufacturing processes; and
- competitive pricing.

Rapid technological advances and aggressive pricing strategies by our competitors may continue to increase competition. In order to remain competitive, we must continue to introduce new touch solutions to the market in

a timely manner, upgrade technology and manufacturing processes and improve our materials supply chain. To mitigate the effects of price declines in our existing solutions and to sustain profitability, we constantly seek to improve production efficiency through reduction of input component 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. We cannot assure you 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 solutions that command higher margins.

Some of our competitors may have superior financial, marketing, manufacturing, research and development and technological resources, greater brand name recognition and larger customer bases than 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 are highly dependent on the customers in the electronics industry, which is characterized by intense competition, rapid price declines for existing products and other competitive pressures over the product life cycles.

Currently, substantially all of our total sales are derived principally from customers using our touch solutions in end-applications such as smartphones, tablet PCs, notebook PCs, wearable devices, automotive monitors, consumer electronics and other portable devices. The electronics industry is characterized by rapidly changing technology, including enhancements in hardware functionality and performance, user preferences, evolving industry standards and the frequent introduction of new or next generation products. Accordingly, we are vulnerable to the product life cycles for end-applications which our customers manufacture, as well as changes in the global demand and inventory adjustment for smartphones, tablet PCs, notebook PCs, wearable devices, automotive monitors, consumer electronics and other portable devices. The prices of the touch solutions we offer tend to decline over the end-application 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 improvements in production yield rates, any and all of which place downward pressure on prices. We will continue to be dependent on the growth of the global electronics industry for a substantial portion of our sales, and any downturn or reduction in demand for such products would adversely affect our business, results of operations and financial condition.

Competing or alternative touch solutions may render our touch solutions uncompetitive or obsolete.

In recent years, with the significant growth in the demand for consumer electronics and the proliferation of touch devices, touch technologies have evolved into several different structures and technologies, including add-on type solutions and in-cell, on-cell type solutions, among others. Touch sensor materials also expanded to comprise of various different materials. For example, while indium tin oxide (“ITO”) remains the dominant conductive material for touch sensor pattern, new materials such as metal mesh and silver nanowire, among others, are introduced to the market as alternative materials because they allow greater flexibility or have better cost structures.

As the inventor of the transparent projected capacitive (“P-Cap”) touch technology and a pure-play touch solution provider, we currently focus primarily on the manufacturing of glass-based touch modules and touch displays, and have dedicated our resources and research and development efforts to the design, development and provision of integrated touch solutions primarily utilizing the add-on, P-Cap touch technology. We cannot assure you that our business model as a pure-play touch solution provider and our focus on utilizing the add-on, P-Cap touch technology will be successful. Our competitors may produce other competing or alternative touch solutions which we do not produce, or offer similar touch solutions at lower price, and these competing or alternative solutions may achieve greater market acceptance than ours.

We currently face competition from other pure-play touch solution providers that utilize similar add-on type touch technologies, as well as new entrants such as TFT-LCD panel manufacturers that utilize alternative or competing technologies such as in-cell, on-cell or embedded touch panel (“eTP”) touch technologies. Starting from 2013, due to the slowdown in demand for high-end smartphones and tablet PCs and significant growth in demand for mid-to-low end touch devices, our competitors have started to introduce various competing low-cost touch solutions with aggressive pricing. Furthermore, in recent years, certain of our top customers adopted the in-cell touch technology, a technology we currently do not produce, for several mainstream smartphone products. Despite this setback, we still intend to focus our development on touch solutions using the add-on, P-Cap touch technology as we continue to devote significant efforts to develop new and advanced touch solutions and improve the production yield rate for our proprietary TOL solutions. However, we cannot assure you that we can regain a design win with our previous customers, or that our existing customers will not adopt competing or alternative technologies. We may have difficulty adapting our production processes if alternative technologies, such as in-cell, on-cell, or touch solutions using sensor materials such as metal mesh that we currently do not produce, achieve market popularity. If we are unable to sell our touch solutions to other customers or to adapt our production processes to these alternative technologies that achieve market popularity, our financial condition, results of operations and future prospects will be materially and adversely affected.

In addition, our business involvement with several of our top customers is also dependent on our winning the designs for each product life cycle. Our sales and implementation cycles for our touch solutions are usually dependent on our customers’ implementation schedule for new touch devices. Adopting new touch structures or design methodologies may involve significant commitment of resources by prospective customers and fundamental changes in methods of design or cost projections for their products. As a result, if we fail to achieve a design win with a potential customer early in a given product life cycle, then our ability to convert that potential customer into a customer before its next product life cycle decreases. Our existing customers may select additional suppliers, which could reduce the proportion of their business that they direct to us. This increase in competition could result in more intense price competition and potential oversupply of touch products, including touch modules and touch displays. As a result, our results of operations may be materially and adversely affected if we fail to compete successfully.

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 operating revenue. In 2012, 2013 and 2014, sales to our largest customer accounted for 59.1%, 42.8% and 40.2% of our operating revenue, respectively. In aggregate, sales to our five largest customers accounted for 81.0%, 65.5% and 72.7% of our operating revenue in 2012, 2013 and 2014, respectively.

We expect that we will continue to depend on a relatively small number of customers for a significant portion of our operating revenue and may continue to experience fluctuations in the distribution of our sales among our largest customers. Our ability to maintain close and satisfactory relationships with our customers is important to the ongoing success and profitability of our business. 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 results of operations 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 wide-spread commercial acceptance; and
- our key customers' inability to manage their operations efficiently and effectively.

The launch and market acceptance of our individual key customers' products could significantly impact our product and customer mix, resulting in significant volatility in the demand for the touch solutions we offer and our results of operations. It is also possible that a key customer's market share 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 touch solutions to such competitors. Furthermore, sales of our key customers' products are subject to seasonal fluctuation.

If we are not able to match our manufacturing capacity and output to demand for our touch solutions, or achieve high capacity utilization rates, our results of operations could be materially and adversely affected.

As a result of the cyclical and volatility of the touch-enabled electronics industry, it is difficult to predict future developments in the markets we serve, making it difficult to estimate future requirements for manufacturing capacity. During periods of high demand for our products, we may experience a shortage of capacity and an increase in lead times for delivery of our touch solutions to our customers. In addition, increases in our manufacturing capacity based on anticipated growth in demand for our touch solutions may exceed demand requirements, leading to overcapacity and excess fixed costs. Our ability to rapidly and effectively adjust our cost structure in response to such downturns is limited by the fixed nature of many of our expenses in the near term and by our need to continue our investment in next-generation product technology. Lower than expected demand for our touch solutions may also lead to excess inventory or idle equipment, which could result in write-offs of inventory and impairment of assets. We will continue to implement initiatives to rationalize our use of resources, thus optimizing our resources so that our production capacity may meet the demands of our customers efficiently. However, if we are not successful in these initiatives, we may not be able to maintain our competitive position and/or improve our results of operations.

Furthermore, our operations are characterized by relatively high fixed costs and our results of operations depends in part not only on absolute pricing levels for our touch solutions, but also on equipment utilization rates. High capacity utilization rates allow us to allocate fixed costs over a greater number of products produced. Increases or decreases in capacity utilization rates can significantly impact our profitability. Accordingly, our ability to maintain or improve our profitability will continue to depend, in part, on achieving high capacity utilization rates. A deterioration of our business could result in lower capacity utilization rates, or underutilization of our manufacturing capacity, and we may incur restructuring and asset impairment charges. We cannot assure you that we will be able to achieve high capacity utilization rates in 2015 or beyond. If our capacity utilization rates decrease, our results of operations will be materially and adversely affected.

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

Under Taiwan IFRS, 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 Taiwan IFRS 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.

With respect to assets, in 2012 and 2013, we recognized impairment charges of NT\$355.0 million and NT\$1,205.2 million, respectively, which were primarily related to the impairment charges for certain idle equipment as a result of the closure of certain of our production lines to accommodate changes in our customers' production processes. In 2014, we recognized impairment charges of NT\$1,755.5 million (US\$55.5 million), primarily relating to the impairment of certain idle equipment due to under-utilized manufacturing capacity. With respect to goodwill, we recognized impairment charges of NT\$62.6 million (US\$2.0 million) in 2014. There were no goodwill impairment charges in 2012 and 2013. With respect to investment in associate, in 2013 and 2014, we recognized impairment loss of NT\$1,089.9 million and NT\$290.7 million (US\$9.2 million) respectively, which were primarily related to the investment in Cando Corporation. There were no impairment charges for investment in associate in 2012.

The decision to incur 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.

Our average selling price has fluctuated in the past and may further fluctuate in future periods as a result of the prevailing market price of touch products and the change of our product mix.

Although touch proliferation continues and the demand for touch products remains strong, the prevailing market prices of touch products may continue to decrease as the relevant technologies mature. In addition, as manufacturers of touch products have expanded their production capacities, the supply of touch products has increased significantly, 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 average selling price.

Our product mix has affected, and is expected to continue to affect the average selling price of the touch solutions we offer and our profitability. Gross margins on the touch solutions we offer vary between different product structures for different end-application markets and, accordingly, changes in product mix will affect our results of operations. We offer touch modules as well as touch displays, which consist of a touch module fully laminated with a display panel sourced from external suppliers. Our touch modules typically carry lower average selling prices but yield higher gross margins while full-lamination touch displays typically have higher average selling prices but lower profit margins due to the pass-through of our costs to procure display panels. 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 average selling price.

The product mix for our touch modules used in different touch devices across size categories has significantly affected our operating revenue and gross margin in the past. Currently, we offer several touch structures to our customers including multiple film- and glass-based solutions such as G/F/F, G/F, G/G, OGS and TOL solutions. Given the differences in raw material costs, manufacturing processes and supply demand, the different product structures we adopt will result in different profit margin for the different touch solutions we offer. The mix of products and the different structures we employ reflect our strategic capacity allocation among different product markets and our assessment of the demand in the different end-application and ecosystems. If we fail to optimize our product mix in line with market demand or in cost-effective ways, our business, financial condition and results of operations may suffer.

Our business and prospects depend on our ability to develop new solutions in a timely and cost-effective manner to address rapidly evolving customer preferences and technological changes.

Our success depends 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 solutions. There can be no assurance that we will be able to continue to develop new solutions through our research and development efforts, or that we will be able to keep pace with technological changes in our market or that new solutions 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 the touch solutions we offer 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. However, early product development by itself does not guarantee the success of a new product. We cannot assure you that the launch of any new solutions will be successful, or that we could successfully manage the risks associated with new product production ramp-up issues, the effective management of purchase commitments and inventory levels in line with anticipated product demand, the availability of products in appropriate quantities and at expected costs to meet anticipated demand, and the risks the new solutions will entail a lower yield rate in the early stages of introduction. Failure to anticipate or respond rapidly to technological advances or to adapt our technologies or manufacturing processes appropriately because of our lack of financial or technical resources, or the failure to gain market acceptance of any new solutions we introduce, would have a material adverse effect on our business, competitive position, results of operations and financial condition.

We face risks associated with the expansion into additional end-application markets.

As part of our growth strategy, we plan to expand into additional end-application markets by focusing on providing solutions to leaders in the relevant consumer electronics markets and by integrating our solutions in new and additional end-markets developed by our clients, such as wearable devices, automotive monitors and other new touch-enabled devices. To implement this strategy, we must continue to:

- identify market leaders in the relevant consumer electronics markets as our customers;
- co-develop new touch solutions tailored into diverse end-applications with our customers;
- secure adequate production capacities and manufacturing facilities to meet customers' demand;
- manage and adjust our product mix to effectively address the demands of different end-application markets;
- maintain our production yield rate as we continue to offer new solutions;
- 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. Furthermore, in order to develop new solutions or adapt to new or alternative technologies for new end-application markets, substantial

expenditure on research and development as well as the upgrading or procurement of equipment may be required. If we offer new solutions or migrate to new or alternative technologies, our yield rate may suffer. All of these factors may adversely affect our results of operations.

In addition, while the popularity and application of touch solutions continue to increase across various industries, there can be no assurance that the new end-applications and/or products will gain popularity and generate sufficient demand. In particular, there can be no assurance that touch-enabled notebook PCs, wearable devices or automotive monitors will gain wide-spread acceptance and commercial success. If the new end-applications and/or products cannot gain wide-spread 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.

We face risks associated with the use of debt, including refinancing risk.

We rely on borrowings under our credit facilities and offerings of debt securities to fund our capital expenditures, research and development expenditures and for general corporate requirements. As of December 31, 2014, we had total outstanding debts of approximately NT\$73,179.0 million (US\$2,315.8 million), including short-term borrowings and current portion of long-term borrowings of NT\$58,417.9 million (US\$1,848.7 million), current portion of bonds payable of NT\$6,833.6 million (US\$216.2 million) and long-term borrowings (net of current portion) of NT\$7,927.5 million (US\$250.9 million). As of December 31, 2014, our interest-bearing debt to equity ratio was 1.6 to 1, based on our equity of approximately NT\$46,151.4 million (US\$1,460.5 million). As of December 31, 2014, our cash and cash equivalent balance was NT\$29,539.6 million (US\$934.8 million).

Our ability to meet our payment obligations under our debt instruments depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. There can be no assurance that our business will generate cash flow from operations, or that additional capital will be available to us, in amounts sufficient to enable us to meet our debt payment obligations, to fund other liquidity needs for our future operations, or pay dividends.

If we are unable to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, or seek to raise additional capital. There is a risk that we may not be able to refinance existing debt or that a refinancing will not be done on as favorable terms, either of which could have a material adverse effect on our financial condition and results of operations.

We may face risks associated with the transition of senior management.

In November 2014, our board of directors appointed a new president and chief executive officer and a new chief technology officer. The new management team announced that it will lead our company to further enhance manufacturing efficiency and to focus on our core competencies. Our success will largely depend on our new management's ability to lead our Company, to implement our corporate strategies and initiatives and to develop relationships with our employees, customers and other business partners. In connection with this management change, we are currently developing new business strategies for 2015 and beyond, including the re-vamping of our organizational structure along with changes in our strategic directions. While we believe we have a strong and experienced management team, transitions in leadership and business strategies can be inherently difficult to manage, and may disrupt to our business. If we are not successful in addressing change in management issues, our business and operating results may be materially and adversely affected.

Changes to our strategic business plan and re-vamping our business structure may cause business disruptions, and we may not realize the expected benefits designed to reduce cost and increase revenues across our operations.

Our newly appointed president and chief executive officer has announced that we will begin to implement a number of significant business and organization changes to support our new strategic objectives. We expect these changes, which may include staffing adjustments and reassignment of responsibilities as well as employee

departures, to continue for the foreseeable future. Successfully managing these changes, including successfully transitioning and stabilizing key business and functional processes, is critical to our business success. The implementation of a successful re-vamping and transitioning is complex and there is no assurance that we will be able to smoothly transition to a new business structure that will streamline our operations, enhance efficiency and save costs as quickly or to the extent we intend. Failure or delay in the re-vamping processes could result in disruptions to our business and operations inefficiency, or otherwise limit the ability of our management team to effectively execute our business plans, which could have an adverse effect on our 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. In November 2014, Mr. Michael Yi-Hua Chung became our president and chief executive officer. Our success may depend to a significant extent on, among other factors, our senior management, including Mr. Chiang and Mr. Chung. 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.

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 framework sales agreements with our key customers which normally include general terms of sale, specification requirements and pricing policy, such agreements do not guarantee 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 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 make it difficult for us 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.

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.

Increases in costs 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 (“FPCBs”), sensors and display panels. We currently source our principal raw materials and components from a number of third-party suppliers. 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. Because we compete for various components with other participants in the markets, many components used by us, including those that are available from multiple sources, are at times subject to industry-wide shortages. For example, due primarily to production capacity limitation, we have from time to time experienced shortages of cover glass and high-end display panels. 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.

Uncertainties in PRC laws and regulations expose us to certain PRC regulatory risks.

Our business and operations in the PRC are subject to the legal system of the PRC. Interpretation and enforcement of PRC laws and regulations, including those regulating the technology industry and foreign investments, may be subject to changes in policies and the political environment. Different regulatory authorities may have different interpretations and methods of enforcing the policies regarding technology industry and foreign investment, which require companies to meet the requirements of relevant regulatory authorities issued from time to time, and obtain approvals and complete filings in accordance with the relevant regulatory authorities’ interpretations and enforcement of such policies. The central government of the PRC has required and will from time to time require the local governments to cease from offering investment incentives or benefits (whether tax-based or non-tax-based) to industries. While we have enjoyed certain tax exemptions or preferential income tax rates in 2012, 2013 and 2014, we were also involved in tax disputes with the Xiamen Tax Bureau on the interpretations of the tax rates applied to certain of our operating subsidiaries in Xiamen that were transitioning between different preferential tax treatment regimes. See “Management’s Discussion and Analysis on Financial Condition and Results of Operations — Taxation and Incentives — Taxation in the PRC” and “— Risks Relating to the PRC — Any change in the taxation treatment of our PRC subsidiaries may adversely affect our profitability.” Any future changes in applicable laws, regulations, administrative interpretations or regulatory documents, or stricter enforcement policies by the relevant PRC regulatory authorities could result in more stringent requirements being imposed on the industry we operate in, and certain investment incentives and benefits currently enjoyed by us would no longer be available. Compliance with such new requirements could substantially raise our cost of doing business or otherwise have a material adverse effect on our business, financial condition and results of operations. In addition, if we fail to meet such new rules and requirements relating to approval, construction, environmental or safety compliance of our operations, we may be ordered by

the relevant PRC regulatory authorities to change, suspend construction or close the relevant production facilities. Alternatively, these changes may also relax some requirements, which could be beneficial to our competitors or could lower market entry barriers and increase competition. As a result, our business, financial condition and results of operations could be materially and adversely affected.

In addition, since the PRC economy is developing at a faster pace than its legal system and the PRC laws and regulations regarding the technology industry and foreign investments are relatively new and evolving, there may be uncertainties as to whether and how existing laws and regulations will apply to certain circumstances or events, and until the development of the legal system advances at the same rate as economic reforms and development in the PRC, such uncertainties are likely to remain. We cannot assure you that introduction of new laws and amendments to existing laws by the PRC government may not adversely affect our profitability and prospects. For more information on the risks we face in our PRC operations, see “— Risks Relating to the PRC.”

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 (as amended on December 28, 2012) 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 Labor Contract Law has increased and will continue to 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 could 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 have been reports of shortages of skilled labor in various areas in the PRC. While we have not experienced difficulties in recruiting skilled labor for our production facilities in Xiamen, PRC, there can be no assurance that we will be able to continue to recruit sufficient skilled labor to manufacture our touch solutions. If we fail to recruit sufficient skilled labor, our production capacity will decrease, which in turn will materially and adversely affect our business and results of operations. In addition, we have an average monthly turnover rate of approximately 9.3%, 9.7% and 11.8% of our total workforce in our production facilities at Xiamen, PRC in 2012, 2013 and 2014 respectively. 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.

If we fail to manufacture touch solutions 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 solutions;
- use of substandard raw materials or component parts;
- interruption in the availability of utilities;
- inability of existing equipment to manufacture new solutions 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 re-orientation of our capacity, a change in the manufacturing processes or the development of new solutions. 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 to satisfy our capital requirements.

In connection with our business strategy, we have spent NT\$13,918.8 million (US\$440.5 million) on capital expenditures in 2014, primarily in connection with the purchase of additional equipment for the scheduled capacity expansion and initial ramp-up for our facility located at Pingtan, Fujian, PRC (“Pingtan Facility”). Currently, subject to further requirements and market condition, we expect to make capital expenditures of approximately NT\$4.5 billion in 2015. We also have funding needs for debt repayment and for general corporate uses. We anticipate funding our capital requirements 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 affect 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.

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

As at February 28, 2015, Mr. Michael Chao-Juei Chiang directly and indirectly, controlled an aggregate of approximately 23.9% of our outstanding Shares. In addition, Mr. Chiang is the chairman of our board of directors. Mr. Chiang is expected to continue to have, significant influence in voting relating to certain decisions and transactions, including those involving an actual or a potential change of control. The interests of Mr. Chiang may differ from the interests of other shareholders.

Fire accidents could damage our facilities, delay our operations and adversely affect our business.

Our production facilities and research and development facilities are subject to risks of fire. On January 3, 2015, a fire occurred at one of the factories of TPK Touch Solutions (Xiamen) Inc. located in the Xiang-An area, Xiamen, PRC. There was a brief interruption for certain of our production lines at the affected factory, and we have recognized estimated losses of NT\$1.1 billion in the first quarter of 2015 in connection with this incident. Although we have taken strict fire control and prevention measures, there is the possibility of future fires in our factories and facilities which could disrupt our operations, delay production, shipments and revenue and result in large expenses to repair or replace the facility. If such disruptions occurred, we could breach agreements, our reputation could be harmed, and our business and operating results could be adversely affected.

In addition, if any of our production line or facilities were to be damaged or cease operation as a result of fire accidents, it may result in investigations or penalties by relevant regulatory authorities, which could materially and adversely affect our business, financial condition and results of operations.

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 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 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.

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, tsunamis, 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 nature disasters 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 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 re-orientation 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.

There have been reports of outbreaks of a highly pathogenic influenza caused by the H7N9, H5N8, and H9N2 viruses in certain regions of Asia and other parts of the world. In recent years, Ebola virus disease broke out in West Africa, with a number of people having died of the disease in countries such as Guinea, Sierra Leone and Liberia. There are also cases of patients diagnosed with Ebola in the United States and Europe. An outbreak of such contagious diseases in the human population could result in a wide-spread health crisis that could adversely affect the economies and financial markets of many countries. Additionally, a recurrence of SARS, a highly contagious form of atypical pneumonia, similar to the occurrence in 2003 which affected the PRC, Hong Kong, Taiwan, Singapore, Vietnam and certain other countries, would also have similar adverse effects. Since most of our operations and customers and suppliers are based in Asia (mainly in Taiwan and the PRC), an outbreak of H7N9 influenza, H5N8 influenza, H9N2 influenza, SARS, Ebola or other contagious diseases in Asia or elsewhere, or the perception that such an outbreak could occur, and the measures taken by the governments of countries affected, including the ROC and the PRC, could adversely affect our business, financial condition or results of operations.

Our failure to protect our intellectual property may undermine our competitive position.

Technology is an integral part of our manufacturing process and products. We believe that the protection of our intellectual property rights is, and will continue to be, important to the success of our business. 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. As of December 31, 2014, we held 1,045 patents, including 364 patents in Taiwan and 681 patents in foreign countries. Among which, we held 328 invention patents and 717 utility model patents. In addition, we had 1,312 pending patent applications worldwide. Policing unauthorized use of proprietary technology can be difficult and expensive. We cannot assure you that the measures we have implemented could effectively prevent misappropriation or unauthorized use of our technologies, particularly in foreign jurisdictions where the laws may not protect our proprietary rights as effective as in the United States. For example, 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. Our failure to protect our intellectual property rights could have a material adverse effect on our business, financial condition, results of operations and prospects.

We also rely upon trade secrets, unpatented proprietary know-how and information, as well as continuing technological innovation in our business. The information we rely upon includes price forecasts, core technology and key customer information. Our current standard employment agreement with our employees contains a confidentiality provision which generally provides that all confidential information developed or made known to the individual during the term of the employment relationship is our exclusive property during and after the employment term. We cannot assure you that our employees will not breach any of their obligations under the employment agreements or that these agreements will be enforceable. Moreover, it is uncertain whether we will have adequate remedies in the event of any breach. Our competitors may come to know about our trade secrets and other proprietary information through a variety of methods. Failure to protect our trade secrets or other know-how could materially and adversely affect our business, financial condition and results of operations.

Disputes over intellectual property rights may be costly and, if determined adversely to us, could cause us to pay significant damages 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.

The technology industry frequently features disputes over intellectual property. 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 have from time to time received allegations that our products or processes infringe intellectual property rights of others or claims challenging the validity of our intellectual property rights resulting in the loss of certain of our intellectual property rights. The validity and scope of claims relating to technology and design patents involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. See "Our Business — Legal Proceedings — Intellectual Property Proceedings." Defending against these litigations or proceedings, whether to enforce our patents or other intellectual property rights or to defend ourselves against claims that we have allegedly infringed the intellectual property rights of others, may be costly and could 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.

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 touch solutions, which could in turn materially and adversely affect our business, result of operations, and financial conditions.

Foreign exchange fluctuations may adversely affect our earnings and profitability.

Most of our sales and raw material and component costs are denominated in US dollars, while a substantial portion of our labor cost and assets are denominated in Renminbi. 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 the US dollar. Starting from March 15, 2014, the Renminbi has been permitted to fluctuate within a 2% range. However, we cannot assure you that the Renminbi will not experience significant appreciation against the US dollar 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 the US dollar. 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.

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 2014, the TWSE Index peaked at 9,569.17 on July 15, 2014, and reached a low of 8,264.48 on February 5, 2014. The daily closing values of the Shares which are listed on the TWSE, ranged from NT\$308.0 per share to NT\$147.0 per share in 2014. On March 31, 2015, the TWSE Weighted Index closed at 9,586.44 and the daily closing value of the Shares was NT\$219.0 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 1 — The Securities Market of the ROC."

In response to major past declines and volatility in the securities market 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. There can be no assurance that the present relations 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. Starting from January 1, 2013, companies listed on the TWSE, including us, have been required to report their financial statements under Taiwan IFRS pursuant to the Framework for Adoption of International Financial Reporting Standards by Companies in the ROC promulgated by the FSC on May 14, 2009. Taiwan IFRS differs from IFRS in certain significant respects, including, but not limited to, the extent that any new or amended standards or interpretations applicable under IFRS may not be timely endorsed by the FSC. See "Summary of Certain Material Differences Between Taiwan IFRS 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.

We publish monthly operating revenue information as part of our ongoing reporting obligations and such information is subject to change due to normal quarter-end closing procedures and excludes certain expenses and other information necessary to be indicative of actual financial results.

We post monthly sales information on the Market Observation Post System ("MOPS"), as part of our ongoing reporting obligation as a listed company on the TWSE. Such information is preliminary, and is subject to change, upon adjustments and after the completion of our normal quarter-end closing process. Actual sales could differ materially from the preliminary information posted on MOPS. Furthermore, our preliminary operating revenue only reflects sales information up to February 28, 2015 and may not be indicative of our net profit/loss for the months of January and February 2015. As a result, you should not place undue reliance on such information.

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 financial performance.

The PRC government from time to time adopts new 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.

Any change in the taxation treatment of our PRC subsidiaries may adversely affect our profitability.

Our PRC subsidiaries are subject to Enterprise Income Tax on taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws. We have enjoyed tax exemptions or preferential income tax rates in 2012, 2013 and 2014. See "Management's Discussion and Analysis on Financial Condition and Results of Operations — Taxation and Incentives — Taxation in the PRC."

Currently, pursuant to the Enterprise Income Tax Law ("EIT Law") which came into effect on January 1, 2008, a uniform income tax rate of 25% applies to both domestic enterprises and foreign investment enterprises with certain limited exceptions. These exceptions include, among others, (i) companies that are recognized by the relevant PRC governmental authorities as high-technology enterprises are subject to a preferential income tax rate of 15%, and (ii) in addition to the 15% preferential tax rate, high-technology enterprises incorporated on or after January 1, 2008 that are located in and have their operations based in designated PRC economic and technology development zones are subject to a two-year tax exemption and an additional 50% tax deduction for the three years following the two-year exemption (the "2-year exemption plus 3-year 50% reduction scheme" .) Certain of our PRC subsidiaries are subject to the 15% preferential income tax rate treatment due to their status as high-technology enterprises, and one of those subsidiaries is further entitled to the 2-year exemption plus 3-year 50% reduction scheme because its operations are based in the Xiamen National Torch Hi-Tech Industrial Zone. See "Management's Discussion and Analysis on Financial Condition and Results of Operations — Taxation and Incentives — Taxation in the PRC." However, we cannot assure you that the PRC government will not repeal or unfavorably amend such tax benefits, either of which could materially and adversely affect our business and results of operations.

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 (“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, 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. There is no assurance that our PRC operations will not be affected by power shortages 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

For a period of four ROC business days after the closing, you will not be able to withdraw the underlying Shares from our GDR facility.

Following the closing date of the GDS offering, 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 on the fourth ROC business day following the closing date of the GDS offering although we cannot assure you that such approval will be obtained by such date (if at all). Immediately upon such listings, the number of Shares will be delivered to the account of the Depository’s nominee with the Custodian for the GDR facility through the book-entry system maintained by the TDCC. As a result, subject to the approval of the TWSE, for a period of four ROC business days after the closing date of the GDS offering, holders of GDSs offered in this offering will not be able to withdraw the underlying Shares from our GDR facility.

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.”

Non-ROC Resident Individuals will be subject to ROC income tax on net capital gains from the sale or 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. Net 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 each year for the capital gains that the Non-ROC Resident Individual generated in the previous year. Non-ROC Resident Entities are exempt from ROC income tax.

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 to the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF Market. 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 whether an active trading market will develop, 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 Shares represented by the GDSs.

Under current ROC laws, regulations and policy, a PRC person is not permitted to withdraw GDSs and to register as a shareholder 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 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 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. If the Depositary received notice allowing it to timely notify the GDS holders of the meeting or solicitation of vote from the Company, and the Depositary has not received valid voting instructions from a GDS holder, such GDSs holder 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 holder's GDSs unless the Company informs the Depositary that (i) it does not wish such discretionary proxy to be given, (ii) there exists substantial opposition or (iii) the rights of holders of GDSs or the shareholders of the Company will be materially adversely affected.

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. The Depositary shall represent all Shares represented by GDSs (whether or not voting instructions have been received) for the purposes of establishing a quorum at a meeting of shareholders.

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, and if we request the Depositary not to make the rights available to the GDS holders, then 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 the 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 the 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 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 the 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 the 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 (“MOF”) 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 (i) is a “related party” of ours as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers or (ii) 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 the existing GDSs then outstanding pursuant to the Deposit Agreements 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 which explicitly allow the Shares issued upon conversion of the bonds or being exchanged to be deposited into a depositary receipt facility have been approved by the FSC prior to the bond 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 International 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 a special resolution on May 22, 2013 (the “Memorandum and Articles”), the Companies Law (2013 Revision) of the Cayman Islands (“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 statutes 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 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 23.9% of the Shares as of February 28, 2015, 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 from J.P. Morgan Securities plc, Barclays Bank PLC and The Hongkong and Shanghai Banking Corporation Limited. 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.

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 under “Description of the Bonds”). The Closed Period includes, among other periods, the 60-day period immediately prior to the date of any of our annual general shareholders’ meetings. We have announced that our annual general shareholders’ meeting will be held on June 12, 2015, which you should consider in making your investment decision.

Under the current ROC law, regulations and policy, a PRC person is not permitted to convert the Bonds or to register as one of 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 (as defined under “Description of the Bonds”) 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 MOF 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 custodian for handling confirmation and settlement of trades, safekeeping of securities and cash proceeds, and reporting and declaration of information.

U.S. investors may be subject to U.S. federal income tax upon certain adjustments (or a failure to make certain adjustments) to the Conversion Price of the Bonds even though the U.S. investor may not receive a corresponding cash distribution.

The Conversion Price (as defined under "Description of the Bonds") of the Bonds is subject to adjustment in certain circumstances, including the payment of certain cash dividends. If the Conversion Price is adjusted as a result of a distribution that is taxable to our common stockholders, such as a cash dividend, a U.S. owner of Bonds will be deemed to have received a taxable distribution for U.S. federal income tax purposes without the receipt of any cash. Depending on the circumstances, certain other adjustments (or failure to make adjustments) to the Conversion Price may also result in a taxable distribution to beneficial owners of the Company's Shares, GDSs or Bonds. See "Taxation — U.S. Federal Income Tax Considerations."

USE OF PROCEEDS

The net proceeds to be received by us from this offering of the GDSs will be approximately US\$131.5 million after deducting the Initial Purchasers' commission and other estimated expenses relating to the offering of the GDSs. We intend to use the net proceeds of the offering of the GDSs for the procurement of raw materials overseas.

The net proceeds to be received by us from this offering of the Bonds will be approximately US\$248.6 million after deducting the Initial Purchasers' commission and other estimated expenses relating to the offering of the Bonds. 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, 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, including the employees of our subsidiaries, which may be distributed under an incentive program approved pursuant to our Memorandum and Articles. Any balance left over may be distributed as dividends (including cash dividends or stock 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, the Directors may declare dividends and distributions on the 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 or distribution payable to any holder all sums of money (if any) then payable by him to us on any account. 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 or in any one or more of such ways. 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 and may vest any such specific assets in trustees as may be deemed expedient to the directors. 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.

At our 2012 shareholders' meeting held on May 16, 2012, our shareholders adopted a resolution to distribute US\$159.7 million in the form of cash and US\$24.0 million in the form of Shares. The cash dividend was paid on July 25, 2012 and the dividend in the form of shares was issued on July 25, 2012. At our 2013 shareholders' annual general meeting held on May 22, 2013, our shareholders adopted a resolution to distribute dividend of US\$230.3 million in the form of cash. The cash dividend was paid on July 18, 2013. The 2014 shareholders' annual general meeting was held on May 29, 2014, and our shareholders adopted a resolution to distribute dividend of US\$54.7 million in the form of cash. The cash dividend was paid on July 30, 2014. On March 3, 2015, our board of directors resolved in a resolution to distribute dividend of US\$5.3 million in the form of cash. This proposal is subject to shareholders' approval at our annual general shareholders' meeting to be held on June 12, 2015.

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 and the laws of the Cayman Islands and the ROC. Payments of dividends in relation to the International 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)		
2011	956.0	331.5	3,489,594	9,145.35	6,633.33
2012	522.0	322.5	6,230,500	8,144.04	6,894.66
2013	635.0	153.5	6,571,863	8,623.43	7,616.64
First Quarter	615.0	453.0	4,892,009	8,038.72	7,616.64
Second Quarter	635.0	480.0	4,115,740	8,398.84	7,663.23
Third Quarter	488.0	268.5	7,294,759	8,299.12	7,814.38
Fourth Quarter	282.0	153.5	9,612,324	8,623.43	8,099.45
2014	308.0	147.0	10,294,821	9,569.17	8,264.48
First Quarter	208.5	163.0	9,278,464	8,849.28	8,264.48
Second Quarter	308.0	179.5	12,398,839	9,393.07	8,774.12
Third Quarter	295.0	170.0	9,358,008	9,569.17	8,960.76
Fourth Quarter	228.0	197.0	10,089,109	9,307.26	8,512.88
September	198.0	179.0	8,404,693	9,513.06	8,960.76
October	193.0	147.0	11,249,041	9,106.28	8,512.88
November	200.0	174.0	8,438,212	9,187.15	8,859.07
December	228.0	189.5	10,406,168	9,307.26	8,828.36
2015					
January	221.5	190.0	11,152,727	9,521.59	9,048.34
February	228.0	202.0	7,838,641	9,699.54	9,386.99
March (through March 31)	242.5	211.5	7,250,203	9,758.09	9,503.72

Notes:

(1) As reported.

(2) As adjusted retroactively for cash and stock dividends, rights issues and stock splits, but excluding new shares offered in initial public offering.

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 1 — The Securities Market 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 NT dollars as set forth in the H.10 statistical release of the Federal Reserve Board for the periods indicated.

	NT Dollars per US Dollar			
	Average ⁽¹⁾	High	Low	Period-End
2010	31.50	32.43	29.14	29.14
2011	29.38	30.67	28.50	30.27
2012	29.56	30.28	28.96	29.05
2013	29.68	30.20	28.93	29.83
2014	30.30	31.80	29.85	31.60
September	30.13	30.47	29.89	30.44
October	30.40	30.49	30.31	30.45
November	30.73	30.99	30.48	30.99
December	31.35	31.80	31.03	31.60
2015				
January	31.64	32.00	31.06	31.75
February	31.55	31.76	31.31	31.44
March (through March 27)	31.46	31.71	31.19	31.19

Note:

- (1) Annual averages were calculated by using the average of the exchange rates on the last day of each month during the relevant year. Monthly averages were calculated by using the average of the daily rates during the relevant month.

CAPITALIZATION

The following table sets forth under Taiwan IFRS our audited consolidated capitalization as of December 31, 2014. For the year ended December 31, 2014, we issued 2,006,000 new Shares as a result of the exercise of employee share options, and our issued share capital increased to NT\$3,312,947,590 divided into 331,294,759 Shares with par value of NT\$10.00 each. Other than as disclosed herein, there has been no material change in our capitalization since December 31, 2014.

The following table should be read in conjunction with our financial statements and the notes thereto included elsewhere herein. The as adjusted basis gives effect to the issuance of the GDSs and the Bonds without taking into account the bifurcation of embedded derivatives.

	As of December 31, 2014			
	Actual		As Adjusted	
	NT\$	US\$ ⁽¹⁾	NT\$	US\$ ⁽¹⁾
	(in millions)			
Short-term borrowings (including current portion of long-term borrowings)	58,417.9	1,848.7	58,417.9	1,848.7
Current portion of bonds payable	6,833.6	216.2	6,833.6	216.2
Long-term liabilities				
Bonds payable, net of current portion ⁽²⁾	—	—	7,854.2	248.6
Long-term borrowings, net of current portion	<u>7,927.5</u>	<u>250.9</u>	<u>7,927.5</u>	<u>250.9</u>
Total long-term liabilities	<u>7,927.5</u>	<u>250.9</u>	<u>15,781.7</u>	<u>499.5</u>
Shareholders' equity attributable to owners of the parent				
Ordinary Shares	3,312.9	104.8	3,512.9	111.1
Capital surplus	16,839.5	532.9	20,794.9	658.1
Legal reserve	3,952.5	125.1	3,952.5	125.1
Unappropriated earnings	19,003.7	601.4	19,003.7	601.4
Other equity	<u>2,224.8</u>	<u>70.4</u>	<u>2,224.8</u>	<u>70.4</u>
Total equity attributable to the owners of the parent	45,333.4	1,434.6	49,488.8	1,566.1
Non-controlling interests	<u>818.0</u>	<u>25.9</u>	<u>818.0</u>	<u>25.9</u>
Total equity	<u>46,151.4</u>	<u>1,460.5</u>	<u>50,306.8</u>	<u>1,592.0</u>
Total capitalization⁽³⁾	<u>54,078.9</u>	<u>1,711.4</u>	<u>66,088.5</u>	<u>2,091.5</u>

Notes:

- (1) Translation of amounts from US dollars into NT dollars has been made at the rate prevailing on December 31, 2014 of NT\$31.60 = US\$1.00.
- (2) Convertible bonds payable of NT\$7,854.2 million (US\$248.6 million), which includes the principal amount of the Bonds of NT\$7,900.0 million (US\$250.0 million), after deducting issuance cost of approximately NT\$45.8 million (US\$1.4 million) related to the Bonds offerings. 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 equity.

SELECTED FINANCIAL DATA

The selected financial data as of and for the years ended December 31, 2012, 2013 and 2014 set forth below are qualified by reference to, and should be read in conjunction with, our consolidated financial statements included elsewhere in this offering memorandum. Our financial statements as of and for the years ended December 31, 2012, 2013 and 2014 are prepared and presented in accordance with Taiwan IFRS.

Taiwan IFRS differs from IFRS in certain significant respects, including, but not limited to, the extent that any new or amended standards or interpretations applicable under IFRS may not be timely endorsed by the FSC. See “Summary of Certain Material Differences between Taiwan IFRS and IFRS” for more information.

You should also read the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section, which describes a number of factors that have affected our financial results, including demand for our products, the changes in financial reporting standards and the appreciation or depreciation of the NT dollar against the US dollar.

Consolidated Financial Data

	For the Year Ended December 31,			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
	(in millions, except per share data)			
Statement of Comprehensive Income Data:				
Net operating revenue	176,609.6	159,067.4	129,516.9	4,098.6
Operating costs	(146,724.9)	(138,136.9)	(119,035.2)	(3,766.9)
Gross profit	29,884.7	20,930.5	10,481.7	331.7
Operating expenses	(9,586.5)	(10,939.3)	(10,336.8)	(327.1)
Operating income	20,298.2	9,991.2	144.9	4.6
Non-operating income and expenses	(20.3)	(1,087.0)	430.5	13.6
Profit before income taxes	20,277.9	8,904.2	575.4	18.2
Income taxes	(5,361.6)	(1,289.6)	(8.4)	(0.3)
Net profit	14,916.3	7,614.6	567.0	17.9
Attributable to:				
Owners of the Company	14,364.9	7,188.5	277.1	8.7
Non-controlling interests	551.4	426.1	289.9	9.2
Diluted earnings per share of the parent	43.89	21.21	0.84	0.03

	As of December 31,			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
	(in millions)			
Balance Sheet Data:				
Cash and cash equivalents	23,237.9	38,299.4	29,539.6	934.8
Accounts receivable, net	27,968.0	14,818.9	13,809.6	437.0
Inventories, net	14,110.2	8,431.4	7,179.7	227.2
Total current assets	73,432.5	79,537.7	74,647.5	2,362.3
Property, plant and equipment	44,733.4	54,838.9	63,611.2	2,013.0
Total assets	128,987.1	151,201.1	152,722.7	4,833.0
Short-term borrowings and current portion of long-term borrowings	12,521.2	43,278.6	58,417.9	1,848.7
Current portion of bonds payable	—	10,827.5	6,833.6	216.2
Accounts and notes payable (including accounts payable-related parties)	32,368.8	20,475.1	20,540.0	650.0
Total current liabilities	57,945.3	86,998.9	95,305.6	3,016.0
Long-term borrowings, net of current portion	8,388.4	9,458.7	7,927.5	250.9
Bonds payable, net of current portion	16,266.5	6,309.1	—	—
Total liabilities	85,715.1	106,324.2	106,571.3	3,372.5
Total equity	43,272.0	44,876.9	46,151.4	1,460.5

	For the Year Ended December 31,			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
	(in millions, except percentage data)			
Statement of Cash Flow Data:				
Net cash generated from operating activities	16,108.3	18,526.2	14,411.5	456.1
Net cash used in investing activities.	(19,201.0)	(28,210.6)	(21,498.7)	(680.4)
Net cash generated from (used in) financing activities	16,334.6	23,921.1	(4,190.5)	(132.6)
Effect of exchange rate changes	(386.6)	824.8	2,517.9	79.7
Net increase (decrease) in cash and cash equivalents	12,855.3	15,061.5	(8,759.8)	(277.2)
Cash and cash equivalents at the beginning of the year	10,382.6	23,237.9	38,299.4	1,212.0
Cash and cash equivalents at the end of the year	23,237.9	38,299.4	29,539.6	934.8
Capital expenditures ⁽¹⁾	15,530.7	21,017.4	13,918.8	440.5
Depreciation and amortization	4,753.4	6,560.6	8,053.1	254.8
Other Financial Data:				
Gross profit margin (%) ⁽²⁾	16.9	13.2	8.1	8.1
Operating margin (%) ⁽³⁾	11.5	6.3	0.1	0.1
Net margin (%) ⁽⁴⁾	8.4	4.8	0.4	0.4
EBITDA ⁽⁵⁾⁽⁷⁾	25,051.6	16,551.8	8,198.0	259.4
EBITDA margin (%) ⁽⁶⁾⁽⁷⁾	14.2	10.4	6.3	6.3

Notes:

- (1) Capital expenditure refers to the amount of cash used in connection with the acquisition of (i) property, plant and equipment, (ii) prepayments for equipment, (iii) intangible assets and (iv) long-term prepayments for lease.
- (2) Gross profit margin is calculated by dividing gross profit by net operating revenue.
- (3) Operating margin is calculated by dividing operating income by net operating revenue.
- (4) Net margin is calculated by dividing net profit by net operating revenue.
- (5) EBITDA is defined as operating income, plus depreciation and amortization.

- (6) EBITDA margin is calculated by dividing EBITDA by net operating revenue.
- (7) 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 Taiwan IFRS and should not be considered as a substitute for, or superior to, operating income or operating margin prepared in accordance with Taiwan IFRS. 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 Taiwan IFRS. 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

The following discussion should be read in conjunction with our financial statements as of and for the years ended December 31, 2012, 2013 and 2014 included elsewhere in this offering memorandum. Unless stated otherwise, the discussion and analysis of our financial condition and results of operations as of and for the years ended December 31, 2012, 2013 and 2014 in this section apply to our financial information based on Taiwan IFRS, which differs in certain material respects from and IFRS. For information relating to the nature and effect of significant differences between Taiwan IFRS and IFRS as they relate to us, see "Summary of Certain Material Differences between Taiwan IFRS and IFRS."

Overview

We are the leading touch solution provider, offering a full suite of touch solutions tailored to different customer requirements. With net operating revenue of NT\$129,516.9 million (US\$4,098.6 million) for the year ended December 31, 2014, we believe we are currently the world's largest pure-play touch solution provider. We believe our market-leading position results from our technological leadership, strong research and development capabilities, high operational standards and flexible production capabilities. 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 believe our technology leadership will enable us to continue to be at the forefront of proliferating touch solutions across various end-applications, including smartphones, tablet PCs, notebook PCs, wearable devices, automotive monitors and other touch-enabled applications. We offer versatile touch solutions across a wide range of product structures and technology categories, including multiple film- and glass-based solutions such as G/F/F, G/F, G/G, OGS and TOL solutions. We believe that we are well-positioned to benefit from the increasing demand for touch solutions in diverse end-application markets.

Since our inception, we have dedicated significant resources to working closely with our customers to jointly establish product and technology roadmaps that define industry standards. We believe that our close collaboration with market leaders enables us to accurately identify and respond to emerging technology trends. We also believe that our continued focus has successfully reinforced our reputation as a reliable, efficient and high-quality touch solution provider, and has positioned us as the preferred partner and supplier for market leaders in the electronics industry.

Our flexible operating platform enables us to efficiently provide comprehensive product solutions across the entire value chain to meet our customers' requirements 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 by focusing on manufacturing process improvement, production technology enhancement, new solutions and use of alternative raw materials, with the objectives of maintaining technology leadership and tailoring our product offerings to capture the growth markets across various end-application and ecosystems.

For the year ended December 31, 2014, we had net operating revenue of NT\$129,516.9 million (US\$4,098.6 million), gross profit margins of 8.1%, and operating income of NT\$144.9 million (US\$4.6 million) and net profit of NT\$567.0 million (US\$17.9 million). Our EBITDA for the year ended December 31, 2014 was NT\$8,198.0 million (US\$259.4 million) and EBITDA margin was 6.3%.

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 supply and demand;
- changes in technologies;
- changes in our average selling price and product mix; and
- utilization of fixed assets.

Industry Supply and 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. For example, in 2013, the demand for high-end smartphones and tablet PCs moderated while demand for mid- to low-end smartphones started to grow quickly, which led to intense price competition. Starting from 2014, the slowdown in overall market demand for touch products has started to reshape the competitive landscape of the touch-enabled consumer electronics industry. Touch solution providers have begun differentiating their product offerings using different technologies, sensor structures, patterning processes, materials, vertical integrations and ultimately by launching new touch solutions. While it is expected that the demand for touch products will steadily grow in future periods due to the wide acceptance of touch solutions across various applications, including new devices such as wearable devices, automotive monitors, medical devices and entertainment systems, any future industry downturns may adversely affect our business and results of operations. We also rely heavily on the continued growth of our customers, and the ability of our customers to design and market successful products in the end-application market and to maintain or increase their market share will affect our profitability.

In addition, the touch-enabled electronics industry is frequently subject to cyclical and volatile market conditions. In the recent years, with the significant growth in the demand for smart mobile devices, competition in the industry has greatly intensified with existing players and new market entrants competing primarily through new solutions with enhanced performances, and at times through aggressive pricing and low cost structures. This increase in competition may also result in more intense price competition and potential market-wide oversupply. Market-wide oversupply may affect the average selling price of certain of our touch solutions. For example, in 2013, due to a lower than expected penetration rates for touch-enabled notebook PCs, touch solutions utilizing the OGS structures has experienced oversupply, which led to a decrease in average selling price for our OGS 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 solutions. 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/F/F, G/F, G/G, OGS and TOL solutions, are increasingly integrated into mobile and consumer electronics devices, such as smartphones, tablet PCs, notebook PCs, ultrabook PCs, wearable devices and automotive monitors. However, new or alternative technologies such as in-cell, on-cell or eTP touch technologies which we currently do not produce may be adopted by our existing customers. For example, in recent years, certain of our top customers adopted the in-cell touch technology, a technology we currently do not produce, for

several mainstream smartphone and tablet products. If add-on, P-Cap touch technology is outperformed or proven less cost-efficient than new or alternative technologies, our profit margin may be negatively impacted.

Moreover, in order to develop new solutions 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. If we offer new solutions 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.

Changes in Our Average Selling Price and Product Mix

Our operating revenue 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, as a result of the short product life cycles for our and our customers' products. The average selling price and profitability varies across our different product lines and different product structures. Changes in product mix have in the past affected, and are expected to continue to affect, our operating revenue, realized average selling price and gross margin.

Product mix between touch display and touch modules has affected our gross margin and average selling prices in the past. In general, our touch modules typically carry lower average selling prices but yield higher gross margins while full-lamination touch displays typically have higher average selling prices but lower profit margins due to the pass-through of our costs to procure display panels. 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.

In addition, the product mix for our touch modules used in different touch devices across size categories has also significantly affected our operating revenue and gross margin in the past. For example, for the year ended December 31, 2013, due to a lower demand for high-end touch devices, shipments in touch modules for use small and medium-sized touch devices decreased as compared to the same period in 2012, which led to a decrease in operating revenue and a decrease in our gross margin. To better response to changes in market demands for touch devices in high-end or mid-end markets and size categories and considering the differences in margins associated with the different touch solutions we offer, we have adopted different product structures for different touch devices. For example, for smartphones, we offer TOL solutions for high-end devices and OGS and G/F/F solutions for mid-end devices. For tablet PCs, we offer G/F and TOL solutions for high-end devices and OGS solutions for mid-end devices. For large-sized touch devices, we offer G/G and OGS solutions which provide adequate touch sensitivity, design flexibility and optical performance at a competitive pricing. The mix of products and the different structures we employ reflect our strategic capacity allocation among different product markets and our assessment of the demand in the different end-application and ecosystems. We believe that this approach will allow us to optimize our product mix in line with market demand in a cost-effective way.

Furthermore, the average selling prices of our touch solutions tend to decline over a given 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 general, touch solutions providers can benefit from higher average selling price if they could achieve a design win with customers early in a given product life cycle. Historically, we have benefited from higher average selling prices for certain categories of our touch solutions because of our early-stage involvement in specific product life cycles and we aim to continue to stay at the forefront of product life cycles by partnering with our key customers in the joint development of touch solutions in promoting new end-application segments. However, if life cycles of new products shorten over time, we may not be able to benefit from the higher average selling prices typically associated with the early phases of a product life cycle.

In addition to the above factors, historically, the average selling price for our solutions have fluctuated in response to periodic changes in supply and demand conditions. Industry-wide demand and the overall market environment, such as market-wide oversupply, may also affect the average selling price of certain of our touch solutions. For example, in 2013, due to a lower than expected penetration rates for touch-enabled notebook PCs, touch solutions utilizing the OGS structures has experienced oversupply, which led to a decrease in average selling price for our OGS solutions.

Utilization of Fixed Assets

Our operations are characterized by relatively high fixed costs, and our profitability depends, in part, not only on absolute pricing levels for our touch solutions, but also on equipment utilization rates. High capacity utilization rates allow us to allocate fixed costs over a greater number of products produced. Increases or decreases in capacity utilization rates can significantly impact our gross margins. Accordingly, our ability to maintain or improve our gross margins will continue to depend, in part, on achieving high capacity utilization rates. A deterioration of our business could result in lower capacity utilization rates, or underutilization of our manufacturing capacity, and we may incur restructuring and asset impairment charges.

Principal Statements of Comprehensive Income Components

The principal components of our statements of comprehensive income discussed below include:

Operating revenue

We generate operating revenue primarily through sales of our touch products, including touch modules and touch displays. Our touch products can be used in large-sized and small and medium-sized touch devices. The following table sets out a breakdown of our operating revenue by geographical region, each expressed as a percentage of our operating revenue, for the periods indicated:

	Year Ended December 31,						
	2012		2013		2014		
	NT\$	%	NT\$	%	NT\$	US\$	%
	(in millions, except percentages)						
North America	119,814.8	67.9	94,092.0	59.2	69,843.0	2,210.2	53.9
Asia	56,204.9	31.8	64,269.7	40.4	58,784.6	1,860.3	45.4
Others	589.9	0.3	705.7	0.4	889.3	28.1	0.7
Total	<u>176,609.6</u>	<u>100.0</u>	<u>159,067.4</u>	<u>100.0</u>	<u>129,516.9</u>	<u>4,098.6</u>	<u>100.0</u>

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

Operating costs

Our operating costs consist 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 operating revenue for the periods indicated:

	Year Ended December 31,						
	2012		2013		2014		
	NT\$	%	NT\$	%	NT\$	US\$	%
	(in millions, except percentages)						
Raw materials	126,815.4	71.8	115,810.4	72.8	95,358.7	3,017.7	73.6
Direct labor costs	9,072.8	5.2	8,719.7	5.5	9,616.6	304.3	7.4
Depreciation and amortization	3,558.9	2.0	4,945.5	3.1	6,182.4	195.6	4.8
Others	7,277.8	4.1	8,661.3	5.4	7,877.5	249.3	6.1
Total operating costs	<u>146,724.9</u>	<u>83.1</u>	<u>138,136.9</u>	<u>86.8</u>	<u>119,035.2</u>	<u>3,766.9</u>	<u>91.9</u>

Historically, cost of raw materials and components has accounted for a significant portion of our operating costs. 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. Depreciation of the equipment used in our production process and utility expenses has also been an important part of our operating costs.

Our operating costs as a percentage of our operating revenue increased from 83.1% in 2012 to 86.8% in 2013 and increased to 91.9% in 2014. The fluctuation of operating costs as a percentage of our operating revenue was primarily driven by the change of product mix, our production yield rate and our utilization rate.

Gross profit margin

Gross profit margin represents gross profit divided by operating revenue. Our gross profit margin decreased from 16.9% to 13.2% in 2013 and decreased to 8.1% in 2014. The fluctuation of our gross profit margin is directly related to the changes in operating costs as a percentage of operating revenue as discussed above.

Operating expenses

Our operating expenses consist of:

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

Selling and 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 and 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.

Our operating expenses as a percentage of our operating revenue increased from 5.4% to 6.9% in 2013 and increased to 8.0% in 2014. The fluctuation of operating expenses as a percentage of our operating revenue was primarily driven by the scale of our operations and the changes in our operating income.

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 or GDSs 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 or GDSs.

Taxation in the PRC

Our PRC subsidiaries conduct their businesses in China and are subject to taxation in China. Under the EIT Law, effective from January 1, 2008, both domestic and foreign-invested enterprises are subject to a uniform income tax rate of 25% with certain limited exceptions. These exceptions include, among others, (i) companies that are recognized by the relevant PRC governmental authorities as high-technology enterprises are subject to a preferential income tax rate of 15%, and (ii) in addition to the 15% preferential tax rate, high-technology enterprises incorporated on or after January 1, 2008 that are located in and have their operations based in the designated PRC economic and technology development zones are also subject to the 2-year exemption plus 3-year 50% reduction scheme.

Prior to the implementation of the EIT Law, qualified foreign-invested companies incorporated prior to January 1, 2008 and located in designated economic and technology zones in the PRC were subject to an income tax rate of 15% and entitled to the 2-year exemption plus 3-year 50% reduction scheme. As transitional relief, the PRC tax authorities have allowed those eligible foreign-invested enterprises to continue to enjoy their remaining tax benefits until 2012 by either electing to use their existing benefit under the 2-year exemption plus 3-year 50% reduction scheme or by electing to apply the 15% income tax rate. After the expiration of the transitional relief, starting from January 1, 2013, a uniform 25% tax rate should apply unless otherwise allowed under an applicable exemption under the EIT Law. Accordingly, during the years between 2008 and 2012, certain of our PRC subsidiaries elected to continue to use their remaining tax benefits under the 2-year exemption plus 3-year 50% reduction tax scheme while certain of our PRC subsidiaries elected to apply the 15% income tax rate.

Starting from January 1, 2013, only certain of our PRC subsidiaries that are recognized as high-technology enterprises by the relevant governmental authorities in Xiamen or those that are recognized as high-technology enterprises and have operations based in the Xiamen National Torch Hi-Tech Industrial Zone are entitled to the preferential income tax rate of 15% or the preferential income tax rate of 15% plus 2-year exemption plus 3-year 50% reduction tax scheme under the EIT Law exemptions. Among our PRC subsidiaries with operating revenue in 2014, eight were subject to the preferential income tax rate of 15%; one was subject to the preferential income tax rate of 15% combined with the 2-year exemption plus 3-year 50% reduction tax scheme; and our other PRC subsidiaries were subject to the 25% uniform income tax rate.

Taxation in the ROC

Our subsidiaries in Taiwan were subject to an income tax rate of 17% for 2012, 2013 and 2014.

Critical Accounting Policies

The preparation of financial statements and disclosures in conformity with Taiwan IFRS requires management to make judgments, assumptions and estimates that affect the amounts reported in our financial statements and the accompanying notes. The amounts of assets and liabilities reported in our balance sheets and the amounts of revenues and expenses reported for each of the periods are affected by estimates and assumptions which are used for, but not limited to, the accounting for asset impairments and income tax. Actual results could differ from these estimates. Notes 4 and 5 to our audited consolidated financial statements as of and for the years ended December 31, 2012, 2013 and 2014 included elsewhere in this offering memorandum describe the significant accounting policies and methods used in the preparation of the financial statements for the years ended December 31, 2012, 2013 and 2014. The following critical accounting policies are significantly affected by judgments, assumptions and estimates used in the preparation of our financial statements.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale provided the seller can reliably estimate future returns and recognizes a liability for returns based on previous experience and other relevant factors.

Impairment of Assets

At the end of each reporting period, we review the carrying amounts of our tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

Impairment of Goodwill

Goodwill is tested for impairment annually and we test for impairment more frequently if an event occurs or circumstances change that would indicate that the carrying amount may be impaired. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. In conducting the future cash flow valuation, we make assumptions about future operating cash flows, the discount rate used to determine present value of future cash flows, and capital expenditures. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Impairment of Accounts Receivables and Other Receivables

We periodically record a provision for doubtful accounts based on our evaluation of the collectability of our accounts receivable. We first assess whether objective evidence of impairment exists individually in each customer for account receivable, then includes in a group basis with historical collective experience and similar credit risk characteristics and collectively assess them for impairment. When there is objective evidence of

impairment loss, we take into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Impairment of Investment in Associate

When there is any indication that the investment may be impaired and the carrying amount may not be recoverable, we immediately recognize impairment loss on the investor's net investment in the associate. We evaluate the impairment based on the estimated future cash flow expected to be generated by the associate. We also take into consideration the market conditions and industry development to evaluate the appropriateness of assumptions.

Deferred Tax Asset

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

Inventory

Inventories are recorded at cost when acquired and stated at the lower of cost or net realizable values. Inventories are written down to net realizable value item by item, except for those that may be appropriate to group items of similar or related inventories. Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value was based on future demand and current market conditions and the historical experience of selling products of a similar nature. Changes in future demand and market conditions may have a material impact on the estimation of net realizable value.

Property, Plant, and Equipment

We review the estimated useful lives of property, plant and equipment at each balance sheet date. Property, plant and equipment are stated at cost, less recognized accumulated depreciation and recognized accumulated impairment loss. Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Estimated Provisions

Provisions are present obligations arising from past events that are expected to result in outflow of economic resources. Our provisions are estimated expenditure for settling obligation based on past experience. We have provisions for onerous contracts and for warranty. Please refer to note 20 to our audited consolidated financial statements for the years ended December 31, 2012, 2013 and 2014 included elsewhere in this offering memorandum for a detailed description of the carrying amount of provisions as of December 31, 2012, 2013 and 2014.

Results of Operations

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

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

	Year Ended December 31,						
	2012		2013		2014		
	NT\$	%	NT\$	%	NT\$	US\$	%
	(in millions, except percentages)						
Net operating revenue	176,609.6	100.0	159,067.4	100.0	129,516.9	4,098.6	100.0
Operating costs	(146,724.9)	(83.1)	(138,136.9)	(86.8)	(119,035.2)	(3,766.9)	(91.9)
Gross profit	29,884.7	16.9	20,930.5	13.2	10,481.7	331.7	8.1
Operating expenses:							
Selling and marketing expenses	(962.2)	(0.5)	(984.0)	(0.6)	(902.4)	(28.5)	(0.7)
General and administrative expenses	(3,920.4)	(2.2)	(4,539.0)	(2.9)	(4,451.6)	(140.9)	(3.4)
Research and development expenses	(4,703.9)	(2.7)	(5,416.3)	(3.4)	(4,982.8)	(157.7)	(3.9)
Total operating expenses	(9,586.5)	(5.4)	(10,939.3)	(6.9)	(10,336.8)	(327.1)	(8.0)
Operating income	20,298.2	11.5	9,991.2	6.3	144.9	4.6	0.1
Non-operating income and expenses	(20.3)	—	(1,087.0)	(0.7)	430.5	13.6	0.3
Profit before income taxes	20,277.9	11.5	8,904.2	5.6	575.4	18.2	0.4
Income taxes	(5,361.6)	(3.0)	(1,289.6)	(0.8)	(8.4)	(0.3)	0.0
Net profit	14,916.3	8.5	7,614.6	4.8	567.0	17.9	0.4

Operating revenue. Our net operating revenue decreased by 18.6% from NT\$159,067.4 million in 2013 to NT\$129,516.9 million (US\$4,098.6 million) in 2014. The decrease in our operating revenue was primarily attributable to (i) a decrease in total shipments, primarily resulting from a decrease in shipments for touch displays and touch modules used in small and medium-sized devices as a result of market-wide slowdown in demand for tablet PCs and because certain of our customers adopted competing touch technologies that we do not produce in certain of their smartphone products, and (ii) a decline in our realized average selling price for our products utilizing OGS touch solutions as a result of market-wide oversupply for touch-enabled notebook PCs adopting OGS structures.

Operating costs. Our operating costs decreased by 13.8% from NT\$138,136.9 million in 2013 to NT\$119,035.2 million (US\$3,766.9 million) in 2014 primarily due to a decrease in manufacturing activities as a result of the decrease in the volume of our products sold.

Gross profit. As a result of the foregoing, our gross profit decreased by 49.9% from NT\$20,930.5 million in 2013 to NT\$10,481.7 million (US\$331.7 million), and our gross margin decreased from 13.2% in 2013 to 8.1% in 2014.

Operating expenses. Our total operating expenses decreased by 5.5% from NT\$10,939.3 million in 2013 to NT\$10,336.8 million (US\$327.1 million) in 2014. Our operating expenses as a percentage of our operating revenue increased from 6.9% in 2013 to 8.0% in 2014 primarily due to lower operating revenue.

- **Selling and marketing expenses.** Selling and marketing expenses decreased by 8.3% from NT\$984.0 million in 2013 to NT\$902.4 million (US\$28.5 million) in 2014 primarily due to a decrease in shipping expenses as a result of lower shipment volume in 2014.
- **General and administrative expenses.** General and administrative expenses decreased by 1.9% from NT\$4,539.0 million in 2013 to NT\$4,451.6 million (US\$140.9 million) primarily due to further disciplined cost control procedures adopted in 2014.
- **Research and development expenses.** Research and development expenses decreased by 8.0% from NT\$5,416.3 million in 2013 to NT\$4,982.8 million (US\$157.7 million) in 2014 primarily due to decreased sampling activities for new customers and new products.

Operating income. As a result of the foregoing, our operating profit decreased from NT\$9,991.2 million in 2013 to NT\$144.9 million (US\$4.6 million) in 2014, and our operating margin decreased from 6.3% in 2013 to 0.1% in 2014.

Non-operating income and expenses. Our net non-operating income and expenses increased from net non-operating expenses of NT\$1,087.0 million in 2013 to net non-operating income of NT\$430.5 million (US\$13.6 million) in 2014. The change in our net non-operating income and expenses was primarily due to an increase in non-operating income as a result of (i) an increase in government grant subsidies and (ii) an increase in foreign exchange gains and a decrease in our non-operating expenses. The decrease in our non-operating expenses was primarily attributable to (i) a decrease in impairment loss recognized in connection with our investment in Cando Corporation and (ii) a decrease in investment loss under the equity method recognized for Cando Corporation as a result of decrease in the loss incurred for Cando Corporation in 2014 compared to 2013.

Income tax expense. Our income tax expense decreased by 99.3% from NT\$1,289.6 million in 2013 to NT\$8.4 million (US\$0.3 million) in 2014. The decrease was primarily due to a decrease in taxable income.

Net Profit. As a result of the foregoing, our net profit decreased by 92.6% from NT\$7,614.6 million in 2013 to NT\$567.0 million (US\$17.9 million) in 2014, and our net margin decreased from 4.8% in 2013 to 0.4% in 2014.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Operating revenue. Our operating revenue decreased by 9.9% from NT\$176,609.6 million in 2012 to NT\$159,067.4 million in 2013. The decrease in our operating revenue was primarily attributable to (i) decrease in total shipments, primarily resulting from a decrease in shipments for touch displays and touch modules used in small and medium-sized devices, as a result of a slowdown in demand for high-end smartphones and tablet PCs and (ii) an overall decline in our realized average sales price for our touch modules as the certain end-applications which adopted our touch solutions approached the later stage of their product life cycles.

Operating costs. Our operating costs decreased by 5.9% from NT\$146,724.9 million in 2012 to NT\$138,136.9 million in 2013 due primarily to the decrease in manufacturing activities as a result of the decrease in the volume of our products sold.

Gross profit. As a result of the foregoing, our gross profit decreased by 30.0% from NT\$29,884.7 million in 2012 to NT\$20,930.5 million in 2013, and our gross profit margin decreased from 16.9% in 2012 to 13.2% in 2013.

Operating expenses. Our total operating expenses increased by 14.1% from NT\$9,586.5 million in 2012 to NT\$10,939.3 million in 2013. Our operating expenses as a percentage of our operating revenue increased from 5.4% in 2012 to 6.9% in 2013 primarily as a result of lower operating revenue.

- **Selling and marketing expenses.** Selling and marketing expenses increased by 2.3% from NT\$962.2 million in 2012 to NT\$984.0 million in 2013 primarily a result of an increase in labor cost for sales-related departments due to an increase in the number of our customers.
- **General and administrative expenses.** General and administrative expenses increased by 15.8% from NT\$3,920.4 million in 2012 to NT\$4,539.0 million in 2013 primarily due to an increase of depreciation expenses and labor costs related to the completion of the expansion of certain factories and office facilities in 2013.
- **Research and development expenses.** Research and development expenses increased by 15.1% from NT\$4,703.9 million in 2012 to NT\$5,416.3 million in 2013 primarily due to (i) increased research and development activities in 2013 associated with the ramp-up of new products and (ii) increased sampling activity for new customers.

Operating income. As a result of the foregoing, our operating profit decreased from NT\$20,298.2 million in 2012 to NT\$9,991.2 million in 2013, and our operating margin decreased from 11.5% in 2012 to 6.3% in 2013.

Non-operating income and expenses. Our net non-operating expenses increased from NT\$20.3 million in 2012 to NT\$1,087.0 million in 2013. The increase in our net non-operating expenses was primarily attributable to an increase in impairment loss recognized in connection with our investment in Cando Corporation.

Income tax expense. Our income tax expense decreased by 75.9% from NT\$5,361.6 million in 2012 to NT\$1,289.6 million in 2013. The decrease was primarily attributable to a decrease in our taxable income. Our effective income tax rate decreased from 26.4% for 2012 to 14.5% for 2013, primarily due to the reverse of previously accrued income tax as a result of the resolution of a tax treatment dispute with the Xiamen Tax Bureau on the tax rates applied to our operating subsidiaries.

Net Profit. As a result of the foregoing, our net profit decreased by 49.0% from NT\$14,916.3 million in 2012 to NT\$7,614.6 million in 2013, and our net margin decreased from 8.5% in 2012 to 4.8% in 2013.

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 cash flows under for the periods indicated:

	Year Ended December 31,			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
	(in millions)			
Net cash generated from operating activities	16,108.3	18,526.2	14,411.5	456.1
Net cash used in investing activities	(19,201.0)	(28,210.6)	(21,498.7)	(680.4)
Net cash generated from (used in) financing activities	16,334.6	23,921.1	(4,190.5)	(132.6)
Effect of foreign exchange rate changes	(386.6)	824.8	2,517.9	79.7
Net increase (decrease) in cash and cash equivalents	12,855.3	15,061.5	(8,759.8)	(277.2)
Cash and cash equivalents at the beginning of the year	10,382.6	23,237.9	38,299.4	1,212.0
Cash and cash equivalents at the end of the year	23,237.9	38,299.4	29,539.6	934.8

Operating Activities

Net cash generated from operating activities in 2014 was NT\$14,411.5 million (US\$456.1 million). Net cash generated from operating activities was primarily attributable to our profit before income tax of NT\$575.4 million (US\$18.2 million), positively adjusted by (i) depreciation and amortization of NT\$8,053.1 million (US\$254.8 million), (ii) a decrease in notes and accounts receivables and other receivables of NT\$2,879.9 million (US\$91.1 million), (iii) a decrease in inventories of NT\$2,093.7 million (US\$66.3 million) and (iv) impairment loss on non-financial assets of NT\$2,108.8 million (US\$66.7 million).

Net cash generated from operating activities in 2013 was NT\$18,526.2 million. Net cash generated from operating activities in 2013 was primarily attributable to our profit before income taxes of NT\$8,904.2 million, positively adjusted by (i) a decrease in accounts receivable of NT\$13,142.2 million, (ii) depreciation and amortization of NT\$6,560.6 million and (iii) a decrease in inventories of NT\$4,257.9 million. This was partially offset by (i) a decrease in notes and accounts payable of NT\$11,893.7 million and (ii) an increase in other receivables of NT\$3,655.7 million.

Net cash generated from operating activities in 2012 was NT\$16,108.3 million. Net cash generated from operating activities in 2012 was primarily attributable to our profit before income taxes of NT\$20,277.9 million, positively adjusted by (i) a decrease in other receivables of NT\$6,553.9 million, (ii) depreciation and amortization of NT\$4,753.4 million and (iii) an increase in notes and accounts payable of NT\$5,950.2 million. This was partially offset by (i) an increase in accounts receivable of NT\$19,796.9 million and (ii) an increase in inventories of NT\$2,051.8 million.

Investing Activities

Net cash used in investing activities in 2014 was NT\$21,498.7 million (US\$680.4 million). Net cash used in investing activities was primarily attributable to the increase in advanced payments for equipment of NT\$9,585.5 million (US\$303.3 million), payments for the purchase of equipment of NT\$3,688.7 million (US\$116.7 million) in connection with our facility upgrades and the expansion of our production capacities and the purchase of debt investments with no active market of NT\$7,477.8 million (US\$236.6 million).

Net cash used in investing activities in 2013 was NT\$28,210.6 million. Net cash used in investing activities in 2013 was primarily attributable to the increase in advanced payments for equipment of NT\$14,745.8 million, payments for the purchase of property, plant and equipment of NT\$5,709.6 million in connection with our facility upgrades and the expansion of our production capacities, and the purchase of debt investments with no active market of NT\$5,978.7 million.

Net cash used in investing activities in 2012 was NT\$19,201.0 million. Net cash used in investing activities in 2012 was primarily attributable to the increase in advanced payments for equipment of NT\$12,290.5 million and payments for the purchase of property, plant and equipment of NT\$3,175.2 million in connection with our facility upgrades and the expansion of our production capacities, and the purchase of debt investments with no active market of NT\$2,503.2 million.

Financing Activities

Net cash used in financing activities in 2014 was NT\$4,190.5 million (US\$132.6 million). Net cash generated from financing activities was primarily attributable to (i) an increase in short-term borrowings of NT\$10,509.3 million (US\$332.6 million) and (ii) an increase in long-term borrowings of NT\$3,511.4 million (US\$111.1 million), partially offset by (i) the repayments of convertible bonds of NT\$11,091.7 million (US\$351.0 million), (ii) the repayments of long-term borrowings of NT\$4,071.9 million (US\$128.9 million), (iii) cash dividends paid in the amount of NT\$1,646.5 million (US\$52.1 million) and (iv) the payment of interest of NT\$1,133.3 million (US\$35.9 million).

Net cash generated from financing activities in 2013 was NT\$23,921.1 million. This cash inflow from financing activities was mainly attributable to (i) an increase in short-term borrowings of NT\$28,965.1 million and (ii) an increase in long-term borrowings of NT\$8,335.8 million, partially offset by (i) cash dividends paid in the amount of NT\$6,870.2 million and (ii) the repayments of long-term borrowings of NT\$6,187.0 million.

Net cash generated from financing activities in 2012 was NT\$16,334.6 million. This cash inflow from financing activities was mainly attributable to (i) the proceeds from the capital increase for the issuance of global depositary shares of NT\$6,788.9 million, (ii) the proceeds from the issuance of convertible bonds of NT\$6,716.8 million, (iii) an increase in short-term borrowings of NT\$6,007.8 million and (iv) an increase in long-term borrowings of NT\$5,595.8 million, partially offset by (i) cash dividends paid in amount of NT\$4,705.4 million and (ii) the repayments of long-term borrowings of NT\$4,440.4 million.

We use short-term borrowings 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 December 31, 2014, we had outstanding short-term borrowings of NT\$52,686.3 million (US\$1,667.3 million), current portion of long-term borrowings of NT\$5,731.6 million (US\$181.4 million) and current portion of bonds payable of NT\$6,833.6 million (US\$216.2 million). The interest rates for such loans ranged from 1.06% to 3.50%. 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 December 31, 2014, we had outstanding long-term borrowings (net of current portion) totaling NT\$7,927.5 million (US\$250.9 million). The average interest rates for these long-term borrowings ranged from 1.18% per annum to 3.63% per annum.

In September 2012, we issued unsecured zero coupon convertible bonds with an aggregate principal amount of US\$230 million denominated in US dollars with maturities in 2017. The convertible bonds were issued at 100% of their principal amount and will mature on October 1, 2017. Holders of the convertible bonds have the right under the terms of these bonds to convert the bonds into Shares from November 12, 2012 to September 21, 2017. The bondholders are entitled to a put option on October 1, 2015, or in the event of change of control or delisting, to require us to redeem the bonds (in whole or in part) at a redemption price equal to 100% of the outstanding principal amount thereof. We have a call option to redeem (in whole but not in part) at 100% of the principal amount of the bonds at any time after three years from the issue date and prior to the maturity date, if the closing price of the Shares on the TWSE, translated into U.S. dollars at the then prevailing exchange rate, for a period of 20 trading days out of 30 consecutive trading days is at least 130% of the conversion price at that time (translated into U.S. dollars at the fixed exchange rate of NT\$29.3320=US\$1.00). We intend to satisfy any such payment requirement with cash flow from operations, bank loans and other sources of financing.

Contractual Obligations

The following table sets forth, as of December 31, 2014, our future payment obligations under our existing long-term debts, corporate bonds, and lease or purchase arrangement conditions:

	Payment Due by Period					2020 and onwards	Total
	2015	2016	2017	2018	2019		
	(NT\$ in millions)						
Bonds payable	6,833.6	—	—	—	—	—	6,833.6
Long-term borrowings, including current portions of long-term borrowings	5,731.6	6,353.8	1,573.7	—	—	—	13,659.1
Operating leases	163.3	77.4	52.9	51.6	34.8	56.8	436.8
Warranties	1,398.2	—	—	—	—	—	1,398.2
Onerous contracts	129.6	—	—	—	—	—	129.6
Total	<u>14,256.3</u>	<u>6,431.2</u>	<u>1,626.6</u>	<u>51.6</u>	<u>34.8</u>	<u>56.8</u>	<u>22,457.3</u>

As of December 31, 2014, we have signed agreements and committed to purchase machinery in the amount of NT\$1,528.7 million (US\$48.4 million). We have received a portion of the machineries we purchased, but have not yet examined them.

Capital Expenditure

We have made substantial capital expenditures in connection with purchasing touch module production equipment and technological upgrade of our production facilities in the past. Our aggregate capital expenditures for the year ended December 31, 2014 amount to NT\$13,918.8 million (US\$440.5 million), primarily in connection with the purchase of additional equipment for the scheduled capacity expansion and initial ramp-up for our Pingtan Facility. Currently, subject to further requirements and market condition, we expect to make capital expenditures of approximately NT\$4.5 billion in 2015. 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.

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

Evolution of the Touch Industry

In 2007, when Apple launched the revolutionary iPhone with the 3.5-inch multi-touch touchscreen feature, it ignited a new demand for touch-enabled devices globally. The iPhone multi-touch touchscreen was designed to provide an intuitive and interactive experience between the human finger and the iPhone. The transparent P-cap touch technology was adopted by Apple for its ease of use and sensitivity. Since then, P-cap has redefined the standards of the touch panel industry and has served as the core touch technology on electronic devices providing consumers with the most intuitive and responsive interface.

From 2007 to 2012, the proliferation of high-end smartphone demand drove the growth of the touch panel industry. In addition, Apple's success with the iPad starting in 2010 accelerated the development of tablet PCs, and tier-one brands such as Amazon, Asus, Barnes & Noble, Google and Microsoft subsequently released their respective tablet PC models. With the rapid expansion of the Android OS and its eco-system, major consumer electronic companies started developing and manufacturing a variety of affordable touch-enabled devices based on different touch structures. The fast growing end-market demand attracted new entrants and heightened industry competition. During this period, touch technology evolved into a handful of different structures, including G/F/F, G/F, G/G, OGS and TOL solutions, among others, while touch sensor materials also expanded to comprise mainly ITO and exploration into, metal mesh, and silver nanowire. In 2013, the growth of high-end smartphones and tablet PCs moderated as the market matured while demand for mid-to-low end smartphones started to grow quickly. Owing to the growing popularity of the Android system, increasing number of consumer device manufacturers entered into the mid-to-low end touchscreen smartphone market. Subsequently, the touch-enabled consumer electronics industry began focusing on launching cost-effective solutions to capture the mid-to-low end market, which led to intense price competition. Furthermore, Microsoft's highly anticipated launch of its Windows 8 system in August 2012, which was expected to be a catalyst for touch notebook PCs demand, failed to gain significant recognition with the mass consumers.

Shipment of touch modules across various applications is expected to grow, largely driven by new demands from emerging markets and consumer preference towards larger screen touch devices. In addition, the rise of new touch-enabled end-applications, such as wearable devices and automotive monitors, is expected to spur the next cycle of growth for the touch-enabled electronics industry. With the continuous improvement in various end-application markets, ecosystems and user interfaces, it is expected that touch interface will be widely adopted in wearable devices, automotive monitors, and many other consumer and commercial electronic devices.

Major Touch Applications with Attractive Growth Prospects

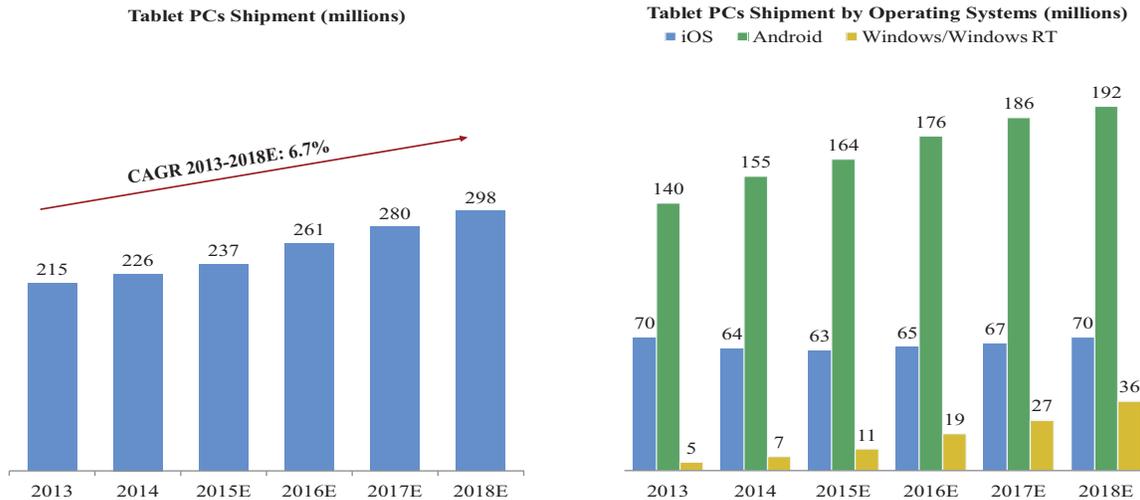
We believe that the growth of the touch module market is driven by the following key applications:

Mobile phones

Mobile phones represent the largest application for touch modules. While touch has become a common feature of mobile phones, there remains notable potential for further growth with subsidies or replacement subsidies from carriers. With the market for high-end smartphones having matured, it has become critical to distinguish between high-end smartphone models. TOL has become one of the preferred sensor structures due to its better optical performance, thinner and lighter properties. On the other hand, demand for mid-to-low end smartphones in emerging markets will provide additional growth. Mobile phones would continue to drive the shipment of touch modules as smartphones become more prevalent in emerging markets and users of feature phones switch to smartphones.

Tablet PCs

Apple's success with the iPad accelerated the development of tablet PCs, and tier-one brands such as Amazon, Asus, Barnes & Noble, Google and Microsoft subsequently released their respective tablet PCs models. After registering remarkable growth in 2013 mainly driven by developed markets, the tablet PC market is expected to expand at a slower rate in following years, and the growth will depend highly on emerging markets and non-Apple tablet PCs. According to Gartner, shipments of non-Apple tablets will grow at a CAGR of 9.5% from 144.6 million units in 2013 to 228.0 million units in 2018. In terms of overall shipments in tablet PCs, Gartner forecasts a CAGR of 6.7%, growing from 215.0 million units in 2013 to 297.7 million units in 2018. However, on the backdrop of sound market acceptance on Microsoft's big-size tablet, "Surface Pro 3", the trend towards bigger size tablet seems to encourage and will likely be a potential catalyst for touch proliferation on Windows based devices.



Charts created by TPK Holding Co, Ltd. based on Gartner research

Source: Gartner, Inc., Forecast: PCs, Ultramobiles and Mobile Phones Worldwide, 2012-2019, 1Q15 Update, published on Mar 16, 2015, by Ranjit Atwal, Tracy Tsai, Lillian Tay, Roberta Cozza, CK Lu, Tuong Nguyen, Annette Zimmermann, Annette Jump, Atsuro Sato, Mikako Kitagawa, Anshul Gupta, Kanae Maita, Bruno Lakehal and William Lutman.

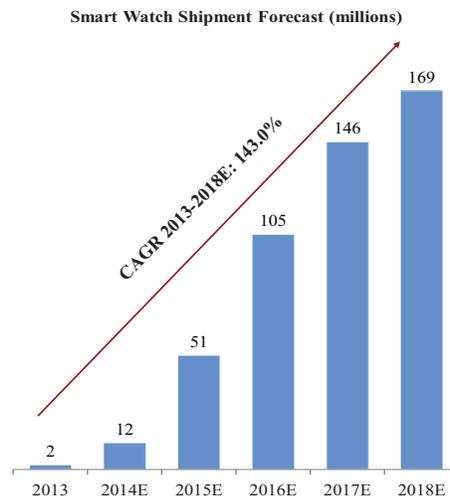
Notebook PCs

Given the relatively better cost effectiveness, touch sensitivity and optical performance, OGS remains the preferred touch structure for notebook PCs. However, the disappointing launch of Windows 8 and its low market acceptance have made the initial touch proliferation into notebook PCs challenging in the last few years, which resulted in severe competition and much more favorable touch module pricing for notebook PC makers. With industry consolidating and efforts being made to reconcile with modern consumer preference, such as 2-in-1 tablet/notebook design, we believe touch proliferation into notebook PCs is somewhat inevitable in the near future.

Smart Watch

After gaining tremendous success in the smartphone and tablet PC markets, consumer electronics brand manufacturers have started to look for next opportunities to extend their "smart device era" into other conventional devices. Since Sony's launch of the "SmartWatch" in 2012, the wearable market, especially smart watch, has become the "next big thing" for players in the consumer electronics market. With Apple unveiling its Apple Watch in September 2014 and more than a handful of other brands launching their products, it is expected

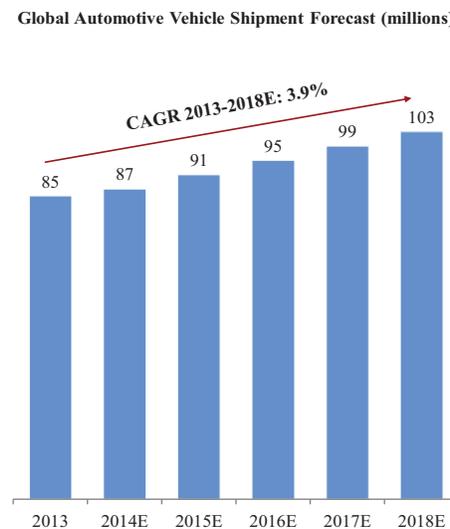
that a wave of new smart watch products will emerge starting from 2015. According Gartner’s forecast, the shipment of smart watches will grow significantly at a CAGR of 143.0% in the following years, from 2.0 million units in 2013 to 169.3 million units in 2018.



Charts created by TPK Holding Co, Ltd. based on Gartner research
 Source: Gartner, Inc., *Forecast: Internet of Things, Endpoints and Associated Services, Worldwide, 2014*, published on Oct 20, 2014, by Peter Middleton, Jim Tully, Kenneth Brant, Eric Goodness, Anurag Gupta, Jim Hines, Thilo Koslowski, Angela McIntyre, Bettina Tratz-Ryan

Automotive Monitors

Automotive monitors are the rising new application for touch panels. In 2013, the shipment of touch-enabled automotive monitors included mostly after-market products, such as touch-enabled GPS devices. Following the success and popularity of Tesla Model S and the rising trend of integrated touch-enabled devices, significant upside potential for touch-enabled automotive monitors is anticipated on the basis that over 80 million vehicles are estimated to be manufactured per year. Business Monitor International forecasts the number of vehicles will increase to 102.8 million units in 2018 implying potential headroom for growth of touch monitors in automobiles in the long-run.



Source: Business Monitor International (BMI) 2015

OUR BUSINESS

Overview

We are the leading touch solution provider, offering a full suite of touch solutions tailored to different customer requirements. With net operating revenue of NT\$129,516.9 million (US\$4,098.6 million) for the year ended December 31, 2014, we believe we are currently the world's largest pure-play touch solution provider. We believe our market-leading position results from our technological leadership, strong research and development capabilities, high operational standards and flexible production capabilities. 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 believe our technology leadership will enable us to continue to be at the forefront of proliferating touch solutions across various end-applications, including smartphones, tablet PCs, notebook PCs, wearable devices, automotive monitors and other touch-enabled applications. We offer versatile touch solutions across a wide range of product structures and technology categories, including multiple film- and glass-based solutions such as G/F/F, G/F G/G, OGS and TOL solutions. We believe that we are well-positioned to benefit from the increasing demand for touch solutions in diverse end-application markets.

Since our inception, we have dedicated significant resources to working closely with our customers to jointly establish product and technology roadmaps that define industry standards. We believe that our close collaboration with market leaders enables us to accurately identify and respond to emerging technology trends. We also believe that our continued focus has successfully reinforced our reputation as a reliable, efficient and high-quality touch solution provider, and has positioned us as the preferred partner and supplier for market leaders in the electronics industry.

Our flexible operating platform enables us to efficiently provide comprehensive product solutions across the entire value chain to meet our customers' requirements 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 by focusing on manufacturing process improvement, production technology enhancement, new solutions and use of alternative raw materials, with the objectives of maintaining technology leadership and tailoring our product offerings to capture the growth markets across various end-application and ecosystems.

For the year ended December 31, 2014, we had net operating revenue of NT\$129,516.9 million (US\$4,098.6 million), gross profit margins of 8.1%, operating income of NT\$144.9 million (US\$4.6 million) and net profit of NT\$567.0 million (US\$17.9 million). Our EBITDA for the year ended December 31, 2014 was NT\$8,198.0 million (US\$259.4 million) and EBITDA margin was 6.3%.

Our Shares have been listed on the TWSE since October 2010 under the trading code "3673." On March 31, 2015, the closing price per Share on the TWSE was NT\$219.0 per Share and our market capitalization was NT\$72,573.7 million (US\$2,296.6 million).

Our Competitive Strengths

Technology leadership with innovative solutions in products and manufacturing process

We invented the transparent P-Cap touch technology, which is the most commonly adopted touch solution in the world. With net operating revenue of NT\$129,516.9 million (US\$4,098.6 million) for the year ended December 31, 2014, we believe we are currently the world's largest pure-play touch solution provider. We shipped 102.5 million units of P-Cap touch modules globally in 2014. We believe our technology leadership will

enable us to continue to be at the forefront of proliferating touch solutions across various end-applications, including smartphones, tablet PCs, notebook PCs, wearable devices, automotive monitors and other touch-enabled applications.

Our strong research and development capabilities have positioned us as a technology leader with track record for innovation. Compared with other touch solution providers in the Greater China region, we believe we invest the most in research and development as a percentage of revenues, with our research and development expense representing 2.7%, 3.4% and 3.9% of revenues in 2012, 2013 and 2014, respectively. We also work closely with our customers, which are market leading, global consumer electronics players, to jointly establish product and technology roadmaps that define industry standards. For example, we offer customized solutions for utilizing the transparent P-Cap, TOL technology on high-end touch devices that have demonstrated superior performance in terms of lightness, thickness, touch sensitivity and durability compared to those developed by our competitors. We have also strategically partnered with other suppliers in the touch solutions supply chain to develop complementing technologies to provide full-suite, integrated and one-stop solutions tailored for our customers. For example, in 2013 we expanded our joint venture arrangement with Cambrios Technologies Corporation to include Nissha Printing Co., Ltd. in the joint development of silver nanowire in a roll-to-roll process in an effort to explore alternative sensor materials for flexible touch-enabled applications. In addition to introducing and developing new solutions, we continue to maintain our technology leadership by dedicating more resources to improve our manufacturing process and proprietary production technology and upgrade our in-house developed manufacturing equipment.

Close and collaborative relationships with market leaders

We have established product development partnerships with various global brand customers in smartphones, tablet PCs, notebook PCs, wearable devices, automotive monitors and other touch-enabled applications. We believe our strong reputation for reliably implementing high-quality touch solutions has positioned us as the preferred partner and supplier for market leaders across various consumer and commercial electronics products.

Due to our product development partnerships with market leaders, we assist customers to jointly develop product and technology specifications and consequently enjoy a first-mover advantage in the mass production of new solutions or next-generation products. Our early engagement with customers in the product development cycle allows us to devise a more efficient manufacturing model and allocate resources economically before mass production. In addition to being the preferred supplier for our existing customers, we will continue to identify and develop similar collaborative relationships with potential market leaders in new and growing end-segments.

Versatile touch solutions provider with high operational flexibility

We offer versatile touch solutions that cater to various customer needs. Compared with other touch solution providers that limit their solutions to either film-based or glass-based technologies, we are the only touch solutions provider that offers a wide array of film- and glass-based solutions including, G/F/F, G/F, G/G, OGS and TOL solutions.

Our flexible operating platform is vertically integrated and enables us to provide solutions across the value chain. This flexibility allows us to provide a full range services including any combination of cover glass, touch sensor and lamination across all end-product segments. For instance, we recently re-allocated the capacity of our Pingtan Facility to manufacture a wider array of touch solutions utilizing the OGS solutions for touch devices with sizes ranging from 7-inch to 32-inch in diagonal length. As a result of our flexibility to provide a broad range of touch solutions on a large scale, turn-key basis that generates economies of scale, we can deliver mass production of customized solutions with short lead times.

Strong management team with extensive industry experience

Our senior management team has a proven track record in product innovation, technology research and development, and sales and marketing strategies. Many of our senior managers have been involved in the development of the touch-enabled electronics industry for over 10 years.

Our management introduced the fully transparent P-Cap technology to the market and set the industry standards that are critical to our success today. For example, our founder and chairman, Mr. Michael Chao-Juei Chiang, is a well-known entrepreneur with over 25 years of experience in management and operation in the consumer electronics industry; our chief financial officer and chief accounting officer, Mr. Freddie Hsi-Liang Liu, brings finance and management expertise in the technology industry, having served as vice president at Citibank and vice president at Advanced Semiconductor Engineering, Inc. from 1997 to 2009 prior to joining our Company; our chief technology officer, Dr. James Yu-Wen Lee, who joined us in 2006 and previously headed our China research and development department, has a Ph.D. in material science and strong expertise in the transparent P-cap technology.

In November 2014, Mr. Michael Yi-Hua Chung joined as our chief executive officer to lead us in our continual efforts in developing advanced touch technologies. Prior to joining us, Mr. Chung was the head of the Integrated Digital Product Business Group at Hon Hai Precision Ind. Co., Ltd. (“Hon Hai”) and worked at Hon Hai for almost 15 years. We believe Mr. Chung’s extensive expertise and proven track record in managing an effective manufacturing operation will help strengthen our manufacturing excellence while improving our overall production cost effectiveness. We believe our senior management team’s combined extensive experience position us as a leader in the industry.

Our Business Strategies

Focus on our core competence

We intend to focus on our core competence as the preferred supplier and partner for touch solutions. In order to maintain our industry-leading position in touch solutions, we will continue to invest in research and development so we can continue to be at the forefront in technology, material, manufacturing process and equipment to cater and anticipate to our customers’ needs. For example, in September 2014, we have partnered with Shenzhen Goodix Technology Ltd. to jointly develop an invisible fingerprint sensor technology (“IFSTM”) which allows fingerprint recognition sensors to be integrated and embedded in a touch panel in order to maximize design flexibility for touch devices. We have also successfully introduced different touch technologies ahead of industry for new end-application markets, such as new touch solutions for wearable devices and automotive monitors. We will continue to dedicate our resources to develop thinner, lighter and creative touch solutions across different devices sizes, alternative materials and new end-applications. Maintaining and extending this technological leadership will give us more visibility into developing next generation solutions.

Continuously improving on operational efficiency

We recently re-vamped our business units (“BUs”) based on product lines or customer groups so that each BU functions as an independent profit center responsible for its own capacity, customers and products to enhance efficiency and profitability. BU leaders are fully accountable for the performance of their BU, which we believe will drive more prudent use of resources. Furthermore, we will continue to foster a culture of disciplined cost control in response to production needs and emphasize industrial engineering to further streamline our production lines. We believe our re-vamped organization and culture will allow us to become an even more competitive company with a leaner organization, faster response time and an improved cost structure.

In addition, we plan to continuously review the efficiency of our manufacturing processes and capacity and make necessary adjustments. Whilst our vertically integrated manufacturing process enables us to achieve high capacity utilization rates by integrating almost all upstream and downstream touch manufacturing processes in our production, certain of our in-house equipment capacity, such as our cover glass equipment capacity, may not be as cost-effective as that of specialized component suppliers. To achieve better efficiency and cost-effectiveness, we have decided to benchmark the cost and efficiency of our internal equipment capacity against external suppliers in determining the need and scale of outsourcing. For example, after adopting our new benchmarking policy, we took a charge on impaired assets in association with our cover glass capacity in the fourth quarter of 2014 given its low utilization rate and lack of cost-competitiveness relative to external suppliers. We will continue to execute our vertical integration strategy and make dynamic adjustments at the same time in order to achieve optimal asset utilization rate and cost structure.

Strengthen relationships with key strategic customers and expand into new end-application markets

We believe that our existing customers are leaders in their respective markets, and we plan to further our strategic collaboration with them while exploring promising new segments. We believe our refocus on optimizing customer and product mix will allow us to allocate more resources to strategic customers and extend relationships with customers that offer high-growth potential. This optimization of resource allocation will help us better serve the needs of our key strategic customers.

We believe that mid-end smartphone demand will increasingly grow in the next few years. To actively respond to this growing demand, we also plan to expand our relationships with mid-end smartphone manufacturers. We have also identified high potential customers in China and intend to solidify our position in the market by winning these key accounts. Given our leadership in technology, high brand premium, geographic location and close proximity to end-application markets, we believe we are well-positioned to capture the high growth potentials of our identified end-market segments. Furthermore, we plan to continue our collaboration and joint research with market leaders to strengthen our ability to develop new touch-enabled features and new applications that achieve better end-user experience. Subsequently, we plan to replicate our successful experience to our identified end-applications and market segments with emerging demands for touch solutions, such as wearable devices and automotive monitors. For example, we have successfully penetrated into the fast-growing, high-end automotive monitor market as a supplier to a leading U.S. electric car manufacturer, and intend to leverage this proven track record to further collaborate with other leading car manufacturers.

Products and Services

P-Cap Touch Solutions

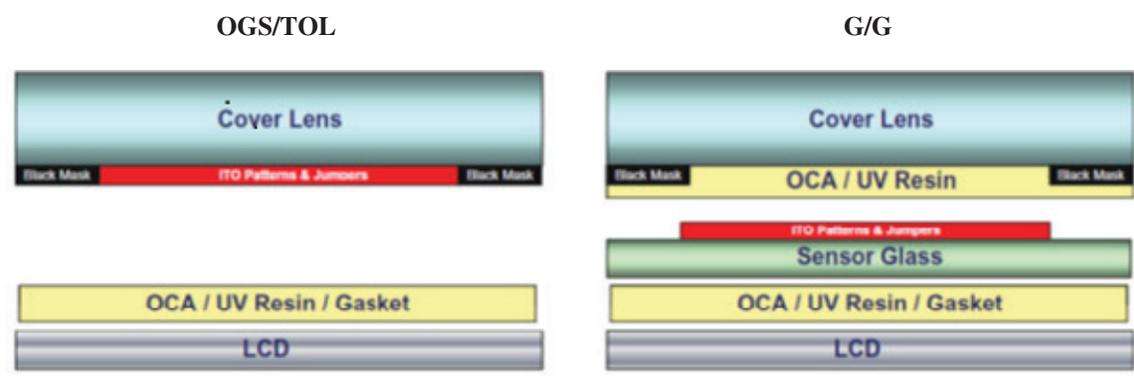
We invented fully transparent P-Cap touch technology and currently all of our touch solutions are based on P-Cap technology. P-Cap touch sensors work on proximity and do not need to be directly touched or triggered, allowing a cover glass to be applied on the top of the touch sensor to enhance durability. Moreover, P-Cap touch sensors can support multi-touch function and have higher sensitivity than resistive touch sensors. P-Cap technology entails different performance characteristics when applied in different sensor materials.

Products and Product Structures

Our touch solutions are generally available in two forms: touch modules and touch displays. A touch display completely integrates input and output functions into one unit, with input function received through the touch module and the output function transmitted through the display panel. Our customers usually require touch modules to be fully laminated to display panels as fully laminated display panels have better optical performance in terms of transparency and clarity, and also minimize refraction, as the air-gap between the touch module and display panel is replaced with optical clear adhesive. Our touch solutions are widely applied in a diverse range of electronics devices.

We design, develop and produce our touch products using our proprietary production process know-how with the capability of providing a wide range of touch solutions for devices of various sizes in different structures, including glass-based solutions such as G/G, OGS and TOL solutions, and film-based solutions including G/F/F and G/F. Glass-based P-Cap touch sensors have greater sensitivity, transmission capacity and transparency than film-based touch sensors while film-based touch sensors are lighter and thinner than glass-based touch sensors.

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



Our OGS solutions employ ITO-coated strengthened glass serving as touch sensor as well as the cover glass. Our TOL solutions utilize the same product structure but employ a full-strength glass substrate produced through our proprietary manufacturing process, to serve as touch sensor and cover glass. Our TOL/OGS product structure design maintains the sensitivity and transparency of our G/G touch module while reducing the overall weight and thickness of our touch modules or touch displays.

We focus on providing high-quality touch solutions for mid- to high-end touch devices across different device sizes and customized specifications. Our touch modules and touch displays can be used in small-sized touch devices, medium-sized touch devices and large-sized touch devices. Our touch modules and touch displays for small-sized touch devices are commonly used in end-applications such as smartphones and wearable devices. Our touch modules and touch displays for medium-sized touch devices are commonly used in end-applications such as tablet PCs. Our touch modules and touch displays for large-sized touch devices are commonly used in end-applications such as notebook PCs, all-in-one PCs and automotive monitors.

	Year Ended December 31,						
	2012		2013		2014		
	NT\$	%	NT\$	%	NT\$	US\$	%
	(in millions, except percentages)						
Small-sized panels	84,574.0	47.9	69,135.5	43.5	60,484.4	1,914.0	46.7
Medium-sized panels	78,115.1	44.2	59,227.5	37.2	39,632.2	1,254.2	30.6
Large-sized panels	7,474.6	4.3	22,446.2	14.1	21,499.8	680.4	16.6
Other products	6,445.9	3.6	8,258.2	5.2	7,900.5	250.0	6.1
Total operating revenue	<u>176,609.6</u>	<u>100.0</u>	<u>159,067.4</u>	<u>100.0</u>	<u>129,516.9</u>	<u>4,098.6</u>	<u>100.0</u>

We manufacture touch modules and touch displays pursuant to customized specifications and take into account the different features, performances, costs and pricing considerations of the different structures. For example, for smartphones, we offer TOL solutions for high-end devices and OGS and G/F/F solutions for mid-end devices. For

tablet PCs, we offer G/F and TOL solutions for high-end devices and OGS solutions for mid-end devices. For large-sized touch devices, we offer G/G and OGS solutions which provide adequate touch sensitivity, design flexibility and optical performance at a competitive pricing.

Other Products and Services

In addition to the design, development, manufacturing and sale of P-Cap touch solutions, we also offer ITO glass, cover glass and lamination services as part of our integrated one-stop solutions. Our lamination services can be applied to cover glass and touch sensors, if the stack-up structure entails multiple-layers, as well as to touch modules and display panel. Lamination is a complex technical process for which proprietary know-how is essential. We have developed proprietary lamination equipment in-house, which has enabled 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 reduce production costs and the product lead time for each customized products. In general, our lamination services carry a higher average selling price but lower gross profit margin due to the pass-through of our costs to procure the display panel.

Production Process

The production steps of P-Cap touch modules include ITO deposition and patterning, metal trace and insulation processes. We have the capabilities to carry out all production processes and manufacture key components in-house. We utilize proprietary technologies and/or self-designed processing equipment in the essential stage of touch modules production. Our self-designed lamination equipment and our proprietary know-how for the lamination process enable us to achieve an industry-leading yield rate and enhance efficiency.

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. We also outsource some of the touch sensors used to produce touch module to certain external suppliers in addition to in-house production or procurement from our affiliates. Because we compete for various components with other participants in the markets, many components including those that are available from multiple sources, are at times subject to industry-wide shortages. For example, due primarily to production capacity limitation, we have from time to time experienced shortages of raw glass and high-end display panels. 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.

Sales and Marketing

We sell and market our touch solutions through our sales team located in North America, Taiwan, China, Japan and Korea. As of December 31, 2014, our sales team comprised of 214 members.

A substantial portion of our touch solutions 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.

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

	Year ended December 31,						
	2012		2013		2014		
	NT\$	%	NT\$	%	NT\$	US\$	%
	(in millions, except percentages)						
North America	119,814.8	67.9	94,092.0	59.2	69,843.0	2,210.2	53.9
Asia	56,204.9	31.8	64,269.7	40.4	58,784.6	1,860.3	45.4
Others	589.9	0.3	705.7	0.4	889.3	28.1	0.7
Total	<u>176,609.6</u>	<u>100.0</u>	<u>159,067.4</u>	<u>100.0</u>	<u>129,516.9</u>	<u>4,098.6</u>	<u>100.0</u>

Historically, sales to major customers account for a substantial portion of our operating revenue. In 2012, 2013 and 2014, sales to our largest customer accounted for 59.1%, 42.8% and 40.2% of our operating revenue, respectively. In aggregate, our five largest customers accounted for 81.0%, 65.5% and 72.7% of our operating revenue in 2012, 2013 and 2014, 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 and Pingtan, PRC. 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	360,740	Glass-based touch modules and displays
Optera Technology (Xiamen) Co., Ltd.	Xiamen	59,040	Glass-based touch sensors
TPK Lens Solution Inc.	Xiamen	63,097	Cover glass and in-house touch equipment development
TPK Touch Systems (Xiamen) Inc.	Xiamen	57,734	Touch systems and film-based touch modules and displays
Ray-Star Optical Solutions (Xiamen) Inc	Xiamen	35,995	Cover glass
Ray-Star Technology (Xiamen) Inc.	Xiamen	38,371	Glass-based touch modules and displays
TPK Glass Solutions (Xiamen) Inc.	Xiamen	185,022	Cover glass and glass-based touch modules
TPK MasTouch Solutions (Xiamen) Inc.	Xiamen	64,142	Large-sized, glass-based touch modules and displays
TPK Film Solution (Xiamen) Inc.	Xiamen	6,913	Silver nanowire film-based touch solutions
TPK Touch Solutions (Pingtan) Inc.	Pingtan	208,803	Glass-based touch modules and displays
TPK Advanced Solutions Inc.	Xiamen	54,408	Glass-based touch modules and displays

Research and Development

We place significant emphasis on research and development of new solutions, technologies and designs. In 2012, 2013 and 2014, our research and development expenses totaled NT\$4,703.9 million, NT\$5,416.3 million

and NT\$4,982.8 million (US\$157.7 million), respectively, which accounted for 2.7%, 3.4% and 3.9% of our operating revenue for the respective years. As of December 31, 2014, our research and development team consisted of 1,518 dedicated staff, among which 122 hold a master or doctorate degree in a relevant 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:

- fine-line P-Cap touch sensor for screens with narrow borders;
- functional coating which includes multiple functions such as anti-scratch, anti-reflection and anti-glare functions for touch devices;
- cost-effective three-dimensional (“3D”) glass/touch screen production process; and
- high accuracy and thin adhesive full lamination for P-Cap touch modules and displays.

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

- enhanced TOL technology with improved production processes and yield rate, which provides superior performance in terms of strength, thickness, touch sensitivity and durability;
- different production technology for new end-application markets such as wearable devices and automotive monitors, with better cost structure;
- develop new technologies such as the invisible fingerprint sensor technology (“IFSTM”) for fingerprint recognition sensors; and
- alternative materials and components.

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-enabled electronics industry is highly competitive. 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.”

In recent years, with the significant growth in the demand for smart mobile devices, touch technologies have evolved into a handful of different structures and technologies and competition has greatly intensified. Existing players and new market entrants have been competing primarily through new solutions with enhanced performances, and at times through aggressive pricing and low cost structures in order to maintain or gain market share. This increase in competition may also result in more intense price competition and potential market-wide oversupply, which may lead to further declines in average selling prices of touch products.

Because we offer touch solutions in end-applications across a wide range of industries such as mobile devices, notebook PCs, tablet PCs, wearable devices, automotive monitors, consumer electronics and other portable devices using different touch structures and technology categories, we face a broad range of existing and new competitors ranging from large multinational consumer electronics manufacturers to highly specialized pure-play touch solution providers that focus on a limited number of touch solutions. We compete primarily with touch solution providers, such as General Interface Solution Ltd., Shenzhen Laibao Hi-Tech Co., Ltd. and Truly Opto-electronics Ltd. in glass-based touch solutions, and O-film Tech Co., Ltd. (“O-film”) in film-based touch solutions. In addition, we also compete with display panel manufacturers including Sharp and Japan Display Inc. from Japan, LG Display Co., Ltd. from South Korea and AU Optronics Corporation and Innolux Corporation from Taiwan on certain product categories. Due to intense competition, a number of touch providers, including some of which our direct competitors, have filed for bankruptcy or exited the market. We believe that the touch-enabled electronic industry may undergo further structural changes and reforms as the industry gradually consolidates.

Employees

We had 53,510, 42,967 and 49,089 employees as of December 31, 2012, 2013 and 2014, including 31,835, 26,582 and 31,073 employees from service dispatching company. The following table sets forth the number of our employees in each of our areas of operations and as a percentage of our total workforce as of December 31, 2014:

	<u>As of December 31, 2014</u>	
	<u>Employees</u>	<u>Percentage (%)</u>
Management and administrative	1,152	2.4
Manufacturing and assembly	40,408	82.3
Operations and quality control	5,693	11.6
Research and development	1,622	3.3
Sales and marketing	214	0.4
Total	<u><u>49,089</u></u>	<u><u>100.0</u></u>

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

As of December 31, 2014, 17.2% 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 2012, 2013 and 2014, we incurred expenses in connection with such employee benefits required by applicable regulations in the amount of NT\$422.1 million, NT\$443.4 million and NT\$382.5 million (US\$12.1 million), respectively.

As of December 31, 2014, we have outstanding employee stock option for an aggregate of 14,080 Shares. In addition, our employee stock option plan for the issuance of up to 10,000,000 Shares has been approved by the ROC government authority on December 1, 2014. 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 2012, 2013 and 2014, 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 from time to time been involved in legal proceedings concerning matters arising from our business and operations. These include intellectual property proceedings and other disputes that arise from time to time during the ordinary course of business. The outcome and costs of pending or future proceedings are difficult to estimate and may have a material adverse effect on our business, financial condition and results of operations. In each of the ongoing matters, we are continually evaluating the merits of the respective proceedings and vigorously defending ourselves or pursuing appropriate outcomes as a plaintiff, as the case may be. While we continue to vigorously contest the various proceedings described herein, it is possible that one or more proceedings may result in an unfavorable outcome. See “Risk Factors — Risks Relating to Our Business.”

Intellectual Property Proceedings

As is the case with many companies involved in the manufacturing of products requiring a high level of specialized technology and know-how, we have received from time to time communications from third parties asserting that our technologies or manufacturing processes infringe on the patents or intellectual property rights of others. There can be no assurance that claims of intellectual property infringement will not be brought in the future against us. In addition, any litigation, whether to enforce our patents or other intellectual property rights or to defend ourselves against claims that we have allegedly infringed the intellectual property rights of others, could materially and adversely affect our results of operations. See “Risk Factors — Risks Relating to Our Business — Our failure to protect our intellectual property may undermine our competitive position” and “Risk Factors — Risks Relating to Our Business — Disputes over intellectual property rights may be costly and, if determined adversely to us, could cause us to pay significant damages and interrupt our business and operations.”

In January 2013, we filed two separate lawsuits in the Xiamen Intermediate People’s Court against each of O-film and Nokia Telecommunications Corporation (“Nokia”) claiming infringement of our patent relating to the conductor pattern structure of capacitive touch panels, which has been registered with the State Intellectual Property Office of China. Later, we added Wintek Corporation (“Wintek”) as a co-defendant in the lawsuit

against Nokia. As a counter measure, O-film, Nokia and Wintek filed an invalidation request before the Patent Reexamination Board of the State Intellectual Property Office of China (the "Patent Review Board"). In August 2013, the Patent Review Board invalidated the disputed patent. In September 2013, we appealed this claim by filing an administrative claim in the Beijing No. 1 Intermediate People's Court seeking for the court to review the Patent Review Board's invalidation ruling. In December 2013, the Beijing No. 1 Intermediate People's Court vacated the Patent Review Board's ruling. The Patent Review Board has appealed to the Beijing Higher People's Court. We withdrew the lawsuit against Nokia in November 2014. We entered into a definitive settlement agreement with Wintek (the "Wintek Settlement Agreement"), effective October 2014, under which the parties agreed to dismiss all claims against each other. Pursuant to the Wintek Settlement Agreement, we withdrew the lawsuit against Wintek in November 2014. In December 2014, the Beijing Higher People's Court vacated the Beijing No. 1 Intermediate People's Court's ruling and sustained the Patent Review Board's invalidation verdict. According to the PRC Administrative Procedure Law, the Company may appeal to the Supreme People's Court. We may take into account the procedural remedies provided under the PRC Administrative Procedure Law, review the merits of this case and consider all applicable remedial measures. We are unable to predict the outcome of the outstanding proceedings between O-film and us.

In May 2013, we filed a patent infringement claim against Wintek and Wintek's U.S. subsidiary, Wintek Electro-Optics Corporation, in U.S. District Court of Northern District of California for their infringement of one of our patents. In October 2013, we added another patent to the claim. Pursuant to the Wintek Settlement Agreement which came into effect in October 2014, we settled all pending litigations among Wintek, its subsidiary and us, including this litigation which was pending at the District Court of Northern District of California.

In October 2014, O-film and one of its affiliates filed a lawsuit in Nanchang Intermediate People's Court against TPK Touch Solutions (Xiamen) Inc. claiming infringement of certain of their patents. The proceeding remains ongoing and we are unable to predict the outcome.

Intellectual Property and Licenses

As of December 31, 2014, we held 1,045 patents, including 364 patents in Taiwan and 681 patents in foreign countries. Among which, we held 328 invention patents and 717 utility model patents. In addition, we had 1,312 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 December 31, 2014, we maintained 64 trademark registrations, including 24 in Taiwan. 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 a directors' and officers' insurance policy.

Investment Policy

Under our investment policy, we mainly focus on evaluating the risks, profitability and asset growth of potential investments before making an investment decision. For investments in companies, we look at their future prospects as well as their past records in compliance, profitability and liquidity.

Our Subsidiaries

We maintain shareholdings in our subsidiaries for long-term strategic investment purposes. In addition to our subsidiaries, we held a 19.78% equity interest in Cando Corporation as of December 31, 2014. 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 December 31, 2014, 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):

<u>Name and registered address</u>	<u>Book value of our investments as of December 31, 2014</u> (in NT\$ millions)	<u>Percentage of shares owned by us as of December 31, 2014⁽¹⁾</u> %	<u>Date of incorporation</u>	<u>Principal function or products</u>
Optera TPK Holding Pte. Ltd. (Singapore) 80 Robinson Road, #02-00 Singapore, 068898	2,977.2	100.0	November 24, 2005	Holding company
Improve Idea Investments Ltd. (Samoa) Offshore Chambers, P.O. Box 217 Apia, Samoa	5,219.4	100.0	January 17, 2006	Holding company
Upper Year Holdings Limited (Samoa) Offshore Chambers, P.O. Box 217 Apia, Samoa	35,628.1	100.0	January 17, 2006	Holding company and international trade
TPK Technology International Inc. (Samoa) Offshore Chambers, P.O. Box 217 Apia, Samoa	1,080.4	100.0	January 8, 2007	International trade

Name and registered address	Book value of our investments as of December 31, 2014 (in NT\$ millions)	Percentage of shares owned by us as of December 31, 2014 ⁽¹⁾ %	Date of incorporation	Principal function or products
TPK Touch Solutions Inc. (Taiwan) 6F, No. 13-18, Sec. 6, Min Quan East Road Taipei, 114, Taiwan	3,508.0	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	32,662.4	100.0	August 26, 2004	Glass-based touch modules and displays
TPK Lens Solutions, Inc. (PRC) No. 40 Haijing Middle Road Amoy Export Processing Zone Haicang, Xiamen, Fujian, PRC	(749.0)	100.0	May 30, 2006	Cover glass and in-house touch equipment development
TPK Touch Systems (Xiamen) Inc. (PRC) No. 190 Jimei Ave. Jimei District Xiamen, Fujian, PRC	2,991.4	100.0	June 21, 2006	Touch systems and film-based touch modules and displays
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	2,076.4	100.0	December 23, 2005	Glass-based touch sensors
Ray-Star Optical Solutions (Xiamen) Inc. (PRC) Technology Building, No. 18, Xiafei Road Xinyang Industrial Zone Haicang, Xiamen, Fujian, PRC	744.0	100.0	April 15, 2010	Cover glass
Ray-Star Technology (Xiamen) Inc. (PRC) 1-2/F, Factory B, No. 503, Zhi Shan North Road Information & Photoelectricity Park of Xiamen Torch Hi-Tech Industrial Development Zone Xiamen, Fujian, PRC	8,279.9	100.0	March 31, 2010	Glass-based touch modules and displays
TPK America, LLC 160 Greentree Drive, Suite 101, Dover, Delaware 19904	77.6	100.0	April 16, 2010	International trade
New Strategy Investment Ltd. (Samoa) Equity Trust Chambers, P.O. Box 3269 Apia, Samoa	31.3	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	15,529.9	100.0	December 17, 2010	Holding company

Name and registered address	Book value of our investments as of December 31, 2014 (in NT\$ millions)	Percentage of shares owned by us as of December 31, 2014 ⁽¹⁾ %	Date of incorporation	Principal function or products
TPK Asia Pacific Sdn. Bhd. (Malaysia) Unit 3(I), Main Office Tower, Financial Park Labuan Jalan Merdeka, 87000 Labuan F.T. Labuan, Malaysia	4,825.4	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	15,467.5	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	3,742.0	100.0	February 14, 2011	Cover glass and glass-based touch modules
Ray-Star System Solutions Limited (Hong Kong) 31/F., Chinachem Century Tower No. 178 Gloucester Road Wanchai, Hong Kong	732.9	100.0	December 28, 2010	Holding company
Ray-Star System Solutions (Xiamen) Inc. (PRC) East Side 2/F, 3/F, West Side 4/F, Factory F No. 509 Zhi Shan North Road Information & Photoelectricity Park of Xiamen Torch Hi-Tech Industrial Development Zone Xiamen Fujian, PRC	749.6	100.0	February 14, 2011	Glass-based touch modules and displays
CIM Corporation (Japan) 308-1, Nishijima, Okubo-cho Akashi-shi, Hyogo 674-0064, Japan	(8.8)	80.0	May 16, 2011	Holding company
Hallys Corporation (Japan) 811-1, Eigashima, Okubo-cho Akashi-shi, Hyogo 674-0064, Japan	89.6	68.46	July 31, 2000	Machinery manufacturing, wholesale and retail
TPK Specialty Materials Limited (Samoa) Offshore Chambers, P.O. Box 217 Apia, Samoa	531.9	51.0	December 4, 2006	Holding company
Xiamen Jan Jia Optoelectronic Co., Ltd. (PRC) Central Block, No. 1 Xiangming Road Xiangnan Industrial District Xiamen, Fujian, PRC	559.5	51.0	January 18, 2007	Protective films and optical adhesive manufacturing and sales
TPK Film Solutions Limited (Hong Kong) 11/F., Wheelock House 20 Pedder Street Central, Hong Kong	178.1	66.75	June 14, 2012	Holding company

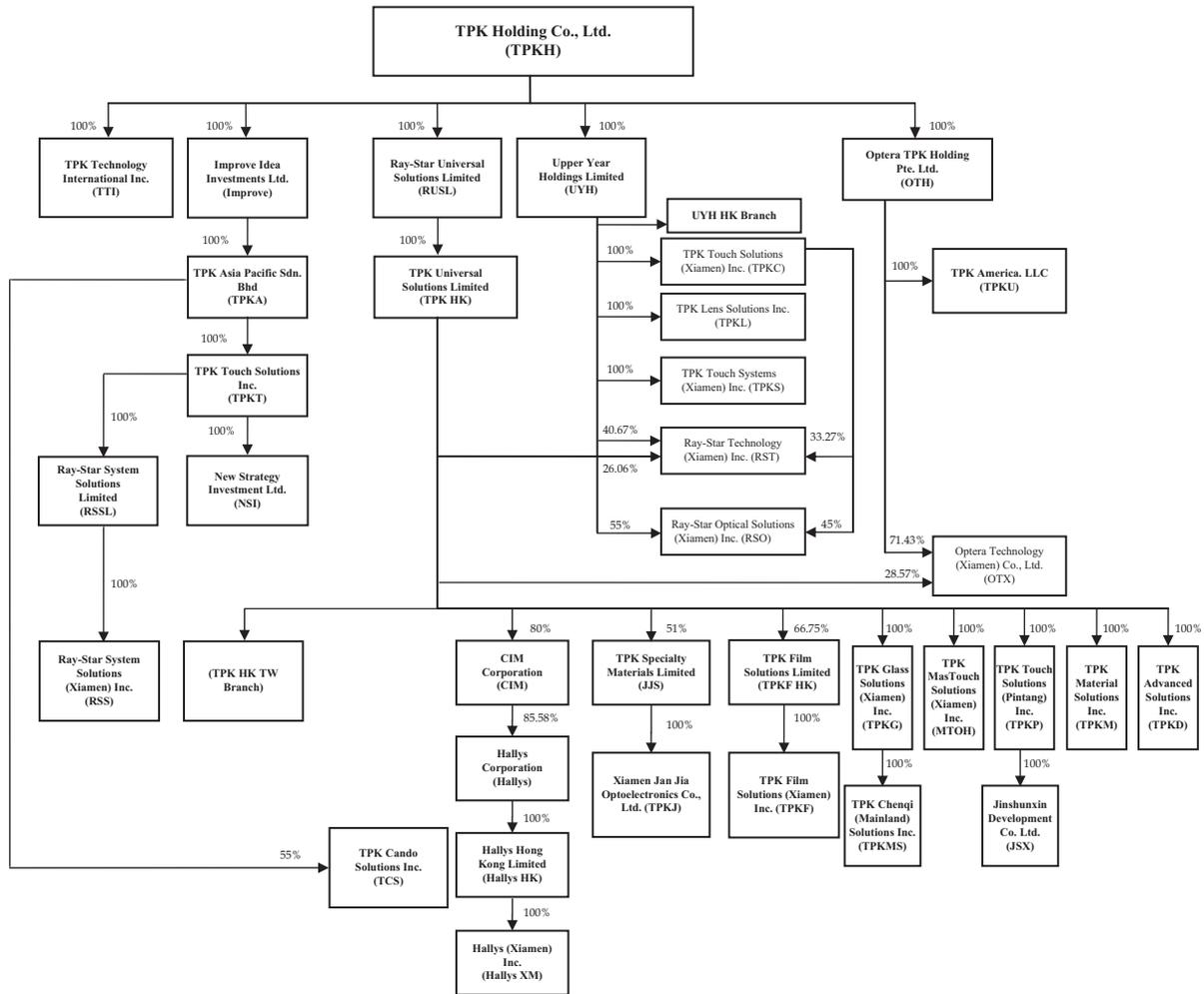
Name and registered address	Book value of our investments as of December 31, 2014 (in NT\$ millions)	Percentage of shares owned by us as of December 31, 2014 ⁽¹⁾ %	Date of incorporation	Principal function or products
Hallys Hong Kong Limited (Hong Kong) Flat B, 6/F, Teda Building 87 Wing Lok Street Sheung Wan, Hong Kong	14.2	68.46	May 10, 2012	Holding company and international trade
TPK Film Solutions (Xiamen) Inc. (PRC) Section D, 5/F, Building Complex No. 191 Ban Shang Road Information & Photoelectricity Park of Xiamen Torch Hi-Tech Industrial Development Zone Xiamen, Fujian, PRC	105.5	66.75	August 7, 2012	Silver nanowire film-based touch solutions
Hallys (Xiamen) Inc. (PRC) Section C, 5/F, Building Complex No. 191 Ban Shang Road Information & Photoelectricity Park of Xiamen Torch Hi-Tech Industrial Development Zone Xiamen Fujian, PRC	14.2	68.46	November 7, 2012	Optical glass and related equipment and components assembling and manufacturing
TPK MasTouch Solutions (Xiamen) Inc. (PRC) No. 1, Haijing North Road Haicang District Xiamen, Fujian, PRC	1,695.3	100.0	December 7, 2007	Large-sized, glass-based touch modules and displays
TPK Touch Solutions (Pingtan) Inc. (PRC) No. 1, East Ruyi Road Beicuo Town Pingtan, Fujian, PRC	4,682.2	100.0	February 18, 2013	Glass-based touch modules and displays
TPK Cando Solutions, Inc. (Taiwan) No. 88, Houke South Road Houli District Central Taichung Science Park Bureau Taiwan	308.6	55.0	April 3, 2013	Chemically strengthened glass and other modules research, manufacturing and sales
TPK Material Solutions Inc. (PRC) Economic Development Zone Jinjiang, Fujian, PRC	189.1	100.0	August 1, 2013	Touch related electronic materials, electronic chemicals processing, manufacturing and research
Jinshunxin Development (Pingtan) Co., Ltd. (PRC) 7/F, Bank of China North Longfeng Road Guishan Neighborhood Committee Tancheng Pingtan County, Fujian, PRC	789.5	100.0	November 7, 2013	Land development

Name and registered address	Book value of our investments as of December 31, 2014 (in NT\$ millions)	Percentage of shares owned by us as of December 31, 2014 ⁽¹⁾ %	Date of incorporation	Principal function or products
TPK Advanced Solutions Inc. (PRC) 2-4F, No. 515, Zhi Shan North Road Information & Photoelectricity Park of Xiamen Torch Hi-Tech Industrial Development Zone Xiamen, Fujian, PRC	1,839.3	100.0	July 15, 2014	Glass-based touch modules and displays
TPK Chenqi (Mainland) Solutions Inc. (PRC) Section E, 5/F, Building Complex No. 191 Ban Shang Road Information & Photoelectricity Park of Xiamen Torch Hi-Tech Industrial Development Zone Xiamen, Fujian, PRC	2.5	100.0	July 31, 2014	Trading business

Note:

- (1) Including ordinary shares held directly by us and indirectly through our subsidiaries. See Note 4 to our financial statements as of and for the year ended December 31, 2014.

The diagram below illustrates our corporate structure as of December 31, 2014:



The following is a brief description of our significant subsidiaries (as defined in Regulation S-X under the Exchange Act) and certain of our major operating subsidiaries.

Ray-Star Technology (Xiamen) Inc. (“RST”) was established in 2010, and has been our 100% subsidiary since then. It is an operating company engaging in the research, development, manufacturing and sales of glass-based touch modules and displays. As of December 31, 2014, RST had a paid-in capital of NT\$3,481.3 million (US\$110.2 million) and a total reserve in the amount of NT\$4,404.9 million (US\$139.4 million). RST recorded loss in the amount of NT\$659.9 million (US\$20.9 million) after tax for the year ended December 31, 2014. We received dividends from RST in the amount of NT\$59.9 million (US\$1.9 million) for the year ended December 31, 2014. The book value and value at which we show the shares of RST held in our accounts were NT\$8,279.9 million (US\$262.0 million) and there is no outstanding debt owed to or by the Issuer to RST as of December 31, 2014.

TPK Touch Solutions (Xiamen) Inc. (“TPKC”) has been our 100% subsidiary since then. It is an operating company engaging in the research, development, manufacturing and sales of glass-based touch modules and displays. As of December 31, 2014, TPKC had a paid-in capital of NT\$4,272.8 million (US\$135.2 million) and a

total reserve in the amount of NT\$27,955.0 million (US\$884.7 million). TPKC recorded a profit in the amount of NT\$1,524.1 million (US\$48.2 million) after tax for the year ended December 31, 2014. We received dividends from TPKC in the amount of NT\$673.3 million (US\$21.3 million) for the year ended December 31, 2014. The book value and value at which we show the shares of TPKC held in our accounts were NT\$32,662.4 million (US\$1,033.6 million) and the amount of debt owed to the Issuer by TPKC was NT\$1,582.5 million (US\$50.1 million) and there are no outstanding debt owed by the Issuer to TPKC as of December 31, 2014.

TPK Glass Solutions (Xiamen) Inc. (“TPKG”) was established in 2011, and has been our 100% subsidiary since then. It is an operating company engaging in the manufacturing and sales of cover glass and glass-based modules. As of December 31, 2014, TPKG had a paid-in capital of NT\$4,747.5 million (US\$150.2 million) and the total reserve was negative NT\$1,030.8 million (US\$32.6 million). TPKG recorded a profit in the amount of NT\$150.1 million (US\$4.8 million) after tax for the year ended December 31, 2014. We did not receive any dividends from TPKG for the year ended December 31, 2014. The book value and value at which we show the shares of TPKG held in our accounts were NT\$3,742.0 million (US\$118.4 million) as of December 31, 2014 and there is no outstanding debt owed to or by the Issuer to TPKG as of December 31, 2014.

TPK Touch Solutions (Pingtan) Inc. (“TPKP”) was established in 2013, and has been our 100% owned subsidiary since then. It is an operating company engaging in the research, development, manufacturing, processing and sales of glass-based touch modules and displays. As of December 31, 2014, TPKP had a paid-in capital of NT\$4,747.5 million (US\$150.2 million) and the total reserve was negative NT\$71.1 million (US\$2.3 million). TPKP recorded a profit in the amount of NT\$19.8 million (US\$0.6 million) after tax for the year ended December 31, 2014. We did not receive any dividends from TPKP for the year ended December 31, 2014. The book value and value at which we show the shares of TPKP held in our accounts were NT\$4,682.2 million (US\$148.2 million) and there is no outstanding debt owed to or by the Issuer to TPKP as of December 31, 2014.

Xiamen Jan Jia Optoelectronics Co., Ltd. (“TPKJ”) was established in 2007, and has been our 51% owned subsidiary since 2012. It is an operating company engaging in the manufacturing and sales of protective films and optical adhesive. As of December 31, 2014, TPKJ had a paid-in capital of NT\$113.9 million (US\$3.6 million) and a total reserve in the amount of NT\$982.4 million (US\$31.1 million). TPKJ recorded a profit in the amount of NT\$877.3 million (US\$27.8 million) after tax for the year ended December 31, 2014. TPKJ’s directors passed a resolution in 2014 approving the issuance of dividends to us in the amount of NT\$953.7 million (US\$30.2 million) for the year ended December 31, 2014. However, as of the date of this offering memorandum, such amount has not yet been received. The book value and value at which we show the shares of TPKJ held in our accounts were NT\$559.5 million (US\$17.7 million) and there is no outstanding debt owed to or by the Issuer to TPKJ as of December 31, 2014.

TPK Lens Solutions Inc. (“TPKL”) was established in 2006, and has been our 100% owned subsidiary since then. It is an operating company engaging in the manufacturing and sales of cover glass and in-house touch related equipment. As of December 31, 2014, TPKL had a paid-in capital of NT\$917.9 million (US\$29.0 million) and the total reserve was negative NT\$1,704.9 million (US\$54.0 million). TPKL recorded a loss in the amount of NT\$1,969.5 million (US\$62.3 million) after tax for the year ended December 31, 2014. TPKL did not distribute dividends for the year ended December 31, 2014. The book value and value at which we show the shares of TPKL held in our accounts were negative NT\$749.0 million (US\$23.7 million) and there were no debt owed to or by the Issuer to TPKL as of December 31, 2014.

In addition to the above, as of December 31, 2014, our subsidiaries, Upper Year Holdings Limited, Ray Star Universal Solutions Limited and TPK Universal Solutions Limited, all of which are holding companies, are also considered as our significant subsidiaries (as defined under Regulation S-X under the Exchange Act).

OUR MANAGEMENT

Directors

Our board of directors has ultimate responsibility for the management of our business and affairs. Our Memorandum and Articles permits our board of directors to consist of no less than seven persons and no more than 11 persons. We currently have nine 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	Position held since
Michael Chao-Juei Chiang	Chairman of the Board	October 20, 2006
Tom Ta-Min Sun ⁽¹⁾	Vice Chairman of the Board	November 4, 2014
Eric Heng-Yao Chang ⁽²⁾	Director	November 21, 2005
Frank Kuan-Chao Lin ⁽³⁾	Director	January 8, 2010
Sammy Shih-Ming Liu ⁽⁴⁾	Director	May 22, 2013
Foster Chiang	Director	May 22, 2013
Jonathan Horng-Yan Chang	Independent Director	January 8, 2010
Daniel Fong-Nien Chiang	Independent Director	May 22, 2013
Albert Ming-Jeng Weng	Independent Director	May 22, 2013

Notes:

- (1) Tom Ta-Min Sun has been serving in his capacity as the representative of High Focus Holdings Limited since January 8, 2010 and has been the Vice Chairman of the Board since November 4, 2014.
- (2) Eric Heng-Yao Chang has been serving in his capacity as the representative of Max Gain Management Limited since May 22, 2013.
- (3) Frank Kuan-Chao Lin has been serving in his capacity as the representative of Capable Way Investments Limited since January 8, 2010.
- (4) Sammy Shih-Ming Liu has been serving in his capacity as the representative of Panshi Company Limited since May 22, 2013.

Michael Chao-Juei Chiang, aged 61, is the chairman of our board of directors and our founder. Prior to founding our Company, Mr. Chiang was the chairman of TVM Corporation and the president of Taiwan Video & Monitor Corporation. He received a bachelor's degree in business administration from Fu Jen Catholic University in 1975.

Tom Ta-Min Sun, aged 63, is the vice chairman of our board of directors. 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. From 1986 to 2005, he served in 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. He received a master's degree in industrial engineering from Illinois State University and a bachelor's degree in industrial engineering from Feng Chia University.

Eric Heng-Yao Chang, aged 49, is a member of our board of directors and our senior vice president. He is also a director of TPK Touch Solutions Inc., CIM Corporation, Hallys Corporation, TPK Specialty Materials Limited, TPK Film Solutions Limited, TPK Glass Solutions (Xiamen) Inc, and Xiamen Jan Jia Optoelectronics Co., Ltd. Prior to joining our Company, Mr. Chang worked as the assistant manager of the manufacturing department (China) of Tupo Optoelectronics Incorporated and the assistant manager of the material control and research departments of Chief Industrial Inc. He received a master's degree in mechanical and electrical engineering from the China University of Science and Technology.

Frank Kuan-Chao Lin, aged 62, is a member of our board of directors. He is also the managing partner of PKF Taiwan, Certified Public Accountants & Advisers. Prior to joining our Company, from 1990 to 1998, Mr. Lin was the deputy managing partner of Grant Thornton. He received a master's degree in accounting from National Cheng Chi University in 1978 and a bachelor's degree in accounting from National Taipei University.

Sammy Shih-Ming Liu, aged 47, is a member of our board of directors and our senior vice president. Mr. Liu is also a director at TPK Cando Corporation, Optera TPK Holding Pte. Ltd., TPK Film Solutions Limited, TPKC, and TPK Touch Solutions (Pingtan) Inc. and a supervisor at TPK Material Solutions Inc and Ray-Star System Solutions (Xiamen) Inc. Prior to joining our Company, Mr. Liu worked as an assistant vice president at the office of quality assurance at TVM (PRC) Corporation and an assistant vice president at Amkor Co. Ltd. He received a bachelor's degree in mechanical engineering from National Chin-Yi University of Technology.

Foster Chiang, aged 32, is a member of our board of directors. Prior to joining our Company, Mr. Chiang worked as global analyst at Lehman Brothers (Hong Kong) Inc. and Nomura Securities (Hong Kong) Limited. He received a master's degree in International Research and Business Administration from Penn State University.

Horng-Yan Chang, aged 57, is an independent director of our Company. Mr. Chang is also a Supervisor for Soft-World Group and a director for Shih Hsin University. He is an Adjunct associate professor of business administration at Soochow University in Taiwan, and an associate professor of Communication management at Shih Hsin University in Taiwan. Mr. Chang is the Director of Soochow Alumni Association (Taipei). Prior to joining our Company, Mr. Chang worked as the assistant Deputy Chief Financial Officer and Assistant Chief Controller at Interplex Industries Inc. He received a M.B.A. in accounting and business administration at St. John's University.

Fong-Nien Chiang, aged 57, is an independent director of our Company. He is also the chairman of Harvest Capital Group. Prior to joining our Company, Mr. Chiang worked as the general manager at Trend Micro Corporation and the chief executive officer at Hua Yuan Information Company. He was also the chairman of Sina.com. He received his master's degree in public policy and political economy from the University of Texas.

Ming-Jeng Weng, aged 55, is an independent director of our Company. He is also a director of Lion Travel Service Co Ltd. Prior to joining our Company, Mr. Weng worked as a vice president of Citi Bank and the General Manager of Citi Solomon Smith Barney (Taipei) Corporation. He was also the chairman of Lehman Brothers Securities (Taiwan) Limited and the president of the Nomura Securities (Taiwan) Limited. He received a M.B.A. degree from the University of Southern California.

Senior Management

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

<u>Name</u>	<u>Position</u>	<u>Position held since</u>
Michael Yi-Hua Chung	President, Chief Executive Officer	November 4, 2014
Eric Heng-Yao Chang	Senior Vice President	January 1, 2004
Ann Wen-Yu Wu	Senior Vice President	November 21, 2005
Ted Tsung-Liang Tsai	Senior Vice President	November 6, 2006
Sammy Shih-Ming Liu	Senior Vice President	January 2, 2006
James Yu-Wen Lee	Vice President, Chief Technology Officer	November 4, 2014
Freddie Hsi-Liang Liu	Vice President, Chief Financial Officer, Accounting Supervisor	September 1, 2009
Jimmy Chih-Ming Chen	Vice President	August 31, 2009
Jonson Chung-Chen Hsieh	Vice President	August 1, 2008
Ji-Li Chung	Vice President	March 16, 2012
Tony Wen-Jun Cheng	Vice President	October 2, 2014
Kevin Yu-Sheng Kai	Vice President	November 4, 2014
Jesse Je-Ni Tai	Vice President	December 16, 2014

See “Our Management — Directors” for the biographies of Sammy Shih-Ming Liu and Eric Heng-Yao Chang.

Michael Yi-Hua Chung, aged 53, has served as our president and chief executive officer since November 2014. Prior to joining our Company, Mr. Chung served as the president of KHL Capital and the head of the Integrated Digital Product Business Group at Hon Hai Precision Industry Co., Ltd. from 1998 to 2013. Mr. Chung worked at Hon Hai Precision Industry Co., Ltd. for almost 15 years. Mr. Chung holds a bachelor’s degree in electrical engineering from National Tsing Hua University.

Ann Wen-Yu Wu, aged 52, has served as our senior vice president since November 2005. Prior to joining our Company, Ms. Wu served as the chief financial officer at Taiji Innovative Inc. and Fiege Goth Co., Ltd. She received a bachelor’s degree in accounting from Tunghai University.

Ted Tsung-Liang Tsai, aged 48, has served as our senior vice president since November 2006. Prior to joining our Company, Mr. Tsai served as a director of business development at Green Point Incorporated Company. He received a bachelor’s degree in mechanical engineering from Feng Chia University.

James Yu-Wen Lee, aged 52, has served as our vice president since November 2014. Joining our Company in 2006, Dr. Lee was the team leader for our research and development department in China. Dr. Lee received a Ph.D. degree in materials science and engineering from National Cheng Kung University.

Freddie Hsi-Liang Liu, aged 50, has served as our vice president since September 2009. Mr. Liu joined our Company in 2009 and served as our vice president since September 2009. Prior to joining our Company, Mr. Liu served as the vice president in finance at Advanced Semiconductor Engineering, Inc., from 1997 to 2009. Prior to that, Mr. Liu served as a vice president at Citibank. He received a master’s degree in business administration from the University of Michigan.

Jimmy Chih-Ming Chen, aged 46, has served as our vice president since August 2009. Prior to joining our Company, Mr. Chen served as a vice president at Cheng Uei Precision Industry Co., Ltd and an assistant manager of the manufacturing department at Hon Hai Precision Industry Co., Ltd. Mr. Chen received a master’s degree in industrial engineering from State University New York in Buffalo.

Jonson Chung-Chen Hsieh, aged 47, has served as our vice president since August 2008. Prior to joining our Company, Mr. Hsieh served as manager at Dupont, Inc.'s global management department and a senior manager of Dell, Inc.'s supplier management department. He received a bachelor's degree in electronic engineering from National Sun Yat-Sen University.

Ji-Li Chung, aged 43, has served as our vice president since April 2012. Prior to joining our Company, Mr. Chung served as the chief executive officer of Beijing Gao Hua Global Investment Research and a compliance officer at Goldman Sachs (Asia) LLC. He received a juris doctor degree from University of California Los Angeles.

Tony Wen-Jun Cheng, aged 56, has served as our vice president since October 2014. Prior to joining our Company, Mr. Cheng served as the head director of AU Optronics Corporation. Mr. Cheng received a bachelor's degree in electrical engineering from Chinese Culture University.

Kevin Yu-Sheng Kai, aged 49, has served as our vice president since November 2014. Prior to joining the Company, Mr. Kai served as the chief investment officer of Touch Video Monitor Corporation. Mr. Kai received a master's degree in Department of Business Management from Rutgers State University.

Jesse Je-Ni Tai, aged 55, has served as our vice president since December 2014. Prior to joining our Company, Mr. Tai served as sales director for Greater China of Canatu Oy. He received a bachelor's degree in international trade from Soochow University.

Share Ownership, Related Party Transactions and Compensation

As of December 31, 2014, 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 81.7 million Shares (including employee bonus Share held by a custodian), or 24.7% of the total issued share capital as of that date. See "Principal Shareholders." As of December 31, 2014, our directors and executive officers held outstanding options in respect of 4,286,000 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 2014 was NT\$113.5 million (US\$3.6 million), of which NT\$1.6 million (US\$0.1 million) was paid to our directors and NT\$111.9 million (US\$3.5 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 December 31, 2014, the most recent record date, are as follows:

Principal Shareholders	Shares held prior to this Offering	
1. Max Gain Management Limited ⁽¹⁾	25,222,643	7.6%
2. Capable Way Investments Limited ⁽²⁾	23,139,855	7.0%
3. Michael Chiang	17,420,401	5.3%
4. High Focus Holdings Limited ⁽³⁾	13,273,610	4.0%

Notes:

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

As of December 31, 2014, our directors and executive officers, together with members of their immediate families, owned of record 81.7 million Shares (including employee bonus Shares held by a custodian), or approximately 24.7% of our total issued Shares. As of December 31, 2014, our directors and executive officers held outstanding options in respect of 4,286,000 Shares.

CHANGES IN ISSUED SHARE CAPITAL

According to our Memorandum and Articles, we have only one class of shares in issue. Currently, our Memorandum and Articles 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 since January 1, 2011, not including this offering:

Date	Description	Number of Shares issued	Number of total issued Shares after issue
August 2011	(1) Authorized share capital increased from NT\$3,000,000,000 to NT\$4,000,000,000 ⁽¹⁾ ; (2) Issuance of 11,203,376 Shares as dividend ⁽²⁾	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 ⁽⁴⁾	70,581,269	309,131,167
August 2012	Exercise of employee share options: issuance of 189,000 Shares	189,000	309,320,167
September 2012	Exercise of employee share options: issuance of 37,000 Shares	37,000	309,357,167
October 2012	(1) Exercise of employee share options: issuance of 23,000 Shares (2) Issuance of Overseas GDR 17,600,000 Shares	17,623,000	326,980,167
November 2012	Exercise of employee share options: issuance of 16,000 Shares	16,000	326,996,167
December 2012	Exercise of employee share options: issuance of 139,000 Shares	139,000	327,135,167
January 2013	Exercise of employee share options: issuance of 5,000 Shares	5,000	327,140,167
February 2013	Exercise of employee share options: issuance of 12,000 Shares	12,000	327,152,167
March 2013	Exercise of employee share options: issuance of 28,000 Shares	28,000	327,180,167
May 2013	(1) Exercise of employee share options: issuance of 1,198,000 Shares (2) Overseas of convertible bonds 129,592 Shares	1,327,592	328,507,759
June 2013	Exercise of employee share options: issuance of 93,000 Shares	93,000	328,600,759

<u>Date</u>	<u>Description</u>	<u>Number of Shares issued</u>	<u>Number of total issued Shares after issue</u>
July 2013	Exercise of employee share options: issuance of 253,000 Shares	253,000	328,853,759
August 2013	Exercise of employee share options: issuance of 161,000 Shares	161,000	329,014,759
September 2013	Exercise of employee share options: issuance of 87,000 Shares	87,000	329,101,759
October 2013	Exercise of employee share options: issuance of 3,000 Shares	3,000	329,104,759
November 2013	Exercise of employee share options: issuance of 5,000 Shares	5,000	329,109,759
December 2013	Exercise of employee share options: issuance of 179,000 Shares	179,000	329,288,759
January 2014	Exercise of employee share options: issuance of 6,000 Shares	6,000	329,294,759
February 2014	Exercise of employee share options: issuance of 15,000 Shares	15,000	329,309,759
March 2014	Exercise of employee share options: issuance of 225,000 Shares	225,000	329,534,759
May 2014	Exercise of employee share options: issuance of 208,000 Shares	208,000	329,742,759
June 2014	Exercise of employee share options: issuance of 993,000 Shares	993,000	330,735,759
July 2014	Exercise of employee share options: issuance of 202,000 Shares	202,000	330,937,759
August 2014	Exercise of employee share options: issuance of 18,000 Shares	18,000	330,955,759
September 2014	Exercise of employee share options: issuance of 180,000 Shares	180,000	331,135,759
October 2014	Exercise of employee share options: issuance of 16,000 Shares	16,000	331,151,759
November 2014	Exercise of employee share options: issuance of 121,000 Shares	121,000	331,272,759
December 2014	Exercise of employee share options: issuance of 22,000 Shares	22,000	331,294,759

Notes:

- (1) The increase in authorized share capital was resolved in our shareholders' meeting on June 9, 2011.
- (2) The issuance of Shares as dividend was resolved in our board meeting on June 28, 2011, effective on August 8, 2011.
- (3) The increase in authorized share capital was resolved in our shareholders' meeting on May 16, 2012.
- (4) The issuance of Shares as dividend was resolved in our board meeting on June 11, 2012, effective on July 5, 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. Please refer to Note 33 to our financial statements as of and for the year ended December 31, 2014 for a detailed description of our transactions with related parties for the year ended December 31, 2012, 2013 and 2014.

Sales and Purchases of Goods

In 2012, 2013 and 2014, we purchased raw materials and components from our related parties in the aggregate amount of NT\$ 5,024.6 million, NT\$8,327.1 million and NT\$4,194.3 million (US\$132.7 million), respectively.

In 2012, 2013 and 2014, we sold our products to our related parties in the aggregate amount of NT\$1,114.8 million, NT\$1,743.4 million and NT\$512.8 million (US\$16.2 million), respectively.

Leases

In 2012, 2013 and 2014, rental disbursement paid to our related parties that was accounted as overhead amounted to an aggregate of NT\$144.8 million, NT\$145.9 million and NT\$119.5 million (US\$3.8 million), respectively.

In 2012, 2013 and 2014, rental disbursement paid to our related parties that was accounted as operating expenses amounted to an aggregate of NT\$114.2 million, NT\$123.8 million and NT\$103.1 million (US\$3.3 million), respectively.

In 2012, 2013 and 2014, rental income from our related parties that was accounted as other income amounted to NT\$52.6 million, NT\$75.5 million and NT\$65.2 million (US\$2.1 million), respectively.

Sales and Purchases of Property, Plant and Equipment

In 2012, 2013 and 2014, we purchased property, plant and equipment from our related parties in the aggregate amount of NT\$0 million, NT\$20.9 million and NT\$12.5 million (US\$0.4 million), respectively.

Other Income

In 2012, 2013 and 2014, we recorded other income from our related parties in the amount of NT\$3.5 million, NT\$3.2 million and NT\$1.6 million (US\$0.1 million), respectively.

Research Expenses

In 2012, 2013 and 2014, we recorded research expenses from our related parties in the aggregate amount of NT\$29.6 million, NT\$48.9 million and NT\$185.2 million (US\$5.9 million), respectively.

Accounts Receivable and Payable

In 2012, 2013 and 2014, accounts receivable due from our related parties amounted to NT\$435.4 million, NT\$222.6 million and NT\$98.0 million (US\$3.1 million), respectively.

In 2012, 2013 and 2014, other receivable due from our related parties amounted to NT\$22.8 million, NT\$27.4 million and NT\$15.0 million (US\$0.5 million), respectively.

In 2012, 2013 and 2014, accounts payable due to our related parties amounted to NT\$2,778.0 million, NT\$1,104.5 million and NT\$1,156.9 million (US\$36.6 million), respectively.

In 2012, 2013 and 2014, accounts payable for equipment due to our related parties amounted to NT\$29.2 million, NT\$46.4 million and NT\$26.7 million (US\$0.8 million), respectively.

In 2012, 2013 and 2014, other payable due to our related parties amounted to NT\$29.3 million, NT\$20.7 million and NT\$28.7 million (US\$0.9 million), respectively.

Deposit of Cash

In 2012, 2013 and 2014, we deposited cash for our related parties in the aggregate amount of NT\$65.5 million, NT\$68.8 million and NT\$26.1 million (US\$0.8 million), respectively. The cash was used as deposit for lease of factory and manufacturing facilities for our related parties.

Amounts due from Related Parties

In 2012, 2013 and 2014, amounts due from our related parties amounted to nil, nil and NT\$1,107.8 million (US\$35.1 million), respectively. We extend unsecured loans to related parties at rates comparable to market interest rates.

Amounts due to Related Parties

In 2012, 2013 and 2014, amounts due to our related parties amounted to NT\$57.2 million, NT\$20.2 million and NT\$11.9 million (US\$0.4 million), respectively. We obtained loans from related parties at rates comparable to market interest rates.

Guarantee

As of December 31, 2012, 2013 and 2014, our related parties provided guarantee for our short-term and long-term loans of NT\$2,036.0 million, NT\$1,044.8 million and NT\$5.1 million (US\$0.2 million), respectively.

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, and the Companies Law. As of the date of December 31, 2014, 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 331,294,759 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 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 and the Companies Law or to contain all applicable qualifications and exceptions.

Shares

General

Subject to the Companies Law, the Memorandum and Articles, 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. We 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.

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. 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 a simple majority of the Shares attended by shareholders who represent 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 and a supermajority resolution will be required for matters such as the removal of 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 or if otherwise required under the applicable ROC public company rules, 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.

We have amended our Memorandum and Articles to allow a member holding more than one Share to cast the votes in respect of his Shares in the way where he holds the Share for the benefit of others in accordance with the applicable ROC public company rules. For further details, please see “Description of the Global Depositary Shares — Voting Rights.”

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 the Company, when assets available for distribution among the holders of the 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 us. If our assets available for distribution among the shareholders are insufficient to repay the whole of the share capital, the assets will be distributed so that, as nearly as may be, 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 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 provided that the approval of the directors and the implementation thereof should be reported to the shareholders at the next general meeting in accordance with the ROC public company rules.

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, 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 nine 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.

Our shareholders may from time to time by supermajority resolution remove any director from office.

Powers of Board of Directors

Our Memorandum and Articles provide that, subject to the provisions of the Companies Law, the Memorandum and Articles, 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 provide that the directors may exercise all powers of the Company to raise or borrow money, to mortgage or charge its undertaking, property and uncalled capital or any part thereof, 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. Except in certain 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.

DESCRIPTION OF THE GLOBAL DEPOSITARY SHARES

Citibank, N.A., or Citibank, is 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 "International GDSs", respectively. In this summary, we intend to use the term "GDSs" to refer to the Rule 144A GDSs and to the International GDSs. Unless we otherwise state, you should assume that the term "GDSs" encompasses both Rule 144A GDSs and International 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 International 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. 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 have appointed Citibank as Depositary pursuant to two separate Deposit Agreements, each dated as of October 1, 2012, one for the Rule 144A GDSs, or the Rule 144A Deposit Agreement, and one for the International GDSs, or the Regulation S Deposit Agreement, and each as supplemented by the Letter Agreement dated on or about the closing date of the GDS offering. 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 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, or (2) the specific terms of the applicable Deposit Agreement. 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 of Shares pursuant to this offering, 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 Depository of shares on the TWSE or the delivery by any person of shares held by such person for deposit in the depository receipt facility; and
- 5) upon the exchange of Rule 144A GDSs for International 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 in all cases to any adjustment on the number of Shares represented by each GDS.

The offering plans approved by the FSC for the Bonds offerings did not include approval for the Shares issued upon conversion of the Bonds offered hereby to be deposited into a depository receipt facility. As a result, holders of the Bonds may therefore not direct that the Shares issuable upon conversion of the Bonds be deposited with the Depository for issuance of additional GDSs. See “Description of the Bonds.”

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, (2) a TDCC book-entry account and (3) 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 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 and obtain a foreign investor investment identification 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 International GDSs

The Rule 144A GDSs and the International 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 International GDSs and the restrictions imposed on the Rule 144A GDSs and the International GDSs cover primarily the following:

- The persons who may own and trade the GDSs:
 - only QIBs and non- U.S. persons (as defined in Regulation S) located outside of the United States may own and trade Rule 144A GDSs; and
 - any person may own and trade International GDSs offered herein.
- The persons who may create additional GDSs:
 - only persons located outside of the United States who are not U.S. persons (as defined in Regulation S) may deposit Shares to receive International GDSs; and
 - only QIBs and persons located outside of the United States who are not U.S. persons (as defined in Regulation S) 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 QIBs or persons other than U.S. persons (as defined in Regulation S) located outside of the United States in accordance with Rule 903 and 904 of Regulation S; and
 - you may transfer the International 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 International 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 International 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 Depository. 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 Initial Purchasers (and/or their 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 Depository through Direct Participants and Indirect Participants.

International GDSs

Arrangements have been made with DTC, Euroclear and Clearstream to act as the securities depositories for the International GDSs. All International GDSs issued in this offering will be registered in the name of Cede & Co., DTC’s nominee. One Master International GDR certificate will represent all International GDSs issued to and registered in the name of Cede & Co. Transfers of ownership interests in International 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 International GDS owners. Owners of International GDSs will not receive physical certificates representing their ownership interests in the International GDSs, except in the event that use of the DTC book-entry system for the International 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 International GDSs evidenced by the Master International 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 International GDSs evidenced by the Master International 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 International GDR certificate, DTC or such nominee, as the case may be, will be considered the sole holder of the International GDSs evidenced thereby for all purposes under the Regulation S Deposit Agreement and the International GDSs.

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

If at any time DTC ceases to make its respective book-entry settlement systems available for the International GDSs, we and the Depository will attempt to make other arrangements for book-entry settlement. If alternative book-entry settlement arrangements cannot be made, the Depository will make available International 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 Depository, 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	International GDSs
The Rule 144A GDSs may be resold, pledged or otherwise transferred only: (i) outside the United States in reliance on Regulation S to a person other than a “U.S. person” (as defined in Regulation S); or (ii) to a “QIB 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.	The International GDSs offered herein shall be freely transferable.

Restrictions Upon Deposit

Shares will be accepted for deposit only if delivered by, or on behalf of, a person that certifies that it is:

- (a) not us or our affiliate or a person acting on behalf of us or our affiliate, and
- (b) is (i) a QIB, or (ii) a person located outside the United States who is not a U.S. person (as defined in Regulation S).

Restrictions Upon Withdrawal

Shares may be withdrawn from the Rule 144A Deposit Agreement only by a person who certifies that it is:

- (i) a non-U.S. person located outside of the United States who will be the beneficial owner of the Shares upon withdrawal;
- or
- (ii) a QIB who:
 - (x) has sold the Rule 144A GDSs to another QIB, in a transaction meeting the requirements of Rule 144A, or outside the United States in reliance on 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.

Shares will be accepted for deposit only if delivered by, or on behalf of, a person that certifies that it is:

- (a) not us or our affiliate or a person acting on behalf of us or our affiliate, and
- (b) located outside the United States who is not a U.S. person (as defined in Regulation S).

Shares may be withdrawn under the Regulation S Deposit Agreement by any person and are freely transferable.

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, if we indicate to the Depositary that we wish the distribution of rights to be made available to you 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
- In the Depositary's determination, it is not lawful and 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 determines that 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 the Depositary determines that 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 of Shares pursuant to this offering, 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 deposit of Shares pursuant to this GDS offering, 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 the existing GDSs then outstanding pursuant to the Deposit Agreements 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 which explicitly allow the Shares issued upon conversion of the bonds or being exchanged to be deposited into a depositary receipt facility have been approved by the FSC prior to the bond 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 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 or (iv) the exchange of Rule 144A GDSs for International GDSs and vice versa, provided that the total number of GDSs outstanding after an issuance described in this 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), (iii) and (iv) described above and subject to any adjustment on the number of Shares represented by each GDS.

The offering plans approved by the FSC for the Bonds offerings did not include approval for the Shares issued upon conversion of the Bonds offered hereby to be deposited into a depositary receipt facility. As a result, holders of the Bonds may therefore not direct that the Shares issuable upon conversion of the Bonds be deposited with the Depositary for issuance of additional GDSs.

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 International GDSs, are not, and the International 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 QIB, or (ii) a person located outside the United States who is not a U.S. person (as defined in Regulation S) 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 QIB in a transaction meeting the requirements of Rule 144A, or
 - (b) outside the United States only in accordance with Regulation S to a person other than a U.S. person (as defined in 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 International GDSs, you will be required to provide the Depositary with a deposit certificate stating, inter alia, that:

- you acknowledge that the Shares and the International 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 located outside the United States who is not a U.S. person (as defined in Regulation S) 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 International GDSs, Shares and Rule 144A GDSs; and

- you agree, as the owner of the International GDSs (or the person you are acting on behalf of has confirmed its agreement to you), to offer, sell, pledge and otherwise transfer the International GDSs or the Shares represented by the International GDSs in accordance with the applicable U.S. state securities laws and:
 - (a) to a QIB in a transaction meeting the requirements of Rule 144A in which case you are required to “convert” the International GDSs into Rule 144A GDSs prior to making delivery to the transferee, or
 - (b) outside the United States 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 International 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 of the GDS offering, 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 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), a TDCC book-entry account and a bank account (the securities trading account, TDCC book-entry 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 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 GDR 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 MOF 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 under certain circumstances 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 GDR facility. 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, 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, and the name, nationality and identity number of the recipient of Shares 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; or
- 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 Depository with a withdrawal certification stating, inter alia, that:

- you acknowledge that the Rule 144A GDSs and 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 QIB who is the beneficial owner of the Rule 144A GDSs presented for cancellation, or you are acting on behalf of a QIB 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 outside the United States 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 QIB 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 depository receipt facility that is not a “restricted” depository receipt facility and (y) will sell the Shares only
 - (a) to another QIB in a transaction meeting the requirements of Rule 144A, or
 - (b) outside the United States 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), you 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.

When you request the withdrawal of the Shares represented by your International GDSs at any time during the “restricted period” (the period of 40 days after the closing of the GDS offering), you will be required to provide the Depositary with a withdrawal certification stating, inter alia, that:

- you acknowledge that the International GDSs and the Shares represented by your International 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

- (X) you are, or are acting on behalf of, a person who is, located outside the U.S. and are (is) the beneficial owner of the International GDSs presented for cancellation, and

either

- (i) you have sold or agreed to sell the Shares to a person outside of the United States in accordance with Regulation S, or
- (ii) you have sold or agreed to sell the International GDSs (or Shares represented thereby) to a QIB in a transaction meeting the requirements of Rule 144A, and will make delivery thereof in the form of Rule 144A GDSs, 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) will at any time during the “restricted period” sell the Shares only
 - (a) to a QIB in a transaction meeting the requirements of Rule 144A, or
 - (b) to a person other outside of the United States in accordance with Regulation S

or

- (Y) you are a QIB, you have agreed to acquire the International GDSs in a transaction made in reliance on Rule 144A and you will take all action necessary to cause the Shares to be withdrawn and deposited under the Rule 144A deposit agreement for the purpose of receiving Rule 144A GDSs.
- you certify that you (or the person on whose behalf you are acting has confirmed to you) that the total number of Shares to be received by you upon surrender of International GDSs does not exceed 10% of the total number of Shares currently on deposit with the Custodian.

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.

Subject to the applicable Deposit Agreement, if the Depositary timely receives voting instructions from a holder of GDSs, it will endeavor to vote or cause the Custodian 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. If the Depositary received notice allowing it to timely notify the GDS holders of the meeting or solicitation of vote from the Company, and the Depositary has not received valid voting instructions from a GDS holder, such GDSs holder 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 (i) the Company does not wish such proxy to be given, (ii) there exists substantial opposition, or (iii) 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; and
- fees and expenses incurred by the Depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to Shares, other deposited securities, GDSs and GDR certificates.

Certain of the depositary fees and charges (such as Depositary service fee) may become payable shortly after the closing of the GDS offering. 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 GDSs 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, 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 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. These transactions are commonly referred to as "pre-release transactions." The Deposit Agreements limit the aggregate size of pre-release transactions, subject to such limit being disregarded by the Depositary, 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 UNDER REGULATIONS UNDER THE SECURITIES ACT) IN ACCORDANCE WITH REGULATIONS 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 International GDRs issued to represent the International GDSs offered for sale herein shall contain, and all owners of International 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 , 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, Deutsche Bank Luxembourg S.A., located at 2, Boulevard Konrad Adenauer, L-1115 Luxembourg.

DESCRIPTION OF THE BONDS

We are issuing US\$250,000,000 aggregate principal amount of zero coupon convertible bonds due 2020 (the “Bonds”). The Bonds are to be issued under an Indenture (the “Indenture”), to be dated as of April 8, 2015, 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. A copy of the Indenture is available as set forth under “General Information.”

General

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

The Bonds will be issued on or about April 8, 2015. The Bonds will be direct, unconditional, unsecured and unsubordinated obligations of the Issuer.

The Bonds will mature on April 8, 2020 at 107.76% of their principal amount, unless redeemed earlier, repurchased and canceled, or converted pursuant to the terms thereof and of the Indenture.

Each Bond will be convertible into our Shares, subject to compliance with certain conditions and procedures (see “— Conversion — Procedures; Conversion Notice; Taxes and Duties” below), at the election of such Holder (as defined below) on any Business Day during the period commencing May 19, 2015 and ending at the close of business on March 29, 2020 (the “Conversion Period”), at the location of the applicable Paying Agent (as defined below) or, if the Bonds are called for redemption prior to the maturity date of the Bonds, on the date seven days prior to the relevant Redemption Date (as defined below). The Conversion Period shall not include any Closed Period (as defined below).

The Bonds will not bear interest.

Payment of 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 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 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 transfer of the Bonds, 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 (as defined below) 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*, that any Bonds owned by any Affiliate of the Issuer or any other obligor on 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.

Further Issues

The Issuer may from time to time, without the consent of the holders of the Bonds, create and issue, pursuant to the Indenture, additional bonds, having the same terms and conditions under the Indenture as the previously outstanding Bonds in all respects, except for issue date, issue price, and amount of the applicable first payment of interest thereon. Additional bonds may be consolidated with and form a single series with the previously outstanding Bonds; provided, however, that such additional bonds will not be issued under the same CUSIP, ISIN or other identifying number as the outstanding Bonds unless such additional bonds are fungible with the outstanding Bonds for U.S. federal income tax purposes.

Book Entry; Delivery and Form

Bonds sold in offshore transactions in reliance on Regulation S (the “International Bonds”) will be represented by one or more permanent global certificates in fully registered book-entry form (each, an “International Global Bond,” and together, the “International Global Bonds”). Bonds sold within the United States to QIBs in reliance on Rule 144A (the “Rule 144A Bonds”) will be represented by one or more registered global certificates in fully registered book-entry form (each, a “Rule 144A Global Bond,” and together, the “Rule 144A Global Bonds”). The Rule 144A Global Bonds and the International Global Bonds are together referred to as the “Global Bonds”. The Global Bonds will be deposited with a common depository (the “Common Depository”) 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 Depository.

If (i) at any time, the Common Depository advises the Issuer 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 Issuer 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 Bonds 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 Issuer in writing that the Bonds have become immediately due and payable pursuant to the Indenture, the Issuer shall issue individual certificated bonds in registered form in exchange for the relevant International Global Bond or relevant 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 an 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 Shares are subject to certain restrictions. See “Transfer Restrictions”.

Ranking

The Bonds will (i) be direct, unconditional, unsecured and unsubordinated 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 December 31, 2014, the Issuer had outstanding Secured Debt of NT\$8,545.5 million (US\$270.4 million).

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).

Interest

The Bonds will not bear interest.

In any case where the date of the payment of the principal of the Bonds or the date fixed for redemption of the Bonds is not a Business Day (as defined below), then payment of such principal or the Early Redemption Amount (as defined below) shall be made on the next succeeding Business Day, with the same force and effect as if made on the date of maturity or the date fixed for redemption, as the case may be, and no interest shall accrue for the period after such date.

Additional Amounts

All payments of the principal of and other amounts on the Bonds and all deliveries of 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 (if presentation is required) 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).

However, the Issuer will not pay Additional Amounts if the registered Holder 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.

Whenever there is mentioned, in any context, (i) the payment of the principal of and other amounts on any Bond, or (ii) the delivery of 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 and any other jurisdiction in which the Issuer is organized or tax resident 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 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 the Early Redemption Amount on the relevant Redemption Date, 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 or amendment is proposed and becomes effective on or after the closing date of the Bonds offering (or, in the case of any jurisdiction other than the Cayman Islands and the ROC, the date (if later than the closing 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 or amendment. The Trustee shall be entitled to rely conclusively on such certificate, opinion and notice as sufficient evidence of the satisfaction of the conditions precedent described above. The Trustee is not obligated to verify any information in any certificate, opinion or notice.

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 of the Bonds offering, 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 April 8, 2018 and prior to the maturity date of the Bonds, the Issuer may, 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, redeem the Bonds, in whole but not in part, at the Early Redemption Amount (as defined below); *provided, however*, that no such redemption may be made unless:

- (1) the Closing Price (translated into U.S. Dollars at the Prevailing Exchange Rate (as defined below)) of the Shares for 20 out of 30 consecutive Trading Days (the “Calculation Period”), the last day 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 quotient of the Early Redemption Amount divided by the Conversion Ratio (as defined below); 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 the Early Redemption Amount 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 Issuer 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 Issuer 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 April 8, 2020 at a redemption price equal to 107.76% 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 April 8, 2018 (the “Bondholder’s Put Date”), at a redemption price equal to 104.59% of the outstanding principal amount thereof (the “Bondholder’s Put Price”).

Redemption of the Bonds in the Event of Delisting

In the event that 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 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 the Early Redemption Amount with respect to such Holder’s Bonds to be redeemed on the Delisting Put Date (the “Delisting Put Price”).

Redemption of the Bonds in the Event of Change of Control

If a Change of Control (as defined below) occurs with respect to the Issuer, each Holder shall have the right (the “Change of Control Put Right”), at such Holder’s option, to require the Issuer to redeem, 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 Early Redemption Amount with respect to such Holder’s Bonds to be redeemed on the Change of Control Put Date (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 Issuer’s Option to Redeem

In the case of any redemption other than on the maturity date of the Bonds, 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 Bondholder’s Put Date, as the case may be, 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 its 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 of the Bonds, 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 Bondholder'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 of the Holders 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 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 in registered form 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 Bonds or International Global Bonds in certain circumstances.

“*Change of Control*” means when:

- (i) 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 April 8, 2015; or
- (ii) 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 Shares, the closing sales price of the 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 Shares), the closing bid price for such Capital Stock (other than Shares) on the Selected Exchange (as defined under “*Trading Day*” below).

“*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 Issuer.

“*Conversion Price*” means the price at which the Shares will be issued upon conversion, which will initially be NT\$240.37 per Share, at the Fixed Exchange Rate (as defined below) and subject to adjustment in the manner provided in “— Conversion — Adjustments to the Conversion Price” below.

“*Conversion Ratio*” means the principal amount of each Bond divided by the applicable Conversion Price then in effect (translated into U.S. Dollars at the Fixed Exchange Rate).

“*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).

“*Early Redemption Amount*” for each US\$250,000 principal amount of the Bonds, the amount calculated in accordance with the following formula, rounded (if necessary) to two decimal places with 0.005 being rounded upwards:

$$\text{Early Redemption Amount} = I \times (1 + r/2)^{d/180}$$

where:

- I = Issue price (100% of principal amount) of the Bonds.
- r = 1.50% expressed as a decimal.
- d = number of days from, and including, April 8, 2015 to, but excluding, the date for redemption, calculated on the basis of a 360-day year consisting of 12 months of 30 days each, and in the case of an incomplete month, the actual number of days elapsed.

<u>Semi-Annual Date</u>	<u>Early Redemption Amount (in US Dollars)</u>
October 8, 2015	251,875.00
April 8, 2016	253,764.06
October 8, 2016	255,667.29
April 8, 2017	257,584.80
October 8, 2017	259,516.68
April 8, 2018	261,463.06
October 8, 2018	263,424.03
April 8, 2019	265,399.71
October 8, 2019	267,390.21

“*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 Shares, the average of the Closing Prices of the Shares for 30 Trading Days prior to such date, (ii) in the case of Capital Stock (other than Shares) which is listed on the Selected Exchange, the average of the Closing Prices of such Capital Stock (other than 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 case 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 Bondholder’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 of the Bonds.

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

“*Shares*” means the ordinary shares of the Issuer, par value NT\$10.00 per share.

“*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 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 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 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 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 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 the 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 one or more indentures 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 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 the principal of and other amounts on the Bonds and (B) if organized under the laws of, or tax resident in, 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, after any withholding or deduction of any such tax, assessment or other governmental charge shall equal the respective amounts of the 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 similar circumstances; 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, and any references to the Issuer shall be read to include such successor person.

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 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 Issuer’s annual general shareholders’ meetings; (ii) the 30-day period immediately prior to the date of any of the Issuer’s extraordinary general 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 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 Shares resume trading after such capital reduction; and (v) such other periods during which the Issuer 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 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\$31.29 = US\$1.00 (the “Fixed Exchange Rate”) by the Conversion Price in effect on the Conversion Date. Fractions of Shares will not be issued on conversion, and the Issuer will pay in U.S. Dollars for any fraction of a 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 a shareholder of the Issuer unless it is a qualified domestic institutional investor (“QDII”), and 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 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 Shares

Under current 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 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 Shares into which the Bonds may be converted on the TWSE or otherwise.

Delivery of Shares upon Conversion

Upon a converting Holder exercising its Conversion Right, the Issuer shall as promptly as practicable issue 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 Shares into which the Bonds are convertible, together with any cash payment for any fractional Share, 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 relevant Conversion Period to the office of any Paying Agent on any Business Day prior to the close of business at the location of the 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. 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.

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 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 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 which is a Trading 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.

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 Shares to be issued upon such conversion are to be registered as the holder of record of the number of 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 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 or through physical delivery of a certificate or certificates for the relevant 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 Shares as a dividend in Shares or make a distribution of 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:

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

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

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

- (ii) If the Issuer shall (a) subdivide its outstanding Shares, (b) combine its outstanding Shares into a smaller number of Shares, or (c) re-classify any of its Shares into other securities of the Issuer, then the Conversion Price shall be appropriately adjusted so that the Holder, 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 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 grant, issue or offer to the holders of Shares rights entitling them to subscribe for or purchase Shares, which expression shall include those 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 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 Share on such record date; or

- (b) after the record date mentioned below and is less than the Market Value per 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:

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

where:

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

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

v = the number of 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 Shares by shareholders entitled to the same pursuant to such rights or (if later) immediately after the Issuer 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 Shares of rights entitling them to subscribe for or purchase Shares, any 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 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 Issuer 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 Shares of rights entitling them to subscribe for or purchase Shares, any such 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 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.

- (iv) If the Issuer shall grant, issue or offer to the holders of Shares warrants entitling them to subscribe for or purchase Shares at a consideration per 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 Share at such record date; or

(b) after the record date mentioned above and is less than the Market Value per 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:

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

where:

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

N = the number of 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 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 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 Shares which the aggregate consideration receivable by the Issuer would purchase at such Market Value per 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 Issuer 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 Shares of warrants entitling them to subscribe for or purchase Shares where applications by shareholders entitled to the same are required, any warrants which are not subscribed for or purchased by the shareholders entitled thereto are agreed to be underwritten by others prior to 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 Issuer receives the said 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 Shares of warrants entitling them to subscribe for or purchase Shares where applications by shareholders entitled to the same are required, any warrants which are not subscribed for or purchased by the underwriters who have agreed to underwrite as referred to above or by the shareholders entitled thereto (or persons to whom shareholders have transferred the right to purchase such warrants) 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.

- (v) If the Issuer or any Subsidiary of the Issuer shall distribute to the holders of Shares, any shares of Capital Stock of the Issuer other than 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 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:

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

where:

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

M = the Market Value per 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 Shares, evidences of indebtedness or other assets so distributed applicable to one Share less any consideration payable for the same by the relevant Shareholder.

- (vi) In case the Issuer shall, by dividend or otherwise, distribute to all holders of 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;

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

where:

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

M = the Market Value per Share on such record date.

C = the amount of cash so distributed applicable to one 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.

(vii) If the Issuer shall reduce its share capital other than by means of canceling any Shares or repurchasing any Shares and for the purposes of holding such 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:

$$\text{NCP} = \text{OCP} \times (\text{N} / \text{n})$$

where:

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

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

n = the number of 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 Issuer cancels any Shares or redeems any Shares for the purposes of holding such Shares in treasury.

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

(viii) In case a tender or exchange offer made by the Issuer or any Subsidiary of the Issuer for all or any portion of the Shares shall expire and such tender or exchange offer shall involve the payment by the Issuer or such Subsidiary of consideration per Share having a 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) 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 Share, as of the Expiration Date, the Conversion Price shall be adjusted in accordance with the following formula:

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

where:

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

N = the number of Shares outstanding (including any tendered or exchanged Shares) on the Expiration Date

M = Market Value per Share as of the Expiration Date.

a = the Fair Market Value of the aggregate consideration payable to the holders of Shares based on the acceptance (up to a maximum specified in the terms of the tender or exchange offer) of all Shares validly tendered or exchanged and not withdrawn as of the Expiration Date (the 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 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.

- (ix) In case the Issuer issues Shares (other than Shares based on any of the circumstances described in subsections (i) and (ii) or the Issuer or any Subsidiary of the Issuer shall issue any securities initially convertible into or exchangeable for Shares at a price per Share less than the Market Value per 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 Shares or convertible or exchangeable securities shall be adjusted and become effective in accordance with the following formula:

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

where:

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

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

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

v = the number of Shares which the aggregate consideration issue price of the total amount of Shares would purchase at Market Value; in the case of convertible or exchangeable securities, the number of 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 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 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 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 one or more supplemental indentures with the Trustee to provide for the continuation of the Conversion Rights to continue after such Merger

and such supplemental indentures 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 (ix) occur, the Conversion Price shall be adjusted as set forth in the analogous subsection in the Indenture.

Provisions Applicable to All Conversions and Adjustments of Conversion Price

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

The Issuer will not take any action which would reduce the Conversion Price per Share below the par value of the 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 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.

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.

U.S. Tax Effect of Conversion Price Adjustment

In certain circumstances, an adjustment to the conversion price (or lack thereof) may result in a deemed distribution for United States federal income tax purposes. See “Taxation — United States Federal Income Tax Considerations — Bonds — Constructive Distributions.”

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 Bonds to be immediately due and payable at the Early Redemption Amount, Additional Amounts, if any, and other amounts. In the case of certain events of bankruptcy or insolvency, the Bonds shall automatically become and be immediately due and payable at the Early Redemption Amount, Additional Amounts, if any and other amounts. 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 Shares as and when such 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 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 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 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 Bondholder'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 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 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 the 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 the 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 Bondholder’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 relevant outstanding Bonds the consent of whose Holders is necessary to modify or amend the Indenture;
- (x) reduce the percentage or aggregate principal amount of relevant 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 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 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, 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;
- (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 Issuer is a "related party" of the Issuer under the Regulations Governing Preparation of Financial Reports by Securities Issuers of the ROC and such person beneficially owns Shares converted from the Bonds; or
- (ii) the person to be registered as a shareholder owns Shares issued upon conversion of the Bonds and the Shares so issued on conversion exceed 10% of the total number of Shares expected to be issued upon conversion of the said Bonds based on the conversion price at the time of issue of the said 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 prior to any conversion of 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 Issuer and the total number of 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 Issuer 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 Issuer has appointed National Corporate Research, Ltd., now at 10 E. 40th Street, 10th Floor, New York, NY 10016, 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 Bonds will be initially issued by beneficial interests in the form of a registered note in global form. Each of the Global Bonds 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 Global Bonds, as the case may be. Such accounts will initially be designated by or on behalf of the Initial Purchasers. 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 Bonds evidenced by any 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 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 any such 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. Payments of interest, premium and principal on the Bonds and dividends and capital in respect of the Shares or GDSs will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest, premium and principal or a dividend or capital to any holder of the Bonds, Shares or GDSs, as the case may be, nor will the conversion of the Bonds into Shares, the withdrawal of Shares from the GDR facility, or the gains derived from the disposal of the Bonds, Shares or GDSs be subject to Cayman Islands income or corporation tax. 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 ROC law of the principal tax consequences of the ownership and disposal 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.

Payments on the Bonds

Payments of interest, principal and premium on the Bonds made by the Issuer will not be subject to ROC withholding tax.

Conversion of Bonds

The conversion of the Bonds into Shares is not subject to ROC tax.

Dividends on the Shares and GDS

According to the MOF 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.

Withdrawal of Shares

The receipt of Shares upon a withdrawal of Shares from the GDR facility is not subject to ROC tax.

Capital Gains

Capital gains from the sale or disposal of the Shares

Non-ROC Resident Entities are 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. Net 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 each year for the capital gains that the Non-ROC Resident Individual generated in the previous year.

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

Securities transaction tax (“STT”), at 0.3% of the sales price, will be withheld by a securities broker upon a sale of the Shares by the seller. 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 foreign national individual, and ROC gift tax is payable on any property located in the ROC donated by a foreign national 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 foreign national individual who holds the Shares, GDSs or Bonds will not be subject to the ROC estate or gift tax.

United States Federal Income Tax Considerations

The following are certain U.S. federal income tax consequences of ownership and disposition of the Bonds, Shares and GDSs to the U.S. Holders described below. This discussion applies only to (i) Bonds that are purchased in this offering at the “issue price,” which will be the first price to the public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the Bonds is sold for money, and (ii) to Shares and GDSs purchased in this offering or received by a holder described in (i) above on a conversion of Bonds into Shares, in each case held as capital assets. This discussion does not describe all of the tax consequences that may be relevant to an investor in light of the investor’s particular circumstances, including alternative minimum tax and Medicare contribution tax consequences, or to investors subject to special rules, such as:

- certain financial institutions;
- dealers or traders in securities that use the mark-to-market method of tax accounting;
- persons holding Bonds, Shares or GDSs as part of a hedge, “straddle,” integrated transaction or similar transactions;

- persons whose functional currency is not the U.S. dollar;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes;
- tax-exempt entities;
- persons that own, or are deemed to own, 10% or more of the total combined voting power of all classes of stock entitled to vote of the Company; or
- persons holding the Bonds, Shares or GDSs in connection with a trade or business outside the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes owns Bonds, Shares or GDSs, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. Partnerships owning Bonds, Shares or GDSs and partners in such partnerships should consult their tax advisors as to the particular U.S. federal income tax consequences of owning and disposing of the Bonds, Shares or GDSs.

This summary is based on the Internal Revenue Code of 1986, as amended (the “Code”), administrative pronouncements, judicial decisions and final, temporary and proposed Treasury Regulations, changes to any of which subsequent to the date of this offering memorandum may affect the tax consequences described herein. It is also based in part on certain representations by the Depository and assumes that each obligation under the Deposit Agreement and any related agreement will be performed in accordance with its terms. Persons considering the purchase of Bonds or GDSs are urged to consult their tax advisors with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

As used herein, the term “U.S. Holder” means a beneficial owner of a Bond, Share or a GDS that is, for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

Except as described below, this discussion assumes that the Company is not, and will not become, a passive foreign investment company.

Original Issue Discount. The Bonds are expected to be issued with original issue discount (“OID”). The Bonds will have OID for U.S. federal income tax purposes if the difference between their issue price and redemption price at maturity is equal to or exceeds one quarter of one percent of the Bonds’ redemption price at maturity multiplied by the Bonds’ number of complete years to maturity. U.S. Holders will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest, before the receipt of cash payments attributable to this income. Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in

successive accrual periods. Accrued OID will increase the U.S. Holder's tax basis in the Bonds. OID with respect to a Bond will constitute foreign-source income for U.S. federal income tax purposes, which may be relevant to certain U.S. Holders in calculating their foreign tax credit limitations.

Sale, Exchange or Retirement of the Bonds. Upon the sale, exchange or retirement of a Bond (other than a conversion into Shares), a U.S. Holder will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement and the U.S. Holder's adjusted tax basis in the Bond. Any gain or loss will generally be U.S. source income for purposes of computing a U.S. Holder's foreign tax credit limitation. Gain or loss realized on the sale, exchange or retirement of a Bond will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or retirement the Bond has been held for more than one year. Long-term capital gains recognized by non-corporate U.S. Holders will be subject to reduced tax rates. The deductibility of capital losses may be subject to limitations.

Conversion into Shares. A conversion of a Bond into Shares will not be a taxable event. The receipt of cash in lieu of a fractional Share will result in capital gain or loss measured by the difference between the cash received in lieu of the fractional Share and the U.S. Holder's adjusted tax basis in the fractional Share.

A U.S. Holder's tax basis in the Shares received upon a conversion of a Bond (including any basis allocable to a fractional Share) will equal the tax basis of the Bond that was converted. A U.S. Holder's tax basis in any fractional Share will be determined by allocating the U.S. Holder's adjusted tax basis in the Bonds between the Shares received upon conversion and the fractional Share, in accordance with their respective fair market values.

The U.S. Holder's holding period for the Shares received will include the Holder's holding period for the Bond converted.

Constructive Dividends. The Conversion Price of the Bonds will be adjusted in certain circumstances. Under the Code and applicable Treasury Regulations, adjustments that have the effect of increasing a U.S. Holder's interest in the Company's assets or earnings and profits may, in some circumstances, result in a deemed distribution to the U.S. Holder.

If the Company were to make a distribution of cash or property to stockholders (for example, distributions of cash or evidences of indebtedness) and the Conversion Price of the Bonds of any series were increased pursuant to the anti-dilution provisions of the indenture, such increase would be deemed to be a taxable distribution to the U.S. Holders of the Bonds of that series. Certain other increases in the Conversion Price of the Bonds may, depending on the circumstances, be deemed to be distributions to the U.S. Holders.

In certain circumstances, the failure to make an adjustment of the Conversion Price or the conversion price of the Company's currently outstanding convertible bonds may result in a taxable distribution to beneficial owners of the Company's Shares, GDSs or Bonds if as a result of such failure the proportionate interest of the stockholders or the Bondholders (as the case may be) in the assets or earnings and profits of the Company is increased.

Any deemed distribution will be taxed in the same manner as an actual distribution. See "Shares and GDSs — Taxation of Distributions" below. U.S. Holders should consult their tax advisors as to the tax consequences of receiving constructive dividends.

Possible Effect of a Consolidation or Merger. In certain situations, the Company may consolidate or merge into another entity (as described above under “Description of the Bonds — Consolidation, Amalgamation or Merger” and “Description of the Bonds — Adjustments to the Conversion Price”). Depending on the circumstances, a change in the obligor of the Bonds as a result of the consolidation or merger could result in a deemed taxable exchange to a U.S. Holder and the modified Bond could be treated as newly issued at that time, potentially resulting in the recognition of taxable gain or loss. In addition, if as a result of a consolidation or merger the property into which the Bonds may be converted is no longer stock of the obligor of the Bonds, a conversion of the Bonds into such property may be a taxable event.

Shares and GDSs

In general, if a U.S. Holder owns GDSs, the U.S. Holder will be treated as the owner of the underlying Shares represented by those GDSs for U.S. federal income tax purposes. Accordingly, no gain or loss will be recognized if a U.S. Holder exchanges GDSs for the underlying Shares represented by those GDSs.

The U.S. Treasury has expressed concern that parties to whom depositary shares are pre-released before shares are delivered to the depositary, or intermediaries in the chain of ownership between beneficial owners and the issuer of the security underlying the depositary shares, may be taking actions that are inconsistent with the claiming of foreign tax credits by holders of depositary shares. Accordingly, the creditability of non-U.S. taxes (if any), could be affected by actions taken by such parties or intermediaries.

Taxation of Distributions. Distributions paid on GDSs or Shares, other than certain *pro rata* distributions of Shares, will be treated as dividends to the extent paid out of the Company’s current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because the Company does not maintain calculations of its earnings and profits under U.S. federal income tax principles, it is expected that distributions generally will be reported to U.S. Holders as dividends. Dividends will not be eligible for the dividends received deduction generally allowed to U.S. corporations under the Code and will not be eligible for reduced tax rates in the hands of non-corporate U.S. Holders. Dividends will be treated as foreign source income, which may be relevant to certain U.S. Holders in calculating their foreign tax credit limitation.

Dividends will be includible in the income of a U.S. Holder when received by the Depository in the case of GDSs, or the U.S. Holder in the case of Shares. The amount of any dividend income paid in NT\$ with respect to Shares will be the U.S. dollar amount calculated by reference to the exchange rate in effect on the date of such receipt, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder of Shares should not be required to recognize foreign currency gain or loss in respect of the dividend income. A U.S. Holder of Shares may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt.

Sale or Other Disposition of Shares or GDSs. For U.S. federal income tax purposes, gain or loss a U.S. Holder realizes on the sale or other disposition of Shares or GDSs will generally be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder held the Shares or GDSs for more than one year. The amount of the U.S. Holder’s gain or loss will be equal to the difference between the U.S. Holder’s tax basis in the Shares or GDSs disposed of and the amount realized on the disposition, in each case as determined in U.S. dollars. Long-term capital gains recognized by non-corporate U.S. Holders will be subject to reduced tax rates. The deductibility of capital losses may be subject to limitations.

As described in the section “— ROC Taxation of Non-Residents”, individual U.S. Holders will be subject to ROC tax on capital gains resulting from the sale of Shares (but not GDSs). Any gain or loss realized on the sale of Shares or GDSs generally will be U.S.-source for foreign tax credit purposes. Because a U.S. Holder will be entitled to use foreign tax credit to offset only the portion of his U.S. federal income tax liability that is

attributable to foreign-source income, this limitation may preclude an individual U.S. Holder of Shares from claiming a foreign tax credit for all or a portion of any ROC taxes imposed on disposition gains. U.S. Holders may however, at their election, deduct foreign taxes, including the ROC tax, in computing their taxable income, subject to generally applicable limitations under U.S. law. An election to deduct foreign taxes instead of claiming foreign tax credits applies to all foreign taxes paid or accrued in the taxable year. Individual U.S. Holders should consult their tax advisers regarding the creditability and deductibility of ROC taxes in their particular circumstances.

Passive Foreign Investment Company Rules. In general, a foreign corporation will be a “passive foreign investment company” (a “PFIC”) for any taxable year in which (i) 75% or more of its gross income consists of passive income or (ii) 50% or more of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income. If a corporation owns at least 25% (by value) of the stock of another corporation, the corporation will be treated, for purposes of the PFIC tests, as owning its proportionate share of the 25%-owned corporation’s assets and receiving its proportionate share of the 25%-owned corporation’s income. “Passive income” generally includes interest, dividends, rents, royalties and certain gains. The Company believes that it was not a PFIC for its most recent taxable year and does not expect to be a PFIC for its current taxable year or in the foreseeable future. However, because PFIC status depends on the composition of a company’s income and assets and the market value of its assets (including assets of 25%-owned subsidiaries) from time to time which may be determined in part by reference to the market price of our Shares and GDSs, there can be no assurance that the Company will not be a PFIC for any taxable year. If the Company were treated as a PFIC for any taxable year during which a U.S. Holder held Bonds, GDSs or Shares, certain adverse consequences could apply to the U.S. Holder.

If the Company were treated as a PFIC for any taxable year, gain recognized by such U.S. Holder on a sale or other disposition (including certain pledges) of the GDSs or Shares would be allocated ratably over the U.S. Holder’s holding period for the GDSs or Shares. The amounts allocated to the taxable year of the sale or other exchange and to any year before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, and an interest charge would be imposed on the tax on such amount. Under proposed Treasury regulations (which have a retroactive proposed effective date), the sale or other disposition of the Bonds would be treated in the same manner. Further, to the extent that any distribution received by a U.S. Holder on its GDSs or Shares exceeds 125% of the average of the annual distributions on the GDSs or Ordinary Shares received during the preceding three years or the U.S. Holder’s holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as described immediately above. Certain elections may be available that would result in alternative treatments (such as mark-to-market treatment) of the GDSs or the Shares. U.S. Holders should consult their tax advisors to determine whether any of these elections would be available and, if so, what the consequences of the alternative treatments would be in their particular circumstances.

Backup Withholding and Information Reporting. Information returns may be filed with the Internal Revenue Service in connection with payments on the Bonds, dividends on the Shares or GDSs and the proceeds from a sale or other disposition of the Bonds or the Shares or GDSs. A U.S. Holder may be subject to U.S. backup withholding on these payments if the U.S. Holder fails to provide its taxpayer identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder’s U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

TRANSFER RESTRICTIONS

The GDSs, the Shares represented by such GDSs, the Bonds and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States 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.

The GDSs and the Bonds are not being offered or sold in the United States except through the U.S. selling agents of the Initial Purchasers only to QIBs, 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 outside of the United States in reliance on Regulation S.

Except in certain limited circumstances, interests in the GDSs may only be held through owning beneficial interests in the 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, 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. In addition, until the end of the 40th calendar day after commencement of the offering, an offering or sale of the GDSs or the Bonds within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

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. such owner has received a copy of the offering memorandum related to the offering of the Rule 144A GDSs and such other information as it deems necessary to make an informed investment decision;
2. 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;
3. 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;

4. 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;
5. 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 (6) below;
6. the Rule 144A GDRs will bear legends to the following effect, unless we and the Depository 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 UNDER REGULATIONS UNDER THE SECURITIES ACT) IN ACCORDANCE WITH REGULATIONS 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 International GDSs

Each owner of an interest in International 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. such owner has received a copy of the offering memorandum related to the offering of the International GDSs and such other information as it deems necessary to make an informed investment decision;
2. such owner is purchasing the International GDSs in an “offshore transaction” (as defined in Regulation S);
3. such owner is aware of the restrictions on the offer and sale of the International GDSs and the Shares represented thereby described in this offering memorandum;
4. the International 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;
5. such owner will not offer, sell, pledge or otherwise transfer any interest in the International GDSs or Shares represented thereby, and the Company shall not recognize any offer, sale, pledge or other transfer of any interest in the International GDSs or Shares represented thereby, except as permitted by the applicable legend set forth in paragraph (6) below;
6. the International 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 Shares to be issued upon conversion of such Bonds or the GDSs representing such 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 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 Bonds 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 CONVERTIBLE BONDS OFFERED HEREBY (THE “BONDS”) AND THE 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 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 QIB within the meaning of Rule 144A and with respect to certain restrictions on transfer that may apply to the Shares received upon conversion or the GDSs representing such 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 one or more Rule 144A Global Bonds. 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 Shares to be issued upon conversion of the Bonds 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 Global Bonds and any physical certificate evidencing the Bonds will bear a legend to the following effect, unless we determine otherwise in compliance with applicable law, and that it will observe the restrictions contained therein:

THE CONVERTIBLE BONDS OFFERED HEREBY AND THE 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 one or more International Global Bonds. 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, Barclays Bank PLC and The Hongkong and Shanghai Banking Corporation Limited are the joint bookrunners of this offering.

Subject to the terms and conditions stated in a GDS purchase agreement, dated as of March 31, 2015, entered into between us and J.P. Morgan Securities plc, Barclays Bank PLC and The Hongkong and Shanghai Banking Corporation Limited as the Initial Purchasers, each of the Initial Purchasers named below has severally but not jointly agreed to purchase from us, and we have agreed to sell to such Initial Purchaser, the number of GDSs set forth opposite its name:

<u>Initial Purchasers</u>	<u>Number of GDSs</u>
J.P. Morgan Securities plc	10,000,000
Barclays Bank PLC	5,000,000
The Hongkong and Shanghai Banking Corporation Limited	5,000,000
Total	20,000,000

Subject to the terms and conditions stated in a Bonds purchase agreement, dated as of March 31, 2015, entered into between us and J.P. Morgan Securities plc, Barclays Bank PLC and The Hongkong and Shanghai Banking Corporation Limited, as the Initial Purchasers, each of the Initial Purchasers named below has severally but not jointly agreed to purchase, and we have agreed to sell to such Initial Purchaser the principal amount of the Bonds set forth opposite its name below:

<u>Initial Purchasers</u>	<u>Principal Amount of Bonds</u>
J.P. Morgan Securities plc	US\$125,000,000
Barclays Bank PLC	62,500,000
The Hongkong and Shanghai Banking Corporation Limited	62,500,000
Total	US\$250,000,000

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 any of the GDSs are purchased, and to purchase all the Bonds if any of the Bonds are purchased.

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"). The Initial Purchasers propose to resell the GDSs at the GDS Offering Price within the United States to persons reasonably believed to be QIBs 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. The Initial Purchasers propose to resell the Bonds at 100% of the principal amount of the Bonds within the United States to persons reasonably believed to be QIBs 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 its 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, they 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 from J.P. Morgan Securities plc, Barclays Bank PLC and The Hongkong and Shanghai Banking Corporation Limited, we and several shareholders holding an aggregate of 23.9% of our total issued and outstanding share capital as of February 28, 2015, 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, 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 (a) the GDSs and the Bonds to be sold pursuant to this offering memorandum and (b) 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 restrictions on 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 (i) any of our strategic investors or (ii) “related parties” as defined in the Regulations Governing Preparation of Financial Reports by Securities Issuers or as specified in Section 36 of the Taiwan Securities Association Rules Governing Underwriting and Resale of Securities by Securities Firms. Investors who purchase the GDSs and/or the Bonds are deemed to have represented to us and to the Initial Purchasers that (i) they are not one of our strategic investors or a “related party” and (ii) the source of the funds used to purchase the GDSs and/or the Bonds are in compliance with Article 8.1(13) of the ROC Regulations Governing the Offering and Issuance of Securities by Foreign Issuers.

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, other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant dealer or dealers nominated by the Issuer for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of securities shall require the Issuer or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to any of the securities described in this offering memorandum 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 for the securities, as the same may be varied in that Relevant Member State, by any measure implementing the Prospectus Directive in that Relevant Member State,

and the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

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 the United States

The GDSs and the Shares represented thereby, and the Bonds and the Shares to be issued upon conversion of the Bonds 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 persons reasonably believed to be QIBs pursuant to Rule 144A and (2) outside the United States in reliance upon Regulation S.

The Initial Purchasers have agreed that they will not offer, sell or deliver any GDS or Bonds as part of their distribution at any time within the United States except to persons whom they reasonably believe to be QIBs pursuant to Rule 144A, and that they will have sent to each dealer to which they sell the GDSs or the Bonds 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 GDSs and the Shares represented thereby, and the Bonds and the Shares to be issued upon conversion of the Bonds may not be offered or sold in Hong Kong by means of any document other than to persons whose ordinary business it is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong and no advertisement, invitation or document relating to the securities, whether in Hong Kong or elsewhere, has been or will be issued, 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 securities 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 “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571) 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 pursuant to any exemption from the registration requirements of the Financial Instruments and Exchange Law of Japan and otherwise in compliance with applicable provisions of Japanese law. As used in this paragraph, “resident of Japan” means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

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 or to a relevant person defined in Section 275(2) of the Securities and Futures Act, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act;
 - where no consideration is or will be given for the transfer;
 - where the transfer is by operation of law;
 - as specified in Section 276(7) of the Securities and Futures Act; or
 - as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

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 (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 offerings of the GDSs, the Bonds 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 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 or the Bonds 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. 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 other than to QDIIs in the PRC. Pursuant to the Measures for the Administration of Overseas Securities Investment by Qualified Domestic Institutional Investors, with the exception of QDIIs 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 TAIWAN IFRS AND IFRS

Our audited consolidated financial statements as of and for the years ended December 31, 2012, 2013 and 2014 are prepared and presented in accordance with Taiwan IFRS. Taiwan IFRS and IFRS differ in certain significant respects. A brief description of certain significant differences between Taiwan IFRS and IFRS is set forth below. The regulatory organizations that promulgate Taiwan IFRS and IFRS have projects ongoing that could affect future comparisons such as the comparison below. The summary does not and is not intended to provide a comprehensive listing of all existing or future differences between Taiwan IFRS and IFRS, including those specifically related to the Company or to the industries in which it operates. No attempt has been made to identify future differences between Taiwan IFRS and IFRS as a result of prescribed changes in accounting standards, or disclosure, presentation or classification differences that would affect the manner in which transactions and events are reflected in the financial statements of the Company or the notes thereto. Further, had the Company undertaken to identify the differences specifically affecting the financial statements presented in this offering memorandum, other potentially significant differences which are not in the following summary may have come to their attention. Accordingly, there can be no assurance that this summary provides a complete description of all differences which may have a significant impact on the Company's financial statements. Management of the Company has not quantified the effects of the differences between Taiwan IFRS and IFRS on any of the financial results of the Company.

Subject	Taiwan IFRS	IFRS
Tax on undistributed earnings	Under Taiwan IFRS, 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 IFRS, 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.
Presentation of items of other comprehensive income	As amendment to IAS 1 "Presentation of Items of Other Comprehensive Income" has not been endorsed by the ROC FSC, there are no such requirements.	Under IFRS, an entity should group items presented in other comprehensive income based on whether they are potentially re-classifiable to profit or loss subsequently.
Retirement Benefit Costs	Under Taiwan IFRS, interest cost is calculated by multiplying the discount rate by the defined benefit obligation over the reporting period. Expected return on plan assets is based on market expectations for returns over the entire lifetime of the related obligation. Unvested past service cost is recognized in profit or loss on a straight line basis over the average vesting period. Service cost, interest cost, expected return on assets, amortization of past service cost, the effect of curtailments and settlements are all recognized in profit or loss. Actuarial gains and losses are recognized in other comprehensive income.	Under IFRS, net interest on the net defined benefit liability or asset is determined by multiplying the net defined benefit liability or asset over the reporting period by the discount rate (i.e., market yields on high quality corporate bonds). Past service cost is recognized in full in profit or loss when it occurs. The defined benefit cost comprises: <ul style="list-style-type: none"> ● service cost recognized in profit or loss; ● net interest on the net defined benefit liability or asset recognized in profit or loss; and ● remeasurements recognized in other comprehensive income.

Subject	Taiwan IFRS	IFRS
Fair value measurement	As IFRS 13 “Fair Value Measurement” has not been endorsed by the ROC FSC, there is no single source of guidance for fair value measurements. Fair value disclosures are not as extensive as those required under IFRS.	IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires extensive disclosures about fair value measurements.
Disclosure of interests in other entities	As IFRS 12 “Disclosure of Interest in Other Entities” has not been endorsed by the ROC FSC, there are no such requirements.	Under IFRS, an entity is required to disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities; and the effects of those interests on its financial position, financial performance and cash flows.
Recoverable Amount Disclosures for Non-financial Assets	As IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets” has not been endorsed by the ROC FSC, there are no such requirements.	Under IFRS, an entity is required to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. Such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Company is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs disposal measured using a present value technique.

LEGAL MATTERS

Certain legal matters with respect to validity of the Shares underlying the GDSs and the Shares issuable upon the conversion of the Bonds will be passed upon for us by Maples and Calder as to Cayman Islands law. Legal matters with respect to ROC Law will be passed upon for us by Lee and Li, Attorneys-at-Law, and L&L-Leaven, Attorneys-at-Law as to PRC law. Certain legal matters with respect to U.S. federal and New York state law in connection with the offerings of the GDSs and the Bonds will be passed upon for the Initial Purchasers by Davis Polk & Wardwell, Hong Kong.

INDEPENDENT AUDITORS

The consolidated financial statements as of and for the years ended December 31, 2012, 2013 and 2014 included in this offering memorandum have been audited by Deloitte & Touche, independent auditors, as indicated in their report with respect thereto, included herein. Such report expresses an unqualified opinion on the financial statements and includes an explanatory paragraph relating to convenience translation of New Taiwan dollar amounts into US dollar amounts. Deloitte & Touche are located at 12th Floor, Hung Tai Financial Plaza, No. 156, Section 3, Min Sheng East Road, Taipei, Taiwan.

GENERAL INFORMATION

We are incorporated in the Cayman Islands as an exempted company with limited liability on November 21, 2005 under registration number CR-158246. Our registered office is located at P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. According to paragraph 3 of our Memorandum and Articles, 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 December 31, 2014, our authorized share capital was NT\$6,000,000,000, divided into 600,000,000 Shares with a par value of NT\$10.00 per Share, and our issued share capital was NT\$3,312,947,590 divided into 331,294,759 Shares. We are not a subsidiary of any entity.

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

	<u>ISIN</u>	<u>Common Code</u>	<u>CUSIP</u>	<u>SEDOL</u>
The GDSs:				
International GDSs	US87264G2012	070009056	87264G201	B4L3D51
Rule 144A GDSs	US87264G1022	070009021	87264G102	B3RZHR4

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

	<u>ISIN</u>	<u>Common Code</u>	<u>SEDOL</u>
International Global Bonds	XS1209828000	120982800	BW4NR18
Rule 144A Global Bonds	XS1209818548	120981854	BW4NQY4

Applications have been made to admit the GDSs and the Bonds to the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF Market. Currently, there are 4,000 outstanding Existing International GDSs. The International GDSs offered hereby will be listed as the same security as the Existing International GDSs on the Luxembourg Stock Exchange and will be fungible with the Existing International GDSs. Subject to limitations under ROC and U.S. law as described in this offering memorandum, our GDR facilities permit the ongoing issuance of global depositary shares as a result of deposits of Shares by the holders and the cancellation of outstanding global depositary shares which results in the release of Shares to the holders. As a result, the balance of our outstanding global depositary shares may fluctuate. Any new global depositary shares issued as result of a deposit of Shares are fully fungible with the GDSs outstanding at any given time. As long as the GDSs and the Bonds are listed on the Luxembourg Stock Exchange, Deutsche Bank 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 GDSs as soon as practicable after the closing date of the GDS offering. 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 of the GDS offering, 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 29, 2014 and by the resolutions of our board of directors passed on November 4, 2014. 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 29, 2014.

Except as disclosed, there has been no significant change in our financial or trading position since December 31, 2014 or any material adverse change in our financial position or prospects since December 31, 2014.

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 2014, 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, Deutsche Bank Luxembourg S.A. in Luxembourg, so long as the GDSs and the Bonds remain outstanding:

- our Memorandum and Articles;
- 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 consolidated financial statements as of and for the years ended December 31, 2012, 2013 and 2014.

In addition, copies of this offering memorandum, the most recent annual audited consolidated financial statements of the Company and any interim unaudited consolidated 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, Deutsche Bank 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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TPK Holding Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2012, 2013 and 2014 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of TPK Holding Co., Ltd. and its subsidiaries (collectively referred to as the "Company") as of December 31, 2012, 2013 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2012, 2013 and 2014. 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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 the Company as of December 31, 2012, 2013 and 2014, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2012, 2013 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

Our audits also comprehended the translation of New Taiwan dollar amounts for 2014 into U.S. dollar amounts, and, in our opinion, such translation has been made in conformity with the basis stated in Note 4(w). Such U.S. dollar amounts are presented solely for the convenience of readers.

/s/ Deloitte & Touche
Taipei, Taiwan
Republic of China

March 3, 2015

TPK HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014 (In Thousands, Except Earnings Per Share)

	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$ (Note 4)
OPERATING REVENUE, NET (Notes 4, 23, 28 and 33)	\$ 176,609,592	\$ 159,067,439	\$ 129,516,919	\$ 4,098,637
OPERATING COSTS (Notes 4, 11, 13, 15, 20, 21, 22, 24, 27, 30 and 33)	<u>146,724,889</u>	<u>138,136,906</u>	<u>119,035,186</u>	<u>3,766,936</u>
GROSS PROFIT	<u>29,884,703</u>	<u>20,930,533</u>	<u>10,481,733</u>	<u>331,701</u>
OPERATING EXPENSES (Notes 4, 13, 15, 21, 22, 24, 27, 28, 30 and 33)				
Selling and marketing expenses	962,217	984,022	902,364	28,556
General and administrative expenses	3,920,433	4,538,973	4,451,644	140,875
Research and development expenses	<u>4,703,853</u>	<u>5,416,368</u>	<u>4,982,839</u>	<u>157,685</u>
Total operating expenses	<u>9,586,503</u>	<u>10,939,363</u>	<u>10,336,847</u>	<u>327,116</u>
OPERATING INCOME	<u>20,298,200</u>	<u>9,991,170</u>	<u>144,886</u>	<u>4,585</u>
NONOPERATING INCOME AND EXPENSES				
Government grant revenue (Note 4)	420,593	934,360	1,022,574	32,360
Interest income (Notes 4, 24 and 33)	493,312	819,915	1,310,941	41,485
Other income - others (Notes 24, 30 and 33)	205,081	198,206	148,638	4,704
Foreign exchange gain, net (Note 4)	13,420	93,638	219,361	6,942
Finance costs (Notes 4, 13, 17, 18, 24 and 33)	(712,009)	(1,078,076)	(1,430,786)	(45,278)
Other losses (Notes 4, 14 and 24)	(16,103)	(101,171)	(43,942)	(1,391)
Loss on financial assets (liabilities) at fair value through profit or loss (Notes 4 and 7)	(29,112)	(30,673)	(116,499)	(3,687)
Other impairment loss (Notes 4 and 12)	-	(1,089,919)	(290,693)	(9,199)
Share of loss of associates (Notes 4 and 12)	<u>(395,516)</u>	<u>(833,267)</u>	<u>(389,068)</u>	<u>(12,312)</u>
Total nonoperating income and expenses	<u>(20,334)</u>	<u>(1,086,987)</u>	<u>430,526</u>	<u>13,624</u>
PROFIT BEFORE INCOME TAX	20,277,866	8,904,183	575,412	18,209
INCOME TAX EXPENSE (Notes 4 and 25)	<u>5,361,542</u>	<u>1,289,616</u>	<u>8,430</u>	<u>267</u>
NET PROFIT FOR THE YEAR	<u>14,916,324</u>	<u>7,614,567</u>	<u>566,982</u>	<u>17,942</u>
OTHER COMPREHENSIVE INCOME				
Exchange differences on translating foreign operations (Notes 4 and 22)	(1,099,063)	1,051,780	2,406,376	76,151
Actuarial gain (loss) from defined benefit plans (Notes 4 and 21)	(6,218)	1,041	3,494	111
Share of the other comprehensive income (loss) of associates (Notes 4 and 22)	(103,199)	37,457	9,499	301
Income tax benefit (expense) relating to components of other comprehensive income (loss) (Notes 4, 22 and 25)	<u>2,438</u>	<u>(5,567)</u>	<u>(5,485)</u>	<u>(174)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(1,206,042)</u>	<u>1,084,711</u>	<u>2,413,884</u>	<u>76,389</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 13,710,282</u>	<u>\$ 8,699,278</u>	<u>\$ 2,980,866</u>	<u>\$ 94,331</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of TPKH	\$ 14,364,913	\$ 7,188,503	\$ 277,067	\$ 8,768
Non-controlling interests	<u>551,411</u>	<u>426,064</u>	<u>289,915</u>	<u>9,174</u>
	<u>\$ 14,916,324</u>	<u>\$ 7,614,567</u>	<u>\$ 566,982</u>	<u>\$ 17,942</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of TPKH	\$ 13,166,347	\$ 8,244,305	\$ 2,644,637	\$ 83,691
Non-controlling interests	<u>543,935</u>	<u>454,973</u>	<u>336,229</u>	<u>10,640</u>
	<u>\$ 13,710,282</u>	<u>\$ 8,699,278</u>	<u>\$ 2,980,866</u>	<u>\$ 94,331</u>

(Continued)

TPK HOLDING CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014
(In Thousands, Except Earnings Per Share)**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	
	NT\$	NT\$	NT\$	US\$ (Note 4)
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ 46.09</u>	<u>\$ 21.90</u>	<u>\$ 0.84</u>	<u>\$ 0.03</u>
Diluted	<u>\$ 43.89</u>	<u>\$ 21.21</u>	<u>\$ 0.84</u>	<u>\$ 0.03</u>

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

(Concluded)

TPK HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014
(in thousands)

	Equity Attributable to Owners of TPKH						
	Capital Stock (Notes 4 and 22)	Capital Surplus (Notes 4, 18, 22, 27 and 29)	Legal Reserve (Notes 4 and 22)	Retained Earnings	Unappropriated Earnings (Notes 4, 22 and 29)	Exchange Difference on Translating Foreign Operations (Notes 4 and 22)	Other Equity
BALANCE AT JANUARY 1, 2012	\$ 2,332,709	\$ 8,194,205	\$ 694,987	\$ 16,091,676	\$ -	\$ -	\$ 27,464,225
Appropriation of the 2011 earnings	-	-	1,119,650	(1,119,650)	-	-	(4,705,418)
Legal reserve distributed by TPKH	-	-	-	(705,813)	-	-	-
Stock dividends distributed by TPKH	705,813	-	-	(705,813)	-	-	-
Net profit for the year ended December 31, 2012	-	-	-	14,364,913	-	-	551,411
Other comprehensive income (loss) for the year ended December 31, 2012, net of income tax	-	-	-	(5,163)	-	(1,193,611)	(7,476)
Total comprehensive income (loss) for the year ended December 31, 2012	-	-	-	14,359,750	-	(1,193,611)	543,935
Issuance of common stock in the form of Global Depository Receipt	176,000	6,612,863	-	-	-	-	6,788,863
Change in equity component of convertible bonds upon redemption	-	(838)	-	-	-	-	(838)
Acquisition of partial equity of subsidiaries	-	-	-	(1,321,059)	-	-	(1,321,059)
Recognition of employee stock options issued by TPKH	-	253,762	-	-	-	-	253,762
Issue of common shares under employee stock options	36,830	450,252	-	-	-	-	487,082
Equity component of convertible bonds issued by TPKH	-	614,298	-	-	-	-	614,298
Decrease in non-controlling interest	-	-	-	(3,801)	-	-	(3,801)
BALANCE AT DECEMBER 31, 2012	3,271,352	16,124,540	1,814,617	22,595,702	(772)	(1,193,611)	43,772,022
Appropriation of the 2012 earnings	-	-	1,405,427	(1,405,427)	-	-	-
Legal reserve	-	-	-	(6,870,195)	-	-	(6,870,195)
Cash dividends distributed by TPKH	-	-	-	-	-	-	-
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2013	-	-	-	7,188,503	-	-	(356,945)
Other comprehensive income (loss) for the year ended December 31, 2013, net of income tax	-	-	-	1,282	-	-	426,664
Total comprehensive income (loss) for the year ended December 31, 2013	-	-	-	7,189,785	-	-	7,613,323
Convertible bonds converted to common shares	1,296	53,727	-	-	-	-	55,023
Acquisition of partial equity of subsidiaries	-	-	-	(407,145)	-	-	(407,145)
Recognition of employee stock options issued by TPKH	-	130,791	-	-	-	-	130,791
Issue of common shares under employee stock options	20,239	180,157	-	-	-	-	200,396
Increase in non-controlling interest	-	5,769	-	-	-	-	5,769
BALANCE AT DECEMBER 31, 2013	3,292,887	16,994,984	3,220,044	21,102,720	(1,078)	(1,193,611)	44,876,884
Appropriation of the 2013 earnings	-	-	732,443	(732,443)	-	-	-
Legal reserve	-	-	-	(1,646,549)	-	-	(1,646,549)
Cash dividends distributed by TPKH	-	-	-	-	-	-	-
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2014	-	-	-	277,067	-	-	(424,316)
Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax	-	-	-	2,953	-	(261)	2,692
Total comprehensive income (loss) for the year ended December 31, 2014	-	-	-	280,020	-	(261)	2,731
Recognition of employee stock options issued by TPKH	-	171,629	-	-	-	-	171,629
Issue of common shares under employee stock options	20,061	172,857	-	-	-	-	192,918
Acquisition of partial equity of subsidiary	-	-	-	(10)	-	-	(10)
BALANCE AT DECEMBER 31, 2014	3,312,948	16,839,420	3,952,482	19,005,738	(1,329)	(1,193,611)	46,145,588
BALANCE AT DECEMBER 31, 2014 (IN U.S. DOLLARS)	\$ 101,510	\$ 532,894	\$ 125,079	\$ 611,384	\$ -	\$ -	\$ 1,601,857

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

TPK HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014 (In Thousands)

	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$ (Note 4)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	\$ 20,277,866	\$ 8,904,183	\$ 575,412	\$ 18,209
Adjustments for:				
Depreciation expenses	4,585,219	6,392,841	7,889,564	249,670
Amortization expenses	168,202	167,718	163,581	5,177
Impairment loss recognized (reversal of impairment loss) on accounts receivable	(396)	6,641	(3,120)	(99)
Loss on financial assets and liabilities at fair value through profit or loss	-	-	137,447	4,350
Finance costs	712,009	1,078,076	1,430,786	45,278
Interest income	(493,312)	(819,915)	(1,310,941)	(41,485)
Compensation cost of employee stock options	253,762	130,791	171,629	5,431
Share of loss of associates	395,516	833,267	389,068	12,312
Loss on disposal of property, plant and equipment	5,916	71,666	29,207	924
Loss (gain) on disposal of intangible assets	136	-	(89)	(3)
Write-down (reversal of write-down) of inventories	67,710	892,555	(928,179)	(29,373)
Impairment loss recognized on non-financial assets	354,953	2,295,097	2,108,808	66,734
Gain on redemption of bonds payable	(3,974)	-	-	-
Amortization of prepayments for lease	14,991	20,085	23,196	734
Recognition (reversal) of provision	737,704	(22,684)	(386,677)	(12,237)
Changes in operating assets and liabilities				
Increase in notes receivable	-	-	(29,106)	(921)
Decrease (increase) in accounts receivable	(19,796,941)	13,142,200	1,047,012	33,133
Decrease (increase) in other receivables	6,553,875	(3,655,668)	1,862,015	58,925
Decrease (increase) in inventories	(2,051,806)	4,257,901	2,093,724	66,257
Decrease (increase) in other current assets	89,523	(96,201)	(38,690)	(1,224)
Increase (decrease) in notes and accounts payable	3,720,846	(10,220,231)	12,647	400
Increase (decrease) in accounts payable to related parties	2,229,333	(1,673,509)	52,325	1,656
Decrease in other payables	(116,529)	(167,499)	(400,207)	(12,665)
Increase (decrease) in other current liabilities	250,582	(329,199)	50,433	1,596
Decrease in provision	(8,897)	(5,030)	(51,997)	(1,645)
Decrease in accrued pension liabilities	(313)	(693)	(1,580)	(50)
Cash generated from operations	17,945,975	21,202,392	14,886,268	471,084
Interest received	425,723	786,007	1,087,455	34,413
Income tax paid	(2,263,431)	(3,462,203)	(1,562,193)	(49,436)
Net cash generated from operating activities	<u>16,108,267</u>	<u>18,526,196</u>	<u>14,411,530</u>	<u>456,061</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of debt investments with no active market	(2,503,198)	(5,978,727)	(7,477,769)	(236,638)
Purchase of financial assets measured at cost	-	-	(150,000)	(4,747)
Net cash outflow on acquisition of subsidiaries' shares	(1,361,655)	(1,304,443)	-	-
Acquisition of property, plant and equipment	(3,175,216)	(5,709,564)	(3,688,691)	(116,731)
Proceeds from disposal of property, plant and equipment	57,118	45,170	8,899	282
Decrease in refundable deposits	131,781	36,946	34,450	1,090
Payments for intangible assets	(65,031)	(65,795)	(112,903)	(3,573)
Proceeds from disposal of intangible assets	245	7,839	6,139	194
Decrease (increase) in other assets	5,412	(6)	(1,696)	(54)
Increase in prepayments for equipment	(12,290,462)	(14,745,759)	(9,585,529)	(303,339)
Increase in long-term prepayments for lease	-	(496,309)	(531,646)	(16,824)
Net cash used in investing activities	<u>(19,201,006)</u>	<u>(28,210,648)</u>	<u>(21,498,746)</u>	<u>(680,340)</u>

(Continued)

TPK HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014 (In Thousands)

	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$ (Note 4)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of convertible bonds	\$ 6,716,804	\$ -	\$ -	\$ -
Repayments of bonds payables	(79,456)	-	(11,091,658)	(351,002)
Proceeds from long-term borrowings	5,595,800	8,335,812	3,511,367	111,119
Repayment of long-term borrowings	(4,440,389)	(6,186,989)	(4,071,928)	(128,858)
Increase (decrease) in guarantee deposits received	(8,734)	15,714	(25,615)	(810)
Increase in short-term borrowings	6,007,794	28,965,087	10,509,340	332,574
Decrease in other payables to related parties	-	(30,035)	(7,729)	(245)
Decrease in other liabilities	(9)	(10,555)	(2,991)	(95)
Proceeds from issue of common shares	6,788,863	-	-	-
Cash dividends paid	(4,705,418)	(6,870,195)	(1,646,549)	(52,106)
Proceeds from exercise of employee stock options	487,082	200,396	192,918	6,105
Interest paid	(304,938)	(499,001)	(1,133,280)	(35,863)
Increase (decrease) in non-controlling interests	277,265	891	(424,324)	(13,428)
Net cash generated from (used in) financing activities	<u>16,334,664</u>	<u>23,921,125</u>	<u>(4,190,449)</u>	<u>(132,609)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES				
	<u>(386,647)</u>	<u>824,771</u>	<u>2,517,895</u>	<u>79,680</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,855,278	15,061,444	(8,759,770)	(277,208)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>10,382,671</u>	<u>23,237,949</u>	<u>38,299,393</u>	<u>1,212,006</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 23,237,949</u>	<u>\$ 38,299,393</u>	<u>\$ 29,539,623</u>	<u>\$ 934,798</u>

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

(Concluded)

TPK HOLDING CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014 (In Thousands, Unless Stated Otherwise)

1. GENERAL INFORMATION

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 touch modules, touch display and ITO glass related products.

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

The functional currency of the Company is U.S. dollars. For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars since TPKH’s stocks are listed on the Taiwan Stock Exchange.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on March 3, 2015.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

- a. The amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC not yet effective

Rule No. 1030029342 and Rule No. 1030010325 issued by the Financial Supervisory Commission (FSC) on April 3, 2014, stipulated that the Company should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

New, Amended and Revised Standards and Interpretations (the “New Taiwan IFRSs”)	Effective Date Announced by IASB (Note)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 “Embedded Derivatives”	Effective for annual periods ended on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters”	July 1, 2010

(Continued)

New, Amended and Revised Standards and Interpretations (the “New Taiwan IFRSs”)	Effective Date Announced by IASB (Note)
Amendment to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters”	July 1, 2011
Amendment to IFRS 1 “Government Loans”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Transfer of Financial Assets”	July 1, 2011
IFRS 10 “Consolidated Financial Statements”	January 1, 2013
IFRS 11 “Joint Arrangements”	January 1, 2013
IFRS 12 “Disclosure of Interests in Other Entities”	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance”	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 “Investment Entities”	January 1, 2014
IFRS 13 “Fair Value Measurement”	January 1, 2013
Amendment to IAS 1 “Presentation of Other Comprehensive Income”	July 1, 2012
Amendment to IAS 12 “Deferred Tax: Recovery of Underlying Assets”	January 1, 2012
IAS 19 (Revised 2011) “Employee Benefits”	January 1, 2013
IAS 27 (Revised 2011) “Separate Financial Statements”	January 1, 2013
IAS 28 (Revised 2011) “Investments in Associates and Joint Ventures”	January 1, 2013
Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”	January 1, 2014
IFRIC 20 “Stripping Costs in Production Phase of a Surface Mine”	January 1, 2013

(Concluded)

Note: Unless stated otherwise, the above New Taiwan IFRSs are effective for annual periods beginning on or after the respective effective dates.

Except for the following, whenever applied, the initial application of the above 2013 IFRSs version and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Company’s accounting policies:

1) IFRS 12 “Disclosure of Interests in Other Entities”

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

2) IFRS 13 “Fair Value Measurement”

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015.

3) Amendment to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendments to IAS 1 requires items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

The Company will retrospectively apply the above amendments starting from 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plans, the exchange differences on translating to the presentation currency and share of the remeasurements arising from defined benefit plans of associates accounted for using the equity method. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gains (loss) on available-for-sale financial assets, and share of the other comprehensive income (except the share of the remeasurements of the defined benefit plans of associates accounted for using the equity method). However, the application of the above amendments will not result in any impact on the net profit for the year, other comprehensive income for the year (net of income tax), and total comprehensive income for the year.

4) Revision to IAS 19 “Employee Benefits”

Revised IAS 19 requires that the interest cost and expected return on plan assets used in current IAS 19 are replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

On initial application of the revised IAS 19 in 2015, the changes in cumulative employee benefit costs as of December 31, 2013 resulting from the retrospective application are adjusted to net defined benefit liabilities, deferred tax assets and retained earnings. In addition, in preparing the consolidated financial statements for the year ending December 31, 2015, the Company would elect not to present 2014 comparative information about the sensitivity of the defined benefit obligation.

The anticipated impact of the initial application of the revised IAS 19 is detailed as follows:

	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
	NT\$	NT\$	NT\$
<u>Impact on assets, liabilities and equity</u>			
<u>December 31, 2014</u>			
Deferred tax assets	\$ 1,620,865	\$ 47	\$ 1,620,912
Net defined benefit liabilities	-	21,910	21,910
Accrued pension liabilities	21,636	(21,636)	-
Retained earnings	22,956,225	(227)	22,955,998
<u>January 1, 2014</u>			
Deferred tax assets	895,655	(8)	895,647
Net defined benefit liabilities	-	26,067	26,607
Accrued pension liabilities	26,116	(26,116)	-
Retained earnings	24,322,764	41	24,322,805

(Continued)

	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
	NT\$	NT\$	NT\$
<u>Impact on total comprehensive income for the year ended December 31, 2014</u>			
Operating cost	\$ 119,035,186	\$ (1)	\$ 119,035,185
Operating expense	10,336,847	(47)	10,336,800
Income tax expense	8,430	8	8,438
Total effect on net profit for the year	566,982	40	567,022
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plan	3,494	(9)	3,485
Income tax relating to items that will not be reclassified	(594)	2	(592)
Total effect on other comprehensive income (loss) for the year, net of income tax	2,413,884	(7)	2,413,877
Total effect on total comprehensive income for the year	2,980,866	33	2,980,899
Net profit attributable to:			
Owners of TPKH	277,067	40	277,107
Total comprehensive income attributable to:			
Owners of TPKH	2,644,637	33	2,644,670 (Concluded)

	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
	US\$	US\$	US\$

Impact on assets, liabilities and equity

December 31, 2014

Deferred tax assets	\$ 51,293	\$ 1	\$ 51,294
Net defined benefit liabilities	-	694	694
Accrued pension liabilities	685	(685)	-
Retained earnings	726,463	(8)	726,455

January 1, 2014

Deferred tax assets	28,344	-	28,344
Net defined benefit liabilities	-	825	825
Accrued pension liabilities	826	(826)	-
Retained earnings	769,708	1	76,709

(Continued)

	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
	US\$	US\$	US\$
<u>Impact on total comprehensive income for the year ended December 31, 2014</u>			
Operating cost	\$ 3,766,936	\$ -	\$ 3,766,936
Operating expense	327,116	(1)	327,115
Income tax expense	267	-	267
Total effect on net profit for the year	17,942	1	17,943
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plan	111	-	111
Income tax relating to items that will not be reclassified	19	-	19
Total effect on other comprehensive income (loss) for the year, net of income tax	76,389	-	76,389
Total effect on total comprehensive income for the year	94,331	1	94,332
Net profit attributable to:			
Owners of TPKH	8,768	1	8,769
Total comprehensive income attributable to:			
Owners of TPKH	83,691	1	83,692
			(Concluded)

b. New Taiwan IFRSs in issue but not yet endorsed by the FSC

The Company has not applied the following New Taiwan IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced their effective dates.

New Taiwan IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 4)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016

(Continued)

New Taiwan IFRSs	Effective Date Announced by IASB (Note 1)
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2017
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

Note 1: Unless stated otherwise, the above New Taiwan IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: Prospectively applicable to transactions occurring in annual periods beginning on or after January 1, 2016.

Note 4: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application of the above New Taiwan IFRSs, whenever applied, would not have any material impact on the Company’s accounting policies, except for the following:

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Company’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

- b) For debt instruments, if they are held within a business model whose objective is achieved by both collecting contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for above, all other financial assets are measured at fair value through profit or loss. However, the Company may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the “Expected Credit Losses Model”. The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Company takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

- 2) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

In issuing IFRS 13 “Fair Value Measurement”, the IASB made consequential amendment to the disclosure requirements in IAS 36 “Impairment of Assets”, introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Company is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

- 3) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 2 “Share-based Payment”, IFRS 3 “Business Combinations” and IFRS 8 “Operating Segments” were amended in this annual improvement.

The amended IFRS 2 changes the definitions of “vesting condition” and “market condition” and adds definitions for “performance condition” and “service condition”. The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Company or another entity in the same Company or the market price of the equity instruments of the Company or another entity in the same Company (i.e. a market condition); that a performance target can relate either to the performance of the Company as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end

of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Company, but also of other entities outside the Company.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss.

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Company is a related party of the Company. Consequently, the Company is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

4) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards including IAS 40 “Investment Property” were amended in this annual improvement.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required to determine whether the investment property acquired is acquisition of an asset or a business combination.

5) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations from January 1, 2017.

When applying IFRS 15, the Company shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 is effective, the Company may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

6) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulated that, when the Company sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate, the gain or loss resulting from the transaction is recognized in full. Also, when the Company loses control of a subsidiary that contains a business but retains significant influence, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Company sells or contributes assets that do not constitute a business to an associate, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate, i.e. the entity's share of the gain or loss is eliminated. Also, when an entity loses control of a subsidiary that does not contain a business but retains significant influence in an associate, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate, i.e. the entity's share of the gain or loss is eliminated.

7) Annual Improvements to IFRSs: 2012-2014 Cycle

Several standards including IFRS 7 "Financial Instruments: Disclosures" and IAS 34 were amended in this annual improvement.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.

8) Amendment to IAS 1 "Disclosure Initiative"

The amendment clarifies that the consolidated financial statements should be prepared for the purpose of disclosing material information. To improve the understandability of its consolidated financial statements, the Company should disaggregate the disclosure of material items into their different natures or functions, and disaggregate material information from immaterial information.

The amendment further clarifies that the Company should consider the understandability and comparability of its consolidated financial statements to determine a systematic order in presenting its footnotes.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Company is continually assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance, and will disclose the relevant impact when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and

- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

- 1) Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of TPKH and the entities controlled by TPKH (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by TPKH.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Attribution of total comprehensive income to non-controlling interests

Total comprehensive income of subsidiaries is attributed to the owners of TPKH and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interests in existing subsidiaries

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of TPKH.

- 2) Subsidiaries included in the consolidated financial statements

Investor	Investee	Main Business	% of Ownership			Remark
			December 31			
			2012	2013	2014	
TPK Holding Co., Ltd. (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	100.00	100.00	100.00	
	Upper Year Holdings Limited (UYH)	Holding company and international trade	100.00	100.00	100.00	c)

(Continued)

Investor	Investee	Main Business	% of Ownership			Remark
			2012	2013	2014	
	Ray-Star Universal Solutions Limited (RUSL)	Holding company	100.00	100.00	100.00	
Improve	TPK Asia Pacific Sdn. Bhd. (TPKA)	Holding company	100.00	100.00	100.00	
TPKA	TPK Touch Solutions Inc. (TPKT)	Research, development and sales	100.00	100.00	100.00	
	MasTouch Optoelectronics Technologies Co., Ltd. (MTOT)	Touch modules research, development, manufacturing and sales	88.29	-	-	e)
	TPK Cando Solutions Inc. (TCS)	Chemical strengthened glass processing and sales	-	55.00	55.00	k)
MTOT	Ray-Star System Solutions Limited (RSSL)	Holding company	100.00	-	-	e)
RSSL	Ray-Star System Solutions (Xiamen) Inc. (RSS)	Touch modules research, development, manufacturing and sales	100.00	100.00	100.00	
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 processing and sales; machinery manufacturing, wholesale and retail	100.00	100.00	100.00	
	TPK Touch Systems (Xiamen) Inc. (TPKS)	Touch modules, touch display and system research, development manufacturing and sales	100.00	100.00	100.00	
	Ray-Star Optical Solutions (Xiamen) Inc. (RSO)	Optical glass processing and sales	55.00	55.00	55.00	
	Ray-Star Technology (Xiamen) Inc. (RST)	ITO glass research, development, manufacturing, processing and sales	40.67	40.67	40.67	
OTH	Optera Technology (Xiamen) Co., Ltd. (OTX)	ITO glass research, development, manufacturing, processing and sales	71.43	71.43	71.43	
	TPK America, LLC (TPKU)	International trade	100.00	100.00	100.00	
RUSL	TPK Universal Solutions Limited (TPK HK)	Holding company and international trade	100.00	100.00	100.00	
TPK HK	Optera Technology (Xiamen) Co., Ltd. (OTX)	ITO glass research, development, manufacturing, processing and sales	28.57	28.57	28.57	
	TPK Glass Solutions (Xiamen) Inc. (TPKG)	Optical glass processing and sales	100.00	100.00	100.00	
	Ray-Star Technology (Xiamen) Inc. (RST)	ITO glass research, development, manufacturing, processing and sales	26.06	26.06	26.06	
	CIM Corporation (CIM)	Holding company	80.00	80.00	80.00	
	TPK Specialty Materials Limited (JJS)	Holding company	51.00	51.00	51.00	a)
	TPK Film Solutions Limited (TPKF HK)	Holding company	80.10	66.75	66.75	f)
	TPK MasTouch Solutions (Xiamen) Inc. (MTOH)	Touch modules research, development manufacturing and sales	-	100.00	100.00	j)
	TPK Touch Solutions (Pingtan) Inc. (TPKP)	ITO glass research, development, manufacturing, processing and sales	-	100.00	100.00	l)
	TPK Materials Solution Inc. (TPKM)	Touch related electronic materials, electronic chemicals processing, manufacturing and research	-	100.00	100.00	n)
	TPK Advanced Solutions Inc. (TPKD)	Touch modules research, development manufacturing and sales	-	-	100.00	p)
CIM	Hallys Corporation (Hallys)	Machinery manufacturing, wholesale and retail	84.90	85.57	85.58	m)
TPKT	New Strategy Investment Ltd. (NSI)	Holding company	100.00	100.00	100.00	
	Ray-Star System Solutions Limited (RSSL)	Holding company	-	100.00	100.00	e)
TPKC	Ray-Star Optical Solutions (Xiamen) Inc. (RSO)	Optical glass processing and sales	45.00	45.00	45.00	
	Ray-Star Technology (Xiamen) Inc. (RST)	ITO glass research, development, manufacturing, processing and sales	33.27	33.27	33.27	
JJS	Xiamen Jan Jia Optoelectronics Co., Ltd. (TPKJ)	Protective film and optical adhesive manufacturing and sales	100.00	100.00	100.00	b)
TPKF HK	TPK Film Solutions (Xiamen) Inc. (TPKF)	Touch modules research, development, manufacturing and sales	100.00	100.00	100.00	g)
Hallys	Hallys Hong Kong Limited (Hallys HK)	Holding company and international trade	100.00	100.00	100.00	h)

(Continued)

Investor	Investee	Main Business	% of Ownership			Remark
			December 31			
			2012	2013	2014	
Hallys HK	Hallys (Xiamen) Inc. (HSXM)	Sale of optical glass processing equipment and related parts	100.00	100.00	100.00	i)
TPKP	Jinshunxin Development (Pingtan) Co., Ltd. (JSX)	Land development	-	100.00	100.00	o)
TPKG	TPK Chenqi (Mainland) Solutions Inc. (TPKMS)	Trading business	-	-	100.00	q)

(Concluded)

- a) In April 2012, TPK HK acquired 51% equity interest in JJS for US\$4,294 thousand.
- b) JJS has 100% equity interest in TPKJ, and as of December 31, 2014, the capital of TPKJ was US\$3,600 thousand.
- c) In June 2012, for organization restructuring, NSI disposed of its 0.1% equity interest in UYH to TPKH for US\$990 thousand.
- d) GPSC was merged into TPKT in June 2012.
- e) For the expansion plans, the shareholders of MTOT resolved to reduce the company's registered capital by NT\$284,000 thousand to offset a deficit on June 22, 2012. The effective date for capital reduction was August 9, 2012. MTOT issued 33,900 thousand common shares at NT\$12 per share for a total of NT\$406,800 thousand in cash. The effective date for capital increase was August 10, 2012, and MTOT's paid-in capital amounted to NT\$765,000 thousand. TPKA, one of the subsidiaries of TPKH, participated in capital increase by cash payment of NT\$220,412 thousand and increased its equity interest in MTOT from 50.70% to 52.25%. In December 2012, TPKA acquired 27,578 thousand common shares of MTOT at NT\$60 to NT\$70 per share for total amount of NT\$1,731,127 thousand, and the equity interest increased to 88.29%.

In January 2013, TPKA acquired MTOT's outstanding 6,991 thousand common shares at NT\$60 to NT\$68 per share for total amount of NT\$439,587 thousand. The proportion of MTOT shares that TPKA owned was raised from 88.29% to 97.43%. In order to operate effectively and to reduce managerial costs, the Company reorganized its structure. TPKA sold its 74,500 shares of MTOT to TPKT at carrying value on the date of sale and decreased its equity interest in MTOT from 97.43% to 0.05%. TPKT increased its equity interest in MTOT to 97.38%.

On March 13, 2013, the board of directors of TPKT agreed the combination of TPKT and MTOT. The date of combination was May 1, 2013, TPKT purchased the remaining 2,000 thousand shares of MTOT at NT\$60 per share. TPKT was the surviving company and MTOT was the dissolved company.

- f) In June 2012, TPK HK and U.S. Cambrios Technologies Corporation (Cambrios) became strategic partners, and jointly set up TPKF HK with equity interest of 80.1% and 19.9% with registered capital of US\$12,015 thousand and US\$2,985 thousand, respectively, as of July 2012.

In order to commercialize the technology developed by TPKF, TPKF HK formed a strategic partnership with Nissha Printing Co., Ltd. (Nissha). After signing the joint venture agreement in October 2013, TPKF HK issued 3,000 thousand shares with par value of US\$1, totaling US\$3,000 thousand and all acquired by Nissha. The original shareholders TPK HK and Cambrios all agreed on giving up the right to subscription of new shares. After the issuance of the new shares, TPKF HK's registered capital has increased from US\$15,000 thousand to US\$18,000 thousand, and the percentages of shares held by TPK HK, Cambrios and Nissha were 66.75%, 16.58% and 16.67%, respectively.

- g) In August 2012, TPKF HK set up TPKF with 100% equity interest, and as of December 31, 2014, the capital of TPKF was US\$14,500 thousand.
- h) In May 2012, Hallys set up Hallys HK, and injected capital of US\$10 thousand and US\$500 thousand in July and November 2012, respectively.
- i) In November 2012, Hallys HK set up HSXM, and as of December 31, 2014, the capital of HSXM was US\$500 thousand.
- j) In February 2013, TPK HK acquired from Wintek (Mauritius) Co., Ltd. its 100% interest in Dynamic Electronics (Xiamen) Co., Ltd. (MTOH) for US\$25,276 thousand. In May 2013, MTOH was renamed TPK MasTouch Solutions (Xiamen) Inc.
- k) In April 2013, TPKA and Cando jointly set up TPK Cando Solution Inc. in Central Taiwan Science Park. Its main business is focused on R&D of strengthened glass and manufacturing and sales of optical glass components. The capital was NT\$600,000 thousand, and TPKA invested with NT\$330,000 thousand for 55% equity interest.
- l) In order to level up the capacity of touch panel sensors, TPK HK established TPK Touch Solutions (Pingtan) Inc. (TPKP) in Pingtan area, Fujian Province, People's Republic of China. As of December 31, 2014, the capital injected was US\$150,000 thousand.
- m) In April 2013 and 2014, CIM acquired additional 100 shares and 1 share of Hallys for JPY2,500 thousand and JPY30 thousand respectively. CIM increased its equity interest from 84.90% to 85.58% since April 2013.
- n) In order to strengthen the integration of upstream and downstream supply of raw materials, TPK HK established TPKM in Jinjiang, Fujian Province, People's Republic of China with 100% equity interest, and as of December 31, 2014, the capital of TPKM was US\$3,500 thousand.
- o) For the purpose of bidding for land, and to meet the qualification requirement for land development, TPKP reinvested and set up JSX in November 2013, and as of December 31, 2014, the capital of JSX was RMB154,000 thousand.
- p) For the introduction of new touch technology, research and development of new technologies manufacturing processes to mass production and sales, TPK HK reinvested and set up TPKD on July 15, 2014, and as of December 31, 2014, the capital of TPKD was US\$65,000 thousand.
- q) TPKG reinvested and set up TPKMS on July 31, 2014 to meet the domestic demand for mainland customers, and as of December 31, 2014, the capital of TPKMS was RMB500 thousand.

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests are initially measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets.

The Company does not apply the acquisition method to account for business combinations involving entities under common control. In preparing the consolidated financial statements, the difference between investment cost and underlying equity in net assets is analyzed and dealt with at the original acquisition date of the acquiree.

f. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company and its foreign operations (including of the subsidiaries, associates or branches operating in other countries or currencies used are different from TPKH's currency) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income attributed to the owners of TPKH and non-controlling interests as appropriate.

In relation to a partial disposal of a subsidiary that does not result in TPKH losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

g. Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date.

h. Investment in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes its share in the changes in the equity of associates attributable to the Company.

When the Company subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which it ceases to have significant influence. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's consolidated financial statements only to the extent of interests in the associate that are not related to the Company.

i. Property, plant and equipment

Property, plant and equipment are stated at cost, less recognized accumulated depreciation and recognized accumulated impairment loss.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

j. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

Any gain or loss arising on derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the property is derecognized.

k. Goodwill (recognized as intangible asset)

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to the Company's cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized on goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

l. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Company expects to dispose of the intangible asset before the end of its economic life. The effect of any changes in estimate is accounted for on a prospective basis.

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment loss, on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

Gains or losses arising from derecognition of an intangible asset, which are measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

m. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

n. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is held for trading.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 32.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

iii. Loans and receivables

Loans and receivables (including accounts receivable, cash and cash equivalent and debt investments with no active market) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are 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 financial asset, the estimated future cash flows of the investment have been affected.

Financial assets carried at amortized cost, such as accounts receivable or debt investments with no active market, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as default or delinquency in interest or principal payments, it becomes probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. Accounts receivable that are considered uncollectible are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables and other receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of TPKH's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of TPKH's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except financial liabilities at fair value through profit or loss, all the financial liabilities are measured at amortized cost using the effective interest method.

Financial liability is classified as at fair value through profit or loss when the financial liability is held for trading.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 32.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or on the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. The amount is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premium.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

5) Derivative financial instruments

The Company enters into foreign exchange forward contracts and foreign exchange option contracts of derivative financial instruments to manage its exposure to foreign exchange rate risks.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

o. Provisions

Provisions, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

1) Onerous contracts

Where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract, the present obligations arising under onerous contracts are recognized and measured as provisions.

2) Warranties

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products, at the best estimate of the expenditure required to settle the Company's obligation by the management of the Company.

p. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale provided the seller can reliably estimate future returns and recognizes a liability for returns based on previous experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- a) The Company has transferred to the buyer the significant risks and rewards of ownership of goods;
- b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Company; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve transfer of risks and rewards of materials ownership.

2) Rendering of services

Service income is recognized when services are provided.

3) Royalties

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Royalties determined on a time basis are recognized on a straight-line basis over the period of the agreement.

4) Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

q. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Company as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

r. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

s. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to the grants and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

t. Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method. All actuarial gains and losses on the defined benefit obligation are recognized immediately in other comprehensive income.

The retirement benefit obligation recognized in the consolidated balance sheets represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Curtailment or settlement gains or losses on the defined benefit plan are recognized when the curtailment or settlement occurs.

u. Employee share options

Employee share options granted to employees, equity-settled share based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's estimate of employee share options that will eventually vest, with a corresponding increase in capital surplus - employee share options. The fair value determined at the grant date of the employee share options is recognized as an expense in full at the grant date when the share options granted vest immediately.

At the end of each reporting period, the Company revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

v. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

For the subsidiaries incorporated within the territory of the Republic of China, according to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

w. U.S. dollar amounts

A translation of the New Taiwan dollar (NT\$) amounts into U.S. dollars in the consolidated financial statements for 2014 is included solely for the convenience of the readers, and has been made at the exchange rate set forth in the statistical release of the U.S. Federal Reserve Board of the United States, which was NT\$31.60 to US\$1.00 as of December 31, 2014. The translation should not be construed as a representation that the NT\$ amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Impairment test for tangible assets and intangible assets (excluding goodwill)

In the process of evaluating impairment of assets, the management is required to make subjective adjustment in determining the independent cash flows, useful lives, expected future revenue and expenses related to the specific asset groups with the consideration of the nature of industry. Therefore, any change of estimates based on changes in the economic conditions or the Company's strategy would likely result in significant impairment changes in future periods.

For the years ended December 31, 2012, 2013 and 2014, the Company recognized impairment loss on tangible and intangible assets in the amounts of NT\$354,953 thousand, NT\$1,205,178 thousand and NT\$1,755,477 thousand (approximately US\$55,553 thousand), respectively. Please see Note 13.

b. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

For the year ended December 31, 2014, the Company recognized impairment loss on goodwill in the amount of NT\$62,638 thousand (approximately US\$1,982 thousand; years ended December 31, 2012 and 2013: None). The carrying amount of goodwill as of December 31, 2012, 2013 and 2014 was disclosed in Note 15.

c. Income taxes

As of December 31, 2012, 2013 and 2014, the carrying amount of the deferred tax assets in relation to unused tax losses was NT\$82,879 thousand, NT\$207,849 thousand and NT\$990,426 thousand (approximately US\$31,343 thousand), respectively. As of December 31, 2012, 2013 and 2014, no deferred tax asset has been recognized on the tax loss of NT\$557,957 thousand, NT\$558,201 thousand and NT\$1,707,240 thousand (approximately US\$54,027 thousand), respectively, due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

d. Estimated impairment of accounts receivable and other receivables

When there is objective evidence of impairment loss, the Company takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of accounts receivable and other receivables as of December 31, 2012, 2013 and 2014 was disclosed in Note 10.

e. Write-down of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

f. Useful lives of property, plant and equipment

The Company reviews the estimated useful lives of property, plant and equipment at each balance sheet date. For the years ended December 31, 2012, 2013 and 2014, no changes in estimate occurred for property, plant and equipment.

g. Estimated provisions

Provisions are present obligations arising from past events that are expected to result in outflow of economic resources. The Company's provisions are estimated expenditure for settling obligation based on past experience. The Company has provisions for onerous contracts and for warranty. The carrying amount of provisions as of December 31, 2012, 2013 and 2014 was disclosed in Note 20.

h. Impairment of investment in associate

The Company immediately recognizes impairment loss on the investor's net investment in the associate when there is any indication that the investment may be impaired and the carrying amount may not be recoverable. The Company's management evaluates the impairment based on the estimated future cash flow expected to be generated by the associate. The Company also takes into consideration the market conditions and industry development to evaluate the appropriateness of assumptions.

The Company recognized impairment loss of \$1,089,919 thousand and \$290,693 thousand (approximately US\$9,199 thousand) for years ended December 31, 2013 and 2014, (2012: None). The carrying amount of investment by equity method as of December 31, 2012, 2013 and 2014 was disclosed in Note 12.

6. CASH AND CASH EQUIVALENTS

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Cash on hand	\$ 2,343	\$ 2,522	\$ 2,238	\$ 71
Checking accounts and demand deposits	22,718,149	16,059,114	17,940,811	567,747
Cash equivalent				
Time deposits with original maturities less than three months	<u>517,457</u>	<u>22,237,757</u>	<u>11,596,574</u>	<u>366,980</u>
	<u>\$ 23,237,949</u>	<u>\$ 38,299,393</u>	<u>\$ 29,539,623</u>	<u>\$ 934,798</u>

Interest rates for deposits in bank on the balance sheet date were as follows:

	December 31		
	2012	2013	2014
Deposit	0%-4.90%	0%-3.84%	0%-5.05%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Information regarding financial instrument at fair value through profit or loss was as follows: (December 31, 2012 and 2013: None)

	December 31, 2014	
	NT\$	US\$
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Redemption option and put option of convertible bonds	<u>\$ 144,324</u>	<u>\$ 4,567</u>

The Company entered into foreign exchanges forward contracts and foreign exchange option contracts to manage exposures due to exchange rate fluctuations; however, the derivative contracts do not meet the criteria for hedge accounting. Hence, foreign exchange forward contracts and foreign exchange option contracts are classified as a financial asset or a financial liability held for trading.

The Company had no outstanding foreign exchange forward contracts and exchange option contracts as of December 31, 2012, 2013 and 2014.

Gain and loss on foreign exchange forward contracts, foreign exchange option contracts and redemption option and put option of convertible bonds for the years ended December 31, 2012, 2013 and 2014 were as follows:

	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Foreign exchange forward contracts gain (loss)	\$ 4,073	\$ (30,673)	\$ 20,948	\$ 663
Foreign exchange option contracts loss	(33,185)	-	-	-
Redemption option and put option of convertible bonds loss	-	-	(137,447)	(4,350)
	<u>\$ (29,112)</u>	<u>\$ (30,673)</u>	<u>\$ (116,499)</u>	<u>\$ (3,687)</u>

8. FINANCIAL ASSETS MEASURED AT COST - NONCURRENT (DECEMBER 31, 2012 AND 2013: NONE)

	December 31, 2014	
	NT\$	US\$
Domestic unlisted common shares	<u>\$ 150,000</u>	<u>\$ 4,747</u>
Classified according to financial asset measurement categories		
Available-for-sale financial assets	<u>\$ 150,000</u>	<u>\$ 4,747</u>

In June 2014, the Company acquired 16.57% equity interest of Kingyop Optronics Co., Ltd. (KYO) for NT\$150,000 thousand (approximately US\$4,747 thousand).

Management believed that the fair value of the above unlisted equity investments held by the Company cannot be reliably measured due to the significant range of reasonable fair value estimates; therefore they were measured at cost at the end of reporting period.

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Restricted bank deposit and financial products	\$ 76	\$ 899,341	\$ 8,397,617	\$ 265,747
Financial products	3,280,312	6,251,777	7,991,117	252,884
Time deposits with maturities longer than three months	-	-	348,150	11,017
Floating rate certificate of deposits	-	2,107,997	-	-
	<u>\$ 3,280,388</u>	<u>\$ 9,259,115</u>	<u>\$ 16,736,884</u>	<u>\$ 529,648</u>

Financial products - current include principal and interest guaranteed investment product bought by subsidiaries in 2012, 2013 and 2014, the details were as follows:

	December 31		
	2012	2013	2014
Annual return rates	4.50%-4.95%	2.30%-7.30%	2.40%-6.50%
Maturity	January 10, 2013 - March 11, 2013	January 2, 2014 - June 27, 2014	January 4, 2015 - May 18, 2015

Interest rates of time deposits on the balance sheet date were as follows (December 31, 2012: None):

	December 31	
	2013	2014
Time deposits	3.05%-3.30%	2.4625%-3.30%

Restricted bank deposit is mainly provided as guarantee for loans and guarantee for payment of tariff of imported raw materials.

TPKH entered into floating rate certificate of deposit by purchasing U.S. dollar-denominated negotiable certificates of deposit from Xiamen International Bank in December 2013 with 3M Libor+3% annual rate of return.

10. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
<u>Notes and accounts receivable (a)</u>				
Notes receivable	\$ -	\$ -	\$ 29,106	\$ 921
Accounts receivable	27,977,619	14,835,368	13,787,353	436,308
Less: Allowance for impairment loss	<u>(9,610)</u>	<u>(16,430)</u>	<u>(6,904)</u>	<u>(218)</u>
	<u>\$ 27,968,009</u>	<u>\$ 14,818,938</u>	<u>\$ 13,809,555</u>	<u>\$ 437,011</u>
<u>Other receivables (b)</u>				
Tax refund receivable	\$ 2,712,539	\$ 2,869,310	\$ 3,371,787	\$ 106,702
Factored but unused receivables	1,847,747	5,338,115	1,797,470	56,882
Loan receivable (Note 33)	-	-	1,107,750	35,055
Others	<u>239,723</u>	<u>285,179</u>	<u>577,068</u>	<u>18,262</u>
	4,800,009	8,492,604	6,854,075	216,901
Less: Allowance for impairment loss	<u>(59,591)</u>	<u>(60,506)</u>	<u>(68,454)</u>	<u>(2,166)</u>
	<u>\$ 4,740,418</u>	<u>\$ 8,432,098</u>	<u>\$ 6,785,621</u>	<u>\$ 214,735</u>

a. Accounts receivable

The average credit period on sales of goods was 45 to 60 days after the end of the month in which sales occur. In determining the recoverability of accounts receivable, the Company considered any change in the credit quality of the accounts receivable since the date credit was initially granted to the end of reporting period. The Company assessed the allowance for impairment by reference to the collectability of receivables considering the account aging analysis, historical experience and credit rating of customers.

For the accounts receivable balances that were past due at the end of the reporting period (refer to the below schedule), the Company did not recognize an allowance for impairment loss because there was no significant change in the credit quality and the amounts were still considered recoverable. The Company did not hold any collateral or other credit enhancements for these balances. Moreover, the Company does not have the legal right to offset receivables and payable on the same counterparty.

The aging of receivables that were past due but not impaired was as follows:

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Less than 60 days	\$ 3,662,097	\$ 2,694,613	\$ 1,898,909	\$ 60,092
61-90 days	2,493	46,827	32,481	1,028
91-180 days	-	124,860	76,818	2,431
More than 180 days	<u>-</u>	<u>5,569</u>	<u>7,656</u>	<u>242</u>
	<u>\$ 3,664,590</u>	<u>\$ 2,871,869</u>	<u>\$ 2,015,864</u>	<u>\$ 63,793</u>

Ages of impaired accounts receivable were as follows:

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
61-90 days	\$ 52,296	\$ 13,463	\$ 1,664	\$ 53
91-180 days	38,457	17,386	1,431	45
More than 180 days	<u>8,376</u>	<u>3,764</u>	<u>6,033</u>	<u>191</u>
	<u>\$ 99,129</u>	<u>\$ 34,613</u>	<u>\$ 9,128</u>	<u>\$ 289</u>

Movements in the allowance for impairment loss recognized on accounts receivable were as follows:

	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Balance at January 1	\$ 9,243	\$ 9,610	\$ 16,430	\$ 520
Add: Provision for (reversal of) doubtful accounts	(626)	6,620	(8,722)	(276)
Add: Merger and acquisition	1,612	-	-	-
Less: Amount written off as uncollectible	(308)	(50)	(1,004)	(32)
Translation adjustment	<u>(311)</u>	<u>250</u>	<u>200</u>	<u>6</u>
Balance at December 31	<u>\$ 9,610</u>	<u>\$ 16,430</u>	<u>\$ 6,904</u>	<u>\$ 218</u>

Factored accounts receivable for the years ended December 31, 2012, 2013 and 2014 were as follows:

Subsidiary	Counterparties	Currencies	Receivables Sold	Amounts Collected	Translation Adjustment	Advances Received at Year-end (Note 1)	Interest Rates on Advances Received (%)	Credit Line (Note 2)
For the year ended December 31, 2012								
TPKC	Standard Chartered	US\$	\$ -	\$ 17,027	\$ -	\$ -	-	-
		NT\$	\$ -	\$ 357,755	\$ (6,375)	\$ -	-	-
TPK HK	Standard Chartered	US\$	\$ 3,472,604	\$ 3,501,681	\$ -	\$ 460,753	2M Libor+1.00%	US\$420,000 thousand (approximately NTS\$12,196,800 thousand)
		NT\$	\$ 102,758,695	\$ 103,619,115	\$ (588,912)	\$ 13,380,275	-	-
Hallys	Mizuho Trust & Banking Co., Ltd.	JPY	\$ 41,463	\$ 2,170	\$ -	\$ 39,473	1.175%	-
		NT\$	\$ 15,539	\$ 810	\$ (1,450)	\$ 13,279	-	-
	The Mitsubishi UFJ Factors Limited	JPY	\$ 982	\$ -	\$ -	\$ 982	1.475%	-
		NT\$	\$ 366	\$ -	\$ (36)	\$ 330	-	-
For the year ended December 31, 2013								
TPK HK	Standard Chartered	US\$	\$ 2,143,833	\$ 2,231,061	\$ -	\$ 373,525	2M Libor+0.66%	US\$450,000 thousand (approximately NTS\$13,412,250 thousand)
		NT\$	\$ 63,598,598	\$ 66,186,296	\$ 340,338	\$ 11,132,915	-	-
	Bank of China (Xiamen)	US\$	\$ 3,561	\$ -	\$ -	\$ -	3M Libor+1.15%	US\$100,000 thousand (approximately NTS\$2,980,500 thousand)
		NT\$	\$ 105,372	\$ 105,372	\$ -	\$ -	-	-
HSBC	US\$	\$ 17,012	\$ 14,791	\$ -	\$ 2,721	2M Libor+1.00%	US\$10,000 thousand (approximately NTS\$298,050 thousand)	
	NT\$	\$ 504,678	\$ 473,950	\$ 379	\$ 81,107	-	-	
Hallys	Mizuho Trust & Banking Co., Ltd.	JPY	\$ 1,479	\$ 40,838	\$ -	\$ 64	1.175%	-
		NT\$	\$ 441	\$ 12,592	\$ (1,110)	\$ 18	-	-
	The Mitsubishi UFJ Factors Limited	JPY	\$ 4,003	\$ 3,332	\$ -	\$ 1,653	1.475%	-
		NT\$	\$ 1,234	\$ 1,027	\$ (68)	\$ 469	-	-
For the year ended December 31, 2014								
TPK HK	Standard Chartered	US\$	\$ 1,729,490	\$ 1,760,957	\$ -	\$ 342,058	2M Libor+0.66%	US\$400,000 thousand (approximately NTS\$12,660,000 thousand)
		NT\$	\$ 57,769,501	\$ 53,220,511	\$ 644,735	\$ 10,826,140	-	-
	HSBC	US\$	\$ 10,720	\$ 13,441	\$ -	\$ -	-	-
NT\$		\$ 373,981	\$ 406,724	\$ 1,136	\$ -	-	-	
Hallys	Mizuho Trust & Banking Co., Ltd.	JPY	\$ 968	\$ 809	\$ -	\$ 223	1.175%	-
		NT\$	\$ 278	\$ 232	\$ (5)	\$ 59	-	-
		US\$	\$ 9	\$ 7	\$ -	\$ 2	-	-
	The Mitsubishi UFJ Factors Limited	JPY	\$ 8,279	\$ 9,386	\$ -	\$ 546	1.475%	-
		NT\$	\$ 2,376	\$ 2,693	\$ (7)	\$ 145	-	-
		US\$	\$ 75	\$ 85	\$ -	\$ 5	-	-

Note 1: Advances received included those for receivables factored but unused.

Note 2: Credit line is the advance limit receivable from the bank.

Pursuant to the factoring contracts, losses from sales returns and discounts shall be borne by the Company, while losses from credit risk shall be borne by the bank. The above credit lines may be used on a revolving basis, except that the factored accounts receivable of Hallys were sold individually and without credit line. The factoring contract between subsidiary TPK HK and HSBC expired in May 2014.

The factored but unused amount between subsidiary TPK HK and Standard Chartered Bank/HSBC has been reclassified from accounts receivable to other receivables.

b. Other receivables

As of December 31, 2012, 2013 and 2014, the Company's other receivable mainly consisted of factored but not yet used amount, tax refund receivable and loan receivable. The amounts in the aforementioned receivables' aging schedule are all under 60 days (based on the invoice date), the loan receivable is current and due within one year.

Movements in the allowance for impairment loss:

	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Balance at January 1	\$ 61,055	\$ 59,591	\$ 60,506	\$ 1,915
Add: Impairment loss recognized on receivables	230	21	5,602	177
Translation adjustment	<u>(1,694)</u>	<u>894</u>	<u>2,346</u>	<u>74</u>
Balance at December 31	<u>\$ 59,591</u>	<u>\$ 60,506</u>	<u>\$ 68,454</u>	<u>\$ 2,166</u>

11. INVENTORIES

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Finished goods	\$ 4,644,218	\$ 4,545,995	\$ 2,674,875	\$ 84,648
Work in progress	828,193	334,791	217,090	6,870
Raw materials	8,615,758	3,550,593	4,287,704	135,687
Inventory in transit	<u>22,031</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 14,110,200</u>	<u>\$ 8,431,379</u>	<u>\$ 7,179,669</u>	<u>\$ 227,205</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2012, 2013 and 2014 was NT\$146,724,889 thousand, NT\$138,136,906 thousand and NT\$119,035,186 thousand (approximately US\$3,766,936 thousand), respectively.

The accounts listed below were included in cost of goods sold:

	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Write-down (reversal of write-down) of inventories	\$ 67,710	\$ 892,555	\$ (928,179)	\$ (29,373)
Loss (gain) on physical inventory	(52)	3,386	20	1
Provision for (reversal of) loss on purchase commitment	141,950	(5,818)	(67,523)	(2,137)
Loss on inventory scrap	<u>120</u>	<u>116</u>	<u>58</u>	<u>2</u>
	<u>\$ 209,728</u>	<u>\$ 890,239</u>	<u>\$ (995,624)</u>	<u>\$ (31,507)</u>

For the years ended December 31, 2012 and 2013, the cost of goods sold includes write-down of inventories of NT\$67,710 thousand and NT\$892,555 thousand, respectively. The cost of goods sold for the year ended December 31, 2014 included reversal of write-down of inventories of NT\$928,179 (approximately US\$29,373 thousand), after inventories with related accrued impairment losses have been closed out.

Due to the characteristic of the industry and the market fluctuation, certain raw materials were no longer usable. For the year ended December 31, 2012, the Company estimated and recorded as cost of goods sold for the loss on purchase commitment of NT\$141,950 thousand. For the years ended December 31, 2013 and 2014, after evaluation of accrued liability on purchase commitment, the Company reversed the loss on purchase commitment in the amount of NT\$5,818 thousand and NT\$67,523 thousand (approximately US\$2,137 thousand), respectively. As of December 31, 2012, 2013 and 2014, the Company estimated and recorded provision for purchase commitment (Note 20) of NT\$243,658 thousand, NT\$240,291 thousand and NT\$129,576 thousand (approximately US\$4,101 thousand), respectively.

Due to the characteristic of the industry, the product life cycle is short; thus inventories aged over 360 days are provided allowance for loss on inventory.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Investments in associates				
Emerging market stock				
Cando Corporation (Cando)	<u>\$ 3,621,239</u>	<u>\$ 1,682,240</u>	<u>\$ 1,011,978</u>	<u>\$ 32,025</u>

At the end of the reporting period, the proportions of ownership and voting rights in associates held by the Company were as follows:

Name of Associate	December 31		
	2012	2013	2014
Emerging market stock			
Cando	19.82%	19.78%	19.78%

The Company has three out of nine seats in the board of directors of Cando and is able to exercise significant influence over Cando; thus, such investment is accounted for by the equity method. As the employee of Cando exercised employee stock options, the remaining equity interest held by TPK HK decreased to 19.78%. Cando reduced its capital to offset the deficits amounting to NT\$2,323,515 thousand and NT\$2,881,403 thousand (approximately US\$91,184 thousand) on September 28, 2013 and October 19, 2014; the capital reduction ratio was 25.52% and 42.49%, respectively. The shares held by the Company decreased to 77,125 thousand shares.

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 investee's net assets allocated to depreciable assets (building, machinery equipment and technical know-how) and non-depreciable assets (goodwill) for the years ended December 31, 2012, 2013 and 2014 were as follows:

	For the Year Ended December 31							
	2012		2013		2014			
	Depreciable Assets	Non-depreciable Assets	Depreciable Assets	Non-depreciable Assets	Depreciable Assets		Non-depreciable Assets	
	NT\$	NT\$	NT\$	NT\$	NT\$	US\$	NT\$	US\$
Balance, beginning of the year	\$ 1,769,681	\$ 880,483	\$ 1,434,170	\$ 844,565	\$ 970,463	\$ 30,710	\$ -	\$ -
Amortization	(268,321)	-	(268,996)	-	(180,131)	(5,700)	-	-
Impairment losses recognized	-	-	(229,561)	(860,358)	(290,693)	(9,199)	-	-
Translation adjustments	(67,190)	(35,918)	34,850	15,793	35,456	1,122	-	-
Balance, end of the year	<u>\$ 1,434,170</u>	<u>\$ 844,565</u>	<u>\$ 970,463</u>	<u>\$ -</u>	<u>\$ 535,095</u>	<u>\$ 16,933</u>	<u>\$ -</u>	<u>\$ -</u>

During the years ended December 31, 2012, 2013 and 2014, TPK HK, one of the subsidiaries of TPKH, assessed the recoverable amount of the investment in Cando by comparing its recoverable amount with the carrying amount. In determining the value in use of the investment, the Company estimated the present value of estimated future cash flows expected to arise from the operations of the investment by using discount rates of 11.31%, 8.60% and 8.90%, respectively. Based on the assessments, impairment loss of NT\$1,089,919 thousand and NT\$290,693 thousand (approximately US\$9,199 thousand) was recognized in non-operating income and expenses for the years ended December 31, 2013 and 2014, respectively, but there was no impairment loss for the year ended December 31, 2012.

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of the investment for the years ended December 31, 2012, 2013 and 2014 were based on the associate's financial statements audited by the auditors for the same year.

All of Cando's shares held by TPK HK were provided as collateral for the syndicated loan with Citibank Taiwan Limited, but TPK HK removed the pledge registration after prepayment of the loan in March 2013, (please see Note 17).

Financial information of the Company's associate was summarized as follows:

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Total assets	<u>\$ 14,824,110</u>	<u>\$ 14,858,284</u>	<u>\$ 13,663,240</u>	<u>\$ 432,381</u>
Total liabilities	<u>\$ 8,059,550</u>	<u>\$ 10,998,993</u>	<u>\$ 10,999,203</u>	<u>\$ 348,076</u>
	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Revenue	<u>\$ 7,237,164</u>	<u>\$ 6,544,878</u>	<u>\$ 2,857,841</u>	<u>\$ 90,438</u>
Net loss	<u>\$ (654,403)</u>	<u>\$ (2,851,922)</u>	<u>\$ (1,065,117)</u>	<u>\$ (33,706)</u>
Other comprehensive loss	<u>\$ (7,981)</u>	<u>\$ (70,360)</u>	<u>\$ (130,137)</u>	<u>\$ (4,118)</u>

13. PROPERTY, PLANT AND EQUIPMENT

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Carrying amount for each category				
Buildings	\$ 10,959,189	\$ 14,163,130	\$ 17,207,325	\$ 544,536
Machinery and equipment	27,568,079	30,807,676	37,106,417	1,174,254
Transportation and others	5,035,802	4,678,497	3,666,990	116,044
Property in construction	<u>1,170,373</u>	<u>5,189,626</u>	<u>5,630,436</u>	<u>178,178</u>
	<u>\$ 44,733,443</u>	<u>\$ 54,838,929</u>	<u>\$ 63,611,168</u>	<u>\$ 2,013,012</u>

For the Year Ended December 31, 2012

	Buildings	Machinery and Equipment	Transportation and Others	Property in Construction	Total
	NT\$	NT\$	NT\$	NT\$	NT\$
<u>Cost</u>					
Balance, beginning of year	\$ 7,697,770	\$ 27,077,763	\$ 5,766,538	\$ 2,301,812	\$ 42,843,883
Additions	-	-	-	3,175,216	3,175,216
Additions as a result of acquisition of subsidiary	92,364	87,821	13,175	-	193,360
Disposals	(4,715)	(73,978)	(18,462)	-	(97,155)
Reclassification	4,232,453	8,166,356	2,022,267	(4,232,453)	10,188,623
Translation adjustment	(395,615)	(1,249,888)	(250,224)	(74,202)	(1,969,929)
Balance, end of year	<u>11,622,257</u>	<u>34,008,074</u>	<u>7,533,294</u>	<u>1,170,373</u>	<u>54,333,998</u>
<u>Accumulated depreciation</u>					
Balance, beginning of year	292,849	2,973,285	1,363,940	-	4,630,074
Depreciation expense	380,268	3,009,662	1,189,950	-	4,579,880
Additions as a result of acquisition of subsidiary	14,998	13,428	5,279	-	33,705
Disposals	(235)	(19,216)	(14,670)	-	(34,121)
Reclassification	(5,278)	1,443	(454)	-	(4,289)
Translation adjustment	(19,534)	(173,029)	(62,492)	-	(255,055)
Balance, end of year	<u>663,068</u>	<u>5,805,573</u>	<u>2,481,553</u>	<u>-</u>	<u>8,950,194</u>
<u>Accumulated impairment losses</u>					
Balance, beginning of year	-	308,341	6,609	-	314,950
Recognized impairment loss	-	345,173	9,780	-	354,953
Translation adjustment	-	(19,092)	(450)	-	(19,542)
Balance, end of year	<u>-</u>	<u>634,422</u>	<u>15,939</u>	<u>-</u>	<u>650,361</u>
Net book value, end of year	<u>\$ 10,959,189</u>	<u>\$ 27,568,079</u>	<u>\$ 5,035,802</u>	<u>\$ 1,170,373</u>	<u>\$ 44,733,443</u>

For the Year Ended December 31, 2013

	Buildings	Machinery and Equipment	Transportation and Others	Property in Construction	Total
	NT\$	NT\$	NT\$	NT\$	NT\$
<u>Cost</u>					
Balance, beginning of year	\$ 11,622,257	\$ 34,008,074	\$ 7,533,294	\$ 1,170,373	\$ 54,333,998
Additions	-	101	509	5,708,954	5,709,564
Additions as a result of acquisition of subsidiary	-	-	1,120	551,483	552,603
Disposals	(3,176)	(118,733)	(85,923)	-	(207,832)
Reclassification	3,567,265	7,974,287	1,078,509	(2,290,651)	10,329,410
Translation adjustment	318,748	914,966	209,866	49,467	1,493,047
Balance, end of year	<u>15,505,094</u>	<u>42,778,695</u>	<u>8,737,375</u>	<u>5,189,626</u>	<u>72,210,790</u>
<u>Accumulated depreciation</u>					
Balance, beginning of year	663,068	5,805,573	2,481,553	-	8,950,194
Depreciation expense	618,426	4,192,243	1,570,221	-	6,380,890
Additions as a result of acquisition of subsidiary	-	-	694	-	694
Disposals	(335)	(53,815)	(36,846)	-	(90,996)
Reclassification	42,905	-	(39,967)	-	2,938
Translation adjustment	17,900	156,519	65,779	-	240,198
Balance, end of year	<u>1,341,964</u>	<u>10,100,520</u>	<u>4,041,434</u>	<u>-</u>	<u>15,483,918</u>

(Continued)

For the Year Ended December 31, 2013

	Buildings	Machinery and Equipment	Transportation and Others	Property in Construction	Total
	NT\$	NT\$	NT\$	NT\$	NT\$
<u>Accumulated impairment losses</u>					
Balance, beginning of year	\$ -	\$ 634,422	\$ 15,939	\$ -	\$ 650,361
Recognized impairment loss	-	1,203,003	1,145	-	1,204,148
Translation adjustment	-	33,074	360	-	33,434
Balance, end of year	-	1,870,499	17,444	-	1,887,943
Net book value, end of year	<u>\$ 14,163,130</u>	<u>\$ 30,807,676</u>	<u>\$ 4,678,497</u>	<u>\$ 5,189,626</u>	<u>\$ 54,838,929</u>

(Concluded)

For the Year Ended December 31, 2014

	Buildings	Machinery and Equipment	Transportation and Others	Property in Construction	Total
	NT\$	NT\$	NT\$	NT\$	NT\$
<u>Cost</u>					
Balance, beginning of year	\$ 15,505,094	\$ 42,778,695	\$ 8,737,375	\$ 5,189,626	\$ 72,210,790
Additions	-	180,328	-	3,508,363	3,688,691
Disposals	-	(487,261)	(118,853)	-	(606,114)
Reclassification	2,871,025	10,651,738	1,005,149	(3,357,358)	11,170,554
Translation adjustment	<u>1,089,083</u>	<u>3,094,456</u>	<u>542,490</u>	<u>289,805</u>	<u>5,015,834</u>
Balance, end of year	<u>19,465,202</u>	<u>56,217,956</u>	<u>10,166,161</u>	<u>5,630,436</u>	<u>91,479,755</u>

Accumulated depreciation

Balance, beginning of year	1,341,964	10,100,520	4,041,434	-	15,483,918
Depreciation expense	792,617	5,380,421	1,695,530	-	7,868,568
Disposals	-	(153,071)	(74,476)	-	(227,547)
Reclassification	3,360	-	85	-	3,445
Translation adjustment	<u>119,936</u>	<u>861,549</u>	<u>318,342</u>	<u>-</u>	<u>1,299,827</u>
Balance, end of year	<u>2,257,877</u>	<u>16,189,419</u>	<u>5,980,915</u>	<u>-</u>	<u>24,428,211</u>

Accumulated impairment losses

Balance, beginning of year	-	1,870,499	17,444	-	1,887,943
Recognized impairment loss	-	1,256,718	498,759	-	1,755,477
Disposal	-	(330,634)	(9,827)	-	(340,461)
Translation adjustment	-	125,537	11,880	-	137,417
Balance, end of year	-	<u>2,922,120</u>	<u>518,256</u>	-	<u>3,440,376</u>
Net book value, end of year	<u>\$ 17,207,325</u>	<u>\$ 37,106,417</u>	<u>\$ 3,666,990</u>	<u>\$ 5,630,436</u>	<u>\$ 63,611,168</u>

For the Year Ended December 31, 2014

	Buildings	Machinery and Equipment	Transportation and Others	Property in Construction	Total
	US\$	US\$	US\$	US\$	US\$
<u>Cost</u>					
Balance, beginning of year	\$ 490,668	\$ 1,353,756	\$ 276,499	\$ 164,229	\$ 2,285,152
Additions	-	5,707	-	111,024	116,731
Disposals	-	(15,420)	(3,761)	-	(19,181)
Reclassification	90,855	337,080	31,809	(106,246)	353,498
Translation adjustment	<u>34,465</u>	<u>97,926</u>	<u>17,167</u>	<u>9,171</u>	<u>158,729</u>
Balance, end of year	<u>615,988</u>	<u>1,779,049</u>	<u>321,714</u>	<u>178,178</u>	<u>2,894,929</u>

(Continued)

	For the Year Ended December 31, 2014				
	Buildings	Machinery and Equipment	Transportation and Others	Property in Construction	Total
	US\$	US\$	US\$	US\$	US\$
<u>Accumulated depreciation</u>					
Balance, beginning of year	\$ 42,467	\$ 319,637	\$ 127,893	\$ -	\$ 489,997
Depreciation expense	25,083	170,266	53,656	-	249,005
Disposals	-	(4,844)	(2,357)	-	(7,201)
Reclassification	106	-	3	-	109
Translation adjustment	<u>3,796</u>	<u>27,264</u>	<u>10,074</u>	<u>-</u>	<u>41,134</u>
Balance, end of year	<u>71,452</u>	<u>512,323</u>	<u>189,269</u>	<u>-</u>	<u>773,044</u>
<u>Accumulated impairment losses</u>					
Balance, beginning of year	-	59,193	552	-	59,745
Recognized impairment loss	-	39,769	15,784	-	55,553
Disposal	-	(10,463)	(311)	-	(10,774)
Translation adjustment	<u>-</u>	<u>3,973</u>	<u>376</u>	<u>-</u>	<u>4,349</u>
Balance, end of year	<u>-</u>	<u>92,472</u>	<u>16,401</u>	<u>-</u>	<u>108,873</u>
Net book value, end of year	<u>\$ 544,536</u>	<u>\$ 1,174,254</u>	<u>\$ 116,044</u>	<u>\$ 178,178</u>	<u>\$ 2,013,012</u> (Concluded)

Information about capitalized interest was as follows: (For the year ended December 31, 2014: None)

	For the Year Ended December 31	
	2012	2013
	NT\$	NT\$
Capitalized interest	<u>\$ 82,263</u>	<u>\$ 11,471</u>
Capitalization rates	0.79%-4.61%	2.44%-3.62%

The equipment for use in the production could no longer be used due to the alteration of production process; such equipment was provided with allowance for impairment losses. For the years ended December 31, 2012, 2013 and 2014, the Company recognized impairment loss amounting to NT\$354,953 thousand (recorded as operating costs), NT\$1,204,148 thousand (recorded as operating costs NT\$1,202,355 thousand and operating expenses NT\$1,793 thousand) and NT\$1,755,477 thousand (recorded as operating costs NT\$1,617,059 thousand and operating expenses NT\$138,418 thousand, approximately US\$55,553 thousand, recorded as operating costs US\$51,173 thousand and operating expenses US\$4,380 thousand), respectively. The Company determined the recoverable amount of the relevant assets on the basis of their value in use.

The Company's buildings mainly consisted of factories and clean rooms, which are depreciated over the estimated useful lives ranging from 3 to 35 years.

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset as follows:

Building	3-35 years
Machinery and equipment	2-10 years
Transportation and others	1-10 years

14. INVESTMENT PROPERTIES

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Building	\$ 189,350	\$ 316,594	\$ 479,020	\$ 15,159
	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
<u>Cost</u>				
Balance, beginning of year	\$ -	\$ 198,805	\$ 335,345	\$ 10,612
Reclassification	202,579	130,689	153,944	4,872
Translation adjustment	<u>(3,774)</u>	<u>5,851</u>	<u>28,029</u>	<u>887</u>
Balance, end of year	<u>198,805</u>	<u>335,345</u>	<u>517,318</u>	<u>16,371</u>
<u>Accumulated depreciation</u>				
Balance, beginning of year	-	9,455	18,751	593
Depreciation expense	5,339	11,951	20,996	665
Reclassification	4,290	(2,938)	(3,432)	(109)
Translation adjustment	<u>(174)</u>	<u>283</u>	<u>1,983</u>	<u>63</u>
Balance, end of year	<u>9,455</u>	<u>18,751</u>	<u>38,298</u>	<u>1,212</u>
Net book value, end of year	<u>\$ 189,350</u>	<u>\$ 316,594</u>	<u>\$ 479,020</u>	<u>\$ 15,159</u>

The Company's investment properties are depreciated on a straight-line basis over the estimated useful life of 20 years.

The investment properties are located in Xiamen industrial zone. Due to infrequent transaction in the area and alternative reliable measurements of fair value are not available, the Company determined the fair value of the investment properties is not reliably measurable.

15. INTANGIBLE ASSETS

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Goodwill	\$ 704,934	\$ 723,414	\$ 702,992	\$ 22,247
Technical know-how	387,786	284,538	211,763	6,701
Computer software	145,408	152,294	208,484	6,598
Patent	29,654	14,684	846	27
Others	<u>14,776</u>	<u>9,560</u>	<u>5,577</u>	<u>176</u>
	<u>\$ 1,282,558</u>	<u>\$ 1,184,490</u>	<u>\$ 1,129,662</u>	<u>\$ 35,749</u>

For the Year Ended December 31, 2012

	Goodwill	Technical Know-how	Computer Software	Patent	Others	Total
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
<u>Cost</u>						
Balance, beginning of year	\$ 726,940	\$ 592,383	\$ 212,377	\$ 94,624	\$ 29,407	\$ 1,655,731
Additions	-	-	64,643	388	-	65,031
Additions as a result of acquisition of subsidiary	7,698	19,594	328	-	12,621	40,241
Disposals	-	-	(2,202)	-	(79)	(2,281)
Reclassification	-	-	(1,643)	-	-	(1,643)
Translation adjustment	(29,704)	(40,220)	(3,754)	(3,863)	(675)	(78,216)
Balance, end of year	<u>704,934</u>	<u>571,757</u>	<u>269,749</u>	<u>91,149</u>	<u>41,274</u>	<u>1,678,863</u>
<u>Accumulated amortization</u>						
Balance, beginning of year	-	105,250	80,311	39,535	18,603	243,699
Amortization	-	91,528	48,034	20,075	8,565	168,202
Additions as a result of acquisition of subsidiary	-	-	161	-	-	161
Disposals	-	-	(1,821)	-	(79)	(1,900)
Translation adjustment	-	(12,807)	(2,344)	1,885	(591)	(13,857)
Balance, end of year	<u>-</u>	<u>183,971</u>	<u>124,341</u>	<u>61,495</u>	<u>26,498</u>	<u>396,305</u>
Net book value, end of year	<u>\$ 704,934</u>	<u>\$ 387,786</u>	<u>\$ 145,408</u>	<u>\$ 29,654</u>	<u>\$ 14,776</u>	<u>\$ 1,282,558</u>

For the Year Ended December 31, 2013

	Goodwill	Technical Know-how	Computer Software	Patent	Others	Total
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
<u>Cost</u>						
Balance, beginning of year	\$ 704,934	\$ 571,757	\$ 269,749	\$ 91,149	\$ 41,274	\$ 1,678,863
Additions	-	-	65,276	519	-	65,795
Disposals	-	-	(8,664)	-	-	(8,664)
Reclassification	-	-	1,606	-	-	1,606
Translation adjustment	18,480	(34,422)	1,463	2,396	379	(11,704)
Balance, end of year	<u>723,414</u>	<u>537,335</u>	<u>329,430</u>	<u>94,064</u>	<u>41,653</u>	<u>1,725,896</u>
<u>Accumulated amortization</u>						
Balance, beginning of year	-	183,971	124,341	61,495	26,498	396,305
Amortization	-	89,077	52,752	20,174	5,715	167,718
Disposals	-	-	(825)	-	-	(825)
Translation adjustment	-	(20,251)	868	(2,289)	(120)	(21,792)
Balance, end of year	<u>-</u>	<u>252,797</u>	<u>177,136</u>	<u>79,380</u>	<u>32,093</u>	<u>541,406</u>
Net book value, end of year	<u>\$ 723,414</u>	<u>\$ 284,538</u>	<u>\$ 152,294</u>	<u>\$ 14,684</u>	<u>\$ 9,560</u>	<u>\$ 1,184,490</u>

For the Year Ended December 31, 2014

	Goodwill	Technical Know-how	Computer Software	Patent	Others	Total
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
<u>Cost</u>						
Balance, beginning of year	\$ 723,414	\$ 537,335	\$ 329,430	\$ 94,064	\$ 41,653	\$ 1,725,896
Additions	-	-	112,549	354	-	112,903
Disposals	-	-	(15,804)	-	-	(15,804)
Reclassification	-	-	412	-	-	412
Translation adjustment	43,632	30,184	15,848	5,828	2,578	98,070
Balance, end of year	<u>767,046</u>	<u>567,519</u>	<u>442,435</u>	<u>100,246</u>	<u>44,231</u>	<u>1,921,477</u>

(Continued)

For the Year Ended December 31, 2014

	Goodwill	Technical Know-how	Computer Software	Patent	Others	Total
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
<u>Accumulated amortization</u>						
Balance, beginning of year	\$ -	\$ 252,797	\$ 177,136	\$ 79,380	\$ 32,093	\$ 541,406
Amortization	-	84,858	59,984	14,371	4,368	163,581
Disposals	-	-	(9,754)	-	-	(9,754)
Reclassification	-	-	(13)	-	-	(13)
Translation adjustment	-	18,101	6,598	5,649	2,193	32,541
Balance, end of year	<u>-</u>	<u>355,756</u>	<u>233,951</u>	<u>99,400</u>	<u>38,654</u>	<u>727,761</u>
<u>Accumulated impairment losses</u>						
Recognized impairment loss	62,638	-	-	-	-	62,638
Translation adjustment	1,416	-	-	-	-	1,416
Balance, end of year	<u>64,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,054</u>
Net book value, end of year	<u>\$ 702,992</u>	<u>\$ 211,763</u>	<u>\$ 208,484</u>	<u>\$ 846</u>	<u>\$ 5,577</u>	<u>\$ 1,129,662</u>

(Concluded)

For the Year Ended December 31, 2014

	Goodwill	Technical Know-how	Computer Software	Patent	Others	Total
	US\$	US\$	US\$	US\$	US\$	US\$
<u>Cost</u>						
Balance, beginning of year	\$ 22,893	\$ 17,004	\$ 10,425	\$ 2,977	\$ 1,318	\$ 54,617
Additions	-	-	3,562	11	-	3,573
Disposals	-	-	(500)	-	-	(500)
Reclassification	-	-	13	-	-	13
Translation adjustment	1,381	955	501	185	81	3,103
Balance, end of year	<u>24,274</u>	<u>17,959</u>	<u>14,001</u>	<u>3,173</u>	<u>1,399</u>	<u>60,806</u>
<u>Accumulated amortization</u>						
Balance, beginning of year	-	8,000	5,605	2,512	1,016	17,133
Amortization	-	2,685	1,899	455	138	5,177
Disposals	-	-	(309)	-	-	(309)
Reclassification	-	-	(1)	-	-	(1)
Translation adjustment	-	573	209	179	69	1,030
Balance, end of year	<u>-</u>	<u>11,258</u>	<u>7,403</u>	<u>3,146</u>	<u>1,223</u>	<u>23,030</u>
<u>Accumulated impairment losses</u>						
Recognized impairment loss	1,982	-	-	-	-	1,982
Translation adjustment	45	-	-	-	-	45
Balance, end of year	<u>2,027</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,027</u>
Net book value, end of year	<u>\$ 22,247</u>	<u>\$ 6,701</u>	<u>\$ 6,598</u>	<u>\$ 27</u>	<u>\$ 176</u>	<u>\$ 35,749</u>

For the year ended December 31, 2014, the Company recognized an impairment loss of NT\$62,638 thousand (approximately US\$1,982 thousand) on goodwill (recorded as operating expenses) mainly due to the expected decline in the operating condition of Hallys. The Company recognized the full amount of goodwill related to original investment premium as impairment loss.

The above items of intangible assets are amortized on a straight-line basis over the estimated useful life of the asset as follows:

Technical know-how	5 years
Computer software	1-6 years
Patent	5-14 years
Other intangible assets	3-5 years

16. PREPAYMENTS FOR LEASE

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Current asset (included in other current asset)	\$ 55,840	\$ 20,476	\$ 18,558	\$ 587
Non-current asset (included in long-term prepayment for lease)	<u>712,197</u>	<u>1,378,292</u>	<u>1,994,552</u>	<u>63,119</u>
	<u>\$ 768,037</u>	<u>\$ 1,398,768</u>	<u>\$ 2,013,110</u>	<u>\$ 63,706</u>

As of December 31, 2012, 2013 and 2014, the Company's prepayment for lease is mainly for the land use right in China.

17. BORROWINGS

a. Short-term borrowings

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
<u>Secured borrowings</u> (Notes 33 and 34)				
Bank loans	\$ 927,840	\$ 1,717,370	\$ 8,540,377	\$ 270,265
<u>Unsecured borrowings</u>				
Bank loans	<u>9,053,605</u>	<u>37,585,816</u>	<u>44,145,954</u>	<u>1,397,024</u>
	<u>\$ 9,981,445</u>	<u>\$ 39,303,186</u>	<u>\$ 52,686,331</u>	<u>\$ 1,667,289</u>

The short-term borrowings were partially guaranteed by the related parties as of December 31, 2012, 2013 and 2014 (see Note 33). Deposits of NT\$855,404 thousand and NT\$8,352,150 thousand (approximately US\$264,309 thousand) (included in debt investments with no active market-current) were provided as collateral for the short-term borrowings as of December 31, 2013 and 2014, respectively (December 31, 2012: None).

The range of weighted average effective interest rate on bank loans was 1.01%-7.54%, 0.94%-3.20% and 1.06%-3.50% per annum as of December 31, 2012, 2013 and 2014, respectively.

b. Long-term borrowings

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
<u>Secured borrowings (Note 33)</u>				
Bank loans	\$ 4,637,379	\$ 150,623	\$ 5,078	\$ 161
<u>Unsecured borrowings</u>				
Bank loans	<u>6,290,815</u>	<u>13,283,413</u>	<u>13,654,013</u>	<u>432,089</u>
	10,928,194	13,434,036	13,659,091	432,250
Less: Current portion (due in one year)	<u>(2,539,771)</u>	<u>(3,975,373)</u>	<u>(5,731,567)</u>	<u>(181,379)</u>
Long-term borrowings	<u>\$ 8,388,423</u>	<u>\$ 9,458,663</u>	<u>\$ 7,927,524</u>	<u>\$ 250,871</u>

The long-term secured borrowings were guaranteed by the related parties (see Note 33) or provided with shares of associate as collateral as of December 31, 2012, 2013 and 2014. The Company will repay such loans in the next 5 years, 4 years and 3 years, respectively. The annual effective interest rate was 1.10%-7.32%, 1.10%-6.27% and 1.18%-3.63% per annum.

Subsidiary TPKG signed loan agreements with China Construction Bank and had the commitment that before the repayment of the loan for acquisition of fixed assets is completed, 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.

- 1) When net income equals to zero or is negative; or
- 2) When net income is insufficient to offset prior year accumulated deficit; or
- 3) When income before income tax is insufficient to repay principal, interest and expenses due in the fiscal year; or
- 4) 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 with Citibank Taiwan Limited and other fourteen financial institutions. According to the loan agreement, TPK HK provided a total of 180,057 thousand shares of Cando as collateral. The credit line has been fully utilized. TPK HK had fully reimbursed the loan in March 2013, and removed the pledge registration.

In addition, the Company had the commitment that TPKH will maintain ownership of its directly and indirectly held subsidiary TPK HK at 100% and meet certain financial ratios in the period of the syndicated loan agreement.

Subsidiary TPKP signed loan agreements with China Trust Commercial Bank and had the commitment that TPKP should maintain certain financial ratios as consideration in the determination of interest rates for on-going loan contract.

TPKH signed loan agreements with Mega International Commercial Bank and had the commitment that the debt ratio cannot exceed 300%, interest coverage ratio cannot be lower than 3, and the tangible net worth cannot be lower than NT\$35,000,000 thousand (approximately US\$1,107,595 thousand) as consideration in the determination of interest rates for on-going loan contract.

18. BONDS PAYABLE

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Overseas convertible bonds I (a)	\$ 10,657,680	\$ 10,938,435	\$ -	\$ -
Overseas convertible bonds II (b)	<u>6,679,200</u>	<u>6,795,540</u>	<u>7,216,200</u>	<u>228,361</u>
	17,336,880	17,733,975	7,216,200	228,361
Less: Overseas convertible bonds discount	<u>(1,070,336)</u>	<u>(597,424)</u>	<u>(382,572)</u>	<u>(12,107)</u>
	16,266,544	17,136,551	6,833,628	216,254
Less: Current portion (due in one year)	<u>-</u>	<u>(10,827,499)</u>	<u>(6,833,628)</u>	<u>(216,254)</u>
	<u>\$ 16,266,544</u>	<u>\$ 6,309,052</u>	<u>\$ -</u>	<u>\$ -</u>

a. Overseas convertible bonds I

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 and with 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 FSC in letter No. 1000012068 issued on April 11, 2011 and the bonds were listed on the Singapore Stock Exchange on April 20, 2011. According to IFRSs, TPKH has bifurcated the bonds into liability component and equity component. On April 20, 2011, TPKH received the net proceeds of overseas convertible bonds of US\$397,539 thousand recognized as liability component US\$360,170 thousand and equity component US\$37,369 thousand.

Bondholders may request TPKH to convert the bonds into the TPKH's common shares at NT\$724.90 per share (the conversion price is adjusted when there is capital increase through capitalized 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 period in which registration of share transfer is suspended). When over 90% of the bonds had been redeemed, bought back or converted, TPKH may redeem the remaining bonds at their face value. Upon maturity (April 20, 2014), TPKH should redeem the remaining bonds at their face value. In the event that the common shares of TPK cease to be listed on the Taiwan Stock Exchange, each Bondholder shall have the right to require the Issuer to redeem the bonds, in whole or in part at 100.00% of the principal amount of the bonds.

In April 2012, TPKH paid US\$2,693 thousand to redeem bonds with a face value of US\$3,000 thousand, resulting in an early redemption gain of US\$385 thousand. TPKH recognized US\$135 thousand of the gain as other income and US\$250 thousand of the gain as capital surplus. As of December 31, 2013, the face value of outstanding overseas convertible bond I was US\$367,000 thousand. On April 20, 2014, TPKH have redeemed all outstanding overseas convertible bond I at their face value.

b. Overseas convertible bonds II

TPKH planned to issue bonds in order to meet the need of overseas procurement funding for subsidiaries with due consideration of the diversity of fund raising. On May 16, 2012, the shareholders' meeting approved to issue second unsecured zero-coupon overseas convertible bonds with a face value up to US\$250,000 thousand. This proposal was approved by the FSC in letter No. 10100422921 issued on September 20, 2012, and the bonds were listed on the Luxembourg Stock Exchange on October 1, 2012 for issuing a total amount of US\$230,000 thousand. According to IFRSs, TPKH has bifurcated the bonds into liability component and equity component. On October 1, 2012, TPKH received the net proceeds of overseas convertible bonds of US\$229,281 thousand, which was recognized as liability component US\$208,312 thousand and capital surplus component US\$20,969 thousand.

Bondholders may request TPKH to convert the bonds into TPKH's common shares at NT\$436.70 per share (the conversion price is adjusted when there is capital increase through capitalized of retained earnings), at fixed exchange rate of US\$1.00 to NT\$29.332 between November 12, 2012 and September 21, 2017 (barring the period in which registration of share transfer is suspended). When over 90% of the bonds had been redeemed, bought back or converted, TPKH may redeem the remaining bonds at their face value. When the issuing of bonds runs up to three years but prior to the maturity date, only if the closing price of TPKH's common stocks, which was translated into the U.S. dollars at the spot exchange rate in the Taiwan Stock Exchange, exceeds 130% of the transfer price (translated into the U.S. dollars at fixed exchange rate on the pricing date) in accumulated 20 business days during the consecutive 30 business days, TPKH should redeem all of the bonds at the face value (cannot redeem partially). Upon maturity (October 1, 2017), TPKH should redeem the remaining bonds at their face value.

Each bondholder shall have the right to require the Issuer to early redeem the bonds, in whole or in part, on the third anniversary of the issue date at 100.00% of the principal amount of the bonds. In the event that the common shares of TPKH cease to be listed on the Taiwan Stock Exchange, or suspended from trading on the TWSE for a period of 30 or more consecutive trading days, each bondholder shall have the right to require the Issuer to redeem the bonds, in whole or in part, at 100.00% of the principal amount of the bonds.

In May 2013, bondholders requested TPKH to convert the bonds with face value of US\$2,000 thousand into TPKH's common shares totaling 130 thousand shares at NT\$452.68 per share, and at fixed exchange rate of US\$1.00 to NT\$29.332. As of December 31, 2014, the face value of outstanding overseas convertible bonds II was US\$228,000 thousand.

c. Overseas convertible bonds III and IV

TPKH planned to issue bonds in order to meet the need of overseas procurement funding for subsidiaries with due consideration of the diversity of fund raising. On November 4, 2014, the board of directors of TPKH resolved to issue third and fourth unsecured overseas convertible bonds with a face value up to US\$250,000 thousand individually, but with aggregate face value up to US\$400,000 thousand. This proposal has been approved by the FSC in letter No. 10300519131 dated December 31, 2014. The convertible bonds were not yet issued as of March 3, 2015.

According to IFRSs, TPKH recognized put option and redemption option of the convertible bond as financial instruments measured at fair value through profit or loss (FVTPL, see Note 7), which were not classified as component of equity.

Movements of debt instruments for the years ended December 31, 2012, 2013 and 2014 were as follows:

	For the Year Ended December 31					
	2012		2013		2014	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Balance, beginning of year	\$ 10,339,275	\$ 341,512	\$ 16,266,544	\$ 560,143	\$ 17,136,551	\$ 574,956
Interest expense	387,694	13,117	493,897	16,648	240,396	7,956
Issuance of bonds	6,102,505	208,312	-	-	-	-
Redemption of bonds	(82,591)	(2,798)	-	-	(11,091,658)	(367,000)
Conversion of bonds	-	-	(55,023)	(1,835)	-	-
Translation adjustment	(480,339)	-	431,133	-	548,339	-
Balance, end of year	<u>\$ 16,266,544</u>	<u>\$ 560,143</u>	<u>\$ 17,136,551</u>	<u>\$ 574,956</u>	<u>\$ 6,833,628</u>	<u>\$ 215,912</u>

19. OTHER LIABILITIES

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Other payables				
Payable for purchase of equipment	<u>\$ 4,132,459</u>	<u>\$ 6,075,476</u>	<u>\$ 4,043,135</u>	<u>\$ 127,947</u>
Other payables - others				
Salaries and bonus	\$ 1,272,597	\$ 1,105,398	\$ 709,857	\$ 22,464
Payable for annual leave	82,650	98,321	100,049	3,166
Payable for remuneration to directors and supervisors	43,560	35,766	1,741	55
Others	<u>2,447,491</u>	<u>2,524,766</u>	<u>2,609,508</u>	<u>82,579</u>
	<u>\$ 3,846,298</u>	<u>\$ 3,764,251</u>	<u>\$ 3,421,155</u>	<u>\$ 108,264</u>

20. PROVISIONS

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
<u>Current</u>				
Warranties (a)	\$ 1,600,449	\$ 1,628,419	\$ 1,398,167	\$ 44,246
Onerous contracts (b)	<u>243,658</u>	<u>240,291</u>	<u>129,576</u>	<u>4,101</u>
	<u>\$ 1,844,107</u>	<u>\$ 1,868,710</u>	<u>\$ 1,527,743</u>	<u>\$ 48,347</u>

	Warranties	Onerous Contracts	Total
Balance, January 1, 2012	\$ 1,053,621	\$ 118,216	\$ 1,171,837
Addition	595,754	141,950	737,704
Usage	-	(8,897)	(8,897)
Translation adjustment	<u>(48,926)</u>	<u>(7,611)</u>	<u>(56,537)</u>
Balance, December 31, 2012	<u>\$ 1,600,449</u>	<u>\$ 243,658</u>	<u>\$ 1,844,107</u>
Balance, January 1, 2013	\$ 1,600,449	\$ 243,658	\$ 1,844,107
Reversal	(16,866)	(5,818)	(22,684)
Usage	-	(5,030)	(5,030)
Translation adjustment	<u>44,836</u>	<u>7,481</u>	<u>52,317</u>
Balance, December 31, 2013	<u>\$ 1,628,419</u>	<u>\$ 240,291</u>	<u>\$ 1,868,710</u>

	Warranties		Onerous Contracts		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Balance, January 1, 2014	\$ 1,628,419	\$ 51,533	\$ 240,291	\$ 7,604	\$ 1,868,710	\$ 59,137
Reversal	(319,154)	(10,100)	(67,523)	(2,137)	(386,677)	(12,237)
Usage	-	-	(51,997)	(1,645)	(51,997)	(1,645)
Translation adjustment	<u>88,902</u>	<u>2,813</u>	<u>8,805</u>	<u>279</u>	<u>97,707</u>	<u>3,092</u>
Balance, December 31, 2014	<u>\$ 1,398,167</u>	<u>\$ 44,246</u>	<u>\$ 129,576</u>	<u>\$ 4,101</u>	<u>\$ 1,527,743</u>	<u>\$ 48,347</u>

- a. The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Company's obligations for warranties under local sale of goods legislation. The estimate had been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.
- b. The provision for onerous contracts represents the loss that the Company expects to make under non-cancellable onerous purchase contracts. The estimate may vary as a result of changes in future products.

21. RETIREMENT BENEFIT PLANS

- a. Defined contribution plans

TPKT, GPSC, MTOT, TPK HK Taiwan branch and TCS adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of TPKH's subsidiaries in China, USA and Japan are members of state-managed retirement benefit plans operated by the governments of China, USA, and Japan. The subsidiaries are required to contribute amounts calculated at a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits.

b. Defined benefit plans

TPKT and TPK HK Taiwan branch adopted the defined benefit plan under the Labor Standards Law, under which 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. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investments are conducted at the discretion of Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with Regulations for Revenues, Expenditure, Safeguard and Utilization of the Labor Retirement Fund, the return generated by employees' pension contribution should not be below the interest rate for a 2-year time deposit with local banks.

The actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31		
	2012	2013	2014
Discount rates	1.50%	1.75%	2.00%
Expected return on plan assets	1.20%	1.20%	2.00%
Expected rates of salary increase	3.00%	3.00%	3.00%

The assessment of the overall expected rate of return was based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation, by reference to the aforementioned use of the plan assets and the impact of the related minimum return.

Amounts recognized in profit or loss in respect of these defined benefit plans were as follows:

	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Interest cost	\$ 487	\$ 530	\$ 609	\$ 19
Expected return on plan assets	<u>(80)</u>	<u>(99)</u>	<u>(117)</u>	<u>(4)</u>
	<u>\$ 407</u>	<u>\$ 431</u>	<u>\$ 492</u>	<u>\$ 15</u>

Actuarial gains and losses recognized in other comprehensive income for the years ended December 31, 2012, 2013 and 2014 were NT\$5,161 thousand, NT\$864 thousand and NT\$2,900 thousand (approximately US\$92 thousand), respectively. The cumulative amount of actuarial losses recognized in other comprehensive income as of December 31, 2012, 2013 and 2014 was NT\$5,161 thousand and NT\$4,297 thousand and NT\$1,397 thousand (approximately US\$44 thousand), respectively.

The amounts included in the consolidated balance sheets in respect of the Company's obligations on defined benefit plans were as follows:

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Present value of funded defined benefit obligation	\$ 35,313	\$ 34,804	\$ 30,481	\$ 965
Fair value of plan assets	<u>(7,602)</u>	<u>(9,050)</u>	<u>(8,845)</u>	<u>(280)</u>
Deficit	27,711	25,754	21,636	685
Exchange differences on foreign plans	<u>(45)</u>	<u>362</u>	<u>-</u>	<u>-</u>
Net liability on defined benefit plans	<u>\$ 27,666</u>	<u>\$ 26,116</u>	<u>\$ 21,636</u>	<u>\$ 685</u>

Movements in the present value of the defined benefit obligations were as follows:

	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Opening defined benefit obligation	\$ 28,623	\$ 35,313	\$ 34,804	\$ 1,101
Interest cost	487	530	609	19
Actuarial losses (gains)	6,203	(1,039)	(3,404)	(107)
Benefits paid	<u>-</u>	<u>-</u>	<u>(1,528)</u>	<u>(48)</u>
Closing defined benefit obligation	<u>\$ 35,313</u>	<u>\$ 34,804</u>	<u>\$ 30,481</u>	<u>\$ 965</u>

Movements in the fair value of the plan assets were as follows:

	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Opening fair value of plan assets	\$ 6,228	\$ 7,602	\$ 9,050	\$ 286
Expected return on plan assets	80	99	117	4
Actuarial gains (losses)	(15)	2	90	3
Contributions from the employer	1,309	1,347	1,116	35
Benefits paid	<u>-</u>	<u>-</u>	<u>(1,528)</u>	<u>(48)</u>
Closing fair value of plan assets	<u>\$ 7,602</u>	<u>\$ 9,050</u>	<u>\$ 8,845</u>	<u>\$ 280</u>

The major categories of plan assets at the end of the reporting period were disclosed based on the information announced by Bureau of Labor Funds, Ministry of Labor:

	December 31		
	2012	2013	2014
Equity instruments	38.22	45.56	52.52
Debt instruments	37.27	31.58	28.36
Cash	<u>24.51</u>	<u>22.86</u>	<u>19.12</u>
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

The Company chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to IFRSs January 1, 2012:

	January 1,	December 31,	December 31,	December 31, 2014	
	2012	2012	2013	NT\$	US\$
	NT\$	NT\$	NT\$		
Present value of defined benefit obligation	<u>\$ 28,623</u>	<u>\$ 35,313</u>	<u>\$ 34,804</u>	<u>\$ 30,481</u>	<u>\$ 965</u>
Fair value of plan assets	<u>\$ 6,228</u>	<u>\$ 7,602</u>	<u>\$ 9,050</u>	<u>\$ 8,845</u>	<u>\$ 280</u>
Deficit	<u>\$ 22,395</u>	<u>\$ 27,711</u>	<u>\$ 25,754</u>	<u>\$ 21,636</u>	<u>\$ 685</u>
Experience adjustments on plan liabilities	<u>\$ -</u>	<u>\$ 6,203</u>	<u>\$ 256</u>	<u>\$ (2,279)</u>	<u>\$ (72)</u>
Experience adjustments on plan assets	<u>\$ -</u>	<u>\$ 15</u>	<u>\$ (2)</u>	<u>\$ (90)</u>	<u>\$ (3)</u>

The Company expects to contribute NT\$558 thousand (approximately US\$18 thousand) to the defined benefit plans during the annual period beginning after 2014.

- c. Employee benefit expenses were included in the following line items (both defined contribution plans and defined benefit plans included):

	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Operating costs	<u>\$ 147,201</u>	<u>\$ 106,483</u>	<u>\$ 84,381</u>	<u>\$ 2,670</u>
Marketing expenses	<u>\$ 3,841</u>	<u>\$ 12,725</u>	<u>\$ 11,406</u>	<u>\$ 361</u>
Administration expenses	<u>\$ 76,679</u>	<u>\$ 48,810</u>	<u>\$ 45,610</u>	<u>\$ 1,443</u>
Research and development expenses	<u>\$ 9,166</u>	<u>\$ 46,832</u>	<u>\$ 43,098</u>	<u>\$ 1,364</u>

22. EQUITY

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Share capital				
Common shares	\$ 3,271,352	\$ 3,292,887	\$ 3,312,948	\$ 104,840
Capital surplus	16,124,540	16,494,984	16,839,470	532,894
Retained earnings	24,410,319	24,322,764	22,956,225	726,463
Others	(1,194,383)	(139,863)	2,224,754	70,404
Non-controlling interests	<u>660,194</u>	<u>906,072</u>	<u>817,987</u>	<u>25,886</u>
	<u>\$ 43,272,022</u>	<u>\$ 44,876,844</u>	<u>\$ 46,151,384</u>	<u>\$ 1,460,487</u>

a. Share capital

1) Common shares

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Numbers of shares				
authorized (in thousands)	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	
Shares authorized	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>	<u>\$ 189,873</u>
Number of shares issued and				
fully paid (in thousands)	<u>327,135</u>	<u>329,289</u>	<u>331,295</u>	
Shares issued	\$ 3,271,352	\$ 3,292,887	\$ 3,312,948	\$ 104,840
Additional paid-in capital	<u>13,999,335</u>	<u>14,384,499</u>	<u>14,706,395</u>	<u>465,392</u>
	<u>\$ 17,270,687</u>	<u>\$ 17,677,386</u>	<u>\$ 18,019,343</u>	<u>\$ 570,232</u>

Fully paid ordinary shares, which have a par value of NT\$10, carry one vote per share and carry a right to dividends.

The movement of share capital mainly resulted from exercise of employee stock options.

2) Global depositary receipts (GDR)

In the meeting on May 16, 2012, the shareholders approved to authorize the board of directors to issue new shares up to 30,000 thousand common shares by simultaneous or separate, issue of new common shares for cash or issue of Global Depositary Receipt (GDRs) through the issuance of new common shares in one or several tranches. On August 27, 2012, the board of directors resolved to issue new common shares to sponsor GDR offering for subsidiaries' capital needs for materials procurement, facilities expansion and equipment acquisition. The board of directors planned to issue 17,600 thousand to 22,000 thousand common shares in this regard.

The FSC under the Executive Yuan of the ROC in letter No. 1010042292 issued on September 20, 2012 authorized TPKH to issue GDR. On October 1, 2012, 17,600 thousand units of GDR were issued at an offering price of US\$13.42 per unit, totaling US\$231,734 thousand and listed on the Luxemburg Stock Exchange. One unit of GDR is representing one common share. As of December 31, 2014, a total of 4 thousand units of GDR, representing 4 thousand common shares, were outstanding.

In the meeting on May 29, 2014, the shareholders approved to authorize the board of directors to issue new shares up to 38,000 thousand common shares by simultaneous or separate, issue of new common shares for cash or issue of GDRs through the issuance of new common shares in one or several tranches. On November 4, 2014, the board of directors resolved to issue new common shares to sponsor GDR offering for subsidiaries' capital needs for materials procurement. The board of directors planned to issue 16,700 thousand to 20,000 thousand common shares in this regard. This proposal has been approved by the FSC in letter No. 1030051913 dated December 31, 2014. The GDR was not yet issued as of March 3, 2015.

b. Capital surplus

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)				
Recognized on issuance of common shares	\$ 13,999,335	\$ 14,384,499	\$ 14,706,395	\$ 465,392
Recognized on redemption of convertible bonds	<u>80,846</u>	<u>80,846</u>	<u>1,087,412</u>	<u>34,412</u>
	<u>14,080,181</u>	<u>14,465,345</u>	<u>15,793,807</u>	<u>499,804</u>
<u>May not be used for any purpose</u>				
Adjustments to the recognized difference between the consideration and carrying amount of investment due to change in percentage of ownership in subsidiary	-	5,769	5,769	182
Recognized on employee share options	422,169	407,033	429,623	13,596
Recognized on conversion option of convertible bonds	<u>1,622,190</u>	<u>1,616,837</u>	<u>610,271</u>	<u>19,312</u>
	<u>2,044,359</u>	<u>2,029,639</u>	<u>1,045,663</u>	<u>33,090</u>
	<u>\$ 16,124,540</u>	<u>\$ 16,494,984</u>	<u>\$ 16,839,470</u>	<u>\$ 532,894</u>

Note: Such capital surplus 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 share capital (limited to a certain percentage of the TPKH's capital surplus and once a year).

c. Retained earnings and dividend policy

Under TPKH's Articles of Incorporation, TPKH may distribute profits in accordance with a proposal for distribution of profits prepared by the board of directors and approved by the annual stockholders' meeting. The board of directors shall prepare such proposal as follows: The proposal shall begin with the TPKH's Annual Net Income and offset its losses in previous years that have not been previously offset, then set aside a legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve has equaled to total capital of TPKH; then set aside a special capital reserve, if one is required, in accordance with the Applicable Public Company Rules or as requested by the authorities in charge; and then may set aside up to 1% of the balance as bonus to Directors and up to 10% of the balance as bonus to employees of TPKH. The board of directors shall specify the exact percentages or amounts to be distributed as bonuses to the board of directors and employees in preparing the proposal for distribution of profits, and the stockholders may amend such proposal prior to its approval. A Director who also serves as an executive officer of TPKH may receive a bonus in his capacity as a Director and a bonus in his capacity as an employee. Any balance left over 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 consideration financial, business and operational factors. The amount to be distributed as dividends shall not be less than 10% of such balance. TPKH will pay a portion of total dividends in cash, which cash portion shall be no less than 10% of the total amount of dividends except that if the total amount of dividends payable per

share in a given year will be less than NT\$1, the 10% threshold shall not apply and TPKH may, at its sole discretion, pay such dividends, in whole or in part, by distribution of cash and/or stock.

For the years ended December 31, 2012, 2013 and 2014, TPKH did not recognize any estimated bonus to employees but remuneration to directors was NT\$43,560 thousand, NT\$35,766 and NT\$1,741 thousand (approximately US\$55 thousand), respectively. The remuneration to directors was based on past experience of distributed amount and according to most recent year's percentage distributed. Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration are recognized. If there is a change in the proposed amounts after the consolidated financial statements are authorized for issue, the differences are recorded 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.

TPKH appropriates or reverses a special reserve in accordance with Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs". Distribution can be made out of any subsequent reversal of the debit to other equity items.

The appropriations of earnings for 2011, 2012 and 2013 had been approved in the annual stockholders' meetings on May 16, 2012, May 22, 2013 and May 29, 2014, respectively. The appropriations and remuneration to directors and supervisors were as follows:

	Appropriation of Earnings						Dividends Per Share		
	2011 (In Thousands of U.S. Dollars)	2012 (In Thousands of U.S. Dollars)	2013 (In Thousands of U.S. Dollars)	2011 (In Thousands of N.T. Dollars)	2012 (In Thousands of N.T. Dollars)	2013 (In Thousands of N.T. Dollars)	2011 (N.T. Dollars)	2012 (N.T. Dollars)	2013 (N.T. Dollars)
Legal reserve	\$ 37,471	\$ 47,577	\$ 24,334	\$ 1,119,630	\$ 1,405,427	\$ 732,443	\$ -	\$ -	\$ -
Cash dividend	159,668	230,312	54,703	4,705,418	6,870,195	1,646,549	19,7251	20,9074	4,9784
Stock dividend	23,950	-	-	705,813	-	-	2,9588	-	-

	2011 (In Thousands of U.S. Dollars)	2012 (In Thousands of U.S. Dollars)	2013 (In Thousands of U.S. Dollars)	2011 (In Thousands of N.T. Dollars)	2012 (In Thousands of N.T. Dollars)	2013 (In Thousands of N.T. Dollars)
	Cash	Cash	Cash	Cash	Cash	Cash
Bonus to employees	\$ 20,729	\$ -	\$ -	\$ 610,884	\$ -	\$ -
Remuneration to directors and supervisors	2,300	1,500	1,200	67,781	44,745	36,120

The actual amounts of U.S. dollars distributed for 2012 and 2013 cash dividends were based on the average closing exchange rate of US\$1 to NT\$29.83 and NT\$30.10, respectively, which were the closing price at Bank of Taiwan on the business day immediately preceding the shareholders' meeting.

The actual amounts of U.S. dollars distributed for 2011 cash dividends and stock dividends were based on the average closing exchange rate of US\$1 to NT\$29.47 which was the closing price at Bank of Taiwan on the business day immediately preceding the 2012 shareholders' meeting. TPKH issued stock dividends of 70,581 thousand shares with par value of NT\$10, total amounting to NT\$705,813 thousand.

The appropriations of earnings for 2012 were proposed according to the Company's financial statements for the year ended December 31, 2012, which were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the Generally Accepted Accounting Standard in the Republic of China ("ROC GAAP"), and by reference to the balance sheet as of December 31, 2012, which was prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (revised) and International Financial Reporting Standards.

	2011 (In Thousands of U.S. Dollars)		2012 (In Thousands of U.S. Dollars)		2013 (In Thousands of U.S. Dollars)	
	Bonus to Employees	Remuneration to Directors and Supervisors	Bonus to Employees	Remuneration to Directors and Supervisors	Bonus to Employees	Remuneration to Directors and Supervisors
Distributed amount approved in the shareholders' meeting	\$ 20,729	\$ 2,300	\$ -	\$ 1,500	\$ -	\$ 1,200
Amounts recognized in respective financial statements	<u>20,729</u>	<u>3,384</u>	<u>-</u>	<u>1,500</u>	<u>-</u>	<u>1,200</u>
	<u>\$ -</u>	<u>\$ (1,084)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

There was no difference between the amounts approved in the shareholders' meeting and the amounts recognized in the 2011 financial reports for the bonus to employees, and in the 2012 and 2013 financial reports for the remuneration to directors and supervisors. The difference between the approved amount of the remuneration to directors and supervisors and the accrual amount recognized in the consolidated financial statements for the year ended December 31, 2011 was primarily due to changes in estimate; such difference had been adjusted in profit and loss for the year ended December 31, 2012.

The appropriations of earnings for 2014 had been proposed by TPKH's board of directors on March 3, 2015. The appropriation and dividends per share were as follows:

	Appropriations of Earnings			
	(In Thousands of U.S. Dollars)	(In Thousands of N.T. Dollars)	Dividends Per Share	
			(In N.T. Dollars)	(In U.S. Dollars)
Legal reserve	\$ 983	\$ 30,953	\$ -	\$ -
Cash dividends	5,260	165,691	0.5	-

The amount in U.S. dollars of the appropriations of earnings for 2014 were based on the average closing exchange rate of US\$1 to NT\$31.50 which was the closing price at Bank of Taiwan at the end of January 2015. The actual amounts in U.S. dollars will be calculated at the average closing exchange rate of the day immediately preceding the shareholders' meeting. The board meeting also approved the remuneration to directors and supervisors in the amount of US\$98 thousand. Regarding the appropriations of earnings and remuneration to directors and supervisors, the final approval will be made in the shareholders' meeting to be held on June 12, 2015.

Information on the bonus to employees, directors and supervisors proposed by TPKH's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Special reserves

TPKH had a decrease in retained earnings that resulted from all IFRSs adjustments; therefore, no special reserve was appropriated.

e. Others equity items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Balance at January 1	\$ -	\$ (1,193,611)	\$ (138,785)	\$ (4,392)
Exchange differences on translating foreign operations	(1,091,587)	1,022,871	2,360,062	74,686
Income tax relating to gains on translating the net assets of foreign operations	1,383	(5,383)	(4,891)	(155)
Share of exchange difference of associates accounted for using the equity method	<u>(103,407)</u>	<u>37,338</u>	<u>9,707</u>	<u>307</u>
Balance at December 31	<u>\$ (1,193,611)</u>	<u>\$ (138,785)</u>	<u>\$ 2,226,093</u>	<u>\$ 70,446</u>

2) Unrealized gain (loss) on available-for-sale financial assets

	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Balance at January 1	\$ (980)	\$ (772)	\$ (1,078)	\$ (34)
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	<u>208</u>	<u>(306)</u>	<u>(261)</u>	<u>(8)</u>
Balance at December 31	<u>\$ (772)</u>	<u>\$ (1,078)</u>	<u>\$ (1,339)</u>	<u>\$ (42)</u>

f. Non-controlling interests

	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Balance at January 1	\$ 131,630	\$ 660,194	\$ 906,072	\$ 28,674
Attributable to non-controlling interests:				
Share of profit for the year	551,411	426,064	289,915	9,174
Exchange difference on translation of foreign entities	(7,476)	28,909	46,314	1,466
Non-controlling interest in funding TCS	-	216,233	-	-

(Continued)

	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Adjustment relating to changes in capital surplus of TPKF HK's capital increase by cash	\$ -	\$ 82,942	\$ -	\$ -
Acquisition of additional non-controlling interests in CIM	-	349	2	-
JJS distributed cash dividend	-	(356,945)	(424,316)	(13,428)
Acquisition of non-controlling interests in MTOT	(420,294)	(151,674)	-	-
Adjustment relating to changes in capital surplus of MTOT's capital increase by cash	191,877	-	-	-
Non-controlling interest in acquisition of JJS	123,854	-	-	-
Non-controlling interest in funding TPKF HK	<u>89,192</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31	<u>\$ 660,194</u>	<u>\$ 906,072</u>	<u>\$ 817,987</u>	<u>\$ 25,886</u> (Concluded)

23. REVENUE

	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Revenue from sale of goods	\$ 175,764,427	\$ 157,567,223	\$ 127,785,096	\$ 4,043,832
Others	<u>845,165</u>	<u>1,500,216</u>	<u>1,731,823</u>	<u>54,805</u>
	<u>\$ 176,609,592</u>	<u>\$ 159,067,439</u>	<u>\$ 129,516,919</u>	<u>\$ 4,098,637</u>

24. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

Net profit (loss) from continuing operations

a. Interest income

	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Bank deposits and debt investments with no active market	\$ 493,307	\$ 819,910	\$ 1,290,095	\$ 40,825
Loan to related parties and rental deposits	<u>5</u>	<u>5</u>	<u>20,846</u>	<u>660</u>
	<u>\$ 493,312</u>	<u>\$ 819,915</u>	<u>\$ 1,310,941</u>	<u>\$ 41,485</u>

b. Other income

	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Rental income				
Rental income from operating lease				
Investment property	\$ 50,508	\$ 72,744	\$ 56,417	\$ 1,785
Others	<u>2,472</u>	<u>3,816</u>	<u>9,540</u>	<u>302</u>
	52,980	76,560	65,957	2,087
Others	<u>152,101</u>	<u>121,646</u>	<u>82,681</u>	<u>2,617</u>
	<u>\$ 205,081</u>	<u>\$ 198,206</u>	<u>\$ 148,638</u>	<u>\$ 4,704</u>

c. Finance costs

	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Interest on bank loans	\$ 405,425	\$ 595,019	\$ 1,190,055	\$ 37,660
Interest on overseas convertible bonds	387,694	493,897	240,396	7,607
Interest on related party's borrowing	<u>1,153</u>	<u>631</u>	<u>335</u>	<u>11</u>
Total interest expense for financial liabilities measured at amortized cost	794,272	1,089,547	1,430,786	45,278
Less: Amounts included in the cost of qualifying assets	<u>(82,263)</u>	<u>(11,471)</u>	<u>-</u>	<u>-</u>
	<u>\$ 712,009</u>	<u>\$ 1,078,076</u>	<u>\$ 1,430,786</u>	<u>\$ 45,278</u>

See Note 13 for information about capitalized interest.

d. Depreciation and amortization

	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Property, plant and equipment	\$ 4,579,880	\$ 6,380,890	\$ 7,868,568	\$ 249,005
Investment property	5,339	11,951	20,996	665
Intangible assets	<u>168,202</u>	<u>167,718</u>	<u>163,581</u>	<u>5,177</u>
	<u>\$ 4,753,421</u>	<u>\$ 6,560,559</u>	<u>\$ 8,053,145</u>	<u>\$ 254,847</u>
An analysis of depreciation by function				
Operating costs	\$ 3,463,330	\$ 4,890,007	\$ 6,124,390	\$ 193,810
Operating expenses	1,116,550	1,490,883	1,744,178	55,195
Non-operating expenses	<u>5,339</u>	<u>11,951</u>	<u>20,996</u>	<u>665</u>
	<u>\$ 4,585,219</u>	<u>\$ 6,392,841</u>	<u>\$ 7,889,564</u>	<u>\$ 249,670</u>

(Continued)

	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
An analysis of amortization by function				
Operating costs	\$ 56,643	\$ 43,623	\$ 44,733	\$ 1,416
Operating expenses	<u>111,559</u>	<u>124,095</u>	<u>118,848</u>	<u>3,761</u>
	<u>\$ 168,202</u>	<u>\$ 167,718</u>	<u>\$ 163,581</u>	<u>\$ 5,177</u>

(Concluded)

e. Employee benefits expense

	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Post-employment benefits (see Note 21)				
Defined contribution plans	\$ 236,480	\$ 214,419	\$ 184,003	\$ 5,823
Defined benefit plans	<u>407</u>	<u>431</u>	<u>492</u>	<u>15</u>
	236,887	214,850	184,495	5,838
Share-based payments				
Equity-settled share-based payments	253,762	130,791	171,629	5,431
Other employee benefits	<u>13,055,533</u>	<u>13,533,048</u>	<u>13,348,074</u>	<u>422,408</u>
Total employee benefits expense	<u>\$ 13,546,182</u>	<u>\$ 13,878,689</u>	<u>\$ 13,704,198</u>	<u>\$ 433,677</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 9,951,808	\$ 9,865,191	\$ 10,665,755	\$ 337,524
Operating expenses	<u>3,594,374</u>	<u>4,013,498</u>	<u>3,038,443</u>	<u>96,153</u>
	<u>\$ 13,546,182</u>	<u>\$ 13,878,689</u>	<u>\$ 13,704,198</u>	<u>\$ 433,677</u>

25. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Current tax				
In respect of the current period	\$ 3,895,831	\$ 1,698,448	\$ 484,864	\$ 15,344
In respect of prior periods	<u>220,466</u>	<u>(962,944)</u>	<u>31,600</u>	<u>1,000</u>
	<u>4,116,297</u>	<u>735,504</u>	<u>516,464</u>	<u>16,344</u>

(Continued)

	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Deferred tax				
In respect of the current period	\$ 1,193,165	\$ 548,777	\$ (526,822)	\$ (16,672)
Change in translation adjustments	<u>52,080</u>	<u>5,335</u>	<u>18,788</u>	<u>595</u>
	<u>1,245,245</u>	<u>554,112</u>	<u>(508,034)</u>	<u>(16,077)</u>
Income tax expense recognized in profit or loss	<u>\$ 5,361,542</u>	<u>\$ 1,289,616</u>	<u>\$ 8,430</u>	<u>\$ 267</u> (Concluded)

A reconciliation of accounting profit and income tax expense was as follows:

	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Profit before tax from continuing operations	<u>\$ 20,277,866</u>	<u>\$ 8,904,183</u>	<u>\$ 575,412</u>	<u>\$ 18,209</u>
Income tax expense calculated at the statutory rate	\$ 4,379,446	\$ 1,554,095	\$ 136,480	\$ 4,319
Permanent differences	(488,842)	(39,670)	(232,957)	(7,372)
Deferred tax on undistributed earnings from subsidiary	1,263,902	692,339	116,925	3,700
Additional income tax under the Alternative Minimum Tax Act	-	366	751	24
Unrecognized deductible temporary differences	10,399	-	93,492	2,959
Unrecognized loss carryforwards	(49,609)	101,145	153,404	4,855
Unrecognized investment credits	(31,527)	-	-	-
Translation adjustment	52,080	5,335	18,788	594
Effect of tax rate changes	-	(973,085)	(346,756)	(10,973)
Adjustments to prior years' tax	220,466	10,141	93,455	2,957
Others	<u>5,227</u>	<u>(61,050)</u>	<u>(25,152)</u>	<u>(796)</u>
Income tax expense recognized in profit or loss	<u>\$ 5,361,542</u>	<u>\$ 1,289,616</u>	<u>\$ 8,430</u>	<u>\$ 267</u>

The applicable tax rates used by subsidiaries were as follows:

	December 31		
	2012	2013	2014
TPKT, GPSC, MTOT, TCS and TPK HK (Taiwan Branch)	17%	17%	17%
TPKC, TPKL, TPKS, OTX, RST, RSO, TPKJ, TPKG, RSS, TPKF, TPKP, TPKD, TPKMS, JSX, MTOH, TPKM and HSXM	About 12.5%-25%	About 12.5%-25%	About 12.5%-25%

(Continued)

	December 31		
	2012	2013	2014
UYH (Hong Kong Branch) and TPK HK	5%-16.5%	5%-16.5%	5%-16.5%
RSSL	-	10%	10%
TPKA	12.5%	12.5%	12.5%
OTH and UYH	10%	10%	10%
TPKU	43%	43%	43%
CIM and Hallys	30%	30%	30%
JJS and TPKF HK	10%	10%	10%
			(Concluded)

As the status of 2015 appropriation of earnings of TPKT is uncertain, the potential income tax consequences of 2014 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
<u>Deferred tax</u>				
In respect of the current year:				
Translation of foreign operations	\$ (1,381)	\$ 5,383	\$ 4,891	\$ 155
Actuarial gains and losses on defined benefit plan	<u>(1,057)</u>	<u>184</u>	<u>594</u>	<u>19</u>
Total income tax expense (benefit) recognized in other comprehensive income (loss)	<u>\$ (2,438)</u>	<u>\$ 5,567</u>	<u>\$ 5,485</u>	<u>\$ 174</u>

c. Current tax assets and liabilities

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Current tax assets				
Tax refund receivable	<u>\$ 7,561</u>	<u>\$ 112,676</u>	<u>\$ 376,172</u>	<u>\$ 11,904</u>
Current tax liabilities				
Income tax payable	<u>\$ 2,751,266</u>	<u>\$ 557,335</u>	<u>\$ 175,253</u>	<u>\$ 5,546</u>

d. Deferred tax assets and liabilities

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Deferred tax assets				
Investment credits	\$ 1,484	\$ -	\$ -	\$ -
Unrealized compensation cost	51,761	57,214	42,386	1,341
Loss carryforwards	82,879	207,849	990,426	31,343
Unrealized warranty expense	237,610	242,348	234,188	7,411
Unrealized loss on inventories	158,715	290,793	211,638	6,697
Unrealized exchange losses	7,233	162	-	-
Others	<u>11,530</u>	<u>97,289</u>	<u>142,227</u>	<u>4,501</u>
	<u>\$ 551,212</u>	<u>\$ 895,655</u>	<u>\$ 1,620,865</u>	<u>\$ 51,293</u>
Deferred tax liabilities				
Unappropriated earnings of subsidiaries	\$ 2,983,888	\$ 3,464,150	\$ 3,283,096	\$ 103,895
Unrealized exchange gains	3,067	9,927	8,006	253
Others	<u>10,836</u>	<u>-</u>	<u>4,891</u>	<u>155</u>
	<u>\$ 2,997,791</u>	<u>\$ 3,474,077</u>	<u>\$ 3,295,993</u>	<u>\$ 104,303</u>

- e. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets.

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Loss carryforwards				
Expiry within 5 years	\$ 347,432	\$ 257,068	\$ 1,539,321	\$ 48,713
Expiry within 6-10 years	70,846	163,101	110,126	3,485
More than 10 years	<u>139,679</u>	<u>138,032</u>	<u>57,793</u>	<u>1,829</u>
	<u>\$ 557,957</u>	<u>\$ 558,201</u>	<u>\$ 1,707,240</u>	<u>\$ 54,027</u>
Investment credits				
Purchase of machinery and equipment	\$ 103	\$ -	\$ -	\$ -
Research and development	<u>14,897</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Deductible temporary differences				
Unrealized impairment loss	\$ -	\$ -	\$ 695,628	\$ 22,014
Others	<u>-</u>	<u>-</u>	<u>61,242</u>	<u>1,938</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 756,870</u>	<u>\$ 23,952</u>

The unrecognized investment credits will expire in 2012 to 2013.

f. Information about unused loss carryforwards

As of December 31, 2014, unused loss carryforwards of subsidiaries were comprised of:

Subsidiaries	Year of Loss	Assessment	Unused Amount		Creditable Amount		Expiry Year
			NT\$	US\$	NT\$	US\$	
TPKT	2006	Assessed	\$ 25,097	\$ 794	\$ 4,267	\$ 135	2016
	2007	Assessed	9,442	299	1,605	51	2017
TCS	2013	Reported	19,301	611	3,281	104	2023
	2014	Estimated	19,526	618	3,319	105	2024
RSO	2014	Estimated	59,995	1,899	14,999	475	2019
TPKF	2012	Reported	11,535	365	2,884	91	2017
	2013	Reported	87,734	2,776	21,934	694	2018
TPKU	2014	Estimated	254,339	8,049	63,585	2,012	2019
	2011	Reported	24,688	781	10,616	336	2031
TPKG	2012	Reported	33,105	1,048	14,235	450	2032
	2011	Reported	365,557	11,568	91,389	2,892	2016
TPKC	2012	Reported	19,788	626	4,947	157	2017
	2013	Reported	629,702	19,927	157,425	4,982	2018
	2014	Estimated	539,815	17,083	134,954	4,271	2019
	2014	Estimated	786,202	24,880	117,930	3,732	2019
RSS	2014	Estimated	164,983	5,221	41,246	1,305	2019
RST	2014	Estimated	1,210,973	38,322	302,743	9,580	2019
TPKD	2014	Estimated	211,858	6,704	31,779	1,006	2019
TPKMS	2014	Estimated	52	2	13	-	2019
MTOH	2013	Reported	44,377	1,404	11,094	351	2018
TPKP	2014	Estimated	32,343	1,024	4,852	154	2019
TPKL	2012	Reported	79,010	2,500	19,753	625	2017
	2013	Reported	143,252	4,533	35,813	1,133	2018
	2014	Estimated	547,638	17,330	136,909	4,333	2019
TPKS	2013	Reported	114,997	3,639	17,250	546	2018
	2014	Estimated	672,385	21,278	100,858	3,192	2019
JSX	2014	Estimated	777	25	194	6	2019
CIM	2011	Reported	2,536	80	761	24	2020
	2012	Reported	9,991	316	2,997	95	2021
	2013	Reported	1,169	37	351	11	2022
	2014	Estimated	4,414	140	1,324	42	2023
Hallys	2007	Reported	60,028	1,900	18,008	570	2016
	2008	Reported	66,958	2,119	20,087	636	2017
	2009	Reported	19,534	618	5,860	185	2018
	2010	Reported	69,771	2,208	20,932	663	2019
	2011	Reported	<u>53,189</u>	<u>1,683</u>	<u>15,957</u>	<u>505</u>	2020
			<u>\$ 6,396,061</u>	<u>\$ 202,407</u>	<u>\$ 1,436,151</u>	<u>\$ 45,449</u>	

g. Income tax assessment

The income tax returns of TPKT through 2012 have been assessed by the tax authorities. Subsidiary MTOT was merged by TPKT and was dissolved afterwards in May 2013, and its tax returns through 2013 had been assessed by the tax authorities. The income tax returns of TPK HK Taiwan Branch through 2012 have been assessed by the tax authorities.

26. EARNINGS PER SHARE

The earnings and weighted average number of common shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Year

	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Profit for the year attributable to owners of TPKH	\$ 14,364,913	\$ 7,188,503	\$ 277,067	\$ 8,768
Effect of dilutive potential ordinary shares:				
Interest on convertible bonds (after tax)	<u>387,694</u>	<u>493,897</u>	-	-
Earnings used in the computation of diluted earnings per share	<u>\$ 14,752,607</u>	<u>\$ 7,682,400</u>	<u>\$ 277,067</u>	<u>\$ 8,768</u>

Weighted Average Number of Ordinary Shares Outstanding

(In Thousand Shares)

	For the Year Ended December 31		
	2012	2013	2014
Weighted average number of common shares in computation of basic earnings per share	311,703	328,179	330,248
Effect of dilutive potential ordinary shares:			
Convertible bonds	17,971	30,084	-
Employee stock option	5,603	3,887	847
Bonus issue to employees	<u>838</u>	<u>-</u>	<u>-</u>
Weighted average number of common shares used in the computation of diluted earnings per share	<u>336,115</u>	<u>362,150</u>	<u>331,095</u>

The convertible bonds and employee stock options are anti-dilutive and, therefore, excluded from the computation of diluted earnings per share.

27. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Stock Option Plans

In May 2010, June 2012, April 2014 and December 2014, 9,000 units of option, 2,808 units of option, 6,000 units of option and 6,300 units of option were granted to qualified employees of the Company. Each unit of option entitles the holder to subscribe for one thousand common shares of TPKH when exercisable. The options granted in 2010, 2012 and 2014 are valid for 10 years, 7 years and 5 years, respectively and exercisable at certain percentages after the second anniversary year from the grant date. 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 years ended December 31, 2012, 2013 and 2014 was as follows:

Employee Stock Options	For the Year Ended December 31						
	2012		2013		2014		
	Units of Option	Weighted-average Exercise Price NT\$	Units of Option	Weighted-average Exercise Price NT\$	Units of Option	Weighted-average Exercise Price NT\$	US\$
Balance, beginning of year	8,528	\$136.2	7,393	\$165.2	4,796	\$181.5	\$5.74
Options granted	2,808	386.0	-	-	12,300	212.6	6.73
Options forfeited	(260)	242.7	(573)	198.0	(1,010)	232.0	7.34
Options exercised	(3,683)	132.3	(2,024)	99.0	(2,006)	96.2	3.04
Balance, end of year	<u>7,393</u>	165.2	<u>4,796</u>	181.5	<u>14,080</u>	214.4	6.78
Options exercisable, end of year	<u>573</u>	100.2	<u>626</u>	96.7	<u>1,490</u>	215.5	6.82
Weighted-average fair value of options granted (in N.T. dollars)	<u>\$ 161.5</u>		<u>\$ -</u>		<u>\$ 80.88</u>		

For the years ended December 31, 2012, 2013 and 2014, the weighted-average share prices at the date of exercise were NT\$406.27, NT\$415.73 and NT\$204.95 (approximately US\$6.49), respectively. Information about outstanding options as of December 31, 2012, 2013 and 2014 was as follows:

Issue Date	December 31, 2012	
	Range of Exercise Price NT\$	Weighted-average Remaining Contractual Life (Years)
May 1, 2010	\$ 100.2	7.33
June 4, 2012	284.1	6.42

Issue Date	December 31, 2013	
	Range of Exercise Price NT\$	Weighted-average Remaining Contractual Life (Years)
May 1, 2010	\$ 96.7	6.33
June 4, 2012	274.1	5.42

Issue Date	December 31, 2014		
	Range of Exercise Price		Weighted-average Remaining Contractual Life (Years)
	NT\$	US\$	
May 1, 2010	\$ 94.8	\$ 3.00	5.33
June 4, 2012	268.8	8.51	4.42
April 23, 2014	224.1	7.09	4.31
December 2, 2014	197.0	6.23	4.92
December 16, 2014	221.0	6.99	4.96

Options granted in May 2010, June 2012, April 2014 and December 2014 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

Issue date	May 2010	June 2012	April 2014	December 2014
Market value per share - grant date	NT\$155	NT\$386	NT\$228.5 (Approximately US\$7.23)	NT\$197/NT\$221 (Approximately US\$6.23/US\$6.99)
Exercise price	NT\$164	NT\$386	NT\$228.5 (Approximately US\$7.23)	NT\$197/NT\$221 (Approximately US\$6.23/US\$6.99)
Expected volatility	51.65%-52.01%	47.95%-48.20%	48.66%	48.53%-49.40%
Expected life	6-7 years	4.5-5.5 years	3.5-4.5 years	3.5-4.5 years
Expected dividend yield	-	-	-	-
Risk-free interest rate	1.44%-1.51%	0.98%-1.06%	0.89%-1.09%	0.96%-1.13%

Expected volatility was based on the historical stock price volatility of similar industries.

Compensation cost of employee stock options was NT\$253,762 thousand, NT\$130,791 thousand and NT\$171,629 thousand (approximately US\$5,431 thousand) for the years ended December 31, 2012, 2013 and 2014, respectively.

On November 4, 2014, the board of directors resolved to issue employee stock option of 10,000 units. Each unit of option entitles the holder to subscribe for one thousand common shares of TPKH when exercisable. The options granted are valid for 5 years and exercisable at certain percentages after the second anniversary year from the grant date. This proposal has been approved by the FSC in letter No. 1030048354 dated December 1, 2014. The employee stock options were not issued as of March 3, 2015.

28. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
JJS	Holding company	April 1, 2012	51.00	<u>\$ 128,909</u>
MTOH	Touch modules, touch display and system research development manufacturing and sales	February 4, 2013	100.00	<u>\$ 751,266</u>

JJS was acquired in order to indirectly acquire 51% of TPKJ to expand the market for sales of protective film and optical adhesive and to strengthen capability in sourcing raw material supplies.

MTOH was acquired in order to continue the expansion of the Company's activities in touch panel.

b. Considerations transferred

Acquisitions of MTOH and JJS were made under cash consideration arrangement.

MTOH's acquisition-related costs amounting to NT\$218 thousand were excluded from the consideration transferred and recognized as an expense in the current year.

c. Assets acquired and liabilities assumed at the date of acquisition

	<u>JJS</u>	<u>MTOH</u>
	NT\$	NT\$
Current assets		
Cash and cash equivalents	\$ 259,389	\$ 4,499
Trade and other receivables	161,645	1,452
Inventories	92,827	-
Other current assets	4,729	-
Non-current assets		
Property, plant and equipment	81,424	426
Construction in progress	-	551,483
Prepayments for equipment	1,334	37,262
Long-term prepayments for lease	9,591	167,537
Intangible asset	16,515	-
Non-current assets - others	1,897	-
Current liabilities		
Short-term borrowings	(99,874)	(9,445)
Trade and other payables	(402,127)	(1,948)
Current liabilities - others	<u>(2,367)</u>	<u>-</u>
	<u>\$ 124,983</u>	<u>\$ 751,266</u>

d. Non-controlling interests

The non-controlling interest (49% ownership interest in JJS) recognized at the acquisition date was measured by reference to the fair value of the non-controlling interest; the amount was NT\$123,854 thousand.

e. Goodwill recognized on acquisition

	<u>JJS</u>
	NT\$
Consideration transferred	\$ 128,909
Plus: Non-controlling interests (49% in JJS)	123,854
Less: Fair value of identifiable net assets acquired	<u>(245,065)</u>
Goodwill recognized on acquisition	<u>\$ 7,698</u>

Goodwill arose in the acquisition of JJS because the cost of the acquisition included a control premium. In addition, the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of JJS. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

f. Net cash outflow on acquisition of subsidiaries

	<u>For the Year Ended December 31</u>	
	<u>2012</u>	<u>2013</u>
	NT\$	NT\$
Consideration paid in cash	\$ 128,909	\$ 751,266
Less: Cash and cash equivalent balances acquired	<u>(508,606)</u>	<u>(4,499)</u>
Net cash outflow	<u>\$ (379,697)</u>	<u>\$ 746,767</u>

g. Impact of acquisitions on the results of the Company

The results of the acquirees since the acquisition date included in the consolidated statements of comprehensive income were as follows:

	From April 1, 2012 to December 31, 2012	From February 4, 2013 to December 31, 2013
	<u>NT\$</u>	<u>NT\$</u>
Revenue	<u>\$ 3,636,664</u>	<u>\$ 1,071,187</u>
Profit (loss)	<u>\$ 703,433</u>	<u>\$ (103,612)</u>

Had these business combinations been in effect at the beginning of the annual reporting period for the years ended December 31, 2012 and 2013, the Company's pro-forma revenue from continuing operations would have been NT\$176,903,492 thousand and NT\$159,067,439 thousand; profit would have been NT\$14,890,745 thousand and NT\$8,938,878 thousand, respectively. This pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Company that would have been actually achieved had the acquisition been completed at the beginning of the reporting period, nor is it intended to be a projection of future results.

In determining the pro-forma revenue and profit of the Company assuming MTOH and JJS had been acquired at the beginning of the current reporting period, management calculated depreciation of plant and equipment acquired on the basis of the fair values determined in the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements.

29. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In December 2012 and January 2013, the Company acquired additional 36.04% and 9.14%, respectively, equity interest in MTOT, and increased the equity interest from 52.25% to 97.43%. In addition, on May 1, 2013, the Company acquired from the non-controlling interests of MTOT the remaining 2.57% equity of MTOT (2,000 thousand shares) at the buy-back price of NT\$60 per share and merged MTOT, the dissolved company, with TPKT, the surviving company.

In April 2013 and April 2014, the Company acquired additional 100 shares and 1 share of Hallys for JPY2,500 thousand and JPY30 thousand, and increased the equity interest from 84.90% to 85.58% since April 2013.

In order to commercialize the technology developed by TPKF, TPKF HK formed a strategic partnership with Nissha Printing Co., Ltd. (Nissha). After signing the joint venture agreement, TPKF HK issued 3,000 thousand shares with par value of US\$1, totaling US\$3,000 thousand and all acquired by Nissha. The original stockholders, TPK HK and Cambrios all agreed on giving up the right to subscription of new shares. After the issuance of the new shares, percentage of shares held by the Company was decreased from 80.10% to 66.75%.

The above transactions were accounted for as equity transactions, since the Company did not cease to have control over the subsidiaries.

	For the Year Ended December 31						
	2012		2013			2014	
	MTOT NT\$	MTOT NT\$	CIM NT\$	TPKF HK NT\$	Total NT\$	NT\$	CIM US\$
Cash consideration (received) paid	\$ 1,741,353	\$ 557,677	\$ 793	\$ (88,710)	\$ 469,760	\$ 8	\$ -
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to (from) non-controlling interests	<u>(420,294)</u>	<u>(151,674)</u>	<u>349</u>	<u>82,941</u>	<u>(68,384)</u>	<u>2</u>	<u>-</u>
Differences between consideration and carrying amount of net assets in equity transaction	<u>\$ 1,321,059</u>	<u>\$ 406,003</u>	<u>\$ 1,142</u>	<u>\$ (5,769)</u>	<u>\$ 401,376</u>	<u>\$ 10</u>	<u>\$ -</u>
Line items adjusted for equity transaction							
Retained earnings	\$ (1,321,059)	\$ (406,003)	\$ (1,142)	\$ -	\$ (407,145)	\$ (10)	\$ -
Capital surplus - adjustments to the recognized difference between the consideration and carrying amount of investment due to change in percentage of ownership in subsidiary	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,769</u>	<u>5,769</u>	<u>-</u>	<u>-</u>
	<u>\$ (1,321,059)</u>	<u>\$ (406,003)</u>	<u>\$ (1,142)</u>	<u>\$ 5,769</u>	<u>\$ (401,376)</u>	<u>\$ (10)</u>	<u>\$ -</u>

30. OPERATING LEASE ARRANGEMENTS

a. The Company as lessee

Operating leases relate to leases of manufacturing facilities, office facilities and transportation equipment with lease terms between 1 and 17 years.

As of December 31, 2012, 2013 and 2014, refundable deposits paid under operating leases amounted to NT\$80,370 thousand, NT\$96,495 thousand and NT\$74,494 thousand (approximately US\$2,357 thousand), respectively.

The future minimum lease payments payable for of non-cancellable operating lease commitments were as follows:

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Not later than 1 year	\$ 333,376	\$ 397,807	\$ 163,301	\$ 5,168
Later than 1 year and not later than 5 years	389,574	325,601	216,722	6,858
Later than 5 years	<u>20,244</u>	<u>62,177</u>	<u>56,829</u>	<u>1,798</u>
	<u>\$ 743,194</u>	<u>\$ 785,585</u>	<u>\$ 436,852</u>	<u>\$ 13,824</u>

b. The Company as lessor

Operating leases relate to the investment property and machinery owned by the Company with lease terms of 1 year.

The future minimum lease payments receivable from non-cancellable operating lease commitments were as follows:

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Not later than 1 year	<u>\$ 16,039</u>	<u>\$ 39,876</u>	<u>\$ 30,421</u>	<u>\$ 963</u>

31. CAPITAL MANAGEMENT

The capital structure of the Company consists of net debt and equity. The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. Key management personnel of the Company review the capital structure periodically. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

32. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Fair value of financial instruments not carried at fair value

The management considers the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements as the approximate fair values.

2) Fair value measurements recognized in the consolidated balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

December 31, 2014

	<u>Level 1</u> NT\$	<u>Level 2</u> NT\$	<u>Level 3</u> NT\$	<u>Total</u> NT\$
Financial liabilities at FVTPL				
Derivative instrument	\$ _____ -	\$ _____ -	\$ 144,324	\$ 144,324

December 31, 2014

	<u>Level 1</u> US\$	<u>Level 2</u> US\$	<u>Level 3</u> US\$	<u>Total</u> US\$
Financial liabilities at FVTPL				
Derivative instrument	\$ _____ -	\$ _____ -	\$ 4,567	\$ 4,567

As of December 31, 2012 and 2013, the Company had no financial assets or liabilities at FVTPL.

For the years ended December 31, 2012, 2013 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements.

- 3) Reconciliation of Level 3 fair value measurements of financial instruments (For the years ended December 31, 2012 and 2013: None)

	For the Year Ended December 31, 2014	
	NT\$	US\$
<u>Financial liabilities</u>		
Balance at January 1, 2014	\$ -	\$ -
Total loss recognized under profit or loss	(137,447)	(4,350)
Translation adjustment	<u>(6,877)</u>	<u>(217)</u>
Balance at December 31, 2014	<u>\$ (144,324)</u>	<u>\$ (4,567)</u>

- 4) Valuation techniques and assumptions applied for the purpose of measuring fair value

The financial assets and liabilities at FVTPL held by the Company were put option and redemption option of overseas convertible bonds. There was no quoted price in active markets. Hence, the Company applied binomial options pricing model to measure fair value.

- b. Categories of financial instruments

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
<u>Financial assets</u>				
Loans and receivables (Note 1)	\$ 59,226,764	\$ 70,809,544	\$ 66,871,683	\$ 2,116,192
<u>Financial liabilities</u>				
FVTPL - held for trading	-	-	144,324	4,567
Amortized costs (Note 2)	77,580,937	100,208,726	101,195,288	3,202,382
Guarantee deposits	18,581	34,295	8,680	275

- 1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes and accounts receivable and other receivables.
- 2) The balances included financial liabilities measured at amortized cost, which comprise short-term loans, notes and accounts payable (including related parties), payables for purchase of equipment, other payables - others, current portion of long-term liabilities, bonds payable, long-term borrowings, and shareholder accounts, etc.

- c. Financial risk management objectives and policies

The Company's major financial instruments included equity and debt investments, notes and accounts receivable, notes and accounts payable, bonds payable and borrowings. The Company's Corporate Treasury function provides services to the business departments, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Company sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The uses of financial derivatives and non-derivative financial instruments and investment of excess liquidity are governed by the Company's policies approved by the board of directors, which provides written principles on foreign exchange risk, interest rate risk, and credit risk. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Significant financial activities of the Company should be reviewed by the board of directors relative to regulations and internal control rules. During the execution of financial plans, the Company shall comply with the financial operating procedures and overall financial risk management authorities and responsibilities.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

a) Foreign currency risk

Several subsidiaries of TPKH had foreign currency-denominated sales and purchases, which exposed the Company to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing financial derivatives.

The carrying amounts of the Company's significant foreign currency-denominated monetary assets and monetary liabilities at the end of the reporting period were as follows:

	In Thousands of U.S. Dollars		
	December 31		
	2012	2013	2014
<u>Assets</u>			
RMB	\$ 117,176	\$ 126,860	\$ 372,606
NTD	8,246	54,833	31,663
JPY	3,242	5,799	5,125
<u>Liabilities</u>			
RMB	276,228	219,749	177,661
NTD	26,198	17,287	27,109
JPY	33,690	38,299	32,973

Except for the data described above, the Company also disclosed its derivatives exposed to foreign currency risk at the end of the reporting period in Note 7.

b) Analysis of sensitivity to foreign currency rate

The Company was mainly exposed to the RMB, the NTD and the JPY.

The following table details the Company's sensitivity to a 5% increase and decrease in the United States dollars (the functional currency) against the relevant foreign currencies. The sensitivity rate of 5% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible

change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency-denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates.

Impact on Profit or Loss if USD Strengthened 5%				
Against the Relevant Currency				
For the Year Ended December 31				
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
RMB	\$ 219,947	\$ 131,849	\$ (293,856)	\$ (9,299)
NTD	24,826	(53,289)	(6,863)	(217)
JPY	42,105	46,127	41,971	1,328

Impact on Profit or Loss if USD Weakened 5%				
Against the Relevant Currency				
For the Year Ended December 31				
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
RMB	\$ (243,099)	\$ (145,728)	\$ 324,788	\$ 10,278
NTD	(27,439)	58,898	7,585	240
JPY	(46,537)	(50,982)	(46,389)	(1,468)

c) Interest rate risk

The Company was exposed to interest rate risk because entities in the Company borrowed funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

December 31				
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Interest rate risk on fair value				
Financial assets	\$ 3,942,982	\$ 31,496,658	\$ 28,491,533	\$ 901,631
Financial liabilities	26,027,692	54,977,285	59,114,604	1,870,716
Interest rate risk on cash flow				
Financial assets	22,549,656	16,052,235	17,773,957	562,467
Financial liabilities	11,205,679	14,916,645	14,076,353	445,454

d) Analysis of sensitivity to interest rate

The sensitivity analyses below were determined based on the Company's exposure to interest rates of non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. Sensitivity measured by using 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2012, 2013 and 2014 would have increased by NT\$56,720 thousand, NT\$5,678 thousand and NT\$18,488 thousand (approximately US\$585 thousand), respectively, which was mainly attributable to the Company's exposure to interest rates on its variable-rate bank deposit and bank borrowings.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation and due to financial guarantees provided by the Company approximates the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Company adopted a policy of using internal and external credit ratings, only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty-limits that are reviewed and approved by the risk management committee semi-annually.

The Company authorized and approved the hierarchical credit lines and monitored accounts receivable periodically based on the accounts receivable aging, thus reducing the bad debts or overdue accounts. Then, at the end of the reporting period, the Company would assess line by line its collectible amounts, allowance for uncollectible amounts, and amounts of impairment recognized on accounts receivable. Therefore, the management believed that the credit management of the Company fully covered the credit risk.

The Company's concentration of credit risk of 76.49%, 61.97% and 54.58% of total trade receivables as of December 31, 2012, 2013 and 2014, respectively, was related to the Company's five largest customers.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2012, 2013 and 2014, the Company had available unutilized overdraft and short-term bank loan facilities of NT\$33,127,766 thousand, NT\$30,039,658 thousand and NT\$46,240,735 thousand (approximately US\$1,463,314 thousand), respectively.

a) Liquidity and interest rate risk table for non-derivative financial liabilities

The following tables show details of the Company's remaining contractual maturity for its short-term and long-term borrowings (including bonds payable and shareholder accounts). The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay.

Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates of other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2012

(Amount in Thousands of New Taiwan Dollars)

	Weighted Average Interest Rate (%)	Less Than 1 Month	1 to 3 Months	3 Months to 1 Year	1 to 5 Years
<u>Non-derivative financial liabilities</u>					
Borrowing at floating interest	1.7395	\$ 110,478	\$ 607,134	\$ 2,113,309	\$ 8,374,758
Borrowing at fixed interest	2.3395	<u>980,152</u>	<u>8,024,638</u>	<u>698,962</u>	<u>16,323,940</u>
		<u>\$ 1,090,630</u>	<u>\$ 8,631,772</u>	<u>\$ 2,812,271</u>	<u>\$ 24,698,698</u>

December 31, 2013

(Amount in Thousands of New Taiwan Dollars)

	Weighted Average Interest Rate (%)	Less Than 1 Month	1 to 3 Months	3 Months to 1 Year	1 to 5 Years
<u>Non-derivative financial liabilities</u>					
Borrowing at floating interest	1.6834	\$ 745,125	\$ 3,019,748	\$ 2,890,758	\$ 8,261,014
Borrowing at fixed interest	2.2043	<u>12,466,155</u>	<u>19,828,259</u>	<u>15,156,013</u>	<u>7,526,858</u>
		<u>\$ 13,211,280</u>	<u>\$ 22,848,007</u>	<u>\$ 18,046,771</u>	<u>\$ 15,787,872</u>

December 31, 2014

(Amount in Thousands of New Taiwan Dollars)

	Weighted Average Interest Rate (%)	Less Than 1 Month	1 to 3 Months	3 Months to 1 Year	1 to 5 Years
<u>Non-derivative financial liabilities</u>					
Borrowing at floating interest	1.8776	\$ 850,594	\$ 1,560,345	\$ 4,183,261	\$ 7,482,153
Borrowing at fixed interest	1.7484	<u>18,453,675</u>	<u>27,608,731</u>	<u>12,594,920</u>	<u>457,278</u>
		<u>\$ 19,304,269</u>	<u>\$ 29,169,076</u>	<u>\$ 16,778,181</u>	<u>\$ 7,939,431</u>

December 31, 2014

(Amount in Thousands of U.S. Dollars)

	Weighted Average Interest Rate (%)	Less Than 1 Month	1 to 3 Months	3 Months to 1 Year	1 to 5 Years
<u>Non-derivative financial liabilities</u>					
Borrowing at floating interest	1.8776	\$ 26,918	\$ 49,378	\$ 132,382	\$ 236,777
Borrowing at fixed interest	1.7484	<u>583,977</u>	<u>873,694</u>	<u>398,573</u>	<u>14,471</u>
		<u>\$ 610,895</u>	<u>\$ 923,072</u>	<u>\$ 530,955</u>	<u>\$ 251,248</u>

The following tables show details of the Company's expected maturity for some of its non-derivative financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

December 31, 2012

(Amount in Thousands of New Taiwan Dollars)

	Weighted Average Interest Rate (%)	Less Than 1 Month	1 to 3 Months	3 Months to 1 Year	1 to 5 Years
<u>Non-derivative financial assets</u>					
Assets at floating interest	2.2280	\$ 22,549,656	\$ -	\$ -	\$ -
Assets at fixed interest	4.6376	<u>1,235,557</u>	<u>2,707,425</u>	<u>-</u>	<u>-</u>
		<u>\$ 23,785,213</u>	<u>\$ 2,707,425</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2013

(Amount in Thousands of New Taiwan Dollars)

	Weighted Average Interest Rate (%)	Less Than 1 Month	1 to 3 Months	3 Months to 1 Year	1 to 5 Years
<u>Non-derivative financial assets</u>					
Assets at floating interest	1.4921	\$ 16,052,235	\$ -	\$ -	\$ -
Assets at fixed interest	3.3204	<u>11,242,504</u>	<u>15,058,458</u>	<u>5,195,696</u>	<u>-</u>
		<u>\$ 27,294,739</u>	<u>\$ 15,058,458</u>	<u>\$ 5,195,696</u>	<u>\$ -</u>

December 31, 2014

(Amount in Thousands of New Taiwan Dollars)

	Weighted Average Interest Rate (%)	Less Than 1 Month	1 to 3 Months	3 Months to 1 Year	1 to 5 Years
<u>Non-derivative financial assets</u>					
Assets at floating interest	1.3412	\$ 17,773,957	\$ -	\$ -	\$ -
Assets at fixed interest	3.4811	<u>9,607,491</u>	<u>16,581,342</u>	<u>2,302,700</u>	<u>-</u>
		<u>\$ 27,381,448</u>	<u>\$ 16,581,342</u>	<u>\$ 2,302,700</u>	<u>\$ -</u>

December 31, 2014

(Amount in Thousands of U.S. Dollars)

	Weighted Average Interest Rate (%)	Less Than 1 Month	1 to 3 Months	3 Months to 1 Year	1 to 5 Years
<u>Non-derivative financial assets</u>					
Assets at floating interest	1.3412	\$ 562,467	\$ -	\$ -	\$ -
Assets at fixed interest	3.4811	<u>304,035</u>	<u>524,726</u>	<u>72,870</u>	<u>-</u>
		<u>\$ 866,502</u>	<u>\$ 524,726</u>	<u>\$ 72,870</u>	<u>\$ -</u>

For non-interest-bearing liabilities recorded as notes and accounts payable, payable for purchase of equipment and other payables, the Company has made the financial risk management policy to secure the payment for all the payables prior to the expiry of the credit terms.

b) Financing facilities

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Unsecured bank overdraft facility and payable at call:				
Amount used	\$ 29,019,542	\$ 60,257,424	\$ 69,837,632	\$ 2,210,052
Amount unused	<u>33,343,284</u>	<u>48,428,021</u>	<u>55,914,151</u>	<u>1,769,435</u>
	<u>\$ 62,362,826</u>	<u>\$ 108,685,445</u>	<u>\$ 125,751,783</u>	<u>\$ 3,979,487</u>
Secured bank overdraft facility:				
Amount used	\$ 5,565,219	\$ 1,867,992	\$ 8,545,456	\$ 270,426
Amount unused	<u>950,653</u>	<u>30,500</u>	<u>339,288</u>	<u>10,737</u>
	<u>\$ 6,515,872</u>	<u>\$ 1,898,492</u>	<u>\$ 8,884,744</u>	<u>\$ 281,163</u>
Secured bank loan facilities which may be extended by mutual agreement:				
Amount used	\$ 726,000	\$ -	\$ -	\$ -
Amount unused	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 726,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

33. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between TPKH and its subsidiaries, which were related parties of TPKH, had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

a. Sales and other income

	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
1) Sales of goods, net				
Associates	\$ 1,052,562	\$ 1,634,334	\$ 266,900	\$ 8,446
Other related parties	<u>62,231</u>	<u>109,060</u>	<u>245,893</u>	<u>7,782</u>
	<u>\$ 1,114,793</u>	<u>\$ 1,743,394</u>	<u>\$ 512,793</u>	<u>\$ 16,228</u>

	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
2) Rental income (recorded as other income)				
Associates	\$ 51,925	\$ 72,744	\$ 56,417	\$ 1,785
Other related parties	<u>635</u>	<u>2,768</u>	<u>8,769</u>	<u>278</u>
	<u>\$ 52,560</u>	<u>\$ 75,512</u>	<u>\$ 65,186</u>	<u>\$ 2,063</u>
3) Other income				
Associates	\$ 2,979	\$ 3,096	\$ 1,629	\$ 52
Other related parties	<u>568</u>	<u>101</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,547</u>	<u>\$ 3,197</u>	<u>\$ 1,629</u>	<u>\$ 52</u>

Subsidiaries leased factories, offices and equipment to related parties under mutual leasing agreements with monthly rental payment.

b. Purchases of goods, costs and expenses

	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
1) Purchases of goods				
Associates	\$ 4,672,798	\$ 7,885,548	\$ 3,785,110	\$ 119,782
Other related parties	<u>351,795</u>	<u>441,581</u>	<u>409,157</u>	<u>12,948</u>
	<u>\$ 5,024,593</u>	<u>\$ 8,327,129</u>	<u>\$ 4,194,267</u>	<u>\$ 132,730</u>
2) Rental expenses (recorded as cost of goods sold - manufacturing expenses)				
Other related parties	<u>\$ 144,809</u>	<u>\$ 145,869</u>	<u>\$ 119,472</u>	<u>\$ 3,781</u>
3) Rental expenses (recorded as operating expenses)				
Associates	\$ -	\$ 283	\$ 304	\$ 10
Other related parties	<u>114,156</u>	<u>123,563</u>	<u>102,833</u>	<u>3,254</u>
	<u>\$ 114,156</u>	<u>\$ 123,846</u>	<u>\$ 103,137</u>	<u>\$ 3,264</u>

Subsidiaries leased factories, offices and dormitories from related parties under mutual leasing agreements with monthly rental payment.

	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
4) Research expenses				
Associates	\$ 29,572	\$ 46,558	\$ 47,953	\$ 1,517
Other related parties	<u>15</u>	<u>2,390</u>	<u>137,294</u>	<u>4,345</u>
	<u>\$ 29,587</u>	<u>\$ 48,948</u>	<u>\$ 185,247</u>	<u>\$ 5,862</u>
5) Fees for technical services				
Associates	\$ -	\$ 835	\$ -	\$ -
Other related parties	<u>-</u>	<u>3,588</u>	<u>125</u>	<u>4</u>
	<u>\$ -</u>	<u>\$ 4,423</u>	<u>\$ 125</u>	<u>\$ 4</u>
6) Miscellaneous expenses				
Associates	\$ -	\$ -	\$ 559	\$ 18
Other related parties	<u>-</u>	<u>1,520</u>	<u>9,197</u>	<u>291</u>
	<u>\$ -</u>	<u>\$ 1,520</u>	<u>\$ 9,756</u>	<u>\$ 309</u>

c. Receivables from (payables to) related parties

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
1) Accounts receivable - related parties (recorded as accounts receivable)				
Associates	\$ 424,632	\$ 207,702	\$ 62,638	\$ 1,982
Other related parties	<u>10,791</u>	<u>14,925</u>	<u>35,327</u>	<u>1,118</u>
	<u>\$ 435,423</u>	<u>\$ 222,627</u>	<u>\$ 97,965</u>	<u>\$ 3,100</u>
2) Accounts payable - related parties				
Associates	\$ 2,589,141	\$ 1,026,199	\$ 1,073,799	\$ 33,981
Other related parties	<u>188,897</u>	<u>78,329</u>	<u>83,054</u>	<u>2,628</u>
	<u>\$ 2,778,038</u>	<u>\$ 1,104,528</u>	<u>\$ 1,156,853</u>	<u>\$ 36,609</u>

The outstanding receivables from related parties are unsecured and will be settled in cash. No guarantees had been received for receivables from related parties. No expense had been recognized for the years ended December 31, 2012, 2013 and 2014 for allowance for impairment of receivables in respect of the amounts owed by related parties.

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
3) Other receivables - related parties (recorded as other receivables)				
Associates	\$ 21,875	\$ 26,313	\$ 13,706	\$ 434
Other related parties	<u>927</u>	<u>1,117</u>	<u>1,314</u>	<u>41</u>
	<u>\$ 22,802</u>	<u>\$ 27,430</u>	<u>\$ 15,020</u>	<u>\$ 475</u>
4) Accounts payable for equipment (recorded as payables on construction and equipment)				
Associates	\$ 29,224	\$ 33,991	\$ 23,386	\$ 740
Other related parties	<u>22</u>	<u>12,434</u>	<u>3,286</u>	<u>104</u>
	<u>\$ 29,246</u>	<u>\$ 46,425</u>	<u>\$ 26,672</u>	<u>\$ 844</u>
5) Other payables - related parties (recorded as other payables - others)				
Associates	\$ 29,211	\$ 9,547	\$ 22,113	\$ 700
Other related parties	<u>76</u>	<u>11,112</u>	<u>6,608</u>	<u>209</u>
	<u>\$ 29,287</u>	<u>\$ 20,659</u>	<u>\$ 28,721</u>	<u>\$ 909</u>

d. Others

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Refundable deposits				
Other related parties	\$ 65,482	\$ 68,814	\$ 26,101	\$ 826
Associates	<u>-</u>	<u>5</u>	<u>5</u>	<u>-</u>
	<u>\$ 65,482</u>	<u>\$ 68,819</u>	<u>\$ 26,106</u>	<u>\$ 826</u>

Refundable deposits are the security deposits of the Company to related parties for lease of parts of plants and offices during the lease period from 2009 to 2017. For the years ended December 31, 2013 and 2014, the interest income on the deposits was NT\$5 thousand per year (for the year ended December 31, 2012: None).

e. Loans to related parties (recorded as other receivables)

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Associates	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,107,750</u>	<u>\$ 35,055</u>

The Company provided loans to related parties at rates comparable to market interest rates.

For the year ended December 31, 2014 loans to associates were unsecured and related interest income was NT\$20,841 thousand (approximately US\$660 thousand). (For the years ended December 31, 2012 and 2013: None)

f. Loans from related parties

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Other related parties	<u>\$ 57,188</u>	<u>\$ 20,157</u>	<u>\$ 11,907</u>	<u>\$ 377</u>

The Company obtained loans from related parties at rates comparable to market interest rates.

For the years ended December 31, 2012, 2013 and 2014 related interest expense on loans from related parties was NT\$1,153 thousand, NT\$631 thousand and NT\$335 thousand (approximately US\$11 thousand), respectively.

g. Property, plant and equipment acquired

	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Other related parties	\$ -	\$ 13,782	\$ 6,871	\$ 217
Associates	<u>-</u>	<u>7,127</u>	<u>5,669</u>	<u>180</u>
	<u>\$ -</u>	<u>\$ 20,909</u>	<u>\$ 12,540</u>	<u>\$ 397</u>

h. Property, plant and equipment disposed (For the years ended December 31, 2012 and 2013: None)

	For the Year Ended December 31, 2014			
	Proceeds		Gain on Disposal	
	NT\$	US\$	NT\$	US\$
Other related parties	\$ 1,223	\$ 39	\$ 1	\$ -
Associates	<u>75</u>	<u>2</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,298</u>	<u>\$ 41</u>	<u>\$ 1</u>	<u>\$ -</u>

i. Guarantees

As of December 31, 2012, 2013 and 2014, guarantees for long-term and short-term borrowings provided by related parties were as follows:

	December 31, 2012		
	US\$	NT\$	Guarantor
TPKH	\$ 69,250	\$ 2,011,020	Jiang Chao Rui
TPK HK	145,000	4,210,800	TPKH
Hallys	9,267	269,120	TPKH
Hallys	446	12,947	Hiroshi Aoyama
Hallys	413	11,985	Hiroshi Aoyama, Ryoichi Nishigawa, Hiroyuki Shibata

	December 31, 2013		
	US\$	NT\$	Guarantor
TPKH	\$ 34,667	\$ 1,033,240	Jiang Chao Rui
JJS	25,500	760,028	TPKJ
TPK HK	25,000	745,125	TPKH
Hallys	7,620	227,120	TPKH
Hallys	176	5,251	Hiroshi Aoyama
Hallys	211	6,281	Hiroshi Aoyama, Ryoichi Nishigawa, Hiroyuki Shibata

	December 31, 2014		
	US\$	NT\$	Guarantor
JJS	\$ 60,500	\$ 1,914,825	TPKJ
TPK HK	251,308	7,953,898	TPKC
Hallys	6,688	211,680	TPKH
Hallys	160	5,078	Hiroshi Aoyama

Hally's long-term borrowings were jointly guaranteed by the related parties and Credit Guarantee Corporation in Hyogo prefecture, Japan.

Other related parties that have substantive related party relationship with TPKH and the transaction price and payment terms of related parties are provided in Table 5.

j. Compensation of key management personnel

For the years ended December 31, 2012, 2013 and 2014, the types and amounts of the remuneration of directors and other members of key management personnel were as follows:

	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Short-term employee benefits	\$ 313,231	\$ 167,829	\$ 90,231	\$ 2,855
Share-based payments	72,352	18,073	21,229	672
Post-employment benefits	<u>2,344</u>	<u>2,299</u>	<u>2,029</u>	<u>64</u>
	<u>\$ 387,927</u>	<u>\$ 188,201</u>	<u>\$ 113,489</u>	<u>\$ 3,591</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings, and as guarantees for tariff of imported raw materials:

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Investments accounted for by the equity method	\$ 3,621,239	\$ -	\$ -	\$ -
Bank deposits and financing products (classified as debt investment with no active market)	<u>76</u>	<u>899,341</u>	<u>8,397,617</u>	<u>265,747</u>
	<u>\$ 3,621,315</u>	<u>\$ 899,341</u>	<u>\$ 8,397,617</u>	<u>\$ 265,747</u>

35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2012, 2013 and 2014 were as follows:

- a. As of December 31, 2012, 2013 and 2014, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately NT\$1,845,789 thousand, NT\$377,251 thousand and NT\$819,885 thousand (approximately US\$25,946 thousand), respectively.
- b. Unrecognized commitments are as follows:

	December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Acquisition of property, plant and equipment	<u>\$ 2,207,212</u>	<u>\$ 5,008,604</u>	<u>\$ 1,528,725</u>	<u>\$ 48,378</u>

36. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

On January 3, 2015, a fire occurred at the ground floor of the building C of TPKC's Xiang An campus where photo etching and sputtering equipment were primarily located. The Company estimated that total loss was NT\$1.1 billion (approximately US\$34,810 thousand). The assets damaged were properly insured and the insurance claim is currently being processed.

37. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

In Thousands of U.S. Dollars and Foreign Currencies

	December 31, 2012		
	Foreign Currencies	Exchange Rate	U.S. Dollars
<u>Financial assets</u>			
Monetary items			
RMB	\$ 736,508	6.2855	\$ 117,176
NTD	239,450	29.0400	8,246
JPY	279,859	86.3258	3,242
Investment accounted for using equity method			
NTD	1,342,504	29.0400	46,229
<u>Financial liabilities</u>			
Monetary items			
RMB	1,736,232	6.2855	276,228
NTD	760,786	29.0400	26,198
JPY	2,908,303	86.3258	33,690
	December 31, 2013		
	Foreign Currencies	Exchange Rate	U.S. Dollars
<u>Financial assets</u>			
Monetary items			
RMB	\$ 773,538	6.0976	\$ 126,860
NTD	1,634,295	29.8050	54,833
JPY	608,819	104.9841	5,799
Investment accounted for using equity method			
NTD	711,777	29.8050	23,881
<u>Financial liabilities</u>			
Monetary items			
RMB	1,339,930	6.0976	219,749
NTD	515,227	29.8050	17,287
JPY	4,020,782	104.9841	38,299

	December 31, 2014		
	Foreign Currencies	Exchange Rate	U.S. Dollars
<u>Financial assets</u>			
Monetary items			
RMB	\$ 2,280,332	6.1190	\$ 372,606
NTD	1,002,128	31.6500	31,663
JPY	612,998	119.6145	5,125
Investment accounted for using equity method			
NTD	476,883	31.6500	15,067
<u>Financial liabilities</u>			
Monetary items			
RMB	1,087,277	6.1190	177,661
NTD	858,013	31.6500	27,109
JPY	3,944,010	119.6145	32,973

38. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and b. information on investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled entities). (Table 3)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)
- 9) Trading in derivative instruments. (Note 7)
- 10) Intercompany relationships and significant intercompany transactions. (Table 9)
- 11) Information on investees. (Table 7)

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the mainland China area: Table 8.
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Tables 1, 2, 5 and 6.
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

39. SEGMENT 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. The related information was as follows:

a. Information of reportable segment's gain or loss and assets

	For the Year Ended December 31					
	2012			2013		
	Touch Modules	Others	Total	Touch Modules	Others	Total
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
Revenue generated from external customers	\$ 172,750,736	\$ 3,858,856	\$ 176,609,592	\$ 154,818,099	\$ 4,249,340	\$ 159,067,439
Intersegment revenue	2,118,853	23,059,006	25,177,859	27,857	13,223,627	13,251,484
Interest income	499,203	266,902	766,105	706,711	520,871	1,227,582
Finance costs	310,598	674,204	984,802	427,754	1,057,989	1,485,743
Depreciation and amortization	2,308,468	2,444,953	4,753,421	3,153,716	3,406,843	6,560,559
Impairment loss on assets	186,155	168,798	354,953	801,970	1,493,127	2,295,097
Reportable segment income before income tax	29,734,240	27,319,696	57,053,936	14,590,072	10,614,043	25,204,115
Reportable segment income tax benefit (expense)	(3,556,836)	(1,804,706)	(5,361,542)	(1,980,476)	690,860	(1,289,616)
Reportable segment net income	26,177,404	25,514,990	51,692,394	12,609,596	11,304,903	23,914,499
Reportable segment assets	109,838,564	118,879,092	228,717,656	127,311,802	154,115,718	281,427,520
Reportable segment capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term prepayments for lease	7,441,065	8,904,011	16,345,076	6,582,543	15,246,237	21,828,780

	For the Year Ended December 31, 2014					
	Touch Modules		Others		Total	
	NT\$	US\$	NT\$	US\$	NT\$	US\$
Revenue generated from external customers	\$ 126,376,984	\$ 3,999,272	\$ 3,139,935	\$ 99,365	\$ 129,516,919	\$ 4,098,637
Intersegment revenue	1,246,399	39,443	21,132,233	668,741	22,378,632	708,184
Interest income	1,370,754	43,378	399,530	12,643	1,770,284	56,021
Finance costs	759,668	24,040	1,130,461	35,774	1,890,129	59,814
Depreciation and amortization	3,966,802	125,532	4,086,343	129,315	8,053,145	254,847
Impairment loss on assets	298,595	9,449	1,810,213	57,285	2,108,808	66,734
Reportable segment income before income tax	1,140,634	36,096	649,481	20,553	1,790,115	56,649
Reportable segment income tax benefit (expense)	(205,566)	(6,505)	197,136	6,238	(8,430)	(267)
Reportable segment net income	935,068	29,591	846,617	26,791	1,781,685	56,382
Reportable segment assets	163,492,642	5,173,818	158,282,958	5,008,954	321,775,600	10,182,772
Reportable segment capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term prepayments for lease	15,155,612	479,608	11,940,922	377,877	27,096,534	857,485

b. Reportable segment's gain or loss and other significant items reconciliation

1) Segment revenues and results

Gain and Loss	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Reportable segment income before income tax	\$ 29,734,240	\$ 14,590,072	\$ 1,140,634	\$ 36,096
Reportable segment income tax expense	<u>(3,556,836)</u>	<u>(1,980,476)</u>	<u>(205,566)</u>	<u>(6,505)</u>
Reportable segment net income	26,177,404	12,609,596	935,068	29,591
Non-reportable segment's gain or loss	25,514,990	11,304,903	846,617	26,791
Less: Intersegment profit	(36,776,070)	(16,299,932)	(1,214,703)	(38,440)
Less: Net gain on non-controlling interests	<u>(551,411)</u>	<u>(426,064)</u>	<u>(289,915)</u>	<u>(9,174)</u>
Net income attributable to owners of TPKH	<u>\$ 14,364,913</u>	<u>\$ 7,188,503</u>	<u>\$ 277,067</u>	<u>\$ 8,768</u>

2) Other significant items reconciliation

Other Significant Items	For the Year Ended December 31, 2012			
	Total Amount of Reportable Segment	Total Amount of Non-reportable Segment	Reconciliation	Total
	NT\$	NT\$	NT\$	NT\$
Interest income	\$ 499,203	\$ 266,902	\$ (272,793)	\$ 493,312
Finance costs	310,598	674,204	(272,793)	712,009
Capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term prepayments for lease	7,441,065	8,904,011	(814,367)	15,530,709
Depreciation and amortization	2,308,468	2,444,953	-	4,753,421

For the Year Ended December 31, 2013				
Other Significant Items	Total Amount of Reportable Segment	Total Amount of Non-reportable Segment	Reconciliation	Total
	NT\$	NT\$	NT\$	NT\$
Interest income	\$ 706,711	\$ 520,871	\$ (407,667)	\$ 819,915
Finance costs	427,754	1,057,989	(407,667)	1,078,076
Capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term prepayments for lease	6,582,543	15,246,237	(811,353)	21,017,427
Depreciation and amortization	3,153,716	3,406,843	-	6,560,559

For the Year Ended December 31, 2014				
Other Significant Items	Total Amount of Reportable Segment	Total Amount of Non-reportable Segment	Reconciliation	Total
	NT\$	NT\$	NT\$	NT\$
Interest income	\$ 1,370,754	\$ 399,530	\$ (459,343)	\$ 1,310,941
Finance costs	759,668	1,130,461	(459,343)	1,430,786
Capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term prepayments for lease	15,155,612	11,940,922	(13,177,765)	13,918,769
Depreciation and amortization	3,966,802	4,086,343	-	8,053,145

For the Year Ended December 31, 2014				
Other Significant Items	Total Amount of Reportable Segment	Total Amount of Non-reportable Segment	Reconciliation	Total
	US\$	US\$	US\$	US\$
Interest income	\$ 43,378	\$ 12,643	\$ (14,536)	\$ 41,485
Finance costs	24,040	35,774	(14,536)	45,278
Capital expenditure on acquisition of property, plant and equipment, intangible assets and long-term prepayments for lease	479,608	377,877	(417,018)	440,467
Depreciation and amortization	125,532	129,315	-	254,847

3) Revenue from major products and services

TPKH and its subsidiaries categorized reporting segment information based on the type of product.

4) Geographical information

The Company operates in four principal geographical areas - Taiwan, the United States (USA), China and Japan.

The Company's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers				Non-current Assets			
	For the Year Ended December 31				December 31			
	2012	2013	2014		2012	2013	2014	
	NT\$	NT\$	NT\$	US\$	NT\$	NT\$	NT\$	US\$
North America	\$ 119,814,746	\$ 94,091,985	\$ 69,843,045	\$ 2,210,223	\$ 861,221	\$ 789,611	\$ 764,489	\$ 24,193
Asia	56,204,915	64,269,741	58,784,620	1,860,273	54,142,200	69,978,092	75,539,827	2,390,501
Others	589,931	705,713	889,254	28,141	-	-	-	-
	<u>\$ 176,609,592</u>	<u>\$ 159,067,439</u>	<u>\$ 129,516,919</u>	<u>\$ 4,098,637</u>	<u>\$ 55,003,421</u>	<u>\$ 70,767,703</u>	<u>\$ 76,304,316</u>	<u>\$ 2,414,694</u>

Non-current assets exclude non-current assets classified as deferred tax assets and financial assets measured at cost - non-current.

5) Information about major customers

The information on customer who contributed 10% or more to the Company's revenue is as follows:

	For the Year Ended December 31			
	2012	2013	2014	
	NT\$	NT\$	NT\$	US\$
Customer A	\$ 104,336,641	\$ 68,114,651	\$ 52,100,144	\$ 1,648,739
Customer B	<u>12,134,312</u>	<u>13,371,930</u>	<u>15,480,287</u>	<u>489,882</u>
	<u>\$ 116,470,953</u>	<u>\$ 81,486,581</u>	<u>\$ 67,580,431</u>	<u>\$ 2,138,621</u>

TABLE 1

TPK HOLDING CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Lender	Borrower	Financial Statements Account	Related Parties	Highest Balance for the Period (Note 5)	Ending Balance (Note 5)	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limit (Note 3)	Note									
													Item	Value												
0	TPKH	UYH TPKH HK Haily's TPKC TES Holdings Co., Ltd. TPKT	Loan to related parties	Y	\$ 16,445,340	\$ 5,791,950	\$ 4,924,740	1.1305%-1.3309%	b	\$ -	Operating capital	\$ -			\$ 18,133,359	\$ 22,666,699										
																		Loan to related parties	Y	8,229,000	2,763,263	1.0291%-1.2454%	b	Operating capital	18,133,359	22,666,699
																		Loan to related parties	Y	383,144	181,449	1.0586%-1.1829%	b	Operating capital	18,133,359	22,666,699
																		Loan to related parties	Y	1,582,500	1,582,500	1.2329%	b	Operating capital	18,133,359	22,666,699
																		Loan to related parties	Y	40,512	40,512	-	b	Operating capital	18,133,359	22,666,699
1	UYH	TPKG	Loan to related parties	Y	\$ 5,076,660	\$ 462,090	462,090	1.134%-1.5364%	b	Operating capital				22,666,699	45,333,397											
																	Loan to related parties	Y	462,090	462,090	1.1289%-1.5017%	b	Payment for acquisition of equipment	22,666,699	45,333,397	
	TPKH	TPKG	Loan to related parties - long-term	Y	1,899,000	1,899,000	1,899,000	1.1288%-1.2758%	b	-	Payment for acquisition of equipment			22,666,699	45,333,397											
																	Loan to related parties - long-term	Y	5,867,910	5,867,910	1.1239%-1.3304%	b	Operating capital	22,666,699	45,333,397	
2	TPKC	RSO	Loan to related parties - long-term	Y	633,000	633,000	253,200	2.5000%	b	-	Operating capital				22,666,699	45,333,397										
																		Loan to related parties - long-term	Y	633,000	633,000	2.5000%	b	Operating capital	22,666,699	45,333,397
																		Loan to related parties - long-term	Y	474,750	474,750	2.5000%	b	Operating capital	22,666,699	45,333,397
																		Loan to related parties - long-term	Y	2,848,500	1,582,500	2.5000%-6.0000%	b	Operating capital	22,666,699	45,333,397
																		Loan to related parties - long-term	Y	1,582,500	1,582,500	6.1500%	b	Payment for acquisition of equipment	22,666,699	45,333,397
																		Loan to related parties	Y	316,500	316,500	6.1500%	b	Operating capital	22,666,699	45,333,397
																		Loan to related parties	Y	1,107,750	1,107,750	3.5000%	b	Operating capital	13,064,959	16,331,199
																		Loan to related parties - long-term	Y	949,500	949,500	6.1500%	b	Operating capital	22,666,699	45,333,397
																		Loan to related parties	Y	158,250	158,250	-	b	Operating capital	22,666,699	45,333,397
																		Loan to related parties	Y	1,107,750	1,107,750	2.5000%-6.0000%	b	Payment for acquisition of equipment	22,666,699	45,333,397
3	TPKH	CIM MTOH	Loan to related parties	Y	205,092	100,495	100,495	1.0429%-1.1871%	b	-	Operating capital			6,186,987	7,733,734											
																	Loan to related parties	Y	949,500	949,500	1.2500%-2.5000%	b	Operating capital	22,666,699	45,333,397	
																	Loan to related parties - long-term	Y	2,532,000	2,532,000	1.2500%-2.6000%	b	Payment for acquisition of equipment	22,666,699	45,333,397	
																	Loan to related parties	Y	3,354,900	3,354,900	1.2471%	b	Operating capital	22,666,699	45,333,397	
4	TPKA	TPKC	Loan to related parties	Y	949,500	949,500	949,500	1.0351%	b	-	Operating capital			22,666,699	45,333,397											
																	Loan to related parties	Y	633,000	633,000	-	b	Operating capital	22,666,699	45,333,397	

(Continued)

No. (Note 1)	Lender	Borrower	Financial Statements Account	Related Parties	Highest Balance for the Period (Note 5)	Ending Balance (Note 5)	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limit (Note 3)	Note
													Item	Value			
5	RST	TPKG	Loan to related parties - long-term	Y	\$ 2,532,000	\$ 2,532,000	\$ 205,725	2.5000%-6.1500%	b	\$ -	-	\$ -	-	\$ -	\$ 22,666,699	\$ 45,333,397	
6	RSS	MTOH	Loan to related parties - long-term	Y	791,250	791,250	-	-	b	-	-	-	-	-	22,666,699	45,333,397	
7	TPKT	TPKH	Loan to related parties	Y	633,000	633,000	-	-	b	-	-	-	-	-	1,403,201	1,754,001	
8	TPKF HK TPKF	TPKF TPKF	Loan to related parties Loan to related parties	Y Y	31,650 63,300	- -	- -	1.1685% 1.1685%	b b	- -	- -	- -	- -	- -	106,716 106,716	133,395 133,395	

Note 1: No. 0 represents parent company; other numbers represent subsidiaries.

Note 2: Types of financing were as follows:

- a. Business and trade.
- b. Short-term financing.

Note 3: The limits of financing amount were as follows:

- a. 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.
- b. 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.
- c. The limits of individual financing provided: (1) Intercompany 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.
- d. 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 \$43,018,306 thousand. The loans to other parties disclosed on Table 1 did not exceed the credit lines approved by the board of directors.

Note 5: Highest balance and ending balance for the period only indicate credit line of loans to others, not the actual amount of loans.

(Concluded)

TPK HOLDING CO., LTD. AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2014**

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guaranteee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 3)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 3)	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	TPKH	Hallys TPK HK	Subsidiary that TPKH indirectly held more than 50% of its equity interest Subsidiary that TPKH held 100% of its equity interest	\$ 11,333,349 11,333,349	\$ 211,680 791,250	\$ 211,680 -	\$ 211,680 -	\$ - -	0.47% -	\$ 22,666,699 22,666,699	Y Y	N N	N N	
1	TPKJ	JJS	Subsidiary that TPKH indirectly held more than 50% of its equity interest	11,333,349	1,914,825	1,914,825	1,729,673	1,841,558	4.22%	22,666,699	N	N	N	
2	TPKC	UYH TPK HK	Subsidiary that TPKH held 100% of its equity interest Subsidiary that TPKH held 100% of its equity interest	11,333,349 11,333,349	3,481,500 7,954,397	- 7,954,397	- 6,599,025	- 6,051,725	- 17.55%	22,666,699 22,666,699	N N	N N	N N	

Note 1: No. 0 represents parent company; other numbers represent subsidiaries.

Note 2: For TPKH, total amount of endorsement/guarantee provided, and limit on endorsement/guarantee amount provided to each guaranteed party cannot exceed 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 December 31, 2014.

Note 3: Maximum amount and outstanding endorsement/guarantee at the end of the period only indicate limits on endorsement/guarantee amount to others; not the actual borrowing amount.

TPK HOLDING CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2014			Note
				Shares	Carrying Amount	Percentage of Ownership	
TPKT	Kingyoun Optronics Co., Ltd.	-	Financial assets measured at cost - noncurrent	6,000,000	\$ 150,000	16.57	\$ -

TPK HOLDING CO., LTD. AND SUBSIDIARIES

PURCHASE OR SALES OF MARKETABLE SECURITIES AMOUNTING TO AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2014

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

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal		Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Gain (Loss) on Disposal
TPK HK	Stock TPKD TPKP	Investments accounted for using equity method Investments accounted for using equity method	- - -	Subsidiary Subsidiary	- Note 2	\$ - 3,165,000	Note 2 Note 2	\$ 2,057,250 1,582,500	-	\$ - -	-	Note 2 Note 2	\$ 2,057,250 4,747,500

Note 1: Carrying amount consists of original cost and the gain (loss) thought investments accounted for using equity method.

Note 2: No shares since it is a limited liability no-shares company.

TPK HOLDING CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2014

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Transaction Detail			Abnormal Transaction			Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount (Note 2)	% to Total	Payment Terms	Unit Price	Payment Term	Ending Balance (Note 2)	% to Total	
TPKT	TPKC	The same ultimate parent company	Sales	\$ 705,366	0.54	45 days after monthly closing	Note 1	Note 1	\$ 467,396	3.38	
	TPKL	The same ultimate parent company	Sales	386,369	0.30	45 days after monthly closing	Note 1	Note 1	494	-	
	TPKS	The same ultimate parent company	Sales	699,917	0.54	45 days after monthly closing	Note 1	Note 1	4,012	0.03	
	TPKU	The same ultimate parent company	Sales	157,661	0.12	45 days after monthly closing	Note 1	Note 1	72,958	0.53	
	TPKF	The same ultimate parent company	Sales	228,071	0.18	45 days after monthly closing	Note 1	Note 1	131	-	
	TPKC	The same ultimate parent company	Purchase	2,709,044	2.77	45 days after monthly closing	Note 1	Note 1	323,009	1.57	
	TPKL	The same ultimate parent company	Purchase	454,544	0.46	45 days after monthly closing	Note 1	Note 1	5,814	0.03	
	TPKS	The same ultimate parent company	Purchase	2,041,865	2.09	45 days after monthly closing	Note 1	Note 1	542,707	2.64	
	TPKT	The same ultimate parent company	Purchase	244,033	0.25	45 days after monthly closing	Note 1	Note 1	467,396	2.28	
	TPKL	The same ultimate parent company	Purchase	257,980	0.26	45 days after monthly closing	Note 1	Note 1	90,936	0.44	
	TPKS	The same ultimate parent company	Purchase	130,676	0.13	45 days after monthly closing	Note 1	Note 1	395	-	
	TPKC	RSO	Investments accounted for using equity method	Purchase	601,504	0.62	45 days after monthly closing	Note 1	Note 1	49,332	0.24
RST		Investments accounted for using equity method	Purchase	1,520,223	1.55	45 days after monthly closing	Note 1	Note 1	257,629	1.25	
TPKG		The same ultimate parent company	Purchase	2,834,860	2.90	45 days after monthly closing	Note 1	Note 1	641,973	3.13	
TPKHK		The same ultimate parent company	Purchase	758,551	0.78	45 days after monthly closing	Note 1	Note 1	-	-	
OTX		The same ultimate parent company	Purchase	7,349,862	7.52	45 days after monthly closing	Note 1	Note 1	1,260,903	6.14	
TPKJ		The same ultimate parent company	Purchase	2,973,734	3.04	45 days after monthly closing	Note 1	Note 1	632,894	3.08	
Cando XM		Investments accounted for using equity method of a subsidiary that is directly or indirectly held by the ultimate parent company	Purchase	2,565,760	2.62	60 days after monthly closing	Note 1	Note 1	594,584	2.89	
TPKT		The same ultimate parent company	Sales	2,709,044	2.09	45 days after monthly closing	Note 1	Note 1	323,009	2.34	
TPKHK		The same ultimate parent company	Sales	102,920,831	79.48	45 days after monthly closing	Note 1	Note 1	10,905,729	78.97	
TPKL		The same ultimate parent company	Purchase	386,369	0.40	45 days after monthly closing	Note 1	Note 1	27,065	0.13	
TPKT		The same ultimate parent company	Sales	454,544	0.35	45 days after monthly closing	Note 1	Note 1	5,814	0.04	
TPKC		The same ultimate parent company	Sales	364,632	0.28	45 days after monthly closing	Note 1	Note 1	90,936	0.66	
TPKS	TPKP	The same ultimate parent company	Sales	104,521	0.08	45 days after monthly closing	Note 1	Note 1	14,874	0.11	
	OTX	The same ultimate parent company	Sales	470,132	0.36	45 days after monthly closing	Note 1	Note 1	5,914	0.04	
	TPKT	The same ultimate parent company	Purchase	684,987	0.70	45 days after monthly closing	Note 1	Note 1	4,012	0.02	
	RSO	The same ultimate parent company	Purchase	668,745	0.68	45 days after monthly closing	Note 1	Note 1	99,641	0.49	
	TPKHK	The same ultimate parent company	Purchase	206,874	0.21	45 days after monthly closing	Note 1	Note 1	64,755	0.32	
	TPKJ	The same ultimate parent company	Purchase	172,896	0.18	45 days after monthly closing	Note 1	Note 1	32,247	0.16	
	Cando XM	Investments accounted for using equity method of a subsidiary that is directly or indirectly held by the ultimate parent company	Purchase	122,591	0.13	60 days after monthly closing	Note 1	Note 1	25,937	0.13	

(Continued)

Company Name	Related Party	Relationship	Transaction Detail			Abnormal Transaction		Notes/Accounts Payable or Receivable % to Total	Note	
			Purchase/Sale	Amount (Note 2)	% to Total	Payment Terms	Unit Price			Payment Term
RSO	TPKT	The same ultimate parent company	Sales	\$ 2,043,590	1.58	45 days after monthly closing	Note 1	\$ 542,707	3.93	
	TPKC	The same ultimate parent company	Sales	130,870	0.10	45 days after monthly closing	Note 1	395	-	
	TPK HK	The same ultimate parent company	Sales	7,309,382	5.64	45 days after monthly closing	Note 1	1,427,070	10.33	
	TPKC	The same ultimate parent company	Sales	603,708	0.47	45 days after monthly closing	Note 1	49,332	0.36	
	TPKS	The same ultimate parent company	Sales	668,772	0.52	45 days after monthly closing	Note 1	99,641	0.72	
	TPK HK	The same ultimate parent company	Sales	370,303	0.29	45 days after monthly closing	Note 1	61,848	0.45	
	OTX	The same ultimate parent company	Sales	226,370	0.17	45 days after monthly closing	Note 1	60,502	0.44	
	TPKG	The same ultimate parent company	Purchase	130,603	0.13	45 days after monthly closing	Note 1	721	-	
	TPKG	The same ultimate parent company	Purchase	243,215	0.25	45 days after monthly closing	Note 1	21,910	0.11	
	TPKC	The same ultimate parent company	Sales	1,588,798	1.23	45 days after monthly closing	Note 1	257,629	1.87	
RST	TPKG	The same ultimate parent company	Sales	554,757	0.43	45 days after monthly closing	Note 1	15,225	0.11	
	OTX	The same ultimate parent company	Sales	559,772	0.43	45 days after monthly closing	Note 1	81,081	0.59	
TPKU	TPKT	The same ultimate parent company	Purchase	155,500	0.16	45 days after monthly closing	Note 1	72,958	0.36	
	OTX	The same ultimate parent company	Purchase	110,687	0.11	45 days after monthly closing	Note 1	14,183	0.07	
TPKG	RST	The same ultimate parent company	Purchase	552,105	0.56	45 days after monthly closing	Note 1	15,225	0.07	
	TPKM	The same ultimate parent company	Purchase	201,231	0.21	45 days after monthly closing	Note 1	55,926	0.27	
	TPKJ	The same ultimate parent company	Purchase	172,540	0.18	45 days after monthly closing	Note 1	44,370	0.22	
	TPKC	The same ultimate parent company	Sales	2,952,490	2.28	45 days after monthly closing	Note 1	641,973	4.65	
	RSO	The same ultimate parent company	Sales	130,603	0.10	45 days after monthly closing	Note 1	721	0.01	
	RST	The same ultimate parent company	Sales	243,738	0.19	45 days after monthly closing	Note 1	21,910	0.16	
	TPK HK	The same ultimate parent company	Sales	2,146,918	1.66	45 days after monthly closing	Note 1	7,501	0.05	
	MTOH	The same ultimate parent company	Sales	204,908	0.16	45 days after monthly closing	Note 1	30,229	0.22	
	TPKM	The same ultimate parent company	Sales	686,172	0.53	45 days after monthly closing	Note 1	101,940	0.74	
	OTX	The same ultimate parent company	Sales	1,050,437	0.81	45 days after monthly closing	Note 1	54,300	0.39	
	Cando XM	Investments accounted for using equity method of a subsidiary that is directly or indirectly held by the ultimate parent company	Purchase	972,470	0.99	60 days after monthly closing	Note 1	445,943	2.17	
	TPKHK	TPKC	The same ultimate parent company	Purchase	102,920,831	105.26	45 days after monthly closing	Note 1	10,905,729	53.10
		TPKS	The same ultimate parent company	Purchase	7,309,382	7.48	45 days after monthly closing	Note 1	1,427,070	6.95
RSO		Investments accounted for using equity method	Purchase	370,303	0.38	45 days after monthly closing	Note 1	61,848	0.30	
TPKG		Investments accounted for using equity method	Purchase	2,146,918	2.20	45 days after monthly closing	Note 1	7,501	0.04	
MTOH		Investments accounted for using equity method	Purchase	3,332,722	3.41	45 days after monthly closing	Note 1	506,655	2.47	
TPKD		Investments accounted for using equity method	Purchase	504,068	0.52	45 days after monthly closing	Note 1	228,990	1.11	
TPKC		The same ultimate parent company	Sales	758,551	0.59	45 days after monthly closing	Note 1	-	-	
TPKS		The same ultimate parent company	Sales	206,874	0.16	45 days after monthly closing	Note 1	64,755	0.47	
MTOH	TPKD	Investments accounted for using equity method	Sales	1,280,506	0.99	45 days after monthly closing	Note 1	1,236,066	8.95	
	TPKG	The same ultimate parent company	Purchase	204,705	0.21	45 days after monthly closing	Note 1	30,229	0.15	
	TPKM	The same ultimate parent company	Purchase	320,874	0.33	45 days after monthly closing	Note 1	50,663	0.25	
	TPK HK	The same ultimate parent company	Sales	3,332,722	2.57	45 days after monthly closing	Note 1	506,655	3.67	

(Continued)

Company Name	Related Party	Relationship	Transaction Detail			Abnormal Transaction		Notes/Accounts Payable or Receivable		Note			
			Purchase/Sale	Amount (Note 2)	% to Total	Payment Terms	Unit Price	Payment Term	Ending Balance (Note 2)		% to Total		
TPKM	TPKG TPKG MTOH OTX	The same ultimate parent company The same ultimate parent company The same ultimate parent company The same ultimate parent company	Purchase	\$ 686,172	0.70	45 days after monthly closing	Note 1	Note 1	\$ 101,940	0.50			
			Sales	201,231	0.16	45 days after monthly closing	Note 1	Note 1	55,926	0.40			
			Sales	320,874	0.25	45 days after monthly closing	Note 1	Note 1	50,663	0.37			
			Sales	310,813	0.24	45 days after monthly closing	Note 1	Note 1	53,786	0.39			
TPKD	TPK HK TPK HK	The same ultimate parent company The same ultimate parent company	Sales	504,068	0.39	45 days after monthly closing	Note 1	Note 1	228,990	1.66			
			Purchase	1,280,506	1.31	45 days after monthly closing	Note 1	Note 1	1,236,066	6.02			
UYH	TPKJ	The same ultimate parent company	Sales	845,847	0.65	45 days after monthly closing	Note 1	Note 1	213,375	1.55			
OTX	TPKL RSO RST TPKG TPKM TPKJ TPKC TPKU	The same ultimate parent company The same ultimate parent company	Purchase	470,132	0.48	45 days after monthly closing	Note 1	Note 1	5,914	0.03			
			Purchase	224,637	0.23	45 days after monthly closing	Note 1	Note 1	60,502	0.29			
			Purchase	559,772	0.57	45 days after monthly closing	Note 1	Note 1	81,081	0.39			
			Purchase	1,050,290	1.07	45 days after monthly closing	Note 1	Note 1	54,300	0.26			
			Purchase	310,813	0.32	45 days after monthly closing	Note 1	Note 1	53,786	0.26			
			Purchase	102,416	0.10	45 days after monthly closing	Note 1	Note 1	10,557	0.05			
			Sales	7,382,642	5.70	45 days after monthly closing	Note 1	Note 1	1,260,903	9.13			
			Sales	110,717	0.09	45 days after monthly closing	Note 1	Note 1	14,183	0.10			
			TPKJ	UYH TPKC TPKS TPKG OTX Cando XM	The same ultimate parent company The same ultimate parent company The same ultimate parent company The same ultimate parent company The same ultimate parent company Investments accounted for using equity method of a subsidiary that is directly or indirectly held by the ultimate parent company	Purchase	845,847	0.87	45 days after monthly closing	Note 1	Note 1	213,375	1.04
						Sales	3,012,170	2.33	45 days after monthly closing	Note 1	Note 1	632,894	4.58
Sales	176,598	0.14				45 days after monthly closing	Note 1	Note 1	32,247	0.23			
Sales	172,540	0.13				45 days after monthly closing	Note 1	Note 1	44,370	0.32			
Sales	105,870	0.08				45 days after monthly closing	Note 1	Note 1	10,557	0.08			
Sales	141,890	0.11				60 days after monthly closing	Note 1	Note 1	118,864	0.86			

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 and Cando XM, intercompany balances and transactions were eliminated upon consolidation.

(Concluded)

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, 2014

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note)	Allowance for Impairment Loss
					Amount	Action Taken		
TPKT	TPKC	The same ultimate parent company	\$ 467,396	1.94	\$ 363,533	Enhance collection	\$ -	-
TPKC	TPKT TPK HK	The same ultimate parent company The same ultimate parent company	323,009 10,905,729	4.27 8.47	101 161,224	Enhance collection Enhance collection	132,267 6,672,489	- -
TPKS	TPKT TPK HK	The same ultimate parent company The same ultimate parent company	542,707 1,427,070	5.42 4.45	- 80,974	- Enhance collection	- 352,202	- -
RST	TPKC	The same ultimate parent company	257,629	6.32	-	-	201,728	-
TPKG	TPKC TPKM	The same ultimate parent company The same ultimate parent company	641,973 101,940	7.05 5.30	- -	- -	321,489 65,973	- -
TPK HK	TPKD	The same ultimate parent company	1,236,066	2.17	-	-	-	-
MTOH	TPK HK	The same ultimate parent company	506,655	6.28	3,178	Enhance collection	207,949	-
TPKD	TPK HK	The same ultimate parent company	228,990	4.61	-	-	1,898,296	-
UYH	TPKJ	The same ultimate parent company	213,375	6.05	-	-	86,479	-
OTX	TPKC	The same ultimate parent company	1,260,903	8.14	-	-	680,396	-
TPKJ	TPKC Cando XM	The same ultimate parent company Investments accounted for using equity method of a subsidiary that is directly or indirectly held by the ultimate parent company	632,894 118,864	3.94 1.80	- -	- -	288,979 414	- -
HSJP	TPKL	The same ultimate parent company	133,085	0.02	133,085	Enhance collection	-	-

Note: Amount received in subsequent period means the collection made by February 5, 2015.

TPK HOLDING CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2014		Carrying Amount (Note 2)	Net Income (Loss) of the Investee	Share of Profits (Loss) (Note 2)	Note
				December 31, 2014	December 31, 2013	Shares	Percentage of Ownership				
TPKH	Improve UYH TTI OTH RUSL	Samoa Samoa Samoa Singapore Hong Kong	Holding company Holding company and international trade International trade Holding company Holding company	\$ 4,826,309 6,236,316 13,825 1,650,642 10,708,398	\$ 4,826,309 6,236,316 13,825 1,650,642 10,708,398	152,490,000 196,250,000 500,000 31,000 338,338,000	100.00 100.00 100.00 100.00 100.00	\$ 5,219,439 35,628,130 1,080,370 2,977,150 15,529,878	\$ 170,885 (1,383,622) 955,034 264,053 723,317	170,885 (1,383,622) 955,034 225,705 723,317	Subsidiary Subsidiary Subsidiary Subsidiary Subsidiary
Improve	TPKA	Malaysia	Holding company	5,209,274	5,209,274	623,362	100.00	4,825,361			Sub-subsi-dary
OTH	TPKU	U.S.A.	International trade	151,920	151,920	Note 1	100.00	77,587			Sub-subsi-dary
RUSL	TPK HK	Hong Kong	Holding company and international trade	10,645,098	10,645,098	336,338,000	100.00	15,467,468			Sub-subsi-dary
TPK HK	Cando	Taiwan	Touch display research and manufacturing	6,126,619	6,126,619	77,124,591	19.78	1,011,978	(1,065,117)	(389,068)	Investments accounted for using equity method
	JIS TPKF HK CIM	Samoa Hong Kong Japan	Holding company Holding company Holding company	137,877 380,275 28,170	137,877 380,275 28,170	1,836,000 12,015,000 40,080	51.00 66.75 80.00	531,935 178,082 (8,830)			Sub-subsi-dary Sub-subsi-dary Sub-subsi-dary
TPKA	TPKT TCS	Taiwan Taiwan	Research, development and sales Chemically strengthened glass manufacturing and sales	3,450,198 350,087	3,450,198 350,087	50,100,000 33,000,000	100.00 55.00	3,508,002 308,643			Sub-subsi-dary Sub-subsi-dary
TPKT	NSI RSSL	Samoa Hong Kong	Holding company Holding company	6,330 421,262	6,330 421,262	200,000 13,310,000	100.00 100.00	31,334 732,858			Sub-subsi-dary Sub-subsi-dary
CIM	Hallys	Japan	Machinery manufacturing, wholesale and retail	112,371	116,372	12,812	85.58	112,018			Sub-subsi-dary
Hallys	Hallys HK	Hong Kong	Holding company and international trade	16,142	16,142	510,000	100.00	20,805			Sub-subsi-dary

Note 1: No shares since it is a limited liability no-shares company.

Note 2: Except for Cando, intercompany balances and transactions were eliminated upon consolidation.

Note 3: Please refer to Table 8 for information on investment in mainland China.

TABLE 8

TPK HOLDING CO., LTD. AND SUBSIDIARIES
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from January 1, 2014	Remittance of Funds		Accumulated Outward Remittance for Investment from December 31, 2014	Net Income (Loss) of the Investee	Percentage of Ownership (%)	Investment Income (Loss) Recognized (Note 3)	Carrying Amount as of December 31, 2014	Accumulated Repatriation of Investment Income as of December 31, 2014
					Outward	Inward						
TPKC	Touch modules research, development, manufacturing and sales	\$ 4,272,750	Direct investment	\$ -	\$ -	\$ -	\$ 1,524,050	100.00	\$ 1,524,050	\$ 32,662,397	\$ -	
TPKL	Optical glass processing and sales; machinery manufacturing, wholesale and retail	917,850	Direct investment	-	-	-	(1,969,511)	100.00	(1,969,511)	(749,017)	-	
TPKS	Touch modules, touch display and system research, development, manufacturing and sales	791,250	Direct investment	-	-	-	(672,706)	100.00	(672,706)	2,991,432	-	
RSO	Optical glass processing and sales	474,750	Direct investment	-	-	-	(71,952)	100.00	(71,952)	743,976	-	
RST	ITO glass research, development, manufacturing, processing and sales	3,481,273	Direct investment	-	-	-	(659,880)	100.00	(659,880)	8,279,870	-	
OTX	ITO glass research, development, manufacturing, processing and sales	1,107,750	Direct investment	-	-	-	352,970	100.00	352,970	2,076,360	-	
TPKG	Optical glass processing and sales	4,747,500	Direct investment	-	-	-	150,129	100.00	150,129	3,741,957	-	
MTOH	Touch modules research, development, manufacturing and sales	1,899,000	Direct investment	-	-	-	40,782	100.00	48,609	1,695,340	-	
TPKP	ITO glass research, development, manufacturing, processing and sales	4,747,500	Direct investment	-	-	-	19,828	100.00	19,828	4,682,248	-	
TPKM	Touch related electronic materials, electronic chemicals processing, manufacturing and research	110,775	Direct investment	-	-	-	92,345	100.00	92,345	189,054	-	
TPKMS	Trading business	2,573	Direct investment	-	-	-	(40)	100.00	(40)	2,544	-	
TPKD	Touch modules research, development, manufacturing and sales	2,057,250	Direct investment	-	-	-	(208,891)	100.00	(208,891)	1,839,253	-	
RSS	Touch modules research, development, manufacturing and sales	515,895	Indirect investment	420,945	-	-	(35,586)	100.00	(35,586)	749,562	-	
TPKJ	Protective film and optical adhesive manufacturing and sales	113,940	Indirect investment	-	-	-	877,324	51.00	447,381	559,502	-	
TPKF	Touch modules research, development, manufacturing and sales	458,925	Indirect investment	-	-	-	(227,455)	66.75	(151,960)	105,489	-	
HSXM	Sale of optical glass processing equipment and related parts	15,825	Indirect investment	-	-	-	5,125	68.46	3,509	14,200	-	
JSSX	Land development	794,162	Direct investment	-	-	-	(6,200)	100.00	(6,200)	789,530	-	

(Continued)

Accumulated Investment in Mainland China as of December 31, 2014	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on Investment
NT\$427,275	NT\$522,225	NT\$2,104,801 (Note 2)

Note 1: Calculated based on historical cost.

Note 2: The limit cannot exceed 60% of TPKT's net asset value.

Note 3: The investee company's financial report was audited by parent company's auditors.

(Concluded)

TPK HOLDING CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name (Note 2)	Counterparty (Note 2)	Relationship (Note 3)	Transactions Details			Percentage of Consolidated Total Gross Sales or Total Assets (Note 5)
				Financial Statements Account	Amount	Terms (Note 4)	
1	TPKH	UYH TPKC TPK HK Hallys	1 1 1 1	Loan to related party	\$ 4,924,740	-	3.22
				Loan to related party	1,582,500	-	1.04
				Loan to related party	2,772,375	-	1.82
				Loan to related party	181,449	-	0.12
2	UYH	TPKG TPKG TPK HK TPKJ TPKJ	3 3 3 3 3	Loan to related party	462,090	-	0.30
				Loan to related parties - long-term	7,766,910	-	5.09
				Loan to related party	3,350,469	-	2.19
				Sales	845,847	-	0.65
				Accounts receivable, net	213,375	-	0.14
3	TPKA	TPKC	3	Loan to related party	949,500	-	0.62
4	TPKT	TPKC TPKC TPKC TPKC TPKL TPKL TPKS TPKS TPKU TPKF	3 3 3 3 3 3 3 3 3 3	Sales	705,366	-	0.54
				Purchase	2,709,044	-	2.09
				Operating revenue	431,541	-	0.33
				Accounts payable	323,009	-	0.21
				Accounts receivable, net	467,396	-	0.31
				Sales	386,369	-	0.30
				Purchase	454,544	-	0.35
				Sales	699,917	-	0.54
				Purchase	2,041,865	-	1.58
				Accounts payable	542,707	-	0.36
				Sales	157,661	-	0.12
				Sales	228,071	-	0.18
				5	TPKC	TPKL TPKL TPKS RSO RST RST TPKG	3 3 3 3 3 3 3
Loan to related party	169,328	-	0.11				
Loan to related parties - long-term	474,750	-	0.31				
Purchase	130,676	-	0.10				
Purchase	601,504	-	0.46				
Loan to related parties - long-term	253,200	-	0.17				
Purchase	1,520,223	-	1.17				
Accounts payable	257,538	-	0.17				
Purchase	2,834,860	-	2.19				

(Continued)

No. (Note 1)	Company Name (Note 2)	Counterparty (Note 2)	Relationship (Note 3)	Transactions Details			Percentage of Consolidated Total Gross Sales or Total Assets (Note 5)								
				Financial Statements Account	Amount	Terms (Note 4)									
6	TPKL	OTX	3	Research and development expense	\$ 117,629	-	0.09								
				Accounts payable for equipment	641,973	-	0.42								
				Accrued expense	1,103,590	-	0.72								
				Sales	102,920,831	-	79.48								
				Purchase	758,551	-	0.59								
				Other current asset	229,756	-	0.15								
				Accounts receivable, net	10,905,729	-	7.14								
				Loan to related parties - long-term	372,414	-	0.24								
				Other current asset	1,930,794	-	1.26								
				Loan to related parties - long-term	1,112,069	-	0.73								
				Purchase	7,349,862	-	5.68								
				Loan to related party	443,100	-	0.29								
				Accounts payable	1,255,856	-	0.82								
				Purchase	2,973,734	-	2.30								
Accounts payable	632,894	-	0.41												
Loan to related party	768,654	-	0.50												
7	TPKS	RST	3	Sales	470,132	-	0.36								
				Purchase	668,745	-	0.52								
				Purchase	206,874	-	0.16								
				Sales	7,309,382	-	5.64								
				Accounts receivable, net	1,427,070	-	0.93								
				Purchase	172,896	-	0.13								
				Purchase	130,603	-	0.10								
				Sales	370,303	-	0.29								
				Sales	226,370	-	0.17								
				Sales	554,757	-	0.43								
				Purchase	243,215	-	0.19								
				Loan to related parties - long-term	205,725	-	0.13								
				Sales	559,772	-	0.43								
				Sales	2,146,918	-	1.66								
8	RST	MTOH	3	Sales	204,908	-	0.16								
				Sales	686,172	-	0.53								
				Purchase	201,231	-	0.16								
				Sales	1,050,437	-	0.81								
				Other current asset	172,044	-	0.11								
				Purchase	172,540	-	0.13								
				Purchase	3,332,722	-	2.57								
				Loan to related parties - long-term	930,890	-	0.61								
				Accounts payable	506,655	-	0.33								
				Loan to related parties - long-term	2,482,373	-	1.63								
				9	RST	MTOH	3	Purchase	3,332,722	-	2.57				
								Loan to related parties - long-term	930,890	-	0.61				
								Accounts payable	506,655	-	0.33				
								Loan to related parties - long-term	2,482,373	-	1.63				
11	TPKG	MTOH	3					Purchase	3,332,722	-	2.57				
								Loan to related parties - long-term	930,890	-	0.61				
								Accounts payable	506,655	-	0.33				
								Loan to related parties - long-term	2,482,373	-	1.63				
								12	TPKH	MTOH	3	Purchase	3,332,722	-	2.57
												Loan to related parties - long-term	930,890	-	0.61
												Accounts payable	506,655	-	0.33
												Loan to related parties - long-term	2,482,373	-	1.63

(Continued)

No. (Note 1)	Company Name (Note 2)	Counterparty (Note 2)	Relationship (Note 3)	Transactions Details			Percentage of Consolidated Total Gross Sales or Total Assets (Note 5)
				Financial Statements Account	Amount	Terms (Note 4)	
		TPKD	3	Sales	\$ 1,280,506	-	0.99
		TPKD	3	Purchase	504,068	-	0.39
		TPKD	3	Accounts payable	228,990	-	0.15
		TPKD	3	Accounts receivable, net	1,236,066	-	0.81
		OTX	3	Other current asset	416,263	-	0.27
13	MTOH	TPKM	3	Purchase	320,874	-	0.25
14	TPKP	Hallys	3	Prepayment for purchase	166,445	-	0.11
15	TPKM	OTX	3	Sales	310,813	-	0.24
16	OTX	OTH	3	Accrued expense	992,121	-	0.65
17	TPKJ	JJS	3	Accrued expense	1,721,057	-	1.13

Note 1: No. 1 represents parent company; other numbers represent subsidiaries.

Note 2: The company name and counterparty are listed in Note 4 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.

Note 6: Intercompany balances and transactions were eliminated upon consolidation.

(Concluded)

APPENDIX 1

THE SECURITIES MARKET OF THE ROC

The information presented in this section has been extracted from publicly available documents that have not been prepared or independently verified by us, the Initial Purchasers or any of our respective affiliates or advisors in connection with this offering.

In September 1960, the ROC government established the ROC Securities and Exchange Commission to supervise and control all aspects of the existing domestic securities market and the TWSE began to take shape soon thereafter. In the 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 listing on the TWSE and establishing an over-the-counter securities exchange. 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. Effective July 1, 2004, the ROC Securities and Futures Commission has been renamed the ROC Securities and Futures Bureau of the FSC (the “SFB”), and its supervisory authority has been transferred from the MOF to the FSC.

Taiwan Stock Exchange

In 1961, the SFB established the TWSE to provide a marketplace for securities trading. The TWSE is a corporation owned by government-controlled and private banks and enterprises. The TWSE is independent of the entities transacting business through it, each of which pays to the TWSE a user’s fee. Subject to limited exceptions, all transactions in listed securities by brokers, traders and integrated securities firms (firms which are permitted to combine the activities of brokerage trading and underwriting), must be made through the TWSE.

The TWSE commenced operations in 1962. During the early 1980s, the SFB actively encouraged new listings on the TWSE and the number of listed companies has grown from 119 in 1983 to 820 as of December 31, 2014. As of December 31, 2014, the market capitalization of companies listed on the TWSE was approximately NT\$26.9 trillion.

Historically, ROC companies have listed only shares and bonds on the TWSE. However, the SFB has encouraged companies to list other types of securities. In 1988, the MOF permitted the issuance of ROC’s first exchangeable bonds. Since 1989, there have been offerings of domestic convertible bonds and convertible preferred shares. In addition, beneficiary units evidencing beneficiary interests in closed-end investment funds and bonds issued by super-national financial institutions are also listed on the TWSE or traded on the TPEx (which is discussed below). The FSC also has promulgated regulations which permit foreign issuers to list certain securities on the TWSE.

The TWSE considers the following factors when evaluating a company for listing:

- the number and distribution of shareholders, including the diversification of such shareholders;
- length of time in business;
- amount of paid-in capital; and
- profitability.

However, special listing criteria apply to technology companies and key businesses that are engaged in the national economic development.

Taipei Exchange

To complement the TWSE, Taipei Exchange (the “TPEX”, formerly known as GreTai Securities Market) was established in September 1982 on the initiative of the SFB to encourage the trading of securities of companies that do not qualify for listing on the TWSE. As of December 31, 2014, 669 companies had listed equity securities on the TPEX and the total market capitalization of those companies was NT\$2.7 trillion.

Price Limits, Commissions, Transaction Tax and Other Matters

The TWSE has placed limits on block trading and on the range of daily price movements. According to the TWSE’s block trading guidelines, transactions in one class of securities that involve 500 or more trading lots or trading amounts exceeding NT\$15 million, and transactions involving five or more different classes of securities and trading amounts exceeding NT\$15 million must be registered and executed in accordance with the guidelines. Fluctuations in the price of stock traded on the TWSE are currently subject to a restriction of 7% above and below the previous day closing price (or reference price set by the TWSE if the previous day closing price is not available because of lack of trading activity). However, these restrictions have been modified from time to time by the FSC based on market conditions. The FSC has announced that limitations on price fluctuations may be relaxed with a view to eventually abolish all share price fluctuation controls. Brokerage commission can be set at any rate of the transaction price, provided that any rate exceeding 0.1425% shall be reported to the TWSE and notified to the client in advance. A STT, currently levied at 0.3% of the transaction price for sale of shares, is payable by the seller and withheld at the time of the transaction giving rise to such tax. In addition, no STT will be imposed on the transfer of corporate bonds and financial debentures for seven years starting from January 1, 2010. Sales of shares of companies listed on the TWSE are currently sold in round lots of 1,000 shares. Investors who desire to sell less than 1,000 shares of a listed company occasionally experience delays in effecting such sales.

Regulation and Supervision

The FSC has extensive regulatory authority over public companies. Public companies are generally required to obtain the deemed approval from 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 establishes standards for financial reporting and carries out licensing and supervision of participants in the ROC securities market.

The FSC has responsibility for implementing ROC Securities and Exchange Law and for overall administration of governmental policies in the ROC securities market. It has extensive regulatory authority over the offering, issuance and trading of securities. In addition, ROC Securities and Exchange Law specifically empowers the FSC to promulgate necessary rules. ROC Securities and Exchange Law prohibits market manipulation. For example, it permits an issuer to recover short-swing trading profits made through purchases and sales within six months by directors, managerial personnel, supervisors, as well as the spouses, minor children and nominees of these parties, and shareholders (together with their spouses, minor children and nominees) who hold more than 10% of the shares of the issuer. ROC Securities and Exchange Law prohibits trading by “insiders” based on non-public information that materially affects share price movement prior to publication of such information and within 18 hours after publication of such information. “Insiders” include:

- directors, supervisors, managers, as well as the spouses, minor children and nominees of these parties, and shareholders (together with their spouses, minor children and nominees) who hold more than 10% of the issuing company’s shares and any individual designated by a governmental or corporate director or supervisor to act on its behalf;

- any person who has learned material, non-public information due to an occupational or controlling relationship with the issuing company;
- any person who has discharged from the status or position in the first and second bullet points for not more than six months; and
- any person who has learned material, non-public information from any of the above.

Sanctions include imprisonment. In addition, damages may be awarded to persons injured by the transaction. ROC Securities and Exchange 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 documents related to securities transactions. The FSC regulations require that financial reports of listed companies be audited by accounting firms consisting of at least three certified public accountants and be signed by at least two certified public accountants.

In addition, ROC Securities and Exchange Law provides for civil liability for material misstatements or omissions made by issuers and regulation of tender offers. The FSC does not have criminal or civil enforcement powers under ROC Securities and Exchange Law. Criminal actions may be pursued only by government prosecutors. Civil actions may only be brought by plaintiffs who assert that they have suffered damages. The FSC is empowered to curb abuses and violations of laws and regulations only through administrative measures including:

- issuance of warnings;
- temporary suspension of operation;
- imposition of administrative fines; and
- revocation of licenses.

In addition to providing a market for securities trading, the TWSE reviews applications by ROC issuers to list securities on the TWSE. If issuers of listed securities violate laws and regulations or encounter significant difficulties, the TWSE may, with the approval of the FSC, 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 ROC 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.

ISSUER

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