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Wistron Corporation

(Incorporated as a company limited by shares in Taiwan, Republic of China)

U.S.$180,000,000
Zero Coupon Convertible Notes due 2015
(with an option for the issue of up to U.S.$100,000,000
Zero Coupon Convertible Bonds due 2015)

We are offering U.S.$180,000,000 aggregate principal amount of Zero Coupon Convertible Notes due 2015 (the "Notes").

The Notes constitute direct, unconditional, unsubordinated and, subject to the negative pledge in the Indenture governing the Notes, unsecured obligations of our company and shall at all times rank *pari passu* and without any preference or priority among themselves and, subject to the negative pledge in the Indenture, rank at least *pari passu* in priority of payment, with all other present and future direct, unconditional, unsubordinated and unsecured obligations of our company, except any obligation preferred by mandatory provisions of law. The Notes will be issued in fully registered form, without interest coupons, in the denomination of U.S.$200,000 each and any integral multiple thereof.

Unless previously converted, redeemed or repurchased and cancelled, the Notes may be converted into common shares of our company of par value NT$10 each (the "Shares") at the option of the holders of the Notes (the "Noteholders") at any time during the period from and including February 19, 2012 to and prior to the close of business on January 8, 2015 except during any Closed Period (as defined herein). The conversion price (subject to adjustment in certain circumstances, as described herein) (the "Conversion Price") will initially be NT$49.30 per share. See "Description of the Notes – Conversion."

Unless the Notes have been previously redeemed, repurchased and cancelled or converted, we will redeem the Notes at 104.59% of their principal amount in U.S. dollars on January 19, 2015 (the "Maturity Date"). At any time on or after July 19, 2013 but not less than 11 days prior to the Maturity Date, we may, having given not less than 30 nor more than 60 days' notice to the Noteholders, redeem the Notes in whole or in part (being U.S.$200,000 in principal amount or an integral multiple thereof) at their Early Redemption Amount (as defined herein), on the date fixed for redemption, provided that no such redemption may be made unless the average Closing Price (as defined herein) of the Shares, translated into U.S. Dollars at the Prevailing Rate (as defined herein), for the 20 consecutive Trading Days (as defined herein) immediately prior to the date upon which notice of such redemption is given pursuant to Section 7(H) and 14 of the Description of the Notes, was at least 120% of the applicable Early Redemption Amount divided by the Conversion Ratio (as defined herein) applicable on each such Trading Day. In addition, at any time, we may, having given not less than 30 nor more than 60 days' notice to the Noteholders, redeem the Notes in whole or in part, at their Early Redemption Amount if (a) at least 90% in principal amount of the Notes originally issued has already been redeemed, repurchased and cancelled or converted and (b) the applicable redemption date does not fall within a Closed Period. Additionally, we may redeem the Notes in whole, but not in part, at their Early Redemption Amount upon the occurrence of certain changes in applicable tax laws. See "Description of the Notes – Redemption, repurchase and cancellation – Redemption at the Option of the Company" and "Description of the Notes – Redemption, repurchase and cancellation – Redemption for taxation reasons."

Each Noteholder has the right to require us to redeem the Notes in whole, or in part being U.S.$200,000 in principal amount or an integral multiple thereof, at their Early Redemption Amount in the event of (a) the Shares ceasing to be listed or admitted to trading, or the trading of which is suspended for a period of more than 30 consecutive trading days, on the Taiwan Stock Exchange (the "TWSE"), or (b) a Change of Control (as defined herein) with respect to our company. See "Description of the Notes – Redemption, repurchase and cancellation – Redemption of the Notes in the event of Change of Control" and "Description of the Notes – Redemption, repurchase and cancellation – Redemption of the Notes upon a Delisting."

We have granted the Joint Global Coordinators an option, which may be exercised by the Joint Global Coordinators (on behalf of the Purchasers) in whole or in part and on one or more occasions at any time before 9:00 a.m. (New York time) on January 31, 2012, to subscribe for up to an additional U.S.$100,000,000 in aggregate principal amount of Notes (the "Optional Notes"). Unless the context otherwise requires, references to the "Notes" in this Offering Circular include any Optional Notes issued by us pursuant to the exercise of the option by the Joint Global Coordinators.

The Shares are listed on the TWSE under stock code "3231" and are subject to certain restrictions on trading imposed by the rules and regulations of the TWSE. On January 12, 2012, the closing price of the Shares on the TWSE was NT$41.15.

Approval-in-principle has been received for the listing of the Notes on Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST takes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Circular. Admission of the Notes to the SGX-ST is not to be taken as an indication of the merits of our company or the Notes.

INVESTING IN THE NOTES INVOLVES SIGNIFICANT RISKS THAT ARE DESCRIBED IN "RISK FACTORS" BEGINNING ON PAGE 13 OF THIS OFFERING CIRCULAR.

Issue Price: 100%

The Notes and the Shares issuable upon conversion of the Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or other securities laws. The Notes and the Shares issuable upon conversion of the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only outside the United States in compliance with Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Notes and the Shares issuable upon conversion of the Notes, and the distribution of this Offering Circular, see "Plan of distribution."

The Notes shall initially be represented by a global certificate (the "Global Certificate"), and only under the limited circumstances described in the Global Certificate and the Indenture shall definitive note certificates (each a "Definitive Certificate") be issued to Noteholders in respect of their individual registered holdings. The Global Certificate will be deposited with, and registered in the name of a nominee of, the common depositary of Euroclear Bank S.A./N.V ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream"). The Notes are not issuable in bearer form. Delivery of the Notes in book-entry form will be made on or about January 19, 2012.

Joint Global Coordinators
(in alphabetical order)

DBS Bank Ltd. **Deutsche Bank** **UBS**

Joint Bookrunners

DBS Bank Ltd. **Deutsche Bank** **UBS** **Standard Chartered Bank**

BofA Merrill Lynch **Citigroup** **Barclays Capital**

Co-Bookrunners

HSBC **Mizuho International plc**

Joint Lead Manager

ANZ

Co-Managers

Yuanta **Crédit Agricole Corporate and Investment Bank**

Grand Cathay Securities Corp. **Macquarie**

Offering Circular dated January 12, 2012

We accept full responsibility for the information contained in this document (the "Offering Circular") and, having made all reasonable enquiries, confirm that this Offering Circular contains all information with respect to us (including our subsidiaries), the Notes and the Shares which is material in the context of the issue and offering of the Notes. The statements contained in this Offering Circular relating to us and our subsidiaries and associated companies (collectively, the "Group"), the Notes and the Shares are, in every material respect, true and accurate and not misleading. The opinions and intentions expressed in this Offering Circular with regard to the Notes and the Shares are honestly held, have been reached after considering all relevant circumstances, are based on information presently available to us and are based on reasonable assumptions. There are no other facts in relation to the Group, the Notes or the Shares, the omission of which would, in the context of the issue and the offering of the Notes, make any statement in this Offering Circular misleading in any material respect. Further, we have made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements. Where information contained in this Offering Circular includes extracts from summaries of information and data from various published and private sources, we accept responsibility for accurately reproducing such summaries and data.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of DBS Bank Ltd., Deutsche Bank AG, Hong Kong Branch and UBS AG, Hong Kong Branch (together the "Joint Global Coordinators") and the other initial purchasers named in the section entitled "Plan of distribution" (together with the Joint Global Coordinators, the "Purchasers"), our company, the Trustee (as defined herein) or the Agents (as defined herein), to subscribe for or purchase any of the Notes. The Notes are offered in reliance upon certain exemptions from the registration requirements under the Securities Act for an offer and sale of securities that does not involve a public offering in the United States. The distribution of this Offering Circular and the offering of the Notes in certain other jurisdictions may be restricted by law. This Offering Circular is personal to you and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes. In making a purchase of the Notes, you will be deemed to have made the acknowledgments, representations and agreements provided in the section of this offering circular entitled "Plan of distribution."

Neither the Purchasers, the Trustee nor any Agent has separately verified the information contained in this Offering Circular (financial, legal or otherwise). Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted, by the Purchasers, the Trustee or any Agent, as to the accuracy or completeness of the information contained in this Offering Circular or any other information supplied in connection with the Notes and the Shares and each of the Purchasers disclaims any and all liability to the fullest extent permitted by law, whether arising in tort or contract or otherwise, in connection with this Offering Circular or any such information.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Purchasers, the Trustee or any Agent nor on any person affiliated with the Purchasers, the Trustee or any Agent in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of our company and the merits and risks involved in investing in the Notes. Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and determine whether it is legally able to purchase the Notes under applicable laws or regulations.

No person is authorized to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorized by or on behalf of us, the Purchasers, the Trustee or the Agents. The delivery of this Offering Circular at any time does not imply that the information contained in it is correct as of any time subsequent to its date.

This Offering Circular has been prepared by us solely for use in connection with the proposed offering of the Notes described in this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes. Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized, and any disclosure or any of its contents, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

IN CONNECTION WITH THE ISSUE OF THE NOTES, DBS BANK LTD., DEUTSCHE BANK AG, HONG KONG BRANCH AND UBS AG, HONG KONG BRANCH AS THE STABILIZING MANAGERS (THE "STABILIZING MANAGERS") OR ANY PERSON ACTING ON THEIR BEHALF MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND RULES, OVER-ALLOT THE NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGERS (OR ANY PERSONS ACTING ON THEIR BEHALF) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

CERTAIN DEFINITIONS, CONVENTIONS AND GENERAL INFORMATION

Except where the context otherwise requires, in this Offering Circular all references to "we," "us," "the Company" or "our company" are to Wistron Corporation itself or to Wistron Corporation and its subsidiaries and affiliates, as the context requires. Additionally, in this Offering Circular "ROC" or "Taiwan" refers to the island of Taiwan and other areas under the effective control of the Republic of China, "PRC" or "China" refers to the People's Republic of China and does not include Hong Kong, Macau and Taiwan, the "ROC Company Act" refers to the Company Act of the ROC, "SFB" or "Securities and Futures Bureau" refers to the ROC Securities and Futures Bureau, Financial Supervisory Commission, or its predecessor, the Securities and Futures Commission, "FSC" refers to the ROC Financial Supervisory Commission and "MOEA" refers to the Ministry of Economic Affairs of the ROC.

We have prepared the audited consolidated financial statements as of and for the years ended December 31, 2008, 2009 and 2010 and the unaudited consolidated financial statements for the nine months ended September 30, 2011 and 2010, contained in this Offering Circular. These financial statements were prepared in conformity with ROC GAAP, which differ in certain material respects from U.S. GAAP. See "Summary of certain significant differences between ROC GAAP and U.S. GAAP."

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

Unless otherwise specified or the context requires, references to "United States dollars," "U.S. dollars" and "U.S.$" are to the lawful currency of the United States of America, references to "New Taiwan dollars," "NT dollars" and "NT$" are to the lawful currency of the ROC, references to "Euro" or "€" are to the lawful currency of the European Union, references to "RMB" and "Renminbi" are to the lawful currency of the PRC and references to "Japanese yen" and "JPY" are to the lawful currency of Japan. Unless otherwise specified, where our financial information has been translated into U.S. dollars, it has been so translated, for convenience only, at the exchange rate of NT$30.45 = U.S.$1.00 (the noon buying rate as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate") on September 30, 2011). Effective January 1, 2009, the Federal Reserve Board discontinued publication of its daily Noon Buying Rate update and now publishes the Noon Buying Rate data from the previous week on a weekly basis. All amounts translated into U.S. dollars as described above are provided solely for the convenience of the reader, and no representation is made that the NT dollar or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or NT dollars, as the case may be, at any particular rate or at all. See "Exchange rates."

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

All non-company specific average selling prices, production volumes, sales volumes, growth projections and other statistics relating to the information technology and consumer electronics industry or our position within such industry have been extracted or derived from publicly available industry reports published by Gartner, which is an industry reporting service that obtains market data from, and sells market reports to, information technology and consumer electronics product manufacturers, their suppliers and customers and other industry observers. References to specific reports published by Gartner are provided for the convenience of the reader, and such reports are not incorporated by reference into this Offering Circular. See "Our industry." Historical results in these reports are based on data provided by market participants and may not have been independently verified. We have not independently verified the contents of these reports and take responsibility only for their accurate extraction.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements under "Summary," "Risk factors" and "Our business" and elsewhere in this Offering Circular constitute forward-looking statements. All statements other than statements of historical facts included in this Offering Circular, including, without limitation, those regarding our sales, costs and expenses, profitability and anticipated capital expenditure in future periods, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to our products) and expected growth in consumer demand and other industry trends are forward-looking statements. You can identify some, but not all, of these forward-looking statements by terms such as "expects," "plans," "intends," "believes," "estimates," "may," "will," "should," "would" and "could."

Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results or performance, or industry results to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future.

Important factors that could cause our actual results or performance to differ materially from those in the forward-looking statements include, among others:

- changes in currency exchange rates;
- changes in market prices for our products;
- changes in technology;
- changes in supply and demand;
- changes in political, social and economic conditions in the ROC, the PRC, the Philippines, Mexico and the Czech Republic;
- changes in competitive conditions;
- changes in the availability or prices of raw materials and components; and
- changes in generally accepted accounting principles adopted in the ROC.

Additional factors that could cause actual results or performance to differ materially include, but are not limited to, those discussed in "Risk factors." These forward-looking statements speak only as of the date of this Offering Circular. We expressly disclaim any obligation or undertaking to release publicly updates or revisions to any forward-looking statement contained herein to reflect any change in our expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

ENFORCEABILITY OF FOREIGN JUDGMENTS IN THE ROC

We are a company limited by shares and incorporated under the Company Law of the ROC. Most of our directors, executive officers and certain other parties named in this Offering Circular are residents of the ROC, and substantially all of our assets and such persons are located in the ROC. As a result, it may be difficult for investors to effect service of process upon us or such persons inside the ROC, or to enforce judgments obtained outside the ROC against us or those other persons in the ROC, including those predicated upon the civil liability provisions of the securities laws of the United States or any State or territory within the United States. We have been advised by Tsar & Tsai, our legal advisor in the ROC, that any final judgment obtained against us or such persons 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 Notes or the Shares issuable upon conversion of the Notes 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 that:

- the court rendering the judgment had jurisdiction over the subject matter according to the laws of the ROC;
- the judgment and the court procedure resulting in the judgment were 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, either (i) we or such persons 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 or such persons with judicial assistance of the ROC;
- judgments of the courts of the ROC would be recognized and enforceable in the jurisdiction of the court rendering the judgment on a reciprocal basis; and
- the judgment is a final judgment for which the period for appeal has expired or from which no appeal can be taken.

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) ("CBC") for the remittance out of the ROC of any amounts recovered in respect of that judgment which are denominated in a currency other than NT dollars.

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SUMMARY

The following summary is qualified in its entirety by, and is subject to, the more detailed information and our consolidated financial statements and notes thereto, included in this Offering Circular. For a discussion of certain factors that should be considered in connection with an investment in the Notes, see "Risk factors" beginning on page 13.

OVERVIEW

We are a leading ODM and service company that focuses on providing leading OEMs in the global technology industry with quality and effective end-to-end services from initial product conceptualization and product development to volume manufacturing and after-sales services. Our key customers include Acer, Dell, Fujitsu, HP, IBM, Lenovo, RIM and Sony, and we provide our customers with sophisticated and comprehensive design and system integration capabilities, reliable and cost-effective production and logistics support and quality product development and after-sales services. Our product portfolio covers a wide range of technology products including notebook PCs, mobile communication products, server and storage systems, desktop PCs, LCD TVs, LCD monitors and other consumer electronics. We have successfully diversified our portfolio, with sales of notebook PCs as a percentage of consolidated net revenues decreasing from 77.6% in 2008 to 66.9% in 2010 even as the number of units produced increased from 21.0 million units to 27.5 million units. Sales of notebook PCs as a percentage of consolidated net revenues also decreased from 67.5% in the nine months ended September 30, 2010 to 64.6% in the nine months ended September 30, 2011, while the number of units produced increased from 20.1 million units to 22.1 million units. We believe that we are one of the largest manufacturers of notebook PCs in the world in terms of global shipment volumes and a leading manufacturer of server and storage systems and LCD TVs.

As a leading ODM, we sell all of our products to prominent vendors who distribute these products under their own brands. We view our customers as our partners and typically work closely with them to develop existing and new products.

We manage our operations on a day-to-day basis through strategic business groups organized by our major products and services categories. Each strategic business group has its own focused group of products and customers, as well as dedicated personnel and manufacturing facilities to handle end-to-end responsibilities for its own customers, products and services. We believe this "end-to-end" approach allows us to focus better on customer and profit-oriented R&D, cost management, production efficiency and individual customer needs, which we believe enhances long-term business performance and customer loyalty. We manage other aspects of our business, such as company-wide strategy planning, finance, investment, human resources, information systems and legal compliance, on a centralized basis to take advantage of economies of scale and other synergies. As a result, we have successfully improved our market share in new products such as LCD TVs and mobile communications products.

As of September 30, 2011, we employed over 60,000 personnel worldwide, located in North America, Europe and Asia in various design, manufacturing, R&D and after-sales services centers. Our manufacturing facilities are located in the PRC, Taiwan, Mexico and the Czech Republic, and we maintain logistics facilities comprising more than 64 logistics hubs worldwide, close to the facilities of our customers in the United States, Europe and Asia. In addition, we maintain 14 after-sales services centers worldwide. Our after-sales service partner network spans three continents in countries such as the United States, Brazil, Canada, the Netherlands, the Czech Republic, the PRC, Taiwan, Singapore, Hong Kong, Japan, Turkey, Mexico and India. Our network of manufacturing facilities, customer services centers and logistics facilities provides us with a global presence which allows our customers worldwide to work closely with us from the design and development stages to the manufacturing, distribution and after-sales services stages. Our operations network also permits us to undertake simultaneous multi-location manufacturing and to arrange timely delivery to our customers or other end-users anywhere worldwide, often with cost savings on transportation and tariffs.

For the nine months ended September 30, 2011, we had consolidated net revenues of NT$463,111.5 million (U.S.$15,208.9 million) and consolidated net income of NT$6,703.1 million (U.S.$220.1 million) compared to NT$454,412.6 million and NT$8,922.8 million, respectively, for the nine months ended September 30, 2010. For the year ended December 31, 2010, we had consolidated net revenues of NT$615,184.8 million (U.S.$20,203.1 million) and consolidated net income of NT$12,040.2 million (U.S.$395.4 million) compared to NT$546,665.7 million and NT$9,171.1 million, respectively, for the year ended December 31, 2009 and NT$445,117.7 million and NT$6,898.4 million, respectively, for the year ended December 31, 2008.

On September 30, 2011, our market capitalization was NT$72,867 million based on the closing price of our Shares on the TWSE of NT$34.95 per share on the same date.

CORPORATE INFORMATION

Our registered office is located at No. 5 Hsin-An Road, Hsinchu Science-Based Industrial Park, Taiwan, ROC, and our principal executive offices are located at No. 158 SingShan Road, Neihu, Taipei, Taiwan, ROC and No. 88, Sec. 1, Hsin Tai Wu Road, Hsichih, New Taipei City 221, Taiwan, ROC.

Our Shares have been listed on the TWSE since August 19, 2003. Our global depositary shares ("GDSs") have been listed on the Euro MTF market of the Luxembourg Stock Exchange since September 22, 2005. See "The securities markets in the ROC – The Taiwan Stock Exchange."

HISTORY

We were incorporated on May 30, 2001 as a company limited by shares under the ROC Company Act as an independent legal entity separate from Acer. Until the separation from Acer, we operated as the DMS division of Acer.

After our incorporation, Acer gradually transferred its DMS business and certain related investments to us. The reorganization was completed on February 28, 2002, when Acer transferred all the relevant assets and liabilities to us.

As of August 30, 2011, Acer and its subsidiaries and affiliates (the "Acer Group") owned 2.08% of Wistron's outstanding shares. As Acer is no longer the single largest shareholder of Wistron, our business and operations are independent from those of Acer, and we enjoy autonomy in our strategic planning and business operations.

RECENT DEVELOPMENTS

On January 4, 2012, we announced unaudited consolidated net revenues for the twelve months ended December 31, 2011 of NT$658,242.1 million.

BUSINESS ORGANIZATION

We organize our operations into four strategic business groups – Mobile Business Group ("MBG"), Digital Consumer Business Group ("DBG"), Enterprise Business Group ("EBG") and Service Business Group ("SBG") – in order to better allocate our resources and further enhance our production efficiency and overall business performance. Each of these business groups focuses on a clearly delineated product, customer and service portfolio.

Each strategic business group has been allocated its own focused group of products and customers, as well as dedicated personnel and manufacturing facilities, and accounts for its own profits and losses. Each group has end-to-end responsibilities for its own customers, products and services which include business origination, marketing, account planning, R&D, product design and development, component sourcing, mass production, delivery and logistics support, customer services, billings, collection of receivables, realization of profits and financial reporting. This result-oriented scheme aims at instilling each business group with a sense of ownership to track its business performance, delineating clearly the responsibilities among the business groups and creating clear strategic focus for each business group in terms of product offerings and customer services. We manage other aspects of our business, such as company-wide strategy planning, finance, investment, human resources, information systems and legal compliance on a centralized basis to take advantage of economies of scale and other synergies.

OUR STRENGTHS

Our key strengths are as follows:

Leading market positions in target product markets

We believe we are leaders across our target markets – mobile consumer products (notebook PCs and handhelds), digital consumer products (desktop PCs, LCD TV and monitors) and enterprise products (servers and storage systems). We believe that we consistently rank among the three largest companies in the notebook PC ODM industry globally in terms of shipment volumes. Our design and manufacturing expertise, together with our strong customer relationships, has resulted in increased orders for notebook PCs over the past several years. In addition to notebook PCs, due to our focus on diversification of our product line, we have a strong market presence in mobile products such as rugged handheld devices, digital consumer products such as thin client computers and LCD TVs and enterprise products such as server systems. We have been successful in increasing the overall scale of our business and establishing leading market positions in key target product markets because of our strong design capabilities and customer relationships. A larger business scale helps to further strengthen our position as it improves operational efficiency and allows us to focus on innovation and performance, which contributes to increased orders from existing customers and opportunities for new customer relationships. Over the years, we have received numerous awards recognizing our market position and strengths in innovation.

Strong partnerships with a diverse top-tier OEM customer base across multiple products

We have established and will continue to strengthen our long-standing relationships with top-tier global OEM leaders across product segments. As an ODM, we do not sell any products under our own brand in order not to compete with our customers. We view our customers as partners and seek to provide them with quality end-to-end solutions. Over the years, we have successfully diversified our customer mix. Our strong relationships with top-tier customers extend across multiple products that allow for further diversification of our revenue streams. Our major customers include Acer, Dell, Fujitsu, HP, IBM, Lenovo, RIM and Sony, most of which are worldwide OEM leaders in one or more product categories offered by us. Our notebook PC customers include top branded notebook PC vendors such as Acer, Dell, HP and Lenovo. Our digital consumer customers include conglomerates such as Sony, as well as OEMs like Acer, Dell, HP and Lenovo. Our enterprise solution customers include top-tier global server and storage vendors including Dell, HP and IBM. We believe that by broadening our customer portfolio, we are able to reduce our reliance on just a few customers for our revenue streams. Our strong and diverse customer base has not only been instrumental to our success to date, but also will be a strong driver of our future growth as OEM leaders expand their respective market shares and develop new products.

Value-added innovation capabilities and customer-focused service platform

We provide our OEM clients with end-to-end design, manufacturing and after-sales service solutions. Our capabilities include providing R&D support throughout a customer's engagement in order to provide innovative and value-added products and services, including customized software products. This customer-focused service platform provides "one-stop-shopping" convenience with the added capability of selling innovative and market relevant products.

Being a leading innovator amongst ODMs is important to our strategy. With the advent of touch screen PCs and handhelds, and 3-D televisions and monitors, we believe that display centric products will present new ODM opportunities, either by addition of new features to existing products or through new product development. Our ability to innovate has positioned us well to benefit from strong growth of display centric products going forward. We employ approximately 5,100 engineers in the R&D division, and as of September 30, 2011, we owned approximately 2,100 patents, of which approximately 280 patents were co-owned with Acer, relating primarily to systems integration and mechanical designs. This strong R&D track record has significantly enhanced our display capabilities.

Our after-sales services differ from those undertaken by our competitors, as we provide system repair and component repair both for products manufactured by us, as well as by other manufacturers. We believe that top-tier OEMs will continue to engage us because we have the necessary technology, R&D resources, production capacity and skills and experience to (i) collaborate with them in improving current and developing new product designs; (ii) offer them the maximum flexibility and rapid and reliable shipments; and (iii) provide them with reliable, high-quality products and responsive support services at competitive prices.

Seasoned management team with proven track record

We believe we have a highly experienced senior management team with a demonstrated track record of successfully managing the business. Our CEO and most of our senior managers have been with the company since its inception and have strongly contributed to the growth and transformation of our business since then. Over the last three years, our consolidated net revenues grew by a compounded average growth rate of 17.7% while our consolidated operating income as a percentage of consolidated net revenues increased from 1.9% in 2008 to 2.2% in 2010 and decreased slightly to 1.6% in the nine months ended September 30, 2011. We were able to grow our business and remain profitable in both 2008 and 2009 at a time when the overall industry shrunk in the aftermath of the financial crisis and many of our competitors suffered losses. This was possible due to our management's foresight in developing our diversification strategy to expand into new market segments with more attractive growth and margin prospects as well as their implementation of a strong operational focus and execution discipline.

OUR STRATEGY

Key elements of our strategy are as follows:

Expand our capabilities vertically as we evolve into a technology solution provider for our customers

We plan to expand our capabilities both upstream and downstream to enhance the depth of our technology and service engagement with our customers and provide them with total technology solutions, as opposed to discrete hardware design and manufacturing services.

Upstream, we intend to develop our component capabilities in key areas such as casings and displays by forming partnerships and collaborating with established industry leaders. For example, we have set up joint ventures with AU Optronics for the production of TFT-LCD modules and with Juteng for the production of notebook casings. Both JVs are located near our production facilities. We have also made a direct strategic investment in Global Lighting, which produces LED chips that can be used in display backlight units. We believe these partnerships: (i) enable us to have better control over supply of key components; (ii) will help improve our profitability by reducing transportation costs and simplifying supply chain logistics; and (iii) will provide us expertise in component technology which can be cross-fertilized into our design processes to improve and differentiate our product design capabilities from those of our competitors.

Downstream, we intend to continue engaging with our customers on value-added services, including after-sales services and recycling services. In the area of after-sales services, we have developed sophisticated IT systems and a logistics organization that can support our customers in most aspects of their after-sales services from parts planning to logistics and parts repair. In the area of recycling services, we will construct refining centers conveniently located near our customers. Our value-added services are important to our customers as they provide solutions to complex issues that are not part of their core competencies. To us, these value-added services not only represent a higher margin revenue stream, but they also help us build deeper and more "sticky" relationships with our customers. We believe we are now one of the leading businesses in the area of after-sales services, particularly in Asia, and intend to focus on and aggressively seek to grow this business going forward.

Diversify our product portfolio by expanding into new product areas that have attractive growth and margin prospects

While notebook PCs have historically been our largest revenue contributor, the growth of this segment has recently slowed and its percentage contribution to our consolidated net revenues has decreased from 77.6% in 2008 to 66.9% in 2010 and from 67.5% in the nine months ended September 30, 2010 to 64.6% in the nine months ended September 30, 2011. We intend to continue diversifying our product portfolio by focusing on new growth areas such as handheld devices, particularly Smartphones, and digital consumer products, particularly LCD TVs and all-in-one desktop PCs. In the nine months ended September 30, 2011, we shipped 6.2 million handheld devices, 6.3 million LCD TVs and 7.7 million desktop PCs, an increase of 62.3%, 100.5% and 24.6% respectively compared to the nine months ended September 30, 2010. In 2010, we shipped 5.9 million handheld devices, 4.5 million LCD TVs and 8.5 million desktop PCs, an increase of 883.3%, 80.0% and 73.5% year-on-year respectively. We also intend to focus on enterprise solutions, such as server and storage systems, which we believe have attractive margins and represent growing areas in the technology ODM outsourcing industry.

Technology products by their nature have limited life cycles and are constantly evolving, and as a result we continue to evaluate and identify new areas for growth. We anticipate that by focusing on consumer electronics and enterprise solutions areas, we will be able to diversify our revenue streams, improve margins and reduce our reliance on revenues from notebook PC sales.

Invest in technology and R&D to maintain our competitive edge and expand our partnership with OEM customers

The consumer electronics industry is characterized by the fast evolution of technology and constantly changing customer needs and tastes. As a result, product innovation is paramount to maintaining our competitive position with our customers and staying abreast with market trends. We plan to maintain our focus on developing a highly productive R&D organization capable of developing new products and bringing market-relevant innovations to our customers. We also intend to use our technology innovation capabilities to expand our product offerings into new products, applications and markets. For example, we have recently started selling desktop PCs to our long-standing notebook PC customers. Our experienced R&D teams enable us to bring innovations to our existing customers that translate into new ODM opportunities. They are able to add new features to existing products or develop new product lines by identifying improved manufacturing processes or developing customized software. For example, we have developed a team of over 700 software engineers with a view to providing our customers with software value-added solutions that complement our hardware offering. We believe our software capabilities are highly valued by our customers and represent another important differentiating factor from our competitors.

Continue our focus on operational efficiency and cost control

We operate in a highly competitive industry with demanding customer expectations. We intend to continue to implement initiatives to further improve our operational efficiency and reduce our costs in order to maintain our profitability. In particular we intend to focus on the areas of production management, business organization, notes and accounts receivable management and inventory management.

SELECTED FINANCIAL INFORMATION AND OTHER DATA

The following table sets forth our and our consolidated subsidiaries' summary financial information for the periods indicated. This information should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements dated as of and for the years ended December 31, 2008, 2009 and 2010 and our unaudited consolidated financial statements dated as of and for the nine months ended September 30, 2011, including the notes thereto, included elsewhere in this Offering Circular. Our audited consolidated financial statements dated as of and for the years ended December 31, 2008, 2009 and 2010 and our unaudited consolidated financial statements dated as of and for the nine months ended September 30, 2011 were prepared in accordance with ROC GAAP, which differ in certain material respects from generally accepted accounting principles in certain other countries, including U.S. GAAP. See "Summary of certain significant differences between ROC GAAP and U.S. GAAP."

	Consolidated						
	For the year ended December 31,(1)				For the nine months ended September 30,(2)		
	2008	2009	2010	2010(3)	2010	2011	2011(3)
	NT$	NT$	NT$	U.S.$	NT$	NT$	U.S.$
	(In millions of NT dollars and U.S. dollars, except per Share data)						
Statement of Operations Data							
Net revenues	445,117.7	546,665.7	615,184.9	20,203.1	454,412.6	463,111.5	15,208.9
Cost of sales	(420,247.9)	(516,716.3)	(580,661.2)	(19,069.3)	(428,880.8)	(439,870.0)	(14,445.6)
Gross profit	24,869.8	29,949.4	34,523.7	1,133.8	25,531.9	23,241.5	763.3
Operating expenses:							
Selling	(7,653.9)	(8,651.1)	(8,547.6)	(280.7)	(6,485.2)	(6,209.8)	(203.9)
Administrative	(2,170.7)	(2,262.7)	(2,334.2)	(76.7)	(1,737.0)	(1,342.5)	(44.1)
Research and development	(6,428.2)	(8,286.6)	(9,883.0)	(324.5)	(6,923.9)	(8,096.2)	(265.9)
Total operating expenses	(16,252.9)	(19,200.4)	(20,764.9)	(681.9)	(15,146.1)	(15,648.5)	(513.9)
Operating income	8,616.9	10,749.1	13,758.8	451.9	10,385.8	7,593.0	249.4
Non-operating income and gains:							
Interest income	277.7	84.4	477.6	15.7	265.7	858.8	28.2
Investment income recognized under equity method, net	239.4	340.8	333.1	10.9	277.2	291.0	9.6
Gain on disposal of property, plant and equipment	121.3	66.6	918.2	30.2	17.3	6.2	0.2
Gain on disposal of investments	182.5	11.6	24.0	0.8	23.3	52.9	1.7
Foreign currency exchange gain, net	–	109.3	448.9	14.8	75.2	346.8	11.4
Rental income	98.1	71.3	40.8	1.3	31.2	27.7	0.9
Evaluation gain on financial instruments	36.6	101.8	–	–	28.4	23.4	0.8
Other income	434.0	542.7	553.4	18.1	509.3	225.5	7.4
	1,389.6	1,328.4	2,796.0	91.8	1,227.6	1,832.3	60.2
Non-operating expenses and losses:							
Interest expense	(939.4)	(378.4)	(581.3)	(19.1)	(371.8)	(710.5)	(23.4)
Loss on disposal of property, plant and equipment	(55.4)	(96.6)	(167.6)	(5.5)	(62.6)	(16.1)	(0.5)
Other investment loss	(7.5)	(1.2)	(2.6)	(0.1)	–	–	–
Foreign currency exchange loss, net	(37.7)	–	–	–	–	–	–
Evaluation loss on financial instruments	–	–	(192.4)	(6.3)	–	–	–
Other loss	(109.6)	(105.1)	(265.5)	(8.7)	(123.3)	(103.7)	(3.4)
	(1,149.6)	(581.3)	(1,209.5)	(39.7)	(557.7)	(830.3)	(27.3)
Income before income taxes	8,856.9	11,496.2	15,345.3	504.0	11,055.7	8,595.0	282.3
Income tax expense	(1,958.5)	(2,325.1)	(3,305.1)	(108.6)	(2,132.9)	(1,891.9)	(62.2)
Consolidated net income	6,898.4	9,171.1	12,040.2	395.4	8,922.8	6,703.1	220.1
Income attributable to:							
Shareholders of parent company	6,877.9	9,134.6	12,030.3	395.1	8,928.9	6,703.1	220.1
Minority shareholders	20.5	36.4	9.9	0.3	(6.1)	–	–
	6,898.4	9,171.1	12,040.2	395.4	8,922.8	6,703.1	220.1
After income tax							
Earnings per common share (in dollars):							
Basic earnings per share – retroactively adjusted	3.96	4.98	6.15	0.2	4.3	3.2	0.1
Diluted earnings per share – retroactively adjusted	3.64	4.67	5.98	0.2	4.2	3.2	0.1

	Consolidated						
	As of December 31,(1)				As of September 30,(2)		
	2008	2009	2010	2010(3)	2010	2011	2011(3)
	NT$	NT$	NT$	U.S.$	NT$	NT$	U.S.$
	(In millions of NT dollars and U.S. dollars, except per Share data)						
Balance Sheet Data							
Assets							
Current assets:							
Cash and cash equivalents	13,174.0	20,539.9	40,641.4	1,334.7	33,641.7	53,509.6	1,757.3
Financial assets at fair value through profit or loss – current	12.9	250.8	119.5	3.9	194.0	281.9	9.3
Notes and accounts receivable, net of allowance for doubtful accounts	51,199.7	67,611.2	86,122.4	2,823.3	87,111.8	96,129.8	3,157.0
Notes and accounts receivable – related parties	12,518.4	31,768.0	15,946.9	523.7	15,098.5	13,646.8	448.2
Other receivable – related parties	33.6	36.3	32.3	1.1	29.3	35.3	1.2
Other financial assets – current	2,194.8	1,405.7	1,453.1	47.7	2,016.3	4,418.4	145.1
Inventories	31,891.9	27,669.1	33,632.9	1,104.6	38,893.4	46,526.4	1,528.0
Non-current assets held for sale	–	–	–	–	305.0	–	–
Deferred income tax assets – current	1,310.3	1,431.5	1,223.7	40.2	2,037.9	625.0	20.5
Prepaid expenses and other current assets	1,224.4	1,303.2	1,996.9	65.6	1,566.2	2,492.8	81.7
Available-for-sale financial assets – current	4.8	4.8	3.4	0.1	3.4	0.4	0.0
Total current assets	113,564.8	152,020.5	181,172.5	5,949.9	180,897.3	217,666.5	7,148.3
Long-term investments:							
Long-term equity investments under equity method	2,781.1	3,321.4	4,663.1	153.2	4,337.3	5,281.8	173.5
Advance payments for investment	20.0	–	191.7	6.3	320.0	–	–
Other financial assets – noncurrent	–	–	0.3	0.0	1.5	0.3	0.0
Available-for-sale financial assets – noncurrent	588.8	1,388.6	1,180.7	38.8	1,264.7	2,031.3	66.7
Financial assets carried at cost – noncurrent	997.6	1,151.0	1,769.6	58.1	1,872.3	1,364.0	44.8
Total long-term investments	4,387.6	5,861.0	7,805.5	256.4	7,795.8	8,677.4	285.0
Property, plant and equipment:							
Land	1,349.6	1,329.1	1,324.7	43.5	1,357.1	3,424.3	112.5
Buildings and improvements	7,230.9	7,691.7	8,598.6	282.3	8,570.9	10.357.6	340.2
Machinery and equipment	9,045.3	9,910.9	10,824.4	355.5	11,075.0	13,782.3	452.6
Molding equipment	4,217.3	5,651.5	7,144.5	234.7	6,718.4	8,369.9	274.9
Research and development equipment	818.9	923.1	1,130.3	37.1	1,017.2	1,305.2	42.8
Furniture and fixtures	1,023.4	1,117.8	1,187.2	39.0	1,155.7	1,389.4	45.6
Other equipment	1,765.4	1,995.9	1,976.9	65.0	2,117.4	2,527.3	83.0
	25,450.7	28,619.8	32,186.6	1,057.1	32,011.7	41,156.1	1,351.6
Less: accumulated depreciation	(10,484.2)	(13,978.7)	(15,450.7)	(507.4)	(15,025.6)	(19,146.2)	(628.8)
Construction in progress and advance payments for purchases of property and equipment	2,454.2	3,259.1	6,760.7	222.0	4,953.7	8,396.6	275.8
Net property, plant and equipment	17,420.7	17,900.2	23,496.6	771.7	21,939.8	30,406.5	998.6
Intangible assets	2,579.2	2,421.1	3,112.8	102.0	2,855.1	3,285.7	107.9
Deferred income tax assets – noncurrent	81.5	452.8	569.9	18.7	430.7	641.8	21.1
Deferred expenses and other assets	1,508.8	1,640.1	1,496.5	49.2	1,546.6	1,871.3	61.4
Total assets	139,542.6	180,295.7	217,653.7	7,147.9	215,465.3	262,549.1	8,622.3

	Consolidated						
	As of December 31,(1)				As of September 30,(2)		
	2008	2009	2010	2010(3)	2010	2011	2011(3)
	NT$	NT$	NT$	U.S.$	NT$	NT$	U.S.$
	(In millions of NT dollars and U.S. dollars, except per Share data)						
Liabilities and Stockholders Equity							
Current liabilities:							
Short-term borrowings	2,875.2	1,885.0	33,107.4	1,087.2	23,182.8	63,948.7	2,100.1
Current portion of long-term borrowings	–	–	8,739.0	287.0	9,399.0	–	–
Notes and accounts payable	61,666.6	71,094.7	79,689.8	6.7	56.3	341.0	11.2
Notes and accounts payable – related parties	16,294.3	30,630.0	18,826.5	2,617.1	79,902.8	96,645.7	3,173.9
Financial liabilities at fair value through profit or loss – current	4.7	140.9	202.6	618.3	25,355.3	21,307.1	699.8
Other payable – related parties	94.4	87.2	105.4	3.5	56.3	46.7	1.5
Accrued warranty costs	574.0	1,799.4	1,877.8	61.6	2,108.0	2,303.9	75.7
Accrued expenses and other current liabilities	8,895.6	12,822.5	15,549.9	0.4	7.3	12.5	0.4
Deferred inter-company profits	13.6	11.3	–	510.7	17,779.4	13,885.2	456.0
Deferred income tax liabilities – current	–	10.6	11.8	–	9.6	7.4	0.2
Total current liabilities	90,418.4	118,481.1	158,110.2	5,192.5	157,857.0	198,498.2	6,518.8
Long-term borrowings	9,858.0	5,765.4	143.2	4.7	–	477.1	15.7
Deferred income tax liabilities – noncurrent	1,253.5	1,759.8	2,211.5	72.6	1,672.6	2,579.7	84.7
Unrealized gain on sale-and-leaseback	83.1	–	–	–	–	–	–
Other liabilities	146.9	274.4	319.0	10.5	177.1	1,201.6	39.5
Total liabilities	101,759.8	126,281.3	160,784.0	5,280.3	159,706.7	202,756.5	6,658.7
Stockholders' equity:							
Common stock	15,166.4	18,642.7	19,809.0	650.5	19,642.7	20,848.8	684.7
Capital surplus – paid-in capital in excess of par value	11,103.7	18,118.8	18,895.6	620.5	18,355.2	19,076.1	626.5
Capital surplus – reserve treasury stock	–	–	–	–	–	2.2	0.1
Capital surplus – resulting from long-term equity investments	2.0	29.2	69.5	2.3	32.7	82.2	2.7
Capital surplus – employee stock option	–	–	–	–	–	65.9	2.1
Legal reserve	1,851.2	2,539.0	3,452.4	113.4	3,452.4	4,655.5	152.9
Special reserve	–	–	–	–	–	3,287.5	107.9
Unappropriated earnings	8,506.6	13,677.5	18,809.5	617.7	15,708.1	13,718.0	450.5
Foreign currency translation adjustment	651.5	54.6	(2,994.8)	(98.4)	(454.7)	(1,052.0)	(34.6)
Unrecognized pension cost	(11.6)	(85.0)	(201.8)	(6.6)	(85.0)	(201.8)	(6.6)
Unrealized gain (loss) on available-for-sale financial assets	(398.5)	101.9	(90.9)	(3.0)	(13.8)	93.4	3.1
Treasury stock	–	–	(878.9)	(28.8)	(878.9)	(783.3)	(25.7)
Total stockholders' equity	36,871.2	53,078.7	56,869.7	1,867.6	55,758.6	59,792.5	1,963.6
Minority interest	911.6	935.8	–	–	–	–	–
Total stockholders' equity and minority interest	37,782.8	54,014.4	56,869.7	1,867.6	55,758.6	59,792.5	1,963.6
Total liabilities and stockholders' equity	139,542.6	180,295.7	217,653.7	7,147.9	215,465.3	262,549.1	8,622.3

Notes:

(1) *The amounts as of and for the periods ended December 31, 2008, 2009 and 2010 are derived from our audited consolidated financial statements for the same periods.*

(2) *The amounts as of and for the periods ended September 30, 2010 and 2011 are derived from our unaudited consolidated financial statements for the same periods.*

(3) *Solely for the convenience of the reader, the NT dollar amounts have been translated into U.S. dollars at the rate of NT$30.45 = U.S.$1.00, the Noon Buying Rate on September 30, 2011. No representation is made that the NT dollar or U.S. dollar amounts shown could have been or could be converted into U.S. dollars or NT dollars, as the case may be, at any particular rate or at all. See "Exchange rates."*

SUMMARY OF THE OFFERING

The following is only a summary and is qualified in its entirety by reference to the "Description of the Notes" and the more detailed information contained elsewhere in this Offering Circular. Capitalized terms used in this summary and not defined have the respective meanings given to them in "Description of the Notes."

Issuer	Wistron Corporation
Offering	U.S.$180,000,000 aggregate principal amount of Zero Coupon Convertible Notes due 2015.
Optional Notes	We have granted the Joint Global Coordinators an option, which may be exercised by the Joint Global Coordinators (on behalf of the Purchasers) in whole or in part and on one or more occasions at any time before 9:00 a.m. (New York time) on January 31, 2012, to subscribe for up to an additional U.S.$100,000,000 in aggregate principal amount of Notes.
Interest	The Notes will not bear any interest.
Issue Date	January 19, 2012
Maturity Date and Final Redemption	Unless previously redeemed, repurchased and cancelled, or converted, the Notes will mature on January 19, 2015 at a redemption price equal to 104.59% of the outstanding principal amount thereof.
Issue Price	100% of the principal amount of the Notes.
Ranking	The Notes will be our direct, unconditional, unsubordinated and unsecured (but subject to a negative pledge, as described in "Description of the Notes – Interest and certain covenants – Negative pledge") obligations, and will at all times rank *pari passu* and without any preference or priority among themselves and, subject to the negative pledge, rank at least *pari passu* in priority of payment, with all other present and future direct, unconditional, unsubordinated and unsecured obligations of our company, except any obligation preferred by mandatory provisions of law.
Conversion	Subject to certain conditions, each holder of the Notes (a "Noteholder") will have the right on any Business Day (as defined herein) during the Conversion Period (as defined herein) to convert its Notes (or any portion thereof being U.S.$200,000 in principal amount or an integral multiple thereof) into Shares at anytime from February 19, 2012 to January 8, 2015 (or if the Notes are called for redemption prior to the Maturity Date, on the date ten calendar days prior to the redemption date), provided, however, that the Conversion Right during any Closed Period (as defined herein) shall be suspended and the Conversion Period shall not include any such Closed Period. See "Description of the Notes – Conversion" and "Risk factors – Risks relating to this Offering – There are limitations on the ability of Noteholders to exercise conversion rights." Subject to applicable ROC laws and regulations, we shall as soon as practicable but in no event more than five Trading Days (as defined herein) from each Conversion Date (as defined herein) issue and deliver the Shares to the converting Noteholders.

Conversion Price	The conversion price will initially be NT$49.30 per share, but will be subject to adjustment as further described in "Description of the Notes – Conversion – Adjustments to Conversion Price."
Redemption at the Option of the Company	At any time on or after July 19, 2013 but not less than 11 days prior to the Maturity Date, we may, having given not less than 30 nor more than 60 days' notice to the Noteholders, redeem the Notes in whole or in part (being U.S.$200,000 in principal amount or an integral multiple thereof) at the Early Redemption Amount (as defined herein), on the date fixed for redemption, provided that no such redemption may be made unless the average Closing Price (as defined herein) of the Shares, translated into U.S. Dollars at the Prevailing Rate (as defined herein), for the 20 consecutive Trading Days (as defined herein) immediately prior to the date upon which notice of such redemption is given pursuant to Section 7(H) and 14 of the Description of the Notes, was at least 120% of the applicable Early Redemption Amount divided by the Conversion Ratio (as defined herein) applicable on each such Trading Day. In addition, at any time, we may redeem the Notes, in whole or in part, on not less than 30 nor more than 60 days' notice, if (1) at least 90% in principal amount of the Notes originally issued has been redeemed, repurchased and cancelled, or converted and (2) the applicable redemption date does not fall within a Closed Period, at the Early Redemption Amount. See "Description of the Notes – Redemption, repurchase and cancellation – Redemption at the Option of the Company."
Additional Amounts	Payment of principal on the Notes will be made without withholding for or on account of certain taxes of the ROC or any authority thereof or therein having power to tax to the extent set forth under "Description of the Notes – Additional amounts."
Tax Redemption	If, as a result of certain changes relating to the tax laws in the ROC or such other jurisdiction in which we are then organized or resident for tax purposes, we become obligated to pay Additional Amounts, we may, having given not less than 30 or more than 60 days' irrevocable notice to the Noteholders, redeem the Notes in whole, but not in part (subject to the Non-Redemption Right (as defined below) of the Noteholders), at the Early Redemption Amount. Noteholders shall have the right (the "Non-Redemption Right") to elect that all or a portion (being U.S.$200,000 in principal amount or an integral multiple thereof) of its Notes not be redeemed but with no entitlement to any Additional Amounts and payments made after such date will be made subject to the deduction or withholding required under the laws or regulations of the ROC. See "Description of the Notes – Redemption, repurchase and cancellation – Redemption for taxation reasons."

Redemption in the Event of Change of Control	In the event of a Change of Control (as defined in "Description of the Notes"), each holder of the Notes shall have the right, at such holder's option, to require us to redeem all (or any portion of the principal amount thereof which is U.S.$200,000 or any integral multiple thereof) of such holder's Notes on the date set by us for such repurchase, which shall not be less than 30 nor more than 60 days following the date on which we notify the Trustee of the Change of Control, at the Early Redemption Amount. See "Description of the Notes – Redemption, repurchase and cancellation – Redemption of the Notes in the event of Change of Control."
Redemption in the Event of Delisting	In the event that the Shares cease to be listed or admitted to trading or the trading of which is suspended for a period of more than 30 consecutive trading days on the TWSE, we will notify the Noteholders promptly, and each Noteholder will have the right to require us to redeem such holder's Notes in whole, or in part (being U.S.$200,000 in principal amount or an integral multiple thereof), at their Early Redemption Amount on the 20th Business Day after the date of such notice. See "Description of the Notes – Redemption of the Notes in the event of Delisting."
Negative Pledge	Subject to certain exceptions, we will not, and will procure that none of our Principal Subsidiaries (as defined herein) will, create or permit to subsist any Security (as defined herein) upon the whole or any part of the undertaking, property, assets or revenues of our company or such Principal Subsidiaries, to secure for the benefit of the holders of any International Investment Securities (as defined herein) any payment of any sum due in respect of or under any guarantee of or payment indemnity or other like obligation relating to any such International Investment Securities, unless, in any such case, at the same time or prior thereto, we accord to the Notes (a) the same security as is created or subsisting to secure any such International Investment Securities, guarantee or indemnity or (b) such other security as shall be approved by registered holders holding not less than 50% of the principal amount of the outstanding Notes. See "Description of the Notes – Interest and certain covenants – Negative pledge."
Form and Denomination	The Notes will be issuable only in book-entry form and only in denominations of U.S.$200,000 or any integral multiple thereof. The Notes will be represented by the Global Certificate. On the closing date of the Offering, we will deliver the Global Certificate to Citibank Europe plc as common depositary. Except in limited circumstances described in the Global Certificate, we shall not issue individual certificated Notes in registered form in exchange for the Global Certificate. See "The global certificate."
Settlement	The Notes have been accepted for clearance through Euroclear and Clearstream on a book-entry system. Settlement of the Notes may take place through Euroclear and Clearstream in accordance with the settlement procedures applicable to debt securities in the Euromarket.
Governing Law	The laws of the State of New York.
Trustee	Citicorp International Limited

Listings	We have applied for the listing of the Notes on the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of U.S.$200,000 on the SGX-ST for so long as the Notes are listed on the SGX-ST. So long as the Notes are listed on the SGX-ST and the rules of the SGX-ST require, we shall appoint and maintain a Paying Agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that a Global Certificate is exchanged for Definitive Certificates. The Shares will not be listed on the SGX-ST.
Trading Market for Our Shares	The only trading market for the Shares is the TWSE. Our Shares have been listed on the TWSE since August 2003 under the stock code "3231."
Use of Proceeds	After deducting underwriting commission, the net proceeds from this offering will be approximately U.S.$276.5 million (assuming the Optional Notes are issued in full). We plan to use the net proceeds from this offering to purchase raw materials overseas.
Transfer Restrictions	The Notes and the Shares issuable upon conversion of the Notes have not been and will not be registered under the Securities Act, or other securities laws. The Notes and the Shares issuable upon conversion of the Notes 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 Notes are being offered and sold only outside the United States in compliance with Regulation S under the Securities Act.

RISK FACTORS

Prior to investing in the Notes, investors should carefully consider, together with all other information contained in this Offering Circular, the risks and uncertainties described below. The business, financial condition or results of operations of the Group may be materially adversely affected by any of these risks. The risks described below are not the only ones relevant to the Company, the Group or the Notes. Additional risks and uncertainties not presently known to us, or which we currently deem immaterial, may also have a material adverse effect on an investment in the Notes.

RISKS RELATING TO OUR INDUSTRY

We operate in a highly competitive industry and we may not be able to sustain our current market position

The information technology and consumer electronics ODM industry in general is extremely competitive and includes hundreds of companies, several of which have achieved substantial market share. Some of our competitors may have greater design, manufacturing, financial or other resources than us. Current and prospective customers evaluate our capabilities against, among other things, the merits of internally producing their products. In outsourcing, customers seek, among other things, to reduce cost. The competitive nature of our industry has resulted in substantial price competition. In addition, major customers typically outsource the same type of products to at least two or three ODMs in order to diversify their supply risks.

Accordingly, we typically compete with other major ODMs for orders from the same customers. We face competition from a number of sources, including Taiwanese, Japanese and Korean ODMs. We also face increasing challenges from PRC and overseas competitors who relocate to the PRC to take advantage of the low labor costs of production in the PRC. We may lose our customers to our competitors if we fail to keep pace with technology changes, enhance product differentiation and improve our cost efficiency. Increased competition could result in significant price competition, reduced revenues, lower profit margins or loss of market share, any of which would have a material adverse effect on our business, financial condition and results of operations. We cannot be certain that we will be able to compete successfully against either current or potential competitors in the future.

In recent years, many participants in the industry, including us, have substantially expanded their manufacturing capacity. There can be no assurance that we will be able to competitively develop the technology and provide the services necessary to retain business or attract new customers. There can also be no assurance that we will be able to differentiate ourselves from other ODMs as product components quickly become standardized.

We operate principally in the highly volatile and cyclical information technology and consumer electronics industry and face constant price and margin pressure

The information technology and consumer electronics industry is highly volatile and is characterized by:

- frequent introduction of new products;
- short product life cycles;
- continuous decline in the average selling price over the product life cycle;
- continuous improvements in performance characteristics;
- declining margins; and
- numerous competitors and, from time to time, aggressive pricing practices.

Unfavorable economic and business conditions could have an adverse effect on our business. Consumer demand for our products is cyclical and particularly sensitive to general business cycles. Consumer demand for products in the information technology and consumer electronics industry as a general matter declines when consumers have less discretionary income. Reduced demand for our products could result in market oversupply and significant decreases in the average selling prices of our products.

The highly competitive environment and cyclical nature of the information technology and consumer electronics industry have subjected us to constant pressure on our product prices and margins. Our consolidated gross profit as a percentage of consolidated net revenues on a consolidated basis were 5.6%, 5.5%, 5.6% and 5.0% for the years ended December 31, 2008, 2009, 2010 and the nine months ended September 30, 2011. The principal factors which contributed to the pressure on our consolidated gross profit as a percentage of consolidated net revenues include significant competition among ODMs/OEMs that resulted in aggressive pricing practices, reductions in average selling prices of our products during the life cycles of such products, and fluctuations in the supply and demand for principal components and raw materials for such products. We have also experienced periodic shortages of certain key components and raw materials as well as pressure from our customers to reduce unit prices of our products. In addition, we face downward pressure on the average selling prices of such products because such products may become commoditized as they move through their life cycles. The margins for standardized and matured products such as notebook PCs, which represent our most important revenue source, are typically lower than our less standardized products such as servers and storage systems and may continue to decline. Also, as new products emerge, they can have a significant impact on existing products. For example, as media tablets have become more popular, they have taken part of the market share of notebook PCs, for which demand has declined in recent years.

Accordingly, our gross margins may be subject to further downward pressure as a result of the factors mentioned above, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

RISKS RELATING TO OUR BUSINESS

We are highly dependent on a small group of key customers for our revenues

We depend on a small group of customers for a substantial portion of our net revenues. Our largest customer accounted for approximately 31.5% of our consolidated net revenues in the nine months ended September 30, 2011 and for approximately 28.8%, 31.3% and 30.6% of our consolidated net revenues in 2008, 2009 and 2010, respectively. In the aggregate, our top three customers accounted for approximately 66.9% of our consolidated net revenues in the nine months ended September 30, 2011 and for approximately 73.2%, 80.3% and 70.2% of our consolidated net revenues in 2008, 2009 and 2010, respectively. In the aggregate, our top five customers accounted for approximately 85.8% of our consolidated net revenues in the nine months ended September 30, 2011 and for approximately 85.4%, 90.4% and 87.0% of our total consolidated net revenues for the years ended December 31, 2008, 2009 and 2010, respectively. In addition, some of these customers have in the past varied, and may in the future vary, order levels significantly from period to period.

Maintaining close relationships with our key customers is essential to our strategy and to the ongoing growth of our business. There is no guarantee that we will retain the business of our existing key customers or the desired level of business with them. The loss of any key customer's business would seriously affect our revenues, and we may have difficulty securing comparable levels of business from other customers to offset any loss of revenue from the loss of any of our key customers. In addition, we may not be able to easily re-allocate our considerable customer-specific resources and assets in a timely manner.

In addition, we generate significant accounts receivables in connection with providing manufacturing services to our key customers. If one or more of our customers were to become insolvent or otherwise unable to pay for the products supplied by us, this could have a material adverse effect on our business because we would not only lose profits, but we might not be able to recoup the production costs expended in providing the unpaid for manufacturing services.

Our profitability also depends on the performance and business of our key customers. Our revenues are directly affected by the resales of our products by our customers under their own brand names. We rely on the success of our vendor customers in marketing these products. Accordingly, risks that could seriously harm our key customers could harm us as well, including:

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

We may not be able to mitigate the effects of price declines over the life cycles of our products

Our industry is characterized by rapidly changing technology (including advances in both software and hardware functionality and performance) and user preferences, evolving industry standards and the frequent introduction of new products and enhancements. As a result, the price of our technology products tends to decline over the product life cycles, reflecting product obsolescence, decreased costs of input components, decreased demand and increased competition as more manufacturers are able to produce similar products in large numbers as such products become standardized. The trend towards declining average selling prices over the life cycles of our products has resulted in constant downward pressure on our margins.

To mitigate the effects of price declines in our existing products and to sustain margins, we are under constant pressure to improve our production efficiency by reducing our input component costs, reducing our inventory levels and lowering our operating costs. Our ability to do so depends on factors both within and outside our control and may be constrained by the distinct characteristics and production requirements of individual products. We cannot be certain that we will be able to continue to improve production efficiency and maintain reasonable margins for all our existing products.

To maintain profitability, our strategy, in addition to improving our production efficiency for our existing products, has been to design new generations of products ahead of our competitors. This strategy requires us to obtain and incorporate new hardware, software, communications and peripheral technologies into our product range, some of which are primarily developed by others. These newer products generally carry higher profit margins but require large expenditures for research and development or the acquisition of new technologies. Our product strategy focuses on designing and producing products that comply with evolving industry performance standards, meet customer quality expectations and are available at prices appealing to our customers.

There can be no assurance that our strategy will be successfully implemented or that it will be effective in maintaining our profitability. Because of the pace of technological advances in the information technology industry, we must introduce new products that offer customers the latest competitive technologies while managing the production of our existing products on a timely basis. The success of any new product is dependent on factors including timely completion of new product design, acceptable production yields and market acceptance. Since the product design process is sometimes carried out well in advance of production and sales, we must seek to anticipate factors including the expected demand for the product as well as advances in technology. In light of the foregoing, we cannot be sure that new products designed by us and marketed by our customers will gain market acceptance or will not be adversely affected by new technological changes or new product designs by our competitors. Any delay in developing new products with anticipated technological advances, in commencing commercial production of new products or in replacing existing products with new products may have an adverse effect on our business, financial condition and results of operations.

We may not successfully manage our growth

We have experienced significant growth in terms of revenues and sales volumes of our key product lines, and we have plans to continue to increase our market share in the technology ODM market. For example, the number of notebook PCs and handheld devices shipped by us increased from approximately 26.3 million units in 2009 to approximately 33.5 million units in 2010 and from 24.0 million units in the nine months ended September 30, 2010 to 28.3 million units in the nine months ended September 30, 2011. Moreover, we plan to continue to diversify our product mix, reducing our reliance on notebook PCs and expanding our production of handheld devices and digital consumer products. In addition, we are expanding our production capacity substantially in the coming years, including through the planned construction of additional overseas production facilities in jurisdictions including, among others, the PRC, Mexico and the Czech Republic.

As we continue to grow both organically and through acquisitions, we must continue to improve our managerial, technical, operational and other resources to successfully integrate acquired businesses, and to implement an effective management information system. In order to fund our ongoing operations and our future growth, we need to have sufficient internal sources of liquidity or access to additional financing from external sources. Further, we will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, creditors, shareholders and other third parties. There can be no assurance that we will not experience issues such as capacity and capital constraints, delays in the construction of our planned and future facilities, delays in the amount of time required to ramp up production at new facilities, other operational or management difficulties at new facilities or difficulties in upgrading or expanding existing facilities, and in attracting, retaining and training an increasing number of personnel to manage and operate those facilities. In particular, our failure to implement our expansion plans in a timely manner could adversely affect our ability to maintain, expand and diversify our revenue base and to maintain our margins and profitability. There can be no assurance that such expansion plans will not adversely affect our existing operations and have a material adverse effect on our business, financial condition, operating results and future prospects.

Shortages in, or rises in the prices of, raw materials or components for products we manufacture, which account for most of our costs, may adversely affect our business

Our production depends on obtaining adequate supplies of input components on a timely basis. We do not typically maintain large inventories of input components, but rather we purchase input components on a just-in-time basis from various third-party component manufacturers that satisfy our quality standards and meet our volume requirements. Given the wide variety of systems, products and services that we offer, the large number of our suppliers that are dispersed across the world and the long lead times that may be required to manufacture, assemble and deliver certain components and products, problems could arise in planning production and managing inventory levels that could seriously harm us, including the possibility of defective parts, an increase in input component costs, reduced control over delivery schedules, and shortages of input components.

There is a risk that we may be unable to acquire necessary raw materials and components for our business. At various times, supplies of some of the raw materials and electronic components that we use, such as CPUs and LCD panels, have been scarce as a result of strong demand for those input components or problems experienced by suppliers. We may face similar situations or shortages in the future. In addition, in certain circumstances, we are required to source certain key components from suppliers on approved vendor lists, or AVLs, who have been qualified by our customers and we may not be able to obtain alternative sources of supply should such qualified suppliers be unable to supply our requirements in the future.

Shortages of raw materials and components could result in reduced production or delays in production, which may restrict our capacity to fulfill large orders at short notice or prevent us from making scheduled shipments to customers. Any future inability to accept high volume orders at short notice or make scheduled shipments could cause us to experience a reduction in our sales and could adversely affect our relationship with existing customers as well as prospective customers. Component shortages may also increase our costs of goods sold because we may be required to pay higher prices for components in short supply and redesign or reconfigure products to accommodate substitute components. As a result, component shortages could adversely affect our operating results for a particular period due to the resulting revenue shortfall and increased manufacturing or component costs.

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

Approximately 76.9% of our total workforce is employed in the PRC. The average wages paid for manufacturing labor in the PRC have increased recently and may continue to increase. If we are unable to offset the increase in our labor costs or pass along these increased labor costs to customers, our business, results of operations and financial condition could be materially and adversely affected.

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

We generally do not obtain firm and long-term volume purchase commitments from our customers

We generally do not obtain firm and long-term volume purchase commitments from our customers. We have entered into agreements with our key customers for specific product programs, generally for terms of between six months to one year, which normally include general terms of sale, specification requirements and pricing policy, but such agreements do not obligate our customers to place an order with us. The precise terms for each shipment, such as pricing and quantities, are normally confirmed at the time each order is placed.

Accordingly, we face the risk that our customers might place no or lower-than-expected orders, cancel existing or future orders or change production quantities. Although our customers might be contractually obligated to purchase products on specific terms from us for particular orders, we may be unable to or, for other business reasons, we may choose not to enforce our contractual rights if our customers choose to terminate their orders with us. Cancellations, reductions or instructions to delay production by a significant customer could harm our results of operations by reducing our sales volume, as well as by possibly causing delay in our customers' repayment of our expenditures for inventory and resulting in lower utilization of our manufacturing facilities, all of which may result in our realizing lower gross profit margins.

In addition, we make significant decisions, including determining the levels of business that we will seek and accept, production schedules, component procurement commitments, personnel needs and other resource requirements, based on our estimates of customer requirements. The short-term nature of our customers' commitments and the rapid changes in demand for their products reduce our ability to estimate accurately future customer requirements, make it difficult to schedule production and limit our ability to maximize utilization of our manufacturing capacity. We often increase staffing, increase capacity, engage sub-contractors and incur other expenses to meet the anticipated demand of our customers, which could cause reductions in our gross profit margins if a customer order gets delayed or cancelled. Anticipated orders may not materialize, and delivery schedules may be deferred as a result of changes in demand for our customers' products.

We may experience losses on inventories

Frequent new product introductions and fluctuations of raw material and component prices in our industry can also result in a decline in the stated value of our inventory and an adverse effect on our inventory management. From time to time, shortage or oversupply of key components occurs. A shortage of any of these components generally increases their prices, and may depress our margins to the extent that it is not possible to pass these higher component prices on to our customers. These shortages, however, can quickly end and result in oversupply as suppliers ramp up production following capital expenditures to increase capacity. If we fail to anticipate customer demand properly, a temporary oversupply could result in excess or obsolete components which could adversely affect our gross profit margin. Such volatility in supply of LCD panels as well as other components may adversely affect our business if we cannot manage our supply of such components and react quickly to market changes. We believe that shortages and oversupply are cyclical, and there can be no assurance that shortages or oversupply of key components will not occur in the future or that any such shortages or oversupply will not have a material adverse effect on our results of operations. There is no assurance that rapid changes in the end-customer demand for our products or future fluctuations in raw materials and component prices will not result in significant inventory loss.

Our operating results may be adversely affected if we cannot effectively and efficiently introduce new products to timely meet rapidly evolving customer needs

If we cannot effectively and efficiently transition from existing products to new products, our revenues may decline. Among the risks associated with the introduction of new products are delays in development or manufacturing, variations in costs, delays in customer purchases in anticipation of new introductions, difficulty in predicting customer demand for the new products and effectively managing inventory levels in line with anticipated demand, risks associated with customer qualification and evaluation of new products and the risk that new products may have quality or other defects or may not be supported adequately by application software. Our revenues and margins may also suffer due to the timing of product or service introductions by our suppliers and competitors. Furthermore, sales of new products may replace sales, or result in discounting, of some of our current products, offsetting the benefit of even the successful introduction of new products. In addition, it may be difficult to ensure performance of new customer contracts in accordance with our revenues, margins and cost estimates, and to achieve operational efficiencies embedded in our estimates. Given the competitive nature of the industry, if any of these risks materialize, future demand for our products and our results of operations may suffer.

We are subject to financial and reputational risks due to product quality and liability issues

The contracts we enter into with our major customers typically include warranties that the products we deliver will be free from defects and perform in accordance with agreed specifications. To the extent that products shipped by us to our customers do not, or are not deemed to, satisfy such warranties, we could be responsible for repairing or replacing any defective products, or, in certain circumstances, for the cost of effecting a recall of all products which might contain a similar defect, as well as for consequential damages.

However, there can be no assurance that we will be able to recover any losses incurred as a result of product liability in the future from any third party, or that defects in the products sold by us, regardless of whether we are responsible for such defects, would not adversely affect our standing and reputation in the marketplace, result in monetary losses and have a material adverse effect on our business, financial condition and results of operations.

We depend on attracting and retaining key personnel, including key management personnel and research and development engineers

Our success depends to a significant extent upon, among other factors, the continued service of key senior management, including our Chief Executive Officer, and our skilled technical, managerial and sales personnel and on our ability to continue to attract, retain and motivate such personnel. The loss of the services of any of these key personnel without adequate replacement or the inability to attract new qualified personnel could limit our competitiveness, interrupt our production processes, reduce our manufacturing quality and cause customer dissatisfaction, all of which could lead to reduced profitability. We do not maintain insurance with respect to the loss of any of our key personnel.

Furthermore, in order to manage our growth, (i) in the short term, we will need to recruit additional personnel in order to fulfill the increased orders of products from our customers; and (ii) in the long term, we will need to recruit and retain highly skilled personnel, such as persons with advanced degrees, in order to successfully vertically integrate our business. If we are not able to recruit and retain the necessary personnel, our business and our ability to continue to grow could be harmed.

A significant portion of our sales come from the notebook PC segment. If there is a decrease in notebook PC demand or a decrease in the average selling prices of these units, our results of operations could be adversely affected

A significant portion of our revenue is attributed to sales of notebook PCs. Notebook PCs accounted for 77.6%, 75.9%, 66.9% and 64.6% of our consolidated net revenues in 2008, 2009, 2010 and the nine months ended September 30, 2011, respectively. Demand for these products is affected by, among other things, average selling prices, changes in technology and user preferences. Due to industry-wide competition, the average selling price of notebook PCs has decreased. For example, as media tablets have become more popular, they have taken part of the market share of notebook PCs as well as desktop PCs, for which demand has declined in recent years. If demand for notebook PCs were to decrease, or average selling prices were to decrease further, our results of operations could be materially adversely affected.

Our operating results may fluctuate from period to period or be subject to seasonality

There is a risk that our operating results may fluctuate. Some of the principal factors affecting our operating results include:

- changes in demand for our products;
- our customers' sales outlook, purchasing patterns and inventory adjustments;
- the mix of the types of products we supply to our customers, as high volume and low complexity products and services generally have lower margins than lower volume and more complex products and services;
- our effectiveness in managing manufacturing processes and controlling costs;
- our ability to make optimal use of available manufacturing capacity;
- changes in the cost and availability of labor, raw materials and components, which often occur in the ODM/OEM industry and which affect our margins and our ability to meet delivery schedules;
- our ability to manage the timing of our component purchases so that components are available when needed for production, while avoiding the risks of purchasing inventory in excess of immediate production needs;
- timing of new technology development and the qualification of this technology by our customers;
- our ability to obtain financing in a timely manner; and
- local conditions and events that may affect our production volumes, such as labor conditions, political instability and local holidays.

In addition, sales of consumer-related products of notebook and desktop PCs, particularly in the United States and European consumer markets, may be subject to seasonality. We generally experience seasonal lows in the demand for notebook and desktop PCs and other consumer electronics during the first quarter of the year, reflecting generally decreased demand for such products in the United States and Europe. However, we generally experience seasonal peaks during the latter part of the third quarter and the fourth quarter of the year, primarily as a result of increased demand for notebook PCs and other consumer electronics in the United States and Europe from back-to-school and holiday season sales. We expect that our ongoing operations will continue to be materially affected by seasonality in our results of operations.

Fluctuations in exchange rates could adversely affect our business

Over the past few years, the currencies of many Asian countries, including the ROC, have experienced considerable volatility and depreciation. The CBC has, from time to time, intervened to minimize the fluctuation of the U.S. dollar/NT dollar exchange rate and prevent significant increases or decreases in the NT dollar value with respect to the U.S. dollar. The NT dollar has appreciated against the U.S. dollar by approximately 4.1% from the Noon Buying Rate of U.S.$1.00 = NT$31.74 on December 31, 2004 to a Noon Buying Rate of U.S.$1.00 = NT$30.45 on September 30, 2011. See "Exchange rates."

The vast majority of our net sales and raw material and component costs are currently denominated in U.S. dollars, and the remainder is denominated principally in NT dollars. Our financial statements are expressed in NT dollars. We record an import or export transaction on the date it occurs at the effective exchange rate for such date as set by us. At the end of each month, we revalue the balances of foreign currency assets and liabilities at the month-end spot rate of exchange and credit or charge to current income the resulting foreign exchange gains or losses, as the case may be. Fluctuations in exchange rates, particularly between the U.S. dollar and the NT dollar, affect our gross and operating profit margins and could result in foreign exchange and operating losses. A substantial appreciation in the value of the NT dollar against the U.S. dollar could materially and adversely affect our results of operations.

As a result of our manufacturing operations in the PRC, some of our expenses in the PRC, such as labor costs, are denominated in Renminbi ("RMB"). Prior to 1994, the RMB experienced a significant net devaluation against most major currencies and, during certain periods, significant volatility in the market-based exchange rate. Since 1994, the conversion of the RMB into foreign currencies, including U.S. dollars, has been based on rates set by the People's Bank of China ("PBOC"). On July 21, 2005, the PBOC announced that the RMB exchange rate would no longer be pegged to the U.S. dollar in favor of a floating exchange rate regime based on market supply and demand with reference to a basket of currencies. The exchange rate regime does not constitute a strict peg of the RMB to the basket of currencies, but, instead, the RMB is allowed to fluctuate within a narrow +/-0.3% range around a central parity rate – defined as the previous day's closing RMB/U.S. dollar rate. The reference basket is used as a guide as to whether the RMB/U.S. dollar rate should rise or fall. On July 21, 2005, PBOC announced an initial appreciation of the RMB by 2.0% against the U.S. dollar. On September 23, 2005, PBOC also widened the daily trading band of the RMB against non-U.S. dollar currencies from 1.5% to 3% to improve the flexibility of the new foreign exchange system. On May 18, 2007, PBOC announced that, effective May 21, 2007, it would widen the daily trading band of the RMB against the U.S. dollar from 0.3% to 0.5%. On June 20, 2010, PBOC announced that it intends to further reform the RMB exchange rate regime by allowing greater flexibility in the RMB exchange rate. There remains significant international pressure on the PRC government to adopt a substantial liberalization of its currency policy, which could result in a further and more significant appreciation in the value of the Renminbi against the U.S. dollar.

Any future appreciation of the RMB against the U.S. dollar or the NT dollar will increase our production costs in the PRC. As the exchange rate is no longer fixed, and is now allowed to fluctuate within a range around a central parity rate, any volatility of the RMB exchange rate in the future may materially affect our business, financial condition and results of operations.

We cannot predict the impact of future exchange rate fluctuations on our results of operations. We currently enjoy a measure of natural hedging with respect to our foreign exchange exposure because the majority of both our costs and revenues are denominated in U.S. dollars. We also attempt to hedge any remaining exposure through spot and forward exchange contracts but we cannot be sure that any of our hedging techniques will be successful. For information regarding our hedging activities, see Note 4(p)(3) to our consolidated financial statements for the three years ended December 31, 2010 and Note 4(n)(3) to our unaudited consolidated financial statements for the nine months ended September 30, 2011.

Our business depends on intellectual property, and intellectual property litigation and disputes may adversely affect our business

Our success will depend in part on our ability to protect our intellectual property rights and to operate without infringing on the intellectual property rights of others. We currently rely on a combination of patents and contractual provisions to establish and protect our intellectual property rights in our products. See "Our business – Intellectual property." However, other parties may hold or receive patents that could hinder or prevent the sale of our products or require us to obtain licenses on such technology, which may not be available on acceptable terms or at all.

We are not currently involved in any material litigation or other proceedings which we believe might individually or collectively have any material adverse effect on our results of operations or financial condition, and no material litigation or claim of material importance is known to be pending or threatened against us. Like most technology-based companies, however, we have occasionally been the subject of intellectual property-related litigation with third parties.

Rapid technological changes in our industry require that we quickly implement new processes and components, and there is often a degree of uncertainty as to who may rightfully claim intellectual property rights to such processes and components. As is the case with many companies in our industry, we have occasionally received communications from third parties asserting intellectual property rights against our products. After we review and evaluate such third party assertions of such rights, we might either deny any such assertion, or enter into discussions with such third parties. If necessary and appropriate, we might negotiate the terms of possible licenses in respect of such rights or seek non-infringing alternatives, as well as seek indemnification from our suppliers if possible. There is a risk that we might incur potential costs in either defending or settling such property disputes.

In addition, our customers typically require that we indemnify them against claims of intellectual property infringement in accordance with the related agreements. If any claims are brought against our customers for such infringement, whether or not these have merit, we could be required to defend such claims for our customers.

We rely on technology provided by third parties; if we are unable to use such technology, our business may suffer

From time to time, we have obtained licenses for patent, copyright, trademark and other intellectual property rights in respect of technologies used in the production of our products. We can offer no assurance, however, that in the future we will be able to obtain licenses to the intellectual property of third parties on commercially reasonable terms, or at all. In addition, we could be at a disadvantage if our competitors obtain licenses for protected technologies on more favorable terms. If we or our suppliers are unable to license protected technology used in our products, we could be prohibited from marketing those products or may have to market products without desirable features. We could also incur substantial costs to redesign our products or to defend any legal action taken against us. If our products should be found to infringe protected technology, we could be enjoined from further infringement and be required to pay damages to the infringed party. Any of these factors could have a material adverse effect on our results of operations or financial condition.

Possible failure to comply with environmental regulations could harm our business

We are subject to various national and local environmental laws and regulations in the countries where we operate, including those governing the use, storage, discharge and disposal of hazardous substances in the ordinary course of our manufacturing process. In addition, we are responsible for cleanup of contamination at some of our manufacturing facilities. If more stringent compliance or cleanup standards under environmental laws or regulations are imposed, or the results of future testing and analyzes at our operating facilities indicate that we are responsible for the release of hazardous substances, we may be subject to additional remediation liability. Further, additional environmental matters may arise in the future at sites where no problem is currently known or at sites that we may acquire in the future. Currently, unexpected costs that we may incur with respect to environmental matters may result in additional loss contingencies, the quantification of which cannot be determined at this time.

We engage in a variety of transactions with our affiliates

We engage in a variety of transactions with our affiliates, in particular the Acer Group, on an ongoing basis. The Acer Group is one of our largest customers and suppliers, held 2.08% of our outstanding shares as of August 30, 2011 and has a representative director on our board. See Note 5 of each of our consolidated financial statements for the three years ended December 31, 2010 and the nine months ended September 30, 2011. Our policy is that transactions with related parties will generally be conducted on terms at least as favorable to us as we could obtain in a comparable arm's length transaction with a person who is not a related party. We will continue to enter into additional transactions with our related parties in the future. There can be no assurance as to the terms of those transactions.

We are subject to risks of increased income taxes

We have structured our operations in a manner designed to maximize income in countries where tax incentives have been extended to encourage foreign investments where income tax rates are low or where we have obtained tax preferences, exemptions or incentives or favourable rulings by applicable taxing authorities. We base our tax position upon the anticipated nature and conduct of our business and upon our understanding of the tax laws of the various countries in which we have assets or conduct activities. However, our tax position is subject to review and any tax audits, investigations or challenges may result in the loss of tax preferences, exemptions, other tax incentives or favourable rulings previously obtained by us and could lead to increased tax rates being applied to us, sometimes retroactively, which could have a material adverse effect on our business, financial condition and results of operations. We cannot determine in advance the extent to which some jurisdictions may require us to pay taxes or make payments in lieu of taxes or the extent to which our income tax rates may increase as a result of failure to obtain or retain favorable tax preferences and incentives.

If branded technology companies with personal computer, LCD TV, monitor or any other products that we currently manufacture or may manufacture in the future do not continue to outsource manufacturing to ODMs in Taiwan, our sales could be adversely affected

In recent years, branded technology companies and consumer electronics companies have increasingly outsourced the manufacturing of their products to ODMs in Taiwan. This includes, among others, personal computers, LCD TV and monitor products. We believe that we have benefited from this outsourcing trend in large part due to our flexibility and ability to reduce costs in Taiwan, which allowed us to better coordinate our production and services with our customers' requirements, especially in the areas of logistics and product design support.

There can be no assurance that this outsourcing trend will continue. If branded personal computer and consumer electronics companies do not continue to outsource the manufacturing of their products to ODMs in Taiwan, our sales and operating results may suffer.

We rely on factoring for working capital management

We use factoring arrangements as part of our working capital management. We obtain advance payments of our receivables by selling a significant portion of our receivables to various local and international banks in Taiwan on a nonrecourse basis. As of September 30, 2011, we factored approximately 39.2% of our receivables totaling U.S.$2,510.4 million (approximately NT$76,583.5 million) and we expect to factor up to approximately 60.0% of our receivables in the full year 2011. If the factoring market does not continue to function well, our working capital could be affected.

RISKS RELATING TO OUR INTERNATIONAL OPERATIONS

Our multinational operations subject us to various business, economic, political, regulatory and legal risks

We have operations in Asia, Europe and the Americas. As a result of our international operations, we are affected by economic and political conditions in foreign countries, including the imposition of government controls, political and economic instability, trade restrictions, changes in tariffs, laws and policies affecting trade and investment, the lack of development of local infrastructure, labor unrest and difficulties in staffing, coordinating communications among and managing international operations, fluctuations in currency exchange rates and earnings, expatriation restrictions, difficulties in obtaining export licenses, and misappropriation of intellectual property.

If we cannot successfully manage the risks and challenges generally associated with multinational operations, we may have difficulty successfully completing orders, which might lead to customer dissatisfaction and loss of future orders.

Individual countries in which we do business also have particular risks. For example, U.S. trade policies, such as most favored nation status and trade preferences, could affect our operations in the PRC and Mexico. In addition, some countries in which we operate, such as the Philippines, the Czech Republic and Mexico, have experienced periods of slow or negative growth, high inflation, significant currency devaluations or limited availability of foreign exchange. Furthermore, in countries such as the PRC and Mexico, governmental authorities exercise significant influence over many aspects of the economy, and their actions could have a significant effect on us and how we operate in those countries.

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

In 2009 and 2010, several places in the world, experienced an outbreak of influenza A (H1N1), a lethal communicable disease Influenza A (H1N1), together with other contagious diseases such as severe acute respiratory syndrome or avian flu, may potentially result in a quarantine of infected employees and related persons, and if uncontrolled, may affect our operations at one or more of our facilities. We cannot predict at this time the impact any future outbreak could have on our business and results of operations.

We are vulnerable to natural disasters and other disruptive events that could severely disrupt the normal operation of our business and adversely affect earnings

Many countries, such as the ROC and the PRC, are susceptible to earthquakes. Some earthquakes in recent years caused damage to production facilities and adversely affected the operations of many companies. Although we did not experience significant structural damage to our facilities, there can be no assurance that future earthquakes will not occur and result in major damage to our facilities, which could have a material adverse effect on our results of operations. Our production facilities, as well as many of our suppliers and customers, are located in Taiwan and the PRC. If our customers are affected by earthquakes or other natural disasters, demand for our products could decline. If our suppliers are affected, our production schedule could be interrupted or delayed. As a result, a major earthquake, natural disaster or other disruptive event in Taiwan or elsewhere could severely disrupt the normal operations of our business and have a material adverse effect on our financial condition and results of operations. We do not maintain business interruption insurance.

Our business may be harmed, and the price and liquidity of the Notes and our Shares may be adversely affected, by changes in economic, political and business conditions originating outside Taiwan

Market conditions in Taiwan, our business and results of operations and the market price and liquidity of the Notes and our Shares may be adversely affected by developments outside Taiwan, including, among others, terrorist attacks, acts of war, political, social and economic instability, local labor market conditions, the imposition of foreign tariffs and governmental expropriation. We have production facilities, service centers and logistics facilities in the PRC, the United States, the Czech Republic, the Netherlands, the Philippines, Mexico, Brazil and Japan. Any political, social or economic instability in these countries may have an adverse impact on our operations.

External factors such as potential terrorist attacks, acts of war, financial crises or other political, social or economic turmoil in those parts of the world that serve as markets for our products could significantly adversely affect our business and operating results in ways that cannot presently be predicted. These uncertainties could make it difficult for our customers and us to accurately plan future business activities. More generally, these political, social and economic conditions could result in increased volatility in worldwide financial markets and economies that could adversely impact our sales. We are not insured for losses and interruptions caused by terrorist acts or acts of war. Therefore, any of these events or circumstances could adversely affect our business and operating results.

RISKS RELATING TO THE PRC

Our results of operations and prospects are subject, to a significant extent, to legal, political and economic developments in the PRC

A significant amount of our assets are located in the PRC and a significant amount of our products are manufactured in the PRC.

The PRC legal system is not fully developed and has inherent uncertainties that could limit the legal protections available to our shareholders. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited value as precedents. Since 1979, the PRC government has promulgated laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, and because of the limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve uncertainty. In general, the PRC judiciary is relatively inexperienced in enforcing the laws and regulations that currently exist, leading to a degree of uncertainty as to the outcome of any litigation. Further, it may be difficult to obtain swift and equitable enforcement, or to obtain enforcement of a judgment by a court of another jurisdiction. Another risk is that the introduction of new PRC laws and regulations and the interpretation of existing ones may be subject to policy changes reflecting domestic political or social changes. As the PRC legal system develops, there can be no assurance that changes in such legislation or interpretation thereof will not have a material adverse effect on our business, financial condition, results of operations and future prospects.

The PRC economy differs from the economies of most other countries in many respects, including:

- government involvement;
- level of development;

- growth rate;
- control of foreign exchange; and
- allocation of resources.

While the PRC economy has experienced significant growth in the past 20 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 guide 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 operating results and financial condition may be adversely affected by government control over capital investments or changes in tax regulations applicable to us.

A significant proportion of our production facilities are concentrated in Kunshan and Zhongshan, in the PRC

We have shifted much of our production capacity to Kunshan and Zhongshan, in the PRC, to take advantage of the lower manufacturing costs in the PRC. Our Kunshan facilities currently include four factories, and our Zhongshan facilities currently include three factories. Most of our commercial productions are currently undertaken at these PRC facilities. Accordingly, any adverse conditions affecting the Kunshan and Zhongshan areas in general such as floods, fire, loss of power or water supplies, or other similar contingencies could have a material negative effect on our business. If any of our facilities were to experience a catastrophic loss or significant power outages, it could disrupt our operations, delay production, shipments and revenue, and result in large expenses to repair or replace the facility, any of which would harm our financial condition and results of operations.

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

Many cities and provinces in the PRC have historically suffered serious power shortages. Many of the regional grids do not have sufficient power generating capacity to satisfy fully the increased demand for electricity driven by continual economic growth and persistent hot weather. Local governments (including the Kunshan and Zhongshan Municipal Governments) have required local factories to temporarily shut down their operations, reduce their daily operational hours or operate on different shifts in order to reduce local power consumption levels. Many factories have also experienced temporary power outages as a result of the persistent full load operations of the power grids. To date, our operations in the PRC have not been affected by such administrative measures. However, there is no assurance that our PRC operations will not be affected by those administrative measures in the future, thereby causing material production disruption and delay in delivery schedules. In such event, our business, results of operations and financial condition could be materially adversely affected.

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

Our PRC subsidiaries are subject to the Enterprise Income Tax ("EIT") on their taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws. Because of their location in zones and their qualification as enterprises in "High-New Technology Industry" to which preferential tax rates apply, under the PRC "Law of Enterprise Income Tax for Enterprises with Foreign Investment and Foreign Enterprises," the applicable EIT rates for our PRC subsidiaries range from 15% to 24% Furthermore, our PRC subsidiaries are entitled to full exemption from EIT for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years. Dividends received from our PRC subsidiaries were not subject to any withholding tax.

However, the PRC published a new corporate income tax law ("CIT Law") in March 2007, which became effective on January 1, 2008. This new CIT law sets the unified income tax rate for both domestic and foreign companies at 25%. In addition, certain other tax incentives previously available to foreign enterprises, such as tax rebate for re-investment, have also been abolished. Lower tax rates attributable to geographical location may no longer be available after the effective date of the CIT Law for foreign investment enterprises established after March 16, 2007. For foreign investment enterprises established on and before March 16, 2007 which were subject to a lower tax rate, namely 15% to 24%, the tax rates would be gradually increased to 25% over a five-year transitional period commencing from January 1, 2008. Pursuant to the CIT Law and the Implementation Rules of the CIT Law, dividends received from our PRC subsidiaries are subject to withholding tax at the rate of 10% unless otherwise stipulated under the tax treaties entered into between the PRC and the jurisdiction where the shareholder is incorporated. Nonetheless, both foreign investment and domestic enterprises may enjoy a 15% flat tax rate if they qualify as "encouraged high-new technology enterprises" subject to CIT Law.

There is no assurance that there will be no future change in respect of the other current preferential tax treatments enjoyed by our PRC subsidiaries, which changes would adversely affect our profitability.

RISKS RELATING TO THE ROC

Strained relations between the ROC and the PRC, and political developments in the ROC, could adversely affect our business and the market value and liquidity of the Notes or our Shares

Our principal executive offices and a significant portion of our assets are located in Taiwan. Accordingly, our financial condition and results of operations and the market price and liquidity of the Notes and our Shares may be affected by changes in the ROC governmental policies, 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 PRC government does not recognize the legitimacy of the government of the ROC. 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 ROC and the PRC have at times been strained. Past developments in relations between the ROC and the PRC have on occasion depressed the market price of the securities of ROC companies. There is no assurance that relations between the ROC and the PRC will not deteriorate, or that future military actions or economic sanctions or other disruptive activities will not be undertaken by either government.

The trading price of our Shares may be adversely affected by the general activities of the TWSE and the economic performance of Taiwan

Our Shares are listed on the TWSE. The trading price of our Shares may be affected by the general activities of the TWSE and the economic performance of Taiwan. The TWSE is smaller and, as a market, more volatile than the securities markets in the United States and a number of European 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 the past decade, the TWSE Index peaked at 10,202 in February 17, 2000 and subsequently fell to a low of 3,446 in October 3, 2001. During 2010, the TWSE Index peaked at 8,972.50 on December 31, 2010 and reached a low of 7,071.67 on June 9, 2010. From January 1, 2011 to November 30, 2011, daily closing prices of our Shares ranged from NT$30.85 per Share on August 24, 2011 to NT$57.91 per Share on January 4, 2011. The TWSE is particularly volatile during times of political instability, such as when relations between the ROC and the PRC are strained. Moreover, the TWSE has occasionally experienced problems such as market manipulation, insider trading and payment defaults. The recurrence of these or similar problems could decrease the market price and liquidity of our Shares.

In response to past declines and volatility in the securities markets in Taiwan, and in line with similar activities by other countries in Asia, the ROC government formed the National Stabilization Fund, which has purchased, and may from time to time purchase, shares of ROC companies to support the TWSE and other stock markets. In addition, other funds associated with the ROC government have in the past purchased, and may from time to time purchase, shares of ROC companies on the TWSE or other stock markets. 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 our Shares.

We are subject to ROC GAAP, which differ from U.S. GAAP

We are subject to financial reporting requirements in the ROC that differ in significant respects from those applicable to companies in certain other countries, including European countries. In addition, our financial statements are prepared in accordance with ROC GAAP, which differ in certain material respects from U.S. GAAP.

We have not quantified or identified the impact of the differences between ROC GAAP and U.S. GAAP. See "Summary of certain significant differences between ROC GAAP and U.S. GAAP." Potential investors should consult their own professional advisors for an understanding of the differences between ROC GAAP and U.S. GAAP and how they might affect the financial information contained herein.

Noteholders may have difficulty enforcing any judgment obtained outside Taiwan against us or our directors or executive officers

We are a company organized under ROC law. Substantially all of our directors and executive officers reside in Taiwan. In addition, a significant proportion of our assets and a substantial portion of the assets of those persons are located in Taiwan. As a result, it may be difficult for Noteholders to effect service of process upon us or those persons outside Taiwan. We have, however, irrevocably appointed an agent in New York to receive service of process in any proceedings in New York based on any of the Notes. Notwithstanding the foregoing, it may be difficult to enforce in the ROC court judgments obtained against us and our directors and executive officers in non-ROC courts, including those obtained against us in a New York court. See "Enforceability of foreign judgments in the ROC."

The application of ROC International Financial Reporting Standards may adversely affect our reported results of operations or financial condition

On May 14, 2009, the Accounting Research and Development Foundation announced a road map for the adoption of the ROC equivalent of International Financial Reporting Standards, or ROC IFRS, pursuant to which all listed companies in the ROC, such as us, will be required to prepare their annual financial statements under ROC IFRS beginning in 2013. Such listed companies will propose a ROC IFRS adoption plan and establish a specific taskforce for the adoption of ROC IFRS. Listed companies are also expected to disclose their ROC IFRS adoption plan and the impact of such adoption in their 2011 annual financial statements as well as in 2012 interim and annual financial statements. However, the Accounting Research and Development Foundation has not yet published the full text of ROC IFRS. In addition, as there is not yet a significant body of established practice on which to draw in forming judgments regarding the implementation and application of ROC IFRS, it is not possible to estimate accurately the impact that such adoption will have on our financial reporting. Accordingly, there can be no assurance that the adoption of ROC IFRS beginning in 2013 will not adversely affect our reported results of operations or financial condition.

We currently prepare and present our financial statements in accordance with ROC GAAP, but plan to prepare and present our financial statements in accordance with ROC IFRS from January 1, 2013 to comply with the requirement described above.

RISKS RELATING TO THIS OFFERING

An active trading market for the Notes may not develop

The Notes are a new issue of securities for which there is currently no trading market. We cannot predict whether an active trading market for the Notes will develop or be sustained. If an active trading market were to develop, the Notes could trade at prices that may be lower than the initial offering price. Whether or not the Notes could trade at lower prices depends on many factors, including:

- the market price of the Shares, prevailing interest rates and the markets for similar securities;
- general economic conditions; and
- the Group's financial condition, historic financial performance and future prospects.

If an active market for the Notes fails to develop or be sustained, the trading price of the Notes could be materially and adversely affected. Approval-in-principle has been received for the listing of the Notes on the SGX-ST. However, there can be no assurance that we will be able to obtain or be able to maintain such a listing or that, if listed, a trading market will develop on the exchange. We do not intend to apply for listing of the Notes on any securities exchange other than the SGX-ST. The Notes may not be publicly offered, sold, pledged or otherwise transferred in any jurisdiction where registration may be required.

There are limitations on the ability of Noteholders to exercise conversion rights

Pursuant to the Indenture, the Noteholders will not be able to exercise their conversion right during any Closed Period, as defined in the Indenture, including, (a) the 60-day period prior to the date of any of our annual general shareholders' meetings; (b) the 30-day period prior to the date of any of our special shareholders' meetings; (c) the 5-day period prior to the record date of the Company for determination of shareholders entitled to receive dividends, bonuses or other benefits to the record date; (d) the period beginning on the 15th Trading Day (as defined below) prior to the first day of any closing period (being the period during which our shareholders' register is closed) for the determination of shareholders entitled to the receipt of stock or cash dividends, or to the right to participate in any rights issue, and ending on (and including) such record date; (e) the period beginning on the record date of a capital reduction to one day prior to the Trading Day on which the shares of the Company are relisted on the TWSE after such capital reduction and (f) such other periods during which we may be required to close our shareholders' register under ROC laws and regulations applicable from time to time. "Trading Day" means a day when the TWSE is open for business.

Under current ROC law, regulations and policy, with respect to PRC Noteholders, except for Qualified Domestic Institutional Investors (the "QDIIs"), PRC persons are not permitted to convert or to register as our shareholders.

We may not have the ability to redeem the Notes in cash if investors exercise the early redemption right on the date specified in this Offering Circular, upon the occurrence of a change of control or delisting

Noteholders may require us, subject to certain conditions, to redeem for cash all or some of their Notes upon a transaction or event constituting a change of control or delisting as described under "Description of the Notes – Redemption, repurchase and cancellation." We may not have sufficient funds or other financial resources to make the required redemption in cash at such time or the ability to arrange necessary financing on acceptable terms. In addition, our ability to redeem the Notes in cash may be limited by law, by the terms of other agreements relating to our senior debt and by indebtedness and agreements that we may enter into in the future which may replace, supplement or amend our existing or future indebtedness. If the exercise of the redemption right on the dates specified in the Indenture or upon the occurrence of a change of control or delisting occurs at a time when we are prohibited from redeeming the Notes, we could seek the consent of lenders to redeem the Notes or could attempt to refinance the borrowings that contain this prohibition. If we are not able to obtain consent or refinance these borrowings, we could remain prohibited from redeeming the Notes. Our failure to redeem Notes would constitute an event of default, which might constitute a default under the terms of our other indebtedness at that time.

Noteholders' entitlement to dividends and other rights in respect of our Shares may be limited

Unless and until a Noteholder acquires Shares upon a conversion of the Notes, such Noteholder will have no rights with respect to our Shares, including any voting rights or rights to receive any regular dividends or other distributions with respect to our Shares. Noteholders who acquire our Shares upon the exercise of a conversion right will be entitled to exercise the rights of holders of our Shares only as to actions for which the applicable record date occurs after the relevant Conversion Date.

The returns of the Noteholders on the Notes may depend on the value of our Shares

The terms of the Notes differ from those of ordinary debt securities because each Note is convertible by the Noteholder into our Shares. Accordingly, the Notes may bear particular risks related to our Shares in addition to the risks of the debt securities. It is difficult to predict whether the price of our Shares will rise or fall. Trading prices of our Shares will be influenced by our operating results, and by complex and interrelated political, economic, financial and other factors that can affect the capital markets generally, the TWSE and the market segments of which we are a part. Depending on these factors, the value of our Shares may become substantially lower than they are when the Notes are initially purchased. In addition, the value of the securities to be delivered may vary substantially between the date on which conversion rights are exercised and the date on which such securities are delivered.

Future issues, offers or sales of our Shares may hurt the value of the Notes

The market price of the Notes and our Shares could decline as a result of future issues, offers or sales of a large number of our Shares or securities convertible into or exercisable for our Shares or any securities or financial instruments whose economic value is determined, directly or indirectly, by reference to the market price of our Shares, or the perception that such issues, offers or sales could occur. If a large number of our Shares is sold, the market price for the Notes or our Shares could be depressed.

An account number of Taiwan Depository & Clearing Corporation ("TDCC") must be specified in any conversion notice

Delivery of our Shares into which the Notes may be converted will only be made through the book-entry system maintained by the TDCC. No physical share certificates will be delivered to the converting Noteholder (or its designee) upon conversion. Thus, a book-entry account number of TDCC maintained by the converting Noteholder or its designee must be specified in the conversion notice. Each Paying Agent (as defined herein) will deem any conversion notice that does not include an account number of TDCC incomplete and will reject such conversion notice and will have no liability to any Noteholder or any other person for so doing. If the non-ROC converting Noteholder (or its designee) does not have a TDCC book-entry account, the conversion notice executed by such converting Noteholder will not be valid unless and until such Noteholder (or its designee) registers with the TWSE as an offshore foreign institutional or individual investor, obtains a foreign investor investment I.D. ("Foreign Investor Investment I.D.") and opens a TDCC account. We will deliver Shares through the book-entry system maintained by the TDCC within five trading days after such account being opened.

Non-ROC Noteholders who exercise their conversion rights with respect to the Notes will be required to register with the TWSE and appoint a local agent, a tax guarantor and a custodian in the ROC as well as when applicable obtain the relevant regulatory approval

Under current ROC law, if a non-ROC person (other than a PRC person) wishes to convert the Notes and hold the Shares, such non-ROC person will be required to register with the TWSE to obtain the Foreign Investor Investment I.D. for making investments in the ROC securities market prior to converting the Notes into Shares. In addition, a non-ROC person (other than a PRC 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 TDCC book-entry account and a bank account, to pay ROC taxes, remit funds, exercise shareholders' rights and perform such other functions as such person may designate upon conversion. In addition, a non-ROC person (other than a PRC person) will be required to appoint a custodian bank in the ROC to hold the securities in safekeeping, make confirmation, settle trades and report all relevant information. Without obtaining the Foreign Investor Investment I.D. and opening such accounts, a non-ROC person would be unable to hold or subsequently sell the Shares converted from the Notes on the TWSE or otherwise. In addition, these regulations may change from time to time. There can be no assurance that a non-ROC person (other than a PRC person) will be able to register with the TWSE and open the requisite accounts in a timely manner.

When a non-ROC Noteholder exercises its conversion right with respect to the Notes in order to receive Shares, that holder will be required to appoint an agent (a "Tax Guarantor") in the ROC. Such Tax Guarantor will be required to meet the qualifications set by the ROC Ministry of Finance and will act as the guarantor of such holder's tax payment obligations. Generally, evidence of the appointment of a Tax Guarantor and the approval of such appointment may be required as a condition to such holder's repatriation of profits. There can be no assurance that non-ROC Noteholders will be able to appoint and obtain approval for a Tax Guarantor in a timely manner.

Pursuant to the Regulations Governing Securities Investment and Futures Trading in Taiwan by Mainland Area Investors (the "Mainland Investors Regulations"), only the QDIIs registered with the TWSE are permitted to convert the Notes and hold our Shares, and similar to other non-ROC persons, in order to hold our Shares, such QDIIs are required to appoint the agent, custodian and tax guarantor as required by the Mainland Investors Regulations. If the aggregate amount of our Shares to be held by any QDII or our Shares to be received by any QDII upon conversion will result in 10% or more of our total issued and outstanding shares being held by QDIIs, such QDII must obtain the prior approval from the Investment Commission of the ROC Ministry of Economic Affairs.

Our share price has historically fluctuated and may continue to fluctuate

Our share price, like that of other technology companies, can be volatile. Some of the factors that can affect our stock price are:

- the announcement of new products, services or technological innovations by us or our competitors;

- quarterly increases or decreases in net revenues, gross profit margin or earnings, and changes in the business, organizational structure, operations or prospects of us or any of our business groups;

- changes in quarterly revenue or earnings estimates by the investment community and variations between actual and anticipated financial results; and

- speculation in the press or investment community about our strategic position, financial condition, financial reporting, results of operations, business acquisitions or significant transactions.

General or industry-specific market conditions or stock market performance or domestic or international macroeconomic and geopolitical factors unrelated to our performance may also affect the price of our Shares. For these reasons, recent trends may not be relied on to predict future share prices, financial condition, or results of operations or cash flows.

USE OF PROCEEDS

After deducting underwriting commission, the net proceeds from this offering will be approximately U.S.$276.5 million (assuming the Optional Notes are issued in full). We plan to use the net proceeds from this offering to purchase raw materials overseas.

CAPITALIZATION

The following table sets forth our consolidated long-term borrowings and stockholders' equity as at September 30, 2011 as adjusted to reflect the issue of the Notes (assuming the Optional Notes are issued in full). This table should be read in conjunction with our unaudited consolidated financial statements as of and for the nine months ended September 30, 2011, including the notes thereto, included elsewhere in this Offering Circular. The amounts in U.S. dollars do not form a part of any of our financial statements and are provided solely for the convenience of the reader.

	As at September 30, 2011			
	Actual		As adjusted[(1)]	
	(NT$) (in millions)	(U.S.$)[(2)]	(NT$) (in millions)	(U.S.$)[(2)] (unaudited)
Long-term borrowings:				
Long-term borrowings[(3)]	477.1	15.7	477.1	15.7
Convertible notes payable[(4)]	–	–	5,481.0	180.0
Stockholders' equity:				
2,500,000,000 Shares authorized, 1,986,152,318 Shares issued and 1,970,579,368 Shares outstanding[(5)]	20,848.8	684.7	20,848.8	684.7
Undistributed stock dividends	–	–	–	–
Capital surplus – paid-in capital in excess of par value	19,076.1	626.5	19,076.1	626.5
Capital surplus – resulting from long-term equity investments	82.2	2.7	82.2	2.7
Capital surplus – reserve treasury stock	2.2	0.1	2.2	0.1
Capital surplus – employee stock option	65.9	2.1	65.9	2.1
Legal reserve	4,655.5	152.9	4,655.5	152.9
Special reserve	3,287.5	107.9	3,287.5	107.9
Unappropriated earnings	13,718.0	450.5	13,718.0	450.5
Treasury stock	(783.3)	(25.7)	(783.3)	(25.7)
Foreign currency translation adjustment	(1,052.0)	(34.6)	(1,052.0)	(34.6)
Unrecognized pension cost	(201.8)	(6.6)	(201.8)	(6.6)
Unrealized loss on available-for-sale financial assets	93.4	3.1	93.4	3.1
Total stockholders' equity	59,792.5	1,963.6	59,792.5	1,963.6
Total capitalization[(6)]	60,269.6	1,979.3	65,750.6	2,159.3

Notes:

(1) *Proforma numbers, as adjusted for the issuance of Notes in this Offering*

(2) *Solely for the convenience of the reader, the NT dollar amounts have been translated into U.S. dollars at the rate of NT$30.45 = U.S.$1.00, the Noon Buying Rate on September 30, 2011. No representation is made that the NT dollar or U.S. dollar amounts shown could have been or could be converted into U.S. dollars or NT dollars, as the case may be, at any particular rate or at all. See "Exchange rates."*

(3) *Long-term borrowings net of current portion of long-term borrowings.*

(4) *In accordance with ROC GAAP No. 34 "Accounting for Financial Instruments" and No. 36 "Disclosure and Presentation of Financial Instruments", the liability component and equity component, if any, of a convertible bond are accounted for separately. For illustrative purposes only, the aggregate principal amount of the Notes to be issued has been presented as a liability only in the above table and the costs associated from the offering of the Notes have not been deducted from this amount, which does not necessarily conform to ROC GAAP.*

(5) *We implemented a share buyback program in 2010, and as of September 30, 2011, there were 15,573,000 Shares held by us.*

(6) *Total capitalization equals long-term borrowings plus total stockholders' equity.*

Except as disclosed in the sections entitled "Changes in share capital" and "Description of share capital", there has been no material change in our total capitalization since September 30, 2011.

SELECTED FINANCIAL INFORMATION AND OTHER DATA

The following table sets forth our and our consolidated subsidiaries' selected financial information and other data for the periods indicated. This information should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements dated as of and for the years ended December 31, 2008, 2009 and 2010 and our unaudited consolidated financial statements dated as of and for the nine months ended September 30, 2011, including the notes thereto, included elsewhere in this Offering Circular. Our audited consolidated financial statements dated as of and for the years ended December 31, 2008, 2009 and 2010 and our unaudited consolidated financial statements dated as of and for the nine months ended September 30, 2011, were prepared in accordance with ROC GAAP, which differ in certain material respects from generally accepted accounting principles in certain other countries, including U.S. GAAP. See "Summary of certain significant differences between ROC GAAP and U.S. GAAP."

	Consolidated						
	For the year ended December 31,[1]				For the nine months ended September 30,[2]		
	2008	2009	2010	2010[3]	2010	2011	2011[3]
	NT$	NT$	NT$	U.S.$	NT$	NT$	U.S.$
	(In millions of NT dollars and U.S. dollars, except per Share data)						
Statement of Operations Data							
Net revenues	445,117.7	546,665.7	615,184.9	20,203.1	454,412.6	463,111.5	15,208.9
Cost of sales	(420,247.9)	(516,716.3)	(580,661.2)	(19,069.3)	(428,880.8)	(439,870.0)	(14,445.6)
Gross profit	24,869.8	29,949.4	34,523.7	1,133.8	25,531.9	23,241.5	763.3
Operating expenses:							
Selling	(7,653.9)	(8,651.1)	(8,547.6)	(280.7)	(6,485.2)	(6,209.8)	(203.9)
Administrative	(2,170.7)	(2,262.7)	(2,334.2)	(76.7)	(1,737.0)	(1,342.5)	(44.1)
Research and development	(6,428.2)	(8,286.6)	(9,883.0)	(324.5)	(6,923.9)	(8,096.2)	(265.9)
Total operating expenses	(16,252.9)	(19,200.4)	(20,764.9)	(681.9)	(15,146.1)	(15,648.5)	(513.9)
Operating income	8,616.9	10,749.1	13,758.8	451.9	10,385.8	7,593.0	249.4
Non-operating income and gains:							
Interest income	277.7	84.4	477.6	15.7	265.7	858.8	28.2
Investment income recognized under equity method, net	239.4	340.8	333.1	10.9	277.2	291.0	9.6
Gain on disposal of property, plant and equipment	121.3	66.6	918.2	30.2	17.3	6.2	0.2
Gain on disposal of investments	182.5	11.6	24.0	0.8	23.3	52.9	1.7
Foreign currency exchange gain, net	–	109.3	448.9	14.8	75.2	346.8	11.4
Rental income	98.1	71.3	40.8	1.3	31.2	27.7	0.9
Evaluation gain on financial instruments	36.6	101.8	–	–	28.4	23.4	0.8
Other income	434.0	542.7	553.4	18.1	509.3	225.5	7.4
	1,389.6	1,328.4	2,796.0	91.8	1,227.6	1,832.3	60.2
Non-operating expenses and losses:							
Interest expense	(939.4)	(378.4)	(581.3)	(19.1)	(371.8)	(710.5)	(23.4)
Loss on disposal of property, plant and equipment	(55.4)	(96.6)	(167.6)	(5.5)	(62.6)	(16.1)	(0.5)
Other investment loss	(7.5)	(1.2)	(2.6)	(0.1)	–	–	–
Foreign currency exchange loss, net	(37.7)	–	–	–	–	–	–
Evaluation loss on financial instruments	–	–	(192.4)	(6.3)	–	–	–
Other loss	(109.6)	(105.1)	(265.5)	(8.7)	(123.3)	(103.7)	(3.4)
	(1,149.6)	(581.3)	(1,209.5)	(39.7)	(557.7)	(830.3)	(27.3)
Income before income taxes	8,856.9	11,496.2	15,345.3	504.0	11,055.7	8,595.0	282.3
Income tax expense	(1,958.5)	(2,325.1)	(3,305.1)	(108.6)	(2,132.9)	(1,891.9)	(62.2)
Consolidated net income	6,898.4	9,171.1	12,040.2	395.4	8,922.8	6,703.1	220.1
Income attributable to:							
Shareholders of parent company	6,877.9	9,134.6	12,030.3	395.1	8,928.9	6,703.1	220.1
Minority shareholders	20.5	36.4	9.9	0.3	(6.1)	–	–
	6,898.4	9,171.1	12,040.2	395.4	8,922.8	6,703.1	220.1
After income tax							
Earnings per common share (in dollars):							
Basic earnings per share – retroactively adjusted	3.96	4.98	6.15	0.2	4.3	3.2	0.1
Diluted earnings per share – retroactively adjusted	3.64	4.67	5.98	0.2	4.2	3.2	0.1

	Consolidated						
	As of December 31,(1)				As of September 30,(2)		
	2008	2009	2010	2010(3)	2010	2011	2011(3)
	NT$	NT$	NT$	U.S.$	NT$	NT$	U.S.$
	(In millions of NT dollars and U.S. dollars, except per Share data)						
Balance Sheet Data							
Assets							
Current assets:							
Cash and cash equivalents	13,174.0	20,539.9	40,641.4	1,334.7	33,641.7	53,509.6	1,757.3
Financial assets at fair value through profit or loss – current	12.9	250.8	119.5	3.9	194.0	281.9	9.3
Notes and accounts receivable, net of allowance for doubtful accounts	51,199.7	67,611.2	86,122.4	2,823.3	87,111.8	96,129.8	3,157.0
Notes and accounts receivable – related parties	12,518.4	31,768.0	15,946.9	523.7	15,098.5	13,646.8	448.2
Other receivable – related parties	33.6	36.3	32.3	1.1	29.3	35.3	1.2
Other financial assets – current	2,194.8	1,405.7	1,453.1	47.7	2,016.3	4,418.4	145.1
Inventories	31,891.9	27,669.1	33,632.9	1,104.6	38,893.4	46,526.4	1,528.0
Non-current assets held for sale	–	–	–	–	305.0	–	–
Deferred income tax assets – current	1,310.3	1,431.5	1,223.7	40.2	2,037.9	625.0	20.5
Prepaid expenses and other current assets	1,224.4	1,303.2	1,996.9	65.6	1,566.2	2,492.8	81.7
Available-for-sale financial assets – current	4.8	4.8	3.4	0.1	3.4	0.4	0.0
Total current assets	113,564.8	152,020.5	181,172.5	5,949.9	180,897.3	217,666.5	7,148.3
Long-term investments:							
Long-term equity investments under equity method	2,781.1	3,321.4	4,663.1	153.2	4,337.3	5,281.8	173.5
Advance payments for investment	20.0	–	191.7	6.3	320.0	–	–
Other financial assets – noncurrent	–	–	0.3	0.0	1.5	0.3	0.0
Available-for-sale financial assets – noncurrent	588.8	1,388.6	1,180.7	38.8	1,264.7	2,031.3	66.7
Financial assets carried at cost – noncurrent	997.6	1,151.0	1,769.6	58.1	1,872.3	1,364.0	44.8
Total long-term investments	4,387.6	5,861.0	7,805.5	256.4	7,795.8	8,677.4	285.0
Property, plant and equipment:							
Land	1,349.6	1,329.1	1,324.7	43.5	1,357.1	3,424.3	112.5
Buildings and improvements	7,230.9	7,691.7	8,598.6	282.3	8,570.9	10,357.6	340.2
Machinery and equipment	9,045.3	9,910.9	10,824.4	355.5	11,075.0	13,782.3	452.6
Molding equipment	4,217.3	5,651.5	7,144.5	234.7	6,718.4	8,369.9	274.9
Research and development equipment	818.9	923.1	1,130.3	37.1	1,017.2	1,305.2	42.8
Furniture and fixtures	1,023.4	1,117.8	1,187.2	39.0	1,155.7	1,389.4	45.6
Other equipment	1,765.4	1,995.9	1,976.9	65.0	2,117.4	2,527.3	83.0
	25,450.7	28,619.8	32,186.6	1,057.1	32,011.7	41,156.1	1,351.6
Less: accumulated depreciation	(10,484.2)	(13,978.7)	(15,450.7)	(507.4)	(15,025.6)	(19,146.2)	(628.8)
Construction in progress and advance payments for purchases of property and equipment	2,454.2	3,259.1	6,760.7	222.0	4,953.7	8,396.6	275.8
Net property, plant and equipment	17,420.7	17,900.2	23,496.6	771.7	21,939.8	30,406.5	998.6
Intangible assets	2,579.2	2,421.1	3,112.8	102.0	2,855.1	3,285.7	107.9
Deferred income tax assets – noncurrent	81.5	452.8	569.9	18.7	430.7	641.8	21.1
Deferred expenses and other assets	1,508.8	1,640.1	1,496.5	49.2	1,546.6	1,871.3	61.4
Total assets	139,542.6	180,295.7	217,653.7	7,147.9	215,465.3	262,549.1	8,622.3

	Consolidated						
	As of December 31,[1]				As of September 30,[2]		
	2008	2009	2010	2010[3]	2010	2011	2011[3]
	NT$	NT$	NT$	U.S.$	NT$	NT$	U.S.$
	(In millions of NT dollars and U.S. dollars, except per Share data)						
Liabilities and Stockholders Equity							
Current liabilities:							
Short-term borrowings	2,875.2	1,885.0	33,107.4	1,087.2	23,182.8	63,948.7	2,100.1
Current portion of long-term borrowings	–	–	8,739.0	287.0	9,399.0	–	–
Notes and accounts payable	61,666.6	71,094.7	79,689.8	6.7	56.3	341.0	11.2
Notes and accounts payable – related parties	16,294.3	30,630.0	18,826.5	2,617.1	79,902.8	96,645.7	3,173.9
Financial liabilities at fair value through profit or loss – current	4.7	140.9	202.6	618.3	25,355.3	21,307.1	699.8
Other payable – related parties	94.4	87.2	105.4	3.5	56.3	46.7	1.5
Accrued warranty costs	574.0	1,799.4	1,877.8	61.6	2,108.0	2,303.9	75.7
Accrued expenses and other current liabilities	8,895.6	12,822.5	15,549.9	0.4	7.3	12.5	0.4
Deferred inter-company profits	13.6	11.3	–	510.7	17,779.4	13,885.2	456.0
Deferred income tax liabilities – current	–	10.6	11.8	–	9.6	7.4	0.2
Total current liabilities	90,418.4	118,481.1	158,110.2	5,192.5	157,857.0	198,498.2	6,518.8
Long-term borrowings	9,858.0	5,765.4	143.2	4.7	–	477.1	15.7
Deferred income tax liabilities – noncurrent	1,253.5	1,759.8	2,211.5	72.6	1,672.6	2,579.7	84.7
Unrealized gain on sale-and-leaseback	83.1	–	–	–	–	–	–
Other liabilities	146.9	274.4	319.0	10.5	177.1	1,201.6	39.5
Total liabilities	101,759.8	126,281.3	160,784.0	5,280.3	159,706.7	202,756.5	6,658.7
Stockholders' equity:							
Common stock	15,166.4	18,642.7	19,809.0	650.5	19,642.7	20,848.8	684.7
Capital surplus – paid-in capital in excess of par value	11,103.7	18,118.8	18,895.6	620.5	18,355.2	19,076.1	626.5
Capital surplus – reserve treasury stock	–	–	–	–	–	2.2	0.1
Capital surplus – resulting from long-term equity investments	2.0	29.2	69.5	2.3	32.7	82.2	2.7
Capital surplus – employee stock option	–	–	–	–	–	65.9	2.1
Legal reserve	1,851.2	2,539.0	3,452.4	113.4	3,452.4	4,655.5	152.9
Special reserve	–	–	–	–	–	3,287.5	107.9
Unappropriated earnings	8,506.6	13,677.5	18,809.5	617.7	15,708.1	13,718.0	450.5
Foreign currency translation adjustment	651.5	54.6	(2,994.8)	(98.4)	(454.7)	(1,052.0)	(34.6)
Unrecognized pension cost	(11.6)	(85.0)	(201.8)	(6.6)	(85.0)	(201.8)	(6.6)
Unrealized gain (loss) on available-for-sale financial assets	(398.5)	101.9	(90.9)	(3.0)	(13.8)	93.4	3.1
Treasury stock	–	–	(878.9)	(28.8)	(878.9)	(783.3)	(25.7)
Total stockholders' equity	36,871.2	53,078.7	56,869.7	1,867.6	55,758.6	59,792.5	1,963.6
Minority interest	911.6	935.8	–	–	–	–	–
Total stockholders' equity and minority interest	37,782.8	54,014.4	56,869.7	1,867.6	55,758.6	59,792.5	1,963.6
Total liabilities and stockholders' equity	139,542.6	180,295.7	217,653.7	7,147.9	215,465.3	262,549.1	8,622.3

Notes:

(1) *The amounts as of and for the periods ended December 31, 2008, 2009 and 2010 are derived from our audited consolidated financial statements for the same periods.*

(2) *The amounts as of and for the periods ended September 30, 2010 and 2011 are derived from our unaudited consolidated financial statements for the same periods.*

(3) *Solely for the convenience of the reader, the NT dollar amounts have been translated into U.S. dollars at the rate of NT$30.45 =U.S.$1.00, the Noon Buying Rate on September 30, 2011. No representation is made that the NT dollar or U.S. dollar amounts shown could have been or could be converted into U.S. dollars or NT dollars, as the case may be, at any particular rate or at all. See "Exchange rates."*

OUR INDUSTRY

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PERSONAL COMPUTERS MARKET

Mobile PC Market

The global mobile PC industry consists of desk-based replacement mobile PCs (which have a screen size over 16 inches), mainstream large and small mobile PCs (which have a screen size between 12 to 15 inches), ultraportable PCs (which have a screen size between 11 to 12 inches), mini-notebooks (which have a screen size between 5 to 10 inches) and tablet PCs (which are equipped with a pen and on-screen digitizer and are configurable into a tablet format). According to Gartner, mobile PC unit shipments increased by 44.1% from 141.9 million units in 2008 to 204.4 million units in 2010 and are expected to increase from 204.4 million units in 2010 to 429.6 million units in 2015 at a CAGR of 16.0% (2010-2015)[1].

The market is characterized by intense competition for market share, short product life cycles, high demand for innovation and intense pressure on costs. Cost pressures in this industry have caused PC vendors to increasingly reduce in-house manufacturing and to increase the outsourcing of design and manufacturing of mobile PCs to ODMs.

The recent emergence of alternative computing devices, such as media tablets, is expected to have a significant impact on the PC market going forward. According to Gartner, media tablets will displace 10% of mobile PCs globally by 2014[2]. Mini-notebooks in particular, which are typically used as secondary PCs for content consumption, are likely to be significantly displaced by media tablets. Consumers' need for mobility and usage on the go is the primary factor that is driving this trend. Other drivers include the PC's diminishing role in multidevice environments, device price, the tablets' improving functionality and the consumer's need for dedicated on-the-go media consumption devices. Gartner also expects these new emerging devices to extend PC life cycles as users' computing needs in mature markets are spread across a variety of complementary devices, making each individual device work less. In this environment, PC usage, both for desktop PCs and mobile PCs, is expected to become more desk-bound.

Desk-based PC Market

The global desk-based PC industry primarily consists of towers and mini-towers, small and ultra-small form factor desk-based PCs and AIO PCs. The desk-based PC industry is a mature industry and has been increasingly affected by the growing substitution of desk-based PCs with mobile PCs for portability.

According to Gartner, total global desk-based PC shipments increased by 5.8% from 150.4 million units in 2008 to 146.5 million units in 2010. The CAGR for desktop PC unit shipments is estimated to be 0.6% between 2010 and 2015[1]. Desk-based PCs will account for approximately 39.7% of PC shipments in 2011[1].

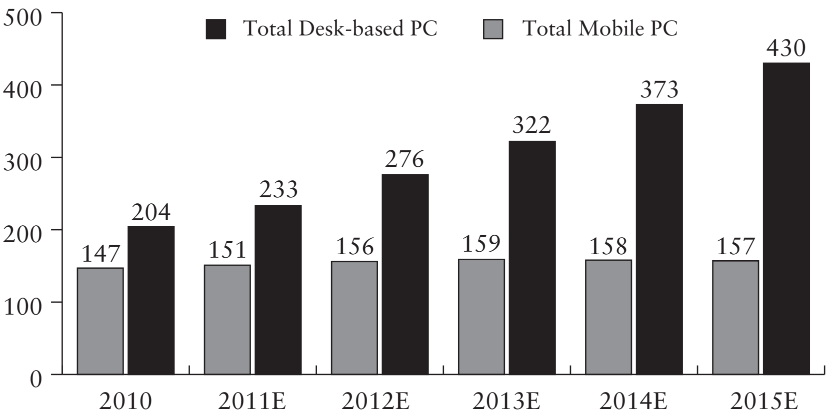
1 *Gartner, Inc., "Forecast: PCs, All Countries (Annual Data), 4Q11 Update" by Raphael Vasquez, Ranjit Atwal, George Shiffler III, December 2, 2011*

2 *Gartner, Inc., "Forecast Analysis: Media Tablets by Operating System, Worldwide 2010-2015, 2Q11 Update" by Carolina Milanesi and Roberta Cozza, July 22, 2011*

The AIO PC is a desk-based PC with a built-in LCD monitor and is a new growth driver for the matured desk-based PC market. Unlike mini-notebooks and media tablets which can be considered as a new product having expanded into the large volume/low price handheld market, AIO PCs sales primarily serve as desk-based PC replacements.

The following chart sets forth the number of units of desk-based and mobile PCs shipped globally, or expected to be shipped, for the periods indicated.

Desk-based and Mobile PC Shipments (millions)



Source: Gartner, Inc., "Forecast: PCs, All Countries (Annual Data), 4Q11 Update" by Raphael Vasquez, Ranjit Atwal, George Shiffler III, December 2, 2011

Chart created by the Company based on Gartner data

A new trend emerging in the professional desk-based PC market is cloud computing where users access their workstations through thin clients, referred to as hosted virtual desktops. Thin client implementation is primarily used for security reasons in certain verticals such as banking and finance.

CONSUMER ELECTRONICS (ENTERTAINMENT SOLUTIONS) MARKET

The consumer electronics market covers a broad range of products including LCD TVs, handhelds/mobile phones, portable media players, digital set top boxes, digital still cameras, game devices and other products. Consumer electronics products are typically used for entertainment and leisure by households.

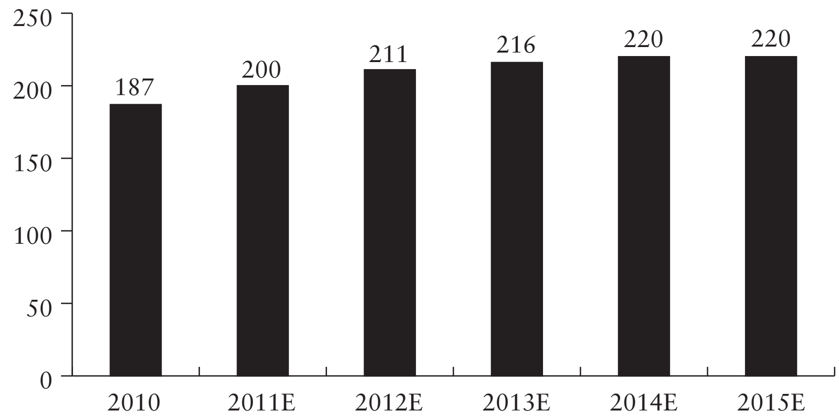
LCD TVs

The LCD TV market is expected to grow rapidly over the next few years. According to Gartner, the worldwide production of LCD TVs increased 83.1% from 102.0 million units in 2008 to 186.7 million units in 2010. Gartner estimates LCD TV production will increase from 186.7 million units in 2010 to 220.2 million units by 2015, representing a CAGR of 3.4%[3]. We believe that expected contributors of growth include increased adoption of High Definition TV ("HDTV") in developed markets, increased preference for large-sized screens and declining prices of LCD TVs. There is also an increasing trend to outsource LCD TV production to Electronic Manufacturing Services ("EMS") and ODMs for cost efficiency.

3 *Gartner, Inc., "Forecast: Electronic Equipment Production and Semiconductor Consumption by Application, Worldwide, 2008-2015, 2Q11 Update" by Nolan Reilly, Bryan Lewis, Ben Lee, Paul O'Donovan, Hiroyuki Shimizu, Adriana Blanco, Masao Kunibe, Andrew Norwood, Amy Teng, Jon Erensen, Philip Koh, Joseph Unsworth, Peter Middleton, Masatsune Yamaji, Steve Ohr, Ganesh Ramamoorthy, Brady Wang, Tim Mahon, Sergis Mushell, Adib Ghubril and Mark Hung, December 29, 2011*

The following chart sets forth the number of LCD TV units shipped globally, or expected to be shipped, for the periods indicated.

LCD TV Production Units (millions)



Source: Gartner, Inc., "Forecast: Electronic Equipment Production and Semiconductor Consumption by Application, Worldwide, 2008-2015, 4Q11 Update" by Nolan Reilly, Bryan Lewis, Ben Lee, Paul O'Donovan, Hiroyuki Shimizu, Adriana Blanco, Masao Kunibe, Andrew Norwood, Amy Teng, Jon Erensen, Philip Koh, Joseph Unsworth, Peter Middleton, Masatsune Yamaji, Steve Ohr, Ganesh Ramamoorthy, Brady Wang, Tim Mahon, Sergis Mushell, Adib Ghubril and Mark Hung, December 29, 2011

Chart created by the Company based on Gartner data

Mobile Devices and Handhelds

Growth in the wireless handset market is mainly driven by subscriber growth and the replacement market, where users upgrade to high-end handsets as designs become more stylish and feature-intensive, and network operators and handset vendors enhance content and application availability.

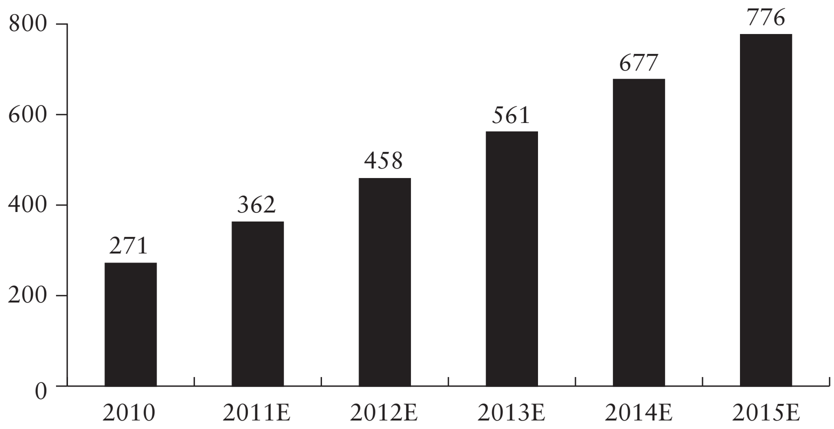
According to Gartner estimates, global handset sales to end users grew 30.6% from 1,222.3 million units in 2008 to 1,596.8 million units in 2010[4]. Gartner forecasts that the global handset market is expected to grow from 1,596.8 million sales to end users in 2010 to 2,283.2 million in 2015 representing a CAGR of 7.4%[4]. The Asia Pacific region (excluding Japan) is expected to grow rapidly over the same period, driven primarily by the strong wireless subscriber growth and increasing sales of white-box devices in emerging markets such as China and India. Within mature markets such as the United States, Japan and Western Europe, the primary market driver is expected to be Smartphones.

According to Gartner, the sales to end users for Smartphones increased 114.5% from 139.3 million units in 2008 to 298.8 million units in 2010 and are expected to increase from 298.8 million units in 2010 to 1,171.6 million units in 2015[4], representing a CAGR of 31.4%[4].

4 *Gartner, Inc., "Forecast: Telecom Market, Worldwide, 2008-2015, 4Q11 Update" by Peter Kjeldsen, Ian Keene, Lisa Unden-Farboud, Wm. L. Hahn, Norbert J. Scholz, Jessica Ekholm, Carolina Milanesi, Kamlesh Bhatia, Deborah Kish, Megan Marek Fernandez, Severine Real, Amanda Sabia, Martina Kurth and Annette Zimmermann, December 30, 2011*

The following chart sets forth the number of Smartphone units shipped globally, or expected to be shipped, for the periods indicated.

Smartphone Sales to End Users (millions)



Source: Gartner, Inc., "Forecast: Telecom Market, Worldwide, 2008-2015, 4Q11 Update" by Peter Kjeldsen, Ian Keene, Lisa Unden-Farboud, Wm. L. Hahn, Norbert J. Scholz, Jessica Ekholm, Carolina Milanesi, Kamlesh Bhatia, Deborah Kish, Megan Marek Fernandez, Severine Real, Amanda Sabia, Martina Kurth and Annette Zimmermann, December 30, 2011

Chart created by the Company based on Gartner data

ENTERPRISE SOLUTIONS MARKET

Servers

The global server market consists primarily of x86 servers. The x86 server market has continued to grow and evolve because of the continuous infrastructure build-out for internet-enabled businesses and corporate data centers.

As the x86 server market increasingly focuses on the efficiency of "total cost of ownership," rack servers and, ultimately, blade servers are expected to represent a significant portion of the x86 market due to their cost-efficiency and scalability. Rack servers and blade servers are designed to fit into racks (normally 19-inches in height) and allow multiple machines to be clustered or managed in a single location.

A blade server is a single board computing system housing one or more microprocessors, memory, network connections and associated electronics. Multiple blade servers can be housed in single or multiple racks, offering the highest possible level of density. Blade servers confer a high level of cost efficiency and are designed to be scalable, upgradable, reliable and easy to manage. The majority of blade server shipments are x86 based and run on Windows™. Vendors continue to enhance existing blade server product lines by addressing heat and power issues.

Storage Systems

The external storage systems market is generally divided into three types of storage systems: direct attached storage ("DAS"), network attached storage ("NAS") and storage area network ("SAN") systems. A DAS system is a storage device directly attached to a host system. Internal DAS had historically been the most common method for storing data in computer systems, however, network storage systems, which consist of NAS and SAN systems, have become the most dominant systems as they offer significant advantages in terms of scalability, reliability and cost-efficiency.

A NAS system is an external disk storage system that attaches to a local area network and allows access, at a file level, to data stored through a server that acts as a gateway. A SAN system is a network storage system consisting of one or more disk-based storage arrays connected to each other and to two or more servers through either a hub or a switch. According to Gartner, the worldwide external controller-based disk storage systems spending increased by 11.0% from U.S.$21.9 billion in 2008 to U.S.$24.3 billion in 2010. Gartner expects end-user spending to continue to grow at a CAGR of 12.1% from 2010 to U.S.$43.1 billion in 2015[5].

ELECTRONICS DESIGN AND MANUFACTURING OUTSOURCING

EMS companies and ODMs provide hardware design support and manufacturing service to OEMs, brand owners and design companies who wish to reduce manufacturing costs and design efforts. Recently, however, EMS and ODM companies have increased their design support, vertical component integration, productivity and service scope (such as after-sales repair and sales channel support) to enhance service breadth. OEMs and brand owners have been attracted to these outsourcing partners as they can provide productivity enhancement, pricing aggressiveness, advanced engineering capabilities, highly-efficient component supply chain management and increasingly globalized production sites.

According to Gartner, total revenue of the world's top 10 EMS/ODM companies reached U.S.$280 billion in 2010, representing a 37.5% or $76.3 billion increase from 2009[6]. Mobile PCs and mobile phones continue to be the most competitive segment in the EMS/ODM industry because of more and larger new entrants, while the Smartphone segments will become a major driver of the EMS/ODM industry growth. EMS/ODMs are also expanding to cover emerging or niche products such as tablets, all-in-one PCs, e-readers, smartbooks, mini-desktop PCs, cloud computing servers, among others.

5 *Gartner, Inc., "Forecast: External Controller-Based Disk Storage, Worldwide, 2011-2015, 4Q11 Update" by Pushan Rinnen and Roger W. Cox, December 15, 2011*

6 *Gartner, Inc., "Competitive Landscape: EMS and ODM Companies, Worldwide, 2010" by Jamie Wang and Ben Lee, October 27, 2011*

OUR BUSINESS

OVERVIEW

We are a leading ODM and service company that focuses on providing leading OEMs in the global technology industry with quality and effective end-to-end services from initial product conceptualization and product development to volume manufacturing and after-sales services. Our key customers include Acer, Dell, Fujitsu, HP, IBM, Lenovo, RIM and Sony, and we provide our customers with sophisticated and comprehensive design and system integration capabilities, reliable and cost-effective production and logistics support and quality product development and after-sales services. Our product portfolio covers a wide range of technology products including notebook PCs, mobile communication products, server and storage systems, desktop PCs, LCD TVs, LCD monitors and other consumer electronics. We have successfully diversified our portfolio, with sales of notebook PCs as a percentage of consolidated net revenues decreasing from 77.6% in 2008 to 66.9% in 2010 even as the number of units produced increased from 21.0 million units to 27.5 million units. Sales of notebook PCs as a percentage of consolidated net revenues also decreased from 67.5% in the nine months ended September 30, 2010 to 64.6% in the nine months ended September 30, 2011, while the number of units produced increased from 20.1 million units to 22.1 million units. We believe that we are one of the largest manufacturers of notebook PCs in the world in terms of global shipment volumes and a leading manufacturer of server and storage systems and LCD TVs.

As a leading ODM, we sell all of our products to prominent vendors who distribute these products under their own brands. We view our customers as our partners and typically work closely with them to develop existing and new products.

We manage our operations on a day-to-day basis through strategic business groups organized by our major products and services categories. Each strategic business group has its own focused group of products and customers, as well as dedicated personnel and manufacturing facilities to handle end-to-end responsibilities for its own customers, products and services. We believe this "end-to-end" approach allows us to focus better on customer and profit-oriented R&D, cost management, production efficiency and individual customer needs, which we believe enhances long-term business performance and customer loyalty. We manage other aspects of our business, such as company-wide strategy planning, finance, investment, human resources, information systems and legal compliance, on a centralized basis to take advantage of economies of scale and other synergies. As a result, we have successfully improved our market share in new products such as LCD TVs and mobile communications products.

As of September 30, 2011, we employed over 60,000 personnel worldwide, located in North America, Europe and Asia in various design, manufacturing, R&D and after-sales services centers. Our manufacturing facilities are located in the PRC, Taiwan, Mexico and the Czech Republic, and we maintain logistics facilities comprising more than 64 logistics hubs worldwide, close to the facilities of our customers in the United States, Europe and Asia. In addition, we maintain 14 after-sales services centers worldwide. Our after-sales service partner network spans three continents in countries such as the United States, Brazil, Canada, the Netherlands, the Czech Republic, the PRC, Taiwan, Singapore, Hong Kong, Japan, Turkey, Mexico and India. Our network of manufacturing facilities, customer services centers and logistics facilities provides us with a global presence which allows our customers worldwide to work closely with us from the design and development stages to the manufacturing, distribution and after-sales services stages. Our operations network also permits us to undertake simultaneous multi-location manufacturing and to arrange timely delivery to our customers or other end-users anywhere worldwide, often with cost savings on transportation and tariffs.

For the nine months ended September 30, 2011, we had consolidated net revenues of NT$463,111.5 million (U.S.$15,208.9 million) and consolidated net income of NT$6,703.1 million (U.S.$220.1 million) compared to NT$454,412.6 million and NT$8,922.8 million, respectively, for the nine months ended September 30, 2010. For the year ended December 31, 2010, we had consolidated net revenues of NT$615,184.8 million (U.S.$20,203.1 million) and consolidated net income of NT$12,040.2 million (U.S.$395.4 million) compared to NT$546,665.7 million and NT$9,171.1 million, respectively, for the year ended December 31, 2009 and NT$445,117.7 million and NT$6,898.4 million, respectively, for the year ended December 31, 2008.

On September 30, 2011, our market capitalization was NT$72,867 million based on the closing price of our Shares on the TWSE of NT$34.95 per share on the same date.

CORPORATE INFORMATION

Our registered office is located at No. 5 Hsin-An Road, Hsinchu Science-Based Industrial Park, Taiwan, ROC, and our principal executive offices are located at No. 158 SingShan Road, Neihu, Taipei, Taiwan, ROC and No. 88, Sec. 1, Hsin Tai Wu Road, Hsichih, New Taipei City 221, Taiwan, ROC.

Our Shares have been listed on the TWSE since August 19, 2003. Our global depositary shares ("GDSs") have been listed on the Euro MTF market of the Luxembourg Stock Exchange since September 22, 2005. See "The securities markets in the ROC – The Taiwan Stock Exchange."

HISTORY

We were incorporated on May 30, 2001 as a company limited by shares under the ROC Company Act as an independent legal entity separate from Acer. Until the separation from Acer, we operated as the DMS division of Acer.

After our incorporation, Acer gradually transferred its DMS business and certain related investments to us. The reorganization was completed on February 28, 2002, when Acer transferred all the relevant assets and liabilities to us.

As of August 30, 2011, Acer and its subsidiaries and affiliates (the "Acer Group") owned 2.08% of Wistron's outstanding shares. As Acer is no longer the single largest shareholder of Wistron, our business and operations are independent from those of Acer, and we enjoy autonomy in our strategic planning and business operations.

RECENT DEVELOPMENTS

On January 4, 2012, we announced unaudited consolidated net revenues for the twelve months ended December 31, 2011 of NT$658,242.1 million.

BUSINESS ORGANIZATION

We organize our operations into four strategic business groups – Mobile Business Group ("MBG"), Digital Consumer Business Group ("DBG"), Enterprise Business Group ("EBG") and Service Business Group ("SBG") – in order to better allocate our resources and further enhance our production efficiency and overall business performance. Each of these business groups focuses on a clearly delineated product, customer and service portfolio.

Each strategic business group has been allocated its own focused group of products and customers, as well as dedicated personnel and manufacturing facilities, and accounts for its own profits and losses. Each group has end-to-end responsibilities for its own customers, products and services which include business origination, marketing, account planning, R&D, product design and development, component sourcing, mass production, delivery and logistics support, customer services, billings, collection of receivables, realization of profits and financial reporting. This result-oriented scheme aims at instilling each business group with a sense of ownership to track its business performance, delineating clearly the responsibilities among the business groups and creating clear strategic focus for each business group in terms of product offerings and customer services. We manage other aspects of our business, such as company-wide strategy planning, finance, investment, human resources, information systems and legal compliance on a centralized basis to take advantage of economies of scale and other synergies.

OUR STRENGTHS

Our key strengths are as follows:

Leading market positions in target product markets

We believe we are leaders across our target markets – mobile consumer products (notebook PCs and handhelds), digital consumer products (desktop PCs, LCD TV and monitors) and enterprise products (servers and storage systems). We believe that we consistently rank among the three largest companies in the notebook PC ODM industry globally in terms of shipment volumes. Our design and manufacturing expertise, together with our strong customer relationships, has resulted in increased orders for notebook PCs over the past several years. In addition to notebook PCs, due to our focus on diversification of our product line, we have a strong market presence in mobile products such as rugged handheld devices, digital consumer products such as thin client computers and LCD TVs and enterprise products such as server systems. We have been successful in increasing the overall scale of our business and establishing leading market positions in key target product markets because of our strong design capabilities and customer relationships. A larger business scale helps to further strengthen our position as it improves operational efficiency and allows us to focus on innovation and performance, which contributes to increased orders from existing customers and opportunities for new customer relationships. Over the years, we have received numerous awards recognizing our market position and strengths in innovation.

Strong partnerships with a diverse top-tier OEM customer base across multiple products

We have established and will continue to strengthen our long-standing relationships with top-tier global OEM leaders across product segments. As an ODM, we do not sell any products under our own brand in order not to compete with our customers. We view our customers as partners and seek to provide them with quality end-to-end solutions. Over the years, we have successfully diversified our customer mix. Our strong relationships with top-tier customers extend across multiple products that allow for further diversification of our revenue streams. Our major customers include Acer, Dell, Fujitsu, HP, IBM, Lenovo, RIM and Sony, most of which are worldwide OEM leaders in one or more product categories offered by us. Our notebook PC customers include top branded notebook PC vendors such as Acer, Dell, HP and Lenovo. Our digital consumer customers include conglomerates such as Sony, as well as OEMs like Acer, Dell, HP and Lenovo. Our enterprise solution customers include top-tier global server and storage vendors including Dell, HP and IBM. We believe that by broadening our customer portfolio, we are able to reduce our reliance on just a few customers for our revenue streams. Our strong and diverse customer base has not only been instrumental to our success to date, but also will be a strong driver of our future growth as OEM leaders expand their respective market shares and develop new products.

Value-added innovation capabilities and customer-focused service platform

We provide our OEM clients with end-to-end design, manufacturing and after-sales service solutions. Our capabilities include providing R&D support throughout a customer's engagement in order to provide innovative and value-added products and services, including customized software products. This customer-focused service platform provides "one-stop-shopping" convenience with the added capability of selling innovative and market relevant products.

Being a leading innovator amongst ODMs is important to our strategy. With the advent of touch screen PCs and handhelds, and 3-D televisions and monitors, we believe that display centric products will present new ODM opportunities, either by addition of new features to existing products or through new product development. Our ability to innovate has positioned us well to benefit from strong growth of display centric products going forward. We employ approximately 5,100 engineers in the R&D division, and as of September 30, 2011, we owned approximately 2,100 patents, of which approximately 280 patents were co-owned with Acer, relating primarily to systems integration and mechanical designs. This strong R&D track record has significantly enhanced our display capabilities.

Our after-sales services differ from those undertaken by our competitors, as we provide system repair and component repair both for products manufactured by us, as well as by other manufacturers. We believe that top-tier OEMs will continue to engage us because we have the necessary technology, R&D resources, production capacity and skills and experience to (i) collaborate with them in improving current and developing new product designs; (ii) offer them the maximum flexibility and rapid and reliable shipments; and (iii) provide them with reliable, high-quality products and responsive support services at competitive prices.

Seasoned management team with proven track record

We believe we have a highly experienced senior management team with a demonstrated track record of successfully managing the business. Our CEO and most of our senior managers have been with the company since its inception and have strongly contributed to the growth and transformation of our business since then. Over the last three years, our consolidated net revenues grew by a compounded average growth rate of 17.7% while our consolidated operating income as a percentage of consolidated net revenues increased from 1.9% in 2008 to 2.2%

in 2010 and decreased slightly to 1.6% in the nine months ended September 30, 2011. We were able to grow our business and remain profitable in both 2008 and 2009 at a time when the overall industry shrunk in the aftermath of the financial crisis and many of our competitors suffered losses. This was possible due to our management's foresight in developing our diversification strategy to expand into new market segments with more attractive growth and margin prospects as well as their implementation of a strong operational focus and execution discipline.

OUR STRATEGY

Key elements of our strategy are as follows:

Expand our capabilities vertically as we evolve into a technology solution provider for our customers

We plan to expand our capabilities both upstream and downstream to enhance the depth of our technology and service engagement with our customers and provide them with total technology solutions, as opposed to discrete hardware design and manufacturing services.

Upstream, we intend to develop our component capabilities in key areas such as casings and displays by forming partnerships and collaborating with established industry leaders. For example, we have set up joint ventures with AU Optronics for the production of TFT-LCD modules and with Juteng for the production of notebook casings. Both JVs are located near our production facilities. We have also made a direct strategic investment in Global Lighting, which produces LED chips that can be used in display backlight units. We believe these partnerships: (i) enable us to have better control over supply of key components; (ii) will help improve our profitability by reducing transportation costs and simplifying supply chain logistics; and (iii) will provide us expertise in component technology which can be cross-fertilized into our design processes to improve and differentiate our product design capabilities from those of our competitors.

Downstream, we intend to continue engaging with our customers on value-added services, including after-sales services and recycling services. In the area of after-sales services, we have developed sophisticated IT systems and a logistics organization that can support our customers in most aspects of their after-sales services from parts planning to logistics and parts repair. In the area of recycling services, we will construct refining centers conveniently located near our customers. Our value-added services are important to our customers as they provide solutions to complex issues that are not part of their core competencies. To us, these value-added services not only represent a higher margin revenue stream, but they also help us build deeper and more "sticky" relationships with our customers. We believe we are now one of the leading businesses in the area of after-sales services, particularly in Asia, and intend to focus on and aggressively seek to grow this business going forward.

Diversify our product portfolio by expanding into new product areas that have attractive growth and margin prospects

While notebook PCs have historically been our largest revenue contributor, the growth of this segment has recently slowed and its percentage contribution to our consolidated net revenues has decreased from 77.6% in 2008 to 66.9% in 2010 and from 67.5% in the nine months ended September 30, 2010 to 64.6% in the nine months ended September 30, 2011. We intend to continue diversifying our product portfolio by focusing on new growth areas such as handheld devices, particularly Smartphones, and digital consumer products, particularly LCD TVs and all-in-one desktop PCs. In the nine months ended September 30, 2011, we shipped 6.2 million handheld devices, 6.3 million LCD TVs and 7.7 million desktop PCs, an increase of 62.3%, 100.5% and 24.6% respectively compared to the nine months ended September 30, 2010. In 2010, we shipped 5.9 million handheld devices, 4.5 million LCD TVs and 8.5 million desktop PCs, an increase of 883.3%, 80.0% and 73.5% year-on-year respectively. We also intend to focus on enterprise solutions, such as server and storage systems, which we believe have attractive margins and represent growing areas in the technology ODM outsourcing industry.

Technology products by their nature have limited life cycles and are constantly evolving, and as a result we continue to evaluate and identify new areas for growth. We anticipate that by focusing on consumer electronics and enterprise solutions areas, we will be able to diversify our revenue streams, improve margins and reduce our reliance on revenues from notebook PC sales.

Invest in technology and R&D to maintain our competitive edge and expand our partnership with OEM customers

The consumer electronics industry is characterized by the fast evolution of technology and constantly changing customer needs and tastes. As a result, product innovation is paramount to maintaining our competitive position with our customers and staying abreast with market trends. We plan to maintain our focus on developing a highly productive R&D organization capable of developing new products and bringing market-relevant innovations to our customers. We also intend to use our technology innovation capabilities to expand our product offerings into new products, applications and markets. For example, we have recently started selling desktop PCs to our long-standing notebook PC customers. Our experienced R&D teams enable us to bring innovations to our existing customers that translate into new ODM opportunities. They are able to add new features to existing products or develop new product lines by identifying improved manufacturing processes or developing customized software. For example, we have developed a team of over 700 software engineers with a view to providing our customers with software value-added solutions that complement our hardware offering. We believe our software capabilities are highly valued by our customers and represent another important differentiating factor from our competitors.

Continue our focus on operational efficiency and cost control

We operate in a highly competitive industry with demanding customer expectations. We intend to continue to implement initiatives to further improve our operational efficiency and reduce our costs in order to maintain our profitability. In particular we intend to focus on the areas of production management, business organization, notes and accounts receivable management and inventory management.

PRODUCTS AND SERVICES

We organize our products and services under four business groups: MBG, DBG, EBG and SBG.

The following table sets forth the breakdown of net sales by business groups and as a percentage of our consolidated net revenues for each of the periods indicated:

		Year ended December 31,						Nine months ended September 30,			
		2008		2009		2010		2010		2011	
		NT$	%	NT$	%	NT$	%	NT$	%	NT$	%
		(in millions except percentages)									
MBG..........	Notebook PCs	345,375.8	77.6	414,979.2	75.9	411,224.3	66.9	306,562.7	67.5	299,213.8	64.6
	Handheld devices	9,332.7	2.1	5,094.5	0.9	24,286.0	4.0	15,119.2	3.3	22,003.7	4.8
	Sub-total	354,708.5	79.7	420,073.7	76.8	435,510.3	70.9	321,681.9	70.8	321,217.5	69.4
DBG...........	Desktop PCs(1)	18,204.8	4.1	29,460.4	5.4	49,038.9	8.0	36,238.3	8.0	40,023.1	8.6
	LCD TVs	27,551.4	6.2	26,477.9	4.8	48,062.8	7.8	36,034.1	7.9	41,938.5	9.1
	LCD monitors(2)	12,001.5	2.7	32,440.8	5.9	39,035.2	6.3	29,720.0	6.5	28,143.1	6.1
	Sub-total	57,757.7	13.0	88,379.1	16.2	136,136.9	22.1	101,992.4	22.4	110,104.7	23.8
EBG	Servers	17,347.5	3.9	18,167.3	3.3	19,760.7	3.2	14,179.5	3.1	15,072.4	3.3
	Storages(3)	4,636.4	1.0	7,388.7	1.4	9,626.4	1.6	6,824.1	1.5	7,638.4	1.7
	Sub-total	21,983.9	4.9	25,556.0	4.7	29,387.1	4.8	21,003.7	4.6	22,710.9	4.9
SBG............	After-sales services	6,927.8	1.6	9,677.1	1.8	12,027.8	2.0	8,349.4	1.8	8,670.3	1.9
Others(4)		3,739.8	0.8	2,979.8	0.5	2,122.8	0.2	1,385.3	0.3	408.1	0.1
Total		445,117.7	100.0	546,665.7	100.0	615,184.9	100.0	454,412.6	100.0	463,111.5	100.0

Notes:

(1) *Includes sales from a small quantity of set-top boxes and other E-home products.*

(2) *We acquired assets related to Lite-On Technology Corp.'s LCD monitor business in August 2008.*

(3) *Includes sales from a small quantity of VoIP phones and industry PCs.*

(4) *Includes fee income derived from EMS services provided by us, which has not been allocated to any specific business group.*

The following table sets forth, for each of the periods indicated, the percentage breakdown of our consolidated net revenues from all of our products, categorized by geographic segments for each of the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2008	2009	2010	2010	2011
			(%)		
America	29.0	36.3	36.5	38.3	32.7
Europe	30.2	30.9	24.0	25.2	17.4
Asia & others	40.8	32.8	39.5	36.5	49.9
Total	100.0	100.0	100.0	100.0	100.0

MOBILE BUSINESS GROUP

Our Mobile Business Group primarily focuses on the design, manufacture and sales of notebook PCs and handheld devices.

Notebook PCs

MBG designs and produces a wide range of notebook PCs (ultra-portable, value-line, mainstream, thin and light, tablet and rugged tablet models) for various OEM customers in both consumer and commercial segments. We shipped approximately 21.0 million, 25.7 million, 27.5 million and 22.1 million units of notebook PCs in 2008, 2009, 2010 and the nine months ended September 30, 2011, respectively. Net sales from notebook PCs constitute the most significant source of our revenue. Net sales of notebook PCs constituted approximately 77.6%, 75.9%, 66.9% and 64.6% of our total consolidated net revenues for the years ended December 31, 2008, 2009 and 2010 and the nine months ended September 30, 2011.

We expect the portable PC market to continue to grow, and notebook PCs will continue to be an important product line for our business. We plan to maintain our competitive position and retain our customer base by continuing to offer a compelling package of R&D, design and manufacturing services to support our customers.

We are a leader in the IT industry in providing market-driven innovation and high product quality with rapid time-to-market product development capability. We believe that our leadership in quality and innovation leads to low total cost of ownership and strong return of investment for our OEM customers. Recent examples of MBG's innovation include shipping the first 3-D notebook PC with real-time 2-D-to-3-D conversion of pictures, videos and games to allow users to enjoy a new dimension in viewing experience without having to wait for 3-D contents to become widely available. 3-D gives users a sense of "being there" while watching their favorite movies, home videos and pictures. MBG also provided a demonstration at CES 2010 of an award-winning Smartbook, the first ARM-based 3G WWAN-enabled notebook PC.

Typically, MBG works closely with OEM customers to develop models meeting these customers' specific needs and requests. Notebook PCs sold under individual customers' brands are often customized and different in terms of configuration and style, even for substantially similar models.

MBG manufactures both complete system and barebone notebook PCs. The complete system segment accounts for the vast majority of MBG's notebook PC shipment volume, as this method allows OEM customers to reduce in-house assembly, packaging costs and inventory levels. It also improves product quality by eliminating defects induced by a second touch in the customer's factory. MBG manufactures and delivers complete system notebook PCs primarily on a BTO/CTO basis. Under such a basis, MBG assembles notebook PCs in its plants as it receives customers' orders and specifications, and then loads requested software applications onto the notebook PCs. It then arranges for delivery of the finished product to a distributor, a hub or directly to the end-user according to the customers' instructions, typically within five to seven days after receipt of a firm order.

For barebone shipments, we simply assemble various parts of the notebook PCs and then ship the semi-finished products to the OEM customer for such customer to install other components and accessories.

MBG's notebook PCs are typically equipped with WAN or other wireless capabilities for easy internet access and connectivity. MBG has extensive experience in designing rugged notebook PCs and handheld products for industrial and military use, which are robust products, designed and built with advanced technologies to withstand severe shock and vibration, extreme operating conditions such as freezing temperatures and hot environments, plus liquid and dust proofing.

MBG's OEM customers for notebook PCs consist mainly of major brands in the global notebook PC markets, including Acer, Dell, Fujitsu, HP, Lenovo and Sony, among others. Because the global notebook PC industry is dominated by a limited number of large brands, MBG concentrates on sales of notebook PCs to a few key customers. MBG's focus on a small number of major brands enables us to work closely with such customers in all aspects of design, production and distribution of their products, to service their individual needs and enhance customer loyalty.

Handheld devices

In addition to our current position in PC-related ODM services, we leverage our competencies in small form factor design, software development, and time-to-volume/market capabilities into high-growth handheld devices such as Smartphones, with value-added features such as rugged capabilities, cameras, GPS and barcode scanners, RFID, GPS, 3G wireless and unique form factors.

MBG manufactures and sells handheld devices on both an ODM and CEM basis to customers. It offers expertise to its customers in small form factor design, knowledge of different materials, rapid time-to-market/volume manufacturing, and engineering capabilities in non-standardized products and components. Its rugged handhelds for industrial use in particular are made to meet high standards of ruggedness. In 2010, MBG shipped more than 5.5 million units of Smartphones during its first year of production at a new factory in Mexico and achieved a number one ranking in our first quarterly business review with a new customer. In the nine months ended September 30, 2011, MBG shipped 6.2 million units of Smartphones.

DIGITAL CONSUMER BUSINESS GROUP

Our Digital Consumer Business Group primarily focuses on the design, manufacture and sales of desktop PCs, AIO PC, LCD TV sets, LCD monitors and other Digital e-Home devices such as set-top boxes, digital media players and IPTV solutions.

Desktop PCs

DBG designs and manufactures a wide range of desktop PC computer systems. We also manufacture and design key components such as motherboards, housing/enclosure and add-on cards. DBG offers desktop PC products and services for OEM customers in both consumer and commercial markets. With the integration of PC monitor-manufacturing capabilities, we are able to develop AIO PCs for all our OEM customers and are one of the largest ODM suppliers of AIO PCs.

DBG targets the top-tier OEM market. We have historically functioned largely as an integrated supplier, and as such, top-tier PC OEM customers have historically accounted for most of our desktop PC sales. The strategy of our desktop PC segment is to maintain our reputation as a well-respected system integrator to continually support the top-tier OEMs. DBG's key objective for desktop PCs is to focus on improving its operational efficiency and margins. We do not intend to purely target shipment volume; instead, we focus on leveraging our advanced desktop product development capability and manufacturing flexibility to enhance product quality and reduce production costs with a view to supplying desktop PC products at reasonable margins. In addition, as with MBG's notebook PC business, DBG retains enhanced flexibility in product offering by operating under a BTO/CTO arrangement for its customers.

LCD TVs

DBG shipped 1.6 million units, 2.5 million units, 4.5 million units and 6.3 million units of LCD TVs for the three years ended December 31, 2008, 2009 and 2010 and the nine months ended September 30, 2011, respectively.

LCD TVs generally produce images which have a higher resolution than conventional CRT display devices and have become a key component of digital entertainment. We target leading LCD OEM customers for LCD TVs. With the convergence of digital media, we can integrate our IT technologies into TV systems such as Connected TV and IPTV solutions. DBG's ability to combine both IT and consumer technologies allows it to be leader in the TV market. Furthermore, DBG is also developing 3-D and touch panel technologies, which will be key technologies for the future of LCD TV.

LCD Monitors

DBG shipped 8.8 million units and 7.8 million units of LCD monitors for the year ended December 31, 2010 and the nine months ended September 30, 2011. We have completed the operational integration of Lite-On's LCD monitor business into DBG. We plan to continue as the leading ODM producer of high value LCD monitors and will target the increasingly important All-in-One market for display units.

Set-top boxes and other E-home products

DBG also designs, manufactures and services digital set-top boxes (IP, Cable, ATSC), digital media players and PVR players for major electronics vendors.

ENTERPRISE BUSINESS GROUP

Our Enterprise Business Group focuses on the design, manufacture and sale of server and storage systems, VoIP phones and industrial PCs ("IPCs"). In 2010, approximately 67%, 19%, 7% and 7% of EBG's revenue was derived from servers, VoIP phones, storage and IPCs, respectively. We believe that EBG's product offering, which delivers bespoke solutions to customers, enables us to collaborate and form closer relationships with our key customers.

Server systems

We believe our business structure is well suited to producing server systems, which typically require intensive design services and engineering involvement in the manufacturing process. EBG is able to provide integrated services, including hardware, mechanical design and software development, to tailor its service offerings to OEM customers' application-specific requirements. EBG currently designs and manufactures single and dual/multiple CPU scalable servers which run primarily on Windows NT, Netware and UNIX/Linux operating systems based on Intel and/or AMD-based processors. In addition to the x86 server, EBG has also been working with IBM to develop a higher-end server based on IBM's proprietary PowerPC microchip. EBG's product lines include full range of pedestal-tower servers, rack servers, enterprise storage units, density-optimized servers and blade servers.

We recently implemented a strategy of targeting data centers, which we believe represent the fastest-growing segment of the market with a forecasted CAGR of more than 30%, according to Gartner. In 2010, EBG built its first mobile data center ("MDC"), using multiple blade servers. Blade servers are single board computing systems housing one or more processors, memory, networking devices and peripherals. Multiple blades can be housed into single racks or multiple racks, which provide much higher density of computational power. Each MDC consists of two containers, one facility container for cooling and backup power and one computing container consisting of servers, storage and switches, working in tandem in easily transportable containers that can withstand severe shocks such as earthquakes.

Storage systems

EBG's storage business leverages our traditional strengths as a proactive ODM to develop new products in anticipation of market demand by utilizing our procurement and manufacturing efficiencies to achieve high margins. In order to expand its product portfolio, EBG has focused its resources on the development of NAS network storage systems, and has gained market share in each product type as it offers significant advantages in terms of scalability, reliability and cost efficiency. EBG currently manufactures and sells NAS systems, an external disk storage system attached to a local area network which allows users to access and share data over networking systems used by companies and consumers today. EBG is also involved in developing consumer Windows™ home server software integration, providing consumers with scheduled back-up solutions and hardware platform integration.

VoIP phones

We have had ten years of experience in IP phone design and manufacturing. Recently, EBG has developed high efficiency power over Ethernet designs and targeted the development of multimedia communication devices such as desktop media phones and media tablets. Such multimedia communication devices integrate video conferencing, voice communication and internet access in a handsfree device that can be accessed from any location, as all the personal information of the user is stored in a private cloud.

Industrial PCs

EBG's industrial PC ("IPC") business provides industrial customers with factory automation, business automation and medical technology. IPC utilizes leading technology, such as the IP67 outdoor terminal, and its devices are able to operate in a wide temperature range of -40°C to 85°C, as well as withstand shocks and vibrations.

EBG currently provides server products to IBM, HP, and Dell, which are the three leading worldwide server brands. EBG will target new server brand customers whom it believes have product lines that would fit our growth strategy and to whom EBG believes it can add value through its competitive strengths.

SERVICE BUSINESS GROUP

Our Service Business Group primarily focuses on the provision of after-sales services, which include product replacement, repair and support, as well as logistics, warehouse management and product support solutions.

SBG offers customers a committed team which is capable of devising and executing comprehensive and readily customized after-sales services. SBG provides after-sales service through our service hubs in Hsinchu, Taiwan (including centralized inventory planning and warehouse management, depot service programs, hub-to-hub system, return material authorization support, reverse logistics, engineering support and spare parts supply), Chiba (Japan) (including hub-to-hub system, hub-to-authorized-service-provider and third-party management swap system, return material authorization support, on-site service, depot service programs, spare parts supply, reverse logistics, customer replacement and warehouse management), Kunshan (PRC) (including on-site service, centralized inventory planning and warehouse management, depot service programs, a regional-hub system, return material authorization support, reverse logistics, engineering support and spare parts supply), Tilburg ('s-Hertogenbosch) (Netherlands) (including reverse logistics, hub-to-hub system, hub-to-authorized-service-provider and third-party management swap system, warehouse management, depot service programs and customer replacement), Hong Kong (depot and on-site center), Bangalore (India) (repair center), Sao Paulo (Brazil) (repair center), Singapore/Australia/Istanbul (Turkey)/Toronto (Canada) (repair and parts center), Brno (Czech Republic) (repair center and parts supply), Dallas (U.S.A.) (including hub-to-hub system, hub-to-authorized-service-provider and third-party management swap system, depot service, customer replacement, return material authorization support, spare parts supply, on-site servicing, reverse logistics, MB/LCD repair and warehouse management). These service centers serve as important contact points with SBG's customers. It also engages third-party sub-contractors to service areas outside of its direct coverage and provides certain additional services (e.g. call center functions) not otherwise offered by SBG's service centers. This global service center and sub-contractor network enable SBG to provide seamless and comprehensive after-sales services to its consumers across the globe.

SBG provides after-sales services such as system repair services and component repair services both for products manufactured by other business groups within Wistron and by other outside producers, in the latter case under contractual arrangements with such external third parties.

SBG also serves as an important part of our quality control procedures. SBG tracks problems reported to its customer service centers and relays this information to our other business groups who then take corrective action for the most frequently recurring problems.

SBG's successfully integrated repair skills, component management, depots and logistics enable it to be a profitable business segment for us, while reducing our cost of sales.

RESEARCH AND DEVELOPMENT

Our R&D platform is the backbone of our strengths in design, engineering and systems integration, with over 4,600 researchers and engineers at our corporate headquarters in Taipei, the ROC, and at our R&D facility in the Shanghai region in the PRC. Our R&D platform is organized into separate project teams under each individual business group where each team tailors its R&D efforts to focus on specific product offerings. We staff each project team with engineers who specialize in different technical areas, such as hardware, software and mechanical engineering. As a consequence, we believe our well-regarded R&D platform has helped us to attract and retain significant business.

Each of our R&D teams adopts a comprehensive checklist-based design system that effectively leverages our substantial engineering experience and extensive library of design references to enable cost savings, faster time-to-market, and high quality finished products. This checklist-based system drives and reinforces consistent and quality-focused development and validation processes. Our collaborative, web-based product management system, engineering change control system, and bug-tracking system work collectively to ensure that we maintain quality in our design process. We also employ computer-aided design, engineering and manufacturing (CAD/CAE/CAM) and simulation systems, such as mould flow, stress, and air flow analyzes, early in the product design cycle prior to tool release in order to analyze and predict materials' behavior and to reduce inefficiencies and waste that often result from a "trial and error" approach. Our R&D team also works extensively with selected third-party software vendors and other key component suppliers to offer our customers flexibility and choices, especially with respect to designing special software applications for BIOS and utilities and procuring special materials such as carbon fiber, glass fiber, aluminum, magnesium and titanium alloys. Working closely with key component suppliers also assists our own R&D efforts because such collaboration affords us access to new components and technologies before they reach the market, therefore giving us an opportunity to stay ahead of our competitors.

Our in-house EMC labs (certified by FCC (ANSI C63.4), NVLAP (FCC Part 15 and CISPR22), NEMKO, VCCI, BSMI and TAF) allow faster design iterations, debugging and agency certification. Our R&D facilities and equipment include two 10-meter chambers, seven 3-meter EMC anechoic chambers, two 10-meter open area test sites, 20 spectrum analyzers for debugging, one EMC scanner, two network analyzers, one vector signal analyzer and three complete test facilities for the IEC 1000-4 series. We have invested NT$241.0 million to build an EMC/RF test and certification lab in order to reduce EMC/RF certification time. We have also built Bluetooth and GSM protocol labs which have further enhanced our design competency across various next-generation products.

We provide all designs and most test services in-house in order to maintain confidentiality, meet tight time requirements, achieve in-time debugging and collaborate on easier joint-qualification with our customers.

Overall, we devote most of our R&D resources to meeting ongoing customer design and product development needs, and use the remainder for the discretionary development of new technology and value-added designs in anticipation of future market needs and business expansion and diversification. This arrangement has allowed us to develop improved processes and technologies for use in products such as VoIP phones, storage equipment, LCD TVs, digital home electronics, and other industrial/rugged products, CULV and AIOs.

Our R&D efforts are focused on the following areas:

- designing and developing new products and technologies, value-added features and functions;
- improving enclosure design including appearance, texture and "fit and finish;" and
- developing innovative, practical and high-quality manufacturing processes to improve production efficiency and reduce overall manufacturing costs.

Our business groups' relationships with their customers typically begin at the R&D and design stage. At each stage of product design and development, our engineers work closely with the product marketing, program management and engineering teams of our customers with respect to specifications, schedule, prices and manufacturing readiness. Our R&D personnel conduct phase reviews and a series of tests for each new product, and our engineers routinely call our customers on a weekly basis and visit customers regularly.

MBG maintains 7 core R&D engineering teams totaling over 2,200 employees, and each team is assigned to one of our key ODM customers. Its current R&D activities relating to notebook PCs are focused mainly on (i) quality leadership in each stage of design and production and (ii) innovation to generate new value with respect to existing and new technologies such as long battery life, 3-D displays and ultra-thin designs. In terms of our focus on quality leadership, our customers have consistently ranked us as a top quality design and manufacturing provider during their periodic business reviews. Our attention to each stage of design and production has allowed us to concentrate our efforts and resources more effectively on areas that need improvement and/or enhancement. With respect to our focus on product innovation, our recent notebook PC R&D initiatives include development of tablet PCs, integration of next generation wireless technologies, improvement on material and cosmetic technologies, enhancement of battery life, integration of multi-media and digital home entertainment applications and development of VoIP system and 3-D technologies. Our R&D teams also maintain direct communications with industry leaders such as Intel, Microsoft and Google on a routine basis.

We have also invested in rollable display technology to differentiate ourselves from our competitors and to prepare for the next phase of high growth in Smartphones. With rollable and foldable displays, pocket-size Smartphones can support larger screen sizes between five to nine inches, bigger than the dimensions of existing devices. We have already developed samples of five-inch grayscale displays and have shown them to certain customers. We are still in the process of developing color displays for these larger Smartphones.

DBG maintains R&D engineering teams totaling approximately 1,150 employees that focus on desktop PCs, LCD TVs, monitors and other E-home consumer electronics products. For desktop PCs, our recent R&D initiatives include "all-in-one" design to capture design opportunities for key components for desktop PCs, media center design integration of digital home center capabilities.

EBG maintains R&D engineering teams totaling approximately 650 employees that focus on server and storage systems. With respect to server systems, in addition to the mid-end server market, we have also commenced R&D initiatives to develop MDCs. With respect to storage systems, in addition to our R&D efforts in the NAS systems, we are also developing enterprise storage and data center storage solutions.

QUALITY CONTROL

We place strong emphasis on product and process quality control, which we consider to be crucial to our success in the ODM industries. We have established strict quality control and management systems, which are designed not only to ensure quality product design but also high production efficiency and high yields at our production facilities. We subject our prototypes to a rigorous multi-stage design and manufacturing process, beginning with component selection, supplier qualification and management, through reliability testing, design simulation, reviews, tests and manufacturing. These controls are followed by each business group for its products and are managed by a team dedicated to quality management. In addition to our quality management system, we have implemented methodologies such as the "6 sigma" program and statistical methods at our design and production facilities. For customers having their own specifications, our business groups also carry out customer designated tests. Each business group also receives feedback reports from its customers on a consistent basis, and conducts on-site audits of major suppliers' facilities to ensure adherence to defined processes and drive continuous improvement. The notebook PCs that we develop and manufacture for our customers have received numerous awards and are recognized for their innovation, quality, reliability and ruggedness.

Each of our existing manufacturing facilities has received ISO 9001-2008 certification. We are in compliance with other regulations applicable to our business, such as green products, environment, health & safety and social accountability.

Our product warranty service period typically ranges from 12 to 36 months, depending on the request of our customers, and the cost is reflected in the purchase price charged by us for our products.

SALES AND MARKETING

Customers

We sell our products primarily on an ODM basis. We have established a strong customer portfolio consisting of major brands such as Acer, Dell, HP, Lenovo, Sony, Fujitsu and IBM and we provide them with total solutions for the design, development, manufacture, distribution and after-sales services of their products. Our largest customer accounted for approximately 31.5% of our consolidated net revenues in the nine months ended September 30, 2011 and for approximately 28.8%, 31.3% and 30.6% of our consolidated net revenues in 2008, 2009 and 2010, respectively. In aggregate, our three largest customers accounted for approximately 66.9% of our consolidated net revenues in the nine months ended September 30, 2011 and for approximately 73.2%, 80.3% and 70.2% of our consolidated net revenues in 2008, 2009 and 2010, respectively.

Marketing

Substantially all of our marketing is conducted through customer visits on a regular basis, where account management and product management personnel of individual business groups present product proposals and roadmaps, and explain to the customer how to best utilize the relevant business group's capabilities to optimize its product lines. We devote substantial resources to account management and new business development. The three business groups together employ approximately 450 sales executive and sales support staff, and are working with approximately 500 product managers who in turn collaborate with R&D professionals to service our customers. Our approach to winning new business from new and existing customers is to provide differentiated product concepts and service, as well as platform product portfolio quotation to promote and utilize our entire product and service offering to meet our customers' current service needs and future product projections.

Sales and orders

We typically receive 13-week and six-month non-binding rolling forecasts on a regular basis from each customer, which are then used in materials and production planning. Upon receipt of shipment forecasts, we typically reply to the customers within a day to outline our capacity commitment for the next three to six months.

Orders are usually placed three to five days before production. The typical contract life is six to twelve months, largely depending upon product life cycles, with a 30- to 90-day notice period for termination.

Pricing and billing

Pricing of orders is normally set on a cost-plus basis, accounting for component and material costs, transformation costs including direct and indirect labor, manufacturing overhead, warranty costs, non-recurring expenses such as development and testing costs, royalty payments (if necessary) and logistics services. Such dialogue includes ongoing review of component suppliers, selection and pricing. If we are required to procure unique components to fulfill an order based on a new contract, the costs of such parts are generally charged to the customer in addition to standard pricing terms. Final pricing is determined by senior account executives in negotiations with customers, based on a number of broad-based business issues, including future product plans, relationship-specific factors and our desire to increase our market share with the customer in question, and the opportunity cost associated with deploying resources given a projected profit margin.

We generally bill our customers upon delivery of goods with a credit term averaging 45 to 70 calendar days. Most customer payments are made in U.S. dollars.

To the extent that our actual costs are different from our anticipated direct manufacturing costs, our realized margin may differ from the agreed amount from time to time. Our actual costs, and therefore profitability, may vary due to factors such as whether we can achieve our target yield performance and whether we can procure input components at prices agreed with our customers. This pricing arrangement provides us with a profit incentive to maximize our efficiency and procurement power. However, we may from time to time incur lower margins in the short term as a result of unexpected factors beyond our control, such as adverse macroeconomic conditions. In some situations, we and our customers will agree to after-sales price adjustments. Our pricing arrangement permits some risk sharing, and we believe it has enabled us to reach equitable outcomes on a consistent basis with our customers.

MATERIALS MANAGEMENT

Input components

Input components generally comprise the largest single cost for all of our products and accounted for most of our total cost of sales on a consolidated basis in 2010 and the nine months ended September 30, 2011. Our ability to control our own supplier relationships is a key competitive advantage and is critical to maintaining a competitive margin structure. This advantage is largely dependent on our production volume and purchasing power, and our proprietary agreements with our suppliers. The five key input components used in the production of our notebook PCs include LCDs, hard disk drives, optical disk drives, CPUs and batteries. Our other products typically use some combination of the foregoing input components.

The following table sets forth our current principal suppliers for each of the named key input components:

Input component	Principal suppliers
LCDs	AU Optronics Corporation, LG Display and Samsung
Hard disk drives	Hitachi Global Storage Technologies Singapore Pte. and Seagate Singapore International
Optical disk drives	Hitachi-LG Data Storage, Inc., Toshiba, Samsung Storage Technology Corp. and Philips & Lite-On Digital Solutions Corporation
CPUs	Intel and Advance Micro Devices Inc.
Batteries/power supply	Sanyo Energy (Taiwan), Simplo Technology Co., Ltd., Lite-On Technology Corporation and Delta Electronics Corporation

Procurement and inventory management

Inventory management is a key aspect of our business. We do not maintain large inventories of input components. Instead, we order input components on a "just-in-time" basis. We utilize a supply chain tracking system to monitor our input component and inventory levels. For production in the PRC, we generally select suppliers with input components stored in the PRC, which enables us to receive input components in as little as 12 hours under most circumstances. We also have certain other cooperative arrangements with various suppliers of key input components to support a convenient and reliable supply of such key input components in the future.

We typically source our input components under three models:

"Buy-Sell" – Certain of our top-tier customers enter into their own contracts with suppliers on their approved vendor lists for input components that we use during the production process and these approved suppliers on-sell the input components to us. These contracts typically provide for shipping of input components directly to us for assembly and testing. We pay our customers for these input components and add the costs to our manufacturing costs as part of our price quotations to the customers.

Consignment – From time to time, some of our OEM customers source certain key components for their products, such as LCD panels, directly from suppliers of such components. Such components are delivered to us, typically from hubs located close to our production facilities, for use in our production on a consignment basis. The costs of such components are paid by the customers to the suppliers directly and do not constitute part of our price quotations.

Direct procurement – We source some key components directly from suppliers. We enter into supply contracts with, and pay, the suppliers directly. The components costs form part of our price quotations to our customers.

To the extent input components are to be procured by us directly, we aim to source each major input component from at least two suppliers to ensure a stable supply of input components at competitive prices. We generally maintain relationships with a number of suppliers, so as to retain maximum flexibility and pricing advantages. We are generally able to procure our input components from a variety of suppliers.

In selecting suppliers, we consider their production capacity and technological capabilities as well as their prices. We have a flexible procurement policy and periodically monitor the quality of our suppliers through vendor surveys, random inspections and monthly reports from our materials quality and control department. In addition, we work closely with many of our key input component suppliers, assisting them in the testing of their new products. We believe that collaborating with suppliers assists us in selecting the best input components for our products and strengthens our relationships with those suppliers.

We typically do not enter into long-term contracts with our suppliers for purchase of input components that are not in short supply. We do, however, provide to these suppliers, on a monthly basis, one- to six-month rolling, non-binding forecasts of our input component requirements, which are based on forecasts provided to us by our customers. We then submit firm purchase orders for our short-term requirements closer to the time of delivery. The prices we pay for input components are typically not set at the time we place our firm purchase orders. Rather, we negotiate prices with our suppliers periodically, typically on a monthly basis.

From time to time, we experience shortages of various input components. For input components that are in short supply, we typically purchase a supplier's capacity in advance when we foresee that we will require additional supply or purchase additional stock in excess of our anticipated requirements.

PRODUCTION

We have one production facility in Taiwan, two production facilities in the PRC, one product configuration center in the Czech Republic, and one product configuration center in Mexico. The following table sets forth information relating to our production facilities as at September 30, 2011:

Location	Factory space (in square meters)(1)	Number of employees(2)	Number of PCBA production lines	Number of final assembly lines	Ownership (Leased/ owned)
Kunshan, PRC manufacturing facility	242,227	26,926	28	23	Granted land use rights
Zhongshan, PRC manufacturing facility	289,905	17,104	52	41	Granted land use rights
Hsinchu, Taiwan manufacturing facility	16,612	1,378	7	2	Leased
Juarez, Mexico product configuration center	94,761	3,581	24	22	Owned
Brno, Czech Republic product configuration center	54,521	2,109	0	14	Leased
Chongqing, PRC product configuration center	38,000	999	0	4	Leased
Total	736,026	52,097	111	106	

Notes:

(1) *Represents the approximate floor area of the facility and not the total size of the land leased, owned or granted at the relevant site.*

(2) *Includes only production employees and not R&D, sales, management and support staff as of December 31, 2010.*

Each business group has its own production facilities. Our production facilities for notebook PCs and handheld devices are tailored to our major customers, but any excess capacity may be flexibly re-allocated among the facilities.

The Kunshan facility has been in operation since 2001. We produce primarily notebook PCs at this production facility. We hold the land use right in respect of the land on which the Kunshan facility is located for a term of 50 years.

The Zhongshan facility has been in operation since 1999. We produce desktop PCs, servers, VoIP phones, set-top boxes, LCD TVs, monitors and telecommunications products at this production facility. We hold the land use right in respect of the land on which the Zhongshan facility is located for a term of 50 years.

The Hsinchu facility has been in operation since 1988. This facility is our manufacturing headquarters. It focuses on new product introduction, pilot run and verification, advance manufacturing technology development and RoHS compliance development. The facility produces some low-volume but high-value products such as high-end servers, rugged notebooks, storage and industry PCs. We lease from a third party the land on which the Hsinchu Facility is located.

The Juarez facility has been in operation since 1997. We produce desktop PCs, servers, VoIP phones, LCD TVs and monitors at this production facility. We own the land on which the Juarez facility is located.

The Czech Republic facility has been in operation since 2007. We produce desktop PCs and servers at this production facility and will produce LCD TVs beginning in 2011. We lease the facility from a third party.

The Chongqing facility has been in operation since 2011. We primarily produce notebook PCs at this production facility. We lease the facility from a third party.

Most of our manufacturing equipment can be quickly converted to accommodate different product specifications as requested by our customers. This enables us to ramp up mass production of our new products quickly.

To take advantage of the lower manufacturing costs in the PRC, we have shifted most of our production capacity to the PRC, and we intend to continue to expand our production facilities in the PRC. We completed the expansion of our production facilities in Kunshan, PRC in 2008, which contributes to our production and cost efficiency. In December 2010 and April 2011, our board of directors approved the investment of new facilities in Chengdu and Chongqing, PRC and Malaysia for the production of notebook PCs and TVs.

We believe that our existing production facilities, together with our currently planned expansions, should provide us with sufficient capacity to meet the expected demand for our products for the remainder of the years ending December 31, 2011 and 2012. For the full year 2011, we expect to spend approximately NT$11,900.9 million (U.S.$390.8 million), primarily sourced from cash flows from operating activities, an increase in borrowings and our rights issue, on capital improvements, mostly on buildings and machine improvements at our facilities in the PRC.

DISTRIBUTION AND LOGISTICS

We provide comprehensive logistics and distribution services to our customers. We are able to deliver a complete product to a customer or end-user in any part of the world. Actual deliveries are typically carried out by third party courier services.

In addition, we have established more than 64 warehouse logistical hubs near certain customers to provide storage and distribution services in order to timely fulfill their requirements. Products are delivered in bulk from our factories at the customer's instruction to each hub, which enables customers to receive their products on a just-in-time basis from these hubs rather than from our factories, permitting them to minimize transportation lead-time, reduce their inventory carrying costs, and better identify real-time inventory needs. Further, we do not bill our customers for our work on these products until they are shipped from the hub. This system requires us to carry a greater inventory of finished products. We are working to offset the additional carrying cost to us by requiring the same arrangement from our suppliers. Depending upon whether the service contract specifies a BTO or CTO preference, the products are usually shipped within two days after orders are accepted by factories.

As part of our premium customer services, we make available to our customers our internal information and monitoring system, which enables customers to monitor orders in progress at each stage of production. Our approach to customer-centric SCM and technology infrastructure is evident in our commitment to a robust IT platform, which is leveraged by "linking" with customers to achieve electronic data interchange whereby customers have access to real-time manufacturing information, parts entitlement and monitoring of R&D for an entire "virtual manufacturing solution."

INTELLECTUAL PROPERTY

As of September 30, 2011, we owned approximately 2,100 patents, of which approximately 280 patents are co-owned with Acer, in Taiwan, the PRC, the United States, Canada, Australia, Japan, Korea, Hong Kong and the European Union, relating primarily to systems integration and mechanical designs, and had approximately 1,800 patent applications pending in Taiwan, the United States, the PRC, Japan, and the European Union. In addition, we have registered our major trademarks, including "Wistron," and our corporate logo in Taiwan, the PRC and in several other countries. We currently license certain intellectual property from third parties for use in manufacturing our products. In general, the types of technology that require licensing are for use in manufacturing PCs, handheld devices, communication devices and LCD TV products. Specifically, for our IBM and IBM-compatible notebook PCs, we license, on a non-exclusive basis, various patents from IBM. We also have several non-exclusive licenses for essential digital TV standard patents from various third-party patent owners.

We generally require our R&D employees to sign non-disclosure agreements which prohibit the disclosure of trade secrets.

All technologies, whether or not patentable or copyrightable, used by us and developed by, owned by or licensed by us prior to the separation from Acer, are jointly owned by Acer and us.

INFORMATION TECHNOLOGIES

The mission of our IT departments is to help increase our competitiveness by facilitating more accurate decision making through timely dissemination of information. IT enables us to align ourselves closely with our customers, suppliers and business partners, keeping abreast of changing market conditions and new business opportunities. It also increases our overall productivity through the use of state-of-the-art application systems and technologies.

Enterprise Application Systems

Our IT capabilities, as they relate to customer relationships, start from customers' requirements and link with related IT infrastructures and systems, supporting major business models and functions, including supply chain management, customer order fulfillment, manufacturing flow control and design and engineering change management.

Application system teams are primarily responsible for customer-centric applications and linkage with customers. Our headquarters-based core application IT teams closely align with customers' business requirements. Key applications include enterprise resource planning (SAP), Product Lifecycle Management ("PLM"), Supplier Relation Management ("SRM"), SFCS, SCM(I2), and Human Resource Information System (PeopleSoft). We are able to connect customers according to their choices through business-to-business XML and Standard EDI connectivity in the course of receiving orders, verifying the fulfillment capability to respond with appropriate resources, managing logistics and tracking delivery status at all times.

We employ the SAP enterprise resource system. The SAP system provides end-to-end functionality for our business analytics, financials, operations, and corporate services. The SAP system gives us real-time visibility across our entire business organization and enables us to further streamline our supply chain and bring our products to the market faster, reduce procurement costs, and eliminate duplication of effort. The SAP system enables us to operate through a consolidated end-to-end business process, even though business requirements differ among our customers.

Our backup policy tailors to the status of the data preserved, where a different back schedule exists for mission critical service, non-mission critical service and historical service.

Infrastructure

The infrastructure team is responsible for ensuring the reliability, availability and serviceability of our communications and IT platforms. Such tasks involve designing and maintaining the hardware and networking systems necessary for ongoing business activities, as well as optimizing resources and asset management. The infrastructure team also safeguards our IT environment from virus attacks and unwanted visitors. Our antihacking and anti-virus architecture provides comprehensive coverage to preserve sensitive data. We recently set up a project task force to design and build a next-generation data center and an accompanying disaster recovery center. The new data centers have energy saving and cost reduction features as well as cloud computing capabilities. The infrastructure team uses both internal resources and third-party vendors for various maintenance functions.

EMPLOYEES

As of September 30, 2011, we had over 60,000 employees, and we had 36,500, 40,400 and 49,000 employees as of December 31, 2008, 2009 and 2010, respectively.

Of the over 60,000 employees employed by us as of September 30, 2011, approximately 89% were based outside of the ROC. We generally hire foreign workers for a term of two years, principally for production.

Our employees are not covered by any collective bargaining agreements. We believe our wages are competitive with other Taiwanese companies in our industry. In addition, we provide our employees with benefits such as lunch and transportation to work and, in the case of our foreign employees, housing subsidies. In compliance with ROC law, we also provide health benefits to our employees in the ROC under the National Universal Health Plan and the Labor Health Plan. We consider our relationships with our employees to be good. To date we have not experienced any strikes or disruptions due to labor disputes.

Staff turnover

Overall staff turnover for 2011 is expected to be approximately 15%, with the exception of the Kunshan facility, which has an average turnover of approximately 60% to 80%, which we believe is common in the PRC.

However, we do not believe such staff turnover has any material adverse effect on our business operations. While all of our ROC employees have two-year non-compete agreements in their employment contracts, such non-compete agreements are in reality rarely enforceable under ROC law. All employees are, however, bound by strict confidentiality undertakings, both during and after their employment with us.

Review process and performance related pay

Employee performance is reviewed twice per year. On the basis of this review, employees are eligible for performance-related bonuses, for which a minimum of 5% of our net income is typically reserved each year. Employees also receive an extra month's salary prior to Chinese New Year and an additional two weeks' pay at both the Dragon Boat Festival and the Mid-Autumn Festival.

We have a profit-sharing program for our employees. Under our Articles of Incorporation, no less than 5% of our annual net income (after adjustment for losses incurred in prior years and deduction of 10% of our annual net income, with certain adjustments for disposal of properties, as legal reserve) must be allocated as a special bonus to employees (in form of cash, stock or a combination thereof) and an amount of 1% of our annual net income (after similar adjustments and deductions) may be allocated as cash remuneration for directors.

These profit-sharing amounts to employees may be made in cash or Shares or a combination thereof. If Shares are to be issued, our shareholders must approve the issuance of Shares for this purpose at a shareholders' meeting. See "Description of share capital."

Pension

We maintain a non-contributory defined benefit pension plan for our employees in accordance with the ROC Labor Standards Law (the "Labor Law"). Pursuant to the ROC's Rules for the Allocation and Management of Employees' Retirement Fund (the "Rules"), we have an obligation to contribute on a monthly basis at prescribed rates ranging from 2% to 15% of an employee's total monthly wages to the retirement fund of our pension plan. The applicable rate of contribution under the Rules is determined by the seniority of employees, the wage structure, the employee turnover rate during the preceding five years, the number of employees who will retire over the succeeding five years and the amount of funds that were in our retirement account prior to the effectiveness of the Rules. The contribution rate we use, determined in accordance with the Rules and approved by the relevant government authorities, was 2% in 2008, 2009 and 2010 and the nine months ended September 30, 2011. As of September 30, 2011, our retirement fund had approximately NT$785 million. See "Summary of certain significant differences between ROC GAAP and U.S. GAAP" for a description of certain differences between accounting for pensions under ROC GAAP and U.S. GAAP.

Actual payment of pension or retirement benefits under the Labor Law and our retirement benefits plan is financed by this pension fund, and any insufficiency is funded by us and charged to income. See Note 2(r) to our audited consolidated financial statements for the year ended December 31, 2010 included elsewhere in this Offering Circular.

A new law governing pension funds was promulgated and came into effect on July 1, 2005. Under the law, we have an obligation to contribute, on a monthly basis, an amount equal to at least 6% of each employee's monthly wage into an account in each employee's individual name maintained with the Bureau of Labor Insurance. The pension plan this new law prescribes is a defined contribution pension plan, where the employees can choose (but are not required) to contribute to the pension fund. As the pension fund will be deposited in each employee's individual account, such pension fund is portable with each employee. Employees who joined us on or after July 1, 2005 must enroll in the new plan while those who joined us before that date have the option until June 30, 2010 to enroll in either the new plan or the prior plan. For those employees who choose to enroll in the new plan and keep the existing pension fund previously deposited under the prior plan, in addition to the contribution of at least 6% of each employee's monthly wage payment as required by the new law, we also had to deposit until June 30, 2010 an amount calculated based on the current contribution rate into our pension fund account maintained with the Bank of Taiwan as required by the Labor Law. Alternatively, we may provide private pension insurance products to employees after we satisfy certain requirements under relevant laws, which will require us to pay a premium in an amount of not less than 6% of the employees' monthly wages.

For our employees at our PRC facilities, we are required to participate in various pension programs and government-sponsored benefits including unemployment, health and housing benefits.

Health and safety

We comply in all material aspects with all applicable local health and safety regulations.

GOVERNMENT REGULATION

With respect to our business operations, we believe that we are in compliance, in all material aspects, with all government regulations relating to our business operations in the jurisdictions in which we operate.

With respect to product government regulations, our products are subject to certain environmental regulatory controls in a number of jurisdictions, including the United States and the European Union, where the majority of our products are sold. These controls include measures relating to safety and electromagnetic interference.

Certain electronic equipment sold in the United States should meet applicable regulations, including FCC rules in relation to requirements on electromagnetic interference and Department of Health and Human Services rules in relation to safety requirements. Similarly, all of our products sold in Europe meet applicable regulations of the European Community, including requirements relating to electromagnetic compatibility (encompassing electromagnetic interference and electromagnetic susceptibility) and safety (for example, "EN60950"). There is a series of ergonomic European country-specific measures with which products distributed in those countries must also comply. Our customers require related government certifications prior to selling their products in these respective areas. As part of the product development support services to our customers, we also provide regulatory certification process services to our customers.

ENVIRONMENTAL MATTERS

We have not incurred any loss due to environmental problems in the past three years and believe that we are in compliance with all relevant environmental protection laws in the jurisdictions in which we operate.

Under applicable ROC laws enacted for the protection of the environment, we are not required to obtain permits for our waste facilities or for waste emission, nor are we required to pay pollution prevention fees or establish an environmental protection department.

In 1997, we established our own environmental management system. Our system is assessed and certified by an external certification agency, Bureau Veritas Quality International ("BVQI"), and by passing the assessment, we obtained the ISO 14001:1996 certification on environmental management systems in September 1997. Subsequently, we have been re-certified by BVQI every three years.

From May 2006 onwards, the environmental management systems of all our manufacturing plants across the globe have passed renewed audits by external certification agencies including BVQI and SGS, and we obtained the updated ISO 14001:2004 certification on environmental management systems in July 2005. In addition, we implemented annual plans to engage in internal audits of our business units twice every year. Through internal audits and periodic assessment by external certification agencies, we ensure that our systems are efficient and in compliance with relevant laws and regulations.

LEGAL PROCEEDINGS

We are not involved in any material litigation or other proceedings the outcome of which we believe might individually or collectively, have any material adverse effect on our results of operations or financial condition, and no material litigation or claim of material importance is known to be pending or threatened against us.

As is the case with many companies in our industry, we, including some of our subsidiaries, investee companies and affiliates, have from time to time received letters from third parties alleging infringement of intellectual property rights. Some of these letters have requested royalty payments based on the sales of notebook PCs, and other letters have requested royalty payments based on the sales of other products we produce. We evaluate each claim related to our products and, if appropriate, seek a license to use the protected technology. If we enter into such license agreements and are required to pay royalties, there can be no assurance that the payment of such royalties would not have a material adverse effect on our business, results of operations or financial condition.

INSURANCE

We maintain various insurance policies to protect our property and assets against certain risks, including losses to our production facilities and inventory. In addition, we also maintain product liability insurance as well as directors' and officers' liability insurance. We do not maintain business interruption insurance, nor do we maintain key-man life insurance on our executive officers. This practice is consistent with what we believe to be the industry practice in the ROC. Accordingly, there may be circumstances in which we will not be covered or compensated for certain losses, damages and liabilities, which may in turn adversely affect our financial condition and results of operations.

SUBSIDIARIES AND AFFILIATES

SIGNIFICANT SUBSIDIARIES

Each of Win Smart Co., Ltd. and Cowin Worldwide Corporation are consolidated entities which accounted for more than 10% of our total assets as at September 30, 2011.

Win Smart Co., Ltd. ("WINS")

WINS was established in 2001 and is an investment-holding company. As of December 31, 2010, we owned a 100% equity interest in WINS. Its registered office is at 2 Floor, Abbott Building, Road Town, Tortola, British Virgin Islands. Investments currently held through WINS consist of our investments in WAKS, WIKS, WEKS, WSKS, WSSH, WMKS and WHK (defined below). As of September 30, 2011, WINS had 197,472,000 shares of common stock (excluding treasury stocks) outstanding, amounting to a paid-in capital of approximately U.S.$197.5 million. For the nine months ended September 30, 2011, WINS' consolidated net profit (after tax) was NT$1,692.0 million (U.S.$55.6 million). As of September 30, 2011, we held the shares of WINS at a value of NT$19,665.6 million (U.S.$645.8 million) in our accounts, which we account for using the equity method. As of December 31, 2010, WINS had reserved NT$12,286.0 million. We have no amounts outstanding on the shares of WINS held by us.

For the nine months ended September 30, 2011, we received no dividends from our equity holding in WINS. As of September 30, 2011, we owed no amounts to WINS and were owed no amounts by WINS.

Cowin Worldwide Corporation ("Cowin Worldwide")

Cowin Worldwide was established in 2001 and is an investment holding company investing in WZS. As of December 31, 2010, we owned a 100% equity interest in Cowin Worldwide. Its registered office is at 2 Floor, Abbott Building, Road Town, Tortola, British Virgin Islands. Cowin also does trading business with WZS, supports WZS procurement and conducts sales activities. As of September 30, 2011, Cowin Worldwide had 193,050,000 shares of common stock (excluding treasury stocks) outstanding, amounting to a paid-in capital of approximately U.S.$183.0 million. For the nine months ended September 30, 2011, Cowin Worldwide's consolidated net profit (after tax) was NT$581.7 million. As of September 30, 2011, we held the shares of Cowin Worldwide at a value of NT$6,645.7 million (U.S.$218.2 million) in our accounts, which we account for using the equity method. We have no outstanding amounts on the shares of Cowin Worldwide held by us. Cowin Worldwide had no reserves as of that date. For the nine months ended September 30, 2011, we received no dividends from our equity holding in Cowin Worldwide. As of September 30, 2011, we owed NT$1,964.9 million to Cowin Worldwide and were owed nothing by Cowin Worldwide.

No other non-consolidated or consolidated subsidiary or other consolidated entity had total assets which were more than 10% of our total assets as at December 31, 2008, 2009 and 2010 and the nine months ended September 30, 2011. No other non-consolidated or consolidated subsidiary or other consolidated entity in which we owned a direct or indirect interest had a book value representing at least 10% of our capital and reserves or accounted for at least 10% of our net profit or loss during any given period during the years ended December 31, 2008, 2009 and 2010 and the nine months ended September 30, 2011.

CONSOLIDATED SUBSIDIARIES

As of September 30, 2011, we had 46 subsidiaries that required consolidation for the nine-month period ended as of such date. Under ROC GAAP, an entity is deemed to be a consolidated subsidiary if we directly or indirectly own more than 50% of its voting stock or are able to exercise control over its operations and financial policies.

Design and manufacturing

The following subsidiaries are engaged in the research, design, testing, manufacturing and sales of PCs, servers, multi-media application products, telecommunication products and network systems:

Name	Issued share capital	Percentage ownership by the Company(1)	Place of incorporation
International Standard Labs	NT$11,926,370	100.0	ROC
Wistron Mexico S.A. de C.V.	U.S.$129,300,000	100.0	Mexico
Wistron lnfoComm (Zhongshan) Corporation	U.S.$208,000,000	100.0	PRC
AII Technology (Zhongshan) Inc.	U.S.$16,000,000	100.0	PRC
Wistron InfoComm (Kunshan) Co., Ltd	U.S.$20,000,000	100.0	PRC
Wistron InfoComm Technology (Kunshan) Co., Ltd	U.S.$12,000,000	100.0	PRC
Wistron InfoComm Manufacturing (Kunshan) Co., Ltd	U.S.$28,000,000	100.0	PRC
Wistron InfoComm (Philippines) Corporation	P345,463,542	100.0	The Philippines
WisVision Corporation	U.S.$12,005,000	100.0	British Virgin Islands
Wistron Optronics Corp.	NT$100,000,000	100.0	ROC
Wistron Optronics (Kunshan) Co., Ltd	U.S.$29,800,000	100.0	PRC
Wistron InfoComm (Czech) s.r.o.	CZK1,395,200,000	100.0	Czech Republic
Wistron InfoComm (Taizhou) Co., Ltd.	U.S.$98,000,000	100.0	PRC
Polymer Vision BV	EUR$12,000,000	100.0	The Netherlands
Wistron GreenTech(Texas) Corporation	U.S.$1,500,000	100.0	U.S.A.
Wistron Technology (Malaysia) Sdn. Bhd.	MYR$50,000,000	100.0	Malaysia
Wistron InfoComm (Chongqing) Co., Ltd	US$10,000,000	100.0	PRC

Note:

(1) Percentage ownership is approximate and calculated as of September 30, 2011.

International Standard Labs ("ISL")

ISL was established in 1986. Its registered office is in 17F, 84, Sec. 1, Hsin Tai Wu Road, Hsichih, Taipei County, Taiwan, ROC. ISL provides a wide range of testing services, such as safety testing, reliability testing, telecommunications interference testing, telecommunications compatibility testing and telecommunications susceptibility testing.

Wistron Mexico S.A. de C.V. ("WMX")

WMX was established in 1997. Its registered office is in Calle. Baudelio Perez Mucharras #420 Ote.Col.

Zaragoza, Cd.Ju areez, Chih. C.P. 32570, Mexico. WMX is engaged in the assembly of desktop PC systems, LCD TV and servers.

Wistron InfoComm (Zhongshan) Corporation ("WZS")

WZS was established in 1998. Its registered office is in No. 38, East Keji Road, Zhongshan Torch Development Zone, Zhongshan City, Guangdong, PRC. WZS is engaged in the manufacturing of desktop PC systems, motherboards, set-top boxes, servers and LCD TVs.

AII Technology (Zhongshan) Inc. ("ATZS")

ATZS was established in 2000. Its registered office is in Wistron Zhongshan Science & Technology Park, Zhongshan Torch Hi-tech Industrial Development Zone, Zhongshan City, Guangdong, PRC. ATZS is engaged in the manufacturing of PC products, server, LCM, LCD monitors and providing sales support.

Wistron InfoComm (Kunshan) Co., Ltd. ("WAKS")

WAKS was established in 2001. Its registered office is in Avenue 1, Integrated Free Trade Zone, Kunshan City, Jiangsu Province, PRC. WAKS is engaged in the manufacturing of notebook PCs and motherboards.

Wistron InfoComm Technology (Kunshan) Co., Ltd ("WIKS")

WIKS was established in 2003. Its registered office is in Avenue 1, Integrated Free Trade Zone, Kunshan City, Jiangsu Province, PRC. WIKS is engaged in the manufacturing of notebook PCs.

Wistron InfoComm Manufacturing (Kunshan) Co., Ltd ("WEKS")

WEKS was established in 2004. Its registered office is in Avenue 1, Integrated Free Trade Zone, Kunshan City, Jiangsu Province, PRC. WEKS is engaged in the manufacturing of notebook PCs.

Wistron InfoComm (Philippines) Corporation ("WPH")

WPH was established in 1995. Its registered office is in No.4, Rizal Highway comer Aim High Avenue, Subic Bay Industrial Park Phase I, Subic Bay Freeport Zone, Olongapo City, Zambales, Philippines. WPH is engaged in the manufacturing of handheld device products.

WisVision Corporation ("WVS")

WVS was established in 2008. Its registered office is in P.O. Box 933, 2nd Floor, Abbott Building, Road Town, Tortola, British Virgin Islands. WVS is engaged in the providing LCD monitor sales support.

Wistron Optronics Corp. ("WOC")

WOC was established in 2006. Its registered office is in 7F.-8, No.38, Taiyuan St., Zhubei City, Hsinchu County 302, Taiwan, ROC. WOC is engaged in the design and manufacturing of TFT-LCD panels and modules, which are for the application of mobile phone, Smartphone, PDA and PMP.

Wistron Optronics (Kunshan) Co., Ltd. ("WOK")

WOK was established in 2006. Its registered office is in No.1, Central Avenue, Integrated Free Trade Zone, Kunshan City, Jiangsu Province, PRC. WOK is engaged in the manufacturing of TFT-LCD panels and modules for use in mobile phone, Smartphone, PDA and PMP products.

Wistron InfoComm (Czech) s.r.o. ("WCZ")

WCZ was established in 2007. Its registered office is in Brno, Slatina, Turanka 1328/102, 62700, Czech Republic. WCZ is engaged in the manufacturing of servers, desktop PCs, LCD monitors and LCD TVs, and also provide repair services.

Wistron InfoComm (Taizhou) Co., Ltd. ("WTZ")

WTZ was established in 2009. Its registered office is in Export & Processing Zone, Taizhou Economic Development Zone, Jiangsu, PRC. WTZ is engaged in the manufacturing of notebook PCs.

Wistron InfoComm (Taizhou) Co., Ltd. ("WPV")

WPV was established in 2010. Its registered office is in High Tech Campus 48, 5656 AE, Eindhoven, the Netherlands. WPV is a Dutch company which focuses on research and the development of display technology.

Wistron GreenTech(Texas) Corporation. ("WGTX")

WGTX was established in 2010. Its registered office is in 1701 W Northwest HWY Suite 100, Grapevine, TX 76051. WGTX is a recycling business.

Wistron Technology (Malaysia) Sdn. Bhd. ("WMY")

WMY was established in 2011. Its registered office is in Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur. WMY is engaged in the manufacturing of LCD TVs.

Wistron InfoComm (Chongqing) Co., Ltd. ("WCQ")

WCQ was established in 2011. Its registered office is in No. A01, Zone A, Air Port Section of LiangLu CunTan Free Trade Port Area, YuBao District, Chongqing, PRC. WCQ is engaged in the assembly of notebook PCs.

Sales and maintenance

The following subsidiaries are engaged in the sales and maintenance of computer products and related parts and components, data storage equipment and digital monitoring systems:

Name	Issued share capital	Percentage ownership by the Company(1)	Place of incorporation
Wistron K.K.	JPY90,000,000	100.0	Japan
Wistron lnfoComm (Texas) Corporation	U.S.$11,500,000	100.0	U.S.A.
Wistron Service B.V.	EUR$56,210,000	100.0	The Netherlands
Wistron Service (Kunshan) Corp	U.S.$360,000	100.0	PRC
Cowin Worldwide Corporation	U.S.$161,050,000	100.0	British Virgin Islands
AII Holdings Corporation	U.S.$254,185,701.50	100.0	British Virgin Islands
Anextek Global Incorporated	NT$151,000,000	99.4	ROC
SMS InfoComm (Singapore) Pte. Ltd.	SGD$5,460,000	100.0	Singapore
Wistron InfoComm Technology (America) Corporation	U.S.$49,500,000	100.0	U.S.A.
Wistron Hong Kong Limited	HK$2,000,000	100.0	Hong Kong
Wistron Service (Shanghai) Co., Ltd.	U.S.$140,000	100.0	PRC
SMS (Kunshan) Co., Ltd.	U.S.$7,000,000	100.0	PRC
Wistron Optronics (Shanghai) Corporation	U.S.$150,000	100.0	PRC
Wistron Optronics (Shanghai) Co., Ltd.	U.S.$1,000,000	100.0	PRC
Wistron InfoComm Technology (Zhongshan) Co., Ltd	U.S.$2,000,000	100.0	PRC
ICT Service Management and Solutions (India) Private Limited	INR75,253,320	100.0	India
SMS InfoComm Technology Services and Management Solutions Ltd	BRL$27,695,000	100.0	Brazil
SMS InfoComm Technology Services Limited Company	TRY$2,200,000	100.0	Turkey
Service Management Solutions Mexico S.A. de C.V.	MXN36,429,340	100.0	Mexico

Note:
(1) Percentage ownership is approximate and calculated as of September 30, 2011.

Wistron K.K. ("WJP")

WJP was established in 1994. Its registered office is in 2-6-2 Akanehama Narashino-shi, Chiba, Japan. WJP provides various services to our customers in Japan.

SMS InfoComm Corporation ("WTX")

WTX was established in 1997. Its registered office is in 4051 Freeport Parkway, suite 200 Grapevine, Texas 76051, U.S.A. WTX provides various services to our customers in North America.

Wistron Service B.V. ("WSE")

WSE was established in 2002. Its registered office is in Siriusstraat 45, 5015 BT, Tilburg, The Netherlands. WSE provides various services to our customers in Europe.

Wistron Service (Kunshan) Corp ("WSKS")

WSKS was established in 2004. Its registered office is in No.199 First avenue, Kunshan Export Processing Zone, Kunshan, Jiangsu, PRC. WSKS provides various services to our customers in the PRC.

AII Holdings Corporation ("AIIH")

AIIH was established in 1994. Its registered office is in P.O. Box 933, 2 Floor, Abbott Building, Road Town, Tortola, British Virgin Islands. AIIH is an investment-holding company. The investment currently held through AIIH consists of our investment in WZS, WJP, WSH, ATZS and WDC. AIIH also does trading business out of its warehouse in the PRC.

Anextek Global Incorporated ("AGI")

AGI was established in 1994. Its registered office is in 22F, 88, Sec.1, Hsin Tai Wu Road, Hsichih, Taipei County, Taiwan, ROC. AGI offers a storage networking product line including DAS, NAS and fiber channel SAN system.

SMS InfoComm (Singapore) Pte. Ltd. ("WSG")

WSG was established in 2008. Its registered office is in 37A Tampines St. 92 No.03-00 Singapore. WSG provides various services to our customers in Asia.

Wistron InfoComm Technology (America) Corporation ("WITX")

WITX was established in 2008. Its registered office is in 800 Parker Square, Suite 285-A, Flower Mound, Texas 75028, U.S.A. WITX is engaged in the sales and distribution of notebook, desktop PC, server, LCD TV and LCD monitor products in the U.S.A.

Wistron Hong Kong Limited ("WHK")

WHK was established in 2005. Its registered office is in Room 1405, 14/F, Chinachem Exchange Square, 1 Hoi Wan Street, Quarry Bay, Hong Kong. WHK provides various services to our customers in Asia.

Wistron Service (Shanghai) Co., Ltd. ("WSSH")

WSSH was established in 2006. Its registered office is in 4F, No.1010, Kaixuan Road, Shanghai, PRC. WSSH provides various services to our customers in the PRC.

SMS (Kunshan) Co., Ltd. ("WMKS")

WMKS was established in 2008. Its registered office is in Qingsong Road, Yushan town, Kunshan City, Jiangsu Province, PRC. WMKS provides various services to our customers in the PRC.

Wistron Optronics (Shanghai) Corporation ("WOS")

WOS was established in 2005. Its registered office is in Room 696, No.88, Tai Gu Road, Waigaoqiao FTZ, Pudong, Shanghai, PRC. WOS is engaged in the sales of optics and communication products in the PRC.

Wistron Optronics (Shanghai) Co., Ltd. ("WOSH")

WOSH was established in 2008. Its registered office is in Room 1203, Zhao Feng Plaza, 1027 Chang Ning Road Chang Ning Area, Shanghai, PRC. WOSH is engaged in the sales of optics and communication products in the PRC.

Wistron InfoComm Technology (Zhongshan) Co., Ltd ("WTZS")

WTZS was established in 2008. Its registered office is in Zhongshan Torch Hi-tech Industrial Development Zone, Zhongshan City, Guangdong, PRC. WTZS is engaged in the sale of PC products in the PRC.

ICT Service Management and Solutions (India) Private Limited ("WIN")

WIN was established in 2008. Its registered office is in No.92, Industrial Suburb II Stage Yeshwanthpur, Bangalore 560022, Karnataka, India. WIN provides various services to our customers in India.

SMS InfoComm Technology Services and Management Solutions Ltd ("WBR")

WBR was established in 2010. Its registered office is in Suite 40, 14F, No 98, Avenida Bernardino de Campos, Paraiso. CEP 04004-040, SP-Brazil. WBR provides various services to our customers in Brazil.

SMS InfoComm Technology Services Limited Company ("WTR")

WTR was established in 2010. Its registered office is in Yenisahra Atasehir Sutcu Yolu NO:62, D:1-2-3-4 Istanbul, Turkey. WTR provides various services to our customers in Turkey.

Service Management Solutions Mexico S.A. de C.V. ("WSMX")

WSMX was established in 2011. Its registered office is in Mar Adriatico No. 85 Depoitamentos, Mexico City, Mexico. WSMX provides various services to our customers in Mexico.

Investment holding companies

The following subsidiaries are investment-holding companies:

Name	Issued share capital	Percentage ownership by the Company$^{(1)}$	Place of incorporation
Win Smart Co., Ltd.	U.S.$197,422,000	100.0	British Virgin Islands
Xserve Technology Incorporated	U.S.$200,000	99.9	British Virgin Islands
WiseCap Limited Company	NT$480,170,000	100.0	ROC
Wistron LLC	US.$49,850,000	100.0	U.S.A.
WinDisplay Corporation	U.S.$30,950,000	100.0	British Virgin Islands
WLB Ltd.	NT$4,500,000	100.0	ROC
Wistron Europe Holding Cooperatie U.A.	EUR$12,002,000	100.0	The Netherlands
Wistron Advanced Materials (Hong Kong) Limited	U.S.$20,000,000	100.0	Hong Kong

Note:
(1) Percentage ownership is approximate and calculated as of September 30, 2011.

Xserve Technology Incorporated ("XTI")

XTI was established in 2003. Its registered office is in 2nd Floor, Abbott Building, Road Town, Tortola, British Virgin Islands. XTI is 99.94% owned by AGI. XTI is an investment-holding company. Investments currently held through XTI consist of our investments in XSH, which was liquidated in 2008.

WiseCap Ltd. ("WCL")

WCL was established in 1999. Its registered office is in 2F, 88, Sec.1, Hsin Tai Wu Road, Hsichih, Taipei County, Taiwan, ROC. WCL is an investment holding company. Investments currently held through WCL consist of our investments in WLB, WOC, AOI and Wistron NeWeb Corporation.

Wistron LLC ("WLLC")

WLLC was established in 2003. Its registered office is in 800 Parker Square, Suite 285A , Flower Mound, TX 75028, Texas, U.S.A. WLLC is an investment-holding company. Investments currently held through WLLC consist of our investments in WITX.

WinDisplay Corporation ("WDC")

WDC was established in 2005. Its registered office is in 2nd Floor, Abbott Building, Road Town, Tortola, British Virgin Islands. WDC is an investment-holding company. Investments currently held through WDC consist of our investments in WOK, WOS and WOSH.

WLB Ltd. ("WLB")

WLB was established in 2006. Its registered office is in 22F, 88, Sec.1, Hsin Tai Wu Rd., Hsichih, Taipei County, Taiwan, ROC. WLB is an investment holding company. Investments currently held through WLB consist of our investments in ACA Digital Corporation.

Wistron Europe Holding Cooperatie U.A. ("WEH")

WEH was established in 2010. Its registered office is in Siriusstraat 45, 5015 BT, Tilburg, The Netherlands. WEH is an investment-holding company. Investments currently held through WEH consist of our investment in WPV.

Wistron Advanced Materials (Hong Kong) Limited ("WGHK")

WGHK was established in 2010. Its registered office is in Flat/Rm 304 Dominion Center, 43 Queen's Road East, Wanchai, Hong Kong. WGHK is an investment-holding company.

Software

The following subsidiaries are engaged in software research, development, design, trading and consultation:

	Issued share capital	Percentage ownership by the Company[1]	Place of incorporation
Name			
Wistron InfoComm (Shanghai) Corporation........................	U.S.$1,000,000	100.0	PRC

Note:

(1) Percentage ownership is approximate and calculated as of September 30, 2011.

Wistron InfoComm (Shanghai) Corporation ("WSH")

WSH was established in 1997. Its registered office is in 5F, Fab 39, No.333, Xinjiang Road, Chaohe Hi-Tech Park, Shanghai, PRC. WSH is engaged in software development including BIOS, firmware and server management.

BOARD OF DIRECTORS AND MANAGEMENT

GENERAL

Our Articles of Incorporation provide for seven to nine directors, of which at least three directors shall be independent directors. In accordance with the ROC Company Act, our board of directors is to be elected by our shareholders in a shareholders' meeting at which a quorum, consisting of a majority of all the issued and outstanding Shares having voting rights, is present. Our directors are elected at the same time for three-year terms unless one-third or more of the directorships are vacant, at which time a shareholders' meeting is convened to elect directors to fill the vacancies. The current term of our directors commenced on June 23, 2009 and expires upon election of new directors in the annual shareholders' meeting to be held in 2012. Directors may serve any number of consecutive terms and may be removed from office at any time by a resolution adopted by the majority vote of the holders present at a meeting of shareholders at which holders of at least two-thirds of all issued and outstanding shares are present. Alternatively, a resolution removing a board member may be approved by at least two-thirds votes of shareholders present at a meeting of shareholders at which holders of at least a majority of issued and outstanding shares are present. The chairperson is a director elected by the directors who, in turn, have been elected by the shareholders. The chairperson of the board of directors presides at meetings of our shareholders, meetings of our board of directors and also represents us in connection with external matters. The board of directors is responsible for the management of our business and the members of the board of directors have fiduciary duties to us and our shareholders. The board of directors generally meets once per quarter. Unless otherwise provided by the ROC Company Act, all matters presented to the board of directors requires a quorum of the presence of at least a majority of all the directors and an affirmative vote of at least a majority of all directors present.

In accordance with ROC laws and regulations, each of our directors is elected either in his or her capacity as an individual or as an individual representative of a corporate or government shareholder. One of our directors serves in his capacity as representatives of a corporate entity, which holds such board seat, and does not serve in his individual capacity. At any time, the corporate entity that holds the board seat has the ability to replace that person with a different representative of its choice.

Our board of directors currently comprises nine directors. Four of our directors are independent.

BOARD OF DIRECTORS

The name, age and position(s) of each of the members of our board of directors as of the date hereof are set forth below:

Name	Age	Director since	Position
Simon Lin	59	2001	Chairman, Chief Executive Officer and Director
Stan Shih	67	2001	Director
Haydn Hsieh	57	2005	Director
Robert Hwang	55	2006	President, Chief Operation Officer and Director
Philip Peng	58	2002	Representative Director, Acer
Michael Tsai	58	2002	Independent Director, Chair of the Audit Committee
James Wu	72	2009	Independent Director, Member of the Audit Committee
John Hsuan	59	2002	Independent Director, Member of the Audit Committee
Victor C.J. Cheng	63	2005	Independent Director, Member of the Audit Committee

For the purpose of this Offering Circular, the business address of the directors is our principal executive office which is 21/F, 88, Sec. 1, Hsin Tai 5th Road, Hsichih, New Taipei City, Taiwan, ROC.

All of the above listed directors are ROC citizens, and two directors are employed by us on a full time basis. All of the directors hold outside positions.

Simon Lin has served as a director, and as our Chairman and Chief Executive Officer, since our inception in 2001. Mr. Lin is also the chairman of AOI, Wistron NeWeb, Wistron ITS, and Changing. Mr. Lin is also a Director of Gamania and Keen High and Independent Director of TICP and Neo Solar Power Corporation and TPKH. Mr. Lin received a bachelors degree from National Chiao Tung University. In 1989, Mr. Lin received the National Management Excellence Award from The Commercial Professional Management Association and was named National Chiao Tung University's Outstanding Alumnus in 1996. In 2008, Mr. Lin received the Asia's Viewers Choice Award from the 7th CNBC Asia Business Leaders Award.

Stan Shih has served as a director since our inception in 2001. Mr. Shih is currently the Chairman of iD SoftCapital Group. Mr. Shih is also a director of over 20 public and private companies, including Acer, Qisda, Nanshan Life Insurance Co., Ltd. and Taiwan Semiconductor Manufacturing Ltd. Mr. Shih received a bachelors degree, a masters degree and a honorary doctorate degree in electrical engineering from the National Chiao Tung University. Mr. Shih was also awarded a honorary doctorate degree by the Hong Kong Polytechnic University and the degree of Doctor of International Law from the Thunderbird American Graduate School.

Haydn Hsieh has served as a director since 2005. Mr. Hsieh has been with the Acer Group since 1981 and is currently the vice chairman and chief executive officer of Wistron NeWeb. Mr. Hsieh also serves as a director of Wistron NeWeb, AOI, Raydium and aEnrich Technology Corporation. Mr. Hsieh received a bachelors degree in electrical engineering from Ta-Tung Institute of Technology and also completed the Executive MBA Training Program at National Cheng-Chi University.

Robert Hwang has served as director, president and Chief Operations Officer since 2007. Mr. Hwang is also the director of AnexTEK and WLB and as the chairman of WOC. Mr. Hwang received a bachelors degree from Ta-Tung Institute of Technology and also completed the Executive MBA Training Program at National Cheng-Chi University.

Philip Peng was a supervisor from 2001 to 2009. Mr. Peng was elected as a director on June 18, 2009. Mr. Peng is currently the president of iD SoftCapital Inc. Mr. Peng is also the chairman, a director or a supervisor of over 30 public and private companies, including Acer, Smart Capital Corp., Wistron NeWeb, Wistron ITS, AOI and Chung Hwa Investment Co., Ltd. Mr. Peng received a masters degree in business administration from National Cheng-Chi University.

Michael Tsai has served as a director since 2002. Mr. Tsai is currently the vice chairman of Powerchip Semiconductor Corporation and the independent director of Koryo Electronics Co., Ltd. Mr. Tsai is also the chairman of Maxchip and Zentel. Mr. Tsai received a bachelors degree in computer science and control engineering from National Chiao Tung University.

James Wu has served as a director since 2009. Mr. Wu is currently the independent director of LITE-ON and the independent supervisor of Advantech Co., Ltd. Mr. Wu received a bachelors degree in economics from National Chung Hsing University.

John Hsuan has served as a director since 2002. Mr. Hsuan is currently the Emeritus Vice Chairman of United Microelectronics Corporation. Mr. Hsuan is also the chairman or a director of over 20 public and private companies, including Unimicron Technology Corporation, Faraday Technology Corp., NCTU Venture Capital Co., Ltd., NCTU Spring Venture Capital Co., Ltd. and Maxima Capital Management, Inc. Mr. Hsuan was recognized as the Prominent Alumnus of National Chiao Tung University and received an honorary doctorate from National Chiao Tung University. Mr. Hsuan received the "Most Outstanding Marketing Manager Award" from the Chinese Association for the Advancement of Management and the Feng-Chang Leu Memorial Award by the Chinese Management Association.

Victor C.J. Cheng was a supervisor from 2005 to 2009. Mr. Cheng was elected as a director on June 18, 2009. Mr. Cheng is currently a professor at the College of Law, National Taiwan University of Science and Technology. Mr. Cheng is currently a director or independent supervisor of LOTES Co., Ltd., Asus, Apacer Taiwan, Kinsus Interconnect Technology Corp. and Chant Sincere Co., Ltd. Mr. Cheng received a bachelors degree in law from Soochow University and a S.J.D. from Stanford University.

SENIOR MANAGEMENT

The name, age and position(s) of our senior management as of the date hereof are set forth below:

Name	Age	Position since	Position
Simon Lin	59	2001	Chairman, Chief Executive Officer and Director
Robert Hwang	55	2006	Director, President and Chief Operation Officer
Frank F.C. Lin	57	2002	Chief Staff Officer
Henry Lin	56	2002	Chief Financial Officer
M.Y. Lin	61	2002	General Auditor
Emily Hong	54	2001	President, EBG
Donald Hwang	54	2007	President, MBG
David Shen	45	2007	President, DBG
Andy Wang	49	2004	General Manager, SBG
Kenny Wang	53	2007	General Plant Manager
Stone Shih	50	2002	Controller
Y.H. Sung	60	2011	Chief Information Officer
Terry Lu	57	2011	Chief Administration Officer
Ben Cheng	52	2011	Chief Material Officer
R.R. Chang	49	2011	Chief Quality Officer

Set forth below is a short biography of each of our senior management executive officers:

Simon Lin has served as our Chairman, Chief Executive Officer and director since 2001. Mr. Lin is also the chairman of AOI, Wistron NeWeb, Wistron ITS and Changing. Mr. Lin is also a director of Gamania and Keen High and an independent director of TICP, Neo Solar Power Corp. and TPKH. Mr. Lin received a bachelors degree from National Chiao Tung University.

Robert Hwang has served as our President, Chief Operations Officer and a director since 2006. Mr. Hwang is also the director of AnexTEK and WLB and the chairman of WOC. Mr. Hwang received a bachelors degree from Ta-Tung Institute of Technology and also completed the Executive MBA Training Program at National Cheng-Chi University.

Frank F.C. Lin has served as our Chief Staff Officer since 2002. Mr. Lin is a director, chairman or a supervisor of AOI, Wistron NeWeb, AnexTEK, Changing, aEnrich Technology Corporation, Wistron ITS, WiseCap Ltd., WLB, T-CONN, and Formosoft. Mr. Lin received an accounting degree from Feng Chia University.

Henry Lin has served as our Chief Financial Officer since 2002. Mr. Lin received a bachelors degree in accounting from National Chung Hsing University and a masters degree in international business management from National Taiwan University. Mr. Lin is also a supervisor or an independent director of Youngoptics, RDC, Browave Corporation and AVerMedia.

M.Y. Lin has served as our General Auditor since 2002. Mr. Lin received a bachelors degree in communication engineering, a masters degree in electrical engineering and a doctorate degree in computer engineering, all from National Chiao Tung University.

Emily Hong has served as President of EBG since 2001. Ms. Hong received a bachelors degree in political science from National Taiwan University and a masters degree in business administration from National Cheng-Chi University.

Donald Hwang has served as President of MBG since 2007. Mr. Hwang received his bachelors degree and his masters degree in electrical engineering from National Chiao Tung University. Mr. Hwang is also a director of ISL.

David Shen has served as President of DBG since 2007. Mr. Shen received a bachelors degree in industrial engineering and management from National Chiao Tung University and a masters degree in computer science systems from University of California at Santa Barbara.

Andy Wang has served as General Manager of SBG since 2004. Mr. Wang received a bachelors degree in electrical engineering from National Chiao Tung University.

Kenny Wang has served as General Plant Manager since 2007. Mr. Wang received a bachelors degree in industrial engineering from Feng Chia University.

Stone Shih has served as Controller since 2002. Mr. Shih is the director or supervisor of WiseCap Ltd, WLB, Wistron Optronics Corporation, ISL and AnexTEK. Mr. Shih received a bachelors degree in accounting from Soochow University and a masters degree in finance from Golden Gate University.

Y.H Sung has served as Chief Information Officer since 2011. Mr. Sung received a bachelors degree in industrial management from National Cheng Kung University.

Terry Lu has served as Chief Administration Officer since 2011. Mr. Lu received a bachelors degree in psychology from National Cheng Chi University. Mr. Lu is also a director of WiseCap Ltd, WLB and AnexTEK.

Ben Cheng has served as Chief Material Officer since 2011. Mr. Cheng received a bachelors degree in electrical engineering from Feng Chia University and also completed the Executive MBA Training Program at Thunderbird, American Graduate School of International Management.

R.R. Chang has served as Chief Quality Officer since 2011. Mr. Chang received a masters degree in electrical engineering from National Cheng Kung University. Mr. Chang is also the Chairman of ISL.

The business address of each of the executive officers indicated above is our principal executive office at 21F, 88, Sec. 1, Hsin Tai Wu Road, Hsichih, New Taipei City 221, Taiwan, ROC.

COMPENSATION

The remuneration and benefits in kind paid to our directors for the year ended December 31, 2010 were NT$75.4 million (U.S.$2.5 million). For the same period, the total amount of salaries and bonuses paid to all executive officers, including members of our senior management, was approximately NT$191.4 million (U.S.$6.3 million). Our directors are not entitled to any benefits under any employee share bonus scheme or any employee share option scheme in their capacity as directors.

We also have an employee stock option plan, which was established in November 2007. As of the date of this Offering Circular, a total of 63 million units of employee stock options under the plan were outstanding. Each unit confers the right to purchase one Share at the applicable exercise price approved by our board of directors. As of July 4, 2011, our employees, exercised approximately 42 million Shares through our employee stock option plan.

The following table sets forth the name of each director and executive officer who, directly or indirectly, owns 0.1% or more of the Shares as at August 30, 2011:

Name	Position	Number of Shares Held	% of Share capital
Philip Peng	Representative Director	43,323,190(1)	2.08%
Simon Lin	Chairman, Chief Executive Officer and Director	23,299,935(2)	1.12%
Stan Shih	Director	2,281,230	0.10%

Notes:

(1) *Represents the number of Shares owned by the corporate shareholder represented by such director.*

(2) *Does not include 13,000,000 Shares held by a trustee under a trust account, under which Simon Lin is a beneficiary.*

Except as noted in the table above, none of our directors and executive officers, directly or indirectly, owned more than 0.1% of our Shares as at August 30, 2011.

As of the date of the Offering Circular, neither we nor any of our subsidiaries had made any loans or advances or guarantees in relation to loans or advances received by our directors and executive officers, and none of our directors and executive officers has or has 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' business during the current fiscal year or the fiscal year immediately preceding the date of this Offering Circular, or during earlier fiscal years and remain, in any respect, outstanding or unperformed.

As of the date of the Offering Circular, we had not made any loans or other outstanding credits (including guarantees) to any of our directors or executive officers except in the ordinary course of business, nor had we entered into any transactions with our directors or executive officers which are unusual in their nature or conditions during the last fiscal year and the current fiscal year.

SHARE OWNERSHIP

The following table sets out certain information relating to the ten largest holders of our Shares as of August 30, 2011 (the latest record date), except as otherwise indicated below.

	As of August 30, 2011	
	Number of Shares	Percentage of Total Issued Shares
Name of Shareholder		
Cathay Life Insurance Co., Ltd.	83,043,142	3.98%
Chunghwa Post Co., Ltd.	72,542,713	3.48%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Capital World Growth and Income Fund Inc.	72,068,903	3.46%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Capital Income Builder	49,373,322	2.37%
The Master Trust Bank of Japan, Ltd. as trustee of PCA Asia Oceania High Dividend Equity Mother Fund	44,803,222	2.15%
Acer Incorporated	43,323,190	2.08%
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Stichting Depositary APG Emerging Markets Equity Pool	41,677,120	2.00%
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Copthall Mauritius Investment Limited	40,800,859	1.96%
Wistron Corp. Global Depositary Receipts	31,973,309	1.53%
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	31,560,181	1.51%

DIVIDENDS AND DIVIDEND POLICY

DIVIDENDS

Pursuant to the ROC Company Act and our Articles of Incorporation, payment of any dividend by us is subject to approval by our shareholders and in the case of stock dividends, approval by the relevant government authorities in the ROC. No assurance can be given that we will pay any dividends to our shareholders in the future.

The following table sets forth the aggregate number of outstanding Shares entitled to dividends, the cash dividends per Share, stock dividends per Share and total Shares issued as stock dividends during each of the years indicated. Figures represent dividends in respect of the prior fiscal year paid in the current fiscal year.

	For the year ended December 31,			
	Number of Shares Entitled to Dividend[(1)]	Cash Dividends per Share	Stock Dividends per Share[(2)]	Total Shares issued as Stock Dividends[(2)]
2008	1,666,636,709	NT$0.98	NT$0.98	163,796,765
2009	1,857,414,826	NT$2.72	NT$0.50	93,513,492
2010	1,970,874,318[(3)]	NT$3.20	NT$0.50	98,433,916

Notes:

(1) *Aggregate number of Shares issued and outstanding on the record date for the payment of the dividend in the indicated year. Holders of the issued and outstanding Shares on a dividend record date will be entitled to the full dividend declared without regard to any subsequent transfer of the Shares to which the dividend payment is applicable.*

(2) *The number of Shares received by the holders of Shares as a stock dividend is equal to the NT dollar value per Share of the declared dividend, multiplied by the number of Shares owned, divided by the par value of NT$10 per Share. Holders of Shares will receive cash in lieu of fractional Shares.*

(3) *As of the date of this Offering Circular, we have 2,084,881,234 Shares issued and 2,069,308,234 Shares outstanding.*

DIVIDEND POLICY

Our net income, after paying our income taxes, deducting prior years' losses and setting aside any legal and special reserve, may be distributed as dividends to holders of Shares, as remuneration to directors and as employee bonuses after approval at a shareholders' meeting in the following manner:

(i) no less than 5% as employees' bonus (in the form of cash, Shares or both); where such bonus is distributed in the form of Shares, employees of subsidiaries, with qualifications set by the board of directors, are to be included;

(ii) 1% as cash remuneration for directors; and

(iii) the remainder may (after setting aside the retained earnings based on operational needs) be distributed as a dividend (in the form of cash, Shares or both) to all shareholders.

The ROC Company Act requires that 10% of annual net income (less prior year losses), after payment of taxes and duties, be set aside as a legal reserve until the accumulated legal reserve equals our total capital. See "Description of share capital." For distribution of the profits earned in each of 2008, 2009 and 2010, we set aside NT$982,073,250, NT$1,196,481,263 and NT$1,475,232,490, respectively, as part of the payment of employee bonuses. The cash values of employee bonuses (either in cash or Shares) are booked as expenses of the Company in the year in which the profits were generated.

CHANGES IN SHARE CAPITAL

The following table sets out the changes in our issued share capital since May 30, 2001.

Date of Issue	Type of Issue	Number of Shares Issued	Total Number of Issued Shares after the Issue
May 30, 2001	Issuance of Shares	1,000,000	1,000,000
August 31, 2001	New issuance of Shares	99,000,000	100,000,000
April 2, 2002	Consideration to purchase assets from Acer	400,000,000	500,000,000
July 1, 2002	New issuance of Shares	300,000,000	800,000,000
March 21, 2003	Issuance of Shares upon exercise of employee stock options	9,962,000	809,962,000
August 12, 2003	Issuance of Shares upon exercise of employee stock options	1,835,000	811,797,000
November 7, 2003	Issuance of Shares for stock dividend and upon exercise of employee stock options	59,128,100	870,925,100
April 7, 2004	Issuance of Shares upon exercise of employee stock options	11,474,000	882,399,100
September 23, 2004	Issuance of Shares for stock dividend and upon exercise of employee stock options	66,591,955	948,991,055
January 20, 2005	Issuance of Shares upon exercise of employee stock options	323,000	949,314,055
April 15, 2005	Issuance of Shares upon exercise of employee stock options	1,427,000	950,741,055
June 29, 2005	Issuance of Shares upon exercise of employee stock options	7,650,000	958,391,055
October 27, 2005	New issuance of GDR and issuance of Shares upon exercise of employee stock options and upon conversion of Euro-convertible bond	182,177,872	1,140,568,927
January 12, 2006	Issuance of Shares upon exercise of employee stock option and for conversion of Euro-convertible bond	37,705,313	1,178,274,240
April 3, 2006	Issuance of Shares upon exercise of employee stock option and for conversion of Euro-convertible bond	18,087,896	1,196,362,136
August 28, 2006	Issuance of Shares for stock dividend and for employee stock bonus	75,994,700	1,272,356,836
August 28, 2007	Issuance of Shares for stock dividend	109,569,234	1,381,926,070
July 22, 2008	Issuance of Shares through private placement to Lite-On Technology Corporation	24,000,000	1,405,926,070
September 19, 2008	New issuance of Shares for stock dividend and for employee stock bonus	110,710,639	1,516,636,709
July 30, 2009	New issuance of GDR	150,000,000	1,666,636,709
August 24, 2009	New issuance of Shares	183,979,117	1,850,615,826
February 3, 2010	Issuance of employee stock option	13,653,000	1,864,268,826
April 6, 2010	Issuance of employee stock option	5,525,000	1,869,793,826
May 13, 2010	Issuance of employee stock option	476,000	1,870,269,826
August 27, 2010	New issuance of Shares for stock dividend	93,513,492	1,963,783,318
September 9, 2010	Issuance of employee stock option	350,000	1,964,133,318
November 8, 2010	Issuance of employee stock option	874,000	1,965,007,318
March 25, 2011	Issuance of employee stock option	20,572,000	1,985,579,318
May 5, 2011	Issuance of employee stock option	573,000	1,986,152,318
July 8, 2011	Issuance of employee stock option	295,000	1,986,447,318
September 9, 2011	New issuance of shares for stock dividend	98,433,916	2,084,881,234

We implemented a share buyback program in 2010 and, as of the date of this Offering Circular, there were 15,573,000 Shares held by us and 2,069,308,234 Shares outstanding.

MARKET PRICE INFORMATION

Our Shares began trading on the TWSE on August 19, 2003. The table below sets forth, for the periods indicated, the high and low closing prices and the average volume of trading activity on the TWSE for such Shares and the highest and lowest of the daily closing values of the TWSE Index. On January 3, 2012, the reported closing price of the Shares was NT$39.00 per Share, and the Taiwan Stock Exchange Capitalization Weighted Stock Index closed at 7,053.38.

	Price per Share				Taiwan Stock Exchange Index	
	PX HIGH	PX LOW	Last Price	ADTV in Shares	High	Low
		(NT$)		('000)		
2007	54.62	32.04	47.45	11,913,707	9,809.88	7,344.56
2008	47.22	14.45	20.56	18,568,949	9,295.20	4,089.93
2009	58.22	19.15	56.31	22,694,576	8,188.11	4,242.61
2010						
January	59.76	52.96	55.22	18,851,516	8,356.89	7,560.03
February	56.67	49.87	49.87	14,289,971	7,597.44	7,212.87
March	54.50	50.42	52.32	13,890,068	7,962.22	7,569.80
April	57.22	51.51	55.13	14,591,703	8,171.94	7,854.22
May	54.50	45.20	48.24	14,575,433	7,952.17	7,086.37
June	48.69	43.16	43.16	15,075,265	7,635.56	7,071.67
July	51.69	43.89	49.24	11,660,962	7,798.99	7,254.06
August	52.86	46.62	47.72	11,373,576	8,034.49	7,616.28
September	54.29	47.34	54.29	11,620,070	8,240.89	7,668.25
October	59.91	50.48	59.91	11,873,971	8,354.05	8,046.23
November	61.05	56.96	58.86	10,317,963	8,450.63	8,240.65
December	58.77	55.81	56.57	8,984,878	8,972.50	8,520.11
2011						
January	57.91	54.29	54.29	7,449,995	9,145.35	8,782.72
February	53.34	48.67	50.38	10,272,128	9,111.46	8,528.94
March	54.00	43.86	44.38	17,835,284	8,784.40	8,234.78
April	49.05	42.95	49.05	14,317,425	9,049.25	8,638.55
May	51.43	46.38	51.43	10,514,641	9,035.48	8,727.09
June	52.76	45.91	48.57	9,850,690	9,062.35	8,478.86
July	49.53	45.15	46.19	12,841,893	8,824.44	8,481.35
August	47.57	30.85	36.10	19,651,779	8,701.38	7,312.59
September	36.30	31.30	34.95	14,167,380	7,757.76	6,877.12
October	37.75	34.10	35.20	25,991,447	7,616.06	6,989.15
November	38.80	33.30	36.70	17,588,234	7,622.01	6,784.52
December	39.15	37.25	38.35	13,635,320	7,178.69	6,633.33
2012						
January (through January 4)	39.00	38.05	39.00	10,907,576	7,082.97	6,952.21

Note:

(1) *Stock prices and average daily trading volumes have been retroactively adjusted for stock dividends we paid.*

Source: Bloomberg and Taiwan Stock Exchange

The TWSE has experienced substantial fluctuations in the prices of listed securities and there are currently limits on the range of daily price movements. For more information about the TWSE, see "The securities market in the ROC."

DESCRIPTION OF THE NOTES

The Notes are to be issued under an indenture, to be dated as of January 19, 2012 (the "Indenture"), between Wistron Corporation (the "Company") and Citicorp International Limited, in its capacity as trustee (the "Trustee"). The following summary of certain provisions of the Notes and the Indenture does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the provisions of the Notes and Indenture, including the definitions of certain terms therein. Whenever particular provisions or defined terms of the Indenture not otherwise defined herein are referred to, such provisions or defined terms are incorporated herein by reference. References herein to "Sections" are to the numbered paragraphs contained in this summary description. Copies of the Indenture will be available for inspection by any holder on or after the Issue Date (as defined below) at the office of the Trustee.

The Notes will be issued on or about January 19, 2012 (the date on which the Notes are issued under the Indenture being referred to herein as the "Issue Date") as direct, unconditional, unsecured and unsubordinated obligations of the Company, in aggregate principal amount to U.S.$180,000,000 and will be redeemed on January 19, 2015 (the "Maturity Date") unless earlier redeemed, repurchased and cancelled, or converted pursuant to the terms thereof and of the Indenture.

Each Note will be convertible, subject to compliance with certain conditions and procedures (see "– Conversion – Procedures; Conversion Notice; Taxes and Duties" below), at the holder's election on any Business Day during the period (the "Conversion Period") commencing February 19, 2012 (the 31st calendar day following the Issue Date) and ending at the close of business on January 8, 2015 (the 11th calendar day prior to the Maturity Date) in the location of the applicable Paying Agent (as defined below) or if the Notes are called for redemption prior to the Maturity Date, on the date ten calendar days prior to the redemption date. The Conversion Period shall not include any Closed Period (as defined below).

The principal of and other amounts on the Notes will be payable in U.S. Dollars by the Company pursuant to the Indenture, and the Notes may be presented for registration of transfer or conversion, at the office or agency of the Company maintained for such purpose. The Company will also enter into a paying, conversion and transfer agency agreement (the "Agency Agreement") dated the Issue Date with the Trustee and Citibank, N.A., London as the registrar (the "Registrar"), principal paying agent, principal conversion agent and principal transfer agent (the "Principal Agent") and any other paying agents, conversion agents and transfer agents appointed thereunder (each a "Paying Agent," "Conversion Agent" and "Transfer Agent" and together with the Principal Agent and the Registrar, the "Agents") in relation to the Notes. The registrar, principal paying agent, principal conversion agent and principal transfer agent, paying agents, conversion agents and transfer agents for the time being are referred to below as the "Registrar," the "Principal Agent," the "Paying Agents" (which expression shall include the Principal Agent), the "Conversion Agents" (which expression shall include the Principal Agent) and the "Transfer Agents" (which expression shall include the Principal Agent and the Registrar), respectively.

The Notes will be issued only in fully registered form, without interest coupons, in denominations of U.S.$200,000 and any integral multiple thereof. See "– Form, Denomination and Title" below. No service charge will be payable for any registration of transfer of the Notes, for the conversion thereof or for the charges of the Paying Agents in connection therewith, but the Company 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.

1 STATUS

The Notes constitute direct, unconditional, unsubordinated and, subject to the provisions of Section 3(B), unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves and, subject to the provisions of Section 3(B), rank at least *pari passu* in priority of payment, with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Company, except any obligation preferred by mandatory provisions of law.

2 FORM, DENOMINATION AND TITLE

(A) Form and Denomination

The Notes shall be issued in fully registered form, without coupons, in the denomination of U.S.$200,000 each and any integral multiple thereof. The Notes shall be offered, sold and transferred in the principal amount of

U.S.$200,000 or an integral multiple thereof. The Notes shall initially be represented by a global certificate (the "Global Certificate"), and only under the limited circumstances described in the Global Certificate and the Indenture shall definitive note certificates (each a "Definitive Certificate") be issued to holders of the Notes in respect of their individual registered holdings. Each Note and each Definitive Certificate, if issued, shall be serially numbered and shall have an identifying number which shall be recorded on the relevant certificate and in the register of holders of the Notes, which the Company shall procure to be kept by the Registrar.

The Notes shall initially be represented by a Global Certificate and deposited with, and registered in the name of a nominee of, the common depositary of Euroclear Bank S.A./N.V ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream"). The Notes are not issuable in bearer form.

(B) Title

The Notes shall be registered instruments, and title to the Notes shall pass by transfer and registration of title in the register of holders of the Notes. The holder of any Note shall, except as otherwise required by law, be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Definitive Certificate issued in respect of it), and no person shall be liable for so treating the holder. As used herein, "holder of the Notes," "Noteholder" and "holder" in relation to a Note mean the person in whose name a Note is registered in the register of holders of the Notes.

3 INTEREST AND CERTAIN COVENANTS

(A) Interest

The Notes do not bear any interest except in accordance with Section 6(D).

(B) Negative Pledge

So long as any of the Notes remain outstanding, the Company will not, and will not permit any of its Principal Subsidiaries (as defined below) to, create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest ("Security") upon the whole or any part of the undertaking, property, assets or revenues of the Company or such Principal Subsidiary, as the case may be, present or future, to secure for the benefit of the holders of any International Investment Securities (as defined below) any payment of any sum due in respect of or under any guarantee of or payment indemnity or other like obligation relating to any such International Investment Securities, unless, in any such case, at the same time or prior thereto, the Company accords to the Notes (a) the same security as is created or subsisting to secure any such International Investment Securities, guarantee or indemnity or (b) such other security as shall be approved by registered holders holding not less than 50% of the principal amount of the outstanding Notes.

"International Investment Securities" means bonds, debentures, notes, or other similar investment securities of the Company or any other person evidencing indebtedness with a maturity of not less than one year or any guarantees in respect thereof that (a) either (i) are by their terms payable, or confer a right to receive payment, in any currency other than NT dollars or (ii) are denominated or payable in NT dollars and more than 50% of the aggregate principal amount thereof is initially distributed outside the Republic of China (the "ROC") by or with the authorisation of the Company; and (b) are for the time being, or are capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange, quotation system or over-the-counter or other similar securities market outside the ROC.

"Principal Subsidiary" means any corporation or other business entity more than 50% of the outstanding voting stock of which is for the time being owned directly or indirectly by the Company and either (a) the operating revenues of which, as shown by the accounts (consolidated in the case of an entity which itself has subsidiaries) of such entity upon which the most recent audited consolidated accounts of the Company have been based, are at least 5% of the consolidated operating revenues, as the case may be, of the Company as shown by such audited consolidated accounts; or (b) the total assets of which, as shown by the aforementioned account, are at least 5% of the consolidated total assets of the Company, as shown by such audited consolidated accounts.

"Subsidiary" means any company or other business entity more than 50% of the issued share capital or other ownership interest of which is for the time being owned, directly or indirectly, by the Company.

(C) Mergers and Disposals

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

(i) the corporation formed by such Merger or the Person that acquired such properties and assets shall expressly assume, by an indenture supplemental to the Indenture, all obligations of the Company 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 (as defined below) or Event of Default (as defined below) shall have occurred or be continuing or would result therefrom;

(iii) the Company as soon as practicable prior to the Merger has delivered to the Trustee an officer's certificate stating that such Merger complies with the provisions of the Indenture relating to this matter and that all conditions precedent therein provided for or relating to such Merger have been complied with;

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

(v) the Company, upon request by the Trustee, 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 Section 7(C) and Section 8 will be applicable to the corporation formed by such Merger or the Person acquiring such properties and assets as appropriate.

"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).

4 TRANSFERS OF NOTES; ISSUE OF CERTIFICATES

(A) Transfers

A Note may be transferred as follows: (i) in the case of a Note represented by a Definitive Certificate, by depositing such certificate during normal business hours at the specified offices of any Transfer Agent, with the form of transfer on the back of such certificate duly completed and signed, or (ii) in the case of a Note represented by the Global Certificate, by delivery at such specified office of a form of transfer duly completed and executed, and any other evidence that such Transfer Agent may require.

The forms of transfer are available at the specified offices of any Transfer Agent during normal business hours. Transfers of interests in the Notes evidenced by the Global Certificate shall be effected in accordance with the rules of the relevant clearing systems.

(B) Delivery of New Definitive Certificates

Each new Definitive Certificate to be issued upon transfer of the Notes shall, within five Business Days of receipt by the Transfer Agent of the relevant Definitive Certificate and the duly signed and completed form of transfer, be mailed by uninsured mail at the risk of the holder of the Notes entitled to the new Definitive Certificate to the address specified in the form of transfer.

Where some but not all of the Notes in respect of which a Definitive Certificate is issued are to be transferred, converted or redeemed, a new Definitive Certificate in respect of the Notes not so transferred, converted or redeemed shall, within five Business Days of deposit or surrender of the original certificate with or to the relevant Transfer Agent, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred, converted or redeemed to the address of such holder appearing on the register of holders of the Notes.

For the purposes of this Section 4:

"Business Day" means a day (other than a Saturday or Sunday) on which commercial banks are open for business in the city in which the specified office of the Trustee, the Registrar and the Transfer Agent with whom a Definitive Certificate is deposited in connection with a transfer is located.

Except in the limited circumstances described in the Global Certificate, owners of interests in the Notes represented by the Global Certificate will not be entitled to receive Definitive Certificate in respect of their individual holdings in the Notes. Issues of Definitive Certificate upon transfer of the Notes are subject to compliance by the transferor and transferee with the certification procedures described in the Agency Agreements.

(C) Formalities Free of Charge

Registration of transfer of the Notes shall be effected without charge by or on behalf of the Company or any of the Agents, subject to payment (or the giving of such indemnity as the Company or any of the Agents may require) in respect of any tax or other governmental charges which may be imposed in relation to it.

(D) Restricted Transfer Period

No holder of the Notes may require the transfer of a Note to be registered (i) during the period of 15 days ending on (and including) the due date for any payment of principal in respect of the Note pursuant to Section 7(A), (ii) after the Note has been selected for redemption pursuant to Section 7(B) or Section 7(C), (iii) following exercise by the holder of its option to require the Company to redeem the Note pursuant to Section 7(D) or Section 7(E) or (iv) following exercise by the holder of its option to convert the Note pursuant to Section 5(A).

(E) Provisions on Transfer

All transfers of the Notes and entries on the register of holders of the Notes shall be made subject to the detailed provisions concerning transfer of the Notes set forth in the Agency Agreement. Such provisions may not be changed without the prior written approval of the Trustee and the Registrar. A copy of the current provisions shall be available for inspection during normal business hours at the specified office of the Transfer Agents and shall be mailed (or sent via facsimile) by the Registrar to any holder of the Notes upon written request.

5 CONVERSION

The Company has agreed in the Indenture that, within five Trading Days (as defined below) from each Conversion Date (as defined in Section 5(B)(i)), it will issue and deliver the Shares, through the book-entry system maintained by the Taiwan Depository & Clearing Corporation ("TDCC"), to the converting holder or its designee, subject to applicable ROC laws and regulations and the provisions of the Indenture relating to the conversion. If a converting holder is a non-ROC person (other than a PRC person) and has not obtained foreign investor investment I.D. ("Foreign Investor Investment I.D.") from the Taiwan Stock Exchange ("TWSE") and not opened an account in the TDCC, the Company will deliver the Shares within five Trading Days through the book-entry system maintained by the TDCC after such non-ROC converting holder has obtained its Foreign Investor Investment I.D. and opened its TDCC account.

Pursuant to the Regulations Governing Securities Investment and Futures Trading in Taiwan by Mainland Area Investors, or the Mainland Investors Regulations, only the Mainland area qualified domestic institutional investors ("QDIIs") approved by the China Securities Regulatory Commission and registered with the TWSE or Taiwan Futures Exchange, are permitted to convert the Notes and hold the Shares, and in order to hold the Shares, such QDIIs are required to appoint the agent and custodian as required by the Mainland Investors Regulations. If the aggregate amount of the Shares held by any QDII or the Shares to be received by any QDII upon a conversion will be 10% or more of the Company's total issued and outstanding shares, such QDII must obtain prior approval from the Investment Commission of the Ministry of Economic Affairs.

Under current ROC law, a non-ROC converting holder of the Notes, before exercising his conversion right to convert the Notes into Shares, is required to register with the TWSE to obtain the Foreign Investor Investment I.D. for making investments in the ROC securities market prior to withdrawing shares or converting the Notes into Shares. In addition, a non-ROC person (other than a PRC 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 TDCC book-entry account 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 or conversion. In addition, the holder must also appoint a local agent in the ROC with such qualifications as are set by the ROC Financial Supervisory Commission ("FSC"). The local agent has the power to take the following actions on behalf of and as agent for the converting holder: open a securities trading account with a local brokerage firm and an NT Dollar bank account, pay ROC withholding taxes, make confirmations or settlements, remit funds, exercise shareholders' rights, and perform such other matters as may be designated by the converting holder. In addition, such non-ROC converting holder must also appoint a custodian bank to hold the securities and any cash proceeds in safekeeping, confirm and settle trades and report all relevant information. Without meeting these requirements, the converting holder would not be able to receive, hold, sell or otherwise transfer the Shares into which the Notes may have been converted on the TWSE or otherwise.

The Indenture will provide, in summary, that the term "Shares" means, when used to refer to the class or classes of the Company's capital stock into which the Notes are convertible and when used in certain other instances, only the Company's common shares, NT$10 par value per share, but when used elsewhere, including in Section 5(C), such term also includes shares of any other class or classes of the Company's capital stock authorized after the date of the Indenture that have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or winding-up of the Company.

(A) Conversion Right

(i) Conversion Period

Each holder of the Notes has the right hereunder to convert any Note into Shares subject to the terms set forth herein (the "Conversion Right"). Holders of the Notes do not have the right to directly convert any Note into the Company's global depositary receipts representing the Shares of the Company. Subject to and upon compliance with the provisions of this Section 5, the Conversion Right attaching to any Note may be exercised, at the option of the holder of the Notes and to the extent provided herein, so that the Conversion Date (as defined in Section 5(B)) in respect of such exercise occurs at any time on or after February 19, 2012 and prior to the close of business (at the place where such Note is deposited for conversion) on the 11th calendar day prior to Maturity Date (as defined in Section 7(A)) (or if such day shall not be a Business Day (as defined below) at such place, on the immediately preceding Business Day at such place) or, if such Note shall have been called for redemption prior to the Maturity Date, then up to the close of business (at the place aforesaid) on the date ten calendar days prior to the date fixed for redemption thereof or if such date shall not be a Business Day at such place, on the immediately preceding Business Day at such place (the "Conversion Period"); 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. Holders of the Notes shall be given not less than 10 and not more than 60 days' notice in accordance with Section 14 of the commencement of any Closed Period.

"Closed Period" means: (i) the 60-day period prior to the date of any of the Company's annual general shareholders' meetings; (ii) the 30-day period prior to the date of any of the Company's special shareholders' meetings; (iii) the 5-day period prior to the record date of the Company for determination of shareholders entitled to receive dividend, bonuses or other benefits to the record date; (iv) the period beginning on the 15th Trading Day (as defined below) prior to the first day of any closing period (being the period during which the Company's shareholders' register is closed) for the determination of shareholders entitled to the receipt of stock or cash dividends, or to the right to participate in any rights issue, and ending on (and including) such record date; (v) the period beginning on the record date of a capital reduction to one day prior to the Trading Day on which the shares of the Company are relisted on the TWSE after such capital reduction; and (vi) such other periods during which the Company may be required to close its shareholders' register under ROC laws and regulations applicable from time to time.

"Trading Day" means a day when the TWSE is open for business.

For the purposes of this Section 5:

"Business Day" means a day (other than a Saturday or Sunday) on which commercial banks are open for business in London, New York, Taipei and the city in which the specified office of the Conversion Agent with whom a Conversion Notice is deposited in connection with the conversion is located.

(ii) Number of Shares Issuable on Conversion

The number of Shares issuable upon conversion of any Note shall be determined by dividing the principal amount of the Note (translated into NT dollars at a fixed exchange rate of NT$29.957 = U.S.$1.00, the "Fixed Exchange Rate") by the Conversion Price (as defined in Section 5(A)(iii)) in effect on the Conversion Date (as defined in Section 5(B)(i)). If more than one Note shall be deposited for conversion at any one time by the same holder of the Notes, the number of Shares to be issued upon conversion thereof shall be calculated on the basis of the aggregate principal amount of the Notes so deposited. Fractions of Shares shall not be issued on conversion, and the Company shall not pay for any fraction of a Share.

(iii) Initial Conversion Price and Conversion Ratio

The price at which Shares shall be issued upon conversion (the "Conversion Price") shall initially be NT$49.30 per Share, but shall be subject to adjustment in the manner provided in Section 5(C). The conversion ratio (the "Conversion Ratio") is equal to the principal amount of each Note converted into NT dollars at the Fixed Exchange Rate divided by the then Conversion Price.

(iv) Revival on Default

Notwithstanding the provisions of Section 5(A)(i), if the Company shall default in making payment in full in respect of any Note which shall have been called for redemption prior to the Maturity Date on the date fixed for redemption thereof, the Conversion Right attaching to a Note shall continue to be exercisable up to and including the close of business at the place where the relevant Conversion Notice (as defined in Section 5(B)(i)) is deposited for conversion on the date upon which the full amount of the monies payable in respect of such Note has been duly received by the Trustee and the Principal Agent and notice of such receipt has been duly given to the holders of the Notes.

(B) Conversion Procedures

(i) Exercise Procedures; Conversion Notice; Deposit Date; Conversion Date

To exercise the Conversion Right attaching to any Note, a holder of the Note shall deposit the following at its own expense between 9:00 a.m. and 3:00 p.m. on any Business Day on which the Note is presented for conversion during the Conversion Period at the specified office of a Conversion Agent outside the ROC:

(a) a notice of conversion (a "Conversion Notice") in duplicate, duly completed and signed, in the then-current form obtainable from the specified office of any Conversion Agent, together with the relevant Definitive Certificate, if issued, in respect of the relevant Note;

(b) the Conversion Notice must include a certification that, at the time of such conversion, the converting holder is not in the United States and is not converting Notes on behalf of a person located in the United States;

(c) any certificates and other documents as may be required under the law of the ROC or the jurisdiction in which such Conversion Agent shall be located; and

(d) any amount required to be paid by the holder of the Note referred to in Section 5(B)(ii) below.

Any of the above items deposited after 3:00 p.m. as specified above or on a day that is not a Business Day shall for all purposes be deemed to have been deposited with that Conversion Agent on the immediately succeeding Business Day. The Conversion Notice shall contain, among other things, (i) the appointment of a local agent; (ii) an irrevocable instruction to convert the Notes into Shares; and (iii) any other information required by ROC laws and regulations. Once deposited, the Conversion Notice may not be withdrawn without the Company's consent in writing. Holders of the Notes who deposit a Conversion Notice on the final Business Day prior to a Closed Period or who deposit a Conversion Notice during a Closed Period will not be permitted to convert their Notes until the ROC Business 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 Notes. Such holders will not be registered as holders of the Shares until the Conversion Date. The price at which such Note shall be converted shall be the Conversion Price in effect on the Conversion Date (as defined below).

The Company will covenant in the Indenture that it will send to the Trustee (upon request by the Trustee) an officer's certificate, which certificate the Trustee may conclusively rely on, certifying to the best knowledge of such officer, there has been no change in the laws or regulations of the ROC affecting the conversion of the Notes, including any change in the ROC laws or regulations in connection with any certificates or other documents required for the conversion of the Notes. To the extent there have been such changes in the laws or regulations of the ROC affecting the conversion of the Notes, however, the Company will provide (upon request by the Trustee) a legal opinion, which opinion the Trustee may conclusively rely on, detailing such changes and their effect on the conversion of the Notes.

The Company, or a Conversion Agent on its behalf, may reject any incomplete or incorrect Conversion Notice or any Conversion Notice that is not accompanied by any amount payable under Section 5(B)(ii). All costs and expenses incurred or caused by an incomplete or incorrect Conversion Notice shall be borne by the relevant holder.

"Deposit Date" means the Business Day on which (i) the Definitive Certificate, if issued, in respect of the Note to be converted, (ii) a duly signed and completed Conversion Notice (in duplicate), (iii) any certificates or other documents, as may be required, relating thereto, and (iv) the payments referred to in Section 5(B)(ii) below, as may be required, have all been deposited with a Conversion Agent.

"Conversion Date" means the ROC Business Day next following the Deposit Date that is not within a Closed Period.

"ROC Business Day" means any day on which commercial banks in Taipei, the ROC are open for business.

(ii) Taxes and Expenses

As conditions precedent to the exercise of the Conversion Right attaching to any Note, together with the delivery of the Conversion Notice, the Definitive Certificate, if issued, and any certificates or other documents as may be required, the holder of the Note must pay, when the Note is deposited for conversion, to the relevant Conversion Agent all stamp, issue, registration and similar taxes or duties or transfer costs, if any, arising on conversion in the country in which the Note is deposited for conversion, and all stamp, issue, registration and similar taxes or duties or transfer costs payable to the relevant authorities in any jurisdiction upon the issue or delivery of Shares or any other property or cash upon conversion to or to the order of a person other than the converting holder of the Note. Except as aforesaid, the Company shall pay the expenses arising in the ROC on the issue and delivery of Shares upon conversion of the Note and all fees and expenses of the Conversion Agents in connection therewith as provided in the Agency Agreement.

(iii) Holder of Record

With effect from the opening of business in the ROC on the Conversion Date, the Company shall deem the converting holder of a Note as indicated in the Conversion Notice to have become the holder of record of the number of Shares to be issued upon such conversion, disregarding any retroactive adjustment of the Conversion Price referred to below prior to the time such retroactive adjustment shall have become effective. At such time, subject to Section 5(B)(iv), the rights of such converting holder with respect to the Note deposited for conversion shall cease, except rights arising under Section 5(B)(v).

(iv) Delivery of Shares

On the Conversion Date the Company shall register the converting holder of a Note or its designee in its register of shareholders as the owner of the number of Shares to be issued pursuant to Section 5(B)(iii) upon conversion of such Note. Subject to any applicable limitations then imposed by ROC laws and regulations, the Company shall deliver in accordance with the Indenture and the request made in the relevant Conversion Notice as soon as practicable, and in any event within five Trading Days (subject to applicable law) from the Conversion Date, for the benefit of the converting holder the following:

(a) the relevant Shares through book-entry transfer to an account registered in the name of the converting holder or its local agent at TDCC; and

(b) such documents as may be required by law to effect the delivery thereof.

The Company has certain disclosure obligations and reporting obligations under ROC law and regulations if:

(a) the person to be registered as a shareholder of the Company is a “related party” of the Company under Statement of Financial Accounting Standard No. 6 of the ROC and such person beneficially owns Shares received on conversion of the Notes; or

(b) the person to be registered as a shareholder of the Company beneficially owns, immediately after receiving the Shares on conversion of the Notes, a number of Shares exceeding 10% of the total number of Shares deliverable upon the conversion of the aggregate principal amount of all Notes at the time of issue.

Due to these obligations and the restrictions on PRC holders as indicated in Section 5 above, the Agency Agreement provides that, if the Company so instructs, the Principal Agent may ask a converting holder of the Notes to disclose the name and nationality of the person to be registered as the shareholder and to provide proof of identity and genuineness of any signature and other documents or approvals (as applicable) before it converts the Notes. The conversion of the Notes may be delayed until the Principal Agent receives the required information and evidence of compliance with relevant laws and regulations by the converting holder of the Notes. The information that a converting holder of the Notes may be required to provide includes the name and nationality of the person to be registered as a shareholder and the total number of Shares such person has or will receive as a result of the conversion of the Notes it holds.

(v) Retroactive Adjustment of Conversion Price

If (a) the Conversion Date in relation to any Note shall be on or after a date with effect from which an adjustment to the Conversion Price takes retroactive effect pursuant to any of the provisions referred to in Section 5(C) and the Indenture and (b) the relevant Conversion Date falls on a date when the relevant adjustment has not been reflected in the Conversion Price, the Company shall, within 20 days after the date of such adjustment of the Conversion Price, issue and deliver by book-entry to the local agent appointed by the converting holder of the Note such number of Shares as is equal to the excess of (1) the number of Shares that would have been required to be issued on conversion of such Note if the relevant retroactive adjustment had been made as of the said Conversion Date over (2) the number of Shares previously issued pursuant to such conversion; and in such event and in respect of such number of Shares, references in Sections 5(B)(iii) and 5(B)(iv) to the Conversion Date shall be deemed to refer to the date upon which such retroactive adjustment becomes effective disregarding the fact that it becomes effective retroactively.

(vi) Dividends and Other Entitlement

The converting holder of a Note shall be entitled to any annual dividend distributions of the Company if the Conversion Date is prior to the 15th Trading Day prior to the first day of the closing period for determining the identity of shareholders who are entitled to such dividend distributions.

(vii) Conversion Agents

The Company reserves the right, subject to the provisions of the Agency Agreement and with the prior written consent of the Trustee, to vary or terminate the appointment of any Conversion Agent and to appoint other Conversion Agents at any time; provided that the Company shall at all times maintain a Conversion Agent having a specified office in London. Notice of any such termination or appointment and of any changes in the specified offices of the Conversion Agents shall be given promptly by the Company to the holders of the Notes in accordance with Section 14.

(viii) Availability of Shares

The Company shall, for the benefit of holders of the Notes, ensure that sufficient Shares, which are listed on the TSE, are available as soon as possible and in any event within five Trading Days (or such number of Trading Days as stipulated by the relevant laws and regulations applicable from time to time) after the applicable Conversion Date.

(C) Adjustments to Conversion Price

The Conversion Price shall be subject to adjustment as follows, each such adjustment an "Antidilution Adjustment."

(i) Free Distribution and Bonus Issue of Shares and Declaration of Dividend in Shares:

If the Company shall (a) make a free distribution of Shares, (b) make a bonus issue of its Shares (excluding Shares issued pursuant to any employee stock bonus or profit-sharing arrangements or (c) declare a dividend in Shares, then the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price in effect (1) on the date when such distribution, bonus issue or dividend is declared or (2) on the relevant record date (if the Company has fixed a prior record date for the determination of shareholders entitled to receive any such distribution, bonus issue or dividend).

N = the number of Shares outstanding (having regard to Section 5(C)(xvi)) (1) at the time of issuance of such dividend or bonus issue or distribution or (2) at the close of business in the ROC on the relevant record date, as the case may be.

n = the number of Shares to be distributed to shareholders as a dividend, bonus issue or distribution.

No account is to be taken of, or credit given for, the par value of Shares issued as a dividend in Shares in calculating the appropriate conversion price adjustment, so that the full dilutive effect is provided for.

Effective date of adjustment

An adjustment made pursuant to this Section 5(C)(i) shall become effective immediately on the relevant event referred to in this Section 5(C)(i) becoming effective or, if a record date is fixed therefor, immediately after such record date; provided that in the case of a free distribution or bonus issue of Shares or dividend in Shares which must, under applicable laws of the ROC, be submitted for approval to a general meeting of shareholders or be approved by a meeting of the board of directors of the Company before being legally paid or made, and which is so approved after the record date fixed for the determination of shareholders entitled to receive such distribution, bonus issue or dividend, such adjustment shall, immediately upon such approval being given by such meeting, become effective retroactively to immediately after such record date.

(ii) Division, Consolidation and Reclassification of Shares:

If the Company shall (a) divide its outstanding Shares, (b) consolidate its outstanding Shares into a smaller number of Shares, or (c) re-classify any of its Shares into other securities of the Company, then the Conversion Price shall be appropriately adjusted so that the holder of any Note, on the Conversion Date in respect of which occurs after the coming into effect of the adjustment described in this Section 5(C)(ii), shall be entitled to receive on exercise of the Conversion Right the number of Shares and/or other securities of the Company which he would have held or have been entitled to receive after the happening of any of the events described above had such Note been converted immediately prior to the happening of such event (or, if the Company has fixed a prior record date for the determination of shareholders entitled to receive any such free distribution or bonus issue of Shares or other securities issued upon any such division, consolidation 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. For the avoidance of doubt, in the event the Company shall divide its outstanding Shares, the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N}{n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price in effect (1) at the time such division occurs or (2) on the relevant record date for determining the Shares subject to such division.

N = the number of Shares outstanding (having regard to Section 5(C)(xvi)) (1) at the time of such division or (2) at the close of business in the ROC on the relevant record date, as the case may be.

n = the number of Shares outstanding after such division.

Effective date of adjustment

An adjustment made pursuant to this Section 5(C)(ii) shall become effective immediately on the relevant event referred to in this Section 5(C)(ii) becoming effective or, if a record date is fixed therefor, immediately after such record date; provided that in the case of a division, consolidation or reclassification of Shares which must, under applicable laws of the ROC, be submitted for approval to a general meeting of shareholders or be approved by a meeting of the board of directors of the Company before being legally paid or made, and which is so approved after the record date fixed for the determination of shareholders entitled to receive such distribution or bonus issue of Shares or other securities issued upon such division, consolidation or reclassification, such adjustment shall, immediately upon such approval being given by such meeting, become effective retroactively to immediately after such record date.

(iii) Concurrent adjustment events:

If the Company shall declare a dividend in, or make a free distribution or bonus issue of Shares, which dividend, issue or distribution is to be paid or made to shareholders as of a record date which is also:

(a) the record date for the issue of any rights or warrants which requires an adjustment of the Conversion Price pursuant to Section 5(C)(iv), 5(C)(v) or 5(C)(vi);

(b) the day immediately before the date of issue of any securities convertible into or exchangeable for Shares which requires an adjustment of the Conversion Price pursuant to Section 5(C)(viii);

(c) the day immediately before the date of issue of any Shares which requires an adjustment of the Conversion Price pursuant to Section 5(C)(ix);

(d) the day immediately before the date of issue of any rights, options or warrants which requires an adjustment of the Conversion Price pursuant to Section 5(C)(x); or

(e) determined by the Company and notified by the Company to the Trustee in writing to be the relevant date for an event or circumstance which requires an adjustment to the Conversion Price pursuant to Section 5(C)(xiii),

then (except where such dividend, bonus issue or free distribution gives rise to a retroactive adjustment of the Conversion Price under Section 5(C)(i)) no adjustment of the Conversion Price in respect of such dividend, bonus issue or free distribution shall be made under Section 5(C)(i), but in lieu thereof an adjustment shall be made under Section 5(C)(iv), 5(C)(v), 5(C)(vi), 5(C)(viii), 5(C)(ix), 5(C)(x) or 5(C)(xiii) (as the case may require) by including in the denominator of the fraction described therein the aggregate number of Shares to be issued pursuant to such dividend, bonus issue or free distribution.

(iv) Rights issues to shareholders:

If the Company 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:

(a) at a consideration per Share receivable by the Company (determined as provided in Section 5(C)(xvi)) which is fixed on or prior to the record date mentioned below and is less than the Current Market Price (as defined in Section 5(C)(xv)) per Share at such record date; or

(b) at a consideration per Share receivable by the Company which is fixed after the record date mentioned below and is less than the Current Market Price per Share on the date the Company fixes the said consideration,

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

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Section 5(C)(xvii)) at the close of business in the ROC (in a case within (a) above) on such record date or (in a case within (b) above) on the date the Company fixes the said consideration.

n = the number of Shares initially to be issued upon exercise of such rights at the said consideration.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Section 5(C)(xvi)) would purchase at such Current Market Price per Share specified in (a) or, as the case may be, (b) above.

Effective date of adjustment

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

(v) Warrants issued to shareholders:

If the Company shall grant, issue or offer to the holders of Shares warrants entitling them to subscribe for or purchase Shares:

(a) at a consideration per Share receivable by the Company (determined as provided in Section 5(C)(xvi)) which is fixed on or prior to the record date for the determination of shareholders entitled to receive such warrants and is less than the Current Market Price per Share at such record date; or

(b) at a consideration per Share receivable by the Company which is fixed after the record date mentioned above and is less than the Current Market Price per Share on the date the Company fixes the said consideration,

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

$$\mathrm{NCP} = \mathrm{OCP} \times \frac{\mathrm{N} + \mathrm{v}}{\mathrm{N} + \mathrm{n}}$$

where:

NCP and OCP have the meanings ascribed thereto in Section 5(C)(iv) above.

N = the number of Shares outstanding (having regard to Section 5(C)(xvii)) at the close of business in the ROC (in a case within (a) above) on such record date or (in a case within (b) above) on the date the Company fixes the said consideration.

n = the number of Shares to be issued upon exercise of such warrants at the said consideration which, where no applications by shareholders entitled to such warrants are required, shall be based on the number of warrants issued.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Section 5(C)(xvi)) would purchase at such Current Market Price per Share specified in (a) or, as the case may be, (b) above.

Effective date of adjustment

Subject as provided below, such adjustment shall become effective (i) where no applications for such warrants are required from shareholders entitled to the same, upon their issue and (ii) where applications by shareholders entitled to the same are required as aforesaid, immediately after the latest date for the submission of such applications or (if later) immediately after the Company fixes the said consideration but in all cases retroactively to immediately after the record date mentioned above.

(vi) Issues of rights or warrants for equity-related securities to shareholders:

If the Company shall grant, issue or offer to the holders of Shares rights or warrants entitling them to subscribe for or purchase any securities convertible into or exchangeable for Shares:

(a) at a consideration per Share receivable by the Company (determined as provided in Section 5(C)(xvi)) which is fixed on or prior to the record date mentioned below and is less than the Current Market Price per Share at such record date; or

(b) at a consideration per Share receivable by the Company (determined as aforesaid) which is fixed after the record date mentioned below and is less than the Current Market Price per Share on the date the Company fixes the said consideration.

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

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP and OCP have the meanings ascribed thereto in Section 5(C)(iv) above.

N = the number of Shares outstanding (having regard to Section 5(C)(xvii)) at the close of business in the ROC (in a case within (a) above) on such record date or (in a case within (b) above) on the date the Company fixes the said consideration.

n = the number of Shares initially to be issued upon exercise of such rights or warrants and conversion or exchange of such convertible or exchangeable securities at the said consideration.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Section 5(C)(xvi)) would purchase at such Current Market Price per Share specified in (a) or, as the case may be, (b) above.

Effective date of adjustment

Subject as provided below, such adjustment shall become effective (a) where no applications for such warrants are required from shareholders entitled to the same, upon their issue and (b) where applications by shareholders entitled to the warrants are required as aforesaid and in the case of applications for convertible or exchangeable securities by shareholders entitled to the same pursuant to such rights, immediately after the latest date for the submission of such applications or (if later) immediately after the Company fixes the said consideration; but in all cases retroactively to immediately after the record date mentioned above.

(vii) Distribution:

If the Company shall pay or make any Distribution (as defined below) consisting in whole or in part of assets other than cash to its shareholders, then the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{CMP - fmv}{CMP}$$

where:

NCP and OCP have the meanings ascribed thereto in Section 5(C)(iv).

CMP = the Current Market Price per Share on the last Trading Day preceding the date on which the Distribution is publicly announced.

fmv = the aggregate fair market value on the date of such announcement, as determined in good faith by a leading independent securities firm or bank of international repute, acting as experts, selected by the Company and notified in writing to the Trustee, of the portion of the Distribution attributable to one Share.

If the Company shall pay or make any Distribution in cash only then, in such case, the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{M - C}{M}$$

where:

NCP and OCP shall have the meanings ascribed thereto in Section 5(C)(iv).

M = the Current Market Price per Share on the record date.

C = the amount of Distribution in cash so distributed applicable to one Share, provided that with respect to any purchases of Shares by the Company, C shall be equal to the excess of the price per Share paid by the Company over the then current trading price per Share on the TWSE on the applicable Trading Day.

For the purposes of this Section 5(C)(vii):

"Distribution" means any dividend or distribution, whether of cash, assets in specie or other property (whenever paid or made and however described) or payment on redemption, or for the purchase of, Capital Stock of the Company, as applicable, provided that with respect to any purchases of Capital Stock by the Company, it shall not be a Distribution where the price per Share paid by the Company does not exceed the then current trading price per Share on the TWSE on the applicable Trading Day.

Effective date of adjustment

Such adjustment shall become effective immediately after the record date for the determination of shareholders entitled to receive such Distribution, provided that (a) in the case of such a Distribution which must, under applicable law of the ROC, be submitted for approval to a general meeting of shareholders or be approved by a meeting of the board of directors of the Company before such Distribution may legally be made and is so approved after the record date fixed for the determination of shareholders entitled to receive such Distribution, such adjustment shall, immediately upon such approval being given by such meeting, become effective retroactively to immediately after such record date and (b) if the fair market value of such Distribution cannot be determined until the record date fixed for the determination of shareholders entitled to receive such Distribution, such adjustment shall, immediately upon such fair market value being determined, become effective retroactively to immediately after such record date.

(viii) Issue of convertible or exchangeable securities other than to shareholders or on exercise of warrants:

If the Company shall issue any securities convertible into or exchangeable for Shares (other than the Notes or in any of the circumstances described in Section 5(C)(vi) and Section 5(C)(x)), and the consideration per Share receivable by the Company (determined as provided in Section 5(C)(xvi)) shall be less than the Current Market Price per Share on the date in the ROC on which the Company fixes the said consideration (or, if the issue of such securities is subject to approval by a general meeting of shareholders, on the date on which the board of directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect immediately prior to the date of issue of such convertible or exchangeable securities shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP and OCP have the meanings ascribed thereto in Section 5(C)(iv).

N = the number of Shares outstanding (having regard to Section 5(C)(xvii)) at the close of business in the ROC on the day immediately prior to the date of such issue.

n = the number of Shares to be issued upon conversion or exchange of such convertible or exchangeable securities at the initial conversion or exchange price or rate.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Section 5(C)(xvi)) would purchase at such Current Market Price per Share.

Effective date of adjustment

Such adjustment shall become effective as of the calendar day in the ROC corresponding to the calendar day at the place of issue on which such convertible or exchangeable securities are issued.

(ix) Other issues of Shares:

If the Company shall issue any Shares (other than Shares issued (a) upon conversion or exchange of any convertible or exchangeable securities issued by the Company, (b) upon exercise of any rights or warrants granted, offered or issued by the Company, (c) in any of the circumstances described in Sections 5(C)(i) and 5(C)(ii), (d) to shareholders of a company which is merged into the Company as consideration for the merger and in proportion to their shareholdings in such company immediately prior to such merger and (e) to the employees upon their exercise of employee stock options, but including Shares issued pursuant to any employee stock bonus or profit-sharing arrangements) for a consideration per Share receivable by the Company (determined as provided in Section 5(C)(xvi)) less than the Current Market Price per Share on the date in the ROC on which the Company fixes the said consideration (or, if the issue of such Shares is subject to approval by a general meeting of shareholders, on the date on which the board of directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect immediately prior to the issue of such additional Shares shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP and OCP have the meanings ascribed thereto in Section 5(C)(iv) above.

N = the number of Shares outstanding (having regard to Section 5(C)(xvii)) at the close of business in the ROC on the day immediately prior to the date of issue of such additional Shares.

n = the number of additional Shares issued as aforesaid.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Section 5(C)(xvi)) would purchase at such Current Market Price per Share.

Effective date of adjustment

Such adjustment shall become effective as of the calendar day in the ROC of the issue of such additional Shares or, in the case of an issue to employees under any employee dividend or profit sharing arrangements, where such an issue is announced at the same time as a stock dividend, such adjustment shall become effective as of the record date for determination of the identity of the shareholders entitled to receive any such dividend.

(x) Issue of equity related securities:

If the Company shall grant, issue or offer options, warrants or rights (excluding those rights and warrants referred to in Sections 5(C)(iv), 5(C)(v), 5(C)(vi) and 5(C)(viii)) to subscribe for or purchase Shares or securities convertible into or exchangeable for Shares and the consideration per Share receivable by the Company (determined as provided in Section 5(C)(xvi)) shall be less than the Current Market Price per Share on the date in the ROC on which the Company fixes the said consideration (or, if the offer, grant or issue of such rights, options or warrants is subject to approval by a general meeting of shareholders, on the date on which the board of directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect immediately prior to the date of the offer, grant or issue of such rights, options or warrants shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP and OCP have the meanings ascribed thereto in Section 5(C)(iv) above.

N = the number of Shares outstanding (having regard to Section 5(C)(xvii)) at the close of business in the ROC on the day immediately prior to the date of such issue.

n = the number of Shares to be issued on exercise of such rights or warrants and (if applicable) conversion or exchange of such convertible or exchangeable securities at the said consideration.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Section 5(C)(xvi)) would purchase at such Current Market Price per Share.

Effective date of adjustment: Such adjustment shall become effective as of the calendar day in the ROC corresponding to the calendar day at the place of issue on which such rights or warrants are issued.

(xi) Capital Reduction:

Upon a capital reduction by the Company (other than by means of canceling any Shares repurchased by the Company as treasury shares or by means of canceling any Shares and returning capital in cash to shareholders) the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N}{n}$$

where:

NCP and OCP have the meanings ascribed thereto in Section 5(c)(iv) above.

N = the number of Shares outstanding immediately prior to the Trading Day on which the shares of the Company are relisted on the TWSE after the completion of such capital reduction.

n = the number of Shares outstanding immediately after the Trading Day on which the shares of the Company are relisted on the TWSE after the completion of such capital reduction.

For the avoidance of doubt, no adjustment to the Conversion Price under this Section 5(C)(xi) will be required if the Company cancels any Shares repurchased by it as treasury shares or if the Company repurchases any Shares for the purposes of transferring to its employees or for conversion by holders of the convertible notes issued by the Company.

Effective date of adjustment: Such adjustment shall become effective immediately on the Trading Day on which the shares of the Company are relisted on the TWSE after such capital reduction.

(xii) Tender or exchange offer:

In case a tender or exchange offer made by the Company or any Subsidiary for all or any portion of the Shares shall expire and such tender or exchange offer shall involve the payment by the Company or such Subsidiary of a consideration per Share having a fair market value (as determined in good faith by a leading independent securities firm or bank of international repute, acting as experts, selected by the Company and 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 Current Market Price per Share, as of the Expiration Date, the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N \times CMP}{fmv + [(N - n) \times CMP]}$$

where:

NCP and OCP have the meanings ascribed thereto in Section 5(C)(iv) above.

N	=	the number of Shares outstanding (including any tendered or exchanged Shares) on the Expiration Date.
CMP	=	the Current Market Price per Share as of the Expiration Date.
fmv	=	the fair market value (as determined in good faith by a leading independent securities firm or bank of international repute, acting as experts, selected by the Company and notified in writing to the Trustee) 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.

Effective date of adjustment

Such adjustment shall become retroactively effective immediately prior to the opening of business on the day following the Expiration Date.

Tender or exchange offer not completed

If the Company is obligated to purchase Shares pursuant to any such tender or exchange offer, but the Company 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.

(xiii) Analogous events and modifications:

If (a) the rights of conversion or exchange, purchase or subscription attaching to any options, rights or warrants to subscribe for or purchase Shares or any securities convertible into or exchangeable for, or which carry rights to subscribe for or purchase Shares are modified (other than pursuant to and as provided in the terms and conditions of such options, rights, warrants or securities) or (b) either (1) the Company determines or (2) written notice has been given to the Trustee by a holder of the Notes that, in either case, any other event or circumstance has occurred which has or would have an effect on the position of the holders of the Notes as a class compared with the position of the holders of all the securities (and options and rights relating thereto) of the Company, taken as a class, which is analogous to any of the events referred to in Sections 5(C)(i) to 5(C)(xii), then, in any such case as is referred in (a) or (b)(1) of this Section (5)(C)(xiii), the Company shall notify the Trustee thereof or if the Trustee has been notified under (b)(2) of this Section (5)(C)(xiii), the Trustee shall notify the Company thereof, and in each such case the Company shall consult with a leading independent securities firm or bank of international repute selected by the Company and notified in writing to the Trustee as to what adjustment, if any, should be made to the Conversion Price (and the timing of any such adjustment) to preserve the value of the Conversion Right and will make any such adjustment.

(xiv) Simultaneous issues of different classes of shares:

In the event of simultaneous issues of two or more classes of share capital comprising Shares or rights or warrants in respect of, or securities convertible into or exchangeable for, two or more classes of share capital comprising Shares, then the formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

shall be restated as:

$$NCP = \times \frac{N + v1 + v2 + v3}{N + n1 + n2 + n3}$$

where v1 and n1 shall have the same meanings as "v" and "n" but by reference to one class of Shares, v2 and n2 shall have the same meanings as "v" and "n" but by reference to a second class of Shares, v3 and n3 shall have the same meanings as "v" and "n" but by reference to a third class of Shares and so on.

(xv) Current Market Price per Share:

"Current Market Price," in relation to the Shares, for any day means the average of the Closing Prices for the 30 consecutive Trading Days immediately before such day provided, however, if no Closing Price is available for one or more Trading Days, such day or days shall be disregarded in any relevant calculation and shall be deemed not to have existed when ascertaining any period of consecutive Trading Days.

"Closing Price," in relation to the Shares for any Trading Day, means the last reported transaction price or, if no transaction takes place on such day, the last available reported transaction price of the Shares on the TWSE in effect on the Trading Day immediately preceding such day or, if the Shares are not at that time listed or admitted to trading on the TSE, the average of the closing bid and offered prices of Shares for such day as furnished by a leading independent securities firm licensed to trade on the TWSE selected by the Company for that purpose. With respect to any security traded on another exchange or market, this definition shall apply with reference to that exchange or market.

If the Company has more than one class of share capital comprising Shares, then the relevant Current Market Price for Shares shall be the price for that class of Shares the issue of which (or of rights or warrants in respect of, or securities convertible into or exchangeable for, that class of Shares) gives rise to the adjustment in question.

If during the said 30 Trading Days or any period thereafter up to but excluding the date as of which the adjustment of the Conversion Price in question shall be effected, any event (other than the event which requires the adjustment in question) shall occur which gives rise to a separate adjustment to the Conversion Price under the provisions herein, then the Current Market Price as determined above shall be adjusted in such manner and to such extent as an independent investment bank of international repute, selected by the Company and notified in writing to the Trustee, shall deem appropriate and fair to compensate for the effect thereof.

(xvi) Consideration receivable by the Company:

For the purposes of any calculation of the consideration receivable by the Company pursuant to Sections 5(C)(iv), 5(C)(v), 5(C)(vi), 5(C)(viii), 5(C)(ix) and 5(C)(x), the following provisions shall be applicable:

(a) in the case of the issue of Shares for cash, the consideration shall be the amount of such cash, provided that in no such case shall any deduction be made for any commissions or any expenses paid or incurred by the Company for any underwriting of the issue or otherwise in connection therewith;

(b) in the case of the issue of Shares for a consideration in whole or in part other than cash, the consideration other than cash shall be the net value per share calculated based on the latest audited or reviewed financial statements prior to the record date of merger or share exchange, as the case may be, times share exchange ratio or, if pursuant to applicable law of the ROC such determination is to be made by application to a court of competent jurisdiction, as determined by such court or an appraiser appointed by such court, irrespective of the accounting treatment thereof;

(c) in the case of the issue (whether initially or upon the exercise of rights or warrants) of securities convertible into or exchangeable for Shares, the aggregate consideration receivable by the Company shall be deemed to be the consideration received by the Company for such securities and (if applicable) rights or warrants plus the additional consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange of such securities at the initial conversion or exchange price or rate and (if applicable) the exercise of such rights or warrants at the initial subscription or purchase price (the consideration in each case to be determined in the same manner as provided in (a) and (b) above) and the consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange price or rate and (if applicable) the exercise of such rights or warrants at the initial subscription or purchase price;

(d) in the case of the issue of rights or warrants to subscribe for or purchase Shares, the aggregate consideration receivable by the Company shall be deemed to be the consideration received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise of such rights or warrants at the initial subscription or purchase price (the consideration in each case to be determined in the same manner as provided in (a) and (b) above) and the consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) the exercise of such rights or warrants at the initial subscription or purchase price;

(e) if any of the consideration referred to in any of the preceding paragraphs of this Section 5(C)(xvi) is receivable in a currency other than NT dollars, such consideration shall (in any case where there is a fixed rate of exchange between the NT dollar and the relevant currency for the purposes of the issue of the Shares, the conversion or exchange of such securities or the exercise of such rights or warrants) be translated into NT dollars for the purposes of this Section 5(C)(xvi) at such fixed rate of exchange and shall (in all other cases) be translated into NT dollars at the mean of the exchange rate quotations (being quotations for the cross rate through U.S. Dollars if no direct rate is quoted) by a leading bank in the ROC for buying and selling spot units of the relevant currency by telegraphic transfer against NT dollars on the date as of which the said consideration is required to be calculated as aforesaid;

(f) in the case of the issue of Shares excluding any issue of Shares to employees under any employee stock bonus or profit sharing arrangements credited as fully paid out of retained earnings or capitalisation of reserves at their par value, the aggregate consideration receivable by the Company shall be deemed to be zero (and accordingly the number of Shares which such aggregate consideration receivable by the Company could purchase at the relevant Current Market Price per Share shall also be deemed to be zero); and

(g) in the case of the issue of Shares to employees under any employee stock bonus or profit sharing arrangements, the aggregate consideration receivable by the Company shall be deemed to be the number of Shares issued multiplied by the closing price of the Shares on the TWSE on the date immediately prior to the date of the shareholders' meeting approving such issuance.

(xvii) Cumulative adjustments:

If, at the time of computing an adjustment (the "later adjustment") of the Conversion Price pursuant to any of Sections 5(C)(ii), 5(C)(iv), 5(C)(v), 5(C)(viii), 5(C)(ix) and 5(C)(x), the Conversion Price already incorporates an adjustment made (or taken or to be taken into account pursuant to the proviso to Section 5(C)(xviii)) to reflect an issue of Shares or of securities convertible into or exchangeable for Shares or of rights or warrants to subscribe for or purchase Shares or securities, to the extent that the number of such Shares or securities taken into account for the purposes of calculating such adjustment exceeds the number of such Shares in issue at the time relevant for ascertaining the number of outstanding Shares for the purposes of computing the later adjustment, such excess Shares shall be deemed to be outstanding for the purposes of making such computation.

(xviii) Minor adjustments:

No adjustment will be made where such adjustment would be less than 1% of the Conversion Price then in effect; provided, however, that any adjustment that otherwise would be required to be made will be carried forward and taken into account (as if such adjustment had been made at the time when it would have been made but for the provisions of this Section 5(C)(xviii)) in determining any subsequent adjustment.

(xix) Reference to "fixed":

Any references in this Section 5(C) to the date on which a consideration is "fixed" shall, where the consideration is originally expressed by reference to a formula which cannot be expressed as an actual cash amount until a later date, be construed as a reference to the first day on which such actual cash amount can be ascertained.

(xx) Calculations:

All calculations relating to adjustment of the Conversion Price shall be performed by the Company. All calculations under this Section 5(C) shall be made to the nearest 0.001 of a share of securities or other property or nearest cent of a dollar, as the case may be. If any doubt shall arise as to the appropriate adjustment to the Conversion Price, a certificate from a leading, independent securities firm, bank or accounting firm of international repute selected by the Company shall be conclusive and binding on all concerned save in the case of manifest error.

(xxi) Minimum Conversion Price:

Notwithstanding the provisions of this Section 5(C), the Conversion Price shall not be reduced below the par value of the Shares (NT$10 at the date hereof) as a result of any adjustment made hereunder unless under applicable law then in effect Notes may be converted at such reduced Conversion Price into legally issued, fully-paid and non-assessable Shares.

(xxii) Downward adjustment:

No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation of the Shares, as referred to in Section 5(C)(ii) above and in the case of a capital reduction, as referred to in Section 5(C)(xi) above.

(xxiii) Notification:

Any adjustment will be notified promptly by the Company to the holders of the Notes in accordance with Section 14 and to the Trustee and the Agents in writing. Any such notice relating to an adjustment of the Conversion Price should set forth the event giving rise to the adjustment, the Conversion Price prior to the adjustment, the effective date of such adjustment and the Conversion Price after the adjustment.

(xxiv) Trustee has no obligation to monitor:

The Trustee shall not be obliged to monitor whether any event has occurred that might fall within Section 5(C) and shall assume that no such event has occurred until it has actual knowledge by way of notice in writing from the Company to the contrary.

(xxv) Treasury Shares:

In determining the number of Shares outstanding under this Section 5(C), any treasury share purchased by the Company, which has not been cancelled, shall be excluded in such determination. No adjustment shall be made to the Conversion Price under this Section 5(C) upon the cancellation of any treasury shares held by it in accordance with ROC laws and regulations.

(D) Undertakings

The Company will undertake in the Indenture that, so long as any Note remains outstanding:

(i) it will use its best efforts to maintain the listing of all the Shares on the TSE;

(ii) it will ensure that any Closed Period is for as short a period as is reasonably practicable having regard to applicable laws, regulations and practices;

(iii) in the event of an adjustment to the Conversion Price in accordance with Section 5(C), the holders of the Notes will be notified in accordance with Section 14; and

(iv) it will use its best endeavours to maintain the listing of the Notes on the SGX-ST, subject to applicable laws, regulations and practice.

The Company will also give certain other undertakings in the Indenture for the protection of the Conversion Rights.

6 PAYMENTS

(A) Manner of Payment

Payment in respect of a Note shall be made (i) by transfer to the registered account of the holder of the Note or (ii) if such holder does not have a registered account, by a U.S. Dollar check drawn on a bank in The City of New York mailed to its registered address. The registered account and address of a holder of the Notes mean its account and address appearing on the register of holders of the Notes at the close of business on the second Business Day (as defined below) before the due date for payment.

References in these Section, the Indenture and the Agency Agreement to payment in respect of a Note shall, where the context so permits, be deemed to include not only a reference to the principal of, but also to any premium, interest and other amounts (including any Additional Amounts) payable on, such Note.

For the purposes of Section 6 and Section 7:

"Business Day" means a day (other than a Saturday or Sunday) on which commercial banks are open for business in The City of New York, in Taiwan, in London and, in the case of the surrender of a Definitive Certificate, in the place where the Definitive Certificate is surrendered.

(B) Commissions and Expenses

All payments are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Section 8. No commissions or expenses shall be charged to the holders of the Notes in respect of such payments.

(C) Date of Payment

Where payment is to be made by transfer to a registered account, payment instructions for value on the due date (or, if that date is not a Business Day, for value the next Business Day) shall be initiated. Where payment is to be made by check, the check shall be mailed (at the risk of the holders of the Notes) on the Business Day preceding the due date for payment, provided that the Paying Agent shall not be bound to make any payment until it has received full payment from the Company. Notwithstanding the above, payment of principal of a Note represented by a Definitive Certificate shall not be made earlier than the Business Day on which the relevant Definitive Certificate is surrendered at the specified office of a Paying Agent.

(D) Default Interest and Payment Delay

If the Company fails to pay any sum in respect of the Notes when the same becomes due and payable under these Conditions, interest shall accrue on the overdue sum at the rate of 3% per annum from the due date and ending on the date on which payment is to be made to the holders of the Notes in respect thereof (both dates inclusive) as stated in a notice given to the holders of the Notes in accordance with Section 14. 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.

A holder of the Notes shall not be entitled to any interest or other payment for any delay in receiving the amount due if (i) the due date is not a Business Day, (ii) the Note is represented by a Definitive Certificate and the holder is late in surrendering its Definitive Certificate (if required to do so) or (iii) a check mailed in accordance with this Section 6 arrives after the due date for payment.

(E) Partial Payments

If the amount of principal and premium (if any) which is due on the Notes is not paid in full, the Registrar will annotate the register of Noteholders with a record of the amount of principal and/or premium, in fact paid.

7 REDEMPTION, REPURCHASE AND CANCELLATION

(A) Redemption at Maturity

Unless the Notes have been previously redeemed, repurchased and cancelled as herein provided, the Company shall redeem the Notes at 104.59% of their principal amount in U.S. Dollars on January 19, 2015 (the "Maturity Date") or if such day shall not be a Business Day, on the immediately preceding Business Day. The Notes may be redeemed prior to that date only as provided in Sections 7(B), (C), (D) and (E) below, but without prejudice to Section 9.

(B) Redemption at the Option of the Company

(i) On or at any time after July 19, 2013 but not less than 11 days prior to the Maturity Date, the Company may, having given not less than 30 nor more than 60 days' notice to the holders of the Notes, the Trustee and the Principal Agent (which notice will be irrevocable and delivered in accordance with Section 7(H) and Section 14), redeem the Notes in whole or in part (being U.S.$200,000 in principal amount or an integral multiple thereof) at the Early Redemption Amount, on the date fixed for redemption, provided that no such redemption may be made unless the average Closing Price of the Shares, translated into U.S. Dollars at the Prevailing Rate, for the 20 consecutive Trading Days immediately prior to the date upon which notice of such redemption is given pursuant to Section 14, was at least 120% of the applicable Early Redemption Amount divided by the Conversion Ratio applicable on each such Trading Day.

"Early Redemption Amount" of a Note, for each US$200,000 principal amount of the Notes, is determined so that it represents for the Noteholder a gross yield of 1.50% per annum, calculated on a semi-annual basis. The applicable Early Redemption Amount for each US$200,000 principal amount of Notes is calculated on an annual basis in accordance with the following formula, rounded (if necessary) to two decimal places with 0.005 being rounded upwards (provided that if the date fixed for redemption is the Semi-Annual Date (as set out below), such Early Redemption Amount shall be as set out in the table below in respect of such Semi-Annual Date):

Early Redemption Amount	=	(Previous Redemption Amount x $(1 + r/2)^{d/p}$)
Previous Redemption Amount	=	the Early Redemption Amount for each US$200,000 principal amount on the Semi-Annual Date immediately preceding the date fixed for redemption as set out below (or if the Notes are to be redeemed prior to July 19, 2012, US$200,000)

Semi-Annual Date	Early Redemption Amount (US$)
July 19, 2012	201,500.00
January 19, 2013	203,011.25
July 19, 2013	204,533.83
January 19, 2014	206,067.84
July 19, 2014	207,613.35

and where

r = 1.50% expressed as a fraction.

d = number of days from and including the immediately preceding Semi-Annual Date (or if the Notes are to be redeemed on or before July 19, 2012, from and including the Issue Date) to, but excluding, the date fixed 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 number of days elapsed.

p = 180

"Prevailing Rate" means the fixed rate at 11 a.m. for the purchase of U.S. Dollars with NT Dollars quoted by Taipei Forex Inc. on each Trading Day.

In the case of a partial redemption of Notes represented by Definitive Certificates, the Notes pursuant to this Section 7(B)(i) to be redeemed will be selected pro rata by the Principal Agent, or such other method in accordance with the rules of Euroclear and Clearstream, not more than 60 and not less than 15 days prior to the date fixed for redemption.

In the case of a partial redemption of Notes represented by a Global Certificate, the Notes to be redeemed will be selected in accordance with the rules of the relevant clearing system, not more than 60 and not less than 15 days prior to the date fixed for redemption.

(ii) At any time, the Company may, having given not less than 30 nor more than 60 days' notice to the holders of the Notes (which notice shall be irrevocable and delivered in accordance with Section 7(H) and Section 14), redeem the Notes in whole or in part, at the Early Redemption Amount if (a) at least 90% in principal amount of the Notes originally issued (including any Optional Notes and any Notes issued pursuant to Section 17) has already been redeemed, repurchased and cancelled or converted and (b) the applicable redemption date does not fall within a Closed Period.

(C) Redemption for Taxation Reasons

At any time, the Company may, having given not less than 30 or more than 60 days' notice to the holders of the Notes (which notice shall be irrevocable and delivered in accordance with Section 7(H) and Section 14), redeem the Notes in whole, but not in part (subject to the Non-Redemption Right (as defined below) of the holders of Notes), at the Early Redemption Amount, provided that the Company certifies to the Trustee that, immediately prior to the giving of such notice:

(i) the Company has become obliged to pay Additional Amounts (as defined in Section 8) as a result of any change in, or amendment to, the laws or regulations of the ROC or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective after the Issue Date and would require the Company to gross up for payment of interest or premium, if any, at a rate greater than 15%, or to gross up for the payment of principal; and

(ii) such obligation cannot be avoided by the Company taking reasonable measures available to it.

Notwithstanding the *foregoing*, no such notice of redemption shall be given earlier than 30 days prior to the earliest date on which the Company would be obliged to pay such Additional Amounts.

Prior to the delivery of any notice of redemption pursuant to this Section 7(C), the Company shall deliver to the Trustee (1) a certificate signed by two of its authorized officers and (2) an opinion addressed to the Trustee by an independent law firm of recognized standing admitted to practice in the ROC or a written advice of a qualified tax advisor of recognized standing in the ROC addressed to the Trustee, in each case to the effect that the Company has or will become obliged to pay such Additional Amounts as a result of such change or amendment, and the Trustee shall be entitled to accept and fully rely on such certificate and opinion or advice as sufficient and conclusive evidence of the satisfaction of the conditions precedent referred to in this Section 7(C), in which event it shall be conclusive and binding on the holders of the Notes. The Notes in respect of which a notice of redemption has been given under Sections 7(B), 7(D) or 7(E) shall not be affected by any notice given subsequently under this Section 7(C).

If the Company gives a notice of redemption of the Notes under this Section 7(C), each holder of the Notes shall have the right (the "Non-Redemption Right") to elect that all or a portion (being U.S.$200,000 in principal amount or an integral multiple thereof) of its Notes not be redeemed. Upon the exercise of the Non-Redemption Right with respect to such Notes, no Additional Amounts referred to in Section 8 shall be payable on the payments due after the Relevant Date in respect of such Notes (as defined in Section 8) and, subject to Section 8, such payments shall be made subject to the deduction or withholding required under the laws or regulations of the ROC. For the avoidance of doubt, any increased amounts that had been payable in respect of the Notes under Section 8 as a result of the laws or regulations of the ROC in effect on the original date of their issuance shall continue to be payable to such holders of the Notes.

To exercise the Non-Redemption Right pursuant to this Section 7(C), the holder of the relevant Note must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed current notice of exercise, obtainable from the specified office of any Paying Agent, together with the Definitive Certificate, if issued, on or before the day falling 10 days prior to the Tax Redemption Date.

(D) Redemption of the Notes in the Event of Delisting

In the event that the Shares cease to be listed or admitted to trading or the trading of which is suspended for a period of more than 30 consecutive trading days on the TWSE (a "Delisting"), the Company shall notify the holders of the Notes promptly (which notice shall be delivered in accordance with Section 7(H) and Section 14), and each holder of the Notes shall have the right (the "Delisting Put Right") to require the Company to redeem such holder's Notes in whole, or in part (being U.S.$200,000 in principal amount or an integral multiple thereof), at the Early Redemption Amount on the 20th Business Day (as defined in Section 6) after the date of such notice.

(E) Redemption of the Notes in the Event of Change of Control

If a Change of Control, as defined below, occurs with respect to the Company, each holder of the Notes shall have the right (the "Change of Control Put Right") at such holder's option, to require the Company to redeem all (or any portion of the principal amount thereof which is U.S.$200,000 or any integral multiple thereof) of such holder's Notes on the date set by the Company for such repurchase (the "Change of Control Put Date"), which shall not be less than 30 nor more than 60 days following the date on which the Company notifies the Trustee of the Change of Control, at the Early Redemption Amount.

For the purposes of this Section 7:

The term "Control" as used herein means the right to appoint and/or remove all or the majority of the members of the Company'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.

A "Change of Control" occurs when:

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

(2) the Company consolidates with or merges into or sells or transfers all or substantially all of the Company'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 Company or the successor entity; or

(3) one or more other Persons acquires the legal or beneficial ownership of all or substantially all of the Company's total issued and outstanding Capital Stock (as defined below).

"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.

"Person" means any individual, limited liability company, corporation, company, firm, partnership, joint venture, tribunal, undertaking, association, organization, trust, government or political subdivision or agency or instrumentality thereof or any other entity or organization, in each case whether or not being a separate legal entity; provided, however, that "Person" does not include (a) the Company's board of directors or any other governing board or (b) the Subsidiaries (as defined in section 3(B)).

(F) Repurchase and Cancellation

The Company or any Subsidiary (as defined in Section 3(B)) may at any time and from time to time repurchase the Notes in the open market or otherwise at any price. The Company or any such Subsidiary shall surrender any Notes so repurchased to the Principal Agent or the Registrar for cancellation.

(G) Cancellation

All Notes that are redeemed, repurchased or converted and surrendered to any Agent shall forthwith be cancelled. In the case of Notes represented by Definitive Certificates, certificates in respect of all Notes cancelled shall be forwarded to or to the order of the Registrar or the Principal Agent. Notes cancelled may not be reissued or resold.

(H) Redemption Procedures

In the event that the Company is required to deliver a notice to the holders of the Notes under this Section 7, the Company shall provide, or procure the provision by the Principal Agent of, the notice to each holder of the Notes in accordance with Section 14 and the provisions of the Agency Agreement, which notice shall state, to the extent applicable:

(i) the date fixed for redemption;

(ii) in the case of a Delisting, the date of such Delisting and, briefly, the events resulting in such Delisting;

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

(iv) the date by which the Exercise Notice (as defined below) must be given by the holder;

(v) the applicable redemption price of a Note on the redemption date and the method by which such redemption price will be paid;

(vi) the names and specified addresses of all Paying Agents;

(vii) the Conversion Price then in effect and the date on which the right to convert the Notes or the portions thereof to be redeemed will expire;

(viii) the procedures that holders of the Notes must follow and the requirements they must satisfy in order to exercise their Delisting Put Right, Non-Redemption Right, Change of Control Put Right, and/or Conversion Right, as the case may be;

(ix) that an Exercise Notice, once validly given, may not be withdrawn;

(x) in the case of a redemption of less than all of the Notes then outstanding pursuant to Section 7(B), the identifying numbers of the Notes drawn for redemption;

(xi) the place or places of payment; and

(xii) that payment will be made upon presentation and surrender of the Notes to be redeemed.

To exercise its Delisting Put Right, Non-Redemption Right or Change of Control Put Right, as the case may be, a holder must deliver at its own expense a written irrevocable notice of the exercise of such right (an "Exercise Notice") in substantially the form set forth in the Agency Agreement or such other form obtainable from any of the Paying Agents, to any Paying Agent during normal business hours on any Business Day that is not fewer than 10 Business Days prior to the date fixed for redemption.

The exercise of the Delisting Put Right or Change of Control Put Right in respect of any Notes outstanding shall override any exercise of the redemption right at the option of the Company with respect to the Notes, irrespective of the dates fixed for redemption or the timing of the notices given by the holders of the Notes or the Company thereunder.

Payment of the redemption price upon exercise of the Delisting Put Right or Change of Control Put Right attaching to any Note represented by a Definitive Certificate for which an Exercise Notice has been delivered is conditional upon the delivery of such Definitive Certificate (together with any necessary endorsements) to any Paying Agent during normal business hours on any Business Day, together with the delivery of such Exercise Notice, and shall be made promptly following the later of the relevant redemption date and the time of delivery of such Definitive Certificate. If such Paying Agent holds on a redemption date money sufficient to pay the redemption price for a Note for which an Exercise Notice has been delivered, then, whether or not the Definitive Certificate representing such Note is delivered to such Paying Agent, on and after such redemption date (i) such Note shall cease to be outstanding and interest, if any, on such Definitive Certificate shall cease to accrue; (ii) such Note shall be deemed paid; and (iii) all other rights of the holder shall terminate, other than the right to receive the redemption price.

8 ADDITIONAL AMOUNTS

Any interest or premium payable on the Notes to non-residents of the ROC is currently subject to a withholding tax in the ROC equal to 15% of the gross amount of such interest or premium (if any). A securities transaction tax of 0.3% levied on proceeds from the sale of the Shares will be payable by the seller of the Shares.

Subject to Section 7(C), all payments in respect of the Notes by the Company shall be made free and clear of and without any deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature ("Taxes") imposed, levied, collected, withheld or assessed by or on behalf of the government of the ROC or any authority thereof or therein having power to tax unless otherwise required by law or regulation, provided that, in respect of any such deduction or withholding so required from any such payment, the Company shall pay such additional amounts ("Additional Amounts") as will result in the receipt by the holders of the Notes of the amounts that would have been receivable in the absence of any such deduction or withholding, except that no Additional Amounts shall be payable in respect of any Note:

(i) to, or on behalf of, a holder who is subject to such Taxes in respect of such Note by reason of its being connected with the ROC otherwise than merely by holding such Note or by the receipt of payments in respect of such Note;

(ii) to, or on behalf of, a holder of the Note or its beneficial owner to the extent that such holder or beneficial owner would not be liable for or subject to such deduction or withholding by making a declaration of non-residence or other claims for exemption or deduction to the relevant tax authorities if such holder or beneficial owner is eligible to make such declaration or claim and, such holder or beneficial owner fails to do so in a timely manner;

(iii) if the Definitive Certificate, if issued, in respect of the Note is presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder would have been entitled to such Additional Amounts on surrendering the relevant certificate for payment on the last day of such 30-day period;

(iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive;

(v) to or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting (where presentation is required) the relevant Note to another Paying Agent; or

(vi) for any estate, inheritance, gift, sale, transfer, stamp, personal property or similar tax, assessment or other governmental charge.

References herein to payments in respect of the Notes shall be deemed also to refer to any Additional Amounts that may be payable in respect thereof under this Section 8.

"Relevant Date" in relation to any Notes means (a) the due date for payment in respect thereof, or (b) if the full amount of the monies payable on such due date has not been received by the Trustee or the Principal Agent on or prior to such due date, the date on which notice is duly given to the holders of the Notes that such monies have been so received.

9 EVENTS OF DEFAULT

The Trustee at its discretion may, and if so requested in writing by the holders of the Notes of not less than 25% in aggregate principal amount of the Notes then outstanding shall (in each case subject to being indemnified and/or secured and/or pre-funded by the holders of the Notes to its satisfaction), give notice in writing to the Company that the Notes are immediately due and payable if an Event of Default (as defined below) shall have occurred. Upon such notice being given to the Company, the Notes shall immediately become due and payable at their principal amount plus any overdue interest payable in accordance with Section 6(D). Under the Indenture, an "Event of Default" occurs if:

(i) the Company fails to make any payment in respect of Notes after the same shall become due and payable, and continuance of such default for five days;

(ii) the Company fails to deliver Shares as and when such Shares are required to be delivered upon the conversion of a Note, and continuance of such default for five Business Days;

(iii) the Company defaults in performance or observance of or compliance with any of its other obligations set out in the Notes or the Indenture, which default is incapable of remedy or is not remedied within 30 days after written notice requiring the Company to remedy the same shall have been given to the Company by the Trustee at the request of the Holders of at least 25% in aggregate principal amount of the Notes then outstanding;

(iv) there shall have been entered against the Company 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 U.S.$20,000,000 with respect to the Company or any of its Principal Subsidiaries (or its equivalent in any other currency or currencies) and 60 days shall have passed since the entry of the order without it being bonded, satisfied, discharged or stayed;

(v) (a) any other present or future indebtedness of the Company or any of its Principal Subsidiaries for or in respect of monies borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual default or event of default, howsoever described, or any such indebtedness is not paid when due or, as the case may be, within any applicable grace period originally provided for or (b) the Company or any of its Principal Subsidiaries fails to pay when due any amount payable by the Company or such Principal Subsidiary, as the case may be, under any present or future guarantee or indemnity or arrangement or obligation having a like or similar effect, howsoever described, for any monies borrowed; provided that the aggregate amount of the relevant indebtedness or amount payable in respect of which one or more events mentioned above in this paragraph (v) have occurred equals or exceeds U.S.$20,000,000 or its equivalent in any other currency (determined as provided below); for the avoidance of doubt, where the Company and any of its Principal Subsidiaries are liable for the payment of the same relevant amount, whether liable jointly and severally, by way of guarantee, surety or otherwise, any such amount shall be counted once without duplication;

(vi) an encumbrancer takes possession or a receiver, manager or other similar officer is appointed, or a distress, execution or seizure before judgment is levied, enforced or sued out upon, against or in respect of the whole or any substantial part of the property, assets or revenues of the Company or any of its Principal Subsidiaries and the same is not stayed, discharged, released or satisfied (as the case may be) within 60 days of such taking of possession, appointment, levying, enforcement or suing out (as the case may be);

(vii) a decree or order by a court having jurisdiction shall have been entered adjudging the Company or any of its Principal Subsidiaries bankrupt or insolvent, or approving a petition seeking the Company's reorganization or that of any of its Principal Subsidiaries under any applicable bankruptcy, insolvency or reorganization law, or for the appointment of an administrator or a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of, or all or a substantial part of the business or assets of, or for the winding-up or liquidation of the affairs of, the Company or any of its Principal Subsidiaries and in any such case such decree or order shall have continued undischarged or unstayed for a period of 60 days;

(viii) an order is made or an effective resolution shall be passed for the winding-up, dissolution or liquidation of the Company or that of any of its Principal Subsidiaries, or the Company or any of its Principal Subsidiaries becomes capable of being dissolved under the laws of its place of incorporation (except (a) where such order or resolution is made or passed for the purpose of, and followed by, a reconstruction, amalgamation, reorganization, merger or consolidation of the Company on terms approved by holders of not less than 75% in principal amount of the outstanding Notes, or (b), in case of a Principal Subsidiary only, where such order or resolution made or passed has the effect of transferring to, or otherwise vesting the undertaking and assets of such Principal Subsidiary in, the Company or another of its Principal Subsidiaries) or the Company or any of its Principal Subsidiaries shall institute proceedings to be adjudicated as a voluntary bankrupt, or shall consent to the filing of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization or arrangement under any applicable bankruptcy, insolvency or reorganization 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 of all or a substantial part of its business or assets, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or the Company or any of its Principal Subsidiaries becomes bankrupt, insolvent or is unable to pay its debts as they mature, or the Company or any of its Principal Subsidiaries stops or threatens to cease to carry on its business or a substantial part of its business, or corporate action shall be taken by the Company or any of its Principal Subsidiaries in furtherance of any of the aforesaid purposes; or

(ix) proceedings shall have been initiated against the Company or any of its Principal Subsidiaries under any applicable bankruptcy, insolvency, or reorganization law and such proceedings shall not have been discharged or stayed within a period of 60 days.

For the purposes of Sections 9(iv) and 9(v), any indebtedness which is in a currency other than U.S. Dollars shall be translated into U.S. Dollars at the spot rate for the sale of U.S. Dollars against the purchase of the relevant currency provided by the Trustee on any day when the Trustee requests such a quotation for such purposes. If no direct spot rate is available, a rate shall be calculated by reference to the cross-rates through U.S. Dollars of the relevant currency.

The Company will be required to furnish to the Trustee written notice promptly after the occurrence of any Default or Event of Default. The Trustee is entitled to assume without enquiry that there is no occurrence of any Default or Event of Default unless otherwise notified.

10 PRESCRIPTION

Claims against the Company for payment in respect of the Notes shall be prescribed and become void unless made within 6 years from the appropriate Relevant Date in respect of such payment.

11 ENFORCEMENT

The Trustee shall, within 30 days after the occurrence of any Default, mail to all holders of the Notes 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 by the Company before the giving of such notice to the holders of the Notes.

The holders of a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee; *provided* that such direction shall not be in conflict with any law or the Indenture and subject to certain other limitations. The Trustee may refuse to perform any duty, exercise any right or power, extend or risk its own funds or otherwise incur any financial liability, unless it receives indemnity and/or security satisfactory to it against any loss, liability or expense. No holder of a Note will have the right to pursue any remedy with respect to the Indenture or the Notes, 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 Notes 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 Notes shall not have given the Trustee a direction inconsistent with such request within 60 days after receipt of such request.

The holders of the Notes of a majority in aggregate principal amount of Notes at the time outstanding may waive any existing Default and its consequences, except (i) any default in any payment on the Notes, (ii) any default with respect to the Conversion Rights of holders of the Notes 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 Note as described in Section 12 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.

12 MEETINGS OF HOLDERS OF THE NOTES; MODIFICATION AND WAIVER

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

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

(a) to modify the maturity of the Notes,

(b) to modify the circumstances in which the Company or holders of the Notes are entitled to redeem the Notes pursuant to any of Sections 7(B), 7(C), 7(D) or 7(E),

(c) to reduce or cancel the principal amount of, any premium payable in respect of the Notes or interest, payable in respect of the Notes or to change the method of calculation of interest,

(d) to change the currency of denomination or payment of the Notes,

(e) to modify (except by a unilateral and unconditional reduction in the Conversion Price) or cancel the Conversion Rights, or

(f) to change the governing law of the Notes.

Neither the Company nor any of its Principal Subsidiaries will, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise to any holders of the Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes, unless such consideration is offered to be paid or agreed to be paid to all holders of the Notes 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 holders of the Notes, the Company together with the Trustee may amend the Indenture to:

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

(ii) provide for the assumption of the Issuer's obligations under the Notes and the Indenture by the surviving Person in a Merger effected in accordance with the provisions of Section 3(C);

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

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

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

In determining the compliance with the modification and amendment terms under this Section 12, the Trustee shall be entitled to request, and fully rely on, an officer's certificate or an opinion addressed to the Trustee by an independent law firm of recognized standing certifying the compliance with this Section 12.

13 REPLACEMENT OF CERTIFICATES

Any replacement of mutilated, defaced, destroyed, stolen or lost Definitive Certificates shall take place at the specified offices of the Registrar and the Paying Agents in accordance with the provisions of the Agency Agreement, which provisions include the following:

(i) replacement certificates shall only be issued upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Company and the Trustee may require;

(ii) mutilated or defaced certificates must be surrendered before replacements will be issued; and

(iii) in the event any Notes represented by a mutilated, destroyed, lost or stolen Definitive Certificate have become or are about to become due and payable, the Company in its discretion may, instead of issuing a new Definitive Certificate representing such Notes, make payment as consideration for the cancellation of the Notes represented thereby in accordance with the Agency Agreement.

14 NOTICES

All notices to holders of the Notes shall be validly given if (i) made in writing in English and mailed to them at their respective addresses in the register of holders of the Notes maintained by the Registrar; and (ii) so long as the Notes are listed on SGX-ST and only if the rules of SGX-ST so require, published in a leading newspaper having general circulation in Singapore (which is expected to be The Business Times).

So long as the Notes are represented in the form of a Global Certificate and held on behalf of Euroclear or Clearstream or the alternative clearing system (as defined in the form of the Global Certificate), notice to holders of the Notes must be given by delivery of the relevant notice to Euroclear or Clearstream or the alternative clearing system, for communication by it to entitled account holders.

Any such notice shall be deemed to have been given on the later of the date of such publication and the seventh day after being so mailed.

15 INDEMNIFICATION

The Indenture will contain provisions for the indemnification of the Trustee and its directors, officers, employees or agents and for its and their relief from responsibility, including provisions relieving it and/or them from taking proceedings to enforce payment unless indemnified.

16 AGENTS AND TRUSTEE

Under the Indenture, the Trustee is entitled to be indemnified and relieved from responsibility other than its own gross negligence or wilful misconduct and to be paid its costs and expenses in priority to the claims of the holders of the Notes. In addition, the Trustee is entitled to enter into business transactions with the Company and any entity relating to the Company without accounting for any profit. The Trustee and the Agent may have an interest in, may be providing, or may in the future provide, financial or other services to other parties.

In the exercise of its powers and discretions under these Conditions and the Indenture, the Trustee will have regard to the interests of the holders of the Notes as a class and will not be responsible for any consequence for individual holders of Notes as a result of such holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Company and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the holders of the Notes.

Each of the Agents undertakes to perform such duties and only such duties specified in the Notes, the Indenture and the Agency Agreement, and no implied duties, covenants and obligations shall be read into the Notes, the Indenture and the Agency Agreement against the Agents.

The Trustee is entitled to rely on all instructions, notices, declarations, calculations and certifications received pursuant to the Indenture without investigating the accuracy, authenticity and validity of these instructions, notices, declarations, calculations and certifications.

Notice of any change in any of the Agents or in their specified offices shall promptly be given to the holders of the Notes.

The Company reserves the right, subject to the provisions of the Agency Agreement, at any time to vary or terminate the appointment of the Agents, and any Agent may, at any time, resign by giving written notice to the Company and the Trustee not less than 60 days in advance; provided, however, that the Company shall at all times maintain (i) a Principal Agent, (ii) an Agent having a specified office in Singapore where the Notes may be presented or surrendered for payment or redemption, so long as the Notes are listed on the SGX-ST and the rules of that exchange so require (and such agent in Singapore shall be a paying, transfer and conversion agent and shall be referred to herein as the "Singapore Agent"), (iii) if requested by the Trustee acting under the written direction of any holder of the Notes, a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000, and (iv) a Registrar with a specified office outside the United Kingdom. Notice of any such termination or appointment, of any changes in the specified offices of the Agents, or of any change in the identity or specified office of any Paying Agent, Conversion Agent or Transfer Agent, shall be given promptly by the Company to the holders of the Notes in accordance with Section 14.

17 FURTHER ISSUES

The Company shall be at liberty from time to time (subject to any regulatory approval), without the consent of the Noteholders, to create and issue further notes with same terms and conditions apart from the Issue Date and ranking equally in all respects (or in all respects save for the initial conversion price (which shall be the Conversion Price applicable to the Notes at the date of issue of the further notes) and the date of commencement of the Conversion Period) so that the same shall be consolidated and form a single series with the Notes.

The Company has granted to the Joint Global Coordinators an option, which may be exercised by the Joint Global Coordinators (on behalf of the Purchasers) in whole or in part and on one or more occasions at any time before 9:00 a.m. (New York time) on January 31, 2012, to subscribe for up to an additional U.S.$100,000,000 in aggregate principal amount of Notes.

18 GOVERNING LAW AND JURISDICTION

The Indenture and the Notes will be 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 Notes, the Company will in the Indenture irrevocably submit to the jurisdiction of the New York State and United States Federal courts sitting in the Borough of Manhattan, The City of New York. The Company appoint CT Corporation System, now at 111 Eighth Avenue, 13th Floor, New York, NY, USA, 10011, as its agent for service of process.

THE GLOBAL CERTIFICATE

Except in certain limited circumstances, interests in the Notes may only be held through interests in the Global Certificate. Such interests in the Global Certificate will be shown on, and transfer thereof will be effected only through, records maintained by Euroclear and Clearstream and their respective direct and indirect participants.

The Global Certificate contains provisions which apply to the Notes in respect of which the Global Certificate is issued, some of which modify the effect of the terms of the Indenture set out in this Offering Circular under the "Description of the Notes." Terms defined in the Indenture have the same meaning in the paragraphs below. The following is a summary of those provisions.

GLOBAL CERTIFICATE

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

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

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

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

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

So long as the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or an alternative clearing system, no drawing of the Notes will be required in the event of a redemption of less than all of the Notes then outstanding in the manner described in "Description of the Notes". Instead, partial redemption of Notes will be conducted in accordance with the rules and procedures of the relevant clearing system.

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

INDIVIDUAL DEFINITIVE CERTIFICATES

If (i) the common depositary or any successor to the common depositary notifies us that it is at any time unwilling or unable to continue as a depositary, and we do not appoint a successor depositary within 90 days, (ii) either Euroclear or Clearstream or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or (ii) an event of default under the Notes or the Indenture has occurred and is continuing and a holder of the Notes so requires, we will issue individual Definitive Certificates in registered form in exchange for the Global Certificate. Upon receipt of such notice from Euroclear, Clearstream or the trustee, as the case may be, we will make arrangements for the exchange of interests in the Global Certificate for individual Definitive Certificates and cause them to be executed and delivered to the registrar in sufficient quantities and authenticated by the trustee for delivery to holders. Persons exchanging interests in the Global Certificate for individual Definitive Certificates will be required to provide to the registrar, through the relevant clearing system, written instructions and other information required by us and the registrar to complete, execute and deliver such individual Definitive Certificates and individual Definitive Certificates delivered in exchange for interests in the Global Certificate or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

DESCRIPTION OF SHARE CAPITAL

Set forth below is certain information relating to our share capital, including brief summaries of certain provisions of our Articles of Incorporation, the ROC Securities and Exchange Law, the regulations promulgated under the ROC Securities and Exchange Law and the ROC Company Act as at the date of this Offering Circular.

GENERAL

We were incorporated on May 30, 2001 as a company limited by shares under the ROC Company Act. Our authorized and paid-in share capital as of September 30, 2011 was NT$30,000,000,000 and NT$20,848,812,340 respectively, divided into 2,500,000,000 Shares, which may be in the form of common shares or preferred shares, and 2,084,881,234 Shares, respectively. Our Shareholders approved on June 22, 2011 a distribution of stock dividend by issuance of 98,433,916 new Shares. Additionally, we implemented a share buyback program in 2010 and, as of the date of this Offering Circular, there were 15,573,000 Shares held by us and 2,069,308,234 Shares outstanding. All of our issued and outstanding Shares are fully paid and in registered form.

DIVIDENDS AND DISTRIBUTIONS

Except in limited circumstances, the ROC Company Act does not permit us to distribute dividends or make any other distributions to shareholders in respect of any year in which we did not record net income. The ROC Company Act also requires that 10% of our annual net income, after deduction of prior years' losses and any gains on the disposal of properties, must be set aside as a legal reserve until the accumulated legal reserve equals our paid-in capital. In addition, our Articles of Incorporation require that a minimum of 5% of our annual net income (after adjustment for losses incurred in prior years and deduction of the legal reserve) must be paid to employees as bonuses and that 1% of our annual net income (after adjustment for losses incurred in prior years and deduction of the legal reserve) may be paid in cash to the directors as remuneration. See "Dividends and dividend policy."

At the annual general meeting of our shareholders, our board of directors submits to our shareholders for their approval our financial statements for the preceding fiscal year and any proposal for the distribution of dividends or the making of any other distribution to shareholders from our net income (subject to compliance with the requirements mentioned above) for the preceding fiscal year. Except for preferred shares (if issued by us in the future), all Shares issued and outstanding and fully paid as of the relevant record date are entitled to share equally in any dividend or other distribution approved by the shareholders. Dividends may be distributed in cash, in the form of Shares or a combination of cash and Shares, as determined by our shareholders at the annual general meeting. In addition to the approval by our shareholders, approval from the relevant government authorities in the ROC and compliance with applicable ROC laws are required before we can issue any new shares as stock dividend or employee stock bonus.

In addition to permitting dividends to be paid out of net income, the ROC Company Act also permits us to make distributions to our shareholders of additional Shares by capitalizing our reserves (including the legal reserve, any special reserves and capital surpluses). However, the capitalized portion payable out of our legal reserve is limited to 50% of the total accumulated legal reserve and the capitalization of the legal reserve can only be effected when the accumulated legal reserve exceeds 50% of our paid-in capital.

A shareholder's right to cash dividends which are unclaimed for a period of five years from the date of the relevant notice of distribution may no longer be claimed. Such unclaimed cash dividends will, upon expiry of such five-year period, remain our property. However, as all Shares are issued in scripless form and credited into the shareholders' accounts by book entry system, there should be no unclaimed stock dividends.

For information on the dividend paid by us in recent years, see "Dividends and dividend policy." For information as to ROC taxes on dividends and other distributions, see "Taxation – ROC taxation."

CHANGES IN SHARE CAPITAL AND PRE-EMPTIVE RIGHTS

The ROC Company Act and the ROC Securities and Exchange Law provide that any change in the authorized share capital of a company limited by shares, such as ours, requires an amendment to the company's articles of incorporation approved by the shareholders at a shareholders' meeting. In addition, for a public company such as ours, the approval of the ROC FSC is required if the paid-in capital is increased. Approval of the Hsinchu Science Park Administration is also required for changes to our authorized and paid-in share capital. Our authorized but unissued Shares may be issued at such times and, subject to the provisions of the ROC Company Act and the ROC Securities and Exchange Law mentioned below, upon such terms as our board of directors may determine.

Under the ROC Company Act, when we issue new Shares for cash, our employees, whether or not they are shareholders, have rights to subscribe for 10% to 15% of the new issue as determined by our board of directors, and our existing shareholders who are listed on our shareholders' register as of the record date have pre-emptive rights to subscribe for the remaining portion of new issue in proportion to their existing shareholdings. Any new Shares that remain unsubscribed by either our existing shareholders or our employees at the end of the subscription period may be offered to the persons selected by the board of directors.

In addition, in accordance with the ROC Securities and Exchange Law, normally a public company such as ours, whose securities are listed on the TWSE and that intends to offer new shares for cash, must offer to the public at least 10% of these shares. This percentage may be increased by a resolution passed at our shareholders' meeting, thereby diminishing the number of new Shares subject to the pre-emptive rights of existing shareholders.

MEETINGS OF SHAREHOLDERS

Meetings of our shareholders may be ordinary meetings or extraordinary meetings. Ordinary meetings of our shareholders are generally held in Taipei, Taiwan, within six months following the end of each fiscal year.

Extraordinary meetings may be convened by our board of directors by passing a board resolution or by our board of directors upon the written request of any shareholder or shareholders who has or have held 3% or more of our issued and outstanding Shares for a period exceeding one year. Notice in writing of our shareholders' meetings, stating the place, time and purpose of the meeting, must be dispatched to each shareholder of record at least 30 days (in the case of ordinary meetings) and at least 15 days (in the case of extraordinary meetings) prior to the date set for the meeting.

VOTING RIGHTS

The ROC Company Act provides that a shareholder has one vote for each share held, except that the holder of the following shares shall not vote or exercise voting rights:

(1) the shares held by the company;

(2) the shares of a controlling company held by the controlled company whereby the controlling company holds more than half of the outstanding voting shares or total capital of such controlled company; or

(3) the shares of a controlling company and its controlled company held by a third company where the controlling company and the controlled company hold, directly and indirectly, in the aggregate, more than half of the outstanding voting shares or total capital of such third company.

There is cumulative voting for the election of directors. Candidates for the election of directors are nominated by our shareholders at our shareholders' meeting at which ballots for the election are cast. It is customary practice in the ROC for a company to provide its shareholders and their proxies attending a shareholders' meeting with a list of candidates proposed by the company for election as directors. The list of candidates we propose may differ from the list of nominated candidates to be voted on at our shareholders' meeting since our shareholders may nominate other candidates for election. Except as otherwise provided by law, a resolution can be adopted by the holders of at least a majority of the Shares represented at our shareholders' meeting at which the holders of a majority of all issued and outstanding Shares are present. Under the ROC Company Act, however, to approve certain major corporate actions, including any amendment to the articles of incorporation (which is required, among other things, for any increase in the authorized share capital), the dissolution or amalgamation of a company, the transfer of the whole or an important part of a company's business, the taking over of the whole of the business of another company, or the distribution of any stock dividend, a meeting of the shareholders must be convened with a quorum of holders of at least two-thirds of all issued and outstanding shares at which the shareholders of at least a majority of the shares represented at the meeting vote in favor of the corporate action. Alternatively, the ROC Company Act provides that in the case of a public company, such as ours, a resolution to approve these major corporate actions may be adopted by the holders of at least two-thirds of the shares represented at a meeting of shareholders at which holders of at least a majority of issued and outstanding shares are present.

A shareholder may be represented at our ordinary or extraordinary meetings by proxy if a valid proxy form is delivered to us at least five days prior to the commencement of the ordinary or extraordinary meeting.

Voting rights attached to our Shares that are exercised by our shareholders' proxy shall be subject to ROC proxy regulations.

Any shareholder who has a personal interest in a matter to be discussed at our shareholders' meeting, the outcome of which may impair our interests, shall not vote or exercise voting rights nor vote or exercise voting rights on behalf of another shareholder on such matter.

REGISTER OF SHAREHOLDERS AND RECORD DATES

We maintain our own share register at our offices at 7Fl., No.137, Section 2, Jianguo N. Road, Taipei, Taiwan, ROC, and enter transfers of our Shares in our share register upon presentation of, among other documents, certificates in respect of the Shares transferred.

Under the ROC Company Act and our Articles of Incorporation, we may, by giving advance public notice, set a record date and/or close our share register for a specified period (60 days, 30 days and five days, respectively, immediately before each ordinary meeting of shareholders, extraordinary meeting of shareholders and the relevant record date) in order for us to determine the shareholders that are entitled to certain rights pertaining to the Shares.

OTHER RIGHTS OF SHAREHOLDERS

Under the ROC Company Act, dissenting shareholders are entitled to appraisal rights in certain major corporate actions such as a proposed amalgamation by the company. A dissenting shareholder may request the company to redeem all of the shares owned by the shareholder at a fair price determined by mutual agreement or determined by a court order if an agreement cannot be reached. Shareholders may exercise their appraisal rights by serving written notice on the company prior to the related shareholders' meeting or by raising and registering an objection at the shareholders' meeting. In addition to appraisal rights, shareholders have the right to sue for the annulment of any resolution adopted at a shareholders' meeting where the procedures or the method of resolution were legally defective within 30 days from the date on which a shareholders' resolution is adopted. In addition, one or more shareholders who have held more than 3% of the issued and outstanding shares of a company for more than one year may require the board of directors to convene an extraordinary shareholders' meeting by sending a written request to the board of directors.

FINANCIAL STATEMENTS

For a period of at least 10 days prior to our annual shareholders' meeting, our annual financial statements must be available at our principal office in Hsinchu and our share registrar in Taipei for inspection by our shareholders.

TRANSFER OF SHARES

Under the ROC Company Act, the transfer of shares is effected by endorsement and delivery of the related share certificates. However, in order to exercise his shareholder's rights, a transferee of our Shares must have his name and address registered on our share register. Our shareholders are also required to file their respective specimen seals with us. The settlement of trading of Shares on the TWSE is carried out on the book-entry system maintained by Taiwan Depositary and Clearing Corporation.

ACQUISITION OF SHARES BY THE COMPANY

With limited exceptions, we may not acquire our Shares under the ROC Company Act and any Shares we acquire under these exceptions must be sold at the current market price within six months after our acquisition of the Shares.

In addition, under an amendment to the Securities and Exchange Law, which took effect on July 21, 2000, we may, by a board resolution adopted by majority consent at a meeting with two-thirds of our directors present, purchase our Shares on the TWSE or by a tender offer, in accordance with the procedures prescribed by the ROC FSC, for the following purposes:

(1) to transfer Shares to our employees;

(2) to transfer Shares that are issuable upon conversion of bonds with warrants, preferred shares with warrants, convertible bonds, convertible preferred shares or certificates of warrants (collectively, the "convertible securities") issued by us; and

(3) if necessary, to maintain our credit and our shareholders' equity; provided that the Shares so purchased shall be cancelled thereafter.

Shares purchased pursuant to items 1 and 2 above shall be transferred to our employees or holders of convertible securities, as the case may be, within three years after the date of such purchase. Shares purchased pursuant to item 3 above shall be cancelled within six months after the date of such purchase.

We are not allowed to purchase more than 10% of our total issued and outstanding Shares. In addition, we may not spend more than the aggregate amount of the retained earnings, the premium from issuing stock and the realized portion of the capital reserve to purchase our Shares.

We may not pledge or hypothecate any purchased Shares. In addition, we may not exercise any shareholders' rights attaching to such Shares. In the event that we purchase our Shares on the TWSE, our affiliates, directors, managers and their respective spouses and minor children and/or nominees are prohibited from selling any of our Shares during the period in which we purchase our Shares.

According to the ROC Company Act, as amended and effective from November 14, 2001, an entity, referred to as a controlled entity, in which we directly or indirectly own more than 50% of the voting shares or paid-in capital, may not purchase our Shares. Also, if we and a controlled entity jointly own, directly or indirectly, more than 50% of the voting shares or paid-in capital of another entity, referred to as a third party, the third party may not purchase shares in either us or a controlled entity. This restriction does not, however, affect any of our Shares acquired by a controlled entity or a third-party entity prior to November 14, 2001.

Our board approved a Share buy-back program on June 18, 2010 for transfer to employees and bought 17,474,000 Shares, which were booked as treasury shares as of December 31, 2010.

LIQUIDATION RIGHTS

In the event of our liquidation, the assets remaining after payment of all our debts, liquidation expenses and taxes will be distributed pro rata to our shareholders in accordance with the ROC Company Act.

TRANSFER RESTRICTIONS

The ROC Securities and Exchange Law (i) requires each director, manager or shareholder holding 10% or more of the shares of a public company to report any changes in that person's shareholding to the company and (ii) limits the number of shares that can be sold or transferred on the TWSE or on the GTSM by that person per day, subject to certain exemptions. The number of common shares that can be sold or transferred on the TWSE by any such person per day is, subject to certain exemptions, either (i) for a company with no more than 30 million outstanding common shares, 0.2% of the outstanding common shares of the company; for a company with more than 30 million outstanding common shares, the aggregate amount of 0.2% of the 30 million common shares plus 0.1% of the outstanding shares exceeding 30 million common shares, or (ii) 5.0% of the average trading volume (number of common shares) on the TWSE for the 10 consecutive trading days preceding the reporting day on which the director, manager or a 10% shareholder reports the intended share transfer to the ROC FSC.

THE SECURITIES MARKETS IN THE ROC

The information presented in this section has been extracted from publicly available documents, such as statistical data and information published by the ROC FSC and the TWSE, which have not been prepared or independently verified by us, the Purchasers or any of our respective affiliates or advisors in connection with this offering. We only accept responsibility for correctly reproducing such information.

THE TAIWAN STOCK EXCHANGE

In 1961, the TWSE was established 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 entities transacting business through it, each of which pays a user's fee. Generally, all transactions in listed securities by brokers, traders and integrated securities firms must be made through the TWSE.

The TWSE commenced operations in 1962. During the early 1980s, the ROC government actively encouraged new listings on the TWSE and the number of listed companies grew from 119 in 1983 to 783 on November 30, 2011. As of November 30, 2011, the market capitalization of companies listed on the TWSE was approximately NT$18.7 trillion.

Historically, ROC companies have listed only shares and bonds on the TWSE. However, the ROC government has encouraged companies to list other types of securities. In 1988, Taiwan's first exchangeable bonds were issued.

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 Dragon Bonds issued by the Asian Development Bank are also listed on the TWSE or traded on the GTSM.

Foreign issuers are permitted to list their equity securities directly on the TWSE or through the use of depositary receipts. To date, six foreign issuers have listed their equity securities on the TWSE through the use of depositary receipts in accordance with these regulations.

The TWSE requirements for listing are based on the following company attributes:

- 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 engaging in national economic development.

THE ROC GRETAI SECURITIES MARKET

To complement the TWSE, the GTSM was established in September 1982 on the initiative of the ROC government to encourage the trading of securities of companies who do not qualify for listing on the TWSE. As of November 30, 2011, 599 companies had listed equity securities on the GTSM and the total market capitalization of those companies was approximately NT$1.4 trillion.

TWSE INDEX

The TWSE Index is calculated on the basis of a wide selection of listed shares weighted according to the number of shares outstanding. This weighted average method is also used for the Standard and Poor's Index in the United States and the Nikkei Stock Average in Japan. The TWSE Index is compiled by dividing the market value by the base day's total market value for the index shares. The TWSE Index is the oldest and most widely quoted market index in Taiwan.

The weighting of shares in the index is fixed as long as the number of shares outstanding remains constant. When the total number of shares outstanding changes, the weight of each stock is adjusted. Stock splits and stock dividends are adjusted automatically. Cash dividends are not included in the calculation. The following table sets forth, for the periods indicated, information relating to the TWSE Index.

	Period ended December 31,				
	Number of listed companies at period end[(1)]	Aggregate trading values[(1)]	Index high[(1)]	Index low[(1)]	Period end[(1)]
		(NT$ in billions)			
2001	584	18,354.9	6,104.2	3,446.3	5,551.2
2002	638	21,874.0	6,462.3	3,850.0	4,452.5
2003	669	20,333.2	6,142.3	4,139.5	5,890.7
2004	697	23,875.4	7,034.1	5,316.9	6,139.7
2005	691	18,818.9	6,575.5	5,633.0	6,548.3
2006	688	23,900.4	7,823.7	6,257.8	7,823.7
2007	698	33,043.8	9,809.9	7,344.6	8,506.3
2008	718	26,115.4	9,295.2	4,089.9	4,591.2
2009	741	29,680.5	8,188.1	4,242.6	8,188.1
2010	758	28,218.7	8,972.5	7,071.7	8,972.5
2011	790	26,197.4	9,145.4	6,633.3	7,072.1

Note:

(1) Source: Taiwan Stock Exchange.

As indicated above, the performance of the TWSE has in recent years been characterized by extreme price volatility.

PRICE LIMITS, COMMISSIONS, TRANSACTION TAX AND OTHER MATTERS

The TWSE has placed limits on block trading and on the range of daily price movements. Fluctuations in the price of securities traded on the TWSE is restricted to 7% above and below the previous day's closing price in the case of equity securities, and 5% in the case of debt securities. The price limit for movements below the previous day's closing price has been modified from time to time by the ROC FSC based on market conditions.

A securities transaction tax of 0.3% of the transaction price is payable by the seller of equity securities. These securities transaction taxes are withheld at the time of the transaction.

Sales of shares of listed companies on the TWSE are generally 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 making these sales.

Transactions that involve 500 trading lots (500,000 shares) or more must be registered and executed in accordance with TWSE guidelines.

REGULATION AND SUPERVISION

The ROC FSC has extensive regulatory authority over public companies. Public companies are generally required to obtain approval from, or registration with, the ROC FSC for all securities offerings. The ROC FSC requires periodic reporting of financial and operating information by all public companies. In addition, the ROC FSC establishes standards for financial reporting and carries out licensing and supervision of participants in the Taiwan securities market.

The ROC FSC has responsibility for implementing the 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, the ROC Securities and Exchange Law specifically empowers the ROC FSC to promulgate necessary rules. The ROC Securities and Exchange Law prohibits market manipulation. For example, it permits an issuer to recover short-term trading profits made through purchases and sales within six months by directors, managerial personnel, as well as the spouses, minor children and nominees of these parties, and shareholders who (together with their spouses, minor children and nominees) hold 10% or more of the shares of the issuer. The ROC Securities and Exchange Law prohibits trading by "insiders" based on non-public information that materially affects share price movement. "Insiders" include:

- directors, managers, as well as the spouses, minor children and nominees of these parties, and shareholders (together with their spouses, minor children and nominees) who hold 10% or more of the issuing company's shares;

- any person who has learned material, non-public information due to an occupational or controlling relationship with the issuing company; 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.

The 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 ROC FSC regulations require that financial reports of listed companies be audited by accounting firms consisting of at least three certified public accountants and be signed by at least two certified public accountants.

In addition, the ROC Securities and Exchange Law provides for civil liability for material misstatements or omissions made by issuers and regulation of tender offers.

The ROC FSC does not have criminal or civil enforcement powers under the ROC Securities and Exchange Law.

Criminal actions may be pursued only by the government prosecutors. Civil actions may only be brought by plaintiffs who assert that they have suffered damages. The ROC FSC is empowered to curb abuses and violations of laws and regulations only through administrative measures including:

- issuance of warnings;

- temporary suspension of operation;

- imposition of administrative fines; and

- revocation of licenses.

In addition to providing a market for securities trading, the TWSE reviews applications by ROC issuers to list securities on the TWSE. If issuers of listed securities violate laws and regulations or encounter extended or severe negative results of operations, the TWSE may, with the approval of the ROC FSC, delist securities of these issuers.

EXCHANGE RATES

Fluctuations in the exchange rate between NT dollars and U.S. dollars will affect the U.S. dollar equivalent of the NT dollar price of our Shares on the TWSE.

The following table sets forth, for the periods indicated, information concerning the number of NT dollars for which one U.S. dollar could be exchanged based on the Noon Buying Rate. See "Risk factors – Risks relating to our business – Fluctuations in exchange rates could adversely affect our business."

	Noon Buying Rate			
	Average(1)	High	Low	At period-end
	(NT$ per U.S.$)			
2004	33.37	34.16	31.74	31.74
2005	32.13	33.77	30.65	32.80
2006	32.51	33.31	31.28	32.59
2007	32.85	33.41	32.26	32.43
2008	31.52	33.58	29.99	32.76
2009	33.02	35.21	31.95	31.95
2010	31.50	32.43	29.14	29.14
2011				
January	29.11	29.36	28.98	29.03
February	29.28	29.76	28.78	29.74
March	29.49	29.63	29.35	29.40
April	28.98	29.31	28.67	28.67
May	28.73	28.99	28.50	28.64
June	28.81	28.99	28.58	28.79
July	28.84	28.93	28.75	28.88
August	28.97	29.03	28.80	28.99
September	29.74	30.48	28.93	30.45
October	30.26	30.67	29.86	29.91
November	30.22	30.43	30.02	30.31
December (through December 23)	30.25	30.38	30.10	30.27

Note:

(1) Averages were calculated by using the average of daily rates.

Source: Federal Reserve Statistical Release

FOREIGN INVESTMENT AND EXCHANGE CONTROLS IN THE ROC

The information provided in this discussion has been extracted from various government and other publicly available publications that have not been prepared or independently verified by us or the Purchasers in connection with the offering of the Notes.

FOREIGN INVESTMENT

Historically, foreign investment in the ROC securities markets has been restricted. Since 1983, the ROC government has periodically enacted legislation and adopted regulations to permit foreign investment in the ROC securities market.

On September 30, 2003, the Executive Yuan approved the amendment to Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals (the "Regulations"), which took effect on October 2, 2003.

According to the Regulations, the ROC FSC abolished the mechanism of the so-called "qualified foreign institutional investors" and "general foreign investors" as stipulated in the Regulations before the amendment.

Under the Regulations, foreign investors are classified as either "onshore foreign investors" or "offshore foreign investors" according to their respective geographical location. Both onshore and offshore foreign investors are allowed to invest in the ROC securities after they register with the TWSE. The Regulations further classify foreign investors into foreign institutional investors and foreign individual investors. "Foreign institutional investors" refer to those investors incorporated and registered in accordance with foreign laws outside of the ROC (i.e., offshore foreign institutional investors) or their branches set up and recognized within the ROC (i.e., onshore foreign institutional investors). Offshore overseas Chinese and foreign individual investors are subject to a maximum investment ceiling that will be separately determined by the ROC FSC after consultation with the CBC. Foreign institutional investors, on the other hand, are not subject to any ceiling for investment in the ROC securities markets.

On April 30, 2009, the FSC promulgated regulations allowing PRC institutional investors that meet the qualifications imposed by PRC financial regulators for Qualified Domestic Institutional Investors ("QDII") and certain other PRC persons (together with the QDII, "Qualified PRC Persons") to invest in securities of ROC companies. However, if the holding of a Qualified PRC Person in a listed company will be more than 10% of the issued and outstanding shares, prior approval from the Investment Commission of the ROC Ministry of Economic Affairs is required.

OTHER FOREIGN INVESTMENT

In addition to investments permitted under the Regulations, foreign investors (other than foreign investors who have registered with the TWSE for making investments in the ROC securities markets) who wish to make direct investments in the shares of ROC companies are required to submit a Foreign Investment Approval application to the Investment Commission of the ROC Ministry of Economic Affairs or other government authority. The Investment Commission or such other government authority reviews each Foreign Investment Approval application and approves or disapproves each application after consultation with other governmental agencies (such as the CBC and the ROC FSC).

Under current law, any non-ROC person possessing a Foreign Investment Approval may remit capital for the approved investment and is entitled to repatriate annual net profits, interest and cash dividends attributable to such investment. Dividends attributable to such investment may be repatriated upon submitting certain required documents to the remitting bank, and investment capital and capital gains attributable to such investment may be repatriated after approvals of the Investment Commission or other authorities have been obtained.

In addition to the general restriction against direct investment by non-ROC persons in securities of ROC companies, non-ROC persons (except in certain limited cases) are currently prohibited from investing in certain industries in the ROC pursuant to a Negative List, as amended by the Executive Yuan. The prohibition on foreign investment in the prohibited industries specified in the Negative List is absolute in the absence of specific exemption from the application of the Negative List. Pursuant to the Negative List, certain industries are restricted so that non-ROC persons (except in certain limited cases) may invest in such industries only up to a specified level and with the specific approval of the relevant competent authority which is responsible for enforcing the relevant legislation which the Negative List is intended to implement.

In addition, under ROC laws, a PRC person must meet certain qualification criteria set by the FSC in order to hold our Shares and if the aggregate ownership of the Shares will, upon the withdrawal, be more than 10% of the total number of the Shares outstanding, such qualified PRC person is required to obtain the prior approval from the ROC government authorities for the withdrawal. Failure to meet such criteria by a PRC person or failure to obtain prior approval will preclude the PRC person from making the withdrawal. There is no assurance that such approval can be obtained in a timely manner or at all.

EXCHANGE CONTROLS

The Foreign Exchange Control Statute and regulations provide that all foreign exchange transactions must be executed by banks designated to handle such business by the Ministry of Finance ("MOF") and by the CBC. Current regulations favor trade-related foreign exchange transactions and Foreign Investment Approval investments. Consequently, foreign currency earned from exports of merchandise and services may now be retained and used freely by exporters, and all foreign currency needed for the importation of merchandise and services may be purchased freely from the designated foreign exchange banks.

Aside from trade-related foreign exchange transactions, ROC companies and residents may remit to and from ROC companies by filing a declaration with the bank for any remittance exceeding NT$500,000 for an ROC resident or an ROC corporate entity. However, prior approval from the CBC would be required if remittances exceed U.S.$50.0 million (or its equivalent) for an ROC company and U.S.$5.0 million (or its equivalent) for an ROC resident respectively in each calendar year. Furthermore, any remittance of foreign currency into the ROC by an ROC company or resident individual in a year will be offset by the amount remitted out of the ROC by the company or individual (as applicable) within its annual quota and will not use up its annual inward remittance quota to the extent of such offset. The above limits apply to remittances involving a conversion of NT dollars to a foreign currency and vice versa. A requirement is also imposed on all enterprises to register medium and long-term foreign debt with the CBC.

In addition, foreign persons, may, subject to certain requirements but without foreign exchange approval of the CBC, remit outside and into the ROC foreign currencies of up to U.S.$100,000 (or its equivalent) for each remittance. The above limit applies to remittances involving a conversion of NT dollars to a foreign currency and vice versa.

TAXATION

ROC TAXATION

Prospective investors should consult their own advisors concerning the tax consequences of an investment in the Notes or Shares.

The following summary addresses the principal ROC tax consequences of the ownership and disposition of the Notes or the Shares to a non-resident individual or non-resident entity that holds such Notes or Shares (a "Non-ROC Holder"). A "non-resident individual" (a "Non-ROC Individual Holder") is a foreign national individual who is not physically present in the ROC for 183 days or more during any calendar year in which he or she owns the Notes or the Shares and a "non-resident entity" (a "Non-ROC Entity Holder") is a corporation or a non-corporate body that is organized under the laws of a jurisdiction other than the ROC for profit-making purposes and does not have a fixed place of business or other permanent establishment in the ROC.

NOTES

Interest

Payments of stated interest or premium (if any) on a Note to a Non-ROC Holder are subject to ROC withholding tax at the rate of 15% at the time of payment.

Sale

Pursuant to an order issued by the ROC Ministry of Finance on 23 March 2010, no securities transaction tax will be imposed on the transfer of global depositary receipts or overseas convertible notes (such as the Notes) issued by ROC issuers.

However, securities transaction tax, gift tax and/or income tax may be imposed in relation to the converting holder's designation of other persons to be the holder of Shares upon conversion of the Notes.

Under current ROC laws, capital gains on transactions of securities issued by ROC companies are exempt from income tax. This exemption applies to capital gains derived from the sale of Notes.

Conversion into Shares

For Non-ROC Entity Holders, the conversion of the Notes into Shares will be deemed as assets exchange and thus will not generate or incur any gain or loss. For Non-ROC Individual Holders, any gain or loss generated or incurred from the conversion of the Notes into Shares will be deemed as capital gain or loss from securities transactions, and thus is exempt from the application of the current ROC Income Tax Law.

Stamp Duty

There is no ROC stamp, issue or registration tax imposed on the delivery of Shares upon conversion of the Notes.

SHARES

Dividends

Dividends (whether in cash or stock) that we declare out of retained earnings and distribute to a Non-ROC Holder in respect of Shares are subject to ROC income tax collected by way of withholding at the time of distribution, currently at the rate of 20%, on the amount of the distribution (in the case of cash dividends) or on the par value of the Shares (in the case of share dividends).

A 10% retained earnings tax is imposed on an ROC company's after-tax earnings generated after January 1, 1998 that are not distributed in the following year. The retained earnings tax so paid reduces the retained earnings available for future distribution. When we declare a dividend out of those retained earnings, a maximum amount of up to 10% of the declared dividend is credited against the 20% withholding tax imposed on Non-ROC Holders so that the actual withholding tax imposed on Non-ROC Holders may be less than 20%

Distributions of stock dividends that we declare out of our capital reserves will not be subject to ROC withholding tax.

Sale

A securities transaction tax will be withheld at the rate of 0.3% of the transaction price upon a sale of Shares.

Under current ROC law, capital gains received by a non-ROC Holder on transactions in securities issued by ROC companies are exempt from income tax. This exemption applies to capital gains derived from the sale of Shares received by a non-ROC Holder.

Subscription

Distributions of statutory subscription rights for the Shares in compliance with the ROC Company Act are not subject to ROC tax. Proceeds derived from sales of statutory subscription rights evidenced by securities are currently exempted from income tax but are subject to securities transactions tax, currently at the rate of 0.3% of the gross amount received. Proceeds derived from sales of statutory subscription rights which are not evidenced by securities are subject to capital gains tax at the rate of 20% of the gains realized by a Non-Resident Entity and by a Non-Resident Individual. Subject to compliance with ROC law, we have sole discretion to determine whether statutory subscription rights will be evidenced by the issuance of securities.

Tax treaties

At present, the ROC does not have a double taxation treaty with the United States, but it does have double taxation treaties with Indonesia, Singapore, South Africa, Australia, Vietnam, New Zealand, Malaysia, Swaziland, Macedonia, Gambia, the Netherlands, the United Kingdom, Senegal, Sweden, Belgium, Denmark, Israel, Paraguay, Hungary and France, which generally have reduced the rate of withholding tax on dividends and interest paid by ROC companies to residents of these countries.

Estate taxation and gift tax

Subject to allowable exclusions, deductions and exemptions, ROC estate tax is payable on any property within the ROC of a deceased Non-Resident Individual, and ROC gift tax is payable on any property within the ROC donated by a Non-Resident Individual. Estate tax is currently imposed at 10% of the eligible estate value in excess of certain deductible amount. Gift tax is imposed at 10% of amounts donated in excess of certain deductible amounts. Under ROC estate and gift tax laws, the Shares will be deemed to be located in the ROC without regard to the location of the owner.

PLAN OF DISTRIBUTION

DBS Bank Ltd., Deutsche Bank AG, Hong Kong Branch, UBS AG, Hong Kong Branch, Standard Chartered Bank, Merrill Lynch Far East Limited, Citigroup Global Markets Limited, Barclays Bank PLC, The Hongkong and Shanghai Banking Corporation Limited, Mizuho International plc, Australia and New Zealand Banking Group Limited, Hong Kong Branch, Yuanta Securities (Hong Kong) Company Limited, Crédit Agricole Corporate and Investment Bank, Grand Cathay Securities Corp. and Macquarie Capital (Singapore) Pte. Limited (together, the "Purchasers") have, pursuant to a purchase agreement dated January 12, 2012 (the "Purchase Agreement"), agreed with us to purchase, and we have agreed to sell to the Purchasers, U.S.$180,000,000 in principal amount of the Notes, subject to an option as set forth in the paragraph below, less a combined underwriting commission and concession as set out in the Purchase Agreement.

We have granted the Joint Global Coordinators an option, which may be exercised by the Joint Global Coordinators (on behalf of the Purchasers) in whole or in part and on one or more occasions at any time before 9:00 a.m. (New York time) on January 31, 2012, to subscribe for up to an additional U.S.$100,000,000 in aggregate principal amount of the Notes.

The Purchase Agreement provides that we will indemnify the Purchasers against certain liabilities including liabilities in connection with its offering and sale of the Notes or to contribute to payments the Purchasers may be required to make because of those liabilities. The Purchase Agreement provides that the obligations of the Purchasers are subject to approval of legal matters by counsel and certain conditions precedent, and entitles the Purchasers to terminate it in certain circumstances prior to payment being made to us. If a Purchaser defaults and the amount of the Notes which the defaulting Purchaser agreed but failed to purchase exceeds 10% of the aggregate amount of the Notes, the Purchase Agreement provides that the Purchase Agreement may be terminated.

The purchase price for the Notes will be the initial issue price set forth on the cover of this Offering Circular, less underwriting discounts and commissions. The Purchasers propose to offer the Notes at the initial issue price. After the initial offering, the Purchasers may vary the issue price and other selling terms from time to time without notice. The Purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

In connection with this offering, the Purchasers (or their affiliates) may, for their own accounts, enter into asset swaps, credit derivatives or other derivative transactions relating to the Notes and/or the Shares at the same time as the offer and sale of the Notes or in secondary market transactions. As a result of such transactions, the Purchasers may hold long or short positions in such Notes or derivatives or in the Shares. These transactions may comprise a substantial portion of the offering and no disclosure will be made of such positions. The Purchasers (or their affiliates) may have purchased Notes and been allocated Notes for asset management and/or proprietary purposes and not with a view to distribution. Additionally, in connection with the Offering, Citigroup Global Markets Limited, as the stabilization manager may, to the extent permitted by applicable laws, over-allocate or effect transactions in the market or otherwise (whether in the ROC or elsewhere) with a view to stabilizing or maintaining the market price of the Notes at a level higher than that which might otherwise prevail in the open market for a limited period after the commencement of trading in the Notes. Such stabilization action, if commenced, may be discontinued at any time at the sole and absolute discretion of Citigroup Global Markets Limited or any person acting for it.

We have undertaken that we will not for a period from the date of the Purchase Agreement up to 90 days after the Closing Date (or if any Optional Notes are issued, up to 90 days after the last date on which the Optional Notes are issued) (both dates inclusive), without the prior written consent of the Joint Global Coordinators, (a) issue offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal or any intention to effect any such issuance, offer, sale or disposal) any Notes or Shares or securities convertible or exchangeable into or exercisable for Notes or Shares or warrants or other rights to purchase Notes or Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the Notes or Shares, including equity swaps, forward sales and options representing the right to receive any Notes or Shares (whether or not such contract is to be settled by delivery of Shares or such other securities, in cash or otherwise) save that we may issue Shares: (i) pursuant to our employee share option scheme or employee share purchase plans as disclosed in each of the Time of Sale Information and the Offering Circular, (ii) pursuant to our regular stock dividend distribution plan or (iii) upon conversion of the Notes.

The Notes are a new issue of securities with no established trading market. Approval-in-principle has been received for the listing of the Notes on the SGX-ST.

Certain of the Purchasers have performed investment banking and advisory services for us from time to time, for which they have received customary fees and expenses. Any of the Purchasers may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business.

RESTRICTION ON RELATED PARTY SUBSCRIPTION UNDER ROC LAW

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

GENERAL

No action has been or will be taken in any jurisdiction by us or the Purchasers that would permit a public offering of the Notes, or possession or distribution of this Offering Circular or any other offering or publicity material relating to the Notes, where action for that purpose is required. No offer, sales or deliveries of any Notes, or distribution of any offering material relating to the Notes (including this Offering Circular) may be made in or from any jurisdictions except in circumstances which will result in compliance with any applicable laws or regulations and will not impose any obligations on us or the Purchasers.

No one has been or will be authorized to make any representation or use any information in connection with the offer, sale or distribution of the Notes other than as contained in this Offering Circular.

UNITED STATES

The Notes and the Shares to be issued upon conversion of the Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes or Shares to be issued upon conversion of the Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

EUROPEAN ECONOMIC AREA

In relation to each Member State of the European Economic Area which 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") the Purchasers have not made and will not make an offer of Notes which are the subject of the offering contemplated by the Offering Circular to the public in that Relevant Member State other than:

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

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive; or

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

provided that no such offer of Notes shall require us or the Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

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

UNITED KINGDOM

The Purchasers:

(a) have only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 of the United Kingdom (the "FSMA")) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(b) have complied and will comply with all applicable provisions of the FSMA with respect to anything done by them in relation to the Notes in, from or otherwise involving the United Kingdom.

HONG KONG

The Purchasers:

(a) have not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) have not issued or had in their possession for the purposes of issue, and will not issue or have in their possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

JAPAN

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (the "Financial Instruments and Exchange Act"). Accordingly, the Purchasers have not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other relevant laws, regulations and ministerial guidelines of Japan.

SINGAPORE

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any of the Notes and/or the Shares to be issued upon conversion of the Notes may not be circulated or distributed, nor may any of the Notes and/or the Shares to be issued upon conversion of the Notes 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.

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

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

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

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

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

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

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

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

REPUBLIC OF CHINA

The Purchasers have not offered, sold or delivered, and will not offer, sell or deliver, at any time, directly or indirectly, any Notes acquired as part of the offering in the ROC or to, or for the account or benefit of, any resident of the ROC.

GENERAL INFORMATION

1 The offering and issue of the Notes have been authorized by our board of directors on July 8, 2011 and approved by the ROC FSC on August 3, 2011, October 28, 2011 and January 4, 2012.

2 Save as disclosed in this Offering Circular, there are no legal or arbitration proceedings against or affecting us or any of our respective subsidiaries or assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of the issue and offering of the Notes.

3 Save as disclosed in this Offering Circular, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the Group's condition (financial or otherwise) or general affairs since September 30, 2011 that is material in the context of the issue and offering of the Notes.

4 Our consolidated financial statements as of and for the years ended December 31, 2008, 2009 and 2010 included in this Offering Circular have been audited by KPMG, whose report appearing herein contains an explanatory paragraph relating to the adoption of a new accounting principle in 2008. Furthermore, our consolidated financial statements as of and for the nine months ended September 30, 2010 and 2011 have been reviewed in accordance with ROC Statement of Auditing Standards No. 36 "Engagements to Review Financial Statements" by KPMG, whose review report is included herein.

5 Approval-in-principle has been received for the listing of the Notes on the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of U.S.$200,000 on the SGX-ST for so long as the Notes are listed on the SGX-ST. So long as the Notes are listed on the SGX-ST and the rules of the SGX-ST require, we shall appoint and maintain a Paying Agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that a Global Certificate is exchanged for Definitive Certificates. In addition, in the event that the Global Certificate is exchanged for Definitive Certificates, announcement of such exchange shall be made through the SGX-ST and such announcement will include all material information with respect to the delivery of the Definitive Certificates, including details of the Paying Agent in Singapore.

6 The Notes have been accepted for clearance through Euroclear and Clearstream. The ISIN for the Notes is XS065604515 and the common code for the Notes is 065604051.

7 We are registered with the ROC Ministry of Economic Affairs. Our registration number is 12868358. According to Article 2 of our Articles of Incorporation, the scope of our business is to engage in design and manufacturing of information and communication technology products and other related businesses approved by the competent authority and in accordance with relevant law and regulations.

SUMMARY OF CERTAIN SIGNIFICANT DIFFERENCES BETWEEN ROC GAAP AND US GAAP

Our consolidated financial statements have been prepared in conformity with ROC GAAP, which differ in certain significant respects from U.S. GAAP. A brief description of certain significant differences between ROC GAAP and U.S. GAAP is set out below. The regulatory organizations that promulgate ROC GAAP and U.S.

GAAP have projects ongoing that could have a significant impact on future comparisons such as the comparison below.

The summary is not intended to provide a comprehensive listing of all existing or future differences between ROC GAAP and U.S. GAAP, including those specifically related to us and our subsidiaries or to the industries in which we operate. No attempt has been made to identify (a) future differences between ROC GAAP and U.S. GAAP that may arise as a result of prescribed changes in accounting standards, or (b) disclosure, presentation or classification differences that would affect the manner in which transactions and events are reflected in our financial statements, or the financial statements of any of our subsidiaries, or the respective notes thereto.

Further, had we undertaken to identify the differences specifically affecting the financial statements presented in this Offering Circular, other potentially significant differences may have come to our attention which are not provided in the following summary. Accordingly, this summary is not intended to provide a complete description of all differences which may have a significant impact on our financial statements. U.S. GAAP is generally more restrictive and comprehensive than ROC GAAP regarding the recognition and measurement of transactions, account classification and disclosure requirements.

In making an investment decision, investors must rely upon their own examination of us, the terms of the Offering and the financial information included herein. Potential investors should consult their own professional advisors for an understanding of the differences between ROC GAAP and U.S. GAAP and how those differences might affect the financial information included herein.

Management has not quantified the effects of the differences between ROC GAAP and U.S. GAAP on our financial results or the financial results of any of our subsidiaries.

The following discussion refers to our historical practices in preparing our financial statements in accordance with ROC GAAP. We expect that we will follow comparable practices when preparing our financial statements in the future.

ROC GAAP	U.S. GAAP
Bonuses to Employees and Directors	
Under ROC GAAP, effective January 1, 2008, employee bonuses are estimated and expensed in the period when the related services are rendered However, a "true-up" adjustment is made if the estimated amounts of employee bonus and directors' remuneration and actual outcomes thereof differ.	Bonuses and remuneration are generally estimated and expensed as services are rendered. Shares issued as part of these bonuses are recorded at fair market value. There is no "true-up" to the actual outcome.

ROC GAAP	U.S. GAAP
Stock dividends	
Under ROC GAAP, stock dividends are recorded as a reduction to retained earnings using the par value of the stock issued, and the same amount is recorded to the common stock account. Unlike U.S. GAAP, there is no such de minimis test for recording stock dividends using fair value method and for determining stock split.	Under U.S. GAAP, when the ratio of distribution is less than 20% or 25% of shares of the same class outstanding, stock dividends are generally recorded based on the fair value method, with the par value recorded in the capital stock accounts and the excess of fair value over the par value being recorded as additional paid-in capital. Distribution in excess of 20% or 25% is generally considered as stock split.
Business combination	
Under ROC GAAP, business combinations are generally accounted for under the purchase method, but the pooling of interest method is still allowed if certain criteria are met. When business combinations are accounted for under the purchase method and the consideration given up by the acquirer is in the form of shares, the cost to the acquirer is generally determined based on the fair value of the assets acquired and liabilities assumed. When business combinations are accounted for under the pooling of interest method, the acquired company's income and loss accounts before the merger are included in the acquirer company's income, and then transferred to capital reserve pursuant to the Company Act and related regulations in the ROC.	Under U.S. GAAP, all business combinations initiated after June 30, 2001 are accounted for under the purchase method. The cost to the acquirer in a purchase business combination is the fair value of the consideration given or the fair value of the assets acquired, whichever is more clearly evident and more reliably measurable. When the consideration is the publicly traded equity securities issued by the acquirer, fair value is generally based on the market price of the equity securities issued. The market price is determined based on a reasonable period before and after the date of the terms of the acquisition are agreed to and announced. The cost of an acquired company should be allocated to the assets (both tangible and intangible) acquired and liabilities assumed on the basis of their estimated fair values at the date of acquisition.
Under ROC GAAP, the company's profit and loss accounts may include the results of operations of the acquired company for the period prior to the acquisition date, then adjusted through minority interest income/loss account for the same amount.	Under U.S. GAAP, the company's profit and loss accounts only include the results of operations of the acquired company after acquisition.
Equity-method investments and other than temporary impairment	
Under ROC GAAP, in accordance with ROC SFAS No. 35, an equity-method investment is considered to be impaired if there is objective evidence of impairment as a result of one or more events that had occurred as of the balance sheet date indicating that the recoverable amount is below the carrying amount of the investment. Impairment is assessed at the individual security level. The recoverable amount is determined based on one of the two following approaches: (1) the discounted expected future net cash flows from the investee company; or (2) the combination of expected cash dividends from the investee company and the discounted cash flows from the ultimate disposal of the investment. The impairment loss is recorded in profit or loss. If the recoverable amount increases in the future period, the amount previously recognized as impairment loss could be reversed and recognized as a gain in profit or loss.	Under US GAAP, an equity-method investment is considered to be impaired if such impairment is other than temporary. The amount of the impairment loss is calculated by reference to the excess of the carrying value of the equity-method investment over its fair value. In determining whether a decline in value is other than temporary, the duration and severity of the decline in value, the financial condition of the investee, the extent of recovery in market value subsequent to the reporting date, and reports of external market analysts for the investee and/or the industry that the investee operates in were considered. Unlike ROC GAAP, an impairment loss recognized cannot be reversed subsequently.

ROC GAAP	U.S. GAAP
Accounting for changes in ownership interest in investee companies	
Under ROC GAAP, when an investee company issues additional shares and the investor's ownership interest changes as a result, any resulting difference between the investor's investment balance and its proportionate share of the investee company's net equity is adjusted to the investor's investment account against the investor's capital reserve or retained earnings if the related capital reserve balance is insufficient. Upon subsequent disposition of the investment, amounts previously recorded to capital reserve or retained earnings relating to the respective investment will be reversed and recorded as part of the gain or loss on disposal.	Under U.S. GAAP, if the reduction in the investor's equity interest occurs due to a public offering by the investee company to external investors, gain recognition is permitted provided the transaction is not 'a part of a broader corporate reorganization' planned by the investor company. Gains and losses arising from issuances by an investee company of its own stock should be presented as a separate line item in the consolidated income statement and clearly be designated as non-operating income. Examples of situations where gain recognition would not be appropriate are: (a) where subsequent capital transactions are contemplated that raise concerns about the investor realizing the gain that arises; or (b) where the investee company is a start-up company, a research and development company or an entity with going concern problems. In such cases, realization is not assured and so the change in the investor's proportionate share of a investee's equity should be accounted as an equity transaction, i.e. through reserves.
Impairment of long-lived assets and long-lived assets to be disposed of	
Reversal of losses is permitted in certain circumstances, but no reversal is permitted for impairment of goodwill.	Reversals of impairment losses are prohibited.
Accounting for financial instruments	
ROC GAAP allows classification of any financial asset or financial liability with an available public market price as held for trading.	There is no such provision under U.S. GAAP.
Reversals of impairment losses for held-to-maturity are permitted in certain circumstances.	Reversals of impairment losses are prohibited for held-to maturity.
Cost of sales	
Prior to January 1, 2009, under ROC GAAP, provisions for normal inventory scrap and obsolescence are recorded as non-operating expenses. Effective January 1, 2009, provisions for normal inventory scrap and obsolescence are generally charged to cost of sales.	Under U.S. GAAP, provisions for normal inventory scrap and obsolescence are generally charged to cost of sales.
Under ROC GAAP, the unrealized gross profit generated from downstream intercompany transactions for equity method investees is eliminated and presented as a reconciling item of realized gross profit in the statement of income. A corresponding liability is recorded for the amount of the unrealized gross profit in the balance sheet.	Under U.S. GAAP, the unrealized gross profit generated from downstream transactions is generally eliminated in the preparation of consolidated financial statements.

ROC GAAP	U.S. GAAP
Segment information	
ROC GAAP requires disclosure of segment information in the footnotes to the financial statements according to industry and geographic information, which need not necessarily be the same as the management's approach for reporting segments information to company's chief operating decision makers that are used internally for evaluating segment performance and deciding resource allocation to segments.	Under U.S. GAAP, a public business enterprise is required to present segment information based on operating segments. Several operating segments may, provided aggregation criteria are met, be aggregated to reportable segments for which the required information is disclosed. Disclosure is based on the management's approach for reporting segments information to company chief operating decision makers that are used internally for evaluating segment performance and deciding resources allocation to segments.
Statement of cash flows	
Under ROC GAAP, certificates of time deposits with original maturities of greater than three months and within one year are classified as cash and cash equivalents.	Under U.S. GAAP, certificates of time deposits with original maturities of over three months are classified as trading securities
Under ROC GAAP, deferred charges arising from bank charges on syndicate loans and underwriter handling charges are classified as investing activities.	Under U.S. GAAP, bank charges on syndicate loans and underwriter handling charges are classified as financing activities.
Under ROC GAAP, cash inflows and outflows from contracts such as forward contracts, swaps and other financial instruments held for trading purposes are presented under operating activities.	Under U.S. GAAP, cash flows and outflows from purchases and maturities of financial assets and liabilities at fair value through profit or loss are presented under cash flows from investing activities.
Comprehensive income	
Under ROC GAAP, there is currently no specific standard for accounting and reporting of comprehensive income.	Comprehensive income and its components (revenues, expenses, gains and losses) must be presented in a full set of financial statements under U.S. GAAP. Comprehensive income includes all changes in stockholders' equity during a period except for those resulting from investments by or distributions to owners, including certain items not included in the current results of operations.
Valuation of inventory	
Prior to January 1, 2009, inventory is valued at the lower of cost or market. Market is determined on the basis of replacement cost or net realizable value. Any write-down of inventory that is no longer required must be reversed. Effective January 1, 2009, under the amended ROC SFAS No. 10, "Inventory," market is determined on the basis of net realizable value.	Inventory is valued at the lower of cost or market, with market limited to an amount that is not more than net realizable value nor less than net realizable value less a normal profit margin. Any write-down of inventory that is no longer required must not be reversed.
Prior to January 1, 2009, actual production volume can be used in lieu of normal capacity of production facilities in the allocation of fixed production overhead when it represents more realistic results. Effective January 1, 2009, under the amended ROC SFAS No. 10, the allocation of fixed production overhead to inventory is based on the normal capacity of the production facilities. Unallocated overheads are recognized as an expense in the period in which they are incurred.	Under SFAS 151, allocation of fixed production overhead to the costs of conversion should be based on the normal capacity of the production facilities. This provision shall be effective for inventory costs incurred during fiscal years beginning after June 15, 2009. Earlier application is permitted for inventory costs incurred during fiscal years beginning after November 2004.

ROC GAAP	U.S. GAAP
Treasury stock When a company acquires its outstanding shares as treasury stock, the acquisition cost is debited to the treasury stock account if the shares are purchased. The carrying value of treasury stock is calculated by using the weighted average approach according to the same class of treasury stock (common stock or preferred stock). Only cost method is allowed under ROC GAAP. Under ROC GAAP, for a stock purchase plan that is effective prior to January 1, 2008, the difference, if any, between the cost paid by the company for the treasury stock and the cash received from employees is charged to a shareholders' equity account. However, the ARDF Interpretation No. 96-266, "Accounting for treasury stock purchased by employees" issued in 2008, requires recognition of compensation expenses on treasury stock sold to employees from the stock purchase plan that is effective from January 1, 2008.	Two general methods of handling treasury stock in the accounts are the cost method and the par value method. Both methods are generally acceptable. The cost method is debiting the Treasury Stock account for the reacquisition cost and in reporting this account as a deduction from the total paid-in capital and retained earnings on the balance sheet. The par value method records all transactions in treasury shares at their par value and reports the treasury stock as a deduction from capital stock only. An excess of purchase price over par value may be allocated between capital surplus and retained earnings. Alternatively, the excess may be charged entirely to retained earnings. An excess of par value over purchase price should be credited to capital surplus.
Income tax ROC SFAS No. 22 "Accounting for Income Taxes" which was issued in June 1994, is substantially similar to U.S. GAAP. However, under ROC GAAP, the criteria for determining whether a valuation allowance is required are less stringent as compared to U.S. GAAP.	Under U.S. GAAP, current tax liabilities are recognized for estimated taxes payable for the current period. U.S. SFAS No. 109 requires that all temporary differences between the carrying amounts of assets and liabilities and their respective tax bases be recognized as deferred tax liabilities or assets. A valuation allowance is not provided on tax assets to the extent that it is not "more likely than not" that such deferred tax assets will be realized. Under U.S. GAAP, if a company has experienced cumulative losses in recent years, it is not generally able to consider projections of future operating profits for the purpose of determining the valuation allowance for deferred income tax assets. A change in tax rate or law requires an adjustment to such deferred tax assets and liabilities in the period of enactment and is reported as part of the results of operations.
Under ROC GAAP, in accordance with ROC SFAS 22, there are no differences in the calculation of income tax provision and the same corporate income tax rate is adopted for both periods between annual financial statements and interim quarterly financial statements.	Under U.S. GAAP, tax provisions in interim quarterly financial statements are provided based on an estimated effective tax rate expected to be applicable to the full fiscal year. Such estimated effective tax rate takes into account all anticipated tax attributes for the full fiscal year.
Companies in the ROC are subject to a 10% tax on profits retained and earned after December 31, 1997. If the retained profits are distributed to the shareholders in the following fiscal year, no 10% surtax is due. Under ROC GAAP, income tax expense is recorded in the statement of operations in the following fiscal year if the earnings are not distributed to the shareholders.	Under U.S. GAAP, income tax expense related to the 10% retained profit tax is recorded in the statement of income in the year that the profits were earned based on management's estimate of the amount of profits to be retained. The income tax expense, including the tax effects of temporary differences, is measured by using the rate that includes the estimated tax on undistributed earnings.

ROC GAAP	U.S. GAAP
Investment tax credits Companies in the ROC generally record the benefits of investment tax credits in the year in which the related acquired asset is placed in service.	Under U.S. GAAP, the benefit of the investment tax credit should reduce the basis in the long-lived asset acquired and should be reflected in net income over the productive life of the acquired long-lived asset.
Earnings per share Under ROC GAAP, basic earnings per share are calculated by dividing net income attributable to common shareholders by the weighted average number of shares outstanding during the year. The shares distributed for employee bonus are treated as outstanding at the beginning of each period. Diluted earnings per share are calculated by taking basic earnings per share into consideration plus additional common shares that would have been outstanding if the dilutive share equivalents had been issued. Net income is also adjusted for the interest and other income or expenses derived from any underlying dilutive share equivalents. The weighted average shares outstanding are adjusted retroactively for stock dividends issued, capitalization of additional paid-in capital and employee bonus. Anti-dilutive effects are not included in the dilutive EPS calculation. Under the ARDF Interpretation No. 97-169 "Impacts of Employee Stock Bonuses on Earnings Per Share" which took effect in 2008, the shares distributed for employee bonus are treated as outstanding as of their grant date in the calculation of basic earnings per share after 2008. For employee bonus that may be distributed in shares, the number of shares to be distributed is taken into consideration assuming the distribution will be made entirely in shares when calculating for diluted earnings per share in and after 2008. Commencing from 2009, distribution of employees' bonus in the form of shares is not adjusted retroactively.	Under U.S. GAAP, when a simple capital structure exists, basic earnings per share is based on the weighted average number of shares outstanding. When a complex capital structure exists, diluted earnings per share is based on the weighted average number of shares outstanding plus the number of additional shares that would have been outstanding if dilutive potential common shares had been issued, with appropriate adjustments to income or loss that would result from the assumed conversions of those potential common shares. The materiality of the dilutive effect is not considered.

GLOSSARY AND DEFINED TERMS

In this Offering Circular, unless the context otherwise requires, the following words and expressions shall have the following meanings:

"3G"	means 3 generation.
"AAC"	means advanced audio coding, a wideband audio coding algorithm.
"Acer"	means Acer Incorporated.
"Acer Group"	means Acer and its subsidiaries and affiliates.
"AIO"	means all-in-one PC.
"AOI"	means AOpen Inc.
"ARM"	means Advanced RISC Machine.
"ATSC"	means Advanced Television Systems Committee.
"BIOS"	means Basic Input Output System.
"BPI"	means business process improvement.
"BTO"	means built-to-order.
"CAD"	means computer-aided design.
"CBC"	means the Central Bank of the Republic of China (Taiwan).
"CD-ROM"	means Compact Disc Read Only Memory.
"CEM"	means contract electronic manufacturing.
"CES"	means Consumer Electronics Show, a consumer technology tradeshow.
"CPUs"	means central processing units.
"CRT"	means a specialized vacuum tube in which images are produced when an electron beam strikes a phosphorescent surface, which is used mainly for TV screens and the standard computer display screen.
"CSMP"	means Customer Satisfaction Management Program.
"CTO"	means configured-to-order.
"CULV"	means Consumer Ultra-Low Voltage.
"DAS"	means direct attached storage.
"DASP"	means Disk Anti-Shock Protection.
"DMS"	means design, manufacturing and services.
"DVD"	means Digital Versatile Disc.
"EDI"	means electronic data interchange.
"E-home"	means home electronics.
"EMC"	means Electronic Media Claims.
"EMS"	means Electronics Manufacturing Services.
"GPS"	means Global Positioning System.

"GTSM"	means the GreTai Securities Market, the over-the-counter securities market in the ROC.
"GSM"	means Global System for Mobile Communications.
"IMD"	means in-mold decoration.
"IP"	means Internet Protocol.
"IPTV"	means Internet Protocol television.
"ISO-9001"	means the 9001 certification from the International Standards Organization.
"LAN"	means local area network, a group of computers and associated devices that share a common communications line or wireless link.
"liquid crystal display" or "LCD"	means a type of flat panel display that works by using an electrical field to deform a liquid crystal medium, thus acting as a switch for incident light or ambient light to pass through it.
"MIC"	means Market Intelligence Center.
"MP3"	means MPEG-1 Audio Level-3, a standard technology and format for compressing a sound sequence into a very small file while preserving the original of level of sound.
"MTF"	means Multilateral Trading Facility.
"NAS"	means Network Access Server.
"ODM"	means original design manufacturer.
"OEM"	means original equipment manufacturer.
"panel"	means the finished TFT-LCD product that consists of a color filter assembled to a TFT-array with the cell gap filled with liquid crystal.
"PC"	means personal computer.
"PCBA"	means printed circuit board assembly.
"PDA"	means personal digital assistant.
"PMP"	means portable media player.
"PVR"	means personal video recorder.
"R&D"	means research and development.
"RFID"	means radio-frequency identification.
"RISC"	means reduced instruction set computer.
"RoHS"	means the Restriction of Hazardous Substances Directive in the European Union.
"SAN"	means Storage Area Network.
"SAP"	means Systems Applications Products.
"SCM"	means Station Class Mark.
"SIAS"	means Standard Intel architecture server.

"TFT-LCD"	means thin-film-transistor liquid crystal display, which is a type of flat panel display technology that has two glass substrates sandwiching a layer of liquid crystal. The TFT-LCD panel's top glass substrate incorporates a color filter, while the bottom glass substrate has a cell structure that gives definition to each pixel and at least one TFT to control the on-and-off of each pixel.
"VoIP"	means voice-over internet protocol, which converts a voice signal from your telephone into a digital signal that travels over the internet and converts back at the other end.
"WWAN"...	means wireless wide area network.
"XML"...	means Extensible Markup Language, a set of rules for encoding documents in machine-readable form.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Wistron Corporation:

We have audited the accompanying consolidated balance sheets of Wistron Corporation (the "Company") and its subsidiaries as of December 31, 2008, 2009 and 2010, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of Wistron Corporation and its subsidiaries as of December 31, 2008, 2009 and 2010, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of China.

As stated in note 3 to the accompanying consolidated financial statements, the Company and its subsidiaries recognized employees' bonus and directors' and supervisors' emoluments as expenses in accordance with Interpretation (96) 052 issued by the Accounting Research and Development Foundation commencing from January 1, 2008. The adoption of the new accounting principle covered by this Interpretation decreased the Company's net income and earnings per share for the year ended December 31, 2008, by NT$856,059,000 and NT$0.49, respectively.

The accompanying consolidated financial statements as of and for the year ended December 31, 2010, have been translated into United States dollars solely for the convenience of the readers. We have audited the translation, and in our opinion, the consolidated financial statements expressed in New Taiwan dollars have been translated into United States dollars on the basis set forth in note 2(y) of the notes to the accompanying consolidated financial statements.

Taipei, Taiwan (the Republic of China)
March 3, 2011, except for note 2(y) of the notes to the consolidated financial statements, which is dated September 30, 2011.

Note to Readers

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

WISTRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2008, 2009 AND 2010
(In thousands of dollars)

	2008	2009	2010	
Assets	**NT$**	**NT$**	**NT$**	**U.S.$**
Current assets:				
Cash and cash equivalents (notes 4(a) and 4(p))	13,174,000	20,539,870	40,641,409	1,334,693
Financial assets at fair value through profit or loss – current (notes 4(b) and 4(p))	12,914	250,801	119,538	3,926
Notes and accounts receivable, net of allowance for doubtful accounts of NT$207,059, NT$251,240 and NT$94,835 as of December 31, 2008, 2009 and 2010, respectively (notes 4(c), 4(p) and 7)	51,199,670	67,611,230	86,122,447	2,828,323
Notes and accounts receivable – related parties (notes 4(p) and 5)	12,518,442	31,767,958	15,946,875	523,707
Other receivable – related parties (notes 4(f), 4(p) and 5)	33,567	36,290	32,272	1,060
Other financial assets – current (notes 4(c) and 4(p))	2,194,774	1,405,657	1,453,095	47,721
Inventories (notes 4(d) and 4(h))	31,891,937	27,669,081	33,632,904	1,104,529
Deferred income tax assets-current (note 4(m))	1,310,289	1,431,545	1,223,658	40,186
Prepaid expenses and other current assets	1,224,350	1,303,208	1,996,902	65,579
Available-for-sale financial assets-current (notes 4(b) and 4(p))	4,833	4,843	3,357	110
Total current assets	113,564,776	152,020,483	181,172,457	5,949,834
Long-term investments:				
Long-term equity investments under equity method (notes 4(f) and 5)	2,781,128	3,321,374	4,663,077	153,139
Prepaid long-term investments (note 4(f))	20,000	–	191,741	6,297
Other financial assets – noncurrent (notes 4(b), 4(f) and 4(p))	–	–	283	9
Available-for-sale financial assets – noncurrent (notes 4(b) and 4(p))	588,831	1,388,550	1,180,717	38,776
Financial assets carried at cost – noncurrent (notes 4(b) and 4(p))	997,636	1,151,035	1,769,633	58,116
Total long-term investments	4,387,595	5,860,959	7,805,451	256,337
Property, plant and equipment (notes 4(g), 4(h), 5 and 6):				
Land	1,349,558	1,329,144	1,324,696	43,504
Buildings and improvements	7,230,888	7,691,687	8,598,588	282,384
Machinery and equipment	9,045,325	9,910,857	10,824,416	355,482
Molding equipment	4,217,286	5,651,452	7,144,492	234,630
Research and development equipment	818,850	923,069	1,130,254	37,118
Furniture and fixtures	1,023,424	1,117,769	1,187,202	38,989
Other equipment	1,765,365	1,995,856	1,976,904	64,923
	25,450,696	28,619,834	32,186,552	1,057,030
Less: accumulated depreciation	(10,484,157)	(13,978,699)	(15,450,655)	(507,411)
Construction in progress and advance payments for purchases of property and equipment	2,454,177	3,259,066	6,760,707	222,026
Net property, plant and equipment	17,420,716	17,900,201	23,496,604	771,645
Intangible assets (note 4(h))	2,579,209	2,421,143	3,112,816	102,227
Deferred expenses and other assets (notes 4(i), 4(l) and 6)	1,508,843	1,640,134	1,496,482	49,146
Deferred income tax assets – noncurrent (note 4(m))	81,501	452,818	569,869	18,715
Total Assets	139,542,640	180,295,738	217,653,679	7,147,904

See accompanying notes to consolidated financial statements.

	2008	2009	2010	
Liabilities and Stockholders' Equity	**NT$**	**NT$**	**NT$**	**U.S.$**
Current liabilities:				
Short-term borrowings (notes 4(j), 4(p) and 6)	2,875,183	1,885,026	33,107,360	1,087,270
Current portion of long-term borrowings (notes 4(k) and 4(p))	–	–	8,739,000	286,995
Financial liabilities at fair value through profit or loss – current (notes 4(b) and 4(p))	4,748	140,858	202,639	6,655
Notes and accounts payable (note 4(p))	61,666,602	71,094,743	79,689,815	2,617,071
Notes and accounts payable – related parties (notes 4(p) and 5)	16,294,315	30,629,994	18,826,460	618,275
Other payable – related parties (notes 4(p) and 5)	94,377	87,238	105,435	3,462
Deferred income tax liabilities – current (note 4(m))	–	10,632	11,839	389
Accrued warranty costs	573,956	1,799,388	1,877,763	61,667
Accrued expenses and other current liabilities (notes 4(l) and 4(n))	8,895,583	12,822,513	15,549,926	510,670
Deferred inter-company profits	13,588	11,326	–	–
Total current liabilities	90,418,352	118,481,718	158,110,237	5,192,454
Long-term borrowings (notes 4(k) and 4(p))	9,858,000	5,765,400	143,194	4,703
Deferred income tax liabilities-noncurrent (note 4(m))	1,253,477	1,759,770	2,211,530	72,628
Unrealized gain on sale-and-leaseback (note 4(g))	83,118	–	–	–
Other liabilities (notes 4(f) and 4(l))	146,851	274,417	319,038	10,478
Total liabilities	101,759,798	126,281,305	160,783,999	5,280,263
Stockholders' equity (notes 4(b), 4(f), 4(l) and 4(n)):				
Common stock	15,166,367	18,642,688	19,808,953	650,540
Capital surplus – paid-in capital in excess of par value	11,103,702	18,118,800	18,895,635	620,546
Capital surplus – resulting from long-term equity investments	1,965	29,173	69,549	2,284
Legal reserve	1,851,181	2,538,974	3,452,438	113,381
Unappropriated earnings	8,506,578	13,677,486	18,809,500	617,718
Foreign currency translation adjustment	651,450	54,563	(2,994,787)	(98,351)
Unrecognized pension cost	(11,551)	(84,969)	(201,759)	(6,626)
Unrealized gain (loss) on available-for-sale financial assets	(398,467)	101,938	(90,909)	(2,986)
Treasury stock	–	–	(878,940)	(28,865)
Total stockholders' equity	36,871,225	53,078,653	56,869,680	1,867,641
Minority interest	911,617	935,780	–	–
Total stockholders' equity and minority interest	37,782,842	54,014,433	56,869,680	1,867,641
Commitments and contingencies (notes 4(b), 4(c), 4(n) and 7)				
Total Liabilities and Stockholders' Equity	139,542,640	180,295,738	217,653,679	7,147,904

See accompanying notes to consolidated financial statements.

WISTRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010
(In thousands of dollars, except for earnings per common share)

	2008	2009	2010	
	NT$	NT$	NT$	U.S.$
Net revenues (note 5)	445,117,684	546,665,689	615,184,843	20,203,115
Cost of sales (notes 4(d), 4(l), 4 (n), 5 and 10)	(420,247,891)	(516,716,266)	(580,661,180)	(19,069,333)
Gross profit	24,869,793	29,949,423	34,523,663	1,133,782
Operating expenses (notes 4(g), 4(h), 4(l), 4(n), 5 and 10):				
Selling	(7,653,934)	(8,651,097)	(8,547,622)	(280,710)
Administrative	(2,170,732)	(2,262,681)	(2,334,224)	(76,658)
Research and development	(6,428,195)	(8,286,591)	(9,883,034)	(324,566)
Total operating expenses	(16,252,861)	(19,200,369)	(20,764,880)	(681,934)
Operating income	8,616,932	10,749,054	13,758,783	451,848
Non-operating income and gains:				
Interest income	277,709	84,355	477,610	15,685
Investment income recognized under equity method, net (note 4(f))	239,353	340,757	333,057	10,938
Gain on disposal of property, plant and equipment (notes 4(e), 4(g) and 5)	121,347	66,564	918,248	30,156
Gain on disposal of investments (notes 4(b) and 4(f))	182,519	11,627	24,045	790
Foreign currency exchange gain, net	–	109,304	448,877	14,741
Rental income (note 5)	98,079	71,255	40,826	1,341
Evaluation gain on financial instruments (notes 4(b) and 4(p))	36,550	101,783	–	–
Other income	433,995	542,744	553,377	18,173
	1,389,552	1,328,389	2,796,040	91,824
Non-operating expenses and losses:				
Interest expense (note 4(g))	(939,415)	(378,405)	(581,343)	(19,092)
Other investment loss (note 4(b))	(7,472)	(1,206)	(2,641)	(87)
Loss on disposal of property, plant and equipment (note 5)	(55,424)	(96,571)	(167,568)	(5,503)
Foreign currency exchange loss, net	(37,742)	–	–	–
Evaluation loss on financial instruments (notes 4(b) and 4(p))	–	–	(192,428)	(6,319)
Other loss (note 10)	(109,567)	(105,091)	(265,531)	(8,720)
	(1,149,620)	(581,273)	(1,209,511)	(39,721)
Income before income taxes	8,856,864	11,496,170	15,345,312	503,951
Income tax expense (note 4(m))	(1,958,459)	(2,325,113)	(3,305,079)	(108,541)
Consolidated net income	6,898,405	9,171,057	12,040,233	395,410
Income attributable to:				
Shareholders of parent company	6,877,929	9,134,636	12,030,342	395,085
Minority shareholders	20,476	36,421	9,891	325
	6,898,405	9,171,057	12,040,233	395,410

	After income tax	After income tax	After income tax	After income tax
	NT$	NT$	NT$	U.S.$
Earnings per common share (in dollars) (notes 3 and 4(o)):				
Basic earnings per share-retroactively adjusted	3.96	4.98	6.15	0.20
Diluted earnings per share-retroactively adjusted	3.64	4.67	5.98	0.20

See accompanying notes to consolidated financial statements.

WISTRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND MINORITY INTEREST
FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010
(in thousands of New Taiwan dollars)

	Common stock	Capital surplus	Legal reserve	Unappropriated earnings	Foreign currency translation adjustment	Unrecognized pension cost	Unrealized gain (loss) on available-for-sale financial assets	Minority interest	Total
Balance at December 31, 2007	13,819,261	10,209,222	1,190,636	7,365,296	231,626	(29,673)	(48,128)	1,011,754	33,749,994
Consolidated net income for 2008	–	–	–	6,877,929	–	–	–	20,476	6,898,405
Appropriation of 2007 earnings in 2008 (note 4(m)):									
Legal reserve	–	–	660,545	(660,545)	–	–	–	–	–
Stock dividends to shareholders	690,963	–	–	(690,963)	–	–	–	–	–
Stock dividends as employees' bonus	416,143	–	–	(416,143)	–	–	–	–	–
Directors' and supervisors' emoluments	–	–	–	(59,449)	–	–	–	–	(59,449)
Cash dividends	–	–	–	(3,731,201)	–	–	–	–	(3,731,201)
Employees' bonus	–	–	–	(178,346)	–	–	–	–	(178,346)
Issuance of common stock (note 4(m))	240,000	894,480	–	–	–	–	–	–	1,134,480
Foreign currency translation adjustment	–	–	–	–	471,244	–	–	–	471,244
Increase in capital surplus resulting from long-term equity investments (note 4(e))	–	1,965	–	–	–	–	–	–	1,965
Equity adjustment in available-for-sale financial assets of investee accounted for under long-term equity investments (note 4(e))	–	–	–	–	–	–	(65,801)	–	(65,801)
Equity adjustment for available-for-sale financial assets (note 4(b))	–	–	–	–	–	–	(284,538)	–	(284,538)
Decrease in foreign currency translation adjustment resulting from financial assets carried at cost (note 4(b))	–	–	–	–	(51,420)	–	–	–	(51,420)
Pension adjustment – unrecognized pension cost (note 4(l))	–	–	–	–	–	18,122	–	–	18,122
Change in minority interest	–	–	–	–	–	–	–	(120,613)	(120,613)
Balance at December 31, 2008	15,166,367	11,105,667	1,851,181	8,506,578	651,450	(11,551)	(398,467)	911,617	37,782,842

See accompanying notes to consolidated financial statements.

	Common stock	Capital surplus	Legal reserve	Unappropriated earnings	Foreign currency translation adjustment	Unrecognized pension cost	Unrealized gain (loss) on available-for-sale financial assets	Treasury stock	Minority interest	Total
Balance at December 31, 2008	$15,166,367	11,105,667	1,851,181	8,506,578	651,450	(11,551)	(398,467)	–	911,617	37,782,842
Issuance of common stock (note 4(n))	1,500,000	5,733,783	–	–	–	–	–	–	–	7,233,783
Consolidated net income for 2009	–	–	–	9,134,636	–	–	–	–	36,421	9,171,057
Appropriation of 2008 earnings in 2009 (note 4(n)) (note 1):										
Legal reserve	–	–	687,793	(687,793)	–	–	–	–	–	–
Cash dividends	–	–	–	(1,637,967)	–	–	–	–	–	(1,637,967)
Stock dividends to shareholders	1,637,968	–	–	(1,637,968)	–	–	–	–	–	–
Stock dividends as employees' bonus	201,823	780,250	–	–	–	–	–	–	–	982,073
Equity adjustment for available-for-sale financial assets (note 4(b))	–	–	–	–	–	–	500,174	–	–	500,174
Issuance of common stock from exercise of employee stock option (note 4(n))	136,530	501,065	–	–	–	–	–	–	–	637,595
Foreign currency translation adjustment	–	–	–	–	(596,887)	–	–	–	–	(596,887)
Equity adjustment in available-for-sale financial assets of investee accounted for under long-term equity investments (note 4(f))	–	–	–	–	–	–	231	–	–	231
Increase in capital surplus resulting from long-term equity investments (note 4(f))	–	27,208	–	–	–	–	–	–	–	27,208
Pension adjustment-unrecognized pension cost (note 4(l))	–	–	–	–	–	(73,418)	–	–	–	(73,418)
Change in minority interest	–	–	–	–	–	–	–	–	(12,258)	(12,258)
Balance at December 31, 2009	18,642,688	18,147,973	2,538,974	13,677,486	54,563	(84,969)	101,938	–	935,780	54,014,433
Purchase of treasury stock (note 4(n))	–	–	–	–	–	–	–	(878,940)	–	(878,940)
Issuance of common stock from exercise of employee stock option (note 4(n))	231,130	776,835	–	–	–	–	–	–	–	1,007,965
Consolidated net income for 2010	–	–	–	12,030,342	–	–	–	–	9,891	12,040,233
Appropriation of 2009 earnings in 2010 (note 4(n)) (note 2):										
Legal reserve	–	–	913,464	(913,464)	–	–	–	–	–	–
Cash dividends	–	–	–	(5,049,729)	–	–	–	–	–	(5,049,729)
Stock dividends to shareholders	935,135	–	–	(935,135)	–	–	–	–	–	–
Pension adjustment – unrecognized pension cost (note 4(l))	–	–	–	–	–	(116,790)	–	–	–	(116,790)
Foreign currency translation adjustment	–	–	–	–	(3,049,350)	–	–	–	–	(3,049,350)
Equity adjustment in available-for-sale financial assets of investee accounted for under long-term equity investments (note 4(f))	–	–	–	–	–	–	(3,759)	–	–	(3,759)
Increase in capital surplus resulting from long-term equity investments (note 4(f))	–	40,376	–	–	–	–	–	–	–	40,376
Equity adjustment for available-for-sale financial assets (note 4(b))	–	–	–	–	–	–	(189,088)	–	–	(189,088)
Change in minority interest	–	–	–	–	–	–	–	–	(945,671)	(945,671)
Balance at December 31, 2010	$19,808,953	18,965,184	3,452,438	18,809,500	(2,994,787)	(201,759)	(90,909)	(878,940)	–	56,869,680

(note 1) The employees' bonus of NT$982,073 and directors' and supervisors' emoluments of NT$61,902 appropriated from 2008 earnings were expensed in the 2008 consolidated statements.

(note 2) The employees' bonus of NT$1,196,481 and directors' emoluments of NT$82,212 appropriated from 2009 earnings were expensed in the 2009 consolidated statements.

See accompanying notes to consolidated financial statements.

WISTRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010
(In thousands of dollars)

	2008	2009	2010	
	NT$	NT$	NT$	U.S.$
Cash flows from operating activities:				
Consolidated net income	6,898,405	9,171,057	12,040,233	395,410
Adjustments to reconcile consolidated net income to net cash provided by operating activities:				
Depreciation and amortization (including the depreciation of property for operating lease and of idle assets)	3,452,530	5,214,246	5,256,575	172,630
Net investment income accounted for by equity method and cash dividends received	(125,315)	(275,191)	(209,545)	(6,882)
Other investment loss	7,472	1,206	2,641	87
Loss (gain) on disposal of property, plant and equipment, net	(65,923)	30,007	(750,680)	(24,653)
Gain on disposal of investments, net	(182,519)	(11,627)	(24,045)	(790)
Evaluation loss (gain) on financial instruments	(36,550)	(101,783)	192,428	6,319
Property, plant and equipment reclassified as expense and loss	10,143	11,548	26,450	869
Gain on sale-and-leaseback offset against rental expense	(28,532)	(19,015)	–	–
Deferred income tax expense (benefit)	331,957	(4,294)	543,313	17,843
Change in operating assets and liabilities:				
Notes and accounts receivable	(15,520,646)	(16,891,198)	(21,646,649)	(710,892)
Notes and accounts receivable-related parties	8,592,766	(22,071,573)	11,089,118	364,175
Other receivable – related parties	224,227	756,483	988,114	32,450
Other financial assets – current	(786,858)	818,139	(114,892)	(3,773)
Inventories	(8,446,447)	3,617,696	(8,459,097)	(277,803)
Prepaid expenses and other current assets	(64,379)	(268,981)	(854,522)	(28,063)
Notes and accounts payable	18,535,538	10,515,434	13,176,672	432,731
Notes and accounts payable – related parties	(770,097)	16,590,591	(5,779,477)	(189,802)
Other payable-related parties	120,859	(7,139)	(561,558)	(18,442)
Accrued warranty costs	(195,791)	1,219,002	139,397	4,578
Accrued expenses and other current liabilities	2,911,189	4,986,420	2,685,896	88,207
Deferred inter-company profits	(421)	(937)	–	–
Other liabilities	45,586	9,220	(77,963)	(2,560)
Net cash provided by operating activities	14,907,194	13,289,311	7,662,409	251,639
Cash flows from investing activities:				
Decrease in available-for-sale financial assets – current	172,530	2,879	2,187	72
Increase in available-for-sale financial assets – noncurrent	(75,478)	(277,185)	(24,910)	(818)
Proceeds from disposal of investments in available-for-sale-financial assets – noncurrent	–	18,087	2,435	80
Increase in financial assets carried at cost – noncurrent	(540,151)	(186,262)	(920,394)	(30,227)
Proceeds from return of investment in financial assets carried at cost-noncurrent	199,060	21,664	39,939	1,312
Increase in long-term equity investments	(376,947)	(261,045)	(638,436)	(20,967)
Increase in prepaid long-term investment	(20,000)	–	(191,741)	(6,297)
Proceeds from disposal of long-term investments	104,491	–	42,487	1,395
Returned capital from investees	–	1,256	–	–
Increase in other financial assets – noncurrent	–	–	(34,899)	(1,146)
Increase in deferred expenses and other assets	–	–	(502,734)	(16,510)
Proceeds from disposal of deferred expenses and other assets	–	–	1,229	40
Additions to property, plant and equipment	(6,852,695)	(6,566,416)	(13,006,939)	(427,157)
Proceeds from disposal of property, plant and equipment and noncurrent assets held for sale	661,963	1,175,404	2,364,442	77,650
Additions to intangible assets	(1,967,697)	(844,586)	(1,435,175)	(47,132)
Net cash used in investing activities	(8,694,924)	(6,916,204)	(14,302,509)	(469,705)

See accompanying notes to consolidated financial statements.

	2008	2009	2010	
	NT$	NT$	NT$	U.S.$
Cash flows from financing activities:				
Increase (decrease) in short-term borrowings	(7,298,219)	(942,773)	31,921,584	1,048,328
Increase in long-term borrowings	9,858,000	–	3,117,760	102,390
Repayment of long-term borrowings	–	(4,092,600)	–	–
Issuance of common stock	1,134,480	7,233,783	–	–
Issuance of common stock from exercise of employee stock option	–	637,595	1,007,965	33,102
Cash dividends to shareholders	(3,731,201)	(1,637,690)	(5,049,495)	(165,829)
Purchase of treasury stock	–	–	(878,940)	(28,865)
Employees' bonus (including subsidiaries' distribution of NT$162 in 2007)	(178,346)	–	–	–
Directors' and supervisors' emoluments	(59,449)	–	–	–
Chang in minority interest	(120,613)	(24,025)	–	–
Net cash provided by financing activities	(395,348)	1,174,290	30,118,874	989,126
Effect of exchange rate changes	44,057	(181,527)	(2,060,833)	(67,679)
Effect of the change in consolidated entities	(141,208)	–	(1,316,402)	(43,232)
Net increase in cash and cash equivalents	5,719,771	7,365,870	20,101,539	660,149
Cash and cash equivalents at beginning of year	7,454,229	13,174,000	20,539,870	674,544
Cash and cash equivalents at end of year	13,174,000	20,539,870	40,641,409	1,334,693
Supplemental disclosures of cash flow information:				
Cash paid during the year for:				
Interest, excluding capitalized interest	897,684	347,325	467,959	15,368
Income taxes	1,033,275	1,084,138	2,612,737	85,804
Supplemental information on non cash investing and financing activities:				
Current portion of long-term borrowings	–	–	8,739,000	286,995
Foreign currency translation adjustment	419,824	(596,887)	(3,049,350)	(100,143)
Unrealized gain (loss) on available-for-sale financial assets	(284,538)	500,174	(189,088)	(6,210)
Equity adjustment in available-for-sale financial assets in investee accounted for under long-term equity investments	(65,801)	231	(3,759)	(123)
Cash dividends payables	–	277	234	8
Appropriation of retained earnings for stock dividends as employees' bonus	–	982,073	–	–

See accompanying notes to consolidated financial statements.

(amounts expressed in thousands of New Taiwan dollars and U.S. dollars except for earnings per share information and unless otherwise noted)

1. REPORTING ENTITIES OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THEIR BUSINESS SCOPES

Wistron Corporation (the "Company") was incorporated on May 30, 2001, as a company limited by shares under the laws of the Republic of China (ROC). Pursuant to a restructuring plan of Acer Inc. (AI) to improve its business performance and competitiveness, the Company was formed to accept the net assets spun off from AI's DMS (Design, Manufacturing, and Service products) business.

As of December 31, 2009 and 2010, the consolidated financial statements included the accounts of the Company and its subsidiaries (hereinafter jointly referred to as the "Consolidated Companies"). The Consolidated Companies, which are classified according to their primary business activity and percentage of the ownership, are as follows:

(a) Research, design, testing, manufacturing and sales of personal computers, servers, multi-media appliance products, telecommunication products, and network systems:

			Percentage of the direct and indirect ownership by the Company at December 31,		
		Investor	2008	2009	2010
1.	Wistron Corporation (Taiwan)	–	–	–	–
2.	International Standard Labs ("ISL", Taiwan)	the Company	100.00	100.00	100.00
3.	Wistron InfoComm (Philippines) Corporation ("WPH", Philippines)	the Company	100.00	100.00	100.00
4.	Wistron Mexico S.A. de C.V. ("WMX", Mexico)	the Company	100.00	100.00	100.00
5.	WisVision Corporation ("WVS", British Virgin Islands)	the Company	100.00	100.00	100.00
6.	Wistron InfoComm (Zhongshan) Co., Ltd. ("WZS", China)	Cowin	100.00	100.00	100.00
7.	AII Technology (Zhongshan) Co., Ltd. ("ATZS", China)	AIIH	100.00	100.00	100.00
8.	Wistron InfoComm (Kunshan) Co., Ltd. ("WAKS", China)	Win Smart	100.00	100.00	100.00
9.	Wistron InfoComm Technology (Kunshan) Co., Ltd. ("WIKS", China)	Win Smart	100.00	100.00	100.00
10.	Wistron InfoComm Manufacturing (Kunshan) Co., Ltd. ("WEKS", China)	Win Smart	100.00	100.00	100.00
11.	Wistron InfoComm (Taizhou) Co., Ltd. ("WTZ" , China)	Win Smart	–	100.00	100.00 (note 2)
12.	Wistron Optronics (Kunshan) Co., Ltd. ("WOK", China)	WDC	100.00	100.00	100.00
13.	Wistron Optronics Corp. ("WOC", formerly "WOD", Taiwan)	the Company	100.00	100.00	100.00
14.	AOpen Inc. ("AOI", Taiwan)	the Company	27.10	27.10	27.10 (note 3)
15.	AOpen Information Products (Zhongshan) Inc. ("AOZ", China)	AOTH	27.10	27.10	27.10 (note 3)
16.	Wistron InfoComm (Czech) s.r.o. ("WCZ", Czech Republic)	WSE	100.00	100.00	100.00
17.	Wistron InfoComm Technology (Zhongshan) Co., Ltd. ("WTZS", China)	WVS	100.00	100.00	100.00
18.	Polymer Vision B.V. ("WPV", Holland)	WEH	–	–	100.00 (note 1)

(b) Sale and maintenance of computer products and related parts and components, data storage equipment, and digital monitoring systems:

			Percentage of the direct and indirect ownership by the Company at December 31,		
		Investor	2008	2009	2010
1.	Cowin Worldwide Corporation ("Cowin", British Virgin Islands)	the Company	100.00	100.00	100.00
2.	AII Holding Corporation ("AIIH", British Virgin Islands)	the Company	100.00	100.00	100.00
3.	Wistron Service B.V. ("WSE", Holland)	the Company	100.00	100.00	100.00
4.	SMS InfoComm Corporation ("WTX", E1 Paso, U.S.A.)	the Company	100.00	100.00	100.00
5.	Anextek Global Incorporated ("AGI", Taiwan)	the Company	99.94	99.94	99.94
6.	SMS InfoComm (Singapore) Pte. Ltd. ("WSG", Singapore)	the Company	100.00	100.00	100.00
7.	SMS InfoComm Technology Service and Management Solutions Ltd. ("WBR", Brazil)	the Company	–	–	100.00 (note 1)
8.	SMS InfoComm Technology Service Limited Company ("WTR", Turkey)	the Company	–	–	100.00 (note 1)
9.	Wistron InfoComm Technology (America) Corporation ("WITX", U.S.A.)	WLLC	100.00	100.00	100.00
10.	Wistron Service (Kunshan) Corp. ("WSKS", China)	Win Smart	100.00	100.00	100.00
11.	Wistron Hong Kong Limited ("WHK", Hong Kong)	Win Smart	100.00	100.00	100.00
12.	Wistron Service (Shanghai) Co., Ltd. ("WSSH", China)	Win Smart	100.00	100.00	100.00
13.	SMS (Kunshan) Co., Ltd. ("WMKS", China)	Win Smart	100.00	100.00	100.00
14.	Wistron K.K. ("WJP", Japan)	AIIH	100.00	100.00	100.00
15.	Wistron Optronics (Shanghai) Corporation ("WOS", China)	WDC	100.00	100.00	100.00
16.	Wistron Optronics (Shanghai) Co., Ltd. ("WOSH", China)	WDC	100.00	100.00	100.00
17.	ICT Service Management Solutions (India) Private Limited ("WIN", India)	WSG	–	100.00	100.00 (note 2)
18.	AOpen America Inc. ("AOA", U.S.A.)	AOI	27.10	27.10	27.10 (note 3)
19.	AOpen Computer B.V. ("AOE", Holland)	AOI	27.10	27.10	27.10 (note 3)
20.	AOpen Japan Inc. ("AOJ", Japan)	AOI	27.10	27.10	27.10 (note 3)
21.	AOpen Technology Asia Pacific Taiwan Co., Ltd. ("AOAT", Taiwan)	AOI	27.10	27.10	27.10 (note 3)
22.	Great Connection Ltd. ("GCL", Hong Kong)	AOTH	27.10	27.10	27.10 (note 3)
23.	AOpen International (Shanghai) Co., Ltd. ("AOC", China)	AOTH	27.10	27.10	27.10 (note 3)
24.	AOpen Computer GmbH ("AOG", Germany)	AOE	27.10	27.10	27.10 (note 3)
25.	AOpen Components B.V. ("AOEC", Holland)	AOE	27.10	27.10	27.10 (note 3)

(c) Investment and holding companies:

			Percentage of the direct and indirect ownership by the Company at December 31,		
		Investor	2008	2009	2010
1.	WiseCap Ltd. ("WCL", Taiwan)	the Company	100.00	100.00	100.00
2.	Win Smart Co., Ltd. ("Win Smart", British Virgin Islands)	the Company	100.00	100.00	100.00
3.	Wistron LLC ("WLLC", U.S.A.)	the Company	100.00	100.00	100.00
4.	Wistron Advanced Materials (Hong Kong) Limited ("WGHK", Hong Kong)	the Company	–	–	100.00 (note 1)
5.	Xserve Technology Incorporated ("XTI", British Virgin Islands)	AGI	99.94	99.94	99.94
6.	WinDisplay Corporation ("WDC", British Virgin Islands)	AIIH	100.00	100.00	100.00
7.	WLB Ltd. ("WLB", Taiwan)	WCL	100.00	100.00	100.00
8.	AOpen Technology Inc. ("AOTH", British Virgin Islands)	AOI	27.10	27.10	27.10 (note 2)
9.	Wistron Europe Holding Cooperatie U.A. ("WEH", Holland)	the Company	–	–	100.00 (note 1)
10.	Wistron Information Technology and Services Inc. ("WIBI", British Virgin Islands)	WITS	41.68	(note 4)	(note 4)

(d) Software research, development, design, trading and consultation:

			Percentage of the direct and indirect ownership by the Company at December 31,		
		Investor	2008	2009	2010
1.	Wistron InfoComm (Shanghai) Corporation ("WSH", China)	AIIH	100.00	100.00	100.00
2.	Wistron Information Technology and Services Corporation ("WITS", Taiwan)	the Company	41.68	(note 4)	(note 4)
3.	Wistron Information Technology Incorporated ("MIT", Taiwan)	WITS	41.68	(note 4)	(note 4)
4.	Wistron Information Technology and Services (Japan) Inc. ("WIJP", Japan)	WITS	41.68	(note 4)	(note 4)
5.	Wistron Information Technology and Services Limited ("WIHK", Hong Kong)	WITS	41.68	(note 4)	(note 4)
6.	Wistron Information Technology and Services (Dalian) Inc. ("WIDL", China)	WIBI	41.68	(note 4)	(note 4)
7.	Wistron Information Technology and Services (Zhuhai) Inc. ("WIZH", China)	WIBI	41.68	(note 4)	(note 4)
8.	Wistron Information Technology and Services (Beijing) Inc. ("WIBJ", China)	WIBI	41.68	(note 4)	(note 4)

(e) Recycling of electronic products:

			Percentage of the direct and indirect ownership by the Company at December 31,		
		Investor	2008	2009	2010
1.	Wistron Green Tech (Texas) Corporation (“WGTX”, U.S.A)	the Company	–	–	100.00 (note 1)
2.	Wistron Advanced Materials (Kunshan) Limited (“WGKS”, China)	WGHK	–	–	100.00 (note 1)

(note 1) A subsidiary of the Company which was established in 2010.

(note 2) A subsidiary of the Company which was established in 2009.

(note 3) AOI and its subsidiaries which were deconsolidated commencing from August 19, 2010.

(note 4) WITS and its subsidiaries which were deconsolidated starting from July 1, 2008.

During their meeting on June 30, 2008, WITS’s shareholders reelected its members of the board of directors. As a result, the Company lost its power to control WITS. Accordingly, WITS and its subsidiaries were deconsolidated starting from July 1, 2008.

As of December 31, 2008 and 2009, the Consolidated Companies included AOI and its subsidiaries, even though the Consolidated Companies’ ownership percentage was lower than 50%, because the Company’s representative was appointed as AOI’s general manager and the Company obtained the power to control AOI. As of August 19, 2010, the Consolidated Companies lost the power to control AOI as the board of directors of AOI decided that the representative of the Consolidated Companies who was assigned as the director will no longer serve as the general manager of AOI. Therefore, AOI and its subsidiaries have not been consolidated commencing from August 19, 2010.

As of December 31, 2008, 2009 and 2010, the Consolidated Companies had 35,875, 39,239 and 50,733 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the ROC. These consolidated financial statements are intended to present the financial position of the Consolidated Companies, results of their operations, and their cash flows in accordance with accounting principles generally accepted in the ROC and not those of any other jurisdictions. These significant accounting policies adopted in preparing the consolidated financial statements are as follows:

(a) Consolidation policies

The consolidated financial statements include the accounts of the Company and subsidiaries in which the Company is able to exercise control over the subsidiary’s operations and financial policies. The operating activity of the subsidiary is included in the consolidated statements of income from the date of acquisition and is excluded from the consolidated statements of income when the Company loses its power to control the subsidiary. All significant inter-company transactions among the Consolidated Companies are eliminated in consolidation.

The difference between the net purchase price and the net equity of the acquired subsidiary is accounted for as goodwill or negative goodwill (classified under “intangible assets” or “other liabilities” in the accompanying consolidated balance sheets) and previously was amortized over 5 years using the straight-line method. Goodwill is no longer amortized commencing from January 1, 2006, but is tested for impairment every year.

(b) Use of estimates

The preparation of the accompanying consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

(c) Foreign currency transactions and translation

The functional and reporting currency of the domestic consolidated entities is the New Taiwan dollar. Non-derivative foreign currency transactions are recorded at the exchange rates prevailing at the transaction date. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates on that date. The resulting unrealized exchange gain (loss) from such translations is reflected in the accompanying consolidated statements of income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. If the financial assets or liabilities are evaluated at fair value through profit or loss, non-monetary assets and liabilities are translated using the spot rate on the balance sheet date, and the resulting unrealized exchange gain (loss) from such translations is reflected in the accompanying consolidated statements of income. If the financial assets or liabilities are evaluated at fair value through stockholders' equity, the resulting unrealized exchange gain (loss) from such translations is recorded as a separate component of stockholders' equity.

The financial statements of those foreign consolidated subsidiaries and investees, which are accounted for under the equity method, are remeasured, if their reporting currency is not their functional currency. The remeasurement difference is recorded as foreign currency exchange gain/loss. Furthermore, those financial statements are translated into the Company's reporting currency. Translation adjustments resulting from such translation are accounted for as foreign currency translation adjustment, which is a separate component of stockholders' equity.

(d) Classification criteria for current or non-current assets and liabilities

Cash and cash equivalents and assets, which are held for trading purposes or held for the short term and expected to be liquidated within 12 months after the balance sheet date are classified as current assets; otherwise are classified as non-current assets.

Liabilities which are expected to be paid within 12 months after the balance sheet date are classified as current liabilities, otherwise are classified as non-current liabilities.

(e) Asset impairment

The Consolidated Companies assess at each balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit) other than goodwill may have been impaired. If any such indication exists, the Consolidated Companies estimate the recoverable amount of the asset. The Consolidated Companies recognize impairment loss for an asset whose carrying value is higher than the recoverable amount. An impairment loss recognized in prior periods is reversed for assets other than goodwill if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

Goodwill, intangible assets with indefinite useful life, and not-in-use intangible assets are subject to impairment test annually, and an impairment loss is recognized on the excess of carrying value over the recoverable amount thereof.

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash in banks, miscellaneous petty cash, and other highly liquid investments which do not have a significant level of market or credit risk from potential interest rate changes.

(g) Financial instruments

Financial instruments are initially recognized at fair value plus, in the case of a financial instrument not reported at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument. A regular way purchase or sale of financial assets is recognized and derecognized using the trade date accounting. Subsequent to initial recognition, financial instruments are measured as follows:

i Financial assets/liabilities at fair value through profit or loss

An instrument is classified as financial instrument at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Derivatives that do not meet the criteria for hedge accounting are classified as financial assets or liabilities at fair value through profit or loss. Financial instruments at fair value through profit or loss are measured at fair value, and changes in fair value are recognized in profit or loss.

ii Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value, and changes in fair value, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognized directly in equity. When an investment is derecognized, the cumulative gain or loss in equity is transferred to profit or loss. If there is an objective evidence which indicates that a financial asset is impaired, a loss is recognized in earnings. If the amount of the impairment loss decreases subsequently, for equity securities, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to equity; for debt securities, the amount of the decrease is recognized in profit or loss, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

iii Financial assets carried at cost

Financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at their original cost. If there is an objective evidence which indicates that a financial asset is impaired, a loss is recognized. A subsequent reversal of such impairment loss is prohibited.

iv Other financial assets and liabilities

Other financial instruments are measured at amortized cost using the effective interest method. If there is an objective evidence which indicates that a financial asset is impaired, a loss is recognized. If the amount of the impairment loss decreases subsequently and the decrease is clearly attributable to an event which occurred after the impairment loss was recognized, the previously recognized impairment loss is reversed to the extent of the decrease. The reversal may not result in a carrying amount of the financial asset that exceeds the amortized cost that would have been determined if no impairment loss had been recognized.

(h) Receivables from related parties

All notes and accounts receivable arising from the sale of inventories, equipment and services to related parties and advance payments to related parties are accounted for as notes and accounts receivable – related parties or other receivable – related parties.

The collection policies on accounts receivable from related parties are similar to those of third parties. However, if the collection policies cannot be enforced due to the insolvency or negative equity of the related parties, the accounts receivable overdue for a certain period after the normal credit term are reclassified to other receivables.

(i) Allowance for doubtful accounts

Allowance for doubtful accounts is provided according to the status of collectibility of each account. The amount is determined by considering the past collection experience, customers' credit, an aging analysis, and the Consolidated Companies' internal controls on credit policy.

(j) Inventories

Inventories are measured individually at the lower of cost and net realizable value. The standard cost method is adopted for inventory costing and the difference between standard cost and actual cost is allocated proportionately to inventory except for an unfavorable variance from normal capacity. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the periods.

(k) Non-current assets held for sale

Non-current assets and groups of assets and liabilities comprising of disposal groups are classified as "held for sale" when all of the following criteria are met: a decision has been made to sell, the assets are made available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups), and their sale within one year must be highly probable. Non-current assets or disposal groups classified as "held for sale" are measured at the lower of their book value or fair value less costs to sell. Non-current assets or disposal groups classified as held for sale are not depreciated, amortized or depleted. Total assets and total liabilities which are classified as non-current assets held for sale are each shown separately and excluded from the individual line items of the balance sheet. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are continuously recognized.

An impairment loss is recognized in the statement of income for any initial or subsequent write-down of the assets (or disposal group) to fair value less costs to sell. A gain from any subsequent increase in fair value less costs to sell of an asset (or a disposal group) is recognized, but not to exceed the cumulative impairment loss that has been recognized. Also, the carrying value after the recognition of such gain does not exceed the recoverable amount of the assets (disposal group) or the depreciable amount of the balance of said assets assuming no impairment loss was recognized in prior years in accordance with ROC Statement of Financial Accounting Standards ("SFAS") No. 35 "Impairment of Assets".

(l) Long-term equity investments

Long-term investments in which the Consolidated Companies, directly or indirectly, own 20% or more of the investee companies' voting shares, or own less than 20% of the investee companies' voting shares but have significant influence on the investee companies, are accounted for by the equity method. Commencing from January 1, 2006, differences between investment cost and investee's net equity determined at fair value are accounted for as follows:

i If the cause of the difference is attributable to a specific transaction, the difference is accounted for using the original accounting treatment. However, goodwill is no longer amortized and the amortization expense recognized in previous years cannot be reversed.

ii If the difference is related to a difference that is originally amortized for a certain period, the unamortized portion relating to the excess of investment cost over the investee's net equity is accounted for as goodwill.

iii Deferred credit of long-term equity investment is amortized over the remaining period.

An impairment test is performed annually. If any indication of impairment exists, an impairment test is performed immediately. Impairment loss is recognized for the excess of the carrying value over the estimated recoverable amount.

The difference between the selling price and the book value of long-term equity investments under the equity method is recognized as disposal gain or loss in the statement of income. If there is a capital surplus arising from long-term equity investments, such capital surplus is debited against the disposal gain or loss based on the disposal ratio.

Unrealized gains and losses resulting from transaction between the Consolidated Companies and their investee companies and among subsidiaries are deferred. Gains and losses arising from transactions relating to depreciable or amortizable assets are recognized over their useful lives. Gains and losses from other assets are recognized when realized.

When investee companies issue common stock and the Consolidated Companies do not purchase the stock in accordance with their ownership holding ratio, the Consolidated Companies adjust their capital surplus based on the net changes in the capital surplus and long-term equity investment. If the capital surplus arising from long-term investment accounted for under the equity method is insufficient, the deficiency is debited to retained earnings.

If the Consolidated Companies exercise significant influence but have no power to control an investee company and the investee's equity becomes negative and the Consolidated Companies have guaranteed the payments of the investee's debt or have provided other financial commitments to the investee, or if the investee's loss is temporary in nature, then the investment loss is recognized continuously by using the equity method. The excess of recognized investment loss over the related long-term equity investment and after offsetting against the receivables from related parties is accounted for as long-term equity investment credit, which is classified as a liability in the balance sheet.

(m) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment loss. Interest expense related to the purchase and construction of property and equipment is capitalized and included in the cost of the related assets. Significant additions, improvements and replacements are capitalized. Maintenance and repair costs are expensed in the periods incurred. Property, plant and equipment are depreciated over their estimated useful lives using the straight-line method.

Beginning November 20, 2008, the Consolidated Companies account for the removal and recovery costs for fixed assets that are accrued during the non-production period in accordance with Interpretation (97) 340 issued by the Accounting Research and Development Foundation. A component of a fixed asset is depreciated individually if it is a significant part of its total cost. The Consolidated Companies evaluate the residual useful lives, the depreciation method, and the residual value at each financial year-end and changes thereof are accounted for as changes in accounting estimates.

The estimated useful lives of the respective classes of property, plant and equipment are as follows:

i	Buildings and improvements:	5 to 55 years
ii	Machinery and equipment:	2 to 10 years
iii	Molding equipment:	1 to 2 years
iv	Research and development equipment:	1 to 5 years
v	Furniture, fixtures and other equipment:	2 to 10 years

Gains or losses on the disposal of property, plant and equipment are accounted for as non-operating income or expense.

Property being leased to others is measured at cost and classified as other assets.

(n) Intangible assets

Goodwill is accounted for in accordance with ROC SFAS No. 25 "Business Combinations". It represents the excess of the cost of the acquisition over the Consolidated Companies' interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill is measured at cost less accumulated impairment losses. Other intangible assets are stated at cost and primarily consist of core technology, customer relationships, patents and computer software. In accordance with SFAS No. 37 "Intangible Assets", an intangible asset, other than that acquired by way of a government grant, which is measured at its fair value, is measured initially at cost. Subsequent to initial recognition, an intangible asset is measured at its cost plus revaluation increment revalued in accordance with the laws, less any accumulated amortization and any accumulated impairment losses.

The depreciable amount of capitalized development expenditure is determined after deducting its residual value. Amortization is recognized as an expense on a straight-line basis over the estimated useful lives of intangible assets from the date when they are made available for use. The estimated useful lives of the intangible assets are as follows:

i	Patents	3 to 10 years
ii	Software	3 to 10 years
iii	Core technology	2 years
iv	Customer relationships	5 years
v	Land use rights	50 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life are evaluated at least at each financial year-end. Any changes thereon are accounted for as changes in accounting estimates.

In accordance with SFAS No. 37, except when it forms part of the cost of a business combination, expenditure on research is expensed when incurred.

An intangible asset arising from development is recognized if, and only if, the Consolidated Companies can demonstrate all of the following:

i the technical feasibility of completing the intangible asset so that it will be available for use or sale;

ii their intention to complete the intangible asset and use or sell it;

iii their ability to use or sell the intangible asset;

iv how the intangible asset will generate probable future economic benefits;

v the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

vi their ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized development expenditure is measured at cost less accumulated impairment losses.

In accordance with SFAS No. 37, an intangible asset with an indefinite useful life is not amortized.

The useful life of capitalized development expenditure not being amortized is evaluated each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate.

As the Consolidated Companies currently cannot distinguish between the research stage and development stage for their R&D projects, all R&D expenditures are expensed at the research stage.

(o) Lease

The gain/loss on disposal of property is deferred and recognized as "unrealized gain/loss on sale-and-leaseback" when the property is sold and leased back. The unrealized gain/loss on sale-and-leaseback is amortized as follows:

i Over the expected lease period (including renewal period) under an operating lease; or

ii Over the estimated useful life of the property under a capital lease if the lessor transfers the ownership of the property to the lessee by the end of the lease term or the lessee has a bargain purchase option; or iii Over the contractual lease period under other type of capital lease.

(p) Deferred expenses

Deferred expenses are stated at cost and primarily consist of costs of improvements of buildings used for operations. These expenses are amortized using the straight-line method over their economic useful lives of 2 to 5 years.

(q) Accrued warranty costs

For products under warranty, warranty costs are accrued based on the past record of the cost of returns for repair, failure rate and warranty period. Warranty costs are accounted for as current expenses when the sales are recognized.

(r) Retirement plan

The Company and its domestic consolidated subsidiaries established non-contributory employee defined benefit retirement plans (the "Plans") covering full-time employees. In accordance with the Plans, employees are eligible for retirement or are required to retire after meeting certain age or service requirements. Payments of retirement benefits are based on an employee's average monthly salary for the last six months before the employee's retirement and the number of points accumulated by the employee according to his/her years of service. Each employee receives 2 points for each service year from year 1 to year 15, 1 point thereafter, and the maximum points shall not exceed 45 points. Every point is equivalent to one month salary. A lump-sum retirement benefit is paid through the retirement fund. Under this retirement plan, the Company and its domestic consolidated subsidiaries are responsible for making the entire pension payment. Starting from July 1, 2005, the enforcement rules of the newly enacted Labor Pension Act (the "New Act") require the following categories of employees to be covered by the New Act that prescribes a defined contribution plan:

i employees covered by the original Plan who opted to be subject to the pension mechanism under the New Act; and

ii employees who commenced working after the enforcement date of the New Act.

In accordance with the New Act, an employer is required to contribute monthly to an individual labor pension fund account at the rate of not be lower than 6% of the worker's monthly wages.

The Consolidated Companies adopted ROC SFAS No. 18, "Accounting for Pensions", for their retirement plan. SFAS No. 18 requires a company to have an actuarial calculation of its pension liability using the year-end date as the measurement date. The accumulated benefit obligation in excess of the fair value of pension plan assets is deemed to be the minimum pension liability and is recognized as accrued pension liability. The Consolidated Companies contribute an amount to the retirement fund monthly at a rate of 2% of the salaries and wages. This retirement fund is deposited with the Bank of Taiwan.

Certain of the Company's foreign subsidiaries have defined contribution retirement plans. These plans are funded in accordance with the regulations of their respective countries. Contributions to these plans are expensed as incurred.

(s) Treasury stock

Treasury stock is accounted for at acquisition cost. Upon disposal of the treasury stock, the sale proceeds in excess of cost are accounted for as capital surplus-treasury stock. If the sale proceeds are less than cost, the deficiency is accounted for as a reduction of the remaining balance of capital surplus – treasury stock. If the remaining balance of capital surplus-treasury stock is insufficient to cover the deficiency, the remainder is recorded as a reduction of retained earnings.

If treasury stock is retired, the weighted-average cost of the retired treasury stock is written off by offset against the par value and capital surplus, if any, of the stock retired. The excess of the weighted-average cost over the sum of both the par value and capital surplus – treasury stock, is accounted for as a reduction of capital surplus – treasury stock, or a reduction of retained earnings for any deficiency where capital surplus-treasury stock is insufficient to cover the excess. If the weighted-average cost written off is less than the sum of both the par value and capital surplus, if any, of the stock retired, the difference is accounted for as an increase in capital surplus – treasury stock.

(t) Share-based payment

The employee stock options which were granted before January 1, 2008, were accounted for based on Interpretations (92) 070, 071 and 072 issued by the Accounting Research and Development Foundation. Under these Interpretations, compensation cost is recognized based on, the difference between the market price of the stock and the exercise price of the employee stock option on the measurement date, using the intrinsic value method. This compensation cost is charged to expense over the employee vesting period with corresponding increases in the stockholders' equity.

(u) Revenue recognition

Revenue is recognized when products are delivered to customers and the significant risks and rewards of ownership are transferred. Repair income is recognized when the services are provided.

(v) Employees' bonus and directors' and supervisors' emoluments

Employees' bonus and directors' and supervisors' emoluments appropriated on or after January 1, 2008, are accounted for based on Interpretation (96) 052 issued by the Accounting Research and Development Foundation. Under this interpretation, the Consolidated Companies estimate the amount of employees' bonus and directors' and supervisors' emoluments and recognize it as expense as services are rendered The difference between the amount approved in the shareholders' meeting and the amount estimated and recognized in the consolidated financial statements, if any, is accounted for as a change in accounting estimate and recognized in profit or loss.

(w) Income taxes

The Consolidated Companies adopted ROC SFAS No. 22 "Income Taxes" for the computation of income taxes, using the asset and liability method. Accordingly, deferred income tax is accounted for the differences between accounting and tax basis of assets and liabilities using anticipated or enacted tax rates in effect during the years in which the differences are expected to reverse. The income tax effects resulting from taxable temporary differences are recognized as deferred income tax liabilities. The income tax effects resulting from deductible temporary differences, operating loss carryforwards, and investment tax credit are recognized as deferred income tax assets. In addition, the realization of deferred income tax assets is evaluated in order to recognize a valuation allowance, if needed. Deferred income tax assets and liabilities are classified as either current or non-current based on the classification of related assets or liabilities. If the deferred income tax assets or liabilities are not related to any assets or liabilities, then the classification is based on the expected realization date of the deferred income tax asset or liability.

Investment tax credit granted prior to January 1, 2010 for purchases of equipment, research and development expenses, and training costs is recognized using the flow through method. However, those investment tax credit granted effective January 1, 2010 is recognized only in the year incurred.

In accordance with the ROC Income Tax Act, the Company and its domestic consolidated subsidiaries may retain the earnings arising after December 31, 1997, by paying a 10% surtax on the undistributed earnings. Such surtax is accounted for as income tax expense on the date when the stockholders approve a resolution not to distribute the earnings.

(x) Earnings per common share

Earnings per common share is calculated by dividing net income by the weighted-average number of outstanding common shares. The weighted-average number of outstanding common shares is adjusted retroactively for the distribution of stock dividends to stockholders from retained earnings or capital surplus.

Stock options and common stock issued for employees' bonus are potential common stock. Only basic earnings per share is disclosed if these potential common shares are not dilutive. Otherwise, both basic and diluted earnings per share are disclosed. In calculating the diluted earnings per share, the net income and weighted average number of common shares outstanding are retroactively adjusted for the potential common shares assuming they are converted into common stock at the beginning of the year.

(y) Convenience translation into U.S. dollars

The consolidated financial statements are stated in New Taiwan dollars. Translation of the December 31, 2010, New Taiwan dollar financial statement amounts into U.S. dollar amounts is included solely for the convenience of the readers, using the spot rate of Federal Reserve Bank of New York on September 30, 2011, of NT$30.45 to U.S.$1 uniformly for all the financial statement accounts. The convenience translations should not be construed as representations that the New Taiwan dollar amounts have been, could have been, or could in the future be, converted into U.S. dollars at this rate or any other rate of exchange.

3. CHANGES IN ACCOUNTING PRINCIPLES

The Consolidated Companies recognize employee bonus and directors' and supervisors' emoluments as expenses in accordance with Interpretation (96) 052 issued by the Accounting Research and Development Foundation commencing from January 1, 2008. The adoption of the new accounting principle covered by this Interpretation decreased the consolidated net income and earnings per share of the Consolidated Companies by NT$856,059 and NT$0.49, respectively, for the year ended December 31, 2008. Basic earnings per share and diluted earnings per share are not retroactively adjusted for stock dividends to employees as bonus in accordance with Interpretation (97) 169 issued by the Accounting Research and Development Foundation. However, the diluted earnings per share are retroactively adjusted if the stock dividends to employees as bonus are potentially dilutive.

Effective from January 1, 2009, the Consolidated Companies adopted the amended ROC SFAS No. 10 "Inventories". The adoption of this new accounting principle did not have any material effect on the consolidated financial statements as of and for the year ended December 31, 2009.

4. SIGNIFICANT ACCOUNT DISCLOSURES

(a) Cash and cash equivalents

The components of cash and cash equivalents as of December 31, 2008, 2009 and 2010, were as follows:

	2008	2009	2010	
	NT$	NT$	NT$	U.S.$
Cash on hand	18,773	18,729	17,920	589
Cash in banks	9,649,668	16,897,485	25,424,571	834,961
Time deposits	3,479,995	3,538,330	15,198,754	499,138
Short-term notes	25,564	85,326	164	5
	13,174,000	20,539,870	40,641,409	1,334,693

(b) Financial instruments

(1) Financial assets and liabilities at fair value through profit or loss as of December 31, 2008, 2009 and 2010, were as follows:

	2008	2009	2010	
	NT$	NT$	NT$	U.S.$
Financial assets:				
Foreign currency swap contracts	8,094	247,809	108,158	3,552
Foreign currency forward contracts	4,820	2,992	11,380	374
	12,914	250,801	119,538	3,926
Financial liabilities:				
Foreign currency swap contracts	–	49,749	127,439	4,185
Foreign currency forward contracts	4,748	91,109	75,200	2,470
	4,748	140,858	202,639	6,655

For the years ended December 31, 2008, 2009 and 2010, gain (loss) on the derivative contracts due to the change in fair market value amounted to NT$36,550, NT$101,783 and NT$(192,428), respectively, and was accounted for under "evaluation gain (loss) on financial instruments".

Derivative contracts of the Consolidated Companies with several banks were intended to manage foreign currency exchange and interest rate risks resulting from operating, financing, and investing activities. As of December 31, 2008, 2009 and 2010, derivative financial instruments not qualified for hedge accounting were as follows:

(i) Foreign currency swap contracts

2008		2009		2010	
Notional amount	Currency	Notional amount	Currency	Notional amount	Currency
USD 10,000	USD Put / NTD Call	USD 1,087,000	USD Put / NTD Call	USD 430,000	USD Put / NTD Call
		USD 108,000	NTD Put / USD Call	USD 5,435	EUR Put / USD Call
				NTD 40,457	JPY Put / NTD Call
				USD 78,000	NTD Put / USD Call

(ii) Foreign currency forward contracts

2008		2009		2010	
Notional amount	Currency	Notional amount	Currency	Notional amount	Currency
USD 10,000	USD Put / NTD Call	USD 2,000	USD Put / NTD Call	USD 177,000	NTD Put / USD Call
USD 2,500	USD Put / RMB Call	USD 292,000	NTD Put / USD Call	USD 1,851	JPY Put / USD Call
USD 10,000	NTD Put / USD Call			USD 1,000	CNY Put / USD Call

(2) Available-for-sale financial assets as of December 31, 2008, 2009 and 2010, were as follows:

	2008	2009	2010	
	NT$	NT$	NT$	U.S.$
Available-for-sale financial assets – current:				
Bond fund	4,833	4,843	3,357	110
Available-for-sale financial assets – noncurrent:				
Publicly traded stock – Xplore	9,873	7,623	9,938	326
Publicly traded stock – DDD Group PLC	–	91,700	103,151	3,388
Publicly traded stock – Alpha Networks	481,798	730,002	648,314	21,291
Publicly traded stock – Compucase	18,354	42,992	–	–
Publicly traded stock – Super Dragon Technology Co., Ltd.	–	335,880	275,400	9,045
Stock traded on OTC – High-Tek	24,954	61,638	44,003	1,445
Stock traded on OTC – Gamania	53,852	118,715	99,911	3,281
	588,831	1,388,550	1,180,717	38,776

For the years ended December 31, 2008, 2009 and 2010, unrealized gain (loss) on available-for-sale financial assets recognized as adjustments to stockholders' equity amounted to NT$(284,538), NT$500,174 and NT$(189,088), respectively.

For the years ended December 31, 2008, 2009 and 2010, the Consolidated Companies disposed of available-for-sale financial assets and recognized gains on disposal thereof of NT$44,488, NT$11,627 and NT$1,900, respectively. These gains were accounted for under "gain on disposal of investments".

(3) Financial assets carried at cost as of December 31, 2008, 2009 and 2010, were as follows:

	2008	2009	2010	
	NT$	NT$	NT$	U.S.$
Noncurrent:				
Privately held stock – Super Elite Ltd.	49,808	47,945	–	–
Privately held stock – Bcom Electronics Inc.	18,728	18,728	18,728	615
Privately held stock – IP Fund II L.P.	15,000	15,000	7,681	252
Privately held stock – IP Fund III L.P.	44,817	44,817	44,817	1,472
Privately held stock – Vmedia Research	–	–	–	–
Privately held stock – Jafco AT Fund III L.P.	124,924	119,235	115,415	3,790
Privately held stock – Jafco AT Fund IV L.P.	71,480	87,823	124,588	4,092
Privately held stock – Bluechip Infotech Pty Ltd. ("SAL")	13,827	13,827	–	–
Privately held stock – IP Fund One, L.P.	60,073	52,963	35,127	1,154
Privately held stock – Golden Unify International Enterprises Ltd. ("GUI")	7,356	7,170	–	–
Privately held stock – AcroSense Technology Co., Ltd.	157,920	157,920	157,920	5,186
Privately held stock – IP Cathay II, L.P.	24,168	97,635	136,035	4,467
Privately held stock – IP Cathay One, L.P.	144,991	141,407	142,852	4,691
Privately held stock – Keen High Technologies Limited	129,249	125,985	114,578	3,763
Privately held stock – Hartec Asia Pte. Ltd.	132,118	128,781	–	–
Privately held stock – Nol Vate Advanced Ltd.	–	90,000	90,000	2,956
Privately held stock – U-Systems, Inc.	–	–	47,958	1,575
Privately held stock – Lilee Systems, Ltd	–	–	47,588	1,563
Privately held stock – Global Lighting Technologies Inc.	–	–	640,000	21,018
Privately held stock – Zeo, Inc.	–	–	45,459	1,493
Others	3,177	1,799	887	29
	997,636	1,151,035	1,769,633	58,116

No market prices were available for determining the fair value of the above privately held equity securities; therefore, the cost thereof was used.

In 2006, WHU, a subsidiary of the Company, was liquidated and the investment thereon was recorded under financial assets carried at cost – noncurrent. During the year ended December 31, 2008, the related legal processes for the liquidation of this subsidiary were completed. Total capital recovered from the liquidation was NT$169,299. The recovered capital in excess of the book value of this equity investment (including the carrying value and the foreign currency translation adjustment of NT$178,681 and NT$(51,420), respectively) amounting to NT$42,038 was accounted for under "gain on disposal of investments".

Because Vmedia Research had continuous losses and it was unlikely to generate a profit in the short term, the Consolidated Companies recognized a valuation loss on investment thereon of NT$7,472 for the year ended December 31, 2008.

Because Super Elite Ltd. was unable to operate successfully, the Consolidated Companies recognized other investment loss thereon of NT$1,206 for the year ended December 31, 2009.

In July 2010, GUI started its liquidation and refunded capital of NT$3,806. The Consolidated Companies reclassified the investment in this investee into other financial assets – noncurrent and recognized a loss thereon of NT$2,641, which was accounted for under "other investment loss".

(4) Other financial assets – noncurrent as of December 31, 2008, 2009 and 2010, were as follows:

	2008	2009	2010	
	NT$	NT$	NT$	U.S.$
Stock – Golden Unify International Enterprises Ltd. (GUI)	–	–	283	9
Stock – AOpen Center-MD, LLC (note)	–	–	–	–
	–	–	283	9

(note): AOI and its subsidiaries were not listed as the consolidated entities commencing from August 19, 2010. Please refer to note 4(f) for further information.

(c) Accounts receivable

As of December 31, 2008, 2009 and 2010, the factored accounts receivable that conformed to the derecognition criteria were as follows:

2008						
Buyer	Factored amount	Factoring credit limit	Advance amount	Collateral	Important derecognition clause	Derecognized amount
Bank Sinopac	U.S.$274,548	135,000	135,000	135,000	Without recourse	135,000
Mega International Commercial Bank (note 3)	759,783	450,000	449,668	450,000	"	472,902
Taishin Bank	1,157	30,000	–	–	"	1,157
	U.S.$1,035,488	615,000	584,668	585,000		609,059

2009

Buyer	Factored amount	Factoring credit limit	Advance amount	Collateral	Important derecognition clause	Derecognized amount
Bank SinoPac	U.S.$360,841	200,000	174,631	200,000	Without recourse	180,421
Mega International Commercial Bank (note 3)	358,389	450,000	290,197	450,000	”	310,131
	U.S.$719,230	650,000	464,828	650,000		490,552

2010

Buyer	Factored amount	Factoring credit limit	Advance amount	Collateral	Important derecognition clause	Derecognized amount
Bank SinoPac (note 1)	U.S.$822,691	400,000	390,531	400,000	Without recourse	390,531
Mega International Commercial Bank (notes 2 and 3)	748,446	700,000	462,734	700,000	”	485,695
	U.S.$1,571,137	1,100,000	853,265	1,100,000		876,226

(note 1): In May 2010, the Consolidated Companies entered into a syndicated accounts receivable factoring agreement with Bank SinoPac, First Bank, Chang Hwa Bank and Hua Nan Bank. Each of these banks participates on a pro rata basis.

(note 2): In May 2010, the Consolidated Companies also entered into a syndicated accounts receivable factoring agreement with Mega International Commercial Bank and Chang Hwa Bank. Each of these banks participates on a pro rata basis.

(note 3): As of December 31, 2008, 2009 and 2010, the related party receivable from AI, which was included among the factored accounts receivable amounted to U.S.$573,035, U.S.$241,285 and U.S.$525,485, respectively. The related derecognized accounts amounted to approximately U.S.$286,154, U.S.$193,028 and U.S.$262,734, respectively.

The above-mentioned factorings of accounts receivable to banks are recognized when the ownership and the significant risks of the factored accounts receivable are transferred. As of December 31, 2008, 2009 and 2010, the accounts receivable factored to banks amounted to U.S.$1,035,488 (approximately NT$34,026,136), U.S.$719,230 (approximately NT$23,036,937) and U.S.$1,571,137 (approximately NT$46,191,425), respectively. Included among the factored accounts receivable, accounts receivable of NT$801,458, NT$823,925 and NT$668,865, respectively, were still receivable from banks, therefore, were included in “other financial assets – current” in the accompanying consolidated balance sheets.

For the years ended December 31, 2008, 2009 and 2010, the average annual interest rates on factored accounts receivable were 1.22% to 5.72%, 0.48% to 2.35% and 0.48% to 1.20%, respectively.

(d) Inventories

The components of inventories as of December 31, 2008, 2009 and 2010, were as follows:

	2008	2009	2010	
	NT$	NT$	NT$	U.S.$
Raw materials	16,024,476	15,455,471	20,522,750	673,982
Less: provision for obsolescence	(213,476)	(303,672)	(436,054)	(14,320)
Sub-total	15,811,000	15,151,799	20,086,696	659,662
Work in process	3,658,275	2,948,567	3,306,657	108,593
Less: provision for obsolescence	(37,230)	(118,365)	(179,168)	(5,884)
Sub-total	3,621,045	2,830,202	3,127,489	102,709
Finished goods	9,907,979	6,621,707	7,581,706	248,989
Less: provision for obsolescence	(116,712)	(290,293)	(243,110)	(7,984)
Sub-total	9,791,267	6,331,414	7,338,596	241,005
Inventory in transit	4,090,158	4,231,731	4,415,071	144,994
Less: provision for obsolescence	(1,421,533)	(876,065)	(1,334,948)	(43,841)
	31,891,937	27,669,081	33,632,904	1,104,529

For the years ended December 31, 2008, 2009 and 2010, the Consolidated Companies recognized related losses on inventories of NT$1,457,574, NT$649,926 and NT$1,504,162, respectively, which included losses on inventories charged to cost of sales of NT$1,461,842, NT$494,580 and NT$1,281,430, respectively, from the write down of inventories from cost to net realizable value.

(e) Non-current assets held for sale

In April 2010, the Company decided to sell the factory building and parking lots and, therefore, classified these assets as "non-current assets held for sale" in May 2010. In December 2010, these assets were sold.

(f) Long-term equity investments

Long-term equity investments and long-term investment credit as of December 31, 2008, 2009 and 2010, and related investment income or loss for the years ended December 31, 2008, 2009 and 2010, were as follows:

	2008		2008
Investee	**Percentage of ownership**	**Book value**	**Investment income (loss)**
		NT$	**NT$**
Under equity method:			
Wistron NeWeb Corporation ("WNC")	27.70%	1,744,301	188,599
ChanGing Information Technology Inc. (formerly "Formosoft International Inc.")	27.59%	42,809	(3,286)
Mindforce Holdings Limited	29.00%	457,362	132,682
ACA Digital Corporation ("ACA")	41.21%	10,692	(59,759)
Wistron Information Technology and Services Corporation ("WITS")	41.68%	235,482	10,241
KunShan ChangNun Precision Die Casting Co., Ltd.	5.00%	4,201	(966)
Park Orchid Limited ("POL")	46.88%	148,355	(7,311)
Gold Connection Ltd. ("GDCL")	29.00%	180,454	(20,314)
Hsieh Yuh Technology Co., Ltd.	30.00%	1,921	(122)
Open Tech	31.67%	696	272
AOpen Center-MD, LLC	25.33%	4,329	(518)
PlayCoo Corporation ("PCC")	–	–	(1,298)
Others	–	–	(4)
Main Source Technology Co., Ltd.	35.48%	–	–
Deferred credits of long-term equity investments (note 5(b)(8))		(49,474)	1,137
		2,781,128	239,353
Long-term investment credit (included in "other liabilities") (note 5):			
Xserve (BVI) Corp.	39.14%	(5,636)	–
			239,353
Prepaid long-term investment:			
ACA		20,000	

Investee	2009 Percentage of ownership	2009 Book value	2009 Investment income (loss)
		NT$	NT$
Accounted for under equity method:			
Wistron NeWeb Corporation ("WNC")	27.30%	1,900,067	226,596
ChanGing Information Technology Inc. (formerly "Formosoft International Inc.")	28.47%	32,414	2,276
Mindforce Holdings Limited	29.00%	662,490	130,715
ACA Digital Corporation ("ACA")	30.83%	27,175	(22,959)
Wistron Information Technology and Services Corporation ("WITS")	41.03%	254,584	22,754
KunShan ChangNun Precision Die Casting Co., Ltd.	3.56%	5,412	847
Formosoft International Inc.	28.47%	11,507	(1,275)
Park Orchid Limited ("POL")	46.88%	121,169	(24,096)
Gold Connection Ltd. ("GDCL")	29.00%	327,369	11,837
Hsieh-Yuh Technology Co., Ltd.	30.00%	26,785	(4,039)
Open Tech	31.67%	739	62
AOpen Center-MD, LLC	–	–	(3,098)
Main Source Technology Co., Ltd.	35.48%	–	–
Deferred credits of long-term equity investments (note 5(b)(8))		(48,337)	1,137
		3,321,374	340,757
Long-term investment credit (note 5) (note):			
Xserve (BVI) Corp.	39.14%	(5,556)	–
			340,757

(note): Of the long-term investment credit, NT$44 was treated as a contra account to other receivable – related parties and the remaining balance of NT$5,512 was recorded in other liabilities.

	2010			2010	
Investee	Percentage of ownership	Book value		Investment income (loss)	
		NT$	U.S.$	NT$	U.S.$
Accounted for under equity method:					
Wistron NeWeb Corporation ("WNC")	26.94%	2,206,676	72,469	420,730	13,817
AOpen Inc. ("AOI")	27.10%	354,624	11,646	2,298	75
ChanGing Information Technology Inc. (formerly "Formosoft International Inc.")	28.03%	33,640	1,105	1,200	39
Mindforce Holdings Limited	29.00%	1,258,192	41,320	(59,352)	(1,949)
ACA Digital Corporation ("ACA")	30.83%	7,092	233	(20,390)	(670)
Wistron Information Technology and Services Corporation ("WITS")	36.02%	244,214	8,020	20,429	671
KunShan ChangNun Precision Die Casting Co., Ltd.	3.56%	6,856	225	1,863	61
Formosoft International Inc.	28.47%	11,772	387	208	7
Park Orchid Limited ("POL")	46.88%	79,778	2,620	(35,905)	(1,179)
Hsieh-Yuh Technology Co., Ltd.	30.00%	60,503	1,987	(10,549)	(346)
Main Source Technology Co., Ltd.	35.48%	–	–	–	–
Open Tech	31.67%	–	–	(338)	(11)
Cetus International Co., Limited ("CTI")	30.00%	36,915	1,212	(1,175)	(38)
Super Elite Ltd. ("Super Elite")	43.17%	85,434	2,806	5,747	189
Information SuperGrid Technology Global Inc. Limited ("ISGTC")	40.00%	136,685	4,489	(9,735)	(320)
Hartec Asia Pte. Ltd.	20.02%	187,896	6,170	16,829	553
Deferred credits of long-term equity investments (note 5(b)(8))		(47,200)	(1,550)	1,137	37
		4,663,077	153,139	332,997	10,936
Long-term investment credit (note 5) (note):					
Gold Connection Ltd. ("GDCL")	29.00%	(14,408)	(473)	60	2
Xserve (BVI) Corp.	39.14%	(2,808)	(92)	–	–
		(17,216)	(565)	333,057	10,938
Prepaid long-term investment:					
Information SuperGrid Technology China Limited ("ISGTC")		160,000	5,255		
Greator Technology B.V.		31,741	1,042		
		191,741	6,297		

(note): Of the long-term investment credit, NT$44 was treated as a contra account to other receivable-related parties and the remaining balance of NT$17,172 was recorded in other liabilities.

As of December 31, 2008, 2009 and 2010, the market values of long-term equity investments in listed companies were as follows:

	2008	2009	2010	
	NT$	NT$	NT$	U.S.$
WNC	1,435,925	3,814,052	5,052,163	165,917
AOI	–	–	585,295	19,221
	1,435,925	3,814,052	5,637,458	185,138

The above-mentioned long-term investment credits were netted against other receivable-related parties (see note 5). Deferred long-term investment credits represent the unamortized balance of deferred gains and losses derived from the transfer of equity investment ownership among the affiliated companies. These long-term investment credits are debited when the related assets of the investee companies are depreciated or amortized or the Consolidated Companies' equity holding ratios in the investee companies have changed.

For purposes of restructuring the investment holdings, the Consolidated Companies sold their ownership in PCC for NT$75,321 in 2008. The gain from the sale of those equity ownership amounting to NT$75,514 was accounted for under "gain on disposal of investments".

In December 2009, AOpen Center-MD, LLC started its liquidation and refunded capital of NT$1,256. The Consolidated Companies reclassified the investment in this investee into other financial assets – non-current. As of December 31, 2010, the process of liquidating this investee is completed.

In 2010, the Consolidated Companies sold portion of its equity ownership in WITS. The sale of such equity ownership resulted in a gain of NT$22,145, which was accounted for under "gain on disposal of investments".

As of December 31, 2008, capital surplus had increased by NT$1,965 due to WNC's and WITS's distribution of employee bonuses, WCL's disposal of long-term equity investment, and the change in the Consolidated Companies' equity holding ratio in WITS resulting from the capital increase.

As of December 31, 2009, the Company's capital surplus had increased by NT$27,708 due to distribution of employees' bonus by WNC and WITS and the change in equity holding ratio of the Company and WCL in ACA as a result of the capital increase.

As of December 31, 2010, the Company' s capital surplus had increased by NT$40,376 due to the change in the equity holding ratios of the Company and WCL in WNC and AOI arising from the exercise of employee stock options, and distribution of employees' bonus by WITS.

For the years ended December 31, 2008, 2009 and 2010, unrealized loss on available-for-sale financial assets of NT$(65,801), NT$231 and NT$(3,759), respectively, was recognized as adjustments to stockholders' equity in proportion to the equity investment ownership ratio.

(g) Property, plant and equipment and lease

For the years ended December 31, 2008, 2009 and 2010, capitalized interest expense amounted to NT$9,861, NT$7,975 and NT$30,042, respectively. The capitalized interest rate was 3% per annum.

In August 2007, AOI sold the land and building located in Neihu and leased back part of the building under a two-year operating lease agreement. The proceeds and gain from the disposal of these properties were NT$1,426,032 and NT$297,597, respectively, and the unrealized gain on sale-and-leaseback was NT$249,355. For the years ended December 31, 2008 and 2009, the Consolidated Companies recognized the realized gain of NT$124,676 (NT$96,144 was recorded as "gain on disposal of property, plant and equipment" and the balance of NT$28,532 was recorded as a credit to rental expense) and NT$83,118 (NT$64,103 was recorded as "gain on disposal of property, plant and equipment" and the balance of NT$19,015 was recorded as a credit to rental expense). The unamortized unrealized gain on sale-and-leaseback was fully recognized as realized gain before and in 2009.

Property and equipment provided as collateral as of December 31, 2008, 2009 and 2010, were disclosed in note 6.

(h) Intangible assets

	Patents	Goodwill	Software	Core technology	Customer relationships	Land use rights	Others	Total
	NT$	NT$	NT$	NT$	NT$	NT$	NT$	NT$
Original cost								
Balance at December 31, 2007	312,925	156,672	749,856	–	–	632,946	929	1,853,328
Additions	234,153	–	386,344	–	–	9,310	–	629,807
Disposal	–	–	–	–	–	(15,868)	–	(15,868)
Acquisition	–	561,485	–	355,100	264,800	–	–	1,181,385
Reclassification	24	(51,521)	(1,833)	–	–	–	(205)	(53,535)
Others	–	(105,151)	(455)	–	–	–	(580)	(106,186)
Foreign currency translation	–	–	87	–	–	9,819	–	9,906
Balance at December 31, 2008	547,102	561,485	1,133,999	355,100	264,800	636,207	144	3,498,837
Additions	259,248	474	203,195	–	–	–	33	462,950
Disposal	–	–	(26)	–	–	–	–	(26)
Reclassification	(146)	–	485	–	–	–	(23)	316
Foreign currency translation	–	–	(126)	–	–	(16,049)	–	(16,175)
Balance at December 31, 2009	806,204	561,959	1,337,527	355,100	264,800	620,158	154	3,954,902
Additions	48,796	–	559,505	–	–	825,220	1,654	1,435,175
Decrease	–	–	–	–	–	–	–	(121)
Reclassification	(47)	–	(87)	–	–	–	(121)	(134)
Foreign currency translation	–	–	(858)	–	–	(55,593)	–	(56,451)
Balance at December 31, 2010	854,953	561,959	1,896,087	355,100	264,800	1,389,785	1,687	5,333,371
Accumulated amortization								
Balance at December 31, 2007	23,953	125,127	392,903	–	–	75,361	300	617,644
Amortization	36,175	–	320,283	44,387	13,240	12,870	–	426,955
Reclassification	24	(51,521)	(284)	–	–	–	(39)	(51,820)
Others	–	(73,606)	(307)	–	–	–	(261)	(74,174)
Foreign currency translation	–	–	5	–	–	1,018	–	1,023
Balance at December 31, 2008	60,152	–	712,600	44,387	13,240	89,249	–	919,628
Amortization	55,742	–	308,070	177,550	52,960	13,073	–	607,395
Reclassification	–	–	11	–	–	–	–	11
Foreign currency translation	–	–	(22)	–	–	(2,253)	–	(2,275)
Balance at December 31, 2009	115,894	–	1,020,659	221,937	66,200	100,069	–	1,524,759
Amortization	73,904	–	414,860	133,163	52,960	20,838	524	696,249
Foreign currency translation	–	–	(442)	–	–	(9,011)	–	(9,453)
Balance at December 31, 2010	189,798	–	1,435,077	355,100	119,160	111,896	524	2,211,555
Book value								
Balance at December 31, 2008	486,950	561,485	421,399	310,713	251,560	546,958	144	2,579,209
Balance at December 31, 2009	690,310	561,959	316,868	133,163	198,600	520,089	154	2,421,143
Balance at December 31, 2010	665,155	561,959	461,010	–	145,640	1,277,889	1,163	3,121,816

As of December 31, 2008, 2009 and 2010, deferred pension cost amounting to NT$144, NT$121 and NT$0, respectively, was included in other intangible assets.

For the years ended December 31, 2008, 2009 and 2010, amortization expense of intangible assets was NT$426,955, NT$607,395 and NT$696,249, respectively, and was recorded as operating expense.

On April 29, 2008, the Company's board of directors approved a resolution to acquire Lite-On Technology Corporation's (Lite-On) Digital Display Business Unit (DDBU) for NT$9,200,000 (including intangible assets of NT$1,200,000 and tangible assets of NT$8,000,000). The acquisition included inventories, machinery and equipment, intellectual property rights, and the commitment to continue to employ its employees, but did not include land and buildings.

The business acquisition was accounted for in accordance with ROC SFAS No. 25, "Business Combinations". Accordingly, the Company recognized goodwill, which represents the excess of the purchase price and direct transaction cost over the fair value of the net identifiable tangible and intangible assets.

On July 22, 2009, the Company and Lite-On had reached full agreement on the total acquisition cost of inventories, machinery and equipment, which did not require an adjustment to the originally recognized goodwill.

The following represents the allocation of the purchase price to the acquired net assets of Lite-On:

		NT$
Purchase price:		8,928,420
The identifiable assets acquired:		
Inventories	7,094,703	
Machinery and equipment	652,332	
Core technology	355,100	
Customer relationships	264,800	8,336,935
Goodwill		561,485

The core technology is being amortized using the straight-line method over 2 years, the estimated period in which the economic benefits will be consumed. Customer relationships are being amortized using the straight-line method over the estimated useful life of 5 years.

(i) Deferred expenses and other assets

The components of deferred expenses and other assets as of December 31, 2008, 2009 and 2010, were as follows:

	2008	2009	2010	
	NT$	NT$	NT$	U.S.$
Deferred improvement costs	678,754	776,527	605,644	19,890
Idle assets	243,254	205,064	157,354	5,168
Property for operating leases, net	194,894	191,634	195,133	6,408
Refundable deposits	160,097	143,640	173,932	5,712
Restricted deposit (note 6)	28,032	12,415	11,944	392
Prepaid pension cost (note 4(l))	37,725	39,557	19,381	637
Deferred expenses and others	166,087	271,297	333,094	10,939
	1,508,843	1,640,134	1,496,482	49,146

(j) Short-term borrowings

Short-term borrowings as of December 31, 2008, 2009 and 2010, were as follows:

	2008	2009	2010	
	NT$	NT$	NT$	U.S.$
Unsecured bank loans	2,875,183	1,885,026	33,107,360	1,087,270

For the years ended December 31, 2008, 2009 and 2010, the average annual interest rates on short-term borrowings were 0.96%~8.29%, 0.40%~5.35% and 0.37%~4.86%, respectively. Unused credit facilities as of December 31, 2008, 2009 and 2010, amounted to NT$34,602,868, NT$51,991,925 and NT$48,081,959, respectively. The Consolidated Companies were not required to pay commitment fees on these facilities. Furthermore, the Consolidated Companies provided some assets as collateral for the above-mentioned credit facilities. Please refer to note 6 for the details of pledged assets related to these credit facilities.

(k) Long-term borrowings

		2008		2009		2010		
Financial institutions	Repayment period	Amount	Interest rate (p.a.)	Amount	Interest rate (p.a.)	Amount		Interest rate (p.a.)
		NT$	(%)	NT$	(%)	NT$	U.S.$	(%)
Yuanta Bank and 11 other banks	The three-year syndicated loan agreement entered into by the Company on June 18, 2008 with 12 banks in Taiwan require that the principal is payable in lump sum on maturity date if not refinanced before the payment date.	9,858,000	3.14%~ 4.90%	5,765,400	0.78%~ 3.18%	8,739,000	286,995	0.77%~ 0.99%
Mizuho Corporate Bank	The loan agreement begins from November 1, 2010 to August 1, 2014, to repay JPY$50,000,000 every three months from November 1, 2012 and the remaining is payable in lump sum on maturity date.	–	–	–	–	143,194	4,703	0.68%~ 0.94%
Less: Current portion		–		–		(8,739,000)	(286,995)	
		9,858,000		5,765,400		143,194	4,703	

(1) As of December 31, 2008, 2009 and 2010, NT$0, NT$3,843,600 and NT$572,800, respectively, of the long-term credit facility granted by financial institutions had not been used. The Company provided a U.S.$300,000 worth of promissory note as collateral for the syndicated loan credit facility but is not required to pay any commitment fee.

(2) The significant terms of the syndicated loan agreement entered into in 2008 are as follows:

Total credit facility: U.S.$300,000.

Bank syndicates:

(i) Lead bank and arranger: Yuanta Bank.

(ii) Other participating banks: Land Bank, Chang Hwa Bank, Taiwan Business Bank, Bank of Tokyo-Mitsubishi UFJ, Mizuho Corporate Bank, First Bank, Hua Nan Bank, Shanghai Commercial & Savings Bank, Cathay United Bank, E. Sun Bank and Industrial Bank of Taiwan.

Credit category: mid-term loan.

Credit term: three years from the date when the loan agreement is signed.

Repayment: The principal is payable in lump sum on maturity date if not refinanced before the payment date.

Covenants: during the credit term, the Company is committed to maintain the following financial ratios:

(i) Current ratio should not be lower than 100%.

(ii) Loan to equity ratio should not be higher than 100%.

(iii) Interest coverage ratio should not be lower than 400%.

(iv) Total tangible net assets should not be lower than NT$25,000,000.

Compliance with the above-mentioned financial ratios is determined based on the semi-annual and annual consolidated financial statements audited or audited by independent auditors recognized by the lead bank and the arranger. As of December 31, 2008, 2009 and 2010, the Company was in compliance with the financial covenants.

Breach of covenant: if a breach of covenant occurs, the Company's credit facility is promptly restricted. Without the consent of a majority of banks, the credit facility is no longer available to the Company. In addition, if the consent of a majority of banks is obtained, the arranger is eligible to act as follows:

(i) To call part or all of the unused credit facility;

(ii) To inform the Company in writing that the loan is due immediately, and the principal with corresponding interest and penalty should be repaid to each bank;

(iii) To request payment from the Company by exercising the right derived from the promissory note;

(iv) To exercise the rights within the regulations, agreement, guarantee and other documents without further notifications. The Company has agreed to waive its rights for the above-mentioned notifications from the bank syndicates.

(l) Accrued pension liability

(1) The following tables set forth the benefit obligation and net retirement plan assets (accrued pension liabilities) related to the Consolidated Companies' defined benefit retirement plans as of December 31, 2008, 2009 and 2010:

	2008	
	Plan assets in excess of accumulated benefit obligation	Accumulated benefit obligation in excess of plan assets
	NT$	NT$
Benefit obligation:		
Vested benefit obligation	(1,735)	(114,957)
Non-vested benefit obligation	(56,208)	(570,221)
Accumulated benefit obligation	(57,943)	(685,178)
Projected compensation increases	(11,687)	(388,824)
Projected benefit obligation	(69,630)	(1,074,002)
Plan assets at fair value	105,669	671,094
Funded status	36,039	(402,908)
Unrecognized net loss	2,432	439,551
Unrecognized transition assets	(602)	(39,176)
Additional minimum pension liability	(144)	(11,551)
Net retirement plan assets/(Accrued pension liabilities)	37,725	(14,084)

	2009	
	Plan assets in excess of accumulated benefit obligation	Accumulated benefit obligation in excess of plan assets
	NT$	NT$
Benefit obligation:		
Vested benefit obligation	(36,690)	(194,141)
Non-vested benefit obligation	(29,384)	(600,443)
Accumulated benefit obligation	(66,074)	(794,584)
Projected compensation increases	(11,991)	(431,672)
Projected benefit obligation	(78,065)	(1,226,256)
Plan assets at fair value	103,744	720,889
Funded status	25,679	(505,367)
Unrecognized net loss	14,537	552,902
Unrecognized transition assets	(538)	(36,261)
Additional minimum pension liability	(121)	(84,969)
Net retirement plan assets/(Accrued pension liabilities)	39,557	(73,695)

	2010			
	Plan assets in excess of accumulated benefit obligation		Accumulated benefit obligation in excess of plan assets	
	NT$	U.S.$	NT$	U.S.$
Benefit obligation:				
Vested benefit obligation	–	–	(271,558)	(8,918)
Non-vested benefit obligation	(4,214)	(138)	(698,980)	(22,955)
Accumulated benefit obligation	(4,214)	(138)	(970,538)	(31,873)
Projected compensation increases	(2,882)	(95)	(510,602)	(16,769)
Projected benefit obligation	(7,096)	(233)	(1,481,140)	(48,642)
Plan assets at fair value	24,537	806	784,474	25,763
Funded status	17,441	573	(696,666)	(22,879)
Unrecognized net loss	1,762	58	745,707	24,490
Unrecognized transition assets	178	5	(33,346)	(1,095)
Additional minimum pension liability	–	–	(201,759)	(6,626)
Net retirement plan assets/(Accrued pension liabilities)	19,381	636	(186,064)	(6,110)

(2) The components of the net periodic pension cost for 2008, 2009 and 2010 were as follows:

	2008	2009	2010	
	NT$	NT$	NT$	U.S.$
Service cost	25,392	28,602	26,499	870
Interest cost	28,498	28,252	28,398	933
Actual return on plan assets	(25,212)	(4,858)	(11,899)	(391)
Amortization and deferral	7,276	(1,054)	13,577	446
Net periodic pension cost	35,954	50,942	56,575	1,858

Significant actuarial assumptions used in the above calculations were as follows:

	2008	2009	2010
Discount rate	2.50%	2.25%	1.75%
Rate of increase in future compensation levels	1.00%~3.00%	1.00%~3.00%	3.00%
Expected long-term rate of return on plan assets	2.50%	2.25%	1.75%

In 2008, 2009 and 2010, pension cost under the Defined Contribution Pension Plan was NT$275,239, NT$271,320 and NT$306,495 respectively, of which NT$27,408, NT$28,900 and NT$39,281 was yet to be deposited with the Bureau of Labor Insurance as of December 31, 2008, 2009 and 2010, respectively, and was recorded under "accrued expenses and other current liabilities".

(m) Income taxes

(1) Each consolidated entity files its own separate income tax return.

(2) The Company obtained government approval for tax exemption on certain products for 5 years, and the last year of tax exemption is 2012. WPH was also granted tax office approval to avail itself of a six-year income tax exemption for income related to the production of PDAs. The tax exemption is from July 2005 to July 2011, based on WPH's compliance with certain criteria under the Philippines Tax Statutes. The tax exemption is eligible for a two-year extension upon expiration.

(3) The components of income tax expense for the years then ended December 31, 2008, 2009 and 2010, were as follows:

	2008	2009	2010	
	NT$	NT$	NT$	U.S.$
Current income tax expense	(1,626,502)	(2,329,407)	(2,761,766)	(90,698)
Deferred income tax benefit (expense)	(331,957)	4,294	(543,313)	(17,843)
Income tax expense	(1,958,459)	(2,325,113)	(3,305,079)	(108,541)

(4) According to of revised ROC Income Tax Act as announced on May 27, 2009, the statutory corporate income tax rate is reduced from 25% to 20% commencing from 2010. However, further revision was made of the revised ROC Income Tax Act which was announced on June 15, 2010, under which, the statutory corporate income tax rate is reduced further to 17% in 2010. Hence, the domestic consolidated entities are subject to income tax at the rate of 25%, 25% and 17% in 2008, 2009 and 2010, respectively. The estimated income tax calculated on pre-tax income at the Company's statutory income tax rate was reconciled with the income tax expense reported in the accompanying consolidated statements of income for the years ended December 31, 2008, 2009 and 2010, as follows:

	2008	2009	2010	
	NT$	NT$	NT$	U.S.$
Estimated income tax expense calculated based on financial income before tax at statutory tax rate of 25%, 25% and 17% in 2008, 2009 and 2010, respectively	(2,214,216)	(2,874,043)	(2,608,703)	(85,672)
Discrepancy caused by different tax rates applied to the Company's subsidiaries	(263,085)	(493,679)	(1,196,416)	(39,291)
10% surtax on undistributed earnings	(87,755)	(291,420)	(223,683)	(7,346)
Tax-exempt investment income	55,173	24,587	114,925	3,774
Gain on disposal of land not subject to income tax	28,723	19,149	–	–
Investment tax credits	976,380	1,263,719	259,319	8,516
Gain on disposal of marketable securities not subject to income tax	29,748	2,676	4,035	133
Prior-period tax adjustment	44,602	15,435	8,438	277
Prior-period deferred income tax asset adjustment	(159,560)	21,539	215,768	7,086
Effect of the change in consolidated entities	–	–	(662,916)	(21,770)
Loss carryforwards	–	33,599	(43,813)	(1,439)
Effect of change in statutory income tax rate	–	(288,451)	(146,714)	(4,818)
Change in valuation allowance for deferred income tax assets	(257,945)	66,109	881,993	28,965
Effect of change in income tax rate on valuation allowance for deferred income tax assets	–	237,210	123,116	4,043
Others	(110,524)	(61,543)	(30,428)	(999)
Income tax expense	(1,958,459)	(2,325,113)	(3,305,079)	(108,541)

(5) The components of deferred income tax assets (liabilities) as of December 31, 2008, 2009 and 2010, were as follows:

	2008	2009	2010	
	NT$	NT$	NT$	U.S.$
Deferred income tax assets – current:				
Provision for inventory obsolescence	368,025	279,011	33,311	1,094
Unrealized warranty reserve	147,270	359,388	332,631	10,924
Unrealized inter-company profits	68,034	58,087	85,519	2,809
Unrealized foreign exchange loss, net	139,101	368,014	66,667	2,189
Unrealized sales discount	291,662	444,574	482,343	15,840
Accrued expenses	107,149	111,635	382,723	12,569
Unused investment tax credits	647,183	390,489	284,129	9,331
Loss carryforwards	17,515	–	–	–
Evaluation loss on financial instruments	–	–	286	9
Others	48,068	45,961	26,720	878
Less: valuation allowance	(496,697)	(589,619)	(470,937)	(15,466)
Net deferred income tax assets – current	1,337,310	1,467,540	1,223,392	40,177
Deferred income tax liabilities – current:				
Others	(27,021)	(46,627)	(11,573)	(380)
Deferred income tax liabilities – current	(27,021)	(46,627)	(11,573)	(380)
Deferred income tax assets, net – current	1,310,289	1,420,913	1,211,819	39,797
Deferred income tax assets – noncurrent:				
Long-term investment loss under equity method	1,104,749	727,877	507,454	16,665
Unused investment tax credits	60,778	67,767	322	11
Loss carryforwards	740,187	695,581	106,527	3,498
Impairment loss	51,240	38,448	999	33
Unrealized loss on available-for-sale financial assets	8,033	–	–	–
Book-tax differences on the depreciation of property, plant and equipment	–	396,919	542,774	17,825
Others	18,646	27,391	17,021	559
Less: valuation allowance	(1,878,890)	(1,482,649)	(596,222)	(19,580)
Net deferred income tax assets – noncurrent	104,743	471,334	578,875	19,011
Deferred income tax liabilities – noncurrent:				
Long-term investment income under equity method	(1,257,054)	(1,747,182)	(2,201,362)	(72,294)
Unrealized gain on available-for-sale financial assets	–	(5,783)	(6,273)	(206)
Others	(19,665)	(25,321)	(12,901)	(424)
Deferred income tax liabilities – noncurrent	(1,276,719)	(1,778,286)	(2,220,536)	(72,924)
Deferred income tax liabilities – noncurrent, net	(1,171,976)	(1,306,952)	(1,641,661)	(53,913)
The above deferred income tax assets (liabilities) were accounted for under below accounts:				
Deferred income tax assets – current	1,310,289	1,431,545	1,223,658	40,186
Deferred income tax liabilities – current	–	(10,632)	(11,839)	(389)
Deferred income tax assets, net – current	1,310,289	1,420,913	1,211,819	39,797
Deferred income tax assets – noncurrent	81,501	452,818	569,869	18,715
Deferred income tax liabilities – noncurrent	(1,253,477)	(1,759,770)	(2,211,530)	(72,628)
Deferred income tax liabilities, net – noncurrent	(1,171,976)	(1,306,952)	(1,641,661)	(53,913)
Total deferred income tax assets	3,817,640	4,011,142	2,869,426	94,234
Total deferred income tax liabilities	(1,303,740)	(1,824,913)	(2,232,109)	(73,304)
Total valuation allowance for deferred income tax assets	(2,375,587)	(2,072,268)	(1,067,159)	(35,046)

(6) The domestic consolidated entities were granted investment tax credits according to the Industrial Innovation Act which is effective January 1, 2010. Under this Act, this type of investments tax credit can be used to reduce up to a maximum of 30% of the income tax liability only in the year when such investment tax credit is granted. Also the domestic consolidated entities were granted investment tax credits for investment in certain high-tech industries, for purchases of automatic machinery and equipment, and for expenditures in research and development and employee training prior to January 1, 2010. These investment tax credits can be used to reduce the income tax liability over a period of 5 years. The amount of investment tax credit that can be used shall not exceed 50% of the income tax liability for each year during the first four years, with full utilization of the balance of the remaining unused investment tax credits in the final year.

As of December 31, 2010, unused investment tax credits available to the Consolidated Companies were as follows:

Expiry year	Unused investment tax credits	
	NT$	U.S.$
2011	147,196	4,834
2012	133,715	4,391
2013	3,540	117
	284,451	9,342

(7) Loss carryforwards available to the Consolidated Companies as of December 31, 2010, were as follows:

Expiry year	Loss carryforwards	
	NT$	U.S.$
2013	30,865	1,013
2014	36,595	1,202
2015	3,362	110
2016	5,088	167
2017	7,701	253
2018	11,200	368
2020	11,716	385
	106,527	3,498

(8) Imputation credit account (ICA) and creditable ratio

As of December 31, 2008, 2009 and 2010, the undistributed earnings and balance of ICA were as follows:

	2008	2009	2010	
	NT$	NT$	NT$	U.S.$
Before January 1, 1998	–	–	–	–
From January 1, 1998	8,506,578	13,677,486	18,809,500	617,718
	8,506,578	13,677,486	18,809,500	617,718
Balance of ICA	534,848	629,920	1,167,912	38,355

	2008 (actual)	2009 (actual)	2010 (estimated)
Creditable ratio for earnings distribution to domestic stockholders	13.30%	16.72%	12.00%

(9) The ROC income tax authorities have examined the Company's income tax returns for all years through 2007. For 2003 and 2004, the tax authorities assessed the Company for additional income tax of NT$107,197 and NT$120,652, respectively, as the tax authorities reduced some of the Company's tax-exempt income and rejected some of the Company's investment credits from the spin-off. In 2006 the Company had accrued the additional income tax liability for 2003 and 2004 as assessed by the tax authorities and fully paid it in 2007. However, the Company disagreed with the tax authorities' assessment of its 2003 and 2004 income tax returns. Therefore, the Company filed a request with the tax authorities for re-examination of its 2003 and 2004 income tax returns. In 2008, the tax authorities have completed their re-examination and the results thereof disclosed that the Company will have tax refund for the years 2003 and 2004 of NT$107,197 and NT$74,054, respectively. Before receiving a tax refund for the year 2003, the Company filed in 2009 a request again with the tax authorities for the second re-examination for the years 2003 and 2004 and the results of such second re-examination disclosed that the Company will receive a tax refund for the year 2003 of NT$53,145 (in addition to a refund of another NT$3,371 for interest income) and will pay additional income tax for the year 2004 of NT$(43,282) (in addition to interest expense of NT$1,336). The main difference between the original and revised additional income tax assessments is the income tax credits received from the spin-off from AI. The Company has adjusted the income tax liability against the receivable from (payable to) AI, accounted for under other receivable (payable) – related parties (see note 5).

(n) Stockholders' equity

(1) Common stock

On June 18, 2010, the Company's shareholders approved a resolution to distribute a stock dividend of 50 shares per thousand shares with a face value of NT$935,135. The Company acquired treasury stock and employee stock options were exercised, therefore, the ratio for the stock dividend to be distributed to shareholders changed to 50.35 shares per thousand shares. As the dividend distribution date was set on August 4, 2010, and the related registration processes were completed.

For the years ended December 31, 2008, 2009 and 2010, the Company issued 0 thousand shares, 13,653 thousand shares and 23,113 thousand shares of the Company's common stock, respectively, resulting from the exercise of employee stock options.

On June 19, 2009, the Company offered 15,000 thousand global depository receipts ("GDRs") in the Luxembourg Stock Exchange representing 150,000 thousand shares of common stock, at par value of NT$10 per share. Each GDR represents ten shares of the Company's common stock. The offering price was U.S.$14.9 per GDR. The offering and issuance of the GDRs were authorized and approved by the ROC Securities and Futures Bureau (SFB) through its letter 0980026551 on June 8, 2009. The total capital received from the offering of these GDRs amounted to U.S.$223,500 on June 19, 2009, and the net proceeds thereof, after deducting the underwriting expense of U.S.$3,554, amounted to U.S.$219,946 (equivalent to NT$7,233,783). The paid-in capital in excess of par value of NT$5,733,783 was recognized in "capital surplus".

On June 23, 2009, the Company's shareholders approved a resolution to distribute a stock dividend of 108 shares per thousand shares with a face value of NT$1,637,968 and stock dividends (20,182,000 shares) as employees' bonus of NT$982,073. The number of shares distributed to employees as employees' bonus is calculated based on the closing price of NT$48.66 on the day before the approval of stockholders and the effect of stock dividends that will be distributed. The paid-in capital in excess of par value of NT$780,250 was recognized in "capital surplus".

The Company issued GDRs representing the Company's common stock, therefore, the ratio for the stock dividend to be distributed to shareholders changed to 98.28 shares per thousand shares. The dividend distribution date was set on August 10, 2009. The related registration processes were completed.

On June 25, 2008, the Company's board of directors approved a resolution to increase capital by cash through private placement from Lite-On. The Company issued 24,000,000 shares of common stock at NT$47.27 per share, and the record date of the private placement was July 1, 2008. The premium on issuance of common shares for cash amounted to NT$894,480, which was recorded in capital surplus. The related registration processes were completed.

On June 25, 2008, the Company's shareholders approved a resolution to distribute a stock dividend of 50 shares per thousand shares with a face value of NT$690,963 and stock dividends to employees as bonus of NT$416,143. Because the Company increased its capital by cash through private placement, the ratio for the stock dividend distributed to shareholders changed to 49.146 shares per thousand shares. The dividend distribution date was set on August 31, 2008, and the related registration processes were completed.

As of December 31, 2008, 2009 and 2010, the Company's authorized common stock consisted of 2,000,000,000 shares, 2,500,000,000 shares and 2,500,000,000 shares, respectively, with par value of NT$10 per share, of which 1,516,636,709 shares, 1,850,615,826 shares and 1,965,007,318 shares, respectively, were issued, while as of December 31, 2010, there were 1,949,434,318 Shares outstanding due to the Company's implementation of a buyback program in 2010.

(2) **Treasury stock**

(i) For the year ended December 31, 2010, in order to provide some incentives to employees, the Company acquired 17,474,000 treasury shares to be made available for sale to its employees in accordance with Securities and Exchange Act.

(ii) According to the Securities and Exchange Act, the number of treasury shares shall not exceed 10% of the number of shares issued. Moreover, the total amount of treasury stock shall not exceed the sum of retained earnings, paid-in capital in excess of par value, and realized capital surplus. Based on the Company's financial statements for the three-month period ended March 31, 2010, the maximum number of Company shares that the Company was allowed to acquire was 187,027,000 shares, with a value not exceeding NT$31,259,410. For the year ended December 31, 2010, the maximum number of shares acquired was 17,474,000 shares, with total cost of NT$878,940, which was below the ceiling set under the Securities and Exchange Act.

(iii) According to the Company's articles of incorporation, retained earnings that is equal to the amount of treasury stock cannot be distributed as dividends.

(iv) According to the Securities and Exchange Act, treasury stock cannot be collateralized. In addition, treasury shares held do not bear shareholder rights.

(3) **Employee stock option plan**

The Company

On October 28, 2007, the Company's board of directors approved a resolution to issue 105,000,000 units of stock options, with the right for each unit to purchase one share of the Company's common stock. The options were fully issued on November 16, 2007. The major terms of the plans were as follows:

(i) Exercise price: NT$61 (if there are some changes in common stock, the exercise price will be adjusted in accordance with the plan).

(ii) Vesting periods:

The options are exercisable according to following schedule subsequent to the second anniversary of the grant date.

Exercise periods	Accumulated exercisable percentage
2009/11/17	1/3
2010/11/17	2/3
2011/11/17	3/3

(iii) Shares to be issued: new common stock.

(iv) Exercise procedure: according to the employee stock option plan, the Company will apply to the government authorities for approval to convert options into common stock at least once each quarter and, likewise, apply to register the change in share capital with the authorities after issuing the new shares.

According to the relevant government authority, employee stock option plans that are amended or have options granted on or after January 1, 2004, must be accounted for based on the interpretation 070 and 072 issued by the Accounting Research and Development Foundation on March 17, 2003.

A. The Company adopted the intrinsic value method to recognize compensation cost. As there was no difference between the exercise price and market price, no compensation cost was recognized for the years ended December 31, 2008, 2009 and 2010.

B. If the Company adopted the fair value method to recognize the compensation cost, the related information would be as follows:

a. If the Company adopted the Black-Scholes option pricing model to estimate the fair value of the options on the grant date, the estimated fair value of the options granted on November 16, 2007, would be NT$17.2, and the related compensation cost would be NT$1,806,000, of which NT$652,167 (NT$534,777, net of tax), NT$614,542 (NT$503,924, net of tax) and NT$326,083 (NT$284,787, net of tax), respectively, should have been recognized for the years ended December 31, 2008, 2009 and 2010. The related assumptions used under this pricing model are as follows:

Expected cash dividend yield	2.39%
Expected volatility of stock price	32.23%
Risk-free interest rate	2.597%
Expected life of the option	7 years

b. The information related to the employee stock option plan for the years ended December 31, 2008, 2009 and 2010, are as follows:

	2008	
Stock options	**Number of options (in thousands)**	**Weighted-average exercise price**
		(NT$)
Outstanding balance at the beginning of year	105,000	61.0
Options exercised	–	–
Outstanding balance at the end of year	105,000	53.1
Exercisable number at the end of year	–	–

	2009		2010	
Stock options	**Number of options (in thousands)**	**Weighted-average exercise price**	**Number of options (in thousands)**	**Weighted-average exercise price**
		(NT$)		**(NT$)**
Outstanding balance at the beginning of year	105,000	53.1	91,347	46.7
Options exercised	13,653	46.7	6,110	46.7
Options exercised	–	–	17,003	42.5
Outstanding balance at the end of year	91,347	46.7	68,234	42.5
Exercisable number at the end of year	21,347	46.7	33,234	42.5

c. As of December 31, 2010, the outstanding and exercisable options were as follows:

	Options outstanding			Options exercisable	
Range of exercise price	**Number of options (in thousands)**	**Weighted-average remaining contractual life**	**Weighted-average exercise price**	**Shares (in thousands)**	**Weighted-average exercise price**
(NT$)		**(years)**	**(NT$)**		**(NT$)**
$42.5	68,234	3.87	42.5	33,234	42.5

AOI

On October 26, 2007, AOI's board of directors approved a resolution to issue 16,000,000 units of stock options with the right for each unit to purchase one share of AOI's common stock. The options were fully issued on November 28, 2007. The major terms of these stock options were as follows:

(i) Exercise price: NT$13.2.

(ii) Vesting period:

The options are exercisable according to the following schedule subsequent to the second anniversary of the grant date.

Exercise period	Accumulated exercisable percentage
2009/11/28	40%
2010/11/28	70%
2011/11/28	100%

(iii) Shares to be issued: AOI's new common stock.

(iv) Exercise procedure: according to the employee stock option plan, AOI will apply to the government authorities for approval to convert options into common stock at least once each quarter and, likewise, apply to register the change in share capital with the authorities after issuing the new shares.

According to the relevant government authorities, employee stock option plans that are amended or have options granted on or after January 1, 2004, must be accounted for based on the interpretation 070 and 072 issued by the Accounting Research and Development Foundation.

A. AOI adopted the intrinsic value method to recognize compensation cost. As there was no difference between the exercise price and market value, there was no compensation cost recognized for the years ended December 31, 2008, 2009 and 2010.

B. If AOI adopted the fair value method to recognize the compensation cost, the related information are as follows:

a. If AOI adopted the Black-Scholes option pricing model to estimate the fair value of the options on grant date, the estimated fair value of each of the options granted on November 28, 2007, would be NT$6.70, and the related compensation cost would be NT$107,200, of which NT$40,200 and NT$38,413 should have been recognized for the year ended December 31, 2008 and 2009. The related assumptions used under this pricing model are as follows:

Expected cash dividend yield	0%
Expected volatility of stock price	47.11%
Risk-free interest rate	2.488%
Expected life of the option	7 years

b. The information related to the employee stock option plan for the year ended December 31, 2009 was as follows:

	2009	
Stock options	Number of options (in thousands)	Weighted-average exercise price
		(NT$)
Outstanding balance at the beginning of period	16,000	13.2
Options granted	–	–
Options exercised	–	–
Outstanding balance at the end	16,000	13.2
Exercisable number at the end	64,000	13.2

(note): AOI and its subsidiaries were deconsolidated commencing from August 19, 2010.

WOC (formerly WOD)

WOC's (formerly WOD) board of directors approved a resolution to issue 500 units and 1,000 units of stock options on November 26 and December 25, 2007, respectively, with the right for each unit to purchase one thousand shares of WOC's common stock. Both of the above-mentioned stock options are valid for four years from resolution approval date. The major terms of these stock options were as follows:

(i) Exercise price: NT$10.6.

(ii) Vesting period:

The options are exercisable subsequent to the first anniversary of the date of issuance.

(iii) Shares to be issued: WOC's (formerly WOD) new common stock.

According to the relevant government authority, employee stock option plans that are amended or have options granted on or after January 1, 2004, must be accounted for based on the interpretation 070 and 072 issued by the Accounting Research and Development Foundation.

A. WOC (formerly WOD) adopted the intrinsic value method to recognize the compensation cost. As there was no difference between the exercise price and market value, no compensation cost was recognized for the years ended December 31, 2008, 2009 and 2010.

B. If WOC (formerly WOD) adopted the fair value method to recognize the compensation cost, the related information would be as follows:

   a. If WOC (formerly WOD) adopted the Black-Scholes option pricing model to estimate the fair value of each of the options on grant date, the estimated fair value of each of the options granted on November 26 and December 25, 2007, would be NT$0, and the related compensation cost would be NT$0. The related assumptions used under this pricing model are as follows:

Expected cash dividend yield	0%
Expected volatility of stock price	8.15%
Risk-free interest rate	2.42%
Expected life of the option	4 years

   b. The information related to the employee stock option plan for the years ended December 31, 2008, 2009 and 2010 was as follows:

	2008	
Stock options	**Number of options (in thousands)**	**Weighted-average exercise price**
		(NT$)
Outstanding balance at the beginning of year	1,500	10.6
Options granted	–	–
Options exercised	–	–
Options forfeited	(323)	10.6
Outstanding balance at the end of year	1,177	10.6

Stock options	2009 Number of options (in thousands)	2009 Weighted-average exercise price	2010 Number of options (in thousands)	2010 Weighted-average exercise price
		(NT$)		(NT$)
Outstanding balance at the beginning of year	1,177	10.6	1,122	10.6
Options granted	–	–	–	–
Options exercised	–	–	–	–
Options forfeited	(55)	10.6	(1,052)	10.6
Outstanding balance at the end of year	1,122	10.6	70	10.6
Exercisable number at the end of year	1,122	10.6	70	10.6

c. As of December 31, 2010, the information about outstanding and exercisable options was as follows:

	Options outstanding			Options exercisable	
Exercise price	Number of options (in thousands)	Weighted-average remaining contractual life	Weighted-average exercise price	Shares (in thousands)	Weighted-average exercise price
(NT$)		(years)	(NT$)		(NT$)
$10.6	70	0.97	10.6	70	10.6

The Consolidated Companies' pro forma net income and earnings per share using the fair value method were as follows:

		2008	2009	2010	
		NT$	NT$	NT$	U.S.$
Net income attributed to shareholders of parent company	Net income	6,877,929	9,134,636	12,030,342	395,085
	Pro forma net income	6,332,258	8,620,302	11,745,555	385,733
Basic EPS (after tax)	EPS	3.96	4.98	6.15	0.20
	Pro forma EPS	3.65	4.70	6.00	0.20
Diluted EPS (after tax)	EPS	3.64	4.67	5.98	0.20
	Pro forma EPS	3.35	4.40	5.84	0.19

(4) Capital surplus

As of December 31, 2008, 2009 and 2010, the components of capital surplus were as follows:

	2008	2009	2010	
	NT$	NT$	NT$	U.S.$
Paid-in capital derived from a premium on issuance of common stock in exchange for the net assets of the DMS business of AI	1,800,000	1,800,000	1,800,000	59,113
Paid-in capital derived from a premium on issuance of common shares for cash	9,303,702	16,318,800	17,095,635	561,433
Long-term equity investments under equity method	1,965	29,173	69,549	2,284
	11,105,667	18,147,973	18,965,184	622,830

According to the ROC Company Act, with the exception of capital surplus derived from long-term equity investments accounted for by the equity method, realized capital surplus could only be transferred to common stock after deducting accumulated deficit, if any. Capital surplus derived from long-term equity investments accounted for by the equity method cannot be used for any purpose. Realized capital surplus includes paid-in capital in excess of par value of common stock. Issuance of stock dividends from paid-in capital in excess of par value of common stock is subject to certain restrictions.

(5) **Legal reserve and unappropriated earnings**

The Company's articles of incorporation stipulate that 10% of the balance of annual income after deducting accumulated deficit, if any, must be set aside as a legal reserve. The remaining balance, if any, must be distributed as follows:

(i) Minimum of 5% of the unappropriated earnings as employees' bonus; the employees eligible for the bonus include the employees of the Company's subsidiaries that meet certain criteria; the Company's board of directors determines the criteria;

(ii) 1% of unappropriated earnings as directors' emoluments, distributed in cash; and

(iii) the remainder, after retaining a portion for certain business considerations, as additional dividends to stockholders.

Legal reserve can only be used to offset an accumulated deficit and issue common stock. However, when the balance of legal reserve reaches an amount equal to one-half of the paid-in share capital, 50% of it can be transferred to common stock. In addition, no stock dividends and bonus can be distributed if the Company has no unappropriated earnings.

As the Company is a technology- and capital-intensive enterprise and is in its growth phase, it has adopted a more prudent approach in the appropriating its remaining earnings as its dividend policy, in order to sustain its long-term capital needs and thereby maintain continuous development and steady growth. Under this approach, the stock dividend distribution shall not be lower than 10% of total distribution.

For the years ended December 31, 2008, 2009 and 2010, the Company recognized employees' bonus amounting to NT$991,776 (NT$813,256 net of tax), NT$1,193,447 (NT$978,627 net of tax) and NT$1,477,831 (NT$1,290,676 net of tax), respectively, and directors' and supervisors' emoluments amounting to NT$52,199 (NT$42,803 net of tax), NT$85,246 (NT$69,902 net of tax) and NT$72,800 (NT$63,580 net of tax), respectively. Employees' bonus and directors' and supervisors' emoluments were estimated at 14%, 14% and 20.3%, respectively, of the net income for the years ended December 31, 2008, 2009 and 2010, respectively. The difference between the amounts of employees' bonus and directors' and supervisors' emoluments approved in the shareholders' meeting and recognized in the financial statements, if any, is accounted for as a change in accounting estimates and recognized in profit or loss in the following year. In addition, the number of shares distributed to employees as employees' bonus is calculated based on the closing price on the day before the approval of stockholders and the effect of dividends that will be distributed.

The appropriation of 2008, 2009 and 2010 earnings was approved at the shareholders' meetings on June 25, 2008, June 23, 2009, and June 18, 2010, respectively, as follows:

	2007	2008	2009
	NT$	NT$	NT$
Employees' bonus – cash	178,346	–	1,196,481
Employees' bonus – stock (was calculated based on the par value and closing price and the effect of dividends on the day before shareholders meeting)	416,143	982,073	–
Directors' and supervisors' emoluments	59,449	61,902	82,212
	653,938	1,043,975	1,278,693

The appropriation of earnings did not differ from the resolutions approved by the Company's board of directors and the amount recognized in the financial statements. Appropriations for employees' bonus and directors' and supervisors' emoluments, and the related information can be obtained from the public information website.

(o) Earnings per share ("EPS")

For the years ended December 31, 2008, 2009 and 2010, the Company's earnings per share were calculated as follows:

	2008		
	Amount (after income tax)	Weighted-average number of outstanding shares of common stock (in thousands)	EPS (in dollars)
	NT$		NT$
Basic EPS – retroactively adjusted:			
Net income belonging to common shareholders of parent company	6,877,929	1,735,850	3.96
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employees' bonus	–	46,908	
Stock options	–	105,000	
Net income belonging to common shareholders of parent company plus the effect of potentially dilutive common stock	6,877,929	1,887,758	3.64

	2009		
	Amount (after income tax)	Weighted-average number of outstanding shares of common stock (in thousands)	EPS (in dollars)
	NT$		NT$
Basic EPS – retroactively adjusted:			
Net income belonging to common shareholders of parent company	9,134,636	1,833,620	4.98
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employees' bonus	–	32,604	
Stock options	–	91,347	
Net income belonging to common shareholders of parent company plus the effect of potentially dilutive common stock	9,134,636	1,957,571	4.67

	2010				
	Amount (after income tax)		Weighted-average number of outstanding shares of common stock (in thousands)	EPS (in dollars)	
	NT$	U.S.$		NT$	U.S.$
Basic EPS:					
Net income belonging to common shareholders of parent company	12,030,342	395,085	1,956,741	6.15	0.20
Diluted EPS:					
Effect of potentially dilutive common stock:					
Employees' bonus	–	–	36,863		
Stock options	–	–	16,892		
Net income belonging to common shareholders of parent company plus the effect of potentially dilutive common stock	12,030,342	395,085	2,010,496	5.98	0.20

(p) Disclosure of financial instruments

(1) Non-derivative financial assets and liabilities include cash and cash equivalents, accounts receivable/payable, and notes receivables from/payables to related parties, other financial assets, short-term borrowings, current portion of long-term borrowing and other receivables/payables. As the carrying amounts of these financial instruments approximate fair value because of their short term maturities, the book value method is considered to be a reasonable basis for assessing their fair value.

As of December 31, 2008, 2009 and 2010, the Consolidated Companies' financial assets and liabilities that were not recorded at fair value were as follows:

	2008		2009		2010			
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount		Fair value	
	NT$	NT$	NT$	NT$	NT$	U.S.$	NT$	U.S.$
Financial assets:								
Financial assets carried at cost – noncurrent:								
Privately held stock	997,636	–	1,151,035	–	1,769,633	58,116	–	–
Financial liabilities:								
Long-term borrowings	–	9,858,000	–	5,765,400	–	–	143,194	4,703
Off-balance-sheet financial instrument:								
Endorsement	–	328,600	–	–	–	–	–	–

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

(i) If public quote of financial assets at fair value through profit or loss and available-for-sale financial assets is available, then such quote is adopted as the fair value. If the market value is not available, a valuation method is used. The assumptions used are the same as those used by financial market traders when quoting their prices and attainable by the Consolidated Companies.

(ii) Financial assets carried at cost – noncurrent: Privately held stock is not traded in the public market, and fair value is impractical to assess.

(iii) Long-term borrowings: As these borrowings bear floating interest rates which are calculated based on the prevailing market rate adjusted by the Consolidated Companies' credit spread, the fair value of long-term borrowings equals their carrying value.

The fair values of financial assets and liabilities evaluated by the Consolidated Companies using public quote or a valuation method were as follows:

	2008		2009		2010			
	Public quote value	Valuation method value	Public quote value	Valuation method value	Public quote value		Valuation method value	
	NT$	NT$	NT$	NT$	NT$	U.S.$	NT$	U.S.$
Non-derivative financial instruments:								
Financial assets:								
Cash and cash equivalents	–	13,174,000	–	20,539,870	–	–	40,641,409	1,334,693
Notes and accounts receivable (including receivables from related parties)	–	63,718,112	–	99,379,188	–	–	102,069,322	3,352,030
Other receivable – related parties	–	33,567	–	36,290	–	–	32,272	1,060
Other financial assets – current	–	2,194,774	–	1,405,657	–	–	1,453,095	47,721
Available-for-sale financial assets – current:								
Bond fund	–	4,833	–	4,843	–	–	3,357	110
Available-for-sale financial assets – noncurrent:								
Publicly traded stock	588,831	–	1,388,550	–	1,180,717	38,776	–	–
Financial liabilities:								
Short-term borrowings	–	2,875,183	–	1,885,026	–	–	33,107,360	1,087,270
Current portion of long-term borrowings	–	–	–	–	–	–	8,739,000	286,995
Notes and accounts payable (including payables to related parties)	–	77,960,917	–	101,724,737	–	–	98,516,275	3,235,346
Other payable – related parties	–	94,377	–	87,238	–	–	105,435	3,462
Long-term borrowings	–	9,858,000	–	5,765,400	–	–	143,194	4,703
Off-balance-sheet financial instrument:								
Endorsement	–	328,600	–	–	–	–	–	–
Derivative financial instruments:								
Financial assets:								
Foreign currency swap contract	–	8,094	–	247,809	–	–	108,158	3,552
Foreign currency forward contract	–	4,820	–	2,992	–	–	11,380	374
Financial liabilities:								
Foreign currency swap contract	–	–	–	49,749	–	–	127,439	4,185
Foreign currency forward contract	–	4,748	–	91,109	–	–	75,200	2,470

For the years ended December 31, 2008, 2009 and 2010, gain (loss) on the derivative contracts due to the change in fair market value amounted to NT$36,550, NT$101,783 and NT$(192,428) respectively, which was accounted for under "evaluation gain (loss) on financial instruments".

(2) Disclosure of financial risks

(i) Market risk

The bond fund and part of publicly traded stock held by the Consolidated Companies were classified as available-for-sale financial assets and were evaluated at fair value. Therefore, the Consolidated Companies were exposed to the risk of price fluctuation.

As sales and purchase transactions are denominated in U.S. dollars, the Consolidated Companies' foreign currency assets and liabilities are exposed to exchange rate risk. To manage such risk, the Consolidated Companies entered into foreign currency forward contracts and foreign currency swap contracts. The lengths of the contracts are in line with the payment date and anticipated cash flows of the Consolidated Companies' foreign currency assets and liabilities. The exchange gain or loss from exchange rate fluctuation of the hedged assets is offset by those of related liabilities. The market risk related to the changes in exchange rates is not considered significant.

The significant foreign currency financial assets and liabilities were as follows:

Unit: In thousands of dollars

		2008			2009			2010		
		foreign currency	Rate	NTD	foreign currency	Rate	NTD	foreign currency	Rate	NTD
Financial assets										
Monetary items										
	USD	1,701,477	32.8600	55,910,521	5,072,207	32.0300	158,681,063	5,376,202	29.1300	156,608,771
	EUR	15,575	46.1486	718,744	5,368	46.2513	248,267	2,122	38.8594	82,476
	JPY	824,214	0.3634	299,518	303,582	0.3486	105,819	564,960	0.3580	202,256
	HKD	4,071	4.2400	17,262	11,408	4.1303	47,118	19,452	3.7472	72,890
	PLN	–	–	–	101	11.1778	1,130	99	9.8088	972
	CZK	47,899	1.7552	84,070	103,115	1.7466	180,106	387,828	1.5512	601,599
	PHP	13,691	0.6930	9,487	15,278	0.6933	10,592	6,952	0.6663	4,632
	SGD	–	–	–	175	22.8443	4,006	113	22.7188	2,578
	INR	–	–	–	–	–	–	28,667	0.6499	18,630
	CNY	382,742	4.8080	1,840,232	598,670	4.6917	2,808,802	1,252,513	4.4069	5,519,701
	MXN	–	–	–	6,519	2.4498	15,969	5,989	2.3536	14,095
Long-term equity investment under equity method										
	USD	20,145	32.8600	661,979	32,419	32.0300	1,038,384	53,506	29.1300	1,558,625
	HKD	34,989	4.2400	148,354	29,337	4.1303	121,169	21,290	3.7472	79,778
	SGD	–	–	–	–	–	–	6,417	22.7188	145,787
Financial liabilities										
Monetary items										
	USD	2,183,250	32.8600	71,747,493	3,517,717	32.0300	109,614,464	4,758,901	29.1300	138,626,807
	EUR	341	46.2513	15,752	341	46.2513	15,752	836	38.8594	32,483
	JPY	2,081,250	0.3634	756,274	1,075,354	0.3486	374,848	768,802	0.3580	275,231
	HKD	8,121	4.2400	34,435	5,540	4.1303	22,881	5,485	3.7472	20,554
	GBP	53	2.5130	1,806	35	51.6548	1,806	30	45.0991	1,352
	BRL	–	–	–	–	–	–	495	17.5482	8,686
	AUD	58	22.6504	1,131	59	28.8078	1,690	12	29.6543	350
	SGD	40	22.8417	911	537	22.8443	14,551	4,306	22.7188	97,835
	CZK	26,466	1.7552	46,451	8,899	1.7500	15,573	15,024	1.5512	23,305
	INR	244	0.6867	166	1,739	0.6867	1,194	18,175	0.6499	11,812
	CNY	172,987	4.8080	831,728	181,080	4.6917	849,573	212,960	4.4069	938,491

(ii) Concentrations of credit risk

The Consolidated Companies' majority customers are in high-tech industries. To reduce concentration of credit risk, the Consolidated Companies evaluate customers' financial positions periodically and request customers to provide collateral or promissory notes, if necessary. In addition, the Consolidated Companies evaluate the aging of accounts receivable periodically and accrue allowance for doubtful accounts, if necessary. Historically, bad debt expense has always been under management's expectation. As of December 31, 2008, 2009 and 2010, 86%, 85% and 81%, respectively, of the Consolidated Companies' accounts receivable were both concentrated on four specific customers. Accordingly, concentrations of credit risk exist.

(iii) Liquidity risk

The Consolidated Companies' capital and operating funds appear to be sufficient to meet all obligations. Therefore, the management of Consolidated Companies believes that they do not have any significant exposure to liquidity risk.

(iv) Cash flow risk related to the fluctuation of interest rates

The Consolidated Companies' short-term and long-term borrowings and advances from factoring of accounts receivable bear floating interest rates. The changes in effective rates along with the fluctuation of the market interest rate influence the Consolidated Companies' future cash flow. If the market interest rate increases by 1%, the Consolidated Companies' future yearly cash outflow would increase by approximately NT$670,755.

(3) **Hedge strategy**

The Consolidated Companies' assets and liabilities dominated in foreign currency may fluctuate along with the fluctuation of exchange rates. Therefore, the Consolidated Companies entered into derivative contracts such as foreign currency forward contracts, and foreign currency swap contracts to manage the exchange rate risk.

The Consolidated Companies' entering into forward and swap contracts is intended to manage the exchange rate risk due to the Consolidated Companies' current and future demand for foreign currency. The contract periods are decided in consideration of the Consolidated Companies' foreseeable assets and liabilities and expected cash flow. Therefore, the Consolidated Companies settle their assets and liabilities with contract obligations or rights on maturity date.

5. TRANSACTIONS WITH RELATED PARTIES

(a) The names and relationships of the related parties with which the Consolidated Companies had significant transactions were as follows:

Name	Relationship
Wistron NeWeb Corporation ("WNC")	Investee of the Consolidated Companies accounted for by equity method
Main Source Technology Co., Ltd. ("Main Source")	Investee of the Company accounted for by equity method
WIS Precision (Kunshan) Co., Ltd. ("WPKS")	Investee of the Consolidated Companies accounted for by equity method
Xserve India (Pvt.) Ltd. ("XID")	Investee of the Consolidated Companies accounted for by equity method
Fullerton Ltd. ("FLT")	Investee of the Consolidated Companies accounted for by equity method
LIAN-YI (FAR EAST) Ltd. ("LYF")	Investee of the Consolidated Companies accounted for by equity method
HIGH-TEK Enterprise (Kunshan) Co., Ltd. ("HTKS")	Investee of the Consolidated Companies accounted for by equity method
Wistron Information Technology and Services Corporation ("WITS")	Investee of the Consolidated Companies accounted for by equity method
Hsieh-Yuh Technology Co., Ltd. ("HYBVI")	Investee of the Consolidated Companies accounted for by equity method
WNC (KunShan) Corporation ("NQJ")	Investee of the Consolidated Companies accounted for by equity method
Wistron Information Technology and Services Inc. ("WIBI")	Investee of the Consolidated Companies accounted for by equity method
AOpen Inc. ("AOI")	Investee of the Consolidated Companies accounted for by equity method
JNS Technology Co., Ltd. ("JNS")	Investee of AOI accounted for by equity method
Acer Incorporated ("AI")	Primary stockholder of the Company
Webcom Communication (KunShan) Corporation ("NYC")	Subsidiary of WNC
Acer Service Corporation ("ASC")	Subsidiary of AI
Acer Computer B.V. ("ACH")	Subsidiary of AI
Acer Computer (Shanghai) Ltd. ("ACCN")	Subsidiary of AI
Acer America Corp. ("AAC")	Subsidiary of AI
ESPLEX Limited ("AEX")	Subsidiary of AI
Acer Europe AG ("AEG")	Subsidiary of AI
Asplex Sp. z o.o. ("APX")	Subsidiary of AI
All directors, supervisors, general manager and vice general manager	Main management of the Company

(b) Significant transactions with related parties for the years ended December 31, 2008, 2009 and 2010, were as follows.

(1) Spin-off of DMS business from AI

The Company took over AI's design, manufacturing and services business (DMS), including related assets and liabilities as set forth in the spin-off plan. As of December 31, 2008 the payables to AI related to net assets received from the spin-off and the purchase of net assets amounted to NT$289,845. However, the ROC income tax authorities examined the Company's income tax returns for the years 2003 and 2004, and disallowed the investment tax credits received from the spin-off. According to a business spin-off agreement, additional taxes related to disallowed investment tax credits are to be borne by AI. Therefore the Company had recognized a receivable thereon from AI amounting to NT$205,227 as of December 31, 2008. In view of the existence of a payable account and a receivable account with AI, the Company had a net payable to AI resulting from the spin-off of NT$84,618 as of December 31, 2008. Following the re-examination by the tax authorities of the above-mentioned income tax returns, the net payable to AI resulting from the spin-off was reduced to NT$37,699, which was fully paid in August, 2009.

(2) Sales

	2008		2009		2010		
	Amount	% of net sales	Amount	% of net sales	Amount		% of net sales
	NT$		NT$		NT$	U.S.$	
AI	113,312,803	26	158,258,468	29	128,870,458	4,232,199	21
AEG	5,481,858	1	10,036,745	2	13,016,143	427,460	2
AAC	345,381	–	2,119,113	–	918,457	30,163	–
APX	–	–	187,104	–	409,196	13,438	–
ASC	100,164	–	126,639	–	131,270	4,311	–
ACCN	30,432	–	331,825	–	62,485	2,052	–
AEX	200,364	–	238,571	–	–	–	–
Others	867,328	–	355,317	–	213,719	7,018	–
	120,338,330	27	171,653,782	31	143,621,728	4,716,641	23

The selling price and payment terms of sales to related parties depend on the economic environment and market competition, and are not significantly different from those with third-party customers. Trading terms of sales transactions with third parties required payment within 60 to 90 days for the years ended December 31, 2008, 2009 and 2010.

(3) Purchases

	2008		2009		2010		
	Amount	% of net sales	Amount	% of net sales	Amount		% of net sales
	NT$		NT$		NT$	U.S.$	
AI	33,441,626	8	126,778,095	26	107,528,552	3,531,315	19
WPKS	3,515,705	1	5,419,835	1	4,138,048	135,897	1
FLT	222,097	–	1,316,373	–	1,102,626	36,211	–
AEG	250,186	–	1,929,288	–	728,793	23,934	–
HTKS	–	–	944,708	–	744,089	24,436	–
HYBVI	–	–	39,114	–	204,514	6,716	–
NYC	236,524	–	219,628	–	183,093	6,013	–
Others	25,874	–	79,376	–	253,604	8,329	–
	37,692,012	9	136,726,417	27	114,883,319	3,772,851	20

Trading terms of purchase transactions with related parties are not significantly different from those with third-party vendors.

(4) Notes and accounts receivable/payable as of December 31, 2008, 2009 and 2010, were as follows:

	2008		2009		2010		
	Amount	%	Amount	%	Amount		%
	NT$		NT$		NT$	U.S.$	
Notes and accounts receivable from:							
AI	19,598,420	31	35,028,251	35	20,358,432	668,586	20
AEG	2,038,940	3	2,142,405	2	3,106,545	102,021	3
APX	–	–	147,287	–	58,423	1,919	–
ASC	–	–	18,574	–	35,261	1,158	–
AAC	113,870	–	500,174	1	–	–	–
Others	170,229	–	113,956	–	41,649	1,367	–
	21,921,459	34	37,950,647	38	23,600,310	775,051	23

	2008		2009		2010		
	Amount	%	Amount	%	Amount		%
	NT$		NT$		NT$	U.S.$	
Notes and accounts payable to:							
AI	13,757,649	18	27,255,659	27	15,794,878	518,715	16
WPKS	1,621,833	2	2,202,109	2	1,540,881	50,604	2
FLT	436,408	1	300,423	–	510,628	16,769	1
AEG	417,303	–	350,257	1	445,547	14,632	–
HTKS	–	–	330,568	–	255,043	8,376	–
HYBVI	–	–	77,775	–	104,712	3,439	–
Others	61,122	–	113,203	–	174,771	5,740	–
	16,294,315	21	30,629,994	30	18,826,460	618,275	19

(5) Overdue receivable

As of December 31, 2008, 2009 and 2010, the details of overdue receivable were as follows:

	2008		2009		2010		
	Amount	%	Amount	%	Amount		%
	NT$		NT$		NT$	U.S.$	
XID	39,467	–	40,141	–	–	–	–
Main Source	48,787	–	–	–	–	–	–
Others	643	–	–	–	–	–	–
Less: allowance for doubtful accounts	(88,254)	–	(40,141)	–	–	–	–
	643	–	–	–	–	–	–

(6) Rental expense

For the years ended December 31, 2008, 2009 and 2010, the Consolidated Companies had operating lease contracts with AI for the use of office space, a warehouse and apartment. Rental expense incurred by the Consolidated Companies from these lease contracts amounted to NT$37,287, NT$35,054 and NT$33,820 for the years ended December 31, 2008, 2009 and 2010, respectively. The balance of rental payable as of December 31, 2008, 2009 and 2010, amounted to NT$67, NT$0 and NT$2,818 respectively.

(7) Rental income

For the years ended December 31, 2008, 2009 and 2010, the Consolidated Companies leased their factory building apartments to WNC and WITS, and leased their apartment to WNC and WITS. The rental income amounted to NT$50,385, NT$34,331 and NT$2,197 for the years ended December 31, 2009 and 2010, respectively. As of December 31, 2008, 2009 and 2010, the rental receivables amounted to NT$3,656, NT$3,174 and NT$43, respectively.

(8) Property transactions

Prior to the merger of Wistron Nexus Incorporated ("WNI") with WNC, WNI sold a factory building to WNC and recognized an unrealized disposal gain thereon of NT$56,866. As of December 31, 2008, 2009 and 2010, unrealized disposal gain of NT$49,474, NT$48,337 and NT$47,200, respectively, was recognized as "deferred credits of long-term equity investments".

The Consolidated Companies purchased property, plant and equipment from FLT and LYF for NT$4,531, NT$99,680 and NT$172,947, respectively, for the years ended December 31, 2008, 2009 and 2010. As of December 31, 2008, 2009 and 2010, other payables arising from this transaction amounted to NT$1,911, NT$66,339 and NT$56,133, respectively, which were accounted for under "other payable-related parties".

For the years ended December 31, 2009 and 2010, the Consolidated Companies sold property, plant and equipment to FLT and WNC for NT$295 and NT$668, respectively. As of December 31, 2009, the excess of the book value over the selling price of NT$88, were accounted for under "loss on disposal of property, plant and equipment". As of December 31, 2010, the excess of the selling price over the book value of NT$668, were accounted for under "gain on disposal of property, plant and equipment". Other receivables resulting from the aforementioned transactions amounting to NT$295 and NT$0, were accounted for under "other receivable – related parties" for the years ended December 31, 2009 and 2010. There is no such transactions in 2008.

(9) Advances to related parties

The Consolidated Companies paid certain expenses on behalf of related parties. As of December 31, 2008, 2009 and 2010, the related outstanding receivables, accounted for as advances to related parties, were as follows:

	2008	2009	2010	
	NT$	NT$	NT$	U.S.$
AAC	28,158	27,447	24,962	820
WITS	–	206	159	5
AI	–	1,035	1,116	37
WNC	756	3,768	4,766	157
Others	357	409	1,270	41
	29,271	32,865	32,273	1,060

(10) Advances from related parties

Related parties paid certain expenses on behalf of the Consolidated Companies, including warranty expenses, traveling expenses, and salaries for overseas employees. As of December 31, 2008, 2009 and 2010, the related outstanding payables, accounted for as advances from related parties, were as follows:

	2008	2009	2010	
	NT$	NT$	NT$	U.S.$
AI	446	10,213	9,937	326
FLT	–	2,343	15,615	513
WITS	–	3,838	2,537	83
NQJ	–	423	1,737	57
WIBI	–	705	4,319	142
LYF	2,586	532	11,348	373
AAC	1,814	2,166	–	–
Others	2,935	679	991	33
	7,781	20,899	46,484	1,527

(11) Related-party receivables

Receivables from related parties resulting from the above transactions were as follows:

	2008	2009	2010	
	NT$	NT$	NT$	U.S.$
Notes and accounts receivable, net – related parties:				
Notes and accounts receivable	21,921,459	37,950,647	23,600,310	775,051
Less: Accounts receivable factored – AI (note 4(c))	(9,403,017)	(6,182,689)	(7,653,435)	(251,344)
	12,518,442	31,767,958	15,946,875	523,707
Other receivable – related parties:				
Rental receivable	3,653	3,174	43	1
Receivable on the sale of property, plant and equipment	–	295	–	–
Advances to related parties	29,271	32,865	32,273	1,060
Overdue receivable	643	–	–	–
Less: long-term equity investment credits (note 4(f))	–	(44)	(44)	(1)
	33,567	36,290	32,272	1,060

Long-term equity investment credits were deducted from the other receivable from related parties to reflect the net book value of receivable from related parties.

(12) Related-party payables

Payables to related parties resulting from the above transactions were as follows:

	2008	2009	2010	
	NT$	NT$	NT$	U.S.$
Notes and accounts payable – related parties:				
Notes and accounts payable	16,294,315	30,629,994	18,826,460	618,275
Other payable – related parties:				
Payable to AI resulting from spin-off	84,618	–	–	–
Payable on purchase of property, plant and equipment	1,911	66,339	56,133	1,843
Rental payable	67	–	2,818	92
Advances from related parties	7,781	20,899	46,484	1,527
	94,377	87,238	105,435	3,462

(13) As of December 31, 2008, 2009 and 2010, the Consolidated Companies had provided guarantees to vendors for WNC amounting to NT$328,600, NT$0 and NT$0, respectively.

(14) Key management compensation

For the years ended December 31, 2008, 2009 and 2010, the compensation of the Consolidated Companies' key management were as follows:

	2008	2009	2010	
	Amount	Amount	Amount	
	NT$	NT$	NT$	U.S.$
Salaries	87,709	115,366	103,541	3,400
Cash awards and special allowances	19,539	10,902	12,903	424
Transportation allowances	535	670	590	19
Employees' bonus	136,651	119,345	147,783	4,853

For the details of the above amounts, including estimated employees' bonus and directors' and supervisors' emoluments, please see note 4(n).

6. PLEDGED ASSETS

As of December 31, 2008, 2009 and 2010, details of pledged assets were as follows:

		Book value			
Pledged assets	Pledged to secure	2008	2009	2010	
		NT$	NT$	NT$	U.S.$
Property, plant and equipment – land and building	Line of credit	450,885	398,349	409,075	13,435
Other assets – restricted deposit	Standby LC	2,307	2,313	1,944	64
Other assets – restricted deposit	Litigation, performance guarantee	25,725	10,102	10,000	328
		478,917	410,764	421,019	13,827

7. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

(a) As of December 31, 2010, the Consolidated Companies had operating lease contracts for office premises, with future rental commitments as follows:

Period	Amount	
	NT$	U.S.$
2011	207,855	6,826
2012	149,699	4,916
2013	131,058	4,304
2014	104,448	3,430
2015	75,375	2,476
2016 and thereafter	82,449	2,708
	750,884	24,660

(b) As of December 31, 2008, 2009 and 2010, the Consolidated Companies had provided promissory notes of U.S.$585,000, U.S.$650,000 and U.S.$1,100,000, respectively, as collateral for factored accounts receivable. Please see note 4(c) for details.

8. SIGNIFICANT CASUALTY LOSS: None.

9. SIGNIFICANT SUBSEQUENT EVENTS: None.

10. OTHER

(a) Total personnel, depreciation, and amortization expenses, categorized by function, for the years ended December 31, 2008, 2009 and 2010, were as follows:

	2008			2009			2010					
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
	NT$	NT$	NT$	NT$	NT$	NT$	NT$	NT$	NT$	U.S.$	U.S.$	U.S.$
Personnel expenses												
Salaries	3,904,068	4,800,205	8,704,273	4,225,880	5,669,541	9,895,421	5,709,602	6,603,203	12,312,805	187,507	216,854	404,361
Labor and health insurance	215,900	251,979	467,879	271,032	285,013	556,045	370,545	358,827	729,372	12,169	11,784	23,953
Pension	122,712	188,481	311,193	100,211	222,051	322,262	107,537	255,533	363,070	3,531	8,392	11,923
Others	1,049,587	230,841	1,280,428	1,043,727	333,551	1,377,278	2,019,385	335,342	2,354,727	66,318	11,013	77,331
Depreciation	1,646,121	1,116,449	2,762,570	2,006,576	2,102,370	4,108,946	2,182,664	1,792,418	3,975,082	71,680	58,865	130,545
Amortization	159,547	527,153	686,700	351,294	734,794	1,086,088	514,055	745,515	1,259,570	16,882	24,483	41,365

(note) For each of the years ended December 31, 2008, 2009 and 2010, the depreciation of property held for operating lease amounted to NT$3,260, NT$3,260 and NT$3,300, respectively, and the depreciation of idle assets amounted to NT$0, NT$15,952 and NT$18,623, respectively, which were accounted for under "other loss".

(b) Reclassification

Certain amounts in the 2008 and 2009 consolidated financial statements have been reclassified to conform to the presentation adopted in the 2010 consolidated financial statements for comparison purposes. These reclassifications do not have a significant impact on the consolidated financial statements.

11. SEGMENT INFORMATION

(a) Industry segment information

Industry segment financial information is not disclosed because the major activities of the Consolidated Companies are in one segment: the manufacturing and sale of information technology products.

(b) Geographic segment information

The Consolidated Companies' operations by geographic area for the years ended December 31, 2008, 2009 and 2010, were as follows:

	2008				
	Domestic	Asia	Others	Eliminations	Consolidated
	NT$	NT$	NT$	NT$	NT$
Operating revenue:					
Unaffiliated companies	369,029,253	29,839,074	47,739,530	–	446,607,857
Affiliated companies	58,682,756	390,784,387	886,891	(450,354,034)	–
	427,712,009	420,623,461	48,626,421	(450,354,034)	446,607,857
Investment income					332,656
Gain on disposal of investments					185,066
Total income					447,125,579
Segment profit before income taxes and minority interest	6,412,777	2,981,914	(20,284)	–	9,374,407
Investment income recognized under equity method, net					239,353
Gain on disposal of investments, net					182,519
Interest expenses					(939,415)
Income before income taxes and minority interest					8,856,864
Segment identifiable assets	92,996,624	94,244,408	17,085,751	(68,126,756)	136,200,027
Long-term equity investments accounted for by equity method					2,781,128
Goodwill					561,485
Total assets					139,542,640
Depreciation and amortization	1,668,534	1,684,014	96,722		
Capital expenditures	2,143,024	3,795,946	913,725		

	2009				
	Domestic	**Asia**	**Others**	**Eliminations**	**Consolidated**
	NT$	**NT$**	**NT$**	**NT$**	**NT$**
Operating revenue:					
Unaffiliated companies	451,139,480	45,689,555	51,376,874	(22,399)	548,183,510
Affiliated companies	76,837,509	503,191,935	950,551	(580,979,995)	–
	527,976,989	548,881,490	52,327,425	(581,002,394)	548,183,510
Investment income					396,265
Gain on disposal of investments					11,627
Total income					548,591,402
Segment profit before income taxes and minority interest	7,118,224	4,346,668	57,299	–	11,522,191
Investment income recognized under equity method, net					340,757
Gain on disposal of investments, net					11,627
Interest expenses					(378,405)
Income before income taxes and minority interest					11,496,170
Segment identifiable assets	132,575,890	115,668,489	16,192,941	(88,024,915)	176,412,405
Long-term equity investments accounted for by equity method					3,321,374
Goodwill					561,959
Total assets					180,295,738
Depreciation and amortization	2,856,649	2,204,397	133,988		
Capital expenditures	1,725,631	3,494,474	1,346,311		

	2010					
	Domestic	**Asia**	**Others**	**Eliminations**	**Consolidated**	
	NT$	**NT$**	**NT$**	**NT$**	**NT$**	**U.S.$**
Operating revenue:						
Unaffiliated companies	474,106,118	77,030,171	90,329,339	(59,010)	641,406,618	21,064,257
Affiliated companies	99,655,759	524,327,702	934,677	(624,918,138)	–	–
	573,761,877	601,357,873	91,264,016	(624,977,148)	641,406,618	21,064,257
Investment income					470,502	15,451
Gain on disposal of investments					24,045	790
Total income					641,901,165	21,080,498
Segment profit before income taxes and minority interest	9,127,229	6,630,113	(187,789)	–	15,569,553	511,315
Investment income, recognized under equity method, net					333,057	10,938
Gain on disposal of investments, net					24,045	790
Interest expenses					(581,343)	(19,092)
Income before income taxes and minority interest					15,345,312	503,951
Segment identifiable assets	141,090,201	122,315,797	31,204,381	(82,181,736)	212,428,643	6,976,310
Long-term equity investments accounted for by equity method					4,663,077	153,139
Goodwill					561,959	18,455
Total assets					217,653,679	7,147,904
Depreciation and amortization	2,557,350	2,239,562	437,410			
Capital expenditures	4,023,935	6,565,847	2,417,157			

(c) Export sales

Export sales of the Consolidated Companies for the years ended December 31, 2008, 2009 and 2010, were as follows:

	2008	2009	2010	
	NT$	**NT$**	**NT$**	**U.S.$**
Sales to:				
Europe	134,596,398	165,031,676	138,172,680	4,537,690
Americas	129,257,050	197,265,274	159,394,019	5,234,615
Asia and others	96,478,435	82,362,757	144,033,556	4,730,166
	360,331,883	444,659,707	441,600,255	14,502,471

(d) Significant customer information

For the years ended December 31, 2008, 2009 and 2010, sales to customers representing greater than 10% of net revenue were as follows:

	2008		2009		2010		
Customer	Net revenue	Percentage of net revenue	Net revenue	Percentage of net revenue	Net revenue		Percentage of net revenue
	NT$		NT$		NT$	U.S.$	
Customer H........	72,080,913	16	120,552,968	22	208,978,300	6,862,998	34
AI	113,312,803	26	158,258,468	29	128,870,458	4,232,199	21
Customer B	–	–	–	–	109,304,187	3,589,628	18
Customer D........	89,128,779	20	107,109,728	20	67,418,325	2,214,067	11

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors
Wistron Corporation:

We have reviewed the accompanying consolidated balance sheets of Wistron Corporation (the "Company") and subsidiaries as of September 30, 2010 and 2011, and the related consolidated statements of income and cash flows for the nine-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

We conducted our reviews in accordance with Republic of China Statement on Auditing Standards No. 36, "Engagements to Review Financial Statements". A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to in the first paragraph in order for them to be in conformity with the order VI 0960064020 issued by Financial Supervisory Commission under the Executive Yuan effective November 15, 2007, and accounting principles generally accepted in the Republic of China.

The accompanying consolidated financial statements as of and for the nine-month period ended September 30, 2011, have been translated into United States dollars solely for the convenience of the readers. We have reviewed the translation, and based on our review, we are not aware of any material modifications that should be made to such translation for it to be in conformity with the basis set forth in note 2(a) to the accompanying consolidated financial statements.

Taipei, Taiwan (the Republic of China)
October 21, 2011

Note to Readers

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

Reviewed only, not audited in accordance with generally accepted auditing standards

WISTRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2010 AND 2011
(amounts expressed in thousands of dollars)

	2010	2011	
Assets	**NT$**	**NT$**	**US$**
Current assets:			
Cash and cash equivalents (notes 4(a) and 4(n))	33,641,730	53,509,581	1,757,293
Financial assets at fair value through profit or loss – current (notes 4(b) and 4(n))	193,987	281,942	9,259
Available-for-sale financial assets – current (notes 4(b) and 4(n))	3,353	370	12
Notes and accounts receivable (notes 4(c), 4(n) and 5)	87,111,801	96,129,834	3,156,973
Notes and accounts receivable – related parties (notes 4(n) and 5)	15,098,454	13,646,761	448,170
Other receivable – related parties (notes 4(f), 4(n) and 5)	29,271	35,313	1,160
Other financial assets – current (notes 4(c) and 4(n))	2,016,319	4,418,444	145,105
Inventories (note 4(d))	38,893,368	46,526,447	1,527,962
Noncurrent assets held for sale (note 4(e))	304,991	–	–
Deferred income tax assets – current	2,037,851	625,022	20,526
Prepaid expenses and other current assets	1,566,162	2,492,751	81,864
Total current assets	180,897,287	217,666,465	7,148,324
Long-term investments:			
Long-term equity investments under equity method (notes 4(f) and 5)	4,337,265	5,281,753	173,456
Prepaid long-term investment (note 4(f))	320,025	–	–
Other financial assets – noncurrent (notes 4(b) and 4(n))	1,477	296	10
Available-for-sale financial assets – noncurrent (notes 4(b) and 4(n))	1,264,699	2,031,341	66,711
Financial assets carried at cost – noncurrent (notes 4(b) and 4(n))	1,872,288	1,363,998	44,795
Total long-term investments	7,795,754	8,677,388	284,972
Property, plant and equipment (notes 4(g), 5 and 6):			
Land	1,357,135	3,424,343	112,458
Buildings and improvements	8,570,870	10,357,573	340,150
Machinery and equipment	11,074,985	13,782,294	452,620
Molding equipment	6,718,385	8,369,948	274,875
Research and development equipment	1,017,218	1,305,231	42,865
Furniture and fixtures	1,155,675	1,389,366	45,628
Other equipment	2,117,402	2,527,333	83,000
	32,011,670	41,156,088	1,351,596
Less: accumulated depreciation	(15,025,573)	(19,146,221)	(628,776)
Construction in progress and advance payments for purchases of property and equipment	4,953,736	8,396,588	275,750
Net property, plant and equipment	21,939,833	30,406,455	998,570
Intangible assets (note 4(h))	2,855,116	3,285,673	107,904
Deferred expenses and other assets (notes 4(i) and 6)	1,546,608	1,871,314	61,455
Deferred income tax assets – noncurrent	430,714	641,766	21,076
Total Assets	215,465,312	262,549,061	8,622,301

See accompanying notes to consolidated financial statements.

	2010	2011	
Liabilities and Stockholders' Equity	**NT$**	**NT$**	**US$**
Current liabilities:			
Short-term borrowings (notes 4(j), 4(n) and 6)	23,182,776	63,948,661	2,100,120
Current portion of long-term borrowings (notes 4(k) and 4(n))	9,399,000	–	–
Financial liabilities at fair value through profit or loss – current (notes 4(b) and 4(n))	56,315	340,962	11,198
Notes and accounts payable (note 4(n))	79,902,846	96,645,657	3,173,913
Notes and accounts payable – related parties (notes 4(n) and 5)	25,355,342	21,307,112	699,741
Other payable – related parties (notes 4(n) and 5)	56,285	46,707	1,534
Accrued warranty costs	2,108,015	2,303,918	75,662
Deferred income tax liabilities – current	7,338	12,546	412
Accrued expenses and other current liabilities (note 4(l))	17,779,415	13,885,169	455,999
Deferred inter-company profits	9,648	7,435	244
Total current liabilities	157,856,980	198,498,167	6,518,823
Long-term borrowings (notes 4(k) and 4(n))	–	477,120	15,669
Deferred income tax liabilities – noncurrent	1,672,582	2,579,682	84,719
Other liabilities (note 4(f))	177,144	1,201,578	39,461
Total liabilities	159,706,706	202,756,547	6,658,672
Stockholders' equity (notes 4(b), 4(f) and 4(l)):			
Common stock	19,642,663	20,848,812	684,690
Capital surplus – paid-in capital in excess of par value	18,355,192	19,076,074	626,472
Capital surplus – reserve treasury stock	–	2,206	72
Capital surplus – resulting from long-term equity investments	32,677	82,243	2,701
Capital surplus – employee stock option	–	65,921	2,165
Legal reserve	3,452,438	4,655,472	152,889
Special reserve	–	3,287,455	107,962
Unappropriated earnings	15,708,054	13,718,046	450,511
Foreign currency translation adjustment	(454,738)	(1,052,034)	(34,549)
Unrecognized pension cost	(84,969)	(201,759)	(6,626)
Unrealized gain (loss) on available-for-sale financial assets	(13,771)	93,397	3,067
Treasury stock	(878,940)	(783,319)	(25,725)
Total stockholders' equity	55,758,606	59,792,514	1,963,629
Commitments and contingencies (notes 4(b), 4(c), 4(l) and 7)			
Total Liabilities and Stockholders' Equity	215,465,312	262,549,061	8,622,301

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards

WISTRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2011
(amounts expressed in thousands of dollars, except for earnings per common share)

	2010	2011	
	NT$	NT$	US$
Net revenues (note 5)	454,412,643	463,111,451	15,208,915
Cost of sales (notes 4(d), 4(l) and 5)	(428,880,756)	(439,869,968)	(14,445,648)
Gross profit	25,531,887	23,241,483	763,267
Operating expenses (notes 4(c), 4(h), 4(l) and 5):			
Selling	(6,485,151)	(6,209,812)	(203,935)
Administrative	(1,737,048)	(1,342,482)	(44,088)
Research and development	(6,923,877)	(8,096,187)	(265,884)
Total operating expenses	(15,146,076)	(15,648,481)	(513,907)
Operating income	10,385,811	7,593,002	249,360
Non-operating income and gains:			
Interest income	265,699	858,808	28,204
Investment income recognized under equity method, net (note 4(f))	277,162	291,047	9,558
Gain on disposal of property, plant and equipment (note 5)	17,312	6,170	203
Gain on disposal of investments (notes 4(b) and 4(f))	23,295	52,920	1,738
Foreign currency exchange gain, net	75,202	346,843	11,390
Rental income (note 5)	31,216	27,657	908
Evaluation gain on financial instruments (notes 4(b) and 4(n))	28,370	23,362	767
Other income	509,305	225,530	7,407
	1,227,561	1,832,337	60,175
Non-operating expenses and losses:			
Interest expense (note 4(g))	(371,840)	(710,531)	(23,334)
Loss on disposal of property, plant and equipment	(62,568)	(16,101)	(529)
Other loss	(123,300)	(103,685)	(3,405)
	(557,708)	(830,317)	(27,268)
Income before income taxes	11,055,664	8,595,022	282,267
Income tax expense	(2,132,861)	(1,891,891)	(62,131)
Consolidated net income	8,922,803	6,703,131	220,136
Income attributable to:			
Shareholders of parent company	8,928,895	6,703,131	220,136
Minority shareholders	(6,092)	–	–
	8,922,803	6,703,131	220,136

	After income tax	After income tax	After income tax
	NT$	NT$	US$
Earnings per common share (in dollars) (note 4(m)):			
Basic earnings per share – retroactively adjusted	4.34	3.23	0.11
Diluted earnings per share – retroactively adjusted	4.22	3.15	0.10

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards

WISTRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2010 AND 2011
(amounts expressed in thousands of dollars)

	2010	2011	
	NT$	NT$	US$
Cash flows from operating activities:			
Consolidated net income	8,922,803	6,703,131	220,136
Adjustments to reconcile consolidated net income to net cash provided by operating activities:			
Depreciation and amortization (including the depreciation of property for operating lease and of idle assets)	3,756,685	4,441,322	145,856
Net investment income accounted for by equity method and cash dividends received	(153,790)	(37,458)	(1,230)
Loss on disposal of property, plant and equipment, net	45,256	9,931	326
Gain on disposal of investments, net	(23,295)	(52,920)	(1,738)
Property, plant and equipment, intangible assets and deferred expenses charged to profit or loss	77,749	119,269	3,917
Evaluation gain on financial instruments	(28,370)	(23,362)	(767)
Deferred income tax expense (benefit)	(672,345)	871,174	28,610
Service cost recognized from granting of employee stock option	–	73,967	2,429
Change in operating assets and liabilities:			
Notes and accounts receivable	(19,500,571)	(10,007,387)	(328,650)
Notes and accounts receivable – related parties	16,669,504	2,300,114	75,538
Other receivable – related parties	3,377	35	1
Other financial assets – current	(610,662)	(2,965,349)	(97,384)
Inventories	(11,224,287)	(12,893,543)	(423,433)
Prepaid expenses and other current assets	(262,954)	(495,849)	(16,284)
Notes and accounts payable	8,808,103	16,955,842	556,842
Notes and accounts payable – related parties	(5,274,652)	2,480,652	81,466
Other payable – related parties	(30,953)	(58,728)	(1,929)
Accrued warranty costs	308,627	426,155	13,995
Accrued expenses and other current liabilities	4,966,790	(1,663,895)	(54,643)
Deferred inter-company profits	(1,678)	7,435	244
Other liabilities	(116,472)	(11,441)	(376)
Net cash provided by operating activities	5,658,865	6,179,095	202,926
Cash flows from investing activities:			
Decrease (increase) in non-trade receivables-from related parties	3,642	(3,076)	(101)
Decrease in available-for-sale financial assets – current	1,776	250	8
Increase in available-for-sale financial assets – noncurrent	(22,121)	(626,264)	(20,567)
Decrease (increase) in financial assets carried at cost – noncurrent	(813,571)	411,042	13,499
Increase in long-term equity investments	(513,747)	(241,090)	(7,918)
Increase in prepaid long-term investments	(320,025)	–	–
Proceeds from disposal of long-term investments	42,488	29,361	964
Additions to property, plant and equipment	(8,291,902)	(10,025,275)	(329,237)
Proceeds from disposal of property, plant and equipment	278,495	118,214	3,882
Additions to intangible assets	(945,911)	(542,967)	(17,831)
Increase in deferred expense and other assets	(254,137)	(570,573)	(18,738)
Net cash used in investing activities	(10,835,013)	(11,450,378)	(376,039)

See accompanying notes to consolidated financial statements.

	2010	2011	
	NT$	NT$	US$
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	21,297,750	30,841,301	1,012,851
Decrease in long-term borrowings	–	(10,467,120)	(343,748)
Increase in long-term borrowings	3,633,600	2,062,046	67,719
Increase (decrease) in deposits receivable	(60,732)	893,981	29,359
Issuance of common stock from exercise of employee stock option	301,232	235,960	7,749
Cash dividends to shareholders	(5,049,178)	(6,299,656)	(206,885)
Purchase of treasury stock	(878,940)	–	–
Treasury stock transferred to employee	–	89,781	2,948
Net cash provided by financing activities	19,243,732	17,356,293	569,993
Effect of the change in consolidates entities	(1,302,933)	–	–
Effect of exchange rate changes	337,209	783,162	25,720
Net increase in cash and cash equivalents	13,101,860	12,868,172	422,600
Cash and cash equivalents at beginning of period	20,539,870	40,641,409	1,334,693
Cash and cash equivalents at end of period	33,641,730	53,509,581	1,757,293
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest, excluding capitalized interest	316,261	598,858	19,667
Income taxes	2,540,168	2,993,901	98,322
Supplemental information on non cash investing and financing activities:			
Current portion of long-term borrowings	9,399,000	–	–
Property, plant and equipment reclassified as noncurrent assets held for sale	304,991	–	–
Unrealized gain (loss) on available-for-sale financial assets	(113,067)	188,701	6,197
Equity adjustment in available-for-sale financial assets in investee accounted for under long-term equity investments	(2,642)	(4,395)	(144)
Foreign currency translation adjustment	(509,301)	1,942,753	63,801
Cash and dividends to shareholders:			
Dividends payable at beginnings of period	2,090	2,324	76
Appropriation of retained earnings for cash dividends	5,049,729	6,299,770	206,889
Dividends payable at end of period	(2,641)	(2,438)	(80)
	5,049,178	6,299,656	206,885

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards

WISTRON CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2010 and 2011
(amounts expressed in thousands of New Taiwan dollars and US dollars except for earnings per share information and unless otherwise noted)

1. REPORTING ENTITIES OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THEIR BUSINESS SCOPES

Wistron Corporation (the "Company") was incorporated on May 30, 2001, as a company limited by shares under the laws of the Republic of China (ROC). Pursuant to a restructuring plan of Acer Inc. (AI) to improve its business performance and competitiveness, the Company was formed to acquire the net assets spun off from AI's DMS (Design, Manufacturing, and Service products) business.

As of September 30, 2010 and 2011, the consolidated financial statements included the accounts of the Company and its subsidiaries (hereinafter jointly referred to as the "Consolidated Companies"). The Consolidated Companies, which are classified according to their primary business activity and percentage of the ownership, are as follows:

(a) Research, design, testing, manufacturing and sales of personal computers, servers, multi-media appliance products, telecommunication products, and network systems:

			Percentage of the direct and indirect ownership by the Company at September 30,	
		Investor	**2010**	**2011**
1.	Wistron Corporation (Taiwan)	–	–	–
2.	International Standard Labs ("ISL", Taiwan)	the Company	100.00	100.00
3.	Wistron InfoComm (Philippines) Corporation ("WPH", Philippines)	the Company	100.00	100.00
4.	Wistron Mexico S.A. de C.V. ("WMX", Mexico)	the Company	100.00	100.00
5.	WisVision Corporation ("WVS", British Virgin Islands)	the Company	100.00	100.00
6.	Wistron InfoComm (Zhongshan) Co., Ltd. ("WZS", China)	Cowin	100.00	100.00
7.	AII Technology (Zhongshan) Co., Ltd. ("ATZS", China)	AIIH	100.00	100.00
8.	Wistron InfoComm (Kunshan) Co., Ltd. ("WAKS", China)	Win Smart	100.00	100.00
9.	Wistron InfoComm Technology (Kunshan) Co., Ltd. ("WIKS", China)	Win Smart	100.00	100.00
10.	Wistron InfoComm Manufacturing (Kunshan) Co., Ltd. ("WEKS", China)	Win Smart	100.00	100.00
11.	Wistron InfoComm (Taizhou) Co., Ltd. ("WTZ", China)	Win Smart	100.00	100.00
12.	Wistron Optronics (Kunshan) Co., Ltd. ("WOK", China)	WDC	100.00	100.00
13.	Wistron Optronics Corp. ("WOC", formerly "WOD", Taiwan)	the Company	100.00	100.00
14.	Wistron InfoComm (Czech) s.r.o. ("WCZ", Czech Republic)	WSE	100.00	100.00
15.	Wistron InfoComm Technology (Zhongshan) Co., Ltd. ("WTZS", China)	WVS	100.00	100.00
16.	Polymer Vision B.V. ("WPV", Holland)	WEH	100.00	100.00
17.	Creator Technology B.V. ("WCT", Holland)	WCL	(note 1)	100.00
18.	Wistron Technology (Malaysia) Sdn. Bhd. ("WMY", Malaysia)	the Company	(note 1)	100.00
19.	Wistron InfoComm (CHONGQING) Co., Ltd. ("WCQ", China)	Win Smart	(note 1)	100.00
20.	AOpen Inc. ("AOI", Taiwan)	the Company	27.10	(note 2)
21.	AOpen Information Products (Zhongshan) Inc. ("AOZ", China)	AOTH	27.10	(note 2)

(b) Sale and maintenance of computer products and related parts and components, data storage equipment, and digital monitoring systems:

		Investor	Percentage of the direct and indirect ownership by the Company at September 30, 2010	2011
1.	Cowin Worldwide Corporation (“Cowin”, British Virgin Islands)	the Company	100.00	100.00
2.	AII Holding Corporation (“AIIH”, British Virgin Islands)	the Company	100.00	100.00
3.	Wistron Service B.V. (“WSE”, Holland)	the Company	100.00	100.00
4.	SMS InfoComm Corporation (“WTX”, El Paso, U.S.A.)	the Company	100.00	100.00
5.	Anextek Global Incorporated (“AGI”, Taiwan)	the Company	99.94	99.94
6.	SMS InfoComm (Singapore) Pte. Ltd. (“WSG”, Singapore)	the Company	100.00	100.00
7.	Wistron InfoComm Technology (America) Corporation (“WITX”, U.S.A.)	WLLC	100.00	100.00
8.	Wistron Service (Kunshan) Corp. (“WSKS”, China)	Win Smart	100.00	100.00
9.	Wistron Hong Kong Limited (“WHK”, Hong Kong)	Win Smart	100.00	100.00
10.	Wistron Service (Shanghai) Co., Ltd. (“WSSH”, China)	Win Smart	100.00	100.00
11.	SMS (Kunshan) Co., Ltd. (“WMKS”, China)	Win Smart	100.00	100.00
12.	Wistron K.K. (“WJP”, Japan)	AIIH	100.00	100.00
13.	Wistron Optronics (Shanghai) Corporation (“WOS”, China)	WDC	100.00	100.00
14.	Wistron Optronics (Shanghai) Co., Ltd. (“WOSH”, China)	WDC	100.00	100.00
15.	ICT Service Management Solutions (India) Private Limited (“WIN”, India)	WSG	100.00	100.00
16.	SMS InfoComm Technology Service and Management Solutions Ltd. (“WBR”, Brazil)	the Company	100.00	100.00
17.	MS InfoComm Technology Service Limited Company (“WTR”, Turkey)	the Company	100.00	100.00
18.	Service Management Solutions Mexico SA DE CV (“WSMX”, Mexico)	the Company	(note 1)	100.00
19.	AOpen America Inc. (“AOA”, U.S.A.)	AOI	27.10	(note 2)
20.	AOpen Computer B.V. (“AOE”, Holland)	AOI	27.10	(note 2)
21.	AOpen Japan Inc. (“AOJ”, Japan)	AOI	27.10	(note 2)
22.	AOpen Technology Asia Pacific Taiwan Co., Ltd. (“AOAT”, Taiwan)	AOI	27.10	(note 2)
23.	Great Connection Ltd. (“GCL”, Hong Kong)	AOTH	27.10	(note 2)
24.	AOpen International (Shanghai) Co., Ltd. (“AOC”, China)	AOTH	27.10	(note 2)
25.	AOpen Computer GmbH (“AOG”, Germany)	AOE	27.10	(note 2)
26.	AOpen Components B.V. (“AOEC”, Holland)	AOE	27.10	(note 2)

(c) Investment and holding companies:

		Investor	Percentage of the direct and indirect ownership by the Company at September 30, 2010	2011
1.	WiseCap Ltd. (“WCL”, Taiwan)	the Company	100.00	100.00
2.	Win Smart Co., Ltd. (“Win Smart”, British Virgin Islands)	the Company	100.00	100.00
3.	Wistron LLC (“WLLC”, U.S.A.)	the Company	100.00	100.00
4.	Wistron Advanced Materials (Hong Kong) Limited (“WGHK”, Hong Kong)	the Company	(note 1)	100.00
5.	Wistron Europe Holding Cooperatie U.A. (“WEH”, Holland)	the Company	100.00	100.00
6.	Xserve Technology Incorporated (“XTI”, British Virgin Islands)	AGI	99.94	99.94
7.	WinDisplay Corporation (“WDC”, British Virgin Islands)	AIIH	100.00	100.00
8.	WLB Ltd. (“WLB”, Taiwan)	WCL	100.00	100.00
9.	Wistron Hong Kong Holding Limited (“WHHK”, Hong Kong)	Win Smart	(note 1)	100.00
10.	AOpen Technology Inc. (“AOTH”, British Virgin Islands)	AOI	27.10	(note 2)

(d) Software research, development, design, trading and consultation:

		Investor	Percentage of the direct and indirect ownership by the Company at September 30, 2010	2011
1.	Wistron InfoComm (Shanghai) Corporation ("WSH", China)	AIIH	100.00	100.00

(e) Recycling of electronic products:

		Investor	Percentage of the direct and indirect ownership by the Company at September 30, 2010	2011
1.	Wistron Green Tech (Texas) Corporation ("WGTX", U.S.A.)	the Company	(note 1)	100.00
2.	Wistron Advanced Materials (Kunshan) Limited ("WGKS", China)	WGHK	(note 1)	100.00

(note 1) Subsidiaries of the Company, which were established after September 30, 2010.
(note 2) AOI and its subsidiaries were deconsolidated commencing from August 19, 2010.

As of September 30, 2010, the Consolidated Companies included AOI and its subsidiaries, even though the Consolidated Companies' ownership percentage was lower than 50%, because the Company's representative was appointed as AOI's general manager and the Company obtained the power to control AOI. As of August 19, 2010, the Consolidated Companies lost the power to control AOI as the board of directors of AOI decided that the representative of the Consolidated Companies who was assigned as the director will no longer serve as the general manager of AOI. Therefore, AOI and its subsidiaries have not been consolidated commencing from August 19, 2010. As the Company still had the power to control AOI before August 19, 2010, AOI and its subsidiaries' consolidated net income for the period before August 19, 2010, was included in the accompanying consolidated financial statements.

As of September 30, 2010 and 2011, the Consolidated Companies had 52,995 and 60,678 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in conformity with the order VI 0960064020 issued by Financial Supervisory Commission (FSC) under the Executive Yuan on November 15, 2007 (which allows Taiwan Companies not to disclose certain accounting policies and information in their first and third quarter consolidated financial statements of each year) and accounting principles generally accepted in the Republic of China ("ROC"). Due to limited disclosures in the Company's consolidated financial statements for the first quarter and third quarter of each year, the Company's consolidated financial position, consolidated results of operations and consolidated cash flows in each of these quarters every year can be understood by reading them together with the Company's reviewed half year consolidated financial statements. The Company's significant accounting policies are the same as those disclosed in its 2011 half year consolidated financial statements, except for the following:

(a) Convenience translation into U.S. dollars

The consolidated financial statements are stated in New Taiwan dollars. Translation of the September 30, 2011 New Taiwan dollar financial statement amounts into U.S. dollar amounts is included solely for the convenience of the readers, using the spot rate of Federal Reserve Bank of New York on September 30, 2011 of NT$30.45 to US$1 uniformly for all the financial statement accounts. The convenience translations should not be construed as representations that the New Taiwan dollar amounts have been, could have been, or could in the future be, converted into U.S. dollars at this rate or any other rate of exchange.

3. CHANGES IN ACCOUNTING PRINCIPLES

(a) The Consolidated Companies adopted the third revised provisions of the ROC SFAS No. 34 "Accounting for Financial Instruments" effective January 1, 2011 for the recognition, measurement and impairment of originated loans and receivables. The adoption of this amended accounting principle disclosed no significant impact on the Consolidated Companies' financial statements as of and for the nine months ended September 30, 2011.

(b) The Consolidated Companies likewise adopted the ROC SFAS No. 41 "Disclosure of the Operating Segment" effective January 1, 2011. According to this new accounting standard, an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effect of the business activities in which it engages and the economic environment in which it operates. Internal information that is provided to the operating decision maker is used as the basis for determining and disclosing the operating segment. This standard replaces the ROC SFAS No. 20 "Segment Reporting". The adoption of this new accounting standard disclosed no impact on the Consolidated Companies' profit and loss for the nine months ended September 30, 2011. However, the Consolidated Companies have restated prior period's segment information for comparison purposes.

4. SIGNIFICANT ACCOUNT DISCLOSURES

(a) Cash and cash equivalents

The components of cash and cash equivalents as of September 30, 2010 and 2011, were as follows:

	2010	2011	
	NT$	NT$	US$
Cash on hand	97,419	88,959	2,921
Cash in banks	24,310,161	23,439,641	769,775
Time deposits	9,234,150	29,980,981	984,597
	33,641,730	53,509,581	1,757,293

(b) Financial instruments

(1) Financial assets and liabilities at fair value through profit or loss as of September 30, 2010 and 2011, were as follows:

	2010	2011	
	NT$	NT$	US$
Financial assets:			
Foreign currency swap contracts	193,987	164,269	5,395
Foreign currency forward contracts	–	117,673	3,864
	193,987	281,942	9,259
Financial liabilities:			
Foreign currency swap contracts	9,358	333,551	10,954
Foreign currency forward contracts	46,957	7,411	244
	56,315	340,962	11,198

For the nine-month periods ended September 30, 2010 and 2011, gain on the derivative contracts due to the change in fair market value amounted to NT$28,370 and NT$23,362, respectively, and was accounted for under "evaluation gain on financial instruments".

Derivative contracts of the Consolidated Companies with several banks were intended to manage foreign currency exchange and interest rate risks resulting from operating, financing, and investing activities. As of September 30, 2010 and 2011, derivative financial instruments not qualified for hedge accounting were as follows:

(i) Foreign currency swap contracts

2010		2011	
Notional amount	**Currency**	**Notional amount**	**Currency**
USD 460,000	USD Put / NTD Call	USD 290,000	USD Put / NTD Call
USD 5,353	EUR Put / USD Call	USD 106,000	NTD Put / USD Call
NTD 125,491	JPY Put / NTD Call		
USD 15,000	NTD Put / USD Call		

(ii) Foreign currency forward contracts

2010		2011	
Notional amount	**Currency**	**Notional amount**	**Currency**
USD 127,000	NTD Put / USD Call	USD 1,000	USD Put / NTD Call
		USD 60,000	USD Put / CNY Call
		USD 143,000	NTD Put / USD Call
		USD 60,000	CNY Put / USD Call

(2) Available-for-sale financial assets as of September 30, 2010 and 2011, were as follows:

	2010	2011	
	NT$	**NT$**	**US$**
Available-for-sale financial assets – current:			
Bond fund	3,353	370	12
Available-for-sale financial assets – noncurrent:			
Publicly traded stock – Global Lighting Technologies Inc. (“GLT”)	–	956,180	31,402
Publicly traded stock – Xplore	6,706	4,538	149
Publicly traded stock – DDD Group PLC	137,012	249,130	8,182
Publicly traded stock – Alpha Networks	693,695	526,431	17,288
Publicly traded stock – Super Dragon Technology Co., Ltd.	289,440	208,440	6,845
Stock traded on OTC – High-Tek	46,137	23,779	781
Stock traded on OTC – Gamania	91,709	62,843	2,064
	1,264,699	2,031,341	66,711

For the nine-month periods ended September 30, 2010 and 2011, unrealized gain (loss) on available-for-sale financial assets recognized as adjustments to stockholders’ equity amounted to NT$(113,067) and NT$188,701, respectively.

For the nine-month periods ended September 30, 2010 and 2011, the Consolidated Companies disposed of available-for-sale financial assets and recognized gains on disposal thereof of NT$1,461 and NT$10,907, respectively. These gains were accounted for under “gain on disposal of investments”.

As GLT has been listed in Taiwan commencing from July, 2011, the Consolidated Companies reclassified their equity investment in GLT from the “financial assets carried at cost – noncurrent” to available-for-sale financial assets – noncurrent.

(3) Financial assets carried at cost as of September 30, 2010 and 2011, were as follows:

	2010	2011	
	NT$	NT$	US$
Noncurrent:			
Privately held stock – Bcom Electronics Inc.	18,728	18,728	615
Privately held stock – IP Fund II L.P.	15,000	7,681	252
Privately held stock – IP Fund III L.P.	44,817	41,587	1,366
Privately held stock – Vmedia Research	–	–	–
Privately held stock – Jafco AT Fund III L.P.	115,511	113,962	3,743
Privately held stock – Jafco AT Fund IV L.P.	124,588	131,788	4,328
Privately held stock – IP Fund One, L.P.	42,449	36,786	1,208
Privately held stock – Golden Unify International Enterprises Ltd. (“GUI”)	–	–	–
Privately held stock – AcroSense Technology Co., Ltd.	157,920	157,920	5,186
Privately held stock – IP Cathay II, L.P.	136,035	182,567	5,996
Privately held stock – IP Cathay One, L.P.	141,407	141,145	4,635
Privately held stock – Keen High Technologies Limited	123,231	119,990	3,941
Privately held stock – Hartec Asia Pte. Ltd.	125,966	–	–
Privately held stock – Nol Vate Advanced Ltd.	90,000	90,000	2,956
Privately held stock – U-Systems, Inc.	47,958	69,243	2,274
Privately held stock – Lilee Systems, Ltd	47,588	162,876	5,349
Privately held stock – GLT	640,000	–	–
Privately held stock – Zeo, Inc.	–	45,459	1,493
Privately held stock – Phostek, Inc.	–	43,336	1,423
Privately held stock – Advance Power & Energy Semiconductor, Inc. (“APES”)	–	–	–
Others	1,090	930	30
	1,872,288	1,363,998	44,795

The above privately held equity securities were measured at cost as there were no market prices available for determining their fair value.

In September 2010, GUI started its liquidation. The Consolidated Companies reclassified their investment in this investee into other financial assets – noncurrent. As of September 30, 2011, the process of liquidating this investee was uncompleted.

(4) Other financial assets – noncurrent as of September 30, 2010 and 2011, were as follows:

	2010	2011	
	NT$	NT$	US$
Stock – Golden Unify International Enterprises Ltd. (“GUI”)	1,477	296	10
Stock – AOpen Center-MD, LLC (note)	–	–	–
	1,477	296	10

(note): AOI and its subsidiaries were not listed as the consolidated entities commencing from August 19, 2010. Please refer to note 4(f) for further information.

(c) Accounts receivable

The components of accounts receivable as of September 30, 2010 and 2011, were as follows:

	2010	2011	
	NT$	NT$	US$
Notes and accounts receivable	87,204,123	96,249,945	3,160,918
Less: allowance for doubtful accounts	(92,322)	(120,111)	(3,945)
	87,111,801	96,129,834	3,156,973

As of September 30, 2010 and 2011, the Consolidated Companies notes and accounts receivable were not pledged.

The carrying amounts of notes and accounts receivable approximate fair value because of their short term maturities.

The movements of allowance for doubtful accounts for the nine-month periods ended September 30, 2010 and 2011, were as follows:

	2010	2011	
	NT$	NT$	US$
Balance beginning of period	251,240	94,835	3,115
Provision for bad debts (reversal gain)	(158,918)	25,276	830
Balance end of period	92,322	120,111	3,945

For the nine-month periods ended September 30, 2010 and 2011, the Consolidated Companies recognized bad debt expenses (reversal gain) of NT$(158,918) and NT$25,276, respectively, which was based on the result of the Consolidated Companies evaluation. In evaluating bad debts, the Consolidated Companies consider historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

As of September 30, 2010 and 2011, the factored accounts receivable that conformed to the derecognition criteria were as follows:

2010

Buyer	Factored amount	Factoring credit limit	Advance amount	Collateral	Important derecognition clause	Derecognized amount
Bank SinoPac (note 1)	US$952,769	400,000	371,371	400,000	Without recourse	371,371
Mega International Commercial Bank (notes 2 and 3)...................	1,218,092	700,000	695,218	700,000	”	718,034
	US$2,170,861	1,100,000	1,066,589	1,100,000		1,089,405

2011

Buyer	Factored amount	Factoring credit limit	Advance amount	Collateral	Important derecognition clause	Derecognized amount
Bank SinoPac (note 1)	US$1,230,484	580,000	507,420	580,000	Without recourse	507,420
Mega International Commercial Bank (notes 2 and 3)	1,279,955	1,100,000	885,224	1,100,000	”	952,160
	US$2,510,439	1,680,000	1,392,644	1,680,000		1,459,580

(note 1): In May 2010, the Consolidated Companies entered into a syndicated accounts receivable factoring agreement with Bank SinoPac, First Bank, Chang Hwa Bank and Hua Nan Bank. Each of these banks participates on a pro rata basis. The Consolidated Companies arranged for its refinancing in June, 2011.

(note 2): In April 2010, the Consolidated Companies entered into a syndicated accounts receivable factoring agreement with Mega International Commercial Bank and Chang Hwa Bank. Each of these banks participated on a pro rata basis. And in April 2011, the Consolidated Companies entered into a new syndicated accounts receivable factoring agreement with Mega International Commercial Bank, Chang Hwa Bank, First Bank and Hua Nan Bank which participated on a pro rata basis. Therefore, as the new agreement came into effect, the original one was already terminated.

(note 3): As of September 30, 2010 and 2011, the related party receivable from AI, which was included among the factored accounts receivable amounted to US$1,000,056 and US$613,101, respectively. The related derecognized accounts amounted to approximately US$499,997 and US$285,306, respectively.

The above-mentioned factorings of accounts receivable to banks are recognized when the ownership and the significant risks of the factored accounts receivable are transferred. As of September 30, 2010 and 2011, the accounts receivable factored to banks amounted to NT$2,170,861(approximately NT$68,013,075) and US$2,510,439 (approximately NT$76,583,455), respectively. Included among the factored accounts receivable, were factored accounts receivable of NT$714,825 and NT$2,041,954, respectively, which were still receivable from banks, therefore, were included in “other financial assets – current” in the accompanying consolidated balance sheets.

For the nine-month periods ended September 30, 2010 and 2011, the average annual interest rates on factored accounts receivable were 0.48% to 1.20% and 0.82% to 1.70%, respectively.

(d) Inventories

The components of inventories as of September 30, 2010 and 2011, were as follows:

	2010	2011	
	NT$	NT$	US$
Raw materials	20,038,963	21,405,811	702,982
Less: provision for obsolescence	(702,613)	(256,153)	(8,412)
Sub-total	19,336,350	21,149,658	694,570
Work in process	6,528,172	6,858,639	225,243
Less: provision for obsolescence	(193,219)	(35,654)	(1,171)
Sub-total	6,334,953	6,822,985	224,072
Finished goods	9,916,065	10,058,503	330,328
Less: provision for obsolescence	(269,353)	(100,371)	(3,296)
Sub-total	9,646,712	9,958,132	327,032
Inventory in transit	4,754,522	10,007,980	328,669
Less: provision for obsolescence	(1,179,169)	(1,412,308)	(46,381)
	38,893,368	46,526,447	1,527,962

For the nine-month periods ended September 30, 2010 and 2011, the Consolidated Companies recognized related losses on inventories of NT$1,139,070 and NT$439,578, respectively. Included in these inventory losses were losses on inventories of NT$1,189,098 and NT$521,920, arising from the write down of inventories to net realizable value, which were charged to cost of sales for the nine-month periods ended September 30, 2010 and 2011, respectively.

(e) Noncurrent assets held for sale

In April, 2010, the Company decided to sell its factory building and parking lots and, therefore, classified these assets as "Noncurrent assets held for sale" in May, 2010. In December 2010, these assets were sold.

	2010
	NT$
Factory building and parking lots	304,991

(f) Long-term equity investments

Long-term equity investments and long-term investment credit as of September 30, 2010 and 2011, and related investment income or loss for the nine-month periods then ended, were as follows:

	2010		2010
Investee	**Percentage of ownership**	**Book value**	**Investment income (loss)**
		NT$	**NT$**
Accounted for under equity method:			
Wistron NeWeb Corporation ("WNC")	27.20%	2,066,854	282,139
AOpen Inc. ("AOI")	27.10%	348,135	(363)
Changing Information Technology Inc. ("CGI")	28.47%	30,475	(2,009)
Mindforce Holdings Limited	29.00%	1,080,774	46,548
ACA Digital Corporation ("ACA")	30.83%	14,111	(12,966)
Wistron Information Technology and Services Corporation ("WITS")	36.06%	247,212	16,129
KunShan ChangNun Precision Die Casting Co., Ltd.	3.56%	6,928	1,540
Formosoft International Inc.	28.47%	8,663	(2,844)
Park Orchid Limited ("POL")	46.88%	118,517	89
Gold Connection Ltd. ("GDCL")	29.00%	274,376	(47,428)
Hsieh-Yuh Technology Co., Ltd.	30.00%	66,452	(6,931)
Main Source Technology Co., Ltd.	35.48%	–	–
Open Tech	31.67%	–	(457)
Cetus International Co., Limited ("CTI")	30.00%	39,125	(622)
Super Elite Ltd. ("Super Elite")	43.17%	83,126	3,484
Deferred credits of long-term equity investments (note 5(b)(6))		(47,483)	853
		4,337,265	277,162
Long-term investment credit (included in "other liabilities"):			
Xserve (BVI) Corp.	39.14%	(5,489)	–
			277,162
Prepaid long-term investment:			
Information SuperGrid Technology Global Inc. ("ISGTG")		160,025	
Information SuperGrid Technology China Limited ("ISGTC")		160,000	
		320,025	

Investee	2011 Percentage of ownership	2011 Book value NT$	2011 Book value US$	2011 Investment income (loss) NT$	2011 Investment income (loss) US$
Accounted for under equity method:					
Wistron NeWeb Corporation ("WNC")	26.53%	2,396,756	78,711	353,979	11,625
AOpen Inc. ("AOI")	27.10%	364,828	11,981	9,271	304
Changing Information Technology Inc. ("CGI")	28.03%	29,343	964	(3,232)	(106)
Mindforce Holdings Limited	29.00%	1,276,897	41,934	(69,328)	(2,277)
Wistron Information Technology and Services Corporation ("WITS")	34.95%	258,559	8,491	9,051	297
KunShan ChangNun Precision Die Casting Co., Ltd.	3.56%	7,955	261	512	17
Formosoft International Inc.	28.47%	22,009	723	10,294	338
Park Orchid Limited ("POL")	46.88%	56,018	1,840	(9,783)	(321)
Hsieh-Yuh Technology Co., Ltd.	30.00%	54,226	1,781	(8,744)	(287)
Main Source Technology Co., Ltd.	35.48%	–	–	–	–
Cetus International Co., Limited ("CTI")	30.00%	39,180	1,287	(175)	(6)
Super Elite Ltd. ("Super Elite")	43.17%	105,386	3,461	15,242	501
Information SuperGrid Technology Global Inc. Limited ("ISGTG")	40.00%	137,131	4,503	(5,407)	(178)
Hartec Asia Pte. Ltd. ("Hartec Asia")	20.02%	195,712	6,427	5,472	180
Information SuperGrid Technology China Limited ("ISGTC")	40.00%	151,208	4,966	(1,265)	(42)
BriVision Optronics (L) Corp. ("WBV")	49.01%	138,167	4,537	(15,676)	(515)
HERACLES ENTERPRISES LIMITED ("HCL")	30.00%	94,724	3,111	(9)	–
Deferred credits of long-term equity investments (note 5(b)(6))		(46,346)	(1,522)	853	28
		5,281,753	173,456	291,055	9,558
Long-term investment credit (note 5) (note):					
Gold Connection Ltd. ("GDCL")	29.00%	(15,098)	(496)	(8)	–
Xserve (BVI) Corp.	33.99%	(2,941)	(96)	–	–
		(18,039)	(592)	291,047	–

(Note): Of the long-term investment credit, NT$44 was treated as a contra account to other receivable – related parties and the remaining balance of NT$17,995 was recorded in other liabilities.

As of September 30, 2010 and 2011, the market values of long-term equity investments in listed companies were as follows:

	2010 NT$	2011 NT$	2011 US$
WNC	5,016,024	5,767,565	189,411
AOI (note 1)	552,039	317,035	10,412
	5,568,063	6,084,600	199,823

(note 1) AOI and its subsidiaries were deconsolidated commencing from August 19, 2010.

The above-mentioned long-term investment credits were netted against other receivable – related parties (see note 5). Deferred credits of long-term investments represent the unamortized balance of deferred gains derived from the transfer of equity investment ownership among the affiliated companies. These long-term investment credits are debited when the related assets of the investee companies are depreciated or amortized or the Consolidated Companies' equity holding ratios in the investee companies have changed.

For the nine-month periods ended September 30, 2010 and 2011, the Consolidated Companies sold portion of its equity ownership in WITS and ACA and WITS. The sale of such equity ownership resulted in a gain of NT$21,834 and NT$42,013, which was accounted for under "gain on disposal of investments".

For the nine-month period ended September 30, 2010, the Company's capital surplus increased by NT$3,504 due to the change in equity holding ratios of the Company and WCL in WNC and AOI arising from the exercise of employee stock options, and distribution of employees' bonus by WITS. For the nine-month period ended September 30, 2011, the Company's capital surplus increased by NT$12,694 due to the change in the equity holding ratios of the Company and WCL in WNC arising from the change of capital surplus.

For the nine-month periods ended September 30, 2010 and 2011, unrealized loss on available-for-sale financial assets of NT$(2,642) and NT$(4,395), respectively, was recognized as adjustments to stockholders' equity in proportion to the equity investment ownership ratio.

The Consolidated Companies formally entered into a joint venture agreement with AU Optronics Corp. ("AUO") and established WBV in March 2011 in Malaysia. Also, the Consolidated Companies and AUO have invested in BriVision Optronics (Zhongshan) Corp. jointly in China through WBV. Under this joint venture agreement, the Consolidated Companies own 49.01% of the equity of WBV.

The Consolidated Companies' share of the related accounts from WBV as of September 30, 2011, was as follows:

	2011
	NT$
Current assets at end of period	189,105
Non-current assets at end of period	39,164
Current liabilities at end of period	90,103
Revenues for the nine-month period ended September 30, 2011	1,140
Expenses for the nine-month period ended September 30, 2011	16,817

(g) Property, plant and equipment

For the nine-month periods ended September 30, 2010 and 2011, capitalized interest expense amounted to NT$16,244 and NT$30,017, respectively. The capitalized interest rate was 3% and 0.76% per annum, respectively.

Property and equipment provided as collateral as of September 30, 2010 and 2011, were disclosed in note 6.

(h) Intangible assets

	Patents	Goodwill	Software	Core technology	Customer relationships	Land use rights	Others	Total
	NT$	NT$	NT$	NT$	NT$	NT$	NT$	NT$
Original cost								
Balance at December 31, 2009	806,204	561,959	1,337,527	355,100	264,800	620,158	154	3,945,902
Additions	48,795	–	364,101	–	–	533,015	–	945,911
Reclassification	–	–	–	–	–	–	(121)	(121)
Foreign currency translation adjustment	–	–	(274)	–	–	(13,211)	–	(13,485)
Balance at September 30, 2010	854,999	561,959	1,701,354	355,100	264,800	1,139,962	33	4,878,207
Balance at December 31, 2010	854,953	561,959	1,896,087	355,100	264,800	1,389,785	1,687	5,324,371
Additions	–	–	247,297	–	–	294,465	1,205	542,967
Decrease	–	–	(3,043)	–	–	–	–	(3,043)
Reclassification	(58)	–	(444)	–	–	–	(1,575)	(2,077)
Foreign currency translation adjustment	–	–	2,824	–	–	70,090	(177)	72,737
Balance at September 30, 2011	854,895	561,959	2,142,721	355,100	264,800	1,754,340	1,140	5,934,955
Accumulated amortization								
Balance at December 31, 2009	115,894	–	1,020,659	221,937	66,200	100,069	–	1,524,759
Amortization	51,524	–	263,054	133,163	39,720	13,261	8	500,730
Foreign currency translation adjustment	–	–	(240)	–	–	(2,158)	–	(2,398)
Balance at September 30, 2010	167,418	–	1,283,473	355,100	105,920	111,172	8	2,023,091
Balance at December 31, 2010	189,798	–	1,435,077	355,100	119,160	111,896	524	2,211,555
Amortization	30,025	–	342,349	–	39,720	21,359	8	433,461
Decrease	–	–	(3,043)	–	–	–	–	(3,043)
Reclassification	–	–	964	–	–	–	(489)	475
Foreign currency translation adjustment	–	–	520	–	–	6,339	(25)	6,834
Balance at September 30, 2011	219,823	–	1,775,867	355,100	158,880	139,594	18	2,649,282
Book value								
Balance at December 31, 2009	690,310	561,959	316,868	133,163	198,600	520,089	154	2,421,143
Balance at September 30, 2010	687,581	561,959	417,881	–	158,880	1,028,790	25	2,855,116
Balance at December 31, 2010	665,155	561,959	461,010	–	145,640	1,277,889	1,163	3,112,816
Balance at September 30, 2011	635,072	561,959	366,854	–	105,920	1,614,746	1,122	3,285,673

For the nine-month periods ended September 30, 2010 and 2011, amortization expense of intangible assets amounted to NT$500,730 and NT$433,461 respectively, and was recorded as operating expense.

(i) Deferred expenses and other assets

The components of deferred expenses and other assets as of September 30, 2010 and 2011, were as follows:

	2010	2011	
	NT$	NT$	US$
Deferred improvement costs	718,098	882,789	28,991
Idle assets	178,828	143,605	4,716
Property for operating leases, net	189,189	192,568	6,324
Refundable deposits	167,555	198,437	6,517
Restricted deposit (note 6)	12,133	2,074	68
Prepaid pension cost	19,199	19,349	636
Deferred expenses and others	261,606	432,492	14,203
	1,546,608	1,871,314	61,455

(j) Short-term borrowings

Short-term borrowings as of September 30, 2010 and 2011, were as follows:

	2010	2011	
	NT$	NT$	US$
Unsecured bank loans	23,182,776	63,948,661	2,100,120

For the nine-month periods ended September 30, 2010 and 2011, the average annual interest rates on short-term borrowings were 0.62% to 4.86% and 0.62% to 16.00%, respectively. Unused credit facilities as of September 30, 2010 and 2011, amounted to NT$52,859,326 and NT$43,426,288 respectively. The Consolidated Companies were not required to pay commitment fees on these facilities. Furthermore, the Consolidated Companies provided some assets as collateral for the above-mentioned credit facilities. Please refer to note 6 for the details of pledged assets related to these credit facilities.

(k) Long-term borrowings

		2010		2011		
Financial institutions	**Repayment period**	**Amount**	**Interest rate (p.a.) (%)**	**Amount**		**Interest rate (p.a.) (%)**
		NT$		**NT$**	**US$**	
Yuanta Bank and 12 other banks	The three-year syndicated loan agreement entered into by the Company on June 18, 2008 with 12 banks in Taiwan require that the principal is payable in lump sum on maturity date if not refinanced before the payment date.	9,399,000	0.77%~0.99%	–	–	0.80%~0.83%
DBS bank	The three-year mid-term loan agreement entered into by the Company on April 1, 2011 requires that the principal is payable in lump sum on maturity date if not refinanced before the payment date.	–	–	–	–	0.75%~0.80%
Mizuho Corporate Bank	The loan agreement begins from November 1, 2010 to August 1, 2014, to repay JPY50,000,000 every three months from November 1, 2012 and the remaining is payable in lump sum on maturity date.	–	–	477,120	15,669	0.68%~0.94%
BNP Bank	The two-year mid-term loan agreement entered into by the Company on August 18, 2011 requires that the principal is payable in lump sum on maturity date if not refinanced before the payment date.	–	–	–	–	–
Less: Current portion		(9,399,000)		–	–	
		–		477,120	15,669	

(1) As of September 30, 2010 and 2011, NT$0 and NT$2,660,002, respectively, of the long-term credit facility granted by financial institutions had not been used. The Company provided a US$300,000 and US$60,000 and EUR$20,000, respectively, worth of promissory note as collateral for the syndicated loan credit facility but is not required to pay any commitment fee thereon.

(2) The significant terms of the syndicated loan agreement entered into in 2008 are as follows:

Total credit facility: US$300,000.

Bank syndicates:

(i) Lead bank and arranger: Yuanta Bank.

(ii) Other participating banks: Land Bank, Chang Hwa Bank, Taiwan Business Bank, Bank of Tokyo-Mitsubishi UFJ, Mizuho Corporate Bank, First Bank, Hua Nan Bank, Shanghai Commercial & Savings Bank, Cathay United Bank, E. Sun Bank and Industrial Bank of Taiwan.

Credit category: mid-term loan.

Credit term: three years from the date when the loan agreement is signed.

Repayment: The principal is payable in lump sum on maturity date if not refinanced before the payment date.

Covenants: during the credit term, the Company is committed to maintain the following financial ratios:

(i) Current ratio should not be lower than 100%.

(ii) Loan to equity ratio should not be higher than 100%.

(iii) Interest coverage ratio should not be lower than 400%.

(iv) Total tangible net assets should not be lower than NT$25,000,000.

Compliance with the above-mentioned financial ratios is determined based on the semi-annual and annual consolidated financial statements reviewed or audited by independent auditors recognized by the lead bank and the arranger. As of September 30, 2010, the Company was in compliance with the financial covenants.

Breach of covenant: if a breach of covenant occurs, the Company's credit facility is promptly restricted. Without the consent of a majority of banks, the credit facility is no longer available to the Company. In addition, if the consent of a majority of banks is obtained, the arranger is eligible to act as follows:

(i) To call part or all of the unused credit facility;

(ii) To inform the Company in writing that the loan is due immediately, and the principal with corresponding interest and penalty should be repaid to each bank;

(iii) To request payment from the Company by exercising the right derived from the promissory note;

(iv) To exercise the rights within the regulations, agreement, guarantee and other documents without further notifications. The Company has agreed to waive its rights for the abovementioned notifications from the bank syndicate.

(3) The significant terms of the mid-term loan agreement with DBS Bank entered into in April 2011 are as follows:

Total credit facility: US$60,000.

Credit category: mid-term loan.

Credit term: three years from the date when the loan agreement is signed.

Repayment: The principal is payable in lump sum on maturity date if not refinanced before the payment date.

Covenants: during the credit term, the Company is committed to maintain the following financial ratios:

(i) Current ratio should not be lower than 100%.

(ii) Loan to equity ratio should not be higher than 100%.

(iii) Interest coverage ratio should not be lower than 400%.

(iv) Total tangible net assets should not be lower than NT$35,000,000.

Compliance with the above-mentioned financial ratios is determined based on the semi-annual and annual consolidated financial statements reviewed or audited by independent auditors recognized by the lead bank and the arranger. As of September 30, 2011, the Company was in compliance with the financial covenants.

Breach of covenant: if a breach of covenant occurs, the Company's credit facility is promptly restricted. Without the consent of bank, the credit facility is no longer available to the Company.

(4) The significant terms of the mid-term loan agreement with BNP Bank entered into in August 2011 are as follows:

Total credit facility: EUR$20,000.

Credit category: mid-term loan.

Credit term: two years from the date when the loan agreement is signed.

Repayment: The principal is payable in lump sum on maturity date if not refinanced before the payment date.

(l) Stockholders' equity

(1) Common stock

On June 22, 2011, the Company's shareholders approved a resolution to distribute a stock dividend of 50 shares per thousand shares with a face value of NT$984,339. The Company acquired treasury stock and employee stock options were exercised, therefore, the ratio for the stock dividend to be distributed to shareholders changed to 49.94 shares per thousand shares. The dividend distribution date was set on August 30, 2011, and the related registration processes were completed.

On June 18, 2010, the Company's shareholders approved a resolution to distribute a stock dividend of 50 shares per thousand shares with a face value of NT$935,135. The Company acquired treasury stock and employee stock options were exercised, therefore, the ratio for the stock dividend to be distributed to shareholders changed to 50.35 shares per thousand shares. The dividend distribution date was set on August 4, 2010, and the related registration processes were completed.

For the nine-month periods ended September 30, 2010 and 2011, the Company issued 6,484 thousand shares and 5,552 thousand shares, respectively, of the Company's common stock, resulting from the exercise of employee stock options.

As of September 30, 2010 and 2011, the Company's authorized common stock consisted of 2,500,000,000 shares and 3,000,000,000 shares, respectively, with par value of NT$10 per share, of which 1,964,266,000 shares and 2,084,881,000 shares, respectively, were issued and outstanding.

(2) **Treasury stock**

(i) For the nine-month periods ended September 30, 2010 and 2011, in order to provide some incentives to employees, the Company both acquired 17,474,000 shares, of which 0 shares and 1,901,000 share were transferred to employees. Therefore, the Company was in possession of 17,474,000 shares and 15,573,000 shares of treasury stock as of September 30, 2010 and 2011, respectively.

(ii) According to the Securities and Exchange Act, the number of treasury shares shall not exceed 10% of the number of shares issued. Moreover, the total amount of treasury stock shall not exceed the sum of retained earnings, paid-in capital in excess of par value, and realized capital surplus. Based on the Company's financial statements issued on April 12, 2010, the maximum number of Company shares that the Company was allowed to acquire was 187,027,000 shares, with a value not exceeding NT$31,259,410. For the nine-month period ended September 30, 2011, the maximum number of shares acquired was 17,474,000 shares, with total cost of NT$878,940, which was below the ceiling set under the Securities and Exchange Act.

(iii) According to the Company's articles of incorporation, retained earnings equal to the amount of treasury stock cannot be distributed as dividends.

(iv) According to the Securities and Exchange Act, treasury stock cannot be collateralized. In addition, treasury shares held do not bear shareholder rights.

(3) **Employee stock option plan**

The Company

On October 28, 2007, the Company's board of directors approved a resolution to issue 105,000,000 units of stock options under a plan, with the right for each unit to purchase one share of the Company's common stock. These options were fully issued on November 16, 2007. The major terms of the plan were as follows:

(i) Exercise price: NT$61 (if there are some changes in common stock, the exercise price will be adjusted in accordance with the plan).

(ii) Vesting periods:

The options are exercisable according to following schedule subsequent to the second anniversary of the grant date.

Exercise period	Accumulated exercisable percentage
2009/11/17	1/3
2010/11/17	2/3
2011/11/17	3/3

(iii) Shares to be issued: new common stock.

(iv) Exercise procedure: according to the employee stock option plan, the Company will apply to the government authorities for approval to convert options into common stock at least once each quarter and, likewise, apply to register the change in share capital with the authorities after issuing the new shares.

According to the relevant government authority, employee stock option plans that are amended or have options granted on or after January 1, 2004, must be accounted for based on the interpretation 070 and 072 issued by the Accounting Research and Development Foundation on March 17, 2003.

A. The Company adopted the intrinsic value method to recognize compensation cost. As there was no difference between the exercise price and market price, no compensation cost was recognized for the nine-month periods ended September 30, 2010 and 2011.

B. If the Company adopted the fair value method to recognize the compensation cost, the related information would be as follows:

a. If the Company adopted the Black-Scholes option pricing model to estimate the fair value of the options on grant date, the estimated fair value of the options granted on November 16, 2007, would be NT$17.2, and the related compensation cost would be NT$1,806,000, of which NT$244,563 (NT$212,203, net of tax) and NT$98,766 (NT$85,132, net of tax) should have been recognized for the nine-month periods ended September 30, 2010 and 2011, respectively. The related assumptions used under this pricing model are as follows:

Expected cash dividend yield	2.39%
Expected volatility of stock price	32.23%
Risk-free interest rate	2.597%
Expected life of the option	7 years

b. The information related to the employee stock option plan for the nine-month periods ended September 30, 2010 and 2011, were as follows:

	2010		2011	
Stock options	**Number of options (in thousands)**	**Weighted-average exercise price**	**Number of options (in thousands)**	**Weighted-average exercise price**
		(NT$)		**(NT$)**
Outstanding balance at the beginning of period	91,347	46.7	68,234	42.5
Options exercised	6,110	46.7	5,552	42.5
Options exercised	374	42.5	–	–
Outstanding balance at the end of period	84,863	42.5	62,682	42.5
Exercisable number at the end of period	14,863	42.5	27,682	42.5

c. As of September 30, 2011, the outstanding and exercisable options were as follows:

	Options outstanding			Options exercisable	
Range of exercise price	**Number of options (in thousands)**	**Weighted-average remaining contractual life**	**Weighted-average exercise price**	**Shares (in thousands)**	**Weighted-average exercise price**
(NT$)		**(years)**	**(NT$)**		**(NT$)**
42.5	62,682	3.12	42.5	27,682	42.5

AOI

On October 26, 2007, AOI's board of directors approved a resolution to issue 16,000,000 units of stock options under a plan with the right for each unit to purchase one share of AOI's common stock. The options were fully issued on November 28, 2007. The major terms of the stock option plan were as follows:

(i) Exercise price: NT$13.2.

(ii) Vesting period:

The options are exercisable according to the following schedule subsequent to the second anniversary of the grant date.

Exercise period	**Accumulated exercisable percentage**
2009/11/28	40%
2010/11/28	70%
2011/11/28	100%

(iii) Shares to be issued: AOI's new common stock.

(iv) Exercise procedure: according to the employee stock option plan, AOI will apply to the government authorities for approval to convert options into common stock at least once each quarter and, likewise, apply to register the change in share capital with the authorities after issuing the new shares.

According to the relevant government authorities, employee stock option plans that are amended or have options granted on or after January 1, 2004, must be accounted for based on the interpretation 070 and 072 issued by the Accounting Research and Development Foundation.

A. AOI adopted the intrinsic value method to recognize the compensation cost. As there was no difference between the exercise price and market value, there was no compensation cost recognized for the nine-month period ended September 30, 2010.

B. If AOI adopted the fair value method to recognize the compensation cost, the related information are as follows:

a. If AOI adopted the Black-Scholes option pricing model to estimate the fair value of the options on grant date, the estimated fair value of each of the options granted on November 28, 2007, would be NT$6.70, and the related compensation cost would be NT$107,200, of which NT$13,400 should have been recognized for the nine-month period ended September 30, 2010. The related assumptions used under this pricing model are as follows:

Expected cash dividend yield	0%
Expected volatility of stock price	47.11%
Risk-free interest rate	2.488%
Expected life of the option	7 years

b. The information related to the employee stock option plan for the nine-month period ended September 30, 2010 were as follows:

	2010	
Stock options	**Number of options (in thousands)**	**Weighted-average exercise price**
		(NT$)
Outstanding balance at the beginning of period	16,000	13.2
Options granted	–	–
Options exercised	40	13.2
Outstanding balance at the end of period	15,960	13.2
Exercisable number at the end of period	6,360	13.2

(note): AOI and its subsidiaries were deconsolidated commencing from August 19, 2010.

WOC (formerly WOD)

WOC's (formerly WOD) board of directors approved a resolution to issue 500 units and 1,000 units of stock options on November 26 and December 25, 2007, respectively, with the right for each unit to purchase one thousand shares of WOC's common stock. Both of the above-mentioned stock options are valid for four years from resolution approval date. The major terms of these stock options were as follows:

(i) Exercise price: NT$10.6.

(ii) Vesting period:

The options are exercisable subsequent to the first anniversary of the date of issuance.

(iii) Shares to be issued: WOC's (formerly WOD) new common stock.

According to the relevant government authority, employee stock option plans that are amended or have options granted on or after January 1, 2004, must be accounted for based on the interpretation 070 and 072 issued by the Accounting Research and Development Foundation.

A. WOC (formerly WOD) adopted the intrinsic value method to recognize the compensation cost. As there was no difference between the exercise price and market value, no compensation cost was recognized for the nine-month periods ended September 30, 2010 and 2011.

B. If WOC (formerly WOD) adopted the fair value method to recognize the compensation cost, the related information would be as follows:

a. If WOC (formerly WOD) adopted the Black-Scholes option pricing model to estimate the fair value of each of the options on grant date, the estimated fair value of each of the options granted on November 26 and December 25, 2007, would be NT$0, and the related compensation cost would be NT$0. The related assumptions used under this pricing model are as follows:

Expected cash dividend yield	0%
Expected volatility of stock price	8.15%
Risk-free interest rate	2.42%
Expected life of the option	4 years

b. The information related to the employee stock option plan for the nine-month periods ended September 30, 2010 and 2011 were as follows:

	2010		2011	
Stock options	**Number of options (in thousands)**	**Weighted-average exercise price**	**Number of options (in thousands)**	**Weighted-average exercise price**
		(NT$)		**(NT$)**
Outstanding balance at the beginning of period	1,122	10.6	70	10.6
Options granted	–	–	–	–
Options exercised	–	–	–	–
Options forfeited	(75)	10.6	–	–
Outstanding balance at the end of year	1,047	10.6	70	10.6
Exercisable number at the end of period	1,047	10.6	70	10.6

c. As of September 30, 2011, the information about outstanding and exercisable options were as follows:

	Options outstanding			Options exercisable	
Exercise price	**Number of options (in thousands)**	**Weighted-average remaining contractual life**	**Weighted-average exercise price**	**Shares (in thousands)**	**Weighted-average exercise price**
(NT$)		**(years)**	**(NT$)**		**(NT$)**
10.6	70	0.22	10.6	70	10.6

d. The pro forma net income and earnings per share using the fair value method were as follows:

		2010	2011	
		NT$	**NT$**	**US$**
Net Income attributed to shareholders of parent company	Net income	8,928,895	6,703,131	220,136
	Pro forma net income	8,716,692	6,617,999	217,340
Basic EPS (after tax)	EPS	4.34	3.23	0.11
	Pro forma EPS	4.24	3.19	0.10
Diluted EPS (after tax)	EPS	4.22	3.15	0.10
	Pro forma EPS	4.12	3.11	0.10

(4) Capital surplus

As of September 30, 2010 and 2011, the components of capital surplus were as follows:

	2010	2011	
	NT$	NT$	US$
Paid-in capital derived from a premium on issuance of common stock in exchange for the net assets of the DMS business of AI	1,800,000	1,800,000	59,113
Paid-in capital derived from a premium on issuance of common shares for cash	16,555,192	17,276,074	567,359
Treasury stock	–	2,206	72
Long-term equity investments under equity method	32,677	82,243	2,701
Employee stock option	–	65,921	2,165
	18,387,869	19,226,444	631,410

According to the ROC Company Act, with the exception of capital surplus derived from long-term equity investments accounted for by the equity method, realized capital surplus could only be transferred to common stock after deducting the accumulated deficit, if any. Capital surplus derived from long-term equity investments accounted for by the equity method cannot be used for any purpose. Realized capital surplus includes paid-in capital in excess of par value of common stock. Issuance of stock dividends from paid-in capital in excess of par value of common stock is subject to certain restrictions.

(5) Legal reserve, special reserve and unappropriated earnings

The Company's articles of incorporation stipulate that 10% of the balance of annual income after deducting accumulated deficit, if any, must be set aside as a legal reserve. The remaining balance, if any, must be distributed as follows:

(i) Minimum of 5% of the unappropriated earnings as employees' bonus. The employees eligible for the bonus include the employees of the Company's subsidiaries that meet certain criteria; the Company's board of directors determines the criteria;

(ii) 1% of unappropriated earnings as directors' emoluments, distributable in cash; and

(iii) the remainder, after retaining a portion for certain business considerations, as additional dividends to stockholders.

Pursuant to regulations promulgated by the Financial Supervisory Commission, and effective from the distribution of earnings for fiscal year 1999 onwards, a special reserve equal to the total amount of contra accounts that are accounted for as deductions to the stockholders' equity shall be set aside from current earnings, and not distributed. This special reserve shall be made available for appropriation when these contra accounts to stockholders' equity are reversed in subsequent periods.

Legal reserve can only be used to offset an accumulated deficit and issue common stock. However, when the balance of legal reserve reaches an amount equal to one-half of the paid-in share capital, 50% of it can be transferred to common stock. In addition, no stock dividends and bonus can be distributed if the Company has no unappropriated earnings.

As the Company is a technology- and capital-intensive enterprise and is in its growth phase, it has adopted a more prudent approach in the appropriation of its remaining earnings as its dividend policy, in order to sustain its long-term capital needs and thereby maintain continuous development and steady growth. Under this approach, the stock dividend distribution shall not be lower than 10% of total distribution of dividends.

For the nine-month periods ended September 30, 2010 and 2011, the Company recognized employees' bonus amounting to NT$1,099,775 (NT$954,254 net of tax)and NT$778,210 (NT$670,782 net of tax), respectively, and directors' emoluments amounting to NT$78,555 (NT$68,161 net of tax) and NT$55,586 (NT$47,913 net of tax), respectively. Employees' bonus and directors' emoluments were estimated at 14% and 1% of the net income for the nine-month periods ended September 30, 2010 and 2011, respectively. The difference between the amounts of employees' bonus and directors' emoluments approved in the shareholders' meeting and those recognized in the financial statements, if any, is accounted for as a change in accounting estimate and recognized in profit or loss in the following year. In addition, the number of shares distributable to employees as employees' bonus is calculated based on the closing price on the day before the approval of stockholders and the effect of dividends that will be distributed.

The appropriation of 2009 and 2010 earnings was approved at the shareholders' meeting on June 18, 2010 and June 22, 2011, respectively, as follows:

	2009	2010
	NT$	NT$
Employees' bonus – cash	1,196,481	1,475,232
Directors' emoluments	82,212	75,399
	1,278,693	1,550,631

For the years ended December 31, 2009 and 2010, the Company accrued and recognized employees' bonus amounting to NT$1,193,447 and NT$1,477,831, respectively, and directors' emoluments amounting to NT$85,246 and NT$72,800, respectively. The difference between the actual amounts of 2009 and 2010 earnings appropriated for employees' bonus and directors' emoluments as approved in the shareholders' meeting and those accrued in the financial statements was NT$0 in both 2010 and 2011.

Appropriation of employees' bonus and directors' emoluments, and the related information can be obtained from the public information website.

(m) Earnings per share ("EPS")

For the nine-month periods ended September 30, 2010 and 2011, the Company's earnings per share were calculated as follows:

	2010		
	Amount (after income tax)	Weighted-average number of outstanding shares of common stock (in thousands)	EPS (in dollars)
	NT$		NT$
Basic EPS – retroactively adjusted:			
Net income belonging to common shareholders of parent company	8,928,895	2,056,042	4.34
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employees' bonus	–	42,742	
Stock options	–	16,620	
Net income belonging to common shareholders of parent company plus the effect of potentially dilutive common stock	8,928,895	2,115,404	4.22

	2011				
	Amount (defter income tax)		Weighted-average number of outstanding shares of common stock (in thousands)	EPS (in dollars)	
	NT$	US$		NT$	US$
Basic EPS:					
Net income belonging to common shareholders of parent company	6,703,131	220,136	2,076,536	3.23	0.11
Diluted EPS:					
Effect of potentially dilutive common stock:					
Employees' bonus	–	–	41,870		
Stock options	–	–	10,954		
Net income belonging to common shareholders of parent company plus the effect of potentially dilutive common stock	6,703,131	220,136	2,129,360	3.15	0.10

(n) Disclosure of financial instruments

(1) The Consolidated Companies' non-derivative financial assets and liabilities include cash and cash equivalents, notes and accounts receivable/payable, accounts receivable from/payable to related parties, other financial assets, short-term borrowings, current portion of long-term borrowings and other receivables/payables. As the carrying amounts of these financial instruments approximate fair value because of their short term maturities, the book value method is considered to be a reasonable basis for assessing their fair value.

As of September 30, 2010 and 2011, the carrying amounts and estimated fair value of the Consolidated Companies' financial assets and liabilities were as follows:

	2010		2011			
	Carrying amount	Fair value	Carrying amount		Fair value	
	NT$	NT$	NT$	US$	NT$	US$
Financial assets:						
Financial assets carried at cost – noncurrent:						
Privately held stock	1,872,288	–	1,363,998	44,795	–	–
Financial liabilities:						
Long-term borrowings	–	–	–	–	477,120	15,669

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

(i) If public quote of financial assets at fair value through profit or loss and available-for-sale financial assets is available, then such quote is adopted as the fair value. If the market value is not available, a valuation method is used. The assumptions used in this valuation method are the same as those used by financial market traders when quoting their prices and are obtainable by the Consolidated Companies.

(ii) Financial assets carried at cost – noncurrent: Privately held stock is not traded in the public market, and fair value is impractical to assess.

(iii) Long-term borrowings: As these borrowings bear floating interest rates which are calculated based on the prevailing market rate adjusted by the Consolidated Companies' credit spread, the fair value of long-term borrowings equals their carrying value.

The fair values of financial assets and liabilities evaluated by the Consolidated Companies using public quote or a valuation method were as follows:

	2010		2011			
	Public quote value	Valuation method value	Public quote value		Valuation method value	
	NT$	NT$	NT$	US$	NT$	US$
Non-derivative financial instruments:						
Financial assets:						
Cash and cash equivalents	–	33,641,730	–	–	53,509,581	1,757,293
Notes and accounts receivable (including receivables from related parties)	–	102,210,255	–	–	109,776,595	3,605,143
Other receivable – related parties	–	29,271	–	–	35,313	1,160
Other financial assets – current	–	2,016,319	–	–	4,418,444	145,105
Available-for-sale financial assets – current:						
Bond fund	–	3,353	–	–	370	12
Other financial assets – noncurrent	1,477	–	296	10	–	–
Available-for-sale financial assets – noncurrent:						
Publicly traded stock	1,264,699	–	2,031,341	66,711	–	–
Financial liabilities:						
Short-term borrowings	–	23,182,776	–	–	63,948,661	2,100,120
Notes and accounts payable (including payables to related parties)	–	105,258,188	–	–	117,952,769	3,873,654
Other payable – related parties	–	56,285	–	–	46,707	1,534
Current portion of long-term borrowings	–	9,399,000	–	–	–	–
Long-term borrowings	–	–	–	–	477,120	15,669
Derivative financial instruments:						
Financial assets:						
Foreign currency swap contract	–	193,987	–	–	164,269	5,395
Foreign currency forward contract	–	–	–	–	117,673	3,864
Financial liabilities:						
Foreign currency swap contract	–	9,358	–	–	333,551	10,954
Foreign currency forward contract	–	46,957	–	–	7,411	244

For the nine-month periods ended September 30, 2010 and 2011, gain on the derivative contracts due to the change in fair market value amounted to NT$28,370 and NT$23,362, respectively, which was accounted for under "evaluation gain on financial instruments".

(2) Disclosure of financial risks

(i) Market risk

The bond fund and part of publicly traded stock held by the Consolidated Companies were classified as available-for-sale financial assets and were evaluated at fair value. Therefore, the Consolidated Companies were exposed to the risk of price fluctuation.

As sales and purchase transactions are denominated in US dollars, the Consolidated Companies' foreign currency assets and liabilities are exposed to exchange rate risk. To manage such risk, the Consolidated Companies entered into foreign currency forward contracts and foreign currency swap contracts. The length of the contracts is in line with the payment date and anticipated cash flows of the Consolidated Companies' foreign currency assets and liabilities. The exchange gain or loss from exchange rate fluctuation of the hedged assets is offset by those of related liabilities. The market risk related to the changes in exchange rates is not considered significant.

The significant foreign currency financial assets and liabilities were as follows:

		2010			2011		
		foreign currency	Rate	NTD	foreign currency	Rate	NTD
Financial assets							
Monetary items							
	USD	3,489,669	31.3300	109,331,323	4,397,413	30.5060	134,147,481
	EUR	3,208	42.6589	136,838	89,101	41.4821	3,696,095
	JPY	560,874	0.3763	211,057	346,532	0.3976	137,781
	HKD	8,671	4.0369	35,006	12,795	3.9156	50,100
	CZK	1,494	1.7348	2,593	28,032	1.6688	46,779
	PHP	7,898	0.7124	5,626	8,964	0.6969	6,247
	SGD	–	–	–	115	23.5241	2,699
	INR	24,762	0.6971	17,261	22,127	0.6229	13,783
	CNY	1,118,416	4.6754	5,229,040	3,183,733	4.7773	15,209,650
	MXN	7,687	2.5016	19,229	12,200	2.2215	27,102
	MYR	–	–	–	28,344	9.5690	271,224
Long-term equity investment under equity method							
	USD	49,277	31.3300	1,543,853	61,860	30.5060	1,887,098
	SGD	–	–	–	8,320	23.5241	195,721
	HKD	29,359	4.0369	118,517	14,306	3.9156	56,018
	CNY	1,482	4.6754	6,928	1,665	4.7773	7,955
	MYR	–	–	–	9,899	9.5690	94,727
Financial liabilities							
Monetary items							
	USD	3,967,978	31.3300	124,316,746	5,816,158	30.5060	177,427,703
	EUR	12,876	42.6589	549,270	21,461	41.4821	890,243
	JPY	912,288	0.3763	343,294	1,578,611	0.3976	627,656
	HKD	5,739	4.0369	23,167	5,769	3.9156	22,589
	CZK	29,335	1.7348	50,891	11,936	1.6688	19,919
	SGD	4,609	23.8160	109,773	2,782	23.5241	65,439
	CNY	207,056	4.6754	968,068	225,141	4.7773	1,075,565
	GBP	19	49.7458	937	56	47.5009	2,652
	BRL	495	18.4197	9,118	–	–	–
	AUD	130	30.3337	3,940	169	29.7037	5,023
	INR	1,978	0.6971	1,379	9,506	0.6229	5,921
	TRY	–	–	–	34	16.3826	560
	PHP	52,876	0.7124	37,669	63,935	0.6969	44,556
	MYR	–	–	–	26	9.5690	246
	MXN	10,354	2.5016	25,902	7,593	2.2215	16,868

(ii) Concentrations of credit risk

The Consolidated Companies' majority customers are in high-tech industries. To reduce concentration of credit risk, the Consolidated Companies evaluate customers' financial positions periodically and request customers to provide collateral or promissory notes, if necessary. In addition, the Consolidated Companies evaluate the aging of accounts receivable periodically and accrue allowance for doubtful accounts, if necessary. Historically, bad debt expense has always been under management's expectation. As of September 30, 2010 and 2011, 67% and 79%, respectively, of the Consolidated Companies' accounts receivable were concentrated on four specific customers. Accordingly, concentrations of credit risk exist.

(iii) Liquidity risk

The Consolidated Companies' capital and operating funds appear to be sufficient to meet all obligations. Therefore, the Consolidated Companies' management believes that they do not have any significant exposure to liquidity risk.

(iv) Cash flow risk related to the fluctuation of interest rates

The Consolidated Companies' short-term and long-term borrowings and advances from factoring of accounts receivable bear floating interest rates. The changes in effective rates along with the fluctuation of the market interest rate influence the Consolidated Companies' future cash flow. If the market interest rate increases by 1%, the Consolidated Companies' future yearly cash outflow would increase by approximately NT$1,069,098.

(3) **Hedge strategy**

The Consolidated Companies' assets and liabilities denominated in foreign currency may fluctuate along with the fluctuation of exchange rates. Therefore, the Consolidated Companies entered into derivative contracts such as foreign currency forward contracts, and foreign currency swap contracts to manage the exchange rate risk.

The Consolidated Companies' entering into forward and swap contracts is intended to manage the exchange rate risk due to the Consolidated Companies' current and future demand for foreign currency. The contract periods are decided in consideration of the Consolidated Companies' foreseeable assets and liabilities and expected cash flow. At the maturity date of the derivative contract, the Consolidated Companies will settle these contracts using the foreign currencies arising from the hedged assets and liabilities denominated in foreign currency.

5. TRANSACTIONS WITH RELATED PARTIES

(a) The names and relationships of the related parties with which the Consolidated Companies had significant transactions were as follows:

Name	Relationship
Wistron NeWeb Corporation ("WNC")	Investee of the Consolidated Companies accounted for by equity method
Wistron Information Technology and Services Corporation ("WITS")	Investee of the Consolidated Companies accounted for by equity method
Hsieh-Yuh Technology Co., Ltd. ("HYBVI")	Investee of the Consolidated Companies accounted for by equity method
Mindforce Holdings Limited ("MHL")	Investee of the Consolidated Companies accounted for by equity method
AOpen Inc. ("AOI")	Investee of the Consolidated Companies accounted for by equity method
Super Elite Ltd. ("Super Elite")	Investee of the Consolidated Companies accounted for by equity method
HIGH-TEK HARNESS ENTERPRISE CO., LTD ("HTK")	Investee of the Consolidated Companies accounted for available-for-sale financial assets
Xserve India (Pvt.) Ltd. ("XID")	Investee of the Consolidated Companies
Acer Incorporated ("AI")	Primary stockholder of the Company
Fullerton Ltd. ("FLT")	Subsidiary of MHL
LIAN-YI (FAR EAST) Ltd. ("LYF")	Subsidiary of FLT
LIAN-YI PRECISION (ZHONGSHAN) INC. ("LYZ")	Subsidiary of FLT
Wistron Information Technology and Service (Beijing) Inc. ("WIBJ")	Subsidiary of WIBI
Wistron Information Technology and Services Inc. ("WIBI")	Subsidiary of WITS
T-CONN PRECISION CORPORATION ("TPE")	Subsidiary of Super Elite
Acer Service Corporation ("ASC")	Subsidiary of AI
Acer Computer B.V. ("ACH")	Subsidiary of AI
Acer Computer (Shanghai) Ltd. ("ACCN")	Subsidiary of AI
Acer America Corp. ("AAC")	Subsidiary of AI
Acer Europe AG ("AEG")	Subsidiary of AI
Asplex Sp. z o.o. ("APX")	Subsidiary of AI
WNC (KunShan) Corporation ("NQJ")	Subsidiary of WNC
Webcom Communication (KunShan) Corporation ("NYC")	Subsidiary of WNC
HIGH-TEK ENTERPRISE (KUNSHAN) CO., LTD. ("HTKS")	Subsidiary of HTK
WIS Percision (KunShan) Co., Ltd. ("WPKS")	Subsidiary of MHL

(b) Significant transactions with related parties for the nine-month periods ended September 30, 2010 and 2011, were as follows:

(1) Sales

	2010		2011		
	Amount	% of net sales	Amount		% of net sales
	NT$		NT$	US$	
AI	107,269,649	24	53,281,014	1,749,787	12
AEG	9,710,615	2	6,309,881	207,221	1
APX	347,241	–	147,368	4,840	–
ACCN	56,433	–	131,413	4,316	–
AAC	918,457	–	–	–	–
Others	265,911	–	258,078	8,475	–
	118,568,306	26	60,127,754	1,974,639	13

The selling price and payment terms of sales to related parties depend on the economic environment and market competition, and are not significantly different from those with third-party customers. Trading terms of sales transactions with third parties require payment within 60 to 90 days after the shipment of goods for the nine-month periods ended September 30, 2010 and 2011.

(2) Purchases

	2010		2011		
	Amount	% of net purchases	Amount		% of net purchases
	NT$		NT$	US$	
AI	90,720,840	21	42,939,730	1,410,172	10
WPKS	2,768,132	1	3,683,289	120,962	1
FLT	865,375	–	1,845,865	60,619	1
AEG	691,458	–	923,755	30,337	–
HTKS	541,397	–	508,861	16,711	–
TPE	10,591	–	302,171	9,924	–
LYZ	–	–	182,329	5,988	–
NYC	140,939	–	112,513	3,695	–
Others	213,716	–	211,594	6,949	–
	95,952,448	22	50,710,107	1,665,357	12

Trading terms of purchase transactions with related parties are not significantly different from those with third-party vendors.

(3) Notes and accounts receivable/payable as of September 30, 2010 and 2011, were as follows:

	2010		2011		
	Amount	%	Amount		%
	NT$		NT$	US$	
Notes and accounts receivable from:					
AI	27,158,029	27	20,535,090	674,387	19
AEG	3,416,487	3	1,648,937	54,152	1
Others	188,836	–	166,270	5,461	–
	30,763,352	30	22,350,297	734,000	20

	2010		2011		
	Amount	%	Amount		%
	NT$		NT$	US$	
Notes and accounts payable to:					
AI	22,921,731	22	17,267,189	567,067	15
WPKS	1,398,713	1	2,549,566	83,729	2
FLT	410,978	1	494,562	16,242	1
HTKS	234,763	–	360,047	11,824	–
LYZ	–	–	200,909	6,598	–
TPE	10,600	–	186,779	6,134	–
AEG	214,074	–	56,450	1,854	–
Others	164,483	–	191,610	6,293	–
	25,355,342	24	21,307,112	699,741	18

(4) Rental expense

For the nine-month periods ended September 30, 2010 and 2011, the Consolidated Companies had operating lease contracts with AI for the use of the office space. Rental expense incurred by the Consolidated Companies from these lease contracts amounted to NT$27,071 and NT$29,648 for the nine-month periods ended September 30, 2010 and 2011, respectively. The balance of rental payable as of September 30, 2010 and 2011, amounted to NT$2,818 and NT$9,259, respectively.

(5) Rental income

For the nine-month period ended September 30, 2010, the Consolidated Companies leased their factory buildings and apartments to WNC and WITS. For the nine-month period ended September 30, 2011 leased their apartments to WNC and WITS. The rental income amounted to NT$1,847 and NT$957 for the nine-month periods ended September 30, 2010 and 2011, respectively. As of September 30, 2010 and 2011, the rental receivables amounted to NT$48 and NT$8, respectively.

(6) Property transactions

Prior to the merger of Wistron Nexus Incorporated (“WNI”) with WNC, WNI sold a factory building to WNC and recognized an unrealized disposal gain thereon of NT$56,866. As of September 30, 2010 and 2011, unrealized disposal gain of NT$47,483 and NT$46,346, respectively, was recognized as “deferred credits of long-term equity investments”.

The Consolidated Companies purchased property, plant and equipment from FLT for NT$116,060 and NT$110,947 for the nine-month periods ended September 30, 2010 and 2011, respectively. As of September 30, 2010 and 2011, other payables arising from this transaction amounted to NT$10,077 and NT$14,955, respectively, which were accounted for under “other payable – related parties”.

For the nine-month periods ended September 30, 2010 and 2011, the Consolidated Companies sold property, plant and equipment to FLT and WNC for NT$666 and NT$1, respectively. The receivables arising from these sales had been collected as of September 30, 2010 and 2011.

(7) Advances to related parties

The Consolidated Companies paid certain expenses on behalf of related parties. As of September 30, 2010 and 2011, the related outstanding receivables, accounted for as advances to related parties, were as follows:

	2010	2011	
	NT$	NT$	US$
AAC	26,847	26,141	859
WNC	596	7,033	231
AI	1,543	1,986	65
Others	237	189	6
	29,223	35,349	1,161

(8) Advances from related parties

Related parties paid certain expenses on behalf of the Consolidated Companies, including warranty expenses, traveling expenses, and salaries for overseas employees. As of September 30, 2010 and 2011, the related outstanding payables, accounted for as advances from related parties, were as follows:

	2010	2011	
	NT$	NT$	US$
AI	12,921	10,122	332
WIBJ	–	7,551	248
FLT	24,354	2,453	81
LYF	–	1,570	52
WITS	2,045	732	24
NQJ	1,818	–	–
WIBI	1,714	–	–
Others	608	65	2
	43,460	22,493	739

(9) Related-party receivables

Receivables from related parties resulting from the above transactions were as follows:

	2010	2011	
	NT$	NT$	US$
Notes and accounts receivable related parties, net:			
Notes and accounts receivable	30,763,352	22,350,297	734,000
Less: Accounts receivable factored – AI (note 4(c))	(15,664,898)	(8,703,536)	(285,830)
	15,098,454	13,646,761	448,170
Other receivable – related parties:			
Rental receivable	48	8	–
Advances to related parties	29,223	35,349	1,161
Less: long-term equity investment credits (note 4(f))	–	(44)	(1)
	29,271	35,313	1,160

(10) Related-party payables

Payables to related parties resulting from the above transactions were as follows:

	2010	2011	
	NT$	NT$	US$
Notes and accounts payable – related parties:			
Notes and accounts payable	25,355,342	21,307,112	699,741
Other payable – related parties:			
Payable on purchase of property, plant and equipment	10,007	14,955	491
Rental payable	2,818	9,259	304
Advances from related parties	43,460	22,493	739
	56,285	46,707	1,534

6. PLEDGED ASSETS

As of September 30, 2010 and 2011, details of pledged assets were as follows:

		Book value		
Pledged assets	Pledged to secure	2010	2011	
		NT$	NT$	US$
Property, plant and equipment – land and building	Line of credit	489,561	517,272	16,988
Other assets – restricted deposit	Standby LC	2,133	2,074	68
Other assets – restricted deposit	Litigation, performance guarantee	10,000	–	–
		501,694	519,346	17,056

7. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

(a) As of September 30, 2011, the Consolidated Companies had operating lease contracts for office premises, with future rental commitments as follows:

Period	Amount	
	NT$	US$
2011.10~2012.9	258,546	8,491
2012.10~2013.9	221,973	7,290
2013.10~2014.9	205,825	6,759
2014.10~2015.9	192,223	6,313
2015.10~2016.9	186,318	6,119
	1,064,885	34,972

(b) As of September 30, 2010 and 2011, the Consolidated Companies had provided promissory notes, as collateral for factored accounts receivable and long-term borrowings. Please see notes 4(c) and 4(k) for details.

8. SIGNIFICANT CASUALTY LOSS: NONE.

9. SIGNIFICANT SUBSEQUENT EVENTS: NONE.

10. OTHER

(a) In accordance with order VI 0960064020 issued by Financial Supervisory Commission under the Executive Yuan on November 15, 2007, an enterprise is not required to disclose the related information about income taxes, accrued pension liability and the total personnel, depreciation and amortization expenses in its first and third quarter consolidated financial statements of each year.

(b) Reclassification

Certain amounts in the 2010 consolidated financial statements have been reclassified to conform to the presentation adopted in the 2011 consolidated financial statements for comparison purposes. These reclassifications do not have a significant impact on the consolidated financial statements

11. SEGMENT INFORMATION

	2010			
	R&D and Manufacturing	Others	Adjustment and Eliminations	Total
	NT$	NT$	NT$	NT$
Revenues from external customers	445,595,288	8,817,355	–	454,412,643
Segment revenues	2,232,107	–	(2,232,107)	–
Total revenues	447,827,395	8,817,355	(2,232,107)	454,412,643
Segment profit	9,357,482	1,028,329	669,853	11,055,664
Accounts receivable	84,995,968	2,115,833		87,111,801
Inventories	36,787,854	2,105,514		38,893,368
Segment identifiable assets	121,783,822	4,221,347		126,005,169
Generally assets				89,460,143
Total assets				215,465,312

	2011			
	R&D and Manufacturing	Others	Adjustment and Eliminations	Total
	NT$	NT$	NT$	NT$
Revenues from external customers	454,343,887	8,767,564	–	463,111,451
Segment revenues	2,177,070	–	(2,177,070)	–
Total revenues	456,520,957	8,767,564	(2,177,070)	463,111,451
Segment profit	6,961,330	631,672	1,002,020	8,595,022
Accounts receivable	94,150,510	1,979,324		96,129,834
Inventories	43,991,584	2,534,863		46,526,447
Segment identifiable assets	138,142,094	4,514,187		142,656,281
Generally assets				119,892,780
Total assets				262,549,061

The major activities of the Consolidated Companies are the design, manufacture and sale of information technology products. The chief operating decision maker of the Consolidated Companies determines each business group as an operating segment. According to the provisions of the accounting standard, only the "Research and Manufacturing Service Department" qualifies under the quantitative threshold criteria as a reportable segment. Other operating departments are deemed immaterial and need not be disclosed as reportable segment including the client service group and the related new business investment. The performance of the department is evaluated based on the operating profit of the Consolidated Companies.

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