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

This Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither Citigroup Global Markets Limited nor DBS Bank Ltd. (the “**Initial Purchasers**”) nor any person who controls the Initial Purchasers nor any director, officer, employee or agent of the Initial Purchasers or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

PEGATRON

Pegatron Corporation

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

US\$300,000,000

Zero Coupon Convertible Bonds due 2017

Issue Price: 100%

Pegatron Corporation (“Pegatron” or the “Company”) is offering US\$300,000,000 aggregate principal amount of Zero Coupon Convertible Bonds due 2017 (the “Bonds”). Citigroup Global Markets Limited (“Citigroup”) and DBS Bank Ltd. (“DBS”) are acting as the joint bookrunners for this offering. Unless the Bonds have been previously redeemed, repurchased and canceled or converted, the Company will redeem the Bonds on February 6, 2017 (the “Maturity Date”) at a redemption price equal to 107.76% of the outstanding principal amount thereof. The Bonds will not bear any interest. The Bonds will be convertible into our common shares, par value NT\$10 per share, during the period from and including March 18, 2012 to and including January 27, 2017 (the “Conversion Period”) at an initial conversion price of NT\$42.11 per share with a fixed exchange rate of NT\$29.761 = US\$1.00 applicable on conversion of the Bonds. Our common shares (the “Shares” or “Common Shares”) are listed on the Taiwan Stock Exchange (the “TWSE”) and are subject to certain restrictions on trading imposed by the rules and regulations of the TWSE, as to which see “Risk Factors — Risk Relating to Ownership of the Bonds and Our Shares.” On January 30, 2012, the closing price of our Shares on the TWSE was NT\$37.60.

We may redeem the Bonds then outstanding, in whole but not in part, at the Early Redemption Amount (as defined herein), if, as a result of certain changes in the laws or regulations of the Republic of China (the “ROC”) occurring after February 6, 2012, we become obligated to pay Additional Amounts (as defined herein). We may also redeem the Bonds then outstanding, in whole but not in part, at the Early Redemption Amount, anytime on or after February 6, 2015, if the Closing Price of the Common Shares on the TWSE (translated into U.S. Dollars at the Prevailing Rate on each Trading Day during a period of 20 consecutive Trading Days (the “Calculation Period”), the last of which occurs not more than five days prior to the date on which notice of such redemption is given, is at least 125% of the quotient of the Early Redemption Amount divided by the number of Shares to be issued upon conversion of US\$200,000 principal amount of Bonds on the applicable Trading Day based on the Conversion Price then in effect (translated into U.S. Dollars at the Fixed Exchange Rate). At any time, we may also redeem the Bonds then outstanding at the Early Redemption Amount, in whole but not in part, if the principal amount of the Bonds that have been redeemed, repurchased and cancelled or converted is more than 90% of the aggregate principal amount originally issued. You may require us to redeem the Bonds, in whole or in part in integral multiples of US\$200,000, at 104.59% of the outstanding principal amount thereof on February 6, 2015 or in the event of a Delisting (as defined herein) or Change of Control (as defined herein).

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

INVESTING IN THE BONDS INVOLVES RISKS THAT ARE DESCRIBED IN “RISK FACTORS” BEGINNING ON PAGE 12 OF THIS OFFERING MEMORANDUM.

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

The Bonds will be represented by one or more global certificates (each a “Global Bond”) and will be fully issued in registered form, which will be registered in the name of Citivic Nominees Limited, as the nominee for, and shall be deposited with, Citibank Europe plc, as common depository for Euroclear S.A / N.V. (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream” and together with Euroclear, the “Clearing Systems”). Beneficial interests in the Bonds will be shown on, and transfers thereof will be effected only through, records maintained by the Clearing Systems. Except as described herein, individual definitive certificates for the Bonds will not be issued in exchange for interests in the Bonds. The Initial Purchasers expect to deliver the Bonds to purchasers on or about February 6, 2012.

Joint Global Coordinators and Joint Bookrunners



January 30, 2012

TABLE OF CONTENTS

	Page
SUMMARY	1
RISK FACTORS	12
USE OF PROCEEDS	26
MARKET PRICE INFORMATION	27
DIVIDENDS AND DIVIDEND POLICY	28
EXCHANGE RATES	29
CAPITALIZATION	30
OUR INDUSTRY	31
OUR BUSINESS	36
OUR MANAGEMENT	56
OUR PRINCIPAL SHAREHOLDERS	63
CHANGES IN ISSUED SHARE CAPITAL	64
TRANSACTIONS WITH RELATED PARTIES	65
DESCRIPTION OF THE BONDS	70
THE GLOBAL BOND	106
DESCRIPTION OF OUR SHARE CAPITAL	108
ROC TAXATION	114
TRANSFER RESTRICTIONS	116
PLAN OF DISTRIBUTION	118
GENERAL INFORMATION	123
LEGAL MATTERS	125
ACCOUNTANTS	125
INDEX TO FINANCIAL STATEMENTS	F-1
APPENDIX A — THE SECURITIES MARKET OF THE ROC	A-1

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

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

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

In making an investment decision regarding the Bonds, you must rely on your own examination of our company and the terms of this offering, including the merits and risks involved. The contents of this offering memorandum are not to be considered as legal, business, financial or tax advice. You should consult your own counsel, accountants and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Bonds. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted, by the Trustee or the Agents or any of their respective affiliates, as to the accuracy or completeness of the information contained in this offering memorandum or any other information supplied in connection with the Bonds. To the fullest extent permitted by law, neither the Trustee nor the Agents accept any responsibility for the contents of this offering memorandum. The Trustee and the Agents disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this offering memorandum or any such statement.

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

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

Unless otherwise indicated, all financial information, descriptions and other information in this offering memorandum regarding our financial condition and results of operations as of and for the years ended December 31, 2009 and 2010, and for the nine months ended September 30, 2011 are presented on a consolidated basis. Our consolidated financial statements as of and for the years ended December 31, 2009 and 2010 have been audited, and our consolidated financial statements as of and for the nine months ended September 30, 2011 have been reviewed. All our financial statements have been prepared in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers,” other applicable ROC laws and regulations, and generally accepted accounting principles in the ROC, collectively referred to as “ROC GAAP” in this offering memorandum. ROC GAAP differs in many significant respects from generally accepted accounting principles in certain other countries.

ENFORCEABILITY OF CIVIL LIABILITIES

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

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

- the court rendering the judgment has jurisdiction over the subject matter according to the laws of the ROC;
- the judgment and the court procedures resulting in the judgment are not contrary to the public order or good morals of the ROC;
- if the judgment was rendered by default by the court rendering the judgment, (i) we were duly served within a reasonable period of time within the jurisdiction of such court in accordance with the laws and regulations of such jurisdiction, or (ii) process was served on us with judicial assistance of the ROC; and
- judgments of the courts of the ROC are recognized in the jurisdiction of the court rendering the judgment on a reciprocal basis.

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

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

CERTAIN DEFINED TERMS, CONVERSIONS AND CURRENCY OF PRESENTATION

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

We publish our financial statements in New Taiwan Dollars, the lawful currency of the ROC. All references to “United States Dollars,” “US Dollars” and “US\$” are to United States Dollars, and references to “New Taiwan Dollars,” “NT Dollars” and “NT\$” are to New Taiwan Dollars. All translation from NT Dollars to United States Dollars are made at the exchange rate on the balance sheet date, except for the amount issued common stock with the par value of NT\$10 which shall be translated at the historical exchange rate as required by the ROC regulations. The average spot rates for buying and selling published by the Federal Reserve Bank of New York on September 30, 2011 was NT\$30.45 = US\$1.00. All amounts translated into United States Dollars as described above are provided solely for the convenience of the reader, and no representation is made that the NT\$ or US\$ amounts referred to in this offering memorandum could have been or could be converted into US\$ or NT\$, as the case may be, at any particular rate, the above rates or at all.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

SUMMARY

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

Overview

We are a leading “design, manufacture and service” (“DMS”) company in the global technology industry with sophisticated and comprehensive design and product development capabilities, reliable and cost-effective production and logistics support, as well as quality service at every stage. Our key competitive advantage revolves around our commitment to leverage our design expertise and manufacturing capabilities in a customized and service oriented manner. We strive to adopt the individual perspectives of our diverse customer base in our design and production processes, with an emphasis to optimize the user experience derived from the appearance, functionality and performance of our customers’ products to end users, while maintaining their price competitiveness. Our product portfolio covers a wide range of technology products including primarily (i) computing devices: notebook PC, netbook PC, tablet PC, desktop PC and motherboard; (ii) consumer electronics: game console, LCD-TV and multimedia player; and (iii) communication devices: networking device, smart phone and wireless device. We believe we are one of the top five manufacturers of notebook PCs in the world in terms of shipment volume. In addition, we are currently the market leader in the production of cable modems, as well as one of the top two producers of IP & cable set-top boxes (“STB”) and among the top three producers of motherboards, all in terms of shipment volume.

We sell all of our products to prominent and well established OEM/brand customers, who in turn distribute these products under their own brand names to end users. Our status as a leading DMS company is highlighted by our diverse portfolio of customers, which includes many leading technology companies in the industry and market leaders in our three product categories of computing devices, consumer electronics and communication devices. Additionally, since our spin-off from ASUSTeK as further discussed below, we have successfully diversified our customer base by attracting new customers and retaining old relationships that existed before we were spun off from ASUSTeK.

We pride ourselves on our commitment and ability to evolve and stay ahead of emerging market trends. Through our award-winning design capabilities, we are able to deliver beyond a configure-to-order/build-to-order business model, with products designed for user experience, short time-to-market and cost efficiency, to our customers. We have established a strong reputation in our design and engineering capabilities, from industrial design and mechanical engineering to system integration. Not only has our industrial design team won many international awards, such as the iF Product Design Award, it also has a culture, stemming from our history as part of ASUSTeK, of thinking like a brand name customer, which differentiates us from many of our competitors. Consequently, we are able to offer a full range of customized services, including initial product design and a customized production process to address our brand customers’ needs. In addition, our extensive understanding of production processes and process management expertise complement our vertically integrated manufacturing capabilities to provide a one-stop shop to our customers. In particular, we have been heavily investing in light metal technologies, which exemplify our ability to stay abreast of market trends, as we foresee

a sustained demand for light metal casings for electronic products. Our vertically integrated and customized production capabilities enable our customers to launch products ahead of their competitors, and allow us to produce prototypes and samples for our customers faster than most of our competitors. This gives our sales and marketing team a distinct advantage when attracting orders from new and existing customers.

Our manufacturing and service facilities are strategically located in Asia, Europe, and the Americas, to enable us to serve our customers around the world. With knowledgeable service program consultants, efficient technical support teams, supply chain management experts, and seamless IT system integration capabilities, our customer service centers are equipped to provide a full range of customized services for our valued customers. Our customers appreciate our world-wide reach and local expertise, as a convenient one-stop shop that can provide vertically integrated and comprehensive production services in a localized and timely manner. In addition, our world-wide manufacturing facilities allow us to take advantage of economies of scale and rapidly ramp up production for our customers.

We were part of ASUSTeK before our spin-off, and our design capabilities played a critical role in fostering the success of ASUSTeK's brand building. After the completion of the spin-off on June 1, 2010, ASUSTeK held approximately 25% of the equity interest in our company and the remaining equity interest was distributed to the then shareholders of ASUSTeK. After the initial public offering of our Common Shares on the TWSE on June 24, 2010, ASUSTeK holds approximately 24.4% of our outstanding shares after it sold less than 1% of its shareholding during the initial public offering.

For the nine months ended September 30, 2011, we had consolidated net sales of NT\$422,636.9 million (US\$13,879.7 million) and consolidated net income of NT\$1,610.6 million (US\$52.9 million), compared to NT\$397,954.9 million and NT\$8,506.5 million, respectively, for the nine months ended September 30, 2010. In 2010, we had consolidated net sales of NT\$530,531.4 million (US\$17,423.0 million) and consolidated net income of NT\$10,606.8 million (US\$348.3 million) compared to NT\$538,081.7 million and NT\$10,547.4 million, respectively, in 2009.

On September 30, 2011, our market capitalization was NT\$64,532 million based on the closing price of our shares on the TWSE of NT\$28.60 per share on the same date.

Our Competitive Strengths

We believe that we are well-positioned to maintain our position as a leading DMS provider. The following key strengths enable us to provide customized, full-service system solutions to many prominent OEM/brand customers:

- Strong design capabilities and significant, long term R&D investments;
- Comprehensive and successful vertical integration;
- Flexible, cost-effective manufacturing capabilities and global operation management;

- Diverse and state-of-the-art product portfolio;
- Integrated service model with dedicated design, manufacturing, and after-sales services;
- Stable income contribution from strategic investments; and
- Seasoned management team with proven track record.

Our Strategies

We plan to implement the following principal elements of our strategy to further strengthen our leading position in the industry:

- Further diversify our product portfolio into areas with attractive growth and profitability prospects;
- Rationalize customer base and product portfolio to enhance margins;
- Continue to engage customers from an early stage to provide customized, full-service system solutions; and
- Expand our global footprint to provide a rapid response to customers' needs.

The Offering

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

Issuer	Pegatron Corporation
Offering	US\$300,000,000 aggregate principal amount of Zero Coupon Convertible Bonds due 2017, outside the United States (in reliance on Regulation S under the U.S. Securities Act) and the ROC in offshore transactions. Citigroup Global Markets Limited and DBS Bank Ltd. are acting as the joint bookrunners for this offering.
Interest	The Bonds will not bear any interest.
Lock-up	We and several shareholders and directors, including ASUSTeK Computer Inc., have agreed that for a period of 90 days after the date of the final offering memorandum, neither we nor any of them will, without the Initial Purchasers' prior written consent, offer, sell, contract to sell or otherwise dispose of any of the securities that are substantially similar to the Bonds or Shares, including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, Shares or any such substantially similar securities (other than the sale of the Bonds, the issuance of the Shares upon conversion of the Bonds offered hereunder and any shares of our common stock issued upon the exercise of options granted under our existing employee stock option incentive plans). See "Plan of Distribution."
Issue Date	February 6, 2012
Maturity Date and Final Redemption ...	Unless previously redeemed, repurchased and cancelled, or converted, the Bonds will mature on February 6, 2017 at a redemption price equal to 107.76% of the outstanding principal amount thereof.
Issue Price	100% of the principal amount of the Bonds.
Ranking	The Bonds will be our direct, unconditional, unsubordinated (but subject to a negative pledge, as described in "Negative Pledge"

below) and unsecured obligations, and will rank *pari passu* among themselves and with all of our other direct, unconditional, unsubordinated and unsecured obligations.

Conversion Subject to certain conditions, each holder of the Bonds (a “Holder”) will have the right during the Conversion Period (as defined herein) to convert its Bonds (or any portion thereof being US\$200,000 in principal amount or an integral multiple thereof) into Common Shares at anytime from March 18, 2012 to January 27, 2017, *provided, however*, that the Conversion Right during any Closed Period (as defined herein) shall be suspended and the Conversion Period shall not include any such Closed Period.

See “Description of the Bonds — Conversion” and “Risk Factors — Risks Relating to Ownership of Bonds and our Shares — There are limitations on your ability to exercise conversion rights.”

Subject to changes to ROC laws and regulations, we shall as soon as practicable but in no event more than five Trading Days (as defined herein) from the Conversion Date (as defined herein) issue Common Shares to the converting Holders.

Conversion Price The conversion price will initially be NT\$42.11 per share with a fixed exchange rate applicable on conversion of Bonds of NT\$29.761 = US\$1.00. The Conversion Price will be subject to adjustments for, among other things, subdivision or consolidation of shares, right issues, distributions, stock dividends, and other dilutive events. See “Description of the Bonds.”

Early Redemption Amount The Early Redemption Amount for each US\$200,000 of Bonds is determined so that it represents for the bondholder a gross yield of 1.50% on a semi-annual basis. See “Description of the Bonds — Early Redemption Amount.”

Redemption at the Option of the Company We may redeem the Bonds, in whole but not in part, at the Early Redemption Amount if (i) at anytime on or after February 6, 2015, if the Closing Price of the Common Shares on the TWSE (translated into U.S. Dollars at the Prevailing Rate on each Trading Day during a period of 20 consecutive Trading Days (the “Calculation Period”), the last of which occurs not more than five days prior to the date on which notice of such redemption is given, is at least 125% of the quotient of the Early Redemption Amount divided by the number of Shares to be issued upon conversion of US\$200,000 principal amount of the Bonds on the applicable Trading Day based on the Conversion

Price then in effect (translated into U.S. Dollars at the Fixed Exchange Rate), or (ii) if more than 90% in principal amount of the Bonds originally outstanding has been redeemed, repurchased and cancelled or converted.

Additional Amounts Payment of principal on the Bonds will be made without withholding for or on account of certain taxes of the ROC or such other jurisdiction in which we are then organized or resident for tax purposes to the extent set forth under “Description of the Bonds — Additional Amounts.”

Tax Redemption If, as a result of certain changes relating to the tax laws in the ROC or such other jurisdiction in which we are then organized or resident for tax purposes, we become obligated to pay Additional Amounts, the Bonds may be redeemed at the option of us, in whole but not in part, at the Early Redemption Amount; *provided* that such right cannot be exercised earlier than 45 days prior to the first date on which we would be obligated to make an Additional Amounts payment with respect to all or substantially all of the outstanding Bonds. Bondholders may elect not to have their bonds redeemed but with no entitlement to any Additional Amounts or reimbursement of additional tax.

Redemption at the Option of the
Holder Each Bondholder shall have the right, at such Bondholder’s option, to require the Issuer to repurchase all (or any portion of the principal amount, which is US\$200,000 or any integral multiple thereof) of such Bondholder’s Bonds, on February 6, 2015 (the “Bondholders’ Put Date”) at 104.59% of the outstanding principal amount thereof. See “Description of the Bonds — Redemption of the Bonds at the Option of the Holders.”

Redemption in the Event of Change in
Control Unless the Bonds have been previously redeemed, repurchased and cancelled or converted, each Holder shall have the right, at such Holder’s option, to require us to repurchase all (or any portion of the principal amount thereof which is US\$200,000 or any integral multiple thereof) of such Holder’s Bonds on the 20th Business Day after the Paying Agent mails to each Holder a notice regarding the change of control at the Early Redemption Amount upon the occurrence of a Change of Control, as defined herein. See “Description of the Bonds — Repurchase of the Bonds.”

Redemption in the Event of Delisting Unless the Bonds have been previously redeemed, repurchased and canceled or converted, in the event that the Common Shares cease to

be listed or admitted to trading on the TWSE, each Holder shall have the right, at such Holder's option, to require us to repurchase all (or any portion of the principal amount thereof which is US\$200,000 or any integral multiple thereof) of such Holder's Bonds on the 20th Business Day after the Paying Agent mails to each Holder a notice regarding such delisting at the Early Redemption Amount.

Negative Pledge Subject to certain exceptions, we will not, and will procure that none of our Principal Subsidiaries (as defined herein) will, create or permit to subsist any Lien (as defined herein) to secure for the benefit of the holders of any International Investment Securities (as defined herein) any sum owing in respect thereof or any guarantee or indemnity thereof without making effective provision to secure the Bonds (a) equally and ratably with such International Investment Securities with a similar Lien or (b) with such other security as shall be approved by a majority of the principal amount of the outstanding Bonds. See "Description of the Bonds — Certain Covenants — Negative Pledge."

Form and Denomination The Bonds will be issuable only in book-entry form and only in denominations of US\$200,000 or any higher integral multiple of US\$200,000. The Bonds will be represented by the Global Bond. On the closing date of the Offering, we will deliver the Global Bond to Citibank Europe plc as common depository. If (i) at any time the Common Depository advises the Company in writing that it is at any time unwilling or unable to continue as a depository for the Global Bond and a successor depository is not appointed by the Company within 90 days, (ii) either Euroclear or Clearstream or any alternative clearing system on behalf of which the Bonds evidenced by the Global Bond may be held is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so, or (iii) an event of default has occurred and is continuing with respect to the Bonds and the Trustee notifies the Company in writing that any of the Bonds have become immediately due and payable pursuant to the Indenture, the Company shall issue individual certificated bonds in registered form in exchange for the Global Bond in any authorized denominations and in an aggregate principal amount equal to the principal amount of the Global Bond.

Settlement The Bonds have been accepted for clearance through Euroclear and Clearstream on a book-entry system. Settlement of the Bonds may take place through Euroclear and Clearstream in accordance with the settlement procedures applicable to debt securities in the Euromarket.

Governing Law The laws of the State of New York.

Trustee Citicorp International Limited

Listings We have received approval in-principle from SGX-ST for the listing of the Bonds on the Official List of the SGX-ST. Subject to the approval of the SGX-ST, the Bonds will be traded on the SGX-ST in a minimum board lot size of not less than US\$200,000 (or its equivalent in foreign currencies) for so long as the Bonds are listed on SGX-ST. We have undertaken to list the Shares issued upon the conversion of the Bonds on the TWSE. The Shares will not be listed on the SGX-ST.

Paying Agent For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption. In the event that a Global Bond is exchanged for definitive Bonds, an announcement of such exchange shall be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Bonds, including details of the paying agent in Singapore, so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.

Trading Market for Our Shares The only trading market for the Shares is the TWSE. Our Shares have been listed on the TWSE since June 2010 under the stock code “4938.”

Use of Proceeds The gross proceeds to Pegatron from the offering will be US\$300,000,000. Pegatron intends to use the net proceeds from the offering to purchase raw material overseas.

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

Recent Developments

Recent Monthly Result of Operations

Pursuant to the rules and regulation of the TWSE, we report our non-consolidated net sales from Pegatron Corporation each month on the Market Post Observation System.

- Our non-consolidated net sales from Pegatron Corporation for December 2011 amounted to NT\$35.5 billion, representing a 83.41% increase from NT\$19.4 billion for December 2010.
- Our non-consolidated net sales from Pegatron Corporation for November 2011 amounted to NT\$41.3 billion, representing a 94.14% increase from NT\$21.3 billion for November 2010.
- Our non-consolidated net sales from Pegatron Corporation for October 2011 amounted to NT\$42.8 billion, representing a 65.85% increase from NT\$25.8 billion for October 2010.

These monthly result has not been audited or reviewed by KPMG, and may be subject to change.

Summary Financial Information

The following selected financial information has been derived from our audited consolidated financial statements as of and for the years ended December 31, 2009 and 2010 included elsewhere in this offering memorandum and our unaudited consolidated financial statements as of and for the nine months ended September 30, 2010 and 2011 included elsewhere in this offering memorandum. The results of the nine months ended September 30, 2010 and 2011 are not necessarily indicative of the results that may be expected for the full year.

Our financial statements included in the F-pages of this offering memorandum have been prepared and presented in accordance with reporting requirements of the “Regulations Governing the Preparation of Financial Reports by Public Banks,” “Regulations Governing the Preparation of Financial Statements of Issuers of Securities” and other applicable ROC laws and regulations and in accordance with ROC GAAP, and those financial statements are not intended to present our financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions, including the United States.

	Year Ended December 31,			Nine Months Ended September 30,		
	2009	2010		2010	2011	
	NT\$	NT\$	US\$	NT\$	NT\$	US\$
	(audited)			(unaudited)		
	(in millions, except per share data)					
Consolidated Statement of Income:						
Net Sales	538,081.7	530,531.4	17,423.0	397,954.9	422,636.9	13,879.7
Cost of goods sold	(505,715.4)	(500,366.1)	(16,432.4)	(374,006.7)	(404,352.2)	(13,279.2)
Gross profit	32,366.3	30,165.3	990.6	23,948.2	18,284.7	600.5
Operating expenses	(21,791.2)	(21,471.3)	(705.1)	(16,070.6)	(18,626.0)	(611.7)
Income (loss) from operations	10,575.1	8,694.0	285.5	7,877.6	(341.3)	(11.2)
Non-operating income	4,134.1	5,400.7	177.3	3,309.6	4,259.2	139.9
Non-operating expenses	(1,806.9)	(1,124.3)	(36.9)	(727.0)	(964.2)	(31.7)
Income before income tax	12,902.3	12,970.4	425.9	10,460.2	2,953.7	97.0
Income tax expense	(2,354.9)	(2,363.6)	(77.6)	(1,953.8)	(1,343.1)	(44.1)
Consolidated net income	<u>10,547.4</u>	<u>10,606.8</u>	<u>348.3</u>	<u>8,506.4</u>	<u>1,610.6</u>	<u>52.9</u>
Primary earnings per share (after income tax)	2.95	2.73	0.09	2.16	(0.38)	(0.01)
Diluted earnings per share (after income tax)	2.91	2.72	0.09	2.15		

	As of December 31,			As of September 30,			
	2009	2010		2010	2011		
	NT\$	NT\$	US\$	NT\$	NT\$	US\$	
		(audited)			(unaudited)		
		(in millions, except per share data)					
Consolidated Balance Sheet Data:							
Current assets	155,806.6	149,938.0	4,924.1	159,254.0	223,201.8	7,330.1	
Investments	4,851.5	5,059.1	166.1	4,929.3	4,909.6	161.2	
Other financial assets — noncurrent	468.3	273.4	9.0	201.4	273.2	9.0	
Property, plant and equipment	54,666.5	53,102.7	1,743.9	52,796.9	63,912.3	2,098.9	
Intangible assets	3,748.8	3,443.3	113.1	3,628.0	6,073.8	199.5	
Deferred expenses	3,257.5	2,442.0	80.2	2,597.4	2,234.3	73.4	
Other assets	1,738.3	1,733.2	56.9	1,757.6	1,035.7	34.0	
Total assets	<u>224,537.5</u>	<u>215,991.7</u>	<u>7,093.3</u>	<u>225,164.6</u>	<u>301,640.7</u>	<u>9,906.1</u>	
Current liabilities	95,700.5	87,103.6	2,860.5	93,248.1	158,881.6	5,217.8	
Long-term loans	8,319.9	11,860.1	389.5	10,992.3	24,751.6	812.8	
Other liabilities	363.5	410.5	13.5	524.8	400.6	13.2	
Total liabilities	<u>104,383.9</u>	<u>99,374.2</u>	<u>3,263.5</u>	<u>104,765.2</u>	<u>184,033.8</u>	<u>6,043.8</u>	
Total stockholders' equity	<u>120,153.6</u>	<u>116,617.5</u>	<u>3,829.8</u>	<u>120,399.4</u>	<u>117,606.9</u>	<u>3,862.3</u>	

	Year Ended December 31,			Nine Months Ended September 30,			
	2009	2010		2010	2011		
	NT\$	NT\$	US\$	NT\$	NT\$	US\$	
		(audited)			(unaudited)		
		(in millions, except per share data)					
Consolidated Statement of Cash Flows:							
Net cash (used in) provided by operating activities	18,435.1	23,739.4	779.6	9,711.6	(7,249.2)	(238.1)	
Net cash used in investing activities	(6,345.8)	(12,293.4)	(403.7)	(5,169.6)	(11,754.0)	(386.0)	
Net cash (used in) provided by financing activities	<u>(6,290.5)</u>	<u>475.6</u>	<u>15.6</u>	<u>495.3</u>	<u>16,686.4</u>	<u>548.0</u>	
Foreign exchange rate	<u>(918.7)</u>	<u>(1,336.4)</u>	<u>(43.9)</u>	<u>(707.2)</u>	<u>810.5</u>	<u>26.6</u>	
Effect of changes in certain subsidiaries	<u>691.3</u>	<u>(167.5)</u>	<u>(5.5)</u>	<u>(3.9)</u>	<u>—</u>	<u>—</u>	
Net increase (decrease) in cash	<u>5,571.4</u>	<u>10,417.7</u>	<u>342.1</u>	<u>4,326.2</u>	<u>(1,506.3)</u>	<u>(49.5)</u>	
Cash, beginning of the period	26,274.9	31,846.3	1,045.9	31,846.3	42,264.0	1,388.0	
Cash, end of the period	31,846.3	42,264.0	1,388.0	36,172.5	40,757.7	1,338.5	

RISK FACTORS

Investing in the Bonds involves risks, and you should carefully consider the risks described below before making an investment decision. If any of the following risk factors and uncertainties develops into actual events, our businesses, financial condition or results of operations could be materially adversely affected. In addition, you should also carefully consider all of the information contained in this offering memorandum, including our financial statements and related notes. You should pay particular attention to the fact that we are an ROC company and are subject to a legal and regulatory regime which in some respects may be different from that which prevails in other countries.

RISKS RELATING TO OUR INDUSTRY AND BUSINESS

We are experiencing volatile global economic conditions, which may put downward pressure on demand for our products.

Since the second half of 2008, the global financial system has experienced significant difficulties and disruptions, leading to reduced liquidity, greater volatility, widening credit spreads, and a lack of price transparency in the global financial markets. While the economies of the U.S. and certain Asian countries have experienced modest recovery, volatile market conditions may continue to adversely affect the demand for computing products, communication devices, and consumer electronics products. The potential sustained decrease and slowdown in demand for our products may inflict significant downward pressure on prices. At the same time, reduced corporate and commercial activity may also impact demand, and thus prices, for our products. The reduced prices may lead to reduced revenues, lower profit margins and/or loss of market share, any of which would have a material adverse effect on our business, financial condition and results of operations.

If the economies of the U.S., the ROC, the European Union, and our other core markets continue to grow at a slow rate, or experience a double-dip recession, our business, financial condition and results of operations would be adversely affected. However, even if the global economy experiences a full recovery, we cannot assure you that the demand for our products and services will increase, or even be maintained.

The markets in which our customers compete are characterized by rapidly changing technology and innovation, and as a DMS company we are vulnerable to disruptions in the industry.

The markets in which our customers compete are characterized by rapidly changing technology, evolving industry standards and continuous improvements in products and services. Additionally, severe industry-wide competition for market share results in aggressive pricing practices from our customers. This price-pressure from our customers may adversely affect our own prices, which may lead to 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.

In recent years there have been significant shifts in the demand for 3C products. Our viability and success will depend on the success achieved by our customers in developing and marketing their products to their consumers. If the technologies or standards supported by our customers become obsolete or fail to gain widespread commercial acceptance, we may experience a loss of certain key customers, a decline in sales, and a decline in operating margins.

We are attempting to reduce the risks inherent in relying on a small number of products by developing and producing new devices in the consumer electronics, communications, and computer markets. We cannot assure you however, that we will be able to develop and produce these products as planned or that these measures will be effective in reducing the risks associated with our reliance on computer and computer components products.

We are dependent on a limited number of customers, and are extremely vulnerable to fluctuations in their demand and payment.

We are dependent on a limited number of customers, including ASUSTeK, for a substantial portion of our total sales. For the years ended December 31, 2009 and 2010 and the nine months ended September 30, 2011, respectively, sales to our top three customers accounted for 60.6%, 57.7% and 48.1% of our consolidated net sales. Although the percentage of sales to our top three customers has decreased during this period, we cannot assure you that our dependence on a limited number of customers will not continue in the future. Consequently, reliance on a limited number of customers generally involves several risks. These risks include, but are not limited to, reduction, delay or cancellation of orders from our significant customers; selection by one or more of our significant customers of products competitive with ours; failure to renew sales contracts with one or more of our significant customers; failure to renegotiate favorable terms with us; the loss of these customers, or a reduction or delay in their orders; all of which would have a material adverse effect on the business, financial condition, results of operations and future prospects of our company.

Additionally, we generate significant accounts receivable in connection with providing manufacturing services to our key customers. If any of our limited number of customers were to become insolvent or otherwise unable to pay for our services and products, it would have a material adverse effect on the business, financial condition, results of operations and future prospects of our company.

Our reliance on certain key suppliers could result in delays and adversely affect our output.

Our production depends on obtaining adequate supplies of components on a timely basis. We purchase our main components from various third-party component manufacturers that can satisfy our quality standards and meet our volume requirements. Sometimes our customers will require us to purchase from certain suppliers. Our reliance on certain key suppliers could result in delays that could adversely affect our output, results of operations and financial condition. Reliance on key suppliers generally involves several risks, including the possibility of defective parts, a shortage of components, increases in component costs and reduced control over delivery schedules. There can be no assurance that we will be able to continue to obtain supplies of reliable components in a timely or cost-effective manner in the future. Where alternative sources of components are available, qualification of the alternative suppliers and establishment of reliable supplies from such sources may result in delays that could adversely affect our manufacturing processes, results of operations or financial condition.

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

The information technology, communication and consumer electronics DMS industry in general are 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, leading to lower margins. In addition, major customers typically outsource the same type of products to at least two or three DMS companies in order to diversify their supply risks.

Accordingly, we typically compete with other major DMS companies for orders from the same customers. We face competition from a number of sources, mainly from Taiwanese and American DMS companies. 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 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.

Our operating results may fluctuate due to factors beyond our control.

Our operating results are affected by a wide variety of factors beyond our control that could materially affect our sales revenues and profitability. These factors could also result in a significant variation in our quarterly or annual operating results. These factors include, but are not limited to:

- Breakdown, failure, or substandard performance of equipment;
- Delays in delivery, improper installation, or improper operation of equipment;
- New product introductions and delays in developing the capability to produce new products;
- Input component price fluctuations;
- Seasonality of operating results;
- Varying product mix;
- Technological changes and changes in manufacturing processes;
- Timing of orders and delays in shipments to customers; and
- Volume of orders relative to our production capacity.

The occurrence of any such or other problems could materially and adversely affect our business, financial condition, and results of operation. Thus it is possible that in some future period our operating results or growth rate may be below the expectations of investors.

We may not be able to mitigate the effects of price declines over the life cycles of our products, or ensure that our new generation products are profitable.

All of our product markets are 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 products tends to decline over the product life cycle, reflecting product obsolescence, decreased costs of input components, decreased demand and increased competition as more manufacturers are able to produce similar products in large quantities.

We also try to mitigate the effects of price declines in our products by reducing our input component costs, reducing inventory costs and lowering operating costs. We also try to design new generations of our products ahead of our competitors. This requires us to obtain and incorporate into our product range new hardware, software, communications and peripheral technologies, some of which are primarily developed by others. These newer generations generally carry higher profit margins but require large expenditures for research and development or the acquisition of new technology. There can be no assurance that new generation products introduced by us will achieve market acceptance, or be profitable.

Our failure to obtain licenses for intellectual property rights could adversely affect business operations.

While we have continued to develop our own technology and applied for patents with the relevant authorities, from time to time we have had to obtain licenses for patent, copyright and other intellectual property rights in respect of technologies used in the production of our products. For example, in April 2010, we entered into a license agreement with Qualcomm Inc., under which we are entitled to the rights for communication technologies. If we are unable to use such technology, our business may suffer. We can offer no assurance 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.

Our labor costs may fluctuate and increase in future periods, and our profitability and results of operations could be adversely affected.

The average wage paid to manufacturing labor has increased recently and may continue to increase. Additionally, changes to laws and regulation may cause our labor costs to increase. Traditionally we have had a high turnover rate of our laborers in the PRC. If we are unable to offset the increase in labor costs or pass along these increases costs to our customers, our profitability and results of operation could be materially and adversely affected.

We rely on certain key personnel and failure to attract, retain or replace such personnel could adversely affect our business.

Our success depends to a significant extent upon, among other factors, the continued services of our skilled technical, managerial, and sales personnel. Our success also depends on our ability to continue to attract, retain, and motivate said personnel. The loss of the services of any of these key personnel without adequate replacement or the inability to attract new qualified personnel could have a material adverse effect on our business, financial condition, results of operations, and future prospects. We do not maintain insurance with respect to the loss of any of our key personnel.

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.

We may face potential liability for defective products.

In July 2011, one batch of our multimedia box products manufactured in China was suspected to be defective by one of our customers. The customer then immediately recalled this batch of products from the market and we had worked with the customer to successfully resolve this problem without incurring any lawsuit liability. However, there can be no assurance that we will not face such lawsuits in the future. Due to the nature of our operations, it is possible that claims against us could arise as a result of defects in or non-conformity with specifications of materials or products manufactured or supplied by us. Purchasers and third parties could make claims against us based on the delivery of defective materials or products, or for damage or loss arising from the use of these defective materials or products. If any claims of this type are determined against us and our existing insurance arrangements do not cover the resulting liability, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We engage in a variety of transactions with our affiliates.

We engage in a variety of transactions with our affiliates, in particular ASUSTeK, on an ongoing basis. As of the date hereof, ASUSTeK holds approximately 24.4% of our outstanding shares. Although there can be no assurance as to the terms of those transactions, our policy is that transactions with related parties will generally be conducted on normal terms that 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.

Our patents and other non-patented intellectual property are valuable assets, and if we are unable to protect them from infringement, our business prospects may be materially harmed.

Our success depends in part on our ability to obtain and maintain trade secret and patent protection for our technologies, know-how, processes, and products. We have continued to develop our own technology and applied for patents with the relevant authorities, and from time to time we have obtained licenses for patent, copyright and other intellectual property rights in respect of technologies used in the production of our products. We can offer no assurance 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. However, if we are unable to use such technology, our business may materially suffer.

Our success depends on our ability to enforce our existing intellectual properties and to defend our intellectual properties against third-party challenges. However, we are only able to protect our technologies, processes, and products from unauthorized use by third parties to the extent that valid and enforceable intellectual property protections cover them. In the event that our issued patents and our applications do not adequately describe, enable or otherwise provide coverage for our technologies, process, or products, we would not be able to exclude others from developing or selling these technologies, processes, and products. The use of our technologies, processes, and products by third parties may adversely affect our business.

As some of our technologies and production methods or processes involve unpatented, proprietary technology, processes, know-how, or data, we rely on trade secret protection and agreements to safeguard our interests. However, trade secrets are difficult and expensive to protect. We cannot completely safeguard against the knowledge and utilization of our trade secrets, and the use of our trade secrets by third parties may adversely affect our business.

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.

If we fail to comply with environmental regulations, we are vulnerable to adverse publicity and potential monetary damages and fines from regulatory authorities.

Some of our manufacturing processes employ or create various hazardous substances. We are subject to a variety of regulations in the relevant jurisdictions relating to the use, storage, discharge and disposal of chemicals and waste used in our manufacturing processes. Any failure by us to comply with present and future regulations or obtain the necessary certificates and permits could subject us to future fines and liabilities or other governmental sanctions.

Three of our PRC subsidiaries are required to obtain, prior to the construction of production facilities, the approvals on environmental evaluation, and prior to the formal commencement of production, the clearance of anti-pollution facilities by the environmental protection authorities. Two of these PRC subsidiaries have commenced manufacturing operations at certain of their production facilities without obtaining those approvals and clearance and they are currently in the process of obtaining such approvals and clearance, while the other one has commenced production at one of its production facilities without the abovementioned approvals and clearance and it intends to make relevant filings with the local environmental protection authority when its land issues are solved. See “Risk Factors – Risks Relating to Our Industry and Business — One of our PRC subsidiaries has not obtained title certificates of its land and buildings.” While our subsidiaries anticipate that the approvals or clearances will be obtained after the relevant files are made, there is no assurance that whether such approvals and clearances will be obtained timely. Any failure to timely obtain such approvals or clearances prior to the commencement of production may result in us being reprimanded by the local environmental protection authorities, including a monetary fine in an amount no more than RMB500,000 or an order to rectify the situation of noncompliance within a time limit or if we fail to rectify, to cease production at those sites.

In addition, one of our PRC subsidiaries is currently constructing one of its production facilities without obtaining the requisite approval from environmental protection authorities on the environmental evaluation report due to the land title issue where such facility is located. Please see “Risk Factors – Risks Relating to Our Industry and Business – One of our PRC subsidiaries has not obtained title certificates of its land and buildings.” This subsidiary intends to make relevant filings with the environmental protection authorities when the land issues are solved and anticipates that such approvals will be obtained after the relevant filings are made. There is no assurance whether such approvals will be obtained timely, and any failure to obtain such approvals prior to the commencement of construction of production facilities may result in this subsidiary being reprimanded by the relevant governmental authorities, including a monetary fine in an amount no more than RMB10,000 and an order to cease construction and restitution, subject to the discretion of governmental authorities.

Additionally, one of our PRC subsidiaries has not obtained the requisite approvals for some production facilities from environmental protection authorities on the environmental evaluation report. As a result, the local environmental protection authority on December 17, 2011 ordered this subsidiary to cease production at these production facilities. This subsidiary intends to work with the transferor to make relevant filings with the environmental protection authorities in due course. There is no assurance

whether such approvals will be obtained timely, and any failure to obtain such approvals prior to the commencement of construction of production facilities may result in delaying the commencement of mass production at these sites.

Additionally, if more stringent regulations are adopted in the future, the costs of compliance could be substantial. If we are ever held liable for damages in the event of contamination or injury, it could have a material and adverse effect on our business.

One of our PRC subsidiaries has not obtained title certificates of its land and facilities.

The land and facilities used and operated by one of our PRC subsidiaries, Protek (Shanghai) Limited, have the following issues:

- It has not obtained title certificate for one parcel of land where four of its plants are constructed since 2006 due to the failure to comply with a newly promulgated requirements for land-use right grant on August 31, 2006. As a result, the local land authority has in January 2008 sanctioned this non-compliance, which included a monetary fine of RMB1.4 million. Protek (Shanghai) Limited has paid such fine in full and has been in close discussion with the local authorities on the rectification of the land grant procedural defect since then. Protek (Shanghai) Limited expects that the relevant land grant procedures will be completed and land title certificate will be issued in the first half of 2012. There is no assurance, however, that the land title certificate will be issued in time as expected. If Protek (Shanghai) Limited is unable to timely rectify the land grant issue and obtain the relevant land title certificate, it will in turn have difficulties in obtaining subsequent construction and environmental related approvals or permits required for the buildings constructed on such parcel of land and in the worst case scenario, Protek (Shanghai) Limited may be required to return the land and the plants constructed thereon may be confiscated by the local land bureau. See “Risk Factors — Risks Relating to Our Industry and Business — *If we fail to comply with environmental regulations, we are vulnerable to adverse publicity and potential monetary damages and fines from regulatory authorities.*”
- Protek (Shanghai) Limited has not obtained the construction permit for one of its plants and four dormitory buildings currently under construction. The failure to obtain such construction permit for the plant was due to the lack of land title certificate for the land where such plant is located, and Protek (Shanghai) Limited will apply for the rectification of this non-compliance when the land title certificate is obtained. Protek (Shanghai) Limited is also in the process and is expected to obtain the construction permit for the four dormitory buildings by the end of 2011. There is no assurance, however, that Protek (Shanghai) Ltd. will be able to obtain such permits in time, the failure of which will subject Protek (Shanghai) Limited to fine in the amount of 1% to 2% of the construction price, or in the worst case scenario, to be ordered to cease construction, which will render our capacity expansion plan being adversely affected.
- Protek (Shanghai) Limited has not obtained the clearance for completion of construction for all its plants and other buildings it constructed and currently in operation due to it is still in the process of obtaining certain requisite prior approvals from certain local authorities including urban planning authority and the fire service bureau. As a consequence, Protek (Shanghai)

Limited has not obtained building title certificate for all the plants and other buildings it currently operates. Protek (Shanghai) Limited is currently in discussion with relevant local authorities across different bureaus on how to rectify this issue and expected to complete the required process for the obtaining of building title certificate for all its plants and other buildings in the first half of 2012, except for those plants constructed on the land subject to land-use right grant issue. Please see “Risk Factors — Risks Relating to Our Industry and Business — One of our PRC subsidiaries has not obtained title certificates of its land and buildings.” Protek (Shanghai) Limited intends to apply for the clearance for completion of construction concerning those plants after the land issue has been resolved and plans to obtain the building title certificate . There is no assurance, however, that the building title certificates will be obtained timely.

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

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

Additionally, 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 major 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.

Recently, on December 17, 2011, an explosion occurred at one of our production facilities located in China. We cannot assure you that similar incidents and disruptions will not occur again in the future. Any similar incidents or disruptions in our manufacturing operations could have a material adverse effect on our financial condition and results of operations.

The regional economies in Asia and our business prospects and operation may be adversely affected by natural disasters and the occurrence of epidemics.

In March 2011, Japan was struck by a 9.0-magnitude earthquake, which was followed by a severely destructive tsunami resulting in a radiation leak at the Fukushima nuclear power plant. Although these recent events in Japan have not had an immediate direct impact on our operations, we cannot assure

you that these events will not have any subsequent adverse effect on the regional economies in Asia and our business prospects. In part due to such events, the economies in Asia may experience declining stock prices as Japanese investment firms, having significant investments across the world's capital markets, including those of Asia, withdraw Japanese funds in order to support reconstruction efforts in Japan. Such withdrawal of Japanese funds may lead to a decline in stock prices in stock markets in the short term. In addition, as most nuclear power plants of Japan have since suspended operations, Japan will, in the short term, increasingly depend on crude oil to meet its energy needs. Crude oil prices, which were already on an upward trend, may therefore further spike as a result of the events in Japan. A rise in crude oil prices may also in turn impact the regional economies in Asia in the short term.

Beginning in late July 2011 and continuing for over three months, floods are occurring in Thailand, most severely in the Chao Phraya but also in the Mekong River basin. The flooding has inundated approximately six million hectares of land while our supplier of hard disc drive located in Thailand, was also affected. As a result, our upstream supply of hard disc drive had been disrupted and our business operation had been correspondingly affected for the fourth quarter. Although we maintain sufficient inventories and we monitor the potential disruption to our component supply on a daily basis, we cannot assure you that natural disasters will not have an adverse effect on our business prospects and operation.

RISKS RELATING TO TAIWAN

Strained relations between the ROC and the PRC, and political developments in the ROC, could adversely affect our business.

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 of the Common 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.

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

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 US GAAP. We have not quantified or identified the impact of the differences between ROC GAAP and US GAAP.

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

According to the announcement of the FSC on May 14, 2009, we are required to adopt IFRS for the preparation of our financial statements effective January 1, 2013 and to restate our financial statements for each of the comparative corresponding periods for the year ending December 31, 2012 with the adjusted opening IFRS balances as of January 1, 2012. ROC GAAP differs in certain significant respects from IFRS. In particular, the IFRS requires us to make a mark-to-market adjustment to our liability in connection with our convertible bonds, and consequently, we may be subject to loss or incur liability. In addition, the adoption of IFRS requires the retrospective application of the most recent standards to the financial statements of prior years, subject to certain exemptions and exceptions, the impact from the retrospective adjustments may adversely affect our retained earnings as of January 1, 2012 and our financial statements thereafter.

The value of the Common Shares and the Bonds as well as the value of certain marketable securities held by us may be adversely affected by the volatility of the ROC securities market.

The ROC securities market is smaller and more volatile than the securities markets in the United States and in certain European countries. The TWSE has experienced substantial fluctuations in the prices of listed securities and has shown particular volatility following certain political events, market events, scandals, and there are currently limits on the range of daily price movements on the TWSE. Furthermore, the TWSE has experienced problems such as market manipulation, insider trading, and payment defaults. The reoccurrence of these or similar problems could adversely affect the market price and liquidity of the securities of ROC companies, in both domestic and international markets.

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 products are manufactured in the PRC; consequently, our results of operations and prospects are subject to legal, political and economic developments in the PRC. For instance, the PRC legal system is not fully developed and has inherent uncertainties that could limit the legal protections available to our shareholders. 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. Furthermore, 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. Also, 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.

Our facilities located in the PRC are subject to political, economic and social conditions, laws, regulations and policies of the PRC. The economy of the PRC differs from the economies of most developed countries in a number of respects, including:

- its structure;
- level of government involvement;
- level of development;
- level of capital reinvestment;
- control of capital reinvestment;
- control of foreign exchange; and
- allocation of resources.

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 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.

RISKS RELATING TO OWNERSHIP OF THE BONDS AND OUR SHARES

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

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

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

The market prices of the Bonds and our shares could decline as a result of sales of a large number of our shares or any securities that are substantially similar to our shares including, but not limited to any securities that may be convertible into, or exchangeable for, our shares after this offering or the perception that such sales could occur. We and several shareholders and directors, including ASUSTek Computer Inc., who in aggregate held directly 31.1% of our shares as of September 30, 2011, have agreed for a period of 90 days after February 6, 2012, subject to certain exceptions, not to sell or otherwise dispose of our shares or enter into certain transactions in respect of our shares without the prior written consent of the joint bookrunners. See “Plan of Distribution.” Except for such restrictions, there is no restriction on our ability to issue, sell or otherwise dispose of and our shareholders’ ability to sell or otherwise dispose of, our shares, and we cannot assure you that we will not issue, sell or otherwise dispose of, or that any of our shareholders will not sell or otherwise dispose of, our shares. If our shareholders sell a large number of our shares after this offering, the market price of the Bonds and our shares could be depressed and the value of your investment could substantially decrease. The market prices of our shares and the Bonds could also decline if substantial amounts of our shares or securities convertible or exchangeable into our shares are sold after the closing of this offering, or if there is a perception that these sales could occur.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

USE OF PROCEEDS

The gross proceeds to Pegatron from the sales of the Bonds in this offering will be US\$300,000,000 before deducting the purchaser's discounts and estimated offering expenses payable by us. The Company intends to use the net proceeds from the offering to purchase raw materials overseas.

MARKET PRICE INFORMATION

Our shares have been listed on the Taiwan Stock Exchange since June 24, 2010.

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

	Closing price per Share ⁽¹⁾		Average daily Trading volume ⁽²⁾	Closing of the Taiwan Stock Exchange Weighted Index	
	High	Low		High	Low
	(NT\$)	(NT\$)	(in thousands of shares)		
2010					
June (since its listing on June 24, 2010)	38.95	30.05	36,299	7,589.89	7,329.37
Third Quarter	45.00	29.40	12,741	8,240.89	7,254.06
Fourth Quarter	44.85	37.55	6,048	8,972.50	8,046.23
2011					
First Quarter	42.00	31.10	7,583	9,145.35	8,234.78
January	42.00	38.05	5,415	9,145.35	8,782.72
February	39.40	33.70	9,466	9,111.46	8,528.94
March	35.85	31.10	8,322	8,784.40	8,234.78
Second Quarter	34.65	28.30	5,149	9,062.35	8,478.86
April	34.65	30.20	5,444	9,049.25	8,638.55
May	31.35	29.45	5,400	9,035.48	8,727.09
June	31.80	28.30	4,630	9,062.35	8,478.86
Third Quarter	35.00	25.15	7,514	8,824.44	6,877.12
July	35.00	29.10	10,641	8,824.44	8,481.35
August	34.15	25.15	6,228	8,701.38	7,312.59
September	29.95	26.30	5,794	7,757.76	6,877.12
Fourth Quarter	33.90	27.15	5,477	7,622.01	6,633.33
October	33.90	27.25	6,397	7,616.06	6,989.15
November	33.60	27.15	5,474	7,622.01	6,784.52
December	33.10	30.85	4,645	7,178.69	6,633.33
2012					
January (through January 30, 2012)	37.60	32.40	9,377	7,407.41	6,952.21

Source: Bloomberg.

(1) As reported.

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

The Taiwan Stock Exchange has experienced substantial fluctuations in the prices of listed securities and there are currently limits on the range of daily price movements. See “Risk Factors — Risks Relating to Taiwan — The value of the common shares and the Bonds as well as the value of certain marketable securities held by us may be adversely affected by the volatility of the ROC securities market” and “Appendix A — The Securities Markets of the ROC — The Taiwan Stock Exchange.”

DIVIDENDS AND DIVIDEND POLICY

Pursuant to our Articles of Incorporation, our board of directors may, subject to the approval of the shareholders by an ordinary resolution adopted at a shareholders' meeting, declare and distribute dividends. See "Description of Our Share Capital — Dividend and Distributors."

The board of directors approved the proposal for 2010 dividend distribution on March 30, 2011. The 2011 shareholders' meeting was held on June 24, 2011, and our shareholders adopted this proposal to distribute NT\$3,271.7 million in the form of cash. At the same shareholders' meeting, a resolution was adopted whereby NT\$127.0 million were distributed to employees as cash bonus and NT\$12.0 million was distributed to directors and supervisors as compensation.

EXCHANGE RATES

Fluctuations in the exchange rate between NT Dollars and US Dollars will affect the US Dollar equivalent of the NT Dollar price of the Shares on the Taiwan Stock Exchange and, as a result, will likely affect the market price of the Bonds. Such fluctuations will also affect the US Dollar conversion of cash dividends, which will be paid in NT Dollars, on, and the NT Dollars proceeds received from any sale of, Shares represented by Bonds. In addition, fluctuations in the exchange rate between NT Dollars and US Dollars may also affect our results of operations since a substantial portion of our sales and costs of goods sold is denominated in US Dollars.

The following table sets forth the average, high, low and period-end average noon buying rates published by the Federal Reserve H.10 Statistical Release between NT Dollars and US Dollars (in NT Dollars per US Dollar) for the periods indicated. No representation is made that the NT Dollar amounts actually represent such US Dollar amounts or could have been, or could be, converted into US Dollars at the rate indicated, at any other rate or at all.

	NT Dollars per US Dollar			
	Average	High	Low	Period-End
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	29.38	30.67	28.50	30.27
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	30.25	30.38	30.10	30.27
2012				
January (through January 27, 2012)	30.02	30.28	29.75	29.75

Source: Federal Reserve Statistical Release, Board of Governors of the Federal Reserve System.

CAPITALIZATION

The following table sets forth our consolidated capitalization as of September 30, 2011 in accordance with ROC GAAP, as adjusted to give effect to this offering (without taking into account the issuance of any Optional Bonds). You should read this table in conjunction with our unaudited consolidated financial statements as of and for the nine months ended September 30, 2010 and 2011, including the notes thereto, which appear in the F-pages of this offering memorandum.

Except as otherwise disclosed in this offering memorandum, there has been no material change in our capitalization since September 30, 2011.

	As of September 30, 2011 (Consolidated)			
	Actual		Pro Forma as Adjusted for Offering of Bonds	
	NT\$	US\$	NT\$	US\$
		(in millions)		
Long-Term Liabilities:				
Bonds payable ⁽²⁾	1,397.0	45.9	10,533.2	345.9
Long-term debt payable	23,024.9	756.1	23,024.9	756.1
Other financial liabilities — noncurrent	329.7	10.8	329.7	10.8
	<u>24,751.6</u>	<u>812.8</u>	<u>33,887.8</u>	<u>1,112.8</u>
Other Long-Term Liabilities	<u>400.6</u>	<u>13.2</u>	<u>400.6</u>	<u>13.2</u>
Stockholders' Equity:				
Common Stock — authorized 2,500,000 thousand shares, 2,256,367 thousand shares issued and outstanding as of September 30, 2011	22,563.7	741.0	22,563.7	741.0
Capital Surplus	63,444.8	2,083.6	63,444.8	2,083.6
Retained Earnings	5,333.5	175.1	5,333.5	175.1
Other Adjustments to Stockholders' Equity	50.8	1.7	50.8	1.7
	<u>68,829.1</u>	<u>2,260.4</u>	<u>68,829.1</u>	<u>2,260.4</u>
Total Parent Company's Equity	91,392.8	3,001.4	91,392.8	3,001.4
Minority Interest	26,214.1	860.9	26,214.1	860.9
Total Stockholders' Equity	<u>117,606.9</u>	<u>3,862.3</u>	<u>117,606.9</u>	<u>3,862.3</u>
Total Capitalization⁽¹⁾	<u>142,759.1</u>	<u>4,688.3</u>	<u>151,895.3</u>	<u>4,988.3</u>

Note:

- (1) Long-term liabilities plus other long-term liabilities and total shareholders' equity.
- (2) 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 Bonds to be issued has been presented as a liability only in the above table and the costs associated from the offering of the Bonds have not been deducted from this amount, which does not necessarily conform to ROC GAAP.

OUR INDUSTRY

The Gartner, Inc. reports described herein (“Gartner Reports”) represent data, research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. (“Gartner”), and are not representations of fact. Each Gartner Report speaks as of its original publication date (and not as of the date of this Offering Circular) and the opinions expressed in the Gartner Reports are subject to change without notice. The information presented in this section has been extracted from the Gartner Reports and does not represent the full Gartner Reports. You should refer to the full Gartner Reports for a complete view of Gartner’s opinions.

Electronics Design and Manufacturing Outsourcing

Electronics Manufacturing Services (EMS) companies and Original Design Manufacturers (ODM) provide hardware design support and manufacturing services to OEM/brand customers and design companies who wish to reduce manufacturing costs and design efforts. OEM/brand customers 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 US\$280 billion in 2010¹ and showed ~30% annual growth. In this high-growth EMS/ODM industry, several major trends appear:

Wider scope of services to require more design and R&D support

Recently, EMS and ODM companies have significantly increased their design support, vertical component integration, productivity and service scope (such as after-sales repair and sales channel support) to enhance service breadth and flexibility. Major players have consistently invested ~2% of total sales in research and development to maintain their technological leadership. In addition, through strategic investment, joint ventures and M&A, they are competing to be more globalized on production and logistics to accommodate clients’ configure-to-order (CTO)/build-to-order (BTO) business models more cost-effectively. The increasing burden in R&D and design investment has also suppressed EMS/ODM players’ margin.

Smartphones to be the near-term growth driver

The top 10 EMS companies and ODMs are reducing their business reliance on highly competitive segments such as PCs. They are increasing diversification, by carrying new segments such as LCD TVs, smartphones, Ultrabooks², cloud computing hardware, automotive electronics, medical

¹ Gartner, Inc., “Competitive Landscape: EMS and ODM Companies, Worldwide, 2011” by Jamie Wang and Ben Lee, October 25, 2011.

² Defined by Intel as thin and lightweight ultraportable computers. With thickness less than 20 mm and weight less than 1.4 kg, Ultrabooks are planned to align with Intel’s releases of low-voltage processor models. Mainstream pricing will be around US\$1,000.

electronics, industrial electronics, after-market services, and channel distribution. As PC/NB shipment has significantly slowed down, smartphone segment (growing at CAGR 30.4% from 2010 to 2015) will be the major growth driver for EMS/ODM industry.

Increasing pricing pressure from OEM/brand customers

EMS companies and ODMs have recognized the decelerating growth of PC production and, and are working under a lower-price strategy — as dictated by OEM/brand customers — to help trigger consumer spending. Under these circumstances, EMS companies and ODMs are being forced to accept OEM orders at a slim profit, in order to fulfill their idle capacity. Therefore, to sustain the margin in the face of rising labor costs in the coastal areas of China (e.g., Shenzhen and Shanghai), more and more EMS companies and ODMs are shifting their production sites inland to Sichuan, Henan, Jiangsu, and Shanxi. Other production centers are being established in emerging areas such as Brazil, Russia, India, and Philippines.

In the following sections, more detailed analysis will be provided to the current situation and future outlook of various sub-segments in the EMS/ODM industry.

Computing Market

Mobile PC

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.

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.

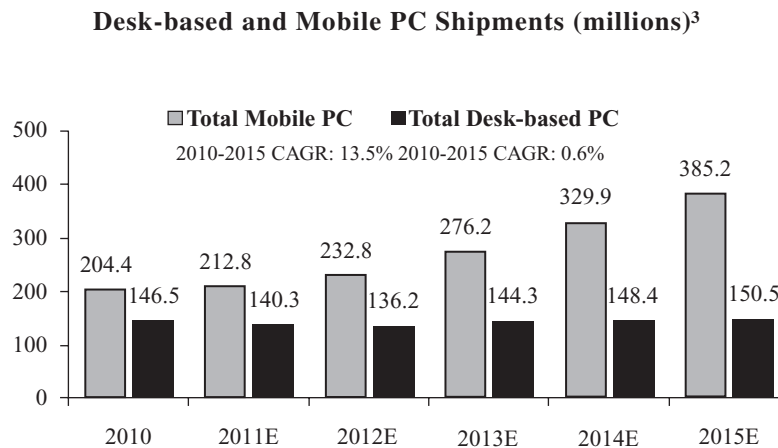
The recent emergence of alternative computing devices, such as media tablets, is expected to have a significant impact on the PC market going forward. Mini-notebooks in particular, which are typically used as secondary PCs for content consumption, are likely to be significantly displaced by media tablets. 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 multi-device 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

The global desk-based PC industry primarily consists of towers and mini-towers, small and ultra-small form factor desk-based PCs and All-in-One (“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.

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.



Source: Gartner

Consumer Electronics Market

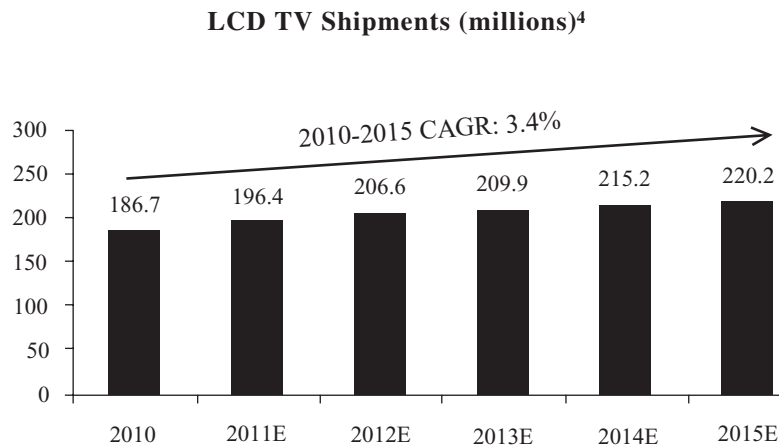
The consumer electronics market covers a broad range of products including LCD TVs, handhelds/mobile phones, portable media players, digital set top boxes, digital still cameras, game devices and other products. Consumer electronics products are typically used for entertainment and leisure by households.

LCD TVs

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.

³ Gartner, Inc., “Forecast: PCs, All Countries (Annual Data), 4Q11 Update” by Raphael Vasquez, Ranjit Atwal and George Shiffler, December 2, 2011.

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

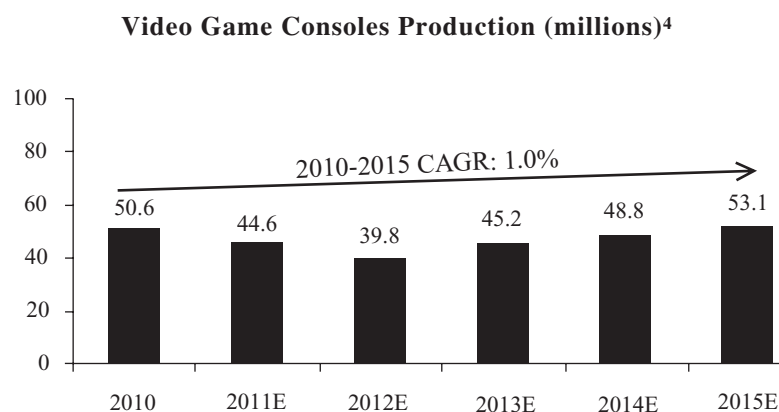


Source: Gartner

Video Game Consoles

The video game console market is declining due to various factors, including increased GPU processing power of PCs, increased trends of social gamers through social networking sites as well as shift of gamers' paradigm to mobile consoles and smartphones.

The following chart sets forth the number of video game consoles units produced globally, including units expected to be shipped and as inventory, from 2010-2015⁴.



Source: Gartner

⁴ Gartner, Inc., "Forecast: Semiconductor Consumption by Electronic Equipment Type, Worldwide, 4Q11 Update" by Bryan Lewis, Peter Middleton, Andrew Norwood, Mark Hung, Brady Wang, Jon Erensen, Sergis Mushell, Adriana Blanco, Steve Ohr, Tim Mahon, Joe Unsworth, Ben Lee, Paul O'Donovan, Hiroyuki Shimizu, Masatsune Yamaji, Masao Kuniba, Ganesh Ramamoorthy, Adib Ghubril, Amy Teng, Nolan Reilly, Dec 6, 2011.

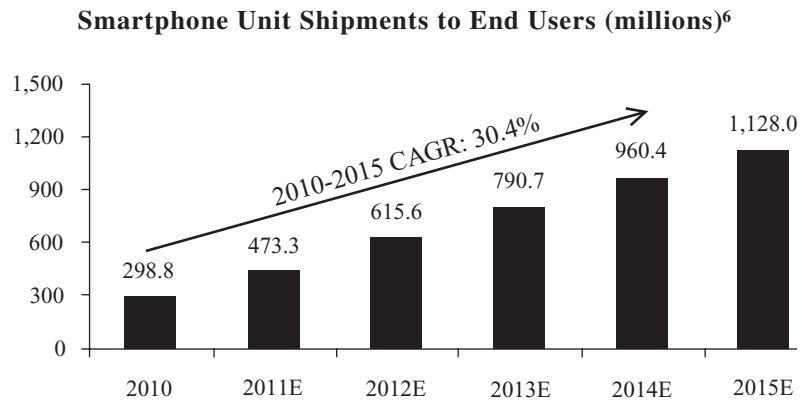
Communication (Broadband & Networking)

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.

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 smartphones⁵.

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



Source: Gartner

⁵ Phones with “Open OS” (e.g., iOS, Blackberry, Android, Symbian, Windows Phone etc) are considered smartphones in Gartner reports.

⁶ Gartner, Inc., “Forecast: Mobile Devices, Worldwide, 2007-2015, 4Q11 Update” by Annette Zimmermann, Roberta Cozza, Tuong Huy Nguyen, Carolina Milanesi, Hugues J. De La Vergne, CK Lu, Anshul Gupta and Atsuro Sato. December 12, 2011.

OUR BUSINESS

Overview

We are a leading “design, manufacture and service” (“DMS”) company in the global technology industry with sophisticated and comprehensive design and product development capabilities, reliable and cost-effective production and logistics support, as well as quality service at every stage. Our key competitive advantage revolves around our commitment to leverage our design expertise and manufacturing capabilities in a customized and service oriented manner. We strive to adopt the individual perspectives of our diverse customer base in our design and production processes, with an emphasis to optimize the user experience derived from the appearance, functionality and performance of our customers’ products to end users, while maintaining their price competitiveness. Our product portfolio covers a wide range of technology products including primarily (i) computing devices: notebook PC, netbook PC, tablet PC, desktop PC and motherboard; (ii) consumer electronics: game console, LCD-TV and multimedia player; and (iii) communication devices: networking device, smart phone and wireless device. We believe we are one of the top five manufacturers of notebook PCs in the world in terms of shipment volume. In addition, we are currently the market leader in the production of cable modems, as well as one of the top two producers of IP & cable set-top boxes (“STB”) and among the top three producers of motherboards, all in terms of shipment volume.

We sell all of our products to prominent and well established OEM/brand customers, who in turn distribute these products under their own brand names to end users. Our status as a leading DMS company is highlighted by our diverse portfolio of customers, which includes many leading technology companies in the industry and market leaders in our three product categories of computing devices, consumer electronics and communication devices. Additionally, since our spin-off from ASUSTeK as further discussed below, we have successfully diversified our customer base by attracting new customers and retaining old relationships that existed before we were spun off from ASUSTeK.

We pride ourselves on our commitment and ability to evolve and stay ahead of emerging market trends. Through our award-winning design capabilities, we are able to deliver beyond a configure-to-order/build-to-order business model, with products designed for user experience, short time-to-market and cost efficiency, to our customers. We have established a strong reputation in our design and engineering capabilities, from industrial design and mechanical engineering to system integration. Not only has our industrial design team won many international awards, such as the iF Product Design Award, it also has a culture, stemming from our history as part of ASUSTeK, of thinking like a brand name customer, which differentiates us from many of our competitors. Consequently, we are able to offer a full range of customized services, including initial product design and a customized production process to address our brand customers’ needs. In addition, our extensive understanding of production processes and process management expertise complement our vertically integrated manufacturing capabilities to provide a one-stop shop to our customers. In particular, we have been heavily investing in light metal technologies, which exemplify our ability to stay abreast of market trends, as we foresee a sustained demand for light metal casings for electronic products. Our vertically integrated and customized production capabilities enable our customers to launch products ahead of their competitors, and allow us to produce prototypes and samples for our customers faster than most of our competitors. This gives our sales and marketing team a distinct advantage when attracting orders from new and existing customers.

Our manufacturing and service facilities are strategically located in Asia, Europe, and the Americas, to enable us to serve our customers around the world. With knowledgeable service program consultants, efficient technical support teams, supply chain management experts, and seamless IT system integration capabilities, our customer service centers are equipped to provide a full range of customized services for our valued customers. Our customers appreciate our world-wide reach and local expertise, as a convenient one-stop shop that can provide vertically integrated and comprehensive production services in a localized and timely manner. In addition, our world-wide manufacturing facilities allow us to take advantage of economies of scale and rapidly ramp up production for our customers.

We were part of ASUSTeK before our spin-off, and our design capabilities played a critical role in fostering the success of ASUSTeK's brand building. After the completion of the spin-off on June 1, 2010, ASUSTeK held approximately 25% of the equity interest in our company and the remaining equity interest was distributed to the then shareholders of ASUSTeK. After the initial public offering of our Common Shares on the TWSE on June 24, 2010, ASUSTeK holds approximately 24.4% of our outstanding shares after it sold less than 1% of its shareholding during the initial public offering.

For the nine months ended September 30, 2011, we had consolidated net sales of NT\$422,636.9 million (US\$13,879.7 million) and consolidated net income of NT\$1,610.6 million (US\$52.9 million), compared to NT\$397,954.9 million and NT\$8,506.5 million, respectively, for the nine months ended September 30, 2010. In 2010, we had consolidated net sales of NT\$530,531.4 million (US\$17,423.0 million) and consolidated net income of NT\$10,606.8 million (US\$348.3 million) compared to NT\$538,081.7 million and NT\$10,547.4 million, respectively, in 2009.

On September 30, 2011, our market capitalization was NT\$64,532 million based on the closing price of our shares on the TWSE of NT\$28.60 per share on the same date.

Our Competitive Strengths

We believe that we are well-positioned to maintain our status as a leading DMS provider. The following key strengths enable us to provide tailor-made, full-service system solutions to many prominent OEM/brand customers:

Strong design capabilities and significant, long term R&D investments

We have established a strong reputation in our design and engineering capabilities, from industrial design and mechanical engineering to system integration, which allow us to quickly bring to market high-quality products incorporating the latest technologies. Our award-winning design capabilities enable us to deliver beyond a configure-to-order/build-to-order business model with products designed for user experience, short time-to-market, and cost efficiency to our customers sometimes ahead of the market trend, which not only helps build strong long-term relationships with our customers, but also allows us to take initiatives in terms of components selection that translates into efficient management of raw material cost. With the increasing emphasis on the "look and feel" of products, industrial design capabilities play an increasingly important role. Our industrial design team has won many international awards, such as the German 2009 iF Material Award for the application of bamboo and acetate fiber on computing products, 2009 China iF Product Design Award for our Mini PC (Cape 7), digital photo

frame (Orbit) and light bulbs, 2010 iF Communication Design Award and 2010 red dot Communication Design Award for the tea packaging design, Dao Cha, and Cubicphile, the promotion material. Other recent awards include the German 2011 iF Product Design Award and the 2011 China iF Product Design Award for the Italia (frame-based notebook PC), California (special production process notebook PC), Lucid (tablet PC), and the Joyoung Soymilk Maker. To maintain the leading position of our design and engineering capabilities, we have continued to make significant R&D investments. In 2010, and for the nine months ended September 30, 2011, our R&D expenses accounted for 1.5% and 1.7% of our consolidated net sales, respectively.

Comprehensive and successful vertical integration

We have a long history of successful vertical integration, including the manufacturing of mechanical parts, thermal components, PCB, and cable components. The manufacturing of mechanical parts has been one of our major investments in vertical integration. With our capabilities and know-how in working with a wide range of materials, from traditional metal stamping and plastic injection to newer light metal technologies, we are able to fulfill our customers' diverse needs and product design requirements and enhance our ability to offer competitive one-stop-shop solutions. In particular, our investment in light metal technologies exemplifies our ability to stay abreast of market trends, as we foresee a sustained demand in light metal casings for electronic products. Our focus on vertical integration will continue to translate into larger cost advantages and shorter time-to-market to help us win new manufacturing mandates from major OEM/brand customers.

Flexible, cost-effective manufacturing capabilities and global operation management

We have a proven track record of serving different needs from a diversified OEM/brand customer base and are continually pursuing higher product quality through innovation and efficient manufacturing processes. Within a short period of time, we have the ability to ramp up to mass production with sufficient economies of scale. We maintain our flexibility by measures such as multiple-function training and standardization of equipment. Our production facilities are predominantly located in the PRC, which allows us to draw from an ample high quality labor supply and gain proximity to our suppliers.

We have also seen the impact of our effective cost-control initiatives. Our operating expense as a percentage of consolidated net sales has decreased from 5.3% on March 31, 2011, to 4.4% on September 30, 2011. Nevertheless, we still retain the flexibility to rapidly tailor to different customers' needs through our global presence of logistics and service centers. Our global production footprint and service network provides immediate support to regional customers as well as logistic support to the global operation of OEM/brand customers.

Diverse and state-of-the-art product portfolio

We have successfully leveraged our deep-rooted understanding of computer design and manufacturing to serve many prominent OEM/brand customers in consumer electronics and communication devices. A diverse product portfolio lessens our dependence on a small number of sectors and reduces the volatility of our performance through balanced exposure to both mature and high-growth sectors.

Integrated service model with dedicated design, manufacturing, and after-sales services

We place a high emphasis on integrating services from design, manufacturing to after-sales services. Our service-oriented approach commences upon product conceptualization with our clients. Early engagements with our clients by our design engineers in providing design services and specialized knowledge and experiences of key components through our vertical integration platform enable us to help our clients to transform early product concepts to actual prototypes that are ready for mass production. Our manufacturing services include punctuality in delivering shipment, a flexible production process to address clients' demand in a short time frame, and providing sufficient capacities to meet clients' requirement in production volume. Our after-sale services including technical support and systems to resolve after-sale repair needs. These services include return material authorization support, reverse logistics, engineering support, spare parts supply, and on-site services. Our after-sales services are provided by well-trained team members, efficient procedures and state-of-the-art facilities and repair solutions.

With service centers spread across different continents from Asia to the Americas and Europe, we believe that we can serve as a borderless integrated service provider. With knowledgeable service program consultants, efficient technical support teams, excellent supply chain management experts, and seamless IT system integration, our customer service centers are equipped to provide a full range of customized services for our valued customers. Our unwavering dedication to design, manufacturing, and service and our service infrastructure ensure customer satisfaction and foster customer loyalty.

Stable income contribution from strategic investments

In addition to vertical integration, we have made various long-term strategic investments in digital still cameras, IC substrates, motherboards, Wi-Fi modules, industrial computers, and optoelectronics. These investments add diversification to our business and provide stable income to partially offset any impact from seasonality, market volatility in our business and other factors. Furthermore, these strategic investments also provide potential synergies from time to time, such as cross-product software support, potential business referral opportunities, and better bargaining power from procurement of material and/or components.

Seasoned management team with proven track record

We have an experienced management team that has successfully led our operations and increased our capacity, revenues and profits since our inception. Our management team has extensive knowledge of our industry, and is passionate and dedicated to our business and innovation. Our CEO and the members of our senior management team have brought with them their extensive industry and management experience from the top levels of ASUSTeK. Our chairman, T.H. Tung, and vice chairman, Ted Hsu, are two of the four co-founders of ASUSTeK. With dedication and team work, they successfully brought ASUSTeK from a domestic manufacturer to a globally recognized brand name in both motherboards and notebook PCs. Our CEO, Jason Cheng, served as head of the ODM/EMS business and successfully transformed it into a significant revenue generating business unit contributing billions of dollars of sales per annum within ASUSTeK. In addition to our chairman, vice chairman and CEO, each of the general managers of the business units has more than a decade of experience, achievement and in-depth understanding of our industry.

Our Strategies

We intend to build on our existing strengths of product design and manufacturing, value, and service to enhance our position as the DMS provider of choice for leading global customers. Key elements of our strategy are described below:

Further diversify our product portfolio into areas with attractive growth and profitability prospects

To offer a more balanced product portfolio by tapping into segments with attractive growth prospects, we are increasing the production of non-computing products, particularly communication devices and consumer electronics. Currently, our product offerings include computing products, communication devices, and consumer electronics products, which accounted for 67.4%, 12.5% and 20.1%, respectively, of our DMS business segment net sales in 2010, and 58.4%, 26.9% and 14.7%, respectively, of our DMS business segment net sales for the nine months ended September 30, 2011. We expect to gain additional opportunities in non-computing products. With our efforts in vertical integration, we are able to offer a one-stop shop to customers who require in-house design and mechanical engineering capabilities that can help shorten time-to-market, which provide additional opportunities in new product areas. We have established a mid-term goal of further increasing revenue contribution from the consumer electronics and communication segments to 50% of total net sales, with the computing segment accounting for the remaining 50%.

Rationalize customer base and product portfolio to enhance margins

We are in the process of customer and product rationalization to phase out products with insufficient economies of scale. This allows us to focus on customers who provide higher returns to our company to cement our core supplier status. We strive to gain more customers for each product and more penetration at each customer. In addition, our focus on serving the high value-added customers will help enhance our utilization rate and margins. Our future capital expenditure will be focused on areas with high growth potential, such as light metal casing for 3C products. From the middle of 2010 to the end of 2011, capital expenditure for the light metal business was between US\$300 million and US\$400 million, and includes a major acquisition of a light metal casing company. These expenditures are needed in order to fully capitalize on the rapidly growing demand for thinner and lighter products.

Continue to engage customers from an early stage to provide customized, full-service system solutions

We will continue to take a proactive approach to engage our customers from an early stage to provide full-service solutions from design and manufacturing to quality service at every stage. We intend to maintain and enhance our relationships with our existing major customers by continuing to collaborate on critical research, design, and new product development. Our strong design capabilities and wide range of investment in vertical integration enable us to align our strategy with high value-added customers' product roadmap. The early engagement and alignment with our customers will ensure our status as a core supplier of many products for our ODM/EMS customers, who own prominent brands.

Expand our global footprint to provide a rapid response to customers' needs

To execute our long-term strategies, we are establishing manufacturing sites, service, design, and local support centers around the world to ensure rapid response to our customers across different continents. In addition to our existing manufacturing and service sites in Asia, Europe and the Americas, we have recently established two new locations — a manufacturing site in Chongqing, China and a service center in Sao Paulo, Brazil. These facilities, strategically located near our customers, enable us to successfully incorporate new technologies and bring new products to the market ahead of our competition. We will continue to monitor the development of our customers' growing global presence and expand our footprint wherever necessary to meet their operational needs.

Products and Services

General

Our product offerings include computing products, communication products and consumer electronics products. We emphasize the development of both software and hardware technologies to provide our customers with comprehensive solutions and high value-added services. Furthermore, we pursue our strategy of open vertical integration by developing related products that are logical extensions of our existing product lines and utilize our strength in design and technology innovations.

Computing		Consumer Electronics		Communication	
 Notebook PC	 Desktop Server	 Game Console	 LCD-TV	 Router/Broadband	
 Tablet PC	 Barebone	 E-Reader	 Multimedia Player	 Networking	 Wireless
 MB	 Chassis			 Smart Phone	

Vertical Integration			
 Plastic	 Metal	 PCB	 Thermal

The following table sets forth a breakdown of our sales revenues of our DMS business segment by major product groups for the years ended December 31, 2009 and 2010, and for the nine months ended September 30, 2011:

	Year Ended December 31,				Nine Months Ended September 30,	
	2009		2010		2011	
	NT\$	%	NT\$	%	NT\$	%
	(millions, except percentages)					
Computing Products	322,707.9	68.3%	293,518.9	67.4%	202,361.8	58.4%
Consumer Electronics Products	97,332.1	20.6%	87,533.1	20.1%	50,937.0	14.7%
Communication Products	52,446.0	11.1%	54,436.0	12.5%	93,211.2	26.9%
Total	472,486.0	100.0%	435,488.0	100.0%	346,510.0	100.0%

We sell our products globally. The table below sets forth a breakdown of our consolidated sales by major markets for the years ended December 31, 2009 and 2010.

	Year Ended December 31,			
	2009		2010	
	NT\$	%	NT\$	%
Domestic sales	206,678.1	38.4%	216,477.5	40.8%
Foreign sales:				
Asia	165,105.0	30.7%	160,627.7	30.3%
Europe	87,867.3	16.3%	88,295.2	16.6%
America	78,170.7	14.5%	63,169.6	11.9%
Others	260.6	0.1%	1,961.4	0.4%
Subtotal	331,403.6	61.6%	314,053.9	59.2%
Total	<u>538,081.7</u>	<u>100.0%</u>	<u>530,531.4</u>	<u>100.0%</u>

Computing Products

We have extensive in-depth experience in designing and manufacturing PC products accumulated from our history with ASUSTeK. This product segment includes motherboards, video graphic cards, notebook PCs, netbook PCs, tablet PCs, and desktop PCs. Among these, notebook PCs and netbook PCs are the major revenue contributors, comprising more than two-thirds of the total revenue generated by this product segment.

We use the most up-to-date components and our own design and engineering efforts to create distinctive and user-friendly notebooks that appeal to well-informed consumers. We produce and sell a wide range of notebook PC models, which vary as to the processor, memory, hard drive and other modules. The computer industry commonly recognizes four categories of notebook PCs: performance (high-end), portable (light weight), ultra portable (thin and light) and value (low-to mid-end). We produce each of these types of notebook PCs. Our notebook PCs and netbook PCs combine state-of-the-art technology with innovative and creative designs to offer pragmatic, efficient, and user-friendly systems for a wide range of applications.

The strategy of our desktop PC segment is to maintain our reputation as a well-respected system integrator to continually support the top-tier OEM/brand customers. Our key objective for desktop PCs is to focus on improving their 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 the notebook PC business, we retain enhanced flexibility in product offering by operating under a build-to-order (BTO)/configure-to-order (CTO) arrangement for its customers.

We shipped approximately 13.4 million, 15.3 million, and 11.1 million units of notebook PCs in 2009, 2010 and the nine months ended September 30, 2011, respectively. As for motherboard and desktop PCs, we shipped approximately 26.0 million, 20.4 million and 18.2 million units in 2009, 2010 and the nine months ended September 30, 2011, respectively.

We expect the notebook PCs will continue to be an important product line for our business, while motherboard and desktop PCs will continue growing. 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.

Consumer Electronics Products

In recent years, we have successfully established our consumer electronics business by focusing on game consoles, multimedia player products, and LCD TVs. 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/brand customers for LCD TVs. We are actively exploring various business opportunities to expand revenues generated from this product segment in the long term.

Communication Products

Globally, we supply the largest shipment volume of networking and broadband products such as IP set-top boxes and cable modems. Our broadband products combine high-speed connection with a wide range of data and voice transmission, firewall protection, and networking solutions. Our network product line includes wireless adaptors and data transfer units using WLAN technology.

Our communications products represent the next stage of our open vertical integration strategy, incorporating design, technology and manufacturing innovations developed for our computer products in non-computer applications. We believe our experience in designing component parts such as graphics cards and complex systems such as notebook PCs has contributed to our rapid entry into these markets. Furthermore, our sophisticated and well-integrated research and development department has enabled us to introduce innovative and pragmatic designs in a short span of time.

We are planning to launch new products by complementing our other existing products. In addition, we recently won the orders of a high-profile premium communication device brand customer. We attribute the success to long-term investment in advanced technology, design capabilities, and after-sales

services. We also believe that our strong background in producing user-friendly devices with superior form factors will help us obtain large volumes of future orders from the same customer. Most importantly, winning the orders from this customer solidifies our reputation as a customer-focused DMS player. This will help us open many doors to other OEM/brand customers.

Integrated Services

Our integrated service model distinguishes ourselves from traditional ODM/EMS peers, of which consisted of research and development and after sales maintenance.

Research & Development Services

Our R&D teams' relationships with their customers typically begin at the early R&D and design stage. At each stage of product design and development, our engineers work closely with the product marketing, project management and engineering teams of our customers with respect to design specifications, materials, 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. Our R&D services mainly focus on the following three phases:

- *Product concept:* We brainstorm with our brand customers to generate innovative ideas and designs that will lead the industry trend in many product categories. Our recent initiatives include development of tablet PCs and communication products integration of next generation broadband technologies, improvement on material and cosmetic technologies (form factor), enhancement of battery life, integration of multi-media and digital home entertainment.
- *Problem shooting:* We also provide reliable debugging services to ensure high quality and performance in our customers' products. Our customers have consistently ranked us as a top quality design and manufacturing provider during their periodic business reviews.
- *Customized tooling:* We capitalize on our technical know-how in mechanical parts to provide our brand customers with customized tooling and the software support. This further enhances our customer stickiness and helps us solidify our status as a core supplier to major brand customers.

Our R&D platform is the backbone of our strengths in the phases of product concept, problem shooting, and customized tooling, with over 5,000 researchers and engineers at our corporate headquarters in the ROC, and at our R&D facility in China. 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 businesses.

After-sales Services

In addition to our service solutions at the R&D phase, we provide comprehensive after-sales services. Our Customer Service Center 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. Our global presence enables us to provide in-time assistance to our customers at a high satisfaction level.

Sales and Marketing

Customers

We sell our products primarily on an ODM/EMS basis. We have established a strong customer portfolio consisting of major brands in Asia and the U.S.A. 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 28.7% of our consolidated net sales in the nine months ended September 30, 2011 and for approximately 37.0% and 39.7% of our consolidated net sales in 2009 and 2010. In aggregate, our three largest customers accounted for approximately 48.1% of our consolidated net sales for the nine months ended September 30, 2011 and for approximately 60.6% and 57.7% of our consolidated net sales in 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. 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 varying 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 to outline our capacity commitment for the next few months. Orders are usually placed soon before production. The typical contract life is largely dependent 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 projected profit margins.

We generally bill our customers upon delivery of goods with a credit term averaging 30 to 120 calendar days. Most customer payments are made in US dollars.

To the extent that our actual costs are different from our anticipated direct manufacturing costs, our realized margins 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.

Procurement and inventory management

Inventory management is a key aspect of our business. 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 as soon as needed 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 our customers.
- **Consignment** — From time to time, some of our OEM/brand 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, sometimes at the request of our OEM/brand customers. 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.

Manufacturing Facilities

Our manufacturing facilities and service centers have been strategically located all over the world, including Taiwan, China, Czech Republic and Mexico, to provide the most efficient service to our customers. All of our manufacturing sites have passed the ISO 9001 Quality Management System certification. In addition, we request all our suppliers and service providers to pass the ISO 9001 Quality Management System certification to ensure the quality of our products and services.



The following table sets forth our major production facilities as of September 30, 2011:

Production Facilities	Gross floor area (square meters)	Main function	Products	Location
Suzhou Plant	424,500	Manufacturing plant	Desktop PC, motherboard, consumer electronics and broadband	Suzhou, China
Shanghai Plant	278,053	Manufacturing plant	Notebook PC, netbook PC, tablet and smart phone	Shanghai, China
Chongqing Plant	151,089	Manufacturing plant	Notebook PC	Chongqing, China
Czech Plant	45,800	Manufacturing plant	LCD TV assembly and broadband	Ostrava, Czech Republic
Mexico Plant	33,086	Manufacturing plant	DT assembly and LCD TV	Juarez, Mexico
Brazil Service Center . . .	20,000	Customer service center	After-sale services	Sao Paulo, Brazil
U.S.A. Service Center . . .	3,306	Customer service center	After-sale services	Indiana, U.S.A.
Japan Service Center . . .	1,673	Customer service center	After-sale services	Chiba, Japan

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 Suzhou facility has been in operation since 1999. We produce primarily desktop PCs, motherboard, consumer electronics and communication products at this production facility.

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 are in the process of expanding our existing production facilities in Shanghai and Suzhou, PRC, which contributes to our production and cost efficiency. In 2011, our board of directors approved the investment of new facilities in Chongqing, PRC for the production of notebook PCs. We have started small volume of production at the aforementioned site since the middle of 2011.

Quality Control

We place strong emphasis on product and process quality control, which we consider to be crucial to our success in the ODM/EMS industries. We have established strict quality control and management systems, which are designed to ensure quality product design, 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. 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 is typically around 36 months, depending on the request of our customers, and the cost is reflected in the purchase price charged by us for our products.

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 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 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 build-to-order (BTO) or configure-to-order (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 place orders and confirm the delivery date. Our approach to customer-centric supply chain management 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 place orders and manage product delivery.

Employees

As of September 30, 2011, we had over 110,000 employees, and approximately 96,500 and 104,600 employees as of December 31, 2009 and 2010.

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.

Intellectual Property

As of September 30, 2011, we owned approximately 518 patents, of which approximately 14 patents are co-owned with ASUSTeK, in Taiwan, the PRC, the United States, Japan, Korea, and the European Union, relating primarily to systems integration and mechanical designs, and had approximately 842 patent applications pending in Taiwan, the United States, the PRC, Japan, Korea, England and the European Union. In addition, we have registered our major trademarks, including “Pegatron,” 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.

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 ASUSTeK, are jointly owned by ASUSTeK and us or properly transferred or licensed to us.

Fixed Assets

The following table sets forth the major real properties in Taiwan owned by us as of September 30, 2011:

Property Owned	Gross floor area (square meters)	Main function	Location
Buildings at Beitou Plant	29,404	Manufacturing plant	Beitou, Taiwan
Buildings at Gueishan Plant	80,364	Manufacturing plant	Taoyuan, Taiwan
Headquarters interior decoration construction fixture	—	Office	Beitou, Taiwan
Modular high-speed multi-functional adhesion machine	—	Manufacturing machine	Taoyuan, Taiwan
Land (Lide No. 1 House)	9,389	Office	Beitou, Taiwan
Land (Headquarter)	23,746	Office	Beitou, Taiwan
Land (Lide No. 2 House)	1,718	Office	Beitou, Taiwan
Jungli Plant building	33,059.45	not currently in use	Taoyuan, Taiwan
Jungli Plant land	15,510.04	not currently in use	Taoyuan, Taiwan
Gueishan Plant building	3,101.06	not currently in use	Taoyuan, Taiwan
Taoyuan Plant building	22,703.97	not currently in use	Taoyuan, Taiwan
Land	2,656.96	not currently in use	Taoyuan, Taiwan

Our principal executive offices and a significant portion of our assets are located in Taiwan; therefore, strained relations between Taiwan and the PRC, and political developments in Taiwan, could adversely affect our business. Taiwan has a unique international political status. In addition, both the governments of the PRC and Taiwan assert sovereignty over the island of Taiwan. The PRC government does not recognize the legitimacy of the Taiwan government. 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 declares independence or if a foreign power interferes in Taiwan's domestic affairs. Past developments in relations between Taiwan and the PRC have on occasion depressed the market price of the securities of Taiwanese companies. There is no assurance that relations between Taiwan 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.

Competition

The notebook PC, netbook PC, motherboard, computer graphics card and wireless device markets in which we operate are highly competitive. Our principal competitors include contract manufacturers from Taiwan and China, as well as manufacturers from Japan and Korea. We have, both in the past and recently, experienced price and margin pressures due to intense competition. The principal factors relating to competition include product quality and reliability, price, service and support, and corporate reputation. While we believe that our products and services compete favorably in these areas, we could be adversely affected if our competitors were to introduce innovative or technologically superior products at more favorable prices. Our primary competitors for notebook PC ODM are Quanta Computer, Compal Electronics Inc, Wistron Corporation, Flextronics, and Inventec. For desktop PCs, our major competitors include Wistron Corporation, Elitegroup Computer Systems Co., Ltd., Gigabyte Technology Co., Ltd., Micro-Star International, and Foxconn. For communication products, our major

competitors are Foxconn, Alpha Networks, Gemtek, CyberTAN and Flextronics, and our principal competitors in the motherboard industry include Elitegroup Computer Systems Co., Ltd., Micro-Star International, Gigabyte Technology Co., Ltd., and Flextronics.

Environmental Matters

We have not incurred any loss due to environmental problems in the past two years and believe we are in compliance with all relevant ROC environmental protection laws. In addition, we have implemented clean production processes, a green supply chain and green production to demonstrate our commitment to the environment. We have a comprehensive environmental policy and procedures starting from the earliest stages of product design, all the way through to component procurement, manufacturing, and customer service. We have passed the Green Partner certification, and in addition, all our global manufacturing sites have passed the ISO 14001 Environmental Management System certification and the IECQ QC 080000 Hazardous Substance Process Management System certification.

Litigation

In June 2005, one of Asuspower Corporation's American customers filed for bankruptcy with the United States Bankruptcy Court of the California District. Before filing bankruptcy, the customer had made payments for goods amounting to US\$1.4 million to Asuspower Corporation. The insolvency administrator of the customer, however, filed a lawsuit with the given court claiming that the payments should be returned according to relevant bankruptcy laws and requested Asuspower Corporation to return the amount. Both parties reached a settlement in December 2010.

In May 2011, Wangqian Technology Co., Ltd., or Wangqian Technology, filed a criminal complaint in the Shihlin District Prosecutors Office against Pegatron for the infringement of copyrights. In its criminal complaint, Wangqian Technology alleged that Pegatron had, without authorization, used two sets of system software which were designed and owned by Wangqian Technology. As this complaint is still under the prosecutor's investigation, we cannot estimate its effects on our results of operations and financial condition.

In October 2010, AFTG-TG and Philip M. Adams & Associates, LLC filed a complaint in the U.S. Federal District Court of Wyoming against many manufacturers for the infringement of patents. Pegatron and certain of our subsidiaries, including Pegatron Technology Service Inc., Unihan Corporation, Asrock Incorporation and Asrock America Inc., were listed as defendants. We have appointed legal counsel to attend to this case. While the U.S. Federal District Court of Wyoming has granted our motion to dismiss without prejudice for lack of personal jurisdiction, we also filed a complaint in the U.S. Federal District Court for the Northern District of California against AFTG-TG and Philip M. Adams & Associates, LLC for a declaratory judgment confirming that the alleged patents are invalid and the alleged infringement does not exist. This action cannot be quantified due to the nature of U.S. litigation.

In September 2011, InterDigital filed a complaint with the U.S. Arbitration Committee against us, alleging that we had breached the Wireless Patent License Agreement entered into in January 2008 for not having abided by the reporting procedure as provided in the agreement. InterDigital required that

we provide royalty reports for its royalty auditing and demanded damages and attorney fees in the aggregate amount of no less than US\$10.0 million. As this complaint is still in its preliminary stage, we cannot estimate its effects on our results of operations and financial condition.

Other than those disclosed above, neither we nor our subsidiaries are involved in any material legal or arbitration proceedings which may have, or have had in the last 12 months, a significant effect on our financial position, nor are there any such proceedings or threatened of which we are aware.

Contractual Obligations

On October 25, 2010, we entered into a five-year US\$400.0 million domestic syndicated loan, for which Citi (Taiwan) Bank, Taipei Fubon Bank, DBS Bank, Bank of Taiwan and Land Bank of Taiwan acted as joint arranger, to finance working capital needs. As of September 30, 2011, US\$400.0 million under this facility has been drawn down.

On October 8, 2011, one of our PRC subsidiaries, Maintek Computer (Suzhou) Co., Ltd., issued a guarantee in the amount of RMB200.0 million for the account of Cotek Electronics (Suzhou) Co., Ltd., an affiliate of the Company, in connection with a one-year RMB200.0 million bank credit facility. As of December 31, 2011, RMB187.6 million under this facility has been drawn down and RMB12.4 million of which was outstanding.

On November 21, 2011, one of our PRC subsidiaries, Ri-Teng Computer Accessory Co., made a guarantee to ASUSTek Computer Inc. for the account of Rih Li International Ltd., in connection with the performance of all liabilities of Rih Li International Ltd. under the equipment purchase agreement in the amount of USD1.6 million entered into by and between ASUSTek Computer Inc. and Rih Li International Ltd.

Insurance

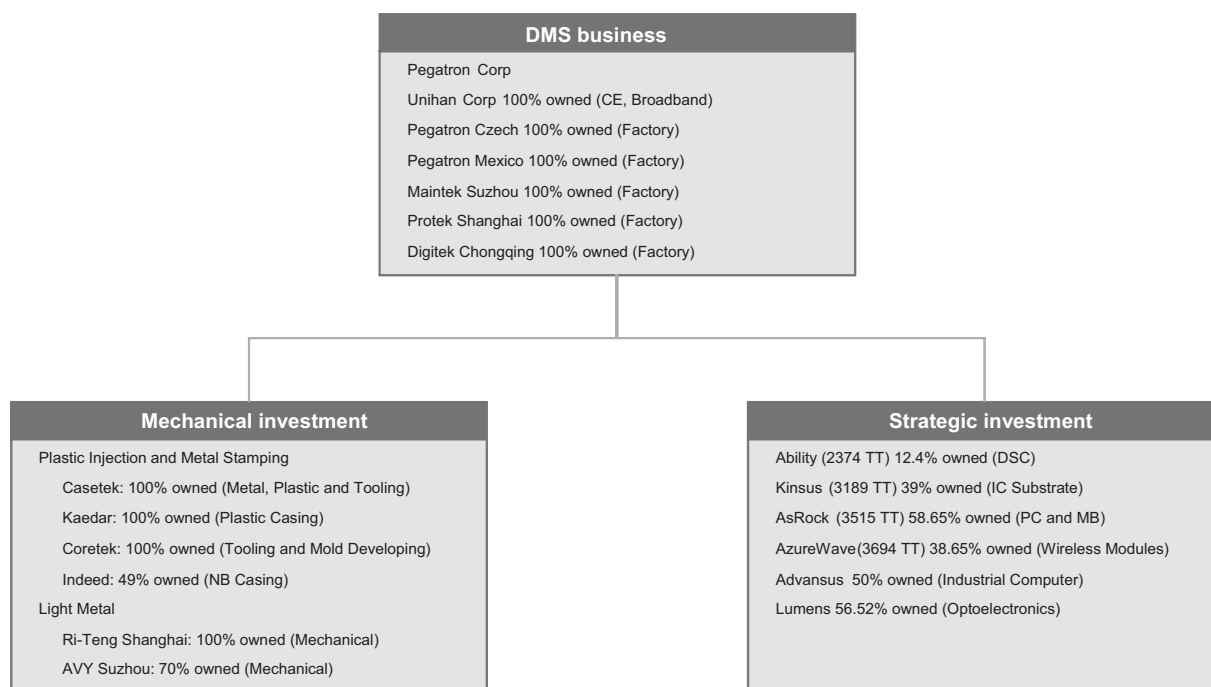
We maintain insurance policies in respect of our assets, including our office buildings and production facilities situated in Taiwan, with independent third party insurers. These policies cover losses arising from fire and earthquakes and other natural calamities in respect of buildings, machinery and equipment and inventories. We also maintain insurance policies with independent third party insurers with respect to our goods in transit covering loss due to shipping accidents. In addition, we maintain product liability insurance policies in respect of our products.

Our History

We were ASUSTeK's manufacturing unit and were spun off from ASUSTeK in 2008 due to OEM/brand customers' concerns about ASUSTeK's potential conflicts of interest. Prior to the spin-off, we were 100% owned by ASUSTeK. The company was listed on the Taiwan Stock Exchange on June 24, 2010. The initial public offering of our Common Shares dilutes ASUSTeK's ownership to 24.4% of the Company and helps us expand our PC customer base.

After the spin-off, ASUSTeK, as the parent company, focuses on branding business by dedicating itself in marketing the "ASUS" brand to further raise its market recognition and acceptance, while Pegatron concentrates on the ODM/EMS manufacturing business by taking over ASUSTeK's existing production facilities and manufacturing segments. Through the separation of its branding and manufacturing businesses, ASUSTeK is determined to promote and strengthen its "ASUS" brand in order to compete with other leading branded computer, communication and consumer electronics ("3C") product customers, and Pegatron will continue to expand the ODM/EMS businesses and provide services for a broader range of global customers, which may be ASUSTeK's competitors and have concerns for sourcing from a company that is directly controlled by a competitor.

Business Organization



Our corporate structure can be divided into three categories: (1) the core design and manufacture service (DMS) business; (2) vertical integration and (3) long term strategic investments.

Our DMS business includes Pegatron Corporation, UniHan Corporation (100% owned consumer electronics and broadband manufacturing unit), Pegatron Czech (100% owned factory), Pegatron Mexico (100% owned factory), Maintek Suzhou (100% owned factory), Protek Shanghai (100% owned factory), and Digitel Chongqing (100% owned factory).

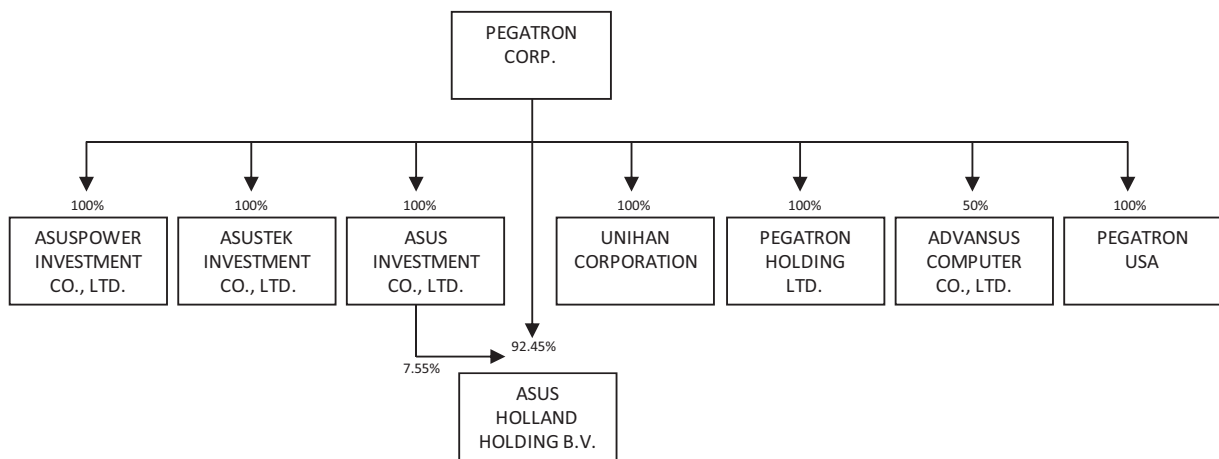
Our vertical integration includes substantial investment in mechanical parts. In plastic injection and metal stamping, our vertical integration includes Casetek (100% owned, metal, plastic and tooling); Kaedar (100% owned, plastic casing); Coretek (100% owned, tooling and mold developing); Indeed (49% owned, notebook casing). In light metal casing, we own Ri-Teng Shanghai (100% owned, mechanical parts) and Avy Suzhou (70% owned, mechanical parts).

Our long-term strategic investments includes Ability (12.4% owned, digital still camera); Kinsus (39% owned, IC substrate); AsRock (58.65% owned, PC and mother board); AzureWave (38.65% owned, wireless modules); Advansus (50% owned, industrial computer); and Lumens (56.52% owned, optoelectronics).

We manage our day-to-day business through business units that function independently but collaborate closely with one another. Each business unit 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.

Pegatron Group and Organizational Structure



OUR MANAGEMENT

Directors and Supervisors

ROC Company Law and our Articles of Incorporation provide that our directors are to be elected by our shareholders for three-year terms in an ordinary shareholders' meeting. The chairman is a director elected by and from our board. Our board of directors is responsible for the management of our business. Our Articles of Incorporation provide for a board comprising five to nine directors, among them at least two and no fewer than one-fifth of the total number of directors may be independent directors after the public issuance of Common Shares. We currently have three independent directors.

Directors may serve any number of consecutive terms and may be removed from office at any time for a bona fide reason, including breach of duties, by a resolution adopted at a shareholders' meeting. Our current directors were elected at the ordinary shareholders' meeting held on May 18, 2010.

The following table shows certain specified information with respect to each director and supervisor:

Name	Age	Number of shares held	Percentage of shares held	Position Since	Position
Tung Tzu-Hsien	51	91,717,309	4.06%	May 18, 2010	Chairman
Hsu Shih-Chang	50	56,153,713	2.49%	May 18, 2010	Director
Cheng Jian-Jong	51	1,973,866	0.09%	May 18, 2010	Director
Chia Chen-I	57	20,186	0.00%	May 18, 2010	Director
Chen C.V.	67	—	—	May 18, 2010	Director
Liu Ke-Cheng	57	161,490	0.01%	May 18, 2010	Director
Chang Chung-Pen	65	—	—	May 18, 2010	Independent Director
Lin Chuan	59	—	—	May 18, 2010	Independent Director
Yen Cheng-Shou	64	—	—	May 18, 2010	Independent Director
Tong Ching-Hsi	75	—	—	May 18, 2010	Supervisor
Chou Ming-Chih	49	7,462,968	0.33%	May 18, 2010	Supervisor
Cheng I-Ling	53	—	—	May 18, 2010	Supervisor

Executive Officers

The following table sets forth shareholding information relating to our principal executive officers:

Name	Age	Number of shares held	Percentage of shares held	Position Since	Position
Tung Tzu-Hsien	51	91,717,309	4.06%	January 1, 2008	Group Chief Executive Officer
Hsu Shih-Chang	50	56,153,713	2.49%	January 1, 2008	Deputy Group Chief Executive Officer
Cheng Jian-Jong	51	1,973,866	0.09%	January 1, 2008	President and Chief Executive Officer
Su Yenh-Sueh	42	30,609	0.00%	February 1, 2008	Vice President and Chief Investment Officer
Lin Chiu-Tan	46	28,317	0.00%	February 1, 2008	Chief Financial Officer
Tsai Chin-Kuo	54	22,557	0.00%	August 1, 2008	Senior Vice President

<u>Name</u>	<u>Age</u>	<u>Number of shares held</u>	<u>Percentage of shares held</u>	<u>Position Since</u>	<u>Position</u>
Wu Jing-Ru	45	239,247	0.01%	July 1, 2009	Chief of Internal Audit
Chang En-Bair	46	162,559	0.01%	December 1, 2011	Vice President, General Manager of East China Operation Center and Protek (Shanghai) Limited
Hsu Shih-Chi	50	22,967	0.00%	August 1, 2008	Vice President, General Manager of Central China Operation Center and Maintek Computer (Suzhou) Co., Ltd
Tung Hsu-Tien	52	354,337	0.02%	August 1, 2008	Vice President, Chief Operating Officer and General Manager of Business Group 1
Shue Yean Jen	52	97,060	0.00%	August 1, 2008	Vice President and General Manager of Business Unit 3
Yao Te Tzu	51	141,624	0.01%	August 1, 2008	Vice President and General Manager of Business Unit 3
Teng Kuo-Yen	49	204,083	0.01%	August 1, 2008	Vice President and General Manager of Business Unit 5
Wei Tien-Ting	56	3,755,308	0.17%	August 1, 2008	Vice President and General Manager of Business Unit 8
Hsu Kuo-Jung	49	62,644	—	December 1, 2011	Vice President, General Manager of Mechanical Industrial Design
Ku Lai Tsung-Jen	51	425,288	0.02%	August 1, 2008	Vice President and General Manager of Customer Service Center
Chang Tian-Bao	57	293,953	0.01%	August 1, 2008	Vice President and General Manager of Western China Operation Center and Digatek (Chongqing) Limited
Cheng Kuang-Chih	44	38,720	0.00%	August 1, 2008	Vice President and General Manager of Business Unit 15
Hsu Ming-Tung	49	75,634	0.00%	August 1, 2008	Vice President and General Manager of Manufacturing Center
Feng Chen-Yu	45	—	—	January 10, 2011	Vice President and General Manager of Business Unit 6
Liao Syh-Jang	62	—	—	January 1, 2008	Vice President and General Manager of Business Unit 7
Chao Li-Ling	37	—	—	August 1, 2008	General Counsel
Lee Yi-Hsin	51	142,584	0.00%	August 1, 2008	Vice President
Huang Hsiang-Chieh	48	—	—	June 1, 2011	Vice President and General Manager of Human Resources and Administration departments
Yang Jun-Rey	60	43,860	0.00%	January 1, 2011	Chief Quality Control Officer

The business address of each of our directors, supervisors and executive officers is our registered office.

Mr. Tung Tzu-Hsien is our Chairman and Group Chief Executive Officer. Prior to his present position with us, he was a Deputy General Manager of ASUSTeK, and was one of the co-founders of ASUSTeK. He is also serving as the Chairman of Unihan Corp., Kinsus Interconnect Technology Corp., Lumens Digital Optics Inc., AMA Precision Inc., etc. Mr. Tung obtained a master's degree in computer and communication engineering from National Taipei University of Technology.

Mr. Hsu Shih-Chang is our Vice Chairman and Deputy Group Chief Executive Officer. Prior to his present position with us, he was a Deputy General Manager of ASUSTeK, and was one of the co-founders of ASUSTeK. He is also serving as the Chairman of several key strategic investments such as AsRock Inc., AzureWave Technologies, Inc., etc. Mr. Hsu obtained a bachelor's degree in electrical engineering from National Taiwan University and an executive master's degree in business administration from National Chiao Tung University.

Mr. Cheng Jian-Jong is our Director and our President and Chief Executive Officer. Prior to his present position with us, he was a Deputy General Manager of ASUSTeK. Mr. Cheng obtained a master's degree in electrical engineering from University of Southern California.

Mr. Chia Chen-I is our Director. Prior to his present position with us, he was a Deputy Chief Executive Officer of Citibank, Taipei branch. He was also a General Manager in charge of the Individual Banking Division of Bank SinoPac. Mr. Chia currently serves as a Director of Yangtze Associates. Mr. Chia obtained a bachelor's degree in business from National Taiwan University and a master's degree in business administration from University of Wisconsin.

Mr. Chen C.V. is our Director. Mr. Chen has been a lawyer and a professor of law for over thirty years and was the founding Vice Chairman and served as the first-term Secretary General of the Straits Exchange Foundation. He is currently serving as Chairman and Managing Partner of Lee and Li Attorneys-At-Law, Adjunct Professor of Law at National Chengchi University, and President of The Red Cross Society of the ROC. Mr. Chen obtained a bachelor's degree in law from National Taiwan University, master's degree in law from University of British Columbia and Harvard Law School and a doctorate degree in law from Harvard Law School.

Mr. Liu Ke-Cheng is our Director. Prior to his present position with us, he founded Advantech Corp. and currently serves as its Chairman. Mr. Liu obtained a bachelor's degree in communications engineering from National Chiao Tung University.

Mr. Chang Chung-Pen is our Independent Director. Prior to his current position with us, he was a Deputy General Manager of China Development Industrial Bank, and is currently the Chairman of Polytronic Technology Corp. Mr. Chang obtained a bachelor's degree and master's degree in statistics from National Chengchi University.

Mr. Lin Chuan is our Independent Director. Prior to his current position with us, he had served as the Minister of Finance of the R.O.C. and as Minister, Directorate-General of Budget, Accounting and

Statistic for the Executive Yuan, Republic of China. He had also served as Director General of the Bureau of Finance for Taipei city Government, and was Chairman of Vanguard International Semiconductor Corporation. Mr. Lin is currently an Adjunct Professor of Economics at National Taiwan University. Mr. Lin obtained a master's degree in public finance from National Chengchi University and a doctorate degree in economics from the University of Illinois.

Mr. Yen Cheng-Shou is our Independent Director. Prior to his present position with us, he was a Country Manager of American Express Inc. Taiwan and the Grand Hotel, Chairman of the Taiwan Visitors Association and The World's Outstanding Hotel System (Asia), director of Pacific Asia Travel Association and Deputy Chairman in charge of Asia Pacific Region of Young Presidents Organization. He currently serves as Group President of Landis Hotels and Resorts and Chairman of the Landis Institute. Mr. Yen has a high school degree from Provincial Keelung Senior High School.

Mr. Tong Ching-Hsi is our Supervisor. Prior to his present position with us, he was the Chairman of AVY Co., Ltd., AVY Precision Technology Inc., and Ability Enterprise Co., Ltd. Mr. Tong is currently the Chairman of Abico Group Ability Investment Co., Ltd., and Ashine Precision Co., Ltd. Mr. Tong obtained a bachelor's degree in mechanical engineering from Waseda University.

Mr. Chou Ming-Chih is our Supervisor. Prior to his present position with us, he was a Supervisor of AmTRAN Technology Co., Ltd and Head of Information Division of ASUSTeK. He is currently Chairman of Crystal Technology Venture Capital Investment Corp. Mr. Chou obtained a bachelor's degree and master's degree in industrial management from National Taiwan University of Science and Technology.

Mr. Cheng I-Ling is our Supervisor. Prior to his present position with us, he was a Partner of Diwan Ernst & Young, Taiwan, Director of ROC CPA Association, Director of Cross-Strait Peaceful Co-existence Fund Association, and Director of The Foundation of Both Banks Peaceful Coexistence. He currently serves as a Director of The Lin pen-Yuan Cultural and Educational Foundation. Mr. Cheng obtained a bachelor's degree in accounting from National Chung Hsing University and a bachelor's degree in law from Chinese Culture University.

Ms. Su Yenh-Sueh is our Vice President and Chief Investment Officer. Prior to her present position with us, she was the Chief Investment Officer of ASUSTeK. She is currently a Director of Kinsus Interconnect Technology Corp. Ms. Su obtained a master's degree in industrial management from Carnegie Mellon University.

Mr. Lin Chiu-Tan is our Chief Financial Officer. Prior to his present position with us, he was a Deputy Chief Investment Officer of ASUSTeK. He is currently Chairman of Starlink Electronics Corp. Mr. Lin obtained a master's degree in business from the Tunghai University.

Mr. Tsai Chin-Kuo is our Senior Vice President. Prior to his present position with us, Mr. Tsai was the Chief of Staff of ASUSTeK. Mr. Tsai obtained a bachelor's degree in Transport Engineering and Management from National Chiao Tung University.

Ms. Wu Jing-Ru is our Chief of Internal Audit. Prior to her present position with us, Ms. Wu was the Controller of ASUSTeK. She is currently a Supervisor of UniHan Corporation and Lumens Digital Optics Inc. Ms. Wu obtained a master's degree in management from National Taiwan University of Science and Technology.

Mr. Chang En-Bair is our Vice President and General Manager of East China Operation Center and Protek (Shanghai) Limited. Prior to his present position with us, he was the Associate Vice President of ASUSTeK. Mr. Chang obtained a master's degree in industrial design from University of Copenhagen.

Mr. Hsu Shih-Chi is our Vice President and General Manager of Central China Operation Center and Maintek Computer (Suzhou) Co., Ltd. Prior to his present position with us, he was the Associate Vice President of ASUSTeK. Mr. Hsu obtained a bachelor's degree in mechanical engineering from National Taiwan Institute of Technology.

Mr. Tung Hsu-Tien is our Senior Vice President, Chief Operating Officer and General Manager of Business Group 1. Prior to his present position with us, he was the Associate Vice President of ASUSTeK. He is currently the Chairman of Top Quart Ltd and a Director of Ability Enterprise co., Ltd. Mr. Tung obtained a bachelor's degree in electrical engineering from National Taiwan University.

Mr. Shue Yean-Jen is our Vice President and General Manager of Business Unit 3. Prior to his present position with us, he was the Associate Vice President of ASUSTeK. Mr. Shue obtained a doctorate's degree in electrical engineering from University of Florida.

Ms. Yao Te-Tzu is our Vice President and General Manager of Business Unit 3. Prior to her present position with us, she was the Deputy Chief of Staff of ASUSTeK. Ms. Yao obtained an MBA from Thunderbird Graduate School.

Mr. Teng Kuo-Yen is our Vice President and General Manager of Business Unit 5. Prior to his present position with us, he was the Associate Vice President of ASUSTeK. Mr. Teng obtained a bachelor's degree from Taipei Institute of Electronic Engineering.

Mr. Wei Tien-Ting is our Vice President and General Manager of Business Unit 8. Prior to his present position with us, he was the Associate Vice President of ASUSTeK. Mr. Wei obtained a bachelor's degree in electrical engineering from Chinese Culture University.

Mr. Hsu Kuo-Jung is our Vice President and General Manager of Mechanical Industrial Design. Prior to his present position with us, he was the Senior Manager of ASUSTeK. Mr. Hsu obtained a college degree in industrial design from Ming Chi Institute of Technology.

Mr. Ku Lai Tsung-Jen is our Vice President and General Manager of Customer Service Center. Prior to his present position with us, he was the Associate Vice President of ASUSTeK. Mr. Ku Lai obtained a bachelor's degree in industrial engineering from Tunghai University.

Mr. Chang Tian-Bao is our Vice President and General Manager of Western China Operation Center and Digitek (Chongqing) Limited. Prior to his present position with us, he was a Senior Manager of ASUSTeK. Mr. Chang obtained a bachelor's degree in traffic management from Chungyu Institute of Technology.

Mr. Cheng Kuang-Chih is our Vice President and General Manager of Business Unit 15. Prior to his/her present position with us, he/she was the Associate President of ASUSTeK. Mr. Cheng obtained a master's degree in computer science and information engineering from Tamkang University.

Mr. Hsu Ming-Tung is our Vice President and General Manager of Manufacturing Center. Prior to his/her present position with us, he/she was the Associate President of ASUSTeK. Mr. Hsu obtained a bachelor's degree in industrial engineering from National Taipei Institute of Technology.

Mr. Feng Chen-Yu is our Vice President and General Manager of Business Unit 6. Prior to his/her present position with us, he/she was the Senior Manager of ASUSTeK. Mr. Feng obtained a master's degree in computer science from National Chiao Tung University.

Mr. Liao Syh Jang is our Vice President and General Manager of Business Unit 7. Prior to his/her present position, he was the General Manager of Procurement Center. Mr. Liao obtained a bachelor's degree in business administration from Tatung University.

Ms. Chao Li-Ling is our General Counsel. Prior to joining us, she was an associate in Baker & McKenzie. Ms. Chao obtained a master's degree in laws from University of Pennsylvania.

Mr. Lee Yi-Hsin is our Vice President. Prior to his/her present position with us, he/she was the Senior Manager of ASUSTeK. Mr. Lee obtained a bachelor's degree in computer science and information engineering from Tamkang University.

Mr. Huang Hsiang-Chieh is our Vice President and General Manager of Human Resources and Administration departments. Prior to his/her present position with us, he/she was the Deputy General Manager of Foxconn. Mr. Huang obtained a master's degree in mechanical and aerospace engineering from University of California.

Mr. Yang Jun-Rey is our Chief Quality Control Officer. Prior to his/her present position with us, he/she was the Special Assistant of ASUSTeK. Mr. Yang obtained a master's degree in computer science from Georgia Institute of Technology.

Compensation

Our executive officers, as a group in such capacities, received aggregate remuneration or benefits in kind from us of approximately NT\$197.3 million (US\$6.5 million) in 2010. However, our directors and supervisors have not received any compensation in such capacities as of the date hereof. On June 24, 2011, our shareholders approved in our ordinary shareholders' meeting an aggregate remuneration or benefits in kind of approximately NT\$12.0 million (US\$0.4 million) to be paid to our directors and

supervisors. With respect to the bonus and benefit to be paid to the employees including our executive officers, our board resolved on June 24, 2011 an aggregate amount of approximately NT\$127.0 million (US\$4.2 million), the distribution of which is subject to further decision to be made by our board as authorized under our Articles of Incorporation. Under our 2011 employee stock option plan, which was approved at our board meeting held on January 26, 2011, the total number of options to be issued under this plan is 50,000 options, where each option gives employee the right to purchase 1,000 Common Shares. All issued shares are in registered form.

There are no outstanding loans granted by us to any of the directors, supervisors or executive officers and there are no outstanding guarantees provided by us for the benefit of any of the directors, supervisors or executive officers. In addition, there have been no transactions effected by us where the interests of our directors, supervisors, executive officers or other members of our administrative, management and supervisory bodies were involved, which were unusual in their nature or conditions, during the year ended December 31, 2010 and the current fiscal year.

For the years ended December 31, 2009 and 2010, the details of unconsolidated compensation to our executive officers were as follows:

	<u>Year Ended December 31,</u>	
	<u>2009</u>	<u>2010</u>
	(NT\$ in millions)	
Payroll expense and benefits	118.9	176.2
Employee bonus	<u>64.7</u>	<u>21.1</u>
Total	<u>183.6</u>	<u>197.3</u>

OUR PRINCIPAL SHAREHOLDERS

The following table sets forth certain information as of September 18, 2011, the latest practicable date, with respect to the Common Shares owned by each of our ten largest shareholders:

Name	Personal Ownership		Ownership by Spouse and Minors	
	Number of shares	%	Number of shares	%
ASUSTeK Computer Inc.	551,523,484	24.44	—	—
Tung Tzu-Hsien	91,717,309	4.06	19,517,291	0.86
Citi (Taiwan) Bank in custody for Government of Singapore Investment Corporation	83,766,677	3.71	—	—
Hsu Shih-Chang	56,153,713	2.49	17,143,855	0.76
GDR — Pegatron Corporation	48,881,980	2.17	—	—
Shih Tsung-Tang	42,808,646	1.90	—	—
Standard Chartered Bank in custody for Hsieh Wei-Chi	40,828,655	1.81	—	—
Public Service Pension Fund	27,938,023	1.24	—	—
Standard Chartered Bank in custody for Vanguard Emerging Markets Stock Index Fund	26,896,697	1.19	—	—
Citi (Taiwan) Bank in custody for Monetary Authority of Singapore	26,213,680	1.16	—	—

CHANGES IN ISSUED SHARE CAPITAL

According to our Articles of Incorporation, we have only one class of capital stock, common shares with a par value of NT\$10 per share. Currently, our Articles of Incorporation provide that our authorized share capital is NT\$28,000,000,000, divided into 2,800,000,000 shares, including 200,000,000 shares reserved for issuance upon exercise of employee stock options, preferred shares with warrants or bonds with warrants. Under our 2011 employee stock option plan, which was approved at our board meeting held on January 26, 2011, the total number of options to be issued under this plan is 50,000 options, where each option gives employee the right to purchase 1,000 Common Shares. All issued shares are in registered form. The following table sets forth the changes in our issued share capital as at the dates indicated:

Date	Description	Number of shares issued	Number of total issued shares after issue
June 2007	Initial issuance of 100,000 Common Shares for cash	100,000	100,000
November 2007	Issuance of 4,900,000 Common Shares for capital increase for cash	4,900,000	5,000,000
January 2008	Issuance of 1,600,000,000 Common Shares for exchange of assets from ASUSTeK	1,600,000,000	1,605,000,000
June 2008	Issuance of 279,628,141 Common Shares for exchange of subsidiary shareholding from ASUSTeK	279,628,141	1,884,628,141
November 2009	Issuance 401,425,794 Common Shares for capital increase from retained earnings	401,425,794	2,286,053,935
June 2010	Issuance of 10,000 Common Shares for implementation of the Merger and Spin-off according to Taiwan regulations	10,000	2,286,063,935
November 2010	Cancellation of 29,697,000 treasury Common Shares	(29,697,000)	2,256,366,935

TRANSACTIONS WITH RELATED PARTIES

We have from time to time engaged in a variety of transactions with our related parties (as defined under ROC GAAP) which include our primary stockholder, ASUSTeK, our subsidiaries, our investee companies and their affiliates. As of September 30, 2011, approximately 24% of our outstanding Common Shares was held by ASUSTeK.

The following is a summary of the related party transactions with affiliates whom we frequently do business. For more complete information of related party transactions, you should read Note 5 to our audited consolidated financial statements as of and for the years ended December 31, 2009 and 2010, and Note 5 to our unaudited consolidated financial statements as of and for the nine months ended September 30, 2011 included elsewhere in these offering memorandum.

Sales

Name of Related Party	Year Ended December 31,						Nine Months Ended September 30,		
	2009			2010			2011		
	Amount (NT\$)	% of Net Sales	Collection Term	Amount (NT\$)	% of Net Sales	Collection Term	Amount (NT\$)	% of Net Sales	Collection Terms
	(in millions, except percentages)								
ASUSTeK . . .	199,244.0	37.03	30 days from receipt of goods Open account 30-120 days	210,769.0	39.73	Open account 60 days	121,184.4	28.67	Open account 60 days
Others	2,784.1	0.52	30-60 days from receipt of goods Open account 30-120 days	139.4	0.02	30-90 days from receipt of goods Open account 30-90 days	70.3	0.02	30-90 days from receipt of goods Open account 30-90 days
Total	<u>202,028.1</u>	<u>37.55</u>		<u>210,908.4</u>	<u>39.75</u>		<u>121,254.7</u>	<u>28.69</u>	

The prices and sales terms mentioned above are the same as general sales terms.

Purchases

Name of Related Party	Year Ended December 31,						Nine Months Ended September 30,		
	2009			2010			2011		
	Amount (NT\$)	% of Net Sales	Collection Term	Amount (NT\$)	% of Net Sales	Collection Term	Amount (NT\$)	% of Net Sales	Collection Terms
	(in millions, except percentages)								
ASUSTeK	137,317.2	21.19	30-60 days from receipt of goods Open account 60-120 days	151,317.0	31.50	Open account 60 days	91,650.6	22.17	Open account 60 days
Others	5,089.1	0.79	30-90 days from receipt of goods Open account 30-120 days	6,200.2	1.29	30-90 days from receipt of goods Open account 30-120 days	5,709.3	1.38	30-90 days from receipt of goods Open account 30-120 days
Total	<u>142,406.3</u>	<u>21.98</u>		<u>157,517.2</u>	<u>32.79</u>		<u>97,359.9</u>	<u>23.55</u>	

The prices and purchase term are the same as general purchase terms.

In 2009 and 2010 and the first three quarters of 2011, we purchased raw materials from vendors through ASUSTeK.

Others

	Year Ended December 31,		Nine Months Ended September 30,
	2009	2010	2011
	(in millions)		
	NT\$	NT\$	NT\$
After-sales warranty repair expense paid to:			
ASTP	—	93.2	—
Asus Computer (Shanghai)	85.5	14.5	0.3
ASUSTeK Computer (Shanghai)	10.6	3.7	—
Others	0.3	0.6	0.1
Total	<u>96.4</u>	<u>112.0</u>	<u>0.4</u>

	Year Ended December 31,		Nine Months Ended September 30,
	2009	2010	2011
	(in millions)		
	NT\$	NT\$	NT\$
Other income from:			
ASUSTeK	768.6	614.2	386.8
Others	<u>16.7</u>	<u>3.5</u>	<u>4.3</u>
Total	<u>785.3</u>	<u>617.7</u>	<u>391.1</u>

For the years ended December 31, 2009 and 2010 and the nine months ended September 2011, we incurred other related party transactions recorded as expenses such as processing fee, rental expense, other expense, royalty payment, storage expense, professional service fee, etc, which amounted to NT\$163.3 million, NT\$144.9 million and NT\$24.3 million, respectively.

For the years ended December 31, 2009 and 2010, we incurred other related party transactions recorded as processing revenue and repair revenue, which amounted to NT\$279.3 million and NT\$94.4 million, respectively.

Property Transactions

Properties sold

Transaction Party	For the Nine Months Ended September 30, 2011		
	Sales Price	Book Value (in thousands)	Disposal Gain (Loss)
Others	<u>—</u>	<u>—</u>	<u>—</u>

Transaction Party	For the Year Ended December 31, 2010		
	Sales Price	Book Value (in thousands)	Disposal Gain (Loss)
Others	<u>NT\$109</u>	<u>NT\$71</u>	<u>NT\$38</u>

Transaction Party	For the Year Ended December 31, 2009		
	Sales Price	Book Value (in thousands)	Disposal Gain (Loss)
Others	<u>NT\$1,640</u>	<u>NT\$1,325</u>	<u>NT\$315</u>

Properties Purchased

For the years ended December 31, 2009 and 2010, properties purchased from other related parties amounted to NT\$105.0 million, of which NT\$9.6 million accounted for prepayment for equipment, and NT\$143.2 million, respectively. For the nine months ended September 30, 2011, properties purchased from other related parties amounted to NT\$91.5 million.

Rental Revenue

For the years ended December 31, 2009 and 2010, the consolidated company incurred other related party transactions recorded as rental revenue, which amounted to NT\$36.7 million and NT\$27.1 million, respectively. For the nine months ended September 30, 2011, the rental revenue incurred in the related party transactions were NT\$21.2 million.

Disposal and transfer of shares

Due to the reorganization in July 2009, the Company transferred all the shares of Enertronix, Inc. for NT\$313.8 million to ASUSTeK.

On January 8, 2009, Enertronix, Inc. acquired 100% ownership of Enertronix Holding Limited from ASUSTeK Holdings Limited for US\$5.7 million.

On January 21, 2009, Asuspower Investment Co., Ltd. acquired 100% ownership of Pega International Limited from Wise Investment Limited for NT\$1.9 million.

On July 1, 2009, Casetek Holdings Limited acquired 51% ownership of United New Limited from ASUSTeK Holdings Limited for US\$15.2 million.

On July 1, 2009, Pegatron Holding Ltd. acquired 100% ownership of Powtek Holdings Limited from ASUSTeK Holdings Limited, which amounted to US\$13.1 million.

On February 5, 2009, AMA Holdings Limited acquired 100% ownership of Toptek Precision Industry (Suzhou) Co., Ltd from AMA Corporation for US\$1.1 million.

In February 2009, Ability Enterprise Co., Ltd. acquired 2,500 thousand shares of Avy Precision Technology Inc. from Avy Co. Ltd. for NT\$178.1 million.

For the year ended December 31, 2009, our subsidiaries sold the long-term investment to AVY Precision Technology Inc. with carrying value of NT\$143.8 million for NT\$177.5 million, and recognized a gain of NT\$33.7 million.

Accounts Receivable (Payable)

	<u>Year Ended December 31, 2009</u>	<u>Year Ended December 31, 2010</u>	<u>Nine Months Ended September 30, 2011</u>
	NT\$	NT\$	NT\$
Notes and Accounts Receivable:			
ASUSTeK	13,164.4	9,448.4	9,618.3
Others	<u>444.0</u>	<u>7.1</u>	<u>41.1</u>
Sub-total	<u>13,608.4</u>	<u>9,455.5</u>	<u>9,659.4</u>
Less: Allowance for doubtful accounts	<u>(0.7)</u>	<u>—</u>	<u>—</u>
Total	<u>13,607.7</u>	<u>9,455.5</u>	<u>9,659.4</u>
	<u>Year Ended December 31, 2009</u>	<u>Year Ended December 31, 2010</u>	<u>Nine Months Ended September 30, 2011</u>
	NT\$	NT\$	NT\$
Other Receivables:			
ASUSTeK	179.8	5.8	34.3
Others	<u>16.5</u>	<u>1.7</u>	<u>4.4</u>
Total	<u>196.3</u>	<u>7.5</u>	<u>38.7</u>
Notes and Accounts Payable:			
Avy Precision	220.8	507.5	446.6
Shanghai Indeed	421.1	442.0	772.9
Askey Technology	43.3	334.6	815.5
Others	<u>620.4</u>	<u>447.0</u>	<u>488.9</u>
Total	<u>1,305.6</u>	<u>1,731.1</u>	<u>2,523.9</u>

Other related party transactions accounted for as assets and liabilities in balance sheets were as follows:

	<u>Year Ended December 31, 2009</u>	<u>Year Ended December 31, 2010</u>	<u>Nine Months Ended September 30, 2011</u>
	NT\$	NT\$	NT\$
Assets:			
Prepayments	0.1	5.2	—
Other current assets	6.2	5.3	—
Temporary payments	<u>—</u>	<u>—</u>	<u>0.2</u>
	<u>6.3</u>	<u>10.5</u>	<u>0.2</u>
	NT\$	NT\$	NT\$
Liabilities:			
Accrued expenses	24.5	63.2	0.3
Other financial liabilities current	8.5	0.2	—
Other current liabilities	<u>18.7</u>	<u>4.8</u>	<u>3.4</u>
	<u>51.7</u>	<u>68.2</u>	<u>3.7</u>

Endorsement Guarantee

As of December 31, 2009 and 2010 and the nine months ended September 30, 2011, we provided endorsement guarantee for bank loans obtained by a related party as follows:

	<u>Amount of Guarantee (thousands)</u>		
	<u>Year Ended December 31, 2009</u>	<u>Year Ended December 31, 2010</u>	<u>Nine Months Ended September 30, 2011</u>
Name of Related Party			
Linktek Precision (Suzhou) Co Ltd	<u>US\$800</u>	<u>—</u>	<u>—</u>

As of December 31, 2009 and 2010 and the nine months ended September 30, 2011, the endorsement guarantees provided by a related party for our purchases were as follows:

	<u>Amount of Guarantee (thousands)</u>		
	<u>Year Ended December 31, 2009</u>	<u>Year Ended December 31, 2010</u>	<u>Nine Months Ended September 30, 2011</u>
Name of Related Party			
ASUSTeK	<u>US\$300,000</u>	<u>US\$300,000</u>	<u>—</u>

DESCRIPTION OF THE BONDS

The Bonds are to be issued under an indenture, to be dated as of February 6, 2012 (the “**Indenture**”), between Pegatron Corporation (the “**Issuer**” or the “**Company**”) and Citicorp International Limited, in its capacity as trustee (the “**Trustee**”). The following summary of certain provisions of the Bonds and the Indenture does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the provisions of the Bonds and Indenture, including the definitions of certain terms therein. Whenever particular Sections or defined terms of the Indenture not otherwise defined herein are referred to, such Sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available for inspection by any Holder on or after the Closing Date (as defined below) at the corporate trust office of the Trustee at 50/F, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong.

General

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

The Bonds will be issued on or about February 6, 2012 (the date on which the Bonds are issued under the Indenture being referred to herein as the “**Closing Date**”) as direct, unconditional, unsecured and unsubordinated obligations of the Issuer, limited, in aggregate principal amount to US\$300,000,000 and will be redeemed on February 6, 2017 (the “**Maturity Date**”) unless earlier redeemed, repurchased and canceled, or converted pursuant to the terms thereof and of the Indenture.

The Bonds will not bear interest.

Each Bond will be convertible, subject to compliance with certain conditions and procedures (see “— Conversion — Procedures; Conversion Notice; Taxes and Duties”), at the Holder’s election on any calendar day during the period (the “**Conversion Period**”) commencing March 18, 2012 (the 41st day following the Closing Date) and ending at the close of business on January 27, 2017 (the 10th day prior to the Maturity Date) in the location of the applicable Paying Agent or if the Bonds are called for redemption prior to the Maturity Date, on the date seven days prior to the redemption date. The Conversion Period shall not include any Closed Period (as defined below).

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

The Issuer reserves the right, subject to the provisions of the Indenture, at any time to vary or terminate the appointment of any Paying Agent and to appoint further or other Paying Agents, *provided* that the Issuer will at all times maintain a Paying Agent having offices in Dublin, Ireland or London,

England. Notice of any such termination or appointment and of any changes in the specified offices of the Paying Agents will be given promptly by the Issuer to the Holders and the Trustee (and other applicable parties) in accordance with the notice provisions of the Indenture.

The Bonds will be issued only in fully registered form, without interest coupons, in denominations of US\$200,000 and any integral multiple thereof. See “— Book Entry; Delivery and Form” below. No service charge will be payable for any registration of transfer of the Bonds, for the conversion thereof or for the charges of the Paying Agents in connection therewith, but the Issuer may require payment by a Holder of a sum sufficient to cover any transfer or stamp tax or other similar governmental charge payable in connection therewith.

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

Book Entry; Delivery and Form

The Bonds will only be represented by a permanent global bond in fully registered book-entry form without interest coupons (the “**Global Bond**”) and will be deposited with a common depository (the “**Common Depository**”) for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream**”) and registered in the name of a nominee of the Common Depository. If (i) at any time the Common Depository advises the Company in writing that it is unwilling or unable to continue as a depository for the Global Bond and a successor depository is not appointed by the Company within 90 days, (ii) either Euroclear or Clearstream or any alternative clearing system on behalf of which the Bonds evidenced by the Global Bond may be held is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so, or (iii) an Event of Default (as defined below) has occurred and is continuing with respect to the Bonds and the Trustee notifies the Company in writing that any of the Bonds have become immediately due and payable pursuant to the Indenture and the Trustee has received a written request from more than 25% in aggregate principal amount of Bonds Outstanding to issue individual Certificated Bonds (as defined below), the Company shall issue individual Certificated Bonds in registered form in exchange for the Global Bond in any authorized denominations and in an aggregate principal amount equal to the principal amount of the Global Bond. The Bonds will have minimum denominations of US\$200,000 and any integral multiple of US\$200,000 in excess thereof.

The Bonds are not issuable in bearer form.

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

Ranking

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

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

Sinking Fund

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

Transfer of Certificated Bonds and Delivery of New Certificated Bonds

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

(i) Transfer of Certificated Bonds

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

(ii) Delivery of New Certificated Bonds

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

(iii) Formalities Free from Charge

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

(iv) Restricted Transfer Periods

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

Additional Amounts

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

A. any Taxes that would not have been imposed but for:

- (A) the existence of any present or former connection between the Holder of such Bond and the ROC or any other Jurisdiction in which the Issuer is organized or resident for tax purposes, other than merely holding such Bond, including such Holder being or having been a national, domiciliary or resident of or treated as a resident thereof or being or having been present or engaged in a trade or business therein or having had a permanent establishment therein;
- (B) the presentation of such Bond (if presentation is required) more than 30 days after the later of the date on which the payment of the principal of and other amounts on such Bond became due and payable pursuant to the terms thereof or the date that such payment was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Bond for payment on any date within such 30 day period; or
- (C) the presentation of such Bond for payment in the ROC, unless such Bond could not have been presented for payment elsewhere;

- B. any estate, inheritance, gift, sale, transfer, stamp, personal property or similar tax, assessment or other governmental charge; or
- C. any combination of Taxes referred to in the preceding clauses (A) and (B).

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

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

Redemption for Taxation Reasons

The Bonds may be redeemed, in whole but not in part, at the option of the Issuer, at any time, upon giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable) and upon written notice to the Trustee and the Agents, at the Early Redemption Amount (as defined below), if the Issuer determines and certifies to the Trustee in an Officer's Certificate (as defined below) immediately prior to the giving of such notice that, as a result of any change in, or amendment to, the laws (including any regulations or rulings promulgated thereunder) of the ROC or such other jurisdiction in which the Issuer is then organized or resident for tax purposes (or any political subdivision or Taxing Authority thereof or therein), affecting taxation, or any change in official position regarding the application, interpretation or administration of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction), which change, amendment, application, interpretation or administration is proposed and becomes effective on or after the Closing Date (or, in the case of any jurisdiction other than the ROC, the date on which the Issuer first becomes organized or resident for tax purposes in or subject to such other jurisdiction) with respect to any payment due or to become due on the Bonds, the Issuer is required to pay Additional Amounts in connection therewith and such requirement to pay Additional Amounts cannot be avoided by the taking of reasonable measures by the Issuer; *provided* that such right cannot be exercised earlier than 45 days prior to the first date on which the Issuer would be obligated to make an Additional Amounts payment with respect to all or substantially all of the Outstanding Bonds (as defined in the Indenture) were a payment then due. Prior to the giving of any such notice of redemption, the Issuer shall deliver to the Trustee (i) an Officer's Certificate stating that such change or amendment has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Issuer taking reasonable measures and (ii) an Opinion of Counsel or written advice of a qualified tax expert addressed to the Trustee that the circumstances referred to in the preceding sentence exist as a result of such change, amendment, application, interpretation or administration. The Trustee is entitled to accept the documents described in clauses (i) and (ii) of the preceding sentence as sufficient evidence of the satisfaction of the conditions described above, in which event they shall be conclusive and binding on the Bondholders.

Notwithstanding the foregoing, if the Issuer has given a redemption notice for taxation reasons in accordance with the paragraph above, each Holder will have the right to elect, and the redemption

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

Redemption at the Option of the Issuer

The Bonds will be redeemable at the option of the Issuer, in whole but not in part, at any time on or after February 6, 2015, on not less than 30 nor more than 60 days’ notice to the Bondholders (which notice shall be irrevocable) and upon written notice to the Trustee and the Agents, at the Early Redemption Amount; *provided, however*, that no such redemption may be made unless (1) the Closing Price (as defined below) of the Common Shares (translated into U.S. Dollars at the Prevailing Rate on each Trading Day during a period of 20 consecutive Trading Days (the “**Calculation Period**”), the last of which occurs not more than five days prior to the date on which notice of such redemption is given, is at least 125% of the quotient of the Early Redemption Amount divided by the number of Shares to be issued upon conversion of US\$200,000 principal amount of Bonds on the applicable Trading Day based on the Conversion Price then in effect (translated into U.S. Dollars at the Fixed Exchange Rate), and (2) the applicable Redemption Date does not fall within a Closed Period. Notwithstanding the foregoing sentence, the Issuer may redeem the Bonds, in whole but not in part, at any time, on not less than 30 nor more than 60 days’ notice, at the Early Redemption Amount if more than 90% in principal amount of the Bonds originally issued has been redeemed, repurchased and canceled or converted; *provided* that the applicable Redemption Date does not fall within a Closed Period.

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

If the Issuer elects to redeem the Bonds, prior to the giving of any such notice of redemption, the Issuer shall deliver to the Trustee an Officer’s Certificate which shall state that the conditions precedent to such redemption have occurred and shall describe the same. Notice given hereunder shall be irrevocable. The Trustee is entitled to accept such Officer’s Certificate as sufficient evidence of the satisfaction of the conditions described above, in which event this shall be conclusive and binding on the Bondholders. The Trustee may, at its discretion, seek the opinion or advice of any independent internationally recognized investment bank selected by it.

Redemption at Maturity

Unless the Bonds have been previously redeemed, repurchased and canceled, or converted, the Issuer will redeem the Bonds on the Maturity Date at a redemption price equal to 107.76% of the outstanding

principal amount thereof (the “**Final Redemption Amount**”). The Bonds may be redeemed prior to the Maturity Date only in accordance with the terms of the Indenture.

Redemption of the Bonds at the Option of the Holders

Each Holder shall have the right (the “**Holders’ Put Right**”), at such Holder’s option, to require the Issuer to redeem all (or any portion of the principal amount, which is US\$200,000 or any integral multiple thereof) of such Holder’s Bonds, on February 6, 2015 (the “**Holders’ Put Date**”) at a redemption price equal to 104.59% of the outstanding principal amount thereof (the “**Holders’ Put Price**”).

Redemption of the Bonds in the Event of Delisting

In the event that the Common Shares cease to be listed or admitted to trading on the TWSE (a “**Delisting**”) each Holder will have the right (the “**Delisting Put Right**”), at such Holder’s option, to require the Issuer to redeem all (or any portion of the principal amount thereof which is US\$200,000 or any integral multiple thereof) of such Holder’s Bonds on the 20th Business Day after the Paying Agent mails to each Holder such notice regarding the Delisting referred to in “— Redemption Procedures” (the “**Delisting Put Date**”) at the Early Redemption Amount on the Delisting Put Date (the “**Delisting Put Price**”).

Redemption of the Bonds in the Event of Change of Control

If a Change of Control occurs with respect to the Issuer, each Holder shall have the right (the “**Change of Control Put Right**”), at such Holder’s option, to require the Issuer to redeem all (or any portion of the principal amount thereof which is US\$200,000 or any integral multiple thereof) of such Holder’s Bonds on the date set by the Issuer for such redemption (the “**Change of Control Put Date**”), which shall be not less than 30 nor more than 60 days following the date on which the Issuer notifies the Trustee and the Paying Agent in writing of the Change of Control, at the Early Redemption Amount on the Change of Control Put Date (the “**Change of Control Put Price**”). The Trustee shall not be responsible for determining the occurrence of the Change of Control event or any event which could lead to a Change of Control, and shall not be liable to any person for any failure to do so.

Redemption Procedures

Not less than 30 nor more than 60 days prior to the Holders’ Put Date and not more than 10 days promptly after becoming aware of a redemption event, the Issuer will provide sufficient information to the Trustee and the Paying Agent in sufficient time (including such notice to be provided to Holders) to permit the Trustee and the Paying Agent to provide to each Holder (and to beneficial owners as required by applicable law) a notice regarding such redemption event, as the case may be, and such notice shall be prepared by the Issuer.

Such notice of redemption to the Holders shall be given in writing and mailed by first class mail to the Holders at their last addresses as they shall appear upon the Register, at least 30 days and not more than 60 days prior to the Redemption Date. Any notice which is mailed or published in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the Holder receives the notice. Failure to give notice by mail, or any defect in the notice, to the Holder shall not

affect the validity of the proceedings for the redemption of any other Bond. The notice shall state, as appropriate:

- A. the Holders' Put Date, the Delisting Put Date or the Change of Control Put Date, as the case may be;
- B. in the case of a Delisting, the date of such Delisting and, briefly, the events causing such Delisting;
- C. in the case of a Change of Control, the date of such Change of Control and, briefly, the events causing such Change of Control;
- D. in the case of other redemption events, the events causing such redemption;
- E. the date by which the Holder Redemption Notice (as defined below) must be given;
- F. the Holders' Put Price, the Delisting Put Price or the Change of Control Put Price, as the case may be, and the method by which such amount will be paid;
- G. the names and addresses of all Paying Agents;
- H. briefly, the Conversion Right of the Holders and the then current Conversion Price;
- I. the procedures that Holders must follow and the requirements that Holders must satisfy in order to exercise their redemption rights and Conversion Right; and
- J. that a Holder Redemption Notice, once validly given, may not be withdrawn.

The notice of the Trustee and the Paying Agent required under the Indenture shall be given by the Trustee and the Paying Agent in the name of and at the expense of the Issuer.

To exercise its right to require the Issuer to redeem its Bonds pursuant to the Holder's Put Right, the Delisting Put Right or the Change of Control Put Right, the Holder must deliver a written irrevocable notice of the exercise of such right in substantially the form set forth on the reverse of the Bond or such other form obtainable from the office of any Paying Agent (a "**Holder Redemption Notice**") to any Paying Agent on any Business Day prior to the close of business at the location of such Paying Agent on such day and which day is not less than five (5) Business Days prior to the Redemption Date.

If notice of redemption has been given as provided above, unless the Bonds are converted prior to the Redemption Date (as defined below), Bonds shall become due and payable on the Redemption Date at the applicable Redemption Price (as defined below) and on and after said date (unless the Issuer shall default in the payment of such Bond at the Redemption Price), if the Paying Agent holds, in accordance with the terms of the Indenture, cash sufficient to pay the relevant Redemption Price of

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

If any Bond called for redemption is converted pursuant hereto (if converted instead of redeemed), any money deposited with the Trustee or any Paying Agent or so segregated and held for the benefit of the Holders for the redemption of such Bond shall be paid to the Issuer upon the Issuer's request, or, if then held by the Issuer, shall be discharged from such trust.

Certain Definitions

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

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

"Agent" means any registrar, paying agent, conversion agent and transfer agent or all or any of them, as the context requires.

"Authorized Officer" means, with respect to the Issuer, any director or officer who is authorized to represent the Issuer.

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

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

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

“Change of Control” will be deemed to have occurred when (i) Control of the Issuer is acquired or deemed to be held by any Person or Persons acting together if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Issuer on the Closing Date; or (ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of its assets to any other Person, unless the consolidation, merger, sale or transfer will not result in such other Person or Persons acquiring Control over the Issuer or the successor entity. Notwithstanding anything in this Indenture to the contrary, for the purposes of this definition, the term **“Person”** does not include the Issuer’s Board of Directors or any other governing board of the Issuer and does not include the Issuer’s wholly-owned direct or indirect Subsidiaries.

“Closed Period” means (i) the 60-day period immediately prior to the date of any of the Company’s ordinary shareholders’ meetings; (ii) the 30-day period immediately prior to the date of any of the Company’s extraordinary shareholders’ meetings; (iii) the period from the fifteenth Trading Day prior to the record date for the determination of the shareholders entitled to the receipt of dividends, subscription of new Common Shares due to capital increase or other benefits and bonuses to the record date for the distribution or allocation of relevant dividends, rights, benefits and bonuses; (iv) the period from the record date for the determination of the shareholders participating in any capital reduction to the first Trading Day (as defined below) immediately prior to the date on which the Common Shares resume trading after such capital reduction; and (v) such other periods during which the Company may be required to close its stock transfer books under ROC laws and regulations applicable from time to time.

“Closing Date” means February 6, 2012.

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

“Common Shares” means shares of the common stock of the Issuer, par value NT\$10.0 per share.

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

“Conversion Price” means the price at which the Common Shares will be issued upon conversion, which will initially be NT\$42.11 per Common Share, subject to adjustment in the manner provided in **“— Conversion — Adjustments to the Conversion Price”** below.

“Debt” means, with respect to any Person at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes

or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person as lessee which are capitalized in accordance with the generally accepted accounting principles applicable to such Person, (v) all Debt secured by a Lien on any asset of such Person, whether or not such Debt is otherwise an obligation of such Person, (vi) all obligations of such Person to purchase securities or other property that arise out of or in connection with the sale of the same or substantially similar securities or property, (vii) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument and (viii) all Debt of others guaranteed by such Person.

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

“**Early Redemption Amount**” means, for each US\$200,000 principal amount of Bonds, the amount calculated in accordance with the following formula, rounded (if necessary) to two decimal places with 0.005 being rounded upwards:

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

where:

I = Issue Price (100% of principal amount) of the Bonds.

r = 1.50% expressed as a decimal.

d = the number of days from, and including, the Closing Date to, but excluding, the Redemption Date, calculated on the basis of a year of 360 days consisting of 12 months of 30 days each, and in the case of an incomplete month, the actual number of days lapsed.

“**Fixed Exchange Rate**” means NT\$29.761 = US\$1.00.

“**FSC**” means the Financial Supervisory Commission of the ROC.

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

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

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

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

“Officer’s Certificate” means, as the context requires, a certificate signed by an Authorized Officer of the Issuer.

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

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

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

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

“Redemption Price” when used with respect to any Bond to be redeemed, means the price at which it is to be redeemed pursuant to the Indenture, including the Final Redemption Amount and the Early Redemption Amount.

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

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

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

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

“**TWSE**” means Taiwan Stock Exchange Corporation.

Certain Covenants

Negative Pledge

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

Consolidation, Amalgamation or Merger

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

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

- (ii) immediately after giving effect to any such Merger, no Default or Event of Default shall have occurred or be continuing or would result therefrom;
- (iii) the Issuer at least 20 Business Days prior to the Merger has delivered to the Trustee an Officer's Certificate stating that such Merger complies with the provisions of the Indenture relating to this matter and that all conditions precedent therein provided for or relating to such Merger have been complied with;
- (iv) the corporation formed by such Merger, or the Person that acquired such properties and assets, shall expressly agree to:
 - A. indemnify each Holder against any tax, assessment or governmental charge payable by withholding or deduction thereafter imposed on such holder solely as a consequence of such Merger with respect to the payment of principal of and other amounts on the Bonds; and
 - B. if organized under the laws of a jurisdiction other than the ROC, promptly deliver a substitute undertaking to the Trustee to pay any Additional Amounts as may be necessary in order that the net amounts received by the Holders, after any withholding or deduction of any such tax, assessment or other governmental charge shall equal the respective amounts of principal and Additional Amounts, which would have been receivable in respect of the Bonds in the absence of such Merger. No successor corporation or other Person shall have the right to redeem the Bonds unless the Issuer would have been entitled to redeem the Bonds pursuant to the Indenture in the absence of the Merger; and
- (v) the Issuer shall as soon as practicable on or prior to the Merger, deliver an opinion satisfactory to the Trustee of counsel(s) of recognized standing as to the legality and validity of the Merger.

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

Conversion

Conversion Right

Subject to and upon compliance with the Indenture, each Holder will have the right (the “**Conversion Right**”) during the Conversion Period to convert its Bonds (being US\$200,000 in principal amount or an integral multiple thereof), at the option of such converting Holder, upon delivery of a Conversion Notice pursuant to “— Conversion — Procedures; Conversion Notice; Taxes and Duties” at the office of any Paying Agent, on any Business Day prior to the close of business at the location of the Paying Agent to which such Conversion Notice is delivered, for Common Shares; *provided, however*, that the Conversion Right during any Closed Period shall be suspended and the Conversion Period shall not include any such Closed Period.

The Issuer shall procure that Holders, the Trustee and the Conversion Agents (and other applicable parties) are given at least 7 days' but not more than 60 days' prior notice of any Closed Period in accordance with the provisions of the Indenture.

The number of Common Shares to be issued upon conversion will be determined by dividing the aggregate principal amount of all the Bonds to be converted by such Holder (translated into NT Dollars at the Fixed Exchange Rate) by the Conversion Price in effect on the Conversion Date (as defined below).

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

Restrictions on Shareholdings by PRC Persons

Under current ROC laws, regulations and policy, a PRC person is not permitted to convert the Bonds and to register as shareholders of the Issuer unless it is a qualified domestic institutional investor (“QDII”), approved by the competent authority of securities industry in PRC. However, QDIIs are currently prohibited from investing in certain industries, and their investment in a given company of certain other industries is restricted to a certain percentage pursuant to a list promulgated by the FSC and amended from time to time. In addition, there are restrictions on the amount remitted to Taiwan for investments by QDIIs, separately and jointly. Accordingly, the qualification criteria for a PRC person to make investment and the investment threshold imposed by the FSC and the TWSE might cause a Bondholder who is a PRC person to be unable to convert and hold the Common Shares issuable upon conversion of the Bonds. Under current ROC laws, “PRC person” means an individual holding a passport issued by the PRC, a resident of any area of China under the effective control or jurisdiction of the PRC (but not including a special administrative region of the PRC such as Hong Kong and Macau, if so excluded by applicable laws of the ROC), any agency or instrumentality of the PRC and any corporation, partnership or other entity organized under the laws of any such area or controlled by, or directly or indirectly having more than 30% of its capital owned by, or beneficially owned by any such person, resident, agency or instrumentality.

ROC Procedures for Foreign Nationals Holding Common Shares

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

Delivery of Common Shares upon Conversion

On exercise of a Conversion Right, certificates for Common Shares shall be delivered, through book-entry, by the Issuer to the local agent appointed by the Bondholder in the Conversion Notice which was delivered by such Bondholder or, to the extent permitted by ROC law, at the request, risk and expense of such Bondholder and for the account of such Bondholder, at the address or addresses duly specified by the Bondholder and to the order of the Person or Persons so specified in its Conversion Notice.

A Person entitled to receive Common Shares hereunder upon conversion of Bonds must arrange to have such Person's name registered in the Issuer's register of shareholders in order to assert rights as a shareholder against the Issuer. Accordingly, any Person entitled to receive Common Shares hereunder upon conversion of Bonds may request the Issuer to register the Common Shares deliverable hereunder upon conversion of Bonds in the name of such Person in the register of shareholders of the Issuer in order to become entitled to rights as a shareholder.

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

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

Procedures; Conversion Notice; Taxes and Duties

In order to effect a conversion, the Holder of any Bond to be converted shall surrender such Bond to any Paying Agent, acting as agent of the Issuer, during the Conversion Period, accompanied by a fully executed (and manually signed) written notice ("**Conversion Notice**"), in substantially the form set forth on the reverse of the Bond or such other form obtainable from the office of any Paying Agent, that the holder elects to convert such Bond or a stated portion thereof constituting an integral multiple of US\$200,000 principal amount. The Conversion Notice shall contain a statement by such converting Holder certifying opening of a bank account and an appointment of a local agent to pay ROC taxes, remit funds, exercise shareholders' rights and perform such other functions as may be designated by such converting Holder. In addition, such converting Holder is also required to appoint a custodian bank to hold the securities in safe keeping, make confirmations and settle trades and report all relevant information. The Conversion Notice shall state the name of address of such local agent and the name or names (with address) in which the certificate or certificates for Common Shares shall be issued. Bonds surrendered for conversion shall (if so required by the Issuer or the Paying Agent) be duly endorsed by, or be accompanied by a written instrument or instruments of transfer in form satisfactory to the Issuer and the Paying Agent duly executed by, the holder or his attorney duly authorized in writing.

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

As conditions precedent to conversion, the Holder must confirm in the Conversion Notice that all stamp, issue, registration and similar taxes and duties (if any) arising on conversion in the country in which the Bond is deposited for conversion, or payable in any jurisdiction consequent upon the issue and delivery of Common Shares or any other property or cash upon conversion to or to the order of a person other than the converting Holder have been paid to the relevant authority. Except as aforesaid, the Issuer will pay the expenses arising in the ROC on the issue of Common Shares on conversion of Bonds and all charges of the Paying Agents described in the fee letter between the Issuer and the Paying Agent dated February 6, 2012 in connection therewith as provided in the Indenture. The date on which any Bond and the Conversion Notice (in duplicate) relating thereto, together with any certificates and other documents as may be required under applicable law, are deposited with a Paying Agent and the payments, if any, required to be paid by the Holder are made is hereinafter referred to as the “**Deposit Date**”. The “**Conversion Date**” applicable to a Bond shall mean the next Business Day following the Deposit Date (or the first Business Day following the last day of a Closed Period if the related Conversion Notice was deposited during such Closed Period), where such Conversion Date must be a Trading Day and must fall within the Conversion Period.

Conversion Notices shall be deposited in duplicate at the office of any Conversion Agent on any Business Day from 9:00 am to 3:00 pm at the location of the Conversion Agent to which such Conversion Notice is delivered. A Conversion Notice or Certificated Bond (if issued) deposited outside the hours specified or on a day that is not a Business Day at the location of the Conversion Agent between 9:00 am and 3:00 pm on the next Business Day. Upon receipt of such Conversion Notices, the Conversion Agent shall have not more than one full Business Day to process and transmit such Conversion Notices to the Issuer.

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

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

In the case of conversion of a portion of the outstanding principal amount of a Bond, the Paying Agent shall follow its normal procedures to reflect on its records, partial conversion of Bonds. If the Holder converts more than one Bond at the same time, the number of Common Shares deliverable upon the conversion shall be based on the aggregate outstanding principal amount of the Bonds converted.

Adjustments to the Conversion Price

The Conversion Price will be subject to adjustment (“**Antidilution Adjustment**”) in the circumstances described below:

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

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

Where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

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

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

An adjustment made pursuant to this subsection (i) shall become effective on the record date for determination of the shareholders entitled to receive such dividend and/or distribution; *provided* that in the case of a dividend in Common Shares of capitalization of retained earnings capital reserves which must, under applicable law of the ROC, be submitted for approval to a general meeting of shareholders of the Issuer before being legally paid or made, and which is so approved after the record date fixed for the determination of the shareholders entitled to receive such dividend and/or distribution, such adjustment shall, immediately upon such approval being given by such meeting, become effective retroactively to immediately after such record date.

- (ii) If the Issuer shall (A) subdivide its outstanding Common Shares, (B) combine its outstanding Common Shares into a smaller number of Common Shares, or (C) re-classify any of its Common Shares into other securities of the Issuer, then the Conversion Price shall be appropriately adjusted so that the holder of any Bond, in respect of the Conversion Date which occurs after the coming into effect of the adjustment described in this paragraph, shall be entitled to receive the number of Common Shares and/or other securities of the Issuer which it would have held or have been entitled to receive after the happening of any of the events described above had such Bond been converted immediately prior to the happening of such event (or, if the Issuer has fixed a prior record date for the determination of the shareholders

entitled to receive any such securities issued upon any such subdivision, combination or reclassification, immediately prior to such record date), but without prejudice to the effect of any other adjustment to the Conversion Price made with effect from the date of the happening of such event (or such record date) or any time thereafter.

An adjustment made pursuant to the paragraph above shall become effective immediately on the relevant event referred to above 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 Common 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 Issuer 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 Common Shares or other securities issued upon such 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) If the Issuer shall issue Common Shares as employee stock bonuses, then the Conversion Price in effect on the record date shall be adjusted in accordance with the following formula:

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

where:

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

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

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

$$v = (n \times P) / M.$$

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

M = the Market Value per Common Share on the record date of the shareholders' meeting approving such employee stock bonuses

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

- (iv) If the Issuer shall grant, issue or offer to the holders of Common Shares rights entitling them to subscribe for or purchase Common Shares, which expression shall include those Common Shares which are required to be offered to employees and persons other than shareholders in connection with such grant, issue or offer, at a consideration per Common Share receivable by the Issuer (determined as provided in subsection (vi) below) which is fixed:
- (1) on or prior to the record date mentioned below and is less than the Market Value per Common Share on such record date; or
 - (2) after the record date mentioned below and is less than the Market Value per Common Share on the date the Issuer fixes the said consideration,

then the Conversion Price in effect (in the case of (1) above) on the record date for the determination of the shareholders entitled to receive such rights or (in the case of (2) above) on the date the Issuer fixes the said consideration shall be adjusted in accordance with the following formula:

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

where:

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

N = the number of Common Shares outstanding at the close of business in the ROC (in the case of (1) above) on such record date or (in the case of (2) above) on the date the Issuer fixes the said consideration.

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

v = the number of Common Shares which the aggregate consideration receivable by the Issuer (determined as provided in subsection (vi) below) would purchase at such Market Value per Common Share specified in (1) or, as the case may be, (2) above.

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

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

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

- (v) If the Issuer shall grant, issue or offer to the holders of Common Shares warrants entitling them to subscribe for or purchase Common Shares at a consideration per Common Share receivable by the Issuer (determined as provided in subsection (vi) below) which is fixed:
- (1) on or prior to the record date for the determination of the shareholders entitled to receive such warrants and is less than the Market Value per Common Share at such record date; or
 - (2) after the record date mentioned above and is less than the Market Value per Common Share on the date the Issuer fixes the said consideration

then the Conversion Price in effect (in a case within (1) above) on the record date for the determination of the shareholders entitled to receive such warrants or (in a case within (2) above) on the date the Issuer fixes the said consideration shall be adjusted in accordance with the following formula:

$$\text{NCP} = \text{OCP} \times \left[\frac{N + v}{N + n} \right]$$

where:

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

N = the number of Common Shares outstanding at the close of business in the ROC (in the case of (1) above) on such record date or (in the case of (2) above) on the date the Issuer fixes the said consideration.

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

v = the number of Common Shares which the aggregate consideration receivable by the Issuer (determined as provided in subsection (vi) below) would purchase at such Market Value per Common Share specified in (1) or, as the case may be, (2) above.

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

If, in connection with a grant, issue or offer to the holders of Common Shares of warrants entitling them to subscribe for or purchase Common Shares where applications by shareholders entitled to the same are required, any warrants which are not subscribed for or purchased by the shareholders entitled thereto are agreed to be underwritten by others prior to the latest date for the submission of applications for such warrants, an adjustment shall be made to the Conversion Price in accordance with the above provisions which shall become effective immediately after the Issuer receives the said consideration in full, from such other persons but retroactively to immediately after the record date mentioned above. If, in connection with a grant, issue or offer to the holders of Common Shares of warrants entitling them to subscribe for or purchase Common Shares where applications by shareholders entitled to the same are required, any warrants which are not subscribed for or purchased by the underwriters who have agreed to underwrite as referred to above or by the shareholders entitled thereto (or persons to whom shareholders have transferred the right to purchase such warrants) who have submitted applications for such warrants as referred to above are offered to and/or subscribed by others, no further adjustment shall be made to the Conversion Price by reason of such offer and/or subscription.

Save as provided therein, such adjustment shall become effective where no applications for such warrants are required from shareholders entitled to the same, upon the issue of such warrants.

- (vi) For the purposes of any calculation of the consideration receivable by the Issuer pursuant to this section, the following provisions shall be applicable:
- A. in the case of the issue of Common 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 Issuer for any underwriting of the issue or otherwise in connection therewith;
 - B. in the case of the issue of Common Shares for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair value thereof as determined by the Issuer (and in making such determination the Issuer shall consult a leading independent securities company or bank in Taipei selected by the Issuer and notified to the Trustee in writing and shall take fully into account the advice received from such company or bank) 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 Common Shares, the aggregate consideration receivable by the Issuer shall be deemed to be the consideration received by the Issuer for such securities and (if applicable) rights or warrants plus the additional consideration (if any) to be received by the Issuer 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 paragraphs (A) and (B) above) and the consideration per Common Share receivable by the Issuer shall be such aggregate consideration divided by the number of Common 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 Common Shares the aggregate consideration receivable by the Issuer shall be deemed to be the consideration received by the Issuer for any such rights or warrants plus the additional consideration to be received by the Issuer 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 paragraphs (A) and (B) above) and the consideration per Common Share receivable by the Issuer shall be such aggregate consideration divided by the number of Common 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 subsection (vi) 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 Common 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 subsection (vi) 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; and
 - F. in the case of the issue of Common Shares credited as fully paid out of retained earnings or capitalization or capital reserves at their par value, the aggregate consideration receivable by the Issuer shall be deemed to be zero (and accordingly the number of Common Shares which such aggregate consideration receivable by the Issuer could purchase at the relevant Market Value per Common Share shall also be deemed to be zero).
- (vii) If the Issuer or any Subsidiary of the Issuer shall distribute to the holders of Common Shares, any shares of Capital Stock of the Issuer other than Common Shares, evidences of its indebtedness or other assets (other than cash distributions described below) of the Issuer, or rights or warrants to subscribe for or purchase any Capital Stock of the Issuer (other than Common Shares), then the Conversion Price in effect on the record date for the determination of shareholders entitled to receive such distribution shall be adjusted in accordance with the following formula:

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

where:

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

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

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

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

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

where:

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

where:

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

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

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

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

n = the number of Purchased Shares.

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

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

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

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

where:

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

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

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

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

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

- (xii) If the Issuer shall declare a dividend in, or make a free distribution or bonus issue of, Common 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 employee stock bonus which requires an adjustment of the Conversion Price pursuant to subsection 13.05(c) of the Indenture;

- B. the record date for the issue of any rights or warrants which requires an adjustment of the Conversion Price pursuant to subsections 13.05(d) or 13.05(e) of the Indenture;
- C. the day immediately before the date of issue of any securities convertible into or exchangeable for Common Shares which requires an adjustment of the Conversion Price pursuant to subsection 13.05(k) of the Indenture;
- D. the day immediately before the date of a distribution which requires an adjustment of the Conversion Price pursuant to subsection 13.05(g) of the Indenture;
- E. the record date for distribution of cash which requires an adjustment of the Conversion Price pursuant to subsection 13.05(h) of the Indenture;
- F. the record date for the determination of the shareholders participating in capital reduction which requires an adjustment of the Conversion Price pursuant to subsection 13.05(i) of the Indenture;
- G. the Expiration Date with respect to any tender or exchange offer which requires an adjustment to the Conversion Price pursuant to subsection 13.05(j) of the Indenture; or
- H. the relevant date for an event or circumstance which requires an adjustment to the Conversion Price pursuant to subsection 13.05(m) of the Indenture;

then (except where such dividend, bonus issue or free distribution gives rise to a retroactive adjustment of the Conversion Price under subsection 13.05(a) or 13.05(b) of the Indenture) no adjustment of the Conversion Price in respect of such dividend, bonus issue or free distribution shall be made under this Clause 13.05, but in lieu thereof an adjustment shall be made (i) under 13.05(c), 13.05(d), 13.05(e) and 13.05(k) of the Indenture (as the case may require) by including in the denominator of the fraction described therein the aggregate number of Common Shares to be issued pursuant to such dividend, bonus issue or free distribution and (ii) under subsections 13.05(g), 13.05(h), 13.05(i), 13.05(j) and 13.05(m) of the Indenture by multiplying the Conversion Price after the adjustment under such subsections by a fraction the numerator of which is the number of Common Shares outstanding on the record date and the denominator of which is the sum of such number of Common Shares outstanding and the aggregate number of Common Shares to be issued pursuant to such dividends, bonus issue or free distribution.

(xiii) In case of a Merger of the Issuer pursuant to Section 9.01 of the Indenture, each Bond then Outstanding shall, without the consent of any Bondholders, become convertible only into the kind and amount of securities, cash and other property receivable upon such Merger by a holder of the number of Common Shares, into which such Bonds could have been converted immediately prior to such Merger. The corporation formed by such Merger or the Person that acquired such properties and assets shall enter into a supplemental indenture with the Trustee to provide for the continuation of the conversion rights specified in “— Conversion — Conversion Rights” to continue after such Merger and such supplemental indenture shall provide for adjustments to the Conversion Price which shall be as nearly equivalent as

practicable to the adjustments provided in Article 13 of the Indenture. Where there has been a Change of Control pursuant to such a Merger, a Holder may exercise its Change of Control Put Right as set forth in “— Redemption of Bonds in the Even of Change of Control”.

(xiv) If any event or circumstance analogous to the events and circumstances described in Sections 13.05(a) through 13.05(k) of the Indenture occur, the Conversion Price shall be adjusted as set forth in the analogous subsection.

Provisions Applicable to All Conversions and Adjustments of Conversion Price

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

The Issuer shall not take any action which would reduce the Conversion Price per Common Share below the par value of the Common Shares (currently NT\$10.0 per share), unless, under applicable law then in effect, the Bonds could be converted at such reduced Conversion Price into legally issued, fully-paid and non-assessable Common Shares.

All calculations relating to conversions, including adjustments of the Conversion Price, shall be made to the lower .001 of a share of securities or other property or nearest cent, as the case may be.

Whenever the Conversion Price is adjusted as set forth in “— Conversions — Adjustments to Purchase Price”, the Issuer will promptly file with the Paying Agent an Officer’s Certificate setting forth the date on which such adjustment became effective, the Conversion Price after such adjustment and prior to such adjustment and setting forth a brief statement of the facts requiring such adjustment. Promptly after receipt of such certificate, the Paying Agent shall prepare a notice of such adjustment of the Conversion Price setting forth the adjusted Conversion Price, the Conversion Price prior to such adjustment, a brief statement of the facts requiring such adjustment and the date on which such adjustment became effective and shall give such notice of such adjustment of the Conversion Price to each Holder of a Bond.

All adjustments of the Conversion Price will become effective immediately after the close of business on the effective date or the relevant record date, as the case may be.

Events of Default; Waiver and Notice

If one or more of the following events or conditions (each an “**Event of Default**”) shall occur and be continuing with respect to the Bonds (whatever the reason for such Event of Default and, unless otherwise expressly provided herein, whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

- (i) default in payment of the principal amount of and other amounts on any Bond, as and when the same becomes due and payable, and continuance of such default for three Business Days;
- (ii) default in the payment of Additional Amounts upon any Bond as and when the same becomes due and payable, and continuance of such default for five Business Days;
- (iii) failure by the Issuer to deliver the Common Shares as and when such Common Shares are required to be delivered following conversion of a Bond, and continuance of such default for five Trading Days;
- (iv) failure on the part of the Issuer duly to observe or perform any of the covenants or agreements provided in the Bonds or the Indenture (other than those referred to in clauses (i), (ii) or (iii) above) which failure cannot be remedied or, if such failure can be remedied, is not remedied within 30 days after the date on which written notice thereof requiring the Issuer to remedy the same shall have been given to the Issuer by the Trustee or the Holders of at least 25% in aggregate principal amount of the Bonds then Outstanding;
- (v) there shall have been entered against the Issuer or any of its Principal Subsidiaries a final judgment, decree or order by a court of competent jurisdiction for the payment of money in excess of US\$10 million with respect to the Issuer or any of its Principal Subsidiaries (or its equivalent in any other currency or currencies) and 30 days shall have passed since the entry of the order without it being bonded, satisfied, discharged or stayed;
- (vi) (A) the Issuer or any of its Principal Subsidiaries shall fail to make any payment with respect to present or future Debt (other than the Bonds) in an aggregate principal amount in excess of US\$10 million with respect to the Issuer or any of its Principal Subsidiaries (or its equivalent in any other currency or currencies) when and as the same shall become due and payable, if such failure shall continue for more than the period of grace, if any, originally applicable thereto or (B) the Issuer or any of its Principal Subsidiaries shall fail to perform or observe any covenant or agreement to be performed or observed by the Issuer or any of its Principal Subsidiaries contained in any agreement or instrument evidencing Debt (other than the Bonds) in an aggregate principal amount in excess of US\$10 million with respect to the Issuer or any of its Principal Subsidiaries (or its equivalent in any other currency or currencies) and such failure results in the acceleration of the maturity of any amount owing thereunder;
- (vii) a decree or order by a court having jurisdiction shall have been entered under any applicable bankruptcy, insolvency, reorganization or other similar law (A) adjudging the Issuer or any of

its Principal Subsidiaries as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization of the Issuer or any of its Principal Subsidiaries or (B) appointing a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Issuer or any of its Principal Subsidiaries or any of its property or (C) ordering the winding up or liquidation of the affairs of the Issuer or any of its Principal Subsidiaries and in any such case such decree or order shall have continued undischarged and unstayed for a period of 60 days; or

(viii) the Issuer or any of its Principal Subsidiaries shall voluntarily commence proceedings to be adjudicated as bankrupt or insolvent, or shall consent to the filing of a bankruptcy or insolvency proceeding against it, or shall file a petition or answer or consent seeking reorganization under any applicable bankruptcy, insolvency, reorganization or other similar law or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or its property, or shall make an assignment for the benefit of creditors; then in each and every such case, the Trustee at its sole discretion may, or at the discretion or request of the Holders of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding shall (subject in each case to being indemnified and/or secured by Holders to its satisfaction), by notice in writing to the Issuer declare the sum of the outstanding principal of and other amounts in respect of the Bonds to be immediately due and payable. Upon such a declaration, such sum of the outstanding principal of and other amounts in respect of the Bonds shall become immediately due and payable. If an Event of Default specified in (vii) or (viii) shall occur and be continuing, the sum of the outstanding principal of and other amounts in respect of the Bonds shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Bondholder. If an Event of Default shall have occurred and be continuing, interest shall accrue on the overdue sum at the rate of 5.00% per annum from the due date and ending on the date on which payment is made to the Holders in respect thereof (both dates inclusive). Such default interest shall accrue on the basis of the actual number of days elapsed and a 360 day year consisting of 12 months of 30 days each. The Holders of a Majority (as defined in the Indenture) in aggregate principal amount of the Bonds at the time Outstanding, by notice to the Trustee (and without notice to any other Bondholders) may rescind an acceleration (subject to indemnifying and/or securing the Trustee to its satisfaction) pursuant to Section 4.01 of the Indenture and its consequences if the rescission would not conflict with any judgment or decree for the payment of monies due that has been obtained or entered as hereinafter provided, all existing Events of Default have been cured or waived except non-payment of the sum of the outstanding principal amount of the Bonds that have become due solely as a result of such acceleration and all amounts due to the Trustee under Section 5.06 of the Indenture have been paid. No such rescission shall affect any subsequent Event of Default or impair any right consequent thereto.

The Trustee shall, within 30 days after receiving written notice of the occurrence of any Default, mail to all Holders notice of all Defaults of which the Trustee shall have received written notice in accordance with Section 5.06 of the Indenture, unless such Defaults shall have been cured or waived and the Trustee shall have been notified so in writing before the giving of such notice.

The Issuer covenants that it will furnish to the Trustee, within fourteen (14) days of its annual audited financial statements being made available to its shareholders and also within 14 days after any request by the Trustee, an Officer's Certificate to the effect that, having made all reasonable enquiries, to the best of

the Issuer's knowledge, information and belief as at a date (the "**Certification Date**") being not more than five days before the date of the certificate no Default or Event of Default had occurred since the date of the Indenture or the Certification Date of the last such certificate (if any) or, if such event had occurred, giving details of it; and the Issuer has complied with all its obligations under the Indenture. The Trustee shall be entitled to rely upon such certificates of the Issuer. In addition, the Issuer covenants that it will file immediately with the Trustee upon the occurrence of any Default or Event of Default or within fourteen (14) days following the Trustee's request, an Officer's Certificate setting forth the details of such Event of Default or Default and the action which the Issuer proposes to take with respect thereto.

Prescription

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

Meeting of Bondholders; Modification and Waiver

The Issuer may at any time call a meeting of the Holders, such meeting to be held at such time and at such place as the Issuer shall determine. In addition, the Trustee may, or upon the written request of Bondholders of at least one third in aggregate principal amount of Outstanding Bonds shall (subject to the Trustee being indemnified and/or secured to its satisfaction against all costs and expenses thereby occasioned) call a meeting of Bondholders at such time and such place as the requesting Bondholders shall specify. Notice of any meeting of Bondholders, setting forth the time and place of such meeting and in general terms the action proposed to be taken at such meeting, shall be mailed to such Bondholders as their address appears in the Register at least once, the first mailing to be not less than 20 nor more than 60 days prior to the date fixed for the meeting. To be entitled to vote at any meeting of Bondholders a Person shall be (i) a holder of one or more Bonds as of the relevant record date determined pursuant to Section 6.02 of the Indenture or (ii) a Person appointed by an instrument in writing as proxy by such a holder of one or more Bonds. The only Persons who shall be entitled to be present or to speak at any meeting of Bondholders shall be the Persons entitled to vote at such meeting and their counsel and any representatives of the Issuer or the Trustee and their respective counsel.

Two or more Persons entitled to vote a Majority in aggregate principal amount of the Bonds at the time Outstanding shall constitute a quorum at a meeting convened for the purposes referred to in Section 7.02 of the Indenture. At a meeting duly convened and at which a quorum is present as aforesaid, any resolution to modify, waive or amend, or to ensure compliance with, any of the covenants or conditions referred to above shall, subject to Section 7.02 of the Indenture, be effectively passed if passed by the persons entitled to vote a Majority in principal amount of Bonds at the time Outstanding. No business shall be transacted in the absence of a quorum, unless a quorum is present when the meeting is called to order. In the absence of a quorum within 30 minutes of the time appointed for any such meeting, the meeting may be adjourned for a period of not less than 10 days as determined by the chairman of the meeting. Notice of the reconvening of any adjourned meeting shall be given as provided above except that such notice need be given only once but must be given not less than five days prior to the date on which the meeting is scheduled to be reconvened.

Any Bondholder who has executed an instrument in writing appointing a person as proxy shall be deemed to be present for the purposes of determining a quorum and be deemed to have voted; *provided*

that such Bondholder shall be considered as present or voting only with respect to the matters covered by such instrument in writing. Any resolution passed or decision taken at any meeting of Holders duly held in accordance with this Section shall be binding on all Holders whether or not present or represented at the meeting.

The appointment of any proxy shall be proved by having the signature of the person executing the proxy guaranteed by any bank, banker, trust company or London or New York Stock Exchange member firm satisfactory to the Issuer. The holding of Bonds shall be proved by the Register maintained in accordance with Section 2.05 of the Indenture or by a certificate or certificates of the Trustee, provided that the holding of a beneficial interest in the Global Bond shall be proved by a certificate or certificates of the Common Depositary.

The Issuer shall appoint a temporary chairman of the meeting. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the holders of a Majority in aggregate principal amount of the Bonds represented at the meeting. At any meeting each Bondholder or proxy shall be entitled to one vote for each US\$200,000 principal amount of Bonds held or represented by it; *provided* that no vote shall be cast or counted at any meeting in respect of any Bond challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote except as a Bondholder or proxy. Any meeting of Bondholders duly called at which a quorum is present may be adjourned from time to time, and the meeting may be held as so adjourned without further notice.

The vote upon any resolution submitted to any meeting of Bondholders shall be by written ballot on which shall be subscribed the signatures of the Bondholders or proxies and on which shall be inscribed the serial number or numbers of the Bonds held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of Bondholders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was mailed as provided above. The record shall be signed and verified by the permanent chairman and secretary of the meeting and one of the duplicates shall be delivered to the Issuer and the other to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

With the consent of the Holders of not less than a Majority in aggregate principal amount of Bonds at the time Outstanding, the Issuer and the Trustee may, from time to time and at any time, enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture with respect to the Bonds or of any supplemental indenture or of modifying in any manner the rights of the holders of the Bonds; *provided* that no such modification or amendment may, without the consent of the Holders of 75% of aggregate principal amount of Outstanding Bonds,

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

- (ii) reduce the principal of or other amount on any Bond or increase the then current Conversion Price (except as required by the Indenture);
- (iii) change the place or currency of payment of principal of or other amounts on any Bond or the method of calculating any such payment;
- (iv) impair the right to institute suit for the enforcement of any payment on or after the Maturity Date (or, in the case of a redemption, on or after the Redemption Date) of any Bond;
- (v) alter the obligations of the Issuer under “— Certain Covenants — Negative Pledge”, “— Certain Covenants — Consolidation, Amalgamation or Merger” or “— Additional Amounts”;
- (vi) materially adversely affect the Conversion Right, the Holders’ Put Right, the Delisting Put Right or the Change of Control Put Right;
- (vii) modify the obligations of the Issuer to maintain an office or agency in Dublin, Ireland or London, England;
- (viii) reduce the above-stated percentage of Outstanding Bonds the consent of whose Holders is necessary to modify or amend the Indenture;
- (ix) reduce the percentage or aggregate principal amount of Outstanding Bonds the consent of whose Holders is necessary for waiver of compliance under Section 4.01(a) or Section 4.10 of the Indenture for waiver of Defaults;
- (x) modify any of the percentage voting and quorum provisions described under “— Meeting of Bondholders; Modification and Waiver”; or
- (xi) release the Issuer from any obligation under the Indenture other than in accordance with the provisions of the Indenture, or amend or modify any provision relating to such release in a manner that materially adversely affects the rights of the Holders.

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

Upon the request of the Issuer, accompanied by a copy of the supplemental indenture and upon the filing with the Trustee of evidence of the consent of Bondholders and other documents, if any, required by the Indenture, the Trustee shall join with the Issuer in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee’s own rights, duties, indemnities or immunities under the Indenture or otherwise, in which case the Trustee may in its sole discretion, but shall not be obligated to, enter into such supplemental indenture.

It shall not be necessary for the consent of the Bondholders under the Indenture to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Promptly after the execution by the Issuer and the Trustee of any supplemental indenture pursuant to the provisions of the Indenture, the Issuer at its expense shall, or shall cause the Trustee to, mail a notice thereof by first-class mail to the Bondholders at their address as they shall appear on the Register, setting forth in general terms the substance of such supplemental indenture. Any failure of the Issuer to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

Notices

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

Concerning the Trustee

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

Disclosure Obligations

The Issuer may have certain disclosure obligations and reporting obligations under ROC law if:

- (i) the person to be registered as a shareholder of the Company is a **"related party"** of the Issuer under Statements of Financial Accounting Standard No. 6 of the ROC and such person beneficially owns Common Shares converted from the Bonds; or
- (ii) the person to be registered as a shareholder of the Company owns Common Shares issued upon conversion of the Bonds and the Common Shares so issued upon conversion exceed 10% of the total number of Common Shares expected to be issued upon conversion of the Bonds based on the conversion price at the time of issue of the Bonds.

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

Governing Law and Jurisdiction

The Indenture and the Bonds shall be construed in accordance with and governed by the laws of the State of New York without giving effect to applicable principles of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby.

The Issuer hereby irrevocably and unconditionally submits to the non-exclusive jurisdiction of any United States federal or New York State court located in the Borough of Manhattan, the City of New York over any suit, action or proceeding arising out of or relating to the Indenture or any Bond. The Issuer irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in such a court and any claim that any such suit, action or proceeding brought in such a court has been brought in an inconvenient forum. The Issuer irrevocably and unconditionally waives trial by jury in any legal action or proceeding arising out of or relating to the Indenture. To the extent that the Issuer has or hereafter may acquire any immunity (sovereign or otherwise) from jurisdiction of any court or from any legal process with respect to itself or its property, the Issuer irrevocably waives such immunity in respect of its obligations hereunder or under any Bond. The Issuer agrees that final judgment in any such suit, action or proceeding brought in such a court shall be conclusive and binding upon the Issuer and, to the extent permitted by applicable law, may be enforced in any court to the jurisdiction of which the Issuer is subject by a suit upon such judgment or in any manner provided by law, provided that service of process is effected upon the Issuer in the manner specified in the following subsection or as otherwise permitted by law.

As long as any of the Bonds remain Outstanding, the Issuer will at all times have an authorized agent in New York City, upon whom process may be served in any legal action or proceeding arising out of or relating to the Indenture or any Bond. Service of process upon such agent and written notice of such service mailed or delivered to the Issuer shall to the fullest extent permitted by law be deemed in every respect effective service of process upon the Issuer in any such legal action or proceeding. The Issuer hereby appoints National Corporate Research, Ltd. as its agent for such purpose, and covenants and agrees that service of process in any suit, action or proceeding may be made upon it at the office of such agent at 10 E. 40th Street, 10th Floor, New York, NY 10016. Notwithstanding the foregoing, the Issuer may, with prior written notice to the Trustee, terminate the appointment of National Corporate Research, Ltd. and appoint another agent for the above purposes so that the Issuer shall at all times have an agent for the above purposes in New York City. Notice of details of the successor process agent will be promptly given to the Trustee.

The Issuer hereby irrevocably waives, to the fullest extent permitted by law, any requirement or other provision of law, rule, regulation or practice which requires or otherwise establishes as a condition to the institution, prosecution or completion of any suit, action or proceeding (including appeals) arising out of or relating to the Indenture or any Bond, the posting of any bond or the furnishing, directly or indirectly, of any other security.

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

THE GLOBAL BOND

Global Bond

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

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

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

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

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

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

Individual Definitive Bonds

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

DESCRIPTION OF OUR SHARE CAPITAL

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 Law as of the date of offering memorandum.

General

We were incorporated on June 27, 2007 as a company limited by shares under the ROC Company Law. Our Articles of Incorporation provide that our authorized share capital is NT\$28,000,000,000, divided into 2,800,000,000 shares, at a par value of NT\$10 per share. As of July 14, 2011, the Company has issued 2,256,366,935 shares representing issued capital of NT\$22,563,669,350. The shares may be issued in installments, and the shares which have not been issued would be authorized to board of directors to issue in installments. Of the total registered capital, NT\$2,000,000,000 divided into 200,000,000 Common Shares are reserved for the issuance of certificates of warrant, preferred shares with warrants and corporate bonds with warrants, which may be issued in installments pursuant to the resolution of board of directors.

The ROC Company Law and the ROC Securities and Exchange Law provide that any change in the issued share capital of a public company, such as the Company, require (i) the approval of its board of directors, (ii) an amendment of its Articles of Incorporation (which requires shareholders' approval) if the original paid-in share capital plus the number of the shares issuable upon the conversion of convertible securities or exercise of warrants or employee options and the number of any new shares to be issued exceeds the number of shares authorized in the Articles of Incorporation, and (iii) an effective registration with the ROC FSC. Approval of the Ministry of Economic Affairs is also required to amend the corporate registration to reflect the changes to our authorized and paid-in share capital.

Dividend and Distributions

A company is generally not permitted to distribute interest on capital and dividends or to make any other distributions to shareholders at any time other than when that company generates net profits ("Earnings") after tax at the end of the relevant fiscal year. In addition, before distributing interest on capital and dividends to shareholders, a company must recover any past losses, pay all outstanding taxes and set aside 10% of its Earnings (less prior years' losses and outstanding tax) as a reserve (the "Legal Reserve") until such time when its Legal Reserve equals its paid-in capital. Subject to compliance with these requirements, a company may pay interest on capital and dividends or make other distributions from its Earnings or reserves as permitted by the ROC Company Law as set forth below.

At the annual ordinary shareholders' meeting, the board of directors submits to the shareholders for their approval of the Company's financial statements for the preceding fiscal year. Interest on capital and dividends are paid and distributed to shareholders in proportion to the number of shares owned by each shareholder as listed on the shareholders' register as of the relevant record date, either in cash, in the form of shares or a combination of cash and shares.

Article 28 of the Company' Articles of Incorporation provides that when it is determined that the Company has earnings for a fiscal year, the earnings shall firstly be appropriated to profit-seeking enterprise tax payable, and make up the losses of previous years. Then, the Company shall provide 10% of the remaining earnings as the Legal Reserve if there is any remaining amount, unless such Legal Reserve has amounted to the total paid-in capital, and then set aside the special reserve in accordance with the requirements under the laws and regulations or of the competent authorities. Should there be any residual, it shall be distributed according to the following sequence:

- At least 10% of the remaining amount shall be allocated as employee bonus, which may be paid in cash or in the form of shares. Where the employee bonus is distributed in the form of shares, qualified employees of the subordinate companies may be included. The qualification shall be determined by the board of directors.
- At most 1% of the remaining amount shall be allocated as directors' and supervisors' remuneration.
- Any remaining earnings, together with any accumulated undistributed earnings of previous years, may then be distributed or kept in accordance with a proposal for the distribution of earnings made by the board of directors and duly approved by a resolution at a shareholders' meeting.

According to our Article of Incorporation, not less than 10% of the total dividends to be paid with respect to any fiscal year shall be paid in the form of cash. The distribution of the dividends to shareholders is limited to the shareholders recorded in the shareholders' register five days prior to the record date for distribution of dividends and bonus as determined.

In addition to permitting dividends to be paid out of Earnings, the ROC Company Law permits a company to make distributions to its shareholders (if the Company does not have any losses) in the form of cash or additional shares of common stock from reserves (including the Legal Reserve and capital surplus of premium from issuing stock and earnings from gifts received). In the case of a company's Legal Reserve, the Company is able to make distribution in the form of cash or shares of common stock from the Legal Reserve exceeding 25% of the Company's paid-in capital, and such distributed portion can only be effected when the accumulated Legal Reserve exceeds 25% of the paid-in capital of the Company.

Under current ROC law, 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, become our property. However, stock dividends are not subject to any prescription period under ROC law. Thus, uncollected stock dividends will remain in our safekeeping and continue to be claimable by the relevant shareholders.

Pre-emptive Rights and Issues of Additional Common Shares

Under the ROC Company Law, when a public company (such as the Company) issues new shares of common stock for cash, 10% to 15% of the issue must be offered to its employees. The remaining new shares must be offered to existing shareholders in a pre-emptive rights offering, subject to a

requirement under the ROC Securities and Exchange Law that at least 10% of these issuances must be offered to the public except under certain circumstances or when exempted by the ROC FSC. This percentage can be increased by a resolution passed at a shareholders' meeting, thereby limiting the pre-emptive rights of existing shareholders. Unless the percentage of shares to be offered to the public is increased by shareholders, existing shareholders who are listed on the shareholders' register as of the record date have pre-emptive rights to acquire the remaining 75% to 80% of the issue. The shares not subscribed for by the employees and shareholders at the expiration of the period of the exercise of their rights may be freely offered by the Company (subject to ROC law) to the public or any specific persons through the arrangement of the Company's board of directors. The pre-emptive rights provisions will not apply to offerings of new shares through a private placement approved at a shareholders' meeting. Authorized but unissued shares of any class may be issued at such times and, subject to the abovementioned provisions of the ROC Company Law and the ROC Securities Exchange Law, upon such terms as the Company's board of directors may determine.

Meetings of Shareholders

The Company's shareholders' meetings may be ordinary or extraordinary. Ordinary meetings of shareholders are generally held in Taipei, Taiwan, within the first six months after the end of each fiscal year. Extraordinary meetings of shareholders may be convened by resolution of the board of directors whenever it deems necessary, or under certain circumstances, by shareholders or the supervisors. Notice in writing of the Company's shareholders' meetings, stating the place, time and purpose thereof, must be dispatched to each shareholder at least 30 days (in the case of ordinary meetings) and 15 days (in the case of extraordinary meetings) prior to the date set for each meeting.

Voting Rights

A holder of Common Shares has one vote for each Common Share except for those held by the Company or directly or indirectly held by the Company's controlling companies or affiliates. Except as otherwise provided by law, a resolution may be adopted by the holders of a simple majority of the total issued and outstanding Common Shares represented at a shareholders' meeting at which a majority of the holders of the total issued and outstanding Common Shares are present. The election of directors and supervisors at a shareholders' meeting is by cumulative voting unless otherwise provided in the Company's Articles of Incorporation. Ballots for the election of directors are cast separately from those for the election of supervisors. Both are elected by the Company's shareholders at the shareholders' meeting at which ballots for these elections are cast.

The ROC Company Law also provides that, in order to approve certain major corporate actions, including any amendment to the Articles of Incorporation (which is required, inter alia, for any increase in authorized share capital), execution, modification or termination of any contracts regarding leasing of all business or joint operations or mandate of the Company's business to other persons, the dissolution or amalgamation or spin-off of a company, the transfer of the whole or an important part of its business or its properties, the taking over of the whole of the business or properties of any other company which would have a significant impact on the acquiring company's operations, the removal of directors or supervisors 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 of common stock at which the holders of at least a majority of the common stock represented at the

meeting vote in favor thereof. However, in the case of a publicly held company such as the Company, such a resolution may be adopted by the holders of at least two-thirds of the shares of common stock represented at a meeting of shareholders at which holders of at least a majority of the issued and outstanding shares of common stock are present.

A shareholder may be represented at a shareholders' meeting by proxy. A valid proxy must be delivered to the Company at least five days prior to the commencement of such shareholders' meeting. Voting rights attaching to Common Shares exercised through a proxy are subject to the proxy regulations promulgated by the ROC FSC.

Any shareholder who has a personal interest in a matter to be discussed at our shareholders' meeting, the outcome of which may impair the Company's interests, shall not vote or exercise voting rights nor vote or exercise voting rights on behalf of another shareholder on such matter.

Other Rights of Shareholders

Under the ROC Company Law, dissenting shareholders are entitled to appraisal rights in the event of amalgamation, spin-off and certain other major corporate actions. A dissenting shareholder may request the Company to redeem all of the Common Shares owned by that shareholder at a fair price to be determined by mutual agreement or a court order if agreement cannot be reached. A shareholder may exercise these appraisal rights by serving written notice on the Company prior to the related shareholders' meeting and by raising an objection at the shareholders' meeting. In addition to appraisal rights, any shareholder has the right to sue for the annulment of any resolution adopted at a shareholders' meeting where the procedures were legally defective within 30 days after the date of the shareholders' meeting. One or more shareholders who have held more than 3% of the issued and outstanding Common Shares for over a year may require a supervisor to bring a derivative action against a director for that director's liability to the Company as a result of that director's unlawful actions or failure to act. In addition, one or more shareholders who have held more than 3% of the Company's issued and outstanding Common Shares for over a year may require the board of directors to convene an extraordinary shareholders' meeting by sending a written request to the board of directors.

The ROC Company Law has been amended to allow shareholder(s) holding 1% or more of the total issued shares of a company, during a period of time prescribed by the Company, to submit one proposal in writing containing no more than 300 words (Chinese characters) for discussion at the ordinary shareholders' meeting. The amendment also provides that a company may adopt a nomination procedure for election of directors or supervisors. If a company wishes to adopt the nomination procedure, it must stipulate such in its articles of incorporation. With such provision in the articles of incorporation of a company, shareholders representing 1 % or more of the total issued shares of such company may submit a candidate list in writing to the company along with relevant information and supporting documents within a period specified by the company. The Company's Articles of Incorporation currently only provides a nomination procedure for election of independent directors.

Register of Shareholders and Record Dates

The Company's share registrar, Grand Cathay Securities Corporation, maintains the shareholders' register of the Company at its office in Taipei, Taiwan. Under the ROC Company Law, the transfer of

shares is effected by endorsement and delivery of the related share certificates. The transferee must have its name and address registered on the shareholders' register in order to assert its rights against the Company. Shareholders are required to file their respective specimen signatures or seals with the Company. The settlement of trading in the Common Shares is normally carried out on the book-entry system maintained by TDCC.

The ROC Company Law permits the Company to set a record date and close the shareholders' register for a specified period in order for the Company to determine the shareholders or pledgees that are entitled to certain rights pertaining to Common Shares by giving advance public notice. As provided in the Company's Articles of Incorporation, the Company's register of shareholders is closed for a period of 60 days, 30 days and five days immediately before each ordinary meeting of shareholders, each extraordinary meeting of shareholders and each record date for determination of the shareholders' entitlement to dividends, bonus or any other profits distributed by the Company, respectively.

Annual Financial Statements

Under the ROC Company Law, 10 days before the ordinary meeting of shareholders, the Company's annual financial statements must be available at the Company's principal office for inspection by the shareholders. According to the regulations of ROC FSC, the Company is required to publish its annual, semi-annual and quarterly financial statements on a consolidated basis from March 29, 2010.

Acquisition of Common Shares by the Company

With other minor exceptions and the exceptions in the succeeding paragraphs, the Company cannot acquire its own Common Shares.

Under the ROC Securities and Exchange Law, a company whose shares are listed on the TWSE or traded on the GreTai Securities Market ("GTSM") may, pursuant to a board resolution adopted by a majority consent at a meeting attended by more than two-thirds of the directors and pursuant to the procedures prescribed by the ROC FSC, purchase its shares on the TWSE or the GTSM or by a tender offer for the following purposes:

- (i) for transfer of shares to its employees;
- (ii) for conversion into shares from bonds with warrants, preferred shares with warrants, convertible bonds, convertible preferred shares or certificates of warrants issued by the Company; or
- (iii) for maintaining its credit and its shareholders' equity, provided that the shares so purchased shall be canceled thereafter.

The total Common Shares purchased by the Company shall not exceed 10% of its total issued Common Shares. In addition, the total amount for purchase of the Common Shares shall not exceed the aggregate amount of the retained earnings, the premium from stock issues and the realized portion of the capital reserve.

The Common Shares purchased by the Company pursuant to items (i) and (ii) above shall be transferred to the intended transferees within three years after the purchase; otherwise the Common Shares shall be canceled. For the Common Shares to be canceled pursuant to item (iii) above, the Company shall complete amendment registration for such cancellation within six months after the purchase.

The Common Shares purchased by the Company shall not be pledged or hypothecated. In addition, the Company may not exercise any shareholders' rights attaching to such Common Shares. The Company's affiliates (as defined in Article 369-1 of the ROC Company Law), directors, supervisors, managers and their respective spouses and minor children and/or nominees are prohibited from selling the Common Shares of the Company held by them during the period in which the Company purchases the Common Shares.

Liquidation Rights

In the event of the Company's liquidation, the assets remaining after payment of all debts, liquidation expenses, taxes and distributions to holders of preferred shares, if any, will be distributed pro rata to the Company's shareholders in accordance with the ROC Company Law.

Transaction Restrictions

The ROC Securities and Exchange Law (i) requires each director, supervisor, manager or shareholder holding more than 10% of the shares of a public company (such as the Company) to report, on a monthly basis, any changes of that person's shareholding to that 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.

In addition, such persons may only sell or transfer such shares on the TWSE or GTSM at least three days following their filing of a notification with the ROC FSC in respect of such sale or transfer provided that such notification will not be required if the number of shares to be sold or transferred does not exceed 10,000.

ROC TAXATION

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

Bonds

Premium and Possible Interest Payment. Payments of stated interest or premium (if any) on a Bond to a Non-ROC Holder constitute interest income and, therefore, are subject to ROC withholding tax at the rate of 15% at the time of payment unless a lower withholding rate is provided under a tax treaty between the ROC and the jurisdiction where the Non-ROC Holder is a resident. The Company has agreed to pay Additional Amounts in respect of such withholding tax on the payment of interest or premium. See “Description of the Bonds.” In addition, should withholding tax be payable, the Company will be responsible for withholding such taxes at source.

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

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

Shares

Dividends. Dividends, whether in cash or stock, declared by us out of retained earnings and distributed to a Non-ROC Holder in respect of Common Shares are subject to ROC withholding taxes 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 Common Shares (in the case of stock dividends) unless a lower withholding rate is provided under a tax treaty between the ROC and the jurisdiction where the Non-ROC Holder is a resident. A 10% retained earnings tax is imposed on 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 the Company declares 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 the Non-ROC Holders so that the actual withholding tax imposed on the Non-ROC Holders may be less than 20%.

Sale. Securities transaction tax is payable by the seller at the rate of 0.3% of the transaction price upon a sale of our shares. The broker will withhold such 0.3% securities transaction tax from the sales

proceeds and pay the withholding tax to the national treasury accordingly. Under the current ROC law, capital gains on transactions in shares are exempt from income tax. This exemption applies to capital gains derived from the sale of our shares.

Subscription Rights

Distributions of statutory subscription rights for our shares are not subject to any ROC taxes. Proceeds derived from sales of statutory subscription rights evidenced by securities are currently exempted from income tax but are subject to securities transaction tax, currently at the rate of 0.3% of the gross amount received. Proceeds derived from sales of statutory subscription rights that are not evidenced by securities are subject to capital gains tax at the rate of 20% of the gains realized for a Non-ROC Holder. Subject to compliance with ROC laws, the company has the sole discretion to determine whether statutory subscription rights shall be evidenced by the issuance of securities.

Estate Tax 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-ROC Resident Individual, and ROC gift tax is payable on any property within the ROC donated by a Non-ROC Resident Individual. Estate tax and gift tax are currently imposed at a rate of 10%. Under ROC estate and gift tax law, bonds and shares issued by ROC companies are deemed located within the ROC regardless of the location of the owner.

Tax Treaties

At present, the ROC has entered into income tax treaties with Singapore, Australia, Indonesia, New Zealand, South Africa, Gambia, the Netherlands, Swaziland, Malaysia, Macedonia, Vietnam, the United Kingdom, Senegal, Sweden, Belgium, Denmark, France, Hungary, Israel and Paraguay, which may limit the rate of withholding tax on dividends or interest paid by ROC companies to residents of these countries. It is unclear whether a Non-ROC Holder will be considered to own the Bonds or Common Shares for the purposes of such income tax treaties. Accordingly, holders of the Bonds or Common Shares who are otherwise entitled to the benefits of a relevant income tax treaty should consult their own tax advisers concerning their eligibility for benefits under the treaty with respect to the Bonds or Common Shares.

TRANSFER RESTRICTIONS

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

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

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

- (1) The Bonds and the Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States or other jurisdiction and are subject to significant restrictions on transfer.
- (2) Each owner is purchasing Bonds outside the United States in an offshore transaction meeting the requirements of Regulation S.
- (3) Such owner will not offer, sell, pledge or otherwise transfer any Bonds and the Shares, except as permitted by the applicable legend set forth in paragraph (4) below.
- (4) The Bonds will bear a legend to the following effect, unless we determine otherwise in compliance with applicable law, and that it will observe the restrictions contained therein:

THE BONDS IN RESPECT OF WHICH THIS CERTIFICATE IS ISSUED AND THE SHARES OF COMMON STOCK (THE “SHARES”) OF PEGATRON CORPORATION ISSUABLE UPON CONVERSION THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND SUCH SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED, DELIVERED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT. EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THE BONDS EVIDENCED HEREBY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

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

PLAN OF DISTRIBUTION

Citigroup and DBS are the joint bookrunners of this offering. Subject to the terms and conditions stated in the purchase agreement, dated as of January 30, 2012, entered into between our company and the joint bookrunners, each manager has agreed to purchase, and we have agreed to sell to that manager, the principal amount of Bonds set forth opposite the manager's name,

<u>Manager</u>	<u>Principal amount of Bonds</u>
Citigroup	US\$150,000,000
DBS	US\$150,000,000
Total	<u>US\$300,000,000</u>

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

The managers have agreed to purchase the Bonds at the offering price set forth on the cover page of this offering memorandum.

The Bonds and our shares have not been, and will not be, registered under the U.S. Securities Act and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. See "Transfer Restrictions."

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

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

For a period of 90 days after the date of the final offering memorandum, we and several shareholders and directors, including ASUSTek Computer Inc., will not (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, or file with the SEC a

registration statement under the Securities Act relating to, any Shares or any securities convertible into or exercisable or exchangeable for Common Shares, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Common Shares or any such other securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise, without the prior written consent of Citigroup and DBS other than the Bonds to be sold hereunder and *provided* that (A) we may issue employee bonus shares and stock dividends consistent with past practice, (B) we may implement stock splits and employee stock option plans or employee share purchase plans, (C) we may issue common stock issuable upon the conversion of securities or the exercise of warrants outstanding as of the date of this offering memorandum and as described in this offering memorandum, and (iv) we may make any application or filing with any applicable regulatory authority for issuance and offering of new common shares approved by the shareholders prior to the date of this offering memorandum.

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

Each manager has severally represented and agreed that:

- (1) it has not offered or sold and will not offer or sell the Bonds in Hong Kong, by means of any document other than:
 - (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or
 - (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (2) it has not issued or had in its possession for the purpose of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be assessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to

the Bonds that are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each manager has represented, warranted and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase nor will it offer or sell the Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, nor has it circulated or distributed nor will it circulate or distribute this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person (as defined in Section 275(2) of the SFA) 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.

Note:

Where the Bonds are subscribed or purchased in reliance of an exemption under Sections 274 or 275 of the SFA, the Bonds shall not be sold within the period of six months from the date of the initial acquisition of the Bonds, except to any of the following persons:

- (i) an institutional investor (as defined in Section 4A of the SFA);
- (ii) a relevant person (as defined in Section 275(2) of the SFA); or
- (iii) any person pursuant to an offer referred to in Section 275(1A) of the SFA, unless expressly specified otherwise in Section 276(7) of the SFA.

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

- (i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

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

- (i) to an institutional investor under Section 274 of the SFA, or to a relevant person defined in Section 275(2) of the SFA and in accordance with the conditions specified in Section 275 of the SFA;
- (ii) (in the case of a corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the SFA or (in the case of a trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA;
- (iii) where no consideration is or will be given for the transfer;
- (iv) where the transfer is by operation of law; or
- (v) as specified in Section 276(7) of the SFA.

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

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

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

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

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

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

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

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

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

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

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

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

GENERAL INFORMATION

The Company was incorporated on June 27, 2007 and is registered with the ROC MOEA under a uniform registration number of 28689155. The Company's registered office is located at Taipei, Taiwan, ROC. Article 2 of the Company's Articles of Incorporation provides that the business scope of the Company includes the following:

1. Restrained Telecom Radio Frequency Equipments and Materials Manufacturing;
2. Restrained Telecom Radio Frequency Equipments and Materials Import; and
3. All business items that are not prohibited or restricted bylaws and regulations, except for those subject to special approval.

The Company accepts responsibility for the information contained in this offering memorandum. To the best of the knowledge and belief of the Company (whom has taken all reasonable care to ensure that such is the case), the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. The Company has compiled all industry and market information and statistics contained in this offering memorandum from various published and private sources, which may be inconsistent with other information compiled elsewhere. The Company has reproduced such information correctly in this offering memorandum but neither the Company, nor the Purchasers, has independently verified the accuracy of any of such information and the Company accepts responsibility only for accurately extracting information from such sources.

KPMG LLP, Certified Public Accountants, has given and has not withdrawn its written consent to inclusion in this offering memorandum of its reports on the financial statements of the Company.

The Offering and the issue of the Bonds were authorized and approved by the Board of Directors of the Company on December 1, 2011 and by the FSC on December 30, 2011.

Except as disclosed herein, there has been neither significant change in the financial or trading position since September 30, 2011 nor any material adverse change in the financial position or prospects since September 30, 2011 of the Company and its subsidiaries, the date of the latest semi-annual financial statements contained herein.

The Indenture and the Purchase Agreement are governed by the laws of the State of New York.

The Bonds have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain information about the Bonds is set forth below:

	<u>ISIN number</u>	<u>Common Code number</u>
Bonds	XS0724674931	072467493

The Company has received approval in-principle for the listing and quotation of the Bonds on the Official List of the SGX-ST. As long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Company shall appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption. In addition, in the event that the Global Bond is exchanged for certificates in definitive form, an announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the Certificates in definitive form, including details of the paying agent in Singapore.

Except as disclosed in this offering memorandum, neither the Company nor any members of the Company is, or has been involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the preceding 12 months a significant effect on the financial position of the Company.

The Bonds provide the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Bonds and accordingly in such circumstances the Trustee will be unable to take such actions, notwithstanding the provision of indemnity and/or security to it, and it will be for Holders to take such actions directly.

LEGAL MATTERS

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

ACCOUNTANTS

Our audited consolidated financial statements, as of December 31, 2009 and 2010 and included in this offering memorandum have been audited in accordance with ROC auditing standards and “Rules Governing the Examination of Financial Statements by Certified Public Accountants by KPMG, whose report appears herein and contains explanatory paragraph relating to the adoption of new accounting principle in 2009. 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 on Auditing Standards No. 36 “Review of Financial Statements” by KPMG, whose report appears herein, and was qualified with respect to the effects of the adjustments, if any, as might have been determined to be necessary had the September 30, 2010 financial statements of some of the consolidated subsidiaries and some equity method investees been reviewed by our independent accountants.

APPENDIX A — THE SECURITIES MARKET OF THE ROC

The information presented in this section has been extracted from publicly available documents that have not been prepared or independently verified by us, the Managers or any of our respective affiliates or advisors in connection with this Offering.

In September 1960, the ROC government established the ROC Securities and Exchange Commission to supervise and control all aspects of the existing domestic securities market and the TWSE began to take shape soon thereafter. In the 1970s and the early 1980s, the ROC government implemented a number of steps designed to upgrade the quality and importance of the ROC securities markets, such as encouraging listing on the TWSE and establishing an over-the-counter securities exchange. In the mid-1980s, the ROC government began to revise its laws and regulations in a manner designed to facilitate the gradual internationalization of the ROC securities markets. In 1997, the ROC Securities and Exchange Commission was renamed the ROC Securities and Futures Commission. Effective July 1, 2004, the ROC Securities and Futures Commission has been renamed the ROC Securities and Futures Bureau of the FSC, and its supervisory authority has been transferred from the Ministry of Finance to the Financial Supervisory Commission, Executive Yuan.

The Taiwan Stock Exchange

In 1961, the ROC SFB established the TWSE to provide a marketplace for securities trading. The TWSE is a corporation owned by government-controlled and private banks and enterprises. The TWSE is independent of the entities transacting business through it, each of which pays to the TWSE a user's fee. Subject to limited exceptions, all transactions in listed securities by brokers, traders and integrated securities firms must be made through the TWSE.

The TWSE commenced operations in 1962. During the early 1980s, the ROC SFB actively encouraged new listings on the TWSE and the number of listed companies has grown from 119 in 1983 to 790 as of December 31, 2011. As of December 31, 2011, the market capitalization of companies listed on the TWSE was approximately NT\$19.2 trillion.

Historically, ROC companies have listed only shares and bonds on the TWSE. However, the ROC SFB has encouraged companies to list other types of securities. In 1988, the Ministry of Finance permitted the issuance of ROC's first exchangeable bonds. Since 1989, there have been offerings of domestic convertible bonds and convertible preferred shares. In addition, beneficiary units evidencing beneficiary interests in closed-end investment funds and bonds issued by super-national financial institutions are also listed on the TWSE or traded on the GTSM (which is discussed below). The ROC SFB also has promulgated regulations which permit foreign issuers to list certain securities on the TWSE.

The TWSE considers the following factors when evaluating a company for listing:

- the number and distribution of shareholders, including the diversification of such shareholders;
- length of time in business;

- amount of paid-in capital; and
- profitability.

However, special listing criteria apply to technology companies and key businesses that are engaged in the national economic development.

The following table shows for the periods indicated information relating to the Taiwan Stock Exchange Index.

Period	No. of Listed Companies at Period End	Stock Trading Values (in NT\$ billions)	Index High	Index Low	Index at Period End
1996	382	12,907.6	6,982.81	4,690.22	6,933.94
1997	404	37,241.2	10,116.84	6,820.35	8,187.27
1998	437	29,619.0	9,277.09	6,251.38	6,418.43
1999	462	29,291.5	8,608.91	5,474.79	8,448.84
2000	531	30,526.6	10,202.20	4,614.63	4,739.09
2001	584	18,354.9	6,104.24	3,446.26	5,551.24
2002	638	21,874.0	6,462.30	3,850.04	4,452.45
2003	669	20,333.2	6,142.32	4,139.50	5,890.69
2004	697	23,875.4	7,034.10	5,316.87	6,139.69
2005	691	18,818.9	6,575.53	5,632.97	6,548.34
2006	688	23,900.4	7,823.72	6,257.80	7,823.72
2007	698	33,043.9	9,809.88	7,344.56	8,506.28
2008	718	26,115.4	9,295.20	4,089.93	4,591.22
2009	741	29,680.5	8,188.11	4,242.61	8,188.11
2010	758	28,218.7	8,972.50	7,071.67	8,972.50
2011	790	26,197.4	9,145.35	6,633.33	7,072.08

Source: Taiwan Stock Exchange; World Federation of Stock Exchanges (www.fibv.com) for "Number of Listed Companies at the Period End" information.

The ROC GreTai Securities Market

To complement the TWSE, the GTSM was established in September 1982 on the initiative of the ROC SFB to encourage the trading of securities of companies that do not qualify for listing on the TWSE. As of December 31, 2011, 607 companies had listed equity securities on the GTSM and the total market capitalization of those companies was NT\$1,417 billion.

Price Limits, Commissions, Transaction Tax and Other Matters

The TWSE has placed limits on block trading and on the range of daily price movements. According to the TWSE's block trading guidelines, transactions in one class of securities that involve 500 or more trading lots or trading amounts exceeding NT\$15 million, and transactions involving five or more different classes of securities and trading amounts exceeding NT\$15 million must be registered and executed in accordance with the guidelines. Fluctuations in the price of stock traded on the TWSE are

currently subject to a restriction of 7% above and below the previous day closing price (or reference price set by the TWSE if the previous day closing price is not available because of lack of trading activity). However, these restrictions have been modified from time to time by the ROC SFB based on market conditions. The ROC SFB has announced that limitations on price fluctuations may be relaxed with a view to eventually abolish all share price fluctuation controls. Brokerage commission can be set at any rate of the transaction price, provided that any rate exceeding 0.1425% shall be reported to the TWSE and notified to the client in advance. A securities transaction tax, currently levied at 0.3% of the transaction price, is payable by the seller of equity securities. Such securities transaction taxes are withheld at the time of the transaction giving rise to such tax. Sales of shares of companies listed on the TWSE are currently sold in round lots of 1,000 shares. Investors who desire to sell less than 1,000 shares of a listed company occasionally experience delays in effecting such sales.

Regulation and Supervision

The ROC SFB has extensive regulatory authority over public companies. Public companies are generally required to obtain the deemed approval from the ROC SFB for all securities offerings. The ROC SFB has promulgated regulations requiring, unless otherwise exempted, periodic reporting of financial and operating information by all public companies. In addition, the ROC SFB establishes standards for financial reporting and carries out licensing and supervision of participants in the ROC securities market.

The ROC SFB has responsibility for implementing ROC Securities and Exchange Law and for overall administration of governmental policies in the ROC securities market. It has extensive regulatory authority over the offering, issuance and trading of securities. In addition, ROC Securities and Exchange Law specifically empowers the ROC SFB to promulgate necessary rules. ROC Securities and Exchange Law prohibits market manipulation. For example, it permits an issuer to recover short-swing trading profits made through purchases and sales within six months by directors, managerial personnel, supervisors, as well as the spouses, minor children and nominees of these parties, and shareholders (together with their spouses, minor children and nominees) who hold 10% or more of the shares of the issuer. ROC Securities and Exchange Law prohibits trading by “insiders” based on non-public information that materially affects share price movement prior to publication of such information and within 18 hours after publication of such information. “Insiders” include:

- directors, supervisors, managers, as well as the spouses, minor children and nominees of these parties, and shareholders (together with their spouses, minor children and nominees) who hold 10% or more of the issuing company’s shares and any individual designated by a governmental or corporate director or supervisor to act on its behalf;
- any person who has learned material, non-public information due to an occupational or controlling relationship with the issuing company;
- any person who has discharged from the status or position in the first and second bullet points for not more than six months; and
- any person who has learned material, non-public information from any of the above.

Sanctions include imprisonment. In addition, damages may be awarded to persons injured by the transaction. ROC Securities and Exchange 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 SFB regulations require that financial reports of listed companies be audited by accounting firms consisting of at least three certified public accountants and be signed by at least two certified public accountants.

In addition, ROC Securities and Exchange Law provides for civil liability for material misstatements or omissions made by issuers and regulation of tender offers. The ROC SFB does not have criminal or civil enforcement powers under ROC Securities and Exchange Law. Criminal actions may be pursued only by government prosecutors. Civil actions may only be brought by plaintiffs who assert that they have suffered damages. The ROC SFB is empowered to curb abuses and violations of laws and regulations only through administrative measures including:

- issuance of warnings;
- temporary suspension of operation;
- imposition of administrative fines; and
- revocation of licenses.

In addition to providing a market for securities trading, the TWSE reviews applications by ROC issuers to list securities on the TWSE. If issuers of listed securities violate laws and regulations or encounter significant difficulties, the TWSE may, with the approval of the ROC SFB, delist the securities of these issuers.

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